

CHAPTER - ONE

INTRODUCTION

1.1 Background of the Study

Nepal is land-locked country, which is sandwiched between India in south and Tibet region in the North. It has an area of 1,47,181 square kilometers and runs all along 845 kilometers from east to west and 129 to 241 kilometer from north to south. Nepal is categorized as the least development country having per capital income of about us \$ 269. About 49% of the total population lives under poverty and 82% of the population depends upon agriculture for the living. Without developing of agriculture sector development of our economic situation is impossible. In other words agriculture is the backbone of Nepalese economy. Development of the different institutions is equally essential for the rapid economic development of the country. Although being an agricultural dependent country, the non-agricultural sectors should also be given priority. Hence Banking industry plays an important role to solve the problem of unemployment and also equally help in the economic development of the country. (Joshi Shyam, “Private Enterprises has it been neglected in Nepal” 1994 P.12)

Bank can be defined as a place where the transactions of money take place In other bank is the company that provides financial services. There are a number of banks available and which one to use really comes down to the one with which people feel most comfortable. Their services range from providing a facility to save money to provide loan and provide credit cards and stock market brokering. Development and expansion of development banks are essential for the rapid economic growth of the country which helps economic development by mobilizing long-term capital needed for productive sector.

1.2 Evolution of Banking

It is very difficult to state the complete historical background of banks or banking. It is not possible to learn when or how the banking system came into existence. Of course, it is sure that the banking system did not come all on a sudden by way of any revolution. Rather, it

came into existence naturally and gradually. In its crude form, the banking business was confined in the hands of money lenders in the pre historic days.

It may be said that banking in its most simple form is as old as authentic history. As early as 2000 B.C. Babylonians has developed a system of banks. In ancient Greece and Rome the practice of granting credit was widely prevalent. In Rome some of the banks carried business on their own account and others were appointed by the government to receive the taxes. With the gradual development, different types of documents, hand notes, slips, etc., used by the early money lenders in transacting their business have been turned into different documents and instruments of modern banking.

During the early periods, although banking business was mostly done by private individuals, many countries established public banks either for the purpose of facilitating commerce or to serve to the government. The bank of Venice, established in 1157, is supposed to be the most ancient bank. In some other countries of Europe, deposit and exchange banks were established in 14th century. First bank of Sweden was established in 1556. (www.dropbox.com)

1.3 Evolution of Banking Sector in Nepal

Banking service is the oldest service industry in Nepal. It has gone through the various stages of evolution and development since the Vedic times (200 to 1400 B.C.) Though the modern banking institution has a very recent origin in Nepal, some crude bank operations were in practice even in the ancient time In the Nepalese Chronicle, it was recorded that the new era known as Nepal Sambat was introduced by Shankhadhar, a sudra merchant of Kantipur in 879 or 880 A.D; after having paid all the outstanding debts in the country. This shows the basis of money lending practice in ancient Nepal. Towards the end of 8th century, GunkamDev had borrowed money to rebuild the Kathmandu Valley. In 11th century, during Malla regime there was an evidence of professional moneylenders and bankers. It is further believed that money-lending business, particularly for financing the foreign trade with Tibet, became quite popular during regime of Mallas. However, in the absence of any regulatory measures, the unscrupulous moneylenders were known to have charged exorbitant rates of interest and other extra dues on loans advanced.

These inconveniences led the Prime Minister Ranodeep (1877-1885) to establish Tejarath Addaha in Kathmandu, which was a government financial institution supplying credit to the people at 5% rate of interest against security of gold, silver and ornaments. The government servants were also entitled to take loans from Tejarath, repayable from their salary at the source. During the time of Chandra Shamsher (1901-1929), credit facilities of Tejarath were extended to some other parts of the country by opening its branches. It is believed that the so-called well-to-do persons used to take loans from private money lenders even at a higher rate of interest than those from the government institution, for they were not prepared to disclose in public anything that was likely to affect their prestige. When they were approached by this type of clients, the professional money lenders used to raise loans in their own names from Tejarath at 5% rate of interest against gold and ornaments, which were not their own but brought to them by their clients as security for the loans to be financed from the funds raised from Tejarath itself. Thus, without any resources of their own and without any risks on their own part, the money lenders could manage very well to exploit their special type of clients just playing the role of middleman between their clients and the government institution. To control spurious rates of interest and also to curb unfair practice on the part of the unscrupulous moneylenders, legislative measures were also taken.

Later, with the growing necessity of the commercial banks in the world, Nepal Bank Limited, the first commercial bank of Nepal, came into being in 1937 A.D. replacing the older system of banking. In the present scenario different types of banks are being practiced in Nepal, but among them commercial banks play a vital role in the economic development of the country.

As mentioned above, with the motive to develop the trade and industry in the country commercial bank called Nepal Bank Limited was established in 1937 A.D. It was established under the Nepal Bank Act of 1936 A.D. and the late King Tribhuvan Bir Bikram Shah Dev inaugurated this bank. At that time the authorized capital of Nepal Bank Limited (NBL) was Rs. 10 millions, divided into 1,00,000 shares of Rs. 100.00 each. Nepal Bank Limited had a responsibility of attracting people towards banking sector from predominant sahu-mahajan's transaction and introducing other banking services as well. Being a commercial bank, it was natural that Nepal Bank Limited paid more attention to profit generating business. But it is the duty of the government to look into the neglected sectors. Therefore Nepal Bank Limited was established with 51% ownership of His Majesty Government (HMG) (Now Nepal Government) and 49% of the equity participation from private sector. With the development

of banking sector and to help the government, formulate monetary policies, Nepal Rastra Bank was set up in 1956 A.D. (14th Baisakh 2013 B.S), the central bank of the country. Since then it has contributed to the growth of financial sector. (<http://sarojtiwari.blogspot.com/2009/09/evolution-of-banking-sector-in-nepal.html>)

The growth and development of the country is possible only when competitive banking services reach each and every corner of the country. However, as the central bank, Nepal Rastra Bank had its own limitations and as a commercial bank it was not logical for Nepal Bank Limited to go to unprofitable sectors. So, to catch up with these problems, the government established Rastriya Banijaya Bank in 2022 B.S. (1965 A.D), under Banijya Bank Act 1965 A.D. as a fully state owned commercial bank (Dahal, 2002:11). Then the establishment of Nepal Industrial Development Corporation, Employee Provided Fund, Agriculture Development Bank etc, followed the formation of financial institutions.

With the aim to provide quality-banking service, enhance the efficiency and healthy competition, foreign investment and new technology in banking sector was introduced. Nepal Arab Bank, the first joint venture bank of Nepal was established in 1984 A.D. (2041 B.S). The bank was the outcome of joint venture with Dubai Bank Limited of United Arab Emirates. The footstep of this bank was followed by Nepal Indosuez Bank a joint venture bank with a Bank of Paris in 1986 A.D. (2041 B.S) and later other joint venture banks are established in Nepal.

1.4 Concept of Development Banks

The bank which is established for the development of various sector like agriculture, industrial etc. by providing financial, technical and administrative and other necessary assistance is known as Development Bank

Development bank is the back bone of national economy. Financial intermediaries play vital role in such fund movement i.e. from the surplus holders to the needy. In this regard, financial institutions are the formal medium for contributing effective utilization of the available resources in the economy. Likewise, financial market is the bank which is

established for the development of industrial sector by providing financial, technical and administrative and other necessary assistance is known as development bank. Development banks are an indication of national economy, and its smooth operation leads a country to economic growth. So another prosaic contributor for effective financial/ capital transactions. The origin and growth of bank in Nepal is controversial. At present there are altogether 88 Development banks operating in the country.

Development banks play an important role in affair of the economy in various ways. The operations of development banks record the economic pulse of the economy. The size and composition of their transaction mirror the economic happening in the country. They are essential instruments of accelerated growth in a developing economy, by mobilizing community savings and diverting them into productive channels development banks expand and appreciate the value of aggregate economic activity in the economy.

At the time of analyzing the comparative Financial performance, a various financial statements are used such as balance sheet (summarizes of assets, liabilities and owner's equity of a business), the income statement (summarizes the revenue and expenses) of the firm over a particular period.

Table (a)

List of Licensed Development Banks

2069 Ashad

S.N	Development Banks	Operation Date (B.S)	Head Office
1	NIDC Development Bank Limited	2016/03/01	Kathmandu
2	Siddhartha Development Bank Limited	2055/09/04	Kathmandu
3	Malika Bikas Bank Limited	2056/07/25	Dhangadhi
4	Mankamana Development Bank Limited	2058/03/05	Kathmandu
5	Narayani Development Bank Limited	2058/07/01	Chitwan
6	United Bikas Bank Limited	2058/12/03	Bara
7	Pashimanchal Development Bank Limited	2059/11/18	Butwal
8	Sahayoghi Bikas Bank Limited	2060/07/04	Janakpur
9	Axis Development Bank Limited	2060/09/17	Banepa
10	Karnali Bikas Bank Limited	2060/10/22	Nepalgunj
11	Triveni Bikas Bank Limited	2061/04/11	Narayangadh
12	Bhrikutee Development Bank Limited	2061/05/03	Butwal
13	Supreme Development Bank Limited	2061/05/07	Banepa

14	Subekshya Bikas Bank Limited	2061/05/29	Narayangadh
15	Bageshwori Development Bank Limited	2061/07/03	Nepalgunj
16	Gaurishankar Development Bank Limited	2061/08/14	Nawalparasi
17	Gorkha Development Bank Limited	2061/08/16	Kathmandu
18	Gandaki Development Bank Limited	2061/10/12	Pokhara
19	Infrastructure Development Bank Limited	2062/01/16	Kathmandu
20	Business universal Development Bank Limited	2062/01/27	Kathmandu
21	Biratlaxmi Bikas Bank Limited	2062/01/28	Biratnagar
22	Excel Development Bank Limited	2062/04/06	Jhapa
23	Western Development Bank Limited	2062/05/30	Dang
24	H and B Development Bank Limited	2062/07/21	Kathmandu
25	Araniko Development Bank Limited	2063/03/22	Dhulikhel
26	NDEP Development Bank Limited	2063/04/01	Kathmandu
27	Clean Enerjy Development Bank Limited	2063/05/22	Kathmandu
28	Miteri Development Bank Limited	2063/06/27	Dharan
29	Tinau Bikas Bank Limited	2063/06/27	Butwal
30	Rising Development Bank Limited	2063/09/03	Nawalparasi
31	Muktinath Bikas Bank Limited	2063/09/03	Pokhara
32	Sewa Bikas Bank Limited	2063/11/13	Butwal
33	Kankai Bikas Bank Limited	2064/01/21	Jhapa
34	Public Development Bank Limited	2064/02/24	Birgunj
35	ACE Development Bank Limited	2064/04/30	Kathmandu
36	Mahakali Bikas Bank Limited	2064/05/01	Mahendranagar
37	Sangrila Development Bank Limited	2064/05/09	Pokhara
38	Bhagarwa Bikas Bank Limited	2064/05/13	Nepaljung
39	Resunga Bikas Bank Limited	2064/06/09	Gulmi
40	Kamana Bikas Bank Limited	2064/06/12	Pokhara
41	Diyalo Bikas Bank Limited	2064/06/14	Banepa
42	Country Development Bank Limited	2064/06/17	Banepa
43	Bibor Bikas Bank Limited	2064/06/17	Kathmandu
44	Alpine Development Bank Limited	2064/06/18	Hetuda
45	Rara Bikas Bank Limited	2064/06/25	Surkhet
46	Nilgiri Bikas Bank Limited	2064/06/25	Myagdi
47	Kasthamandap Development Bank Limited	2064/06/25	Kathmandu
48	Cooperate Development Bank Limited	2064/06/25	Birgunj
49	Professional Bikas Bank Limited	2064/06/30	Banepa
50	City Development Bank Limited	2064/07/02	Pokhara
51	Bishow Bikas Bank Limited	2064/08/05	Pokhara
52	Pathibhara Bikas Bank Limited	2064/08/05	Morang
53	Garima Bikas Bank Limited	2064/08/07	Pokhara
54	Kabeli Bikas Bank Limited	2064/09/01	Dhankuta
55	Purnima Bikas Bank Limited	2065/02/07	Siddharthanagar

56	Jyoti Bikas Bank Limited	2065/04/10	Kathmandu
57	Shine Development Bank Limited	2065/11/11	Butwal
58	Bagmati Development Bank Limited	2065/12/10	Sarlahi
59	Hamro Bikas Bank Limited	2066/01/06	Nuwakot
60	Kakrebihar Bikas Bank Limited	2066/02/01	Surkhet
61	Pacific Development Bank Limited	2066/04/01	Lamjung
62	Civic Development Bank Limited	2066/04/29	Dhading
63	International Development Bank Limited	2066/05/19	Kathmandu
64	Gulmi Bikas Bank Limited	2066/06/08	Gulmi
65	Kanchan Development Bank Limited	2066/06/13	Mahendranagar
66	Brighat Development Bank Limited	2066/06/22	Panauti
67	Matribhumi Bikas Bank Limited	2066/06/23	Sindhuli
68	Innovative Development Bank Limited	2066/07/27	Siddharthanagar
69	Jhimruk Bikas Bank Limited	2066/08/29	Pyuthan
70	Metro Development Bank Limited	2066/09/01	Pokhara
71	Raptibheri Bikas Bank Limited	2066/10/01	Nepaljung
72	Gaumukhi Bikas Bank Limited	2066/10/11	Pyuthan
73	Nepal Consumer Development Bank Limited	2066/10/22	Pokhara
74	Khadbari Development Bank Limited	2066/11/21	Sankhuwasabha
75	Tourism Development Bank Limited	2066/12/05	Kathmandu
76	Mission Development Bank Limited	2067/03/01	Butwal
77	Surya Development Bank Limited	2067/04/02	Dolakha
78	Mount Makalu Development Bank Limited	2067/04/05	Teharathum
79	Sindhu Bikas Bank Limited	2067/05/24	Sindhupalchowk
80	Social Development Bank Limited	2067/06/27	Kathmandu
81	Sahara Bikas Bank Limited	2067/07/10	Sarlahi
82	Nepal Community Development Bank Limited	2067/07/17	Butwal
83	Cosmos Development Bank Limited	2067/08/01	Gorkha
84	Manasalu Bikas Bank Limited	2067/08/28	Gorkha
85	Samriddhi Bikas Bank Limited	2067/09/16	Dhading
86	Ekata Bikas Bank Limited	2068/07/07	Butwal
87	Kalinchowk Development Bank Limited	2068/08/05	Dolakha
88	Kailash Bikas Bank Limited	2069/01/12	Kathmandu

(Sources: Banking and Financial Statistic, Mid January 2069 Ashad, NRB)

Slowly private banks are also initiating to move toward every corner of the country but due to prevailing political crisis they are not being able to meet their objective to reach to every corner of the country. Due to increasing competition banks are forced to innovate new products to their customer and they are also shifting from traditional service procedure to

various sophisticated services like Automatic Teller Machine (ATM) card, debit cards, credit cards, housing loan, education loans, vehicle financing.

People deposit their saving in trust of banks repay their deposits promptly when they demand for it. If one banks fails to repay the deposited amount to the public then their will be run in another banks and it leads to insolvency of the banks. So as the regulator, supervisor and inspector NRB always dictate the activities of the banks in the country. It changes its directives from time to time in order to have fair competition between the banks and to safeguards the deposits of the public. As number of banks in the country increase NRB has to be more active towards its regulative and supervising role.

The NRB has also declared bank to have minimum paid up capital Rs.20 billion to operate all over Nepal and Development Bank to have minimum paid up capital Rs. 6.4 billion this is effective from 2006. It also directed banks to invest in the shares and securities of an organization not more than 10 Percent paid - up capital of the organization. Likewise, the banks could invest not more than 10 percent in the securities of any one of it's financially self - interest bearing organizations that of not more than 20 percent in case of those financially self- interest bearing organizations. For making investment in the securities like this, the total investment was required to be not more than 30 percent of banks paid – up capital. The investment should be made only in the shares and securities of those organizations which were already listed and were in the process being listed within one year in stock exchange and the banks could not invest in the shares, securities and hybrid capital instruments in those issued by the banks and financial institutions that took permission from NRB to operate their transactions If such investment were made prior to the issuance of this directive, they were required to be taken within the limit prescribed by this directive as at end of FY 2005/06. (NRB: 2001/02)

1.5 Profile of Sample Banks

For the sample study of development Banks we have taken three banks namely Siddhartha Development Bank Ltd., Pashimanchal Development Bank Ltd. & Bhrikutee Development Bank Limited. Brief Introduction of the Banks are described below.

1.5.1 Bhrikutee Development Bank Limited

After the government of Nepal implemented the liberal economic policy, many banks and financial institutions have started their business but most of them are focused in developed cities which is out of reach from the citizen of rural area. Realizing this fact, Bhrikutee Development Bank Limited is established with the vision of "Local Bank" to facilitate and to provide easy & hassle free banking services to the people of rural as well as urban areas.

The bank came into existence with effort of the promoters of Bhrikutee Cooperative Organization which was established in 19th August 2004 (14 yrs earlier) in Shankarnagar VDC, Rupandehi. The initial capital is also borrowed from the same cooperative organization. The bank is founded by people from wide range of professions like farming, agriculture, business, service, industrialist and so on. So, everyone has the equal access to the bank. Similarly the promoters of the bank has the equal financial contribution. Hence it is the model bank of Nepal established in the rural area by the local people".

