

CHAPTER- 1

INTRODUCTION

1.1 General Background Of the study

Bank is an financial institution which plays important role in the economy development of the nation. Bank deals in receiving, collecting , transforming, paying, lending, investing, exchanging the money both domestically and internationally . It provides financial services to various segments of the society as well as it facilitates for the growth of trade , commerce, industry and agriculture of the country .

Financial sector of any economy plays a vital role in its development and are currently viewed as catalyst in the process economic growth of a country. This sector is the backbone of developing country like Nepal. This sector has been gradually developed from the time of economic liberalization in Nepal. There is no doubt that a sound financial system will certainly boost the pace of development.

“ Concept of Banking has been developed from the ancient history with the effort of ancient gold smith who developed the practice of storing people gold & valuable, under such arrangement the depositors would leave there gold & valuable for keeping & serving given a receipt by the Gold Smith, whenever , the receipt was presented the depositors would get their gold & valuable paying a small amount as fee for keeping & serving”

1.2 HISTORY OF BANKING:

Financial development of the country largely depends upon effective mobilization of its resource Banks and financial institutions play pivotal role in the development of the country by performing the task of effective mobilization of its internal resources. It helps the growth of agriculture, trade commerce and industry of national economy. The baking sector is in largely responsible for collecting public deposit in various types and deploying these in the society by lending in different sectors of economy.

The term Bank is originated from the French word “Banque”. The origin of traditional banking is traced to the Babylonians and Athenians period but the first modern banks are, Bank of Venice (1171 A.D.) the Bank of Geneva(1320 A.D.) and Bank of Amsterdam(1609 A.D.) The traditional forms of banking were stressed during the civilization of Greek, Rome & Mesopotamia. The Ancestors of Modern Banking are Merchants, Goldsmith & Money Lenders. Following is the brief description of the ancestors of modern Banking.

a) Merchants:

Business activities have been carried out since the time immemorial Merchants had to remit money from one place to another. It was very difficult to carry physical money (coins) each time when trading was executed. The merchants were so popular and credit worthy that the letters issued by them were treated as good as money. They used to make trading activities based on these letters and settle the outstanding (due to/from) through actual coins on periodical basis. These letters gave birth to modern negotiable instruments.

b) Goldsmiths:

Goldsmith had very sound credit standing in the society. They used to have safe to keep valuables. Fear of theft and robbery led people keep their valuables (gold, silver, metallic coin) in the custody of the goldsmiths. Goldsmiths used to charge commission for safekeeping and used to return on demand. The depositor had to visit goldsmith for part and full withdrawal of gold, silver and coins. In order to remove the inconvenience, goldsmiths started issuing a receipt to the depositors with a notation "I owe you (IOU)" which could be transferred to any person the depositors wished, this gave birth to the bank note.

c) Money-lenders:

Moneylenders used to give loan to the needy public out of their own treasury, later on, savers started depositing their saving/deposit with the money lenders.

Goldsmiths and money-lenders experienced that all the money deposited with them were not withdrawn at a time. Some used to deposit while some used to withdraw, but a large amount used to remain with them. They started offering interest on those deposits and starts utilizing those funds to disburse the loans to needy people. They used to keep a fraction of total deposit in the forms of cash to honors withdrawal demands and rest was lent. The principle of fractional reserve is the foundation of liquidity theory in modern banking.

Such tasks previously performed by merchants, goldsmiths and money-lenders are now a days being performed by various type of banks in modern ways. Banks refers to any firms that are basically concerned with the transaction of money, however, today's banks are established for different purpose.

Banks in general, means an institution that deals with money. a bank performs several financial monetary and economic activates which are essential for the economic development & redevelopment of a country. It is a monetary institutional vehicle for domestic resource mobilization of the country that accepts deposits from various sources and invests such accumulated resources in the field of agriculture trade, commerce etc.

Generally the term bank refers commercial banks. contribute significantly in the formation and mobilization of internal capital and development efforts. They furnish necessary capital needed for trade and commerce for mobilizing the dispersed saving of individuals and institutions. In the present context, the role and importance of commercial banks has loomed larger. In this connection Nepalese economy witnessed several changes in the financial systems in the first few years is so for expel, financial liberalization.

1.3 HISTORY OF COMMERCIAL BANK IN NEPAL :

Regarding the origin of modern banking "Bank of Venice" is the first bank of the world, which was established in 1157 A.D. subsequently, Bank of Barcelona (1401) and Bank of Genoa (1407) were established . These modern banks gradually replaced goldsmiths and money lenders. Although Bank of English was established in 1916, the growth of banks accelerated only after the introduction of

Banking Act 1833 in United Kingdom as it allowed opening joint stock company banks. The bank of Hindustan established in 1770, is regarded as the first bank in India.

The history of modern financial system in Nepal was begun in B.S. 1994 with establishment of Nepal Bank Ltd. as the first commercial bank of Nepal. The bank was established to render services to the people and for the economic progress of the country, Prior to the establishment of Nepal Rastra Bank, it plays the role of central bank also. The establishment of Nepal Rastra Bank A/c 2012 was a significant dimension in the development of the banking sector. Realizing the importance of industrial development, GON and NRB established the Nepal Industrial Development corporation (NIDC) in 1959. The NRB created the agriculture credit fund in 1959/60 and handed it over to GON for the establishment of the co-operative Bank in 1963. The Agriculture Development Bank (ADB/N) was set up in 1968 under the agriculture development by Act 1967 incorporating the assets and liabilities of the co-operative Bank GON had established the land reform saving corporation in 1966 to make credit to village communities and Land Reform Saving corporation was merged with AB/N in 1973 and ADB became the only financial institution for providing the rural and agriculture credit in Nepal till 1974.

The second commercial Bank, the Rastriya Banijya bank was established in the public sector in 1966, the equity participation of GON and NRB under the Rastriya Banijya Bank 1967. A large number of non banking financial institutions were set up between 1962 to 1977 such as the employ provident Fund (1962), the National Insurance Company (1967), The Nepal Insurance corporation (1968), The credit Guarantee corporation (1962), The Nepal Insurance corporation (1968) The credit, Guarantee corporation (1974) and securities Market centers (1977). The legislation of commercial Bank Act 1974 set out regulation for licensing supervision and cancellation of license of commercial Banks and encouraged the establishment of other commercial Bank in Nepal.

Liberal and market oriented economic policy adapted by Nepalese government since mid 1980s allowed foreign banks on joint venture basis to operated in the

country on the approval basis to operate in the country on the approval of Nepal Rastra Bank. As a result, Nepal Arab Bank Ltd. (Nabil Bank Ltd.) Nepal Indo-Suez Bank Ltd. (Nepal Investment Bank Ltd.) and Nepal Grind land Bank Ltd. (Standard Chartered Bank Nepal) were established in 2041, 2042 and 2043 B.S. respectively. Now there are altogether 29 commercial banks in operation.

These commercial banks have give a new horizon to the financial sector of the country regarding healthy competition foreign capital investment, technological transfer experience expertise and skills.

1.4 MEANING OF JOINT VENTURE COMMERCIAL BANK :

In global perspective joint venture are the modes of trading through partnership among retains and also a from of negotiation between various groups of industries and traders to achieve mutual exchange of goods and services for sharing competitive advantages.

A joint venture is the joining of forces between two or more enterprises for the purpose of carrying out a specific operation is industries or commercial investment and production or trade.

In 1980, the government introduced "Financial sector of reforms. "Nepal allowed the entry, of the foreign banks as the joint venture with up to a maximum of 50% equity participation.

1.5 BRIEF PROFILE OF SELECTED JOINT VENTURE BANKS IN NEPAL :

This first joint venture bank was Nepal Arab Bank Ltd. (NABIL) it was established in 1984. At present following joint venture are existed in Nepal.

		<u>Estd.</u>	<u>Listing Date</u>
1	NABIL Bank Ltd.	1984	1985
2	Standard Chartered Bank Ltd.	1987	1988
3	Himalayan Bank Ltd.	1993	1993

4	Nepal SBI Bank Ltd.	1993	1995
5	Nepal Bangladesh Bank Ltd.	1994	1995
6	Everest Bank Ltd.	1994	1996

a) Nabil Bank Ltd. (BANIL)

Nabil Bank Ltd. (NABIL) is the first commercial joint venture bank in Nepal, which was established in 1984 under the company act 1964. Dubai Bank Ltd. was the initial foreign joint venture partner with 50% equity investment. The shares owned by Dubai Bank Ltd. were transferred to Emirates bank international limited, Dubai by virtue of its annexation with the later. Later on Emirate Bank International ltd. Dubai sold its entire 50% equity holding to National Bank Ltd. of Bangladesh is managing the bank in accordance with the technical services agreement signed between it and the bank on June 1995. Later on the name of this Bank is changed as NABIL BANK LTD.

b) Standard Chartered Bank Ltd:

Standard Chartered Bank Ltd. is a British based Joint venture bank in Nepal with banking expertise and professional service provided by Grindlays Bank P.L.C. London, Being a new bank, fully computerized to meet the growing competition in banking system and operations. New hopes and strategies are chalked out to ensure success in the years to come. Standard Chartered Bank was established under the company act. 1964 Greenland Bank PCL holds 50% of the share. The remaining 50% is shared between NBL. 33.34% and the Nepalese public and other financial institution 16.66%. Now it has 6 branches all over the kingdom.

c) Nepal SBI Bank Ltd.

Nepal SBI Bank Ltd. was registered under the company Act. 1964 in 1993. This is the joint venture of state of Bank of India and Nepali promoters. The bank is managed by state Bank of India under the joint venture and technical services agreement signed between it and Nepali promoters viz

employees provident fund and Agriculture Development Bank, Nepal The state bank of India is holding its 50% equity.

The main objective of the banks to carryout modern banking business in the country under the commercial Bank Act. 1974. The bank provides loan to agriculture, commerce and Industrial sector.

d) Nepal Bangladesh Bank Ltd.

Nepal Bangladesh Bank Ltd. a joint venture Bank with IFIC Bank Ltd. Of Bangladesh was established in 1993 under the company Act. 1974. The Bank is managed by IFIC Bank Ltd. Bangladesh Bank in accordance with the joint venture and technical services agreement between it and Nepalese promoter.

e) Everest Bank Ltd.

Everest Bank Ltd. was established in 1992 under the company Act. 1964 with an objective of carrying out commercial Banking activities under the commercial Bank Act. 1974. United Bank of India Ltd. under technical services agreement singed between it and Nepalese promoters was managing the Bank from the very beginning till November 1996. Later on it handed over the management to the Punjab National Bank Ltd. India which holds 20% in the Banks share capitals.

1.6 STATEMENT OF THE PROBLEM:

Although various joint venture foreign commercial banks are operating in Nepal after the GON adopted the open, liberal and market oriented economic policy, the financial sector has not been responsive enough from them to meet the growing resources need to the economic as expected before. What are the problems and why is it so is a very important question for this it is necessary to analyze their financial performance of commercial bank of Nepal is main question.

In fact, efficient financial performance is a mirror of weakness and strength of the bank. A strong bank can contribute to national economy and also attract further

foreign investors in this sector it may be a lesson to the new commercial banks whether it may be JVB or not. So, financial statements should be fully examined to find out whether the banks are economically and financially strong or not Nepal is the poorest country, so half of the population lives under the absolute poverty line, the trend of lending money from the riches of the village on the collateral of their lands and buildings is still on so the real challenges of the banks are making habit of banking to the population of rural areas.

The economic liberalization and cooperative attitude of government in Nepal made it easy to establish the NB's and same is the reason for the establishment for finance companies too. The working and transaction horizon of the two have to large extent similarities. But banks are established to perform banking transactions and finance companies to perform non-banking transaction. The contribution of both cannot be neglected in the economic development of the country.

There is tough competition among commercial banks in Nepal. though joint ventures banks have to manage to perform better than other local commercial banks within short span of time. They have been facing a neck to neck competition against one another. Therefore, it is necessary to examine the profitability position of bank of commercial bank of Nepal and other aspect related to finance.

In Nepal, the profitability rate, operating expenses dividend distribution rate among shareholders have been found inconsistent. The problem of the study will ultimately find out the reason for difference in financial performance in different periods of time. This study specially deals with following problems.

- a) To what extent joint venture banks have been able to raise their profitability ?
- b) How efficiently Joint venture banks are managing their liquidity. assets and capital structure ?
- c) What is the relationship of investment and loan and advance with deposits and total net profit ?
- d) How far joint venture banks have been able to convert the mobilized resources into investment.

1.7 OBJECTIVE OF THE STUDY:

The main purpose of bank performance analysis is to evaluate progress toward meeting the goals and objectives, settled by management and to compare the performance of bank. There is involvement of analysis of the basic financial statement and contribution the ratios that identify the components of performance with the help of this analysis strength and weakness of management to strength the weak areas and maintain performance in the strong areas.

Join Venture Commercial bank plays vital role in the economic development of the country. To be idle it must have strong financial position i.e. capital and assets structure and the way it is financed. The size and type of the capital. and assets depends upon the size and nature of the organization. The main objective of this study is to analyze, examine and interpret the capital and assets structure of Join venture commercial banks, Along with it the objectives of the business undertaking by re-granting and analysis of figures. contain in financial statement by making comparison components by ensuring these contents.

The main objective of the study is discussed under the following aspects.

1. To examine the financial performance of the concerned banks for the period of 5 years from 2003/2004 to 2008/2009
2. To know the NPA of banks for the proper management of liquidity
3. To provide suggestion and recommendation on the basis of finding and analysis to improve the financial weakness of joint venture commercial banks.

1.8 SIGNIFICANCE OF THE STUDY:

For domestic resources, mobilization and economic development of the National Banking institutions definitely contribute and play a gigantic role to build up the confidence to businessperson for promising the businessperson and industrialists for encouraging opening new industries. it is a resource for economic confidence of various segments and extents credit to people.

It has definitely notable contribution to create good capital and assets structure of commercial banks newly established JVBS and other financial institutions in order to accelerate the economic prosperity of Nepalese trade, industries and other sectors.

The Present study is conclusion oriented study. It will be beneficial to different parties concerned with the bank as other interested parties.

-) Lenders and borrowers of the banks.
-) Management of the bank.

1.9 LIMITATION OF THE STUDY:

Since the study is the partial fulfillment of the requirement of masters in Business Studies. It has some limitations of the study are as follows:

1. This study is based mainly on the financial report of the company:
2. The study concentrates mainly on the financial aspects of concerned bank.
3. This study is based on secondary data. Thus, its reliability depends upon how far the data are genuine.
4. The study covers 5 years study period i.e. 2002/2003 to 2006/2007.
5. This study deals with certain financial tools such as ratio analysis and cash flow statements.
6. This method doesn't conduct an experimental research.
7. Hypothesis has been for this study.

1.10 ORGANIZATION OF THE STUDY:

The entire study can be divided into following five major chapters.

1. Introduction
2. Review of the Literature
3. Research Methodology
4. Presentation of the analysis of data
5. Summary of major finding. issues, gaps and recommendations.

1. Introduction

This Chapter is introductory and organized as background statement and of the problem objective of all study, Significance of the study methodology used in the study limitation of the study and organization of the study.

2. Review of the Literature:

Review of available literature is explained in the chapter, it includes review of the books, review of the articles, review of the reports and unpublished master level dissertation.

3. Research Methodology:

In this chapter several tools and techniques employed for analysis and presentation of data have just been defined.

4. Presentation and analysis of data:

In this chapter the effort has been made to analyze, the impact of capital structure and risk and return of commercial bank. This chapter consists of organizing. tabulating and accessing financial and statistical results.

5. Summary of Major finding issues, Gaps and Recommendation:

Ultimately this chapter compresses summary of main finding prevailing issues and gaps of the company that help them to improve their miserable situation to some extent.

CHAPTER- II

REVIEW OF LITERATURE

2.1 Introduction

Several studies in the field of banking have already been carried out by learned teachers, students and many others for different purposes. In books, booklets magazines and dissertations. This chapter focuses on the available makes literature in the field of banking. This chapter is divided into three sub-chapters. In the first sub-chapter, theoretical outlines given by the authorities in this area is presented. Secondly, the conclusions drawn by the students out of their thesis works are presented. Thirdly, generally, vies and opinions of the people concerned with this field are presented.

On the basis of above, it is at all clear that the purpose of literature review is to find out what research studies have been conducted in one's chosen field of study. And what remains to be done.

2.2 Conceptual Frame work (Concept of bank):

Bank is a financial institution, which plays a significant role in the development of the country. It facilitates the North of trade and industry and other sector of the national economy. It is a resource for economic development, which maintained the self confidence of segments of society and extends credit to the people.

A bank is a business organization that receives and holds deposits or funds from other maters loans of extender credits and transfers funds by written orders of depositors. (Encyclopedia, The work Book, America, Grolier, incorporated, Vol.3) In the Nepalese context, now days three types of bank are buy operated by performing their activities in different sectors. such as central bank (Nepal Rastra Bank) commercial bank and Development bank commercial banking are either operated fully in the public sector or the joint sector or being operated under joint venture with foreign banks with private participation.

Economic and Banking Environment:

One of the most important characteristic of the Nepalese economy is its monetary dualism, that is the co-existence of the two market-organized and unorganized within the same country. The organized market consists of commercial banks and few financial and money lending institutions. Their activities, through expanding spindly in recent years, are confined to a few urban centers of the country. The unorganized market consists largely of the money tenders, traders and landlords but provided the bulk of credit requirements in the suburban and rural areas. The organized and unorganized in the linked together and the participants in the latter are generally outside the control of the central bank. (2 Pant, Dr. R.D. The flow of funds in Nepal 1995, Banking Institutions. P.11.)

This situation exists not only Nepalese economy, but most of the underdeveloped countries including South Asian regions. In most cases. We can undoubtedly say that primary objective of the establishment banks. It has to follow the rules & regulations circulated by the central bank. The objective of the central bank of the country is always to have sound and decentralized economic development of the county. For this they issued the policy that all the commercial banks must Invest 12% of their deposit money in the priority and deprived classes. It will help the Governments objective of JVB to maximize the return through the economic development of the nation.

Regulations of the Commercial Banks:

Commercial banking is highly regulated industry. While the extent of the regulation and the type of regulation important on banks have historically varied significant the importance of banking to the performance of the economy mandates regulation to protect participants in the economy. The goals of banks regulations include.

Protection of monetary stability:

The stability of the banking system is necessary to allow the monetary authorities to control the volume of the money circulating in the economy. A stable payment is necessary to promote economic development and to avoid financial panics associated with periods associated with periods of economic recession.

Protection of Depositors

To gain transactions services consumers must deposits, which makes them creditors of the bank. If the banks are regulated depositors are not required to investigate banks as extensively.

The regulations of central banks in the case of interest rate fixation are followed by commercial banks. Government of Nepal's policy on interest rate has shown a remarkable change for the better in recent years. In the fiscal year 1986/87, Nepal Rastrya Bank instead of fixing the detail structure of interest rate charged or offered by the commercial banks, decided to fill only maximum interest rate on deposit giving the banks and financial adequate room to move over to structure of interest rate within the limits set by the monetary authorities. (2 Pant, Dr. R.D. The flow of funds in Nepal 1995, Banking Institutions. P51.)

Liquidity Management:

Just as in the case of any another commercial enterprise, the commercial banks also strive to earn profit. Commercial bank is a custodian of others surplus funds. There for while earning profit he should never forget the fact he is doing business with others funds which acquires because of his credit. we have seen that these deposits are either repayable of demand or after the expiry of a fitted period. In either case he must be ready to meet the liabilities as and when necessary and as such he has many outstanding contracts for the future delivery of money. In case of failure he will suffer in his credit on which the very foundation of his business stands. Not only will he feel the shock of such a failure but it will be transmitted to the other links of banking organization, there by participating the nationwide bank failure. So a banker should always bear in mind that he is a guardian

of a very delicate mechanism, which paves the future economic development and which if disturbed will create monetary disequilibria with all evil effects there fore banker should take the necessary precautions to keep his assets a liquid as possible. Bank is an institution which plays with the highly liquid form. It is extremely important for the bank to maintain a satisfactory level of liquidity. But excess liquidity can harm on the banks profit earning position, which has the chain kind of reaction to the economy of the nation, to shareholder wealth position and projects waiting for investments. Not only that the banks own liquidity position

affects its smooth operation but the liquidity on the market also affects all of the commercial and financial institutions and economic development of the nation too.

The excess liquidity results over subscription of shares, commercial banks decrease its interest rates on deposit and increase of NEPSE index.

Thus we can arrive at the conclusion that without support of investment, finance is a means to the productive investment. The provision of finance alone will not guarantee unless realistic painstaking preparation has been made to execute useful projects, and unless these individual projects form on interrelated useful projects, and unless these individual projects form on interrelated whole of a type likely to generate its own further finance, no process of financial mobilization however efficiently and smoothly organized can take the place of such preparation. (U.N. Methods of Financial Economic Development in under Developed Countries 1949, p-118)

In the Nepalese context, Nepal through a developing economy has no shortage of financial resources, at least in the short run. There is lack of coordination among various policy measures and programs. Attention must therefore to direct to use the available resources productivity. (pant, Dr.R.D. "1993", Interest Rate Policy of Nepal, p-4.) to have decentralized economic development of the nation regardless of governmental or JVB. The only formula for the profitability success of any bank is through efficient utilization of available resources. But the task of utilization of resources is as much crucial as the mobilization. "The under utilization of resources not only results in loss of income, but also goes further to discourage the collection of deposits.

Sources and uses of Fund:

In dynamic sense a bank is an institution where new funds flow is and out of the bank. As the bank receives new deposits or existing depositors increase the holding in their A/c, management employs there funds in assets that will contribute earnings to the bank. Conversely if the banks depositors reduce their deposits, management must secure funds to cover these with drawls without further adjustments. If no surplus is hold the bank will have to secure the funds by either liquidating some of its earning assets or by borrowing the funds from other sources.

The process of funds management entails managing on ever changing pool of funds with a goal of maximizing profit and minimizing risk exposure to the bank shareholders. Sufficient flexibility must be maintained in the management process to meet unexpected inflows and out flows.

Funds Providing Functions:

Bank secure funds from these major sources, deposits, other borrowed funds and capitals. These sources of funds can be categorized according to their maturity and cost to the bank.

Deposits:

The largest and most important funds providing function for bank is deposit. Deposits account for approximately 80 to 90 % of banks sources of funds deposits are classified as demand, saving and time.

Demand deposits are payable on demand and at least in a legal sense, have shorter maturity. Saving deposit are also payable on demand although legally bank can require a depositor to fine 30 days notice prior to with drawl. Time deposits have specific maturity dates that may extend for several years. Because of the specified maturities, these deposits are the most permanent deposits.

In general demand deposits are considered the lowest cost source of funds and one of the most stable.

Borrowed Funds:

Bank also secure funds by borrowing on either a short or a long term basis. Long term debt is more permanent and may be considered banks capital if it means certain regulatory criteria. The major instruments used by the banks in securing short term borrowed funds include treasury bills purchased, securities sold under repurchased arguments, acceptable out standings, borrowing from central banks. All of these instruments are secured loans payable that have short maturities.

Rates of interest paid on borrowed funds are quite volatile particularly on those instruments that are extensively used in the daily cash management process. Since rates are determined through the interaction of supply and demand in the market

and the maturities are so short is not uncommon to observe large swings in rates of these instruments in a matter of days.

In recent years banks have made extensive use of borrowed funds. Many banks are using them on a permanent ongoing basis. When a bank uses short term loans to support long term assets, rate variability can affect interest spreads but its affect on margin is not so significant. Large money center and regional banks tend to be net borrowers of these funds, with smaller banks being net suppliers.

Capital:

The third major funds providing function is capital. Banks secure additional funds through the insurance of long term debt and through increases in equity securities (like additional share issues at the subscription price). funds secured through increase in capital accounts are differentiated from other funds providing functions by the performance of the funds.

The main source of bank capital is common stock. A bank secures funds initially when the owners commit their funds to their banks through stock purchase following the initial injection of funds, additional funds are provided through profit retention or sales of additional shares of stock.

In an ongoing sense funds are provided to banks from the profit that are retained and not distributed as dividend to the owners. This source of fund depends on the both the profitability of the bank and the larger percent of earning it retains; the larger will be the source of funds. A typical bank dividend payout ratio is 30% of current periods of profits.

A Bank may secure additional funds by selling additional funds by selling additional shares of stock. This source of funding is more accessible to a larger bank whose common stock trades in active secondary markets than to small banks whose stock is closely held.

Fund using functions:

Banks invest in a variety of assets the funds secured through deposits short term borrowings and capital the majority of these funds are employed in interest bearing assets such as loans and investments. Some funds are also employed in non

earning cash assets in necessary to provide liquidity to accommodate outflows and to meet reserve requirements. Banks must also have facilities to support their investment and funds providing functions. Funds using function are classified into four major groups, loans, investment, cash assets and facilities.

Loan :

The single most important funds using for commercial banks is the lending function. For a typical bank, loans account for approximately 55% to 60% of total assets. Banks earn the highest gross yields on loans.

