CHAPTER-ONE

INTRODUCTION

1.1 General Background:

A Bank is the company that provides financial services. There are a number of banks available and which one to use really comes down to the one with which people feel most comfortable. Their services range from providing a facility to save money to provide loan and provide credit cards and stock market brokering. The word "Bank" is used in the sense of a commercial bank. It is of Germanic Origin though some persons trace its origin to the French word "Banqui" and the Italian word "Banca". It referred to a bench for kipping, lending and exchanging money or coins in the market place by money lenders and money changers. There was no such as "Banking" before 1640, although the practice of self-keeping and savings flourished in the temple of Babylon as early as 200 B.C. Chanakya in his Arthashastra written in about 300 B.C. mentioned about the existence of powerful guilds of merchant bankers who received deposits, advanced loans and issued hundies. The Jain scriptures mention the names of two Bankers who built the famous Dilwara Temples of Mount Abu during 1197and 1247 A.D.

The first bank called the "Bank of Venice" was established in Venice, Italy in 1157 to Finance the monarch in this war. In bankers of Combardy were famous in England. But the modern banking began with the English goldsmiths only after 1640. The first bank in Nepal "Nepal Bank Ltd." Started in 1994 B.S. Nepal Rastra Bank (NRB), the central bank of Nepal, was established in 1956 to discharge the Central Banking responsibilities including guiding the development of the embryonic domestic financial sector. Since then, there has been the activities of the domestic financial institutions.

1.1.1 Brief Introduction of ADBL :

With the main objective of providing institutional credit for enhancing the productivity of the agricultural sector in the country, the Agricultural Development Bank, Nepal was established in 1968 under the ADB/N Act 1967, as successor to the cooperative Bank. The Land Reform Savings Corporation was merged with ADB/N Act 1967, as successor to the cooperative Bank. The Land Reform savings corporation was merged with ADB/N in 1973. Subsequent amendments to the Act empowered the Bank to expand the scope of financing to promote cottage industries. The amendments also permitted the bank to engage in commercial banking activities for the mobilization of domestic resources. Agricultural Development Bank Limited (ADBC) is an autonomics organization largely owned by Government of Nepal. The bank has been working as a premier rural credit institution since the last three decodes, contributing as more than 67% institutional credit supply in the country. Hence, rural finance if the principle operational area of ADBL. Besides it has also been executing small farmers Development program(SFDP) was initiated for financing small formers on group liabilities in order to boost up the socio-economic condition of rural populace. In 1984, The amendment of the Act also permitted ADB/N to extend its wing in commercial banking activities so as to mobilize urban resources in the rural areas of the country. In 1993, ADB/N initiated farmers' co-operative approach by transferring SFDP into the small Farmers' cooperative Limited (SFCL).

The enactment of Bank and Financial Institution Ordinance (BAFIO) in February 2004 abolished all Acts related to financial institutions including the ADB/N Act, 1967. In line with the BAFIO, ADBL has been incorporated as a public limited company on July 14, 2005. Thus ADBL operates as a "A" category financial institution under the legal framework of BAFIO and the company ct, 2053. ADBL is a sole financial institution in the country maintaining its activities by three major windows namely Development financing, Commercial Banking and Small framers development. Through these sectors it is contributing more than 79% of institution credit to the real populace by strengthening its network in the entire geographical region the mountains the Hills and the Tarai.

ADBN operates as an autonomous body that has been controlled by the Ministry of finance. The ADBL has in total 12 billion rupees of an authorized capital, by which Rs. 11.2 Billion rupees is paid-up Capital.

1.1.2 Vision

ADBL aims to be the pre-eminent bank, providing banking services through out Nepal.

1.1.3 Mission

To deliver comprehensive bank and financial services capitalizing on in expensive network with particular reference to the development the rural economy.

1.1.4 Objective

To provide quality banking and financial services to links through the adoption of a market driver strategy delivering sustained and competitive return on investment.

1.1.5 Main Function of the ADBL

The Major functions of the ADBL are to:

- Provide a full and balanced range of financial products and services that satieties the needs of the customers on a profitable and sustainable basis.
- Strive constituting to provide improved products and services to its clients at reasonable cost using modern unified banking communication and information technology.

- Execute full fledged commercial banking functions using the concept of unified banking operation.
- Provide short, medium and long term agricultural credit to individual farmers, small farmers groups and co-operative societies.
- Provide project loan for agricultural business, cottage and small scale industries, alternative energy based on feasibility study.
- Provide credit on non- agricultural business and other marketing facilities.
- Develop mutually acceptable relationship with government in the pursuit of improvement in living standards in rural areas while respecting best financial practices.
- Provide credit to support the poverty alleviation program of Government of Nepal.
- Develop competent and professional human resources.

On the way of executing its main function in the financial market, the bank gives its priority on building reputation for professionalism, competitive pricing reliability and quality service and innovation. In addition, the bank fosters its operation in accordance with the best banking practices acting with financial prudence and keeping in mind the need to balance profitability with asset presentation and liquidity and to safeguard depositions funds.

1.2 Statement of the Problems

Nepal being listed among least developed countries, the development bank have played important role in the economic growth. In investment change from small framer to large scales its. Development bank has been facing competition against, one another. Government looking at economic liberation has further intensified the competition which has unlimited affected the profitability of the bank concentrates their activities in rural areas. In Nepal above 85% of population live in the rural areas and 81% population depends on agriculture. It is difficult to solve the credit problems of the country through commercial banks. Which are relevant to enter rural and agriculture area. To overcome these challenges Agricultural Development Bank has started various problems with various wings of the Agricultural Development bank with opening branches in rural areas. Small framers who are involving in agro sector are benefited by the small framers development program (SFDP) Large scale farming facilities from the development sector of the Agricultural Development Banks Ltd, Nepal and urban people facility by the commercials banking sector of ADBL.

The problems especially related to financial performance and investment function of the Development Bank of Nepal has been presented as briefly as under:

- What is the financial position of ADBL?
- What are the conditions of the ADBL investment and collection (principal and interest) procedure?
- What is the condition of Bank in terms of fund mobilization and investment policy?
- What is the condition of bank fund mobilize and invest policy for more effective and efficient?
- What is the relationship of investment, loans and advances with total deposits and net profit?

1.3 Objectives of the Study:

The basic objective of this study is to make financial analysis of ADBL. The following are the specific objectives of this study.

1 To analyze the liquidity, profitability assets utilization and risk of ADBL.
2 To analyze the investment position and collection of principal and interest of ADBL.
3 To analyze the relationship e.g. investment, loan and advances with deposit and profitability.

4 To analyze the growth and trend of financial position of ADBL.

1.4 Significance of the Study:

The present study is the analysis of financial statement of Agricultural Development Bank limited. The ADBL is mandated by Nepal Government to provide financial services to the rural population to simulate income and generate employment in remote areas. This study will find the strengths and weaknesses of the Bank by analyzing the opportunities and threats in its overall conduct in the real ground. This study will also be and important support to the management owner clients and other interest groups in analyzing the Banks economic strength and performance efficiency. As it is a well known fact that the Development Banks can affect the economic condition of the whole country. It will be helpful to the policy makers while formulating the policy regarding ADBL and people can understand now benefit its taking by them from the semi-government banks.

1.5 Limitation of the Study

The study has the following limitations.

- This study is mainly based on secondary data provided by the bank so the study is concerned on that extent.
- This study is based on the data of six years period i.e. from FY 2055/56 to 2061/062 B.S.
- This study is focused only financial analysis of ADBL.
- Source of data are mostly depend on published annual report, annual programmed and budget of the bank, thus it is based on the secondary data.

1.6 Organization of the study

This study has been organized in to five chapters in the following order.

Chapter 1: Introduction

Chapter 2: Review of literature

Chapter 3: Research Methodology

Chapter 4: Presentation and Analysis of data

Chapter 5: Summary, recommendation and conclusion.

The first chapter contains the general background, introduction of ADBL, statement of problems, objectives of study, significance and limitations of the study.

The second chapter presents the analysis of related literature that includes especially conceptual framework and review of other research articles and thesis.

The third chapter deals with the research methodology. It includes research design population and sample, data collection procedure, method of analysis and data period covered.

The fourth chapter will contain presentation and analysis of data. It also includes the major findings of study.

Finally, the fifth chapter deals with the summary, recommendation and conclusion.

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

CHAPTER-TWO

REVIEW OF LITERATURE

2.1 Introduction

The first chapter highlighted the concept, problems and objectives of this study. This chapter is basically concerned with review of literature relevant to the financial analysis of Agricultural Development Bank Ltd. (ADBL). This chapter deals with books, review of thesis, review of Bank's annual report, bank's annual budget or reports, review of research paper program, review of articles and review of unpublished publication. "The purpose of literature review is to find out what research studies have been conducted in one chosen field of study and what remain to be done. It provides the student with the knowledge of the status of their field research and foundation which Developing a comprehensive theoretical framework which hypothesis can be developed for testing."(Howard, Wolf & Pant, Prem Raj, 1997) In this chapter mainly two parts one is conceptual framework and another is review of related research. It provides the basis and inputs of this study and makes the study more purposive.

2.2. Conceptual Framework

2.2.1. Concept of Banking

Bank is a financial institution, which plays a significant role in the development of the country. It facilitates the growth of trade and industry of the national economy. However, bank is a resource for economic development, which maintains the self confidence of various segments of society and extends credit to people.

"A bank is a business organization that receivers and holds deposits of funds from others makes loan or extends credits and transfers fund by written ordens of depositors" [Encyclopedia, Vol.3, 1984] . The business of banking is one of collecting funds from the community and extending credit to people for useful purpose. Banks have played a vital role in moving money from lender to borrowers. Banking is a profit seeking business not a community clarity. As a profit motive, it is expected to pay dividends and otherwise add to the wealth of in shareholders.

In Nepalese context, there are three types of banks, operated by performing, their activities in different sectors. They are as follows.

1. Central Bank (Nepal Rastra Bank)
2. Commercial Bank
3. Development Bank

2.2.2. Financial analysis

Financial analysis is quantitative analysis of firm's efficiency. In other words it is a way of studying financial position or condition of a company. The company's financial plan and policy prepared and implemented by management should be judge on the basis of its financial performance. Conceptually, the financial operation of a firm through profitability liquidity and turnover and their cost volume profit relationship approaches.

2.2.3 Concept of Development Banks:

Development banks are those financial institutions which are established in order to develop the particular sector of the society. Development banks are those banks whose aim is not to earn profit. Development banks are two types. The first development banks finance loans to farmers and other agricultural sectors for short medium and long term purpose. The second development banks finance loans for the infrastructure development in a country. The first type of development bank in Nepal is Agricultural Development Banks. [Vaiya, 2001] According to review of development banking in Nepal in 1995 by research committee of ADBL/N, Head office, "Historical research says that development banking started from U.K. to lend the long term loan to the agriculture and industrial development. Main financial sources of the development bank are to collect fund from share capital, issue debentures, accepting long term deposit etc. [Review of Development Banking in Nepal, 1995]

A publication by ADBL, management information division naming as "an introduction of development banking" defines in the Nepali scenario especially two development banks like Nepal Industrial Development Bank (NIDC) and Agricultural Development Bank Limited (ADBL) has been established to develop the industrial and agriculture sector respectively. NIDC had established in 2018 B.S. It helps to develop the various industries in Nepal. Now NIDC is lending loan to the industrial development. Agricultural Development Bank Limited (ADBL) is running on with fruitful development to agriculture sector. To enhance to development banking in Nepal, Development Bank Act 2052 (B.S.) has been implemented. Now in Nepal, various private institutions are interested to establish as development bank, but above mentioned two development banks are playing a vital role to develop the industrial as well as agro sector in Nepal. In mid sixties many development banks were established. Agricultural Development Bank supply institutional credit in an easy and accessible manner mainly for the agricultural sectors sine government mainly owns this bank. Government and international donor agencies largely fund these banks. In general scenario, this development bank concentrates their activities on supplying credit utilizing the donor's fund rather than providing priority in internal resource mobilization. As a result most of the agricultural development bank faced problems of low repayment rate, increasing trend of overdue loan and interest receivable, inadequate coverage for risk management inadequately trained manpower high operating cost and almost non-existence of internal resource mobilization policy. Therefore, the banks incur losses. In Africa and South America, some of the development banks were forcing to close down (I.F, 1999). However, these banks were considered important organization for the development of the country as they played a crucial role to fight against rural poverty although their questions of sustainability were raised loudly and the organizations have became inevitable rather than closing down. [ADBL, Management Information Division]

2.2.4 Main Functions of the ADBL

- Provides short, medium and long-term agricultural loans to individual farmers, group of farmers, corporate bodies and village committee.
- Provides loans for the purpose of inputs and capital items such as fertilizers, insecticides, feed, farm machinery, irrigation equipment, canal construction, tube well and boring pump sets and sprinklers etc.
- Provide credit on non-agricultural business and other marketing facilities.
- Develop mutually acceptable relationship with government in the pursuit of improvement in lining standards in rural areas while respecting best financial practices.
- Provide credit to support the poverty alleviation program of Government of Nepal.
- Develop competent and professional human resources.
- Execute fall fledge commercial banking functions using the concept of unified banking operation.

2.2.5. Organization and Management of the ADBL

The Board of Director (BOD) is the apex of the bank. The major functions of BOD are to formulate policies, strategies rules and regulation of the institution. The General Manager executes day-to-day operation of the bank. Deputy General Managers, Division chiefs, Directors and Board secretary closely assist the General Manager policy decisions made by the board are put into operation by the field offices under the supervision of Regional offices.

At present, the Board consists of seven members including Chairperson of the ADBL. Other members included a representative each from the Ministry of

Land Reform and Management, Ministry of Agriculture and co-operatives, the expert in banking sector from the list of Nepal Rastra Bank (NRB) and remaining two board members as per MOU of the Bank.

As a part of implementing its new business modality especially following the financial and operation review and restructuring, the organizational set up and the operational network is guided by the following principles.[CTI Annual Report, 2005/06]

2.2.6 Operational Performance

2.2.6.1 Business Operation under Development Financing

In the present Market with the introduction of Bank and financial Institution Ordinance, overall banking activity follows single dimensional paradigm and tries to govern all financial institutions under a single act. In this new entity, all banks and financial institutions can carry out their business based capital and category licensed by Nepal Rastra Bank. ADBL is also not exception in the changing business perspective, there will be no more demarcation of commercial and development financial business. ADBL now onwards will execute its entire financial business focusing on full fledged banking activities. However, despite this changing business environment, development financing portfolio stands Rs. 21.67 billion. The major sectors in the development finance comprising of agriculture, business, trade, institutional service and project financing still under these sectors, some prominent products and sub products are agronomy loan, livestock farming horticulture, housing, infrastructure Development, micro hydro project, education, foreign employment, health service, As a visible outcome, the credit delivery and collection of the Development financing tune to Rs. 105.6 billion and Rs.83.9 billion respectively as of Mid-July 2006.

2.2.6.2 Business operation under commercial Banking

Commercial banking business is an integral part of economic development as this has bestowed with many broad based economic Development endeavor. In context of Nepal, the endorsement of banking and financial ordinance has tried to bring many dimensions of banking activities in a single and steady procedure. While taking a well deserved opportunity following the introduction of BAFIO, ADBL's commercialization notices a fall range of business prospect in the market. ADBL hence is moving ahead by adopting market driver approaches to execute its banking business. On the way executing fall fledge banking activities from its on available network, the commercial wing is providing a range of banking operation such as Remittance, Guarantee, Forex, Fax transfer, collection of bills, drafts and mail transfer and above all electronic cards and ATM in near future.

It was in the year 1984, Agricultural Development Bank started its commercial activities by collecting deposits from the customers of urban areas and mobilizing it in rural and sub urban sectors to increase credit access in these areas. With the completion of more than two decades, ADBL commercial wing has become indispensable part of modern banking business. The overwhelming deposit response of the customers also directed in the same line and as such its deposit collection stands to the tune of Rs. 30 billion as of Mid-July 2006 registering the position among the largest commercial banks in the country. Similarly, the bank's lending stands at Rs. 17.55 billion, collection at Rs. 16.77 billion and outstanding at Rs. 11.57 billion in FY 2005/006.

2.2.7. Major Programs of ADBL

2.2.7.1 Small Farmers Development Program (SFDP) :

The SFDP was initiated in 1975 with the objective of improving social-economic conditions of the rural poor including women by bringing them into the mainstream of development process. Its main aim is to improve the living standard of the small farmers, tenants and landless labours. Gross dynamism is the basic philosophy of SFDP. A group leader organizes small farmers into groups and extends their necessary credit and other support through a sub project office (SPO) of the bank formation of homogeneous group comprising five to ten members is a prerequisite for the program implementation Basic programs such as credit, technology, Savings, trainings, social and community development activities are conducted for the target groups for their overall development.

Credit is provided for different purposes related to production, marketing and other income/employment generating activities. To develop saving habit among small farmers, group saving and its mobilization is also being undertaken as an integral component. As complementary input: to credit and saving services, the target in groups of the program are also trained in different areas such as group management and its functioning, saving mobilization, income generating activities etc. Moreover, social and community development activities are also being undertaken for the welfare of rural people.

A) Major Activities of SFDP:

i) Economic Activities:

SFDP provides credit for different purpose related to production, marketing and other income generating activities. Credit support has been fruitful in improving the economic status of the small farmers by increasing the productivity and production or agricultural related projects moreover they are benefiting by engaging themselves in small scale cottage industry with the credit support.

ii) Social and Community Development:

Considering the fact that the process of economic development and social enhancement should be so related that they become mutually supportive and re-enforcing, so a part from credit, the program incorporates essential social and community development activities such as adult education, population education, parental education, child care center, health and nutrition, establishment of drinking water schemes, community hall, school roofing, community irrigation schemes, community plantation and foot trail and gravel road construction, repair and maintenance of village road, vegetable seeds distribution and other appropriate and needy program.

iii) Community Surface Irrigation Program (CSIP):

Community surface irrigation development is a highly prioritized and demanded program by the small farmers. The SFDP has been emphasing the construction of irrigation schemes at community level with active participation of small farmers from initiation to evaluation stage of the program. As at mid July 2000 the program has benefited over 25900 hectares of land of more then 29437 households through 564 schemes. The recently conducted study on "Effectiveness of CSIP" indicates that there is significant improvement in social-economic change of the beneficiaries farmers after completion of the project. It is mainly due to positive change in cropping pattern, crop diversification, increases in land value, change is in food habit and positive thinking in the child education especially girl child.

iv) Environment Conservation:

Environment promotion and conversion is another important activities initiated by the program with the support of UNICEF. The main sense of the environmental activities in SFDP is to reduce pressure of workload on women and strain on environment. As most of small farmers are badly affected by the deforestation i.e. lack of firewood, timber for housing and furniture fodder for livestock, drying of drinking water sources, more time to collect fodder and other materials from the forest, depletion of social fertility and other more activities implemented in this program are as community plantation, distribution of sapling of fruit and fodder and timber tree, leasehold fodder and forest program, plantation of protect the source of drinking water schemes, construction of convenient toilets and smoke less stove, bio- gas plant, use of compost manure and other appropriate program to promote the environmental conservation programs.

v) Gender and Development

Considering the low-economic status of rural women, women Development program (WDP) was initiated to discern the concerns and later to their special needs in 1982 as an integral part of SFDP. Aimed at providing the basic services to rural poor women, women Development program (WDP) is being implemented in all of the SPOs in more than 30 thousand women small farmers members is given in group formation and implementation one in each development region, where women group organizer is deputed. These SFDP provides services only to women group members. Overall performances of women group members are better as compared to their counterpart.

vi) Livestock Insurance:

One of the main portfolios loan and small farmer is livestock. Its share in total outstanding loan is about half. Among livestock, stare of milking low and buffalo, she-calves are much more comparing to the rest. Although profit from livestock is more and is preferred by small farmers it is more risky compared to their other business. Because, in case of sudden death of cow, buffalo, farmers have to face series of problems in one hand and bank has to face problem in loan repayment in other hand. Moreover, insurance program encourages farmers for raising improved breed and supports in generation of interval resources. Therefore, ADBL has provided special, arrangement for the insurance of small farmers livestock by their own committee. Support of Government in terms of providing 50% subsidy in premium is highly appreciable and it motivates small farmers towards the program.

B) Small Farmers Co-operative Limited (SFCL)

To make the small farmers capable and self-reliant, an innovative approach of developing self-help organizations at the grass-root level was introduced in SFDP through institutional development process. In this process, the small farmers are involved to build up autonomous and viable institutions owner, managed and controlled by them. The basic trust of such endeavor its to empower local people by enhancing their capability to undertake the activities of SFDP through their own autonomous self-help organization i.e. small farmers cooperated limited (SFCL). In the course of action, management undertaken by SPO is ultimately handed over to SFCL. open transformation, SFCLs plays the role of financial intermediaries between the bank and small farmers capable of planning, implementing, monitoring and evaluation the programs from their own levels for the benefit of small farmers families of one hand mainlining the operational cost for implementing SFDP on the other. (Annual Report (2004) ADBL, CTI)

Objectives of SFCL:

- To wake small farmers self-relation in terms of leadership capability managerial skill and running the grass root organization independently.
- To reduce operational cost of the program through participating approach
- To expend and increase the scope of activities area of coverage and participation of the beneficiaries in a cost & time effective manner.
- To developed SF's organization in order to promote sustainable financial intermediary linkage between the bank and the small framers.

C) Institutional Development Programme (IDP)

Based on a greater need of aiming at the process of involving the local level self help small framers organization and building up there managerial capacity to take over the responsibilities of the SPOs and land run independently the process of organization planning, implementation, monitoring and evaluation of the programs the ADBL has been implemented IDP program in certain SPOs since 1988. In the beginning it was implemented in few SPOs in shading district which was designed in 1987 by the joint effort of ADBL and Dhading Development project (DPP)/German Technical Co-operation (GTZ). The main objectives behind this institutional development are to:

- Developed local self realize by development leadership and managerial ability among small framers themselves.
- Narrow down the cost and bureaucratic berries between the delivery agencies and small framers and establish an effective and efficient delivery mechanism to reach the services towards the rural poor.
- Expand and increase the scope of activities area coverage and participation is beneficiates in a cost effective and time effective manner.
- Improve small framers organization to play the role of financial intermediary between the ADBL and small framers.

D) Sana Kisan Bikas Bank Limited (SKBBL)

Sana Kisan Bikas Bank Limited (SKBBL) is one of the specialized microfinance development banks established with an aim to promote, strengthen and support grass-roots level microfinance intermediaries. In an attempt to establish a separate specialized microfinance development bank Nepal Bank Limited and Nabil bank including 21 SFCLs agreed to support and boost SKBBL as promoters.

Consequently, a bank named Sana Kisan Bikas Bank Limited (SKBBL) was registered with company register office in July 2001 under the company Act, 2053. The bank received operating license from the Nepal Rastra Bank (NRB) in March 2002. Initially it started its lending operation from three area offices since November 2002. The paid up capital of the Bank amounts upto US$1.56 million. ADBL is the largest shareholder of SKBBL at presently. However, the majority of the shares will be offered to private investors within two years, as per the plan.

The Board of directors of this bank comprise of three representatives from ADBL, one from the Ministry of Finance one from the commercial bank and two from SFCLs.

Vision

The main vision of this bank is to become the leading and financially viable bank in microfinance sector. It aims to provide credit to SFCLs and other MFIs in a bid to improve the financial status of the rural populace.

Mission

The bank's core business is wholesale lending for SFCL and similar rural MFIs. It also advocates the support for capacity building of these institutions in co-operation with partner organizations.

E) Reform and Restructuring program

i) Reforms in Brief

Closely observing the domestic and international market scenario, reform and restructuring processes have been inevitable part of development procedures. On the way of analyzing the domestic market, we have several examples of restructuring processes which ultimately tend to bring positive impact in overall business environment. Formally reform and restructuring in Nepalese financial sector begins with the financial and operation review of two big government owned commercial banks under the financial support of World Bank. Later on, it is followed by the restructuring of ADBL of NIDC under the financial support of Asian Development Bank. In fact, restructuring is nowadays has become a familiar procedure in Nepalese financial sector.

In context of ADBL, restructuring reengineering reformation has already been taken is the past based on situational demand. Basically the main strength of ADBL is its flexibility to adopt the change in changed business environment. Had there been no flexibility in ADBL operation modality the existence in the financial market would have been quite impossible. Some of the examples of its flexibilities and innovativeness can be recalled as follows.

- Overcome the weak capital based by stepping into external borrowing ,
- Innovate the poor targeted small farmers Development Program when bank financing services reached only limited number of relatively better off households,
- Align with the technology front when financing didn't sufficiently translate into technological improvements through linkage alone,
- Federate the small farmers Development program into farmers owned managed and planned small farmers co-operative limited when operation lost hit the alarming state.
- Restore deposits for rural credit with the initiation of the commercial banking activities when external financers began putting up unnecessary and difficult conditions,
- Made a time appropriate decision by introducing Firm Reform program in 1997 when loan default rates were increasing,
- Follow International Accounting system and Directives of the Nepal Rastra Bank with the implementation of second Reform program in 2001 when financial viability and sustainability has become the main slogan for its existence.

In addition, after the liberalization in the financial market, ADBL also made prosperity to the recommendation of financial and operational review team of ADBN (TA-3580-HEP) and the directives of NRB. In that prospective, ADBL has made the following improvisations in policies within a small span of time.

- Adopt comprehensive reform by reducing and amalgamating the offices as per restructuring policy,
- Impose the voluntary retirement scheme(VRS) in 2061 by utilizing its own internal resources to bring the staff under optimum size without creating any deterioration in the business performance.
- Adopt cash basis income recognition policy in commercial banking and development branches.
- Forward an aggressive and effective loan write off policy from FY 2060/61

These timely adopted reforms have displayed positive changes in the working environment there by upgrading the status of the ADBL. As a result, a group of consultants under the TA component of the Asian Development Bank (ADB), Manila has assisted the management till March 2006 to carryout its capacity building in various areas of ADBL. Recently Asian Development Bank Manila and ADBL have signed memorandum of understanding as a part of restructuring ADBL.

F) Restructuring

With the beginning of the new millennium, the financial sector in Nepal has materialized a drastic change in Rural Finance as well as in Legal and Regulatory Framework. The government in the year 2000, published the financial sector strategy statement (FSSS) aiming to focus on two main activities. First to develop favorable operational and legal environment in the financial sector for fair and equal footing environment and secondly enhancing institutional capacity. As a result, in 2002, NRB Act-2002and Bank and Financial Institutional ordinance (BFIO) 2003 were promulgated to refocus on ADBL's core business functions especially target on strengthening organizational flexibility, enhancing skill and knowledge of its management and operational staff. In this context, in 2002 and 2004, two consequent technical assistances supported by the Asian Development Bank had been initiated with the aim of helping ADBL in identifying its financial and operational weakness; and , strengthening its operational knowledge through training and capacity building activities.

The first intervention under the TA-3580-NEP as on operational and financial review of ADBL focused on the following five major areas of ADBL.

- Governance
- Organization
- Operational policy and procedures
- Management Information System
- Financial Performance

The review addresses the weakness of ADBL with focusing areas for improvement and recommended the commercialization/restructuring. As a result, the second intervention is implemented from early 2004 towards the end of 2005 under the institutional strengthening of selected Rural Finance Institutions. The TA focused on the institutional development capacity building for central training institute and Regional Training centers of ADBL. The active participatory discussions and problem solving skills have helped both consulting teams and ADBL management in reaching a common program in terms of developing programs in operational areas such as:

- Risk Management
- Training Management Internal Audit
- Credit Management
- Business planning
- Accounting

Altogether 749 management and operational staff have been trained and new operational procedures have been applied at both regional and branch levels. In the mean time the following major activities are taken into consideration under the Rural Finance Sector Development cluster program.

- Financial Recapitalization
- Organizational Restructuring
- New policy, procedures and standards
- New MIS system
- Continuous Training and comprehensive Human Resource Management
- New operational and Financial performance Targets.

