

CHAPTER – I

INTRODUCTION

1.1 Background of the Study

Banking sector plays an important role in the economic development of the country. Commercial Banks are one of the vital aspects of this sector, which deals in the process of mobilizing the available resources in the needed sector. It is the intermediary between the deficit and surplus of financial institutions and non depository financial institutions. Commercial Banks Finance Companies (in Nepalese context) are the examples of depository financial institutions where as Employment Provident Fund, Development Banks, Insurance Companies etc. Are the examples of non- depository financial institutions. All the economic activities are directly or indirectly channeled through these banks. People keep their surplus money as deposits in the banks and hence banks can provide such funds to finance the industrial activities in the form of loans and advances.

Financial institutions play a major role in the proper functioning of an economy. These institutions act as an intermediary between the individuals who lend and who borrow. These institutions accept deposits and in turn lend it to people who are in need of financial resources. These institutions make the flow of investment easier. So we can not deny the role a bank plays in developing an economy. It pools the funds scattered in the economy and mobilizes them to the productive sector. But these institutions inherent a large amount of risk. Which can not be, denied either. If a bank behaves irresponsibility, the costs borne by the economy are enormous. A larger amount of depositor's money is at stake.

Bank came into existence mainly with the objectives of collecting the idle funds, mobilizing them into productive sector and causing an overall economic development. The bankers have the responsibility of safeguarding the interest of the depositors, the shareholders and the society they are serving.

Commercial Banks are directly related with the people and institutions so it is an important bank whose functions are very attractive for people. Although these banks are truly inspired with the objectives of gaining profit, these commercial banks are established to accelerate common people's economic welfare and facilities, to make available loan to the agriculture, industry and commerce and to provide the banking services to the public and the state. Commercial Bank, primarily being profit making organization try to use every rupee they own in such a way that it yields something which is sufficient to meet the entire expenses and some profit from. However, at the same time due to some statutory as social obligations, they are bound to maintain a certain level of liquidity and to extend certain amount of unproductive credit yielding some returns indeed. CBs are directly with the people and institutions, which is to improve the economic condition of the country.

Nepal is predominantly an agricultural country due to the topographical feature. Ninth development plans have been already executed since 1956 A.D. for the development of country and the eighth plans is operative from the fiscal year 1992/93 A.D. However, the central issue of the development in Nepal even today, continues to be the eradication of poverty. Since 82% of the population, are dependent upon agriculture, the sector is unable full employment to the rural labor force. The economic development of the country heavily depends upon the

improvement of the agricultural sector. To support this view, Sapkota had mentioned that, “here exist a great need for agricultural financial institute to provide the loans because the main problems on economic development are related to agriculture sector and lack of adequate credit facilities” (*Sapkota; 1979, p-69*). In spite of the huge investment in the past 40 years, a low saving rate, heavy dependence on external assistance, a low export base, a low level of industrialization, vulnerability in agricultural productions high population growth are some constraints that the country presently faces in its quest for sound and sustainable development.

To overcome this economic situation, government has to formulate and implement strategies focusing overall industrialization of the nation and development of a sound banking system is necessary for the rapid industrial development. Dr. Shrestha says “Financial infrastructure of an economy consists of financial intermediation, financial institution and financial market” (*Shrestha; 1990:91*). Therefore the financial institution plays a great role in the overall development of the country. In this aspect “Bank” is a financial institution which plays a great in facilitating the growth of the trade and industry.

Bank is also a resource for economic development which maintains the self- confidence of various segments of the society and extends credit to people. It is assumed that the word “ Bank” has been originated through the Italian word ”Bank” which refers to the meaning of accumulation of money or stock (i.e. Share Capital).

Similarly the word bank has also been derived from German word “Bench” which signifies heap or mound.

We can also say that a bank is related to collection of deposits, advancing loan and other credit activities. A Bank will generally collect deposits from different individuals and institution and utilizes it by giving loans to industries and commercial enterprises.

1.2 Evolution of the Banking industry

1.2.1 In Worldwide Context

The evolution of banking industry had started a long time back. Some sort of banking activities has been carried out since the time immemorial. In fact, banking is nearly as old as civilization. Traditional forms of banking were traced during the civilization of Greek, Rome and Mesopotamia.

The first banks were in the great centers of international trade in the middle ages. These centers were in Italy, on the western shores of the Mediterranean and in the costal area of northern and western Europe. General banking practice developed most rapidly in Italy. The word “Bank” is orient in medieval age in 1171AD from an Italian word “Bank” that means the place where people come together for different transaction. “The Bank of Venice” was the first bank which established in Italy in 1157AD as first modern bank but the credit of the development of modern banks goes to “The Bank of England” which was established in 1694 AD in London. The growth of banking Act 1883 in United Kingdom as it allowed opening joint stock company Banks.

1.2.2 In Nepalese context

In the country, the development of banking is relatively recent. The record of banking system in Nepal gives detail account of mixture of slow

and steady evolution in the financial and global economy of Nepalese life. Involvement of landlords, rich merchants, shopkeepers and other individual money lenders has acted as fence to institutional credit in presence of unorganized money market.

Though establishment of banking industry was very recent, some crude bank operations were in practice even in the ancient times. In Nepalese Chronicle, it was recorded that the new era known as Nepal Sambat was introduced by Shakhadhar, a Sudra merchant of Kantipur in 879 or 880 A.D. after having paid all the outstanding debts in the country. This shows the basic of money lending practice in ancient Nepal. Towards the End of 8th century, Gunakam Dev had borrowed money to rebuild the Kathmandu valley. In 11th century, during Malla regime there was an evidence of professional moneylenders and bankers. It is further believed that money lending business, particularly for financing the foreign trade with Tibet, became quite popular during regime of Mallas. However, in the absence of any regulatory measures, the unscrupulous moneylenders were known to have charged exorbitant rates of interest and other extra dues on loans advanced.

Like other countries goldsmith, merchants and money lenders were the ancient bankers of Nepal. Tejrath Adda established during the tenure of the then Prime Minister Ranoddip Singh during the year 1877 A.D. (1933 B.S.) was the first step towards the institutional development of banking in Nepal. Tejrath Adda did not collect deposits from the public but gave loans to employees and public against the bullion. Tejrath Adda was fully subscribed by the Government of Kathmandu valley, which played a vital role in the banking system. This establishment helped the general public to provide credit facilities at a very low rate of 5 percent.

The Tejrath Adda distributed credit facilities to the public especially on the collateral of gold and silver. Several branches were opened in different part of the country. Hence the establishment of Tejrath Adda could be regarded as pioneer foundation of banking in Nepal. “Tejrath Adda” was running smoothly for flow decades.

The main defects of this institutions sougheed as there was no other financial institution set-up and there was not effort to expand the services. Above all of the defects, this institution did not accept any deposits from the public. In the absence of saving mobilization the “Adda” faced financial problems making it impossible to Carter to the credit and service need of the general population throughout the country. After that again, for a long time, several unorganized bankers and indigenious moneylender continued to flourish as the sole provider of the credit and services to the general public.

At the same time, the government started trade with India and Tibet. And the various indigenious bankers handled even the trade, because transfer of the money could be safely made only through these bankers in the absence of modern banking institutions. Hence, the need of banking intuition was realized. This was even strongly supported by the situation caused during 1934 AD” earthquake where there was a need of finance for the reconstruction of works. Reviewing these situations the “Udyog Parishad” (Industrial Development Board) was constituted in 1936 A.D. One year after its formulation, it formulated the “Company Act “and “Nepal Bank Act “in 1937.

Banking in modern sense started with the inception of Nepal bank Limited (NBL) on B.S. 1994. Nepal Bank Limited had a Herculean responsibility of attracting people toward banking sector from predominant money lenders” net and of expanding banking services. Being a

commercial bank, it was natural that NBL paid more attention to profit generating business and preferred opening branches at urban centers.

Government however had bonus of stretching banking services to the nook and corner of the country and also managing financial system in a proper way. Thus, Nepal Rastra Bank (NRB) was set up on B.S. 2013.01.14 as a Central Bank under functioning as the Government's bank and has contributed to the growth of financial sector. The major challenge before NRB today is to ensure the robust health of financial institutions. Accordingly, NRB has been trying to change them and has introduced a host of prudential measures to safeguard the interest of the public. NRB is yet to do a lot to prove them an efficient supervisor. NRB really requires strengthening their policy making, supervision and inspection mechanism.

Integrated and speedy development of the country is possible only when competitive banking service reaches nooks and corners of the country. Keeping this in mind, government set up Rastriya Banijya Bank (RBB) in B.S. 2022.10.10 as a fully government owned commercial bank.

As the name suggest, commercial banks are to carry out commercial transaction only. But commercial banks had to carry out the functions of all types of financial institutions. Hence, Industrial Development Centre (IDC) was set up in 2013 for industrial development. In 2016, IDC was converted to Nepal Industrial Development Corporation (NIDC). Similarly, Agriculture Development Bank (ADB) was established in B.S. 2024.10.07 to provide finance for agricultural produces so that agricultural productivity could be enhance

by introducing modern agricultural techniques. Moreover, Security Exchange Centre was established in 1976 to enhance capital market activities. Securities Exchange Centre was renamed Nepal Stock Exchange (NEPSE) in 1993. NEPSE opened its trading floor on 13 January 1994.

With the establishment of RBB and ADB, banking service spread to both the urban and rural areas. NRB also gave incentive to NBL to expand their branches to rural areas. This helped the common people reduce their burden of paying higher rate of interest to money lenders and absolved them from kowtowing before money lenders. It is natural expectations of customers keep on increasing. Once they got banking services they were expecting improvement and efficiency. However, excess political and bureaucratic interference and absence of modern managerial concept in these institutions was hurdle in this regard. Banking service to the satisfaction of customers was a far cry.

1.3 Profile of the Concerned Banks

As there has been number of commercial banks established, the research has been taken into consideration Nepal SBI Bank Ltd., Everest Bank Ltd., Bank Of Katmandu Ltd .And Nepal Bangladesh Bank Ltd. Therefore, short glimpse of these commercial Banks are given as: –

1.3.1 Nepal SBI Bank Ltd.

Under commercial bank act 1974, Nepal SBI Bank Ltd. Was established in 7th July 1993AD (2050) is a joint venture of state bank of India and Nepalese investors, managed by state bank of India through a team of managerial staff including the managing directors deputed under

the technical services agreement. The managing director works under the general supervision of board of directors.

Nepal SBI bank provides various services concerned with deposits, remittances, loans and advances, sales and encasements of foreign currencies, travelers check etc.

The objective of Nepal SBI bank is to provide a wide range of international banking services to facilities Nepal's trade and tourists and to serve its clients. Offering a reliable cost effective and developmental banking service in Nepal. The mission of Nepal SBI bank is to play an important role in facilitating Indo-Nepal trade which is growing with the support of large network of branches of SBI in India.

Its share subscription is given as: –

<u>Subscription</u>	<u>% Holding</u>
State Bank of India	50%
Nepalese public	30%
Employ provident fund	15%
Agriculture Development Bank	5%

The present capital structure of the bank is given below:-

<u>Share structure</u>	<u>Amount (In Rs)</u>
Authorized capital	100, 00, 00,000
Issued capital	6500, 00,000
Paid up capital	43, 18, 65,600

1.3.2 Everest Bank Ltd.

Everest Bank ltd. was registered under the company act 1964 and started banking transaction in 19th Nov. 1993(2049\09\03) and started banking transition in 18thOct.1994AD (2051\07\01) is a joint venture of Panjab National Bank, local promoters and general public. Panjab

National Bank is one of the largest commercial bank in India having over 3700 branches and more than 300 foreign correspondents around the globe. PNB has a century old tradition of successful banking and is known for its financial strength and will laid down modern banking system and procedures. PNB is providing the top management service to EBL under a technical services agreement signed between the two institutions.

The main purpose of EBL is to extend professional banking services to various sectors of the society and thereby contributing in the economic development of the country. It provides cumulative deposit scheme, remittances, ATM facilities, and facilities of NRN, require deposit plan, TT, LOC, drawing arrangement, SWIFT transfer, foreign exchange, international trade and bank guarantees, merchant banking.

The ownership of EBL is composed as:-

<u>Subscription</u>	<u>% Holding</u>
Punjab National Bank	20%
Nepalese promoters	50%
General public	30%

Present capital structure of the bank is presented below:-

<u>Share structure</u>	<u>Amounts (in Rs)</u>
Authorized capital	75, 00, 00,000
Issued capital	46, 68, 00,000
Paid up capital	45, 50, 00,000

1.3.3 Bank of Katmandu Ltd.

Incorporated in 1993, in collaboration with SIAM commercial bank of Thailand, BOKL started operation 12th march 1995(2051\11\28) With the share capital of 45% of the local promoters,30%of Siam Commercial Bank of Thailand and 25%of the General public. But the share pattern has already changed and the Nepalese promoters and general public hold 97.70% and financial institutions hold 2.07% and some companies are holding .23%.

BOKL is committed to delivering quality services to customer, general goal return to share holders, providing attractive incentives to employees and serving the community through stronger corporate social responsibility end ever. It has today become a land mark in the Nepalese banking sector by entirely managed by Nepalese professionals and owned by the general public.

Its share subscription is given below:-

<u>Subscription</u>	<u>% Holding</u>
Local promoters and general public	97.70%
Financial institution holds	2.07%
Some other companies	0.23%

The present capital structure of BOKL is shown below:-

<u>Share structure</u>	<u>Amounts (in Rs)</u>
Authorized capital	1,00,00,00,000
Issued capital	50,00,00,000
Paid up capital	46,35,80,900

1.3.4 Nepal Bangladesh Bank Ltd.

Competition with the global market outside the country the government was also well aware to the fact of the joint venture in the country which leads to the establishment of a many new bank with different branches all over the country.

The establishment of Nepal Bangladesh Bank is also a part of that impact in June 1994 with a joint venture of IFIC (International Finance Investment and Commerce Bank Ltd). Which is a pre- premier commercial bank of Bangladesh with its 58 branches and also have a joint venture exchange company in Oman and a joint Venture Bank in Pakistan? The Bank is managed by very expert team of professionals. Its head office is situated at Bijuli Bazar Kathmandu.

Nepal Bangladesh Bank Share Subscription:

The Share subscription of Nepal Bangladesh Bank has been as under:

The ownership of NBBL is composed as:-

<u>Subscription</u>	<u>% Holding</u>
The founder stockholder own	51%
Habib Bank of Pakistan	20%
Karmachari sanchaya kosh	14%
General public	15%

The capital structure of the NBBL is presented below:-

<u>Share structure</u>	<u>Amounts(in Rs)</u>
Authorized capital	12,00,00,000
Issued capital	6,00,00,000
Paid up capital	53,62,50,000

1.3 Focus of the Study:

The establishment of the joint venture (Commercial) Banks has given a new horizon to the financial sector of Nepal. The study is mainly focused on the comparative financial performance of joint venture bank namely Nepal SBI Bank Ltd. (NSBIBL), Everest Bank Ltd. (EBL), Bank of Kathmandu (BOK) and Nepal Bangladesh Bank Ltd(NBBL) .A single research work can not concentrate on all aspects such as human resource management, marketing management, labor management etc. A single research work cannot cover all dimensions because of its wider area. So, the researcher confines the work on financial performance sector only. For the smooth operation of a commercial bank, it has collect deposit under various headings, channels such deposits as investment so as to receive some return. While collective the fund (deposit) from the general public (depositors) or by mobilizing the fund as investment definitely, there occurs some expenses, such expenses should not be too much high. Even though, bank, which is earning more income, has to bear high expenses also and vice – versa. Incurring high expenses is not good sign for any profit motive institution, like commercial bank. Thus, it seems to be essential for commercial banks to have a proper resource collection as well as their efficient and effective mobilization, and then only the profit motive institution like commercial bank earns more profit. Since, in common parlance profit is regarded as criteria of measuring financial performance. Here, an attempt is made to compare these four banks with respect to their financial performance only. Financial performance such as liquidity, profitability, earning structure, correlation analysis, Regression analysis etc comprises the subject matter of this study. For this purpose different statistical, financial and accounting tools have been applied to judge the performance of these commercial banks. An attempt is made to draw out the strength and weakness of the firms and try to

prescribe remedial measures improve the performance of these four banks.

1.4 Statement of the Problem

After the identification of liberal and market – oriented economic policy by Nepal Government, the joint venture bank has been gradually established, although they are facing a great deal of competition among themselves. In this aspects the joint venture have been able to perform a great deal than other commercial bank within the country in a short span of time they have been facing a neck-to- neck competition within themselves. While assessing the financial health of the company answers to the questions relating to the company’ s profitability, assets utilization, liquidity financing capabilities may be sought. A number of questions go beyond the scope of ratio analysis. They however need to be answered while assessing the financial health of the company. Therefore it’s very necessary to compare the profitability ratio and other financial aspects of Nepal SBI as compared to Nepal Bangladesh Bank.

The profitability rate, operating expenses and dividend distribution rate among the shareholders has been found different in the financial performance of the two joint venture banks in different periods of time in the context of Nepalese banking industries. So here the study will emphasized on the reason about difference in financial performance this study will be highly beneficial to point out the strength and weakness.

Similarly, financial companies have been emerging rapidly and the bank has to compete with them since finance companies are making investment in the same sectors where the commercial banks invest in these aspects the question here arise as follows.

1. Whose performance is better among the joint venture banks?

2. How to identify the best opportunity possible among the banks?
3. Although the banks are considered efficient how far are they efficient?
4. These questions arise in banking sector. Among the many other joint venture banks the study here mainly emphasizes on Nepal SBI and Nepal Bangladesh Bank and trying to solve following questions:
 - a. Are they maintaining sufficient Liquidity?
 - b. How and why do cash and bank balances change each other?
 - c. Whose performance is better? Can they meet the obligations?
 - d. Dose these banks managements utilized this resources satisfactorily?
 - e. What are their sources and applications of income?
 - f. Do they maintain sufficient refund in its capital employments?

