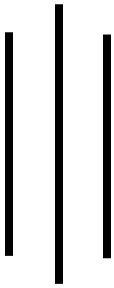
# Financial Performance Analysis of commercial banks in Nepal in the framework of camel (A comparative study of Kumari bank ltd, Bank of Kathmandu ltd, Himalaya Bank Limited and Everest Bank Limited).



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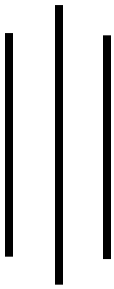
***A Thesis Submitted To:***

**Office of the Dean**

**Faculty of Management**

**Tribhuvan University**



**In partial fulfilment of the requirements of the degree of Masters of**

**Business Study (M.B.S)**

**Biratnagar, Nepal**

**Nov, 2011**

# TRIBHUVAN UNIVERSITY

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## *RECOMMENDATION*

This is to certify that the thesis

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*Entitled*

**Financial Performance Analysis of commercial banks in Nepal in the framework of camel (A comparative study of Kumari bank ltd, Bank of Kathmandu ltd, Himalaya Bank Limited and Everest Bank Limited).**

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

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## VIVA-VOCE SHEET

*We have conducted the Viva-Voce examination of the thesis presented by*

**Dipendra raj karki**

***Entitled***

**Financial Performance Analysis of commercial banks in Nepal in the framework of camel (A comparative study of Kumari bank ltd, Bank of Kathmandu ltd, Himalaya Bank Limited and Everest Bank Limited.**

*And found the thesis to be the original work of the student and written according to the prescribed format. We recommend the thesis to be accepted as partial fulfilment of the requirement for.*

*Master's Degree in Business Studies (M.B.S)*

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## *DECLARATION*

I hereby declare that the work reported in this thesis entitled " ***Financial Performance Analysis of commercial banks in Nepal in the framework of camel (A comparative study of Kumari bank ltd, Bank of Kathmandu ltd, Himalaya Bank Limited and Everest Bank Limited)*** submitted to Research Department of Post graduate Campus, Biratnagar, Faculty of Management, Tribhuwan University, is my original work done in the form of partial fulfilment of the requirement form the degree of Masters of Business Studies under the supervision of Mr. Ram Prakash Upadhyay Lecturer of Post Graduate Campus, Biratnagar.

Date ……./……/2068

_____

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# TABLE OF CONTENTS

# CHAPTER-II

## REVIEW OF LITERATURE

## CHAPTER-III

RESEARCH METHODOLOGY



## CHAPTER-IV

PRESENTATION AND ANALYSIS OF DATA

## CHAPTER-V

SUMMARY, CONCLUSION AND RECOMMENDATION

LIST OF TABLES Page No.

LIST OF FIGURES

# ABBREVIATIONS

| | |
|---|---|
| A.D. | Anno Domino |
| A/C | Account |
| ATM | Automatic Teller Machine |
| BOK | Bank of Kathmandu |
| CA | Current Assets |
| CL | Current Liabilities |
| C.V. | Coefficient of Variation |
| Co. | Company |
| DPS | Dividend per share |
| EBL | Everest Bank Limited |
| EPS | Earning per share |
| EBIT | Earning before interests and taxes |
| HBL | Himalayan Bank Limited |
| JVBs | Joint Venture Banks |
| KTM | Kathmandu |
| Ltd. | Limited |
| MVPS | Market value per share |
| NPAT | Net profit after taxes |
| NEPSE | Nepal stock exchange limited |
| NRB | Nepal Rastra Bank |
| Prof. | Professor |
| P.E. | Probable Error |
| RBB | Rastrya Banijya Bank |

| | |
|---|---|
| SBI | State Bank of India |
| S.D. | Standard Deviation |
| T.U. | Tribhuvan University |
| WWW | World Wide Web |
| % | Percentage |

# CHAPTER-I
# INTRODUCTION

## 1.1Background

Nepal is one of the poorest Countries in the world where 21 percentages of the people live below the poverty line. Nepal's GNP is very low and has produced an average per capita income of us $383. Nepal is an agrarian country. It remains as the backbone of the country's economic development. The majority of the country's population is dependent of agriculture. Since this sector is the basis of income and employment generation and the major source of production.

In Nepal economic development is not possible without development of agriculture because agriculture is major occupation of the Nepalese people. Since agriculture is the backbone of the Nepalese economy, Nepal has given the top priority to this sector. It provides employment of more than 80% of the labor force and contributes over 40% of the total gross domestic product.

Industrialization is an important factor to achieving the basic objective of country's economic and social progress. Industrialization not only provides necessary products and services to the community but also create employment opportunities. If facilitates an effective mobilization of resources of capital and skill, which might otherwise remain unutilized. It also acts as vehicle for fostering innovation and technological improvement. Industrial development thus has a multiplier effect on the economy.

Banking industries is also regarded as one component of economy. It transfers the scattered funds collected from saving of the public into various productive sectors. Economic activities remains halt in absence of banking industries. It plays the role of catalyst for economic development of the country in the developing country where there prevail unorganized transactions. It helps to enhance economic activities of the country by providing capital funds for the smooth operation of business activities, create employment opportunities, investing agriculture, industry. At present there are altogether twenty five commercial banks operating in

the country among which Nepal Bank Limited (NBL) and Rastriya Banjiya Bank (RBB) has occupied wide range of the business due to access to most of the corner of the country. Slowly private banks are also initiating to move toward every corner of the country but due to prevailing political crisis they are not being able to meet their objects to reach to every corner of the country. Due to increasing competition banks are forced to innovate new products to their customer and they are also shifting from traditional service procedure to various sophisticated services like Automatic Teller Machine (ATM) card, debit cards, housing loan educational loans, vehicle financing.

People deposit their saving in trust of banks repay their deposits promptly when they demand for it. If one banks fails to repay the deposited amount to the public then there will be run in the banks and it leads to insolvency of the banks. So as the regulator, supervisor and inspector NRB always dictate the activities of the banks in the country. It chances its directives from time to time in order to have fair competition between the banks and to safeguards the deposits of the public.

As number of banks in the country increases NRB has to be more active towards its regulative and supervising role.

To depict the performance of any firm financial analysis is essential from Past performance often a good indicators of future performance. Therefore, all parties are interested know the trend of past variable such as sales, expenses, net income, cash flow and return on investment and so on. Financial analysis is the process of critical judgment of detail accounting information given in the financial statement.

Financial analysis is the process of determining the significant operation and financial characteristics of a firm from accounting data. It shows the relationship between the various components, which can be found in balance sheet and profit and loss statement. The analyze statement contain those information which is useful for management, shareholder, creditors, investors, depositors etc.

### 1.1.1Introduction of banks

The word bank is originated from the Italian word 'Banco' In Italian language its meaning is bench. At that time people were doing monetary transaction by sitting on bench thereafter the trade is known as Bank. A bank is one who, in the ordinary course of his business, receives money which he pays by honoring cheque of person from whom pr whose account receives. As Nepal is a developing country where many people are under poverty line. Even though banks and co-operatives plays paramount rule for making people life standard better by making them habit of saving, providing loans and other facility. There are different types of bank. They are as follows:-

1. Central bank
2. Commercial Bank
3. Development Bank

3.1 Agriculture Development Bank

3.2 Industrial Development Bank

4. Saving Bank
5. Exchange Bank
6. Rural Development Bank
7. Co-operative Bank
8. Miscellaneous Banks:

8.1Labour Bank

8.2 Student Bank

8.3 Regional Bank

8.4 Indigenous Bank

As the commercial banks are multi-facilitated and popular the study is all about the analytical and comparative study on financial performance of kumari bank limited (KBL), bank of Kathmandu limited (BOK), Himalayan bank limited (HBL) and Everest Bank limited (EBL).

## 1.2 Focus of study

A research work has different dimensions. While, making a comparative financial performance of three firms (banks) i.e., kumarai bank ltd. (KBL), Bank of Kathmandu (BOK) Himalayan Bank Ltd. (HBL), and Everest Bank Ltd. (EBL), a single research work cannot 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 three banks with respect to their financial performance only. Financial performance such as liquidity, profitability, earning structure, trend analysis, correlation 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 sample banks.

### 1.2.1 kumari bank limited (KBL)

Kumara bank limited (KBL) was established in December 10, 1999 as the fifteenth
Commercial bank in Nepal and started its operation from April 3, 2001. The head office of KBL is located at putalisadak in Kathmandu. The main mission of this bank is to provide world class service to the customers at a higher satisfaction level, practice total quality management, an embrace good governance and optimization of the assets to achieve sound business growth.

Kumari bank ltd (KBL) is the growing bank of Nepal. The bank has the paid of capital Rs 1078.272 million of which 70% in contributed from promoter and remaining from public. Kumari bank limited has been providing wide range of modern banking services in various urban and semi urban part of country. The bank has adopted computerized system in banking. The main software of the bank is called Globus and the bank has any branch banking system (ABBS). The bank also provides different services such as ATM and electronics banking etc. the bank has been providing loans and advances in various sectors such as agriculture, manufacturing, deprived sectors, industry and consumer financing etc.

### 1.2.2Bank of Kathmandu limited (BOK)

Bank of Kathmandu (BOK) was established on 28th Falgun 2051 with Thai Commercial Bank. During the launch period, share contributed by SBIT Thailand and Nepali promoter were 50% each. However, presently it is owned and managed by Nepalese investors only. Now, during the fiscal year 2065/66, BOK has Rs 1000 millions as authorized capital, Rs 1359.50 millions as issued capital and paid up capital is Rs 1359.50 millions.

### 1.2.3 Himalayan bank limited (HBL)

Himalayan Bank Limited (HBL) was established on 1st Magh 2049 B.S. with Habib Bank of Pakistan under Commercial Bank Act 2031 B.S. It is the fourths JVBs of Nepal. Its head office is situated at Thamel, Kathmandu. At the lunch period HBL has authorized capital of Rs 240 millions, issued capital of Rs 120 millions and paid up capital Rs 60 millions. But in fiscal year 2065/66 it has authorized capital of Rs 2000 millions, issued capital of Rs 1216.22 millions and paid up capital 1216.22 millions.

### 1.2.4 Everest Bank Limited (EBL)

Everest Bank Limited (EBL) has been established with the objectives of providing banking services to various regional area of kingdom of Nepal and there by contribute in the economic development of the country. As a sequel to the policy of government to open the banking sector for private and foreign participation starting from mid eighties. Everest Bank Limited came into formal operation from 18th October 1994, despite the cut-throat competition in the Nepalese Banking sector; Everest Bank has been able to maintain a lead in the primary banking activities

loans and deposits. Legacy of Everest lives on in an institution that is known throughout Nepal for its innovative approaches to merchandising and customer service. Products such as premium savings account, EBL proprietary card and millionaire deposit scheme besides services such as ATMs and Tele Banking were first introduced by EBL. Therefore, the banks stand for the innovations that we bring about in this country to help our customers besides modernizing the banking sector. Hence, it is celebrating its 15th anniversary successfully in the competitive market.

## 1.3 Statement of the problem

In the present competitive environment in banking and every sector it is very difficult to obtain expected earning/profits. Every commercial bank has to follow by the regulations and provision made by Nepal Rasta Bank. They have to maintain specific capital structure, Infrastructure, Cash Reserve Ratio, Credit Creation Limitation, Liquidity ratio etc. Banking and finance companies operate successfully that lead to the uplift of the nation's economy while unsuccessful operation causes serious problems to the financial condition of the country. Several commercial banks have been established in the country within a short span of time. Due to high competition in the market, these banks are providing more loan and advances against their client's insufficient deposit. Unsecured loan and investment may cause the liquidation of the commercial banks. Most of people of Nepal do not know about share debenture and other securities because capital market is not so developed in Nepal. On the other hand there are no any strong commitments or policy made by the government towards increasing public investment in policy market. Mainly some private and joint venture commercial banks are main root for many of such investment in financial securities. Limited options exist in financial securities. Stockbroker and financial institutions have no effective program to develop investor's knowledge. So, moreover people are unfamiliar with the stock investment. It is believed that people have money for investment but the investment sector is limited except than a bank deposit or real estate. They would rather prefer to invest in unproductive sector e.g. buildings, gold and other unproductive item.

As every business is established with a view to maximize earnings/profits. The attitude and perception of investor play (Main) chief role in investment decision, which is influenced by the information and access to the data, required for analysis. So lack of information and lean

knowledge is chief problem faced by investor. Investor invests their wealth on the basis of guess and hunches because they do not have appropriate information about the financial asset and also lack of idea to reach to ideal decision. Investor purchases stock merely looking past trends of stock prices and sometimes they have to bear heavily loss due to inadequate knowledge and information related to field of stock investment. They have to maintain specific capital structure, Infrastructure, Cash Reserve Ratio, Credit Creation Limitation, Liquidity ratio etc. The major problems in Nepalese banking sector are as follows:

Whose financial performance is better?
Do they manage utilize their assets satisfactory?
Are they maintaining sufficient liquidity position?
Do they have sound operation result in relation to their profitability?
Whether or not banking sector is able to maintain different ratios?
What level of ratios has to maintain by bank?
What are the papers hassles in different banking activities?
Why recruitment of professionals is not transparent and fair?
What type of role a bank has to play for emerging new business?
To what extents these bank are able to raised and maintain their profitability?
Whether sample banks are more effective and efficient in mobilization of fund for better financial performance?
Is there any stability in various ratio policies of the sample banks?
How far is the current political and economic situation of the country affecting the performance of the sample banks?
Do financial ratios indicate any strength and weakness of the banks?
They concentrated their operation only in the urban areas.
They are making excessive profit by taking undue advantage of the weakness of domestic banks.

Thus in Nepalese context, the investment decision is rarely taken after the analyzing the performance of stock. This study is attempt to answer such questions and also attempt to give suggestions for a rational investor.

## 1.4 Objective of the study

Commercial banks are established with intention of earning profit so that the wealth their shareholder is maximized and earning depends upon efficient the mobilization resources. Financial analysis is tools for measuring the successes of any business performance. All the detail financial information or bank is shown by the financial analysis. Therefore the main objectives of this study are to analyze, examine and interpret the financial position of KBL, BOK, HBL and EBL with the help of ratio analysis and other portfolios. In addition the study tries to evaluate the efficiency and progress of the sample banks comparatively. Its specifically objective is as follows.

- To examine and compare financial performance of BOK, KBL, HBL and EBL.

- To help the investor and shareholders to known how properly their funds are being used.

- To show the degree of efficiency in management and utilization of the assets by the firm with the help of various activities ratios.
- To assets the long term financial viability and the long –term solvency of bank by leverage capital structure and profitability ratio. Which go on an earning power and operating efficiency?
- To examine relative financial performance of four banks.
- To provide suggestions to overcome the problem and improve the performance.
- To know the degree of correlation between the following relevant variables.
    i. Investment and total deposit,
    ii. Interest earning and profitability.
    iii. Interest earned and interest paid.
- To make comparative analysis of other indicators with reference to earning per share, dividend per share.

- To evaluate the income and expenses pattern.
- To compare the growth trend of bank as regards to other related variables, using trend analyses method.
- To analyze the mobilization of resources into investment of four banks.

## 1.5 significance of the study

This study will provide practical importance to commercial bank to making their financial decision. The research work deals with the financial position of banking and finance companies in Nepal. After all, banks and finance companies are the base for the economic growth and development of the country. As all the financial institutions are the bases for economic growth of nation. The study has significance to various people in various ways e.g. Management, Shareholders, the businessman and entrepreneur, the government and the individuals. Therefore the study has been become essential to each people for the various purposes that can be described as follows:

1. to the Shareholders:

   Every shareholder of the company wants to know about the financial position of his/her investment because his/her wealth has been invested there. So, this proves the importance of the study to each shareholder.

2. to the Management:

   Company depends on the management and the management also depends on the company. No one company gets success without good management. Therefore, the managers are interested to know about financial position of the organization. The risk associated with the return is also their subject matter. It helps them to find the degree of tolerance of the risk under a given return. In this way, the study is useful to the management of the financial institution.

3. to the Entrepreneur and Businessman:

   Banking and finance companies provide service to the entrepreneur and businessman. Without this service, their business can not be conducted.

Therefore the entrepreneur and businessman prefer the financial institution having low risk with high return. In this context, the study is importance to them.

4. to the Government:

   The government is responsible institute for the country. Therefore, the government is curious to know about the risk and return position of those institutions that play vital role for the economic growth and development of the country. Banks and financial institutions serve as an indicator of nation's economy. The research helps to make suitable plan and policy for the country. So, the study is important to the government for the formulation and implementation of fiscal and monetary policy.

5. to the Public:

   Apart from above mentioned parties, the study is also important to people that comprise of customers, creditors, investors, competitors, stock brokers, students, economists, statisticians and other rational individual.

The managers are always interested to know the financial condition of the organization. Similarly, it helps to the government commercial banks play a vital role for the economic growth and development of nation. The government has always interest to know the position of commercial banks because the study helps to formulate the appropriate plan and policy for the country and also create conductive investment environment. In addition from above mentioned parties, the study is also important to other individuals that comprise of customers, investors, competitors, stockbrokers, student, economist, statistician and other rational individuals.

## 1.6 Limination of the study

This study is simply for partial fulfillment of the requirement of Master in Business Studies (MBS). However there are some limitations, which narrowed the generalization. For instant inadequate coverage of industries, time periods taken reliability of statistical tools used and other

variations. The study is completely based on the data collected from the banks. The following are the some limitations of the study:-

1. The study will cover only five fiscal year (2005/06-2009/10) historical data of KBL, BOK, HBL and EBL.

2. The study will be based on the secondary data; if there is necessary of primary data then it would be collected and analyzed.

3. The study will depend upon the true response and the data provided by the management of the banks.

4. Time and resources lack are the main limitation to the study.

5. This study would only concern with fulfilling in partial requirement in masters of business studies (MBS).

6. The study has been completed under allotted time and cost according to the given format by faculty of management.
7. Variation in date published from different sources e.g. figure published by NEPSE and companies differ to some degree.

## 1.7organization of the study

The plan of the study is divided into five chapters which are described briefly as follow:
Chapter One deals with the general background of the study along with focus of the study, statement of the problem, significance of the study, objective of the study, research design and limitation of the study.
Chapter two conceptual review of the related area and review of past studies and the review of research tools & techniques are discussed.
Chapter three explain about the research methodology, which is used to evaluate the financial performance of KBL, BOK, and HBL & EBL. It consists of research design, nature and sources of data, the population and sample, data processing procedure and tools and techniques for analysis.

Chapter four deal with the presentation and analysis of relevant data and information throughout definite course or research methodology. Analysis of different ratio and presentation of trend analysis depend on the data.

Lastly, chapter five summarized of the whole study. It contains conclusion of the study and various suggestion and recommendation of the improvement of the future performance.

# CHAPTER– II
# REVIEW OF LITERATURE

## 2.1 Introduction

A literature review is a body of text that aims to review the critical points of current knowledge on a particular topic. In this chapter, we find what kind of study has been done before to the related topic. What kind of conclusion and findings has made before. We can compare and make better the topic by furthermore research and find major findings. The financial performance analysis has been done but comparison study is done very few. So the study will be helpful to know the KBL, BOK, HBL and EBL. financial position and their major differences. The study sources are books, journals, report, internet etc.

Review of literature is the study of previous research or article or book in related field or topics for finding the past studies conclusion and deficiencies that may be known for further research. This chapter will help to check the chances of duplication in the present study. Thus the gap between the previous research and current research can be filled.

Therefore, the chapter is categorized under three main heading. Conceptual framework is concern with fundamental of supportive text that will ensure the interpretation whether it is under the principles and doctrine of the theories related to the topic. Review of related studies is about the studies is about the studies of previous thesis, related books and previous researches in similar topics. The last is research gap, which will describe the difference between the previous thesis and current thesis. The purposes of the literature review are as follows:-

- To define and limit the problem working on.
- To place the study in an historical perspective.
- To avoid unnecessary duplication.
- To evaluate promising research methods.
- To relate the findings to previous knowledge and suggest further research.

## 2.2 Conceptual review

The definitions of the terminologies used in the study needs to be described properly. It helps to clear the vision of the study. It may help you to devise a theoretical or analytical framework as a basis for the analysis and interpretation of data. It is not enough merely to collect facts to describe what is. All researchers collect many facts, but then must organize and classify them into coherent pattern. Sometimes 'model' is used instead of or interchangeably with theory. Methods used by other researchers may be unsuitable for your purpose, but they may give you ideas about how you might categorize your own data, and ways in which you may be able to draw on the work of other researchers to support of refute your own arguments and conclusions. This makes the study more meaningful and easy to understand the problem of the study.

### 2.2.1Meaning of Commercial Bank

Commercial bank are major financial institution, which occupy quite an important place in the framework of every economy because they provide capital for the development of industry, trade and business and other resources deficits sectors by investing saving collected as deposit. Role of banks primarily consists of the utilization of deposits and producing credit. In other words the banks in such countries have very important role of play in accumulation scattered resources and diverting such resources into productive channels. On the other hand, obliviously they pull all the scattered savings that are idle or otherwise would have been wasted in unproductive consumption like marriage, gambling, festivals, social economic activities etc. and they changes them in productive investment. Most of the developing countries suffer form almost complete lack of capital market; both the commercial bank and non-banking financial institutions consequently have a special role to play in the long process of growth. In principal they should undertake the responsibility for activation the increasing follow of personal savings so that the amount of hoarded wealth are diverted form unproductive to productive uses. The development of various sectors of the economy would not be possible. The whole community derives benefit form banks in different ways. It provides facilities to the commerce of the

country. In addition to the acceptance of deposits, accepting traveler's cheques, underwriting, purchase and sale of securities, government bonds for customers, buy and sell of foreign exchange. The other services of commercial banks are commercial letter credit, supply of timely credit and market information, providing remittance facilities and so on.

The bank whose objective is to earn profit by performing different financial activities is called commercial bank. In developing country like Nepal, commercial banks pay vital catalyst role to ever growing economic for the on employments of the country. If can not be denied that without the development of commercial banks in the country the four wheels of economic development like agriculture, industry, trade and commerce would be paralyzed in Nepal. So, in the present banking scenario there are 31 commercial banks which are providing modern banking services and facilities.

## 2.3 function of commercial bank

Receiving deposits and giving loans are the two main functions of commercial banks. Commercial banks generally perform following functions:

#### 2.3.1.1 Fixed deposit amount

Accepting deposits by banks is the basic and most important function. A bank accept deposits in three forms namely savings, current and fixed deposits. The bank is free to make use of fixed deposits for gaining loans and advances, as it is aware of the repayment of such fixed deposits.

#### 2.3.1.2 Current deposit amount

It is another heading under which banks collects deposit. Traders and businessman generally maintain this type of account. Depositors have no limitation on withdrawal under this account. Because traders have to make payment more often, the bank doesn't provide interest on this heading.

#### 2.3.1.3 Saving deposits

Saving deposit bears some interest and is the most preferred ones among the people because it is easy to operate and the account opening balance ranges from NRP 1000 to 5000 depending on the banks strategy. Banks pay some interest on this account but the interest is lower compared to that of fixed deposits. Furthers, the bank may imposes some restrictions on the withdrawal.

#### 2.3.1.4 Call deposits

This deposit scheme is for those depositors who deposit large volume of balance in their account. The bank provides higher interest rate as per the negotiation with the depositors. The interest is provided on the daily balance so as to attract huge deposit.

### 2.3.2. Advancing of loans

After collecting money by way of deposits, a bank invests it or lends it out. Money is lent to business persons and traders usually for short periods only. This is so because the bank must keep it-self ready to meet the demand of the depositors, who have deposited money for short periods. Money is advanced by the banks in the form of allowing on overdrafts creating a deposit of cash credit and discounting bills.

#### 2.3.2.1 Money at call

This type of loan is usually provide to another bank or financial institution for very short period and the bank can call its money back at a very short notice of one day to fourteen day.

#### 2.3.2.2 Cash credit

These loans are issued to the borrowers against their current assets like shares, stocks; bound etc. bank opens on account depending upon the policy of the bank and credits the entire loan account to the account. The borrower is allowed to with draw money as per his requirement from the limit provide to him. The bank charges the interest on the withdrawal amount.

#### 2.3.2.3 Overdraft

Those loans are provided to those that have credibility in the business and depending up on their business volume and relationship with the bank, banks provide overdraft facility where by the borrower can withdraw the amount to certain limit beyond its deposits. The banks charge interest on the over drawn amount.

#### 2.3.2.4 demand loan/Short -term loan

Those loans are provided to the borrowers for the purchase of raw materials depending upon the situation and the need of the borrower. The loan is provided once of the borrower put forward a request letter and depending upon the need the loan is sanctioned for a period of ranging maximum from 90 to 120 days. The borrower is allowed to utilize the loan for the stipulated time period with interest rate after which the borrower has to settle the including the principle amount.

#### 2.3.2.5 Trust receipt loan

The loan is provided against the LC to the borrowers to bring the goods imported from third countries to their go downs. The time period ranges from 90 to 120 days and the amount of the document value of LC. The bank charges certain interest rates to loan provide.

#### 2.3.2.6 Term loans

This kind of loan is provided to the borrowers for the purchase of plant and machines and it is usually provided for more then one year. The interest is the highest among all the loans because of longer durations and the risk. The loan is repaid on the monthly, quarterly, half yearly or yearly basis depending upon the term and conditions of the banks.

### 2.3.3 Agency function

Banks also perform certain functions for and on behalf of their customers, some of which are as follows

#### 2.3.3.1 Remittance of function

Banks help customers in transferring their funds from one place to another by drafts, fax transfer and T.T. similarly; it also provides them the facility of withdrawing the amount transferred by their relatives from abroad through different sources like western union money transfer and Nostro banks.

#### 2.3.3.2 Collection of dividends on shares

Banks collect the dividends, interest on shares and debentures of their customers.

#### 2.3.3.3 Collection and payment of credit instruments

Bank collects and pays various credit instruments like cheque, bills of exchange, promissory notes etc.

## 2.4 Development of commercial bank

Before the origin and development of the bank, people used to borrow the lone from land lord merchant, goldsmith etc. but now, due to the invention of the bank the people need not knock the above person's door. . It is assumed that the regular history of coinage in Nepal began form the 5th century A.D. in the year. “It is not possible to give correct chronological history in view to the fact that not authentic historical record is available in respect of banking, it can be inferred form references in the history of Nepal. “Regarding rebuilding of Katmandu in 723 A.D. by Gunakama Dev form the borrowing and that of Tankadhari action of introduction of Nepalese sambat. Some 57 years there after to mark the repayment of all debts that money lending have been prevent lone before that.”(NRB Bank Samachar. 2055).

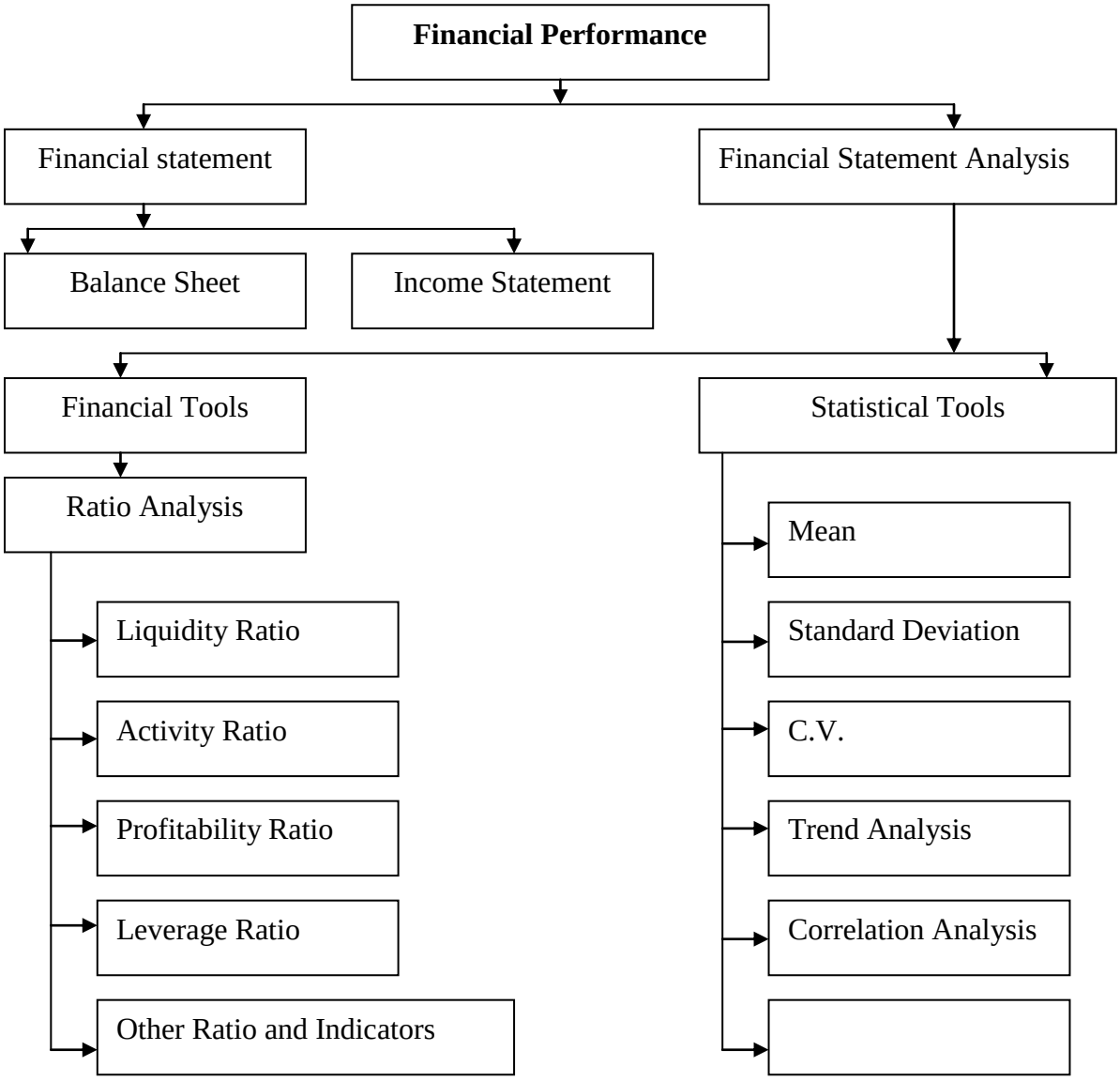
In Nepal some financial institution involved in capital market are Nepal Rastra Bank, Commercial Bank, Nepal Industrial Development corporation, Agriculture Development Bank, Citizen investment trust, Rastriya Bima Sansthan, Financial institution, employees provident funds, Securities board, NEPSE , Co-operative organization. The non-government organization some hotel, manufacturing companies and trading agencies are also involves in capital market.