Commercial and industrial loans for approximately 40% of total loans for all banks. The next two largest categories of loans are real estate and loans to individuals. Other types of loans made by commercial banks include agricultural loan, loans to the other financial institutions and lease financing.

Larger money center banks are most active in commercial and industrial loans. Larger banks also are very active in lending to other financial institutions; smaller regional banks tend to have heavier concentration in agricultural loans.

It is important to differentiate loans on the basis of maturity and pricing characteristics. A bank is primarily a short to intermediate term lender. Loans may also vary with respect to the interest rate negotiated by the lending bank. Loans may be made on either a fixed rate as variable rate basis. The maturity and pricing characteristics of assets are important since they can be different from the maturity and pricing characteristics of a bank's source of funds.

The average maturity or the major types of loans varies. Most commercial and industrial loans have maturities of one year or less. But its maturities on consumer loans and on many of the real estate loans in a bank's portfolio extend several years. The average maturity of the loan portfolio will therefore depend to some extent on the concentration of lending activity.

The average maturity of the portfolio is also dependent in whether loans are installment or single payment loans. Installment loans, which are characterized by systematic repayment of principal and interest over the term of the loan, have an average life that is less than the stated maturity. The bank will recover a portion of the principal as the loans is systematically retired. On a single payment loan the

entire principal is repaid at maturity. Although installment loans have average lives that exceed single payment loans, their average lives are less than the stated maturity loan portfolios can also be differentiated according to the pricing characteristics of the loans the up the portfolios. A fixed rate loan is negotiated with an interest rate that fluctuates over the term of the loan. The rate on such loans fluctuates with money market condition.

The combined effect on both the maturity and pricing characteristics is important to the concept of asset liability management. Loans rate very short maturities and longer-term loans with variable interest rate are classified as interest rate. Long term fixed rate loans are characterized by rates that will not vary with money market rates: such loans are therefore classified as non-sensitive to changes in interest rates. The loan portfolio must be managed with respect to bank's to interest rate sensitivity.

Investments :

The second major funds using functions of banks are investment in debt securities. Banks may also purchase obligations of other financial institutions and debt issued by foreign and domestic corporations.

Investments in obligations of the federal state and local government units are differentiated with respect to risk of default maturity marketability and task treatment, obligations of the federal government are essentially free of risk of default. Obligations of state and local government vary with respect to risk of default. Risk of default is dependent on whether the security is a general obligation bond or a revenue bond on which the source of repayment is tied to particular sources of revenue, and the source of repayment is tied to particular sources of revenue, and it is also dependent on the financial strengthen of the issues.

Cash assets :

The third major using function of banks is investment in cash assets. Cash include vault cash, reserves held at the federal reserve Banks, balances due from other banks and cash items in the process of collection. This use of funds can be differentiated from loans and investments in that a bank does not earn an earn an explicit rate of interest on cash assets. Investment in cash assets is necessary to

support the deposit function to the bank and in some cases to obtain correspondent services related to loans and investments.

Vault cash consists of currency and coin that a bank holds in its vault. The bank must accommodate depositors who wish to withdraw funds from their accounts in the form of cash, although a bank will attempt to limit investments.

The remainder of cash assets is held in the form of account with the federal Reserve Bank, balances due from the banks and items in the process of collection.

Bank will also hold cash on deposit with other banks. Banks maintain such balances as compensation for services obtained from these correspondent banks such as check clearing transaction services related to investments and participation in lending arrangements.

Facilities :

The final funds using function is a investment in a facilities. As with cash assets a bank does not earn in explicit return on its investments in facilities. But investment in facilities is necessary to support physically the funds using and funds providing functions of the bank. Investment in facilities includes buildings constructed on property that is owned or leased by the bank, leasehold improvements that are made in leased building and all owned equipment used by the in providing its services.

2.3 Role of JV Bs in Nepal :

Though two domestic commercial banks namely Nepal Bank Ltd. (estd.1997) and Rastriya Banijya Bank (estd.2022) were running. The economy was still facing the lack of banking services. Perceiving this fact, GON adopted liberalization policy and started allowing the setting up of joint interest banks in FY 1984/1985. GON budget of FY 1984/1985 has justified the need of joint venture commercial banks in the following words.

At present, the financial institutions of the country have neither been effortful to mobilize resources. On the one hand the major part of their commercial loan is constructed among the few individuals where as the small traders and

entrepreneurs are facing difficulties to receive loans on the other hand, the only solution to this problem is to encourage commercial in the banking sector. Therefore a policy of allowing new commercial banks under joint venture with foreign collaboration has been adopted. This will promote competition among banks where by the clients will get improved facility. In addition, the shares of these new banks will also be sold to the public and in distributing the shares, it will ensured that the ownership is spread out to the maximum extent possible.

Since, FY 1987/88 financial liberalization came into effect with a purpose to enhance the economic development process under the structural adjustment program which resulted in the liberalization of interest rates. Strengthening of banking operation and shift from direct to indirect monetary control instruments.

A substantial increase in the number and the size of the joint venture banks took place due to liberalization policy of HMG after the forties now many joint venture banks with maximum 50%. Shares capital holding are running. They are mainly concentrated in Kathmandu valley. But according to the policy of NRB they are compelled to establish branches in rural areas too. Though commercial banks grew significantly in size and number, they can't meet the credit need in the country. For this reason, the setting of finance companies are allowed after making necessary adjustments targeting the areas where the commercial banks do not prefer to finance. As a consequence 52 finance comprise are registered and running under the direction of Nepal Rastra Bank.

The establishments of securities Exchanges center in 1976 was a significant step in the development of financial institution. It was aimed at doing the job of brokering, underwriting. Public issue management making markets for governments bonds etc. Later in 1993, it was converting into Nepal stock Exchange provides marketability and liquidity to the governments and corporate securities by facilitating through market intermediaries such as market makes, broker etc.

It is obvious that the introduction of JVB s in foreign collaboration as a part of financial liberalization, deeply related with the development of securities exchange emergency of finance companies an liberalization in interest rate. This is noted achievement in financial development the opening of new JVBs avail the

atmosphere that brings in the country the technical talent, managerial skill and foreign investment in a healthy competitive environment (lekhnath Ghimire, 2000,20)

The role played by JVBs can be mainly divided into these three categories.

1. Introduction of new and advanced banking techniques

The JVBs are credited for introducing new modern and advanced banking techniques computerization in banking system, hypothecation and syndicating under the direction of NRB consortium finance, merchant banking inter bank market for money and securities arrangements of loans in foreign currencies etc. The JVBs have added a new dimension through the introduction and practice of above mentioned banking techniques.

2. Attraction to foreign investment.

The liberalization policy of HMG/N has contributed a lot in attracting the foreign investors into the country by availing a sound environment. The various multi national companies are eager to set up in joint venture. Further, JVBs make international financial and business institutions familiar to the Nepalese rules and regulation and avoid their confusions and dilemma through their publications, report etc. This is a significant contribution of JVBs in Nepal.

3. Healthy competition.

The introduction of JVBs has broken up the monopoly enjoyed by the domestic commercial banks. It has encouraged the healthy competition among the commercial banks. Healthy competition results in better and cheaper customer services. Banks improve their productivity in order to survive in the competition on one hand. while in the other hand, the real beneficiaries are the customers and economy as a whole. This also encourages the domestic banks to extend their services in other countries. It also forces, the existing banks to improve their quality and extend securities by simplifying procedures and by training and motivating their staff against the new challenges (Sharma 1988,25)

2.4 REVIEW OF BOOKS:

Various books are written on joint venture banks and we will be reviewing few of them.

" According to Sayers. The special interest of economists in the activities of the deposit liabilities of the bank. Their lies the communities interest in the bank because by their operations they can effect the monetary situation in sense of the availability of the purchasing power. When a banks makes an advance by allowing customers to overdraw his accounts, the bank in effect exchanges its own promise to pay Immediately against the customers promise to pay off the advance later on the economic importance of this exchange is that the bank's promise to pay immediately is absolutely effective purchasing power, which plays instrumental role in increasing the total demand of the goods and services. Here people use banks for the purpose of making payments and as sources of loans; the latter involves different uses of the resources that can be devoted to adding to the real capital of nature". (Sayers, R.S. "1976", Modern Banking, India Oxford clerender per, India, P.?

Maintenance of a satisfactory level of liquidity is a significant enough to meet the deposit liabilities that are to be paid on demand. Not only that the liquidity position determines the deposit paying ability of the bank But at times, ensures the smooth operations to a considerable extent". (Shrestha, Dr. Manohar K. Nepal Bank Ltd. Appraisal of Financial position, Nepal Bank Patrika, Vol xvl, No.187, April to May 1987)

According to David Cox, Three major functions are preformed by the commercial banks is written in his book named success in elements of Banking. They are:

-) To accept and safe guard deposit of money from customers.
-) To permit money to be with drawn of transferred from one account to another.
-) To lend the surplus of deposit money to suitable customers who to borrow.

David Cox believes that the word "money" is common to all the basic functions of the bank. Money according to him can be defined as anything, which is generally acceptable in the settlement of the debt and passess freely. From and to hand. (Cox. David "1988", Element of Banking , P-221)

"The banking system as we are all familiar with consist of both the central bank and commercial banks. Commercial banks are concerned with the deposit both demand and time constitute, their liabilities where as the central bank is the banks of commercial banks." (Pant, Dr. R.D. The Flow of Funds in Nepal-1995, Banking Institutions, p-148)

The salient feature that separates banking institutions from other financial intermediaries is their power to create money in the form of deposit liabilities. They create credit, given the limitations imposed by reserve position, out of the credit they themselves receive from others, and their lending operations increase the amount of money in the economy. Thus its resources a significant part, constitutes of deposit liabilities. the deposit on the other hand, constitute a part of money supply. (Ibid,p-148)

2.5 REVIEW OF ARTICLE:

Poudel (1997, 48) is of opinion that joint venture commercial banks of Nepal are concentrated only in the urban areas. Most of the people of the country living rural and sub-urban areas but Nepal Grindlasys Banks Ltd. is neglecting the need of small communication and burrows of outside the urban areas. The bank creates desired level of branch network for the development of country and contribute to fulfill the government objective of the peoples participation in the economic development. Since banks are the effective mechanism of resource mobilization in the national context, NBBL should come forward to expand its branches in these areas by the analysis of cost effectiveness. By expansion on branch network, more resources will be mobilized, more will be deposit collection and bank will earn higher profit.

Acharya (2057, 42) in his article "Rastra Banjiya Bank; A comparative performance study" concluded that deposit growth of commercial banks wan not consistent. Low growth in local banks than JVBs. The mobilization of rural saving was better in case of local baks credit expansion was decreased in local bank than JVBs credit deposit ration was better in JVBs, greater in JVBs. Local banks were forced to open and continue their branches at the rural areas. Therefore the competition among the local and joint venture banks was not healthy.

Shrestha (2057, 44-57) in his article "Commercial banks comparative performance Evaluation" concludes that JVBs are new operationally more efficient having superior performance while comparing with local banks. Better performance of JVBs is due to their sophisticated technology, modern banking method and skill. Their better performance is also due to the governments branching policy in rural areas and financial PEs. Local banks are efficient and expertise in rural sectors. But having number of deficiencies. So local banks have to face growing constraints of socio economic, political system on one hand spectrum and that of issues and challenges of JVBs commanding significant banking business on other spectrum.

Bista (2058,28) focuses some important indicators which have contributed the efficiency and performance of JVBs in the field of commercial banking. Bista concludes that the establishment of JVBs a decade ago marks beginning of the modern banking era of Nepal. The JVBs have brought in many new banking techniques such as computerization, hypothecation consortium finance and modern fee based activities into the economy.

Shresth, (2061,42) concludes that the government owned commercial banks often remained over liquid with, huge loses, sluggish growth of credit with high defaults and marked deterioration in their financial ability, poor repayment rates culminated into large portfolio of non-performing credits and risk assets, These sustainability dominated their resources base, markedly increased the effective lending cost of credit due to the high transaction cost ultimately depressed their profitability.

Thapa (2061,17) since these banks were new, urban based and run by foreign management they started their operation with automated system which could not easily attract the elite group of business community and expatriates due to their prompt service modern management culture and environment, Thus, they could sun the bank at least cost but with the same interest spread of 10-12 percent between deposits and lending rates prevailing then in two major state owned banks. It had been possible for them an account of the fact that these two banks share in the total deposit and lending of the whole banking system of the country was large as 85-90% Even such a large spread of interest rate wan not enough for two banks to meet their operating cost hence, had been incurring losses year after

year while the joint venture banks could earn enormous profits with same interest speed.

2.6 REVIEW OF DISSERTATION:

Prior to this thesis, several works have been conducted by some students. Some of them as are supposed to be relevant for this study are presented below:

* A thesis Joshi Keshav Raj(1989) on, "A study of JVBs Profitability. In this thesis, his major finding is." The profitability ratio of major JVBs viz. NIBL and NABIL are satisfactory over the study period, exhibiting their better efficiency in utilizing their deposit. However, they are unable to mobilize saving from differed parts of the country. The profit as indicator of their financial performance that displayed on financial statements are inflated because of fluctuation in the foreign currency during the period.

) To give the suggestive judgmental decision which will strength more financial position to achieve their objectives properly.

His major findings are NIBL & NGBL has unsatisfactory liquidity position. Activity ratio in both bank have efficient in utilizing their total assets, though NIBL has out performed in this regard. profitability records of both banks have registered an increasing trend. The interest coverage ratios of banks. "The liquidity, profitability and dividend payout ratio of two banks seen to be favorable. These represent the strength and decreasing trend of profit an deposits, represent the weak aspect of banks. A compared with NGBL, to NIBL seems to be slightly better in terms of liquidity, profitability and capital structure. It is thus evidence from the analyses that NIBL promises a better future than NGBL. (Gurung, V.C., A Comparative Study NGBL & NIBL, "A Financial Study of Joint Venture Bank's in Nepal, Unpublished Master's Degree Dissertation, T.U. September, 1995, Kathmandu, Nepal.)

* Shakya Dinesh Raj (1995) on, "Financial analysis of JVBs in Nepal. He found that higher debt equity ratio, indadequate investment on priority sector. Highly invented on government security and debenture, bands, lower profit margin due to higher operating cost and higher interest

expenses in both banks (NABL and NGBL). On the other EPs, DPS are increasing each year. Liquidity position of the bank (NGBL and NABL) is satisfactory return ratios are in fluctuating trend where ROA, ROE of NABL is higher than that of NGBL. NGBL's profit ability is more satisfactory than that of NABL.(Shakya, D.R. Financial Analysis of Joint Venture Bank in Nepal, And following are the main objectives of the Shakya D.R. :

-) To analyze the liquidity ratio activity ratio, profitability ratio of standard chartered bank Nepal. Nepal Limited and Himalayan Bank limited and to provide suggestive frame work for their improvement.
-) To study the comparative financial strength and weakness of two joint venture banks and their viability.
-) To suggest majors for their effectives and efficient financial performance.

Shakya recommends utilizing its risky assets. SHS funds and total assets are more efficiently for generating more profit margins. Both banks should reduce their expenses for being more profitable. They should be more active to earn operating income rather than operating income i.e. foreign fluctuation again.

* In another Mandal Mahendra(1996) has concluded, "A comparative financial analysis of the banks quite different than that of general business enterprises. More over from the point of view of working capital policy NABL and NGBL have followed aggressive working capital policy then but from the point of view of liquidity position, NIBL is better than that of two banks. Further net profit to total assets ratios in the case of NIBL has registered better performance by utilizing its overall resources for earning more profit than other two banks

-) To examine the existing the financial position.
-) To study the comparative financial strength and weakness of two joint venture banks and their viability.
-) To provide suggestion and recommendation.

His also has formed the JVBs are basically not concentrate to mobilize their deposit funds in productive sector. So they are suggested to come forward to meet government obligation by financing in the priority sector development

programs such as poverty alleviation programs woman development programs, income generating programs, generating new service ideas etc.

* The thesis submitted by Pathak Kamal Raj (1999) on a comparative case study between Nepal Indosuez Bank Ltd. And Nepal Grind lays bank Ltd. Relating to capital structure and profit ability has found of both banks (NIB Ltd. And NGB Ltd.) is highly leveraged. The proportion of debt and equity capital should be decided keeping in mind the effects of tax advantage and financial distress. The bank when it is difficult to pay interest and principle ultimately lead to liquidation or bankruptcy.

) To provide a suggestive frame work which will strengthen their capital structure so that they can take concrete steps in achieving their objective currently.

Recommendation given by Pathak is as follows:

Since there is no significant relationship between debt equity ratio in term of fixed deposits to net worth and over all capitalization rate of both the banks the capital structure position is not better, ROE function is found to be influenced by dividend pay out ratio and interest margin in case of NIB Ltd. Keeping this facts in mind both the banks are required to maintain improved capital structure by increasing equity base i.e. issuing more capital expanding general reserve and retaining more earning with this improved capital structure of the banks, it will compromise among the conflicting factors of cost and risk.

M.R. Pathak further recommends that the banks are suggested to collect the funds through issuing share. Return on debt and return on assets ratio are not satisfactory in the both banks. Having geared up capital structure position and insufficient return represent the weak aspect of these two banks. Both the banks are suggested to use the resources in to the most profitable sector.

Another research study made by Raut Hiralal an 'An appraisal an financial aspect of joint venture bank in Nepal (2006) in that study his major finding are

* All selected banks may not accept deposit when this is on ideal fund because there banks have improved increasing investment by total deposit ratio.

* All selected JVBs are highly leveraged in shareholder's equity and we know that higher debt capital is unfavorable to the bank. When interest payable is higher than the rate of returns, the profit would decline, so all selected JVBs are suggested to use low debt capital.

* In all selected JVBs profitability ratios such as return on investment, return on total assets seem not satisfactory. If resources held idle, banks have to bear more cost & result would be lower profit margin. That's why it is suggested to all selected JVBs to utilize its resources more profitable sector.

) Another research study made by Mallik Hema on "A comparative study of financial performance of Himalayan Bank & Nepal SIB Bank Ltd. (2007) in that study her major finding are

) Liquidity position of a bank is influenced by various internal as well as external factors such as changes in policy of NRB, funds flow situation, condition of financial market, deposits and lending policy of the banks etc. Overall liquidity position of NSBIBL was better than that of HBL. HBL is recommended to increase its liquidity strength in order to meet the obligations due to the increase in its turnover.

) Turnover position of NSBIBL was better than that of HBL. HBL has better to increase the ratios of loans and advances to total deposits. Performing assets to total assets and performing assets to total debts by reviewing its lending policies, availing loans at low costs and simplifying the lending procedures. Further, both the banks are recommended to open branches in rural sectors as well to make themselves accessible to all classes of society. This is supposed to increase the volume of their loans and advances.

) As profit is the foundation for the survival of commercial banks, they should be able to earn sufficient profit to build up the confidence among the shareholders, customers and its staffs. HBL's profitability position was better than that of NSBIBL. NSBIBL is recommended to use its resources

in high profit potential sectors. Further, it should keep the operating expenses at minimum level.

-) Capital adequacy position should be healthy in order to safeguard the bank against the risk of confidence and risk arising from the instability of financial market. As per the standard set by NRB, HBL should increase its net worth to total deposits and net worth to total assets ratios to 8% to maintain adequate capital.
-) Investment of both bank's is increasing but net profit is not increasing in the ratio of investment. In the case of HBL there is positive correlation between investment and net profit. But in the case of NSBIBL there is positive correlation between investment and net profit. So both banks a policy how to return from investment is increase NSBIBL much care about it.

2.7 RESEARCH GAP :

After reviewing the research done through out the past, the present researcher has found that comparative study of the financial performance of the bank has not been long analyzed of JVC bank . The past studies have recommended some of the remedial reference like to reduces the debt, increase the liquidity , to limit the operating cost . It's been time to check how far the difference have occurred in the bank . The present study explores the comparative and financial performance of the banks

CHAPTER–THREE

Research Methodology

3.1 Introduction:

"Research methodology " is composed of two words. " Research " and Methodology". "Research " is a systematic and organized effort to investigate a specific problem that needs a solution. This process of investigation involves a series of well thought activities of gathering, recoding analyzing and interpreting that data with the purpose of finding answers to the problem. Thus the entire process by which we attempt to solve problems is called research, while "Methodology "is the research method used to test the hypothesis (Wolff, H.K. and pant, P.R.(1999), social science Research and thesis writing ,(2nd ed.) First , 2000 A.D. p – 203.

"Research Methodology refers to the various sequential steps to adopt by a research in studying a problem with certain objectives in view "(Kothari ,C.R. (1989), Research Methodology Methods and Techniques, New Delhi, Villey Eastery). The prime objectives of this study is to evaluate and asses the financial performance the JVBs. This chapter contains those methods that make convenience for comparison of the performance made, so far by these banks by analyzing the strength and weaknesses of the financial performance of these JVBs. Research methodology refers to the various sequential steps (along with a rational, of each such steps) to be adopted by a researcher in studying a problem with certain objectives in view. It would appropriate to mention here that search projects are not meaningful to are unless they are in sequential order, which will be determined by the particular problem at hand.

Users of financial statements can get to her in right about the financial strength and weakness of the firm if they properly analyze the information report in these statements. Management should to particularly interest in knowing the financial strengths of the firms to firm financial strengths and weaknesses. Thus, financial analysis is the starting point for making plans, before using any sophisticated forecasting and planning procedure. Understanding the past is in a pre–requisite for anticipating the future. In this chapter we show financial data can be used to analyzed a firms part performance and assess its present financial strengths.

Financial analysis is the process of identifying the financial strengths and weakness of the firm by properly establishing relationship between the items of the balance sheet and the

profit and loss Account financial analysis can be undertaken by management of the firm or by outside parties.

3.2 Research Design :

"Generally, Research design is the plan, structure and strategy of investigation conceived so as to obtain answers to research questions and to control actual variance" Kerlinger, F.M., Research Design :Meaning purpose and principles, Foundation of Behavioral Research, 2nd Ed.(Holt, Rinchart & winston ,Inc.) P – 30

3.3 Sources of Data :

This study is mainly based on secondary data are collected from their respective annual reports especially from balance sheet, profit and loss A/c and other publication made by the bank. Data are collected from the following sources: -

- www.nepalstock.com.np
- Head office of respective joint venture banks.
- Supplementary data and information from Nepal Rastra Bank.
- Ministry of finance and national planning commission.
- Nepal Rasta Bank's Report.
-

3.4. Population and sample :

When democratically elected government introduced, new liberalization and open economic policy JVBs increased dramatically.

There are some joint Venture Banks whose shares are traded actively in the stock market. A list showing the listed joint Venture Banks:

	<u>Listed Data</u>	<u>H. Office</u>
1. NABIL Bank Ltd.	1985	KTM
2. Standard chartered Bank Ltd. 1988	"	"
3. Himalayan bank Ltd.	1993	"
4. Nepal SBI Bank Ltd.	1995	"
5. Nepal Bangladesh Bank Ltd.	1995	"
6. Everest Bank Ltd.	1996	"

From above all JVBs are selected as a sample except Himalayan Bank Ltd. for the study.

Above mentioned JVBs have been selected by simple random sampling of probability sampling method, which represents 83.3%. of population.

Population	Sample size	Sample ratio	Sample percentage
N	n	n/N	$\frac{n}{N} \times 100$
6	5	5/6	= 83.3

3.5 Method of Data analysis :

This study basically uses the secondary data which were firstly collected and tabulated into a separate from systematically. The data tabulated according to subject in order to simple analysis such as percentages are calculated where necessary. And these are presented and analyzed in descriptive way. The graph charts are also presented to interpret visually the finding of the study. Similarly, the financial ratios are widely used for the analysis and interpretation of the financial perforation of the selected sample.

Following tools have been used for this study :-

- 1) Financial Tools
- 2) Statistical tools

3.5.1. Financial Tools :

In this research study various financial tools are employed for the analysis. There are various ratios existing today's, but in this study some selected ratios are used.

a) Ratio – analysis

A ratio is defined as " The indicated quotient of two mathematical expressions as the relationship between two or more things (Webster's New Collegiate Dictionary , 8th ed. , Springfield, Mass G and C Merrier.,1995, p-958). Ratio analysis is very much powerful tool of financial analysis.

Financial ratios are most frequently and widely used in practice to assess company's financial performance and condition. This ratio is used to test historical performance and current financial condition. In financial analysis, a ratio is used as an index or yard sticks for evaluating the financial position and performance of a firm (Pandey, I.M., Financial Management , Bikash Publishing Pvt. Ltd., 8th ed ., 2002, p-51)

3.5.1.1. Liquidity Ratio :

"Liquidity ratios measure the ability of the firm to meet its current obligations. In fact, analysis of liquidity needs the preparation of cash budgets and cash and fund flow statements; but liquidity ratio, by establishing a relationship between

cash and other current assets to current obligations, provide a quick measure of liquidity. To find out the ability of banks to meet their short term obligations which are likely to mature in the short duration. The following ratios are computed to find out the short –term solvency.

A. I. Current Ratio :-

The current ratio is the most commonly used measure of short term solvency. Since it indicates the extent to which the claims of short term creditors are covered by assets that are expected to be converted to cash in a period roughly corresponding to the maturity of the claims. Generally, it shows the relationship between current assets & current liabilities.