The study tries to solve this question and the issues.

Therefore this study attempts to evaluate the various measures of financial performance such as, profitability, turnover, efficiency in operation sources and application of funds as well as other related dimensions and they determine the overall financial strength or weakness of these two joint venture banks.

1.5 Objectives of the Study

There is no doubt that commercial banks play a vital role in the optimum mobilization and utilization of scattered financial resources of a country. The study here has been with a view to examine the financial strength and weaknesses of Nepal SBI Bank Ltd, Everest Bank Limited, Bank of Kathmandu Limited and Nepal Bangladesh Bank Limited.

The main objective of this study is to analyze the financial performance and it's affects on the transaction. The specific objectives are given below-

1. To evaluate the financial performance through the use of appropriate financial tools.
2. To examine various aspects relating to financial performance of Nepal SBI Bank Ltd, Everest Bank Ltd, Bank Of Kathmandu and Nepal Bangladesh Bank Ltd. For the period of 7 years.
3. To evaluate the cause of changes in cash position of the four banks and their cause and effect to the financial market and their assets, dividend position and market price per share and DPS.
4. To suggest and recommend all the banks to improve their financial performance.
5. To explore the practical knowledge of thesis writing about financial performance of commercial banks.

1.6 Significance of the Study

The study has multidimensional significance which can be divided into four broader heading.

- **It's important to the shareholders:** The study will helpful to be aware of the shareholders regarding the financial performance of their banks. The comparison will help them to identity the productivity of their funds in each of these banks.
- **Its importance to the management:** The study will helpful to go deep into the matters as to why the performance of their banks is better than their competitor.
- **Its importance to the policy makers:** Policy makers have referred to the government and Nepal Rastra Bank and management. The study will helpful to them while formulating the policy regarding commercial banks.

Its importance to outsiders: Among outsiders, mainly the customers, financing agencies, stock exchange and stock traders are interested in

the performance of banks and the customers both can identify to which banks they could go. The financial agencies can understand where the funds are more secured and stock exchanges, stock broker can find the relative worth of stock of each bank.

1.7 Scope of the Study

In the context of Nepal, there is less availability of research works, journals and articles in the field study concerning the financial performance of commercial banks as well as other financial institution. As it is a well known fact that the commercial banks can affect the economic condition of the whole country, the effect is made to highlight the capital structure policy of commercial banks expecting that the study can balance the proportion of the equity and debt capital used by the commercial banks. On the other hand, the study would help them to take corrective action to optimize the value of the bank by using optimal capital structure. This study can provide information to the shareholders, debt holders and the public on the proportion of equity and debt used as the fund by the bank.

1.8 Limitation of the study

This study is simply a study for the partial fulfillment of MBS degree, which has to be finished within a short span of time. This is not far from several limitations, which weaken the objective of the study. Some of the limitations are given below:-

1. The study is mainly based on secondary data from banks and website of the bank. So, the result depends on the availability and reliability of the secondary data.
2. The data used in this study are modified as per need of the study.
3. The study covers period of seven fiscal years financial performance only. (i.e. from 2004 to 2010 A.D)

4. The study here focuses only on the financial performance of these four banks.
5. This study deals with certain tools such as Ratio Analysis, EPS, DPS analysis.
6. The study mainly concentrates on the financial performance of Nepal SBI Bank Ltd, Everest Bank Limited, Bank Of Kathmandu limited and Nepal Bangladesh Bank Limited.

1.9 Organization of the Study

This research has been divided into five chapters. They are follows:-

Chapter-I

This chapter consists- back ground of the study, evaluation of banking industry, profile of concerned banks, statement of the problems, objectives of the study, signification of the study, scope of the study and limitation of the study.

Chapter-II

The second chapter deals with review of literature. It includes the discussion on the conceptual frame work of the financial performance . It also reviews the major relevant studies with fund mobilization of commercial banks.

Chapter- III

The third chapter explains the research methodology use to evaluate the financial performance practices of joint venture bank in Nepal. This chapter deals with research design, nature and sources of data, data collection procedure, population and sample tools and methods of analysis.

Chapter- IV

The fourth chapter deals with presentation and analysis of data through a definite course of research methodology. This chapter is to analysis different financial ratios and statistical analysis related to financial performance of this sample bank.

Chapter-V

The fifth chapter discusses summary of the study and suggestion as well as recommendations. Besides this, bibliography on appendices is also included.

CHAPTER-II

REVIEW OF LITERATURE

This chapter deals with review of literature. Review of literature means reviewing research studies or other relevant propositions in the related area of the study so that all the past studies their conclusions and deficiencies may be known and further research can be conducted. Since completely new and original problems are rare. It is necessary to show how the problem under investigation relates to previous research work done under similar topic, however a previous study not be exactly replicated. It is believed that the review of literature is literature which is helpful to show the need of research work and to justify the work. It tries to clear the conceptual through and bank related terms. This chapter is dividing into different parts which arrange into the following order:-

- 2.1 Conceptual review\framework
- 2.2 Review of journals and articles
- 2.3 Review of thesis

2.1 CONCEPTUAL REVIEW\FRAMEWORK

This section is discussed briefly about the theoretical concept regarding the theories financial performance.

2.1.1 Concept of financial performance

Financial performance analysis is helpful to the decision maker for finding out favorable or unfavorable condition of a business concern; therefore, financial performance analysis reflects the financial position of a firm which is the process of determining the operational and financial characteristics of a firm.

Financial performance analysis is largely a study of relationship among the various financial factors in a business as disclosed by the

statement and a study of the trend of these factors as shown in a series of statement (*Moyer; 1961:4*).

Local commercial banks have been found relatively higher leveraged compared to other joint venture banks. Loans and advances has been the main form of the investment. Two third of the assts have been used for earning purpose (*Joshi; 1989:56*).

Financial performance is to analyze the achieved statement to see if the results meet the objectives of the firms to identify problems, if any in the past or present and/or likely to be in the future and to provide recommendation to solve the problems (*Pradhan; 2000:120*).

Financial performance is the pinpointing of the strengths and weakness of a business undertaking by regrouping and analysis of figures contained in financial statement by making comparison of various components and by examining. Their context, this can be used by financial managers as the basis to plan future financial requirements by means of forecasting and budgeting procedures (*Manmohan and Goel; 1997:356*).

It is both the analytical and judgmental process that helps answer and question that have been posted. Therefore, it is means to end. A part from the specific analytical answer, the solutions to financial problems and issues depend significantly on the view of the issue, nature and reliability of the information available.

2.1.2 Objective of Financial Performance

The main objective of financial performance is to explain various facts related to the past performance of business and predict the potentials for achieving desired results. Some of the main objective of financial analysis can be pointed out as follows:

-) To understand the solvency of short term and long term of a firms.

-) To know the present and future profitability of the firm.
-) To compare with different firms.
-) Fore cast the future & preparing budgets.
-) The financial stability of business firm.
-) The long term liquidity of its fund.(*Brealey, &Myers; 1984:78*)

2.1.3 Need of Financial performance

The analysis of financial performance is mainly focus with the some questions.

What is the present performance of the firm? Which are the problem existing areas?

1. What is the present performance of the firm?
2. What will be the position of the firm in future? What are the projections? Is there any likely problems are the way in the future?
3. What are the recommendations? (*Charles; 1994:103*)

The main source of financial performance is the basis of analysis, which includes Income Statement, Balance Sheet and additional inertia. This contains summary of the firm' s financial affairs the top management undertakes the financial statements. The investors and financial analysts are the major interested party to ensure the firm' s performance through the statement. This analysis is significant in making investment decisions. These statements are published in company's annual report. The annual report is specially prepared for the shareholders, which includes the chairman speech, the director's report and auditors report with accounting policies. Though the financial statements are prepared for the external reporting the speech, report and policies are useful in internal management. The present study focus the financial statements of the annual report which is the combination of

Balance Sheet (or statement of financial position) Profit and Loss account (or income statement).

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2.2 Review of Articles, Thesis and Journals

2.2.1 Review of Articles

Under this heading, efforts have been made to examine and review some of the related articles published in different economic journals, bulletin of World Bank, dissertation papers, magazines, newspapers and other related books.

Ramesh Lal Shrestha, entitled "*Commercial Banks' Comparative Performance Evaluation*" stresses on a proper risk management with appropriate classification of loans under performing and non performing category. He further clarifies that adequate provisioning is the surest way to get relief from sinking loan after careful consideration of portfolio risk. A clear out criteria is necessary to treat interest suspense account and it is advisable that all interest unpaid for more than six months need to be treated as unearned income.

Regarding the risk management of the bank Shrestha suggests that:

-) Any customer having overdue loan of two years or more in his account should not be given other loan facilities.
-) Strong provisioning or reservations are required in restructuring portfolio related to overdue loans.
-) All credits including overdrafts should be given a maturity date and should be subjected to revision at that date and consequently categorize as good, substandard or doubtful loans.
-) Financial credit worthiness of the borrower must be evaluated properly before granting the loans.(Shrestha;1990:4)

Bodhi B Bajaracharya, entitled "*Monetary and Deposit Mobilization in Nepal*" concluded that, mobilization of the domestic saving is one of the prime objectives of the monetary policy in Nepal. And commercial banks are the most active financial mediator for generating resource in

the form of deposit of private sector and providing credit to the investor in different sectors of the economy.(Bajaracharya;1997:94)

Sunity Shrestha, entitled "*Portfolio Behavior of Commercial Banks in Nepal*" analyzed the financial performance of the commercial banks through ratios and management achievement index. She also analyzed the investment and lending operations of commercial banks and their contribution to the national economy. She used data from 1975 to 1990 and analyzed the portfolio composition of the commercial banks and their behavior by testing the relationship with economic and fiscal variables of the country.

Some of her conclusions relevant to this thesis are:

-) Per capita deposits as well as per capita credit in commercial banks have increased tremendously. The contribution of deposit in GDP has also been increasing.
-) Structural ratios show 75% of their total deposits invested in the government securities and the shares.
-) Reserve position shows quite high percentage of deposit as cash reserve.
-) The commercial banks are highly leverage and highly risky.
-) By risk and return JBVs are aggressive.
-) BY comparative total management achievement index JBVs are better.
-) Among the commercial banks, Standard Chartered Bank seems to have highest growth rate of EPS.(Shrestha;1997:94)

Sony Shrestha, entitled "*Capital Adequacy of Bank*" said that banks deal with in highly risky transactions to maintain strong capital base. He

suggested that capital should be at optimum level to keep the standard ratio of capital for each bank.(Shrestha;2000:30)

Rishi Kuamr Poudel, entitled “*Financial Statement Analysis*”: “*An Approach to Evaluate Banks Performance*” has indicated that balance sheet, profit and loss account and the accompanying notes are the most useful aspects of the banks. It needs to understand the major characteristics of bank's balance sheet and P/L account. The bank's balance sheet is composed of financial claims as liabilities in the form of deposits and as assets in the form of loans. Fixed assets account forms a small portion of the total assets. Financial innovations which are generally contingent in nature are considered as off balance sheet item.

Interest received on loans and advances and investment and paid on deposit liabilities are the major components of profit and loss account. The other resources of income are fee, commission, discount and service charges. The users of the financial statements of a bank need relevant, reliable and comparable information which assist them in evaluating the financial position and performance of the bank and which is useful to them in making economic decision. The requirements of bank's financial statement have been expressly laid down in the concerned act. The Commercial Banking Act 1974 requires the audited balance sheet and profit and loss account to be published in the leading newspaper for the information of general public.

The principle objectives of analyzing financial statement are to identify: liquidity, profitability and solvency. Most of users of the financial statements are interested in assessing the bank's overall performances which are affected by the following factors:

-) The structure of balance sheet and profit and loss account.
-) Operating efficiency and internal management system

- J Managerial decision taken by top management regarding rate, exchange rate, lending policies etc.
- J Environmental changes (technology, government, competition and economy)
- J The other factors to be considered in analyzing the financial statements of a bank are to assess the capital adequacy ratio and liquidity position. In the line of adequacy, a bank is assessed on the basis of risk weighted assets. It indicates a bank's strength and solvency. Bank facing with capital adequacy problem may increase capital or reduce assets or reallocate the existing assets structure in order to maintain the desired level of capital base.

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

Rana (2003:36), in his interview to "*Business Age*" monthly said that though JVBs have short term threats they are operating efficiently and earning and paying handsome dividends. Hence the share prices have gone up. If the law and order situations do not improve in the country, in two three years time top ranked banks are expected to survive somehow but others may find harder time.(Poudel;2000:98-99)

I.M Pandey, made "*A Study on a Topic of a Study of Financial Analysis on HBL*", the study was conducted to analyze and evaluate the financial position of HBL in order to benefit the management, shareholders, stock traders, customers, depositors and debtors by his findings. He used financial tools like ratio analysis and some statistical tools like average, CV, trend analysis, coefficient of correlation, probable error in his study. And he found that overall liquidity and capital structure position of the bank is not satisfactory. Overall profitability condition was highly appreciable profit generating capability through loans and

advances appeared satisfactory. Trend of deposit collection showed that the bank was in a higher risk with respect to saving deposit as against the fixed deposit.(Pandey;2003:34)

Dhungana (2005:86), entitled "*Non Performing Loan and Commercial Banks*" said that the banking sector is severely affected by the non-performing loan. It is estimated that non-performing loan of the Nepalese banking system is around 16%. Due to the non-performing loan, two old commercial banks, RBB and NBL, are in the worst position today. JVBs are also facing non-performing loan problem. It has a serious implication on economic performance of the country. Hopefully the DebtRecovery Act 2058 will tackle this problem.

Pradhan (2008:99), made a Comparative "*Study between Government Shared Commercial Banks and JVBs in Respect of their Performances and Profitability*".

Major findings of this study are:

1. The foreign banks have better deposit collection.
2. Current deposits in JVBs are higher but fixed is lower in comparison to government shared banks.
3. By profitability JVBs are better.

Shrestha (2008), in his article "*Nepalma Banijya Bank Haruko Bhumika: Ek Paridrist*" I pointed out some important activities, seen in the banking sector, that deserve reviews:

- a. Possibility of capital flight: The unstable political situations caused the possibility of capital flight soaring high. Joint venture banks can become the main source of capital flight. It should be seriously considered and analyzed and corrective actions to be taken in time.
- b. Minimum deposit amount: Commercial banks and financial institutions have increased the minimum deposit amounts (threshold). This policy harasses depositors.

Therefore this policy deserves review.

- c. Debt recovery and its effectiveness: Debt recovery has become a problem to the banks. Therefore, effective evaluation of collateral and monitoring of loans use should be done effectively.

2.2.2 Review of Thesis

Prior to this study several research works have been done by the students on the performance of commercial banks of Nepal. For review purpose relevant studies have been gone through. Some of the conclusion drawn by them are cited below:

Singh (1995:36), entitled “*A Comprehensive Evaluation of Financial Performance of Nepal Arab Bank Ltd and Nepal Grindlays Bank Ltd.*” Reveals that the liquidity position in terms of current ratio of both the banks is below the normal standards. The researcher’s main objective was to analyze how these banks use their sources. According to the analysis of turnover of active ratios NABIL invest 57% of deposits whereas Nepal Grindlays Bank Invest 41% of the total deposits on the loans as advances. In this portfolio NABIL is performing better and has the better liquidity position. Profitability ratio of both the banks reveals positive reform during the study period but the progress is higher in Nepal Grindlays Bank whereas NABIL seems more efficient in utilizing its capital employed in generating interest income. As NABIL has acquired more funds, it has also raised more capital by issuing shares, bonus shares and retaining earnings.

The main objectives of this thesis are:

-) To find out liquidity position of these commercial banks.
-) To analyze the resource position of banks.
-) To show the profitability ratio of these banks.

Shakya (1995:77), made “*A Study on a Topic of Financial Analysis of JVB in Nepal*”. His main objective was to make comparative study on financial performance of the Nabil and Nepal Grindlays Bank. By his study he wanted to help the management, shareholders, stock traders, customers, depositors and debtors by his findings. He used financial tools like ratio analysis, use and sources of the funds and statistical tools like hypothesis tests in his study. And he observed there is a significant difference between mean values of each selected ratios of NABIL and NGBL except in the cases of fixed despos to total deposits ratio, loans and advances to total deposits ratio and loans and advances to total assets ratio. He concluded that NGBL is comparatively better in liquidity position than NABIL. NABIL is more successful in assets utilization than NGBL. NGBL’S capital structure position is more risky than that of NABIL. NGBL’s profitability position is better than NABIL’s.

Gurung (2001:26), entitled “*A Financial Study of Joint Venture Banks in Nepal A Comparative Study of Nepal Grindlays Bank Ltd. And Nepal Indosuez Bank Ltd.*” concludes that both Joint Ventures banks includes unsatisfactory in liquidity position and interest coverage ratio. The capital structure of the banks is extremely leveraged but they have been maintaining sound capital adequacy ratio as directed by Nepal Rastra Bank. Both the joint Venture banks have registered an increasing trend during the first half but the study period has been decreased thereafter. The researcher has recommended maintaining improved capital structure by increasing equity base. Both the banks should pay due attention in liquidity and coverage position. The researcher further suggests extending their banking facilities even in rural areas by opening up branch office.

Major finding of these thesis are:

-) The both bank are not use their capital properly.

-)] Both joint venture banks have registered an increasing trend during the first half but the study period it has decreased thereafter.
-)] The researcher suggests that extending their banking facilities even in rural areas.