Among various types of bank only commercial bank are consider. Nepal bank limited is the commercial bank established in 1994 B.S. later on Nepal Rastra Bank was established in 2013 B.S. as a central bank and Rastriya Banijya Bank was established in 2022 B.S. under full ownership of government. After then many other joint venture Banks were established. Nepal Arab bank limited (NABIL) was the first joint venture bank established in 2041 B.S. In 2043 B.S. second joint venture Bank was established named as Indousez Bank Ltd, now it is known as Investment Bank. In the same year Nepal Grindlay's Bank (Now standard Chartered) in the form of joint venture was also established. After the restoration of democracy more joint venture bank came into existence. After the restoration of democracy, economic policies were liberalized and provision was made to establishment of joint venture. After then Himalayan Bank Ltd. (2049), Nepal SBI Bank Ltd. (2050), Everest Bank Ltd. (2051).These institutions plays vital role in the development of capital market. Nepalese capital market is also classified in organized and non-organized sector. Government agencies and other institution, which are already mentioned above categorized in organized sector. They provide long term funds for development of agriculture and commercial sector by investing Common stock, debenture and government bond. Investors, Merchant and private sector also help for development of capital market.

In Nepal, the institutional development of stock market began after the establishment of "Security Exchange Center "in 1976 A.D. Now it is called Nepal stock Exchange limited. Securities board Nepal (SEBO) was established on 26 May 1993 under the provision of securities exchange act, 1993. It is established with the objective of protecting promoting and development of securities market in Nepal. Buying and selling activities of financial securities is conducted in Nepal stock exchange (NEPSE). NEPSE is only stock exchange in Nepal.

## 2.5 components of financial performance

Financial Performance Components are presented below.




### 2.5.1 Financial statement

Financial Statement are annual documents prepared by the organization or pointed out earlier, financial statement are prepared for the purpose of disclosing the financial position of the

business concerns at a point of time and also operating results during the period under review. Thus these are in one sense, the periodical reports about the progress made by the management of the business concerns. Investors, Creditors, and even a layman consider the values shown in these statement to be real and absolute but this is not correct understanding. The values shows in financial statement never convey the current or economic values. The main reason for this contention is that the data contained in the financial statement are the combined result of recorded facts, accounting contentious, postulates and person journal judgment used the application of accounting principals. Therefore financial statements are prepared from the accounting maintained by the firm. The generally accepted accounting principals and procedures are follows to prepare these statements. The basic objectives of financial statement are to assists in decision-making.

Financial statement are prepared for the purpose of presenting a periodical review or reports on the progress by the management and deal with,

- The status of investments in the business or Balance sheet, and
- The result achieved during the period under review or Profit and Loss account.

**I. Balance sheet**

Balance sheet is one dimension of statement, which assists is measuring the assets, liabilities and capital of a firm m a moment of time. It informs the financial condition on of affairs of form or bank at an accounting period. It decides the information about and obligations of a business entity. The assets, liabilities and capital fill in it. The sets are measured in monetary which are the future benefits. They are valuable possessions owned by the firm cash, stock, receivable and other tangible and intangible items.

"The balance sheet is a most significant financial statement it is a statement of assets and liabilities and indicates the financial position of the firm of the form of a particular time. It contains information about economic term of accounting. The balance sheet communicates about assets, liabilities and owner's equity in the form. In short, it provides information about the financial position of the end of the accounting period." (Mayer, J.N. 1961:317)

The balance sheet can be presented either in a T from or in a vertical order, beginning with assets. Assets and liabilities are two constituents of balance sheet. Normally assets and liabilities are detailed in their order of performance.

**II. Income statement/ profit and loss account**

Profit and loss account is also called income statement. The earning capacity and potential of the firm are reflected by the income statement. The profit and loss account is the "Score- board" if the firm's performance during a particular period of time. Since the profit and loss accounts reflects the results of operations for a period of time.

The profit and loss account presents the summary of revenues, expenses and Net income (or Net loss) of a company for a period. Thus, it serves, as a measure of the firm's probability.Net income, which is an indication of the firm's profitable operations, is the amount by which the revenues earned during a period exceed the expenses incurred during that period. If the firm's operations prove to be unprofitable, total expenses will exceed total revenues and the difference is referred to as a net loss. Revenues are the amounts, which the customers pay to the firm for providing them the goods and services. The firm uses economic resources in providing goods and services to the customers. The cost of the economic resources used to earn revenues during a period is called expense. Thus, to determine net income (or net loss) the accounting system matches the expenses incurred during the accounting period against the revenues earned during that period. This matching of expenses with revenue is called matching concept. The time period for which machine is done is called the accounting period. Normally, the accounting period for the business firms is of one year's duration. Therefore, the income statement is prepared on annual basis.

"The income statement is the scoreboard of the firm performance during a particular period of time." (Jain premila, 1990;128)

### 2.5.2 Financial statement analysis

Financial statement analysis is largely a study of relationship among the various financial factors in a business as disclosed by a single set of statement and study of the trend of these factors as shown a series of statements. Financial statements analysis is the process of identifying the financial strength and weakness of the firm by properly establishing relationship between the items of balance sheet and the profit and loss account.

Analyzing financial statements is a process of evaluating relationship between component parts of financial statements to obtain a better understanding of a firm's position and performance." (Pandey I.M.:500).

Financial statement analysis is a study of relationship among the various financial factors in a business as disclosed by a single set of statement and a study of the trend of this factor as shown in a series of statement. By establishing a strategic relationship between the items of a balance sheet and income statement and other operative data, the financial analysis unveils the meaning and significance of such items." (Ahuja, B.N. second edition 121).

“Financial statement analysis involves a comparison of firm’s performance with that of others firms in the same line of business. Which is often identifies the firm’s industry classification.”(Weston, Besley &Eugene, 1996)

The tools of financial statement analysis, which are applied on this work, are:

A .Financial tools

B .Statistical tools

### A .Financial tools

Financial analysis is the starting point for making plans, before using only sophisticated for casting and planning procedures. Analysis of financial statements is a purposeful and systematic presentation of information in the financial statement by developing relationship between one figure with other in order to measure the probability, liquidity, solvency, operational of efficiency and growth potentiality of the business organization.

Financial performance of a firm can be evaluated by using relevant financial tools and techniques. The analytical tools of financial statement analysis are the ratio analysis, trend percentage analysis and other tool is statistical tools. By the help of these tools, it can be identify the actual position of the related firm these tools have been presented as follows.

**I.Ratio analysis**

Ratio analysis is an important tool of financial analysis. An analysis of financial statement with the help of 'ratio' may be termed as 'ratio analysis.' It is a mathematical relationship between two related items expressed in quantitative form. Therefore, the ratio is the measurement of quantitative relationship between two or more items of financial statement connected with each other. In simple language ratio is one number expressed in terms of another and it can be worked out by dividing one item of the relationship with the other.

Many writers in different definition define ratio analysis. "The indicate quotient of two mathematical expressions and as the relationship between two or more things." (Varn hornej and wachowicz j.m. 1997).

In financial analysis, "ratio is used as an index of yardstick for evaluating the financial position and financial performance of the firm." (Pandey, I. M., 1997;110)

To focus the important of ratio, "ratio analysis serves the purpose of various parties into rested in financial statements. Primarily the objective of ratio analysis is to help management in analyzing and interpreting the financial statement to get adequate information useful for the performance of various functions like planning, co-ordinations, controlling, communication and forecasting etc." (J.B. Attey)

Now, it is going to discuss about ratio analysis and its items used by various parties. There are various types of ratios, which are used by different parties for their own purposes. The required ratio can be calculated from the information of financial statements. Generally, creditors,

investors, shareholders, financial institutions, management etc, are interested to know the financial situation of the firm. The classifications of ratio based on users are:

- Liquidity Ratio
- Turnover Ratio/Activity Ratio
- Capital Structure/Leverage Ratio
- Profitability Ratio

**I.1liquidity ratio**

Liquidity ratio measures the ability of firm to meet its current obligations. In fact, analysis of liquidity needs the preparation of cash budget and cash and fund, but liquidity ratio, by establishing a relationship between cash and other current assets to current obligation, provides a guide measure of liquidity. [pandey. M, 1997] Liquidity ratios give insight into the present cash solvency of the firm and its ability to remain solvent in the event of adversities. It is the comparison between the short-term obligation and the short firm resources. In case of bank, liquidity management is widely used to analyze liquidity position of banks.

A bank should ensure that it does not suffer from lack of liquidity and it does not have excess liquidity. Both conditions of liquidity are unfavorable for a bank.

Banks can experience lack of liquidity when cash outflows (due to deposit withdraws, loans etc.) exceed cash inflows (new deposits loan repayments etc.).They can resolve any cash deficiency either by creating additional liabilities or by selling assets. [Madhura, 1989] To analyze the ability of banks, the following ratios are calculated:

- Current ratio
- Cash and bank balance to Total deposit ratio
- Cash and bank balance to Current ratio

**II. Turnover ratio/activity ratio**

Traditionally, assets and investment management ratios have been called activity ratios or turnover ratios. Whatever designation, the idea is to measure how effectively the firm utilizes the investments and the economic resources at its command. Investments are made in order to produce achieving profitable sales, therefore, involves making sound investments. At the practical level, this involves comparisons between the sales and the investment in various assets accounts. The methodology postulates an optimal relationship between sales and the various types of asset investment. [*Weston & Copland, Ninth Edition: 199*]

This ratio evaluates the efficiency with which the firm manages and utilizes its assets. They indicate the speed with which assets are being converted or turned over. Thus, these ratios are used to measure the banks ability to utilize their available resources. Various activity ratios are used to predict the effectiveness of asset utilization. Some selected ratios for this research can be illustrated as follows:

- Loan and advances to Total deposit ratio
- Loans and advances to Fixed deposit ratio
- Loans and advances to Total working fund ratio
- Total investment to Total deposit ratio
- Investment on government securities to Total working fund ratio
- Investment to Shares and debenture to Total working fund ratio

**III. Profitability ratio**

Profit is the difference between total revenues and total expenses. Profit is the ultimate output of a commercial bank and it will have no future if it fails to make sufficient profits .Therefore, the financial manager continuously evaluates the efficiency of the banks in terms of profit. The profitability ratios in this study are calculated to measure the operating efficiency and performance of two banks comparatively.

The future stream of cash flows is the result of a large number of policies and decisions. We start with historical data about cash flow and profitability but emphasize that these represent only the

starting point. Further strategic and operating analysis is required to make meaningful projections for the future. [*Weston & Copland., Ninth Edition:193*]

Some major profitability identifying ratios used in this study are as follows:

- Net profit to Total assets ratio
- Net profit to Total deposit ratio
- Net profit to Net Worth Ratio
- Total Interest Earned to Total Working Fund Ratio
- Total Interest Paid to Total Working Fund Ratio

**IV. Leverage ratio**

Leverage ratio has a number of implications. First, creditors look at equity, or owner supplied funds, as cushion or base for the use of debt. If owners provide only a small proportion of total financing, the risks of the enterprise are borne mainly by the creditors. Second by raising funds through debt the owners of the firm with a limited commitment. Third, the use of debt with a fixed interest rate magnifies both the gains and losses to the owners. Fourth, the use of debt with fixed interest cost and with a specified maturity increases the risks that the firm may both be able to meet its obligations.

In practice, leverage is approached in two ways. One approach examines balance sheet ratios and determines the extent to which borrowed funds have been used to finance the firm. The other approach measures the risks of debt by income statement ratios designed to determine the number of times fixed charges are covered by operating profits. These sets of ratio are complementary, and most analysts examine both. [*Weston & Copland., Ninth Edition: 203*]

Following are ratios, which are used in this study:

- Debt Asset Ratio
- Debt Equity Ratio

**B. statistical tools**

Some statistical tools are also been used for the analysis of data. The statistical tools used in This study is mean, standard deviation, coefficient of determination and trend analysis.

Statistical tools are accepted to provide valuable, information about variation, correlation growth trend 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 its help management to take corrective actions.

A brief mentioned of such tools used in this research are as follows.

**I.Average and variation**

The averages are the measures which condense a huge unwieldy set of numerical data into single numerical data into single numerical values which are representative of the entire distribution. In the words of A.E. Waugh, "an average value is a single value selected from a group of values to represent them in some way, a value which is supposed to stand for whole group of which it is past, as typical of all the values in the group". (Bajracharya S & R. Bhattrai 2004). An average provides us the gist and gives a bird's eye view of the huge mass of unwieldy numerical data.

There are various types of averages, such as arithmetic mean, geometric mean, harmonic mean, median, mode etc. Of these averages, the researcher uses only arithmetic mean to calculate the average throughout the whole study period.

**II.standard deviation**

The standard deviation concept was introduction by Karl Pearson in 1823. It is by far the most important and widely used measure of studying dispersions. Its significance lies in the fact that it is free from those defects from which the earlier methods suffer and satisfies most of the properties of a good measure of dispersions. Standard deviation for the reason that it is the square root of the mean of the squared deviations from the arithmetic mean. Standard deviation is denoted by the small Greek letter  (read as sigma)

The standard deviation measures the absolute dispersion (or variability of a distribution, the greater the amount of dispersion or variability) the greater the standard deviation, for the greater

will be the magnitude of the deviations of the values from their mean. A small standard deviation mean a high degree of uniformity of the observation as well as homogeneity of a series, a large standard deviation means just opposite. Thus, if we have two or more comparable series with identical or nearly identical means, it is the distribution with the smallest standard deviation is extremely useful in judging the representation of the mean.

**III.cofficient of variation**

The relative measure of dispersion based on standard deviation is called coefficient of standard deviation. As it is not appropriate through standard deviation, the comparison of the variability of two or more distributions is made easy by coefficient of variation. It reflects the risk per unit and provides a quick summary of the relative trade-off between risk and return. It is computed by dividing the standard deviation by arithmetic mean. Mathematically,

$$CV = \frac{\sigma}{\bar{X}}$$

Where,

CV = Coefficient of Variation

σ = Standard deviation

$\bar{X}$ = Arithmetic mean

The series for which the coefficient of variation is greater is said to be more variable or less consistent or less uniform or less homogenous and vice versa.

**IV. Correlation analysis**

Correlation analysis indicates degree of relationship between two or more than two variables. The measure of correlation called the correlation coefficient. It is a statistical device, which help in analyzing the co variation of two or more variables. It is calculated when it is believe that there is cause & affect relationship one of the variable will be casual variable and another will be its effect. Casual variable is also called dependent variable. When there is change in dependent variable, there will be corresponding change in independent variable.

Interpreting coefficient of correlation.

The coefficient of correlation measures the degree of relationships between two sets of figures. While interpreting coefficient of correlation, the following general rules are applied:

When r = + 1, it means there is perfect positive relationship between the variables.

When r = -1, it means there is a perfect negative relationship between the variable.

When r = 0, it means that the variables are uncorrelated.

There are many methods used for studying the correlation between the two variables. Of these methods, Karl Pearson's coefficient of correlation is concern for our study between the two variables. Symbolically, Karl Pearson's coefficient is denoted by 'r'.

The formula for computing 'r' is

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

*Where,*

$r = The Correlation Coefficient$

$x = (X - \bar{X}) and\ y = (Y - \bar{Y})$

$X = Independent Variable$

$Y = Dependent Variable$

**V. Trend percentage index**

Trend percentage analysis is a tool for analyzing financial performance, which indicates the direction of change. The change and deviation on item of financial statement of a number of a year can be analyzed by determining and studying the data shown on the statements. Trend analysis refers to the position of favorable or unfavorable of variable in the given period of time with the base year and its helpful to identify the controllable items of financial and operation data contained in the balance sheet and income statement. "In order to express the figure in term of percentage, the comparative figures of the financial statement are analyzed by calculating percentage. Further, the percentage of one period is compared with the base years percentage usually a particular past year in chosen as a base years and all item of financial statements for

that year are taken as 100%. There is no doubt that expressing the figure in terms of percentage is a more practical approach for the analysis, interpretation and study of facts and figure. Thus the change in figures expressed in terms will disclose the trends or change that is occurring in financial and operational data to judge whether the trends are favorable or unfavorable." (Hampthon, J.J. 1998).

"The method involves the calculating of percentage relationship each item bears to the same items in the base year. Trend percentage relationship each item in the financial and operating data between specific period and make possible for the analysts to from an opinion as to whether favorable or unfavorable tendencies are reflected by data." (Hampthon, J.J.1998).

An analysis of the trend of certain business facts is extremely helpful in budgeting and forecasting with comparative study of the financial statement of several years. Trend analysis involves the calculation of percentage relationship that each item of financial statement bears to the same item in the base year or for trend analysis, the use of index number is generally advocated. The procedure followed is to assign the number 100 to items of the base year and to calculate percentage changes in each item of other year in relation to the base year. This procedure may be called as trend percentage method.

In order to determine the trend, the first years is taken as base year thus, the formula for computing trend percentage.

$$Trend = \frac{Amount\ of\ the\ Concerned\ Year}{Base\ Year\ Amount} \times 100$$

The index percentage can be plotted on group either in arithmetic scale chart or semi logarithmic or ratio chart to facilitate the study of trends in a firm.

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## 2.7 review of related literature

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

### 2.7.1 Review from related study

In Nepalese context, very few independent studies can be found in the topic of finance. However, the available independent studies which are related to Nepal stock market, views expressed by different person in their articles regarding financial analysis of common stock of commercial banks are presented or reviewed have in the topic.

karki (2053) in the article, " Present Condition of Financial Companies" has presented with compared to the commercial bank, the interest rate is relatively high that is provided and accepted by finance companies. The financial companies should not be confined only in the valley. They should extend their services to the rural sectors of hill and terai to reduce regional imbalance. The collection of deposit and loan investment done by the commercial banks also to sustain themselves in the environment of competitions, they should introduce novel technology and equipment's to collect deposits and investments. They should learn form the draw banks, failure and success of commercial banks to effectively maintain as alternative status.

Pradhan (2062) in the article, "Transaction analysis of Financial Companies in Nepal. "Has concluded that the finance companies are centered in the city as like commercial banks. If this trends remains, the central bank is to consider novel strategy. However, financial and banking transaction don't take place in zero, it favors of financial intermediaries. The emergence of closure of financial companies in market economy in common sense. But keeping in mind, the social and economic structure of our country, we should not turn a deaf ear to regional balance.

Mr. Pradhan has given the following findings.

- Dividend per share and market price per share was positively correlated.
- There are positive relationship between dividend payout and liquidity.
- Higher the earning on stock larger the ratio of dividend per share to market price per share.

Govinda Bahadur Thapa in has namely - "Nepalese Tanking stern can they be managed states; the joint venture bank have been earning a huge profit not from fund based lending but from fund based activities have slowed drawn in Nepal for several years. However, commercial banks have not fired their lending rates to revitalize the economy. On the country, the commercial banks have been discouraging the deposits to get rid to excess liquidity. And, new avenue that a country with such a low saving rate and need to unlimited investment is ingesting huge amount of resources in developed countries and is piling up international reserves. Therefore, it can be inferred that Nepalese banking system has not been made and motivated to contribute to the promotion of the economic activities in the country as it should do.

### 2.7.2 Review from thesis

Under this section, different views expressed by authors, professors, persons etc. In their publication regarding the operations, financial position, performance etc. of Nepalese commercial bank have been reviewed. Review of literature comprises with previous articles concerned with the study i.e. financial performance regarding with financial corporation company and other studies. Different studies have been reviewed so that the chance of duplication will be avoided form the present study and some new and change can be created for achieving the objectives.

The authors expressed their views on the financial position of the commercial bank in Nepal as under.

According to Prof. Dr. M.K. Shrestha " commercial bank comparative performance evaluation", Karmachari Sanchaya Kosh, publication year 2047 has concluded that " joint venture banks are new operationally more efficient, having superior performance while comparing with local bank. Better performance of joint venture bank is due to their sophisticated technology, modern banking methods and skills. Their better performance is also due to the burden the bank facing government's branching policy in rural area and financing public enterprises. Local banks are efficient and expertise in rural sectors, but having number of deficiencies so local banks have to face growing constraints of social, economical, political system on one spectrum and that issued and challengers of joint venture banks commanding significant banking business on the spectrum".

Bhyshal (2004) A thesis entitled “Financial performance analysis of commercial banks in Nepal in the framework of camel (A comparative study of Kumari Bank Ltd and Machhapuchhre Bank);

Objectives:

- To analyze capital adequacy of KBL and MBL.
- To assess the quality of assets of KBL and MBL.
- To evaluate whether KBL and MBL is managing its expenses with respect to incomes
- To study the trend of earning performance made by KBL and MBL.
- To measure the liquidity position of KBL and MBL.

Major Findings:

- Higher average return on equity ratio.
- Higher average earning per share ratio.
- Capital adequacy ratios meet the standard.
- ROE below the benchmark (15%).
- Net interest margin have met the benchmark (3 to 4%).
- Earning per employee ratio is in increasing trend.

Mr. Keshav Raj Joshi though his thesis 'A study on financial performance of commercial banks” he reviews that the liquidity position of commercial banks is Satisfactory he found that comparatively the local commercial banks have been found relatively highly leveraged compared to the joint venture banks. Loan and advances have been the main form of investment, Two third of assets have been used for earning purposes. Profitability position of NABIL bank is stronger than the other commercial bank.

Raghu Bir Kapadia, "A comparative study on financial performance of NABIL Bank and Standard Chartered Bank Limited." In this study he found that interest coverage ratio of both the hank is not satisfactory over the finding period. Price earnings ratio of NABIL bank is on average, higher with consistency than that of SCBL, which reflects than NABIL bank has better performance for the growth in earning that SCBL. The study shows efficiency in utilizing the resources is satisfactory. Comparatively NABIL bank has good and higher liquidity position and higher leverage ratio SCBL.

Ashok Poudel in his thesis "Financial performance analysis of EBL" had focused on the objectives as to examine the financial statement of the bank and analyze them to see the financial soundness of the bank, to observe the return over the equity, to highlight the relationship between different variables, to provide suggestion and recommendation for the improvement of the future performance of EBL based on the findings of analysis.

Bindeshwar Mahato, in his thesis 'A comparative study of the financial performance of NABIL and NIBL" concludes that, NABIL is more oriented in discharging responsibilities toward its shareholders than NIBL.NABIL is also found paying more attention towards the attainment of national objective. NABIL participation in the task of economic development with liberal attitude towards the government and being more responsive to the national priorities like branch expansion, more employment more resource mobilization etc is appreciable.

Lekh Raj Karki in his thesis, "A comparative financial soundness analysis with special reference to HBL and NSBI" concludes that NSBI has larger proportion of cash and bank balance with assets holding while HBL has better position of loans and advances. In terms of it's volume and annual growth rate. But the proportion of loans and advances in total assets holdings is lower in HBL than in NSBI. The position of loans and advances with respect to total assets total deposits and saving deposits was relative is sounder in NSBI Bank than in HBL. HBL's ability to attract the public deposits is sounder than that of NSBI bank. All the values of EPS, DPS and MVPS are larger in HBL than in NSBI.

# CHAPTER-III
# RESEARCH METHODOLOGY

## 3.1 Introduction

Research methodology is a systematic and scientific method or technique that is used in handling a problem by the researcher, so it is another important aspect of thesis writing. In other words, research methodology provides various tools and techniques as regard to the problem and also provides the various instructions as regard to the methods ad process with the overall study. In this way research methodology is the process of arriving to the solution of the problem. Plane and systematic dealing with the collection analysis and interpretation of fact and figure. Research methodology is very helpful in identifying the research problem. In fact, research is an art of scientific investigation. For the purpose of achieving the objectives the detailed research methodology used in this study are highlighted in this chapter.

“Research is a systematic method of finding out solution to a problem whereas research methodology refers to the various sequential steps to adopt by a researcher in studying a problem with certain objectives in view.”

Research methodology covers the wide range of the investigation. According to nature of the phenomena various statistical and financial tools and techniques are applied to find out the solution of the problem. Research methodology is composed by two words 'research' and ‘methodology'. In common sense research means to search for knowledge, facts information that is still unknown. Likewise methodology is a scientific and systematic process that consists of various tools and technique that can be used to solve, the problems. Therefore, research is a systematic and organized effort that includes the scientific method of acquiring knowledge. The scientific and systematic methodology various authors and have defined research methodology in numbers of way.

"Research methodology is a way to systematically solve the research problem it may be under stood as a science of studying how research is done systematically.

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

From the above definition, research is the scientific and systematic process. It includes all types of investigation requiring solution to the problem. Research also helps to discover new ideas, knowledge in a particular area of interest, the scientific and systematic process of research involves activities of identifying problems, collecting facts and information tabulating and recording the data, setting hypothesis analysis, the facts and reaching certain conclusion with a view to finding answer to the problem.

## 3.2 Research Design

A research design is the logical and systematic planning and direction of a piece of research. Research design is like blue-print to the researcher. There are different views regarding research design but overall it contains whole report contents. It is the overall plan of proposal study to specify the appropriate research method and procedures for obtaining specific finding valid objectively accurate and economically as possible.

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. It is the plan, structure and strategy on investigations conceived for obtaining answers to research questions and to control variances to achieve the objective of this study, descriptive and analytical research designs have been used. Some statistical and accounting tools have also been applied to examine facts and descriptive techniques have been adopted to evaluate financial performance of the banks.

## 3.3 Population and sample

The term 'Population' or 'Universe' for research means all the members of any well-defined class of people events or objects. Because of its large size, it is fairly difficult to collect detailed information from each members an s sub-group is chosen which is believe to be representative of the population. This sub-group is called a sample and the method of choosing this sub-group is done by sampling.

At present, there are thirty one commercial barks performing their activities in our country Nepal. Among them eight commercial banks are established with the foreign investment as joint venture commercial banks, Among them, only three joint vent a commercial banks are chosen as sample i.e. Nepal SBI Bank Limited. Himalayan Bank Limited and Everest Bank Limited.

## 3.4 Nature and source of data

Adequate information is required for the research study from the different sources. The main task of the researcher is to collect information and data from the different sources, for the achievement of the desired objectives the sources of data. By nature, data can be primary or secondary according to their sources. For this research study mainly secondary data are used which are collected from the concern publication from the different publishers.

Financial data of previous 5 years of the selected banks are downloaded from www.nepalstock.com, www.kumaribank.com.np, www.everestbank.com. Different books from library, periodicals, newspapers, companies, magazines will also be used whenever required. Needless to say that this study is associated with fast phenomena, therefore only the secondary data will be used to carry out the whole calculations.

## 3.5 Date processing procedure

After collecting the data, researcher should process the data in order to make it easy for the presentation and analysis of the study. In this context, the data have been processed and recited in condensed form. Thereafter, they have been tabulated and presented using financial and statistical tools. The ratios used for the study have been calculated by using the financial

tools. After that the calculation of risk and return are also carried out. The trend equation and the trend value are also calculated. After this, the relationship between the risk and return are also worked out. Finally, the student's t-test for banks is used to test the relevancy of correlation and the analysis of variance.

## 3.6 Data analysis tools

To achieve the objectives of the study, various financial, statistical and accounting tools have been used in this study. The analysis of data will be done according to pattern of data available. With the available tools and resources, analytical statistical tools such as Karl Person's coefficient of correlation, simple & multiple regression as well as corresponding hypothesis are adopted in this study. Similarly some strong accounting tools such as ratio analysis and trend analysis have also been used for financial analysis.

The various calculated results obtained through financial, accounting and statistic tools are tabulated under different headings. Then they are compared with each other to interpret the results.

## 3.7 Analytical Tools

For the analysis of data, appropriate tools are to be unutilized in order to secure the required findings of the study. All those tools, which are used for the analysis and interpretation of the data's knows as analytical tools, there are two types of analytical tools applied in the study. They are:

- Statistical tools
- Financial tools

### 3.7 .1 Financial tools

There are various financial tools to measure the performance of a organization. The following financial tools have been used for the analysis.

**A.Liquidity Ratio**

A name denotes the liquidity refers to the ratio between liquid assets and liability. The ability of firm to meet its obligation in the short term is known as liquidity. The ability of a firm to meet its obligation in the short term is known as liquidity. It reflects the short term strength of the business. In order to ensure short-term solvency, the company maintain adequate liquidity. But liquidity ratio must be optimum. If the company maintain unnecessary high liquidity ratio then it may adversely effect in the profitability of the company will invest all its assets in safe liquid assets, which can lose the opportunity to earn high profit. Means everybody knows that investing all assets in safe liquid assets doesn't have a good return. As well as high liquidity may unnecessary tied up in the current assets. In the other hand if a company doesn't maintain adequate liquidity then it will result in bad credit ratings, less creditors, confidence, eventually may lead to bankruptcy. Thus the company should endeavor to maintain proper balance between inadequate liquidity and unnecessary liquidity for the survival and for avoiding risk.

**1.Current Ratio**

The current ratio is the ration of total current assets to total current liabilities. It is calculated by dividing current assets by current liabilities, which is presented as follows

$$\text{Current Ratio} = \frac{\text{Current assets}}{\text{Current Liabilitie s}}$$

Current assets those assets which can be converted into cash and bank balance within analysis accounting period such as cash and bank balance, investment in treasury bill, money at call or placement, loans and advances, bills purchased and discount, inter branch account, other short term loans, receivable and prepaid expenses. Etc.

