

CHAPTER - I

INTRODUCTION

1.1 GENERAL BACKGROUND

Bank is a financial institution, which is involved in monetary transaction. It is an institution, which collects deposit from surplus holder and provides credit to deficit holder. Bank creates credit in productive sector, by giving loan to traders, industrialists, and business persons. Bank receives deposits made by different persons and institutions for the security of their money. It pays interest for the money deposited, gives the money back when demanded and takes interest on the loan. In this way, banking transactions are mainly concerned with the monetary movement.

In Nepal banking in true sense of term started with the inception of Nepal Bank Ltd. On 30th Kartik, 1994 B.S. Right from the inception, it carried out functions of a commercial bank. Nepal bank Ltd has a herculean (determination) responsibility of attraction of people toward banking sector from pre-dominant Sahu Mahajan's transaction and of introducing other banking services as well. Nepal bank Ltd as a first commercial bank of Nepal was established 128 years after the established of first commercial bank in India. In this way, as compared to India, Nepal lags behind 128 years for establishing a simple banking institution.

People felt the need for modern banking facilities and to help the government formulate monetary policies, Nepal Rastra Bank was set up

in 2013 B.S. the central bank of Nepal. Since then it has been functioning as the government's bank and had adopted a deregulatory approach, it requires continuous modification in view of fast changing world.

Integrated and speedy development of the country is possible only when competitive banking services reaches nooks and corners of the country. In order to fulfill this objective, government set up Rastriy Banijya Bank in 2022 B.S. as a fully government owned commercial bank, with the coming up of Rastriy Banijya Bank, services spread to both the rural and urban areas. As the name suggests, commercial banks are carry out commercial transactions only. Despite being an agricultural country, our farming system is the traditional one to consume more cost and less yield. To get rid of this problem, scientific agriculture is imperative, which requires finance and specialist of the field. To meet these ends, agricultural development bank was established in 2024 B.S.

The government of Nepal adopted liberal economic policy to accelerate country's financial growth and development. Until the early 1980s that is before liberalization, the financial system consisted of only two commercial banks and few financial institutions. The financial sector was not opened up for private sector. Only two commercial banks- Rastriy Banijya Bank and Nepal Bank Limited, that were government controlled, were functioning in Nepal.

The development of banking system in Nepal is not so long in comparison with the neighboring countries or developed or developing countries. As in other countries, goldsmiths and landlords were the ancient bankers of Nepal. Through all the banking activities were not

carried out by “Tejarath Adda”, Tejarath Adda established during the tenure of the Prime Minister Rannadip Singh in 1933 B.S. was the first step towards the institutional development of banking in Nepal. Tejarath Adda did not collect deposits from the public but gave loans to employees and public against bullion.

The financial performance is concerned with the measurement and analysis of financial operation of the firm, through ratio analysis, correlation, trend analysis and test of hypothesis approach. To know the financial condition of any firm, its financial performance should be analyzed. Financial performance is a quantitative analysis of firm's efficiency. A real picture of financial performance mainly depends upon firms past, present and anticipated future financial conditions. Financial performance is the outcome of financial statement analysis. It measures such as corporate or division profitability is a summary measuring of the success of the firm's strategies and operating tactics.

"Financial statement analysis is largely a study of relationship among the various financial factors in a business as disclosed by a single set of statements and a study of trends of these factors in the series of statements." (Meir, 1999) Financial performance is confined based on financial analysis. Financial Analysis is concerned with the analysis of financial statement so; we can say that financial performance is the outcome of financial statement analysis. It also provides some extremely useful information in terms of the structure of assets, liabilities and owner's equity and shows the results of operations during a certain period of time on the basis of balance sheet and profit and loss account. Interpretation of financial statement is really an art. It involves many

processes like management analysis, establishing relationship between available facts and drawing conclusion on the basis of it.

1.1.1 Introductions to Nepal Investment Bank Limited (NIBL)

Nepal Investment Bank Ltd. (NIBL), previously Nepal Indosuez Bank Ltd, was established in 1986 as a joint venture between Nepalese and French partners. The French partner (holding 50% of the capital) was Credit Agricole Indosuez, a subsidiary of one the largest banking groups in the world. With the decision of Credit Agricole Indosuez to divest, a group of companies comprising of bankers, professionals, industrialists and businessperson, in April 2002, acquired 50% of the holding of Credit Agricole Indosuez in Nepal Indosuez Bank. The name of the bank was changed to Nepal Investment Bank Ltd upon approval of the Bank's Annual General meeting, Nepal Rasta Bank and Company Registrar's Office with the following shareholding structure.

-) A group of company's holding 50% of the capital.
-) Rastriya Banijya Bank holding 15% of the capital .
-) Rastriya Beema Sansthan holding 15% of the capital.
-) The general public holding 20% of the capital.

NIBL is committed to provide quality service through innovative measures. It believes in being the local bank with global connection. It is probably one of the most advanced banks, technologically. The banking software 'FINACLE' is in use not only for banking activities but also for interconnecting the branches.

Nepal Investment Bank Limited is the first bank to introduce Visa Electron Debit Card in Nepal and the first non-government bank to launch “Loan Against Gold and Silver”. NIBL is thus managed by a team of experienced bankers and professionals having proven track record. It is capable of offering what people expect from a bank characterized by reliability and professionalism. The bank strives to extend quality and personalized service to its customer as promptly as possible. It treats all customers with most courtesy as valued clients. The bank makes constant effort to offer customized facilities to its client, based on the unique needs and requirements. To extend more efficient service to its customers, NIBL has been adopting innovative and latest banking technology. This has not only helped the bank to constantly improve its service level but has also kept it prepared for future adoption of new technology.

In order to consolidate the Bank’s existing customer base as well as attract potential client, the Bank has been active in launching new products and revising existing products and schemes. In FY 2007-08, the Bank launched a new deposit product called “Afnai Bachat Khata” whereby customers can open account with a minimum balance of NPR1 only. This product has been extremely successful in increasing the Bank’s clientele base. The Bank also revived its E-Zee Saving Deposit Scheme with a new-revised interest rates starting from 2.75% to 4% p.a. on daily basis.

The Bank has also launched Mobile Top-up through e banking and Online Bill Payment facility is now active to make various utilities bill payment online. After a long in-depth study, the Bank has finally decided to introduce new Banking software “FINACLE”, which is a world-class

banking solution, produced by Infosys- a world renowned IT Company based in India. The work on the project has already started and the Bank targets to complete the entire project before the end of current fiscal year.

1.1.2 NIBL's Mission/Vision

To be a leading Nepali Bank, delivering world-class service through the blending of modern technology and visionary management in partnership with competent and committed staff, to achieve sound financial health with sustainable value addition to all our stakeholders. NIBL is committed to do this mission while ensuring the highest levels of ethical standards, professional integrity, corporate governance and regulatory compliance.

1.1.3 NIBL's Strategic Objectives

- To develop a customer oriented service culture with special emphasis on customer convenience.
- To increase banks market share by following a disciplined growth strategy.
- To develop innovative products and services that attracts banks targeted customers and market segments.
- To continue to develop products and services that reduces our cost of funds.
- To maintain a high quality assets portfolio to achieve strong and sustainable returns and to continuously build shareholder's value.
- To explore new revenues for growth and profitability.

1.1.4 Information Technology and NIBL

In order to sustain the quantum growth in our Customer base and branch network as well as pave the way for future growth and profitability, the bank has been heavily investing in Information Technology. In the review year, the bank decided to procure new banking software “FINACLE” – a product of world renowned IT Company. The work on the project has already started and the bank targets to complete the entire project before the end of current fiscal year. Moreover, the Bank also launched its HRMS for automation of entire Human Resource operation including on attendance system, Browser Based Leave Management System, automated Payroll System and Online Training Information System, among others. After successful implementation of Mobile Top up through NIBL ATMs, the bank launched Mobile Top-up through e-banking as well as providing customers with alternative options to avail the service at their convenience. NIBL is the first bank in Nepal to provide these services. Moreover, during the review year the bank deployed additional twenty two new ATMs at various on-sites and off-sites locations taking the total number of NIBL’s ATMs to thirty four. As a first of its kind, the bank installed six ATMs in a row at its main branch at Durbar Marg for increased customers’ convenience.

1.1.5 Human Resources and NIBL

In order to complement the bank’s strategic focus of rapid growth and branch expansion, the Bank has been recruiting many talented people as well as providing training to existing staff member to augment their skill level. The bank also has performance management system that rewards

employees with incentives for achieving their assigned individual goals and objectives. The bank provides opportunity in terms of training for career advancement and fast tracks high potential employees with accelerated promotions and greater responsibilities.

Currently, the bank has total staff strength of 616 compared to 514 in the previous year. Of the total staff strength, 234 (38%) are female staffers and 74 staff members have completed more than 10 years of service in the institution. During the year, 363 participants attended 85 training courses/ workshops on various areas like Credit Risk Management, Information Technology, Customer Service, Treasury, Basel II Capital Accord, Marketing, Card Services and Project Finance. Moreover, 18 staff members attended workshops in India and abroad.

1.2 FOCUS OF THE STUDY

Bank plays an important role in affairs of the economy in various ways and is directly related with the people and institution. One of the revelations of the NIBL was to continue to receive moral and spiritual support so that it will be able to provide world-class service through the blending of modern technology and visionary management in partnership with competent and committed staff, to achieve sound financial health with sustainable value addition to all our stakeholders. The focus of the study is on financial performance of NIBL. Being a commercial bank its functions are different from other banks and institutions. Past and present analysis as well as future projection is carried out. This study is mainly focused on:

- Liquidity and Profitability Ratios Analysis.

- Common size statement analysis of Balance sheet and Profit & Loss Account.
- Trend Analysis of total deposit, net profit, Loan and Advance and total income of past five years and forecasted for coming five years, and
- Finally Coefficient of correlation between total deposit and loan & advances and loan & advance and net profit.

The period covered by the study is five years time from F.Y. 2007 to 2011.

1.3 STATEMENT OF THE PROBLEM

After long gap Nepal is being also enriched by financial organization but most of financial organization is concentrated at urban area. For good financial performance, firms should manage each aspect more effectively and efficiently. In relation to this, the following issues in questions are addressed:

- What are the liquidity and profitability position of the firm?
- How far the bank able to collect deposits?
- In what extent far the bank able to utilize the deposit?
- To what extent the bank has been able to raise the profitability?
- What is the overall financial position of NIBL? Is it able to meet its obligations or not?
- Does it manage and utilize its assets efficiently?

1.4 OBJECTIVES OF THE STUDY

Major objectives of this study are to evaluate financial performance of NIBL. The objectives of this study are relating with following points:

- To analyze the liquidity position of NIBL.
- To measure profit and operating efficiency of the NIBL.
- To assure the financial performance of the bank in terms of objective criteria.
- To explore the correlation between total deposit and loan and advances and loan & advance and net profit.
- To provide possible guidelines and suggestions if any to the policy maker and executive working in NIBL, depending on analysis and effect on finding for improvement of their future financial performance.

1.5 SIGNIFICANCE OF THE STUDY

NIBL is a bank and its financial performance has been analyzed to know its strengths and weaknesses. This study helps to know that, how this firm has performed its activities in last five years. Some significance of this study is as follows.

- I. This study helps shareholders to know about the financial performance of the bank (NIBL). It makes enable them to evaluate.
- II. The executive of bank can make a good plans and strategies by the help of this study.
- III. Future researcher who wants to research on the same topic of development bank can be beneficated.
- IV. By the help of this study, other commercial bank can improve their management idea.

1.6 LIMITATION OF THE STUDY

The research study is concerned with financial performance of NIBL. This study has undergone through the data of five years on the basis of published financial document and planning document. The study is based on the annual report of NIBL. The study has following limitations:

- This study is only concerned for partial fulfillment of the requirements for degree of Master of Business Studies (MBS). So it cannot meet the expectation of professionals, researchers and practitioners.
- Accuracy, consistency and strength of the study depend upon the data provided by the bank.
- The whole study is based on data from the fiscal year 2007-2011 and hence the conclusion drawn confines only to the above period.
- Secondary data were analyzed to interpret the result.

1.7 ORGANIZATION OF THE STUDY

This field report has been divided into five chapters as delineated below.

i) Introduction

This is the first chapter of the study. This chapter introduces the subject of the study and the firm. It contains the focus of the study. It spells out the problems and objectives of the study. It also shows the significance and Limitations of the study. Finally, the organization of the study itself is listed in this chapter.

ii) Review of Literature

This chapter refers to reviewing of past studies in the concerned field likewise text books, literatures, thesis studied in the related field undertaken earlier either published or unpublished. It also includes concept of finance company, a conceptual review of financial performance and reviewing of previous studies.

iii) Research Methodology

This chapter includes research design, nature and sources of data, data collection procedures and data analysis tools such as financial and statistical tools.

iv) Presentation and Analysis of Data

In this chapter acquired data are presented and analyzed through the way of designed methodology. Tables and figures are also interpreted to fulfill the research objectives and the data were analyzed by using the financial and statistical tools such as ratio analysis, common-size statement, trend analysis and coefficient of correlation.

v) Summary, Findings, Conclusions and Recommendations

This is the last chapter of the study which includes a brief summary of the report. It also includes the major findings and conclusions derived from the analysis of data. Recommendations have also been included in this chapter. Bibliography and Appendices are also included in the last part of the study.

CHAPTER - II

REVIEW OF LITERATURE

2.1 INTRODUCTION

Review of literature refers to the reviewing past studies in the concerned subject matters. That may be reviewing existing text books, previous studies, theses/dissertations, articles, journals or any sorts of publications, review of policy document concerning the organization and the related topics. The purpose of this review of literature is to get enough knowledge about the subject matter that is going to be researched. It also gives the knowledge about the study being under taken. This chapter highlights upon reviewing existing text books, literature and research studies related to the financial performance which are relevant and available.

2.2 CONCEPTUAL FRAMEWORK

2.2.1 Historical Background of Banking System

The word Bank refers to the transaction of money and keeping record of it. It is necessary to know how the present banking system has been developed. In preliminary stage, goldsmith, money lenders and business men used to perform the work of banking in every country. Then came the pressure of modern banking institution. The era of banking development, in Eastern society banking transaction was established in Kautilya's economic and manusmriti. In Western society Bank of Venice was established in Italy in 1757 A.D. during the 12th and 13th century it

was developed as finance trade center in Florence Genoa and Lukka. The Bank of Casa De san Giorgio in Genoa was established in 1148 A.D; the Bank of Barcelona was established in Barcelona in 1401 A.D, Bank of Genoa, in 1407 A.D, Bank of Amsterdam in Holland in 1609 A.D, likewise the Bank of Hamburg was established in Germany in 1610 A.D. And Bank of England was established in 1694 A.D. in fact modern banks started to take rapid speed in forming and functioning from 17th century. During this period Bank of Manila, Bank of Florence and Bank of St. George were established in Genoa

In spite of establishment of Bank of England in 1694 A.D, the development of modern banking institution had to wait for another century and four decades until the publication of banking act of 1833 which provided the freedom of establishment of joint stock banks. In 19th century that the modern joint stock commercial banking and development of banking system developed in leading countries of the world. When colonies were established in north and South America, old banking services were transferred to the new world

In summary, banking is not static but a dynamic concept. Banking activities were related to the acceptance of money and valuable as deposits, keeping them as such, lending them, whether to private individuals, to states or other bodies and for controlling the multifarious and multidimensional activities which were only trivial and could be ignored in the beginning but with the growth of time became international in charter and multi-dimensional in nature.

2.2.2 Concept of Bank

“An institution, which deal with money and credit is involved in monetary transaction is called bank. The main function of bank is to provide loan, to exchange money, to accept deposit and to transfer the money. The bank has provided loan from surplus unit to deficit unit for the economic developments of the country.”(Rayamajhi, 2061)

It is very difficult to give and express meaning of any subject in few words. Different scholars have presented the definition of bank as follows. “a bank is an establishment for the custody of money received from or on behalf of its customers, it’s essential duty is to pay their draft on it, its profit arise from its use of money left unemployed by them.”(Shorter oxford English Dictionary.

According to Halsfury’s laws of England, “A banker is an defined as an individual, partnership or corporation whose sole or predominating business is banking, that is the receipt of money on current or deposit account and payment of cheques paid in by a customer.”

A bank is defined as an organization whose principle operations are concerned with the accumulation of the temporarily idle money of the general public for the purpose of advancing for expenditure.

According to Nepal Rastra Bank act 2002,”Bank is a financial institution, which provides financial services that may be in the form of receiving deposits, advancing loan, providing necessary technical advices, dealing over foreign currencies, remitting funds, etc.”