Sony Shrestha, entitled “*A Study on a Topic of a Comparative Evaluation of Financial Performance of Nepal Arab Bank Ltd and Nepal Grind lays Bank Ltd.*” the main objective of the study was to analyze and evaluate the financial position of Nepal Arab Bank Ltd and Nepal Grind Lays Bank Ltd. In his study he used financial tools like ratio analysis and some statistical tools like average, CV, trend analysis, hypothesis tests. He revealed that the liquidity position in terms of current ratio of both the banks is below the normal standards. NABIL is better at utilization of outsiders’ funds while NGBL is better at overall assets mobilization. NGBL is better at profitability. NABIL is better at utilizing capital for income generation. NABIL has better capital base.

Main objectives of this thesis are:

-)] To find out the financial position of the banks.
-)] To analyze the liquidity position and how the bank use their assets in remote area and facilitates people.
-)] To find out overall assts mobilization.(Shrestha;2002:101)

Lamsal (2004:55), made “*A Comparative Financial Statements Analysis of HBL and NGBL*”. His main objective to make comparative study of financial performance of the above mentioned banks. He used financial tools like ratio analysis and statistical tools like average, CV, SD, trend analysis, hypothesis tests in his study. He found that liquidity position of HBL is better than NGBL. HBL has sufficient cash and bank balance to meet its current and fixed deposits. HBL has better turnover than NGBL in terms of loan and advances to total deposits ratio.

Investment to total deposit ratio of NGBL is better than HBL. NGBL pays higher dividend per share than HBL.

Parajuli, (2005:65), entitled “*A Comparative Study of the Financial Performance of Joint Venture Banks in Nepal*” has set the main objective to evaluate effectiveness of monitoring and collecting policies of banks. The researcher has specialized study on Nepal Grindlays bank Ltd. and Nepal Arab Bank Ltd. The analysis of liquidity ratio reveals that the liquidity position is relatively higher in case of NABIL. As indicated by the activity ratio, NABIL has better performance than Nepal Grindlays Ltd, which might be the consequences of better lending policy of NABIL. Regarding the profitability ratio, almost of the profitability ratios of NGBL is higher than those of NABIL in percentage, which reveals that NGBL is relatively great efficiency in mobilization it resources. Profitability ratio, which measures the bank’s capacity to earn the means of substance, is different in those two banks. During the study time frame, NGBL has better result in respect of Net profit to total assets ratio, net profit to total deposit, return on network, return on assets and ROCE than NABIL. EPS of NABIL is better than NGBL. Thus, it may be concluded that NGBL may have bright future than that of NABIL because it is quiet efficient in generating the means of subsistence.

Mandal (2005:89), entitled “*A Comparative Financial Performance Appraisal of Joint Venture Banks*” concludes liquidity position of NIBL is better than NABIL and NGBL. NABIL and NGBL have registered low cash & bank balance percentage that indicates NABIL & NGBL may have invested there deposited amount in more productive sector like treasure bills, short term investments & market Securities. NGBL has earns more profit on this basis of earning per share than other two banks NABIL and NIBL.

Oli (2006:96), made “*A Comparative Study on Financial Performance of HBL, SBIBL, and NBBL.*” His main objective was to make comparative study of financial performance of the above mentioned banks. He used financial tools like ratio analysis and statistical tools like average, CV, SD, trend analysis, hypothesis tests in his study. And he observed that SBIBL and NBBL are always above the normal standard, HBL always below the normal at liquidity position. Liquidity position of NBBL is better than SBIBL and SBIBL is better than HBL. And they are suggested to utilize the excess of resources for income generation. Total debt to equity and total assets is higher for HBL than both. NBBL has been able to mobilize total deposits in loan and advances than HBL and SBIBL. SBIBL is better than HBL at this. HBL has better utilization of fixed deposits in earning. SBIBL has better used of saving deposits than other two net profit to total assets of HBL is better. The profit level is lower in all.

Maharjan (2006:36), made “*A Comparative Analysis of Financial Performance of Nepal Bangladesh Bank Ltd and Nepal Grindlays Bank Ltd.*” The main objective was to analyze and evaluate the financial position of Nepal Bangladesh Bank Ltd and Nepal Grindlays Bank Ltd in order to benefit the management, shareholders, stock traders, customers, depositors and debtors by his findings. He used financial tools like ratio analysis and some statistical tools like average, CV, trend analysis, Hypothesis tests. He used the data of five years till the year 2000. At liquidity position NGBL don't meet the required standard but it is consistent. At fund utilization NBBL is better. NBBL is more aggressive at fund mobilization bearing higher risk. At profitability NBBL has increasing trend till 1997. NGBL has higher fluctuation at profitability. Overall capital position is better at NGBL.

Objectives of the study:

-) To evaluate the financial position of the selected banks.
-) To find out better performance of capital structure, mobilization of resources and increasing trend of profitability.

Major findings of this study are:

-) The fund utilization NBBL is better than NGBL.
-) NBBL is more aggressive at fund mobilization bearing higher risk.
-) NGBL has higher fluctuation at profitability.

Regmi (2007), entitled "*A Comparative Study of Financial Performance of Himalayan Bank Limited & Nepal Bangladesh Bank Limited*" concludes that HBL is more levered. Both of these banks are utilizing their deposit funds through loans & advance to generate revenue efficiently, but comparatively NBB is utilizing its funds in short term investments and NBB has more non-earning idle assets as cash and bank deposits. Profitability position of NBB is not unsatisfactory one. The bank has shown improvement trend on this regards. In this regards, NBB has better financial performance than HBL.

Deoja (2008:92-94), entitled "*A Comparative Study of the Financial Performance Between Nepal SBI Bank Ltd and Nepal Bangladesh Bank Ltd*". His main objective was to make comparative study of financial performance of the above mentioned banks. He used financial tools like ratio analysis and statistical tools like average, CV, SD, trend analysis, hypothesis tests in his study. And after having studied the performance of five consecutive years till 2005 he concludes a sound liquidity position in both banks. NBBL has better utilization of resources to generate income than NSBIBL. Profitability of NBBL is better than NSBIBL. Interest earned to total assets and return on net worth of NBBL is higher than NSBIBL. Both are highly leveraged.

Major finding of this study:

-) NBBL has better utilization of resources to generate income than NSBIBL.
-) Profitability of NBBL is better than NSBIBL.
-) Interest earned to total assets and return on net worth of NBBL higher than NSBIBL.

Kapadi (2008), entitled made “*A Comparative Study of Financial Performance of NABIL and SCBNL*”. The main objective was to make comparative study of financial performance of the above mentioned banks. He had an intention to benefit the management, shareholders, stock traders, customers, depositors from his findings. He used financial tools like ratio analysis and statistical tools like average, CV, SD, trend analysis, coefficient correlation, probable error, hypothesis tests in his study. He used the data from 2003 to 2008 and used most of the ratios and extensively used statistical tools. And he concluded that both have lower liquidity position, both are highly leveraged, performing assets to total assets ratio satisfactory in both ,unsatisfactory profitability in both , threat of solvency being high, recommends to increase equity base, improve operational profit ,and to decrease operating expenses, expand services to rural areas.

The main objectives of this study are:

-) To find out the comparative study of financial performance of the selected banks.
-) To find out how the liquidity are mobilize in every sector.
-) To evaluate the deposits, fixed assets, shareholders and management system of the bank.

Major finding of this study are:

-)] The researcher has found out the lower liquidity position.
-)] The performing assets to total assets ratio satisfactory in both banks.
-)] The threat of solvency being high.

Dahal (2009), made “*A Comparative Study of Financial Performance of HBL and NBBL*”. The main objective was to make comparative study of financial performance of the above mentioned banks. He had an intention to benefit the management, shareholders, stock traders, customers, depositors and debtors by his findings. He used financial tools like ratio analysis and statistical tools like average, CV, SD, hypothesis tests (F- test) in his study. And he concludes that NBBL maintains above the standard liquidity ratio, NBBL is better at mobilizing the deposits, at mobilizing fixed deposits HBL is better, HBL is more leveraged and riskier, NBBL has been found better performed at utilizing overall resources, where as net profit to total deposit ratio is higher with HBL, HBL is better at mobilizing the equity. NBBL has higher fluctuation at net profit margin so it has high risk of solvency, NBBL is better at commission and discount whereas HBL is better at interest income, operational cost of HBL is higher.

Dangi (2009:86), made “*A Comparative Study of Financial Performance of SCBNL, NABIL and HBL*”. His main objective to make comparative study of financial performance of the above mentioned banks. He had an intention to benefit the management, shareholders, stock traders, customers, depositors and debtors by his findings. He used financial tools excessively but did not use any statistical tools in his study. And he concludes all have unsatisfactory liquidity position, all are highly leveraged, all have low coverage ratio due to excessive use of debts, SCBNL is better at mobilizing assets, SCBNL is better at EPS

suggesting effective utilization of owners' equity. DPR higher with SCBNL, HBL is better at lending and SCBL better at service giving, SCBNL has higher expenditure at staff, HBL at interest payment, NABIL at general expenditure, all borrowed but SCBNL is continuously borrowing throughout the period, suggests to improve quality of current assets structure, to increase equity base, and EBT.

The main objectives of this study are:

1. To find out the financial position of sampled Institutions.
2. To find out the management system of selected Institutions.
3. To analyze the lending and borrowing position.

The major findings of this study are

1. Both institutions liquidity position was unsatisfactory.
2. Low coverage ratio due to excessive use of debts.
3. SCBNL is better at mobilizing assets than HBL.
4. Improve quality of current assets structure, to increase equity base.

2.3 Research Gap

After reviewing the researches done through out the past, the present researcher has found that comparative study of the financial performances of the banks has not been long analyzed especially between the Nepal Bangladesh Bank Ltd, Everest Bank Ltd, Bank Of Kathmandu Ltd and SBI Bank Ltd. The past studies have recommended some of the remedial references like to reduce the debt, increase the liquidity, to limit the operating cost. It's been time to check how far the differences have occurred in the banks. The present study explores the comparative and financial performances of the banks: SBI Bank, Everest Bank, Bank Of Kathmandu and Nepal Bangladesh Bank as sample banks.

The purpose of this research is to develop some expertise in ones area, to see what new contribution can be made and to receive some ideas, knowledge and suggestions in relation to comparative financial performance of commercial banks. Thus, the previous studies can be ignored because they provide the foundation to the present study. In other words, there has to be continuity in research. This continuity is research is ensured by linking the present study with the past research studies. Here, it is clear that the new research cannot be found on that exact topic, i.e. financial performance, therefore to fulfill this gap, this research is selected. To complete this research work: many books, journals, articles and various published and unpublished dissertation are followed as guideline to make the research easier and smooth. In this regard, here we are going to analyze the different procedure of financial performance. Our main research problem is to analyze whether the sample bank has right level of profitability and liquidity as well as is able to utilize resources effectively or not. To achieve this main objective, various financial and statistical tools are used. Therefore, this study is expected to be useful to the concerned banks as well as different persons; such as shareholders, investors, policy makers, stockbrokers, state of government etc.

CHAPTER - III

RESEARCH METHODOLOGY

Research Methodology is the process of arriving at the solution of a problem through a planned and systematic dealing with the collection, analysis and interpretation of the facts and figures. It presents research methodology adopted in achieving the objective stated in the earlier chapter. It contains research design, sources of data, data gathering procedure and data analysis tools.

The main objective of this report is to analyze, examine, highlight and complete the financial performance of Nepal Bangladesh Ltd, Nepal SBI Bank Ltd, Everest Bank Limited and Bank of Kathmandu Limited. And recommend and suggest for better performance. So the propose of this study is to analyze and fulfill the stated objectives. Project methodology refers to the various sequential steps to be adopted by a reporter in studying a problem with certain objectives in view. It's the way to solve the research problem systematically. Here, focus is made on research design, sample size, source and type of data, data gathering instruments and procedures, data tabulation and processing study limitation and methods of analysis.

3.1 Research Design

A research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure (*Kothari; 1990: 39*).

Research design is plan, structure and strategy of investigation conceived. So as to obtain answer to research question and to control variances to achieve of the study, descriptive and analytical research design have been used.

) It is the task of defining the research problem. It is the main part of any research work. The present study consists of analytical as well as descriptive design. Here, the study aim at portraying accurately upon the financial performance and other aspects related to finance of the four Joint venture banks, namely Nepal Bangladesh Bank Ltd and Nepal SBI Bank Ltd, Everest Bank Limited and Bank Of Kathmandu Limited.

3.2 Data collection procedure

Particularly the study will base on the data available from Nepal SBI Bank, Everest Bank, Bank of Kathmandu and Nepal Bangladesh Bank Ltd. Such a concentration for these four banks only is simply because of easy access upon their reliable data. For example my own class mates are working as staff in Everest Bank, Bank of Kathmandu and Himalayan Bank.

) The study will be based on secondary data provided by bank and other relevant sources. The data will be collected from the balance sheet, profit and loss a/c, stock exchange, security board, Nepal Rastra Bank and informal enquires from the bank's personnel.

3.3 Population and Sample

All the commercial banks operating in the country is the population of the country among them four joint venture commercial banks Nepal Bangladesh Bank, NSBI Bank Limited ,Everest Bank Limited and Bank of Kathmandu are selected for the study. The sampling technique used in this study is the judgmental.

3.4 Sources and Collection of Data

For the purpose of study only the secondary data are used. The required data and information for analysis are directly collected from the annual reports of the respective banks. The supplementary data are collected from number of institution like Degree Campus Biratnagar Library, company office etc. Similarly related books magazine Journals articles reports bulletins and data from security board Nepal. Further the secondary data have been collected from reports and financial statement of the company published and unpublished official record, books, articles magazines, annual report etc.

The annual report submitted by different commercial banks to Nepal Rastra Bank is taken as a secondary data. From the website of Nepal Rastra Bank www.nrb.gov.np. Some other data are directly taken the website of respective bank of their own. These data are published by respective banks. The secondary data published by the bank in respective website of purpose bank. Some of the website we have taken data are :-

Nepal SBI Bank Limited	www.nepalsbi.com.np
Everest Bank Limited	www.everestbankltd.com.np
Bank Of Kathmandu Limited	www.bok.com.np
Nepal Bangladesh Bank Limited	www.nbbank.com.np
Nepal Rastra Bank	www.nrb.gov.np
Nepal Stock Exchange	www.nepalstock.com

From the above sources organization description financial statement (Viz. Balance sheet and P\L a\c) are taken from the purpose of study.

Supporting data and information will be obtained from the head office of selected banks, booklets, documents, other published and unpublished material, thesis, newspaper and E-mail internet, financial

statement, annuals reports and from Nepal stock exchange, security exchange board and other related office.

3.5 Methods of Data Analysis

For the purpose of analysis, financial, statements, profit and loss account and Balance Sheet of the concerned banks has taken financial as well as statistical tools have been used.

3.5.1 Financial Tools

a) Ratio Analysis

Ratio Analysis is the powerful tools of financial analysis, which helps in identifying the strength and weaknesses of an organization or business concern about the financial performance. The term ratio refers to an arithmetical relationship between two items/figures, to make rational decision of financial variability of the company. This relationship can be expressed in terms of percentage, fractions or proportions. To achieve an effective result, ratio must be analyzed in comparative basis “the techniques of ratio analysis are the art of the whole process of the analysis of financial statements of the whole business or the industrial concern, especially to take output and credit_decision. Ratio analysis is a widely used tool of financial analysis it is defined as the systematic use of ratio to interpret the financial analysis statements so that the strengths and weakness of a firm as well as its historical performance and current financial condition can be determined (*Khan and Jain; 2003: 4.1*).

“In financial analysis, a ratio is used as a benchmark for the evaluation of the financial position and performance of the firm”.

The following are the ratios that are going to be analyzed under the financial performance of Nepal Bangladesh Bank , Nepal SBI Bank Ltd, Everest Bank Limited and Bank Of Kathmandu Limited.

1. Long Term Debt to Total Debt Ratio

The long term debt to total debt ratio measures the percentage of long term debt to total debt used in the companies. So, it is the percentage of long term debt among the total debt employed by the company. The long term debt to total debt is calculated as:

$$\text{Long Term Debt to Total Debt Ratio} = \frac{\text{Long Term Debt}}{\text{Total Debt}}$$

It shows the contribution of long term debt in the total debt.

2. Debt to Total Capital Ratio

This ratio determines the relationship between total debt and total capital of the banks.

This ratio is calculated in this way

$$\text{Debt to Total Capital Ratio} = \frac{\text{Total Debt}}{\text{Total Capital}}$$

3. Total Debt to Total Assets Ratio

This ratio shows the portion of capital assets that are financed by outside funds on total assets. A high ratio implies a bank's success in exploiting debt to more profitable and riskier capital structure. It is calculated by dividing total assets.

This ratio is calculated by:

$$\text{Total debt to total assets ratio} = \frac{\text{Total debt}}{\text{Total Assets}}$$

4. Interest Coverage Ratio

This ratio is calculated by dividing earning before interest and tax by interest. This ratio shows the bank can pay the interest easily.

$$\text{Interest Coverage Ratio} = \frac{\text{Earning Before Interest \& Tax}}{\text{Interest}}$$

5. Return on Total Assets Ratio

It shows that the relationship of company is net profit and assets. This ratio indicated that of the bank RTAR is higher bank could well manage their operations.

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

6. Earning Per Share (EPS)

It measures the profit available to the common shareholders as per share basis i.e. the amount they get from every share company can decide whether to increase or reduce the number of share issued. This decision will automatically alter the earning per share. The earning per share can be calculated by dividing the profit available after tax to the shareholders by the number of outstanding shares.

$$\text{Earning Per share} = \frac{\text{Net Profit Available to Equity Shareholders}}{\text{Number of Share Outstanding}}$$

7. Dividend per Share (DPS)

Dividend implies that portion of Net Profit, which is allocated to the shareholders as return on their investments on cash. The net profit after taxes belongs to shareholders. But the income, which they really receive, is the amount of earning distributed as cash dividends. The earning per share implies what the owner are theoretically entitled to get from the company while dividend per share is that portion of earning which is allocated to shareholders divided by total number of share outstanding. Thus, DPS is computed by dividing the total amount of dividend paid by the number of share outstanding.

