

CHAPTER - I

INTRODUCTION

1.1 Background of the Study

Nepal is a least developed country situated between two well-developed countries like India and China, Nepal is a developing country in the world and has also increasing the trend of economic condition. The development of every country is always measured by its economic indices. Thus, every country has given emphasis on enlistment of its economy. Now a day, financial institutions are viewed as catalyst for the economic growth. The mobilization of domestic resources is one of the very factors in the economic development of a country.

It has been more than four decades ago that Nepal had lunched planned economic policy. But now it is actively trying to achieve the rapid pace of development through liberalization. To attend the rapid of economic development of the country, there should be good business environment for the establishment of corporation in the different sector of economy. Similarly for the proper and efficient utilization of resources it need its proper plan strategy, which is based upon ground reality. Plan and strategy development huge amount of capital investment is required.

Banks and financial institutions play its significant, role in the economic development of the country, as they are the main source of the capital for most of the investments from one sector to another whether it's big or small. Central bank almost governs all the functions of the financial institutions. Unlike the central bank, commercial bank is the profit oriented financial institutions. Mainstream function of the commercial bank is to mobilize the scattered saving of the public by providing the needy firms, industries and people to get the productive use. Being a profit oriented financial service providing institution, certain interest rate is given to the depositor and certain percent interest is charged by the bank in the loan facilities, which we call as the spread rate.

Profitability is the capacity to create profit. It shows the rate at which profit is growing. The percentage of input should be equivalent to the percentage of output. If it's not equivalent, it indicates that there is some predicament in the company.

Profit is the difference between revenues and expenses over a period of time. It is the ultimate output of the company and is the goal of each business concern, whether trading, commercial or industrial. A venture is undertaken only after an extremely careful assessment with regard to its profitability has been made and found satisfactory.

Probability is the indicator of the success of business in terms of figure from which the borrower assures the repayment of loan to the bank.

Profitability is a measure of efficiency and the search for it provides an incentive to achieve efficiency. Profitability also indicates public acceptances of the product and shows that the firm can produce competitively. Moreover, profits the money for repaying the debt incurred to finance the project and the resources for the internal financing of expansion. The profitability of a firm can be measured by its profitability ratio.

1.1.1 Bank and Economic Development

A bank is a financial institution. Financial institution plays an important role in accelerating the development by mobilizing saving and making investments in different enterprises of the National economy. This consequently helps in reducing poverty and increasing employment opportunities and they're by development the society and country as a whole. Cambridge International Dictionary of English has defined bank as, "An organization where people and businesses can invest or burrow money, change it to foreign money etc; or a building where these services are offered. Through the definition is vague bank can be describe as a financial institution on offering several financial services".

The primary goal of any country, like Nepal, is rapid economic development to promote the welfare of the people and the nation as well. Nepal is trying to embark upon the path, of economic development by economic growth rate and developing the sector of economy. So, the process of economic development depends upon capital formation and its proper utilization plays a paramount role. The increase in capital has always been a sort of prime mover in the process of material growth and the rate, if capital formulation has been the principal variable in setting the overall pace of economy. In this regard, the network of well-organized financial system of the country has great bearing. It collects scattered financial resources from the masses and invests them among those engaged in economic and commercial activities of the country. In this regard bank plays a vital role in accelerating the economic development of a country. The commercial banking system in Nepal is still in its infant stage as compared to other developed countries, however, the role of it in economic as well as industrial development and promotion of agriculture industry trade and commerce is immense. Bank is also playing a social role by providing loans in priority sectors, cottage and small-scale industries, production, credit for rural women, deprived sector credit program, micro credit program, etc. besides this, it has been providing necessary financial and technical support to develop national economy.

1.1.2 Origin of Bank in Nepal

Like other countries, landlords, moneylenders, merchant, goldsmith etc are the ancient bankers of Nepal. Through establishment of banking industry was very recent; some crude banking operations were in practice even in the ancient time. In the Nepalese chronicle, it was recorded that the new era known as Nepal Sambat was introduced by Shankhadhar, a Sudra merchant of Kantipur in 880 A.D. after having paid all the outstanding debts in the country. This shows the basis of money lending practice in ancient Nepal. The establishment of "Tejarath Adda" during the year 1877 A.D. was the first step in institutional development of banking sector in Nepal. Tejarath Adda did not collect deposit from public but granted loans to public against the collateral of bullions. Consequently the major

parts of the country remain untouched from these limited banking activities. The development of trade with India and other countries increase the necessity of the institutional banker, which can act more widely to enhance the trade and commerce and touch the remote non-banking sector in the economy. Reviewing this situation, the 'Udyog Parishad' was constituted in 1936 A.D. One year after its formulation, it formulated the 'Company Act' and 'Nepal Bank Act' in 1937 A.D. Nepal Bank limited was established under Nepal Bank Act in 1937 A.D. as a first commercial bank of Nepal with 10 million authorized capital. Being a commercial bank, it was natural that Nepal Bank limited paid more attention to profit generating business. But, it is the onus of government to look into neglected sectors too.

Having felt need of development of banking sector and to help the government formulate monetary policies, Nepal Rastra Bank was set up in 1956 A.D.[2013.01.14 B.S.] as a central under Nepal Rastra Bank Act 1956 A.D.[2012 B.S.]. Since then, it has been functioning as the government's Bank and has contributed to the growth of financial sector.

Being the central bank, NRB had its own limitation and reluctance of NBL to go to the un-profitable sectors was not illogical. To cope with these difficulties, government set up Rastriya Banijya Bank in 1966 A.D. [2022. 10.10 B.S.] as a fully government owned commercial bank. With the emergence of RBB, banking service spread to both urban and rural areas but customers failed to have taste of quality/ competitive service because of excessive political and bureaucratic interference. For industrial development, Industrial Development Center was set up in 1956A.D. [2013 B.S.] which was converted to Nepal Industrial Development Corporation [NIDC] in 1959 A.D. [2016 B.S.]. Similarly, Agricultural development Bank [ADB] was established in 1976 A.D. [2024.10.07] with an objective to provide agricultural products so that agricultural productivity could be enhanced through introduction of modern agricultural techniques.

After the restoration of democracy in Nepal, the government took the liberal policy in banking sector. As an open policy of the Nepal Government to get permission to invest in banking sector from private and foreign investor under

commercial bank act 1974A.D.[2013B.S.] , different private banks are getting permission to establish with the joint venture of other countries. Now a day, these are 25 commercial banks operating in Nepalese financial market.

Commercial Bank Act 1975 A.D. [2013B.S.] defined, “A commercial bank is one which exchange money, deposits money, accepts deposits, grants loans and performs. A commercial banking function which is not a bank meant for co-operatives, agriculture, industries or for such specific purpose.” [Commercial Bank Act 2013 B.S.]

At the present there are 25 commercial banks in Nepal. They are listed below:

S.N	Date of Operation	Name Of Banks	Central Office
1	1994/07/30	Nepal Bank Limited	Dharmapath, Ktm
2	2022/10/10	Rastriya Banijya Bank	Singh Durbar, Ktm
3	2024/11/07	Agricultural Development Bank Nepal	Ramshahapath, Ktm
4	2041/03/29	Nepal Arab Bank Limited	Kantipath, Ktm
5	2042/11/26	Nepal Investment Bank Ltd.	Durbarmarg, Ktm
6	2043/10/16	Standard Chartered Bank Nepal Ltd.	Newbaneshwore, Ktm
7	2049/10/05	Himalayan Bank Limited	Thamel, Ktm
8	2050/02/23	Nepal Bangladesh Bank Ltd.	Newbaneshwore, Ktm
9	2050/03/23	Nepal SBI Bank Limited	Hattisar, Ktm
10	2051/07/01	Everest Bank Limited	Lazimpat, Ktm
11	2051/11/28	Bank Of Kathmandu Ltd.	Kamaladi, Ktm
12	2053/06/28	NCC Bank Limited	Siddharthanagar, Rupandehi
13	2055/04/01	Lumbini Bank Limited	Narayangadh, Chitwan
14	2055/04/05	NIC Bank Limited	Biratnagar, Morang
15	2057/06/07	Machhapuchchhre Bank Ltd.	Prithivichowk, Pokhara

16	2057/12/21	Kumari Bank Limited	Putalisadak, Ktm
17	2058/12/21	Laxmi Bank Limited	Adarshanagar, Birjung
18	2059/09/09	Siddhartha Bank Limited	Kamaladi, Ktm
19	2063/09/18	Global Bank Limited	Parsa, Birjung
20	2064/01/07	Citizens Bank International Ltd.	Kamaladi, Ktm
21.	2064/06/07	Prime Commercial Bank Ltd	New road Ktm.
22	2064/06/25	Bank of Nepal Ltd.	Tripureshowar, Ktm
23	2064/06/25	Sunrise Bank Ltd.	Gairidhara, Ktm
24	2053/08/11	Nepal Merchant Bank Ltd.	Babarmahal, Kathmandu
25	2057/09/07	Development Credit Bank Ltd.	Kamaladi, Kathmandu

Source: Nepal Rastra Bank, 2065

1.2. Brief Introduction of Selected Banks

1.2.1 An Introduction of Nabil Bank

Nabil Bank Limited, the first foreign joint venture bank of Nepal, started operations in July 1984 under a technical service agreement with Dubai Bank Limited, which later merged with Emirates Bank International Limited, Dubai. Today, 50% of Nabil shares are owned by N. B. (International) Limited, 10% by Nepal Industrial Development Corporation, 9.67% by Rastriya Beema Sansthan, 0.33% by Nepal Stock Exchange Limited and the remaining 30% by Nepalese public.

Nabil was incorporated with the objective of extending international standard modern banking services to various sectors in the kingdom. Pursuing its objective today Nabil provides a full range of commercial banking services through its 18 points of representation across the kingdom and over 170 reputed correspondent banks across the globe. Nabil has been a pioneer in introducing many innovative products and marketing concepts in the domestic banking sector - computerized banking environment, issuance of credit cards and advanced

financial products like consortium financing to name a few. Nabil represents a milestone in the banking history of Nepal as it started an era of modern banking with customer satisfaction measured as a focal objective while doing business. The success story of Nabil soon paved the way for the establishment of many other commercial banks and financial institutions.

Operation of the bank including day-to-day operations and risk management are managed by highly qualified and experienced management team. Bank is fully equipped with modern technology which includes ATM's, credit cards, state-of-art, and world renowned software from Infosys Technologies System, Bangalore, India, Internet Banking system and Tele Banking system.

A) Products and Services

i) Loan

Loans are a very common kind of lending. Nabil has various loan products to cater to its customers.

- Working Capital Loan
- Fixed Capital Loan
- Import Loan
- Bills Discounting Facility Under Supplier Credit
- Export
- Hire purchase
- Project Finance
- Mortgage Loan
- Loan Against Deposit & govt. Securities
- Housing Finance
- Auto Finance Nabil Property
- Personal Finance

ii) Trade Finance

It is a mode for financing which includes letter of credits, drafts, receivables etc. Trade finance services provide by Nabil Bank is;

- Import LC
- Export LC
- Forward Contract
- Bid Bond Performance Bond
- Counter guarantee
- Advance payment Guarantee
- Shipping Indemnity

iii) Deposit

Deposits are the main sources of fund for lending activities of the banks. Nabil bank has maintained different types of deposits accounts with different varieties of facilities in each account.

- Current
- Call
- Time
- Normal
- Provident Fund
- Retirement Fund

iv) Remittance

It is the process of sending money to someone at a distance whether in cash or equivalent such as checks, drafts and other negotiable instruments. The remittance service provided by Nabil Bank is follows:

- Swift Transfer
- Western Union

- E-Remittance (Qatar, Doha)
- Traveler's Check
- Bank Draft
- Mail Transfer
- Anywhere Branch Banking

v) Cards & ATMs

To provides enhance services to customers and foreign visitors, Nabil has offer many card and ATM facilities.

- Master Card Local
- Master Card International
- Visa Electron/ATM Card
- Nabil Prepaid Card
- Acquiring Business

vi) E-Banking

To fulfill the commitment to do the 'bank of first choice Nabil has also provided E-Banking facilities.

- Nabil Net; Internet Banking System
- Nabil Tele; Telephone Banking System

vii) Others

Nabil also provide other kind of facilities beside the products and services mentioned above.

- U.S. Visa fee
- Safe Deposit Locker
- Balance Certificate
- Advance Payment Certificate

B) Branches

Branches of Nabil Bank

S. No.	Name of Branch
1.	Nabil House, Kamaladi -Head Office
2.	Kantipath Branch
3.	New Road Branch
4.	Jorpati Branch
5.	Birjung Branch
6.	Powerhouse Chowk Branch
7.	Biratnagar Branch
8.	Lalitpur Branch
9.	Itahari Branch
10.	Butwal Branch
11.	Bhalwadi Branch
12.	Pokhara Branch
13.	Bhairahawa Branch
14.	Nepalgunj Branch
15.	Lakeside Branch, Pokhara
16.	Dharan Branch
17.	Maharajagung Branch
18.	Tripureshowr Branch, UWTC Building
19.	Hetauda Branch
20.	Baglung Branch
21.	Gorahi Branch
22.	Tulsipur Branch

23. Dhangadi Branch
24. Mahendranagar Branch
25. Narayangath Branch
26. Damak Branch
27. Birtamod Branch
28. Exchange Counter, Tribhuvan International Airport

1.2.2 An Introduction of Everest Bank Limited (EBL)

Everest Bank Ltd. was registered under the Company Act 1964 in 19th November 1993 (2049/09/03) and started banking transaction in 16th October 1994 (2051/07/01). The promoter of the bank decided to join hands with an Indian bank and entered into joint venture agreement in January 1997 AD with Punjab National Bank (PNB), which is one of the leading commercial bank of India, having over 100 years of successful banking experience and known for its strong system and procedure. A team of professionals deputed by PNB are under this arrangement. Now, the bank 14 branches including main branch (i.e. head office) in Nepal. The bank has been conferred with “Bank of the Year 2006, Nepal” by the banker, a publication of financial times, London.

On equity holding PNB has 20% equity participation in its total shareholding and also has undertaken management responsibility under a technical service agreement and other balance is maintain by Nepali investor. Nepalese promoter holding 50% and rest 30% held by General Public. The main purpose of EBL is to extend professional banking services to various sectors of the society in the kingdom of Nepal and thereby contributing in the economic development of the country.

Everest Bank Limited was the first bank to introduce Any Branch Banking System (ABBS) in Nepal. All the branches of the bank are connected with ABBS which enables the customers to do all their transactions from any branches other than where they have their account. Everest Bank has introduced the Mobile

Vehicle Banking System to see the segment deprives of proper banking facilities through Birtamod branch, which is the first of its kind.

A. Products and Services

It provides following products and services to their customers:

- Cumulative Deposit Scheme
- Unfix Fixed Deposit
- Remittance
- ATM Facilities
- FC Deposit/ Lending
- Facilities of NRN
- Required Deposit Plan
- Telegraphy transfer (T.T)
- Letter of Credit
- Drawing Arrangement
- SWIFT Transfer
- Foreign Exchange
- International Trade and Bank Guarantees
- Merchant Banking

B. Branches of Everest Bank limited

Everest Bank Limited has several branches in the city and also outside Kathmandu, they are:

- **Central Office**
 -) Lazimpat- Kathmandu
- **Branches**
 -) New Road - Kathmandu

-) Teku - Kathmandu
-) New Baneshwor- Kathmandu
-) Pulchok - Lalitpur
-) Janakpur
-) Butwal
-) Birgunj
-) Biratnagar
-) Dhangadi-Kailali
-) Satungal, Kathmandu
-) Shimara
-) Dhuabi - Sunsari
-) Mangalpur- Rupandehi
-) Itahari,-Sunsari
-) Bhirawa-Rupendai
-) Chabil-Kathmandu
-) Naya-bazar (Balaju) – Kathmandu
-) Aawa road – Baglung
-) Surkhet road – Nepalgunj
-) Newroad-Pokhara
-) Dryport-Parsa

1.2.3 An Introduction of Standard Chartered Bank Nepal Limited

Standard Chartered Bank Ltd. (SCBNL) is the third commercial joint venture bank in Nepal, Which was established in 2043 B.S. as Nepal Grindlays Bank. Standard chartered bank of England, member of ANZ group of companies is the foreign joint venture partner with 50% of equity investment. The total paid up

capital of this bank was 100 million at the establishment of this bank, Nepal bank Ltd. invested 35% of the shares of standard chartered bank Ltd. and remaining 15% of capital collected from public by issue of ordinary shares.

From 2000 A.D. standard chartered (PLC) buy the Grindlays business from ANZ group of company in Middle East and south Asia. Nine branches of SCBN Ltd. including head office are currently operating. Out of them 4 are inside the valley and 5 are outside the valley. Standard chartered bank Nepal Ltd. is providing different types of deposits & lending schemes.

The bank has successfully completed 20yrs of its operation in Nepal in January 2007. The global network of Standard Chartered Group gives the Bank a unique opportunity to provide truly international banking in Nepal. With 15 points of representation and 16ATMs across the kingdom and with around 350 local staffs, STBNL is in a position to serve its customers through a large domestic network.

The Bank believes- “A satisfied customer is our most valuable Award”. The Bank has been the pioneer in introducing ‘customer focused’ products and services in the country and aspires to continue to be a leader in introducing new products in delivering superior services. It is the first Bank in Nepal that has implemented the Anti-Money Laundering policy and applied the ‘Know Your Customer’ procedure on all customer accounts.

A) Products & Services

Standard Chartered Bank Nepal Limited offers a full range of banking products and services in Wholesale and Consumer banking, catering to a wide range of customers encompassing individuals, mid-market local corporate, multinationals, large public sector companies, government corporations, airlines, hotels as well as the DO segment comprising of embassies, aid agencies, NGOs and INGOs.

Main Products are:

-) Letters of Credit Import/Export

- J Working Capital Loans
- J Medium Term facilities
- J Loan Syndications
- J Consumer Finance
- J Money transfer/Remittance
- J Deposit services
- J Credit Card services
- J ATM services
- J Foreign Exchange Services

Broadly these products are categorized into wholesale Banking and Personal Banking.

Wholesale Banking:

- J Trade Finance
 - o Letters of credit: Issuance and acceptance
 - o Guarantees: Issuance and acceptance
- J Commercial Lending (Working Capital)
- J Term Lending
- J Loan Syndication
- J Forward Exchange Rates
- J Electronic Banking
- J Cash Management
- J Domestic payment solutions
 - o Operating Accounts
- J Liquidity Management
- J Quick Collection Services
 - o Quick Collection Services
 - o Quick Payment Services

-) Cheque writer
-) Outward telegraphic transfers

Personal Banking:

-) Current, Savings, Call and Term Deposit Accounts in Local & Foreign currency
-) Access Plus Account
-) Grameen Prathamik Karza
-) Fund Transfer Services - Local & International - Drafts, SWIFT, Quick Payment Service
-) Credit Card Services - Issuance & Acquiring
 - Visa Silver Credit Card
 - Utility Bill payment Service Card
 - Insta Buy Card
-) 24 Hour ATM services - SCBNL debit card, VISA and Master Card
-) USD Prepaid Card
-) Secure Living (Bancassurance)
-) Safe Deposit lockers
-) Foreign Exchange Services - Issuance/purchase of Travelers Cheques
-) Xtra Banking - 365 days banking from Lazimpat, Lalitpur Branches, Birtanagar & Pokhara
-) Priority Banking; Home Banking
-) Auto Loan
-) Home Loan (Loan Purchase, construction, ready built & loan against property)
-) Personal Loan
-) SMS Banking
-) Corporate Employee accounts

B) Branches Standard Chartered Bank Nepal Limited

Branches of Standard Chartered Bank

SN	Branches	Location
1.	Head Office	Naya Baneshwor, Kathmandu
2.	Lazimpath Branch	Lazimpath, Kathmandu
3.	Lalitpur Branch	Jawalakhel, Kathmandu
4.	Biratnagar Branch	Main Road, Biratnagar
5.	Pokhara Branch	Lakeside Baidm, Pokhara
6.	Dharan Branch	Buddha Marga, Dharan
7.	Bhairahawa Branch	Burmeli Tole, Bhairahawa
8.	Heatauda Branch	Bank Road, Heatauda
9.	Butwal Branch	Milan Chowk, Butwal
10.	Nepalgunj Branch	Surkhet Road , Nepalgunj
11.	Pokhara Branch	New Road, Pokhara
12.	UN Counter	UN Building, Pulchowk
13.	B.P. Koirala Institute of Health Sciences	Dharan
14.	British Gorkhas PPO	Pokhara
15.	Manipal Counter	Manipal Hospital, Fulbari, Pokhara

1.2.4 Introduction of Nepal Investment Bank Limited (NIBL)

Nepal Investment Bank Ltd. (NIBL), previously Nepal Indosuez Bank Ltd. was established in 1986 as a joint venture between Nepalese and French partners. The French partner (holding 50% of the capital of NIBL) was Credit Agricole Indosuez, a subsidiary of one the largest banking group in the world.

With the decision of Credit Agricole Indosuez to divest a group of companies comprising of bankers, professionals, industrialists and businessmen, has acquired on April 2002 the 50% shareholding of Credit Agricole Indosuez in Nepal Indosuez ltd.

The name of the bank has been changed to Nepal Investment Bank Ltd. Upon approval of bank’s Annual General Meeting, Nepal Rastra Bank and Company Register’s office with the following shareholding structure.

Present Capital Structure of NIBL

Present Capital Structure of NIBL

Share Capital & Reserves:	Amount in NRs.
Authorized Capital	1,000,000,000
Issued equity capital	801,352,600
Paid up equity Capital	801,352,600

Source: Annual Report of NIBL, 2008

Promoters/Shareholders

Share Holding Pattern [In Percent]

1. Organized Institution	50%
2. Financial Institutions	15%
4. Commercial Bank	15%
5. General Public	20%
Total	100%

Source: Annual Report of NIBL, 2008

Awards and Achievements

‘The Banker’, the publication of the Financial Times, London has honored the Nepal Investment Bank as “Bank of the Year 2003”. The banks achieved “Bank of

the Year 2005” and “Bank of the Year 2008” it is a matter of prestige to be a leading bank of the country.

A. Products and Services:

❖ **Deposits:** NIBL offers the various deposit facility as Saving, Current and fixed deposit and the special deposit scheme as Ezee saving scheme has been launched already in all the branches of the NIBL for the attraction of the Customers.

- Current Deposit
- Saving Deposit
- Fixed Deposit
- Ezee Saving (with minimum balance of 50,000 with exclusive free services)

The new scheme of NIBL for opening new saving account in just Rs1. with the international quality of service seems quite competitive as adapted for promoting the banking habits to the customers.

❖ **E-Banking:** NIBL has introduced new e-Banking service, which allows its customers to avail online banking transactions from any part of the world. With the change in technology, Nepal Investment Bank Ltd, more than ever, felt the need for banking convenience for its clients. Customers can now access and have full control over accounts 24 hours 7 days a week.

❖ **Premier Banking:** An executive lounge in the main office building first floor to cater to all banking needs of the customers including the services of tea, coffee, cold drinks. A dedicated account officer exclusively for the Cell. Free consultancy services of professional experts on insurance, taxation, travel & tours and legal matters through prior appointments including free services for payment of utility bills.

❖ **ATM:** NIBL has 30 Automated teller machine for the effective service to the customer in its different branches as well as in the commercial area

open for 24 hours a day. Money can be deposited in its ATM (Only at Durbar Marg, Pulchowk, Narayangardh and Bhatbhateni ATMs) with the features of Fast Cash, Statement request., Cheque pad request., Mini Statement., Balance Inquiry, Pin Change, NTC Mobile Bill Payment ,NTC Pre-paid Mobile Recharge

- ❖ **NTC Mobile Bill Payment:** Mobile bill can be paid using utility payment facility provided in its e-banking service. All need to do is sign in and pay from anywhere at anytime.

- ❖ **Loan & Advances:** NIBL has facilitated its customers with the various natures of financing as per of its customers requirement.
 - a. Overdraft (Corporate And Multinational)
 - b. Working Capital / Short term Loan
 - c. 90 Days Cash Credit
 - d. Term Loan
 - e. Export Credit
 - f. Trust Receipt / Importer's Loan
 - 120 Days
 - 150 Days
 - g. Term Loan
 - h. Export Credit
 - i. Overdraft
 - j. Working Capital Short Term Loan
 - k. Trust Receipt Importer's Loan
 - 90 Days
 - 120 Days
 - l. Priority Sector Loan
 - m. Deprived Sector

- n. Hire Purchase Loan
 - o. Loan Against Govt. Bonds
 - p. Loan Against 1st Class Bank Guarantee
 - q. Loan Against Fixed Deposits held with our Bank
 - r. Loan Against Pledge of USD
 - s. Housing Loan (Up to 5yrs)
 - t. Housing Loan (Above 5yrs)
- ❖ **Credit Card:** A Credit Card is a payment card, which enables with the option of making purchases on credit. NIBL has innovated its card service in the form of Visa Credit cards. For a frequent traveler, it is very convenient to carry the Bank's International Credit Card and avoid the problems of foreign exchanges
 - ❖ **Debit card:** NIBL has always provided innovative, enhanced and world-class products and services to its customers. NIBL first Visa Electron Debit Card in Nepal, thereby providing its valued customers with further flexibility in payment.
 - ❖ **Safe Deposit Locker**
 - ❖ **365 Days Services**
 - ❖ **Other services**
 - Any Branch Banking
 - Funds Transfer
 - Bank Guarantees
 - Clearing/Collection
 - Trade Finance
 - Remittances
 - Export credit
 - Bills Purchase
 - Tele banking service

B. Branches of Nepal Investment Bank Ltd.

Branches of NIBL

S.N.	Branches	Location
1.	Kathmandu Head Office	Durbar Marg, Kathmandu
2.	Pulchowk Branch	Pulchowk, Lalitpur
3.	Birgunj Branch	Adarshanagar, Birgunj
4.	Sipadole Branch	Sipadole, Bhaktapur
5.	Jeetpur Branch	Jeetpur, Bara
6.	Banepa Branch	Banepa ,Kavre
7.	New Road Branch	New road, Kathmandu
8.	Biratnagar Branch	Golcha Chowk ,Biratnagar
9.	Butwal Branch	Traffic Chowk, Butwal
10.	Bhairahawa Branch	Maitri Road , Bhairahawa
11.	Putalisadak Branch	Putalisadak, Kathmandu
12.	Pokhara Branch	Chiple Dhunga ,Pokhara
13.	Narayangarh Branch	Pulchowk, Narayangarh
14.	Kalimati Branch	Kalimati, Kathmandu
15.	Thamel Branch	Thamel, Kathmandu
16.	Janakpur Branch	Mills Area, Janakpur
17.	Nepalgunj Branch	Dhamboj, Nepalgunj
18.	Gongobu Branch	Gongobu, Kathmandu
19.	Battisputali Branch	Battisputali, Kathmandu
20.	Birtamod Branch	Traffic Chowk, Birtamod,

1.3 Statement of the Problem

A commercial bank is essentially a dealer in money. It is a financial institution, which receives deposits from public and invests it to business and enterprises against approved securities at certain rates of interest. Higher the investment on loans and advances higher will be the profit. Since investment is the major source of earning, the bank should invest as much as possible on loans and advances. But there are two major problems in front of economy, first to mobilize the greatest amount of saving for the development of the country and second, the collected saving have to be channalised in the productive sector in a planned way. The objective of domestic resource mobilization is essentially to finance development expenditure. Therefore, it is a great concern to our community to accumulate idle resource of the country and utilize them into productive uses and involve in development activities. On the one hand there is capital shortage in the country. It means, the financial resources required for various development opportunities, are not sufficient. As a result commercial banks are not making effort to attract the saving. But on the other hand the real problem is concerned with the utilization of collected resources. Such resources are sometimes looked up and not forwarded to desired sector of the country. Thus a gap exists between the deposits collected and amounts spent on loan and advancement.

