

**COMPARATIVE STUDY ON FINANCIAL PERFORMANCE
OF NABIL BANK, EVERST BANK, NEPAL SBI BANK
LIMITED**

A Thesis

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RECOMMENDATION

This is to certify that the thesis:

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Entitled
**COMPARATIVE STUDY ON FINANCIAL PERFORMANCE OF NABIL
BANK, EVERST BANK, NEPAL SBI BANK LIMITED**

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And found the thesis to be the original work of the student written according to the prescribed format. We recommend the thesis to be accepted as partial fulfillment of the requirements for Master's Degree in Business Studies (M.B.S.)

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DECLARATION

I here by declare that the work reported in this thesis entitled “COMPARATIVE STUDY ON FINANCIAL PERFORMANCE OF NABIL BANK, EVERST BANK, NEPAL SBI BANK LIMITED” submitted to Office of the Dean, Faculty of Management, Tribhuvan University is my original work done in the form of partial fulfillment of the requirement of Master of Business Studies (MBS) under the guidance and supervision of **Joginder Goet** of Shanker Dev Campus.

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CHAPTER – I

INTRODUCTION

1.1 Background of Study

Commercial bank play significant role in the development of the economic situation of the any country. Bank plays a vital role to encourage thrift and discourage hoarding by mobilizing the resources and removing the habit of hoarding. They peruse economic growth rapidly, developing the banking habit among the people by collecting small scattered resources in one bulk, using them in further productive purpose and rendering the valuable services to the country. Commercial bank deals with the offer of collected deposits and provides the loan for commercial purpose.

A good investment can be effective on for the economy to attain the economic objective directed towards the acceleration of the pace of development. A good investment pattern attracts both borrowers and lenders, which helps to increase the volume and quality of deposit, loan and investment. The load provided by commercial bank is guided by several principles such as length of time, their purpose, profitability, safety etc. These fundamental principles of commercial banks investment are considered while making investment policy. Nepalese commercial banks lag far behind fulfilling the responsibilities to invest in the crucial sector of the economy for the enlistment of the national economy. Thus the problem has become very serious one in developing countries like Nepal, which can be solved through formulation of sound investment policy. Sound investment policy can minimize interest rate spread and non-performing assets, which cause the tank failure. Good investment policy ensures maximum amount of investment to all sectors with proper utilization. Formulation amount of investment policies and co-ordinate and planned efforts depends upon the growth of not only a particular bank but also of a society.

An institutional banking system came in to existence in Nepal only in the 19th century. Nepal Bank Limited was the first financial institutional of Nepal established

on the 30th of Kartik 1994 B.S. Being a commercial bank, it focuses on income generating and profit maximization. As it was only one commercial bank has to look the economic condition of the country. Only one Nepal bank Limited was not sufficient to look all the sector of country. So in 2013 BS another bank names “Nepal Rastra Bank” was established as the central bank of Nepal to regulate and control banking management system of country. Then in 2022 B.S. “Rastriya Banijya Bank” was established under Rastrya Banijya Bank Act 2021. This act is now revised as commercial bank act 2031B.S. For the development of industry, commerce and trade, Nepal Industrial Development Corporation was established under Industrial Development Corporation act 2016. For the development of agricultural sector, Agricultural Development Bank was established on Magh 7th 2024 B.S., under Agricultural Bank Act 2024.

The joint venture bank was introduced in Nepal (2041 B.S.) with the establishment of Nabil Bank Ltd. Nepalese government kept on liberalizing the economic policies and improving the infrastructure. As a result, Nepal Indosuez Bank Limited and Nepal Grindlays Bank Limited were established in 6th Magh 2042 B.S. and 16th Marga 2043B.S. respectively. Nepal Grindlays bank Limited is now being operated with new ownership and name, Standard Chartered Bank Nepal Limited. After restoration of democracy in Nepal in 2046B.S government adopted liberalized and market oriented economic policies that created conducive environment for the development of banking sector. As a result various joint venture commercial banks are established one after another. Up to FY2010/11 there thirty two commercial banks are operating their banking activities.

Commercial banks are major financial institution, which occupy quite an important place in the framework of every economy because they provide capital for the development of industry, trade and business and other resources deficit sectors by investing the saving collected as deposit. Beside the, commercial banks render numerous services to their customers in view of facilitating their economic and social life. Commercial banks, by playing active roles, have changed the economic structure of the world. Thus commercial bank became the heart of financial system.

The role of commercial banks in economy is obviously prime requisite in the formulation of bank's policy. A key factor in the development of the country is the mobilization of domestic resources and their investment for productive use to the various sectors. To make it more effective commercial banks formulate sound investment policies, which eventually contribute to the economy of a country. The sound investment policies help commercial banks to maximize quality and quantity of investment and thereby, achieve the own objectives of profit maximization and social welfare. The banking sector has to play development role to boost the economy by adopting the growth oriented investment policy and building up the financial structure for future economic development. Formulation of sound investment policies and coordinated and planned effort forward the forces of economic development because it ensures efficient allocation of funds to achieve the material and economic well being of the society as a whole. In this regard, commercial banks investment policy is also a push drive to achieve priority of industries in the context of Nepal's economic development. Investment policy is one fact of the overall spectrum of policies that guide banks investment operation. A healthy development of any bank depends upon its investment policy.

Financial performance analysis involves the use of various financial statements. These statements perform several things. First, the balance sheet summarizes the assets, liabilities and owner's equity of a business at a moment in time, usually the end of a year or a quarter. Next, the income statement summarizes the revenues and expenses of the firm over a particular period of time, again usually a year or quarter. While the balance sheet represents a snapshot of the firm's financial position at a moment in time, the income statement depicts a summary of the firm's profitability over time. From these two statements certain derivate statements can be produced, such as statement of retained earnings, a sources and uses of funds statements and a statement of cash flows etc.

Financial performance analysis is the process of identifying the financial strengths and weaknesses of the firm by properly establishing relationship between the items of the balance sheet and profit and loss account. Analyzing financial statements is a process of evaluating relationship between component parts of financial statements to obtain a better understanding of a firm's position and performance. Financial Statement Analysis allows managers, investors and creditors as well as potential investors and creditors to reach conclusion about the recent and current status of a corporation. The checking of financial performance in a business deserves much attention in carrying out the financial position. It also requires to retrospective analysis for the purpose of evaluating the wisdom and efficiency of financial planning.

1.2. Profile of the Sample Banks

A. Introduction of Nabil Bank Limited

Nabil Bank Limited, the first foreign joint venture commercial bank of Nepal, started operations in July, 1984. It was incorporated with the objective of extending international standard modern banking services to various sectors of the society. Pursuing its objective, the bank provides a full range of commercial banking services through its 27 points of representation across the kingdom and over 170 reputed correspondent banks across the globe. Nabil Bank Ltd, as a pioneer in introducing many innovative products and marketing concepts in the domestic banking sector, 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. To achieve this mission, it has a core set of values by which we live. The values are C.R.I.S.P., i.e. Customer Focused, Result Oriented, Innovative, Synergistic and Professional. They are committed to live our values everyday in everything we do, for it is, these values that make us uniquely NABIL Bank Limited.

The bank is a full services bank providing an entire range of products and services, starting with deposit accounts in local and foreign currency, Visa and Master-Card denominated in rupees and dollars, Visa Electron Debit Cards, Personal Lending Products for Auto, Home and Personal loans, Trade Finance Products, Treasury

Services and Corporate Financing. Main aim is to be able to meet customer's entire gamut of financial requirements that is why it prides us in being 'Your Bank at Your Service'

B. Introduction of Everest Bank Limited

Everest Bank Limited (EBL) started its operation in 1994 with a view and objectives of extending professionalized and efficient banking services to various segments of the society. The bank is providing customer friendly services through a network of 32 branches. Punjab National Bank (PNB) is the joint venture partner (holding 20% equity in the bank).

Recognizing the value of offerings a complete range of services, we have pioneered in extending various customer service. EBL was one of the first banks to introduce Any Branch Banking System (ABBS) in Nepal. EBL has introduced Mobile Vehicle Banking system to serve the segment deprived of proper banking facilities through its Birtamod Branch, which is the first of its kind. Everest Bank is first private commercial bank having largest network. This is one of the lowest NPA among the commercial bank in Nepal. The local Nepalese Promoters hold 50% stake in the Banks equity, while 20% of equity is contributed by joint venture partner PNB whereas remaining 30% is held by the public.

C. Nepal SBI Bank Limited (NSBIL)

Nepal SBI Bank Ltd. (NSBL) is the first Indo-Nepal joint venture in the financial sector sponsored by three institutional promoters, namely State Bank of India (SBI), Employees Provident Fund (EPF) and Agricultural Development Bank Ltd.(ADBL)through a Memorandum of Understanding signed on 17th July 1992. NSBL was incorporated as a public limited company at the Office of the Company Registrar on April 28, 1993 under Regn. No. 17-049/50 with an Authorized Capital of Rs.12 Crores and was licensed by Nepal Rastra Bank on July 6, 1993 under license No. NRB/I.Pa./7/2049/50. NSBL commenced operation with effect from July 7, 1993 with one full-fledged office at Durbar Marg, Kathmandu with 18 staff members. The

staff strength has since increased to 351. Under the Banks & Financial Institutions Act, 2063, Nepal Rastra Bank granted fresh license to NSBL classifying it as an "A" class licensed institution on April 26, 2006 under license No. NRB/I.Pra.Ka.7/062/63. The Authorized and Issued Capitals have been increased to Rs. 200 Crores and Rs. 131.76 Crores, respectively. In terms of the Technical Services Agreement concluded between SBI and the Bank. A core management team viz. Central Management Committee (CENMAC) consisting of the Managing Director, Chief Operating Officer, Chief Financial Officer and Assistant General Manager(Credit) oversees the overall banking operations in the Bank. ADBL divested its stake in the Bank by selling its entire 5% promoter shares to SBI on 14th June, 2009. Consequently, the Bank's corporate status has undergone change from its previous status as a Joint-venture Bank to a Foreign Subsidiary Bank of SBI. Presently fifty five percent of the total share capital of the Bank is held by the SBI, fifteen percent is held by the EPF and thirty percent is held by the general public.

1.3. Focus of the study

This study attempts to analyze the financial performance analysis sample commercial banks in existing practice and new methodologies in this technical era. This study also concentrated on whether the theory on financial performance founded by varies economist and bankers. It can be said that the poor performance of Nepalese commercial banks as well as the national bank owes to the lack of effective policies and measures taken by the government towards the collective improvement of the Nepalese banking sector.

This study focuses on the financial performance of two joint venture banks, viz. NABIL, EBL and NSBIL. For financial analysis various ratio analyses has been used to assess the financial strengths and weakness of these banks.

1.4. Statement of Problems

The statement of problem of the study will find out the reason behind the differences in their financial performance. The mushrooming of banking, finance companies, rural

banks, and co-operative societies in a short span of time has brewed new competitive scenario and has passed a challenge to the previously dominant banks, which have been making attractive profits. In the changed scenario, these banks need to explore their strengths and weaknesses, and improve their performance because their success depends upon their ability to boost their productivity and financial performance.

There are 32 commercial banks operating in Nepal. Thus, the major problems of banks are their profitability, operating expenses and the investment policies, which have been found inconsistent and differing according to them. So, what are the reasons behind these variations? To identify these reasons an analysis of financial position should be clearly done.

The present study seeks to explore the efficiency and weakness of NABIL, EBL and NSBIL with the help of ratio analysis. Thus, this study attempts to answer the following research questions:

-) What is the overall financial position of NABIL, EBL and NSBIL banks ?
-) What is the comparative position of two banks in term of liquidity, asset management, profitability, risk portion bank ?
-) Is there any difference in financial performance, strength and weakness between NABIL, EBL and NSBIL?
-) What are the relationship and trend of ratio of NABIL, EBL and NSBIL?

1.5 Objectives of the Study

Every study is conducted with some objectives. The basic objective of this study is the comparative analysis and evaluation of the financial performance of NABIL, EBL and NSBIL. The specific objectives of this study are as follows:

-) To present the existing financial position of NABIL, EBL and NSBIL.
-) To examine the relative financial performance of NABIL, EBL and NSBIL in terms of different kinds of ratios.
-) To find out the relationship and trend of deposit, investment, loans and advances and net profit

-) To provide suggestions and possible guideline according to finding of the study.

1.6 Significance of the study

The importance of this study mainly is filling gap in the study of financial performance analysis of concerned banks. Especially, this study deals with comparative analysis of financial performance of NABIL, EBL and NSBIL bank. The study is basically confined to review the financial performance of the banks during the five years period. This study is expected to provide a useful feedback to the policy maker of banks and also to the government and central bank (NRB) to formulate the appropriate strategies for improvement in the performance of banks. Moreover, this study can also be used as reference for research.

1.7 Limitations of the Study

This study is about financial performance analysis of NABIL, EBL and NSBIL. Every research has its own limitation, this research done for Partial Fulfillment of the Requirements for the Degree of Masters of Business Studies (M. B. S). The main limitations are as follows

-) Although some primary data are included, but the study is mainly based on secondary data collected from the banks. Research based on secondary data may be far from accuracy due to inherent character.
-) A whole study is based on the data of five years period i.e. from fiscal year 2006/07 to 2010/11 and hence the conclusion drawn confines only to the above period.
-) Only three banks are taken for the study i.e. NABIL, EBL and NSBIL.
-) This study concentrates on aspect of financial performance of sample banks.

1.8. Organization of the Study

The present study is organized in such way that the stated objectives can easily be fulfilled. The structure of the study will try to analyze the study in a systematic way.

The study report has presented the systematic presentation and finding of the study. The study report is designed in five chapters which are as follows:

Chapter-I: Introduction

This chapter describes the basic concept and background of the study, commercial bank in Nepal, introduction of sample bank. Similarly, various problems of the study, objectives of the study and need or significance of the study. It is oriented for readers for reporting giving them the perspective they need to understand the detailed information about coming chapter.

Chapter-II: Review of literature

The second chapter of the study assures readers that they are familiar with important research that has been carried out in similar areas. It includes review of books, review of related articles and studies and previous thesis as well.

Chapter-III: Research Methodology

Research methodology refers to the various sequential steps to be adopted by a researcher in studying a problem with certain objectives in view. It describes about the various source of data related with study and various tools and techniques employed for presenting the data.

Chapter-IV: Presentation and Analysis of data

This chapter analysis the data related with study and presents the finding of the study and also comments briefly on them.

Chapter-V: Summary, Conclusion and Recommendation

On the basis of the results from data analysis, the researcher concluded about the performance of the concerned organization for better improvement.

Bibliography and other appendixes used in statistical results have been attached at the end of the study.

CHAPTER - II

REVIEW OF LITERATURE

The review of literature basically highlights the existing literature and research work related to the present research being conducted with the view of finding out what had been already explained by the authors and researchers and how the current research adds further benefits to the field of research. This review specially focuses on study on financial performance analysis. This chapter is basically concerned with review of literature relevant to the financial performance analysis of NABIL, EBL and NSBIL. This review of literature had been classified into two subgroups as follow.

1. Conceptual framework
2. Review of previous studies

2.1 Conceptual Review

2.1.1 Bank

Banking, transactions carried on by any individual or firm engaged in providing financial services to consumers, businesses, or government enterprises. In the broadest sense, banking consists of safeguarding and transfer of funds, lending or facilitating loans, guaranteeing creditworthiness, and exchange of money. These services are provided by such institutions as commercial banks, savings banks, trust companies, finance companies, and merchant banks or other institutions engaged in investment banking. A narrower and more common definition of banking is the acceptance, transfer, and, most important, creation of deposits. This includes such depository institutions as commercial banks, savings and loan associations (more common in the United States), building societies, and mutual savings banks. All countries subject banking to government regulation and supervision, normally implemented by central banking authorities. For further information on central banks and investment banking, see the relevant articles.

2.1.2 Concept of Commercial Bank

Commercial banks are the heart of the financial system. They hold the deposits of many persons, government establishment and business units. They make fund

available through their lending and investing activities to borrowers, individual business firms and services from the producers to customers and the financial activities of the government. They provide a large portion of the medium of exchange and they are media through which monetary policy is affected. These facts show that the commercial banking system of the nations is important for the functioning of the economy.

Banks are business firms; like Frisbee Manufacturer, fast food chains and textbook publishers, bankers buy inputs, process them a bit, burn a little incense, say the magic words, and out pop some output from the oven. If their luck holds, they sell the finished product for more than it costs to buy the raw materials in the first place. For bankers, the raw materials are money.

Evaluation of financial performance is a study of overall financial position of any organization. It is closely related to the decision making. In the modern context, it gives vital support for the investment decisions, financing decisions and dividend decisions. Financial performance analysis is undergone with the help of periodically made financial statements of the firm.

2.1.3 Financial Statements

The Financial Statements are the means of presentation of a firm's financial condition and basically consist of two types of statements - The Balance Sheet & Income Statement. These are prepared to report the overall business activities as well as financial status of the firm for a specified period to its stakeholders. These contain summary of information regarding financial affairs that is organized systematically. The top management is responsible for preparing these statements.

The basic objective of financial statements is to assist in decision making. The analysis and interpretation of financial statements depend on the nature and type of information available. Hence financial statement refers to any formal and original statement that discloses the financial information related to any business concern

during a period. The income statements and balance sheet usually prepared at the end of each financial year show the firm's position.

A) Balance Sheet

Balance sheet is one of the basic financial statements of an enterprise. It is also called the fundamental accounting report. As the name suggests, the balance sheet provide information about financial standing or a position of a firm at a particular point of time usually end of the financial year. It can be visualized as a snapshot of the financial status of a company.

Balance sheet summarizes the assets, liabilities and owner's equity of a business at a moment of time, usually at the end of the financial year. Balance sheet is a financial statement, which contains information regarding different capital expenditures made on purchase of assets on particular date and information regarding various sources of funds acquired by the business concern to finance these assets and also the different sources of capital and liabilities at that particular point of time.

B) Income Statement

Income statement is designed to portray the performance of the business firm for specific period of time i.e. for a year or month or quarter. The business revenues and expenses resulting from the accomplishment of the firms operation are shown in the income statements. It is the "Scoreboard" of the firm's performance during particular period of time. It shows the summary of revenues, expenses and net income or loss of a firm for a particular period of time. Income statement also serves as a true measure of the firm's profitability.

2.1.4 Financial Performance Analysis

Financial Analysis is the process of determining financial strengths and weaknesses of a company by establishing strategic relationship between the components of a balance sheet and profit and loss statement and other operative data.

Financial Statement Analysis involves the use of various financial statements. These statements perform several things. First, the balance sheet summarizes the assets,

liabilities and owner's equity of a business at a moment in time, usually the end of a year or a quarter. Next, the income statement summarizes the revenues and expenses of the firm over a particular period of time, again usually a year or quarter. While the balance sheet represents a snapshot of the firm's financial position at a moment in time, the income statement depicts a summary of the firm's profitability over time. From these two statements certain derivate statements can be produced, such as statement of retained earnings, a sources and uses of funds statements and a statement of cash flows.

Financial Analysis is the process of identifying the financial strengths and weaknesses of the firm by properly establishing relationship between the items of the balance sheet and profit and loss account. "Analyzing financial statements is a process of evaluating relationship between component parts of financial statements to obtain a better understanding of a firm's position and performance" (*Pandey, 1999:156*).

"Financial Statement Analysis allows managers, investors and creditors as well as potential investors and creditors to reach conclusion about the recent and current status of a corporation. The checking of financial performance in a business deserves much attention in carrying out the financial position. It also requires to retrospective analysis for the purpose of evaluating the wisdom and efficiency of financial planning. Analyzing of what has happened should be of great value in improving the standards, techniques and procedures of financial control involved in carrying out finance function" (*Kuchhal, 1982*).

The four basic statements contained in the annual report are the balance sheet, the income statement the statement of the retained earnings and the statement of cash flows. Investors use the information contained in these statements to form expectations about the future levels of earnings and dividends and about the risks of these expected values. Financial statement analysis generally begins with the calculation of a set of a financial ratios designed to reveal the relative strength and weakness of a company as compared to other companies in the same industry, and to

show whether the firm's position has been improving or deteriorating over time. Financial analysis is that sort of calculation, which is done with the help of annual report and the annual report would contain the essentials for such analysis. So the data retrieved from the annual report is indispensable for the financial analysis. It is both an analytical and judgmental process that helps answer questions that have been properly posed. Therefore, it is means to end. Apart from the specific analytical answer, the solutions to financial problems and issues depend significantly on the views of the parties involved, the related importance of the issue and on the nature and reliability of the information available.

Financial appraisal is a scientific evaluation of profitability and financial strength of any business concern. Financial appraisal is the process of scientifically making a proper, critical and comparative evaluation of the profitability and financial health of a given concern through the application of the techniques of financial statement analysis. A complete financial analysis and interpretation of financial statement involves the assessment of past business performance, an evaluation of the present condition of the business and the predictions about the future potential for achieving expected or desired results.

“Financial statement analysis involves a comparison of firm’s performance with that of other firms in the same line of business which often is identified by the firm's industry classification. Generally speaking, the analysis is used to determine the firm's financial position in order to identify its current strengths and weakness and to suggest actions that might enable the firm to take advantage of the strengths and correct its weaknesses” (*Weston and Fred, 1996:78*).

Financial Performance Analysis is used primarily to gain insight into operating and financial problems confronting the firms with respect to these problems. We must be careful to distinguish between the cause of problem and symptom of it. It is thus an attempt to direct the financial statements into their components on the basis of purpose in the one hand and establish relationships between these components and between individual components and totals of these items on the other. Along with this, a study

of various important factors over the past several years is also undertaken to have clear understanding of changing profitability and financial condition of the business organization.

Much can be learnt about business performance and financial position through appraisal of financial statements, the appraisal or analysis of financial statements spotlights the significant facts and relationship concerning managerial performance, corporate efficiency, financial strength and weakness and credit worthiness that would have otherwise been buried in a maze of details.

2.1.5 Objectives of Financial Performance Analysis

Financial Analysis enables us to explore various facts related to the past performance of business and predicts about the future potentials for achieving expected results. Major objectives of analysis of financial statement are to assess various factors in relation to the business firm as presented below.

-) The present and future earning capacity or profitability of the concern
-) The operational efficiency of the concern as a whole, and of its various parts or departments.
-) The short-term and long-term solvency of the concern.
-) The comparative study regarding to one firm with another firm.
-) The possibility of developments in the future making future forecasts and preparing budgets.
-) The financial stability of business concern,
-) The real meaning and significance of financial data,
-) The long term liquidity of its fund.

2.1.6 Need of Financial Performance Analysis/ Financial Statement Analysis

The need for the Analysis of financial statement arises in order to address the following questions.

-) How was the firm doing in the past? Was there any problem? If so, in what Area?

-) How it is doing at present? Is it doing better compared to the past performance, competitors and industry average? Is there any problem at present? If so, in what areas?
-) What about the future? Is there any likely problem on the way in the future and what will its position be in the future?
-) What corrective actions can be taken now to solve the problems and improve the performance? How will the recommendation of any course of actions or changes in the policy or practice help solve problems and improve the company's position?
-) What are the expected results of recommendations? Are there any improvements?

2.1.7 Significance of Financial Analysis

Significance of Analysis lies on the objectives of financial analysis of any firm. The facts discovered by the analysis are perceived differently by different groups associated with the concern. The facts and the relationships concerning managerial performance, corporate efficiency, financial strengths and weaknesses and credit worthiness are interpreted on the basis of objectives in the hand.

Such Analysis leads management of an enterprise to take crucial decisions regarding operative policies, investment value of the firm, internal financial control system and bargaining strategy for funds from external sources.

“The parties that are benefited by the results or conclusion drawn from the analysis of financial performance can be numerated as

3. Top Management
4. Creditors
5. Shareholders
6. Economists
7. Labor Unions

A) Top Management

The responsibility of the top management is to evaluate:

1. Are the resources of the firm has been used effectively and efficiently?
2. Is the financial condition of the firm sound enough?
3. On the basis of past facts, firms can anticipate their future. Hence, top management can measure the success or failure of a company's operations, determine the relative efficiency of various departments, process and products appraise the individual's performance and evaluate the system of internal audit.

B) Creditors

The creditors can find out the financial strength and capacity of the borrower to meet their claims. Trade creditors are interested in the firm's ability to meet their claims over a short span of time. The suppliers of long term debt focus upon the firm's long term solvency and survival. A lending bank through and analysis of these statements can decide whether the borrower retains the capacity of refunding the principal and paying interest in time or not.

C) Shareholders

The shareholders, who have invested their money in the firm's shares are most concerned about the firm's earning. They evaluate the efficiency of the management and determine about the necessity for the change. In large company the shareholder's interest is to decide whether to buy, sell or hold the shares. They wish to buy the shares in case of sound performance of the firm where as they simply intend to hold the shares in the condition of satisfactory performance. But they are hurried to sell the shares in case of poor performance.

D) Economists

To diagnose the prevailing status of business and economy, economists analyze the financial statements (of any firm). The government agencies analyze them for the purpose of price regulation; rate setting and similar other purposes.

E) Labor Unions

Productivity is the synonym of well-motivated labors. Labor unions are interested in rights and benefits of labor to enhance the moral of labors. For

further motivation they expect increase in wages, fringe benefits and so on. These benefits are affected by the company's profitability condition. Therefore the union assesses the financial condition of the firm to determine whether the firm is in the situation or not to make such facilities available.

2.1.8 Process of Financial Performances Analysis

Financial Analysis basically financial statement analysis, is a technique of answering various questions regarding the performance of a firm in the past, present and the future on the basis of past performance. The analysis recommends the steps to be taken by financial managers while undergoing the assessment of financial position.

The questions, that as elucidated above create the need to follow certain steps such as first identification and analysis of problem in order to come up with appropriate recommendations, and then to project the expected results and examine them if there are improvements before implementing such recommendations. The following chart presents the process to be followed in the analysis of financial statements.

2.1.9 Types of Financial Performance Analysis

The nature of financial Analysis differs according to the purpose of the analyst. A distinction may be drawn between various types of financial analysis either on the basis of material used for the same or according to the modus operandi of the analysis.

A) According to material used

1. External Analysis

It is made by those who do not have access to the detailed records of the company. This group, which has to depend almost entirely on published financial statements, includes investors, credit agencies and governmental agencies regulating a business in a nominal way.

2. Internal Analysis

The internal analysis is accomplished by those who have access to the books of accounts and all other information related to the business. While conducting this

analysis, the analyst is a part of the enterprise he is analyzing. Analysis for managerial purpose is the internal type of analysis and is conducted by executives and employee of the enterprise as well as governmental and court agencies which may have major regulatory and other jurisdiction over the business.

B) According to Modus Operandi Analysis

1. Horizontal Analysis

When Financial Statements for a number of years are reviewed and analyzed, the analysis is called horizontal analysis. As it is based on data from year to year, rather than on one date or period of times as a whole, this is also known as dynamic analysis.

2. Vertical Analysis

It is frequently used for referring to ratios developed for one date or for one accounting period. It is also called static analysis.

C) According to Objective

1. Long Term Analysis

This is made in order to study the long term financial stability, solvency and liquidity as well as profitability and earning capacity of a business concern. For the long run success of a business concern, this analysis helps in the long term financial planning.

2. Short Term-Analysis

This is made to determine the short-term solvency, stability and liquidity as well as earning capacity of the business. This analysis is helpful for short term financial planning.

2.1.10 Techniques of Financial (Statement) Analysis

The fundament of the analytical technique is to simplify or reduce the data under review to the understandable terms. There are various tools and techniques of financial statement analysis, each of which is used according to the purpose for which the analysis is carried out. The widely used techniques are as follows:

a. Ratio Analysis

b. Du Pont System of Financial Statement Analysis

- c. Common Size Analysis
- d. Funds Flow Analysis
- e. Cash Flow Analysis

a. Ratio Analysis:

Ratio Analysis has been used as a major tool in the interpretation and evaluation of financial analysis. The term ratio refers to the numerical quantitative relationship between the two items/variables. A ratio is calculated by dividing one item of the relationship with the other base. In financial analysis, a ratio is used as a yardstick for the evaluation of financial performance of the firm. "The analysis of financial ratio involves two types of comparison. First, the present ratio may be compared with the past and expected future ratios for the same company and second, the method of comparison involves comparing the ratios of one firm with those of similar firm or with industry averages at the same point, in time. Such comparison gives insight into the financial performance of the firm." Ratio analysis is widely in use. It may not give the entire picture of an enterprise. Ratios themselves are not conclusion. They are only the means. The Ratios are calculated from data available in the financial statement of an enterprise. The Ratio completed from the available data are numerical, there should not be the tendency to regard them as a precise portrayals of a firm true financial status. For some firms, accounting data may closely approximate economic reality, for others, it is necessary to go beyond the figures in order to obtain their financial condition of performance.