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

3.4.2 Statistical Tools

For supporting the study, statistical tool such as Mean, Standard deviation, Coefficient of Variation, Correlation, Trend Analysis have been used under it.

1. Arithmetic Mean (Average)

Average is statistical constants which enables us to comprehend in a single effort the significance of the whole. It represents the entire data by a single value. It provides the gist and gives the bird's eye view of the huge mass of unwieldy numerical data. It is calculated as:

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

Where,

\bar{x} = Arithmetic Mean

N = Number of Observations

$\sum x$ = Sum of Observations

2. Standard Deviation (S.D.)

The standard deviation is the square root of man squared deviations form the Arithmetic mean and denoted by S.D. or σ . It is used as absolute measure of Dispersion or variability. It is calculated:

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

Where,

σ = Standard Deviation

$\frac{\sum x^2}{N}$ = Sum of Squares of Observation

$\left(\frac{\sum X}{N}\right)^2$ = Sum of Square of Mean

3. Coefficient of Variation (CV)

Co-efficient of variance is the relative measure of dispersion comparable across distribution, which is defined as the ratio of the standard deviation to the mean express in percent (*Levin, and Rubin; 1994: 144*).

Co-efficient of variance denotes by C.V. is given by:

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

4. Correlation Coefficient (r)

Correlation analysis in the statistical tools generally used to describe the degree which our variable is related to another. This tools is used for measuring the intensity or the magnitude of linear relationship between two variable X and Y is usually denoted by 'r' can be obtained as:

$$r = \frac{N \sum XY - \sum X \sum Y}{\sqrt{N \sum X^2 - (\sum X)^2} \sqrt{N \sum Y^2 - (\sum Y)^2}}$$

Where,

N = no of observation in series X and Y

$\sum X$ = Sum of observation in series X

$\sum Y$ = Sum of observation in series Y

$\sum X^2$ = Sum of square observation in series X

$\sum Y^2$ = Sum of square observation in series Y

$\sum XY$ = Sum of the product of observation in series X and Y

❖ Probable Error (P. E.)

Probable error interprets the value of correlation coefficient. It helps to determine applicability for the measurement of reliability of the computed value of the correlation coefficient. It can be calculated as:

$$\frac{0.6747 \times (1-r^2)}{N}$$

Where,

r = correlation coefficient

N = number of pairs of observations.

- If $r < P.E.$, there is no evidence of correlation, i.e. the value of 'r' is not significant
- If $r > P.E.$, coefficient of correlation is practically certain, i.e. the value of 'r' is significant.
- The P.E. of correlation may be used to determine the limits within which the population correlation coefficient lies. The limit of the population correlation is $r \pm P.E.$

❖ Regression Analysis

Regression is the measure of the average relationship between two or more variables in terms of original unit of the data. In other words regression analysis is a statistical device which is widely used in almost all research work in order to estimate the unknown values of one variable from known values of other variables. In this study includes simple and multiple regression models to examine the impractical relationship between the variables.

Simple regression Analysis

Simple regression is the estimation of unknown value or prediction of one variable from known values of the other variables.

$$Y = a + bx$$

Where,

Y= value of dependant variable

X = value of independent variable

a = interest or regression constant

b = slope of regression line or regression coefficient

CHAPTER-IV

DATA PRESENTATION AND ANALYSIS

This is the most important chapter of the study. This chapter constitutes the most crucial part of the study. In this chapter the data collected will be analyzed and presented mathematically. All the above mentioned financial and statistical tools will be used to present the data. It provides mechanism for meeting the basic objectives stated earlier in the metrology described in the third chapter in order to attain the objectives.

The main objective of this study is to evaluate the financial performance of selected banks i.e. Nepal State Bank of India, Everest Bank Limited, Bank of Kathmandu Limited and Nepal Bangladesh Bank Limited. To analyze the financial performance in respect to various presentation and analysis have been present in this chapter according to analytical research design mention in the third chapter using various financial and statistical tools. For the sole purpose, interpretations are categorized into two heading:

- Analysis using Financial Tools
- Analysis using Statistical Tools

4.1 Analysis Using Financial Tools

Financial analysis is the process which will have been identifying the financial strength and weakness of the firm properly establishing relation between the items of the balance sheet. Financial tools analysis are used to examine the financial performance i.e. strength and weakness of bank.

Here, appropriate tools are calculated and proper interpretation is made. The analysis of financial tools verifies the performance of the concerned banks.

4.1.1 Ratio Analysis

Ratio analysis is the technique of analyzing and interpreting financial statements to evaluate the performance of an organization by creating the ratios from the figure of different accounts consisting in balance sheet and income statement. Even though there are many ratios, only those ratios have been covered in this study which is related to investment operation of the bank.

1. Long Term Debt to Total Debt Ratio

The long term debt to total debt ratio measures the percentage of long term debt to total debt used in the companies. So, it is the percentage of long term debt among the total debt employed by the company. The long term debt to total debt is calculated as:

$$\text{Long Term Debt to Total Debt Ratio} = \frac{\text{Long Term Debt}}{\text{Total Debt}}$$

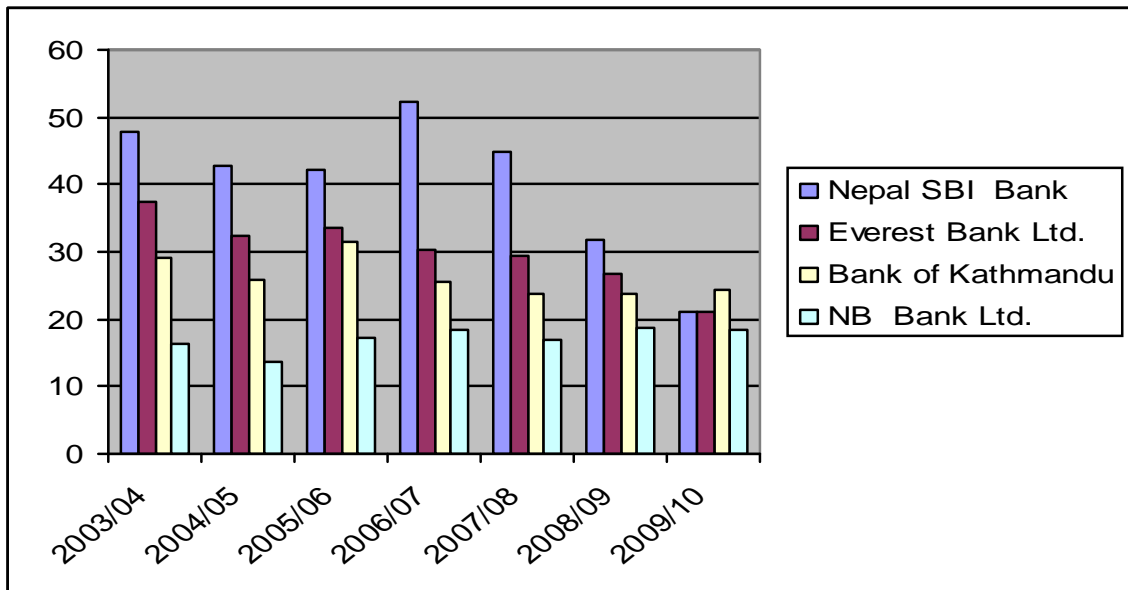
It shows the contribution of long term debt in the total debt.

Table no. 4.1
Long Term Debt to Total Debt (%)

F/Y	NSBIBL	EBL	BOKL	NBBL
2003/04	47.70	37.57	29.0	16.34
2004/05	42.90	32.46	25.77	13.53
2005/06	42.32	33.60	31.51	17.25
2006/07	52.40	30.29	25.44	18.39
2007/08	44.89	29.29	23.82	16.81
2008/09	31.66	26.74	23.83	18.71
2009/10	20.97	21.12	24.25	18.27
Mean	41.26	30.15	26.23	16.69
S.D.	9.31	4.87	2.72	1.60
C.V	22.57	16.16	10.38	9.54

Sources;Appendix-3(a)

Figure no. 4.1
Long term debt to total debt



Above table and figure reveals that, the long term debt to total debt of NSBIL is in fluctuating trend over the study period. i.e. in FY 2003/04 it has 47.70; in FY 2004/05 it has 42.90. Similarly, In FY 2005/06, 2006/07, 2007/08, 2008/09, 2009/10 it has 42.32, 52.40, 44.89, 31.66, 20.97. The average rate is 41.29% which means that long term debt in total debt is 41.29% and the remaining portion is contributed by the current liabilities.

Similarly, ratio of EBL is in almost decreasing trend. Except from FY 2005/06, all in the FY, there are in decreasing trend. Average rate of EBL is 30.15% which represents the percentage of long term debt is 30.15% and rest is current liabilities.

Again, BOKL has the average ratio is 26.23%. Its ratio is in the fluctuation trend. The long term debt in total debt is 26.23% and remaining portion is contribution by the current liabilities.

And, NB Bank's long term debt to total debt ratio is in fluctuating trend over the study period. The average ratio is 16.29%.which means that, the long term debt in total debt is 16.29% and rest is current liabilities.

The ratio of long term debt to total debt of three selected banks out of four banks under study period is in fluctuation trend.

NSBIBL has the highest SD of 9.31 while NBBL has the lower SD of 1.60 and SD of EBL & BOKL is 4.87 & 2.72 respectively. Similarly, the highest CV is 22.57 for NSBIL and lower is 9.54 for NBBL and CV of EBL & BOKL is 16.16 & 10.38 respectively.

2. Debt to Total Capital Ratio

This ratio is used to express the relationship between debt and capital of the firm. It shows the proportion of debt and share holder's fund in the capital structure. The ratio is calculated as:

$$\text{Debt to Capital Ratio} = \frac{\text{Debt}}{\text{Total Capital}}$$

The higher ratio of debt to capital shows the higher contribution of debt in the capital and vice-versa.

Table- 4.2
Debt to Total Capital Ratio

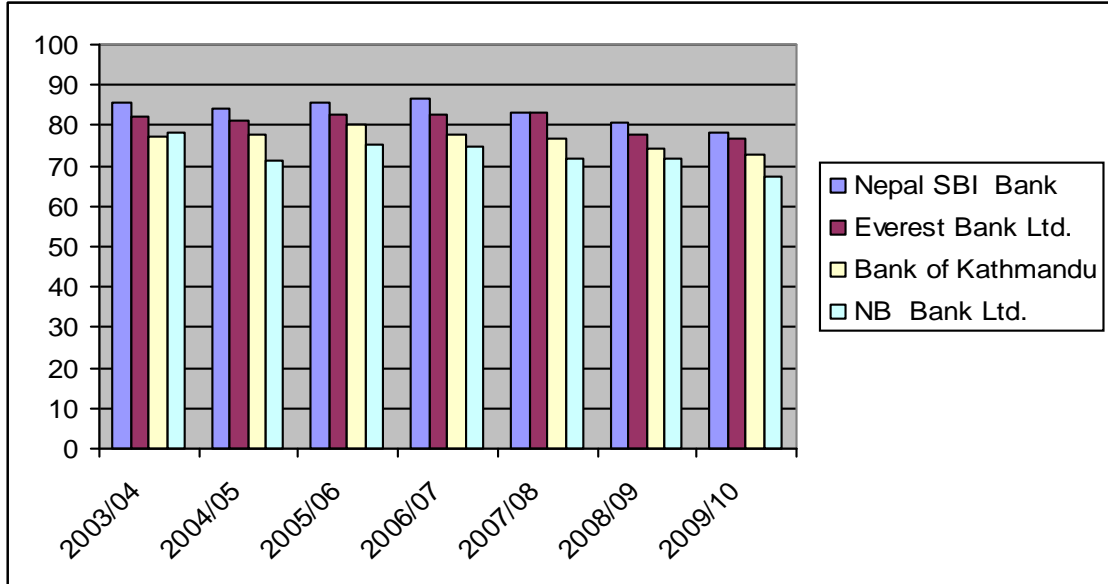
F/Y	NSBIBL	EBL	BOKL	NBBL
2003/04	85.42	82.02	77.47	78.05
2004/05	84.25	80.99	77.79	71.37
2005/06	85.57	82.80	79.98	75.36
2006/07	86.54	82.51	77.60	75.0
2007/08	83.09	83.14	76.73	71.59
2008/09	80.77	77.83	74.41	71.88
2009/10	78.15	76.93	72.86	67.15
Mean	83.40	80.89	76.69	72.91
S.D.	2.78	2.30	2.18	3.28
C.V	3.33	2.85	2.85	4.49

Sources;Appendix-3(b)

Above table can be presented in the figure as:

Figure no. 4.2

Debt to Total Capital Ratio



Above table and figure reveals that, debt to capital rate of NBIL is in fluctuating trend over the study period and the average ratio is 83.40%. It means that the contribution of debt is 83.40% on capital. Similarly, the average rate of EBL is 80.89% and its debt to capital is also in fluctuating trend over the study period. Contribution of debt on capital of EBL is 80.89%. Similarly, the rate of debt to capital of BOKL is also in fluctuating trend over the study period. Its average ratio is 76.69%. It is the portion of debt on capital. And, debt to capital ratio of NB Bank is also in the fluctuating trend over the study period. Its average ratio is 72.91% which means that the contribution of debt on capital is 72.91%.

NBBL has the highest SD which is 3.28 and lowest SD is 2.18 for BOKL. SD of NSBIL & EBL is 2.78 & 2.30 respectively. Similarly, the highest CV is 4.49 for NBBL and lowest CV is 2.84 for EBL & BOKL. And CV of NSBIL is 3.33.

3. Total Debt to Total Assets Ratio

This ratio measures the extent to which borrowed fund have been used to finance the company's assets. It is related to calculate to the total assets of the firm. The total debt includes long term debt and current liabilities. The total assets consist of permanent assets and other assets. It is calculated as:

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

The lower total debt to total assets ratio indicates that the creditors claim in the total assets of the company is lower then the owner's claim and vice- versa.

Table- 4.3
Total Debt to Total Assets Ratio

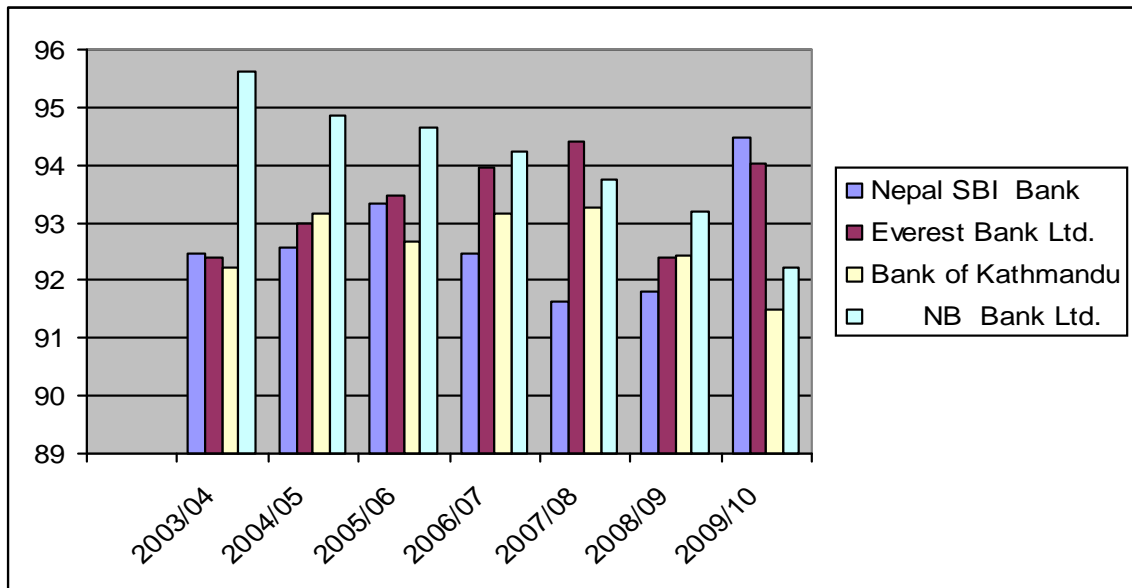
F/Y	NSBIBL	EBL	BOKL	NBBL
2003/04	92.47	92.39	92.22	95.61
2004/05	92.58	92.97	93.15	94.85
2005/06	93.34	93.47	92.69	94.66
2006/07	92.46	93.97	93.16	94.22
2007/08	91.63	94.39	93.26	93.74
2008/09	91.79	92.39	92.43	93.18
2009/10	94.46	94.03	91.50	92.21
Mean	92.68	93.45	92.63	94.10
S.D.	0.90	0.67	0.60	1.05
C.V	0.97	0.72	0.64	1.12

Sources;Appendix-3(c)

Above table can be presented in the figure as:

Figure-4.3

Total Debt to Total Asset Ratio



Above table and figure reveals that, total debt to total assets ratio of NSBIL is in fluctuating trend over the study period. Its average ratio is 92.68% which means that the proportion of debt capital finance for its assets is 92.68% and rest 7.32% is financed from share holder's equity. Similarly, total debt to total assets ratio of EBL is in increasing trend over the study period. The average ratio of EBL is 93.45%. It represents that debt capital is financed 93.45% and share holder's equity is financed 6.55% for its total assets. Similarly, total debt to total assets of BOKL is in fluctuating trend over the study period. And its average ratio is 92.63%. Which represent the proportion of debt capital on total assets is 92.63% and rest is Share holder's equity. And the total debt to total assets of NBBL is in decreasing trend over the study period. Its average ratio for total debt to total assets is 94.10%. It means that financing of proportion of debt on total assets is 94.10% and rest is shareholder's equity.