Although, joint venture banks are operationally more efficient, having better performance while comparing with local banks, but they face many problems. The main focus of statement of the problem will be toward the profitability analysis of Nabil Bank Ltd, Everest Bank Ltd., Standard Chartered Bank Nepal Ltd. and Nepal Investment Bank Ltd., one of the well-known joint venture banks, especially in the collection of deposit and their utilization. The present study helps to evaluate the profitability with financial performance and efficiency of Nabil Bank Ltd, Everest Bank Ltd. Standard Chartered Bank Nepal Ltd. and Nepal Investment Bank Ltd. in utilizing the funds that are collected from public and shows how the banks has been managing its position in relation to liquidity, activity, profitability, capital structure and capital adequacy.

1.4 Objective of the Study

The main objective of this study is to analyze the profitability of Nabil Bank Ltd, Everest Bank Ltd., Standard Chartered Bank Nepal Ltd. and Nepal Investment Bank Ltd. However following are the specific objectives of the study:

- a) To evaluate the trend of collection of funds and utilization of funds of selected commercial banks.
- b) To find out the profitability ratio under financial analysis of selected commercial banks.
- c) To evaluate the capital structures and capital adequacy position of selected banks.
- d) To show the correlation of total deposit, loans and advances, investment and total assets with net profit.
- e) To provide suggestion and recommendation, on the basis of analysis of financial performance, for the improvement of financial position of selected commercial 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. "In the present-day world in the developed and developing money economies, the vital process of production and consumption are significantly affected by the aggregate money supply consisting of the currency, demand and time deposit with banks"¹ In modern times, Since credit or bank money or credit rather than changes in the total supply of the high powered money issued by the reserve held by the bank against their deposit liabilities that account for changes in the aggregate money supply. Gone are the old days when commercial banks were regarded as merely purveyors of money. They are today not merely purveyors of money but are also the creators or manufacturers of money in the system. It is the banks that set the tempo of the aggregate economic activity in the system. The main goal of the banks as a

commercial organization is to maximize the surplus by the efficient use of its funds and resources. In spite of being a commercial institution, it too has a responsibility (obligation) to provide social service oriented contribution for the socio-economic enlistment to the country by providing specially considered loans and advancement towards less privileged sectors.

Hence, the study is needed to examine the financial performance of the bank especially in collection of deposits and utilization. This study will help to know the financial performance of Nabil Bank Ltd, Everest Bank Ltd., Standard Chartered Bank Nepal Ltd. and Nepal Investment Bank Ltd. So it will be useful for managers, shareholders, customers, public and student who would conduct further study on profitability analysis of Nabil Bank Ltd, Everest Bank Ltd., Standard Chartered Bank Nepal Ltd. and Nepal Investment Bank Ltd.

1.6 Limitations of the Study

As every study has been conducted within certain limitations, thus the present study has the following limitations:

- 1) This study is based only on the financial report i.e. Secondary data.
- 2) This study has covered a five-year period i.e. from 2060/61 to 2064/65.
- 3) The study has not paid attention towards the funds flow, cash flow pattern etc.
- 4) The data available in published annual reports have been assumed to be correct and true.
- 5) Only limited financial tools and technique are used for analysis, so this study may not be sufficient for depth analysis.

1.7 Organization of the Study

The whole study is divided into five main chapters. The *First Chapter* presents of introduction, statement of the problems, and objective of the study, scope of the study and limitation of the study.

The *Second Chapter* presents of review of literature. Review of related material like previous thesis, browser booklets, journals, articles and report, magazines etc will be done

The *Third Chapter* presents of research design, nature and source of data, method of data collection and method of analysis under research methodology.

The *Fourth Chapter* presents the collected data will be tabulated and analyzed by using various financial tools, mathematical and statistical tools under data presentation and analysis.

The *Fifth Chapter* presents of the brief summary of whole research report and conclusions. Its also provides some useful suggestion and recommendations to concerned parties.

CHAPTER - II

REVIEW OF LITERATURE

When researcher started to do research work, he/she should study different books, newspaper, magazine, journals, previous research work related to his/her topic, etc. to collect the necessary information. This process of studying different educational materials is known as review of literature. This chapter highlights the literature that is available in concerned subject as to my knowledge, research work, and relevant study on this topic, review of journals and articles and review of thesis work performed previously.

2.1 Conceptual Review

2.1.1 Financial Statement

Financial statements are the end product or out put of an accounting system designed and used in an organization. The inputs to this system are the business transactions or financial events taken place in the organization. These transactions or events are processed with generally accepted accounting principles and procedures in the course of their transformation into financial statements.

Financial statements include two basic statements: The income statement or profit and loss account and the position statement or balance sheet. The income statement reveals the performance of the organization during a particular period of time with the ascertainment of net profit or loss after matching the costs with the revenues of the period. The balance sheet states the assets, liabilities and owner's equity at the date of its preparation. There are two other financial reports which are frequently used along with the basic financial statements: the statement of retained earnings and cash flow statement. The statement of retained earnings indicates the magnitude and causes of changes in the firm's retained earnings due to the years activities.

Financial statement and reports provide information regarding the operating performance, financial health and the direction chosen by the firm to the different users of information both external and internal. Users of accounting information generally are; owners, management, creditors, investors, researcher, government, customers, employees, trade union etc.

The limitations of financial statements

- a) Financial statements are based on historical cost of transactions involved. Unless an adjustment is made on them for general price level change over the period, they do not portray the current state of being.
- b) Financial statements are prepared based on the monetary involvement of the events or transactions. Events with no monetary involvement but having long-term implications on the performance and financial position of an organization like entry and exit of competitors; quality of the management team; cordiality, competency and commitment of employees etc. have no say in financial statements.
- c) Financial statements incorporate several estimates made by different persons involved in the process. Selection of a particular method of charging depreciation, valuing closing stock, treating research and development expenditure etc. over the other method can influence the financial statements with a wider margin.
- d) “Window-dressed” financial statements are of little use whatever the purpose behind such preparation might have been.
- e) Financial statements are merely interim reports, the actual and overall results being known only after the termination or closure of an organization.

2.1.2 Concept of Profitability

Profitability is the capacity to create profit. It shows the rate at which profit is growing. The percentage of input should be equivalent to the percentage of output. If it's not equivalent, it indicates that there is some predicament in the company.

Profit is the difference between revenues and expenses over a period of time. It is the ultimate output of the company and is the goal of each business concern, whether trading, commercial or industrial. A venture is undertaken only after an extremely careful assessment with regard to its profitability has been made and found satisfactory.

Probability is the indicator of the success of business in terms of figure from which the borrower assures the repayment of loan to the bank.

Profitability is a measure of efficiency and the search for it provides an incentive to achieve efficiency. Profitability also indicates public acceptances of the product and shows that the firm can produce competitively. Moreover, profits the money for repaying the debt incurred to finance the project and the resources for the internal financing of expansion. The profitability of a firm can be measured by its profitability ratio.

Profitability ratios can be determined on the basis of either sales or investments. The profitability ratios in relation to sales are (a) profit margin (b) operating ratio. Profitability in relation to investments measured by (a) return on assets (b) return on capital employed, and (c) return on shareholders' equity.

Profitability is a significant factor to be considered as it finds out whether the Company has been successfully operating or not. It's one of the main judgment factors to show the real worth of a Company or Organization for that matter.

2.2 Scenario of Commercial Bank

2.2.1 Concept of Commercial Bank

A bank is an institution, which deals in money, receiving it on deposit from customers, honoring customer's drawing against such deposit on demand, collecting cheque for customers and lending or investing surplus deposit until they are required for repayment.

Simply, commercial bank means the bank, which deals in exchanging currency, accepting deposit, giving loans and doing commercial transactions. According to black's Law Dictionary "Commercial bank means a bank authorized to receive both demand and time deposits, to engage in trust services, to issue letter of credit, to rent time deposit boxes, and to provide similar services."

According to commercial bank Act 2031 B.S.:

Commercial bank means a bank which operates currency exchange transactions, accepts deposits, provides loan: performs, dealing, relating to commerce except are banks which have been specified for the co-operative, agricultural, industry of similar other specific objectives.

Commercial banks are the major component in the financial system. They work as the intermediary between depositors and lenders and facilitate in overall development of the economy with major thrust in industrial development.

Commercial bank came into existence mainly with the objectives of collecting the idle funds, mobilizing them into productive sector and causing and overall economic development. The bankers have the responsibility of safeguarding the interest of the depositors, the shareholders and the society they are serving. A sound banking system is important because of the key roles it plays in the economy, intermediation maturity transformation, facilitating payments, flows, credit allocation and maintaining financial discipline among borrowers.

The main activities of commercial bank are as follows:

- i) Accepting various types of deposits from people, institution or company.
- ii) Providing loan to various productive sectors to earn a lot of profit from it.
- ii) Acting as agency functions.
- iv) Providing general utility functions.
- v) Providing overseas trending services.
- vi) Providing information and other services.

2.1.2 Role of Commercial Banks in the Development of the Economy

In fact, the development of a country is linked with the economic development of that country. Economic development is connected with banking system. Without economic development, there is no possibility of raising the living standard of the people of that place. A great amount of capital needs to be utilized for the economic development. It is possible to utilize a great amount of capital only with the medium of commercial banks. Thus, we can say that development of the commercial banking system is the backbone of the economic development.

Commercial banks play an important role in directing the affairs of the economy in various ways. The operation of commercial banks records the economic pulse of the country. The size and composition of their transactions reflect the economic happening in the country. Commercial banks have played a vital role in giving the direction of economic growth over the time by financing the requirements of industries and trade in that country. By encouraging the thrift among the people, banks have fostered the process of capital formation in the country. In the context of deposit mobilization, commercial banks include the savers to hold their savings in the form of bank deposits thus help bring the

scattered resources into the organized banking sector which and be allocated to the different economic activities. In this way, they help in country's capital assets formation. Through, their advances banks also help the creation of income out of which further saving by the community and further growth potentials emerge for the good of the economy. In a planned economy, banks make the entire planned productive process possible by providing funds to the public sector, joint sector or private sector of any type of organization. All employment income distribution and other objectives of the plan as far as possible subsumed into the production plan which banks finance.

The importance of commercial banks in directing the economic activities in the system is immense. Not only in the highly developed economics where the commercial and industrial activities are paralyzed in the absence of banks, even in the developing countries, most of the economic activities particularly or organized sectors are bank based. Therefore, in a nutshell, it can be said that the growth of the economy is tied up with the growth of the commercial banks in the economy.

2.3 Review of Related Studies

2.3.1 Review of Articles

In this section, effort has been made to examine and review of some related articles in different economic journal, discussion papers, magazines and other related books.

In the article of '*commercial banks comparative performance evaluation*' **Dr. Shrestha** the author has concluded about JVB as joint venture banks (JVB) are new operationally more efficient and having superior performance while comparing with local bank better performance of JVB is due to their sophisticated technology, modern banking method and skill. Their better performance is also due to burden the local banks are facing due to government banking policy in rural areas and financing public enterprises. Local banks are efficient and have expertise

in rural sector. But having a number of deficiencies local banks have to face growing constraints of socio economic and political system on one spectrum and that of issues and challenges of JVB commanding significant banking business on the other spectrum. He has further said that the government's liberalization policy also encourages the traditionally run domestic banks to enhance their efficiency and competitiveness through modernization mechanization via computerization and prompt customer service by setting them to the exposure of JVB.

In the article "*financial system of Nepal*" **Mr. Thapa** expressed his view that the commercial banks including foreign joint venture banks seen to be doing pretty well in mobilizing deposits. Like wise loans and advances of these banks are also increasing. But compared to the high credit needs particularly by the newly emerging industries the bank still seem to lack adequate funds. The banks are increasing their lending to non-traditional along with traditional sectors. He has also state that out of the commercial banks operating, NBL and RBB are operating with nominal profit, the later turning towards, negative from time to time, because of non recovery of accrued interest, the margin between interest income and interest expenses is declining. They have heavy burden of personal and administrative overhead. On the other hand, foreign joint venture banks are functioning in an extremely efficient way. They are making huge profit year after year. Because of their effective persuasion of loans recovery, overdue and defaulting loans have been limited resulting in high margins between interest income and interest expenses. At the end of this article, he concludes that by its very nature of public enterprise, domestic banks could not compete with the private banks, so only remedy to the problem is to handover the ownership as well as the management of these banks to the private hands.

In the article "*Nepal ma Baniya Bank Upalabdi tatha Chunanti*" (1991) **Mr. Pradhan** concluded some major issue in local banks in comparison to recently established joint ventures banks. The study deals with whole banking system of Nepal in respect to their performance and profitability. Some of his findings relevant to this study are given as:

The deposit collection rate of local banks is very poor in comparison JVBs.

The patterns of deposit are also different between these banks. The ratio of current deposits in local banks is 9.34% only, where the same as the joint venture banks is 52.5%. But the fixed deposit ratio is very high in local banks.

In the article, "*Banking the future on competition*" (2002) **Mr. Sharma** has found the same results that the all commercial banks are establishing and operating in urban areas which achievements are as follows:-

Commercial banks are establishing and providing their services in urban areas only. They do not have interest to establish in rural areas. Only the branch of Nepal Bank Ltd and Rastriya Banijya Bank Ltd are running in those areas.

- Commercial banks are charging higher interest rate on lending.
- They have maximum tax concession.
- They do not properly analyze the credit system.

According to him, "Due to the lack of investment avenues, banks are tempted to invest without proper credit appraisal and on personal guarantee, whose negative side effect would show colors only after four or five years." He has further included that private commercial banks have mushroomed only in urban areas where large volume of banking transaction and banking activities are possible.

2.3.2 Review of Books

I.M. Pandey in his book "Financial Management" has defined as "the financial statement provides a summarized view of the financial operation of the firm. Therefore, much can be learnt about a firm and careful examination of its financial statement as invaluable documents. The analysis of financial statement is thus important aid to financial analysis". To measure the bank's performance in many aspects, we should analyze its financial indicator with the help of financial statement.

In the word of **B.N. Ahuja** “Financial performance analysis is the study of relationship among the various financial factors in a business as disclosed by a single set of statement and a study of the trend of these facts as shown in a series of statement. By establishing a strategic relationship between the item of a balance sheet and income statement and others operative data, the financial analysis unveil the meaning and significance of such items.

According to **R.W. Metcalf and P.L Titard** “Financial performance analysis is a process of evaluating the relationship between components parts of financial statement to be obtained a better understanding of a firm’s position and performance.”

In the words of **Van Horne** “Financial ratio can be derived from the balance sheet and the income statement. They must be analyzed on a comparative basis. A comparison of ratio of the same firm over time uncovers leading clues in evaluating changes and trend in the firm’s financial condition and profitability. Ratio may also be judged in comparison with those of similar firms in the same line of business and when appropriate, with an industry average and we can look to further progress in regard”.

2.3.3 Review of Research Paper and Previous Thesis

Dhakal Tek Nath (2001), conducted as study on “*A comparative study of Financial Performance of Nepal SBI Bank Ltd. and Nepal Investment Bank Ltd. (NIBL)*”.

The research findings of the study are as follows:

- NIBL’s liquidity position is comparatively better than of Nepal SBI Bank Ltd. The current assets of these banks are adequate to discharge current liabilities.
- Nepal SBI Bank Ltd. is utilizing deposits more efficiently on loan and advance, investment and total outside assets than NIBL. Income generating assets of NIBL are higher than that of Nepal SBI Bank Ltd.

- Long-term debt to shareholders fund ratio, total debts to shareholders fund ratio, total debt to total assets ratios of Nepal SBI Bank Ltd. are greater than that of NIBL, which refers to the fact that Nepal SBI Bank Ltd.'s capital structure is more riskier than NIBL's.
- Banks are maintaining adequate capital funds to safeguard their depositors. Comparatively, NIBL has better position than Nepal SBI Bank Limited.
- Total interest earned to total outside assets ratio, return on risky assets ratio, return on shareholders fund ratio and return on total assets ratio of NIBL are better than Nepal SBI Bank Ltd. NIBL is adopting more aggressive lending investment and borrowing policy to generate more profits.
- Higher EPS of NIBL than Nepal SBI Bank Ltd. shows the effective use of NIBL's owners' equity than Nepal SBI though its EPS is increasing faster enough.
- Higher DPS of NIBL than Nepal SBI Bank Ltd. indicates the better performance of NIBL. Dividend attracts the shareholders towards the enterprise which consequently helps to increase the market value of the shares.
- JVBs in Nepal are retaining higher percentage of earnings and distributing lower dividend. NIBL is performing well by increasing its DPR than Nepal SBI Bank Limited.
- P/E ratio is the market appraisal of the firm's performance. Higher P/E ratio is better for the owners. Nepal SBI Bank Ltd. has higher P/E ratio than Nepal Investment Bank Limited.
- Market value per share to book value per share ratio refers to the price paid by the investors for a rupee of share. The higher ratio of Nepal SBI Bank Ltd. than Nepal Investment Bank Ltd. refers to the better performance of Nepal SBI Bank Ltd.
- There is faster improvement and increasing trend in EPS, DPS, MPS, BVPS, P/E ratio, net profit, total deposit and loans and advances of Nepal SBI Bank Ltd. than Nepal Investment Bank Ltd. Some of the values for rate

of change are positive and some are negative in NIBL, which indicates higher fluctuation in actual figures in different variables.

Bohara Indra Bahadur (2002) has conducted thesis research on "*A Comparative study on investment Policy on Joint Venture banks and financial companies of Nepal*"

The major findings are as follows:

-) All the selected firms have not successfully been mobilization their deposits but the finance companies have mobilize their deposits smoothly in comparison with JVBs.
-) The profitability position of all finance companies was better than that of JVBs.
-) The liquidity position of all JVBs is comparatively better than that of finance companies.
-) There is significant relationship between deposit and loan and advance of BOKL. Similarly there is significant relationship between deposits and total investments, total assets and net profit of Kathmandu finance company.
-) The JVBs have less interest risk and capital risk in comparison to finance companies.

Rana Sajana (2004) has conducted thesis research on "*An investment policy of joint venture banks in Nepal*"

The major findings are as follows:

- ★ The mean ratio of investment of government securities to current assets of NB has been found lower than that of the other banks. Whereas, SCBNL has highest mean ratio in comparison with other banks. Likewise, NB's ratios are less homogenous.
- ★ The mean ratio of total investment to total deposit/ ratio of SBI has lowest than other on the other hand SCBNL has the highest mean ratio. Moreover Everest bank ratios are more consistent.

- ★ Investment on government securities to total financial investment ratios of NB has lowest mean ratio and SBNL has highest meant ratio. SBI'S ratios are homogenous and NB has less homogenous.
- ★ The mean ratio of investment on shares/debentures to total investment ratios of SCBNL has quite lowest ratio and NB highest. NB less homogenous ratio and NABIL has more homogenous ratio.
- ★ The trend value of all JVBs has an increasing trend. It means if other things remaining same, JVBs will increase their investment in future.

Singh Reshu (2005), conducted a study on the “*Financial performance of Bank of Kathmandu and NABIL Bank Ltd.*” She had conducted the following research findings:

- In compare with BOK, NABIL is doing well. NABIL has invested most of its capital in profitable sectors. NABIL and BOK both have meet the normal; standard current assets ratio to meet the short term obligation of its customers.
- NABIL suffers less from loan provision than BOK due to efficient loan policy.
- Due to NABIL has more deposits of non bearing interest, it has low interest to its depositors and gain the profit from this interest also. While, BOK’s interest bearing depositors are high and have paid the interest to them.
- To make the profit, BOK is taking a higher risk than NABIL by providing the higher portion of its deposit as a loan.
- During her study period, Altman’s 1st and 2nd model of bankruptcy clearly revels that NABIL has no chance to failure and financial position also strength. It earned more profit and able to pay dividend to its shareholders even though it is fluctuated. EPS of NABIL is also good in market. BOK is also trying to do its best to generate the profit as well as making the place in completion banking sectors.

Thapa Sarah (2005), conducted a study on the “*Financial Performance of Commercial Banks in Nepal: A comparative study of Nepal Bank Ltd. and NABIL Bank Ltd*”.

The research findings of the study are as follows:

-) The activity ratio measuring the efficiency achievement towards the income generating activities of the NBL. The bank should invest all the excess balance of liquid fund in income generating sector.
-) The net profit margin of NBL is negative which shows the bank is not able to utilize its deposit in profitable sector. It makes more problems to pay the interest of the depositors. So, the bank should invest its deposit in profit generation sectors, which could enhance the profit margin of the bank.
-) NBL should move towards the modern banking facilities and prompt service in each branch and provide incentive and new product to attract relative growth trend of deposit.
-) The NABIL is found to be centralized in urban areas. Since profitability is not only the sole objectives of the bank, it is recommended for NABIL to expand its branches in the rural areas for the upliftment of deprived communities as well as the economy of the nation. The joint venture banks are found to be interest to pay penalty than allocate priority sector credits. This negative attitude must be changed and devote oneself for uplifting the economic condition of the deprived community as its social responsibilities.
-) Banks are recommended to activate foreign technology and investment in Nepal by means of their wide international banking sector and make Nepalese personnel capable of operating these banks as efficiently as international banks.

Yadav Jibachha Prasad (2005) conducted a study on the “*A study on comparative Financial Performance Analysis of Joint Venture Banks in Nepal*”.

The research findings of the study are as follows:

-) Capital structure ratios of both banks are low. Debt portion is more used in NBBL but profitability position is lower than NABIL Bank Ltd.
-) Both banks should be developed separately research and training department so that they would be able to study different aspect of management and supply practical suggestions to develop as an innovative approach in bank management and bank operation.
-) The trends of total deposits, total investment, total income. Total expenses, total net income, interest expenses and interest earning of NBBL is exceptionally higher than NABIL Bank Ltd.
-) NBBL is more risky bank than NABIL Bank Ltd. so, researcher recommended that portfolio situation should be carefully examined from time to time. The varied rate of return should be verified in such a way that balances the conflicting goal of maximum yield and minimum risk.
-) It should be careful in increasing profit in real sense to maintain the confidence of shareholders, depositors and its customers. Comparatively NABIL profitability position is better than NBBL.

Panta Ishwori Prasad (2005) has conducted the study on “*Accounting Ratio Analysis: A comparative study of Everest Bank Ltd. and Nepal Industrial & Commercial Bank Ltd.*”

The research findings of the study are as follows:

-) As concerns to liquidity ratios, NICB is found in better position than EBL.
-) Relating to leverage ratios, EBL is found in a better position.
-) As regards to profitability ratios, EBL has come out with better achievement; NICB is also in the improving trend.
-) On account of other relevant ratios, NICB has been slightly well in comparison to EBL
-) With reference to total assets management, EBL has accomplished better performance.

-) As concerned to trend analysis of major balance sheet items, EBL has better outcomes.
-) Relating to trend analysis of major profit and loss account items also, EBL obtained more positive results.
-) With reference to trend analysis of cash flow items, in the first four years of the study period, NICB has better performance. In the last two year, both banks have witnessed net negative cash flows; that of EBL being less negative than NICB.
-) As regards to the investment trend, NICB has regular growth on study period even though EBL has greater investments than the former.
-) Regarding the trends in growth of total deposits, loan and advances and net profit, EBL has achieved slightly better efficiency.

Sthapit Sushma (2005) has conducted the study on “*Financial Performance of Nepalese commercial Banks in Nepal*”.

The research findings of the study are as follows:

- ◆ The liquidity position of SCBL has better than other five banks NABIL, BOK, Nepal SBI Bank, NIBL and HBL in respect of current ratio standard should be 2:1. Although, this standard can not be maintained by all commercial banks. HBL has lower current ratio than other five banks.
- ◆ Nepal SBI Bank has better position than other five banks in the case of cash and bank balance with respect to total deposits. In contrast, a high ratio of cash and bank balance may indicates the bank’s inability. Thus, in case of NABIL, HBL, NSBI, NIBL and BOK have invested their deposits fund in more productive sector like short-term investment, marketable securities etc. for improving their profitability.
- ◆ Cash and bank balance position with respect to deposits (excluding fixed deposit) in the case of NSBI has better performance against the readiness to serve its customer deposits than other five banks.

- ◆ NSBI has a high ratio of cash and bank balance percentage in respect of current assets. But other remaining five banks have low ratio than NSBI. NSBI's yearly average (19.44%) is higher than composite average (11.11%). Although, yearly average of BOK and NIBL have also covered more than composite average. In contrast, it is clearly seen that cash and bank balance percentage is lowest in case of SCBNL in comparison with other banks.
- ◆ Investment on government securities percentage in respect to current assets, in the case of SCBNL has certainly registered better than other five banks. In the case of NIBL, it has very low ratio with respect of current assets among the six banks.
- ◆ Net profit to total assets ratio in the case of SCBNL has registered better performance by utilizing its overall resources than other five banks. NSBI has low percentage ratio than the other five banks.
- ◆ In the case of SCBNL, it has registered more percentage in respect of net profit to total deposits ratio than other banks i.e. NABIL, BOK, NIBL, NSBI and HBL. Comparatively, SCBNL could earn more profit over the deposit amount than other five banks.
- ◆ SCBNL has appeared better achievement by mobilizing on resources of shareholders' equity than other five banks. This ratio reflects the profitability of the owner's investment of commercial banks. NSBI is not able to mobilizing shareholders equity than other five banks.
- ◆ Return on loan and advances in the case of SCBNL have appeared better achievement by mobilizing their loan and advances.
- ◆ Market price per share of SCBNL has occupied better performance in the competitive open market of investor expectation than other five banks, i.e. NABIL, HBL, NSBI, NIBL and BOK.
- ◆ In case of EPS, SCBNL has earned more profit to its shareholders last fifth year than other five banks. It has registered increasing trend of EPS during the study period.

- ◆ Price-earning ratio of commercial banks is generally fluctuating trend over the different fiscal years. NSBI has occupied better position with the respect to higher P/E ratio over the study period than other five banks. Therefore, NSBI reflects to the investors for confidence to their investment.
- ◆ Market prices to book value ratio of commercial banks are fluctuating trend over the last five different fiscal years. In the case of SCBNL has recorded highest position by securing high yearly average in the comparison of other five banks.
- ◆ Market rate of return of BOK is better than other five banks i.e. NABIL, SCBNL, HBL, NSBI and NIBL.
- ◆ The degree of relationship between deposits and loan and advances of the commercial banks are positive. Moreover, the coefficient of determination of BOK has registered higher value than other five banks.
- ◆ The degree of relationship between loan and advances and net profit of the all commercial banks are positive. Moreover, by considering the coefficient of determination of SCBNL has registered higher value than other five banks.