Table (b)

The capital structure of bank is as follows:

Particulars	Amount
Authorized Capital	400,000,000
Issued Capital	232,626,100
Paid up Capital	232,626,100

Table (c)

Board of Directors of BDBL

1	Romani Prasad Pathak	Chairman
2	Lokhnath Bhusal	Chief Executive officer
3	Nahakul Prasad Pathak	Director
4	Ganesh Prasad Pathak	Director
5	Baburam Bhattra	Director
6	Hom Raj Bashyal	Director
7	GopalRana	Director” Public Share holders”
8	Ram Chandra Bhattra	Director” Public Share holders”
9	YuvrajPathak	Company Secretary and Senior General Manager

1.5.2 Pashimanchal Development Bank Limited

Pashchimanchal Development Bank Limited (PDBL) is one of the ISO 9001: 2008 certified development bank established in 2nd March 2003 situated in the Rupandehi District at Pushpalal Park - 8, Butwal. Within these years of operation period the bank has already established twelve branches in different districts. PDBL has been providing commercial banking service including tele-banking facilities, trade and industry finance, consumer banking, safe deposit lockers, corporate banking with a wide network of agencies and correspondence banking with other major financial institutions in the Nepal.

Table (d)

The capital structure of bank are as follows:

Particulars	Amount
Authorized Capital	1,300,000,000
Issued Capital	650,000,000
Paid up Capital	324,138,400

Table (e)

Board of Directors of PDBL

1.	Hari Krishna Shrestha	Chairman
2.	Laxman Gyawali	Chief Executive officer
3.	Bibek Pradhan	Director
4.	Santosh Lal Shrestha	Director
5.	Keshav Gyawali	Director
6.	UttamAryal	Director

1.5.3 Siddhartha Development Bank Limited

Siddhartha Development Bank limited (SDBL) is the first Development bank of western region of Nepal established formally in the year 1997 which commenced operation on 20th august 1998 . The Bank has been established solely with the aim of getting exclusive confidence of Nepalese market by rendering global standards of services through professional & quality management. SDBL has been promoted as a dedicated bank with a primary focus in the development of industrial trade and commercial in Nepal Besides debt financing, the bank also offers assistance to the clean and renewable energy projects by way of private equity and advisory and consulting services. The Bank which has been in profitable operation from its inception, has managed robust growths in its overall business and profitability during the recent years. The Bank offers a complete suite of banking products and services including transaction banking, business banking, project finance, corporate banking and consumer banking.

The Board, supported by the management team comprising of young, enthusiastic professionals, has successfully embarked on a multi-pronged strategy of consolidation, administrative streaming, human resource up-skilling, strategic cost management, focused non-performing assets management, balance sheet and treasury management and controlled asset growth in tandem with strengthen the credit culture and strategic marketing and sales. The Bank is rated as "A" class financial institution by Nepal stock Exchange since listing of its public shares

SDBL is committed to provide superior banking products and financial to its customers through efficient and cost-effective service delivery; offering of new innovative products and friendly customer service; and at the same time maintaining confidentiality, professionalism & good governance. It consistently upgrades its processing systems and technology support besides broadening its scope, range and quality of services. All its branches are interconnected through leased line/optical fiber back-ups and are capable of providing on-line real-time banking services.

The Bank believes in continuously offering new and value added services to customers with commitment to quality and value to clients. Accordingly, the Bank has been in the forefront in launching Superior products with unique customer friendly features with immense success.

Table (f)

The capital structure of bank are as follows:

Particulars	Amount
Authorized Capital	1,300,000,000
Issued Capital	650,000,000
Paid up Capital	645,000,000

Table (g)

Board of Directors of SDBL

1	Shekhar Aryal	Chairman
2	Deependra Karki	Chief Executive Officer
3	Moti Raj Gyawali	Director
4	Ramesh Kumar Sharma	Director
5	Madhu Sudhan Silwal	Director
6	Dr.Madan Bahadur Basnet	Director
7	Manju Pandey Pokheral	Director
8	Binod Gautam	Company Secretary

1.6 Focus of the Study

Many research has been done previously to measure the financial performance of the company listed in the security market. Separately some studies have also been conducted to study rate of return to investor. This is an attempt to measure the performance and return to investor. So this study will be more useful for concerned on its completion and definitely will have a distinct place. Furthermore it will be more beneficial to investors who assume overall risk while investing in stocks.

Investors have to make decisions for which financial analysis is a must. Financial analysis provides insight about what company has done in terms of liquidity, profitability, turnover, assets growth, capital structure, dividend payments, and so on. As such, any investors while taking investment decision has to be fully informed about the financial performance of the company. Therefore, this study is focused on the financial analysis of company, which helps

investors to understand a company's current situation, where it may be going, what factors affect it, and how those factors affect it. Analysis has focused to determine certain characteristics of securities, identify mispriced securities and movement of market.

1.7 Statement of the Problem

The adaptation of open and free market economic and financial policies has encouraged in establishment of number of banks, financial companies, co-operatives which has emerged challenges to maintain its profitability and stability operatives which has emerged challenges to maintain its profitability and stability of earnings because of tough competition in this financial sector. So, the competition in the banking sector is going to be higher than ever before. Banks are prone to both external and internal threats. To exist in the competitive market, banks are trying to introduce different schemes and advantage to the customer so that to hold the greater share. These banks have contributed towards introducing new technology, new banking systems, and deficient service delivery in the country. These banks have been contributing in line with the trust of economic liberalization and financial sector reform i.e. making the financial system more competitive, efficient, and profitable. In the present scenario, the worst economic and social condition of our country largely affects the banks performance in all the financial, operational, productivity and profitability sectors, which causes the large decline in the profit of all types of development banks. In this prospective, analysis of the development bank's performance and to disseminate quality information becomes more essential.

Present study highlights in detail the problems in relation to banking sector in Nepal with specil reference to Pashimanchal Development Bank Limited, Bhrikutee Development Bank Limited and Siddhartha Development Bank Limited.

Joint venture banks, recently set up in Nepal, need greater funds for financial assets expansion, because they are growing at a rapid rate. In a small economy, it is surprising to see such growth in the number of banks and finance companies. However, the available banking business as not increased to that extent. In such a situation the banking industry margins are under squeeze. The consequence of these developments will be aggressive competition and pressure on in interest margins.

However, joint venture banks including PDBL, BDBL and SDBL have achieved tremendous success in terms of market share and profitability due to their strength on service and professionalism. However, it cannot always predict that these banks will continue to maintain profitability and stability of earning. Thus, the management of these banks acquires rational evaluation of the financial performance of the banks to prepare sound financial policies.

As discussed above chapter, Ratio analysis is a powerful tool of financial analysis. It is also a process of determining and interpreting numerical relationship with the help of financial statement since the late 1800 ratio analysis has been widely used in the valuation of published data.

Therefore, the significance of ratio analysis can not be undermined. It is considered to be useful for predicting financial difficulties of the bank. Management use effective strategies through financial tools and analysis to the optimal goal by the help of financial analysis, it satisfies the interest of common stock holders, equity investors, creditor and management of the banks. (*Vanhorn, J.c. & Watchowlcz J.M. (1997 A.D), Fundamentals of financial Management. New, Delhi*).

Although both the JVBs are executing their banking business on positive earnings and are expected to achieve ample earnings to be able to pay more dividends to their shareholders in future, but they are facing throat out competition with other development banks. Therefore , in this context some of question arises with three banks. How far are the three banks able to maintain profitability? What are the factors that determine their financial mix? What is this level of current assets relative to current liabilities? How effectively these banks utilize their assets in generating interest earned? Moreover, other relative problems related to financial performance.

The problem of the study lies on analyzing the strength and weakness of concerned banks. This study has tried to raise the following specific issues:

1. What is the level of profitability of the banks?
2. How the SDB, PDB& BDB Limited has been managing their position relating to the liquidity?

3. What are the relationship between SDBL, PDBL & BDBL Limited.?
4. What are the financial strength and weakness of SDBL,PDBL & BDB?.
5. What is the financial performance of the banks?
6. Is the Development Banks being in position to meet its current obligation?
7. How well is the Development Banks Ltd. has utilized its capital and fund?
8. Are the funds of the Development Banks moving properly within the members?
9. How efficiently does this Development Bank use its assets?

This study attempts to evaluate the financial performance of the bank with the help of various financial and statistical tools. This study also attempts to recommend some suggestions for improvement in financial performance aspect.

1.8 Objectives of the Study

The main objective of the study is to evaluate the financial performance of Sample Banks with the help of ratio analysis and other portfolios. Besides, the specific objectives of this research are as follows:

1. To examine the financial indicators of the banks such as liquidity ratio, leverage ratio, capital structure ratio, profitability ratio, of SDBL, PDBL& BDBL.
2. To examine the structure and trend of income and expenditure of SDBL, PDBL& BDBL.
3. To identify financial strength and weakness of SDBL,PDBL & BDBL
4. To provide suggestions and recommendations for the improvement of the banks on the basis of the findings.

1.9 Significance of the Study

The study evaluates the financial performance of SDBL PDBL & BDBL. The study highlights financial performance by using ratio analysis , which helps the concerned companies to formulate strategies to face the increasing competition and to achieve the targeted objectives.

Similar the aim of the study is to identify the financial problems. It provides a useful feedback, remedial actions, and good financial planning and takes appropriate decision to the policy-makers to the select bank, government and also the other concerned field.

Likewise the research will provide required information to the person and parties such as general readers, decision makers, brokers, traders, stockholder financial agencies, business and general public and also useful for teacher and students of the particular subjects and the other those having interested on financial management.

The study will takes significance of various groups.

- a, It may be help to SDBL, PDBL & BDBL.
- b. It may be valuable property for the library use.
- c. This research may helpful the persons and parties such as general readers decision makers, brokers, traders, stock holders, finance agencies, businessman and general public (depositors, prospective customers, investors etc)
- d. The study may be used as pilot work for future research.

1.10 Limitations of the Study

This study has attempted to evaluate the financial performance of the PDBL, BDBL, & SDBL. Every study has its own limitations. This study is also not an exception. The following are the limitations of the study:

This study has been carried out based on the published financial documents such as balance sheets, profit and loss accounts, related journals, magazines, and books. These published documents have their own limitations.

1. The study would mainly focus financial performance and doesn't cover other aspects.
2. Only selected financial and statistical tools have been used.
3. The study has been based on the secondary data only.
4. The study would be carried out for the period of fiscal year 2062/063 to 2066/067.

1.11 Organization of the study

This reasearch has been divided into five parts which are as follows.

CHAPTER 1: first part deals and includes the backgrounds the background of the study, introducing of the study, focus of the study, statement of the problems, objectives of the study, significant of the study, limitation of the study and plans of the study.

CHAPTER 2: second chapter includes review to the literature, which was obtained during the library research, theoretical review, and review of related studies.

CHAPTER 3: Chapter third contents research design, population and sample, sources of data, data collection and processing techniques analysis of tools.

CHAPTER 4: This part of the study includes a presentation and analysis of data.

CHAPTER 5: Last part of the study deals together with summary of finding conclusion and recommendation.

At the end of the chapters bibliography and appendices are included.

CHAPTER-2

REVIEW OF LITERATURE

Second chapter is concerned with review of literature relevant to this study. It provides the bases and inputs to find out the effective results of the study. Each study is based on past knowledge or the previous studies, which should not be ignored because they provide the main input for the purposive study. The chapter mainly focuses on conceptual review and review of related study.

2.1 Conceptual Review of the Study

The process of evaluation which is critical about financial information contained in the financial statements in order to understand and make decisions regarding the operations of the firm is called 'Financial Statement Analysis'. It is basically a study of relationship among different financial facts and figures as given in a set of financial statements, and the interpretation thereof to gain an insight into the operational efficiency and profitability of the firm to assess its financial health and future prospects.

Records that outline the financial activities of a business, an individual or any other entity represent financial statement. Financial statements are meant to present the financial information of the entity in question as clearly and concisely as possible for both the entity and for readers. Financial statements for businesses usually include: income statements, balance sheet, statements of retained earnings and cash flows, as well as other possible statements.

The process of reviewing and evaluating a company's financial statements (such as the balance sheet or profit and loss statement), thereby gaining an understanding of the financial health of the company and enabling more effective decision making. Financial statements record financial data; however, this information must be evaluated through financial statement analysis to become more useful to investors, shareholders, managers and other interested parties.

Financial statement analysis is an evaluative method of determining the past, current and projected performance of a company. It is a standard practice for businesses to present financial statements that adhere to generally accepted accounting principles (GAAP), to maintain continuity of information and presentation across international borders. As well, financial statements are often audited by government agencies, accountants, firms, etc. to ensure accuracy and for tax, financing or investing purposes. Financial statements are integral to ensuring accurate and honest accounting for businesses and individuals alike(<http://www.investopedia.com/terms/f/financial-statement-analysis.asp#ixzz27qM4DIhl>).

All financial statements are essentially historically historical documents. They tell what has happened during a particular period of time. However most users of financial statements are concerned about what will happen in the future. Stockholders are concerned with future earnings and dividends. Creditors are concerned with the company's future ability to repay its debts. Managers are concerned with the company's ability to finance future expansion. Despite the fact that financial statements are historical documents, they can still provide valuable information bearing on all of these concerns.

Financial statement analysis involves careful selection of data from financial statements for the primary purpose of forecasting the financial health of the company. This is accomplished by examining trends in key financial data, comparing financial data across companies, and analyzing key financial ratios.

Managers are also widely concerned with the financial ratios. First the ratios provide indicators of how well the company and its business units are performing. Some of these ratios would ordinarily be used in a balanced scorecard approach. The specific ratios selected depend on the company's strategy. For example a company that wants to emphasize responsiveness to customers may closely monitor the inventory turnover ratio. Since managers must report to shareholders and may wish to raise funds from external sources, managers must pay attention to the financial ratios used by external inventories to evaluate the company's investment potential and creditworthiness.

Although financial statement analysis is a highly useful tool, it has two limitations. These two limitations involve the comparability of financial data between companies and the need to

look beyond ratios. Comparison of one company with another can provide valuable clues about the financial health of an organization. Unfortunately, differences in accounting methods between companies sometime make it difficult to compare the companies' financial data. For example if one company values its inventories by the LIFO method and another firm by average cost method, then direct comparisons of financial data such as inventory valuations are and cost of goods sold between the two firms may be misleading. Sometimes enough data are presented in foot notes to the financial statements to restate data to a comparable basis. Otherwise, the analyst should keep in mind the lack of comparability of the data before drawing any definite conclusion. Nevertheless, even with this limitation in mind, comparisons of key ratios with other companies and with industry averages often suggest avenues for further investigation.

An inexperienced analyst may assume that ratios are sufficient in themselves as a basis for judgment about the future. Nothing could be further from the truth. Conclusions based on ratio analysis must be regarded as tentative. Ratios should not be viewed as an end, but rather they should be viewed as a starting point, as indicators of what to pursue in greater depth. They raise many questions, but they rarely answer any question by themselves. In addition to ratios, other sources of data should be analyzed in order to make judgments about the future of an organization. The analyst should look, for example, at industry trends, technological changes, changes in consumer tastes, changes in broad economic factors, and changes within the firm itself. A recent change in a key management position, for example, might provide a basis for optimism about the future, even though the past performance of the firm may have been mediocre. (http://EzineArticles.com/?expert=Rashid_Javed)

2.1.1 Analysis of Financial Statements

The term analysis is nothing but simplification of financial data by classification methods given in the financial statements. Interpretation means explaining the significance and meaning of the data. These two are complimentary to each other.

Analysis is useless without interpretation, and interpretation without analysis is difficult or even impossible. Financial analysis is the process of identifying the financial weakness and strengths of the firm by properly establishing relationships between the different items of the profit and loss account and the balance sheet. Financial analysis can be undertaken by management of the firm, or by parties outside the firm, viz. owners, trade creditors, lenders,

investors, labor unions, analysts and others. The nature of analysis will differ depending on the purpose of the analyst. A technique frequently used by an analyst need not necessarily serve the purpose of other analysts because of the difference in the interests of the analysts. Financial analysis is useful and significant to different users in the following ways:

Finance manager: Financial analysis focuses on the facts and relationships related to managerial performance, corporate efficiency, financial strengths and weaknesses and creditworthiness of the company. A finance manager must be well-equipped with various tools of analysis to make rational decisions for the firm. The tools for analysis help in studying accounting data so as to determine the continuity of the operating policies, investment value of the business, credit ratings and testing the efficiency of operations.

Top management: The importance of financial analysis is not limited to the finance manager alone. Its scope of importance is quite broad which includes top management in general and the other functional managers. Management of the firm would be interested in every aspect of the financial analysis. It is their overall responsibility to see that the resources of the firm are used most efficiently, and that the firm's financial condition is sound. Financial analysis helps the management in measuring the success or otherwise of the company's operations, appraising the individual's performance and evaluating the system of internal control.