NBBL has the highest SD i.e. 1.05. BOKL has the lowest SD i.e. 0.60. SD of NSBIL is 0.90 and SD of EBL is 0.67. All the banks are founded

using higher debt capital to finance their assets. Similarly, the highest CV is 1.12 for NBBL and lowest CV is 0.64 for BOKL. CV of NSBIL & EBL is 0.97 & 0.72 respectively.

1. Interest Coverage Ratio

This ratio indicates the ability of the company to meet its annual interest costs of it measures the debt servicing capacity of the firm. It determined by using following formula,

$$\text{Interest Coverage Ratio} = \frac{\text{Earning Before Interest \& Taxes}}{\text{Interest}}$$

Hence, higher interest coverage ratio indicates the company's strong capacity to meet interest obligation. A firm always prefers interest coverage ratio because low interest coverage ratio is a danger signal. Lower interest coverage ratio means the firm is using excess debt & does not have an ability to offer assured payment of interest to the creditors.

Table-4.4
Interest Coverage Ratio

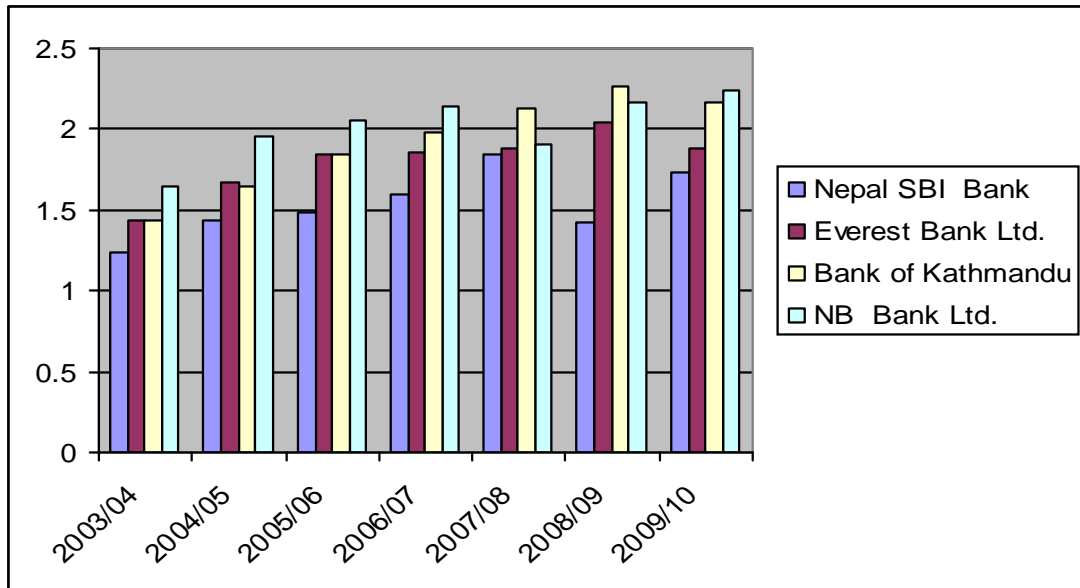
F/Y	NSBIBL	EBL	BOKL	NBBL
2003/04	1.24	1.44	1.44	1.65
2004/05	1.43	1.67	1.64	1.96
2005/06	1.48	1.84	1.85	2.05
2006/07	1.60	1.86	1.98	2.14
2007/08	1.84	1.88	2.13	1.91
2008/09	1.42	2.04	2.26	2.16
2009/10	1.73	1.88	2.17	2.24
Mean	1.53	1.80	1.92	2.02
S.D.	0.19	0.18	0.08	0.18
C.V	12.34	9.90	4.01	9.09

Sources;Appendix-3(d)

Above table can be presented in the figure as:

Figure-4.4

Interest Coverage ratio



Above table and figure reveals that, the average ratio of NSBIL is 1.53 times, which implies the number of times the interest covered by its EBIT. The interest coverage ratio of NSBIL shows in fluctuating trend over the study period. Similarly, in the case of EBL, interest coverage ratio is also fluctuating trend. The average rate is 1.8 times which implies the number of times the interest covered by its EBIT. Similarly, interest coverage ratio of BOKL is also in fluctuating trend over the period. Average rate of BOKL is 1.92 times. It means that the number of times interest covered by its EBIT. And, average interest covered ratio of NBBL is 2.02 times. Its interest covered ratio is in also fluctuating trend over the study period.

Out of four banks, NBBL bank's interest coverage ratio is highest i.e. 2.02 times. And lowest ratio is 1.53 times for NSBIL. The coverage ratio of the banks are positive, the bank should make effort to improve the

prevailing situation by improving their operating efficiency and to reduce amount of debt capital through refunding debt simultaneous.

The SD of NSBIL is 0.19, EBL is 0.18, BOKL is 0.08 & NBBL is 0.18. The highest SD is 0.19 for NSBIL and lowest SD is 0.08 for BOKL. Similarly, the highest CV is 12.34 for NSBIL and lowest CV is 4.01 for BOKL. CV of EBL and NBBL is 9.90 & 9.09 respectively.

2. Return on Total Assets

Return on total assets ratio measures the profitability of bank which explains that a firm is earning satisfactory return on all financial resources invested in the bank's assets. The ratio explains net income for each unit of assets. It is determined by using the following formula,

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

Higher ratio indicates efficiency in utilizing its overall resources and vice-versa. From the point of view of judging operational efficiency rate of return on total assets is more useful measure.

Table-4.5

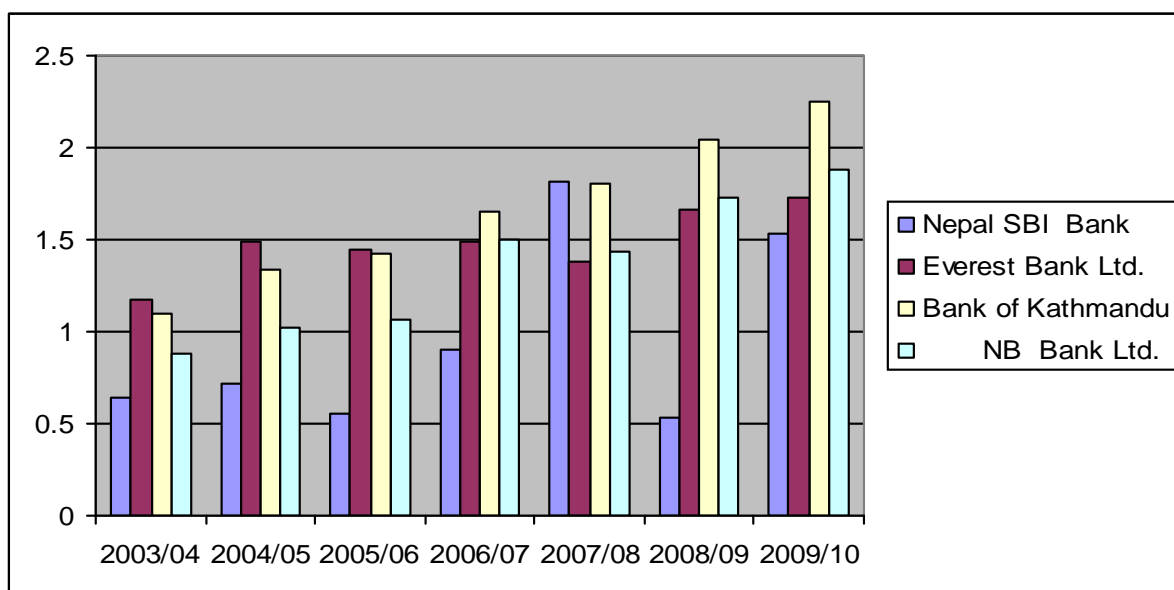
Return on Total Assets

F/Y	NSBIBL	EBL	BOKL	NBBL
2003/04	0.64	1.17	1.10	0.88
2004/05	0.72	1.49	1.34	1.02
2005/06	0.55	1.45	1.42	1.07
2006/07	0.90	1.49	1.65	1.50
2007/08	1.82	1.38	1.80	1.43
2008/09	0.53	1.66	2.04	1.73
2009/10	1.53	1.73	2.25	1.88
Mean	0.96	1.48	1.66	1.36
S.D.	0.48	0.17	0.38	0.35
C.V	49.51	11.73	22.61	26.10

Sources;Appendix-3(e)

Above table can be presented in the figure as:

Figure-4.5
Return on total assets



Above table and figure reveals that, the return on total assets of NSBIL is in fluctuating trend over the study period. That means on all financial resources is fluctuating trend. The average ratio is 0.96 times. Similarly, ROA ratio of EBL is also in fluctuating trend over the study period. Its average ratio is 1.48 times. Similarly, ROA ratio of BOKL is in increasing trend over the study period. Which means that its earning on all financial resources is increasing over the study period. And in case of NBBL, there is a continuous an abrupt fall in the FY 2007/08 and there is rise again. The average ratio of NBBL is 1.36 times.

The standard deviation of NSBIL is 0.48, EBL is 0.17, BOKL is 0.38 and NBBL is 0.35. The highest SD is 0.48 for NSBIL and lowest SD is 0.17 for EBL. Similarly, the highest CV is 49.51% for NSBIL and lowest CV is 11.73% for EBL. CV of BOKL is 22.61 & NBBL is 26.10.

3. Earning Per Share

The profitability of bank from the point of view of the ordinary shareholders is earning per share. The ratio explains net income for each unit of share. It is calculated as:

$$\text{Earning per Share} = \frac{\text{Net Income}}{\text{No. of Share outstanding}}$$

Earning per share of an organization gives the strength of the share in the market. It shows how much theoretically belongs to the ordinary shareholders.

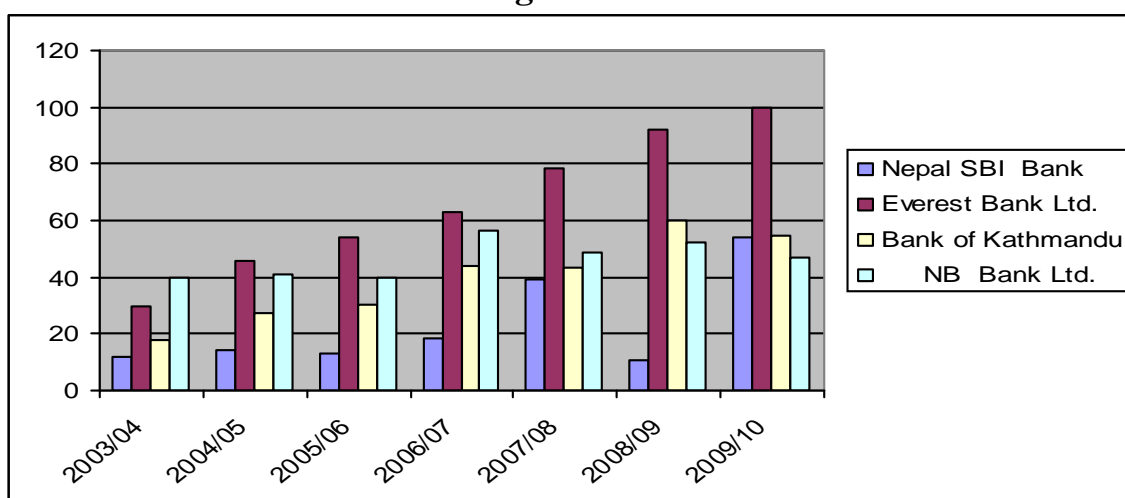
Table- 4.6
Earning Per Share

F/Y	NSBIBL	EBL	BOKL	NBBL
2003/04	11.67	29.90	17.93	39.56
2004/05	14.25	45.58	27.50	40.88
2005/06	13.29	54.23	30.23	39.92
2006/07	18.24	62.78	43.67	56.42
2007/08	39.36	78.42	43.50	48.53
2008/09	10.45	91.82	59.94	52.28
2009/10	54.04	99.99	54.68	47.05
Mean	23.04	66.19	39.64	46.38
S.D.	15.63	23.29	14.02	6.08
C.V	67.85	35.24	35.38	13.12

Sources;Appendix-3(f)

Above table can be presented in the figure as:

Figure- 4.6
Earning Per Share



Above table and figure reveals that, the earning per share of NSBIL is in fluctuating trend over the study period. The average EPS is Rs.23.04. Similarly, the EPS of EBL is increasing trend. EPS is continuously increasing. The average EPS is RS. 66.13. Similarly, there is a continuous rise EPS of BOKL till FY 2008/09. However, there is an abrupt fall of EPS in FY 2009/10. The average EPS of BOKL is Rs.39.64. And, EPS of NBBL is in fluctuating trend over the study period. The average EPS of NBBL is Rs. 46.38.

Regarding SD, EBL has highest than other banks, which is 23.29 and NBBL has the lower SD that is 6.08. The SD of NSBIL is 15.63 & BOKL is 14.02. Similarly, the highest CV is 67.85 for NSBIL and lowest CV is 13.12 for NBBL. CV of EBL is 35.14 & CV of BOKL is 35.38.

4. Dividend Per Share (DPS)

Dividend per share is evaluated to know the share of dividend that the shareholders receive in relation to the paid up value of the share. Dividend per share is the earning distributed to ordinary shareholders divided by the number of ordinary shares outstanding. It is calculated as:

$$\text{Dividend per Share} = \frac{\text{Total Dividend}}{\text{No. of Ordinary Share}}$$

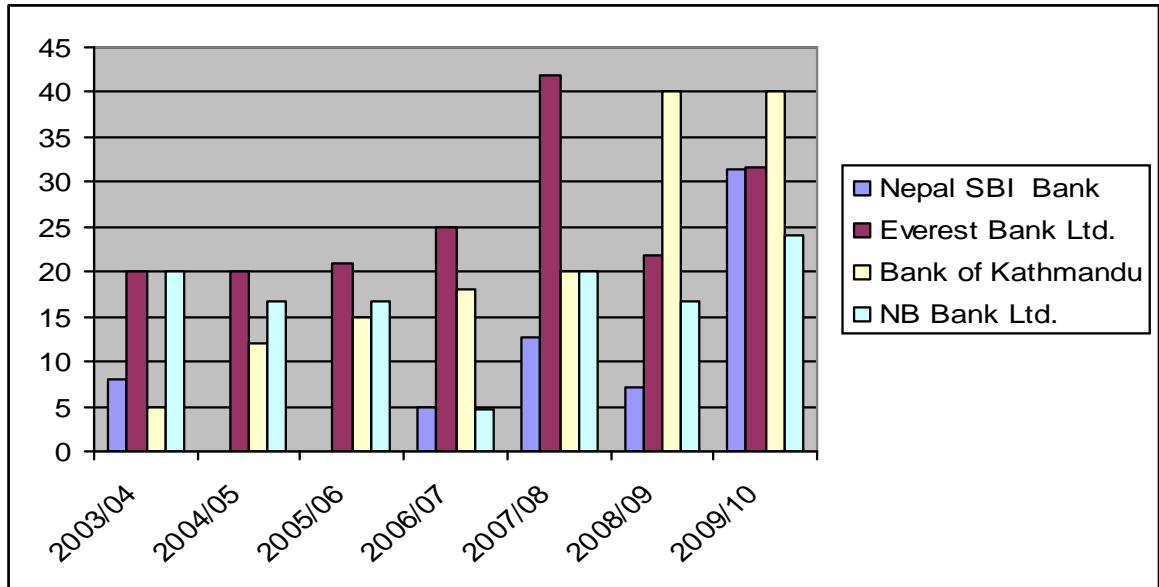
Table- 4.7
Dividend per Share

F/Y	NSBIBL	EBL	BOKL	NBBL
2003/04	8.0	20.0	5.0	20.0
2004/05	0.0	20.0	12.05	16.67
2005/06	0.0	21.05	15.0	16.67
2006/07	5.0	25.0	18.0	4.76
2007/08	12.59	41.93	20.0	20.0
2008/09	7.10	21.93	40.0	16.67
2009/10	31.48	31.58	40.0	23.99
Mean	9.17	25.93	21.44	16.97
S.D.	10.0	7.55	12.55	5.57
C.V	109.05	29.11	58.54	32.81

Sources;Appendix-3(g)

Above table can be presented in the figure as:

Figure- 4.7
Dividend per Share Analysis



Above table and figure reveals that, NSBIL had distributed dividend per share in FY 2003/04 is RS. 8. But the bank could not distributed dividend in FY 2004/05 & 2005/06. Again, they can able to distributed dividend from FY 2006/07, 2007/08, 2008/09, 2009/10 which is Rs.5, Rs.12.59, and Rs.7.10 & Rs.31.48 respectively. The average DPS of NSBIL is Rs.9.17. Similarly, the DPS of EBL is in fluctuating trend over the study period. The average DPS of bank is Rs.25.93. Similarly, EPS of the BOKL is increasing trend. Its average EPS is Rs. 21.44. And EPS of NBBL is in fluctuating trend. Its average EPS is Rs.16.97.

The SD of four banks is 10.0, 7.55, 12.55 & 5.57 for NSBIL, EBL, and BOKL & NBBL respectively. Similarly, the highest CV is 109.05 for NSBIL & the lowest CV is 29.11 for EBL. CV of BOKL is 58.54 & NBBL is 32.81.

4.2 Statistical Tools

Some statistical tools are also been used for the analysis of the data. Statistical tools are expected to provide valuable information about the variation, standard deviation, correlation, growth rate etc. While analyzing financial performance, such analysis helps to draw conclusion which of the organization is better managed, if statistical tools indicate that there is some loose aspect, than it helps management to take corrective actions.

4.2.1 Correlation Analysis

Correlation analysis is statistical technique, which measure the degree and direction of relationship between the variables. In other words it helps studying the covariance of two or more variables. The value of correlation lies in between 0 to ± 1 . This relationship may be negative or positive. Incase of positive relationship the variable change to the same direction where as in negative correlation the variable under consideration change to the opposite direction. Higher the value of correlation of coefficient i.e as it approaches to 1 the variable are said to be closely related.