2.3 Conceptual Framework of Financial Analysis

Financial analysis as a part of the financial management is the main indicator of the success or failure of the firm. The focus of the financial analysis is on key figures contained in the financial statements and the significant relationships that exit between them. [Khan & Jain, 1997]

These are different persons/institutions that affect are affected by the decision of the firm financial condition of business firm should be sound from the pointing view of shareholders debenture holders financial institutions and nation as whole The future of analysis will differ depending on the interest of different group for example trade creditor are interested in long term solving and survival. So, a financial analysis is undertaken by outsiders, creditors and investors and also by the firm itself. Thus the various parties according to the particular interest of the analyst undertaken the type of financial analysis Management of the firm is generally interested in every aspect of the financial analysis because they have overall responsibility of maintaining efficient and effective utilization of resources financial analysis is concerned with weakness of the firm by properly establishing relationship between the items of the balance sheet and the profit and loss a/c. [Pandey, 1991, p-109]. Financial analysis may be of two typing vertical analysis and horizontal analysis When financial statement like a balance sheet of a profit and loss account at a certain period only are analyzed the analysis is called vertical analysis. [Sarvanavel, 1983, p-29] In horizontal analysis a series of statement relating to a number of years are reviewed and analyzed. It is also known as dynamic analysis because it measured the change of position or trend of the business over a number of years this study is based on horizontal analysis. There are three steps in financial analysis. [Khan and Jain, 1998, p-89]

1. Selection of the information relevant to the decision under Consideration from the total information.
2. Arrangement of the selected information in way to highlighted significant relationships and
3. Interoperation and drawing of interferences and conclusions.

In brief financial analysis is the process of selection relation and evaluation.

Ratio Analysis

Ratio analysis invades the methods of calculating and interoperating financial ratios to asses the firms performance and status11 of the various method of financial statements analysis Ratio analysis is the powerful tool of financial analysis A ratio is designed as the indicated quotient of two mathematical expression and the relationship between two items (Variables This type of relationship can be expressed as

(i) Percentages
(ii) Fraction and
(iii) Proportion of numbers.

The ratio analysis includes a wide range of examination from a specific aspect of a division or unit to the overall firm. The main objective of ratio analysis is to examine various aspects of business and make sure that the opportunity results have not deviated from the stated norms specifically the objectives of a ratio analysis are to examine a)Liquidity Position b) Operating efficiently c) Financial leverage d) earning power and e) Market value of the firm. We can calculate different ratios to examine each of these aspects however as to which aspect to examine and which ratios to calculate depends on the concern of analysts based on the different opportunity and financial aspect and used for their examination ratios are classified in the following five series.

A) Liquidity Ratio To examine liquidity position

B) Profitability Ratio To examine the earning power

C) Achieving (Utilization) Ratio To examine efficiency and utilization position

D) Leverage Ratio To examine long term financial condition and debt servicing capacity

E) Miscellaneous Ratios The ratios calculated on the basis of grouping and regrouping.

2.4 Review of the Nepalese Literature

2.4.1 Review of Articles

In this section efforts have been mode to examine and review of some relate actives in different economics journals World Bank discussion paper, magazines, Newspaper and other related books

Bhisma Raj Dhunguna in his article "Why asset Management Company" is considered the best option to resolve the it on performing loan problem".[Dhungana, 2058] Pointed the best options to resolve the non performing loan (NPCLS) summaries are as follows.

A high level of NPLS can be regarded as a serious burden to the financial system and to the economy as well it is because the NPL in the banking system does not generate adequate revenues for the bank readers the profitability and it ultimately may lead to the failure the bank. High level NPL is also the early symptom of bank failure. There might have to may reasons behind increasing the NPL at the higher levels. Sometimes it arises due to the external faction factors such as decrease in the market value of the collector’s deterioration in the borrower’s repayment capacity and economic slow down. Sometimes, it is caused by the borrower’s misconduct and sometimes by the weakness in internal management assertors such as, improper credit appraisal system, lack of credit or risk management practices e.g. the bank, credit extend to non-viable projectors and effective credit monitoring and supervision system. If we observe the scenario in the Nepalese context many studies have pointed vat that the second type of forces have contributed a lot to move up the NPL level to this stage.

If these NPLS were not resolved in time, these would be inherent direct or indirect ways in the economy. The financial institution may become distrusted with additional efforts required to mange these problem loans. In this situation, Banks may loose sight of their core activities In light of the possibility of huge write offers on loans losers, credit risk will be calculated at the higher side cost of credit producers will be high. As a result Banks will not be willing to lend and the process of financial intermediation may be affected. This will result in slowdown in the economic growth. Due to lack of credit access to productive units of the economy, considering these facts, this will have the cost of NPL should be kept at the minimum level and the distressed loans should be managed by the specialized institutions such as AMCs.

Basically, there are two approaches available to deal NPL problems. The first is the traditional option, which allows banks to handle the NPL in its own way especially through recovery unit. The second option is to adopt the Assets Management Company (AMC) root.

The traditional option focuses on continuing negotiation with the borrowers to restructure the loans into a separate loan recovery unit with in the bank. This unit gives to priority to the loan recovery. In some cases, banks may be in the better position to resolve NPLs as these have international advantage through their existing loan standing advantages through their existing loan. Standing relationship with their clients, they can work with their borrowers who have a better understanding of the true value of the assets and compelling them to pay back the loan. But this approach does not work for all types of loans. The traditional option is especially useful in dealing with same business loans or consumer loans where the personal touch is adopted and the borrower may not feel heavy burden in paying back to loans. The high value of these small loans also makes the AMC route ineffective in terms of time and cost associated in depositing it.

Traditional approach of resolving bad loans does not work in a crisis situation and in big loans. In these situations timely and decisive action is required to avert a failure of an entity. So long the market for the product and services exist, any business or industry can be revived through adequate and appropriate support.

The distraction of managing NPLs especially during a crisis situation could result in financial institutions not focusing on their core activities and as such financial intermediation in the economy could break down. It will result in credit crunch situation causing an adverse impact on the overall economic growth. Hence, the establishment of AMCs seems as the only realistic option when the financial sector recovery is the underlying objective in the financial system where financial institutions fail to resolve the NPL problem through their own efforts. As in the most of the countries, Nepalese financial system is largely dominated by the banking sector. The banking sector is severely affected by the NPL problem. It is estimated that the NPL of the Nepalese banking system is around 16 percent. Therefore, there is no doubt that it has a serous implication on economic performance of the country. It will be the eclipse in the development of financial soundness in the economy, if not controlled in time. However, traditional or AMC root can be practiced to get recovery from that sickness of the financially system, the AMC root may be more effective approach to get quick recovery as it has been experienced around the world .

Narayan Pd. Paudel (Baisakh 14, 2053), in his article "Financial Statement Analysis: An Approach to Evaluate Bank's Performance" painted that, traditionally banks act as a financial intermediaries to channel funds from excess units in the economy to effected units resulting from the globalization of financial markets, financial innovations and world wide liberations of capital markets, banking business has been growing through rapid and profound structural changes. These factors have the greatest implications on the analysis of bank financial statements. On like other non-banking financial companies, commercial banks to not produce any physical goods. They produce loans and financial innovations to facilitate trade transactions. Because special role they play in the economy, the concerned authorities heavily regulate them. Analysis of bank financial statement is different from that of other companies due to the special nature of assets and liabilities structure of the banking industry.

The major current developments in financial reporting as a result of changes in banking industries are greater public disclosure and standardization of accounting policies. Traditionally banks have been subject to lesser standards of disclosure than other companies. International accounting standards had been issued IAS 30 disclosure in the financial statements of banks and similar financial institutions. This was made operative after 1st January 1991. Balance sheet, profit and loss account and the accompanying notes are the most widely used aspects financial statement of a bank. We need to understand to major characteristics of bank's balance sheet and profit and loss account. The bank's balance sheet is composed of financial claims of liabilities in the form of deposits and as assets in the form of loans. Fixed assets account for a small portion of the total assets. Financial innovations, which are generally contingent in nature, are considered as balance sheet items. Interest received on loans/advances and investment and paid on deposit liabilities are the major component of profit and loss account. The other source of income are fee, commission discount and services charges.

The uses of financial statement of a bank is relevant, reliable and comparable information can be achieved from it which information can be achieved from it which assists them in evaluating the financial position and performance of the bank and which is useful to them in making economic decisions. Banks regulating bodies stock analysis bank, shareholders, directors and government needs different uses of financial statements. In order to meet an interest in analyzing the bank financial statement of bank, the IAS 30 requires specific disclosures on accounting policies. In our context the disclosure requirement of a bank's financial statements has been expressly laid town in the concerned act. Commercial Banking Act 1974 requires the audited balance sheet and profit and loss account to be published in the leading newspaper for the information of general public. The purpose of the financial statement depends on the needs of the user. The bank regulations seek to analyze to financial statements from safety and in stable painting view and there by protecting the economic interest depositors and general public, however the bank analyses from shareholder's point of view. The principle objectives of the analyzing financial statements are to identity:

- Financial adoptability (Liquidity)
- Financial performance (Profitability) and
- Financial position of the bank (slovenly)

Most of the users of financial statements are interested in accessing the bank's overall performances i.e.; profitability which is affected by the following factors.

- The structure of balance sheet and profit and loss account,
- Operating efficiency and internal manager system
- Managerial decisions taken by the top management regarding interest rate, exchange rate, landing policies etc.
- Environmental changes (technology, government, competition, economy)

Ratio analysis also helps in identifying the working characteristics of a problem of banks some of these characteristics are as follows:

- Lower average ratio of capital to total assets and to risk assets.
- Higher ratio of borrowings to shareholders trend.

- Higher ratio loan to total assets.
- Higher ratio of volatile liabilities to total income
- Lower ratio of ROA and ROC

Financial statements can give a good insight into financial health and perform leg a bank, one should pear in mind that such analysis does not guarantee or totally prevent bank failure or crisis because of miss-management and fraud. The health of a bank basically lies in the hands of its management. [Poudel, 2053 B.S.]

2.4.2. Review of Unpublished Thesis:

Miss Grishma Khanal's study on "Reform program and its effect on financial strength of Agriculture Development Bank, Nepal (ADB/N)" has made conclusion that the reform program has succeeded effectively, in her thesis also put the objective about the identification of future trend for which she has given conclusion as almost all the persons have been enjoying and wanted to continue it in future .[Khanal, 2003]

Miss. Sulochanna Musaju carried out a study on "An appraisal of financial performance and cost behavior of Dairy Development Corporation (DDC). Her main findings were that the liquidity ratio indicates on inconsistency in the working capital policy of the corporation. The earning from the operation is not adequate to meet the interest obligation and long term solvencies of the corporation do not make sound the assets turnover ratio. The performance of DDC was not satisfactory. The addition in the assets could not increase the sales adequately. The operating performance of the corporation was not satisfactory and the enterprises could not earn the profits. All of about indicates serious deficiency in the financial management of the corporation. [Masaju, 1988]

Mr. Bedananda Dahal has done a study on financial performance and investment activities of Agricultural Development Bank Limited in Nepal. The

Objective of the study was to identify the financial position and investment activities of the bank and analyze the growth of trend of financial strength (condition) and provide valuable suggestion on the base of major finding. The study was covered the five years of period from 2054/055 to 2059/060. He has used many statistical tools like trend analysis, mean, standard deviation and coefficient of variance. From his study he found that the performance of ADBL is satisfactory than other government banks. [Dahal, 2005, p-113-118]

Mr. Lal Bahadur Rana has done a study on "Financial Performance and Investment Policy of Himalayan Bank Limited and Bank of Kathmandu Limited." The objective of the study was to identify the financial position of both these banks and en-light the share holders, financial agencies stock exchanges and stock traders as well as its customer, depositors and debtors. And he found that the in comparison Himalayan Bank Ltd. performance was better than Bank of Kathmandu in terms of liquidity, activity, profitability, capital structure, invisibility and risk. [Bahadur, 2005, p-102-107]

Chhabindera Nath found in his study "analysis of loan disbursement pattern of ADBL Nepal", that the role of agriculture in the development of Nepal is very important. Agricultural credit is one of the vital factor for increasing agricultural production. His major recommendations are as follows.

a) The ADBL should help to fulfill the maximum credit gap between small and big farmers.
b) The amount of the banks loan disbursement is largely depend upon the amount of loan repayment each year. So the bank should encourage to farmers by various policy such as subsides as loan, interest etc for the repayment of loan.
c) Small and the marginal farmers are taking the problems of improved seeds, fertilizers and pesticides due to their low income and saving so the bank should apply easy loan policy on agriculture. [Sharma, 2001, p-89-90]

Mr. Nav Raj Adhikari has done "A study on evaluation of the financial performance of Nepal Bank Ltd." The objectives of the study were evaluating the financial performance of Nepal Bank Ltd. This study has been limited to the FY 2038/039 through 2046/047. The loan to deposit return on capital return on net worth return on total assets earning per stare divided per share pay out and net worth per share Vs market price per share. He concluded that bank had not managed investment portfolio efficiently. Operational efficiency was not satisfactory. Nothing was satisfactory expect liquidity position of Nepal Bank Ltd. during the study period. [Adhikari, 1993, p-90]

CHAPTER-THREE

RESEARCH METHODOLOGY

3.1 Introduction:

Research Methodology is a systemic way to solve the research problem. Previous chapters have provided the conceptual, inputs and basis of this study. Research methodology describes the methods and process applied in the entire study. It also refers to the various steps to be adopted by the researcher in studying the problem with certain object in view. It is also the set of various instrumental approaches used in achieving predetermined objectives.

It counts on the resource and techniques available and to the extent of their reliability and validity in the research. The research methodology adopted in the chapter follows some limited but crucial aimed to achieve the objectives of the research. This study is descriptive cum analytical and the research is more quantitative and less descriptive. Moreover, various aspects relating to financial performance are applied by using financial ratios as well as statistical tools.

3.2 Research Design

Research design is the plan, structure and strategy of investigations conceived so as to obtain answer to research question and to control variance. The research design allows the researchers to take an appropriate measure and direction towards the predetermined goals and objectives. The research design is analytical and descriptive in nature. Research design is the plan, structure and strategy of investigation. A research design, bearing the techniques and systematic steps of research, help to collect various informations required to researchers, thesis writing or any investigation. The research design is functional process on researches is never achieved. The research study examined the fact and postulates certain frame work or details and supplies the important information on subject matter. This study entitles “Financial Analysis of Agricultural Development Bank Limited.” Deals with the performance or analysis of Agriculture Development Bank. So descriptive research has been applied in some primary information and analytical research is applied for the analysis of financial information.

3.3 Population and Sample:

Agricultural Development Bank of Nepal is one of the largest development banks of Nepal. It is only one agricultural development bank in Nepal. This is a case study of ADBL.

3.4 Data Collection Procedure:

Since the entire research is based on the variables and factors influencing financial decision of the Agricultural Development Bank, the secondary data have been used. Even though some primary data were collected through personal objectives, visit to the banker and responses from questionnaires distributed. The data required for the purpose (analysis) is directly obtained from the financial statement of concerned banks.

All the secondary data are complied, processed and tabulated in the times series as per the need and objective. Formal and informal talks with the staffs and authorities of the banks were also helpful to achieve the additional information of the related problem. The sources of data collection are as follows:

- Annual financial reports of ADBL
- ADBL’s publications i.e., Bank Samachar, Agricultural Credit, Bio-annual Journal. Etc.
- Annual Budget of ADBL
- Unpublished records of Agricultural Development Bank.
- Magazines and News Papers.
- Loonies and officials.
- Central library T.U.,
- College Library Balkumari College

3.5 Data Period Covered

This study covers a period of seven years from FY 2056/057 to 2062/063. This analysis is done on the basis of the secondary data and views of financial executives and customers of Agriculture Development Bank Limited.

3.6 Method of Analysis:

To achieve the objective of this study, various financial, accounting and statistical tools have been used. This study basically uses the secondary data, which were firstly collected and tabulated in to a separate for systematically; Analysis of data is the core of the research study. The analysis of data will be done according to pattern of data available.

3.6.1 Financial Tools/Analysis:

Financial tools basically help to analyze the strength and weakness of a firm. Ratio analysis and financial statement analysis have been used as financial tools. This analysis is useful to various interested parties i.e. Owners, Creditors, Management, Employee etc.

Having summarized the available data used from various sources, the hidden facts put fourth by financial statements have been analyzed with the help of the relevant financial tools.

A) Ratio Analysis

Ratio analysis is the part of whole process of analysis of financial statement of every financial institution, industries. Ratio analysis used to compare a firms financial performance and status that of other firms or to it overtime. Ratio analysis is one of the most commonly used techniques and most powerful toll of financial analysis. The ratio analysis provides a basis to examine different accounting parameters, which reflects the norms of business operation.

A ratio is defined as "The indicated quotient of two mathematical expressions and as "the relationship between two or more things" [Nass G & C, 1975]

Ratio analysis is the technique of analysis and interpretation of financial statement. To evaluate the performance of an organization by creating the ratio from the figure of different accounts consisting in balance sheet and income statement is known as ratio analysis. It provides guideline especially in spotting trends towards better or poor performance and in financing of significant deviation from average or relatively applicable standard. [Dangol, 1997]. A ratio is defined as an indicated quotient of two mathematical expressions and is the relationship between two or more thing. [Van Horn, James, 1997]. So we can say that it helps to the researcher to make qualitative judgment about the firm's financial condition, position and performance.

Ratio analysis is the process of determining and interpreting numerical relationships based on financial statement. A ratio is a statistical yard that provides measures of relationship between two variables. This relationship can be expressed as percent (Cost of good sold as a percentage of sales) or as a quotient (current assets as a certain number of times the current liabilities). [Kuchhal, 1979, p-22]

In financial analysis, a ratio is used as an index or yardstick for evaluating the financial position and performance of a firm. The absolute accounting figures reported in the financial statements don't provide a meaningful understanding of the performance and financial position of a firm. An accounting figure conveys meaning when it is related to some other relevant information.

The relationship between two accounting figures, expressed mathematically, is known as financial ratio (or simply as a ratio). Ratios help to summarize large quantities of financial data and to make qualitative judgment about the firm's financial performance. [Panday, 1999, p-109]

Ratio analysis satisfies the interest on investors, creditors, government, institution and other to from their opinions for enabling them to have guideline towards effective decision making. [Pro. Dr. Shrestha, 1980]

Ratio analysis is widely used and an important part of financial analysis. Interest result about company's financial performance can be achieved by using ratio analysis. Thus, various interest group i.e. owners, creditors, investors and outside analysis use ratios to find out about the financial position of the organization. From the help of ratio analysis, the qualitative judgment can be done regarding financial state of a firm. There are a lot of financial ratios and people use different type of ratio depending upon their interest and needs. A single ratio in itself is not meaningful because it does not indicate the favorable or unfavorable condition. It should be compared with some standard or between different years to analyze financial position. Therefore this study includes the following, which are related to financial analysis of the bank.

i) Current Ratio

Current ratio is the relationship of current assets and current liabilities of firm current assets are those assets, which can be converted into cash with in short period of time. Current liabilities are those item, which have to paid within one year. Current ratio measures paying ability of short-term debt of the firm. Higher the current ratio better is the liquidity position. Traditionally, 2:1 is standard ratio, but it is a conservative outlook about the coverage of current liabilities. Current ratio is calculated by dividing current assets by current liabilities.

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

Where,

Current Assets = Inventories, cash and bank balance, sundry debtors, receivables, accruals incomes, loan & advance, disposable

Current Liabilities = Creditors, bills payable, deposit and other short term loans, tax provision, outstanding expenses, bank overdraft, proposed dividend and unclaimed dividend etc.

ii) Quick Ratio

Quick ratio establishes a between liquid assets and current liabilities. It measures the short term liquidity of the firm but it emphasis the instant debt paying capacity of the firm. This ratio is very useful to measuring the liquidity position of the firm. Quick ratio equal to 1:1. A high quick ratio is indicates that the firm is liquid and has ability to meet its current liabilities in time. Low quick ratio represents that the firm liquidity position is not satisfactory.

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

Where,

Quick Assets = Current Assets – Inventory – Prepaid

iii) Cash and Bank Balance to Deposit Ratio:

This ratio measures the percentage of liquid assets. Cash and bank balance are the most liquid current assets. Higher ratio shows the higher capacity of firms to meet the cash demand. This ratio is computed by dividing cash and bank balance by total deposit.

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

Hence, Cash and bank balance includes cash on hand, foreign cash on hand, cheques and other cash items, balance with domestic banks and balance held in foreign banks. The total deposit includes fixed deposit, current deposits, saving deposits, money of call and short notice client security funds and other deposits.

iv) Current Assets to Deposit Ratio:

This ratio measures the percentage of total deposit to current deposit. Higher ratio shows the higher deposit by current assets. This ratio calculated by dividing current assets to total deposit.

$$\text{Current Assets to Total Deposit Ratio} = \frac{Current\ Assets}{Total\ Deposit}$$

v) Cash and Bank to Current Assets Ratio

This ratio measures proportion of most liquid i.e. cash and bank balance among the total current assets of bank. Higher ratio shows the bank ability to meet demand for cash.

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

B) Capital Structure Ratio:

i) Debt to Total Capital Ratio:

This ratio shows the relationship between capital structure and long term debt to total capital employed. Its formula is as below:

$$\text{Debt to Total Capital Ratio} = \frac{Long\ Term\ Debt}{Total\ Capital}$$

Where,

Total capital = Long term debt + Share holder's fund

Long term debt = Debenture, bonds, mortgage loan and all long term loan

ii) Debt to Equity Ratio:

This ratio refers to the relationship between debt and equity. This ratio measures the relative claims of creditors and owners against the assets of the firm. This ratio calculated by dividing the long-term debt by shareholders equity.

$$\text{Debt to Equity Ratio} = \frac{Long\ Term\ Debt}{Shareholder\ Equity}$$

iii) Long-term Debt to Total Assets Ratio:

This ratio refers to the relationship between long-term debt and total assets competing between the how total assets to be suit with the long term fund or capital and how total assets can be purchase in connection to long term fund. This ratio is calculated by dividing long term debts by total assets.

$$\text{Long-term Debt to Total Assets Ratio} = \frac{Loong\ Z term\ Debt}{Total\ Assets}$$

iv) Shareholders Equity to Total Assets Ratio:

This ratio measures the relationship between the shareholder's equity and total assets. This ratio says how the assets to be purchased in comparison with the shareholder's equity? Neither more nor less purchase of assets is good to the business because the role of assets in business management is very valuable to generate the profit. Shareholder's equity to total ratio calculated by dividing Shareholder's equity by Total Assets.

$$\text{Shareholder's Equity to Total Assets Ratio} = \frac{Shareholer's\ Equity}{Total\ Assets}$$

C) Profitability Ratio:

Profitability ratio measures how effectively and efficiently the bank has bee operating its activities in earning enough profit. Profit is the most essential part for the survival and growth of the bank and equally necessary to be more competent.

i) Return on Assets Ratio:

This ratio refers to the relationship between net profit and assets. It measures the productivity of the assets. This ratio judges the effectiveness in using the total fund supplied by the owners and creditors. Higher ratio shows the higher return on the assets used in the business. It shows that there is effective use of the resources available and vice-versa.

This ratio is calculated by using the following formula.

$$\text{Return on Assets} = \frac{\text{Net Profit (Loss)}}{\textit{Total Assets}} \times 100$$

ii) Net Profit to Outstanding Ratio:

This ratio shows the relationship between net profit and total outstanding.

$$\text{Net Profit to Outstanding Ratio} = \frac{\textit{Net Profit}}{\textit{Outstanding}} \times 100$$

iii) Net Profit After Tax to Total Operating Income Ratio:

This ratio measures the relationship between Net Profit after tax or loss and the total operating income. Total operating income includes tax amount. So tax amount will be dedicated from total operating income, this ratio represent the tax amount or tax ratio with total operating. The formula is given blow:

$$\text{NPAT to Total Operating income Ratio} = \frac{\textit{NPAT}}{\textit{Total Operating Income}}$$

iv) Overhead Cost Ratio:

$$\text{Overhead Cost Ratio} = \frac{\textit{Administrative Expenses}}{\textit{Loan Outstanding}} \times 100$$

v) Total Interest Income on Investment to Total Income Ratio:

This ratio shows the relation between total interest income on investment and total income of firm. In the financial institution, like bank interest income. It is a vital source of earning. Total income includes the interest income on loans too. Interest income on loans to total income ratio refers how is the condition of interest income on loan to the total income. The formula of it is given below.

Total Interest Income on Investment to Total Income Ratio =

$$\frac{\textit{Total Interest on Investment}}{\textit{Total Income}}$$

vi) Operating Self-sufficiently Ratio:

This ratio shows bank's income (interest) with respect to the operating cost. It is the preparation of efficiency i.e. income comparison with operating cost. This can be presented as, (Higher the ratio shows bank can earn more than cost)

$$\text{Operating Self-sufficiency Ratio} = \frac{\textit{Total Income}}{\textit{Operating Cost}}$$

Where,

Operating Cost = Administrative expenses, interest expanses, indirect interest expenses, loan loss provision etc.

D) Operating Ratio

i) Operating Cost Ratio:

This ratio indicates how much cost is incurred when providing loan. Thus the ratio can be stated as,

$$\text{Operating Cost Ratio} = \frac{\textit{Operating Cost}}{\textit{Totol Loan Portfolio}}$$

Lower the ratio shows efficient position of bank and vice-versa.

ii) Total Operating Income to Total Assets Ratio:

This ratio is calculated to find out the ratio of operating income with total assets of financial institution. Total operating income represents total interest income on investment and other income. Higher ratio is better for the firm. This ratio is calculated by using following formula.

$$\text{Total Operating Income to Total Assets Ratio} = \frac{\textit{Total Operating Income}}{\textit{Total Assets}}$$

iii) Total Operating Expenses to Total Assets Ratio:

Total operating expenses to total assets ratio measures the relationship between the total operating expenses and total asses. This ratio can be calculated by using the following formula.

$$\text{Total operating expenses to total assets ratio} = \frac{\textit{Total Operating Expenses}}{\textit{Total Assets}}$$

Where,

Total operating expenses = Office expenses, staff expenses, interest expenses and other expenses

iv) Total Operating expenses to total Operating Income Ratio:

This ratio shows the relationship between total operating expenses and total operating income. This ratio finds how interrelationship is between the operational expenses to operational income. The formula of it is given below,

$$\text{Operating Expenses to Total Income Ratio} = \frac{\textit{Total Operating Expenses}}{\textit{Total Operating Income}}$$

v) Interest Paid on Total Deposit to Total Expenses Ratio:

This ratio shows the relationship between interest expenses on deposit and total expenses of financial institution. A total expense refers to their sustainability of every financial institution. We all know that less expense represents the viability of the organization and deposit is the main source of fund collection. This ratio can be measured by using the following formula.

$$\text{Interest Paid on Total Deposit to Total Expenses Ratio} = \frac{\textit{Intrest Paid on Total Deposit}}{\textit{Total Expenses}}$$

vi) Interest Paid on Borrowing to Total Expenses Ratio:

This ratio shows the relationship between interest paid on total debt and total borrowing. Borrowing is the important source of fund collection i.e., capital structure. It is paid with interest after certain maturity period. This ratio can be calculated by using the following formula.

Interest Paid on Borrowing to Total Expenses Ratio =

$$\frac{Interest\ Paid\ on\ Borrowings}{Total\ Expenses}$$

vii) Interest Expenses to Interest Income Ratio:

This ratio measures the utilization of outsider's fund for investment activities. This ratio can be calculated by using the following formula.

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

Higher ratio indicates that the bank has to paid higher amount of interest on liabilities relating to interest income and vice-versa.

E) Risk Ratio:

Risk is uncertain. Risk means uncertainty, which occurs in the business transaction of investment management where a firm wants to bear risk and uncertainty, profitability and effectiveness of the firm will increases. We all know that, high risk high profit. This ratio indicates the amount of risk which associated with the various banking operations, which ultimately influences the bank's investment policy. The following ratios are calculated under this ratio.

i) Total Non-banking Assets to Total Assets Ratio:

This ratio shows the relationship between non-banking Assets and Total Assets of the firm.

$$\text{Total Non-banking Assets to Total Assets Ratio} = \frac{Total\ Non\ Z banking\ Assets}{Total\ Assets}$$

ii) Total Overdue to Total Outstanding Ratio:

Overdue amount is one of the very harmful amounts of every banks or financial institutions. Every financial institutions viability depends on their overdue loan amount. It overdue loan is high, bad debts will increases thereafter non-performing assets can be increased, repayment rate will be low, operation expenses may be high in comparison to the interest collection etc. If the firm wants to improve their sustainability in financial terms, they must upgrade their collections by using reduction policy of overdue outstanding. The formula of this is given below.

$$\text{Total Overdue to Total Outstanding Ratio} = \frac{\textit{Total Overdue}}{\textit{Total Outs}\tan \textit{ding}}$$

iii) Non-performing Loan to Outstanding Ratio (Credit Risk Ratio):

Credit risk ratio measures the possibility that loan will not be repaid or that investment will deteriorate in quality or go into default with consequent loss to the bank. This ratio can be identified by using the following formula.