Types of Ratios

Different Ratios can be calculated from the available data in the financial statement. Broadly Ratios are classified in four groups. They are:

- i) Liquidity ratios
- ii) Capital structure/leverage ratios
- iii) Activity (assets management) ratios

iv) Profitability ratios

i) Liquidity Ratio

Liquidity refers to the ability of enterprises to pay its current liabilities. Liquidity implies the utilization of such funds of the firm which are idle or in very little amount. A proper balance between the two contradictory requirements i.e. liquidity and profitability are required for the efficient financial management. The more current assets associated with high liquidity and low profitability and vice versa. The less current Ratio and quick Ratio are the most widely used ratios for the general purpose to measure the liquidity position of an enterprise.

ii) Capital Structure/Leverage Ratios

The Capital Structure/Leverage Ratio is associated with the long -term solvency of an enterprise. The long -term creditors would judge the soundness of a firm on the basis of long term financial strength measured in terms its ability to pay the interest regularly as well as repay the installment of principal due to dates or in one lump sum at the time of maturity. Leverage Ratios show how much of an enterprise's fund are financed by debt & equity. These Ratios also show the prospects for future financing.

The Capital Structure Ratio indicates the soundness of capital structure of an enterprise. It can be calculated on two ways. The first approach is to examine what proportion of borrowed capital occupies the capital structure i.e. calculated the Debt to Total Capital Ratio. The second approach is to examine the number of times the interest earned covered by earnings and to calculate the fixed charges covered by earnings.

iii) Activity Ratio

Activity Ratio may be defined as the test of relationship between sales and various types of Activity Ratios. Activity Ratios are employed to evaluate the efficiencies with which the firm manages and utilizes its assets. These Ratios are also called Turnover Ratios because they indicate the speed with which the assets are being

covered or turned over into sales. So Activity Ratios presume that there exists an appropriate relationship between sales and various assets. The more important Activity Ratios for general -purpose analysis are Inventory Turnover Ratio, Total Assets Turnover Ratio, Fixed Assets Turnover Ratio, Capital Employed Turnover Ratio etc.

iv) Profitability Ratio

Profitability is very important aspect of management of any enterprise. It shows the overall performance of an enterprise. The Profitability Ratios are calculated to measure the operative effectiveness of an enterprise. Besides management of the company, creditors and owners are interested in the Profitability Ratios of the firm. Profitability Ratios can be calculated on the basis of either sales or investment. The important Profitability Ratios, calculated in relation to sales are Net Profit Margin, Gross Profit Margin, and Operating Expenses Ratio etc. Similarly, the important Profitability Ratios, calculated in relation to investment are Return on Shareholders' Equity, Return on Capital Employed, and Return on Fixed Assets etc. Together these Ratios indicate the firm's efficiency of operation (*Panday, 1998*).

b. Du Pont System of Financial Statement Analysis

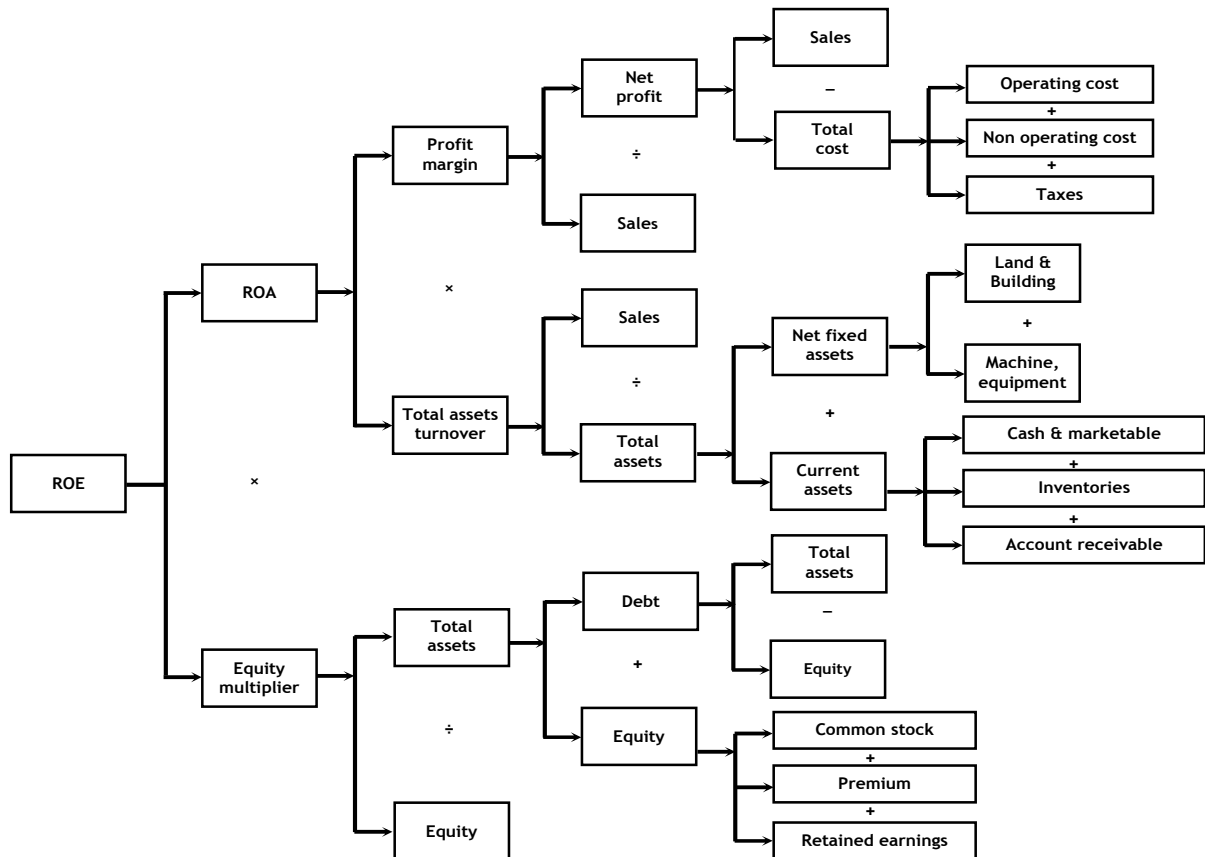
“The Du Pont system is designed to show how the profit margin on sales, the assets turnover ratio and the use of debt interact to determine the rate of return on equity” (*Weston, 1996-307*)

The Du Pont system of financial statement analysis is developed by the financial experts of the Du Pont Company by putting together the effects of profitability, investment and the equity ratios. The approach is based on the relationship among the three basic areas of the firm such as (i) cost controlling area (ii) Assets management area and (iii) Financial leverage area. The directed to address the concern of the shareholders; hence its main focus is on the return on equity (ROE)The ROE is analyzed in terms of the factors that directly affect the ROE. The factors such as costs,

assets utilization and leverage ratio are the grounds on which several test are made to see how the ROE is affected by such factors. The following modified Du Pont Chart presents the relationship among these factors and ROE.

Figure: 2.1

Du Pont System of Financial Analysis



Source: Weston and Brigham; 9th Edition: P99.

For a business firm, the return on assets (ROA) is the rate of return on the total investment that includes both equity and debt capital. The ROA does not reflect the actual rate of return to equity holders. What reflects the return for stock holders is the return on their money (i.e. ROE), which is generally higher than the ROA. Thus ROA is an overall measure and reflects the overall performance of the company. The Du Pont system addresses the concerns of stockholder and focuses on ROE.

Du Pont equation defines ROE as a product of ROA and equity multiplier and ROA as

a product of profit margin and total assets turnover.

The Du Pont equation is as follows:

$$\begin{aligned}\text{ROE} &= \text{ROA} \times \text{equity multiplier} \\ &= \text{profit margin} \times \text{total assets turnover} \times \text{equity multiplier} \\ &= \text{Net profit/sales} \times \text{sales/total assets} \times \text{total assets/ equity}\end{aligned}$$

c. Common Size Analysis

The common size analysis is another technique of analyzing the items of financial statement on relative terms. Under this method, the percentage of every item in the income statements and balance sheets is carried out for past several years to determine the performance trend of each item during the period under analysis. After analyzing the rising, falling or constant trend of efficiency in the business operation one can make comparison with the industry average or competitors.

The common size analysis is carried out for a period of one or more. The income statement items are divided by sales and expressed as a percentage of sales. The balance sheets items are divided by total assets and expressed as percentage of total assets. These percentages for a company are compared with the standard measures such as percentages calculated in the same manner industry and the competitors. Thus, the comparison shows the company's performance relative to competitors as well as compared to its own past record.

d. Funds Flow Analysis

Funds flow Analysis is the statement of changes in financial position of any organization that determines only the sources and used of fund between two dates of balance sheet. It is prepared to uncover the information that financial statements fail to describe clearly. It describes the sources from which funds were derived and used to which these funds were put.

The statement is prepared to summarize the changes in assets and liabilities resulting from financial and investment transactions during the period as well as those changes occurred due to the changes in owner's equity. It also uncovers the way of using

financial resources during the period by the firm.

Method of preparing funds flow statement depends essentially upon the sense in which the term 'fund' is used. There are three concept of fund: cash concept, total resources concept and working capital concept. According to cash concept, the word fund is synonymous with cash. Total resources concept refers total assets and resources as fund. The term' fund" represents only to working capital on the stated last concept However, working capital concept of fund has gained wide acceptance as compared to the other concepts. Therefore any transaction that increases the amount of working capital is taken as source of fund while conducting funds flow analysis. Any transaction that decreases working capital is treated as application. But, any transaction that affects current liabilities or current assets without resulting any changes in working capital is not taken as sources or use.

e. Cash Flow Analysis

This statement is carried out to know clearly the various items of inflow outflow of cash. It is different from funds flow analysis in the sense, the analysis relates to the movement of cash rather than the inflow and outflow of working capital.

It deals the causes of changes in cash position for the period of two balance sheets date in brief. At the time of preparing cash flow statement, only cash receipt from debtors against credit deals are considered as the source of cash. Similarly, cash purchases and cash payments to suppliers for credit purpose are regarded as the uses of cash. The same holds true for expenses and incomes outstanding and prepaid expenses are not to be considered under this analysis.

2.1.11 Limitations of Financial Performance Analysis

Financial Performance Analysis is of great significance for investor, creditor, management, economist, and other parties having interest in business. It helps management to evaluate its efficiency in past performance and takes decision relating to the future. Its limitations are listed below.

(a) Historical nature of financial statements:

The basic nature of statements is historical. Past can never be a precise and can never be perfectly helpful for the future forecast and planning.

(b) No subject for judgment:

Financial analysis is a tool to be used by experts, analysts etc. to evaluate the financial performance of firm. That's why it may lead to faulty conclusion if used by unskilled analyst.

(c) Reliability of figures:

Reliability of Analysis depends on reliability of the figures of the financial statements under scrutiny. The entire working of analysis will be vitiated by manipulation in the income statement, window dressing in the balance sheet, questionable procedures adopted by the accountant for the valuation of fixed assets and such other facts.

(d) Single year analysis is not much valuable:

The analysis of these statements relating to single year only will have limited use and value. From this, one can not draw meaningful conclusion.

(e) Result may have different interpretation: Different users may differently interpret the result derived from the analysis. For example, a high current ratio may suit the banker but it may be the cause of inefficiency of the management due to under-utilization of fund.

(t) Change in accounting methods:

Analysis will be effective if the figures derived from the financial statements are comparable. Due to change in accounting methods the figures of current period may have no comparable base, and then the whole exercise of analysis will become futile.

(g) Pitfall in inter-firm comparison:

When different firms are adopting different procedures, records, objectives, policies and different items under similar heading, comparison will be more difficult. If done, it will not provide reliable basis to assess the performance, efficiency, profitability and financial condition of the firm as compared to the whole industry.

(h) Price level change reduces the validity of analysis:

The continuous and rapid changes in the value of money, in the present day, economically also reduces the validity. Acquisition of assets at different level of prices make comparison useless as no meaningful conclusion can be drawn from a

comparative analysis of such items relating to several accounting periods.

(i) Selection of appropriate tool

There are different tools of analysis available to the analyst. The tools to be used in a particular situation depend on skill, training, intelligence and expertise of the analyst. If wrong tool is used, it may lead to wrong conclusion. This may be harmful to the interest of business.

2.2 Review of Journal and Articles

Under this heading, reviews of research papers of researchers are analyzed to find out the investment policies of commercial banks.

Sharma (2000) found same result that all the commercial bank are establishing and operating in urban areas. In this study, “*Banking the future of competition*”, the writer's achievements is:

-) 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 Limited and Rastrya Banijya Bank Ltd. are running in these sectors.
-) Commercial banks are charging higher interest credit lending.
-) They have maximum tax concession.
-) They do not properly analyze the credit the credit system.

According to the writer, 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 activities are possible.

Pradhan (2003) in his research paper “*Role of Saving, Investment and Capital Formation in Economic Development, A case of Nepal,*” has studied about the strong role and impact of saving, investment and capital formation on economic development of Nepal. This study is based on secondary data only. The necessary data on saving,

investment, capital formation and gross domestic product has been collected for the period of 1974/75 to 2000/01. The role and impact of saving, investment and capital formation on economic development were analyzed by using various regression models. The regression equations used in this study have been estimated at current prices as well as in real terms with the entire study period divided into different sub periods.

The results presented in this paper suggest that in all cases, GDP is significantly associated with saving, investment and capital formation both at current prices and in real terms. The results of the empirical analysis led to three important conclusions: First, saving, investment and capital formation have positive impact on economic development. Second, the current values and past values of saving, investment and capital formation have positive impact on economic development but the current values have the largest impact. Third, there is a strong role played by saving and capital formation on economic development while weak role-played by investment.

Shrestha (2004) has mention in his article "*Portfolio Management Plays the Vital Role in Individual as well as Institutional*" that due to slowdown in the world economy and deteriorating law and order situation of the country, many sectors if the economy is already sick. When any sector of economy catches cold, bank start sneezing. Form this perspective, the banking industry as a whole is not trust. Incase of investors having lower income, portfolio management may be limited to small saving income. But the other hand, portfolio management means to invest funds in various schemes of mutual funds like deposits, shares and debentures for the investors with surplus income. Therefore, portfolio management becomes very important for both an individuals as well as institutional investors. Large investors would like to select the best mix of investment assets.

Mundul (2008) in article "*Understanding of credit derivative*" emphasizes Credit derivative enable financial institution and companies to transfer credit risk to a third parity and thymus reduce their exposure to the risk of an obligor's default. Credit

enhancement technique, which helps reduce the credit risk of an obligation, play a key role in encouraging loans and investment in debts. In legal term credit derivative are privately negotiated bilateral contract to transfer credit risk from one party to another. Some credit enhancement methodologies have existed for the in debts. Some credit enhancement methodologies have existed for a longtime with the support of guarantee, letter of credit or insurance product. However such mechanism works best during economic upturns. As an alternative to commercial risk mechanism, various financial mechanisms have been developed over the past few decades. Such credit risks instruments are normally refer to as credit derivatives. Credit derivative helps to transfer credit risk away from the lender to some other party. Now credit derivative grew popular both as tools for hedging credit risk exposure as well as method of investing in certain types of credit risk.

Credit derivative not only helps corporation and financial institution to manage to their credit risk but also enabled a new set of individual retail client to invest in bonds and stocks previously unaffordable. Through credit derivative individual investor can invest indirectly in foreign bonds at a lower price. Credit derivative helps investor isolated credit, and transfer it to other investor who are better suited to managing it or who finds the investment opportunity more interesting. There are many credit instruments in the market they are

- Total return swap (TRS)
- Credit default swaps (CDS)
- Credit linked notes (CLN)
- Credit spread option (CSO)

According to the behavior of the asset or deal above credit instrument can be used and minimizing the risk. In this way credit derivative provide protection against credit peril and risk.

Mundal (2011) in his articles "*Lending Policy: Human and Organizational Aspects*" It's an ongoing debate if human and organizational aspects play a role in the formulation of lending policies of banks and financial institution. It takes the human and organizational factor such as skill, attitudes, human equations and leadership.

Policies are ever evolving and cannot be successfully implemented unless the issues in these areas are adequately taken care of and the right environment is set up. When change brings about development of new technical skills, there is ground for clash between experiences these skills. It is more so when both the aspects are equally important. While experience, authority and probably power are bound to go with one generation. The newer skill involves pencil work, enthusiasm for and the time available to use them would go with the other generation.

A combination of both developing own people and hiring professionals from relevant sector would be good to enhance the internal efficiency and competitiveness. In this regard there are three gaps that are evident even today.

Skill gaps

Organizational change

Generation gaps

It is important to ensure adequate leverage to the operating executives at the industry level vis-à-vis the borrowing clientele including the prospective one. To many estimation the loan market should not become a buyer market pre dominantly, this is likely to cause distortion in the financial system, lending to unhealthy competition amongst lenders.

The country like Nepal needs sincere implementation of change particularly in financial sectors. To be more specific these are require in the process of credit evaluation, writing of credit policy and the bringing about new product. This will certainly assist the development and maturity of the financial market. This will also assists Nepal in the process of integration with global financial market and with the expanding market of the two large neighboring countries. We should take a pragmatic view of the fast developing world and adapt to the changes first for survival and then progress.

2.3 Review of Previous works

Karki (2004) has conducted research topic on “*A Comparative Study on Financial Performance of NABIL Bank and Standard Chartered Bank Limited*”. The financial

institution play dominant role in the process of economic development. Banks are indispensable elements in these systems. Commercial banks furnish necessary capital needed for trade and commerce for mobilizing the dispersed saving of the individuals and institutions. They provide the bank of the money supply as well as the primary means of facilitating the flow of credit. The main objectives of his research are over all analysis of financial performance. Here various financial accounting and statistical tools have been used to achieve the objective of the study.

The main objectives of the study are:

-) To evaluate various financial ration of the Nabil and SCBNL Bank.
-) To compare analyze the liquidity, profitability, operating efficiency, capital structure, capital adequacy leverage and operation.
-) To analyze the relationship between DPS and EPS of NABIL and SCBNL bank.
-) To offer suitable suggestions based on findings of this study.

The main finding and recommendations of his research are:

Delivering efficient services to the common people by enhancing efficiency of the commercial banks and improving their management style pose a challenge to the banks and financial institutions. The existing condition of the liquidity of the banking and financial institutions needs to be reduced through an appropriate investment policies. Equally important is the challenge to minimizing their intermediation cost. In order to help realize the goal of poverty alleviation, access to increased flow of credit and investment in the economic activities of direct benefit to the maximum number of low-income people through micro and medium sizes loan needs serious attention in the days to come. It is also necessary to identify the activities that ensure quick return of investment. Thus, the present study seems to explore the efficiency and weakness of NABIL and SCBNL.

The total current asset of NABIL is increasing where as SCBNL is also increasing trend beside last year of study period. The current ratio of NABIL is decreasing and

SCBNL is fluctuating trends. The average current ratio of NABIL has little higher than SCBNL. It indicates NABIL has better position in current and short term solvency. The loan and advance to current asset of NABIL is fluctuating but SCBNL has constant tendency. The net working capital of NABIL and SCBNL are fluctuating trend. The Interest income of NABIL and SCBNL are increasing over the period. The interest expenses of NABIL and SCBNL are increasing over the period. The net profit to total assets ratios of NABIL is fluctuating but SCBNL are increasing. The trend value deposit lending and Net profit of NABIL and SCBNL are increasing. The trend of increasing value of net profit of NABIL is higher than SCBNL. This indicate that NABIL seems more aggressive in make net profit

Shrestha (2005) has conducted research on "*Financial Performance Analysis of Nepal Bangladesh Bank ltd*" In this study, various financial research and statistical tools have been used to achieve the objective of the study. The analysis of data will be done according to the pattern of data available. Likewise, some financial tools such as ratio analysis and trend analysis have also been used for financial analysis.

The specific objectives of the research are:

-) To analyze the functions, objectives procedure and activities of the NB bank.
-) To analyze the lending practices and resources utilizations of NB bank.
-) To determine the impact of growth in deposit on liquidity and lending practices.
-) To examine the lending efficiency and its contribution to profit.
-) To make suitable suggestions based on the findings of this study. The financial and statistical tools are used.

The researcher found that NB bank has sufficient liquidity. It shows that bank has not got investment sectors to utilize their liquid money. Now, in Nepal many banks and other financial institution are functioning to collect deposits and invest money somewhere in the investable sectors. Therefore, miniaturization has been increased since liberalization policy taken by the government. Heavy remittance has also helps

to increase the amount of deposits in bank. On the other hand, due to political crisis, economic sectors have been fully damaged.

The researcher findings and recommendations of the study are:

-) NB bank has utilized most funds in the form of credit and advances. More than 75% of total deposits of the bank have been forwarded to customers as a credit and advances.
-) The major part of utilizing deposits and income generating sectors. If the bank has high deposits, bank can provide money to its customers as credit and advances. Therefore, there is highly positive correlation between total deposits and credit and advances of NB bank
-) Bank is providing different schemes to attract good customers. After attracting deposits from the customers, bank has issued the deposits to the needy area to make profit for the bank.

Gautam (2006) has conduct thesis topic on "*A Comparative Study on Financial Performance of Standard Chartered Bank Limited and Nepal Bangledesh Bank Limited*" Financial performance is analyzed with two important tools. The first most important tools are the financial tools, which includes ratio analysis and other is a statistical tools, which is bankruptcy score.

The objectives of his research are:

-) To study the existing capital structure of financial position of selected joint venture commercial banks and to analyze its impact on the profitability.
-) To access the debt servicing of the joint venture commercial bank.
-) To examine the correlation and the signification of their relationship between different ratios related to capital structure.
-) To provide suggestions and recommendations for the optimal capital structure of the joint venture commercial bank.
-) To obtained the objectives, some financial, statistical and accounting tools.

He has found his study were the joint venture banks are operating in Nepal as commercial merchant banks. The growth is still going on as so many new banks are coming into existence after this study. Therefore, JVB's are operating with higher technology and new efficient methods in banking sector. However, this study has been undertaking only two JVB's viz. SCBNL and NBBL to examine and evaluation the financial data.

The major findings and recommendations of the study are as follows:

-) The research sample JVB's have used high percentage of total debt in raising the assets. The higher ratio constitutes that the outsider's claim in total assets of the bank is owner's claim.
-) The on an average, NBBL bank constitutes 16.27 times of P/E ratio, which should be reduce as quickly as possible.
-) The financial risk of the banks NBBL average degree of finance leverage constitutes 3.73 times which indicates the higher degree of financial risks 3.73 times which indicates the higher degree of financial risks.
-) The average ROE of JVB's i.e. SCBL and NBBL area 37.36% and 21.75% respectively.

Now, in Nepal many banks and other financial institution are functioning to collect deposits and invest money somewhere in the investable sectors. Therefore, efficiency has been increased since liberalization policy taken by the government. Heavy remittance has also helps to increase the amount of deposits in bank

Gupta (2007) conducted a research study entitled "*Comparative Analysis of Financial Performance of Commercial Banks in Nepal*". The researcher had taken Everest Bank Limited, Bank of Kathmandu and Nepal Standard Chartered Bank Limited as sample.

The major objectives of the study are as follows

-) To evaluate Liquidity Ratio, Activity Ratio, Profitability Ratio and other market related ratios of these sample banks.

-) To analyses relationship between deposit and investment, deposits and loan & advances, net profit and outside assets of EBL, BOK and SCBNL
-) To find out the trend analysis of deposit, investment, loans and advances and net profit.
-) To provide suggestions for the improvement based on findings.

His finding and recommendation are:

The researcher had used descriptive and analytical research design in writing the research study. The research had also used F-Test in testing the hypothesis.

The researcher study concluded that among three sample bank BOK maintained the highest liquidity position during the research period in comparisons to other two banks. The ratio of liquid fund to current liability of BOK is higher than tow banks. The study further added that SCBNL had the excellent assets utilization in order achieve the goal of maximizing the shareholder's wealth. In the same way SCBNL generated the highest net profit and paid the highest dividend per share to shareholders.

The ratio of loans and advances to total assets of EBL, BOK and SCBNL are fluctuating. The EBL, BOK and SCBNL banks have positive correlation between deposit and loan & advances, total assets and net profit. Trend value of deposit investment and profit of EBL, BOK and SCBNL is increasing trend.

Limbu (2008) in his thesis “*Credit Management of NABIL Bank Limited*” highlighted that aggregate performance and condition of Nabil bank. In the aspect of liquidity position, cash and bank balance reserve ratio shows the more liquidity position. Cash and bank balance to total deposit has fluctuating trend in 5 years study period. Cash and bank balance to current deposit is also fluctuating. The average mean of Cash and bank balance to interest sensitive ratio is able to maintain good financial condition.

The main objectives of the research study are as follow.

-) To evaluate various financial ration of the Nabil Bank.

-) To analyze the portfolio of lending of selected sector of banks
-) To determine the impact of deposit in liquidity and its effect on lending practices.
-) To offer suitable suggestions based on findings of this study.

The research findings of the study are as follows:

Assets management position of the bank shows better performance in the recent years. Non-performing assets to total assets ratio is decreasing trend. The bank is able to obtain higher lending opportunity during the study period. Therefore, credit management is in good position of the bank. In leverage ratio, Debt to equity ratio is in an increasing trend. High total debt to total assets ratio possesses higher financial risk and vice-versa. It represents good condition of Total assets to net worth ratio.

In the aspect of profitability position, net profit to gross income, the total interest income to total income ratio of bank is in increasing. The study shows the little high earning capacity of NABIL through loan and advances. Earning per share and Price earning ratio of NABIL is increasing. These mean that the better profitability in the coming last years. It represents high expectation of company in market and high demand of share. Loan loss provision ratio and None-performing loan to total loan and advance ratio of NABIL is in decreasing. The ratio is continuously decreasing this indicates that bank increasing performance. Thus credit management is in a good position. So NABIL has been maintaining a steady growth rate over this period. In the study every aspect of banks seems to be better and steady in every year. Its all analysis indicates better future of concern bank.

Subba (2009) conducted a research thesis entitled "*The Comparative Analysis on Financial Performance of NABIL and EBL Banks Limited*". The overriding objective of this dissertation is to study the financial performance of NABIL and EBL. To be more specific, this proposed study keeps the following objectives.

The main objectives of the study are:

-) To compare and analysis of various ratio between NABIL and EBL
-) To examine the relative financial performance of NABIL and EBL in terms of different kinds of ratios.
-) To assess the financial performance of these banks
-) To provide a package of suggestions and possible guideline to improve the performance of EBL and NABIL.

The major findings and recommendations of the study are as follows:

The current ratio of NABIL and EBL is considerable. This can be regarded as good liquidity position. The mean current ratio of NABIL is 1.89 and EBL is 1.14. The current ratio of NABIL is little higher than EBL. It is indicate better liquidity position of NABIL. Return on equity of NABIL is higher than EBL. Liquidity position of EBL is comparatively better than NABIL. Lower liquidity position of NABIL shows that the current assets have been utilized in some profit generating sectors, but EBL has over liquidly position.

Investment on government securities to total assets ratio of NABIL is higher than. This indicates that NABIL has invested more portions of total assets on government securities. The liquidity risk of the bank defines its liquidity need for deposit. The average mean ratio of EBL is greater than that of NABIL. EPS and DPS play a vital role to determine the market price of the share and also indicate the financial performance of banks. Higher EPS and DPS indicate the higher performance of banks. So Both Nabil and EBL has able to provide good returns

In the light of growing competition in the banking sector both bank NABIL and EBL should be customer oriented. It should strengthen and activate its marketing function as it is an effective tool to attract and retain the customers. For the purpose, the bank should develop an innovative approach to bank marketing and formulate new strategies of serving customers in a more convenient and satisfactory way by

optimally utilizing the modern technology and offering new facilities to the customers at competitive prices.

