

**ANALYSIS OF FINANCIAL PERFORMACNE OF SELECTED
COMMERCIAL BANKS IN NEPAL**

A Thesis

By

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CERTIFICATION OF AUTHORSHIP

I certify that the work in this thesis has not previously been submitted for a degree nor has it been submitted as part of requirements for a degree except as fully acknowledged within the text.

I also certify that the thesis has been written by me. Any help that I have received in my research work and the preparation of the thesis itself has been acknowledged. In addition, I certify that all information sources and literature used are indicated in the reference section of the thesis.

.....

Sami Balami

September, 2019

RECOMMENDATION LETTER

It is certified that thesis entitled “**Analysis of Financial Performance of Selected Commercial Banks in Nepal**” submitted by **Sami Balami** is an original piece of research work carried out by the candidate under my supervision. Literary presentation is satisfactory and the thesis is in a form suitable for publication. Work evinces the capacity of the candidate for critical examination and independent judgement. Candidate has put in at least 60 days after registering the proposal. The thesis is forwarded for examination.

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We, the undersigned, have examined the thesis entitled “**Analysis of Financial Performance of Selected Commercial Banks in Nepal**” presented by **Sami Balami**, a candidate for the degree of **Master of Business Studies (MBS)** and conducted the viva voce examination of the candidate. We hereby certify that the thesis is worthy of acceptance.

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ABBREVIATIONS

B.S	Bikram Sambat
BAFIA	Bank and Financial Institutions Act
BFI	Bank and Financial Institutions
C.V	Coefficient of Variation
CAR	Capital Adequacy Ratio
FI	Financial Institutions
FY	Fiscal Year
i.e.	id est
HBL	Himalayan Bank Limited
CZBIL	Citizen Bank International Limited
ADBL	Agricultural Development Bank Limited
Ltd.	Limited
MBS	Master of Business Studies
NPLR	Non-performing Loan Ratio
NRB	Nepal Rastra Bank
ROE	Return on Equity
ROA	Return on Assets
S.D.	Standard Deviation
T.U.	Tribhuvan University

ABSTRACT

This present study has investigated the analysis of financial performance of selected commercial banks in Nepal. This study examines the influence of determinants on the financial performance of commercial banks in Nepal over time period from 2008/09 to 2017/18. This study is based on descriptive as well as analytical research design to achieve the objectives of the research. This study is based on secondary data. Secondary data have been collected from the annual published accounting and financial statement of ADBL, CZBIL and HBL bank. The study use to analyse the performance of bank financial and statistical tools. The research further concludes that the effect of determinants on the performance indicators considered in this research have positive effect on financial performance of ADBL, CZBIL and HBL Bank..

Hence the results show that ADBL, CZBIL and HBL had good liquidity position and profitability position. The loan to total assets ratio of HBL was greater than that of ADBL and CZBIL. Non-performing loan of ADBL bank was satisfactory but CZBIL and HBL need to improve in that ratio. The average deposits ratios of all banks were satisfactory. Return on assets of ADBL was better than CZBIL and HBL. It implies that ADBL had higher efficiency in the utilization of the total assets and vice versa. The correction analysis is carried out respectively to examine the nature and extent of the relationship between the variables. The outcome of the correlation coefficient between total loan and advance and total deposit and total loan and advance and net profit are positive. To be able to cope with situation it is important that banks should maintain its financial health and expands theirs activities.

Keywords: *Financial Performance, Profitability, Solvency, Liquidity, Banks*

CHAPTER I

INTRODUCTION

1.1 Background of the Study

Banks play very important role in the economic development of nations as they largely wield control over the supply of money in circulation and are the main stimuli of economics progress. Bank performance may be defined as the reflection of the way in which the resources of a bank are used in a form, which enables it to achieve its objectives. Furthermore, the term bank performance means the adoption of a set of indicators, which are indicative of the bank's status, and the extent of its ability to achieve the desired objectives. Some of the reasons why we evaluate the performance of banks are to determine their overall financial condition, measure their asset quality, management quality, efficiency, and achievement of their objectives as well as ascertain earning quality, liquidity, capital adequacy and level of bank services.

Financial sector is imperative for economic growth and industrialization via channelling funds, providing proficient financial system, sociable investor's treatment, and optimal utilization of resources. Banking sector in any economy is performing the major role in these regards. Banking sector plays a significant role in channelling funds to industries and contributing towards economic and financial growth and stability. A well-established and managed banking sector can absorb major financial crisis in the economy and can provide a plat form for strengthening the economic system of the country (Raza, 2011).

A strong financial system promotes investment by financial productive business opportunities, mobilizing savings, efficiently allocating resources and makes easy the trade of goods and services. Several studies have reported that the efficacy of a financial system to reduce information and transaction costs plays an important role in determining the rate of savings, investment decisions, technological innovations and hence the rate of economic growth (Jha & Hui, 2012).

Financial performance is the process of measuring the results of an organization policies and operations in terms of monetary value. These results are reflected in the firm's profitability, liquidity or leverage. Evaluating the financial performance of a business allows decision-makers to judge the results of business strategies and activities in objective monetary terms. Normally the ratios are used to determine the financial performance of an organization. A well designed and implemented financial management is expected to contribute positively to the creation of a firm's value (Bist & Sharma, 2004).

One way to measure bank performance is by determining the profitability of the bank. Profitability is the ability of a bank to make profits by earning more money that exceeds the yearly expenses and taxes every financial year. The banks make profits from fees charges for their services and the interest levied on assets. On the other hand, the main expense incurred by banks is in the interest paid on their liabilities every financial year. A positive difference between the earnings and the expense represents the profitability of any financial institution. The bank's assets that attract revenue to the institution include loans to individuals, companies, and other institutions and securities the bank holds. The principal liabilities for the banks include deposits and the funds borrowed from other banks or through selling of commercial paper in the money market. The assets such as the loans and securities are utilized by the banks to earn a large portion of the institution's income.

The study of Podder (2012) also provided evidence that concentration of commercial banks in the industry has a positive impact on the performance of commercial banks. According to the study, high concentration in the banking industry allows for a high monopolistic power of the banks and this means the banks can charge higher prices for their products. This leads to higher margins and therefore better performance. It gives direction to the debtors and the investors to make decision whether they should invest money in bank or invests somewhere else; it also flashes direction to bank managers whether to improve its finance and Regulatory agencies and government are also interested in financial performance for the regulation purposes.

Management of liquidity and solvency ratios are vital for the commercial banks as it associated with their performance and reputations, especially with profitability ratios. If the banks have poor liquidity conditions, the regulators will penalize them and therefore it becomes imperative for the banks to keep a sound liquidity arrangement. Healthy financial performance has become a great challenge in the modern times as banks are characterized by the technological advancements, high competition for consumer deposits and altering monetary policy that augments the liquidity, solvency and the profitability of the banks.

The present study attempts to evaluate the financial performance of selected Nepalese commercial banks using the financial ratios, and also examines the impact of liquidity, solvency and efficiency on the profitability. The study will throw light on financial performance of the commercial banks which will help policy makers, regulator, government and other stakeholders to devise targeted policies and regulations that will dynamically stimulate the growth and sustainability of the commercial banks in the country. The study is of great importance for academics to compare the performances of various commercial banks and efforts should be made to solve the discrepancies in performances of those banks. Besides, the study is immense help for the management and staff of commercial banks who will gain insight into how their institutions can effectively manage their financial ratios by appropriate practices to increase their profits.

1.2 Brief Profile of Selected Banks

1.2.1 An Overview of Agricultural Development Bank Limited (ADBL)

The enactment of Bank and Financial Institution Ordinance in February, the main objectives of providing institutional credit for enhancing the production and productivity of the agricultural sector in the country, the agricultural Development Bank, Nepal was established in 1968 under the ADBN 1967, as successor to the cooperative bank. The Land Reform Savings Corporation was merged with ADBN in 1973. Subsequent amendments to the Act empowered the bank to extend credit to small farmers under group liability and expand the scope of financing to promote cottage industries. The

amendments also permitted the bank to engage in commercial banking activities for the mobilization of domestic resources. ADBL is an autonomous organization largely owned by Government of Nepal. The bank has been working as a premier rural credit institution since the last three decades, contributing a more than 67% percent of institutional credit supply in the country. Hence, rural finance is the principal operational area of ADBL. Besides, it has also been executing Small Farmer Development Program the major poverty alleviation program launched in the country. The bank was developed mutually acceptable relationship with Government in the pursuit of improvement in living standards in rural areas, while respecting best financial practices.

1.2.2 An Overview of Himalayan Bank Limited (HBL)

Himalayan Bank was established in 1993 in joint venture with Habib Bank Limited of Pakistan. Despite the cut-throat competition in the Nepalese Banking sector, HBL Bank has been able to maintain a lead in the primary banking activities- Loans and Deposits. All Branches of HBL are integrated into Globus (developed by Temenos), the single banking software where the bank has made substantial investments. This has helped the bank provide services like ‘Any Branch Banking Facility’, Internet Banking and SMS Banking. Looking at the number of Nepalese workers abroad and their need for formal money transfer channel; HBL has developed exclusive and proprietary online money transfer software- Himal Remit TM. By deputing their own staff with technical tie-ups with local exchange houses and banks, in the Middle East and Gulf region, HBL is the biggest inward remittance handling bank in Nepal. HBL holds of a vision to become a Leading Bank of the country by providing premium products and services to the customers, thus ensuring attractive and substantial returns to the stakeholders of the bank. All customers are treated with utmost courtesy as valued clients to further extend the reliable and efficient services to its valued customers.

1.2.3 An Overview of Citizens Bank International Limited (CZBIL)

Citizens Bank International Limited has been established as a reliable and trustworthy partner for all financial solutions. Institutionalized by a highly professional and

experienced team, we have gained credibility in banking sector through quality financial service. Established on April 20, 2007 (2064/01/07) as 20th commercial bank of the nation, “Citizens Bank International Limited”, has its corporate office at the heart of the financial sector of the country, Narayanhiti Path, Kathmandu. It has been established as a reliable and trustworthy partner for all financial solutions. Institutionalized by a highly professional and experienced team, it has gained credibility in banking sector through quality financial service. It is promoted by eminent personalities, business and industrial houses and reputed individual having high social standing and has been managed by a team of experienced bankers and professionals. There are 81 branches and 75 ATMs all over the country.

1.3 Statement of the Problems

Financial performance problems about commercial banks started long time years ago before financial reforms, many commercial banks were witnessed undergoing insolvency due to higher level of non-performing loans. Initially the banking sector and particularly commercial banks in Nepal have faced lot of problems like, lack of resources, political uncertainty, lack of skilled human resource and socioeconomic catastrophe, high non-performing loan affects the profitability of the bank, which affected the efficient working of commercial banking sector. Indeed, good performance and stability of a bank lies at the heart of confidence in the banking system due to the highly leveraged nature of banks. Individual bank's financial problem can have significant implications for the whole financial system. This is the main reason of crisis in the commercial banks and in the whole national economy as well. In order to help realize the goal of the poverty alleviation, access to increased flow of credit and investment in the economic activities of direct benefit to the maximum number of low income people through micro and medium size loan needs serious attention in the days to come. It is also necessary to identify the activities that ensure quick return of the investment. In the changed scenario these banks need to explore their strength and weakness to improve their performance because their success depends upon their ability to boost their productivity and financial performance.

1. What are the status of liquidity, leverage, efficiency and profitability ratio of the selected sample banks?
2. What is the overall financial position of the selected sample banks?
3. What are the trend and relation of total loan and advance, total deposit and net profit of the selected sample banks?

1.4 Purposes of the Study

The specific objective of the study is to examine the analysis financial performance of Nepalese commercial banks along with this the other objectives are as follows:

1. To identify the status of liquidity, leverage, efficiency and profitability ratio of the selected sample banks.
2. To analyse the comparative study of financial position of the selected sample banks.
3. To examine the trend and relations of total loan and advance, total deposit and net profit of the selected sample banks.

1.5 Significance of the Study

Commercial banks in developing countries like Nepal have the greatest responsibility towards the economic development of the country. The main objective of the bank as a commercial organization is to maximize the surplus by the efficient use of its fund and resources. Being a commercial bank, it also has a responsibility towards the socio economic up-liftmen of the country by providing specially considered loans and advances towards less privileged sectors. The study has various significant.

1. The financial agencies, stock exchange and stock traders are also interested in the performance of the bank as well as the customers, depositors and profitability, safety and liquidity.
2. Policy makers at the macro level that is government and Nepal Rastra Bank will also benefit regarding the formulation of further policies in regard to economic development through banking institutions.

3. The study also compels the management of respective banks for self-assessment of what they have done in the past and guides them in their future plans and programs.
4. This study provokes the curiosity and desire of other academicians to conduct a more comprehensive study in the related field.
5. The financial performance measures gives any indication whether the commercial banks are operating at higher level of liquidity or not and the development of capital market is still in infancy stage, this gives confidence to overcome challenges arising in the two studied commercial banks for remedial actions.

1.6 Limitations of the Study

The study focused to fulfil the partial requirement course of M.B.S. of T.U. It has some limitations. There have limited resources and it is difficult to explore researcher to find out new aspect. Reliability of statistical tools used and lack of research experience are the major limitation. The study is based on following limitations.

1. This research was deals with financial tools such as ratio analysis and statistical tools of sample banks.
2. This study was limited on secondary data, which are used to analyse for result interpretations, so the accuracy of the finding depends on the reliability of available information.
3. This study was limited on quantitative analysis which does not consider on qualitative variable.
4. It focuses on only three commercial banks in Nepal covering the period of ten years study.
5. Result of this study may differ according to different state of nature.

1.7 Chapter plan

This part includes the structure and chapter plan of the study. The study is organized in five chapters which are as follows.

Chapter- I: Introduction

This chapter deals with the background of the study, state of the problems, objective, significance limitations and organization of the study.

Chapter – II: Review of Literature

This chapter focused on the review of literature which includes review of theories. It also included review of previous studied and research gap.

Chapter –III : Research Methodology

This chapter includes the research design, sources of data, analysis of data, population and sampling and tools for analysis of data.

Chapter – IV: Results

In this part excel used to analysis and interpretation of the data, the presentation and analysis of relevant though define course of research methodology with the financial and statistical analysis related of banks performance. Major findings of the study also included in thesis chapter.

Chapter-V: Conclusion

This chapter includes discussion, conclusion and implication of the study. Reference and appendices are also attached at the end of the study.

CHAPTER II

LITERATURE REVIEW

This chapter will include the review of literature which includes review of books, journals, bulletins and annual reports published by the banks and other related authorities, review of related articles and studies and previous thesis as well.

2.1 Conceptual Review

Considering the essence of easy understanding of the terminologies used in here, an attempt has been made to develop basic concept of those terminologies

2.1.1 Concept of Bank

Bank is financial institution, which plays a significant role in the development of country. The history of banking transaction is as old as our civilization. In ancient time goldsmith used to keep people's valuable goods for the security rather than earning interest. Mostly at that time goldsmith performed this task, but now various type of banks have been acting in this field. In England, gold smiths were the bankers in an ancient period. They used to lend money to the government and also at the time of emergency to keep deposits for purpose. People used to keep their ornaments with goldsmith for safety. In ancient times, the function of foreign exchange also used to be done by goldsmiths, merchants and money lenders. The terms 'bank' was originated from the Italian word 'Banco'. Bank is a business organization that receives and holds deposits from others, lends loans or extends credit and transfers funds by written orders of depositors' (encyclopedia, 1984).

2.1.2 Functions of Bank

According to definition of commercial bank there are some functions of commercial banks, which are operated by such banks. Beginning with simple function of accepting. Deposit for the purpose of making loans. Commercial banking has progressively assumed wider function and greater responsibility in the economic area. It may be possible to give

an exhaustive account on all its functions and services. However, some of the fundamental functions usually discharged by a commercial bank are as indicated below:

1. Receiving deposits from the public
2. Making loans and advances
3. Money creation
4. Agency services
5. General utility services
6. Facilities for foreign trade
7. Payment mechanism
8. Remittance Service
9. Safe keeping of valuables

2.1.3 Concept of Financial Performance

The word Performance is derived from the word 'perform', which means 'to do', 'to carry out' or 'to render'. It refers to the act of performing; execution, accomplishment, fulfilment, etc. In a broader sense, performance refers to the accomplishment of a given task measured against pre-set standards of accuracy, completeness, cost and speed. In other words, it refers to the degree to which an achievement is being or has been accomplished. In the words of Frich Kohlar "The performance is a general term applied to a part or to all the conducts of activities of an organization over a period of time often with reference to past or projected cost efficiency, management responsibility or accountability or the like. Thus, not just the presentation, but the quality of results achieved refers to the performance. Performance is used to indicate a firm's success, conditions, and compliance. Financial performance refers to the act of performing financial activity. In a broader sense, financial performance refers to the degree to which financial objectives being or has been accomplished. It is the process of measuring the results of a firm's policies and operations in monetary terms. It is used to measure a firm's overall financial health over a given period of time and can also be used to compare similar firms across the same industry or to compare industries or sectors in aggregation.

2.1.4 Financial Performance Analysis

In short, the firm itself as well as various interested groups such as managers, shareholders, creditors, tax authorities, and others seeks answers to the following important questions:

1. What is the financial position of the firm at a given point of time?
2. How is the Financial Performance of the firm over a given period of time?

These questions can be answered with the help of financial analysis of a firm. A financial statement is an organized collection of data according to logical and consistent accounting procedures. Its purpose is to convey an understanding of some financial aspects of a business firm.

The Balance Sheet shows the financial position of the firm at a given point of time. It provides a snapshot and may be regarded as a static picture. “Balance sheet is a summary of a firm’s financial position on a given date that shows $\text{Total assets} = \text{Total liabilities} + \text{Owner’s equity}$.”

The income statement (referred to in India as the profit and loss statement) reflects the performance of the firm over a period of time. “Income statement is a summary of a firm’s revenues and expenses over a specified period, ending with net income or loss for the period.”

“The analysis of financial statements is a process of evaluating the relationship between component parts of financial statements to obtain a better understanding of the firm’s position and performance. The financial performance analysis identifies the financial strengths and weaknesses of the firm by properly establishing relationships between the items of the balance sheet and profit and loss account. The final is interpretation and drawing of inferences and conclusions. In short, “financial performance analysis is the process of selection, relation, and evaluation.”

2.1.5 Areas of Financial Performance Analysis

Financial analysts often assess firm's production and productivity performance, profitability performance, liquidity performance, working capital performance, fixed assets performance, fund flow performance and social performance. However in the present study financial health of GSRTC is measured from the following perspectives:

1. Working capital Analysis
2. Financial structure Analysis
3. Activity Analysis
4. Profitability Analysis

2.1.6 Significance of Financial Performance Analysis

Interest of various related groups is affected by the financial performance of a firm. Therefore, these groups analyse the financial performance of the firm. The type of analysis varies according to the specific interest of the party involved.

Trade creditors: interested in the liquidity of the firm (appraisal of firm's liquidity)

Bond holders: interested in the cash-flow ability of the firm (appraisal of firm's capital structure, the major sources and uses of funds, profitability over time, and projection of future profitability)

Investors: interested in present and expected future earnings as well as stability of these earnings (appraisal of firm's profitability and financial condition)

Management: interested in internal control, better financial condition and better performance (appraisal of firm's present financial condition, evaluation of opportunities in relation to this current position, return on investment provided by various assets of the company, etc)

2.1.7 Types of Financial Performance Analysis

Financial performance analysis can be classified into different categories on the basis of material used and modes operandi as under:

A Material used

On the basis of material used financial performance can be analysed in following two ways:

1. External analysis

This analysis is undertaken by the outsiders of the business namely investors, credit agencies, government agencies, and other creditors who have no access to the internal records of the company. They mainly use published financial statements for the analysis and as it serves limited purposes. Financial Analysis Material Used Modus Operandi External Analysis Internal Analysis Horizontal Analysis Vertical Analysis

2. Internal analysis

This analysis is undertaken by the persons namely executives and employees of the organization or by the officers appointed by government or court who have access to the books of account and other information related to the business.

B Modus operandi:

On the basis of modus operandi financial performance can be analyse in the following two ways:

1. Horizontal Analysis

In this type of analysis financial statements for a number of years are reviewed and analysed. The current year's figures are compared with the standard or base year and changes are shown usually in the form of percentage. This analysis helps the management to have an insight into levels and areas of strength and weaknesses. This analysis is also called Dynamic Analysis as it based on data from various years.