Choudhary Mukesh (2006) conducted as study on *"Investment Policy, a comparative study of Nepal Bangladesh Bank Ltd. & Himalayan Bank Ltd."*

The research findings of the study are as follows :

-) The liquidity position of NBBL is comparatively better than that of HBL.
-) The assets management ratio of NBBL is comparatively better than that of HBL and HBL has the highest proportion of non performing loan and advance than NBBL.
-) The profitability ratio of HBL is comparatively better than BBBL due o higher return on loan and advances ratio, return on equity ratio but HBL failed in total interest earned total outside ratio and total interest earned to total working fund ratio in comparison to NBBL.

-) The degree of risk is high in NBBL due to highest credit risk and interest rate risk, which shows that NBBL has greater risk in credit recovery and in interest recovery in comparison to HBL.
-) The trend of total deposit, total loan and advances, total investment and net profit of HBL is comparatively better than NBBL. But the main important fact is that the trend of Net Profit of NBBL shows a negative trend.
-) Both banks are not effectively informative to their clients since the large percentage of the people doesn't know the services provided by the banks.
-) The respondents of HBL selected "they are profit oriented only" as the first option whereas respondents of NBBL selected "they don't want to take the risk" as the first choice.

Laudari Govinda (2007) has conducted the study on “*An Accounting Ratio Analysis of NABIL Bank Ltd. and Himalayan Bank Ltd.*”

The research findings of the study are as follows:

- ◆ As concerned to liquidity ratio, NABIL Bank is found in better position than HBL in terms of liquid funds to total deposits ratio, liquid funds to total assets ratio, investment on government securities to total investment ratio. HBL is found in better position relating to NRB balance to total deposits ratio, cash & bank balance to total assets ratio.
- ◆ Relating to profitability ratio, NABIL Bank is found in better position.
- ◆ Relating to leverage ratio, NABIL Bank has performed slightly better than HBL.
- ◆ Regarding activity ratios, NABIL Bank has scored over HBL.
- ◆ On account of other relevant ratios, NABIL Bank has performed better in non performing loans to total credit ratio, total operating expenses to total assets ratio, loan loss provision to total loan ratio, weighted average interest rate spread, core capital ratio and total capital fund ratio than HBL. In ratios like interest income to loan and advances ratio, interest income to total income ratio, HBL has performed better than NABIL Bank Ltd.

- ◆ As regards to trends analysis of major balance sheet items, HBL has better outcomes than NABIL Bank in terms of loan and advances and deposits.
- ◆ Regarding the trend analysis of major cash flow items, HBL has slightly better performance than NABIL.
- ◆ Net assets trend of HBL is better than that of NABIL Bank.
- ◆ Investment trend of HBL is better than that of NABIL Bank.
- ◆ Distribution of total assets in 2005/06 is better in NABIL Bank than that of HBL.

CHAPTER - III

RESEARCH METHODOLOGY

3.1 Introduction

This study is analytical in nature. A true research design is basically concerned with various steps to collect the data for analysis and draw a relevant conclusion. The research design allows the researchers to take an appropriate measure and direction towards the predetermined goals and objectives.

“A research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure.” (Kothari; 1992 :25)

The research examines the facts and postulates in certain frameworks on details and supplies the important information on subject matter, summary of the study, major findings of the study, recommendations, conclusion etc. are the most significant information among them, they are derived with the help of some financial and statistical tools were adapted to evaluate the loan disbursement and collection procedure of commercial banks viz. NIBL and EBL in consideration not only to research about them but also to facilitate among them.

Research methodology may be defined as “a systematic process that is adopted by the researcher in studying problem with certain objective and view”. In other word, research methodology describes the methods and process applied in the entire aspect of the study focus of data, data gathering instrument and procedure, data tabulating and processing and methods of analysis. It is really a method of critical thinking by defined and redefining the problems, formulating hypothesis or suggested solution and collecting and organizing and evaluating data, making deduction and making conclusions.

In addition, “Research methodology is a way to systematically solve the research problem. It may be understood as a science of studying how research is done scientifically. In this study, the various steps are generally adopted by a

researcher in studying his/her research problem along with the logic behind them.”
(Kothari 1990; P.10)

Research methodology is a path from which we can solve research dilemma systematically to accomplish the basic objective of the study. It consists of a brief explanation of research design, nature and sources of data, method of data collection and methods of tools used for analyzing data.

3.2 Research Design

A research design is the arrangement of conditions for collection and analysis of data that aim to combine relevance to the research purpose with economy in procedure. Research design in the plan, structure and strategy of investigation conceived so as to obtain answers to research questions and to objective of this study. To achieve the objective of this study, descriptive and analytical research design has been used.

It is the process which gives us an appropriate way to reach research goal. It includes definite procedures and techniques which guide in sufficient way for analyzing and evaluating the study. This study is carried out by using both quantitative and qualitative analysis methods. Mostly, secondary data has been used for analysis, but the discussion and personal interview with the concerned employees of the selected banks are also used for qualitative analysis. Hence, research design of this study is based on descriptive and analytical method.

3.3 Population and Sample

The population refers to the industries of the same nature and its services and product in general. Thus, total of 25 commercial banks operating in Nepal constitute the population of the data and the bank under study constitutes the sample for the study. Among them only three banks are selected as the sample banks to carry out the study. The sample size represents almost 20% of the total population.

- a) NABIL Bank Ltd
- b) Everest Bank Ltd.
- c) Standard Chartered Bank Nepal Ltd.
- d) Nepal Investment Bank Ltd.

3.4 Nature and Source of Data

For the purpose of this study, data are collected mainly from the secondary as well as primary sources. In the study two types of data are collected which are:

Primary Data

This is the first hand information bearing on any research which has been collected by the researcher or his agents or assistant. These are original observation collected for the first time. Such data facilitate original investigation and observation leading to useful and valuable result.

Secondary Data

The next method of collecting the data is secondary source. The secondary data are based on the second hand information. Secondary data were gathered much more quickly than primary. Secondary source were bulletins and newspapers of selected banks, annual reports, official document, reference material collected from library.

3.5 Method of Data Collection

It indicates the sources of data and how they collected. In this study data are collected through published sources. They were collected from the correspondent offices and their respective websites.

The annual reports of EBL for the period of five years were obtained from the field visit of its Human Resources Department at its head office located at

Lazimpat, the annual reports of Nepal Investment Bank Ltd for the period of five years were obtained from the field visit of its head office at Durbar Marg, the annual reports of NABIL for the period of five years were obtained from the field visit of its head office at Kamaladi and the annual reports of SCBNL for the period of five years were obtained from the field visit of its head office at New Baneshwor NRB publications have been collected by the personal visit of concerned Departments of NRB at Baluwatar. The data regarding the profile of NABIL, EBL, SCBNL and NIBL and other related documents were collected from internet websites. Unpublished master's thesis, books, research papers, articles, journals have been collected mainly from Centre Library of Tribhuvan University, library of Saraswati Multiple Campus and NRB magazines and newspapers were from concerned authorities.

After collecting data, as necessarily required, they were separated and analyzed presentation and analysis of the collected data is the main theme of the research work. Collected raw data were first presented in systematic manner in tabular forms and then analyzed by applying different financial and statistical tools to achieve the research objectives. Besides these, some graph, charts and tables have been presented to analyze and interpret the finding of the study. Hypothesis is also made and tested.

3.6 Method of Data Analysis

Various financial and statistical tools will be used to complete the research study such as ratio analysis, mean, standard deviation, coefficient of variance etc. For presentation purpose, different types of tables, charts, figures and graphs are used as per necessary.

3.6.1 Financial Tools:

Financial analysis is the process of identifying the financial strengths and weaknesses of the organization by properly establishing relationships between the items of the balance sheet and the profit and loss account.

Ratio analysis is a powerful tool of financial analysis. A ratio is designed as “the indicated quotient of two mathematical expressions” and as “the relationship between two or more things”. In financial analysis, ratio is used as a benchmark for evaluating the financial position and performance of a firm.

Several ratios, calculated from the accounting data, can be grouped into various classes according to the financial activity and function to be evaluated.

3.6.1.1 Profitability Ratios

"A company should earn profit to survive and grow over a long period of time Profits are essential, but it would be wrong to assume that every action initiated by management to company should be aimed at maximizing profits."

Profitability ratios indicate the degree of success in achieving desired profit. Various profitability ratios are calculated to measure the operating efficiency of business enterprises. Through profitability ratio the lenders and investors want to decide whether to invest in a particular business or not.

The profitability ratios are used as a measure to judge the operating efficiency of an organization. Profitability ratios are usually computed by relating it either with sales or investment.

a) Return on Loans & Advances

This ratio shows that return on loans and advances during the year. Higher ratio of net income to loans & advance is better. It ratio is calculated as follows:

$$\text{Return on Loans and Advances} = \frac{\text{Net profit after tax}}{\text{Loan and Advance}}$$

b) Return on Total Deposit

The ratio of return on Total deposit measures the capacity of bank to generate profit from its investment on total deposit. In other words, return on total

deposit is the contribution of total deposit to net profit after tax. So this ratio is the proportion of return from total deposit and it is calculated as follows.

$$\text{Return on total deposit} = \frac{\text{Net profit after tax}}{\text{Total Deposit}}$$

c) Return on Total Assets

This ratio is measured the rate of return earned by the firm as a whole for all its investors. It is calculated by dividing net profit by total assets. A higher ratio indicates the efficiency of overall financial resources to invest. So that, the higher ratio, the better will be the performance. Return on total assets in computed by using the following formula.

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

d) Return on Shareholder's Equity

This ratio is measure of profitability of the firm in respect of the utilization of total shareholders fund. It is calculated by dividing net profit by total shareholder's equity. The shareholder's equity includes paid up capital, general reserves, and retained earnings of surplus & general loan loss provision. It reflects whether the corporation has earned a satisfactory return for its equity-holders of not. So, higher ratio is favorable of the stockholders.

$$\text{Return on Total shareholder} = \frac{\text{Net profit after tax}}{\text{Total shareholder's equity}} \times 100\%$$

e) Return on Investment

The ratio of return on investment is useful in measuring the profitability of all financial resources invested in the banks. The formula for the return on investment given in the following manner:

$$\text{Return on Investment} = \frac{\text{Net profit}}{\text{Investment}}$$

f) Return on Capital Employed

This ratio establishes a relationship between the total earnings available to all the investors and permanent capital. It shows how well the firm has used the economic resources received from all the investors to earn profit. This ratio is calculated as:

$$\text{Return on Capital Employed} = \frac{\text{NPAT}}{\text{Capital Employed}}$$

g) Earning Per Share

Earning per Share measures the profit available to equity shareholders on per share basis. This ratio expresses the earning power of the company in terms of a share held by the equity shareholders. This ratio is computed by dividing the net profits after preference dividend by the number of equity shares outstanding. It is expressed in rupee figure.

$$\text{Earning Per Share (EPS)} = \frac{\text{Net Profit}}{\text{No. of Equity Shares}}$$

3.6.1.2 Liquidity Ratios

Liquidity ratios are used to judge the ability of banks to meet its short term liabilities those are likely to mature in the short period. With the help of liquidity ratios much insight can be obtained into present cash solvency of the banks and its ability to remain solvent in the event of adversities, 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:

a) Current Ratio

This ratio indicates the ability of the bank to meet its current obligation. This is the main important tool to measures the liquidity position of the financial institution.

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

b) Cash Reserve Ratio

Cash and bank balance are the most liquid current assets. This ratio measures the percentage of most liquid fund with the bank to take immediate payment to the depositor. It is computed as follows:

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

c) Cash and Bank Balance to Total Assets Ratio

Cash and bank balances are the most liquid assets held by a bank. This ratio reflects the proportion of cash and bank balance out of total assets. It is calculated by dividing cash and bank balance by total assets.

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

d) Investment to Current Assets Ratio

This ratio shows that how much amount has been the part of the total current assets on investment on government securities which is risk free assets. This ratio is calculated by dividing the investment on government securities by current assets which is shown as follows:

$$\text{Investment to current assets ratio} = \frac{\text{Investment}}{\text{Current Assets}}$$

3.6.1.3 Capital Structure Ratios

Capital structure ratio shows the long-term solvency or liquidity position of a firm. It indicates whether the firm is financially sound or solvent as far its long-term obligations are concerned. These ratios measure the firm's ability to pay the interest regularly and to repay the principal on the due date. These ratios are also known as solvency ratios or capital structure ratios.

Long-term solvency of a firm can be measured by the following ratio:

a) Debt to Total Asset ratio

This ratio by relating creditorship fund with owner's fund, it reflects the proportions of long-term debt contributed by creditors and owners to finance the total assets of the firm. The debt to total assets ratio is calculated by dividing Long-term debt by total assets.

$$\text{Debt to total asset ratio} = \frac{\text{Long-term debt}}{\text{Total assets}}$$

b) Debt-equity Ratio

Debt-equity ratio shows the relationship between debts and Shareholders' fund. It is a test of long-term solvency of a firm. It measures the relative claims of creditors and owners against the assets of the firm. The objective of computing this ratio is to judge the effectiveness of the long-term financial policy of the business. This ratio is computed by dividing the long-term debts or total debts by the shareholder's funds.

$$\text{Debt-equity Ratio} = \frac{\text{Long-term debts}}{\text{Shareholders equity}}$$

c) Debt to Capital Employed Ratio

Debt to capital employed ratio shows the quantitative relationship between debt and capital employed of a company. This ratio helps to establish a link between funded debt and total long-term funds available in the firm. This ratio is computed by dividing the total debts by the capital employed.

$$\text{Debt to total capital ratio} = \frac{\text{Total debts}}{\text{Capital employed}}$$

d) Loan and Advances to Current Asset Ratio

Loans and advances to current assets ratio measure the extent to which the banks are successful in utilizing the outsiders' funds for the profit generating

purpose. The following formula is used to determine the loans and advances to current asset ratio.

$$\text{Loan and advances to Current asset ratio} = \frac{\text{Loan and advances}}{\text{Current Asset}}$$

e) **Debt-Share Capital Ratio**

Debt-share capital ratio shows the relationship between debts and total share capital. It is a test of long-term solvency of a firm. This ratio is computed by dividing the long-term debts or total debts by the share capital.

$$\text{Debt-Share Capital Ratio} = \frac{\text{Total debts}}{\text{Share Capital}}$$

3.6.2 Statistical Tools

Some important statistical tools are used to achieve the objective of the study. In this study, statistical tools such as mean, standard deviation, and coefficient of variance has been used.

3.6.2.1 Arithmetic Mean

Arithmetic mean is an average of a given set of data this is divided by the number of Observation/years. The arithmetic mean (AM) is denoted by \bar{X} .

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

n = Number of Year

X = Sum of X series

3.6.2.2 Standard Deviation

The coefficient of variation is the most commonly used measure of relative variation. It is used in such problems where the researcher wants to compare the variability of more than two years. Greater the C.V, the variable or conversely less consistent, less uniform, more consistent, more uniform, more stable and homogeneous.

$$\text{Standard Deviation } (\Xi) = \sqrt{\frac{\phi d^2}{n}}$$

Where, $d = X - \bar{X}$

3.6.2.3 Coefficient of Variance

The coefficient of variation is the most commonly used measure of relative variation. It is used in such problems where the researcher wants to compare the variability of more than two years. Greater the C.V, the variable or conversely less consistent, less uniform, more consistent, more uniform, more stable and homogeneous.

$$\text{Coefficient of Variance (CV)} = \frac{\Xi}{\bar{X}} \times 100$$

3.6.2.4 Coefficient of Correlation

This statistical tool has been used to analyze, identify and interpret the relationship between two or more variables. It interprets whether two or more variables are correlated positively or negatively. Statistical tool analyses the relationship between those variables and helps the selected banks to make appropriate financial performance regarding to profit maximization and deposit collection; fund mobilization through providing loan and advances.

For the purpose of decision-making, interpretation is based on following term:

- When $r = 1$, there is perfect positive correlation.
- When $r = -1$, there is perfect negative correlation.
- When $r = 0$, there is no correlation.
- Nearer the value of r to $+1$, closer will be the relationship between two variables and nearer the value of r to 0 , lesser will be the relationship.

$$\text{Coefficient of Correlation (r)} = \frac{\phi d_1 \cdot d_2}{\sqrt{\phi d_1^2 \cdot \phi d_2^2}}$$

Where,

$$d_1 = X_1 - \bar{X}_1$$

$$d_2 = X_2 - \bar{X}_3$$

Under this topic, Karl Pearson's correlation coefficient is used to measure the degree of relationship between the following variables:

- a) Coefficient of correlation between Total Deposit and Net Profit
- b) Coefficient of correlation between Total Deposit and Total Investment
- c) Coefficient of correlation between Loan & Advances and Net Profit
- d) Coefficient of correlation between Total Assets and Net Profit

3.6.2.5 Probable Error (P.E)

Probable error is measured for testing the reliability of an observed value of correlation coefficient. It is computed to find the extent to which it is dependable. If correlation coefficient is greater than 6 times P.E the observed value of r is said to be significant, otherwise nothing can be concluded with certainty. But if the calculated (r) is less than the P.E correlation is not at all significant. It is calculated by using following formula:

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

Where,

P.E. = Probable error of correlation coefficient

r = Correlation coefficient

n = Number of observations

3.6.2.6 Hypothesis (t-statistics)

$$t = \frac{\bar{X}_1 - \bar{X}_2}{S} \sqrt{\frac{(n_1 n_2)}{(n_1 + n_2)}}$$

Where, $S = \frac{\phi d_1^2 + \phi d_2^2}{n_1 + n_2 - 2}$

Where,

\bar{X}_1 = Mean of the X_1

\bar{X}_2 = Mean of the X_2

n_1 = No. of the year X_1

n_2 = No. of the year X_2

S = Combined standard deviation

CHAPTER - IV

DATA PRESENTATION AND ANALYSIS

The chapter covers presentation of the arguments, documentation, ideas or concepts, Interpretations and findings. This includes a discussion of the issue or part of the problem investigated and the evidence used in its solution. Through tabular and graphic devices and analysis therefore the data are critically analyzed and interpreted in detail.

4.1 Collection and Utilization of Fund

Collection of Fund

Share capital (paid up)

Loans and borrowings

Deposits

Utilization of Fund

Investments

Loans and advances

Fixed assets

Collection of fund of the selected banks is shown in the tabular form as follows:

Table 4.1

Collection of Fund of NABIL (in million)

Particular	Fiscal Year				
	2060/61	2061/62	2062/63	2063/64	2064/65
Share capital	491.65	491.65	491.65	491.65	689.2
Deposits	15838.9	14586.61	19347.4	23342.29	31915.0
Borrowings	229.70	17.06	173.20	882.57	1600.0
Total Collection	16560.3	15095	20012	24716.5	34204.2

Source: Banking & Financial Statistics, NRB 2008

Table 4.2
Collection of Fund of EBL (in million)

Particular	Fiscal Year				
	2060/61	2061/62	2062/63	2063/64	2064/65
Share capital	455	455	518	518	831.4
Deposits	8063.90	10097.70	13802.50	18186.2	23976.3
Borrowings	433.30	0	300.00	300.00	300.00
Total Collection	8952.2	10552.7	14620.5	19004.2	25107.7

Source: Banking & Financial Statistics, NRB 2008

Table 4.3
Collection of Fund of SCBNL (in million)

Particular	Fiscal Year				
	2060/61	2061/62	2062/63	2063/64	2064/65
Share capital	374.64	374.64	374.64	413.25	620.8
Deposits	21161.44	19335.1	23061.03	24647.02	29743.9
Borrowings	78.3	43.8	10.2	1190.9	29743.9
Total Collection	21614.4	19753.5	23445.9	26251.2	60108.6

Source: Banking & Financial Statistics, NRB 2008

Table 4.4
Collection of Fund of NIBL (in million)

Particular	Fiscal Year				
	2060/61	2061/62	2062/63	2063/64	2064/65
Share capital	295.3	587.7	590.6	801.4	1203.9

Deposits	11706.3	14254.8	18927.3	24488.9	34451.8
Borrowings	61.5	50.	550	800	1050
Total Collection	12063.1	14892.5	20067.9	26090.3	36705.7

Source: Banking & Financial Statistics, NRB 2008

From the above table depicts the collection of fund during the study period of year 2060/61 to 2064/65 there is an increasing trend of collection of fund.

Funds collection mainly included paid up capital, deposits and borrowing only. Here in the case of NABIL, paid up capital is constant. Deposit collection is generally increasing while borrowing has reduced or repaid to the lender during the fiscal year 2060/61 and 2061/62 thereafter increased. Whereas for EBL paid up capital is constant till the fiscal year 2061/62 and then increased. Deposit collection is rapidly increased and borrowing is also increasing except fiscal year 2061/62 where it was in decreasing form. Similarly, SCBNL paid up capital is increased in fiscal year 2060/61 and constant till the fiscal year 2062/63 and then again increased. Deposit collection is swiftly increased except fiscal year 2061/62 and borrowing is decreased till the fiscal year 2062/63 but in the fiscal year 2063/64, it is unexpectedly increased. Among the major sources of the funds, deposit has contributed mostly for the banks to create funds, which is a good sign for the bank.

Similarly utilization of the collected fund of the selected banks is shown in the tabular form as follows:

Table 4.4

Utilization of Fund of NABIL (in million)

Particular	Fiscal Year				
	2060/61	2061/62	2062/63	2063/64	2064/65

Loan & advances	8635.1	11078.0	13021.3	15657.1	21514.6
Investment	3697.1	4353.3	6174.8	8952.3	9966.6
Fixed Assets	338.13	361.23	319.09	286.90	511.6
Total Utilization	12670.3	15792.5	19515.2	24896.3	31992.8

Source: Banking & Financial Statistics, NRB 2008

Table 4.5**Utilization of Fund of EBL (in million)**

Particular	Fiscal Year				
	2060/61	2061/62	2062/63	2063/64	2064/65
Loan & advances	6166.6	7914.4	10124.2	14059.2	18814.3
Investment	2535.70	2128.90	4201.30	4985.10	5061.1
Fixed Assets	118.40	134.10	152.10	170.10	314.9
Total Utilization	8820.7	10177.4	14477.6	19214.4	24190.3

Source: Banking & Financial Statistics, NRB 2008

Table 4.6**Utilization of Fund of SCBNL (in million)**

Particular	Fiscal Year				
	2060/61	2061/62	2062/63	2063/64	2064/65
Loan & advances	6662.0	8213.5	8905.1	10538.1	13355.0
Investment	11360.33	9702.55	12838.55	13553.23	13902.8
Fixed Assets	136.23	394.4	390.7	427.4	440.5
Total Utilization	18158.6	18310.5	22134.4	24518.7	27698.3

Source: Banking & Financial Statistics, NRB 2008

Table 4.8**Utilization of Fund of NIBL (in million)**

Particular	Fiscal Year				
	2060/61	2061/62	2062/63	2063/64	2064/65
Loan & advances	7174.4	10295.4	13007.2	17482.0	27145.5
Investment	4172.5	4074.2	5672.9	6518.8	6879.4
Fixed Assets	249.8	335.9	372.5	759.5	970.1

Total Utilization	11596.7	14705.5	19052.6	24760.3	34995
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Source: Banking & Financial Statistics, NRB 2008

After collecting fund, banks utilize it in the proper place to earn profit. Here major portions of utilization of fund are only shown which are taken as loan & advances, investment and fixed assets is also considered. Among them, loan & advances including bills purchased and discounted play a major part of the banks in utilizing place. From the above table it can be seen that there is an increasing rate of utilization of fund. In comparison to last years there is increased in utilization of fund. While utilizing fund there is great among invested in loan and advances each year; while investment has also been a major component for the utilization of collected fund. But fixed assets have not contributed significantly.