On the basis of above definitions bank is an institution that accepts deposits from the public and in turn advances loans by crediting credit banks are those financial institutions that offer the widest range of financial services especially credit, saving and payment service and perform the widest range of financial functions of any business firm in the economy.

2.2.3 Evolution of Bank

The word “Bank” is supposed to have been derived from the Italian word “Benko” which means BENCH. The early banking is however closely associated with the business of money changing. In connection to the traceable origin and development of banking institution in the world, “the Bank of Venice” of Italy established in 1157 A.D is supposed to be most ancient banking institution in the world. “The Bank of Venice” was the first public banking institution. The second banking institution namely, “the Bank of Barcelona” of Spain established in 1407 A.D. subsequently. “The Bank of Genoa” was established in 1407 A.D. Lombard migrated to England and other parts of Europe from Italy are regarded for the development and expansion of modern banking. “The Bank of Amsterdam” set up in 1609 A.D. “The Bank of Hindustan” established in 1770 A.D.as regarded as the first bank in India. These modern banks gradually replaced goldsmiths and money lenders.

Even though “The Bank of England” was established as early as 1694 A.D. The development of joint stock commercial banking had to wait the passage of the Act 1833 A.D. The modern banking system is lending the world countries in the 19th century. But the modern banking started after

the introduction of banking act 1883 A.D. at United States of America. So, this trend of banking slowly began to increase and spread initially all over the world.

2.2.4 Need of Bank

The development of banking system is one of the important factors of economic growth of the nation. Economic activity is the most important indicator of countries development. The banking system is one of the most keys of economic growth. There is no possibility of economic developments of the country without the development of banking system. So bank is the strong means of economic development. Bank is necessary to fulfill each and every sectors development such as; industry for business, people and government so, banking system is necessary economic development of the nation. Economic activities are the means of banking system. Need of banks are as follows.

1. To relieve people from financial exploitation.
2. To develop industry and commerce.
3. To provide security to valuable goods and property.
4. To develop the economy.
5. To transfer funds.
6. To create employment and skilled entrepreneurship.
7. To develop habit of saving.
8. To develop deposit collection habit.

Money lender, gold smith and merchants have exploited the people, they even charge highest interest rate and there is no clear law about their profession. These above problem and economic exploitation solved by

the modern banking system, so banks are necessary for the development of the nation.

Economic development of the nation is linked with the development of agriculture, industry and commerce. Banks provide borrowing and lending activities and provide technology and administrative services to develop enterprise. So banking system is the backbone of the economic development. It is possible to utilize a great amount of capital only with the means of bank.

A bank is necessary to keep valuable goods and save property. It also provides service to transfer fund from one place to another place on the basis of cheque, draft and money order.

Capable, educated, experienced and unemployed human resources may get opportunity of job with the establishment of bank. People save money and open different accounts in the bank. The bank collects the deposits and invests deposit in productive sectors and provides interest to the depositors. The small savers, who don't have exposure or access to capital markets, get benefit from the services of such intermediaries in efficiently putting their saving into productive use.

2.2.5 Present Status of Banking in Nepal

At present, banks in Nepal are much more developed than few years ago. Nepalese banks are now providing better banking services and much more facilities which have made customer easier and safer. Banks now a day provides strong security, more option and quality services. Apart

from the government banks, there had been emergence of lot of other commercial banks which are able to provide qualitative facilities to the customer.

Under the supervision and regulation of RBB, various banks and financial institutions have come into existence. A commercial bank in Nepal should be registered under company Act of Commercial Bank Act under section 12(a) to (w).

According to the Nepal commercial Bank Act of 2031 B.S (1974 A.D) “Commercial banks are banks that deal with money exchange, accepting deposits, advancing loans and other commercial transactions except some special functions done by specified cooperatives, agriculture and industrial banks.”

The deposits and loan activities (core elements of resource mobilization within the economy) gained pace and new schemes and facilities were then brought by the established commercial banks day by day, month.

2.2.6 Meaning of Commercial Bank

Kathmandu, the capital is the major economic hub of Nepal. Thus, most banks are looking to increase their number of branches in Kathmandu. The banks in Nepal have very unique characteristics. From an ownership standpoint, the commercial banks in Nepal can be broadly classified into two categories: Public Banks and Private Banks. The banks which are owned or controlled by the government are labeled as public banks while the banks that are owned or controlled by the private sector are

categorized as private banks. The Private Banks can be further regrouped into the Local Private Banks and Joint-Venture Banks. Joint-Venture Banks. According to the Black's law Dictionary "Commercial Bank" means a bank authorized to receive both demand and time deposits, to engage in trust services, to issue letter of credit, to rent time-deposit boxes, and to provide similar services. Likewise section 2(a) of the commercial Bank Act 2031(1974) has defined that "Commercial Bank" means a bank which operates currency exchange transactions, accepts deposits, provide loan, performing, dealing related to commerce except the banks which have been specified for the cooperative, agriculture, industry of similar other specific objective.

2.2.6.1 Functions of Commercial Bank

Commercial Banks are directly related with the people and institutions. Its functions are very attractive for the people. Although these banks are truly inspired with the objective of gaining profit, at the same time they are established to accelerate common people's economic welfare and facility and provide them the banking services to public and the state. In Nepal, the commercial banks perform the following functions:

To accept deposits

The bank allows the opening of three types of accounts which accepts deposit from and for the customers such are current, saving, and fixed deposit account. People can collect and deposit in one of the three types of account as per their requirement. But interests are subject to saving and fixed account. The customer can withdraw their money from their

account according to their need. By accepting the deposits from the individuals, commercial bank earns profit by investing that money in other places.

To provide loan

A commercial bank provide loan to a person, company and institution etc. it provides loans in different terms and conditions. It provides the loan by accepting the security of debtor. A bank can flow the loan against a third person's guarantee or the pledge of the third person. It provides loan on the basis of the following deed securities:

-) With the pledge of goods.
-) With the pledge of gold and silver.
-) With the security of immovable property.

Agency functions

The commercial bank acts as an agency. It carries out work for its customers in the following ways:

A bank makes payment after taking commission for the cheques, draft and bill of exchange presented by the customers. A bank on the request of its customers, transfer money from one place to another place by draft, mail transfer to telegraphic transfer.

A bank on the request of its customers, buys and sells a company's shares and governmental security bonds, and also collects the interest on the

same. A bank also pays rent of the house, premium of the insurance and income tax etc. on the behalf of its customers.

General utility functions

Bank performs general utility functions such are:

-) Issuing of traveler's cheque.
-) Remittance of money.
-) Dealing in foreign exchange.
-) Collection and payments of promissory notes, cheques and bills.
-) Collection of trade information and banking statistic.

Overseas Trading Services

The bank assists the traders engaged in foreign trade in the country. It facilitates export and import business by issuing letter of credit (L/C).It discounts the bills of exchange drawn by Nepalese exporters on the foreign importers and enables the exporters to receive money in the home currency. Similarly, it also accepts the bills drawn by foreign exporters.

Information and other services

Some banks produce regular bulletin on trade and economic conditions at home and abroad as well as special on commodities and markets. In some cases they invite enquires for those wishing to extend their trade and are able through their correspondents to furnish the names of reputable and interested dealers of goods and commodities and to advice on the appointment suitable agents. On request, banks obtain information for

customers, for business purpose, confidential opinions on the financial standing of companies, firms or industries at homes or overseas. Hence, these types of functions of the commercial banks are really laudable.

2.3 CONCEPTUAL REVIEW OF FINANCIAL PERFORMANCE

This study is related to the financial performance of NIBL. Such analysis is mainly focused on financial strength and weakness. The firm's position and performance as reflected in the financial records and reports. Financial analysis has concerned with analysis of financial statement of a firm, and real picture of financial performance mainly depends upon forms past, present and future financial condition. Financial analysis enables us to evaluate and disclose the condition of a firm. Financial performance is determined on the basis of financial analysis.

"Analyzing financial statement is a process of evaluating relationship between components parts of financial statements to obtain a better understanding of a firm's position and performance." (Hetcalf & Titard, 1976)

"A firm should ensure that it does not suffer from lack of liquidity and also that it does not have excess liquidity. The failure of a company to meet its obligation due to the lack of sufficient liquidity will result in a poor credit worthiness loss of creditor's confidence or even in legal tangles resulting in the closure of the company. A very high degree of liquidity is also bad because idle assets earn nothing. The firm's fund will be unnecessarily tied up in current assets. Therefore, it is necessary to

strike a proper balance high liquidity and lack of liquidity.” (Pandey, 1992)

“The checking of financial performance, in a firm much attention is carried out the financial position. It also requires to retrospective analysis for the purpose of evaluating the wisdom and efficiency of financial planning analysis of what has happened should be of great value in improving the standards techniques and procedures of financial control involved in carrying out finance function.” (Kuchal, 1982)

“Analysis and interpretation of financial statements are the attempts to determine the significance and meaning of the financial statement data so that the forecast may be made of the prospects for future earnings, ability to pay interest and debt maturities (both current and long term) and profitability of a sound dividend policy.”(Kennedy & Muller, 1973)

Management of today needs various financial information to perform effectively for its various functions. Interpretation of financial statements is really an art. It involves many processes: like management analysis establishing relationship between available facts and drawing conclusions on the basis of it.

The financial statements provide a summarized view of the financial position and operation of a firm. It also provides some extremely useful information's in terms of the structure of assets, liabilities and owner's equity and shows the results of operations during a certain period of time on the basis of balance sheet and profit and loss account. Interpretation of financial statement is really an art. It involves many processes like

management analysis, establishing relationship between available facts and drawing conclusion on the basis of it.

There are two reasons for the widespread use of financial performance measures. 1st is such as profit articulate directly with the organization long run objectives, which are almost purely financial and properly chosen financial performance measure provide an aggregate view of an organizations performance. An aggregate financial performance measure such as corporate or division profitability is a summary measuring of the success of the organizations strategies and operating tactics.

2.4 REVIEW OF PREVIOUS STUDY

In this section some relevant thesis has been reviewed in order to facilitate the subject matter of the current study. It is the financial performance of NIBL, for this reason, conclusion of previous study will also be relevant to justify, this study.

Mahadev Kharel (2008) conducted a study on “Financial Performance of Siddhartha Bikas Bank Limited (Bittiya Sanstha)”. He has found that there is two high fluctuating and decreasing trend which shows unsatisfactory performance in financial position. The bank should raise its total income in smooth flow in coming years to gain more profits. The bank had not invested in fixed deposit in the beginning three years whereas in later two years it had invested in fixed deposit. The increasing rate of total liability is faster than the total assets. The current ratio is in decreasing trend. So, it shows that the financial performance of bank is deteriorating.

A study conducted by Ganesh Prasad Awasthi (2005) on “A comparative study on financial performance between HBL and BOKL” has used descriptive cum analytical research design using the financial as well as statistical tools for the five years. He conceded that HBL was more successful to generate more return on its shareholder’s fund and utilized its resources efficiently as compared to BOKL. However his research also depicts that the both bank s do not have satisfactory liquidity position. In fact, its interest constitutes higher portion in income and payment and staff expenses to BOKL than HBL. He recommended them to maintain their liquidity position and to increase deposit to mobilize more fund in order to increase net profit. To enhance the profitability, idle money should be invested and to reduce the financial risk, leverage should be reduced.

Another study was conducted on “Financial Performance of Commercial Banks” by keshav Raj Joshi (1990). The basis findings of the study were that the Liquidity has maintained a sound liquidity position. The ratios of all the banks were seemed to be satisfactory. Profitability was found that only the NBL has declared dividends in the study period. He suggested that the commercial banks should follow sound cash forecasting and budgetary policy and the investment in fixed assets should be controlled and followed the liberal credit policy.

Shova Palikhe (2002) conducted her research on "Performance evaluation of Finance Company" (A case study of Annupurna Finance Company Ltd, Pokhara). She concludes that the financial indicators show that the liquidity and profitability position of the company which is satisfactory. There is a high positive relationship between deposit and investment. As compare to housing loan, term loan and fixed deposit loan have got quite

negligible share percentage in the loan disbursement of the company. Moreover she recommends that the company need to manage its investment portfolios efficiency under the dynamic implication of financial markets, every year evaluation of investment portfolios needed.

Research study conducted by Rajendra Prasad Sapkota (2005) entitled “Financial Performance Of Pashchimanchal Gramin Bikash Bank” has found that the current ratio indicates that the banks liquidity position is satisfactory within the study period. Fixed Assets Ratio is increasing year by year that means owners fund has been utilized on non earning sectors. According to profitability ratio financial indicators are deteriorating year by year. There is no provision to distribute dividend. So profitability position of PGBB is not acceptable.

CHAPTER - III

RESEARCH METHODOLOGY

3.1 INTRODUCTION

This main objective of this study is to evaluate and assess the financial performance of NIBL. The study has been undertaken as “Financial Performance of NIBL. The main objectives of this study are to find out the better financial performance of NIBL. In order to achieve and carry out the objectives of the study, different actions are carried out and different stages are crossed during the study period. For this purpose, this chapter aims to present and reflect the methods and techniques; these are carried out and followed during the study period. The research methodology adopted for the present study is mentioned in this chapter which deals with research design, population and sample, nature and sources of data, data collection procedures and data analysis tools.

3.2 RESEARCH DESIGN

Analysis of data is based on the rational of basic research tools, in which researcher had arranged to do the best use of both financial and statistical tools for simplicity. Financial tools are used to measure the relationship between variable in terms of percentage and time. But statistical tools also used for better empirical analysis. The performance is evaluated based on descriptive and analytical method by the help of above tools research becomes more informative.

3.3 SOURCES AND PROCEDURE OF DATA COLLECTION

This study has been conducted from the basic sources of data. Mainly the annual and official records of NIBL. Publications and previous study as well as relevant text books and relevant information. All secondary data should be collected from related office (NIBL). Tribhuwan Multiple Campus library (Palpa). Secondary data and the related information were collected from the sources mentioned below:

Nepal Investment Bank Limited, Annual Report, 2007

Nepal Investment Bank Limited, Annual Report, 2008

Nepal Investment Bank Limited, Annual Report, 2009

Nepal Investment Bank Limited, Annual Report, 2010

Nepal Investment Bank Limited, Annual Report, 2011

3.4 DATA COLLECTION PROCEDURES

For the purpose of analysis financial statements profit and loss account and balance sheet of the bank (NIBL) have been analyzed. Primary data were collected through verbal communication with financial expert and managerial personnel of NIBL. The secondary data were extracted on the basis of annual reports, reviewing other related reports/literatures either published or unpublished of NIBL. For analysis financial and statistical tools are used, detail description of those tools is mentioned in following.

3.5 DATA ANALYSIS TOOLS

The collected raw data are first presented in systematic manner in tabular forms and are then analyzed by applying different financial and statistical

tools to achieve the research objectives. Besides these, some graph charts and table have been presented to analyze and interpret the findings of the study.

3.5.1 Financial Analysis

Financial analysis involves the division of facts on the basis of some definite plans, classifying them into classes on the basis of certain conditions and presenting them in most convenient, simple and understandable form. This analysis also attempts to study the relationship between different items of financial data and factors.

Financial analysis is the process of identifying the financial strengths and weaknesses and financial position of the firm by properly establishing relationship between the items of the balance sheet and profit and loss accounts. In this research study various types of financial tools are employed for the analysis of financial statements of NIBL.

3.5.1.1 Ratio Analysis

In financial analysis a ratio is used as an index or yard sticks for evaluating the financial positions and performance of a firm. A ratio is defined as “The indicated quotient of two mathematical expressions and as the relationship between two or more things.” Webster’s New College Dictionary (1995).

Ratio is a widely used, best-known and powerful tool of financial analysis. The term ratio refers to the numerical or quantitative relationship between two items. It is a simple arithmetical expression of

the relationship of one number to another spelt-out by dividing one figure into another. In this way the relationship between two accounting figures, expressed mathematically, is known as a ratio. A ratio helps the analyst to make qualitative judgment about the firm's financial position and performance. The use of ratios in analyzing financial statements is known as ratio analysis. The ratios selected for the analysis of financial performance of NIBL are as follows:

(1)Liquidity Ratio

Liquidity ratios provide test to measure the ability of the firm to meet its current obligations out of its short resources. These ratio focus on current assets and liability and are use to ascertain the short-term solvency position of a firm's. Two commonly used ratios are calculated under liquidity ratio.

Current Ratio

Current ratio expresses relationship between current assets and current liabilities. It is computed by dividing current assets by current liabilities. A higher ratio explains that the firm will be able to pay its debts maturing within a year. On the other hand, a low current ratio points to the possibility that they may not be able to pay its short-term debts. The ratio of current assets to current liabilities is current ratio. It can be expressed as:

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

Current Assets include those assets which are cash or can be converted into cash within a year. Cash and bank balance, bills receivable, short

term marketable securities, advance, short term investment, interest receivable, account receivable, sundry debtor, prepaid expenses are current assets.

