CHAPTER - I
INTRODUCTION

1.1 Background of the Study

Every country has to give an emphasis on upliftment of the stable growth and sustainable economy. Bank is an institution that provides a great variety of financial services. It is an institution which collects scattered finance resources from the masses of people and invests them among those engaged in economic and commercial activities of country. Bank plays an important role in development of the developing country like Nepal and mobilization of financial resources. Hence, money is a subject to manage, and banks are the manager. Banks play an important role in the economic growth of a country. In the modern economy, banks are to be considered not as dealers in money but as the leaders of development. Therefore, a bank is also an institution that deals with money by accepting various types of deposits, disbursing loan and rendering other financial services. Bank came in existence mainly with the objectives of collecting the idle funds, mobilizing them into productive sectors and causing an overall economic development. That mobilized deposits contribute to the development of economic infrastructure of the nation. The bankers have the responsibility of safeguarding the interest of the depositors, the shareholders and the society they are serving. So, the economic activities of the country can be hardly being carried forward without the assistance of financial institutions.

In Nepal, the growth of banking sector is not so long ago as compared with other banks of the world. In comparison with other developing country the institutional development in banking system is far behind. Nepal had to wait for the period to enter the present banking position. The origin and growth of bank in Nepal is controversial. Banking system in Nepal came in existence only in 19th century with establishment of Nepal Bank Ltd (NBL) on 30th of Kartik 1994 BS, which authorized capital contributed by government was 51%.The NBL dominated the financial sector of the development of the banking sector, Nepal Rastra Bank (NRB) was established on 14th Baishak 2013 under NRB act 2012 as the central bank of Nepal to regulate the control banking management system of country. As the monetary transaction got more and more complicated, NRB finally suggested the government to establish another commercial bank. With the growing activities in the country, the necessity of an additional commercial bank was

realized in the country. Consequently, another commercial bank fully owned by the government, named as Rastriya Banijya Bank was established in 2022 B.S. under the Commercial Bank Act 2021B.S with 100% government ownership. The former Industrial Development Center was established in 2013 B.S. and was converted into NIDC in 2016 B.S. to finance equity and loan capital to industries that are going to be established in the country. Agricultural Development Bank Nepal was established in 2004 to finance agricultural sector as well as agro-based industries within the country. The joint venture bank was introduced in Nepal in 2041 BS (12th July 1984) with establishment of Nepal Arab Bank Ltd. (Nabil Bank Ltd.).Nepalese government kept on liberalizing the economic policies and improving the infrastructure, as a result Nepal Indosuez Bank Ltd. and Nepal Grindlays Bank Ltd was established in 6th Magh 2042 BS and 16th Marga 2043 respectively. Nepal Grindlays Bank Ltd is now being operated with new ownership and name as Standard Charter Bank of Nepal Ltd .after the democratically elected government adopted the liberal and market oriented economic policy, joint venture commercial banks are established one after another, at present 31 commercial banks are operating their banking activities.

Commercial banks are major financial institution which accepts deposits, makes business loans, and offers related services. Commercial banks also allow for a variety of deposit accounts, such as checking, savings, and time deposit. These institutions are run to make a profit and owned by a group of individuals, yet some may be members of the Federal Reserve System. While commercial banks offer services to individuals, they are primarily concerned with receiving deposits and lending to businesses.

Commercial banks are the major component in the financial system. They work as the intermediary between depositors and lenders and facilitate in overall development of the economy, with major thrust in industrial development. So, commercial banks are those that accept deposits and finance to the business and finance to the business and project. They provide short term and long- term finance. As per Commercial Bank Act 2031 B.S, “A commercial Bank means the bank which deals in exchanging currency, accepting deposits, giving loans and doing commercial transactions.”

Commercial banks help the process of saving and of the holding of saving in a socially describe form. Though their advances bank also help the creation of the incomes which further saving by the community and further growth potentials emerge for the good of economy. All employment income distribution and other objectives of plan are as far as possible subsumed into production plan which banks finance. The importance of commercial banks is directing the economic activities in the system is indeed overwhelming with the establishment of commercial banks the flood gates of development promising great hopes for people in the life open. Although, commercial banks are truly inspired with the objective of gaining profit, they provide welfare and facility to make available loan to the agriculture, industry and commerce and provide the banking services to the public and the state. In the present situation, Nepal banking system is evaluating itself as a powerful instrument of planning and economic growth of all the developed and underdeveloped countries. The encouragement by Nepalese Government for the Joint Venture Operations made possible for different joint venture commercial banks establishment. We know, in Nepal, different joint Venture Banks are established but we cannot say which bank is best among them, without doing any financial analysis.

The role of commercial bank in economy is prime requisite in the formulation of Bank Policy. The key factor in the development of country is the mobilization of domestic resources and their investment for productive use to the various sectors. Although commercial banks are truly inspired with the objective of gaining profit, they provide welfare and facility to make available loan to the agriculture, Industry and commerce and provide the banking services to the public and the state. In the present situation, Nepal banking system is evaluating itself as a powerful instrument of planning and economic growth of all the developed and underdeveloped countries. The encouragement by Nepalese government for joint venture operations made possible for different joint venture commercial banks establishment. We know, In Nepal, different joint Ventures Banks are established but we cannot say which bank is best among them, without doing any financial analysis. With the help of financial analysis, we know the firm’s strength and weaknesses.

Financial analysis is the process of determining the significant operation and financial characteristics of a firm from accounting data. It shows the relationship between the various

components which can be found in balance sheet and profit and loss statement. The analyze statement contain those information which is useful for management, shareholder, creditors, investors, depositors etc. It refers to an assessment of the viability, stability and profitability of a business, sub-business or project.It is performed by professionals who prepare reports using ratios that make use of information taken from financial statements and other reports. These reports are usually presented to top management as one of their bases in making business decisions. It also refers to the assessment of a business to deal with the planning, budgeting, monitoring, forecasting, and improving of all financial. Another important aspect of analyzing a case study and writing a case study analysis is the role and use of financial information. For financial performance analysis ratio analysis is the most widely used technique. The systematic use of the ratio interprets the financial statements so that the strengths and weaknesses of the firm as well as its historical performance and current financial condition can be determined.

As there has been number of commercial banks established, the present aims are to analyze the financial performance of Nabil Bank Limited (NABIL), and Himalayan Bank Ltd (HBL) Nepal Investment Bank Limited (NIBL).

1.2 Profile of Sample Banks

A Nabil Bank Limited (NABIL)

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

The bank is a full services bank providing an entire range of products and services, starting with deposit accounts in local and foreign currency, Visa and Master-Card denominated in rupees and dollars, Visa Electron Debit Cards, Personal Lending Products for Auto, Home and Personal loans, Trade Finance Products, Treasury Services and Corporate Financing. Main aim is to be able to meet customer's entire gamut of financial requirements that is why it prides us in being 'Your Bank at Your Service'

The bank is providing customer-friendly services through its Branch Network. All the branches of the bank are connected through Any Branch Banking System (ABBS), which enables customers for operational transactions from any branches. With an aim to help Nepalese citizens working abroad, the bank has entered into arrangements with banks and finance companies in different countries, which enable quick remittance of funds by the Nepalese citizens in countries like UAE, Kuwait, Bahrain, Qatar, Saudi Arabia, Malaysia, Singapore and U K. Bank has set up its representative offices at New Delhi (India) to support Nepalese citizen remitting money and advising banking related services. Capital structure of NABIL is as follows

Equity Capital of NABIL

Authorized capital	Rs 2100,000,000
Issued Capital	Rs 2029769400
Paid Up Capital	Rs 2029769400

B. Himalayan Bank Limited (HBL)

Himalayan Bank was established in 1993 in joint venture with Habib Bank Limited of Pakistan. Despite the cut-throat competition in the Nepalese Banking sector, Himalayan Bank has been able to maintain a lead in the primary banking activities- Loans and Deposits. It is the first commercial bank of Nepal with maximum shareholding by the Nepalese private sector. Besides commercial activities, the Bank also offers industrial and merchant banking.

Himalayan Bank has always been committed to providing a quality service to its valued customers with a personal touch. All customers are treated with utmost courtesy as valued clients. The bank wherever possible offers tailor made facilities to its clients, based on the unique

needs and requirements of different clients. To further extend the reliable and efficient services to its valued customers, Himalayan Bank has adopted the latest banking technology. This has not only helped the bank to constantly improve its service level but has also prepared the bank for further adaptation to new technology. The bank already offers unique services such as SMS banking and Internet banking to customers and will be introducing more services like these in the near future.

Himalayan Bank's policy is to extend quality and personalized service to its customers as promptly as possible. All customers are treated with utmost courtesy as valued clients. The Bank, as far as possible, offers tailor made facilities to its clients, based on the unique needs and requirements. To extend more efficient services to its customers, Himalayan Bank has been adopting innovative and latest banking technology. This has not only helped the Bank to constantly improve its service level but has also kept it prepared for future adaptation of new technology.

Equity Capital of HBL

Authorized capital	Rs 3,000,000,000
Issued Capital	Rs 2400,000,000
Paid Up Capital	Rs 2400,000,000

C. Nepal Investment Bank Limited (NIBL)

Nepal Investment Bank Ltd. (NIBL), (previously known as Nepal Indosues Bank Ltd.) was established in 1986 as a joint venture between Nepalese and French partners. The French partner (holding 50% of the capital of NIBL) was credit Agricole Indosuez, a subsidiary of one largest banking group in the world. With the decision of credit Agricole Indosuez to divest, a group of companies comprising of bankers, professionals, industrialists and businessmen has acquired on April 2002 the 50% shareholding of credit Agricole Indosuez in Nepal Indosuez Bank Ltd. The name of the bank has been changed to Nepal Investment Bank Ltd. upon approval of bank’s Annual General Meeting, Nepal Rastra Bank and Company Registrar’s office with the following shareholding structure. Rastriya Banijya Bank holds 15%, Rastriya Beema Sansthan holds 15%, General Public holds 20%, and the Nepalese promoters hold 50%.

NIBL managed by a team of experienced bankers and professionals having proven track record, can offer you what you're looking for. Besides commercial banking services, the bank also offers industrial and merchant banking services. The bank has six branches in Kathmandu Valley at the following locations: Putalisadak, New Road, Pulchowk (Lalitpur), Thamel, Kalimati, and Seepadol (Bhaktapur). In addition, the bank also has eleven other branches outside Kathmandu Valley in Banepa, Narayangarh, Birgunj, Janakpur, Jeetpur, Bhairawa, Biratnagar, Pokhara, Nepaljung, Butwal and Birtamod. Bank will be aggressively opening new branches at different parts of the Kingdom to serve its customers better. Recently bank has opened its new branch outside the valley in the Birtamod. Investment Bank Limited has always been committed to providing a quality service to its valued customers, being truly a Nepali Bank. All customers are treated with utmost courtesy as valued clients. The bank, wherever possible, offers tailor made facilities to its clients, based on the unique needs and requirements of different clients. To further extend the reliable and efficient services to its valued customers, Investment Bank Limited has adopted the latest banking technology. This has not only helped the bank to constantly improve its service level but has also prepared the bank for future adaptation to new technology. The Bank already offers unique services such as the pre-paid mobile recharging system through its ATM, SMS Banking and Internet Banking to customers and will be introducing more services like these in the near future. The capital structure of NABIL bank is as follows

Equity Capital of NIBL

Authorized capital	Rs 4,000,000,000
Issued Capital	Rs 3,011,372,125
Paid Up Capital	Rs 3,011,372,125

1.3 Focus of the Study

This study is focused on the comparative financial analysis of NABIL, HBL and NIBL. Financial analysis covers analysis and other portfolios of JVBs. Financial analysis is the process of determining the significant operating and financial characteristic of a firm from accounting data and financial statements. Financial ratios analysis is a widely used tool of financial analysis and its performance. The goal of such analysis is to determine the efficiency and the performance of the firm's management as reflected in the financial records and reports. Besides financial

analysis emphasizing profitability the study is focus on financial position analysis, income and expenditure analysis, correlation analysis and trend analysis of NABIL, HBL and NIBL. Financial ratio identifies the financial strength and weaknesses of sample banks with the help of financial statement namely balance sheet and P/L accounts. It measures the Bank's liquidity, activity, profitability and risk in rational way.

1.4 Statement of the Problem

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

The major problems of banks are about liquidity, profitability, operating expenses and the lending and investment strategy. NPA and provision are the major constraint to impact on profitability. So, statement of problem seeks reasons behind these variations. To identify these reasons an analysis of financial position should be clearly done. For that various financial analyses has been done to clarify the problem. So ratio analysis is powerful tools for evaluating the financial analysis. It is also a process of determining and interpreting numerical relationship with the help of financial statement. Management use effective strategies through financial tools and analysis for achieving optimal goal. Financial analysis satisfies the interest of common stock holders, equity investors, creditor and management of the banks.

The present study seeks to explore the efficiency and weakness of financial position of NABIL, HBL and NIBL with the help of ratio analysis. Thus, more especially the study is expected to answer the following research questions:

- What is the overall financial position of NABIL, HBL and NIBL banks ?
- Whether sample banks are more effective and efficiently mobilizing the fund for better financial performance?

- What is the comparative position of two banks in term of liquidity, asset management, profitability, risk portion bank ?
- Is there any difference in financial performance, strength and weakness between NABIL, HBL and NIBL?
- What are the relationship and trend of ratio of NABIL, HBL and NIBL?
- Do these banks examine risk and return before investing?
- Whether sample banks are more effective and efficiently mobilizing the fund for better financial performance?

1.5 Objectives of the Study

Every study is conducted with some objectives. The basic objective of this study is the comparative analysis and evaluation of the financial performance of NABIL, HBL and NIBL. The specific objective of the study will be pointed out as follows:

- To see the comparative financial position of these three banks NABIL, HBL and NIBL.
- To examine the relative financial performance of NABIL, HBL and NIBL in terms of different kinds of ratios.
- To see the trend and relation of deposit, lending, investment and profit of selected banks.
- To provide suggestions and possible guideline according to finding of the study.

1.6 Significance of the Study

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

1.7 Limitations of the Study

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

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

1.8. Organization of the Study

The present study is organized in such way that the stated objectives can easily be fulfilled. The structure of the study will try to analyze the study in a systematic way. The study report has presented the systematic presentation and finding of the study. The study report is designed in five chapters which are as follows:

Chapter-I: Introduction

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

Chapter-II: Review of literature

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

Chapter-III: Research Methodology

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

Chapter-IV: Presentation and Analysis of data

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

Chapter-V: Summary, Conclusion and Recommendation

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

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

CHAPTER - II
REVIEW OF LITERATURE

A literature review is a body of text that aims to review the critical points of current knowledge including substantive findings as well as theoretical and methodological contributions to a particular topic. Literature reviews are secondary sources, and as such, do not report any new or original experimental work. Review of literature broadly means reviewing research studies or other relevant proposition in the related area of the study so that the past studies, their conclusion and deficiencies may be known and further research can be conducted. This chapter will help to check the chances of duplication in the present study. Thus the gap and the deviation between the previous research and current research can fill out. A literature review usually precedes a research proposal and results section. Its ultimate goal is to bring the reader up to date with current literature on a topic and forms the basis for another goal, such as future research that may be needed in the area

We study the review of literature in dividing two headings:

- Conceptual Review
- Review of Related Studies

2.1 Conceptual Review of the Study

2.1.1 Concept of Banking

The Banking has been defined as engaging in the business of keeping money for savings and checking accounts or for exchange or for issuing loans and credit, etc. However, from finance perspective, it is defined as 'the management of money and credit & banking and investments. From right of offset perspective, Investor word sees banking as the legal right of a bank of seize deposited fund to cover a loan that is in default. Banking is generally a highly regulated industry, and government restrictions on financial activities by banks have varied over time and location. The current set of global bank capital standards is called Basel II. In some countries such as Germany, banks have historically owned major stakes in industrial corporations while in other countries such as the United States banks are prohibited from owning non-financial companies. In Japan, banks are usually the nexus of a cross-shareholding entity known as the keiretsu. In Iceland banks had very light regulation prior to collapse (Bhandari, 2003).

Bank is the financial institution, which plays a significant role in the development of the country. It is also considered as the backbone of the development of the national economy which facilitates the growth of trade and industry and other sectors of the n economy. However, bank is the resource for economic development, which maintains the self-confidence of various segments of society and extends credit to the people. In common sense, an institution that is involved in monetary transaction is called as Bank. An establishment for the custody, loan, exchange, or issue, of money, and for facilitating the transmission of funds by drafts or bills of exchange; an institution incorporated for performing one or more of such functions, or the stockholders (or their representatives, the directors), acting in their corporate capacity is also known as the bank . On the other hand we can also define the bank as an organization, usually a corporation, chartered by a state or federal government, which does most or all of the following: receives demand deposits and time deposits, honors instruments drawn on them, and pays interest on them; discounts notes, makes loans, and invests in securities; collects checks, drafts, and notes; certifies depositor's checks; and issues drafts and cashier's checks (Shekher & Shekher, 1999:97).

The bank plays an important role in financial markets and offer services such as investment funds and loans. It is a business organization that receives and holds deposits of funds from others makes loans or extends credits and transfers funds by written orders of depositors. So, among the various function to provide loan to the investors in the major function- through the loan, there will be increased in the environment of the investment and the bank has the major role in creating such an environment. Bankers play very important role in the economic life of the nation. The health of the economy is closely related to the soundness of its banking system. Although banks create no new wealth but their borrowing, lending and related activities facilitate the process of production, distribution, exchange and consumption of wealth. In this way they become very effective partners in the process of economic development. Today modern banks are very useful for the utilization of the resources of the country. The banks are mobilizing the savings of the people for the investment purposes. If there would be no banks then a great portion of a capital of the country would remain idle. A bank as a matter of fact is just like a heart in the economic structure and the Capital provided by it is like blood in it.

A bank is a financial institution, which can play a significant role in the upliftment of the economic situation of the developing country like Nepal. Bank plays a vital role to encourage thrift and discourage hoarding by mobilizing the resources and removing the habit of hoarding. They pursue economic growth rapidly, developing the banking habit among the people by collecting the small scattered resources by one bulk, using them in the further productive purposes, and rendering other valuable service to the country. Thus, this gives the individual an opportunity to borrow funds against future income, which may improve the economic well-being of the borrower. A bank deal with the offer of collected deposited and provides the loan for commercial purpose (Shekher & Shekher, 1999:104).

2.1.1.1 Concept of Commercial Bank

As per Commercial Bank Act 2031 B.S, “A commercial Bank means the bank which deals in exchanging currency, accepting deposits, giving loans and doing commercial transactions.” A commercial bank is a financial intermediary which collects credit from lenders in the form of deposits and lends in the form of loans. A commercial bank holds deposits for individuals and businesses in the form of checking and savings accounts and certificates of deposit of varying maturities while a commercial bank issues loans in the form of personal and business loans as well as mortgages. The term commercial bank came about as a way to distinguish it from an "investment bank." The primary difference between a commercial bank and its counterpart is that a commercial bank earns revenue by issuing primary loans from its pool of deposits while an investment bank brings debt and equity offerings to market for a fee. Among its assets, including loans, a commercial bank holds a portfolio of other securities to generate proprietary income. Commercial bank is one, which exchange money deposits money, accept deposits grants loans and performs commercial banking functions and which is not a bank meant for co-operation, agriculture and industries or for such specific purpose.

The American Institute of the Banking has down the four major functions of Commercial Bank such as receiving and handling deposits, handling payments for its clients making loan and investments and creating money by extension of credit.

Commercial banks are the important type of financial institution for the nation in terms of the aggregate assets. The business of banking is very broad in modern business age. The number and variety of services provided by commercial bank will probably expand. Recent innovation in banking includes the introduction of credit cards, accounting services for business firms, factoring, leasing participation in the Eurodollar market and lock-box banking (Bhandari, 2003). The major functions of the commercial banks are explained in brief below:

- Creating Money
- Payment Mechanism
- Pooling of the Nation is Saving
- Extension of credit
- Facilities for the financing of foreign Trade
- Trust Service
- Safekeeping of Valuables

2.1.2 General Concept of Financial Analysis

Research into data relating to the stability and profitability of businesses, especially to guide one's investing practices is broadly called as the Financial Analysis. At its most basic, financial analysis involves looking at financial statements to determine if a company is healthy. Balance sheets are important to financial analysis as they provide a ready-made means of investigating performance. However, it is important to note that quantitative financial analysis has limits: the accounting methods a particular business employs, for example, may make it look more or less healthy than it really is (Pandey, 2005).

Profit is one of the indicators of sound performance, which indicates the result of sound business management. “Profit earned by the firm is the main financial performance indicators of the business enterprise”. So, every business organization is established with view of earning profit. Bank is also established with the objectives of maximizing the profit. Profit is necessary of long term existing of business. An Investor always invests in that area where profit is maximum. Financial statement is the indicator of business performance that whether business is profitable or not.

Financial statement analysis is helpful to the decision maker for finding out favorable or unfavorable situation of a business concern. Financial statement analysis is important not only for the firm's managers but also for the firm's investors and creditors. Internally, financial managers use the information provided by financial analysis to help make financing and investments decisions to maximize the firm's value. Externally, stockholders and creditors use financial statement analysis to evaluate the attractive of the firm as an investment by examining its ability to meet its current and expected financial obligations. Financial analysis reflects the financial position of a firm, which is the process of determining the operational and financial characteristics of a firm. Financial analysis also includes consideration of the strategies and economic development. Financial analysis is the main indicator of success or failure of the company. The main function of financial analysis is the pinpointing of the strengths and weakness of a business undertaking by regrouping and analysis of figures contained in financial statements, by making comparison of various components and by examining their content. This can be used by financial managers as the basis to plan future financial requirement by means of forecasting and budgeting procedures (Weston and Brigham, 2007:278).

Financial statement analysis involves a comparison of analysis firm's performance with that of other firms in the same line of business which often is identified by the firm's industry classification. Generally speaking, the analysis is used to determine the firm's financial position in order to identify its current strength and weakness and to suggest actions that might enable the firm to take advantage of the strength and correct its weakness

2.1.3 Financial Statements

The Financial Statements are the means of presentation of a firm's financial condition and basically consist of two types of statements - The Balance Sheet & Income Statement. These are prepared to report the overall business activities as well as financial status of the firm for a specified period to its stakeholders. These contain summary of information regarding financial affairs that is organized systematically. The top management is responsible for preparing these statements (Pradhan, 2004).

The basic objective of financial statements is to assist in decision making. The analysis and interpretation of financial statements depend on the nature and type of information available. Hence financial statement refers to any formal and original statement that discloses the financial information related to any business concern during a period. The income statements and balance sheet usually prepared at the end of each financial year show the firm's position.

A) Balance Sheet

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

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

B) Income Statement

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

2.1.4 Financial Performance Analysis

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

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

"Financial Analysis is the process of identifying the financial strengths and weaknesses of the firm by properly establishing relationship between the items of the balance sheet and profit and loss account."Analyzing financial statements is a process of evaluating relationship between component parts of financial statements to obtain a better understanding of a firm's position and performance" (Pandey, 2005:260).

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

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

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

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

“Financial statement analysis involves a comparison of firm’s performance with that of other firms in the same line of business which often is identified by the firm's industry classification. Generally speaking, the analysis is used to determine the firm's financial position in order to identify its current strengths and weakness and to suggest actions that might enable the firm to take advantage of the strengths and correct its weaknesses” (Van Horne, 1999).

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

statements spotlights the significant facts and relationship concerning managerial performance, corporate efficiency, financial strength and weakness and credit worthiness that would have otherwise been buried in a maze of details.