Current liabilities refer to the short-term maturing obligations. This includes all deposit liabilities; inter bank reconciliation account, bills payable, tax provision, staff bonus, dividend payable, bank overdrafts, provisions and accrued expenses.

**2.Cash and Bank Balance to Total Deposit Ratio**

Cash and bank balances are the most liquid current assets. This ration measures percentage of most liquid fund with the bank to make immediate payment to the depositors. This ratio is computed by dividing cash and bank balances by total deposit. This can be presented as follows:

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

Cash and Bank balance includes cash on hand, foreign cash on hand, cheques and other cash items, balance with domestic banks, balance held in foreign banks and other financial institutions. The total deposits encompass current deposits, fixed deposits, investment in other financial institution, money at call and short deposit and other deposits. A high ration indicates the greater ability to meet their deposits liability and vice versa. Moreover, too high ratio is unfit, as capital will be tied - up and opportunity cast will be higher.

**3. Cash and Bank Balances to Current Assets**

Since cash and bank balances are the most liquid assets, a financial analyst may examine the ratio of cash and balance to current assets. This ratio shows the percentage of readily available fund with in the banks. It is calculated by dividing cash and bank balances by current assets, which is as follows:

$$\text{Cash and Bank Balance to Current Assets Ratio} = \frac{\text{Cash and Bank Balance}}{\text{Current Assets}}$$

A high ratio indicates the sound ability to meet their daily cash requirements of their customer deposits and vice versa. Both higher and lower ratio is not desirable. The reason is that if a bank maintain higher ratio of cash, it has to pay interest on deposits but couldn't invest its cash or current assets in a profitable are so it may lost opportunity to earn something. In the opposites, if a bank maintain low ratio of cash, it may fail to make the payment for presented cheques by its customer. So, sufficient and appropriate cash reserve should be maintained properly.

**B .assets management ratio**

Activity ratio evaluates the efficiency with which the firm manages and utilizes its assets. This ratio is also known as turnover ratio. It measures how effectively the company employees the resources at its command. Funds are creates by the collection of share as debt from the owner, creditors and outside parties. Those funds are invested in various kinds of assets to generate profits or income. Activity ratios are the creditors of a concern with regard to its efficiency in

assets management, hence they often referred to as efficiency ratio are computed to assess finance companies in utilizing available resources.

**1.Loan and Advances to Total Deposit Ratio**

This ratio measures the extent to which the banks are successful to utilize the outsiders' fund (Total deposit) for the profit generating purpose on the loans and advance. Generally, a high ratio reflects higher efficiency to the utilization of fund and vice-versa. It can be calculated by dividing the amount of loans and advances by the amount of total deposits, which is given as below:

$$\text{Loan and Advance to Fatal deposit Ratio} = \frac{\text{Loan and Advance}}{\text{Total Deposit}}$$

Here loan and advances refers to total of loan, advances and overdraft and total deposits refer to total of all kinds of deposits.

**2.Loans and Advances to Fixed Deposit Ratio**

This ratio indicates how many times the amount is used in loans and advances in comparison to fixed deposits. Fixed Deposits are the main source of deposit of bank and are high interest bearing obligation whereas loans and advances are the major sources of investment to generate income for the commercial banks. This ratio is calculated by dividing the amount of loans and advances by fixed deposits that are given below.

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

**3 Loans and Advances to Total Working Fund Ratio**

Loan and advances is the major components in the total working fund, which indicates the ability of banks are successful in mobilizing their loan and advances on the working fund ratio for the purpose of income generation. This ratio is computed by dividing loan and advance by total working fund. This is sated as below:

$$\text{Loan and Advance total working fund Ratio} = \frac{\text{Loan and Advance}}{\text{Fixed Deposit}}$$

Here Total working fund includes all assets of on balance sheet items. In other words, this includes current assets, net fixed assets, loans for development bonds and other investment in share, debenture and other etc. A high ratio indicates a better mobilization of fund as loan and advances and vice – versa.

**4. Total investment to Total Deposit Ratio**

Investment is one of the major forms of credit created to earn income. This implies the utilization of firm's deposit of investment in government securities and share, debenture of the other companies and banks. This ratio measure the extent to which the bank are successful in mobilizing total investment on the total deposits, the amount of deposits should be soundly investment as the bank has to put only provide interest on its deposits but also has to declare a handsome divided to its owners and shareholders. This ratio can be calculated by dividing total investment by total deposit. This ratio is mention as below:

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

Investment consists of investment of government securities, investment on debenture and bonds, shares in subsidiary companies, share in other companies and other investment. A high ratio indicates that the Bank's efficiency is more investing on its deposit and low indicates in ability to put its deposits for the lending activities.

## C .leverage ratio

This ratio is also called solvency ratio or capital structure ratio. A firm should have strong short-term as well as long-term financial position. To judge the long term financial position of the firm, these ratios help to measure the financial contribution of owners and creditors comparatively. These ratios indicate the situation of the capital structure, which is calculated to measure the company's ability of using debt for benefit of shareholders. Long-term creditors

like debenture holders. Financial institutions etc. are more interested to the firm's long-term financial wealth, debt servicing capacity ad strength and weakness of the concerns. This ratio may be calculated from the balance sheet items to determine the proportion of debt in total financing. In summary debt ratio tell us the relative proportions of capital contribution by creditors and owners.

**1. Debt-Assets Ratio**

This ratio exhibits the relationship between creditors fund and owners capital. This ratio shows the proportion of outside fund used in financing total assets. It also provides security/financial safety to the outsider's that is potential shareholder, depositor or investors. Higher debt ratio indicates higher financial risk as well as increasing claims of outsiders in total assets and lower ratio indicates lower financial risk as well as decreasing claims of outsider over the total asset of the firm. Generally 1:2 ratios are considered good however no hard and fast rule is prescribed. This ratio implies a finance company success in exploiting debt to more profitable areas. This ratio represents as follows:

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

**2. Debt to Equity Ratio**

This ratio reflects the proportion of debt to equity. This ratio measures the extent to which the owners are using debt rather than their own funds to finance the company. The debt to equity ratio indicates how well creditors are protected in case of the company's solvency. This ratio can be calculated as:

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

**D .profitability ratio**

Profit is the difference between total revenues and total expenses over a period of time. Profit is the ultimate output of a commercial bank and it will have no future if it fails to make sufficient profits. Therefore, the financial manager continuously evaluates the efficiency of the banks in

terms of profits. Profitability shows the overall efficiency of the business concerns. The relation of the return of the firm to either its sales or equity of its assets is known as profitability ratio. Profit is necessary to survive in any business field fir its successful operation and further expansion. It measures management's overall effectiveness as shown by the return generated on sales and investment. Higher the profitability ratio, better the financial performance of the bank and vice versa. Profitability ratio can be calculated by following different ratio:

**1. Net profit to Total Assets**

Net profit refers the profit after interest and taxes. It is also known as Return on total assets (ROA). This ratio evaluates the efficiency of company in utilizing and mobilizing of assets and its survival. It is useful for measurement of the profitability of all financial resources invested in the bank assets. It also provides the necessary foundation for company to deliver a good return on equity. Higher return on assets (ROA) indicates higher efficiency in utilization of total assets and vice-versa. ROA is calculated by dividing the amount of net profit by the total assets.

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

**2.Return on Equity**

Return on equity is an important measurement from the owner's point of view. It measures whether the firm has earned a satisfactory return for its equity holders or not. This ratio indicates how well the firms have used the resources of owners. Higher ratio represents sound management and efficient mobilization of the owner's equity. This ratio is calculated by using the following formula:

$$\text{Return on Equity} \quad \frac{\text{Net Profit}}{\text{Net Worth}}$$

Here, net profit denotes the net profit after tax. Similarly, net worth includes paid up capital, reserve surplus and undistributed profit

**3. Net profit to Total Deposit Ratio:**

Net profit to total deposit ratio evaluate whether management has been capable to mobilizes and utilize the deposit. It also helps to know the overall performance and generation of profit of bank. This ratio is most important to identify whether the organization well efficient or not in mobilizing its total deposits. So that corrective action could be taken. Higher ratio indicates better utilization of deposit and vice-versa. Here net profit is profit after taxes and total deposit means total amount of deposit in various account i.e. saving, current, fixed and other. The return on total deposits ratio can be computed by dividing net profit by total deposit. This can be express as follows:

$$\text{Return on Total Deposit Ratio} = \frac{\text{Net Profit after tax}}{\text{Total Deposit}}$$

**4. Total interest paid to Total working fund ratio**

The ratio is used to measure the percentage of total interest expenses against the total assets. Higher the ratio, higher will be the indication of interest expenses on total assets and vice versa. Total interest expenses consists the expenses on total deposits, loan and advances, borrowings and other deposits. The ratio is calculated as follows:

$$\text{Total interest paid to total working fund ratio} = \frac{\text{total interest paid}}{\text{Total working fund}}$$

**5 Total interests earned to Total working fund ratio**

The ratio shows the earning capacity of a bank on to total assets (working fund).This ratio exhibits the extent on which banks are successful in mobilizing their working funds to generate income as much as possible. The higher ratio will indicate the high earning power of the banks on its total assets. Total interest earned is calculated by adding the total income from loans, advances cash, credit, overdrafts and government securities etc. This ratio is calculated by dividing net profit by total working fund.

Total interest earned to total working fund ratio= $\frac{\text{total interest earned}}{\text{Total working fund}}$

## E .other ratio

In this study earning per share and dividend per share and dividend payout ratio are calculated among the various ratio to measure the financial performance of KBL,BOK, HBL and KBL.

### 1. Dividend per Share

The term dividend refers to distribute earning to the shareholders of the bank in return to their investment. Generally, dividend implies that portion of net profit, which is allocated to shareholders as their return in term of cash or share. The difference fund between EPS and DPS is retaining in the company as retain earning. It is calculated total dividend by number of share.

$$DPS = \frac{TDD}{n}$$

Where,

DPS = Dividend per share

TDD = Total distributed dividend

n = No. of common share outstanding

### 2. Earning Per Share

Earnings per share are a widely used ratio in assessing the profitability of a firm from the owner's point of view. In other words, it measures the profit available to the equity holders on a per share basis. Shareholders are concern about the earning that will eventually be available to pay them dividends of that are used to expand their interest in the firm retain earning. This ratio is calculated by applying following formula:

$$\text{Earning Per Share} = \frac{\text{Net profit after tax}}{\text{Total no. of outstanding Common Share}}$$

### 3. Dividend Payout Ratio

Dividend payout ratio reflects at what percentage of the net profit is to distributed in terms of dividend at what percentage is to retained in fine as retained earnings. Usually, highest dividend payout ratio is preferred by the shareholders, where as a very high ratio may slow down the growth rate of the firm. So the firm with a high growth goals where as a low dividend payout ratio or retention of proportionally more earning in order to utilize them in profit generating purpose. This ratio is calculated by using the following formula:

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

## 3.7.2 Statistical tools

Statistical tools include Arithmetic mean (Return on common stock), standard deviation and coefficient of variation, Karl person's trend analysis, coefficient of variation, correlation regression and (ANOVA).

**A .Arithmetic Mean**

Arithmetic scan is the most popular and widely used measure for representing the entire data by one value also called average. Its value is obtained by adding together all the items and then dividing this total by the number of items added. It can be calculated using following formula:

$$\text{Arithmetic Mean } (\bar{X}) = \frac{X1 + X2 + X3..... + Xn}{N}$$

$$= \frac{\sum X}{N}$$

Where, $\bar{X}$= Arithmetic Mean
X1+X2+X3+……Xn = Value of Variables
$\sum X$ Sum of the values of variable X
N= Number of observations

**B . Standard Deviation**

Karl Pearson propounded the standard deviation concept in 1893. It is one of the most used techniques in the field of dispersion. Standard deviation, usually denoted by the letter $\sigma$ (small sigma) of the Greek alphabet, is defined as the positive square root of the arithmetic mean of the

squares of the deviations of the given observations from their arithmetic mean. It can be calculated by following formula:

Standard Deviation ( $\sigma$ ) = $\sqrt{\frac{\sum (X - \overline{X})^2}{N-1}}$

**C .The coefficient of variation**

The relative me are of dispersion based on the standard deviation is known as coefficient of standard deviation. The corresponding measure of relative dispersion is coefficient of variation (C. V.) There may be some variables where fluctuation is not des fired but there may be some up downs, organization with low C. V. is regarded most consistent and hence better managed. C.V. is calculated by using the following formula:

Coefficient of Variation (C.V.)= $\frac{\sigma}{\overline{X}} x100$

**D .Karl person's coefficient of correlation**

Karl Person's coefficient measures the relationship between two variables. In this context, the coefficient of correlation is calculated in under to examine the relationship between deposit and investment, interest earned and profitability and interest earned and interest paid or both the commercial banks. Symbolically this coefficient correlation is denoted by 'r'.

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

The coefficient of correlation, as obtained by the above formula shall always lies between ±1.

**E . Trend Analysis**

The general tendency of the time series data to increase or stagnate during a long period of time is called trend. In the situation of analysis, different kinds of tools can be used to know the actual position of a business concern, out of which trend analysis is one, which show percentage changes in several successive years instead of between two years. Trend analysis indicates the

direction of change. It is always desirable to express the trend in absolute term as well as relative's terms.

A better method to state each year's position as a percentage of the base the first year is selected as the base year or hundred percent and years relative to the first year base. This type of percentage result is known as "trend percentage method.' We can use the following formula to compute the index percentage for trend analysis.

$$\text{Index percentage} = \frac{IndexYearlyAmount}{BaseYear'sAmount} x100$$

This index percentage can be plotted on group either in arithmetic scale chart or semi-log arithmetic ratio chart to facilitate the study of trends in a firm. Here in this study ratio chart is used.

# CHAPTER-IV

# PRESENTATION AND ANALYSIS OF DATA

## 4.1 Introduction

This chapter of study presents the data and facts, which is related to different aspects of kumara bank, banks of Kathmandu, Himalayan Bank Limited and Everest Bank Ltd. These data are collected from various sources. These available data are tabulated, analyses and interpreted so that financial forecast of banks can be done easily. The main objectives of presentation and analyzing data are financial performance and interpretation is to highlight the strength and weakness of the business. The collected data are analyses and interpreted by using the financial and statistical tools.

Financial analysis is the process of evaluating relationship between components of financial statements, i.e. balance sheet and profit and loss account to obtain a better understanding of banks position and performance. Financial analysis finds out the financial position of the company. In this study, the following financial tools have been used to measure the strength and weakness of the kumara bank, bank of Kathmandu, Himalayan Bank Limited and Everest Bank Limited.

## 4.2 Ratio analysis

Ratio Analysis is the expression of the relationship between the mutually independent figures. It shows the quantitative relation between two variables. Simply it is calculated as dividing one variable by another variable.

There are various types of financial ratio which are used by different field for different purpose Such as, creditors, investor, financial institutions and management of the firm. In this analysis following ratio are analyze and interpret for the past five year for the sample banks.

### 4.2.1 Liquidity Ratio

Liquidity analysis means the ability of the firm to meet its current obligations. This ratio measures the firm's ability to meet short-term obligations. In case of commercial bank liquidity can be considered as the capacity to honor the cheques at the time of their presentation. There is compulsory for commercial banks to maintain cash and bank balance according to Nepal Rastra Bank (NRB) directives.

Nepal Rastra Bank has directed commercial bank to maintain balance in cash and bank as below:

3% of total deposit as cash balance.
8% of current & saving deposit cash balance at NRB.
6% of fixed deposit.

**1.Current Ratio**

The current ratio is calculated by dividing current assets by current liabilities. This ratio shows, either the bank is capable of paying back all its current liabilities or not. It measures the short term solvency i.e. its ability to meet short term obligation measures creditors versus current ratios. It can be calculated as:

$$\text{Current ratio} = \frac{\text{Current assets}}{\text{Current Liabilities}}$$

## Table No 4.1

## Current ratio (2005/06-2009/10)

(Rs. In millions)

| Fiscal years | Banks | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Kumari bank ltd | | | Bank of Kathmandu ltd | | | Himalayan bank ltd | | | Everest bank ltd | | |
| | Current assets | Current liabilities | Ratio (times) | Current assets | Current liabilities | Ratio (times) | Current assets | Current liabilities | Ratio (times) | Current assets | Current liabilities | Ratio (times) |
| 2005/06 | 7519.8 | 8146.4 | 0.923 | 8003.5 | 11238.6 | 0.712 | 14988.9 | 25516.4 | 0.587 | 11539.7 | 14696.5 | 0.786 |
| 2006/07 | 10048.2 | 10892.7 | 0.922 | 10784.2 | 13388.1 | 0.806 | 17025.3 | 27333.7 | 0.623 | 16278.8 | 19931.1 | 0.817 |
| 2007/08 | 12662.7 | 13261.7 | 0.955 | 13760.2 | 16179.9 | 0.851 | 19412.1 | 30992.5 | 0.626 | 21383.3 | 24928.1 | 0.858 |
| 2008/09 | 16779.9 | 16513.6 | 1.016 | 16759.1 | 18554.4 | 0.903 | 21590.8 | 23782.5 | 0.659 | 30541.2 | 34101.2 | 0.896 |
| 2009/10 | 17502.8 | 18336.7 | 0.955 | 18048.1 | 21122.6 | 0.854 | 28486.7 | 35700.4 | 0.798 | 35911.3 | 37919 | 0.946 |
| Average | | | 0.954 | | | 0.825 | | | 0.6586 | | | 0.861 |
| S.D. $\sigma$ | | | 0.038 | | | 0.073 | | | 0.0819 | | | 0.063 |
| C.V. (%) | | | 4.00 | | | 8.79 | | | 12.44 | | | 7.353 |

Source:-five years comparative balance sheet of KBL, BOK, HBL and EBL

Above the table indicate the current ratios of the sample banks. Current ratio of HBL and EBL is in increasing order. The highest ratio in the year 2009/10 which is 0.798 of HBL and of EBL is 0.946 in the year 2009/10. Similarly, the ratio has KBL and BOK is in fluctuating order that is from 0.923 to 0.955 and 0.712 to 0.854 in fiscal years 2005/06 to 2009/10 thought out the study period. The mean ratio of KBL, BOK, HBL and EBL are 0.954, 0.825, 0.6586 and 0.8606 respectably. Mean ratio above 1:1 which indicate the successful management of current assets over the current liabilities and below1:1mean ratio which means it has failed to maintain the current obligation. As concern with liquidity and consistency KBL seems to be in better position then other sample banks which is by the lower CV 3.98.

**2. Loan and advance to current Assets Ratio**

The main business of bank is mobilization of resources. The fund or resources collected from different sources are mobilized in terms of loan and advances and by investing on various types of securities and projects. The major parts of the collected fund in invested in the firm of loans

and advances. Unlike cash and bank balance, loan and advances cannot be converted into cash and on the desires of the investors. It is not always sure that the principle and interest of the loan and advances will be recovered in the stated time. This ratio indicates the percentage of total current which have been lent to the customers with a promise to be paid interest at a certain time. It can be calculated as:

$$\text{Loan and Advance to current Assets Ratio} = \frac{\text{Loans and Advance}}{\text{Current Assets}}$$

**Table No 4.2**
**Loan and advance to current ratio (2005/06-2009/10)**

(Rs. in million)

| Fiscal years | Banks | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Kumari bank ltd | | | Bank of Kathmandu ltd | | | Himalayan bank ltd | | | Everest bank ltd | | |
| | Loan and advances | Current assets | Ratio (times) | Loan and advances | Current assets | Ratio (times) | Loan and advances | Current assets | Ratio (times) | Loan and advances | Current assets | Ratio (times) |
| 2005/06 | 6891.9 | 7519.8 | 0.917 | 7269.1 | 8003.5 | 0.908 | 12424.5 | 14988.9 | 0.829 | 9801.31 | 11539.7 | 0.894 |
| 2006/07 | 8929 | 10048.2 | 0.889 | 9399.3 | 10784.2 | 0.872 | 14642.6 | 17025.3 | 0.860 | 13664.1 | 16278.2 | 0.839 |
| 2007/08 | 11335.1 | 12680.7 | 0.895 | 12462.6 | 13760.2 | 0.906 | 16998.0 | 19412.1 | 0.876 | 18339.1 | 21383.3 | 0.858 |
| 2008/09 | 14593.4 | 16779.9 | 0.870 | 14647.3 | 16759.1 | 0.874 | 19497.5 | 21590.8 | 0.903 | 23884.7 | 30514.2 | 0.782 |
| 2009/10 | 14765.9 | 17502.8 | 0.844 | 16664.9 | 18048.1 | 0.923 | 24793.2 | 28486.7 | 0.870 | 27556.3 | 35911.3 | 0.767 |
| Average | | | 0.883 | | | 0.896 | | | 0.869 | | | 0.828 |
| S.D. $\sigma$ | | | 0.278 | | | 0.022 | | | 0.027 | | | 0.042 |
| C.V. (%) | | | 3.06 | | | 2.50 | | | 3.107 | | | 5.072 |

Source:-five years comparative balance sheet of KBL, BOK, HBL and EBL

The above table shows that the ratio of KBL is ranged between 0.71 7 in 2005/06 and 0.844 in 2009/10 an ratio with mean ratio 0.896, BOK is ranged between 0.908 in 2005/06 and 0.923 in 2009/10 an ratio with mean ratio 0.896,HBL is ranged between 0.929 in 2005/06 and 0.870 in 2009/10 an ratio with mean ratio 0.869 and EBL is ranged between 0.894 in 2005/06 and 0.767 in 2009/10 with mean ratio 0.828.as the mean ratio of BOK is higher then other bank. However, as the C.V. of BOK is lower than others which is 2.5% indicates that the bank is successful in maintaining a stability of loan and advance in comparison to the other sample bank.

**3. Cash and bank balance to current assets ratio**

Cash and bank balance are two major components of current assets. There are ready cash which can be used anytime and anywhere according to the need of a firm. By nature, almost all the current assets of a firm remain idle or earn very little. So, there is not chance of earning from cash balance hold in the business and bank balance refers to that balance which can be converted into cash at any needed time and it also generally remains idle. Hence cash and ban balance to current assets ratio shows that what portion of total of current assets represents cash or how much total current assets can be used as ready cash to discharge short term obligations of the bank. This ratio can be calculated as:

$$\text{Cash and Bank Balance to Current Assets Ratio} = \frac{\text{Cash and Bank Balance}}{\text{Current Assets}}$$

## Table No 4.3
**Cash and bank balance to current assets ratio (2005/06-2009/10)**

(Rs. In million)

| Fiscal years | Banks | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Kumari bank ltd | | | Bank of Kathmandu ltd | | | Himalayan bank ltd | | | Everest bank ltd | | |
| | Cash and balance | Current assets | Ratio (times) | Cash and balance | Current assets | Ratio (times) | Cash and balance | Current assets | Ratio (times) | Cash and balance | Current assets | Ratio (times) |
| 2005/06 | 389.6 | 7519.8 | 0.052 | 533.3 | 8003.4 | 0.067 | 2014.4 | 14988.9 | 0.134 | 1553 | 11539.7 | 0.135 |
| 2006/07 | 672.1 | 10048.2 | 0.067 | 1102.5 | 10784.2 | 0.102 | 1717.4 | 17025.3 | 0.101 | 2391.4 | 16278.2 | 0.147 |
| 2007/08 | 933.8 | 12680.7 | 0.074 | 1142.8 | 13760.2 | 0.083 | 1757.3 | 19412.1 | 0.091 | 2668 | 21383.3 | 0.125 |
| 2008/09 | 1776.3 | 16779.9 | 0.106 | 1889.2 | 16759.1 | 0.113 | 1448.1 | 21590.8 | 0.067 | 6164.4 | 30541.2 | 0.202 |
| 2009/10 | 2723.8 | 17502.8 | 0.156 | 1142.8 | 18048.1 | 0.063 | 3048.5 | 28486.7 | 0.107 | 7818.8 | 35911.3 | 0.218 |
| Average | | | 0.091 | | | 0.086 | | | 0.10 | | | 0.146 |
| S.D. $\sigma$ | | | 0.041 | | | 0.022 | | | 0.025 | | | 0.004 |
| C.V. (%) | | | 45.43 | | | 25.35 | | | 25.50 | | | 12.38 |

Source:-five years comparative balance sheet of KBL, BOK, HBL and EBL

The above table shows that the ratio of KBL, BOK, HBL and EBL is ranged between the 0.052, 0.067, 0.134, 0.135 in 2005/06 and 0.156, 0.063, 0.107, 0.218 in 2009/10 with mean ratio of 0.091, 0.086, 0.1and 0.146.since, the mean ratio of EBL is is higher then than of the sample bank. It supports the conclusion that, EBL has successful in maintaining the higher cash and bank balance to current assets ratio, but it doesn't mean that it has mobilized its more fund in profitable sectors. It actually means that EBL can meet it directly cash requirement. KBL, BOK, HBL has lower mean ratio because it may have invested their funds in more productive sectors. Moreover it also be failed to maintain a stability of cash and bank balance in comparison to EBL. Moreover, KBL is also failed to maintain a stability of cash and bank balance in comparison BOK(25.35%), HBL(25.50%) and EBL(12.38%) which is indicate by higher C.V. (45.43%).

**4. Cash and bank balance to total Deposit Ratio**

Cash and bank balance to total deposit ratio measures the availability of bank highly liquid funds to meet its unanticipated, calls on different types of deposits. This ratio indicates the ability of

banks funds to cover their current, saving, fixed call and other deposits. In addition to this, it also assess that what proportion of total deposit is utilized and what proportion of cash and bank balance remain. Low ratio percentage indicates the better utilization of deposits whereas high ratio percentage shows the strong liquidity position of firm. But too high ratio percentage is not favorable for the bank. This ratio can be calculated as:

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

## Table No 4.4

### Cash and Bank Balance to Total Deposit Ratio (2005/06-2009/10)

(Rs. In million)

| Fiscal yeaar | Banks | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Kumari bank ltd | | | Bank of Kathmandu ltd | | | Himalayan bank ltd | | | Everest bank ltd | | |
| | Cash and bank balance | Total deposit | Ratio (times) | Cash and bank balance | Total deposit | Ratio (times) | Cash and bank balance | Total deposit | Ratio (times) | Cash and bank balance | Total deposit | Ratio (times) |
| 2005/ 06 | 389.6 | 7769.0 | 0.050 | 533.3 | 10485.4 | 0.051 | 2014.5 | 24814.0 | 0.081 | 1553.0 | 13802.4 | 0.123 |
| 2006/ 07 | 672.1 | 10557.1 | 0.064 | 1102.5 | 12388.9 | 0.089 | 1717.4 | 26490.9 | 0.065 | 2391.4 | 18186.3 | 0.312 |
| 2007/ 08 | 933.8 | 12774.3 | 0.073 | 1142.8 | 15833.7 | 0.072 | 1757.3 | 30048.4 | 0.058 | 2668.0 | 23976.3 | 0.111 |
| 2008/ 09 | 1776.3 | 15710.9 | 0.113 | 1889.1 | 18084 | 0.105 | 1448.1 | 31842.8 | 0.046 | 6164.4 | 33323.0 | 0.185 |
| 2009/ 10 | 2723.8 | 17432.3 | 0.156 | 1142.8 | 20315.8 | 0.056 | 3048.5 | 34681.4 | 0.089 | 7818.8 | 36932.3 | 0.212 |
| Average | | | 0.091 | | | 0.074 | | | 0.068 | | | 0.151 |
| S.D. $\sigma$ | | | 0.043 | | | 0.021 | | | 0.026 | | | 0.046 |
| C.V. (%) | | | 47.30 | | | 28.46 | | | 38.24 | | | 30.46 |

Source:-five years comparative balance sheet of KBL, BOK, HBL and EBL.

In the table shows the increase on cash and bank balance to total deposit ratio of the KBL.BOK, HBL and EBL in shows the fluctuation on cash and bank balance to total deposit ratio. During the study of five years period, the ratio of KBL is ranged between 0.05 in 2005/06 and 0.156 in 2009/10, BOK is ranged between 0.051 in 2005/06 to 0.056 in 2009/10, HBL is ranged between 0.081 in 2005/6 to 0.068 in 0.089, EBL is range between 0.123 in 2005/6 to 0.212 in 2009/10.its shows that's EBL has maintained the highest mean ratio which is 0.151 then others bank. This shows that EBL has successfully maintained the higher cash and bank balance to total deposit ratio. It also means that EBL is successful in meeting the daily cash requirement.

Even through KBL, BOK and HBL fail to maintain a higher cash balance which is shown by low mean ratio 0,091, 0.074 and 0.68 it also fail to maintain a consistency level in utilizing the cash

balance then EBL. This consistency is measured by highest C.V. of KBL, and HBL is 47.30%, and 38.24%, respectability.

EBL means ratio is 0.151 and C.V. is 30.25% which indicate the higher cash balance and lower consistency. Holding cash and bank balance can have a negative impact on the goodwill and reputation of the bank to fulfill the demand of the profit holder and lower cash balance can have a negative impact on the customer. Therefore banks should maintain the enough liquidity.

## 4.2.2Leverage Ratio

This ratio reveals the proportion of funds used by the institution either from the creditor's side or from owner side. In order to maintain healthy financial position any institutions need to maintain proper proportion of debt and Leverage ratio is also one of the major ratios to know about the financial performance equity capital. A capital structure of an institution is very important in terms of sustainability, liquidity and profitability of any institution.