Current liabilities are those obligations which are payable within a short period of time not exceeding a year. Sundry creditors, bills payable, bank overdraft, tax provision, outstanding expenses, account payable etc. are current liabilities.

As a conventional rule the ratio 2:1 is employed as a standard of comparison. Current ratio more than 2:1 is considered satisfactory. Current ratio less than 2:1 is typically considered very low and indicates financial difficulties. The higher is the current ratio, the greater the margin of safety. The larger amount of current assets in relation to current liabilities, the more is the firm's ability to meet its current obligations.

Quick/ Liquid/ Acid Test Ratio

It is a measure of judging the immediate ability of the firm to pay off its current obligation. It is obtained by dividing quick assets by current liabilities. Quick ratio, also termed as acid-test ratio or liquid ratio, is another measure of short term solvency of a firm. It is defined as the quantitative relationship between quick assets and current liabilities. It is calculated by dividing liquid assets by current liabilities as under.

$$\text{Quick Ratio} \times \frac{\text{Quick Assets}}{\text{Current Liabilities}}$$

Liquid Assets includes cash & bank balance, short term marketable securities, short term investment, sundry debtor, accrued income. As a conventional rule, the ratio 1:1 is employed as a standard of comparison. Higher ratio indicates that the firm is in liquid. The ratio below 1:1 is supposed to be the indicator of alarming short term solvency position.

(2) Profitability Ratio

Profit is the difference between total revenue and total expenses over a period of time, profit is the ultimate output of a company, and it will have no future if it fails to make sufficient profits. Profitability ratios are calculated to measure the operating efficiency and control. It shows the combined effect of liquidity, assets management and debt management on operating result. It also shows the operating efficiency of the firm in terms of generating earnings. The major profitability ratios used in measuring the financial performance are as under.

Return on Total Assets (ROTA)

ROTA is very important tools for measure profitability of the funds invested in the company's assets. It indicates how a company is able to contribute and utilize its assets to generate net profit. This ratio judge the effectiveness in using the total fund supplied by the owner's and creditors.

$$\text{ROTA} \times \frac{\text{NPAT}}{\text{Total Assets}}$$

The higher ratio indicates the efficiency of financial resources invested in the firm's assets to generate profitability. Therefore, the higher ratio, the better it is doing in operation and vice versa.

Return on Total Deposit (ROTD)

This ratio measures the degree of NPAT earned by using total deposit. It indicates whether total deposits utilization and mobilization capacity of the bank to generate profit is satisfactory or not. Total deposit includes total deposit collected from all the account.

$$\text{ROTD} \times \frac{\text{NPAT}}{\text{Total Deposit}}$$

Higher ratio indicates proper utilization and mobilization of fund. The higher ratio, the better will be the performance.

Return on Net Worth (RONW)

This ratio measures how efficiently the banks have used the funds (Investment) of the owners. It is measured in terms of relationship between net profit and net worth. It is most desirable objective of the bank to the earning of the satisfactory return on owner's equity. It measures profitability of owner's investment.

$$\text{RONW} \times \frac{\text{NPAT}}{\text{Net Worth}}$$

The higher ratio, the better will be the performance.

Net Profit Margin (NPM)

Net profit ratio establishes a relationship between net profit and sales, and indicates management's efficiency in manufacturing, administering and selling the products. This ratio is the overall measure of the firm's ability to turn each rupee of sales into net profit. A firm with a high net profit ratio would be in an advantageous position to survive in the face of falling sales prices, rising costs of production or declining demand for the product. It would really be difficult for a low net profit firm to withstand these adversities.

$$\text{Net Profit Margin} \times \frac{\text{Net Profit}}{\text{Total Income}}$$

A higher ratio is a sign of good management efficiency to generate income.

Earnings Per Share (EPS)

When there is discussion of a company's performance or share value it is the profit after tax figure that is divided by the member of common share to calculate the value of earning per share. EPS simply shows the profitability of the bank and per share basis. EPS measures the profit available to the equity holders on a per share basis, i.e. the amount that they can get on every share held. It is calculated by dividing the net profit after taxes less preference dividend by the total number of common shares outstanding. This ratio is computed by dividing the net profit after tax by the number of share. It is expressed as absolute figures.

$$\text{EPSX} = \frac{\text{NPAT}}{\text{no of shares outstanding}}$$

In general, higher the figure, it is better and vice versa.

3.5.1.2 Common Size Statement

Common size statement analysis consists of the comparison of financial performance of a single firm over different point in time and also with different firms on the basis of financial information contained in different financial statements namely profit and loss account and balance sheet. However, a number of difficulties are involved in financial performance analysis of a single firm over different point in time as well as the financial performance between two firms operating in same line of business. Such difficulty arises because of different in size among the companies and the size of a single company over different in time.

Common size statements are the method of preparing financial statements expressing all items in a firm's financial statements in percentage terms over some common items. It is also known as common size analysis. It helps to check the performance trend of each item during the period under analysis. The common size analysis is carried out for a period of one or more years. We may prepare two common size statements-common size balance sheet and common size profit and loss account. In case of common size balance sheet, all items are divided by total assets and expressed as a percentage of total assets. For common size profit and loss account, all items are divided by total income and expressed as a percentage of total income. Expressing the items in

balance sheet and profit and loss account in percentage terms eliminate the problem of size differences.

3.5.2 Statistical Analysis

“Statistics is the science which deals with classification and tabulation of numerical facts as the basis for explanation, description and comparison of phenomenon.” (SP Gupta,1999:650). Statistics is the science, which deals with the method of collecting, classifying, presenting, comparing and interpreting numerical data collected to throw some light on any sphere of enquiry. Statistical analysis is the method of using statistical knowledge for financial performance analysis Next quantities analytical tools to evaluate the financial performance of NIBL is statistical tool. The main statistical tool used in this study is as follows

3.5.2.1 Trend Analysis

A Time series is an arrangement of statistical data in a chronological order, or with respect to occurrence of time. In a time series data there are two variables; one of them is the independent variable being time and the other variable dependent being the phenomenon under study. For this study time series analysis is very important. Trend analysis occupies an important role in the analysis and interpretation of financial statement. Trend in general term signifies a tendency. Such analysis of business facts is very significant from the point of view of forecasting or budgeting. It discloses the changes in the financial and operating data between specific periods and makes possible for the analyst to form an opinion as to whether the tendencies are favourable or unfavourable that is reflected by the accounting data.

We can apply this tool to evaluate the financial performance of bank as well as to forecast the numerical value of any variable for future based on past data. The least square trend is represented by the equation, $y_c = a + bx$

Where, y_c = trend value of variable

a = Computed trend value of the y variable when $x = 0$, b = Slope of the trend line or the amount of change in y corresponding to the change in x by one unit.

x = The variables which represent time ($x = 1$ year)

Following two normal equations for estimating a and b in particular trend equation are:

$$\sum y = na + b \sum x$$

$$\sum xy = a \sum x + b \sum x^2$$

Where y = variable this is assumed to depend upon time.

n = Number of year

\sum = Summation

If $y = 0$

Then, $a = \sum y / n$ and $b = \sum xy / \sum x^2$

3.5.2.2 Correlation Coefficient

Two variables are said to have “correlation”, when they are so related that the change in the value of one variable is accompanied by the change in the value of the other. But the important thing that is to be noted here

is that correlation analysis only helps in determining the extent to which the two variables are correlated but it does not tell us about the cause and effect relationship.

Coefficient of correlation is the important mathematical method of measuring the degree of association between the two variables, say x and y and is defined by r. which is numerical measure of linear association between the variables. The value of r lies between -1 and +1. If r =+1 and r = -1, there is perfectly positive and perfectly negative relation respectively. If r =0, there is no relation, If r < 0, there is negative relation between two variables. If r > 0, there is positive relation between the variables. It should be clearly borne in mind than, the coefficient of correlation expresses the relationship between two series and not between the individual's items of the series.

In this study Karl Pearson's coefficient of correlation has been used to determine the relation between financial variables. It is one of the widely used mathematical methods of calculating the correlation coefficient between two variables. It is also known as Pearson's correlation coefficient. It is denoted by r or simply r and is defined by

$$r = \frac{\sum xy}{\sqrt{\sum x^2 \sum y^2}} \quad \text{Where, } \begin{matrix} \sum x & \sum x^2 & \sum Z\bar{X} \\ \sum y & \sum y^2 & \sum Z\bar{Y} \end{matrix}$$

3.5.2.3 Probable Error [PE(r)]

Probable error of correlation coefficient is denoted by PE(r); it can measure the reliability of an observed value of correlation coefficient.

Probable error can be computing the value of the correlation coefficient.

Probable error could calculate by this formula:

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

Where, r^2 = the square of coefficient or correlation.

N = number of year

It is used in interpretation whether calculated value of r is significant or not.

If $r < \text{P.E.}$, it is insignificant. So, perhaps there is no evidence of correlation.

If $r > 6 \text{ P.E.}$, it is significant.

The probable error of correlation coefficient may be used to determine the limits within which the population correlation coefficient lies. Limits for population correlation coefficient are $r \pm \text{P.E.}$

CHAPTER - IV

PRESENTATION AND ANALYSIS OF DATA

4.1 INTRODUCTION

This chapter is the main chapter of this study. Researcher is going to analyze the financial performance of the NIBL. Researcher evaluates the data with the help of financial and statistical tools mentioned in earlier chapter. This chapter mainly deals with the financial performance of NIBL. In this chapter the relevant data and information of NIBL are presented in the table and are represented into the figures. To achieve the objective of the study the tables and figures are analyzed using the various methods like: Financial analysis (Ratio, Common-size statement) and Statistical analysis (Trend analysis, Correlation and probable error).

4.2 FINANCIAL ANALYSIS

This study is related to financial analysis of NIBL. On the basis of financial analysis it provides information's to different classes of people about the earning capacity, performance efficiency and managerial ability, profitability and future prospects and future potentiality of the concern. It also makes the study of operating efficiency of the concern. Financial analysis is the process of determining the financial strength and weakness of a firm by properly establishing the relationship between the items of balance sheet and profit and loss accounts. At present, the most important technique of analysis and interpretations are as follows.

) Ratio analysis & Common size statement analysis.

It is planned to discuss these techniques in detail in the following chapters.

4.2.1 Ratio Analysis

It is already focus on previous chapter that the financial performance of NIBL should be evaluated by the help of much ratio analysis. Ratio analysis is the systematic use of ratio to interpret the financial statement so that the strength and weakness of the firm as well as its historical performance and current financial conditions can be determined. Here Researcher is going to analyze and interpret the Ratio of NIBL with the help of financial ratio, profitability ratio and other essential ratio.

(1) Liquidity ratio

Liquidity ratios provide test to measure the ability of the firm to meet its obligations out of its short term resources. This ratio provides insight into the present cash solvency in the event of adverse financial conditions. The researcher has described briefly about this ratio in previous chapter. Here for the evaluation the researcher has analyzed the five years data of NIBL from F.Y. 2007-11 and calculated the required ratios as under.

Current Ratio

This ratio measures the short-term solvency power due within one year. It indicates each rupee of current assets available for each rupee of current liability. It is computed by dividing current assets by current liabilities.

Higher current ratio indicates that the firm is in liquid and has able to pay its current obligations in time as and when they become due. And on other hand lower current ratio represents that the liquidity position of the firm is not good and the firm will face difficulty in payment of current obligations in time. The researcher has analysed and interprets this ratio and tabulated the relevant data of five years period from F.Y. 2007 to 2011 as under:

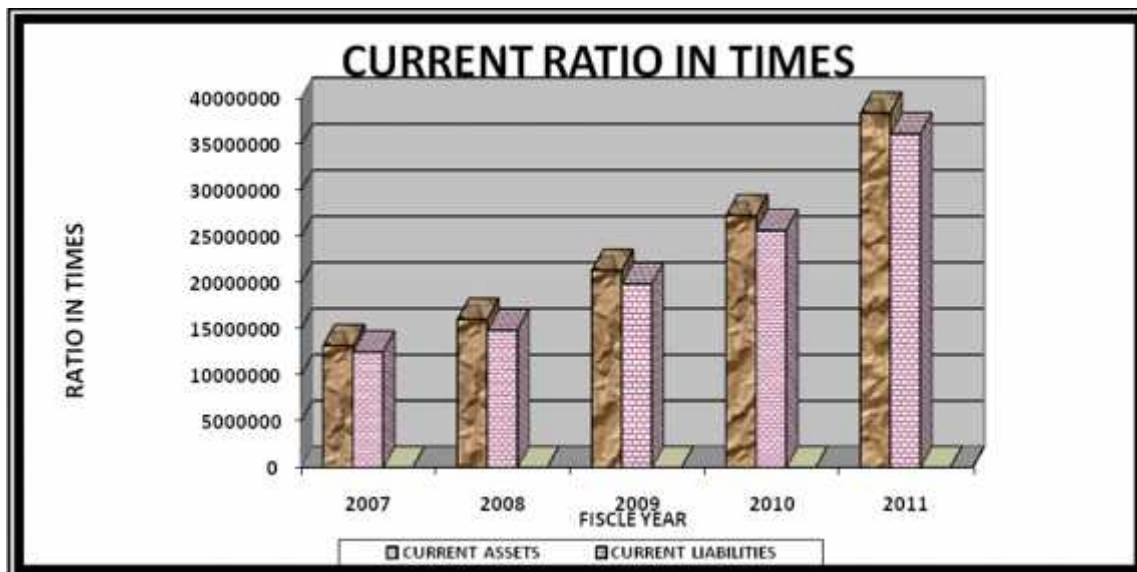
Table no 1: Calculation of Current Ratio (NPR 000'S)

Fiscal Year	Current Assets	Current Liabilities	Ratio in %	Ratio (Times)
2007	13,214,149	12,526,448	105.48999	1.05:1
2008	16,070,060	14,883,371	107.97325	1.08:1
2009	21,388,631	19,914,698	107.40123	1.07:1
2010	27,314,061	25,712,721	106.22781	1.06:1
2011	38,435,867	36,186,521	106.215977	1.06:1

Source- Annual Reports of NIBL

Above Table no. 1 reveals the trend of current assets, current liabilities and their related ratios. It is clear that both the current assets and current liabilities are in increasing trend. The current assets have risen from the beginning level of Rs 13,214,149 thousand to Rs 38,435,867 thousand up to the F.Y. 2011. Similarly, the current liabilities have increased from the F.Y. 2007 amounted Rs 12,526,448 thousand to the final year amounted Rs.36, 186,521 thousand. The ratio of the firm from F.Y. 2007 to F.Y. 2011 is 105.48999, 107.97325, 107.40123, 106.22781 and 106.215977 percent, respectively. And with comparison to standard ratio the ratios are 1.05:1, 1.08:1, 1.07:1, 1.06:1 and 1.06:1times respectively.

Figure no. 1: Current Ratio in Times



The standard level of current assets to current liabilities is 2:1. The firm has not been able to meet the standard ratio in any of the study period, which shows that the firm is unable to meet its current obligations and indicates financial difficulties in payment of current obligations in time.

Quick Ratio

In measuring the liquidity position of the firm quick ratio is very useful. It is a measure of judging the immediate ability of the firm to pay off its current obligation. It is obtained by dividing quick assets by current liabilities. It is obtained by dividing quick assets by current liabilities. Higher ratio indicates that the firm is liquid and low ratio indicates that the firm's liquidity position is not good. The relevant five years data are tabulated and analyzed as under.