2.1.5 Objectives of Financial Analysis

Financial analysis enables us to explore various facts related to the past performance of business and predict about the potential for achieving expected results. Major objective of analysis of financial statement is to assess various factors in relation to the business firm *(Panday, 2005).*

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

On the other hand we can summarize the objective of the Financial Statement Analysis as:

Equity Investment

Here look at risk vs. return, take into account inflation, recessions, etc

Credit Extension

Look at financial statements to determine the short term cash generating ability.

Corporate bond Investment

Here look at the long-run viability of the firm - based on financial statements and the economic factors.

Supplier/Customer health

Use financial statements to assess the health of key suppliers or customers to whom you extend credit.

Competitor analysis

Analyze financial statements to determine market share, pricing, product mix, etc.

2.1.6 Need of Financial Analysis

Financial statement analysis is used to identify the trends and relationships between financial statement items. Both internal management and external users (such as analysts, creditors, and investors) of the financial statements need to evaluate a company's profitability, liquidity, and solvency. The most common methods used for financial statement analysis are trend analysis, common-size statements, and ratio analysis. These methods include calculations and comparisons of the results to historical company data, competitors, or industry averages to determine the relative strength and performance of the company being analyzed *(Panday, 2005).*
The need for the analysis of financial statement arises in order to address the following question:

a) How was the firm doing in past? Was there any problem? If so in what areas?
b) How it is doing at present? Is it doing better compared to the past performance, competitors and industry average? Is there any problem at present? If so, in what areas?
c) What about the future? Is there any likely problem on the way in the future? What will its position be in the future?
d) What are the expected results of recommendations? Are there improvements?

2.1.7 Limitations of Financial Analysis

Financial Analysis is of great significance for investor, creditors, management, economist and other parties having interest in business. It helps managements to evaluate its efficiency in past performance and take decisions relating to the future. However, it is not free from drawbacks. Its limitations are listed as:

A. Historical nature:

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

B. No substitute for judgment:

Analysis of financial analysis is a tool to be used by expert analyst to evaluate the financial performance of a firm. That’s why it may lead to faulty conclusion if used by unskilled analyst.

C. Reliability of figures:

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

D. Result may have different interpretation:

Different users may differently interpret the result derived from the analysis. For example, a high current ratio may suit the banker but it may be the index of insufficiency of the management due to under- utilization of fund.

E. Change in accounting methods

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

F. Selection of appropriate tool

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

2.1.8 Techniques of Financial (Statement) Analysis

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

a. Ratio Analysis

b. Du Pont System of Financial Statement Analysis

c. Common Size Analysis

d. Funds Flow Analysis

e. Cash Flow Analysis

a. Ratio Analysis:

Ratio Analysis has been used as a major tool in the interpretation and evaluation of financial analysis. The term ratio refers to the numerical quantitative relationship between the two items/variables. A ratio is calculated by dividing one item of the relationship with the other base. In financial analysis, a ratio is used as a yardstick for the evaluation of financial performance of the firm. "The analysis of financial ratio involves two types of comparison. First, the present ratio may be compared with the past and expected future ratios for the same company and second, the method of comparison involves comparing the ratios of one firm with those of similar firm or with industry averages at the same point, in time. Such comparison gives insight into the financial performance of the firm." Ratio analysis is widely in use. It may not give the entire picture of an enterprise. Ratios themselves are not conclusion. They are only the means. The Ratios are calculated from data available in the financial statement of an enterprise. The Ratio completed from the available data are numerical, there should not be the tendency to regard them as a precise portrayals of a firm true financial status. For some firms, accounting data may closely approximate economic reality, for others, it is necessary to go beyond the figures in order to obtain their financial condition of performance *((Panday, 2005).*

Types of Ratios

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

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

i) Liquidity Ratio

Liquidity refers to the ability of enterprises to pay its current liabilities. Liquidity implies the utilization of such funds of the firm which are idle or in very little amount. A proper balance between the two contradictory requirements i.e. liquidity and profitability are required for the

efficient financial management. The more current assets associated with high liquidity and low profitability and vice versa. The less current Ratio and quick Ratio are the most widely used ratios for the general purpose to measure the liquidity position of an enterprise.

ii) Capital Structure/Leverage Ratios

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

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

iii) Activity Ratio

Activity Ratio may be defined as the test of relationship between sales and various types of Activity Ratios. Activity Ratios are employed to evaluate the efficiencies with which the firm manages and utilizes its assets. These Ratios are also called Turnover Ratios because they indicate the speed with which the assets are being covered or turned over into sales. So Activity Ratios presume that there exists an appropriate relationship between sales and various assets. The more important Activity Ratios for general -purpose analysis are Inventory Turnover Ratio, Total Assets Turnover Ratio, Fixed Assets Turnover Ratio, Capital Employed Turnover Ratio etc.

iv) Profitability Ratio

Profitability is very important aspect of management of any enterprise. It shows the overall performance of an enterprise. The Profitability Ratios are calculated to measure the operative effectiveness of an enterprise. Besides management of the company, creditors and owners are

interested in the Profitability Ratios of the firm. Profitability Ratios can be calculated on the basis of either sales or investment. The important Profitability Ratios, calculated in relation to sales are Net Profit Margin, Gross Profit Margin, and Operating Expenses Ratio etc. Similarly, the important Profitability Ratios, calculated in relation to investment are Return on Shareholders' Equity, Return on Capital Employed, and Return on Fixed Assets etc. Together these Ratios indicate the firm's efficiency of operation

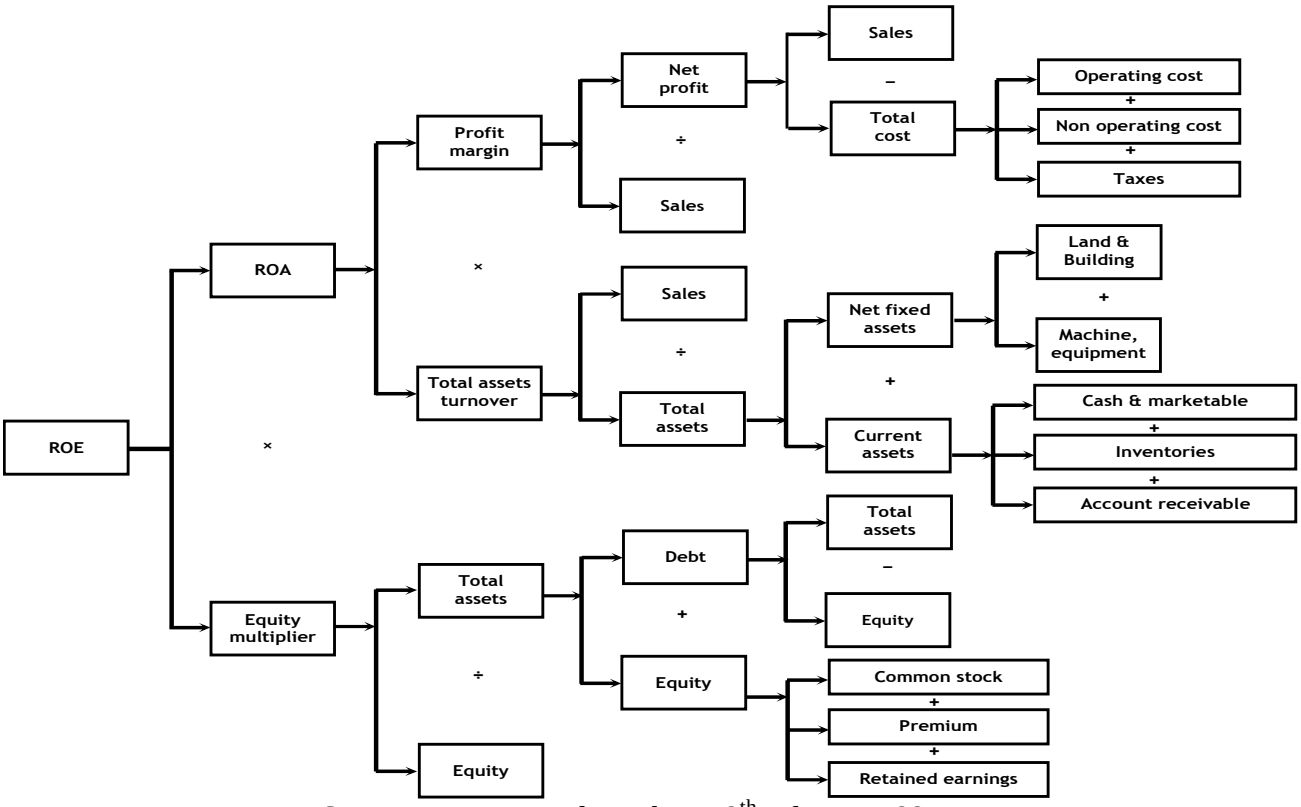
b. Du Pont System of Financial Statement Analysis

"The Du Pont system is designed to show how the profit margin on sales, the assets turnover ratio and the use of debt interact to determine the rate of return on equity" (Weston and Birgham, 2007).

The Du Pont system of financial statement analysis is developed by the financial experts of the Du Pont Company by putting together the effects of profitability, investment and the equity ratios. The approach is based on the relationship among the three basic areas of the firm such as (i) cost controlling area (ii) Assets management area and (iii) Financial leverage area. The directed to address the concern of the shareholders; hence its main focus is on the return on equity (ROE)The ROE is analyzed in terms of the factors that directly affect the ROE. The factors such as costs, assets utilization and leverage ratio are the grounds on which several test are made to see how the ROE is affected by such factors. The following modified Du Pont Chart presents the relationship among these factors and ROE.

Figure 2.1

Du Pont System of Financial Analysis



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

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

Du Pont equation defines ROE as a product of ROA and equity multiplier and ROA as a product of profit margin and total assets turnover.

The Du Pont equation is as follows:

ROE = ROA x equity multiplier

= profit margin x total assets turnover x equity multiplier

= Net profit/sales x sales/total assets x total assets/ equity

c. Common Size Analysis

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

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

d. Funds Flow Analysis

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

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

Method of preparing funds flow statement depends essentially upon the sense in which the term 'fund" is used. There are three concept of fund: cash concept, total resources concept and working capital concept. According to cash concept, the word fund is synonymous with cash. Total resources concept refers total assets and resources as fund. The term' fund" represents only to working capital on the stated last concept However, working capital concept of fund has gained wide acceptance as compared to the other concepts. Therefore any transaction that

increases the amount of working capital is taken as source of fund while conducting funds flow analysis. Any transaction that decreases working capital is treated as application. But, any transaction that affects current liabilities or current assets without resulting any changes in working capital is not taken as sources or use.

e. Cash Flow Analysis

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

It deals the causes of changes in cash position for the period of two balance sheets date in brief. At the time of preparing cash flow statement, only cash receipt from debtors against credit deals are considered as the source of cash. Similarly, cash purchases and cash payments to suppliers for credit purpose are regarded as the uses of cash. The same holds true for expenses and incomes outstanding and prepaid expenses are not to be considered under this analysis *(Panday, 2005).*

2.2 Review of Related Studies

2.2.1 Review of Journals and Articles

The review of journal and articles are necessary for analyzing deeply on the related subject matter. In this section, effort has been made to examine and review of some related articles in different economic journals, magazines, newspapers and other related books.

Dr. M.K. Shrestha, (2047B.S.) in his articles, "*Commercial Bank's Comparative Performance Evaluation*", the theme of the review is as follows:

The journal stresses on a proper risk management with appropriate classification of loans under performing and non performing category. Researcher further clarify that adequate provisioning is the surest way to get relief from sinking loan after careful consideration of portfolio risk. A clear out criteria is necessary to treat interest suspense account and it is advisable that all interest unpaid for more than six month need to be treated as unearned income. Regarding risk management of banks Dr. Shrestha's other suggestion are as follows:

- Any customer having overdue loan of two years or more in his account should not be given other loan facilities.
- Strong provisioning or reservation is required in restructuring portfolio relating to overdue loans.
- All credits including overdrafts should be given a maturity date and should be subjected to revision at that date and consequently categorize as good, substandard or doubtful loans.
- Financial credit worthiness of the borrower must be evaluated properly before granting the loans.

Dr. Shrestha's suggestions are focused towards proper risk management. Whatsoever , aspects of the bank the above journals target, they all have to be combinable assessed and kept in strict consideration for effective and efficient financial performance of the banks in the Nepalese economy.

Poudel (2007) gives more emphasis on financial performance of financial companies in his article "*An Overview Financial Companies of Nepal***"**. He had written that at the time 1996, the ratio of capital funds to deposits has been increasing over the time but on top of this , it is substantially below than the authorize level of deposit mobilization, which is ten times of the capital base. Never the less, some of the finance companies have even mobilized the deposits by more than ten times of their capital base by violating the regulatory norms issued by NRB. The credit/ deposit ratio has remained quite high leaving the room for doubt about the quantity of loan especially in the absence of repayment schedule. The loan diversification has been improved however, during a short span of time. As such, the hire purchase housing and term loans are the major sectors, which all together received more than 95% of the total loan and advances in mid July 1996. Because of the mushrooming growth of the number of finance companies, the average sources of funds for each company are natural to decline. Since the varying factor, it is too early to evaluate the performance of financial companies in Nepal but equally important factor is that the regulatory and supervisory authority should keep close eyes to monitor their activities.

Mundul (2008) in article "*Understanding of credit derivative"* emphases Credit derivative enable financial institution and companies to transfer credit risk to a third parity and thymus reduce their exposure to the risk of an obligor's default. Credit enhancement technique, which helps reduce the credit risk of an obligation, play a key role in encouraging loans and investment in debts. In legal term credit derivative are privately negotiated bilateral contract to transfer credit risk from one party to another. Some credit enhancement methodologies have existed for the in debts. Some credit enhancement methodologies have existed for a longtime with the support of guarantee, letter of credit or insurance product. However such mechanism works best during economic upturns. As an alternative to commercial risk mechanism, various financial mechanisms have been developed over the past few decades. Such credit risks instruments are normally refer to as credit derivatives. Credit derivative helps to transfer credit risk away from the lender to some other party. Now credit derivative grew popular both as tools for hedging credit risk exposure as well as method of investing in certain types of credit risk.

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

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

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

Mr. John Wales, (2009) in his article, "*Financial Analysis: Technical Analysis Alerts*" (http://www.articlesbase.com/leadership-articles) before focus that starting on the financial analysis, there are things that must be prepared beforehand. This is a checklist of the factors that need to be identified specifically for this task:

- What is the precise nature and range of the issue that needs analysis? Will this have a relative significance in the overall context of the business?
- What specific trends, relationships and variables can help the analysis of this issue?
- Is there any possible way to derive to an estimate of the probable result?
- How reliable and exact are the available data? How can this data have an immediate effect on the range of results of the analysis?

The above are only a few of the things that need clarification before conducting an analysis. There is still some immediate information that can have a direct and indirect effect on the stature of the business.

But as always, a financial analysis is being conducted in order to assess the outflow of the business. More so, the analysis can also increase the business' productivity and help identify waste. As such, there are really a number of business owners who conduct this analysis at the end of their fiscal year. Yet, there are some business owners who conduct the analysis several times throughout the year. This is so they can achieve the optimum performance evaluation of their business.

Poudel (2010) in the article, "*Present Condition of Financial companies*" has presented with compared to the commercial bank, the interest rate is relatively high that is provided and accepted by finance companies. The financial companies should not be confined only in the valley. They should extend their services to the rural sectors of Hill and Terai to reduce regional imbalance. The collection of deposit and loan investment done by the commercial banks also, to sustain themselves in the environment of competitions, they should introduce novel technology and equipment's to collect deposits and investments .They should learn from the drawbacks, failure and success of commercial banks to effectively maintain as alternative status.

2.2.2 Review of Previous Thesis

Joshi, S. (2003) conducted a study on "*A Comparative Study on Financial Performance of Standard Chartered Bank Nepal Limited and Everest Bank Ltd*" here various financial research and statistical tools have been used to achieve the objective of the study. The analysis of data will be done according to the pattern of data available. Likewise, some financial tools such as

ratio analysis and trend analysis have also been used for financial analysis. The specific objective of the study are as follows

- To evaluate Liquidity Ratio, Activity Ratio, Profitability Ratio and other market related ratios of these sample banks.
- To analyses relationship between deposit and investment, deposits and loan & advances, net profit and outside assets of EBL, and SCBNL
- To find out the trend analysis of deposit, investment, loans and advances and net profit.
- To provide suggestions for the improvement based on findings.

The conclusions states that the mean current ratio of EBL is slightly higher than that of the SCBNL and the variability of ratio of EBL is more consistence than SCBNL in comparison. The mean ratio of cash and bank balance to total deposit of SCBNL is lower in comparison to EBL. SCBNL has better liquidity position than EBL because of the high volume of liquidity indicated the inability of the bank to mobilize its current assets. Moreover SCBNL's ratios are homogeneous than EBL. The mean ratio of cash and bank balance to current assets of SCBNL is lower in comparison to EBL. Similarly, SCBNL's ratios of the study period are more consistent than EBL. The mean ratio of loan and advances to total deposit of EBL is higher than SCBNL. It can be said that EBL used to provide grater loan and advance in comparison to its total deposit than SCBNL. Likewise, SCBNL's ratio seems to be variable them EBL. The mean ratio of investment on government securities to total working fund of SCBNL is higher than EBL. Consequently, it has consistency in maintaining the ratio than EBL. The mean ratio of return on loan and advances of SCBNL has found to be significantly grater than EBL with more consistency than that of EBL. The mean ratio of credit risk of SCBNL is lower than that of EBL's ratios are more consistent than that of SCBNL. Growth ratio of deposit is more consistent than that of SCBNL is lower i.e. 19.28% in comparison to EBL i.e. 76.46%.

The main statement of the problem of his research is the investment decision is the major tool of financial institution. There are many finance companies and commercial banks operating in Nepal. The fast growth of such organizations has made pro-rata increment of in collecting deposits and their investment. They collected adequate amount from the mass, however they could not find or locate new investment sectors required to mobilizes their fund on the changing

context of Nepal. Many banks or companies succumbed to liquidation although they had sustainable investment capacity. The increasing rate of liquidity has caused a downward trend in investment sectors. It has ensured bad impact on interest rate to the depositors, lower market value of shares etc. for the assessment of such adverse impact, this study has shown to contrast and analyses the investment policy of joint venture banks. Joint venture banks viz. standard chartered bank Nepal Ltd and Everest bank limited. The main objectives are compare investment policy of concern banks, find out the empirical relationship among total investment, deposit, deposit utilization loan and advance, net profit and outside asset and compare of SCBNL and EBL.

Karki, B. R. (2004) in his entitled thesis "*A Comparative Study on Financial Performance of NABIL Bank and Standard Chartered Bank Limited*" dissertation found that the development of any country largely depend upon its economic development capital formation is the prerequisite in setting the overall pace of the economic development of a country. Well-organized financial system contributes to the process of capital formation by converting scattered saving into meaningful capital investment in order to aid industry, trade, commerce and agriculture for the economic development of the nation. The financial institution play dominant role in the process of economic development. Banks are indispensable elements in these systems. Commercial banks furnish necessary capital needed for trade and commerce for mobilizing the dispersed saving of the individuals and institutions. They provide the bank of the money supply as well as the primary means of facilitating the flow of credit.

The main objectives of his research are over all analysis of financial performance. Here various financial accounting and statistical tools have been used to achieve the objective of the study. The main objectives of the study are:

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

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

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

The specific objectives of his research are:

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

The research findings of the study are summarized as:

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

government. Heavy remittance has also helps to increase the amount of deposits in bank. On the other hand, due to political crisis, economic sectors have been fully damaged.

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

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

The objectives of his research are:

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

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

The research findings of the study are as follows:

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

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

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

- To evaluate Liquidity Ratio, Activity Ratio, Profitability Ratio and other market related ratios of these sample banks.
- To analyses relationship between deposit and investment, deposits and loan & advances, net profit and outside assets of EBL, BOK and SCBNL
- To find out the trend analysis of deposit, investment, loans and advances and net profit.
- To provide suggestions for the improvement based on findings.

The main finding and recommendation of the study are as follows:

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

The researcher study concluded that among three sample bank BOK maintained the highest liquidity position during the research period in comparisons to other two banks. The ratio of

liquid fund to current liability of BOK is higher than tow banks. The study further added that SCBNL had the excellent assets utilization in order achieve the goal of maximizing the shareholder's wealth. In the same way SCBNL generated the highest net profit and paid the highest dividend per share to shareholders.

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

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

The main objectives of the research study are as follow.

- To evaluate various financial ration of the Nabil Bank.
- To analyze the portfolio of lending of selected sector of bank.
- To determine the impact of deposit in liquidity and its effect on lending practices.
- To offer suitable suggestions based on findings of this study.

The research findings of the study are as follows:

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

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

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

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

The analysis of data will be done according to the pattern of data available. Likewise, some financial tools such as ratio analysis and trend analysis have also been used for financial analysis. From the detail analysis the research, the findings of the study are as follows.

The current ratio of NABIL and EBL is considerable. This can be regarded as good liquidity position. The mean current ratio of NABIL is 1.89 and EBL is 1.14. The current ratio of NABIL is little higher than EBL. It is indicate better liquidity position of NABIL. Return on equity of NABIL is higher than EBL. Liquidity position of EBL is comparatively better than NABIL.

Lower liquidity position of NABIL shows that the current assets have been utilized in some profit generating sectors, but EBL has over liquidly position.

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

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

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

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

The main conclusion and finding of the study are overall aspect of liquidity position of EBL is comparatively better than HBL. The mean current ratio of EBL is 1.14 and HBL is 1.10. EBL is sound in meeting short-term obligation than HBL. Cash and bank balance to total deposit ratio of EBL has higher which indicates higher liquidity.. The higher ratio shows EBL's liquidity

position is better than that of HBL. Investment on government securities to current assets of HBL is higher than EBL. EBL has invested low of their funds in purchasing of government securities.

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

Profitability ratios, return on loan and advances ratio of HBL is higher than that of EBL. It refers that HBL seems to be success to earn high profit on loan and advances. Return on total assets ratio of EBL is higher than HBL. But it has greater variability in the ratio. EBL seems successful in managing and utilizing the available assets. Total interest earned to total operating income ratio of HBL is lower than EBL. Total interest paid to total assets ratio of EBL is higher than HBL. It shows EBL has high interest expenditure to total assets. It supports EBL to increase to interest paid to operating income.

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

Bhattrai, R.C. (2011) research entitled "*Comparative financial analysis of NABIL bank and Standard chartered t bank ltd.* In his research main objective is to study the financial position of NABIL and SCBNL. The main objectives of the study are as follow:

- To present the existing financial position of NABIL and SCBNL.

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

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

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

The correlation between deposits and loan and advances of NABIL and SCBNL is 0.993 and 0.924. It is shows that both have the positive relationship. It refers that deposit and loan and advances of NABIL move together very closely but not proportionately. Moreover, 98.60 percent of NABIL and 98.38 percent variation of SCBNL in loan and advances have been explained by deposit. The relationship between deposits and loan and advances is significant.

The trend of total deposit of NABIL and SCBNL is in increasing trend. The Trend of Total Investment between NABIL and SCBNL are also increasing in making investment. SCBNL has higher trend of increasing total investment than NABIL. The trend of Net profit of NABIL and SCBNL is increasing. The trend of increasing value of net profit of SCBNL higher at beginning but at last NABIL exceeds. But increment of NABIL is aggressive.