2. Vertical Analysis

This analysis is useful in comparing the performance of several companies in the same group, or divisions or departments in the same company. This analysis is not much helpful in proper analysis of firm's financial position because it depends on the data for one period. This analysis is also called Static Analysis as it based on data from one date or for one accounting period.

2.1.8 Technique/Tools of Financial Performance Analysis

An analysis of financial performance can be possible through the use of one or more tools / techniques of financial analysis:

A) Accounting Techniques

It is also known as financial techniques. Various accounting techniques such as Comparative Financial Analysis, Common-size Financial Analysis, Trend Analysis, Fund Flow Analysis, Cash Flow Analysis, CVP Analysis, Ratio Analysis, Value Added Analysis etc. may be used for the purpose of financial analysis. Some of the important techniques which are suitable for the financial analysis of GSRTC are discussed hereunder:

1. Ratio Analysis

Ratio analysis plays an important role in determining the financial strengths and weaknesses of a company relative to that of other companies in the same industry. The analysis also reveals whether the company's financial position has been improving or deteriorating over time. Ratios can be classified into four broad groups on the basis of items used: (1) Liquidity Ratio, (ii) Capital Structure/Leverage Ratios, (iii) Profitability Ratios, and (iv) Activity Ratios.

2. Common-Size Financial Analysis

Common-size statement is also known as component percentage statement or vertical statement. In this technique net revenue, total assets or total liabilities is taken as 100 per

cent and the percentage of individual items are calculated like wise. It highlights the relative change in each group of expenses, assets and liabilities.

3. Trend Analysis

Trend analysis indicates changes in an item or a group of items over a period of time and helps to draw the conclusion regarding the changes in data. In this technique, a base year is chosen and the amount of item for that year is taken as one hundred for that year. On the basis of that the index numbers for other years are calculated. It shows the direction in which concern is going.

B) Statistical Techniques

Every analysis does involve the use of various statistical techniques. Some of the important statistical techniques which are suitable for the financial analysis are discussed here in:

Measures of Central Tendency

Measures of central tendency are also known as statistical averages. It is the single value which represents the whole series and is contain its measure characteristics. The main objective is to give a brief picture of a large group, which it represents, and to give a basis of comparison with other groups. Mean, also known as arithmetic average, is the most common measure of central tendency

Measures of Dispersion

Measures of dispersion, indicates the extent, to which the individual values fall away from the average or the central value. Range, mean deviation and standard deviation are the important measures of dispersion. These measures can be stated in two ways. One method of statements shows the absolute amount of deviation, while the other presents the relative amount of deviation. For purpose of comparison, the absolute amount of a measurement is not always as valuable as an expression of the relative amount. The measures of dispersion, which are expressed in terms of the original units of a series, are

termed as 'absolute measure'. Relative measures of dispersion are obtained as ratios or percentages known as 'coefficient' which are pure numbers independent of measurement.

1. Correlation and Regression Analysis

Correlation is a statistical technique which measures degree and direction of relationship between the variables. It always lies between ± 1 . It is a relative measure. While regression measures the nature and extent of average relationship in terms of the original units of the data. If one of the regression coefficients is greater than unit the other must be less than unit. It is an absolute measure of relationship. Correlation analysis is a method of determining whether two sets of data are related in a manner such that they increase together, if one increases, the other decreases. Regression analysis, on the other hand, hypothesizes a particular direction of the relationship. With regression one variable is determined by the others.

2. Analysis of Time Series

The time series refers to the arrangement of statistical data in accordance with the time of its occurrence. It is dynamic distribution which reveals a good deal of variations over time. It aims to find the pattern of change in statistical data over the regular interval of time and to arrive at an estimate with this pattern for business decision making. The four component elements which bring variations in time series can be classified as secular variation (trend), cyclical variation (regular), seasonal variation (regular) and erratic variation (irregular). The combined impact, either additive or multiplicative, of these components brings changes in statistical data.

3. Index Number

According Lawrence J. Kaplan an index number is a statistical measure of fluctuations in a variable arranged in the form of a series and using a base for making comparison. The index number is used to represent diverse changes in a group of related variables. It represents changes in terms of rates, ratios or percentages called 'relatives' such as 'price relatives' (measures relative changes in prices), 'quantity relatives' (measures relative changes in quantity) etc. Since it represents an average of relative changes in a group of

related variables relevant to a given phenomenon they are often described as ‘barometers of economic change’.

4. t-test

T-test applies only in case of small samples when population variance is unknown. It is based on t-distribution and is considered appropriate test for judging the significance of difference between the means of two samples in case of small sample(s) when population variance is not known. In case of two samples paired t-test is used for judging the significance of the mean of difference between the two related samples. The relevant test statistic, t , is calculated from the sample data and then compared with its probable value based on t-distribution (from the table) at a specific level of significance for concerning degrees of freedom for accepting or rejecting the null hypothesis.

5. Chi-Square (X²) test

The chi-square test is an important test amongst the several tests of significance. It is a statistical measure used in the context of sampling analysis to test the goodness of fit; test the significance of association between two attributes; and test the homogeneity or the significance of population variance. Chi-Square has an approximate Chi-Square distribution and critical values of Chi-Square are obtained from the table of Chi-Square distribution. The expected values will be calculated with the help of Regression Analysis and Time Series Analysis assuming that the data come from the hypothesised distribution.

6. Diagrams & Graphs

Diagrams and graphs are visual aids, which give a bird’s eye view of a given set of numerical data. They present the data in simple readily comprehensible and intelligible form. Graphical presentation of statistical data gives a pictorial effect instead of just a mass of figures. They depict more information than the data shown in the table which through light on the existing trend and changes in the trend of the data.

C) Mathematical Techniques

Financial analysis also involves the use of certain mathematical tools such as Programme Evaluation and Review Techniques (PERT), Critical Path Method (CPM), and Linear Programming etc. However, they are not useful for the present study.

2.2 Review of Related Studies

In this section, an attempt has been made to review some relevant articles in different economic finance journals. The World Bank bulletins, Nepal Rastra Bank Reports, dissertations paper, magazines, newspaper and other relative literatures.

2.2.1 Review of Related Articles

An article, “*Sound practices for Managing Liquidity in Banking Organizations*” attributed Liquidity, or the ability to fund increases in assets and meet obligations as they come due, is crucial to the on-going viability of any banking organization. Sound liquidity management can reduce the probability of serious problems. Indeed, the importance of liquidity transcends the individual bank, since a liquidity shortfall at a single institution can have system – wide repercussions. For this reason, the analysis of liquidity requires bank management not only to measure the liquidity position of the bank on an on-going basis but also to examine how funding requirements are likely to evolve under various scenarios, including adverse conditions (Walt, 2008).

Evaluation of the financial performance of Indian private sector banks wrote Private sector banks play an important role in development of Indian economy. After liberalization the banking industry underwent major changes. The economic reforms totally have changed the banking sector. RBI permitted new banks to be started in the private sector as per the recommendation of Narashiman committee. The Indian banking industry was dominated by public sector banks. But now the situations have changed new generation banks with used of technology and professional management has gained a reasonable position in the banking industry (Kumar, 2008).

Published an article "*Management Development and Firm performance in German, Norway, Spain and The U.K.*" Where he has explained that management development means development of goal achieving capacity and it lead success of the organization?" For this purpose he presents comparative study about multinational companies and domestic companies, which are located in same countries. But the key difference is that domestic companies are focused exclusively upon the local market place and have no international strategies, whereas the multinational companies patently do. In our context our domestic companies are not give emphasized to management development program and they did not success to captive multinational companies. So management development is most importance for any successful organization and it is a determinant of business performance (Mabey, 2008).

Aboila and Olausi (2014) investigated that the impacts of credit risk management on the performance of commercial banks in Nigeria. Financial reports of seven commercial banking firms were used to analyze for seven years (2005–2011). Panel regression model was employed for the estimation of the model. In the model, return on equity (ROE) and return on assets (ROA) were used as the performance indicators while non-performing loans (NPL) and capital adequacy ratio (CAR) as credit risk management indicators. The study revealed that credit risk management has a significant impact on the profitability of commercial banks in Nigeria. The results of the study revealed that there was a significant relationship between credit management and bank profitability and there was a significant relationship between bank liquidity and profitability among deposit money banks in Nigeria.

Alshatti (2015) examined the effect of credit risk management on financial performance of the Jordanian commercial banks during the period 2005-2013 using capital adequacy ratio, credit interest/credit facilities ratio, provision for facilities loss/ net facilities ratio, leverage ratio and non-performing loans/gross loans ratio as independent variables. The dependent variables represent the profitability measured by ROA and ROE. The author concludes that all the credit risk management indicators used in the study have significant effect on the financial performance of the Jordanian commercial banks.

2.2.2 Reviews of Related Thesis

Koirala (2010) assessed the record of accomplishment of potential borrowers and innocent characters termed as the best borrower. The bank, on the other hand is an institution established have been responsible for the existence of huge volume of NPA in state-owned commercial banks. In order to improve the situation, there is a need to evolve a more acceptable working system backed by cooperation and realization by the banks employees as well as the politicians and stakeholders, who can influence in banks operation.

Luintel (2003), conducted a study entitled “*A Study on Financial Performance of Nepal Bank Limited*”. The main objectives of the study was measure the comparative financial strengths and weakness and to analyse the banks performance under priority sectors of government. The study pointed out that the bank seemed to be unable to utilize its high cost resources in high yielding investment portfolio. Due to the bank’s failure in collecting earned interest and matured loan, it has suffered continues loss. Liquidity position of the bank is also not satisfactory during this study period. This study also found that bank has not followed any policy regarding long-term debts, total debts and total deposit ratios. This study concluded that the financial position of the NBLs is worse during the study period due to its failure to utilize its inefficiency in risk management

Poudel (2012) examined the impact of credit risk management on the financial performance of commercial banks in Nepal using the financial report of 31 banks for eleven years (2001-2011). The methods of data analysis in the study were descriptive, correlation and multiple regressions. The financial performance indicator used in the study was return on assets (ROA). The predictors of the banks’ financial performance used in the study were: default rate, cost per loan assets and capital adequacy ratio. The author asserts that all these parameters have an inverse impact on banks’ financial performance. However, among the risk management indicators, default rate (NPLR) is the single most influencing predictor of bank financial performance in Nepal whereas cost per loan assets is not significant predictors of bank performance. The author

concludes that credit risk management is crucial on the bank performance since it have a significant relationship with bank performance.

Shrestha (2005), completed the study entitled “*A Comparative Study of the Financial Performance of Nepal Bank Ltd*”. and RastriyaBanijya Bank”. The main objectives of the study are to analyze and to evaluate the financial performance of NBL and RBB and to analyze the comparative financial position of these two banks. The study concludes that the largest commercial bank in Nepal, RBB and NBL, have potentially important role to play in the economy to enhance the healthy competition. The political intervention, weak management, poor financial information system and ever-growing bad loans have tremendously impacted on financial health of these banks in the past. Recent auditing work reveal a high negative net worth, weak internal control and information system and poor internal financial management. Thus it is advised to employ technical support to assist in developing a strategic plan for the implementation, such as, downsizing privatization, splitting merger, acquisition, etc. In same way, technical support has been expected to implement any strengthening work identified by the reform proposal. The present ownership structure of NBL and RBB will be gradually change by their privatization and entry of new reputed, fit and proper private sector banks and financial institutions.

Upreti (2010) had conducted a research on “*A Comparative Study of Financial Performance of NBL, HBL, SCBNL and EBL*”.

The main objectives were:

1. To comparative study about the financial performance of these banks with regard to- their profitable liquidity, efficiency and capital structure.
2. To analyses financial performance of these banks.

The Major Findings were:

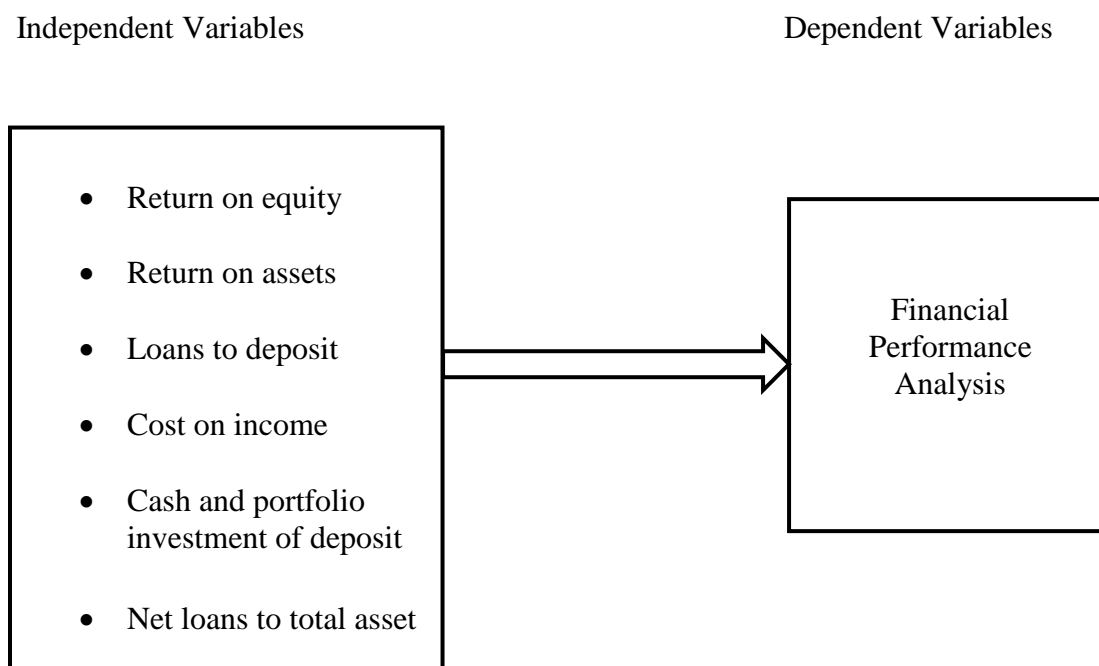
1. Among all the sample banks, HBL has the lowest ratio and EBL has not mobilized its assets into profit generating projects.
2. SCBNL has been successful in earning more net profit by the proper use of its available assets.

3. EBL with the highest ratio has been successful in generating more interest by the proper use of its available assets.
4. EBL and HBL seem to have held more cash and bank balance rather than other commercial banks.

By review the thesis, it can be conclude that the study was focuses on the analysis financial performance of its limited. The analyses help an organization to know thesis financial strength and weakness. Every management should have an interested in knowing about their organization financial strength and weakness to make the best uses and take a correct action for suitable areas.

2.3 Theoretical Framework

The theoretical framework describes the relationships among the variables, and the nature and direction of the relationship. Based on the literature review six variables had taken into consideration that had influenced the financial performance analysis. The dependent and independent variables are as follow:



Return on Assets

Return on assets is an indicator of how profitable a company is relative to its total assets. It gives a manager, investor, or analyst as to how efficient a company management is at using its assets to generate earnings. The return on assets shows the percentages of how profitable company assets are in generating revenue.

Return on Equity

The return on equity is a measure of the profitability of a business in relation to the book value of shareholder equity also known as net assets or assets minus liabilities. It is a measure of how well a company uses investments to generate earnings growth.

Loan to Deposit Ratio

A ratio that is used in determining the amount of loans that a bank has out versus the amount of current deposits on hand at that same time. This ratio is determined by dividing the bank's loan amounts by its total amount of deposit.

Net Loans to Total Assets

The loans to assets ratio measures the total loans outstanding as a percentage of total assets. The higher this ratio indicates a bank is loaned up and its liquidity is low.

Cost on Income

The ratio, which measures operating expense as a percentage of operating income, is used to gauge efficiency and productivity for banks. Lower ratios generally indicate higher efficiency, but a number of factors can affect the ratio including a bank's business model and size.

2.4 Research Gap

The review of above relevant literatures has contribution to enhance the fundamental understanding and knowledge, which is required to make study meaningful and purposive. There have been found numerous research studies in financial companies and public enterprises, regarding analysis of financial performance, but there is little research available on analysis of financial performance with reference to Himalayan Bank Limited, Citizen Bank International Limited and Agricultural Development Bank Limited. Thus, the research study made in "*Analysis of Financial Performance of Selected Commercial Banks*" with reference to Himalayan Bank Limited, Citizen Bank International Limited and Agricultural Development Bank Limited. It is an effort to analyse on how well banks can use assets from its primary mode of banks and generate profits of HBL, CZBIL and ADBL in present situation with the help of various related financial as well as statistical tools and techniques. The study can be beneficial to all the concern parties and people as special for the other students. This study provides complete and latest information about analysis of financial performance of HBL, CZBIL and ADBL, which will serve as source of reference for similar research in future.

CHAPTER III

RESEARCH METHODOLOGOLGY

This chapter has been designed and developed as a guideline or a plan for achievement of objectives set. Research Methodology is a way to systematically solve the research problems. It is the overall framework for when/ how to conduct the process analyses and presents data on the figures to find answer of this research problem/ question and objectives.

3.1 Research Design

Research design is a plan of structure and strategy of investigation concerned so as to obtain answer to research question and to control variance. The study is mainly based on two type of research design namely descriptive and analytical. Descriptive research design describes the picture of how the bank carries on its operations which influence the financial position and contribute enhancing the overall performance. Similarly, the analytical research design makes a thorough analysis of gathered facts and information and critically evaluates it as well.

3.2 Sources of Data

The study is based on secondary data. The data required for the analysis are directly obtained from the balance sheet and profit and loss account of concerned banks' annual reports. All the secondary data are compiled, processed and tabulated in the time series as per the need and objectives of the study. Likewise various data and information are collected from the economic journals, periodicals, bulletins, magazines and other published & unpublished reports and documents from various sources.

3.3 Population and Sample

In today's world economic growth of a country depends on its financial sector especially banking institutions. This study mainly intends to evaluate the determinants of financial position of the commercial banks taken by the convenience sampling method. The total

population was twenty eight. Out of twenty eight commercial banks only three banks were chosen as the sample for the analysis, interpretation and representation of the population of the commercial banks. As convenience sampling, Agricultural Development Bank was totally government ownership, Himalayan Bank was joint venture sector bank and Citizen Bank was totally private sector bank.

3.4 Data Collection and Processing Procedures

As the study was based mainly on the secondary data, required facts and figures have been obtained from the annual report collected from official websites of the banks. Data have also been obtained browsing the official web site of NRB .Other reference materials were collected from the Central Library of T.U. Firstly data were extracted from the annual reports of the bank and put them in a sheet. Then data were entered into the spread sheet to work out the financial ratios and prepare necessary figures, according to the need and requirement of this study. For this purpose, gathered data have been processed using computer programs like Microsoft Excel and Word etc.

3.5 Data Analysis, Tools and Techniques

Various financial, accounting and statistical tools are used to make the analysis more effective, convenience, reliable and authentic. The analysis of data is done according to the pattern of data available. Simple analytical statistical tools such as percentage, Karl Person's coefficient of correlation, and the method of least square are used in this study. Similarly, some accounting tools such as ratio analysis and trend analysis have also been used for financial analysis. The various tools applied in this study have been briefly presented as under:

3.5.1 Ratio Analysis

Ratio analysis is the relationship between two accounting figures expressed mathematically. It is computed by dividing one item of relationship with the other. Management itself can use these parameters to improve the organization's performance. The knowledge regarding strengths and weakness is necessary for exploiting maximum

benefits and to repair the weaknesses to meet the challenges. The financial ratios, which are calculated and analysed in this study, are as follows:

A) Liquidity Ratios

Liquidity ratios measure the firm's ability to meet current obligations. It reflects the short-term financial strength of the business. It is the measurement of speed with which a bank's assets can be converted into cash to meet deposit withdrawal and other current obligations. The following ratios are evaluated under liquidity ratios:

i) Current Ratio

The ratio between current assets and current liabilities is known as current ratio. Current assets are those assets, which can be converted into cash within short period of time, normally not exceeding one year. Current liabilities are those obligations, which are payable within a short period, normally not exceeding one year.