Total Non-performing Loan to Total Outstanding Ratio =

$$\frac{\textit{Total Non}\ \mathrm{Z}\ \textit{perfor}\min \textit{g Loan}}{\textit{Total Outs}\tan \textit{ding}}$$

iv) Total Non-performing Interest to Total Outstanding Ratio:

This ratio refers to the relationship between total non-performing interest and total outstanding. Increment of non-performing interest in not good for business so, it should be reduced. This ratio helps to make strategy for reduction of non-performing interest.

Total Non-performing Interest to Total Outstanding Ratio =

$$\frac{\textit{Total Non}\ \mathrm{Z}\ \textit{perfor}\min \textit{g Interest}}{\textit{Total Outs}\tan \textit{ding}}$$

v) Total Non-performing Assets to Total Assets Ratio :

This ratio shows the relationship between total non-performing assets and total assets. Non-performing assets is very much apologetic thing in banking industry. This type of assets does not give any return in proper time. Increment of non-performance assets is the sign of insolvent of bank.

This ratio gives information about the condition of non-performing assets (NPA). Increasing non-performing assets is not good for the form so this ratio is used reduce as a guideline for reduction of non-performing assets. This ratio is measured by using the following formula.

Total Non-performing Assets to Total Assets Ratio =

$$\frac{Total\ Non\ Z\ perfor\min g\ Assets}{Total\ Assets}$$

Where,

Total NPA= Inactive overdue loan, Inactive interest receivable, non-banking assets etc.

vi) Loan Loss Provision to Loan Outstanding Ratio:

This ratio shows the possibility of loan default of a bank. It indicates how efficiently it manages its loan and advances and makes efforts for loan recovery. Higher ratio implies higher portion of non-performing loan in total loan and advances. The formula is given below.

Loan loss provision to loan Outstanding Ratio = $\frac{Loan\,Loss\,\Pr ovision}{Loan\,Outs\tan ding}$

2.6.2. Statistical Tools

In percent study certain statistical tools have been used to compare the figures and draw one meaningful conclusion there from. The relationship between different variables related to study topic would drawn out using statistical tools. The statistical tools selected for the study of ADBL is as follows:

i) Average/Mean:

The average value is a single value with in the range of the data that is used to represent all of all values in the series since an average is somewhere with in the range of the data, it is also called a measure of central value. Since an average represents the entire data, its value lays some where in between the two extremes i.e the largest and the smallest items.

There are various types of averages. Among them, we take arithmetic mean; it is so popular that the word mean 100 average alone without qualification is implied to denote this particular type of average. It's value is obtained by adding together all the items and by dividing this total by the number of items.

$$\overline{X} \text{ X} \frac{\phi X}{N}$$

Where,

$\overline{X}$ = Arithmetic average

ϕX= sum of total values of the variables

N= Number of items

ii) Standard Deviation:

The standard deviation is the absolute measure of dispersion in with the absolute measure of dispersion in which the drawbacks present in other measures of dispersion are removed. 21 The standard deviation is the most important and widely used measure of studying dispersion. It is known as root mean square deviation for the reason that the square root of the mean of the squared deviation from the arithmetic mean. The standard deviation measures the absolute dispersion 100 variability of a distribution. A small standard deviation means a high degree of uniformity of the observation as well as homogeneity of a series a large standard deviation means just the opposite.

Hence, standard deviation is extremely useful in judging the representatives of the mean.

$$\pm \; X \frac{\phi d^{2}}{n}$$

Where,

$\exists$ = Standard deviation

ϕd^2 = Sum of the square deviation

n = Number of items

iii) Co-efficient of variation:

The co-efficient of variation is the corresponding relatives measure of dispersion, comparable across distribution, which is defined as the ratio of the standard variation to the mean expressed in resulting percentage . 22

It is used in such problems where we went to compare the variability of two or more than two series. To calculate the co-efficient of variation, we have to use the following formula.

$$C.V. \, X \frac{\pm}{\overline{X}} \mid 100$$

Where,

C.V.= Co-efficient of variation

$\exists$ = Standard Deviation

$\overline{X}$ = Mean/Average

iv) Time Series/ Trend Analysis:

Trend analysis is also one of the most useful statistical tools. Trend analysis of ratios indicates the change over a period of change. This kind of analysis is particularly applicable to the items it profit and loss account. It is a significant tool of horizontal financial analysis. It is a dynamitic method to indicate the change and deviations in terms of financial statements. Trend analysis helps to identify the comfortable in terms of given period and future forecast can be made for on going concern.

Trend analysis is very useful in-terms of all types of banks and to the shareholders. Through this analysis banks can estimate the future investments opportunities, rate of return, deposit liabilities etc, whether to stick in the present growth rate or to increase or decrease. In terms of shareholders, trend analysis helps to whether to invest on the bank or to leave as per the satisfaction of the growth rate. For depositors, it provides degree of satisfy in the form of financial credit worthiness, it assures about the financial capability of the banks to tarnish their loans and advances in future, provided that the present trend continues .

Trend analysis is one of the useful tools in making a comparative study of the financial statements of number of years. It describes the average relationship between two series where the one series relates to time and the other series to the value of a variable. It is generally shows that the line of the best fit/ or straight line is obtained or not. The line of the best fit describes the changes in a given series accompanying a unit change in time. In another word we can say that it gives the best possible mean values of dependent variable for a given value of independent variable. Here, trend analysis is used as time series analysis based on time. For the calculation of the line of the best fit, the following equation should be used.

$$Yc=a+bx$$

Where,

Yc= the estimated value of y for given value of x obtained from the line of regression of y on x.

a= constant value

b= slope of line or rate of change

x= the variable in time series analysis represents time or independent variable.

The formula of calculating "a" and "b" is given below:

$$a = \bar{Y} - b\bar{X}$$

$$b = \frac{n\sum xy - \sum x \sum y}{n\sum x^2 - \left(\sum x\right)^2}$$

Where,

$\sum x$= Sum of the observation in series x

$\sum y$= Sum of the observation in series y

$\sum xy$=Sum of the observation in series x and y.

$\sum x^2$=Sum of the square observation in series x .

The calculation is used to compare the overall performance of different selected financial companies during the study period this projection for next five years. Under this topic the following sub-topic has been presented.

I. Tend analysis of loan investment
II. Trend analysis of principal collection
III. Trend analysis of outstanding
IV. Trend analysis of interest receivable
V. Trend analysis of net profit after tax
VI. Trend analysis of total deposit.
VII. Trend analysis of loan loss provision
VIII. Trend analysis of long term debt
IX. Trend analysis of shareholders equity
X. Trend analysis of non-banking assets
XI. Trend analysis of banking commission and discount

CHAPTER-FOUR

PRESENTATION AND ANALYSIS OF DATA

The presentation and analysis of data is the main body of this study. This chapter deals with the presentation, analysis and interpretation of relevant, the various outcomes in order to fulfill the objectives of this study. The main objective of the banking operation of ADBL is to collect unproductive and scattered savings from urban organization and individuals as deposit and granting them short, medium and long-term agriculture credit.

This chapter highlights the financial performance of ADBL. In order to evaluate the financial position of ADBL; the tools that are used have been already discussed in detail in the third chapter as research methodology. Some financial and statistical tools have been used to evaluate the financial position of ADBL. The collected data are analyzed and interpreted by using financial and statistical tools.

4.1 Financial Analysis:

Financial analysis is the act of identifying the financial strength and weakness of the organization. The financial statement provides a summary of the account of a business enterprise. For the purpose of this study, ratio analysis has been mainly used and with the help of it, data have been analyzed.

Various financial ratios related to the investment management and the fund mobilization are presented and discussed to evaluate and analyze the performance of ADBL. Some important financial ratios are only calculated here for fund mobilization and investment policy. The ratios are designed and calculated to highlight the relationship between financial items and figures. It is a kind of mathematical relationship and procedure dividing one item by another.

4.1.1 Ratio Analysis:

Ratio analysis is widely used and important tool of financial analysis. Ratio analysis shows the mathematical relationship between two accounting figures. Interest result about company’s financial performance can be found out by using ratio analysis. It helps to analyze the financial strength and weakness of the banks. From the help of ratio analysis, the qualitative judgment can be done regarding financial state of a firm. It is also concerned without output and credit decision.

A) Liquidity Ratio:

Liquidity ratios are applied to measure the ability of the banks to meet short-term obligation. Agricultural Development Bank Limited must maintain its satisfactory liquidity position to satisfy the credit needs of community, to meet demands for deposit with drawls, pay maturity obligation in time and convert non-cash assets to cash to satisfy immediate needs without loss to bank and consequent input on long-run profit. The liquidity ratios are analyzed as follows:

i) Current Ratio:

This ratio measures the liquidity position of the bank. It indicates the ability of bank to meet the current liquidity.

Table No. 4.1

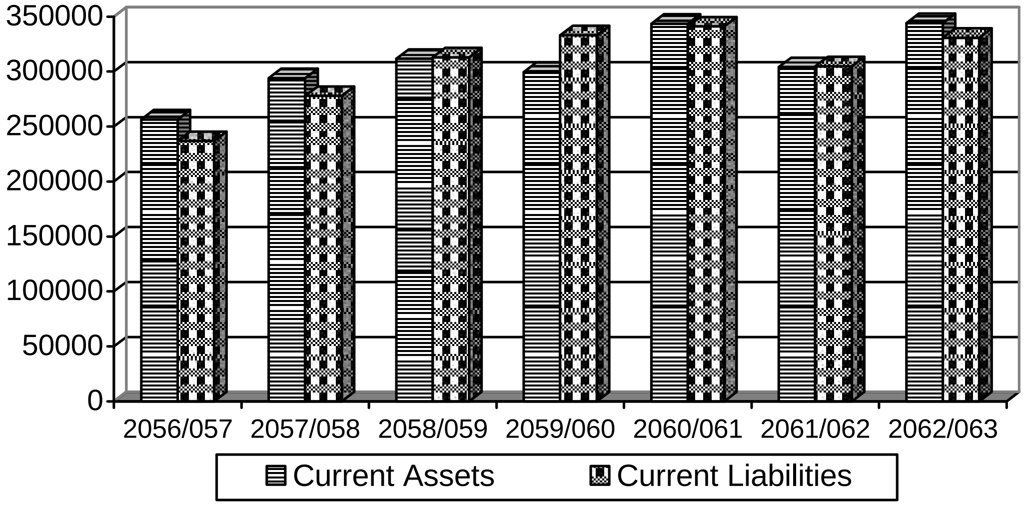
Current Assets, Current Liabilities and Current Ratio of ADBL

(in Rs. 00000)

Year	Ratio	Current Assets	Current Liabilities
2056/57	1.10	259442	236863
2057/58	1.06	294019	277936
2058/59	1.00	311608	313003
2059/60	0.90	299651	333080
2060/61	1.10	343562	341006
2061/62	1.00	304068	304866
2062/63	1.04	344155	330783
Mean	1.02		
S.D.	0.06		
C.V.	5.88		

Figure No. 4.1

Current Assets and Current Liabilities of ADBL



Source: Table No. 4.1

The liquidity position of the bank is not good because the current ratios of the different years are not meet to the standard. Higher current ratio means the better liquidity position. 2:1 considered to be an adequate ratio. Current assets and current liabilities manage the current ratio. It is necessary that every business entity must manage the good liquidity position.

There is a fluctuation in this ratio. The highest ratio is 1.10 and the lowest is 0.9 in FY 2056/57 and 2060/61 and 2059/60 respectively. The mean ratio is 1.02. Similarly, the S.D. is 0.06 and C.V. is 5.88%. The above analysis helps to conclude that the current ratio of ADBL is below than normal ratio. But it can't say that the liquidity position of ADBL is not good because this ratio only indicates the quantity and not the quality of assets and it doesn't explains the types of current assets.

ii) Quick Ratio:

Quick ratio shows the relationship between liquid assets and current liabilities. It measures the short-term liquidity of the bank but it emphasis the instant debt paying capacity of the bank. The following table shows the quick ratio of ADBL.

Table No. 4.2

Quick Assets, Current Liabilities and Quick Ratio of ADBL

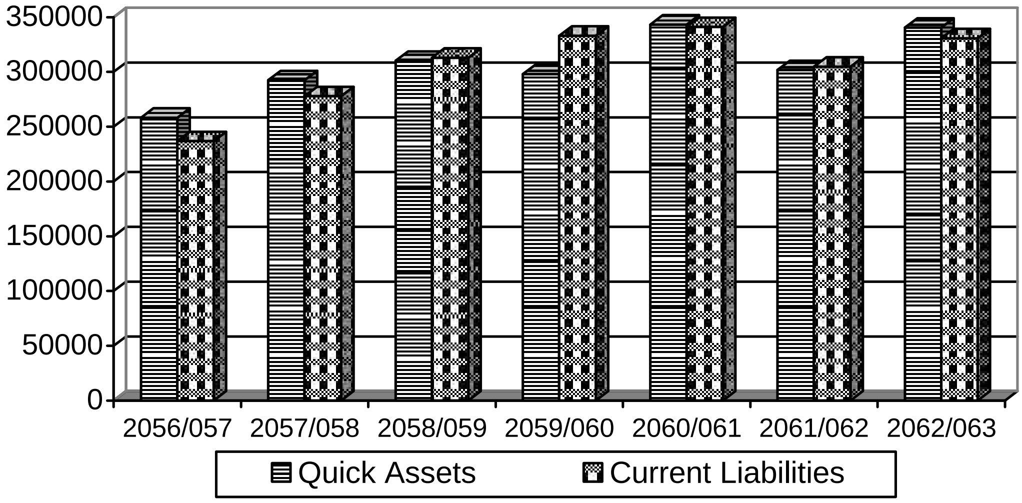
(in Rs. 00000)

Year	Ratio	Quick Assets	Current Liabilities
2056/57	1.09	258212	236863
2057/58	1.05	292399	277936
2058/59	0.99	310259	313003
2059/60	0.90	298015	333080
2060/61	1.01	343291	341006
2061/62	0.99	301795	304866
2062/63	1.3	340543	330783
Mean	1.01		
S.D.	0.05		
C.V.	4.95		

Source: Appendix I, II & III.

Figure No. 4.2

Quick Assets and Current Liabilities of ADBL



Source: Table No. 4.2

There is a fluctuation in this ratio. The highest ratio is 1.09 in FY 2059/60, again it increased to 1.01 in 2060/61, and then it decreased in FY 2061/62 and become 0.99. In last year (i.e. FY 2062/63), it increases to 1.03. The mean ratio is 1.01. The standard quick ratio is 1:1. The calculated ratios are below than the normal standard, it is duly satisfactory. The standard deviation and covariance is 0.05 and 4.95% respectively.

iii) Cash and Bank Balance to Total Deposit Ratio:

This ratio measures the ability of bank to meet future withdrawals of deposits. Higher ratio shows the greater ability of the bank to meet the demand of customers on their deposits. The following table shows the cash and bank balance to total deposit ratio.

Table No. 4.3

Cash, Bank Balance, Total Deposit and Bank Balance to Total Deposit Ratio of ADBL

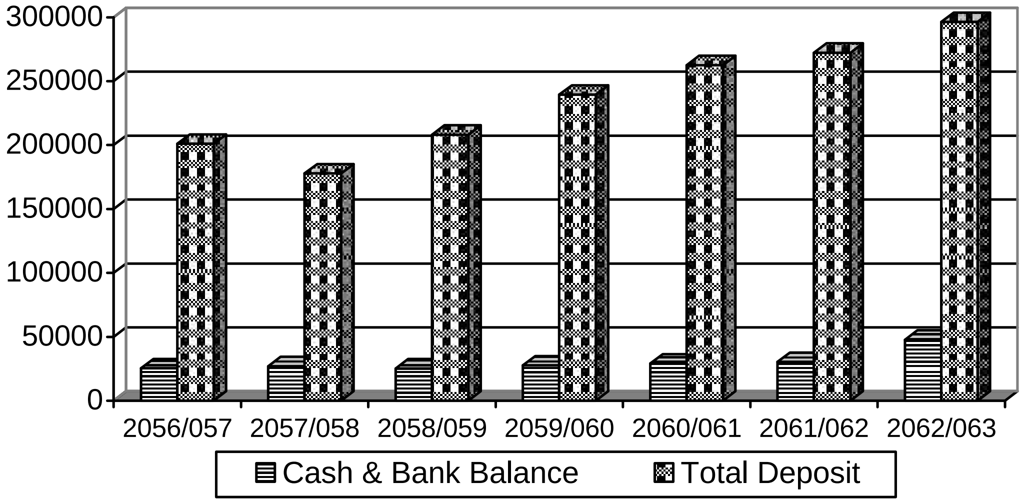
(in Rs. 00000)

Year	Ratio	Cash & Bank Balance	Total Deposit
2056/57	15.19	25406	501055
2057/58	12.12	27015	177862
2058/59	11.55	25218	208119
2059/60	15.17	27655	239500
2060/61	11.09	29108	262461
2061/62	11.15	30350	272230
2062/63	16.10	47717	296318
Average	13.20		

Source: Appendix I, II & III.

Figure No. 4.3

Cash, Bank Balance and Total Deposit (%) of ADBL



Source: Table No. 4.3

The above table 4.3 shows the cash and bank balance to total deposit including compulsory savings and client security funds of ADBL. The above table 4.3 reveals that the cash and bank balance to total deposit ratio of ADBL is in fluctuating trend. The highest ratio is 16.10% and lowest is 11.09 in FY 2062/63 and 2060/61 respectively. The mean ratio is 13.20.

iv) Total Deposit to Current Assets Ratio:

This ratio shows the relationship between current assets and total deposits excluding fixed deposits, which indicates the availability of current assets to pay out non-fixed deposits. The following table shows the current assets, total deposit, ratio and its mean.

Table No. 4.4

Total Deposit, Current Assets and Deposit to Current Assets

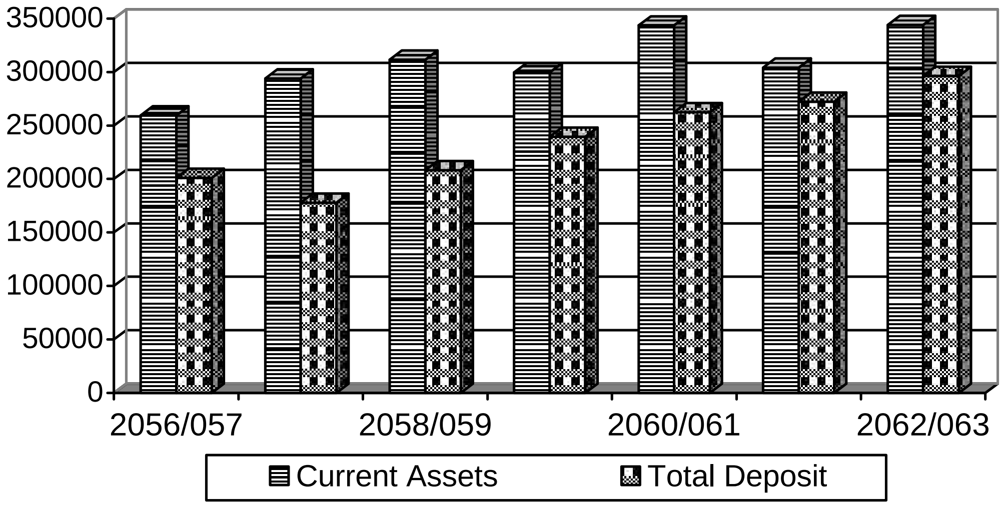
(in Rs. 00000)

Year	Ratio	Current Assets	Total Deposit
2056/57	1.72	259442	151055
2057/58	1.65	294019	177862
2058/59	1.49	311608	208119
2059/60	1.24	299651	259500
2060/61	1.31	313562	262441
2061/62	1.12	304068	272230
2062/63	1.16	344155	296318
Average	1.38		

Source: Appendix I, II & III.

Figure No. 4.4

Total Deposit and Current Assets of ADBL



Source: Table No. 4.4

The above table 4.4 reveals that total deposit ratio to current assets ratio of ADBL. The above table shows the fluctuating trend in ratio. The highest ratio is 1.72 in FY 2056/57 and the lowest one is 1.12 in FY 2061/62. The average mean is 1.38.

v) Cash and Bank Balance to Current Assets Ratio:

Cash and bank balance are the most liquid assets. This ratio represents the liquidity capacity of the firm. Higher ratio shows the better ability of the firm to meet the daily cash requirements of the customer. But high ratio is not so preferred to the firm because the firm has to manage cash and bank balance to current assets ratio, in such manner that the firm may not be paid interest on deposits and may not have liquidity crisis.

Following table states that cash and bank balance to current assets of ADBL during the study period.

Table No. 4.5

Cash and Bank Balance to Current Assets Ratio

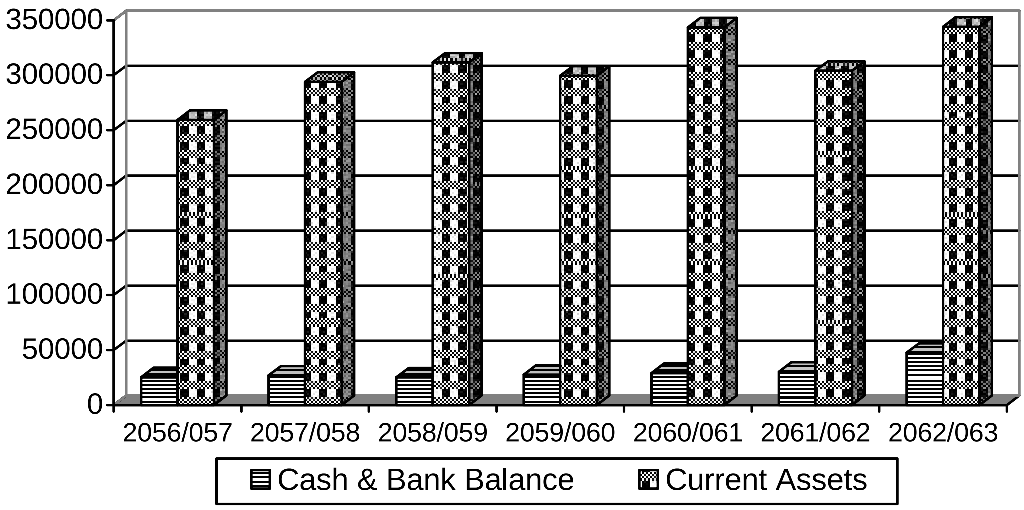
(in Rs. 00000)

Year	Ratio	Cash & Bank Balance	Total Current Assets
2056/57	9.79	25406	259442
2057/58	9.19	27015	294019
2058/59	8.09	25218	311608
2059/60	9.23	27655	299651
2060/61	8.47	29108	343562
2061/62	9.98	30350	304068
2062/63	13.86	47717	344155
Average	9.80		

Source: Appendix I, II & III.

Figure No. 4.5

Cash and Bank Balance and Total Current Assets



Source: Table No. 4.5

The above table shows that cash and bank balance to current ratio of ADBL is in fluctuating trend. The highest ratio is 13.86% in FY 2062/63 and the lowest one is 8.09 in FY 2058/59. The ratio is 9.79%, 9.19%, 9.23%, 8.47%, 9.98% is in FY 2056/57, 2057/58, 2058/59, 2059/60, 2060/61 respectively.

The liquidity position is best of ADBL in FY 2062/63. The bank is able to meet daily cash requirement of their customers in FY 2062/63.

B) Capital Structure Ratio:

i) Debt to Total Capital Ratio:

This ratio shows the relation between long-term debts to capital ratio. Long-term debt and capital are simply transformation of each other. To measure the relative proportion of outsider's fund and shareholder's fund in the firm, this ratio is calculated. This ratio represents the relation of debt fund and share capital.

Table No. 4.6

Long-term Debt to Permanent Capital Ratio

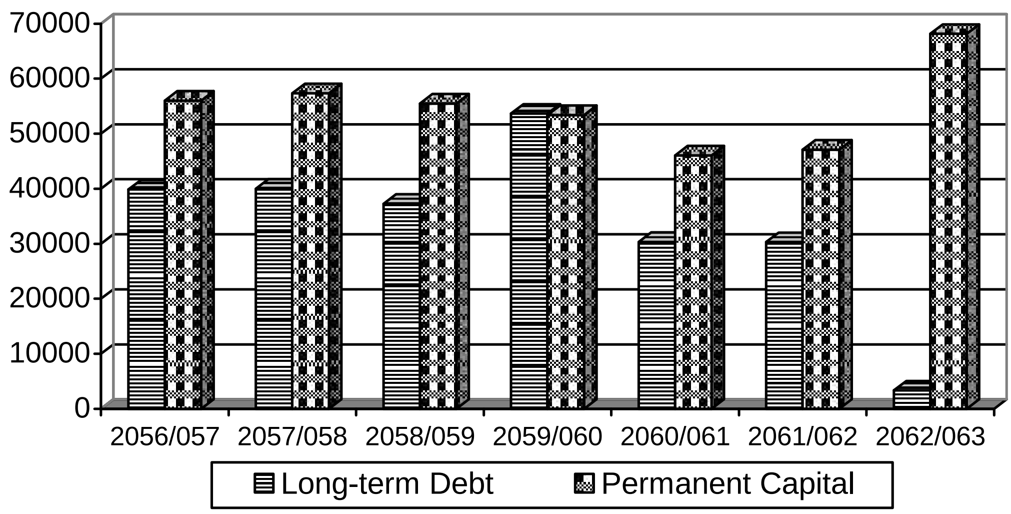
(In Rs. 00000)

Year	Ratio	Long-term Debt	Permanent Capital
2056/57	0.71	39850	56002
2057/58	0.70	40008	57359
2058/59	0.67	37283	55489
2059/60	0.63	53668	53384
2060/61	0.66	30329	46075
2061/62	0.64	30323	47099
2062/63	0.05	3365	68145
Average	0.58		

Source: Appendix I, II & III.

Figure No. 4.6

Long-term Debt and Permanent Capital of ADBL



Source: Table No. 4.6

The above table shows the long-term debt and permanent capital (shareholder's equity, long-term debt) of ADBL. This ratio seems to be in fluctuating trend. The highest ratio is 0.71 in FY 2056/57 and lowest one is 0.05 in FY 2062/63 and average is 0.58%.

This ratio is not in satisfactory level. It is advisable that the borrowings (especially external borrowing) should be reduce and the fixed deposit (which is assumed here as a portion of long-term liability) should be increase. On the other hand, owner's equity should be increase to make an optimal structure.

ii) Debt to Equity Ratio:

This ratio is simply transformation of each other. This ratio is calculated to measure the relative proportion of outsider's fund and shareholder's fund invested in the firm. Debt to equity ratio represents the relation of debt fund and the share capital. This measures the volume of two capital sources and also says the capital sources are weighty.