1.**Coverage ratio**

This ratio measures the proportion of possible loan lasses out of its total loans and advance invested.

$$\text{Coverage ratio} = \frac{\text{Provision for possible loan losses}}{\text{loans and advances}}$$

## Table No 4.5

### Coverage ratio (2005/06-2009/10)

(Rs. In million)

| Fiscal years | Banks | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Kumari bank ltd | | | Bank of Kathmandu ltd | | | Himalayan bank ltd | | | Everest bank ltd | |
| | Provision for possible losses | Loan and advances | Ratio (times) | Provision for possible losses | Loan and advances | Ratio (times) | Provision for possible losses | Loan and advances | Ratio (times) | Provision for possible losses | Loan and advances |
| 2005/06 | 25.9 | 6891.9 | 0.004 | 78.4 | 7259.1 | 0.011 | 73.90 | 12424.5 | 0.006 | 70.5 | 9801.3 |
| 2006/07 | 25.0 | 8929.0 | 0.003 | 81.89 | 9399.3 | 0.009 | 145.15 | 14642.7 | 0.010 | 89.7 | 13664.1 |
| 2007/08 | 64.1 | 11335.1 | 0.006 | 38.44 | 12462.6 | 0.003 | 90.69 | 16998.0 | 0.005 | 99.3 | 18339.0 |
| 2008/09 | 57.4 | 14593.4 | 0.004 | 33.75 | 14647.3 | 0.002 | 58.43 | 19497.5 | 0.003 | 93.1 | 23884.7 |
| 2009/10 | 13.1 | 14765.9 | 0.001 | 119.4 | 16664.9 | 0.007 | 68.81 | 24793.2 | 0.003 | 77.0 | 27556.3 |
| mean | | | 0.004 | | | 0.006 | | | 0.005 | | |
| S.D. $\sigma$ | | | 0.002 | | | 0.004 | | | 0.003 | | |
| C.V. (%) | | | 50 | | | 67.67 | | | 60 | | |

Source:-five years comparative balance sheet of KBL, BOK, HBL and EBL.

From the above comparative table the bank ratios of all banks are highly fluctuating. The mean ratio of KBL, BOK, HBL and EBL is 0.004, 0.006, 0.005 and 0.005.BOK is higher then others which is not good for the bank. The higher ratio indicates the larger amount of losses for the bank out of loans and advances invested. EBL has more consistency due to its lower C.V.40% than BOK (50%), HBL (67.67%) and HBL (60%).

**2. Debt - Equity Ratio**

The debt to equity ratio measures the extent which the owners are using debt rather than own fund to finance the company. The debt to equity ratio indicates how well creditors are protected in case of the company's insolvency. This ratio can be calculated by using following formula.

$$\text{Debt to equity ratio} = \frac{\text{Total Debt}}{\text{Total Equity}}$$

## Table No 4.6

### Debt - Equity Ratio (2005/06-2009/10)

(Rs. In million)

| Fiscal years | Banks | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Kumari bank ltd | | | Bank of Kathmandu ltd | | | Himalayan bank ltd | | | Everest bank ltd | | |
| | Total debt | Total equity | Ratio (times) | Total debt | Total equity | Ratio (times) | Total debt | Total equity | Ratio (times) | Total debt | Total equity | Ratio (times) |
| 2005/06 | 8146.4 | 863.9 | 9.43 | 11438.6 | 839.7 | 13.62 | 25876.4 | 1541.8 | 16.784 | 14996.5 | 962.8 | 15.576 |
| 2006/07 | 10892.7 | 1025.6 | 10.62 | 11588.1 | 981.9 | 13.84 | 27693.7 | 1715.7 | 16.1418 | 20231.1 | 1201.2 | 16.838 |
| 2007/08 | 13661.7 | 1364.9 | 10.01 | 16379.9 | 1342.1 | 12.20 | 31352.5 | 2126.4 | 14.7442 | 25228.1 | 1921.2 | 13.131 |
| 2008/09 | 16953.6 | 1625.0 | 10.41 | 18754.4 | 1741.6 | 10.77 | 33642.5 | 2512.8 | 13.3884 | 34722.2 | 2203.6 | 15.757 |
| 2009/10 | 18736.7 | 1785.8 | 10.49 | 21322.6 | 2073.6 | 10.38 | 36200.5 | 3119.9 | 11.6031 | 37919.0 | 2759.1 | 13.743 |
| Average | | | 10.192 | | | 12.14 | | | 14.5323 | | | 15.017 |
| S.D. $\sigma$ | | | 0.483 | | | 1.614 | | | 2.0972 | | | 1.542 |
| C.V. (%) | | | 4.74 | | | 13.29 | | | 14.43 | | | 10.30 |

Source:-five years comparative balance sheet of KBL, BOK, HBL and EBL.

The above table shows that ratio of KBL, BOK, HBL and EBL is rang between 9.43 to 10.49, 13.62 to 10.28, 16.784 to 11.603 and 15.576 to 13.741 in 2005/06 to 009/10 with mean ratio of 10.192, 12.14,14.532 and 15.017 respectively. The mean ratio of KBL is lower then that of others bank. It is declared that KBL has lower debt cost and higher investment from equity fund. The higher debt investment brings a higher cost to the bank. The c.v. of KBL, BOK, HBL and KBL are 4.74, 13.29, 14.43 and 10.3 respectively, therefore KBL has lower C.V. which indicates that KBL has consistency in debt ratio.

**3. Debt Assets Ratio**

The ratio of debt to total assets measures the percentage of the firm's assets financed by creditors. The lower the ratio, the greater the protection afforded creditors in the event of liquidation. There, debt includes both current liabilities and long term debt. Creditors prefer low debt ratios because the lower the ratio the greater the cuisses again creditors lasses in the event of liquidation. On the other hand the owners may seek high leverage to magnify earning. This ratio can be calculated by using the following.

## Table No 4.7

**Debt Assets Ratio (2005/06-2009/10)**

(RS. In million)

| Fiscal years | Banks | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Kumari bank ltd | | | Bank of Kathmandu ltd | | | Himalayan bank ltd | | | Everest bank ltd | | |
| | Total debt | Total assets | Ratio (times) | Total debt | Total assets | Ratio (times) | Total debt | Total assets | Ratio (times) | Total debt | Total assets | Ratio (times) |
| 2005/06 | 8146.4 | 9010.3 | 0.904 | 11438.6 | 12278.3 | 0.932 | 25876.4 | 27418.2 | 0.942 | 1496.5 | 15959.3 | 0.939 |
| 2006/07 | 10892.7 | 11981.3 | 0.914 | 11588.1 | 14570.1 | 0.933 | 27693.9 | 29460.4 | 0.940 | 20231.1 | 21432.6 | 0.944 |
| 2007/08 | 13661.7 | 15026.6 | 0.909 | 16379.9 | 17721.9 | 0.924 | 31352.5 | 33519.1 | 0.935 | 25228.1 | 27149.4 | 0.929 |
| 2008/09 | 16913.6 | 18538.6 | 0.912 | 18754.4 | 20496.0 | 0.915 | 33642.5 | 36175.5 | 0.930 | 34722.2 | 36911.9 | 0.941 |
| 2009/10 | 18736.7 | 20522.5 | 0.913 | 21322.6 | 23396.2 | 0.911 | 36200.5 | 39320.3 | 0.921 | 37919.0 | 41382.7 | 0.916 |
| Average | | | 0.910 | | | 0.925 | | | 0.934 | | | 0.934 |
| S.D. $\sigma$ | | | 0.004 | | | 0.009 | | | 0.009 | | | 0.019 |
| C.V. (%) | | | 0.4 | | | 0.97 | | | 0.96 | | | 2.07 |

Source:-five years comparative balance sheet of KBL, BOK, HBL and EBL.

The above tables show the total debt to total assets ratio of KBL, BOK, HBL and EBL. The ratio of BOK has fluctuating trend. Again, the ratio of HBL and EBL has decreased throughout the

study period. The average total debt to total assets ratio of BOK, HBL and EBL is 0.910, 0.925, 0.934 and respectively. This shows that the ratio of EBL in higher than KBL, BOK and HBL. KBL, BOK, HBL and EBL would find difficult to borrow additional funds without first raising more equity capital.EBL has more consistency then others bank due to lower C.V.

### 4.2.3 Activity Ratio or assets and inventory management ratio

Activity ratio measures the efficiency of management in utilizing assets, funds in profit generating and now available assets are utilized. This ratio is called turnover of efficient or assets utilization ratio. Activity ratios indicate the degree of efficiency in assets management. Hence, they are often referred to as efficiency ratio. Many ratios are computed under this heading which as follows:

**1. Loan and advances to total deposit ratio**

This ratio measures the extent to which the banks are successful to mobilized the total deposits on the loans and advances for the purposes of income generation. The following table exhibits the ratio of loans and advance to total deposits of the banks throughout the study period.

$$\text{Loan and advances to Total deposit Ratio} = \frac{\text{Loan and Advances}}{\text{Total deposit}}$$

## Table No 4.8

**Loan and advances to Total deposit Ratio (2005/06-2009/10)**

(RS in. million)

| Fiscal years | Banks | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Kumari bank ltd | | | Bank of Kathmandu ltd | | | Himalayan bank ltd | | | Everest bank ltd | | |
| | Loan and advances | Total deposit | Ratio (times) | Loan and advances | Total deposit | Ratio (times) | Loan and advances | Total deposit | Ratio (times) | Loan and advances | Total deposit | Ratio (times) |
| 2005/06 | 6891.9 | 7769.00 | 0.887 | 7269.1 | 10485.4 | 0.692 | 12424.5 | 24814.0 | 0.501 | 9801.3 | 13802.4 | 0.71 |
| 2006/07 | 8929 | 10557.1 | 0.846 | 9399.3 | 12388.9 | 0.7587 | 14642.6 | 26490.9 | 0.553 | 13664.1 | 18186.3 | 0.751 |
| 2007/08 | 11335.1 | 12774.3 | 0.887 | 12462.6 | 15833.7 | 0.7871 | 16998.0 | 30048.4 | 0.566 | 18339.1 | 23976.3 | 0.765 |
| 2008/09 | 14593.4 | 15710.4 | 0.925 | 14647.3 | 18084.0 | 0.81 | 19497.5 | 31842.8 | 0.612 | 23884.7 | 33323.0 | 0.716 |
| 2009/10 | 14765.9 | 17432.3 | 0.847 | 16664.9 | 20315.8 | 0.820 | 24793.2 | 34681.4 | 0.715 | 27556.3 | 36932.3 | 0.746 |
| Average | | | 0.874 | | | 0.733 | | | 0.589 | | | 0.738 |
| S.D. $\sigma$ | | | 0.033 | | | 0.053 | | | 0.080 | | | 0.051 |
| C.V. (%) | | | 3.870 | | | 6.85 | | | 13.58 | | | 6.91 |

Five years comparative balance sheet of KBL, BOK, HBL and EBL

From above comparative table, it reveals the highly fluctuation of ratio during the study period of five years of five years of the sample bank. in the fiscal years 2005/06 and 2009/10 EBL has registered the highest ratio 0.925 and lowest ratio 0.846 respectively with mean ratio of 0.874. Similarly BOK has registered highest ratio 0.82 and lowest ratio 0.69, HBL has registered highest 0.715 and lowest 0.501 and EBL has registered highest ratio 0.765 and lowest ratio 0.71 with mean ratio of BOK, HBL and EBL is 0.733, 0.589 and 0.738 respectively in the fiscal years 2005/06 and 2009/10.KBL has higher mean ratio of 0.874 which shows that they are successful in mobilizing the loan and advances to profitable with respect to total deposit whereas BOK, HBL and BOK is less successful in comparison to other sample bank.As concern with the consistency, BOK, HBL and EBL is failed to maintain the consistency in comparison to BOK

C.V.(6.85%), HBL C.V. (13.58%) and EBL C.V. (6.91%), because it has higher C.V. whereas KBL has (3.87%). It shows that KBL is able to maintain the stability in investing through loan and that the sample bank.

**2. Performing assets to total assets ratio**

This ratio measures the proportion of income generating assets. These assets are the assets which are investing for short term purpose.

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

## Table No 4.9

Performing Assets to Total Assets Ratio (2005/06-2009/10)

(Rs. In million)

| Fiscal years | Banks | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Kumari bank ltd | | | Bank of kathmandu ltd | | | Himalayan bank ltd | | | Everest bank ltd | | |
| | Performing assets | Total assets | Ratio (times) | Performing assets | Total assets | Ratio (times) | Performing assets | Total assets | Ratio (times) | Performing assets | Total assets | Ratio (times) |
| 2005/06 | 7519.8 | 9010.3 | 0.835 | 8003.5 | 12278.3 | 0.652 | 14989.0 | 27418.2 | 0.547 | 11539.7 | 15959.3 | 0.723 |
| 2006/07 | 10048.2 | 11918.3 | 0.843 | 10784.2 | 14570.1 | 0.740 | 18025.3 | 29460.4 | 0.577 | 16278.2 | 21432.6 | 0.759 |
| 2007/08 | 12662.7 | 15026.6 | 0.843 | 13760.2 | 17721.9 | 0.776 | 19412.1 | 33519.1 | 0.579 | 21383.3 | 27149.4 | 0.788 |
| 2008/09 | 16779.9 | 18538.6 | 0.905 | 16759.1 | 20496.0 | 0.818 | 21590.8 | 36175.5 | 0.596 | 30541.2 | 36911.9 | 0.827 |
| 2009/10 | 17502.8 | 20522.5 | 0.853 | 18048.1 | 23396.2 | 0.711 | 28486.7 | 39320.3 | 0.725 | 35911.3 | 413822. | 0.868 |
| Average | | | 0.856 | | | 0.751 | | | 0.605 | | | 0.793 |
| S.D. $\sigma$ | | | 0.028 | | | 0.063 | | | 0.069 | | | 0.055 |
| C.V. (%) | | | 3.3 | | | 8.325 | | | 11.45 | | | 6.907 |

Source:-five years comparative balance sheet of KBL, BOK, HBL and EBL

From the above table, the ratio of KBL, BOK, HBL and EBL is range between 0.835 to 0.853, 0.652 to 0.771, 0.547 to 0.725 and 0.723 to 0.868 respectively in years 2005/06 to 2009/10 with the mean ratio of 0.856, 0.751, 0.605 band 0.793.KBL has a higher mean ratio of 0.853 which indicates higher investment in performing assets than blather short term investment are very important for any institution for its working capital and other short term needs.

The C.V. of KBL (3.3%) is lower than that of other sample bank which shows the more consistency.

**3. Personnel Expenses to total income ratio**

This ratio is measures the percentage expenses made to personnel out of the firms total income.

$$\text{Personnel Expenses to total income ratio} = \frac{\text{Personnel Expenses}}{\text{Total Income}}$$

## Table No 4.10

**Personnel Expenses to total income ratio (2005/06-2009/10)**

(RS in. million)

| Fiscal years | Banks | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Kumari bank ltd | | | Bank of Kathmandu ltd | | | Himalayan bank ltd | | | Everest bank ltd | | |
| | Personnel Expenses | Total Income | Ratio (times) | Personnel Expenses | Total Income | Ratio (times) | Personnel Expenses | Total Income | Ratio (times) | Personnel Expenses | Total Income | Ratio (times) |
| 2005/ 06 | 59.9 | 331.1 | 0.181 | 59,12 | 894.58 | 0.066 | 178.6 | 1672.4 | 0.107 | 70.9 | 1066.5 | 0.067 |
| 2006/ 07 | 74.3 | 470.6 | 0.158 | 67.74 | 1051.00 | 0.065 | 234.6 | 2097.9 | 0.111 | 86.1 | 1370.7 | 0.063 |
| 2007/ 08 | 89.6 | 566.7 | 0.158 | 90.60 | 1297.75 | 0.069 | 272.2 | 2261.0 | 0.120 | 158.0 | 1848.2 | 0.085 |
| 2008/ 09 | 116.0 | 716.4 | 0.162 | 146.49 | 1704.42 | 0.086 | 307.5 | 2562.4 | 0.120 | 186.9 | 2565.3 | 0.072 |
| 2009/ 10 | 143.3 | 862.02 | 0.166 | 168.5 | 2289.6 | 0.074 | 367 | 2936.2 | 0.123 | 226.4 | 3535.5 | 0.064 |
| Average | | | 0.165 | | | 0.0721 | | | 0.116 | | | 0.0703 |
| S.D. $\sigma$ | | | 0.010 | | | 0.0083 | | | 0.0068 | | | 0.0093 |
| C.V. (%) | | | 6.06 | | | 11.46 | | | 5.5 | | | 13.26 |

Source- Five year's comparative balance sheet of KBL, BOK, HBL and EBL.

In above table, the ratio of KBL is range between 0.181 in year 2005/06 to 0.166 with mean ratio 0.165. BOK is range between 0.066 in year 2005/0 to 0.074 in year 2009/10 with mean ratio of 0.072. HBL is ranged between 0.107 in year 2005/ 06 to 0.123 in year 2009/ 10 with mean ratio 0.116. Again, EBL is ranged between 0.067 in year 2005/ 06 to 0.064 in year 2009/ 10 with man ratio of 0.0703. The mean ratio of KBL is higher than that of BOK, HBL and EBL which indicates the bank has well paid to its employee.

HBL has successfully maintained its consistency due to its lower C.V. which is 5.5%.

**4. Performing assets to total debt ratio**

This ratio measures the extent to which the outsider's fund is invested in performing assets.

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

## Table No 4.11

### Performing assets to total debt ratio (2005/06-2009/10)

(Rs. In million)

| Fiscal years | Banks | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Kumari bank ltd | | | Bank of Kathmandu ltd | | | Himalayan bank ltd | | | Everest bank ltd | | |
| | Performing assets | Total debts | Ratio (times) | Performing assets | Total debts | Ratio (times) | Performing assets | Total debts | Ratio (times) | Performing assets | Total debts | Ratio (times) |
| 2005/06 | 7519.8 | 8146.4 | 0.923 | 8003.5 | 11438.6 | 0.699 | 14988.9 | 25876.4 | 0.579 | 11539.7 | 13802.4 | 0.836 |
| 2006/07 | 10048.2 | 10892.7 | 0.922 | 10784.2 | 11588.1 | 0.794 | 18025.3 | 27693.7 | 0.615 | 16278.2 | 18186.25 | 0.895 |
| 2007/08 | 12662.7 | 13661.7 | 0.927 | 13760.2 | 16379.9 | 0.840 | 19412.1 | 31352.5 | 0.619 | 21383.3 | 23976.3 | 0.892 |
| 2008/09 | 16779.9 | 16913.6 | 0.992 | 16759.1 | 18754.4 | 0.894 | 21590.8 | 33642.5 | 0.641 | 30541.2 | 33322.9 | 0.917 |
| 2009/10 | 17502.8 | 18736.7 | 0.934 | 18048.1 | 21322.6 | 0.846 | 28486.7 | 36200.5 | 0.787 | 35911.3 | 36932.3 | 0.973 |
| Average | | | 0.94 | | | 0.815 | | | 0.648 | | | 0.900 |
| S.D. $\sigma$ | | | 0.030 | | | 0.073 | | | 0.081 | | | 0.049 |
| C.V. (%) | | | 3.19 | | | 8.99 | | | 12.43 | | | 5.53 |

Source:-five years comparative balance sheet of KBL, BOK, HBL and EBL.

The above table shows the performing assets to total debt ratio of BOK, HBL and EBL. The ratio of BOK is in increasing trend thought the study period. Incise of HBL is increasing trend throughout the study period. Again, KBL and EBL ratio is fluctuating trend throughout the study period. The average performing assets to total debt ratio of KBL, BOK, HBL, and EBL are 0.9396, 0.851, 0.648 and 0.9004 respectively. It shows that the position of KBL has used higher outsider's investment than BOK, HBL and EBL.

The C.V. of KBL, BOK, HBL and EBL is 3.16%, 8.99%, 12.43% and 5.538% respectively. This indicates that KBL is more consistent in performing assets to total debt ratio in comparison to BOK, HBL EBL due to its lower C.V. which is 3.16%.

**5. Long term investment to total deposit ratio**

Long term investment to Total Deposit The main purpose of this ratio is to measure successfulness in mobilizing the deposit in investment. The long term investment to total deposit ratio of different banks in the study period are mentioned in the following table.

$$\text{Ratio} = \frac{\text{Long term investment}}{\text{Total Deposit}}$$

## Table No 4.12

Long term investment to total deposit ratio (2005/06-2009/10)

(Rs. In million)

| Fiscal years | Banks | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Kumari bank ltd | | | Bank of Kathmandu ltd | | | Himalayan bank ltd | | | Everest bank ltd | | |
| | Long term investment | Total deposit | Ratio (times) | Long term investment | Total deposit | Ratio (times) | Long term investment | Total deposit | Ratio (times) | Long term investment | Total deposit | Ratio (times) |
| 2005/06 | 1395.0 | 7769.00 | 0.180 | 4164.1 | 10485.4 | 0.397 | 12133.4 | 24814.0 | 0.489 | 4267.5 | 13802.4 | 0.391 |
| 2006/07 | 1678.4 | 10557.1 | 0.159 | 3465.1 | 12388.9 | 0.279 | 11894.3 | 26490.8 | 0.449 | 4984.3 | 18186.3 | 0.274 |
| 2007/08 | 2138.8 | 12774.3 | 0.176 | 3574.4 | 15833.7 | 0.226 | 13533.0 | 30048.4 | 0.450 | 5405.6 | 23976.3 | 0.226 |
| 2008/09 | 1510.8 | 15710.4 | 0.0906 | 3319.9 | 18083.9 | 0.184 | 13858.7 | 31842.8 | 0.435 | 5948.5 | 33323.0 | 0.179 |
| 2009/10 | 2296.9 | 17432.3 | 0.132 | 4856.8 | 20315.8 | 0.239 | 9881.5 | 34681.4 | 0.285 | 5008.3 | 36932.3 | 0.135 |
| Average | | | 0.1476 | | | 0.265 | | | 0.422 | | | 0.25 |
| S.D. $\sigma$ | | | 0.0340 | | | 0.081 | | | 0.0788 | | | 0.071 |
| C.V. (%) | | | 23.04 | | | 30.4 | | | 18.68 | | | 28.4 |

Source:-five years comparative balance sheet of KBL, BOK, HBL and EBL.

From above table reflects that the ratio of KBL, BOK, HBL and EBL is range between 0.18 to 0.132, 0.397 to 0.239, 0.489 to 0.285 and 0.391 to 0.135 in years 2005/06 to2009/10 with mean ratio of 0.1476, 0.265, 0.422 and 0.25 respectively. HBL has higher mean ratio than KBL, BOK and EBL which indicate it has successfully invested in long term investment out of total deposit. a larger population of investment in long-term investment may bring a higher return to the institution. Moreover, HBL has also successfully maintained to its consistency in comparison to KBL, BOK and EBL which is lower that is 23.04%, 30.4% and 28.4% respectively.

**6. Loan and advance to total assets ratio**

This ratio measures the proportion of investment in loan and advance out of total assets. Total assets of any origination are very important for different purpose and so far how the total assets formation is also important. Loan and advances is current assets investment of an organization which is utilized for short term obligation.

$$\text{Long term investment to Total Deposit Ratio} = \frac{\text{Loans and advances}}{\text{Total assets}}$$

## Table No. 13

Loan and Advance to Total Asset Ratio (2005/6-2009/10)

(Rs. In million)

| Fiscal years | Banks | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Kumari bank ltd | | | Bank of Kathmandu ltd | | | Himalayan bank ltd | | | Everest bank ltd | | |
| | Loan and advances | Total assets | Ratio (times) | Loan and advances | Total assets | Ratio (times) | Loan and advances | Total assets | Ratio (times) | Loan and advances | Total assets | Ratio (times) |
| 2005/06 | 6891.9 | 9010.3 | 0.765 | 7269.1 | 12278.3 | 0.591 | 12424.5 | 27418.2 | 0.453 | 9801.3 | 15959.3 | 0.614 |
| 2006/07 | 8929.0 | 11918.3 | 0.749 | 9399.3 | 14570.1 | 0.645 | 14642.6 | 29460.4 | 0.497 | 13664.1 | 21432.6 | 0.638 |
| 2007/08 | 11335.1 | 15026.6 | 0.754 | 12462.6 | 17721.9 | 0.703 | 16998.0 | 33519.1 | 0.507 | 18339.1 | 27149.4 | 0.675 |
| 2008/09 | 14593.4 | 18538.6 | 0.787 | 14647.3 | 20496.0 | 0.715 | 19497.5 | 36175.5 | 0.539 | 23884.7 | 36911.9 | 0.641 |
| 2009/10 | 14765.9 | 20522.5 | 0.719 | 16664.9 | 23396.2 | 0.712 | 24793.2 | 39320.3 | 0.631 | 27556.3 | 41382.7 | 0.666 |
| Average | | | 0.755 | | | 0.673 | | | 0.525 | | | 0.648 |
| S.D. $\sigma$ | | | 0.025 | | | 0.054 | | | 0.066 | | | 0.023 |
| C.V. | | | 3.3 | | | 8.041 | | | 12.63 | | | 3.619 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| (%) | | | | | | | | |

Source:-five years comparative balance sheet of KBL, BOK, HBL and EBL.

The table presented above shows that the ratio of KBL, BOK, HBL and EBL is range between 0.765 to 0.719, 0.591 to 0.712, 0.453 to 0.631 and 0.614 to 0.666 in fiscal years 2005/06 to 2009/10 with mean ratio 0.755, 0.673, 0.525 and 0.648 respectively. As the mean ratio of KBL is higher 0.755 which indicates that it has invested larger amount in loan and advance then that of BOK, HBK and KBL.In term s of consistency KBL has maintain a successful consistency level that of BOK, HBL and EBL which indicated by lower C.V.3.3%.

### 4.2.4 Profitability Ratio

The profitability ratios are calculated to measure the operating efficiency of the firm. Bank is a business institution whose prime objective is to earn maximum profit. It is because, for any business field profit is essential for its successful operating and further expansion. It is the key factor that measure the earning how effectively the firm is being operated managed. Even than profit plays a fundamental role to make a firm stands strong to meet its social responsibilities. Moreover, it measure the earning power and management overall effectiveness. Many ratios are determined under this heading, which are as follows:

1**. Total Interest earned to total Assets Ratio**

Interest earned to total assets ratio measures the percentage of interest earned in relation with the assets in the banks. This ratio pays a signification rate in evaluating their efficiency in earning interest. Usually, banks earn interest by granting loan and advances and through the overdraft, investment in various securities. Higher ratio indicates the better efficiency in utilizing resources in interest generating sectors and low ratio indicates low efficiency of bank in utilizing the resources for the generation of income. This ratio can be calculated by using following formula.

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

## Table No 4.14

**Total Interest earned to Total Assets (2005/06-2009/10)**

(Rs. In million)

| Fiscal years | Banks | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Kumari bank ltd | | | Bank of Kathmandu ltd | | | Himalayan bank ltd | | | Everest bank ltd | | |
| | Interest earned | Total assets | Ratio (times) | Interest earned | Total assets | Ratio (times) | Interest earned | Total assets | Ratio (times) | Interest earned | Total assets | Ratio (times) |
| 2005/06 | 605.5 | 9010.3 | 0.067 | 718.1 | 12278.3 | 0.058 | 1446.5 | 27418.2 | 0.0528 | 903.4 | 15959.3 | 0.057 |
| 2006/07 | 791.3 | 11918.3 | 0.066 | 819.0 | 14570.1 | 0.056 | 1626.5 | 29460.4 | 0.0552 | 1144.4 | 21432.6 | 0.053 |
| 2007/08 | 957.3 | 15026.6 | 0.064 | 1034.2 | 17721.9 | 0.058 | 1775.6 | 33519.1 | 0.0530 | 1548.7 | 27149.4 | 0.057 |
| 2008/09 | 1374.7 | 18538.6 | 0.074 | 1034.8 | 20496.0 | 0.051 | 1963.7 | 36175.5 | 0.0543 | 2186.8 | 36911.9 | 0.059 |
| 2009/10 | 1871.1 | 20522.5 | 0.091 | 1870.9 | 23396.2 | 0.079 | 2342.2 | 39320.3 | 0.0596 | 2186.8 | 41382.7 | 0.059 |
| Average | | | 0.074 | | | 0.0604 | | | 0.0550 | | | 0.062 |
| S.D. $\sigma$ | | | 0.011 | | | 0.0109 | | | 0.6028 | | | 0.0086 |
| C.V. (%) | | | 15.26 | | | 17.85 | | | 5.09 | | | 14.21 |

Source:-five years comparative balance sheet of KBL, BOK, HBL and EBL.

From the above table reveals the total interest earned to total assets ratio. The ratio of KBL is range between 0.067 in year 2005/06 to 0.091 in year 2009/10. The ratio of BOK is range between 0.058 in year 2005/06 to 0.079 in year 2009/10. The ratio of HBL is range between 0.0528 in year 2005/06 to 0.0 596 in year 2009/10. The ratio of EBL is range between 0.057 in year 2005/06 to 0.059 in year 2009/10. The mean ratio of KBL, BOK, EBL and KBL are 0.074, 0.0604, 0.0550 and 0.062. The mean ratio of EBL is higher then other sample bank which indicates that the bank earn more interest. Since the C.V. of HBL is significantly lower then other sample bank which shows the good consistency in earning interest mobilizing total assets effectively.

**2. Return on equity**

Ordinary or common stakeholders are entitled to the residual profit. The rate or dividend is not fixed. The earning may be distributed to shareholder. This ratio indicates the capacity of the banks to utilize its owner's fund. It measures whether the bank has earned satisfactory return on its equity or No. higher ratio indicates the sound management. And efficient mobilization of the owner fund. This ratio is calculated by using following formula.

$$\text{Return on Equity} = \frac{\text{Net Profit After Tax}}{\text{Net Worth}}$$

## Table No 4.15

**Return on equity (2005/06-2009/10)**

(Rs. In million)

| Fiscal years | Banks | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Kumari bank ltd | | | Bank of Kathmandu ltd | | | Himalayan bank ltd | | | Everest bank ltd | | |
| | NPAT | Net worth | Ratio (%) | NPAT | Net worth | Ratio (times) | NPAT | Net worth | Ratio (times) | NPAT | Net worth | Ratio (times) |
| 2005/ 06 | 103.7 | 863.9 | 12.00 | 202.4 | 839.7 | 24.11 | 308.3 | 1541.8 | 20.0 | 237.3 | 962.8 | 24.65 |
| 2006/ 07 | 170.3 | 1025.6 | 16.61 | 263.4 | 981.9 | 26.72 | 457.5 | 1715.7 | 26.66 | 296.4 | 1201.2 | 24.76 |
| 2007/ 08 | 174.9 | 1364.9 | 12.81 | 261.5 | 1342.1 | 19.48 | 491.8 | 2126.4 | 23.13 | 451.2 | 1921.2 | 23.49 |
| 2008/ 09 | 258.4 | 1625.0 | 15.90 | 461.73 | 1741.6 | 26.5 | 635.9 | 2512.8 | 25.31 | 638.7 | 2203.6 | 28.99 |
| 2009/ 10 | 316.5 | 1786.7 | 17.7 | 509.2 | 2073.6 | 24.56 | 752.8 | 3119.9 | 24.13 | 831.8 | 2759.1 | 30.15 |
| Average | | | 15.004 | | | 24.276 | | | 20.25 | | | 26.39 |
| S.D. $\sigma$ | | | 2.747 | | | 2.9186 | | | 10.2847 | | | 2.97 |
| C.V. (%) | | | 16.49 | | | 12.02 | | | 50.79 | | | 11.26 |

Source:-five years comparative balance sheet of KBL, BOK, HBL and EBL.