To clear the view of the collection and utilization of fund of the NABIL, EBL, SCBNL and NIBL it is also presented in the graphical form which is shown as below:

Figure 4.1

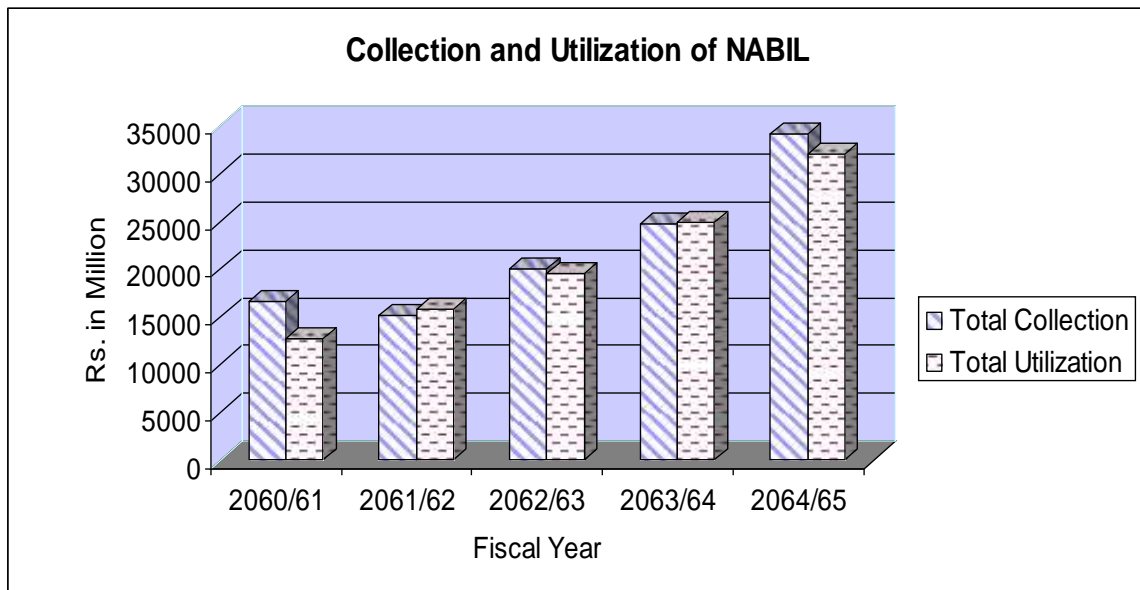


Figure 4.2

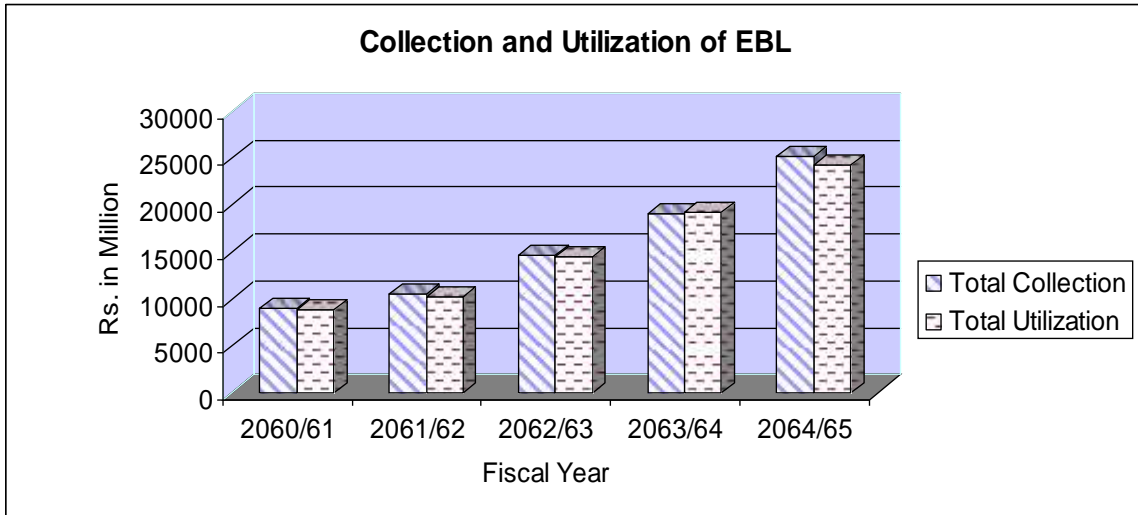


Figure 4.3

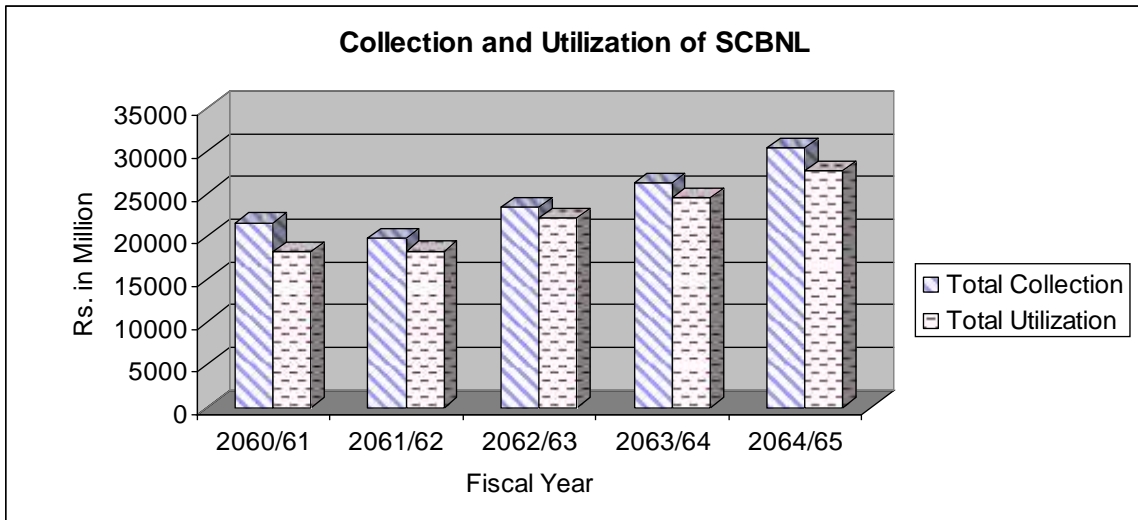


Figure 4.4

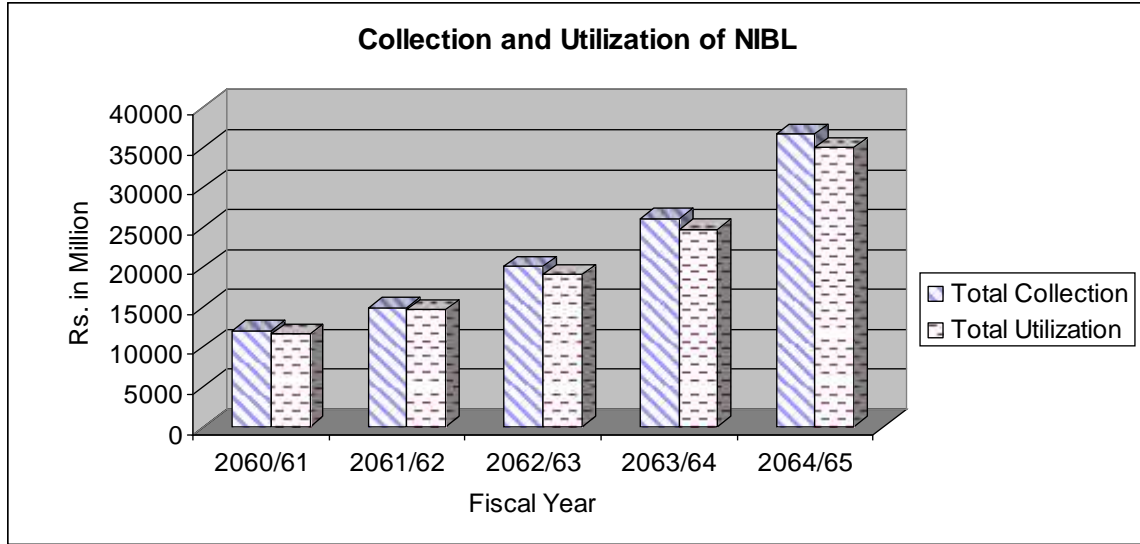


Table 4.9

Utilization Percentage of NABIL (in million)

Particular	Fiscal Year				
	2060/61	2061/62	2062/63	2063/64	2064/65
Collection	16560.3	15095.3	20012.3	24716.5	34204.2
Utilization	12670.3	15792.5	19515.2	24896.3	31992.8
Utilization (%)	76.51	104.62	97.52	100.73	93.53

Table 4.10

Utilization Percentage of EBL (in million)

Particular	Fiscal Year				
	2060/61	2061/62	2062/63	2063/64	2064/65
Collection	8952.2	10552.7	14620.5	19004.2	25107.7
Utilization	8820.7	10177.4	14477.6	19214.4	24190.3
Utilization (%)	98.53	96.44	99.02	101.11	96.35

Table 4.11**Utilization Percentage of SCBNL (in million)**

Particular	Fiscal Year				
	2060/61	2061/62	2062/63	2063/64	2064/65
Collection	21614.4	19753.5	23445.9	26251.2	60108.6
Utilization	18158.6	18310.5	22134.4	24518.7	27698.3
Utilization (%)	84.01	92.69	94.41	93.40	46.08

Table 4.12

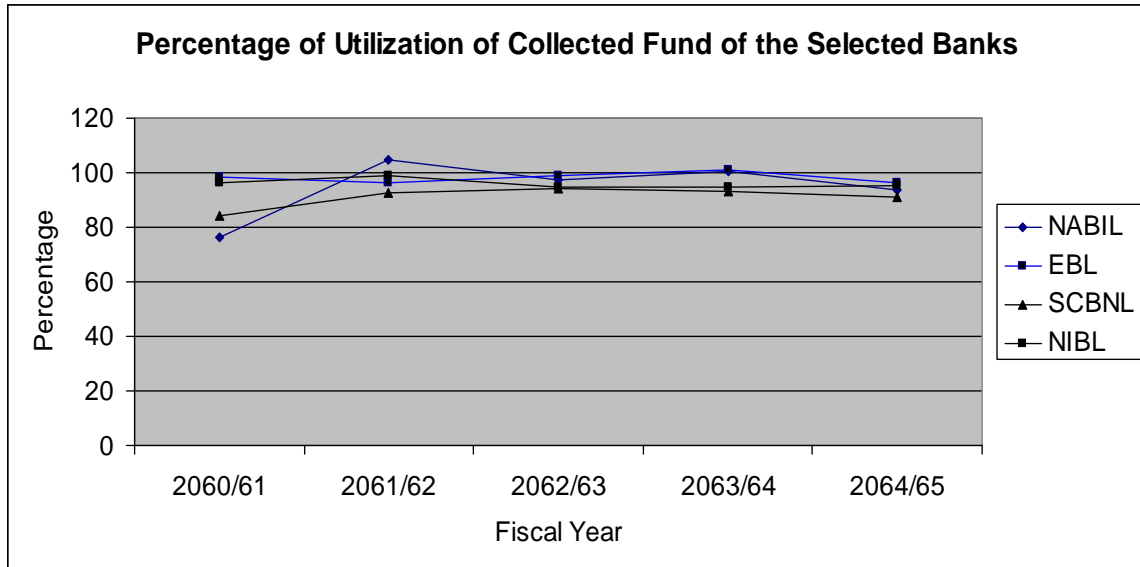
Utilization Percentage of NIBL (in million)

Particular	Fiscal Year				
	2060/61	2061/62	2062/63	2063/64	2064/65
Collection	12063.1	14892.5	20067.9	26090.3	36705.7
Utilization	11596.7	14705.5	19052.6	24760.3	34995
Utilization (%)	96.13	98.74	94.94	94.90	95.34

From the table 4.9, 4.10, 4.11 and 4.12 utilized percentage of collected fund of the NABIL, EBL, SCBNL and NIBL were analyzed and that there is an increasing trend of utilization of collected fund. In the study period, utilization percentage of the selected banks has around 76 to 105 percentage which is used from the collected fund. In NABIL has occupied almost 76 to 104 percentage of collection fund in utilization. In EBL has occupied almost 96 to 101 percentage of collection fund in utilization. In SCBNL has occupied almost 83 to 97 percentage of collection fund in utilization. And, in NIBL has occupied almost 94 to 99 percentage of collection fund in utilization.

To clear the view of the percentage of utilization of collected fund of the selected banks it is also presented in the graphical form which is shown as below:

Figure 4.5



4.2 Ratio Analysis

Ratio is the numerical or and arithmetical relationship between two variables. It is expressed when one variable is divided by another. Ratio analysis is the process of determining and interpreting numerical relationship between variables of financial statements. Ratio is used as an index or yard-stick for evaluating the financial position and performance. It helps analysts to make quantitative judgment about the financial position and performance of the banks.

A ratio is the relationship of one amount to another expressed as the ratio of or as a simple, fraction, integer, decimal fraction or percentage.

It is clear that ratio is a relation of one amount to another amount and is a simple fraction or integer or percentage. Ratio analysis is developed to show the numerical relationship between the data presented in the financial statements. It helps to measure profitability, solvency and performance of any business firm. It facilitates the decision makers to take the appropriate decisions basing on the different ratios.

Ratio analysis stands for the process of determining and presenting the relationship of items and groups of items in the financial statements. It is an

important technique of financial analysis. It is a way by which financial stability and health of a concern can be judged. The following are the main points to highlight the importance of ratio analysis.

4.2.1 Liquidity Ratio

It is very important for firm to be meeting its obligations as they become due. Liquidity ratio measures the ability of the firm to meet its current obligations. A firm should ensure that it doesn't suffer from the liquidity crunch, and also that it is not too much highly liquid. The failure of a company to meet its obligation, due to lack of very high degree of liquidity is also bad; idle or non-performing assets earn nothing. The firm's funds will be unnecessarily tied up in the current assets. Therefore, it is necessary to strike a proper balance between liquidity and lack of liquidity.

A commercial bank must maintain satisfactory liquidity position to satisfy the credit needs of the community, meet demands for deposits withdrawal, pay maturity obligation in time and convert to cash assets into cash to satisfy immediate needs without loss to the bank and without consequent impact on long run profitability of the bank. To measure the liquidity position of the bank, the following measures of liquidity ratio has been calculated and a brief analysis of the same has been done as below.

4.2.1.1 Current Ratio

Current assets are those assets which can be converted into cash within one accounting period. And the current liabilities are those liabilities, which should be paid within the one accounting period. Current ratio shows the relationship between current assets and current liabilities. It is calculated by dividing current assets by current liabilities. The objective of computing this ratio is to measure the ability of the firm to meet its short-term financial obligations.

Current ratios of NABIL, EBL, SCBNL and NIBL are presented below in the table (Detail in Appendix – I).

Table 4.13
Current Ratio (in times)

Fiscal year	Selected Banks			
	NABIL	EBL	SCBNL	NIBL
2060/61	1.18	1.58	1.10	1.26
2061/62	1.18	1.56	1.13	1.35
2062/63	1.23	1.42	1.15	1.48
2063/64	1.30	1.41	1.23	1.49
2064/65	1.28	1.49	1.00	1.35
Mean (€X)	1.234	1.492	1.122	1.386
S.D.	0.0496	0.0697	0.0747	0.0873
C.V. (%)	4.0194	4.6716	6.6578	6.2987

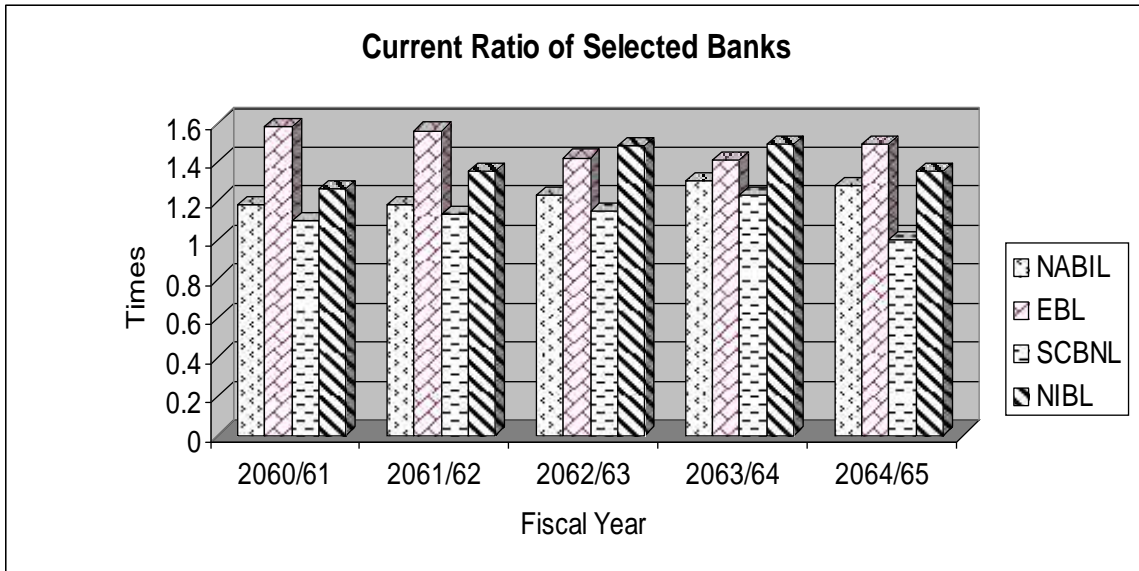
Above table 4.13 depicts the current ratio of the selected commercial banks. The mean (€X) of current ratio of NABIL is 1.234:1, EBL is 1.492:1, SCBNL is 1.122 as well as that of NIBL is 1.386:1. This is lesser than the standard current ratio 2:1. The banks are unable to maintain the current ratio in accordance with standard.

The current ratio of the banks are in fluctuating order with lower than the standard ratio. The NABIL and SCBNL has maintained the ratio is not lesser than 1 in the overall five fiscal years.

The mean of current ratio of EBL is the highest i.e. 1.492 than that of SCBNL, EBL and NIBL. Standard deviation of current ratio of NABIL, EBL, SCBNL and NIBL are 0.0496, 0.0697, 0.0747 and 0.0873 respectively. Coefficient of variation of NABIL is 4.0194 %, EBL is 4.6716%, SCBNL is 6.6578% and NIBL is 6.2987%. It seems that current ratio of EBL is less

homogenous but other banks are more homogenous. This ratio can be presented in the following graph.

Figure – 4.6



4.2.1.2 Cash Reserve Ratio

Cash and bank balance are the most liquid current assets. The ratio between cash and bank balance to total deposit measure the ability of the bank to meet the unanticipated cash and all types of deposits. This ratio measures the percentage of most liquid fund with the bank to make immediate payment to the depositors. Higher the ratio the greater will be the ability to meet sudden demand of deposit. But very high ratio is not desirable since bank is to pay interest on deposits.

Cash reserve ratios of NABIL, EBL, SCBNL and NIBL are presented below in the table (Detail in Appendix - II).

Table 4.14
Cash Reserve Ratio (in %)

Fiscal year	Selected Banks			
	NABIL	EBL	SCBNL	NIBL
2060/61	27.78	10.78	20.04	10.38
2061/62	9.22	16.08	17.43	9.40
2062/63	12.22	11.73	14.11	12.44
2063/64	8.41	17.44	16.22	11.40
2064/65	14.49	13.34	14.28	10.90
Mean (€X)	14.424	13.874	16.416	10.904
S.D.	7.0213	2.5313	2.1945	1.0141
C.V. (%)	48.6779	18.2449	13.3681	9.3003

Above table 4.14 depicts the cash reserve ratio of the selected commercial banks. The mean (€X) of cash reserve ratio of NABIL, EBL, SCBNL and NIBL are 14.424, 13.874, 16.416 and 10.904 respectively.

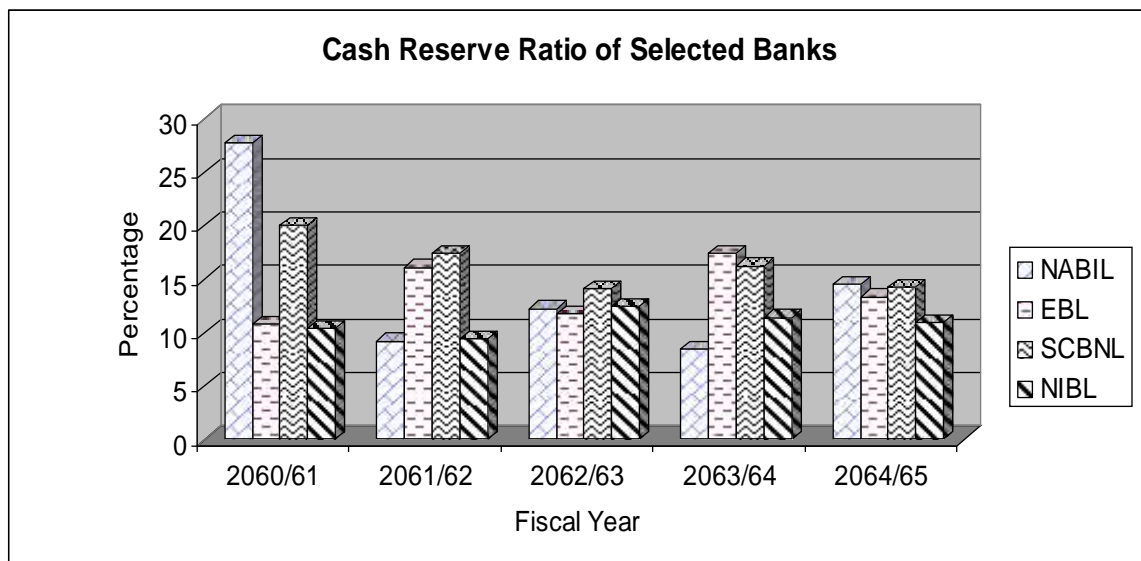
The cash reserve ratio of the banks is fluctuating. The highest cash reserve ratio is 27.78 and lowest cash reserve ratio is 8.41 in the fiscal year 2060/61 and

2063/64 of NABIL respectively. The highest cash reserve ratio of NABIL is 27.78 and lowest ratio is 8.41 in the fiscal year 2060/61 and 2064/65 respectively. Similarly, the highest cash reserve ratio of EBL is 17.44 and lowest ratio is 10.78 in the fiscal year 2063/64 and 2060/61 respectively as well as SCBNL's highest cash reserve ratio is 20.04 and lowest ratio is 14.11 in the fiscal year 2060/61 and 2062/63 respectively. But the highest cash reserve ratio of NIBL is 12.44 and lowest ratio is 9.40 in the fiscal year 2062/63 and 2061/62 respectively.

The mean of cash reserve ratio of EBL is the highest i.e. 11.93 than that of NABIL and SCBNL. Standard deviation of cash reserve ratio of NABIL, EBL, SCBNL and NIBL are 2.016, 3.066 and 1.546 respectively. Coefficient of variation of NABIL is 35.77%, EBL is 25.70% and SCBNL is 20.84%.

It shows that SCBNL is maintaining adequate liquidity position regarding cash reserve ratio than other banks. Too low ratios are also not preferable bank should meet its obligations any time when necessary. This ratio can be presented in the following graph.

Figure – 4.7



4.2.1.3 Cash and Bank Balance to Total Assets Ratio

This ratios measure the bank’s ability to maintain its total assets. It also indicates that whenever required, the bank can invest (purchase) promptly another assets in the future. It is the percentage of total assets maintained as cash and bank balance by the bank.

Cash and Bank Balance to Total Assets Ratio of NABIL, EBL, SCBNL and NIBL are presented below in the table (Detail in Appendix – III).

Table 4.15
Cash and Bank Balance to Total Assets Ratio (in %)

Fiscal year	Selected Banks			
	NABIL	EBL	SCBNL	NIBL
2060/61	23.39	9.05	17.94	9.03
2061/62	7.83	13.84	15.40	8.18
2062/63	10.59	10.15	12.63	10.84
2063/64	7.20	15.54	13.97	9.94
2064/65	13.84	11.26	14.88	9.53
Mean (€X)	12.57	11.968	14.964	9.504
S.D.	5.8976	2.391	1.7601	0.8892
C.V. (%)	46.9181	19.9783	11.7622	9.3561

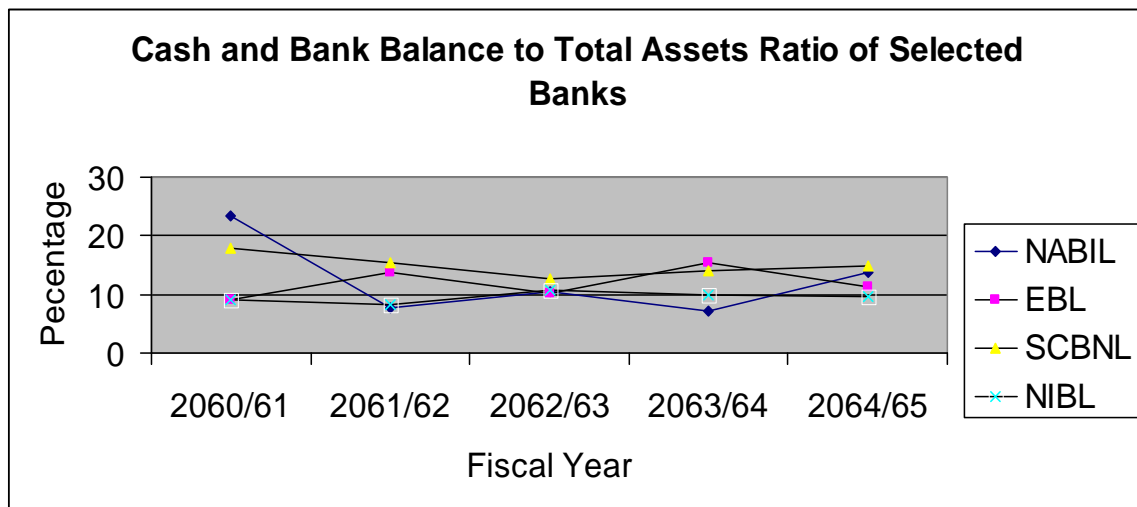
Above table 4.15 depicts the cash and bank balance to total assets ratio of the selected commercial banks. The mean (€X) of cash and bank balance to total assets ratio of NABIL, EBL, SCBNL and NIBL are 4.784, 10.114, 6.578 and 9.504 respectively.

The cash and bank balance to total assets ratio of selected banks are fluctuated during the study period. The highest cash and bank balance to total assets ratio of NABIL is 23.39 and lowest ratio is 7.20 in the fiscal year 2060/61 and 2063/64

respectively. Similarly, the highest cash and bank balance to total assets ratio of EBL is 13.84 and lowest ratio is 9.05 in the fiscal year 2061/62 and 2060/61 respectively as well as SCBNL's highest cash and bank balance to total assets ratio is 17.94 and lowest ratio is 12.63 in the fiscal year 2060/61 and 2062/63 respectively. The highest cash and bank balance to total assets ratio of NIBL is 10.84 and lowest ratio is 8.18 in the fiscal year 2062/63 and 2061/62 respectively.

The mean of cash and bank balance to total assets ratio of SCBNL is the highest i.e. 14.969 than selected banks. Standard deviation of cash and bank balance to total assets ratio of NABIL, EBL, SCBNL and NIBL are 5.8976, 2.391, 1.7601 and 0.8892 respectively. Coefficient of variation of NABIL is 46.9181%, EBL is 19.9783%, SCBNL is 11.7622% and NIBL is 9.3561. This ratio can be presented in the following graph.

Figure – 4.8



4.2.1.4 Investment to Current Assets Ratio

The ratio is very significant to know the capacity to banks to mobilize their current assets on different types of government securities to maximize the profit. All deposits of bank should not invest in loans and advances and other credits

from because of the security and liquidity point of view. Therefore, up to some extent commercial banks seem to be interested to utilize their current asset by purchase government securities. This ratio shows that out of current assets, how much percentage of it has been occupied by the investment on government securities.

Investment to Current Assets Ratio of NABIL, EBL, SCBNL and NIBL are presented below in the table (Detail in Appendix - IV)

Table 4.16**Investment to Current Assets Ratio (in %)**

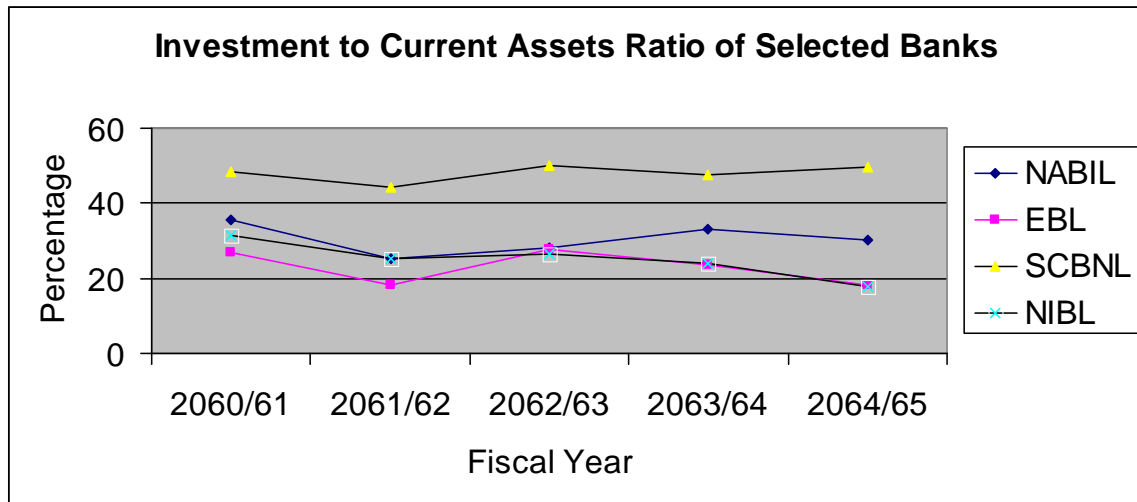
Fiscal year	Selected Banks			
	NABIL	EBL	SCBNL	NIBL
2060/61	35.57	26.92	48.33	31.58
2061/62	25.36	18.31	44.46	25.38
2062/63	28.07	27.72	50.02	26.56
2063/64	33.17	23.76	47.60	23.87
2064/65	30.30	18.01	49.45	17.90
Mean (€X)	30.494	22.944	47.972	25.058
S.D.	3.611	4.1256	1.9483	4.4169
C.V. (%)	11.8417	17.9812	4.0613	17.6267

Above table 4.16 depicts the investment on govt. securities to current assets ratio of the selected commercial banks. The mean (€X) of investment on govt. securities to current assets ratio of NABIL, EBL, SCBNL and NIBL are 30.494, 22.944, 47.972 and 25.058 respectively.