Mathematically it is expressed as,

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

Higher the current ratio better is the liquidity position. The widely accepted standard of current ratio is 2:1 but accurate standard depends on circumstances in case of seasonal business ratio.

ii) Cash and Bank Balance to Total Deposit Ratio (Cash Reserve Ratio)

Cash and Bank Balances are the most liquid current assets. This ratio measures the percentage of most liquid fund with the bank to make immediate payment to the depositor. This ratio is calculated by dividing the cash and bank balance by the amount of total deposits. Mathematically, it is expressed as,

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

B) Assets Management Ratio (Activity Ratios)

Activity ratios are employed to evaluate the efficiency with which the firm manages and utilizes its assets. Assets management ratio measures how efficiently the bank manages its resources. The following ratios are used under asset management ratio.

i. Loans and Advances to Deposit Ratio

The main sources of bank's lending depend on its deposit. This ratio is calculated to find out how successfully the banks are utilizing their deposits on loans and advances for profit generating activities. Greater ratio indicates the better utilization of total deposits.

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

ii. Loans and Advances to Total Assets Ratio

Loans & advances is the major part of total assets for the bank. This ratio indicates the volume of loans & advances out of the total Assets. A high degree of the ratio indicates that the bank has been able to mobilize its fund through lending function.

$$\text{Loan and Advance to Total assets Ratio} = \frac{\text{Loans and advances}}{\text{Total assets}}$$

C) Credit Efficiency Ratios

This ratio has been used to evaluate managerial efficiency and proper utilization of assets for credit management. It is necessary for every bank to control risk and reduce the risk related to deposits. Following ratios have been made to analysis the credit efficiency of selected banks.

i. Loan Loss Provision to Total Loan and Advances Ratio

The provision for loan loss reflects the increasing probability of non-performing loan. Increase in loan loss provision decreases its profit and result to decrease in dividends. But its positive impact is to strengthen the financial conditions of banks by controlling the credit risk and reduced the risks related to deposits.

$$\text{Loan Loss provision to Total Loan and advance Ratio} = \frac{\text{Loans loss provision}}{\text{Total loan and advance}}$$

ii. Non-Performing Loans to Total Loan and Advances Ratio

NRB has directed all the commercial banks to create loan loss provision against the doubtful and bad debts. This ratio helps in minimizing the non-performing loans and helps to control the Credit.

$$\text{Non- Performing Loans to Total Loan and advance Ratio} = \frac{\text{Non-performing loans}}{\text{Total loan and advances}}$$

D) Profitability Ratios

This ratio is related to profit of the bank is essential for the survival of the bank, so it is regarded as the engine that drives the banks and indicated economics progress. It is calculated to measure the overall efficiency of the banks.

i. Return on Total Assets Ratio

This ratio is related to net profit after tax and total assets. How efficiently is the assets of a firm able to generate more profit are measured by this ratio is calculated. This ratio provides the foundation necessary for a company to deliver a good return on equity.

$$\text{Return on Total Assets Ratio} = \frac{\text{Net profit}}{\text{Total assets}}$$

ii. Return on Equity Ratio (ROE)

This ratio measures, how much profit is earned by utilizing funds of total equity by the firm. As the commercial bank, the objectives of banks are to earn profit so as to provide a reasonable return to the owners. Total shareholders' equity consists of preference share capital, ordinary share capital, share premium and reserve and surplus less accumulated losses.

$$\text{ROE} = \frac{\text{Net profit after tax}}{\text{Shareholder's equity}}$$

3.5.2 Statistical Tools

The following statistical tools were applied for the analysis and interpretation of the data;

A. Mean

Mean is a tool under the measures of central tendency. The mathematical expectation or average is the central value of a discrete set of numbers: specifically, the sum of the values divided by the number of values it is a quantitative average figure for a given series of data. In the thesis this tool used to measure the periodic average of different components.

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

Where, $\sum X$ = Sum of all data of a series

N = No of all item in a series

B. Standard Deviation

Standard deviation is an absolute measure of dispersion. This helps to show the deviation or risk in a series of data. The measurement of the scatterings of the mass of figure in a series about an average is known as dispersion. The greater amount of dispersion, larger will be the standard deviation. A small standard deviation means a high of uniformity of the observation as well as homogeneity of a series; a large standard deviation means just the opposites in this study, standard deviation of different ratio is calculated

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

Where, S.D (σ) = Sigma, Standard Deviation.

C. Coefficient of Variation

Coefficient of variation is a relative measure of dispersion, comparable across distribution, which is defined as the ratio of the standard deviation to the mean expresses in percentage. It is the deviation or risk in per of data. It is calculated as

$$\text{C.V.} = \frac{\sigma}{\bar{X}}$$

Where, C.V= Coefficient of Variation.

D. Measures of Correlation:

The correlation between the different variables of a bank is compared to measure the performance of these banks. It interprets whether variables are correlated positively or negatively. These tools analyse the relationship between those variables by which it is helpful to make appropriate credit risk management. The Karl Pearson coefficient of correlation (r) is given by following formula.

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

The Karl Pearson coefficient of correlation always falls between -1 to +1. The value of correlation in minus signifies the negative correlation and in plus signifies the positive correlation. As the value of correlation reaches to the value of zero, it is said that there is no significant relationship between the variables.

I. Coefficient of Determination (r²)

It explains the variation percent derived in dependent variable due to the any one specified variable; it denotes the fact that the independent variable is good predictor of the behaviour of the dependent variable. It is square of correlation coefficient.

II.T- Statistics for Correlation Coefficient

It was developed by Grosset in 1908. Then this distribution is explained by R.A.Fisher. To test the validity of assumption of the study for small samples, t- test is used. For applying t distribution the t- values are calculated first and compared with the critical values at a certain level of significance for given degree of freedom. If the computed value of “t” exceeds the table value, it is known that the difference is significant at 5 percent level of significance but if t-values are less than the corresponding critical of the “t” distribution, the difference is not termed as significant. Under H₀, the t statistic is:

$$t = \frac{r}{\sqrt{1-r}} \times \sqrt{n-2}$$

Where,

t = calculated value of t

r = correlation of coefficient between the variables.

n = number of sample

E. Trend Analysis

Trend analysis measures the scenario of the variables for the different period. This tool is used to find out the trend of different financial indicators. To find out the actual situation of the different factors for various years, trend analysis is most useful.. One of the most popular and mathematical method of determining the trend of time series is the least square method. By using this method, we can estimate the future trend values of different variables. Hence, for the estimation of linear trend line following formula issued.

$$Y = a + bx$$

Where,

Y = Trend value

a = Y Intercept

b = Slope of trend line of the amount of change in Y variable that is an associate with change in 1 unit in X variable

X = Time variable.

CHAPTER IV

RESULTS AND DISCUSSIONS

In this chapter, the data have been analysed and interpreted using financial and statistical tools following the research methodology dealt in the third chapter. In the part of analysis, various tables have been used to present the data collected from various sources have been inserted in the required tables according to their homogenous nature. The outcomes of the analysis have been compared with conventional standard with respect to ratio analysis, directives of NRB and other factors. Furthermore, many suitable graphs, and diagrams have also been used to clarify the actual position and performance of the bank.

4.1 Financial Analysis

Ratio analysis involves the methods of calculating and interpreting financial ratios in order to assess the firm's performance and status. The basic input to ratio analysis is the firm's income and expenditure statement and balance sheet for the periods to be examined. The study consists of the following ratios to analyse the financial performance of selected commercial banks.

4.1.1 Liquidity Ratios

Liquidity Ratio measures the firm's ability to fulfil its short-term commitments. Those ratios focus on current assets and current liabilities and are used to ascertain the short-term solvency. The following ratio has been applied to find out liquidity position of the banks.

4.1.1.1 Current Ratio

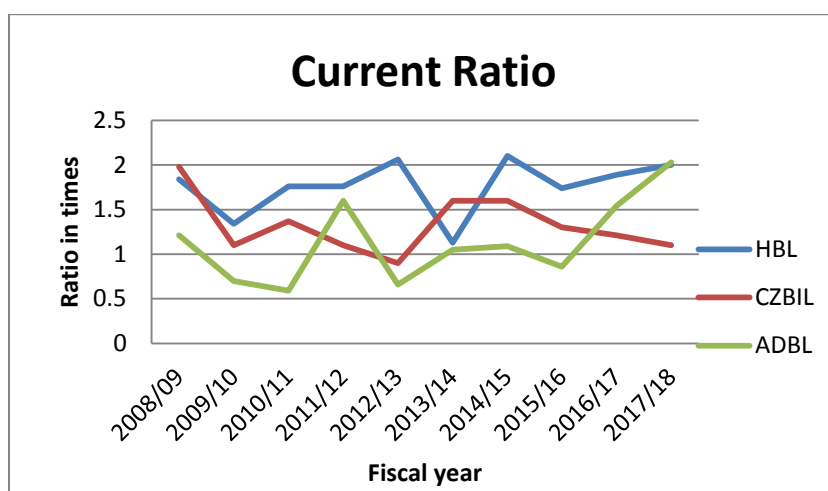
Current assets include normally those assets of a firm, which are converted into cash within one year. These assets of a firm includes cash, bank balance, investment in treasury bills, short- term advance loans, foreign currency loan, bills for collection, customer acceptance, outstanding expenses, divided payable, provision for taxation.

Table 4.1 Current Ratio

Year	HBL	CZBIL	ADBL
2008/09	1.84	1.98	1.21
2009/10	1.34	1.10	0.70
2010/11	1.76	1.37	0.59
2011/12	1.76	1.1	1.6
2012/13	2.06	0.9	0.66
2013/14	1.13	1.6	1.05
2014/15	2.10	1.6	1.09
2015/16	1.74	1.3	0.86
2016/17	1.89	1.21	1.54
2017/18	2	1.10	2
Mean	1.76	1.32	1.13
S.D	0.3070	0.3213	0.4634
C.V	0.1738	0.2421	0.4083

Source: (Annual Reports of HBL, CZBIL and ADBL Bank from the F/Y 2008/09 to 2017/18)

According to the table no 4.1 show that current ratio and their mean, standard deviation and covariance of Himalayan Bank Limited, Citizen Bank International Limited and Agricultural Development Bank Limited. Current ratio of HBL is in fluctuating trend. The mean ratio of HBL is 1.76 its standard deviation is 0.30 and C.V is 17.44%. Similarly the current ratio of CZBIL is in fluctuating trend. Its mean ratio is 1.32, S.D is 0.32 and C.V is 24.21%. Similarly the current ratio of ADBL is in fluctuating trend. Its mean ratio is 1.13; S.D is 0.46 and C.V is 40.83%. It can be concluded that these banks are not meeting the standard ratio i.e. 2:1, the mean ratio is less than standard ratio. Although its current ratio can be considered good, as its current assets excess current liabilities. There is increasing trend of current ratio of sample banks. By measuring coefficient of variation, HBL has lower CV which indicates that its current ratio is consistent. ADBL has more CV that indicates its current ratio has been volatile and changing in nature.

Figure 4.1 Current Ratio

As per the figure no 4.1 depict that the sample bank's current ratio is different all over the study period. The current ratio of HBL ranges the higher of 2.1 times in the fiscal year 2014/15 and the lower of 1.34 times in the fiscal year 2009/10. The current ratio of CZBIL is higher of 1.98 times in F/Y 2008/09 and lower of 0.9 times in F/Y 2012/13. Likewise, the ratio of ADBL is highest of 2 times in the fiscal year 2017/18 and the lower of 0.59 times in the fiscal year 2011/12. There is increasing trend of current ratio of sample banks.

4.1.1.2 Cash and Bank Balance to Total Deposit Ratio

Cash and bank balance is said to be first line defense of every bank. The ratio measures the bank's ability of withdrawal of fund immediately by their depositors. Total deposits consist of current deposits, saving deposit, fixed deposit money at call and short notice and other deposits. This ratio shows the proportion of total deposits held as compared to the most liquid assets. High ratio shows the strong liquidity position of the bank but very high ratio is not favourable the bank because doesn't produce appropriate profit to bear the high interest. This ratio is calculated by dividing cash bank balance by total deposits.

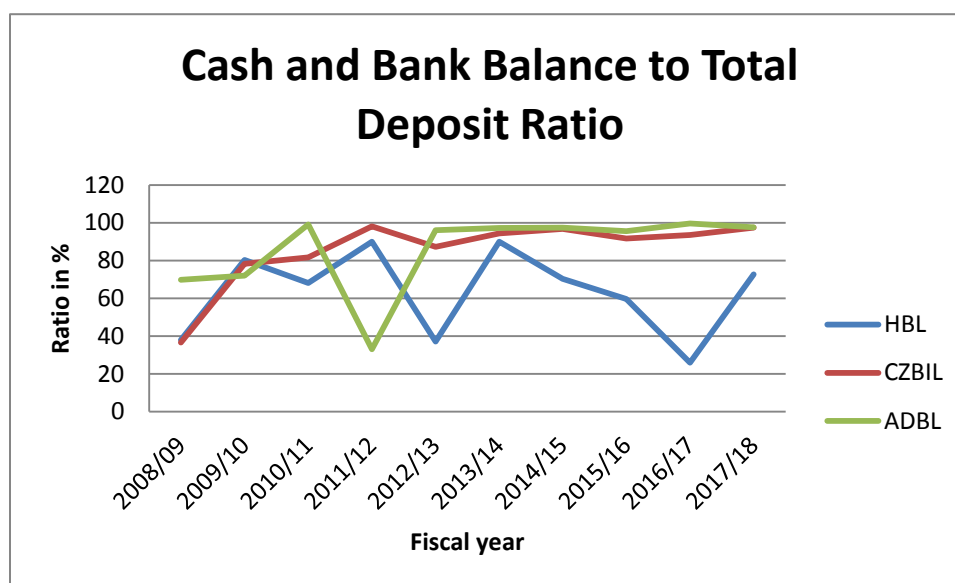
Table 4.2 Cash and Bank Balance to Total Deposit Ratio

Year	HBL	CZBIL	ADBL
2008/09	38.06	36.61	69.87
2009/10	80.36	78.37	72.08
2010/11	68.18	81.74	99.15
2011/12	90.02	98.18	33.14
2012/13	37.20	87.21	96.15
2013/14	90.05	94.41	97.34
2014/15	70.27	96.75	97.48
2015/16	59.70	91.73	95.62
2016/17	26.01	93.54	99.69
2017/18	72.70	97.49	97.64
Mean	63.25	85.60	85.91
S.D	22.61	18.47	21.65
C.V	0.357	0.2157	0.2520

Source: (Annual Reports of HBL, CZBIL and ADBL Bank from the F/Y 2008/09 to 2017/18)

According to the table no 4.2 show that that the cash and bank balance to deposit ratio and their mean, standard deviation and covariance of Himalayan Bank Limited, Citizen Bank International Limited and Agricultural Development Bank Limited. Cash and bank balance to total deposit ratio of HBL is in decreasing trend. The mean ratio of HBL is 63.25% its standard deviation is 22.61 and C.V is 35.7%. Similarly the cash and bank balance to total deposit ratio of CZBIL is in increasing trend. Its mean ratio is 85.60%, S.D is 18.47 and C.V is 21.57%. Similarly the cash and bank balance to total deposit ratio of ADBL is in fluctuating trend. Its mean ratio is 85.91%, S.D is 21.65 and C.V is 25.20%. The analysis specifies that the both banks are volatile to maintain cash reserve ratio as per NRB directives. By measuring coefficient of variation, these banks have more uniformity since they have similar nature of CV.

Figure 4.2 Cash and Bank Balance to Total Deposit



According to the figure no 4.2 reveal that the sample bank's cash and bank balance to total deposit ratio in different all over the study period. The ratio of HBL ranges the highest of 90.05% in the fiscal year 2012/13 and the lowest of 26.01% in the fiscal year 2016/17. Similarly the ratio of CZBIL ranges the highest of 98.18% in the F/Y 2012/12 and the lowest of 36.61 in the F/Y 2008/09.

4.1.2 Activity Ratios

Activity ratio has been used to evaluate managerial efficiency and proper utilization of assets. This includes investment to total deposit ratio, loans and advances to total deposits ratio, loans and advances to saving deposits ratio and total income generating assets to total deposit ratio.

4.1.2.1 Loans and Advance to Total Deposit Ratio

This ratio measures to the extent that bank is successful to manage its total deposit on loan & advance for the purpose of income generation or not. A high ratio indicates better mobilization of collected deposit and vice-versa. But it should be noted that too high ratio

might not be better from liquidity point of view. Loan and advance consists of loans, advance, bills purchase and bills discounted.

Table 4.3 Loan and advances to Total Deposit Ratio

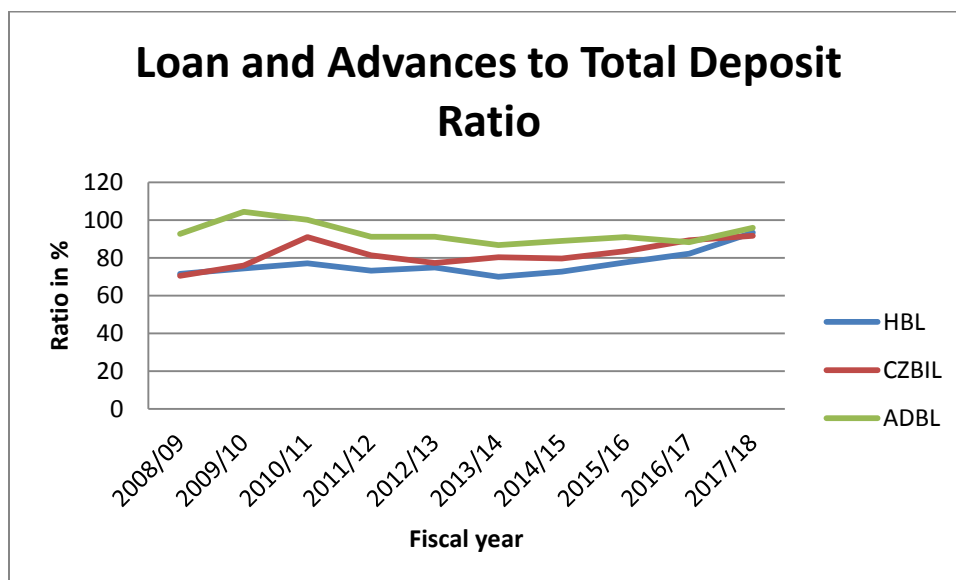
Year	HBL	CZBIL	ADBL
2008/09	71.48	70.53	92.73
2009/10	74.39	75.87	104.32
2010/11	77.14	91.04	100.18
2011/12	73.84	81.41	91.13
2012/13	74.84	77.21	91.20
2013/14	70.07	80.40	86.77
2014/15	72.71	79.59	89.02
2015/16	77.56	83.63	90.96
2016/17	82.24	89.33	88.36
2017/18	83.31	91.73	95.98
Mean	0.7570	0.8207	0.9306
S.D	0.0416	0.0694	0.0553
C.V	0.0549	0.0845	0.0594

Source: (Annual Reports of HBL, CZBIL and ADBL Bank from the F/Y 2008/09 to 2017/18)

According to the table no 4.3 show that loan and advance to deposit ratio and their mean, standard deviation and covariance of Himalayan Bank Limited, Citizen Bank International Limited and Agricultural Development Bank Limited. Loan and advance to total deposit ratio of HBL is in increasing trend. The mean ratio of HBL is 75.70% its S.D is 4.16% and C.V is 5.49%. Similarly the loan and advance to total deposit ratio of CZBIL is also in increasing trend. Its mean ratio is 82.07%, its S.D is 6.94% and its C.V is 8.45%. Similarly the loan and advance to total deposit ratio of ADBL is also in increasing trend. Its mean ratio is 93.06%, its S.D is 5.53% and its C.V is 5.94%. The ideal loans to deposit ratio of the banks should ranges between 80 and 90 per cent depending on the bank's business model. ADBL and CZBIL have able to maintain this

ideal position of loan to deposit ratio. HBL has not reaches maintain the given ideal position of loan to deposit ratio.

Figure4.3 Loan and advances to Total Deposit Ratio



According to the figure no 4.3 represent that these bank's loan and advances to total deposit ratio are in fluctuating trend. HBL has the highest ratio of 83.31% in the F/Y 2017/18 and the lowest ratio was 70.07% in the F/Y 2013/14. Similarly, CZBIL had the highest ratio of 91.73% in the F/Y 2017/18 and the lowest ratio was 70.53% in the F/Y 2008/09. Similarly, ADBL's highest ratio is 95.98% in the F/Y 2017/18 and the lowest ratio is 86.77% in the F/Y 2013/14.

