

**CREDIT EFFICIENCY ANALYSIS
OF
EVEREST BANK LIMITED**

A Thesis

Submitted By:

Saraswoti Shrestha

**Campus Roll No: 393018
T.U. Reg. No: 7-2-528-116-2007
Shanker Dev Campus**

Submitted To:

**Office of the Dean
Faculty of Management
Tribhuvan University**

**In Partial Fulfillment of the Requirements of the Degree of
Master of Business Studies (MBS)**

**Putali Sadak, Kathmandu
August, 2014**

RECOMMENDATIONS

This is to certify that the thesis

Submitted by

SARASWOTI SHRESTHA

Entitled:

CREDIT EFFICIENCY ASNALYSIS

OF

EVEREST BANK LIMITED

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

.....
Mr. Achyut Bhattra
(Thesis Supervisor)

.....
Head of Research Department

.....
(Campus Chief)

.....
Mr. Dhurba Prasad Subedi
(Thesis Supervisor)

VIVA-VOCE SHEET

We have conducted the viva –voce of the thesis

Submitted by:

SARASWOTI SHRESTHA

Entitled:

**CREDIT EFFICIENCY ASNALYSIS
OF
EVEREST BANK LIMITED**

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

Viva-Voce Committee

Member (Research, Department Head)
Member (Thesis Supervisor)
Member (Thesis Supervisor)
Member (External Expert)

DECLARATION

I hereby declare that the work reported in this thesis entitled “CREDIT EFFICIENCY ASANALYSIS OF EVEREST BANK LIMITED” Submitted to Shanker Dev Campus, Faculty of Management, Tribhuvan University is my original work for the partial fulfillment for the Degree of Master of Business Studies (M.B.S.) under Supervision of Mr. Achyut Bhattraai and Mr. Dhurba Prasad Subedi Shanker Dev Campus, Tribhuvan University.

Saraswoti Shrestha
Researcher
SHANKER DEV CAMPUS
T.U. Reg. No: 7-2-528-116-2007
Campus Roll No: 3024/067

ACKNOWLEDGEMENT

It is very pleasure to experience own creation that add value to others. Actually this thesis entitled “**Credit Efficiency Analysis of Everest Bank Limited**” is a partial fulfillment of requirements for Master Degree of Business Studies (MBS) and I gain lot of knowledge while doing it. This thesis is of course the result of myself endeavor hard working but this would not have been completed with our helpful hand of intellectuals.

I have great pleasure to express my gratitude and sincerity to my thesis supervisor Achyut Bhattraai and Dhurba Prasad Subedi of Shanker Dev Campus for their excellent and helpful guidelines and supervision. I shall even remain indebted to them for this valuable direction, useful suggestion ad comments during the course of preparing this thesis. In addition to this thesis, I am thankful to Administrative staff of Shanker Dev Campus for their kind supports.

I want to extend by debtless to Everest Bank Limited who provided reports and study materials. Likewise, I am thankful to Liberians of Shankar Dev Campus and Central Library of TU who helped me providing necessary information and suggestion. I am thankful to all staff of EBL Branch Lazimpat for their support and cooperation.

Similarly, I am thankful to my family member as well as colleague and other related person for their cooperation, inspiration and encouragement. Last but not the least I am most indebted to my loving husband Saroj Kumar Rajbhandari for his great support and encouragement that help to give a full accomplishment to this report.

Lastly, due to lack of perfect knowledge and experience, I hearty sorry for my any mistake and take a responsible for all comments.

Saraswoti Shrestha

TABLE OF CONTENTS

	Page No.
Recommendation	
Viva-Voce Sheet	
Declaration	
Acknowledgement	
Table of Contents	
List of Tables	
List of Figures	
Abbreviations	
CHAPTER - I INTRODUCTION	
1.1 Background of the Study	1
1.2 Introduction of Everest Bank Limited	3
1.3 Focus of the Study	3
1.4 Statement of Problems	4
1.5 Objective of the Study	6
1.6 Limitation of the Study	7
1.7 Organization of the Study	7
CHAPTER - II REVIEW OF LITERATURE	
2.1 Introduction	9
2.2 Conceptual Review	9
2.2.1 Concept of Commercial bank	10
2.2.2 Function of Commercial bank	12
2.2.3 Concept of Credit	12
2.2.4 Types of Credit	13
2.2.5 Objective of the credit Policy	16
2.2.6 Lending Criteria of the Credit Policy	16
2.2.7 Principles of Lending Policy	18
2.2.8 Project Appraisal	21
2.2.9 Factors affecting Credit Policy	21
2.3 Review of Related Studies	22

2.3.1 Review of Journals and Articles	22
2.3.2 Review of Previous Thesis	24
2.4 NRB Directives	35
Research Gap	45

CHAPTER - III RESEARCH METHODOLOGY

3.1 Research Design	46
3.2 Population & Sample	47
3.3 Sources of Data	47
3.4 Methods of data analysis technique	48
3.4.1 Financial Tools	48
3.4.2 Statistical Tools	57

CHAPTER – IV DATA PRESENTATION & ANALYSIS

4.1 Measuring Liquidity Position of the Bank	58
4.1.1 Current Ratio	58
4.1.2 Liquidity Fund to Current Liability Ratio	59
4.1.3 Cash Reserve Ratio	61
4.1.4 Cash and Bank Balance to Interest Sensitive Ratio	62
4.1.5 Cash and Bank Balance to Current Assets Ratio	63
4.1.6 Loan and Advance to Current Assets Ratio	65
4.2 Assets Management Ratio	67
4.2.1 Total Assets to Total Liabilities Ratio	67
4.2.2 Loan and Advance to Total Assets Ratio	69
4.2.3 Loan and Advance to Total Deposit Ratio	70
4.2.4 Interest Spread Rate	72
4.3 Profitability Ratio	73
4.3.1 Net Profit to Gross Income Ratio	74
4.3.2 Interest Income to Total Income Ratio	75
4.3.3 Interest Income to Interest Expenses Ratio	76
4.3.4 Operating Profit to Loan and Advance Ratio	78
4.3.5 Return on Loan and Advance	79
4.3.6 Earning Per Share	81

4.3.7 Price Earning Ratio	83
4.4 Lending efficiency Ratios	84
4.4.1 Loan Loss Provision to Total Loan and Advance Ratio	85
4.4.2 Non-Performing Loan to Total Loan and Advance Ratio	86
4.4.3 Interest Expenses to Total Deposit Ratio	88
4.4.4 Interest Expenses to Total Expenses Ratio	89
4.4.5 Interest Expenses to Total Working Fund Ratio	91
4.5 Trend Analysis	92
4.5.1 Trend Analysis of Total Deposit	93
4.5.2 Trend Analysis of Loan and Advance	94
4.5.3 Trend Analysis of Net Profit	96
4.6 Major Findings of the study	98
4.6.1 Liquidity Ratio	98
4.6.2 Assets Management Ratio	98
4.6.3 Profitability Ratio	99
4.6.4 Lending Efficiency Ratio	100
4.6.5 Trend Analysis	101

CHAPTER – V SUMMARY, CONCLUSION & RECOMMENDATIONS

5.1 Summary	102
5.2 Conclusion	104
5.3 Recommendations	104

Bibliography

Appendices

LIST OF TABLES

Table No.	Page No.
4.1 Current Ratio	58
4.2 Liquidity Fund to Current Liability Ratio	60
4.3 Cash Reserve Ratio	61
4.4 Cash and Bank Balance to Interest Sensitive Deposit Ratio	62
4.5 Cash and Bank Balance to Current Assets Ratio	64
4.6 Loan and advance to Current Assets Ratio	66
4.7 Total Assets to Total Liabilities Ratio	68
4.8 Loan and advance to Total Assets Ratio	69
4.9 Loan and advance to Total Deposits Ratio	71
4.10 Interest Spread Rate	72
4.11 Net Profit to Gross Income Ratio	74
4.12 Interest Income to Total Income Ratio	75
4.13 Interest Income to Interest Expenses Ratio	77
4.14 Operating Profit to Loan and Advance Ratio	78
4.15 Return on Loan Advances Ratio	80
4.16 Earnings per Share	82
4.17 Price earnings ratio	83
4.18 Loan Loss Provision to Total Loan and Advance Ratio	85
4.19 Non-Performing Loan to Total Loan and Advance Ratio	87
4.20 Interest Expenses to Total Deposit Ratio	88
4.21 Interest Expenses to Total Expenses Ratio	90
4.22 Interest Expenses to Total Working Fund Ratio	91
4.23 Trend Value of Total Deposit	93
4.24 Trend Value of Loan and Advance	95
4.25 Trend Value of Net Profit	97

LIST OF FIGURES

Figure No.	Page No.
4.1 Current Ratio	59
4.2 Liquidity Fund to Current Liability Ratio	60
4.3 Cash Reserve Ratio	62
4.4 Cash and Bank Balance to Interest Sensitive Deposit Ratio	63
4.5 Cash and Bank Balance to Current Assets Ratio	65
4.6 Loan and advance to Current Assets Ratio	67
4.7 Total Assets to Total Liabilities Ratio	68
4.8 Loan and advance to Total Assets Ratio	70
4.9 Loan and advance to Total Deposits Ratio	72
4.10 Interest Spread Rate	73
4.11 Net Profit to Gross Income Ratio	75
4.12 Interest Income to Total Income Ratio	76
4.13 Interest Income to Interest Expenses Ratio	78
4.14 Operating Profit to Loan and Advance Ratio	79
4.15 Return on Loan Advances Ratio	81
4.16 Earnings per Share	83
4.17 Price earnings ratio	84
4.18 Loan Loss Provision to Total Loan and Advance Ratio	86
4.19 Non-Performing Loan to Total Loan and Advance Ratio	88
4.20 Interest Expenses to Total Deposit Ratio	89
4.21 Interest Expenses to Total Expenses Ratio	91
4.22 Interest Expenses to Total Working Fund Ratio	92
4.23 Trend Value of Total Deposit	94
4.24 Trend Value of Loan and Advance	96
4.25 Trend Value of Net Profit	

ABBREVIATION

EBL	Everest Bank Limited
TU	Tribhuvan University
NG	Nepal Government
AD	Anno Dominee
AGM	Annual General Meeting
BS	Bikram Sambat
CD`	Credit Deposit
LLP	Loan Loss Provision
Ltd	Limited
NABIL	Nepal Arab Bank Limited
NBL	Nepal Bank Limited
NPA	Non-Performing Assets
NPL	Non-Performing Loan
MPS	Market Per Share
EPS	Earning Per Share
ABBS	Anytime Branch Banking System
RWA	Risk Weighted Assets
CEO	Chief Executive Officer
A/C	Account
Rs.	Rupee
%	Percentage
i.e.	That is

INTRODUCTION

1.1 Background of the study

The concept of banking has been developed from the ancient history with the effort of ancient goldsmiths who developed the practice of storing people's gold and valuable under such agreements the depositors would leave their gold for safekeeping and given a receipt by the goldsmith. Whenever, the receipt was presented the depositors would get back their gold and valuables after a small amount as fee for safekeeping and serving.

Banking system plays significant role in the economic development of the country. Bank is a mediator for the economic development, which maintains the self-confidence of various segments of society and extends credits to the people. So, commercial banks are those financial institutions mainly dealing with activities of the trade, commerce, industry and agriculture that seek regular financial and other helps from them for growing and flourishing the objectives of commercial banks is to mobilize idle resources into the most profitable sector after collecting them from scattered sources. Commercial banks contribute significantly in the formation and mobilization of internal capital and development effort.

To overcome this economic situation, government has to formulate and implement strategies focusing overall industrialization of the nation and development of a sound banking system is necessary for the rapid industrial development. Dr. Shrestha says, "Financial infrastructure of an economy consists of financial intermediation, financial institution and financial markets" (*Shrestha: 1990*)¹ financial institution, in this economy plays a role of catalyst in the process of economic growth of the country. In this country, a bank is a financial institution, which plays a significance role in the development of a country. It facilitates the growth of trade and industry of national economy. However, bank is a mediator for economic development, which maintains the self confidence of various segments of society and extends credit to the people. Banking sector plays a vital role for the country's economic development opportunities to people. Banks have always been the most important and the targets of financial intermediaries almost everywhere. It plays significant role in the development of a country intermediating between the saving and investment. Essentially the banks and financial systems are the channel through which money has been mobilized distribution

throughout the economy. Any bank must maintain adequate cash and bank balance to meet its day-to-day management of cash resources for remote contingencies.

Bank grants loan and advances to industries, people and companies that results in the increase in the productivity of nation. For example:- the loan against to agricultural sector enhances the agricultural product on. The farmers can use the loan amount as per their need to produce their product that will promote the agriculture product. Similarly the loan and advances to different people and corporate bodies help to increase their income and profits. They can use the amount as per their need at right place at the right time. Bank is a business organization where monetary transaction occurs. It creates fund from its clients saving and lends the same to needy person or business companies in term loans, advances and investments. Therefore proper financial decision making is more important in banking transactions for its efficiency and profitability. Most of the financial decision making is loan management. It plays the vital role in the business succession, so efficient management of lending policy is needed.

The source of finance is most essential element for the establishment and operation of financial institute. Profit oriented institutions usually obtain these sources through ownership capital, public capital through issue of shares and debentures, borrowing through banking institution as credit or loan. Now days, the essential sources of the organization for financial supporting is the credit, overdrafts and others provided by banking institution. The study focuses on evaluating the deposits utilization of the banks in terms of loans and advances and investments and its contribution in the profitability of the bank. It also focuses on the contribution of off-balance sheet activities in the earnings of the bank and non-performing assets positions of the banks. The term credit is referred to the loan. Credit is the amount of money lent by the creditor (bank) to the borrower (Customer) either based on security or without security.

Nepal is a small landlocked country surrounded by India in the East, West and South and China in the North. The area covered by Nepal is 147181Sq. Km. It is one of the least developed country in the world. Nepal is very rich in natural resources and scenic beauty. It is the second richest country resources in the world after Brazil. Geographically, Nepal is divided into three regions: Himalayan region, Hilly region and Terai region. These three regions are totally different from one another with respect to climatic condition, living style economic condition etc. Nepal is also divided into five development regions, fourteen zones

and seventy five districts. The reason behind these divisions is the balanced economic growth of the country.

1.2 Introduction of Everest Bank Limited:

Everest Bank Limited (EBL) started its operations in 1994 with a view and objective of extending professionalized and efficient banking services to various segments of the society. The bank is providing customer-friendly services through its Branch Network. All the branches of the bank are connected through Anywhere Branch Banking System (ABBS), which enables customers for operational transactions from any branches.

With an aim to help Nepalese citizens working abroad, the bank has entered into arrangements with banks and finance companies in different countries, which enable quick remittance of funds by the Nepalese citizens in countries like UAE, Kuwait, Bahrain, Qatar, Saudi Arabia, Malaysia, Singapore and U K. Bank has set up its representative offices at New Delhi (India) to support Nepalese citizen remitting money and advising banking related services.

Recognizing the value of offerings a complete range of services, we have pioneered in extending various customer friendly products such as Home Loan, Education Loan, EBL Flexi Loan, EBL Property Plus (Future Lease Rental), Home Equity Loan, Vehicle Loan, Loan Against Share, Loan Against Life Insurance Policy and Loan for Professionals.

1.3 Focus of the study

Although the joint venture banks have managed credit than other local commercial banks within short span of time, they have been facing a neck-to-neck competition against one another. Among this joint venture banks, this research is based on mainly joint venture banks, namely Everest Bank Limited. Joint venture commercial banks play a tremendous role in a developed or developing nation also helps to improve the economic sector of the country.

Typically, commercial banks main motive is to make profit by providing quality services to the customers. In Nepal, there exist 30 commercial banks including KIST bank realizing their services. The study focus on evaluating the deposits utilization of the banks in terms of loans and advances and investments and its commercial banks are the heart of financial systems.

They hold the deposit of many persons, government establishment and business. The study focuses on evaluating the deposits utilization of the banks in terms of loans and advances and investments and its contribution in the profitability of the bank. It also focuses on the contribution in the profitability of the bank. Commercial banks are the heart of 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 borrowing individual's business firms and government establishment. In doing so, they assist both the flow of goods and services from the producers to consumers and the financial activities of the government. They provide a large portion of medium of exchange and they are the media through which monetary policy is affected. These facts show that commercial banking system of nation is important to the functioning of the economy.

Financial institution is currently viewed as catalyst in the process of economic growth of country. A key factor in the development of an economy is the mobilization of the domestic resources and intermediaries, the financial institution helps the process of resources mobilization. The importance of financial institutions in the economy has of late grown to an enormous extent. The government in turn is required to regulate their activities. So, the financial policies are implemented as per the requirement of the country.

Therefore, this researcher has focused this resource mainly to highlight and examine the credit efficiency of the selected bank ignoring other aspects of bank transaction. To highlight the credit efficiency of the bank, the research is based on the certain statistical tools i.e. mean with a view to find out the true picture of the bank. The main objective of this research is to analyze the credit efficiency through the use of appropriate financial tools.

1.4 Statement of the Problem

The problem of the study will ultimately find out the reasons about the credit efficiency. A study on the credit efficiency of the commercial banks would be highly beneficial for pointing out their strength and weakness. Although joint venture banks have manage to perform better than other local commercial banks within short span of time, they have been facing a neck-to-neck competition against one another fluctuating and low interest rates on deposits, poor deposit mobilization trade, commerce etc. have affected on the return of funds, total assets, total deposits and shareholders wealth position. Since the joint venture banks have been established gradually because of the liberal and market oriented economic policy

(Report) of Nepal Government, they have been facing though competition from other commercial banks and of course each other. Although various joint venture banks operating in Nepal after Nepal Government adopted the open liberal and market oriented economic (Report), the financial sectors have not been enough to meet the growing resources need to the economy as expected before. Why is so and what is the problem? To answer this question an analysis of their present credit efficiency is necessary. Therefore, focus of the present study is on the credit efficiency of the joint venture banks in Nepal with special reference to Everest Bank Ltd.

Since the liberalization policy of the government, various banks and financial institutions has been established with, a view to reinforce the economic growth of the country. They have played an indispensable role by accepting deposits and granting loans. Investment of the collected funds is the most important factor for both shareholders and the bank as they are the source of earning. Credit extended by these banks is directly related to the national interest.

Similarly financial companies have been emerging rapidly and the bank has to compete with them. Since, finance companies are making investment in the same sectors where commercial banks typically invest. Commercial banks are more interested in providing loans on short term projects due to safety and security of their loans. Thus, they are following conservative loan policy based on strong security. Similarly, these banks don't have a well organized credit efficiency. They rely much on the instructions and guidelines of NRB. Even if they have formulated some guidelines, they fail to implement it due to poor supervision & lack of professionalism.

Joint Venture Banks are utmost importance as they have contributed significantly to the overall economic development of the country. Yet, after so long since their establishment and successful operations for almost two decades, they are not free from problems and hindrances in their avenue. Since, we are concerned with the sample (*Everest Bank Ltd.*) we will be discussing about it. This bank has been operating pretty well from its inception. It has been awarded prestigious titles because of its experience in the field of international banking, hi-tech computerized services, professional attitude, qualified and experienced work force, quality and reliable services that served as the key factor for its rapid progress. It has been able to control and capture a remarkable leadership of Nepalese Banking sector in a relatively short period in terms of both market share and market price. Project appraisal method followed by commercial banks is not scientific and appropriate granting loan against

insufficient deposits overvaluation of goods pledged, land and building mortgaged, risk-averting decision regarding loan recovery and negligence in recovery of overdue loans are some of drawbacks of unsound investment policy. Similarly, loan supervision and follow up mechanism is lacking in many commercial banks.

Thus this study seeks to answers the following questions.

1. What is the impact of deposit in liquidity?
2. What is the relationship among deposit, loan and advance and net profit?
3. What is the deposit collection and utilization of EBL?
4. What is the lending efficiency maintain by EBL?
5. What are the criteria to be followed for providing loans?

1.5 Objective of the Study

Undoubtedly, the role of commercial bank in mobilizing and utilizing scattered resources of the nation is praiseworthy one. The basis objectives of the study are to have true insight into the credit aspects (practice of disbursing loans and recovery of the Everest Bank Ltd.). This aims to examine its efficient in effectiveness, systematization and sincerity in disbursing and recovery loan as well within the directives of NRB, Financial institution act and its own policy.

The main objective of this study is to evaluate the credit efficiency of Everest Bank Limited. Besides, there may be other objectives as well.

- To examine the impact of deposit in liquidity.
- To explore and evaluate loan management procedures.
- To analyze the lending efficiency of the bank.
- To evaluate the assets management efficiency and portfolio ratios.
- To analyze and forecast the trend and structure of loan and advance, total deposit and net profits and its projection for next five years.

1.6 Limitation of the Study

Although this study will try its utmost care to cover most of the importance sectors, it is still subject to the following limitations, which are as follows:

- This study has employed secondary data published by and collected from Everest banks.

- The study covers a period of 5 fiscal years 2009/2010 to 2013/14 which will be tabulated and processed for drawing conclusion.
- The accuracy of the research work will be dependent on data provided by concerned organization.
- Time factor is major limitation of this study.
- This study concentrates only credit efficiency of Everest Bank Limited.

1.7 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. It has served orientation for readers to know about the basic information of the research area, various problems of the study, and objectives 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

This chapter of the study assures readers that they are familiar with important research that has been carried out in similar areas. It also establishes the study of link in a chain of research that is developing & emerging knowledge about concerned field. This chapter mainly includes conceptual framework of the study and review of previous study i.e. books, journals, articles and thesis.

CHAPTER – III: Research Methodology

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

CHAPTER – IV: Presentation and Analysis of data

This chapter analysis and interpreted the data by using figure and tables related with study and presents the major 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.

Finally, appendices contain list of bibliography, copies of different sheets having information required for the study and different basic calculations.

CHAPTER –II

REVIEW OF LITERATURE

2.1 Introduction

Review of literature means reviewing research studies or other relevant proposition in the related area of the study so, that all the past and previous studies, their conclusion and perspective of deficiency may be known and further researches can be conducted or done. Review of literature implies putting new spectacle in old eyes to think in new way by posing the problem with new data and information to see that what results are derived. The review of literature is a crucial aspect because it denotes planning of the study. The main purpose of literature review is to find out what works have been done in the area of the research problem under study and what has not been done in the field of books, reports, journals and research studies published by various institution, encyclopedia etc and unpublished dissertations submitted by master level students also have been reviewed.

It is divided into two headings:

- Conceptual Review
- Review of related studies
 - Review of Journal and Article
 - Review of Previous Thesis

2.2 Conceptual Review

The review of textbook and other reference books are included in this topic. “Credit administration involves the creation and management of risk assets. The process of lending takes in to consideration about the people and system required for the evaluation and approval of loan requests, negotiation of terms, documentation, disbursement, administration of outstanding loans and workouts, knowledge of the process and awareness of its strength and weakness are important in setting objectives and goals for lending activities and for allocating available funds to various lending functions such as commercial, installment and mortgage portfolios” (*Johnson, 1940:132*).

“Many subject matters like the policy of loan flow, the documents of loan flow , loan administration , audit of loan, the condition of loan flow the provision of security, this management plays a great role in healthy competitive activities” (*Bhandari 2003:170*).

“It is very important to be reminded that most of the bank failures in the world are due to shrinkage in the value of loan and advance. Hence, risk of non-payment of loan is known as credit risk default risk” (*Dahal, 2002:114*).

“Portfolio management helps to minimize or manage the credit risks by spreading over the risk to various portfolios. This method of managing credit risk is guided by the saying do not put all the eggs in a single basket” (*Bhandari, 2005:300*).

2.2.1 Concept of Commercial Bank

The term 'Bank', signifies the place where we keep our money for safe keeping as well as for earning some interest or the place from where we borrow money as loan. As regard to the borrowing money from the Bank, we may consider its function as that of money lender in our society. But a bank a moneylender is different in the sense that the former lends the money which is principally collected from their depositors while later does so from its own resources. The Random House Dictionary of the English Language defines the bank as an institution for receiving money and in some cases, issuing notes and transacting other financial business (Stein & Urdang, 1985;29).

Banks refer to an institution, which perform the activities related with money and credit. Banks have been traditionally regarded as merely the purveyor of money. But today they are not merely purveyor of money but creator or manufacturer of money in an economic system. Macleod, in this book 'theory of credit' has defined the bank not only as an institution, that borrows and lend money but also the institution for creating credit. In the opinion of Sayers, Banks are the institutions whose debts usually are referred to as bank deposit and are commonly acceptable in final settlement of other people's debt. He has taken the bank deposit as the debt owe by bank and that particular depositor can set off his liability with his creditor by the deposit in the Bank to the extent of his deposit amount.

"A banker or bank is a person or company carrying on the business of receiving money and collecting drafts, for customers subject to the obligation of honoring cheque drawn upon them from time to time by the customers to the extent of the amount available on their customer" (*Shekher&Shekher; 1999:4*).

"No one can be a banker who does not take deposit accounts take current accounts, issue and pay cheque of crossed and uncrossed, for his customers. If the banking business carried on by any person is subsidiary to some other business; he cannot be regarded as a banker (*Paget, 1987:2*).

Bank perform all kinds of banking functions as accepting deposit, advancing credits, credit creation and agency functions. It provides short-term credit, medium term credits and long terms credit to trade and industry. It also operates off balance sheet functions such as issuing guarantee, bonds, letter of credit, etc.

Commercial banks act as an intermediately; accepting deposits and providing credits to the needy area. The main source of the commercial bank is current deposit, so they give more importance to the liquidity of investment and as such they specialize in commercial banks are restricted to invest their funds in corporate securities. Their business is confined to financing the short-term needs of trade and industry such as working capital financing. They cannot finance in fixed assets. They grant credits in the form of cash credits and overdrafts. Apart from financing, they also render services like collection of bills and cheque, safe keeping of valuables, financial advising, etc to their customers (*Vaidhya, 1999:24*).

The Commercial Bank Act 2031, under which commercial banks in Nepal are established and operated, has defined Commercial Bank as a bank which exchanges money, accepts deposit, advances loans and performs other commercial transactions and which is not specially established with the objectives of co-operative, agricultural, industrial or any other of such kind of specified purpose. The Act has defined the commercial Bank on the basis of its objectives and activities. Referring to the act, a commercial bank:

- Should be established with a specified objective of co-operative, agricultural, industrial or any of such of specific purpose.
- Should accept customer deposit.
- Should advance loans and make investments.

- Perform commercial transactions.

The same Act has provided for the modalities of establishing a commercial bank, as per which a commercial bank can be established under the Company Act as a limited liability company only with the recommendations of Nepal Rastra Bank. From the various definition made and opinion produced regarding commercial banking, it can be concluded that a commercial bank is set up to collect scattered funds and employ them to productive sector of economy.

2.2.2 Functions of Commercial Banks

“The business of commercial bank is primarily to hold deposit and make credits and investments with the object of securing profits for its shareholders. Its primary motive is profit; other consideration is secondary” (*Sudharsanam’ 1976:123*).The major functions of commercial banks are as follows.