2.3 Research Gap

This research comparative study on financial performance of NABIL, HBL and NIBL is done by measuring various ratios analysis, trend analysis and various financial tools as well statistical tools. In this research various ratio are systematically analyzed and generalized. The ratios are categorized according to nature. Here in this research all ratios are categorized according to their area and nature. In this research data are used only five fiscal year but all the data are current and fact. This study tries to show financial analysis by applying and analyzing various financial tools like liquidity ratio, asset management ratio, profitability ratio, risk ratio and other ratio as well as different statistical tools like average mean, standard deviation, coefficient of variation coefficient of correlation and trend analysis. Probably this will be the appropriate research in the area of financial analysis of Bank and finance. So this research is helpful to every one who is concern about financial analysis of company as well as other stake holder.

CHAPTER – III
RESEARCH METHODOLOGY

3.1 Introduction

Research in common parlance refers to a search for knowledge. The Webster international Dictionary gives a very inclusive definition of research as "a careful critical inquiry or examination in seeking facts and principles diligent investigation in order to ascertain something. Research is a systematic inquiry for seeking facts and methodology means the analysis of specific topic by using proper method. In other words research methodology is the way to solve systematically the research problem (Kothari, 1999: 61).

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

3.2 Research Design

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

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

Since the main objectives of this study is to financial analysis of the banks, all the indicators that shows the financial performance of the banks were calculated using data obtained from the five year end internally generated accounting records maintained by sampled Banks. The study depends on the secondary data. Various financial parameters and effective research techniques

are employed to evaluate the financial performance of the banks. Furthermore, various descriptive as well as analytical techniques are used. The study is designed as to give a clear picture of the Bank's financial circumstances with the help of available data with useful suggestions and recommendation. So the descriptive and analytical research designs have been used.

3.3 Population and Sample

At present thirty one Commercial banks are operating in Nepal. All the commercial banks that are operating in Nepal are considered as the population. It is not possible the study all the data related with all 31 commercial banks because of the limited time period and showed also taken in to consideration of the partial fulfillment of the Master's Degree. Currently aggregate 31 commercial banks are running in Nepal. They all 31 Commercial bank are taken as population. These three commercial banks i.e. NABIL, HBL and NIBL have been selected as sample for the present study.

3.4 Nature and Sources of data

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

3.5 Data Collecting Procedures

The annual reports of the concerned banks were obtained from their head office and their websites. The main sources of data are annual report of concern financial institute. NRB publication, such as Banking and Financial Statistics Economic Reports, Annual Reports of NRB etc .has been collected from the personal visit of concerned department of NRB at Baluwatar. Besides, a details review materials are collected from the library of Shanker Dev Campus and central library of T.U.

3.6 Tools and Techniques used

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

- Financial tools
- Statistical tools

3.6.1 Financial Tools

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

3.6.2 Analysis of Financial Rations

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

3.6.3 Ratio Analysis

Ratio analysis is a technique of analysis and interpretation of financial statement. To evaluate the performances of an organization by creating the ratios from the figure of different accounts consisting in balance sheet and income statement is known as ratio analysis. Five types of ratios have been analyzed in this study, which are related to fund mobilization of the banks. They are presented below:

A. Liquidity Ratio

Liquidity ratio measures the ability of the firm to meet its current obligations. A commercial bank must maintain its satisfactory liquidity position to meet the credit need of the community. Liquidity provides honor strength health and prosperity to an organization. It is extremely

essential for an organization to meet its obligations as they become due. A firm should ensure that it has not lack of liquidity and also that it is not too much highly liquid.

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

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

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

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

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

Where,

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

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

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

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

Investment on Govt. securities to total current assets ratio =

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

Where**,**

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

B. Assets Management Ratio:

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

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

$$\textit{Loan and Advances to Total Deposits Ratio} \, \text{X} \frac{\textit{Loan and Advances}}{\textit{Total Deposits}}$$

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

$$\textit{Total Investment to Total Deposits Ratio} \ \text{X} \frac{\textit{Total Investment}}{\textit{Total Deposits}}$$

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

$$\textit{Loan and Advances to Total Working Fund Ratio}\ \mathrm{X}\frac{\textit{Loan and Advance}}{\textit{Total Working Fund}}$$

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

$$\textit{Investment on Govt. Securities to TWF Ratio}\ \mathrm{X}\frac{\textit{Investmenton Govt. Securities}}{\textit{Total Working Fund}}$$

C. Profitability Ratio:

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

i) Return on Loan and Advances Ratio:

Return on loan and advances ratio shows how efficiently the banks have utilized their resources to earn good return from provided loan and advances. This ratio is computed as,

$$\textit{Return on Loan and Advances Ratio}\ \mathrm{X}\frac{\textit{Net Profit / Loss}}{\textit{Loan and Advances}}$$

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

$$\textit{Return on Total Working Fund Ratio}\ \mathrm{X}\frac{\textit{Net Profit}}{\textit{Total Working Fund}}$$

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

$$\textit{Total Interest Earned to TWF Ratio} \, \mathrm{X} \frac{\textit{Total Interest Earned}}{\textit{Total Working Fund}}$$

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

$$\text{Total Interest paid to Total Working Fund Ratio} \, \mathrm{X} \frac{\textit{Total Interest Paid}}{\textit{Total Working Fund}}$$

D. Risk Ratios:

Commonly, risk means chance or possibility of loss, uncertainty which lies in the business transaction of investment management. When a firm wants to bear risk and uncertainty, profitability and effectiveness of the firm is increased. This ratio checks the degree of risk involved in the various financial operations. For this study following risk ratios are used to analyze and interprets the financial data and investment policy.

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

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

ii) Credit Risk Ratio: - Bank utilizes its collected funds in providing credit to different sectors. There is risk of default or non-repayment of loan. While making investment, bank examines the

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

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

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

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

E. Other Ratios

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

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

b) Market Price per Share

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

c) Price Earning Ratio

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

firm's earning. Higher ratio indicates the more value of the stock that is being ascribed to future earning as opposed to present earning.

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

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

3.7 Statistical Tools

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

3.7.1 Average Mean

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

Mathematically:

Arithmetic Mean (AM) is given by,

$$\bar{X} \text{ X} \frac{X}{n}$$

Where, $\bar{X}$ = Arithmetic mean

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

n = Number of observations

3.7.2 Standard deviation:

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

$\pm X\sqrt{\frac{x^2}{N}}$

Where, x = $\int X Z \overline{X} I$

3.7.3 Coefficient of variation

The coefficient of variation reflects the relation between standard deviation and mean. The relative measure of dispersion based on the standard deviations known as coefficient of variation. The coefficient of dispersion based on standard deviation multiplied by 100 is known as the CV. It is used for comparing variability of two distributions; the CV is defined as,

$$CV = \frac{\pm}{\overline{X}} \varepsilon \ 100$$

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

3.7.4 Coefficient of correlation (r)

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

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

Deposit have played a very important role in performance of commercial banks and similarly loan & advances are important to mobile the collected deposits. Coefficient of Correlation between deposit and loan & advances measures the degree of relationship between the two variables. In this analysis, deposit is independent variable (X) and loan & advances is dependent

variables(Y). The main objectives of computing 'r' between these two variables are to justify whether deposits are significantly used on loan & advances in a proper way or not.

The following table shows the value of 'r', '$r^{2'}$ probable Error (P.Er) and P.Er between deposit and loan & advances for the study period 2006/07 to 2010/11.

3.7.5 Trend Analysis

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

$Y = a + bx$

Here,

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

Where,

Y = Dependent variable

x = Independent variable

a = Y – intercept

b = Slope of the trend line

CHAPTER - IV
PRESENTATION AND ANALYSIS OF DATA

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

4.1 Financial Analysis

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

4.1.1 Liquidity Ratio

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

i) Current Ratio

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

Table: 4.1

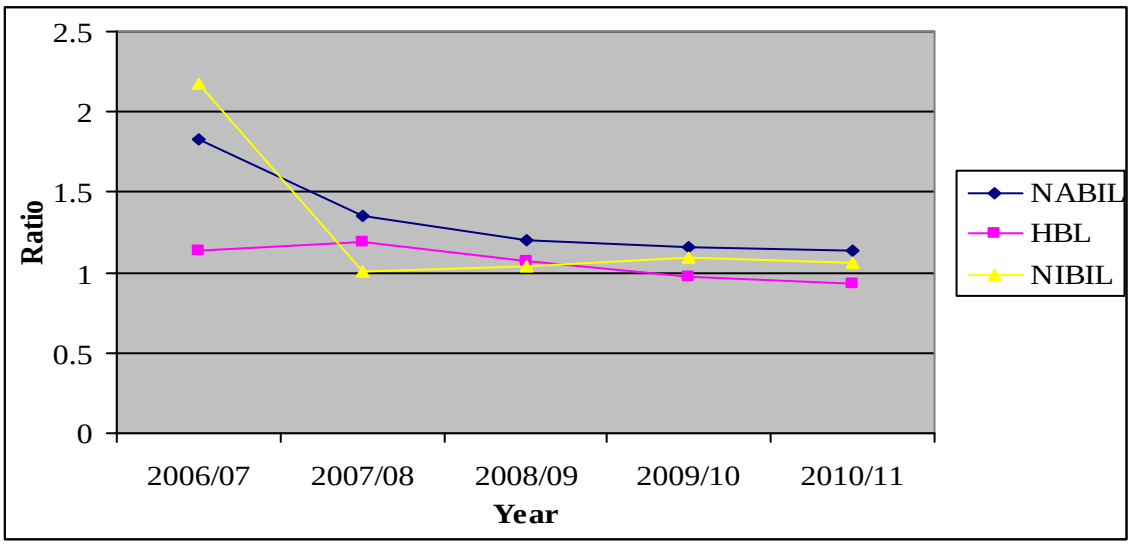
Current Assets to Current Liability

Year	Bank		
	NABIL	**HBL**	**NIBL**
2006/07	1.83	1.14	2.17
2007/08	1.35	1.19	1.01
2008/09	1.20	1.07	1.04
2009/10	1.16	0.97	1.09
2010/11	1.14	0.93	1.06
Mean	1.336	1.06	1.28
S.D.	0.288	0.11	0.503
C.V	0.2157	0.1038	0.394

Source: Appendix 5(I)

Figure: 4.1

Current ratio of NABIL, HBL and NIBL



Above table and figure shows the current ratio of NABIL, HBL and NIBL bank during the study period. The current ratios of NABIL and HBL have been decreasing whereas NIBL has fluctuating. In general, it can be said that all banks have sound ability to meet their short- term obligations. The highest ratio of NABIL, HBL and SBI are 1.83, 1.19 and 2.17 times in F/Y 2006/07 and 2007/08. Similarly lowest ratios are 1.14 times, 0.93 times and 1.01 times in F/Y

2010/11 and 2007/08. Likewise, S.D. and C.V. of NABIL are 0.288 and 0.2157, HBL are 0.110 and 0.1038 and NIBL are 0.503 and 0.394 respectively.

The average mean current ratio of NABIL, HBL and NIBL are 1.336 times, 1.06 times and 1.28 times. It is known that all these three banks have in better liquidity position because the standard ratio is more than 1:1. The average current ratio of NABIL is greater than HBL and NIBL. It indicates that NABIL has high portion current asset rather than current liability. Banks require more liquid assets with compare to current liabilities in order to provide better bank service. The HBL has lowest current ratio, which depict less liquidity position. The C.V. of HBL is lower than two banks which indicate consistently in its current ratio and highest C.V. of NIBL indicates high volatile in its current ratio.

ii) Cash and Bank balance to Current Assets Ratio

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

Table: 4.2

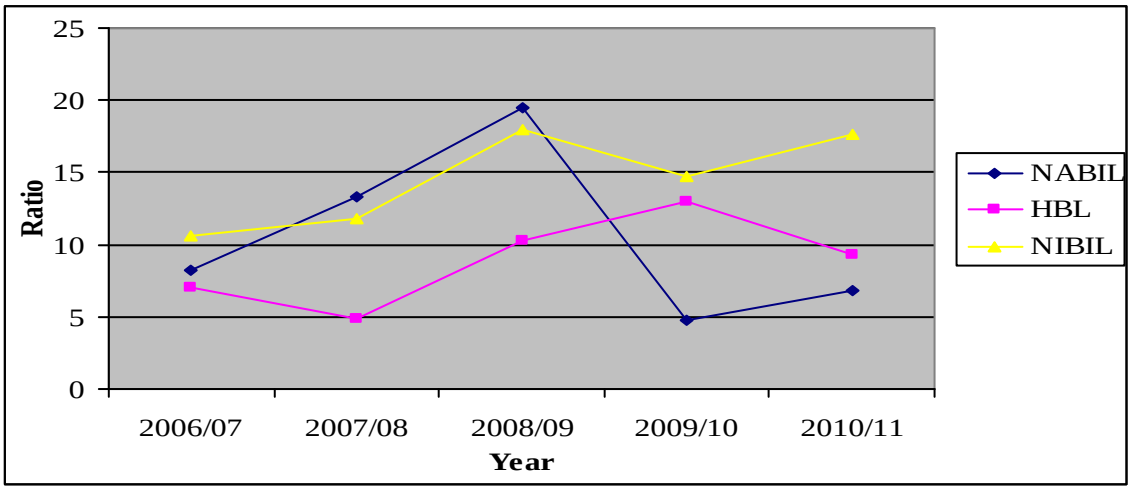
Cash and Bank balance to Current Assets Ratio

Year	Bank		
	NABIL	**HBL**	**NIBL**
2006/07	8.25	7.08	10.65
2007/08	13.27	4.92	11.78
2008/09	19.46	10.23	17.95
2009/10	4.73	12.95	14.75
2010/11	6.77	9.33	17.59
Mean	10.496	8.902	14.544
S.D.	5.921	3.062	3.306
C.V	0.5641	0.344	0.2273

Source: Appendix 5(II)

Figure: 4.2

Cash and Bank balance to Current Assets Ratio



Above table and figure shows the cash and bank balance to current assets ratio of NABIL, HBL and NIBL. The cash and bank balance to current assets ratio of all banks have fluctuating trend. The highest ratio of NABIL is 19.46% in year 2008/09 and lowest ratio is 4.73% in year 2009/10. The highest ratio of HBL is 12.95% in 2009/10 and lowest ratio is 4.92% in 2007/08. Similarly the highest ratio of NIBL is 17.95% in 2008/09 and lowest ratio is 10.65% in 2006/07. The standard deviation and coefficient of variation of NABIL are 5.921 and 0.5641, HBL is 3.062 and 0.344 and NIBL are 3.306 and 0.2273 respectively.

The average cash and bank balance to current assets ratio of NABIL, HBL and NIBL are 10.496, 8.902 and 14.544 percent. The average ratio of NIBL is greater than NABIL and HBL. It indicates that NIBL has high portion cash and bank balance form its current asset. It means NIBL is slightly sound liquidity position than other banks. The HBL has lowest current ratio. Which depict less liquidity position. The C.V. of NIBL also lower than other two banks. Which indicates consistently in balance in its ratio and highest C.V. of NABIL indicates high volatile in its cash and bank balance to current assets ratio.

iii) Investment of Government treasury bills to Current Assets Ratio

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

Table: 4.3

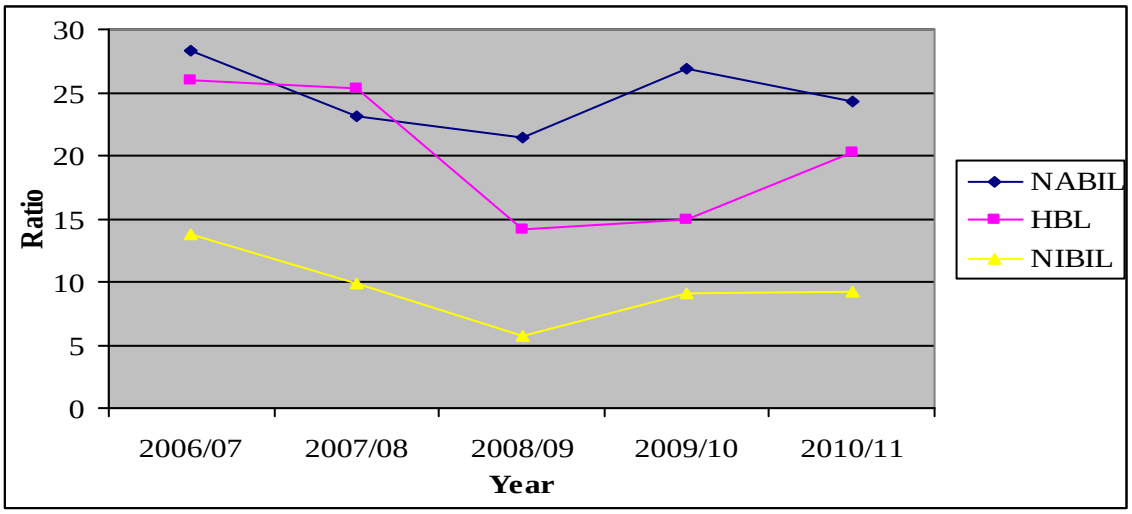
Investment on Government treasury bills to Current Assets

Year	Bank		
	NABIL	**HBL**	**NIBL**
2006/07	28.36	26.01	13.76
2007/08	23.09	25.37	9.89
2008/09	21.38	14.13	5.74
2009/10	26.85	14.96	9.09
2010/11	24.30	20.28	9.28
Mean	24.796	20.15	9.552
S.D.	2.8172	5.585	2.856
C.V	0.1136	0.2772	0.2990

Source: Appendix 5(III)

Figure: 4.3

Investment on Government treasury bills to Current Asset Ratio



Above t table and figure shows the investment on Govt. treasury bill to current asset ratio of NABIL, HBL and NIBL. The investment on Govt. Treasury bill to current asset ratio of al banks have fluctuating trend. The highest ratio of NABIL, HBL and SBI are 28.36%, 26.01% and 213.76% in F/Y 2006/07. Similarly lowest ratios are 21.38%, 14.13% and 5.74% in F/Y 2008/09. Likewise, C.V. of NABIL is 0.1136, HBL 0.2772 and NIBL 0.2990 respectively.

The average investment on Govt. Treasury bill to current asset ratio of NABIL, HBL and NIBL are 24.796%, 20.15% and 9.552%. The average ratio of NABIL has higher than HBL and NIBL. It indicates that NABIL has invested little high portion of its current asset. It means NABIL conscious in invest in risk free asset than other banks. The NIBL has lowest current ratio. Which depict less investment in Govt. treasury bills. The C.V. and S.D of NABIL has also lower than other two banks. This indicates low risky and consistently in its ratio and highest C.V. of NIBL indicates high volatile in its ratio.

iv) Investment on government Securities to Total Deposit Ratio

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

Table: 4.4

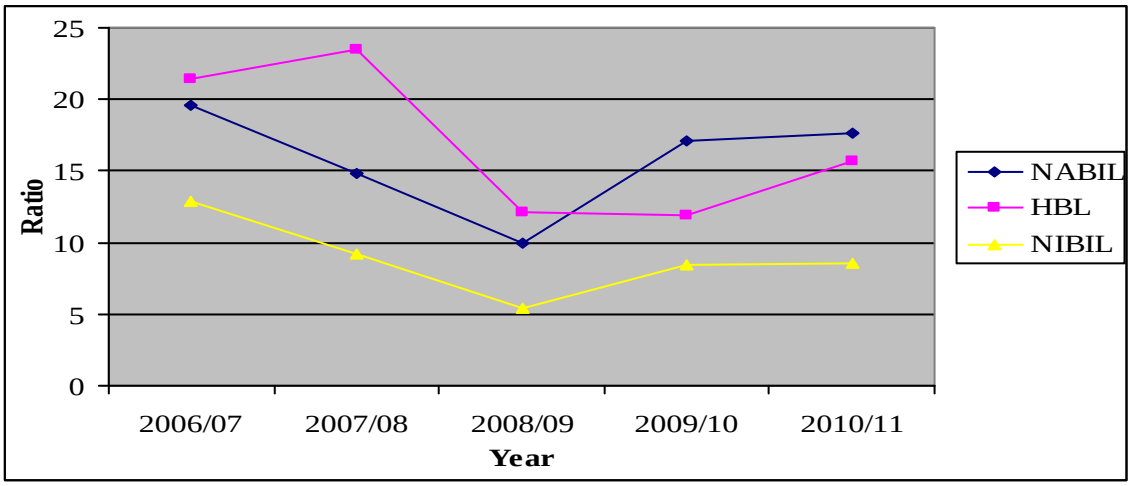
Investment on Government Securities to total Deposit ratio

Year	Bank		
	NABIL	**HBL**	**NIBL**
2006/07	19.63	21.48	12.88
2007/08	14.84	23.46	9.16
2008/09	9.92	12.15	5.42
2009/10	17.14	11.87	8.39
2010/11	17.60	15.66	8.57
Mean	15.826	16.924	8.884
S.D.	3.715	5.325	2.664
C.V	0.2347	0.3146	0.2998

Source: Appendix 5(IV)

Figure: 4.4

Investment on Government Securities to Total Deposit Ratio



The table and figure shows the investment on Govt. securities to total deposit ratio of NABIL, HBL and NIBL. The investment on Govt. securities to total deposit ratio of three sample banks have decreased fluctuating trend. The highest ratio of NABIL is 19.63% in year F/Y 2006/07 and lowest ratio is 9.92% in year 2009/10. The highest ratio of HBL is 23.46% in F/Y 2007/08 and lowest ratio is 11.87% in 2009/10. Similarly the highest ratio of NIBL is 12.88% in F/Y 2006/07 and lowest ratio is 15.42% in 2008/09. The coefficients of variation are 0.2347 of NABIL, 0.3146 of HBL and 0.2998 of NIBL respectively.

The average investment on Govt. securities to total deposit ratio of NABIL, HBL and NIBL are 15.826%, 16.924% and 8.884%. The average investment on Govt. securities to total deposit ratio of HBL is higher than NABIL and NIBL. It indicates that HBL use more total deposit in government securities. HBL is investing in government securities the most out its total deposit. The C.V. of NABIL is low, which indicates consistently in ratio but higher C.V. of HBL indicates high volatile in its ratio.

v) Cash and Bank Balance to Total Deposit Ratio

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

Table: 4.5

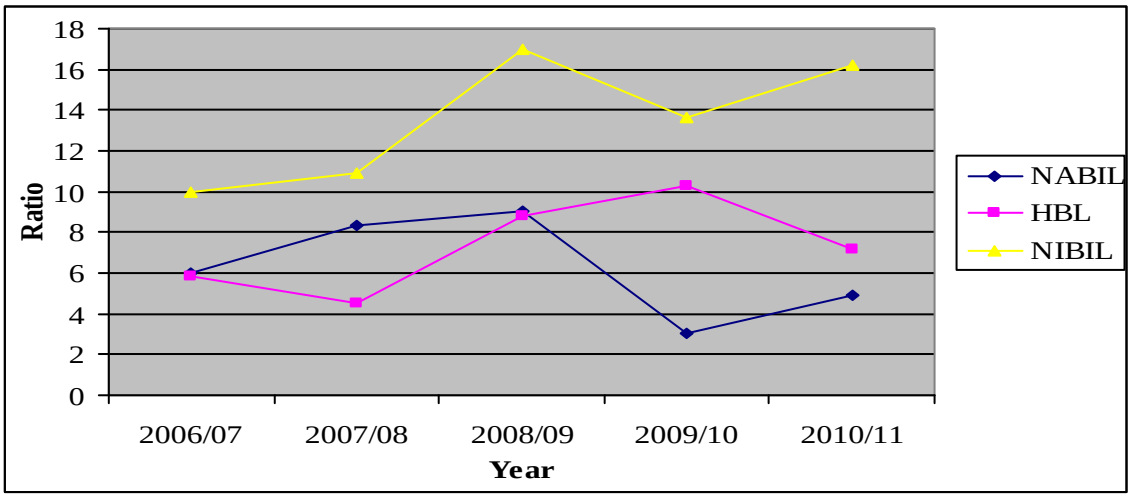
Cash and Bank Balance to Total Deposit Ratio

Year	Bank		
	NABIL	**HBL**	**NIBL**
2006/07	5.99	5.85	9.97
2007/08	8.37	4.55	10.9
2008/09	9.03	8.79	16.95
2009/10	3.02	10.28	13.61
2010/11	4.9	7.20	16.24
Mean	6.262	7.334	13.534
S.D.	2.4772	2.278	3.108
C.V	0.3956	0.3107	0.2296

Source: Appendix 5(V)

Figure: 4.5

Cash and bank balance to Total Deposit Ratio



Above table and figure shows the cash and bank balance to total deposit ratio of NABIL, HBL and NIBL. The cash and bank balance to total deposit ratio of NABIL, HBL and NIBL are fluctuating during the study period. The highest ratio of NABIL is 9.03% in F/Y 2008/09, HBL is 10.28% in 2009/10 and NIBL is 16.95% in F/Y 2008/09. Similarly the lowest ratio of NABIL is 3.02% in F/Y 2009/10, 4.55% of HBL in F/Y 2007/08 and 9.97% of NIBL in F/Y 2006/07.