Table No. 4.7

Long-term Debt to Shareholder's Equity Ratio

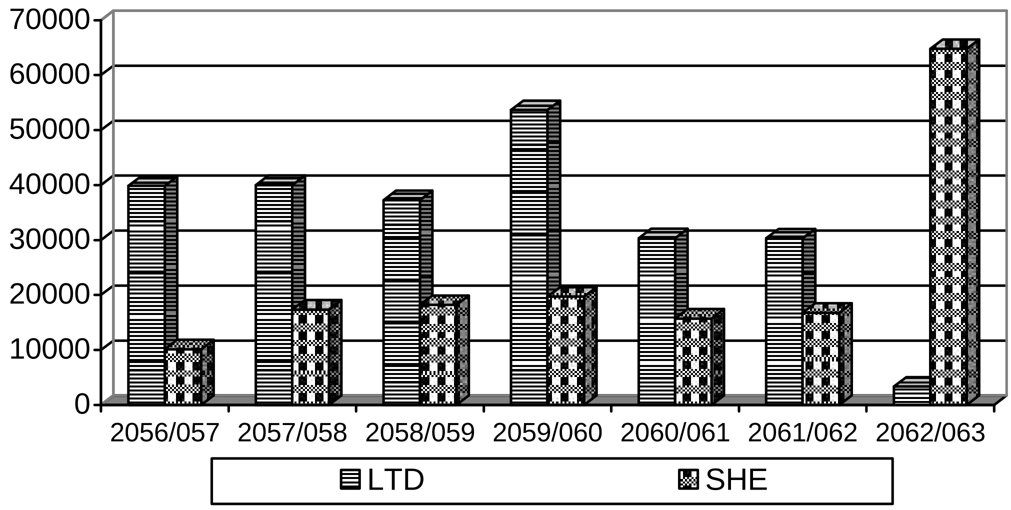
(in Rs. 00000)

Year	Ratio	LTD	SHE (Shareholder's Equity)
2056/57	2.47	39850	10152
2057/58	2.31	40008	17351
2058/59	2.05	37283	18206
2059/60	1.71	33668	19716
2060/61	1.93	30329	15746
2061/62	0.81	30323	16776
2062/63	0.05	3365	64780
Average	1.76		

Source: Appendix I, II & III.

Figure No. 4.7

Long-term Debt and Shareholder's Equity of ADBL



Source: Table No. 4.7

The above table shows the long-term debt, shareholder's equity and its ratio. The highest ratio is 2.47 and the lowest one is 0.05 in FY 2056/57 and 2062/63 respectively. The ratio is in decreasing trend from year 2056/57 to 2059/60. Then after, it increases in FY 2060/61. Again, it decreases in FY 2061/62 and 2062/63. The average ratio is 1.76.

iii) Long-term Debt to Total Assets Ratio:

This ratio establishes a relationship between long-term debt and total assets competing between how total assets to be suit with long-term fund or capital and how total assets can be purchased in connection to long-term fund.

Table No. 4.8

Long-term Debt to Total Assets Ratio of ADBL

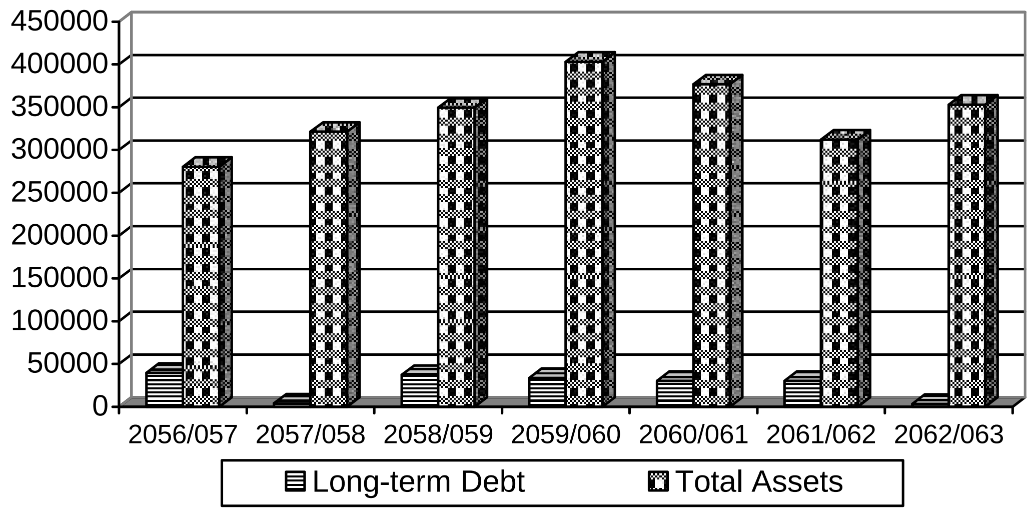
(in Rs. 00000)

Year	Ratio	Long-term Debt	Total Assets
2056/57	0.14	39850	380396
2057/58	0.12	40008	321414
2058/59	0.11	37283	349476
2059/60	0.08	33668	403186
2060/61	0.08	30329	376717
2061/62	0.10	30323	312230
2062/63	0.001	3365	352976
Average	0.02		

Source: Appendix I, II & III.

Figure No. 4.8

Long-term Debt and Total Assets of ADBL



Source: Table No. 4.9

By above calculation, debt to total assets ratio is 0.14% in FY 2056/57 which is highest and has decreased gradually year by year upto 0.08 in FY 2060/61. Then after it increases and reached to 0.10 in FY 2061/62. During the FY 2056/57 has the highest long-term debts to total assets ratio. The ratio is 0.14. In FY 2062/63, the ratio is lowest i.e. 0.001. The average value of long-term debt to total assets ratio is 0.09.

iv) Shareholder's Equity to Total Assets Ratio:

This ratio measures the relationship between shareholder's equity and total assets. This ratio gives us information about how assets to be purchased in comparison with the shareholder's equity. We have to purchase sufficient assets to our business. Neither more nor less purchase of assets is good to the business because assets are very valuable thing to generate profit of a firm.

Table No. 4.9

Shareholder's Equity to Total Assets Ratio of ADBL

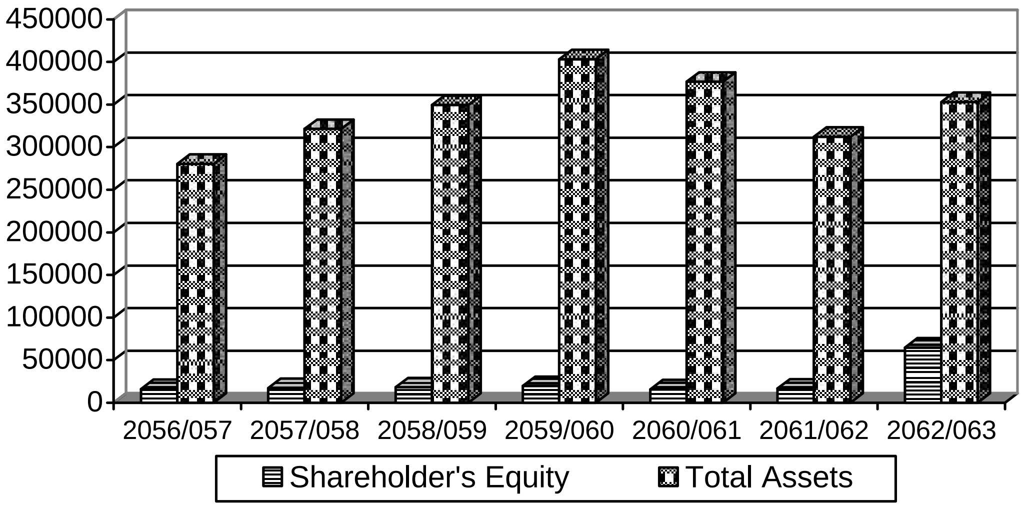
(in Rs. 00000)

Year	Ratio	Shareholder's Equity	Total Current Assets
2056/57	0.058	16152	280396
2057/58	0.054	17351	321414
2058/59	0.052	18206	349476
2059/60	0.049	19716	403186
2060/61	0.042	15746	376717
2061/62	0.054	166776	312230
2062/63	0.184	64780	352976
Average	0.07		

Source: Appendix I, II & III.

Figure No. 4.9

Shareholder's Equity and Total Assets of ADBL



Source: Table No. 4.8

The above table no. 4.9 shows the relationship between the shareholder's equity and total assets. Shareholder's equity is believed as long-term fund to the business firm. The ratio shows how assets have been acquired in connection with the shareholder's equity fund. The highest ratio is 18.4% in FY 2062/63. The ratio is in decreasing trend in FY 2056/57 to 2060/61 and it increases in FY 2061/62 to 2062/63. The average ratio is 7%. The above presentation shows the purchase of assets is more than that of shareholder's equity. Purchase of more assets is not good to the business but sometimes results may be different.

C) Profitability Ratio:

The major performance indicator of any firm is profit. The objective of every firm is to make good return. Any organization has desire to earn high profit which helps to survive the firm and indicates the efficient operation of the firm. Profit is the essential part of business activities to meet internal obligation, overcome the future contingencies, make a good investment policy, make a good lending policy and expand the banking transaction, etc. Profitability ratios are the best indicator of overall performance of the firm. Here, those ratios are presented and analyzed which are related to profit as well as fund mobilization. Through the following ratios, effort has been made to measure the profit earning capacity of ADBL.

i) Return on Assets Ratio:

This ratio measures the overall profitability of all working fund i.e. total assets. A firm has to earn satisfactory return on working fund for its survival. It measures the productivity of the assets. This ratio utilizes to ascertain whether assets are being utilized properly or not. Norms of the ratio is to maximize profit by utilizing the lesser assets.

Table No. 4.10

Return on Assets Ratio of ADBL

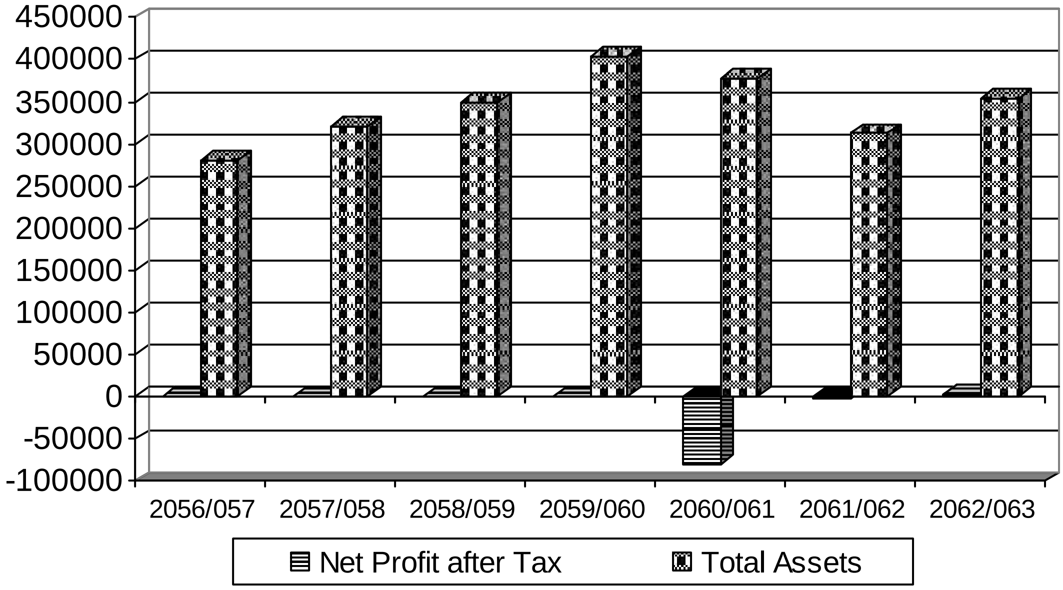
(in Rs. 00000)

Year	Ratio	Net Profit after Tax	Total Assets
2056/57	0.32	885	280396
2057/58	0.29	932	321414
2058/59	0.17	590	349476
2059/60	0.04	156	403186
2060/61	-21.23	(80002)	376717
2061/62	-0.25	(786)	312230
2062/63	1.00	3535	352976
Average	-2.81		

Source: Appendix I, II & III.

Figure No. 4.10

Return on Assets Ratio of ADBL



Source: Table No. 4.10

Above presentation of return of assets ratio is not quite satisfactory, because standard of this ratio is 1%. In the context of ADBL the ratio seen from the above table is below then 1%. But in F/Y 2062/063 the ratio is equal to 1%. Trend of increment and decrement of profit is fluctuating. The highest ratio is 1% in F/Y 2062/063. Increment of return in connection to the assets is very good to every business entity. In conclusion the average value of return on assets ratio for seven fiscal year is -2.81.

ii) Net Profit to Outstanding Ratio:

This ratio shows the relationship between net profit and outstanding. This ratio represents the net profit or net profit ratio with total outstanding.

Table No. 4.11

Net Profit to Outstanding Ratio of ADBL

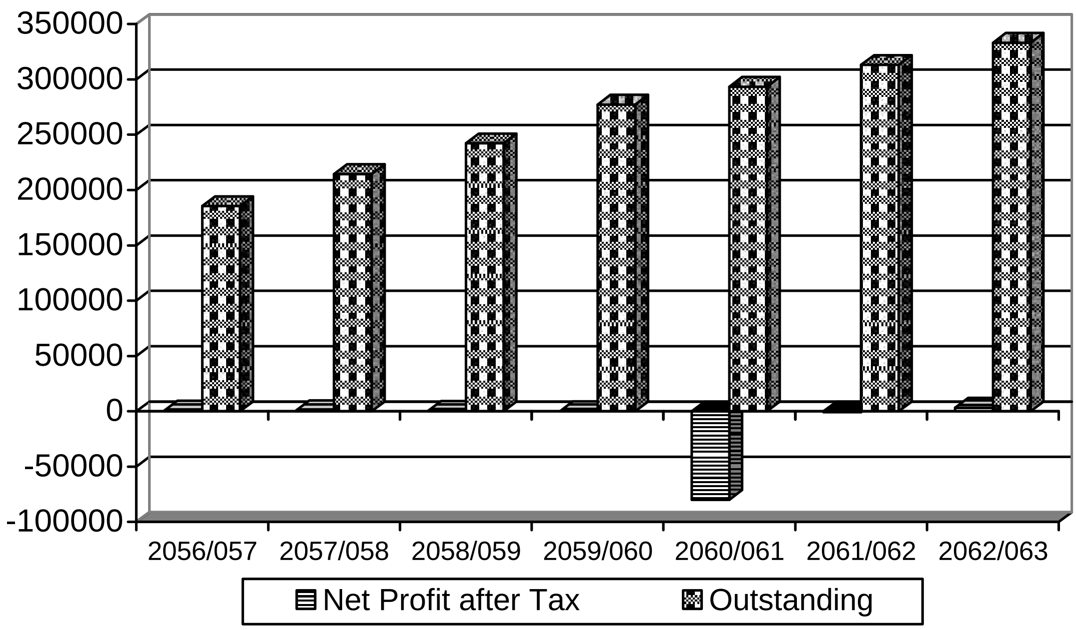
(in Rs. 00000)

Year	Ratio	Net Profit	Outstanding
2056/57	0.48	885	185448
2057/58	0.43	932	214467
2058/59	0.24	590	242318
2059/60	0.06	156	277285
2060/61	-27.26	(80002)	293433
2061/62	-0.25	(786)	313091
2062/63	1.06	3535	333107
Average	-3.61		

Source: Appendix I, II & III.

Figure No. 4.11

Net Profit and Outstanding of ADBL



Source: Table No. 4.11

The above table shows the net profit to outstanding ratio of ADBL for seven fiscal years. The highest ratio is 1.06% in FY 2062/63 and the lowest one is -27.26% in FY 2060/61. The average of the ratio is -3.61%. The negative ratio shows that there is loss. Higher ratios show the higher profit.

iii) Net Profit after Tax to Total Operating Income Ratio:

This ratio measures the relation between net profit or net loss and total operating income. This ratio represents the tax amount or tax ratio with total operating income.

Table No. 4.12

Net Profit After Tax to Total Operating Income Ratio of ADBL

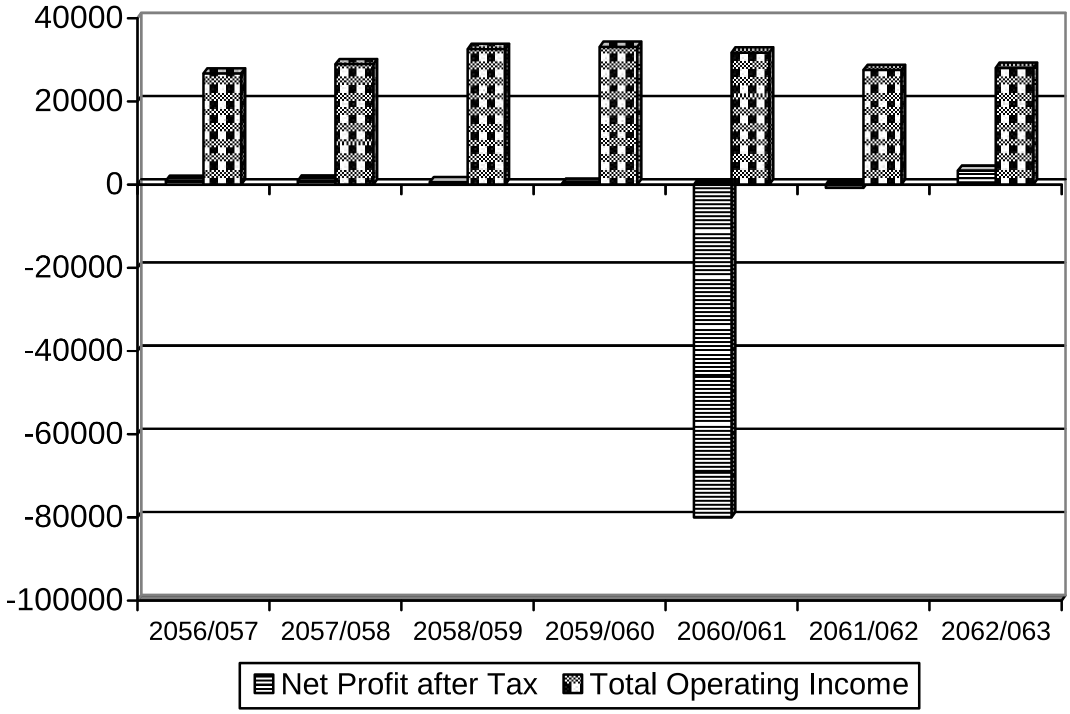
(in Rs. 00000)

Year	Ratio	Net Profit after Tax	Total Operating Income
2056/57	3.31	885	26726
2057/58	3.22	932	28943
2058/59	1.81	590	32592
2059/60	0.47	156	33125
2060/61	-251.98	(80002)	31749
2061/62	-2.85	(786)	27567
2062/63	12.61	3535	28037
Average	-33.34		

Source: Appendix I, II & III.

Figure No. 4.12

Net Profit after Tax and Total Operating Income of ADBL



Source: Table No. 4.12

Above table shows the net profit after tax to total operating income ratio of ADBL for seven different fiscal years. There is highest ratio in FY 2062/63. The lowest ratio is in FY 2059/60. The highest negative ratio is -251.98% in FY 2060/61 and the lowest negative ratio is -2.85% in FY 2061/62. The negative ratio presents that there is loss in the business. There is loss occurs in FY 2060/61 and FY 2061/62. The average ratio is -33.34%.

iv) Overhead Cost Ratio:

Administrative expenses, loan outstanding and overhead cost ratio of ADBL.

Table No. 4.13

Overhead Cost Ratio of ADBL

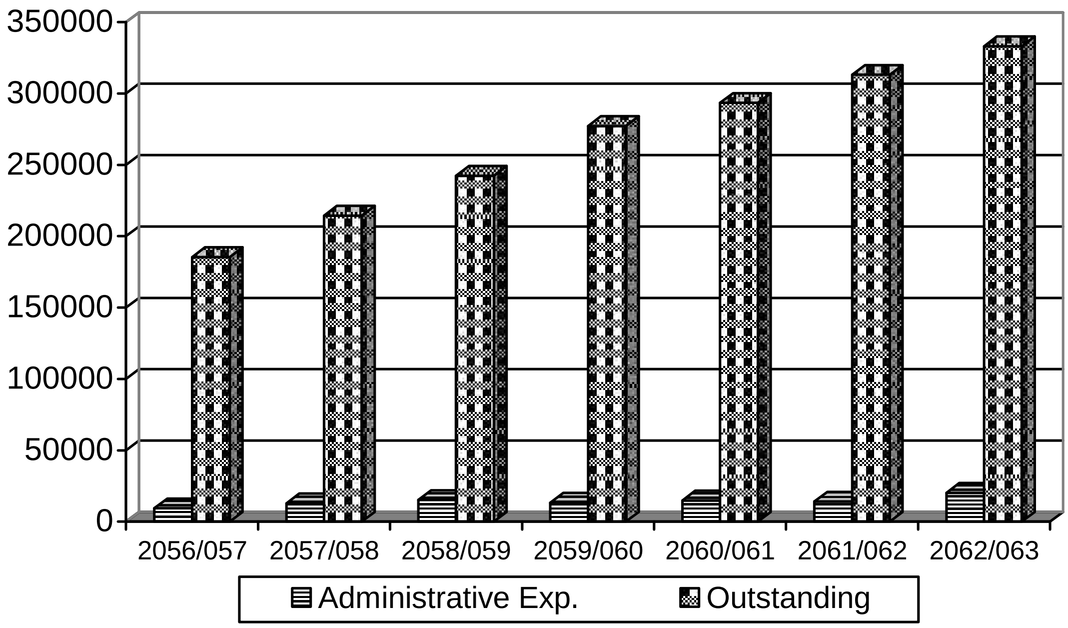
(in Rs. 00000)

Year	Ratio	Administrative Expenses	Outstanding
2056/57	5.08	9418	185448
2057/58	6.00	12873	214467
2058/59	6.30	15269	242318
2059/60	4.82	13378	277285
2060/61	5.08	14892	293433
2061/62	4.51	14111	313091
2062/63	6.09	20302	333107
Average	5.41		

Source: Appendix IV.

Figure No. 4.13

Administrative Expenses and Outstanding of ADBL



Source: Table No. 4.13

The above table shows that there is a fluctuation in overhead cost ratio. Because there is a fluctuation in administrative expenses, but outstanding is in increasing trend. The highest ratio is 6.30% in FY 2058/59 and the lowest one is 4.51% in FY 2061/62. The average ratio is 5.41%. For better position of the bank, expenses should be minimized.

v) Total Interest Income on Investment to Total Income Ratio:

This ratio indicates the relation between return on investment and total income of the bank. This ratio measures how successfully banks have mobilized their funds in interest generating assets. The major source of income for the bank is interest income so the bank should mobilize their funds in more interest generating sectors considering the risk and return. This ratio of ADBL from FY 2056/57 to 2062/63 is presented here to analyze in the following table.

Table No. 4.14

Total Interest Income on Investment to Total Income Ratio of ADBL

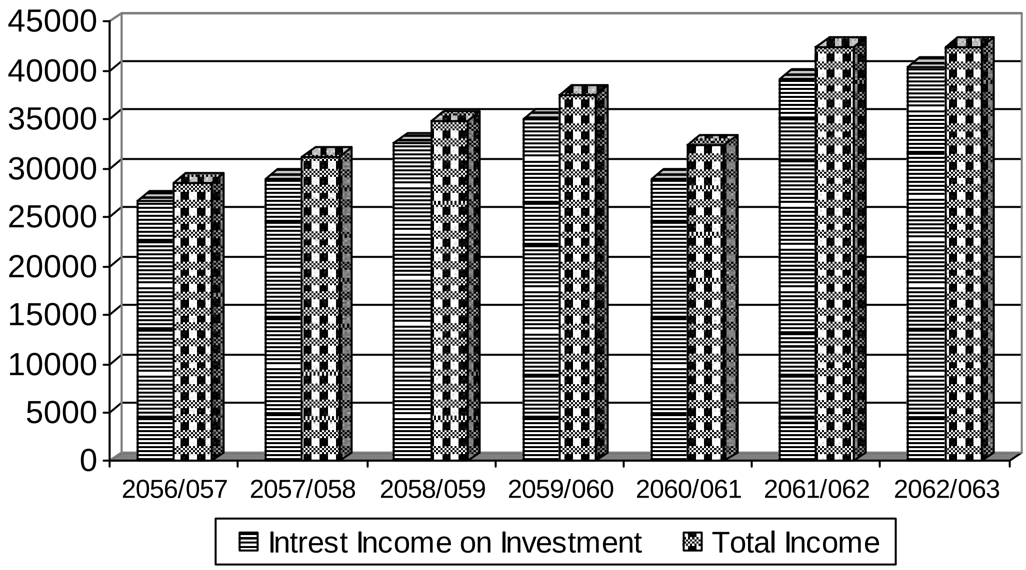
(in Rs. 00000)

Year	Ratio	Interest Income on Investment	Total Income
2056/57	93.84	26726	28482
2057/58	92.67	28943	31232
2058/59	93.40	32592	34894
2059/60	93.52	35125	37556
2060/61	89.11	28925	32460
2061/62	92.25	39152	42442
2062/63	95.05	40335	42435
Average	92.83		

Source: Appendix III.

Figure No. 4.14

Interest Income on Investment and Total Income of ADBL



Source: Table No. 4.14

The above table shows that the total interest income on investment to total income ratio is in fluctuating trend. The highest ratio is 95.05% and the lowest one is 89.11% in FY 2062/63 and 2060/61 respectively. The ratio is 93.84%, 92.67%, 93.40% 93.52%, 92.25% in FY 2056/57, 2057/58, 2058/59, 2059/60, 2061/62 respectively. The average ratio is 92/83%.

From above analysis, we can conclude that the Bank (ADBL) has successfully mobilizing their fund in interest generating assets. On every Fiscal Year this ratio is above 92%, which is satisfactory ratio. Total income is the summation of interest on investment and other income (i.e. service charge, commitment fees, investment no securities and other income etc).

vi) Operating Self-Sufficiency Ratio:

This ratio shows ADBL's income (interest) with respect to the operating cost. Operating cost includes administrative expenses, interest expenses, indirect interest expenses, loan loss provision, etc.

Table No. 4.15

Operating Self-Sufficiency Ratio of ADBL

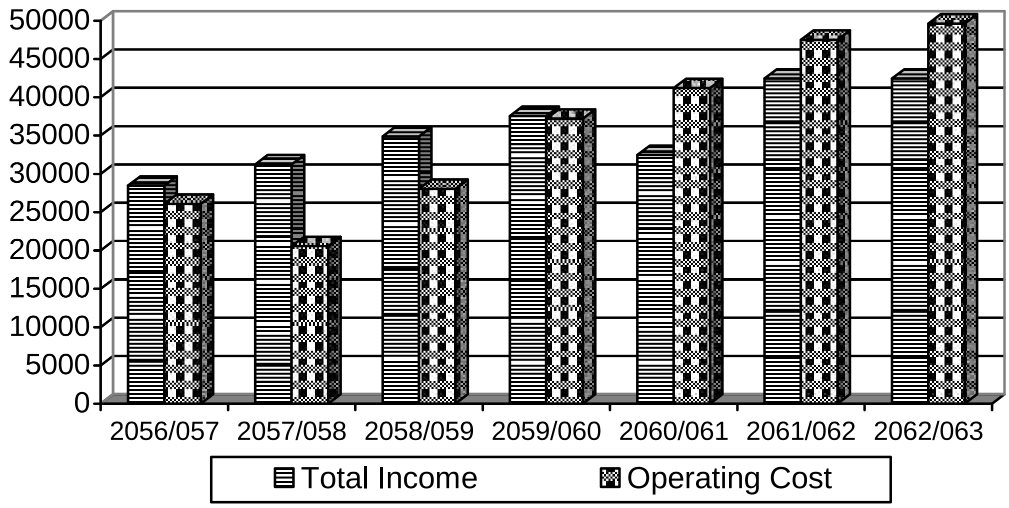
(in Rs. 00000)

Year	Ratio	Total Income	Operating Cost
2056/57	0.98	28482	26072
2057/58	1.18	31232	20574
2058/59	1.24	34894	28030
2059/60	1.01	375561	37208
2060/61	0.29	32460	41204
2061/62	0.89	42442	47489
2062/63	0.86	42435	49616
Average	0.92		

Source: Appendix I, II and III

Figure No. 4.15

Operating Self-Sufficiency Ratio of ADBL



Source: Table No. 4.15

In above table, total income is increasing yearly. The highest total income is Rs. 42442 in FY 2061/62 and lower total income is Rs. 25482 in FY 2056/57. It is increasing, it is following a fluctuation. But the operating cost is increasing year by year, so there is a fluctuation in operating self-sufficiency ratio. The highest ratio is 1.27% and the lowest one is 0.29 in FY 2058/59 and 2060/61 respectively. The average ratio is 0.92%.

D) Operating Ratio:

i) Operating Cost Ratio:

This ratio shows the relation between operating cost and total loan portfolio. Expenses are most important to calculate this ratio. Expenses or costs have to reduce to maximize the profit. Total loan portfolio includes total principle outstanding and interest receivable outstanding. The following table shows the operating cost ratio of ADBL for seven fiscal years.