Trade creditors: A trade creditor, through an analysis of financial statements calculates not only the urgent ability of the company to meet its obligations, but also judges the probability of its continued ability to meet all its financial obligations in future. Trade creditors are interested in the firm's ability to meet their claims over a short period of time. Their analysis will, therefore, confine to the evaluation of the firm's liquidity position.

http://EzineArticles.com/?expert=John_J_Neilson

According to Mr. Pradhan, “financial analysis is to analyze the achieved statements to see if the result meets the objectives of the firm, to identify problems, if any, in the past or present and likely to be in the future, and to provide recommendations to solve the problems.”
(Pradhan, S. *Basics of Finance Management Educational Enterprises (P) Ltd. Ktm. 2000 P.120*)

Weston, Besley and Brigham have stated, “Financial statement analysis involves a comparison of a firm’s performance with that of other firms in the same line of business which often is identified by the firm’s industry classification. Generally speaking, the analysis is used to determine the firm’s financial position in order to identify its current strengths and weaknesses and to suggest action that might enable the firm to take advantage of the strengths and correct its weaknesses. (Weston J.F., Besley S. & Brigham E.F, *Essential Managerial Finance*. The Dryden Press Harcourt Brace College Publishers, 1996, P.78)

According to the Hampton “Financial analysis used primarily to gain insight into operating and financial problems confronting the firms, with respect to these problems, we must be careful to distinguish between the cause of problem and symptom of it..” It is thus an attempt to dissect the financial statements into their components on the basis of purpose in hand and establish relationship as between these components on the one hand as between individual components and totals of these items on the other. Along with this, a study of various important factors over the past several years is also undertaken to have clear understanding of changing profitability and financial condition of the business organization. (Hampton, J.J, *Financial Decision Making*, Prentice Hall of India Pvt. Ltd. 1998. P.98)

It is the process of identifying the financial strength and weakness of the firm by properly establishing relationship between the items of the balance sheet, which represents a snapshot of the firm’s financial position at a moment in time and next, income statement, that depicts a summary of the firm’s profitability over time. (Vanhorn, J.C. & Watchowloz, J.M *Fundamentals of financial Management*, Prentice Hall Of India, Pvt. Ltd. 1997 P. 120)

2.1.2 Objectives of financial statement

The major objectives of financial statement analysis are as follows

1. Assessment of past performance

Past performance is a good indicator of future performance. Investors or creditors are interested in the trend of past sales, cost of goods sold, operating expenses, net income, cash flows and return on investment. These trends offer a means for judging management's past performance and are possible indicators of future performance.

2. Assessment of current position

Financial statement analysis shows the current position of the firm in terms of the types of assets owned by a business firm and the different liabilities due against the enterprise.

3. Prediction of profitability and growth prospects

Financial statement analysis helps in assessing and predicting the earning prospects and growth rates in earning which are used by investors while comparing investment alternatives and other users in judging earning potential of business enterprise.

4. Prediction of bankruptcy and failure

Financial statement analysis is an important tool in assessing and predicting bankruptcy and probability of business failure.

5. Assessment of the operational efficiency

Financial statement analysis helps to assess the operational efficiency of the management of a company. The actual performance of the firm which are revealed in the financial statements can be compared with some standards set earlier and the deviation of any between standards and actual performance can be used as the indicator of efficiency of the management

<http://accountlearning.blogspot.com/2010/02/objectives-of-financial-statement.html>

2.1.3 Need for Financial Statement Analysis

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

The need for the analysis of financial statement arises in order to address the following question:

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

<http://www.investopedia.com/articles/stocks/07/bankfinancials.asp#ixzz27qOB5rxF>

2.1.4 Methods of Financial Statement Analysis

A business must rely on an accountant to prepare financial statements and carry out an important analysis based on these reports. An accountant compiles the information provided by business statements, reviews them with the help of business representatives, and audits the final reports to ensure their accuracy. So, the first task to ensure accurate financial analysis is to hire the services of an expert accountant.

Financial statement analysis involves the comparison of information of one entity over different periods of time or the comparison of information of different entities during the same period. The four main statements that are analyzed during the procedure include the balance sheet, income statement, statement of owner's equity, and statement of cash flows.

The remaining part of the discussion provides information on the three important methods of financial statement analysis-

Horizontal Analysis

With the help of horizontal financial analysis, you can compare a business entity over different months or defined periods within a fiscal year. For example, revenue generated over different months of a year can be compared to analyze the overall performance of business or a particular project.

An accountant can follow one of the two given below methods to conduct a horizontal financial analysis:

-) Dollar analysis is the first way method of horizontal financial analysis in which the amounts in absolute dollars of various items are compared for an entity over different periods of time. This type of analysis helps analyze the spending trend of a business. Besides, it also helps analyze the effects of external factors like rise in prices over business expenditures.
-) Percentage analysis is based on the change in different items over different periods of time calculated in terms of percentage. With the help of this type of analysis, the performance of a small business can be compared to that of a large business in the same industry. ([www.accounting tools .com](http://www.accountingtools.com))

Vertical Analysis

This involves the procedure of comparing different figures of separate entities to one specific figure of an entity for one specific period of time. This type of analysis is of great significance in carrying out the decision making process. An accountant can also expand the vertical analysis by comparing the figures of one specific period with those of another period.

Analysis of the balance sheet is one good example of carrying out vertical financial analysis. Each item of the balance sheet can be compared to the total assets calculated. Vertical analysis is useful for answering the questions related to business liabilities and equity. This type of analysis is also referred to as common-size analysis. ([www.accounting tools .com](http://www.accountingtools.com))

Ratio Analysis

This is the method in which the ratio between two or more variables related to the business is compared.

There are many ratios used to analyze financial statements:

-) Liquidity Analysis Ratio: For example, the net working capital ratio is calculated between net working capital and total assets.
-) Profitability Analysis Ratio: For example, return on assets ratio is calculated between net income and average total assets. Profit margin ratio is calculated between net income and sales. Earnings per share is calculated between net income and number of outstanding shares.

- J Activity Analysis Ratio: For example, asset turnover ratio is calculated between sales and average total assets. Inventory turnover ratio is calculated between cost of goods sold and average inventories.
- J Capital Structure Analysis Ratio: The most important ratio is debt to equity ratio, which is calculated between total liabilities and total stockholder's equity.
- J Capital Market Analysis Ratio: For example, dividend ratio is calculated between annual dividends per common share and market price of common stock per share.

All these ratios are collectively used to carry out the financial analysis of business to assess growth, profitability, and solvency of a business. Remember that ratio analysis is as important as horizontal and vertical analysis and must not be overlooked. (www.investopedia.com)

Trend Analysis

Review of three or more financial statement periods typically represents trend analysis, a continuation of horizontal analysis. The base year represents the earliest year in the data set. Although dollars can represent subsequent periods, analysts commonly use percentages for comparability purposes. Users review statements for patterns of incremental change representing changes in the business in questions. Financial statement improvements include increased income and decreased expenses.

(<http://smallbusiness.chron.com/methods-analyzing-financial-statement-3786.html>)

2.1.5 Limitations of financial statements

Financial statements are based on historical costs and as such the impact of price level changes is completely ignored. They are interim reports. The basic nature of financial statements is historic. These statements are neither complete nor exact. They reflect only monetary transactions of a business. The following limitations may be noted:

1. The financial position of a business concern is affected by several factors-economic, social and financial, but financial factors are being recorded in these financial statements. Economic and social factors are left out. Thus the financial position disclosed by these statements is not correct and accurate.
2. The profit revealed by the Profit and Loss Account and the financial position disclosed by the Balance Sheet cannot be exact. They are essentially interim reports.

3. Facts which have not been recorded in the financial books are not depicted in the financial statement. Only quantitative factors are taken into account. But qualitative factors such as reputation and prestige of the business with the public, the efficiency and loyalty of its employees, integrity of management etc. do not appear in the financial statement.
4. The rupee of 1995, as for example, does not mean the same as the rupee of 2010. The existing historical accounting is based on the assumption that the value of monetary unit, say rupee, remains constant and accordingly assets are recorded by the business at the price at which they are required and the liabilities are recorded at the amounts at which they are contracted for. But monetary unit is never stable under inflationary condition. This instability has resulted in a number of distortions in the financial statements and is the most serious limitation of historical accounting.
5. Many items are left to the personal judgment of the accountant. For example; provision of depreciation, stock valuation, bad debts provision etc. depend on the personal judgment of accountant.
6. On account of convention of conservatism the income statement may not disclose true income of the business since probable losses are considered while probable incomes are ignored.
7. The fixed assets are shown at cost less depreciation on the basis of "going concern concept" (one of the accounting concept). But the value placed on the fixed assets may not be the same which may be realized on their sale.
8. The data contained in the financial statements are dumb; they do not speak themselves. The human judgment is always involved in the interpretation of statement. It is the analyst or user who provides tongue to those data and makes them to speak.

(http://wiki.answers.com/Q/What_are_the_limitations_of_financial_statements)

2.1.6 Features of financial statements

Financial statement analysis is a significant business practice because it helps top management review a corporation's balance sheet and income statement to gauge levels of economic standing and profitability. Let's say Mr. A., the chief financial officer (CFO) of a large distribution company, reviews the company's balance sheet and compares short-term assets, such as cash and inventories, and short-term liabilities, such as salaries, interest and

taxes payable. Mr. A. may note that the \$100 million difference between short-term assets and liabilities (also called working capital) is a sign of economic health.

Retained Earnings

Retained earnings are accumulated profits that a firm has not distributed to shareholders. Corporate financiers often strike a defiant tone if the company's leadership keeps too much money in internal vaults. Investors also may trade barbs with senior executives if the company does not put retained cash to good use.

Assets

In modern economies, lacking adequate assets to thrive and expand is potential for strife with the investment community. Consequently, corporate leadership purchases assets, such as equipment and machinery, which will help the business, expand in the long term.

Liabilities

These days, corporate management often thinks it's of merit to borrow money on securities exchanges. Publicly traded firms raise funds by selling bonds on markets such as the New York Stock Exchange. Other liabilities, or debts, include accounts payable and taxes due.

Net Worth

Net worth represents the ultimate number that matters when reviewing financial statement data. It equals total assets minus total liabilities.

Operating Cash Flows

Operating cash flows shed light on how a company makes and spends money. The firm's leadership reviews these liquidity movements to make sure corporate policies pass muster when it comes to complying with the law. Operating cash flows include vendor payments and customer remittances.

Investing Liquidity Flows

Investment activities are often opportunities for department heads to brace themselves against the competitive demands of the marketplace. These initiatives enable segment supervisors to purchase and sell long-term assets, such as land and equipment.

Financing Cash Flows

Financing cash movements relate to initiatives that a firm undertakes to fund its operations. These flows require effective communication skills, requiring top management to build rapport with corporate financiers and regulators.

Revenues

Revenues are the money a business brings in from selling its product or providing its service. Businesses strive to maintain healthy revenue levels to prevent investor exodus and reduced risk appetite. Investors generally shun the stocks and bonds of companies with mediocre revenue data, preferring to focus on firms with profitable operations.

Expenses

In the business environment, expense management is hardly an effortless initiative. Corporate management works diligently to monitor processes that cost the company money. Operating charges include salaries, investment losses, litigation and office supplies.

Net Profit or Loss

When evaluating the significance of income statement data, this is the final number that it all boils down to. Net profit equals revenues minus expenses. The result is a net loss if expenses surpass revenues.

(The Significance of Financial Statement Data

http://www.ehow.com/info_7898329_significance-financial-statement-data.)

The tools of financial statement analysis, ratio and percentage calculations are relatively easy to apply. Understanding the content of the financial statements, on the other hand, is not a simple task. Evaluating a company's financial status, performance, and prospects using analytical tools requires skillful application of the analyst's judgment.

(Encyclopedia of Business and Finance, ©2001 Gale Cengage. All Rights Reserved).

2.1.7 Comparison of Financial Data:

Comparison of one company with another can provide valuable clues about the financial health of an organization. Unfortunately, differences in accounting methods between companies sometimes make it difficult to compare the companies' financial data. For example if one firm values its inventories by LIFO method and another firm by the average cost method, then direct comparison of financial data such as inventory valuations and cost of goods sold between the two firms may be misleading. Sometimes enough data are presented in foot notes to the financial statements to restate data to a comparable basis. Otherwise, the analyst should keep in mind the lack of comparability of the data before drawing any definite conclusion. Nevertheless, even with this limitation in mind, comparisons of key ratios with other companies and with industry average often suggest avenues for further investigation.

(www.investopedia.com)

2.1.8 The Need to Look Beyond Ratios:

An inexperienced analyst may assume that ratios are sufficient in themselves as a basis for judgment about the future. Nothing could be further from the truth. Conclusions based on ratios analysis must be regarded as tentative. Ratios should not be viewed as an end, but rather they should be viewed as starting point, as indicators of what to pursue in greater depth. They raise many questions, but they rarely answer any question by themselves.

In addition to ratios, other sources of data should be analyzed in order to make judgment about the future of an organization. The analyst should look, for example, at industry trends, technological changes, changes in consumer tastes, changes in broad economic factors, and changes within the firm itself. A recent change in a key management position, for example, might provide a basis for optimization about the future, even though the past performance of the firm (as shown by its ratios) may have been mediocre.

(http://www.accounting4management.com/limitations_of_financial_statement_analysis.htm#181FZLgb1kuTXFsO.99)

2.1.9 Process of Financial Analysis

Financial analysis is technique of answering various questions regarding the performance of the firm in the past, present and the future. The analysis enables financial managers to recommend steps to be taken for the corrections of the faults.

The following charts present the process to be followed in the analysis of the financial statements. (Panday I.M “financial Analysis)

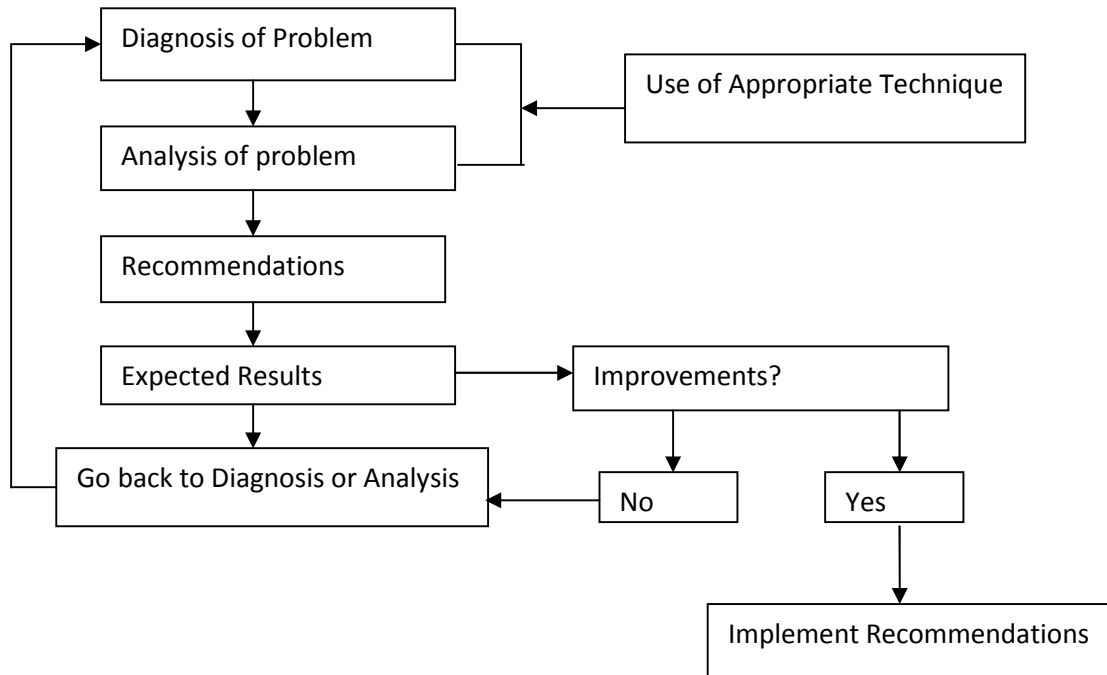


Figure (a): Process of analysis of financial statement.

2.2 Review of Related Studies

2.2.1 Review of Journal and articles

Mr. Shrestha (2047 B.S)), in the journal entitled,” *commercial Bank’s Comparative Performance Evaluation*”, The journal stresses on a proper risk management with appropriate classification of loans under performing and non performing category. Researcher further clarify that adequate provisioning is the surest way to get relief from sinking loan after careful consideration of portfolio risk. A clear out criteria is necessary to treat interest suspense account and it is advisable that all interest unpaid for more than six month need to be treated as unearned income. Regarding risk management of banks Dr. Shrestha’s other suggestion are as follows:

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

The above journals focus in the various aspects of the bank's economic environment. Mr.N.P. Poudel's work stresses in effective way of evaluating the financial performance and Dr. Sherstha's suggestions are focused towards proper risk management. Whatsoever , aspects of the bank the above journals target, they all have to be combinable assessed and kept in strict consideration for effective and efficient financial performance of the banks in the Nepalese economy

Mr. Poudel (2053 B.S) has published an article on," *Financial Statement Analysis: An Approach to Evaluate Bank's Performance*" Explained that the balance sheet, Profit and loss a/c and the accompanying notes are the most useful aspects of the banks. It needs to understand the major characteristics of bank's balance sheet and profit and loss a/c. The bank's balance sheet is composed of financial claims as liabilities in the form of deposits and as assets in the form of loans. Fixed assets account forms a small portion of the total assets. Financial innovations, which are generally contingent in nature, are considered as off-balance sheet item.

Interest received on loans and advances and investment and paid on deposit liabilities are the major components of profit and loss account. The other sources of income are fee, commission, discount and service charges. The users of the financial statement of a bank need relevant, reliable and comparable information which assist them in evaluating the financial position and performance of the bank and which is useful to them in making economic decisions. The disclosure requirement of bank's financial statement has been expressly laid down in the concerned act. Commercial banking act B.S 2031 requires the audited balance sheet and profit and loss account to be published in the leading newspaper for the information of general public.