4.1.2.2 Loans and Advances to Total Assets

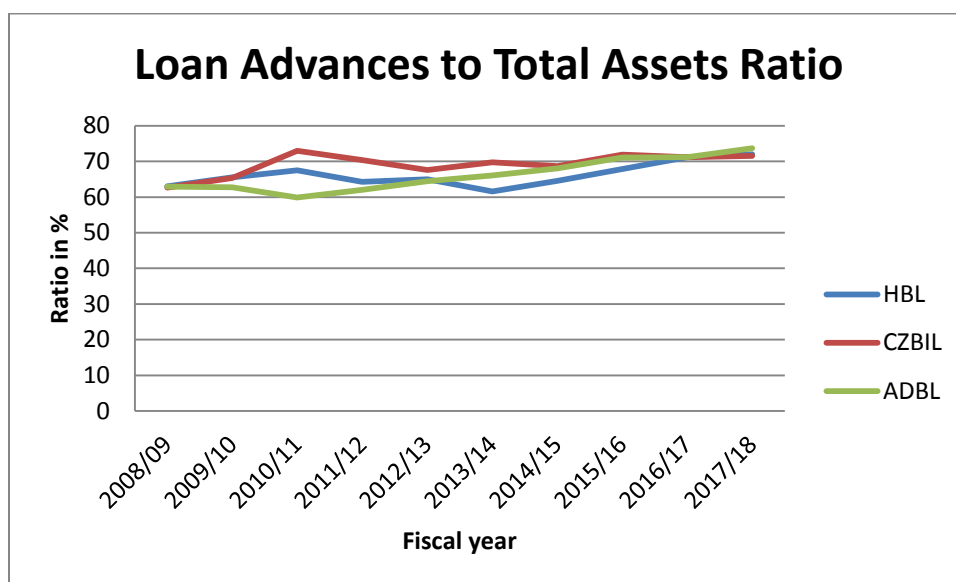
Loans & advances is the major part of total assets for the bank. This ratio indicates the volume of loans & advance out of the total assets. A high degree of the ratio indicates that the bank has been able to mobilize its fund through lending function. However lending always carries a certain risk of default. Therefore a high ratio represents low liquidity and low ratio represents low productivity with high degree for safety in terms of liquidity.

Table 4.4 Loans and Advances to Total Assets

Year	HBL	CZBIL	ADBL
2008/09	63.03	62.68	62.91
2009/10	65.50	65.30	62.71
2010/11	67.54	72.97	59.84
2011/12	64.31	70.40	62.06
2012/13	64.99	67.59	64.44
2013/14	61.58	69.78	66.10
2014/15	64.58	68.70	68.02
2015/16	67.83	71.90	71.10
2016/17	71.22	71.20	71.21
2017/18	71.95	71.50	73.67
Mean	1.310	0.6920	0.6621
S.D	2.068	0.0321	0.0461
C.V	1.5784	0.0464	0.0697

Source: (Annual Reports of HBL, CZBIL and ADBL Bank from the F/Y 2008/09 to 2017/18)

According to the table no 4.4 show that loan and advance to total asset ratio and their mean, standard deviation and covariance of Himalayan Bank Limited, Citizen Bank International Limited and Agricultural Development Bank Limited. Loan and advance to total asset ratio of HBL is in increasing trend. The mean ratio of HBL is 1.31, its S.D is 2.06 and C.V is 1.57. Similarly, loan and advance to total asset ratio of CZBIL is also in increasing trend. Its mean ratio is 0.69, its S.D is 0.032 and C.V is 0.046. Similarly, loan and advance to total asset ratio of ADBL is also in increasing trend. Its mean ratio is 0.66, its S.D is 0.46 and C.V is 0.069. This ratio reflects the extent to which the commercial banks are success in mobilizing there assets on loan and advances for the purpose of income generation. It can be concluded that the sample banks have better mobilizing of fund as loans and advances and it seems quite successful in generating higher mean ratio. The sample banks also had a consistent loan to asset ratio.

Figure 4.4 Loan and advances to Total Assets Ratio

According to the figure no 4.4 describe that the ratio of total loan & adv. to total assets in ten years for the sample commercial banks. Total loan to total assets ratio of HBL ranges the highest of 71.95% in the fiscal year 2017/18 and the lowest of 63.03% in the fiscal year 2008/09. CZBIL ranges the highest of 71.50% in the fiscal year 2017/18 and the lowest of 62.68% in the fiscal year 2008/09. Likewise, the ratio of ADBL was highest of 73.67% in the fiscal year 2017/18 and the lowest of 62.06% in the fiscal year 2011/12 respectively.

4.1.3 Credit Efficiency Ratio

Following ratios have been made to analysis the credit efficiency of concern commercial banks.

4.1.3.1 Loan Loss Provision to Total Loan and Advances Ratio

The provision for loan loss reflects the increasing probability of non-performing loan. Increase in loan loss provision decreases its profit and result to decreases in dividends. But its positive impact is to strengthen the financial conditions of banks by controlling the credit risk and reduced the risks related to deposits.

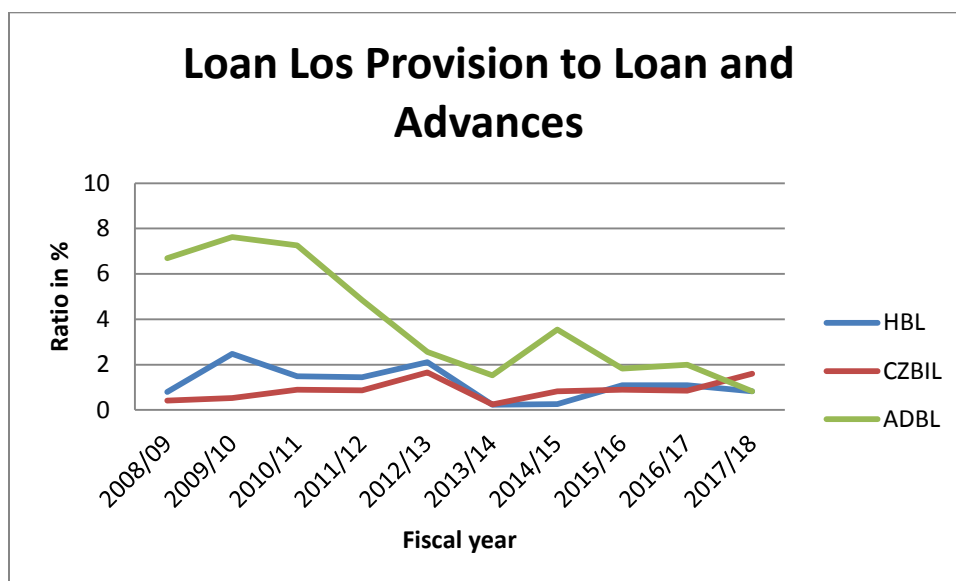
Table 4.5 Loan Loss Provision to Total Loan and Advance Ratio

Year	HBL	CZBIL	ADBL
2008/09	0.80	0.41	6.69
2009/10	2.47	0.52	7.62
2010/11	1.49	0.89	7.26
2011/12	1.44	0.86	4.85
2012/13	2.11	1.65	2.56
2013/14	0.23	0.24	1.53
2014/15	0.26	0.82	3.55
2015/16	1.09	0.89	1.83
2016/17	1.09	0.85	2.00
2017/18	0.82	1.6	0.82
Mean	0.0118	0.0109	0.0387
S.D	0.0072	0.0063	0.0255
C.V	0.61203	0.5752	0.6590

Source: (Annual Reports of HBL, CZBIL and ADBL Bank from the F/Y 2008/09 to 2017/18)

According to the table no 4.5 show that the loan loss provision to total loan and advance ratio and their mean, standard deviation and covariance of Himalayan Bank Limited, Citizen Bank International Limited and Agricultural Development Bank Limited. Loan loss provision to total loan and advance ratio of HBL is in decreasing trend. The mean ratio of HBL is 1.18, its S.D is 0.72 and C.V is 61.20%. Similarly, loan loss provision to total loan and advance ratio of CZBIL is also in decreasing trend. Its mean ratio is 1.09, its S.D is 0.63 and C.V is 57.52%. Similarly, loan loss provision to total loan and advance ratio of ADBL is also in decreasing trend. Its mean ratio is 3.8, its S.D is 0.25 and C.V is 65.90%. The loan loss provision ratio of the banks should ranges between 2% - 2.5% of the outstanding loan receivables, depending on the quality of the loans in the portfolio. The sample banks have able to maintain ideal position of loan loss provision to loan and advance.

Figure 4.5 Loan Loss Provision to Total Loan and Advances Ratio



According to the figure no 4.5 highlight that the loan loss provision to total loan & advance ratio of selected commercial banks over the ten year study period. The ratio of HBL is highest 2.11% in the fiscal year 2012/13 and lowest 0.23% in the fiscal year 2013/14. The average ratio of HBL is 1.18%. Similarly the ratio of CZBIL is highest 1.65% in the fiscal year 2012/13 and lowest 0.24 in the fiscal year 2013/14. The average ratio of CZBIL is 1.09%. Likewise, this ratio of ADBL is highest 7.62% in the fiscal year 2009/10 and lowest 0.82% in the fiscal year 2017/18.

4.1.3.2 Non-Performing Loans to Total Loan and Advance Ratio

NRB has directed all the commercial banks to create loan loss provision against the doubtful and bad debts. Loans can be classified as nonperforming if the borrower defaults on the loan, declares bankruptcy or loses the income she needs to repay the debt. This ratio helps in minimizing the non-performing loans and helps to control the credit. In banking, commercial loans are considered non-performing if the debtor has made zero payments of interest or principal within 90 days, or is 90 days past due. For a consumer loan, 180 days past due classifies it as NPL.

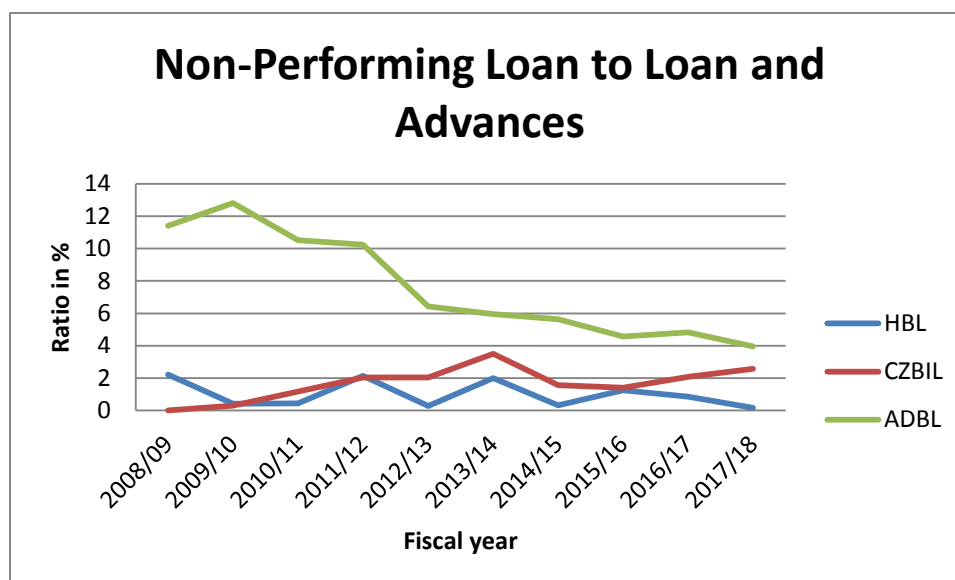
Table 4.6 Non-Performing Loans to Total Loan and Advance Ratio

Year	HBL	CZBIL	ADBL
2008/09	2.22	0	11.40
2009/10	0.42	0.30	12.81
2010/11	0.44	1.18	10.52
2011/12	2.14	2.04	10.24
2012/13	0.29	2.05	6.46
2013/14	2.01	3.50	5.95
2014/15	0.33	1.56	5.63
2015/16	1.25	1.41	4.57
2016/17	0.86	2.08	4.83
2017/18	0.17	2.57	3.95
Mean	1.0176	1.6739	0.0921
S.D	0.8280	1.0326	0.0393
C.V	0.8136	0.6169	0.4272

Source: (Annual Reports of HBL, CZBIL and ADBL Bank from the F/Y 2008/09 to 2017/18)

According to the table no 4.6 show that the non-performing loan to total loan and advance ratio and their mean, standard deviation and covariance of Himalayan Bank Limited, Citizen Bank International Limited and Agricultural Development Bank Limited. Non-performing loan to total loan and advance ratio of HBL is in decreasing trend. The mean ratio of HBL is 1.01, its S.D is 0.82 and C.V is 81.36%. Similarly, non-performing loan to total loan and advance ratio ratio of CZBIL is also in decreasing trend. Its mean ratio is 1.67, its S.D is 1.032 and C.V is 61.69%. Similarly, non-performing loan to total loan and advance ratio of ADBL is also in decreasing trend. Its mean ratio is 0.092, its S.D is 0.039 and C.V is 42.72%. The ratio of non-performing loan to loans and advance had a downward trend for the period showing that the riskiness of being default was low.

Figure 4.6 Non-Performing Loan to Total Loan and Advance Ratio



According to the figure no 4.6 depict that the non-performing loan to total loan and advance over the ten year study period. The ratio of HBL ranges the higher of 2.22% and the lowest was 0.17% in FY 2008/09 and FY in 2017/18 respectively. Similarly the ratio of CZBIL ranges the higher of 2.57% and the lower is 0 in FY 2017/18 and 2008/09 respectively. Likewise, the ratio of ADBL is the highest of 11.40% and the lowest of 3.95% respectively in FY 2008/09/11 and 2017/18.

4.1.4 Profitability Ratios

Profitability ratio is one of the main indicators to analysing the financial performance of a firm. It calculates to measure the earning performance and operational efficiency of the bank. A bank should be able to produce adequate profit on each rupee of investment, if investments do not generate sufficient profits, it would be very difficult for the bank to cover operating expenses and interest charges.

4.1.4.1 Return on Total Assets Ratio

This ratio shows the relationship of net profit and total assets and is to determine how efficiently the total assets have been used by the management. This ratio indicates the ability of generating profit per rupees of total assets used by the FIs. Higher ratio implies that the available source and tools are employed efficiently

Table 4.7 Return on Total Assets Ratio

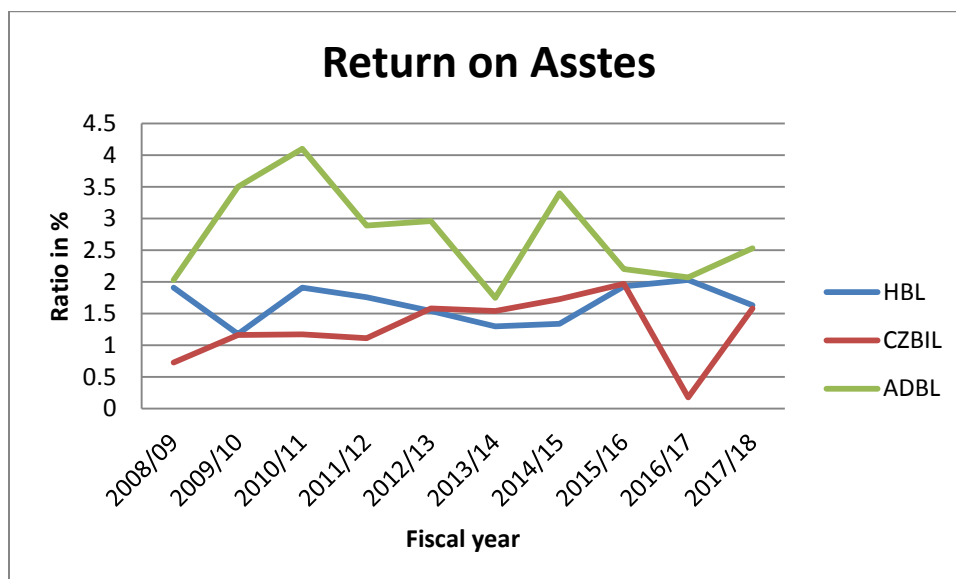
Year	HBL	CZBIL	ADBL
2008/09	1.91	0.73	2.03
2009/10	1.18	1.16	3.50
2010/11	1.91	1.17	4.10
2011/12	1.76	1.11	2.89
2012/13	1.54	1.58	2.96
2013/14	1.30	1.54	1.75
2014/15	1.34	1.73	3.46
2015/16	1.93	1.97	2.20
2016/17	2.03	1.81	2.07
2017/18	1.60	1.58	2.53
Mean	1.6541	1.4453	2.7542
S.D	0.3012	0.3838	0.7659
C.V	0.1820	0.2655	0.2780

Source: (Annual Reports of HBL, CZBIL and ADBL Bank from the F/Y 2008/09 to 2017/18)

According to the table no 4.7 show that return on asset ratio and their mean, standard deviation and covariance of Himalayan Bank Limited, Citizen Bank International Limited and Agricultural Development Bank Limited. Return on asset ratio of HBL is in decreasing trend. The mean ratio of HBL is 1.65, its S.D is 0.30 and C.V is 18.20%. Similarly, return on asset ratio of CZBIL is also in decreasing trend. Its mean ratio is 1.44, its S.D is 0.38 and C.V is 26.55%. Similarly, return on asset ratio of ADBL is also in decreasing trend. Its mean ratio is 2.75, its S.D is 0.76 and C.V is 27.80%.the ROA ratio gives an idea of how effective converting the money it invests into net income. The

mean ratio of sample banks shows that the banks have high earning generating from assets.

Figure 4.7 Return on Total Assets Ratio



According to the figure no 4.7 reveal that the return on assets of the sample banks over the ten year study period. The ratio of HBL ranges the higher of 2.03% and the lowest is 1.30% in FY 2016/17 and FY in 2013/14 respectively. Similarly the ratio of CZBIL ranges the higher of 1.97% and the lowest was 0.73% in FY 2015/16 and FY in 2008/09 respectively. Likewise, the ratio of ADBL is the highest of 3.46% and the lower of 1.75% respectively in FY 2014/15 and 2013/14.

4.1.4.2 Return on Equity (ROE)

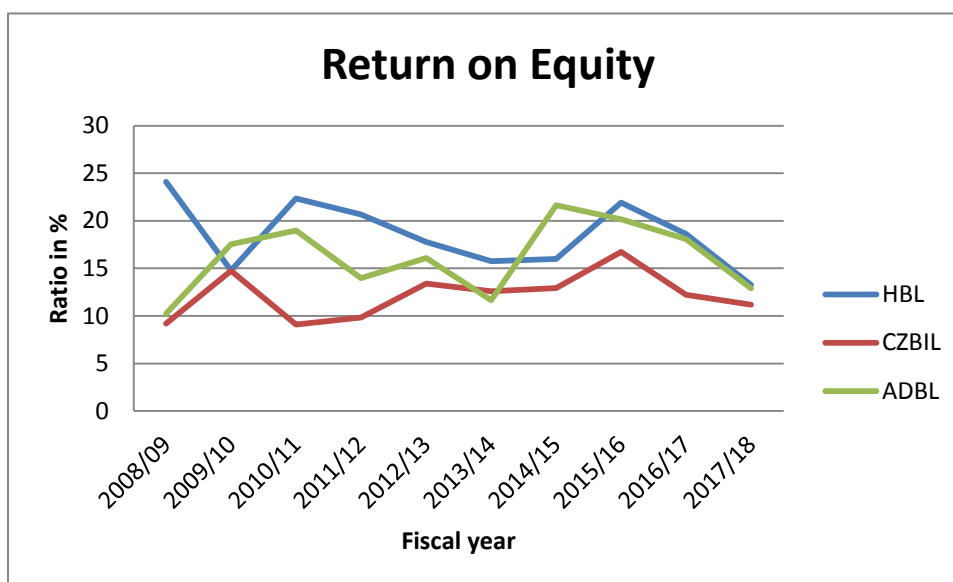
Total shareholder's equity consists of preference share capital, ordinary share capital, share premium and reserve and surplus less accumulated losses. This ratio can be computed as Net profit after tax (NPAT) divided by average total shareholder's equity. It is considered a measure of how effectively management is using a organization's assets to create profit.