Table No. 4.16

Operating Cost Ratio of ADBL

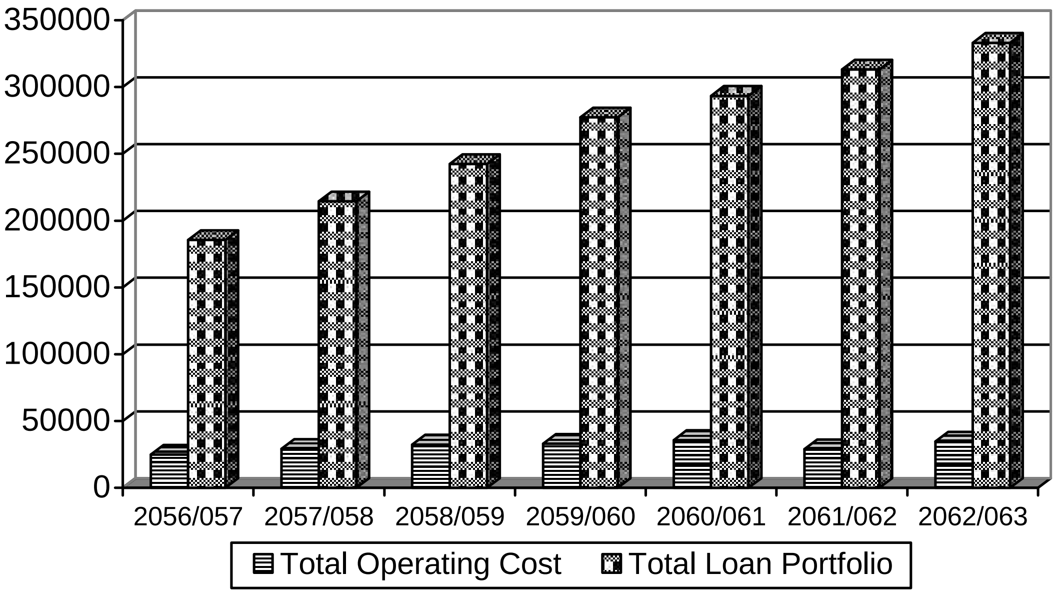
(in Rs. 00000)

Year	Ratio	Total Operating Cost	Total Loan Portfolio
2056/57	13.47	24979	185448
2057/58	13.65	29280	214467
2058/59	13.39	32433	242318
2059/60	11.91	33019	277285
2060/61	12.21	35823	293433
2061/62	9.26	28986	313091
2062/63	10.42	34700	333107
Average	12.04		

Source: Appendix I, II, III.

Figure No. 4.16

Total Operating Cost and Total Loan Portfolio of ADBL



Source: Table No. 4.16

The above table shows that the highest ratio is 13.65% in FY 2057/58 and lowest one is 9.26% in FY 2061/62. The operating cost ratio of ADBL is in fluctuating trend. The ratios are 13.47%, 13.39%, 11.91%, 12.21% and 10.42% in FY 2056/57, 2058/59, 2059/60, 2060/61 and 2062/63 respectively. Lower the operating cost is better to the bank. The bank has maintained least ratio in FY 2061/62 i.e. 9.26%. The average ratio is 12.04%.

ii) Total Operating Income to Total Assets Ratio:

This ratio is calculated to find out the ratio of operating income with total assets. Operating income represents the achievement of the profit of the organization. Higher ratio is good for the organization. The following table 4.17 shows the total operating income to total assets ratio of seven fiscal years.

Table No. 4.17

Total Operating Income to Total Assets Ratio of ADBL

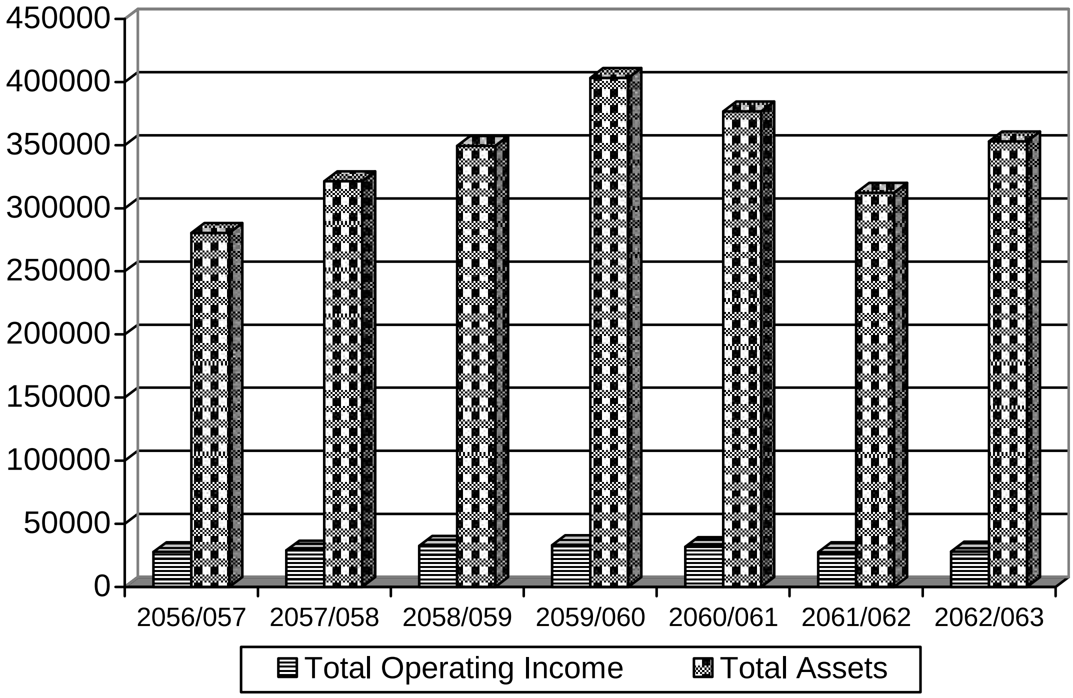
(in Rs. 00000)

Year	Ratio	Total Operating Income	Total Assets
2056/57	9.89	27726	280396
2057/58	9.00	28943	321414
2058/59	9.33	32592	349476
2059/60	8.22	33125	405786
2060/61	8.43	31749	376717
2061/62	8.83	27567	312230
2062/63	7.92	28037	353976
Average	8.80		

Source: Appendix I, II & III.

Figure No. 4.17

Total Operating Income and Total Assets of ADBL



Source: Table No. 4.17

The above table 4.17 shows the operating income to total assets ratio. This ratio says the outcomes of utilizing the assets in the banking business. Higher ratio shows the higher position of profit by using the total assets. Similarly, the lower ratio reflects the lower position of the profit by using total assets. The higher ratio is 9.89% and the lower one is 7.92% in FY 2056/57 and in 2062/63 respectively. We can see on the above table, the ratio of ADBL is in fluctuating trend. The average ratio is 8.80.

iii) Total Operating Expenses to Total Assets Ratio:

This ratio helps the relation between the total operating expenses and the total assets.

Table No. 4.18

Total Operating Expenses to Total Assets Ratio of ADBL

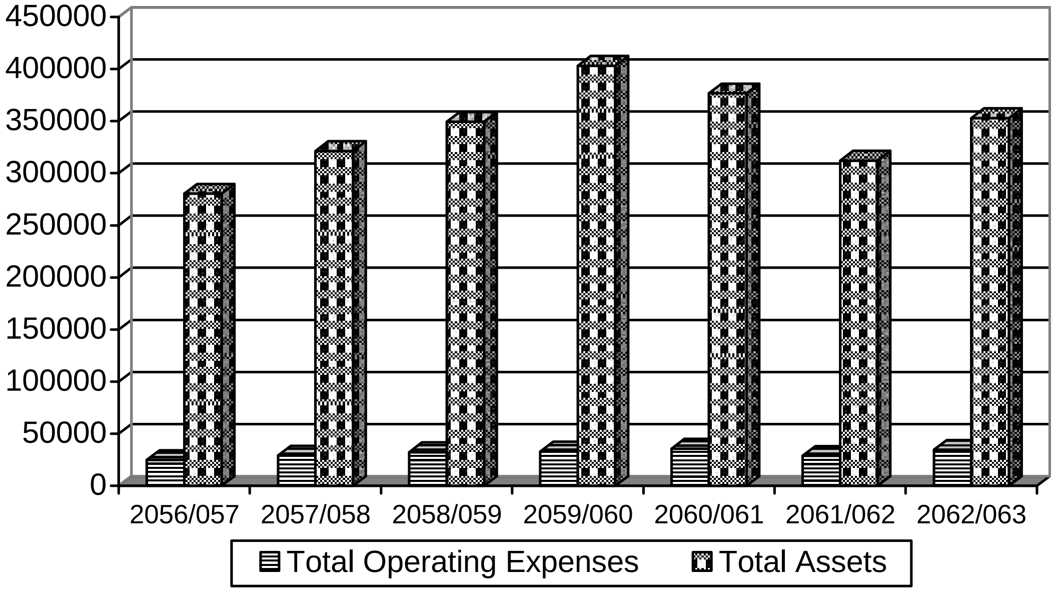
(in Rs. 00000)

Year	Ratio	Total Operating Expenses	Total Assets
2056/57	8.91	24979	280396
2057/58	9.11	29280	321414
2058/59	9.28	32433	349476
2059/60	8.19	33019	405786
2060/61	9.51	35823	376717
2061/62	9.28	28986	312230
2062/63	9.80	34700	353976
Average	9.15		

Source: Appendix I, II, III.

Figure No. 4.18

Total Operating Expenses and Total Assets of ADBL



Source: Table No. 4.18

The above table 4.18 shows that there is a fluctuation in ratios. The ratios are not in increasing or decreasing trend i.e. fluctuating trend. The ratio gives the mixed result in different years. The highest ratio is 9.51% in FY 2060/61. The lower ratio is 8.19% in FY 2059/60. This ratio is not standard but lower ratio is better. So, comparatively FY 2059/60 is better which shows the lowest ratio i.e. 8.19%. The average of the ratio is 9.15%.

iv) Total Operating Expenses to Total Operating Income Ratio:

This ratio shows the comparison of total operating income with total operating expenses. This ratio finds what is the relation between the operational expenses and the operating income. The following table 4.20 shows the total operating expenses to total operating income ratio of ADBL for seven fiscal years.

Table No. 4.19

Total Operating Expenses to Total Operating Income Ratio of ADBL

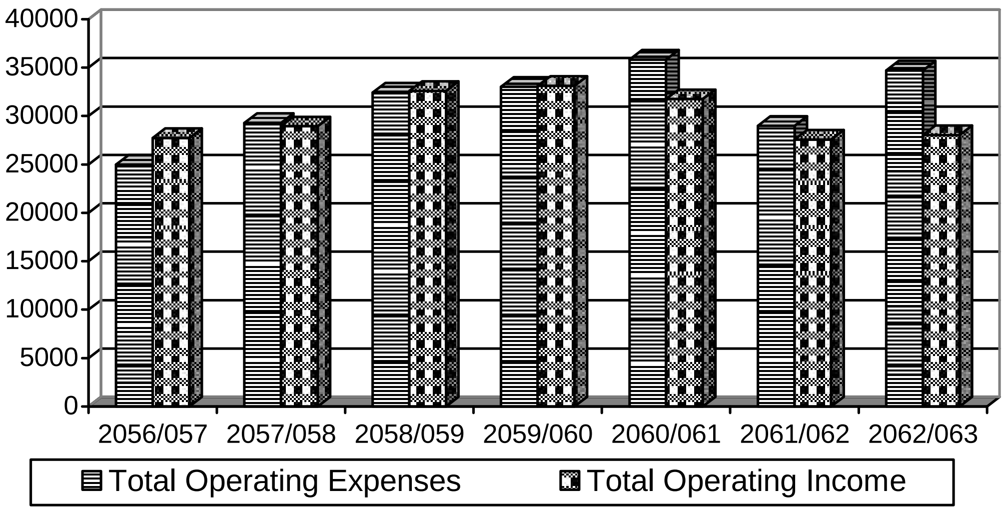
(in Rs. 00000)

Year	Ratio	Total Operating Expenses	Total Operating Income
2056/57	87.70	24979	28482
2057/58	93.75	29280	31232
2058/59	92.95	32433	34894
2059/60	87.92	33019	37556
2060/61	112.83	35823	31749
2061/62	105.15	28986	27567
2062/63	114.58	34700	28037
Average	99.27		

Source: Appendix I, II & III.

Figure No. 4.19

Total Operating Expenses and Total Operating Income of ADBL



Source: Table No. 4.19

In above table 4.19, the highest operating expenses to operating income ratio is 114.58% and the lowest one is 87.70% in FY 2062/63 and 2056/57 respectively. No accurate data is with this ratio. That is why if the ratio is near about 100%, the relation of operating expenses and income is likely to be same. But in FY 2060/61, 2061/62 and 2062/63 has the higher ratio than 100%. In these fiscal years, the ratio has crossed to 100%. If the ratio crosses 100%, expenses will be high and the bank will abide the loss. In FY 2060/61, 2061/62 and 2062/63, the bank (ADBL) has faced loss. The average of the ratio is 99.27%.

v) Interest Paid on Total Deposit to Total Expenses Ratio:

This ratio is related with interest expenses of ADBL. Total expenses of every organization refer to maximize the profit of the organization i.e. less expenses represents the viability of the organization. The bank has to pay interest on deposits. Deposits are the most important source of fund collection. All banking wings of the ADBL are involving to collect fund by means of deposit accepting from the depositors with certain interest in some maturity periods. Total expenses represent the whole expenses including the operating expenses as well as interest expenses. The following table No. 4.20 shows the interest paid on deposit ratio.

Table No 4.20

Interest Paid on Total Deposit to Total Expenses Ratio of ADBL

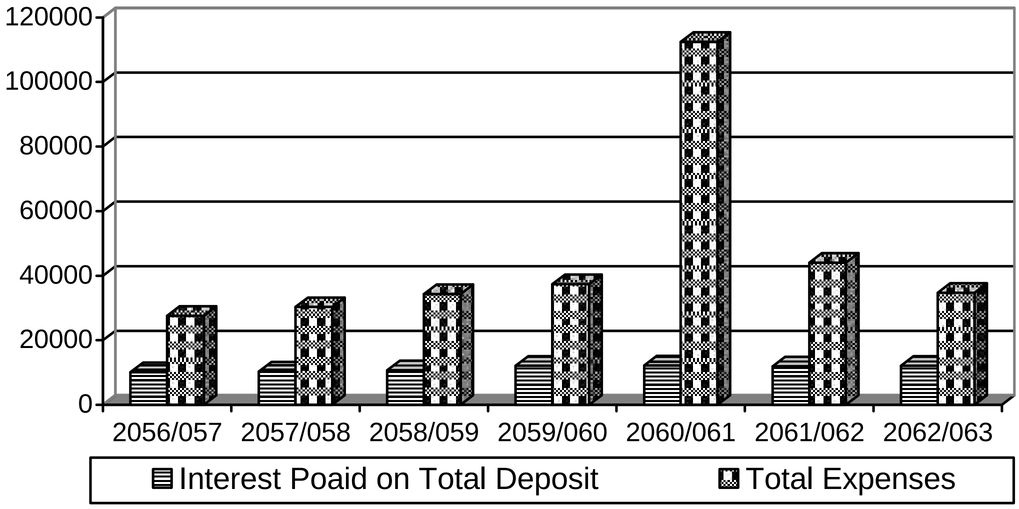
Rs 00000

Year	Ratio (%)	Interest Paid on Total deposit	Total expenses
2056/057	36.65	10115	27597
2057/058	34.10	10332	30300
2058/059	31.28	10732	34305
2059/060	32.43	12129	37400
2060/061	10.83	12176	112462
2061/062	27.08	11925	44037
2062/063	34.94	12123	34700
Average	29.62		

Source: Appendix I, II & III.

Figure No. 4.20

Interest on Deposit and Total Expenses of ADBL



Source: Table No. 4.20

From above presentation shows that the interest on deposit to total expenses ratio is in fluctuating trend of ADBL. The highest ratio is 36.65% in FY 2056/057 The lowest one is 10.83% in FY 2060/061. This means that in FY 2056/057, contribution on the expenses of deposit is higher than the other years this ratio finds the contribution of the deposit expenses with the total expenses. The average of ratio is 29.62% of the seven years.

vi) Interest Paid on Borrowing to Total Expenses Ratio:-

Borrowing are the main source of capital for any organization Borrowing capital to be paid with interest within the certain maturity periods Interest is also an expenses to the organization/. Total expenses includes the interest expenses on borrowing the following table 4.21 shows the interest paid on borrowing to total expenses ratio of ADBL for seven different years.

Table No. 4.21

Interest paid on Borrowing to total Expenses Ratio of ADBL

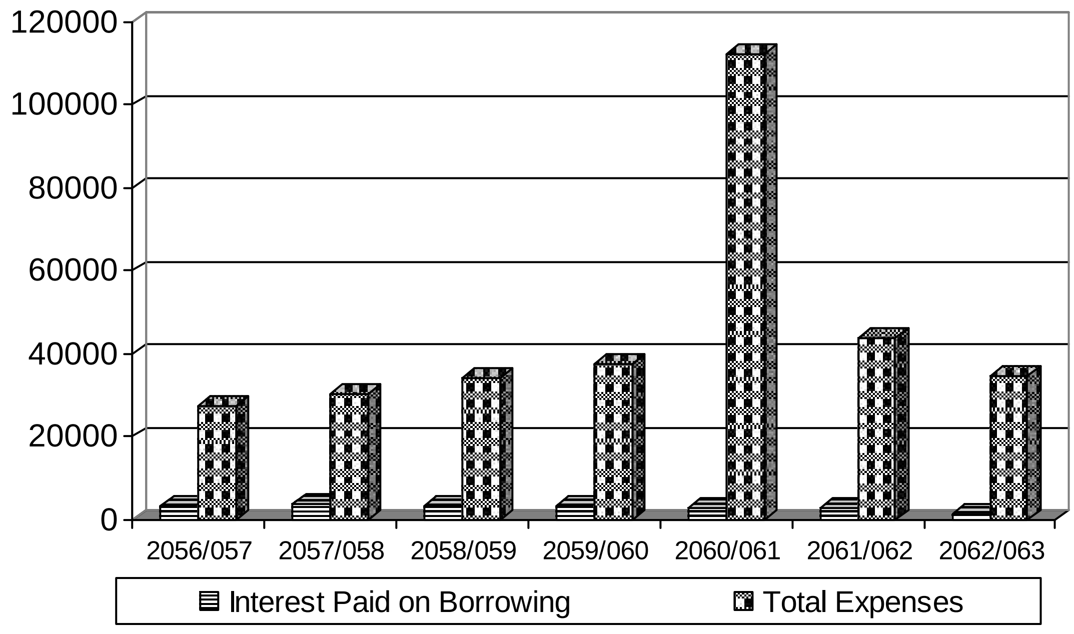
Rs. 00000

Year	Ratio (%)	Interest on Borrowing	Total expenses
2056/057	12.84	3543	27597
2057/058	12.70	3848	30300
2058/059	10.02	3437	34305
2059/060	8.71	3256	374000
2060/061	2.48	2793	112462
2061/062	4.26	2878	44037
2062/063	4.62	1603	34700
Average	7.95		

Source: Appendix I, II & III.

Figure No. 4.21

Interest Paid on Borrowing to Total Expenses Ratio of ADBL



Source: Table No. 4.21

The above table 4.21 shows the total interest expenses on borrowing total expenses of ADBL. The highest and the lowest ratio is 12.84% & 2.48% in FY 2056/057 & 2060/061 respectively reduction of interest on borrowing as the sign of repayment of the borrowing fund.

vii) Interest Expenses to Interest Income Ratio:

This ratio is the relationship between interest expenses and interest income. Interest expenses means the amount which the bank has to pay to its depositors, Borrowings (loan), on provident fund and rebate on interest from it's investment on bonds on loan and advance to employed the following table No.4.21 shows this ratio of ADBL for different periods.

Table No 4.22

Interest Expenses to Interest Income Ratio

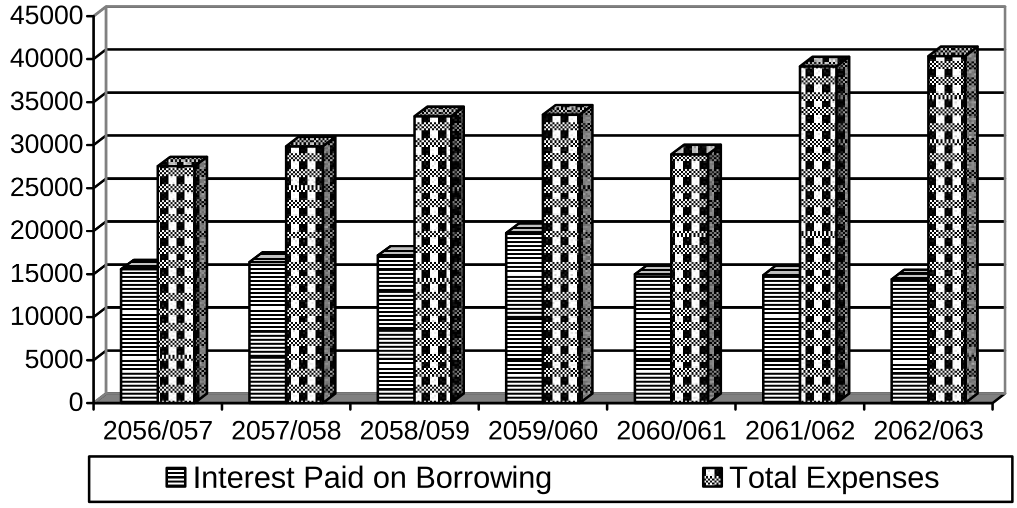
Rs. In 00000

Year	Ratio(%)	Interest expenses	Interest Income
2056/057	56.52	15561	27534
2057/058	54.94	16407	29862
2058/059	51.44	17164	33365
2059/060	59.00	19791	33543
2060/061	51.75	14969	28925
2061/062	37.99	14875	39152
2062/063	35.70	14398	40335
Average	49.62		

Source: Appendix I, II & III.

Figure No. 4.22

Interest Expenses to Interest Income Ratio



Source: Table No. 4.22

The above presentation shows the interest expenses and interest income of ADBL. The highest ratio is 59% in Fy 2059/060 and the lowest one is 35.70% The ratio is in fluctuating to end. The ratio is 56.52 in Fy 2056/057 then it decrease for two years i.e. 54.9%, 51.44% in FY 2057/058 & 2058/059 respectively. In FY 2059/60 it increases and becomes 59% which is the highest ratio Then after it decrease for three years. The ratio is 51.75%, 37.99% & 35.70% in FY 2060/061, 2061/062& 2062/063 respectively the average of the ratio is 49.62% To maximize the profit the interest expenses should be minimized and the interest income should be maximize.

E) Risk Ratio

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

Through the following ratios, efforts has been made to measure the level of risk inherent in ADBL.

i) Total Non-banking Assets to Total Assets Ratio:

This ratio shows the relationship between total non-banking assets and total assets of the firm. The bank should lend loan on the progressive sector. Repayment of the lending amount must high. If the lending is not collected in time, it may be overdue amount. Increment of overdue amount is the sign of increment of bad debts. Bad debts are very harmful to the bank. If these types of amount increases, it will convert to the non-banking assets by auction. Collateral may be fixed assets or sometimes it may liquid. In the context of ADBL, all collateral is fixed assets in this context all assets arises for bad debt to the bank will be non-banking assets because it can not be sold in time and it does not give any return. It is very harmful to the institution. The following table no. 4.23 shows the NBA to assets ratio of seven years.

Table No. 4.23

Total Non-Banking Assets to Total Assets Ratio of ADBL

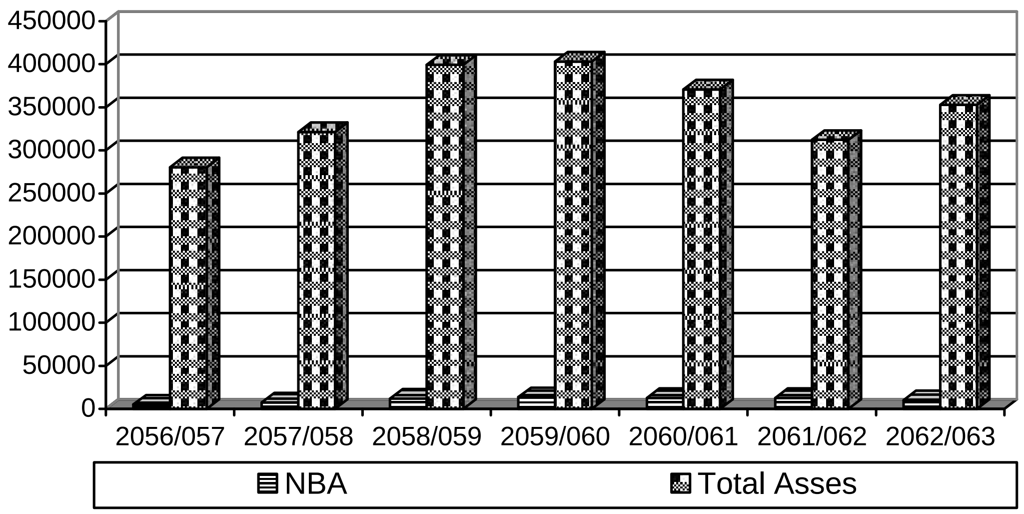
Rs. in '00000

Year	Ratio (%)	NBA	Total Assets
2056/057	1.28	5105	280396
2057/058	2.31	7421	321414
2058/059	3.42	11967	399476
2059/060	3.37	13603	403187
2060/061	3.39	12784	370717
2061/062	4.05	12639	312230
2062/063	2.85	10015	352976
Mean	3.03		

Source: Appendix I, II & III.

Figure No. 4.23

Non-Banking Assets and Total Assets of ADBL



Source: Table No. 4.23

Above table shows the NBA of total assets ratio of ADBL for seven fiscal years. The highest ratio is 4.05% and the lowest one is 1.82% in FY 2061/062 and 2056/057 respectively. The mean ratio is 3.03%.

ii) Overdue to Outstanding Ratio:

Overdue amount is one of the most harmful amounts of every financial institution. Every financial institutions viability depends on their overdue amount. If these types of amount is high, bad debts will increase therefore non-performing assets also will be increase, repayment rate will be lower, operating expenses may be increase, provision for doubtful debts will be increase and profit will be decrease. If the institutions want to improve their sustainability in the financial terms, they must upgrade their collection procedure by obtaining the reduction policy of overdue outstanding. This ratio shows the relction between total overdue amount and total outstanding. The following table shows the overdue to outstanding ratio of ABJDBL for seven different years.

Table No. 4.24

Overdue to Outstanding Ratio of ADBL

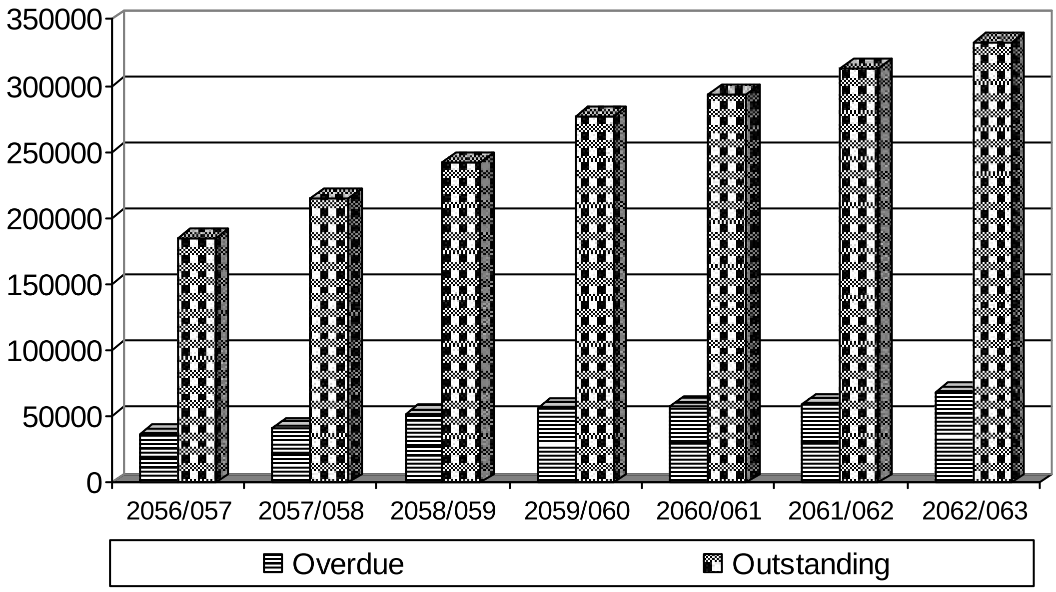
In Rs. 00000

Year	Ratio (%)	Overdue	Outstanding
2056/057	20.02	37120	185448
2057/058	19.40	41611	214467
2058/059	21.41	51886	242318
2059/060	20.40	56575	277285
2060/061	19.85	58254	293433
2061/062	19.18	60040	313091
2062/063	20.59	68590	333107
Mean	20.12		
SD	0.78		
CV	3.88		

Source: Appendix II, III, & IV

Figure No. 4.24

Total Overdue and Outstanding of ADBL



Source: Table No. 4.24

The above presentation shows the total overdue, outstanding and overdue to outstanding ratio of ADBL. This ratio represents the overdue condition of loan amount in compares to the total outstanding.