From the above table it reveals that sample bank have fluctuation ratio. The highest ratio of KBL in years 2009/10 with 17.7% and lowest in year 2005/06 with 12%.the highest ratio of BOK in years 2006/07 with 26.72% and lowest in year 2008/09 with 19.48%.the highest ratio of EBL in

years 2006/07 with 26.66 and lowest in years2005/06. The highest ratio of EBL in years 2009/10 with 30.15% and lowest in years 2007/08 with 23.49%. The mean ratio of KBL, BOK, HBL and EBL is 15.004, 24.276, 20.25 and 26.39 respectively. EBL has highest mean ratio then other sample bank which define that they got a better achieving on increasing a net profit by mobilizing on resources of shareholder's equity. On the other side, KBL has a lower mean ratio which indicates it less successful in earning a net profit by utilization a shareholder's equity due to its lower mean ratio.

The C.V. of KBL, BOK, HBL and EBL is 16.49%, 12.02%, 50.79% and 11.26% respectively. This indicates that EBL is more consistent to earn return on its shareholder's equity in comparison to KBL, BOK and HBL.

**3. Return on Total Deposit Ratio**

Accepting deposits and granting loan is the main function of commercial banks. Therefore, mobilizing deposits is one of the main transactions of banks. It is the main sources of income for them. This ratio measures banks efficiency towards its deposit mobilization. Here, total deposit includes current, fixed, saving call and other deposit. Higher ratio indicates the better mobilization of deposits and vice – versa. This ratio is calculated by using following formula Return on Total Deposit

$$\text{Ratio} = \frac{\text{Net Profit After Tax}}{\text{Total Deposit}}$$

## Table No 4.16

**Return on Total Deposit Ratio (2005/06-2009/10)**

(Rs. In million)

| Fiscal years | Banks | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Kumari bank ltd | | | Bank of Kathmandu ltd | | | Himalayan bank ltd | | | Everest bank ltd | | |
| | NPAT | Total deposit | Ratio (times) | NPAT | Total deposit | Ratio (times) | NPAT | Total deposit | Ratio (times) | NPAT | Total deposit | Ratio (times) |
| 2005/06 | 103.7 | 7769.0 | 1.3 | 202.4 | 10485.4 | 1.93 | 308.28 | 24814.01 | 1.24 | 237.3 | 13802.4 | 1.72 |
| 2006/07 | 170.3 | 10557.1 | 1.6 | 263.4 | 12388.9 | 2.12 | 457.46 | 26490.85 | 1.73 | 296.4 | 18186.3 | 1.63 |
| 2007/08 | 174.9 | 12774.3 | 1.4 | 261.5 | 15833.7 | 1.65 | 491.82 | 30048.42 | 1.64 | 451.2 | 23976.3 | 1.88 |
| 2008/09 | 258.4 | 15710.9 | 1.6 | 461.73 | 20315.8 | 2.51 | 635.87 | 31842.79 | 1.20 | 638.7 | 33323.0 | 1.92 |
| 2009/10 | 316.5 | 17432.3 | 1.8 | 509.2 | 20315.8 | 2.51 | 752.83 | 34681.35 | 2.17 | 831.8 | 36932.3 | 2.25 |
| Average | | | 1.54 | | | 2.152 | | | 1.60 | | | 1.88 |
| S.D. $\sigma$ | | | 0.915 | | | 0.3837 | | | 0.3978 | | | 0.238 |
| C.V. (%) | | | 12.66 | | | 17.829 | | | 24.86 | | | 12.66 |

Source:-five years comparative balance sheet of KBL, BOK, HBL and EBL.

Table No. 15 shows that the percentage of return on total deposit of HBL, BOK, HBL and EBL. The table shows that the ratio of all sample banks has fluctuation order. The average return on total deposit of KBL, BOK, HBL and EBL are 1.54, 2.152, 1.60 and 1.88 respectively. The average of BOK is higher than that of KBL, HBL and EBL. It shows that BOK is more efficient to mobilize its total deposit for profit yielding purpose than the KBL, HBL and EBL. Likewise, HBL is more efficient than EBL in this regard.

The C.V. of KBL, BOK HBL and EBL is 12.66%, 17.892%, 24.86% and 12.66% respectively. This indicates that EBL is more consistent in return a total deposit ratio than KBL, BOK and HBL while BOK is more consistent than HBL.

**4. Total interest paid to total assets ratio**

The ratio is used to measure the percentage of total interest expenses against the total assets. The following are the comparative ratio figure of banks recorded in different periods.

$$\text{Total interest paid to Total Assets} = \frac{\text{Interest Paid}}{\text{Total Assets}}$$

## Table No 4.17

**Total interest paid to total assets ratio (2005/06-2009/10)**

(Rs. In million)

| Fiscal years | Banks | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Kumari bank ltd | | | Bank of Kathmandu ltd | | | Himalayan bank ltd | | | Everest bank ltd | | |
| | Interest paid | Total assets | Ratio (times) | Interest paid | Total assets | Ratio (times) | Interest paid | Total assets | Ratio (times) | Interest paid | Total assets | Ratio (times) |
| 2005/ 06 | 337.1 | 9010.3 | 0.037 | 308.2 | 12278.3 | 0.025 | 561.9 | 27418.2 | 0.021 | 401.4 | 15959.3 | 0.025 |
| 2006/ 07 | 397.1 | 11981.3 | 0.033 | 339.2 | 14570.1 | 0.023 | 648.8 | 29460.4 | 0.022 | 517.2 | 21432.6 | 0.024 |
| 2007/ 08 | 498.7 | 15026.6 | 0.033 | 417.5 | 17721.9 | 0.024 | 767.4 | 33519.1 | 0.022 | 632.6 | 27149.4 | 0.023 |
| 2008/ 09 | 816.2 | 18538.6 | 0.044 | 536.1 | 20496.0 | 0.27 | 823.7 | 36175.5 | 0.223 | 1012.9 | 36916.9 | 0.027 |
| 2009/ 10 | 1188.9 | 20522.5 | 0.058 | 902.9 | 23396.2 | 0.039 | 934.8 | 39320.3 | 0.024 | 1572.8 | 41382.7 | 0.038 |
| Average | | | 0.041 | | | 0.0276 | | | 0.0224 | | | 0.0274 |
| S.D. $\sigma$ | | | 0.0105 | | | 0.0065 | | | 0.00114 | | | 0.0061 |
| C.V. (%) | | | 25.7 | | | 23.7 | | | 5.09 | | | 23.38 |

Source:-five years comparative balance sheet of KBL, BOK, HBL and EBL.

The above table shows the comparative analysis of total interest paid to total assets ratio of KBL, BOK, HBL and EBL. The ratio of BOK has ranged between 0.037 in year 2005/ 06 to 0.058 in year 2009/ 10 with mean ratio of 0.0105. While BOK has ranged between 0.025 in years in 2005/06 to 0.039 in years 2009/10 with mean ratio of 0.0276. Wheals, HBL is ranged between 0.021 in year 2006/ 07 to0.024 in year 2009/ 10 with mean ratio of 0.0224. The table reflects that

KBL has higher mean ratio which indicates that it has paid longer interest in terms of consistency.

HBL has successfully maintained which indicates by its significant lower C.V. of 5.36% then others sample bank.

**5. Capital Return on employed ratio**

A relation between net profit and capital employed is known as return on capital employed ratio. It shows whether the amount of capital employed has been properly cased or not.

$$\text{Return on capital employed ratio} = \frac{\text{Net Profit After Tax}}{\text{Total Capital}}$$

## Table No 4.18

**Return on capital employed ratio (2005/06-2009/10)**

(Rs. In million)

| Fiscal years | Banks | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Kumari bank ltd | | | Bank of Kathmandu ltd | | | Himalayan bank ltd | | | Everest bank ltd | | |
| | NPAT | Total capital | Ratio (times) | NPAT | Total capital | Ratio (times) | NPAT | Total capital | Ratio (times) | NPAT | Total capital | Ratio (times) |
| 2005/06 | 103.7 | 863.9 | 0.12 | 202.4 | 1039.7 | 0.195 | 308.3 | 720.7 | 0.193 | 237.3 | 1262.8 | 0.188 |
| 2006/07 | 170.3 | 1025.6 | 0.166 | 262.4 | 1181.9 | 0.222 | 457.5 | 1039.7 | 0.195 | 296.4 | 1501.5 | 0.197 |
| 2007/08 | 174.9 | 1364.9 | 0.128 | 261.5 | 1542.1 | 0.170 | 491.8 | 1181.9 | 0.222 | 451.2 | 2221.2 | 0.023 |
| 2008/09 | 261.5 | 1625.0 | 0.161 | 461.7 | 1941.6 | 0.238 | 635.9 | 1542.1 | 0.234 | 638.7 | 2824.6 | 0.226 |
| 2009/10 | 316.5 | 1785.7 | 0.177 | 509.2 | 2273.6 | 0.224 | 752.8 | 1941.6 | 0.238 | 831.8 | 3463.7 | 0.24 |
| Average | | | 0.1505 | | | 0.2098 | | | 0.2165 | | | 0.2109 |
| S.D. $\sigma$ | | | 0.025 | | | 0.0272 | | | 0.0212 | | | 0.0215 |
| C.V. (%) | | | 16.63 | | | 12.94 | | | 7.79 | | | 10.2 |

Source:-five years comparative balance sheet of KBL, BOK, HBL and EBL.

The above table reflects the ratio trends of KBL, BOK and EBL. The ratio of KBL has ranged between0.12 in year 2005/ 06 to0.177 in year 2009 /10 with mean ratio of 0.1505. BOK has range between 0.195 in years 2005/06 to 0.224 with mean ratio 0.2098.HBL is ranged between (0.1621) in year 2005/ 06 to (0.2201) in year 2009 /10 with mean ratio (0.2053). Again EBL is ranged between 0.188 in year 2005/ 06 to 0.24 in year 2009/ 10 with mean ratio 0.2109.The mean ratio of HBL is higher than KBL, BOK and HBL which indicates the efficiency of the firm on the utilization of total capital. A higher ratio is an indication of the better utilization of capital employed. Hence, higher ratio is preferable for the company. In terms of consistency also HBL has successfully maintained which indicates by its significant lower C.V. i.e. 7.79%.

**6. Return on Total assets ratio**

This is ratio of net profit tot total assets. It measures the return on all the firm's assets after interest and taxes. It indicates the efficient of the banks in utilizing its overall resources. This ratio measures how far the management has utilized all the assets of a firm in profit generating activities. Higher ratio indicates higher efficiency in the utilization of total assets and vice – versa. This ratio is calculated by dividing the net profit by total assets.

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

## Table No 4.19

**Return on total assets (2005/06-2009/10)**

(Rs. In million)

| Fiscal years | Banks | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Kumari bank ltd | | | Bank of Kathmandu ltd | | | Himalayan bank ltd | | | Everest bank ltd | | |
| | NPAT | Total assets | Ratio (times) | NPAT | Total assets | Ratio (times) | NPAT | Total assets | Ratio (times) | NPAT | Total assets | Ratio (times) |
| 2005/ 06 | 103.7 | 9010.3 | 1.2 | 202.44 | 12278.3 | 1.65 | 308.3 | 27418.2 | 1.12 | 237.3 | 15959.3 | 1.49 |
| 2006/ 07 | 170.3 | 11918.3 | 1.4 | 262.4 | 14570.1 | 1.8 | 457.5 | 29460.4 | 1.55 | 296.4 | 21432.6 | 1.38 |
| 2007/ 08 | 174.9 | 15026.6 | 1.2 | 216.5 | 17721.9 | 1.48 | 491.8 | 33519.1 | 1.47 | 451.2 | 27149.4 | 1.66 |
| 2008/ 09 | 258.4 | 18538.6 | 1.4 | 461.5 | 17721.9 | 1.48 | 635.9 | 36175.5 | 1.76 | 638.7 | 36911.6 | 1.73 |
| 2009/ 10 | 316.5 | 20522.5 | 1.5 | 509.2 | 23396.2 | 2.18 | 752.8 | 39320.3 | 1.91 | 831.8 | 41382.7 | 2.01 |
| Average | | | 1.34 | | | 1.872 | | | 1.562 | | | 1.654 |
| S.D. $\sigma$ | | | 0.134 | | | 0.339 | | | 0.3018 | | | 0.285 |
| C.V. (%) | | | 10.01 | | | 18.09 | | | 19.32 | | | 17.22 |

Source:-five years comparative balance sheet of KBL, BOK, HBL and EBL.

The table No. 19 shows the return on total assets ratio of KBL, BOK, HBL and EBL. The ratio of HBL has decreased in the year 2006/ 07 and has increased thereafter. In case of KBL, BOK, EBL, the ratio has fluctuating trend in the year 2005/06 up to final year 2009/10. The average returns total assets of KBL, BOK, HBL and EBL is 1.34%, 1.872%, 1.562 and1.654% respectively. Higher average of BOK indicates that it is more efficient to utilize its assets in comparison to KBL, HBL and EBL.KBL, HBL and EBL are not seemed to be utilized its assets more efficiency. So these banks are required to increase the rate of return on total assets by making investment in higher return sectors.

The C.V. in return on total assets of *KBL* i.e. 10.01%, BOK i.e. 18.09 HBL i.e.19.32% and EBL i.e. 17.22%. it indicates that KBL is more consistent to return on total assets ratio in comparison to BOK,HBL and EBL. Similarly, HBL is more consistent to EBL.

## 4.2.5 Capital Adequacy Ratio

Capital adequacy, ratio indicates strength of capital base of the institution. The capital adequacy ratios of the sampled banks are as follows:

**1. Shareholder's fund to total assets ratio:**

$$\text{Shareholder's fund to total assets ratio} = \frac{\text{Shareholder's Fund}}{\text{Total Assets}}$$

### Table No 4.20

**Shareholder's fund to total assets ratio (2005/06-2009/10)**

(Rs. In million)

| Fiscal years | Banks | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Kumari bank ltd | | | Bank of Kathmandu ltd | | | Himalayan bank ltd | | | Everest bank ltd | | |
| | Net worth | Total assets | Ratio (times) | Net worth | Total assets | Ratio (times) | Net worth | Total assets | Ratio (times) | Net worth | Total assets | Ratio (times) |
| 2005/06 | 863.9 | 9010.3 | 0.096 | 839.7 | 12278.3 | 0.068 | 1541.8 | 27418.2 | 0.056 | 962.8 | 15959.3 | 0.06 |
| 2006/07 | 1025.6 | 11918.3 | 0.086 | 982.0 | 14570.1 | 0.067 | 1715.7 | 29460.4 | 0.0582 | 1201.5 | 21432.6 | 0.056 |
| 2007/08 | 1364.9 | 15026.6 | 0.091 | 1342.1 | 17721.9 | 0.076 | 2126.4 | 33519.1 | 0.0634 | 1921.3 | 27149.4 | 0.0708 |
| 2008/09 | 1625.0 | 18538.6 | 0.088 | 1741.6 | 2049.0 | 0.085 | 2512.8 | 36175.5 | 0.0695 | 2203.6 | 36911.9 | 0.0597 |
| 2009/10 | 1785.7 | 20522.5 | 0.087 | 2073.6 | 23396.2 | 0.089 | 3119.9 | 39320.3 | 0.0793 | 2759.1 | 41382.7 | 0.0667 |
| Average | | | 0.0896 | | | 0.077 | | | 0.0653 | | | 0.0627 |
| S.D. $\sigma$ | | | 0.0040 | | | 0.0098 | | | 0.0094 | | | 0.006 |
| C.V. (%) | | | 4.46 | | | 12.47 | | | 14.40 | | | 9.57 |

Source:-five years comparative balance sheet of KBL, BOK, HBL and EBL.

The above table shows that the control over total assets by shareholder's fund is high in KBL which is shown by higher mean ratio. The ratio of KBL is ranged between 0.096 in year 2005/ 06 to 0.087 in year 2009/10 with mean ratio of 0.0896, BOK ratio is ranged between o.068 in year 2005/06 to 0.089 in year 2009/10 with mean ratio of 0.077 HBL ratio is ranged between 0.056 in

years in 2005/06 to0.079 in years 2009/10 with mean ratio 0.0653, EBL ratio is ranged between 0.06 in year 2005/06 to 0.0667 in year 2009/10 with mean ratio of 0.0627. Higher mean ratio of KBL i.e. 0.0896 indicates that the more control lover assets by shareholder's fund than BOK, HBL and EBL. Similarly, BOK is more control over assets by shareholder's fund than EBL and KBL. Since KBL has lower C.V. i.e. 4.46 which indicates it has more consistency than BOK, HBL and EBL.

**2. Shareholders fund to total deposit ratio**

$$\text{Shareholder's fund to total deposit ratio} = \frac{\text{Shareholder's Fund}}{\text{Total Deposit}}$$

## Table No 4.21

**Shareholder's fund to total deposit ratio (2005/06-2009/10)**

(Rs. In million)

| Fiscal years | Banks | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Kumari bank ltd | | | Bank of Kathmandu ltd | | | Himalayan bank ltd | | | Everest bank ltd | | |
| | Net worth | Total deposit | Ratio (times) | Net worth | Total deposit | Ratio (times) | Net worth | Total deposit | Ratio (times) | Net worth | Total deposit | Ratio (times) |
| 2005/06 | 863.9 | 7769.0 | 0.112 | 839.7 | 10485.4 | 0.066 | 1541.8 | 24814.0 | 0.062 | 962.8 | 1302.4 | 0.0698 |
| 2006/07 | 1025.6 | 10557.1 | 0.0972 | 981.9 | 12388.9 | 0.079 | 1715.7 | 26490.9 | 0.064 | 1201.5 | 18186.3 | 0.0661 |
| 2007/08 | 1364.9 | 12774.3 | 0.1068 | 1342.1 | 15833.7 | 0.085 | 2126.4 | 30048.4 | 0.071 | 1921.2 | 23976.3 | 0.0801 |
| 2008/09 | 1625.0 | 15710.9 | 0.1034 | 1741.6 | 18084.0 | 0.096 | 2512.8 | 31842.8 | 0.078 | 2203.6 | 33323.0 | 0.0661 |
| 2009/10 | 1785.7 | 17432.3 | 0.102 | 2073.6 | 20315.8 | 0.102 | 3119.9 | 34681.4 | 0.090 | 2759.1 | 36932.3 | 0.0747 |
| Average | | | 0.1043 | | | 0.088 | | | 0.073 | | | 0.0714 |
| S.D. $\sigma$ | | | 0.00525 | | | 0.0102 | | | | | | 0.0061 |
| C.V. (%) | | | 5.04 | | | 11.5 | | | 15.42 | | | 8.54 |

Source:-five years comparative balance sheet of KBL, BOK, HBL and EBL.

The above comparative table shows the capital adequacy ratio of three sample banks. The ratio of BOK, HBL is increasing trend during the study period. And ratio of KBL, EBL has fluctuating trend during the study period. The average shareholder fund to total deposit ratio of

KBL, BOK, HBL and EBL is0.1043, 0.088.0.073 and 0.0714 respectively. Higher average of KBL indicates that the capital base of banks is stronger than BOK, HBL and EBL.

In the same way C.V. of KBL, BOK, HBL and EBL are 5.04%, 11.5% and 15.42% and 8.54% respectively. Therefore, the stability in capital strength of KBL is good due to lower C.V. i.e. 5.04%.

## 4.3 other Ratio

Apart from the above calculated ratios, cash dividend per share, earning per share, price earning ratio, dividend pay out ratio are the other indicators of the financial performance.

### 4.3.1 Dividend per share

Earning per share only indicates profit belonging to the shareholder. To calculate and analyses the percentage of earning is distributed to the shareholders as dividend on per share basis, dividend per share is calculated. Dividend is that portion of net profit which is distributed to the shareholder as return on their investment. Dividend per share is that part of earning after tax which is distributed by dividing the EAT by total No. of ordinary share outstanding. It can be calculated by using the following formula:

$$\text{Dividend per share} = \frac{\text{Total Dividend}}{\text{Total Oridnary Shares Outstanding}}$$

The following table shows the dividends per share declare by those banks.

## Table no 22

**Dividend ratio (2005/06-2009/10)**

| Banks | Ratio | Fiscal years | | | | | |
|---|---|---|---|---|---|---|---|
| | | 2005/06 | 2006/07 | 2007/08 | 2008/09 | 2009/10 | average |
| KBL | % | 0 | 0 | 0 | 15 | 24 | 7.8 |
| BOK | % | 18 | 20 | 40 | 47.37 | 54.27 | 35.91 |
| HBL | % | 35 | 40 | 45 | 43.56 | 46.17 | 41.946 |
| EBL | % | 25 | 40 | 50 | 60 | 60 | 47 |

Source –Five years comparative principal indicators ok KBL, BOK, HBL and EBL

The average dividend per Share of KBL, BOK, HBL and EBL is 7.8, 35.91, 41.946 and 47 respectively. According to the study of dividend per share of four banks, during the study period, it has been revealed that the higher percentage of dividend per share of EBL indicates that EBL is more efficient to contribute dividend than of KBL, BOK and HBL.

### 4.3.2 Earning per share

From the owner's point of view to assess the profitability of the firm, earning per share is widely used. It means the percentage profit available to be the equity holder on per share basis. The investors favors high earning per share. It reflects the sand profitability position of the bank. Earning per share can be calculated using the following formula:

$$\text{Earning per share (EPS)} = \frac{\text{Net Profit After Tax}}{\text{Total No. of Equity Shares}}$$

The following table shows the earning available to each share for the investment in those banks.

## Table no 23

**Earning per Share (2005/06-2009/10)**

| Banks | Ratio | Fiscal years | | | | | |
|---|---|---|---|---|---|---|---|
| | | 2005/06 | 2006/07 | 2007/08 | 2008/09 | 2009/10 | average |
| KBL | Rs | 16.59 | 22.70 | 16.86 | 19.80 | 24.23 | 20.036 |
| BOK | Rs | 43.67 | 43.50 | 59.94 | 54.68 | 47.34 | 49.825 |
| HBL | Rs | 59.24 | 60.66 | 62.74 | 61.90 | 55.24 | 59.684 |
| EBL | Rs | 45.81 | 57.22 | 54.27 | 76.15 | 86.12 | 63.914 |

Source –Five years comparative principal indicators ok KBL, BOK, HBL and EBL

Average earnings per share of KBL is 20.036, BOK are 49.825, HBL is 59.684 and EBL is 86.64. After the study of earning per share of the banks, during the study period, it has been found that the EBL has higher earning per share in comparison to KBL, BOK and EBL. It indicates that EBL has higher profitability as per share earning. Earning per share of KBL is lowest among these the banks.

### 4.3.3 Price earning ratio

Price earning ratio those banks are as follows.

## Table no 24

**Price earning ratio (2005/06-2009/10)**

| Banks | Ratio | Fiscal years | | | | | |
|---|---|---|---|---|---|---|---|
| | | 2005/06 | 2006/07 | 2007/08 | 2008/09 | 2009/10 | average |
| KBL | times | 26.71 | 36.56 | 59.62 | 61.47 | 31.76 | 43.224 |
| BOK | times | 19.46 | 31.61 | 39.21 | 32.00 | 27.61 | 29.978 |
| HBL | times | 18.57 | 28.69 | 31.56 | 28.43 | 30.12 | 27.474 |
| EBL | times | 30.1 | 42.47 | 57.71 | 32.24 | 36.12 | 39.728 |

Source –Five years comparative principal indicators ok KBL, BOK, HBL and EBL

Average price earnings per share of KBL, BOK, HBL and EBL are 43.225, 29.978, 27.474and 39.728 respectively. After the study of P/E ratio of KBL, BOK, HBL and EBL during the study period, it has been revered that the P/E ratio of EBL is higher than that of KBL, BOK and HBL.

It indicates that EBL has higher market price per share over earning per share than KBL, BOK and HBL.

## 4.4 analyses statistical analyses

### 4.4.1 Coefficient of correlation analysis

This tool is used to predict the relationship between deposits and loans and advance, net profit and outsider assets and deposits and long term investment. Under this study, Karl's person's coefficient of correlation is being used.

#### 4.4.1.1 Correlation between total deposit and long term- investment

Investment is also a measures part of banks to mobilize the collected deposit. By investing in different profitable area like shares and debenture, government securities banks maximize the profit. Therefore it is important to study the relation between the deposit and investment. For this analysis deposit is taken as independent variables(x) and investment (y) is taken as dependent variables. This is analysis measures the degree of relationship between this two variables. Besides this, it will justify whether the deposits are significantly used in proper way or not and whether there is any relationship in between those components. The following table exhibits the coefficient of correlation (r) between deposits and total investment, coefficient of determination (r2), probable error P.E .(r)

## Table No. 4.25

**Correlation between total deposit and long term- investment (2005/06-2009/10)**

(RS. In million)

| Fiscal year | Banks | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Kumarai banks ltd. | | Bank of Kathmandu ltd. | | Himalayan bank ltd. | | Everest bank ltd. | |
| | Total deposit (x) | Long term investment (Y) | Total deposit (x) | Long term investment (Y) | Total deposit (x) | Long term investment (Y) | Total deposit (x) | Long term investment (Y) |
| 2005/06 | 7769.0 | 1395.0 | 10485.4 | 4164.1 | 24814.0 | 12133.4 | 1302.4 | 4267.5 |
| 2006/07 | 10557.1 | 1678.4 | 12388.9 | 3465.1 | 26490.9 | 11894.3 | 18186.3 | 4984.3 |
| 2007/08 | 12774.3 | 2138.8 | 15833.7 | 3574.4 | 30048.4 | 13533.0 | 23976.3 | 5405.6 |
| 2008/09 | 15710.9 | 1510.8 | 18084.0 | 3319.9 | 31842.8 | 13858.7 | 33323.0 | 5948.5 |
| 2009/10 | 17432.3 | 2296.9 | 20315.8 | 4856.8 | 34681.4 | 9881.5 | 36932.3 | 5008.3 |
| R | 0.6131 | | 0.2953 | | -0.2455 | | 0.6500 | |
| R2 | 0.3760 | | 0.872 | | -0.6027 | | 0.4225 | |
| P.E.(r) | 0.1882 | | 0.2753 | | 0.4834 | | 0.1742 | |
| 6*P.E.(r) | 1.129 | | 1.165 | | 2.901 | | 1.045 | |
| Level of significant | insignificant | | insignificant | | Insignificant | | insignificant | |

Source –five years comparative balance sheet HBL and EBL of KBL, BOK

(Annex -3,4,5 and 6)

The coefficient of correlation between KBL and EBL is found to be 0.613 and 0.65 which indicate that there is mode rage degree of correlation between total deposit and long term investment. Coefficient of correlation of BOK is 0.2953 which indicate that there is lower degree of correlation. HBL coefficient of correlation is found to be -0.2455 which indicate perfectly negative correlation. While testing 6.P.E(r) all banks to be insignificant as the value of r lower then 6 P.E(r). all banks is found to be weal in earning the total deposit through investment and not successful to total deposit by mobilizing the long term investment.

### 4.4.1.2Correlation between total deposit and loan and advances

Banks acts as financial intermediary. For this, bank collects deposits from the general public and this same deposit utilized to grant loan and advances to the needs person or institution. The capacity of bank granting loan and advances depends upon the capacity of collecting deposit. If

there is high capacity of collecting deposit there will be high lending capacity. Total deposit of bank includes fixed, saving, current, call and other deposit. Here, loan and advance is affected by the total deposit of bank. The correlation between total deposit and loan and advances is calculated as follows:

## Table No. 4.26

**Correlation between total deposits and loan and advance (2005/06-2009/10)**

(RS. In million)

| Fiscal year | Banks | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Kumari banks ltd. | | Bank of Kathmandu ltd. | | Himalayan bank ltd. | | Everest bank ltd. | |
| | Total deposit (x) | Loan and advance (y) | Total deposit (x) | Loan and advance (y) | Total deposit (x) | Loan and advance (y) | Total deposit (x) | Loan and advance (y) |
| 2005/06 | 7769.0 | 6891.9 | 10485.4 | 7269.1 | 24814.0 | 12424.5 | 1302.4 | 9801.3 |
| 2006/07 | 10557.1 | 8929.0 | 12388.9 | 9399.3 | 26490.9 | 14642.6 | 18186.3 | 13664.1 |
| 2007/08 | 12774.3 | 11335.1 | 15833.7 | 12462.6 | 30048.4 | 16998.0 | 23976.3 | 18339.1 |
| 2008/09 | 15710.9 | 14593.4 | 18084.0 | 14647.3 | 31842.8 | 19497.5 | 33323.0 | 23884.7 |
| 2009/10 | 17432.3 | 14765.9 | 20315.8 | 16664.9 | 34681.4 | 24793.2 | 36932.3 | 27556.3 |
| R | 0.9899 | | 0.9995 | | 0.9781 | | 0.9971 | |
| R2 | 0.9778 | | 0.9989 | | 0.9567 | | 0.9942 | |
| P.E.(r) | 0.006696 | | 0.000447 | | 0.0131 | | 0.00175 | |
| 6*P.E.(r) | 0.0402 | | 0.00268 | | 0.0784 | | 0.0105 | |
| Level of significant | significant | | significant | | significant | | significant | |

Source –five years comparative balance sheet of KBL, BOK HBL and EBL
(Annex -7.8,9 and 10)

The coefficient of all banks found to be almost '1' which indicates there is proportion relation ship between the total deposit and loan and advances for all banks. While testing 6 P.E(r) all banks found to be significant as the value of 'r' is greater then 6 P.E.(r) which implies that there found to be perfect correlation between the total deposits and loan and advances. It shows that the loan and advances and the total deposit efficiency.