Table 4.8 Return on Equity

Year	HBL	CZBIL	ADBL
2008/09	24.11	9.18	10.23
2009/10	14.77	14.75	17.54
2010/11	22.35	9.11	18.97
2011/12	20.68	9.82	13.96
2012/13	17.79	13.40	16.09
2013/14	15.76	12.60	11.66
2014/15	15.98	12.92	21.66
2015/16	21.93	16.73	20.18
2016/17	18.60	12.21	18.09
2017/18	13.26	11.17	12.89
Mean	18.52	12.19	16.13
S.D	3.6287	2.4618	3.8135
C.V	0.1958	0.2018	0.2364

Source: (Annual Reports of HBL, CZBIL and ADBL Bank from the F/Y 2008/09 to 2017/18)

According to the table no 4.8 show that return on equity ratio and their mean, standard deviation and covariance of Himalayan Bank Limited, Citizen Bank International Limited and Agricultural Development Bank Limited. Return on equity ratio of HBL is in decreasing trend. The mean ratio of HBL is 18.52, its S.D is 3.62 and C.V is 19.58%. Similarly, return on equity ratio of CZBIL is also in decreasing trend. Its mean ratio is 12.19, its S.D is 2.46 and C.V is 20.18%. Similarly, return on equity ratio of ADBL is also in decreasing trend. Its mean ratio is 16.13, its S.D is 3.81 and C.V is 23.64%. A return on equity near the long –term average 14% as an acceptable ratio and anything less than 10% as poor. The mean ratios of these sample banks have more than 10%. It shows that a measure of how effectively management is using a bank’s assets to create profits.

Figure 4.8 Return on Equity

According to the figure no 4.8 present that the result of return on equity of the sample banks. The average of this ratio is 18.52%, 12.19% and 16.13% for HBL, CZBIL and ADBL respectively. This indicates that the return on equity for the bank is not good i.e. not effectiveness of management in earning profit. Likewise, Standard deviation for the HBL, CZBIL and ADBL are 3.62%, 2.46% and 5.16% respectively.

4.2 Statistical Tools

In this part of data analysis, the statistical tools such as coefficient of correlation analysis between various variables. They are as follows:

4.2.1 Coefficient of Correlation

Correlation is the statically tool, which measure the relationship between two or more variables of a population or a sample. In other words, it describes the degree to which one variable is linearly related to another. The coefficient of correlation measure the degree of relationship between two sets of figures. Among the various methods of finding out coefficient of correlation, Karl Pearson's method is applied in the study. The result of coefficient of correlation is always between +1 and -1 when r is +1, it means there is

perfect relationship between two variables and vice versa. When r is 0 it means there is no relationship between two of them.

4.2.1.1 Co-efficient of Correlation between Loan and Advances and Deposit

Co-efficient of correlation between loan and advances and deposit measures the degree of relationship between these two variables. The purpose of correlation analysis between loan and deposit is to find out whether the loan and advances is significantly used as long as deposit or not. The following table shows correlation coefficient between the total loan and advances and deposit denoted by r . " r^2 " indicates the coefficient of determination t_{cal} , and t_{tab} refers to calculated value of t - statistic at 5% level of significance at 8 degree of freedom respectively.

Table 4.9 Correlation between Loan and Advance and Deposit

Name of Bank	R	r^2	t_{cal}	t_{tab}	Result
HBL	0.9404	0.8843	7.82	2.306	Significant
CZBIL	0.9960	0.9920	32.56	2.306	Significant
ADBL	0.9939	0.9878	25.55	2.306	Significant

(Source: Appendix 9, 10 &11)

According to the table no 4.9 highlights that the coefficient of correlation relationship between total loan and advances and deposit of HBL, CZBIL and ADBL are 0.9404, 0.9960 and 0.9939 respectively. It is show the positive relationship between these two variables of those banks. The coefficient of determination r^2 of HBL, CIBL and ADBL are 0.8843, 0.9920 and 0.9878 respectively, which indicates that 84.43%, 99.20% and 98.78% of total deposit is explained by loan and advance. By testing t - statistic, the calculated value t_{cal} of HBL, CZBIL and ADBL are 7.82, 25.55 and 32.56 respectively which are higher than tabulated at 5% significance level at 8 degree of freedom for two tailed test (2.306). It indicates that correlation coefficient between loan and advances and total deposit HBL, CZBIL and ADBL are significant.

4. 2.1.2 Correlation between Loan and Advance and Net profit

Co-efficient of correlation between loan and advances and deposit measures the degree of relationship between these two variables i.e loan and advances and net profit during the study period. Where loans and advances are independent variable and net profit is dependent variable. The main objective of calculating this ratio is to determine the degree of relationship whether there the net profit is significantly correlated or not and the variation of net profit to loan and advances through the coefficient of determination. . The following table shows correlation coefficient between the total loan and advances and net profit denoted by r.”r” indicates the coefficient of determination t_{cal} , and t_{tab} refers to calculated value of t- statistic at 5% level of significance at 8 degree of freedom respectively.

Table 4.10 Correlation between Loan and Advance and Net profit

Name of Bank	R	r^2	t_{cal}	t_{tab}	Result
HBL	0.9440	0.8911	8.09	2.306	Significant
CZBIL	0.6922	0.4791	2.71	2.306	Significant
ADBL	0.7103	0.5043	2.85	2.306	Significant

(Source: Appendix 12, 13 &14)

According to the table no 4.10 highlights that the coefficient of correlation relationship between total loan and advances and deposit of HBL, CZBIL and ADBL are 0.9440, 0.6922 and 0.7103 respectively. It is show the positive relationship between these two variables of those banks. The coefficient of determination r^2 of HBL, CZBIL and ADBL are 0.8911,0.4791 and 0.5045 respectively, which indicates that 89.11%,47.91% and 50.45%of total deposit is explained by loan and advance. By testing t- statistic, the calculated value t_{cal} of HBL, CZBIL and ADBL were 8.09, 2.71 and 2.85 respectively which are higher than tabulated at 5% significance level at 8 degree of freedom for two tailed test (2.306). It indicates that correlation coefficient between loan and advances and total deposit HBL, CZBIL and ADBL are significant.

4.2.2 Trend Analysis

Trend analysis is done to predict the future scenario. This analysis is very important for business. Business environment is more complex and dynamic than ever before so firms want to know will be scenario. This scenario helps to build strategies and tune to the unseen changes in the economy. So this statistical tool helps businessmen to estimate future. The estimation is based upon past data or information. Among various methods of estimating trend the least square method is used in this research.

4.2.2.1 Trend Analysis of Loan and Advances

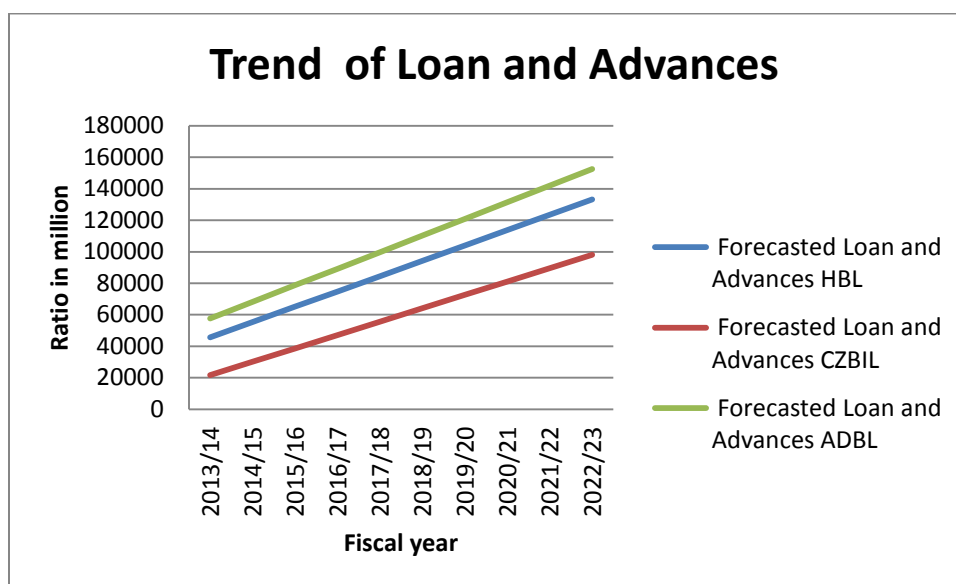
Loan is the major source of income for a bank. If it defaults, it is the loan portfolio which may lead to the insolvency of the bank. Here the effort has been made to calculate the trend values of loans and advances of the bank for further five years 2018/19 to 2022/23 the basis past data from 2013/14 to 2017/18.

Table 4.11 Trend Analysis of Loan and Advances

Fiscal year	Forecasted Loan and Advances of HBL	Forecasted Loan and Advances of CZBIL	Forecasted Loan and Advances of ADBL
2013/14	45636.6	21690.4	57634.6
2014/15	55359.2	30172.9	68166.2
2015/16	65081.8	38655.4	78697.8
2016/17	74804.4	47137.9	89229.4
2017/18	84527	55620.4	99761
2018/19	94249.6	64102.9	110292.6
2019/20	103972.2	72585.4	120824.2
2020/21	113694.2	81067.9	131355.8
2021/22	123417.4	89550.4	141887.4
2022/23	133140	98032.9	152419

(Source: Appendix 15, 16 &17)

Figure 4.9 Trends of Loan and Advances



As per table no 4.11 & figure 4.9 deal with the trend of total loan maintained by the respective banks for the next five years. The table presents the forecast of the bank's total loan from till F/Y 2022/23. As already given by their regression equation, the averaged total loan maintained by the bank's HBL, CZBIL and ADBL are 35914, 13207.9 and 47103 million respectively, with other things remain unchanged. However, the slope of the equation, that usually shows the rate of change in the value, reveals two same directions of the banks. Those banks has a positive rate of 97226, 18482.5 and 10531.6 million, which denotes that with every unit change in the year, the value of total loan will increase by additional 97226, 18482.5 and 10531.6 million respectively.

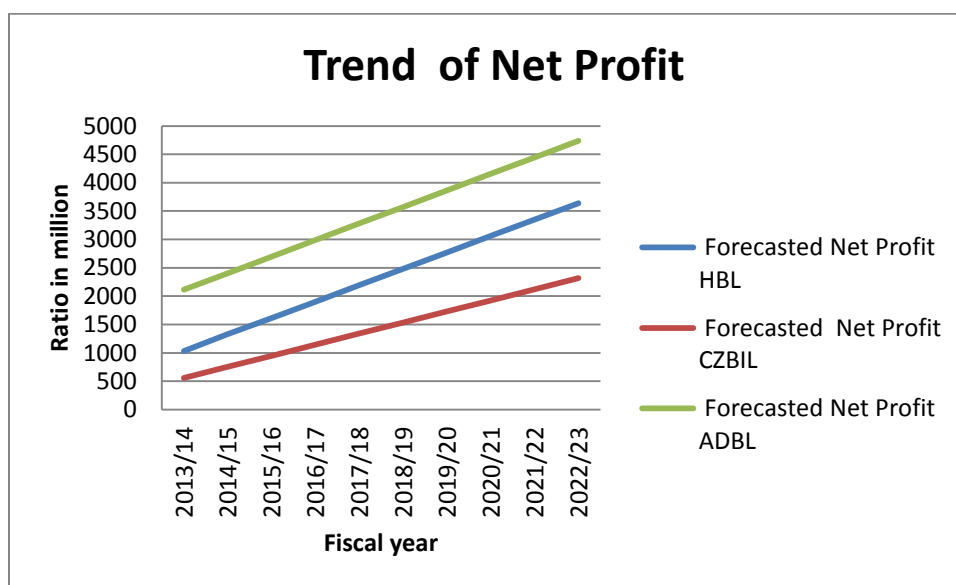
4.2.2.2 Trend Analysis of Net Profit

Net profit is the major objectives of any business. It attracts to invest more in the industry. I encourage entrepreneur to introduce new technology new product. It also shows the competence of management to operate in the given business environment it also shows the health of the firm or company. Trend analysis is conducted to predict future net profit.

Table 4.12 Trend Analysis of Net Profit

Fiscal year	Forecasted Loan and Advances of HBL	Forecasted Loan and Advances of CZBIL	Forecasted Loan and Advances of ADBL
2013/14	1032.2	558.2	2112.4
2014/15	1332.2	753.5	2404.3
2015/16	1611.8	948.8	2696.2
2016/17	1901.6	1144.1	2988.1
2017/18	2191.4	1339.4	3280
2018/19	2481.2	1534.7	3571.9
2019/20	2771	1730	3863.8
2020/21	3060.8	1925.3	4155.7
2021/22	3350.6	2120.6	4447.6
2022/23	3640.4	2315.9	4739.5

(Source: Appendix 18, 19&20)

Figure 4.10 Trend of Net Profit

As per table no 4.12 & figure 4.10 deal with the trend of net profit maintained by the respective banks for the next five years. The table presents the forecast of the bank's net profit from till F/Y 2022/23. As already given by their regression equation, the averaged total loan maintained by the bank's HBL, CZBIL and ADBL are 742.4, 362.9 and 1820.5 million respectively, with other things remain unchanged. However, the slope of the equation, that usually shows the rate of change in the value, reveals two same directions of the banks. Those banks has a positive rate of 289.8, 195.3 and 291.9 million, which denotes that with every unit change in the year, the value of net profit will increase by additional 289.8, 195.3 and 291.9 million respectively.

4.3 Major Finding of the Study

On the basis of above of data, the study has following findings can be drawn.

1. This current ratio of HBL (1.76) which was higher than CZBIL (1.32) and ADBL (1.13). It can be conclude that both banks are not meeting the standard ratio i.e 2.1, although its current ratio can be considered good, as its current assets excess current liabilities.
2. The cash and bank balance to total deposit ratio of ADBL was 85.91%, which was higher than HBL 63.25% and CZBIL 85.60%. It indicates that ADBL was strong liquidity position but very high ratio was not favourable the bank because doesn't produce appropriate profit to bear the high interest. The analysis specifies that these banks were volatile to maintain cash reserve ratio as per NRB directives.
3. The loan and advances to total deposit ratio of HBL was the 75.70% than CZBIL 82.07% & ADBL 93.06%. We can conclude that the sample banks were the most successful to mobilize its total deposit as loan and advances and acquiring high profit.
4. The loan and advances to total assets ratio of HBL (1.31) which was higher than CZBIL (0.69) & ADBL (0.66). It can be concluded that HBL was better mobilizing of fund as loans and advances and it seems quite successful in generating higher ratio.

5. The average loan loss provision to total loan ratio of ADBL was highest than other two banks. ADBL had huge amount to be made for provision for loan losses. Therefore, ADBL had not been able to earn a profit from the point of view average. But both banks can be managed loan properly because they were in decreasing trend in recent year.
6. The mean Non-performing loan to total loan of HBL, CZBIL and ADBL were 1.01%, 1.67% and 9.21% respectively. The lowest non-performing loan to total loan & advances maintain by all three banks in this study.
7. The mean ratio for return on assets was 1.65%, 1.44% and 2.75% for HBL, CZBIL and ADBL respectively. It indicates that, all three sample banks could manage their overall operations.
8. The averages of this ratio were 18.52%, 12.19% and 16.13% for HBL, CZBIL and ADBL respectively. This indicates that the returns on equity for the banks were good and effectiveness of management in earning profit. Likewise, Standard deviation for the HBL, CZBIL and ADBL are 3.62%, 2.46% and 5.16% respectively.
9. The coefficient of correlation relationship between total loan and advances and deposit of HBL, CZBIL and ADBL were 0.9404, 0.9960 and 0.9939 respectively. It is show the positive relationship between these two variables of those banks. The coefficient of determination r^2 of HBL, CZBIL and ADBL were 0.8843, 0.9920 and 0.9878 respectively, which indicates that 88.43%, 99.20% and 98.78% of total deposit is explained by loan and advance. By testing t- statistic, the calculated value t_{cal} of HBL, CZBIL and ADBL were 7.82, 32.56 and 25.55 respectively which was higher than tabulated at 5% significance level at 8 degree of freedom for two tailed test (2.306).
10. The coefficient of correlation relationship between total loan and advances and net profit of HBL, CZBIL and ADBL were 0.9440, 0.6922 and 0.7103 respectively. It is show the positive relationship between these two variables of those banks. The coefficient of determination r^2 of HBL, CZBIL and ADBL were 0.8911, 0.4791 and 0.5045 respectively, which indicates that 89.11%, 47.91% and

50.45% of total deposit is explained by loan and advance. By testing t- statistic, the calculated value t_{cal} of HBL, CZBIL and ADBL are 8.09, 2.71 and 2.85 respectively which was higher than tabulated at 5% significance level at 8 degree of freedom for two tailed test (2.306).

11. The averaged total loan maintained by the bank's HBL, CZBIL and ADBL were 35914, 13207.9 and 47103 million respectively, with other things remain unchanged. However, the slope of the equation, that usually shows the rate of change in the value, reveals two same directions of the banks. Those banks had a positive rate of 97226, 18482.5 and 10531.6 million, which denotes that with every unit change in the year, the value of total loan will increase by additional 97226, 18482.5 and 10531.6 million respectively.
12. The averaged total loan maintained by the bank's HBL, CZBIL and ADBL were 742.4, 362.9 and 1820.5 million respectively, with other things remain unchanged. However, the slope of the equation, that usually shows the rate of change in the value, reveals two same directions of the banks. Those banks had a positive rate of 289.8, 195.3 and 291.9 million, which denotes that with every unit change in the year, the value of net profit will increase by additional 289.8, 195.3 and 291.9 million respectively.

CHAPTER V

CONCLUSION

5.1 Summary

The research focuses on the analysis of financial performance of Himalayan Bank Limited, Citizen Bank International Limited and Agricultural Development Bank Limited. The study determines the act of performing financial activity. Sound investment and deposit mobilization policy is important for every bank so that the profit is high and purposeful. For this purpose, descriptive cum analytical research design was adopted. Out of the total population the 28 commercial banks, only two banks, HBL, CZBIL and ADBL banks are taken as sample using convenience sampling method.

The main objective of the study is to analyse and evaluate the insight of the present status of the existing financial position of HBL, CZBIL and ADBL. To analyse this, secondary data has been used for an average period of ten years from fiscal year 2008/09 to 2017/18. Further the other objective includes the measurement of loan and advance, investment indicators like net profit, total deposit etc. Only secondary data has been collected and analysed to achieve the objectives.

Basically, research methodologies here signifies the research design, source of data, data collection technique, data collection methods, tools and techniques for this purpose descriptive, analytical research design was adopted. Annual reports and other publications from the basic of secondary data are used. Besides this newspaper, relevant thesis, journals, articles, related websites etc. are also used for this research. The data collected from various sources are recorded systematically and presented in the appropriate forms of the tables, charts and appropriate mathematical, statistical, financial, graphical tools have been applied to analyse the data. The data of ten fiscal years of selected banks have analysed to meet the objectives of the study. There are five chapter in the study first chapter includes the background of the study, statement of the problems, objective of the study, significant, limitation and organization of the study. Second

chapter is literature review which includes conceptual reviews, reviews of articles and thesis and research gap. Third chapter is research methodology it includes introduction research design, source of data, population and sample, tools and techniques of analysis and statistics tools. Fourth chapter is data presentation and analysis it includes financial analysis and correlation analysis, trend analysis and major findings of the study. Fifth chapter is summary, conclusion and implications which include summary, conclusion and implications of the study.

5.2 Conclusion

On the basis of entire research study some conclusions have been deduced. This study particularly deals about the financial performance of commercial banks in Nepal. Certain conclusion has been derived after the financial as well as statistical tools have been measured on behalf of different aspect of the financial performance of the concerned bank under study.

1. From the above analysis it is found that the HBL, CZBIL and ADBL have sound performance in recent year. From the view point liquidity ratio measures the ability of a firm to meet its short-term obligations and select the short-term financial solvency of a firm. It shows that the liquidity position in term of current assets to current liabilities.
2. The cash and bank balance to total deposit ratio of ADBL is which was higher than HBL and CZBIL The analysis specifies that the these banks are volatile to maintain cash reserve ratio as per NRB directives
3. In view of assets management side of three banks, it can be concluded that the sample banks have successful in mobilizing its collected deposits as loan and advances. In terms of given directives of mobilizing the assets on loan and advance of banks.
4. The bank ability to generate more profit is better in ADBL and HBL than CZBIL. Hence it can be concluded that HBL is better in deliver a good return on equity.