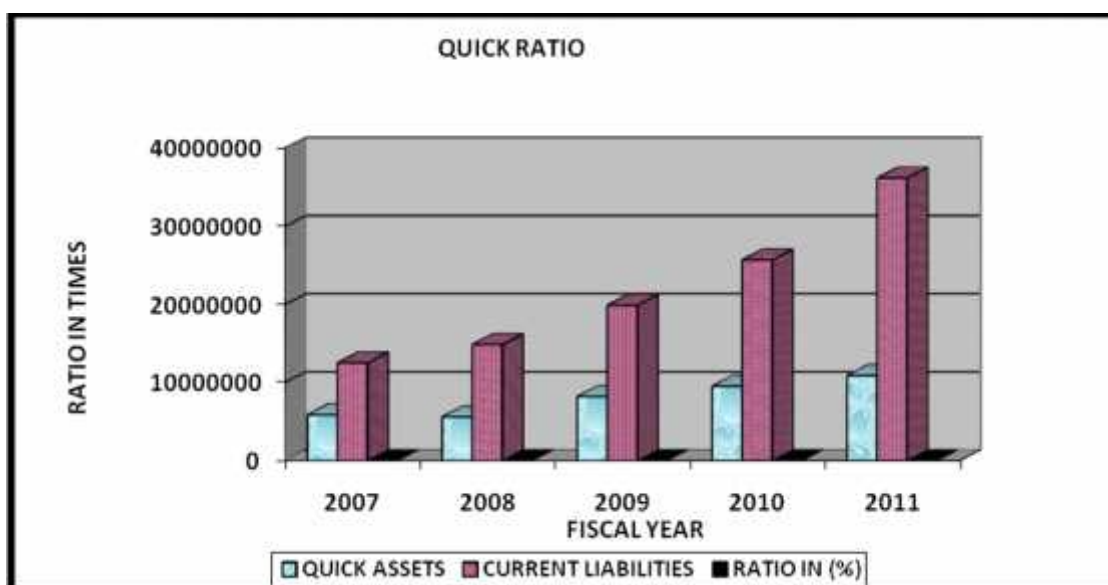
Table no. 2: Calculation of Quick Ratio (NPR 000'S)

Fiscal Year	Quick Assets	Current Liabilities	Ratio in %	Ratio(Times)
2007	5,875,583	12,526,448	46.90542	0.47 :1
2008	5,616,896	14,883,371	37.73941	0.38 :1
2009	8,210,479	19,914,698	41.22824	0.41:1
2010	9,544,961	25,712,721	37.12155	0.37 :1
2011	10,906,562	36,186,521	30.13985	0.30 :1

Source- Annual Reports of NIBL

From the above Table no.2, it is clear that except in the F.Y. 2007 the quick assets have been increasing from the base study period to the F.Y. 2011. On the other hand the current liabilities are in increasing trend. The current liabilities have increased from Rs 12,526,448 thousand to Rs 36,186,521 thousand the quick ratios of the firm from F.Y. 2007 to F.Y. 2011 are 46.90542, 37.73941, 41.22824, 37.12155 and 30.13985 percent respectively. And with comparison to standard ratio the ratios are 0.47:1, 0.38:1, 0.41:1, 0.37:1, and 0.30:1 times respectively.

Figure no. 2: Quick Ratio in Times



The standard level of quick assets to current liabilities is 1:1. From the above Figure no. 2, it is clear that the firm's quick ratio is in fluctuating trend. The firm is unable to meet the standard ratio during the whole study period, which indicates that the firm is not in liquid, indicating the alarm of short term solvency position with financial difficulties.

(2) Profitability Ratio

Profit is the ultimate output of a company, so analysis of profitability ratio is very important. These ratios indicate the efficiency with which the operation of the business is carried on. Poor operational performance may result in poor sales and, therefore, low profits. Low profitability may be due to lack of control over expenses resulting in low profits. Profitability ratios are employed by management in order to assess how efficiently they carry on business operation. Creditors, banks and financial institutions are interested in profitability ratios since they indicate liquidity or capacity of the business to meet interest obligations,

and regular and improved profits to enhance the long-term solvency position of the business. Owners are interested in profitability for they indicate the growth of and also the rate of return on their investments. Here for the evaluation the researcher has analyzed the five years data of NIBL from F.Y. 2007 to 2011 and calculated the required ratios as under.

Return on Total Assets (ROTA) Ratio

This ratio is useful in measure of the profitability of all financial resources invested in the firm's assts. Higher ratio shows the higher return on the assets used in the firm thereby indicating effective use of the resources available and vice versa.

Table no. 3: Calculation of Return on Total Assets Ratio (NPR 000's)

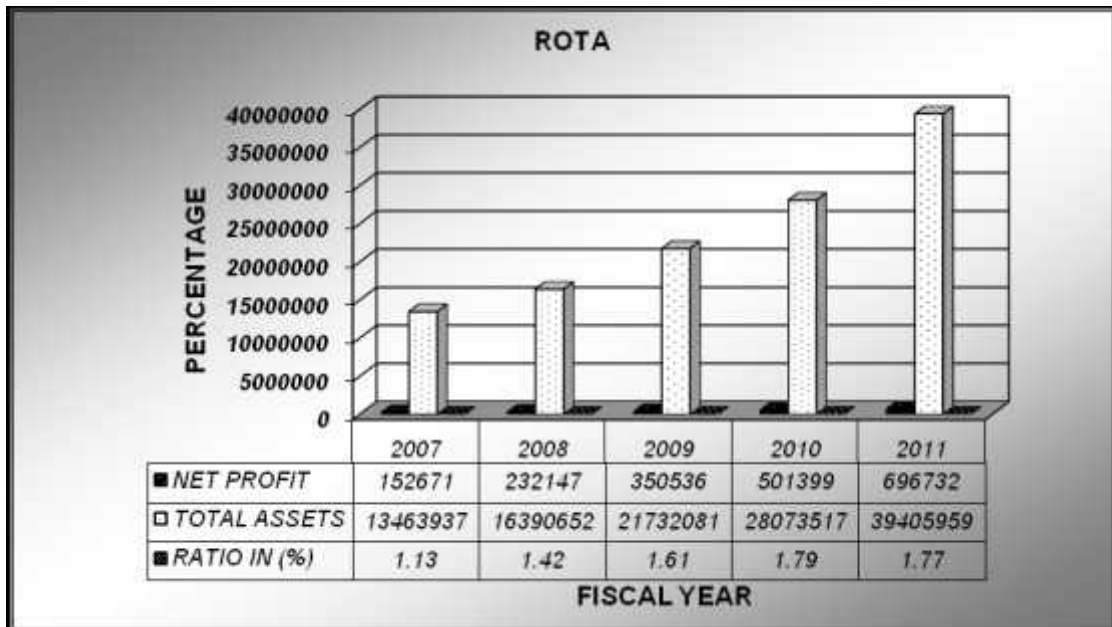
Fiscal year	Net profit	Total assets	Ratio in %	Ratio(Times)
2007	152,671	13,463,937	1.13	0.0113
2008	232,147	16,390,652	1.42	0.0142
2009	350,536	21,732,081	1.61	0.0161
2010	501,399	28,073,517	1.79	0.0179
2011	696,732	39,405,959	1.77	0.0177

Source- Annual Reports of NIBL

From the table no. 3 we can easily know that the total assets of NIBL have been growing from the beginning base level of Rs 13,463,937 thousand in F.Y. 2007 to 39,405,959 thousand in F.Y. 2011. All the total assets are in increasing trend. Similarly net profit in base year is 152,671 thousand in F.Y. 2007 and it is also in the increasing trend, net profit in F.Y. 2011 is 696,732 thousand. The ratios of ROTA are 1.13%, 1.42%,

1.61%, 1.79%, and 1.77% from the F.Y. 2007 to F.Y.2011 respectively and are in increasing trend.

Figure no. 3: Return on Total Assets Ratio in Percentage



In the above Figure no. 3 the ROTA in the base study period is 1.13% which is the lowest percentage in comparison to other years. Then the percentage of ROTA is in increasing trend, finally in the F.Y. 2011 ROTA is 1.77%. So, it is clear that NIBL used the total fund effectively supplied by the owners and creditors to generate profitability.

Return on Total Deposit (ROTD) Ratio

It informs how well the bank has utilized its total deposit collected from depositors. It reflects bank's efficiency in utilization of the resources collected from depositor. Here researcher is going to analyze and interpret this ratio for which necessary data are presented below.

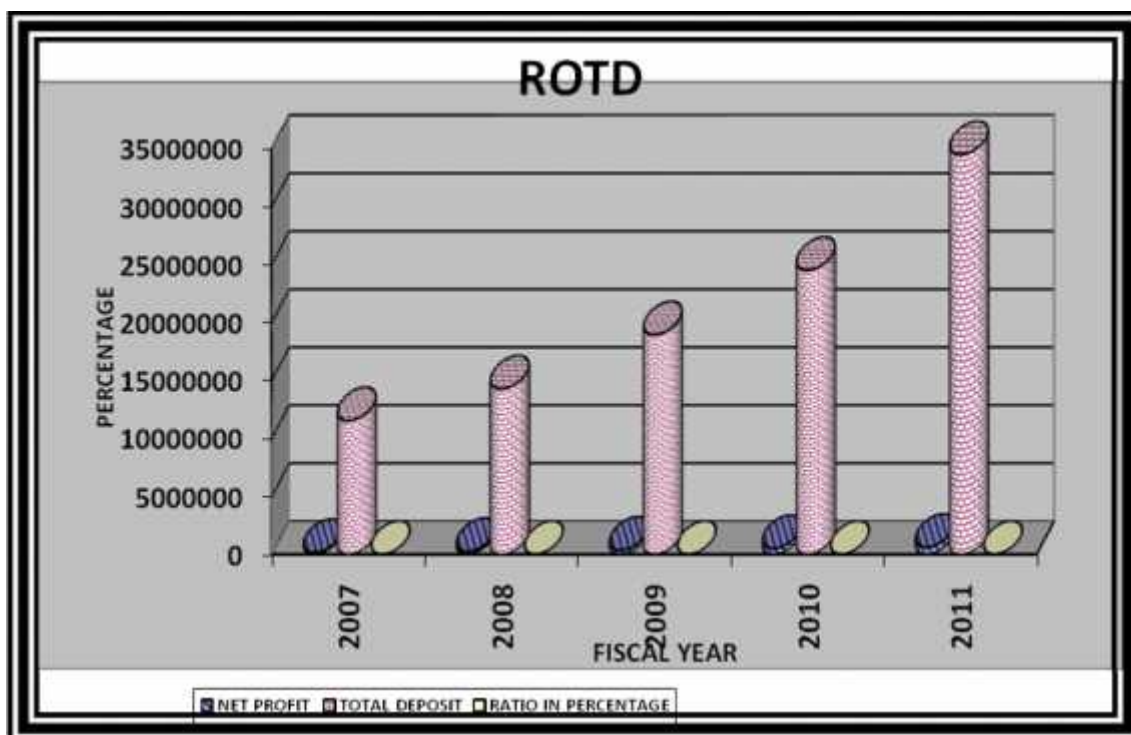
Table no. 4: Calculation of Return on Total Deposit Ratio (NPR 000's)

Fiscal Year	Net Profit	Total deposit	Ratio in %	Ratio(Times)
2007	152,671	11,524,680	1.32	0.0132
2008	232,147	14,254,574	1.63	0.0163
2009	350,536	18,927,306	1.85	0.0185
2010	501,399	24,488,856	2.05	0.0205
2011	696,732	34,451,726	2.02	0.0202

Source- Annual Reports of NIBL

Table no. 4 depicts that the total deposit of NIBL is in the increasing trend. The total deposit is in increasing trend from the beginning and has reached to Rs 34,451,726 thousand from Rs 11,524,680 thousand in the F.Y. 2007 total deposit is 11,524,680 thousand and 34,451,726 thousand in the F.Y. 2011. The ROTD ratios are 1.32%, 1.63%, 1.85%, 2.05%, 2.02% respectively from the F.Y. 2007 to 2011 and are in increasing trend even ratio in F.y.2011 is less than the F.Y. 2010.

Figure no. 4: Return on Total Deposit Ratio in Percentage



The above figure no.4 clearly shows that the ROTD ratio is 1.32% in F.Y. 2007, after than the ratio is increases for coming three years and in F.Y. 2010 it reaches to 2.05%. but in the F.Y. 2011 the ratio has slightly decrease to 2.02% and seems to be in the final year of the study period firm cannot be utilize total deposit effectively to earn more profit.

Return on Net Worth (RONW) Ratio

Every equity holder wants proper earning of a satisfactory return. Main objectives of business oriented organization are earning more return, however financial performance of any financial organization can be measure by RONW. Here researcher is going to analyze the RONW by taking relevant data.

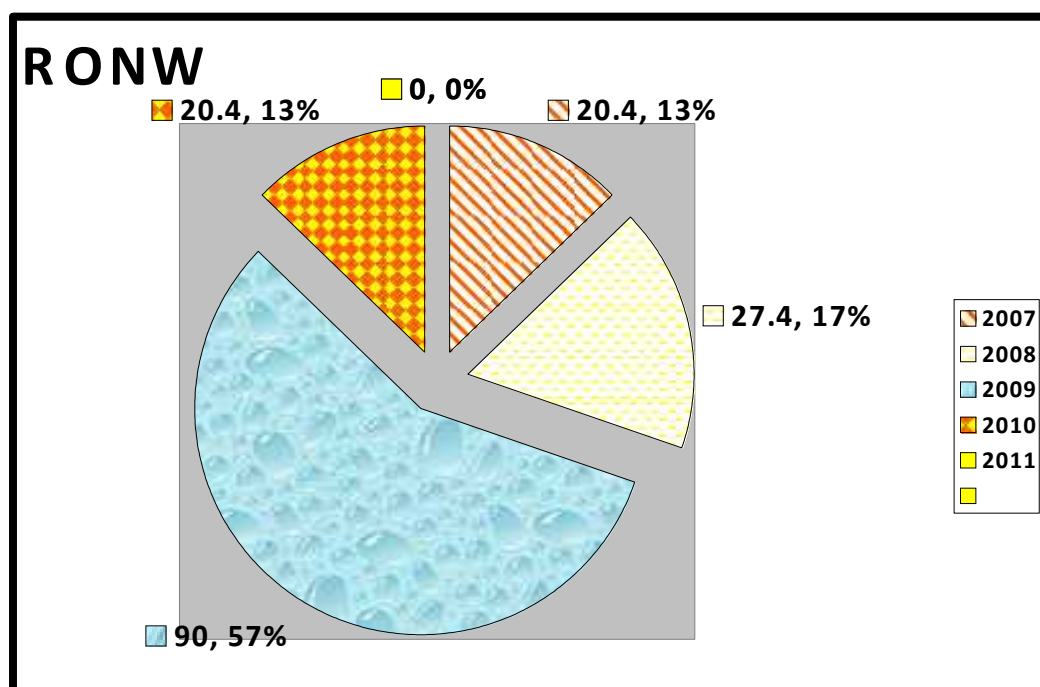
Table no. 5: Calculation of Return on Net worth Ratio (NPR 000'S)

Fiscal Year	Net Profit	Net Worth	Ratio in %	Ratio(Times)
2007	152,671	729,048	20.94	0.2094
2008	232,147	1,180,173	19.67	0.1967
2009	350,536	1,415,440	24.76	0.2476
2010	501,399	1,878,124	26.70	0.2670
2011	696,732	2,686,786	25.93	0.2593

Source- Annual Reports of NIBL

On the basis of above table no. 5 it shows that the book value of net worth has been growing from base level of Rs 729,048 thousand to Rs2,686,786 thousand in the F.Y. 2011. Similarly net profit in the base year is RS 152,671 thousand and Rs 696,732 thousand in the F.Y. 2011. Both net profit and net worth are in then growing trend. RONW in the F.Y. 2007 is 20.94%, and then it is decrease in the F.Y. 2008 which is 19.67%, then it increase for two years for F.Y. 2009 and 2010 which are 24.76% and 26.70 respectively, then RONW again falls to the 25.93%.

Figure no. 5: Return on Net worth Ratio in Percentage



In the above Figure no. 5 the RONW ratio has decreased from the first year to the second year. In the F.Y. 2010 the RONW ratio was very high in comparison to other fiscal years. In the F.Y. 2008 the ratio is the lowest in comparison to other fiscal years and is only 13.28%. In the final year the ratio has slightly decrease to 25.93% from 26.7%.

Net Profit Margin (NPM) Ratio

This ratio is the overall measure of the firm's ability to turn each rupee of sales into net profit. It helps in determining the efficiency with which the affairs of the firm's are being managed. A firm with a high net profit ratio would be in an advantageous position to survive in the face of falling sales prices, rising costs of production or declining demand for the product.

