

CHAPTER – ONE

INTRODUCTION

1.1 General introduction:

In the economic world of today, the bank are the financial institution in thousand of local town and cities. The bank plays a vital role for the economic development of a country and encourages the habit of saving and development of trade and commerce. Bank help to mobilize the frizzed and Scatter saving of the people and play and intermediary role to make investment of the collected fund in different productive sector. They help to fulfill the requirement of trade and industry in the country and play great role in reducing of poverty, raising employment opportunities and raising people life standard. Banks also arranged remit money from one place to another at very low price by cheque and draft. They buy all sell securities on behalf of customer. Banks are very important to individual business and for country. In fact, economic development of county is not possible without banking system. So, for the economic development, Capital formation, Supply of money, business promotion, industrial and agricultural development banks play vital role in the economic history of any country.

The oldest bank of Nepal is Nepal Bank Ltd. Which was established in 1994 B.S. Nepal Rastra Bank was established in 2013 as Central Bank of County. After this, several other commercial banks like Rastriya Baniyya Bank, Agricultural Development Bank, Nabil Bank Ltd., Nepal Industrial Bank, Standard Chartered Bank, Himalayan Bank, Nepal Bangladesh Bank are also established. Other several banks were

established in Nepal with joint investment such as Standard Chartered Bank, Nepal Industrial and Commercial Bank, Global Bank, Kumari Bank, Sun Rise Bank, Laxmi Bank, Everest bank, Siddhartha bank, Lumbini Bank, Bank of Kathmandu, Citizen International bank, Nepal Credit and Commerce Bank, Prime Commercial Bank, Bank of Asia Nepal Ltd., NMB Bank, Crist Bank etc.

According to the Nepal Commercial Bank Act, 2031 B.S.

A commercial bank is one which exchanges money, deposits money, accept deposited grant loan and performs commercial banking functions.

According to Crowther, A Bank is a dealer is debt his own and other's. The banker business is then to take debts of their people to offer his own in exchange and their by to create money.

According to R.S. Sayers, We can define a bank as an institution whose debts (Bank deposit) are widely accepted in statement of other people is debt to each other.

As far as banking function like landing and borrowing are concerned, such activities were conducts even in ancient day. History of landing and borrowing can be traced back to period of lichhib king Gunakamdev who had borrowed money from rich people to build the city of Kathmandu in 780 B.S. during the Prime Minister ship of Ranodip Singh around 1933 B.S. a number of economic and financial reforms were introduced. The establishment of "Tejarath adda" was the out come of the reform. It used to provide loans to the government official and the people against deposit of gold and silver. It had also extended it branches outside Kathmandu valley for granting loan. But this office had no right to accept deposit of public and had no characteristics of modern bank.

Generally, an institution established by law when deal with money and creates is called bank. A bank simply carries out the work of exchanging money, providing loan, accepting deposit and transferring money.

There are various types of bank and one of them is Commercial bank. Commercial bank means a bank which operates currency exchange, transaction, accepts deposits, provide loan, and performs dealing relating to commerce except the bank which have been specified for the Cooperating agricultural industry of similar other objective.

“The commercial bank has it own role contribution in the economy development, it maintains economics confidence of various segment and extends credit of people.”(American institution of Banking 1972:1)

“The some commercial bank was first used to indicate that loans extended to consumer’s government and other non-business institution as well. In generally the assets of commercial bank lend to be more liquid and carry less than the assets held by other financial intermediaries.”(The new encyclopedia Britannica, USA, 1991 1:3)

Commercial bank is an important bank which provided different services for the economic development of the nation. It has converted each and every aspect of the economy. In the absence of this kinds of services provided by commercial bank, development of various sector of the economy would not be possible.

Thus, In an under developing country like Nepal establishment of commercial bank are very essential for the rapid economy development, although these bank are truly inspired with the objectives of gaining profit. These also established to accelerate common people economic

welfare and facility to make available loan to the agriculture, Industry and commerce and to provide the banking services to the public and the state.

Joint venture bank effect of strategic alliance arrangement in which two corporation combine forces to form Co-operative partnership in order to share risk of development of offset on weakness with strengths of other and like other, In Nepal JVBs registered under the Commercial bank act 2031 B.S. they have joint Venture between Nepalese investor and their parent foreign bank occupies certain percentage of share not exceeding 50% and applies their international management and Network.

There were many JVBs established after 2040 B.S. The first joint venture bank is “Nepal Arab Bank Ltd.”(Renamed as NABIL Bank Ltd.) Since 1st January 2002. NABIL Bank Limited gave a new way to the financial sectors. The second JVBs “Nepal Indosuez Bank Ltd.” were established in 2043 B.S. After the incorporation of NIBL a new joint venture bank under to the name of “Nepal Grindlays Bank Ltd.” was established in 10th 2043 B.S. It was the third JVBs of Nepal. “After the established of NGBL, more JVBs were come in to existence after the initiation of government policy of economic liberalization and privatization in 2049 B.S.” They are Himalayan Bank Ltd.(2049), Nepal SBI Bank Ltd.(2051), Bank of Kathmandu(2052), Nepal Bangladesh Bank Ltd.(2050), Lumbini Bank Ltd.(2055), Nepal Industrial and Commercial Bank Ltd.(2055), Kumari Bank Ltd.(2057), Laxmi Bank Ltd.(2058), Siddhartha Bank Ltd.(2049), Global Bank Ltd.(2063) and so on. These JVBs come into extended to develop the economy condition of the nations. The foreign commercial Banks play a dominant role to manage the joint venture bank in Nepal.

1.2 Focus of Study:

A research work is the process of a systematic and in depth study or search of any particular subject area. An immense research work can be done in any topic or area of the universe. But it is difficult an irrelevant to conduct a research work concentrating on difficult topic or subject at once. So in this study an attempt will be made only to identify financial weakness and strength of the selected commercial Bank i.e. Nepal SBI Bank Ltd., And Nabil Bank Ltd. The main focus of study is to analyze the comparative financial performance of these for 5 years.

Finance holds a key role on a human activity. Every financial decision is made by observing the income and expenditure of each investment decision.

According to the above statement it needs to study commercial Bank in Nepal which are major in financial activities and there financial standard. Best financial performance of certain business organization represent its property but financial performance of the financial institution it selves is prosperity of economic sector.

We know that finance plays significance role in industrialization commercial banks and their performance with respect to their finance is essential study. Best financial performance of commercial banks encourages development of whole economic sector of nation. The researcher's interest to study the financial performance of Nepal SBI Bank Ltd., Nabil Bank Ltd. Researcher objective is giving the corrective suggestion in financial performance of financial institution. So study suggests for the further improvement a financial performance of Nepal SBI Bank Ltd. and Nabil Bank Ltd.

Development of industry trade and commercial of country depend upon the development of financial sector. Development is directly related with funds and their easy availability use and the better relationship between the different financial activities. Commercial Bank is developing Country like Nepal plays a vital role for the development of financial performance of commercial Bank.

For the objectives of this study evaluation of the banks is made with respect to their liquidity activities, profitability, income and expenditure. This study also tries to find out the correlation between specific variable and causes leading to better performance of Bank. There are only two bank selected for the study.

1.3 Importance of this study:

This study is important to many parties in different ways which can be listed as follows.

- The Shareholder interested to know how their funds are being utilized and to what extent they are going from their investment. This report will help them by providing such information.
- This study provides detail about the financial performance of firm. The management will be able to know about the weak point and gaps if an off correct them in future.
- Other the share holders and management some other people like deposits, competitors, merchants are interested to know about the performance of organization. This report will help in very respect.

1.4 Background of Nepal SBI Bank Ltd. and Nabil Bank Ltd.

Bank are the essential part of the business activities which is established to safe guard people's money and swing the money in making loans and investment. There are several banks operating inside and outside of valley as commercial bank and joint venture bank. Every bank invests lots of money in some profitable business in long run. An investment is the commitment of money that is expected to generate additional money. Now a day, many kinds of banks are established in our country as commercial Bank joint venture bank. The competition of the banking sector in Nepal has increased. Competition of joint venture banks is going to be sticks more interest. Arab Bank Limited was established in 2041 which is the first joint venture bank under the commercial bank Act 2031. There are many kind of joint venture banks operating. Out of them, SBI Bank Ltd. And Nepal Nabil Bank Ltd. are selected for research.

i) Nepal SBI Bank Ltd.

Nepal SBI Bank Ltd. is a joint venture between employee's provident fund and State Bank of India. SBI Bank are the largest bank of India holds 50% of the equity. It was established in 2050. It started its operation on 23rd Ashad 2050(1993) with its head of Office in Katmandu. The initial paid up Capital was Rs.119.95 million. After the establishment of this bank, generally the monetary transaction between Nepal and India has been carried out through this bank. Since State Bank of India has its network throughout the urban area to remote rural area in India. The bank operates with the objectives of providing loan to industry commerce and trade.

The bank has more than then branches in various parts of the kingdom. Its corporate office located in Hattisar, kathmandu and main branches office in Durbarmarg, Kathandu. It has another branches located in New road, and Embassy of India extension counter an remounting are outside of the valley,i.e Biratnagar, Bhairhawa, Pokhara, janakpur, Ithari, Birtamod branches. To extend more efficient service level but has also kept it prepared for future adaptation of new technology. Nepal SBI Bank has just entered into the Seventeen year of successful operation. During these provides, the bank has established itself as one of the leading joint venture banks in the country.

ii) Nabil Bank Ltd.:

Nabil Bank Ltd. the first foreign joint venture bank of Nepal, started operations in July 1984. Nepal Arab Bank known as NABIL was under technical service agreement with Dubai Bank Limited, which was later merged with Emirates Bank Limited, Dubai.

Nabil was incorporated with the objective of extending international standard modern banking services to various sectors of the Society. Nabil, as a pioneer in introducing many innovative products and marketing concept in the domestic banking sector, represent a milestone an era of modern banking with customer satisfaction measured as a local objective while doing business.

1.5 Statement of problem:

The present situation of Nepal is economically unstable. There is no peace and security in the country. So the investors are discouraged to invest Banking industries are facing problem from external environment, such as political, legal, economical, and social. Now a day, unstable

policies is major problem of banking sector. The common problem of both joint venture banks and state owned commercial banks are throat cut competition. The joint venture banks are not interested in granting loan to primary sector because they secrete opportunities for maximization of profit. Rural areas are being neglected. There are only few rural development banks active in Nepal while Nepal is full of rural areas.

The following are the helps of gain the answers to unsolved questions regarding the financial performance of Nepal bank ltd. in this study.

1. What is the current position financial performance of Nepal SBI Ltd. and Nabil bank ltd.?
2. Up to what extent the independent variables such as change in various financial rates affect the financial performance of Nepal SBI Ltd. and Nabil bank ltd.?
3. Whether the Nepal SBI Ltd. and Nabil bank ltd. were established as company act?
4. Whether the profitability of both banks is good?
5. Whether the both banks are using the accounting rules and regulations?
6. Whether the both bank audit their annual reports legally?

1.6 Objectives of study:

The main objectives of the study is to measure the financial performance of Nabil bank ltd and Nepal SBI Bank Ltd. It obtains the true and exact result about the financial performance of both banks. The specific objectives of this study are as under:-

1. To analyze the financial performance position of Nabil bank ltd and Nepal SBI bank ltd.
2. To examine the financial performance of the Himalayan bank ltd., Nabil bank ltd. and Nepal SBI bank ltd. in terms of their profitability.
3. To examine the financial performance of the Nabil bank ltd. and Nepal SBI bank ltd. leverage.
4. To examine the financial performance of the Nabil bank ltd. and Nepal SBI bank ltd. in term of their profitability.
5. To know about the banking activities of both banks whether running at profit or loss.
6. To provide the information about the capacity of bank for paying the loan and interest theorem.

1.7 Research Hypothesis:

The hypothesis is most powerful tool has invented to achieve dependable knowledge and Hypothesis is an educated guess about problems solutions. A logically conjecture relationship between two or more variable expressed in the form of testable statement. Hypothesis is thus a statement about the relationship between two or more variable which need to be investigated for its truth. If the relationship between two variables act as hypothesis predicts then the Hypothesis is supported and a new theory has been suggested and in this study there are two types of variables. i.e. dependent and independent. Financial performance is dependent variable and different type of ration such as liquidity ration, leverage ration and profitability ration are independent variable.

In this research, the researcher is developing the following hypothesis.

- Higher the liquidity ratio, the organization liquidity position is better.
- Higher the debt ration, it is not gained for organization.
- Higher profitability ration, it is good for organization.
- Higher the profitability ratio, so that maximizing profit and decreasing of operating cost.

1.8 Limitation of study:

It is natural that all types of study have been conducted with certain limitation. A research is vast study investigatory the subject matter for solving perceived research problems. Although tails research study has so much advantages aspect, after all, it is conducted under some limitations; it means that the study has done under certain limitation. Therefore, the following are the main limitation of the study:-

1. The study is limited to financial performance.
2. The study is only base on secondary data.
3. The data available in published annual report have been assumed to be correct and true.
4. There is only three types of bank for the study i.e. Nepal SBI Ltd. and Nabil bank ltd.
5. The study is only for 5 years.

1.9 Organization of study:

The study has been organized into five chapters each deals some important factors of financial performance. The litter of each of those chapters is listed below:

Chapter 1 : Introduction

- Chapter 2 : Review of literature
- Chapter 3 : Research Methodology
- Chapter 4 : Presentation and analysis of data
- Chapter 5 : Summary, Conclusion and recommendation

CHAPTER-I [Introduction]

This is the introduction chapter of this study. This chapter includes background of title, focus of the study, importance of study, back ground of HBL, NBL and NSBIL Statement of problem, limitation of the study and organization of the study.

CHAPTER – II [Review of Literature]

This chapter is the review of literature with conceptual frame work of the financial performance, review of book and thesis work.

CHAPTER – III [Research Methodology]

This chapter contains the research methodology. This chapter deals introduction, research design, and population and sample, sampling method, sources of data, method of data collection, tests for analysis and statistical analysis.

CHAPTER – IV [Presentation & Analysis of Data]

This chapter deals with presentation of data and analysis of the liquidity position, Leverage position and profitability position of Nepal Nepal SBI Ltd. and Nabil bank ltd.

CHAPTER – V [Summary, Conclusion & Recommendation]

The chapter includes summary, conclusion and recommendations of the study. The bibliography and appendices are at the end of the study.

CHAPTER – Two

REVIEW OF LITERATURE

2.1 Introduction:

This chapter deals with the Review of literature to make the basis knowledge for the study. Review of literature means reviewing research studies or other relevant proposition in related area of the study. Reviewing research studies and once choose field of study and found what remains to be done in the related area of the study is called review of literature. “The purpose of reviewing the literature is to develop some exports in one’s area. To see what new contribution can be made and to receive some idea for developing a research design.”(Wolff Howard and Panta 1999:30)

Scientific research must be based on the pas knowledge. The previous studies can not be ignored because they provide the foundation to the present study in their words. There has to be continuity in research. A careful and successful review of literature helps the researches in avoiding any duplication of work done earlier. It enables the researcher in discovering important variables relevant to the area of the present research.

Some vision has seen mentioned with the purpose of reviewing the literature. This chapter is divided into two different sections.

1. Conceptual frame work/ Theoretical sections.
2. Review of related studies.

2.1 Conceptual Framework/ Theoretical framework.

2.2.1 Financial performance:

The main indicator of financial performance of business enterprises is the profit earned by the firm profit results mainly from the successful business management, lost control credit expansion risk management in general efficiency of operation.

Financial statement are prepared from the accounting record maintain by the firm. The accounting record maintain by the firm. The accounting records are historical and expressed in terms of money. So it is related to past period. It provides reliable information of business activities and their result. It also provides information about resources of business.

Financial statements are the end product or output of an accounting system designed and used in an organization. The inputs to this system are the business transaction or financial events taken place in the organization. This accounting principles and procedures in the course of their transaction into financial statements.

Financial performance is that managerial activity which has concern with the planning, organizing, controlling and administrating of financial resources of financial statement of enterprise. Again it is basically concern with analysis of financial statement of enterprise by using different tools and techniques financial performance is not also it helps improvement of financial condition in future.

2.2.2. Concept of Financial Statement:

It was easier to record and check the business transaction for each business in the beginning of civilization because the number of business transaction had taken a very small place. As the human civilization has

been growing, human activities have also been increase remarkable. By the help of financial performance every businessman could show actual business condition to the different parties.

“Financial statement is an organized collection of data organized according to logical and consistent accounting procedures. It may show a position at a moment in time as in the case of balance sheet, may reveal a series of activities over a given period of time in case of an income statement.” (Eagene Stalbey, 1954:304)

“Financial statement reforms to the two summarized financial report which the accountant prepares usually at the fiscal year of the firm. They are balance sheet or statement of financial position and the income statement or profit and loss account”.

According to the man mohan and Goyal analysis and interpretation of financial statement are attempted to determine the significance and meaning of financial statement data so that a forecast may be made of the prospect for future earning ability to pay interest, debt maturities both current as well as long term and profitability”. (mohan man and Goyal, S.N. 1988:396)

The organization summary of detailed information about financial position and performance of a concern is know the financial statement. The financial statement is prepared at the end of accounting period. The purpose for preparing financial statement is for the periodical review of the activities of the organization and result achieved by the organization. It includes profit and loss account or income statement and balance sheet. Profit and loss account indicates the result of operation for a particular period and balance sheet indicates the financial position regarding assets, total payable and capital. So, balance sheet and profit and loss account are

important financial statement used in business short explanation of balance sheet and profit and loss account are as follows:-

1. Income statement:

An income statement shows the net result of the business operations during an accounting period. It may include manufacturing and trading account, profit and loss account and profit and loss appropriation account. An income statement presents the summary of revenues expenses and net income and net loss of a firm. It serves as measure of the firm's profitability.

In their simplest form, the income statement contains two broad categories of items: though of as the level of accomplishment attain that level of accomplishment more. Specifically revenue represent the actual or expected inflow of assets, the settlement of liabilities both firm a Company's primary business activity, while expenses represent the utilization or consumption of assets or incurring of liabilities or both produce the revenue inflow. "The income statement provides are view of the factors directly concerned with the determination of the net income, the revenue realized from the sale of goods or services and the cost incurred in the process of producing the revenue. They are deducted from the revenue to determine the income from regular operation. In addition, they may be income from other sources and other deductions from income.(John, N. mayer, 1972:15)

The profit and loss account is the 'Score board' of the firm's performance during the particular period of time. The generally accepted convention is to show one year's event in the profit and loss account. Analysis of profit and loss account for several year may reveal desirable

or undesirable trends in the profit earning capacity of a business enterprise.

2. Balance Sheet:

Balance sheet is not an account but it's a statement, summarizing the financial position of a firm. The balance sheet is prepared at the end of accounting period and after completing the preparation of trading and profit and loss account. It is the statement of balance sheet of ledger account which is not included in income statement. Therefore it is called balance sheet.

“The balance sheet is a most significant financial statement. It is a statement of assets and liabilities and indicates the financial position of the firm of a particular time. It contains information about economic term of accounting. The balance sheet communicates about asset, liabilities and owner's equity in the firm. In short, it provides information about the financial position of the firm of the end of the accounting period.”

The balance sheet contains asset and liability; liabilities refer to the financial obligation of an enterprise and carrying probable future benefits. Assets are also termed as economic resources owned by an enterprise.

The various items which are shown on liabilities are as:

- a. Owner's equity, Share holder's equity.
- b. Long term liabilities.
- c. Current liabilities.

a. Owner's equity / Shareholder's equity:

The sum total of contributor are earned Capital is known as the owner's equity. It can be expressed a total assets over total liabilities

and it is called net worth. It includes capital reserve and credit balance of P/L account.

b. Long term liability:

All the liabilities that are due beyond one year are known as long term debt or long term liabilities. There are obligations which will mature after a period longer than one year. Company deposit, debenture, long term loan from financial institution, loan on mortgage all are long term liability.

c. Current Liabilities:

Liabilities which are to be repaid within one year of the date of balance sheet are taken as current liabilities. It represents the obligation of the business. Sundry Creditors, bill payable, bank overdraft, accrued expenses, received in advance, cash credit etc. are examples of current liabilities.