The above table and chart shows the overdue and the outstanding and its ratio of the ADBL from FY 2056/057 to 2062/063. FY 2059/060 shows the highest ratio as 21.41%. The mean ratio is 20.12%. Standard deviation is 0.78, which says that the 0.78 deviation is occurred in seven years and 3.88% is the co-efficient of variation, from the mean value of standard deviation.

iii) Non-performing Loan to Outstanding Ratio (Credit Risk Ratio):

Credit risk ratio measures the possibility that loan will not be repaid or that investment will deteriorate in quality or go into default with consequent loss to the bank. This ratio shows the relationship between the total non-performing loan to total outstanding. Loan has distributed by the bank for some certain maturity period. If the party does not repay the loan with interest on maturity period, it is called overdue outstanding. The overdue outstanding becomes very much chronic, the NPL may create dangerous situation in the banking industries. To manage and keep clean environment of the banking industry, NPL department has been established. It is believed that, this department will work effectively to reduce the NPL. The following table and figure presents the NPL to outstanding ratio and mean, S.D., C.V., of seven different periods of ADBL.

Table No. 2.25

Non-performing Loan to Outstanding Ratio

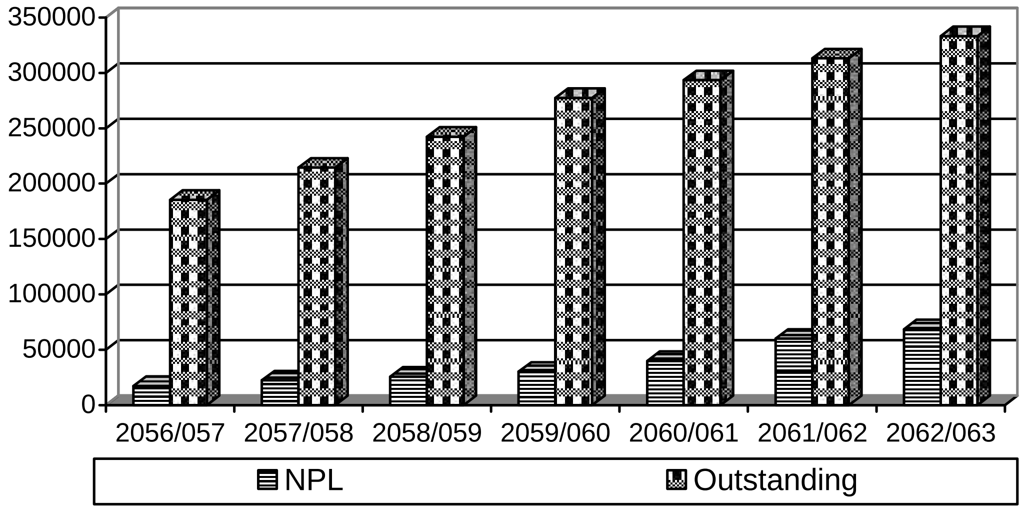
In Rs. 00000

Year	Ratio (%)	Non-Performing Loan	Outstanding
2056/057	9.36	17357	185448
2057/058	10.46	22453	214467
2058/059	10.64	25795	242318
2059/060	12.31	30243	277285
2060/061	13.58	39862	29433
2061/062	13.18	60040	313091
2062/063	20.59	68590	333107
Mean	13.88		
SD	4.07		
CV	0.58		

Source: Appendix I, II & III.

Figure No. 4.25

Non-performing Loan & Outstanding of ADBL



Source: Table No. 4.25

Above total (presentation) shows the NPL to total outstanding ratio of ADBL for seven different years. The above table shows that the highest ratio is 20.59% in FY 2061/063 and leas one is in FY 2056/057 is 9.36%. The NPL to total outstanding ratio is in increasing trend. The average NPLL to total outstanding ratio is 13.88%. Standard deviation is 4.07 and 0.58 is the coefficient of variation.

iv) Non-performing Interest to Total Outstanding Ratio:

This ratio refers to the relationship between total non-performing interest and total outstanding. Increment in non-performing interest is not good for the organization, so it should be deducted from the existing position. This ratio helps to make strategy to reduce the non-performing interest. Non-performing loan. NPL along with interest which is not pay the bank is called the non-performing loan (NPL). The following table and chart shows the ratio.

Table No. 4.26

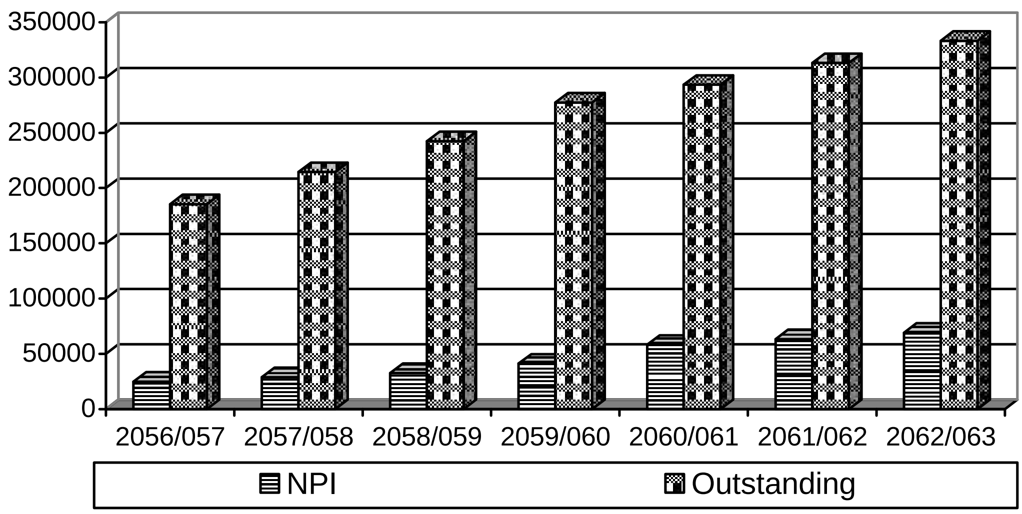
Non-performing Interest to Total Outstanding Ratio

In Rs. 0000

Year	Ratio (%)	NPI	Total Outstanding
2056/057	13.46	24965	185448
2057/058	13.47	28878	214467
2058/059	13.52	32758	242318
2059/060	14.88	41272	277285
2060/061	19.88	58346	293433
2061/062	20.23	63326	313091
2062/063	20.74	69072	333107
Mean	16.60		
SD	3.23		
CV	0.5819.48		

Figure No. 4.26

Non-performing Interest & Total Outstanding of ADBL



Source: Table No. 4.26

The above table No. 4.25 shows that the total non-performing interest to total outstanding ratio of ADBL is in increasing trend. The highest ratio is 20.74 and

13.46% in FY 2062/063 and 2056/057 respectively. The average of the ratio is 3.23, which means 3.23 deviations is occurred in seven years period. 19.48% is co-efficient of variation.

The NPI is in increasing per year. The increment of NPI is not good for the organization. It helps to increase the total NPA (Non-performing Assets), which is very serious problem of the banking industry.

v) Non-performing Assets to Total Assets Ratio:

Non-performing assets to total outstanding ratio shows the relationship between NPA (Non-performing Assets) to total assets. The highest ratio is not good for the institution. So this ratio is calculated to reduce the NPA of the bank.

The following table and chart presents the NPA to total assets ratio and its mean, S.D. C.V. of the bank for the seven different year.

Table No. 4.27

Non-performing Assets to Total Assets Ratio of ADBL

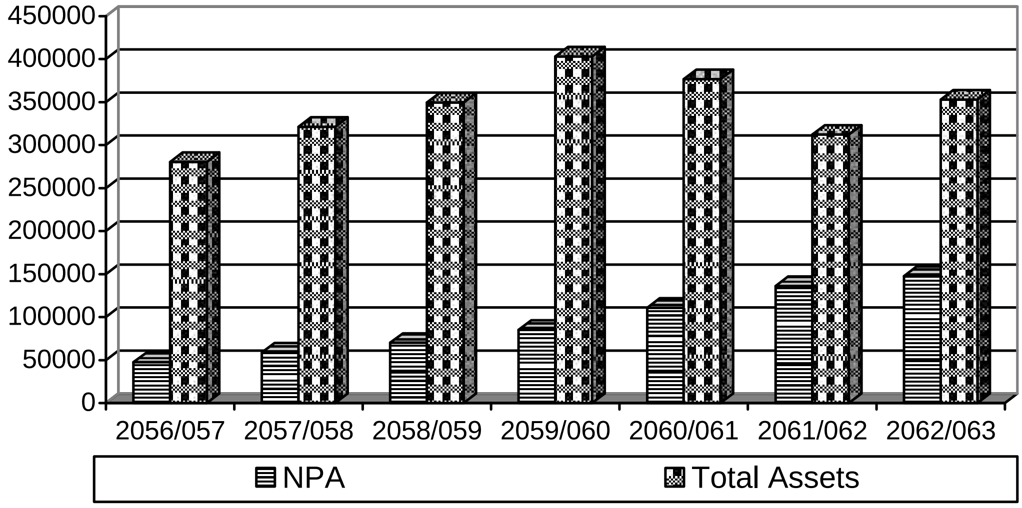
In Rs. 00000

Year	Ratio (%)	NPA	Total Assets
2056/057	16.91	47426	280396
2057/058	18.28	58752	321414
2058/059	20.07	70120	349476
2059/060	21.11	85178	403186
2060/061	29.46	110982	376717
2061/062	43.55	136005	312230
2062/063	41.85	147713	352976
Mean	27.32		
SD	10.42		
CV	38.15		

Source: Appendix I, II & III.

Figure No. 4.27

Non-performing Assets and Total Asses of ADBL



Source: Table No. 4.27

From above table, we know that the NPA to Total Assets ratio is in increasing trend. But it decreases in FY 2062/063. The highest ratio is 43.55% in FY 20261/062 and lowest one is 16.91% in FY 2056/057. The average ratio is 27.32. The standard deviation ratio is 10.42, which means data are scattered by 10.42 from the mean value and co-efficient of variation is 38.15%, it means that variation of the scattered of the data is 38.15% which is believed as not so varied from mean value of the data.

The increment trend can be seen in the ratio. If NPA is increases, volume of total NPA will increase. This type of NPA should be reduced for profit maximization. In the context of ADBL, above trend shows, there is a very serious condition of the NPL. Which does not give any return. If the scenario of increment of NPL is happening whole banking system should be collapse, so we have be serious about this.

vi) Loan Loss Provision to Loan Outstanding Ratio:

This ratio shows the relationship between loan loss provision and loan outstanding. This ratio shows the possibility of loan default of a bank. Higher ratio implies higher portion of non-performing loan in total loan and advances.

The following table and chart presents the loan loss provision loan outstanding and loan loss provision to loan outstanding ratio of ADBL.

Table No. 4.28

Loan Loss Provision to Loan Outstanding Ratio of ADBL

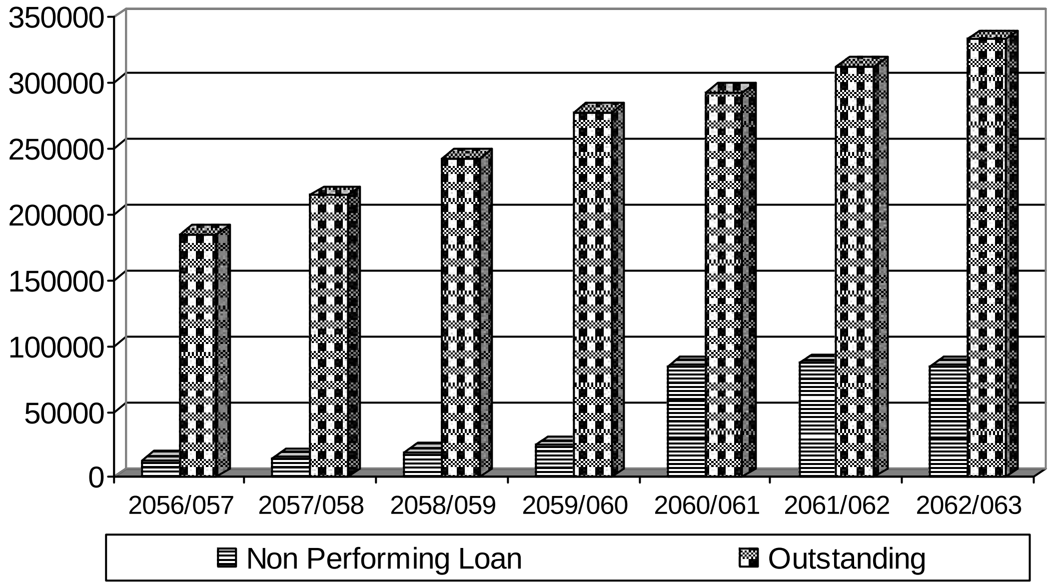
In Rs. 00000

Year	Ratio (%)	Non-Performing Loan	Outstanding
2056/057	7.00	12981	185448
2057/058	7.00	15013	214467
2058/059	8.04	19484	242318
2059/060	8.82	24460	27728
2060/061	28.70	84215	293433
2061/062	27.69	86708	313091
2062/063	25.25	84098	333107
Mean	16.07		

Source: Appendix I, II & III.

Figure No. 4.28

Loan Loss Provision, Loan Outstanding of ADBL



Source: Table No. 2.28

From above table, we know that the ratio is increased to 28.71 upto year 2060/061 then it decreased for 2 years. The highest ratio is 28.70% and the lowest one 7% in FY 2060/061 and 2056/057 and 2057/058 respectively. The mean ratio is 16.07%.

F) Repayment Rate:

Repayment rate is the most important indicator which presents the real picture of overall performance. This rate can be calculated with the help of other indicator. Repayment rate shows the relationship between total collection (principle collection and interest collection) and total collection, interest receivable and total overdue amount. This has been made as the main indicator to measure the performance of every branch as well as every program oriented offices of the ADBL. This ratio shows the relation between principle collection, interest collection and interest receivable and outstanding overdue. The main theme of this ratio is to show the condition of overdue outstanding and interest receivable. Overdue amount and interest receivable are the driver to the main income as principle collection and interest collection. In past (same years ago) repayment rate has been made a vital source to measure the performance of the respective offices. Now a days, it is be a main indicator along with the non-performance assets. Every branches of the ADBL is trying to improve their repayment rate by reducing the overdue amount and interest receivable. They try to collect such type of overdue amount and interest receivable. Collection of overdue amount and interest receivable will reduce the overdue amount. Reduction of overdue amount and interest receivable is the symptoms of decrement of NPL and NPI.

The following table and chart present the repayment rate of seven fiscal year from FY 2056/057 to 2062/063 of ADBL

4.2 Statistical Analysis

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

4.2.1 Trend Analysis of Loan Investment:

Table No. 4.29

Trend Value of Loan Investment

Investment Y = 1084.85 + 285.93 x

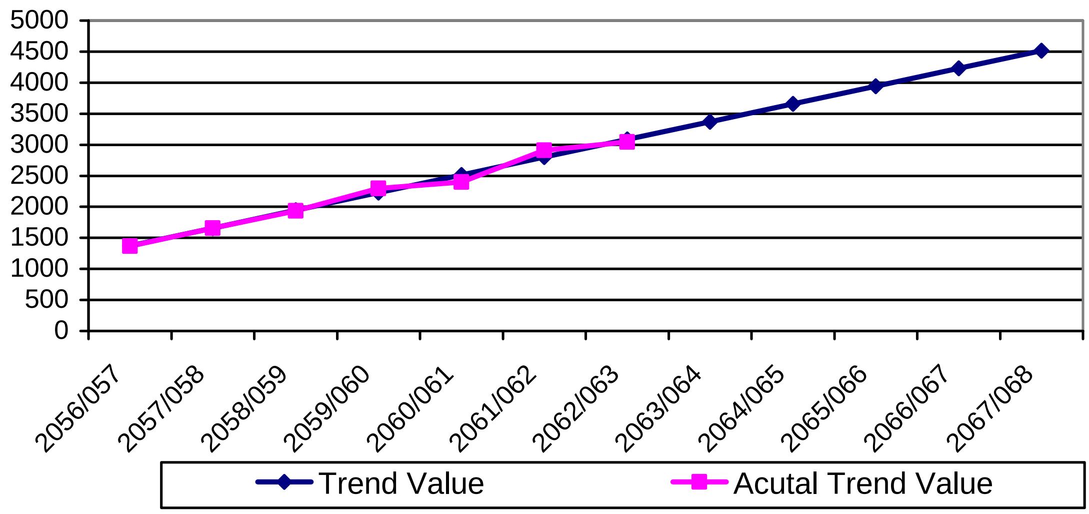
Year	Year (X)	Trend Value	App. Trend	Actual Value
2056/057	1	1370.78	1371	1365
2057/058	2	1656.64	1657	1655
2058/059	3	1942.64	1943	1925
2059/060	4	2228.57	2229	2295
2060/061	5	2514.5	2514	2398
2061/062	6	2860.43	2800	2908
2062/063	7	3086.36	3086	3044
2063/064	8		3372	
2064/065	9		3658	
2065/066	10		3944	
2066/067	11		4230	
2067/068	12		4516	

Note : FY 2063/064 to 2067/068 is forecasted value.

Source: Appendix I, II & III.

Figure No. 4.29

Trend Value of Loan Investment



Source: Table No. 4.29

The above table No. 4.29 and figure shows that the investment is in increasing trend and the actual value is also in increasing trend. The invest of ADBL is Rs. 1365 million and Rs. 3041 million in FY 2056/057 and 2062/063 respectively.

From the above analysis, it found that the lending position of ADBL is better because the calculated trend values of investment are fitted in trend lines. The trend line is upward sloping.

In this topic the trend values of investment for seven fiscal years have been calculated. The given table shows trend and actual value of investment on loan for seven years from 2056/057 to 2062/063.

4.2.2 Trend Analysis of Principal Collection

In this topic the trend values of principal collection for different years have been calculated. The table shows trend and actual values of principal collection for seven fiscal year from 2056/057 to 2062/063.

Table No. 4.30

Trend Value of Principal Collection

Principal Collection = 781.30 + 295.14x

(Rs. 0000000)

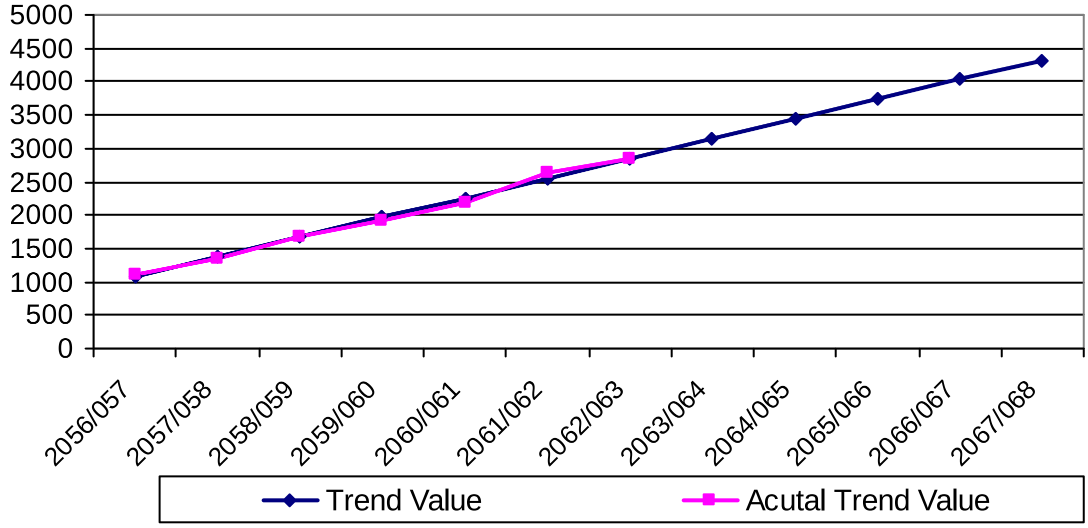
Year	Year (X)	Trend Value	App. Trend Value	Actual Value
2056/057	1	1076.44	1076	1122
2057/058	2	1371.58	1372	1356
2058/059	3	1666.72	1667	1663
2059/060	4	1961.86	1962	1931
2060/061	5	2257.0	2257	2175
2061/062	6	2552.14	2552	2628
2062/063	7	2047.28	2847	2858
2063/064	8		3142	
2064/065	9		3438	
2065/066	10		3733	
2066/067	11		4028	
2067/068	12		4323	

Note : FY 2063/064 to 2067/068 is forecasted value.

Source: Appendix I, II & III.

Figure No. 4.30

Trend Value of Principal Collection



Source: Table No. 4.30

The above table and figure shows that the principal is in increasing trend. The actual value is 1122 has reached increasingly up to Rs 2858 from FY 2056/057 to 2062/063 respectively.

From the above analysis, ADBL's capacity of principal collection is better because the calculated trend value is upward slopping.

4.2.3 Trend Analysis of Outstanding:

In this topic, the trend value and actual values of outstanding for seven years have been presented. The table shows trend and actual values of outstanding for seven years from FY 2056/57 to FY 2062/63.

Table No. 4.31

Trend Value of Outstanding

Outstanding (Y) = 1505.85+271.43X

(Rs. 0000000)

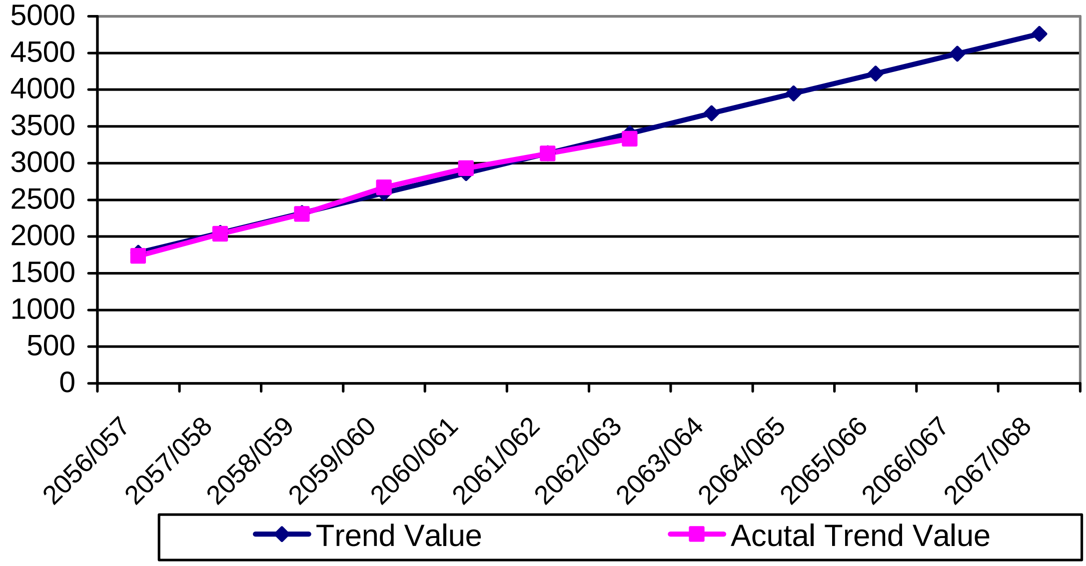
Year	X	Trend Value	Approx. Trend Value	Actual Value
2056/57	1	1777.28	1777	1737
2057/58	2	2048.71	2049	2035
2058/59	3	2320.14	2320	2306
2059/60	4	2591.57	2592	2670
2060/61	5	2863.00	2863	2930
2061/62	6	3134.43	3134	3132
2062/63	7	3405.86	3406	3331
2063/064	8		3677	
2064/065	9		3948	
2065/066	10		4219	
2066/067	11		4490	
2067/068	12		4761	

Note : FY 2063/064 to 2067/068 is forecasted value.

Source: Appendix I, II & III.

Figure No. 4.31

Trend Value of Outstanding



Source: Table No. 4.31

The above table 4.32 and graph shows that the outstanding of ADBL's actual value is in increasing trend. Similarly, outstanding of trend value is also in increasing trend.

The outstanding is in actual is Rs. 1737 in FY 2056/57. The value is in increasing trend. It increases continuously to Rs. 3331 in FY 2062/63. Also, the trend value has increased from Rs. 1777 to Rs. 3406.

From the above analysis, loan investment is increasing per year because the trend line shows which is drawn after calculated values gives upward slopping line.

4.2.4 Trend Analysis of Non-Performing Interest Receivable:

The trend values of interest receivable for 6 years have been calculated. The table shows trend and actual values of interest receivable for seven years from FY 2056/57 to FY 2062/63.

Table No. 4.33

Trend Value of Non-Performing Interest Receivables

Non-Performing Interest Receivables (Y) = 131.57+80.93X

(Rs. 000000)

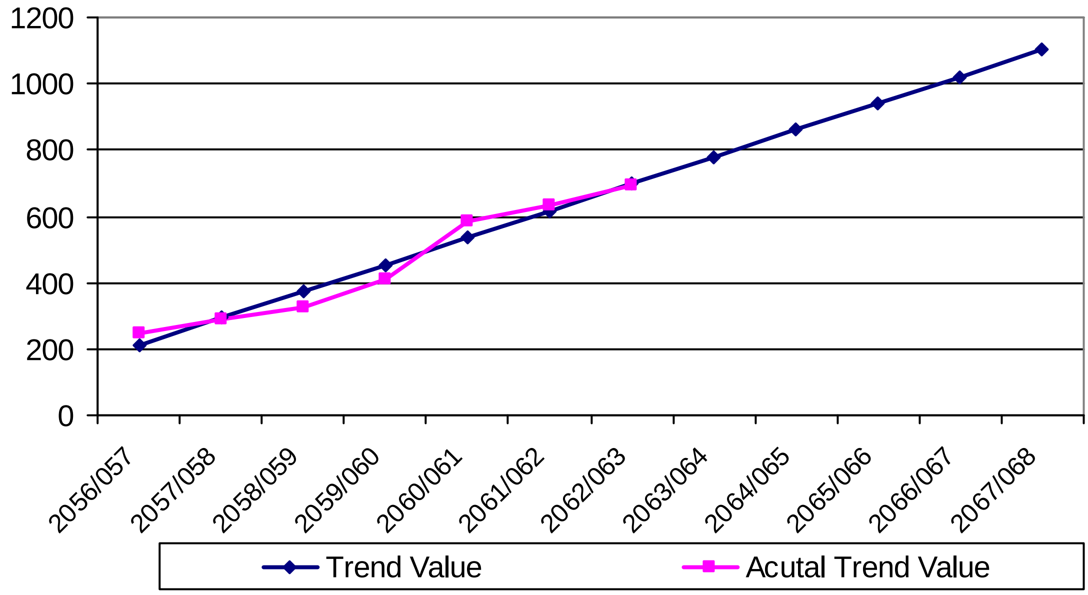
Year	X	Trend Value	Approx. Trend Value	Actual Value
2056/57	1	212.5	213	250
2057/58	2	293.43	294	289
2058/59	3	374.36	374	328
2059/60	4	455.29	455	413
2060/61	5	536.22	536	583
2061/62	6	617.15	617	633
2062/63	7	698.08	698	691
2063/064	8		779	
2064/065	9		860	
2065/066	10		941	
2066/067	11		1022	
2067/068	12		1103	

Note : FY 2063/064 to 2067/068 is forecasted value.