According to Mr. Poudel, B.S 2053 the principle objectives of analyzing financial statement are to identifying Liquidity, Profitability and Solvency. Most of users of the financial statements are interest in assessing the bank's overall performance which is affected by the following factors:

-) The structure of Balance Sheet and Profit and Loss Account.
-) Operating efficiency and internal management system.
-) Managerial decision taken by top management regarding interest rate, exchange rate, lending policies etc.
-) Environmental changes (Technology, government, Competition and Economy.)

The other factors to be considered in analyzing the financial statement of bank are to assess the capital adequacy ratio and liquidity position. In the line of adequacy of bank is assessed on the basis of risk weighted assets, It indicates a bank's strength and solvency. Bank facing with capital adequacy problem may increase capital or reduce assets or reallocate the existing assets structure in other to maintain the desired level of capital base.

Liquidity is measured by the speed with which a bank's assets can be converted into cash to meet deposit withdrawals and other current obligations. It is also important in view of survival and growth of a bank.

Mr. Pendelton (2061 B.S), has published an article on "*Nepal's Financial Reform: A Tardy Pace of Deliberate Race.*" He is trying to explore the need that 'HMG/N' has way to go for complete financial reform, restore financial soundness to deserving public much work is left to do ; however, the government had set to 'Road Map' to complete this phase and continues to improve the reform process, a process vision to sustain the economy for generations to come. It is important that the citizens of Nepal, particularly the media services, support this effort as well.

Mr. Mundel (2007 A.D), has published on articles on "*corporate Financial Sector: Restructuring.*" He mentioned that corporate and financial sector restructuring are two aspects of the same problem. The amount of debt and company can sustain-and on which lenders can expect reliable debt service- is determined by the unit's cashflow . Indeed , a

company can not sustain interest payments in excess of its cashflow (i. e. interest coverage < 1:1) , let alone make any repayments on the principal . Hence , substantially higher ratios of interest coverage are most desirable. He concluded that the corporate debtors and financial institution creditors will naturally seek to minimize their losses from corporate restructuring . The government has a role to play in balancing a variety of conflict interest.

Mr. Upadhaya (2007 A.D) , has published an articles on “*Five years financial projection of Nepal Telecom.*” He highlighted Nepal Telecom have to investor modern technology in time and optimum utilization of the technology so as to guide for the high return on investment . Only investing on modern technology may not be sufficient to get the required return on investment its optimum utilization is must otherwise the investment in new technology can not give the return . Investment in modern new technology may turn riskier for the company. He had analyze past five year financial data of NTC and tried to project the financial future of the company . He found that the operating profit of NTC is slightly increasing this is due to decreasing of operating expenses. Study shows that NTC is sucessful to manage cost efficient. Return on assets is about 26 percent this means company is able to earn 26 percent profit in terms of total assets. He projects the future five years financial performance of NTC by using regression analysis , judgmental approach. Acording to his projection growth rate on return will remain around 4.69 percent.

2.2.2. Review of Thesis:

Mr. Sharma (2060 B.S) study on "*A Study on Financial Performance of Commercial Banks*" The Objective of the study was to identify the financial position and investment activities of the bank and analyze the growth of trend of financial strength (condition) and provide valuable suggestion on the base of major finding.The study was covered the four years of period from 2056/057 to 2059/060. He has used many statistical tools like trend analysis, mean, standard deviation and coefficient of variance.

Miss. Achrya (2004) carried out a study on "*A Comparative Study on Financial Performance of NABIL Bank Ltd and Standard Chartered Bank Nepal Ltd*".In this study the objective,functions,policies and strategies of joint venture banks have been emphasized and analysis of their financial performance is made .Here the main finding of the study is the financial performance of two sample joint venture banks. The Financial data, statements of

five consecutive years i.e. 1997/98 to 2001/02 has been examined for the purpose of the study.

Mr. Dahal (2005) has done a study on “*Financial Performance and Investment activities of Agricultural Development Bank Limited in Nepal*”. The Objective of the study was to identify the financial position and investment activities of the bank and analyze the growth of trend of financial strength (condition) and provide valuable suggestion on the base of major finding. The study was covered the five years of period from 2054/055 to 2059/060. He has used many statistical tools like trend analysis, mean, standard deviation and coefficient of variance. From his study he found that the performance of ADBL is satisfactory than other government banks.

Mr. Maharajan (2006) has performed a research work on “*A Study on Financial Performance of NABIL Bank Limited*” concluded that the liquidity position of the bank is good enough to meet the short- term obligations. The study shows that the bank is mobilizing its loan and advances adequately. The bank has better mobilization of its saving deposits in loan and advances adequately. The bank has better mobilization of its saving deposit in loan and advances for income generating purpose but it has not nicely mobilized its fixed deposit in loans and advances to generate the income. So it is suggested investing more in loan and advances as well as less in government securities efficiently for generating profit. Interest earned by the bank is inadequate in comparison to the assets. So it has drawn attention of the bank towards the sense of significant EBIT. Since the net profit of the bank in comparison to the total deposit is relatively low, it focused on earning operational profit wither by increasing their operational efficiency, or by decreasing their operational expenses As far as possible. The bank is also suggested to formulate and implement some and effective financial and non financial strategies to meet required level of profitability as well as the social responsibility.

Miss. Neupane (2008) has done a study on “*The Financial Analysis of Agricultural Development Bank Ltd*”. The main objective of the study is to analyze the financial indicators of the bank such as liquidity ratio, leverage ratio, capital structure ratio, profitability ratio, leverage of ADBL. It has also dealt with the evaluation of the financial performance of Agricultural Development Bank Limited with the help of ratio analysis and other portfolios, examine the structure and trend of income and expenditure of ADBL and identify financial

strength and weakness of ADBL. The study was covered the seven years of period from 2056/057 to 2062/2063.

Miss. Shakya (2008), Conduct a thesis entitled “*A comparative Study on Financial Analysis of Commercial Banks (With referance to Nabil Bank Limited, Nepal Investment Bank Limited and Himilayan Bank Limited)*”, she analysed that the liquidity position of all bank is sound. Capital structure of all banks is highly leveraged. So, he recommended all the bank to increase equity base. She recommended HBL to increase their total deposit to make more loan and advances. She future recommended all the banks to attract more non interest bearing deposit for increasing profit margin by investing the same as loans and sdvances. The study was covered the five years of period from 2002/003 to 2006/2007.

Miss. Rajbhandari (2009), has conducted a research entitled “*A Compararative study on Financial Performance of Nabil Bank Limited and Standard Bank Nepal Limited.*” The main objective of her study was to analyze, examine and interpret the financial position of SCBNL and NABIL with the help of analysis and other financial tools. In her study she had chosen only two commercial banks as sample i.e. SCBNL and NABIL.

Mr. Subedi (2009), has conducted a research entitled “*A Financial Performance Analysisof Nabil Bank Limited,Himalayan Bank Limited, Everest Bank Limited and Standard Chartered Bank Nepal Limited.*” For the perriod of five years ,2003/04 to 2007/08 .The main objective of his study was to analyze,he found that all the banks have sound liquidity position. He also analysed that Standard Chartered and Nabil Bank has better utilized the resources in income generating activites than Himalayan Bank and Everest Bank. He further found that overall profitability position during the study period of all sample banks is better and all the banks are highly leveraged.

Mr. Pandey (2010), has conducted a research entitled “*An Analysis of Key Financial Ratio of Commercial Banks iin Nepal: A Special Reference With Himalayan Bank Limited and Everest Bank Limited.*” The main objective of his study was to find out exact financial ratio of these two commercial banks over the periods of time. Again the basic objective of the study was to exmine the overall financial ratio of the selected commercial bank. He had taken Everest Bank Limited and Himalayan Bank limited as sample. Mainly he had conducted this

research based on secondary data available in both bank's annual reports and manuals. He had presented data using both financial and statistical tools in his study.

His main findings were that current ratio of both of the banks showed consistent trend. Both the banks could not maintain the conventional standard of 2:1. EBL has higher average ratio which implies that EBL is more capable to meet short term obligation in comparison to HBL. Normally, the ratio remained consistent in HBL but the ratio of EBL is fluctuated more which is reflected by higher standard deviation. Both the selected banks were successful to mobilize their fund as loan and advance with respect to total assets. However, EBL has higher mean ratio than HBL over the study period which implies that EBL can be taken as better investor than HBL as concerned to consistency, both the sample banks able to maintain consistency. According to the analysis of assets management ratio, both the bank were successful in on-balance sheet utilization. Out of these two banks, EBL is found to be best in mobilizing the assets to the profitable sector.

Similarly, analysis of leverage ratio, HBL had used more debt fund than that of EBL. It means HBL is more levered than EBL. Capital adequacy ratio was taken into consideration. EBL was in safer position. Average value of return on assets ratio is higher in EBL than HBL. HBL had higher mean value of return on shareholder's equity than EBL, ratio of HBL was fluctuating more than EBL as shown by C.V. EBL had able to earn more profit than HBL by mobilizing its total assets into different profitable sector. So, EBL had found better profitability than HBL. By analyzing the valuation ratio of selected bank, market value of EBL was higher position than HBL. Total deposits and loan and advances of both the bank were almost positively perfect correlated. Correlation coefficient between total deposit and total investment of both the banks were more than 0.5 with positive sign, which means investment will increase proportionally with the increment in total deposit. The trend analysis of EBL was better than of HBL in all the cases. The growth rate of total deposit, total loan and advance, total investment and total net profit of EBL is higher than that of HBL.

2.3 Research Gap

Development Banks invest its deposit in different profitable sector according to the direction and circular of Nepal Rastra Bank and guidelines and policy of their own bank. Financial

analysis statement has to be prepared according to the direction of (NRB).Nepal Rastra bank's policy is changing time to time. So the updated study over the change of time frame is major concern for the researcher.One of the most critical of all banking problems in recent years centers on raising and maintaining sufficient capital. Bank capital is the first hand fund that initiates to operate the whole banking functions and its adequacy is always playing a catalytic role in the uplift of the banking system. The amount of capital is one which assures the creditors especially the largest depositors. It assists to acquire public confidence.

Many studies have been conducted about the performance analysis of banks incorporating two banks. There have been found few studies regarding on the performance analysis of more than two financial institutions. Some comparative studies are previously done with regards to the financial analysis of banks but in depth study about the bank is not found. To fulfill the need of financial analysis of banks, the researcher has put his efforts in this study. This study put its effort to analyze the main indicators of financial performance with financial and statistical tools for banks. Hence, this study fulfills the research gap about the "Performance of Banks and returns to Investors". So this study will be fruitful to those interested person, scholar , civil society , stake holders, teachers, students, businessmen and government for academically as well as policy perspectives.

CHAPTER-THREE

RESEARCH METHODOLOGY

Research methodology is composed of two words; "Research" and "Methodology". "Research" is a systematic and organized effort to investigate specific problem that needs a solution (*Sekaran, 1992*). This process of investigation involves a series of well thought out activities of gathering, recording, analyzing and interpreting the 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 (*Wolf & Pant, 1996: 196*).

Brief description of commercial banks has been done in earlier chapter. Objective behind this study is to evaluate the financial performance of Sample Banks. This chapter includes methods and techniques used for evaluating the financial performance of SDBL, PDBL & BDBL.

Research methodology refers to the various sequential steps adapted by a research in studying a problem with certain objectives in view (*Kothary C. R. (1990). Research methodology Methods 7 Techniques*). In another words, research methodology describes methods and processes applied in the entire part of the study.

3.1 Research Design

Research design is the plan, structure and strategy of investigation conceived so as to obtain answers to reason questions and to control variation. (*Kerlinger, Fred N. 1994, P-1300*). Research design helps the investigator obtain answers to the questions of research and also helps him to control the experimental, extraneous and error variance of the particular research problem under study (*Kerlinger, Fred N. 1994, P-300*).

The analysis of this study is based on certain research design keeping in mind on the objective of the study. From concerned bank different information and necessary data were collected through annual reports and financial statement published by related bank.

3.1.1 Source of Data

This study is based on secondary data. The sources of data collection are:

1. Financial statement annual reports provided by bank
2. Articles and other related materials published in newspaper
3. Newsletters of the bank
4. Relate Web sites
5. Other related books

3.1.2 Population and Sample

There are 88 development banks operating in Nepal out of them three development banks are selected as sample (SDBL, PDBL& BDBL). Nepal Rastra Bank being the central bank of Nepal recommends, directs, and controls the establishment, operations and dissolutions of all the development banks in Nepal. The population for this study comprises all the development banks. All the development banks perform the banking function of development banks under rules, regulating and directives of Nepal Rastra Bank. As it is not possible to analysis the performance of all the development banks because of the limited time SDB,PDB& BDB Banks are selected as sample in this study.

3.1.3 Data Collection Techniques

The study has been conducted to examine and evaluate the financial performance of SDB, PDB & BDB. For this purpose various data are required. The researcher made visit to SDB, PDB & BDB head office for collection of data. The share department provided the annual report of last five years. Confusions regarding the financials were solved by the account department of SDBL, PDBL & BDBL.

The researcher obtained annual and periodic report and banking directives from Nepal Rastra Bank, Baluwatar. Various websites were surfed to gather relevant information. Reference materials were collected from libraries of central library T. U. that helped a lot in conducting the study.

Besides the above stated sources of data detailed reviews of literature have been conducted for the purpose of collecting other relevant data and information. Such data and information are mainly collected from central library of T.U. and library of Central development of Management. The data, information, facts, and figures have been edited tabulated and calculated before analysis. Then results were concluded and interpretations were made.

3.2 Method of Data Analysis

To achieve the objectives of the study, various accounting, statistical and financial tools have been used in this study. The analysis of data is done according to pattern of data available. With the available tools and resources statistical tools such as Karl Pearson's coefficient of correlation, simple and multiple regressions analysis as well as corresponding hypothesis etc is use in the study. Similarly some strong accounting and financial tools such as ratio analysis and trend line analysis are also apply in this study.

The various calculated results obtained through financial and statistic tools are tabulated under different headings. Then they are compared with each other to interpret the results.

3.2.1 Financial Tools/Analysis

Financial analysis including ratio analysis can help interpreting and evaluating the company's financial statements especially income statement and balance sheet by making the financial data more meaningful. Financial analysis can help managers or business analysts make effective decisions about the firm's credit worthiness, potential earnings and business opportunities, financial strengths, financial weaknesses and financial threats. Ratio analysis is considered the most widely used by firms' managers, it is very necessary to comprehensively analyze a set of financial statements .However some of the most frequently used financial tools are described below.

3.2.1.1 Ratio Analysis

Ratio Analysis is a form of Financial Statement Analysis that is used to obtain a quick indication of a firm's financial performance in several key areas. The ratios are categorized as Short-term Solvency Ratios, Debt Management Ratios, Asset Management Ratios, Profitability Ratios, and Market Value Ratios.

Ratio Analysis as a tool possesses several important features. The data, which are provided by financial statements, are readily available. The computation of ratios facilitates the comparison of firms which differ in size. Ratios can be used to compare a firm's financial performance with industry averages. In addition, ratios can be used in a form of trend analysis to identify areas where performance has improved or deteriorated over time.

Because Ratio Analysis is based upon accounting information, its effectiveness is limited by the distortions which arise in financial statements due to such things as Historical Cost Accounting and inflation. Therefore, Ratio Analysis should only be used as a first step in financial analysis, to obtain a quick indication of a firm's performance and to identify areas which need to be investigated further.

3.2.1.1.1 Liquidity Ratios

Liquidity Ratio may refer to:

-) Reserve requirement, a bank regulation that sets the minimum reserves each bank must hold.
-) Acid Test (Liquidity Ratio), a ratio used to determine the liquidity of a business entity.

The formula is the following:

$LR = \text{liquid assets} / \text{short-term liabilities}.$

Liquidity is measure by the speed with which a bank's assets can be converted into a cash to meet deposit withdrawals and other current obligation. These ratios provide insight into the present cash solvency in the event of adverse financial condition. This ratio is used to measure the company's short- term obligation with short term resources available at a given point of time.

The following ratios are evaluated liquidity ratios:

3.2.1.1.1 Current Ratio

The current ratio is a financial ratio that measures whether or not a firm has enough resources to pay its debts over the next 12 months. It compares a firm's assets to its current liabilities.

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

The current ratio of a firm measures its short –term solvency that is its ability to meet short-term obligations. As a measure of short term current financial liquidity it indicates the rupees of current assets available for each rupee of current liability. The higher the current ratio the larger is the amount of rupees available per rupees of current liability, the more is the firm ability to meet current obligations and the greater is the safety of funds of short term creditors. Thus current ratio in a measure of margin of safety to the creditors.

3.2.1.1.2 Cash and Bank Balance to Total Deposit Ratio

Cash and bank balance are the most liquid current assets. This ratio measures the percentage of liquid fund with the bank to make immediate payment to the depositors. This ratio is computed by dividing cash and bank balances by total deposit. This can be presented as follows:

$$\begin{array}{l} \text{Cash and Bank Balance} \\ \text{to Total Deposit Ratio} \end{array} = \frac{\text{Cash and Bank Balance}}{\text{Total Deposit}}$$

Cash and bank balance includes cash on hand, foreign cash on hand, cheques and other cash items, balance with domestic banks, balance held in foreign banks and other financial institutions. The total deposits include current deposits, fixed deposits, investment in other financial institution, money at call and short deposit and other deposits. A high ratio indicates the greater ability to meet their deposits liability and vice versa. Moreover, too high ratio is unfit, as capital will be tied-up and opportunity cost will be higher.