The assets side is split up into four major heads which are as follows:

- a. Fixed assets
- b. Current assets
- c. Investment
- d. Other assets
- e.

a. Fixed assets:

Fixed assets are those physical assets that are to be used in the conduct of the business. The expectation is that they will be used rather

than sold. Examples of fixed assets are land and building, plant and equipment, furniture and fixture, tools, vehicles etc.

b. Current assets:

Those assets which are in the form of cash or can be converted into cash within a year are known as current assets. The current assets are assets which are reasonably expected to be realized in cash or sold or consumed during the normal operating business cycle. Cash in hand, Cash at bank, Sundry debtors, bills receivable, inventory, marketable securities occurred income, prepaid expenses etc. included in C.A.

d. Other Assets:

Other assets refer to the payment made in one year, whose usefulness will expire in the future year. They represent assets usually of an intangible nature. These types of assets do not have real value. Example of other assets are preliminary expenses, research and development cost, discount or loss of issue of share, differed revenue expenditures and debit balance of profit and loss account etc.

2.2.3 Financial Statement Analysis

Income statement and balance sheet don't all the required information regarding the financial operation of firm. The users of financial statement can get better information about the financial strengths and weakness if the user's prosperity analyzes the information reported in this statement. Analysis of financial statement is the process of critically examines in detail accounting information of the financial statement.

An act assessing financial strength and weakness of an organization through the meaningful search of information contained in financial statement is known as financial statement with specific tool and

purpose. In a single sentence, financial statement analysis is an act of selecting, relating and interpreting the information contained in the financial statement with specific purpose and tools.

In order to make financial statement more meaningful, analysis of financial statement means a study of relationship among the various financial factors. It is a process of classifying and arranging mass data of financial statement. For obtaining a better understanding of the position of business and its performance classifying and arranging are needed. The objective of this process is to growth potential of the business.

“Financial statement analysis attempts to examine the liquidity, the profitability, the financial structure and the efficiency of the firm.”

“Financial statement analysis is rarely a study of relationship among the various financial factor in business as disclosed by a single of statement and a study of tends of these factors as shown in series of statement. (John V. mayar 1974:392)

In summary, financial statement analysis highlights the strength and weakness of the business under taking by regrouping and analyzing the figures contained in financial statement and by making comparison of various components and by examines their contents. The analysis reveals how for the dreams and ambitious of the tough management have been converted into reality during each financial year. Hence much information can be attained about various aspects of a business through the analysis which other ways would have been buried in amaze of details.

2.2.4 Important of Financial Analysis:

In the present time, a large number of parties are interested, trade union, banner and lender, government and other parties who are directly

or indirectly related to the firm for different purposes so there are different users of financial statement. They look at the same financial statement from different angles. Some of users and their purpose or analysis the financial statement are given below:-

1. Management

By analyzing the financial statements, management can draw significant conclusion and determine the new policies and procedures for the concern. It helps them in different ways for knowing the financial position, profitability and adequately of capital structure.

2. Investors:

“The investors may be interested in a cross- sectional analysis i.e. comparing risk and return across all firms in the pharmaceutical industry at a specific point in time.”(White, Sondhi and fried, 1994)

Every investor wants the safety of his investment. Therefore, we would like to know whether the business is profitable or not. He also wants to know about the growth potential of his business. The growing potential of business helps in appreciation of the investment.

3. Creditors:

In order to know the fact and actual position of short term liquidity position, the creditor analyze the financial statement. They are interested in knowing whether the concern will be able to pay their debts or not in time. They can easily as certain it by analyzing the financial statement.

4. Employees trade union:

Employees and trade unions are interested in their welfare. They always want better emoluments, bonus, better working condition and security their job. For this purpose, they analyze the financial statement to

know the profitability and financial condition of the organization. They can ascertain from the analysis how much bonus and wages are possible from the profit of concern.

5. Government:

Government and government agencies like Central Statistical Organization are interested in financial statement analysis for compiling the industry account and national accounts. For the purpose of assessment of exercise duty, income tax and sales tax, the analysis of financial statements can be used by taxation authorities. It is also helpful in operating the financial policies of government.

6. Other parties:

The analysis of financial statement helps other parties such as economics, researchers, trade associations, journalist and consumer profitability efficiency, financial condition and future growth of the enterprise.

Finally financial statement analysis is helpful to the decision maker for finding out favorable and unfavorable situation of business firm. So, financial statement analysis is very useful to a number of parties who are related directly and indirectly to the firm. The analysis is important to them for different aspect of their interest.

2.2.5 Objective of financial statements analysis:

Following are the main objectives of analysis of financial statement:

I. To know the profitability of the concern:

The financial statement analysis is used to ascertain its earning capacity as well as prediction relating to its future earning.

II. To know the security and solvency of the concern:

Whether the firm is in position to meet its short term and long term liabilities or not can be judged by analysis its financial statement.

III. To know the trend of the concern:

The purpose of analysis is also to know the trend of business sales, purchase, profit and earning capacity.

IV. To ascertain the financial strength:

The purpose of financial statement analysis is to ascertain the financial strength and soundness of business.

V. To judge the efficiency of management:

The plan and policy made by management are efficient or not can be ascertained from the analysis of financial statement.

VI. To compare financial and operating efficiency of different firm:

The purpose of financial statement analysis is to help the management in order to make a comparative study of different firms engaged in same business. The financial and operating efficiency can be measured by comparing the different activities of different firms.

VII. To provide information:

The purpose of financial statement analysis is to provide different information of different users.

2.2.6 Limitation of financial statements Analysis:

Analysis of financial statement has certain limitations which are given below:

I. Ignores the qualitative elements:

Financial statements fail to the qualitative elements like the efficiency of management, efficiency of labour, management, labour relation, reputation of business, change in management, customer's satisfaction, public relation etc. These elements can not be include in financial statement. So the results of analysis should not be taken as judgement.

II. Not free from bias:

Influence of person judgement also affects the analysis and interpretation of financial statement, as it is done by human beings. Analysis is affected by the personal ability and bias of the analyst.

III. Price level charge:

Financial statements are prepared on the basic of accounting concepts and conventions such as depreciation method, pricing and inventory valuation. The financial statement data may be affected by using various accounting data. In such case, the result obtained by analysis of financial statements will be misleading due to the lack of accuracy in data.

IV. Identifies problems only:

Financial statements analysis can only show the financial problems nut it can not suggest definite remedies.

V. Not helpful in inter-firm comparison:

Comparison will become more difficult in the case of adapting different producers, records and objectives policies for different items of financial statement by different firms. As such the results obtained from the comparison of the financial statement of such firms may be misleading.

2.2.7 Financial Statement Analysis Tools:

There are different measuring devices or tools of financial statement analysis which are applied in this thesis work as follows:

- (1) Financial Tolls
- (2) Statistical

2.2.7.1 Financial Tools:

Financial analysis is the process of determining the significant operating and financial characteristics of a firm accounting data and financial statement among the various financial tools i.e. ration analysis and trend percentage analysis has been used for present purpose of the study.

1. Ratio Analysis:

Ratio analysis is widely used tool of financial analysis. Ratio are calculated for a number of years, which shows the trend of the change position. The ascertainment trend helps us in making estimated for the future. The present ratios are compared with past ratio for analyzing trend. Trend ratio indicates the direction of change in performance improvement of consistency over year. Ratio is statically yard stick that provides a measure of relationship between two accounting figures.

“Ratio is numerical or an arithmetic relationship between two figures. It is expressing one number in term of other i.e. one figure is divided by another number in order to calculated the ration.”(Join and Marang, 1993:43)

In the word of Khan and Jain, "The term ratio refers to the numerical or quantitative relationship between two items / variables. A Ration is calculated by dividing one item of the relationship with other.”(Khan and Jain: 1990:117)

Although ratio analysis is widely used but not one ratio gives the entire picture. Ratio analysis involves basis standard of comparison for a useful interpretation of the financial statements. Similarly a single ratio by itself does not indicate favourable or unfavourable condition of a firm, unless, it is compared to so appropriate standard. Section of proper standard comparison is a most important element of ration analysis. There are many types of ration can be calculated from the accounting data contained in the financial statement, which are as follows:

- a. Liquidity Ratio
- b. Activity Ratio
- c. Leverage Ratio
- d. Profitability Ratio
- e. Other Ratio and indicators.

a) Liquidity Ratio:

Liquidity ratio is done to measure the short term financial soundness of the business. The ratio access the capacity of the Company to repay its short term liabilities. Liquidity ratio is also an effective source to ascertain whether the working capital has been effectively utilized.

Banks and other many lenders for short period are interested in the current assets of the company i.e. short term financial position of the business.

Different types of ratio have been used to measure the liquidity position of an enterprise. In connection with commercial bank, different liquidity ratio such as cash and bank balance to total deposit cash and bank balance to current asset ratio, investment or government securities to current asset ratio, current ratio are used to measure the liquidity position of both the banks. Now these ratio are briefly described as under.

a. Cash and Bank Balance Total Deposit Ratio:

Cash is the primary reserve of the banks, by its experience bank keep a certain percentage of deposits in the form of cash for contingent reason. This analysis indicates that the ability of banks funds to cover their current, saving fixed call and other deposits in additional to this it also asserts that what proportion of total deposits is utilized and what proportion of cash and bank balance remain. This ratio is calculated by using the following formula:

Cash and Bank Balance to total deposit ratio

$$= \frac{\text{Cash and bank balance}}{\text{Total Deposit}}$$

b. Cash and Bank balance to Current Assets ration:

The cash and bank balance to current ratio measure of liquidity. The cash and bank balance to current asset ratio measures the proportion of cash and bank balance hold by commercial bank out of its total current assets. Current assets of commercial bank includes cash and bank

balance, money at call and short notice loans and advances for commercial banks(i.e. loans, cash credit and overdraft and bills discounted and purchased).Investment on government securities and other interest receivable and other miscellaneous current assets.

This ratio is calculated by using the following formula.

Cash and bank balance to current assets Ratio

$$= \frac{\text{Cash and Bank Balance}}{\text{Total Assets}}$$

C. Investment on Government Securities to Current Assets

Ratio:

Investment on government securities is the most liquid form of current assets after cash and banks. Investment on government securities are liquid but less earning assets. Therefore greater investment securities means greater liquidity but lesser investment sources on better earning sector. For earning point of view lesser investment on government securities is preferable but from the liquidity point of view greater investment on government securities is considered better.

Investment on government securities to current assets ratio shows the proportion of investment on government securities of commercial bank out of its total current assets. This ratio is calculated by using the following formula:

Investment on Government securities to current Assets Ratio

$$= \frac{\text{Investment on Government Securities}}{\text{Total Current Assets}}$$

d. Current Ratio:

Current ratio is the ratio of total current assets to total current liabilities. It indicates the availability of current assets in rupees for every one rupee of current liability. Current assets includes all these assets which are in the form of cash or can be converted into cash in the normal course of usual business not exceeding a period of one year. Current assets of commercial bank includes cash and bank balance. Money at call and short notice loans and advance for commercial banks investment on government securities interest receivable etc. Likewise current liabilities includes all obligation maturity with in a year and are represented by deposit and other account(i.e. Saving, Current called and Short deposit and other), Short term loan, bill payable, tax provision, Staff bonus dividend payable and other miscellaneous current liabilities.

This ratio is calculated by using the following formula.

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

B) Activity Ratio:

Funds of creditors and owners are invested in various assets to generate sales and profit. The better the management of assets the larger the amount of sales. Activity ratio is employed to evaluate the efficiency with which the firm manage and utilize its assets. These ratio are also called turnover ratio because they indicate the speed with which assets are being converted or turned over into sales. Activity ratio, thus involves relationship between sales and assets. But non manufacturing organization like bank, Insurance Company provides service but no

goods. So that, the ratio relating to inventories and Sales do not applicable to those service oriented. This analysis is related with the measuring the efficiency in assets management as well as the effectiveness of the investment of resources in the business concern with the help of this analysis, we can easily know whether the funds have been used effectively or not. Activity ratio has been briefly described in this study are presented below:

a. Loans and Advance to total Deposit Ratio:

This ratio examines to what extent, the commercial banks are able to utilize the deposits fund to earn profit by providing loans and advances. It is computed by dividing total amount of loans and advances by total depositor's fund. Higher ratio represent the greater efficiency or proper utilization of funds provides by the outsiders i.e. deposit. This ratio is calculated by using the following formula:

Loans and advance to total Debt

$$= \frac{\textit{Total Loans \& Advance}}{\textit{Total Deposix}} \times 100$$

A higher this ratio indicates commercials banks efficiency in investing its deposits and low ration indicates commercial banks inability to put its deposits into lending although it helps to maintain sound liquidity position.

b. Loans and Advance to fixed Deposit Ratio:

This Ratio show the relationship between loans and advances and fixed deposit to determine extends to which fixed deposits are used in advancing loans and advances for generating revenge of the bank. At the same time, loans and advance are the assets, which have highest risk

attached and also known as high risk assets. Similarly fixed deposit is the major sources of fund which a bank can utilize to finance long term loans.

Loan and Advance to Fixed Deposit Ratio

$$= \frac{\textit{Total Loans and Advance}}{\textit{Fixed Deposit}} \times 100$$

c. Loans and Advances to Saving Deposit Ratio:

Loan and advance are most profitable among all the assets of the bank which holds the larger part of the revenue of the bank. Whereas, deposit collected saving deposits in medium or short term income generating purpose. So that it will be able to pay the interest to its saving depositors and to earn profit. Loans and advances to saving deposit ratio shows the relationship between loan and advances and saving deposit to determine extend to which saving deposits are used in advance loan and advances for generating revenue to the bank. It is calculated by using the following formula:

Loan and Advances to Saving Deposit Ratio:

$$= \frac{\textit{Total Loans and Advance}}{\textit{Total Saving Deposit}} \times 100$$

A higher ratio indicates the greater efficiency or proper utilization of funds provides by saving deposits.

d. Total investment to Total Deposit:

This head of analysis measure that how successfully the banks are mobilizing their deposits on investment. Here, the investment includes investment on loans, cash, credit and draft, government securities, bills

purchase and discount money at cash and Short notice where as total deposit includes current fixed saving and call and other deposit. It also assesses the company's financing policy. If they don't have good financing policy tem they can't earn proper return. It is calculated by using the following formula:

Total investment to Total Deposit

$$= \frac{\textit{Total Saving Deposit}}{\textit{Total Deposit}} \times 100$$

C. Leverage Ratio:

Leverage ratio is also known as capital structure ratio. Leverage ratio analysis is the long term solvency of the firm. This ratio shows the manner by which the capital structure is formed. Leverage ratio is also called as dept ratio which show the extend to which the firm is financed by dept. The firm has legal obligations to pay interest to debt holders irrespective of the profit made or losses occurred by the firm. All the creditors see the proportion of the firm supplied by the owners before supplying to the firm.

Leverage ratio has been briefly described this study as follows:

a. Debt. Equity Ratio:

This ratio show how many amount of total assets a business concerned financial owners equity (Internal equity) and by outside debt (external equity). This ratio is also called debt to net worth ratio. It measures the claim of the creditors and owners against the firm assets. A high debt equity ratio measures the claim of creditors is greater than that of owners. This high ratio means the high risk and more difficult in rising

fund for the further need. Debt equity ratio is calculated by using following formula:

Debt Equity Ratio

$$= \frac{\textit{Total Debt}}{\textit{Total Shareholder \& equity/Net Worth}}$$

b. Permanent Capital Structure:

Permanent Capital Structure of bank can be defined as the combination of the long term debt share holder's equity. Permanent Capital Structure can further be classified in following two ratios.

- I. Long term Debt to permanent capital ratio
- II. Net worth to permanent capital ratio
- III. Long term debt to permanent capital ratio

i. Long term Debt to permanent Capital ratio:

This ratio indicates what proportion of the permanent capital of a firm consists of long term debt. Here in this ratio the long term debt is related to the permanent capital of the firm and not merely to share holder's equity.

This ratio is calculated by using the following formula:

Long term Debt to permanent Capital ratio

$$= \frac{\textit{Long term Debt}}{\textit{Permanent Capital}}$$

ii. Net worth to permanent Capital ratio:

Net worth is permanent Capital ratio measures the proportion of firms net worth out of its total permanent Capital. Net worth plays vital

role in supporting its daily operation and ensuring the long run viability of the banking system. Net worth holds largest proportion out of its permanent capital. So its adequacy plays a catalytic role in up liftmen of the banking status. This ratio is calculated by using the following formula:

Net worth to Permanent capital ratio

$$= \frac{\text{Net Worth}}{\text{Permanent Capital}}$$

iii. Total Debt Ratio:

This ratio shows the relationship between total debt and total assets. In other word, the ratio indicates the relationship between creditors fund and owners capital. In this ratio we find outsider claim, total assets and automatically the rest claim will belong to shareholders. According to khan and jain, "Debt to total assets ratio is related to the total debt to total assets of firm. The total debt comprised of long term debt plus current liabilities. Total assets consist of permanent capital plus current liabilities." The high debt assets ratio is unfavourable to creditors. It can be calculated as follows:

Debt Assets Ratio

$$= \frac{\text{Total Debt}}{\text{Total assets}}$$

D. Profitability Ratio:

Maximization of profit is the objective of each and every business concern. It is very necessary to earn maximum profit for the successful

running of a business concern. According to the Lord Keynes, profit is an engine that devices the business enterprises. The profit is also important to preserve the existence of business as well as strength and expand it.

Profitability is the net and end result of a number of corporate policies and decision. “Profitability analysis essentially related to the profit earned by enterprise during a particular period to various parameters like sales, shareholders equity, capital employed and total assets.” (Bhattacharya, and Derdon, 1980:283)

Profitability ratio are designed to provide answer to basically the following questions:-

- Does the firm earn adequate profit?
- What rate of return does it represents?
- What is the rate of return to equity shareholders?
- What is the rate of profit for ratios division and segments the firm? And so on.

A good profitability ratio is greatest importance and a concern. There are different types of the ratio out them some important ratio have been briefly described in this study are presented below.

a. Return on Share holders' equity:

Return on shareholder equity actually measuring earning power on share holder’s book value investment. This ratio indicates how will the

firm have used the resources of owners. The earning of the satisfactory return is the most desirable objective of a firm. The return on share holders equity reflect the extend to which this objective has been accomplished.

This ratio is calculated by using the following formula:-

Return on share holder profit

$$= \frac{\text{Net profit after tax}}{\text{Shareholder equity}} \times 100$$

b. Return on total assets:

This ratio actually measures the rate of return on assets on investment. It measure overall effectiveness in generating profit on assets in term of percentage. A higher ratio shows the better utilizing of asserts. This ratio is calculates by using the following formula.