The capacity of management to utilize the total assets is higher in ADBL than other two banks because its consistency is lower. Non-performing loan to loan and advance of all three banks have decreasing trend. Loan loss provision to total loan and advance has maintained as per directives.

5. The correlation of coefficient between loan and advances and deposit these three banks has high degree and significant correlation. In the loan and advances and net profit on these three banks has high degree and significant correlation between them.
6. On the basis of trend analysis, it can be considered that the loan and advances in the forthcoming year will increase of both banks, the loan loss provision amount will increase, and the non-performing loan will increase. It indicates that the bank may able to be better potion in future and the net profit won't increase of both banks. Hence, a good financial performance of the banks can be expected in the future.

5.3 Implications

Based on the major finding and conclusion of the study of financial performance of concerned sample banks some suggestion made. To following points are highlighted to put forward for the further improvement of all commercial banks.

1. The liquidity position in terms of current ratio of both banks is below than normal standard i.e. 2:1. The average ratio of HBL is higher than CZBIL & ADBL. But both banks should increase current assets.
2. Lending loan and advances to various lenders is major function of commercial banks. But HBL & CZBIL has not lent its deposit as loan and advances in compare to ADBL. So, HBL & CZBIL could increase the lending proportion so that the profit of the bank may increase.
3. NPL erodes the performance of commercial banks. It reduces profitability because of LLP. This LLP will reduce banks fund for productive sector. NPL of

HBL & CZBIL increasing trend so bank to make every effort to reduce this trend. But it is decreasing trend of ADBL. So, it should keep continue this trend.

4. Trend analysis shows that the loan and advance amount of HBL, CZBIL and ADBL will increase in future so bank has to train its employees to make efficient and professional in credit appraisal, monitoring and proper risk management.
5. Deposit collection from the customers is the main sources of inflow of funds of HBL, CZBIL and ADBL but this is the cost bearing sources of the banks. In coming days, HBL, CZBIL and ADBL need to increase cost free resources too, and reducing the burden of the bank.
6. HBL, CZBIL and ADBL should maintain sufficient -a healthy credit-to-deposit ratios as per international practice it would be 80 percent.

Banks should be focusing on optimum utilization of efficient use of deposit. Loan recovery is most challenging job for banks. Increase in non-performing assets lead to failure of commercial bank in recovery of loan. Banks should use liberal policy while sanctioning loan and advance with adequate of credit worthiness of customers, continual follow up and legal procedure is required. Therefore the bank must be very careful while formulating credit policy. The credit policy is also associated with some legal procedures. Growth of commercial banks helps to develop the economic growth of the country. So, banks should provide services in rural areas and communities without making unfavorable impact in their profit. Considering the current economic scenario bank are suggested to further advance their retail banking through new and innovative products.

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Appendices
Appendix 1. Current Ratio (Amount in Rs.)
(000,000)

Year	Current Asset HBL	Current Liabilities HBL	Ratio
2008/09	1889	1026	1.84
2009/10	1569	1166	1.34
2010/11	2307	1308	1.76
2011/12	2646	1501	1.76
2012/13	3282	1591	2.06
2013/14	1971	1730	1.13
2014/15	3576	1702	2.10
2015/16	3678	2103	1.74
2016/17	3748	1973	1.89
2017/18	3894	1947	1.95

Year	Current Asset CZBIL	Current Liabilities CZBIL	Ratio
2008/09	1420	717	1.98
2009/10	1082	983	1.10
2010/11	1238	901	1.37
2011/12	1155	1050	1.1
2012/13	1901	2112	0.9
2013/14	2165	1353	1.6
2014/15	2929	1830	1.6
2015/16	2990	2300	1.3
2016/17	2356	1945	1.21
2017/18	3838	3489	1.10

Year	Current Assets ADBL	Current Liabilities ADBL	Ratio
2008/09	7449	6134	1.21
2009/10	5771	8201	0.70
2010/11	4835	8179	0.59
2011/12	6206	3857	1.6
2012/13	3409	5107	0.66
2013/14	4820	4583	1.05
2014/15	5651	5147	1.09
2015/16	3740	4328	0.86
2016/17	5685	3668	1.54
2017/18	6576	3288	1.80

**Appendix 2. Cash and Bank Balance to Deposit Ratio (Amount in Rs.)
(000,000)**

Year	Cash and bank balance HBL	Total Deposit HBL	Ratio
2008/09	719	34682	38.06
2009/10	1261	37611	80.36
2010/11	1573	40920	68.18
2011/12	2382	47730	90.02
2012/13	1221	53072	37.20
2013/14	1775	64674	90.05
2014/15	2513	73538	70.27
2015/16	2196	87335	59.70
2016/17	975	92881	26.01
2017/18	2831	98988	72.70

Year	Cash and bank balance CZBIL	Total Deposit CZBIL	Ratio
2008/09	520	11524	36.61
2009/10	848	14214	78.37
2010/11	1012	13478	81.74
2011/12	1134	17354	98.18
2012/13	1658	22743	87.21
2013/14	2044	27963	94.41
2014/15	2834	35782	96.75
2015/16	2743	47392	91.73
2016/17	2204	52702	93.54
2017/18	3742	60605	97.49

Year	Cash and bank balance ADBL	Total Deposit ADBL	Ratio
2008/09	5205	35159	69.87
2009/10	4160	32472	72.08
2010/11	4808	34394	99.15
2011/12	2057	43264	33.14
2012/13	3278	54477	96.15
2013/14	4692	65898	97.34
2014/15	5509	77035	97.48
2015/16	3589	87387	95.62
2016/17	5683	99816	99.69
2017/18	6421	104216	97.64

**Appendix 3. Total Loan and Advance to Assets Ratio (Amount in Rs.)
(000,000)**

Year	Total L&A HBL	Total Assets HBL	Ratio
2008/09	24793	39330	63.03
2009/10	27980	42717	65.50
2010/11	31566	46736	67.54
2011/12	34965	54364	64.31
2012/13	39723	61113	64.99
2013/14	45320	73589	61.58
2014/15	53476	82801	64.58
2015/16	67745	99863	67.83
2016/17	76394	107255	71.22
2017/18	82474	116462	71.95

Year	Total L&A CZBIL	Total Assets CZBIL	Ratio
2008/09	8128	12966	62.68
2009/10	10785	16516	65.30
2010/11	12271	16816	72.97
2011/12	14129	20068	70.40
2012/13	17561	25979	67.59
2013/14	22485	32221	69.78
2014/15	28480	41450	68.70
2015/16	39635	55118	71.90
2016/17	47079	66114	71.20
2017/18	55598	77755	71.50

Year	Total L&A ADBL	Total Assets ADBL	Ratio
2008/09	32603	51818	62.91
2009/10	33876	54020	62.71
2010/11	34459	57580	59.84
2011/12	39427	63521	62.06
2012/13	49685	77097	64.44
2013/14	57186	86512	66.10
2014/15	68578	100812	68.02
2015/16	79489	111785	71.10
2016/17	88206	123866	71.21
2017/18	100030	135773	73.67

Appendix 4. Loan and Advances to Deposit Ratio (Amount in Rs.)
(000,000)

Year	Total L&A HBL	Deposit HBL	Ratio
2008/09	24793	34682	71.48
2009/10	27980	37611	74.39
2010/11	31566	40920	77.14
2011/12	34965	47730	73.84
2012/13	39723	53072	74.84
2013/14	45320	64674	70.07
2014/15	53476	73538	72.71
2015/16	67745	87335	77.56
2016/17	76394	92881	82.24
2017/18	82474	98988	83.31

Year	Total L&A CZBIL	Deposit CZBIL	Ratio
2008/09	8128	11524	70.53
2009/10	10785	14214	75.87
2010/11	12271	13478	91.04
2011/12	14129	17354	81.41
2012/13	17561	22743	77.21
2013/14	22485	27963	80.40
2014/15	28480	35782	79.59
2015/16	39635	47392	83.63
2016/17	47079	52702	89.33
2017/18	55598	60605	91.73

Year	Total L&A ADBL	Deposit ADBL	Ratio
2008/09	32603	35159	92.73
2009/10	33876	32472	104.32
2010/11	34459	34394	100.18
2011/12	39427	43264	91.13
2012/13	49685	54477	91.20
2013/14	57186	65898	86.77
2014/15	68578	77035	89.02
2015/16	79489	87387	90.96
2016/17	88206	99816	88.36
2017/18	100030	104216	95.98

**Appendix 5. Loan Loss Provision to Loan and advances Ratio (Amount in Rs.)
(000,000)**

Year	Total LLP HBL	Total L&A HBL	Ratio
2008/09	199	24793	0.80
2009/10	692	27980	2.47
2010/11	471	31566	1.49
2011/12	505	34965	1.44
2012/13	842	39723	2.11
2013/14	1080	45320	0.23
2014/15	1413	53476	0.26
2015/16	744	67745	1.09
2016/17	835	76394	1.09
2017/18	679	82474	0.82

Year	Total LLP CZBIL	Total L&A CZBIL	Ratio
2008/09	34	8128	0.41
2009/10	57	10785	0.52
2010/11	103	12271	0.89
2011/12	122	14129	0.86
2012/13	291	17561	1.65
2013/14	560	22485	0.24
2014/15	235	28480	0.82
2015/16	355	39635	0.89
2016/17	403	47079	0.85
2017/18	893	55598	1.6

Year	Total LLP ADBL	Total L&A ADBL	Ratio
2008/09	2184	32603	6.69
2009/10	2582	33876	7.62
2010/11	2504	34459	7.26
2011/12	1916	39427	4.85
2012/13	1276	49685	2.56
2013/14	877	57186	1.53
2014/15	2441	68578	3.55
2015/16	1456	79489	1.83
2016/17	1771	88206	2.00
2017/18	8223	100030	0.82

**Appendix 6. Non- Performing Loan to Loan and advances Ratio (Amount in Rs.)
(000,000)**

Year	Total NPL HBL	Total L&A HBL	Ratio
2008/09	551	24793	2.22
2009/10	1208	27980	0.42
2010/11	1391	31566	0.44
2011/12	751	34965	2.14
2012/13	1186	39723	0.29
2013/14	911	45320	2.01
2014/15	1783	53476	0.33
2015/16	851	67745	1.25
2016/17	661	76394	0.86
2017/18	1452	82474	0.17

Year	Total NPL CZBIL	Total L&A CZBIL	Ratio
2008/09	0	8128	0
2009/10	33	10785	0.30
2010/11	146	12271	1.18
2011/12	289	14129	2.04
2012/13	361	17561	2.05
2013/14	788	22485	3.50
2014/15	447	28480	1.56
2015/16	560	39635	1.41
2016/17	980	47079	2.08
2017/18	1431	55598	2.57

Year	Total NPL ADBL	Total L&A ADBL	Ratio
2008/09	3720	32603	11.40
2009/10	4340	33876	12.81
2010/11	3628	34459	10.52
2011/12	4040	39427	10.24
2012/13	3212	49685	6.46
2013/14	3408	57186	5.95
2014/15	3862	68578	5.63
2015/16	3634	79489	4.57
2016/17	4266	88206	4.83
2017/18	3957	100030	3.95

Appendix 7. Return on Assets (Amount in Rs.)**(000,000)**

Year	Total Net Profit HBL	Total Assets HBL	Ratio
2008/09	752	39330	1.91
2009/10	508	42717	1.18
2010/11	893	46736	1.91
2011/12	958	54364	1.76
2012/13	943	61113	1.54
2013/14	959	73589	1.30
2014/15	1112	82801	1.34
2015/16	1935	99863	1.93
2016/17	2178	107255	2.03
2017/18	1875	116462	1.60

Year	Total Net Profit CZBIL	Total Assets CZBIL	Ratio
2008/09	95	12966	0.73
2009/10	193	16516	1.16
2010/11	198	16816	1.17
2011/12	224	20068	1.11
2012/13	413	25979	1.58
2013/14	498	32221	1.54
2014/15	720	41450	1.73
2015/16	1091	55118	1.97
2016/17	1201	66114	1.81
2017/18	1234	77755	1.58

Year	Total Net Profit ADBL	Total Assets ADBL	Ratio
2008/09	1057	51818	2.03
2009/10	1892	54020	3.50
2010/11	2365	57580	4.10
2011/12	1839	63521	2.89
2012/13	2289	77097	2.96
2013/14	1520	86512	1.75
2014/15	3490	100812	3.46
2015/16	2464	111785	2.20
2016/17	2565	123866	2.07
2017/18	3442	135773	2.53

Appendix 8. Return on Equity (Amount in Rs.)
(000,000)

Year	Total Net Profit HBL	Total EquityHBL	Ratio
2008/09	752	3119	24.11
2009/10	508	3439	14.77
2010/11	893	4632	22.35
2011/12	958	5299	20.68
2012/13	943	6083	17.79
2013/14	959	6958	15.76
2014/15	1112	8823	15.98
2015/16	1935	9319	21.93
2016/17	2178	12328	18.60
2017/18	1875	14138	13.26

Year	Total Net Profit CZBIL	Total Equity CZBIL	Ratio
2008/09	95	10340	9.18
2009/10	193	1308	14.75
2010/11	198	2172	9.11
2011/12	224	2281	9.82
2012/13	413	3081	13.40
2013/14	498	3950	12.60
2014/15	720	5572	12.92
2015/16	1091	6519	16.73
2016/17	1201	9846	12.21
2017/18	1234	11045	11.17

Year	Total Net Profit ADBL	Total Equity ADBL	Ratio
2008/09	1057	10325	10.23
2009/10	1892	10785	17.54
2010/11	2365	12462	18.97
2011/12	1839	13172	13.96
2012/13	2289	14222	16.09
2013/14	1520	13033	11.66
2014/15	3490	16110	21.66
2015/16	2464	12207	20.18
2016/17	2565	14179	18.09
2017/18	3442	26700	12.89

Appendix 9

Correlation Coefficient between Total Deposit and Loan and Advance of CZBIL

Fiscal year	X	Y	x^2	y^2	xy
2008/09	8128	11524	305799666	355386592.9	93667072
2009/10	10785	14214	219931866	261200546.9	153297990
2010/11	12271	13478	178065005	285532265.3	165388538
2011/12	14129	17354	131930493	169564670.9	245194666
2012/13	17561	22743	64868527	58258109.29	399389823
2013/14	22485	27963	9797526	5821121.29	628748055
2014/15	28480	35782	8207652	29228079.69	1019071360
2015/16	39635	47392	196557596	289554465.7	1878381920
2016/17	47079	52702	460699003	498463671.7	2481157458
2017/18	55598	60605	898974292	913810578.5	3369516790
N=10	$\sum X =$ 256151	$\sum Y =$ 303757	$\sum x^2 =$ 2474830627	$\sum y^2 =$ 2866820102	$\sum xy =$ 10433813672

Let X be loan and advance and Y be Deposit of CZBIL

$$\text{Correlation (r)} = \frac{N \sum XY - \sum X \sum Y}{\sqrt{N \sum X^2 - (\sum x)^2} \sqrt{N \sum Y^2 - (\sum Y)^2}} = 0.9960$$

$$\text{Coefficient of determination (r)}^2 = 0.9920$$

$$t = \frac{r}{\sqrt{1-r^2}} * \sqrt{n-2} = 32.56$$

Appendix 10

Correlation Coefficient between Total Deposit and Loan and Advance of HBL

Fiscal year	X	Y	x^2	y^2	xy
2008/09	24793	34682	559322500	810034213.2	859870826
2009/10	27980	37611	4188571.56	651888130.4	1052355780
2010/11	31566	40920	284853381.8	493866173.6	1291680720
2011/12	34965	47730	181656484	237563651.6	1668879450
2012/13	39723	53072	76048864.36	101427055.2	2108179056
2013/14	45320	64674	9753129	2343654.81	2931025680
2014/15	53476	73538	25325049.76	108053946	3932518088
2015/16	67745	87335	372544042	585248025.6	5916509575
2016/17	76394	92881	7812248602	884342696.4	7095551114
2017/18	82474	98988	1158068124	1284856856	816393612
N=10	$\sum X=$ 484436	$\sum Y=$ 631431	$\sum x^2=$ 1048008748	$\sum y^2=$ 5159624403	$\sum xy=$ 35020506601

Let X be loan and advance and Y be Deposit of HBL

$$\text{Correlation (r)} = \frac{N \sum XY - \sum X \sum Y}{\sqrt{N \sum X^2 - (\sum x)^2} \sqrt{N \sum Y^2 - (\sum Y)^2}} = 0.9404$$

$$\text{Coefficient of determination (r)}^2 = 0.8843$$

$$t = \frac{r}{\sqrt{1-r^2}} * \sqrt{n-2} = 7.82$$

Appendix 11

Correlation Coefficient between Loan and Advance and Total Deposit of ADBL

Fiscal year	X	Y	x^2	y^2	xy
2008/09	32603	35159	663108850.8	798220707.8	114628877
2009/10	33876	32472	599167588.4	957271224	1100021472
2010/11	34459	34394	570966246	842032716.8	1185182846
2011/12	39427	43264	358227543.6	405933844.8	1705769728
2012/13	49685	54477	75149827.2	79830651.04	2706689745
2013/14	57186	65898	1363990.4	6181.19044	37684433028
2014/15	68578	77035	104532220.8	185591578.2	5282906230
2015/16	79489	87387	446692452	574810215	6946305243
2016/17	88206	99816	891147874.4	1325265778	8804370096
2017/18	100030	104216	1736897311	1664982738	104276480
N=10	$\sum X=$ 583539	$\sum Y=$ 634118	$\sum x^2=$ 5447253905	$\sum y^2=$ 6833945635	$\sum xy=$ 43070703745

Let X be loan and advance and Y be Deposit of ADBL

$$\text{Correlation (r)} = \frac{N \sum XY - \sum X \sum Y}{\sqrt{N \sum X^2 - (\sum x)^2} \sqrt{N \sum Y^2 - (\sum Y)^2}} = 0.9939$$

$$\text{Coefficient of determination (r)}^2 = 0.9878$$

$$t = \frac{r}{\sqrt{1-r^2}} * \sqrt{n-2} = 25.55$$

Appendix 12

Correlation Coefficient between Loan and Advance and Net Profit of CZBIL

Fiscal year	X	Y	x^2	y^2	xy
2008/09	8128	95	305799666	24196561	772160
2009/10	10785	193	219931866	15515721	2081505
2010/11	12271	198	178065005	151243.21	2429658
2011/12	14129	224	131930493	13169.41	3164896
2012/13	17561	413	64868527	30241.21	7252693
2013/14	22485	498	9797526	7903.21	11197530
2014/15	28480	720	8207652	17715.61	20505600
2015/16	39635	1091	196557596	254116.81	43241785
2016/17	47079	1201	460699003	379579.21	56636037
2017/18	55598	1234	898974292	418738.41	68607932
N=10	$\sum X=$ 256151	$\sum Y=$ 5869	$\sum x^2=$ 2474830627	$\sum y^2=$ 40984989.08	$\sum xy=$ 215889796

Let X be loan and advance and Y be Net Profit CZBIL

$$\text{Correlation (r)} = \frac{N \sum XY - \sum X \sum Y}{\sqrt{N \sum X^2 - (\sum X)^2} \sqrt{N \sum Y^2 - (\sum Y)^2}} = 0.6922$$

$$\text{Coefficient of determination (r)}^2 = 0.4791$$

$$t = \frac{r}{\sqrt{1-r^2}} * \sqrt{n-2} = 2.71$$

Appendix 13

Correlation Coefficient between Loan and Advance and Net Profit of HBL

Fiscal year	X	Y	x^2	y^2	xy
2008/09	24793	752	559322500	210681	18644336
2009/10	27980	508	4188571.56	494630.89	14213840
2010/11	31566	893	284853381.8	101314.89	28188438
2011/12	34965	958	181656484	64160.89	33496470
2012/13	39723	943	76048864.36	71984.89	37458789
2013/14	45320	959	9753129	63655.29	43461880
2014/15	53476	1112	25325049.76	9860.49	59465312
2015/16	67745	1935	372544042	523741.69	131086575
2016/17	76394	2178	7812248602	934508.89	166386132
2017/18	82474	1875	1158068124	440497.69	154638750
N=10	$\sum X=$ 484436	$\sum Y=$ 12113	$\sum x^2=$	$\sum y^2=$ 2915037	$\sum xy=$ 687040522