Current asset normally include loans and advances cash and bank balance, money at call or short notice, investment in government securities and other receivables, bill purchased and discounted and miscellaneous current assets. Similarly, current liabilities include deposits and other short term loans, bills payable, staff bonus, dividend payables, long term liability but matured in current year and miscellaneous current liabilities.

The current ratio is computed as:

Current Ratio

$$= \text{current assets} / \text{current liabilities.}$$

The higher the ratio, supposedly, the greater the ability of the bank to pay its current obligations. The widely accepted standard of current ratio is 2:1 but accurate standard depends on circumstances in case of seasonal business ratio and the nature of business.

A.II. Cash and bank balance to total deposit Ratio :

Cash and bank balance to total deposit ratio measures the ability of bank to meet their daily requirements the ability of bank to meet their daily requirements.

Hence, cash and bank balance includes cash on head, foreign cash on hand, cheques and other cash items, balance with domestic banks and balance held in foreign banks. The total deposit encompasses current deposit, saving deposits, fixed deposits, money at call & short notice & other deposit.

This Ratio is calculated as :-

$$= \frac{\text{cash and bank balance}}{\text{Total deposit}}$$

Standard ratio depends on circumstances and nature of business.

A.III. Cash and bank balance to current assets Ratio :

Cash & bank balance are the most liquid current. This ratio measures the proportion of most liquid assets is cash & balance among the total current assets of the bank. Higher ratio shows the banks sound ability to meet its demand for daily cash requirements to customer's deposits.

This ratio is computed by dividing cash and bank balance by current assets.

It can be states as:

$$= \frac{\text{Cash and bank balance}}{\text{Current deposits}}$$

It is hidden fact that the depositors would not with draw the total deposit, in case at a time so the bank keeps a certain margin of cash. This ratio indicates that, if the ratio is higher there is higher there is higher margin & if lower the bank is les liquid. These resources of the firm but also the use of various. Components of total assets.

3.5.1.2. Asset Management Ratio (Activity Ratio):

Activity ratios are employed to evaluate the efficiency with which the firm manages and utilizes its assets. These ratios are also called turnover ratios because they indicate the speed with which assets are being converted of turned over in to profit generating.

a) Loans and advance to total deposit ratio:

The main purpose of this ratio is to find out, how successfully the banks are utilizing their total deposits of loan and advances for generating more profit. Higher ratio implies the better utilization of total deposits. This ratio can be obtained by dividing loan advances by total deposits, which can be expressed as:

$$= \frac{\text{Loan and advances}}{\text{Total deposits}}$$

High ratio is the symptom of higher / proper utilization of funds and ratio is the single of balance remained / idle.

b) Loans and advances to fixed Deposit Ratio:

This ratio examines that how many times the funds is used in loans and advances against fixed deposits. For commercial banks, fixed deposits are long term interest bearing obligations, sources of earning. This ratio is computed dividing loans and advances by fixed deposit a high ratio dictates idle cash balance. It means total funds not properly utilized. This ratio is computed as:

$$= \frac{\text{Loans and advances}}{\text{Total fixed deposit}}$$

This ratio examines to what extent the fixed deposits are utilized for income earning purpose.

c) Loans and Advances to saving Deposit Ratio:

This ratio assess, how many time the funds is used to loans and advances against saving deposits. saving deposits are interest bearing short term obligation and the major sources of investment in loans and advances for income generating purpose. This ratio indicates how many times the short – term interest bearing deposits are utilized for generating the income is calculated dividing the amount of loans and advances by total deposit in saving account. The following formula is used to calculate this ratio as :

$$= \frac{\text{Loans and advances}}{\text{Total saving deposit}}$$

3.5.1.3 Profitability Ratio:

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

Here, profitability ratios can be determined on the basis of investment. The following are the major profitability ratios used in this study.

a) Net profit Total Assets Ratio:-

The ratio is very much crucial of measuring the profitability of funds invested in the bank's assets. It measures the return on assets. It is computed by dividing the net profit after tax by total assets. The formula is used for computing this is as:

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

b) Net profit to Total Deposits Ratio:

This ratio is used for measuring the internal rate of return from deposits. It is computed dividing the net profit by total deposits.

The following formula is used as:

$$= \frac{\text{Net profit}}{\text{Total Deposit}}$$

Higher ratio indicates the return from investment on loans and advance are desirable and lower ratio indicates the funds are not properly mobilizing.

c) Return on Investment:-

Return on Investment measures the company's return from investment, return means net profit after tax, investment covered owner's equity as well as loans & different titles long term and short term investment.

"The conventional approach of calculating return on investment (ROI) is to divided PAT by investment. Investment represent pool of funds supplied by shareholder and lenders, while PAT represents income of shareholder (Pandey, I.M. , financial Management , Bikash publishing House Pvt. Ltd. , 8th Ed., 2002, p-135

$$\begin{aligned} &\text{Return on investment (ROI) :} \\ &= \frac{\text{Net profit after tax}}{\text{Total Investment}} \end{aligned}$$

3.5.1.4. Capital Structure Ratio or leverage Ratio:

The long –term financial position of the firm is judged by capital structure or leverage ratio. The capital structures ratios are calculated to measure the financial risk and firms ability to using debt on the benefit of the shareholder these ratios measures the proposition of outside's fund and owner's used in the bank. The following ratios are used:

a) Total Debt to shareholder's Equity Ratio:

This ratios is assessed as borrowing funds and owner's capital that is a popularly measure the long –term financing solvency of firm, it is reflected to relative claims creditors and shareholders against the assets of its. The following formula is used is to calculate this ratio.

$$= \frac{\text{Total Debt}}{\text{Total shareholder's Total equity}}$$

b) Total Debt to Total Assets Ratio:

Debt to assets ratio or simply debt ratio reflects the financial contribution at outsiders and owners on total assets of the firm. It also measures the financial security to the outsiders. Generally creditors prefer high debt order to magnify their earnings on the one hand and to maintain their concentrated control over the firm on the other.

Conventionally a ratio of 1:2 is considered to be satisfactory, although no hard and fast rules exist.

$$\text{Debt Ratio} = \frac{\text{Total Debt}}{\text{Total assets}}$$

In this study, Total debt includes short term loans long term loans & all kind of deposits, similarly total assets include all the assets shown on the right hand side of the balance sheet.

c) Return on Capital Employed Ratio:

Profit is related to the total capital employed is total long terms funds supplied by the creditors and owners of the concern. It could be computed with the help of the following formula:

$$= \frac{\text{Net profit after tax}}{\text{Total capital employed}}$$

d) Long term Debt to Total Assets Ratio:

Long term debt to total assets ratio reflects the percentage of total assets that has been finance by long – term debt.

If the used more long term debt is said to have adopted not creative financing policy and it has less risk of facing the problem of shortage of funds.

Similarly, if the firm uses less long term debt it is to have adopted aggressive financing policy. An aggressive financing policy makes the firm more risky. The following formula is used to calculate this ratio:

$$= \frac{\text{Long-term debt}}{\text{Total assets}}$$

e) Return on shareholder's Equity (Rose):

Return in shareholders equity is the most vital fools to judge whether a concern has earned a satisfactory return to its owners or not. By this ratio, the rate of return on ordinary shareholders of a concern can be judged

comparing it with the records of the same nature concerns inter firm comparison and comparing with the overall industry average. This ratio is computed by the following tool.

$$= \frac{\text{Net profit after}}{\text{Ordinary shareholders' equity}}$$

3.5.1.5. Invisibility Ratio:

Investors contemplating to invest share in company would be taken to know. The investment potentiality of company taking final decisions. Analysis of invisibility ratios helps the investors to know the invisibility of the company.

a) Earning per share (EPS):

Earning per share may make over yards indicating whether the bank's earning power which leads per-share basis have changed over the period or not. EPS is computed by the net profit after taxes and preferred stock dividend by the total number of common share issued. It can be computed by the following formula :

$$= \frac{\text{Net profit after Taxes}}{\text{Number of common share issued.}}$$

b) Divided per share (DPS):

DPS is basically displayed that portion of earning which is allocated to its share holders in the basis of each share. It is calculated by dividing the earning paid to common shareholders computed by the following formula:

$$= \frac{\text{Earning Paid to Owner's}}{\text{No. of common share}}$$

c) Divided pay out Ratio:

This ratio reflects at what percentage of the net profit is to be distributed in terms of dividend and what percentage is to be retained in firm as retained earning that earning is needed for business to growth & expand. This ratio is calculated with the help of dividing dividend per share by earning per share for it, we can employ the following formula:

$$= \frac{\text{Dividend per share}}{\text{Earning per-share}}$$

d) Income and Expenditure Analysis:

In profit and loss account of a company there are so many items in debt and credit side. In this analysis, here we specially concerned within what percentages of operating income profit operating income expenses that are computed to fine out how much percentage of operating income & expenditures are made in these all selected JVBs.

3.5.2. Statistical Tools :

To achieve the study of some important statistical tools such as arithmetic mean standard deviation, correlation C, V analysis, Regression analysis and probable error can be used.

a) Arithmetic mean:

The most popular and widely used measure for representing the entire data by one value is what most laymen call an "average" and what the statisticians call the arithmetic mean. Its value is obtained by adding together all the observations and by dividing this total by the number if observations. In general, x_1, x_2, \dots, x_n are the given observations then their arithmetic mean, usually denoted by \bar{x} is given by (Gupta, S.P., Statistical Methods, Sultanchanda & Sons, New Dilhi, 22 Ed., p-108.)

$$\bar{X} = \frac{x_1+x_2+\dots\dots\dots+x_n}{n}$$

b) Standard deviation :

The standard deviation measures the absolute variations of a distribution, the greater the amount of variation, the greater the standard deviation for the greater will be the magnitude of the deviation of the values from their mean. A small standard deviation means a high degree of uniformity of the observation as well as homogeneity of a series; a large standard deviation means just the opposite. Thus if we have two or more comparable series with identical or nearly means, it is the distribution with the smallest standard deviation that has the most representative mean. Hence standard deviation is extremely useful in judging the representative ness of the mean(Ibid, p-162)

If x_1, x_2, \dots, x_n is a observations them its standard deviation is given by:

$$\sigma = \sqrt{\frac{1}{n} \sum (x - \bar{x})^2}$$

where,

$$\bar{x} = \frac{1}{n} \sum x \quad x \text{ is the AMrt given values.}$$

$$\sigma = \text{Deviations of SD – sigma}$$

c) co-efficient of variance (VC):

co-efficient of variance is the relative measure of dispersion, comparable across distribution which is defined as the ratio of the standard deviation to the means expressed in percent. It is calculated as:

$$CV = \frac{SD}{\bar{x}} \times 100$$

$$SD = \sqrt{\frac{\sum x^2}{n} - \left(\frac{\sum x}{n}\right)^2}$$

is the standard. deviation of a set of x

observations.

d) Correlation Analysis :

Other general mathematical of measuring correlation, the Karl person's method, popularly known as person coefficient of correlation, is most widely used in practice. The formula for computing Karl person's coefficient of correlation (r) using direct method is as follows.

$$r = \frac{N \sum xy - \sum x \sum y}{\sqrt{[N \sum x^2 - (\sum x)^2]} \sqrt{[N \sum y^2 - (\sum y)^2]}}$$

Here,

N = Number of pairs of X & Y absorbed

X = Values of loans and advances.

Y = Values of total deposits.

P = Karl person's coefficient of correlation.

$\sum XY$ = Sum of product of variable x & y

In the present study, correlation coefficient is calculated to measure the relationship between return & net worth of all JVBs. It is calculated to

justify whether the net worth is significant. The values of the coefficient or correlation shall always be between + 1 to – 1. Where $r = + 1$ it means there is perfect positive correlation and negative correlation between the variables. Where $r = 0$ it means there is no relationship between the two variables, however in practice such values of r are + 1, - 1 and are rare.

Thus correlation is the measure of extent and direction or relationship between two variables in a bivariate distribution.

e) F — test (Analysis of variance):

"F – test" is used in such problems where we want to test for the significance of the difference among more than two sample means. In fact, the technique of analysis of variance is one of the most powerful of statistical methods developed by R.A. Fisher. F – Test, enables us to test for the significance of the differences between more than two sample means. This technique can be used to conclude whether the regression equation provides significant results or not.

Test of Hypothesis:

A hypothesis is a connected statement of the relationship between two or more variables. The test of hypothesis discloses the fact whether the difference between the computed statistic and statement should be able to show the relationship between variables and they should at the same time carry clear implications for testing the stated relations.

Hypothesis tests:

Null Hypothesis (H_0):-

(I) There is no significant difference in Net profit made by NABIL, SCBL, SBI, NBBL and EVEREST.

(II) There is no significant difference in Net profit made during 5 different yrs.

$$\sim_1 X \sim_2 X \sim_3 X \sim_4 X \sim_5$$

Alternative Hypothesis (H_1):-(I) There is significant difference in net profit made by NABIL, SCBL, SBI, NBBL and EVEREST.

(ii) There is significant difference in Net profit made during 5 different yrs.

$$\sim_1 | \sim_2 | \sim_3 | \sim_4 | \sim_5$$

Calculating F – Ratio by Two way Classification ANOVA Table

In two way classification we study the effect of two factors i.e. the data are classified according to the different factors. Thus we can classify the net profit between banks in the column and net profit of each bank between periods in the rows. But there may be sampling variation beside these two factors which called residual variation.

We have, $SST + SSC + SSR = SSE$

Where,

- SST = Total sum of Square of Variation
- SSC = Sum of Square of variation in column
- SSR = Sum of Square of variation in row
- SSE = Sum of Square as residual due to errors.

The total number of degrees of freedom = $K \cdot r - 1$

Where,

- K and r refer to column and rows respectively
- d . f between column = $k - 1$
- d . f between rows = $r - 1$
- d . f between residual = $(k - 1) (r - 1)$

ANOVA Table

Sources of Variation	Sum of Square	Degree of Freedom	Mean sum of Square	F – Ratio
Between Column	SSC	$K - 1$	$\frac{SSC}{K - 1}$	$\frac{MSC}{MSE}$
Between Rows	SSR	$r - 1$	$\frac{SSR}{r - 1}$	$\frac{MSR}{MSE}$
Residual	SSE	$(k - 1) (r - 1)$	$\frac{SSE}{(k - 1)(r - 1)}$	
Total	SST	$N - 1$		

f) Probable Error:

The probable error the coefficient of correlation helps in interpreting its values. It is obtain using the following formula.

$$PEr = 0.6745 \frac{1 - r^2}{n}$$

If the value of r is less that PEr there is no evidence of correlation is, value of r is not at all the significant. Thus, if the values of r is more than six times, the probable error the coefficient of correlation is practically certain is the value of r is significant.

CHAPTER-FOUR

PRESENTATION OF ANALYSIS OF DATA

4.1 Introduction:

This chapter is entitled "Presentation & Analysis of Data" objectives is to study, evaluate & analysis these major financial performance which are related to the JVBs.

It is notable that all types of financial ratios are studied under this chapter, only these ratios are calculated and analyzed , which are very significant to pasteurize the real financial performance of JVBs.

In this chapter evaluation, analysis and interpretation are made, according to the research methodology in the previous chapter. The following financial ratios are applied for the study purpose.

1. Liquidity ratio.
2. Asset management (activity) Ratios.
3. Profitability Ratio.
4. Capital – Structure ratio or leverage ratio show.
5. Invisibility Ratio (Growth ratio).

4.2 Liquidity Ratio:

Liquidity is the ability to meet automated and contingent cash needs. Cash needs arise from deposit withdrawals, liability maturates and loan disbursals.

Cash need are wet by increase in deposits and borrowings. Loan repayments. Investment maturates and the sale of assets. Thus JVBs must maintain its satisfactory liquidity position to satisfy the credit needs of the community & immediate needs without loss to bank & consequent impact on long profit.

4.2.1 Current Ratio:

It is a broad measure of liquidity position of the financial institution. This ratio indicates the capability of the bank to meet its current obligation.

This ratio computed by dividing current assets by current liabilities (detailed in appendix – A). The following table shows the current ratios of JVBs.

Table No: 1
Current Ratio (Times)

Banks	Fiscal year					\bar{X}	SD	CV
	2004/05	2005/06	2006/07	2007/08	2008/09			
NABIL	1.058	0.764	0.8125	0.9162	0.94	0.898	0.103	11.46
SCBL	1.055	1.056	1.068	1.062	1.063	1.0608	0.0048	0.48
NBBL	1.0128	1.3874	1.027	1.011	1.013	1.09	0.149	13.67
SBI	1.027	1.017	1.05040	1.05833	1.068	1.043	0.0199	1.91
EBL	1.04	1.035	1.048	1.056	1.052	1.0462	0.008	0.76

Source : <http://www.nepalstock.com> , www.sebonp.com

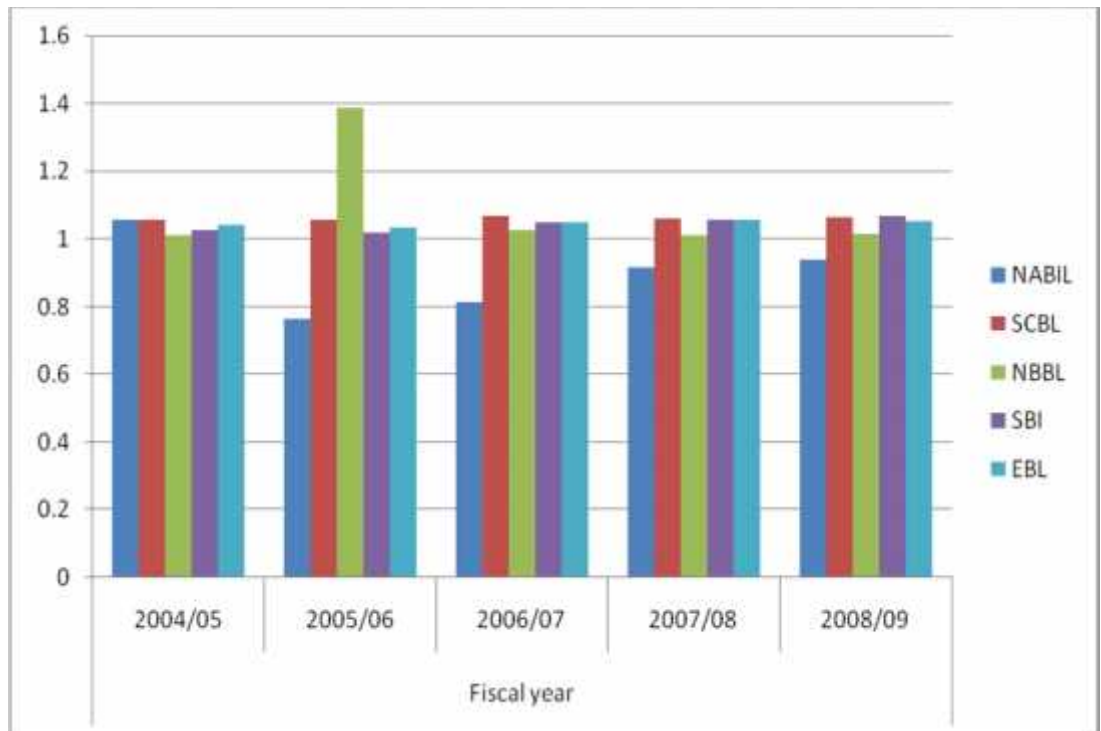
Above table shows that current assets of SCBL& EBL are more than their current liabilities. Rest other JVBs are not able to pay their current obligations, under the study period. The table No. 1 has reveal that current ratios of all banks have followed fluctuating trend except Standard Chartered Bank & EBL thought the study period. In this table standard chartered present have followed a increasing trend. Current ratio of NABIL Banks is 1.058 is Fiscal Year 2004/05 & after than Fiscal year it has been decreases in study period. Current Ration of SBI Bank is showing decreasing trend till Fiscal Year 05/06 & after this Fiscal Year it has been increases constantly fill study period. Current ratio of Bangladesh bank more than : in each Fiscal Year of study period Fiscal Year 2006/07.

Banks having current ratio less than I, have possibility of bankruptcy. Actually this bank becomes unable to pay its current liabilities on time. In the above mentioned JVBs mean current ratio of NABIL. SBI & NBBL is less than 1, it means there is higher amount of

investment in current assets, and banks have higher of amount of idle assets. It decreases it's profitability too.

Above results can be represented with help of Bar Diagram:

Figure: 1



4.2.2 Cash and Bank Balance to Total Deposit Ratio:

This ratio measures the capital of bank to meet unexpected demand by depositors is current account holders, saving amount holders other and margin holders.

The following table represents the deposit ratio (detailed in appendix-B). This ratio is computed dividing total cash (including money at call) available by total deposits in saving and current account. This ratio is computed by using following formula:-

$$\text{Total cash to total deposit Ratio} = \frac{\text{TotalCash}}{\text{Totaldeposit(excludingfineddepsot)}}$$

Table No. 2

Cash and Bank Balance to Total Deposit Ratio (%)

Banks	Fiscal year					— X	SD	CV
	2004/05	2005/06	2006/07	2007/08	2008/09			
NABIL	8.52	5.14	6.78	8.51	6.87	7.164	1.263	17.63
SCBL	8.11	6.22	5.21	8.06	9.56	7.43	1.53	20.63
NBBL	9.99	11.93	18.49	8.50	11.20	12.02	3.44	28.61
SBI	19.62	29.42	29.07	20.44	12.01	22.11	6.52	29.49
EBL	9.11	18.25	10.84	17.02	7.84	12.61	4.23	33.54

Source : <http://www.nepalstock.com> , www.sebonp.com

A higher ratio indicated the grater ability to meet their all types of deposits. Too high ratio of cash & Bank balance to total deposits may be unsuitable and harmful because it affects their profitability position. Too low ratio is unfavorable as capital will be tied up and opportunity cost will be higher.

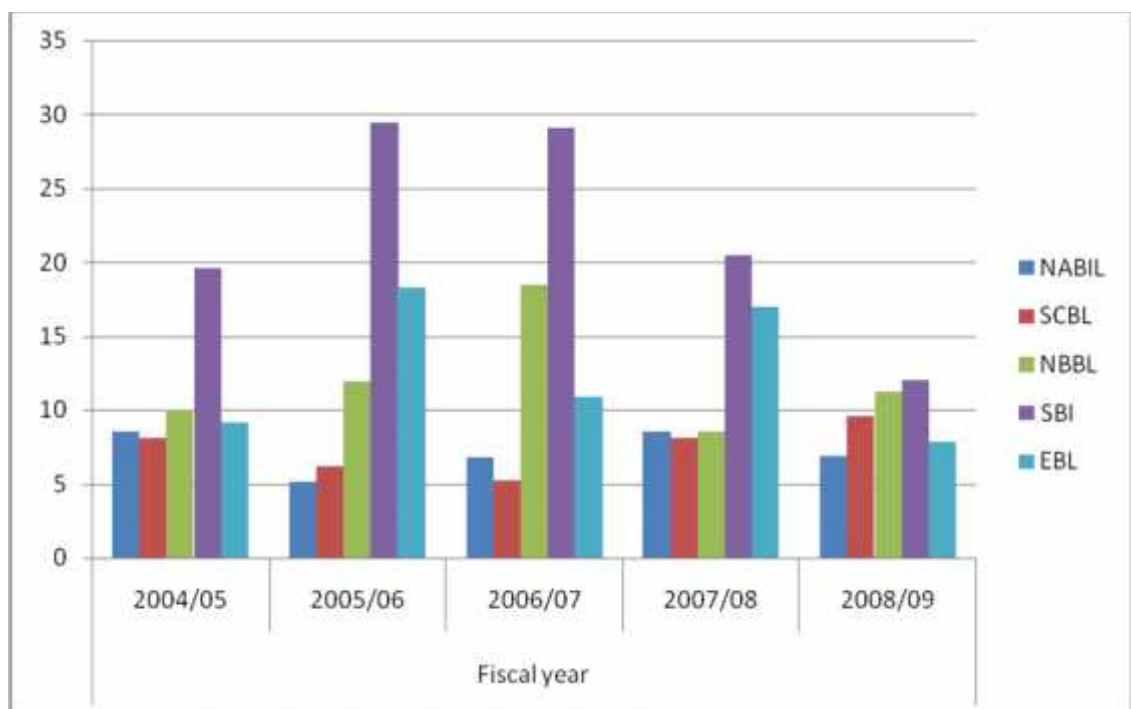
It is observed from the above table that there is fluctuation in the total cash to total deposit ratio of above mentioned all JVBs. The trend of the ratio of SBI bank and NABIL bank are investing with the respect of each other for Fiscal Year 2005/2006 & 2006/2007 A.D. respectively. The range of cash and bank balance of SBI is high among all the banks in Fiscal year 2005/2006 with the ratio of 29.42%.

While examining the mean ratios, SBI has maintained higher performance i.e. 22.11 than that of other banks. On the other side, coefficient of variance among ratio is lower in the case of NABIL bank Ltd. which indicated, that NABIL banks Ltd's ratio are highly consistent than that of other rest bank.