Return on total assets (ROA)

$$= \frac{\text{Net profit after tax}}{\text{Total Assets}} \times 100$$

c. Return on total Deposit Ratio:

Return on total deposit ratio shows the percentage of profit earned from the utilization of the total deposit of the bank. It also measures banks efficiency towards its deposit mobilization. Total deposit of commercial bank includes saving fixed, current, call and short deposit and other. Generally, high percentage is the index of strong profitability

position and vice-versa. This ratio is calculated by using the following formula:-

Return on the deposit ratio

$$= \frac{\text{Net profit after tax}}{\text{Total Deposit}} \times 100$$

d. Return on investment:

This head of analysis measure the proportion of the banks have earned satisfactory return on their investment or not. More ever, it reflects how will the firm has invested their funds for profit generating purpose. High ratio percentage represents the appropriate investment policy for profit generating purpose and vice-versa. This ratio is calculated by using the following formula:-

Return on total investment

$$= \frac{\text{Net Profit after tax}}{\text{Investment}} \times 100$$

e. Other ratio and indicators:

A part from above there is some other financial indicators which throw light on various financial of aspect of the bank. Analysis of these indicators will be varies useful in order to assess the financial strength and weakness of the bank. In this study, there are different types of financial indicators which are briefly described as under:-

f. Earning per share (EPS):

The earning per share show the amount returns numbers of equity outstanding. High earning per share show profit and shareholders are always interest in this ratio. This ratio measures the efficiency of utilizing shareholders fund in earning activities. This ratio can be calculated as follows:-

Earning per Share (EPS)

$$= \frac{\text{Net Profit after tax}}{\text{Total no. of equity share}}$$

a. Interest paid to interest earned ratio:

A major source of income of commercial bank is generated from spread in two rates i.e. interest charged and interest paid. Commercial bank received interest from loan and advances, Investment of Government Securities and Treasury bill, Cash credit and Overdraft. Inter bank loan investment in foreign bank etc. Similarly, Commercial bank pays interest to its depositors so commercial banks should mobilized their deposit in such a way that they are able to earn profit. This ratio is calculated by using the following formula:-

Interest paid to interest Earned Ratio:-

$$= \frac{\text{Total Interest paid}}{\text{Total Interest earned}} \times 100$$

b. Interest earned to total investment:

Interest earned to total investment ratio measures; the percentage of interest earned in relation to total investment of commercial bank, the ratio signifies the mobilization of its Investment in interest generating

purpose. Since commercial banks are principally concerned with the mobilization of their sources in interest generating sector. The ratio plays a significant role in evaluating their efficiency in earning interest. Commercially banks usually earns interest through granting loans and advance and investment on various security or these are the major source of include for the commercial bank. This ratio is calculated by using the following formula:-

Interest earned to total investment ratio

$$= \frac{\text{Total Interest earned}}{\text{Total Investment}}$$

c. Price Earning Ratio (P/E Ratios):

P/E ratio reflects the investor’s perception about the overall risk ness of the bank’s earning. It indicates the investor’s judgment about the bank’s performance. It also tells the price currently bargained by the market participant in common stock for each rupee of earnings. This ratio is calculated by using the following formula:-

Price Earning Ratio

$$= \frac{\text{Market price per share(Closing)}}{\text{Earning per Share}}$$

d. Market Value to book value:-

This ratio reflects the price currently being paid by the market for each rupee of currently reported book value. This ratio measure proportion of market value (price) to book value. High ratio is the

indicator of strong management and organization. This ratio is calculated by the following formula:-

Market value to book value

$$= \frac{\text{Market value per share}}{\text{Book value per share}}$$

2. Trend Percentage Analysis

In today world is dynamic change. Nothing remains constant instead every thing changes now and than. This really makes a Herculean task to find enough information financial statement of a single year.

Trend analysis is mathematical method, which is widely used to find out direction of change based on past assumption. In financial analysis, direction of change over a period of year is of curie importance. Trend analysis shows the percentage change in several successive years instead of between two year. More ever it examines whether the financial position of a first is improving or determining over the year.

According to Van Horne and Wachowicz "An analysis of percentage financial statement where all balance sheet or income statement figure for a base year equal to 100 percentage and subsequent financial statement items are expressed as percentage of their values in the base year" (Van Horne and Wachowicz, 2002:145)

However, as base year is always changing, so it become difficult to interpret the series of percentage change and its problem becomes more evident in case of inter firm comparison. So the percentage change may

be better expressed assuming the first year as the base year. Trend percentage can be computed by using the following formula:-

Trend percentage

$$= \frac{\text{Yearly Amount}}{\text{Base year's Amount}} \times 100$$

In this section, researcher is going to analysis of the significant items contained in the financial statement by the mean of trend with the purpose of find out the actual position of Nepal SBI Bank Ltd. and Nabil bank ltd.

2.2.7.2 Statistical Tools

Some statistical tools are also been for the analysis of data. In this study different types of statistical tools are used. They are arithmetic mean, standard deviation, Coefficient of variation. Correlation Coefficient analysis, regress analysis and Hypothesis testing while analyzing financial performance will the help of statistical tools such analysis help to draw. Conclusion regarding which of the organization is better managed. If statistical tools indicate that there are some tools aspects and then it helps management to take corrective action.

There are different types of statistical tools which are as follows:-

1. Average (Arithmetic mean)

The average is the measures which condense a huge mass of data into single value representing the whole data, Averages are the typical value around which most of the data tend to cluster there are different

types of average, but in this study, only arithmetic means is taken for the analysis of data. Arithmetic means of given set of observation is their sum dividend by no. of observation. It can be computed as follows:-

$$\text{Mean } (\bar{X}) = \frac{\sum X}{N}$$

Where, \bar{X} = *Arithmetic Mean*

$\sum X$ = *Sum of value*

N = *No. of observation*

The purpose of computing the mean for set of observation is to obtain a single value which is representative of all the items and which are mind can be graphs simply and quickly. The single value is the point of location around which the individual items cluster.

2. Standard deviation (S.D.)

Karl Pearson introduced the standard deviation Concept in 1823. It is denoted by the Greek letter Sigma(σ). The Standard deviation is the absolute measure of dispersion in which the draw backs presents in other measure of dispersion are removed. It is said to be the best measure of dispersion as it satisfied must of the requisites of a good measure of dispersion. The value of the Standard deviation depends on upon whether the other return data are scattered or clustered around the central value. If the other value are scattered from the central values it is regarded more volatile or Risky. There are the Standard deviation will be higher. Similarly, if the value is clustered around the mean, the return distribution is regarded less volatile or less risky, there are Standard deviation will be lower.

Standard deviation is defined as the positive square root of the mean of square of the deviation taken from the arithmetic mean. It is calculated by follows:-

$$\text{Standard deviation (S.D.) } \sigma = \sqrt{\frac{\sum (X - \bar{X})^2}{N}}$$

Where, N= No. of observation

The Standard deviation measures the absolute dispersion or variability of a distribution. A small standard deviation indicates a high degree of uniformity or homogeneity of the data. A large standard deviation indicates just the opposite.

3. Coefficient of variation (C.V.)

Standard deviation discussed above is an absolute measure of dispersion. It measures the variation which is expressed in term of original units of series. Coefficient of variation is relative measure of dispersion base on Standard deviation. It is obvious that C.V. independent in unit. Hence, C.V. is suitable measures for comparing variability of two series (or set of data of distribution) with the same or different units. It is calculated as follows:-

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

That series (or group) for which has been the greater C.V. is said to be more variable or conversely less c.v. is said to be less variable or more consistent, more uniform move stable or more homogenous.

4. Correlation Coefficient Analysis:-

Correlation Coefficient analysis is one of the most widely used and also one of the most widely abused statistical measure, it measured the

degree of relationship between two variables. In other words the term co-ordination indicates the relationship between two such variables in which changes in the value of one variable the value of the other variable also change.

Correlation coefficient is calculated when it is believed that there is causal and effect relationship between two variables. One variable will be causal variable and another will be its effects. Causal variable is also called independent variable. The degree of change one dependent variable due to change on caused variable depends upon degree of correlation ship between terms. The Correlation is denoted by r and is calculated by using the following formula:-

$$\text{Correlation Coefficient } (r) = \frac{\sum X}{\sqrt{\sum X^2} \sqrt{\sum Y^2}}$$

Where,

$$X = X - \bar{X}$$

$$Y = Y - \bar{Y}$$

Interpretation of Correlation Coefficient (r). The value of 'r' exists between +1 and -1 following general values are given which would help in interpreting the result.

1. When $r=+1$, there is perfect positive correlation between the two variables.
2. When $r= -1$, there is perfect negative correlation between the two variables.
3. When $r= 0$, the variables are uncorrelated. In other word there is not linear relationship between two variables.

4. Closer the value of 'r' to +1 closer the relationship between two variables. Closer the value of 'r' to 0 lesser the relationship.

One very convenient and useful way of interpreting two value of Coefficient of Correlation between two variables are used to square of Coefficient of Correlation, which is called Coefficient of determination (r^2). Interpretation of Coefficient of determination is very simple. For example, when $r=0.8$, the Coefficient of determination (r^2) will be $(0.8)^2 = 0.64$. It means 64% change on dependent variable is explained by a change in independent variable. The remaining 36% charge is unexpected. It means the change is caused by other variables.

5. Regression Analysis:-

Literal meaning of regression is stepping or returning back to the original position. The theory of regression analysis was first developed by Sir F. Galton.

Regression analysis is used as a tool of determining the Strength of relationship between two variables. Thus it is a statistical device with the help of which can be estimate or predict the value of one variable when the value of another variable is known. The unknown variable which we have to predict is called dependent variable and the variable whose value is known is called independent variable whose value is known is called independent variable. The analysis used to describe the average relationship between two variables is known as simple linear regression analysis.

Regression lines expressed in terms of algebraic relation are known as regression equation. It can be calculated as follows:-

1 Regression equation of y on x

$$y = a + bx \dots \dots \dots (i)$$

Here, a= intersect of the line

b= slope of the line

x= independent variable

y= dependent variable

6.Hypothesis Testing

Hypothesis testing is the important tools of testing the significance of variables. Hypothesis means the presumption or qualitative statement of the population parameter which may be true or false. In order to make proper decision about the quantitative statement of the population testing of hypothesis technique is used. Note that, the testing of hypothesis is carried out by using sample information.

According to Webster, “testing theory or supposition provisionally adopted to explain certain facts to guide in the investigation of others”. However, in statistic hypothesis means a statistical statement about the value of one or more parameters of the population. This study has been under taken to access the financial performance of two joint venture bank i.e. Nepal SBI Bank Ltd. and Nabil Bank Ltd.

Depending upon the size the sample chosen to analyze the financial performance of the concerned loan. Student’s test is to be adopted for the hypothesis testing. For this study financial data are adopted from fiscal year to the banks. Therefore the size of the sample through out this study process is 5 (i.e. n=5).

2.3 Review of Related literature:-

Review of literature means reviewing research studies or other relevant proposition in the related area of the study. In this section review of body, reviews of thesis work are included.

2.3.1 Review of Book:-

In this section different view expressed by different persons authors, profession, function activities, financial position, performance etc. of Nepalese commercial banks have been reviewed.

A hand book of banking, written by Sarita and Rajan Basnet readable introductory hand book with a general overview of banking business dividing into different topics such as, introduction of banking, banking operation liquidity, Profitability loan and capital management of bank. It is designed for an introductory course for students, bankers, businessman and others. This book present a gradual development of banking business in Nepal, the current position of the banking business in Nepal, Current Operation, financial and management strengths and weakness of banking business in Nepal.

The author expresses their view of the financial position of the commercial banks in Nepal as under. All the joint venture banks are running at profit but major banks i.e. Nepal Bank Ltd. and Rastriya Banijya Bank are incurring huge losses. More over the joint venture banks do not have strong financial losses in respect of Capital adequacy and EPS. Non operating assets and interest suspense of all the banks including the best banks like NABIL and SCB are also interesting. This is a serious problem of banking in Nepal because bad quality of asset load bankruptcy of many banking in South-East Asia. There are a remot that some banks are manipulating in the classification of credit and loss

provisions being made. If the rumor is true, their balance sheet is not presenting the true picture. In the long run, they will prove to be very costly for depositor in particulars.

“Portfolio behavior of commercial banks in Nepal” is written by Suniti Shrestha a useful readable book prepared on the thesis version of Ph D degree. This book is useful to all students’ researchers, bankers, general public etc. This book covers all the aspects of the commercial bank in Nepal. Such as introduction of banking system historical background of banking system, financial performance of commercial bank etc. The author has concluded about the financial performance of commercial bank in Nepal as under.

“Capital adequacy ratio reveals that Nepalese banks are below the standard set by government foreign banks have higher Capital adequacy ratio but has been declining every year.”

“Debt equity ratio of commercial banks is more than 100% in most of the time period under study. It leads to conclude that the Commercial banks are highly leveraged and highly risky.”

“Return ratio of all banks show that most of the time, foreign banks have higher returned the Nepalese banks.”

The performance evaluation of different commercial bank shows that the local banks have very poor performance and both banks i.e. Nepal bank Ltd. and Rastriya Bankjya Bank have low capital base and a heavy amount of non performing assets. But one of the other hands, newly opened foreign base commercial bank has better financial performance then the domestic banks opening under same environment.

The reason behind it lie not only in their financial decision making system, but main other internal factors namely the organization, staffing work technology, work culture and the attitude of staff. It has been found that human resources management has been main problem of the Nepalese banks and their deficiencies are obviously reflected in their financial performance.

In the book of western and Boigham, they describe the if management is to maximize the value of this firms stocks price, it must analysis the weak and strength of the firm which is possible from the ratio analysis which had to access financial performance in comparing with the firm and other firm. Financial statement analysis involves a comparison of firm's performance with that of other firm in the same line business. The analysis is used to determine firms financial position in order to find out strength and weakness and to suggestion that might useful to firm to take advantage to its strength and correction to its weakness. Financial statement analysis is to evaluate ate attractiveness of the firm as an investment by examining its ability to meet its current obligation and expected financial obligation. However, Financial analysis is useful in both way to anticipate future condition and more important as a starting point for planning action that will influence the future course of event. But most important and most difficult in put to successful ratio analysis is the judgment used when interpreting the result to reach an overall conclusion about the firm's financial position. So, ratio analysis is used but analysis should be aware of these problems an make adjustment as necessary.

2.3.2 Review of Thesis work:

In this section different types of related research studies have been review because change of duplication will be avoided from present study and some new and change can be created for achieving the objectives some of the relevant research studies have been mentioned below.

Mr. Keshav Raj Joshi in his unpublished masters thesis,“ He view that the liquidity position of commercial bank is satisfactory. He found that comparatively the local commercial bank is satisfactory. He found that comparatively the local commercial bank had been found relatively highly leveraged compared to the joint venture banks loans and advance have been the main form of investments. Two third of assets have been used for earning purpose profitability position of Nabil bank is strength that the other commercial bank.

Radha Bir Kapadia, “A comparative study on financial performance of Nabil and Standard Chartered bank. In this study he found that interest coverage ratio of both the bank is not satisfactory over the finding period. Price earning ratio of NABIL bank is an average higher with consistency than that of SCBL which reflects that Nabil bank better performance for the grown in earning that of SCBL. The study shows efficiency in utilizing the resources in satisfactory comparatively Nabil bank has good and higher liquidity position and higher leverage than SCBL.

A research study made by M.P. Khaitiwada in his unpublished master’s thesis “A Comparative study of the financial performance of NABIL and NSBL.” Concluded on their deposit utilization that the cash and bank balance to total deposit of NSBL has higher proportion than of NABIL. It means NSBL

keeps more amount of cash in order to meet its cash requirement of its depositors and for other contingency than that of NABIL keeping more idea cash balance is an profitable.

Manoj Bhakta Acharya has done research on “Dividend policy and practices in commercial banks. A comparative study of Nepal SBI bank and NABIL”, in 2001 and focuses on the dividend policy and practices adopted by the sample banks with a view to provide workable suggestion which may be helpful to formulation of optional dividend policy and maximize the stock price and to take some other appropriate dividend strategies and the specific objectives set by the researcher is to highlighted the dividend practice of the banks to reflects (identifying) the relationship between dividend per share and other financial indicators such as earning per share, net profit net worth and market price of stock to know if there is any uniformity among dividend per share, earning per share and dividend payout ratio of the commercial banks sampled to examine whether or not dividend influence the liquidity position and share prices of same banks, to provide a possible guideline and a package of suggestion on the basis of finding and analysis to overcome various issues and gaps.

Ganenva Acharya’s study entitled, “A comparative study of financial performance of joint venture banks in Nepal especially on the NABIL and NIBL.” Acharya : 1999:25 Point out that the liquidity position of both the banks were below the standard of 2:1. The study further found that the banks are utilizing their assets more efficiency. Capital structure was highly leverage. Capital adequacy ratio of NIBL as better than that of NABIL and profitability position of both banks was recorded as satisfactory.

CHAPTER – III

RESEARCH METHODOLOGY

3.1 Introduction

Research methodology is a systematic and scientific method or technique that is used in handling a problem by the researcher. So, it is another important aspect of thesis writing. In other words, research methodology provides the various tools and techniques as regard to the problem and also provides the various instructions as regard to the methods and process associated with over all study. In this way, Research methodology is the process of arriving to the solution of the problem through planned and systematic dealing with the collection analysis and Interpretation of fact and figure. Research methodology is very helpful in identifying the research problems. In fact, research is an art of systematic investigation. For the purpose of achieving the objective the detailed research methodology used in this study and highlighted in this Chapter.

“Research is a scientific method of finding out solution to a problem where as research methodology refers to the various sequential steps to adopt by a researcher in studying a problem with certain objective in view”. Research methodology covers the wide range of the investigation. According to nature of the phenomena various statistical and financial tools and techniques are applied to find out the solution of the problem. Research methodology is composed by two wards research and methodology. In common sense research means to search for knowledge, facts information that is still unknown. Like wise methodology is a scientific and systematic process that consists of various tools and technique that can be used to solve, the problems. Therefore, research is a systematic and organized effort that includes the Scientific method of acquiring knowledge. The Scientific and systematic

methodology various authors and writers have defined research methodology in members of ways, some of the definitions are as follows:-

Research is systematic and organized effort to investigate a specific problem that needs a solution. This process of investigation involves a series of well thought out activities of gathering, recording, analyzing and interpreting the data with the purpose of finding answers to the problem. This is the entire process by which we attempt to solve problems or search the answers to questions is called research.

Research methodology is a way to systematically solve the research problem it may be research is done systematically.

From the above definition, research is the Scientific and systematic research process. It includes all types of investigation solution to the problem. Research also helps to discover new ideas, knowledge in a particular area of interest. Research methodology refers to all those technique that the researchers use in performing research operation. The basic objective of this study is to highlight the financial performance of Nepal SBI Ltd. and Nabil bank ltd. during the period of 5 years from the fiscal year 2061/62 to 2065/2066. In this chapter, research design, population and sample, Sampling method, Sources of data Collection, tools and technique for analysis are included.

3.2 Research Design

The research design is a systematic and conceptual structure with in which the study is to conduct. Research design is a clear map of all types of investigation. The appropriate research design is also required for the achievement of desired objectives of the investigation it can be compared with the blue print of the procedures and techniques, which guide to the study “Research design is a plan for the collection and

analysis of data. “Research design disarrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in produce.” It present a serious of guide posts to enable the researcher to progress right direction in order to achieve the goal. The design may be a specific presentation of the problem, Formulation of hypothesis, conceptual clarity and methodology, Survey of literature and documentation, bibliography, data collection, interpretation, presentation and report writing.

Researcher design is the conceptual structure with in which the research process is performed. Design setup to the frame work for adequate test of the relations among variables. Research design tells us about what observation to make than and how to analyze the quantitative representation of the observation. In thesis study, research is base on the recent historical data and covers the fiscal year 2061/62 to 2065/66. The data has been analyzed using various financial and statistical tools and techniques. These tools help to know the financial performance of Nepal SBI Ltd. and Nabil bank ltd. So the research design is historical and explanatory types as regards these two banks.

3.3 Populations and Sample

Population:-

The population or universe consists of no of equity usually very large population denotes the aggregative form. Population refers the totality of all observation. In other word, the collection of aggregative of objects or the set of result of an operation it called population.

Sample:-

The technique of taking part of the population for a studying purpose is known as which we select for the purpose of investigation is

called a sample. It is a tool which enables us to draw conclusion about the objects or items that one included in the sample. It refers to the chosen part of population.

In the study, we take the whole joint venture bank as population under banking industry. Nepal SBI Ltd. and Nabil bank ltd. are a sample and information data of last 5 years is also as sample.

1. Out of various method of selecting a sample, judgment sampling was followed in order to choose Nepal SBI Ltd. and Nabil bank ltd. among the available commercial banks in Nepal.

3.4 Sampling method:

There are the different types of sampling method but we only use purposive or judgement sampling in this study judgement sample are selected form the population through researches intention or on some other subjective basis. The selection of the Sample is deliberate and purpose. It is not random. In the judgement Sampling subject are selected are the basis of their experience in the subject investigated.

3.5 Sources of Data:

Data collection in the first step or first part of any research work. There are mainly two types of data are as follows:

1. Primary data:

Primary data is that data which are collected direct personal interview, indirect oral interview, information from correspondence questionnaire to person and soon. These types of data are Original characters.

2. Secondary data:

The data which are not originally collected but obtained from some and unpublished source are secondary data. In other words, data collected by some one also used already and are made available to other in the form of published statistics are known as secondary data.

The study basically depends upon the secondary data. The major depends upon the secondary data. The major secondary source of data for this study is annual audit reports published by Nepal SBI Bank Ltd. and Nabil Bank Ltd. Some of the Journals economic survey reports and banking news have been taken into consideration for this study.