Let X be loan and advance and Y be Net Profit of HBL

$$\text{Correlation (r)} = \frac{N \sum XY - \sum X \sum Y}{\sqrt{N \sum X^2 - (\sum x)^2} \sqrt{N \sum Y^2 - (\sum Y)^2}} = 0.9440$$

$$\text{Coefficient of determination (r)}^2 = 0.8911$$

$$t = \frac{r}{\sqrt{1-r^2}} * \sqrt{n-2} = 8.09$$

Appendix 14

Correlation Coefficient between Loan and Advance and Net Profit of ADBL

Fiscal year	X	Y	x^2	y^2	xy
2008/09	32603	1057	663108850.8	1525966.09	34461371
2009/10	33876	1892	599167588.4	160240.09	64093392
2010/11	34459	2365	570966246	5285.29	81495535
2011/12	39427	1839	358227543.6	205480.89	72506253
2012/13	49685	2289	75149827.2	10.89	113728965
2013/14	57186	1520	1363990.4	596447.29	86922720
2014/15	68578	3490	104532220.8	1434485.29	239337220
2015/16	79489	2464	446692452	29480.89	195860896
2016/17	88206	2565	891147874.4	74365.29	226248390
2017/18	100030	3442	1736897311	1321810.09	344303260
N=10	$\sum X=$ 583539	$\sum Y=$ 22923	$\sum x^2=$ 5447253905	$\sum y^2=$ 5353572	$\sum xy=$ 1458958002

Let X be loan and advance and Y be Deposit of CZBIL

$$\text{Correlation (r)} = \frac{N \sum XY - \sum X \sum Y}{\sqrt{N \sum X^2 - (\sum x)^2} \sqrt{N \sum Y^2 - (\sum Y)^2}} = 0.7103$$

$$\text{Coefficient of determination (r)}^2 = 0.5043$$

$$t = \frac{r}{\sqrt{1-r^2}} * \sqrt{n-2} = 2.85$$

Appendix 15

Calculation of Trend analysis of Loan and Advances of HBL

Year(t)	Total Investment (Y)	X=t-2015/16	x^2	XY
2013/14	45320	-2	4	-90640
2014/15	53476	-1	1	-53476
2015/16	67745	0	0	0
2016/17	76394	1	1	76394
2017/18	82474	2	4	164948
Total (n)=5	$\sum Y=325409$	$\sum X=0$	$\sum x^2=10$	$\sum xy=97226$

Let the trend line equation be $y=a + bx \dots\dots (i)$

Where, X=t-middle year

Here,

$$a = \frac{\sum y}{N}$$

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

Now, substituting the value of a and b in equation (i), we get the required trend line

$$Y_c = 65081.8 + (9722.6)x$$

Forecasted trend value of Loan and Advances of HBL

Year	X	Trend value
2013/14	-2	45636.6
2014/15	-1	55359.2
2015/16	0	65081.8

2016/17	1	74804.4
2017/18	2	84527
2018/19	3	94249.6
2019/20	4	103972.2
2020/21	5	113694.2
2021/22	6	123417.4
2022/23	7	133140

Appendix 16

Calculation of Trend analysis of Loan and Advances of ADBL

Year(t)	Total Investment (Y)	X=t-2015/16	x^2	XY
2013/14	57186	-2	4	-114372
2014/15	68578	-1	1	-68578
2015/16	79489	0	0	0
2016/17	88206	1	1	88206
2017/18	100030	2	4	200060
Total (n)=5	$\sum Y=393489$	$\sum X=0$	$\sum x^2=10$	$\sum xy=105316$

Let the trend line equation be $y=a + bx \dots\dots (i)$

Where, $X=t$ -middle year

Here,

$$a = \frac{\sum y}{N}$$

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

Now, subtracting the value of a and b in equation (i), we get the required trend line

$$Y_c = 78697.8 + (10531.6) x$$

Forecasted trend value of Loan and Advances of ADBL

Year	X	Trend value
2013/14	-2	57634.6
2014/15	-1	68166.2
2015/16	0	78697.8
2016/17	1	89229.4
2017/18	2	99761
2018/19	3	110292.6
2019/20	4	120824.2
2020/21	5	131355.8
2021/22	6	141887.4
2022/23	7	152419

Appendix 17

Calculation of Trend analysis of Loan and Advances of CZBIL

Year(t)	Total Investment (Y)	X=t-2015/16	x^2	XY
2013/14	22485	-2	4	-44970
2014/15	28480	-1	1	-28480
2015/16	39635	0	0	0
2016/17	47079	1	1	47079
2017/18	55598	2	4	111196
Total	$\sum Y = 193277$	$\sum X = 0$	$\sum x^2 = 10$	$\sum xy = 84825$

(n)=5				
-------	--	--	--	--

Let the trend line equation be $y=a + bx \dots\dots (i)$

Where, $X=t$ -middle year

Here,

$$a = \frac{\sum y}{N}$$

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

Now, subtracting the value of a and b in equation (i), we get the required trend line

$$Y_c = 38655.4 + (8482.5) x$$

Forecasted trend value of Loan and Advances of CZBIL

Year	X	Trend value
2013/14	-2	21690.4
2014/15	-1	30172.9
2015/16	0	38655.4
2016/17	1	47137.9
2017/18	2	55620.4
2018/19	3	64102.9
2019/20	4	72585.4
2020/21	5	81067.9
2021/22	6	89550.4
2022/23	7	98032.9

Appendix 18

Calculation of Trend analysis of Net Profit of HBL

Year(t)	Total Investment (Y)	X=t-2015/16	x^2	XY
2013/14	959	-2	4	-4795
2014/15	1112	-1	1	-1112
2015/16	1935	0	0	0
2016/17	2178	1	1	2178
2017/18	1875	2	4	3750
Total (n)=5	$\sum Y=8059$	$\sum X=0$	$\sum x^2=10$	$\sum xy=21$

Let the trend line equation be $y=a + bx \dots\dots (i)$

Where, X=t-middle year

Here,

$$a = \frac{\sum y}{N}$$

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

Now, substituting the value of a and b in equation (i), we get the required trend line

$$Y_c = 1611.8 + (2.1)x$$

Forecasted trend value of Net Profit of HBL

Year	X	Trend value
2013/14	-2	1032.2
2014/15	-1	1332
2015/16	0	1611.8

2016/17	1	1901.6
2017/18	2	2191.4
2018/19	3	2481.2
2019/20	4	2771
2020/21	5	3060.8
2021/22	6	3350.6
2022/23	7	3640.4

Appendix 19

Calculation of Trend analysis of Net Profit of ADBL

Year(t)	Total Investment (Y)	X=t-2015/16	x^2	XY
2013/14	1520	-2	4	-3040
2014/15	3490	-1	1	-3490
2015/16	2464	0	0	0
2016/17	2565	1	1	2565
2017/18	3442	2	4	6884
Total (n)=5	$\sum Y=13481$	$\sum X=0$	$\sum x^2=10$	$\sum xy=2916$

Let the trend line equation be $y=a + bx \dots\dots (i)$

Where, $X=t$ -middle year

Here,

$$a = \frac{\sum y}{N}$$

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

Now, subtracting the value of a and b in equation (i), we get the required trend line

$$Y_c = 2696.2 + (291.6) x$$

Forecasted trend value of Net Profit of ADBL

Year	X	Trend value
2013/14	-2	2112.4
2014/15	-1	2404.3
2015/16	0	2696.2
2016/17	1	2988.1
2017/18	2	3280
2018/19	3	3571.9
2019/20	4	3863.8
2020/21	5	4155.7
2021/22	6	4447.6
2022/23	7	4739.5

Appendix 20

Calculation of Trend analysis of Net Profit of CZBIL

Year(t)	Total Investment (Y)	X=t-2015/16	x^2	XY
2013/14	498	-2	4	-996
2014/15	720	-1	1	-720
2015/16	1091	0	0	0
2016/17	1201	1	1	1201

2017/18	1234	2	4	2468
Total (n)=5	$\sum Y=4744$	$\sum X=0$	$\sum x^2=10$	$\sum xy=1953$

Let the trend line equation be $y=a + bx \dots\dots (i)$

Where, $X=t$ -middle year

Here,

$$a = \frac{\sum y}{N}$$

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

Now, substituting the value of a and b in equation (i), we get the required trend line

$$Y_c = 948.8 + (195.3) x$$

Forecasted trend value of Net Profit of CZBIL

Year	X	Trend value
2013/14	-2	558.2
2014/15	-1	753.5
2015/16	0	948.8
2016/17	1	1144.1
2017/18	2	1339.4
2018/19	3	1534.7
2019/20	4	1730
2020/21	5	1925.3
2021/22	6	2120.6
2022/23	7	2315.9

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As on July 16, 2018 (Ashadh 32, 2075)

Amount in NPR

Particulars	Note	Group		Bank	
		Current Year	Previous Year	Current Year	Previous Year
Assets					
Cash and Cash Equivalents	4.1	5,148,467,404	4,552,522,507	5,046,237,676	3,887,468,818
Due from Nepal Rastra Bank	4.2	3,690,192,293	2,190,896,703	3,690,192,293	2,190,896,703
Placement with Bank and Financial Institutions	4.3	1,989,878,358	1,568,014,418	1,989,878,358	1,568,014,418
Derivative Financial Instruments	4.4	36,385,944	21,975,955	36,385,944	21,975,955
Other Trading Assets	4.5	142,662,000	133,900,339	76,236,446	51,442,831
Loans and Advances to B/FIs	4.6	1,420,646,197	1,467,126,976	1,420,646,197	1,467,126,976
Loans and Advances to Customers	4.7	55,598,967,114	46,015,334,255	55,601,766,580	46,021,501,436
Investment Securities	4.8	5,616,858,302	6,800,605,921	5,616,858,302	6,785,605,921
Current Tax Assets	4.9	114,653,791	300,791,522	114,653,791	300,791,522
Investment in Subsidiaries	4.10	-	-	117,200,000	67,000,000
Investment in Associates	4.11	23,903,192	31,751,500	17,951,500	31,751,500
Investment Property	4.12	287,547,060	390,066,062	287,547,060	390,066,062
Property and Equipment	4.13	2,127,954,165	1,765,808,835	2,121,592,854	1,758,546,430
Goodwill and Intangible Assets	4.14	71,173,137	8,733,685	70,534,031	8,066,489
Deferred Tax Assets	4.15	-	-	-	-
Other Assets	4.16	1,486,416,314	1,343,435,463	1,502,271,962	1,331,359,117
Total Assets		77,755,705,271	66,590,964,142	77,709,952,994	65,881,614,179
Liabilities					
Due to Banks and Financial Institutions	4.17	3,335,288,532	2,501,906,804	3,335,288,532	2,501,906,804
Due to Nepal Rastra Bank	4.18	695,041,370	33,578,077	695,041,370	33,578,077
Derivative Financial Instruments	4.19	-	-	-	-
Deposits from Customers	4.20	60,605,815,636	51,700,969,191	60,696,026,972	51,716,674,652
Borrowing	4.21	-	5,000,000	-	-
Current Tax Liabilities	4.9	-	-	-	-
Provisions	4.22	5,526,126	3,078,973	5,306,626	-
Deferred Tax Liabilities	4.15	15,292,307	85,477,182	17,677,499	85,192,158
Other Liabilities	4.23	1,554,811,510	1,880,942,008	1,447,977,647	1,202,929,525
Debt Securities Issued	4.24	498,722,911	498,148,814	498,722,911	498,148,814
Subordinated Liabilities	4.25	-	-	-	-
Total Liabilities		66,710,498,391	56,709,101,049	66,696,041,556	56,038,430,030
Equity					
Share Capital	4.26	8,033,236,400	6,921,689,662	8,033,236,400	6,921,689,662
Share Premium		433,526	532,794,833	433,526	532,794,833
Retained Earnings		117,421,902	765,036,986	132,228,780	763,369,943
Reserves	4.27	2,849,829,461	1,627,467,560	2,848,012,733	1,625,329,711
Total Equity Attributable to Equity Holders		11,000,921,288	9,846,989,041	11,013,911,439	9,843,184,149
Non-Controlling Interest		44,285,592	34,874,053	-	-
Total Equity		11,045,206,880	9,881,863,094	11,013,911,439	9,843,184,149
Total Liabilities and Equity		77,755,705,271	66,590,964,142	77,709,952,994	65,881,614,179
Contingent liabilities and commitment	4.28				
Net assets value per share		136.94	142.26	137.10	142.21

Pramesh Raj Kayastha
Chief Finance Officer

Rajan Singh Bhandari
Chief Executive Officer

Dr. Shankar Prasad Sharma
Chairman

Bal Krishna Prasai
Director

Prakash Chandra Mainali
Director

Bijaya Dhoj Karki
Director

Pabitra Kumar Karki
Director

Dr. Chanda Karki
Director

Avanindra Kumar Shrestha
Director

As per our report of even date

Date:- December 11, 2018
Place:- Narayanhiti Path, Kathmandu

CA Niranjana Chaudhary
Partner
JK & SS Associates
Chartered Accountants

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

As on July 16, 2018 (Ashadh 32, 2075)

Amount in NPR

Particulars	Note	Group		Bank	
		Current Year	Previous Year	Current Year	Previous Year
Interest Income	4.29	7,110,181,614	4,957,953,921	7,109,387,573	4,960,197,979
Interest Expenses	4.30	(4,881,474,938)	(3,167,144,719)	(4,887,319,894)	(3,169,957,746)
Net Interest Income		2,228,706,676	1,790,809,202	2,222,067,679	1,790,240,233
Fees and Commission Income	4.31	578,046,372	461,834,527	559,884,278	429,211,115
Fees and Commission Expenses	4.32	(52,321,855)	(36,826,245)	(50,836,108)	(33,396,855)
Net Fees and Commission Income		525,724,517	425,008,282	509,048,171	395,814,259
Net Interest, Fees and Commission Income		2,754,431,193	2,215,817,485	2,731,115,850	2,186,054,492
Net Trading Income	4.33	172,484,869	134,661,964	181,074,487	136,794,468
Other Operating Income	4.34	124,457,490	86,722,816	120,696,494	93,889,840
Total Operating Income		3,051,373,552	2,437,202,265	3,032,886,830	2,416,738,801
Impairment (Charge)/ Reversal for Loans and Other Losses	4.35	(89,316,642)	96,965,217	(89,316,642)	96,965,217
Net Operating Income		2,962,056,910	2,534,167,482	2,943,570,188	2,513,704,017
Operating Expenses					
Personnel Expenses	4.36	(789,970,588)	(585,920,436)	(784,057,981)	(579,564,141)
Other Operating Expenses	4.37	(375,165,455)	(313,515,335)	(347,358,417)	(309,364,627)
Depreciation & Amortisation	4.38	(128,350,655)	(93,643,010)	(126,526,734)	(92,692,281)
Operating Profit		1,668,570,213	1,541,088,701	1,685,627,057	1,532,082,967
Non Operating Income	4.39	27,402,047	725,317,947	37,955,047	735,476,834
Non Operating Expenses	4.40	(16,717,011)	(105,936,458)	(16,717,011)	(105,936,458)
Profit Before Income Tax		1,679,255,249	2,160,470,190	1,706,865,093	2,161,623,344
Income Tax Expenses	4.41				
Current Tax		(536,347,961)	(266,285,162)	(536,347,961)	(265,337,676)
Deferred Tax		65,686,933	(261,652,915)	63,586,765	(261,367,894)
Profit for the Period		1,208,594,221	1,632,532,112	1,234,103,897	1,634,917,774
Profit Attributable To:					
Equity Holders of the Bank		1,217,377,305	1,631,218,931	1,234,103,897	1,634,917,774
Non-Controlling Interest		(8,783,084)	1,313,182		
Profit for the Period		1,208,594,221	1,632,532,112	1,234,103,897	1,634,917,774
Earnings Per Share					
Basic Earnings Per Share		15.05	20.33	15.37	20.36
Diluted Earnings Per Share		15.05	20.33	15.37	20.36

Pramesh Raj Kayastha
Chief Finance Officer

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Chief Executive Officer

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Bal Krishna Prasai
Director

Prakash Chandra Mainali
Director

Bijaya Dhoj Karki
Director

Pabitra Kumar Karki
Director

Dr. Chanda Karki
Director

Avanindra Kumar Shrestha
Director

As per our report of even date

Date:- December 11, 2018
Place:- Narayanhiti Path, Kathmandu

CA Niranjan Chaudhary
Partner
JK & SS Associates
Chartered Accountants

Himalayan Bank Limited
STATEMENT OF FINANCIAL POSITION
 As on 32 Asar 2075 (16 July 2018)

Particulars	Note	Asar 2075	Asar 2074	Shrawan 1, 2073 (Restated)
Assets				
Cash and Cash Equivalents	4.1	4,741,359,383	4,734,344,144	7,209,691,163
Due from Nepal Rastra Bank	4.2	5,159,259,737	6,141,151,917	5,677,702,310
Placements with Bank and Financial Institutions	4.3	4,989,524,816	6,272,030,993	4,623,810,955
Derivative financial instruments	4.4	33,444,999	42,242,179	25,568,291
Other trading assets	4.5	-	-	-
Loans & Advances to BFIs	4.6	3,685,218,985	3,326,425,986	2,681,864,734
Loans & Advances to Customers	4.7	82,474,993,680	74,471,809,727	66,269,388,255
Investment Securities	4.8	11,654,171,810	9,648,796,681	11,190,957,071
Current Tax Assets	4.9	154,307,606	28,113,687	71,317,586
Investments in subsidiaries	4.10	-	-	-
Investments in Associates	4.11	195,785,700	195,785,700	195,785,700
Investment Property	4.12	2,299,307	233,378,063	216,578,063
Property & Equipment	4.13	2,222,677,268	2,175,892,639	1,922,966,663
Goodwill and Intangible Assets	4.14	85,852,688	76,025,808	108,694,657
Deferred Tax Assets	4.15	-	-	-
Other Assets	4.16	1,063,405,401	717,254,859	367,569,417
Total Assets		116,462,301,380	108,063,252,383	100,561,894,865
Liabilities				
Due to Bank and Financial Institutions	4.17	754,253,957	586,660,683	1,902,629,819
Due to Nepal Rastra Bank	4.18	-	-	-
Derivative financial instruments	4.19	9,109,574	-	-
Deposits from Customers	4.20	98,988,791,212	92,334,454,668	86,433,180,688
Borrowing	4.21	-	-	-
Current Tax Liabilities	4.9	-	-	-
Provisions	4.22	2,299,307	233,378,063	216,578,063
Deferred Tax Liabilities	4.15	131,264,033	123,265,472	107,155,033
Other Liabilities	4.23	1,814,328,754	1,834,350,972	1,959,748,985
Debt Securities Issued	4.24	623,357,548	622,996,759	622,760,909
Subordinated Liabilities	4.25	-	-	-
Total Liabilities		102,323,404,385	95,735,106,617	91,242,053,497
Equity				
Share Capital	4.26	8,114,529,375	6,491,623,500	4,499,145,000
Share Premium		-	-	-
Retained Earnings		1,500,405,440	2,508,023,157	2,086,979,520
Reserves	4.27	4,523,962,180	3,328,499,109	2,733,716,848
Total Equity attributable to Equity Holders		14,138,896,995	12,328,145,766	9,319,841,368
Non Controlling Interest		-	-	-
Total Equity		14,138,896,995	12,328,145,766	9,319,841,368
Total Liabilities and Equity		116,462,301,380	108,063,252,383	100,561,894,865
Contingent liabilities and commitment	4.28	36,183,796,482	27,412,632,440	28,554,156,497
Net assets value per share		174	190	207

Satish Raj Joshi
Executive Financial Officer

Sushiel Joshi
General Manager

Ejaz Qadeer Gill
Senior General Manager

As per our attached report of even date

Ashoke SJB Rana
Chief Executive Officer

Mr. Manoj B. Shrestha
Chairman

Anup K. Shrestha, FCA
Managing Partner
BRS Neupane & Co.
Chartered Accountants

Mr. Faisal N. Lalani
Director

Mr. Prachanda B. Shrestha
Director

Mr. Tulasi Prasad Gautam
Director

Tuesday, December 18, 2018
Kathmandu

Mr. Sunil Bahadur Thapa
Alternate Director

Mr. Upendra Keshari Poudyal
Director

Himalayan Bank Limited
STATEMENT OF PROFIT OR LOSS
For the year ended 32 Asar 2075 (16 July 2018)