- Accepting Deposit
- Advancing Credit
- Agency Services
- Credit Creation
- Financing of Foreign Trade
- Safekeeping of Valuable
- Making Venture Capital Credits
- Financial Advising, Security Brokerage Services.
- Assist in Foreign Trade
- Offers Investment Banking and Merchant Banking Services

2.2.3 Concept of Credit

“Credit is the amount of money lent by the creditor (bank) to the borrower (customers) either on the basis of security or without security. Sum of the money lent by a bank, is known as credit” (*Oxford Advanced Learners Dictionary; 1992:279*). “Credit and advances is an important item on the asset side of the balance sheet of a commercial bank. Bank earns interest on credits and advances, which is one of the major sources of income for banks. Bank

prepares credit portfolio, otherwise it will not only add bad debts but also affect profitability adversely” (*Varshney and Swaroop; 1994:6*)

“Credit is financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for an obligation of repay on specified date on demand. Banks generally grants credit on four ways” (*Chhabra and Taneja; 1991:4*)

- Overdraft
- Cash Credit
- Direct Credit
- Discounting of Bills

2.2.4 Types of Credit

Overdraft:

It denotes the excess amount withdraw over their deposits.

Cash Credit:

The credit is not given directly in cash but deposit account is being opened on the name of credit taker and the amount credited to that account. In this way, every credit creates deposit.

Term Credit:

“It refers to money lent in lump sum to the borrowers. It is principal form of medium term debt financing having maturities of 1 to 8 years. Barely and Myers urge that bank credits with maturities exceeding 1 years are called term credits. The firm agrees to pay interest based on the bank’s prime rate and to repay principal in the regular installments. Special patterns of principal payments over time can be negotiated to meet the firm’s special needs.” (*Richard; 1996:80*).

Working Capital Credit:

Working capital denotes the difference between current assets and current liabilities. It is granted to the customers to meet their working capital gap for supporting production process.

A natural process develops in funds moving through the cycle are generated to repay a working capital credit.

Priority or Deprived Sector Credit:

Commercial banks are required to extend advances to the priority and deprived sector .12% of the total Credit must be towards priority sector including deprived sector. Rs.2million for agriculture cum service sector and Rs.2.5 million for single borrows are limit sanctioned to priority sector. Institutional support to ‘Agriculture Development Bank’ and ‘Rural Development Bank’ are also considered under this category, deprived sector lending includes:

- Advances to poor/downtrodden /week/ derived people u p to Rs. 30,000 for generating income or employment.
- Institutional Credit to Rural Development Bank.
- Credit to NGOs those are permitted to carryout banking transaction for lending up to Rs30, 000.

Hire-purchase Financing (Installment Credit)

Hire- purchase credits are characterized by periodic repayment of principal and interest over the maturity of the credit. Hirer agrees to take the goods on hire at a stated rental including their repayment of principal as well as interest with an option to purchase. A recent survey of commercial banks indicates those bank are planning to offer installment credits on a variable rate basis. It can be secured and unsecured as well as direct and indirect installment credit.

Housing Credit (Real Estate Credit)

Financial institutions also extend housing credit to their customers. It is different types, such as: residential building, commercial complex, construction of warehouse etc. It is given to those who have regular income or can earn revenue from housing project itself.

Project Credit

Project Credit is granted to the customers as per project viability. The borrowers have to invest certain proportion to the project from their equity and the rest will be financed as project credit. Construction credit is short-term credits made to develop for the purpose of completing proposed projects. Maturities on construction credits range from 12 months to as long as 4 to 5 years, depending on the size of the specific project (*Johnson;1940:242*). The basic guiding principle involved in disbursement policy is to advance funds corresponding to the completion stage of the project. Hence, what percent of the credit will be disbursed at which stage of completion must be spelled in disbursement policy? Term of credit needed for project fall under it.

Consortium Credit

No single financial institution grant credit to the project due to single borrower limit or other reasons and two or more such institution may consent to grant credit facility to the project among them. Financiers bank equal (or Likely) charge on the project's assets.

Credit cards and Revolving lines of Credit

Banks are increasingly utilizing charge cards and revolving lines of credit to make unsecured consumer credit. Revolving credit line lowers the cost of making credit since operating and processing cost are reduced. Due to standardization, centralized, department processes revolving credits resulting reduction on administrative cost. Continued borrowing arrangement enhances cost advantages.

Once the credit line is established, the customer can borrow and repay according to his needs and the bank can provide the fund to the customer at lower cost.

Charge cards and credit lines tied to demand deposit accounts are the two most common revolving credit agreements. It can be further divided into credit cards, automatic overdrafts lines and large credit lines.

Off- Balance Sheet Transaction

In fact, bank guarantee and letter of credit refer to off balance sheet transactions of financial institution. It is also known as contingent liability. Contingent liability pinpoints the liability which may or may not arise during the happening of certain event. Footnotes are kept as reference to them instead of recording in the books of accounts. It is non funded based remunerative facilities but more risky than the funded until adequate collateral are not taken. Lets its two varieties be described separately.

Bank Guarantee

It is used for the sake of the customers in favor of the other party (beneficiary) up to the approved limit. Generally, a certain percent amount is taken as margin from the customer and the customer's margin account is credited.

Letter of credit (L/C)

It is issued on behalf of the customer (importer) in favor of the exporter (Seller) for the import of goods and services stating to pay certain sum of money on the submission of certain documents complying the stipulated terms and conditions as per as the agreement of L/ C . It is also known as importers letter of credit since the bank of importer do not open separate L/C for the trade of sum commodities.

2.2.5 Objectives of Credit Policy

The purposes of a written credit policy are

- To assure compliance by lending personnel with the bank's policies and Objectives regarding the portfolio of credits and
- To provide personnel with a framework of standards within which they can operate.

2.2.6 Lending Criteria of Credit Policy

While screening a credit application, 5- cs to be first considered supported by documents.

They are:

1. Character

Character is the analysis of the applicant as to his ability to meet the obligations put forth by the lending institution. For this analysis, generally the following documents are needed.

- Memorandum and Articles of Association
- Registration certification
- Tax registration certificate (Renewed)
- Resolution to borrow
- Authorization- person authorizing to deal with the bank

2. Capacity

Describe customer's ability to pay. It measured by applicants past performance records and followed by physical observation. For this, an interview with applicant's customers/suppliers will further clarify the situation, Documents relating to this area were:

- Certified balance sheet and profit loss account for at least past 3 years.
- In case of the personal loan they have to submit the proof source of income.
- References or other lenders with whom the applicant has dealt in the past or bank A/C.

3. Capital

This indicates applicant's capacity to inject his own money. By capacity analysis, it can be concluded that whether borrower is truing to play with lender's money only or is also injecting his own fund to the project. For capital analysis, financial statements, like certified balance sheet, profit and loss account is the only tools.

4. Collateral

Collateral is the security proposed by the borrower. Collateral may be of either nature movable or immovable. Movable collateral comprises right from stock, inventories to plying

vehicles. In case of immovable it may be land with or without building or fixtures, plant machineries attached to it.

5. Conditions

Once the funding company is satisfied with the character, capacity, capital and collateral then a credit agreement (Sanction letter) is issued in favor of the Borrower stating conditions of the credit to which borrower's acceptance is accepted.

2.2.7 Principles of Lending (Credit) Policy

Lending constitutes the main business of a banking company. A major chunk of the profits of a bank comes out of this function. But no lending can take place without some inherent risks. As bankers are trustees of the depositors' money, they cannot take undue risks. A banker has to follow a cautious policy and conduct the business of lending on the basis of certain sound principles. Here are some of the important principles of sound lending.

1. Safety

The main business of banking consists in borrowing various types of deposits such as current, saving and fixed deposits and lending such deposits to needy borrowers in the form of advances and discounting of bills. This obviously implies that safety of such funds should be ensured. Otherwise the banker will not be in a position to repay his deposits and once the confidence of the depositors is shaken, he cannot carry on the banking business.

If the banker has to ensure safe lending, he has to look to the three C's of the borrower namely Character, Capacity and Capital. Character of the borrower is important because that determines his willingness to repay the loan. His capital and capacity to run the business successfully determine his capacity to pay. The safety of the loan depends on both his capacity to repay and willingness to repay.

Banks will have to keep a portion of the deposits received for honoring the demands made by the customers. Only the balance can be safely. The bank's endeavor is of course to lend as much of the deposits as possible, without which he will not be in a position to meet his interest, obligations and the maintenance of establishment. Therefore, he has to lend with a view to earn interest but lend it safe.

2. Liquidity

By liquidity is meant the readiness with which the bank can convert the assets into cash. Liquidity means short-term solvency of the borrower. A banker is essentially the lender of short-term funds because he knows that the bulk of his deposits are repayable on demand or at short notice. As the banker's deposits are subject to the legal obligation of being repayable on demand and at short notice, he must ensure liquidity also while lending, so that in times of need, he will be able to convert the assets into cash.

Bank can ensure high liquidity by keeping all deposits in the form of cash only. In such a case, he will not be in position to meet the interest obligations and expenditure of the establishment. From experience, he has learnt that he can safely lend out a substantial portion of the funds. But while lending he should try to ensure liquidity, i.e. in times of need, he must be able to obtain repayment of the money within a reasonably short time. Liquidity also implies that the assets can be sold without any loss. Thus the concept of liquidity has twin aspects namely quick sale ability or convert ability of the assets and the absence of risk of loss in such conversion.

3. Profitability

Commercial banks obtain funds from shareholders and naturally if dividend is to be paid on such shares it can only be paid by earning profits. Even in the case of public sector banks although they are service motivated they will have to justify their existence by earning profits. This is not possible unless the funds are employed profitably. From out of the revenue earned, the banker has to pay interest on deposits, salary to the staff, meet other establishment expenses, build-up reserves and the balance must permit the payment of dividend to shareholders. So for the bank to sustain on a long run, it has to seek many profitable sectors where it can mobilize its collected fund. Before lending, a banker has to see that the advance and credit is on the whole profitable. Lending rates are affected by banks' internal policy like credit rating of the borrower, bank rate of NRB, inter-bank competition and NRB's guidelines on lending rates.

4. Purpose of Loan

Nowadays, the purpose for which loans are granted has acquired precedence over the principle of security. If a loan is required for a non-productive or speculative purpose, a banker will be reluctant to entertain the proposal. Loans for social functions, ceremonies, pleasure trips or for repayment of prior loans are not favored by a banker, as they are unproductive in nature. But it is very difficult for the bank to ensure that the advance has been used for the purpose for which it was taken. A person may take a loan obviously for a productive use, but may spend it on speculation. The central bank through its directives, also determines the policy to be followed by the banks with regard to the purpose for which advances may not be granted. So a banker should enquire the purpose for which it is taken for safe lending.

5. Security

Traditionally, bankers have been security oriented. The security offered against a loan can be of various types. It may vary from a piece of land or a building to a commercial paper or bullion. Whatever may be the security, a banker has to realize that it only a cushion to fall back upon in case of need and its adequacy alone should not form the sole consideration for advance. It must be ensured that the security when accepted must be adequate, readily marketable, easy to handle and free from encumbrances.

6. Diversification of Loans

There is a very familiar saying that “Do not put all the eggs in the same basket.” Banker should try to diversify loans as far as possible, so that he may minimize his risks in lending. If the banker lends only to one industry or only to few big firms or concentrates in a certain geographical area, the risk is great. He should diversify lending, so that he may not be affected by the failure of one industry or of a few big borrowers. A banker who puts all his eggs in one basket is not a prudent banker.

7. National Interest and Suitability

Bankers must ascertain on what type of business the customer is involved whether it serves the national interest or not, whether the firm is acting responsibly towards the society that it is

operating in like brick industry or the cement industry and the precautions taken by it against environment pollution. Central bank issues directives, prohibiting banks to invest in various sectors such as the import of arms and ammunitions etc. Also bankers must remain vigilant of the law and order situation where borrower carries its business.

2.2.8 Project Appraisal

Before providing credit to the customer, bank makes analysis of project from various aspects and angles. It will help the bank to see whether project is really suitable to invest. The purpose of project appraisal answers the following questions:

- Is the project technically sound?
- Will the project provide a reasonable return?
- Is the project in line with the overall economic objectives of the economy?

“Generally, the project appraisal involves the investigation from the following aspect.”
(Gautam; 2005: 258):

- Financial aspect
- Economic aspect
- Management / Organizational aspect
- Legal aspect

2.2.9 Factors affecting Credit Policy

Generally, the followings factors are to be considered to make effective loan management. It is also called the factors of credit policy. It helps to get effective credit worthiness.

1. Industry environment

It determines the nature of the industry structure, its attractiveness and the company's position within the industry. Structural weakness of a company does affect to its credit policy.

2. Financial Condition

It depends upon the borrower's capacity to repay through cash flow as the "First way-out". The strength of 'second way-out' i.e. through collateral liquidation is also assessed. Further the possibility to fall back on income of sister concerns in case of financial crunch of the company condition theaters repayment capacity.

3. Management Quality

It determines the interigity, competences and nature of alliances of the borrower's management team. Weakness in replacement needs to be evaluated.

4. Technical strength

It determines the strength and quality of the technical support required for sustainable operation of the company in terms of manpower, the viability of the technology uses, availability of after sales service, cost of maintenance and replacement need to be evaluated.

5. Security realization

It determines the control over the various securities obtained by bank to secure the loan provided excitability of the security documents and present value of the propertie mottgaged with the bank. Weakness in security threatens the bank's second way out.

2.3 Review of Related Studies

2.3.1 Review of Journals and Articles

In this section, effort has been made to examine and review of some related articles in different economic and financial journals.

Shrestha, (1998) "*Lending Operations of Commercial Banks of Nepal and its Impact on GDP*" presented objectives to make an analysis of contribution of commercial banks' lending to the Gross Domestic Product (GDP) of Nepal. She has set a hypothesis that there has been a positive impact of lending of commercial banks to the GDP. In research methodology, she has considered GDP as the dependent variable and various sectors of lending viz. agriculture,

industrial, commercial, service, general and social sectors as independent variables. A multiple regression technique has been applied to analyze the contribution.

The multiple analyses have shown that all the variables except service sector lending have positive impact on GDP. Thus in conclusion, she has accepted the hypothesis, i.e. there has been positive impact on GDP by the lending of commercial banks in various sectors of economy, except service sector investment."

Bhattarai, (2002) "*Something is Rotten with the State of Commercial Banking in Nepal*" starts with words like NPA, conflict of interest, merky offshore ownership, well connected defaulter, loan swapping and political obstruction to describe the commercial banks in Nepal. Bhattarai quoted the words of the Governor to describe the state of banking sector as 'terrible'. Also, he quotes one of the donor representatives involved in financial reform as "Nepal has the weakest central bank in the developing world." As per the author, bankers with patronage could get away with getting anything they wanted approved by the regulator. He quotes the first governor of NRB, "only 3 out of 12 Governors actually completed their five year terms in its entire history because they were sacked for undefined exigencies." He also quotes Pant, the then Executive Director of Nabil, "The financial sector is in appalling state."

Bhattarai says that all the evidences gathered for his article point to one direction-the regulatory body, NRB not doing its job properly and explains that the malaise with the financial sector was deep. As an instance, presents Nabil Bank and its ownership. and bets on the fact that even Nabil Bank Shareholders do not know of the Bank's owners of the major block of shares. The author expects NRB to disclose this fact if they know about it.

Another example Bhattarai presents is on the profitability of the banks in the very first year and questions their profit figures with the given state of ailing economy, where each sector is showing heavy losses. Also, the increasing trend of Non-performing Assets (NPAs) is explained by him is a result of scam. A scam process as explained to him by an NRB official goes like this, "You put in Rs.50 million to promote a bank and then borrow Rs.500 million from it. They are not opening banks to do banking but to siphon loans for themselves." However, the author is of a view that the new directives issued on October 2001 shall improve the situation.

Here, the author has not clearly mentioned of the research methodology. The conclusions are not well supported by data. The article reflects a one sided biased view of the author and the

view of NRB on this has not been taken. The conclusion made by the author has not been tested.

Bhandari (2007), in well read article, “Etiology and strategy of Loan Repayment”, has concluded that lending agencies should adopt several strategies for achieving their target of credit repayment, however, before enforcing coercive actions against entrepreneur and the enterprise, the banks and the lending agencies should follow a series of liberal strategies for recovering their loans.

Zerith (2008), in article “Credit Portfolio Management”, Affirmed that to manage the credit portfolios, bankers must understand not only the risk posed by each credit but also how the risks of individual lending and portfolios are interrelated. These interrelationships can multiply risk many times beyond what it would be if the risks were not related, until recently, few banks used modern portfolio management concepts to control credit risk. Now, many banks view the credit portfolio in its segments and as a whole and as a whole and consider the relationships among portfolio segments as well as among loans. These practices provide management with a more complete picture of the bank’s credit risk profile and with more tools to analyze and control the risk.

Zenith further conclude that effective credit portfolio management begins with oversight of the risk in individual loans. Prudent risk selection is vital to maintaining favorable lending quality. Therefore, the historical emphasis on controlling the quality of individual credit approvals and managing the performance of lending continues to be essential. But better technology and information systems have opened the door to better management methods. A portfolio manager can now obtain early indications of increasing risk b taking a more comprehensive view of the credit portfolio.

2.3.2 Review of Previous Thesis

Luitel (2001), Conducted thesis is on “*Credit Management of Nepal Bank Limited*” with the objective of;

- To analyze the growth, objective, function and role of NBL.
- To study the major regulations such as NRB directives government policy.

- To evaluate whether the bank is efficient of face the challenges and assist the government in the points outlined in the statement of the problem of this study.
- To highlight the functions and policies of NBL
- To measure the comparative financial strengths weakness and to analyze the banks performance under priority sectors of government.
- To analyze income and expenditure areas.
- To recommend necessary improvement for their effective and relationship between various component of assets and liabilities side of the bank balance sheet, analyzing the different financial ratios and studying the operational aspects and the products offered by them.

Different kind of accounting and statistical tools are available to meet the purpose of any study or check and analyze the facts and collected for the purpose of the study.

Major Findings

- The average current ratio of the first period was 105.11% over 100.49% of the second period. Through the proportion of current asset greater than that of current liabilities at an average during both the periods the bank cannot be said to have a sound current ratio.
- First period of the study had better short term solvency than the second period.
- The highest and lowest current ratios for the first period were 110.35% and 101.031% in the F.Y. 047/048 and 048/049 respectively. Whereas the same for the second period were 104.47% and 94.16% in F.Y. 053/054 and 056/057 B.S. respectively.
- The F.Y. 055/056 also showed the ratio less than 100% i.e. 97.92%.
- Both the period liquidity position of the bank was worsening.

Bista (2002), Conducted thesis on “*A Comparative Study on Financial Performance of Nepal SBI Bank Limited and Everest Bank Limited.*” The main objectives of research are;

- To analyze liquidity, leverage, activity profitability and ownership ratios of the bank.
- To study the income and expenditure statements of the bank.
- To analyze the bankruptcy score of the bank for the period of fiscal years from 1996/97 to 2000/01.
- To provide suggestion & recommendation based on the findings of the analysis.

Major Findings;

Based on the analysis of the various data remarkable finding are drawn up. The major findings are as follows;

- The study has been undertaken to examine and evaluate the financial performance of the joint venture banks.
- The analysis founds that the deposits of the bank have increased during the years 1999/00 and 2000/01.
- The rate of increase was comparatively low for the year 1996/97.
- Total loans and advance have been increasing at an average rate of 24 % each year, highest of 51 % in the year and lowest of 7 % in the year 1996/97.
- Total investment of the bank has been increasing over the years, which is mainly due to the bank's strategy of safe lending.

Joshi (2003), conducted thesis on "*A Comparative Study on Financial Performance of Standard Chartered Bank Nepal Limited and Everest Bank Ltd.*" with the objective of;

- To compare investment policy of concern banks and discusses the fund mobilization of the sample bank.
- To find out the empirical relationship among total investment, deposit, loan and advance, net profit and outside asset and compare them.
- To analyze, the deposit utilization and its projection for next five years of SCBNL and EBL.
- To provide a package of possible guide lines to improve investment policy its problem and way to solve some problems and provide suggestions and recommendation on the basis of the study.

Different kind of accounting and statistical tools are available to meet the purpose of any study of to check and analyze the facts and collected for the purpose of the study.

Major finding:

- The mean current ratio of EBL is slightly higher than that of the SCBNL and the variability of ratio of EBL is more consistence than SCBNL in comparison.
- The mean ratio of cash and bank balance to total deposit of SCBNL is lower than EBL.

- SCBNL has better liquidity position than EBL because of the high volume of liquidity indicated the inability of the bank to mobilize it's current assets.
- The mean ratio investment on government securities to total working fund of SCBNL is higher than EBL.
- Growth ratio of deposit are more consistent than that of SCBNL is lower i.e. 19.28% in comparison to EBL i.e. 76.46%
- Moreover SCBNL's ratio are homogeneous than EBL.
- The mean ratio of return on loan and advance of SCBNL has found to be significantly greater than EBL with more consistency than that of EBL.

Subedi, (2005) Conducted thesis on “*Financial Performance of NABIL Bank Limited.*” The specific objectives are as follows:

- To be familiar and analyze the composition of the capital of NABIL Bank Limited of the mixture of debt and equity.
- To examine the existing financial position regarding the capital structure.
- To describe the relationship between deposits and capitalization of the NABIL Bank Limited.
- To show overall trend analysis.
- To provide the recommendation, suggestion for the development of an appropriate capital structure.

Collected data or information is presented in well manner of tables, diagrams, graphs etc. And those are analyzed using proper financial and statistical tools and techniques. The interpretation and comment are made along with the analysis.

Major Finding;

Based on the analysis of the various data remarkable finding are drawn up. The major findings are as follows;

- Deposit is the part of balance sheet which always remains the biggest in amount. It is the sensitive liability among all items.

- Total liabilities and capital deposit also increase until 2057/58 and starts to fall down.
- The proportion of debit over the total liabilities and capital is 83.85 % in average.
- Fixed deposit it taken as a long term debt in the banking business; it is key department factor to capital structure.
- The bank could collect the deposit is Rs. 766.8459 millions. In two subsequent years, it decreases and become Rs 2254.5464 millions in the finally study years.
- The average change rate is 5.89 % the proportion over total liabilities and is 26.32 % in average.
- The yearly change rate is in fluctuating trend varied from 8.97 % to 24.63%.
- Shareholders equity is regularly increasing.

Shrestha, (2006) conducted thesis on “*Financial Performance Analysis of Nepal Bangladesh Bank Limited*” The main objectives of 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 lending efficiency and its contribution to profit.

This research study largely depends on published documents such as balance sheet, profit and loss account. In this study only selected financial and statistical tools and techniques are used.

Major Finding:

- NB bank has sufficient liquidity. It shows that bank has not got investment sectors to utilize their liquid money.
- NB bank has maximum liquidity due to lack of safety investments sectors.
- 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.
- Bank has high deposits, bank can provide money to its customer as credit and advances. Therefore, there is highly positive correlation between total deposits and credit and advances of NB bank is 0.978 times.

Poudel,(2007) has submitted the thesis entitled to “*A Comparative Study on Nepal Siddhartha Bank Limited and Himalayan Bank Limited*” with the objective of;

- To know the volume of contribution made by both banks in lending.
- To determine the impact of deposit in a liquidity and in effect on lending policy.

- To analysis the portfolio behavior of lending and measuring the ratio and volume of loans and advances made in different sector.
- To know about the application of theory in practice loan.
- To examine lending and its contribution in profit.

Researcher used to various financial tools to analyze the data to support the conclusion. To process the financial data, some financial statistical and accounting tools are used.

Major finding:

- The main ratio of interest income to total income of HSBL is higher than that HBL
- HBL have higher mean ratio of interest income to interest expenses and total income to expenses ratio than that of NSBL.
- HBL has maintained high return in every reflect than that of NSBL.
- Coefficient of correlation between net profit and loan and advances of both bank have positive relationship.
- The number of HBL is greater than number of NSBL.
- There is no significant relationship between net profit and loan and advances of both banks.

Gautam, (2008) conducted thesis on, *“A Comparative Study on Financial Performance Between The Commercial Bank: Standard Chartered Bank Limited and Nepal Bangladesh Bank Limited”* The general study of the present study is to identify the current situation of financial performance of joint venture banks i.e. SCBL and NBBL. The specific objectives are as follows.

- To study the existing capital structure of financial position of joint venture commercial banks and to analyze its impact on the profitability.
- To access the debt servicing of the joint venture commercial banks.
- 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 banks.

Researcher used to various financial tools to analyze the data to support the conclusion. The major ratios like total investments to total deposits ratio, loan and advances to total deposits ratio, net profit to total assets ratio, investment on government securities to total outside investment ratio etc. To process the financial data, some common statistical tools like covariance, coefficient of variation, mean and trend analysis are used.

Major Findings:

Based on the analysis of the various data remarkable finding are drawn up. The major findings are as follows;

- The liquidity position of SCBNL is comparatively better than NBBL.
- The one an average, NBBL constitutes 16.27 times of DIE ratio, which should be reduced as quickly as possible.
- The financial leverage constitutes of the NBBL is 3.37 times which indicates the higher degree of financial risks.
- The average ROE of JVB's i.e. SCBL and NBBL are 37.36 % and 21.75 % respectively.

Regmi(2009) in 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.

In the statistical tools analysis, average mean, correlation analysis and trend analysis have been calculated. Correlation coefficient between total credit and total assets shows high degree of positive correlation. Correlation coefficient between total deposit and loan &

advances has high degree of positive correlation it is concluded that increasing total deposit will have positive impact towards loan & advances.

Major Finding:

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 poses' higher financial risk and vice-versa. It represents good condition of Total assets to net worth ratio.
- In the aspect of profitability position, total net profit to gross income, the total interest income to total income ratio of bank is in increasing trend. The study shows the little high earning capacity of NABIL through loan and advances.
- Earning per share and The Price earning ratio of NABIL is in increasing trend. 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 to total loan and advances ratio and None-performing loan to total loan and advance ratio of NABIL is in decreasing trend. The ratio is continuously decreasing this indicates that bank increasing performance. Thus, credit management is in a good position.

Dhamala (2010), conducted thesis on “Credit Management of Development Credit Bank Limited”. The specific objectives are as follows:

- To examine the impact of deposit in liquidity and its effect in lending process.
- To analyze the lending efficiency of the bank and its contribution in profit.
- To analyze the performance of the bank.
- To examine lending and deposit policy of bank.
- To offer suitable and beneficial suggestion based on finding of this study.