Khanal (2010) conducted a thesis on "*Comparative Study on Liquidity Management of Everest Bank Limited and Himalayan Bank Limited*" is related to liquidity management. The basic objective of the study is to have true insight into the liquidity management of Everest Bank and Nepal Himalayan Bank. These are as follows.

The main objectives of the study are:

-) To analyzed the liquidity management of sample banks
-) To analyze the deposit and investment position of the banks.
-) To find out the relationship between deposit, investment, loans and advances and net profit.
-) To find out the trend analysis of deposit, investment, loans and advances and net profit.

The main finding and conclusion of the study are:

Overall aspect of liquidity position of EBL is comparatively better than HBL. The mean current ratio of EBL is 1.14 and HBL is 1.10. EBL is sound in meeting short-term obligation than HBL. Cash and bank balance to total deposit ratio of EBL has higher which indicates higher liquidity. Investment on government securities to current assets of HBL is higher than EBL. EBL has invested low of their funds in purchasing of government securities.

Asset management aspect of EBL is better than HBL which is justified by little higher loan and advances to total deposit ratio. The total investment to total deposit of HBL is higher than EBL. It shows the HBL is mobilizing its funds on investment in various securities efficiently. It can be said that HBL is more successful in utilizing its total deposit by investing in marketable securities. The return on loan and advances ratio of HBL is higher than that of EBL. It refers that HBL seems to be success to earn high profit on loan and advances. Return on total assets ratio of EBL is higher than HBL.

Total interest earned to total operating income ratio of HBL is lower than EBL. Total interest paid to total assets ratio of EBL is higher than HBL. It supports EBL to increase to interest paid to operating income.

For risk position of bank, the average credit risk ratio of EBL is lower than HBL. EBL has efficiently used the total loan and advances than that of HBL. EBL has sound liquid position than HBL. HBL has high ratio of asset risk. Average Earning per share, dividend per share and average market price per share of EBL higher in comparison to HBL. This considered as better in security analyzing in order to make investment decision. In comparison to both bank trend of deposit and loan and advance of EBL high and trend of investment and profit of HBL is high. So both banks are equal in their liquidity management.

Bhattra (2011) conducted research entitled topic on “*Comparative financial analysis of NABIL bank and Standard chartered t bank ltd.* In his research main objective is to study the financial position of NABIL and SCBNL.

The main objectives of the study are as follow:

-) To present the existing financial position of NABIL and SCBNL.
-) To examine the relative financial performance of NABIL and SCBNL in terms of different kinds of ratios.
-) To find out the relationship and trend of deposit, investment, loans and advances and net profit
-) To provide suggestions and possible guideline according to finding of the study.

Thus this research is conducted with the major objective of highlighting financial analysis of NABIL and SCBNL. The observation and conclusion is Derived by financial analysis in terms of liquidity, asset management, profitability and lending efficiency and other various ratio of NABIL and SCBNL as well as relevant financial and statistical ratios.

His main finding and conclusion of the study are:

The overall analysis of liquidity position, the current ration of NABIL is in decreasing and SCBNL is fluctuating. The average liquidity position of NABIL is greater than SCBNL. So, NABIL is sound in meeting short-term obligation than SCBNL. NABIL has the little higher portion of cash and bank balance over current assets. The investment on government treasury bills to current assets ratio of NABIL is fluctuating trend where as SCBNL are decreasing. The loan and advances to current of NABIL and SCBNL are fluctuating. NABIL has emphasis on more loan and advances. The loan and advances and deposit ratio of both banks have been fluctuating. In the aspect of profitability ratio of NABIL and SCBNL, The higher ratio of SCBNL signifies that the shareholders of SCBNL are getting higher return but in case of NABIL. The SCBNL has better utilized the equity for the profit generation. The interest earned to total asset ratio of both NABIL and SCBNL banks have fluctuating. Earning per share of NABIL and SCBNL is in decreasing trend. The average mean price of SCBNL is greater than that of NABIL. It indicates that shareholder of SCBNL are getting higher price and high demand of share in market. The higher PE ratio signify that price of SCBNL is higher than NABIL.

The correlation between deposits and loan and advances of NABIL and SCBNL is positive by 0.993 and 0.924. It refers that deposit and loan and advances of NABIL move together very closely but not proportionately. The 98.60 percent of NABIL and 98.38 percent variation of SCBNL in loan and advances have been explained by deposit. The relationship is significant. The trend of total deposit, investment, lending and profit of NABIL and SCBNL is in increasing trend. The SCBNL has higher trend of increasing total investment than NABIL. The trend of increasing value of net profit of SCBNL higher at beginning but at last NABIL exceeds. But increment of NABIL is aggressive.

2.4 Research Gap

This research comparative study on financial performance of NABIL, EBL and NSBIL is done by measuring various ratios analysis, trend analysis and various

financial tools as well statistical tools. In this research various ratio are systematically analyzed and generalized. The ratios are categorized according to nature. Here in this research all ratios are categorized according to their area and nature. In this research data are used only five fiscal year but all the data are current and fact. This study tries to show financial analysis by applying and analyzing various financial tools like liquidity ratio, asset management ratio, profitability ratio, risk ratio and other ratio as well as different statistical tools like average mean, standard deviation, coefficient of variation coefficient of correlation and trend analysis. Probably this will be the appropriate research in the area of financial performance analysis of Bank and finance.

CHAPTER - III

RESEARCH METHODOLOGY

3.1 Introduction

Research in common parlance refers to a search for knowledge. The Webster international Dictionary gives a very inclusive definition of research as "a careful critical inquiry or examination in seeking facts and principles diligent investigation in order to ascertain something.

Research is a systematic inquiry for seeking facts and methodology means the analysis of specific topic by using proper method. In other words research methodology is the way to solve systematically the research problem (Kothari, 1999: 61).

The topic of the study has been done comparative study on financial performance analysis of NABIL, EBL and NSBIL, In order to reach and accomplish the objectives of the study, different activities will be carried out. For this purpose, the chapter aims to present and reflect the methods and techniques that are carried out and followed during the study period. The research methodology that is adopted for the present study is mentioned in this chapter, which deals with research design, sources of data, data collection, processing and tabulating procedure and methodology

3.2 Research Design

Research is a theory building activity. Research design is the plan, structure and strategy of investigations conceived so as to obtain answer to research questions and to control variances.

A research design is the arrangement of condition for collection and analysis of data in a manner that aims to combined relevance to the research purpose with economic in procedure (Kothari, 1999:59).

Since the main objectives of this study is to analysis financial performance of the banks, all the indicators that shows the financial performance of the banks were

calculated using data obtained from the five year end internally generated accounting records maintained by sampled Banks. The study depends on the secondary data. Various financial parameters and effective research techniques are employed to evaluate the financial performance of the banks. Furthermore, various descriptive as well as analytical techniques are used. The study is designed as to give a clear picture of the Bank's financial circumstances with the help of available data with useful suggestions and recommendation.

3.3 Population and Sample

At present thirty one Commercial banks are operating in Nepal. All the commercial banks that are operating in Nepal are considered as the population. It is not possible the study all the data related with all 32 commercial banks because of the limited time period and showed also taken in to consideration of the partial fulfillment of the Master's Degree. Currently aggregate 32 commercial banks are running in Nepal. They all 32 Commercial bank are taken as population. Thus two joint venture banks i.e. NABIL, EBL and NSBIL have been selected as sample for the present study.

3.4 Nature and Sources of data

The research is based on secondary source of data. All the adequate data are collected from secondary sources. This refers to data that are already used and gathered by others. Secondary data are mostly used for this research purpose. Therefore, the major sources of secondary data are Annual Report of concern Bank, Internet and E-mails, NRB directives, Newspaper, journals, articles and various magazines and thesis of Central Library of T. U. and Library of Shanker Dev Campus.

3.5 Data Collecting Procedures

The annual reports of the concerned banks were obtained from their head office and their websites. The main sources of data are annual report of concern financial institute. NRB publication, such as Banking and Financial Statistics Economic Reports, Annual Reports of NRB etc .has been collected from the personal visit of

concerned department of NRB at Baluwatar. Besides, a details review materials are collected from the library of Shanker Dev Campus and central library of T.U.

3.6 Tools and Techniques used

In this study, various financial and statistical tools have been used to achieve the objective of the study. According to the pattern of data available, the analysis of data will be done. The various tools applied in this study have been briefly presented as under:

- Financial tools
- Statistical tools

3.6.1 Financial Tools

Financial performance is analyzed through the use of two important tools. The financial tool is one of the most important tool, which includes ratio analysis and the other one financial statement analysis have been used in this study. Financial tools are used to examine the financial strength and weakness of bank. Although there are many financial ratios, only selected ratios are used in this study.

3.6.2 Analysis of Financial Rations

The techniques of ratio analysis in of considerable significance in studying the financial stability, liquidity, profitability and the quality of management of the business and industrial concerns, the important ratios that are studied for this purpose are given below.

3.6.3 Ratio Analysis

Ratio analysis is a technique of analysis and interpretation of financial statement. To evaluate the performances of an organization by creating the ratios from the figure of different accounts consisting in balance sheet and income statement is known as ratio

analysis. Five types of ratios have been analyzed in this study, which are related to fund mobilization of the banks. They are presented below:

A. Liquidity Ratio

Liquidity ratio measures the ability of the firm to meet its current obligations. A commercial bank must maintain its satisfactory liquidity position to meet the credit need of the community. Liquidity provides honor strength health and prosperity to an organization. It is extremely essential for an organization to meet its obligations as they become due. A firm should ensure that it has not lack of liquidity and also that it is not too much highly liquid.

i) Current Ratio: This ratio shows the bank's short-term solvency. It shows the ratio of current assets over the current liabilities. This ratio can be computed by dividing the total current assets by total current liabilities which can be presented as:

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

Higher ratio indicates the strong short-term solvency position and vice-versa.

ii) Cash and Bank Balance to Total Deposits Ratio: - Cash and bank balance is said to be first line defense of every bank. The ratio between the cash and bank balance and total deposit measures the ability of a bank to meet the unanticipated call on all types of deposit. Higher the ratio greater will be the ability to meet the sudden demand of deposit. But every ratio is not desirable since bank has to pay interest on deposit. This also maximizes the cost of fund to the bank.

$$\text{Cash and bank balance to total deposit ratio} = \frac{\text{Cash \& bank balance}}{\text{Total deposits}}$$

Where,

Cash and bank balance is composed up of cash on hand including foreign cheques and other cash item; balance with domestic banks and aboard. Deposits include current, saving, fixed money at short call notice and other types of deposits.

iii) Cash and Bank Balance to Current Assets Ratio: - This ratio shows the bank's liquidity capacity on the basis of cash and bank balance that is the most liquid assets. High the ratio indicates the bank's ability to meet the daily cash requirements of their customer deposits and vice versa. But the high ratio is not preferred as the bank has to pay more interest on deposit and will increase the cost of fund. Low ratio is also very dangerous, as the bank may not be able to make the payment against the cheques presented by the customers. We have,

$$\text{Cash and bank balance to current assets ratio} = \frac{\text{Cash \& bank balance}}{\text{Current assets}}$$

iv) Investment on Government Securities to Current Assets Ratio: - This ratio is used to find out the percentage of current assets invested on government securities, treasury bills and development bonds. We can find out as:

Investment on Govt. securities to total current assets ratio =

$$\frac{\text{Investment on Govt. Securities}}{\text{Current assets}}$$

Where,

Investment on Government Securities involves treasury bills and development bonds etc.

B. Assets Management Ratio:

A set of ratio which measure how efficiently a firm is managing its assets and whether or not the level of those assets is properly related to the level of operation. In this study this ratio is used to indicate how effectively the selected banks have arranged and invest their limited resources. The assets management ratios measure how effectively the firm is managing its assets. These ratios are designed to answer this question; does the total amount of each type of assets as reported on the balance sheet seem reasonable or not. If a firm has excessive investments in assets, then its capital cost will be unduly high and its stock price will be suffer.

i) Loan and Advances to Total Deposits Ratio: - This ratio is calculated to find out how successfully the selected banks are utilizing their collections or deposits on loan and advances for the purpose of earning profit. We have,

$$\text{Loan and Advances to Total Deposits Ratio} \times \frac{\text{Loan and Advances}}{\text{Total Deposits}}$$

ii) Total Investment to Total Deposits Ratio: - Investment is one of the major sources of earning profit. It shows how properly firm's deposit has been invested on government securities and shares and debentures of other companies.

$$\text{Total Investment to Total Deposits Ratio} \times \frac{\text{Total Investment}}{\text{Total Deposits}}$$

iii) Loan and Advances to Total Working Fund Ratio: - This ratio shows the ability of selected banks in terms of earning high profit from loan and advances. Loan and advances to working fund ratio can be calculated by dividing loan and advances amount by total working fund.

$$\text{Loan and Advances to Total Working Fund Ratio} \times \frac{\text{Loan and Advance}}{\text{Total Working Fund}}$$

iv) Investment on Government Securities to Total Working Fund Ratio: - Investment on government securities to working fund ratio shows how much part of total investment is there on government securities in percentage, it is calculated for this purpose by following formula:

$$\text{Investment on Govt. Securities to TWF Ratio} \times \frac{\text{Investment on Govt. Securities}}{\text{Total Working Fund}}$$

C. Profitability Ratio:

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

i) Return on Loan and Advances Ratio: - Return on loan and advances ratio shows how efficiently the banks have utilized their resources to earn good return from provided loan and advances. This ratio is computed as,

$$\text{Return on Loan and Advances Ratio} \times \frac{\text{Net Profit / Loss}}{\text{Loan and Advances}}$$

ii) Return on Total Working Fund Ratio: - Return on total working fund ratio measures the profit earning capacity by utilizing available resources i.e. total assets. Return will be higher if the bank's working fund is well managed and efficiently utilized. Maximizing taxes, this in the legal options available will also improve the return. We have,

$$\text{Return on Total Working Fund Ratio} \times \frac{\text{Net Profit}}{\text{Total Working Fund}}$$

iii) Total Interest Earned to Total Working Fund Ratio: - This ratio reflects the extent to which the banks are successful in mobilizing these total assets to acquire income as interest. This ratio actually reveals the earning capacity of commercial banks by mobilizing its working fund. Higher the ratio higher will be the income as interest. We have,

$$\text{Total Interest Earned to TWF Ratio} \times \frac{\text{Total Interest Earned}}{\text{Total Working Fund}}$$

iv) Total Interest paid to Total working Fund Ratio: - This ratio measures the percentage of total interest expenses on total working fund and vice-versa. This ratio is calculated as,

$$\text{Total Interest paid to Total Working Fund Ratio} \times \frac{\text{Total Interest Paid}}{\text{Total Working Fund}}$$

D. Risk Ratios:

Commonly, risk means chance or possibility of loss, uncertainty which lies in the business transaction of investment management. When a firm wants to bear risk and

uncertainty, profitability and effectiveness of the firm is increased. This ratio checks the degree of risk involved in the various financial operations. For this study following risk ratios are used to analyze and interprets the financial data and investment policy.

i) Liquidity Risk Ratio: - The liquidity risk of the bank defines its liquidity need for deposit. The cash and bank balance are the liquid assets and they are considered as banks liquidity sources and deposit as the liquidity needs. The ratio of cash and bank balance to total deposit is an indicator of bank's liquidity of need. This ratio is low if funds are kept idle as cash balance but this reduces profitability, when the banks makes loan, its profitability increase and also the risk.

Thus, higher liquidity ratio indicates less profitable return and vice-versa. This ratio is calculated as below:

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

ii) Credit Risk Ratio: - Bank utilizes its collected funds in providing credit to different sectors. There is risk of default or non-repayment of loan. While making investment, bank examines the credit risk involved in the project. Generally credit risk ratio shows proportion of non-performing assets in the total investment plus loan and advances of a bank it is computed as:

$$\text{Credit Risk Ratio} = \frac{\text{Total Investment } \Gamma \text{ Loan and Advances}}{\text{Total Assets}}$$

iii) Asset Risk Ratio: - Bank utilizes its collected funds in providing credit to different sectors. There is risk of default or non-repayment of loan. While making investment, bank examines the credit risk involved in the project. Generally Asset risk ratio shows proportion of non-performing assets in the total investment plus loan and advances of a bank it is computed as:

$$\text{Credit Risk Ratio} = \frac{\text{Total Investment } \Gamma \text{ Loan and Advances}}{\text{Total Assets}}$$

E. Other Ratios

a) Earning per Share (EPS): EPS refers to net profit divided by total numbers of share outstanding. EPS measure the efficiency of a firm in relative terms. It is a widely used ratio, which measures the profit available to the ordinary shareholders on per share basis. The amount of EPS measures the efficiency of a firm in relative terms. This ratio is calculated as;

$$\text{Earnings per Share (EPS)} = \frac{\text{Net profit (loss)}}{\text{Total number of shares outstanding}}$$

b) Market Price per Share

Market price per share is the price at which shares are traded in the stock market. The secondary markets provide liquidity for securities purchased in primary market. Generally MPS is determined through supply and demand factors.

c) Price Earning Ratio

This ratio is closely related to the earning per share. It is calculated by dividing the market value per share by EPS. Price earning ratio indicates investor's judgments or expectation about the firm's performance. This ratio widely used by the security analysis to value the firm's performance. This ratio widely used by the security analysis to value the firm's performance as accepted by investors. Price earning ratio reflects investor expectations about the growth in the firm's earning. Higher ratio indicates the more value of the stock that is being ascribed to future earning as opposed to present earning.

Here, total equity capital includes shareholders' reserve including profit and loss account, general loan loss provision and share capital i.e. ordinary share preference share capital.

$$\text{Price Earning ratio} = \frac{\text{Market price per Share}}{\text{Earining per Share}}$$

3.7 Statistical Tools

Under this heading some statistical tool such as coefficient of correlation analysis between different variables, trend analysis of deposit, loan and advances, net profit and EPS are used to achieve the objective of the study.

3.7.1 Average Mean

An average is a single value related from a group of values to represent them in some way, a value, which is supposed to stand for whole group of which it is a part, as typical of all the values in the group. There are various types of averages. Arithmetic mean (AM, Simple & Weighted), median, mode, geometric mean, harmonic mean are the major types of averages.

Mathematically:

Arithmetic Mean (AM) is given by,

$$\bar{X} = \frac{\sum X}{n}$$

Where, \bar{X} = Arithmetic mean

$\sum x$ = Sum of all the values of the variable X

n = Number of observations

3.7.2 Standard deviation:

The standard deviation measures the absolute dispersion. It is said that higher value of standard deviation the higher the variability and vice versa. Karl Pearson introduced the concept of standard deviation in 1823 A. D. and this is denoted by the small Greek letter (pronounced sigma) the formula to calculate the standard deviation is given below:

$$\sigma = \sqrt{\frac{\sum x^2}{N}}$$

Where, $\sum x^2 = \sum fX^2$

3.7.3 Coefficient of variation

The coefficient of variation reflects the relation between standard deviation and mean. The relative measure of dispersion based on the standard deviations known as

coefficient of variation. The coefficient of dispersion based on standard deviation multiplied by 100 is known as the CV. It is used for comparing variability of two distributions; the CV is defined as,

$$CV = \frac{\sigma}{\bar{X}} \times 100$$

Greater the CV, the more variable or conversely less consistent, less uniform, less stable and homogenous than the consistent more uniform, more stable and homogenous. This nature of CV uses that actual size of working capital.

3.7.4 Coefficient of correlation (r)

Correlation analysis is the statistical tools that we can use to describe the degree to which one variable is linearly related to another. Coefficient of correlation is the measurement of the degree of relationship between two casually related sets of figure whether positive or negative. Its values lie somewhere ranging between - 1 to +1. If the both variables are constantly changing in the similar direction, the value of coefficient will be +1, two variables take place in opposite deflection. The correlation is said to be perfect negative. In this study, simple correlation is use to examine the relationship of different factors with working capital and other variable.

$$\text{Coefficient of correlation (r)} = \frac{\text{CoVariance of X \& Y}}{\sigma_x \sigma_y}$$

Deposit have played a very important role in performance of commercial banks and similarly loan & advances are important to mobilize the collected deposits. Coefficient of Correlation between deposit and loan & advances measures the degree of relationship between the two variables. In this analysis, deposit is independent variable (X) and loan & advances is dependent variables(Y). The main objectives of computing 'r' between these two variables are to justify whether deposits are significantly used on loan & advances in a proper way or not.

The following table shows the value of 'r', 'r²' probable Error (P.Er) and P.Er between deposit and loan & advances for the study period 2006/07 to 2010/11.

3.7.5 Trend Analysis

The least square method to trend analysis has been used in measuring the trend analysis. This method is widely used in practice. The straight line trend of a series of data is represented by the following formula.

$$Y = a + bx$$

Here,

Y is the dependent variable, a is y intercept or value of y when $x=0$, b is the slope of the trend line or amount of change that comes in y for a unit change in x.

Where,

Y = Dependent variable

x = Independent variable

a = Y – intercept

b = Slope of the trend line

CHAPTER - IV

PRESENTATION AND ANALYSIS OF DATA

Introduction review of literature and research methodology is presented in the previous chapters that provide the basic inputs to analyze and interpret the data. Presentation and analysis of data is the main body of the study. In this chapter collected data are analyzed and interpreted as per the stated methodology in the previous chapter. The main sources of data are secondary data. In this chapter, researcher has analyzed and diagnosed credit risk management of Nabil Bank, Everest Bank and Nepal SBI Bank Limited. Different tables and diagrams are shown to make the analysis simple and understandable.

4.1 Financial Analysis

Financials ratios related to the financial performance are presented to evaluate and analyze the performance of Nabil Bank, Everest Bank and Nepal SBI Bank Limited. Some important financial ratios are calculated in the point of view of financial. The ratios are designed and calculated to highlight the relationship between financial items and figures. It is a kind of mathematical procedure that shows the relationship where one item is divided by another

4.1.1 Liquidity Ratio

Commercial bank must maintain its satisfactory liquidity posting to satisfy the credit needs of community, to meet demands for deposit–withdrawals, pay maturity obligation in time and convert non cash assets into cash to satisfy immediate needs without loss to bank and consequent impact on long-run profit. Liquidity ratio is mainly used to analyze the short-term strength of commercial banks.

i) Current Ratio

This ratio measures the liquidity position of the commercial banks. It indicates the ability of Banks to meet the current liquidity.

Table: 4.1

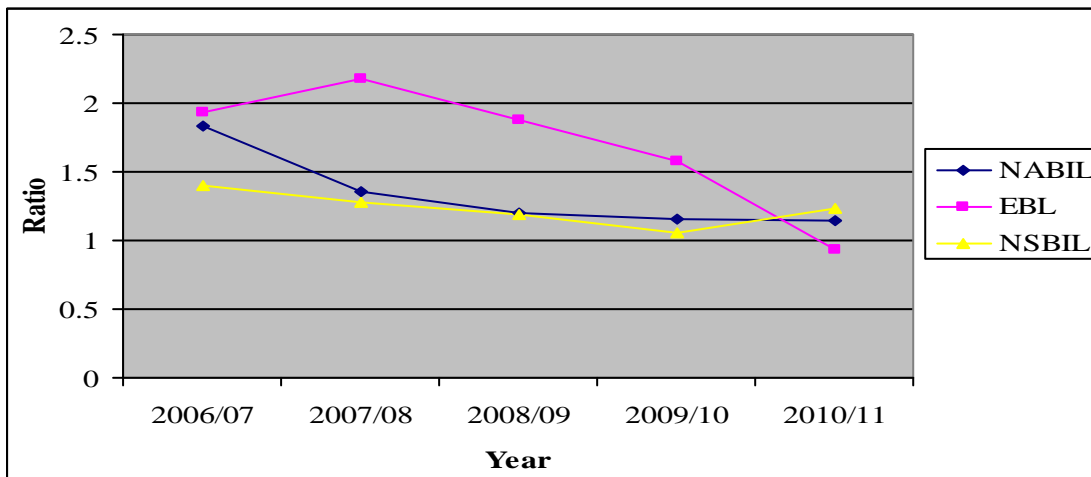
Current Assets to Current Liability (in times)

Year	Bank		
	NABIL	EBL	NSBIL
2006/07	1.83	1.93	1.40
2007/08	1.35	2.18	1.28
2008/09	1.20	1.88	1.19
2009/10	1.16	1.58	1.06
2010/11	1.14	0.93	1.23
Mean	1.336	1.70	1.232
S.D.	0.288	0.480	0.124
C.V	0.2157	0.2826	0.1009

Source: Financial analysis Report of Concern Bank

Figure: 4.1

Current ratio of NABIL, EBL and NSBIL



Above table and figure shows the current ratio of NABIL, EBL and NSBIL bank during the study period. The current ratios of NABIL, EBL and NSBI have been decreasing trend. In general, it can be said that all banks have sound ability to meet their short- term obligations. The highest ratio of NABIL, EBL and SBI are 1.83, 2.18 and 1.40 times in F/Y 2006/07 and 2007/08. Similarly lowest ratios are 1.14 times, 0.93 times and 1.06 times in F/Y 2010/11 and 2009/10. Likewise, S.D. and C.V. of

NABIL are 0.288 and 0.2157, EBL are 0.480 and 0.2826 and NSBIL are 0.124 and 0.1009 respectively.

The average mean current ratio of NABIL, EBL and NSBIL are 1.336 times, 1.70 times and 1.232 times. It is known that all these three banks have in better liquidity position because the standard ratio is more than 1:1. The average current ratio of EBL is greater than NABIL and NSBIL. It indicates that EBL has high portion current asset rather than current liability. Banks require more liquid assets with compare to current liabilities in order to provide better bank service. The NSBIL has lowest current ratio, which depict less liquidity position. The C.V. of NSBI is lower than two banks which indicate consistently in its current ratio and highest C.V. of EBL indicates high volatile in its current ratio.

ii) Cash and Bank balance to Current Assets Ratio

Cash and Bank balance to current assets ratio reveals the position of cash and bank into cash and bank balance in total of current assets. Cash and bank balances are highly liquid assets than other current assets. So this ratio scans higher liquidity position than current ratio.

Table: 4.2
Cash and Bank balance to Current Assets Ratio

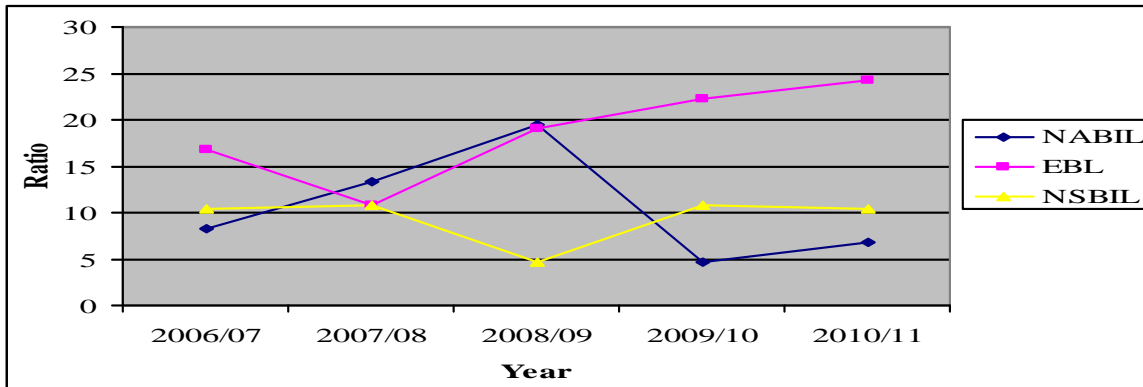
Year	Bank		
	NABIL	EBL	NSBIL
2006/07	8.25	16.81	10.34
2007/08	13.27	10.77	10.85
2008/09	19.46	19.01	4.68
2009/10	4.73	22.31	10.77
2010/11	6.77	24.27	10.44
Mean	10.496	18.634	9.416
S.D.	5.921	5.258	2.656

C.V	0.5641	0.2822	0.2821
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Source: Financial analysis Report of Concern Bank

Figure: 4.2

Cash and Bank balance to Current Assets Ratio



Above table and figure shows the cash and bank balance to current assets ratio of NABIL, EBL and NSBIL. The cash and bank balance to current assets ratio of all banks have fluctuating trend. The highest ratio of NABIL is 19.46% in year 2008/09 and lowest ratio is 4.73% in year 2009/10. The highest ratio of EBL is 24.27% in 2010/11 and lowest ratio is 10.77% in 2007/08. Similarly the highest ratio of NSBIL is 10.85% in 2007/08 and lowest ratio is 4.68% in 2008/09. The standard deviation and coefficient of variation of NABIL are 5.921 and 0.5641, EBL is 5.258 and 0.2822 and NSBIL are 2.656 and 0.2821 respectively.