3.6 Method of Data Collection

In course of the research work, after identification of data, the required data for the study have been gathered through the procedure which is as follows:-

- a. First of all, annual reports of Nepal SBI Ltd. and Nabil bank ltd. were downloaded from their respective website to pen drive and printed letter on.
- b. Financial statement is published by bank from time to time, authors general reports some previous study from made regarding in this study. News paper, Journalist book and articles were collected.

3.7 Tools and Techniques for Analysis

Main objectives of this study is comparative analysis of financial performance of two commercial banks i.e. Nepal SBI Bank Ltd. and Nabil Bank Ltd. . To evaluate the financial performance of the banks, different types of method of technique are available. So various financial

and statistical tools and technique have been used in these studies which are as follows:-

- A. Ratio Analysis
- B. Trend Analysis
- C. Standard deviation
- D. Correlation Coefficient analysis
- E. Coefficient of Variance
- F. Average
- G. Regression analysis
- H. Hypothesis testing.

3.7.1 Ratio Analysis

An arithmetic relationship between two figures is known as ratio. Ratio analysis is a powerful tool of financial analysis. In financial analysis a ratio is used as a yard stick for evaluating the financial performance of a firm. The absolute accounting figure presented in a financial statement does not provide meaningful understanding of the performance and financial position of a firm. An accounting figure conveys meaning when it is related to some other relevant information. Therefore, the relationship between two accounting figures expressed mathematically, is known as financial ratio. Ratio helps to summarize the large quantities of financial data and to make qualitative judgements about the firm financial performance.

"Ratio is the numerical or an individual relationship between two figures. It is expressing one number in term of another in order to calculate one ratio." (*Jain and Narang 1988 ; 416*)

“A ratio is a yardstick that provides a measure of relationship between two accounting figures. It’s defined as the indicated quotient of two mathematical expression and as the relationship between two or more things.” (*Pandey, 1988;501*).

So, ratio analysis is the expression of the relationship between two items either from balance sheet or from income statement of or from both statement ratio is useful technique to interpret the financial statement. So that the strength and weakness of a firm as well as its historical performance and current financial condition can be determined.

In this research work, various analysis have been done on the basis of these tools such liquidity leverage ratio, activity ratio, profitability ratio and other ratio etc.

3.7.2 Trend Percentage Analysis

Trend percentage analysis is another financial tool of analyzing financial performance. It reflect the large in financial statement two periods stabling a base year and expressing other year in terms of the base year can easily study these. So trend analysis is a device for measuring change in the magnitude of the phenomena from time to time or even from place to place. The careful study of relative changes that have taken place in the past helps to forecast the figure trend and tendencies.

The trend percentage statement also known as trend ratio is an analytical device which examines whether the financial position of a firm is improving or determining over the year. In this research work, this tool is used to find out the direction of charge of major activities such as deposit net worth, investment, operation income, total expenses, net profit and interest learning in comparison to first year (base year) of study

growth trend of activities (i.e. deposit, net worth, investment etc) for four successive year can be calculated.

3.7.3 Average (Arithmetic Mean)

The most popular and widely used measure of representing the entire data of the one value is known as arithmetic mean its value is obtained by adding together all items and by dividing this total by the no items. The purpose for computing the mean value for set of observation is obtaining a single value which is representative of all the items and which the mind can group simply and quickly. The single value is the point of location around which the individual items clusters.

Higher the value of mean, the profitability position is regarded as sound. The calculation of average is necessary due to following reasons:-

To get a single value the represents of the characteristics the entire mass of data. They get unnecessary details of the data and put forward a concise picture of the complex phenomena under investigation. Single average reduces the mass of data to a single figure. They are very helpful for purpose of making comparative study.

3.7.4 Standard deviation:

It measures the variation of the mass of the figures in a series of an average. It is absolute measure of dispersion. So, it is calculated to supplementary of the relevative measure Coefficient of the variation. It is usually denoted by σ (Sigma).

Standard deviation is the positive square root of the arithmetic mean of the square of given observation from the arithmetic mean.

3.7.5 Coefficient of Variation

This is the relative measure of dispersion of risk ness of return based on standard deviation and mean Coefficient of variation is the

percentage variation in mean and Standard deviation being considered as the total variation in the mean C.V. suitable measure for comparing variability of two series (or set of data or distribution) with the same or different units. The higher C.V. indicates higher dispersion.

3.7.6 Correlation Coefficient Analysis

Correlation coefficient analysis measures the relationship between two or more variables. In other word it helps us in analyzing the co-variation between two or more variables. In this study, It is used to find the relationship between total deposit and total investment, interest earned and interest paid, interest earned and operating profit. By finding the relationship between the above mentioned variables. The researcher will able to know whether the variables are positive Correlated or not Coefficient of correlation is denoted by 'r'.

Coefficient of correlation is always lies in +1 to -1. When 'r' will be +1 there will be perfect positive Correlation between two variables when 'r' will be -1, there will be perfect negative correlation between two variables. When 'r' will be '0', there will be no Correlation between two variables.

3.7.7 Regression Analysis

Regression analysis is one of the most powerful statistical tools, which being used in the estimate of Strength of relationship between two variable. A line of regression gives the best estimate of one variables of or one variable for any given value of the other variable. So there are two lines of regression referring as the line of regression of y and x and the

line of regression Ox and y respectively. If two lines of regression conclude with each other, the correlation is perfect and if they cut each other at right angle, the variables are uncorrelated.

3.7.8 Hypothesis Testing

Student 't' test is used as the major statistical tools out of the various techniques of hypothesis testing. Especially this tool is used in this research study to test the significance of the difference between different related variables to determine the relative position between them.

CHAPTER – IV

PRESENTATION AND ANALYSIS OF DATA

4.1 Introduction:

In this chapter, an analysis of data collected through different source are presented and analyzed. In the course of analysis various financial and statistical tools have been used. A single parameter can't judge the efficiency and financial performance of the relevant institution so different parameters are used. To evaluate the financial performance of Himalayan Bank Ltd. and ratio analysis, trend analysis, Correlation analysis and other relevant tools are used.

4.2 Ratio Analysis:

Ratio analysis is one of the most widely used techniques of financial analysis. It aims at making use of quantitative information for decision making. It is an expression of relationship between two figures or two amounts. It is an information method of financial analysis. Because a meaningful analysis of financial statement depends on the study of relationship among various items of the statement, and relationship of one item to another can easily be expressed as a ratio.

It may be emphasized that a ratio makes a relationship easy to grasp, but it doesn't tell the reader whether the relationship is good or bad. Ratios by themselves are not conclusions, the analyst must draw the inference from the ratio he has computed before he can make any decision on the finance status of the organization. He must select or establish his own criterion with which to interpret ratios. The selection of criterion will greatly depend upon the objective of analysis. Here different ratios are calculated as per the requisition of analysis.

4.2.1 Liquidity Ratio

The purpose of this ratio is to test the Solvency position for the payment of short term liabilities. Solvency position or liquidity denotes ability for payment of short term liabilities. It measures the ability of a firm to meet its short term obligation and reflect the short term financial strength. The liquidity ratio are analyzed as follows:-

1. Cash and bank balance to total Deposit Ratio:-

Cash and bank balance to total deposit ratio measures the availability of bank highly liquid fund to meet its unanticipated calls on different types of deposited. This analysis indicated the ability of banks funds to correct their saving call and other deposit. Cash and bank balance includes Cash balance and balance with bank.

Cash and bank balance to total deposit ratio of are presented by following table.

Table 4.1

Cash and Bank Balance to total Deposit

(Rs. in million)

Fiscal Year	NSBIBL			NABIL		
	Cash and bank balance	Total Deposit	Ratio %	Cash and Banks balance	Total Deposit	Ratio %
2061/062	812.90	15839.01	5.13	1435.18	17532.40	8.19
2062/063	1051.82	15506.44	6.78	1264.67	18619.37	6.79
2063/064	1144.71	13447.65	8.51	1979.21	21007.37	9.42
2064/065	970.49	14119.03	6.87	2001.19	22010.34	9.09
2065/066	559.38	14586.61	3.83	2014.47	24814.00	8.12
Average (\bar{X})			6.22	Average (\bar{X})		10.07
S.D. (δ)			1.79	S.D. (δ)		1.36
C.V.			28.78	C.V.		13.50

Source: Appendix I,II,(A,B) (A)

The above table 4.1 shows that the ratio of cash and bank balance to total deposit of two banks for fiscal year 2061/062 to 2065/066. Ratio percentage of NSBIBL is 5.13, 6.78, 8.51, 6.87 and 3.83 and NABILBL is 8.19, 6.79, 9.42, 9.09, 8.12 for the fiscal year respectively. Average proportion of NSBIBL and NABILBL is 6.22% and 10.07% respectively. It shows that the average ratio of NABILBL is higher than NSBIBL. So it indicate that NSBIBL is better utilization of its deposit and NABILBL is strong liquidity position of firm. NABILBL is less successful to utilize the fund of total deposit than NSBIBL. C.V. of NSBIBL and NABILBL is 28.78% and 13.50% respectively. It indicate that NABIL is less Risky

and NSBIBL or NaBIL is more consistent than NSBIBL because NABIL has lowest C.V. than NSBIBL.

2. Cash and Bank Balance to Current Assets Ratio:

Cash and bank balance are two major components of Current Assets. These are ready Cash, which can be used any time and any where according to the need of firm. Cash and bank balance is the most liquid form of Current assets bank must keep Cash and bank balance in its vault to meet requirement of its call on time depositors and other official expenses. Cash and bank balance includes Cash balance and bank balance.

Table of Cash and bank balance to Current Assets of below:

Table 4.2

Cash and bank balance to Current Assets

(Rs. in million)

NSBIBL				NABIL		
Fiscal Year	Cash and bank balance	Total Current Assets	Ratio %	Cash and Banks balance	Total Current Assets	Ratio %
2061/062	812.90	13160.60	6.18	446.70	3423.12	13.05
2062/063	1051.82	13312.40	7.90	338.90	3340.25	10.15
2063/064	1144.77	13868.30	8.25	926.53	7517.89	12.32
2064/065	970.49	14244.04	6.81	1226.92	11144.33	11.01
2065/066	559.38	14971.80	3.74	1340.49	13967.79	9.60
Average(\bar{X})			6.58	Average(\bar{X})		11.23
S.D.(δ)			1.78	S.D.(δ)		1.45
C.V.			27.05	C.V.		12.91

Source: Appendix I and II(A,B)

The above table 4.2 shows that the ratio of Cash and bank balance to Current assets of the two banks for the fiscal year 2061/062 to 2065/066.

Ratio Percentage of NSBIBL is 6.18, 7.90, 8.25, 6.81, 3.74 respectively and NABIL is 13.05, 10.15, 12.32, 11.01 and 9.60 respectively. Average proportion of NSBIBL is 6.58% and 11.23% respectively. It show NABIL is maintain the highest Cash balance than NSBIBL. C.V. of NSBIBL and NABIL is 27.05% and 12.91% respectively. So Nabil is more consistent then NSBIBL because of lowest C.V. of NABIL.

3. Investment on Government Securities to Current Assets Ratio:-

Investment on government securities to Current assets ratio indicates that the proportion of investment on government securities of Commercial bank out of total Current assets.

This ratio is calculated and presented by following table.

Table No. 4.3

Investment on Government Securities to Current Assets Ratio

(Rs. in million)

NSBIBL				NABIL		
Fiscal Year	Investment on Government Securities	Current Assets	Ratio %	Investment on Government Securities	Current Assets	Ratio %
2061/062	2732.96	13160.60	20.76	300.00	3423.12	8.76
2062/063	4120.29	13312.40	20.95	224.40	3340.25	6.71
2063/064	2588.77	13868.38	25.87	400.00	7517.89	5.32
2064/065	3672.63	14244.04	25.78	2001.10	11144.33	17.95
2065/066	2413.94	14971.80	16.72	1948.50	13967.74	13.94
Average(\bar{X})			23.89	Average(\bar{X})		10.53
S.D.(δ)			5.05	S.D.(δ)		4.73
C.V.			21.14	C.V.		44.92

Sources: Appendix I and II

The above table 4.3 presents investment on government securities to Current assets of 2065/2066. Ratio Percentage of NSBIBL is 20.76, 20.95, 25.87, 16.12 respectively and NABIL is 8.76, 6.71, 5.32, 17.95, and 13.94 respectively. Average proportion of NSBIBL is 23.89 and NABIL is 10.53. It means NSBIBL is most liquidity the NABIL because NSBIBL has highest proportion the NABIL, C.V. of NSBIBL and NABIL is 21.14% and 44.92% respectively. It shows that NSBIBL is more consistent in government securities to Current assets ratio than NABIL.

4. Current Ratio:

Current ratio indicates the availability of Current assets against Current liabilities. This Ratio is applied to test the solvency as well as determining short term financial strength of commercial bank.

The following table presents the Current ratio of both banks.

Table 4.4
Current Asset Ratio

(Rs. in million)

NSBIBL				NABIL		
Fiscal Year	Current Assets	Current Liabilities	Ratio %	Current Assets	Current Liabilities	Ratio %
2061/062	13160.60	17226.21	0.76	3423.12	4629.02	0.74
2062/063	13312.40	16384.73	0.81	3340.25	4410.46	0.76
2063/064	13868.30	15135.42	0.92	7517.89	8359.46	0.90
2064/065	14244.04	15153.13	0.94	11144.33	12506.94	0.89
2065/066	14971.80	15420.82	0.97	13967.79	15078.84	0.84
Average(\bar{x})			0.88	Average(\bar{x})		0.84
S.D.(δ)			9.06	S.D.(δ)		8.77
C.V.			10.30	C.V.		10.44

Source: Appendix I and II

The above table 4.4 shows the Current Ratio of NSBIBL and NABILBL for fiscal year 2061/062 to 265/066. Ratio of NSBIBL is 0.76, 0.81, 0.92, 0.94, 0.79 respectively NABIL is 0.74, 0.90, 0.89 and 0.84 for five years. Average proportion of NSBIBL is 0.88% and NABIL is 0.84%. Higher ratio indicates better maintain of current Ratio. So NSBIBL has been able to maintain Safety margin to protect the interest of creditors because it has higher ratio of NSBIBL and NABIL is 10.30% and 10.44% respectively. There are more fluctuation in proportion of current ratio of NABIL than NSBIBL because NABIL has more C.V. the NSBIBL.

4.2.2 Activity Ratio:

Activity ratios are employed to evaluate the efficiency with which the firm manage and utilize its assets. Activities ratio measured the efficiency of management in utilizing assets, funds in profit generating and how available assets are utilized. This ratio is called turnover of efficient or assets utilization ratio. Activity ratio indicates the degree of efficiency in assets management hence; they are often referred to as efficiency ratio. Many ratios are computed under this heading, which are as follows:

1. Loan and advance to total Deposit ratio:

This ratio examine to what extent commercial banks are able to utilize the depositors fund to earn profit by providing loan and advance.

The follow in table presents the ratio of

Table 4.5

Loan and advance to Deposit

(Rs. in million)

NSBIBL				NABIL		
Fiscal Year	Loan and Advance	Total Deposit	Ratio %	Loan and Advance	Total Deposit	Ratio %
2061/062	7993.28	15839.01	50.47	2318.91	4256.21	54.48
2062/063	7135.54	15506.44	46.02	2518.06	4174.76	60.32
2063/064	7454.26	13447.65	55.43	5698.03	7922.75	71.29
2064/065	7953.76	14119.00	56.33	6917.80	11524.67	60.03
2065/066	10465.27	14586.65	71.75	9933.08	14254.57	69.68
Average(\bar{x})			56.00	Average(\bar{x})		63.16
S.D.(δ)			9.73	S.D.(δ)		7.10
C.V.			17.38	C.V.		11.24

Source: Appendix I and II

Table 4.5 show that the percentage of loan and advance to total deposit ratio of two banks for the fiscal year 2061/062 to 2065/066. Ratio of NSBIBL is 50.47, 46.02, 55.43, 56.33 and 71.75 respectively and Ratio of NABIL 54.48, 60.32, 71.29, 60.03 and 69.68 respectively. Average Ratio of NSBIBL and NABIL Bank Ltd. is 56% and 63.16% respectively. Here average proportion of NABIL is greater than NSBIBL. It indicates that NABIL is better utilization of total deposit for investing in loan and advance than NSBIBL. C.V. of NSBIBL and NABILBL is 17.38% and 11.42% respectively. It indicates that NABIL is more consistent in loan and advance to total deposit ratio than NSBIBL because NABIL has lowest C.V. than NSBIBL.

2. Loan and advance to fixed deposit ratio:

Loan and advance is that part of banks investment which generate income at a certain rate and fixed deposit is that part of banks fund which

bears cost of a certain rate, hence this ratio indicates the relationship between the investments of bank earning interest at a fixed rate the liabilities of bank bearing interest at a certain rate. Loan and advance are primary source of income and the most profitable of all the assets of the banks. So utilization of fixed deposit in loans and advance show the greater performance.

Following table presented the ratio of

Table 4.6

Loan and advance to fixed Deposit

(Rs. in million)

NSBIBL				NABIL		
Fiscal Year	Loan and Advance	Fixed Deposit	Ratio %	Loan and Advance	Fixed Deposit	Ratio %
2061/062	7993.28	3719.20	214.92	2318.91	1658.66	139.81
2062/063	7135.54	2446.85	291.62	2518.06	945.93	266.12
2063/064	7454.26	2252.54	330.93	5698.03	1672.82	337.64
2064/065	7953.76	2310.57	344.23	6917.80	2294.68	301.47
2065/066	10465.27	2078.54	503.49	9933.08	3212.26	309.22
Average(\bar{x})			337.02	Average(\bar{x})		370.85
S.D.(δ)			94.63	S.D.(δ)		78.33
C.V.			28.08	C.V.		28.92

Source: Appendix I and II

The above table 4.6 show that the ratio of loans and advance to fixed deposit of NSBIBL and NABIL. In the fiscal year 2061/062 to 265/066: Ratio of NSBIBL 214.92, 291.62, 330.93, 344.23, 503.49 respectively and NABIL is 139.81, 266.12, 337.64, 301.47 and 309.22 respectively. Average proportion of NSBIBL is 337.02% and NABIL is 270.85%. NSBIBL has utilized proficiently it fixed deposit in investing

loan and advance than NABIL. C.V. of NSBIBL is 28.08% and NABIL is 28.92. It indicates lower C.V. of NSBIBL is more consistent in utilizing the fixed deposit in loans and advances the NABIL.

3. Loans and Advance to saving deposit Ratio:

This ratio shows the relationship between loans and advance and saving deposit. It determine extent to which saving deposit are used in loans and advance for generating revenue to the bank.

It can be calculated and presented as below:

Table 4.7

Loans and advance to Saving Deposit

(Rs. in million)

NSBIBL				NABIL		
Fiscal Year	Loan and Advance	Saving Deposit	Ratio %	Loan and Advance	Saving Deposit	Ratio %
2061/062	7993.28	4917.14	162.56	2318.91	1259.57	184.10
2062/063	7135.54	4972.06	143.51	2518.06	1278.79	196.90
2063/064	7454.26	5229.72	142.54	5698.03	2434.05	234.10
2064/065	7953.76	5994.12	132.69	6917.80	4886.10	141.58
2065/066	10465.27	7026.33	148.94	9933.08	6703.51	148.17
Average(\bar{x})			146.05	Average(\bar{x})		180.97
S.D.(δ)			9.98	S.D.(δ)		30.67
C.V.			6.83	C.V.		16.57

Source: Appendix I and II

The above table 4.7 shows that loan and advance to saving deposit ratio of two banks for the fiscal year 2061/062 to 2065/066. Ratio of NSBIBL is 162.56, 143.51, 142.54, 132.69, 148.94 respectively and NABIL is 184.10, 196.90, 234.10, 141.58 and 148.97 respectively.

Average ratio of NSBIBL 146.05% and NABIL is 180.97%. It indicates the NABIL has utilized proficiency its saving deposit in investing loan and advance than NSBIBL. C.V. of NSBIBL and NABIL is 6.83% and 16.57% respectively. So NSBIBL is more consistent in utilizing its saving deposit it loans and advance in NABIL.

4. Total investment to total deposit ratio:

This ratio measures that how successfully the banks are mobilizing their deposit on investment. Here, the investment includes total investment.