The standard deviation of NABIL, ENL and NIBL are 2.791, 2.278 and 3.108. Similarly coefficient of variation of NABIL, HBL and NIBL are 0.3956, 0.3107 and 0.2296 respectively.

The average mean ratio of NABIL, HBL and NIBL are 6.262%, 7.334% and 13.534% respectively. The average ratio of NIBL has higher than NABIL and HBL. It indicates that NIBL retain more its total deposit as cash and bank balance. The higher ratio of signifies that sound liquid fund to make immediate payment to the depositors but excess liquidity represents low lending and investment opportunities. The C.V. of NIBL is also lower than other two banks. This indicates consistently in its ratio than other banks.

4.1.2 Assets Management Ratio

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

i) Loan and Advance to Total Deposit Ratio

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

Table: 4.6

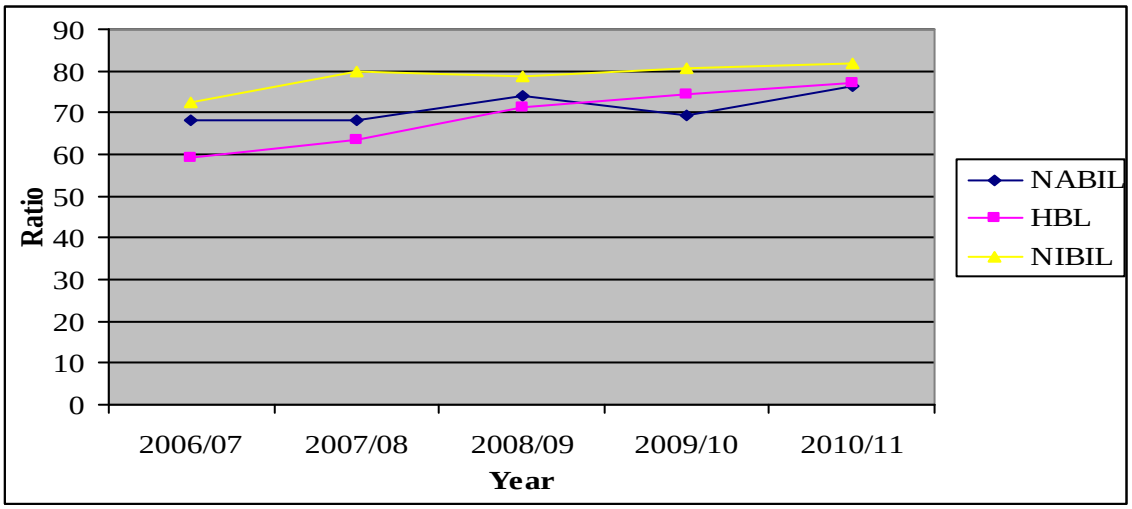
Loan and Advance to Total Deposit Ratio

Year	Bank		
	NABIL	**HBL**	**NIBL**
2006/07	68.13	59.22	72.56
2007/08	68.18	63.37	79.91
2008/09	73.85	71.49	78.86
2009/10	69.53	74.39	80.48
2010/11	76.53	77.14	81.96
Mean	71.244	69.122	78.754
S.D.	3.767	7.563	3.639
C.V	0.0529	0.1094	0.0462

Source: Appendix 5(VI)

Figure: 4.6

Loan and Advance to Total Deposit Ratio



The table and figure shows the loan and advance to total deposit ratio of NABIL, HBL and NIBL. The loan and advance to total deposit of three sample banks have been increasing. The highest ratio of NABIL is 76.53% in year F/Y 2010/11 and lowest ratio is 68.13% in year 2006/07. The highest ratio of HBL is 77.14% in F/Y 2010/11 and lowest ratio is 59.22% in 2006/07. Similarly the highest ratio of NIBL is 81.96% in F/Y 2010/11 and lowest ratio is 72.56% in 2006/07. The C.V. of NABIL, HBL and NIBL are 0.0529, 0.1094 and 0.0462 of respectively.

The average loan and advance to total deposit ratio of NABIL, HBL and NIBL are 71.244%, 69.122% and 78.754%. The average ratio of NIBL is higher than NABIL and HBL. It indicates NIBL use more total deposit as loan and advance. SBIL provide least lending from total deposit. According to NRB directives less than 80% of loan and advances to total deposit ratio is required to enable better mobilization of collected deposit. The C.V. of HBL is low, which indicates consistently in ratio and higher C.V. of NIBL indicates volatile in its ratio.

ii) Total Investment to Total Deposit Ratio

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

Table: 4.7

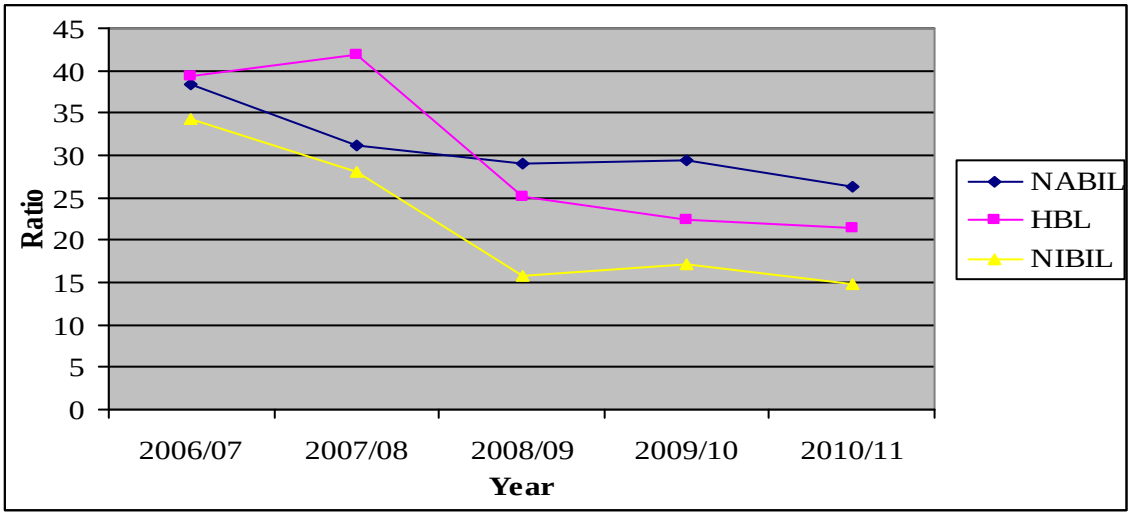
Total Investment to Total Deposit Ratio

Year	Bank		
	NABIL	**HBL**	**NIBL**
2006/07	38.32	39.35	34.37
2007/08	31.14	41.89	28.07
2008/09	28.99	25.12	15.85
2009/10	29.45	22.45	17.24
2010/11	26.32	21.43	14.81
Mean	30.844	30.048	22.068
S.D.	4.523	9.786	8.689
C.V	0.1466	0.3257	0.3937

Source: Appendix 5(VII)

Figure: 4.7

Total Investment to Total Deposit Ratio



Above table and figure shows that total investment to total deposit ratio NABIL, HBL and NIBL. The ratios of all banks have decreasing fluctuating form. The highest ratio of NABIL is 38.32 in fiscal year 2006/07 and lowest is 26.32% in F/Y 2010/11. The highest ratio of HBL is 41.89% in 2007/08 and lowest is 21.43% in F/Y 2010/11. Similarly the highest ratio of NIBL is

34.37% in F/Y 2006/07 and lowest ratio is 14.81 in F/Y 2010/11. The S.D. and C.V. of NABIL are 4.523 and 0.1466, HBL are 9.786 and 0.3257 and NIBL are 8.589 and 0.3973.

The average total investment to total deposit ratio of NABIL, HBL and NIBL are 30.844%, 30.048% and 22.086%. The highest ratio of NABIL indicates higher investment from total deposit and lower ratio of NIBL indicates least investment from its deposit. Lower C.V of NABIL signifies lower volatile in its ratio.

iii) Loan and Advances to Total Working Fund Ratio

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

Table: 4.8

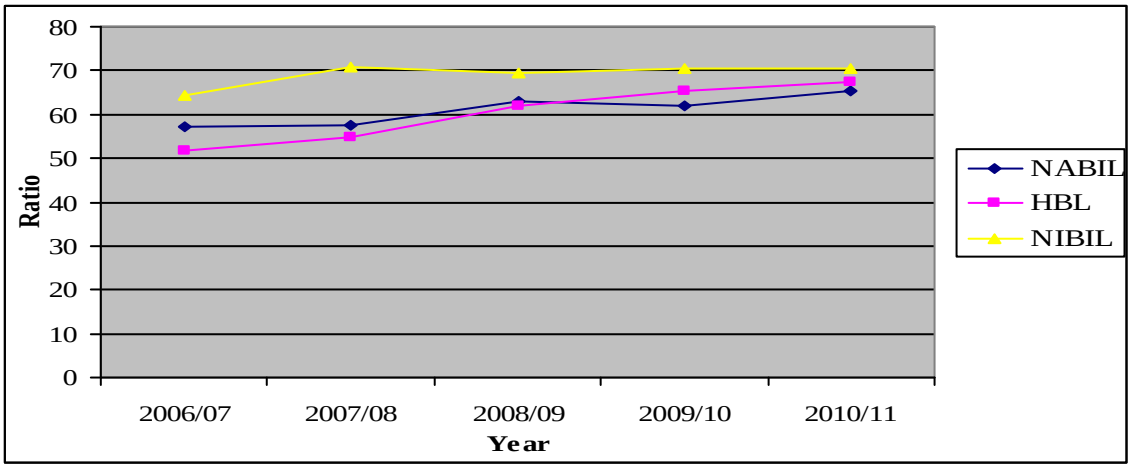
Loan and Advances to Working Fund Ratio

Year	Bank		
	NABIL	**HBL**	**NIBL**
2006/07	57.04	51.85	64.4
2007/08	57.54	54.75	70.82
2008/09	62.89	61.91	69.47
2009/10	61.88	65.50	70.35
2010/11	65.42	67.54	70.42
Mean	60.954	60.31	69.09
S.D.	3.589	6.787	2.669
C.V	0.046	0.1125	0.0386

Source: Appendix 5(VIII)

Figure: 4.8

Loan and Advances to Working Fund Ratio



Above table and figure shows the loan and advances to total assets ratio of NABIL, HBL and NIBL The loan and advance to total asset of three sample bank have parallel fluctuating trend. The highest ratio of NABIL is 65.42% in F/Y 2010/11 and lowest ratio is 57.04% in F/Y 2006/07. The highest ratio of HBL is 67.54% in F/Y 2010/11 and lowest ratio is 51.85% in F/Y 2006/07. Similarly the highest ratio of NIBL is 70.82% in F/Y 2007/08 and lowest ratio is 64.4% in F/Y 2007/08. The S.D. of NABIL, HBL and NIBL are 3.589, 6.787 and 2.669 Similarly C.V is 0.046, 0.1125 and 0.0386 of NABIL, HBL and NIBL respectively.

The average loan and advances to total assets ratio of NABIL, HBL and NIBL are 60.954%, 60.31% and 69.09%. The average ratio of NIBL is higher than NABIL and HBL which indicates that NIBL provides higher loan and advance from total asset. The NIBL is better at mobilizing its total asset as loan and an advance Lower C.V of NIBL also signifies more consistency in ratio and higher C.V of HBL signifies more fluctuation in its ratio.

iv) Investment on Govt. security to Total Investment Ratio

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

Table: 4.9

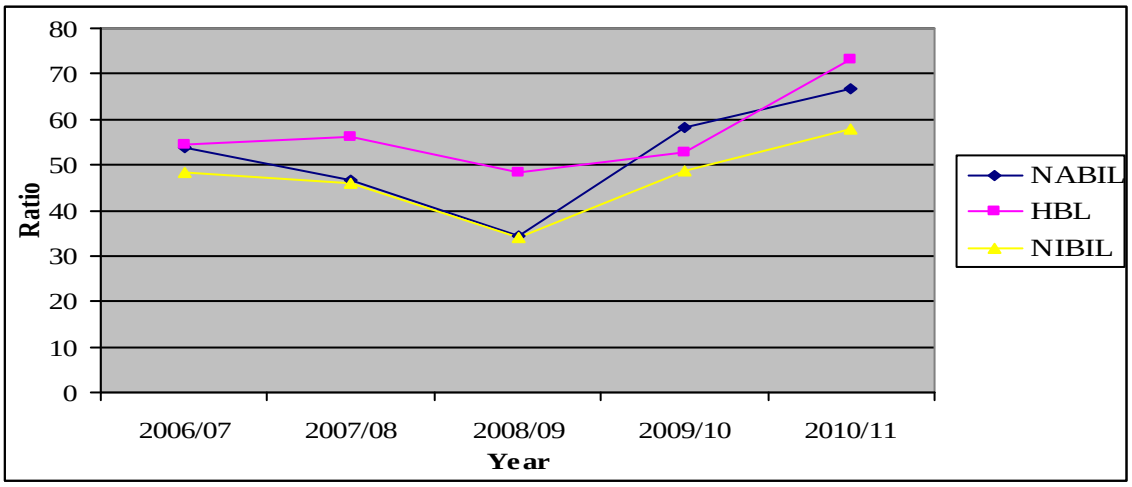
Investment on Govt. security to Total Investment Ratio

Year	Bank		
	NABIL	HBL	NIBL
2006/07	53.75	54.60	48.50
2007/08	46.74	56.01	45.90
2008/09	34.23	48.36	34.21
2009/10	58.09	52.88	48.66
2010/11	66.85	73.06	57.85
Mean	51.932	56.982	47.024
S.D.	12.289	9.438	8.478
C.V	0.2366	0.1656	0.1803

Source: Appendix 5(IX)

Figure: 4.9

Investment on Govt. security to Total Investment Ratio



The investment on Govt. securities to total investment ratio of all sample banks have fluctuating trend. The highest ratio of NABIL is 66.85% in 2010/11 and lowest ratio is 34.23% in F/Y 2008/09. The highest ratio of HBL is 73.06% in F/Y 2010/11 and lowest ratio is 34.21% in F/Y 2008/09. Similarly the highest ratio of NIBL is 57.85% in F/Y 2010/11 and lowest ratio is

34.21% in 2008/09. Likewise, S. D. and C.V. of NABIL are 12.289 and 0.2366, HBL are 9.438 and 0.1656 and NIBL are 8.478 and 0.1803 respectively.

The average mean ratio of NABIL, HBL and NIBL are 51.932%, 56.928% and 47.024%. The average ratio of HBL has higher than NABIL and NIBL. It indicates that investment of HBL is high in govt. securities. It means in total investment of HBL it has more risk free asset than other banks. The C.V. of HBL has also lower than other two banks. This indicates low risky and consistently in its ratio.

iv) Investment on Government Securities to Total Assets ratio

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

Table: 4.10

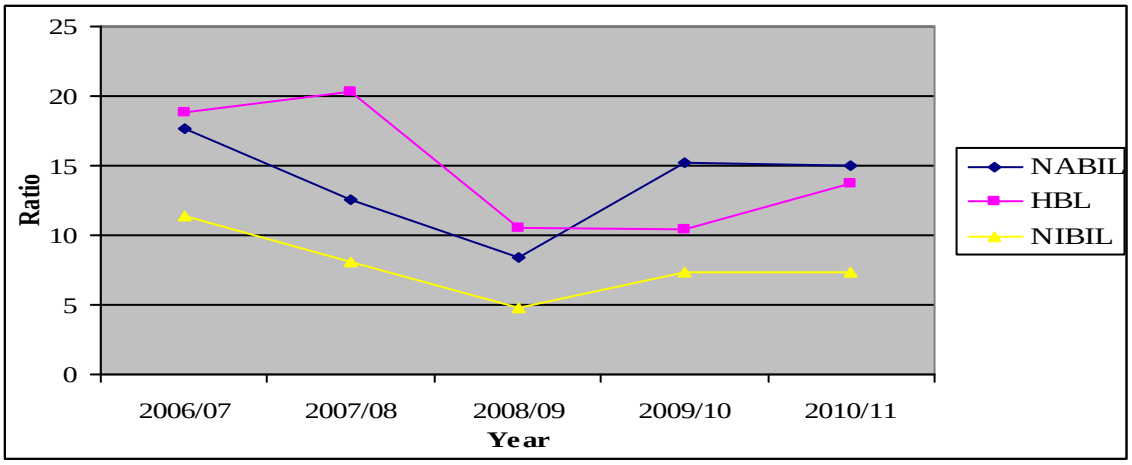
Investment on Government Securities to Total Assets ratio

Year	Bank		
	NABIL	**HBL**	**NIBL**
2006/07	17.64	18.81	11.43
2007/08	12.51	20.27	8.12
2008/09	8.45	10.52	4.77
2009/10	15.23	10.45	7.33
2010/11	15.04	13.71	7.36
Mean	13.774	14.752	7.802
S.D.	3.486	4.594	2.391
C.V	0.2531	0.3114	0.3065

Source: Appendix 5(X)

Figure: 4.10

Investment on Government Securities to Total Assets ratio



Above table shows the investment on government treasury bills to total assets of NABIL, HBL and NIBL. The ratio of three sample bank have fluctuating trend. The highest ratio of NABIL is 17.64% in year F/Y 2006/07 and lowest ratio is 8.45% in year 2008/09. The highest ratio of HBL is 20.27% in F/Y 2007/08 and lowest ratio is 10.45% in 2009/10. Similarly the highest ratio of NIBL is 11.43% in F/Y 2006/07 and lowest ratio is 4.77% in 2008/09. The standard deviation of NABIL, HBL and NIBL are 3.486, 4.594 and 2.391. Similarly coefficients of variation are 0.2531, 0.31114 and 0.3065 of NABIL, HBL and NIBL respectively.

The average ratio of NABIL, HBL and NIBL are 13.774%, 14.752% and 7.802%. The average ratio of HBL is higher than NABIL and NIBL which indicates that HBL invest more in govt. securities from its total asset. It means HBL has its more assets in risk free assets. Lower C.V of NABIL signifies more consistency in ratio than other two banks.

4.1.3 Profitability Ratio

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

i) Return on Loan and advances

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

Table: 4.11

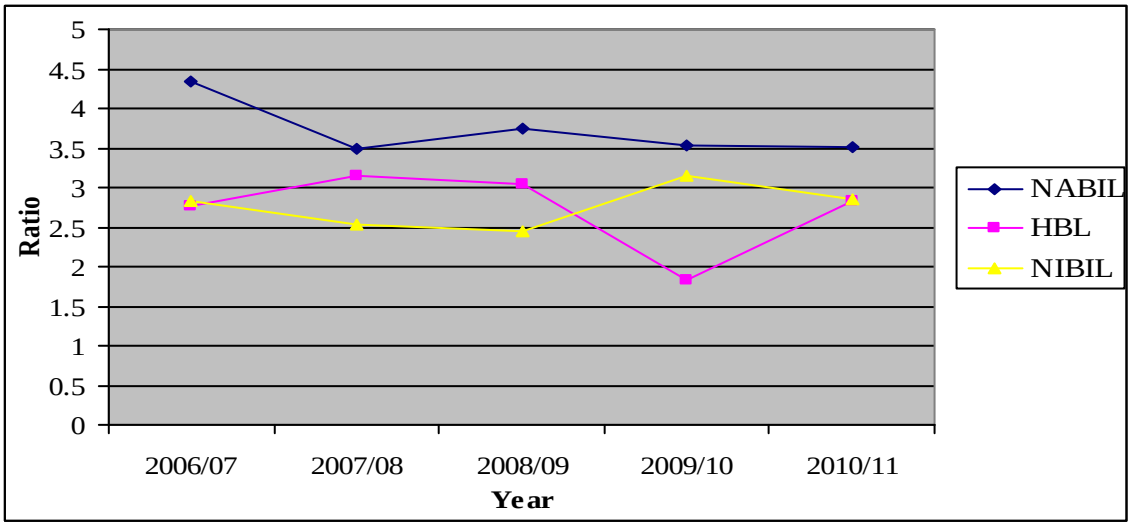
Return on Loan and advances

Year	Bank		
	NABIL	**HBL**	**NIBL**
2006/07	4.34	2.76	2.82
2007/08	3.49	3.15	2.53
2008/09	3.74	3.04	2.44
2009/10	3.53	1.82	3.14
2010/11	3.52	2.83	2.86
Mean	3.724	2.72	2.758
S.D.	0.358	0.527	0.279
C.V	0.0962	0.1937	0.1015

Source: Appendix 5(XI)

Figure: 4.11

Return on Loan and advances



Above table and figure shows the return on loan and advance of NABIL, HBL and NIBL. The return on loan and advances ratio of NABIL, HBL and NIBL have fluctuating trend. The highest

ratio of NABIL, HBL and NIBL are 4.34% in F/Y 2006/07, 3.15% in F/Y 2007/08 and 3.14% in 2009/10. Similarly lowest ratio of NABIL, HBL and NIBL are 3.52% in F/Y 2010/11, 1.82% in F/Y 2009/10 and 2.44% in F/Y 2008/09 respectively. The standard deviation and coefficient of variation of NABIL are 0358 and 0.0962, HBL are 0.527 and 0.1937 and the NIBL are 0.279 and 0.1015 respectively.