The average cash and bank balance to current assets ratio of NABIL, EBL and NSBIL are 10.496, 18.634 and 9.416 percent. The average ratio of EBL is greater than NABIL and NSBIL. It indicates that EBL has high portion cash and bank balance form its current asset. It means EBL is slightly sound liquidity position than other banks. The NSBIL has lowest current ratio. Which depict less liquidity position. The C.V. of NSBI is little lower than other two banks. Which indicates consistently in balance in its ratio and highest C.V. of NABIL indicates high volatile in its cash and bank balance to current assets ratio.

iii) Investment of Government treasury bills to Current Assets Ratio

Investments on Government treasury bills to current assets ratio visualize the proportion of investment on govt. securities to current assets.

Table: 4.3

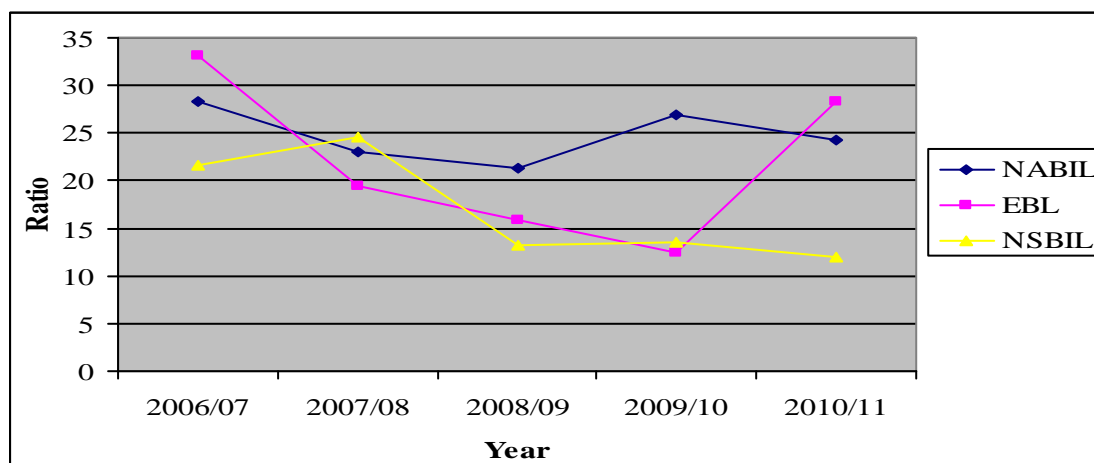
Investment on Government treasury bills to Current Assets

Year	Bank		
	NABIL	EBL	NSBIL
2006/07	28.36	33.07	21.61
2007/08	23.09	19.47	24.53
2008/09	21.38	15.87	13.17
2009/10	26.85	12.42	13.49
2010/11	24.30	28.32	11.94
Mean	24.796	21.83	16.948
S.D.	2.8172	8.6327	5.7125
C.V	0.1136	0.3954	0.3371

Source: Financial analysis Report of Concern Bank

Figure: 4.3

Investment on Government treasury bills to Current Asset Ratio



Above table and figure shows the investment on Govt. treasury bill to current asset ratio of NABIL, EBL and NSBIL. The investment on Govt. Treasury bill to current asset ratio of all banks have fluctuating trend. The highest ratio of NABIL, EBL and

SBI are 28.36% in F/Y 2006/07, 33.07% F/Y 2006/07 and 24.53% in F/Y 2007/08. Similarly lowest ratios are 21.38% in F/Y 2008/09, 12.42% in F/Y 2009/10 and 11.94% in F/Y 2010/11. Likewise, C.V. of NABIL is 0.1136, EBL 0.3954 and NSBIL 0.3371 respectively.

The average investment on Govt. Treasury bill to current asset ratio of NABIL, EBL and NSBIL are 24.796%, 21.83% and 16.948%. The average ratio of NABIL has higher than EBL and NSBIL. It indicates that NABIL has invested little high portion of its current asset. It means NABIL conscious in invest in risk free asset than other banks. The NSBIL has lowest current ratio. Which depict less investment in Govt. treasury bills. The C.V. and S.D of NABIL has also lower than other two banks. This indicates low risky and consistently in its ratio and highest C.V. of EBL indicates high volatile in its ratio.

iv) Investment on government Securities to Total Deposit Ratio

This ratio shows the percentage of investment on government securities on total deposit. It presents that show much funds are invested on government securities of total deposit of commercial banks. This ratio is computed by using the following formula:

Table: 4.4

Investment on Government Securities to total Deposit ratio

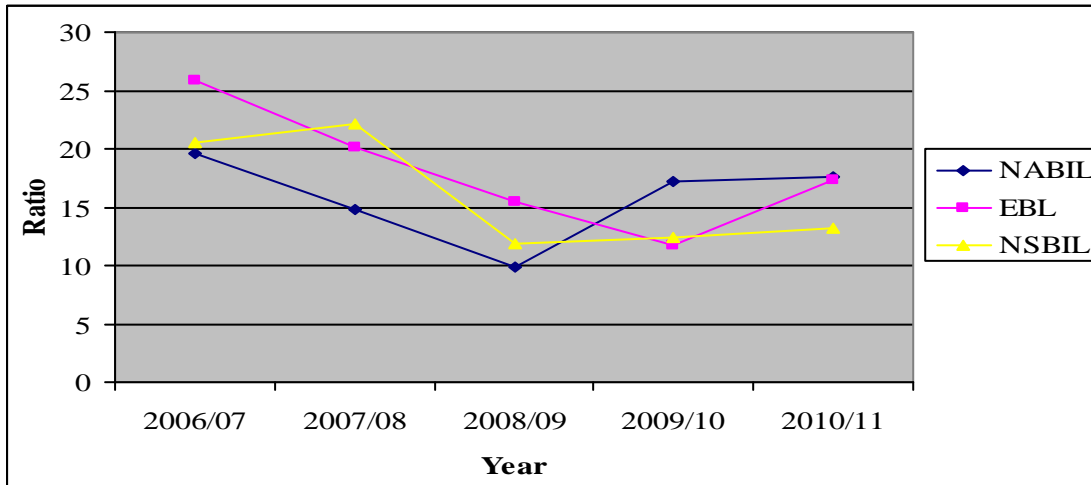
Year	Bank		
	NABIL	EBL	NSBIL
2006/07	19.63	25.87	20.49
2007/08	14.84	20.11	22.13
2008/09	9.92	15.44	11.83
2009/10	17.14	11.79	12.36
2010/11	17.60	17.37	13.14
Mean	15.826	18.116	15.99

S.D.	3.715	5.287	4.913
C.V	0.2347	0.2919	0.3073

Source: Financial analysis Report of Concern Bank

Figure: 4.4

Investment on Government Securities to Total Deposit Ratio



The table and figure shows the investment on Govt. securities to total deposit ratio of NABIL, EBL and NSBIL. The investment on Govt. securities to total deposit ratio of three sample banks have decreased fluctuating trend. The highest ratio of NABIL is 19.63% in year F/Y 2006/07 and lowest ratio is 9.92% in year 2009/10. The highest ratio of EBL is 25.87% in F/Y 2006/07 and lowest ratio is 11.79% in 2008/09. Similarly the highest ratio of NSBIL is 22.13% in F/Y 2007/08 and lowest ratio is 11.83% in 2009/10. The coefficients of variation are 0.2347 of NABIL, 0.2919 of EBL and 0.3073 of NSBIL respectively.

The average investment on Govt. securities to total deposit ratio of NABIL, EBL and NSBIL are 15.826%, 18.116% and 15.99%. The investment on Govt. securities to total deposit ratio of EBL is higher than NABIL and NSBIL. It indicates that EBL use more total deposit in government securities. EBL is investing in government securities the most out its total deposit. The C.V. of NABIL is low, which indicates consistently in ratio and higher C.V. of NSBIL indicates high volatile in its ratio.

v) Cash and Bank Balance to Total Deposit Ratio

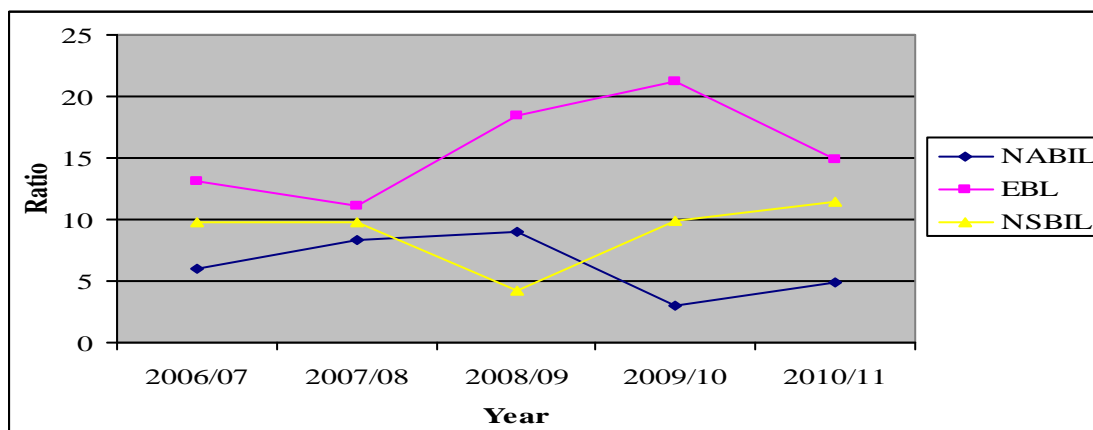
This ratio measures the percentage of liquid fund with the bank to make immediate payment to the depositors. Both higher and lower ratios are not desirable. Following table shows the ratio measurement of the years.

Table: 4.5
Cash and Bank Balance to Total Deposit Ratio

Year	Bank		
	NABIL	EBL	NSBIL
2006/07	5.99	13.15	9.81
2007/08	8.37	11.13	9.79
2008/09	9.03	18.50	4.21
2009/10	3.02	21.17	9.86
2010/11	4.9	14.89	11.50
Mean	6.262	15.768	9.034
S.D.	2.4772	4.0553	2.7932
C.V	0.3956	0.2572	0.3092

Source: Financial analysis Report of Concern Bank

Figure: 4.5
Cash and bank balance to Total Deposit Ratio



Above the table and figure shows the cash and bank balance to total deposit ratio of NABIL, EBL and NSBIL. The cash and bank balance to total deposit ratio of NABIL, EBL and NSBIL are fluctuating during the study period. The highest ratio of NABIL is 9.03% in F/Y 2008/09, EBL is 21.17% in 2009/10 and NSBIL is 11.50% in F/Y 2010/11. Similarly the lowest ratio of NABIL is 3.02% in F/Y 2009/10, 11.13% of EBL in F/Y 2007/08 and 4.21% of NSBIL in F/Y 2008/09. The standard deviation of NABIL, EBL and NSBIL are 2.791, 4.549 and 2.551. Similarly coefficient of variation of NSBIL, EBL and NABIL are 0.470, 0.302 and 0.291 respectively.

The average mean ratio of NABIL, EBL and NSBIL are 5.934%, 15.04% and 8.766% respectively. The average ratio of EBL has higher than NABIL and NSBIL. It indicates that EBL retain more its total deposit as cash and bank balance. The higher ratio signifies that sound liquid fund to make immediate payment to the depositors but excess liquidity represents low lending and investment opportunities. The C.V. and S.D of NSBIL has lower than other two banks. This indicates low risky and consistently in its ratio and highest C.V. of NABIL indicates high volatile in its ratio.

4.1.2 Assets Management Ratio

A commercial bank must manage its assets very well to earn higher profit for satisfy its customers and also for its own existence. Assets management ratio measures how efficiently the bank manages the resources at its command.

i) Loan and Advance to Total Deposit Ratio

This ratio measures the mobilization the total deposit on loan and advances for the purpose of profit generation. A higher ratio indicates better mobilization of collection deposit.

Table: 4.6

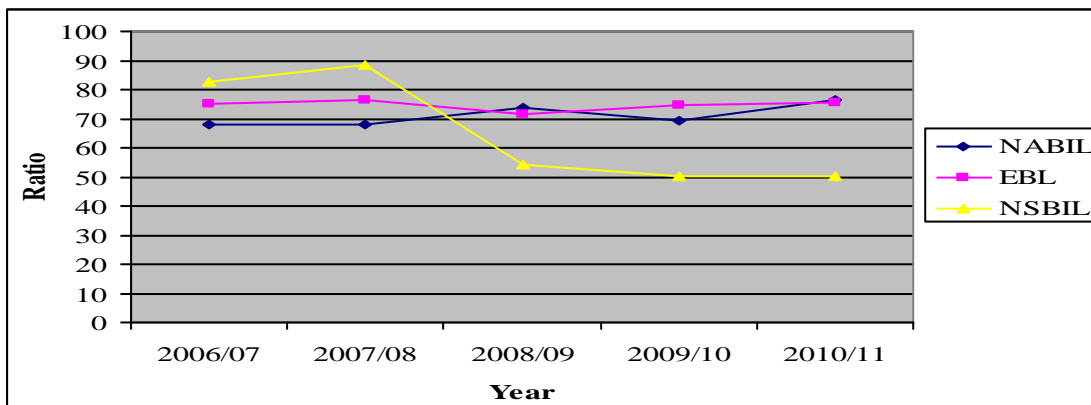
Loan and Advance to Total Deposit Ratio

Year	Bank		
	NABIL	EBL	NSBIL
2006/07	68.13	75.13	82.66
2007/08	68.18	76.49	88.32
2008/09	73.85	71.68	54.13
2009/10	69.53	74.61	50.09
2010/11	76.53	75.52	50.37
Mean	71.244	74.686	65.114
S.D.	3.767	1.816	18.776
C.V	0.0529	0.0243	0.2883

Source: Financial analysis Report of Concern Bank

Figure: 4.6

Loan and Advance to Total Deposit Ratio



The table and figure shows the loan and advance to total deposit ratio of NABIL, EBL and NSBIL. The loan and advance to total deposit of three sample banks have been fluctuating. The highest ratio of NABIL is 76.53% in year F/Y 2010/11 and lowest ratio is 68.13% in year 2006/07. The highest ratio of EBL is 76.49% in F/Y 2007/08 and lowest ratio is 71.68% in 2008/09. Similarly the highest ratio of NSBIL is 88.32% in F/Y 2007/08 and lowest ratio is 50.09% in 2009/10. The C.V. are 0.0529, 0.0243 and 0.2883 of NABIL, EBL and NSBIL respectively.

The average loan and advance to total deposit ratio of NABIL, EBL and NSBIL are 71.244%, 74.686% and 65.114%. The average ratio of EBL is higher than NABIL and NSBIL. It indicates EBL use more total deposit as loan and advance. NSBIL provide least lending from total deposit. According to NRB directives less than 80% of loan and advances to total deposit ratio is required to enable better mobilization of collected deposit. The C.V. of EBL is low, which indicates consistently in ratio and higher C.V. of NSBIL indicates volatile in its ratio.

ii) Total Investment to Total Deposit Ratio

Banks invest their collected funds in various government securities and other financial or non-financial companies. This ratio measures how successfully and efficiently the banks are mobilizing their funds at investment in various securities.

Table: 4.7

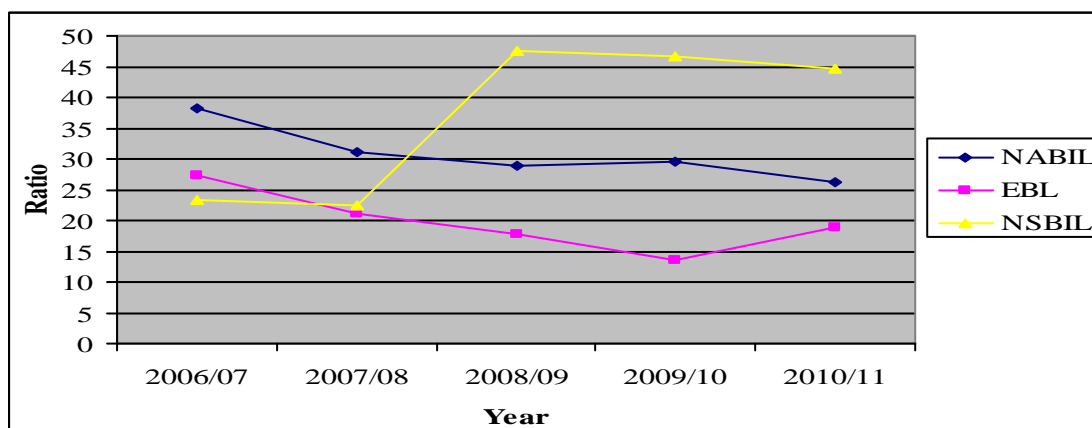
Total Investment to Total Deposit Ratio

Year	Bank		
	NABIL	EBL	NSBIL
2006/07	38.32	27.41	23.24
2007/08	31.14	21.10	22.52
2008/09	28.99	17.85	47.52
2009/10	29.45	13.56	46.73
2010/11	26.32	18.83	44.59
Mean	30.844	19.75	36.92
S.D.	4.523	5.081	12.864
C.V	0.1466	0.2573	0.3484

Source: Financial analysis Report of Concern Bank

Figure: 4.7

Total Investment to Total Deposit Ratio



Above table and figure shows that total investment to total deposit ratio NABIL, EBL and NSBIL. The banks have decreasing fluctuation trend beside NSBIL. The highest ratio of NABIL is 38.32 in fiscal year 2006/07 and lowest is 26.32% in F/Y 2010/11. The highest ratio of EBL is 27.41% in 2006/07 and lowest is 13.56% in F/Y 2009/10. Similarly the highest ratio of NSBIL is 47.52% in F/Y 2008/09 and lowest ratio is 22.52 in F/Y 2007/08. The S.D. and C.V. of NABIL are 4.523 and 0.1466, EBL are 5.081 and 0.2573 and NSBIL are 12.864 and 0.3484.

The average total investment to total deposit ratio of NABIL, EBL and NSBIL are 30.844%, 19.75% and 36.92%. The highest ratio of NSBIL indicates higher investment from total deposit and lower NABIL indicate least. Lower C.V of NABIL signifies lower volatile in ratio and vice versa.

iii) Loan and Advances to Total Working Fund Ratio

A commercial bank's working fund plays very active role in profit generation through fund mobilization. This ratio reflects the extent to which the banks are successful in mobilizing their total assets on loan and advances for the purpose of income generation. A high ratio indicates better mobilization of funds as loan and advance and vice-versa.

Table: 4.8

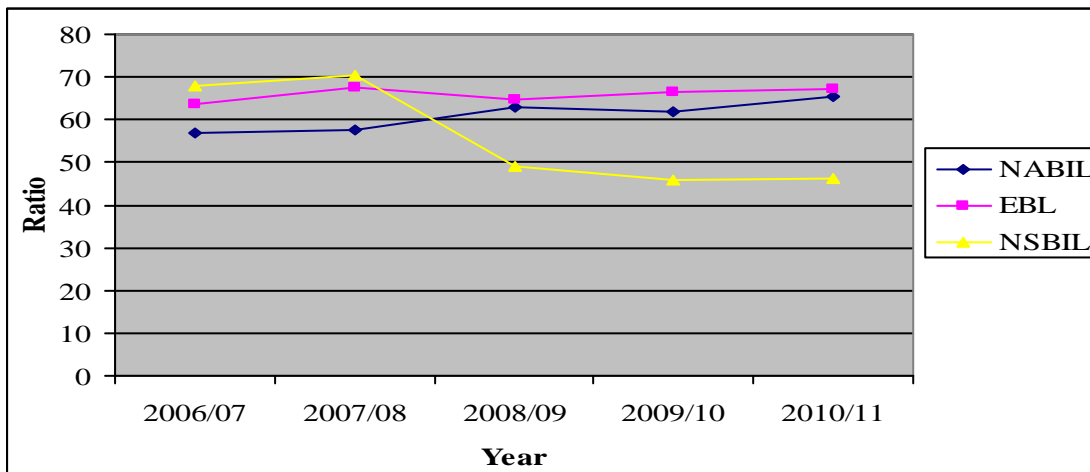
Loan and Advances to Working Fund Ratio

Year	Bank		
	NABIL	EBL	NSBIL
2006/07	57.04	63.75	68.05
2007/08	57.54	67.55	70.48
2008/09	62.89	64.70	48.94
2009/10	61.88	66.59	45.94
2010/11	65.42	67.17	46.36
Mean	60.954	65.952	55.954
S.D.	3.589	1.648	12.235
C.V	0.046	0.037	0.188

Source: Financial analysis Report of Concern Bank

Figure: 4.8

Loan and Advances to Working Fund Ratio



Above table and figure shows the loan and advances to total assets ratio of NABIL, EBL and NSBIL. The loan and advance to total asset of three sample bank have fluctuating trend. The highest ratio of NABIL is 65.42% in fiscal year and lowest ratio is 57.04% in F/Y 2006/07. The highest ratio of EBL is 67.55% in F/Y 2007/08 and lowest ratio is 63.75% in F/Y 2006/07. Similarly the highest ratio of NSBIL is 70.48% in F/Y 2007/08 and lowest ratio is 45.94% in F/Y 2009/10. The S.D. of

NABIL, EBL and NSBIL are 3.589, 1.648 and 12.235 Similarly C.V is 0.046, 0.037 and 0.188 of NABIL, EBL and NSBIL respectively.

The average loan and advances to total assets ratio of NABIL, EBL and NSBIL are 60.954%, 65.952% and 55.954%. The ratio of EBL is higher than NABIL and NSBIL which indicates that EBL provides higher loan and advance from total asset. EBL is better at mobilizing its total asset as loan and an advance Lower C.V of EBL signifies more consistency in ratio. The higher C.V of NSBIL signifies more fluctuation in its ratio.

iv) Investment on Govt. security to Total Investment Ratio

This ratio shows the percentage of investment on government security and Treasury bills on total investment of sampled banks. This ratio is calculated by dividing investment on government security by total investment amount.

Table: 4.9

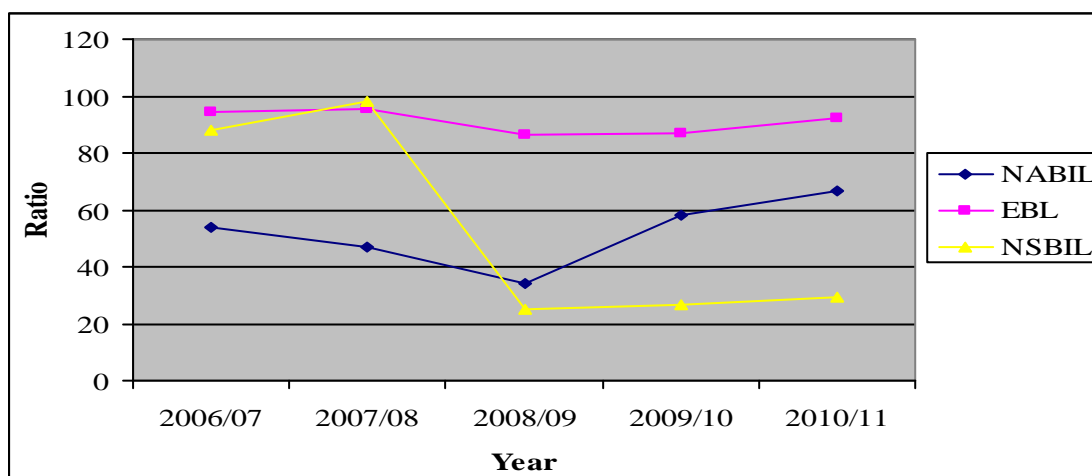
Investment on Govt. security to Total Investment Ratio

Year	Bank		
	NABIL	EBL	NSBIL
2006/07	53.75	94.39	88.20
2007/08	46.74	95.30	98.27
2008/09	34.23	86.51	24.89
2009/10	58.09	86.94	26.45
2010/11	66.85	92.27	29.48
Mean	51.932	91.082	53.458
S.D.	12.289	4.129	36.523
C.V	0.2366	0.0453	0.6832

Source: Financial analysis Report of Concern Bank

Figure: 4.9

Investment on Govt. security to Total Investment Ratio



The investment on Govt. securities to total investment ratio of all sample banks have fluctuating trend. The highest ratio of NABIL is 66.85% in 2010/11 and lowest ratio is 34.23% in F/Y 2008/09. The highest ratio of EBL is 95.30% in F/Y 2007/08 and lowest ratio is 86.51% in F/Y 2008/09. Similarly the highest ratio of NSBIL is 98.27% in F/Y 2007/08 and lowest ratio is 24.89% in 2008/09. Likewise, S. D. and C.V. of NABIL are 12.289 and 0.2366, EBL are 4.129 and 0.0453 and NSBIL are 36.523 and 06832 respectively.

The average mean ratio of NABIL, EBL and NSBIL are 51.932%, 91.082% and 53.458%. The average ratio of EBL has higher than NABIL and NSBIL. It indicates that investment of EBL is high in govt. securities. It means investment of EBL is more in risk free asset than other banks. The C.V. and S.D of EBL has also lower than other two banks. This indicates low risky and consistently in its ratio.

iv) Investment on Government Securities to Total Assets ratio

Investment on government securities is a less risky investment. Investment on government securities to total assets ratio measures how successfully selected banks have applied their total assets on various forms of government securities for profit maximization and risk minimization. Higher the ratios better the position of fund mobilization into investment on government securities and vice-versa.

Table: 4.10

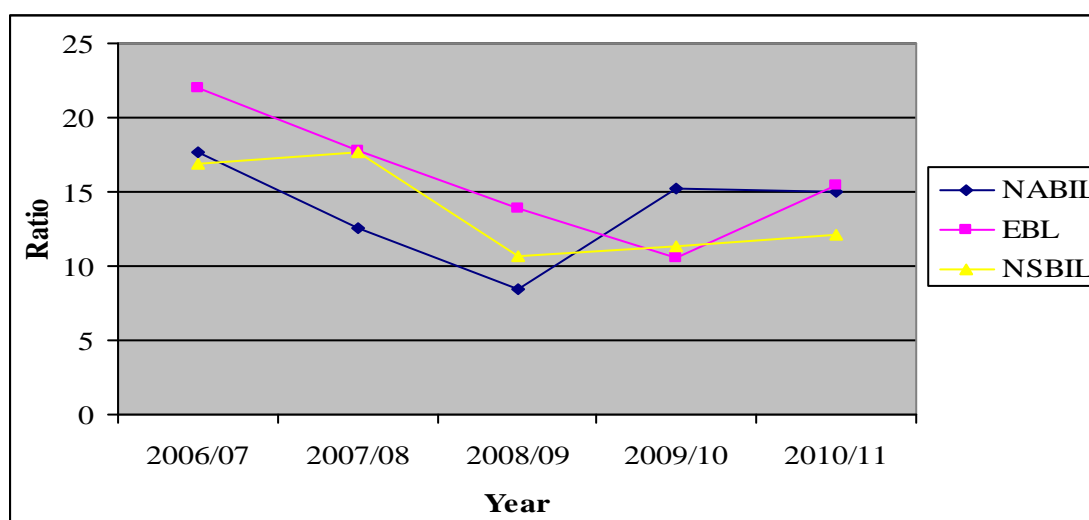
Investment on Government Securities to Total Assets ratio

Year	Bank		
	NABIL	EBL	NSBIL
2006/07	17.64	21.95	16.87
2007/08	12.51	17.76	17.66
2008/09	8.45	13.94	10.69
2009/10	15.23	10.52	11.34
2010/11	15.04	15.450	12.10
Mean	13.774	15.924	13.732
S.D.	3.486	4.273	3.275
C.V	0.2531	0.2684	0.2385

Source: Financial analysis Report of Concern Bank

Figure: 4.10

Investment on Government Securities to Total Assets ratio



Above table shows the investment on government treasury bills to Total assets of NABIL, EBL and NSBIL. The ratio of three sample bank have fluctuating trend. The highest ratio of NABIL is 17.64% in year F/Y 2006/07 and lowest ratio is 8.45% in year 2008/09. The highest ratio of EBL is 21.95% in F/Y 2006/07 and lowest ratio is 10.52% in 2009/10. Similarly the highest ratio of NSBIL is 17.66% in F/Y 2007/08 and lowest ratio is 10.69% in 2008/09. The standard deviation of NABIL, EBL and

NSBIL are 3.486, 4.273 and 3.275. Similarly coefficients of variation are 0.2531, 0.2684 and 0.2385 of NABIL, EBL and NSBIL respectively.