It is calculated and presented as follows:-

Table 4.8

Total investment to total deposit

(Rs. in million)

NSBIBL				NABIL		
Fiscal Year	Total Investment	Total Deposit	Ratio %	Total Investment	Total Deposit	Ratio %
2061/062	16532.48	15839.01	104.38	4386.61	4256.21	103.00
2062/063	15646.56	15506.44	100.90	4372.70	4174.76	104.74
2063/064	14435.10	13447.65	107.34	7503.49	7922.75	94.70
2064/065	14922.57	14119.00	105.65	11288.72	11524.67	97.95
2065/066	15694.27	14586.65	107.00	14182.50	14254.57	99.99
Average(\bar{x})			105.18	Average(\bar{x})		99.99
S.D.(δ)			2.73	S.D.(δ)		4.01
C.V.			2.60	C.V.		4.01

Source: Appendix I and II

The above table 4.8 show that the investment to total deposit ratio of NSBIBL and NABIL for the fiscal year 2061/2062 to 265/066. Ratio of NSBIBL is 104.38, 100.90, 107.34, 105.69 and 107.00 respectively and

NABIL is 103.00, 104.74, 94.70, 97.95 and 99.99 respectively. Average ratio of NSBIBL is 105.18% and NABIL is 99.99%. NSBIBL is highest average ratio then NABIL. It indicate that NSBIBL has utilized is total deposits for investment purpose more efficiently the NABIL, C.V. of NSBIBL and NABIL is 2.60% and 4.01% respectively C.V. of NSBIBL is less than NABIL. So It show that the NSBIBL is more consistent in mobilizing total deposit on Investment then NABIL.

4.2.3 Leverage Ratio:

This ratio is calculated to judge the long term financial position of the firm. Long term creditors like deventure holders; financial institutions etc. are concerned with the firm's long term financial strength. The long term creditors would judge the soundness of a firm on the basis of long term financial strength measured in terms of its ability to pay the interest regularly as well as repaying the long term solvency of a firm. Leverage ratio helps to calculate the proportion of outsider and owner contribution of the firm.

1. Debt – Equity Ratio:

The relationship between long term debt and owners equity is known as debt equity ratio. It is a popular measure of the long term financial solvency of the bank. Total debt includes total current liability and other differed liabilities.

The following table presents its ratio of both banks.

Table 4.9

Debt equity Ratio

(Rs. in million)

NSBIBL				NABIL		
Fiscal Year	Total Debt	Net Worth	Ratio %	Total Debt	Net Worth	Ratio %
2061/062	17304.32	1062.83	16.28	4658.29	469.46	9.93
2062/063	16482.83	1146.42	14.38	43450.44	523.26	8.50
2063/064	15248.43	1314.18	11.60	8375.71	638.53	11.12
2064/065	15263.93	1481.68	10.30	12526.46	729.04	17.18
2065/066	15528.70	1657.63	9.37	15093.90	1180.17	12.79
Average(\bar{X})			12.39	Average(\bar{X})		11.90
S.D.(δ)			2.58	S.D.(δ)		3.39
C.V.			2.08	C.V.		2.81

Source: Appendix I and II (A, B)

The above table 4.9 indicates that debt- equity ratio of NSBIBL and NABIL for the fiscal year 2061/062 to 2065/066. The ratio of NSBIBL is 16.28, 11.60, 10.30, 9.37 respectively and NABIL is 9.93, 8.50, 11.12, 17.18, and 12.79 respectively. Its average position of NSBIBL is 12.39% and NABIL is 11.90%. It shows that NSBIBL is creditors, C.V. of NSBIBL is 208% and NABIL is 2.81% So, that NABIL is more risky than NSBIBL or NABIL is unfavourable than NSBIBL.

2. Permanent Capital Structure:

Permanent Capital Structure can be defined in the following two categories:-

a. Long term debt to permanent capital ratio:

This ratio measures the relationship between long term debts to permanent Capital. Permanent Capital includes Net worth and total differed liability and long term debt includes different liabilities.

The ratio defined the following table:-

Table 4.10

Long term Debt to Permanent Capital

(Rs. in million)

NSBIBL				NABIL		
Fiscal Year	Long term debt	Permanent Capital	Ratio %	Long term debt	Permanent Capital	Ratio %
2061/062	78.11	1140.94	6.85	29.27	498.35	5.88
2062/063	98.10	1244.52	7.88	40.23	563.69	7.13
2063/064	113.01	1427.19	7.92	16.25	654.78	2.48
2064/065	110.80	1592.48	6.96	19.52	748.56	2.60
2065/066	107.88	1765.51	6.11	15.06	1195.23	1.27
Average(\bar{X})			7.144	Average(\bar{X})		3.87
S.D.(δ)			0.68	S.D.(δ)		2.23
C.V.			9.52	C.V.		57.62

Source: Appendix I and II (B)

The above table 4.10 shows the long tem debt to permanent capital ratio of two banks for fiscal year 2061/062 to 2065/066. Ratio NSBIBL is 6.85, 7.88, 7.92, 6.96, 6.11 respectively and NABIL is 5.88, 7.13, 2.48, 2.60, and 1.27 respectively. Average ratio of NSBIBL and NABIL is 7.144% and 3.87% respectively. It shows that the ratio of NSBIBL is greater than NABIL. So the Shareholder point of view, Investment in Share of NSBIBL is considered to satisfaction than NABIL

because of low cost of outside fund were used to required assets to generate return C.V. of NSBIBL and NABIL is 9.52% and 57.62% respectively. It shows the NSBIBL is more consistent.

b. Net Worth to Permanent Capital ratio:

This ratio measures the proportion of firms net worth out of its total permanent capital. Permanent capital includes net worth and total differed liability.

This ratio presented by the following table:

Table 4.11

Net Worth to Permanent Capital

(Rs. in million)

Fiscal Year	NSBIBL		Ratio %	NABIL		
	Net Worth	Permanent Capital		Net Worth	Permanent Capital	Ratio %
2061/062	1062.83	1140.94	93.15	469.46	498.35	94.12
2062/063	1146.42	1244.52	92.12	523.26	563.69	92.86
2063/064	1314.18	1427.19	92.08	638.53	654.78	97.51
2064/065	1481.68	1592.48	93.04	729.04	748.56	97.44
2065/066	1657.63	1765.51	93.89	1180.17	1195.23	60.99
Average(\bar{X})			92.86	Average(\bar{X})		88.58
S.D.(δ)			0.68	S.D.(δ)		13.91
C.V.			0.79	C.V.		15.71

Source: Appendix I and II

The above table 4.11 presents net worth to permanent Capital ratio of two banks fiscal year 2061/062 to 2065/066. Ratio percentage of NSBIBL is 93.15, 92.12, 92.08, 93.04, 93.89 respectively and NABIL is 94.12, 92.86, 97.51, 97.44 and 60.99. Average proportion of NSBIBL and NABIL is 92.856^ and 88.58% respectively. It shows that NABIL is

average proportion greater than NABIL. It revert that average proportion of net worth to permanent Capital fevers NSBIBL more then NABIL. C.V. of NSBIBL is lower than NABIL. So, fluctuation in net worth to total permanent Capital is more than NSBIBL.

3. Total Debt Ratio:

This ratio is calculated to know what proportion of total assets have been financed by outsider fund. Total debt includes total Current liabilities and differed liabilities.

The following table presents the ratio of:

Table 4.12

Total Debt Ratio

(Rs. in million)

NSBIBL				NABIL		
Fiscal Year	Total Debt	Total Asset	Ratio %	Total Debt	Total Asset	Ratio %
2061/062	17304.32	18367.15	94.20	4658.29	5127.37	90.85
2062/063	16482.83	17629.25	93.50	43450.44	4973.90	89.49
2063/064	15248.43	16562.61	92.07	8375.71	9014.24	92.92
2064/065	15263.93	16745.61	91.15	12526.46	13255.50	94.52
2065/066	15528.70	17886.33	90.30	15093.90	16274.07	92.74
Average(\bar{x})			92.26	Average(\bar{x})		92.10
S.D.(δ)			1.60	S.D.(δ)		1.95
C.V.			1.73	C.V.		2.12

Source: Appendix I and II (G)

The above table 4.12 Show that the total debt ratio of two banks for the fiscal year 2061/2062 to 2065/066. Ratio percentage of NSBIBL is

94.12, 93.50, 92.07, 91.15, 91.15, 90.30 respectively and NABIL is 90.85, 89.48, 92.92, 94.52, and 92.74 respectively. Average proportion of NSBIBL is 92.26% and NABIL 92.10%. High debt ratio is unfavourable as it shows that the claim of creditors is much higher than those of owners. So, NSBIBL unfavourable than NABIL. C.V. of total debt ratio of

NSBIBL is NABIL is 1.73% and 2.12% respectively. It shows that NSBIBL is more consistent than NABIL because NSBIBL has lower C.V. than NABIL.

4.2.4 Profitability Ratio:

The profitability ratio are calculated to measure the operating efficiency of the bank. Bank is a business institution whose prime objective is to earn maximum profit.

It is because for any business field profit is essential for its successful operation and further expression. It is the key factors that measure the earning how effectively the firm is being operated managed. Even than profit plays a fundamental role to take a firm stands strong to meet its social responsible. More over, it measures the earning the earning power and management overall effectiveness. Many ratios are determined under this heading, which are as follows.

1. Return on Shareholder Equity:

This ratio is an importance measurement from the owners point o f view. It measures the return or owner fund. Shareholder equity includes net worth.

This ratio is calculated and presented by following table:

Table 4.13

Return on Share holder equity

(Rs. in million)

Fiscal Year	NSBIBL		Ratio %	NABIL		
	NPAT	Shareholder equity		NPAT	Shareholder equity	Ratio %
2061/062	291.37	1062.83	27.41	56.41	469.08	12.02
2062/063	271.63	1146.42	23.69	57.10	523.46	10.91
2063/064	416.25	1314.18	31.67	116.12	638.53	18.30
2064/065	435.32	1481.68	30.73	152.67	729.04	20.94
2065/066	418.63	1657.63	31.29	232.15	1180.17	19.67
	Average(\bar{X})		28.96	Average(\bar{X})		16.37
	S.D.(δ)		3.39	S.D.(δ)		4.59
	C.V.		11.71	C.V.		28.04

Source: Appendix I and II (C)

The table 4.13 show that return on Share holder's equity of NSBIBL and NABIL for fiscal year 2061/062 to 2065/066. Ratio of NSBIBL is 27.41, 23.69, 31.67, 30.71, 31.29 respectively and NABIL is 12.03, 10.91, 18.30, 20.94, and 19.67 respectively. Average proportion of NSBIBL is 28.96 and NABIL is 16.37%. It shows that NSBIBL has utilized its Shareholder equity more efficiency to profit generating purpose than Nabil. C.V. of NSBIBL and NABIL IS 11.71 AND 28.04% respectively in the ratio lowest C.V. of NSBIBL more consistent to earn return on its Shareholder equity than Nabil.

2. Return on Total Assets:

The ratio establishes the relationship between net profit and total assets.

It can be presented by following table:

Table 4.14

Return on total Assets

(Rs. in million)

NSBIBL				NABIL		
Fiscal Year	NPAT	Total Asset	Ratio %	NPAT	Total Asset	Ratio %
2061/062	291.37	18367.15	1.59	56.41	5127.37	1.10
2062/063	271.63	17629.25	1.54	57.10	4973.90	1.15
2063/064	416.25	16562.61	2.51	116.12	9014.24	1.30
2064/065	435.32	16745.61	2.72	152.67	13255.50	1.15
2065/066	418.63	17886.33	3.02	232.15	16274.07	1.43
Average(\bar{X})			2.27	Average(\bar{X})		1.23
S.D.(δ)			0.60	S.D.(δ)		0.12
C.V.			26.32	C.V.		9.87

Source: Appendix I and II

The above table 4.14 shows the return on table assets of two banks for fiscal year 2061/062 to 2065/066 ratio of NSBIBL is 1.59, 1.54, 2.51, 2.72, 3.02 respectively and Nabil is 1.10, 1.15, 1.30, 1.15, 1.43 respectively. Average return on total asset of NSBIBL is 2.27% and Nabil is 1.23%. Average ratio of NSBIBL is higher than NABIL So, NSBIBL is utilized its assets more efficiency in profit generating purpose than NABIL C.V. of return on total asset of NSBIBL is 26.32% and NABIL is 9.87% in during the Study period. It shows that lower C.V. of Nabil is more consistent to earn profit its asset of NSBIBL.

3. Return on total deposit ratio:

This ratio gives clear vision ascertains whether total deposit is being properly utilized or not return on total deposit is tabulated as follows:

Table 4.15

Return on total deposit

(Rs. in million)

NSBIBL				NABIL		
Fiscal Year	NPAT	Total Deposit	Ratio %	NPAT	Total Deposit	Ratio %
2061/062	291.37	15839.01	1.84	56.41	4256.21	1.33
2062/063	271.63	15506.44	1.75	57.10	4174.76	1.37
2063/064	416.25	13447.65	3.10	116.12	7922.75	1.47
2064/065	435.32	14119.00	3.22	152.67	11524.67	1.32
2065/066	418.63	14586.65	3.56	232.15	14254.57	1.63
Average(\bar{x})			2.69	Average(\bar{x})		1.42
S.D.(δ)			0.75	S.D.(δ)		1.13
C.V.			27.88	C.V.		9.15

Source: Appendix I and II

The above table 4.15 shows the return on total deposit on NSBIBL and Nabil for the fiscal year 2061/062 to 2065/066. Ratio of NSBIBL is 1.84, 1.75, 3.10, 3.22, 3.56 respectively and Nabil is 1.33, 1.37, 1.47, 1.32, and 1.63 respectively. Average proportion of NSBIBL is 2.69% and Nabil is 1.42%. Here, NSBIBL is more efficient to utilize its total deposit for profit earning purpose than Nabil C.V. of NSBIBL is 27.85% and NABIL is 9.15%. It show Nabil is more uniform to earn its deposit than NSBIBL because of lowest C.V. of NABIL.

4. Return on investment:

This ratio is relationship between net profit after tax and total investment:

Table 4.16

Return on investment

(Rs. in million)

NSBIBL				NABIL		
Fiscal Year	NPAT	Investment	Ratio %	NPAT	Investment	Ratio %
2061/062	291.37	7704.31	3.781	56.41	1970.27	2.86
2062/063	271.63	8199.31	3.31	57.10	1822.16	3.13
2063/064	416.25	6031.17	6.90	116.12	1705.24	6.85
2064/065	455.32	5836.07	7.80	152.67	3862.48	3.95
2065/066	518.63	4267.23	12.15	232.15	3934.19	5.9
Average(\bar{x})			6.79	Average(\bar{x})		4.53
S.D.(δ)			3.19	S.D.(δ)		10.57
C.V.			46.98	C.V.		34.66

Source: Appendix I and II(D)

The above table 4.16 shoes the return on Investment of NSBIBL and NABIL for the fiscal year 2061/062 to 2065/066. Ratio of NSBIBL is 3.78, 3.31, 6.90, 7.80, 12.12 respectively and Nabil is 2.86, 3.13, 6.85, 3.95, 5.90 respectively. Average proportion of return on Investment of NSBIBL and NABIL is 6.79% and 4.53% respectively NSBIBL has higher average return on total Investment than NABIL. It means NSBIBL is more efficient to invest its fund for profit than Nabil. It means NSBIBL is more efficient to invest it fund for profit generating purpose than NABIL C.V. of NSBIBL has 46.98% and NABIL is 34.66%. It means NABIL is more consistent or uniform than NSBIBL because of lowest C.V.

5. Earning per Share (EPS)

EPS measures the earning available to on equity holders on Per Share basis. The earning which is eventually available for equity share holders can be retained wholly or partially.

The following table represents the EPS of both banks.

Table 4.17

Earning Per Share

(Rs. in million)

Fiscal Year	NSBIBL		EPS (in Rs.)	NABIL		
	NPAT	Total no. of Common Share		NPAT	Total no. of Common Share	EPS (in Rs.)
2061/062	291.37	4.9165	59.26	56.41	1.69	33.37
2062/063	271.63	4.9165	55.25	57.10	1.69	33.78
2063/064	416.25	4.9165	84.66	116.12	2.95	39.6
2064/065	455.32	4.9165	92.61	152.67	2.95	51.75
2065/066	518.63	4.9165	105.49	105.49	5.87	39.54
	Average(\bar{X})		79.45	Average(\bar{X})		39.60
	S.D.(δ)			S.D.(δ)		6.63
	C.V.		24.35%	C.V.		16.76

Source: Appendix I and II

The above table 4.17 Share the earning per share of NSBIBL and NABIL for fiscal year 2061/062 to 2065/066. ESP of NSBIBL is Rs. 59.26, Rs.55.25, Rs.84.66, Rs.92.61 and Rs.105.49 respectively and NABIL is Rs.33.37, Rs.33.78, Rs.39.6, Rs.51.75 and Rs.39.54 respectively. Average EPS of NSBIBL is rs.79.45 and NABIL is Rs.39.60. From the abvoe table EPS of NSBIBL has been increase gradually over the year expect in fly 2061/062. But EPS of NABIL has been flucation NSBIBL has higher profitability on per Share basic than NABIL C.V. of NSBIBL and Nabil is

24.35% and 16.76%. It indicates that Nabil is more consistent than NSBIBL because of lowest C.V. of Nabil.

4.25 Other Ratio and indicate:

Other ratio and indicators which are useful to measure the financial performance are briefly described as below:

1. Interest paid to interest Earned Ratio:

Two ratios of two Banks are presented below:

Table 4.18

Interest paid to interest Earned

(Rs. in million)

NSBIBL				NABIL		
Fiscal Year	Interest Paid	Interest earn	Ratio %	Interest Paid	Interest earn	Ratio %
2061/062	578.36	1266.70	45.66	163.42	349.76	46.72
2062/063	462.80	1120.18	41.25	130.44	326.22	39.90
2063/064	317.35	1017.87	31.18	189.21	459.51	41.17
2064/065	281.94	1001.62	28.25	326.21	731.40	44.60
2065/066	243.54	1068.75	22.79	354.55	886.80	39.98
Average(\bar{X})			33.83	Average(\bar{X})		42.49
S.D.(δ)			8.43	S.D.(δ)		2.70
C.V.			24.92	C.V.		6.38

Source: Appendix I and II

The above table 4.18 present the interest paid to interest earned ratio of NSBIBL and NABIL for the fiscal year 2061/062 to 265/066. Ratio of NSBIBL is 45.66, 41.22, 31.18, 28.25, 22.79 respectively and NABIL is 46.72, 39.98, 41.17, 44.60 and 39.98 respectively. Average proportion of NSBIBL is 33.83% and NABIL 42.49%. It show that NSBIBL is lowest percentage than NABIL, It means NABIL pays more interest to its

deposition than NSBIBL because NABIL has more fixed and Saving deposit in its deposit structure C.V. of NSBIBL and NABIL is 24.42% and 6.38% respectively. It show that NABIL has lowest function interest aid to interest earned thanks NSBIBL.

2. Interest Earned to investment:

This ratio measures the percentage of interest earned form its investment. This ratio is presented by following tables

Table 4.19

Total interest earned to total investment

(Rs. in million)

NSBIBL			Ratio %	NABIL		
Fiscal Year	Interest Paid	Interest earned		Interest Paid	Interest earned	Ratio %
2061/062	1266.70	7704.31	16.44	349.76	1970.27	17.75
2062/063	1120.18	8199.31	13.66	326.22	1822.16	17.90
2063/064	1017.87	6031.17	16.88	459.51	1705.24	26.94
2064/065	1001.62	5836.07	17.16	731.40	3862.48	18.93
2065/066	1068.75	4267.23	25.65	886.80	3934.19	22.54
Average(\bar{x})			17.84	Average(\bar{x})		20.81
S.D.(δ)			3.81	S.D.(δ)		3.51
C.V.			21.36	C.V.		16.86

Source: Appendix I and II

The above table 4.19 shows the total interest earn to investment ratio of NSBIBL and NABIL for fiscal year 2061/062 to 2065/066. It shows the ratio of NSBIBL is 16.44, 13.66, 16.88, 17.16, 25.65 respectively and NABIL is 17.75, 17.90, 26.94, 18.93 and 22.54 respectively. Average proportion of NSBIBL is 17.84% and NABIL is 20.81%. NABIL is highest ratio than

NSBIBL. So it indicates NABIL is more consistent to earn interest on its total investment C.V. of NSBIBL and NABIL IS 21.36% AND 16.86% respectively. It shows that NABIL is more consistent to earn interest on its investment their NSBIBL.