Major Finding :

Based on the analysis of the various data remarkable finding are drawn up. The major findings are as follow:

- Liquidity position is satisfactory. The cash and bank balance has not been mobilized in the more profitable assets. On the basis of portfolio behavior, bank has not mobilized fund in private sector and has followed the NRB directives where as bank distribute credit on the government sector which is more than 52% of the credit.
- Assets management position of the bank shows risk in the latest year due to minimum loan and advance.
- The interest expenses to total deposit working fund ratio shows the bad efficiency and weak performance of the bank.
- Interest income to interest expenses ratio shows the loan profitable salivation.

Parajuli, (2011) conducted thesis on “ NRB Directives on credit information and Black listing”. The specific objectives are as follow:

- To analyze existing black listing practices of credit information bureau in terms of commercial bank, development bank, finance company and co-operatives.
- To find out the effect on financial market due to black listed borrower and realesed borrower.
- To analyze the relationship of credit information issue, listed of borrower and size of blacklisted and defaulter's in CIB.
- To find out significance difference between mean of information issued and listed borrower, blacklisted borrower and realesed borrower.

Major finding:

From the study, he has concluded the following findings:

- Commercial bank and financial institution must submit reports on all newly issued loan for borrowers with exposure in excess of Rs 1 million at end of the each month.
- Bank mandated by the directive to submit request to black list of costumer with loan outstanding of Rs 2.5 million.
- The list of borrower must be blacklisted in relation to a default loan.

- The listed borrower increase from 31965 to 64377 since fiscal year 2005/06 to fiscal year 2009/10. Likewise, the numbers of branches furnished information to CBI also increases. In 2005, it was 408 which has been increased by 62 branches (which is 15.19%), in 2006,80 branches (which is 17.02%), in 2007,140 branches (which is 25.45%) and in 2008, 155 branches (which is 22.46%).
- The percentage is increasing and decreasing trend because it also depend upon the directives of NRB.
- There is high degree of positive relationship between information listed and borrower .The value of (r) is more than 6.P.E., and the value r² is 0.98.
- There is high degree of positive relationship between blacklisted released outstanding amount. The value of (r) is less than 6.P.E.
- Most of the costumer knows from credit bureau, they are in blacklisted or not.

Shrestha (2013) conducted thesis on “Financial Performance Analysis of Citizen Bank International Limited (CBIT)” with following objectives:

- To analyze the position of the CBIL.
- To examine the profitability of the CBIL.
- To examine the income and expenditure statement of the bank.
- To examine the liquidity position of the sample bank.
- To provide suggestion and recommendation based on the finding of the analysis.

Major finding:

- CBIL is able to meet its short term obligation.
- Current asset ratio is in increasing trend.
- Fixed deposit to total deposit ratio of the bank varies from maximum of 66.11% in year of 2065 and minimum in year of 2066.

- Highly fluctuation in the debt to equity ratio i.e .maximum of 252.04% in 2064 and to minimum of 24.18% in 2066.
- Shareholder equity to total asset ratio shows that the total asset of the bank is financed through equity capital and remaining from debt capital.
- EPS of CBIL is improving.
- Bank is reducing its operating expenditure and increasing profit year by year to maximize the shareholder's equity.

Sah(2014), has submitted the thesis entitled to “A Comparative Financial Efficiency of NABIL Bank Limited and Nepal Investment Bank Limited (NIBL)” with the objectives of;

- To compare financial efficiency between NABIL Bank and NIBL.
- To compare the financial performance of these selected two banks.
- To compare capital mobilization rate of two banks.
- To provide a package of suggestions and possible guidelines to improve the banks and provide some new information about successful Commercial banks.

Major Findings:

Based on the analysis of the various data remarkable findings are drawn up. The major findings are as follows;

- NIBL and NABIL have lower liquidity position but is able to meet their current obligation.
- NABIL Bank has high rank in every ratio like Debt to equity ratio, Debt to total capital ratio, Interest coverage ratio, Fixed coverage ratio and so on.

- Return on Assets, Net profit after tax to Total assets ratio, Return on common equity and interest income to interest expenses ratio of NABIL is higher position whereas, Commission and Discount income to Personal expenses ratio shows the NIBL takes higher position.
- EPS and DPS of NABIL is higher than NIBL.
- Deposit utilization rate is satisfactory in NIBL than NABIL.
- NABIL has better position in expected EPS and market value than NIBL, whereas NIBL has higher position in expected Loan and advances and expected Net profit than NABIL.

2.4 NRB Directives

Nepal Rastra Bank introduced new consolidated directives in accordance with the BFI Act. The consolidated directives are guided under NRB Act 2058 and Basel II principles as well. The new Directives included regulatory measures of international standards and practices in the areas of: Capital adequacy; loan classification and provisioning; credit concentration and single obligor limits; accounting policies and formats of financial statements; management and minimization of risks; good corporate governance; policies relating to compliance with the directives issued after the inspection and supervision; investment policies; reporting requirements; provisions for the purchase and sale of promoter shares; regulation on consortium financing; regulations on credit information and blacklisting; provision for statutory reserve requirements; policies on branch expansion; policies on interest rates; and policies on financial resources generation. It is hoped that adherence to these directives would ensure financial stability and discipline thereby helping Nepalese banking industry to flourish in the country. Banks & financial institutions are responsible for comply these directives according to NRB Act 2058.

Directive No. 1 Capital Adequacy

Capital Adequacy should maintain on the basis of total risk weighted assets. The logic behind the capital adequacy is to protect the interest of public deposit as well as safeguard the banks in their critical financial position.

Institution	Minimum Capital Adequacy on RWA (Percentage)	
	Primary Capital	Total Capital Fund
A, B & C Class	6.0	12.0
D Class	4.0	8.0

As presented in the above table A, B&C class financial institution should maintain the capital adequacy 6 % in primary capital of their total risk weighted assets. They should maintain 12 % in total capital fund of total risk weighted assets. But D class institution can maintain 4 % in primary capital and 8 % in total capital fund. Capital fund is divided into two categories. They are Primary capital and secondary capital. Primary capital is also known as core capital or Tier-I capital and secondary capital is Tier-II. Total capital fund is the sum of primary capital and secondary capital. Risk is assigned 0% to 100% on the on-balance sheet and off-balance sheet items according to inherent risk over them in order to calculate Risk Weighted Assets (RWA).

High capital adequacy ratio blocks the financial institutions to create unlimited liability. It helps to maintain national and international credibility.

Directive No. 2 Loan Classification and Provisioning

To mitigate risk in default of any loan and advance provided by banks, they should be maintained some provision according to the due date. Provisioning amount should maintain on the basis of classification of loan.

--	--	--	--

Financial institutions have to be maintained the provision as per classification of loan. It measures the quality of assets in reference of loan and advances and contraction of profit as well. Quality of assets is decreases, when the credit of financial institutions diversifies in to NPA. Such losses, from quality of assets, can be compensated by debiting the profit and can be harmonized the financial strength of those financial institutions.

Directive No. 3 Credit Concentration and Single Obligor Limit

All the eggs in a basket may be high Risk. So, this directive does not allow investing all the resources in one sector of economy. This directive diverts the loan and advances of financial institutions in different portfolios. To minimize the concentration risk, single borrower limit has been determined as per the primary capital of the Financial Institutions. Single borrower limit for credit and facilities (single borrower, firm, company or group of inter-connected borrower and sector unit.) 25% in fund based and 50% in non-fund based of their primary capital. Both Limits are given as maximum and it is not allowed to fix the limit by adding both fund based & non-fund based Limit.

Definitely, high return has inherent significant risk. This provision has been controlled to lending in high risk associated portfolios. All firms are affected by the shock of trade cycle due to external and internal causes. This provision tries to manage and escape from shock through imposing credit concentration and single borrower limit.

Directive No. 4 Accounting Policies and Formats of Financial Statement

Financial statements and accounting policies are to be presented as prescribe by this directive. For the purpose of uniformity, supervision and monitoring, all the financial institutions should comply this guideline. This directive consists of:

- Definition of fiscal year, compulsion of acceptance of as statutory form to NRB's prescribed forms and formats, compliance of NAS (Nepal Accounting Standard) & ISA (International Standard in Accounting), disclosure of financial statements.

- Major accounting policies Depreciation, Tax, Credit, exchange gain/loss, non-banking assets (NBA) accounting, assets which is not capitalized, income expensed accounting, loan loss provisioning and NPA write off etc.
- Notes to the Accounting, Short explanation of the heads/items of Balance Sheet, Profit and loss account, Profit & Loss appropriation accounts.
- Statement of Change in Equity/Ownership, and
- Cash flow statement etc.

Provisions on this directive are guided and closed to accounting system in accordance with international standard. Provisions of this directive can be found guided under the IAS, NAS & ISA etc. Financial institutions are exposed nationwide as well as internationally so that it's accounting system and financial reports need to be global acceptable and understandable. By this reason, this all the financial institutions should comply this directive for preparation and disclosure of accounting policy & formats of financial statements.

Directives No. 5 Minimization of Risk

Risks are associating in all the banking activities. In banking business risk minimization is to be taken very challenging work. Risk has been classified in four categories and directed to manage and minimize the inherent risk according to the nature of the product based on time interval.

- Liquidity Risk
- Interest Rate Risk
- Forex Risk
- Credit & Investment Risk

Directive No. 6 Corporate Good Governance

The objectives of corporate Good Governance are effectiveness, efficiency, productive, accountability, transparent and reliability. Some international agencies' standard guide on the corporate good governance as like:

- code of Good Practice & Fiscal Transparency (IMF)
- International Accounting Standards (IAS)
- Principle of Corporate Governance (OECD)
- Basel Core Principle

- Principles and Guidelines for effective inventory and creditor Right System (World Bank)

On the basis of above standards, NRB issued the following directives to the financial institutions:

- Code of Conduct of Board of Directors: Minimum Acceptable code of conduct, non involvement against interest of institution, restriction in part time job, any director of one deposit taking institution will not be director of other deposit taking institution, restriction in custodian, abuse of Authority, complete recording & reporting, maintaining trust & confidentiality, equal treatment, written information to NRB etc.
- Duties & Responsibilities of Board of Directors
- Appointment of CEO
- Employee's code of conduct
- Provision regarding Audit Committee
- Restriction on Credit facility to directors, shareholders, employees and its related firms and companies.

Directive No. 7 Policies relating to compliance with the directives issued after the inspection and supervision

- To make effective supervision, inspection and its implementation;
- Board of Directors should react and perform the remarks and suggestions within 30 days of inspection report of supervision Dept.
- Special consideration will be given the heading such as: Loan Loss Provision, Loan portfolio improvement plan, Capital adequacy plan, Assets Liabilities management, Internal Audit & control, Implementation of planning, Policies, procedures and progress report.

Directive No. 8 Investment Policies

To mobilize the financial resources bank should prepare its investment policy under this directive.

- Investment Policy should be implemented after getting NRB Approval.
- Special Directives issued regarding to investment on NRB Board and Government Board.

- Provision regarding to investment on shares & securities of organized institutions.
- Review of Investment.
- Valuation of shares & debentures.

Directive No. 9 Submission of Statistics to the concerned department of NRB (Reporting Requirement)

- Time frame is given to BFIs to submit the statistics
- CRR 1 week after the end of the week
- Journal off assets & liabilities (9.1) and loan & Advances to Gov. Entps. (9.7) within 15 days after transaction.
- P/L A/c (9.2), Sector wise loan & Advance statements (9.3), collateral wise loan & advance statement (9.4), deposit statement (9.8), Foreign Assets Statement (9.10) are to be submitted in monthly after the 15 days of transaction with the consolidated of their branch.
- On the quarterly basis, Priority Sector & Deprive Sector loan statement (9.5), Insider lending (9.6), statement of fixed deposit with interest rate and Amount wise (9.11), outstanding with Big Borrower (9.12), overdue Loan & Advance with overdue period (9.13) are to be submitted within the 15 days of transaction including consolidated of their branches.
- If not submitted within specified time penalty will be charged Rs 10 to 50 thousand on the basis of class.

Directive No. 10 Provision regarding Transfer or Sale of Promoter Share

Incase of death of any promoter or shareholder of promoter group, share should be transferred to his succeeding right holder of his nominees and informed NRB within 15 days. It also applies to all those others who transfer or purchased the promoters or group of promoter's shares.

- Prior approval of NRB should be taken to sale of transfer the promoter share through concerned licensed institution and deal could be done between promoters but should inform NRB within 15 days of the deal.
- Promoter should sale to the promoter groups compulsory except in case of right transfer due to death.

- If Promoter share cannot be transferred within the promoter groups it could be transfer to other person or institution and those buyers will be fall under the same groups from which they have bought.
- Share cannot be transferred to that person who is under the following condition:
- Blacklist but not being completion of 3 years of deleting from the CIB.
- Internal or External Auditor, legal or any other advisor of concerned licensed institution (being existed or in holding such post)
- Shareholder in any other contract business related with licensed institution.
- Tax defaulter or irregular in maintaining permanent Taxpayer Account No (PAN).
- Fraudulent act that is proven by court.
- Stick broker or Market Maker.
- Loan facility entertained of the same institution.
- Exceeds share ownership by 15 percent of paid up capital by owned of transferring or purchasing shares.
- Lacking minimum qualification & experiences to be a promoter as prescribed by Nepal Rastra Bank.

If any promoter sale of transfer his share against provision of this directive, then he is not qualify to be a promoter of another licensed institution within the 5 years.

Directive No 11 Consortium Financing

In consortium financing, two or more financial institutions are participated to finance in a project/firm/client/group upon their mutual agreement. One is lead bank and others are member of that consortium-financing group. The provisions regarding consortium financing have stated as under:

- Definition of consortium finance
- Necessary condition for participation in consortium finance
- Restriction to lending and account opening other than consortium member group.
- Time frame for lending decision.
- Selection of participating Banks

- Group formation of consortium banks
- Selection of lead bank
- Loan disbursement and recovery through lead banks.
- Role and duties, rights and responsibilities of leading banks as well as participating banks etc.
- Leaving from consortium group
- Appointment Auditor and consultant.
- Statement related with consortium finance to be submitted quarterly in NRB within the 30 days of each quarter end.

Directive No. 12 Credit Information & Blacklisting

Credit Information Centre is formed under the NRB act 2058, section 8 and NRB Credit Information Regulation, 2059 (3).

- Credit Information is compulsory.
- Quarterly report of lending from BFIs to CIC.
- Customer details to be taken on credit facility of Rs 25 lacs are above.
- Process of blacklisting.
- Classification of borrower: willful and non-willful defaulter.
- Restriction on lending to Blacklisted borrower.
- Provision regarding valuator of security collateral.
- Provision regarding Auditor.
- Forfeiture of Passport.
- Conditions of inclusion in and removal from black list.
- Provision regarding blacklisting if issued cheque will dishonored.

Directives No.13 Statutory Reserve

- A class= 5 % of total deposit liability
- B and C Class =2% of total deposit and borrowing liability (If B and C class operate the current A/C, they have to maintain 5 % or equal to A class)
- D class=0.5% of total saving and borrowing funds (group, personal, special saving)
- D class should also maintain LIQUIDITY at minimum 2.5% of the total deposit liability.

- The “liquid Assets” means in case of D Class, cash in vault, investment in Gov bonds and NRB bonds and deposit in A class banks
- In case of non-compliance, they are subject to penalize as equal to current market rate at first time, double in second time and triple in third or more time on the shortfall amount.

Directives No. 14 Branch Expansion

- Prior approval is needed to open, close or merger, transfer of branch offices
- Business plan should submitted to open a new branch
- For A, B and C Class: one branch in KTM can be opened after opened one in outside the KTM valley.

Directives No. 15 Interest Rate

All BFIs are free to quote their interest rate on deposit and lending. But can not quote flat rate

- D Class institutions are free to quote Flat Rate
- Interest policy and procedures should be written form and decided by responsible authority
- Interest Spread on deposit should not exceed 0.5 % than published rate.
- Lending and deposit rate should be reported in NRB in quarterly within a week of each quarter end and should be published in national media
- Interest income should be accounting in Cash Basis not in Accrual Basis

Directives No. 16 Financial resources generation

- A Class: No limit
- B Class: 20 times of primary capital
- C Class: 15 times of primary capital
- D Class: 30 times of primary capital
- Single Depositor Limit (SDL):

For 2062/63 30% of total deposit

For 2063/64 25% of total deposit

Then after 20% of total deposit

- If SDL is crossed than limit, then it should take in limit within 3 month

SDL minimizes the risk that may happen when huge amount will be withdrawn. If most of deposit is accepted from single depositor at that situation he/she may withdraw their amount with giving shock the bank. And financial institution may have suffered from fund crisis in some situation. From the side of depositor interest it may have harmful decision to keep all the saving in only one financial institution.

Research Gap

No case study has yet been conducted about the credit efficiency analysis of Everest Bank Limited. Some comparative studies previously done in depth study, about credit efficiency of bank was not found. Everest Bank Limited is one of the credit commercial bank of the country having huge market share and has significance impact of the national economy. Hence this study fulfills the prevailing research gap about the in-depth analysis of the credit efficiency of the organization.

This study focus on credit efficiency of Everest Bank Limited. Previously study only focus performance of bank but this study focuses performance and efficiency of the bank. Efficiency means productive with minimum waste or effort. It measures profitability ratio. The study follows all ratio analysis to conclude effective result.

Upcoming researcher is advice to conduct the study with considering above, gaps with the effect with application of tools like financial and statistical. This study will be fruitful to those interested people, parties, scholars, researchers, teachers, government and businessman for academically as well as policy perspectives.

CHAPTER – III

RESEARCH METHODOLOGY

This chapter is presented for achieving the predetermined objective which is already stated. One various statically and financial instrument will be used for the required purpose. It counts on the resources and techniques available and to the extent of their reliability and validity in this chapter. This research methodology has primary sought the evaluation of the credit practices of the targeted joint venture bank i.e. Everest Bank Ltd. The research methodology adopted in this chapter follows some limited but crucial steps aimed to achieve the objective of the research. Research methodology refer to the various sequential steps (along with a rationale of each such steps) to be adopted by researcher in studying a problem with certain objective in view.

3.1 Research Design

Research Design is a planned structure and strategy of investigation conceived to obtain answer to research objectives through analysis of data. The first step of the study is to collect necessary information and data concerning to study. In sampling language planning for research is a research design. It is a purpose full scheme of action purposed to be carried out in a sequence during the process of research. Research design helps to keep track of action and know whether he was moving the right direction to achieve the goal.

Research design is the way to subsequently solve the research problem it describes method and process applied in the entire aspect of the study. A focuses is given to the nature and sources of data, the model statistical tools used and limitation of the study.

Therefore, Research designs means the definite procedure and techniques which guides the study and propound ways of doing research. The justification for the choice of these methods is performed because it concludes reliable data and information covering a long term and avoids numerous complex variables. Descriptive and Exploratory types of research design have been used for this study. With the help of maintained research design the study evaluates the credit efficiency analysis of EBL.

3.2 Population and Sample

Commercial banks are the principle agents of the money market which in turn is the major instrument of the financial system. Thus commercial banks and their lending transaction obviously affect the national economy. Moreover lending and borrowing transaction that takes place through the commercial banks influence the daily livings of each national and at the same time from the government side a great concern should be taken as the misleading by the commercial banks can violate the total economic system. Commercial banks, financial the economic growth too because this bank is the major variable of financial market. The total 30 commercial banks shall constitute the population of the data and single bank under the study constitute the sample under the study. So among the various commercial banks in the banking industry, Everest Bank Limited is selected for the study.

3.3 Sources of Data

Necessary data collected from both sources: primary and secondary. Even though adequate data are collected from secondary sources.

This study mainly based on secondary data. Everest Bank Limited, Nepal Rastra Bank, and different library are the providers of the data. The review of literature of the proposed study was based on the text books, official publications, journals, unpublished thesis, web site etc. The necessary data and information at macro level have been collected from relevant institutions and authorities such as NRB Ministry of Finance and their respective publications similarly the required micro level data derived from annual reports of EBL. In addition to above, supplementary data and information were collected from different library such as library of Shankar Dev Campus, T.U. Central library etc. The major sources of data and information are as follows;

- Quarterly Economic Bulletin, NRB, 2013/14
- Main Economic Indicators of Nepal, NRB (Monthly Report 2014)
- NRB Economic Report, NRB
- Non-Banking Financial Statistics, NRB
- Banking and Financial Statistics, NRB

- Economic Survey, Ministry of Finance
- Annual Reports of EBL (from 2009/10 to 2013/14)
- Journals of Finance
- Journals of Business
- Previous Research Studies, Dissertation and Articles on the Subject
- Various Text Books
- Different Library
- Different Website Related to study and Internet
- Economy survey of NG, Ministry of finance.
- "Annual general report" of EBL.
- National newspaper, journals and magazine.
- NRB directives.

3.4 Method of Data Analysis Technique

For the purpose of the study all collected primary as well as secondary data are arranged, tabulated under various heads and them after disunities and statistical analysis have been carried out to enlighten the study.

3.4.1 Financial Tools

Stakeholders of a business firm perform several types of analyses on a bank is financial statements. All of these analyses rely on comparisons or relationship of data that enhance the utility or practical value of accounting information.

1. Liquidity ratio

It measures the adequacy of firm's cash resources to meet its near-term cash obligations. Short-term lenders such as suppliers and creditors use liquidity analysis to assess the risk level and ability of a firm its current obligations. Satisfying these obligations require the use of the cash resources available as of the balance sheet date and the cash to be generated through the operating cycle of the firm.

1.1. Current Ratio

Current Ratio indicates the ability of the bank to meet its current obligation .It measure the relationship between current assets and current liabilities which is expressed as:

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

1.2. Liquid Fund To Current Liability Ratio

It indicates the ability of bank to discharge its liquidity risk. Liquid fund are those assets, which can be converted into cash with a short period without any decline in their volume.

$$\text{Liquid Fund to Current Liability Ratio} = \frac{\text{Liquidity Fund}}{\text{Current Liability}}$$

1.3. Cash Reserve Ratio

Deposit is one of the major liabilities of the commercial bank. Bank has to manage its liquidity meet depositors demand. This ratio measures the availability of the banks liquid or immediate fund to meet its unanticipated calls on all types of deposit. Total deposit includes current deposit saving, fixed deposit, call short deposit, and other types of deposit.

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

1.4. Cash and Bank Balance to Interest Sensitive Deposit Ratio

Saving deposit is deposited by public in a bank with objectives of increasing their wealth; interest rate plays important in the follow of interest sensitive deposit. Fixed and current deposits are not interest sensitive. Fixed deposits have a fixed term to maturity and Current deposits are not sensitive toward interest rate. The ratio of cash and bank balance to interest sensitive deposits measure the bank ability to meets its sudden out flow of interest sensitive deposits to the change interest rate.

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

1.5. Cash and Bank Balance to Current Assets Ratio

Cash and bank balance are the liquid current assets. This ratio measures the percentage of liquid fund with the current assets. Higher ratio indicates the banks sound ability to meet the daily cash requirement of their customers' deposit. If bank maintain low ratio, bank may not able to make the payment of against cheque. So bank has to maintain cash and bank balance to current assets ratio properly.

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

1.6. Loan and Advance to Current Assets Ratio

Loan and Advance is the major component in total assets which indicates the ability of banks to utilize its deposits in the firm of loan and advance to earn high returns. If sufficient loan and advance cannot be granted, it should pay interest on those utilized deposits funds and

may less earnings. So commercial banks provide loan and advance in appropriate level to find out portion of current assets, which is granted as loan and advance.

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

2. Assets management ratio

Assets management ratio measures the proportion of various assets and liabilities in balance sheet. Commercial bank should manage its assets and liabilities properly to earn profit. Assets management ratio measures its efficiency in performing assets. Following are the various assets management ratio, which measures the lending strength and effective use of assets.

2.1. Total Asset to Total Liabilities Ratio

The total asset of the bank should play active role in profit generating through lending activities. The ratio measures the bank ability to multiply its liability into asset. It is always recommended to have higher ratio of total assets to total liabilities ratio, since it signifies overall increases of credit. The higher ratio indicates the higher productivity.

$$\text{Total Asset to Total Liabilities Ratio} = \frac{\text{Total Assets}}{\text{Total Liabilities}}$$

2.2. Loan and Advance To Total Assets Ratio

Loan and advance is an important part of total asset (total working fund). Total working fund plays important role in profit earning through fund mobilization. So bank should carefully mobilize the total assets. The ratio of loan and advance to total asset ratio measures the volume of loan and advance in the structure of total assets. A higher ratio indicates better mobilization of funds as loan and advance and vice-versa.

$$\text{Loan and Advance To Total Assets Ratio} = \frac{\text{Loan and Advance}}{\text{Total Assets}}$$

2.3. Loan and Advances to Total Deposit Ratio

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

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

2.4. Interest Spread Rate

The ratio measures the contribution made by investment in total loan and advances. The proportion between investment to loan and advances and investment measures the management attitude towards risk assets and safety assets. Investment and loan and advances in whole do not provide the quality of assets that a bank has created. The low ratio indicates the mobilization of funds in safe area and vice versa.

$$\text{Interest Spread Rate} = \frac{\text{Interest Income}}{\text{Loan and Advance}} - \frac{\text{Interest Expenses}}{\text{Deposits}}$$

3. Profitability ratio

This ratio shows the profitability conditions of the bank. Profit is essential for the survival of bank so it is regarded as the engine that drives the banking business and indicates economic progress. Profitability ratios are calculating to measure the management ability regarding how well they have utilized their funds. Lending is one of the major functions of commercial bank so following are the various types of ratio, which should the contribution of loan and advances in profit and help to be investor whether to invest in particular firm or not.

3.1 Net Profit to Gross Income Ratio

The ratio measures the position of profitability of the company to total income. This shows the sound and weakness of the company to utilize its resources. Higher ratio shows the higher efficiency of management and lower ratio shows the lower efficiency of the management.