The average return on loan and advance ratio of NABIL, HBL and NIBL are 3.724%, 2.72% and 2.758%. The average ratio of NABIL has higher than HBL and NIBL which indicates that NABIL getting higher earning by utilizing and providing loan and advance. It means NABIL has utilized the loan and advance for the profit generation. All three banks have less than 5% of earning. Lower C.V of NABIL also signifies more consistency in ratio.

ii) Return on Total Assets

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

Table: 4.12

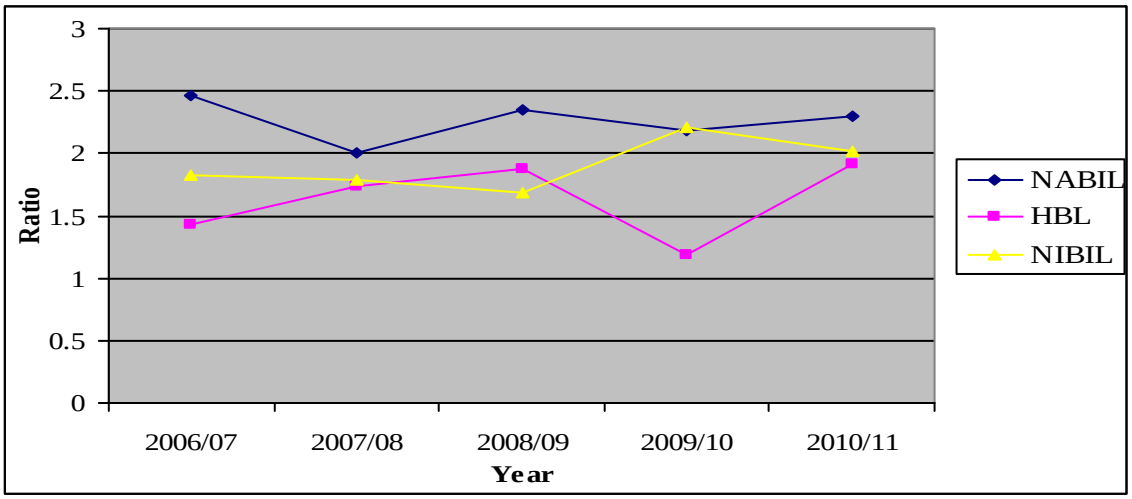
Return on Total Assets Ratio

Year	Bank		
	NABIL	**HBL**	**NIBL**
2006/07	2.47	1.43	1.82
2007/08	2.01	1.73	1.79
2008/09	2.35	1.88	1.69
2009/10	2.18	1.19	2.21
2010/11	2.30	1.91	2.02
Mean	2.262	1.628	1.906
S.D.	0.175	0.310	0.208
C.V	0.0774	0.1904	0.1091

Source: Appendix 5(XII)

Figure: 4.12

Return on Total Assets Ratio



Above table and figures shows the return on total assets of NABIL, HBL and NIBL. The Return on Total Assets of all sample banks have fluctuating trend. The highest ratio of NABIL is 2.47% in year F/Y 2006/07 and lowest ratio is 2.01% in year 2007/08. The highest ratio of HBL is 1.91% in F/Y 2010/11 and lowest ratio is 1.19% in 2009/10. Similarly the highest ratio of NIBL is 2.21% in F/Y 2009/10 and lowest ratio is 1.69% in 2008/09. The standard deviation of NABIL, HBL and NIBL are 0.1751, 0.310 and 0.208. Similarly coefficients of variation are 0.0774, 0.1904 and 0.1091 of NABIL, HBL and NIBL respectively.

The average ratio of NABIL, HBL and NIBL are 2.262%, 1.628% and 1.906%. The average ratio of NABIL is higher than HBL and NIBL which indicates that NABIL has utilized it available asset to make earning. It means NABIL has used it asset to revenue generation. The C.V. of NABIL is also lower than HBL and NIBL. Lower C.V of NABIL signifies more consistency in ratio.

iii) Return on Equity

Equity capital of any bank is its owned capital. The prime objective of any bank is wealth maximization or in other words to earn higher profit and there by, maximizing return on its equity capital. Return on equity measures the profitability of a bank. It reflects extend to which the bank has been successful to mobilize or utilize its equity capital. A higher ratio indicates

higher success in mobilizing its owned capital and vice-versa. Following table shows the return on equity of sample banks during the study period.

Table: 4.13

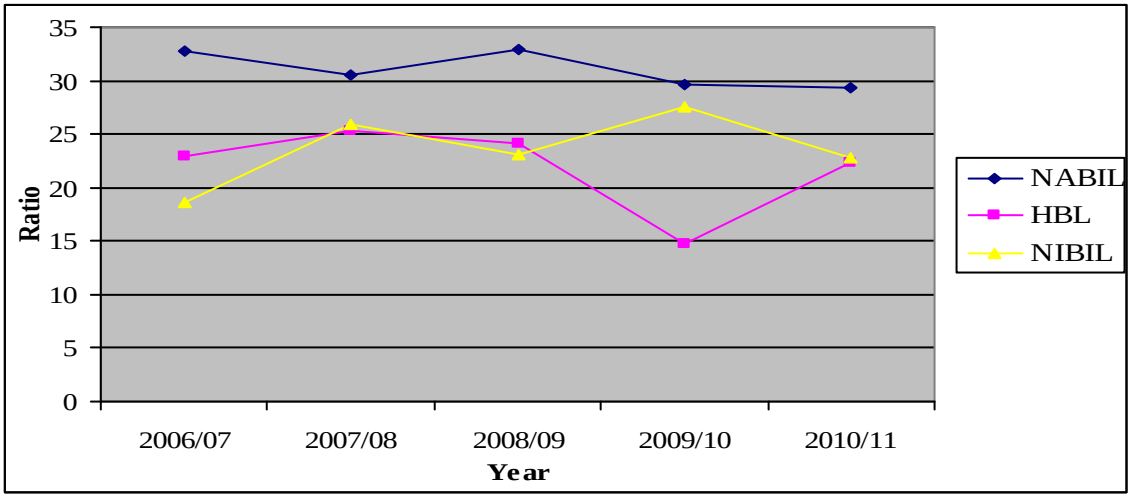
Return on Equity Ratio

Year	Bank		
	NABIL	**HBL**	**NIBL**
2006/07	32.79	22.91	18.65
2007/08	30.6	25.30	25.94
2008/09	32.94	24.13	23.05
2009/10	29.7	14.79	27.61
2010/11	29.29	22.35	22.8
Mean	31.064	21.896	23.61
S.D.	1.712	4.132	3.428
C.V	0.0551	0.1887	0.1452

Source: Appendix 5(XIII)

Figure: 4.13

Return on Equity Ratio



Above table and figure shows the return on equity of NABIL, HBL and NIBL. The Return on equity of all three banks have fluctuating trend. The highest ratio of NABIL is 32.79% in year F/Y 2006/07 and lowest ratio is 29.29% in year 2010/11. The highest ratio of HBL is 25.30% in F/Y 2007/08 and lowest ratio is 14.79% in 2009/10. Similarly the highest ratio of NIBL is

27.61% in F/Y 2009/10 and lowest ratio is 18.65% in 2006/07. The standard deviation of NABIL, HBL and NIBL are 1.712, 4.1322 and 3.428. Similarly coefficients of variation are 0.0551, 0.1887 and 0.1452 of NABIL, HBL and NIBL respectively.

The average ratio of NABIL, HBL and NIBL are 31.064%, 21.896% and 23.61%. The average ratio of NABIL is higher than HBL and NIBL which indicates that NABIL has utilized it equity to making income. In brief, it signifies that the shareholders of NABIL are getting higher return than HBL and NIBL. It can be concluded that NABIL has better utilized the equity for the profit generation. The lower C.V. of NABIL also signifies more consistency in ratio than other two banks.

iv) Total Interest Earned to Total Assets Ratio

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

Table: 4.14

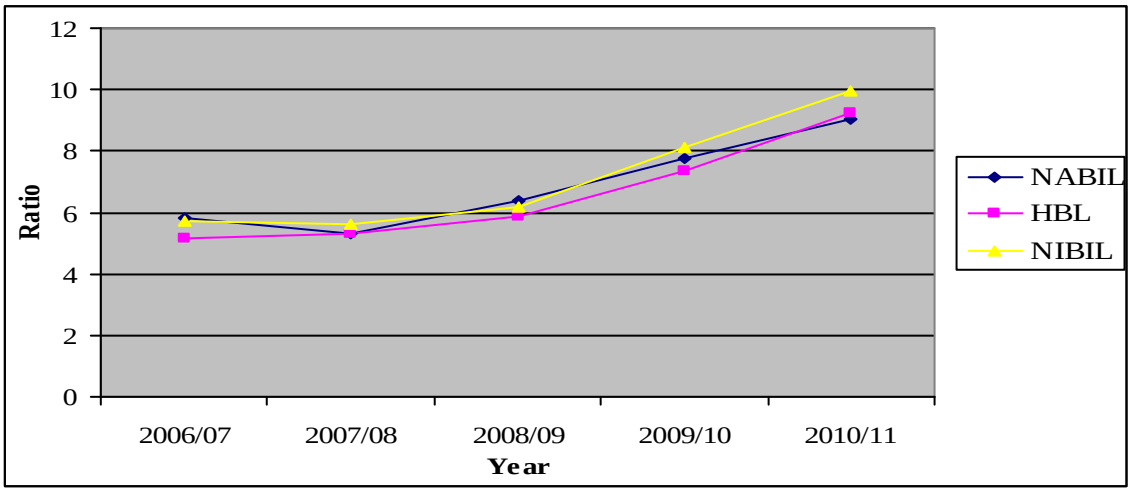
Interest Earned to Total Assets Ratio

Year	Bank		
	NABIL	**HBL**	**NIBL**
2006/07	5.83	5.17	5.74
2007/08	5.33	5.33	5.64
2008/09	6.38	5.85	6.16
2009/10	7.76	7.37	8.12
2010/11	9.04	9.26	9.94
Mean	6.868	6.596	7.12
S.D.	1.516	1.724	1.869
C.V	0.2207	0.2614	0.2625

Source: Appendix 5(XIV)

Figure: 4.14

Interest Earned to Total Assets Ratio



Above table and figure shows the interest earned to total asset ratio of NABIL, HBL and NIBL. The ratios of all three banks have been increasing trend. The highest ratio of NABIL is 9.04% in year F/Y 2010/11 and lowest ratio is 5.33% in year 2007/08. The highest ratio of HBL is 9.26% in F/Y 2010/11 and lowest ratio is 5.17% in 2006/07. Similarly the highest ratio of NIBL is 9.94% in F/Y 2010/11 and lowest ratio is 5.64% in 2007/08. The standard deviation of NABIL, HBL and NIBL are 1.516, 1.724 and 1.869. Similarly coefficients of variation are 0.2207, 0.2614 and 0.2625 of NABIL, HBL and NIBL respectively.

The average ratio of NABIL, HBL and NIBL are 6.686%, 6.596% and 7.122%. The average ratio of NIBL is higher than NABIL and HBL which indicates that NIBL has utilized it total asset as interest earning income. It can be concluded that NIBL has better utilized the total asset for the profit generation. Lower ratio of HBL seems less conscious about managing its assets in order to earn more interest. The lower C.V. of NABIL signifies more consistency in ratio than other two banks.

E) Total Interest Earned To Total outside Assets Ratio

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

Table: 4.15

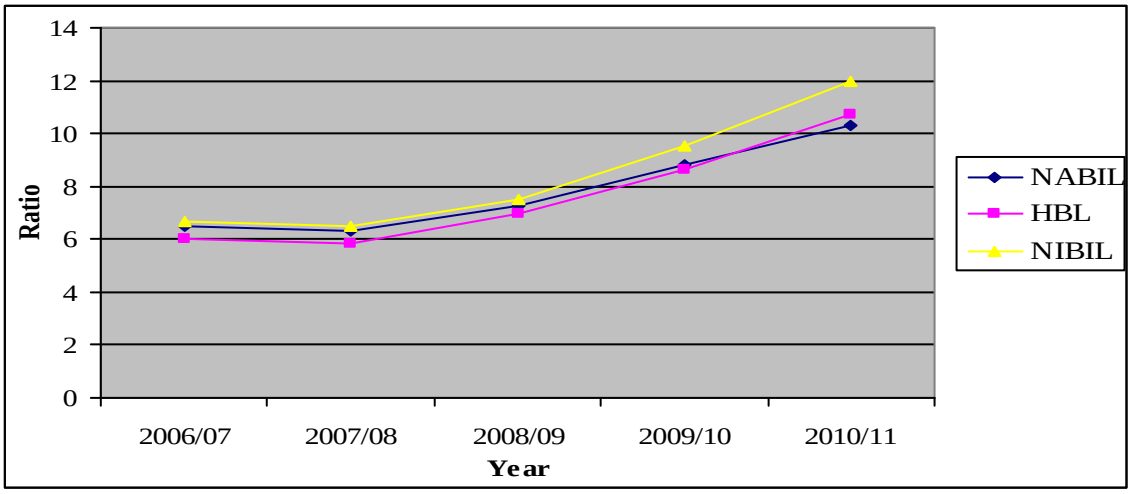
Total Interest Earned To Total outside Assets Ratio

Year	Bank		
	NABIL	**HBL**	**NIBL**
2006/07	6.48	6.00	6.66
2007/08	6.32	5.86	6.48
2008/09	7.28	6.99	7.49
2009/10	8.81	8.64	9.51
2010/11	10.28	10.73	11.96
Mean	7.834	7.644	8.42
S.D.	1.686	2.051	2.315
C.V	0.2152	0.2683	0.275

Source: Appendix 5(XV)

Figure: 4.15

Total Interest Earned To Total outside Assets Ratio



Above table and figure shows the interest earned to total outside asset ratio of NABIL, HBL and NIBL. The interests earned to total outside asset ratio of three banks have increasing trend. The highest ratio of NABIL is 10.28% in year F/Y 2010/11 and lowest ratio is 6.32% in year 2007/08. The highest ratio of HBL is 10.73% in F/Y 2010/11 and lowest ratio is 5.86% in 2007/08. Similarly the highest ratio of NIBL is 11.96% in F/Y 2010/11 and lowest ratio is 6.48% in 2007/08. The standard deviation of NABIL, HBL and NIBL are 1.686, 2.051 and 2.351.

Similarly coefficients of variation are 0.2152, 0.2683 and 0.275 of NABIL, HBL and NIBL respectively.

The average interest earned to total outside asset ratio of NABIL, HBL and NIBL are 7.834%, 7.644% and 8.42%. The average ratio of NIBL is higher than NABIL and HBL which indicates that NIBL has utilized it total outside asset as interest earning income. It can be concluded that NIBL has better utilized the investment and lending for increase in interest earning. Lower ratio of HBL seems less conscious about managing its outside assets to earn more interest. The lower C.V. of NABIL signifies more consistency in ratio than other two banks.

E) Total interest Earned to Total Operating Income Ratio

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

Table: 4.16

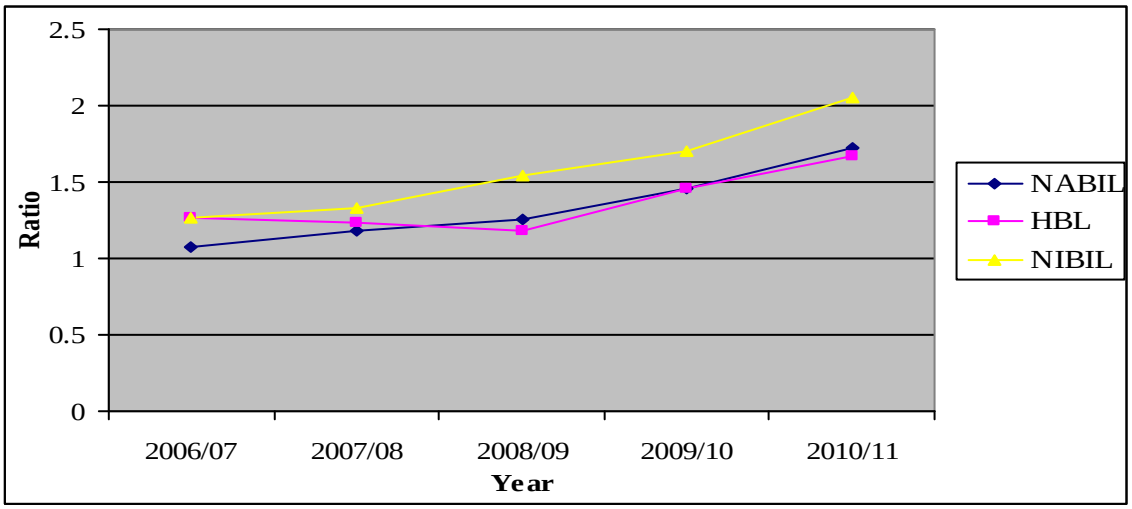
Interest Earned to Operating Income Ratio

Year	Bank		
	NABIL	**HBL**	**NIBL**
2006/07	1.07	1.27	1.27
2007/08	1.18	1.23	1.33
2008/09	1.26	1.18	1.54
2009/10	1.46	1.46	1.70
2010/11	1.72	1.67	2.05
Mean	1.34	1.362	1.578
S.D.	0.257	0.202	0.314
C.V	0.1918	0.1484	0.1993

Source: Appendix 5(XVI)

Figure: 4.16

Interest Earned to Operating Income Ratio



Above table and figure shows the interest earned to total operating income ratio of NABIL, HBL and NIBL. The interest earned to total operating income ratio of three banks have increasing trend. The highest ratio of NABIL is 1.72 times in year F/Y 2010/11 and lowest ratio is 1.07 in year 2006/07. The highest ratio of HBL is 1.67 times in F/Y 2010/11 and lowest ratio is 1.18 in 2008/09. Similarly the highest ratio of NIBL is 2.05 times in F/Y 2010/11 and lowest ratio is 1.27 in 2006/07. The S.D. of NABIL, HBL and NIBL are 0.257, 0.202 and 0.314. Similarly C.V. is 0.1918, 0.1484 and 0.1993 of NABIL, HBL and NIBL respectively.

The average ratio of NABIL, HBL and NIBL are 1.34, 1326 and 1578 times. The average ratio of NIBL is higher than NABIL and HBL which indicates that NIBL has high interest earned to total operating income. it indicates the high contribution in operating income made by lending and investing activities (core banking activity). NABIL has lower ratio, it indicates that high contribution in operating income do not made by lending and investing activities. .High contribution in operating income made by lending and investing activities (core banking activity) is not good for long run but in short run it is not so bad. The lower C.V. of HBL signifies more consistency in ratio.

4.1.4 Risk Ratio

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

A) Credit Risk Ratio

Credit risk ratio measures the possibility that loan will not be repaid or that investment will deteriorate in quality or go into default with consequent loss to the bank. Credit risk ratio is expressed as the percentage of non- performing loan to total Loan & Advances. Bank utilizes its collected funds by providing credit to different sections. There is risk of default or non-repayment of loan. The credit risk ratio shows the proportion of no-performing assets in total Loan & Advances. Higher ratio indicates more risky assets in the volume of Loan & Advances of the bank and vice-versa.

Table: 4.17

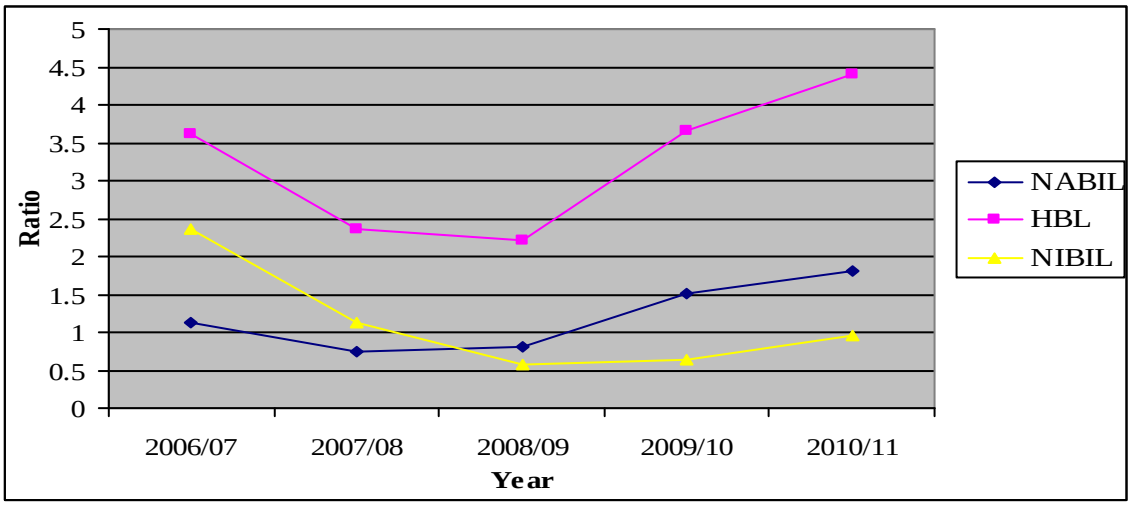
Credit Risk Ratio

Year	Bank		
	NABIL	**HBL**	**NIBL**
2006/07	1.12	3.61	2.37
2007/08	0.74	2.36	1.12
2008/09	0.81	2.22	0.58
2009/10	1.51	3.66	0.63
2010/11	1.81	4.41	0.96
Mean	1.198	3.252	1.132
S.D.	0.458	0.935	0.728
C.V	0.3821	0.2875	0.6429

Source: Appendix 5(XVII)

Figure: 4.17

Credit Risk Ratio



Above table and figure shows the credit risk ratio of NABIL, HBL and NIBL. The credit risk ratios of NABIL and HBL have increasing at last but NIBL seems to be constant.. The highest ratio of NABIL is 1.81% in F/Y 2010/11 and lowest is 0.74% in FY 2007/08. The highest ratio of HBL is 4.41% in F/Y 2010/11 and lowest ratio is 2.22% in FY 2008/09. Similarly, the highest ratio of NIBL is 2.37% in FY 2006/07 and lowers ratio is 0.58% in F/Y 2008/09. The S.D. of NABIL, HBL and NIBL are 0.458, 0.935 and 0.728. Similarly C.V. is 0.3821, 0.2875 and 0.6429.

The average ratio of NABIL, HBL and NIBL are 1.198, 3.252 and 1.132. The average ratio of HBL is higher than NABIL and NIBL which indicates that HBL has high credit risk than other bank. So HBL is risky than other bank on the aspect of credit risk. The ratios indicate the more efficient operating of credit management of all banks according to NRB directives because according to NRB directives NPL ratio must be less than 5%. However, in comparison, NIBL has efficient operating of credit management than that of NABIL and HBL. The lower C.V. of HBL signifies less volatile in its ratio.