The average ratio of NABIL, EBL and NSBIL are 13.774%, 15.924% and 13.732%. The ratio of EBL is higher than NABIL and NSBIL which indicates that EBL invest more in govt. securities from its total asset. It means EBL has its more assets in risk free assets. Lower C.V of NSBIL signifies more consistency in ratio.

4.1.3 Profitability Ratio

Profitability ratios are the best indicators of overall efficiently. Here, these ratios presented and analyzed which are related with profit as well as fund mobilization. Through the following ratios, effort has been made to measure the profit earning capacity of three sample bank NABIL, EBL and NSBIL.

i) Return on Loan and advances

Every financial institution tries to mobilize their deposits on loan and advances properly. So this ratio helps to measure the earning capacity of selected banks. Returns on loan and advances ratio of selected banks are presented as follows.

Table: 4.11
Return on Loan and advances

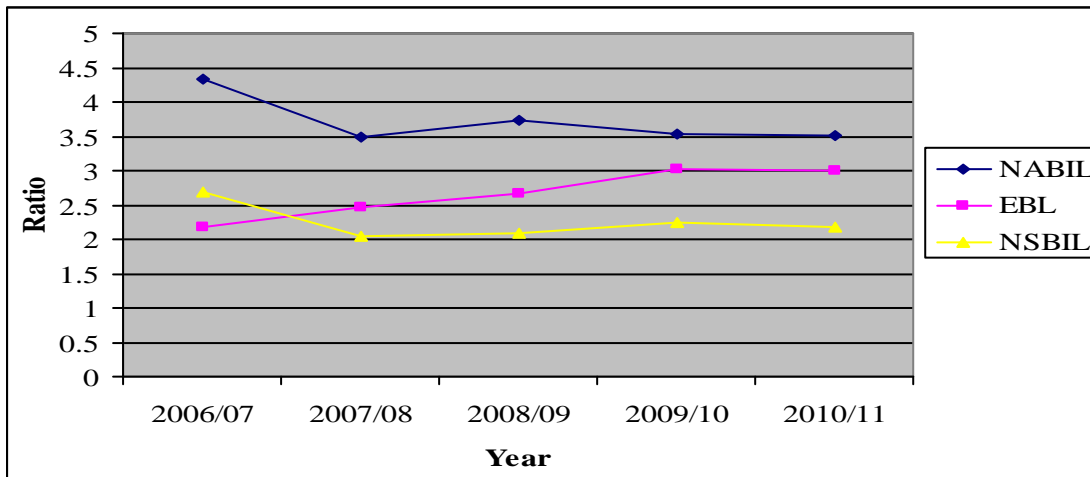
Year	Bank		
	NABIL	EBL	NSBIL
2006/07	4.34	2.18	2.69
2007/08	3.49	2.46	2.05
2008/09	3.74	2.67	2.09
2009/10	3.53	3.02	2.24
2010/11	3.52	3.00	2.17
Mean	3.724	2.666	2.248
S.D.	0.358	0.359	0.2577

C.V	0.0962	0.1346	0.1146
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Source: Financial analysis Report of Concern Bank

Figure: 4.11

Return on Loan and advances



Above table and figure shows the return on loan and advance of NABIL, EBL and NSBIL. The return on loan and advances ratio of NABIL, EBL and NSBIL have fluctuating trend. The highest ratio of NABIL, EBL and NSBIL are 4.34% in F/Y 2006/07, 3.02% in F/Y 2009/10 and 2.69% in 2006/07. Similarly lowest ratio of NABIL, EBL and NSBIL are 3.52% in F/Y 2010/11, 2.18% in F/Y 2006/07 and 2.05% in F/Y 2007/08 respectively. The standard deviation and coefficient of variation of NABIL are 0358 and 0.0962, EBL are 0.359 and 0.1346 and the NSBIL are 0.2577 and 0.1146 respectively.

The average return on loan and advance ratio of NABIL, EBL and NSBIL are 3.724%, 2.666% and 2.248%. The average ratio of NABIL has higher than EBL and NSBIL which indicates that NABIL getting higher earning by utilizing and providing loan and advance. It means NABIL has utilized the loan and advance for the profit generation. All three banks have less than 5% of earning. Lower C.V of NABIL also signifies more consistency in ratio.

ii) Return on Total Assets

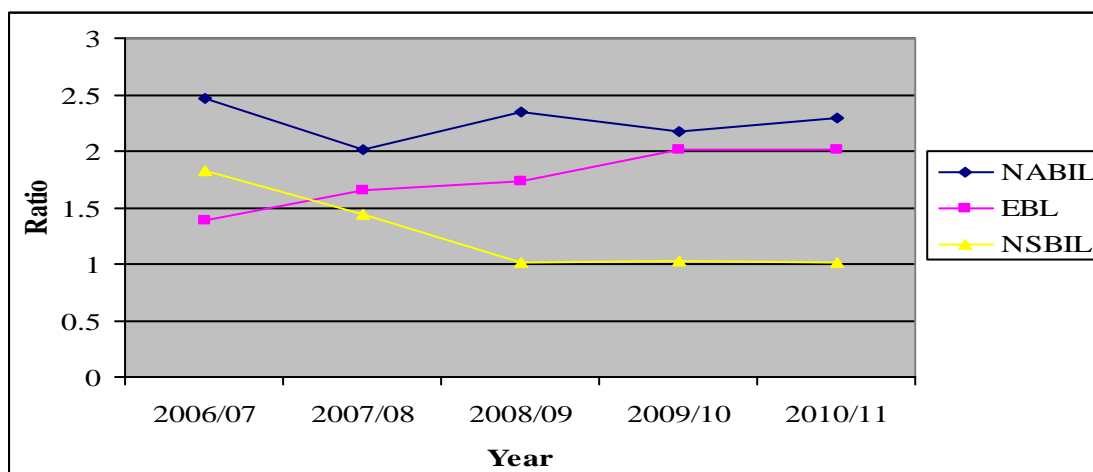
This ratio measures the overall profitability of all working fund i.e. Total assets. A firm has to earn satisfactory return on working funds for its survival. The following table shows return on total assets ratio of selected banks.

Table: 4.12
Return on Total Assets Ratio

Year	Bank		
	NABIL	EBL	NSBIL
2006/07	2.47	1.39	1.83
2007/08	2.01	1.66	1.44
2008/09	2.35	1.73	1.02
2009/10	2.18	2.01	1.03
2010/11	2.30	2.014	1.01
Mean	2.262	1.761	1.266
S.D.	0.1751	0.2621	0.3640
C.V	0.0774	0.1489	0.2875

Source: Financial analysis Report of Concern Bank

Figure: 4.12
Return on Total Assets Ratio



Above table and figures shows the return on total assets of NABIL, EBL and NSBIL. The Return on Total Assets of all sample banks have fluctuating trend. The highest ratio of NABIL is 2.47% in year F/Y 2006/07 and lowest ratio is 2.01% in year 2007/08. The highest ratio of EBL is 2.014% in F/Y 2010/11 and lowest ratio is 1.39% in 2006/07. Similarly the highest ratio of NSBIL is 1.83% in F/Y 2006/07 and lowest ratio is 1.01% in 2010/11. The standard deviation of NABIL, EBL and NSBIL are 0.1751, 0.2621 and 0.3640. Similarly coefficients of variation are 0.0774, 0.1489 and 0.2875 of NABIL, EBL and NSBIL respectively.

The average ratio of NABIL, EBL and NSBIL are 2.262%, 1.761% and 1.01%. The average ratio of NABIL is higher than EBL and NSBIL which indicates that NABIL has utilized its available asset to make earnings. It means NABIL has used its asset for revenue generation. The C.V. of NABIL is lower than EBL and NSBIL. Lower C.V. of NABIL signifies more consistency in ratio.

iii) Return on Equity

Equity capital of any bank is its owned capital. The prime objective of any bank is wealth maximization or in other words to earn higher profit and thereby, maximizing return on its equity capital. Return on equity measures the profitability of a bank. It reflects the extent to which the bank has been successful to mobilize or utilize its equity capital. A higher ratio indicates higher success in mobilizing its owned capital and vice-versa. Following table shows the return on equity of sample banks during the study period.

Table: 4.13
Return on Equity Ratio

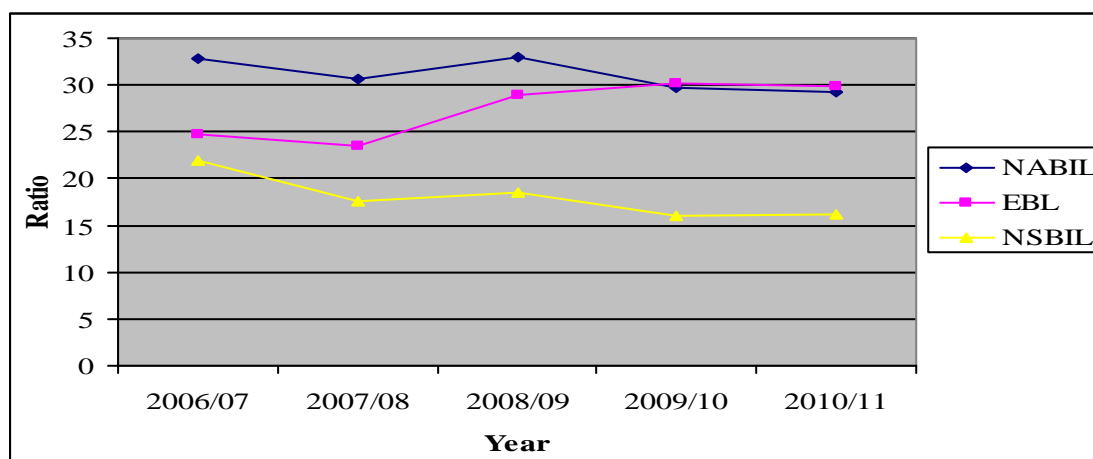
Year	Bank		
	NABIL	EBL	NSBIL
2006/07	32.79	24.80	21.91
2007/08	30.6	23.49	17.51
2008/09	32.94	28.99	18.47
2009/10	29.7	30.15	15.99

2010/11	29.29	29.91	16.13
Mean	31.064	27.468	18.002
S.D.	1.712	3.099	2.413
C.V	0.0551	0.1128	0.1340

Source: Financial analysis Report of Concern Bank

Figure: 4.13

Return on Equity Ratio



Above table and figure shows the return on equity of NABIL, EBL and NSBIL. The Return on equity of all three banks have fluctuating trend. The highest ratio of NABIL is 32.79% in year F/Y 2006/07 and lowest ratio is 29.29% in year 2010/11. The highest ratio of EBL is 30.15% in F/Y 2009/10 and lowest ratio is 23.49% in 2007/08. Similarly the highest ratio of NSBIL is 21.91% in F/Y 2006/07 and lowest ratio is 15.99% in 2009/11. The standard deviation of NABIL, EBL and NSBIL are 1.712, 3.099 and 2.413. Similarly coefficients of variation are 0.0551, 0.1128 and 0.1340 of NABIL, EBL and NSBIL respectively.

The average ratio of NABIL, EBL and NSBIL are 31.064%, 27.468% and 18.002%. The average ratio of NABIL is higher than EBL and NSBIL which indicates that NABIL has utilized its equity to making income. In brief, it signifies that the shareholders of NABIL are getting higher return than EBL and NSBIL. It can be concluded that NABIL has better utilized the equity for the profit generation. The lower C.V. of NABIL signifies more consistency in ratio.

iv) Total Interest Earned to Total Assets Ratio

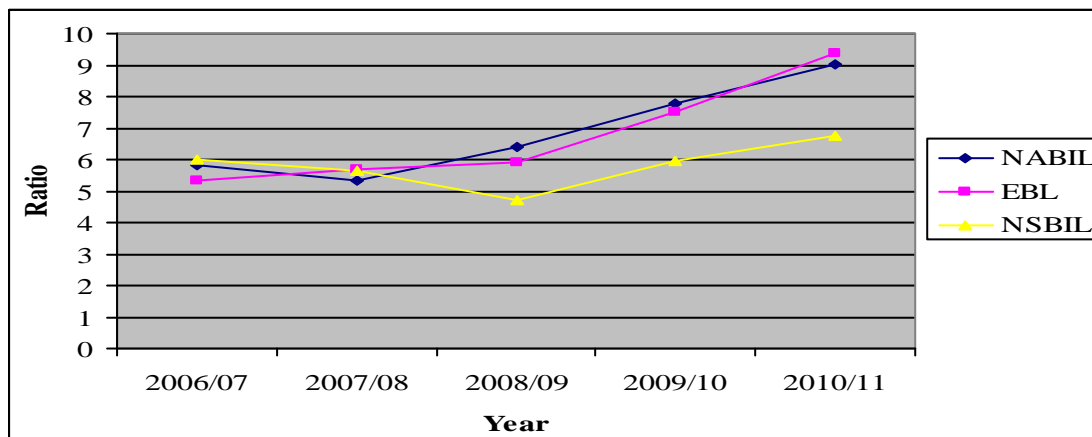
Total interest earned to total assets ratio evaluates how successful the selected banks are mobilizing their total assets to achieve high amount of interest. Higher the ratio indicates the higher interest income of the selected sample banks. Following table and figure shows the total interest earned to total assets ratio of NABIL, EBL and NSBIL.

Table: 4.14
Interest Earned to Total Assets Ratio

Year	Bank		
	NABIL	EBL	NSBIL
2006/07	5.83	5.34	5.98
2007/08	5.33	5.70	5.65
2008/09	6.38	5.92	4.72
2009/10	7.76	7.50	5.97
2010/11	9.04	9.37	6.74
Mean	6.868	6.766	5.812
S.D.	1.516	1.674	0.730
C.V	0.2207	0.2474	0.1256

Source: Financial analysis Report of Concern Bank

Figure: 4.14
Interest Earned to Total Assets Ratio



Above table and figure shows the interest earned to total asset ratio of NABIL, EBL and NSBIL. The ratios of all three banks have been increasing trend. The highest ratio of NABIL is 9.04% in year F/Y 2010/11 and lowest ratio is 5.33% in year 2007/08. The highest ratio of EBL is 9.37% in F/Y 2010/11 and lowest ratio is 5.34% in 2006/07. Similarly the highest ratio of NSBIL is 6.74% in F/Y 2010/11 and lowest ratio is 4.72% in 2008/09. The standard deviation of NABIL, EBL and NSBIL are 1.516, 1.674 and 0.730. Similarly coefficients of variation are 0.2207, 0.2474 and 0.1256 of NABIL, EBL and NSBIL respectively.

The average ratio of NABIL, EBL and NSBIL are 6.686%, 6.766% and 5.812%. The average ratio of NABIL is higher than EBL and NSBIL which indicates that NABIL has utilized its total asset as interest earning income. It can be concluded that NABIL has better utilized the total asset for the profit generation. Lower ratio of NSBIL seems less conscious about managing its assets in order to earn more interest. The lower C.V. of NSBIL signifies more consistency in ratio.

E) Total Interest Earned To Total outside Assets Ratio

The main assets of banks are its outside assets, which includes loan and advances and all types of investment. Thus, this ratio reflects the banks are successful to earn interest as major income on all the outside assets. A high ratio indicates high earning on such total assets and vice-versa.

Table: 4.15

Total Interest Earned To Total outside Assets Ratio

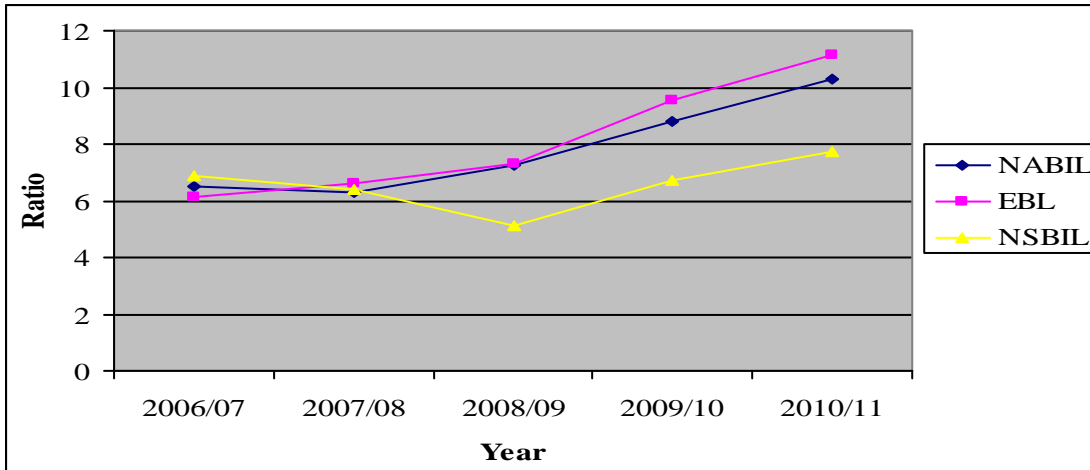
Year	Bank		
	NABIL	EBL	NSBIL
2006/07	6.48	6.14	6.86
2007/08	6.32	6.62	6.38
2008/09	7.28	7.33	5.14
2009/10	8.81	9.53	6.72
2010/11	10.28	11.16	7.71
Mean	7.834	8.156	6.562

S.D.	1.686	2.122	0.934
C.V	0.2152	0.2602	0.1423

Source: Financial analysis Report of Concern Bank

Figure: 4.15

Total Interest Earned To Total outside Assets Ratio



Above table and figure shows the interest earned to total outside asset ratio of NABIL, EBL and NSBIL. The interests earned to total outside asset ratio of three banks have increasing trend. The highest ratio of NABIL is 10.28% in year F/Y 2010/11 and lowest ratio is 6.32% in year 2007/08. The highest ratio of EBL is 11.16% in F/Y 2010/11 and lowest ratio is 5.34% in 2006/07. Similarly the highest ratio of NSBIL is 6.74% in F/Y 2010/11 and lowest ratio is 6.14% in 2006/07. The standard deviation of NABIL, EBL and NSBIL are 1.686, 2.122 and 0.934. Similarly coefficients of variation are 0.2152, 0.2602 and 0.1423 of NABIL, EBL and NSBIL respectively.

The average interest earned to total outside asset ratio of NABIL, EBL and NSBIL are 7.834%, 8.156% and 6.562%. The average ratio of EBL is higher than NABIL and NSBIL which indicates that EBL has utilized its total outside asset as interest earning income. It can be concluded that EBL has better utilized the investment and lending for increase in interest earning. Lower ratio of NSBIL seems less conscious about managing its outside assets to earn more interest. The lower C.V. of NSBIL signifies more consistency in ratio.

E) Total interest Earned to Total Operating Income Ratio

This ratio reveals that portion of interest income on total operating income. The major sources of income for the bank are interest income so the banks should mobilize their funds in more interest generating sectors considering the risk and return. This ratio measures how successfully mobilize their fund. The major sources of income for the bank are interest income.

Table: 4.16

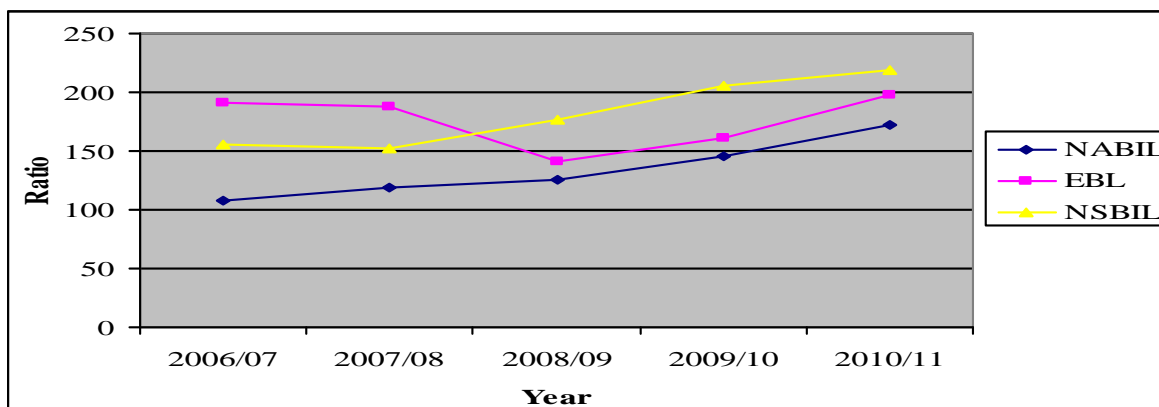
Interest Earned to Operating Income Ratio

Year	Bank		
	NABIL	EBL	NSBIL
2006/07	107.27	191.41	155.78
2007/08	118.45	188.24	152.10
2008/09	126	141.54	176.24
2009/10	146	160.92	205.09
2010/11	172.48	197.50	218.44
Mean	134.04	175.922	181.53
S.D.	25.715	23.793	29.473
C.V	0.1918	0.1352	0.1623

Source: Financial analysis Report of Concern Bank

Figure: 4.16

Interest Earned to Operating Income Ratio



Above table and figure shows the interest earned to total operating income ratio of NABIL, EBL and NSBIL. The interest earned to total operating income ratio of three banks have increasing trend. The highest ratio of NABIL is 172 in year F/Y 2010/11 and lowest ratio is 107.27 in year 2006/07. The highest ratio of EBL is 197.50 in F/Y 2010/11 and lowest ratio is 141.54 in 2008/09. Similarly the highest ratio of NSBIL is 218.44 in F/Y 2010/11 and lowest ratio is 152.10 in 2007/08. The S.D. of NABIL, EBL and NSBIL are 25.715, 23.793 and 29.473. Similarly C.V. are 0.1918, 0.1352 and 0.1623 of NABIL, EBL and NSBIL respectively.

The average ratio of NABIL, EBL and NSBIL are 134.04, 175.922 and 181.53. The average ratio of NSBIL is higher than NABIL and EBL which indicates that NSBIL has high interest earned to total operating income. it indicates the high contribution in operating income made by lending and investing activities (core banking activity).NABIL has lower ratio, it indicates that high contribution in operating income do not made by lending and investing activities. .High contribution in operating income made by lending and investing activities (core banking activity) is not good for long run but in short run it is not so bad. The lower C.V. of EBL signifies more consistency in ratio.

4.1.4 Risk Ratio

Risk and uncertainty is a part of business loss. All the business activities are influenced by risk, so business organization can not achieve a good return as per their desires. Bank has to take risk to get return on its investment. The risk taken is compensated by the increase in profit. So the banks options for high profit have to accept the risk and manage it efficiently.

A) Credit Risk Ratio

Credit risk ratio measures the possibility that loan will not be repaid or that investment will deteriorate in quality or go into default with consequent loss to the bank. Credit risk ratio is expressed as the percentage of non- performing loan to total Loan & Advances. Bank utilizes its collected funds by providing credit to different sections.

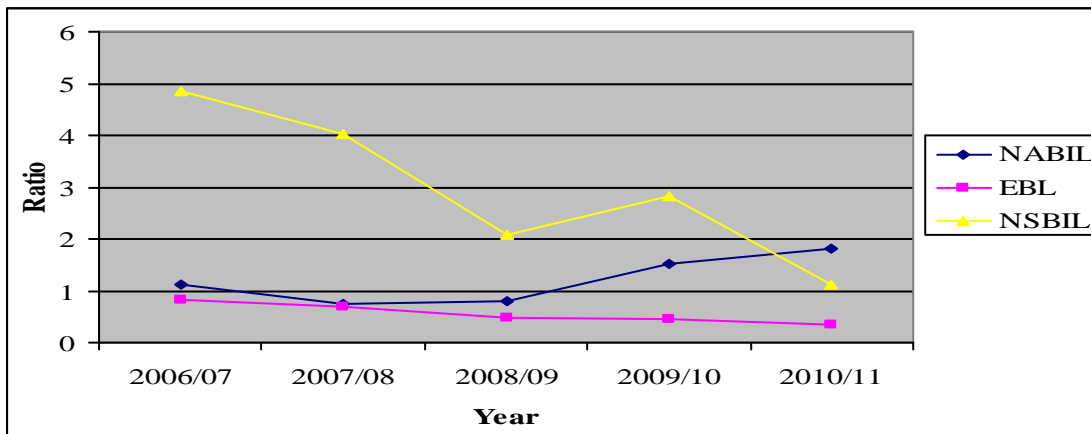
There is risk of default or non-repayment of loan. The credit risk ratio shows the proportion of no-performing assets in total Loan & Advances. Higher ratio indicates more risky assets in the volume of Loan & Advances of the bank and vice-versa.

Table: 4.17
Credit Risk Ratio

Year	Bank		
	NABIL	EBL	NSBIL
2006/07	1.12	0.83	4.85
2007/08	0.74	0.69	4.03
2008/09	0.81	0.49	2.09
2009/10	1.51	0.46	2.82
2010/11	1.81	0.35	1.12
Mean	1.198	0.564	2.982
S.D.	0.458	0.193	1.489
C.V	0.3821	0.3419	0.4996

Source: Financial analysis Report of Concern Bank

Figure: 4.17
Credit Risk Ratio



Above table and figure shows the credit risk ratio of NABIL, EBL and NSBIL. The credit risk ratio of NABIL has increasing, EBL has decreasing and NSBIL is fluctuating decreasing trend. The highest ratio of NABIL is 1.81% in F/Y 2010/11 and lowest is 0.74% in FY 2007/08. The highest ratio of EBL is 0.83% in F/Y 2006/07 and lowest ratio is 0.35% in FY 2010/11. Similarly, the highest ratio of NSBIL is

4.85% in FY 2006/07 and lowers ratio is 1.12% in F/Y 2010/11. The S.D. of NABIL, EBL and NSBIL are 0.458, 0.193 and 1.489. Similarly C.V. is 0.3821, 0.3419 and 0.4996.

The average ratio of NABIL, EBL and NSBIL are 1.198, 0.564 and 2.982. The average ratio of NSBIL is higher than NABIL and EBL which indicates that NSBIL has high credit risk than other bank. The ratios indicate the more efficient operating of credit management of all banks according to NRB directives because according to NRB directives NPL ratio must be less than 5%. However, in comparison, EBL has efficient operating of credit management than that of NABIL and NSBIL. The lower C.V. of EBL signifies more consistency in ratio.

(B) Liquidity Risk Ratio: -

The liquidity risk of the bank defines its liquidity need for deposit. The cash and bank balance are the most liquid assets and they are considered as banks liquidity sources and deposit as the liquidity needs. The ratio of cash and bank balance to total deposit is an indicator of bank's liquidity of need. This ratio is low if funds are kept idle as cash balance but this reduces profitability, when the banks makes loan, its profitability increase and also the risk. Thus, higher liquidity ratio indicates less profitable return and vice-versa. This ratio is calculated as below:

Table: 4.18
Liquidity Risk Ratio

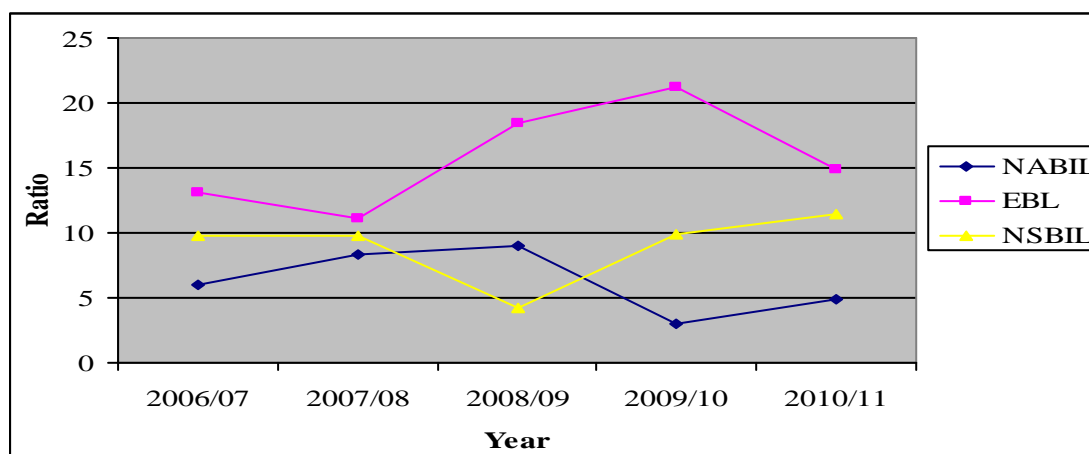
Year	Bank		
	NABIL	EBL	NSBIL
2006/07	5.99	13.15	9.81
2007/08	8.37	11.13	9.79
2008/09	9.03	18.50	4.21
2009/10	3.02	21.17	9.86

2010/11	4.9	14.89	11.50
Mean	6.262	15.768	9.034
S.D.	2.477	4.055	2.793
C.V	0.396	0.2572	0.3092

Source: Financial analysis Report of Concern Bank

Figure: 4.18

Liquidity Risk Ratio



The above table and figure shows the liquidity risk ratio of NABIL, EBL and NSBIL. The liquidity risk ratio of NABIL, EBL and NSBIL reveals fluctuating trend. The highest ratio of NABIL is 9.03% in F/Y 2008/09 and lowest is 3.02% in FY 2009/10. The highest ratio of EBL is 21.17% in F/Y 2009/10 and lowest ratio is 11.13% in FY 2007/08. Similarly, the highest ratio of NSBIL is 11.50% in FY 2010/11 and lowers ratio is 4.21% in F/Y 2008/09. The standard deviation and coefficient of variation of NABIL are 2.477 and 0.396, EBL are 4.055 and 0.2572 and NSBIL are 2.793 and 0.3092 respectively.