It may concluded from above analysis that the cash & bank balance position with respect to total deposit has better performance in the case of NABIL & SCBL. Ratio will be guided by the firms policy & the deposit liability with the bank but as well as banks cash & bank balance exceeds the deposit it can be regarded as satisfactory & it cannot be that all the deposits can be demanded once. When there is less deposit the ratio will also be less.

Above results can be represented with help of Bar Diagram :

Figure: 2



4.2.3 Cash and Bank Balance to current Assets Ratio:

The main objective of calculating this ratio is to examine. The bank's liquidity capacity on the basis of its most liquid assets is cash & bank balance. A high ratio indicates the saved ability to meet their daily cash requirements of their customer deposit and vice-versa. Both higher and lower ratios are not desirable because if a bank maintains higher ratio of cash, it has to pay interest and deposits and some earnings may be lost. In contrast if a bank maintain low ratio of cash it may fail to make the payment for presented cheques by its customer.

So sufficient and appropriate cash reserve should be maintained properly. The detailed of this ratio is represented in Appendix – C.

This ratio can be calculated with the help of following formula :-

$$= \frac{\text{Total of cash \& Bank Balances}}{\text{Total of Current Assets}}$$

The ratio percentages are presented in the following table :-

Table No.3

Cash and Bank Balances to Current Assets Ratio (%)

Banks	Fiscal year					\bar{X}	SD	CV
	2004/05	2005/06	2006/07	2007/08	2008/09			
NABIL	7.63	6.17	7.9	8.25	6.31	7.252	9.85	11.73
SCBL	6.13	4.99	4.5	7.22	8.61	6.29	1.5	23.85
NBBL	9.18	10.64	16.40	07.92	10.44	10.916	2.91	29.35
SBI	17.83	27.14	23.27	18.00	10.36	19.32	5.67	26.35
EBL	8.35	16.53	9.32	14.54	6.72	11.092	3.77	34.00

Source : <http://www.nepalstock.com>, www.sebonp.com

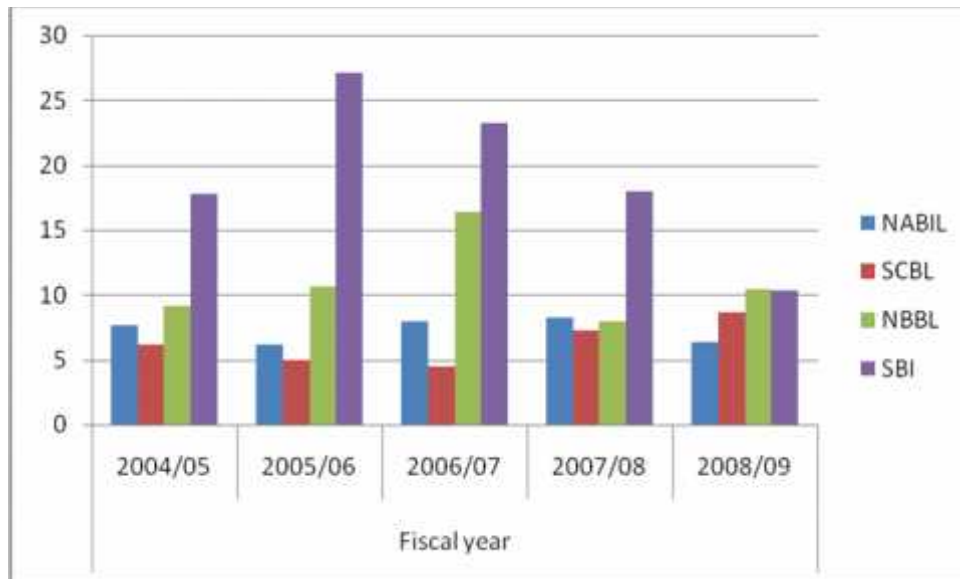
Above table No.3 shows that all the banks follow fluctuating types nature of cash & bank balance to current assets ratio during the study period. In the beginning two Fiscal Years i.e. 2004/2005 & 2005/2006 except NABIL & Standard Chartered all other JVBs ratios are in increasing trend. During the study period SBI bank's ratios are highest ratios in the fiscal year 2008/2009 which proves its high fluctuating nature.

In over all mean ratio of SBI & EBL are greater than the other banks. As a result we can say that, in spite of its decreasing trend in the ratios, SBI has been successful to maintain its higher cash and bank balance to current asset ratio than other rest banks.

Similarly, CV ratios of ratios Bangladesh Banks & EBL are greater than that of other a bank is 29.35 & 34.00 respectively. It shows the variability of these banks is higher than other rest banks.

It can be represented with the help of following Bar Diagram :-

Figure: 3



4.3 Asset Management Ratio (Activity Ratio) :

Activity ratios are the indicators of a concern with regard to its efficiency in assets management. Hence, they are often referred to as efficiency ratio.

Through following ratios asset management ability JVBs has been measured.

4.3.1 Loan and Advances to Total Deposit Ratio :

This ratio actually measures the extent to which banks are successful to mobilize the total deposits on loan and advances for the purpose of profit generation.

A high ratio of loan and advances indicate better mobilization of collected deposits and vice versa. But it should be noted that too high ratio may not be better from its liquidity point of view. This ratio is calculated as dividing loans and advances by total deposits.

Loan & advances to total Deposit Ratio

$$= \frac{\text{Loan \& advances}}{\text{Total Deposit (including Fixed. Deposits)}}$$

Total Deposit (including Fixed. Deposits)

It can be represented with the help of (table No.4) following table :-

Table No.4

Loan & Advances to Total Deposits Ratio (%)

Banks	Fiscal year					— X	SD	CV
	2004/05	2005/06	2006/07	2007/08	2008/09			
NABIL	57.39	92.36	47.97	57.68	58.1	54.72	3.92	7.16
SCBL	38.69	37.35	33.87	30.36	30.29	34.102	3.456	10.13
NBBL	71.39	83.56	80.22	68.50	67.23	74.58	7.121	9.548
SBI	78.47	63.34	77.15	68.50	71.46	71.784	5.58	7.77
EBL	74.25	65.70	72.23	73.32	72.97	71.694	3.07	4.28

Source : <http://www.nepalstock.com> , www.sebonp.com

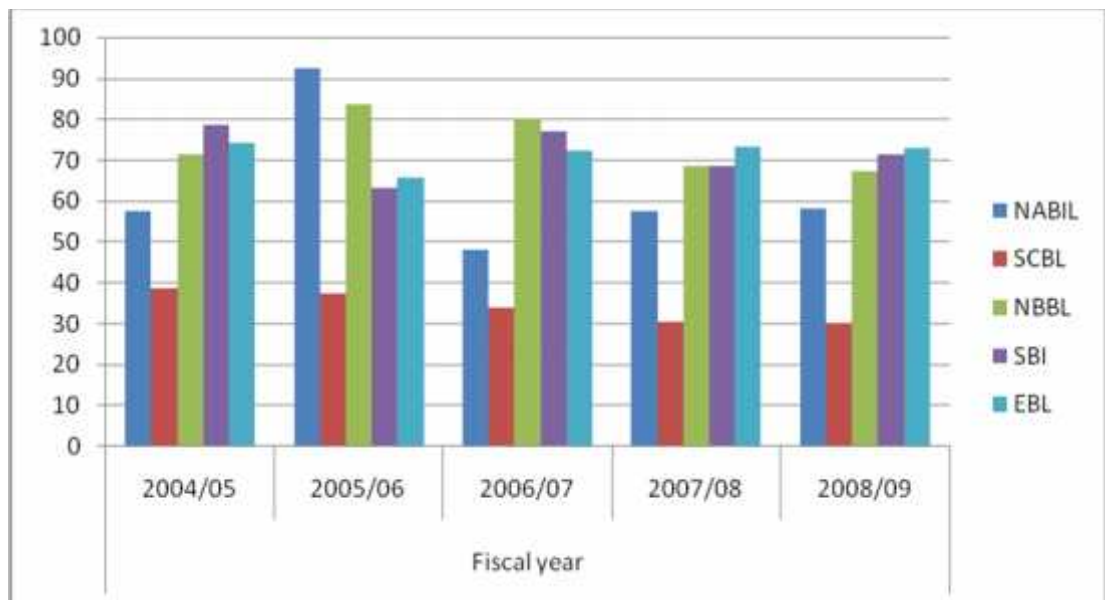
From above table it is clear that to us that all JVBs except standard Chartered Bank exposing falling & rising trend during the study period. In case of NABIL Bank this ratio is 57.39%. In 2004/2005 after that it is decreasing up to 2005/06 Fiscal year. Again after

2006/07 it is increasing standard chartered bank seems to the slightly weak to mobilize its total deposits as loan & advances. Ratio of Bangladesh Bank has been increasing up to 2005/2006 & decreased from this Fiscal Year to till 2008/2009 year. SBI Bank has maintained a very good record of loan & advances ratio. The ratio of EBL is more consistent because there is no fluctuation in its ratio & it is in increasing trend & its CV is lesser is 4.28

On the basis of means ratio of above JVBs we can say that Bangladesh Bank, SBI Bank & EBL are able to mobilize collected deposit properly. Because their mean ratios are high is 74.58%, 71 & 71.69% respectively.

It can be represented with the help of following figure :

Figure:4



4.3.2 Loan and Advances to fixed Deposit Ratio:

This ratio indicates, how much of loans and advances is granted against fixed deposit. Fixed deposit is the higher interest rate payable deposit. Hence, banks must utilize the fixed deposit properly. Loans and advances to fixed deposit ratio indicate how properly the fixed deposit is utilize. The following tool will help to calculate this ratio, is loan & advances to fixed Deposit Ratio

$$= \frac{\text{Loans \& Advances}}{\text{Fixed Deposit}}$$

Bank is high it means these banks are utilizing fixed deposits in loans & advanced more efficiently.

The following table displays the ratio of loans and advances to fixed deposit.

Table No. 5
Loan and Advance to fixed Deposit Ratio (times)

Banks	Fiscal year					— X	SD	CV
	2004/05	2005/06	2006/07	2007/08	2008/08			
NABIL	139	109	304	344	354	250	104 .66	41. 86
SCBL	193	178	237	292	449	255.9 3	103 .35	40. 38
NBBL	394	395	337	274	252	330.4	59. 31	17. 95
SBI	106	141	140	144	77	121.6	26. 27	21. 6
EBL	154	132	146	176	203	162.2	24. 89	15. 35

Source : <http://www.nepalstock.com> , www.sebonp.com

Table No.5 is observed that this ratio is fluctuating over the study period in all the JVBs. In NABIL Bank it is fluctuating highly from 2004/2005 to 2005/2006 is 109 to 304 times. After this Fiscal Year there is an increasing trend to this ratio of this bank. In case of standard chartered Bank there is slight fluctuation up to fiscal year 2004/2005 after that there is an increasing trend can be observed? Its ratio is too high is 44.9 times in fiscal year 2007/2008. Loan & advances to fixed deposit ratio of Bangladesh Bank is increasing up to fiscal year 2005/2006 after that. It has been decreased up to study period. SBI Bank's ratio is fluctuating too slightly up to fiscal year 2006/2007 but it has been decreased too much

in fiscal year 2007/2008 in case of EBL this ratio is decreasing till 2005/2006 fiscal year but after that it has been increased till study period.

Mean of loan & advances to fund deposit ratio (times) of NABIL, Bangladesh & Standard chartered Bank is high it means these banks are utilizing fixed deposits in loans & advance more efficiently.

Having seen CV of all JVBs we can say that Bangladesh Bank and EBL are less variable because their CV is lesser than that of other JVBs.

On the basis of above performances of bank we can say that bank having more above ratio mobilizing its saving deposit more than other JVBs. Having seen CV we can say that NBBL & EBL are more consistent because their CV is 15.88 & 15.35 respectively.

4.4 Profitability Ratio:

Profit is the difference between revenues and expenses over a period of time. A company should earn profits to survive and grow over a long period of time. So profits are essential but profit earning is not the ultimate aim of a company and it should never be earned at the cost of employees, customer's and society. Profitability ratios are of two types these showing profitability in relation to investment together these ratios indicate the final efficiency of operations.

4.4.1 Net Profit to Total Assets Ratio (%) or Return on total Assets:

Net Profit refers to after interest & taxes total assets comprise those assets, which appear on the assets side of the balance sheet. Net profit to total assets ratio is computed with the following formula.

$$\text{i.e. Net profit to total Assets} = \frac{\text{NPAT}}{\text{Total Assets}}$$

It can be represented with the help of following Table :-

Table No. 6

Net Profit to Total Assets Ratio (%)

Banks	Fiscal year					— X	SD	CV
	2004/05	2005/06	2006/07	2007/08	2008/09			
NABIL	2.19	1.59	1.54	2.51	2.72	2.11	0.476	22.56
SCBL	2.33	2.23	2.60	2.41	2.27	2.21	0.39	17.41

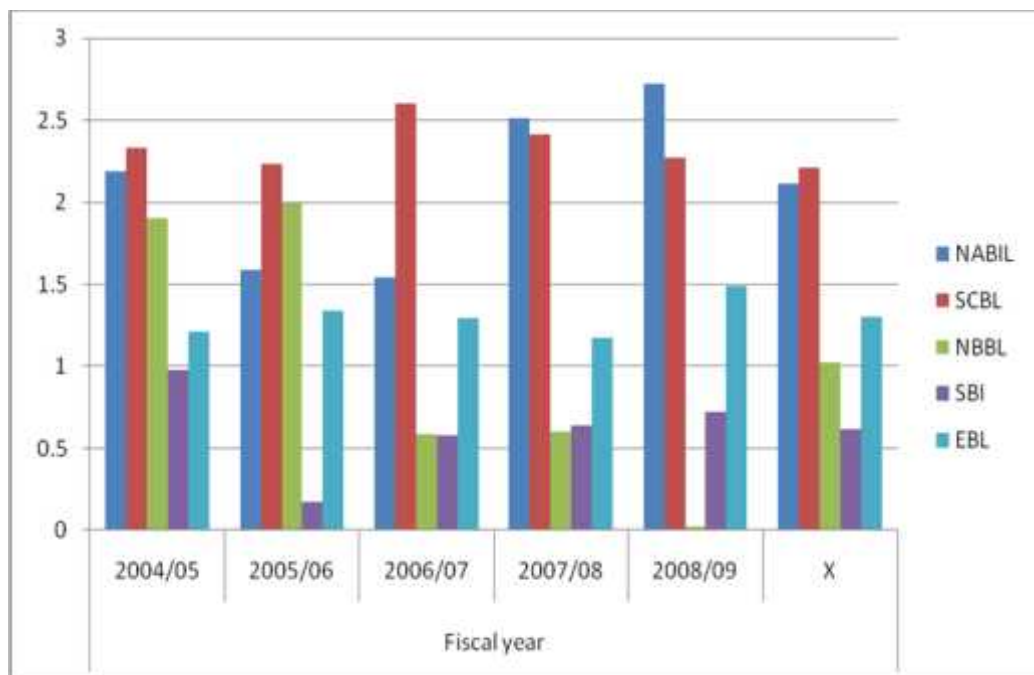
NBBL	1.90	1.99	0.59	0.60	0.02	1.02	0.78	76.47
SBI	0.98	0.17	0.58	0.64	0.72	0.618	0.26	42.07
EBL	1.21	1.34	1.29	1.17	1.49	1.3	0.112	8.62

Source : <http://www.nepalstock.com> , www.sebonp.com

Above table is observed that this ratio is fluctuating over the study period in all JVBs. In case of NABIL it ranges from 1.354% to 2.72% on average 2.11%.

In case of SCBL it ranges between 2.23% to 2.60% on average 2.24 in case of NBBL it ranges between 0.60% to 1.90% on average 1.02%. SBI Banks ratio range between 0.17% to 0.98% on average 1.613% In case of EBL this ratio ranges between 1.17% to 1.49% on average 1.3%. It can be represented with the help of following figure.

Figure : 5



On the basis of above analysis we can say that SCBL & NABIL Banks are better because their mean ratio is 2.24% & 2.11% respectively which shows that these banks are utilizing their total assets better than other JVBs. So they are entertaining the net profit.

We can say that EBL net profit to total assets ratio is more consistent than other banks because of its lower CV i.e. 8.62 percent

4.4.2 Net Profit to Total Deposit Ratio (Return on Total Deposit Ratio) :-

This ratio measures the degree of NPAT earned by using total deposits. In other words it reveals the relationship between net profit after tax and total deposits with an explanation of the ability of management in efficiency utilization of deposit. This ratio is a mirror of banks overall financial performance as well as its success in profit generation. The reason is that deposits and earning by utilizing these are the main aspects of joint venture Banks.

$$\text{Net Profit to total deposit ratio} = \frac{\text{NPAT}}{\text{Total Deposit}}$$

Table No. 7

Net profit to Total Deposit Ratio (%)

Banks	Fiscal year					— X	SD	CV
	2004/05	2005/06	2006/07	2007/08	2008/09			
NABIL	2.58	1.84	1.75	3.1	3.22	2.498	0.613	24.53
SCBL	3.12	2.79	3.03	2.7	2.54	2.836	0.213	7.51
NBBL	0.16	2.31	0.69	0.68	0.02	0.7721	0.815	105.57
SBI	1.1	0.19	0.73	0.75	0.85	0.724	0.298	41.11
EBL	1.35	1.52	1.56	1.41	1.78	1.524	0.148	9.74

Source : <http://www.nepalstock.com> , www.sebonp.com

Above table shows that this ratio is fluctuating over the study period in all JVBs. In case of NABIL it ranges between 1.75% to 3.22% on an average 2.498%. In case of SCBL it ranges between 2.54% to 3.12% on an average 2.83 percent. Similarly in case of NBBL it ranges from 0.02% to 2.31% on an average 0.7721 percent. In case average 0.724 percent. In case of EBL ranges between 1.35% to 1.78% on an average 1.524 percent.

On the basis of above analysis we can say that NABIL & SCBL Banks are better because their mean ratio is 2.498% & 2.836%, which shows that these

banks are utility their total assets better than other JVBs. So they are entertaining their net profit.

We also can say that EBL & SCBL's Net Profit to total assets ratio is more consistent than other banks because of their lower CV i.e. 9.74% & 7.51%.

4.4.3 Return on Investment (ROI):

Basically return on investment measures the company's return from investment, cover the investments. Both owner's equity as well as loans an different titles along term and short term investment.

$$= \frac{\text{NPAT}}{\text{Total Investment}}$$

Table No. 8

Net Profit to Total Investment Ratio (Return on Investment) (%)

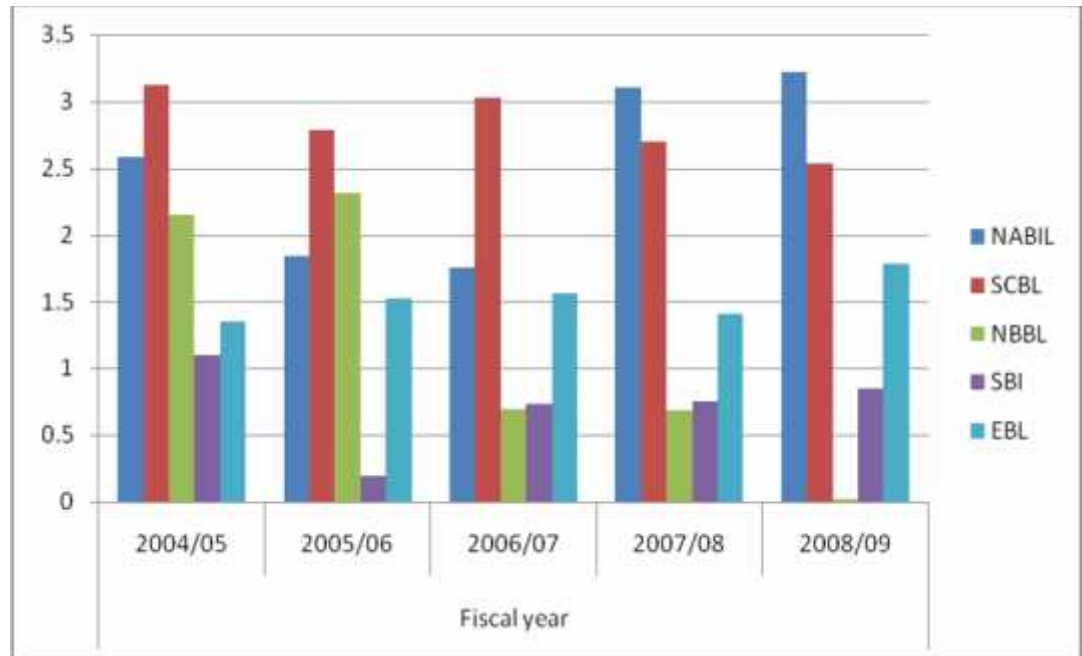
Banks	Fiscal year					— X	SD	CV
	2004/05	2005/06	2006/07	2007/08	2008/09			
NABIL	2.58	1.84	1.75	3.1	3.22	2.685	0.543	20.23
SCBL	3.12	2.79	3.03	2.70	2.54	2.836	0.212	7.47
NBBL	2.15	2.31	0.69	0.68	0.02	1.184	0.918	77.53
SBI	1.1	0.19	0.73	0.75	0.85	0.724	0.298	41.11
EBL	1.35	1.52	1.56	1.41	1.78	1.124	0.464	41.28

Source : <http://www.nepalstock.com> , www.sebonp.com

Above table is representing return on investment of 0.11JVBs individually the ROI of JVBs is showing fluctuating ratio. In NABIL the ROI lies between 1.75 to 3.22 percent on an average 2.685 percent. In SCBL ROI lies between 2.54 to 3.12 percent on an average 2.836. In case of NBBL the ROI lies between 0.02 to 2.16 percent on an average 1.184 percent. In case of SBI the ROI lies between 0.19 to 1.1 percent on an average 0.724 percent.

In case of EBL the ROI lies between 1.35 to 1.78 percent on an average 1.124 percent It can be represented with help of following figure.

Figure : 6



On the basis are better we can say that NABIL & SCBL Banks are better because their mean ratios are 2.685, 2.836 percent respectively, which shows that these banks are utilizing their total assets better than other JVBs.

Here we also can say that SCBL's net profit to total assets ratio is more consistent profit to total assets ratio is more consistent than other banks because of its lower CV i.e.7.47%.

4.5 Capital Structure Ratio or Leverage Ratio:

Financial leverage or capital structure ratio are calculated to judge the long – term financial position of the firm. These ratios indicate mix of funds provided by owners & lenders. As a general rule there should to an approximate mix of debt & owners equity in financing the firm's assets. Administration of capital can smoothly by carry on with the help of such ratio

4.5.1 Total debt to Share Holder's Equity Ratio:

An accounting ratio obtained by dividing total debt to total equity of fund balances debt to equity ratio. This ratio related to all external liabilities to owners recorded claims. It is also Known as external equity ratio. It is determined to measure the firm's obligations to creditors in relation to the fund invested by owners. So it is the great test of the financial strength of the company.

Generally very debt to equity ratio is unfavorable to the business because the debt gives 3rd parties legal claims on the company. These are for interest payment at regular intervals. On the other hand, a very low debt to equity ratio is also unfavorable for the shareholder's point of new of they want this ratio to be high so that they can have better return with smaller capital. Hare, total debt includes current liabilities and long – term debt. Shareholder equity consists of share capital and profit Retained. Total debt to share holder's Equity Ratio calculated as.

$$\text{Total debt to equity ratio} = \frac{\text{Total Debt}}{\text{Total Shareholder's equity}}$$

Table No. 9

Total Debt to Shareholder's equity Ratio (%)

Banks	Fiscal year					— X	SD	CV
	2004/05	2005/06	2006/07	2007/08	2008/09			
NABIL	1426.74	1628.14	1437.77	1160.30	10360.18	1336.63	213.70	15.98
SCBL	1558.59	1640.72	1392.78	1434.10	1480.63	1418.99	183.19	12.97
NBBL	1752.60	1574.06	1672.13	1644.72	2071.58	1527.00	236.20	15.45
SBI	2170.10	2953.78	1153.01	1227.75	1246.93	1610.79	428.73	26.51
EBL	1581.89	1528.86	1590.20	1602.98	1678.28	1608.80	385.92	23.99

Source : <http://www.nepalstock.com> , www.sebonp.com

Above table is representing the total debt to shareholder's equity ratio of all JVBs. Individually the total debt shareholder's equity ratio is showing fluctuating ratio. In NABIL it lies between 1030.18 to 1628.14 percent on an average 1336.63%. In case of SCBL it lies between 1392.78 to 1640.72% on an average 1418.99 percent.

4.5.2 Total debt to Total assets Ratio:

This ratio signifies the extent of debt financing on the total assets and measures the financial security to the creditors. Creditors prefer a low ratio because it represents security to creditors in extending credit. But very low ratio is not favorable to shareholders when a firm has opportunity to earn higher return.