(B) Liquidity Risk Ratio: -

The liquidity risk of the bank defines its liquidity need for deposit. The cash and bank balance are the most liquid assets and they are considered as banks liquidity sources and deposit as the liquidity needs. The ratio of cash and bank balance to total deposit is an indicator of bank's

liquidity of need. This ratio is low if funds are kept idle as cash balance but this reduces profitability, when the banks makes loan, its profitability increase and also the risk. Thus, higher liquidity ratio indicates less profitable return and vice-versa. This ratio is calculated as below:

Table: 4.18

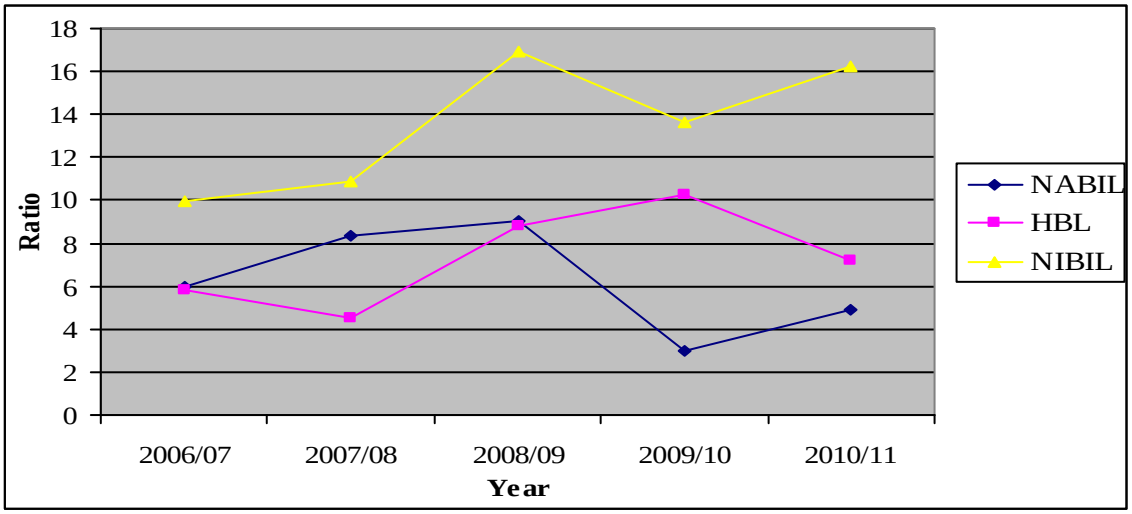
Liquidity Risk Ratio

Year	Bank		
	NABIL	**HBL**	**NIBL**
2006/07	5.99	5.85	9.97
2007/08	8.37	4.55	10.9
2008/09	9.03	8.79	16.95
2009/10	3.02	10.28	13.61
2010/11	4.9	7.20	16.24
Mean	6.262	7.334	13.534
S.D.	2.477	2.279	3.108
C.V	0.396	0.3107	0.2296

Source: Appendix 5(XVIII)

Figure: 4.18

Liquidity Risk Ratio



The above table and figure shows the liquidity risk ratio of NABIL, HBL and NIBL. The liquidity risk ratio of NABIL and HBL reveals fluctuating decreasing trend. Whereas as NIBL is fluctuating increasing trend. The highest ratio of NABIL is 9.03% in F/Y 2008/09 and lowest is

3.02% in FY 2009/10. The highest ratio of HBL is 10.287% in F/Y 2009/10 and lowest ratio is 4.55% in FY 2007/08. Similarly, the highest ratio of NIBL is 16.95% in FY 2008/09 and lowers ratio is 9.97% in F/Y 2006/07. The S.D. and C.V. of NABIL are 2.477 and 0.396, HBL are 2.279 and 0.3107 and NIBL are 3.108 and 0.230.

The average ratio of NABIL, HBL and NIBL are 6.262, 7.334 and 13.534. The average ratio of NIBL is higher than NABIL and HBL which indicates that NIBL has low liquidity risk than other bank. But it reduces in profit. This shows its greater ability to pay depositors money as they want. However, in comparison, NABIL has lower liquidity position that means higher liquidity risk than that of HBL and NIBL. The lower C.V. of NIBL signifies more consistency in ratio.

(C) Asset Risk Ratio: -

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

Table: 4.19

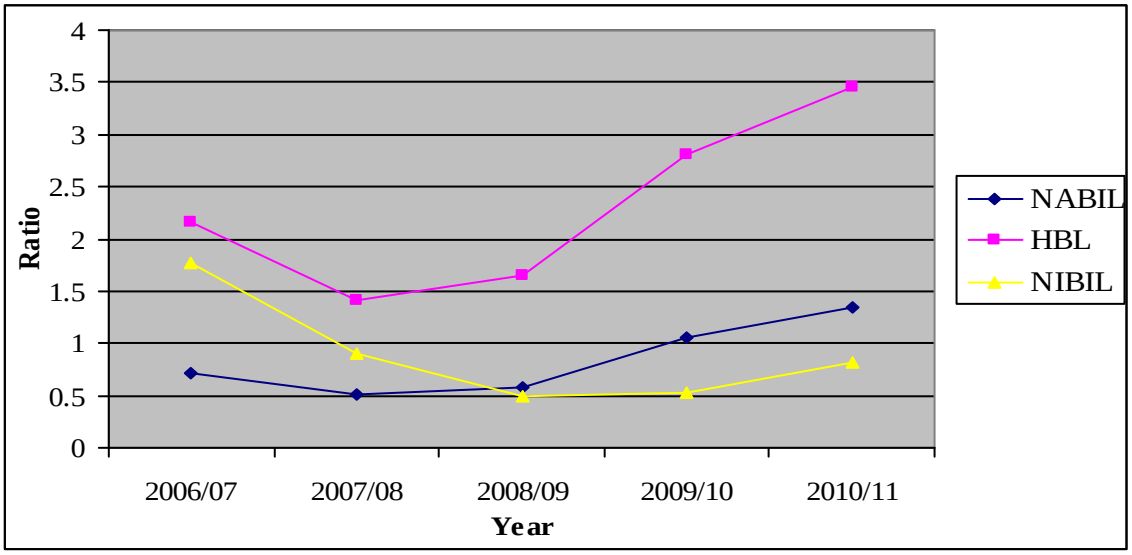
Asset Risk Ratio

Year	Bank		
	NABIL	**HBL**	**NIBL**
2006/07	0.71	2.17	1.77
2007/08	0.51	1.42	0.91
2008/09	0.58	1.65	0.49
2009/10	1.06	2.81	0.52
2010/11	1.35	3.45	0.81
Mean	0.842	2.30	0.90
S.D.	0.354	0.836	0.519
C.V	0.4207	0.3635	0.5767

Source: Appendix 5(XIX)

Figure: 4.19

Asset Risk Ratio



Above table and figure shows the asset risk ratio of NABIL, HBL and NIBL. The asset risk ratio of NABIL has increasing, HBL has highly increasing and NIBL is little increasing at last. The highest asset risk ratio of NABIL is 1.35 in F/Y 2010/11 and lowest is 0.51 in F/Y 2007/08. The highest of HBL is 3.45 in F/Y 2010/11 and lowest is 0.1.42 in F/Y 2007/08. Similarly, the highest asset risk ratio of NIBL is 1.77 in F/Y 2010/11 and lowest is 0.49 in F/Y 2008/09. The standard deviation and coefficient of variation of NABIL are 0.354 and 0.4207, HBL are 0.836 and 0.3635 and NIBL are 0.519 and 0.5767 respectively.

The average asset risk ratio of NABIL, HBL and NIBL are 0.824, 2.30 and 0.90. The asset risk ratio of HBL is higher than NABIL and NIBL. Which signify that asset of HBL is riskier than NABIL and NIBL. NABIL has lower asset risk. The standard deviation and coefficient of variation of NABIL is also lower than HBL and NIBL. Lower of C.V. of NABIL indicates consistency in its ratio.

4.1.5 Other Ratios

i) Earning Per Share

EPS measure the efficiency of a firm in relative terms. It is a widely used ratio, which measures the profit available to the ordinary shareholders on per share basis. Earning per share calculation made over years indicates whether the bank's earning power on per share basis has changed over

that period or not but it doesn't reflect how much is paid as dividend and how much is retained in the business. Following table shows the EPS of related banks during the study period.

Table: 4.20

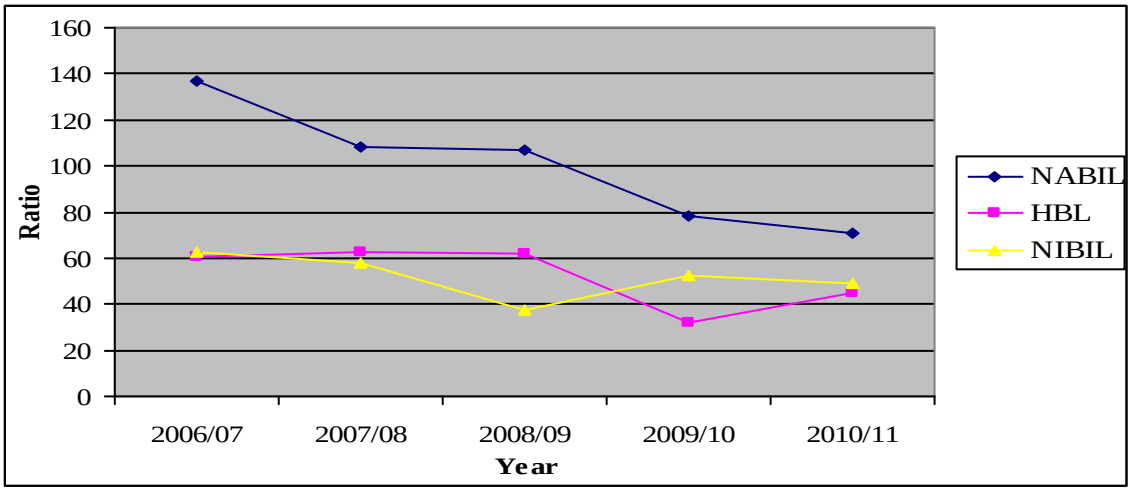
Earning Per Share

Year	Bank		
	NABIL	**HBL**	**NIBL**
2006/07	137.08	60.66	62.57
2007/08	108.31	62.74	57.89
2008/09	106.76	61.9	37.42
2009/10	78.61	31.8	52.55
2010/11	70.76	44.66	48.84
Mean	100.304	52.352	51.854
S.D.	26.465	13.689	9.607
C.V	0.2638	0.2615	0.1853

Source: Appendix 5(XX)

Figure: 4.20

Earning Per Share



Above table and figure shows the Earning per share of NABIL, HBL and NIBL. The Earning per share of NABIL, HBL and NIBL is fluctuating decreasing trend. The highest earning per share of NABIL is 137.08 in F/Y 2006/07 and lowest EPS is 70.76 in F/Y 2010/11. The highest EPS of HBL is 62.74 in F/Y 2007/08 and lowest EPS is 31.8 in F/Y 2009/10. Similarly, the highest EPS of NIBL is 62.57 in F/Y 2006/07 and lowest EPS is 37.42 in F/Y 2008/09. The standard

deviation and coefficient of variation of NABIL are 26.465 and 0.2638, HBL are 13.689 and 0.2615 and NIBL are 9.607 and 0.1853 respectively.

The average EPS of NABIL, HBL and NIBL are 100.304, 52.352 and 51.854. The EPS of NABIL is higher than HBL and NIBL. Which signify that NABIL can provide better earning to its shareholder. Higher EPS indicate that NABIL has high earning capacity. NABIL is better mobilizing it resources to acquire more earning and successful breed higher EPS. The C. V. of NIBL is lower than NABIL and HBL. Lower of C.V. of NIBL indicates consistency in its earning.

ii) Market Price per Share

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

Table: 4.21

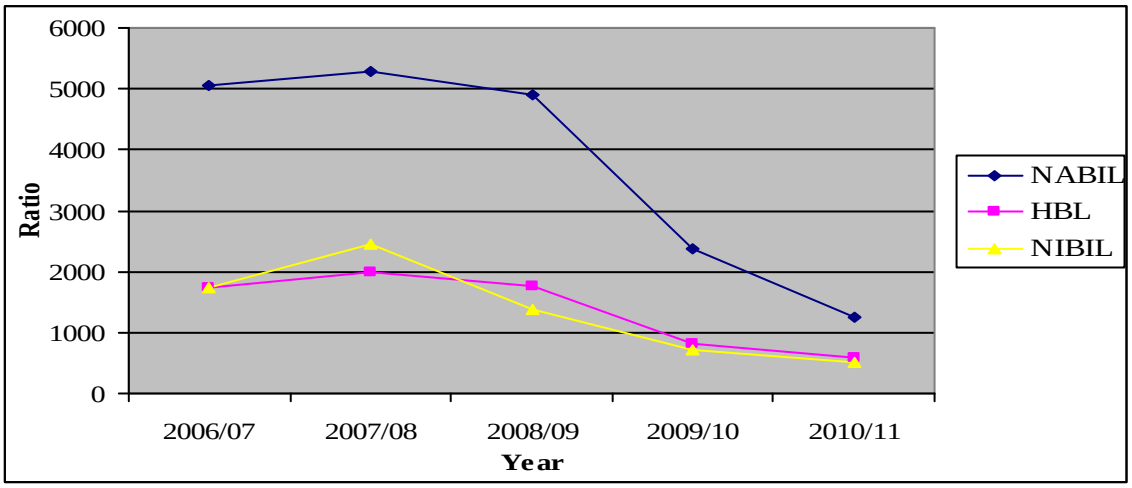
Market price per share (in Rs)

Year	Bank		
	NABIL	**HBL**	**NIBL**
2006/07	5050	1740	1729
2007/08	5275	1980	2450
2008/09	4899	1760	1388
2009/10	2384	816	705
2010/11	1252	575	515
Mean	3772	1374.2	1357.4
S.D.	1832.99	632.45	785.50
C.V	0.4859	0.4602	0.5787

Source: Appendix 5(XXI)

Figure: 4.21

Market price per share



This table and figure shows market price of the share of NABIL, HBL and NIBL. The market prices of the share of all samples three banks have decreasing trend. It indicates charm and demand of share of bank fall after F/Y 2007/8. The highest MPS of NABIL is Rs 5275, HBL is Rs 1980 and NIBL is Rs 2450 in F/Y 2007/08. The lowest market price of share of NABIL is Rs 1252, HBL is Rs 575 and NIBL is Rs 515 in F/Y 2010/11. The standard deviation of NABIL is 1832.99, HBL is 632.45 and NIBL is 785.50 and coefficient of variation of NABIL is 0.4859, HBL is 0.4602 and NIBL is 0.5787 respectively.

The average mean MPS of NABIL, HBL and NIBL are 3772, 1374.2 and 1357.4 respectively. The average MPS of NABIL is greater than HBL and NIBL. It indicates that high demand of share of NABIL in market and shareholder are getting higher price. So demand of NABIL share is higher than other banks. The C.V. of HBL is low which indicates consistently and low fluctuation of its market price.

iii) Price Earning Ratio

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

Table: 4.22

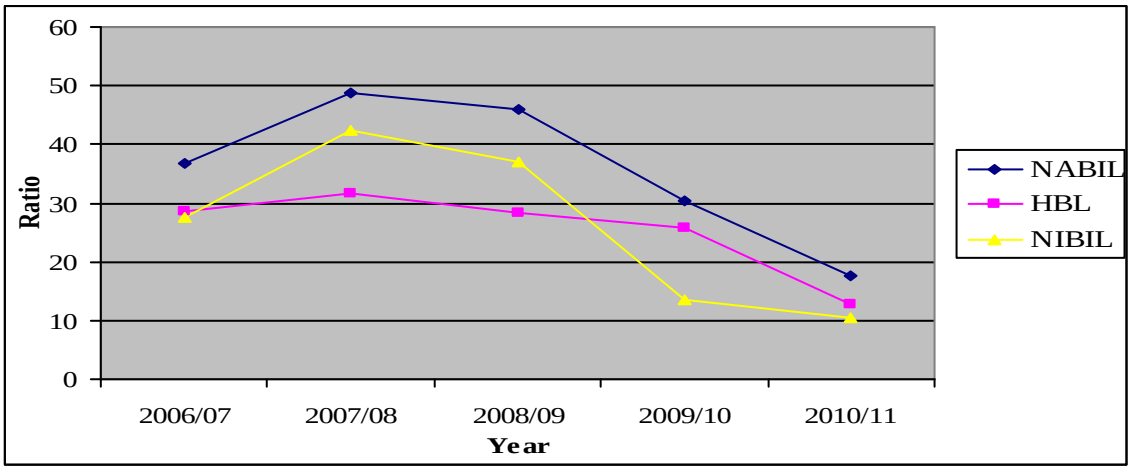
Price Earning Ratio

Year	Bank		
	NABIL	**HBL**	**NIBL**
2006/07	36.84	28.68	27.63
2007/08	48.7	31.56	42.33
2008/09	45.89	28.43	37.1
2009/10	30.33	25.66	13.42
2010/11	17.69	12.88	10.55
Mean	35.89	25.44	26.21
S.D.	12.522	7.326	14.047
C.V	0.349	0.288	0.536

Source: Appendix 5(XXII)

Figure: 4.22

Price Earning Ratio



Above table and figure shows the price earning ratio of NABIL, HBL and NIBL. The price earning ratios of three sample banks have increasing first and decreasing at later. The highest price earning ratio of NABIL is 48.7 times in F/Y 2007/08 and lowest PE ratio is 17.69 times in 2010/11. The highest ratio of HBL is 31.56 times in F/Y 2007/08 and lowest ratio is 12.88 times in F/Y 2010/11. Similarly, the highest price earning ratio of NIBL is 42.33 times in F/Y 2007/08 and lowest ratio is 10.55 times in 2010/11. The standard deviation and C.V. of NABIL are 12.522 and 0.3489, HBL are 7.326 and 0.288 and NIBL are 14.047 and 0.536 respectively.

The average mean ratio of NABIL, HBL and NIBL are 35.89, 25.44 and 26.21 times. It indicates that for getting Rs 1 as earning, one should invest Rs 35.89 in NABIL and Rs 25.44 in HBL and 26.21 in NIBL. The higher PE ratio signify that price of NABIL is traded in market higher in aspect of its earning than HBL and NIBL. The average C.V. of HBL is lower than the NABIL and NIBL. From analysis we conclude that in short run, investor of NABIL are getting better price of stock because stock are trading in high price. It is recommended to sell share of NABIL and purchase share of HBL according to analysis of price earning ratio.

4.2 Statistical tools

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

4.2.1 Correlation Coefficient Analysis

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

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

Deposit has played a very important role in performance of a commercial bank and similarly loan & advances are important to mobilize the collected deposits. Coefficient of correlation between deposit and loan and advances measure the degree of relationship between these two variables. In this analysis, deposit is independent variables (X) and loan and advances is dependent variable(Y). The main objective of computing "r" between these two variables is to justify whether deposits are significantly used as loan and advances in a proper way or not. The

below table shows the value of "r", "r^2", probable Error (P.Er) and 6 P.Er. Between deposit and loan and advances of NABIL, HBL and NIBL three sample banks.

Table: 4.23

Coefficient of Correlation between Deposit and Loan & Advance

Name of Banks	Evaluation Criterions				
	r	r^2	P.Er.	6 P.Er.	Remarks
NABIL	0.990	0.980	0.0060	0.0360	Significant
HBL	0.996	0.992	0.0024	0.0145	Significant
NIBL	0.998	0.996	0.0012	0.0072	Significant

Source**:** *Through SPSS Data Editor*

From the above table, it is found that coefficient of correlation between deposits and loan and advances of NABIL, HBL and NIBL are 0.990, 0.996 and 0.998. It is shows that all have the positive relationship between these two variables. It refers that deposit and loan and advances all banks move together very closely but not proportionately. Moreover, the coefficient of determination of NABIL, HBL and NIBL are 0.980, 0.992 and 0.996. It means 98 percent of variation in loan and advances of NABIL, 99.2 percent of variation in loan and advance of HBL and 99.6 percent of variation in loan and advance of NIBL has been explained by deposit. Least is determined by other factor. The correlation coefficient of all banks is significant because the correlation coefficient is greater than the relative value of 6 P. Er. In other words, there is significant relationship between deposits and loan and advances of NABIL, HBL and NIBL.

B. Coefficient of correlation between deposit and investment

Coefficient of correlation between deposit and investment measure the degree of relationship between these two variables. In this analysis, deposit is independent variables (X) and investment is dependent variable(Y). The main objective of computing "r" between these two variables is to justify whether deposits are significantly used as investment in a proper way or not. The below table shows the value of "r", "r^2", P. Er and 6 P.Er. Between deposit and investment of NABIL, HBL and NIBL three sample banks.

Table: 4.24

Coefficient of Correlation Between deposit and investment

Name of Banks	Evaluation Criterions				
	r	r^2	P.Err.	6 P.Er.	Remarks
NABIL	0.970	0.941	0.0178	0.1069	Significant
HBL	-0.784	0.615	0.1162	0.6974	Insignificant
NIBL	0.812	0.659	0.1028	0.6166	Significant

Source**:** *Through SPSS Data Editor*

Above table shows that coefficient of correlation between total deposits and investments of sample banks. The coefficient of correlation between total deposits and investments of NABIL and NIBL are positive by 0.970 and 0.812 where as HBL has negative correlated by 0.877. It refers that deposit and investment of NABIL and NIBL banks move together very closely but not proportionately But HBL moves opposite direction. Moreover, the coefficient of determination of NABIL, HBL and NIBL are 0.941, 0.615 and 0.659. It means 94.1 percent of variation in investment of NABIL, 61.5 percent of variation in investment of HBL and 95.9 percent of variation in investment of NIBL has been explained by total deposit. Least is determined by other factor. The correlation coefficient of NABIL and NIBL is significant because the correlation coefficient is greater than the relative value of 6 P.Er. But HBL has insignificant relationship because correlation is lower than 6 P Err. In other words, there is significant relationship between deposits and investment of NABIL and NIBL and insignificant relationship of HBL.

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

Coefficient of correlation between loan and advance and net profit measures the degree of relationship between these two variables. In this analysis, loan and advance are independent variables (X) and net profit is dependent variable (Y). The main objective of computing "r" between these two variables is to justify whether net profit is significantly correlated with respective loan and advance or not. The below table shows the value of "r", "r^2", probable Error (P.Er) and 6 P.Er. Between total loan and advance and net profit of sample banks.

Table: 4.25

Coefficient of Correlation Between loan & advance and net profit

Name of Banks	Evaluation Criterions				
	r	r^2	P.Er.	6 P.Er.	Remarks
NABIL	0.988	0.976	0.0072	0.0432	Significant
HBL	0.623	0.388	0.1846	1.1074	insignificant
NIBL	0.951	0.904	0.0288	0.1730	Significant

Source**:** *Through SPSS Data Editor*

Above table shows that coefficient of correlation between loan & advance and net profit of three sample banks. The coefficient of correlation between loan & advance and net profit of NABIL, HBL and NIBL are 0.988, 0.623 and 0.951. All banks have the positive relationship between these two variables. It refers that deposit and investment of all banks move same way but HBL moves lesser. Moreover, the coefficient of determination of NABIL, HBL and NIBL are 0.976, 0.388 and 0.904. It means 97.6 percent of variation in net profit of NABIL, 38.8 percent of variation in net profit of HBL and 90.3 percent of variation in net profit of NIBL has been explained by loan & advance. Least is determined by other factor. The correlation coefficient of NABIL and NIBL is significant because the correlation coefficient is greater than 6 P. Err. But relation of HBL is insignificant due to lower r than 6 P Err. In other words, there is significant relationship between loan & advance and net profit of NABIL and NIBL whereas HBL has insignificant.

D. Coefficient of correlation between total deposit and net profit

Coefficient of correlation between total deposit and net profit measures the degree of relationship between these two variables. In this analysis, deposit is independent variables (X) and net profit is dependent variable(Y). The main objective of computing "r" between these two variables is to justify whether deposits are significantly used to get proper net profit or not. The table shows the value of r, r^2, probable Error (P.Err) and 6 P.Er. between total deposit and net profit of NABIL, HBL and NIBL.

Table: 4.26

Coefficient of Correlation Between total deposit and net profit

Name of Banks	Evaluation Criterions				
	r	r^2	P.Er.	6 P.Er.	Remarks
NABIL	0.973	0.947	0.0161	0.0964	Significant
HBL	0.63	0.397	0.1819	1.0916	Insignificant
NIBL	0.948	0.899	0.0305	0.1833	Significant

Source**:** *Through SPSS Data Editor*

Above table shows that coefficient of correlation between total deposit and net profit of three sample banks. The coefficient of correlation between total deposit and net profit of NABIL, HBL and NIBL are 0.973, 0.630 and 0.948. All banks have the positive relationship between these two variables but HBL have little lower. It refers that deposit and investment of all banks move together very closely but not proportionately. Moreover, the coefficient of determination of NABIL, HBL and NIBL are 0.947, 0.397 and 0.899. It means 94.7 percent of variation in net profit of NABIL, 39.7 percent of variation in net profit of HBL and 89.9 percent of variation in net profit of NIBL has been explained by total deposit. Least is determined by other factor. The correlation of NABIL and NIBL is significant because the correlation is greater than the relative value of 6 P. Err but insignificant relation of HBL due to lower correlation. In other words, there is significant relationship between total deposit and net profit of NABIL and NIBL whereas insignificant of HBL.