Table no. 6: Calculation of Net Profit Margin Ratio (NPR 000'S)

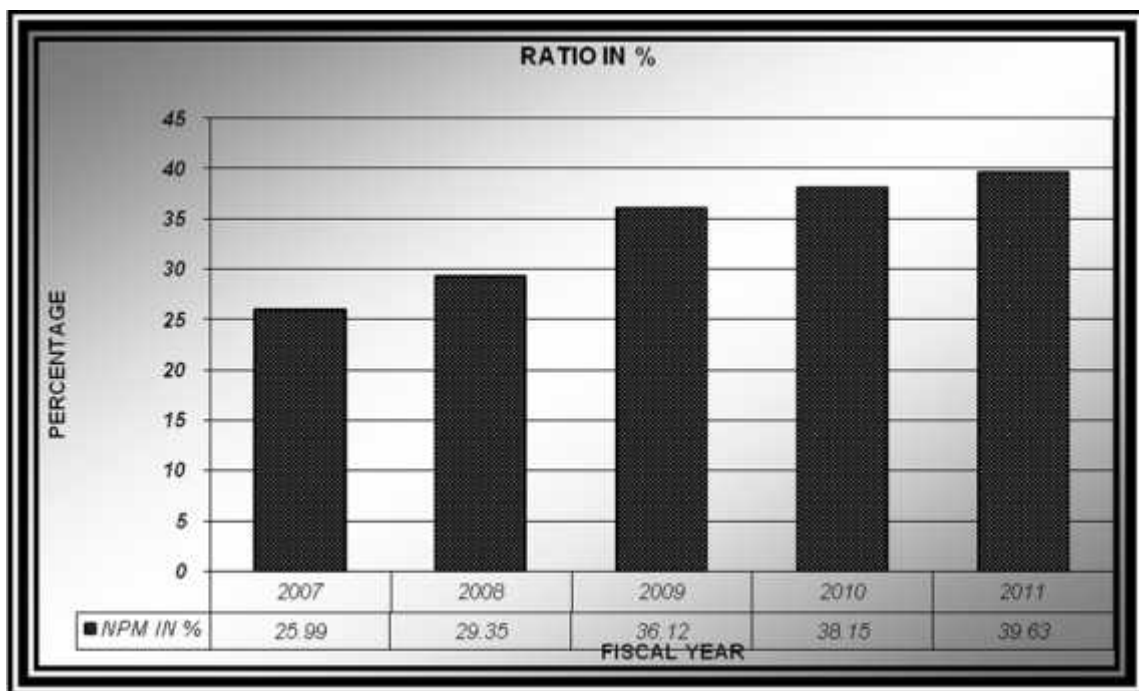
Fiscal Year	Net Profit	Total Income	NPM in %	Ratio (Times)
2007	152,671	587,512	25.99	0.2599
2008	232,147	791,079	29.35	0.2935
2009	350,536	970,482	36.12	0.3612
2010	501,399	1,314,233	38.15	0.3815
2011	696,732	1,758,249	39.63	0.3963

Source- Annual Reports

The above table no. 6 obviously reveals that the amount of total income was Rs 587,512 thousand in F.Y. 2007 and F.Y. 2011 it reached to Rs 1,758,249 thousand. Similarly amount of net profit was Rs 152,671

thousand in F.Y. 2007 and F.Y. 2011 it reached to Rs 696,732 thousand. Both the net profit and total income of NIBL are in the increasing trend. The net profit margin ratios from the base study period to the final year are 25.99%, 29.35%, 36.12%, 38.15%, and 39.63% respectively. We found the highest net profit margin is in the F.Y. 2011.

Figure no. 6: Net Profit Margin Ratio in Percentage



In the above Figure no. 6 the net profit margin ratio is high in the last year. Then the ratio is continuously increased and reaches to 39.63% in the F.Y. 2011 from 25.99% F.Y. 2007 25.99% is the lowest ratio and 39.63% is the highest ratio in the five years study period.

Earnings per Share (EPS) Ratio

Earnings per share play a crucial role in any company or financial organization. It is expressed as an absolute figure. In general, higher the figure, better it is and vice versa. The relevant data from the year F.Y.

2007 to 2011 has been analyzed and those data were exhibited in the table below:

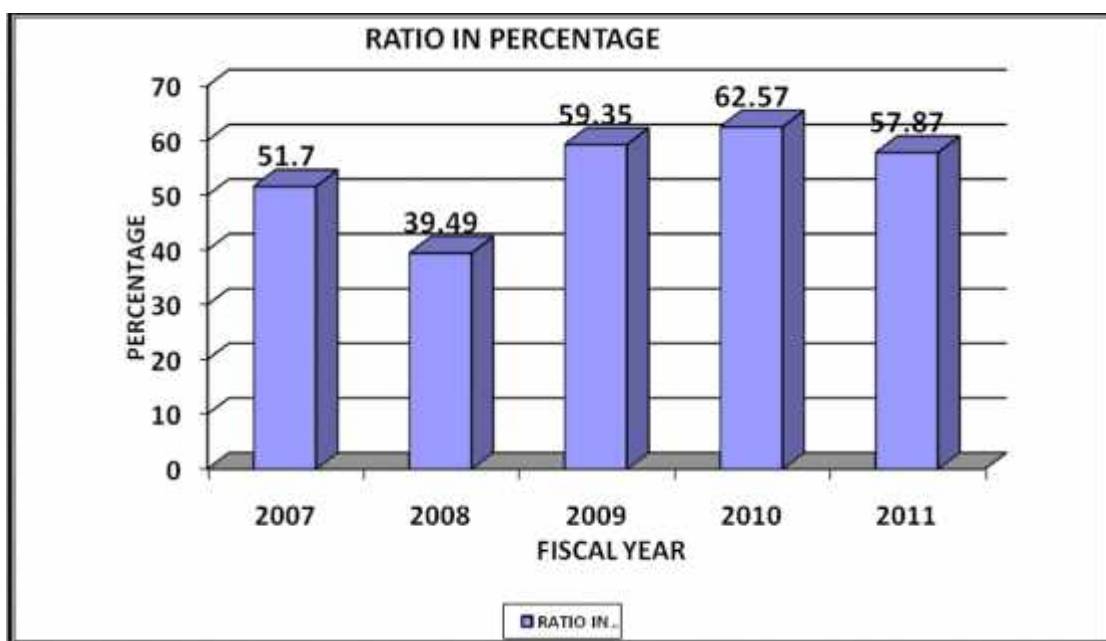
Table no. 7: Calculation of Earning Per Share Ratio (NPR 000'S)

Fiscal Year	Net Profit After tax	Amount of paid up capital	Ratio in %	Ratio(Times)
2007	152,671	295,293	51.70	0.5170
2008	232,147	587,739	39.49	0.3949
2009	350,536	590,586	59.35	0.5935
2010	501,399	801,353	62.57	0.6257
2011	696,732	1,203,915	57.87	0.5787

Source- Annual Reports of NIBL

Table no. 7 reflects that the bank has increased its paid up capital since its establishment. In F.Y. 2007 it's paid up capital was Rs 295,293 thousand. Likewise in F.Y. 2011 it reached to Rs 1,203,915 thousand. Banks paid up capital is growing year by year. Banks net profit is also in the growing trend. Net profit in the F.Y. 2011 is Rs 696,732 thousand which is very high in the comparison of Rs 152,671 thousand, net profit of F.Y. 2007. The EPS ratios of the firm from the F.Y. 2007 to F.Y. 2011 are 51.70%, 39.49%, 59.35%, 62.57%, 57.87% respectively.

Figure no. 7: Earnings Per Share Ratio in Percentage



The Figure no. 7 clearly exhibits the EPS is very high in the fourth year and is 62.57%. The lowest BEP is 39.49% which is in F.Y. 2008. BEP of the firm is in fluctuating trend in the five years study period. 57.87% is the final year BEP of study period

4.2.2 Common Size Statement

Common size statement is an important tool to evaluate financial performance of the firm. For the purpose of financial analysis, the researcher has already described in earlier chapter about this tool. So the researcher is going to analyze the balance sheet and profit and loss account of bank during five years period from 2007 to 2011.

(1) Common Size Balance Sheet

It is clear that we can measure financial performance by the help of balance sheet. It is expressed as a percentage of total assets. Here the

researcher has tabulated and analyzed five years balance sheet of NIBL from 2007 to 2011.

In above comparative common-size balance sheet of table no.8 it is shown that the amount of cash and bank balance in F.Y. 2007 was Rs 1,226,923 thousand and it was 9.11 percent. Now in F.Y. 2011 the amount of cash and bank balance increased to Rs 3,754,942 thousand and it is 9.53percent. The trend of cash and bank balance is in increasing trend it is very good to the firm. Money at call & investment in F.Y. 2007 was Rs 4,172,483 thousand and it was 30.99 percent. Now in F.Y. 2011 the amount of Money at call & investment increased to Rs 6,874,024 thousand but percent is decrease to 14.77 percent.

The amount of loan and advance was Rs 7,338,566 thousand in the F.Y. 2007 that was 54.51 percent. This amount increased year by year and reaches to Rs 27,529,305 thousand in the F.Y. 2011 and that is 69.86percent. It is in the increasing trend. The banks fixed assets at the beginning of this study period was Rs 249,788 thousand which was 1.85 percent of total assets. This amount is in increasing trend. Now at present F.Y. 2011 this amount is Rs 970,092 thousand, which maintain 2.46 percent. The banks other assets at the beginning of this period was Rs 476,177 thousand which was 3.54percent of total assets. This amount is in the decreasing trend and now it is Rs 277,597 thousand and it is 0.71 percent.

Similarly in the liabilities side of the balance sheet the amount of borrowings in the F.Y. 2007 was Rs 361,500 thousand and it was 2.68 percent. Now in the F.Y. 2011 borrowing of the bank is Rs 1,050,000

thousand and it is 2.66 percent. The amount of borrowing is in increasing trend but the percent of borrowing is decrease in the F.Y. 2011 than in the F.Y. 2007 it shows that the bank has started to gain the trust of investors. Customer deposit of the bank is in increasing trend it was Rs 11,524,680 thousand in the F.Y. 2007 which is the base year of the study period and that was 85.60percent. At present F.Y. 2011 customer deposit raises to Rs 34,451,726 thousand and that is 87.43 percent. Increase in the customer deposit is very good for the bank; it means the bank can maintain the good relationship with the customers. It helps to the bank to meet its goals. Other liabilities of the bank in the base year were Rs 640,269 thousand and it was 4.76 percent. At present other liability of the bank is Rs 684,794 thousand and it is 1.74 percent. Provision for loan loss was Rs 208,441 thousand in the base year F.Y. 2007 and it was 1.55 percent. At present provision for loan loss is Rs 532,652 thousand and it is 1.35 percent.

Amount of paid up capital in the base year of the study F.Y. 2007 was Rs. 295,293 thousand and was 2.19 percent, in the second year the amount increases and raises to Rs 587,739 thousand and was 3.59 percent of the total liability. It is in the increasing trend at present paid of capital of the bank is Rs 1,203,915 thousand and it is 3.06percent of the total liability. In F.Y. 2007 the reserve was Rs 419,092 thousand or 3.11 percent. Now in F.Y. 2011 the amount of reserve is Rs 1,415,392 thousand and 3.59 percent. It shows the amount of reserve fund has increased very much at present. Profit and loss account was Rs 14,663 thousand in the F.Y. 2007 and it was 0.11 percent. After that the amount of net profit is increase and increase and rises to Rs 121,354 thousand and 0.43 percent in the fourth year of study period. Then the amount of

profit and loss account decrease to Rs 67,479 thousand and it is 0.17percent in the final year of the study period.

(2) Common Size Profit And Loss Account

It is a financial tool to measure the financial performance of the firm. On the basis of profit and loss account the researcher has presented require data of the firm on the basis of previous chapters. For the analysis of common size profit and loss account the items are changed into percentage based on total income. Here the researcher has tabulated and analyzed five years income statements of NIBL from 2007 to 2011.

In the above Table no. 9, the Common size Profit & loss account shows that the income side reveals that the amount of interest income in loans, advances & overdrafts is increasing continuously but the trend of its ratio is fluctuating over the study period. The amount has increased from Rs. 66,3016to Rs. 1,907,261 and its percentage ratio has slightly decreased from 112.85% to 108.47%. So, we can say that it symbolize the satisfactory performance for the firm. Similarly the other interest income was Rs 68,387thousand in the F.Y. 2007 and it was 11.64percent.the amount of others interest is growing till F.Y. 2011 and reaches to Rs 287,014 thousand but the percentage of others interest income is increasing trend for the first four years and in the final year of the study period it falls to 16.32 percent.

Exchange gain of the base year F.Y. 2007 was Rs 87,980 thousand and 14.98 percent. The amount of exchange gain is increasing trend at present exchange gain is Rs 165,839 thousand but percent of the exchange gain is in decreasing trend and in the final year of the study period it falls to 9.43

percent. The amount of Commission gain was Rs 55,747 thousand and it was 9.49 percent. The amount of commission gain is in the increasing trend but the percent is increasing trend for the first four years and reach to 12.47 percent and it falls to 12.24 percent in the last year of study period. The amount of other operating income was Rs 36,816 thousand in the F.Y. 2007 and it was 6.26 percent and the amount is increasing trend except in the F.Y. 2009 and its percent is 9.55 in the last year of the study period .other non operating income in the F.Y. 2007 was Rs 1,768 thousand and it was 0.30 percent, and the amount reach to Rs 7,048 thousand and it is 0.4 percent even the non operating income in the third and fourth year has decrease.

Interest expenses of the bank were Rs 326,202 thousand in the F.Y. 2007 and 55.52 percent. The amount of interest expenses is in increasing trend and at present it raises to Rs 992,158 thousand which is 56.43 percent. Amount of interest expenses is in increasing trend. The amount of staff expenses is increase to Rs 187,150 thousand from Rs 89,749 thousand but the percentage of the staff expenses is decrease to 10.64 percent from 15.28 percent of the base year. In F.Y. 2007 operating expenses was Rs 149,479 thousand and it reach to Rs 313,154 thousand in the final year of the study period. Percentage of the operating expenses was 25.44 in the F.Y. 2007 but in the final year 2011 it has decrease and falls to 17.81 percent.

Non operating expenses were not found in the five years of the study period. Staff bonus was Rs 25,719 thousand in the F.Y. 2007 this amount is increase and reaches to Rs 101,996 thousand at present 2011. Loan loss provision was Rs 91,092 thousand in the F.Y. 2007 and it was 15.50 and in F.Y. 2011 the amount of loan loss provision raises and reaches to Rs

135,989 thousand and it is 7.33 percent, percent of loan loss provision is in decreasing trend. In the F.Y. 2007 the firm's income tax expenses was Rs 78,802 thousand and it was 13.41 percent. In the F.Y. 2011 the amount and percentage raises and reach to Rs 323,229 thousand and 18.39percent.net profit after tax was Rs 152,671 thousand in the F.Y.2007 and it was 25.99 percent, it is in increasing trend, finally in the F.Y. 2011 net profit reaches to Rs 696,732 thousand and it is 36.63 percent. Increasing trend of net profit is very good for the bank.

4.3 STATISTICAL ANALYSIS

Statistical analysis is the method of using statistical knowledge for financial performance analysis. Much type of methods can be employed to evaluate financial performance under statistical tool. Researcher is going to analyze financial performance of the bank under the following statistical tools

4.3.1 Trend Analysis

Trend analysis is a statistical tool. It occupies an important role in the analysis and interpretation of financial statements. Trend in general term signifies a tendency. Such analysis of business facts is very significance from the point of view of forecasting or budgeting. It discloses the changes in the financial and operating data between specific periods and makes possible for the analyst to form an opinion as to whether the tendencies are favourable or unfavourable that is reflected by the accounting data.

Trend analysis is a useful statistical quantitative method to cope with uncertainty about future and to analyze financial performance as well as to forecast future trend. It also allows us to describe the historical pattern to project past pattern/ trends into the future. Information of past can help great about future. With the help of this tool the researcher is going to analyze financial performance of NIBL which is related to analyze the trend of total deposit, loan and advance, net profit and total income of past five years and future value of coming next five years is being forecasted.

4.3.1.1 Trend Analysis of Total Deposit

Deposit collection is very important task for the bank. Deposit collection and mobilization is very essential to generate profit and for the indication of sound performance of bank. So the researcher is going to evaluate financial performance of the bank with the help trend analysis of deposit collected by the bank.

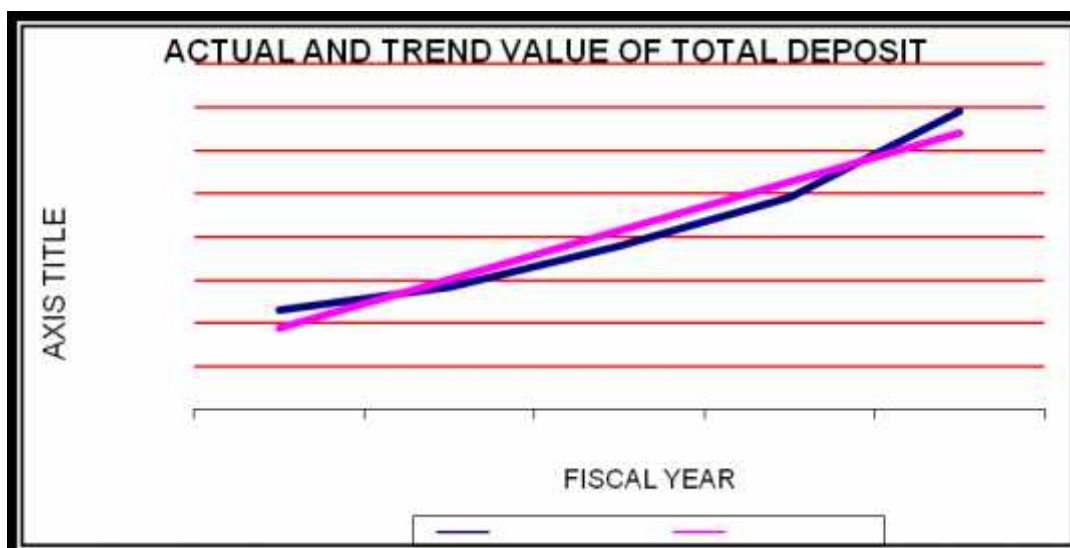
The trend equation of straight-line trend of total deposit is $y = 20,729,428.4 + 5,608,837.4x$. Where y represents total deposit and x represents time variables. The average amount of total deposit is $a = 20,729,428.4$ and the slope of trend $b = 5,608,837.4$ within the five years study period. On the basis of trend equation the growing rate of total deposit is Rs. 5,608,837.40 per year.