#### 4.4.1.3 Correlation between loan and advances and net profit

Loan and advances also plays a vital role in earning the profit. By mobilizing the deposit in loan and advances banks earns the profit. So it is necessary to study the relation between these two variables loan and advances and net profit. Following table sows the coefficient of correlation (v) and coefficient of determination ($v^2$) between loan and advance and net profit of the banks for the study loan and advance (x) is taken as independent variable and net profit (y) is taken as dependent variable.

## Table No. 4.27

**Correlation between loan and advances and net profit (2005/06-2009/10)**

(RS. In million)

| Fiscal year | Banks | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Kumara banks ltd. | | Bank of Kathmandu ltd. | | Himalayan bank ltd. | | Everest bank ltd. | |
| | Loan and advance (x) | Net profit (Y) | Loan and advance (x) | Net profit (Y) | Loan and advance (x) | Net profit (Y) | Loan and advance (x) | Net profit (Y) |
| 2005/06 | 6891.9 | 103.7 | 7269.1 | 202.4 | 10001.85 | 212/3 | 9801.3 | 237.3 |
| 2006/07 | 8929.0 | 170.3 | 9399.3 | 262.4 | 11951.87 | 263.05 | 13664.1 | 296.4 |
| 2007/08 | 11335.1 | 174.9 | 12462.6 | 261.5 | 12424.52 | 308.28 | 18339.1 | 451.2 |
| 2008/09 | 14593.4 | 258.4 | 14647.3 | 461.7 | 16997.98 | 457.6 | 23884.7 | 638.7 |
| 2009/10 | 14765.9 | 316.5 | 16664.9 | 509.2 | 14642.56 | 491.02 | 27556.3 | 831.8 |
| R | 0.9470 | | 0.9270 | | 0.91 | | 0.9874 | |
| R2 | 0.8968 | | 0.8590 | | 0.83 | | 0.9750 | |
| P.E.(r) | 0.03113 | | 0.0425 | | 0.0513 | | 0.00754 | |
| 6*P.E.(r) | 0.187 | | 0.255 | | 0.30 | | 0.0452 | |
| Level of significant | significant | | significant | | significant | | significant | |

Source –five years comparative balance sheet KBL, BOK, HBL and EBL.
Annex -11.12, 13 and14)

The coefficient of correlation for the sample banks found almost '1' which indicates there is proportions relationship between the loan and advances and net profit for banks .while testing 6 P.E.r for all banks found to be significant as the r value for all banks are greater than 6 P.E. r

which implies that loan and advances and net profit. It shows that all banks are successful in earning thane net profit by mobilizing the loan and advances.

#### 4.4.1.4 Correlation between long- term investment and net profit

Following the table shows the relation between the investment and net profit. As we say in above investment is done in different profitable area to maximize the profit.net profit is the key to survive the bank. Without profit banks can't sustain in the market. Therefore it is necessary to measure the degree of relationship between those two variables. For the study long term investment (x) is taken as independent variables and net profit (y) is taken as dependent variable. The following table shows the coefficient of correlation between (r), coefficient of determinants (r2) and probable error P.E.r between investment and net profit of the bank.

**Table No. 4.28**

**Correlation between long- term investment and net profit (2005/06-2009/10)**

( RS. In millions)

| Fiscal year | Banks | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Kumara banks ltd. | | Bank of Kathmandu ltd. | | Himalayan bank ltd. | | Everest bank ltd. | |
| | Long term investment (x) | Net profit (y) | Long term investment (x) | Net profit (y) | Long term investment (x) | Net profit (y) | Long term investment (x) | Net profit (y) |
| 2005/06 | 1395.0 | 103.7 | 4164.1 | 202.4 | 12133.4 | 308.3 | 4267.5 | 237.3 |
| 2006/07 | 1678.4 | 170.3 | 3465.1 | 262.4 | 11894.3 | 457.5 | 4984.3 | 296.4 |
| 2007/08 | 2138.8 | 174.9 | 3574.4 | 261.5 | 13533.0 | 491.8 | 5405.6 | 451.2 |
| 2008/09 | 1510.8 | 258.4 | 3319.9 | 461.7 | 13858.7 | 635.9 | 5948.5 | 638.7 |
| 2009/10 | 2296.9 | 316.5 | 4856.8 | 509.2 | 9881.5 | 752.8 | 5008.3 | 831.8 |
| R | 0.5606 | | 0.6235 | | -0.3286 | | 0.3340 | |
| R2 | 0.3143 | | 0.3888 | | -0.108 | | 0.1116 | |
| P.E.(r) | 0.2068 | | 0.1844 | | 0.3342 | | 0.2680 | |
| 6*P.E.(r) | 1.241 | | 1.106 | | 2.005 | | 1.608 | |
| Level of | insignificant | | insignificant | | insignificant | | insignificant | |

| | | | | |
|---|---|---|---|---|
| significant | | | | |

Source- five years comparative balance sheet of KBL, BOK, HBL and EBL.

[**Annex--15,** 16, 17 and 18]

The coefficient of correlation of KBL and BOK is 0.5606and 0.6235 which indicates that there is moderate degree of correlation between investment and net profit. HBL and EBL is -0.3286 and 0.334 which indicates that there is lower degree and negative degree of correlation between investment and net profit. While testing 6 P.E.r of all banks are found to be insignificant as the value of r lower than 6 P.E.r. all sample banks found to be week in earning the net profit through the investment.

## 4.4.2 Trend analysis

For the analysis of actual position of an enterprise different kinds of tools and techniques can be used out of them trend analysis is also an, which shows the percentage is changed in several successive years. Trend analysis indicates the direction of change of various factors of the enterprise such as deposit, investment, income expense etc. in financial analysis, the direction of change of such factors over a period of years is very much important. For knowing the direction change of significant activities of the bank following trends are calculated and also presented in diagram show the direction of some factors of the banks.

Trend of total deposit

Trend of loan and advance

Trend of net profit

### 4.3.2.1 Trend analysis of total deposit

Under total deposit of bank, fixed saving, deposit, call and other deposit are included. Here total deposit of concerned banks is calculated to compare the improvement in the collection of deposit during the study period

## Table no. 4.29

### Trend of total deposit

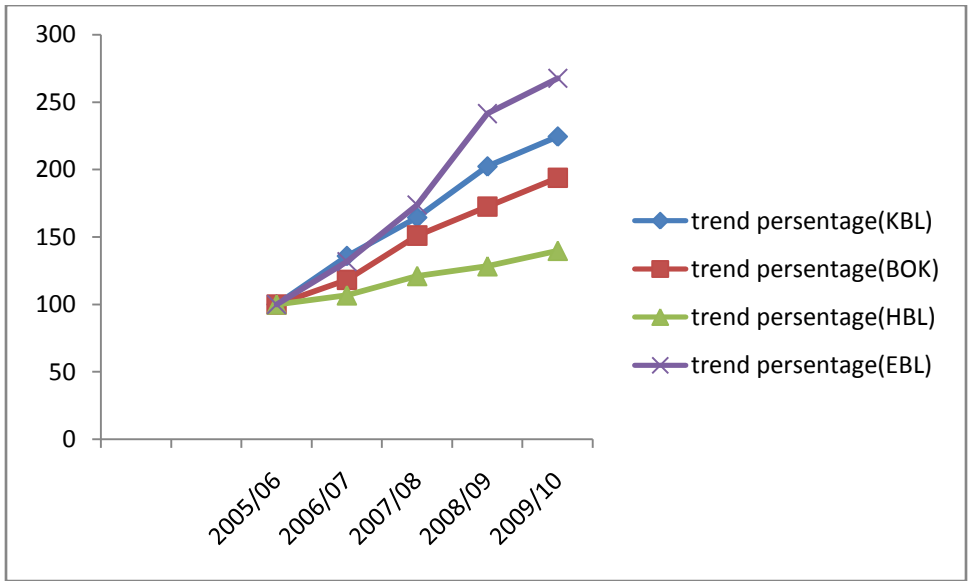
(Rs in millions)

| Fiscal years | KBL limited | | BOK limited | | HBL limited | | EBL limited | |
|---|---|---|---|---|---|---|---|---|
| | Total deposit | Trend line (%) | Total deposit | Trend line (%) | Total deposit | Trend line (%) | Total deposit | Trend line (%) |
| 2005/06 | 7769.0 | 100.0 | 10485.4 | 100.0 | 24814.01 | 100.0 | 13802.4 | 100.0 |
| 2006/07 | 10557.1 | 135.89 | 12388.9 | 118.15 | 26490.85 | 106.76 | 18186.3 | 131.76 |
| 2007/08 | 12774.3 | 164.43 | 15883.7 | 151.01 | 30048.42 | 121.09 | 23976.3 | 173.71 |
| 2008/09 | 15710.9 | 202.23 | 18083.9 | 172.47 | 31842.79 | 128.33 | 33323.0 | 100.0 |
| 2009/10 | 17432.3 | 224.38 | 20315.8 | 193.75 | 34681.35 | 139.77 | 36932.3 | 131.76 |

Source-comparative five years balance sheet of KBL, BOK, HBL and EBL.

## Figure no. 4.1

Total deposit of KBL, BOK, HBL and EBL




The above table and figure reveals that the trend of total deposit of KBL, BOK, HBL and EBL its shows the trend of total deposit of KBL, BOK, HBL and EBL is in increasing trend. The up

going trend line of EBL indicates that it has higher growth rate of collection of deposit then KBL, BOK and HBL. Likewise the slightly up going trend line of KBL, BOK and HBL also indicate that it has success in collecting deposit.

#### 4.3.2.2 Trend analysis of loan and advances

Bank can mobilize their funds on loan and advance. It is the main source of income for the bank. It means, from loan and advance banks yield high returns. Trend of loan and advance of KBL, BOK, HBL and EBL are presented below.

## Table. no.4.30

**Trend of loan and advances**

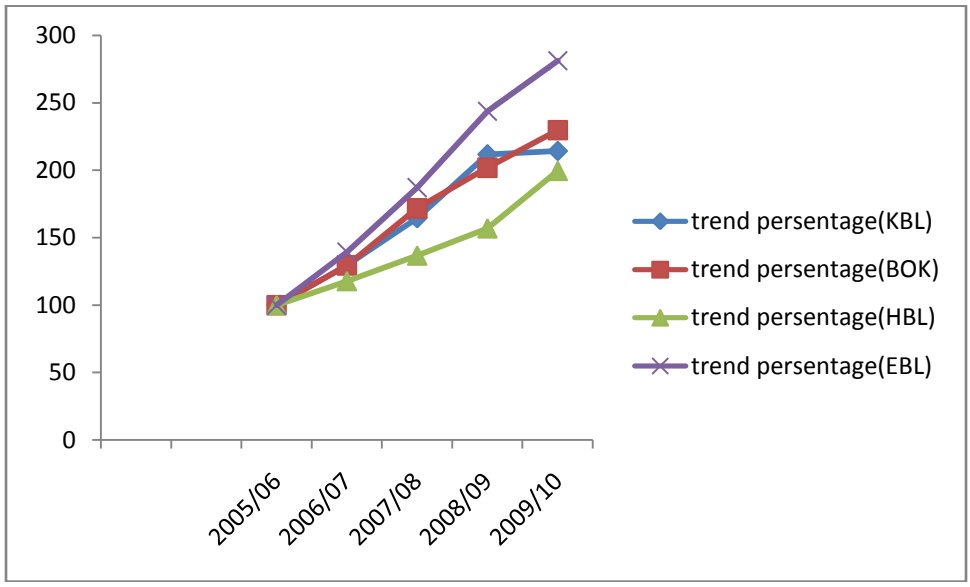
(Rs in Millions)

| Fiscal years | KBL limited | | BOK limited | | HBL limited | | EBL limited | |
|---|---|---|---|---|---|---|---|---|
| | Loan and advances | Trend line (%) | Loan and advances | Trend line (%) | Loan and advances | Trend line (%) | Loan and advances | Trend line (%) |
| 2005/06 | 6891.9 | 100.0 | 7259.1 | 100.0 | 12424.52 | 100.0 | 98013 | 100 |
| 2006/07 | 8929.0 | 129.56 | 9399.3 | 129.49 | 14642.56 | 117.85 | 13664.1 | 139.41 |
| 2007/08 | 11335.1 | 164.47 | 12462.6 | 171.68 | 16998.0 | 136.81 | 18339.1 | 187.11 |
| 2008/09 | 14593.4 | 211.75 | 14647.3 | 201.79 | 19497.52 | 156.93 | 23884.7 | 243.69 |
| 2009/10 | 14765.9 | 214.25 | 16665.0 | 229.57 | 24793.16 | 199.55 | 36932.3 | 281.15 |

Source-comparative five years balance sheet of KBL, BOK, HBL and EBL.

## Figure-2

Trend of loan and advance of KBL, BOK, HBL and EBL




The above table and figure shows the loan and advance trend of KBL, BOK, HBL and EBL during the study period. The loan and advances trend of all banks have been increasing. The above figure also shows the continuous growth of loan and advance of EBL is more than in comparison to KBL, BOK and HBL. It means investment in loan and advance of EBL is improving very significantly in comparison with KBL, BOK and HBL.

**4.3.2.43Trend analysis of net profit**

Net profit plays important role in any organization for its survival for long term. Net profit is the different between earnings and expenses. So it is the actual earning of the bank. Net profit is one of the best way to analysis the overall effectiveness of the firm during the study period. Here, net profit trend of BOK, HBL and EBL is presented below

## Table.no.4.32

### Trend of net profit

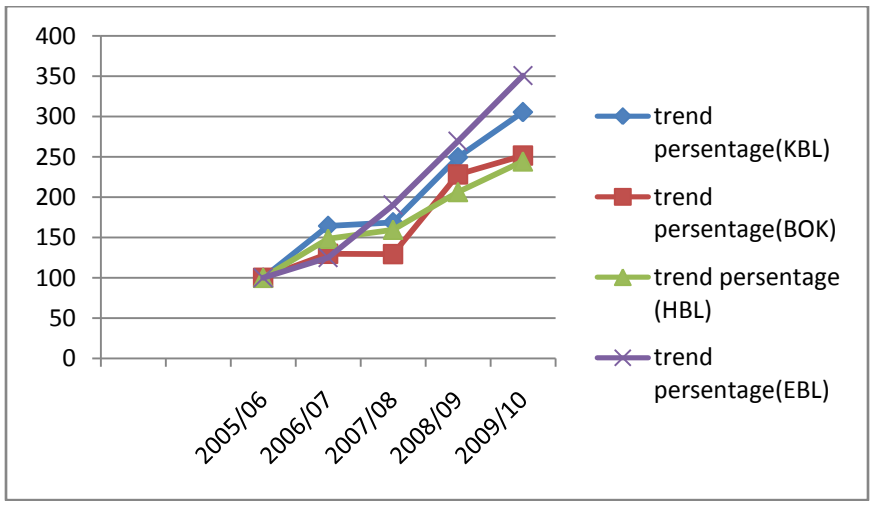
(Rs in millions)

| Fiscal years | KBL limited | | BOK limited | | HBL limited | | EBL limited | |
|---|---|---|---|---|---|---|---|---|
| | NPAT | Trend line (%) | NPAT | Trend line (%) | NPAT | Trend line (%) | NPAT | Trend line (%) |
| 2005/06 | 103.7 | 100.0 | 202.4 | 308.28 | 100.0 | 100.0 | 237.3 | 100 |
| 2006/07 | 170.3 | 164.22 | 262.4 | 129.64 | 457.46 | 148.39 | 296.4 | 124.91 |
| 2007/08 | 174.9 | 168.66 | 261.5 | 129.20 | 491.82 | 159.54 | 451.2 | 190.14 |
| 2008/09 | 258.4 | 249.18 | 461.7 | 228.11 | 635.87 | 206.26 | 638.7 | 269.15 |
| 2009/10 | 318.5 | 305.21 | 509.2 | 251.58 | 752.83 | 244.20 | 831.8 | 350.53 |

Source-comparative five years balance sheet of KBL,BOK, HBL and EBL

## Figure- 4

Trane line of net profit



From The above table and figure shows that the trend of net profit of KBL, BOK, HBL and EBL,during the study period. The net profit trend of KBL, BOK, HBL and EBL are increasing continuously through the study period. Where as in case of BOK up to of net profit is in increasing trend in a year 2005/06 to 2006/07 and decreasing in 2007/08and increasing trend up to 2009/10. The above figure also shows the net profit trend line of EBL is rapidly growing up ward every successive year during the study period in comparison to KBL, BOK, and HBL. it means the EBL is performing its activities more effectively then the KBL, BOK and HBL likewise higher trend line of KBL is more effective then BOK and HBL.

# CHAPTER—V

# SUMMARY, CONCLUSION AND RECOMMEDATFON

This chapter is a summary of the study and it released some suggestive package. Ft contains summary, conclusion and recommendation summary is a brief introduction of whole study. Conclusions are made on the basis of the analysis of relevant data by using various financial and statistical tools. It also appears the strength, weakness, opportunities and threats of the join venture banks. Recommendations are presented in term of suggestion, which prepared on the basis of findings and conclusion.

## 5.1 Summary

Capital formation is based upon the saving of the country. Banks promote saving, mainly by commercial banks. Like this, there is great contribution of commercial banks to from the capital as well as its mobilization. By collecting saving from the different people and organizations, it creates funds, which is reinvested to various productive projects, providing capital to invest. After the restoration of democracy in Nepal, government took liberalization economic policy. As a result various joint venture banks are also established. At present all they are performing competitively. This study, relating commercial banks is done on topic Financial Performance Analysis of commercial banks in Nepal in the framework of camel (A comparative study of Kumari bank ltd, Bank of Kathmandu ltd, Himalaya Bank Limited and Everest Bank Limited).

This study is divided into five chapters. They are introduction, review of literature, research methodology, presentation and analysis of data and summary and analysis of data and summary, conclusion and recommendation.

The first chapter includes background of study focus of study, statement of the problem, objectives of the study, significance of the study, limitation of the study.

The second chapter deals meaning and growth of bank, history and concept of joint venture commercial banks, objectives of joint venture banks financial performance, financial statement analysis, review of financial ratio analysis, limitation of the financial ratio are theoretically reviewed. In this chapter review of related articles and review of research work has also been described.

Similarly, the third chapter covers research methodology in which research design, population and sample, nature and source of data, data collection procedure and tools of data analysis have been included.

The fourth chapter is main part of the study. In this chapter required data for study are presented, analyzed and interpreted by using appropriate financial and statistical tools.

In the fifth chapter summary, conclusion and recommendation have been mentioned for the improvement of the future performance of KBL,BOK, HBL and EBL

## 5.2 Research Findings and conclusion

Having completed the basis analysis required for this study, the finds and most important task of the research is to enlist the finding this will give meaning to the desired result .

On the base of various categories of analysis adopted. In this study, a comprehensive summary of the major findings and conclusion of this study is presented below.

**i.illiquidity Ratio Analysis**

Finding of the liquidity ratios such as current ratio, lone and Advance to current Ratio, cash and Bank balance to total deposit ratio are presented under.

During the study period of the sample Banks the current ratio of KBL, found to be fluctuate trend. The Average current ratio of KBL, BOK, HBL and EBL is 09955, 0.8544, 0.6585 and 0.9463 respectively. The average current ratio of KBL is higher then other sample Banks. It indicates. That KBL solvency Position is comparatively beater then other Banks. KBL and all sample Banks average current ratio below 1, so all the Bank need to improve their solvency position. The coefficient of variation of KBL, BOK, HBL and EBL are 4%, 9.15%, 12.44% and 7.3877 respectively. The lower coefficient of variation of KBL indicate that KBL has more consistency in maintaining current ratio in comparison to BOK, HBL and EBL

The average loan and advance to current assets ratio of KBL, BOK, HBL and EBL is 0.833, 0.896, 0.8676 and 0.819 respectively. After the study loan and advance of current assets ratio of KBL, BOK, HBL and EBL it has been found that the average loan and advance to current ratio of BOK is higher them KBL, HBL and EBL, where average ratio of EBL minimum . It shows that BOK has been providing the maximum percentage of its current assets of loan and advance. So the utilization of current assets as loan and advance has been found higher in BOK and lower in EBL. this shows that the better performance of BOK is providing loan and advance .

The mean ratio of cash and bank balance to current assets of EBL is higher then KBL, BOK, HBL. This shows EBL greater capacity to meet its customers daily cash requirement them BOK, KBL and HBL. The ratio of KBL is loss variable and more consistent then BOK and EBL.

The cash and bank balance to total deposit ratio of EBL is sighted higher then KBL, BOK, and HBL. EBL has better liquidity position then other banks because of higher percentage of liquid assets. This show EBL readiness to meet its customer requirement. A higher liquidity also indicates the inability of the banks to moralize its current assets. The ratio of HBL is more consistent then others bank.

**ii. Leverage Ratio**

The average coverage ratio of KBL, BOK, HBL and EBL are 0.004, 0.006, 0.0084 and 0.0052 respectively. After the study of coverage ratio, HBL is higher then other sample banks, it indicate that HBL has easily coverage then KBL, BOK and EBL recommended to increase its coverage ratio . The coefficient of variation of EBL is loss then other bank, so EBL is less risky then others.

The average debt to equity ratio KBL, BOK, HBL and EBL is 10.19, 12.14, 14.53 and 15.02 times respectively. The coefficient of variation of KBL is 4.74 %, BOK is 13.29 %. HBL 1514.43 and EBL is 10.34 %. After the study of debt equity ratio of, all sample banks, it has been found that average debt equity ratio of EBL is higher then other banks. It show that EBL position is not satisfactory in comparison to other banks .likely KBL debt equity ratio is lower then BOK,

HBL and EBL, so its position is relatively satisfactory in comparison with other bank .

After the study of debt to assets ratio of blanks during the study period, It has been found that the average total debt to total assets ratio of HBL and FBL are higher them BOK and KBL. Creditors would be reluctant to land the firm more money and management would probably subject the firm to the risk of loan king if it sought to increase the debt ratio any future by borrowing additional funds.

**iii. Activity Ratio**

The average for forming assets to total assets ratio of KBL, BOK, HBL and EBL are0.8558, 0.751, 0.6050 and 0.793 which indicate indicates higher investment in performing assets short term investment are very important for any institution for its working capital and other short term needs . The C.V of KBL more consistent performing assets to total assets ratio comparison with BOK, HBL and EBL.

The mean ratio of KBL is higher then that of BOK, HBL and EBL. Which indicate the bank has well paid to its employee. The mean ratio of EBL is less then other sample Banks HBL has lower C.V (5.5%) them other sample bank which successfully maintained its consistency due to its lower C.V.

The average loan and advances to total deposit ratio KBL is greater then BOK, HBLBL and EBL. It indicates KBL better utilization of total deposit for investing in loan and advance in comparison to others bank. Average of EBL shows low performance in utilization of total deposit in comparison to others sample banks. KBL is more consistent in loan and advance to total deposit ratio as regard BOK, HBL and EBL.

In the above comparative table, revels that performing assets to total debt ratio. The mean ratio of KBL is higher then BOK, HBL and EBL.

The mean ratio of long term investment to total deposit of HBL is higher then other Banks. The ratio of HBL is more consistent and Less variable them Bok, KBL, and EBL.

The average loan and advance to total assets ratio of KBL, BOK, HBL and EBL are 0.7548, 0.673, 0.5254 and 0.648 respectively. The mean ratio of KBL is higher (0.7548) which indicates that it has invested larger amount in loan and advances then that of BOK, HBL and EBL (12.63%) is more consistent in loan and advances to total assets ratio in comparison to KBL, BOK and HBL.

**iv. Profitability Ratio**

Net profit to total deposit ratio of EBL is higher then BOK, KBL and HBL which indicated by higher mean value. As concern of consistency level has maintained successfully better level then KBL, BOK and HBL which indicator by lower C.V

Above calculation, It her average of BOK, indicated that it is more efficient to utilize its assets in comparison of KBL, HBL and EBl. KBL, HBL and EBL are not seemed to by utilize its assets more efficiency. So these banks are required to increase the rate of return on total assets by marking investment in higher return sectors. The C.V of KBL is more consistent to return ion total assets ratio in Comparison to other banks.

Table No. show the interest earned to total assets ratio of KBL, BOK, HBL and EBL. Higher average of KBL indicates that it is able to utilize its assets successfully to earn more interest them BOK, HBL and EBL. HBL is less then BOK, KBL and EBL. The interest earn of HBL is more constant then KBL, and EBL. Likewise lower C.V of EBL show that it is more constant then BOK and KBL.

The table reflects that KBL is higher mean ratio which indicates that it has paid longer interest terms of consistency. HBL has successfully maintained which indicates by its significant lower C.V of 5.36%

Above table (4.8) the mean ratio of KBL is higher then BOK, HBL and EBL, Which indicate the efficiency of the firm on the utilization of total capital. Antiheros ratio is an indication of the better utilization of capital employed. In tense, higher ratio is preferable for the company. In

terms of consistency HBL has successful maintained which indicates by its significant lower C.V. i.e. 7.79.

**v. Capital adequacy Ratio**

The mean ratio of KBL is higher then EBL, BOK and HBL. Which indicates that more of the fund investment in the business it provided by the outsider of the fund invested in the business is provided by the outsider of the fund in vested in the outsider not the lower which debt equity ratio.

Share holder fund to assets ratio is the mean ratio of EBL is lower then that of KBL, BOK and HBL. Which indicate that, it has less control over assets by share holder's fund. More over KBL has maintain better level of consistency then other banks which indicated by its lower C.V.

**Vi. Other Ratio**

The average dividend per Share of KBL, BOK, HBL and EBL is 7.8, 35.91, 41.946 and 47 respectively. According to the study of dividend per share of four banks, during the study period, it has been revealed that the higher percentage of dividend per share of EBL indicates that EBL is more efficient to contribute dividend than of KBL, BOK and HB.

Average earning per share of KBL is 20.036, BOK is 49.825, HBL is 59.684 and EBL is 86.64. After the study of earning per share of the banks, during the study period, it has been found that the EBL has higher earning per share in comparison to KBL, BOK and EBL. It indicates that EBL has higher profitability as per share earning. Earning per share of KBL is lowest among these the banks.

Average price earnings per share of KBL, BOK, HBL and EBL are 43.225, 29.978, 27.474and 39.728 respectively. After the study of P/E ratio of KBL, BOK, HBL and EBL during the study period, it has been revered that the P/E ratio of EBL is higher than that of KBL, BOK and HBL. It indicates that EBL has higher market price per share over earning per share than KBL, BOK and HBL.

**Vii. Correlation Analysis**

Correlation between total deposit and long term investment of KBL, BOK, HBL and EBL is 0.6132, 0.2953,-0.2455 and 0.65 respectively. KBL is positive and moderate degree of correlation. HBL is negative degree of correlation. BOK is lower degree of positive correlation. While testing 6.p.e all sample banks found to be insignificant as the value of r is lower than 6.p.e.r. so, all banks are strong in earning the total deposit through investment. All banks are successful to total deposit by mobilizing the long-term investment.

Correlation between total deposit and loan and advance of KBL, BOK, HBL and EBL are 0.9899, 0.995, and 0.997, respectively. So there is highly positive correlation between these variables of KBL, BOK, HBL and EBL. While testing 6.p.e.r per all banks found to be significant as the value of 'r' greater then 6.p.e.r which implies that deposit and loan and advance. It shows that the loan and advances efficiently.

Correlation between loan and advance and net profit of KDL, BOK, HBL, and EBL are 0.947, 0.927, 0.91 and 0.9874 respectively. The coefficient of correlation for the sample proportion relationship between the loan and advances and net profit for both banks while testing 6.p.e.cr per all banks found to be significant are value for all banks are greater than 6.p.e.r which implies that there found to be perfect correlation between the loan advance and net profit.

The coefficient of correlation of KBL and BOK is found to be 0.561 and 0.624, which indicates that there is moderate degree of correlation between investment and net profit. EBL is found to be 0.334 which is lower degree of correlation and ITBL found to be -3286 which is negative degree of correlation while testing 6.p.e.r. All banks found to be insignificant as the value of 'r' is earning the net profit through the investment.

**Viii. Tread Analysis**

In this study, tread analysis helps to know the direction of change of some significant activities of banks and it also examines whether the financial position of a firm is improving over the years.

From the above figure no.4.1, it has been revealed that total deposit tread of all banks are in increasing tread. The growth rate of total deposit among banks EBL has higher growth rate than KBL, BOK, and HBL.

After the study of loan and advance tread of all sample banks during the study period, it has been revealed that the tread of loan and advance of all banks is increasing tread. The growth rate of loan and advance, EBL is higher then KBL, BOK, and HBL. This indicates that other two banks.

## 5.3 Recommendations

From the above finding and analysis it is clear for sample banks are not strong in all fields. Therefore, the following recommendations should be brought into highlight to overcome inefficiency, weaker and develop present fund mobilization and investment policy of the bank.

1. Average current ratio of all four banks KBL, BOK, HBL and EBL is below. So, all bank needs to improve their solvency position either by increasing their current assets or by decreasing their current liabilities.

2. BOK is utilizing its assets property in providing loan and advance in various sectors. This shows the better performing of BOK is providing loan and advance but BOK should be careful in recovery of loan and advance.

3. HBL performance in mobilization its deposit in the form of investment is weak among bank. So it should identify the new investment sectors.