The formula of net Profit to Gross income ratio is :

$$\text{Net Profit to Gross Income Ratio} = \frac{\text{Net Profit}}{\text{Gross Income}}$$

3.2 Interest Income to Total Income Ratio

The ratio measures the volume of interest income to total income. The high ratio indicated the banks performance on other fee-based activities. The high ratio indicates the high contribution made by lending and investing activities.

$$\text{Interest Income to Total Income Ratio} = \frac{\text{Interest Income}}{\text{Total Income}}$$

3.3. Interest Income To Interest Expenses Ratio

Interest income to interest expenses ratio measures the gap between interest rates offered and interest rate charged. Nepal Rastra Bank has restricted the gap between the interest taken in loan, advance and interest offered in deposits. The credit creation power of commercial banks has high impact on this ratio.

$$\text{Interest Income To Interest Expenses Ratio} = \frac{\text{Interest Income}}{\text{Interest Expenses}}$$

3.4. Operating Profit to Loan and Advance Ratio

Operating profit to loan and advances ratio measure the earning capacity of commercial bank. Operating profit to loan and advances ratio is calculated by dividing operating profit by loan and advances.

$$\text{Operating Profit to Loan and Advance Ratio} = \frac{\text{Operating Profit}}{\text{Loan and Advance}}$$

3.5. Return on Loan and Advances Ratio

This ratio measures the earning capacity of the commercial bank through its fund mobilization as loan and advances. Higher ratio indicates greater success to mobilize funds as loan and advances and vice versa. Mostly loan and advances include cash, credit, bank overdraft, bills purchased and discounted.

$$\text{Return on Loan and Advance} = \frac{\text{Net Profit}}{\text{Loan and Advance}}$$

3.6. Earnings per Share

Earnings per share measure the profit available to the cash equity holders. It only measures the overall operational efficiency of the bank. It is the profit tax figure EPS tells us what profit the common share holder gets for every share.

$$\text{Earning per Share} = \frac{\text{Profit After Tax}}{\text{No. of Common Share}}$$

3.7. Price Earning Ratio

This ratio shows the relationship between earnings per share and market value per share. This ratio measures the profitability of the firm. Higher ratio shows the higher efficiency of the management and lower ratio shows the lower efficiency of the management. The ratio is computed by Earnings per share

$$\text{Price Earning Ratio} = \frac{\text{Earning per Share}}{\text{Market Value per Share}}$$

4. Lending efficiency ratio

The efficiency of a firm depends to a large extent on the efficiency with which its assets are managed and utilized. This ratio is concerned with measuring the efficiency of bank. This ratio also shows the utility of available fund. One following is the various types of lending efficiency ratio.

4.1. Loan Loss Provision to Total Loan and Advances Ratio

Loan loss provision to total loan and advances describes the quality assets that a bank holding. The provision for loan loss reflects the increasing probability of non-performing loan. The provision of loan mean the net profit of the banks will come down by such amount. Increase in loan loss provision decreases in profit result to decreases in dividends but its positive impact is that strengthens financial conditions of the bank by controlling the credit risk and reduced the risks related deposits. So, it can said that loan suffer it only for short term while the good financial conditions and safety of loans will make banks prosperity regulating increasing profits for long term.

The low ratio indicates the good quality of assets in total volume of loan and advance: High ratio indicates more risky assets in total volume of loan advances.

$$\text{Loan Loss Provision to Total Loan and Advance} = \frac{\text{Loan Loss Provision}}{\text{Total Loan and Advance}}$$

4.2. Non-performing Loans To Total Loan And Advance Ratio

Nepal Rastra Bank has directed all the commercial banks create loan loss provision against the doubtful and bad debts. Concerned banks have not provided data on non-performing loan in balance sheet and profit and loss account.

$$\text{Non-performing Loans To Total Loan And Advance Ratio} = \frac{\text{Non-performing Loan}}{\text{Total Loan and Advance}}$$

4.3. Interest Expenses To Total Deposit Ratio

This ratio measures the percentage of total interest paid against total deposit. A high ratio indicates higher interest expenses on total deposit. Commercial banks are dependent upon its ability to generate cheaper funds. The cheaper fund has more the profitability of generating loan and advance and vice-versa.

$$\text{Interest Expenses To Total Deposit Ratio} = \frac{\text{Interest Expenses}}{\text{Total Deposits}}$$

4.4. Interest Expenses To Total Expenses Ratio

This ratio measures the percentage of interest paid against total expenses. The high ratio indicates the low operational expenses and vice-versa. The ratio indicates the costly sources of funds.

$$\text{Interest Expenses To Total Expenses Ratio} = \frac{\text{Interest Expenses}}{\text{Total Expenses}}$$

4.5. Interest Expenses To Total Working Fund Ratio

This ratio measures the percentage of total interest paid against the total working fund. A high ratio indicates the higher interest expenses on total working fund and vice-versa.

$$\text{Total Interest paid to working fund} = \frac{\text{Total Interest Paid}}{\text{Total Working Fund}}$$

3.4.2. Statistical Tools

For supporting the study statistical tool such as mean and trend Analysis, has been used under this.

Arithmetic Means (average)

Arithmetic mean also called 'the mean' or 'average' as most popular and widely use measure of central tendency. Arithmetic mean represents the entire data by a single value. It provides the gist and gives the birds' eye view of the huge mass of a widely numerical data. It is calculated as:

$$\bar{X} = \frac{1}{n} \sum_{i=1}^n X_i$$

Where,

\bar{X} = mean value of arithmetic mean

$\sum_{i=1}^n X_i$ = sum of the observation

N = number of observation

Trend Analysis

Under this topic an effort has been made to calculate the trend value of different variables using equation :

$$y = a + bx$$

Where, y = dependent variables

a = Y – intercept

b = slope of the trend line or annual increment

x = deviation from some convenient time period.

CHAPTER IV DATA PRESENTATION AND ANALYSIS

In the chapter, the data collected from various sources have been analyzed and major findings of the study are presented systematically. Data have been analyzed according to the research methodology as mentioned in third chapter. The purpose of this chapter is to introduce the mechanics of data analysis and interpretation. With the help of this analysis effort have been made to highlight credit management of Everest Bank Limited.

4.1 Measuring Liquidity Position of the Bank

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

4.1.1 Current Ratio

Current Ratio indicates the ability of the bank to meet its obligation. It measures the relationship between Current Assets and Current Liabilities.

Table 4.1

Current Ratio

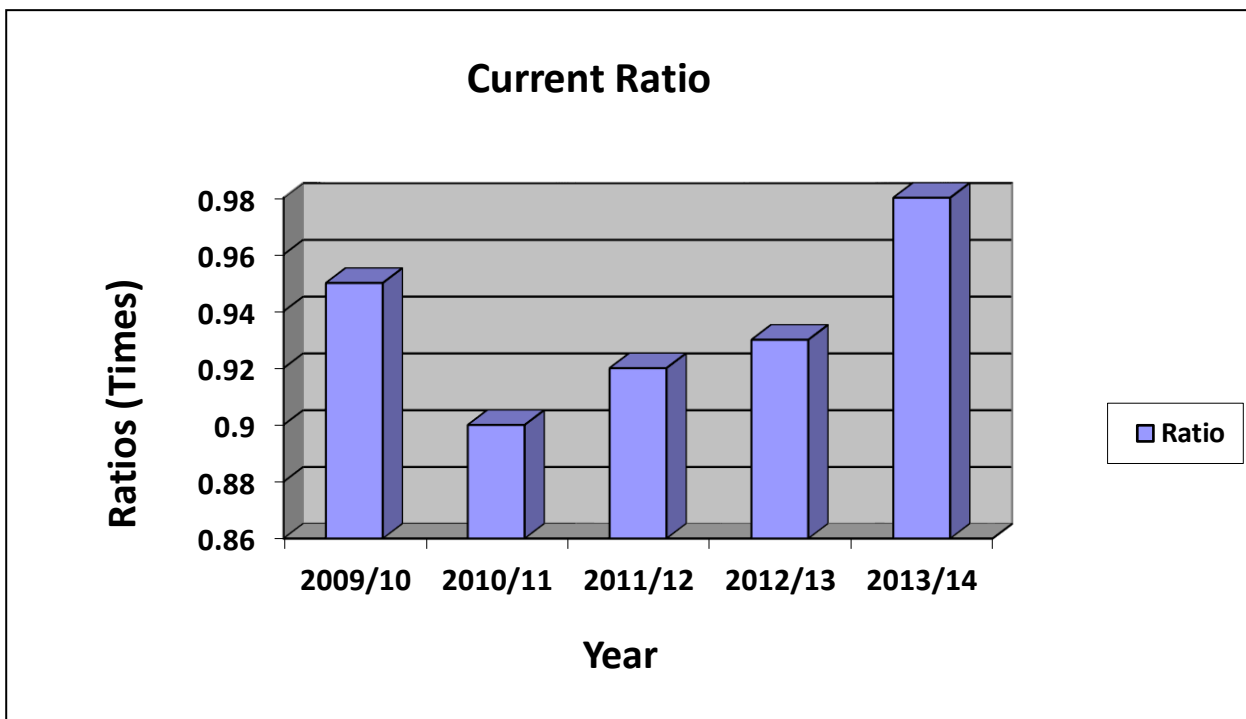
Amount in Rs. (lakhs)

Year	Current Assets	Current Liabilities	Ratio (Times)
2010	3,59,114	3,79,190	0.95
2011	3,80,321	4,23,408	0.90
2012	4,74,020	5,16,359	0.92
2013	5,58,462	6,00,422	0.93
2014	6,33,140	6,45,192	0.98
Mean			0.936

Source: Annual report of EBL

The Current Ratio of EBL is 0.95, 0.90, 0.92, 0.93 and 0.98 respectively from the first year to last year of the research period. The average is 0.936, which means consistency in the ratio during the research period. Though the optimal standard of Current Ratio should be 2:1 the conventional measure of liquidity is not applicable in banking sector. Banking business hold big portion of deposit as a core deposit and this deposit remains all the time throughout the years. The core deposit from the fixed liability is on the bank though it is current in nature. So, the ratio maintain by EBL at the level of around 1:1 can be regarded as good and sufficient to meet normal contingencies. Therefore the above Current Ratio analysis of the bank over five years period indicates that the bank has satisfactory liquidity position. Current Ratio of EBL is presented in bar diagram as follow:

Figure No. 4.1



4.1.2 Liquidity Fund to Current Liability Ratio

This indicates the ability of the bank to discharge its quality risk liquid funds in those assets, which can be converted into cash within a short period.

Table 4.2

Liquidity Fund to Current Liability Ratio

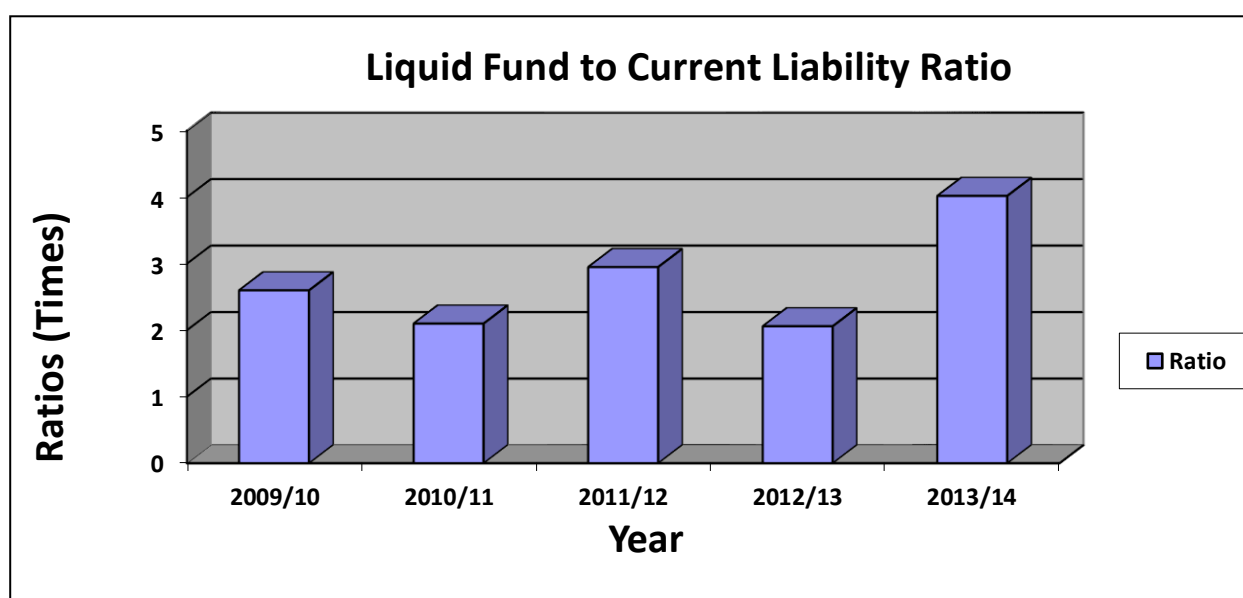
Amount in Rs .(lakhs)

Year	Liquid Fund	Current Liabilities	Ratio (%)
2010	10032	3,79,190	2.6
2011	10981	4,23,408	2.10
2012	11272	5,16,359	2.95
2013	12371	6,00,422	2.06
2014	25690	6,45,192	4.02
Mean			2.696

Source: Annual report of EBL

In the above, the Liquid Fund to Current Liabilities ratio of EBL are 2.6, 2.6, 2.2, 2.06 and 4.02 respectively throughout the study period. From the above table, it is clear that the EBL has constant and fluctuating trend throughout the study period. Liquidity position in term of liquid fund to current liabilities of EBL is found 2.696 as average in the five years period which indicates the satisfactory status of bank to fulfill its obligation. Liquidity fund to Current Liabilities of EBL is presented in bar diagram as follow:

Figure No. 4.2



4.1.3 Cash Reserve Ratio

Cash and bank balance are the liquid current assets. 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. The reserve requirement below 10% of deposit liabilities noted as fully liberalized, 10%-15% as largely liberalized, 15%-25% as partially repressed and above 25% as completely repressed, it is ranked by 3, 2, 1 and 0 respectively.

Table 4.3

Cash Reserve Ratio

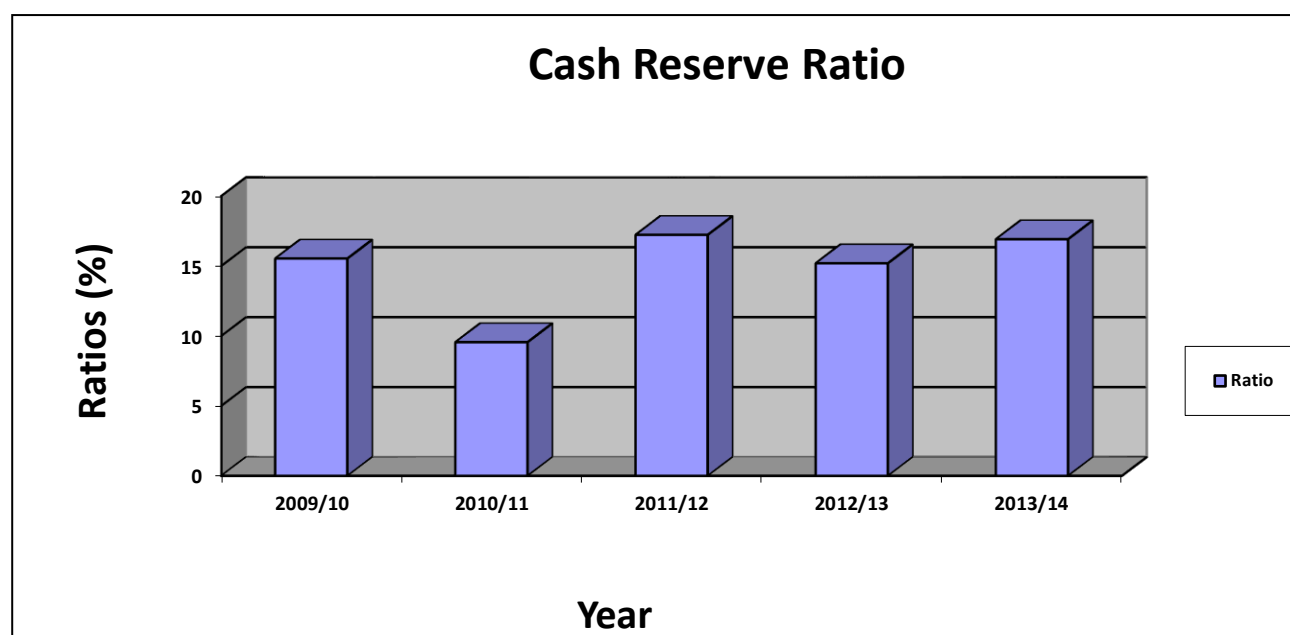
Amount in Rs. (Lakhs)

Year	Cash and Bank	Total Deposit	Cash Reserve
2010	57,356	3,69,323	15.53
2011	39,277	4,11,279	9.55
2012	86,112	5,00,061	17.22
2013	87,677	5,77,205	15.19
2014	1,05,024	6,21,081	16.91
Mean			14.88

Source: Annual report of EBL

In the above, the Cash Reserve Ratio are 15.53, 9.55, 17.22, 15.19 and 16.91 respectively throughout the study period. The above shows that the cash and bank balance to total deposit ratio of EBL is in fluctuating trend. The highest ratio is 17.22 in year 2013 and lowest ratio is 9.55 in year 2011. The mean ratio is 14.88 in the study period. Therefore, that credit management is in good position of the EBL. Cash Reserve ratio in year 2011 is 9.55% it is fully liberalized and in the remaining other year it is partially liberalized as it lies between 15-25%. In non of the year CRR is largely mobilized. Cash bank balance and total deposit are presented in bar diagram as follows:

Figure No. 4.3



4.1.4 Cash and Bank Balance to Interest Sensitive Deposit Ratio

The ratio of cash and bank balance to interest sensitive deposits measures the ability to meet its sudden outflow of interest sensitive deposits due to the change in interest rate.

Table 4.4
Cash and Bank Balance to Interest Sensitive Deposit Ratio

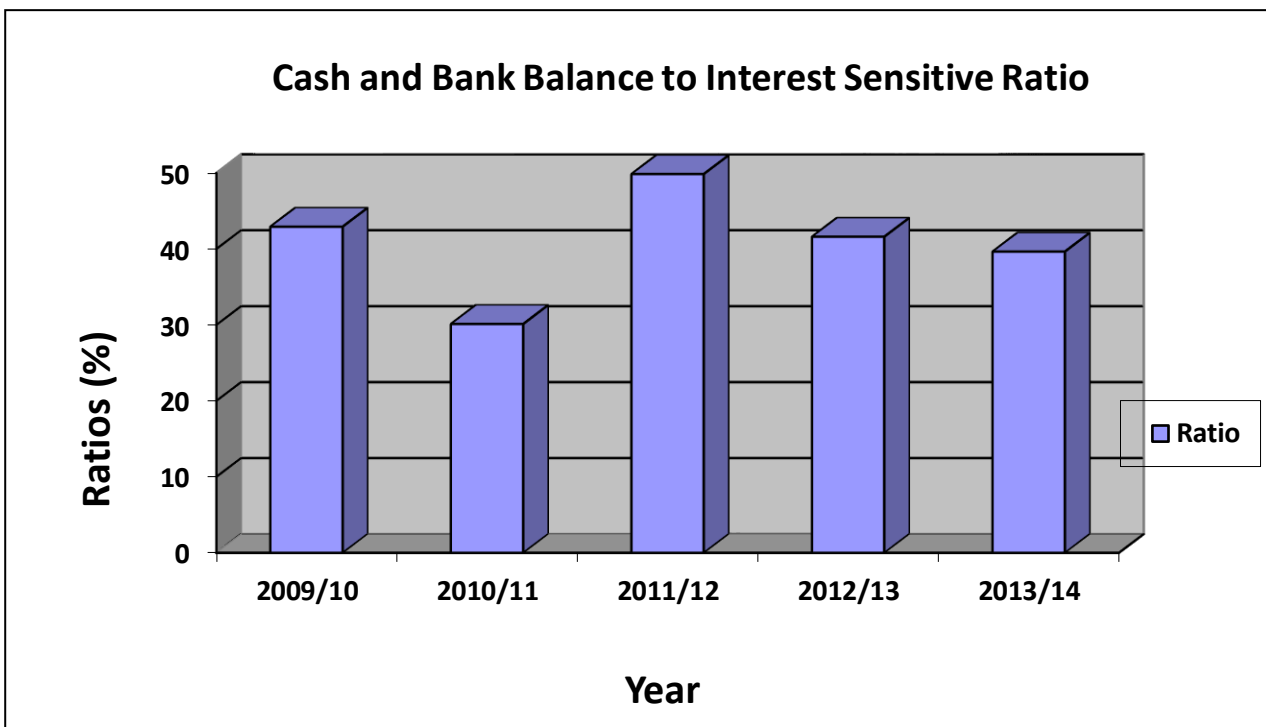
Amount in Rs. (Lakhs)

Year	Cash and Bank Balance	Interest Sensitive Deposit	Ratio (%)
2010	57,356	1,33,600	42.93
2011	39,277	1,30,391	30.12
2012	86,112	1,72,692	49.86
2013	87,677	2,10,674	41.61
2014	1,05,024	2,64,894	39.65
Mean			40.834

Source: Annual report of EBL

The above shows that the cash and bank balance to interest sensitive ratio of EBL is in fluctuating trend. The mean ratio is 40.834%. This means that bank is able to maintain this ratio in the good financial condition. The highest ratio is 49.86% in year 2012 and lowest ratio is 30.12% in year 2011. In year 2010 and 2012 this bank mobilized deposits 42.93% and 49.86% and it maintained good financial condition. In years 2011, 2013 and 2014 this bank is mobilizing to deposit 30.12%, 41.61% and 39.65% respectively and do not maintain good financial condition. Therefore, credit management neither good nor bad position of the EBL cash, bank balance and interest sensitive deposit are presented in bar diagram as follows:

Figure No. 4.4



4.1.5 Cash and Bank Balance to Current Assets Ratio

The ratio shows percentage of the banks liquid fund over current assets of the bank. Higher ratio indicated the bank's sound ability to meet the daily cash requirement of their customer's deposit. Low ratio is also dangerous. If bank maintain low ratio, bank may not be able to make the payment against of cheques.

Table 4.5

Cash and Bank Balance to Current Assets Ratio

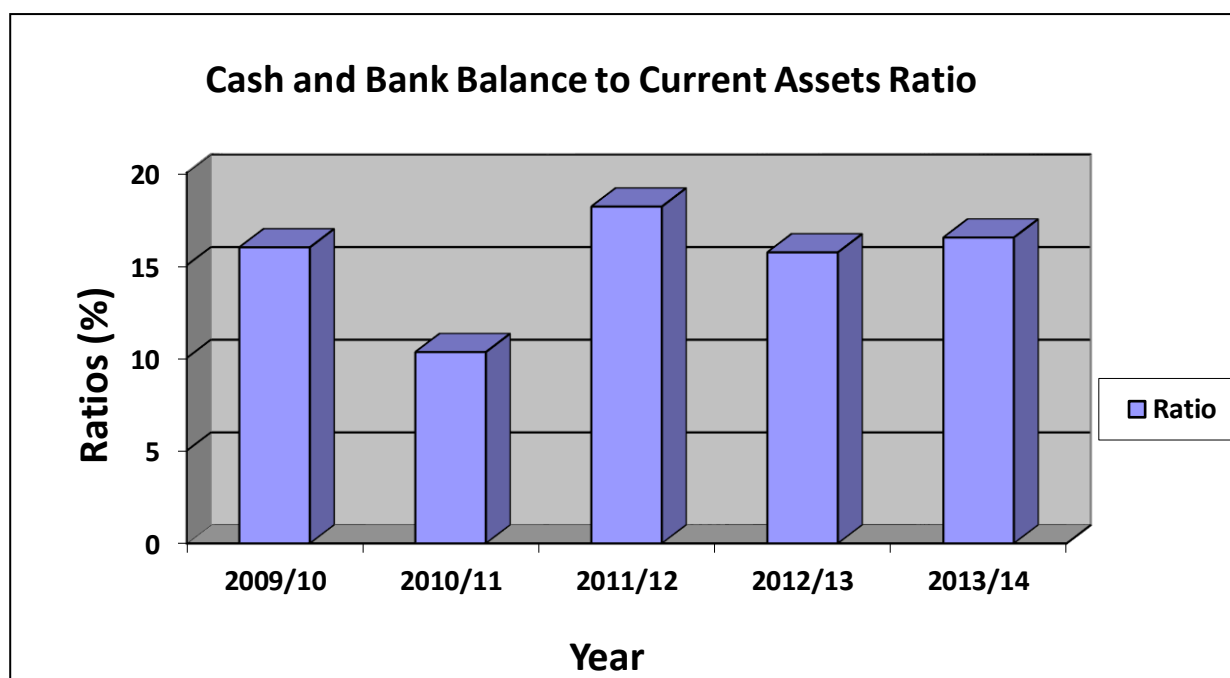
Amount in Rs. (Lakhs)

Year	Cash and Bank Balance	Current Assets	Ratio (%)
2010	57,356	3,59,114	15.97
2011	39,277	3,80,321	10.32
2012	86,112	4,74,020	18.17
2013	87,677	5,58,462	15.70
2014	1,05,024	6,33,140	16.59
Mean			15.35

Source: Annual report of EBL

The above shows that the cash and bank balance to current assets ratio of EBL is in fluctuating trend. The highest ratio is 18.17 in year 2012 and lowest ratio is 10.32 in year 2011. The mean ratio is 15.35. This means that the bank's sound ability to meet the daily cash requirement of their customers deposit. Ratios are 18.17 and 16.59 in years 2012 and 2014 respectively. This indicates that the bank is in sound ability to meet the daily cash requirement of their customer deposit. Ratios are 15.97, 10.32 and 15.70 in year 2010, 2011 and 2013 respectively. The bank may not be able to make the payment against cheque. Thus, credit management is not in good position of the bank. Cash, bank balance and current assets are presented in bar diagram as follows:

Figure No. 4.5



4.1.6 Loan and Advance to Current Assets Ratio

This ratio indicates the ability of bank to utilize its deposits in the form of loan and advance to earn high return. If sufficient loan and advance cannot be granted, bank should pay interest on those utilized deposits fund and may lose earnings. So, the commercial banks provide loan and advance in appropriate level to find out position of Current Assets, which is granted as Loan and Advance.