4.2.2 Trend Analysis (Time Series Analysis)

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

A) Trend Analysis of Total Deposit:

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

Where,

Y= dependent variable,

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

X = deviation from some convenient time periods.

Let trend line be

Y = a + b x……. (I)

Where x = X - Middle year

Y = 37836.20+6544.59 *X of NABIL

Y = 35020.878+2751.28*X of HBL

Y = 40486.32 +6345 *X of NIBL

Table: 4.27

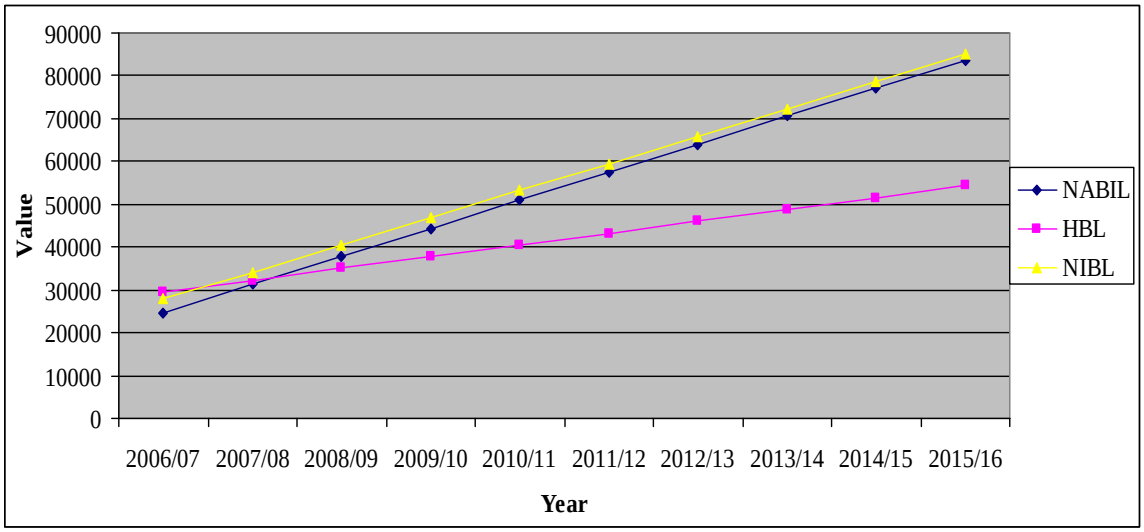
Trend analysis of Total Deposit			
Year	**NABIL**	**HBL**	**NIBL**
2006/07	24747	29518.32	27794.8
2007/08	31291.6	32269.6	34140.5
2008/09	37836.2	35020.88	40486.3
2009/10	44380.8	37772.16	46832.1
2010/11	50925.4	40523.44	53177.9
2011/12	57470	43274.72	59523.7
2012/13	64014.6	46026	65869.4
2013/14	70559.2	48777.28	72215.2
2014/15	77103.7	51528.56	78561
2015/16	83648.3	54279.84	84906.8

Source: Annul Report of Concern Bank

Appendix -1

Figure: 4.23

Trend Line of Total Deposit



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

B) Trend Analysis of Loan and advances

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

Y= a + bx

Where,

Let trend line be

Y = a + b x……. (I)

Y = 26960.74+5588.044 *X of NABIL

Y = 24462.82+3534.75*X of HBL

Y = 32707.82+5944.213*X of NIBL

Table: 4.28

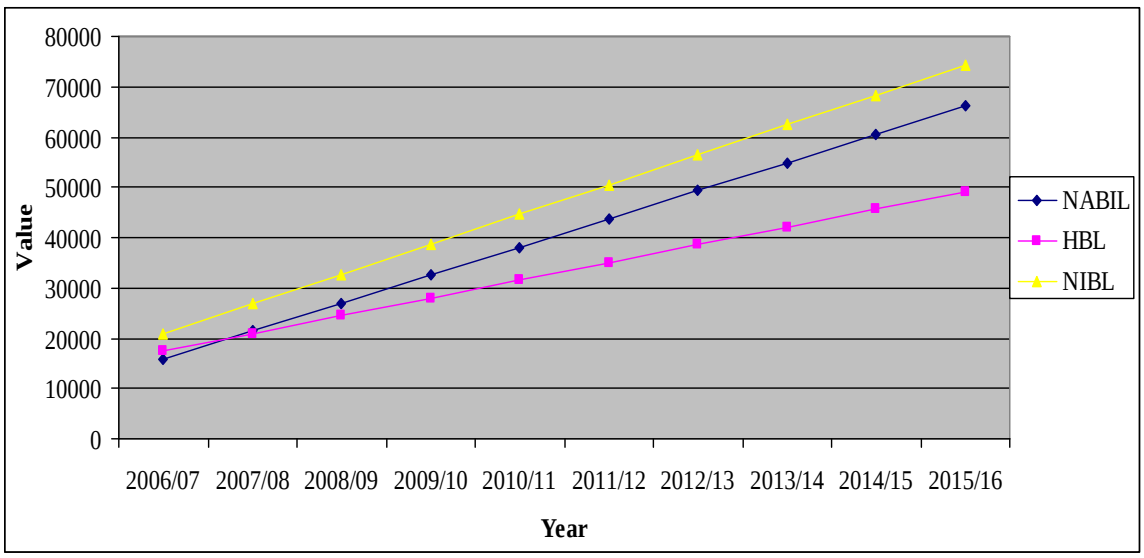
Trend analysis of Loan and Advance			
Year	**NABIL**	**HBL**	**NIBL**
2006/07	15784.7	17393.32	20819.4
2007/08	21372.7	20928.07	26763.6
2008/09	26960.7	24462.82	32707.8
2009/10	32548.8	27997.57	38652
2010/11	38136.8	31532.32	44596.2
2011/12	43724.9	35067.07	50540.5
2012/13	49312.9	38601.82	56484.7
2013/14	54901	42136.57	62428.9
2014/15	60489	45671.32	68373.1
2015/16	66077	49206.07	74317.3

Source: Annul Report of Concern Bank

Appendix - 2

Figure: 4.24

Trend line of Total Loan and Advance



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

C) Total Investment

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

$Y= a + bx$

Where,

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

X = deviation from some convenient time periods.

Let trend line be

$Y = a + b x$……. (I)

Where $x = X$ - Middle year

Where as

$Yc = 11292.72 + 1200.295 *X$ of NABIL

$Yc = 10217.74 - 1100.137*X$ of HBL

$Yc = 7362.97 + 478.545*X$ of NIBL

Table: 4.29

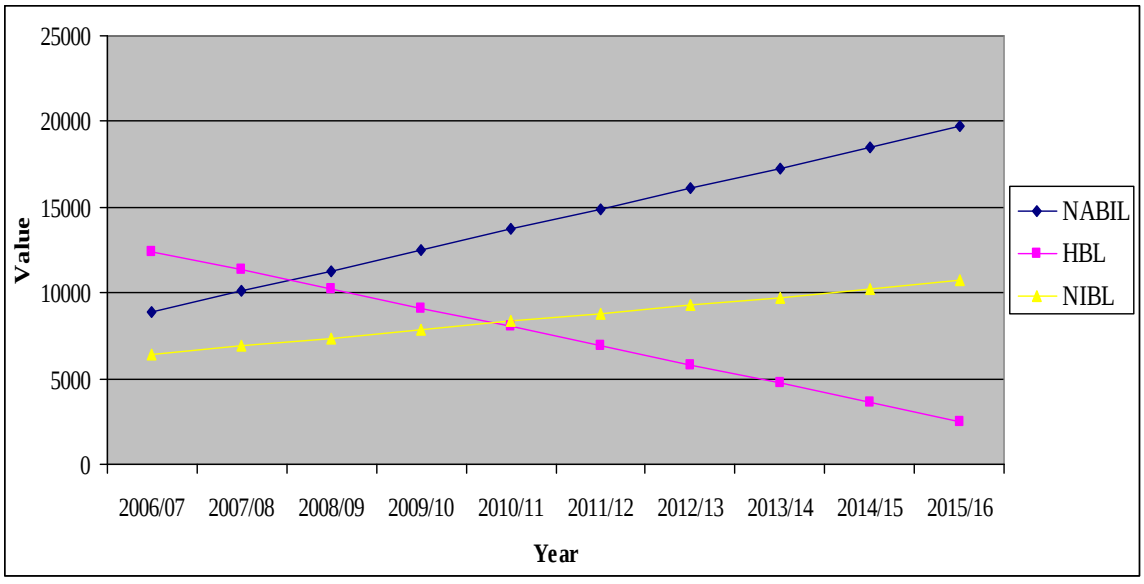
Trend analysis of Total Investment			
Year	NABIL	HBL	NIBL
2006/07	8892.14	12418.01	6405.88
2007/08	10092.4	11317.88	6884.43
2008/09	11292.7	10217.74	7362.97
2009/10	12493	9117.603	7841.52
2010/11	13693.3	8017.466	8320.06
2011/12	14893.6	6917.329	8798.61
2012/13	16093.9	5817.192	9277.15
2013/14	17294.2	4717.055	9755.7
2014/15	18494.5	3616.918	10234.2
2015/16	19694.8	2516.781	10712.8

Source: Annul Report of Concern Bank

Appendix - 3

Figure: 4.25

Trend line of Total Investment



Above Table shows the Trend line of total investment of NABIL, HBL and NIBL. The trend of total investment of NABIL and NIBL Banks forecasted increasing trend whereas trend of HBL is decreasing trend. The rate of increment of total investment for NABIL seems to be higher and aggressive than NIBL and HBL. Increment trend of total investment of NABIL is higher, NIBL has moderate and HBL has decreasing. Which indicate that NABIL make invest higher NIBL invest moderate and investment of HBL is decreasing trend. The investment of NABIL forecasted higher and aggressive.

D) Trend Analysis of Net Profit

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

$Y= a + bx$

Where,

Y= dependent variable,

a=Y-intercept,

b=slope of trend line or annual growth rate,

X = deviation from some convenient time periods.

Let trend line be

$Y = a + b x$……. (I)

Where x = X - Middle year

Yc = 985.67 + 172.021* X of NABIL

Yc = 656.49 + 67.55* X of HBL

Yc = 908.32 +191.943* X of NIBL

Table: 4.30

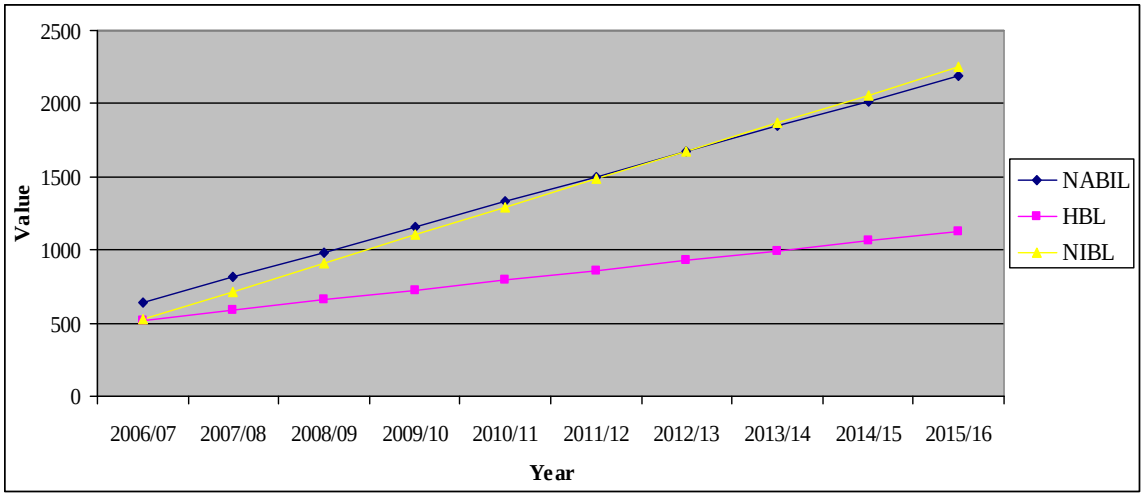
Trend analysis of Net Profit			
Year	NABIL	HBL	NIBL
2006/07	641.628	521.39	524.434
2007/08	813.649	588.94	716.377
2008/09	985.67	656.49	908.32
2009/10	1157.69	724.04	1100.26
2010/11	1329.71	791.59	1292.21
2011/12	1501.73	859.14	1484.15
2012/13	1673.75	926.69	1676.09
2013/14	1845.78	994.24	1868.04
2014/15	2017.8	1061.79	2059.98
2015/16	2189.82	1129.34	2251.92

Source: Annul Report of Concern Bank

Appendix – 4

Figure: 4.26

Trend Line of Net Profit



The above Table reveals the trend of Net profit of NABIL, HBL and NIBL. The Net profit of all three sample Banks forecasted increasing trend. The rate of increment of Net profit for NIBL seems to be higher and aggressive than NABIL and HBL. The trend show increment of Net profit of NABIL and NIBL is aggressive rather than HBL. The net profit of NABIL, HBL and NIBL has been increasing every year by Rs. 172.021 million, Rs. 67.55 million and 191.943 million respectively. The trend of Net profit projected to FY 2015/016 for further five year. In conclusion, NABIL and NIBL are doing better in order to generate net profit during the projected study period but increment of HBL is little lower though all NABIL, HBL and NIBL have increasing trend.

4.3 Major Finding of the Study

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

- The current ratios of NABIL, HBL and NSBI have been decreasing. The average mean current ratio of NABIL, HBL and NIBL are 1.336 times, 1.06 times and 1.28 times All banks have in better liquidity position because the standard ratio is more than 1:1. The average current ratio of NABIL is greater than HBL and NIBL. The C.V. of HBL is lower than two banks which indicate consistently in its current ratio and highest C.V. of NIBL indicates high volatile in its current ratio.
- The cash and bank balance to current assets ratio of NABIL, HBL and NIBL have been fluctuating. The average ratio of NIBL is greater than NABIL and HBL. It indicates that NIBL has high portion cash and bank balance form its current asset. The lower C.V. of NIBL indicates consistently in ratio than other banks.
- The investments on Govt. Treasury bill to current asset ratio of NABIL, HBL and NIBL have fluctuating. The average ratio of NABIL, HBL and NIBL are 24.796%, 20.15% and 9.552%. The average ratio of NABIL has higher than HBL and NIBL. It indicates that NABIL has invested little high portion of its current asset. The NIBL has lowest current

ratio. Which depict less investment in Govt. treasury bills. The C.V. and S.D of NABIL has also lower which indicates low risky and consistently in ratio.

- The investment on Govt. securities to total deposit ratio of NABIL, HBL and NIBL have fluctuating. The average investment on Govt. securities to total deposit ratio of HBL is higher than NABIL and NIBL. It indicates that HBL use more total deposit in government securities. The lower C.V. of NABIL indicates consistently in ratio.
- The cash and bank balance to total deposit ratio of NABIL, HBL and NIBL are also fluctuating during the study period. The average mean ratio of NABIL, HBL and NIBL are 6.262%, 7.337% and 13.534%. The average ratio of NIBL has higher than NABIL and HBL. It indicates that NIBL retain more its total deposit as cash and bank balance. The higher ratio of signifies that sound liquid fund to make immediate payment to the depositors but excess liquidity represents low lending and investment opportunities. The lower C.V. of NIBL also indicates consistently in its ratio.
- The loan and advance to total deposit ratio of NABIL, HBL and NIBL have constant trend. The average ratio of NIBL is higher than NABIL and HBL. It indicates that HBL use more total deposit as loan and advance. According to NRB directives less than 80% of loan and advances to total deposit ratio is required to enable better mobilization of collected deposit. The C.V. of NIBL is lower, which indicates consistently in ratio.
- The total investment to total deposit ratio NABIL, HBL and NIBL have fluctuating. The highest average ratio of NABIL indicates higher investment from total deposit and lower ratio of NIBL indicates least. Lower C.V of NABIL signifies lower volatile in ratio.
- The loan and advances to total assets ratio of NABIL, HBL and NIBL banks have been almost equal during the study period. The average ratio of NABIL, HBL and NIBL are 60.954%, 60.31% and 69.09%. The average ratio of NIBL is higher than NABIL and HBL which indicates that NIBL provides higher loan and advance from total asset. NIBL is better at mobilizing its total asset as loan and an advance.
- The investment on Govt. securities to total investment ratio of NABIL, HBL and NIBL banks have fluctuating. The average ratio of HBL has higher than NABIL and NIBL. NIBL has least. It indicates that investment of HBL is high in govt. securities. It means investment of HBL is more in risk free asset than other banks. The lower C.V. of HBL also indicates low risky and consistency in ratio.

- The investment on government treasury bills to total assets of NABIL, HBL and NIBL bank have fluctuating trend. The average ratio of NABIL, HBL and NIBL are 13.774%, 14.752% and 7.802%. The average ratio of HBL is higher than NABIL and NIBL which indicates that HBL invest more in govt. securities from its total asset. NIBL has least investment. It means HBL has its more assets in risk free assets. The lower C.V of NABIL signifies more consistency in ratio.
- The return on loan and advance of NABIL, HBL and NIBL have fluctuating trend. The average return on loan and advance ratio of NABIL, HBL and NIBL are 3.724%, 2.72% and 2.758%. The average ratio of NABIL has higher than HBL and NIBL which indicates that NABIL getting higher earning by utilizing and providing loan. Lower C.V of NABIL signifies consistency in ratio.
- The return on total assets of NABIL, HBL and NIBL banks have fluctuating trend. The average ratio of NABIL is higher than HBL and NIBL which indicates that NABIL has utilized it available asset to make earning. HBL has least. It means NABIL has used it asset to revenue generation. The Lower C.V of NABIL signifies more consistency in ratio than other banks.
- The return on equity of NABIL, HBL and NIBL banks have fluctuating trend. The highest ratio of NABIL is 32.79% and lowest ratio is 29.29%. The highest ratio of HBL is 25.30% and lowest ratio is 14.79%. Similarly the highest ratio of NIBL is 27.61% and lowest ratio is 18.65%. The average ratio of NABIL is higher than HBL and NIBL which indicates that NABIL has utilized it equity to making income. It signifies that the shareholders of NABIL are getting higher return than HBL and NIBL. The lower C.V. of NABIL also signifies more consistency in ratio.
- The interest earned to total asset ratio of NABIL, HBL and NIBL have increasing trend. The average increment ratio of NIBL is higher and HBL has lower. This indicates NIBL has high utilized it total asset as interest earning income and HBL least. So NIBL has better utilized the total asset for the profit generation. Lower ratio of HBL seems less conscious about managing its assets in order to earn more interest.
- The interest earned to total outside asset ratio of NABIL, HBL and NIBL banks have also increasing. The average interest earned to total outside asset ratio of NABIL, HBL and NIBL are 7.834%, 7.644% and 8.42%. The average ratio of NIBL is higher than NABIL

and HBL which indicates that NIBL has utilized it total outside asset as interest earning income. The lower C.V. of NABIL signifies more consistency in ratio.

- The interest earned to total operating income ratio of NABIL, HBL and NIBL have increasing. The average ratio of NIBL is highest and NABIL has least. The higher ratio of NIBL indicates high interest earned to total operating income. There is high contribution in operating income made by lending and investing activities (core banking activity). The lower C.V. of HBL signifies more consistency in ratio.
- The credit risk ratio of NABIL, HBL and NIBL decreasing and increasing at last during the study period. The average ratio of HBL is higher than NABIL and NIBL which indicates that HBL has high credit risk than other bank. The ratios indicate the more efficient operating of credit management of all banks according to NRB directives because according to NRB directives NPL ratio must be less than 5%. NIBL has efficient operating of credit management than that of NABIL and HBL. The lower C.V. of HBL signifies more consistency in ratio.
- The liquidity risk ratio of NABIL, HBL and NIBL reveals fluctuating trend. The average ratio of NIBL is higher than NABIL and HBL which indicates that NIBL has low liquidity risk than other bank. This shows its greater ability to pay depositors money as they want. NABIL has lower liquidity position that means higher liquidity risk than that of HBL and NIBL. The lower C.V. of NIBL also signifies more consistency in ratio.
- The asset risk ratio of NABIL, HBL and NIBL is fluctuating decreasing at first and increasing at last. The highest asset risk ratio of NABIL is 1.35 and lowest is 0.51. The highest of HBL is 3.45 and lowest is 1.42 similarly, the highest asset risk ratio of NIBL is 1.77 and lowest is 0.49. The asset risk ratio of HBL is higher than NABIL and NIBL. Which signify that asset of HBL is riskier than NABIL and NIBL. NIBL has lower asset risk. The coefficient of variation of HBL is lower than NABIL and NIBL which indicates consistency in its ratio.
- The average Earning per share of NABIL, HBL and NIBL are 100.304, 52.352 and 51.854. NABIL provide better earning to its shareholder because the EPS of NABIL is higher than HBL and NIBL. Higher EPS indicate that NABIL has high earning to provide its shareholder. Lower of C.V. of NIBL indicates consistency in its variables. The Earning per share of all bank are NABIL is decreasing trend.

- The market prices of the share NABIL, HBL and NIBL banks have decreasing after F/Y 2007/8. The average means MPS of NABIL, HBL and NIBL are 3772, 1374 and 1357.4 respectively. The average MPS of NABIL is greater than HBL and NIBL. It indicates that high demand of share of NABIL in market and shareholder are getting higher price. The C.V. of HBL is low which indicates consistently of its market price.
- The price earning ratios of NABIL, HBL and NIBL banks have been increasing first and decreasing at later. The average mean ratio of NABIL, HBL and NIBL are 35.89, 25.44 and 26.21 times. It indicates that for getting Rs 1 as earning, one should invest Rs 35.89 in NABIL and Rs 25.44 in HBL and 26.21 in NIBL. The higher PE ratio signify that price of NAABIL is traded in market higher in aspect of its earning than HBL and NIBL. The lower C.V. of HBL indicates consistency in PE ratio. It is recommended to sell share of NABIL and purchase share of HBL according to analysis of average price earning ratio.
- The coefficient correlation between deposits and loan and advances of NABIL, HBL and NIBL are 0.990, 0.996 and 0.998. There is positive relationship. It refers that deposit and loan and advances of all banks move together very closely but not proportionately. The coefficient of determination of NABIL, HBL and NIBL are 0.980, 0.992 and 0.996. It means 98 percent of NABIL, 99.2 percent of HBL and 99.6 percent of variation in loan and advance of NIBL has been explained by deposit. Least is determine by other factor. The correlation of all banks is significant because the correlation coefficient is greater than the relative value of 6 P.Er.
- The coefficient of correlation between total deposits and investments of NABIL and NIBL are positive by 0.970 and 0.812 but HBL has negative by 0.874. it means these two variable moves opposite direction. The coefficient of determination of NABIL, HBL and NIBL are 0.941, 0.615 and 0.659. It means 94.1 percent of variation in investment of NABIL, 61.5 percent of variation in investment of HBL and 65.9 percent of variation in investment of NIBL has been explained by total deposit. The correlation of NABIL and NIBL is significant but HBL has insignificant relationship.
- The correlation between loan & advance and net profit of NABIL, HBL and NIBL are positive 0.988, 0.623 and 0.951. It refers that deposit and investment of all banks move same way. Te coefficient of determination indicates that 97.6 of NABIL, 38.8 of HBL

and 90.4% of NIBL's profit is determined by loan and advance. The correlation of NABIL and NIBL is significant but HBL has insignificant relation between profit and loan and advance.