The average ratio of NABIL, EBL and NSBIL are 6.262, 15.768 and 9.034. The average ratio of EBL is higher than NABIL and NSBIL which indicates that EBL has low liquidity risk than other bank. This shows its greater ability to pay depositors money as they want. However, in comparison, NABIL has lower liquidity position that means higher liquidity risk than that of EBL and NSBIL. The lower C.V. of EBL signifies more consistency in ratio.

(C) Asset Risk Ratio: -

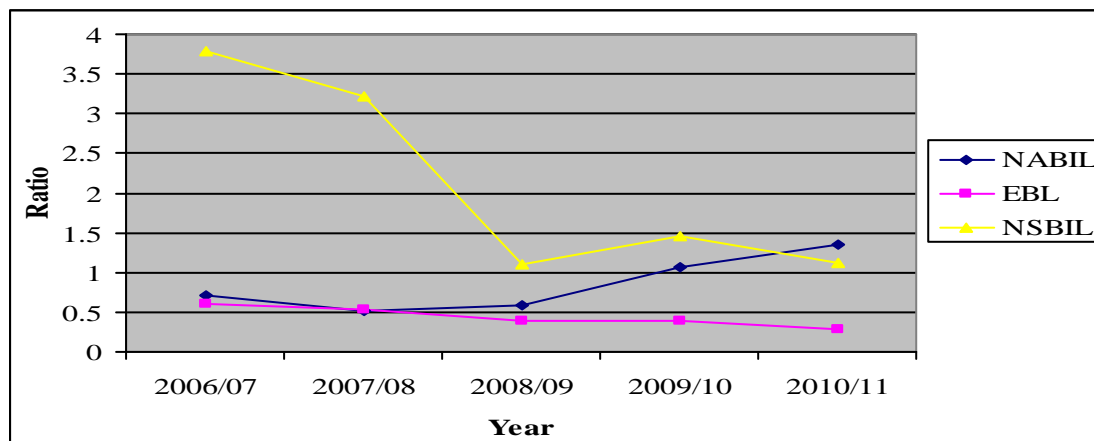
While making investment, bank examines the credit risk involved in the project. Generally, asset risk ratio shows proportion of non-performing assets in the total investment plus loan and advances of a bank it is computed as:

Table: 4.19
Asset Risk Ratio

Year	Bank		
	NABIL	EBL	NSBIL
2006/07	0.71	0.61	3.79
2007/08	0.51	0.54	3.21
2008/09	0.58	0.40	1.11
2009/10	1.06	0.39	1.46
2010/11	1.35	0.28	1.12
Mean	0.842	0.444	2.138
S.D.	0.354	0.131	1.268
C.V	0.4207	0.2948	0.5931

Source: Financial analysis Report of Concern Bank

Figure: 4.19
Asset Risk Ratio



Above table and figure shows the asset risk ratio of NABIL, EBL and NSBIL. The asset risk ratio of NABIL has increasing, EBL has decreasing and NSBIL is fluctuating decreasing trend. The highest asset risk ratio of NABIL is 1.35 in F/Y 2010/11 and lowest is 0.51 in F/Y 2007/08. The highest of EBL is 0.61 in F/Y

2006/07 and lowest is 0.28 in F/Y 2010/11. Similarly, the highest asset risk ratio of NSBIL is 3.79 in F/Y 2006/07 and lowest is 1.11 in F/Y 2008/09. The standard deviation and coefficient of variation of NABIL are 0.354 and 0.4207, EBL are 0.131 and 0.2984 and NSBIL are 1.268 and 0.5931 respectively.

The average asset risk ratio of NABIL, EBL and NSBIL are 0.824, 0.444 and 2.138. The asset risk ratio of NSBIL is higher than NABIL and EBL. Which signify that asset of NSBIL is riskier than NABIL and EBL. EBL has lower asset risk. The standard deviation and coefficient of variation of EBL is lower than NABIL and NSBIL. Lower of C.V. of EBL indicates consistency in its ratio.

4.1.5 Other Ratios

i) Earning Per Share

EPS measure the efficiency of a firm in relative terms. It is a widely used ratio, which measures the profit available to the ordinary shareholders on per share basis. Earning per share calculation made over years indicates whether the bank's earning power on per share basis has changed over that period or not but it doesn't reflect how much is paid as dividend and how much is retained in the business. Following table shows the EPS of related banks during the study period.

Table: 4.20
Earning Per Share

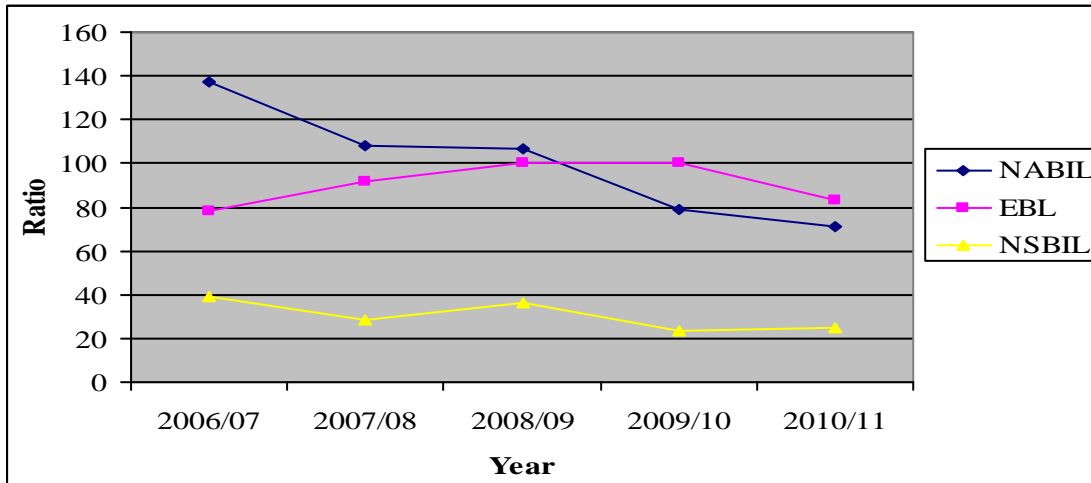
Year	Bank		
	NABIL	EBL	NSBIL
2006/07	137.08	78.42	39.35
2007/08	108.31	91.62	28.33
2008/09	106.76	99.99	36.18
2009/10	78.61	100.16	23.69
2010/11	70.76	83.18	24.85
Mean	100.304	90.674	30.48

S.D.	26.465	9.798	6.957
C.V	0.2638	0.1081	0.2282

Source: Financial analysis Report of Concern Bank

Figure: 4.20

Earning Per Share



Above table and figure shows the Earning per share of NABIL, EBL and NSBIL. The Earning per share of NABIL is decreasing, EBL is increasing and NSBIL is fluctuating trend. The highest earning per share of NABIL is 137.08 in F/Y 2006/07 and lowest EPS is 70.76 in F/Y 2010/11. The highest EPS of EBL is 100.16 in F/Y 2009/10 and lowest EPS is 78.42 in F/Y 2006/07. Similarly, the highest EPS of NSBIL is 39.27 in F/Y 2006/07 and lowest EPS is 23.69 in F/Y 2009/10. The standard deviation and coefficient of variation of NABIL are 26.465 and 0.2638, EBL are 9.798 and 0.1081 and NSBIL are 6.957 and 0.2282 respectively.

The average EPS of NABIL, EBL and NSBIL are 100.304, 90.674 and 30.48. The EPS of NABIL is higher than EBL and NSBIL. Which signify that NABIL can provide better earning to its shareholder. Higher EPS indicate that NABIL has high earning capacity. NABIL is better mobilizing its resources to acquire more earning and successful breed higher EPS. The C. V. of EBL is lower than NABIL and NSBIL. Lower of C.V. of EBL indicates consistency in its earning.

ii) Market Price per Share

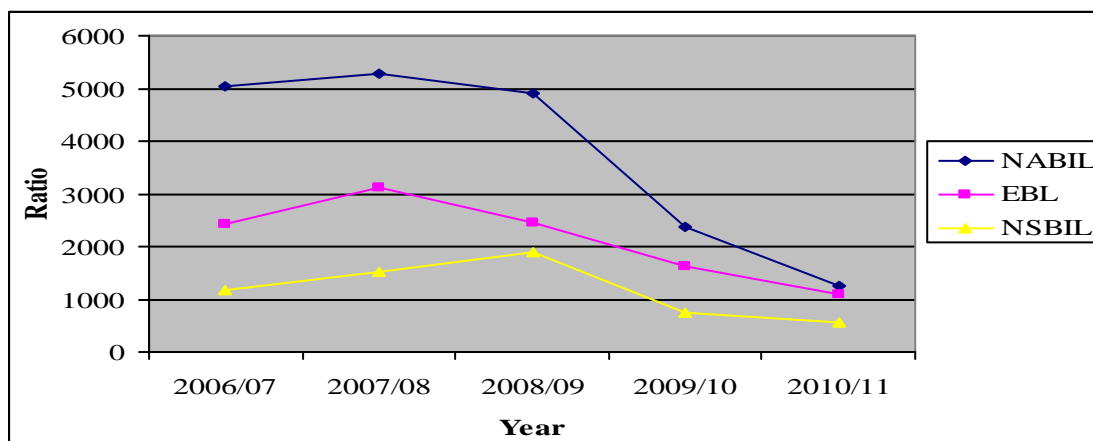
Market price per share is the price at which shares are traded in the stock market. The secondary markets provide liquidity for securities purchased in primary market. Generally MPS is determined through supply and demand in the market. If demand of share high then automatically increase in its price in market and vice versa.

Table: 4.21
Market price per share (in Rs)

Year	Bank		
	NABIL	EBL	NSBIL
2006/07	5050	2430	1176
2007/08	5275	3132	1511
2008/09	4899	2455	1900
2009/10	2384	1630	741
2010/11	1252	1094	565
Mean	3772	2148.2	1178.6
S.D.	1832.99	793.92	547.47
C.V	0.4859	0.3696	0.4645

Source: Financial analysis Report of Concern Bank

Figure: 4.21
Market price per share



This table and figure shows market price of the share of NABIL, EBL and NSBIL. The market prices of the share of all samples three banks have decreasing trend. It indicates charm and demand of share of bank fall after F/Y 2007/8. The highest MPS of NABIL is Rs 5275, EBL is Rs 3132 in F/Y 2007/08 and NSBIL is Rs 1900 in F/Y 2008/09. The lowest market price of share of NABIL is Rs 1252, EBL is Rs 1094 and NSBIL is Rs 565 in F/Y 2010/11. The standard deviation of NABIL is 1832.99, EBL is 793.92 and NSBIL is 547.47 and coefficient of variation of NABIL is 0.4859, EBL is 0.3696 and NSBIL is 0.4654 respectively.

The average mean MPS of NABIL, EBL and NSBIL are 3772, 2148.2 and 1178.6 respectively. The average MPS of NABIL is greater than EBL and NSBIL. It indicates that high demand of share of NABIL in market and shareholder are getting higher price. The C.V. of EBL is low which indicates consistently and low fluctuation of its market price. The following figure represents market price per Share of NABIL, EBL and NSBIL

iii) Price Earning Ratio

This ratio shows the relationship between earning per share and market value per share. This ratio measures the profitability of the firm. Higher ratio shows the higher efficiency and lower ratio shows the lower efficiency of the management. But for the sustainable fair market price, lower ratio is useful and vice versa.

Table: 4.22

Price Earning Ratio

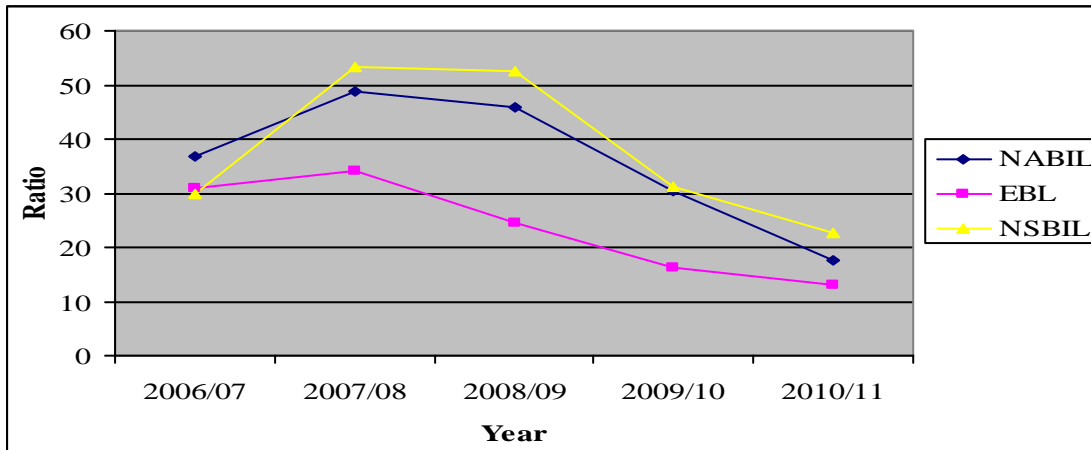
Year	Bank		
	NABIL	EBL	NSBIL
2006/07	36.84	30.99	29.89
2007/08	48.7	34.11	53.34
2008/09	45.89	24.55	52.52
2009/10	30.33	16.27	31.28
2010/11	17.69	13.15	22.74

Mean	35.89	23.81	37.95
S.D.	12.522	9.065	14.053
C.V	0.3489	0.3806	0.3703

Source: Financial analysis Report of Concern Bank

Figure: 4.22

Price Earning Ratio



Above table and figure shows the price earning ratio of NABIL, EBL and NSBIL. The price earning ratios of three sample banks have increasing first and decreasing at later. The highest price earning ratio of NABIL is 48.7 times in F/Y 2007/08 and lowest PE ratio is 17.69 times in 2010/11. The highest ratio of EBL is 34.11 times in F/Y 2007/08 and lowest ratio is 13.15 times in F/Y 2010/11. Similarly, the highest price earning ratio of NSBIL is 53.33 times in F/Y 2007/08 and lowest ratio is 22.74 times in 2010/11. The standard deviation and C.V. of NABIL are 12.522 and 0.3489, EBL are 9.065 and 0.3806 and NSBIL are 14.053 and 0.3703 respectively.

The average mean ratio of NABIL, EBL and NSBIL are 35.89, 23.81 and 37.95 times. It indicates that for getting Rs 1 as earning, one should invest Rs 35.89 in NABIL and Rs 23.81 in EBL and 37.95 in NSBIL. The higher PE ratio signify that price of NSBIL is traded in market higher in aspect of its earning than NABIL and EBL. The C.V. of NABIL is lower than the EBL and NSBIL. From analysis we conclude that in short run, investor of NSBIL are getting better price of stock because stock are trading in high price. It is recommended to sell share of NSBIL and purchase share of EBL according to analysis of price earning ratio.

4.2 Statistical tools

Statistical tool is one of the important tools to analyze the data. There are various tools for the analysis of tabulated data such as, mean, standard deviation, coefficient of variation, regression analysis, correlation analysis, trend analysis, various types of tests etc. There is used following convenient statistical tools are used in this thesis study.

4.2.1 Correlation Coefficient Analysis

Co-efficient of co-relation shows the relationship between two or more than two variables. It measures that the two variables are positively or negatively co-related. For this purpose, Karl Pearson's co-efficient of correlation has been taken and applied to find out and analyze the relationship between deposit and loan and advances, deposit and total investment, current assets and net profit, net profit and total deposit NABIL, EBL and NSBIL using Karl Persons coefficient of correlation, value of coefficient of determination (R^2) probable error (P.Er.) and (6 P.Er.) are also calculated and value of them are analyzed.

A. Coefficient of correlation between total deposit and loan & advances

Deposit has played a very important role in performance of a commercial bank and similarly loan & advances are important to mobilize the collected deposits. Coefficient of correlation between deposit and loan and advances measure the degree of relationship between these two variables. In this analysis, deposit is independent variables (X) and loan and advances is dependent variable(Y). The main objective of computing "r" between these two variables is to justify whether deposits are significantly used as loan and advances in a proper way or not. The below table shows the value of "r", " r^2 ", probable Error (P.Er) and 6 P.Er. Between deposit and loan and advances of NABIL, EBL and NSBIL three sample banks.

Table: 4.23

Coefficient of Correlation between Deposit and Loan & Advance

Name of Banks	Evaluation Criteria				
	r	r ²	P.Er.	6 P.Er.	Remarks
NABIL	0.990	0.980	0.0060	0.0360	Significant
EBL	0.997	0.994	0.0018	0.0108	Significant
NSBIL	0.981	0.962	0.0114	0.0681	Significant

Source: *Through SPSS Data Editor*

From the above table, it is found that coefficient of correlation between deposits and loan and advances of NABIL, EBL and NSBIL are 0.990, 0.997 and 0.981. It is shows that all have the positive relationship between these two variables. It refers that deposit and loan and advances all banks move together very closely but not proportionately. Moreover, the coefficient of determination of NABIL, EBL and NSBIL are 0.980, 0.994 and 0.962. It means 98 percent of variation in loan and advances of NABIL, 99.4 percent of variation in loan and advance of EBL and 96.2 percent of variation in loan and advance of NSBIL has been explained by deposit. Least is determined by other factor. The correlation coefficient of all banks is significant because the correlation coefficient is greater than the relative value of 6 P.Er. In other words, there is significant relationship between deposits and loan and advances of NABIL, EBL and NSBIL.

B. Coefficient of correlation between deposit and investment

Coefficient of correlation between deposit and investment measure the degree of relationship between these two variables. In this analysis, deposit is independent variables (X) and investment is dependent variable(Y). The main objective of computing “r” between these two variables is to justify whether deposits are significantly used as investment in a proper way or not. The below table shows the value of “r”, “r²”, P.Er and 6 P.Er. Between deposit and investment of NABIL, EBL and NSBIL three sample banks.

Table: 4.24

Coefficient of Correlation Between deposit and investment

Name of Banks	Evaluation Criteria				
	r	r ²	P.Err.	6 P.Er.	Remarks
NABIL	0.970	0.941	0.0178	0.1069	Significant
EBL	0.690	0.476	0.1580	0.9482	Insignificant
NSBIL	0.991	0.982	0.0054	0.0324	Significant

Source: *Through SPSS Data Editor*

Above table shows that coefficient of correlation between total deposits and investments of sample banks. The coefficient of correlation between total deposits and investments of NABIL, EBL and NSBIL are 0.970, 0.690 and 0.991. All have the positive relationship between these two variables. It refers that deposit and investment of all banks move together very closely but not proportionately. But EBL has lower positive correlation than NABIL and NSBIL. Moreover, the coefficient of determination of NABIL, EBL and NSBIL are 0.941, 0.476 and 0.982. It means 94.1 percent of variation in investment of NABIL, 47.6 percent of variation in investment of EBL and 98.2 percent of variation in investment of NSBIL has been explained by total deposit. Least is determined by other factor. The correlation coefficient of NABIL and NSBIL is significant because the correlation coefficient is greater than the relative value of 6 P.Er. But EBL has insignificant relationship due to lower correlation. In other words, there is significant relationship between deposits and investment of NABIL and NSBIL and insignificant of EBL.

C. Coefficient of correlation between loan and advance and net profit

Coefficient of correlation between loan and advance and net profit measures the degree of relationship between these two variables. In this analysis, loan and advance are independent variables (X) and net profit is dependent variable (Y). The main objective of computing “r” between these two variables is to justify whether net profit is significantly correlated with respective loan and advance or not. The below table

shows the value of “r”, “r²”, probable Error (P.Er) and 6 P.Er. Between total loan and advance and net profit of sample banks.

Table: 4.25

Coefficient of Correlation Between loan & advance and net profit

Name of Banks	Evaluation Criteria				
	r	r ²	P.Er.	6 P.Er.	Remarks
NABIL	0.988	0.976	0.0072	0.0432	Significant
EBL	0.997	0.994	0.0018	0.0108	Significant
NSBIL	0.967	0.935	0.0196	0.1175	Significant

Source: *Through SPSS Data Editor*

Above table shows that coefficient of correlation between loan & advance and net profit of three sample banks. The coefficient of correlation between loan & advance and net profit of NABIL, EBL and NSBIL are 0.988, 0.997 and 0.967. All banks have the positive relationship between these two variables. It refers that deposit and investment of all banks move same way. Moreover, the coefficient of determination of NABIL, EBL and NSBIL are 0.976, 0.994 and 0.935. It means 97.6 percent of variation in net profit of NABIL, 99.4 percent of variation in net profit of EBL and 93.5 percent of variation in net profit of NSBIL has been explained by loan & advance. Least is determined by other factor. The correlation coefficient of NABIL, EBL and NSBIL is significant because the correlation coefficient is greater than 6 P. Err. In other words, there is significant relationship between loan & advance and net profit of NABIL, EBL and NSBIL.

D. Coefficient of correlation between total deposit and net profit

Coefficient of correlation between total deposit and net profit measures the degree of relationship between these two variables. In this analysis, deposit is independent variables (X) and net profit is dependent variable(Y). The main objective of computing “r” between these two variables is to justify whether deposits are significantly used to get proper net profit or not. The table shows the value of r, r², probable Error (P.Er) and 6 P.Er. between total deposit and net profit of NABIL, EBL and NSBIL.

Table: 4.26

Coefficient of Correlation Between total deposit and net profit

Name of Banks	Evaluation Criteria				
	r	r ²	P.Er.	6 P.Er.	Remarks
NABIL	0.973	0.947	0.0161	0.0964	Significant
EBL	0.990	0.980	0.0060	0.0360	Significant
NSBIL	0.975	0.951	0.0149	0.0894	Significant

Source: *Through SPSS Data Editor*

Above table shows that coefficient of correlation between total deposit and net profit of three sample banks. The coefficient of correlation between total deposit and net profit of NABIL, EBL and NSBIL are 0.973, 0.990 and 0.975. All banks have the positive relationship between these two variables. It refers that deposit and investment of all banks move together very closely but not proportionately. EBL has high relationship which indicates that it is in better condition for mobilizing the collected deposit to generate more profit in comparison other sample banks. Moreover, the coefficient of determination of NABIL, EBL and NSBIL are 0.947, 0.980 and 0.951. It means 94.7 percent of variation in net profit of NABIL, 98 percent of variation in net profit of EBL and 75.1 percent of variation in net profit of NSBIL has been explained by total deposit. Least is determined by other factor. The correlation of NABIL, EBL and NSBIL is significant because the correlation is greater than the relative value of 6 P. Err. In other words, there is significant relationship between total deposit and net profit of NABIL, EBL and NSBIL.

4.2.2 Trend Analysis (Time Series Analysis)

Trend analysis plays an important role in the analysis and interpretation of financial statement. Trend signifies a tendency. It helps in forecasting and planning future operation. Trend analysis is a statistical tool, which shows the future financial results and forecasted future trend from the previous and present circumstances of the financial performance and condition of the firms.

A) Trend Analysis of Total Deposit:

Deposits are the important part in banking sector. Hence its trend for next five years will be forecasted for future analysis. Here the effort has been made to calculate the trend values of Total deposit of NABIL, EBL and NSBIL for further five year

Where,

Y= dependent variable,

a =Y-intercept, b = slope of trend line or annual growth rate,

X = deviation from some convenient time periods.

Let trend line be

$$Y = a + b x \dots\dots\dots (I)$$

Where x = X - Middle year

$$Y = 37836.2 + 6544.59 *X \text{ of NABIL}$$

$$Y = 30709.1 + 5883.93 *X \text{ of EBL}$$

$$Y = 26086 + 8312.13 *X \text{ of NSBIL}$$

Table: 4.27

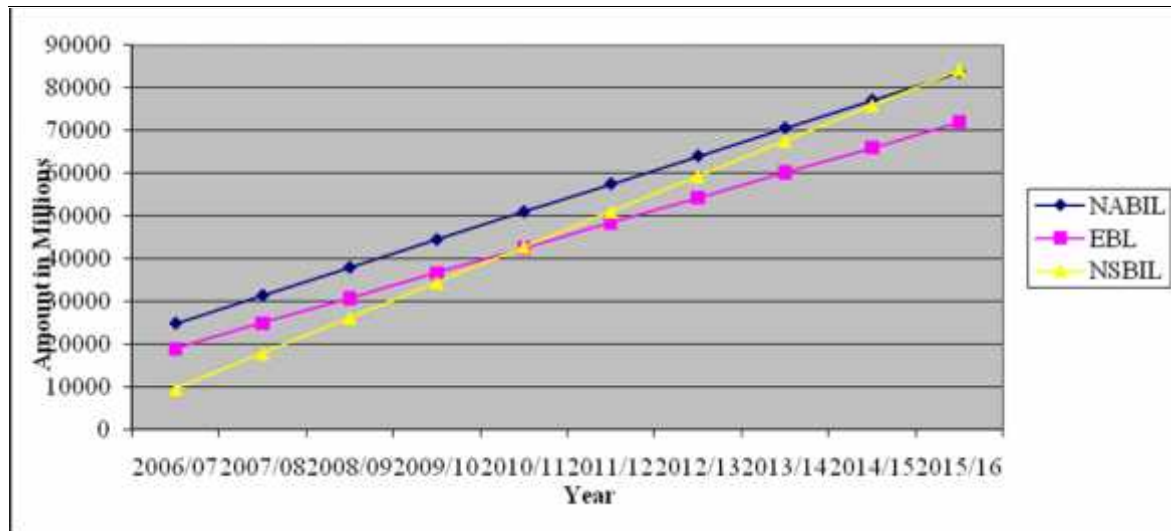
Trend analysis of Total Deposit			
Year	NABIL	EBL	NSBIL
2006/07	24747.02	18941.2	9443.74
2007/08	31291.61	24825.2	17764.9
2008/09	37836.2	30709.1	26086
2009/10	44380.79	36593	34407.1
2010/11	50925.38	42477	42728.3
2011/12	57469.97	48360.9	51049.4
2012/13	64014.56	54244.8	59370.5
2013/14	70559.15	60128.8	67691.7
2014/15	77103.74	66012.7	76012.8
2015/16	83648.33	71896.6	84333.9

Source: Annul Report of Concern Bank

Appendix -1

Figure: 4.23

Trend Line of Total Deposit



Above Table shows trend of total deposit of NABIL, EBL and NABIL. The total deposit of all three sample Banks forecasted increasing trend. The rate of increment of total deposit for NSBIL seems to be higher and aggressive than NABIL and EBL. Increment trend of NSBIL is higher, NABIL and are equally increasing. Which indicate collecting in total deposit NSBIL seems aggressive, NABIL seems to moderate and EBL seems to be lower. The trend analysis has projected deposit amount in fiscal year FY 20011/12 to FY 2015/16 for further five year. The above trend analysis it is clear that NSBIL has higher position in collecting deposit than EBL and NABIL.