The investment on govt. securities to current assets ratio of the banks is fluctuating. The highest investment on govt. securities to current assets ratio of NABIL is 22.38 and lowest ratio is 10.46 in the fiscal year 2060/61 and 2062/63 respectively. Similarly, the highest investment on govt. securities to current assets ratio of EBL is 26.18 and lowest ratio is 17.23 in the fiscal year 2060/61 and 2063/64 respectively as well as SCBNL's highest investment on govt. securities to current assets ratio is 33.81 and lowest ratio is 24.97 in the fiscal year 2060/61 and 2063/64 respectively.

The mean of investment on govt. securities to current assets ratio of SCBNL is the highest i.e. 47.972 than that of NABIL, NIBL and EBL. Standard deviation of investment on govt. securities to current assets ratio of NABIL, EBL, SCBNL and NIBL are 3.611, 4.1256, 1.9483 and 4.4169 respectively. Coefficient of variation of NABIL is 11.8417%, EBL is 17.9812%, SCBNL is 4.0613% and NIBL is 17.6267%. The banks should concentrate on the stabilization and increment of investments on govt. securities income generating sectors from the current assets available. This ratio can be presented in the following graph.

Figure – 4.9



4.2.2 Capital Structure Ratios

These ratios are calculated to judge the long-term financial position of the bank as well as to measure the financial risk and the bank's ability of using debt to shareholder's advantage.

4.2.2.1 Debt to Total Asset Ratio

This ratio shows the proportion of total assets financed by long-term debt. A high ratio indicates a banks success in exploiting debts to be more profitable as

well as its riskier capital structure. From creditor's point of view its represents security for them.

Debt to total assets ratio of NABIL, EBL, SCBNL and NIBL are presented below in the table (Detail in Appendix - V)

Table 4.17
Debt to Total Assets Ratio (in %)

Fiscal year	Selected Banks			
	NABIL	EBL	SCBNL	NIBL
2060/61	15.17	34.84	6.37	19.73
2061/62	12.19	29.36	6.67	21.73
2062/63	16.23	28.81	8.33	27.44
2063/64	23.18	27.80	15.34	29.63
2064/65	30.13	24.28	11.56	22.82
Mean (€X)	19.38	29.018	9.654	24.27
S.D.	6.4706	3.4055	3.3884	3.6863
C.V. (%)	33.3880	11.7358	35.0984	15.1887

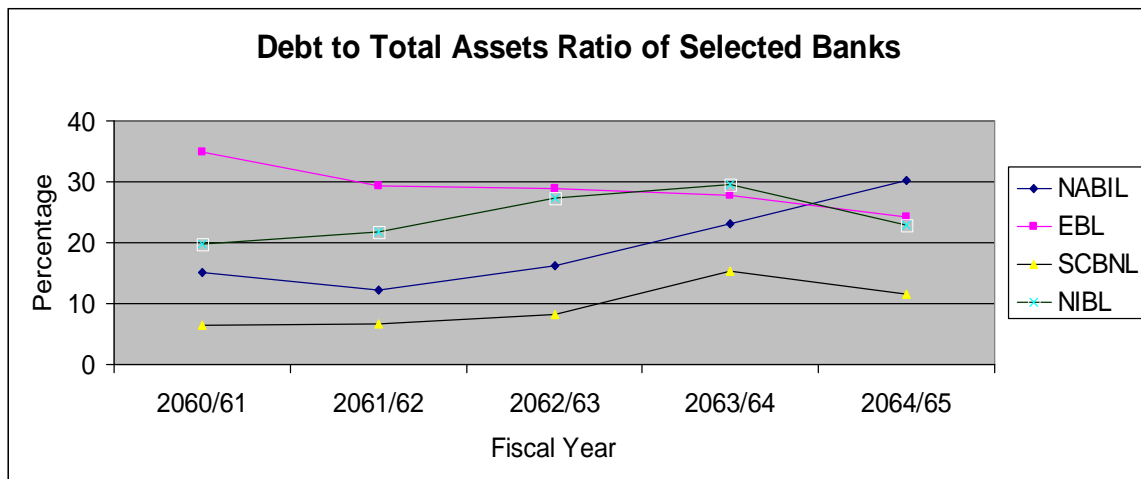
Above table 4.17 depicts the debt to total assets ratio of the selected commercial banks. The mean (€X) of debt to total assets ratio of NABIL, EBL, SCBNL and NIBL are 19.38, 29.018, 9.654 and 24.27 respectively.

The debt to total assets ratio of the banks are fluctuating. The highest debt to total assets ratio of NABIL is 30.13% and lowest ratio is 12.19% in the fiscal year 2064/65 and 2061/62 respectively. Similarly, the highest debt to total assets ratio of EBL is 34.84% and lowest ratio is 24.28% in the fiscal year 2060/61 and 2064/65 respectively as well as SCBNL's highest debt to total assets ratio is

15.34% and lowest ratio is 6.37% in the fiscal year 2063/64 and 2060/61 respectively.

The mean of debt to total assets ratio of EBL is the highest i.e. 29.018 than the selected banks. Standard deviation of debt to total assets ratio of NABIL, EBL, SCBNL and NIBL are 6.4706, 3.4055, 3.3884 and 3.6863 respectively. Coefficient of variation of NABIL is 33.3880%, EBL is 11.7358%, SCBNL is 35.0984% and NIBL is 15.1887%. Comparatively, EBL is more at riskier position of debt financing than other two banks because of higher average (mean). This ratio can be presented in the following graph.

Figure – 4.10



4.2.2.2 Debt to Equity Ratio

This ratio shows the extent to which shareholders are liable to long-term debtor of banks. This ratio shows the proportion of long-term debt to shareholder's equity. Here, long-term debt consists of borrowing from other banks and fixed deposits. Shareholder's equity consists of revenue, share capital, retained earning and other provision.

Debt to equity ratio of NABIL, EBL, SCBNL and NIBL are presented below in the table (Detail in Appendix - VI)

Table 4.18
Debt to Equity Ratio (in times)

Fiscal year	Selected Banks			
	NABIL	EBL	SCBNL	NIBL
2060/61	1.41	5.03	0.99	3.59
2061/62	1.41	3.51	1.14	2.89
2062/63	2.19	5.52	1.36	5.15
2063/64	3.37	6.18	2.50	6.07
2064/65	4.89	4.31	1.56	4.59
Mean (\bar{X})	2.654	4.91	1.51	4.458
S.D.	1.328	0.929	0.531	1.123
C.V. (%)	50.0377	18.9206	35.1656	25.1907

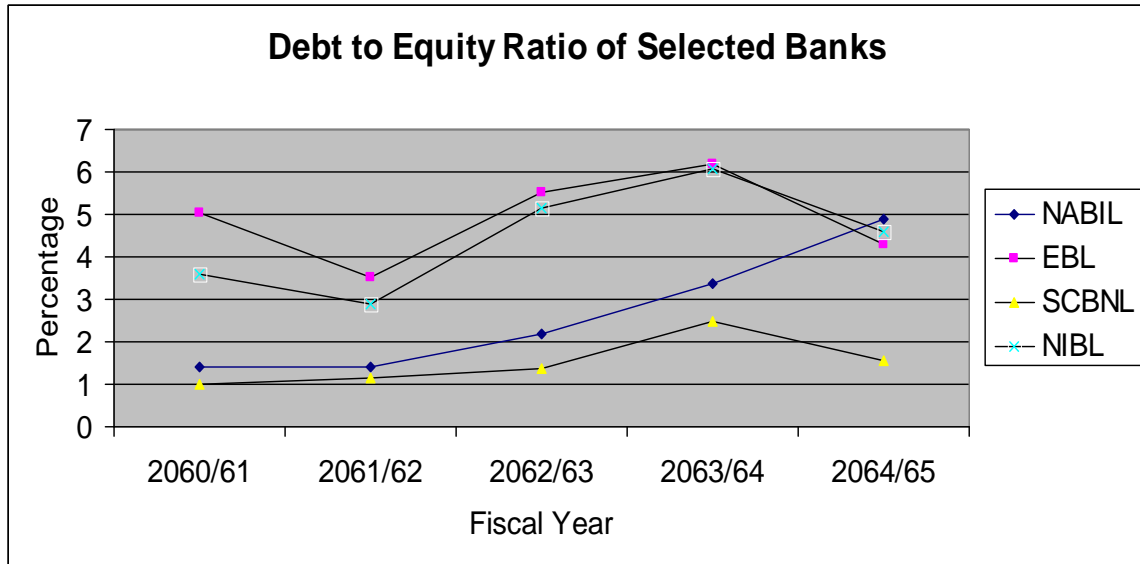
Above table 4.18 depicts the debt to equity ratio of the selected commercial banks. The mean (\bar{X}) of debt to equity ratio of NABIL, EBL, SCBNL and NIBL are 2.654, 4.91, 1.51 and 4.458 respectively.

The debts to equity ratio of the selected banks are fluctuating during the study periods. The highest debt to equity ratio of NABIL is 4.89 and lowest ratio is 1.41 in the fiscal year 2064/65 and 2061/62 respectively. Similarly, the highest debt to equity ratio of EBL is 6.18 and lowest ratio is 3.51 in the fiscal year 2063/64 and 2061/62 respectively as well as SCBNL's highest debt to equity ratio is 2.50 and lowest ratio is 0.99 in the fiscal year 2063/64 and 2060/61 respectively.

The mean of debt to equity ratio of EBL is the highest i.e. 4.91 than that of three other banks. Standard deviation of debt to equity ratio of NABIL, EBL, SCBNL and NIBL are 1.328, 0.929, 0.531 and 1.123 respectively. Coefficient of variation of NABIL is 50.0377%, EBL is 18.9206%, SCBNL is 35.1656% and NIBL is 25.1907%. EBL is more of risky since its average ratio is higher than other three selected banks. Claims of creditors are higher than owners, which can

prove risky. But NABIL is more in consistent in the ratios with comparatively higher C.V. This ratio can be presented in the following graph.

Figure – 4.11



4.2.2.3 Total Debt to Capital Employed Ratio

This ratio relates outside liabilities not merely to the shareholders fund but to the total capitalization of the banks. The ratio of total debts to capital employed ratio is measured of the percentage of funds provided by creditors.

Total debt to capital employed ratio of NABIL, EBL, SCBNL and NIBL are presented below in the table (Detail in Appendix - VII)

Table 4.19
Total Debt to Capital Employed Ratio (in %)

Fiscal year	Selected Banks			
	NABIL	EBL	SCBNL	NIBL
2060/61	58.47	83.41	49.65	78.19

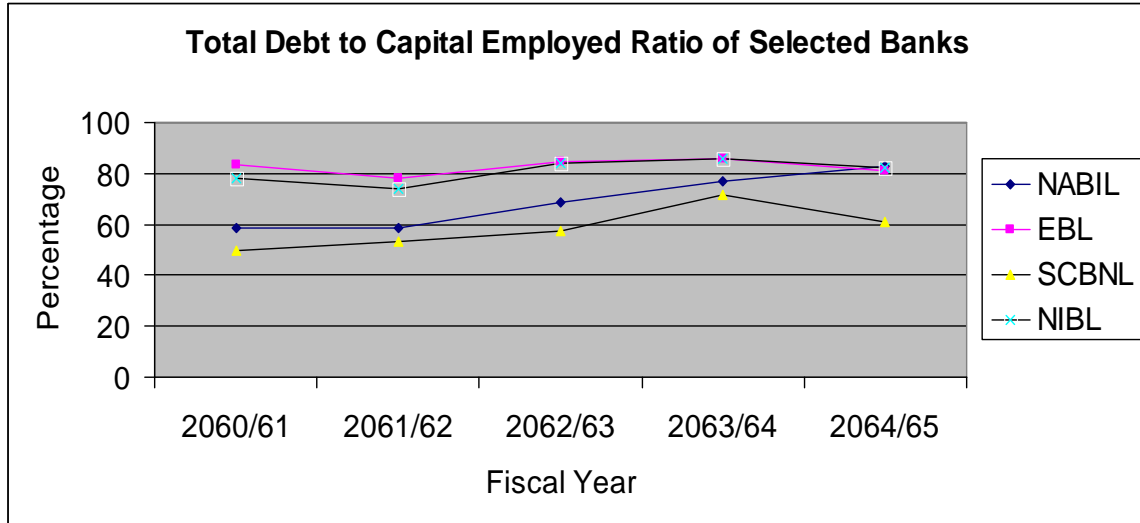
2061/62	58.57	77.85	53.32	74.26
2062/63	68.61	84.67	57.66	83.74
2063/64	77.12	86.08	71.42	85.85
2064/65	83.03	81.16	60.93	82.11
Mean (\bar{X})	69.16	82.634	58.596	80.83
S.D.	9.823	2.887	7.465	4.134
C.V. (%)	14.2033	3.4937	12.7398	5.1144

Above table 4.19 depicts the total debt to capital employed ratio of the selected commercial banks. The mean (\bar{X}) of total debt to capital employed ratio of NABIL, EBL, SCBNL and NIBL are 69.16, 82.634, 58.596 and 80.83 respectively.

The total debt to capital employed ratio of the NABIL and EBL are decreased till 2061/62 and then increased but the total debt to capital employed ratio of SCBNL is fluctuating. The highest total debt to capital employed ratio of NABIL is 12.25 and lowest ratio is 9.37 in the fiscal year 2063/64 and 2061/62 respectively. Similarly, the highest total debt to capital employed ratio of EBL is 24.16 and lowest ratio is 14.47 in the fiscal year 2063/64 and 2060/61 respectively as well as SCBNL's highest total debt to capital employed ratio is 14.81 and lowest ratio is 12.51 in the fiscal year 2060/61 and 2063/64 respectively.

The mean of total debt to capital employed ratio of EBL is the highest i.e. 82.634 than that of three other banks. Standard deviation of total debt to capital employed ratio of NABIL, EBL, SCBNL and NIBL are 9.823, 2.887, 7.465 and 4.134 respectively. Coefficient of variation of NABIL is 14.2033%, EBL is 3.4937%, SCBNL is 12.7398% and NIBL is 5.1144%. This ratio can be presented in the following graph.

Figure – 4.12



4.2.2.4 Loan and Advances to Current Asset Ratio

Loan and advances are also included in the current assets of commercial banks because generally it provides short-term loans, advances, overdrafts, cash-credit and foreign bill purchased and discounted.

All commercial banks mobilize their collected funds as loan and advances to the customers. The banks must maintain its loan and advances in appropriate level to find out portion of current assets, which is granted as loan and advances.

Loans and advances to current assets ratio of NABIL, EBL, SCBNL and NIBL are presented below in the table (Detail in Appendix - VIII)

Table 4.20

Loan and Advances to Current Assets Ratio (in %)

Fiscal year	Selected Banks			
	NABIL	EBL	SCBNL	NIBL
2060/61	52.63	64.93	28.34	54.29
2061/62	65.84	68.06	37.64	64.13

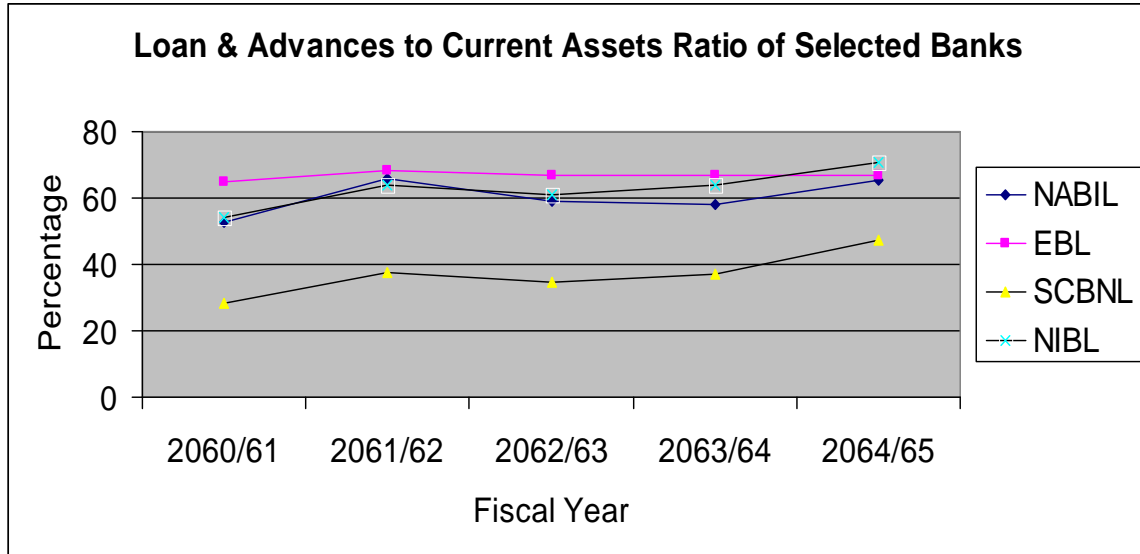
2062/63	59.16	66.80	34.70	60.90
2063/64	58.06	67.00	37.01	64.00
2064/65	65.41	66.96	47.50	70.63
Mean (\bar{X})	60.22	66.75	37.038	62.79
S.D.	4.938	1.014	6.18	5.302
C.V. (%)	8.1999	1.5191	16.6856	8.4440

Above table 4.21 depicts the loans and advances to current assets ratio of the selected commercial banks. The mean (\bar{X}) of loans and advances to current assets ratio of NABIL, EBL, SCBNL and NIBL are 60.22, 66.75, 37.038 and 62.79 respectively.

The loans and advances to current assets ratio of the NABIL in increased till the fiscal year 2061/62 thereafter decreased but the loans and advances to current assets ratio of EBL and SCBNL is fluctuated. The highest loans and advances to current assets ratio of NABIL is 65.84 and lowest ratio is 52.63 in the fiscal year 2060/61 and 2061/62 respectively. Correspondingly, the highest loans and advances to current assets ratio of EBL is 65.51 and lowest ratio is 62.46 in the fiscal year 2061/62 and 2060/61 respectively as well as SCBNL's highest loans and advances to current assets ratio is 37.32 and lowest ratio is 27.27 in the fiscal year 2061/62 and 2060/61 respectively.

The mean of loans and advances to current assets ratio of EBL is the highest i.e. 66.75 than that of three other banks. Standard deviation of loans and advances to current assets ratio of NABIL, EBL, SCBNL and NIBL are 4.938, 1.014, 6.18 and 5.302 respectively. Coefficient of variation of NABIL is 8.1999%, EBL is 1.5191%, SCBNL is 16.6856% and NIBL is 8.4440%. This ratio can be presented in the following graph.

Figure – 4.13



4.2.2.5 Loan and Advances to Total Deposit Ratio

This ratio measures the extent to which banks are able to extend loans and advances from the total deposits collected by the banks from the public. A high ratio indicates the better mobilization of collection deposit and vice versa. But it is known that high ratio may not be better from the liquidity point of view.

Loan and advances to total deposit ratio of NABIL, EBL, SCBNL and NIBL are presented below in the table (Detail in Appendix - IX)

Table 4.21**Loan and Advances to Total Deposit Ratio (in %)**

Fiscal year	Selected Banks			
	NABIL	EBL	SCBNL	NIBL
2060/61	61.25	75.85	31.48	61.29
2061/62	75.95	78.38	42.46	72.22
2062/63	67.30	73.35	38.63	68.72
2063/64	67.08	73.62	42.77	71.39
2064/65	67.41	78.47	44.90	78.79
Mean (€X)	67.798	75.934	40.048	70.482
S.D.	4.696	2.211	4.737	5.665
C.V. (%)	6.9265	2.9117	11.8283	8.0375

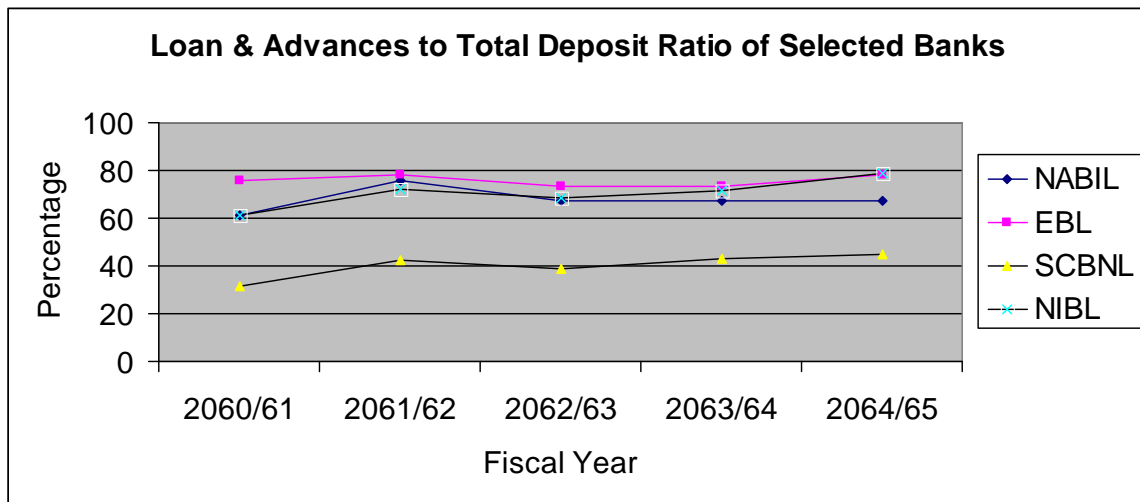
Above table 4.21 depicts the loans and advances to total deposit ratio of the selected commercial banks. The mean (€X) of loans and advances to total deposit ratio of NABIL, EBL, SCBNL and NIBL are 67.798, 75.934, 40.048 and 70.482 respectively.

The loans and advances to total deposit ratio of the banks is fluctuating over the study period. The highest loans and advances to total deposit ratio of NABIL is 72.57 and lowest ratio is 51.71 in the fiscal year 2061/62 and 2060/61 respectively. Correspondingly, the highest loans and advances to total deposit ratio of EBL is 75.45 and lowest ratio is 71.01 in the fiscal year 2061/62 and 2062/63 respectively as well as SCBNL's highest loans and advances to total deposit ratio is 42.61 and lowest ratio is 30.29 in the fiscal year 2061/62 and 2060/61 respectively.

The mean of loans and advances to total deposit ratio of EBL is the highest i.e. 75.934 than that of three other banks. Standard deviation of loans and advances to total deposit ratio of NABIL, EBL, SCBNL and NIBL are 4.696,

2.211, 4.737 and 5.665 respectively. Coefficient of variation of NABIL is 6.9265%, EBL is 2.9117%, SCBNL is 11.8283% and NIBL is 8.0375%. This ratio can be presented in the following graph.

Figure – 4.14



4.2.2.6 Investment to Total Deposit Ratio

This ratio measures the utilization of outsider’s fund or total deposit in the form of investment to generate profit. Commercial banks mobilize its fund by investing in different securities issued by government and other financial and non-financial companies. A high ratio indicates high success in utilization of funds.

Investment to Total Deposit ratio of NABIL, EBL, SCBNL and NIBL are presented below in the table (Detail in Appendix - X)

Table 4.22
Investment to Total Deposit Ratio (in %)

Fiscal year	Selected Banks			
	NABIL	EBL	SCBNL	NIBL
2060/61	41.39	31.44	53.68	35.64
2061/62	29.25	21.08	50.16	28.58

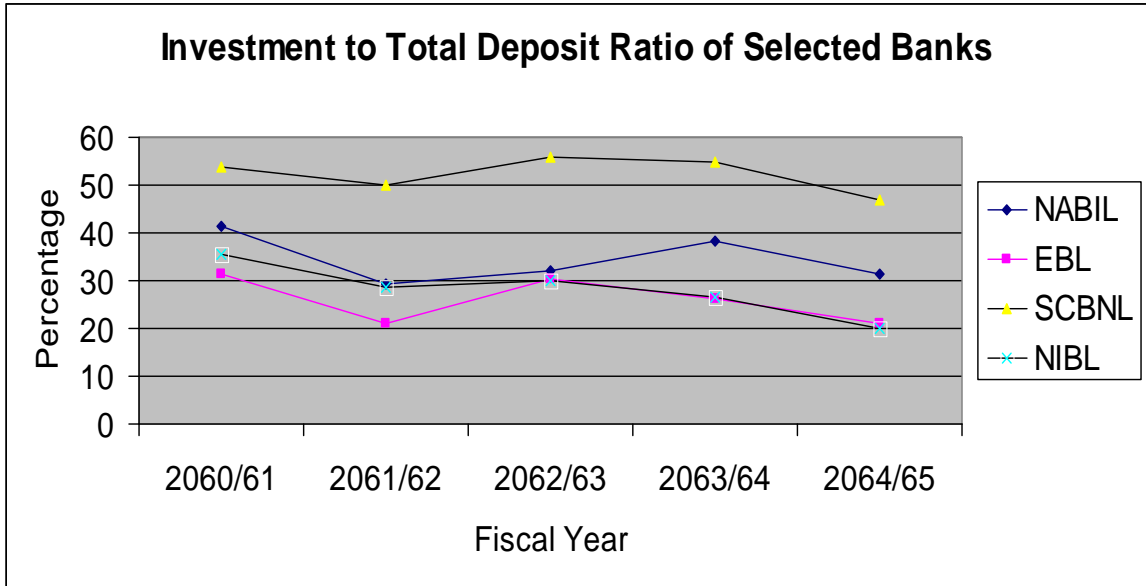
2062/63	31.93	30.44	55.70	29.97
2063/64	38.32	26.10	55.00	26.62
2064/65	31.23	21.11	46.74	19.97
Mean (€X)	34.424	26.034	52.256	28.156
S.D.	4.624	4.414	3.354	5.076
C.V. (%)	13.4325	16.9548	6.4184	18.0281

Above table 4.22 depicts the investment to total deposit ratio of the selected commercial banks. The mean (€X) of investment to total deposit ratio of NABIL, EBL, SCBNL and NIBL are 34.424, 26.034, 52.256 and 28.156 respectively.

The investment to total deposit ratio of the selected banks are fluctuating over the study period. The highest investment to total deposit ratio of NABIL is 38.32 and lowest ratio is 29.25 in the fiscal year 2063/64 and 2061/62 respectively. Similarly, the highest investment to total deposit ratio of EBL is 31.45 and lowest ratio is 21.08 in the fiscal year 2060/61 and 2061/62 respectively as well as SCBNL's highest investment to total deposit ratio is 55.67 and lowest ratio is 50.18 in the fiscal year 2062/63 and 2061/62 respectively.

The mean of investment to total deposit ratio of SCBNL is the highest i.e. 52.256 than that of three other banks. Standard deviation of investment to total deposit ratio of NABIL, EBL, SCBNL and NIBL are 4.624, 4.414, 3.354 and 5.076 respectively. Coefficient of variation of NABIL is 13.4325%, EBL is 16.9548%, SCBNL is 6.4184% and NIBL is 18.0281%. This ratio can be presented in the following graph.

Figure – 4.15



4.2.2.7 Loan and Advances to Total Assets

This ratio reflects the extent to which total assets of the banks are covered by income generating asset, i.e. loan and advances. Income from loans and advances is the one of the most profit-contributing source of bank. It is calculated by dividing loan and advances by total assets.