- The correlation between total deposit and net profit of NABIL, HBL and NIBL are positive by 0.973, 0.63 and 0.948. The coefficient of determination of NABIL, HBL and NIBL are 0.947, 0.397 and 0.899. It means 94.7 percent of variation in net profit of NABIL, 39.7 percent of variation in net profit of HBL and 89.9 percent of variation in net profit of NIBL has been explained by total deposit. Least is determined by other factor. There is significant relationship between total deposit and net profit of NABIL and NIBL, but HBL has insignificant relationship.
- The trend of total deposit of NABIL, HBL and NIBL banks forecasted increasing trend. The rate of increment of total deposit for NIBL seems to be higher and aggressive than NABIL and HBL. Increment trend of NIBL and NABIL is almost equal but HBL seems to be lower.
- The loan and advances of NABIL, HBL and NIBL banks forecasted increasing trend. The rate of increment of loan and advance for NIBL seems to be higher and aggressive. Increment trend of loan and advance of NIBL is higher, NABIL has moderate and HBL has lower. Which indicate NIBL seems aggressive, NABIL seems to moderate and HBL seems to be lower in providing loan and advances.
- The Trend line of total investment of NABIL and NIBL also increasing trend. Whereas trend of HBL has decreasing. The rate of increment of total investment for NABIL seems to be higher and aggressive, NIBL has moderate and HBL has decreasing. Which indicate that NABIL make invest higher and HBL invest lower portion of total investment. The trend projected for father five year for fiscal year 2015/16.
- The trend of Net profit of NABIL, HBL and NIBL Banks forecasted increasing trend. The rate of increment of Net profit for NIBL seems to be higher than NABIL and HBL. The trend show increment of Net profit of NABIL and NIBL is aggressive rather than HBL. The net profit of NABIL, HBL and NIBL has been increasing every year by Rs. 172.021 million, Rs. 67.55 million and 191.94 million respectively. NABIL and HBL are doing better in order to generate net profit during the projected study period but increment of NIBL is little lower.

CHAPTER – V
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

This research has been undertaken to evaluate and analysis of the financial performance of commercial banks. The research is about the comparative financial analysis of Nabil bank limited, Himalayan bank limited and Nepal Investment bank limited. In this chapter, summary conclusion and recommendation are included. All the summary and conclusion are made according to obtained from data analysis. Recommendation has made which would be beneficial for the management of the bank and other stakeholder.

5.1 Summary

This research has been analysis the financial performance of commercial banks. Three banks have been selected as sample of the study. The study has been divided into five chapters which include introduction, review of literature, research methodology, data presentation and analysis and summary, conclusion and recommendation. This study mainly based in secondary data, with include published annual report and other publication of banks. Other related information were collected from the concerned banks, NRB, NEPSE, Securities Board of Nepal and different websites. The data have been analyzed by using financial and statistical tools.

The research is about comparative financial analysis of NABIL, HBL and NIBL banks. The researcher has identified that research problem and set objectives to solve research problems about financial analysis of selected banks as described in introduction chapter. The main objective of the study is to financial analysis of sample banks. The specific objectives of the study are: to present the existing financial position, strength, financial performance and to analyze the liquidity, asset and profitability ratio and lending efficiency ratio of NABIL, HBL and NIBL offer suitable suggestions based on findings of this study. The research is based on secondary source of data. There related literatures have been reviewed for more effective. This section includes conceptual review and review of related studies. In conceptual review includes concept of banking, concept of commercial bank, general concept of financial analysis, objective and need of financial analysis. Similarly technique and limitation of financial analysis also presented. The financial analysis process and type as well as various ratios also presented. In the

review of related studies includes review of books, journal and articles and review of previous thesis as well.

Research methodology has been described in third chapter, which is a way to solve the research problems with the help of various tools and techniques. This chapter includes the various financial as well as statistical tools to analyze the data. This chapter includes the research design, population and sample data collection procedure, data period covered and methods of analysis. These studies is mainly conducted on the basis of secondary data collected from annual reports of concern bank, official report, economic and financial statement report etc. The presentation and analysis of data has been made comparative analytical and their interpretation has done in chapter four by applying the wide varieties of methodology as stated before. It includes the various financial and statistical tools. In financial tools ratio analysis is done which consists current ratio, liquidity ratio, assets management ratio, profitability ratio, risk ratio and other ratios. Various statistical tools such as arithmetic mean, standard deviation, coefficient of correlation, probable error and trend analysis have been applied to fulfill the objective of this study. The major findings of the study are also included in the final section of the presentation and analysis chapter.

Banking sector plays an important role in the economic development of the country. It provides an effective payment and credit system, which facilitates the channeling of funds from the surplus and deficit in the economy. Lending and Investment of commercial banks is a very risky factor. For this, financial performance of commercial banks have to pay due consideration while investment, mobilization of fund and use of resources. A healthy development of any commercial bank depends upon its financial performance. A good financial performance of a bank attracts both the borrowers and the lenders, which helps to increase the volume of quality deposits and investment.

Financial analysis involves the use of various financial statements analysis perform several things like the balance sheet, summarizes the assets, liabilities and owner’s equity, the income statement summarizes the revenues and expenses of the firm over a particular period of time. Financial Analysis is used primarily to gain insight into operating and financial problems

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

Financial analysis reflects the financial position of a firm, which is the process of determining the operational and financial characteristics of a firm. Financial analysis also includes consideration of the strategies and economic development. Financial analysis is the main indicator of success or failure of the company. The main function of financial analysis is the pinpointing of the strengths and weakness of a business undertaking by regrouping and analysis of figures contained in financial statements, by making comparison of various components and by examining their content. This can be used by financial managers as the basis to plan future financial requirement by means of forecasting and budgeting procedures.

5.2 Conclusions

This research is conducted with the major objective of highlighting financial analysis of NABIL, HBL and NIBL. Here make analyze the financial analysis in terms of liquidity, asset management, profitability and risk ratio and other various ratio of sample banks as well as relevant financial and statistical ratios. Following conclusion has been drawn from the study.

For the analysis of liquidity position, the current ratios of NABIL, HBL and NSBI have been decreasing. The average mean current ratio of NABIL, HBL and NIBL are 1.336 times, 1.06 times and 1.28 times All banks have in better liquidity position because the standard ratio is more than 1:1. The average current ratio of NABIL is greater than HBL and NIBL. The NIBL has high portion cash and bank balance form its current asset. The investment on Govt. Treasury bill to current asset ratio of NABIL, HBL and NIBL have fluctuating trend. The average ratio of NABIL has higher than HBL and NIBL. The investment on Govt. securities to total deposit ratio of NABIL, HBL and NIBL have fluctuating. The average investment on Govt. securities

to total deposit ratio of HBL is higher than NABIL and NIBL. The average ash and bank balance to total deposit ratio of NIBL has higher than NABIL and HBL. It indicates that NIBL retain more its total deposit as cash and bank balance. The average loan and advance to total deposit ratio of NIBL is higher than NABIL and HBL. It indicates that HBL use more total deposit as loan and advance. The total investment to total deposit ratio NABIL, HBL and NIBL have fluctuating trend. The highest average ratio of NABIL indicates higher investment from total deposit and lower ratio of NIBL indicates least. The average loan and advances to total assets ratio of NIBL is higher than NABIL and HBL. The average investment on Govt. securities to total investment ratio of HBL has higher than NABIL and NIBL. The average investment on government treasury bills to total assets ratio of HBL is higher than NABIL and NIBL. The average return on loan and advance ratio of NABIL has higher than HBL and NIBL which indicates that NABIL getting higher earning by utilizing and providing loan. Similarly, the average return on total assets of ratio of NABIL is higher than HBL and NIBL. The average return on equity ratio of NABIL is higher than HBL and NIBL which indicates that NABIL has utilized it equity to making income. It signifies that the shareholders of NABIL are getting higher return than HBL and NIBL. The interest earned to total asset ratio of NABIL, HBL and NIBL have increasing. The average increment ratio of NIBL is higher and HBL has lower. The interest earned to total outside asset ratio of NABIL, HBL and NIBL banks have also increasing. The average ratio of NIBL is higher than NABIL and HBL. The interest earned to total operating income ratio of NABIL, HBL and NIBL have increasing. The higher average ratio of NIBL indicates high interest earned to total operating income. The average credit risk ratio of HBL is higher than NABIL and NIBL which indicates that HBL has high credit risk than other bank. The liquidity risk ratio of NABIL, HBL and NIBL is fluctuating. The average ratio of NIBL is higher than NABIL and HBL which indicates that NIBL has low liquidity risk than other bank. The average Earning per share of NABIL, HBL and NIBL are 100.304, 52.352 and 51.854. NABIL provide better earning to its shareholder. The average market price of NABIL is greater than HBL and NIBL. It indicates that high demand of share of NABIL in market and shareholder are getting higher price.

In the aspect of statistical tools, the correlation between deposits and loan and advances of NABIL, HBL and NIBL are positive by 0.990, 0.996 and 0.998. The coefficient of determination

of NABIL, HBL and NIBL are 0.980, 0.992 and 0.996. It means 98 percent of NABIL, 99.2 percent of HBL and 99.6 percent of variation in loan and advance of NIBL has been explained by deposit. Least is determine by other factor. The correlation of all banks is significant. The correlation between total deposits and investments of NABIL and NIBL are positive by 0.970 and 0.812 but HBL has negative by 0.874. it means these two variable moves opposite direction. The coefficient of determination of NABIL, HBL and NIBL are 0.941, 0.615 and 0.659. It means 94.1 percent of NABIL, 61.5 percent of HBL and 65.9 percent of variation in investment of NIBL has been explained by total deposit. The correlation of NABIL and NIBL is significant but HBL has insignificant. The correlation between loan & advance and net profit of NABIL, HBL and NIBL are positive 0.988, 0.623 and 0.951. It refers that deposit and investment of all banks move same way. Te coefficient of determination indicates that 97.6 of NABIL, 38.8 of HBL and 90.4% of NIBL's profit is determined by loan and advance. The correlation of NABIL and NIBL is significant but HBL has insignificant. The correlation between total deposit and net profit of NABIL, HBL and NIBL are positive by 0.973, 0.63 and 0.948. The coefficient of determination of NABIL, HBL and NIBL are 0.947, 0.397 and 0.899. It means 94.7 percent of NABIL, 39.7 percent of HBL and 89.9 percent of variation in net profit of NIBL has been explained by total deposit. Least is determined by other factor. There relationship of NABIL and NIBL significant but HBL has insignificant.

The trend of total deposit of NABIL, HBL and NIBL banks forecasted increasing trend. The rate of increment of total deposit for NIBL seems to be higher than NABIL and HBL. Similarly the trend of loan and advances also forecasted increasing trend. The rate of increment of loan and advance for NIBL is higher, NABIL has moderate and HBL has lower. Which indicate NIBL seems aggressive, NABIL seems to moderate and HBL seems to be lower in providing loan and advances. The trend of total investment of NABIL and NIBL is increasing trend. Whereas trend of HBL has decreasing. The rate of increment of total investment for NABIL is higher, NIBL has moderate and HBL has decreasing. Which indicate that NABIL make invest higher and HBL invest lower portion of total investment. The trend of Net profit of NABIL, HBL and NIBL Banks forecasted increasing trend. The rate of increment of Net profit for NIBL is higher than NABIL and HBL. The increment trend of NABIL and NIBL is aggressive than HBL. The net profit of NABIL, HBL and NIBL has been increasing every year by Rs. 172.021 million, Rs.

67.55 million and 191.94 million respectively. NABIL and HBL are doing better for generate net profit during the projected study period but increment of NIBL is little lower.

5.3 Recommendation

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

- Generally, banks have to maintained liquid assets. The current ratios of the three banks have considerable. This can be regarded as good liquidity position. Because both bank have more than 1:1 ratio. This can be regarded as well liquidity position. The liquidity position affects external and internal factors such as prevalent investment situations, central bank requirements and so on. So, it is recommended to maintain sound liquidity position to NABIL, HBL and NIBL.

- Government securities such as Treasury bills, Development bonds, saving certificates etc. are risk less investment alternatives because they are free of default risk as well as liquidity risk and can be easily sold in the market. In this research study, it has found that HBL has invested more amounts in Government securities. So its recommended to NABIL and NIBL also invests more funds in Government securities instead risky lending.

- To get success in competitive banking environment, deposit must be utilized as loan and advances. The largest item of bank assets side is loan and advances. It has been found that loan and advances to total deposit and total asset ratio of NIBL is higher than that of NABIL and HBL. So NABIL and HBL are recommended to follow liberal lending policy and to invest more deposit and its asset as loan and advances.

- Interest earning is main source of bank. The average interest earned to total assets of NIBL is higher than NABIL and HBL. NIBL seems effective in getting higher interest earning. So it is recommended to other banks to focus in higher interest earning behavior.

- All sample banks have a possible risk because there is some amount of risky investment. The HBL has higher credit and asset risk than NABIL and NIBL. So it is recommended

to proper evaluate the risky investment opportunities. The HBL strongly recommended to reduce its credit and asset risk.

- EPS and DPS play a vital role to determine the market price of the share and also indicate the financial performance of banks. Higher EPS and DPS indicate the banks' sound financial position that would help them satisfy their stakeholders. So both bank recommended to increase in this regards.

- Political instability directly affected the economic sector such as hotel and tourism, manufacturing and trading sector. Bank loan and advances are decreasing in this sector. So banks should give priority to these sectors as well as create new investing sector to mobilize deposit.

- NABIL, HBL and NIBL are recommended to formulate and implement the sound and effective investment policy to increase volume of total investment and loan and advances that helps to meet required level of profitability as well as social responsibility. The banks should consider rural areas in making investment policy.

- Banks should develop an innovative approach to marketing and formulate new strategies of serving customers in a more convenient and satisfactory way by optimally utilizing the modern technology and offering new facilities to the customers at competitive prices. Banks are also required to explore new market areas. For this purpose, it is recommended to form a strong market department in central level, which deals with the banking products, places, price and promotion.

- In aggregate conclusion NABIL and NIBL have better performance than HBL. Here NABIL and NIBL however have been showing significant improvement, Whereas HBL has constant. So all banks should keep up with its growth trend to give strong competition to other banks. In the light of growing competition in the banking sector. It should strengthen and activate its marketing function as it is an effective tool to attract and retain the customers.

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Appendix - 1

A) Trend Analysis of Nabil Bank Limited

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

Source: Annul Report of Nabil Bank Limited

Where,

Y = dependent variable

a = Y-intercept

b = slope of trend line or annual growth rate,

X = deviation from some convenient time periods.

Let trend line be

Y = a + b x……. (I)

Where x = X - Middle year

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

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

NABIL

a = 37836.2

b = 6544.59

Where as

Yc = 37836.2 + 6544.59 *X of NABIL

B) Trend Analysis of Himalayan Bank Limited

Year(x)	Total deposit(Y)	X = x-2008/09	X^2	XY
2006/07	30048.42	-2.00	4.00	-60096.84
2007/08	31842.79	-1.00	1.00	-31842.79
2008/09	34681.35	0.00	0.00	0.00
2009/10	37611.20	1.00	1.00	37611.20
2010/11	40920.63	2.00	4.00	81841.26
Tot n= 5	∑Y = 175104.39	∑X = 0	$\sum X^2$ =10	∑XY= 27512.83

Source: Annul Report of Himalayan Bank Limited

Where,

Y = dependent variable

a = Y-intercept

b = slope of trend line or annual growth rate,

X = deviation from some convenient time periods.

Let trend line be

Y = a + b x……. (I)

Where x = X - Middle year

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

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

HBL

a = 35020.88

b = 2751.28

Where as

Yc = 35020.878+2751.28*X of HBL

C.) Trend Analysis of Nepal Investment Bank Limited

Year(x)	Total Deposit(Y)	X = x-2008/09	X^2	XY
2006/07	24488.85	-2.00	4.00	-48977.70
2007/08	34452	-1.00	1.00	-34452.00
2008/09	46698	0.00	0.00	0.00
2009/10	46698	1.00	1.00	46698.00
2010/11	50094.73	2.00	4.00	100189.46
Tot n= 5	∑Y = 202431.58	∑X = 0	$\sum X^2$ =10	∑XY = 63457.76

Source: Annul Report of Nepal Investment Bank Limited

Where,

Y = dependent variable

a = Y-intercept

b = slope of trend line or annual growth rate,

X = deviation from some convenient time periods.

Let trend line be

Y = a + b x……. (I)

Where x = X - Middle year

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

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

NIBL

a = 40486.32

b = 6345.78

Where as

Yc = 40486.32 +6345.78*X of NIBL

Appendix - 2

A) Trend Analysis of Nabil Bank Limited

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

Source: Annul Report of Nabil Bank Limited

Where,

Y = dependent variable

a = Y-intercept

b = slope of trend line or annual growth rate,

X = deviation from some convenient time periods.

Let trend line be

Y = a + b x……. (I)

Here,

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

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

NABIL

a = 26960.7

b = 5588.04

Yc = 26960.7 +5588.04 *X of NABIL

B) Trend Analysis of Himalayan Bank Limited

Year(x)	Loan and advances (Y)	X = x - 2008/09	X^2	XY
2006/07	17793.724	-2.00	4.00	-35587.45
2007/08	20179.61	-1.00	1.00	-20179.61
2008/09	24793.15	0.00	0.00	0.00
2009/10	27980.63	1.00	1.00	27980.63
2010/11	31566.98	2.00	4.00	63133.96
Tot n= 5	∑Y = 122314.09	∑X = 0	$\sum X^2$ =10	∑XY = 35347.53

Source: Source: Annul Report of Himalayan Bank Limited

Where,

Y = dependent variable

a = Y-intercept

b = slope of trend line or annual growth rate,

X = deviation from some convenient time periods.

Let trend line be

Y = a + b x……. (I)

Where x = X - Middle year

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

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

HBL

a = 24462.82

b = 3534.75

Where as

Yc = 24462.82+3534.75*X of HBL

C.) Trend Analysis of Nepal Investment Bank Limited

Year(x)	Loan and advances (Y)	X = x-2008/09	X^2	XY
2006/07	17769.1	-2.00	4.00	-35538.20
2007/08	27529	-1.00	1.00	-27529.00
2008/09	36827.16	0.00	0.00	0.00
2009/10	40318.31	1.00	1.00	40318.31
2010/11	41095.51	2.00	4.00	82191.02
Tot n= 5	∑Y = 163539.08	∑X = 0	$\sum X^2$ =10	∑XY = 59442.13

Source: Annul Report of Nepal Investment Bank Limited

Where,

Y = dependent variable

a = Y-intercept

b = slope of trend line or annual growth rate,

X = deviation from some convenient time periods.

Let trend line be

Y = a + b x……. (I)

Where x = X - Middle year

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

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

NIBL

a = 32707.82

b = 5944.21

Where as

Yc = 32707.82+5944.213*X of NIBL

Appendix -3

A) Trend Analysis of Nabil Bank Limited

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

Source: Annul Report of Nabil Bank Limited

Let trend line be

Y = dependent variable

a = Y-intercept

b = slope of trend line or annual growth rate,

X = deviation from some convenient time periods.

Where x = X - Middle year

Here,

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

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

NABIL

a = 11292.7

b = 1200.3

Y = 11292.7 + 1200.3 *X of NABIL

B.) Trend Analysis of Himalayan Bank Limited

Year(x)	Total Investment(Y)	X = x-2008/09	X^2	XY
2006/07	11822.99	-2.00	4.00	-23645.98
2007/08	13340.18	-1.00	1.00	-13340.18
2008/09	8710.69	0.00	0.00	0.00
2009/10	8444.91	1.00	1.00	8444.91
2010/11	8769.94	2.00	4.00	17539.88
Tot n= 5	∑Y= 51088.71	∑X=0	∑ X^2 =10	∑xy = -11001.37

Source: Annul Report of Himalayan Bank Limited

Y= a + bx

Where,

Y = dependent variable

a = Y-intercept

b = slope of trend line or annual growth rate,

X = deviation from some convenient time periods.

Let trend line be

Y = a + b x……. (I)

Where x = X - Middle year

Here,

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

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

HBL

a = 10217.74

b = -1100.14

Where as

Yc = 10217.74 - 1100.137*X of HBL

C.) Trend Analysis of Nepal Investment Bank Limited

Year(x)	Total Investment(Y)	X = x-2008/09	X^2	XY
2006/07	6505.7	-2.00	4.00	-13011.40
2007/08	6874.02	-1.00	1.00	-6874.02
2008/09	7399.81	0.00	0.00	0.00
2009/10	7399.81	1.00	1.00	7399.81
2010/11	8635.53	2.00	4.00	17271.06
Tot n= 5	∑Y= 36814.87	∑X=0	∑ X^2 =10	∑xy = 4785.45

Source: Annul Report of Nepal Investment Bank Limited

Y= a + bx

Where,

Y Y = dependent variable

a = Y-intercept

b = slope of trend line or annual growth rate,

X = deviation from some convenient time periods.

Let trend line be

Y = a + b x……. (I)

Where x = X - Middle year

Here,

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

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

NIBIL

a = 7362.97

b = 478.55

Where as

Yc = 7362.97 + 478.545*X of NIBIL

Appendix - 4

A) Trend Analysis of Nabil Bank Limited

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

Source: Annul Report of Nabil Bank Limited

Where,

Y = dependent variable

a = Y-intercept

b = slope of trend line or annual growth rate,

X = deviation from some convenient time periods.

Let trend line be

Y = a + b x……. (I)

Where x = X - Middle year

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

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

NABIL

a = 985.666

b = 172.021

Where as

Yc = 985.666 + 172.021* X of NABIL

B.) Trend Analysis of Himalayan Bank Limited

Year(x)	Net Profit (Y)	X = x-2008/09	X^2	XY
2006/07	491.824	-2.00	4.00	-983.65
2007/08	635.87	-1.00	1.00	-635.87
2008/09	752.83	0.00	0.00	0.00
2009/10	508.8	1.00	1.00	508.80
2010/11	893.12	2.00	4.00	1786.24
Tot n= 5	∑Y = 3282.44	∑X = 0	$\sum X^2$ =10	∑XY = 675.52

Source: Annul Report of Himalayan Bank Limited

Where,

Y= dependent variable

Y = dependent variable

a = Y-intercept

b = slope of trend line or annual growth rate,

X = deviation from some convenient time periods.

Let trend line be

Y = a + b x……. (I)

Where x = X - Middle year

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

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

HBL

a = 656.49

b = 67.55

Where as

Yc = 656.49 + 67.55*X of HBL

C.) Trend Analysis of Nepal Investment Bank Limited

Year(x)	Net Profit (Y)	X = x-2008/09	X^2	XY
2006/07	501.4	-2.00	4.00	-1002.80
2007/08	697	-1.00	1.00	-697.00
2008/09	900.62	0.00	0.00	0.00
2009/10	1265.95	1.00	1.00	1265.95
2010/11	1176.64	2.00	4.00	2353.28
Tot n= 5	∑Y = 4541.61	∑X = 0	$\sum X^2$ =10	∑XY = 1919.43

Source: Annul Report of Nepal Investment Bank Limited

Where,

Y = dependent variable

a = Y-intercept

b = slope of trend line or annual growth rate,

X = deviation from some convenient time periods.

Let trend line be

Y = a + b x……. (I)

Where x = X - Middle year

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

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

NIBL

a = 908.32

b = 191.94

Where as

Yc = 908.32 +191.943* X of NIBL