3.2.1.1.3 Cash and Bank Balance to Current Assets Ratio

Since cash and bank balance is the most liquid assets, a financial analyst may examine the ratio of cash and balance to current assets. This ratio shows the percentage of readily available fund within the banks. It is calculated by dividing cash and bank balance by current assets, which is as follows:

$$\begin{array}{l} \text{Cash and Bank Balance} \\ \text{To Current Assets Ratio} \end{array} = \frac{\text{Cash and Bank Balance}}{\text{Current Assets}}$$

A high ratio indicates the sound ability to meet their daily cash requirements of their customer deposits and vice versa. Both higher and lower ratios are not desirable. The reason is that if a bank maintain higher ratio of cash, it has to pay interest on deposits but couldn't invest its cash or current assets in a profitable area so it may lost opportunity to earn something. In the opposites, 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.

3.2.1.1.2 Assets Management Ratios (Activity Ratios)

Accounting ratios that measure a firm's ability to convert different accounts within its balance sheets into cash or sales. Activity ratios are used to measure the relative efficiency of a firm based on its use of its assets, leverage or other such balance sheet items. These ratios are important in determining whether a company's management is doing a good enough job of generating revenues, cash, etc. from its resources.

This ratio evaluates the efficiency with which the firm managers and utilizes its assets. They indicate the speed with which assets are being converted or turned over. Thus, these ratios are used to measure the bank's ability to utilize their available resources. Various activity ratios are used to predict the effectiveness of asset utilization. Selected ratios for this research are follows:

Companies will typically try to turn their production into cash or sales as fast as possible because this will generally lead to higher revenues. Such ratios are frequently used when performing fundamental analysis on different companies. The total assets turnover ratio and inventory turnover ratio are two popular examples of activity ratios used widely across most industries.

Traditionally, asset and investment management ratios have been called activity ratios or turnover ratios. Whatever designation, the idea is to measure how effectively the firm utilized the investments and the economic resources at its command. Investments are made in order to produce profitable sales. Achieving profitable sales, therefore involves making sound investments. At the practical level, this involves comparisons between the sales and the investment in various assets accounts. The methodology postulates an optimal relationship between sales and the various types of asset investment.

3.2.1.1.2.1 Loan and Advances to Total Deposit Ratio

This ratio measures the extent to which the banks are successful to utilize the outsider's fund (total deposit) for the profit generating purpose on the loans and advances. Generally, a high ratio reflects higher efficiency to the utilization of fund and vice-versa. It can be calculated by dividing the amount of loans and advances by the amount of total deposits, which is given below:

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

Here loan and advances refers to total of loan, advances and overdraft and total deposits refer to total of all kinds of deposits.

3.2.1.1.2.2 Loan and Advances to Fixed Deposit Ratio

This ratio indicates how many times the amount is used in loans and advances in comparison to fixed deposits. Fixed deposits are the main sources of deposit of bank and are high interest

bearing obligation whereas loans and advances are the major sources of investment to generate income for the commercial banks. This ratio is calculated by dividing the amount of loans and advances by fixed deposits that is given below:

$$\text{Loan and Advances to Fixed Deposit Ratio} = \frac{\text{Loan and Advances}}{\text{Fixed Deposit}}$$

3.2.1.1.2.3 Loan and Advances to Total Working Fund Ratio

Loan and advances is the major components in the total working fund, which indicates the ability of banks are successful in mobilizing their loan and advances on the working fund ratio for the purpose of the income generation. This ratio is computed by dividing loans and advances by total working fund .This are stated as below:

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

Here Total working fund includes all assets of on balance sheet items. In other words, this includes current assets. net fixed assets, loans for development bonds and other investment in share, debenture and other etc. A high ratio indicates a better mobilization of fund as loan and advances and vice - versa.

3.2.1.1.2.4 Investment on Government Securities to Total Deposit Ratio

Investment is one of the major forms of credit created to earn income. This implies the utilization of firm's deposit on investment in government securities and share, debenture of the other companies and banks. This ratio measure the extent to which the bank are successful in mobilizing total investment on the total deposits, the amount of deposits should be soundly investment in the bank has to put only provide interest on its deposits but also has to declared a handsome dividend to its owners and share holders. This ratio can be calculated by dividing total investment by total deposit. This ratio is mention as below:

$$\text{Investment on Government Securities to Total Deposit Ratio} = \frac{\text{Investment on Government Securities}}{\text{Total Deposit}}$$

Investment consists of investment of government securities, investment on debenture and bonds, share in subsidiary companies, share in other companies and other investment. A high ratio that the bank's efficiency is more investing on its deposit and low indicates in ability to put its deposits for the lending activities.

3.2.1.1.2.5 Investment on Government Securities to Total Working Fund Ratio

The ratio measure to what extent, Banks are successful in mobilizing their total working fund on different types of government securities to grow income. All the deposits of banks should not be utilized as loans and advances and other from liquidity as well as company's security point of view. That's why some of the investments should be diversified into such kind of investments that has lower risk in companies to loans. Higher the ratio result, better the mobilization of fund as investment on government securities and vice versa. This ratio is calculated by dividing investment on government securities by working fund. This can be stated as:

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

3.2.1.1.3 Profitability Ratios

Profit is the different between total revenue and total expenses over a period of time. Profit is the ultimate output of a commercial bank and it will have no future if it fails to make sufficient profits. Therefore, the financial manager continuously evaluates the efficiency of the banks in terms of profits. Profitability shows the overall efficiency of the business concerns. The relation of the return of the firm to either its sales or equity of its assets is known as profitability ratio. Profit is necessary to survive in any business field for its successful operation and further expansion. It measures management's overall effectiveness

as shown by the return generated on sales and investment. Higher the profitability ratio, better the financial performance of the banks and vice- versa. Profitability ratio can be calculated by following different ratio:

3.2.1.1.3.1 Net Profit to Total Assets

Net profit refers the profit after interest and taxes. It is also known as return on total assets (ROA). This ratio evaluates the efficiency of company in utilizing and mobilizing of assets and its survival. It is useful for measurement of the profitability of all financial resources invested in the bank assets. It also provides the foundation necessary for company to deliver a good return on equity. Higher return on assets (ROA) indicates higher efficiency in utilization of total assets and vice- versa. ROA is calculated by dividing the amount of net profit by the total assets.

$$\text{Net Profit to Total Assets Ratio} = \frac{\text{Net Profit}}{\text{Total Assets}}$$

3.2.1.1.3.2 Net Profit to Total Deposit Ratio

Net profit to total deposit ratio evaluated whether management has been capable to mobilizes and utilize the deposit. It also helps to known the overall performance and generation of profit of Bank. This ratio is most important to identify whether the organization well efficient or not in mobilizing its total deposits. So that corrective action could be taken. Higher ratio indicates better utilization of deposit and vice- versa. Here net profit is profit after taxes and total deposit means total amount of deposit in various account i.e. saving, current, fixed and other .The return on total deposit ratio can be computed by dividing net profit by total deposit. This can be express as follows:

$$\text{Net Profit to Total Deposit Ratio} = \frac{\text{Net Profit}}{\text{Total Deposit}}$$

3.2.1.1.3.3 Net Profit to Net worth Ratio

Net worth or shareholders equity refers to the owners claim on the assets of the bank. It can be found by deducting total liabilities from total assets (excluding intangible assets and accumulated losses.) This ratio measures the profit earned by the commercial banks by utilizing owner's equity and there by generating return to satisfy the owners. This ratio indicates sound management and efficiency and wealth maximization of the banks, which in turn is the wealth maximization of the banks. It is calculated by dividing net profit by net worth, which is express as follows.

$$\text{Net Profit to Net worth Ratio} = \frac{\text{Net Profit}}{\text{Net Worth}}$$

3.2.1.1.3.4 Total Interest Earned to Total Working Fund Ratio

The ratio shows the earning capacity of a bank on its total assets (working fund). This ratio exhibits the extent on which banks are successful in mobilizing their working funds to generate income as much as possible. The higher ratio will indicate the high earning power of the banks on its total assets. Total interest earned is calculated by adding the total income from loans, advances, cash, credit, overdrafts and government securities etc. This ratio is calculated by dividing net profit by total working fund.

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

3.2.1.1.3.5 Total Interest Paid to Total Working Fund Ratio

The ratio is used to measure the percentage of total interest expenses against the total assets. Higher the ratio, higher will be the indication of interest expenses on total assets and vice-versa. Total interest expenses consists the expenses on the deposits, loan and advances, borrowing and other deposits. The ratio is calculated as follows.

$$\text{Total Interest Paid To} = \frac{\text{Total Interest Paid}}{\text{Total Working Fund Ratio}}$$

3.2.1.1.4 Leverage Ratios

The financial leverage of a company to get an idea of the company's methods of financing or to measure its ability to meet financial obligations. It measure long term position of the firm is judge by the leverage of capital structure ratio. The leverage ratio is calculated to measure the financial risk and the firm ability or using debt or benefit of share holder. These ratio measures the proportion of outsider's fund and owner's capital used in the bank.

The most well-known financial leverage ratio is the debt-to-equity ratio. For example, if a company has \$10M in debt and \$20M in equity, it has a debt-to-equity ratio of 0.5 (\$10M/\$20M).The following ratio is used in this group.

3.2.1.1.4.1 Debt Assets Ratio

This ratio exhibits the relationships between creditors fund and owners capital. This ratio shows the proportion of outside fund used in financial total assets. It also provides security / financial safety to the outsider's i.e. potential shareholders, depositor or investors. Higher debt ratio indicates higher financial risk as well as increasing claims of outsiders in total assets and lower ratio indicates lower financial risk as well as decreasing claims of outsiders over the total assets of the firm. Generally 1:2 ratios are considered good but however no hard and fast rule is prescribed. This implies a finance company success in exploiting debt to more profitable areas. This ratio is represents as follows.

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

3.2.1.1.4.2 Debt Equity Ratio

A measure of a company's financial leverage calculated by dividing its total debt by shareholder's equity. It indicates what proportion of equity and debt the company is using to finance its assets.

$$\text{Debt Equity Ratio} = \frac{\text{Total Debt}}{\text{Shareholder's equity}}$$

Sometimes only interest-bearing, long-term debt is used instead of total liabilities in the calculation.

Also known as the Personal Debt/Equity Ratio, this ratio can be applied to personal financial statements as well as corporate ones.

A high debt/equity ratio generally means that a company has been aggressive in financing its growth with debt. This can result in volatile earnings as a result of the additional interest expense.

If a lot of debt is used to finance increased operations (high debt to equity), the company could potentially generate more earnings than it would have without this outside financing. If this were to increase earnings by a greater amount than the debt cost (interest), then the shareholders benefit as more earnings are being spread among the same amount of shareholders. However, the cost of this debt financing may outweigh the return that the company generates on the debt through investment and business activities and become too much for the company to handle. This can lead to bankruptcy, which would leave shareholders with nothing.

The debt/equity ratio also depends on the industry in which the company operates. For example, capital-intensive industries such as auto manufacturing tend to have a debt/equity ratio above 2, while personal computer companies have a debt/equity of under 0.5.

3.2.1.1.5 Capital Adequacy Ratios

Capital adequacy ratio (CAR), also called Capital to Risk (Weighted) Assets Ratio (CRAR) is a ratio of a bank's capital to its risk. National regulators track a bank's CAR to ensure that it can absorb a reasonable amount of loss and complies with statutory Capital requirements.

Capital adequacy ratio is the ratio which determines the bank's capacity to meet the time liabilities and other risks such as credit risk, operational risk etc. In the most simple formulation, a bank's capital is the "cushion" for potential losses, and protects the bank's depositors and other lenders. Banking regulators in most countries define and monitor *CAR* to protect depositors, thereby maintaining confidence in the banking system.^[1]

CAR is similar to leverage; in the most basic formulation, it is comparable to the inverse of debt-to-equity leverage formulations (although *CAR* uses equity over assets instead of debt-to-equity; since assets are by definition equal to debt plus equity, a transformation is required). Unlike traditional leverage, however, *CAR* recognizes that assets can have different levels of risk.

Capital adequacy ratio is defined as

$$\text{CAR} = \frac{\text{Tier 1 capital} + \text{Tier 2 capital}}{\text{Risk weighted assets}}$$

TIER 1 CAPITAL - (paid up capital + statutory reserves + disclosed free reserves) - (equity investments in subsidiary + intangible assets + current & b/f losses)

TIER 2 CAPITAL -A) Undisclosed Reserves, B) General Loss reserves, C) hybrid debt capital instruments and subordinated debts

Where Risk can either be weighted assets (*u*) or the respective national regulator's minimum total capital requirement. If using risk weighted assets,

$$\text{CAR} = \frac{T_1 + T_2}{a} \quad 10\%.\text{[1]}$$

The percent threshold varies from bank to bank (10% in this case, a common requirement for regulators conforming to the Basel Accords) is set by the national banking regulator of different countries.

Two types of capital are measured: tier one capital (*I*₁ above), which can absorb losses without a bank being required to cease trading, and tier two capital (*I*₂ above), which can absorb losses in the event of a winding-up and so provides a lesser degree of protection to depositors.

3.2.1.1.5.1 Shareholder's Fund to Total Deposit Ratio

Shareholder's fund to total deposit ratio shows how well bank are maintain sufficient amount as shareholder's fund is comparison to the amount of the total deposit. This ratio is calculated by shareholder's fund divided by total deposit, which is presented as follows:

$$\text{Shareholder's Fund to Total Deposit Ratio} = \frac{\text{Shareholder's Fund}}{\text{Total Deposit}}$$

3.2.1.1.5.2 Shareholder's Fund to Total Assets Ratio

This ratio is concerned with the sufficiency of shareholders fund against the total assets. It is very essential for every financial institution to have a balance of required percentage of total assets at shareholders fund, i.e. capital fund. Generally this ratio measures the relative claims of owners of the bank over its assets. .A high ratio indicates that out of total assets shareholders have more controlled, owner command and vice -versa. This ratio is calculated by dividing shareholder's fund by total assets which is presented as follows:

$$\text{Shareholders Fund to Total Assets Ratio} = \frac{\text{Shareholder's Fund}}{\text{Total Assets}}$$

3.2.1.1.6 Market Value Ratio / Growth Ratio

Market value ratio represents how well the banks are maintaining their economic and financial position. The ratios can be calculated by dividing the last period divided by the first period divided, then by referring to the computed interest tables. Alternatively, it is calculated by using the following formula,

$$FV = PV (1 + r)^n$$

Where,

FV = Future Value

PV= Present Value

r = rate interest

n= no. of year

A high ratio generally indicates better performance and vice-versa. To examine and analyzed the expansion analysis growth of company. Following growth ratio are calculated in this study.

3.2.1.1.6.1 Net Profit

Net profit represents the number of sales remaining after all operating expenses, interest, taxes and preferred stock dividends (but not common stock dividends) have been deducted from a company's total revenue.

Net Profit is the main indicator of financial position of any business organization. Net profit is essential for its survival and growth and to maintain capital adequacy through profit retention. This indicator is computed by subtracting total expenditure including tax from operating income and interest. It is also called net profit after tax and interest.

$$NP = OI - (TE + IP + T)$$

Where,

NP = Net Profit after Tax and Interest.

OI = Operating Income

TE = Total Expenditure

IP = Interest Paid

T = Taxes

3.5.1.1.6.2 Earning Per Share (EPS)

The portion of a company's profit allocated to each outstanding share of common stock. Earnings per share serve as an indicator of a company's profitability.

Calculated as:

$$= \frac{\text{Net Income} - \text{Dividends on Preferred Stock}}{\text{Average Outstanding Shares}}$$

When calculating, it is more accurate to use a weighted average number of shares outstanding over the reporting term, because the number of shares outstanding can change over time. However, data sources sometimes simplify the calculation by using the number of shares

outstanding at the end of the period.

Diluted EPS expands on basic EPS by including the shares of convertibles or warrants outstanding in the outstanding shares number.

The earnings per share exhibits that the owner is theoretical entitled to get from company. EPS is also identifying to measure the profitability of the shareholders' investment. It simply shows that the profitability of bank on a per share basis.

3.2.1.1.6.3 Dividend per Share (DPS)

The sum of declared dividends for every ordinary share issued. Dividend per share (DPS) is the total dividends paid out over an entire year (including interim dividends but not including special dividends) divided by the number of outstanding ordinary shares issued.

DPS can be calculated by using the following formula:

$$DPS = \frac{D - SD}{S}$$

D - Sum of dividends over a period (usually 1 year)

SD - Special, one time dividends

S - Shares outstanding for the period

Dividends per share are usually easily found on quote pages as the dividend paid in the most recent quarter which is then used to calculate the dividend yield. Dividends over the entire year (not including any special dividends) must be added together for a proper calculation of DPS, including interim dividends. Special dividends are dividends which are only expected to be issued once so are not included. The total number of ordinary shares outstanding is sometimes calculated using the weighted average over the reporting period.

Dividends are a form of profit distribution to the shareholder. Having a growing dividend per share can be a sign that the company's management believes that the growth can be sustained.

3.2.2 Statistical Tools

Various statistical tools related to this study will draw out to make the conclusion more reliable according to the available financial data. For this study following statistical tools are used.

3.2.2.1 Arithmetic Mean or Average

Mean (aka Arithmetic Mean, Average) - The sum of all of the numbers in a list divided by the number of items in that list.

In working with an average, there is one central formula that is used to answer questions pertaining to an average. This formula can be manipulated in many different ways, enabling test writers to create different iterations on mean problems.