3. Price earning ratio (EPR)

This ratio indicates the investor's judgement about the banks performance:-

P/E ratios of both selected banks are presented below:

Table 4.20

Price earning ratio

(Rs. in million)

NSBIBL				NABIL		
Fiscal Year	MVPS	EPS	Ratio %	MVPS	EPS	Ratio %
2061/062	1500	59.26	25.31	1150	33.37	34.46
2062/063	735	55.26	13.30	760	33.78	22.45
2063/064	735	84.66	8.68	795	39.6	20.07
2064/065	1000	92.61	16.80	940	51.75	18.16
2065/066	1505	105.49	14.27	800	39.54	20.23
Average(\bar{x})			14.47	Average(\bar{x})		23.07
S.D.(δ)			5.76	S.D.(δ)		5.85
C.V.			39.81	C.V.		25.26

Source: Appendix I and II

The above table 4.20 shows that P/E ratio of NSBIBL and NABIL for fiscal year 2061/062 to 2065/066. Ratio of NSBIBL is 25.31, 13.30, 8.68, 16.80, 14.27 respectively and Nabil is 34.46, 22.45, 20.07, 18.16 and 20.23 respectively. NABIL is higher P/E Ratio than NSBIBL. So market has positively judged in the performance of NABIL. C.V. of NSBIBL is

39.81% and NABIL is 25.26%. This Indicate that NABIL is more consistent the NSBIBL.

4. Market value to books book value:

This ratio is measures the proportion of market Price to book value. This ratio is calculated and presented of two banks by following tables:

Table 4.21

Market value to book value

(Rs. in million)

NSBIBL			Ratio %	NABIL		
Fiscal Year	MVPS	EPS		MVPS	EPS	Ratio %
2061/062	1500	216.17	6.94	1150	275.95	4.16
2062/063	735	233.18	3.15	760	307.95	2.47
2063/064	735	267.30	2.75	795	216.24	3.68
2064/065	1000	301.37	3.32	940	246.89	3.80
2065/066	1505	337.15	4.46	800	200.80	3.98
Average(\bar{x})			4.12	Average(\bar{x})		3.62
S.D.(δ)			1.52	S.D.(δ)		0.59
C.V.			36.89	C.V.		16.48

Source: Appendix I and II

The above table of 4.21 show the market value to book value ratio of two banks for the fiscal year 2061/062 to 2065/066. The ratio of NSBIBL is 6.94, 3.15, 2.75, 3.32, 4.46 respectively and Nabil is 4.16, 2.47, 3.68, 3.80 and 3.98 respectively. Average proportion of NSBIBL is 4.12% and NABIL is 3.6%.

It shows NSBIBL comparatively strong management and organization than NABIL because of highest ratio C.V. of NSBIBL is

36.89% and Nabil is 16.48%. It indicates that NABIL is more consistent than NSBIBL.

4.3 Trend Percentage Analysis:

Trend Percentage analysis is also known as trend ratio is an analytical device, which examines whether the financial position is improving or deteriorating over the year. 2061/062 to 2065/066. In this study, this tool is used to find out the direction of change of major activities such as deposit; Net worth, investment and net profit. In comparison to the first year (Base year) of study, the growth trend of activities for four successive years can be concluded.

In this section, different types of trend Percentage analysis are presented which are as follows.

1. Trend of total Deposit
2. Trend of Net worth
3. Trend of total investment
4. Trend of Net Profit.

4.3.1 Trend of total Deposit

Total deposit trend of

Has been presented as under

Table 4.22

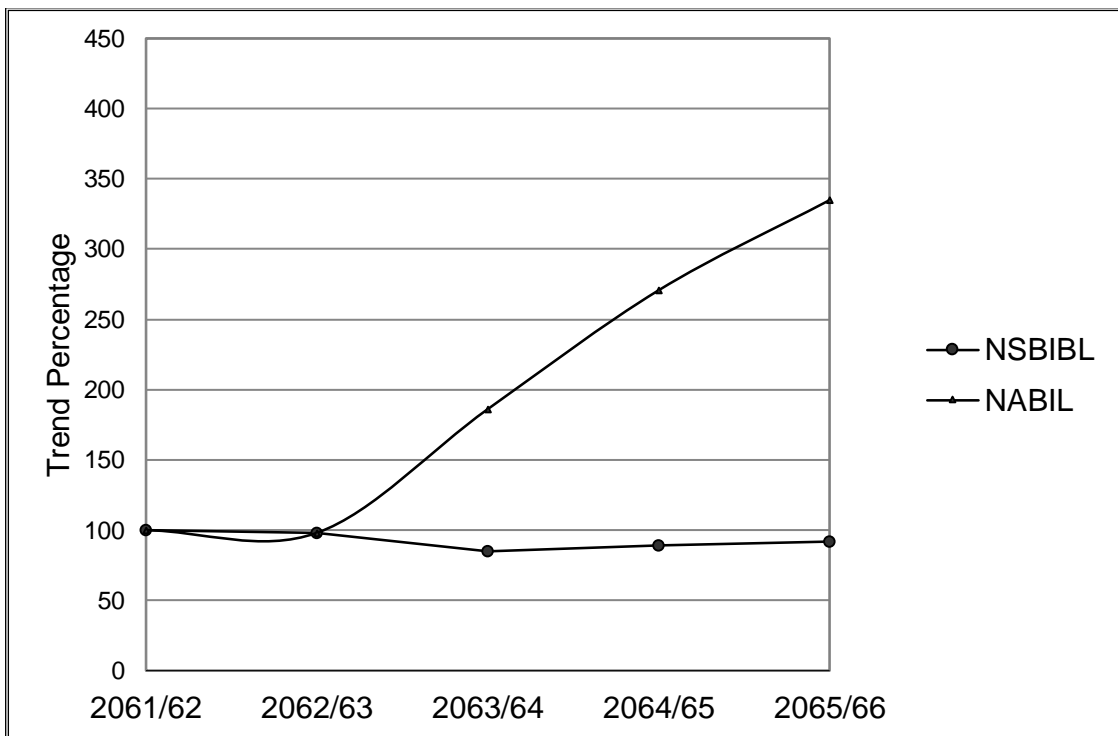
Trend of total Deposit

(Rs. in million)

Fiscal Year	NSBIBL		NABIL	
	Total Deposit	Trend line %	Total Deposit	Trend line %
2061/062	15839.01	100	4256.21	100
2062/063	15506.44	97.90	4174.76	98.08
2063/064	13447.65	84.90	7922.75	186.14
2064/065	14119.00	89.14	11524.67	270.77
2065/066	14586.65	92.09	14254.57	334.91

Source: Appendix I and II

Graph no. 1 Trend of total Deposit of



The above Graph I shows the trend percentage of total deposit of two banks from 2061/062 to 2065/066. The total deposit in comparison to the base year i.e.100% for 5 successive year NSBIBL is 97.90%, 84.90% and NABIL is 98.08%, 186.14%, 270.77% and 334.91% respectively. According to the above graph there is increasing trend of total deposit of NABIL and NSBIBL is decreasing trend. NSBIBL has gone down to lowest 84.90% and never cross the trend line of base year during the whole study period has NABIL trend line indicate that deposit.

4.3.2 Trend of Net Worth

Trend of net worth of

Is presented as below:

Table 4.23

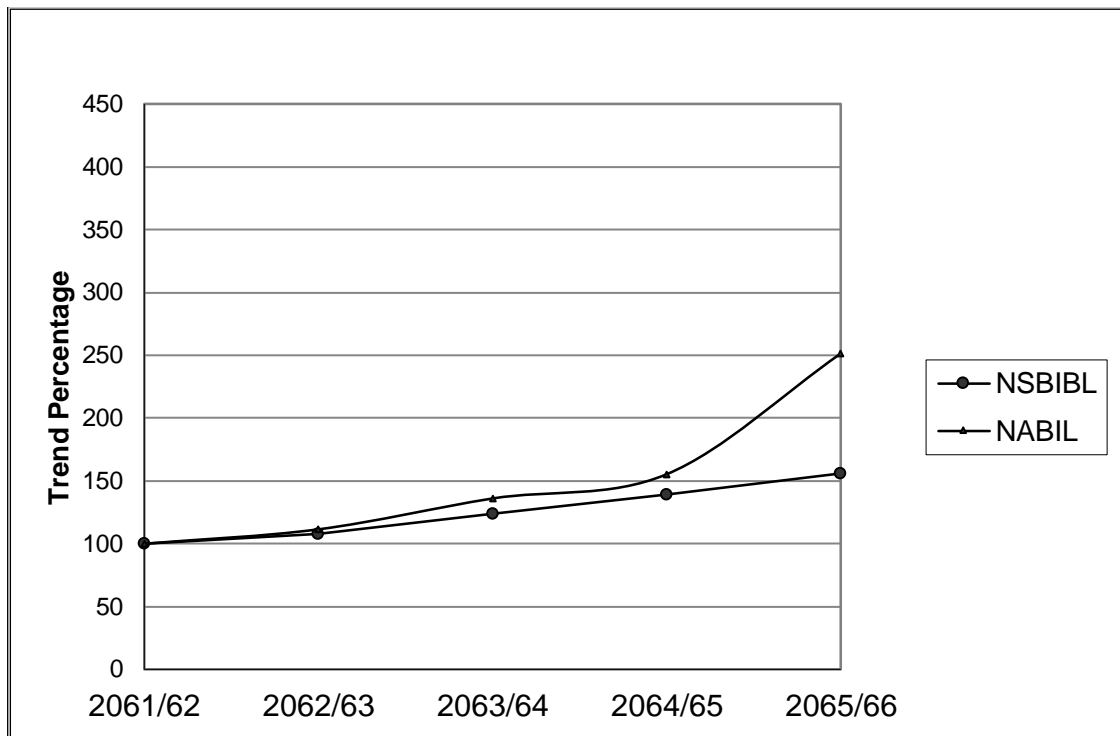
Trend of Net worth

(Rs. in million)

Fiscal Year	NSBIBL		NABIL	
	Net worth	Trend line	Net worth	Trend line
2061/062	1062.83	100%	469.46	100%
2062/063	1146.42	107.86	523.26	111.45
2063/064	1314.18	123.65	638.53	136.01
2064/065	1481.68	139.41	729.04	155.29
2065/066	1657.63	155.96	1180.17	251.35

Graphically trend line of net worth of NSBIBL and NABIL is presented below:

Graph no. 2 Trend of Network of



The above graph 2 highlights the net worth trends of two banks from fiscal year 2061/062 to 2065/066. Net worth in comparison to the base year i.e. 100% for 5 successive year of NSBIBL is 107.86%, 123.65%, 139.41%, 155.96 respectively and NABIL is 111.45%, 136.01%, 155.29%, 251.35% respectively. It show that net worth trend of both book are increasing comparing between NSBIBL and NABIL higher trend line of NABIL shows it is NSBIBL.

4.3.3 Trend of Total Investment

Trend of total investment of

is presented as below:-

Table 4.24

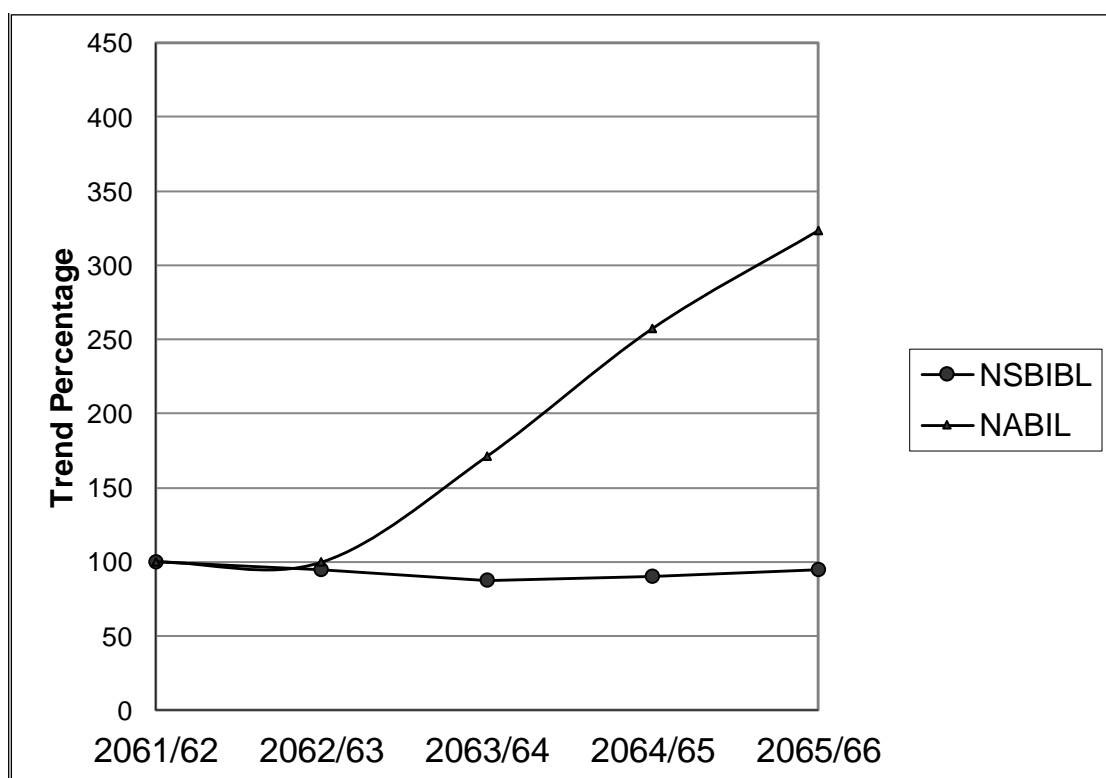
Trend of total investment

(Rs. in million)

NSBIBL			NABIL	
Fiscal Year	Total Investment	Trend line %	Total Investment	Trend line
2061/62	16532.48	100	438.61	100
2062/63	15646.56	94.64	4372.70	99.68
2063/64	14435.10	87.31	7503.49	171.05
2064/65	14922.57	90.26	11288.72	257.34
2065/66	156492.47	94.32	14182.5	323.32

Source: Appendix I and II

Graph No. 3 Trend of total investment of



The above graph 3 shows the total investment trend line of two selected banks for the fiscal year 2061/062 to 2065/066. Total investment in comparison on the base year i.e. 100% for the five successive years of NSBIBL is 94.64%, 87.31%, 90.26%, 94.92% respectively. Trend line of NABIL is increasing is one of the major function of commercial bank to earn maximum income higher trend line of investment of NABIL indicates that is improving its investment more efficiently than NSBIBL.

4.3.4 Trend of Net Profit:-

Trend of Net Profit of

is presented as below:-

Table No. 4.25

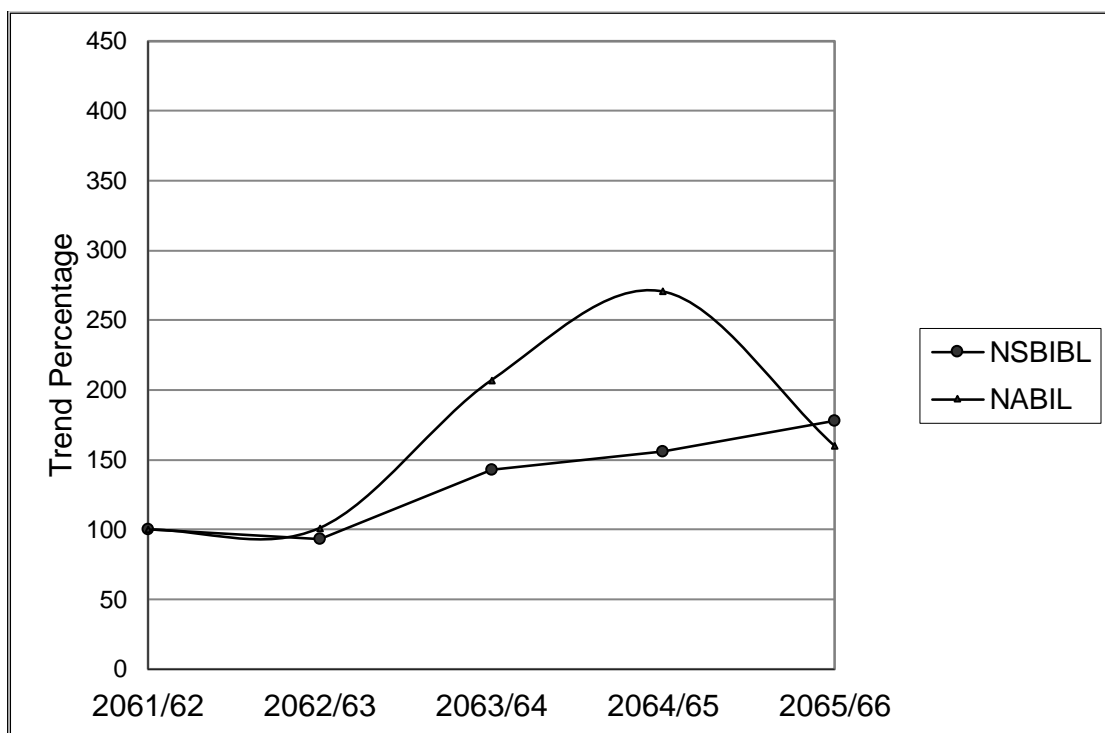
Trend off Net Profit

(Rs. in million)

NSBIBL			NABIL	
Fiscal Year	Net Profit	Trend line %	Net Profit	Trend line
2061/062	291.37	100	56.41	100
2062/063	271.63	93.23	57.10	101.22
2063/064	416.25	142.86	116.82	207.09
2064/065	455.32	156.27	152.67	270.64
2065/066	518.63	178	292.15	517.90

Source: Appendix I and II

Graph No.4 Trend of Net Profit



The above Graph no. 4 highlights the trend of net profit of two selected banks from the fiscal year 2061/062 to 2065/066. It shows that NSBIBL is in increasing trend where as NABIL is fluctuating the during the study period. NABIL has increase to 517.90% in fiscal year 2065/066 So, it is clear that the growth of net profit of NABIL is better than NSBIBL.

4.4 Correlation Coefficient Analysis:

Correlation analysis is measure the relationship between two or more variables. It helps us analyzing the Co-variation between two are more variables. It is denoted by 'r' Coefficient of Correlation always lies in +1 to -1 when 'r' will be +1 there will be the perfect positive correlation between two variable. When 'r' will be -1, there will be perfect negative

CHAPTER – V

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Summary

Banks are very important segment of financial infrastructure of any country. The economic history of many countries reveals that economics development and growth of financial infrastructure go hand in hand. Bank tailor made deposit facilities highly meet our needs in today fast paced business world, ensure attractive returns to our surplus funds making our personal banking convenient and efficient thus diversifying our portfolio to best suit our investment plan. Banks vision to become a significant contributors to the economic development of the nation banks have devised various deposits loan and other facilities that suit the banking requirement of its valuable customers assisting them to cope with their personal and business requirement and end ever to grow stronger mutually.

Commercial bank has been defined as an institution which receives deposits of money or of credit card and which seeks profit through the extension and sale of its own credit. Commercial bank is an important bank which provides different services for the economic developments. The whole community derives benefit from the bank in different ways. It facilities the commerce of the country in addition to the acceptance of deposit landing and investing, they provides multiple services including accepting travelers Cheques under writing. Purchase and sale of securities government bonds' for customers buy sale of foreign exchange, supply of timely credit and market information, providing the remittance facilities soon.

Joint venture bank is an effect of strategic alliance arrangement in which two corporation combine forces to form a co-operative partnership in order to share risk of development to offset one is weakness with strength of order to and a like other coefficient analysis, regression analysis and hypothesis testing are summarized as below:-

5.2.1 Ratio Analysis

Different types of ratio are calculated in this study. The major conclusion derived form the study of ratio analysis is summarized below:-

a. Liquidity Ratio:

Cash and Bank balance to total deposit ratio shows the NSBIBL is better utilization of its deposit that NABIL. NABIL has strong liquidity position because it has highest proportion of cash and bank balance the NSBIBL. On the basis of C.V. the ratio during the study period, there is NABIL is more consistent then NSBIBL.