Loan and Advances to Total Assets ratio of NABIL, EBL, SCBNL and NIBL are presented below in the table (Detail in Appendix - XI)

Table 4.23
Loan and Advances to Total Assets Ratio (in %)

Fiscal year	Selected Banks			
	NABIL	EBL	SCBNL	NIBL
2060/61	51.57	63.66	28.18	53.29
2061/62	64.46	67.46	37.52	62.81
2062/63	58.31	63.44	34.56	59.85
2063/64	57.45	65.60	36.85	62.27
2064/65	64.41	66.22	46.77	68.89
Mean (€X)	59.24	65.276	36.776	61.422
S.D.	4.835	1.533	5.987	5.04
C.V. (%)	8.1617	2.3485	16.2796	8.2055

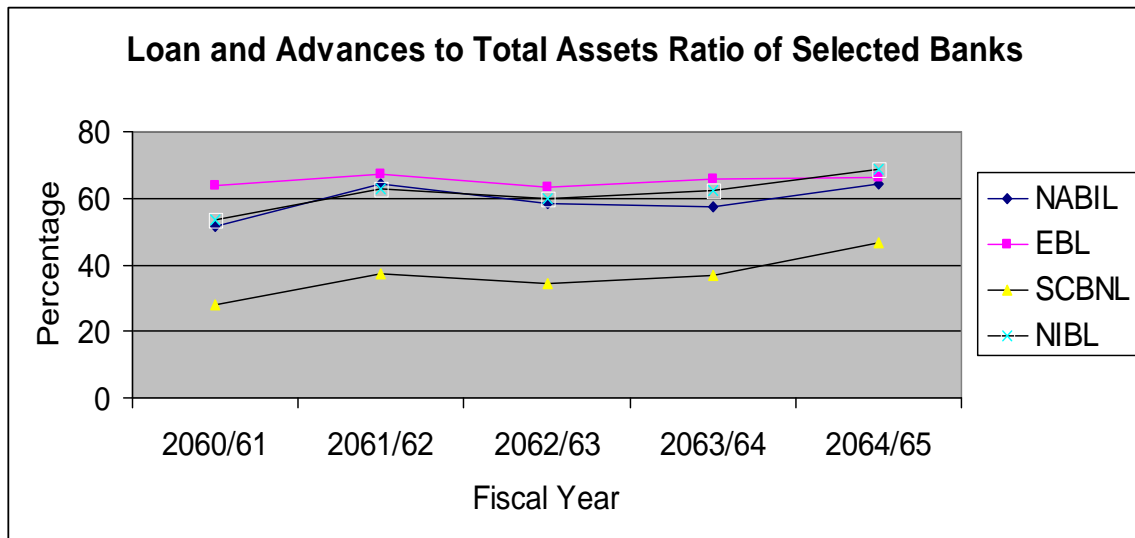
Above table depicts the loans and advances to total assets ratio of the selected commercial banks. The mean (€X) of loans and advances to total assets ratio of NABIL, EBL, SCBNL and NIBL are 59.24, 65.276, 36.776 and 61.422 respectively.

The loans and advances to total assets ratio of the banks is fluctuating over the study period. The highest loans and advances to total assets ratio of NABIL is 64.47 and lowest ratio is 51.57 in the fiscal year 2061/62 and 2060/61

respectively. Correspondingly, the highest loans and advances to total assets ratio of EBL is 67.46 and lowest ratio is 63.44 in the fiscal year 2061/62 and 2062/63 respectively as well as SCBNL's highest loans and advances to total assets ratio is 46.77 and lowest ratio is 28.18 in the fiscal year 2064/65 and 2060/61 respectively.

The mean of loans and advances to total assets ratio of EBL is the highest i.e. 65.276 than that of three other banks. Standard deviation of loans and advances to total assets ratio of NABIL, EBL, SCBNL and NIBL are 4.835, 1.533, 5.987 and 5.04 respectively. Coefficient of variation of NABIL is 8.1617%, EBL is 2.3485%, SCBNL is 16.2796% and NIBL is 8.2055%. This ratio can be presented in the following graph.

Figure – 4.16



4.2.3 Profitability Ratios

Profitability ratios measure the overall performance of the bank by determining the effectiveness of the bank in generating profit and are calculating by establishing relationship between profit and assets.

Profitability ratio indicates the degree of success in achieving desired profit. Various profitability ratios are calculated to measure the efficiency of the bank. Success and failure of the bank depends upon its profitability showing how efficiently it is utilizing its deposit. The various ratios to measure the efficiency of the bank are as follows.

4.2.3.1 Return on Loans & Advances

It measures the earning capacity of commercial banks on its deposits mobilized on loan and advances. Mostly loan and advances include loan, cash credit, overdrafts bills purchased and discounted.

Return on loans and advances ratio of NABIL, EBL, SCBNL and NIBL . are presented below in the table (Detail in Appendix -XII)

Table 4.24
Return on Loans & Advances (in %)

Fiscal year	Selected Banks			
	NABIL	EBL	SCBNL	NIBL
2060/61	5.27	2.35	8.07	2.13
2061/62	4.68	2.16	6.56	2.25
2062/63	4.88	2.36	7.40	2.69
2063/64	4.30	2.13	6.56	2.87
2064/65	3.49	3.84	6.10	2.57
Mean (\bar{X})	4.524	2.568	6.938	2.502
S.D.	0.604	0.643	0.705	0.275
C.V. (%)	13.3510	25.0389	10.1614	10.9912

Above table depicts the return on loans and advances ratio of the selected commercial banks. The mean (\bar{X}) of return on loans and advances ratio of NABIL, EBL, SCBNL and NIBL are 4.524, 2.568, 6.938 and 2.502 respectively.

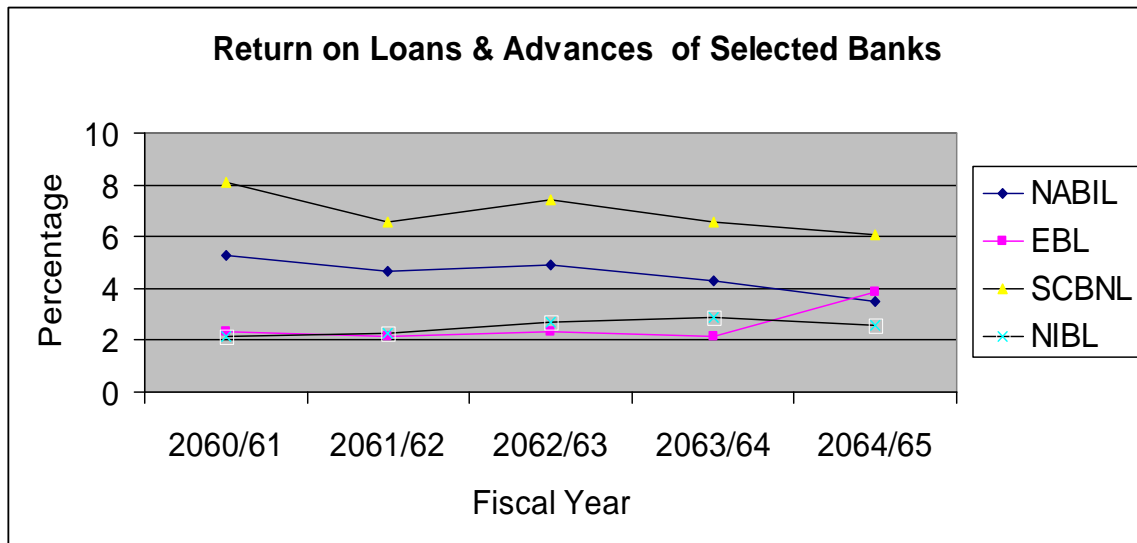
The return on loans and advances ratio of the banks is fluctuating over the study period. The highest return on loans and advances ratio of NABIL is 5.27 and lowest ratio is 3.49 in the fiscal year 2060/61 and 2064/65 respectively. Similarly, the highest return on loans and advances ratio of EBL is 3.84 and lowest ratio is 2.13 in the fiscal year 2064/65 and 2063/64 respectively as well as SCBNL's

highest return on loans and advances ratio is 8.07 and lowest ratio is 6.10 in the fiscal year 2060/61 and 2064/65 respectively.

The mean of return on loans and advances ratio of SCBNL is the highest i.e. 6.938 than that of three other banks i.e. NIBL, EBL and NABIL. Standard deviation of return on loans and advances ratio of NABIL, EBL, SCBNL and NIBL are 0.604, 0.643, 0.705 and 0.275 respectively. Coefficient of variation of NABIL is 13.3510%, EBL is 25.0389%, SCBNL is 10.1614% and NIBL is 10.9912%.

To make bank's profitability and return from loans and advances is satisfactory; the banks should really make an effort in loans and advances efficiently to generate adequate level of return. This ratio can be presented in the following graph.

Figure – 4.17



4.2.3.2 Return on Total Deposit

Total deposit of the bank is its creditorship. The prior objective of the bank is collected more deposit and utilization in various sectors i.e. to earn high profit

there by maximizing return on its total deposits. This ratio reflects the extent to which the banks have been successful in mobilizing its total deposits.

Return on total deposit of NABIL, EBL, SCBNL and NIBL are presented below in the table (Detail in Appendix - XIII)

Table 4.25
Return on Total Deposit (in %)

Fiscal year	Selected Banks			
	NABIL	EBL	SCBNL	NIBL
2060/61	3.23	1.78	2.54	1.30
2061/62	3.56	1.69	2.79	1.63
2062/63	3.28	1.73	2.86	1.85
2063/64	2.89	1.57	2.81	2.05
2064/65	2.35	3.01	2.74	2.03
Mean (€X)	3.062	1.956	2.748	1.772
S.D.	0.415	0.532	0.111	0.28
C.V. (%)	13.5532	27.1984	4.0393	15.8014

Above table depicts the return on total deposit ratio of the selected commercial banks. The mean (€X) of return on total deposit ratio of NABIL, EBL, SCBNL and NIBL are 3.062, 1.956, 2.748 and 1.772 respectively.

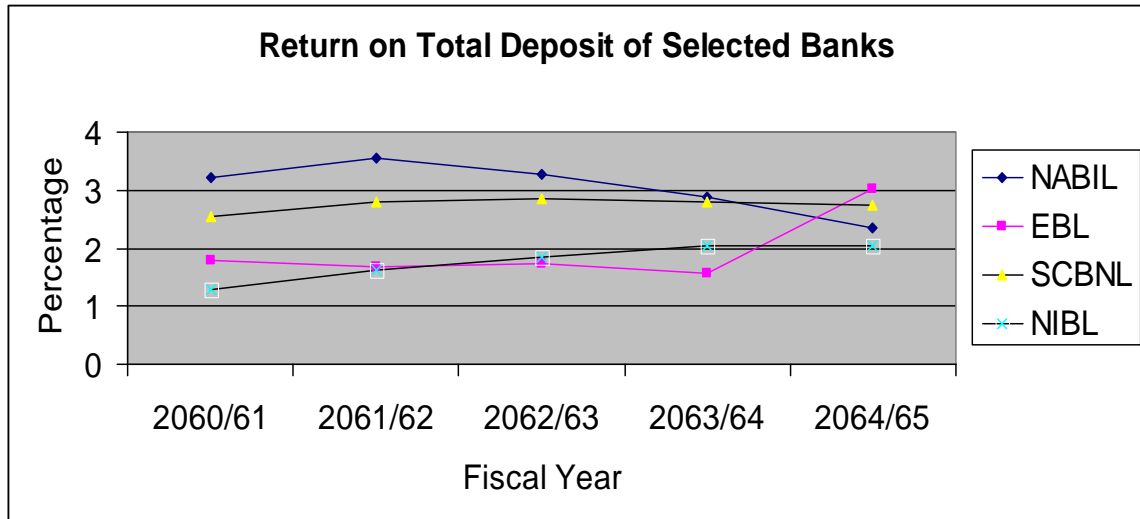
The return on total deposit ratio of the banks is fluctuating over the study period. The highest return on total deposit ratio of NABIL is 3.56 and lowest ratio is 2.35 in the fiscal year 2061/62 and 2064/65 respectively. Similarly, the highest return on total deposit ratio of EBL is 3.01 and lowest ratio is 1.57 in the fiscal year 2064/65 and 2063/64 respectively as well as SCBNL's highest return on total

deposit ratio is 2.86 and lowest ratio is 2.54 in the fiscal year 2062/63 and 2060/61 respectively.

The mean of return on total deposit ratio of NABIL is the highest i.e. 3.062 than that of three other banks i.e. NIBL, EBL and SCBNL. Standard deviation of return on total deposit ratio of NABIL, EBL, SCBNL and NIBL are 0.415, 0.532, 0.111 and 0.28 respectively. Coefficient of variation of NABIL is 13.5532%, EBL is 27.1984%, SCBNL is 4.0393% and NIBL is 15.8014%.

To make bank's profitability and return from total deposit is satisfactory; the banks should really make an effort in total deposit, its collect efficiently to generate adequate level of return. This ratio can be presented in the following graph.

Figure – 4.18



4.2.3.3 Return on Total Assets

This ratio is calculated to reveal the profitability of the banks with respect to total assets. It measures the profitability of all financial resources invested in the banks assets.

Return on total assets of NABIL, EBL, SCBNL and NIBL are presented below in the table (Detail in Appendix - XIV)

Table 4.26**Return on Total Assets (in %)**

Fiscal year	Selected Banks			
	NABIL	EBL	SCBNL	NIBL
2060/61	2.72	1.49	2.27	1.13
2061/62	3.02	1.46	2.46	1.42
2062/63	2.84	1.50	2.56	1.61
2063/64	2.47	1.40	2.42	1.79
2064/65	2.25	2.54	2.85	1.77
Mean (€X)	2.66	1.678	2.512	1.544
S.D.	0.271	0.432	0.193	0.246
C.V. (%)	10.1895	25.7449	7.6831	15.9326

Above table depicts the return on total assets ratio of the selected commercial banks. The mean (€X) of return on total assets ratio of NABIL, EBL, SCBNL and NIBL are 2.66, 1.678, 2.512 and 1.544 respectively.

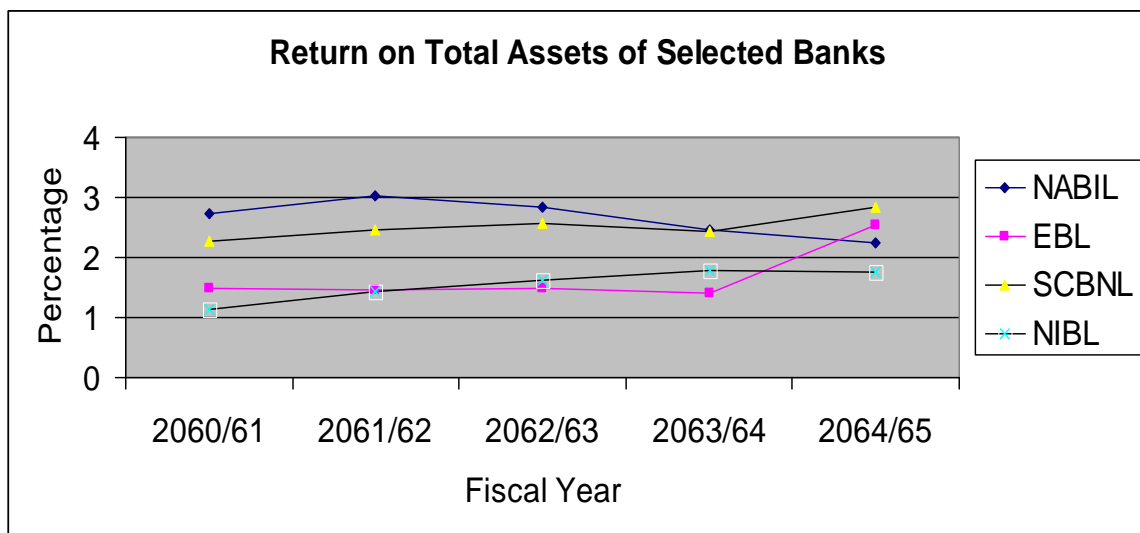
The return on total assets ratio of the selected banks is fluctuating over the study period. The highest return on total assets ratio of NABIL is 3.02 and lowest ratio is 2.25 in the fiscal year 2061/62 and 2064/65 respectively. Similarly, the highest return on total assets ratio of EBL is 2.54 and lowest ratio is 1.40 in the fiscal year 2064/65 and 2063/64 respectively as well as SCBNL's highest return on total assets ratio is 2.85 and lowest ratio is 2.27 in the fiscal year 2064/65 and 2060/61 respectively.

The mean of return on total assets ratio of NABIL is the highest i.e. 2.66 than that of three other banks i.e. NIBL, EBL and SCBNL. Standard deviation of return on total assets ratio of NABIL, EBL, SCBNL and NIBL are 0.271, 0.432,

0.193 and 0.246 respectively. Coefficient of variation of NABIL is 10.1895%, EBL is 25.7449%, SCBNL is 7.6831% and NIBL is 15.9326%.

The bank's return on asset is not satisfactory. The bank's should utilize the idle assets accumulate by the bank. This ratio can be presented in the following graph.

Figure – 4.19



4.2.3.4 Return on Shareholder's Equity

The equity capital of the bank is its owned capital. The prior objective of the bank is wealth maximization i.e. to earn high profit there by maximizing return on its equity capital. This ratio reflects the extent to which the banks have been successful in mobilizing its equity capital.

Return on shareholder's equity of NABIL, EBL, SCBNL and NIBL are presented below in the table (Detail in Appendix - XV)

Table 4.27**Return on Shareholder's Equity (in %)**

Fiscal year	Selected Banks			
	NABIL	EBL	SCBNL	NIBL
2060/61	25.24	21.56	35.20	20.61
2061/62	34.99	17.42	42.18	18.81
2062/63	38.32	28.69	41.79	30.27
2063/64	35.95	31.08	39.40	36.58
2064/65	36.48	45.13	38.45	35.66
Mean (€X)	34.196	28.776	39.404	28.386
S.D.	4.607	9.527	2.529	7.427
C.V. (%)	13.4723	33.1075	6.4181	26.1643

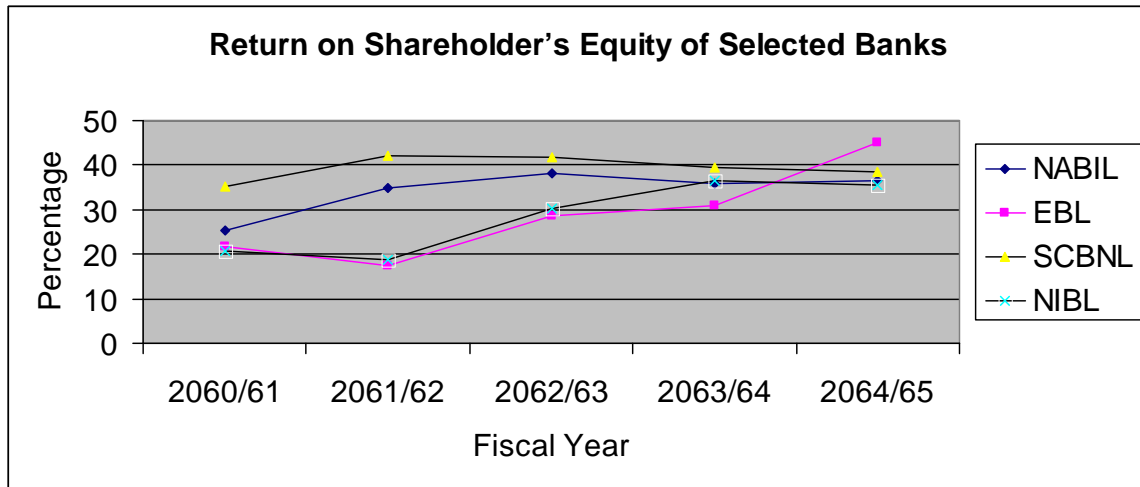
Above table depicts the return on shareholder's equity ratio of the selected commercial banks. The mean (€X) of return on shareholder's equity ratio of NABIL, EBL, SCBNL and NIBL are 34.196, 28.776, 39.404 and 28.386 respectively.

The return on shareholder's equity ratio of the banks is fluctuating over the study period. The highest return on shareholder's equity ratio of NABIL is 38.32 and lowest ratio is 25.24 in the fiscal year 2062/63 and 2060/61 respectively. Similarly, the highest return on shareholder's equity ratio of EBL is 45.13 and lowest ratio is 17.42 in the fiscal year 2064/65 and 2061/62 respectively as well as SCBNL's highest return on shareholder's equity ratio is 42.18 and lowest ratio is 35.20 in the fiscal year 2061/62 and 2060/61 respectively.

The mean of return on shareholder's equity ratio of SCBNL is the highest i.e. 39.404 than that of three other banks i.e. NIBL, EBL and NABIL. Standard deviation of return on shareholder's equity ratio of NABIL, EBL, SCBNL and NIBL are 4.607, 9.527, 2.529 and 7.427 respectively. Coefficient of variation of

NABIL is 13.4723%, EBL is 33.1075%, SCBNL is 6.4181% and NIBL is 26.1643%. The banks should keep up with generating the profit at the same rate at which shareholder's fund are increasing. This ratio can be presented in the following graph.

Figure – 4.20



4.2.3.5 Return on Investment

This ratio measures how well the banks have invested its resources to generate profit and to indicate percentage of return from it higher ratio represents higher efficiency of banks. Return on investment of NABIL, EBL, SCBNL and NIBL are presented below in the table (Detail in Appendix - XVI)

Table 4.28

Return on Investment (in %)

Fiscal year	Selected Banks			
	NABIL	EBL	SCBNL	NIBL
2060/61	7.80	5.66	4.73	3.66
2061/62	12.15	8.02	5.56	5.70
2062/63	10.28	5.68	5.13	6.18
2063/64	7.53	6.01	5.10	7.69

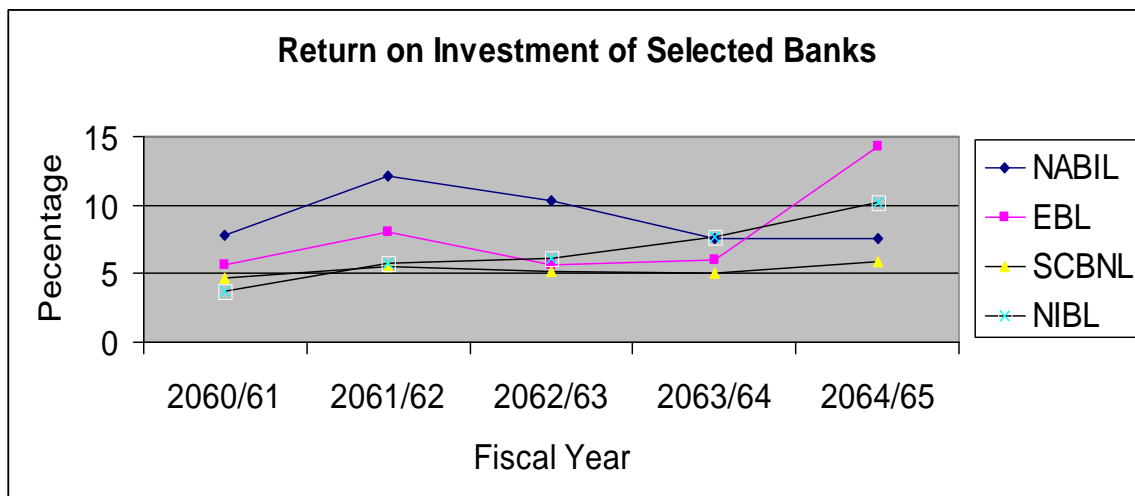
2064/65	7.53	14.28	5.85	10.16
Mean (€X)	9.058	7.93	5.274	6.678
S.D.	1.86	3.293	0.39	2.166
C.V. (%)	20.5343	41.5259	7.3948	32.4349

Above table depicts the return on investment ratio of the selected commercial banks. The mean (€X) of return on investment ratio of NABIL, EBL, SCBNL and NIBL are 9.058, 7.93, 5.274 and 6.678 respectively.

The return on investment ratio of the selected banks is fluctuating over the study period. The highest return on investment ratio of NABIL is 12.15 and lowest ratio is 7.53 in the fiscal year 2061/62 and 2064/65 respectively. Similarly, the highest return on investment ratio of EBL is 14.28 and lowest ratio is 5.66 in the fiscal year 2064/65 and 2060/61 respectively as well as SCBNL's highest return on investment ratio is 5.85 and lowest ratio is 4.73 in the fiscal year 2064/65 and 2060/61 respectively.

The mean of return on investment ratio of NABIL is the highest i.e. 9.058 than that of three other banks i.e. NIBL, EBL and SCBNL. Standard deviation of return on investment ratio of NABIL, EBL, SCBNL and NIBL are 1.86, 3.293, 0.39 and 2.166 respectively. Coefficient of variation of NABIL is 20.5343%, EBL is 41.5259% and SCBNL is 7.3948% and NIBL is 32.4349%. To make bank's profitability and return from investment is satisfactory, the banks should really make an effort in investing its resources efficiently to generate adequate level of return. This ratio can be presented in the following graph.

Figure – 4.21



4.2.3.6 Return on Capital Employed

The capital employed of the bank is its owned capital and long-term liabilities. The prior purpose of the bank is wealth maximization i.e. to earn high profit there by maximizing return on its capital. This ratio reflects the extent to which the banks have been successful in mobilizing its capital.

Return on capital employed of NABIL, EBL, SCBNL and NIBL are presented below in the table (Detail in Appendix - XVII)

Table 4.29
Return on Capital Employed (in %)

Fiscal year	Selected Banks			
	NABIL	EBL	SCBNL	NIBL
2060/61	10.48	3.58	17.72	4.49
2061/62	14.49	3.86	19.69	4.84
2062/63	12.03	4.40	17.69	4.92
2063/64	8.23	4.33	11.26	5.18

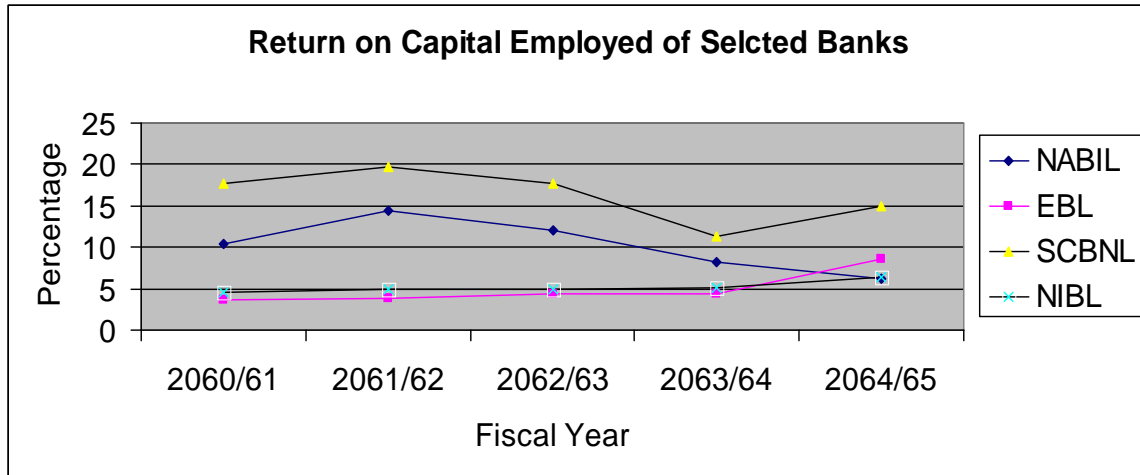
2064/65	6.19	8.50	15.02	6.38
Mean (€X)	10.284	4.934	16.276	5.162
S.D.	2.884	1.808	2.915	0.648
C.V. (%)	28.0436	36.6437	17.9098	12.5533

Above table depicts the return on capital employed ratio of the selected commercial banks. The mean (€X) of return on capital employed ratio of NABIL, EBL, SCBNL and NIBL are 10.284, 4.934, 16.276 and 5.162 respectively.