B) Trend Analysis of Loan and advances

Here, the trend values of loan and advances of NABIL, EBL and NABIL have been calculated for further five year. The following Table shows the actual and trend values of sample banks.

$$Y = a + bx$$

Where,

Y= dependent variable,

a=Y-intercept

b=slope of trend line or annual growth rate,

X = deviation from some convenient time periods.

Let trend line be

$$Y = a + b x \dots \dots \dots (I)$$

$$Y = 26960.7 + 5588.04 * X \text{ of NABIL}$$

$$Y = 22900.4 + 4400.45 * X \text{ of EBL}$$

$$Y = 15110.4 + 2917.75 * X \text{ of NSBIL}$$

Table: 4.28

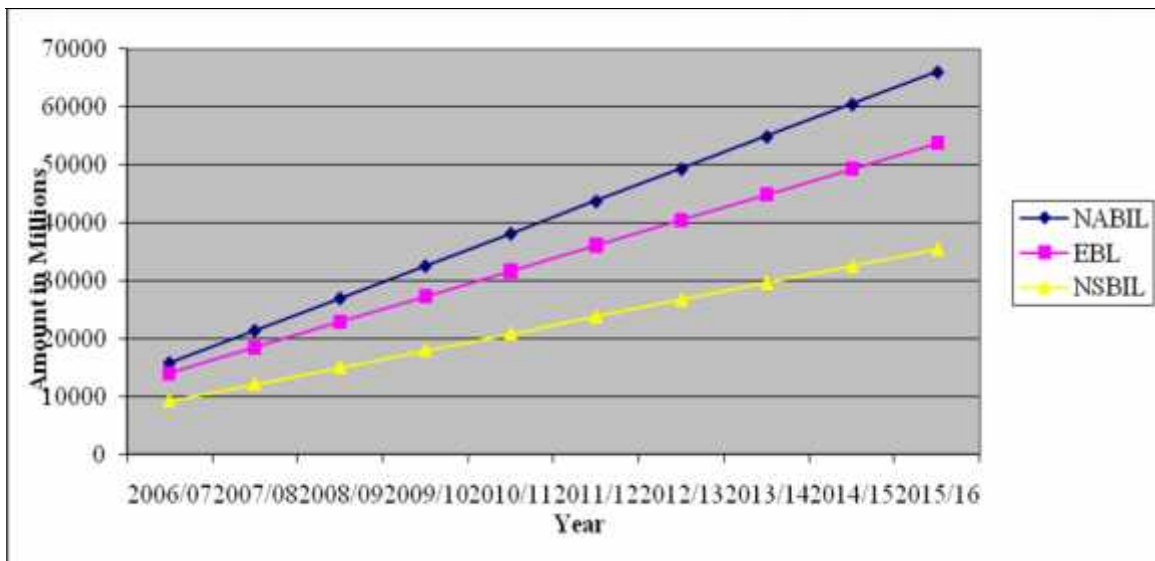
Trend analysis of Loan and Advance			
Year	NABIL	EBL	NSBIL
2006/07	15784.62	14099.5	9274.9
2007/08	21372.66	18500	12192.7
2008/09	26960.7	22900.4	15110.4
2009/10	32548.74	27300.9	18028.2
2010/11	38136.78	31701.3	20945.9
2011/12	43724.82	36101.8	23863.7
2012/13	49312.86	40502.2	26781.4
2013/14	54900.9	44902.7	29699.2
2014/15	60488.94	49303.1	32616.9
2015/16	66076.98	53703.6	35534.7

Source: Annul Report of Concern Bank

Appendix - 2

Figure: 4.24

Trend line of Total Loan and Advance



Above table depicts the trend of loan and advances of NABIL, EBL and NSBIL. The loan and advances of all three sample Banks forecasted increasing trend. The rate of increment of loan and advance t for NABIL seems to be higher and aggressive than EBL and NSBIL. Increment trend of loan and advance of NABIL is higher, EBL has moderate and NSBIL has lower. Which indicate NABIL seems aggressive, EBL seems to moderate and NSBIL seems to be lower in providing loan and advances. The trend projected for father five year F/Y 20011/12 to F/Y 2015/16. From the above analysis, it is clear that all banks mobilizing its collected funds in the form of loan and advances. The trend line of loan and advance of NABIL, EBL and NSBIL are presented in following figure.

C) Total Investment

Investment is main source of profit earning of commercial bank. Under this topic, an attempt has been made to analyze trend analysis total investment of NABIL, EBL and NSBIL for further five years

$$Y = a + bx$$

Where,

Y= dependent variable, a=Y-intercept, b=slope of trend line or annual growth rate,

X = deviation from some convenient time periods.

Let trend line be

$$Y = a + b x \dots\dots\dots (I)$$

Where $x = X - \text{Middle year}$

Where as

$$Y_c = 11292.7 + 1200.3 * X \text{ of NABIL}$$

$$Y_c = 5748.92 + 546.799 * X \text{ of EBL}$$

$$Y_c = 10850.2 + 4571.99 * X \text{ of NSBIL}$$

Table: 4.29

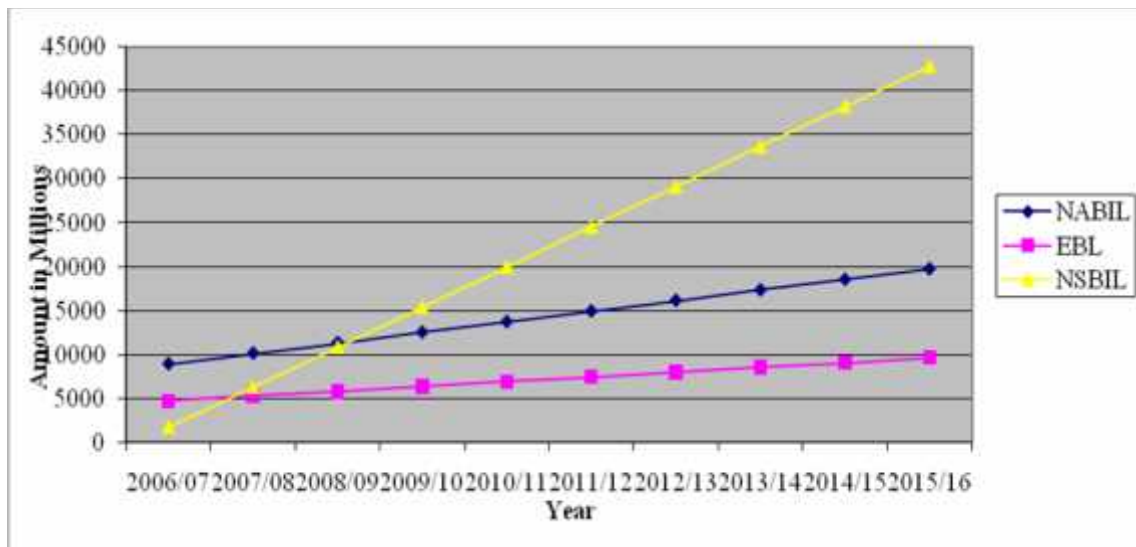
Trend analysis of Total Investment			
Year	NABIL	EBL	NSBIL
2006/07	8892.1	4655.32	1706.22
2007/08	10092.4	5202.12	6278.21
2008/09	11292.7	5748.92	10850.2
2009/10	12493	6295.72	15422.2
2010/11	13693.3	6842.52	19994.2
2011/12	14893.6	7389.32	24566.2
2012/13	16093.9	7936.12	29138.2
2013/14	17294.2	8482.92	33710.2
2014/15	18494.5	9029.71	38282.1
2015/16	19694.8	9576.51	42854.1

Source: Annul Report of Concern Bank

Appendix - 3

Figure: 4.25

Trend line of Current Assets



Above Table shows the Trend line of total investment of NABIL, EBL and NSBIL. The total investment of all three sample Banks forecasted increasing trend. The rate of increment of total investment for NSBIL seems to be higher and aggressive than NABIL and EBL. Increment trend of total investment of NSBIL is higher, NABIL has moderate and EBL has lower. Which indicate that NSBIL make invest higher NABIL invest moderate and EBL invest lower portion of total investment. The trend projected for father five year F/Y 20011 to F/Y 2015/16. The investment of NSBIL forecasted higher and aggressive. The trend line of total investment of NABIL, EBL and NSBIL are presented in following figure.

D) Trend Analysis of Net Profit

The ultimate objective of commercial bank is to earn net profit. The trend values of net profit of NABIL, EBL and NSBIL have been calculated for five years. The trend of Net profit forecasted based on F/Y 2006/07 to 2010/11 for further five year F/Y 2011/12 to F/Y 2015/6.

$$Y = a + bx$$

Where,

Y= dependent variable,

a=Y-intercept,

b=slope of trend line or annual growth rate,

X = deviation from some convenient time periods.

Let trend line be

$$Y = a + b x \dots\dots\dots (I)$$

Where $x = X - \text{Middle year}$

$$Y_c = 985.666 + 172.021 * X \text{ of NABIL}$$

$$Y_c = 630.202 + 164.717 * X \text{ of EBL}$$

$$Y_c = 335.07 + 56.327 * X \text{ of NSBIL}$$

Table: 4.30

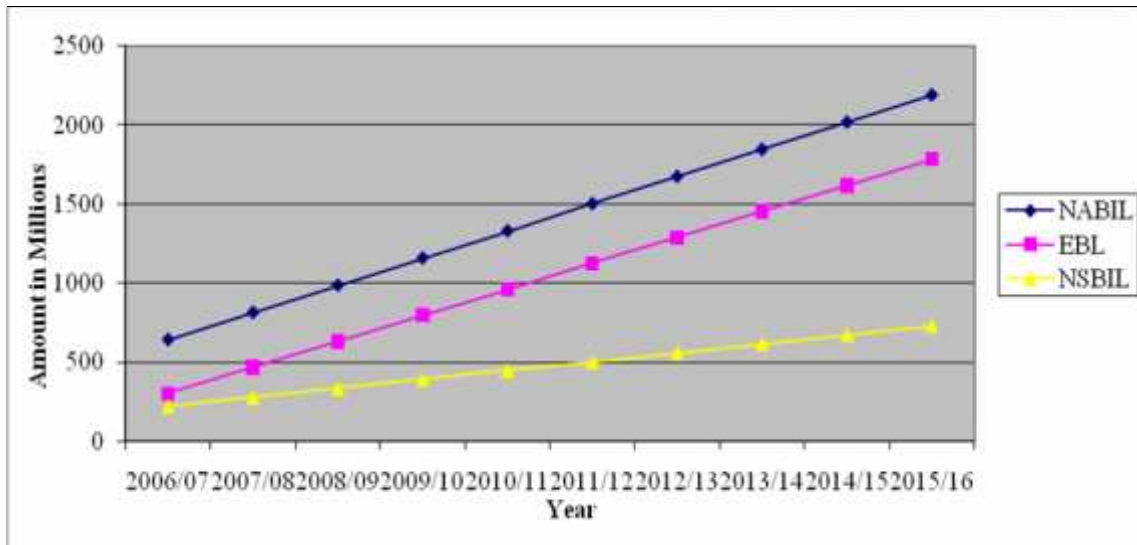
Trend analysis of Net Profit			
Year	NABIL	EBL	NSBIL
2006/07	641.624	300.768	222.416
2007/08	813.645	465.485	278.743
2008/09	985.666	630.202	335.07
2009/10	1157.687	794.919	391.397
2010/11	1329.708	959.636	447.724
2011/12	1501.729	1124.35	504.051
2012/13	1673.75	1289.07	560.378
2013/14	1845.771	1453.79	616.705
2014/15	2017.792	1618.5	673.032
2015/16	2189.813	1783.22	729.359

Source: Annul Report of Concern Bank

Appendix – 4

Figure: 4.26

Trend Line of Net Profit



The above Table reveals the trend of Net profit of NABIL, EBL and NSBIL. The Net profit of all three sample Banks forecasted increasing trend. The rate of increment of Net profit for NABIL seems to be higher than EBL and NSBIL. The trend show increment of Net profit of NABIL and EBL is aggressive rather than NSBIL. The net profit of NABIL, EBL and NSBIL has been increasing every year by Rs. 172.021 million, Rs. 164.717 million and 56.327 million respectively. The trend of Net profit projected to FY 2015/016 for further five year. In conclusion, NABIL and EBL are doing better in order to generate net profit during the projected study period but increment of NSBIL is little lower though all NABIL, EBL and NSBIL have increasing trend.

4.3 Major Finding of the Study

The major findings of this study derived from the analysis of data are summarized below. In this part, the researcher has enlisted the major findings of the study according to the data presentation and analysis of data. The analysis, which are derived from the liquidity management of three commercial banks named NABIL, EBL and NSBIL. The major findings of the study, based on the financial and statistical tools can be presented as follows:

Major Findings of Financial Analysis

-) The current ratios of NABIL, EBL and NSBI have been decreasing. The average mean current ratio of NABIL, EBL and NSBIL are 1.336 times, 1.70 times and 1.232 times. All banks have in better liquidity position because the standard ratio is more than 1:1. The average current ratio of EBL is greater than NABIL and NSBIL. The C.V. of NSBI is lower than two banks which indicate consistently in its current ratio and highest C.V. of EBL indicates high volatile in its current ratio.
-) The cash and bank balance to current assets ratio of NABIL, EBL and NSBIL have been fluctuating. The average ratio of EBL is greater than NABIL and NSBIL. It indicates that EBL has high portion cash and bank balance form its current asset. The lower C.V. of NSBI indicates consistently cash and bank balance to current assets ratio.
-) The investment on Govt. Treasury bill to current asset ratio of NABIL, EBL and NSBIL have fluctuating trend. The average investment on Govt. Treasury bill to current asset ratio of NABIL, EBL and NSBIL are 24.796%, 21.83% and 16.948%. The average ratio of NABIL has higher than EBL and NSBIL. It indicates that NABIL has invested little high portion of its current asset. It means NABIL conscious in invest in risk free asset than other banks. The NSBIL has lowest current ratio. Which depict less investment in Govt. treasury bills. The C.V. and S.D of NABIL has also lower than other two banks. This indicates low risky and consistently in ratio.
-) The investment on Govt. securities to total deposit ratio of NABIL, EBL and NSBIL have decreasing trend. The average investment on Govt. securities to total deposit ratio of NABIL, EBL and NSBIL are 15.826%, 18.116% and 15.99%. The investment on Govt. securities to total deposit ratio of EBL is higher than NABIL and NSBIL. It indicates that EBL use more total deposit in government securities. The lower C.V. of NABIL indicates consistently in ratio
-) The cash and bank balance to total deposit ratio of NABIL, EBL and NSBIL are fluctuating during the study period The average mean ratio of NABIL, EBL and NSBIL are 5.934%, 15.04% and 8.766% respectively. The average ratio of

EBL has higher than NABIL and NSBIL. It indicates that EBL retain more its total deposit as cash and bank balance. The higher ratio of signifies that sound liquid fund to make immediate payment to the depositors but excess liquidity represents low lending and investment opportunities. The lower C.V. and S.D of NSBIL indicates low risky and consistently in its ratio.

) The cash reserve ratio (CRR) ratio NABIL and NSBIL are decreasing and EBL has constant ratio. The average CRR ratio of NABIL, EBL and NSBIL are 5.096%, 4.122% and 2.742%. The average CRR of NABIL is greater than EBL and NSBIL. It indicates that NABIL have kept more amounts in cash reserve. Lower CRR indicates low portion of reserve of NSBIL. The lower C.V. of EBL indicates consistently in its CRR and higher C.V. of NSBIL indicates high volatile in its cash reserve ratio.

) The loan and advance to total deposit ratio of NABIL, EBL and NSBIL have fluctuating trend. The average ratio of EBL is higher than NABIL and NSBIL. It indicates that EBL use more total deposit as loan and advance. According to NRB directives less than 80% of loan and advances to total deposit ratio is required to enable better mobilization of collected deposit. The C.V. of EBL is low, which indicates consistently in ratio.

) The total investment to total deposit ratio NABIL, EBL and NSBIL have fluctuating trend. The average ratio of NABIL, EBL and NSBIL are 31.97%, 22.017% and 34.83%. The highest ratio of NSBIL indicates higher investment from total deposit. Lower C.V of NABIL signifies lower volatile in ratio.

) The total investment to total deposit ratio NABIL, EBL and NSBIL banks have decreasing fluctuation beside NSBIL. The average total investment to total deposit ratio of NABIL, EBL and NSBIL are 30.844%, 19.75% and 36.92%. The highest ratio of NSBIL indicates higher investment from total deposit and lower NABIL indicate least. Lower C.V of NABIL signifies lower volatile in ratio and vice versa.

) The loan and advances to total assets ratio of NABIL, EBL and NSBIL bank have fluctuating trend. The average loan and advances to total assets ratio of NABIL, EBL and NSBIL are 60.954%, 65.952% and 55.954%. The ratio of

EBL is higher than NABIL and NSBIL which indicates that EBL provides higher loan and advance from total asset. EBL is better at mobilizing its total asset as loan and an advance Lower C.V of EBL signifies more consistency in ratio.

-) The investment on Govt. securities to total investment ratio of NABIL, EBL and NSBIL banks have fluctuating. The average mean ratio of NABIL, EBL and NSBIL are 51.932%, 91.082% and 53.458%. The average ratio of EBL has higher than NABIL and NSBIL. It indicates that investment of EBL is high in govt. securities. It means investment of EBL is more in risk free asset than other banks. The lower C.V. and S.D of EBL indicates low risky and consistently in ratio.
-) The investment on government treasury bills to Total assets of NABIL, EBL and NSBIL bank have fluctuating trend. The average ratio of NABIL, EBL and NSBIL are 13.774%, 15.924% and 13.732%. The ratio of EBL is higher than NABIL and NSBIL which indicates that EBL invest more in govt. securities from its total asset. It means EBL has its more assets in risk free assets. The coefficients of variation are 0.2531, 0.2684 and 0.2385 of NABIL, EBL and NSBIL respectively. Lower C.V of NSBIL signifies more consistency in ratio.
-) The return on loan and advance of NABIL, EBL and NSBIL have fluctuating trend. The average return on loan and advance ratio of NABIL, EBL and NSBIL are 3.724%, 2.666% and 2.248%. The average ratio of NABIL has higher than EBL and NSBIL which indicates that NABIL getting higher earning by utilizing and providing loan and advance. It means NABIL has utilized the loan and advance for the profit generation. Lower C.V of NABIL signifies consistency in ratio.
-) The return on total assets of NABIL, EBL and NSBIL banks have fluctuating trend. The average ratio of NABIL, EBL and NSBIL are 2.262%, 1.761% and 1.01%. The average ratio of NABIL is higher than EBL and NSBIL which indicates that NABIL has utilized it available asset to make earning. It means NABIL has used it asset to revenue generation. The Lower C.V of NABIL

signifies more consistency in ratio.

-) The return on equity of NABIL, EBL and NSBIL banks have fluctuating trend. The highest ratio of NABIL is 32.79% and lowest ratio is 29.29%. The highest ratio of EBL is 30.15% and lowest ratio is 23.49%. Similarly the highest ratio of NSBIL is 21.91% and lowest ratio is 15.99%. The average ratio of NABIL is higher than EBL and NSBIL which indicates that NABIL has utilized its equity to making income. It signifies that the shareholders of NABIL are getting higher return than EBL and NSBIL. The lower C.V. of NABIL signifies more consistency in ratio.
-) The interest earned to total asset ratio of NABIL, EBL and NSBIL have increasing trend. The average ratio of NABIL, EBL and NSBIL are 6.686%, 6.766% and 5.812%. The average ratio of NABIL is higher than EBL and NSBIL which indicates that NABIL has utilized its total asset as interest earning income. NABIL has better utilized the total asset for the profit generation. Lower ratio of NSBIL seems less conscious about managing its assets in order to earn more interest.
-) The interest earned to total outside asset ratio of NABIL, EBL and NSBIL banks have increasing. The average interest earned to total outside asset ratio of NABIL, EBL and NSBIL are 7.834%, 8.156% and 6.562%. The average ratio of EBL is higher than NABIL and NSBIL which indicates that EBL has utilized its total outside asset as interest earning income. The lower C.V. of NSBIL signifies more consistency in ratio.
-) The interest earned to total operating income ratio of NABIL, EBL and NSBIL have increasing. The average ratio of NABIL, EBL and NSBIL are 134.04, 175.922 and 181.53. The higher ratio of NSBIL indicates high interest earned to total operating income. There is high contribution in operating income made by lending and investing activities (core banking activity). The lower C.V. of EBL signifies more consistency in ratio.
-) The credit risk ratio of NABIL has increasing, EBL has decreasing and NSBIL is fluctuating decreasing trend. The average ratio of NSBIL is higher than NABIL and EBL which indicates that NSBIL has high credit risk than other

bank. The ratios indicate the more efficient operating of credit management of all banks according to NRB directives because according to NRB directives NPL ratio must be less than 5%. EBL has efficient operating of credit management than that of NABIL and NSBIL. The lower C.V. of EBL signifies more consistency in ratio.

) The liquidity risk ratio of NABIL, EBL and NSBIL reveals fluctuating trend. The average ratio of NABIL, EBL and NSBIL are 6.262, 15.768 and 9.034. The average ratio of EBL is higher than NABIL and NSBIL which indicates that EBL has low liquidity risk than other bank. This shows its greater ability to pay depositors money as they want. NABIL has lower liquidity position that means higher liquidity risk than that of EBL and NSBIL. The lower C.V. of EBL signifies more consistency in ratio.

) The asset risk ratio of NABIL has increasing, EBL has decreasing and NSBIL is fluctuating decreasing trend. The highest asset risk ratio of NABIL is 1.35 and lowest is 0.51. The highest of EBL is 0.61 and lowest is 0.28 similarly, the highest asset risk ratio of NSBIL is 3.79 and lowest is 1.11. The asset risk ratio of NSBIL is higher than NABIL and EBL. Which signify that asset of NSBIL is riskier than NABIL and EBL. EBL has lower asset risk. The standard deviation and coefficient of variation of EBL is lower than NABIL and NSBIL. Lower of C.V. of EBL indicates consistency in its ratio.

) The average Earning per share of NABIL, EBL and NSBIL are 112.002, 86.594 and 29.164. NABIL provide better earning to its shareholder because the EPS of NABIL is higher than EBL and NSBIL. Higher EPS indicate that NABIL has high earning to provide its shareholder. Lower of C.V. of EBL indicates consistency in its variables. The Earning per share of NABIL is decreasing, EBL is increasing and NSBIL is fluctuating trend.

) The Earning per share of NABIL is decreasing, EBL is increasing and NSBIL is fluctuating. The average EPS of NABIL, EBL and NSBIL are 100.304, 90.674 and 30.48. The EPS of NABIL is higher than EBL and NSBIL. Which signify that NABIL can provide better earning to its shareholder. Higher EPS of NABIL indicates high earning capacity. The lower of C.V. of EBL indicates

consistency in its earning.

-) The market prices of the share NABIL, EBL and NSBIL banks have decreasing after F/Y 2007/8. The average mean MPS of NABIL, EBL and NSBIL are 3772, 2148.2 and 1178.6 respectively. The average MPS of NABIL is greater than EBL and NSBIL. It indicates that high demand of share of NABIL in market and shareholder are getting higher price. The C.V. of EBL is low which indicates consistently of its market price.
-) The price earning ratios of NABIL, EBL and NSBIL banks have been increasing first and decreasing at later. The average mean ratio of NABIL, EBL and NSBIL are 35.89, 23.81 and 37.95 times. It indicates that for getting Rs 1 as earning, one should invest Rs 35.89 in NABIL and Rs 23.81 in EBL and 37.95 in NSBIL. The higher PE ratio signify that price of NSBIL is traded in market higher in aspect of its earning than NABIL and EBL. The lower C.V. of NABIL indicates consistency in PE ratio. It is recommended to sell share of NSBIL and purchase share of EBL according to analysis of price earning ratio.

Major Findings of Statistical Analysis

-) The coefficient correlation between deposits and loan and advances of NABIL, EBL and NSBIL are 0.990, 0.997 and 0.981. There is positive relationship. It refers that deposit and loan and advances of all banks move together very closely but not proportionately. The coefficient of determination of NABIL, EBL and NSBIL are 0.980, 0.994 and 0.962. It means 98 percent of NABIL, 99.4 percent of EBL and 96.2 percent of variation in loan and advance of NSBIL has been explained by deposit. Least are determine by other factor. The correlation of all banks is significant because the correlation coefficient is greater than the relative value of 6 P.Er.
-) The coefficient of correlation between total deposits and investments of NABIL, EBL and NSBIL are 0.970, 0.690 and 0.991. All have the positive relationship between these two variables but EBL has lower positive correlated than NABIL and NSBIL. The coefficient of determination of NABIL, EBL and NSBIL are 0.941 0.476 and 0.982. It means 94.1 percent of variation in

investment of NABIL, 47.6 percent of variation in investment of EBL and 98.2 percent of variation in investment of NSBIL has been explained by total deposit. The correlation of NABIL and NSBIL is significant but EBL has insignificant relationship.

-) The correlation between loan & advance and net profit of NABIL, EBL and NSBIL are positive 0.988, 0.997 and 0.967. It refers that deposit and investment of all banks move same way. The correlation of NABIL, EBL and NSBIL is significant because the correlation coefficient is greater than 6 P. Err.
-) The correlation between total deposit and net profit of NABIL, EBL and NSBIL are positive by 0.973, 0.990 and 0.975. The coefficient of determination of NABIL, EBL and NSBIL are 0.947, 0.980 and 0.951. It means 94.7 percent of variation in net profit of NABIL, 98 percent of variation in net profit of EBL and 75.1 percent of variation in net profit of NSBIL has been explained by total deposit. Least is determined by other factor. there is significant relationship between total deposit and net profit of NABIL, EBL and NSBIL
-) The trend of total deposit of NABIL, EBL and NSBIL banks forecasted increasing trend. The rate of increment of total deposit for NSBIL seems to be higher and aggressive than NABIL and EBL. Increment trend of NSBIL is higher, NABIL and are equally increasing. Which indicate collecting in total deposit NSBIL seems aggressive, EBL seems to moderate and NABIL seems to be lower.
-) The loan and advances of NABIL, EBL and NSBIL banks forecasted increasing trend. The rate of increment of loan and advance for NABIL seems to be higher and aggressive. Increment trend of loan and advance of NABIL is higher, EBL has moderate and NSBIL has lower. Which indicate NABIL seems aggressive, EBL seems to moderate and NSBIL seems to be lower in providing loan and advances.
-) The Trend line of total investment of NABIL, EBL and NSBIL also increasing trend. The rate of increment of total investment for NSBIL seems to be higher and aggressive than NABIL and EBL. Increment trend of total investment of NSBIL is higher, NABIL has moderate and EBL has lower. Which indicate

that NSBIL make invest higher NABIL invest moderate and EBL invest lower portion of total investment. The trend projected for father five year for fiscal year 2015/16. The investment of NSBIL forecasted higher and aggressive.

) The trend of Net profit of NABIL, EBL and NSBIL Banks forecasted increasing trend. The rate of increment of Net profit for NABIL seems to be higher than EBL and NSBIL. The trend show increment of Net profit of NABIL and EBL is aggressive rather than NSBIL. The net profit of NABIL, EBL and NSBIL has been increasing every year by Rs. 172.021 million, Rs. 164.717 million and 56.327 million respectively. NABIL and EBL are doing better in order to generate net profit during the projected study period but increment of NSBIL is little lower.

CHAPTER – V

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

This research has been undertaken to evaluate the financial performance analysis of commercial banks. Here three banks have been selected as sample of the study and five year financial statements of respective banks have been used for the study. This study mainly based in secondary data, with include published annual report and other publication of banks. Other related information were gathered from the concerned banks, NRB, NESPS, SEBON and different websites. The data have been analyzed by using financial and statistical tools like ratio analysis, correlation coefficient, trend analysis etc.