Cash and bank balance to current ratio shows the NABIL is maintaining the highest cash balance then NSBIBL. C.V. of the ratio during the study period NABIL is more consistent than NSBIBL.

On the basis of investment on government securities to current assets ratio, it is found that NSBIBL is most liquidity than NABIL. According to C.V. of ratio during the study period NSBIBL is most fluctuation than NABIL.

After the study of current ratio of NSBIBL and NABIL it has been found that NSBIBL has been able to maintain safety margin to protect the invest of creditors than NABIL. C.V. of ratio during the study period NSBIBL is more fluctuation than NABIL.

b. Activity Ratio:-

On the basis of loans and advance to total deposit ratio of NSBIBL and NABIL it is found that NABIL is better utilization of total deposit for investing in loans and advance then NSBIBL. C.V. of ratio during the study period shows that NABIL is more consistent then NSBIBL.

After study of loans and advance to fixed deposits ratio of NSBIBL and NABIL, it shows that NSBIBL has utilized proficiently its fixed deposits in investing loans and advance than NABIL. C.V. of ratio during the study period shows that NSBIBL is more consistent than NABIL.

On the basis of total investment to total deposit ratio of NSBIBL and NABIL it has been found that NSBIBL has more utilized. It total deposit for investing purpose than NABIL. C.V. of ratio during the study period it shows that NSBIBL is more consistent in mobilizing total deposit on investment than NABIL.

c. Leverage Ratio:-

On the basis of debt equity ratio of NSBIBL and NABIL, it shows that NABIL's creditors claim more those owners and NSBIBL owners claim more than those creditors. C.V. of ratio during the study period shows the NABIL is more risky or unfavourable than NSBIBL.

On the basis of long term debt to permanent capital ratio of NSBIBL and NABIL, it shows investment in of NSBIBL is considered to satisfaction than NABIL. C.V. of ratio during the study period shows the NSBIBL is more consistent than NABIL.

After study of net worth to permanent ratio of NSBIB and NABIL, it has been found average proportion of net worth to permanent capital favors the NSBIBL more than NABIL. C.V. of ratio during the study period shows the NABIL fluctuates than NSBIBL.

After study of total debt of NSBIBL and NABIL, it shows the NABIL is unfavourable than NSBIBL and C.V. of ratio during the study period shows the NABIL is more consistent than NSBIBL.

d. Profitability Ratio:-

On the basis of return on share holder's equity ratio of NSBIBL and NABIL, it has been found that NSBIBL has utilized its share holder's equity more efficiently in profit generating purpose than NABIL. C.V. of ratio during the study period indicates that NSBIBL is more consistent to earn profit than NABIL.

After study of return on total assets of NSBIBL and NABIL, it has been found NSBIBL is utilized its assets more efficiently than NABIL for profit generating purpose. C.V. of ratio during the study periods indicates that NABIL is more consistent to earn profit on its assets than NSBIBL.

On the basis of return on total deposit ratio of NSBIBL and NABIL, it shows that NSBIBL is more efficiently to utilize its deposit for profit earning purpose than NABIL. C.V. of ratio during the study period shows the NABIL is more uniform to earn its deposit than NSBIBL.

On the basis of return on total investment of NSBIBL and NABIL, it shows that NSBIBL is more efficient to invest its fund for profit generating purpose than NABIL. C.V. ratio during the study period shows the NABIL is more consistent than NSBIBL.

On the basis of EPS of NSBIBL and NABIL, it shows the NSBIBL has highest profitability on per share basis than NABIL because of highest EPS of NSBIBL. C.V. of ratio during the study period shows the NABIL is more consistent than NSBIBL.

e. Other Ratio and Indicators:-

After study of interest paid to interest earned ratio of NSBIBL and NABIL, it shows that NABIL pay more interest to its depositors than NSBIBL because it has more fixed and saving deposit C.V. of ratio during the study period shows the NABIL has lowest fluctuation than NSBIBL.

On the basis of interest earned to total investment ratio of NSBIBL and NABIL it has been found NABIL has able to earn more interest on its total investment than NSBIBL. C.V. of ratio during the study period shows the NABIL is more consistent to earn interest on its investment than NSBIBL.

On the basis of P/E ratio, it has been found that NABIL is better than NSBIBL. C.V. of ratio during the study period shows the NABIL is more consistent than NSBIBL.

On the basis of market value to book value ratio of NSBIBL and NABIL: it indicates that NSBIBL comparatively strong management and organization than NABIL. C.V. ratio of during the study periods shows that NABIL is more consistent than NSBIBL.

5.2.2 Trend Percentage Analysis:-

The major conclusions from the study of trend percentage analysis are as below:-

On the basis of trend of total deposit of NSBIBL and NABIL, total deposit of NSBIBL shows the fluctuating trend through out the period under study as there is rise and fall is successive fear. Total deposit trend of NABIL marked an increasing trend throughout the period under study.

After the study of net worth trend of NSBIBL and NABIL, it has been revealed that net worth of NSBIBL marked an increasing trend throughout the study period. Net worth of NABIL also marked an

increasing trend throughout the study period. Comparing between NSBIBL and NABIL, higher trend line of NABIL shows, it is better than NSBIBL.

After the study of trend of total investment of NSBIBL and NABIL total investment of NSBIBL shows the fluctuation trend throughout the study period as there is rise and fall in successive year. Total investment trend of NABIL is increasing during the study period.

On the basis of trend of net profit of NSBIBL and NABIL, it shows that NSBIBL is in increasing trend the study period. Net profit of NABIL is increasing trend during the study period. Comparing both growth rate of net profit between two banks, NABIL is better than NSBIBL.

5.2.3 Correlation coefficient Analysis

The major conclusion from the study of correlation coefficient analysis as below:

After the study of correlation coefficient of NSBIBL and NABIL between total deposit and total investment, highest co-relation between total deposit and total investment is 0.999 of NABIL and lowest correlation is 0.932 of NSBIBL on the basis of coefficient of determination, it is known that 86.8% change in total investment if there is a change in total deposit of NSBIBL AND 99.8% CHANGE IN TOTAL INVESTMENT IF THERE IS CHANGE IN TOTAL DEPOSIT OF NABIL.

After the study of correlation coefficient of NSBIBL and NABIL between interest earned and interest earned and interest paid is 0.998 of NABIL and lowest correlation is 0.900 of NSBIBL on the basis of coefficient of determination it is known that when there is change in

interest earned it brings 81% change in interest paid of NSBIBL and 99.6% of change in interest paid of NABIL.

After the study of correlation coefficient of NSBIBL and NABIL between interest earned and operating profit highest correlation between interest earned and operation profit is 0.98 is NABIL and negative correlation is 0.456 of NSBIBL. On the basis of coefficient of determination. It is know that when there is change in interest earned, it brings 96% change in operation profit of NABIL. In case of NSBIBL it has negative correlation of its variable. So interest earned and operating profit is not relating correlated.

5.2.4 Regression Analysis

The major conclusion from the study of regression analysis as below:-

On the basis of regression analysis of NSBIBL and NABIL between total deposit and total investment, it show regression equation of NSBIBL is

$y=4274.43+0.076x$ and regression equation of NABIL is $y=167.32+0.970x$.

On the basis of regression analysis of NSBIBL and NABIL between interest earned and operation profit, it indicates regression equation of NSBIBL is $y=1013.74-0.44x$ and regression equation of NABIL is $y=-46.76+0.410x$.

5.2.5 Hypothesis testing with the help of t-test

The major conclusion from the study of hypothesis testing t-test as below:-

After the testing of hypothesis on the basis of total deposit, it was found that calculated value of t' is more than tabulated value. Hence, H_A is accepted. So we conclude that there is a significant difference in total deposit of the two banks.

After the testing of hypothesis on the basis of total investment, it was found that value of t' is more than tabulated value. Hence H_A is accepted. So we conclude that there is a significance difference in total investment of the two banks.

After the testing of hypothesis on the basis of net worth. It was found that calculated value of ' t ' is less than tabulated value. Hence, H_0 is accepted. So we conclude that there is a significance difference in NPAT of the two banks.

5.3 Recommendation

In this research study, various financial and statistical tools are used to analyze and interpret of data. So on the basis of analysis and interpretation of data the following recommendation can be advanced for improvement of future performance of two selected bank i.e. NSBIBL and NABIL.

1. NSBIBL has less cash and bank balance out of its total deposit. If its depositors claim their deposit, it should not able to maintain there requirement. So, it is suggested that NSBIBL should assess the liquidity requirement and should maintain enough to meet the demand of their depositors. NABIL is maintaining excess amount of cash and bank balance, which is not good for their depositors. So, it is suggested its idle fund to mobilize short term loan which matures short period.

2. NSBIBL is utilizing its assets properly in providing loan and advances in various sectors. This shows the better performance of NSBIBL in providing loan and advances but NSBIBL should be careful in recovery of loan and advances. NABIL should utilize maximum part of its current assets as a loan and advance in order to maximize its profit.
3. Debt equity ratio of NSBIBL is highest than NABIL. So, it is suggested to NSBIBL should attempt to decrease the debt proportion in its capital structure.
4. Return on share holder's equity of NSBIBL is highest. So, it is suggested to NSBIBL should invest productive sector yielding high return an shareholder's equity.
5. NABIL has comparatively low average proportion of other profitability ratio. So, it is suggested to NABIL should invest in productive sector to increase the degree of profitability.
6. Generally, higher interest coverage ratio is treated as good for banking sector. So, NSBIBL and NABIL are recommended to increase its interest coverage ratio.
7. NSBIBL is earning interest at lower growth rate in comparison to its investment. So it is suggested to change their investment policy and to adopt such policy in which it can earn maximum interest.
8. Total deposit trade of NSBIBL is decreasing, which could not be healthier for the bank. So that is suggested to increase deposit collection at high rate.
9. Net profit trend of NABIL show that there is lower rate of growth in net profit which could not be heal their for the bank and its shareholders. So it is suggested NABIL, to earn maximum profit.

10. At last, these two selected banks are profit oriented organization and they should not forget their responsibility to their customers, society and nation. So they provide their activities in village side to economic develop. Due to the establishment of other commercial banks, finance companies cooperative banks and insurance companies launching of new advance service such as Tele banking, ATM, Debit card/ credit card etc by them so it is recommended to two banks that are for providing such services in all their branches in and out from the valley.

The trend percentage statement also known as trend ratio is an analytical device which examines whether the financial position of a firm is improving or determining over the year. In this research work, this tool is used to find out the direction of change of major activities such as deposit net worth, investment, operation income, total expenses, net profit and interest learning in comparison to first year(base year) of study growth trend of activities(i.e. deposit, net worth, investment etc.) for four successive year can be calculated.

3.7.3 Average (Arithmetic Mean)

The most popular and widely used measure of representing the entire data of the one value is known as arithmetic mean its value is obtained by adding together all items and by dividing this total by the no items. The purpose for computing the mean value for set of observation is obtaining a single value which is representative of all the items and which the mind can group simply and quickly. The single value is the point of location around which the individual items clusters.

Higher the value of mean, the profitability position is regarded as sounds. The calculation of average is necessary due to following:-

To get a single value this represents of the characteristics the entire mass of data. They set unnecessary details of the data and put forward a concise picture of the complex phenomena under investigation. Single average reduces the mass of data to a single figure. They are very helpful for purpose of making comparative study.

3.7.4 Standard deviation

It measures the variation of the mass of the figures in a series of an average. It is absolute measure of dispersion. So, it is calculated to supplementary of the relative measure coefficient of the variation. It is usually denoted by $\delta(Sigma)$. Standard deviation is the positive square root of the arithmetic mean of the square of given observation from the arithmetic mean.

3.7.5 Coefficient of Variation

This is the relative measure of dispersion of risk ness of return based on standard deviation and mean coefficient of variation is the percentage variation in mean and standard deviation being considered as the total variation in the mean C.V. suitable measure for comparing variability of two series (or set of data or distribution) with the same or different units. The higher C.v. indicates higher desperation.

3.7.6 Correlation coefficient Analysis

Correlation coefficient analysis measures the relationship between two or more variables. In other word it helps us in analyzing the co-variation between two or more variables. In this study, it is used to find the relationship between total deposit and total investment, interest earned and interest paid, interest earned and operating profit. By finding the relationship between the above mentioned variables. The researcher will able to know whether the variables are positive correlated or not coefficient of correlation is denoted by 'r'.

Coefficient of correlation is always lies in +1 to -1. When 'r' will be +1, there will be perfect positive correlation between two variables. When 'r' will be -1, there will be perfect negative correlation between two variables. When 'r' will be 'o' there will be no correlation between two variables.

3.7.7 Regression Analysis

Regression analysis is one of the most powerful statistical tools, which being used in the estimate of strength of relationship between two variables. A line of regression gives the best estimate of one variables of or one variable for any given value of the other variable. So there are two lines of regression referring as the line of regression of y and x and the line of regression ox and y respectively. If two lines of regression coincide with each other, the correlation is perfect and if they cut each other at right angle, the variables are uncorrelated.

3.7.8 Hypothesis Testing

Student't' test is used as the major statistical tools out of the various techniques of hypothesis testing. Especially this tool is used in this research study to test the significance of the difference between different related variables to determine the relative position between them.

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APPENDIX-I

NEPAL SBI BANK LIMITED

COMPERATIVE BALANCE SHEET

		Rs. In Million		
As a balance sheet		2061/62	2062/63	2063/64
2064/65	2065/66			
Property & Assets				
A. Cash Balance		208.48	318.16	187.78
286.89	146.35			
B. Balance with Banks		604.42	733.66	956.99
683.60	413.03			
C. Money at call & short notice		522.55	31.37	670.20
918.73	868.43			
D. Investment				
a. Government Securities		2732.96	4120.29	3588.77
3672.63	2413.94			
b. Share & Debenture		18.18	22.22	22.22
22.22	27.36			
c. Others		<u>4952.53</u>	<u>4057.00</u>	<u>2420.18</u>
2141.22	1825.93			7704.31
8199.51	6031.66	5836.07	4267.23	
E. Loan Advances & Bills Purchased.				
a. Loans cash Cr. & Overdrafts		7993.28	7135.54	7454.26
7953.76	10465.27			
b. Bill Discounted & purchase		<u>331.16</u>	<u>302.36</u>	<u>301.69</u>
206.23	120.90			
8324.44	7434.90	7755.95	8189.99	10586.17
F. Fixed Assets (Net):				
Gross Block		<u>364.13</u>	395.66	433.12
550.17	611.28			
Loss: Depreciation		(129.01)	<u>(158.03)</u>	<u>(181.21)</u>
(212.09)	(250.09)			235.12
237.03	251.91	338.13	361.24	
G. Others Assets:				
a. Interest Receivable		<u>251.37</u>	<u>100.03</u>	<u>177.60</u>
174.49	168.86			
b. Misc. Current Assets		176.46	570.34	531.01
317.71	375.02			
c. Misc. Assets		0.00	0.00	0.00
0.00	0.00			
		767.83	671.02	708.61
		492.20	543.88	

Total Assets:	18367.15	17329.25	16562.61		
	16745.61	17186.33			
Capital & Liabilities					
A. Current Liabilities					
a. Deposit & others A C's					
Saving	4917.14	4972.06	5229.72		
	5994.12	7026.33			
Fixed	3719.20	2446.85	2252.54		
	2310.57	2078.54			
Current	2850.97	2703.82	3034.00		
	2688.97	2799.18			
Call & Short Deposit	3948.34	4944.96	2540.70		
	2801.41	2341.33			
Other	403.36	438.75	390.69		
	323.96	341.23			
	15839.01	15506.44	13447.65		
	14119.03	14586.61			
b. Short term loan	0.00	417.39	961.46		
	229.66	17.06			
c.	Bills payable	69.17	67.75		
	108.94	173.50	119.75		
d.	Tax provision	0.00	0.00		
	0.00	0.00	0.00		
e.	Staff bonus	52.60	44.12		
	60.36	71.94	84.20		
f.	Dividend payables	143.52	11.80		
	94.14	36.88	17.06		
g.	Misc. Current Liabilities	1121.38	337.32		
	<u>456.87</u>	<u>522.12</u>	<u>596.14</u>		
Total Current Liabilities (A)	17226.21	16384.73	15135.72		
	15153.16	15420.82			
B. Differed Liabilities					
a. Long Term Loan	0.00	0.00	0.00		
	0.00	0.00			
b. Other Differed Liabilities	78.11	98.10	113.01		
	<u>110.80</u>	<u>107.88</u>			
Total Differed Liabilities (B)	78.11	98.10	113.01		
	110.80	107.88			
C. Net worth					
a. Share Capital					
Ordinary share	50.00	50.00	50.00		
	50.00	50.00			
Bonus share	441.65	441.65	441.65		
	441.65	441.65			

Preference share	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	_____	_____
	0.00	0.00			
Total share Capital	491.65	491.65	491.65		
	491.65	491.65			
b. Share holder Reserve:					
General Reserve	514.50	568.83	552.08		
	743.20	847.00			
Capital Reserve	0.07	49.24	103.32		
	162.87	228.37			
exchange fluctuation reserve	25.11	28.26	30.01		
	33.90	37.80			
Other reserve	5.33	6.33	7.33		
	20.27	22.83			
Unappropriated profit (Loss)	26.17	2.11	29.79		
	29.79	29.98			
Total share holder reserve	<u>571.18</u>	<u>654.77</u>	<u>822.53</u>	_____	_____
	990.03	1165.98			
Net worth (C)	1062.83	1146.42	1314.18		
	1481.68	1657.63			
Total Capital & liabilities (A+B+C)	18367.15	17629.25	16562.61		
	16745.61	17186.33			

COMPERATIVE PROFIT & LOSS ACCOUNT

For the period Ending	2061/62	2062/63	2063/64		
2064/65	2065/66				
A. Operating Income					
a. Interest Earned	1266.70	1120.18	117.87		
	1001.62	1068.75			
b. Commission & Discount	146.84	114.34	144.41		
	135.96	128.88			
c. Exchange Income		159.51	154.22	144.08	
	157.32	184.88			
d. Dividend		0.26	0.00	0.00	
	0.00	0.00			
e. Other Income	0.00	260.37	34.15		
	38.75	55.93			
Total Income (A)	<u>1573.31</u>	<u>1639.11</u>	<u>1340.51</u>	_____	_____
	1333.65	1438.44			
B. Expenses					
a. Cost of service:					
Interest paid					

On Borrowings	13.57	5.30	9.85	
17.45 15.64				
On Deposits	564.79	456.77	307.50	
265.47 270.90				
	578.36	462.08	317.35	
382.94 343.54				
Salaries Allowances & P.F.	145.86	144.88	210.53	
180.84 199.52				
Total Cost of Service	<u>724.22</u>	<u>606.96</u>	<u>527.93</u>	
463.78 443.06				
b Provision of Staff Bonus	52.60	44.12	66.36	
71.94 84.20				
c. Provision for Discount Debts	165.77	0.00	0.00	
1.05 4.21				
d. Other General Expenses	<u>132.73</u>	<u>138.65</u>	<u>182.73</u>	
186.31 162.72				
Total Expenses (B)	<u>1075.32</u>	<u>1189.73</u>	<u>777.02</u>	
723.03 694.19				
Gross Profit (A.B)	497.99	449.38	463.49	
660.57 744.25				
Less Deprecation	26.27	39.75	35.04	
46.27 58.71				
Operating Profit	471.72	409.63	528.45	
564.30 685.54				
Add. Income from other sources	1.64	(0.05)	86.95	
92.78 72.24				
Pre. Tax Profit	473.36	409.58	615.40	
657.08 685.54				
Less provision for tax	181.99	137.95	199.15	
201.76 239.15				
Net Profit	<u>291.37</u>	<u>271.63</u>	<u>416.25</u>	
455.32 518.63				

Key Indicators of Last Five Years

	Unit	2061/62	2062/63	2063/64
2064/65 2065/66				
Earnings Per Share	Rs.	59.26	55.25	84.66
92.61 105.49				
Market Value Per Share	Rs.	1500	735	735
1000 1505				
Price Earning Ratio	Ratio	25.31	13.30	8.68
10.80 14.27				
Dividend of Share capital (Including Bonus)	Percent	60.11	30	50
65 70				