The return on capital employed ratio of the selected banks is fluctuating over the study period. The highest return on capital employed ratio of NABIL is 14.49 and lowest ratio is 6.19 in the fiscal year 2061/62 and 2064/65 respectively. Similarly, the highest return on capital employed ratio of EBL is 8.50 and lowest ratio is 3.58 in the fiscal year 2064/65 and 2060/61 respectively as well as SCBNL's highest return on capital employed ratio is 19.69 and lowest ratio is 11.26 in the fiscal year 2061/62 and 2063/64 respectively.

The mean of return on capital employed ratio of SCBNL is the highest i.e. 16.276 than that of three other banks i.e. NIBL, EBL and NABIL. Standard deviation of return on capital employed ratio of NABIL, EBL, SCBNL and NIBL are 2.884, 1.808, 2.915 and 0.648 respectively. Coefficient of variation of NABIL is 28.0436%, EBL is 36.6437%, SCBNL is 17.9098% and NIBL is 12.5533%. To make bank's profitability and return from total capital is satisfactory, the banks should really make an effort in the capital efficiently to generate adequate level of return. This ratio can be presented in the following graph.

Figure – 4.22



4.2.3.7 Earning Per Share

The profitability of the firm or company from the point of view of the ordinary shareholders is earnings per share. It measures the profit available to the equity shareholders on a per share basis that is the amount that they can get on every share held. It represents what the owners are theoretically entitled to receive from the bank.

Earning per share of NABIL, EBL, SCBNL and NIBL are presented below in the table (Detail in Appendix - XVIII)

Table 4.30

Earning Per Share (in Rs.)

Fiscal year	Selected Banks			
	NABIL	EBL	SCBNL	NIBL
2060/61	92.61	31.55	143.55	51.70
2061/62	105.49	22.62	143.92	39.50
2062/63	129.21	46.11	175.84	59.35
2063/64	137.08	57.81	167.37	62.57

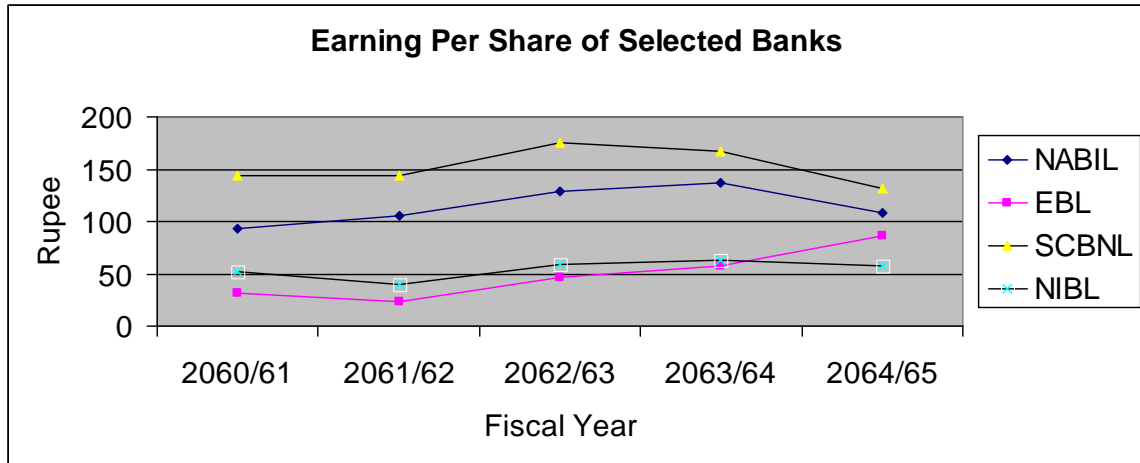
2064/65	108.88	86.94	131.12	58.03
Mean (€X)	114.654	49.006	152.36	54.23
S.D.	16.236	22.476	16.593	8.168
C.V. (%)	14.1609	45.8638	10.8907	15.0618

Above table depicts the earning per share of the selected commercial banks. The mean (€X) of earning per share of NABIL, EBL, SCBNL and NIBL are 114.654, 49.006, 152.36, 54.23 respectively.

The earning per share of the banks is fluctuating trend over the study period. The highest earning per share of NABIL, EBL, SCBNL and NIBL are 137.08, 86.94, 175.84 and 62.57 respectively. This is good for the bank because increment in EPS represents the increment in profit from the owner's point of view. But comparatively, SCBNL has better position than EBL and NABIL due to higher average (mean).

The mean of earning per share of SCBNL is the highest i.e. 152.36 than that of three other banks i.e. NIBL, EBL and NABIL. Standard deviation of earning per share of NABIL, EBL, SCBNL and NIBL are 16.236, 22.476, 16.593 and 8.168 respectively. Coefficient of variation of NABIL is 14.1609%, EBL is 45.8638%, SCBNL is 10.8907%, NIBL is 15.0618%. This ratio can be presented in the following graph.

Figure – 4.23



4.3 Distribution of Assets for 2064/65

The total assets are the combination of various financial components. There should be a proper distribution of these components in the total assets. There are some different components that have constituted the total assets of the selected commercial banks, which are cash & bank balance, money at call and short notice, investment, loans and advances, fixed assets and other assets.

4.3.1 Distribution of Assets of NABIL for 2064/65

The components of total assets of NABIL are cash & bank balance, money at call and short notice, investment, loans and advances, fixed assets and other assets which is shown as table with figure in below:

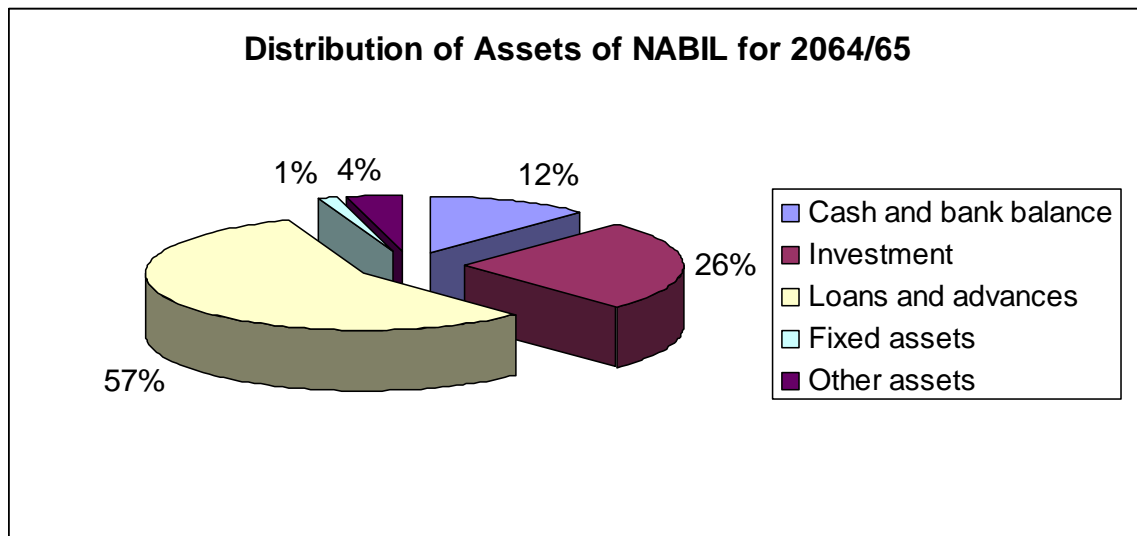
Table 4.31

Distribution of Assets of NABIL for 2064/65 (Rs. in million)

S.N.	Components of Assets	Amount	Percentage
1	Cash and bank balance	4623.5	12.02
2	Investment	9966.6	25.90
3	Loans and advances	21769.7	56.58
4	Fixed assets	511.6	1.33
5	Other assets	1607.1	4.18
	Total assets	38478.5	100

Source: Annual Report of NABIL, 2008

Figure – 4.24



From the above table and figure depicts that distribution of assets of NABIL for 2064/65. It reveals that the major portion of the total assets is occupied by loans and advances, which is 57.04% of the total assets. Investment is covered 32.82% of total assets. Cash & bank balance is occupied 5.14% of the total assets. Similarly, money at call and short notice, other assets and fixed assets are occupied 2.07%, 1.88% and 1.05% of the total assets respectively.

4.3.2 Distribution of Assets of EBL for 2064/65

The components of total assets of EBL are cash & bank balance, investment, loans and advances, fixed assets and other assets which is shown as table with figure in below:

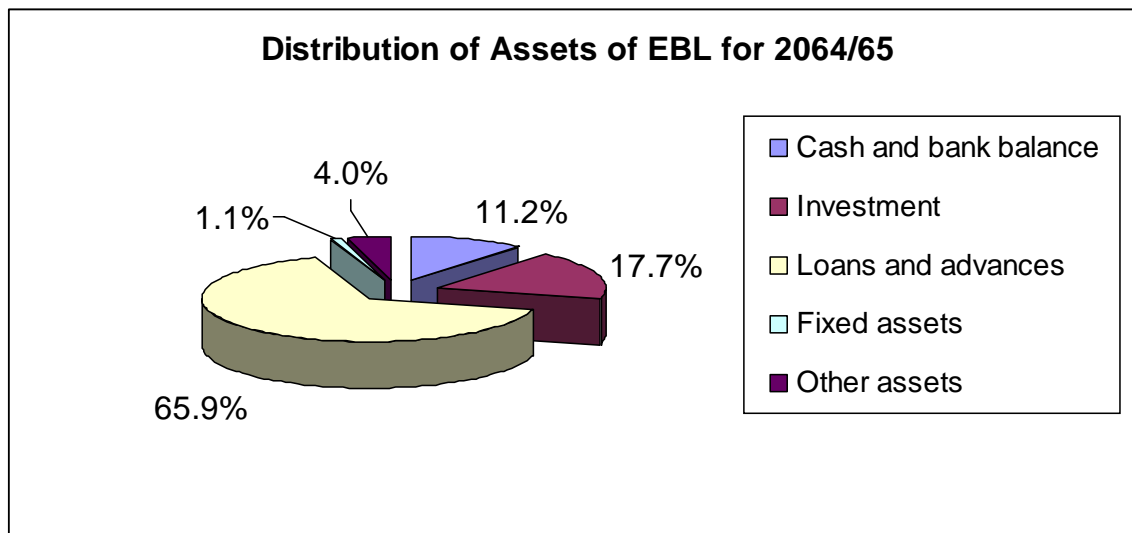
Table 4.39

Distribution of Assets of EBL for 2064/65 (Rs. in million)

S.N.	Components of Assets	Amount	Percentage
1	Cash and bank balance	3198.4	11.20
2	Investment	5061.1	17.72
3	Loans and advances	18836.4	65.94
4	Fixed assets	314.9	1.10
5	Other assets	1155.0	4.04
	Total assets	28565.8	100

Source: Annual Report of EBL, 2008

Figure – 4.25



From the above table and figure depicts that distribution of assets of EBL for 2064/65. It reveals that the major portion of the total assets is occupied by loans and advances, which is 63.75% of the total assets. Investment is covered 23.26% of total assets. Cash & bank balance is occupied 11.16% of the total assets. Similarly, other assets and fixed assets are occupied 1.04% and 0.79% of the total assets respectively.

4.3.3 Distribution of Assets of SCBNL for 2064/65

The components of total assets of SCBNL are cash & bank balance, money at call and short notice, investment, loans and advances, fixed assets and other assets which is shown as table with figure in below:

Table 4.33

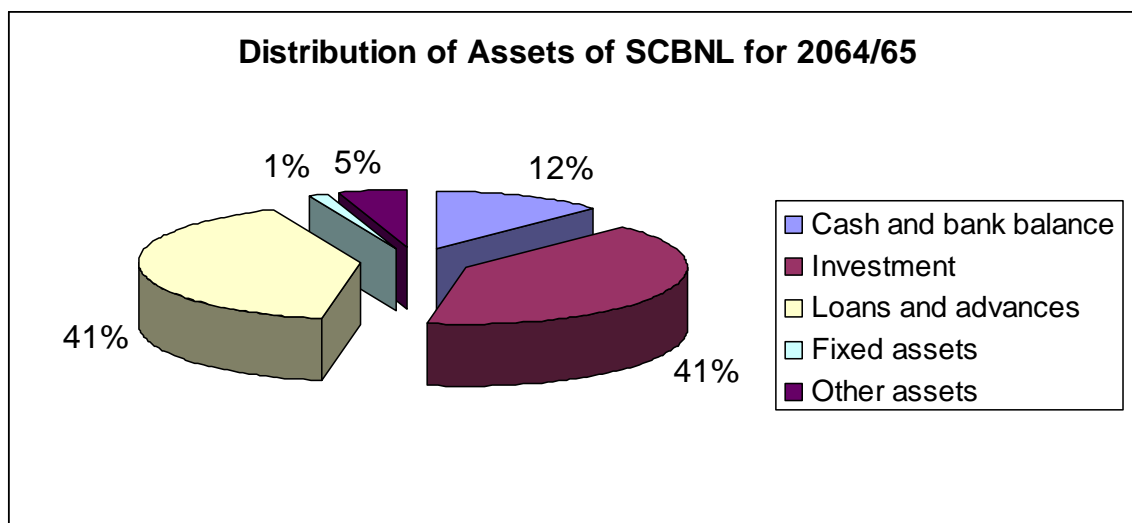
Distribution of Assets of SCBNL for 2064/65 (Rs. in million)

S.N.	Components of Assets	Amount	Percentage
1	Cash and bank balance	4247.7	12.38
2	Investment	13902.8	40.52
3	Loans and advances	13964.4	40.70
4	Fixed assets	440.5	1.28

5	Other assets	1755.9	5.12
	Total assets	34311.3	100

Source: Annual Report of SCBNL, 2008

Figure – 4.26



From the above table and figure depicts that distribution of assets of SCBNL for 2064/65. It reveals that the major portion of the total assets is occupied by loans and advances, which is 36.73% of the total assets. Investment is covered 47.39% of total assets. Cash & bank balance is occupied 7.07% of the total assets. Similarly, money at call and short notice, other assets and fixed assets are occupied 6.16%, 2.21% and 0.44% of the total assets respectively.

4.3.4 Distribution of Assets of NIBL for 2064/65

The components of total assets of NIBL are cash & bank balance, money at call and short notice, investment, loans and advances, fixed assets and other assets which is shown as table with figure in below:

Table 4.34

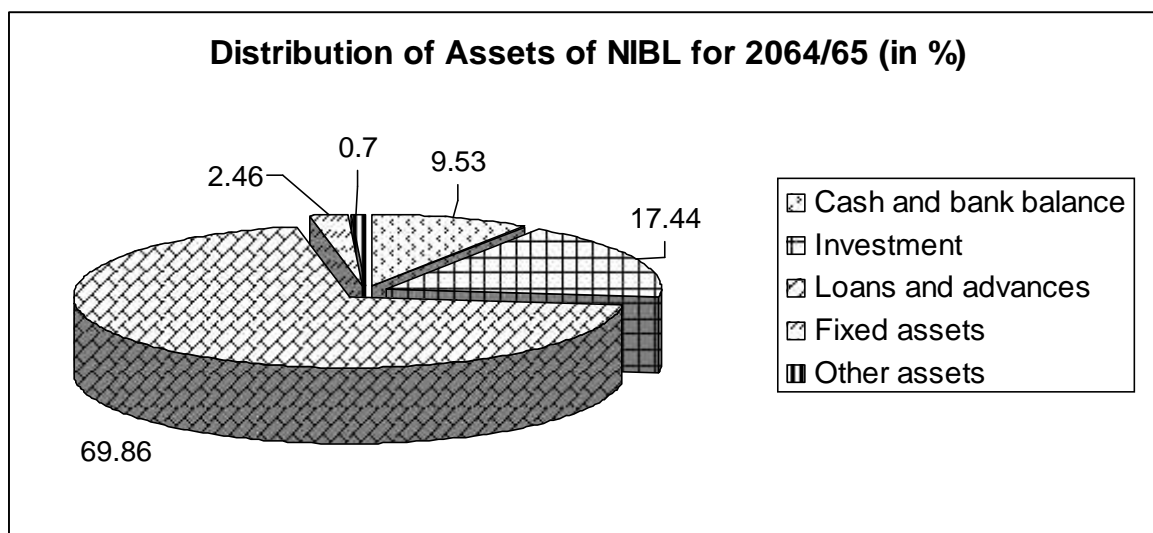
Distribution of Assets of NIBL for 2064/65 (Rs. in million)

S.N.	Components of Assets	Amount	Percentage
1	Cash and bank balance	3755	9.53

2	Investment	6874	17.44
3	Loans and advances	27529	69.86
4	Fixed assets	970	2.46
5	Other assets	277	0.70
	Total assets	39706	100

Source: Annual Report of NIBL, 2008

Figure – 4.27



From the above table and figure depicts that distribution of assets of NIBL for 2064/65. It reveals that the major portion of the total assets is occupied by loans and advances, which is 57.04% of the total assets. Investment is covered 32.82% of total assets. Cash & bank balance is occupied 5.14% of the total assets. Similarly, money at call and short notice, other assets and fixed assets are occupied 2.07%, 1.88% and 1.05% of the total assets respectively.

4.4 Co-efficient of Correlation

This analysis interprets and identifies the relationship between two of more variables. In the case of highly correlated, the effects on none variable may have effect on other correlated variable. Under this topic, this study tries to find out relationship between the following variables:

- a) Coefficient of correlation between Total Deposit and Net Profit
- b) Coefficient of correlation between Total Deposit and Total investment
- c) Coefficient of correlation between Total Deposit and Loan & Advances
- d) Coefficient of correlation between Current assets and Current Liabilities

The above analysis tools analyze the relationship between these the relevant variables and helps the bank to make sound policies regarding deposit collection, fund utilization (loan and advances and investment) and profit maximization.

The following formula is used to find out the relationships:

$$\text{Coefficient of Correlation (r)} = \frac{\phi d_1 \cdot d_2}{\sqrt{\phi d_1^2 \cdot \phi d_2^2}}$$

Where,

$$d_1 = X_1 - \bar{X}_1$$

$$d_2 = X_2 - \bar{X}_3$$

For the purpose of decision-making, interpretation is based on following term:

- When $r = 1$, there is perfect positive correlation.
- When $r = -1$, there is perfect negative correlation.
- When $r = 0$, there is no correlation.
- Nearer the value of r to $+1$, closer will be the relationship between two variables and nearer the value of r to 0 , lesser will be the relationship.

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

Where,

P.E. = Probable error of correlation coefficient

r = Correlation coefficient

n = Number of observations

$$T\text{-test} = \frac{\bar{X}_1 - \bar{X}_2}{S} \sqrt{\frac{(n_1 n_2)}{(n_1 + n_2)}}$$

Where, $S = \frac{\phi d_1^2 + \phi d_2^2}{n_1 + n_2 - 2}$

Degree of freedom = $n_1 + n_2 - 2$

Where,

\bar{X}_1 = Mean of the X_1

\bar{X}_2 = Mean of the X_2

n_1 = No. of the year X_1

n_2 = No. of the year X_2

S = Combined standard deviation

4.4.1 Coefficient of Correlation between Total Deposit and Net Profit

The following table describes the relationship between total deposits and net profit of NABIL, EBL and SCBNL with comparative under five years study period. In the following case, total deposit is independent variables (X_1) and net profit is dependent variables (X_2).

Table 4.35

Correlation Coefficient between Total Deposits and Net Profit

Banks	NABIL	EBL	SCBNL	NIBL
Coefficient of correlation (r)	0.930	0.991	0.954	0.997
P.E.	0.041	0.006	0.027	0.0018
6 P.E.	0.246	0.036	0.163	0.0108

t-test	8.856	5.366	18.743	4.989
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Appendix: Aa, Ab & Ac

From the above table, it is found that coefficient of correlation between total deposit and net profit of NABIL is 0.930 i.e. high degree of positive correlation between these two variables. Therefore it reveals that relationship between total deposit and net profit is closer to perfect correlation. Similarly, probable error (P.E.) is 0.041 and 6P.E. is 0.246 which shows that 'r' is greater than 6P.E. Therefore it reveals that relationship between total deposit and net profit is significant. T-test of NABIL is 8.856, which is greater than the tabulated value of t for 8 degree of freedom at 5% level of significance for two variables test is 2.306 so that, it is significant.

Likewise in case of EBL, coefficient of correlation between total deposit and net profit is 0.991 i.e. there is high degree of positive correlation between two variables. It means correlation of coefficient between total deposit and net profit of EBL is perfect correlation. Similarly, probable error (P.E.) is 0.006 and 6P.E. is 0.036 which shows that 'r' is greater than 6P.E. Therefore it reveals that relationship between total deposit and net profit is significant. T-test of EBL is 5.366, which is greater than the tabulated value of t for 8 degree of freedom at 5% level of significance for two variables test is 2.306 so that, it is significant.

Similarly, it is found that coefficient of correlation between total deposit and net profit of SCBNL is 0.954 i.e. high degree of positive correlation between these two variables. It also reveals that relationship between total deposit and net profit is closer to perfect correlation. Similarly, probable error (P.E.) is 0.027 and 6P.E. is 0.163 which shows that 'r' is greater than 6P.E. Therefore it reveals that relationship between total deposit and net profit is significant. T-test of SCBNL is 18.743, which is greater than the tabulated value of t for 8 degree of freedom at 5% level of significance for two variables test is 2.306 so that, it is significant.

From the above table, it is found that coefficient of correlation between total deposit and investment of NIBL is 0.997 i.e. high degree of positive correlation between these two variables. Therefore it reveals that relationship between total deposit and investment is closer to perfect correlation. Similarly, probable error (P.E.) is 0.0018 and 6P.E. is 0.0108 which shows that 'r' is less than 6P.E. Therefore it reveals that relationship between total deposit and investment is insignificant. T-test of NIBL is 1.293, which is less than the tabulated value of t for 8 degree of freedom at 5% level of significance for two variables test is 2.306 so that, it is not significant.

4.4.2 Coefficient of Correlation between Total Deposit and Investment

The following table describes the relationship between total deposits and investment of NABIL, EBL and SCBNL with comparatively under five years study period. In the following case, total deposit is independent variables (X_1) and investment is dependent variables (X_2).

Table 4.36
Correlation Coefficient between Total Deposits and Investment

Banks	NABIL	EBL	SCBNL	NIBL
Coefficient of correlation (r)	0.735	0.956	0.972	0.899
P.E.	0.1387	0.0257	0.0167	0.0578
6 P.E.	0.832	0.154	0.10	0.3471
t-test	5.347	6.655	4.689	1.316

Appendix: Ad, Ae & Af

From the above table, it is found that coefficient of correlation between total deposit and investment of NABIL is 0.735 i.e. high degree of positive correlation between these two variables. Therefore it reveals that relationship between total deposit and investment is closer to perfect correlation. Similarly, probable error (P.E.) is 0.1387 and 6P.E. is 0.837 which shows that 'r' is less than 6P.E. Therefore it reveals that relationship between total deposit and investment is insignificant. T-test of NABIL is 5.347, which is greater than the tabulated value of t for 8 degree of freedom at 5% level of significance for two variables test is 2.306 so that, it is significant.

Likewise in case of EBL, coefficient of correlation between total deposit and investment is 0.956 i.e. there is high degree of positive correlation between two variables. It means correlation of coefficient between total deposit and investment of EBL is perfect correlation. Similarly, probable error (P.E.) is 0.0257 and 6P.E. is 0.154 which shows that 'r' is greater than 6P.E. Therefore it reveals that relationship between total deposit and investment is significant. T-test of EBL is 6.665, which is greater than the tabulated value of t for 8 degree of freedom at 5% level of significance for two variables test is 2.306 so that, it is significant.

Similarly, it is found that coefficient of correlation between total deposit and investment of SCBNL is 0.972 i.e. high degree of positive correlation between these two variables. It also reveals that relationship between total deposit and investment is perfect correlation. Similarly, probable error (P.E.) is 0.0167 and 6P.E. is 0.10 which shows that 'r' is greater than 6P.E. Therefore it reveals that relationship between total deposit and investment is significant. T-test of SCBNL is 4.689, which is greater than the tabulated value of t for 8 degree of freedom at 5% level of significance for two variables test is 2.306 so that, it is significant.

From the above table, it is found that coefficient of correlation between total deposit and investment of NIBL is 0.997 i.e. high degree of positive correlation between these two variables. Therefore it reveals that relationship between total deposit and investment is closer to perfect correlation. Similarly,

probable error (P.E.) is 0.0018 and 6P.E. is 0.0108 which shows that 'r' is less than 6P.E. Therefore it reveals that relationship between total deposit and investment is insignificant. T-test of NIBL is 1.293, which is less than the tabulated value of t for 8 degree of freedom at 5% level of significance for two variables test is 2.306 so that, it is not significant.

4.4.3 Coefficient of Correlation between Total Deposit and Loans & Advances

The following table describes the relationship between total deposits and loan and advances of NABIL, EBL and SCBNL with comparatively under five years study period. In the following case, total deposit is independent variables (X_1) and loan and advances is dependent variables (X_2).

Table 4.37

Correlation Coefficient between Total Deposits and Loans & Advances

Banks	NABIL	EBL	SCBNL	NIBL
Coefficient of correlation (r)	0.931	0.998	0.826	0.997
P.E.	0.04	0.0012	0.096	0.0018
6 P.E.	0.24	0.007	0.575	0.0108
t-test	2.593	1.150	19.38	1.293

Appendix: Ag, Ah & Ai

From the above table, it is found that coefficient of correlation between total deposit and loans & advances of NABIL is 0.931 i.e. high degree of positive correlation between these two variables. Therefore it reveals that relationship between total deposit and loans & advances is closer to perfect correlation. Similarly, probable error (P.E.) is 0.04 and 6P.E. is 0.24 which shows that 'r' is

greater than 6P.E. Therefore it reveals that relationship between total deposit and loans and advance is significant. T-test of NABIL is 2.593, which is greater than the tabulated value of t for 8 degree of freedom at 5% level of significance for two variables test is 2.306 so that, it is significant.

Likewise in case of EBL, coefficient of correlation between total deposit and loans & advances is 0.998 i.e. there is high degree of positive correlation between two variables. It means correlation of coefficient between total deposit and loans & advances of EBL is perfect correlation. Similarly, probable error (P.E.) is 0.0012 and 6P.E. is 0.007 which shows that 'r' is greater than 6P.E. Therefore it reveals that relationship between total deposit and loans and advance is significant. T-test of EBL is 1.150, which is less than the tabulated value of t for 8 degree of freedom at 5% level of significance for two variables test is 2.306 so that, it is no significant.