) Correlation between Interest earned and Operating profit (EBIT)

Operating profit refers to profit before deducting Interest and taxes. Interest earned refers to such income which is earned from the investment made by the bank. Earning from interest holds big proportion in total operating income of the bank. Here, Operating profit is affected by the interest earned of the bank. In this study, Correlation analysis between the two variables interest earned and operating profit is calculated to measure the closeness of relationship between them. To what extent dependent variable (operating profit) will change when there is a change in independent variable (interest earned.)

Calculation of Correlation coefficient between Interest earned and Operating profit (EBIT).

Table no.4.8

S. No	Banks	r	r ²	P.E.	6 P.E.
1.	SBIBL	0.99	0.98	0.005	0.03
2.	EBL	0.99	0.98	0.005	0.03
3.	BOKL	0.98	0.96	0.01	0.06
4.	NBBL	0.97	0.94	0.02	0.12

Sources; Appendix-4

From the above table, SBIBL and EBL has higher co-efficient of correlation than other banks. It shows there is positive and high degree of correlation between these two variables. And the value of co-efficient of determination (r²) of SBIBL, EBL, BOKL, and NBBL is 0.98, 0.98, 0.96 and 0.94 respectively. It indicates that 98%, 98%, 96%, and 94% change in dependent variable (EBIT) due to change in independent variable (Interest) respectively. Similarly Probable Error (P.E.) of SBIBL, EBL, BOKL, NBBL is 0.005, 0.005, 0.01, and 0.02 and 6P.E. is 0.03, 0.03, 0.06, and 0.12 which shows that 'r' is highly greater than 6P.E. Therefore it reveals that relationship between EBIT and interest is significant.

4.2.2. Regression Analysis

Regression analysis used to describe the average relationship between two variables known as simple linear regression analysis. In this study an attempt is made to find the degree of relationship following variables.

J) **Regression equation between interest earned and operating profit.**

a) **Calculation of Regression equation between interest earned and operating profit of SBIBL.**

Fiscal Year	EBIT(x)	Interest(y)	xy	x²	y²
2003\04	360.87	291.82	105,309.08	130,227.16	85,158.91
2004\05	365.40	255.92	93,513.17	133,517.16	65,495.05
2005\06	383.62	258.43	99,138.92	147,164.30	66,786.06
2006\07	534.53	334.77	178,944.61	285,722.32	112,070.95
2007\08	756.85	412.26	312,018.98	572,821.92	169,958.31
2008\09	646.58	454.92	294,142.17	418,065.70	206,952.21
2009\10	1,423.95	824.70	1,174,331.57	2,027,633.60	680,130.09
Total	4,471.80	2,832.82	2,257,398.50	3,715,152.16	1,386,551.58

Sources; Appendix-4

Here, N= 7(No. of observations)

$$x = 4471.80 \quad y = 2832.82$$

$$x^2 = 3715152.16 \quad y^2 = 1386551.58$$

We know the simple regression equation Y on X is, $Y = a + bx$ (i)

To determine the value of regression parameters a and b by solving the following equations,

Solving the following normal equation

$$y = na + b x \dots\dots\dots (ii)$$

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

Putting the value of n, x, y, xy, x² in equation (ii) and (iii)

$$2832.82 = 7a + b.4471.80 \dots\dots\dots (iv)$$

$$2257398.50 = a.4471.80 + b.3715152.16 \dots\dots\dots (v)$$

Solving equation (iv) and (v)

$$a = 71.5, \quad b = 0.52$$

b) Calculation of Regression equation between interest earned and operating profit of EBL.

Fiscal Year	EBIT(x)	Interest(y)	xy	x ²	y ²
2003\04	443.53	307.64	136,447.57	196,718.86	94,642.37
2004\05	527.49	316.67	167,040.26	278,245.70	100,279.89
2005\06	552.29	299.57	165,449.52	305,024.24	89,742.18
2006\07	746.00	401.40	299,444.40	556,516.00	161,121.96
2007\08	961.88	517.17	497,455.48	925,213.13	267,464.81
2008\09	1,291.29	632.61	816,882.97	1,667,429.86	400,195.41
2009\10	1,904.17	1,012.87	1,928,676.67	3,625,863.39	1,025,905.64
Total	6,426.65	3,487.93	4,011,396.86	7,555,011.19	2,139,352.26

Sources; Appendix-4

Here, N= 7 (No. of observations)

$$x = 6426.65 \quad y = 3487.93$$

$$x^2 = 7555011.19$$

$$y^2 = 2139352.26$$

We know the simple regression equation Y on X is, $Y = a + bx$ (i)

To determine the value of regression parameters a and b by solving the following equations,

Solving the following normal equation

$$y = na + b \sum x \dots\dots\dots (ii)$$

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

Putting the value of n, $\sum x$, $\sum y$, $\sum xy$, $\sum x^2$ in equation (ii) and (iii)

$$3487.93 = 7a + b.6426.65 \dots\dots\dots (iv)$$

$$4011396.86 = a.6426.65 + b. 7555011.19 \dots\dots\dots (v)$$

Solving equation (IV) and (v) $a = 346 \quad b = 0.49$

c) Calculation of Regression equation between interest earned and operating profit of BOKL.

Fiscal Year	EBIT(x)	Interest(Y)	Xy	x²	y²
2003\04	398.85	276.71	110,365.78	159,081.32	76,568.42
2004\05	470.95	286.30	134,832.99	221,793.90	81,967.69
2005\06	445.92	241.63	107,747.65	198,844.65	58,385.06
2006\07	609.37	308.16	187,783.46	371,331.80	94,962.59
2007\08	722.58	339.18	245,084.68	522,121.86	115,043.07
2008\09	945.45	417.54	394,763.19	893,875.70	174,339.65
2009\10	1,224.37	563.11	689,454.99	1,499,081.90	317,092.87
Total	4,817.49	2,432.63	1,870,032.75	3,866,131.12	918,359.35

Sources; Appendix-4

Here, N= 7(No. of observations)

$$x = 4817.49 \quad y = 2432.63$$

$$x^2 = 3866131.12$$

$$y^2 = 918359.35$$

We know the simple regression equation Y on X is, $Y = a + bx$ (i)

To determine the value of regression parameters a and b by solving the following equations,

Solving the following normal equation

$$y = na + b \sum x \dots\dots\dots (ii)$$

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

Putting the value of n, $\sum x$, $\sum y$, $\sum xy$, $\sum x^2$ in equation (ii) and (iii)

$$2432.63 = 7a + b.4817.49 \dots\dots\dots (iv)$$

$$1870032.75 = a.4817.49 + b. 3866131.12 \dots\dots\dots (v)$$

Solving equation (IV) and (V)

$$a = 141 \quad b = 0.30$$

b) Calculation of Regression equation between interest earned and operating profit of NBBL.

Fiscal Year	EBIT(x)	Interest(Y)	Xy	x²	y²
2003\04	914.15	554.13	506,557.94	835,670.22	307,060.06
2004\05	966.54	491.54	475,093.07	934,199.57	241,611.57
2005\06	1,154.78	561.96	648,940.17	1,333,516.85	315,799.04
2006\07	1,389.49	648.84	901,556.69	1,930,682.46	420,993.35
2007\08	1,465.21	767.41	1,124,416.81	2,146,840.34	588,918.11
2008\09	1,778.70	823.75	1,465,204.13	3,163,773.69	678,564.06
2009\10	2,094.71	934.78	1,958,093.01	4,387,809.98	873,813.65
Total	9,763.58	4,782.41	7,079,861.82	14,732,493.12	3,426,759.83

Sources; Appendix-4

Here, N= 7(No. of observations)

$$x = 9763.58 \quad y = 4782.41$$

$$x^2 = 14732493.12$$

$$y^2 = 3426759.83$$

We know the simple regression equation Y on X is, $Y = a + bx$ (i)

To determine the value of regression parameters a and b by solving the following equations,

Solving the following normal equation

$$y = na + b \sum x \dots\dots\dots (ii)$$

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

Putting the value of n, $\sum x$, $\sum y$, $\sum xy$, $\sum x^2$ in equation (ii) and (iii)

$$4782.41 = 7a + b.9763.58 \dots\dots\dots (iv)$$

$$7079861.82 = a.9763.58 + b. 14732493.12 \dots\dots\dots (v)$$

Solving equation (iv) and (v)

$$a = 167 \quad b = 0.37$$

The above calculation shows that $a = 71.5$, $b = 0.52$ of NSBIBL, $a = 346$, $b = 0.49$ of EBL, $a = 141$, $b = 0.30$ of BOKL and $a = 167$, $b = 0.37$ of NB Bank. This indicates that, if interest earned increases by 71.5 million than total operating profit by 0.52 times of NSBIBL. Same as if interest earned increases by 346 million than total operating profit by 0.49 times of EBL. Similarly, if interest earned increases by 141 million than total operating profit by 0.30 times of BOKL and if interest earned increases by 167 million than total operating profit by 0.37 times of NB Bank.

CHAPTER-V

SUMMARY, CONCLUSION AND RECOMMENDATION

This is the concluding chapter of this study. This chapter is divided into three sections: Summary, Conclusion and Recommendations. In this chapter, we summarize the study in brief. In the last section of this chapter, some recommendations have given, which are useful to stakeholders and to concerned companies as well. They can use these recommendations to take some corrective actions to draw decisions.

5.1 SUMMARY:

In this study to analyze about financial performance, four commercial banks have been chosen. These banks are Nepal SBI Bank, Everest Bank, Bank of Kathmandu and Nepal Bangladesh Bank Limited. All these banks are listed in NEPSE. To make the study more reliable, the whole study has been divided into five chapters. The summaries of each chapter are presented below.

First Chapter: First chapter starts with historical background of the study. In this chapter an introduction to banking industry in Nepal, introduction of the banks selected for the study, description of the financial performance is presented briefly. This study endeavors to evaluate financial performance of commercial banks with reference to Nepal SBI Bank, Everest Bank, Bank of Kathmandu and Nepal Bangladesh Bank Limited. The main questions presented as the "focus of study" are what is the condition of financial performance of these commercial banks of Nepal? Does financial performance help to maximize the value of the firm in the context of Nepalese firms? 'The statement of the problems' deals with the effect of the financial performance on the growth of the firm, the content to which the financial

performance policy is followed by the commercial banks, and the main problems faced by the commercial banks in developing and implementing the financial performance.

The main objective of the study presented are to evaluate the role of financial performance on the growth of the commercial banks in Nepal, to analyze the effectiveness and efficiency of financial performance of commercial banks of Nepal and to analyze the relationship of financial performance with variables such as earning per share, dividend per share and net worth.

Finally, 'significance of the study' and 'limitations of the study' are also presented in the first chapter.

Second Chapter: In this chapter various books, research studies and articles concerned in the financial performance have been reviewed and presented as the review of literature to make the concept of financial performance more clear.

Third Chapter: In this chapter, the steps to adopt realistic study needed for the researchers have been presented. The methodology, researcher can use to get appropriate guidelines and knowledge about the various sequential steps to adopt a systematic analysis has been explained in this chapter. Most of data used in this study are secondary in nature that is annual reports provided by concerned companies, seven years data are taken as sampled years and are analyzed by using financial and statistical tools such as ratio analysis, correlation analysis etc methods, which the study is going to use, are exhibited in this chapter.

Fourth Chapter: The data mentioned in the third chapter are presented and analyzed in this chapter using methods mentioned in the chapter third above such as ratios, correlations and probable errors.

Details calculations are presented in this chapter are shown as annexure which is presented after fifth chapter.

Fifth Chapter: In this chapter, summary of the study are presented in brief to understand the whole get about the study instantly after which conclusion of the study with recommendations are presented.

5.2 CONCLUSION:

Based on the analysis and interpretations made on chapter-4, the following conclusions have been drawn which are summarized here under.

1. Under the study of ratio analysis, the long-term debt to total debt indicates what percentage of total debt is covered by long term debt of the firm. The long term ratio shows the long term position of NSBIL is stronger in comparison to EBL, BOKL and NBBL.

All of the sample banks have fluctuating trend of long term debt to total debts ratio. In average NSBIL has 41.26% of average long term debt to total debt ratio, which means that about 58.74% of the total debt is contributed by current liabilities. Similarly, EBL has average long term debt to total debt is 30.15%, likewise for BOKL average ratio is 26.23% and for NBBL is 16.69%. An interest expense is excess in more using of Long Term Debt, but it has low risk. Similarly using of excess current liabilities is high risk. Therefore proportion of using Long Term Debt indicates low risks and it is better. Under this assumption NSBIL has low risk in long term debt than NBBL.

2. Debt to capital ratio highlights the portion of fund financed by debt in the capital of the firm. The total capital consists Long Term Debt and shareholder equity. The data shows NSBIL has the average ratio of 83.40%. Similarly, EBL has the average ratio of 80.89%,

similarly, BOKL has ratio of 76.69% and NBBL has average ratio of 72.91%. We conclude that all the companies have appropriate ratio of debt to capital.

The bank pays high interest in using of more long term debt, but using of shareholder equity does not pay any interest. To achieve more operating profit bank uses lower Debt. Under this assumption SBI bank could not achieve income in equal ratio to NBBL. We can also conclude the firm has more risk which uses excess Debt.

3. Total debt to total assets ratio expresses the relationship between creditors fund and total assets. All four selected banks have high debt to total assets ratio. Average ratio of NSBIL is 92.68%, EBL is 93.45%, BOKL is 92.68% and NBBL is 94.10% which is the highest average ratio among three banks. The highest ratio 94.10% of NBBL indicates 94.10% assets are purchased by creditors fund. Shareholders have only 5.90% contributions in the assets of the company. NBBL has high risk among other three banks.
4. Interest coverage ratio shows how many times the interest charges are covered by EBIT out of which they will be paid. The conclusion drawn by the study is the average interest coverage ratio of NSBIL is 1.53% which is lower among four banks. Average ratio of EBL is 1.80%, BOKL is 1.92 and NBBL is 2.02% which is highest among four banks. It shows that all the sample banks are able to cover the interest but as the highest interest coverage ratio is better. No any banks among the them maintain the standard measurement. Interest Coverage Ratio should be at least 7 times.
5. In regards of the comparative position of return on total assets the four commercial banks BOKL seems to have the highest return 1.66% in comparison of 0.96% of NSBIL, 1.48% of EBL and

1.36% of NBBL. ROA should be excess as much as possible. The comparative study among the banks, BOKL is better.

6. To measure the return earned by shareholders, return earned shareholders equity (ROSHE) is used. The study shows the increasing trend of ROSHE of four commercial banks. The average ratio of NSBIL is 13.49%. Similarly, the average ratio of EBL is 22.91%, in case of BOKL is 22.49% and NBBL is 22.60%. EBL has higher ROSHE but according to coefficient of variance NBBL has more consistency in Return on Shareholder Equity.
7. Earning per share of an organization shows the strength of the share in the market. The overall trend of selected banks is in increasing trend. The average EPS of NSBIL Rs.23.04. Similarly, the average EPS of EBL is Rs.66.19, similarly, for BOKL is Rs.39.64 and the EPS of NBBL is Rs.46.38.
8. Dividend per share is the earning distributed to ordinary shareholders. The average DPS of NSBIL Rs.9.17. Similarly, average DPS of EBL is Rs.25.923. Similarly, average DPS of BOKL is Rs.21.44. And average DPS of NBBL is Rs.16.67.
9. Similarly, under the financial performance analysis, the cost of overall capital for NSBIL has 2.56% on an overall capitalization rate which is lowest rate among four banks. Average overall capitalization rate of EBL is 4.12%. BOKL overall capitalization rate is 4.60% on an average which is highest rate among four banks. The average overall capitalization rate of NBBL is 4.27%. NSBIL uses low cost sources in financial performance. Therefore, it is better among other three banks.
10. The equity capitalization rate of NSBIL is 2.91% on an average which is lowest among four banks on an average cost of equity of

EBL is 4.92%, BOKL has 5.58% which is highest and NBBL has 3.88%.

11. Likewise, in the case of EBIT and interest the correlation coefficient of NSBIL, EBL, BOKL and HBL are positive and 6PE of respective correlation are less than correlation coefficient. So, the relation is significant between EBIT and interest.

5.3 RECOMMENDATION:

In this section of the study, few points that can be helpful to stakeholders as well as to the company to be recommended based upon above calculations and drawn conclusions. These recommendations are guidelines which would be helpful in taking prompt and appropriate decision about financial performance. These recommendations are given below.

- i. First of all, the companies lack the theoretical as well as practical knowledge regarding the financial performance. They have not given significant attention to the capital structure matter. financial performance is a serious matter. It affects EPS, values of the firm, cost of capital etc. So, it is recommended that these companies should follow the theoretical and practical aspects of the capital structure. Management or give bit more attention in this matter and try to manage their activities accordingly.
- ii. The financial performance of four banks is highly leveraged. The proportion of debt and equity capital should be decided keeping in mind the efforts of tax advantage and financial distress. The banks, when it is difficult to pay interest and principle, ultimately lead to liquidation or bankruptcy. For such, the bank should reduce the high use of debt capital.

- iii. Return ratios like: return on total assets, return on shareholders equity is slightly satisfactory in the selected banks, but NSBIL has lower ratios than other three banks. So, it is recommended to NSBIL bank to improve the situation.
- iv. All the banks suggested that try to reduce long term debt and increase to shareholder equity in future and balanced use of current liabilities which should not be exceed the current assets.
- v. Having geared up financial position and insufficient returns indicates the weak aspect of the banks. All the selected banks are suggested to use the resources into most profitable sector and be more concerned to get better return and be careful about their financial condition so that their returns would be depressed anymore.
- vi. Additionally, banks are required and recommended to expand assets and branches, which ultimately affect the banks- Financial Performance and expected to increase the profitability more than present. All the banks increase of total assets, number of bank branches and their volume of transactions.
- vii. Nepalese shareholders are very much concerned about the payment of cash dividend banks rather than their financial statement. As such, banks are suggested to pay cash dividend consistently.
- viii. The banks should save continuity in providing both conceptual and practical training to the staff to enhance their knowledge, skill and competency level, they should remain consistently vigilant in enhancing their moral and motivation. The bank has to enhance effectiveness, efficiency and proper co-ordination of its department's tasks by continuously reviewing its structural design in accordance with the need of the changing time and situation.