Table 4.6
Loan and Advance to Current Assets Ratio

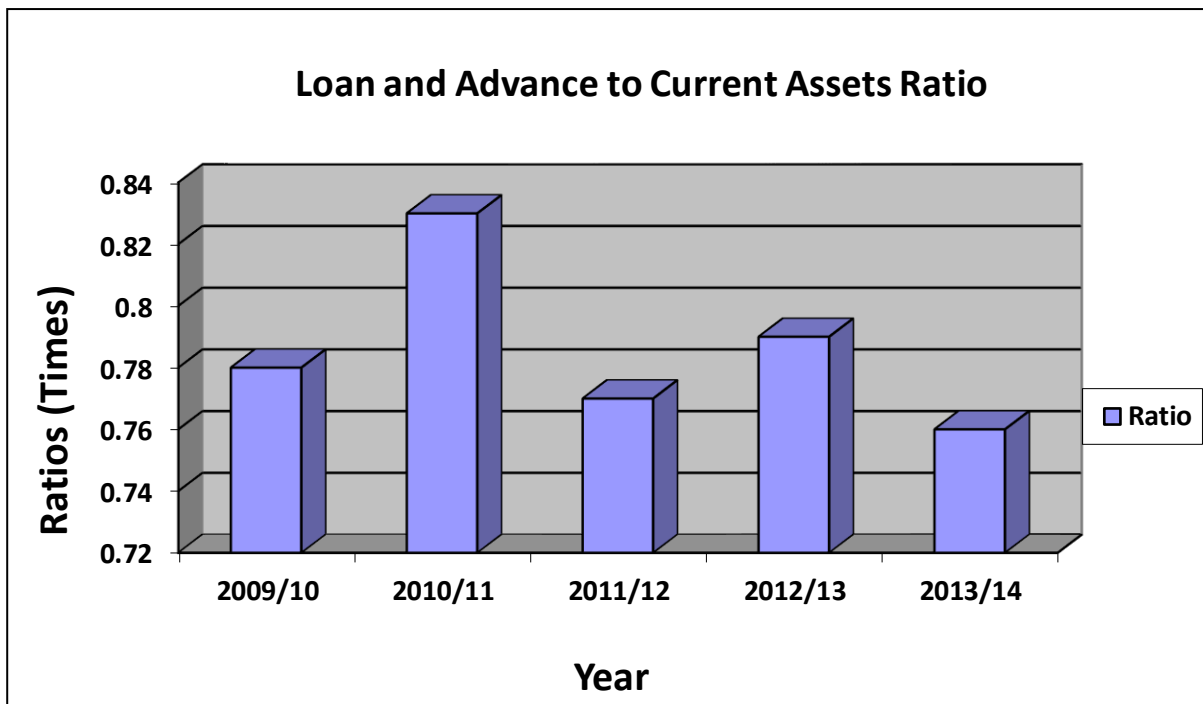
Amount in Rs. (Lakhs)

Year	Loan and Advance	Current Assets	Ratio
2010	2,81,564	3,59,114	0.78
2011	3,16,618	3,80,321	0.83
2012	3,66,168	4,74,020	0.77
2013	4,41,977	5,58,462	0.79
2014	4,84,503	6,33,140	0.76
Mean			0.788

Source: Annual report of EBL

In the above table the Loan and Advance to Current Assets are 0.78, 0.83, 0.77, 0.79 and 0.76 respectively which shows fluctuating trend. The highest ratio is 0.83 in year 2011 and the lowest is 0.76 in year 2014. The Loan and Advance to Current Assets is 0.788 as average in the five years of study period. The bank is able to utilize its Current Assets as Loan and Advance in appropriate level so that it is able to make high return. To get high return, it should grant loan and advance in appropriate level. From the above table, it indicates that the earning of the bank is increasing due to increase in ratio, which will lead the bank in the better condition in the latest year. Loan and Advance to Current Assets is presented in the bar diagram as follow:

Figure No. 4.6



4.2 Assets Management Ratio

This ratio measures the efficiency of commercial bank generates sales in the fund mobilization. A commercial bank must be able to manage its assets properly to earn high profit maintaining the appropriate level of liquidity. Asset management ratio measures the efficiency of the bank. By the help of the following ratios, asset management of Everest Bank Limited has been analyzed.

4.2.1 Total Assets to Total Liabilities Ratio

The total asset of the bank should pay active role in profit generating through lending activities. The ratio measures the bank ability to multiply its liability unto assets. It is always recommended to have higher ratio to total assets to total liabilities. Since, it signifies overall increase of credit. The higher ratio indicates the higher productivity.

Table 4.7

Total Assets to Total Liabilities Ratio

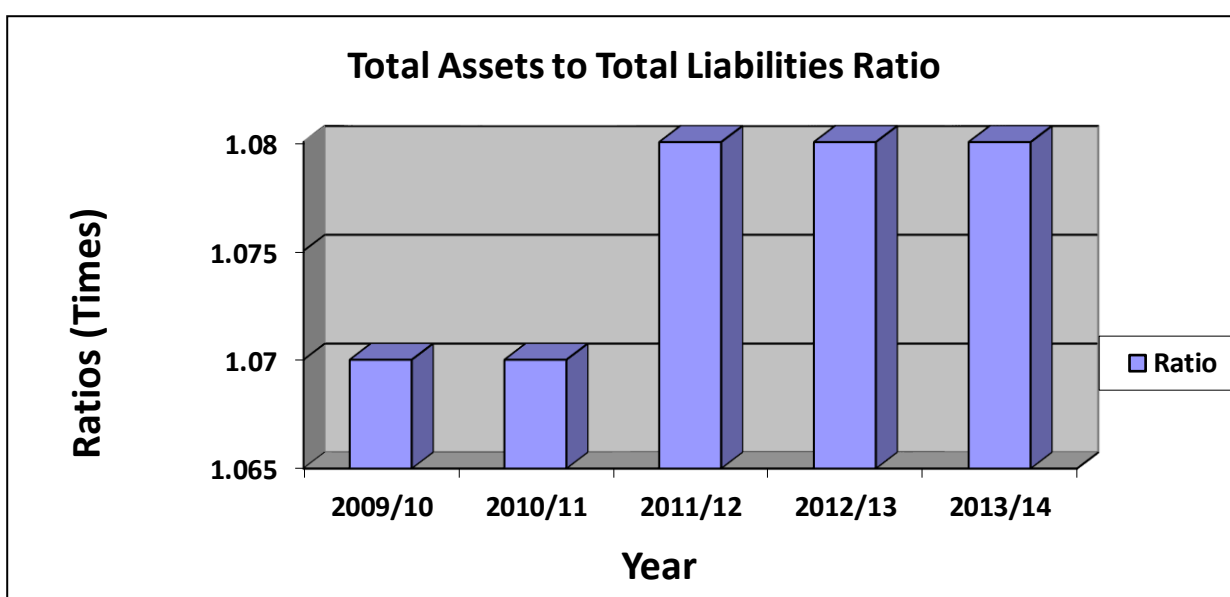
Amount in Rs. (Lakhs)

Year	Total Assets	Total Liabilities	Ratio
2010	4,13,827	3,86,236	1.07
2011	4,62,362	4,31,228	1.07
2012	5,58,131	5,16,359	1.08
2013	6,57,411	6,09,139	1.08
2014	7,04,450	6,49,880	1.08
Mean			1.076

Source: Annual report of EBL

From the above table, we can say that the total assets to total liabilities is constant for two years at ratio 1.07 and increased to the remaining third year being constant at ratio 1.08. Therefore the above table shows the constant trend over the five year study period. The total assets to total liabilities is 1.076 as average during the five year study period. The analysis of total assets to total liabilities ratio shows the better performance of assets management in the latest year. Total Assets to Total Liabilities is presented in bar graph as follow:

Figure No. 4.7



4.2.2 Loan and Advance To Total Assets Ratio

Loan and Advance of any commercial bank represent the major portion in the volume of total working fund. This ratio measures the volume of loan and advance in the structure of total assets. The high degree of this ratio indicates the good performance of the bank in mobilizing its fund by ways of lending function. However, in its reverse side, the high degree of this ratio is repress inactive of low liquidity ratio either granting the loan and advance always carries a certain degree of risk. Thus, this assets of banking business is regarded as risky assets. This ratio measures the management attitude toward the risk assets. The low ratio is indicative of low productivity and high degree of safety in liquidity and vice-versa. The interaction between risk and return determines this ratio. This ratio reflects the extent to which the banks are successful in mobilizing their total assets on loan and advance for the purpose of income generation.

Table 4.8

Loan and Advance to Total Assets Ratio

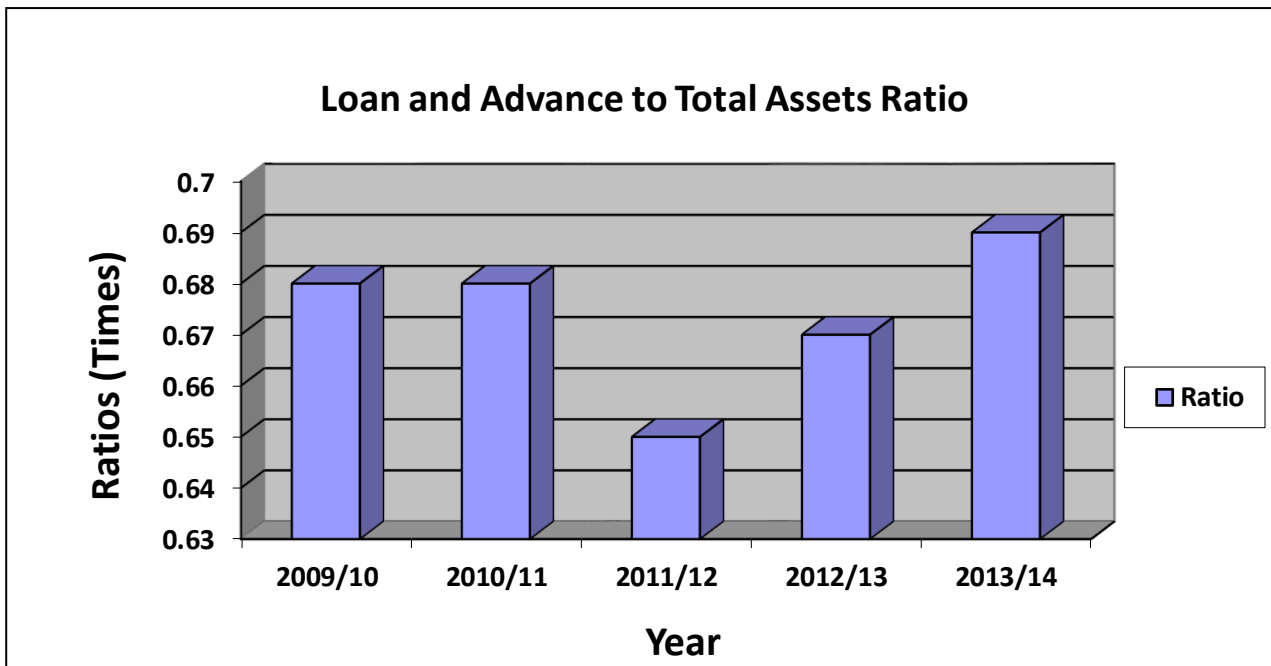
Amount in Rs. (Lakhs)

Year	Loan and Advance	Total Assets	Ratio (times)
2010	2,81,564	4,13,827	0.68
2011	3,16,618	4,62,362	0.68
2012	3,66,168	5,58,131	0.65
2013	4,41,977	6,57,411	0.67
2014	4,84,503	7,04,450	0.69
Mean			0.674

Source: Annual report of EBL

In the above table, the loan and advance to total assets are 0.68, 0.68, 0.65, 0.67 and 0.69 respectively during the five years study period. The average ratio is found to be 0.674 during the five year study period. It shows the fluctuating trend even though ratio remains constant for the first two year 2010 and 2011. It shows that bank has capability in utilizing total assets in the form of loan and advance. Consistency in the form of loan and advance are satisfactory because the fluctuating is minimum. The Loan and Advance to total assets is presented in bar diagram as follow:

Figure No. 4.8



4.2.3 Loan and Advances to Total Deposit Ratio

This ratios measures the extent to which the bank is successful to manage its total deposit on loan and advances for the purpose of income generation. A high ratio indicated better mobilization of collected deposit and vice-versa. However, it should be noted that too high ratio might not be better from liquidity point of view.

Table 4.9

Loan and Advance to Total Deposits Ratio

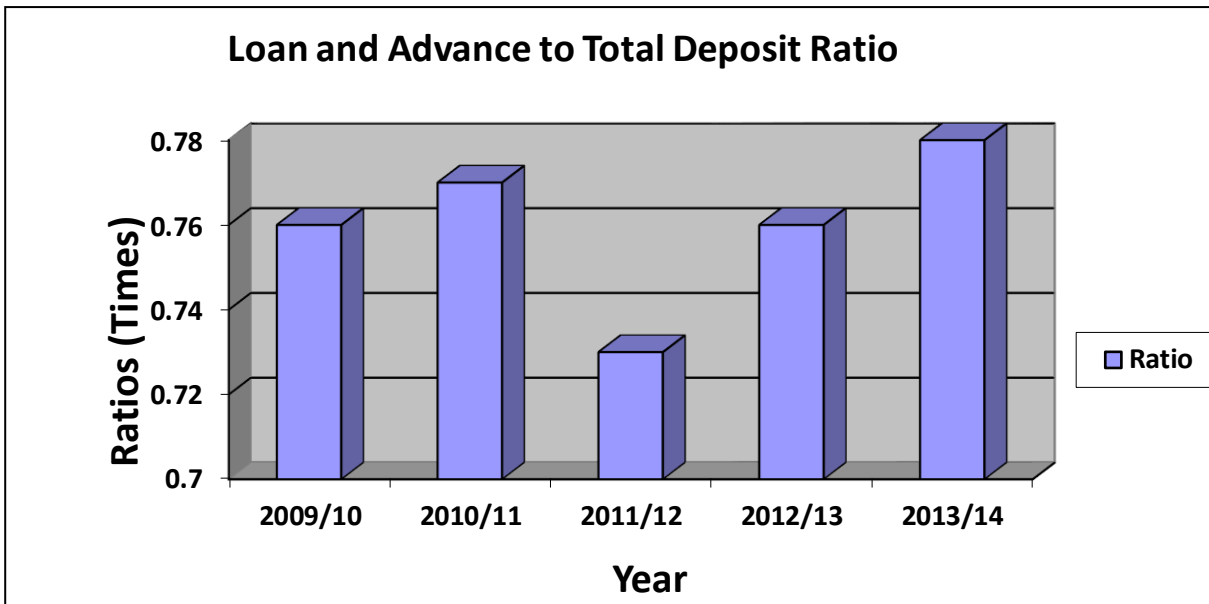
Amount in Rs. (Lakhs)

Year	Loan and Advance	Total Deposits	Ratio(times)
2010	2,81,564	3,69,323	0.76
2011	3,16,618	4,11,279	0.77
2012	3,66,168	5,00,061	0.73
2013	4,41,977	5,77,204	0.76
2014	4,84,503	6,21,081	0.78
Mean			0.76

Source: Annual report of EBL

In the above table, Loan and Advance to Total Deposit ratios are 0.76, 0.77, 0.73, 0.76 and 0.78 respectively. The table shows that the total loan advances to total deposit ratio of EBL is in fluctuating trend. The highest ratio is 0.78 times in years 2014, and lowest ratio 0.73 times in year 2012. The mean ratio is 0.76 times in the study period. This means that the bank is able to mobilization of collection deposit according to NRB directives above 70% to 90% of loan and advances to total deposit ratio is able to better mobilization of collection deposit. So all of the year has met the NRB requirement or it has utilized its deposit to provide loan. This means that credit management is in good position of the bank. Loan and advances and total deposit are presented in bar diagram as follows:

Figure No. 4.9



4.2.4 Interest Spread Rate

Interest Spread Rate is the difference between the interest rate received by banks and other lending institution (on loans made to outside parties) and the interest rate that there financial institution pay to depositors. To calculate the interest spread rate, banks and other lenders use the financial record of loan they have made and of interest rate paid to depositors. The ratio measures the contribution made by investment in total loan and advances. The low ratio indicates the mobilization of funds in safe area and vice versa.

Table 4.10

Interest Spread Rate

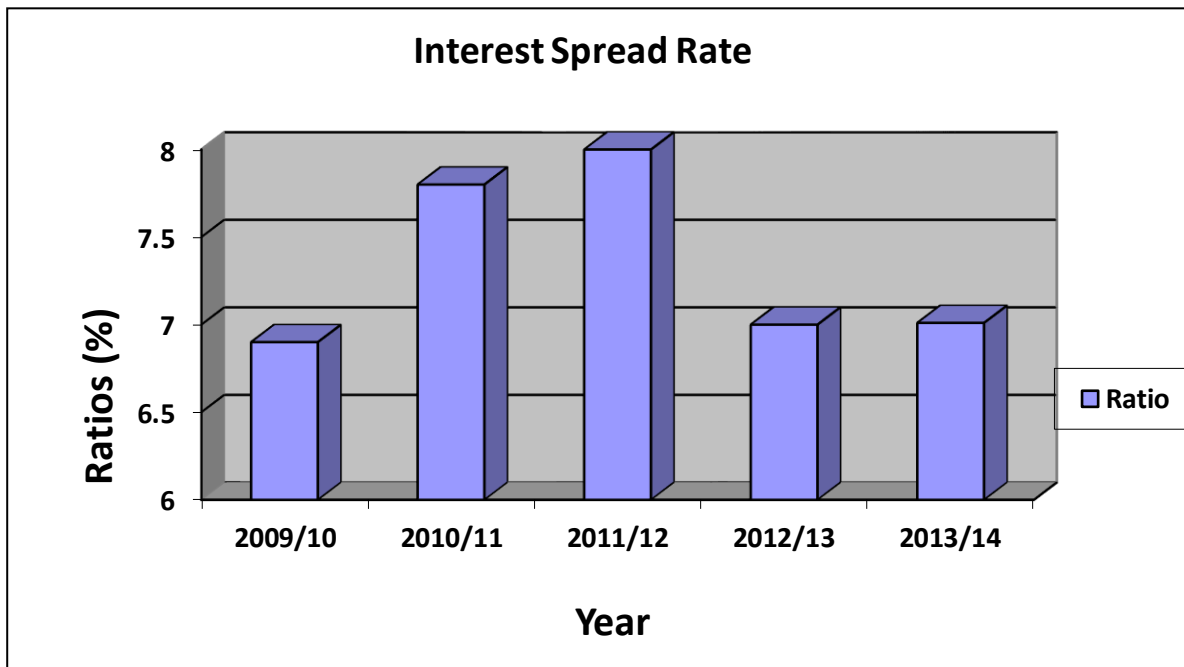
(Amount in Rs. Lakhs)

Years	Interest Income	Interest Expenses	Loan and Advances	Total Deposit	Interest Spread Rate (%)
2010	31,024	15,728	2,81,564	3,69,323	6.9%
2011	43,310	25,359	3,16,618	4,11,279	7.8%
2012	49,599	28,733	3,66,168	5,00,061	8%
2013	49,369	21,792	4,41,977	5,77,204	7%
2014	51,775	22,587	4,84,503	6,21,081	7.01%
Mean					7.34%

Source: Annual report of EBL

The above table shows that the interest spread ratio of EBL is in fluctuating trend. The highest ratio is 8% in year 2012 and lowest ratio 6.9% in year 2010. The mean ratio is 7.34% this indicates the mobilization of funds in the better area. Ratio 7.8% and 8% in year 2011 and 2012 indicate the mobilization of funds in the better area whereas Ratio 6.9%, 7% and 7.01% in year 2010, 2013 and 2009 indicates the mobilization of funds in safe area. Thus, credit management is in good position of the bank. Interest income, interest expenses, loan advances and deposit are represented bar- diagram as follow:

Figure No. 4.10



4.3 Profitability Ratio

Profitability ratios are very helpful to measure the overall efficiency in operation of a financial institution. In the context of banks, no bank can survive without profit. Profit is one the major indicators of efficient operation of bank. The banks acquire profit by providing different services to its customers or by providing loan and advances and making various kinds of investment opportunities. Profitability ratios measure the efficiency of bank. A higher profit ratio shows the higher efficiency of a bank. The following ratios are calculated:

4.3.1 Net profit to Gross Income Ratio

The ratio measures the volume of gross income. The high ratio measure the higher efficiency of the bank and lower ratio indicates the lower efficiency of the bank.

Table 4.11

Net Profit to Gross Profit Ratio

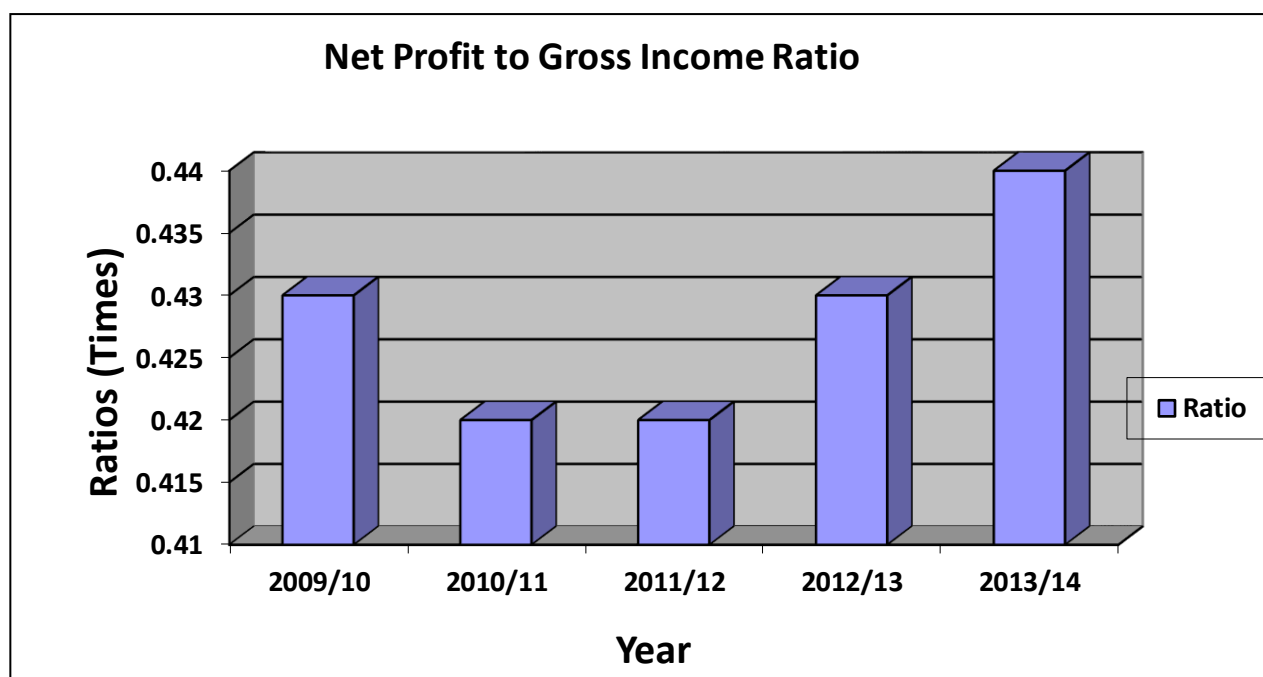
Amount in Rs. (Lakhs)

Year	Net Profit	Gross Income	Ratio(times)
2010	8,318	19,132	0.43
2011	9,313	22,129	0.42
2012	10,906	25,877	0.42
2013	14,711	34,381	0.43
2014	15,497	35,021	0.44
Mean			0.428

Source: Annual report of EBL

Total 4.11 show that the total net profit to gross income ratio of EBL is in fluctuating trend. The highest ratio is 24.4% in year 2009 and lowest ratio 18.3% in year 2005. The mean ratio is 21.3%. Ratios are 22.2%, 21.6% and 24.4% in year 2007, 2008 and 2009 respectively. These are able to obtain the higher efficiency of bank. Ratios are 18.3% and 19.9% in year 2005 and 2006 respectively. These are not able to obtain higher efficiency of the bank. Therefore, credit management is in good position of the bank. Net profit to gross income ratio is represented in bar diagram as follows:

Figure No. 4.11



4.3.2 Interest Income to Total Income Ratio

This ratio measures the volume to total income. The ratio indicates the high contribution made by lending and investing activities.

Table 4.12

Interest Income to Total Income Ratio

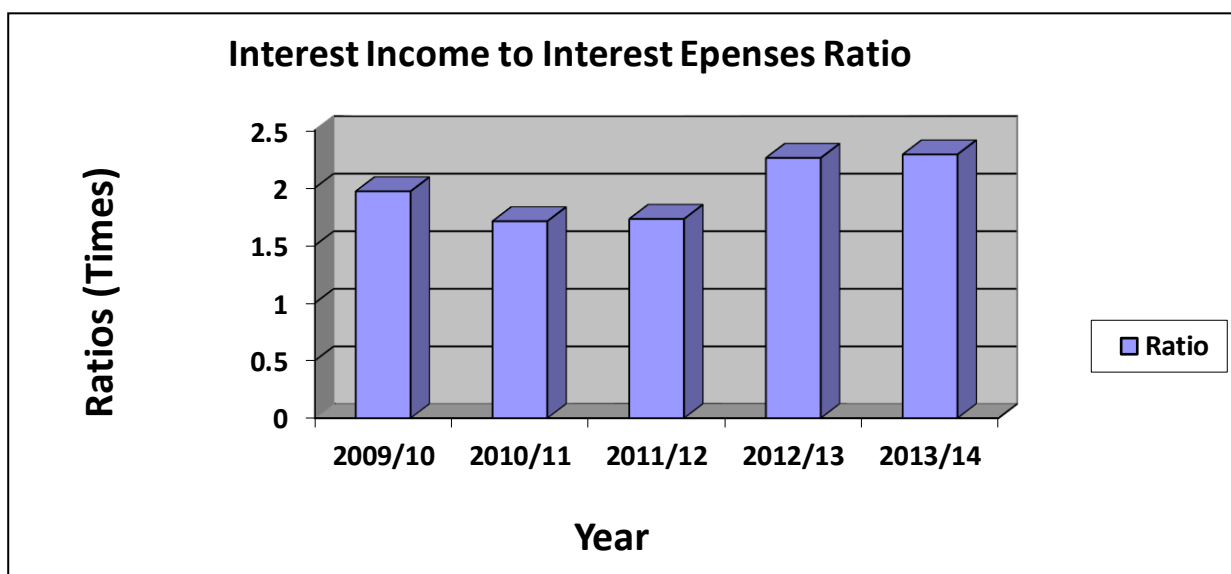
Amount in Rs. (Lakhs)

Year	Interest Income	Total Income	Ratio(times)
2010	31,024	35,355	0.89
2011	43,310	47,475	0.91
2012	49,599	56,858	0.87
2013	49,369	55,605	0.90
2014	51,775	59,085	0.88
Mean			0.89

Source: Annual report of EBL

In the above table Interest Income to Total Income ratios are 0.89, 0.91, 0.87, 0.90 and 0.88 respectively throughout the study period. The above table shows that the total interest income to total income ratio of EBL is in fluctuating trend. The highest ratio is 0.91 times in year 2011 and lowest ratio is 0.87 times in year 2012. The mean ratio is 0.89 times in the study period. These indicate that high contribution made by lending and investing activities. Therefore, credit management is in good position of the bank. Interest income and total income are presented in bar diagram as follows:

Figure No. 4.12



4.3.3 Interest Income to Interest Expenses

Interest income to interest expenses ratio the gap between interest rates offered and interest rate changed, Nepal Rastra Bank has restricted the gap between interest taken in loan, advance and interest offered in deposit. The credit creation power of commercial bank has high impact on this ratio.