The following is the formal mathematical formula for the arithmetic mean (a fancy name for the average).

$$A = \frac{1}{n} * \sum_{i=1}^n x_i$$

A = average (or arithmetic mean)

n = the number of terms (e.g., the number of items or numbers being averaged)

x_1 = the value of each individual item in the list of numbers being averaged

The following is the formula for the arithmetic mean, stated in a more readable and understandable form.

$$A = \frac{S}{N}$$

A = average (or arithmetic mean)

N = the number of terms (e.g., the number of items or numbers being averaged)

S = the sum of the numbers in the set of interest (e.g., the sum of the numbers being averaged)

One common trap that some students fall into is they automatically divide by 2. However, dividing the sum of numbers by 2 is only correct when there are two terms. When there are more than two terms that are being averaged, dividing by two will give the wrong answer.

3.2.2.2 Standard Deviation

The standard deviation is the most important and widely used measure of studying dispersion. The standard deviation measures the absolute dispersion or variability of a distribution. A small standard deviation means a high degree of uniformity of the observation as well as homogeneity of a series, a large standard deviation means just the opposite. Hence, standard deviation is extremely useful in judging the representative of the mean.

The standard deviation σ of a probability distribution is defined as the square root of the variance σ^2 ,

$$\begin{aligned}\sigma &= \sqrt{\langle x^2 \rangle - \langle x \rangle^2} \\ &= \sqrt{\mu'_2 - \mu^2},\end{aligned}$$

Where $\mu = \bar{x} = \langle x \rangle$ is the mean, $\mu'_2 = \langle x^2 \rangle$ is the second raw moment, and $\langle x \rangle$ denotes the expectation value of x . The variance σ^2 is therefore equal to the second central moment (i.e., moment about the mean),

$$\sigma^2 = \mu_2.$$

The square root of the sample variance of a set of N values is the sample standard deviation

$$\sigma_N = \sqrt{\frac{1}{N} \sum_{i=1}^N (x_i - \bar{x})^2}.$$

The sample standard deviation distribution is a slightly complicated, though well-studied and well-understood, function.

However, consistent with widespread inconsistent and ambiguous terminology, the square root of the bias-corrected variance is sometimes also known as the standard deviation,

$$s_{N-1} = \sqrt{\frac{1}{N-1} \sum_{i=1}^N (x_i - \bar{x})^2}$$

The standard deviation s_{N-1} of a list of data is implemented as Standard Deviation [*list*].

Physical scientists often use the term root-mean-square as a synonym for standard deviation when they refer to the square root of the mean squared deviation of a quantity from a given baseline.

The standard deviation arises naturally in mathematical statistics through its definition in terms of the second central moment. However, a more natural but much less frequently encountered measure of average deviation from the mean that is used in descriptive statistics is the so-called mean deviation.

The standard deviation is the most important and widely used measure of studying dispersion. It is also known as root mean square deviation for the reason that the square root of the mean of the standard deviation from the arithmetic mean. It is also denoted by the small Greek letter σ (Sigma)

Symbolically,

$$\sigma = \sqrt{\frac{d^2}{n}}$$

Where,

- σ = Standard Deviation
- d^2 = Sum of Squares of the Deviation Measured from the Arithmetic Average
- n = Numbers of Item

3.2.2.3 Co-efficient of Variation (C.V)

A statistical measure of the dispersion of data points in a data series around the mean. It is calculated as follows:

$$\text{Coefficient of Variation} = \frac{\text{Standard Deviation}}{\text{Expected Return}}$$

The coefficient of variation represents the ratio of the standard deviation to the mean, and it is a useful statistic for comparing the degree of variation from one data series to another, even if the means are drastically different from each other.

In the investing world, the coefficient of variation allows you to determine how much volatility (risk) you are assuming in comparison to the amount of return you can expect from your investment. In simple language, the lower the ratio of standard deviation to mean return, the better your risk-return trade off.

Note that if the expected return in the denominator of the calculation is negative or zero, the ratio will not make sense.

3.2.2.4 Co-efficient of Correlation (r)

The Coefficient of Correlation, also known as the Correlation Coefficient, is the strength of a relationship, measured linearly, between two variables. This measure can range from -1 to 1.

If the Coefficient of Correlation is equal to;

-1: then we have a perfectly negative correlation. As one asset moves in a direction, the other asset will move in a perfectly different direction.

0: then we have no correlation, positive or negative.

1: Then we have a perfectly positive correlation. As one asset moves in a direction, the other asset will move perfectly in the same direction.

The Coefficient of Correlation is strongly related to the Coefficient of Determination

Among the various methods of finding out coefficient of correlation, Karl Pearson's method is applied in the study. The Pearson's formula is:

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

Where,

- r = Co-efficient of Correlation
- x = Independent Variable
- y = Dependent Variable
- N = Number of Periods

3.2.2.5 Probable Error of the Co-efficient of Correlation

After the calculation of co-efficient of correlation the next thing is to find out extent to which it is dependable. For this purpose the probable error of the coefficient of correlation is calculated. If the probable error is added to and subtracted from the co-efficient of correlation it would give two such limits within which we can reasonably accept the value of co-efficient of correlation to vary. The formula for finding out the probable error of the Karl Pearson's co-efficient of correlation is:

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

Where,

- P.E.r = Probable Error of Co-efficient of Correlation
r = Co-efficient of Correlation
n = Number of Pairs of Observations

In order to conclude whether co-efficient of correlation is significant or not. The following points should be kept in mind.

-) If the co-efficient of correlations is less than its probable error, it is not at all significant.
-) If the co-efficient of correlations is more than six times of probable error, it is definitely significant.
-) If the probable error is not much and if the coefficient of correlation is 0.5 or more it is generally to be significant.

3.2.2.6 Co-efficient of Determination (R^2)

The Coefficient of Determination, also known as R Squared, is interpreted as the goodness of fit of a regression. The higher the coefficient of determination, the better the variance that the dependent variable is explained by the independent variable. The coefficient of determination is the overall measure of the usefulness of a regression. The Coefficient of Determination can be calculated as the Regression sum of squares, RSS, divided by the total sum of squares, SST

$$\text{Coefficient of Determination} = \frac{\text{RSS}}{\text{SST}}$$

Some things to consider about the Coefficient of Determination, aka R². The regression must be examined for Multicollinearity. Multicollinearity, correlated independent variables, can have the effect of causing a higher R Squared (Coefficient of Determination).

That means that the Coefficient of determination will increase, as you add more independent variables, even if those independent variable do not assist in explaining the variation of the dependent variable. This brings us to the topic of Adjusted R Squared, or the Adjusted Coefficient of Determination, that fixes this problem. The adjusted R Squared can be negative, but must always be less than or equal to the Coefficient of Determination.

The adjusted R Square is not always better than the R Square. Only if the new variables added explain more of the variation. Also, the adjusted R square, is better when looking at samples. We have,

$$\text{R Squared} = \frac{\text{explained variation}}{\text{total variation}} = 1 - \frac{\text{unexplained variation}}{\text{total variation}}$$

3.2.2.7 Simple Regression Analysis

Regression is one of statistical tool, which is used to determine the statistical relationship between two or more variables and to make estimation (or prediction) of one variable on the basis of the other variable. In other word, it is that tools with the helps of which unknown value of one variable can be estimated on the basis of known value of the variable

Sometimes, the correlation between two variables may be insufficient to determine a reliable estimation equation. Yet, if we add the data from more independent variables, we may be able to determine an estimating equation that describes the relationship with greater accuracy. In regression analysis, we use independent variables utilizing more of

the information available to us to estimate the dependent variable. . In this study the researcher uses simple regression equation.

3.2.3.8 Test of Hypothesis

The method of statistics which help in arriving at the criterion for such decision is called test of hypothesis or statistical decision making. A hypothesis is analysis assumption that make about the population parameter. Alternatively, a hypothesis is a conjectural statement of the relationship between two or more variables. Hypothesis statement should be able to show the relationship between variables.

The Test of hypothesis is a process of testing of significance regarding the parameter of the population on the basis of the sample drawn from the population. The computed value of the statistics may differ from the hypothetical value of parameter due to sampling fluctuation. If the difference is small, it has arisen due to sampling fluctuations. Hence the difference is considered to be insignificant and the hypothesis is accepted. If the difference is large, it has not arisen due to sampling fluctuations but it is due to some other reasons. Hence the difference is considered to be significant but it is due to some other reasons. Hence the difference is considered to be significant and the hypothesis is rejected. Thus the test of hypothesis discloses whether the difference between the computed statistic and hypothetical parameter is significant or not.

There are different types of hypothesis, among them t-test is to test the validity of our assumption, if sample size is less than 30, t-test is used. For applying t-test in the context of small sample, the 't' value is calculated first and compared with the table value of 't' at a certain level of significance for value of 't' exceeds the table value (say 0.05) we infer that the difference is significant at 5% level. But if 't' is less than the concerning table value of the 't' the difference is not treated as significant.

The t – statistic id calculated by following formula under Ho:

$$T = \frac{r}{\sqrt{1 - r^2}} \sqrt{n - 2}$$

3.2.2.9 Trend Line Analysis

Trend line analysis describes the average relationship between series where the one series related to time and other series to the value of the variable. It is generally shows that the line of the best fit or straight line is obtained or not. The line of the best fit describes the changes in a given series accompanying a unit change in time. Another word, it gives the best possible mean values of dependent variable for a given value of independent variable.

For calculation of the “Line of the best fit “, following equation should be kept in mind.

$$Y_c = a + bx$$

Where,

Y_c = the estimated value of Y for given value of x obtained from the line of regression of Y on X

a = “Y- intercept “/ mean of Y value

b = “slope of line “/ rate of change

x = the variable in time series analysis represent time

In order to determine the value of the constants a and b the following two normal equations are to be solved.

$$Y = Na + b X \quad \text{and} \quad XY = a X + b X^2$$

Where;

N= Number of Years for with the date are given

Here X stands for the time variations and Y for the variables related to time. Naturally, if we take the middle year or the mid – point of the two years as the starting point, X will be equal to 0 and the two equations will then be

$$Y = N a \quad \text{and} \quad XY = b x^2$$

By transformation, we; can write

$$a = \frac{Y}{N} \quad \text{and} \quad b = \frac{XY}{X^2}$$

The term best fit is interpreted in accordance with the principle of least squares which consists in minimizing the sum of squares of the residual of the errors of estimates i.e. the deviation between the given observed value of the variable and their corresponding estimated values as given by the line of best fit.

This topic will be used to forecast the ratios of Total deposit, Total Loan and Advances, Total Investment and Net Profit of the banks for next five years on the base of past five years. The analysis is done under limited factors which are as follows:

-) The economy will remain unchanged as of present the stage.
-) Banks will run as of present position.
-) The guidelines by NRB for Banks will remain unchanged.
-) The forecast will be true only when the limitations of least square method are carried out.
-) The main assumption is that other factors are constant.

3.2.2.10 Digrammatic and graphical representation

Digrams and graphs are visual aids that give a bird eye view of a given set of numerical data. They represent the data in simple and readily comprehensive form. Hence various bar diagrams, pie charts and graph have been used for presentation and analysis of data.

CHAPTER 4

PRESENTATION AND ANALYSIS OF DATA

In this chapter data of sample banks are presented and analyzed according to the objectives set in the introduction chapter. To make a data more realistic and complete qualitative and quantitative analysis is done through different financial ratio and statistical analysis. However there are many ratios but due to some sort coming and constraints, only selected ratios have been taken for analyzing the strength and weakness of the sample banks.

This chapter also helps for presenting a major finding, proper recommendation for researcher which needs to define in next chapter. In this way analysis effort is made to make proper linkage of ever chapter.

In other to find out the strength and weakness and financial performance of the sample banks various ratios and variable have been calculated that are as follows:

4.1 Presentation and Analysis of Data

4.1.1 Ratios Analysis

Ratio analysis is a powerful tool of financial analysis, which helps in identifying strength and weakness of business concerns. Ratios analysis is the expression of the relationship between the mutually independent figures. It is an important way to state meaningful relationships between components of financial statements. It shows the quantitative relation between two variables. Simple it is calculated as dividing on variable by another variable. The primary purpose of ratio is to point out area for further investigation. Ratio analysis has been a major tools used in the interpretation and evaluation of financial statements.

There are various types of financial ratio which are used by different field for different purpose, such as creditors, investors, financial institutions and management of the firm. In this analysis following ratio are analysis and interpret for the past five year 2003 AD to 2007 AD for different banks.

4.1.1.1 Liquidity Ratios

As name denotes the liquidity refers to the ratio between liquid assets and liability. Liquidity ratio measures the ability of firm to meet its current obligations Banks should maintain its satisfactory liquidity position to satisfy the short-term credit needs of the community , to meet demands for deposits, withdraws, pay maturity obligation in time an convert non cash assets into cash to satisfy immediate needs without loss to bank consequent impact in long run profit. Liquidity ratio measures the short-run solvency of the firm.

The liquidity positions of the banks are comparatively studied through following ratios:

4.1.1.1.1 Current Ratio

Current ratio indicates the ability of the company to meet its current obligation. This is the board measure of liquidity position of the banks. In another words, it measures the availability for current assets for meeting current liabilities. This ratio is also known as working capital. Following table shows the comparative current ratio for five years.

Table 1: Current Ratio

(Rs. in millions)

Banks									
	Paschimanchal Development Bank Limited			Bhrikutee Development Bank Limited			Siddhartha Development Bank Limited		
Fiscal Year	Current Assets	Current Liabilities	Ratio (in times)	Current Assets	Current Liabilities	Ratio (in times)	Current Assets	Current Liabilities	Ratio (in times)
2062/63	302.20	274.79	1.099	229.53	205.328	1.117	320.41	269.14	1.190
2063/64	506.345	468.195	1.081	414.65	393.63	1.053	681.355	633.82	1.075
2064/65	908.02	805.06	1.128	836.82	771.135	1.085	1130.155	1028.40	1.099
2065/66	1236.199	1125.67	1.098	1533.797	1412.98	1.086	2403.98	1787.323	1.345
2066/67	1639.85	1331.352	1.231	1899.07	1616.76	1.174	3939.183	3569.14	1.104
Mean			1.1274			1.103			1.1626
S.D.			0.9995			1.1360			1.1610
C.V. (%)			88.66			10.30			99.86

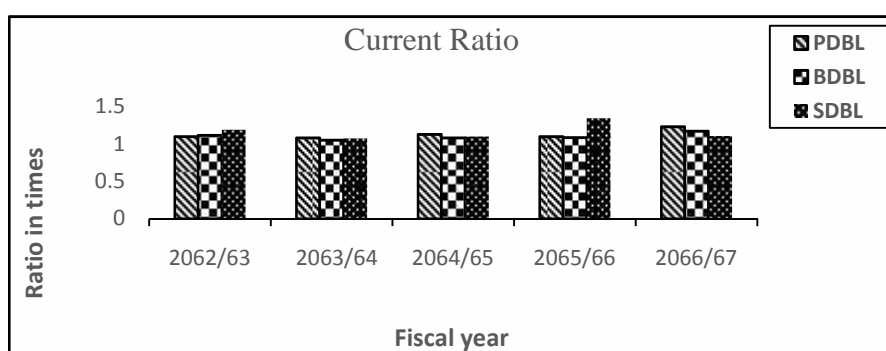
[Sources: Annual Report of Concerned Bank, Refer Appendix -1]

Table 1 indicates the current ratios of the sampled banks. The ratio of PDBL is in fluctuating order. The highest ratio is registered in 2066/67 which is 1.231 and lowest ratio is registered in 2063/64 which is 1.081. Similarly ratio of BDBL is in fluctuating order throughout the study period. The highest ratio of BDBL is 1.174 in fiscal year 2066/67 and lowest ratio is registered in 2063/2064 which is 1.053. In the same way SDBL's ratio is also increasing and decreasing in every alternate year. In 2063/64 it has lowest ratio 1.075 and 2065/66 it has highest ratio 1.345. Since mean ratios of SDBL found to be highest than PDBL and BDBL

from which we can conclude that SDBL is successful to meet their current obligation. Even though PDBL and BDBL have failed to maintain the current obligation they are not failed in earning the profit. From point of view of working policy they have taken the aggressive policy.

As concern with liquidity and consistency PDBL seems to be in better position than SDBL & BDBL which shows by the lowest C.V. (10.30 %). Among the sample banks BDBL and SDBL are failed to maintain the consistency in the liquidity.

Figure - 1



4.1.1.1.2 Cash and Bank Balance to Total Deposit Ratio.

This ratio measures the percentage of liquid fund with the bank to make immediate payment to the depositors. The main purpose of this ratio is to examine the bank's liquidity capacity on the basis of cash and bank balance. The following table shows the cash and bank balance to total deposit ratio of selected sample banks.