It is visible that all the banks are granting significant role in the modern banking system to uplift the economical development of the nation but they are not playing merchant banking role. Hence, selected banks are suggested to play the role of financial intermediary and merchant banking like undertaking of securities, broker's development of capital, merchant and supportive role to the security exchange center which will consequently be helpful for the upliftment of the nation.

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**Appendices
Appendix-1**

Balance sheet

a)Nepal SBI Bank Ltd. (Rs. In Millions)

Date	2003\04	2004\05	2005\06	2006\07	2007\08	2008\09	2009\010
<u>Assets</u>							
-current assets	7404.55	8345.35	10252.13	12777.37	13486.26	16227.26	28401.16
-fixed assets (net)	71.03	62.35	66.45	66.71	97.22	120.22	253.58
- investment	17.89	17.89	19.54	167.20	313.87	622.30	1920.67
- misc. assets	72.85	14.82	7.25	24.56	3.85	217.67	341.27
Total Assets	7566.32	8440.41	10345.37	13035.84	13901.20	17187.45	30916.68
<u>Liabilities</u>							
-Current liabilities	3658.9	4461.5	5569.99	5737.29	7020.44	9832.19	23080.15
-long term liabilities	3337.57	3352.27	4086.36	6316.17	5717.47	5940.63	6123.92
Total Share capital	569.85	626.64	689.02	982.38	1163.29	1414.65	1712.61
-Equity share	425.16	426.88	431.87	640.24	647.80	874.53	874.53
-Preference share	0	0	0	0	0	0	0
Shareholder' reserve	144.69	199.76	257.15	342.14	515.49	540.12	838.08
Total liabilities	7566.32	8440.41	10345.37	13035.84	13901.20	17187.45	30916.68

b)Everest Bank Ltd.

Date	2003\04	2004\05	2005\06	2006\07	2007\08	2008\09	2009\10
Assets							
-current assets	7874.41	9452.07	11614.1	15780.67	21243.39	26174.67	35195.05
- fixed assets (net)	109.59	118.37	134.07	152.09	170.10	360.51	427.16
- investment	17.11	17.11	19.39	19.08	19.08	237.95	802.42
- misc. assets	51.10	21.02	24.57	7.44	0.00	376.26	492.15
Total Assets	8052.21	9608.57	11792.13	15959.28	21432.57	27149.39	36917.11
Liabilities							
-Current liabilities	4644.64	6030.29	7318.55	10454.12	14304.39	18481.92	27363.28
-long term liabilities	2794.74	2897.96	3703.96	4542.35	5926.66	6746.18	7349.99
Total Share capital	455.00	455.00	455.00	518.00	518.00	831.40	838.83
-Equity share	315.00	315.00	315.00	378.00	378.00	491.40	614.56
-Preference share	140.00	140.00	140.00	140.00	140.00	340.00	224.27
Shareholder' reserve	157.83	225.32	314.62	444.81	683.52	1089.89	1364.88
Total liabilities	8052.21	9608.57	11792.13	15959.28	21432.57	27149.39	36917.11

c)Bank of Kathmandu Ltd.

Date	2003\04	2004\05	2005\06	2006\07	2007\08	2008\09	2009\10
Assets							
-current assets	7224.66	9364.43	9644.79	11443.88	13585.24	16081.10	18817.77
- fixed assets (net)	93.64	83.63	95.23	110.74	320.85	387.73	417.04
- investment	38.01	22.81	93.02	716.35	660.39	1098.84	1038.63
- misc. assets	85.50	25.48	24.09	7.36	3.62	154.35	222.61
Total Assets	7444.81	9496.36	9857.13	12278.33	14570.10	17722.02	20496.05
Liabilities							
-Current liabilities	4874.75	6565.88	6257.53	8528.85	10350.95	12476.77	14079.83
-long term liabilities	1990.93	2279.71	2878.86	2909.75	3237.17	3903.18	4674.62
Total Share capital	463.58	463.58	463.58	463.58	603.14	603.14	844.40
-Equity share	463.58	463.58	463.58	463.58	603.14	603.14	844.40
-Preference share	0	0	0	0	0	0	0
- Shareholder' reserve	115.55	187.16	257.16	376.15	378.84	738.93	897.20
Total liabilities	7444.81	9496.36	9857.13	12278.33	14570.10	17722.02	20496.05

c) NB Bank Ltd.

Date	2003\04	2004\05	2005\06	2006\07	2007\08	2008\09	2009\10
Assets							
-current assets	12973.91	15289.71	15906.72	18484.61	21261.08	22146.28	29738.84
- fixed assets (net)	229.87	299.64	295.82	540.83	574.06	795.31	952.20
- investment	10175.43	9292.11	11692.34	10889.03	11822.99	13340.18	8710.70
- misc. assets	818.76	848.32	976.46	665.34	656.74	575.85	644.96
Total Assets	24197.97	25729.78	28871.34	30579.81	34314.87	36857.62	40046.70
Liabilities							
-Current liabilities	19353.51	21104.07	22614.93	23515.46	26759.65	27920.76	30549.68
-long term liabilities	3781.33	3301.55	4714.66	5298.17	5408.72	6423.87	6377.13
Total Share capital	536.25	643.5	772.2	810.82	1013.51	1216.21	1600.01
-Equity share	536.25	643.5	772.2	810.82	1013.51	1216.21	1600.01
-Preference share	0	0	0	0	0	0	0
- Shareholder reserve	526.88	680.66	756.55	955.36	1132.99	1296.78	1519.88
Total liabilities	24197.97	25729.78	28871.34	30579.81	34314.87	36857.62	40046.70

Sources; Annual Report of Concerned Banks

Appendix-2
Income statement

a)Nepal SBI Bank Ltd.

Date	2003\04	2004\05	2005\06	2006\07	2007\08	2008\09	2009\10
(A)Total operating income	565.89	611.60	717.54	799.67	945.76	1092.98	1653.37
-interest earned	469.74	493.6	578.37	708.72	831.11	970.51	1460.45
-commission & discount	29.96	30.66	42.57	40.75	52.59	50.92	78.84
-exchange income	18.50	30.61	32.35	43.06	49.46	51.99	61.29
-other operating income	47.67	56.73	64.25	7.14	12.6	19.56	52.79
(B)Total operating expenses	473.56	474.30	564.48	559.24	548.51	682.19	1170.66
-interest paid	291.82	255.92	258.43	334.77	412.26	454.92	824.70
-salary and allowance	33.73	32.51	37.58	50.54	53.23	74.89	121.99
-other operating expenses	148.01	185.87	268.47	173.93	83.08	152.38	223.97
(C) Contingent loss Provision fund	-	-	-	-	-	57.46	40.35
(D) Contingent loss Provision return	-	-	-	-	-	29.78	198.67
Net operating income (A-B-C+D)	92.33	137.30	153.06	240.43	397.25	383.11	641.03
Add: non operating income	-	-	1.44	-	-	-	2.52
Less :non operating expenses	15.61	15.60	15.40	20.93	18.14	156.65	-
Less: employees Provident fund	7.67	12.17	13.91	19.98	34.46	34.80	44.30
Net profit before tax	69.05	109.53	125.19	199.52	344.65	191.66	599.25
Less: Tax	2030	48.68	67.80	82.76	89.68	100.26	126.66
Net profit after tax	48.75	60.85	57.39	116.76	254.97	91.40	472.59
Add: previous year's Profit	40.95	3.41	2.89	5.28	1.71	4.25	1.53
Total Profit	89.70	64.26	60.28	122.04	256.68	95.65	474.12
Equity dividend	34.02	0	0	32.01	81.55	62.12	275.27
Preference dividend	0	0	0	0	0	0	0
Retained earning	55.68	64.26	60.28	90.03	175.13	33.53	198.85

b)Everest Bank ltd.

Date	2003\04	2004\05	2005\06	2006\07	2007\08	2008\09	2009\10
(A)Total operating income	634.08	783.19	855.99	1063.54	1358.51	1842.50	2557.84
-interest earned	520.17	657.25	719.30	903.41	1444.4	1548.7	2186.8
-commission & discount	61.5	74.33	78.13	96.84	117.73	150.22	202.12
-exchange income	32.21	27.79	27.08	14.39	28.40	64.45	62.53
-other operating income	20.20	23.82	31.48	48.90	67.98	79.13	106.40
(B)Total operating expenses	464.85	530.74	557.04	662.10	832.16	1024.34	1491.80
-interest paid	307.64	316.37	299.57	401.4	517.17	632.61	1012.9
-salary and allowance	37.37	48.53	60.59	70.92	86.12	157.96	186.95
-other operating expenses	119.84	165.84	196.88	189.78	228.87	233.77	292.01
(C) Contingent loss Provision fund	-	-	-	-	-	99.34	93.11
(D) Contingent loss Provision return	-	-	-	-	-	20.20	8.04
Net operating income (A-B-C+D)	169.23	252.45	298.95	401.44	526.35	739.02	980.99
Add: non operating income	1.26	1.87	2.97	2.96	1.31	4.52	5.01
Less :non operating expenses	19.49	19.74	21.24	25.24	27.48	18.99	5.55
Less: employees Provident fund	15.1	23.46	28.08	34.56	45.47	65.87	89.13
Net profit before tax	135.90	211.12	252.50	344.60	454.71	658.68	891.32
Less: Tax	41.71	67.55	81.91	107.31	158.30	207.46	252.58
Net profit after tax	94.19	143.57	170.59	237.29	296.41	451.22	638.74
Add: previous year's Profit	72.92	40.85	46.89	70.53	108.64	83.75	130.55
Total Profit	167.11	184.42	217.48	307.82	405.05	534.97	769.29

Equity share	63	63	66.31	94.5	158.5	107.77	201.73
Preference share	12.6	12.6	12.6	12.6	12.6	12.6	16.35
Retained earning	91.51	108.82	138.57	200.72	233.95	414.60	551.21

c)Bank of Kathmandu Ltd.

Date	2003/0 4	2004/0 5	2005/0 6	2006/0 7	2007/08	2008/09	2009/10
(A)Total operating income	636.24	710.83	756.01	884.79	1016.25	1280.52	1677.94
-interest earned	496.81	567.10	607.09	718.10	819.0	1034.16	13447.76
-commission & discount	60.75	77.71	72.35	70.78	97.43	129.42	150.92
-exchange income	67.44	64.05	72.11	78.95	80.82	93.77	136.04
-other operating income	11.24	1.97	4.46	16.96	19.0	23.17	43.22
(B)Total operating expenses	486.09	500.35	507.30	528.84	562.02	678.62	943.28
-interest paid	276.71	286.30	241.63	308.16	339.18	417.54	563.11
-salary and allowance	51.68	47.73	53.82	59.12	69.74	90.60	146.50
-other operating expenses	157.70	166.32	211.85	161.56	153.10	170.48	233.67
(C) Contingent loss Provision fund	-	-	-	-	-	38.44	33.75
(D) Contingent loss Provision return	-	-	-	-	-	61.83	21.58
Net operating income (A-B-C+D)	150.15	210.48	248.71	355.95	454.23	625.29	722.49
Add: non operating income	0.02	15.46	0.05	1.09	-	0.81	6.93
Less :non operating expenses	14.46	20.77	21.77	25.71	32.49	45.40	2.03
Less: employees Provident fund	13.57	20.52	22.70	30.12	38.34	52.79	66.13
Net profit before tax	122.14	184.65	204.89	301.21	383.40	527.91	661.26
Less: Tax	40.01	57.17	64.76	98.77	121.02	166.40	199.53
Net profit after tax	82.13	127.08	140.13	202.44	262.38	361.52	461.73
Add: previous year's Profit	12.93	8.86	6.49	0.99	8.31	22.16	17.99
Total profit	95.06	136.34	146.62	203.43	270.69	383.68	479.72
Equity dividend	23.18	55.86	69.54	83.44	120.63	241.26	337.76
Preference dividend	0	0	0	0	0	0	0
Retained earning	71.88	80.48	77.08	119.99	150.06	142.42	141.96

d) NB Bank Ltd.

Date	2003\04	2004\05	2005\06	2006\07	2007\08	2008\09	2009\10
(A)Total operating income	1443.54	1516.33	1757.89	2042.38	2160.77	2421.24	2922.82
-interest earned	1201.23	1245.90	1449.47	1626.47	1775.58	1963.65	2342.20
-commission & discount	102.56	123.93	132.82	165.45	193.22	187.82	284.30
-exchange income	109.60	112.42	137.30	198.13	151.64	207.67	249.98
-other operating income	30.15	34.08	41.30	52.53	40.33	62.10	46.34
(B)Total operating expenses	851.41	855.10	1017.93	1213.13	1381.20	1460.28	1694.08
-interest paid	554.13	491.54	561.96	648.84	767.41	823.75	934.78
-salary and allowance	120.15	152.51	178.59	234.59	290.92	292.21	360.98
-other operating expenses	177.13	211.05	277.38	329.70	322.87	344.32	398.32
(C) Contingent loss Provision fund	202.87	186.23	147.14	88.60	90.69	6.01	68.81
(D) Contingent loss Provision return	0	0	0	0	0	0	0
Net operating income (A-B-C+D)	389.26	475.0	592.82	740.65	688.80	954.95	1159.93
Add: non operating income	10.76	3.30	2.80	1.89	3.49	9.70	3.81
Less :non operating expenses	0	10.99	15.01	2.90	(96.76)	(79.07)	(9.51)
Less: employees Provident fund	40.0	46.73	58.06	67.24	71.73	94.88	106.65
Net profit before tax	360.02	420.58	522.55	672.40	717.40	948.84	1066.60
Less: Tax	147.90	157.52	214.27	214.94	225.58	312.97	313.77
Net profit after tax	212.12	263.06	308.28	457.46	491.82	635.87	752.83
Add: previous year's Profit	119.53	122.49	169.97	158.18	156.56	184.39	96.84
Total profit	331.65	385.55	478.25	615.64	648.38	820.26	849.67
Equity dividend	107.25	107.25	128.70	38.61	202.70	202.70	383.79
Preference dividend	0	0	0	0	0	0	0
Retained earning	224.40	278.83	349.55	577.03	851.08	617.56	465.88

Sources; Annual Report of Concerned Banks

Appendix-3

Financial Ratios

a) Long term debt to total debt ratio

Nepal SBI Bank Ltd. (Amount in Millions)

Fiscal Year	Ratio (%)	Long term debt	Total debt
2003\04	47.70	3,337.57	6,996.47
2004\05	42.90	3,352.27	7,813.77
2005\06	42.32	4,086.36	9,656.35
2006\07	52.40	6,316.17	12,052.46
2007\08	44.89	5,717.47	12,737.91
2008\09	37.66	5,940.63	15,772.82
2009\10	20.97	6,123.92	29,204.07
Mean	41.26		
Standard deviation	9.31		
Coefficient of variation	22.57		

Everest Bank Ltd. (Amount in Millions)

Fiscal Year	Ratio (%)	Long term debt	Total debt
2003\04	37.57	2,794.94	7,439.38
2004\05	32.46	2,897.96	8,928.25
2005\06	33.60	3,703.96	11,022.51
2006\07	30.29	4,542.35	14,996.47
2007\08	29.29	5,926.66	20,231.05
2008\09	26.74	6,746.18	25,228.81
2009\10	21.12	7,349.99	34,713.27
Mean	30.15		
Standard deviation	4.87		
Coefficient of variation	16.16		

Bank of Kathmndu Ltd.
(Amount in Millions)

Fiscal Year	Ratio (%)	Long term debt	Total debt
2003\04	29.00	1,990.93	6,865.68
2004\05	25.77	2,279.71	8,845.59
2005\06	31.51	2,878.86	9,136.39
2006\07	25.44	2,909.75	11,438.60
2007\08	23.82	3,237.17	13,588.12
2008\09	23.82	3,903.18	16,379.95
2009\10	24.25	4,674.62	18,754.45
Mean	26.23		
Standard deviation	2.72		
Coefficient of variation	10.33		

NB Bank Ltd.
(Amount in Millions)

Fiscal Year	Ratio (%)	Long term debt	Total debt
2003\04	16.34	3,781.33	23,134.84
2004\05	15.53	3,301.55	24,405.62
2005\06	17.25	4,714.66	27,329.59
2006\07	18.39	5,298.17	28,813.63
2007\08	16.81	5,408.72	32,168.37
2008\09	18.71	6,423.87	34,344.63
2009\10	17.27	6,377.13	36,926.81
Mean	16.69		
Standard deviation	1.60		
Coefficient of variation	9.54		

b) debt to total capital ratio

Nepal SBI Bank Ltd.
(Amount in Millions)

Fiscal Year	Ratio (%)	Long term debt	Total Capital
2003\04	85.42	3,337.57	3,907.42
2004\05	84.25	3,352.27	3,978.91
2005\06	85.57	4,086.36	4,775.38
2006\07	86.54	6,316.17	7,298.55
2007\08	83.09	5,717.47	6,880.76
2008\09	80.77	5,940.63	7,355.53
2009\10	78.15	6,123.92	7,836.53
Mean	83.40		
Standard deviation	2.78		
Coefficient of variation	3.33		

Everest Bank Ltd.
(Amount in Millions)