Table 4.13**Interest Income to Interest expenses Ratio**

Amount in Rs. (Lakhs)

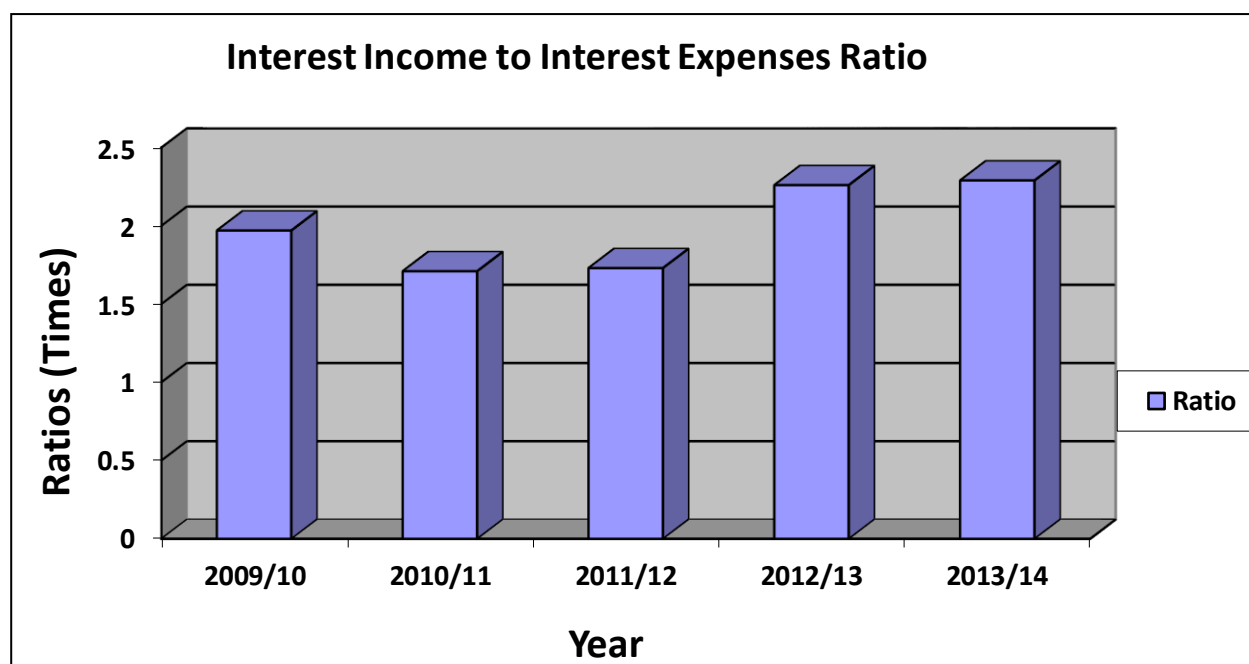
Year	Interest Income	Interest Expenses	Ratio(times)
2010	31,024	15,728	1.97
2011	43,310	25,359	1.70
2012	49,599	28,733	1.73
2013	49,369	21,792	2.26
2014	51,775	22,587	2.29
Mean			1.99

Source: Annual report of EBL

EBL has high degree of gap between interest offered and interest charged. This shows that EBL has charged high interest to borrower and offering low interest rate to depositors. The highest cost of deposit mix of EBL has caused the gap between interest income and interest expenses to be least.

From the above table Interest Income to Interest Expenses ratio are 1.97, 1.71, 1.73, 2.26 and 2.29 times respectively throughout the study period. During the five year study period, Interest Income to Interest Expenses ratio is fluctuating trend. The highest ratio is 2.29 in year 2014 and the lowest ratio is 1.71 in year 2011. The average ratio is 1.992 which shows the profitable situation at the previous year but little bit decrease at the latest year n finally increases to 2.29. Interest income and interest expenses are presented in bar diagram as follows:

Figure No. 4.13



4.3.4 Operating Profit to Loan and Advance Ratio

Operating profit to loan advance ratio measures the earning capacity of commercial bank.

Table 4.14

Operating Profit to Loan and Advance Ratio

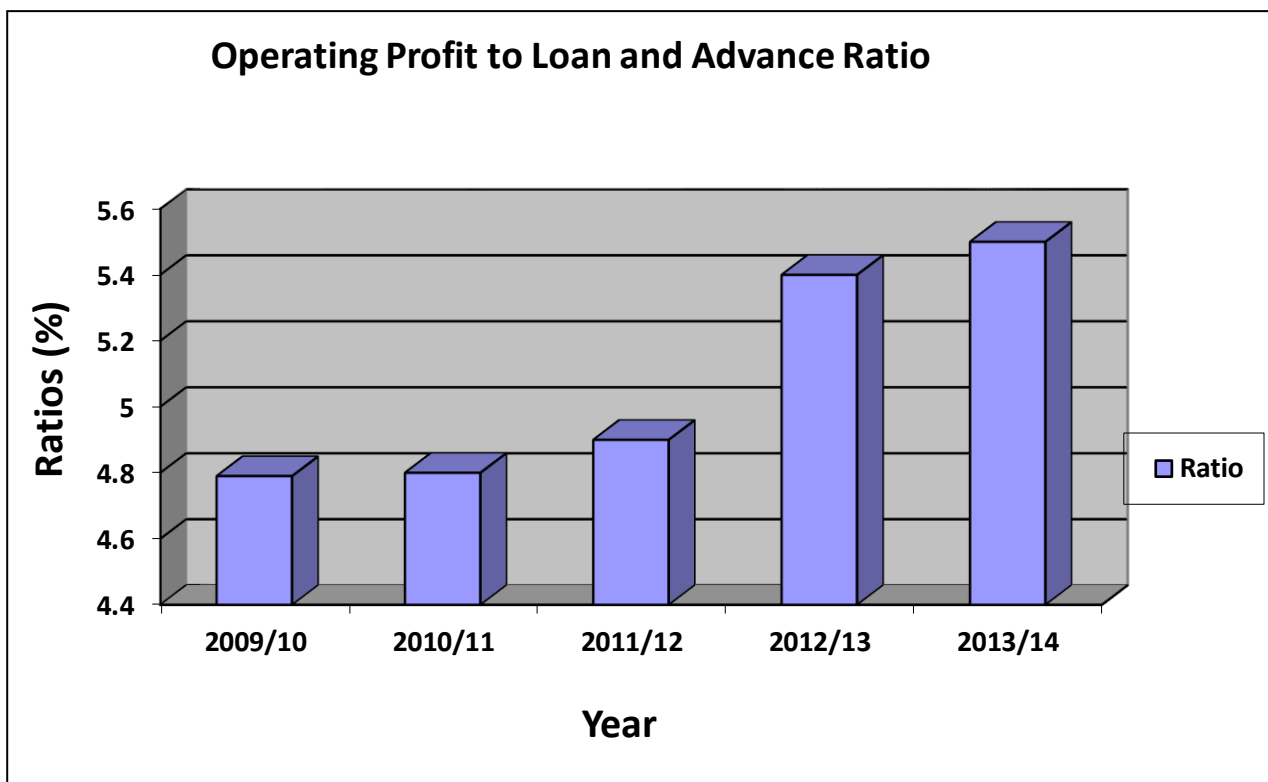
Amount in Rs. (Lakhs)

Year	Operating Profit	Loan and Advance	Ratio (%)
2010	13,491	2,81,564	4.79
2011	15,167	3,16,618	4.8
2012	17,904	3,66,168	4.9
2013	24,016	4,41,977	5.4
2014	24,940	4,84,503	5.5
Mean			5.078

Source: Annual report of EBL

The above shows that the operating profit of loan and advances ratio of EBL is in increasing trend. The highest ratio is 5.5 % in year 2014 and lowest ratio is 4.79 % in year 2010. The mean ratio is 5.078% in the five years study period. Ratios are 4.9%, 5.4% and 5.5% in year 2012, 2013 and 2014 respectively. These show the better profitability position of commercial bank whereas, Ratios 4.79% and 4.8% in year 2010 and 2011 do not show the better profitability position of the bank. Thus, credit management is in good position of the bank operating profit and loan advances are presented in bar diagram as follows:

Figure No. 4.14



4.3.5 Return on Loan and Advances Ratio

This ratio measures the earning capacity of commercial banks through its fund mobilization as loan advances and vice-versa.

Table 4.15

Return on Loan and Advance Ratio

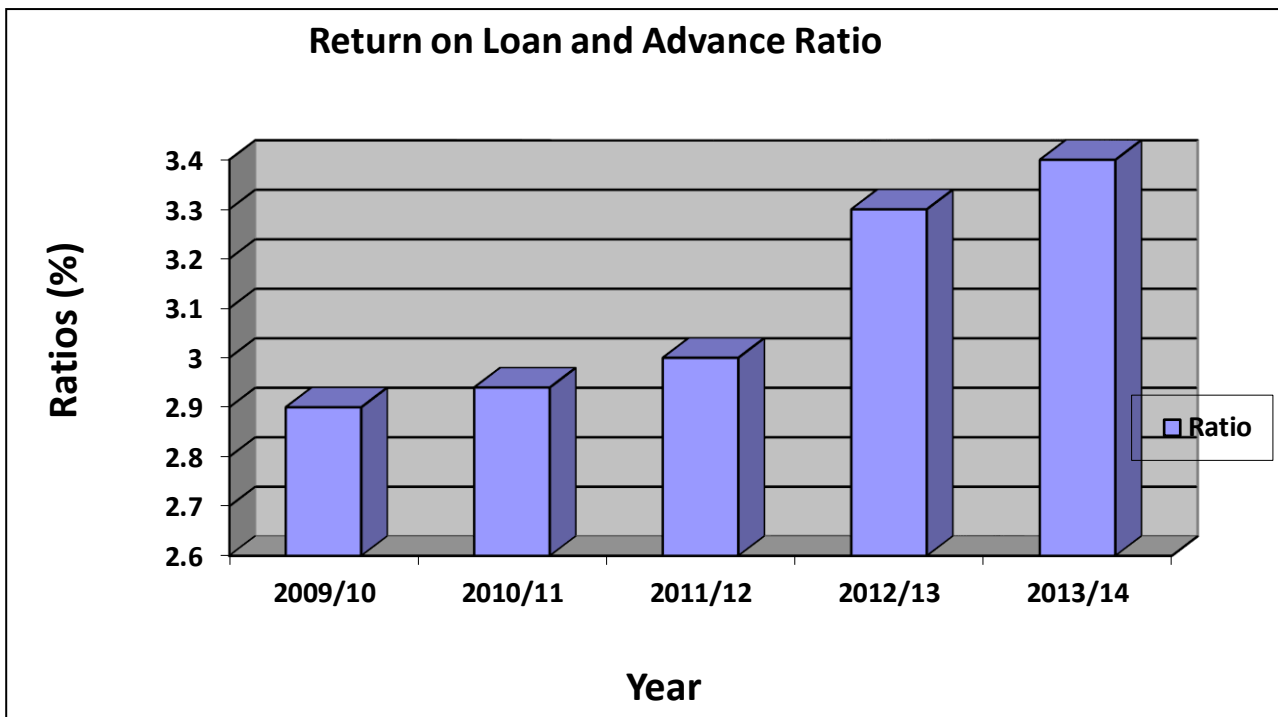
Amount in Rs. (Lakhs)

Year	Net Profit	Loan and Advance	Ratio (%)
2010	8,318	2,81,564	2.9
2011	9,313	3,16,618	2.94
2012	10,906	3,66,168	3
2013	14,711	4,41,977	3.3
2014	15,497	4,84,503	3.4
Mean			3.108

Source: Annual report of EBL

The above shows that return on loan and advances ratio of EBL is in increasing trend. The highest ratio is 3.4 times in the year 2014 lowest ratio is 2.9 times in year 2010. The mean ratio is 3.108 times. This shows the normal earning capacity of EBL in loan and advances. Highest ratios 3, 3.3 and 3.4 from year 2012 to 2014 show the normal earning capacity in loan and advance whereas ratios 2.9 and 2.94 in year 2010 and 2011 do not show the normal earning capacity in loan and advances. Thus, credit management is in good position. Net profit and loan advances are represented in bar diagram as follow;

Figure No. 4.15



4.3.6 Earning per Share

It measures the profit available to equity shareholders on per share basis i.e. the amount they can get each share held. The objective of computing this ratio is to measure the profitability of the firm on per equity share basis. This ratio is commutated by dividing the net profit after preference dividend by the number of equity.

Table 4.16

Earning Per Share

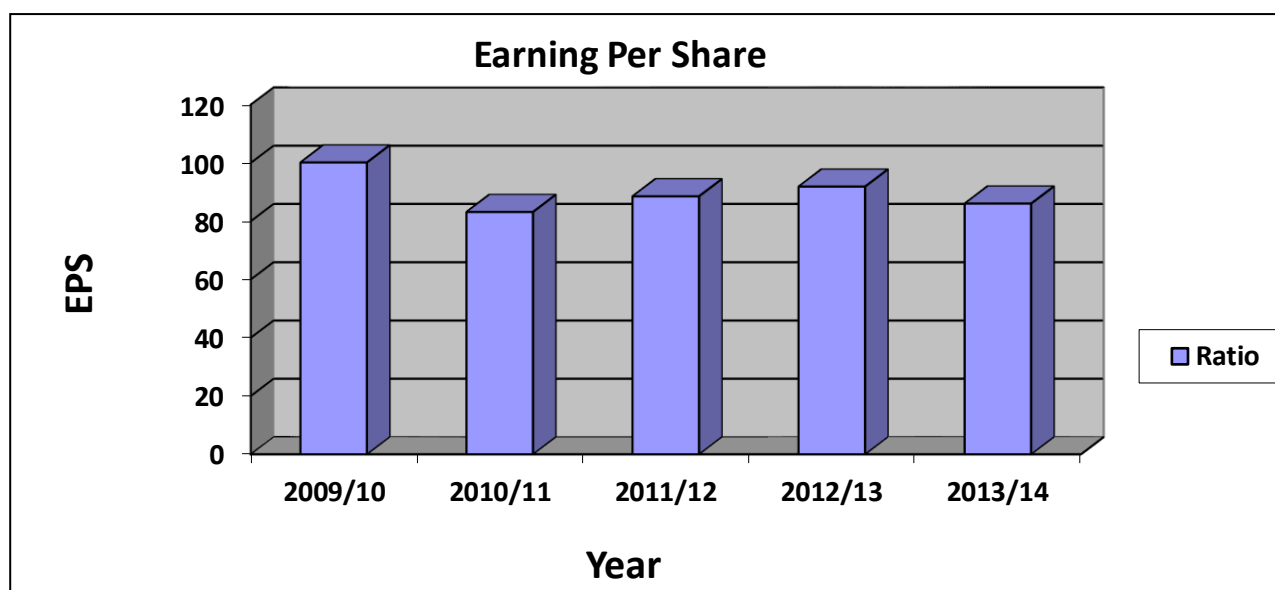
Amount in Rs. (Lakhs)

Year	Net Profit	No. of Equity Share	EPS
2010	8,318	8,33,130	100.16
2011	9,313	7,74,655	83.18
2012	10,906	9,65,726	88.55
2013	14,711	13,51,647	91.88
2014	15,497	13,33,362	86.04
Mean			89.96

Source: Annual report of EBL

The above shows that, Earnings per share of EBL are in fluctating trend. The highest EPS is Rs 100.16 in year 2010 and lowest EPS Rs.83.18 in year 2011. The mean EPS of the EBL is Rs.8.96 in the study period. This shows the better profitability in past year then present year as EPS decrease in year 2014 as comparision to year 2010. Earnings per share are Rs 100.16 and Rs. 91.88 in year 2010 and 2013 mean that the better profitability in the two years. Earning per shares are Rs.83.18, Rs. 86.04 and Rs. 88.55 in years 2011, 2014 and 2012 respectively that mean it doesn't profitability position of the bank. Therefore, credit management is in good position. Earning per shares is represented in bar diagram as follows:

Figure No. 4.16



4.3.7 Price Earnings Ratio

Price earnings ratio measures the profitability of the firm. Higher ratio measures the higher profitability of the firm lower ratio measures lower profitability of the firm.

Table 4.17
Price Earning Ratio

Amount in Rs.

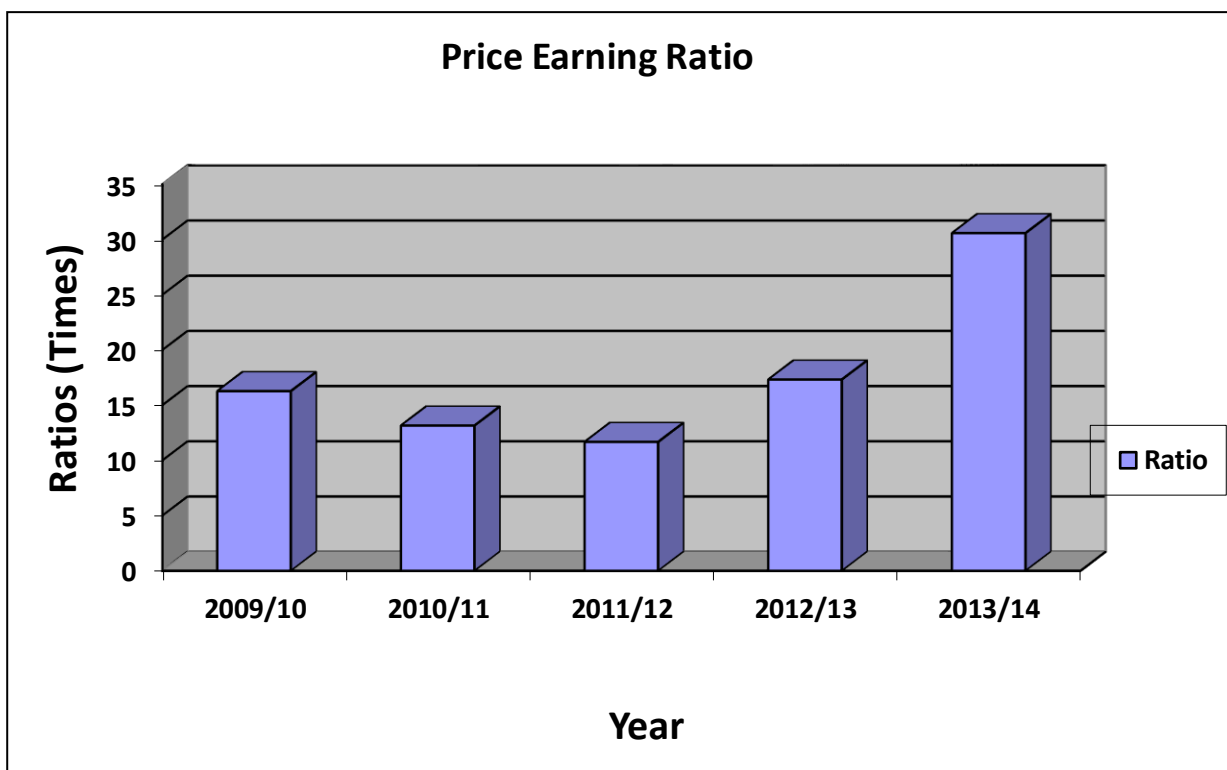
(Lakhs)

Year	Market Price/Share	Earning Per Share	Ratio(times)
2010	1630	100.16	16.27
2011	1094	83.18	13.15
2012	1033	88.55	11.67
2013	1591	91.88	17.32
2014	2631	86.04	30.58
Mean			17.80

Source: Annual report of EBL

The above shows that price earnings ratio of EBL is in fluctating trend. The highest price earnings ratio is 30.58 times in year 2014 and lowest ratio is 11.67 times in year 2012. The mean ratio of the EBL is 17.80 times in the study period. This shows the better profitability in the coming last years. Ratios are 16.27, 17.32 and 30.58 times in year 2010, 2013 and 2014 respectively. These mean that the better profitability in the coming last years. Ratios are 13.15 and 11.67 times in years 2011 and 2012 respectively. These mean that do not profitability position of the bank. Thus, credit management is in good position. Price earning rations are represented in bar diagram as follow:

Figure No. 4.17



4.4 Lending Efficiency Ratio

The efficiency of firm depends largely on the efficiency with which its assets are managed and utilized. This ratio is concerned with measuring the efficiency of bank. This ratio also shows the utility to available fund. The following are the various type of lending efficiency ratio.

4.4.1 Loan Loss Provision to total Loan and Advances Ratio

Loan loss provision to total loan and advances describes the quality of assets that a bank holding. The amount of loan loss provision in balance sheet refers to general loan loss provision. The provision for loan loss reflects the increasing probability of non-performing loan. The provision of loan means the profit of the banks will come down by such amount. Increase in loan loss provisions decreases in profit result to decrease in dividends but its positive impact is that strength financial condition of the banks by controlling the credit risk and reduced the risks related to deposits. Therefore, it can be said that banks suffer it only for short-term loan while the good financial conditions and safety of loans will make bank's prosperity resulting increasing profit for long term. Loan provision is not more than 1.25% of risk bearing assets.

Table 4.18

Loan Loss provision to Total Loan and Advance Ratio

Amount in Rs. (Lakhs)

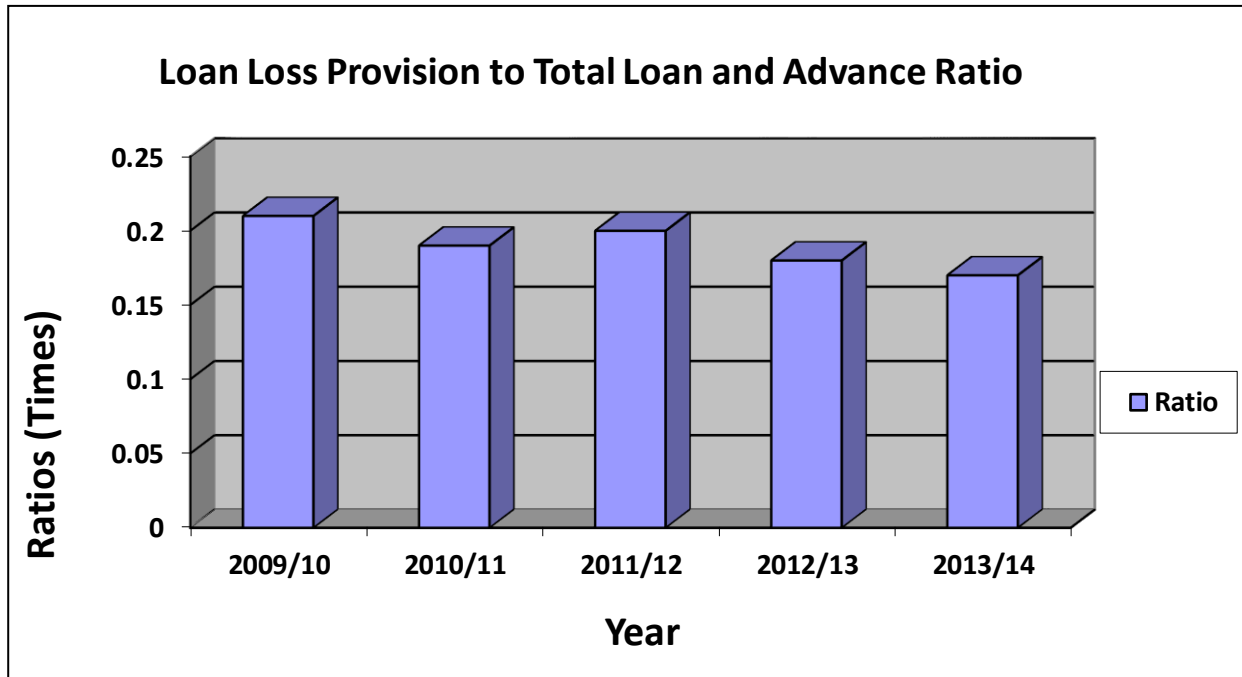
Year	Loan Loss Provision	Loan and Advance	Ratio (times)
2010	60,004	2,81,564	0.21
2011	60,415	3,16,618	0.195
2012	70,586	3,66,168	0.19
2013	80,457	4,41,977	0.18
2014	87,028	4,84,503	0.17
Mean			0.19

Source: Annual report of EBL

The above table shows that the loan loss provision to total loan and advances ratio of EBL is decreasing trend. The highest ratio is 0.21 in year 2010 and lowest ratio 0.17 times in year 2014. That mean ratio of the study period is 0.19 times. This shows that good quality of assets in total volume of loan and advances. Ratios 0.21 and 0.195 in year 2010 and 2011. This indicates that more risky assets in total volume of loan advances. Ratios are 0.19, 0.18 and 0.17 in the year 2012, 2013 and 2014 respectively. These indicate the good quality of assets in total volume of loan and advances. Thus, credit management is in good position. So,

all of the years, the bank has met the NRB requirement loan loss provision and advances are represented in bar diagram as follows:

Figure No. 4.18



4.4.2 Non-performing Loan to Total Loan and Advance Ratio

NRB has directed all the commercial banks create loan loss provision against the doubtful and bad debts. But both of our concerned bank have not provided data on non-performing loan in balance sheet and profit and loss account. To measure the volume of non-performing loan to total loan and advance. The main indicator of EBL has been used. This ratio shows the percentage of non recovery loan in total loan and advance.

Table 4.19

Non-performing Loan to Total Loan and Advance Ratio

Amount in Rs. (Lakhs)

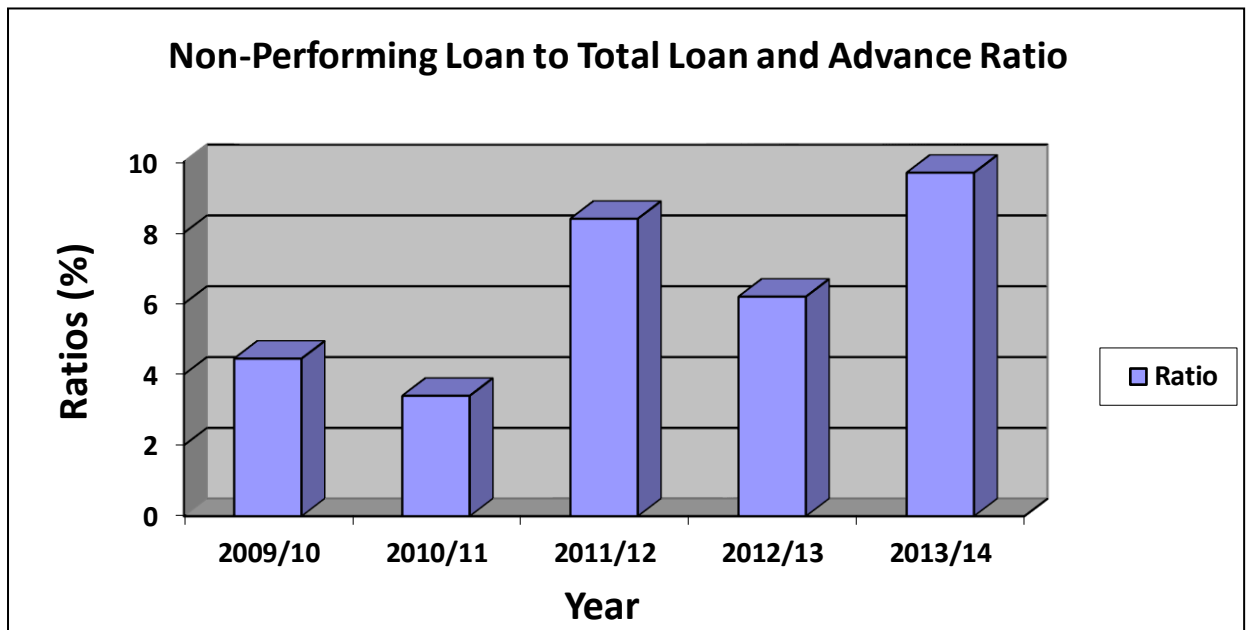
Year	Non-performing Loan	Loan and Advance	Ratio (%)
2010	12,550	2,81,564	4.45
2011	10,850	3,16,618	3.4
2012	30,740	3,66,168	8.4
2013	27,610	4,41,977	6.2
2014	47,040	4,84,503	9.7
Mean			6.43

Source: Annual report of EBL

The table shows the fluctuating trends of non-performing loan to loan and advance ratio. The highest ratio is 9.7 in 2014 and lowest ratio is 3.4 in 2011 years. The mean ratio is 6.43 which shows low ratio of non-performing loan to total loan and advances.