5.1 Summary

The researcher has identified that research problem and set objectives to solve research problems about financial analysis of Nabil Bank Limited, Everest Bank Limited and Nepal SBI Bank Limited. The researcher has identified that research problem and set objectives to solve research problems about financial analysis of selected commercial banks as described in introduction chapter. The main objective of the study is to analyze the financial position, of sample banks. The specific objectives of the study are: to present the existing financial position, strength, financial performance and to analyze the liquidity, asset and profitability ratio and lending efficiency ratio of NABIL, EBL and NSBIL and offer suitable suggestions based on findings of this study. The research is based on secondary source of data. To make this study more effective, related literatures have been reviewed. This section includes conceptual review and review of related studies. In conceptual review includes concept of banks, financial statement, financial analysis, need and objective of financial analysis, process, type and significance of financial analysis. In the review of related studies includes review of books, journal and articles and review of previous thesis as well.

Research methodology has been described in third chapter, which is a way to solve the research problems with the help of various tools and techniques. This chapter includes the various financial as well as statistical tools to analyze the data in order to come to the decisions. This chapter includes the research design, population and sample data collection procedure, data period covered and methods of analysis. These studies is mainly conducted on the basis of secondary data collected from annual reports of concern bank, official report, economic journal, financial statement etc. and authorize web site of Nepal stock exchange and security board of Nepal.

The presentation and analysis of data has been made comparative analytical and their interpretation has done in chapter four by applying the wide varieties of methodology as stated in chapter three. It includes the various financial and statistical tools. In case of financial tools ratio analysis is done which consists current ratio, liquidity ratio, assets management ratio, profitability ratio, risk ratio and other EPS, DPS, MPS and P.E. ratio. Various statistical tools such as arithmetic mean, standard deviation, coefficient of correlation, regression analysis and trend analysis, have been applied to fulfill the objective of this study. The analysis has been done mainly through secondary. The major findings of the study are also included in the final section of the presentation and analysis chapter.

Financial Analysis is used primarily to gain insight into operating and financial problems confronting the firms with respect to these problems. We must be careful to distinguish between the cause of problem and symptom of it. It is thus an attempt to direct the financial statements into their components on the basis of purpose in the one hand and establish relationships between these components and between individual components and totals of these items on the other. Along with this, a study of various important factors over the past several years is also undertaken to have clear understanding of changing profitability and financial condition of the business organization.

Financial Statement Analysis involves the use of various financial statements. These statements perform several things. First, the balance sheet summarizes the assets, liabilities and owner's equity of a business at a moment in time, usually the end of a year or a quarter. Next, the income statement summarizes the revenues and expenses of the firm over a particular period of time, again usually a year or quarter. While the balance sheet represents a snapshot of the firm's financial position at a moment in time, the income statement depicts a summary of the firm's profitability over time. From these two statements certain derivate statements can be produced, such as statement of retained earnings, a sources and uses of funds statements and a statement of cash flows etc.

Financial Analysis is the process of identifying the financial strengths and weaknesses of the firm by properly establishing relationship between the items of the balance sheet and profit and loss account. Analyzing financial statements is a process of evaluating relationship between component parts of financial statements to obtain a better understanding of a firm's position and performance. Financial Statement Analysis allows managers, investors and creditors as well as potential investors and creditors to reach conclusion about the recent and current status of a corporation. The checking of financial performance in a business deserves much attention in carrying out the financial position. It also requires to retrospective analysis for the purpose of evaluating the wisdom and efficiency of financial planning.

5.2 Conclusions

Thus this research is conducted with the major objective of highlighting financial analysis of sample bank under study. The observation and conclusion is derived by analyzing of the information. Here make analyze the financial analysis in terms of liquidity, asset management, profitability and lending efficiency and other various ratio of NABIL, EBL and NSBIL as well as relevant financial and statistical ratios. Following conclusion has been drawn from the study.

The overall analysis of liquidity position, the current r ratios of NABIL, EBL and NSBI have decreasing trend. The average mean current ratio of NABIL, EBL and NSBIL are 1.336 times, 1.70 times and 1.232 times. It is known that all these three banks have in better liquidity position because the standard ratio is more than 1:1. The average current ratio of EBL is greater than NABIL and NSBIL. The cash and bank balance to current assets ratio of NABIL, EBL and NSBIL have fluctuating trend. The average cash and bank balance to current assets ratio of EBL is greater than NABIL and NSBIL. It indicates that EBL has high portion cash and bank balance form its current asset. The investment on Govt. Treasury bill to current asset ratio of NABIL, EBL and NSBIL have fluctuating trend. The higher average ratio of NABIL indicates that NABIL has invested high portion of its current asset. It means NABIL conscious in invest in risk free asset than other banks. The investment on Govt. securities to total deposit ratio of EBL is higher than NABIL and NSBIL. It indicates that EBL use more total deposit in government securities. The cash and bank balance to total deposit ratio of NABIL, EBL and NSBIL are fluctuating. The average ratio of EBL has higher than NABIL and NSBIL. It indicates that EBL retain more its total deposit as cash and bank balance. The cash reserve ratio NABIL and NSBIL are decreasing and EBL has constant ratio. The average CRR of NABIL is greater than EBL and NSBIL. It indicates that NABIL have kept more amounts in cash reserve.

In the aspect of asset management, the loan and advance to total deposit ratio of NABIL, EBL and NSBIL have fluctuating. The average ratio of EBL is higher than NABIL and NSBIL. It indicates that EBL use more total deposit as loan and advance. NSBIL provide least loan and advance from total deposit. The total investment to total deposit ratio NABIL, EBL and NSBIL also fluctuating. The average ratio of NABIL, EBL and NSBIL are 31.97%, 22.017% and 34.83%. The highest ratio of NSBIL indicates higher investment from total deposit. Lower C.V of NABIL signifies lower volatile in ratio. The total investment to total deposit ratio NABIL, banks have decreasing fluctuation beside NSBIL. The highest average ratio of NSBIL indicates higher investment from total deposit and lower NABIL indicate least. The loan and advances to total assets ratio of NABIL, EBL and NSBIL bank have fluctuating. The

average loan and advances to total assets ratio of NABIL, EBL and NSBIL are 60.95%, 65.95% and 55.95%. The ratio of EBL is higher than NABIL and NSBIL which indicates that EBL provides higher loan and advance from total asset. The investment on Govt. securities to total investment ratio of NABIL, EBL and NSBIL banks have fluctuating. The average ratio of EBL has higher than NABIL and NSBIL. It indicates that investment of EBL is high in govt. securities. The investment on government treasury bills to Total assets of NABIL, EBL and NSBIL bank also fluctuating. The average ratio EBL is higher than NABIL and NSBIL which indicates that EBL invest more in govt. securities from its total asset. It means EBL has its more assets in risk free assets.

Profitability ratios are the best indicators of overall efficiently. The returns on loan and advance of NABIL, EBL and NSBIL have fluctuating. The average ratio of NABIL has higher than EBL and NSBIL which indicates that NABIL getting higher earning by utilizing and providing loan and advance. The return on total assets of NABIL, EBL and NSBIL are 2.262%, 1.761% and 1.01%. The average ratio of NABIL is higher than EBL and NSBIL which indicates that NABIL has utilized it available asset to make earning. The return on equity of NABIL, EBL and NSBIL banks have fluctuating. The average ratio of NABIL is higher than EBL and NSBIL which indicates that NABIL has utilized it equity to making income. It signifies that the shareholders of NABIL are getting higher return than EBL and NSBIL. The interest earned to total asset ratio of NABIL, EBL and NSBIL have increasing. The average ratio of NABIL is higher than EBL and NSBIL which indicates that NABIL has utilized it total asset as interest earning income. NABIL has better utilized the total asset for the profit generation. The interest earned to total outside asset ratio of NABIL, EBL and NSBIL banks also increasing. The average ratio of EBL is higher than NABIL and NSBIL which indicates that EBL has utilized it total outside asset as interest earning income. The interest earned to total operating income ratio of NABIL, EBL and NSBIL banks have increasing trend. The higher ratio of NSBIL indicates high interest earned to total operating income. There is high contribution in operating income made by lending and investing activities (core banking activity).

Risk is a major constraint of bank. The credit risk ratio of NABIL has increasing, EBL has decreasing and NSBIL is fluctuating. The average ratio of NSBIL is higher than NABIL and EBL which indicates that NSBIL has high credit risk than other bank. The ratios indicate the more efficient operating of credit management of all banks according to NRB directives, because according to NRB directives NPL ratio must be less than 5%. The liquidity risk ratios of sample banks have fluctuating trend. The average ratio of EBL is higher than NABIL and NSBIL which indicates that EBL has low liquidity risk than other bank. This shows its greater ability to pay depositors money as they want. The asset risk ratio of NABIL has increasing, EBL has decreasing and NSBIL is fluctuating decreasing. The asset risk ratio of NSBIL is higher than NABIL and EBL. Which signify that asset of NSBIL is riskier than NABIL and EBL. EBL has lower asset risk.

The average Earning per share of NABIL, EBL and NSBIL are 112.002, 86.594 and 29.164. NABIL provide better earning to its shareholder because the EPS of NABIL is higher than EBL and NSBIL. Higher EPS indicate that NABIL has high earning to provide its shareholder. The Earning per share of NABIL is decreasing, EBL is increasing and NSBIL is fluctuating. The EPS of NABIL is higher than EBL and NSBIL. Higher EPS of NABIL indicates high earning capacity. NABIL is better mobilizing its resources to acquire more earning and successful breed higher EPS. The market prices of the share NABIL, EBL and NSBIL banks have decreasing after second year. The average mean MPS of NABIL, EBL and NSBIL are 3772, 2148.2 and 1178.6. The average MPS of NABIL is greater than EBL and NSBIL. It indicates that high demand of share of NABIL in market and shareholder are getting higher price. The price earning ratios of NABIL, EBL and NSBIL banks have increasing first and decreasing at later. The average mean ratio of NABIL, EBL and NSBIL are 35.89, 23.81 and 37.95 times. It indicates that for getting Rs 1 as earning, one should invest Rs 35.89 in NABIL and Rs 23.81 in EBL and 37.95 in NSBIL. The higher PE ratio signify that price of NSBIL is traded in market higher in aspect of its earning than

NABIL and EBL. It is recommended to sell share of NSBIL and purchase share of EBL according to analysis of price earning ratio.

In the aspect of statistical analysis, the correlation between deposits and loan and advances of NABIL, EBL and NSBIL are positive by 0.990, 0.997 and 0.981.. It refers that deposit and loan and advances of all banks move together very closely but not proportionately. The coefficient of determination of NABIL, EBL and NSBIL are 0.980, 0.994 and 0.962. It means 98 percent of variation in loan and advances of NABIL, 99.4 percent of variation in loan and advance of EBL and 96.2 percent of variation in loan and advance of NSBIL has been explained by deposit. Least is determined by other factor. The correlation is greater than the relative value of 6 P.Er. The relationship between deposits and loan and advances of NABIL, EBL and NSBIL is significant. The correlation between total deposits and investments of NABIL, EBL and NSBIL are positive i.e. 0.970, 0.690 and 0.991. The coefficient of determination of NABIL, EBL and NSBIL are 0.941 0.476 and 0.982. It means 94.1 percent of variation in investment of NABIL, 47.6 percent of variation in investment of EBL and 98.2 percent of variation in investment of NSBIL has been explained by total deposit. The correlation of NABIL and NSBIL is significant but EBL has insignificant relationship due to lower correlation than value of 6PErr. The correlation between loan & advance and net profit of NABIL, EBL and NSBIL are positive which are 0.988, 0.997 and 0.967. It refers that deposit and investment of all banks move same way. The coefficient of determination of NABIL, EBL and NSBIL are 0.976, 0.994 and 0.935. It means 97.6 percent of variation in net profit of NABIL, 99.4 percent of variation in net profit of EBL and 93.5 percent of variation in net profit of NSBIL has been explained by loan & advance. The correlation of NABIL, EBL and NSBIL is significant. The correlation between total deposit and net profit of NABIL, EBL and NSBIL are 0.973, 0.990 and 0.975. The banks have the positive relationship. The coefficient of determination of NABIL, EBL and NSBIL are 0.947, 0.980 and 0.951. It means 94.7 percent of variation in net profit of NABIL, 98 percent of variation in net profit of EBL and 75.1 percent of variation in net profit of NSBIL has been

explained by total deposit. Least is determined by other factor. There is significant relationship between total deposit and net profit of NABIL, EBL and NSBIL.

The trend of total deposit of NABIL, EBL and NSBIL banks forecasted increasing trend. The rate of increment of total deposit for NSBIL seems to be higher and aggressive than NABIL and EBL. Increment trend of NSBIL is higher, NABIL and EBL are equally increasing. The loan and advances of NABIL, EBL and NSBIL banks also forecasted increasing trend. The rate of increment of loan and advance for NABIL seems to be higher and aggressive. Increment trend of loan and advance of NABIL is higher, EBL has moderate and NSBIL has lower. The Trend line of total investment of NABIL, EBL and NSBIL Banks forecasted increasing trend. Increment trend of total investment of NSBIL is higher, NABIL has moderate and EBL has lower. Which indicate that NSBIL make invest higher NABIL invest moderate and EBL invest lower portion of total investment. The trend of Net profit of NABIL, EBL and NSBIL Banks forecasted increasing trend. The rate of increment of Net profit for NABIL seems to be higher than EBL and NSBIL. The trend show increment of Net profit of NABIL and EBL is aggressive than NSBIL. The net profit of NABIL, EBL and NSBIL has been increasing every year by Rs. 172.021 million, Rs. 164.717 million and 56.327 million respectively. NABIL and EBL are doing better in order to generate net profit during the projected study period but increment of NSBIL is little lower. In this way all NABIL, EBL and NSBIL banks have increasing trend of its deposit, loan and advance investment, and net profit as well.

5.3 Recommendation

Based on the analysis and finding of the study, the following recommendations can be made as suggestions to make the financial analysis of NABIL and SCBNL effective and efficient. This would help to draw some outline and make reform in the respective banks.

-) Generally, banks have to maintained standard liquid assets. The current ratio of the all NABIL, EBL and NSBIL banks are considerable. Because both bank have more than 1:1 ratio. This can be regarded as good liquidity position. The

liquidity position affects external and internal factors such as prevalent investment situations, central bank requirements and so on.

-) Considering the growth position of financial market, the lending policy management capabilities, strategic planning and fund flow situation, bank should maintain enough liquid assets to pay short-term obligations. So, it is recommended to maintain sound liquidity position to NABIL, EBL and NSBIL banks.
-) Government securities such as Treasury bills, Development bonds, saving certificates etc. are risk less investment alternatives because they are free of default risk as well as liquidity risk and can be easily sold in the market. In this research study, it has found that both banks NABIL and EBL have made some amount of fund in Government securities. But its recommended to NSBIL invests more funds in Government securities instead risky lending.
-) To get success in competitive banking environment, deposit must be utilized as loan and advances. The average loan and advance to total deposit ratio of NABIL, EBL and NSBIL are 71.244%, 74.686% and 65.114%. The largest item of bank assets side is loan and advances. It has been found that loan and advances to total deposit ratio of NSBIL is lower than that of NABIL and EBL. It means NSBIL recommended to increase lending from its deposit in as loan and advances. According to NRB directives less than 80% of loan and advances to total deposit ratio is considerable.
-) Interest earning is main source of bank. The interest paid to total assets of NABIL is higher than SCBNL. The average ratio of NABIL and SCBNL are 2.414 and 1.366 percent. Similarly interest paid to total deposit ratio of NABIL also high. It seems NABIL less conscious about borrowing cheaper fund. So it is recommended to be conscious about borrowing cheaper fund.
-) Provision reduces the profit. The average loan provision to loan and advance ratio of NABIL is little higher than ratio of SCBNL. Which indicate loan and

advance of NABIL is little bad so high provision. So its recommended to be more conscious in loan and advance.

-) EPS and DPS play a vital role to determine the market price of the share and also indicate the financial performance of banks. Higher EPS indicate higher return of the banks that would help them satisfy their shareholders It is recommended to increase EPS and DPS for high demand of share in stock market.
-) NABIL, EBL and NSBIL banks are recommended to formulate and implement the sound and effective investment policy to increase volume of total investment and loan and advances that helps to meet required level of profitability as well as social responsibility. The banks should consider rural areas in making investment policy.
-) Political instability directly affected the economic sector such as hotel and tourism, manufacturing and trading sector. Bank loan and advances are decreasing in this sector. So banks should give priority to these sectors as well as create new investing sector to mobilize deposit.
-) For the purpose, the bank should develop an innovative approach to bank marketing and formulate new strategies of serving customers in a more convenient and satisfactory way by optimally utilizing the modern technology and offering new facilities to the customers at competitive prices. The bank is also required to explore new market areas.
-) In aggregate, the NSBIL has little less performance than NABIL and EBL. Therefore, in the future ahead, the NSBIL should improve its weaknesses by adopting the innovative approach to marketing. In the light of growing competition in the banking sector, all banks should be customer oriented. It should strengthen and activate its marketing function as it is an effective tool to attract and retain the customers.

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<http://www.nsbl.com.np>

<http://www.sebonp.com>

Appendix - 1

A) Trend Analysis of Nabil Bank Limited

Year(x)	Total deposit (Y)	X = x - 2008/09	X ²	XY
2006/07	24491.1	-2	4	-48982
2007/08	31304.8	-1	1	-31305
2008/09	37348.3	0	0	0
2009/10	46340.7	1	1	46340.7
2010/11	49696.1	2	4	99392.2
Tot n= 5	Y = 189181	X = 0	X ² = 10	XY = 65445.9

Source: Annul Report of Nabil Bank Limited

Where,

Y = dependent variable

a = Y-intercept

b = slope of trend line or annual growth rate,

X = deviation from some convenient time periods.

Let trend line be

$$Y = a + b x \dots\dots\dots (I)$$

Where x = X - Middle year

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

$$b = \frac{\sum XY}{\sum X^2}$$

NABIL

$$a = 37836.2$$

$$b = 6544.59$$

Where as

$$Y_c = 37836.2 + 6544.59 * X \text{ of NABIL}$$

B) Trend Analysis of Everest Bank Limited

Year(x)	Total deposit(Y)	X = x-2008/09	X ²	XY
2006/07	18186.3	-2	4	-36373
2007/08	23976.3	-1	1	-23976
2008/09	33323	0	0	0
2009/10	36932.3	1	1	36932.3
2010/11	41127.9	2	4	82255.8
Tot n= 5	Y = 153546	X = 0	X ² = 10	XY = 58839.3

Source: Annul Report of Everest Bank Limited

Where,

Y = dependent variable

a = Y-intercept

b = slope of trend line or annual growth rate,

X = deviation from some convenient time periods.

Let trend line be

$$Y = a + b x \dots \dots \dots (I)$$

Where x = X - Middle year

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

$$b = \frac{\sum XY}{\sum X^2}$$

EBL

$$a = 30709.1$$

$$b = 5883.93$$

Where as

$$Y_c = 30709.1 + 5883.93 * X \text{ of EBL}$$

C.) Trend Analysis of Nepal SBI Bank Limited

Year(x)	Total Deposit(Y)	X = x-2008/09	X ²	XY
2006/07	11445.3	-2	4	-22891
2007/08	13715.4	-1	1	-13715
2008/09	27957.2	0	0	0
2009/10	34896.4	1	1	34896.4
2010/11	42415.4	2	4	84830.9
Tot n= 5	Y = 130430	X = 0	X ² =10	XY = 83121.3

Source: Annul Report of Nepal SBI Bank Limited

Where,

Y = dependent variable

a = Y-intercept

b = slope of trend line or annual growth rate,

X = deviation from some convenient time periods.

Let trend line be

$$Y = a + b x \dots \dots \dots (I)$$

Where x = X - Middle year

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

$$b = \frac{\sum XY}{\sum X^2}$$

NSBIL

$$a = 26086$$

$$b = 8312.13$$

Where as

$$Y_c = 26086 + 8312.13 * X \text{ of NSBIL}$$

Appendix - 2

A) Trend Analysis of Nabil Bank Limited

Year(x)	Loan and advances (Y)	X = x - 2008/09	X ²	XY
2006/07	15545.8	-2	4	-31092
2007/08	21365.1	-1	1	-21365
2008/09	27589.9	0	0	0
2009/10	32268.9	1	1	32268.9
2010/11	38034.1	2	4	76068.2
Tot n= 5	Y = 134804	X = 0	X ² =10	XY = 55880.4

Source: Annul Report of Nabil Bank Limited

Where,

Y = dependent variable

a = Y-intercept

b = slope of trend line or annual growth rate,

X = deviation from some convenient time periods.

Let trend line be

$$Y = a + b x \dots\dots\dots (I)$$

Here,

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

$$b = \frac{\sum XY}{\sum X^2}$$

NABIL

$$a = 26960.7$$

$$b = 5588.04$$

$$Y_c = 26960.7 + 5588.04 * X \text{ of NABIL}$$

B) Trend Analysis of Everest Bank Limited

Year(x)	Loan and advances (Y)	X = x - 2008/09	X ²	XY
2006/07	13664.1	-2	4	-27328
2007/08	18339.1	-1	1	-18339
2008/09	23884.7	0	0	0
2009/10	27556.4	1	1	27556.4
2010/11	31057.7	2	4	62115.4
Tot n= 5	Y = 114502	X = 0	X ² = 10	XY = 44004.5

Source: Source: Annul Report of Everest Bank Limited

Where,

Y = dependent variable

a = Y-intercept

b = slope of trend line or annual growth rate,

X = deviation from some convenient time periods.

Let trend line be

$$Y = a + b x \dots\dots\dots (I)$$

Where x = X - Middle year

$$a = \frac{SY}{N}$$

$$b = \frac{SXY}{SX^2}$$

EBL

$$a = 22900.4$$

$$b = 4400.45$$

Where as

$$Y_c = 22900.4 + 4400.45 * X \text{ of EBL}$$

C.) Trend Analysis of Nepal SBI Bank Limited

Year(x)	Loan and advances (Y)	X = x-2008/09	X ²	XY
2006/07	9460.45	-2	4	-18921
2007/08	12113.7	-1	1	-12114
2008/09	15131.7	0	0	0
2009/10	17480.6	1	1	17480.6
2010/11	21365.8	2	4	42731.5
Tot n= 5	Y = 75552.2	X = 0	X ² = 10	XY = 29177.5

Source: Annul Report of Nepal SBI Bank Limited

Where,

Y = dependent variable

a = Y-intercept

b = slope of trend line or annual growth rate,

X = deviation from some convenient time periods.

Let trend line be

$$Y = a + b x \dots \dots \dots (I)$$

Where x = X - Middle year

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

$$b = \frac{\sum XY}{\sum X^2}$$

NSBIL

$$a = 15110.4$$

$$b = 2917.75$$

Where as

$$Y_c = 15110.4 + 2917.75 * X \text{ of NSBIL}$$

Appendix -3

A) Trend Analysis of Nabil Bank Limited

Year(x)	Total Investment(Y)	X = x-2008/09	X ²	XY
2006/07	8945.31	-2	4	-17891
2007/08	9939.77	-1	1	-9939.8
2008/09	10826.4	0	0	0
2009/10	13670.9	1	1	13670.9
2010/11	13081.2	2	4	26162.4
Tot n= 5	Y= 56463.6	X = 0	X ² = 10	xy = 12003

Source: Annul Report of Nabil Bank Limited

Let trend line be

Y = dependent variable

a = Y-intercept

b = slope of trend line or annual growth rate,

X = deviation from some convenient time periods.

Where x = X - Middle year

Here,

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

$$b = \frac{\sum XY}{\sum X^2}$$

NABIL

$$a = 11292.7$$

$$b = 1200.3$$

$$Y = 11292.7 + 1200.3 * X \text{ of NABIL}$$

B.) Trend Analysis of Everest Bank Limited

Year(x)	Total Investment(Y)	X = x-2008/09	X ²	XY
2006/07	4984.31	-2	4	-9968.6
2007/08	5059.56	-1	1	-5059.6
2008/09	5948.48	0	0	0
2009/10	5008.31	1	1	5008.31
2010/11	7743.93	2	4	15487.9
Tot n= 5	Y= 28744.6	X=0	X ² =10	xy = 5467.99

Source: Annul Report of Everest Bank Limited

$$Y = a + bx$$

Where,

Y = dependent variable

a = Y-intercept

b = slope of trend line or annual growth rate,

X = deviation from some convenient time periods.

Let trend line be

$$Y = a + b x \dots \dots \dots (I)$$

Where $x = X - \text{Middle year}$

Here,

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

$$b = \frac{\sum XY}{\sum X^2}$$

EBL

$$a = 5748.92$$

$$b = 546.799$$

Where as

$$Y_c = 5748.92 + 546.799 * X \text{ of EBL}$$

C.) Trend Analysis of Nepal SBI Bank Limited

Year(x)	Total Investment(Y)	X = x-2008/09	X ²	XY
2006/07	2659.45	-2	4	-5318.9
2007/08	3088.89	-1	1	-3088.9
2008/09	13286.2	0	0	0
2009/10	16305.6	1	1	16305.6
2010/11	18911	2	4	37822
Tot n= 5	Y= 54251.2	X=0	X ² =10	xy = 45719.9

Source: Annul Report of Nepal SBI Bank Limited

$$Y = a + bx$$

Where,

Y = dependent variable

a = Y-intercept

b = slope of trend line or annual growth rate,

X = deviation from some convenient time periods.

Let trend line be

$$Y = a + b x \dots\dots\dots (I)$$

Where x = X - Middle year

Here,

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

$$b = \frac{\sum XY}{\sum X^2}$$

NSBIL

$$a = 10850.2$$

$$b = 4571.99$$

Where as

$$Y_c = 10850.2 + 4571.99 * X \text{ of NSBIL}$$

Appendix - 4

A) Trend Analysis of Nabil Bank Limited

Year(x)	Net Profit (Y)	X = x-2008/09	X ²	XY
2006/07	673.96	-2	4	-1347.9
2007/08	746.47	-1	1	-746.47
2008/09	1031.05	0	0	0
2009/10	1139.1	1	1	1139.1
2010/11	1337.75	2	4	2675.5
Tot n= 5	Y = 4928.33	X = 0	X ² = 10	XY = 1720.21

Source: Annul Report of Nabil Bank Limited

Where,

Y = dependent variable

a = Y-intercept

b = slope of trend line or annual growth rate,

X = deviation from some convenient time periods.

Let trend line be

$$Y = a + b x \dots \dots \dots (I)$$

Where x = X - Middle year

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

$$b = \frac{\sum XY}{\sum X^2}$$

NABIL

$a = 985.666$

$b = 172.021$

Where as

$Y_c = 985.666 + 172.021 * X$ of NABIL

B.) Trend Analysis of Everest Bank Limited

Year(x)	Net Profit (Y)	X = x-2008/09	X ²	XY
2006/07	297.99	-2	4	-595.98
2007/08	451.22	-1	1	-451.22
2008/09	638.73	0	0	0
2009/10	831.77	1	1	831.77
2010/11	931.3	2	4	1862.6
Tot n= 5	Y = 3151.01	X = 0	X ² =10	XY = 1647.17

Source: Annul Report of Everest Bank Limited

Where,

Y= dependent variable

Y = dependent variable

a = Y-intercept

b = slope of trend line or annual growth rate,

X = deviation from some convenient time periods.

Let trend line be

$Y = a + b x \dots \dots \dots (I)$

Where $x = X - \text{Middle year}$

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

$b = \frac{\sum XY}{\sum X^2}$

EBL

$a = 630.202$

$$b = 164.717$$

Where as

$$Y_c = 630.202 + 164.717 * X \text{ of EBL}$$

C.) Trend Analysis of Nepal SBI Bank Limited

Year(x)	Net Profit (Y)	X = x-2008/09	X ²	XY
2006/07	254.91	-2	4	-509.82
2007/08	247.77	-1	1	-247.77
2008/09	316.37	0	0	0
2009/10	391.74	1	1	391.74
2010/11	464.56	2	4	929.12
Tot n= 5	Y = 1675.35	X = 0	X ² =10	XY = 563.27

Source: Annul Report of Nepal SBI Bank Limited

Where,

Y = dependent variable

a = Y-intercept

b = slope of trend line or annual growth rate,

X = deviation from some convenient time periods.

Let trend line be

$$Y = a + b x \dots \dots \dots (I)$$

Where x = X - Middle year

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

$$b = \frac{\sum XY}{\sum X^2}$$

NSBIL

$$a = 335.07$$

$$b = 56.327$$

Where as

$$Y_c = 335.07 + 56.327 * X \text{ of NSBIL}$$