This ratio is calculated dividing total debt by total assets. Total debt includes short term and long-term loans & total deposits. Similarly total assets included all the assets of right hand loan side of the balance sheet. It can be calculated as:

$$\text{Total debt to Total assets ratio} = \frac{\text{Total Debt}}{\text{Total Assets}}$$

It can be represented with the help of following table:-

Table No. 10
Total Debt to Total Assets Ratio (%)

Banks	Fiscal year					— X	SD	CV
	2004/05	2005/06	2006/07	2007/08	2008/09			
NABIL	93.45	94.21	93.49	91.05	91.15	92.67	1.31	1.41
SCBL	93.29	93.29	93.30	93.48	93.67	93.05	1.007	1.08
NBBL	94.60	94.02	94.35	94.26	95.39	93.80	1.156	1.232
SBI	95.59	96.72	92.01	92.46	92.37	93.55	1.313	1.404
EBL	94.05	93.86	94.08	94.12	94.37	95.65	1.198	1.279

Source : <http://www.nepalstock.com> , www.sebonp.com

Above table is clearly showing that total debt to total assets ratio of above JVBs is fluctuating. In case of NABIL total debt to total assets ratio ranges between 91.05 to 94.21% on an average 92.67%. In case of SCBL it lies between 93.26% to 93.67% on an average 93.65%. This bank is showing increasing trend. In case of NBBL it lies between 94.02% to 95.39% on an average 93.80% an average of 93.55%. In case of EBL it lies between 83.86% to 94.37% on an average of 93.65%.

From the above analysis it can be said that total debt to total assets ratio is more than 95% of the assets are financed by the outsiders' funds. Bank having more of this ratio has riskier debt financing positions, when the bank is incurred loss; this ratio is unfavorable to the bank.

4.5.3 Return on Capital Employed Ratio (ROCE):

Profit depends on the total capital employed in the business. Return on capital employed basically, assesses the profit related to the long term sources of funds. Capital employed means the use of long terms funds supplied by creditors and owners of the firm. Here, return means NPAT and capital employed means total of paid up capital, reserve of surplus, undistributed profit, long term & shareholders equity ROCE is calculated with the following tool:-

$$\text{Returns on Capital employed} = \frac{\text{Net Profit after Tax}}{\text{Total capital employed}}$$

Table No. 11

Return on Capital Employed (%)

Banks	Fiscal year					— X	SD	CV
	2004/05	2005/06	2006/07	2007/08	2008/09			
NABIL	31.43	25.53	21.82	29.16	29.32	27.45	3.395	12.37
SCBL	37.35	37.10	37.06	35.42	34.56	31.88	5.093	15.98
NBBL	34.74	32.88	9.94	10.23	3.94	27.36	10.62	38.81
SBI	22.25	12.07	7.29	8.55	9.71	11.97	5.37	44.89
EBL	19.89	21.26	15.70	14.91	21.10	15.27	5.39	35.28

Source : <http://www.nepalstock.com> , www.sebonp.com

Above table reveals that return on capital employed ratio of NABIL has been fluctuating between 21.82% to 31.43% on an average 27.45%. In case of SCBL this ratio lies between 34.96% to 37.35% on an average 31.88%.

In case of NBBL it lies between 9.94% to 34.74% on an average 27.36%. In case of SBI this ratio lies between 7.07% to 22.25% on an average of 11.97 in case of EBL it lies between 15.70%.

On the basis of above analysis it can be said that there in fluctuating trend in study period. Return on capital employed ratio is higher in case of SCBL which shows that the higher efficiency in utilizing the long term funds of owners & creditors. SCBL shows better performance.

4.5.4 Long Term Debt to Total Assets Ratio:

Long term debt to total assets ratio reflects the percentage of total assets that has been financed by long term debts. If the firm uses more long term debt it is said to have adopted non creative financing policy and it has less risk of facing the problems of shortage of funds.

Similarly, if the firm used less long – term debt and more short term debt is said to have adopted aggressive financing policy, makes the firm more risky.

Long term debt to total assets ratio.

$$= \frac{\text{Long term debt}}{\text{Total Assets}}$$

Table No. 12

Total Debt to Shareholder's equity Ratio (%)

Banks	Fiscal year					\bar{X}	SD	CV
	2004/05	2005/06	2006/07	2007/08	2008/09			
NABIL	00.00	00.00	00.00	00.00	00.00	00.00	00.00	00.00
SCBL	00.00	00.00	00.00	00.00	00.00	00.00	00.00	00.00
NBBL	00.00	00.00	00.00	00.00	00.00	00.00	00.00	00.00
SBI	00.00	00.00	00.00	00.00	00.00	00.00	00.00	00.00
EBL	00.00	00.00	00.00	00.00	00.00	00.00	00.00	00.00

Source : <http://www.nepalstock.com> , www.sebonp.com

Since each bank has no long term debt to total assets. Ratios are zero Total debt for each bank includes only current liabilities. They have not used long – term sources of capital.

4.5.5 Return of Shareholder's Equity (ROSE):

ROSE basically, measures the company's returns towards the invested by owner of the company. Return means the funds after subtraction of all expenses including tax (NPAT). Which is actually belongs to the owners. Rose reveals how will the company use the resources of owners ROSE is computed as following formula.

$$= \frac{\text{Net Profit after tax}}{\text{Shareholder's equity}}$$

Table No. 13

Return on Shareholder's Equity (%)

Banks	Fiscal year					\bar{X}	SD	CV
	2004/05	2005/06	2006/07	2007/08	2008/09			
NABIL	33.44	27.41	23.69	34.5	22.21	28.25	4.79	16.95
SCBL	28.68	38.74	28.78	37.03	33.95	37.836	1.15	3.04
NBBL	35.18	33.39	10.49	10.45	04.03	18.708	12.95	69.2
SBI	22.25	05.24	07.29	08.55	09.71	15.35	10.59	69.02
EBL	20.34	21.82	21.82	19.91	26.57	22.09	2.367	10.72

Source : <http://www.nepalstock.com> , www.sebonp.com

The table shows return on shareholder's equity on 5 JVBs, have been fluctuating. In case of NABIL this ratio lies between 22.21 to 34.5% on an average 28.25%. In case of SCBL if lies between 35.95 to 38.78% on an average 37.837%. In case of NBBL if lies between 4.03 to 35.18% on an average 18.708%. In case of SBI bank it lies between 5.24 to 22.25% on an average 15.35%. In the case of EBL it lies between 19.91 to 26.37% on an average 22.09%.

On the basis of above analysis we can say that SCBL has registered that ranges between 35.95 to 38.78%. It means that SCBL has earned more within study period. SCBL has better capacity of utilizing of owner's fund.

Having seen CV we can say that there is too less variability in case of SCBL because its CV is 3.04%. NBBL & SBI have higher CV u 69.2 & 69.02% , it means there is more variability in these banks.

Invisibility Ratio (Growth Ratio):

4.6.1 Earning per Share (EPS):

Earning per share is one of the most widely quoted statistics when there is a discussion of a company's performance of share value, it is the profit after tax figure that is divided by the number of common shares to calculate the value of earning per share. This figure tells us what profit the common shareholders for every share hold have earned. A company can decide whether to increase or reduce the number of shares or issues. This decision will automatically alter earning per share.

The profits available to the ordinary shareholder's are represented by net profit after taxes & preference dividend. So earning per share (EPS) is calculated by using following formula:-

$$\text{Earning per share} = \frac{\text{Net Profit After Tax}}{\text{No. of Shares}}$$

Table No. 14
earning per share [EPS]

Banks	Fiscal year					— X	SD	CV
	2004/05	2005/06	2006/07	2007/08	2008/09			
NABIL	83.79	59.26	55.25	84.66	92.61	57.44	27.85	48.49
SCBL	118.48	83.45	18.41	19.87	0.74	57.99	31.59	54.48
NBBL	115.62	126.88	141.13	149.30	143.55	135.3 0	12.298	9.089
SBI	41.74	08.69	09.61	11.47	14.26	17.15 4	12.44	72.52
EBL	34.85	31.56	32.91	39.90	45.58	34.96	5.55	15.88

Source : <http://www.nepalstock.com> , www.sebonp.com

Above table shows that there is fluctuation in each JVBs. EPS of NABIL lies between Rs.55.25 to Rs.92.61 on an average Rs.57.44 EPS of SCBL lies between Rs.115.62 to Rs.149.30 on an average Rs.135.30. In case of NBBL EPS lies between Rs.0.74 to 118.48. EPS of SBI lies between Rs.8.69 to Rs.41.74 on an average Rs.17.154. In case of EBL EPS lies between Rs.31.56 to 45.58 on an averages 34.96.

On the basis of above analysis it can be said that EPS of SCBL is higher which is better signal from investors point of view. The lower CV of this is also showing that it's variability is too less. Other banks like SBI & NBBL EPS are more variable because their CV is high i.e.72.52 & 54.48 respectively.

4.6.2 Dividend per Share (DPS)

The total returns to the shareholders over any given time consists of the dividend received. Many shareholder's and potential investors pay very close attention to dividends. They look at the absolute dividend per share and for a history of stable but growing payments. Usually shareholders expect a high percentage of dividends and an institution offering a high DPS is regarded as efficient in fulfilling their expectations. This also helps to increase the creditability of the intuition.

$$\text{Dividend per Share} = \frac{\text{Dividend paid to shareholders}}{\text{No. of shares outstanding}}$$

Table No. 15
Dividend per Share (DPS)

Banks	Fiscal year					— X	SD	CV
	2004/05	2005/06	2006/07	2007/08	2008/09			
NABIL	55.00	40.00	30.00	50.00	65.00	48	12.08	25.1
SCBL	100.00	100.00	1000.00	110.00	110.00	104.00	4.90	4.90
NBBL	00.00	00.00	00.00	00.00	00.00	00.00	00.00	00.00
SBI	00.00	00.00	00.00	00.00	00.00	00.00	00.00	00.00
EBL	00.00	00.00	00.00	00.00	00.00	00.00	00.00	00.00

Source : <http://www.nepalstock.com> , www.sebonp.com

The table shows that DPS of all 5 JVBs are fluctuating. DPS of NABIL lies between Rs.30 to 65 on an average Rs.48. In case of SCBL it ranges from Rs.100 to 110 on an average 104.00. DPS of NBBL lies between Rs.0 to Rs.5.04 on an average Rs.1.008. In case of SBI DPS lies between Rs.0 to Rs.15.01 on an average Rs. 4.602. In case EBL DPS lies between Rs.0 to Rs.20 on an average Rs.8.08.

Dividend per share of SCBL is higher than other banks which are taken for study. It means that bank is distributing profit among their shareholder's in the form of share. Having seen CV of above analyzed banks we can say that NBBL, SBI & EBL Banks DPS are more variable whereas DPS of SCBL is too less variable.

4.6.3. Dividend pay out Ratio :

This ratio reflects at what percentage of the net profit is to be distributed. Dividend pay out ratio is also payment ratio. DPR indicates how much of amount to be paid to shareholders out of RPS. It is calculated as dividend per share divided by the earning per share.

$$\text{Dividend pay out Ratio} = \frac{\text{Dividend per share}}{\text{Earning per share}}$$

Table No. 16
Dividend pay out Ratio (DPR) (%)

Banks	Fiscal year					— X	SD	CV
	2004/05	2005/06	2006/07	2007/08	2008/09			
NABIL	65.64	67.49	54.30	59.06	70.19	63.34	5.82	9.19
SCBL	86.49	78.81	70.86	73.86	76.63	77.33	5.30	6.85
NBBL	00	6.04	00	00	00	1.21	4.416	200
SBI	35.95	00	00	69.76	00	21.14	28.01	132.5

EBL	00	00	00	66.90	43.88	22.16	28.09	126.81
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Source : <http://www.nepalstock.com> , www.sebonp.com

The above table reflects that the DPR of all JVBs have fluctuated. The DPR of NABIL lies between 54.30 to 70.19 % on an average 63.336% DPR of SCBL lies between 70.86 to 86.49 on an average 77.3%. The DPR of NBBL lies between 00 to 6.04 % on an average 1.208 % .In case of SBI this ratio lies between 0 to 69.75% on an average 21.142%.In case of EBL DPR lies between 0 to 66.90% on an average 22.156 % .

Having seen above performances of DPR we can say that SCBL has reflected a better scenario from the lies of shareholders. Due to more DPR SCBL can attract shareholder. DPR of NBBL is trace which means this bank is not providing dividend from many years.CV of NABIL & SCBL Banks are just 9.19&6.85 which means DPR of these banks are less variable.

4.7 Income and Expense Analysis :

4.7.1. Income Analysis :

It is an important indicator of financial performance of business firms. Income refers to the value created by the use of resources. Thus the analysis is made as per proportionate major income to total income of the all joint venture banks. NABIL, SCBL, NBBL, SBI, & EBL. The major income of the banks includes interest earned, commission & discount, earning from foreign exchange, Dividend & other miscellaneous income.

Table No. 17

Income in percentage of NABIL (%)

(Rs. in million)

Income sources	Fiscal year					Average
	2004/05	2005/06	2006/07	2007/08	2008/09	
Interest earned	79.98	80.51	68.35	75.93	75.10	75.99
Commission & Discount	10.66	9.33	6.97	10.77	10.19	9.5
Exchange income	9.33	10.13	9.4	10.74	11.79	10.28
Dividend	2.29	0.165	0.00	0.00	0.00	0.4618

Other	0.00	0.00	15.27	2.54	2.90	4.142
Total income	100	100	100	100	100	100

Source : <http://www.nepalstock.com> , www.sebonp.com

Table No. 18
Income in percentage of SCBL (%)

(Rs. in million)

Income sources	Fiscal year					Average
	2004/05	2005/06	2006/07	2007/08	2008/09	
Interest earned	76.98	75.74	70.31	66.03	66	71.012
Commission & Discount	11.29	10.94	11.33	12.60	12.60	11.75
Exchange income	11.49	13.09	15.82	17.30	17.30	15.00
Dividend	00.00	00.00	00.00	00.00	00.00	00.00
Other	2.29	1.84	2.53	4.07	4.07	2.96
Total income	100	100	100	100	100	100

Source : <http://www.nepalstock.com>

Table No. 19
Income in percentage of NBBL (%)

(Rs. in million)

Income sources	Fiscal year					Average
	2004/05	2005/06	2006/07	2007/08	2008/09	
Interest earned	75.86	75.41	78.99	81.50	82.99	78.95
Commission & Discount	15.10	13.37	11.55	10.00	7.96	11.591
Exchange income	7.71	9.51	6.47	5.60	4.25	6.7.8
Dividend	00.00	00.000	00.00	00.00	00.00	00.00
Other	1.32	1.71	2.99	2.58	4.78	2.68
Total income	100	100	100	100	100	100

Source : <http://www.nepalstock.com> , www.sebonp.com

Table No. 20
Income in percentage of SBI (%)
(Rs. in million)

Income sources	Fiscal year					Average
	2004/05	2005/06	2006/07	2007/08	2008/09	
Interest earned	88.30	87.99	78.61	83.00	80.71	83.72
Commission & Discount	6.90	6.41	7.20	5.29	5.01	6.162
Exchange income	4.80	5.60	8.37	3.26	2.68	4.44
Dividend	00.00	00.00	00.00	00.00	00.00	00.00
Other	00.00	00.00	5.83	8.42	9.27	4.70
Total income	100	100	100	100	100	100

Source : <http://www.nepalstock.com>, www.sebonp.com

Table No. 21
Income in percentage of EBL (%)
(Rs. in million)

Income sources	Fiscal year					Average
	2004/05	2005/06	2006/07	2007/08	2008/09	
Interest earned	82.09	82.96	82.22	82.03	80.71	82.002
Commission & Discount	7.95	6.58	6.81	9.69	5.01	7.208
Exchange income	1.07	3.56	8.41	5.07	2.68	4.16
Dividend	0.00	0.00	0.00	0.00	0.00	0.00
Other	8.86	0.90	2.55	3.18	9.27	4.95
Total income	100	100	100	100	100	100

Source : <http://www.nepalstock.com> , www.sebonp.com

i) Interest earned:-

The table shows that interest income has taken more space on total income for both the joint venture banks. In above table interest income includes interest received from

loan and advance. Overdraft, inter bank loan investment in government securities and investment in debenture etc.

Interest income has fluctuating for both the banks over the study period. The major income of the both banks is interest received. Interest earned by :- NABIL is 75.99%, SCBL is 71.02%, NBBL is 78.95% SBI is 83.72% & EBL is 82.002%. Thus we can say that SBI & EBL are earning more interest is 83.72 & 82.002% respectively.

ii) Commission and discount earning:-

Discount include income received as commission & discount from letter of credit, drafts, bank transfer, guarantee selling of shares, remittance charges other charges & commission are other prominent item of commission and discount.

The above table concluded that commission and discount to total income is 9.5% in NABIL, 11.75% in SCBL, 11.596% in NBBL, 11.75% in SBI & 11.590% in EBL respectively.

iii) Foreign exchange earning:-

Income from exchange and includes income through the sale of exchange Currency and revaluation gain foreign exchange received by NABIL is 10.28% SCBL 15% NBBL is 6.75%, SBI is 4.94% EBL is 4.16%

According to above analysis concluded that SCBL is higher than that of rest JVBs. It means SCBL has succeeded to earn more from foreign exchange.

iv) Dividend earning:

Dividend earning has been observed only in NABIL in fiscal year 2003/034 & 2004/05 i.e. 2.29% & 0.165%. There is no dividend in other JVBs except NABIL, it means there banks have invested in share of other financial institutions.

v) Other operating earning (Operating & Non-operating income):-

The table reveals that other income has a very nominal contribution is the total income for all JVBs. The above analysis shows that the opening income of NABIL is 4.14%, SCBL is 2.96%, NBBL is 2.68%, SBI is 4.70% & EBL is 4.95%.

It means this income of NABIL & EBL is higher i.e. 4.14% & 4.95% respectively.

4.7.2. Expenses Analysis:

The cost have been occurred in producing revenue are called expenses. This analysis shows the proportionate expenses under the different headings.

It can be re presented with the help of following tables:

Table No. 22
Expenses in percentage of NBBL

(Rs. in million)

Income sources	2004/05	2005/06	2006/07	2007/08	2008/09	Average
Interest Paid	70.18	65.73	57.14	57.77	51.50	60.46
Salaries allowances	5.97	6.73	6.73	6.79	6.35	6.39
Provision for bonus	3.83	4.02	1.16	2.67	0.92	2.52
Other General Exp.	20.01	23.77	35.32	33.37	41.22	30.75
Total Income	100	100	100	100	100	100

Source: <http://www.nepalstock.com>. www.sebonp.com

Table No. 23
Expenses in percentage of SCBL

(Rs. in million)

Income sources	2004/05	2005/06	2006/07	2007/08	2008/09	Average
Interest Paid	56.85	50.83	39.47	35.39	36.58	43.82
Salaries allowances	11.68	10.99	16.73	17.80	18.09	15.059
Provision for bonus	9.71	9.10	9.54	10.56	11.54	10.09
Other General Exp.	21.75	28.98	34.25	36.25	33.77	31
Total Income	100	100	100	100	100	100

Source: <http://www.nepalstock.com>, www.sebonp.com

Table No. 24
Expenses in percentage of NABIL

(Rs. in million)

Income sources	2004/05	2005/06	2006/07	2007/08	2008/09	Average
Interest Paid	52.83	53.78	48.66	28.0	39.31	44.53
Salaries allowances	12.41	13.56	15.26	18.59	25.05	16.97
Provision for bonus	9.96	4.89	4.68	5.86	10.01	7.00
Other General Exp.	25.80	27.77	31.43	47.55	25.14	31.54
Total Income	100	100	100	100	100	100

Source: <http://www.nepalstock.com>, www.sebonp.com

Table No. 25
Expenses in percentage of SBI

(Rs. in million)

Income sources	2004/05	2005/06	2006/07	2007/08	2008/09	Average
Interest Paid	69.98	60.46	64.65	60.37	52.55	61.60
Salaries allowances	4.45	5.23	5.97	6.98	6.68	5.86
Provision for bonus	2.43	1.24	1.41	1.59	2.45	1.834
Other General Exp.	23.14	33.05	27.96	31.05	38.28	30.70
Total Income	100	100	100	100	100	100

Source: <http://www.nepalstock.com>, www.sebonp.com

Table No. 26
Expenses in percentage of EBL

Income sources	2004/05	2005/06	2006/07	2007/08	2008/09	Average
Interest Paid	68.64	66.55	63.72	64.006	56.74	63.93
Salaries allowances	7.19	7.33	7.98	7.79	8.76	7.81
Provision for bonus	2.60	3.19	3.50	3.15	4.23	3.33
Other General Exp.	21.57	22.84	24.81	25.25	30.27	24.95
Total Income	100	100	100	100	100	100

Source: <http://www.nepalstock.com>, www.sebonp.com

The total operating expenses in 5 JVBs include interest paid, salaries allowances, provision for bonus & other general expenses.

i) **Interest paid:-**

Interest expenses are the major expenses of the banks. In the above table interest expenses has covered high expenses on total expenses.

In this study interest commission paid denotes the interest paid on deposits. Borrowings, fees, loans, advances & commission paid.

The above table reveals that interest expenses of NABIL has ranged from 28.0 to 53.78% on an average 44.53%. Means it has fluctuating trend. This expense in case of SCBL has ranged from 36.58% on an average 43.82%. Means it also has fluctuating trend. Similarly expenses in case of NBBL have ranged from 51.50 to 70.18% on an average 60.46%. In case of SBI this expenses has ranged from 52.35 to 69.98% on an average 61.60% . In case of EBL interest expense has ranged from 56.74 to 68.64% on an average 63.93%.

Means all JVBs are showing fluctuating trend.

It includes that on an average EBL in paying more interest & commission than other JVBs. It indicates that has more outsiders fund.

ii) **Salary & Allowances :-**

Salaries & allowances are another major expenses of the banks. In the above table salary & allowances has covered low expenses on total expenses on total expenses.

The table reveals that salaries & allowances of NABIL has ranged between 12.41 to 25.05%. It means it has shown increasing trend in case of this bank. In case of SCBL it has ranged from 10.99 to 18.09%. It means if fluctuating trend has. In case of NBBL

salaried & allowances has ranged from 5.97 to 6.73% on an average 6.39%. Similarly in case of SBI salaried & allowances has ranged from 4.4 to 6.98% on an average 5.86%. It means in this case also there is fluctuation can be observed. In case of EBL salaries & allowances has ranged from 7.19 to 8.76% on an average 7.81%. This bank has shown increasing trend.

It concludes that on an average NABIL is paying more salaries & allowances than other JVBs.

iii) Provision for Bonus :-

Bonus is a result of earning enough profit. All the JVBs have been distributing bonuses to the staffs. Provision for bonus has ranged from 4.68 to 10.01% in case of NABIL on an average of 7.0%. In case of SCBL it has ranged from 9.10 to 11.54% on an average 10.09%. In case of NBBL provision for Bonus has ranged from 1.16 to 4.02% on an average 2.52%. In case of SBI it has ranged from 1.24 to 2.45% on an average 1.834%. Similarly, in case of EBL it has ranged from 2.60 to 4.23% on an average 3.33%.

Above all JVBs has show fluctuating trend of salaries & allowances.

It concludes that SCBL has paid more amount as bonus than other JVBs in each year. It means SCBL has provided more facility to staff, which is the reasonable.

iv) Other general expenses :-

Other general expenses are the 2nd major expenses of the banks. In the above table other general expenses has covered 2nd highest expenses on total expenses.

The table reveals other general expenses in all JVBs, has fluctuating trend. In case of NABIL other expenses has ranged from 25.80 to 47.55% on an average 31.51%. In case of SCBL this expenses has ranged from 21.75 to 36.25% on an average 31%. Similarly in case of NBBL to has ranged from 20.01 to 41.22% on an average 30.75%. In case of SBI other general expenses has ranged from 23.14 to 38.28% on an average 30.70. In case of EBL this expenses has ranged from 21.57 to 30.27 on an average 24.95%. Only this bank has shown increasing trend of other general expenses.

It concludes that on an average 31% SCBL is paying general expenses than that of other JVBs.

4.8. Statistical Tools :

Some statistical tools such as co-efficient of correlation analysis between different variables, friend analysis of deposit utilization and its projection.

4.8.1. Co-efficient of correlation Analysis :

It is most widely used statistical tools which measures the significance of the relationship between two variables during the study period karl Pearson's co-efficient of correlation has been used to find the relationship between deposit and total investment, debt & * return, deposit and loan advances.

4.8.1.1 Co-efficient of correlation between Total Return & Net Worth:

It is to measure the degree of relationship between two variables. In correlation analysis of total return & total Net worth total return is independent variable (X) & total Net worth is dependent variable (Y). The main purpose of computing correlation of co-efficient is to justify whether there is any relationship between there two variables or not.

To find out the co-relation various calculations are made for the reason (detailed in appendix –U II). The following table shows the co-efficient of correlation between total return & total Net worth u per, & PEr. & co-efficient of determination (r^2) of JVBs during the study period.

It is a most widely used statistical tools which measure the significance of the relationship between two variables during the study period. Correlation's coefficient is calculated to measures the relationship between return & net worth of Standard Chartered Banks, NABIL, NBBL, SBI & EBL . The values if coefficient of correlation shall always between $\{ 1$ where $r = + 1$ it means there is perfect position correction between the variables, where $r = - 1$ it means there is perfect negative correlation between the variables. Where $r = 0$, means no relationship between the two variable.