Banking sector is seriously affected by non-performing loan. Around 10% of non-performing loan, the bad performing of bank even though the decreasing trend shows the better improvement of the bank. If non-performing loan will increase that effect in overall banking business provision amount will increase and profit will decrease. So, we suggest the bank to be very careful while granting loan and to do effective follow up for recovery of loan is presented in diagram as follow:

Figure No. 4.19



4.4.3 Interest Expenses to Total Deposit Ratio

The ratio measures the percentage of total interest against total deposit. Commercial banks are dependent upon its ability to generate cheaper fund. The cheaper fund has more the probability of generating loans and advances and vice-versa.

Table No. 4.20

Interest Expenses to Total Deposit Ratio

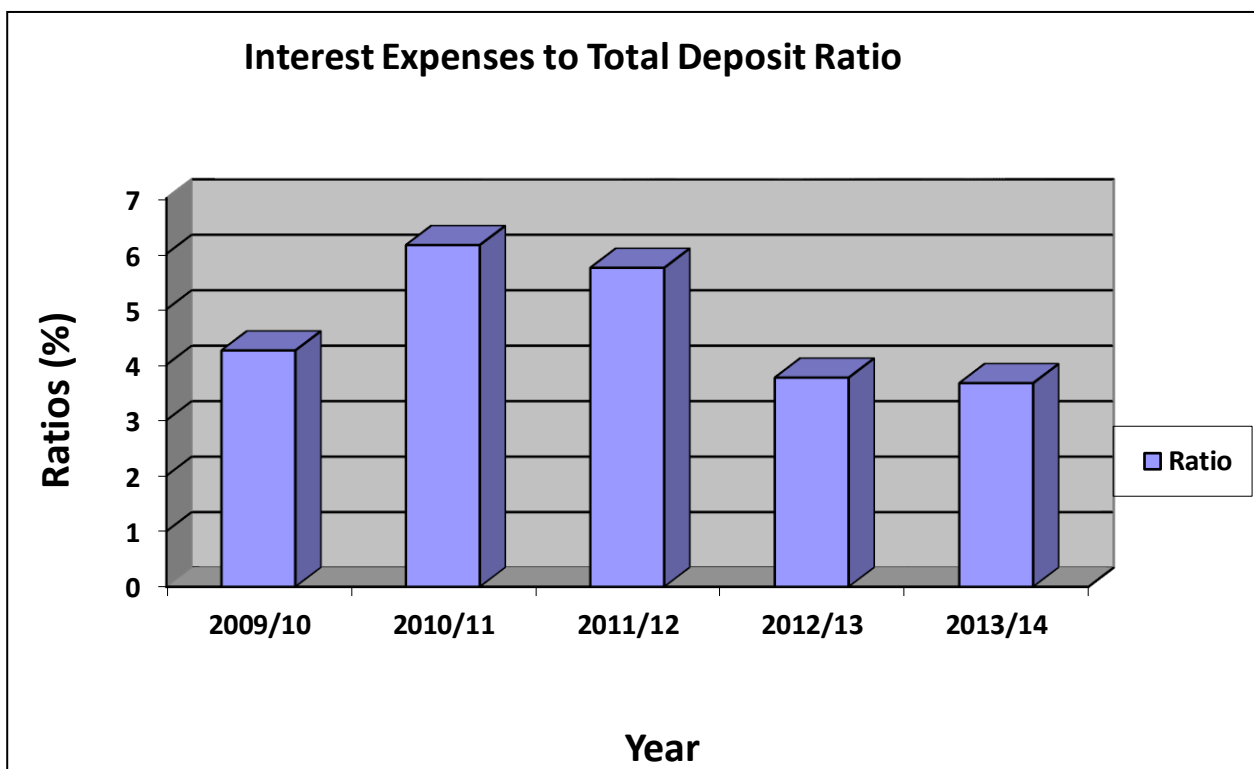
Amount in Rs. (Lakhs)

Year	Interest Expenses	Total Deposit	Ratio (%)
2010	15,728	3,69,323	4.26
2011	25,359	4,11,279	6.16
2012	28,733	5,00,061	5.75
2013	21,792	5,77,204	3.77
2014	22,587	6,21,081	3.67
Mean			4.72

Source: Annual report of EBL

The above table shows that interest expenses to total deposit ratio of EBL is in fluctuating trend. The highest ratio is 6.16% in the year 2011 and lowest ratio 3.67% in year 2014. From mean point of view, interest expense to total deposit ratio of EBL is 4.72% during the study period. That this ratio does not indicate higher interest expenses on total deposit commercial banks are dependent upon its ability to generate cheaper fund. Ration is 6.16% in year 2011. These indicate that higher interest expenses on total deposit. Ratios are 4.26%, 5.75%, 3.77% and 3.67% in year 2010, 2012, 2013 and 2014 respectively. Those do not indicate that the higher interest expenses on total deposit. Therefore, credit management is not in good position. Interest expenses to total deposit ratio is represented bar diagram as follows:

Figure No. 4.20



4.4.4 Interest Expenses to Total Expenses Ratio

This ratio measure the percentage of interest paid against total expenses. The high ratio indicates the low operation expenses and vice-versa. This ratio includes the costly source of fund.

Table 4.21
Interest Expenses to Total Expenses Ratio

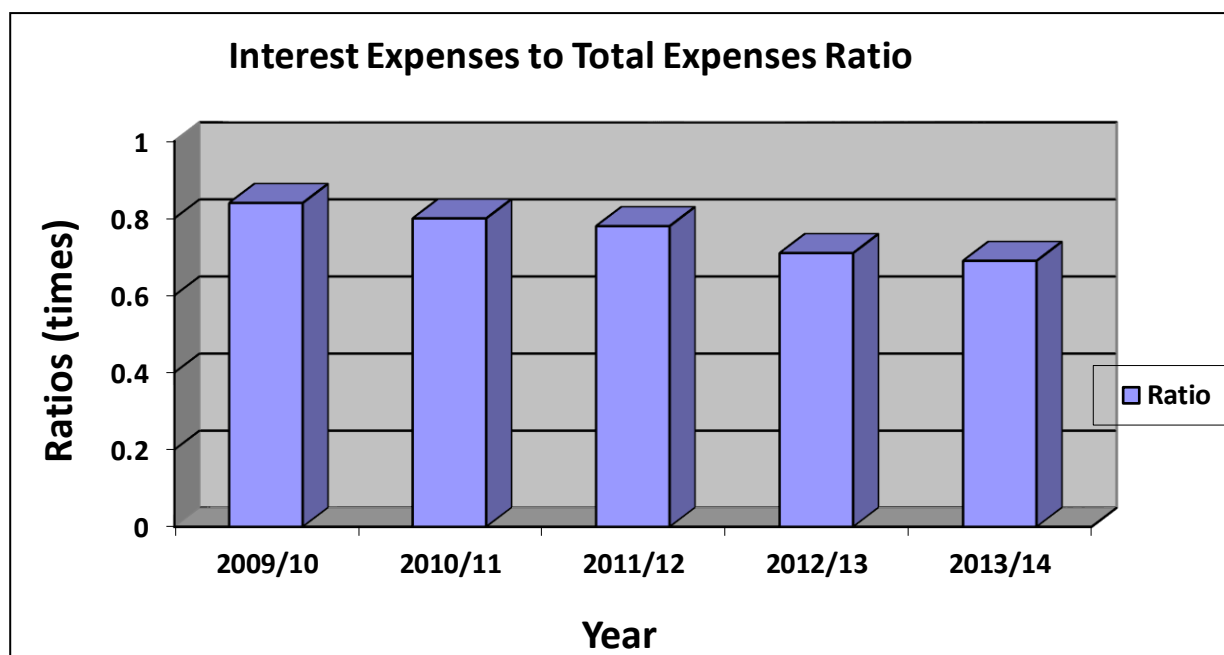
Amount in Rs. (Lakhs)

Year	Interest Expenses	Total Expenses	Ratio (times)
2010	15,728	21,330	0.84
2011	25,359	31,585	0.80
2012	28,733	36,562	0.78
2013	21,792	30,628	0.71
2014	22,587	32,734	0.69
Mean			0.764

Source: Annual report of EBL

In the above table, the interest expenses to total expenses in decreasing trend. The ratios are 0.84, 0.80, 0.78, 0.71 and 0.69 in five years study period from year 2010 to 2014. The highest ratio is 0.84 in year 2010 and the lowest ratio is 0.69 in year 2014. From the mean point of view, the interest expense to total expenses is 0.764 which shows the lower expenses between interest expenses and total expenses. Therefore, credit management is in good position of the bank. Interest expenses to total expenses are presented in bar diagram as follows:

Figure No. 4.21



4.4.5 Interest Expenses to Total Working Fund Ratio

This ratio measures the percentage of total interest rate against the total working fund. A high ratio indicates the higher interest expenses on total working fund and vice-versa.

Table 4.22

Interest Expenses to Total Working Fund Ratio

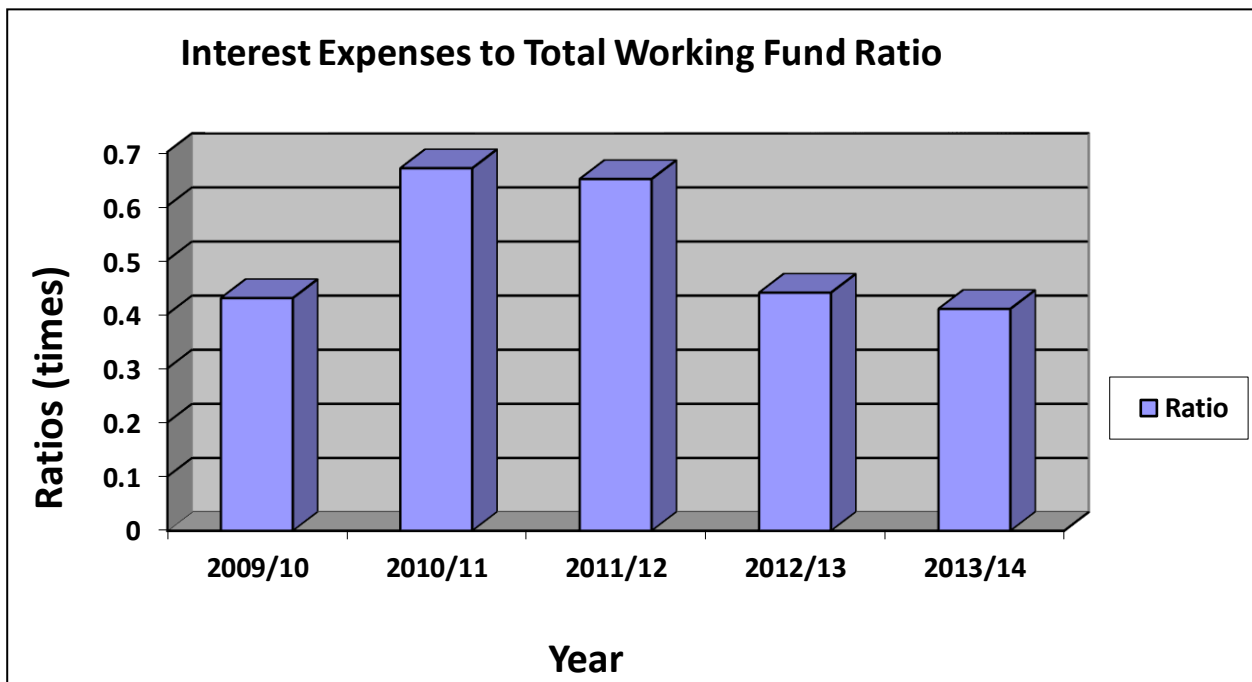
Amount in Rs. (Lakhs)

Year	Interest Expenses	Total Working Fund	Ratio (times)
2010	15,728	36,493	0.43
2011	25,359	37,804	0.67
2012	28,733	44,001	0.65
2013	21,792	49,700	0.44
2014	22,587	54,324	0.41
Mean			0.52

Source: Annual report of EBL

The above shows that the Interest Expenses to Total Working Fund Ratio of EBL is in fluctuating trend. The highest ratio is 0.67 in year 2011 and lowest ratio is 0.41 in year 2014. The mean ratio is 0.52. This means that the bank's sound ability to meet the daily expenses requirement of their customers deposit. Ratios are 0.67 and 0.65 in years 2011 and 2012 respectively. This indicates that the bank is in sound ability to meet the daily expenses requirement of their customer deposit. Ratios are 0.43, 0.44 and 0.41 year 2010, 2013 and 2014 respectively. The bank may not be able to meet the daily expenses of total working fund.. Thus, credit management is not in good position of the bank. Interest Expenses to Total Working Fund Ratio are presented in bar diagram as follows:

Figure No. 4.22



4.5 Trend Analysis

In this chapter we examine the trend analysis of deposit, Loan and Advance and Net Profit and forecast trend for net five years. The measure of trend analysis show the behavior of given variables in series of line. Commercial bank does not carry consistency overall the

period. Sluggish Economic situation, internal security situation and other various factors effects in the performance of the commercial banks. The objectives of this analysis are to analyze the trend of deposit collection, its utilization as a loan and advance and return as net profit of EBL.

The projectors are based on following assumptions,

- The main assumption is that other things will remain unchanged
- The forecast will be true only Cohen the limitation of least square method is carried out.
- The bank will remain in the present stage.
- The economy will remain in the present stage.
- NRB will not change its guidelines to closing Balances.

4.5.1 Trend Analysis of Total Deposit

Deposit is one the major liabilities of Commercial Bank. Its trend is determined by value factors. Under this chapter, trend analysis of Deposit of EBL for five years from mid July 2010 to 2014 and forecast for five year from mid July 2015 to 2019. The following Table shows the trend value of deposit for ten years from mid July 2010 to 2019.

Table 4.23

Trend Value of Total Deposit of EBL

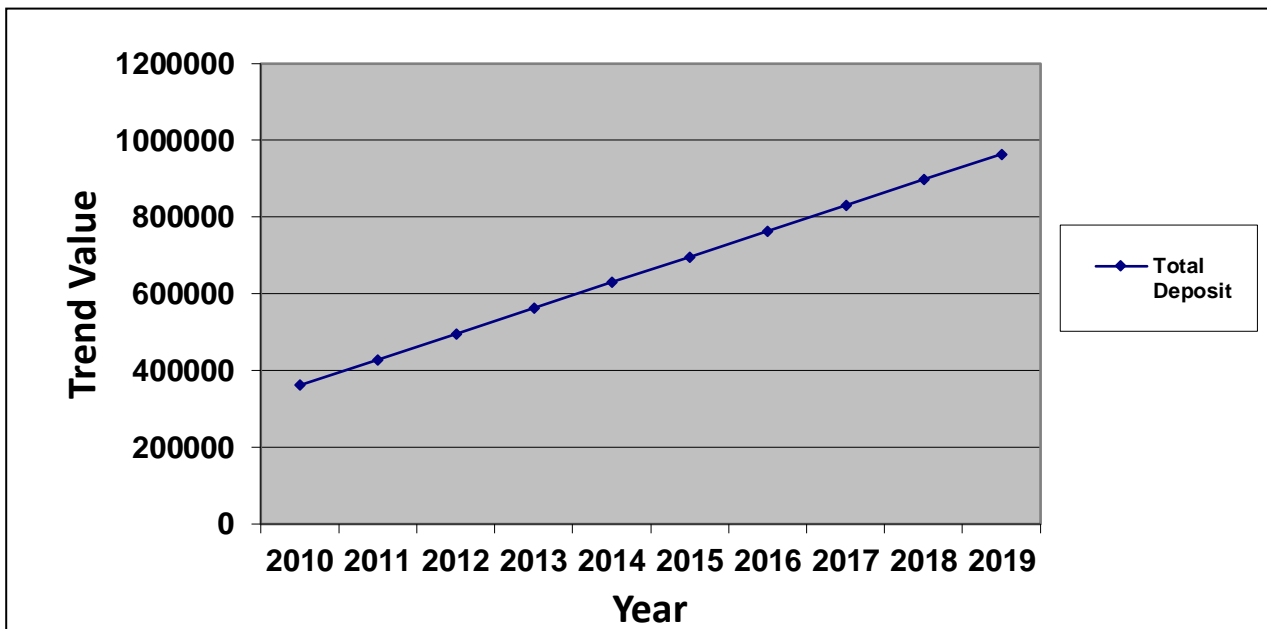
Amount in Rs. (Lakhs)

Year	Trend Value of EBL
2010	361901.4
2011	428845.5
2012	495789.6
2013	562733.7
2014	629677.8
2015	696621.9
2016	763566.2
2017	830510.5
2018	897454.8
2019	964398.1

Source: Calculation No: 1 (a & b)

The above table shows the trend behavior of Total deposit in EBL. It was increasing trend other things remaining the same, the total deposit of EBL in mid-July 2019 is predicted to be Rs. 964398.1Lakh, which is higher amount during the study period. The calculated value of trend of total deposit is presented in graph as trend line is as follow:

Figure No.4.23



4.5.2 Trend Analysis of Loan and Advance

Lending is one the major function of Commercial Bank, its trend is determined by various factors. Under this topic trend value of Loan and Advance of EBL for five years from mid July 2010 to 2014 and for cast for five years from 2015 to 2019. The following Table shows the trend value of deposit for ten years from mid July 2010 to 2019.

Table 4.24

Trend Value of Loan and Advance of EBL

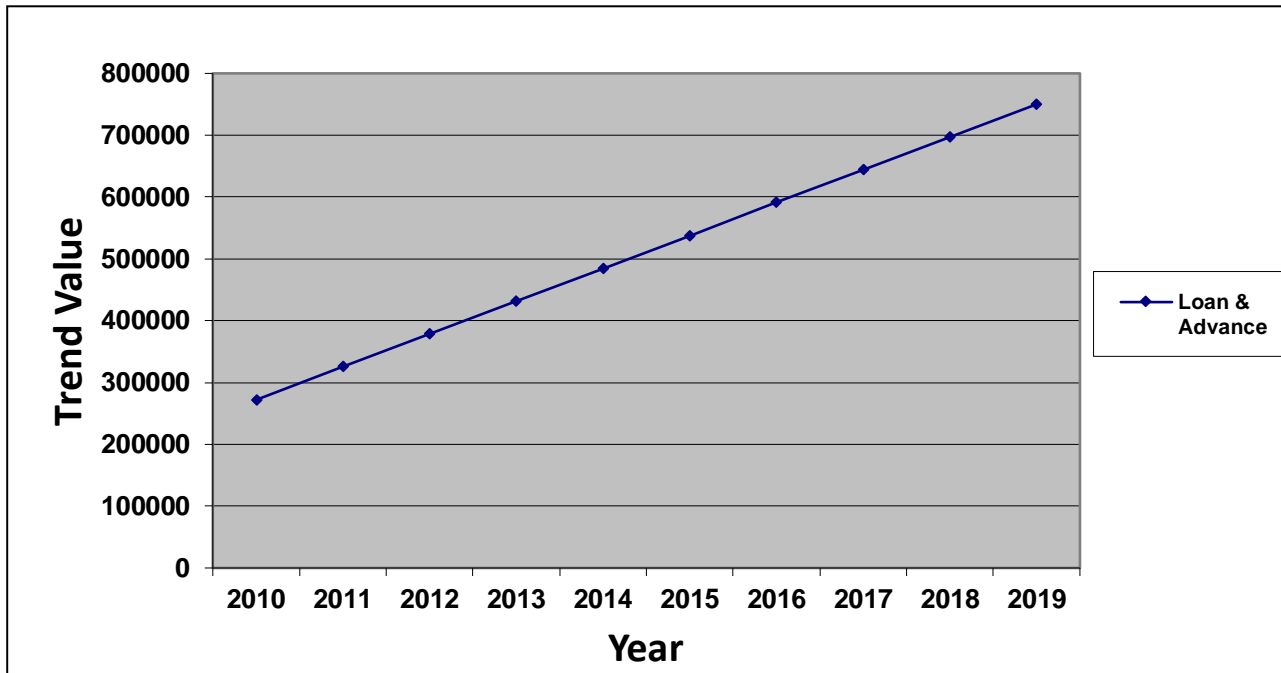
Amount in Rs. (Lakhs)

Year	Trend Value of EBL
2010	271918.6
2011	325042.3
2012	378166
2013	431289.7
2014	484413.4
2015	537537.1
2016	590660.8
2017	643784.5
2018	696908.2
2019	750031.9

Source: Calculation No: 2 (a & b)

The above table shows the trend behavior of Loan and Advance in EBL. It was increasing trend other things remaining the same, the loan and advance of EBL in mid-July 2019 is predicted to be Rs. 750031.9 Lakh, which is higher amount during the study period. The calculated value of trend of loan and advance presented in graph as trend line is as follow:

Figure No. 4.24



4.5.3 Trend Analysis of Net Profit

Net profit measure the success of a firm in every aspect of its operation and strategy, its trend is determined by various factors. Under this topic trend value of Net profit of EBL for five years from mid July 2010 to 2014 and for cast for five years from 2015 to 2019. The following Table shows the trend value of Net profit for ten years from mid July 2010 to 2019.

Table 4.25

Trend Value of Net Profit of EBL

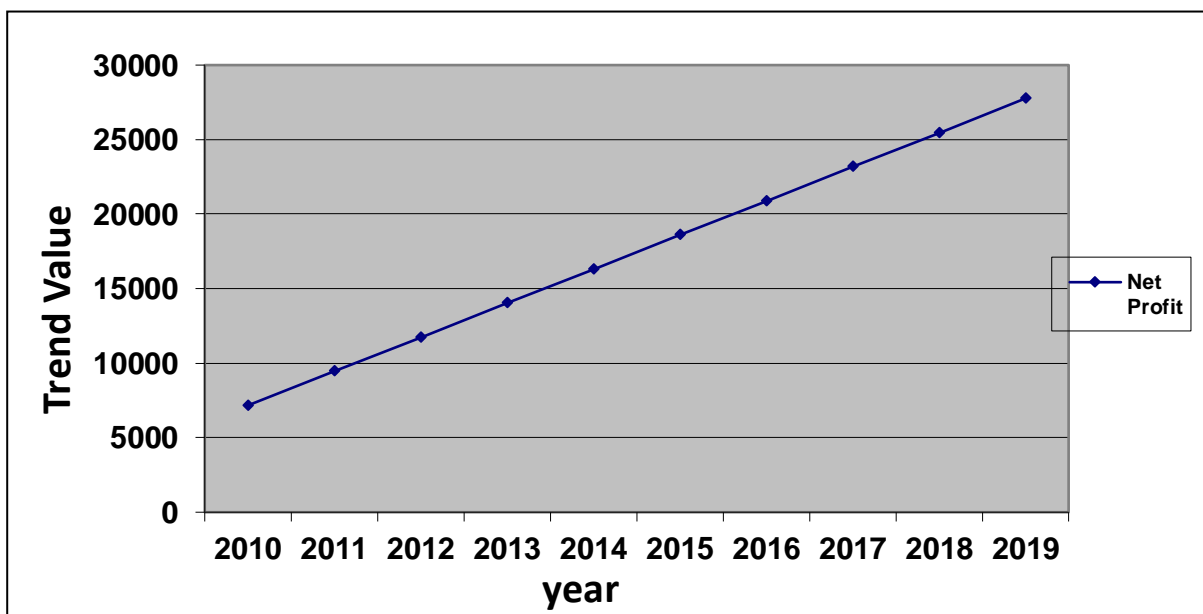
Amount in Rs. (Lakhs)

Year	Trend Value of EBL
2010	7168
2011	9456.5
2012	11745
2013	14033.5
2014	16322
2015	18610.5
2016	20899
2017	23187.5
2018	25476
2019	27764.5

Source: Calculation No: 3(a & b)

The above table shows the trend behavior of Net profit in EBL s was increasing trend other things remaining the same, the of EBL in Net profit mid-July 2019 is predicted to be Rs. Lakh, which is higher amount during the study period. The calculated value of trend of Net profit is presented in graph as trend line is as follow:

Figure No. 4.25



4.6 Major Findings of the study

Based on the analysis of data the main findings are summarized as follows:

4.6.1 Liquidity Ratio

Current ratio of the bank shows the fluctuating trend during the study period. Though the optimal standard of current ratio is 0.936:1 for convection measure of liquidity, it is not appraisable on banking business so analyzing over the study period, it indicates the satisfactory position.

Liquidity fund to Current liability shows the fluctuating trend during the study period. The mean ratio is 2.696 times which shows the satisfactory position of EBL. This means that the bank is able to be maintained good liquidity position of the bank.

Cash reserves ratio of the bank shows the fluctuating trend during the study period. The mean ratio is 14.88% in the study period. This means that the bank is able to be maintained the good liquidity position of the bank. Therefore, that credit efficiency is in good position of the EBL.

Cash and bank balance to Interest sensitive ratio of EBL is also in fluctuating trend. The mean ratio is 40.834%. This means that the bank is able to maintain in the good financial condition. Thus, credit efficiency is not in good or bad position.

Cash and bank balance to Current assets ratio of EBL is also fluctuating trend. The mean ratio is 15.35%. The bank is in sound ability to meet the daily cash requirement of their customer's deposit. Thus, credit efficiency is in good position.

Loan and advance to Current Assets ratio is in decreasing trend with mean ratio 0.788 times. This means that the bank has deficit credit efficiency to meet daily cash balance.

4.6.2 Assets management ratio

Total assets to total liabilities ratio of EBL shows increasing trend for first two years and after that it shows constant trend. The mean ratio is found to 1.076 times in the study period. This

indicates that the bank has to bear less responsibility of liabilities as total assets is higher than that of total liability which result in high credit efficiency of EBL.

Loan and advances to total assets ratio of EBL is in fluctuating trend The mean ratio is 0.674 times in the study period which indicates that the amount of loan and advance is less than that of total assets. Thus, there is no deficit in credit efficiency of EBL.

Loan and advances to total deposit ratio of EBL is also in fluctuating trend. The mean ratio is 0.76 times in the study period. The ratio indicates the high contribution made by lending investing activities. Thus, credit efficiency is in good position.

Interest spread rate ratio of EBL is also fluctuating trend. The mean ratio is 7.34%, this indicate the mobilization of fund better area. This means that credit efficiency is in good position.