Fiscal Year	Ratio (%)	Long term debt	Total Capital
2003\04	82.02	2,794.94	3,407.77
2004\05	80.99	2,897.96	3,578.28
2005\06	82.80	3,703.96	4,473.58
2006\07	82.51	4,542.35	5,505.16
2007\08	83.14	5,926.66	7,128.18
2008\09	77.83	6,746.18	8,667.51
2009\10	76.93	7,349.99	9,553.70
Mean	80.89		
Standard deviation	2.30		
Coefficient of variation	2.85		

Bank of kathmandu
(Amount in Millions)

Fiscal Year	Ratio (%)	Long term debt	Total Capital
2003\04	77.47	1,990.93	2,570.06
2004\05	77.79	2,279 .71	2,930.45
2005\06	79.98	2,878.86	3,599.60
2006\07	77.60	2,909.75	3,749.48
2007\08	76.73	3,237.17	4,219.15
2008\09	74.41	3,903.18	5,245.25
2009\10	72.86	4,674.62	6,416.22
Mean	76.69		
Standard deviation	2.18		
Coefficient of variation	2.85		

NB Bank Ltd.
(Amount in Millions)

Fiscal Year	Ratio (%)	Long term debt	Total Capital
2003\04	78.05	3,781.33	4,844.46
2004\05	71.37	3,301.55	4,625.71
2005\06	75.36	4,714.66	6,256.41
2006\07	75.00	5,298.17	7,064.35
2007\08	71.59	5,408.72	7,555.22
2008\09	71.88	6,423.87	8,936.86
2009\10	67.15	6,377.13	9,497.02
Mean	72.91		
Standard deviation	3.28		
Coefficient of variation	4.49		

c) Total debt to total assets ratio

**Nepal SBI Bank
(Amount in Millions)**

Fiscal Year	Ratio (%)	Total debt	Total assets
2003\04	92.47	6,996.47	7,566.32
2004\05	92.58	7,813.77	8,440.41
2005\06	93.34	9,656.35	10,345.37
2006\07	92.46	12,053.46	13,035.84
2007\08	91.63	12,737.91	13,901.20
2008\09	91.79	15,772.82	17,184.45
2009\10	94.46	29,204.07	30,916.68
Mean	92.68		
Standard deviation	0.90		
Coefficient of variation	0.97		

**Everest Bank Ltd.
(Amount in Millions)**

Fiscal Year	Ratio (%)	Total debt	Total assets
2003\04	92.39	7,439.38	8,052.21
2004\05	92.97	8,928.25	9,608.57
2005\06	93.47	11,022.51	11,792.13
2006\07	93.97	14,996.47	15,959.28
2007\08	94.39	20,231.05	21,432.57
2008\09	92.93	25,228.81	27,149.39
2009\10	94.03	34,713.27	36,917.10
Mean	93.45		
Standard deviation	0.67		
Coefficient of variation	0.72		

Bank of Kathmandu
(Amount in Millions)

Fiscal Year	Ratio (%)	Total debt	Total assets
2003\04	92.22	6,865.68	7,444.81
2004\05	93.15	8,845.59	9,496.33
2005\06	92.69	9,136.39	9,857.13
2006\07	93.16	11,438.60	12,278.33
2007\08	93.26	13,588.12	14,570.10
2008\09	92.43	16,379.95	17,722.02
2009\10	91.50	18,754.45	20,496.05
Mean	92.63		
Standard deviation	0.60		
Coefficient of variation	0.64		

NB Bank Ltd.
(Amount in Millions)

Fiscal Year	Ratio (%)	Total debt	Total assets
2003\04	95.61	23,134.84	24,197.97
2004\05	94.85	24,405.62	25,729.78
2005\06	94.66	27,329.59	28,871.34
2006\07	94.22	28,813.63	30,579.81
2007\08	93.74	32,168.37	34,314.87
2008\09	93.18	34,344.63	36,857.62
2009\10	92.21	36,926.81	40,046.70
Mean	94.10		
Standard deviation	1.05		
Coefficient of variation	1.12		

d)Interest coverage ratio

**Nepal SBI Bank Ltd.
(Amount in Millions)**

Fiscal Year	Ratio (Times)	EBIT	Interest
2003\04	1.24	360.87	291.82
2004\05	1.43	365.40	255.92
2005\06	1.48	383.62	258.43
2006\07	1.60	534.53	334.77
2007\08	1.84	756.85	412.26
2008\09	1.42	646.58	454.92
2009\10	1.73	1,423.95	824.70
Mean	1.53		
Standard deviation	0.19		
Coefficient of variation	12.34		

**Everest Bank Ltd.
(Amount in Millions)**

Fiscal Year	Ratio (Times)	EBIT	Interest
2003\04	1.44	443.53	307.64
2004\05	1.67	527.49	316.37
2005\06	1.84	552.29	299.57
2006\07	1.86	746.00	401.40
2007\08	1.88	971.88	517.17
2008\09	2.04	1,291.29	632.61
2009\10	1.88	1,904.17	1,012.87
Mean	1.80		
Standard deviation	0.18		
Coefficient of variation	9.90		

Bank of Kathmandu Ltd.
(Amount in Millions)

Fiscal Year	Ratio (Times)	EBIT	Interest
2003\04	1.44	398.85	276.71
2004\05	1.64	470.95	286.30
2005\06	1.85	445.92	241.63
2006\07	1.98	609.37	308.16
2007\08	2.13	722.58	339.18
2008\09	2.26	945.45	417.54
2009\10	2.17	1,224.37	563.11
Mean	1.92		
Standard deviation	0.08		
Coefficient of variation	4.01		

NB Bank Ltd.
(Amount in Millions)

Fiscal Year	Ratio (Times)	EBIT	Interest
2003\04	1.65	914.15	554.13
2004\05	1.96	966.54	491.54
2005\06	2.05	1,154.78	561.96
2006\07	2.14	1,389.49	648.84
2007\08	1.91	1,465.21	767.41
2008\09	2.16	1,778.70	823.75
2009\10	2.24	2,094.71	934.78
Mean	2.02		
Standard deviation	0.18		
Coefficient of variation	9.09		

e) Return on total assets

Nepal SBI Bank Ltd.

(Amount in Millions)

Fiscal Year	Ratio (%)	Net Profit	Total assets
2003\04	0.64	48.75	7,566.32
2004\05	0.72	60.85	8,440.41
2005\06	0.55	57.39	10,345.37
2006\07	0.90	116.76	13,035.84
2007\08	1.82	254.97	13,901.84
2008\09	0.53	91.40	17,187.45
2009\10	1.53	472.59	30,916.68
Mean	0.96		
Standard deviation	0.48		
Coefficient of variation	49.51		

Everest Bank Ltd.

(Amount in Millions)

Fiscal Year	Ratio (%)	Net Profit	Total assets
2003\04	1.17	94.18	8,052.21
2004\05	1.49	143.57	9,608.57
2005\06	1.45	170.59	11,792.13
2006\07	1.49	237.29	15,959.28
2007\08	1.38	296.41	21,432.57
2008\09	1.66	451.22	27,149.39
2009\10	1.73	638.74	36,917.10
Mean	1.48		
Standard deviation	0.17		
Coefficient of variation	11.73		

Bank of Kathmandu Ltd.
(Amount in Millions)

Fiscal Year	Ratio (%)	Net Profit	Total assets
2003\04	1.10	82.13	7,444.81
2004\05	1.34	127.48	9,496.33
2005\06	1.42	140.13	9,857.13
2006\07	1.65	202.44	12,278.33
2007\08	1.80	262.38	14,570.10
2008\09	2.04	361.52	17,722.02
2009\10	2.25	461.73	20,496.05
Mean	1.66		
Standard deviation	0.38		
Coefficient of variation	22.61		

NB Bank Ltd.
(Amount in Millions)

Fiscal Year	Ratio (%)	Net Profit	Total assets
2003\04	0.88	212.12	2,4197.97
2004\05	1.02	263.06	2,5729.78
2005\06	1.07	308.28	2,8871.34
2006\07	1.50	457.46	3,0579.81
2007\08	1.43	491.82	3,4314.87
2008\09	1.73	635.87	3,6857.62
2009\10	1.88	752.83	4,0046.70
Mean	1.36		
Standard deviation	0.35		
Coefficient of variation	26.10		

f) Earning per share

Nepal SBI Bank Ltd.

Fiscal Year	EPS	Net Profit	No. of Share outstanding
2003\04	11.67	48,750,000	4,251,600
2004\05	14.25	60,850,000	4,268,800
2005\06	13.29	57,390,000	43,187,000
2006\07	18.24	116,760,000	6,402,400
2007\08	39.36	254,970,000	6,478,000
2008\09	10.45	91,400,000	8,745,300
2009\10	54.04	472,590,000	8,745,300
Mean	23.04		
Standard deviation	15.63		
Coefficient of variation	67.85		

Everest Bank Ltd.

Fiscal Year	EPS	Net Profit	No. of Share outstanding
2003\04	29.90	94,180,000	3,150,000
2004\05	45.58	143,570,000	3,150,000
2005\06	54.23	170,810,000	3,150,000
2006\07	62.78	237,290,000	3,780,000
2007\08	78.42	296,410,000	3,780,000
2008\09	91.82	451,220,000	4,914,000
2009\10	99.99	638,740,000	6,388,000
Mean	66.10		
Standard deviation	23.29		
Coefficient of variation	35.24		

Bank of Kathmandu Ltd.

Fiscal Year	EPS	Net Profit	No. of Share outstanding
2003\04	17.93	82,130,000	4,635,800
2004\05	27.50	127,480,000	4,635,800
2005\06	30.23	140,130,000	4,635,800
2006\07	43.67	202,440,000	4,635,800
2007\08	43.50	262,380,000	6,031,400
2008\09	59.94	361,520,000	6,031,400
2009\10	54.68	461,730,000	8,444,000
Mean	39.64		
Standard deviation	14.02		
Coefficient of variation	35.38		

NB Bank Ltd.

Fiscal Year	EPS	Net Profit	No. of Share outstanding
2003\04	39.56	212,120,000	5,362,500
2004\05	40.88	263,060,000	6,435,000
2005\06	39.92	308,280,000	7,722,000
2006\07	56.42	457,460,000	8,108,200
2007\08	48.53	491,820,000	10,135,100
2008\09	52.28	635,870,000	12,162,100
2009\10	47.05	752,830,000	16,000,100
Mean	46.38		
Standard deviation	6.08		
Coefficient of variation	13.12		

g)Dividend Per Share**Nepal SBI Bank Ltd.**

Fiscal Year	DPS	Total Dividend to Shareholders	No. of Share outstanding
2003\04	8.0	34,020,000	4,251,600
2004\05	0.0	0.0	4,268,800
2005\06	0.0	0.0	4,318,700
2006\07	5.0	32,010,000	6,402,400
2007\08	12.59	81,550,000	6,478,000
2008\09	7.10	62,120,000	8,745,300
2009\10	31.48	275,270,000	8,745,300
Mean	9.17		
Standard deviation	10.0		
Coefficient of variation	109.05		

Everest Bank Ltd.

Fiscal Year	DPS	Total Dividend to Shareholders	No. of Share outstanding
2003\04	20.00	63,000,000	3,150,000
2004\05	20.00	63,000,000	3,150,000
2005\06	21.05	66,310,000	3,150,000
2006\07	25.00	94,500,000	3,780,000
2007\08	41.93	158,500,000	3,780,000
2008\09	21.93	107,770,000	4,914,000
2009\10	31.58	201,730,000	6,388,000
Mean	25.93		
Standard deviation	7.55		
Coefficient of variation	29.11		

Bank of Kathmandu Ltd.

Fiscal Year	DPS	Total Dividend to Shareholders	No. of Share outstanding
2003\04	5.00	23,180,000	4,635,800
2004\05	12.05	55,860,000	4,635,800
2005\06	15.00	69,540,000	4,635,800
2006\07	18.00	83,440,000	4,635,800
2007\08	20.00	120,630,000	6,031,400
2008\09	40.00	241,260,000	6,031,400
2009\10	40.00	337,760,000	8,444,000
Mean	21.44		
Standard deviation	12.55		
Coefficient of variation	58.54		

NB Bank Ltd.

Fiscal Year	DPS	Total Dividend to Shareholders	No. of Share outstanding
2003\04	20.00	107,250,000	5,362,500
2004\05	16.67	107,250,000	6,435,000
2005\06	16.67	128,700,000	7,722,000
2006\07	4.76	38,610,000	8,108,200
2007\08	20.00	202,700,000	10,135,100
2008\09	16.67	202,700,000	12,162,100
2009\10	23.99	383,790,000	16,000,100
Mean	16.97		
Standard deviation	5.57		
Coefficient of variation	32.81		

Sources; Annual Report of Concerned Banks

Appendix-4
Coefficient of correlation between EBIT & interest
Nepal SBI Bank Limited

Fiscal Year	EBIT(x)	Interest(y)	xy	x ²	y ²
2003\04	360.87	291.82	105,309.08	130,227.16	85,158.91
2004\05	365.40	255.92	93,513.17	133,517.16	65,495.05
2005\06	383.62	258.43	99,138.92	147,164.30	66,786.06
2006\07	534.53	334.77	178,944.61	285,722.32	112,070.95
2007\08	756.85	412.26	312,018.98	572,821.92	169,958.31
2008\09	646.58	454.92	294,142.17	418,065.70	206,952.21
2009\10	1,423.95	824.70	1,174,331.57	2,027,633.60	680,130.09
Total	4,471.80	2,832.82	2,257,398.50	3,715,152.16	1,386,551.58

$$\begin{aligned} \text{Coefficient of Correlation (r)} &= \frac{N \sum XY - \sum X \sum Y}{\sqrt{N \sum X^2 - (\sum X)^2} \sqrt{N \sum Y^2 - (\sum Y)^2}} \\ r &= 0.99 \\ r^2 &= 0.98 \\ \text{P.E.} &= \frac{0.6745 \sqrt{\sum Z r^2}}{\sqrt{N}} \\ &= 0.005 \\ 6\text{P.E.} &= 0.03 \end{aligned}$$

Everest Bank Limited

Fiscal Year	EBIT(x)	Interest(y)	xy	x ²	y ²
2003\04	443.53	307.64	136,447.57	196,718.86	94,642.37
2004\05	527.49	316.67	167,040.26	278,245.70	100,279.89
2005\06	552.29	299.57	165,449.52	305,024.24	89,742.18
2006\07	746.00	401.40	299,444.40	556,516.00	161,121.96
2007\08	961.88	517.17	497,455.48	925,213.13	267,464.81
2008\09	1,291.29	632.61	816,882.97	1,667,429.86	400,195.41
2009\10	1,904.17	1,012.87	1,928,676.67	3,625,863.39	1,025,905.64
Total	6,426.65	3,487.93	4,011,396.86	7,555,011.19	2,139,352.26

$$\begin{aligned} \text{Coefficient of Correlation (r)} &= \frac{N \sum XY - \sum X \sum Y}{\sqrt{N \sum X^2 - (\sum X)^2} \sqrt{N \sum Y^2 - (\sum Y)^2}} \\ r &= 0.99 \\ r^2 &= 0.98 \\ \text{P.E.} &= \frac{0.6745 \sqrt{\sum Z r^2}}{\sqrt{N}} \\ &= 0.005 \\ 6\text{P.E.} &= 0.03 \end{aligned}$$

Bank of Kathmandu

Fiscal Year	EBIT(x)	Interest(Y)	Xy	x ²	y ²
2003\04	398.85	276.71	110,365.78	159,081.32	76,568.42
2004\05	470.95	286.30	134,832.99	221,793.90	81,967.69
2005\06	445.92	241.63	107,747.65	198,844.65	58,385.06
2006\07	609.37	308.16	187,783.46	371,331.80	94,962.59
2007\08	722.58	339.18	245,084.68	522,121.86	115,043.07
2008\09	945.45	417.54	394,763.19	893,875.70	174,339.65
2009\10	1,224.37	563.11	689,454.99	1,499,081.90	317,092.87
Total	4,817.49	2,432.63	1,870,032.75	3,866,131.12	918,359.35

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

$$r = \frac{10 \times 1,870,032.75 - 4,817.49 \times 2,432.63}{\sqrt{10 \times 3,866,131.12 - (4,817.49)^2} \sqrt{10 \times 918,359.35 - (2,432.63)^2}}$$

$$r = 0.98$$

$$r^2 = 0.96$$

$$\text{P.E.} = \frac{0.6745 \sqrt{10} \times 0.98}{\sqrt{10}}$$

$$\text{P.E.} = 0.01$$

$$6\text{P.E.} = 0.06$$

NB Bank Limited

Fiscal Year	EBIT(x)	Interest(Y)	Xy	x ²	y ²
2003\04	914.15	554.13	506,557.94	835,670.22	307,060.06
2004\05	966.54	491.54	475,093.07	934,199.57	241,611.57
2005\06	1,154.78	561.96	648,940.17	1,333,516.85	315,799.04
2006\07	1,389.49	648.84	901,556.69	1,930,682.46	420,993.35
2007\08	1,465.21	767.41	1,124,416.81	2,146,840.34	588,918.11
2008\09	1,778.70	823.75	1,465,204.13	3,163,773.69	678,564.06
2009\10	2,094.71	934.78	1,958,093.01	4,387,809.98	873,813.65
Total	9,763.58	4,782.41	7,079,861.82	14,732,493.12	3,426,759.83

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

$$r = \frac{10 \times 7,079,861.82 - 9,763.58 \times 4,782.41}{\sqrt{10 \times 14,732,493.12 - (9,763.58)^2} \sqrt{10 \times 3,426,759.83 - (4,782.41)^2}}$$

$$r = 0.97$$

$$r^2 = 0.94$$

$$\text{P.E.} = \frac{0.6745 \sqrt{10} \times 0.97}{\sqrt{10}}$$

$$\text{P.E.} = 0.02$$

$$6\text{P.E.} = 0.12$$