Table 2: Cash and Bank Balance to Total Deposit Ratio

(Rs. in millions)

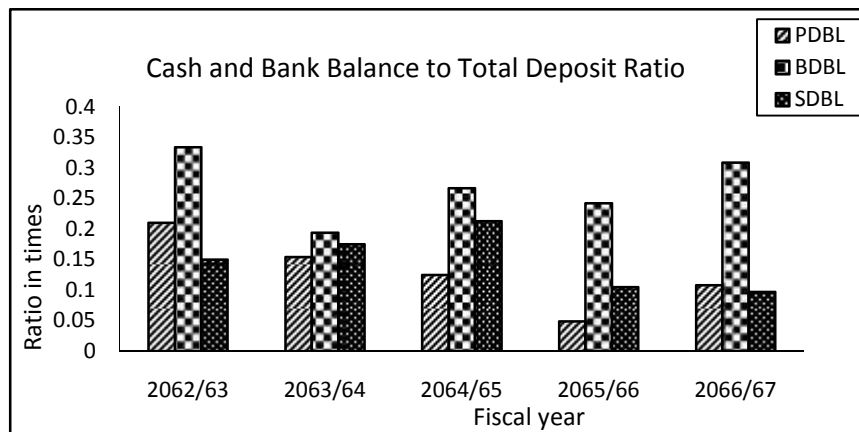
Banks									
Fiscal Year	Paschimanchal Development Bank Limited			Bhrikutee Development Bank Limited			Siddhartha Development Bank Limited		
	Cash & Bank Bal.	Total Deposit	Ratio (in times)	Cash & Bank Bal.	Total Deposit	Ratio (in times)	Cash & Bank Bal.	Total Deposit	Ratio (in times)
2062/63	55.411	263.02	0.210	65.639	196.51	0.334	36.184	240.112	0.15
2063/64	67.288	435.546	0.154	75.108	387.38	0.194	96.363	549.52	0.175
2064/65	94.29	753.61	0.125	188.688	706.44	0.267	241.268	1002.15	0.213
2065/66	45.97	938.736	0.049	299.499	1237.96	0.242	181.243	1719.28	0.105
2066/67	123.80	1139.615	0.108	464.328	1503.35	0.309	338.223	3479.94	0.097
Mean			0.1292			0.2692			0.148
S.D.			0.0593			0.5519			0.0485
C.V. (%)			45.9			37.15			32.77

[Sources: Annual Report of Concerned Bank, Refer Appendix -2]

Table 2 shows the fluctuation on cash and bank balance to total deposit ratio of BDBL and SDBL but PDBL is in decreasing order. During study of five years period, the ratio of PDBL is highest in 2062/63 which is 0.210 and lowest in 2065/66 which is 0.049. Similarly BDBL has highest ratio in 2062/63 and lowest in 2063/64 which is 0.334 and 0.194 receptively. SDBL is ranged between 0.097 in 2066/67and 0.213 in 2064/65.It is found that BDBL has maintained the highest mean ratio which is 0.2692 than other BDBL and SDBL. This shows that BDBL has successful in maintaining the higher cash and bank balance to total deposit ratio. But it does not mean that it has invested in profitable sector. It actually means that BDBL is successful in meeting the daily cash requirement.

Though BDBL has maintained the higher cash and bank balance to total deposit ratio but SDBL has better position in consistency which is shown by lowest C.V. (0.3277%), they have a consistency in utilizing the cash balance among the other sample banks. In comparison, BDBL mean ratio is 0.2692 and C.V. is 3715 % which indicate the higher cash balance and consistency .PDBL mean ratio is 0.1292 and C.V. is 0.459 % which indicates the lower cash balance and lower consistency. Holding cash and bank balance can have a negative impact on the goodwill and reputation of the bank to fulfill the demand of the profit holder and lower cash balance can have a negative impact on the customer. Therefore banks should maintain the enough liquidity.

Figure -2



4.1.1.1.3 Cash and Bank Balance to Current Assets Ratio.

Cash and bank balance to total deposit ratio shows the percents of readily available fund within the banks. A high ratio indicates the sound ability to meet their daily cash requirements of their customer deposits and vice versa.

Table 3: Cash and Bank Balance to Current Assets Ratio

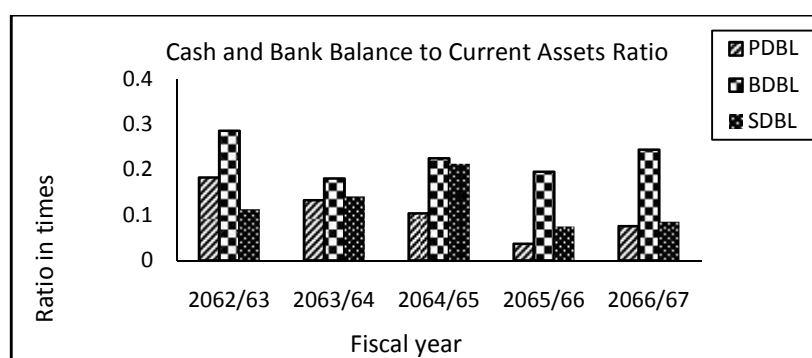
(Rs. in millions)

Fiscal Year	Banks								
	Paschimanchal Development Bank Limited			Bhrikutee Development Bank Limited			Siddhartha Development Bank Limited		
	Cash & Bank Bal.	Current Assets	Ratio (in times)	Cash & Bank Bal.	Current Assets	Ratio (in times)	Cash & Bank Bal.	Current Assets	Ratio (in times)
2062/63	55.411	302.20	0.183	65.639	229.53	0.2860	36.184	320.41	0.113
2063/64	67.288	506.345	0.1329	75.108	414.65	0.1811	96.363	681.355	0.1414
2064/65	94.29	908.02	0.1038	188.688	836.82	0.2255	241.268	1130.155	0.2135
2065/66	45.97	1236.199	0.0372	299.499	1533.797	0.1953	181.243	2403.98	0.0754
2066/67	123.80	1639.85	0.0755	464.328	1899.07	0.2445	338.223	3939.183	0.086
Mean			0.10648			0.22648			0.12586
S.D.			0.0555			0.0415			0.0553
C.V. (%)			52.12			18.32			43.94

[Sources: Annual Report of Concerned Bank, Refer Appendix -3]

Table 3 shows that the ratio of PDBL is ranged between the 0.0372 in 2065/66 and 0.183 in 2062/63 with mean ratio of 0.10648, BDBL is ranged between the 0.1811 in 2063/64 and 0.2860 in 2062/63 with mean ratio of 0.22648 and SDBL is ranged between 0.0754 in 2065/66 and 0.2135 in 2064/65 with mean ratio of 0.12586. Since, the mean ratio of BDBL is higher than that of other sample banks. It supports the conclusion that, BDBL has been successful in maintaining its higher cash and bank balance to current assets ratio, but it doesn't mean that it has mobilized its more funds in profitable sectors. It actually means that BDBL can meet its daily cash requirement. In contrast PDBL has a lowest mean ratio because it may have invested their fund in more productive sectors. BDBL has lowest C.V. (0.1832%) which means they are successful in maintaining a stability of cash and bank balance in comparison to other sample banks.

Figure -3



4.1.1. 2 Activity Ratio/ Assets Management Ratios

Activity Ratio/ Assets Management Ratios indicate the speed with which assets are being converted or turned over. Thus these ratios are used to measure the bank's ability to utilize their available resources. Asset management ratio predicts how efficiently banks manage the resources at its command. The following asset management ratios are used in this study for comparison of the banks.

4.1.1.2.1 Loan and Advance to Total Deposit Ratio

This ratio measures the extent to which the Banks are successful to mobilize the total deposits on loans and advances for the purpose of income generation. The following table exhibits the ratio of loans and advances to total deposits of the Banks throughout the study period.

Table 4: Loan and Advances to Total Deposit Ratio

(Rs. in millions)

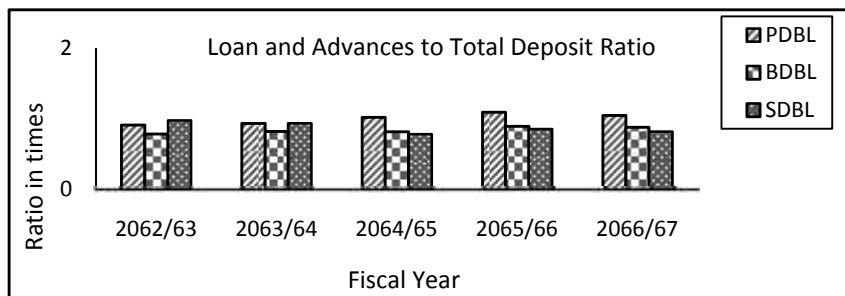
Fiscal Year	Banks								
	Paschimanchal Development Bank Limited			Bhrikutee Development Bank Limited			Siddhartha Development Bank Limited		
	Loan & Advances	Total Deposit	Ratio (in times)	Loan & Advances	Total Deposit	Ratio (in times)	Loan & Advances	Total Deposit	Ratio (in times)
2062/63	239.863	263.02	0.912	154.74	196.51	0.787	235.2612	240.112	0.9798
2063/64	407.34	435.546	0.935	319.684	387.38	0.825	516.28	549.52	0.9395
2064/65	769.307	753.61	1.021	577.51	706.44	0.8175	783.981	1002.15	0.7823
2065/66	1030.965	938.736	1.098	1108.847	1237.96	0.8957	1472.84	1719.28	0.8567
2066/67	1195.399	1139.615	1.049	1327.132	1503.35	0.8828	2850.227	3479.94	0.819
Mean			1.003			0.8416			0.87546
S.D.			0.0781			0.046			0.0825
C.V. (%)			7.79			5.47			9.42

[Sources: Annual Report of Concerned Bank, Refer Appendix -4]

From table 4 it is seen that the ratio of all bank during the study period is in fluctuating trend. During the study period, PDBL has highest ratio of 1.098 in FY 2065/66 and lowest ratio 0.912 in FY 2062/63, BDBL has highest and lowest ratios 0.8957 and 0.787 in FY 2065/66 and 2062/63, SDBL has highest & lowest ratios 0.9798 and 0.7823 in FY 2062/63 and 2064/65.

In average mean ratio of loan & advances to total deposit of PDBL is higher than that of BDBL & SDBL. In case of co-efficient of variation, BDBL has 0.0547%, which is comparatively lower than PDBL and SDBL i.e. 0.0779%, 0.0942% respectively.

Figure– 4



4.1.1. 2. 2 Loans and Advance to Fixed Deposit Ratio

This ratio measures the effectiveness of mobilizing loan and advance in respect with fixed deposit. Fixed deposits are high interest bearing obligation whereas as loan and advances are the major sources of investment to generate income for the commercial banks. The following table displays the ratio of loan and advances to fixed deposit ratios of sample banks.

Table 5: Loan and Advances to Fixed Deposit Ratio

(Rs. in millions)

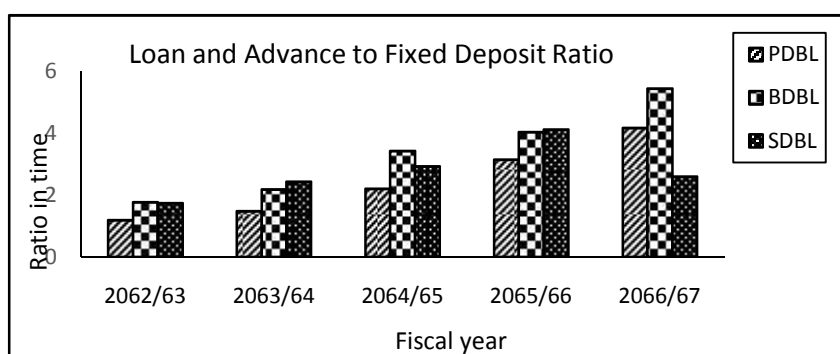
Fiscal Year	Banks								
	Paschimanchal Development Bank Limited			Bhrikutee Development Bank Limited			Siddhartha Development Bank Limited		
	Loan & Advances	Fixed Deposit	Ratio (in times)	Loan & Advances	Fixed Deposit	Ratio (in times)	Loan & Advances	Fixed Deposit	Ratio (in times)
2062/63	239.863	201.89	1.188	154.74	87.8142	1.7621	235.2612	135.68	1.734
2063/64	407.34	275.630	1.478	319.684	146.541	2.181	516.28	213.66	2.42
2064/65	769.307	349.671	2.200	577.51	168.817	3.421	783.981	268.088	2.924
2065/66	1030.965	328.358	3.14	1108.847	275.2697	4.0282	1472.84	358.941	4.103
2066/67	1195.399	287.101	4.164	1327.132	244.232	5.434	2850.227	1099.4	2.592
Mean			2.434			3.36526			2.7546
S.D.			1.226			1.4744			0.8699
C.V. (%)			50.37			43.81			31.58

[Sources: Annual Report of Concerned Bank, Refer Appendix -5]

From table 5 it is seen that the ratio of BDBL is in increasing trend from begging to end sample year respectively. In case of PDBL and SDBL the ratio is in fluctuating trend. During the study period, PDBL has highest ratio of 4.164 in FY 2066/67 and lowest ratio 1.478 in FY 2063/64, BDBL has highest and lowest ratios 5.434 and 1.7621 in FY 2066/67 and 2062/63 and SDBL has highest & lowest ratios 4.103 and 1.734 in FY 2065/66 and 2062/63.

In average mean ratio of loan & advances to fixed deposit of BDBL is higher than that of PDBL & SDBL. In case of co-efficient of variation, SDBL has 0.3158%, which is comparatively lower than PDBL and BDBL i.e. 0.5037%, 0.4381% respectively.

Figure - 5



4.1.1.2.3 Loan and Advance to Total Working Fund Ratio

This ratio exhibits the extent to which the banks are successful in mobilizing their total assets (working fund) on loans and advances for the purpose of income generation. The following are the ratios of different sample banks that have been calculated in the study period

Table 6: Loan and Advances to Total Working Fund Ratio

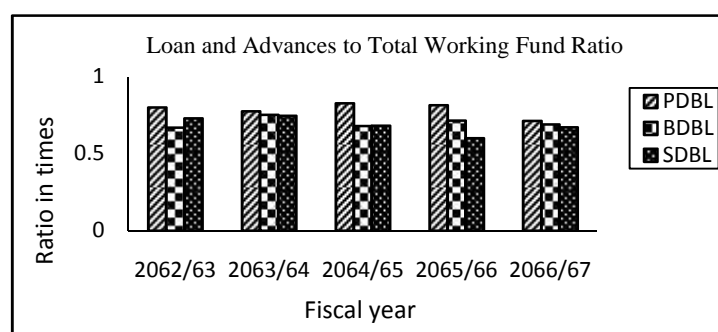
(Rs. in millions)

Banks									
Fiscal Year	Paschimanchal Development Bank Limited			Bhrikutee Development Bank Limited			Siddhartha Development Bank Limited		
	Loan & Advances	Working Fund	Ratio (in times)	Loan & Advances	Working Fund	Ratio (in times)	Loan & Advances	Working Fund	Ratio (in times)
2062/63	239.863	303.5	0.8	154.74	230.68	0.67	235.2612	322.49	0.73
2063/64	407.34	525.18	0.7756	319.684	424.956	0.752	516.28	692.11	0.746
2064/65	769.307	931.07	0.8262	577.51	848.22	0.68	783.981	1150.50	0.681
2065/66	1030.965	1264.77	0.8151	1108.847	1550.54	0.715	1472.84	2449.787	0.601
2066/67	1195.399	1676.38	0.713	1327.132	1926.32	0.689	2850.227	4241.56	0.672
Mean			0.78598			0.7012			0.686
S.D.			0.04499			0.03295			0.05697
C.V. (%)			5.724			4.7			8.30

[Sources: Annual Report of Concerned Bank, Refer Appendix -6]

From table 6 it is seen that the ratio of all bank during the study period is in fluctuating trend. On the basis of mean ratios, PDBL has maintained the higher ratio than that of BDBL & SDBL i.e. $0.78598 > 0.7012 > 0.686 > 3$. So, PDBL is in good condition to mobilize its total working fund as loan and advances. Co-efficient of variation of BDBL is less than PDBL and SDBL i.e. $4.7\% < 5.724\% < 8.30\%$. It indicates more uniform of BDBL in comparison to PDBL and SDBL.

Figure - 6



4.1.1.2.4 Investment on Government Securities to Total Deposit Ratio

The main purpose of this ratio is to measure successfulness in mobilizing the deposit in investment on government securities. The investment on government securities to total deposit ratio of different banks in the study period are mentioned in the following table:

Table 7: Investment on Govt. Securities to Total Deposit Ratio

(Rs. in millions)

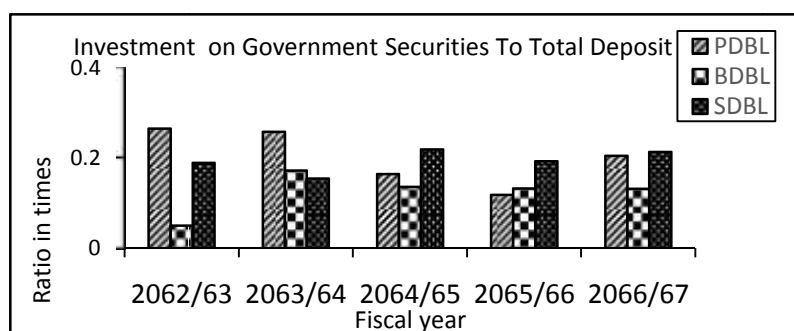
Fiscal Year	Banks								
	Paschimanchal Development Bank Limited			Bhrikutee Development Bank Limited			Siddhartha Development Bank Limited		
	Invest. on Govt. Sec.	Total Deposit	Ratio (in times)	Invest. On Govt. Sec.	Total Deposit	Ratio (in times)	Invest. on Govt. Sec.	Total Deposit	Ratio (in times)
2062/63	70.20	263.02	0.2669	9.92	196.51	0.0505	45.72	240.112	0.1904
2063/64	113.285	435.546	0.2601	67.25	387.38	0.1736	85.67	549.52	0.1559
2064/65	124.72	753.61	0.1655	96.57	706.44	0.1367	220.874	1002.15	0.2204
2065/66	111.71	938.736	0.1190	165.02	1237.96	0.1333	333.88	1719.28	0.1942
2066/67	234.76	1139.615	0.2060	199.95	1503.35	0.1330	747.5	3479.94	0.2148
Mean			0.2035			0.12542			0.19514
S.D.			0.06289			0.0452			0.02543
C.V. (%)			30.90			36.04			13.03

[Sources: Annual Report of Concerned Bank, Refer Appendix -7]

Table 7 reflects that PDBL's ratio is decreasing from 2062/63 to 2065/66 then increase in fiscal year 2066/67. The ratio of BDBL and SDBL are in fluctuating order. The mean ratio of PDBL, BDBL & SDBL are 0.2035, 0.12542 & 0.19514 respectively. Since we have observed that among sample banks PDBL is successful in mobilizing the deposit, since it has a higher mean ratio. But BDBL has a lower mean ratio; they are less successful to utilize the deposit in investment on government securities in compare with sample banks. Similarly, SDBL is also successful in mobilizing the deposit in investment on government securities.