Following table shows the co-efficient correlation between total return & total net worth.

Table No. 27
Co – efficient of correlation Analysis between total
return & total net – worth

Bank	Evaluation criterion			
	R	r2	PEr	6PEr
NABIL	0.982	0.965	0.011	0.066
SCBL	0.990	0.9801	0.006	0.036
NBBL	0.510	0.260	0.223	1.338
SBI	0.591	0.349	0.196	1.176

EBL	0.959	0.920	0.024	0.144
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source : APPENDIX –T

From the above table it is obvious that the co-efficient of correlation between return (independent variable) and total net worth (dependent variable) value of r is 0.982, 0.990, - 0.510, 0.591, & 0.959 in case of NABIL, SCBL, NBBL, SBI & EBL Bank respectively. However by application of co-efficient of determination the value of r^2 is 0.956, 0.0801, 0.349 & 0.920 only which indicates that 96.5%, 98.0%, 34.9% & 92% of the variation in the dependent variable (total net worth) has been explained by the independent variable (total return) with the respect to NABIL, SCML, SBI & EBL. More over by considering the probable error, since the value of r is 0.982 is greater than six times of PEr i.e 0.066, we can say that the value of r is significant i.e. there is significant relationship between return and total net worth in the case of NABIL.

On the other hand, observing the co-efficient of correlation between debt return in case of NABIL, SBI and NBBL. It has been found that value of value of r is negative, which shows the negative relationship between these variables. But considering the value of r^2 i.e. 1.338 we

can conclude that only 26.0 percent on the dependent variable (total return). More over on the basis of PEr in the case of NBBL. We can further conclude that the relationship between the variable is in significant because r is less than six times of PEr for each bank.

From the above analysis, it can be concluded that the degree of relation debt (independent Variable) and return (dependent variable) of SCBL and EBL are significant due to the of are is more than 6 times of PEr value. but in the case of NABIL, SBI and NBBL, the degree to the value of r is more than 6 times of PEr value. but in the case of NBIL, SBI and NBBL, the degree to the value of are is not greater than 6 times of its PEr value. It's means these banks NABIL, SBI and NBBL could not able to mobilize their debt in appropriate way for bearing more required return.

4.8.1.2 Co-efficient of correlation Analysis between Debt and Return:

Karl Pearson's co-efficient of correlation is widely used in practice to measure the degree of relationship between two variables. In correlation analysis debt and return is assumed as independent variable (x) and dependent variable (y) respectively. The purpose of composing correlation of co-efficient is to justify whether the debts are significant in

generating more return or not. The various calculations are made for that reason. The following table shows the co efficient of determination (r^2) of JVBs during the study period.

Table No.28
Co-efficient of Correlation Analysis between Debt and Return

Bank	Evaluation Criterion			
	R	r^2	PEr	6 PEr
NABIL	-0.513	0.263	0.222	1.332
SCBL	0.878	0.771	0.069	0.414
SBI	-0.000004	0.00004	0.3017	1.8102
NBBL	-0.785	0.6162	0.11576	0.6946
EBL	0.968	0.937	0.019	0.114

source : APPENDIX –T

From the above table it is obvious that the co-efficient of correlation between debt (independent variable) the value of r are 0.878 and 0.968 in the case of SCBL and EBL respectively which indicates that there is positive relationship between these two variable during the study period. However by application of co-efficient of determination, the value of r^2 are 0.7710 & 0.9370 in the case SCBL and EBL, determines that 77.10 percent and 93.70 percent of the variable in the dependent that variable (return) has been explained by the independent variable (debt) Moreover by considering the probable error since the value of r.i.e. 968 is greater than six times of PEr i.e. 0.114 Hence we can say that value of "r" is signification i.e. there is significant relationship between the variable debt & return for SCBL and for EBL.

On the other hand, observing co-efficient of correlation between debt and return in case of NABIL SBI and NBBL. It has been found that value of r is negative, which shows the negative relationship between these two variables. But considering the value of r^2 i.e. 0.263,00004 and 0.6162,we can conclude that only 26.00 percent, .004 percent and 61.62 percent on the dependent variable (return). Moreover on the base of value of PEr in the case of NABIL,SBI, NBBL. we can further conclude that the relationship between the variable is insignificant because r is less than six times of PEr for each banks.

From the above analysis. it can be concluded that the degree of relationship between debt (independent variable) and return (dependent variable) of SCBL and EBL are significant due of the value of r more than 6 times of PEr value. But in the case of NABIL. SBI and NBBL, the degree to the value of r is more than 6 times of PEr value. But in the case of NABIL, SBI and NBBL, the degree of the value of r is greater than 6 times of its PEr value. It means these banks NABIL,SBI& NBBL could not able to mobilize their debt in appropriate way for bearing more required return.

4.8.2 F-Test Analysis:

F- test is used to examine the significant of the differences between more than 2 samples at one and the same time F-test enable us to the significance of the differences between more than two sample means.

Table No.29

Net Profit					
(Rs. In Million)					
Banks	2004/05	2005/06	2006/07	2007/08	2008/09
NABIL	329.12	291.37	271.63	416.25	455.32
SCNL	392.59	430.83	476.21	506.95	537.80
SBI	50.07	12.51	40.85	48.75	60.86
NBBL	139.53	198.75	65.78	71.51	2.65
EBL	41.27	69.70	85.33	94.17	143.57

Sources: APPENDIX –U

.Null Hypothesis (Ho):- There is no significant difference between Net profit NABIL, SCBL, SBI and EBL.

$$\mu_1 = \mu_2 = \mu_3 = \mu_4 = \mu_5$$

Alternative Hypothesis (H1) :- There is no significant difference between net profit of NABIL, SCBL, SBI, NBBL and EBL.

$$\mu_1 \neq \mu_2 \neq \mu_3 \neq \mu_4 \neq \mu_5$$

Computation of test statistics

Total sum of square (TSS) = 677544.74

Sum of square (SS) = 170968.7
 (between column)
 Sum of square (SS) = 2689.87
 (Between rows)

Table No.30
 ANOVA TABLE (TWO WAY)

(Rs. In Million)

Sources of Variation	Sun of Square	degree of Freedom	Mean sum of Square	f-ratio
Between Banks	683874.78	5-1=4	$\frac{683874.78}{4}=170968.7$ 8.7	$F_1 = \frac{170968.7}{5875} \times 29.17$
Within Banks	107759.46	5-1=4	$\frac{107759.46}{4} \times 2689.87$	
Error	94010.60	(5-1)(5-1)=16	$\frac{94010.60}{4} \times 5875.66$	F2=0.46
Total	788644.84	25-1=24		

We have,

- (i) The tabulated value, $f_{0.5}$ for $\mu = 4, \mu = 16$ is 5.82
- (ii) The tabulated value of $f_{0.5}$ for $\mu_1 = 4, \mu_1 = 16$ is 5.82

Decision – I) Since computed value of f is 29.10 which is greater than tabulated value so null hypothesis is rejected. Hence there is significant difference between net profit of the banks.

II) Computed value of f is 0.46 which is less than tabulated significant difference net profit of the JVBs during 5 yrs. Study period.

4.9 Analysis of the NPA of Banks:

Non Performing Asset means a loan or an account of borrower, which has been classified by a bank or financial institution as sub-standard, doubtful or loss asset, in accordance with the directions or guidelines relating to asset classification. According to the International Monetary Fund, a non-performing asset is any obligation or loan in which interest and principal payments are more than 90 days overdue, more than 90 days' worth of interest has been refinanced, capitalized, or delayed by agreement, or if payments are less than 90 days overdue, but payments are no longer anticipated. Another definition of a non-performing asset is a loan in which the maturity date has passed, but at least part of the loan is still outstanding. The specific definition is dependent upon the loan's particular terms.

Earlier assets were declared as NPA after completion of the period for the payment of total amount of loan and 30 days grace. In present scenario assets are declared as NPA if none of the installment is paid till 90 days i.e. three months in respect of a term loan. With effect from March 31, 2004, a non-performing asset (NPA) is a loan or an advance where; interest and /or installment of principal remain overdue for a period of more than 90 days. (Madhusundar Shrestha. 2006:254)

Non Performing assets can be defined as those assets that cannot be used productively. In other words, NPA is outdated loan, and bad and doubtful debts. NPA could wreck bank's profitability both through a loss of interest income and write off the principle loan amount. To start with the performance in terms of profitability is a benchmark for any business enterprises including the banking industry. However, increasing non-profit assets have the direct impact on bank's profitability, as legally banks are not allowed to book income on such accounts and at the same since banks are forced to make provision on such assets.

Performing assets are those that repay principle and interest to the banks. These assets constitute the primary source of income of banks. Banks are willing to lend as much as possible. But they have to careful about the safety of such loans. Loans are risky assets, even though bank interest most of its resources in granting loans. An asset is classified

as non-performing assets, if the borrower does not pay dues in the form of principle and interest. If any credit facilities or loan granted by bank to a borrower became non-performing. Then the bank will have to treat all the credit facilities or loan granted that borrower as non-performing. Non-performing assets can be non-performing loan, non banking assets, remaining non-performing loan, suspend interest, unutilized assets etc.

4.10 Major Findings of the Study

From the analysis of data, following major findings have been obtained.

Finding from Liquidity Ratios

-) Within the five year periods, the average current ratio of NBBL is highest than others. The average current ratio of NBBL is 1.09 times, SCBL is 1.068 times, EBL is 1.0462 times, SBI is 1.043 times and NABIL IS 0898 times.
-) The liquidity position in terms of cash and bank balance to total deposit ratio is superior in SBI as compared to other banks. The average cash at vault and bank balance to total deposit ratio of SBI, EBL,NBBL,SCBL and NABIL is 22.11%, 12.61%,12.02%, 7.43% AND 7.164% respectively.
-) Similarly cash and bank balance to current assets ratio is superior in NBBL as compared to other banks. The average cash and bank balance to current assets ratio of NABIL, SCBL, NBBL, SBI & EBL is 70252, 6.29, 10.916, 19.32 & 11.092 respectively
-) Each bank has given to different liquidity tools for liquidity management. It has been ascertained that SBI has preferred high cash at vault to total deposit . NBBL has preferred high current ratio, SBI has preferred high cash and bank balance to current asset to manage liquidity.

Finding from Efficiency Ratios

-) On the basis of loan and advance to total deposit ratio we can say that NBBL, SBI & EBL are able to mobilize collect deposit properly because their mean ratio is high i.e. 74.58, 71.784 & 71.694 respectively.
-) Among the all JVBs loan & advance to fixed deposit of NBBL, SCBL & NABIL are 330.4, 255.93 & 250 respectively. It means that these banks are utilizing fixed deposit in loans & advance more effectively.

Finding from Profitability Ratios

-) Net profit to total assets ratio of NABIL, SCBL, NBBL, SBI & EBL is 2.11, 2.21, 1.02, .618 & 1.3 respectively. We can say that SCBL & NABIL are better because these banks are utilizing their total assets than other JVBs. So they are entertaining the net profit.
-) Return on total deposit ratio of NABIL, SCBL, NBBL, SBI & EBL is 2.498, 2.836, .772, .724 & 1.524 respectively. NABIL & SCBL are better because their mean ratio is 2.498 & 2.836 which shows that these banks are utilizing their total assets than other JVBs so they are entertaining their net profit.

Finding from Leverage Ratios

-) The average total debt to equity ratios of NABIL, SCBL, NBBL, SBI & EBL are 1336.63, 1418.99, 1527, 1610.79 & 1678.28 respectively. Among these SBI & EBL is more aggressive so it has used the highest debt-equity ratio to finance the total assets and eventually the representation of debt capital in total assets.

) On the other ground return on capital employed ratio of NABIL, SCBL, NBBL, SBI & EBL is 29.32, 34.56, 3.94, 9.71 & 21.10 respectively SCBL which shows that higher efficiency in utilizing the long term fund of owners & creditors. SCBL shows better performance.

Finding from Miscellaneous Ratios

) Interest earned by NABIL is 75.99%, SCBL is 71.02%, NBBL is 78.95, SBI is 83.72% & EBL is 82.002 %. Thus we can say that SBI & EBL are earning more inters i.e. 83.72 & 82.002 respectively.

) Discount include income received as commission & discount from letter of credit , drafts, bank transfer, guarantee selling of shares, remittance charges & commission are other prominent item of commission and discount. Commission and discount to total income is 9.5 % in NABIL, 11.75% in SCBL, 11.596% in NBBL, 11.75% in SBI & 11.590% in EBL respectively.

) Income from exchange and includes income through the sale of exchange Currency and revaluation gain foreign exchange received by NABIL is 10.28% SCBL 15% NBBL is 6.75%, SBI is 4.94% EBL is 4.16%

According to above analysis concluded that SCBL is higher than that of rest JVBs. It means SCBL has succeeded to earn more from foreign exchange.

) Dividend earning has been observed only in NABIL in fiscal year 2003/04 & 2004/05 i.e. 2.29% & 0.165%. There is no dividend in other JVBs except NABIL, it means there banks have invested in share of other financial institutions.

) Other operating earning income of NABIL is 4.14%, SCBL is 2.96%, NBBL is 2.68%, SBI is 4.70% & EBL is 4.95%.

It means this income of NABIL & EBL is higher i.e. 4.14% & 4.95% respectively.

After the completion of analysis of data, the next chapter or the final chapter incorporates the summary, conclusions and recommendation regarding the subject matter.

CHAPTER- 5

SUMMARY, CONCLUSION AND RECOMMENDATIONS.

5.1 SUMMARY AND CONCLUSION:

There are many commercial banks have been competing with other in their business. When the government adopted liberal policy as increased rapidly is Himalayan banks especially joint venture banks Limited, Everest Bank Limited, Nepal Bangladesh Bank Ltd. etc. Economic development of a country can not be imagined without the development of commerce & industry No doubt, banking promotes the development of commerce to its extreme as banking itself is the part of commerce. Though the economic growth was as snail speed in earlier years, it has caught its full swing with restoration of democracy in the ruling parties have paid scenario Joint venture Bank are mainly concentrated themselves on financing foreign trade. commerce & industry and other sectors. Banking helps to mobilize the saving collectively to the huge capital investment through the banking is considered as the platform of money market & capital markets, commercial banks basically help to promote the money market by providing qualitative managerial skills. Just because of qualitative managerial, utmost customer satisfaction, objectives to use of advanced technology, Joint venture banks have been able to attain. Their objectives within the short span of time.

This present study has been taken to evaluate the financial performance of joint venture bank. The financial statements of last five years from the fiscal year 2003/2004 to 2007/2008 have been examined to their performance study. This study is mainly based on secondary data that have been first processed & analyzed. This study is exploratory as well as analytical one.

Hence, the researcher has analyzed data by using financial as well as statistical tools, which has been described already in previous chapter. The present study is a conclusion oriented study of the financial performance of the joint venture banks, SBI, Standard Chartered, NBBL, EBL etc:

The study reveals that the current ratio of NABIL is 0.898, SCBL is 1.0608, NBBL is 1.09, SBI is 1.043 & EBL is 1.0462 in average.

It reveals that the current ratios of all selected JVBs the banks are always below than normal Standard 2:1, but in the banking sector it is not necessary to maintain 2:1 ratio. It is the indication of on satisfactory liquidity positions. Current ratio of NBBL & EBL is in better position than that of other JVBs.

It can be concluded that short – term solvency position of both the banks are found below than normal Standard through the study period.

Liquidity position in terms of cash and bank balance position with respect to total deposit ratio of SBI Bank Ltd. is found higher is 22.11 on an average. This ratio of these banks like NABIL is 7.16 SCBL is 7.43, NBBL is 12.02 and EBL is 12.61 on average, Which deposits that SBI Bank Limited has sufficient cash and bank balance to cover its total deposits in comparison to other Bank Ltd.

In the case of cash and Bank balance to current ratio of SBI is higher is 19.32 & position is occupied by EBL is 11.09 on average. It indicates that these both Banks have sufficient cash & bank balance with respect to other mentioned banks.

It is concluded SBI is seem relatively better than that of other JVBs, although liquidity position of all mentioned JVBs is not satisfactory.

The Study reveals from the analysis of utilization ratio of other 5 JVBs in terms of loans & advances to total deposit ratio. The ratio of NBBL has higher is 74.58 & SCBL is lowest is 34.10 NBBL & SBI Bank Ltd. ratios, seems to be more variable among other mentioned JVBs.

When studying loan and advances to fixed deposit ratio is found NBBL has higher ratio is 330.4 on an average & NBBL has lowest ratio is 121.6 on all average. It means NBBL has mobilized its resources efficiently to maximize their return.

When studying loan & advances to saving deposit ratio is found SBI has higher ratio is 330.4 on an average & NBBL has lowest ratio is 141.6. It means SBI has mobilized & utilized its resources efficiently to maximize their return.

In the case of net profit to total assets (return as total assets) ratios of SCBL is higher is 2.24 and SBI has lowest this ratio is 0.48 on an average. It can be concluded that return on total assets ratio in case of SCBL is higher is 2.24 and SBI has lowest this ratio is 0.48 on average. Deposit ratio of NABIL is 2.49, SCBL is 2.83 on average & NBBL and SBI have lowest ratio 0.7721 & 0.724 respectively since the average ratio of SCNBL is higher, which shows that this bank has been able to generate more profit with respect of total deposit ratio of other JVBs.

The concluded is that NABIL, SCBL have been able to generate from deposit. and rest JVBs has not satisfactory profit. Another study of return in investment of JVBs show that except NABIL is higher than other JVBs in an average. In concluded return on investment of JVBs show that except NABIL & CBL other banks have idle deposit due to lower return.

From the analysis in the case of total deposit to shareholders equity, it has been found that SBI & EBL seems lower leveraged. Because these banks have high ratio. Here NABIL, SCBL & shareholders equity over total claims of creditors.

Total debt to total assets ratio of all JVBs are found 93% which indicates that more than 93% of the assets are financed by the outsider's funds. The average ratio of NABIL is lower than that of other JVBs.

It is concluded the proportions of debt financing in relatively to total assets ratio is more than 91% of the assets are financed by the outsiders funds. JVBs having more of this ratio have riskier debt financing positions when the bank is incurred loss: this ratio is unfavorable to the bank.

In terms of return in capital employed (ROCE) SCBI has higher ratio than other JVBs. SCBI has higher ratio is 31.88 NABIL has this ratio 27.45 in an average.

It is concluded that SCBI has better position than other JVBs. It means SCBI has utilized in efficient it's capital fund. Return on shareholders equity ratio of SCBL is higher on an average. This ratio is lower in case of SBI. It can be concluded that SCBI has earned more within study period. SCBL has better capital of utilizing of owner's fund.

Earning per share in case of SCBL is higher is 135.30 and SBI has lowest ratio is 17.15 on an average. It shows better signal from investor point of view in SCBL.

In the case of dividend per share, SCBL is higher than other JVBs. It means SCBL is better to invest for investor. Higher dividend attracts the investor towards the bank, which ultimately helps to enhance the market value of shares.

It can be concluded that SCBL seems much better in terms of offering dividend to its shareholders as compared with other JVBs.

Another research of dividend pay out ratio SCBL has 77.33 on an average which is higher than other JVBs. From the view of shareholders SCBL has reflected a better scenario although it has also retained higher portions of earning on an average.

Interest is main sources of all JVBs. The average interest of NABIL is 75.99%, SCBNL has 71.01%, NBBL has 78.95% SBI has 83.72 & EBL has 82.002% interest income. The average interest income of SBI is higher than that of other JVBs.

In the case of income received from commission and discount income of SCBL is 11.75 on an average which higher that of other JVBs. It means average percentage of SCBL is founded more earning from commission & discount.

It is concluded that it is higher percentage earning in SCBL is higher. It means this bank has extended better service to its customer than that of other JVBs.

In the case of foreign exchange each JVBs have fluctuating trend through the study period. In the studied JVBs SCBL have higher exchange earning i.e. 15 on an average, which is higher than that of other JVBs. It is concluded that SCBL have succeed to return more from foreign exchange.

In the all JVBs the other operating & non-operating earning it reveals it has very nominal contribution in the total income for both banks. The major expenses for all mentioned JVBs are interest payment EBL is paying more interest than that of other JVBs. It indicates that it has more outsiders funds. Similarly, salary

allowances of SCBL is higher than that of other JVBs. Other general expenses of SCBL & NABIL is same i.e. 31 on an average, which is higher through out the study period.

Coefficient of correlation analysis between different variables of JVBs. (NABIL, SCBL, NBBL, SBI & EBL) reveals that:

Coefficient of correlation between total return & total net worth of NABIL, SCBL, SBI, and EBL is positive except NBBL; NBBL has negative relation between total return & total net worth. The positive value of above JVBs shows that there is significant relationship between return and total net worth. Where as negative value of NBBL shows negative relation between total return & total net worth.

The co-efficient of correlations analysis between Debt & Return of SCBL & EBL JVBs is positive, where as NABIL, SBI & NBBL have negative relation between debt & return. Positive value of JVBs shows that there is significant relationship between the variables debt & return. There value shows that there indirect relationship between debt & return.

On the other hand, considering the probable error, since the value of r i.e. 0.982 is greater than six times of PE i.e. 0.066. Thus we can say that the value of r is significant i.e. there is significant relationship between return & total net worth in the case of NABIL.

While considering the probable error in case of coefficient of correlation analysis between Debt & return the value of r is i.e. 0.968 is greater than six times of PE i.e. 0.144. Thus we can say that the value of r is significant is there is significant relationship between the variables debt & return for SCBL and for EBL.

F statistics help us to conclude that net profit between all selected JVBs is significant difference at 5% level of significance.

F statistic reveals that net profit within each JVBs is not significant difference at 5% significant difference between 5 yrs study period.

5.2 Recommendation:

According to various analysis the following guidelines (point) are highlighted to put forward for the further improvement of all selected JVBs.

-) Above mentioned each bank should invest its resources in more profitable sectors.
-) Bank is suggested to minimize their operation expenses as far as possible which will directly increase the profit for that related factors should be considered. Majority of the private JVBs are being profit oriented ignoring the social responsibility which is not fair strategy to sustain in the long seen neither for the decentralized economic development of the nation. So bank is suggested to render their services even in the rural areas providing special loans to the deprived & priority sectors, which might further intensity the good will of the bank in future.
-) Since the current ratio of all selected JVBs are not satisfactory. It is below the standard level of 2:1 all selected banks are not satisfactory. It is below the standard level of 2:1 all selected JVBs are suggested to improve current ratio.
-) All selected banks may not accept deposit when this is an idle fund because there banks have improved increasing investment by total deposit ratio.
-) All selected JVBs are highly leveraged on shareholder's equity and we know that higher debt capital is unfavorable to the bank. When interest payable is higher than the rate of returns, the profit would decline, so all selected JVBs are suggested to use low debt capital.
-) In all selected JVBs profitability ratios such as return on investment, returns on total assets seem not satisfactory. If resources held idle, banks have to beard more cost & result would be lower profit margin. That's why it is suggested to all selected JVBs to utilize it's resources more profitable sector.
-) All selected JVBs are suggested involve in social responsibility by investing a part of profit.
-) All selected JVBs are suggested to reduced the operating expenses to maximize the profit.

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APPENDIX–A

Current Ratio (Time)

NABIL BANK LTD.

Rs. in million

Fiscal Year	Current Assets (Rs.)	Current Liability (Rs.)	Current Ratio
2004/05	14788.91	13977.29	1.058
2005/06	13161.68	17226.21	0.764
2006/07	13313.40	16384.73	0.8125
2007/08	13868.30	15135.42	0.9162
2008/09	14244.04	15153.13	0.94

STANDARD CHARTERED BANK LTD.

Rs. in million

Fiscal Year	Current Assets (Rs.)	Current Liability (Rs.)	Current Ratio
2004/05	16650.32	15781.19	1.055
2005/06	19224.18	18196.01	1.056
2006/07	18330.82	17150.05	1.068
2007/08	20797.60	19569.38	1.062
2008/09	23494.63	22086.21	1.063

Nepal SBI Bank Ltd.

Rs. in million

Fiscal Year	Current Assets (Rs.)	Current Liabilities (Rs.)	Current Ratio
2004/05	4992.66	4881.63	1.023
2005/06	7166.11	7046.25	1.017
2006/07	6787.45	6460.79	1.050
2007/08	7404.57	6996.48	1.05833
2008/09	8345.34	7813.76	1.06803

Nepal Bangladesh Bank Ltd.

Rs. in million

Fiscal Year	Current Assets (Rs.)	Current Liabilities (Rs.)	Current Ratio
	7034.51	6945.64	1.01280
2004/05	9636.94	9358.28	1.38748
2005/06	10727.83	10441.04	1.027
2006/07	11345.52	11233.70	1.00995
2007/08	137558.05	13586.40	1.01263
2008/09			

Everest Bank Ltd.

Rs. in million

Fiscal Year	Current Assets (Rs.)	Current Liabilities (Rs.)	Current Ratio
2004/05	334.59	3204.27	1.04
2005/06	5049.85	4874.79	1.035
2006/07	6359.66	6063.87	1.048
2007/08	7836.89	7420.73	1.056
2008/09	9399.95	8928.24	1.052

APPENDIX – B
Cash and Bank Balance to Total Deposit Ratio (%)

NABIL BANK LTD.