Similarly, it is found that coefficient of correlation between total deposit and loans & advances of SCBNL is 0.826 i.e. high degree of positive correlation between these two variables. It also reveals that relationship between total deposit and loans & advances is closer to perfect correlation. Similarly, probable error (P.E.) is 0.096 and 6P.E. is 0.575 which shows that 'r' is greater than 6P.E. Therefore it reveals that relationship between total deposit and loans and advance is significant. T-test of SCBNL is 19.38, which is greater than the tabulated value of t for 8 degree of freedom at 5% level of significance for two variables test is 2.306 so that, it is significant.

From the above table, it is found that coefficient of correlation between total deposit and loans & advances of NIBL is 0.899 i.e. high degree of positive correlation between these two variables. Therefore it reveals that relationship between total deposit and loans & advances is perfect correlation. Similarly, probable error (P.E.) is 0.0578 and 6P.E. is 0.347 which shows that 'r' is greater than 6P.E. Therefore it reveals that relationship between total deposit and loans and advance is significant. T-test of NIBL is 1.316, which is less than the

tabulated value of t for 8 degree of freedom at 5% level of significance for two variables test is 2.306 so that, it is not significant.

CHAPTER - V

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary

The development of any country largely depends upon its economic development. Economic development demands transformation of savings or resources into the actual investment. Capital formation is the prerequisite in setting the overall pace of the economic development of a country. It is the financial institution that transfers funds from surplus spending units to deficit units.

Banking sector plays a vital role for the country's economic development. Bank is a resource mobilizing institution, which aspect deposits from various sources, and invests such accumulated resources in the fields of agriculture, trade, commerce, industry, tourism etc. Banks help to mobilize the small saving collectively to huge capital markets. Commercial banks basically help to promote the money market by providing expert managerial skills and by using advanced and often state of the art technologies to serve the customers in an efficient and effective manner.

Among other banking operations, investment operation of commercial banks is very risky one. It is the most important factor from the view point of depositors, shareholders and bank management. For this, commercial banks have to pay due consideration while formulating Investment Policy under profitability analysis. A healthy development of any commercial bank depends upon its investment policy under profitability analysis. A rational investment policy attracts both borrowers and lenders, which helps to increase the volume and quality of deposits, loans and investment.

The major source of income of a bank is interest income from loans and investments and fee based income. As loan and advances dominate the asset side of the balance sheet of any bank; similarly earnings from however, it is very

important to be reminded that most of the bank's failures in the world are due to the shrinkage in the value of loans and advances. Hence, loan is known as risky assets and investment operation of commercial banks is very risk of non repayment of loan is known as credit risk of default risk. Performing loans have multiple benefits to the society by helping for the growth of economy while non performing loans erode even existing capital. Considering the importance of lending to the individual banks and also to the society it serve, it is imperative that the bank meticulously plans its credit operations.

Now-a-days, many commercial banks are rapidly opened in Nepal as commercial banks with higher technology and efficient methods in banking sector especially after the political reform of the country. At present, 25 commercial banks are operating in Nepal. But in this study, only four commercial banks has been undertaken i.e. NABIL Bank Ltd., Everest Bank Ltd., Standard Chartered Bank Nepal Ltd. and Nepal Investment Bank Ltd. This study has been completed on the basis of secondary data.

Periodical review and analysis of financial aspects of the banks are very necessary to see the clear financial pictures; investment policy of Nepalese commercial banks in Nepal i.e. NABIL, EBL, SCBNL and NIBL has been carried out to fulfill this requirement.

Studied of selected banks are introduced. Problems are stated to set the objectives of the study. The objectives are to evaluate the investment policy of NABIL, EBL, SCBNL and NIBL banks and to identity their strengths and weaknesses. Theoretical framework of ratio analysis, correlation between two variables, its importance and limitations, research methodology and limitations of the study are mentioned.

The findings of liquidity ratios, capital structure ratios, activity ratios and profitability ratios are presented on a comparative basis. Besides, statistical analysis i.e. mean, standard deviation, coefficient of variance of all ratios and correlation of coefficient of the total deposit with net profit, loans and advances,

investment and current assets with current liabilities and test of hypothesis made is also done of the selected banks. This analysis gives clear picture of the performance of the bank with regard to its investment operation. All of the information and data are collected from related banks i.e. websites, annual reports.

The operating efficiencies of the selected banks and their abilities to ensure adequate returns to the shareholders have been measured.

5.2 Conclusions

On the basis of entire research study some conclusions have been deduced. This study particularly deals about the financial position of commercial banks in Nepal. The present study is mainly an attempt to give account of comparative study about commercial banks in different aspects such as liquidity position, profitability position, and market position and other related ratios and indicators of the basis of financial statement.

After conducting the profitability analysis of NABIL, EBL, SCBNL and NIBL, covering the study period of 2060/61 to 2064/65, the following conclusions can be drawn from the study:

- i) NABIL has come out with comparatively better operating efficiency and ability to ensure adequate returns to its shareholders.
- ii) The liquidity positions of commercial banks aren't very poor though the rule of thumb the standard ratio should be 2:1. The banks are unable to maintain the current ratio in accordance with standard.
- iii) NABIL has managed to maintain better distribution of assets during 2064/65.
- iv) SCBNL is maintaining adequate liquidity position regarding cash reserve ratio than NABIL and EBL. Too low ratios are also not preferable bank should meet its obligations any time when necessary.

- v) The cash and bank balance to total assets ratio of the banks is initially decreased and then increased. The mean of cash and bank balance to total assets ratio of EBL is the highest i.e. 10.114 than that of NABIL and SCBNL.
- vi) The investment on govt. securities to current assets ratio of the NABIL and EBL is fluctuating but investment on govt. securities to current assets ratio of SCBNL is increased in the first four fiscal years and then decreased.
- vii) The debt to total assets ratio of the banks are fluctuating. Comparatively, SCBNL is more at riskier position of debt financing than other two banks because of higher average (mean).
- viii) The debt to equity ratio of the NABIL and EBL are decreased till 2061/62 and then increased but the debt to equity ratio of SCBNL is fluctuating. SCBNL is more of risky since its average ratio is higher than other two banks.
- ix) The total debt to share capital ratio of the NABIL and EBL are increased but the total debt to share capital ratio of SCBNL is fluctuating. NABIL is more of risky since its average ratio is higher than other two banks. Claims of creditors are higher than owners, which can prove risky.
- x) The loans and advances to current assets ratio of the NABIL in increased till the fiscal year 2061/62 thereafter decreased but the loans and advances to current assets ratio of EBL and SCBNL is fluctuated.
- xii) In profitability, NABIL has bested than EBL and SCBNL.
- xiii) SCBNL has emerged as having a large volume of banking operations, mainly its deposits and lending in the light of its greater deposits and greater credits compared to NABIL.
- xiv) The return on loans and advances ratio of the banks is fluctuating over the study period. To make bank's profitability and return from loans and

- advances is satisfactory; the banks should really make an effort in loans and advances efficiently to generate adequate level of return.
- xv) The mean of return on total deposit ratio of NABIL is the highest i.e. 3.172 than that of two other banks i.e. EBL and SCBNL. To make bank's profitability and return from total deposit is satisfactory; the banks should really make an effort in total deposit, its collect efficiently to generate adequate level of return.
 - xvi) The return on investment ratio of the EBL is fluctuating over the study period. The return on investment ratio of the NABIL is rapidly increased till the fiscal year 2061/62 and thereafter smoothly decreased but SCBNL is just opposite of NABIL.
 - xvii) The earning per share of the banks is increasing trend over the study period. The highest earning per share of NABIL, EBL and SCBNL are 137.08, 79.22 and 175.84 respectively.
 - xviii) The investment turnover ratio of the SCBNL is decreased till the fiscal year 2062/63 and than increased. The investment turnover ratio of the EBL is fluctuating over the study period but NABIL's ratio is increased till the fiscal year 2061/62 thereafter decreased.
 - xix) The total assets turnover ratio of the banks is decreasing with fluctuated. The mean of total assets turnover ratio of NABIL is the highest i.e. 0.084 than that of the EBL and SCBNL.

5.3 Recommendations

On the basis of major finding of the study, some important recommendations have been forwarded. Although these banks have more than 12 years of commercial experiences in the Nepalese commercial banking sector, with a competent managerial team, some weaknesses have come into light through the

study. The sampled banks may use it as a remedial measure. The recommendations have been the following.

- i) The banks, especially the SCBNL and EBL has to maintain adequate cash & bank balance to total deposits ratio, as prescribed by NRB, which is 5% of total deposits.
- ii) EBL is suggested to improve its profitability position, and to improve its overall efficiency and returns to its shareholders.
- iii) The debt to equity ratio of the NABIL and EBL are decreased till 2061/62 and than increased but the debt to equity ratio of SCBNL is fluctuating. The highest debt to equity ratio of NABIL is 12.25% and lowest ratio is 936.80% in the fiscal year 2063/64 and 2061/62 respectively such fluctuations should be controlled.
- iv) Although the loans and advances to total deposit ratio of the banks is fluctuating over the study period, the banks performance have good, don't loose the level.
- v) NABIL has been suggested to improve its deposits and credits to increase its volume of banking operations.
- vi) The banks are suggested to review their overall capital structures and investment portfolios to make better mix in capital structure as well as investment portfolio.
- vii) The banks should finance superior quality of assets for greater profits, especially for SCBNL.
- viii) The studied banks are suggested to invest in deprived sector as directed by NRB in order to contribute to the overall development of the country.
- ix) The banks should maintain positive relationship between loans and advances and deposits in coming years also, to maximize benefits.

- x) Since the economy of the country has become weaker since the last decade, the studied banks are advised to concentrate more on risk free securities and low risk loans.
- xi) Last, but not the least the banks should keep in pace with the changing banking technologies, improve organizational structure, provide quality services to its customers and actively participate in social welfare programmes. Organizational culture that acquires, develops, utilizes and maintains the employees in a high morale is preferred.

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www.nabilbank.com

www.nepalsbibankltd.com

www.nepalstock.com.

www.nrb.org.np

Appendix - I
Current Ratio of Selected Banks
(Rs. in million)

year	NABIL			EBL			SCBNL			NIBL		
	CA	CL	ratio	CA	CL	ratio	CA	CL	Ratio	CA	CL	ratio
2060/61	16407.36	13889.8	1.18	9420.97	5954	1.58	23505.83	21424.4	1.10	13214.14	10468.4	1.26
2061/62	16825.09	14218.9	1.18	11629.4	7453	1.56	21822.17	19262.5	1.13	16054.75	11860.7	1.35
2062/63	22010.88	17874.4	1.23	15155.29	10691.9	1.42	25666.05	22412.5	1.15	21359.58	14476.1	1.48
2063/64	26966.5	20782.2	1.30	20982.79	14864.6	1.41	28471.1	23102.6	1.23	27314.02	18312.7	1.49
2064/65	32889.9	25607.2	1.28	28096.3	18919.2	1.49	28114.1	28080.2	1.00	38435.86	28421.6	1.35

Appendix - II
Cash Reserve Ratio of Selected Banks
(Rs. in million)

year	NABIL			EBL			SCBNL			NIBL		
	C&B	TD	ratio	C&B	TD	ratio	C&B	TD	Ratio	C&D	TD	ratio
2060/61	3916.9	14098	27.78	869.7	8064	10.78	4241.8	21161.4	20.04	1215.2	11706.3	10.38
2061/62	1345.2	14586.8	9.22	1624.2	10097.8	16.08	3370.8	19344	17.43	1340.4	14254.8	9.40
2062/63	2365.2	19348.4	12.22	1619.6	13802.5	11.73	3253.5	23050.5	14.11	2354.9	18927.3	12.44
2063/64	1963.1	23342.4	8.41	3329.7	19097.7	17.44	3996.1	24640.3	16.22	2791.5	24488.9	11.40
2064/65	4623.5	31915	14.49	3198.4	23976.3	13.34	4247.7	29743.9	14.28	3755	34451.8	10.90

Appendix - III
Cash and Bank to Total Assets Ratio of Selected Banks
(Rs. in million)

year	NABIL			EBL			SCBNL			NIBL		
	C&B	TA	ratio	C&B	TA	ratio	C&B	TA	Ratio	C&D	TA	ratio
2060/61	3916.9	16745.49	23.39	869.7	9608.6	9.05	4241.8	23642.06	17.94	1215.2	13463.94	9.03
2061/62	1345.2	17186.33	7.83	1624.2	11732.5	13.84	3370.8	21893.58	15.40	1340.4	16390.65	8.18
2062/63	2365.2	22329.97	10.59	1619.6	15959.3	10.15	3253.5	25767.35	12.63	2354.9	21732.08	10.84
2063/64	1963.1	27253.39	7.20	3329.7	21432.6	15.54	3996.1	28596.69	13.97	2791.5	28073.52	9.94
2064/65	4623.5	33401.5	13.84	3198.4	28411.2	11.26	4247.7	28554.6	14.88	3755	39405.96	9.53

Appendix - IV

Invt. to Current Assets Ratio of Selected Banks

(Rs. in million)

year	NABIL			EBL			SCBNL			NIBL		
	Invt.	CA	ratio	Invt..	CA	ratio	Invt..	CA	Ratio	Invt..	CA	ratio
2060/61	5835.95	16407.36	35.57	2535.7	9420.97	26.91	11360.33	23505.83	48.33	4172.5	13214.14	31.58
2061/62	4267.23	16825.09	25.36	2128.9	11629.4	18.31	9702.55	21822.17	44.46	4074.2	16054.75	25.38
2062/63	6178.53	22010.88	28.07	4201.3	15155.29	27.72	12838.55	25666.05	50.02	5672.9	21359.58	26.56
2063/64	8945.31	26966.5	33.17	4985.1	20982.79	23.76	13553.23	28471.1	47.60	6518.8	27314.02	23.87
2064/65	9966.6	32889.9	30.30	5061.1	28096.3	18.01	13902.8	28114.1	49.45	6879.4	38435.86	17.90

Appendix - V

Debt to Total Assets Ratio of Selected Banks

(Rs. in million)

year	NABIL			EBL			SCBNL			NIBL		
	LTD	TA	ratio	LTD	TA	ratio	LTD	TA	Ratio	LTD	TA	ratio
2060/61	2540.3	16745.49	15.17	3347.4	9608.6	34.84	1506.8	23642.06	6.37	2656.2	13463.94	19.73
2061/62	2095.7	17186.33	12.19	3444.5	11732.5	29.36	1460.2	21893.58	6.675	3562.4	16390.65	21.73
2062/63	3623.4	22329.97	16.23	4598.2	15959.3	28.81	2146.5	25767.35	8.33	5963	21732.08	27.44
2063/64	6317.8	27253.39	23.18	5958.7	21432.6	27.80	4387.4	28596.69	15.34	8316.8	28073.52	29.63
2064/65	10064.1	33401.5	30.13	6898	28411.2	24.28	3301.1	28554.6	11.56	8994.2	39405.96	22.82

Appendix - VI

Debt to Equity Ratio of Selected Banks

(Rs. in million)

year	NABIL			EBL			SCBNL			NIBL		
	LTD	ES	ratio	LTD	ES	ratio	LTD	ES	Ratio	LTD	ES	ratio
2060/61	2540.3	1804.2	1.41	3347.4	665.8	5.03	1506.8	1527.9	0.99	2656.2	740.7	3.59
2061/62	2095.7	1482.4	1.41	3444.5	980.3	3.51	1460.2	1278.2	1.14	3562.4	1234.5	2.89
2062/63	3623.4	1657.7	2.19	4598.2	832.5	5.52	2146.5	1576.3	1.36	5963	1158.1	5.15
2063/64	6317.8	1874.8	3.37	5958.7	963.6	6.18	4387.4	1755.3	2.50	8316.8	1370.8	6.07
2064/65	10064.1	2057	4.89	6898	1601.5	4.31	3301.1	2117.2	1.56	8994.2	1959	4.59

Appendix - VII

Debt to Capital Employed Ratio of Selected Banks

(Rs. in million)

year	NABIL			EBL			SCBNL			NIBL		
	LTD	CE	ratio	LTD	CE	ratio	LTD	CE	Ratio	LTD	CE	ratio
2060/61	2540.3	4344.5	58.47	3347.4	4013.2	83.41	1506.8	3034.7	49.65	2656.2	3396.9	78.19
2061/62	2095.7	3578.1	58.57	3444.5	4424.8	77.85	1460.2	2738.4	53.32	3562.4	4796.9	74.26
2062/63	3623.4	5281.1	68.61	4598.2	5430.7	84.67	2146.5	3722.8	57.66	5963	7121.1	83.74
2063/64	6317.8	8192.6	77.12	5958.7	6922.3	86.08	4387.4	6142.7	71.42	8316.8	9687.6	85.85
2064/65	10064.1	12121.1	83.03	6898	8499.5	81.16	3301.1	5418.3	60.93	8994.2	10953.2	82.11

Appendix - VIII

Loan and Advances to Current Assets Ratio of Selected Banks

(Rs. in million)

year	NABIL			EBL			SCBNL			NIBL		
	L&A	CA	ratio	L&A	CA	ratio	L&A	CA	Ratio	L&A	CA	ratio
2060/61	8635.1	16407.36	52.63	6116.6	9420.97	64.93	6662	23505.83	28.34	7174.4	13214.14	54.29
2061/62	11078	16825.09	65.84	7914.4	11629.4	68.06	8213.5	21822.17	37.64	10295.4	16054.75	64.13
2062/63	13021.3	22010.88	59.16	10124.2	15155.29	66.80	8905.1	25666.05	34.70	13007.2	21359.58	60.90
2063/64	15657.1	26966.5	58.06	14059.2	20982.79	67.00	10538.1	28471.1	37.01	17482	27314.02	64.00
2064/65	21514.6	32889.9	65.41	18814.3	28096.3	66.96	13355	28114.1	47.50	27145.5	38435.86	70.63

Appendix - IX

Loan and Advances to Total Deposit Ratio of Selected Banks

(Rs. in million)

year	NABIL			EBL			SCBNL			NIBL		
	L&A	TD	ratio	L&A	TD	ratio	L&A	TD	Ratio	L&A	TD	ratio
2060/61	8635.1	14098	61.25	6116.6	8064	75.85	6662	21161.4	31.48	7174.4	11706.3	61.29
2061/62	11078	14586.8	75.95	7914.4	10097.8	78.38	8213.5	19344	42.46	10295.4	14254.8	72.22
2062/63	13021.3	19348.4	67.30	10124.2	13802.5	73.35	8905.1	23050.5	38.63	13007.2	18927.3	68.72
2063/64	15657.1	23342.4	67.08	14059.2	19097.7	73.62	10538.1	24640.3	42.77	17482	24488.9	71.39
2064/65	21514.6	31915	67.41	18814.3	23976.3	78.47	13355	29743.9	44.90	27145.5	34451.8	78.79

Appendix - X

Invt. to Total Deposit Ratio of Selected Banks

(Rs. in million)

year	NABIL			EBL			SCBNL			NIBL		
	Invt.	TD	ratio	Invt.	TD	ratio	Invt.	TD	Ratio	Invt.	TD	ratio
2060/61	5835.95	14098	41.40	2535.7	8064	31.44	11360.33	21161.4	53.68	4172.5	11706.3	35.64
2061/62	4267.23	14586.8	29.25	2128.9	10097.8	21.08	9702.55	19344	50.16	4074.2	14254.8	28.58
2062/63	6178.53	19348.4	31.93	4201.3	13802.5	30.44	12838.55	23050.5	55.70	5672.9	18927.3	29.97
2063/64	8945.31	23342.4	38.32	4985.1	19097.7	26.10	13553.23	24640.3	55.00	6518.8	24488.9	26.62
2064/65	9966.6	31915	31.23	5061.1	23976.3	21.11	13902.8	29743.9	46.74	6879.4	34451.8	19.97

Appendix - XI

Loan and Advances to Total Assets Ratio of Selected Banks

(Rs. in million)

year	NABIL			EBL			SCBNL			NIBL		
	L&A	TA	ratio	L&A	TA	ratio	L&A	TA	Ratio	L&A	TA	ratio
2060/61	8635.1	16745.49	51.57	6116.6	9608.6	63.66	6662	23642.06	28.18	7174.4	13463.94	53.29
2061/62	11078	17186.33	64.46	7914.4	11732.5	67.46	8213.5	21893.58	37.52	10295.4	16390.65	62.81
2062/63	13021.3	22329.97	58.31	10124.2	15959.3	63.44	8905.1	25767.35	34.56	13007.2	21732.08	59.85
2063/64	15657.1	27253.39	57.45	14059.2	21432.6	65.60	10538.1	28596.69	36.85	17482	28073.52	62.27
2064/65	21514.6	33401.5	64.41	18814.3	28411.2	66.22	13355	28554.6	46.77	27145.5	39405.96	68.89

Appendix - XII

Return on Loan and Advances of Selected Banks

(Rs. in million)

year	NABIL			EBL			SCBNL			NIBL		
	NPAT	L&A	ratio	NPAT	L&A	ratio	NPAT	L&A	Ratio	NPAT	L&A	ratio
2060/61	455.31	8635.1	5.27	143.56	6116.6	2.35	537.8	6662	8.07	152.67	7174.4	2.13
2061/62	518.64	11078	4.68	170.8	7914.4	2.16	539.2	8213.5	6.56	232.15	10295.4	2.25
2062/63	635.26	13021.3	4.88	238.86	10124.2	2.36	658.76	8905.1	7.40	350.54	13007.2	2.69
2063/64	673.96	15657.1	4.30	299.45	14059.2	2.13	691.67	10538.1	6.56	501.4	17482	2.87
2064/65	750.4	21514.6	3.49	722.8	18814.3	3.84	814	13355	6.10	698.67	27145.5	2.57

Appendix - XIII

Return on Total Deposit of Selected Banks

(Rs. in million)

year	NABIL			EBL			SCBNL			NIBL		
	NPAT	TD	ratio	NPAT	TD	ratio	NPAT	TD	Ratio	NPAT	TD	ratio
2060/61	455.31	14098	3.23	143.56	8064	1.78	537.8	21161.4	2.54	152.67	11706.3	1.30
2061/62	518.64	14586.8	3.56	170.8	10097.8	1.69	539.2	19344	2.79	232.15	14254.8	1.63
2062/63	635.26	19348.4	3.28	238.86	13802.5	1.73	658.76	23050.5	2.86	350.54	18927.3	1.85
2063/64	673.96	23342.4	2.89	299.45	19097.7	1.57	691.67	24640.3	2.81	501.4	24488.9	2.05
2064/65	750.4	31915	2.35	722.8	23976.3	3.01	814	29743.9	2.74	698.67	34451.8	2.03

Appendix - XIV

Return on Total Assets of Selected Banks

(Rs. in million)

year	NABIL			EBL			SCBNL			NIBL		
	NPAT	TA	ratio	NPAT	TA	ratio	NPAT	TA	Ratio	NPAT	TA	ratio
2060/61	455.31	16745.49	2.72	143.56	9608.6	1.49	537.8	23642.06	2.27	152.67	13463.94	1.13
2061/62	518.64	17186.33	3.02	170.8	11732.5	1.46	539.2	21893.58	2.46	232.15	16390.65	1.42
2062/63	635.26	22329.97	2.84	238.86	15959.3	1.50	658.76	25767.35	2.56	350.54	21732.08	1.61
2063/64	673.96	27253.39	2.47	299.45	21432.6	1.40	691.67	28596.69	2.42	501.4	28073.52	1.79
2064/65	750.4	33401.5	2.25	722.8	28411.2	2.54	814	28554.6	2.85	698.67	39405.96	1.77

Appendix - XV

Return on Share Holder's Equity of Selected Banks

(Rs. in million)

year	NABIL			EBL			SCBNL			NIBL		
	NPAT	ES	ratio	NPAT	ES	ratio	NPAT	ES	Ratio	NPAT	ES	ratio
2060/61	455.31	1804.2	25.24	143.56	665.8	21.56	537.8	1527.9	35.20	152.67	740.7	20.61
2061/62	518.64	1482.4	34.99	170.8	980.3	17.42	539.2	1278.2	42.18	232.15	1234.5	18.81
2062/63	635.26	1657.7	38.32	238.86	832.5	28.69	658.76	1576.3	41.79	350.54	1158.1	30.27
2063/64	673.96	1874.8	35.95	299.45	963.6	31.08	691.67	1755.3	39.40	501.4	1370.8	36.58
2064/65	750.4	2057	36.48	722.8	1601.5	45.13	814	2117.2	38.45	698.67	1959	35.66

Appendix - XVI

Return on Invt. of Selected Banks

(Rs. in million)

year	NABIL			EBL			SCBNL			NIBL		
	NPAT	Invt	ratio	NPAT	Invt	ratio	NPAT	Invt	Ratio	NPAT	Invt.	ratio
2060/61	455.31	5835.95	7.80	143.56	2535.7	5.66	537.8	11360.33	4.73	152.67	4172.5	3.66
2061/62	518.64	4267.23	12.15	170.8	2128.9	8.02	539.2	9702.55	5.56	232.15	4074.2	5.70
2062/63	635.26	6178.53	10.28	238.86	4201.3	5.69	658.76	12838.55	5.13	350.54	5672.9	6.18
2063/64	673.96	8945.31	7.53	299.45	4985.1	6.01	691.67	13553.23	5.10	501.4	6518.8	7.69
2064/65	750.4	9966.6	7.53	722.8	5061.1	14.28	814	13902.8	5.854	698.67	6879.4	10.16

Appendix - XVII

Return on Capital Employed of Selected Banks

(Rs. in million)

year	NABIL			EBL			SCBNL			NIBL		
	NPAT	CE	ratio	NPAT	CE	ratio	NPAT	CE	Ratio	NPAT	CE	ratio
2060/61	455.31	4344.5	10.4801473	143.56	4013.2	3.58	537.8	3034.7	17.72	152.67	3396.9	4.49
2061/62	518.64	3578.1	14.4948436	170.8	4424.8	3.86	539.2	2738.4	19.69	232.15	4796.9	4.84
2062/63	635.26	5281.1	12.0289334	238.86	5430.7	4.40	658.76	3722.8	17.70	350.54	7121.1	4.92
2063/64	673.96	8192.6	8.22644826	299.45	6922.3	4.33	691.67	6142.7	11.26	501.4	9687.6	5.18
2064/65	750.4	12121.1	6.19085727	722.8	8499.5	8.50	814	5418.3	15.02	698.67	10953.2	6.38

Appendix - XVIII

Earning Per Share of Selected Banks

(Rs. in million)

year	NABIL			EBL			SCBNL			NIBL		
	NPAT	No. of Share	ratio	NPAT	No. of Share	ratio	NPAT	No. of Share	Ratio	NPAT	No. of Share	ratio
2060/61	455.31	4.917	92.61	143.56	4.55	31.55165	537.8	3.746	143.55	152.67	2.953	51.70
2061/62	518.64	4.917	105.49	170.8	7.55	22.62252	539.2	3.746	143.92	232.15	5.877	39.50
2062/63	635.26	4.917	129.21	238.86	5.18	46.11197	658.76	3.746	175.84	350.54	5.906	59.35
2063/64	673.96	4.917	137.08	299.45	5.18	57.80888	691.67	4.133	167.37	501.4	8.014	62.57
2064/65	750.4	6.892	108.88	722.8	8.314	86.9377	814	6.208	131.12	698.67	12.039	58.03