Table no. 8: Actual and Trend values of Total Deposit (NPR 000's)

Fiscal Year	Actual value	Trend value
2007	11,524,680	9,511,753.6
2008	14,254,574	15,120,591
2009	18,927,306	20,729,428.4
2010	24,488,856	26,338,265.8
2011	34,451,726	31,947,103.2

Source appendix-1

Figure no. 8: Actual and Trend Values of Total Deposit



The above table no 8 and figure no8 clearly presents that the actual value of deposit was Rs 11,524,680 thousand in base year of this study period, which is at present Rs 34,451,726 thousand. It obviously reveals that the actual value of total deposit is in increasing trend. Similarly the trend value is also in increasing ratio from Rs. 9,511,753.6 thousand in the base period of this study to Rs. 31,947,103.2 thousand at present. Both the actual and trend value of deposit is in increasing trend.

Now we can summarize that the slope of the trend line is good as actual value of deposit, which is at satisfactory level. So, we can say that the NIBL has positive financial performance in relation to deposit collection power. From the above analysis, it can be concluded that the firm is able to increase its deposit each year. So, the credibility of NIBL is positive in the view of customers.

4.3.1.2 Trend Analysis of Net Profit

The main aim of financial organization is to provide financial service as well as to earn financial benefit. So the net profit is a measuring indicator to test the financial performance. In this analysis the researcher has analyzed the trend movement of net profit on the basis of five years relevant data.

The trend equation of straight-line trend of net profit is $y = 386,697 + 135,737.4x$. Where y represents net profit and x represents time variables. The average amount of total deposit is $a = 386,697$ and the slope of trend $b = 135,737.4$ within the five years study period. On the basis of trend equation the growing rate of net profit is Rs. 135,737.4 per year.

Table no. 9: Actual and Trend Values of Net Profit (NPR 000's)

Fiscal Year	Actual value	Trend value
2007	152,671	115,222.2
2008	232,147	250,959.6
2009	350,536	386,697
2010	501,399	522,434.4
2011	696,732	658,171.8

Source appendix-2

Figure no.9: Actual and Trend Values of Net Profit

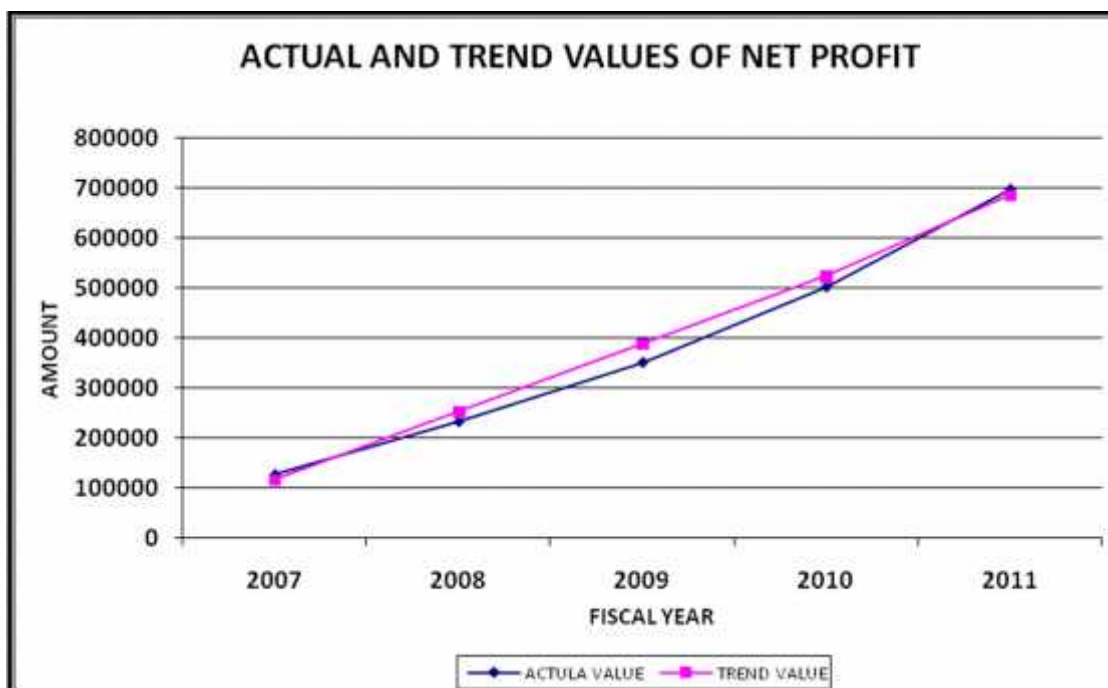


Table no. 9 and figure no 9 clearly reveals that the actual value of net profit was Rs 152,671 thousand in the base year of this study period, which is at present Rs 696,732 thousand. It obviously reveals that the actual value of net profit is in increasing trend. Similarly the trend value is also in increasing ratio from Rs. 115,222.2 thousand in the base period of this study to Rs. 658,171.8 thousand at present. Both the actual value and trend value of net profit is in increasing trend. This is very good for the organization.

From the above analysis we can conclude that the slope of the trend line is increasing year by year. So, we can say that the increasing rate of net profit of NIBL, which is favorable for the bank In relation to the net profit of NIBL, it has better financial performance.

4.3.1.3 Trend Analysis of loan and Advance

Analysis of loan and advance is a key indicator to know the financial position of the bank. It helps to know the resource utilization capacity of the bank. So the researcher is going to analyze and interpret the trend movement of loan and advance, whether it is satisfactory or not.

The trend equation of straight line trend of loan and advance is $y = 15,253,657.4 + 4,769,741.4x$. Where y represents loan and advance and x represents time variables. The average amount of total deposit is $a = 15,253,657.4$ and the slope of trend $b = 4,769,741.4$ within the five years study period. On the basis of trend equation the growing rate of loan and advance is Rs. 4,769,741.4 per year.

Table no. 10: Actual and Trend values of loan and advance (NPR 000's)

Fiscal Year	Actual value	Trend value
2007	7,338,566	5,714,174.6
2008	10,453,164	10,483,916
2009	13,178,152	15,253,657.4
2010	17,769,100	20,023,398.8
2011	27,529,305	24,793,140.2

Source appendix-3

Figure no.10: Actual and Trend values of loan and advance

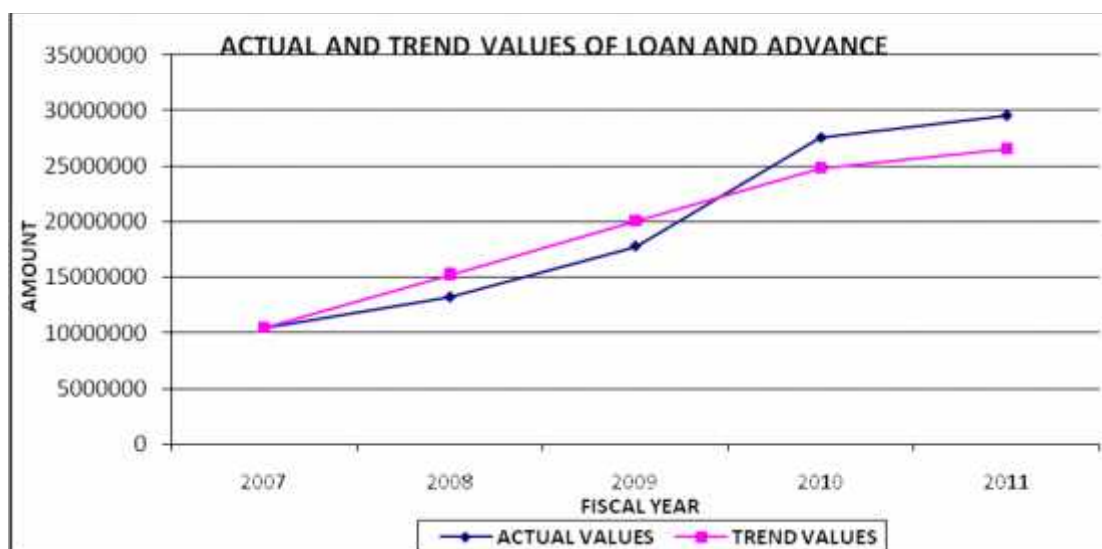


Table no. 10 and figure no.10 shows that actual amount of loan and advance was Rs 7,338,566 thousand in beginning year of this study, which has reached to Rs 27,529,305 thousand at present. Similarly the trend value of loan and advance was Rs 5,714,174.6 thousand in F.Y.2007, which is increasing by Rs 286,462.8 thousand per year and reaches to Rs 24,793,140.2 thousand at present.

From the above analysis we can conclude that the slope of the trend line is increasing year by year. So, we can say that the increasing rate of loan and advance of NIBL can lead for achieve its mission. In relation to the loan and advance of NIBL, it has very good performance in the study period.

4.3.1.4 Trend Analysis of Total Income

It is necessary to depend on total income for efficient operation of any organization. Without appropriate income it is difficult to mobilize

resources of any organization. So, the researcher is going to evaluate financial performance of the bank with the help of trend analysis of total income.

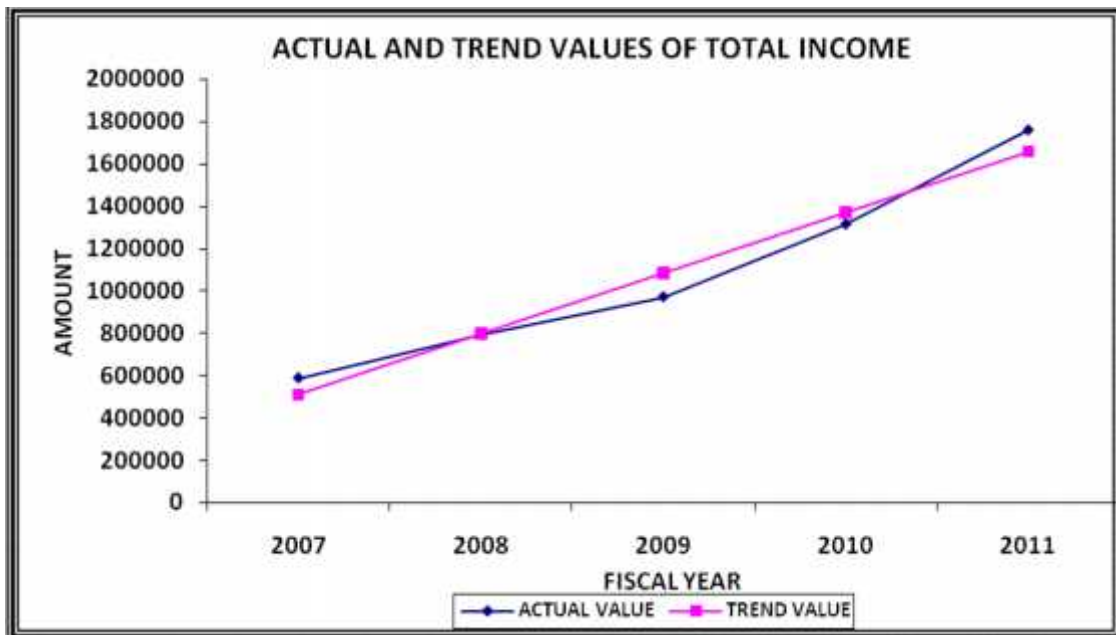
The trend equation of straight-line trend of total income is $y = 1,084,311 + 286,462.8x$. Where y represents total income and x represents time variables. The average amount of investment is $a = 1,084,311$ and the slope of trend $b = 286,462.8$ within the five years study period. On the basis of trend equation the growing rate of investment is Rs. 286,462.8 thousand per year during the study period.

Table no. 11: Actual and Trend Values of Total income (NPR 000's)

Fiscal Year	Actual Value	Trend Value
2007	587,512	511,385.4
2008	791,079	797,848.2
2009	970,482	1,084,311
2010	1,314,233	1,370,773.8
2011	1,7582,49	1,657,236.6

Source appendix-4

Figure no. 11: Actual and Trend Values of Total Income



The above table no. 11 and figure no.11 shows that trend value of total income which was Rs 511,385.4 thousand in F.Y. 2007. this amount increased by RS 286,462.8 thousand per year, which has reached to Rs 1,657,236.6 thousand in F.Y 2011. likewise the actual value of the total income in F.Y. 2007 was Rs 58,751.2 thousand, which has reached to Rs 1,758,249 thousand in F.Y. 2011. Actual value and trend value of total income both are in the increasing trend. From this, we can say that the trend of total income is in increasing trend so the trend is at excellent level.

From the above analysis we can conclude that the slope of the trend line is increasing in year by year. So, we can say that the increasing rate of total income of NIBL, can lead for achieving its goal easily. In relation to the total income of NIBL, it has very good performance in the study period.

4.3.1.5 Trend Analysis of total deposit, net profit, loan & advance and total income forecasted for coming five years

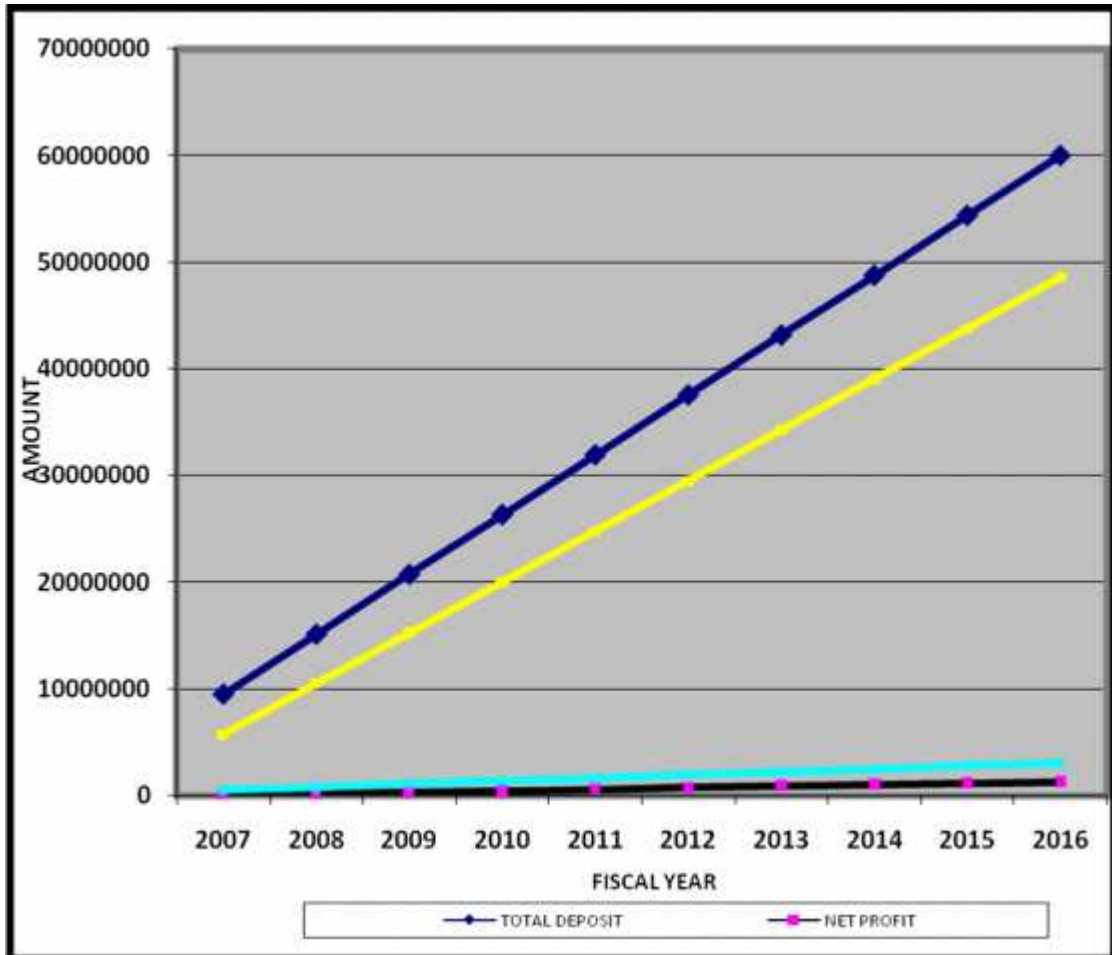
The researcher has already analyzed that trend of total deposit, net profit, loan & advance and total income of past five years which showed the efficiency in performance, reliability and efficient utilization of the collected fund. Past trend of firm is very good, so it shows very good financial performance. Now the researcher is analyzing the trend of total deposit, net profit, loan & advance and total income of the firm for the next five years period till 2016.