4. The higher deled to equity ratio is regarded as weaker financial position of any firm. Generally, deled to equity ratio 0.50 is regarded as sound position for banking sector. SO, EBL needs to decrease its deled equity ratio. The bank should insist more in raising additional equity fund.

5. Generally higher coverage ratio is treated as good for banking sector. So all bank are recommended to increasing its interest coverage ratio.

6. Nepal Astray bank should clearly define its role and strict monitoring for the coefficient operation of banks so they can use the facilities as much as possible. Besides that, NRB should open to all, fixable and strong supervision rather then imposing rules and regulation only.

7. Recently chirper garments and tourism industries of Nepal are bearing negative impact from reduction in world wide economic activities KBL, BOK, ITBL, and EBL have invested in these industries, consequently they are also suffering from diversified investment policy for investing in wide-range of profitable sector and proportional manner.

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# Annex-1

Calculation of mean and coefficient of variation between assets and current liabilities

| Fiscal years | Kumarai bank ltd | | | Bank of Kathmandu ltd | | |
|---|---|---|---|---|---|---|
| | Ratio of x | x-x | $(X-X)^2$ | Ratio of y | y-y | $(y-y)^2$ |
| 2005/06 | 0.923 | -0.031 | 0.000961 | 0.71 | -0.115 | 0.013225 |
| 2006/07 | 0.922 | -0.032 | 0.001024 | 0.81 | -0.015 | 0.000225 |
| 2007/08 | 0.955 | 0.001 | 0.000001 | 0.85 | 0.025 | 0.000625 |
| 2008/09 | 1.016 | 0.062 | 0.003844 | 0.903 | 0.078 | 0.006084 |
| 2009/10 | 0.955 | 0.001 | 0.000001 | 0.8544 | 0.0295 | 0.0008644 |
| | 4.771 | | 0.005831 | 4.1274 | | 0.021023 |

N =5years

Here,

Arithmetic Mean $\bar{X} = \frac{\sum X}{N} = \frac{4.771}{5} = 0.9540$

Arithmetic Mean $\bar{Y} = \frac{\sum Y}{N} = \frac{4.1274}{5} = 0.8250$

Standard Deviation (S.D) $= \sqrt{\frac{\sum (X-X)2}{N-1}} = \sqrt{\frac{0.005831}{5-1}} = 0.0382$

Standard Deviation (S.D) $= \sqrt{\frac{\sum (Y-Y)2}{N-1}} = \sqrt{\frac{0.02102}{5-1}} = 0.07250$

Coefficient of Variation C.V $= \frac{Q}{X} \times 100\ \% = \frac{0.0382}{0.954} \times 100\ \% = 4.00$

Coefficient of Variation C.V $= \frac{Q}{Y} \times 100\ \% = \frac{0.0725}{0{,}825} \times 100\ \% = 8.79$

Annex -2

Calculation of mean and coefficient of variation between assets and current liabilities

| Fiscal years | Himalayan bank ltd | | | Everest bank ltd | | |
|---|---|---|---|---|---|---|
| | Ratio of x | x-x | $(X-X)^2$ | Ratio of y | y-y | $(y-y)^2$ |
| 2005/06 | 0.587 | -0.0716 | 0.005127 | 0.786 | -0.0746 | 0.0055652 |
| 2006/07 | 0.623 | -0.0356 | 0.0012674 | 0.817 | -0.0436 | 0.00190096 |
| 2007/08 | 0.626 | -0.6586 | 0.0010628 | 0.858 | -0.0026 | 0.00000676 |
| 2008/09 | 0.659 | 0.0004 | 0.00000016 | 0.896 | 0.0354 | 0.00125316 |
| 2009/10 | 0.798 | 0.1394 | 0.01943236 | 0.946 | 0.0854 | 0.00729316 |
| | 3.293 | | 0.02688972 | 4.302 | | 0.01601924 |

N =5years

Here,

Arithmetic Mean $\bar{X} = \frac{\sum X}{N} = \frac{3.293}{5} = 0.6583$

Arithmetic Mean $\bar{Y} = \frac{\sum Y}{N} = \frac{4.302}{5} = 0.8606$

Standard Deviation (S.D) $= \sqrt{\frac{\sum (X-X)2}{N-1}} = \sqrt{\frac{0.02689}{5-1}} = 0.891$

Standard Deviation (S.D) $= \sqrt{\frac{\sum (Y-Y)2}{N-1}} = \sqrt{\frac{0.01602}{5-1}} = 0.0634$

Coefficient of Variation C.V $= \frac{Q}{X} \times 100\ \% = \frac{0.819}{0.6583} \times 100\ \% = 12.45$

Coefficient of Variation C.V $= \frac{Q}{Y} \times 100\ \% = \frac{0.0634}{0.8606} \times 100\ \% = 7.35$

ANNEX-3

Calculation of correlation between total deposit (x) and long term investment (y)

For KBL:

| Fiscal years | X | Y | d1=x-a | $d1^2$ | d2=y-a | $d2^2$ | d1d2 |
|---|---|---|---|---|---|---|---|
| 2005/06 | 7769.0 | 1395.0 | -5005.3 | 25053028.1 | -743.8 | 553238.4 | 3722942.1 |
| 2006/07 | 10557.1 | 1678.4 | -2217.2 | 4915975.8 | -460.4 | 211968.2 | 1020798.9 |
| 2007/08 | 12774.3 | 2138.8 | 0 | 0 | 0 | 0 | 0 |
| 2008/09 | 15710.9 | 1510.8 | 2936.6 | 8623619.6 | -628.0 | 394384.0 | -1844184.8 |
| 2009/10 | 17432.3 | 2296.9 | 4658.0 | 21696964.0 | 158.1 | 24995.61 | 736429.8 |
| | 64243.6 | 9019.9 | 372.1 | 60289587.5 | -1674.1 | 1184586.2 | 3635986.02 |

$$r_{12} = \frac{n\sum d_1 d_2 - (\sum d_1)(\sum d_2}{\sqrt{n\sum d_1{}^2 - (\sum d_1)^2}\sqrt{n\sum d_{2^2} - (\sum d_2)^2}}$$

Where, n=5, a= assumed mean

Karl's Pearson's Coefficient of Correlation

$$r_{12} = \frac{5x3635986.02 - (372.1).(-1674.1)}{\sqrt{5x60289587 - (371.1)^2}\sqrt{5x1184586.2 - (-1674.1)^2}}$$

$$r_{12} = \frac{18802863.61}{30662387.65}$$

=0.613

$r^2 = 0.376$

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

$$= 0.6745x\frac{1-0.3760}{\sqrt{5}}$$

=0.1882

$6xP.E(r) = 6x0.1882$

=1.129

ANNEX-4

Calculation of correlation between total deposit (x) and long term investment (y)
For BOK

| Fiscal years | X | Y | d1=x-a | $d1^2$ | d2=y-a | $d2^2$ | d1d2 |
|---|---|---|---|---|---|---|---|
| 2005/06 | 14085.4 | 4164.4 | -5348.3 | 28604312.9 | 589.7 | 347746.1 | -3153892.5 |
| 2006/07 | 12388.9 | 3465.1 | -3444.8 | 11866647.04 | -109.3 | 11946.5 | 376516.6 |
| 2007/08 | 15833.7 | 3574.7 | 0 | 0 | 0 | 0 | 0 |
| 2008/09 | 18083.9 | 3319.9 | 2550.2 | 5063400.0 | -254.5 | 64770.25 | -572675.9 |
| 2009/10 | 20315.8 | 4856.8 | 4482.1 | 20089220.4 | 1282.4 | 1644549.8 | 5747845.0 |
| | 77107.7 | 19380.3 | -2060.8 | 65623580.38 | 1508.3 | 2069012.58 | 2397793.3 |

$$r_{12} = \frac{n\sum d_1 d_2 - (\sum d_1)(\sum d_2}{\sqrt{n\sum {d_1}^2 - (\sum d_1)^2}\sqrt{n\sum {d_{2^2}} - (\sum d_2)^2}}$$

Where, n=5, a= assumed mean

Karl's Pearson's Coefficient of Correlation

$$r_{12} = \frac{5x2397793.3 - (-2060.8).(1508.3)}{\sqrt{5x65623580.38 - (-2060.8)^2}\sqrt{5x2069012..58 - 9(1508.3)^2}}$$

$$r_{12} = \frac{15097270.89}{51124061.87}$$

=0.2953

$r^2 = 0.0872$

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

$$= 0.6745x\frac{1-0.0872}{\sqrt{5}}$$

=0.2753

$6xP.E(r) = 6x0.2753$

=1.652

ANNEX-5

Correlation between total deposit (x) and long term investment (y)
For HBL

| Fiscal years | X | Y | d1=x-a | $d1^2$ | d2=y-a | $d2^2$ | Did2 |
|---|---|---|---|---|---|---|---|
| 2005/06 | 24814.0 | 12133.42 | -5234.0 | 27394756.0 | -1399.6 | 1958824.17 | 7325506.4 |
| 2006/07 | 26490.9 | 11894.3 | -3557.1 | 12652960.41 | -1638.7 | 2685337.69 | 5829019.77 |
| 2007/08 | 30048.0 | 13533.0 | 0 | 0 | 0 | 0 | 0 |
| 2008/09 | 31842.8 | 13858.7 | 1794.8 | 3221307.04 | 325.7 | 106080.49 | 584566.36 |
| 2009/10 | 34681.4 | 9881.5 | 4633.4 | 21468395.56 | -3651.5 | 13333452.25 | -12285460.1 |
| | 147877.1 | 61300.9 | -2362.9 | 64737419.0 | -6364.1 | 18083694.61 | -3179767.57 |

Where, n=5,a= assumed mean

Karl's Pearson's Coefficient of Correlation

$$r_{12} = \frac{5x - 3179767.57 - (-2362.9) * .(-6364.1)}{\sqrt{5x64737419 - (-2362.9)^2}\sqrt{5x18083694.61 - (-6364.1)^2}}$$

$$r_{12} = \frac{-15898837.85 - 15037731.89}{126010683.1}$$

=-2455

$r^2 = 0.6027$

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

$$= 0.6745x\frac{1-(-0.6027)}{\sqrt{5}}$$

=0.4834

6*P.E(r) = 6*0.4834

=2.901

ANNEX-6

Calculation of correlation between total deposit (x) and long term investment (y)
For EBL

| Fiscal years | X | Y | d1=x-a | $d1^2$ | d2=y-a | $d2^2$ | Did2 |
|---|---|---|---|---|---|---|---|
| 2005/06 | 13802.4 | 4267.5 | -10173.9 | 103508241.2 | -1138.1 | 1295271.6 | 11578915.6 |
| 2006/07 | 18186.3 | 4984.3 | -5790 | 33524100 | -421.3 | 177493.69 | 2439327 |
| 2007/08 | 23976.3 | 5405.6 | 0 | 0 | 0 | 0 | 0 |
| 2008/09 | 33323 | 5948.5 | 9346.7 | 87360800.9 | 542.9 | 294740.4 | 5074323.4 |
| 2009/10 | 36932.3 | 5008.3 | 12956 | 167857936 | -397.3 | 157847.3 | -5147418.8 |
| | 1262203 | 25614.2 | 6338.8 | 392251078.1 | -1413.8 | 1925353 | 13945147.2 |

Where,
n=5
a= assumed mean

Karl's Pearson's Coefficient of Correlation

$$r_{12} = \frac{5x13945147.2 - (6338.8).(-1413.8)}{\sqrt{5x6392251078.1 - (6338.8)^2}\sqrt{5x1925353 - (-1413.8)^2}}$$

$$r_{12} = \frac{78687531.54}{121053023.2}$$

=0.6500

$r^2 = 0.4225$

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

$$= 0.6745x\frac{1-0.4225}{\sqrt{5}}$$

=0.1742

$6xP.E(r) = 6x0.1742$ =1.045

ANNEX-7

Correlation between total deposit (x) and loan and advance (y)
For KBL

| Fiscal years | X | Y | d1=x-a | $d1^2$ | d2=y-a | $d2^2$ | Did2 |
|---|---|---|---|---|---|---|---|
| 2005/06 | 7769.0 | 6891.9 | -5005.3 | 25053028.1 | -4443.2 | 19742026.2 | 22239548.9 |
| 2006/07 | 10557.1 | 8929.0 | -2217.2 | 4915975.8 | -2406.1 | 5789317.2 | 5334804.9 |
| 2007/08 | 12774.3 | 11335.1 | 0 | 0 | 0 | 0 | 0 |
| 2008/09 | 15710.4 | 14593.4 | 2936.1 | 8620683.2 | 3258.3 | 10616518.9 | 9566694.6 |
| 2009/10 | 17432.3 | 14765.9 | 4658.0 | 21696964 | 3430.8 | 11770388.64 | 15980666.4 |
| | 64243.1 | 56515.3 | 371.6 | 60286651.1 | -160.2 | 47918250.9 | 53121714.9 |

Where,
n=5
a= assumed mean

Karl's Pearson's Coefficient of Correlation

$$r_{12} = \frac{5x53121714.9 - (371.6).(-160.2)}{\sqrt{5x60286651.14 - (371.6)^2}\sqrt{5x47918250.9 - (-160.2)^2}}$$

$$r_{12} = \frac{265668104.9}{268663274.8}$$

=0.9889

$r^2 = 0.9778$

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

$$= 0.6745x\frac{1-0.9778}{\sqrt{5}}$$

=0.006696

$6xP.E(r) = 6x0.006696$ =0.0402

ANNEX-8

Correlation between total deposit(x) and loan and advance (y)

For BOK

| Fiscal years | X | Y | d1=x-a | $d1^2$ | d2=y-a | $d2^2$ | Did2 |
|---|---|---|---|---|---|---|---|
| 2005/06 | 10485.4 | 7259.1 | -5348.3 | 28604312.9 | -5203.5 | 27.76412.3 | 27829879.1 |
| 2006/07 | 12388.9 | 9399.3 | -3444.8 | 11866647.04 | -3063.3 | 9383806.9 | 10552455.8 |
| 2007/08 | 15833.7 | 12462.6 | 0 | 0 | 0 | 0 | 0 |
| 2008/09 | 18084.0 | 14647.3 | 2250.3 | 5063850.1 | 2184.7 | 4772914.1 | 4916230.4 |
| 2009/10 | 20315.8 | 16665.0 | 4482.1 | 20089220.4 | 4202.7 | 17660165.8 | 18836921.7 |
| | 77107.8 | 60433.3 | -2060.7 | 65624030.4 | -1879.4 | 58893299.0 | 62135486.9 |

Where,

n=5

a= assumed mean

Karl's Pearson's Coefficient of Correlation

$$r_{12} = \frac{5x62135486.9 - (-2060.7).(-1879.4)}{\sqrt{5x65624030.4 - (2060.7)^2}\sqrt{5x58893299 - (-1879)^2}}$$

$$r_{12} = \frac{306804554.9}{306962498}$$

=0.0.995

$r^2 = 0.9989$

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

$$= 0.6745x\frac{1-0.9989}{\sqrt{5}}$$

=0.000332

$6xP.E(r) = 6x0.000332$ =0.0010

ANNEX-9

Correlation between total deposit(x) and loan and advance (y)

For HBL

| Fiscal years | X | Y | d1=x-a | $d1^2$ | d2=y-a | $d2^2$ | Did2 |
|---|---|---|---|---|---|---|---|
| 2005/06 | 24814.0 | 12424.5 | -5234.4 | 27398943.36 | -4573.5 | 20916902.25 | 23939528.4 |
| 2006/07 | 26490.9 | 14642.6 | -3557.5 | 12655906.25 | -2355.4 | 5547909.16 | 8379335.5 |
| 2007/08 | 30048.0 | 16998.0 | 0 | 0 | 0 | 0 | 0 |
| 2008/09 | 31842.8 | 19497.5 | 1794.4 | 3219871.36 | 2499.5 | 6247500.25 | 4485102.8 |
| 2009/10 | 34681.4 | 24793.2 | 4633.0 | 21464689.0 | 7795.2 | 60765143.04 | 36115161.6 |
| | 147877.1 | 88355.8 | -2364.5 | 64739309.97 | 3365.8 | 93477454.7 | 72919128.3 |

Where, n=5

a= assumed mean

Karl's Pearson's Coefficient of Correlation

$$r_{12} = \frac{5x72919128.3 - (3365.8).(-2364.8)}{\sqrt{5x64739309.97 - (-2364.5)^2}\sqrt{5x9347745.7 - (3365.8)^2}}$$

$$r_{12} = \frac{372554075.6}{380886933.0}$$

=0.9781

=0.9567

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

$$= 0.6745x\frac{1-0.9567}{\sqrt{5}}$$

=0.0131

$$6xP.E(r) = 6x0.0131$$

=0.0784

ANNEX-10

Correlation between total deposit(x) and loan and advance (y)
ForEBL

| Fiscal years | X | Y | d1=x-a | $d1^2$ | d2=y-a | $d2^2$ | Did2 |
|---|---|---|---|---|---|---|---|
| 2005/06 | 13802.4 | 9801.3 | -10173.9 | 103508241.2 | -8537.8 | 72894028.8 | 86862723.4 |
| 2006/07 | 18186.3 | 13664.1 | -5790.0 | 33524100 | -4675.0 | 21855625 | 27068250 |
| 2007/08 | 23976.3 | 18339.1 | 0 | 0 | 0 | 0 | 0 |
| 2008/09 | 33323.0 | 23884.7 | 9346.7 | 87360800.9 | 5545.6 | 30753679.4 | 51833059.5 |
| 2009/10 | 36932.3 | 27556.4 | 12956.0 | 167857936.0 | 9217.3 | 84958619.3 | 119419338.8 |
| | 126220.3 | 93245.6 | 6338.8 | 392251078.1 | 1550.1 | 210461952.5 | 285183371.7 |

Where, ,n=5
a= assumed mean

Karl's Pearson's Coefficient of Correlation

$$r_{12} = \frac{5x285183371.7 - (6338.8).(1550.1)}{\sqrt{5x392251078.1 - (26338.8)^2}\sqrt{5x210461952.5 - (1550.1)^2}}$$

$$r_{12} = \frac{1416091085}{1420193650}$$

=0.9971

$r^2 = 0.9942$

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

$$= 0.6745x\frac{1-0.9942}{\sqrt{5}}$$

=0.00175

$6xP.E(r) = 6x0.00175$ =0.0105

ANNEX-11

Correlation between loan and advance(x) and net profit (y)

For KBL

| Fiscal years | X | Y | d1=x-a | $d1^2$ | d2=y-a | $d2^2$ | Did2 |
|---|---|---|---|---|---|---|---|
| 2005/06 | 6891.9 | 103.7 | -4443.2 | 19742026.2 | -71.2 | 5069.4 | 316355.8 |
| 2006/07 | 8929.0 | 170.3 | -2406.1 | 5789317.2 | -4.6 | 21.16 | 11068.1 |
| 2007/08 | 11335.1 | 174.9 | 0 | 0 | 0 | 0 | 0 |
| 2008/09 | 14593.4 | 258.4 | 3258.3 | 10616518.9 | 83.5 | 6972.3 | 272068.1 |
| 2009/10 | 14765.9 | 316.5 | 3430.8 | 11770388.6 | 141.6 | 20050.6 | 485801.3 |
| | 56515.3 | 1023.8 | -160.2 | 47918251 | 149.3 | 32113.4 | 1085293.2 |

Where, n=5

a= assumed mean

Karl's Pearson's Coefficient of Correlation

$$r_{12} = \frac{5x1085293.2 - (-160.2).(149.3)}{\sqrt{5x47918251 - (-160.2)^2}\sqrt{5x32113.4 - (149.3)^2}}$$

$$r_{12} = \frac{5450384.01}{5755545.66}$$

=0.9470

r2=0.8968

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

$$= 0.6745x\frac{1-0.8968}{\sqrt{5}}$$

=0.03113

$$6xP.E(r) = 6x0.03113$$

=0.187

ANNEX-12

Correlation between loan and advance (x) and net profit (y)

For BOK

| Fiscal years | X | Y | d1=x-a | $d1^2$ | d2=y-a | $d2^2$ | Did2 |
|---|---|---|---|---|---|---|---|
| 2005/06 | 7259.1 | 202.4 | -5203.5 | 27076412.25 | -59.1 | 3492.81 | 307526.85 |
| 2006/07 | 9399.3 | 262.4 | -3063.3 | 9383806.89 | -0.9 | 0.81 | 2756.97 |
| 2007/08 | 12462.6 | 261.5 | 0 | 0 | 0 | 0 | 0 |
| 2008/09 | 14647.3 | 461.7 | 2184.7 | 4772914.09 | 200.2 | 40080.04 | 437376.94 |
| 2009/10 | 1666.5 | 509.2 | 4202.4 | 17660165.76 | 247.7 | 61355.29 | 1040934.48 |
| | 60433.3 | 1697.2 | -1879.7 | 58893298.99 | 387.9 | 104928.95 | 1788595.24 |

Where, n=5

a= assumed mean

Karl's Pearson's Coefficient of Correlation

$$r_{12} = \frac{5x1788595.24 - (-1879.7).(387.9)}{\sqrt{5x58893298.99 - (-1879.7)^2}\sqrt{5x104928.95 - (387.9)^2}}$$

$$r_{12} = \frac{9672111.83}{10433643.2}$$

=0.927

$r^2$=0.8590

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

$$= 0.6745x\frac{1-0.8590}{\sqrt{5}}$$

=0.0425

$$6xP.E(r) = 6x0.0425$$

=0.225

ANNEX-13

Correlation between loan and advance (x) and net profit (y)

For HBL

| Fiscal years | X | Y | d1=x-a | $d1^2$ | d2=y-a | $d2^2$ | Did2 |
|---|---|---|---|---|---|---|---|
| 2005/06 | 12429.52 | 308.28 | -4573.48 | 209116719.31 | -183.54 | 33686.93 | 839416.52 |
| 2006/07 | 14642.56 | 457.46 | -2355.44 | 5548097.59 | -34.36 | 1180.61 | 80932.92 |
| 2007/08 | 16998.0 | 491.82 | 0 | 0 | 0 | 0 | 0 |
| 2008/09 | 19497.52 | 635.87 | 2499.52 | 6247600.23 | 144.05 | 20750.40 | 360055.86 |
| 2009/10 | 24793.16 | 752.83 | 7795.16 | 60764519.43 | 261.01 | 68126.22 | 2034614.72 |
| | 88355.76 | 2646.26 | 3365.76 | 281676936.6 | 187.16 | 123744.16 | 3315020.02 |

Where, n=5

a= assumed mean

Karl's Pearson's Coefficient of Correlation

$$r_{12} = \frac{5x3315020.02 - (3365.76).(187.16)}{\sqrt{5x281676936.6 - (3365.76)^2}\sqrt{5x123744.16 - (187.16)^2}}$$

$$r_{12} = \frac{15945164.46}{28556094.22}$$

=0.5584

$r^2$=0.3118

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

$$= 0.6745x\frac{1-0.3118}{\sqrt{5}}$$

=0.208

$$6xP.E(r) = 6x0.208$$

=1.246

ANNEX-14

Correlation between loan and advance(x) and net profit (y)

For EBL

| Fiscal years | X | Y | d1=x-a | $d1^2$ | d2=y-a | $d2^2$ | Did2 |
|---|---|---|---|---|---|---|---|
| 2005/06 | 9801.3 | 237.3 | -8537.8 | 72894028.8 | -213.9 | 45753.2 | 1826235.4 |
| 2006/07 | 13664.1 | 296.4 | -467.5 | 21855625 | -154.8 | 23963.0 | 723690 |
| 2007/08 | 18339.1 | 451.2 | 0 | 0 | 0 | 0 | 0 |
| 2008/09 | 23884.7 | 638.7 | 5545.6 | 30753679.4 | 187.5 | 35156.25 | 1039800 |
| 2009/10 | 27556.3 | 831.8 | 9217.2 | 84956775.8 | 380.6 | 144896.4 | 3508066.3 |
| | 932455 | 2455.4 | 1550 | 210460109 | 199.4 | 249768.9 | 7097791.7 |

Where, n=5

a= assumed mean

Karl's Pearson's Coefficient of Correlation

$$r_{12} = \frac{5x7097791.7 - (1550).(199.4)}{\sqrt{5x210460109 - (1550)^2}\sqrt{5x249768.9 - (199.4)^2}}$$

$$r_{12} = \frac{35179888.7}{35628848.77}$$

=0.9874

$r^2$=0.9750

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

$$= 0.6745x\frac{1-0.9750}{\sqrt{5}}$$

=0.00754

$$6xP.E(r) = 6x0.00754$$

=0.045

ANNEX-15

Correlation between long term investment(x) and net profit (y)

For KBL

| Fiscal years | X | Y | d1=x-a | $d1^2$ | d2=y-a | $d2^2$ | Did2 |
|---|---|---|---|---|---|---|---|
| 2005/06 | 1395.0 | 103.7 | -743.8 | 553238.4 | -71.2 | 5069.4 | 52958.6 |
| 2006/07 | 1678.4 | 170.3 | -460.4 | 211968.2 | -4.6 | 21.16 | 2117.8 |
| 2007/08 | 2138.8 | 174.9 | 0 | 0 | 0 | 0 | 0 |
| 2008/09 | 1510.8 | 261.5 | -628.0 | 394384.0 | 86.6 | 7499.6 | -54384.8 |
| 2009/10 | 2296.9 | 316.5 | 158.1 | 24995.6 | 141.6 | 20050.6 | 22386.9 |
| | 9019.9 | 1026.9 | -1674.1 | 1184586.2 | 152.4 | 32640.7 | 23078.6 |

Where, n=5

a= assumed mean

Karl's Pearson's Coefficient of Correlation

$$r_{12} = \frac{5x23078.6 - (-1674.1).(152.4)}{\sqrt{5x1184586.2 - (-1674.1)^2}\sqrt{5x32640.7 - (152.4)^2}}$$

$$r_{12} = \frac{370525.64}{660890.07}$$

=0.5606

$r^2$=0.3143

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

$$= 0.6745x\frac{1-0.3143}{\sqrt{5}}$$

=0.2068

$6xP.E(r) = 6x0.2068$ =1.24

ANNEX-16

Correlation between long term investment(x) and net profit (y)

For BOK

| Fiscal years | X | Y | d1=x-a | $d1^2$ | d2=y-a | $d2^2$ | Did2 |
|---|---|---|---|---|---|---|---|
| 2005/06 | 4164.1 | 202.4 | 589.7 | 347746.1 | -59.1 | 3492.8 | -34851.3 |
| 2006/07 | 3465.1 | 262.4 | -109.3 | 11946.5 | 0.9 | 0.81 | 98.37 |
| 2007/08 | 3574.4 | 261.5 | 0 | 0 | 0 | 0 | 0 |
| 2008/09 | 3319.9 | 461.7 | -254.5 | 64770.3 | 200.2 | 40080.0 | 50950.9 |
| 2009/10 | 4856.8 | 509.2 | 1282.4 | 1644549.8 | 247.7 | 61355.3 | 317650.5 |
| | 19380.3 | 1697.2 | 1508.3 | 2069012.6 | 389.7 | 104928.9 | 333848.5 |

Where, n=5

a= assumed mean

Karl's Pearson's Coefficient of Correlation

$$r_{12} = \frac{5x333848.5 - (1508.3).(389.7)}{\sqrt{5x2069012.6 - (1508.3)^2}\sqrt{5x104928.9 - (389.7)^2}}$$

$$r_{12} = \frac{1081457.89}{1734462.12}$$

=0.6235

$r^2$=0.3888

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

$$= 0.6745x\frac{1-0.3888}{\sqrt{5}}$$

=0.1844

$$6xP.E(r) = 6x0.1844$$

=1.106

ANNEX-17

Correlation between long term investment(x) and net profit (y)

For HBL

| Fiscal years | X | Y | d1=x-a | $d1^2$ | d2=y-a | $d2^2$ | Did2 |
|---|---|---|---|---|---|---|---|
| 2005/06 | 12133.4 | 308.28 | -1399.6 | 1958880.16 | -183.5 | 33672.25 | 256826.6 |
| 2006/07 | 11894.3 | 457.46 | -1638.7 | 2685337.69 | -34.3 | 1176.49 | 56207.41 |
| 2007/08 | 13533.0 | 491.82 | 0 | 0 | 0 | 0 | 0 |
| 2008/09 | 13858.7 | 635.87 | 325.7 | 106080.49 | 144.1 | 20764.81 | 46933.37 |
| 2009/10 | 9881.5 | 752.83 | -3651.5 | 13333452.25 | 261.0 | 68121.0 | -953041.5 |
| | 61300.9 | 2646.26 | -6364.1 | 18083750.59 | 187.3 | 123734.55 | -593074.12 |

Where, n=5

a= assumed mean

Karl's Pearson's Coefficient of Correlation

$$r_{12} = \frac{5x - 593074.12 - (1873).(-6364.1)}{\sqrt{5x18083750.54 - (6364.1)^2}\sqrt{5x123734.55 - (187.3)^2}}$$

$$r_{12} = \frac{-1773374.67}{5397325.78}$$

=-0.3286

$r^2$=-0.108

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

$$= 0.6745x\frac{1-(-0.108)}{\sqrt{5}}$$

=0.3342

$$6xP.E(r) = 6x0.3342$$

=2.005

ANNEX-18

Correlation between long term investment(x) and net profit (y)

For EBL

| Fiscal years | X | Y | d1=x-a | $d1^2$ | d2=y-a | $d2^2$ | Did2 |
|---|---|---|---|---|---|---|---|
| 2005/06 | 4267.5 | 237.3 | -1138.1 | 1295271.6 | -213.9 | 45753.2 | 243439.6 |
| 2006/07 | 4984.3 | 296.4 | -421.3 | 177493.7 | -154.8 | 23963.0 | 65217.2 |
| 2007/08 | 5405.6 | 451.2 | 0 | 0 | 0 | 0 | 0 |
| 2008/09 | 5948.5 | 638.7 | 542.9 | 294740.4 | 187.5 | 35156.3 | 101793.8 |
| 2009/10 | 5008.3 | 831.8 | -397.3 | 157847.3 | 380.6 | 144856.4 | -151212.4 |
| | 25614.2 | 2455.4 | -1413.8 | 1925353 | 199.4 | 249728.9 | 259238.2 |