4.6.3 Profitability

Net Profit to gross income ratio of EBL is in increasing trend. The mean ratio is 0.428 times. The bank is also able to obtain higher efficiency. This means that credit efficiency of EBL is in good position.

Interest income to total income ratio of EBL is in fluctuating trend. The mean ratio is 0.849 times in the study period. The ratio indicates the high contribution made by lending and investing activities. Thus, credit efficiency is in good position.

Interest income to interest expenses ratio of EBL is also in fluctuating trend. The mean ratio is 1.99 times in the study period. The ratio indicates the more profitable situation. Thus, credit efficiency is in good position.

Operating profit to loan and advances ratio of EBL is also in increasing trend. The mean ratio over the period is 5.078 times. This shows the better profitability position of the bank. Thus, the credit efficiency is in good position.

Return on loan advances ratio of EBL is also in increasing trend. The mean ratio is 3.108 times. This shows the super normal earning capacity of EBL in loan and advances. Thus, credit efficiency is in good position.

Earnings per share of EBL are in fluctuating trend. The mean of EPS of the EBL is Rs.89.96 in the study period. This shows the better profitability in the coming last years. Thus, credit efficiency is in good position.

Price earnings ratio earning of EBL has fluctuating trend. The mean price earnings ratio of the EBL is 17.80 times in the study period. This shows the better profitability in the coming last years. Thus, credit efficiency is in good position.

4.6.4 Lending Efficiency Ratio

Loan loss provision to total loan advances ratio of EBL is in decreasing trend. The mean ratio of the study period is 0.19 times. This shows that good quality of assets in total volume of loan advances. Thus, credit efficiency is not in good position

Non- Performing loan to total loan and advance ratio is in fluctuating trend. The mean ratio of the study period is 6.43 times. This shows that the loan amount is not fully mobilized in highly interest earning area. Thus, credit efficiency is not in good position.

Interest expenses to total deposit ratio of EBL is also in fluctuating trend. From mean point of view, interest expenses to total deposit ratio of EBL is 4.72 times during the study period. This ratio does not indicate higher interest expenses on total deposit. Thus, credit management is not in good position.

Interest Expenses to Total expenses of EBL is in decreasing trend. The mean ratio of the study period is 0.764 times. This shows the less proportion of expenses is invested in loan and advance out of the total expenses. Thus, credit efficiency is not in good position.

Interest Expenses to Total working fund is in fluctuating trend. The mean ratio of the study period is 0.52 times. This shows the minimum cost on total working fund of the bank. Thus, the credit efficiency is in bad situation which reflect poor performance of the bank.

4.6.5 Trend Analysis

The trend behavior of the Total Deposit in EBL is in increasing trend. Other things remaining the same, the total deposit of EBL in mid-July 2019 is predicted to be 9,64,398 lakhs.

The trend analysis of loan and advance of EBL is also in increasing trend. Other things remaining the same, the loan and advance of EBL in Mid-July 2019 is predicted to be 7,50.031.9 lakhs.

The trend analysis of Net Profit measures the success of a firm in every aspects of its operation and strategy. The trend behavior of Net Profit of EBL is also in increasing trend. Other things remaining the same, the net profit of EBL in Mid-July 2019 will be 27,764.5 lakhs.

CHAPTER -V

SUMMARY, CONCLUSION AND RECOMMENDATION

This chapter is an accomplished specific and indicative enclosure which contains summary, major finding and conclusion of finding and recommendations. Brief introduction to all chapters of the study and genuine information of the present situation under the topic of the study is defined on summary. Conclusions and Findings are analysis of applicable data by using various financial and statistical tools, which presents strengths, weakness, opportunities and threats of the EBL. And suggestions are obtainable in recommendation, which is arranged on the basis of finding and conclusions.

5.1 Summary

Any country depends upon the economic development for developing the country. To strengthen, the economy of any country both the private and public sector should play a great role, which contributing to our nation. The process of the economic development depends upon various factors, however economists are now convinced that capital formation and its proper utilization plays a paramount role for rapid economic development. All the economic activities of each and every country are greatly influenced by the commercial banking business of the country.

In the aspect of liquidity position, cash reserve ratio shows the more liquidity position cash and bank balance to interest sensitive ratio shows the bank is able to maintain good financial condition. Cash and bank balance to current assets ratio shows that the bank's sound ability to meet the daily cash requirement of their customer deposit: That is why liquidity position of the bank is better.

By analyzing the assets management ratio, loan advances to total assets ratio shows the better performance but loan and advances to total deposit position in minimum than the averages. Whereas investment in loan and advances is safely and not taking more risk. That's why assets management position of the bank shows better performance in the latest year.

In the aspect of profitability position, Interest income to interest expenses ratio shows the more profitable situation. In addition, total income to total expenses ratio shows the overall performance of the bank is satisfactory operating income. Return on loan advances is showing position that is more profitable for the EBL.

After analyzing the lending efficiency of the bank, the loan loss provision to loan advances eradicates the decrease in non-performing loan. Other loan and advance indicator shows the better performance in the latest year. The interest expenses to total deposit ratios shows the improving efficiency of the bank whereas interest expenses to working fund ratios shows the bad efficiency and weak performance of the bank.

Summary of major ratios calculated for the analysis of credit Efficiency of EBL obtained from 5 years of Research period is follows:

- Average ratio of Current Ratio is 0.936 times.
- Average ratio of Liquidity Fund to Current Liability is 2.696 times.
- Average ratio of Cash Reserve Ratio is 14.88%
- Average ratio of Cash and Bank balance to Interest Sensitive Deposit ratio is 40.834%
- Average ratio of Cash and bank balance to Current Assets ratio is 15.35%
- Average ratio of Loan and Advance to Current Assets ratio is 0.788 times.
- Average ratio of Total Assets to Total Liabilities ratio is 1.076 times.
- Average ratio of Loan and Advance to Total Assets ratio is 0.674 times.
- Average ratio of Loan and Advances to Total Deposit ratio is 0.76 times.
- Average ratio of Interest Spread Rate ratio is 7.34%.
- Average ratio of Net profit to Gross Income ratio is 0.428 times.
- Average ratio of Interest Income to Total Income ratio is 0.89 times.
- Average ratio of Interest Income to Interest Expenses is 1.99 times.
- Average ratio of Operating Profit to Loan and Advances ratio is 5.078 times.
- Average ratio of Return on Loan and Advances ratio is 3.108 times.
- Average ratio of Earnings Per Share is Rs.89.96.
- Average ratio of Price Earning Ratio is 17.80 times.
- Average ratio of Loan Loss Provision to Total Loan and Advances ratio is 0.19 times.
- Average ratio of Non-Performing Loan to Total Loan and Advance Ratio is 6.43 times.
- Average ratio of Interest Expenses to Total Deposit is 4.72 times.
- Average ratio of Interest Expenses to Total Expenses is 0.764 times.
- Average ratio of Interest Expenses to Total working Fund is 0.52 times.

5.2 Conclusion

EBL 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, monetarization have been increased since liberalization policy taken by the government. Remittance has also help to increase the amount of deposit in bank. On the other hand due to political crisis economic sectors have been damaged. Most of the projects have been withdrawn due to security problem. Therefore banks have maximum liquidity due to lack of safety investment sectors.

Provision for credit loss has been increasing year by year of EBL bank and decreases in the year 2013. Due to political disturbance in the country credit takers are not getting good return from their investment sectors. On that situation credit customers do not return money of the bank in the stipulated time period therefore the non-performing credit of the bank increases.

Equity portion of the bank is slightly increasing in the recent years due to issue of directives by Nepal Rastra Bank (NRB) the entire bank to increases it's paid up capital. NRB has issued that direction to provide more safety to the customers. Therefore bank has issued new share in the market. That's why the bank leverage ratio is decreasing.

5.3 Recommendation

The finding of the study may provide important intonation for those who are concerned directly or indirectly with the Credit Efficiency of EBL. According to the analyses and finding the following suggestions are highlight to put forward for the future improvement of EBL bank.

- Cash and bank balance of EBL bank is high. Banks efficiency should be increased to satisfy the demand of depositor at low level of cash and bank balance does not provide return to the bank. Therefore some percentage of the cash and bank balance should be invested in profitable sectors.
- EBL bank should avoid extending credits merely based on oral information presented at the credit interview. Historical financial and trade records should be obtained for proper assessment of the proposal.

- Bank should regularly follow of the credit customers. If the customers have utilized their credit for same purpose or not committed of the time of taking credit from the bank.
- EBL bank should be fulfilling some social obligations by extending their resources to rural areas and promoting the development of poor and disadvantages group. In order do so, they should open their branches in the remote area with the objective to provide the banking services. The minimum deposit amounts should be reduced.
- The economic liberalization policy adopted by Nepal Government has created.
- An environment of cutthroat competition in the banking sectors. In this context EBL bank is suggested to formulate and implement sound and effective financial and non-financial strategies to minimize their operational expenses to meet required level of profitability.
- International relations of the EBL bank are limited in comparison to others banks. Therefore, the bank should make negotiation with the international banks to increase its transactions in the international areas.
- Future researchers are recommended to focus into non-financial performance indicators such as job satisfaction, services quality performance, customers satisfaction, stakeholders support, government rating, supervisor's teamwork, human resource development, human resource management, job satisfaction etc.
- Only five years data are taken as a sample to study the subject matter so future researcher are recommended to take more than five years data to get better result.
- Primary data are not taken while studying the subject so the future researcher are recommended to take the primary data also if possible to get more accuracy in the results.

BIBLIOGRAPHY

BOOKS AND THESIS

- Aryal K. (2003) An Evaluation of Loan Investment and Recovery of Financial Public Enterprises in Nepal. Kathmandu: An Unpublished Master Degree Thesis, Submitted to office of the Dean, Faculty of Management, TU
- Bajracharya B.B.(1991) Monetary Policy and Deposit Mobilization in Nepal. Kathmandu: Rastria Banijya Bank
- Basnet Yug. (2005) A Comparative Study on Financial Performance between the Commercial Banks: Nepal Bangladesh Bank Limited and Nepal SBI Bank Limited. Kathmandu: An Unpublished Master Degree Thesis, Submitted to office of the Dean, Faculty of Management, TU
- Bhandari D.P. (2003) Rastriya Banijya Bank pratiyogita digdarshan. Kathmandu, Makalu Prakashan Private Limited.
- Brealy R. & Myres S. (1991) Principles of Corporate Finance. New Delhi, Mc-Graw Hill Publishing Company Private Limited.
- Chhabra T.N. & Taneja P.L. (1991) Law and Practice of Banking. New Delhi, J.C. Kaur to Dhanpat Rai and Sons Private Limited.
- Dahal B. (2002) A Hand Book of Banking, Kathmandu.Asmita books and Stationery Private Limited.
- Dahal, I.B. (2004) A Comparative Study on Financial Performance of NABIL Bank Ltd. and Standard Chartered Bank Nepal Ltd.Kathmandu: An Unpublished Master Degree Thesis, Submitted to office of the Dean, Faculty of Management, TU
- Dhital, N. (2004) A Comparative Study on Financial Performance of Standard Chartered Bank Nepal Ltd. and Bank of Kathmandu Ltd. Kathmandu: An Unpublished Master Degree Thesis, Submitted to office of the Dean, Faculty of Management, TU

- Gautam, S. (2006) A Comparative Study on Financial Performance of Standard Chartered Bank Limited and Nepal Bangladesh Bank Limited, Kathmandu: An Unpublished Master Degree Thesis, Submitted to office of the Dean, Faculty of Management, TU
- Johnson, F.P. & Johnson R.D. (1999) Commercial Bank Management, New York. The Dryden Press.
- Karki B.R. (2004) A Comparative Study on Financial Performance of Nepal Arab Bank Limited and Standard Chartered Bank Limited, Kathmandu: An Unpublished Master Degree Thesis, Submitted to office of the Dean, Faculty of Management, TU
- Kothari C.R. (1990) Research Methodology, Method and Technique. New Delhi, Tata McGraw Hill Publishing Company Private Limited.
- Oxford Advanced Learners Dictionary (1992) Oxford University Press Private Limited.
- Pandey I.M (1979) Financial Management. New Delhi, Vikash Publishing House Private Limited.
- Paudel, H. (2006) A Comparative Study on Nepal Siddhartha Bank Limited and Himalayan Bank Limited Kathmandu: An Unpublished Master Degree Thesis, Submitted to office of the Dean, Faculty of Management, TU
- Pradhan S. (1996) Basics of financial management. Kathmandu, Kathmandu Books Palace.
- Principle of Bank Operation (1972) USA: American Institute of Banking.
- Regmi Pawan (2004) Credit Management of Commercial Banks with Reference to Nepal Bangladesh Bank and Bank of Kathmandu, Kathmandu: An Unpublished Master Degree Thesis, Submitted to office of the Dean, Faculty of Management, TU
- Richard, A.B. (1996) Principles of Corporate Finance. New Delhi: Tata McGraw Hill Publishing Company Private Limited.

Roy A.F. (1974) Financial statement analysis. New Delhi, Tata Mc-Graw Hill Publishing Company Private Limited.

Saravanavel P. (1990) Research Methodology. Allahabad, Kitab Mahal.

Shekher & Shekher. (1999) Banking Theory and Practice. New Delhi: Vikas Publishing House Private Limited.

Shrestha S. (2005) Credit Management with Special Reference to Nepal SBI Bank Limited Kathmandu: An Unpublished Master Degree Thesis, Submitted to office of the Dean, Faculty of Management, TU

Shrestha S. (2006) Financial Performance Analysis of Nepal Bangladesh Bank limited. Kathmandu: An Unpublished Master Degree Thesis, Submitted to office of the Dean, Faculty of Management, TU

Subedi K.P. (2005) Financial Performance of NABIL Bank Limited. Kathmandu: An Unpublished Master Degree Thesis, Submitted to office of the Dean, Faculty of Management, TU

Sudharsanam, D.P. (1976) Principles of Bank and Banking. New Delhi: Setu Publication House Private Limited.

Upreti, D.R. (2010) A Comparative Study on Credit Management of Commercial Banks with reference to NIBL and NIC Bank. Kathmandu: An Unpublished Master Degree Thesis, Submitted to office of the Dean, Faculty of Management, TU

Dhamala, S.(2010) A Comparative Study on Credit Management of Development Credit Bank Ltd. Kathmandu: An Unpublished Master Degree Thesis, Submitted to office of the Dean, Faculty of Management, TU

Parajuli, S.(2011) *NRB Directives* on Credit Information and Blacklisting .Kathmandu: An Unpublished Master Degree Thesis, Submitted to office of the Dean, Faculty of Management, TU

Shrestha, H.K. (2013) Financial Performance Analysis of Citizen Bank Ltd. Kathmandu: An Unpublished Master Degree Thesis, Submitted to office of the Dean, Faculty of Management, TU

Sah, S.P. (2014) Comparative Financial Efficiency of NABIL and NIBL .Kathmandu: An Unpublished Master Degree Thesis, Submitted to office of the Dean, Faculty of Management, TU

Vaidya, S. (1999) Banking Management. Kathmandu: Monitor Nepal.

Varsahney, N.P. & Swaroop, G (1994) Banking Law & practice for C.A.I.I.B. New Delhi: Sultan Chand and sons private Limited.

ARTICLES AND JOURNALS

Banking Events updates, Gurmeet Toor (Mrs.) Chandigarh, India.

Bhattarai, S. (2063) Something is Rotten with the state of Commercial Banking in Nepal.

Everest Bank Limited, Annual Reports (2010 – 2014 A.D.) Kathmandu.

Nepal Rastra Bank (2070) Banking and Financial Statistics, Kathmandu.

WEBSITES

www.everestbankltd.com

www.nrb.org.np

ANNEXURE WORKING NOTE

1. Current Ratio

Current Ratio=Current Assets/Current Liabilities	0.95	0.90	0.92	0.93	0.98	Σx = 4.68
--	------	------	------	------	------	----------------------

$$\begin{aligned} \text{Mean } \{X\} &= \frac{\Sigma x}{n} \\ &= \frac{4.68}{5} = 0.936 \end{aligned}$$

2. Liquidity Fund to Current Liability Ratio

Liquidity Fund to Current Liability Ratio=Liquid Fund/Current Liabilities	2.6	2.10	2.95	2.06	4.02	Σx = 13.48
---	-----	------	------	------	------	-----------------------

$$\begin{aligned} \text{Mean } \{X\} &= \frac{\Sigma x}{n} \\ &= \frac{13.48}{5} = 2.696 \end{aligned}$$

3. Cash Reserve Ratio

Cash Reserve Ratio=Cash and Bank Balance/ Total Deposits	15.53	9.55	17.22	15.19	16.91	Σx = 74.40
--	-------	------	-------	-------	-------	-----------------------

$$\begin{aligned} \text{Mean } \{X\} &= \frac{\Sigma x}{n} \\ &= \frac{74.40}{5} = 14.88 \end{aligned}$$

4. Cash and Bank Balance to Interest Sensitive Deposit Ratio

Cash and Bank Balance to Interest Sensitive Deposit Ratio=Cash and Bank Balance/ Sensitive Deposit	42.93	30.12	49.86	41.61	39.65	Σx = 204.17
--	-------	-------	-------	-------	-------	------------------------

$$\begin{aligned} \text{Mean } \{X\} &= \frac{\Sigma x}{n} \\ &= \frac{204.17}{5} = 40.834 \end{aligned}$$

5. Cash and Bank Balance to Current Assets Ratio

Cash and Bank Balance to Current Assets Ratio=Cash and Bank Balance/ Current Assets	15.97	10.32	18.17	15.70	16.59	Σx = 76.75
---	-------	-------	-------	-------	-------	-----------------------

$$\begin{aligned} \text{Mean } \{X\} &= \frac{\Sigma x}{n} \\ &= \frac{76.75}{5} = 15.35 \end{aligned}$$

6. Loan and Advance to Current Assets Ratio

Loan and Advance to Current Assets Ratio= Loan and Advance/ Current	0.78	0.83	0.77	0.79	0.76	Σx = 3.94
---	------	------	------	------	------	----------------------

Assets						
--------	--	--	--	--	--	--

$$\text{Mean } \{X\} = \frac{\Sigma x}{n}$$

$$= \frac{3.94}{5} = 0.788$$

7. Total Assets to Total Liabilities Ratio

Total Assets to Total Liabilities Ratio= Total Assets/ Total Liabilities	1.07	1.07	1.08	1.08	1.08	$\Sigma x = 5.38$
--	------	------	------	------	------	-------------------

$$\text{Mean } \{X\} = \frac{\Sigma x}{n}$$

$$= \frac{5.38}{5} = 1.076$$

8. Loan and Advance to Total Assets Ratio

Loan and Advance to Total Assets Ratio= Loan and Advance/ Total Assets	0.68	0.68	0.65	0.67	0.69	$\Sigma x = 3.37$
--	------	------	------	------	------	-------------------

$$\text{Mean } \{X\} = \frac{\Sigma x}{n}$$

$$= \frac{3.37}{5} = 0.674$$

9. Loan and Advance to Total Deposit Ratio

Loan and Advance to Total Deposit Ratio= Loan and Advance/ Current Assets	0.76	0.77	0.73	0.76	0.78	$\Sigma x = 3.8$
---	------	------	------	------	------	------------------

$$\text{Mean } \{X\} = \frac{\Sigma x}{n}$$

$$= \frac{3.8}{5} = 0.76$$

10. Interest Spread Rate

Interest Spread Rate=(Interest Income/Loan and Advance)-(Interest Expenses/Deposits)	6.9	7.8	8	7	7.01	$\Sigma x = 36.7$
--	-----	-----	---	---	------	-------------------

$$\text{Mean } \{X\} = \frac{\Sigma x}{n}$$

$$= \frac{36.7}{5} = 7.34$$

11. Net Profit to Gross Income Ratio

Net Profit to Gross Income Ratio= Net Profit/ Gross Income	0.43	0.42	0.42	0.43	0.44	$\Sigma x = 2.14$
--	------	------	------	------	------	-------------------

$$\text{Mean } \{X\} = \frac{\Sigma x}{n}$$

$$= \frac{2.14}{5} = 0.428$$

12. Interest Income to Total Income Ratio

Interest Income to Total Income Ratio= Interest Income/ Total Income	0.89	0.91	0.87	0.90	0.88	Σx = 4.45
--	------	------	------	------	------	----------------------

$$\text{Mean } \{X\} = \frac{\Sigma x}{n}$$

$$= \frac{4.45}{5} = 0.89$$

13. Interest Income to Interest Expenses Ratio

Interest Income to Interest Expenses Ratio= Interest Income/Interest Expenses	1.97	1.71	1.73	2.26	2.29	Σx = 9.95
---	------	------	------	------	------	----------------------

$$\text{Mean } \{X\} = \frac{\Sigma x}{n}$$

$$= \frac{9.95}{5} = 1.99$$

14. Operating Profit to Loan and Advance Ratio

Operating Profit to Loan and Advance Ratio= Operating Profit/Loan and Advance	4.79	4.8	4.9	5.4	5.5	Σx = 25.39
---	------	-----	-----	-----	-----	-----------------------

$$\text{Mean } \{X\} = \frac{\Sigma x}{n}$$

$$= \frac{25.39}{5} = 5.078$$

15. Return on Loan and Advance Ratio

Return on Loan and Advance Ratio= Net Profit/ Loan and Advance	2.9	2.94	3	3.3	3.4	Σx = 15.54
--	-----	------	---	-----	-----	-----------------------

$$\text{Mean } \{X\} = \frac{\Sigma x}{n}$$

$$= \frac{15.54}{5} = 3.108$$

16. Earning Per Share

Earning Per Share= Net Profit/ No. of Equity Share	100.16	83.18	88.55	91.88	86.64	Σx = 449.8
--	--------	-------	-------	-------	-------	-----------------------

$$\text{Mean } \{X\} = \frac{\Sigma x}{n}$$

$$= \frac{449.8}{5} = 89.96$$

17. Price Earning Ratio

Price Earning Ratio= Earning Per Share/ Market Value Per Share	16.27	13.15	11.67	17.32	30.58	Σx = 89
--	-------	-------	-------	-------	-------	--------------------

$$\begin{aligned}\text{Mean } \{X\} &= \frac{\Sigma x}{n} \\ &= \frac{89}{5} = 17.80\end{aligned}$$

18. Loan Loss Provision to Total Loan and Advance Ratio

Loan Loss Provision to Total Loan and Advance Ratio= Loan Loss Provision/ Total Loan and Advance	0.21	0.19	0.20	0.18	0.17	Σx = 0.95
--	------	------	------	------	------	----------------------

$$\begin{aligned}\text{Mean } \{X\} &= \frac{\Sigma x}{n} \\ &= \frac{0.95}{5} = 0.19\end{aligned}$$

19. Non-Performing Loan to Total Loan and Advance Ratio

Non-Performing Loan to Total Loan and Advance Ratio= Non-Performing Loan/ Total Loan and Advance	4.45	3.4	8.4	6.2	9.7	Σx = 32.15
--	------	-----	-----	-----	-----	-----------------------

$$\begin{aligned}\text{Mean } \{X\} &= \frac{\Sigma x}{n} \\ &= \frac{32.15}{5} = 6.43\end{aligned}$$

20. Interest Expenses to Total Deposit Ratio

Interest Expenses to Total Deposit Ratio= Interest Expenses/ Total Deposit	4.26	6.16	5.75	3.77	3.67	Σx = 23.6
--	------	------	------	------	------	----------------------

$$\begin{aligned}\text{Mean } \{X\} &= \frac{\Sigma x}{n} \\ &= \frac{23.6}{5} = 4.72\end{aligned}$$

21. Interest Expenses to Total Expenses Ratio

Interest Expenses to Total Expenses Ratio= Interest Expenses/ Total Expenses	0.84	0.80	0.78	0.71	0.69	Σx = 3.82
--	------	------	------	------	------	----------------------

$$\text{Mean } \{X\} = \frac{\Sigma x}{n}$$

$$= \frac{3.82}{5} = 0.764$$

22. Interest Expenses to Total Working Fund Ratio

Interest Expenses to Total Working Fund Ratio= Interest Expenses/ Total Working Fund	0.43	0.67	0.65	0.44	0.41	Σx = 2.6
--	------	------	------	------	------	---------------------

$$\text{Mean } \{X\} = \frac{\Sigma x}{n}$$

$$= \frac{2.6}{5} = 0.52$$

Calculation No. 1

a. Trend Value of Total Deposit of EBL (2010 – 2014)

Year {X}	Total Deposit {y}	x=X-2012	x ²	xy	Y=a+bx
2010	369323	-2	4	-738646	361901.4
2011	411279	-1	1	-411279	428845.5
2012	500061	0	0	0	495789.6
2013	577204	1	1	577204	562733.7
2014	621081	2	4	1242162	629677.8
Total	Σy=2478948		Σx ² = 10	Σxy = 669441	

$$a = \frac{\Sigma y}{n} = \frac{2478948}{5} = 495789.6$$

$$b = \frac{\Sigma xy}{\Sigma x^2} = \frac{669441}{10} = 66944.1$$

b. Trend Value of Total Deposit of EBL (2015-2019)

Year {X}	x=X-2012	Trend Value y=a+bx
2015	3	696621.9
2016	4	763566
2017	5	830510
2018	6	897454
2019	7	964398

Calculation No. 2

a. Trend Value of Loan and Advance of EBL (2010 – 2014)

Year {X}	Loan and Advance {y}	x=X-2012	x ²	xy	Y=a+bx
2010	281564	-2	4	-563128	271918.6
2011	316618	-1	1	-316618	325042.3
2012	366168	0	0	0	378166
2013	441977	1	1	441977	431289.7
2014	484503	2	4	969006	484413.4
Total	Σy=1890830		Σx ² = 10	Σxy = 531237	

$$a = \frac{\Sigma y}{n}$$

$$= \frac{1890830}{5} = 378166$$

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

$$= \frac{531237}{10} = 53123.7$$

b. Trend Value of Loan and Advance of EBL (2015-2019)

Year {X}	x=X-2012	Trend Value y=a+bx
2015	3	537537.1
2016	4	590660.8
2017	5	643784.5
2018	6	696908.2
2019	7	750031.9

\

Calculation No. 3

a. Trend Value of Net Profit of EBL (2010 – 2014)

Year {X}	Net Profit {y}	x=X-2012	x ²	xy	Y=a+bx
2010	8318	-2	4	-16636	7168
2011	9313	-1	1	-9313	9456.5
2012	10906	0	0	0	11745
2013	14711	1	1	14711	14033.5
2014	15497	2	4	30994	16322
Total	Σy=58745		Σx ² = 10	Σxy = 22885	

$$a = \frac{\Sigma y}{n}$$

$$= \frac{58745}{5} = 11745$$

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

$$= \frac{22885}{10} = 2288.5$$

b. Trend Value of Net Profit of EBL (2015-2019)

Year {X}	x=X-2012	Trend Value y=a+bx
2015	3	18610.5
2016	4	20899
2017	5	23187.5
2018	6	25476
2019	7	27764.5