Source: Appendix I, II & III.

Figure No. 4.33

Trend Value of Non-Performing Interest Receivables



Source: Table No. 4.33

The above table 4.33 and figure shows the interest receivable is in increasing trend in both values.

Interest receivable of ADBL in actual value is increased from Rs. 2500 to Rs. 6910 in FY 2056/57 and 2062/63 respectively. Similarly, trend value is also in increasing trend. It becomes Rs. 698 from Rs 213.

From the above analysis, interest receivable is increasing per year which can be seen from trend line. This means that the bank is not able to collect the interest timely. It takes too much time to collect interest.

4.2.5 Trend Analysis of Net Profit after Tax:

The trend values of Net Profit for seven years have been presented here. The table shows trend and actual values of Net Profit for seven years from FY 2056/57 to 2062/63.

Table No. 4.33

Trend Value of Net Profit After Tax

Net Profit (Y) = 99.01+(-43.18X)

(Rs. 0000000)

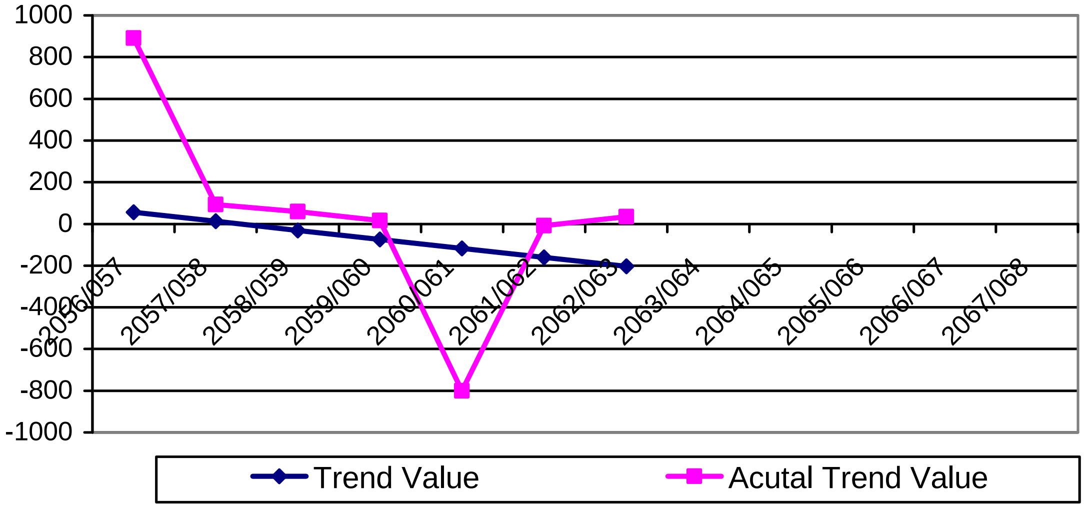
Year	X	Trend Value	Approx. Trend Value	Actual Value
2056/57	1	55.83	56	89
2057/58	2	12.65	13	93
2058/59	3	-30.53	-31	59
2059/60	4	-73.71	-74	16
2060/61	5	-116.89	-117	-800
2061/62	6	-160.07	-160	-8
2062/63	7	-203.05	-203	35
2063/064	8		-246	
2064/065	9		-290	
2065/066	10		-333	
2066/067	11		-376	
2067/068	12		-419	

Note : FY 2063/064 to 2067/068 is forecasted value.

Source: Appendix I, II & III.

Figure No. 4.33

Trend Value of Net Profit after Tax



The above table 4.33 and figure shows the Net Profit of the ADBL. The trend value is in decreasing trend and there is a fluctuation in actual value.

Net profit of ADBL in actual value is Rs. 891, Rs. 93, Rs. 59, Rs. 16, Rs. -800, Rs. -8 and Rs. 35 in FY 2056/57, 2057/58, 2058/59, 2059/60, 2060/61, 2061/62 and 2062/63 respectively. Where as the trend values are Rs. 56, Rs. 13, Rs. -31, Rs. -74, Rs. -117, Rs. -160, Rs. -203 in FY 2056/57, 2057/58, 2058/59, 2059/60, 2060/61, 2061/62 and 2062/63 respectively.

From above analysis, we know that the total income is less than total expenditure. Decrement in total income shows that there is loss occurs. Decreasing trend value of Net Profit shows bad image of ADBL.

4.2.6 Trend Analysis of Total Deposit:

Here, the effort has been made to calculate the trend value of ADBL for seven years from FY 2056/57 to 2062/63.

Table No. 4.34

Trend Value of Total Deposit

Total Deposit (Y) = 1327.15+242.32X

(Rs. 0000000)

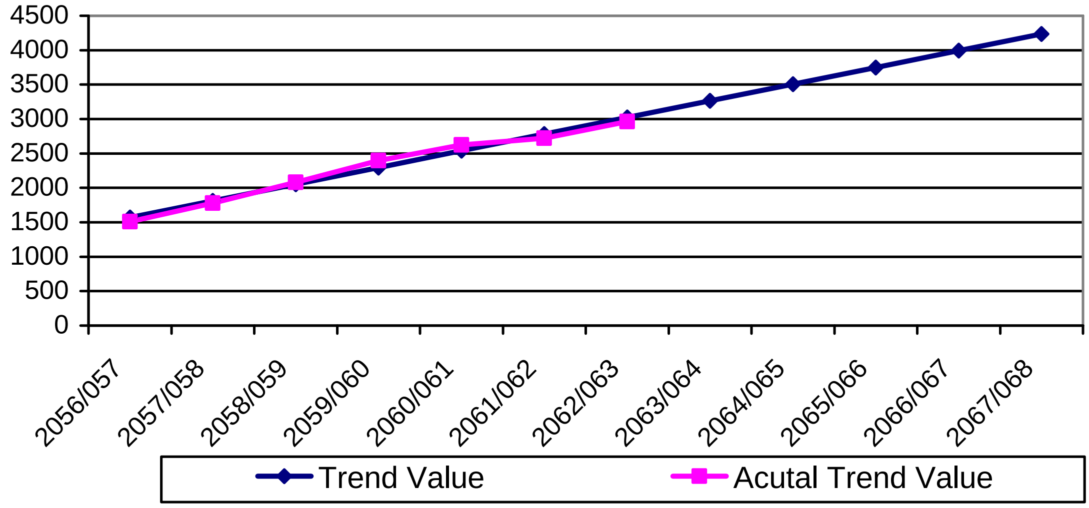
Year	X	Trend Value	Approx. Trend Value	Actual Value
2056/57	1	1569.47	1569	1511
2057/58	2	1811.79	1812	1779
2058/59	3	2054.11	2054	2081
2059/60	4	2296.43	2296	2395
2060/61	5	2538.75	2539	2624
2061/62	6	2781.07	2781	2722
2062/63	7	3023.39	3023	2963
2063/064	8		3266	
2064/065	9		3508	
2065/066	10		3750	
2066/067	11		3993	
2067/068	12		4235	

Note : FY 2063/064 to 2067/068 is forecasted value.

Source: Appendix I, II & III.

Figure No. 4.34

Trend Value of Total Deposit



Source: Table No. 4.34

The above table and figure 4.34 shows that total deposit of ADBL. The actual value deposit is in increasing. The deposit in trend value is also increasing per year.

The total deposit increased from Rs. 1511 to Rs. 2963 from FY 2056/57 to 2062/63 respectively. Where as trend value of total deposit is also increasing from Rs. 1569 to Rs. 3022 from FY 2056/57 to 2062/63.

From the above trend analysis, what can we say is that ABDL's deposit collection position is better than before.

4.2.7 Trend Analysis of Loan Loss Provision:

Under this topic, effort has been made to analyze the loan loss provision of ADBL for seven years from 2056/57 to 2062/63.

Table No. 4.35

Trend Value of Loan Loss Provision

Loan Loss Provision (Y) = -134.86+150.50X

(Rs. 0000000)

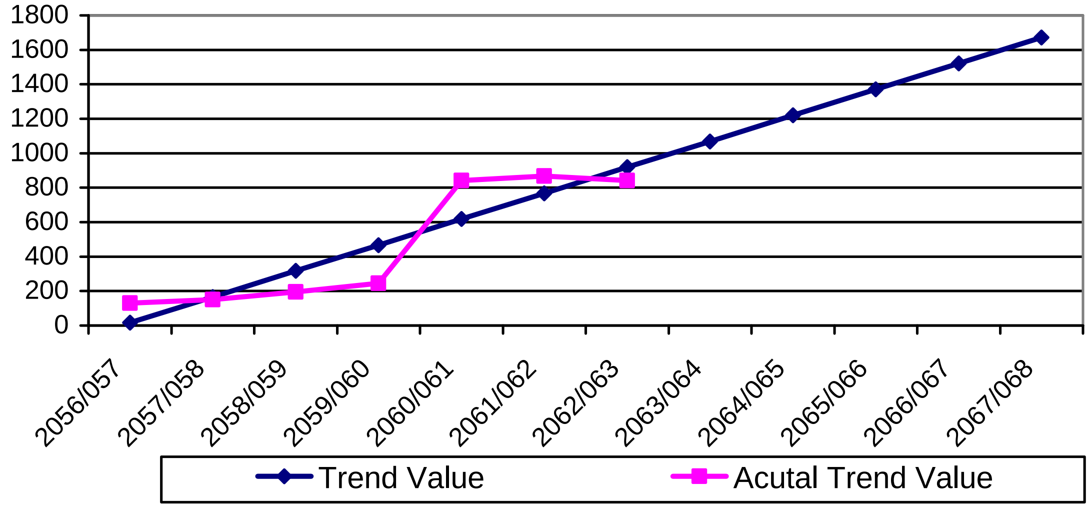
Year	X	Trend Value	Approx. Trend Value	Actual Value
2056/57	1	15.64	16	130
2057/58	2	166.14	166	150
2058/59	3	316.64	317	195
2059/60	4	467.14	467	245
2060/61	5	617.64	618	842
2061/62	6	768.14	768	867
2062/63	7	918.64	919	841
2063/064	8		1069	
2064/065	9		1220	
2065/066	10		1370	
2066/067	11		1521	
2067/068	12		1671	

Note : FY 2063/064 to 2067/068 is forecasted value.

Source: Appendix I, II & III.

Figure No. 4.35

Trend Value of Loan Loss Provision



Source: Table No. 4.34

According to the table, the loan provision of ADBL is in increasing trend in both values (i.e. Actual and Trend Value). The loan loss provision of ADBL in actual value is increased from Rs. 130 to Rs. 841. Similarly, the loan loss provision in trend value increased year by year from Rs. 16 to Rs. 919.

Increment of loan loss provision of bank is not favourable. So, the bank should evaluate the financial strength of its borrowers more meticulously to identify the possibility of risk before granting the loans.

4.2.8 Trend Analysis of Long-term Debt:

Under this topic, an attempt has been made to analyze total long-term debt of the bank for seven year from 2056/57 to 2062/63.

Table No. 4.36

Trend Value of Long-term Debt

Long-term Debt (Y) = 500.86 + (-48.5)X

(Rs. 0000000)

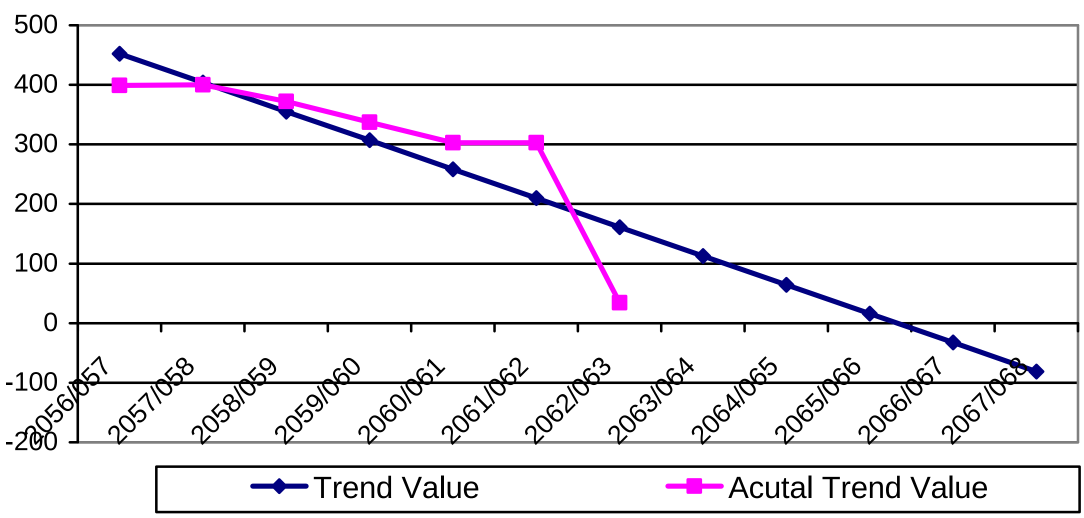
Year	X	Trend Value	Approx. Trend Value	Actual Value
2056/57	1	452.36	452	399
2057/58	2	403.86	404	400
2058/59	3	355.36	355	372
2059/60	4	306.86	307	337
2060/61	5	258.36	258	303
2061/62	6	209.86	210	303
2062/63	7	161.36	161	34
2063/064	8		112.86	
2064/065	9		64.36	
2065/066	10		15.86	
2066/067	11		-32.64	
2067/068	12		-81.14	

Note : FY 2063/064 to 2067/068 is forecasted value.

Source: Appendix I, II & III.

Figure No. 4.36

Trend Value of Long-term Debt



Source: Table No. 4.36

The above table and figure reveals that the long-term debt in actual value of ADBL is in decreasing trend. But it slightly increases in FY 2057/58. The trend value of long-term debt is in decreasing trend. The long-term debt in actual value reaches to Rs. 34 from Rs. 399 from FY 2056/57 to 2062/63. Similarly, it decreases from Rs. 452 to Rs. 161 in FY 2056/57 to 2062/63.

The decreasing trend of long-term debt means that that bank is able to reduce its external loans or borrowings from the outsiders.

4.2.9 Trend Analysis of Shareholders Equity:

The trend values of shareholder's equity for seven years have been presented under this topic. The table shows trend and actual value of shareholders equity from FY 2056/57 to 2062/63.

Table No. 4.37

Trend Value of Shareholder's Equity

Shareholder's Equity (Y) = 38.14+50.75X

(Rs. 0000000)

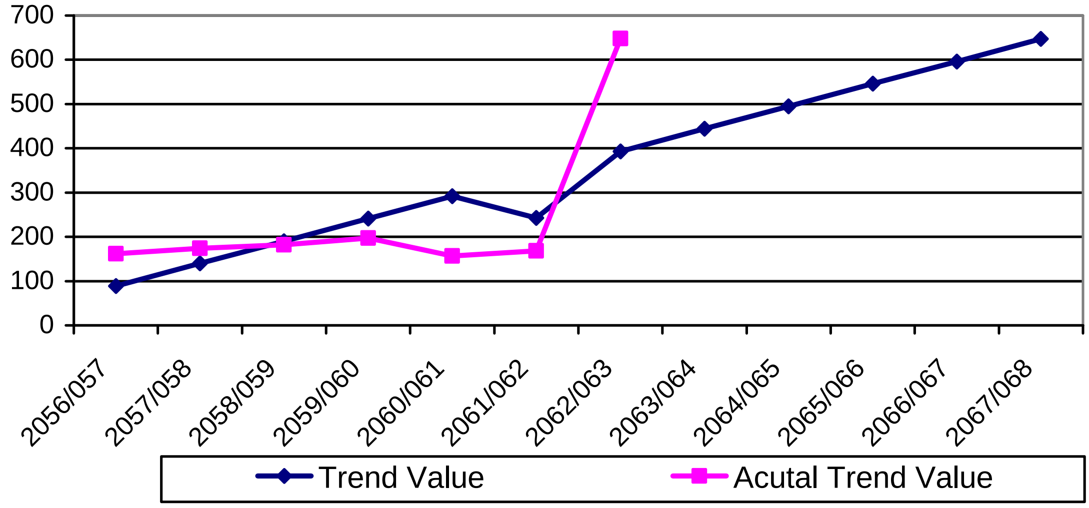
Year	X	Trend Value	Approx. Trend Value	Actual Value
2056/57	1	88.89	89	162
2057/58	2	139.64	140	174
2058/59	3	190.39	190	182
2059/60	4	241.14	241	197
2060/61	5	291.89	292	157
2061/62	6	242.64	243	168
2062/63	7	393.39	393	648
2063/064	8		444	
2064/065	9		495	
2065/066	10		546	
2066/067	11		596	
2067/068	12		647	

Note : FY 2063/064 to 2067/068 is forecasted value.

Source: Appendix I, II & III.

Figure No. 4.37

Trend Value of Shareholder's Equity



Source: Table No. 4.37

The above table and figure shows that the shareholder's equity in actual value is in increasing trend. But it decreases in FY 2060/61 and in FY 2061/62. The shareholder's equity in trend value is also in increasing trend, it also decreased in FY 2061/62.

4.2.10 Trend Analysis of Non-Banking Assets (NBA):

In this topic, the trend value of NBA has been calculated. The table shows trend and actual values of NBA for seven different years from FY 2056/57 to 2062/63.

Table No. 4.38

Trend Value of Non-Banking Assets

Non-Banking Assets (Y) = 67.57+9.43X

(Rs. 0000000)

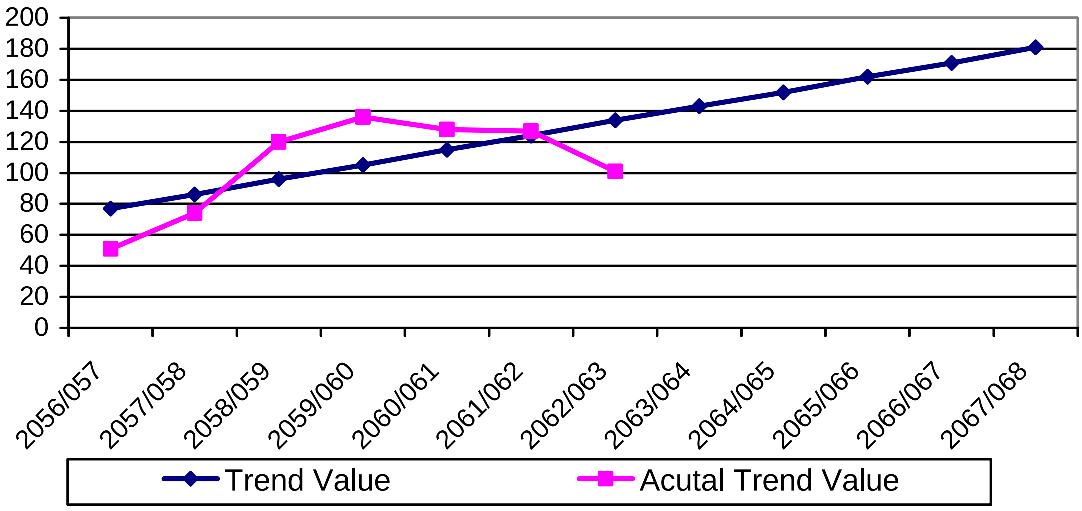
Year	X	Trend Value	Approx. Trend Value	Actual Value
2056/57	1	77.00	77	51
2057/58	2	86.43	86	74
2058/59	3	95.86	96	120
2059/60	4	105.29	105	136
2060/61	5	114.72	115	128
2061/62	6	124.27	124	127
2062/63	7	133.58	134	101
2063/064	8		143	
2064/065	9		152	
2065/066	10		162	
2066/067	11		171	
2067/068	12		181	

Note : FY 2063/064 to 2067/068 is forecasted value.

Source: Appendix I, II & III.

Figure No. 4.38

Trend Value of Non-Banking Assets



Source: Table No. 4.38

Above table 4.38 and figure both shows the non-banking assets is in increasing trend value but is fluctuating in actual value.

NBA of ADBL in trend value increased from Rs. 77 to Rs. 134. The actual values are Rs. 77, Rs. 86, Rs. 96, Rs. 105, Rs. 115, Rs. 124 and Rs. 134 in fiscal year 2056/57, 2057/58, 2058/59, 2059/60, 2060/61, 2061/62 and 2062/63 respectively. Whereas the actual values are Rs. 51, Rs. 74, Rs. 120, Rs. 136, Rs. 128, Rs. 127 and Rs. 101 during years 2056/57, 2057/58, 2058/59, 2059/60, 2060/61, 2061/62 and 2062/63 respectively.

Increment in NBA is a bad signal for the bank. It indicates the bad image of ADBL. It means that the bank cannot collect the loan and its interest in time which turns into bad debts year to year. This is a serious position of the bank.

4.2.11 Trend Analysis of Bank Commission and Discount:

Here, the effort has been made to calculate the trend values of bank commission and discount of ADBL for seven years from 2056/57 to 2062/63.

Table No. 4.39

Trend Value of Bank Commission and Discount

Bank Commission and Discount (Y) = 2.6+0.25 X

(Rs. 0000000)

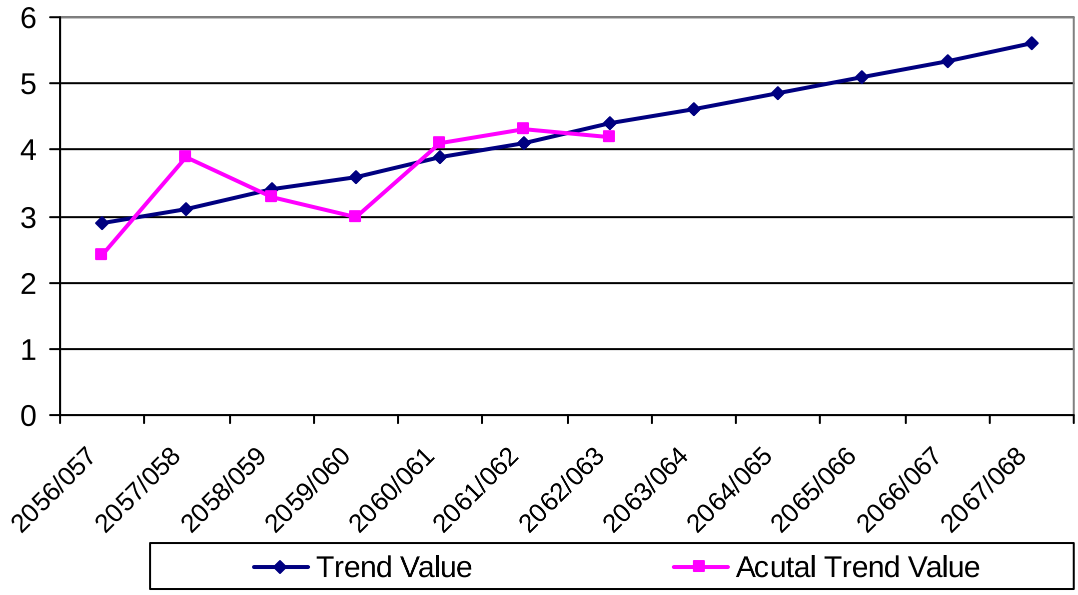
Year	X	Trend Value	Approx. Trend Value	Actual Value
2056/57	1	2.85	2.9	2.4
2057/58	2	3.1	3.1	3.9
2058/59	3	3.35	3.4	3.3
2059/60	4	3.6	3.6	3.0
2060/61	5	3.85	3.9	4.1
2061/62	6	4.10	4.1	4.3
2062/63	7	4.35	4.4	4.2
2063/064	8		4.6	
2064/065	9		4.85	
2065/066	10		5.10	
2066/067	11		5.35	
2067/068	12		5.6	

Note : FY 2063/064 to 2067/068 is forecasted value.

Source: Appendix I, II & III.

Figure No. 4.39

Trend Value of Bank Commission and Discount



Source: Table No. 4.39

The above table and figure shows the increasing value of trend value and the fluctuation of actual value.

4.3 Major Findings of the Study:

The presentation and analysis of data provides the clear picture in terms of financial strengths and weakness of the bank is concluded with the help of analysis and interpretation. In order to find out the stated objective of this study, the liquidity ratio, capital structure ratio, non-performing assets ratio, repayment rate and various statistical tools like trend analysis, mean, standard deviation and C.V. has been calculated.

The major findings of the study are summarized as:

1) Liquidity Ratio:

From the above research study, following findings are drawn on the liquidity position of ADBL.

- The current assets are increasing from FY 2056/57 to 2060/61, then it decreased in FY 2061/62 and it increased in FY 2062/63. The current liability is increasing gradually for whole period of study.
- Current ratio range is from 1.10 to 1.04. The average current ratio is 1.02. The quick ratio is in fluctuation position. The ratio is 1.09, 1.05, 0.99, 0.90, 1.01, 0.99, 1.03 in FY 2056/57, 2057/58, 2058/59, 2059/60, 2060/61, 2061/62 and 2062/63 respectively. The average ratio is 1.01.
- The cash and bank balance and total deposit is increasing per year. The cash and bank balance increased from Rs. 25406 to Rs. 47717. And, the deposit increased to Rs. 296318 from 151055.

2) Capital Structure Ratio:

There is a fluctuation in long-term debt and permanent capital. Debt to capital ratio is 0.71 to 0.05 in FY 2056/57 to 2062/63 respectively. The average ratio is 0.58.

- The shareholder's equity is in fluctuating trend. The ratios are 2.47, 2.31, 2.05, 1.71, 1.93, 1.81 and 0.05 in FY 2056/57 to 2062/63 respectively. The average ratio is 1.76.
- The long-term debt to total assets ratio is 0.14 in FY 2056/57. Then after it is improving and getting the better position gradually and reached to 0.001 in FY 2062/63. The average ratio of LTD to TA ratio is 0.09.

3) Profitability Ratio:

- Net Profit after tax is fluctuating in study period but in last two years (i.e. 2060/61 and 2061/62), the value has decreased. The maximum profit is Rs. 3535 in FY 2062/63 and the minimum value is Rs. 80002 in FY 2060/61. The return on assets ratio is 1 in maximum and -21.23 in minimum with average ratio -2.81.
- Total operating income during seven years period is in fluctuating trend. It increases in first four years then after it decreased for last three years. Net Profit after tax to total operating income ratio is 3.31, 3.22, 1.81, 0.47, -

251.98, -2.85 and 12.61 in FY 2056/57 to 2062/63 respectively. The average ratio is negative (i.e. -33.34).

- The interest income on investment is increasing per year. But in FY 2060/61, it decreased then after it increases and reached to Rs. 40335 from Rs. 26726. The calculated highest ratio is 95.05% and the lowest one is 89.11%. The average ratio is 92.83%.
- The total income to total income ratio is in fluctuating trend. The highest ratio is 7.75% and in FY 2061/62 and the lowest one is 4.95% in FY 2062/63. The average of ratios is 6.67%.
- The operating self-sufficiency ratio is in fluctuating trend. The standard ratio is 1.5 in context of ADBL. The highest ratio is 1.24 and the lowest one is 0.29. The operating self-sufficiency ratio is in satisfactory level. The average ratio is 0.92.
- There is a fluctuation in overhead cost ratio. The overhead cost ratio should be less than or equals to 3.5% but the calculated ratio is higher than 3.5%, so the administrative expenses should be minimized to meet the standard.
- The interest income on investment is increased to Rs. 40335 from Rs. 26726. Increment in interest on investment is fruitful to bank. The highest ratio is 95.05% and the lowest one is 89.11% in FY 2061/62 and 2060/61 respectively. The average ratio is 92.83%.

4) Operating Ratio:

- Total value of operating cost and total loan portfolio is in increasing trend. The highest operating cost is 13.65% in FY 2057/58 and the lowest ratio is 9.26% in FY 2061/62 with the average ratio 12.04%.
- The total operating expenses is increasing trend till FY 2060/61 and it decreased in FY 2061/62, then in FY 2062/63 it again increased. The highest total operating expenses to total assets ratio is 9.80% in FY 2062/63 and the lowest ratio is 8.19% in FY 2059/60. The average ratio is 9.15%.