Particulars	Note	Asar 2075	Asar 2074
Interest Income	4.29	9,724,870,892	7,106,676,099
Interest Expense	4.30	5,403,047,172	3,173,333,669
Net interest income		4,321,823,720	3,933,342,430
Fee and Commission Income	4.31	772,037,821	784,751,770
Fee and Commission Expenses	4.32	64,236,793	52,555,234
Net Fee and Commission Income		707,801,028	732,196,536
Net interest, fee and commission income		5,029,624,748	4,665,538,966
Net Trading Income	4.33	718,904,848	607,848,833
Other Operating Income	4.34	104,848,090	86,395,915
Total Operating Income		5,853,377,686	5,359,783,714
Impairment charges/(reversal) for Loans and Other losses	4.35	679,917,035	(108,192,806)
Net operating income		5,173,460,651	5,467,976,520
Operating expense			
Personnel Expenses	4.36	1,322,248,139	1,407,137,324
Other Operating Expenses	4.37	694,270,758	612,696,327
Depreciation & Amortisation	4.38	168,276,177	184,907,222
Operating Profit		2,988,665,577	3,263,235,647
Non operating income	4.39	309,525,238	14,691,243
Non operating expense	4.40	533,011,412	23,325,656
Profit before income tax		2,765,179,403	3,254,601,234
Income Tax Expense	4.41		
Current Tax		877,612,392	947,097,805
Deferred Tax		11,956,544	25,729,238
Profit for the year		1,875,610,467	2,281,774,191
Profit attributable to:			
Equity holders of the Bank		1,875,610,467	2,281,774,191
Non-controlling interest		-	-
Profit for the year		1,875,610,467	2,281,774,191
Earnings per share			
Basic earnings per share		23.37	35.44
Diluted earnings per share		23.37	35.44

Satish Raj Joshi
Executive Financial Officer

Sushiel Joshi
General Manager

Ejaz Qadeer Gill
Senior General Manager

As per our attached report of even date

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Director

Mr. Tulasi Prasad Gautam
Director

Tuesday, December 18, 2018
Kathmandu

Mr. Sunil Bahadur Thapa
Alternate Director

Mr. Upendra Keshari Poudyal
Director

Agricultural Development Bank Limited
Consolidated Statement of Financial Position
As on 32 Asar, 2075

Particulars	Note	Group			Bank		
		Current Year	Previous Year	Shrawan 1, 2073	Current Year	Previous Year	Shrawan 1, 2073
Assets							
Cash and cash equivalent	4.1	11,227,588,232	12,254,031,124	13,700,639,506	11,227,273,792	12,252,208,074	13,689,269,833
Due from Nepal Rastra Bank	4.2	8,270,666,878	9,929,595,625	4,711,222,554	8,270,666,878	9,929,595,625	4,711,222,554
Placement with Bank and Financial Institutions	4.3	-	2,500,000	11,000,000	-	-	-
Derivative financial instruments	4.4	-	-	-	-	-	-
Other trading assets	4.5	-	-	-	-	-	-
Loan and advances to B/FIs	4.6	495,000,000	-	-	495,000,000	-	-
Loans and advances to customers	4.7	100,030,112,260	93,184,410,155	84,080,371,550	100,030,112,260	93,184,410,155	84,080,371,550
Investment securities	4.8	12,290,782,714	9,594,863,171	7,350,894,873	12,246,645,443	9,568,494,645	7,340,593,852
Current tax assets	4.9	-	-	9,522,562	-	-	9,522,562
Investment in subsidiaries	4.10	-	-	-	28,840,000	28,840,000	28,840,000
Investment in associates	4.11	402,787,755	316,055,142	244,453,084	69,384,000	69,384,000	69,384,000
Investment property	4.12	240,313,081	312,104,309	192,827,508	240,313,081	312,104,309	192,827,508
Property and equipment	4.13	1,215,932,866	1,110,426,473	1,173,563,586	1,213,597,403	1,108,144,115	1,171,265,297
Goodwill and Intangible assets	4.14	50,011,726	3,660,825	4,881,100	50,011,726	3,660,825	4,881,100
Deferred tax assets	4.15	-	-	-	-	-	-
Other assets	4.16	1,550,164,940	1,768,590,337	2,616,446,721	1,547,770,105	1,766,206,174	2,613,493,285
Total Assets		135,773,360,454	128,476,237,162	114,095,823,045	135,419,614,689	128,290,186,757	113,911,671,541
Liabilities							
Due to Bank and Financial Institutions	4.17	551,886,896	300,932,693	450,276,480	551,886,896	300,932,693	450,276,480
Due to Nepal Rastra Bank	4.18	195,156,104	203,474,720	46,299,160	195,156,104	203,474,720	46,299,160
Derivative financial instruments	4.19	-	-	-	-	-	-
Deposits from customers	4.20	104,216,347,357	99,514,718,985	86,936,584,975	104,216,459,617	99,515,339,449	86,936,878,467
Borrowing	4.21	360,447,613	464,458,672	514,439,855	360,447,613	464,458,672	514,439,855
Current Tax Liabilities	4.9	246,011,850	9,046,273	-	156,230,258	-	-
Provisions	4.22	-	-	-	-	-	-
Deferred tax liabilities	4.15	139,362,454	26,526,233	248,288,140	139,362,454	26,526,233	248,288,140
Other liabilities	4.23	2,903,398,969	3,268,468,330	3,884,027,545	2,881,767,061	3,265,123,292	3,880,722,287
Debt securities issued	4.24	460,000,000	920,000,000	1,380,000,000	460,000,000	920,000,000	1,380,000,000
Subordinated Liabilities	4.25	-	-	-	-	-	-
Total liabilities		109,072,611,243	104,707,625,906	93,459,916,156	108,961,310,003	104,695,855,059	93,456,904,389
Equity							
Share capital	4.26	13,937,928,000	12,520,392,000	10,374,400,000	13,937,928,000	12,520,392,000	10,374,400,000
Share premium		-	540,826,597	-	-	540,826,597	-
Retained earnings		2,839,115,711	3,584,313,479	3,337,006,492	2,598,638,414	3,412,354,677	3,158,349,450
Reserves	4.27	9,921,738,272	7,120,758,424	6,922,017,702	9,921,738,272	7,120,758,424	6,922,017,702
Total equity attributable to equity holders		26,698,781,983	23,766,290,500	20,633,424,194	26,458,304,686	23,594,331,698	20,454,767,152
Non-controlling interest		1,967,228	2,320,756	2,482,695	-	-	-
Total equity		26,700,749,211	23,768,611,256	20,635,906,890	26,458,304,686	23,594,331,698	20,454,767,152
Total liabilities and equity		135,773,360,454	128,476,237,162	114,095,823,045	135,419,614,689	128,290,186,757	113,911,671,541
Contingent liabilities and commitment	4.28	38,992,842,638	33,071,545,198	23,418,783,850	38,992,842,638	33,071,545,198	23,418,783,850
Net assets value per share		250	259	361	247	256	356

Chhetra Bahadur Sejuwal
Chairman

Bishnu Prasad Nepal
Director

Dr. Yogendra Kumar Karki
Director

As per our reports attached

Manoj Basnet
Director

Govinda Prasad Bhattarai
Director

Ghanashyam Awasthi
Director

Dr. Indira Shrestha Maskey
Director

Joshi and Bhandari
Chartered Accountants
and
K.A.S Associates
Chartered Accountants

Anil Kumar Upadhyaya
Chief Executive Officer

Purna Prasad Acharya
Act. Deputy General Manager

Yagya Prakash Neupane
Department Head
Finance and Accounts Department

Agricultural Development Bank Limited
Consolidated Statement of Profit or Loss
For the year ended 31 Asar, 2075

Particulars	Note	Group		Bank	
		Current Year	Previous Year	Current Year	Previous Year
Interest income	4.29	13,603,921,165	11,210,913,378	13,603,751,750	11,210,152,686
Interest expense	4.30	6,967,926,652	4,224,871,172	6,966,285,982	4,224,871,172
Net interest income		6,635,994,513	6,986,042,206	6,637,465,768	6,985,281,514
Fee and commission income	4.31	949,765,312	939,207,607	949,765,312	939,207,607
Fee and commission expense	4.32	6,055,692	3,898,730	6,055,692	3,898,730
Net fee and commission income		943,709,620	935,308,877	943,709,620	935,308,877
Net interest, fee and commission income		7,579,704,133	7,921,351,083	7,581,175,387	7,920,590,392
Net trading income	4.33	188,129,126	137,768,271	188,129,126	137,768,271
Other operating income	4.34	44,566,590	506,244,467	45,980,244	507,409,454
Total operating income		7,812,399,849	8,565,363,821	7,815,284,758	8,565,768,116
Impairment charge/(reversal) for loans and other losses	4.35	(822,352,826)	636,667,048	(822,352,826)	636,667,048
Net operating income		8,634,752,675	7,928,696,773	8,637,637,584	7,929,101,069
Operating expense					
Personnel expenses	4.36	3,063,307,295	3,213,075,466	3,060,562,431	3,210,422,793
Other operating expenses	4.37	713,081,622	687,089,945	712,317,761	686,720,728
Depreciation & Amortisation	4.38	131,963,859	153,793,136	131,930,099	153,777,205
Operating Profit		4,726,399,899	3,874,738,226	4,732,827,292	3,878,180,343
Non operating income	4.39	324,013,935	342,704,296	235,825,089	269,937,252
Non operating expense	4.40	4,320,392	3,397,278	4,320,392	3,397,278
Profit before income tax		5,046,093,441	4,214,045,244	4,964,331,989	4,144,720,317
Income tax expense	4.41	1,535,604,678	1,247,624,888	1,522,008,193	1,171,439,780
Current Tax		1,513,828,032	1,264,213,573	1,500,231,548	1,188,028,466
Deferred Tax		21,776,646	(16,588,686)	21,776,646	(16,588,686)
Profit for the year		3,510,488,763	2,966,420,357	3,442,323,796	2,973,280,536
Profit attributable to:					
Equity holders of the Bank		3,510,842,291	2,966,582,296	3,442,323,796	2,973,280,536
Non-controlling interest		(353,528)	(161,940)	-	-
Profit for the year		3,510,488,763	2,966,420,357	3,442,323,796	2,973,280,536
Earnings per share					
Basic earnings per share		37.44	37.25	36.64	37.35
Diluted earnings per share		37.44	37.25	36.64	37.35

Chhetra Bahadur Sejuwal
Chairman

Bishnu Prasad Nepal
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As per our reports attached

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Act. Deputy General Manager

Yagya Prakash Neupane
Department Head
Finance and Accounts Department

**ANALYSIS OF FINANCIAL PERFORMANCE OF SELECTED COMMERCIAL
BANK IN NEPAL**

A Thesis Proposal

By

Sami Balami

Central Department of Management

Roll No.: 799/16

Campus Roll No.: 176/2072/74

T.U. Regd:- 7-2-789-72-2012

Submitted in partial fulfilment of the requirements for the degree of

Master of Business Studies (MBS Semester)

in the

Faculty of Management

Tribhuvan University

Kirtipur, Kathmandu

September, 2019

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CHAPTER I

INTRODUCTION

1.1 Background of the Study

Financial sector is the backbone of economy of a country. It works as a facilitator for achieving sustained economic growth through providing efficient monetary intermediation. A strong financial system promotes investment by financing productive business opportunities, mobilizing savings, efficiently allocating resources and makes easy the trade of goods and services. Several studies have reported that the efficacy of a financial system to reduce information and transaction costs plays an important role in determining the rate of savings, investment decisions, technological innovations and hence the rate of economic growth.(Jha & Hui , 2012)Performance means different things to different stakeholders in a bank. For example, depositors are interested in a bank's long-term ability to look after their savings; their interests are safeguarded by supervisory authorities. Equity holders, for their part, focus on profit generation, i.e. on ensuring a future return on their current holding. (Haile, Getacher, & Tesfay, 2014)

Financial performance is a subjective measure of how well a firm can use assets from its primary mode of business and generate revenues. This term is also used as a general measure of a firm's overall financial health over a given period of time, and can be used to compare similar firms across the same industry or to compare industries or sectors in aggregation. (Investopedia)The most common liquidity ratio is the current ratio, which is the ratio of current assets to current liabilities. This ratio indicates a company's ability to pay its short-term bills. Companies can improve the current ratio by paying down debt, converting short-term debt into long-term debt, collecting its receivables faster and buying inventory only when necessary.

Solvency ratios indicate financial stability because they measure a company's debt relative to its assets and equity. A company with too much debt may not have the flexibility to manage its cash flow if interest rates rise or if business conditions deteriorate. Profitability ratios indicate management's ability to convert sales dollars into profits and cash flow.The common ratios are gross margin, operating margin and net

income margin. Two common efficiency ratios are inventory turnover and receivables turnover. (Chron, 2018)

Management of liquidity and solvency ratios are vital for the commercial banks as it associated with their performances and reputations, especially with profitability ratios. If the banks have poor liquidity conditions, the regulators will penalize them and therefore it becomes imperative for the banks to keep a sound liquidity arrangement

The present study attempts to evaluate the financial performance of selected Nepalese commercial banks using the financial ratios, and also examines the impact of liquidity, solvency and efficiency on the profitability of the selected Nepalese commercial banks. The study will show the financial performance of the commercial banks which will help policy makers, regulator, Governments and other stakeholders to devise targeted policies and regulations that will dynamically stimulate the growth and sustainability of the commercial banks in the country.

1.2 Statement of the Problems

The main objective of the bank is to collect deposits as much as possible from the customer and to mobilize into the most profitable and preferable sector. The present study basically focuses on the financial performance of the commercial bank of Nepal. In Nepal many banks and financial companies have opened up within a span of few years. Although banks have managed to perform better than other commercial banks within the short period of time they have been facing a neck competition against one another. Therefore, it is necessary to analyze the financial performance of commercial bank, because analysis tells companies how they are performing in different areas of the business. Thus, the present study seeks to explore the financial performance of commercial banks of Nepal.

Thus, on the basis of problem statement, the research questions that will be addressed are:

1. What are the status of liquidity, leverage, efficiency and profitability ratio of the banks?
2. What is the overall financial position of the selected sample banks?

3. What are the trend and relation of total loan and advance, total deposit and net profit of the selected sample banks?

1.3 Purposes of the Study

Based on the research question, the objective of the study can be listed as:

1. To identify the status of liquidity, leverage, efficiency and profitability ratio of the banks.
2. To analyses the comparative study of financial position of the selected sample banks.
3. To examine the trend and relations of total loan and advance, total deposit and net profit of the selected sample banks

1.4 Significance of the Study

Present study is very important from the point of view of bank management. The main strategy of every commercial bank is to establish the better financial position, which has directly impacted the financial performance of an organization. Beside it helps to build positive attitude and perceptions non customer that helps to make the organizational successes in terms of better transaction, better turnover and better profitability most of the earlier researches were focused on financial performances of bank but few researches were focused on financial position of bank.

1.5 Limitations of the Study

The limitation of the study is as follows:

- a) The whole study is based on secondary data such as financial statement and financial report of commercial bank.
- b) This study will analyze and evaluate the data of the latest ten years period.
- c) The analysis will be done considering three commercial banks only.

CHAPTER – II

LITERATURE REVIEW

Berger and Humphrey (1997) indicated that, evaluating the performance of a financial institution can inform government policy by assessing the effects of deregulation, mergers and market structure on efficiency. Bank regulators screen banks by evaluating banks' liquidity, solvency and overall performance to enable them to intervene when there is need and to gauge the potential for problems. On a micro-level, bank performance measurement can also help improve managerial performance by identifying best and worst practices associated with high and low measured efficiency. Samad(2004) examined the performance of Bahrain's commercial banks with respect to credit (loan), liquidity and profitability positions and found that the commercial banks are relatively less profitable and have less liquid and exposed to risk.

Tarawneh (2006) in his study measured the performance of Oman commercial banks using financial ratios and ranked the banks based on their performance. The study utilized financial ratio analysis to investigate the impact of asset management, operational efficiency and bank size on the performance of Oman commercial banks. The findings indicated that bank performance was strongly and positively influenced by operational efficiency, asset management and bank size.

A study conducted by Jha & Hui (2012) compared the financial performance of different ownership structured commercial banks in Nepal based on their financial characteristics and identified the determinants of performance exposed by the financial ratios, which were based on CAMEL Model. Eighteen commercial banks for the period 2005 to 2010 were financially analyzed. In addition, econometric model (multivariate regression analysis) by formulating two regression models was used to estimate the impact of capital adequacy ratio, non-performing loan ratio, interest expenses to total loan, net interest margin ratio and credit to deposit ratio on the financial profitability namely return on

assets and return on equity of these banks. The results showed that public sector banks are significantly less efficient than their counterpart are; however domestic private banks are equally efficient to foreign-owned (joint venture) banks. Furthermore, the estimation results reveal that return on assets was significantly influenced by capital adequacy ratio, interest expenses to total loan and net interest margin, while capital adequacy ratio had considerable effect on return on equity.

A study conducted by Shakya (2010) analyzed different ratio of NSBI and EBL for the period of five years till fiscal year 2008. Here, in some cases the liquidity position of EBL is slightly stronger where as in some cases the ratio of NSBI is higher. It concludes that liquidity position of these two banks is sound. NSBI has better utilization of resource in income generating activity than EBL. They are on decreasing trends while interest earned to total assets and return or net worth ratio of EBL is better than NSBI. It seems overall profitability position of EBL is better than NSBI and both banks are highly leveraged.

Luintel (2003) conducted a study entitled “A Study on Financial Performance of Nepal Bank Limited”. The main objectives of the study was measure the comparative financial strengths and weakness and to analyze the banks performance under priority sectors of government. The study pointed out that the bank seemed to be unable to utilize its high cost resources in high yielding investment portfolio. Due to the bank’s failure in collecting earned interest and matured loan, it has suffered continues loss. Liquidity position of the bank is also not satisfactory during this study period. This study also found that bank has not followed any policy regarding long-term debts, total debts and total deposit ratios. This study concluded that the financial position of the NBLs is worse during the study period due to its failure to utilize its inefficiency in risk management

CHAPTER – III

RESEARCH METHODOLOGY

3.1 Research Design

Research design is the master plan of the research to achieve the objectives of the study. In this study, it will be used quantitative research methods based on descriptive analysis to perform this research study. The main aim of the research is to identify the financial performance of the commercial bank. Therefore, descriptive research design will be used for the study. The data and information collected will be rearranged, tabulated, analyzed, and interpreted according to the need of the study to attain the stated objective.

3.2 Data Source

It will be used secondary sources of data to facilitate the useful information for this study. It would be employed the secondary data sources for this study to get desired goals. Secondary data means the data that has been collected by scholar's and documented in articles, books and other publications. Secondary data is very useful for research with its significant advantages time saving and rapid accessibility.

3.3 Population and Sampling

All the 28 commercial banks of Nepal will be the population for the study. It is almost impossible to include the whole population in the study. Therefore, out of the total population 3 banks i.e. Himalayan Bank and Citizen International Bank and Agricultural Development Bank will be taken as a convenience sample for the study.

3.4 Method of Data Collection

Out of 28 commercial banks, ADBL, HBL and CZBIL will be selected as sample using the convenience sampling method. The sample size is a function of available data. The source of data collection will be secondary data. The data will be mostly collected from

the Nepal Rastra Bank's database. This database contains the detailed information on the financial performance of all commercial banks of Nepal compiled from various sources such as profit loss accounts and balance sheets, the annual reports and economic bulletin of the country.

Excel software will be used to calculate, analysis and interpretation of the data, the presentation and analysis of relevant though define course of research methodology with the financial and statistical analysis related of banks. Major findings of the study will also be included in thesis chapter.

3.5 Analysis of Data

Data analysis will be based on the objectives of the study and will be done using Microsoft excel to calculate the data to draw meaningful interpretation and conclusion. The data has will be collected from the bank's annual reports and published magazines concerned with sample bank's financial statement and analyzed by using;

- i. Ratio Analysis
- ii. Trend Analysis
- iii. Correlation Coefficient

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