Rs. in million

Fiscal Year	Cash and Bank Balance	Total Deposit	Ratio (%)
2004/05	1088.75	12779.51	8.519
2005/06	812.90	15839.01	5.174
2006/07	1051.82	15506.44	6.783
2007/08	1144.77	13447.65	8.51
2008/09	970.49	14119.03	6.87

STANDARD VHARTERE BANK LTD.

Rs. in million

Fiscal Year	Cash and Bank Balance	Total Deposit	Ratio (%)
2004/05	1020.46	12568.49	8.11
2005/06	961.05	15430.05	6.22
2006/07	825.26	15835.75	5.2
2007/08	1512.30	18755.64	8.06
2008/09	2023.16	21161.46	9.56

Nepal SBI Bank Ltd.

Rs. in million

Fiscal Year	Cash and Bank Balance	Total Deposit	Ratio (%)
2004/05	890.02	4535.73	19.62
2005/06	1945.14	6612.29	29.42
2006/07	1619.96	5572.47	29.07
2007/08	1333.54	6522.82	20.44
2008/09	864.42	7198.32	12.01

Nepal Bangladesh Bank Ltd.

Rs. in million

Fiscal Year	Cash and Bank Balance	Total Deposit	Ratio (%)
2004/05	645.75	6467.19	9.99
2005/06	1025.82	8600.81	11.93
2006/07	1759.31	9514.47	18.49
2007/08	899.51	10580.65	8.50
2007/08	1436.48	12807.37	11.20

Everest Bank Ltd.

Rs. in million

Fiscal Year	Cash and Bank Balance	Total Deposit	Ratio (%)
2004/05	278.60	3057.43	9.11
2005/06	834.99	4574.51	18.25
2006/07	592.76	5466.61	10.28
2007/08	1139.57	6694.95	17.02
2007/09	631.81	8063.90	7.84

APPENDIX – C

Cash and Bank Balance to Current Assets Ratio (%)

STANDARD CHARTERED BANK LTD.

Rs in million

Fiscal Year	Cash and Bank Balance	Current Assets	Ratio (%)
2004/05	1020.46	16650.32	6.13
2005/06	961.05	19224.18	4.99
2006/07	825.26	18330.82	4.5
2007/08	1512.30	20797.60	7.27
2008/09	2023.16	23494.63	8.61

Nepal SBI bank Ltd.

Rs. in million

Fiscal Year	Cash and Bank Balance	Current Assets	Ratio (%)
2004/05	890.02	4992.66	17.83
2005/06	1945.14	7166.11	27.14
2006/07	1619.96	6787.45	23.27
2007/08	1333.54	7404.57	18.00
2008/09	864.42	8345.34	10.36

Nepal Bangladesh Bank Ltd.

Rs. in million

Fiscal Year	Cash and Bank Balance	Current Assets	Ratio (%)
2004/05	645.75	7034.51	9.18
2005/06	1025.82	9636.94	10.64
2006/07	1759.31	10727.83	16.40
2007/08	899.51	11345.52	07.92
2008/09	1436.48	13758.05	10.44

Everest Bank Ltd.

Rs. in million

Fiscal Year	Cash and Bank Balance	Current Assets	Ratio (%)
	278.60	3334.59	8.35
2004/05	834.99	5049.85	16.53
2005/06	592.76	6396.66	09.32
2006/07	1139.57	7836.89	14.54
2007/08	631.81	9399.95	06.72
2007/09			

APPENDIX – D

Loan and Advances to Total Deposit Ratio (%)

NABIL BANK LTD.

Rs in million

Fiscal Year	Loan and Advances	Total Deposit	Ratio (%)
2004/05	7334.76	12779.51	57.39
2005/06	8324.44	15839.01	52.56
2006/07	7437.90	15506.44	47.97
2007/08	7755.95	13447.65	57.68
2008/09	8189.99	14119.03	58

STANDARD CHARTERED BANK LTD.

Rs in million

Fiscal Year	Loan and Advances	Total Deposit	Ratio (%)
2004/05	4857.17	12568.49	38.64
2005/06	5763.17	15430.05	37.35
2006/07	5364.00	15835.75	33.87
2007/08	5695.82	18755.64	30.36

2008/09	6410.24	21161.46	30.29
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Nepal SBI Bank Ltd.

Rs in million

Fiscal Year	Loan and Advances	Total Deposit	Ratio (%)
2004/05	3559.41	4535.73	78.47
2005/06	4188.41	6672.29	63.34
2006/07	4299.25	5572.47	77.15
2007/08	4468.72	6522.82	68.50
2008/09	5143.66	7198.32	71.46

Nepal Bangladesh Bank Ltd.

Rs in million

Fiscal Year	Loan and Advances	Total Deposit	Ratio (%)
2004/05	7334.76	12779.51	57.39
2005/06	8324.44	15839.01	52.56
2006/07	7437.90	15506.44	47.97
2007/08	7755.95	13447.65	57.68
2008/09	8189.99	14119.03	58

STANDARD CHARTERED BANK LTD.

Rs in million

Fiscal Year	Loan and Advances	Total Deposit	Ratio (%)
2004/05	4857.17	12568.49	38.64
2005/06	5763.13	15430.05	37.35
2006/07	5364.00	15835.75	33.87
2007/08	5685.82	18755.64	30.36
2007/09	6410.24	21161.46	30.29

Nepal SBI Bank Ltd.

Rs in million

Fiscal Year	Loan and Advances	Total Deposit	Ratio (%)
2004/05	3559.41	4535.73	78.47
2005/06	4188.41	6612.29	63.34
2006/07	4299.25	5572.47	77.15
2007/08	4468.72	6522.82	68.50
2008/09	5143.66	7198.32	71.46

Nepal Bangladesh Bank Ltd.

Rs in million

Fiscal Year	Loan and Advances	Total Deposit	Ratio (%)
2004/05	4617.10	6467.19	71.39
2005/06	7358.84	8600.81	85.56
2006/07	7632.42	9514.47	80.22
2007/08	7247.98	10580.65	68.50
2007/09	8648.74	12807.37	67.23

Everest Bank Ltd.

Rs in million

Fiscal Year	Loan and Advances	Total Deposit	Ratio (%)
2004/05	2270.18	3057.43	74.25
2005/06	3005.76	4574.51	65.70
2006/07	3948.46	5466.61	72.23
2007/08	4908.46	6694.95	73.32
2008/09	5884.12	8063.90	72.97

APPENDIX –E
Loan and Advances to Fixed Deposit Ratio (%)
NABIL BANK LTD.

Rs in million

Fiscal Year	Loan and Advances	Fixed Deposit	Ratio (%)
2004/05	7334.76	5278.27	139
2005/06	8324.44	7667.54	109
2006/07	7437.90	2446.85	304
2007/08	7755.95	2252.54	344
2008/09	8189.99	2310.57	354

STANDARD CHARTERED BANK LTD.

Rs in million

Fiscal Year	Loan and Advances	Fixed Deposit	Ratio (%)
2004/05	4857.17	2651.65	183
2005/06	5763.13	3236.03	178
2006/07	5364.00	3808.39	237
2007/08	5695.82	5768.62	292
2008/09	6410.24	5816.94	449

Nepal SBI Bank Ltd.

Rs in million

Fiscal Year	Loan and Advances	Fixed Deposit	Ratio (%)
2004/05	3559.41	2420.20	394
2005/06	4188.41	2929.35	395
2006/07	4299.25	1086.70	337
2007/08	4468	1300.07	274
2008/09	5143.66	1672.68	252

Nepal Bangladesh Bank Ltd.

Rs in million

Fiscal Year	Loan and Advances	Fixed Deposit	Ratio (%)
2004/05	4617.10	3456.58	106
2005/06	7358.84	5236.79	141
2006/07	7632.42	5453.63	140
2007/08	7247.98	5031.58	144
2008/09	8648.74	4875.73	177

Everest Bank Ltd.

Rs in million

Fiscal Year	Loan and Advances	Fixed Deposit	Ratio (%)
2004/05	2270.18	1478.89	154
2005/06	3005.76	2284.64	132
2006/07	3948.48	2711.58	146
2007/08	4908.46	2794.74	176
2008/09	5884.12	2897.96	203

APPENDEX –F

Loan and advances to Saving Deposit Ratio (%)

Nepal SBI Bank Ltd.

Rs in million

Fiscal Year	Loan and Advances	Saving Deposit	Ratio (%)
2004/05	7334.76	4150.19	1.77
2005/06	8324.44	4917.14	1.89
2006/07	7437.90	4972.06	1.50
2007/08	7755.95	5229.72	1.48
2008/09	8189.99	5994.12	1.37

Standard Chartered Bank Ltd.

Rs in million

Fiscal Year	Loan and Advances	Saving Deposit	Ratio (%)
2004/05	4857.17	663269	0.73
2005/06	5763.13	8404.61	0.69
2006/07	5364.00	9441.91	0.57
2007/08	5695.82	10633.16	0.54
2008/09	6410.24	12771.83	0.50

Nepal SBI Bank Ltd.

Rs in million

Fiscal Year	Loan and Advances	Saving Deposit	Ratio (%)
2004/05	3595.41	902.76	3.94
2005/06	4188.41	1060.15	3.95
2006/07	4299.41	1274.69	3.37
2007/08	4468.72	1633.03	2.74
2008/09	5143.66	2043.02	2.52

Nepal Bangladesh Bank Ltd.

Rs in million

Fiscal Year	Loan and Advances	Saving Deposit	Ratio (%)
2004/05	4617.10	1113.44	4.15
2005/06	7358.84	1716.84	4.29
2006/07	7632.42	2086.89	3.66
2007/08	7247.98	2933.35	2.47
2008/09	8648.74	4245.34	2.04

Everest Bank Ltd.

Rs in million

Fiscal Year	Loan and Advances	Saving Deposit	Ratio (%)
2004/05	2270.18	891.75	2.55
2005/06	3005.76	1384.06	2.17
2006/07	3948.48	1735.37	2.28
2007/08	4908.46	2757.95	1.78
2008/09	5884.12	3730.61	1.58

APPENDIX-G

Net profit to total Assets Ratio (%)

NABIL Bank Ltd.

Rs in million

Fiscal Year	Net Profit	Total Assets	Ratio (%)
2004/05	329.12	15024.20	2.19
2005/06	291.37	18367.15	1.59
2006/07	271.63	17629.25	1.54
2007/08	416.25	18562.61	2.51
2008/09	455.32	16745.61	2.72

Standard Chartered Bank Ltd.

Rs in million

Fiscal Year	Net Profit	Total Assets	Ratio (%)
2004/05	392.59	16832.23	2.33
2005/06	430.83	19357.18	2.23
2006/07	479.21	17443.07	2.60
2007/08	506.95	21000.50	2.41
2008/09	537.80	23642.06	2.27

Nepal Bangladesh Bank Ltd.

Rs in million

Fiscal Year	Net Profit	Total Assets	Ratio (%)
2004/05	139.53	7347.23	1.90
2005/06	198.75	9962.69	1.99
2006/07	65.78	11102.24	0.59
2007/08	71.51	11932.60	0.60
2008/09	2.65	14257.97	0.02

Nepal SBI Bank Ltd.

Rs in million

Fiscal Year	Net Profit	Total Assets	Ratio (%)
2004/05	50.07	5106.57	0.98
2005/06	12.51	7284.79	0.17
2006/07	40.85	7021.14	0.58
2007/08	48.75	7566.33	0.64
2008/09	60.86	8440.40	0.72

APPENDIX-H
Net Profit to Total Deposit Ratio (%)
NABIL Bank Ltd.

Rs in million

Fiscal Year	Net Profit	Total Deposit	Ratio (%)
2004/05	329.12	12779.51	2.58
2005/06	291.37	15839.01	1.84
2006/07	271.63	15506.44	1.75
2007/08	416.25	13447.65	3.1
2008/09	455.32	14119.03	3.22

Standard Chartered Bank Ltd.

Rs in million

Fiscal Year	Net Profit	Total Deposit	Ratio (%)
2004/05	392.59	12568.49	3.12
2005/06	430.83	15430.05	2.79
2006/07	479.21	15835.75	3.03
2007/08	506.95	18755.64	2.7
2008/09	537.80	21161.46	2.54

Nepal Bangladesh Bank Ltd.

Rs in million

Fiscal Year	Net Profit	Total Deposit	Ratio (%)
2004/05	139.53	6467.64	0.16
2005/06	198.75	9358.28	2.31
2006/07	65.78	104441.04	0.69
2007/08	71.51	11233.70	0.68
2008/09	2.65	13586.40	0.02

Everest Bank Ltd.

Rs in million

Fiscal Year	Net Profit	Total Deposit	Ratio (%)
2004/05	41.27	3057.43	1.35
2005/06	69.70	4574.51	1.52
2006/07	85.33	5466.61	1.56
2007/08	94.17	6694.95	1.41
2008/09	143.57	8063.90	1.78

APPENDIX-I

Net profit to Total Investment Ratio (ROI)

NABIL Bank Ltd.

Rs in million

Fiscal Year	Net Profit	Total Investment	Ratio (%)
2004/05	329.12	123482	2.58
2005/06	291.37	2733.96	1.84
2006/07	271.63	4121.29	1.75
2007/08	416.25	3588.77	3.1
2008/09	455.32	3672.63	

Standard Chartered Bank Ltd.

Rs in million

Fiscal Year	Net Profit	Total Investment	Ratio (%)
2004/05	392.59	3338.67	3.12
2005/06	430.83	9547.98	2.79
2006/07	479.21	9264.68	3.03
2007/08	506.95	10346.49	2.70
2008/09	537.80	11349.14	2.54

Nepal SBI Bank Ltd.

Rs in million

Fiscal Year	Net Profit	Total Investment	Ratio (%)
2004/05	50.07	192.85	1.1
2005/06	12.51	364.69	0.19
2006/07	40.85	503.17	0.73
2007/08	48.75	1186.39	0.75
2008/09	60.86	1889.63	0.85

Everest Bank Ltd.

Rs in million

Fiscal Year	Net Profit	Total Investment	Ratio (%)
2004/05	41.27	257.61	1.35
2005/06	69.70	823.00	1.52
2006/07	85.33	1538.90	1.56
2007/08	94.17	1599.35	1.41
2008/09	143.57	2466.43	1.78

APPENDIX-J

Total Debt to Shareholder's Equity Ratio (%)

NABIL Bank Ltd.

Rs in million

Fiscal Year	Total Debt	Shareholder's Equity	Ratio (%)
2004/05	1440.13	984.07	1426.74
2005/06	17304.31	1062.83	1628.14
2006/07	16482.83	1146.42	1437.77
2007/08	15248.43	1314.18	1160.30
2008/09	15263.91	1481.68	1030.18

Standard Chartered Bank Ltd.

Rs in million

Fiscal Year	Total Debt	Shareholder's Equity	Ratio (%)
2004/05	15817.40	1014.85	1558.59
2005/06	18245.18	1112.02	1640.72
2006/07	17207.63	1235.49	1392.78
2007/08	19631.59	1368.91	1434.19
2008/09	22146.33	1495.74	1480.63

Nepal Bangladesh Bank Ltd.

Rs in million

Fiscal Year	Total Debt	Shareholder's Equity	Ratio (%)
2004/05	6950.62	396.59	1752.60
2005/06	9367.57	595.12	1574.06
2006/07	104750.74	626.49	1672.13
2007/08	11248.69	683.92	1644.74
2008/09	13601.39	656.57	2071.58

Nepal SBI Bank Ltd.

Rs in million

Fiscal Year	Total Debt	Shareholder's Equity	Ratio (%)
2004/05	4881.63	224.95	2170.10
2005/06	7046.25	238.55	2953.78
2006/07	6560.79	560.34	1153.01
2007/08	6996.48	569.86	1227.75
2008/09	7813.76	626.64	1246.93

Everest Bank Ltd.

Rs in million

Fiscal Year	Total Debt	Shareholder's Equity	Ratio (%)
2004/05	3208.86	202.85	1581.89
2005/06	4883.18	319.40	1528.86
2006/07	6216.27	390.91	1590.20
2007/08	7579.37	472.83	1602.98
2008/09	9068.24	540.33	1678.28

APPENDIX-K

Total Debt to Total Assets Ratio (%)

NABIL Bank Ltd.

Rs in million

Fiscal Year	Total Debt	Total Assets	Ratio (%)
2004/05	14040.13	15024.20	93.45
2005/06	17304.31	18367.15	94.21
2006/07	16482.83	17629.25	93.49
2007/08	15248.43	16562.61	91.05
2008/09	15263.91	16745.61	91.15

Standard Chartered Bank Ltd.

Rs in million

Fiscal Year	Total Debt	Total Assets	Ratio (%)
2004/05	15817.40	16832.23	93.97
2005/06	18245.18	19557.18	93.29
2006/07	17207.63	18443.07	93.30
2007/08	19631.59	21000.50	93.48
2008/09	22146.33	23642.06	93.67

Nepal Bangladesh Bank Ltd.

Rs in million

Fiscal Year	Total Debt	Total Assets	Ratio (%)
2004/05	6950.62	7347.23	94.60
2005/06	9367.57	9962.69	94.02
2006/07	10475.74	11102.24	94.35
2007/08	11248.69	11932.60	94.26
2008/09	13601.39	14257.97	95.39

Nepal SBI Bank Ltd.

Rs in million

Fiscal Year	Total Debt	Total Assets	Ratio (%)
2004/05	4881.63	5106.57	95.59
2005/06	7046.25	7284.79	96.72
2006/07	6460.79	7021.14	92.01
2007/08	6996.48	7566.33	92.46
2008/09	7813.76	8440.401	92.57

Everest Bank Ltd.

Rs in million

Fiscal Year	Total Debt	Total Assets	Ratio (%)
2004/05	3208.86	3411.70	94.05
2005/06	4883.18	5202.58	93.86
2006/07	6216.27	6607.18	94.08
2007/08	7579.37	8052.20	94.12
2008/09	9068.24	9608.56	94.37

APPENDIX-L
Return on Capital Employed
NABIL Bank Ltd.

Rs in million

Fiscal Year	Net Profit after Tax	Capital Employed	Ratio (%)
2004/05	329.12	1046.91	31.43
2005/06	291.37	1140.94	25.53
2006/07	271.63	1244.52	21.82
2007/08	416.25	1427.79	29.16
2008/09	455.32	1552.48	29.32

Standard Chartered Bank Ltd.

Rs in million

Fiscal Year	Net Profit after Tax	Capital Employed	Ratio (%)
2004/05	392.59	1051.04	37.345
2005/06	430.83	1161.17	37.10
2006/07	479.21	1293.02	37.06
2007/08	506.95	1431.12	35.42
2008/09	537.80	1555.85	34.56

Nepal Bangladesh Bank Ltd.

Rs in million

Fiscal Year	Net Profit after Tax	Capital Employed	Ratio (%)
2004/05	139.53	401.59	34.74
2005/06	198.75	604.41	32.88
2006/07	65.78	661.02	9.94
2007/08	71.51	698.9	10.23
2008/09	2.65	671.57	3.94

Nepal SBI Bank Ltd.

Rs in million

Fiscal Year	Net Profit after Tax	Capital Employed	Ratio (%)
2004/05	50.07	224.94	22.25
2005/06	12.51	138.54	12.07
2006/07	40.85	560.35	7.29
2007/08	48.75	569.85	8.55
2008/09	60.86	626.64	9.71

Everest Bank Ltd.

Rs in million

Fiscal Year	Net Profit after Tax	Capital Employed	Ratio (%)
2004/05	41.27	207.43	19.89
2005/06	69.70	327.79	21.26
2006/07	85.33	543.31	15.70
2007/08	94.17	631.47	14.91
2008/09	143.57	680.32	21.10

APPENDIX-M

Long –Term Debt Total Assets Ratio (%)

NABIL Bank Ltd.

Rs in million

Fiscal Year	Long-Term Debt	Total Assets	Ratio (%)
2004/05	00.00	150240.20	00.00
2005/06	00.00	18367.15	00.00
2006/07	00.00	17629.25	00.00
2007/08	00.00	16562.60	00.00
2008/09	00.00	16745.61	00.00

Standard Chartered Bank Ltd.

Rs in million

Fiscal Year	Long-Term Debt	Total Assets	Ratio (%)
2004/05	00.00	16832.25	00.00
2005/06	00.00	19357.18	00.00
2006/07	00.00	18443.07	00.00
2007/08	00.00	21000.50	00.00
2008/09	00.00	23642.06	00.00

Nepal Bangladesh Bank Ltd.

Rs in million

Fiscal Year	Long-Term Debt	Total Assets	Ratio (%)
2004/05	00.00	150240.20	00.00
2005/06	00.00	18367.15	00.00
2006/07	00.00	17629.25	00.00
2007/08	00.00	16562.60	00.00
2008/09	00.00	16745.61	00.00

Nepal SBI Bank Ltd.

Rs in million

Fiscal Year	Long-Term Debt	Total Assets	Ratio (%)
2004/05	00.00	5106.57	00.00
2005/06	00.00	7282.79	00.00
2006/07	00.00	7021.14	00.00
2007/08	00.00	7566.33	00.00
2008/09	00.00	8440.40	00.00

Everest Bank Ltd.

Rs in million

Fiscal Year	Long-Term Debt	Total Assets	Ratio (%)
2004/05	00.00	3411.70	00.00
2005/06	00.00	5202.58	00.00
2006/07	00.00	6607.18	00.00
2007/08	00.00	8052.20	00.00
2008/09	00.00	9608.56	00.00

APPENDIX-N

Return on Shareholder Equity (FOSE)

NABIL Bank Ltd.

Rs in million

Fiscal Year	Net Profit After Tax	Shareholder's Equity	Ratio (%)
2004/05	329.12	984.07	33.44
2005/06	291.37	1062.83	27.41
2006/07	271.63	1146.42	23.69
2007/08	416.25	1314.18	34.5
2008/09	455.32	1481.68	22.21

Standard Chartered Bank Ltd.

Rs in million

Fiscal Year	Net Profit After Tax	Shareholder's Equity	Ratio (%)
2004/05	392.59	1014.85	38.68
2005/06	430.83	1112.02	38.74
2006/07	479.21	1235.49	38.78
2007/08	506.95	1368.91	37.03
2008/09	537.80	1495.74	35.95

Nepal Bangladesh Bank Ltd.

Rs in million

Fiscal Year	Net Profit After Tax	Shareholder's Equity	Ratio (%)
2004/05	139.53	396.59	35.18
2005/06	198.75	595.12	33.39
2006/07	65.78	626.49	10.49
2007/08	71.51	6836.92	10.45
2008/09	2.65	656.57	04.03

Nepal SBI Bank Ltd.

Rs in million

Fiscal Year	Net Profit After Tax	Shareholder's Equity	Ratio (%)
2004/05	50.07	224.95	22.25
2005/06	12.51	138.55	5.24
2006/07	40.85	560.34	7.29
2007/08	48.75	569.86	8.55
2008/09	60.86	626.64	9.71

Everest Bank Ltd.

Rs in million

Fiscal Year	Net Profit After Tax	Shareholder's Equity	Ratio (%)
2004/05	41.27	202.85	20.34
2005/06	69.70	319.40	21.82
2006/07	85.33	390.91	21.82
2007/08	94.17	472.83	19.91
2008/09	143.57	540.33	26.57

APPENDIX-O
Return on Shareholder Equity (ROSE)
NABIL Bank Ltd.

Rs in million

Fiscal Year	Net Profit After Tax	No. of Share	Ratio (%)
2004/05	329.12	3927915	83.79
2005/06	291.37	491807	59.26
2006/07	271.63	4916380	55.25
2007/08	416.25	4916725	84.66
2008/09	455.32	4916531	92.61

Standard Chartered Bank Ltd.

Rs in million

Fiscal Year	Net Profit After Tax	No. of Share	Ratio (%)
2004/05	392.59	3313555	118.48
2005/06	430.83	5162732	83.45
2006/07	479.21	26029875	18.41
2007/08	506.95	2551336	19.87
2008/09	537.80	726756756	0.74

Nepal Bangladesh Bank Ltd.

Rs in million

Fiscal Year	Net Profit After Tax	No. of Share	Ratio (%)
2004/05	139.53	8932778	115.62
2005/06	198.75	1566440	126.88
2006/07	65.78	466095	141.13
2007/08	71.51	478968	149.30
2008/09	2.65	18460	143.55

Nepal SBI Bank Ltd.

Rs in million

Fiscal Year	Net Profit After Tax	No. of Share	Ratio (%)
2004/05	50.07	1199568	41.74
2005/06	12.51	1439585	8.69
2006/07	40.85	4250780	9.61
2007/08	48.75	4250217	11.47
2008/09	60.86	4267882	14.26

Everest Bank Ltd.

Rs in million

Fiscal Year	Net Profit After Tax	No. of Share	Ratio (%)
2004/05	41.27	1184218	34.85
2005/06	69.70	2208491	31.56
2006/07	85.33	2592828	32.91
2007/08	94.17	3149498	29.90
2008/09	134.57	955901	45.58

APPENDIX-P

Dividend pay out Ratio

NABIL Bank Ltd.