Where,

n=5

a= assumed mean

Karl's Pearson's Coefficient of Correlation

$$r_{12} = \frac{5x259238,2 - (-1413.8).(199.4)}{\sqrt{5x1925353 - (-1413.8)^2}\sqrt{5x249728.9 - (199.4)^2}}$$

$$r_{12} = \frac{1014279.28}{13036657.30}$$

=0.63340

$r^2$=0.1116

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

$$= 0.6745x\frac{1-0.1116}{\sqrt{5}}$$

=0.2680

$$6xP.E(r) = 6x0.2680$$

=1.608

# Five years comparative balance sheet of BOK:
## Bank of Kathmandu ltd

Five years comparative balance sheet (Rs in million)

| Particulars | Fiscal years 2005/06 | Fiscal years 2006/07 | Fiscal years 2007/08 | Fiscal years 2008/09 | Fiscal years 2009/10 |
|---|---|---|---|---|---|
| Capital liabilities | | | | | |
| Share capital (paid up capital @100 each) | 436.58 | 603.14 | 603.14 | 844.40 | 1359.50 |
| Reserve funds | 375.15 | 378.84 | 738.93 | 897.19 | 714.05 |
| **A total share holders Capital/ net worth** | **839.73** | **981.98** | **1342.07** | **1741.59** | **2073.55** |
| **B**orrowing | 533.18 | 733.00 | 100.00 | 100.00 | 300.00 |
| Deposits | 10485.36 | 12388.93 | 15833.74 | 18083.98 | 20315.8 |
| Others | 200.06 | 269.19 | 246.11 | 370.44 | 506.80 |
| **B total current liability** | **11238.60** | **13388.**12 | **16179.85** | **18554.42** | **21122.6** |
| Debentures | 200.00 | 200.00 | 200.00 | 200.00 | 200.00 |
| C long term debt | 200.00 | 200.00 | 200.00 | 200.00 | 200.00 |
| **Debts to total liabilities** (A+B+C) | **12278.33** | **14570.10** | **17721.93** | **20496.01** | **23396.20** |
| **Currents assets** | | | | | |
| Cash and bank balance | 533.32 | 1102.54 | 1142.80 | 1889.17 | 1142.80 |
| Loan advance of over draft | 7259.80 | 9399.33 | 12462.64 | 14647.30 | 1664.90 |
| Others | 211.05 | 282.31 | 154.80 | 222.61 | 240.41 |
| **A total current assets** | **8003.45** | **10784.18** | **13760.24** | **16759.08** | **18048.11** |
| Fixed assets | 110.75 | 320.85 | 387.85 | 417.04 | 491.30 |
| Investment (long term) | 4164.14 | 3465.08 | 3574.42 | 3319.89 | 4856.79 |
| Non banking assets | 0.0 | 0.00 | 0.00 | 0.00 | 0.00 |
| **B total fixed assets** | **4274.89** | **3785.93** | **3961.69** | **3736.93** | **5348.10** |
| **Total assets (A+B)** | **12278.33** | **14570.10** | **17721.93** | **20496.01** | **23396.20** |

# Five years comparative profit and loss A/C Of BOK

## Bank of kathmandu limited.

Rs in million)

| Particulars | Fiscal years 2005/06 | Fiscal years 2006/07 | Fiscal years 2007/08 | Fiscal years 2008/09 | Fiscal years 2009/10 |
|---|---|---|---|---|---|
| INCOME: | | | | | |
| Interest income | 718.12 | 819.00 | 1034.16 | 1034.76 | 1870.85 |
| Other operating income | 166.70 | 197.26 | 246.35 | 330.76 | 374.8 |
| Non operating income | 9.76 | 34.74 | 17.25 | 26.48 | 44.107 |
| **A total income** | **894.58** | **1051.00** | **1297.75** | **1704.42** | **2289.75** |
| EXPENSES: | | | | | |
| **B interest expenses** | **308.16** | **339.18** | **417.54** | **563.11** | **902.93** |
| **Gross profit (A-B)** | **586.42** | **711.82** | **880.21** | **1141.31** | **1386.82** |
| Less: other operating expenses | | | | | |
| Staff expenses | 59.12 | 69.74 | 90.60 | 146.49 | 168.51 |
| Office expenses | 117.59 | 138.43 | 170.48 | 233.67 | 294.46 |
| **Operating profit** | **409.17** | **503.65** | **619.13** | **761.15** | **923.85** |
| Less: non operating expenses | | | | | |
| Loan for provision | 78.38 | 1.89 | 38.44 | 33.75 | 119.40 |
| Provision for bonus | 30.12 | 38.34 | 52.79 | 66.13 | 73.19 |
| Provision for income tax | 98.77 | 121.02 | 166.40 | 199.53 | 222.61 |
| **Net profit after tax** | **202.44** | **262.39** | **261.50** | **461.72** | **509.2** |

# Five years comparative profit and loss A/C Of HBL

## Himalayan bank ltd

Five- years comparative profit and loss a/c (Rs in million)

| Particulars | Fiscal years 2005/06 | Fiscal years 2006/07 | Fiscal years 2007/08 | Fiscal years 2008/09 | Fiscal years 2009/10 |
|---|---|---|---|---|---|
| INCOME: | | | | | |
| Interest income | 1446.47 | 1626.47 | 1775.33 | 1963.65 | 2342.20 |
| Other operating income | 311.42 | 415.90 | 385.19 | 457.59 | 580.63 |
| Non operating income | (85.46) | 55.55 | 100.26 | 141.19 | 13.32 |
| **A total income** | **1672.43** | **2097.92** | **2261.03** | **2562.43** | **2936.15** |
| EXPENSES: | | | | | |
| **B interest expenses** | | | | | |
| **Gross profit (A-B)** | **561.96** | **618.04** | **767.41** | **823.74** | **934.78** |
| | **1114.7** | **1479.88** | **1493.62** | **1738.69** | **2001.37** |
| Less: other operating expenses | | | | | |
| Staff expenses | | | | | |
| Office expenses | 178.59 | 234.59 | 272.23 | 307.53 | 360.98 |
| **Operating profit** | 277.38 | 329.70 | 341.56 | 329.01 | 398.32 |
| Less: non operating expenses | **654.50** | **915.59** | **879.83** | **1102.15** | **1241.07** |
| Loan for extra ordinary | 73.90 | 145.15 | 90.69 | 58.43 | 68.81 |
| activity | 580.60 | 67.29 | 71.74 | 94.88 | 106.66 |
| Provision for staff | | | | | |
| Provision for income tax | 24.70 | 214.99 | 225.58 | 312.92 | 313.77 |
| **Net profit after tax** | **308.25** | **457.46** | **491.82** | **635.87** | **752.83** |

**KUMARI BANK LTD** [ KBL ]

| Last Traded Date | Last Trade Price | Net Chg. | %Change | High | Low | Previous Close | Quote |
|---|---|---|---|---|---|---|---|
| 2011-11-15 | Rs. 231 | Rs.4 | 1.76 | Rs. | Rs. | Rs. 227 | KBL |

| Listed Shares | Paid Up Value | Total Paid Up Value | Closing Market Price | Market Capitalization | Market Capitalization Date |
|---|---|---|---|---|---|
| 14,845,489.00 | Rs. 100 | Rs. 1,484,548,900.00 | Rs. 231 | Rs. 3,429,307,959.00 | 2011-11-16 |

Profile | Financial | Contact | Chart

Nepal Stock Exchange Ltd.

Singhdubar Plaza, Kathmandu

Some Key Figures of B/S And P/L Account with brief financial indicator

of Kumari Bank Ltd

| | | | | | |
|---|---|---|---|---|---|
| | | Audited | Audited | Audited | Unaudited |
| | | 2061/62 | 2062/63 | 2063/64 | 2064/65 |

| | | 2004/2005 | 2005/2006 | 2006/2007 | 2007/08 |
|---|---|---|---|---|---|
| Brief Financial Indicators | | | | | |
| | Networth Per Share | 128.35 | 138.22 | 136.75 | 128.60 |
| | Earning Per Share | 16.84 | 16.59 | 22.70 | 16.86 |
| | Dividend Per share | 0.00 | 0.00 | 0.00 | 0.00 |
| | NPA % | 0.00% | 0.05% | 0.03% | 0.03% |
| | Earning Yield | 13.12% | 12.00% | 16.60% | 13.11% |
| | Price Earning Ratio (In case of old co) | 21.91 | 26.71 | 36.56 | 59.62 |
| | Market Price | 369 | 443 | 830 | 1005 |
| | Current Market Price (28-07-08) | | | | 962 |
| | | Rs. In Million | Rs. In Million | Rs. In Million | Rs. In Million |
| Capital Structure | | | | | |
| | Authorised Capital | 1000.00 | 1000.00 | 1000.00 | 1000.00 |
| | Issued Capital | 500.00 | 625.00 | 750.00 | 750.00 |
| | | | | | |
| Liabilities | | | | | |
| | Issued and Paid up capital | 500.00 | 625.00 | 750.00 | 1070.00 |
| | Reserve & Surplus | 141.76 | 238.85 | 275.63 | 306.00 |
| | Debenture | 0.00 | 0.00 | 0.00 | 400.00 |
| | Borrwoings | 401.76 | 251.40 | 212.97 | 100.00 |
| | Deposits | 6268.95 | 7768.96 | 10557.42 | 12778.16 |
| | Others | 115.82 | 126.07 | 122.29 | 375.92 |
| | Total | 7,428.30 | 9,010.28 | 11,918.31 | 15,030.08 |

| | | | | | |
|---|---|---|---|---|---|
| Assets | | | | | |
| | Cash & Bank Balance | 331.08 | 346.35 | 575.59 | 933.84 |
| | Investment | 1392.56 | 1583.23 | 2147.15 | 2194.16 |
| | Loan, advances & overdraft | 5584.64 | 6891.86 | 8929.01 | 11338.73 |
| | Fixed Assets | 82.98 | 91.93 | 189.32 | 221.88 |
| | Others | 37.04 | 96.91 | 77.23 | 341.47 |
| | Total | 7428.30 | 9010.28 | 11918.31 | 15030.08 |
| | | | | | |
| Profit and Loss Account | | | | | |
| | Interest Income | 499.92 | 605.53 | 791.28 | 962.76 |
| | Other operating income | 40.68 | 62.66 | 76.34 | 97.10 |
| | Non operating income (Net) | 0.01 | 5.08 | 6.12 | 18.69 |
| | Total Income | 540.60 | 673.26 | 873.74 | 1078.55 |
| | | | | | |
| Expenditures: | | | | | |
| | Interest Expenses | 240.13 | 337.06 | 397.05 | 498.78 |
| | Overhead Expenses(Employees) | 42.40 | 59.82 | 74.24 | 89.53 |
| | Operating expenses(office mgmt,) | 71.81 | 88.68 | 104.08 | 135.37 |
| | | | | | |
| | Loan loss provision | 47.40 | 25.87 | 24.95 | 65.23 |
| | Provision for bonus | 13.89 | 14.71 | 24.86 | 26.33 |
| | Others | | | | |
| | Total Expenditure | 415.62 | 526.14 | 625.18 | 815.24 |

| | | | | | |
|---|---|---|---|---|---|
| | Profit before tax | 124.98 | 147.12 | 248.56 | 263.32 |
| | Tax provision | 40.78 | 43.45 | 78.30 | 82.95 |
| | Net profit after tax (PAT) | 84.20 | 103.67 | 170.26 | 180.37 |

**BANK OF KATHMANDU** [ BOK ]

http://www.bok.com.np

POBox: 9044, Kamal Pokhari , Kathmandu

| Last Traded Date | Last Trade Price | Net Chg. | %Change | High | Low | Previous Close | Quote |
|---|---|---|---|---|---|---|---|
| 2011-11-16 | Rs. 436 | Rs.1 | 0.23 | Rs. 436 | Rs. 435 | Rs. 435 | BOK |

| Listed Shares | Paid Up Value | Total Paid Up Value | Closing Market Price | Market Capitalization | Market Capitalization Date |
|---|---|---|---|---|---|
| 13,594,807.00 | Rs. 100 | Rs. 1,359,480,700.00 | Rs. 436 | Rs. 5,927,335,852.00 | 2011-11-16 |

Profile | Financial | Contact | Chart

| | | | |
|---|---|---|---|
| Nepal Stock Exchange Ltd. | | | |
| Singhdubar Plaza, Kathmandu | | | |
| Some Key Figures of B/S And P/L Account with brief financial | | | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| indicator | | | | | | | |
| of Bank of Kathmandu Ltd | | | | | | | |
| | | | | | | | |
| | | Audited | Audited | Audited | Audited | Audited | Unaudited |
| | | 2061/62 | 2062/63 | 2063/64 | 2064/65 | 2065/66 | 2066/67 |
| | | 2004/2005 | 2005/2006 | 2006/2007 | 2007/08 | 2008/09 | 2009/10 |
| Brief Financial Indicators | | | | | | 1\\\'st qt | |
| | Networth Per Share | 155.47 | 181.14 | 162.81 | 222.51 | 206.25 | 220.50 |
| | Earning Per Share | 30.10 | 43.67 | 43.50 | 59.94 | 54.68 | 14.25 |
| | Dividend Per share | 15.00 | 18.00 | 20.00 | 40.00 | 47.37 | 0.00 |
| | ROA | 1.41% | 1.65% | 1.80% | 2.04% | 2.25% | 0.54% |
| | Earning Yield (EPS/MPS) | 7.00% | 5.14% | 3.16% | 2.55% | 3.12% | 0.89% |
| | Price Earning Ratio (In case of old co) | 14.29 | 19.46 | 31.61 | 39.21 | 32.00 | 112.64 |
| | Market Price | 430 | 850 | 1375 | 2350 | 1750 | 1605 |
| | ROE | 19.36% | 24.11% | 26.72% | 26.94% | 26.51% | 6.46% |
| | | Rs. In Million | Rs. In Million | Rs. In Million | Rs. In Million | Rs. In Million | Rs. In Million |
| Capital Structure | | | | | | | |
| | Authorised Capital | 1000.00 | 1000.00 | 1000.00 | 1000.00 | 1000.00 | 1000.00 |
| | Issued Capital | 500.00 | 500.00 | 606.17 | 606.17 | 844.40 | 844.40 |
| | | | | | | | |
| Liabilities | | | | | | | |
| | Issued and Paid up capital | 463.58 | 463.58 | 603.14 | 603.14 | 844.40 | 844.40 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | Reserve & Surplus | 257.16 | 376.15 | 378.84 | 738.93 | 897.19 | 1017.51 |
| | Debenture | 0.00 | 200.00 | 200.00 | 200.00 | 200.00 | 200.00 |
| | Borrwoings | 6.00 | 553.18 | 730.00 | 100.00 | 100.00 | 100.00 |
| | Deposits | 8975.78 | 10485.36 | 12388.93 | 15833.74 | 18083.98 | 19186.95 |
| | Others | 186.01 | 200.06 | 269.19 | 246.11 | 370.44 | 754.06 |
| | **Total** | **9,888.53** | **12,278.33** | **14,570.10** | **17,721.93** | **20,496.01** | **22,102.92** |
| | | | | | | | |
| Assets | | | | | | | |
| | Cash & Bank Balance | 579.34 | 533.32 | 1102.54 | 1142.80 | 1889.17 | 1660.70 |
| | Investment | 3088.31 | 4164.14 | 3465.08 | 3574.42 | 3319.89 | 4589.79 |
| | Loan, advances & overdraft | 5912.58 | 7259.08 | 9399.33 | 12462.64 | 14647.30 | 15116.25 |
| | Fixed Assets | 95.23 | 110.75 | 320.85 | 387.27 | 417.04 | 478.64 |
| | Others | 213.07 | 211.05 | 282.31 | 154.80 | 222.61 | 257.53 |
| | **Total** | **9888.53** | **12278.33** | **14570.10** | **17721.93** | **20496.01** | **22102.92** |
| | | | | | | | |
| Profit and Loss Account | | | | | | | |
| | Interest Income | 607.10 | 718.12 | 819.00 | 1034.16 | 1347.76 | 388.50 |
| | Other operating income | 148.93 | 166.70 | 197.26 | 246.35 | 330.18 | 93.66 |
| | Non operating income (Net) | -0.47 | 9.76 | 34.74 | 17.25 | 26.48 | 0.00 |
| | **Total Income** | **755.56** | **894.58** | **1051.00** | **1297.75** | **1704.42** | **482.16** |
| | | | | | | | |
| Expenditures: | | | | | | | |
| | Interest Expenses | 241.64 | 308.16 | 339.18 | 417.54 | 563.11 | 182.16 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | Overhead Expenses(Employees) | 53.82 | 59.12 | 69.74 | 90.60 | 146.49 | 43.56 |
| | Other Operating expenses | 99.19 | 117.59 | 138.43 | 170.48 | 233.67 | 61.95 |
| | | | | | | | |
| | Loan loss provision | 133.92 | 78.38 | 81.89 | 38.44 | 33.75 | 5.43 |
| | **Total Expenditure** | **528.57** | **563.25** | **629.25** | **717.06** | **977.02** | **293.09** |
| | | | | | | | |
| | Profit before tax | 226.99 | 331.33 | 421.75 | 580.69 | 727.40 | 189.07 |
| | Provision for bonus | 22.70 | 30.12 | 38.34 | 52.79 | 66.13 | 17.19 |
| | Tax provision | 64.76 | 98.77 | 121.02 | 166.40 | 199.53 | 51.57 |
| | **Net profit after tax** | **139.53** | **202.44** | **262.39** | **361.50** | | |

**HIMALAYAN BANK LTD.** [ HBL ]

POBox: 20590, Tridevi Marg, Thamel, Kathmandu

| Last Traded Date | Last Trade Price | Net Chg. | %Change | High | Low | Previous Close | Quote |
|---|---|---|---|---|---|---|---|
| 2011-11-16 | Rs. 610 | Rs.1 | 0.16 | Rs. 618 | Rs. 606 | Rs. 609 | HBL |

| Listed Shares | Paid Up Value | Total Paid Up Value | Closing Market Price | Market Capitalization | Market Capitalization Date |
|---|---|---|---|---|---|
| 20,000,000.00 | Rs. 100 | Rs. 2,000,000,000.00 | Rs. 610 | Rs. 12,200,000,000.00 | 2011-11-16 |

Profile | Financial | Contact | Chart

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Nepal Stock Exchange Ltd. | | | | | | | |
| Singhdubar Plaza, Kathmandu | | | | | | | |
| Some Key Figures of B/S And P/L Account with brief financial indicator | | | | | | | |
| of Himalayan Bank Ltd | | | | | | | |
| | | | | | | | |
| | | Audited | Audited | Audited | Audited | Audited | Unaudited |
| | | 2061/62 | 2062/63 | 2063/64 | 2064/65 | 2065/66 | 2066/67 |
| | | 2004/2005 | 2005/2006 | 2006/2007 | 2007/08 | 2008/09 | 2009/10 |
| Brief Financial Indicators | | | | | | 1\'st qt | |
| | Networth Per Share | 239.59 | 228.72 | 264.74 | 247.95 | 256.52 | 277.98 |
| | Earning Per Share | 47.91 | 59.24 | 60.66 | 62.74 | 61.90 | 9.46 |
| | Dividend Per share (with bonus share) | 31.58 | 35.00 | 40.00 | 45.00 | 43.56 | 0.00 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | ROA | 1.12% | 1.55% | 1.47% | 1.76% | 1.91% | 0.27% |
| | Earning Yield (EPS / MPS) | 5.21% | 5.39% | 3.49% | 3.17% | 3.52% | 0.63% |
| | Price Earning Ratio (In case of old co) | 19.20 | 18.57 | 28.69 | 31.56 | 28.43 | 158.08 |
| | Market Price | 920 | 1100 | 1740 | 1980 | 1760 | 1495 |
| | ROE | 20.00% | 25.90% | 22.91% | 25.30% | 24.13% | 3.40% |
| | | Rs. In Million | Rs. In Million | Rs. In Million | Rs. In Million | Rs. In Million | Rs. In Million |
| Capital Structure | | | | | | | |
| | Authorised Capital | 1000.00 | 1000.00 | 1000.00 | 2000.00 | 2000.00 | 2000.00 |
| | Issued Capital | 650.00 | 772.20 | 810.81 | 1013.51 | 1216.22 | 1216.22 |
| | | | | | | | |
| Liabilities | | | | | | | |
| | Issued and Paid up capital | 643.50 | 772.20 | 810.81 | 1013.51 | 1216.22 | 1216.22 |
| | Reserve & Surplus | 898.25 | 993.98 | 1335.69 | 1499.48 | 1903.67 | 2164.63 |
| | Debenture | 360.00 | 360.00 | 360.00 | 860.00 | 500.00 | 500.00 |
| | Borrwoings | 146.05 | 144.62 | 235.97 | 83.18 | 0.00 | 570.00 |
| | Deposits | 24814.01 | 26490.85 | 30048.42 | 31842.79 | 34681.35 | 37979.91 |
| | Others | 556.35 | 698.74 | 728.26 | 876.57 | 1019.10 | 772.08 |
| | **Total** | **27,418.16** | **29,460.39** | **33,519.14** | **36,175.53** | **39,320.32** | **43,202.84** |
| | | | | | | | |
| Assets | | | | | | | |
| | Cash & Bank Balance | 2014.47 | 1717.35 | 1757.34 | 1448.14 | 3048.53 | 3937.15 |
| | Investment | 12133.42 | 11894.31 | 13533.01 | 13858.71 | 9881.48 | 11235.74 |
| | Loan, advances & | 12424.52 | 14642.56 | 16998.00 | 19497.52 | 24793.16 | 26262.49 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | overdraft | | | | | | |
| | Fixed Assets | 295.82 | 540.82 | 574.06 | 726.07 | 952.20 | 977.81 |
| | Others | 549.92 | 665.34 | 656.73 | 645.09 | 644.96 | 789.65 |
| | **Total** | **27418.16** | **29460.39** | **33519.14** | **36175.53** | **39320.32** | **43202.84** |
| | | | | | | | |
| Profit and Loss Account | | | | | | | |
| | Interest Income | 1446.47 | 1626.47 | 1775.58 | 1963.65 | 2342.20 | 648.02 |
| | Other operating income | 311.42 | 415.90 | 385.19 | 457.59 | 580.63 | 148.09 |
| | Non operating income (Net) | -85.46 | 55.55 | 100.26 | 141.19 | 13.32 | 4.92 |
| | **Total Income** | **1672.43** | **2097.92** | **2261.03** | **2562.43** | **2936.15** | **801.04** |
| | | | | | | | |
| Expenditures: | | | | | | | |
| | Interest Expenses | 561.96 | 648.84 | 767.41 | 823.74 | 934.78 | 331.74 |
| | Overhead Expenses(Employees) | 178.59 | 234.59 | 272.23 | 307.53 | 360.98 | 96.34 |
| | Other Operating expenses | 277.38 | 329.70 | 341.56 | 329.01 | 398.32 | 102.23 |
| | | | | | | | |
| | Loan loss provision | 73.90 | 145.15 | 90.69 | 58.43 | 68.81 | 89.99 |
| | **Total Expenditure** | **1091.83** | **1358.28** | **1471.89** | **1518.71** | **1762.88** | **620.29** |
| | | | | | | | |
| | Profit before tax | 580.60 | 739.64 | 789.14 | 1043.72 | 1173.27 | 180.74 |
| | Provision for bonus | 58.06 | 67.24 | 71.74 | 94.88 | 106.66 | 16.43 |
| | Tax provision | 214.27 | 214.94 | 225.58 | 312.97 | 313.77 | 49.29 |
| | **Net profit after tax** | **308.28** | **457.46** | **491.82** | **635.87** | **752.83** | **115.02** |

**EVEREST BANK LTD** [ EBL ]

http://www.everestbankltd.com

POBox: 13384, EBL House, Lazimpat, Kathmandu

| Last Traded Date | Last Trade Price | Net Chg. | %Change | High | Low | Previous Close | Quote |
|---|---|---|---|---|---|---|---|
| 2011-11-16 | Rs. 780 | Rs.-20 | -2.50 | Rs. 816 | Rs. 780 | Rs. 800 | EBL |

| Listed Shares | Paid Up Value | Total Paid Up Value | Closing Market Price | Market Capitalization | Market Capitalization Date |
|---|---|---|---|---|---|
| 11,196,065.00 | Rs. 100 | Rs. 1,119,606,500.00 | Rs. 780 | Rs. 8,732,930,700.00 | 2011-11-16 |

Profile | Financial | Contact | Chart

| | | |
|---|---|---|
| Nepal Stock Exchange Ltd. | | |
| Singhdubar Plaza, Kathmandu | | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Some Key Figures of B/S And P/L Account with brief financial indicator | | | | | | | |
| of Everest Bank Ltd. | | | | | | | |
| | | | | | | | |
| | | Audited | Audited | Audited | Audited | Audited | Unaudited |
| | | 2061/62 | 2062/63 | 2063/64 | 2064/65 | 2065/66 | 2066/67 |
| | | 2004/2005 | 2005/2006 | 2006/2007 | 2007/08 | 2008/09 | 2009/10 |
| Brief Financial Indicators | | | | | | 1\\\'st qt | |
| | Networth Per Share | 160.74 | 185.87 | 231.95 | 231.08 | 262.71 | 283.64 |
| | Earning Per Share | 32.47 | 45.81 | 57.22 | 54.27 | 76.15 | 20.94 |
| | Dividend Per share (with bonus share) | 20.00 | 25.00 | 40.00 | 50.00 | 60.00 | 0.00 |
| | ROA | 1.43% | 1.49% | 1.38% | 1.66% | 1.73% | 0.45% |
| | Earning Yield (EPS / MPS) | 3.73% | 3.32% | 2.35% | 1.73% | 3.10% | 0.88% |
| | Price Earning Ratio (In case of old co) | 26.79 | 30.10 | 42.47 | 57.71 | 32.24 | 114.16 |
| | Market Price | 870 | 1379 | 2430 | 3132 | 2455 | 2390 |
| | ROE | 20.20% | 24.65% | 24.67% | 23.49% | 28.99% | 7.38% |
| | | Rs. In Million | Rs. In Million | Rs. In Million | Rs. In Million | Rs. In Million | Rs. In Million |
| Capital Structure | | | | | | | |
| | Authorised Capital | 600.00 | 600.00 | 1000.00 | 1000.00 | 1000.00 | 1000.00 |
| | Issued Capital | 529.80 | 529.80 | 729.80 | 843.20 | 840.62 | 840.62 |
| | | | | | | | |
| Liabilities | | | | | | | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | Issued and Paid up capital | 518.00 | 518.00 | 518.00 | 831.40 | 838.82 | 838.82 |
| | Reserve & Surplus | 314.62 | 444.81 | 683.52 | 1089.84 | 1364.80 | 1540.42 |
| | Debenture | 300.00 | 300.00 | 300.00 | 300.00 | 300.00 | 300.00 |
| | Borrwoings | 0.00 | 0.00 | 0.00 | 0.00 | 312.00 | 295.60 |
| | Deposits | 10097.69 | 13802.44 | 18186.25 | 23976.30 | 33322.95 | 34116.68 |
| | Others | 502.21 | 894.03 | 1744.81 | 951.81 | 778.28 | 1936.95 |
| | **Total** | **11,732.52** | **15,959.28** | **21,432.57** | **27,149.34** | **36,916.85** | **39,028.48** |
| | | | | | | | |
| Assets | | | | | | | |
| | Cash & Bank Balance | 1049.99 | 1552.97 | 2391.42 | 2667.97 | 6164.37 | 4480.23 |
| | Investment | 2698.93 | 4267.48 | 4984.31 | 5405.56 | 5948.48 | 7418.26 |
| | Loan, advances & overdraft | 7618.67 | 9801.31 | 13664.08 | 18339.09 | 23884.67 | 25881.13 |
| | Fixed Assets | 134.07 | 152.09 | 170.10 | 360.51 | 427.16 | 469.70 |
| | Others | 230.86 | 185.44 | 222.66 | 376.22 | 492.17 | 779.16 |
| | **Total** | **11732.52** | **15959.28** | **21432.57** | **27149.34** | **36916.85** | **39028.48** |
| | | | | | | | |
| Profit and Loss Account | | | | | | | |
| | Interest Income | 719.30 | 903.41 | 1144.41 | 1548.66 | 2186.81 | 644.19 |
| | Other operating income | 136.69 | 160.14 | 214.09 | 293.85 | 371.02 | 105.41 |
| | Non operating income (Net) | 2.97 | 2.96 | 12.21 | 5.72 | 7.50 | 1.54 |
| | **Total Income** | **858.96** | **1066.51** | **1370.71** | **1848.23** | **2565.34** | **751.14** |
| | | | | | | | |
| Expenditures: | | | | | | | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | Interest Expenses | 299.57 | 401.40 | 517.17 | 632.61 | 1012.87 | 342.57 |
| | Overhead Expenses(Employees) | 60.60 | 70.92 | 86.12 | 157.96 | 186.92 | 58.66 |
| | Other Operating expenses | 129.07 | 143.56 | 177.55 | 233.77 | 292.01 | 56.64 |
| | | | | | | | |
| | Loan loss provision | 88.93 | 70.47 | 89.70 | 99.34 | 93.08 | 17.30 |
| | **Total Expenditure** | **578.16** | **686.35** | **870.53** | **1123.67** | **1584.89** | **475.17** |
| | | | | | | | |
| | Profit before tax | 280.80 | 380.16 | 500.18 | 724.56 | 980.45 | 275.97 |
| | Provision for bonus | 28.08 | 34.56 | 45.47 | 65.87 | 89.13 | 25.09 |
| | Tax provision | 84.51 | 108.31 | 158.30 | 207.47 | 252.59 | 75.26 |
| | **Net profit after tax** | **168.21** | **237.29** | **296.41** | **451.22** | **638.73** | **175.62** |