Table no. 12: Calculation of Trend Analysis of Total Deposit, Net Profit, loan & Advance and Total Income forecasted for coming 5 year NPR 000's

Fiscal Year (x)	X	Total Deposit	Net Profit	Loan and advance	Total Income
2007	-2	9,511,753.6	115,222.2	5,714,174.6	511,385.4
2008	-1	15,120,591	250,959.6	10,483,916	797,848.2
2009	0	20,729,428.4	386,697	15,253,657.4	1,084,311
2010	1	26,338,265.8	522,434.4	20,023,398.8	1,370,773.8
2011	2	31,947,103.2	658,171.8	24,793,140.2	1,657,236.6
2012	3	37,555,940.6	793,909.2	29,562,881.6	1,943,699.4
2013	4	43,164,778	929,646.6	34,332,623	2,230,162.2
2014	5	48,773,615.4	1,065,382	39,102,364.4	2,516,625
2015	6	54,382,452.8	1,201,121.4	43,872,105.8	2,803,087.8
2016	7	59,991,290.2	1,336,858.8	48,641,847.2	3,089,550.6

∴ X = x - (200

Figure no. 12: Forecast of Trend Analysis of Total Deposit, Net Profit, Loan & Advance and total income of coming five years



Above table no. 12 and figure no.12 reveals that the trend of total deposit, net profit, loan & advance and total income is increasing per year. The total deposit of the firm in the beginning of the base study period was Rs 9,511,753.6 thousand and if it will maintain the same trend of deposit collection then the projected amount of deposit may reach to Rs. 59,991,290.2 thousand in the F.Y.2016. Similarly net profit of the firm in the beginning of the base study period was Rs 115,222.2 thousand and if it will maintain the same trend then the projected amount of net profit may reach to Rs. 1,336,858.8 thousand in F.Y. 2016. At the same time loan and advance reaches to Rs 48,641,847.2 thousand from Rs

5,714,174.6 thousand of the base study period. Total income is Rs 511,385.4 thousand in the F.Y 2007 and it will be Rs 3,089,550.6 thousand in F.Y. 2016. Looking at the above mentioned factors i.e. deposit, loan and advance and total income and net profit they are all positive and are in increasing order. So, we can say that the increasing rate of all these factors of NIBL can lead for achieve its goal.

4.3.2 Correlation Coefficient

Financial performance of the bank should be measured by the help of statistical tool. Coefficient of correlation is an important mathematical method of measuring the degree of association between the two variables, say x and y and is defined by r. In this study Karl Pearson's coefficient of correlation has been used to determine the relation between financial variables. The researcher has calculated and analyzed the five years relevant data from F.Y. 2007 to 2011 to show the relation between:

- i) Total Deposit and Loan and Advances
- ii) Loan and Advance and Net Profit

The detail calculation of Correlation of coefficient, Probable error and 6P.E. is shown in the appendix and the calculated result of r, P.E and 6P.E. is presented in the table below and its interpretation has been made to obtain the determined objective.

4.3.2.1 Total Deposit and Loan & Advance

Table no. 13: Values of Coefficient of correlation, P.E., and 6P.E. between Total Deposit and Loan & Advance

Item	Value
r	0.9967
P.E	0.002
6 P.E	0.012

Source appendix-5

Table no.13 reflects the analysis of coefficient of correlation, probable error and 6P.E between total deposits and loan & advances. It is calculated to find whether the deposit is significantly used as loan and advance or not. In this analysis, the total deposit is independent variable (X) and loan and advance is dependent variable (Y). After analyzing the coefficient of correlation between the variables, it is found that the relations between both the variables are positively correlated. It means the firm is able to use its deposit significantly. It implies that ordinarily, higher the amount in total deposit, higher the amount in loan and advance.

To know the significance of r, we have the value of $r = 0.9967$, $P.E = 0.002$ and $6P.E = 0.012$. Here $r > P.E$. so nothing can be concluded but $r > 6P.E$ it is significant. Since the value of r is significant, it implies that orderly, higher the amount in deposit, higher is the amount in loan & advance.

4.3.2.2 Loan & Advance and Net Profit

Table no. 14: Values of Coefficient of correlation, P.E., and 6P.E between Loan & Advance and Net Profit

Item	Value
r	0.9893
P.E	0.0064
6 P.E	0.039

Source: appendix-6

The above Table no. 14 shows the analysis of coefficient of correlation, probable error and 6P.E between loan & advances and net profit. It is calculated to find whether the loan & advance is significantly used to generate profit or not. In this analysis, the loan & advances is independent variable (X) and net profit is dependent variable (Y). After analyzing the coefficient of correlation between variables, it is found that the relations between both the variables are positively correlated. It implies that ordinarily, higher the amount in loan and advance, higher the amount in net profit. If the loan and advance is adequate net profit will also be adequate.

To know the significance of r, we have the value of $r = 0.9893$, $P.E = 0.006$ and $6P.E = 0.039$. Here $r > P.E$. so nothing can be concluded but $r > 6P.E$ it is significant. Since the value of r is significant, it implies that orderly, higher the amount in loan & advance, higher in the amount of net profit.

CHAPTER - V

SUMMARY, FINDINGS CONCLUSION AND RECOMMENDATIONS

5.1 SUMMARY OF THE STUDY

The banking or the financial institution plays an important role for the economic development of a country. The strong and sound financial sector can promote economic growth, mobilize and allocate resources efficiently, make capital more productive and create job opportunities. The efficient financial sector is prerequisite for overall economic development and reforms. During the post liberalized regime especially after the restoration of democracy in the country, the financial system has developed, diversified, and enriched. Various reform efforts were undertaken in the past to create a healthy financial sector by eliminating the various institutional and structural deficiencies that still characterize the system. The significant amount has been incurred in implementing financial sector reform program increasing loan burden to the citizens of Nepal. It is therefore important that any further loan burden to the citizens due to the commercial banks.

Financial resources is more important to accelerate the socio-economic development further the natural calamities and wars further demand huge resources to rehabilitate and reconstruct. Financial performance/ analysis are a helpful tool which helps to measure the financial efficiency which is one of the significant elements to achieve the goal and objective of any enterprises. It is necessary to maintain financial strength/ health and

minimized or reduces financial weaknesses of any enterprises to encourage financial efficiency. Though several financial companies have been established in our country within short period of time, stable, strong and appropriate financial analysis has not been performed by the companies to earn sufficient return. They have not been able to utilize their funds more effectively and productively. Thus proper utilization of the resources has become relevant and current issue for the banks and financial companies. The directions and guidance provided by the Nepal Rastra Bank as the major policy statements for the Nepalese financial companies and commercial banks. As enclosed in the topic “financial performance” of NIBL

Nepal Investment Bank Limited (NIBL) is one of the growing commercial bank in Nepal, which was established under the joint venture between Nepalese and French partners credit Agricole Indosuez. NIBL has been serving its customers since 1986. NIBL being the member of SWIFT (Society of Worldwide Interbank Financial Telecommunication) enjoys facilities like efficient and speedy fund transfer and messaging toward its valued customers. NIBL is playing financially developing role not only in urban areas but also in the rural areas, which shows that NIBL is keen interested towards economic development of the overall of the country.

NIBL is committed to provide quality service through innovative measures. It believes in being the local bank with global connection. It is probably one of the most advanced banks, technologically. The banking software FINACLE is in use not only for banking activities but also for interconnecting the branches.

NIBL was awarded the “BANK OF THE YEAR 2003” by the “FINANCIAL TIMES” based on London. NIBL was the first Nepalese Bank to receive “bank of the year 2003” which solely managed by Nepalese manner. The editor of the banker which consist member from banking and business sector, has announced the NIBL as the Nepal’s best bank. Kathmandu- September 6, 2005, Nepal Investment Bank Limited (NIBL) has been awarded the prestigious “Bank of the Year 2005” by the London based Financial Times Groups. Recently NIBL won the “Bank of the year 2008”. The NIBL has won the awards three times till date.

NIBL is thus managed by the team of experienced bankers and professionals having proven track record. It is capable of offering what people expect from a bank characterized by reliability and professionalism. The bank strives to extend quality and personalized services to its customers as promptly as possible. It treats all customers with most courtesy as valued clients.

The vision of NIBL is “To be the most preferred provider of Financial Services in Nepal”. In the same way the mission statement of NIBL is “To be the leading Nepal bank, delivering world class service through a blend of technology and visionary management in partnership with our committed staff, to achieve sound financial health with sustainable value addition to our shareholders. We are committed to this mission while ensuring the highest levels of ethical standards, professional integrity, corporate governance and regulatory compliance.” In order to evaluate the financial performance of NIBL, this study has made an attempt to address the issues and present some suitable solutions to the problems. What are the liquidity and profitability position of the firm? The profit of this firm is fluctuating over the years. What is the reason behind this?

Does it manage and utilize its assets efficiently? Does the overall financial statement analysis and financial position indicate the strengths and weaknesses of the firm? How is the financial performance of NIBL? Is it able to meet its obligations or not? The objectives of this thesis which aims to evaluate the financial performance of NIBL are firstly to evaluate the liquidity and profitability position of the firm. Secondly, to analyze the common size statement balance sheet and P/L account of the firm. Thirdly to assess the trend pattern in relation to total deposit, net profit, loan and advance and total income of the firm of past five years and also forecasting the trend for coming five years and finally to investigate the correlates between total deposit and loan & advances and loan & advance and net profit.

To obtain the objectives of this study, appropriate research methodology has been used to evaluate financial performance of NIBL. The necessary data were extracted from the balance sheet and profit and loss account of NIBL for 5 years period from F.Y. 2007 to 2011. The primary data were collected through interview and secondary data were extracted from annual reports either published or unpublished of NIBL. The data were categorized, tabulated, processed and represented into the figures and were analyzed using different methods such as: Financial analysis (Ratio, Common-size statement) Statistical analysis (Trend analysis, Correlation and probable error) in order to get the objective of the study. To test hypotheses, Karl Pearson's coefficient was used. Finally, according to our objective we found the result of our analysis.

5.2 MAJOR FINDINGS

The main findings of the study are derived upon the data that are analyzed and presented earlier about the financial performance of the firm. The researcher has used many types of tools and techniques. Let's analyze the findings and conclusion which are given below.

1. Liquidity Ratio of NIBL shows the following conditions

- In the current ratio analysis, it is said that if the ratio is greater than 2, the ratio indicates there is sufficient fund in firm to pay its creditors. And if the ratio is less than 2 that indicates there is lack of fund in the firm. From the current ratio analysis of NIBL it is found that every year the current ratio cannot meet the standard ratio. This means that the firm has no sufficient money for the current obligation.
- Quick ratio is below the standard ratio which indicates that the firm is not in liquid, indicating the alarm of short term solvency position. Hence, the firm's financial performance is not satisfactory.

2. Profitability Ratio of NIBL shows the following positions

- ROTA of the bank in the F.Y. 2009 is 1.13% and it is in increasing trend and in the final year it raises to 1.77%. Amount of NPAT and total assets are growing. So the bank utilized and mobilized its resources to generate net profit, banks financial performance is good.
- Return on total deposit ratio measures the bank's efficiency and ability to mobilize its collected deposit to receive desirable profit. In the first F.Y. 2009 ROTD is 1.32% and in the final F.Y. 2011

ROTD is risen to 2.02%. It is increased for first four year and then slightly decreases in fifth year. It shows that NIBL is utilizing its deposit only for the first four years. Bank should utilize deposit in returnable sector like the first four year.

- Return on net worth is used to measure shareholders fund for income generating purpose. During the study period RONW is in fluctuating trend. In F.Y. 2009 RONW is 20.94% but in second year it decrease to 19.67%, then it increase and reach to 26.70% in the fourth year, then it again decrease to 25.93% in the F.Y. 2011. Hence, it can be concluded that NIBL has not been able to improve its net profit together with the increase in net worth. So, the financial performance of NIBL in relation to this ratio is not satisfactory.
- Net profit margin ratio plays important role in the bank's ability to turn each rupee income into net profit. The net profit margin of NIBL is in highly increasing trend. It rises from 25.99%, F.Y. 2009 to 39.63%, F.Y. 2011. Increasing trend shows very good performance of this ratio in financial position.
- Earning per share is the key measures to know the profit available to the equity shareholder on per share basis. The EPS is in fluctuating trend. First it is decrease from 51.70% to 39.49% in the F.Y. 2010, then it again decrease from 62.57% to 57.87% in final year of the study period. Only the increasing pattern of EPS refers good financial performance of the firm, but here not so.

3. Common Size Statement of NIBL shows the following positions

- The common-size balance sheet concludes that the amount of cash and bank balance is in increasing trend. So, it symbolizes the good performance. The money at call & investment seems to be

increasing and has increased from RS 4,172,483 thousand to RS 6,874,024 thousand Due to the increasing trend of investment we can say it is at satisfactory level. The amount of loan & advances of the firm is in increasing trend. In the initial year it was Rs. 7,338,566 thousand and now in the F.Y.2011 it has reached to Rs. 27,529,305 thousand and hence signifies good performance. The fixed assets of the firm increased from the base study period (1.85%) to the second year (1.96%) and ,in third year it decrease to 1.58%.in fourth year it again increase and reach to 2.71% and finally it decrease to 2.46% other assets is in decreasing trend. Borrowing of the firm is in increasing trend. Customer deposit is increase from 85.60% to 87.43%. It shows that the firm has won the trust of investors. Other liability decrease to 1.74% from 4.76%. The amount of provision for loan loss is increase from Rs 208,441 thousand to Rs 532,652 thousand. The amount of paid up capital and reserve fund both are in increasing trend. Profit and loss account is increase for first four year and finally it is decreases.

- In the common size Profit & Loss account, the total income of NIBL is increase to Rs 1,758,249 thousand from Rs 587,512 thousand in the final year of the study period. Staff expenses and operating expenses percentage are in decreasing trend. In F.Y. 2008 Staff bonus is 4.38% at present which increase and reach to 5.80% percentage of loan loss provision is in decreasing trend which drawn from 15.50% in F.Y. 2009 to 7.73% in F.Y. 2011. company paid Rs 78,802 thousand for income tax in F.Y. 2007 and in final year Rs 323,229 thousand paid for income tax. Net profit is increase from Rs 152,671 thousand, 25.99% F.Y. 2007 to Rs 696,732 thousand, 39.63% F.Y. 2011. This is in

increasing trend it shows the very good financial performance of the firm.

4. Trend Analysis of NIBL shows the following positions

- The trend analysis of total deposit refers that the actual and trend values are in increasing ratio, which is at satisfactory level. So, we can say that the NIBL has positive financial performance in relation to deposit collection power and is able to increase its deposit each year.
- The actual value of total income depicts that it is highly increasing in the study period. It shows the better performance of the firm. And also the trend value of total income has increased from the base study period to the fifth year. So, we can say that the total income of NIBL is in very good position within the five years study period. In relation to this, NIBL has positive financial performance.
- The trend analysis of loan and advance is increasing year by year; we can conclude that the slope of the line is in increasing order. So, we can say that the increasing rate of loan and advance of NIBL can lead for achieve its mission.
- The actual value of net profit is increasing every year. So, the trend is at very good level. On the other hand, the trend values are also in increasing ratio. It is a good sign for a firm and also shows the better financial performance. The increasing rate of net profit of NIBL can lead for achieve its objectives.
- The trend of deposit, loan and advance, income and net profit forecasted for coming five years are all positive and are in increasing order. Hence, we can conclude that, if the firm will be able to maintain the same trend then it can gain the better level. Thus, we can say that the firm is at the better and satisfactory level.