- The operating expense to operating income ratio is in fluctuating trend. The maximum ratio is 114.58% in FY 2062/63 and lower ratio is 87.70% in FY 2056/57. The calculated average ratio is 99.27%.
- Total operating income increased to Rs. 33125 in FY 2059/60 from Rs. 27726 in FY 2056/57. There is a fluctuation in total operating income to total assets ratio. The highest ratio is 9.89% and the lowest one is 7.92% in FY 2056/57 and FY 2062/63 respectively. The average ratio is 8.80%.
- The interest paid on total deposit is increased from Rs. 10115 to Rs. 12123. But there is a fluctuation in the interest paid on total deposit ratio. The highest ratio is 36.65 in FY 2056/57 and the lowest one is 10.83% in FY 2060/61 with the ratio is 29.62%.
- The interest paid on borrowings is decreased to Rs. 1603 from Rs. 3543. But it increased in FY 2057/58 and becomes Rs. 2848. The interest paid on borrowings to total expenses ratio is fluctuating. The highest ratio is 12.84% and the lowest one is 2.48% and the average ratio is 7.95%.
- There is a fluctuation in interest expenses but the interest income has increased year by year. The interest expenses to interest income ratio is fluctuating. The highest ratio is 59% and the lowest ratio is 35.70% in FY 2059/60 and FY 2062/63 respectively. The average ratio is 49.62%.

5) Risk Ratio/Credit Quality Ratio:

- The non-banking asset is in fluctuating trend so the ratio is also fluctuating. The highest ratio is 4.05% and the lowest is 1.82% in FY 2061/62 and 2056/57 respectively. The average ratio is 3.03.
- The overdue
- The value of non-performing interest and total outstanding is increasing per year. The non-performing interest becomes Rs. 69072 from Rs. 24965. And, the total outstanding becomes Rs. 333107 from Rs. 185448. The NPI to total outstanding ratio is also increasing. The highest and the lowest ratio are 20.74% and 14.19% respectively. The average ratio is 14.44%.

The loan loss provision is increased to Rs. 86708 from Rs. 12981 in FY 2061/62 and in FY 2056/57. There is a fluctuation in the increment in different years. The highest ratio is 28.70% and the lowest is 7% in FY 2060/61 and in FY 2056/57 and 2057/58. The average ratio is 16.07%. This ratio has to be less than 5% but our calculated ratio is greater than 5%.

6. Findings of Trend Analysis

- It found that the lending position of ADBL is better because the calculated trend values of investment are fitted in trend lines. The trend line is upward sloping.
- ADBL's capacity of principal collection is better because the calculated trend value is upward slopping.
- Loan investment is increasing per year because the trend line shows which is drawn after calculated values gives upward slopping line.
- Interest receivable is increasing per year which can be seen from trend line. This means that the bank is not able to collect the interest timely. It takes too much time to collect interest.
- Total income is less than total expenditure. Decrement in total income shows that there is loss occurs. Decreasing trend value of Net Profit shows bad image of ADBL.
- The ABDL’s deposit collection position is better than before.
- Increment of loan loss provision of bank is not favorable. So, the bank should evaluate the financial strength of its borrowers more meticulously to identify the possibility of risk before granting the loans.
- The decreasing trend of long-term debt means that that bank is able to reduce its external loans or borrowings from the outsiders.
- The shareholder’s equity in actual value is in increasing trend.
- Increment in NBA is a bad signal for the bank. It indicates the bad image of ADBL. It means that the bank cannot collect the loan and its interest in time which turns into bad debts year to year. This is a serious position of the bank.
- The increasing value of trend value and the fluctuation of actual value.

CHAPTER-FIVE

SUMMARY, RECOMMENDATION & CONCLUSION

This chapter contains summary, recommendations & conclusions. Through this chapter every one can easily generalize the thesis or can achieve for the betterment in their relative field.

5.1 Summary

Agricultural Development Bank Limited (ADBL) was established in 1968 with the major objectives of improving the socio-economic status of rural populace. With the enactment of Bank & Financial Institution Ordinance (BAFIO), ADBN act 1967 replaced or the operation of ADBL is now governed by the BAFIO. Concurrently with it's commercialization restructuring process ADBL has established itself as a Public Limited Company with an A class operational license from Nepal Rastra Bank. This new identity provides ample opportunities for the bank to reach under coverage areas with more potentiality for full banking activities. Further the bank has broaden its range of credit services or provides all facilities ton meet the entire banking needs of the enterprises or the household purely need of the feasibility of the ventures or the repayment capability of the borrowers.

Prior to the establishment of ADBL in 1968, co-operative bank established in 1963 was considered as the prime institution providing agricultural credit.

ADBL as a major socio-economic development agent shows a high propensity to concentrate on some targeted credit programs to uplift the poor out of economic hardships in the form of Small Farmers Development Program (SFDP).This program was introduced with the major objectives of uplifting the socio-economic condition of the rural populace. Later in 1993, ADBL initiated farmers co-operative approach by transferring SFDP into the Small Farmers

Co-operative Limited (SFCL) as a graduation process. This approach was initiated with the view of strengthening institutional management capacity to implement SFDP.

In 1984, the amendment in the act permitted ADBL to extend commercial banking activities to mobilize urban resources in the rural areas. Following this, ADBL become a sole financial institution in the country executing its business activities in three areas named Development Financing , Commercial Banking ,or Small Farmers Development Program by strengthening its network in all geographical regions-The Mountains, The Hills or The Tarai. Since 1987,the bank changed its policy to overcome the problem of NPL or to concentrate loan investment to sectors or regions with an economic potential. However the adopted measures did not significantly improve the economic situation of the banks problem related to the loan portfolio quality, high overhead costs, tight liquidity or a still low collection performance remained in the reform agenda.

The researcher has identified the research problem or set objectives to solve research problems, performance of ADBL. The pother objectives of the study is to identify the financial position or strength or investment activities of ADBL to evaluate the financial performance in terms of the liquidity, profitability, leverage or assets utilization as well as non-performing assets of ADBL. Similarly, the objectives of the study is trend of financial position of ADBL.

In this present context of information or technology generation, financial institutions are facing high competition with the Umbrella Act. of Nepal Rastra Bank all financial companies or bank turn themselves as rivals. Facilities out of facilities they are providing to the customers. The strong banks are running successfully while weak banks are declining. So with the various analysis or assumptions presented in this thesis, bank or the researcher could get benefits.

With the help of ratio analysis we can reveals various performance or status of the bank. Similarly, with the help of trend analysis future conditions can be predicted. While income or expenses analysis, reveals the banks operating income as well as operating expenses to compare. Today treasury operation in banking industry has become a key issue. With this treasury operation analysis in a single tabulation can reveals the core money generation of the various strength banks while weak banks can gain knowledge.

To make this study effective related literatures have been review. The review of literature provides the foundation of knowledge in order to undertake this research more precisely. The study is basically depending on secondary data. That data required for the analysis are retained from the research paper, related articles, annual journals, annual reports, or financial statements of ADBL some of the information are collected from the various publications of bank.

Various processes or methods are applied in this study. Similarly, various financial tools as ratio(Liquidity Ratio, Capital Structure Ratio, Profitability Ratio, Operating Ratio, Non-Performing Assets Ratio or Repayment Rate) or Statistical tools i.e., mean, standard deviation, c.v., or trend analysis) are used to achieve the objectives of the study. The analysis of data is done according the pattern of available.

By the study of above financial or statistical tools, we can conclude that the performance of financial position is not better. There are various signs of improvement due to the two phases of reform, which the bank has implemented recently. Though the profit is seems to be decreasing it is due to the system that the bank has started the system of keeping provisions for any risk able debts or also it is due to the fact that the bank has recently changed the system of profit calculation from accrual basis. So the decreasing of profit is obvious for some time which finally liberate profit to institution or also gives long time sustainability. Similarly, the profit based productive investment has been gradually increasing which may be fruitful to the institution in future.

ADBL cannot meet its target as its expectation because the mobilization of budget is not formulated by proper way in proper time. The investment is very high or repayment rate is very low or the collection procedure is also slow.

5.2 Recommendation

From the study of financial statements or financial analysis of the bank the following suggestions or recommendations, in particular are made to improve the weaknesses of the bank or its performance efficiency in the years to come.

1. Better liquidity position

Generally banks have to maintain adequate liquid assets to fulfill the banking activities or to catch banking opportunities but the current ratio of the bank is less than 2:1, it indicates that the bank is poor in liquidity position. The bank must identify the quality of current assets or current liabilities to maintain its own current ratio. Liquidity position of the bank is below standard. The liquidity position affects external or internal factors such as prevalent investment situation, Central Bank requirements. The growth position of the financial market, the ending policies, management capabilities, strategic planning or fund flow situation, bank should maintain enough liquidity assets to pay short-term obligations. So it is recommended to maintain sound liquidity position to the ADBL.

2. Project base lending

To be success in this competitive banking environment, deposit must be utilize as loan or advances. Project base lending is very essential or regular observation of the invested project has to be maintained. Return trend of the invested projects are very much important. The invested project should be good returnable otherwise worst projects may make the bank a failure institution.

Now the nature of most of the ADBL projects are non-viable therefore further lending has to be project base.

3. Adequate Reserve or Provision

Reserve or provision for the distressed loan has to be maintained in coming days. Existing loan loss provision or other reserves are not adequate to keep bank neat or clean in financial viability.

4. Attracting much or more deposits.

ADBL is recommended to provide incentives for attracting new more fixed depositors because the bank is not able to collect more of fixed deposits as that of saving, current or other deposits.

5. Decreasing operating cost

Increment in unnecessary operation cost is the main cause of loss. So operating cost is to be minimize to obtain the maximum profit. Maximum profit maximizes the banks internal capacity so reduction in operating cost minimizes the probable loss. Existing trends of increment in operating cost shows the banks demotion. By analyzing the micro part of expenses, operating costs has to be minimized.

6. Financial position should be evaluated in time

The financial position of the corporation should be timely evaluated through other relevant financial or statistical tools. This types of analysis helps to identify the strengths or weaknesses of financial performance.

7. Management of NPA

Make NPA management division is very effective or full autonomy body division, which is recently established in bank own building. Bank has to perform the above maintained information, guideline or suggestions to resolve the NPA.

Non- productive machinery or equipment has to be count as NPA. Regular repair of defective machinery or equipment has to be made which helps to increase the performance of the bank or reduces the operating cost by the result of which net profit may increase. If non-productive equipments are not written off in time, it may create heavy NPA.

All the non-productive assets like printing or stationary materials can be fond in bank. Regular observation of the stocks or procurement policy of the stock has to be made transparent. Off dated stock has to be count as NPA. Adequate provision has to make for such type of assets. It helps to make the bank transparent.

8. Quick, Systematic or Attractive should be decision making procedure

The decision making procedure is very slow in ADBL. Due to this the bank cannot achieve the advantages of opportunities. So, top management should provide more power to all branches. It makes them more responsible or accountable as their work.

9. Qualified or trained experts should be appointed.

The bank should have qualified or trained experts who are the main brain of the bank to utilize the funds or assets more effectively or efficiently through which ADBL can maximize its profit earning capacity. Experienced or qualified experts should be secured for better expectation. Because from the analysis one is clear that all expected values are taken as ad-hoc basis, which invites unnecessary expenses. So, the bank must prepare the highly qualified, dynamic or energetic personnel. Therefore it would be better to open an own training center for the personnel.

Similarly, the general suggestions or recommendations are made as below.

1. The bank should develop itself as a financially viable or sustainable institutions so that it can take the independent without intervention of

the foreign donors. For this, Banks activities especially the agricultural credit is to be provided to the marginalized farmers at negligible rate of interest directly to their own approach as a special privilege so that the interest or the principle can be easily or timely recovered by utilizing the loan in the direct observation of the Bankers. But the rate of interest to the rich farmers or agro-businesses can be increased in considerable extent to give privileges to the poor.

2. All the un-reconciled transactions of all branches as well as the Central Office must be reconciled in time so that the result of the activities becomes accurate or realistic.
3. The staffs of the Bank should be minimized as its real requirement or rate of increment of administrative expenses should be reduced. The Bank should regularly conduct the training or workshop programs to develop the existing manpower in different offices at different levels.
4. The Bank should make necessary internal inquiry of the Banks staffs regularly to see the abuse of authority for any sort of involvement on corruption.
5. The unnecessary items of balance sheet as maintained earlier i.e. the summary extracted from the auditors reports are to be corrected or cleared.
6. The investment in different development activities like real crops, cash crops, marketing, agricultural tools, irrigation, bio-gas, agricultural industries, godwon, horticulture, housing or other should be made on portfolio basis.
7. The bank should make necessary attempts to computerize in all banking operation to speed up the activities to provide services promptly on its all branches.
8. The bank should take its own SWIFT code for remittance.
9. The bank should provide to its customers modernization in transactions like ATM, Internet Banking, Digital Banking Services, Card system or anywhere banking(i.e. American Express, Master Card, Visa, Discover,

Smart choice Technologies, or dinner club etc), E-Banking etc in this competitive banking market. If ADBL provides these types of facilities to its customers, the bank should maximize the profit or it should be success to run its business in this competitive environment.

10. Finally to lead the development banking as well as commercial banking sector on one hand or to satisfy the agricultural needs of the nation on the other, the bank should give high priority in equality services.

5.3 Conclusion

Agricultural Development Bank Limited is one of the vital aspect of this sector, it is the intermediary between the deficit or surplus of financial resources. It is a pillar of the economic system of the country. Many of the banks are of the view that political instability in the country is mainly responsible for the decline of lending opportunities. Few banks ascribed it to the economic crises that occurred in Asia-Pacific region. Banks are more concerning investment towards foreign banks.

Through this thesis, the researcher has reached to the certain conclusions as follows.

- The vision, mission, objectives, organization or establishment of the bank is obviously good for the improvement of the economic or social condition of the farmers or business holders.
- The functions of the bank are good in written or saying but the practical implementation does not seem to be just or fair.
- Through the management or its operational performance seem to be optimistic, it has not covered the entire needs of the farmers especially the marginalized farmers.
- The commercial functions of ADBL is performing well or helping the public by collecting their money as deposits, providing commercial loans, remittance facilities, issuing guarantee of contractors or business organization. The above functions are good for the bank or also to the

general public. . Therefore the bank should modify or should try to provide the facilities in most modern or reformed banking concept that finally helps to achieve the goal of the bank.

- ADBL after receiving a new dimension of governing body or having registered under BAFIO provision, its status has changed drastically. Its entry is not only changed in terms of legal framework but also in terms of capital structure or business execution.

The operational performance of the bank for the seven years period found in the present study, concluded as below.

The overall performance of the institution estimated from the above calculation is satisfactory. The bank is not only investing its fund on the development sector but also investing on small farmers, commercial banking activities. So this bank is rapidly going on the path of success.

Analysis of liquidity ratio indicates that the liquidity position of the bank is average. The average liquidity position is 13.2%, which is satisfactory to meet the total deposit by cash or bank balance. The average current ratio is 1:02:1. The stored ratio is 2:1,it shows that the existing current assets could not be able to meet the current liabilities. Improvement of current liabilities mater is necessary. The normal stored of quick ratio is 1:1 it seems it has been duly maintained in the past years. The average of quick ratio is calculated 1.01:1 even through the three years ratio is below than the normal standard, it is duly satisfactory as the current liability is in better position. ADBL is almost government bank so it is maintaining the norms of Nepal Rastra Bank for liquidity management.

The major source of operating income of ADBL is income from interest on loan or other commission. Ratio says the higher is better. In the context of ADBL, profit is increasing per year so the ratio of operating income to expenses is higher. Through the profit of last studied year is decreased drastically it is due to the banks policy of account keeping system. The account keeping system has changed from accrual basis to cash basis. Therefore the trend of profit is satisfactory. The total expense is increasing due to the system of keeping provision following the reform rule of NRB. This rule has implemented recently. But is good in long-term view as the provision makes the institutions sustainable for any kind of risk that may explore in future.

The researcher has studies the non-performing assets or concluded that the non-banking assets, non-performing loan or non-performing interest has been increasing; we know that it is not good for the banks objectives. From the study of non-banking assets to total assets ratio, the researcher found that the ratio is increasing, which means the bank could not able to invest on productive or qualitative projects. Thus the bank has to accept the collateral or it staying non-performing these days. Similarly, overdue, non-performing loan or non-performing interest is in increasing trend, which also shows the non-productive investment of earlier days that finally keeps the collateral assets non-performing.

Finally the increment of non-banking assets, non-performing loan or non-performing interest is not good for the organization. Collection of these type of assets force the bank to keep the provision which increases the expenditure of the bank or finally the expenditure decreases the overall profit of the organization. Thus the stock of non-performing assets may bring a great financial or economic misbalance of the whole economy of the country.

Appendix- I

Agricultural Development Bank
BALANCE SHEET (2056/057-2058-059)
At the end of Asadh (June-July)

Rs. '000

Capital and liabilities	2056/057	2057/058	2058/059
	1999/2000	2000/2001	2001/2002
Authorized Capital @Rs.100 per share	**2,000,000**	**2,000,000**	**2,000,000**
Share holder's Equity	**1,615,153**	**1,735,146**	**1,820,624**
Issued & paid up Capital	1,449,643	1,491,410	1,517,952
General Reserve Fund	109,713	128,358	140,146
Profit & Loss Account	55,797	115,378	162,527
Other provisions	**128,791**	**135,831**	**154,166**
Cooperatives and Agricultural Dev. Fund	39,673	49,563	49,560
Capital Reserve Fund	26,837	26,160	25,758
Foreign Exchange Tare Difference Fund	2,078	20,425	16,099
Employees Welfare Fund	12,187	12,757	13,853
Employees Security Fund	14,326	85	8,019
Collection Fund	5,689	1,840	5,837
Special Fund	10,000	25,000	25,000
Provision for Inadequate4 Coll. of Taken over loan			10,000
Net provident Fund to be invested	**7**	**58,039**	**-27739**
Borrowings	**4,714,703**	**5,090,956**	**4,440,279**
Internal Borrowings			
Nepal Rastra Bank Re-financing	54,750	225,391	250,814
Commercial Banks	729,713	1,090,178	712,000
Others	77,583	80,706	79,706

External Borrowings	3,852,657	3,664,681	3,397,759
Deposits and Compulsory Savings	**15,105,476**	**17,786,163**	**20,811,906**
Current	684,882	1,098,53	1,078,923
Saving	8,290,282	10,389,186	11,087,450
Fixed	5411502	5472001	7722594
Agricultural savings Bonds			
Compulsory Savings and margin	8103	8546	2869
Clients Security Funds	710707	817877	920070
Other Liabilities and provisions	**6333976**	**7115625**	**7504157**
Interest Payable	1558314	1560297	1643841
Other Liabilities	4775662	5595328	5860316
Employees Gratuity Fund			
Provision for Bonus			
Provision for Tax			
Revolving Funds	**141455**	**179679**	**244163**
Total	**28039561**	**32141439**	**34947554**
Contra Account	**1185175**	**1248933**	**1284157**
a) Bank Guarantee	1045959	1181420	1144900
b) Cheque Draft Collection	139216	67513	139257
c) Non Performing Interest			

Rs. '000

Assets	2056/057	2057/058	2058/059
	1999/2000	2000/2001	2001/2002
Cash and Bank Balance	**2,540,600**	**2,701,510**	**2,521,841**
Cash Balance Bank Balance	454,664 2,085,936	571,342 2,130,168	621,224 190617
Investments	**2,795,473**	**2,576,253**	**2,322,796**
Treasury Bills	2,316,103	1,978,260	1,504,404
Development Bonds			
Staff Welfare and Gratuity	435,083	55,587	690,716
Commercial Banking & Against FDR			
Shares in other companies Less, Provisions for investment in shares	51,502 (7,216)	52,622 (7,216)	138,222 -10,546
Loans	**17,246,649**	**19,945,395**	**22,282,383**
Loan Outstanding (Dev. Banking)	12,890,705	14,782,393	16,673,737
Loan Outstanding (Comm. Banking)	4,475,305	5,566,592	6,388,557
Interest Receivable	961,072	939,904	1,034,472
Interest Receivables (Commercial Banking)	217,702	157,772	133,997
Less, Provisions for Doubtful Debts & Interest	(1,298,135)	(1,501,266)	(1948380)
Other interest Receivable			
Advance to Employees	**767,213**	**1,084,817**	**1,252,805**
Fixed Assets	**1,118,359**	**1,405,271**	**1,820,791**
Fixed Assets	607,848	663,206	624,093
Non-Banking Assets	510,511	742,065	1,196,697

Other Assets	**3,370,894**	**4,184,530**	**4,739,045**
Material & Equipments	48,894	25,326	12,823
Stationeries	21,630	22,172	18,,634
Other Receivables	3,300,370	4,137,032	4,707,587
Receivables from HMG/N			
Revolving Funds			
Branch Accounts	**200,373**	**243,663**	**7,893**
Profit and Loss A/C (Net Loss)			
Voluntary Retirement Account			
Total	**28,039,561**	**32,141,439**	**34,947,554**
*Provisional Data			
Check List			
Capital and Liabilities	28,039,561	32,141,439	34,947,554
Difference			

Agricultural Development Bank

BALANCE SHEET FY 2059/060

Rs. '000

Capital and Liabilities	Amount	Amount	Assets	Amount	Amount
Authorized Capital @ 100 per share	**20,00000**		**Cash & Bank Balance**		**2,765,524**
Issue of paid capital	1,546,901		Cash	691,253	
			Bank Balance	2,074,271	
Resume & other fund		**424,661**	**Investment**		**2,646,868**
General Resumed fund	143,269		Treasury Bills	96,768	
Capital Resumed fund	27,701		Staff Welfare and Gratuty	1,583,919	
Other fund	253,691		Share Investment	137,022	
Profit & Loss Account	175,022		Provision for Investment in Share	(41752)	
Borrowings		**4,053,754**	**Loans**		**24,253,002**
Secured	250,632		Loan outstanding (Dev. Bank)	18,615,675	
Unsecured	380,312		Loan outstanding (Com. Bank)	8,083,293	
			Provision for doubtful Debt and interest	(2,445,966)	
Deposit & Compulsory Savings		**23,949,956**	Fixed Assets		**602,901**
Fixed	8,761,800				
Saving	12,850,855				
Current	1,273,304				
Compulsory Saving & Margin	8,233				
Clients Security funds	1,055,765				
Other Liabilities		**10,343,376**	**Other Assets**		**1,005,035**
			Material & equipment	10,304	
			Stationeries	20,302	
			Int. Receivable (Performing)	1,029,565	
			Int. Receivable (Non-Performing)	4,127,238	
			Non Banking Assets	1,360,297	
			Receivable from HMG	722,867	
			Advance to staff	1,583,782	
			Others	7,849,520	
		40,318,648			**40,318,648**
Bank Currently		1,231,288			
Cheque Draft Collection		45,607			

Agricultural Development Bank

BALANCE SHEET FY 2060/061

Rs. '000

Capital and Liabilities	Amount	Assets	Amount
Authorized Capital @ 100 per share	1774567	Cash Balance	546743
Reserve & other fund	1411381	Bank Balance	2364117
Borrowings	3664938	Investment	2735408
Deposit	26244145	Loans	20921784
Other Liabilities and Provision	13776913	Fixed Assets	865347
		Other Assets	10238322
		Net Loss	8000224
Total	**45671945**	**Total**	**45671945**

Agricultural Development Bank
BALANCE SHEET FY 2061/062 and 2062/063

Rs. '000

Capital and Liabilities	Amount	Amount	Assets		Amount
Authorized Capital @ 100 per share	1677615	6478000	Cash Balance	680844	746812
Reserve & other fund	-7666883	-7313358	Bank Balance in NRB	1730302	3018299
Borrowings	3589299	513532	Bank Balance in Other Bank	623892	1006590
Deposit	27223046	29631817	Investment	1355833	1511330
Income Tax Liabilities	235147	748270	Loans	22638255	24900914
Other Liabilities	6164651	5239362	Fixed Assets	816191	882083
			Other Assets	3377657	3231596
Total	**31222975**	**35297623**	**Total**	**31222975**	**35297623**

Appendix- II

Agricultural Development Bank

PROFIT AND LOSS ACCOUNT (2056/057 – 2059-060)

At the end of Asadh (June-July)

Rs. '000

Income	2056/57	2057/058	2058/059	2059/060
	1999/2000	2000/2001	2001/02	2002/03
Interest Income	**2,753,442**	**2,986,242**	**3,336,531**	**3,554,254**
On Development Bonds	80,854	91,941	77,348	41,798
On Loans	2,638,872	2,856,675	3,214,704	3,459,800
On Advance to Employees	33,716	37,626	44,479	52,656
Other Income	94,715	136,995	152,859	201,392
Miscellaneous Income	52,712	70,220	84,911	105,847
Bank Commission	23,671	39,411	32,903	30,002
Saving on Auction	913	8,871	16,232	39,347
Commitment Charges	17,419	18,393	18,843	26,196
Sales of Agricultural Tools				
Net Loss				
Total	2,848,157	3,123,237	3,489,420	3,755,646
Expenditures				
Interest Expenditure	1,556,116	1,640,688	1,716,415	1,979,111
On Deposits	1,011,463	1,033,160	1,073,167	1,212,931
On Loans	354,340	384,756	343,724	325,582
Rebate on Interest	140,347	155,652	231,386	352,854
On Provided Fund	49,966	67,120	68,137	87,744
Management Expenses	941,752	1,287,327	1,526,902	-
Personnel Expenses	676,062	914,676	772,015	772,697
Office Expenses	113,329	119,307	127,396	565,053

Miscellaneous	152,361	253,344	627,492	
Provisions	261,793	101,997	187,167	423,167
Provision for Doubtful Debts	206,719	43,981	138,511	226,570
Provision for Inadequate Collateral				
Provision for Share Investment				
Provision for Bonus	11,486	12,099	7,541	1,998
Provision for Tax	43,588	45,917	27,785	7,363
Provision for Loss on last Years				
Provision for Staff Welfare				5,000
Net Profits After Provision for Tax	88,496	93,225	58,937	15,618
Total	**2,848,157**	**3,123,237**	**3,489,420**	**3,755,646**

Agricultural Development Bank
PROFIT AND LOSS ACCOUNT (2060-061)
At the end of Asadh (June-July)

Rs. in 000

Particulars	Amount	Particulars	Amount
Interest Expenditure	2093106	Interest Income	2892494
Personal Expenditure	936199	Commission and Discount	40577
Office Operating Expenditure	552951	Exchange Increase and Decrease Income	89
Provision Expenditure	7663931	Non Operating Income	71128
		Other Income	241681
		Net Loss	8000224
Total	**11246188**		**11246188**

Agricultural Development Bank

PROFIT AND LOSS ACCOUNT (2061/062 – 2062-063)

At the end of Asadh (June-July)

S.N.	Particular	2061/062	2062/063
1	Interest Income	3915225	4033545
2	Interest Expenditure	1487499	1439844
	Gross Interest Income	2427726	2593701
3	Commission and Discount	42646	42262
4	Other Operating Income	286315	16861
5	Exchange increase and Decrease Income		2834
	Total Operating Income	2756686	2803658
6	Personal Expenditures	963176	1775337
7	Other Operating Expenditure	447881	254889
8	Exchange Increase and Decrease Expenditure	11937	-
	Profit Before Provision	1333692	773432
9	Provision	1505105	149285
	Operating Profit	-171413	624148
10	Non Operating Income/Loss	92780	117765
11	Income from Provision	-	549333
	Profit from Regular Transaction	-78633	1291246
12	Profit/Expenditure from Abnormal Transaction	-	-355266
	Gross Profit	-78633	935980
13	Staff Bonus (Provision)	-	69332
14	Provision for Income Tax	-	513123
	This Year	-	148270
	Last Year	-	364853
	Net Profit & Loss	-78633	353524

Appendix- III

Agricultural Development Bank

Statement of FY 2056/057 to 2062/063

Rs in 0000000

Fiscal Year	Investment	Collection	Outstanding	Overdue	Interest Receivable
2056/057	1365	1121	1737	371	250
2057/058	1355	1356	2035	416	289
2058/059	1925	1663	2306	519	328
2059/060	2295	1931	2670	566	413
2060/061	2398	2175	2930	583	583
2061/062	2908	2628	3132	600	633
2062/063	3044	2858	3331	686	691

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