Dividend Per share		Rs.	40	30	50
65	70				
Dividend		Percent	40	30	50
65	70				
Market Capitalization of closing price (Rs. in Millions)		Rs.	7374.82	3613.66	3613.66
4916.36	7399.40				
Market Value Per share			6.94	3.15	2.75
3.32	4.46	Dividend Cover		Ratio	1.48
1.84	1.69	1.42	1.51		
Dividend yield		Percent	2.67	4.08	6.80
6.50	4.65				
Dividend payout		percent	67.50	54.30	59.06
70.19	66.36				
Earning yield		percent	3.95	7.52	11.52
9.26	7.01				
Book Net worth (In Million)		Rs.	216.17	233.18	267.30
301.37	337.15				
Total Share		Number	3439400	4298900	4251600
4268600	4271500				
Total Staff		Number	388	382	326
372	426				
Current Assets (In Million)		Rs.	13160.68	13312.40	13868.30
14244.04	14971.80				
Current Liabilities (Million)		Rs.	17226.21	16384.73	15135.42
15153.13	15420.82				
Net worth (In Million)		Rs.	1062.83	1146.42	1314.18
1481.68	1657.63				
Net Profit/ Gross Income		Percent	18.50	16.57	29.16
31.92	39.33				
Interest Income/ loan & advances		Percent	11.46	10.34	9.83
9.45	8.70				
Staff Expenses/ Total Operating expenses		Ratio	16.51	19.48	30.34
29.43	31.50				
Interest Expenses of total deposit		Percent	4	2.91	2.09
1.97	1.68				
Fix Gain/ Total income		Percent	10.13	9.41	10.09
11.03	11.24				
Staff Bonus/ Total staff expenses		Percent	36.03	30.45	31.51
39.78	42.2				
Net profit/ Loan & Advances		Percent	3.94	3.51	5.27
5.33	5.32				
Net profit / Total assets		Ratio	1.71	1.53	2.43
2.73	3.06				

Total loan/ Deposits 60.55 75.05	Percent	52.56	50.31	60.49
Total operating expenses/ Total Income 3.69 3.73	Percent	5.18	4.2	4.06
Capital Adequacy Ratio:				
A. Core capital 12.12 11.35	Percent	6.5	10.53	11.45
B. Supplementary Capital 1.44 1.09	Percent	3.96	3.33	1.60
C. Total capital fund 13.56 12.40	Percent	1.46	13.86	13.05
Liquidity (CRR) 6.87 3.83	Percent	5.13	6.75	8.51
Non performing loan/ Total loan 3.35 1.32	Percent	16.2	7.14	5.54
Weighted Average Interest Rate Spread 4.46 5.01	Percent	4.6	4.02	4.51

FINANCIAL RATIOS	2061/62	2062/63	2063/64	2064/65
2065/66				

STABILITY RATIOS

1. Shareholder's Reserve to share capital% 201.37 237.16	116.18	133.18	167.30
2. Net worth to Total Assets% 8.85 9.65	5.79	6.50	7.93
3. Current Assets to Net worth% 961.34 903.21	1288.27	1161.21	1055.28
4. Total Deposit to Net worth% 952.91 879.97	1490.27	1352.60	1023.27

LIQUIDITY RATIOS

5. Cash & Bank balance to Current Assets % 6.81 3.74	6.18	7.90	8.25
6. Investment on Govt. Sect. to Current Assets 25.78 16.12	20.77	30.95	25.88
7. Loan & Advances to Current Assets 57.50 70.71	63.25	55.87	55.93
8. Fixed Deposit to Total Deposit % 16.36 14.25	23.48	15.78	16.75
9. Saving Deposit to Total Deposit % 42.45 48.17	31.04	32.06	38.89
10. Short term loan to Total Deposit % 1.63 0.12	0.00	2.69	7.15

CREDIT RATIO

11. Cash & Bank balance to Total Deposit %	5.13	6.78	8.51
6.87	13.83		
12. Invest on Govt. Securities to Total Deposit %	17.25	26.57	26.69
26.01	16.55		
13. Total Investment To Total Deposit %	48.64	52.88	44.85
41.33	29.25		
TURNOVER RATIO			
14. Loan & Advances to Total Deposit	0.53	0.48	0.58
0.58	0.73		
15. Loan & Advances to Fixed Deposit	2.24	3.04	3.44
3.54	5.09		
16. Loan & Advances to Saving Deposit	1.69	1.50	1.48
1.37	1.51		
17. Opr. Profit to Net worth	0.44	0.36	0.40
0.38	0.41		
PROFIT ABILITY RATIOS			
18. Interest Earned to working fund %	6.90	6.35	6.15
5.98	6.22		
19. Interest paid to working fund %	3.15	2.62	1.92
1.69	1.42		
20. Cost of services to working fund %	3.94	3.44	3.19
2.77	2.58		
21. Net profit to working fund %	1.59	1.34	2.51
2.72	3.02		
22. Net profit to Total Deposit %	1.84	1.75	3.10
3.22	3.56		
STRUCTURAL RATIO			
23. Long term Debt to Net worth%	0.00	0.00	0.00
0.00	0.00		
24. Net fixed Assets to long Term Debt%	0.00	0.00	0.00
0.00	0.00		
25. Total Depts (Liabilities) to Net worth %	1628.14	1437.77	1160.30
1030.18	936.80		
26. Total Deposit% (for Comm. Banks)	23.94	-2.10	-13.28
4.99	3.31		
27. Loan & advances % (For Comm Banks)	13.49	-10.65	4.28
5.60	29.25		
28. Loans % (for Dev. Banks)	0.00	0.00	0.00
0.00	0.00		

**NEPAL SBI BANK
DARBAR MARG KATHMANDU
BALANCE SHEET**

Trend Analysis Average of 01/02-05-06= 100	2061/62	2062/63	2063/64
2064/65	2065/66		
1. Total Assets	106.18	101.91	95.75
96.81	99.35		
2. Current Assets	94.60	95.69	99.69
102.39	107.62		
3. Cash & Bank Balance	89.54	115.86	126.09
116.90	61.61		
4. Loan & Advances	98.41	87.93	91.69
96.82	125.15		
5. Investment	120.24	127.96	94.12
91.08	66.60		
6. Loans	0.00	0.00	0.00
0.00	0.00		
7. Total Liabilities	108.38	103.24	95.51
95.60	97.26		
8. Current Liabilities	108.59	103.28	95.41
95.52	97.21		
9. Deposit & other AC	107.75	105.49	91.48
94.05	99.22		
10. Net worth	79.76	86.03	98.62
111.19	124.40		
11. Share Capital	100.00	100.00	100.00
100.00	100.00		
12. Shareholder Reserves	67.93	77.87	47.82
107.73	138.66		

PROFIT AND LOSS STATEMENT

Trend Analysis Average of 01/02-05-06= 100	2061/62	2062/63	2063/64
2064/65	2065/66		
1. Operating Income	107.39	111.88	99.50
91.06	98.19		
2. Interest (earned)	115.6	102.30	92.95
91.97	97.60		
3. Cost of Services	130.92	109.72	95.43
83.84	80.09		
4. Interest paid	153.47	122.62	84.21
75.08	64.62		
5. Salaries, allowances & P.F.	82.72	82.16	119.42
102.55	113.15		

6. General expenses			108.61	195.99	66.49
	63.17	60.74			
7. Gross profit			86.89	78.41	98.32
	116.53	129.86			
8. Net profit			74.59	69.53	106.36
	116.56	132.76			

Sources: www.nepalsbibank.com
www.nabilbank.com

APPENDIX-II

NABIL BANK LIMITED

COMPERATIVE BALANCE SHEET

Rs. In Million

As at balance sheet			2061/62	2062/63	2063/64
	2064/65	2065/66			
Property & Assets					
A. Cash Balance			71.50	61.52	200.97
	315.38	374.27			
B. Balance with Banks			375.20	277.40	725.56
	911.54	966.22			
C. Money at call & short notice			0.00	0.00	40.00
	310.00	140.00			
D. Investment					
a. Government Securities			300.00	224.40	400.00
	2001.10	1948.50			
b. Share & Debenture			12.69	13.89	13.89
	13.89	17.74			
c. Others			<u>1657.58</u>	<u>1683.85</u>	<u>1291.35</u>
	1847.49	1967.95			1970.27
	1822.15	1705.24	3862.48	3934.19	
E. Loan, Advances & Bills Purchases.					
a. Loans cash Cr. & Overdrafts			2318.91	2518.06	5648.03
	6917.80	9933.08			
b. Bill Discounted & purchase			<u>110.12</u>	<u>46.37</u>	<u>124.11</u>
	212.33	192.91			2429.03
	2564.43	5772.14	7130.13	10126.05	
F. Fixed Assets (Net):					
Gross Block			<u>83.94</u>	84.56	245.55
	326.88	427.14			

Loss: Depreciation	(49.96)	<u>(48.67)</u>	<u>(54.44)</u>		
(77.09)	(106.55)				
33.98	35.89	191.11	249.79	320.59	
G. Others Assets:					
a. Interest Receivable		78.91	55.64	83.47	
77.01	81.58				
b. Misc. Current Assets		150.21	103.86	242.16	
358.18	314.18				
c. Misc. Assets		18.27	53.00	53.59	
40.99	16.99				
		247.39	212.50	379.22	
		476.18	412.75		
Total Assets:		5127.39	4973.90	9014.24	
		13255.50	16274.75		
Capital & Liabilities					
A. Current Liabilities					
a. Deposit & others A C's					
Saving		1259.57	1278.79	2434.05	
		4886.10	6703.51		
Fixed		1658.66	945.93	1672.82	
		2294.68	3212.26		
Current		769.01	785.40	979.01	
		1500.10	1583.03		
Call & Short Deposit		502.51	1051.89	2610.41	
		2556.81	2469.74		
Other		<u>66.46</u>	<u>112.75</u>	<u>226.46</u>	
		286.98	286.03		
		4256.21	4174.76	7922.75	
		11524.67	14254.57		
b. Short term loan		120.00	98.50	6.83	
		361.50	350.00		
c.		Bills payable	5.18	6.82	
		31.63	57.84	15.01	
d.		Tax provision	0.00	0.00	
		0.00	0.00	0.00	
e.		Staff bonus	10.43	8.68	
		18.91	25.72	37.07	
f.		Dividend payables	5.38	1.81	
		1.69	5.25	5.89	
g.		Misc. Current Liabilities	231.82	119.64	
		<u>377.65</u>	<u>531.96</u>	<u>416.30</u>	
Total Current Liabilities (A)		4629.02	4410.21	8359.46	
		12506.94	15078.84		
B. Differed Liabilities					

a. Long Term Loan	0.00	360.00	360.00	
	360.00	360.00		
b. Other Differed Liabilities	29.27	40.23	16.25	
	<u>19.52</u>	<u>15.06</u>		
Total Differed Liabilities (B)	29.27	40.23	16.25	
	19.25	15.06		
C. Net worth				
a. Share Capital				
Ordinary share	60.00	60.00	116.66	
	116.66	409.11		
Bonus share	109.98	109.98	178.63	
	178.63	178.63		
Preference share	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	
	0.00	0.00		
Total share Capital	169.98	169.98	295.29	
	295.29	587.74		
b. Share holder Reserve:				
General Reserve	233.78	245.20	268.70	
	299.24	245.67		
Capital Reserve	0.00	67.99	29.53	
	59.06	117.83		
exchange fluctuation reserve	15.40	16.61	16.58	
	17.91	18.26		
Other reserve	0.03	0.03	0.03	
	42.88	85.75		
Unappropriated profit (Loss)	49.89	23.65	28.40	
	<u>14.66</u>	<u>24.92</u>		
Total share holder reserve	299.10	353.48	343.24	
	343.75	592.43		
Net worth (C)	469.08	523.46	638.53	
	729.04	1180.17		
Total Capital & liabilities (A+B+C)	5127.37	4970.90	9014.24	13255.50
	16274.07			

COMPERATIVE PROFIT & LOSS ACCOUNT

For the period Ending	2061/62	2062/63	2063/64
2064/65	2065/66		
A. Operating Income			
a. Interest Earned	349.76	326.22	459.51
731.40	886.80		

b.	Commission & Discount	16.20	16.20	40.81		
	55.75 93.55					
c.	Exchange Income		49.83	42.86	50.83	
	87.98 102.52					
d.	Dividend		0.00	0.00	0.00	
	0.00 0.00					
e.	Other Income	11.38	30.40	26.29		
	36.82 56.57					
	Total Income (A)	<u>427.17</u>	<u>415.68</u>	<u>577.44</u>		
	911.95 1139.44					
B.	Expenses					
a.	Cost of service:					
	Interest paid					
	On Borrowings	<u>2.32</u>	<u>2.12</u>	5.91		
	16.18 26.23					
	On Deposits		161.40	128.32	<u>183.30</u>	
	310.03 328.32					
			163.42	130.44	189.21	
	326.21 354.55					
	Salaries, Allowances & P.F.	33.99	41.72	61.29		
	89.75 97.00					
	Total Cost of Service	<u>197.41</u>	<u>172.16</u>	<u>250.50</u>		
	415.96 451.55					
b	Provision of Staff Bonus	10.43	8.68	18.91		
	25.72 37.08					
c	Provision for Discount Debts	45.28	75.19	30.34		
	91.09 140.41					
d	Other General Expenses	<u>71.36</u>	<u>76.05</u>	<u>96.16</u>		
	126.08 150.12					
	Total Expenses (B)	<u>324.48</u>	<u>332.08</u>	<u>395.91</u>		
	658.85 779.16					
	Gross Profit (A+B)	102.69	83.60	181.53		
	253.10 360.28					
	Less Deprecation	8.82	8.59	11.87		
	23.40 32.79					
	Operating Profit	93.87	75.01	169.66		
	229.70 327.49					
	Add. Income from other sources	10.02	3.10	0.49		
	1.77 6.19					
	Pre. tax Profit	93.85	78.11	170.15		
	131.47 333.68					
	Less provision for tax	37.44	21.01	53.33		
	78.80 101.53					
	Net Profit	<u>56.41</u>	<u>57.10</u>	<u>116.82</u>		
	152.67 232.15					

Key Indicators of Last Five Years

		Unit	2061/62	2062/63	2063/64
2064/65	2065/66				
Earnings Per Share		Rs.	33.18	33.59	39.56
51.70	39.50				
Market Value Per Share		Rs.	1150	760	795
800					940
Price Earning Ratio		Ratio	34.66	22.63	20.10
18.18	20.25				
Dividend of Share capital (Including Bonus)		Percent	0	30	20
15	12.5				
Dividend Per share		Rs.	0	0	20
15	12.5				
Dividend		Percent	0	0	20
15	12.5				
Market Capitalization of closing price (Rs. in Millions)		Rs.	1954.82	1291.88	2347.58
2775.75	4701.91				
Market Value Per share Book Value			4.17	2.47	3.68
3.81	3.98	Dividend Cover		Ratio	0
0	1.98	3.45	3.16		
Dividend yield		Percent	0.00	0.00	2.52
1.60	1.56				
Dividend payout		percent	0.00	0.00	50.56
29.01	31.65				
Earning yield		percent	2.89	4.42	4.98
5.50	4.94				
Book Net worth (In Million)		Rs.	275.95	307.95	216.24
246.89	200.80				
Total Share		Number	1699845	1699845	2952930
2952930	5877385				
Total Staff		Number	107	105	254
325	353				
Current Assets (In Million)		Rs.	3423.12	3340.25	7517.89
11144.33	13967.7				
Current Liabilities (Million)		Rs.	4629.02	4410.21	8359.46
12506.94	15078.8				
Net worth (In Million)		Rs.	469.08	523.46	638.53
729.04	1180.17				
Net Profit/ Gross Income		Percent	13.38	14.54	20.12
16.71	20.26				

4. Total Deposit to Net worth%	907.35	797.53	1240.78
1580.80	1207.84		
LIQUIDITY RATIOS			
5. Cash & Bank balance to Current Assets %	13.05	10.15	12.32
11.01	9.60		
6. Investment on Govt. Sect. to Current Assets	8.76	6.72	5.32
17.96	13.96		
7. Loan & Advances to Current Assets	70.96	76.77	76.78
63.98	72.50		
8. Fixed Deposit to Total Deposit %	38.97	22.66	21.11
19.91	22.53		
9. Saving Deposit to Total Deposit %	29.59	30.63	30.72
42.40	47.03		
10. Short term loan to Total Deposit %	2.82	2.36	0.09
3.14	2.45		
CREDIT RATIO			
11. Cash & Bank balance to Total Deposit %	10.50	8.12	11.69
10.65	9.40		
12. Invest on Govt. Securities to Total Deposit %	7.05	5.38	5.05
17.36	16.6		
13. Total Investment To Total Deposit %	46.29	43.65	22.52
33.51	27.60		
TURNOVER RATIO			
14. Loan & Advances to Total Deposit	0.57	0.61	0.73
0.62	0.70		
15. Loan & Advances to Fixed Deposit	1.46	2.71	3.45
3.11	3.15		
16. Loan & Advances to Saving Deposit	1.93	2.01	2.37
1.46	1.51		
17. Opr. Profit to Net worth	0.20	0.14	0.27
0.32	0.28		
PROFIT ABILITY RATIOS			
18. Interest Earned to working fund %	6.82	6.56	5.10
5.52	5.45		
19. Interest paid to working fund %	3.19	2.62	2.10
2.46	2.18		
20. Cost of services to working fund %	3.85	3.46	2.78
3.14	2.77		
21. Net profit to working fund %	1.10	1.15	1.30
1.15	1.43		
22. Net profit to Total Deposit %	1.33	1.37	1.47
1.32	1.63		
STRUCTURAL RATIO			
23. Long term Dept to Net worth%	0.00	0.00	0.00
0.00	0.00		

24. Net fixed Assets to long Term Debt%	0.00	0.00	0.00
0.00	0.00		
25. Total Depts (Liabilities) to Net worth %	993.07	850.20	1311.72
1718.21	1278.96		

Annual Rate of Growth

26. Total Deposit% (for Comm. Banks)	42.67	-1.91	0.00
0.00	0.00		
27. Loan & advances % (For Comm Banks)	17.30	5.57	125.08
23.53	42.02		
28. Loans % (for Dev. Banks)	0.00	0.00	0.00
0.00	0.00		

**NABIL BANK
BALANCE SHEET**

Trend Analysis Average of 01/02-05-06= 100	2061/62	2062/63	2063/64
2064/65	2065/66		
1. Total Assets	52.70	51.12	92.65
136.25	167.27		
2. Current Assets	43.45	42.40	95.42
141.45	177.29		
3. Cash & Bank Balance	52.21	39.60	108.25
143.35	156.62		
4. Loan & Advances	43.34	45.76	102.99
127.22	180.68		
5. Investment	74.10	68.53	64.13
145.27	147.96		
6. Loans	0.00	0.00	0.00
0.00	0.00		
7. Total Liabilities	51.64	49.33	92.85
138.86	167.32		
8. Current Liabilities	51.45	49.02	92.91
149.01	167.00		
9. Deposit & other AC	50.51	49.54	94.02
136.77	169.16		
10. Net worth	66.25	73.93	90.18
102.96	166.88		
11. Share Capital	55.98	55.98	97.24
97.24	193.55		
12. Shareholder Reserves	73.96	87.41	84.88
107.26	146.50		

PROFIT AND LOSS STATEMENT

Trend Analysis Average of 01/02-05-06= 100		2061/62	2062/63	2063/64
2064/65	2065/66			
1. Operating Income		61.52	59.87	83.16
131.34	164.10			
2. Interest (earned)		63.51	59.23	83.44
132.80	161.02			
3. Cost of Services		66.33	57.87	84.20
139.81	151.77			
4. Interest paid		70.21	56.04	81.29
140.15	152.32			
5. Salaries, allowances & P.F.		52.49	64.43	94.66
138.61	149.81			
6. General expenses		64.65	83.83	70.12
120.37	161.03			
7. Gross profit		52.33	42.60	92.50
128.97	183.59			
8. Net profit		45.85	46.41	94.95
124.09	188.60			

Sources: www.nepalsbibank.com
www.nabilbank.com