5. Correlation Coefficient of NIBL shows the following positions

- The coefficient of correlation between the total deposit and loan & advance of the firm shows that there is a positive relation between the variables. To know the significance of r , we found that the value of $r > P.E.$ so nothing can be concluded but the value of $r > 6P.E.$ it is significant. It implies that orderly, higher the amount in deposit, higher is the amount in loan & advance. It means the firm is able to use its deposit significantly.
- The coefficient of correlation between variables, it is found that the relations between both the variables are positively correlated. It implies that ordinarily, higher the amount in loan and advance, higher the amount in net profit. If the loan and advance is adequate net profit will also be adequate to know the significance of r , we found that the value of $r > P.E.$ so nothing can be concluded but the value of $r > 6P.E.$ Since the value of r is significant, it implies that orderly, higher the amount in loan & advance, higher in the amount of net profit.

5.3 CONCLUSIONS

After analyzing the objectives of the study and on the basis of major findings of the study it is derived that the firm's liquidity positions are not at satisfactory level. Net profit is increasing in each year so; profitability ratio shows the better performance of the bank. The trend analysis showed that trend of deposit, loan and advance, total income and net profit are in increasing order and are at satisfactory level. Also the trend analysis shows the better financial performance of the bank. The coefficient of correlation between loan & advance and total deposit of the

firm is positively correlated. So, it is significant. And also coefficient of correlation between loan and advance and net profit of the firm is positively correlated. Thus, from the overall analysis, it can be concluded that, in relation to liquidity ratio the financial performance of NIBL is not satisfactory. Profitability positions of the firm shows the better performance, and also the trend analysis of net profit, deposit, loan and advance and total income shows the better performance of the firm. Coefficient of correlation between the loan & advances and net profit and correlation between deposit and loan and advance also show the better financial performance .in conclusion except the liquidity position other factors analyzed in this study shows the better financial performance of NIBL.

5.4 RECOMMENDATIONS

Recommendation is considered for the achievement of target goals and objectives of the study to find out the problem and positive important and valuable suggestion on the base of finding of the study to improve the financing position of firm. After the analysis and observation of the collected data and growth trend analysis some specific recommendations have come up which are given below.

On the basis of Liquidity Ratio, both the current and quick ratios are unable to meet the standard of comparison. Hence, the firm's liquidity position is not satisfactory. So, the firm should focus on maximizing its current and quick assets and should minimize its current liabilities.

On the basis of profitability ratio, the firm is able to return from its deposit, assets, income, net worth and EPS as a result the firm's net profit is increasing and hence its profitability position shows the satisfactory level. So, to make the best profitability position of the firm, the firm has to provide its resources in high interest bearing sectors to generate more profit and to maintain the profitability position in forthcoming years.

-) The trend analysis of deposit, loan and advance, total income and net profit all are in increasing trend so the bank should maintain this increasing rate to flourish its activities in near future.
-) The relation between loan & advance and total deposit and loan and advance and net profit both are significant so, the firm should maintain this relation in coming years too.
-) Even though the total deposit is mobilized as loan and advances but the bank is unable to earn maximum profit, which shows the poor mobilization and poor recovery. So initiative steps should be taken to mobilize deposit effectively and rationally in productive sector so as to earn maximum profit.
-) NIBL should build management information system and external information tracking unit which will help get reliable information about loan proposal made by client as well as external information like competitors, debtors and creditors, stakeholder etc.
-) The bank must be careful for safety of principle and its disbursement. Credit worthiness of the borrower to provide loans, for secure investment loan manager should consider on character, credibility, condition & collateral of related person or parties. In addition bank should involve in social program to trace out some positive image to people.

-) Company's procedure for obtaining services should be simplified and minimum time consumable. Company should try to provide wide and reliable services in minimum cost and should try to reduce cost of services.
-) At present highly competitive environment, protection of employee is most important factors to be considered by the management of bank. Job security, promotion & career development, related training in their job is needed for work with better performance. On the other hand bank should computerize its accounting task for prompt service to its customers.
-) NIBL should hire employee from the market instead of hiring from internal source, by doing this organization can get highly motivated and competent manpower to achieve its mission, vision and objectives.

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Internet Website

www.nibl.com.np

www.google.com.np

Appendix-1

Calculation of Trend Analysis of Total deposit NPR000's

Year (X)	Total Deposit (Y)	X=x-2007	x ²	xY
2007	11,524,680	-2	4	-23,049,360
2008	14,254,574	-1	1	-14,254,574
2009	18,927,306	0	0	0
2010	24,488,856	1	1	24488856
2011	34,451,726	2	4	68903452
N= 5	Y= 103,647,142	x=0	x ² =10	xY=56,088,374

The straight line trend is given as:

$$y = a + bx \text{----- (i)}$$

$$y = 20,729,428.4 + 5,608,837.4x$$

Since $\sum x = 0$, so $a = \frac{\sum Y}{N} = \frac{103,647,142}{5}$

$$a = 20,729,428.4$$

$$b = \frac{\sum xy}{\sum x^2} = \frac{56,088,374}{10}$$

$$b = 5,608,837.4$$

Substituting the value of a and b in eq.(i), the equation of the trend line is

$$y = 20,729,428.4 + 5,608,837.4x$$

For trend values:

When

$$x = -2, \quad y = 20,729,428.4 + 5,608,837.4(-2) = 9,511,753.6$$

$$x = -1, \quad y = 20,729,428.4 + 5,608,837.4(-1) = 15,120,591$$

$$x = 0, \quad y = 20,729,428.4 + 5,608,837.4(0) = 20,729,428.4$$

$$x = 1, \quad y = 20,729,428.4 + 5,608,837.4(1) = 26,338,265.8$$

$$x = 2, \quad y = 20,729,428.4 + 5,608,837.4(2) = 31,947,103.2$$

Appendix-2

Calculation of Trend Analysis of Net Profit NPR000's

Year (X)	Net Profit (Y)	X=x-2007	x ²	xY
2007	152,671	-2	4	-305342
2008	232,147	-1	1	-232147
2009	350,536	0	0	0
2010	501,399	1	1	501399
2011	696,732	2	4	1393464
N= 5	Y=1933485	x=0	x²=10	xY=1357374

The straight line trend is given as:

$$y = a + bx \text{-----(i)}$$

$$y=386,697 + 135,737.4x$$

Since $x = 0$, so $a = \frac{\sum Y}{N} = \frac{1,933,485}{5}$

$$a=386,697$$

$$b = \frac{\sum xy}{\sum x^2} = \frac{1,357,374}{10}$$

$$b=135737.4$$

Substituting the value of a and b in eq.(i), the equation of the trend line is

$$y=386,697 + 135,737.4x$$

For trend values:

When

$$X=-2, y=386,697 + 135,737.4 (-2) =115,222.2$$

$$X=-1, y=386,697 + 135,737.4(-1)=250,959.6$$

$$X=0, y=386,697 + 135,737.4(0) =386,697$$

$$X=1, y=386,697 + 135,737.4 (1) =522,434.4$$

$$X=2, y=386,697 + 135,737.4 (2) =658,171.8$$

Appendix-3

Calculation of Trend Analysis of Loan and Advance NPR000's

Year (X)	Loan and Advance(Y)	X=x-2007	x ²	xY
2007	7,338,566	-2	4	-14,677,132
2008	10,453,164	-1	1	-10,453,164
2009	13,178,152	0	0	0
2010	17,769,100	1	1	17,769,100
2011	27,529,305	2	4	55,058,610
N= 5	Y=76,268,287	x=0	x²=10	xY=47,697,414

The straight line trend is given as

$$y = a + bx \text{-----(i)}$$

$$y=15,253,657.4+4,769,741.4x$$

Since $x = 0$, so $a = \frac{\sum Y}{N} = \frac{76,268,287}{5}$

$$a=15,253,657.4$$

$$b = \frac{\sum xy}{\sum x^2} = \frac{47,697,414}{10}$$

$$b=4,769,741.4$$

Substituting the value of a and b in eq.(i), the equation of the trend line is

$$y=15,253,657.4 + 4,769,741.4x$$

For trend values:, When

$$X=-2, y=15,253,657.4 + 4,769,741.4(-2) = 511,385.4$$

$$X=-1, y=15,253,657.4 + 4,769,741.4(-1) = 797,848.2$$

$$X=0, y=15,253,657.4 + 4,769,741.4(0) = 1,084,311$$

$$X=1, y=15,253,657.4 + 4,769,741.4 (1) =1,370,773.8$$

$$X=2, y=15,253,657.4 + 4,769,741.4(2) = 1,657,236.6$$

APPENDIX -4

Calculation of Trend Analysis of Total Income NPR000's

Year (X)	Total income (Y)	X=x-2007	x ²	xY
2007	587,512	-2	4	-1,175,024
2008	791,079	-1	1	-791,079
2009	970,482	0	0	0
2010	1,314,233	1	1	1,314,233
2011	1,7582,49	2	4	3,516,498
N= 5	Y=5,421,555	x=0	x²=10	xY=2,864,628

The straight line trend is given as

$$y = a + bx \text{-----(i)}$$

$$y = 1,084,311 + 286,462.8x$$

Since $x = 0$, so $a = \frac{\sum Y}{N} = \frac{5,421,555}{5}$
 $a = 1,084,311$

$$b = \frac{\sum xy}{\sum x^2} = \frac{2,864,628}{10}$$

$$b = 286,462.8$$

Substituting the value of a and b in eq.(i), the equation of the trend line is

$$y = 1,084,311 + 286,462.8x$$

For trend values:

When

$$X = -2, y = 1,084,311 + 286,462.8(-2) = 511,385.4$$

$$X = -1, y = 1,084,311 + 286,462.8(-1) = 797,848.2$$

$$X = 0, y = 1,084,311 + 286,462.8(0) = 1,084,311$$

$$X = 1, y = 1,084,311 + 286,462.8(1) = 1,370,773.8$$

$$X = 2, y = 1,084,311 + 286,462.8(2) = 1,657,236.6$$

APPENDIX -5

Calculation of Correlation between Total Deposit and Loan and Advance

NPR00000's

Year	Total Deposit (X)	Loan & Advance(Y)	x = (X - \bar{X})	y = (Y - \bar{Y})	xy	x ²	y ²
2007	11,524.68	7,338.566	-9,204.75	-7,915.094	72,856,461.5	84,727,422.56	62,648,713.03
2008	14,254.574	10,453.164	-6,474.86	-4,800.496	31,082,539.53	41,923,812.02	23,044,761.85
2009	18,927.31	13,178.152	-1,802.12	-2,075.51	3,740,318.081	3,247,636.494	4,307,741.76
2010	24,488.86	17,769.1	3,759.43	2,515.44	9,456,620.599	14,122,313.92	6,327,438.39
2011	34,451.73	27,529.305	13,722.3	12,275.645	168,450,083.4	188,301,517.3	150,691,460.2
	\bar{X} =103,647.154	\bar{Y} =76,268.287			\bar{xy} =285,586,023.1	\bar{x}^2 =332,333,702.2	\bar{y}^2 =247,020,115.2

$$\bar{X} = \frac{\sum X}{N} = \frac{103,647.154}{5} = 20,729.43, \quad \bar{Y} = \frac{\sum Y}{N} = \frac{76,268.287}{5} = 15,253.66$$

$$r = \frac{\sum xy}{\sqrt{\sum x^2 \sum y^2}}$$

$$r = \frac{285,586,023.1}{\sqrt{332,333,702.2 \times 247,020,115.2}}$$

$$r = \frac{285,586,023.1}{18,230,022 \times 15,716.87}$$

$$r = \frac{285,586,023.1}{286,518,885.9}$$

$$r = 0.9967$$

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

$$P.E. = 0.6745 \times \frac{1 - (0.9967)^2}{\sqrt{5}}$$

$$P.E. = 0.6745 \times \frac{1 - 0.9934}{2.2361}$$

$$P.E. = 0.002 \quad 6P.E. = 6(0.002) \quad 6P.E. = 0.012$$

APPENDIX -6

Calculation of Correlation between Loan & Advance and Net Profit

Year	Loan & Advance(X)	Net Profit (Y)	x = (X- \bar{X})	y = (Y- \bar{Y})	xy	x ²	y ²
2007	7,338.566	152.671	-7,915.094	-234.026	1,852,337.79	62,648,713.03	54,768.17
2008	10,453.164	232.147	-4,800.496	-154.55	741,916.66	23,044,761.85	23,885.7025
2009	13,178.152	350.536	-2,075.508	-36.161	75,052.44	4,307,733.458	1,307.62
2010	17,769.1	501.399	2,515.44	114.702	288,525.99	6,327,438.394	13,156.55
2011	27,529.305	696.732	12,275.645	310.035	3,805,879.59	150,691,460.2	96,121.70
	\bar{X} =76,268.287	\bar{Y} =1,933.485			\bar{xy} =6,763,712.47	$\bar{x^2}$ =247,020,106.9	$\bar{y^2}$ =189,239.7425

NPR00000's

$$\bar{X} = \frac{\sum X}{N} = \frac{76,268.287}{5} = 15,253.66, \quad \bar{Y} = \frac{\sum Y}{N} = \frac{1,933.485}{5} = 386.697$$

$$r = \frac{\sum xy}{\sqrt{\sum x^2 \sum y^2}}$$

$$r = \frac{6,763,712.47}{\sqrt{247,020,106.9 \times 189,239.7425}}$$

$$r = \frac{6,763,712.47}{15,716.87 \times 435.02}$$

$$r = \frac{6,763,712.47}{6,837,152.79}$$

$$r = 0.9893$$

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

$$P.E = 0.6745 \times \frac{1 - (0.9893)^2}{\sqrt{5}}$$

$$P.E = 0.6745 \times \frac{1 - 0.9787}{2.2361}$$

$$P.E = 0.0064$$

$$6P.E = 6(0.0064)$$

$$6P.E = 0.039$$

$$6P.E = 0.039$$

$$6P.E = 0.039$$

APPENDIX- 7

Five Years Financial Summary

Profit & Loss Account

NPR 000's

<u>Interest Income</u>	F.Y.	F.Y.	F.Y.	F.Y.	F.Y.
	2007	2008	2009	2010	2011
Loans, Advance & Overdraft	663,016	769,195	964,689	1,302,122	1,907,261
Others	68,387	117,605	208,053	282,865	287,014
Interest Expenses	(326,202)	(354,549)	(490,947)	(685,530)	(992,158)
Net Interest Income	405,201	532,251	681,795	899,457	1,202,117
Exchange Gain	87,980	102,518	125,747	135,355	165,839
Commission Income	55,747	93,551	115,942	163,899	215,292
Other Operating Inome	36,816	56,567	46,607	114,096	167,953
Other Non Operating Income	1,768	6,192	391	1,426	7,048
Total Income	587,512	791,079	970,482	1,314,233	1,758,249
Staff Expenses	89,749	97,004	120,664	145,371	187,150
Operating Expenses	149,479	182,915	190,605	243,431	313,154
Non Operating Expenses					
Staff Bonus	25,719	37,075	50,491	72,338	101,996
Total Expenses	264,947	316,994	361,760	461,139	602,300
Profit Before Tax	322565	474085	608722	853094	1155950
Loan Loss Provision	91092	140409	103808	129719	135989
Income Tax	78802	101529	154378	221977	323229
Net Profit/(Loss) After Tax	152671	232147	350536	501399	696732

APPENDIX- 8

Five Years Financial Summary

Balance Sheet

NPR 000's

<u>Assets</u>	F.Y. 2007	F.Y. 2008	F.Y. 2009	F.Y. 2010	F.Y. 2011
Cash & Bank Balance	1,226,923	1,340,481	2,335,521	2,441,514	3,754,942
Money at Call & Investment	4,172,483	4,074,189	5,672,869	6,868,650	6,874,024
Loans & Advances	7,338,566	10,453,164	13,178,152	17,769,100	27,529,305
Net Fixed Assets	249,788	320,592	343,450	759,456	970,092
Other Assets	476,177	202,226	201,090	234,797	277,597
Total Assets	13,463,937	16,390,652	21,732,081	28,073,517	39,405,959
<u>Liabilities</u>					
Borrowings	361,500	350,000	550,000	800,000	1,050,000
Customers' Deposit	11,524,680	14,254,574	18,927,306	24,438,856	34,451,726
Other Liabilities	640,269	278,796	437,392	423,866	684,794
Provision for loan loss	208,441	327,108	401,944	482,673	532,652
Total Liabilities	12,734,889	15,210,479	20,316,642	26,195,394	36,719,173
Net Assets	729,048	1,180,173	1,415,440	1,878,124	2,686,786
Shareholders' Fund	-	-	-	-	-
Paid –Up Capital	295,293	587,739	590,586	801,353	1,203,915
Profit Capitalization	-	-	-	-	-
Reserve Fund	419,092	567,511	778,904	955,417	1,415,392
Profit & Loss Account	14,663	24,924	45,950	121,354	67,479
Total Shareholders Fund	729,048	1,180,173	1,415,440	1,878,124	2,686,786