Rs in million

Fiscal Year	DPS	EPS	Ratio (%)
2004/05	55.00	83.79	645.64
2005/06	40.00	59.26	67.49
2006/07	30.00	55.25	54.30
2007/08	50.00	84.66	59.06
2008/09	65.00	92.61	70.19

Standard Chartered Bank Ltd.

Rs in million

Fiscal Year	DPS	EPS	Ratio (%)
2004/05	100.00	118.48	86.49
2005/06	100.00	83.45	78.81
2006/07	100.00	18.41	70.86
2007/08	110.00	19.87	73.68
2008/09	110.00	074	76.63

Nepal Bangladesh Bank Ltd.

Rs in million

Fiscal Year	DPS	EPS	Ratio (%)
2004/05	0.00	115.62	00
2005/06	5.04	126.88	6.04
2006/07	0.00	141.13	00
2007/08	0.00	149.30	00
2008/09	0.00	143.55	00

]

Nepal SBI Bank Ltd.

Rs in million

Fiscal Year	DPS	EPS	Ratio (%)
2004/05	15.01	41.74	35.93
2005/06	0.00	8.69	00
2006/07	0.00	9.61	00
2007/08	8.00	11.47	69.76
2008/09	0.00	14.26	00

Everest Bank Ltd.

Rs in million

Fiscal Year	DPS	EPS	Ratio (%)
2004/05	0.00	34.85	00
2005/06	0.00	31.56	00
2006/07	0.00	32.91	00
2007/08	20.00	29.90	66.90
2008/09	20.00	45.58	43.88

APPENDIX-Q

Income in Amount of NABIL Bank Ltd.

Rs in million

Income Sources	Year				
	2004/05	2005/06	2006/07	2007/08	2008/09
Interest earned	1052.36	1742.46	1013.64	1001.36	1042.18
Commission & Discount	139.59	146.84	114.34	144.41	135.96
Exchange income	122.19	159.51	154.22	144.08	157.32
Dividend	0.30	0.26	0.00	0.00	0.00
other	0.00	0.00	29.37	34.15	38.75
Total Income	1309.11	1573.31	1638.74	1340.51	1333.65

Income in Amount of Standard Chartered Bank Ltd.

Rs in million

Income Sources	Year				
	2004/05	2005/06	2006/07	2007/08	2008/09
Interest earned	1052.36	1742.46	1013.64	1001.36	1042.18
Commission & Discount	154.34	179.46	163.46	215.20	198.95
Exchange income	157.08	214.86	228.10	232.52	273.05
Dividend	0.00	0.00	0.00	0.00	0.00
other	3.14	3.02	36.52	50.13	64.17
Total Income	1366.92	164026	1441.72	1499.21	1578.35

Income in Amount of Bangladesh Bank Ltd.

Rs in million

Income Sources	Year				
	2004/05	2005/06	2006/07	2007/08	2008/09
Interest earned	609.27	810.05	850.53	1013.71	1095.50
Commission & Discount	121.31	143.60	124.42	109.05	105.06
Exchange income	61.94	102.10	69.71	56.30	56.16
Dividend	0.00	0.00	0.00	0.00	0.00
other	10.62	18.39	32.15	64.77	63.15
Total Income	805.14	1074.14	1076.81	1243.83	1319.84

Income in Amount of SBI Bank Ltd.

Rs in million

Income Sources	Year				
	2004/05	2005/06	2006/07	2007/08	2008/09
Interest earned	437.32	444.56	399.63	469.74	493.60
Commission & Discount	34.18	32.40	36.98	29.930	30.67
Exchange income	23.79	28.27	42.54	18.50	30.62
Dividend	0.00	0.00	0.00	0.00	0.00
other	0.00	0.00	29.63	47.69	56.72
Total Income	495.29	505.23	508.38	565.84	611.61

Income in Amount of Everest Bank Ltd.

Rs in million

Income Sources	Year				
	2004/05	2005/06	2006/07	2007/08	2008/09
Interest earned	267.44	385.02	443.82	520.17	657.25
Commission & Discount	25.90	30.56	36.77	61.50	74.33
Exchange income	3.50	16.50	45.41	32.21	27.79
Dividend	0.00	0.00	0.00	0.00	0.00
other	28.94	32.04	13.78	20.29	23.82
Total Income	325.78	464.12	539.78	639.08	783.19

APPENDIX-R

Income in Percentage of NABIL Bank Ltd.

Rs in million

Income Sources	Year				
	2004/05	2005/06	2006/07	2007/08	2008/09
Interest earned	79.98	80.51	68.35	75.93	75.10
Commission & Discount	10.66	9.33	6.67	10.77	10.19
Exchange income	9.35	10.13	9.41	10.74	11.79
Dividend	2.29	0165	0.00	0.00	0.00
other	0.00	0.00	15.27	2.54	2.90
Total Income	100%	100%	100%	100%	100%

Income in Percentage of Standard Chartered Bank Ltd.

Rs in million

Income Sources	Year				
	2004/05	2005/06	2006/07	2007/08	2008/09
Interest earned	76.98	75.74	70.31	66.79	66.03
Commission & Discount	11.29	10.94	11.33	14.35	12.60
Exchange income	11.49	13.09	15.82	15.50	17.30
Dividend	00.00	00.00	00.00	00.00	00.00
other	2.29	1.84	2.53	3.34	4.07
Total Income	100%	100%	100%	100%	100%

Income in Percentage of Bangladesh Bank Ltd.

Rs in million

Income Sources	Year				
	2004/05	2005/06	2006/07	2007/08	2008/09
Interest earned	75.86	75.41	78.99	81.50	82.99
Commission & Discount	15.10	13.37	11.55	10.00	7.96
Exchange income	7.71	9.51	6.47	5.60	4.25
Dividend	0.00	0.00	0.00	0.00	0.00
other	1.32	1.71	2.99	2.58	4.78
Total Income	100%	100%	100%	100%	100%

Income in Percentage of SBI Bank Ltd.

Rs in million

Income Sources	Year				
	2004/05	2005/06	2006/07	2007/08	2008/09
Interest earned	88.30	87.99	78.61	5.29	5.01
Commission & Discount	6.90	6.41	7.20	5.29	5.01
Exchange income	4.80	5.60	8.37	3.26	2.68
Dividend	00.00	00.00	00.00	00.00	00.00
other	00.00	00.00	55.83	8.42	9.27
Total Income	100%	100%	100%	100%	100%

Income in Percentage of Bangladesh Bank Ltd.

Rs in million

Income Sources	Year				
	2004/05	2005/06	2006/07	2007/08	2008/09
Interest earned	82.09	82.96	82.22	82.03	83.91
Commission & Discount	7.95	6.58	6.81	4.69	9.49
Exchange income	1.07	3.56	8.41	5.07	3.54
Dividend	00.00	00.00	00.00	00.00	00.00
other	8.88	6.90	2.55	3.18	3.04
Total Income	100%	100%	100%	100%	100%

APPENDIX-S

Income in Amount & percentage of NABIL Bank Ltd.

Rs in million

Expense Sources	Year										
	2004/05		2005/06		2006/07		2007/08		2008/09		Average
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	
Interest paid	432.96	58.83	578.36	53.87	462.08	48.66	317.35	28	282.94	39.38	75.99
salaries & Allowances	97.97	12.41	145.86	13.56	144.88	15.26	210.58	18.59	17084	25.05	9.5
Provision of Bonus	54.97	6.96	52.60	48.9	44.12	4.68	66.36	5.86	41.94	10.01	10.28
Other General expenses	203.77	25.80	298.51	27.77	298.50	31.43	538.72	47.55	182.73	25.14	4.4618
Total expenses	789.67	100	1075.32	100	949.58	100	1132.1	100	718.45	100	

Income in Amount & Percentage of SCBNL

Rs in million

Expense Sources	Year										
	2004/05		2005/06		2006/07		2007/08		2008/09		Average
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	
Interest paid	425.93	56.85	472.37	50.83	298.36	39.47	255.13	35.39	72.24	36.58	43.82
salaries & Allowances	87.55	11.68	102.12	10.99	126.51	16.73	128.33	17.80	139.69	18.09	15.058
Provision of Bonus	72.78	9.71	85.48	9.10	72.15	9.56	75.09	1056	85.95	11.54	10.09
Other General expenses	162.93	21.75	269.27	28.98	258.96	34.25	261.27	36.25	251.34	33.77	31.0
Total expenses	74.9.190	100	929.44	100	755.98	100	720.82	100	744.22	100	

Percentage of NBBL.

Rs in million

Expense Sources	Year										
	2004/05		2005/06		2006/07		2007/08		2008/09		Average
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	
Interest paid	414.99	70.18	515.84	65.73	550.00	57.14	594.58	57.77	620.94	51.50	60.45
salaries & Allowances	35.30	5.97	50.75	6.47	61.36	6.37	60.80	6.79	75.62	6.35	6.39
Provision of Bonus	22.63	3.83	31.55	4.02	11.20	1.16	21.28	2.67	11.07	0.92	2.52
Other General expenses	118.33	20.01	186.59	23.77	340.03	35.32	343.46	33.37	487.05	41.22	30.74
Total expenses	591.25	100	784.73	100	962.65	100	1029.22	100	1205.68	100	

Income in Amount & percentage of SBI

Rs in million

Expense Sources	Year										
	2004/05		2005/06		2006/07		2007/08		2008/09		Average
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	
Interest paid	281.66	69.98	271.79	60.46	288	64.65	291.82	60.37	255.92	52.55	61.60
salaries & Allowances	17.91	4.45	23.53	5.23	26.65	5.97	33.73	6.98	32.51	6.68	5.86
Provision of Bonus	9.79	2.43	5.59	1.24	6.32	1.41	7.67	1.59	12.17	2.499	1.834
Other General expenses	93.12	23.14	148.61	33.05	124.80	27.96	150.10	31.05	186.44	38.28	1.834
Total expenses	402.48	100	449.52	100	446.35	100	483.32	100	487.04	100	30.

Income in Amount & percentage of Everest Bank Ltd.

Rs in million

Expense Sources	Year										
	2004/05		2005/06		2006/07		2007/08		2008/09		Average
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	
Interest paid	177.89	68.64	236.14	66.55	257.05	63.72	306.41	64.006	314.44	56.74	63.93
salaries & Allowances	18.63	7.19	26.00	7.33	32.19	7.98	37.37	7.79	48.53	8.76	7.81
Provision of Bonus	6.75	2.60	11.34	3.19	14.15	3.50	15.10	3.15	23.46	4.23	3.33
Other General expenses	55.90	21.57	81.07	22.84	100.10	24.81	121.02	25.25	167.77	30.27	24.95
Total expenses	259.17	100	354.85	100	403.59	100	479.5	100	551.20	100	

All the appendix are taken from the website & annual report of related Banks

PPENDIX –T (I)
Correlation Analysis Between Return & Net worth

Rs. In Million

Fiscal Year	NABIL BANK LTD.				
	Return (Rs) X	Net worth (Rs) Y	X ²	Y ²	XY
2004/05	329.12	984.07	108319.97	968393.76	323877.118
2005/06	291.37	1062.83	84896.48	1129607.60	309676.777
2006/07	271.63	1146.42	73782.86	3441314278.81	311402.065
2007/08	416.25	1314.18	173264.063	1727069.072	547027.425
2008/09	455.32	1481.68	207316.302	2195375.622	6746338.538
N=5	Σx= 1763.69	Σy= 5789.18	Σx ² = 647579.673	Σy ² = 7334724.885	Σxy= 2166621.923

$$r = \frac{N \sum xy - \sum x \sum y}{\sqrt{N \sum x^2 - (\sum x)^2} \sqrt{N \sum y^2 - (\sum y)^2}}$$

$$= \frac{5 | 2166621.923 - 1763.69 | 5789.18}{\sqrt{5 \times 647579.673 - (1763.69)^2} \sqrt{5 \times 7334724.885 - (5789.18)^2}}$$

$$= \frac{622790.739}{356.7886 | 1777.363}$$

$$= 0.982$$

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

$$= 0.6745 \times \frac{1 - 0.982^2}{\sqrt{5}}$$

$$= \frac{0.024}{2.236} = 0.011$$

$$r = 0.982 \pm 0.011 = 0.965$$

APPENDIX –T (II)

Correlation Analysis Between Return & Net worth

Rs. In Million

Fiscal Year	Standard Chartered Banks Ltd..				
	Return (Rs) X	Net worth (Rs) Y	X ²	Y ²	XY
2004/05	392.59	1014.85	154126.9081	1028820.523	398419.962
2005/06	430.83	1112.02	1523014.4889	1236588.18	479091.577
2006/07	479.21	1235.49	229642.3025	1526435.54	592059.163
2007/08	506.95	1368.91	256998.3025	1873914.148	804408.972
2008/09	537.80	1495.74	289228.84	2237228.84	804408.972
N=5	Σx= 2347.38	Σy= 6227.01	Σx ² = 1115610.764	Σy ² = 7904097.279	Σxy= 2967948.598

$$\begin{aligned}
 r &= \frac{N \sum xy - \sum x \sum y}{\sqrt{N \sum x^2 - (\sum x)^2} \sqrt{N \sum y^2 - (\sum y)^2}} \\
 &= \frac{5 | 2967948.598 - 2347 | 6227.01}{\sqrt{5 | 1115610.764 - (2347.38)^2} \sqrt{5 | 7904097.279 - (6227.01)^2}} \\
 &= \frac{222584.254}{260.501 | 963.037} \\
 &= 0.990 \\
 \text{P.E.} &= 0.6745 | \frac{1 - 0.99}{\sqrt{5}} \\
 &= \frac{0.013}{2.236} \\
 &= 0.006
 \end{aligned}$$

APPENDIX –T (III)

Correlation Analysis Between Return & Net worth

Rs. In Million

Fiscal Year	Nepal Bangladesh Bank LTD.				
	Return (Rs) X	Net worth (Rs) Y	X ²	Y ²	XY
2004/05	139.53	396.59	19468.621	157283.628	55336.203
2005/06	198.75	595.12	39501.563	354167.814	118280.100
2006/07	65.78	626.49	4327.008	392489.720	41210.512
2007/08	71.51	683.92	5113.680	467746.566	4807.911
2008/09	2.65	656.57	7.023	431084.165	1739.911
N=5	Σx = 478.22	Σy = 2958.69	Σx ² = 68417.894	Σy ² = 1802771.894	Σxy = 265473.845

$$r = \frac{N \sum xy - \sum x \sum y}{\sqrt{N \sum x^2 - (\sum x)^2} \sqrt{N \sum y^2 - (\sum y)^2}}$$

$$= \frac{5 | 265473.845 - 478.22 | 2958.69}{\sqrt{5 | 68417.894 - 478.22^2} \sqrt{5 | 1802771.894 - (2958.69)^2}}$$

$$= \frac{87535.509}{336.742 | 509.915}$$

$$= \frac{8753.509}{171709.680}$$

$$= 0.510$$

$$\text{P.E.} = 0.6745 \left| \frac{1 - r}{\sqrt{5}} \right|$$

$$= 0.6745 \times \frac{1 - (0.510)^2}{\sqrt{5}}$$

$$= \frac{0.499}{2.236} = 0.223$$

$$r = (-0.510)^2 = 0.260$$

APPENDIX –T (IV)

Correlation Analysis Between Return & Net worth

Rs. In Million

Fiscal Year	SBI Bank LTD.				
	Return (Rs) X	Net worth (Rs) Y	X ²	Y ²	XY
2004/05	41.27	202.85	1703.213	41148.123	8371.620
2005/06	69.70	319.40	4858.090	102016.36	22262.180
2006/07	85.33	390.91	7281.209	152810.628	33356.350
2007/08	94.17	472.83	8867.989	223568.209	44526.401
2008/09	143.57	540.33	20612.345	291956.509	77575.178
N=5	Σx = 433.04	Σy = 1926.32	Σx ² = 43322.846	Σy ² = 811499.828	Σxy = 186091.729

$$r = \frac{N \sum xy - \sum x \sum y}{\sqrt{N \sum x^2 - (\sum x)^2} \sqrt{N \sum y^2 - (\sum y)^2}}$$

$$= \frac{5 | 186091.729 - 433.04 | 1926.32}{\sqrt{5 | 43322.846 - 433.04^2} \sqrt{5 | 811499.828 - 1926.32^2}}$$

$$= \frac{96285.032}{170.56 | 588.889}$$

$$= \frac{96285.032}{100440.929}$$

$$= 0.959$$

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

$$= 0.6745 \frac{1 - 0.959^2}{\sqrt{5}}$$

$$= \frac{0.055}{2.236}$$

$$= 0.024$$

$$r = 0.959 \approx 0.920$$

APPENDIX –U (I)
Correlation Analysis Between Debt & Return

Rs. In Million

Fiscal Year	NABIL Bank LTD.				
	Return (Rs) X	Net worth (Rs) Y	X ²	Y ²	XY
2004/05	14040.13	329.12	197125250.4	108319.974	4620887.583
2005/06	17304.31	291.37	299439144.5	84896.477	5041956.805
2006/07	16482.83	271.63	271683684.8	73782.857	4477231.113
2007/08	15248.43	416.25	232514717.4	173264.063	6347158.988
2008/09	15263.91	455.32	229617348.7	207316.302	6899523.152
N=5	Σx = 78339.61	Σy = 1763.69	Σx ² = 1230380046	Σy ² = 647579.673	Σxy = 27386757.64

$$\begin{aligned}
 r &= \frac{N \sum xy - \sum x \sum y}{\sqrt{N \sum x^2 - (\sum x)^2} \sqrt{N \sum y^2 - (\sum y)^2}} \\
 &= \frac{5 | 27386757.64 - 78339.61 | 1763.69}{\sqrt{5 | 1230380046 - 78339.61^2} \sqrt{5 | 647579.673 - 1763.69^2}} \\
 &= \frac{1232998.560}{3847.822 | 356.786} \\
 &= \frac{1232998.560}{1372847.398} = 0.898 \\
 \text{P.E.} &= 0.6745 \frac{1 - 0.898}{\sqrt{5}} \\
 &= 0.6745 \frac{1 - 0.898}{\sqrt{5}} \\
 &= \frac{0.130}{2.236} = 0.058 \\
 r &= 0.898 \pm 0.058 = 0.806
 \end{aligned}$$

APPENDIX –U (II)
Correlation Analysis Between Debt & Return

Rs. In Million

Fiscal Year	Standard Chartered Bank LTD.				
	Return (Rs) X	Net worth (Rs) Y	X ²	Y ²	XY
2004/05	15817.40	392.59	250190142.7	154126.908	6209753.066
2005/06	18245.18	430.83	332886593.2	185614.489	7860570.899
2006/07	17207.63	479.21	29302530.2	229642.224	8246068.372
2007/08	19631.59	506.95	385399325.9	256998.303	995223.551
2008/09	22146.33	537.80	490459932.4	289228.840	11910296.27
N=5	Σx = 93048.130	Σy = 2347.38	Σx ² = 1755038524	Σy ² = 11155038524	Σxy = 44178923.16

$$\begin{aligned}
 r &= \frac{N \sum xy - \sum x \sum y}{\sqrt{N \sum x^2 - (\sum x)^2} \sqrt{N \sum y^2 - (\sum y)^2}} \\
 &= \frac{5 | 44178923.16 - 93048.130 \times 2347.38}{\sqrt{5 | 1755038524 - 93048.130^2} \sqrt{5 | 11155038524 - 2347.38^2}} \\
 &= \frac{245296.412}{10827.655 | 260.501} \\
 &= \frac{2475296.412}{2820615.084} = 0.875 \\
 \text{P.E.} &= 0.6745 \frac{1 - r^2}{\sqrt{n}} \\
 &= 0.6745 | \frac{1 - 0.875^2}{\sqrt{5}} \\
 &= \frac{0.155}{2.236} = 0.069 \\
 r^2 &= 0.875^2 = 0.771
 \end{aligned}$$

APPENDIX –U (III)
Correlation Analysis Between Debt & Return

Rs. In Million

Fiscal Year	Nepal Bangladesh Bank LTD.				
	Return (Rs) X	Net worth (Rs) Y	X ²	Y ²	XY
2004/05	6950.62	193.53	48311118.38	19468.21	969820.009
2005/06	9367.57	198.75	87751367.70	39501.563	18618045.538
2006/07	10475.74	65.78	109741128.5	4327.008	689094.177
2007/08	11248.64	71.51	126533026.7	5113.680	804393.822
2008/09	13601.39	2.65	184997809.9	7.023	36043.684
N=5	Σx = 51644.010	Σy = 478.22	Σx ² = 557334451.2	Σy ² = 68417.8943	Σxy = 4361156.229

$$\begin{aligned}
 r &= \frac{N \sum xy - \sum x \sum y}{\sqrt{N \sum x^2 - (\sum x)^2} \sqrt{N \sum y^2 - (\sum y)^2}} \\
 &= \frac{5 | 4361156.229 - 51644.010 | 478.22}{\sqrt{5 | 55733451.2 - 51644.010^2} \sqrt{5 | 68417.894 - 478.22^2}} \\
 &= \frac{2891417.317}{10934.738 | 336.742} \\
 &= \frac{2891417.317}{3682185.420} = 0.785 \\
 \text{P.E.} &= 0.6745 | \frac{1 - r^2}{\sqrt{5}} \\
 &= 0.6745 | \frac{1 - 0.785^2}{\sqrt{5}} \\
 &= \frac{0.259}{2.236} = 0.116 \\
 r &= (-0.785)^2 = 0.616
 \end{aligned}$$

APPENDIX –U (IV)
Correlation Analysis Between Debt & Return

Rs. In Million

Fiscal Year	SBI Bank LTD.				
	Return (Rs) X	Net worth (Rs) Y	X ²	Y ²	XY
2004/05	4881.63	50.07	23830311.45	2507.005	244423.214
2005/06	7046.25	12.51	39649639.06	156.5	88148.588
2006/07	6460.48	40.85	41741807.42	1668.723	263923.272
2007/08	6996.48	48.75	48950732.39	2376.563	341078.400
2008/09	7813.76	60.86	61054845.33	3703.940	475545.437
N=5	Σx= 33198.910	Σy= 213.040	Σx ² = 225227335.6	Σy ² = 10412.7313	Σxy= 1713118.908

$$\begin{aligned}
 r &= \frac{N \sum xy - \sum x \sum y}{\sqrt{N \sum x^2 - (\sum x)^2} \sqrt{N \sum y^2 - (\sum y)^2}} \\
 &= \frac{5 \times 1713118.908 - 33198.910 \times 213.040}{\sqrt{5 \times 225227335.6 - (33198.910)^2} \sqrt{5 \times 10412.7313 - (213.040)^2}} \\
 &= \frac{7065594.540 - 7072695.786}{\sqrt{1126136678 - 1102167625} \sqrt{52063.655 - 45386.042}} \\
 &= \frac{7101.246}{\sqrt{23969052.82} \sqrt{456677.613}} \\
 &= \frac{7101.246}{4895.820 \times 675.779} \\
 &= 0.002 \\
 \text{P.E.} &= 0.6745 \times \frac{1 - r^2}{\sqrt{n}} \\
 &= 0.6745 \times \frac{1 - (0.002)^2}{\sqrt{5}} = \frac{0.67449}{2.236} \\
 &= 0.3017 \\
 \text{r.} &= 0.002 \\
 &= 0.0000004
 \end{aligned}$$

APPENDIX –U (V)
Correlation Analysis Between Debt & Return

Rs. In Million

Fiscal Year	Everest Bank LTD.				
	Return (Rs) X	Net worth (Rs) Y	X ²	Y ²	XY
2004/05	3208.86	41.27	102196782.5	1703.213	132429.652
2005/06	4883.18	69.70	2384546.91	4858.090	340357.06
2006/07	6216.27	85.33	3864201.71	7281.209	530434.319
2007/08	7579.37	94.17	57446849.59	8867.987	713749.273
2008/09	9068.24	143.57	82232976.69	20612.345	1301927.217
N=5	Σx= 30955.92	Σy= 434.04	Σx ² = 212464068.4	Σy ² = 43322.846	Σxy= 3018898.107

$$\begin{aligned}
 r &= \frac{N \sum xy - \sum x \sum y}{\sqrt{N \sum x^2 - (\sum x)^2} \sqrt{N \sum y^2 - (\sum y)^2}} \\
 &= \frac{5 | 3018898.107 - \frac{30955.92 | 434.04}{5}}{\sqrt{5 | 212464068.4 - \frac{30955.92^2}{5}} \sqrt{5 | 43322.846 - \frac{434.04^2}{5}}} \\
 &= \frac{1658383.018}{10200.557 | 167.999} = 0.968 \\
 \text{P.E.} &= 0.6745 \frac{1 - r^2}{\sqrt{n}} \\
 &= 0.6745 | \frac{1 - 0.968^2}{\sqrt{5}} \\
 &= \frac{0.042}{2.236} = 0.019 \\
 \mathbf{r.} &= (0.968)^2 = 0.937
 \end{aligned}$$