As Concern with Consistency, PDBL and BDBL are failed to maintain the consistency since they have higher C.V. Among sample banks SDBL are able to maintain the consistency in mobilization of investment on government securities, which is shown by the lowest CV.

Figure – 7



4.1.1.2.5 Investment on Government Securities to Total Working Fund Ratio

The investment on govt. securities to total assets ratios of different companies over the study period is presented in the following table below

Table 8: Investment on Govt. Securities to Total Working Fund Ratio

(Rs. in millions)

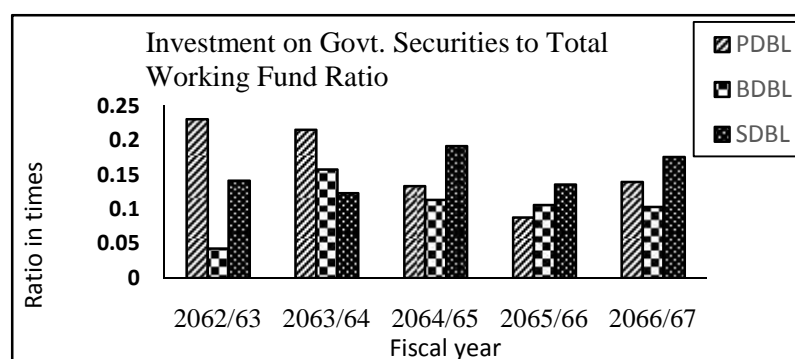
Banks									
	Paschimanchal Development Bank Limited			Bhrikutee Development Bank Limited			Siddhartha Development Bank Limited		
Fiscal Year	Invest. On Govt. Sec.	Working Fund	Ratio (in times)	Invest. on Govt. Sec.	Working Fund	Ratio (in times)	Invest. On Govt. Sec.	Working Fund	Ratio (in times)
2062/63	70.20	303.5	0.231	9.92	230.68	0.043	45.72	322.49	0.1417
2063/64	113.285	525.18	0.2157	67.25	424.956	0.158	85.67	692.11	0.1237
2064/65	124.72	931.07	0.134	96.57	848.22	0.1139	220.874	1150.50	0.192
2065/66	111.71	1264.77	0.0883	165.02	1550.54	0.1065	333.88	2449.787	0.1363
2066/67	234.76	1676.38	0.14	199.95	1926.32	0.1038	747.5	4241.56	0.1763
Mean			0.1618			0.10504			0.154
S.D.			0.0599			0.04108			0.02883
C.V. (%)			57.03			39.11			18.72

[Sources: Annual Report of Concerned Bank, Refer Appendix -8]

Table 8 reveals that the ratio of PDBL are in decreasing order from fiscal year 2062/63 to 2065/66 and then is slightly increased in fiscal year 2066/67. The ratio of BDBL and SDBL are in fluctuating order. In average, PDBL has maintained slightly higher ratio than SDBL and much higher ratio than BDBL. This shows that PDBL are successful in mobilizing the investment to the government securities with compare to BDBL and SDBL.

The C.V. of PDBL, BDBL and SDBL are 57.03%, 39.11% and 18.72% which shows that SDBL has more consistency than PDBL and BDBL since they have a lowest C.V. which means that SDBL is more efficient in using government securities. Whereas PDBL and BDBL are fail to maintain a consistency in investing in government securities.

Figure – 8



4.1.1.3 Profitability Ratios

The main objective of a bank is to make profit providing different types of services to its customers. Profit is the difference between total revenue and total expenses over a period of time. Profit is necessary to survive in any business field for its successful operation and further expansion. Profit is the ultimate output of a commercial bank and it will have no future if it fails to make sufficient profits. Therefore, the financial manager continuously evaluates the efficiency of the banks in terms of profits. Profitability shows the overall efficiency of the business concerns. To meet those objectives likewise a good liquidity position, meet fixed interest obligation, overcome the future contingencies, grab the investment opportunities, business expansions etc., they must earn sufficient profit. It is an obvious that profitability ratios are the best indicators of overall efficiency. In this study, mainly those ratios are presented which are related with profit as well as fund mobilization.

Profit measures management's overall effectiveness as shown by the return generated on sales and investment. The relation of the return of the firm to either its sales or equity of its assets is known as profitability ratio. Higher the profitability ratio better the financial performance of the banks and vice-versa. The following are profitability ratios those are relevant in this study.

4.1.1.3.1 Net Profit to Total Assets Ratio

This ratio is also known as return on total assets (ROA). This ratio is a measuring tool of profitability with respect to each financial resources investment of the assets. If Bank's working fund (total assets) is well managed and utilized efficiently, return on such assets will be higher and vice versa. The following comparative table shows the return on total assets ratio of different Banks recorded over the study period.

Table 9: Net Profit to Total Assets Ratio

(Rs. in millions)

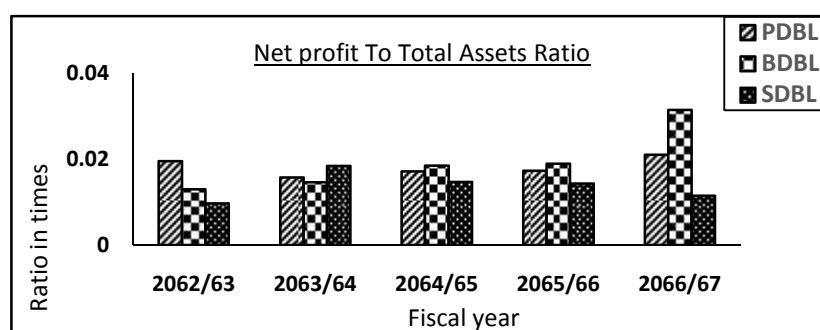
Fiscal Year	Banks								
	Paschimanchal Development Bank Limited			Bhrikutee Development Bank Limited			Siddhartha Development Bank Limited		
	Net Profit	Total Assets	Ratio (in times)	Net Profit	Total Assets	Ratio (in times)	Net Profit	Total Assets	Ratio (in times)
2062/63	5.9356	303.5	0.0195	3.012	230.68	0.013	3.1258	322.49	0.0097
2063/64	8.2782	525.18	0.0157	6.2372	424.956	0.0146	12.747	692.11	0.0184
2064/65	15.9393	931.07	0.0171	15.7273	848.22	0.0185	16.99	1150.50	0.0147
2065/66	21.8467	1264.77	0.01727	29.1699	1550.54	0.0189	35.19	2449.787	0.0143
2066/67	35.2136	1676.38	0.021	60.4646	1926.32	0.0314	48.659	4241.56	0.01147
Mean			0.018114			0.01928			0.013714
S.D.			0.00211			0.00687			0.003326
C.V. (%)			11.65			35.63			24.25

[Sources: Annual Report of Concerned Bank, Refer Appendix -9]

Table 9 shows that the ratio of PDBL and SDBL are in fluctuating order whereas the ratio of BDBL is in increasing order. BDBL has highest mean ratio with 0.01928 which determined that BDBL are successful in earning the net profit with efficient utilization of total assets with compare to PDBL and SDBL. Since SDBL has lowest mean ratio (0.013714), it is less successful in utilizing the total assets for earning the net profit in compare to sample banks.

But as concern with consistency, PDBL are able to maintain the consistency in profit which is shown by lowest CV (11.65%) among the sample banks. BDBL and SDBL have a greater variation in earning the profit on total working fund. The CV of these banks is 35.63 % and 24.25 %.

Figure - 9



4.1.1.3.2 Net profit to Total Deposit Ratio.

This ratio is the mirror for banks overall financial performance as well as its success in profit generating, the reason being that the deposits made by its customer's is the major

sources of earning of the joint venture banks as the earning is made by the efficiency and effective utilization of these deposits. The following table reveals the percentage of net profit to total deposit of sample banks.

Table 10 : Net Profit to Total Deposit Ratio

(Rs. in millions)

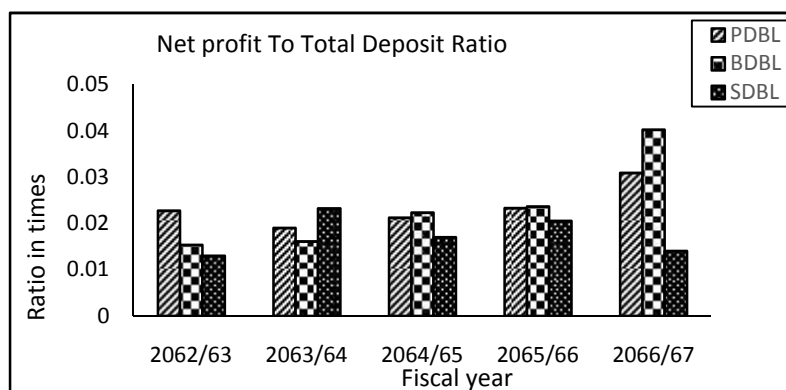
Fiscal Year	Paschimanchal Development Bank Limited			Bhrikutee Development Bank Limited			Siddhartha Development Bank Limit		
	Net Profit	Total Deposit	Ratio (in times)	Net Profit	Total Deposit	Ratio (in times)	Net Profit	Total Deposit	Ratio (in times)
2062/63	5.9356	263.02	0.0227	3.012	196.51	0.0153	3.1258	240.112	0.0130
2063/64	8.2782	435.546	0.019	6.2372	387.38	0.0161	12.747	549.52	0.0232
2064/65	15.9393	753.61	0.0212	15.7273	706.44	0.0223	16.99	1002.15	0.017
2065/66	21.8467	938.736	0.0233	29.1699	1237.96	0.0236	35.19	1719.28	0.0205
2066/67	35.2136	1139.615	0.0309	60.4646	1503.35	0.0402	48.659	3479.94	0.014
Mean			0.02342			0.0235			0.01754
S.D.			0.004496			0.01003			0.004307
C.V. (%)			19.19			42.68			24.56

[Sources: Annual Report of Concerned Bank, Refer Appendix -10]

Table 10 reveals the net profit to total deposit ratio of PDBL and SDBL are in fluctuating order and the ratio of BDBL is in increasing order. The ratio of BDBL has ranged between 0.0402 in 2066/67 to 0.0223 in 2064/65 with mean ratio of 0.0235 which is highest ratio among the sample banks. The highest and lowest ratios recorded by PDBL are 0.0309 and 0.019 in year 2066/67 and 2063/64 respectively. Similarly, highest ratio for SDBL has recorded in year 2063/64 (0.0232) and lowest ratio in year 2062/63 (0.0130) with mean ratio of 0.01754 which is lowest mean ratio among the sample banks. The above statement indicates that BDBL has better performance in utilizing of total deposit to earn a higher profit than other sample banks. Similarly, SDBL has not better performance in comparison to BDBL and SDBL since they has low mean ratio i.e. 0.01754.

As far as consistency level PDBL is successful in maintaining consistency in mobilizing total deposit to earn the profit. This is shown by lowest CV of PDBL i.e. 19.19 % than SDBL (24.56%) and BDBL (42.48%).

Figure - 10



4.1.1.3 Net Profit to Net Worth Ratio

Net Worth or shareholders equity refers to the owners claim on the assets of the bank. It can be found by deducting total liabilities from total assets. This ratio is used to measure the successfulness of earning the profit with respect to the shareholder's equity. The following table presents the net profit to net worth ratio of sample banks.

Table 11 : Net Profit to Net Worth Ratio

(Rs. in millions)

Banks									
	Paschimanchal Development Bank Limited			Bhrikutee Development Bank Limited			Siddhartha Development Bank Limit		
Fiscal Year	Net Profit	Net Worth	Ratio (in times)	Net Profit	Net Worth	Ratio (in times)	Net Profit	Net Worth	Ratio (in times)
2062/63	5.9356	28.7053	0.2068	3.012	25.3528	0.1188	3.1258	53.3519	0.0586
2063/64	8.2782	56.9835	0.1453	6.2372	31.327	0.1991	12.747	58.2914	0.2187
2064/65	15.9393	119.8965	0.1329	15.7273	77.0875	0.2040	16.99	122.0967	0.1392
2065/66	21.8467	139.0968	0.1571	29.1699	138.6712	0.2104	35.19	662.4644	0.0531
2066/67	35.2136	345.027	0.1021	60.4646	309.555	0.1953	48.659	672.4234	0.0724
Mean			0.14884			0.18552			0.1084
S.D.			0.03834			0.03772			0.07062
C.V. (%)			25.76			20.33			65.15

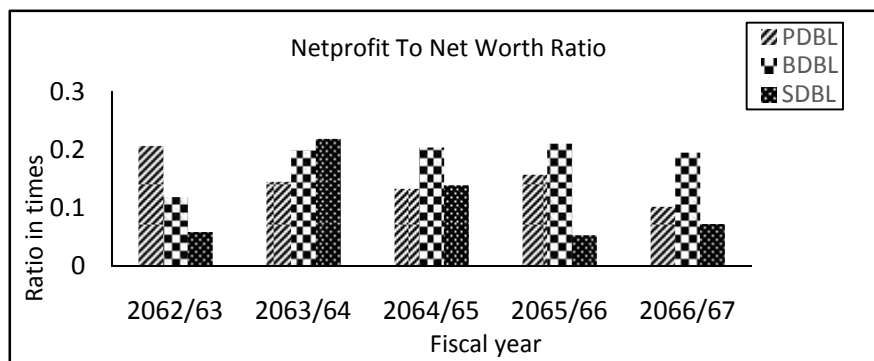
[Sources: Annual Report of Concerned Bank, Refer Appendix -11]

Table 11 reveals the net profit to total deposit ratio are in fluctuating situation for all banks. The ratio of BDBL has ranged between 0.1188 in 2062/63 to 0.2104 in 2065/66 with mean ratio of 0.18552, which is highest ratio among the sample banks. The highest and lowest ratios recorded by PDBL are 0.2068 and 0.1021 in year 2062/63 and 2066/67 respectively.

Similarly, highest ratio for SDBL has recorded in year 2063/64 (0.2187) and lowest ratio in year 2065/66 (0.0531) with mean ratio of 0.1084 which is lowest mean ratio among sample banks. The above statement indicates that BDBL has better performance in utilizing of total deposit to earn a higher profit than other sample banks. Similarly, SDBL has not better performance in comparison to BDBL and PDBL since they has low mean ratio.

As far as consistency level. BDBL is successful in maintaining consistency in mobilizing total deposit to earn the profit. This is shown by lowest CV of BDBL i.e. 20.33 %. In contrast PDBL and SDBL are less effective to maintain the consistency which is shown by highest CV 25.76% and 65.15% respectively

Figure – 11



4.1.1.3.4. Total Interest Earned to Total Working Fund Ratio

The ratio shows the earning capacity of a Bank on its total assets (working fund). This ratio exhibits the extent on which banks are successful in mobilizing their working funds to generate income as much as possible. The higher ratio will indicate the high earning power of the banks on its total assets. The following table shows the comparative ratios of Banks for the different periods.

Table 12 : Total Interest Earned to Total Working Fund Ratio

(Rs. in millions)

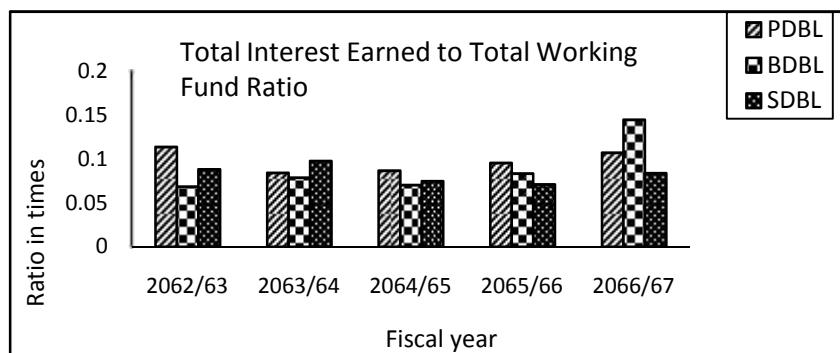
Fiscal Year	Banks								
	Paschimanchal Development Bank Limited			Bhrikutee Development Bank Limited			Siddhartha Development Bank Limited		
	Interest Earned	Working Fund	Ratio (in times)	Interest Earned	Working Fund	Ratio (in times)	Interest Earned	Working Fund	Ratio (in times)
2062/63	34.5183	303.5	0.1137	15.7571	230.68	0.0683	28.4289	322.49	0.0882
2063/64	44.1994	525.18	0.0842	33.3794	424.956	0.0785	51.8404	692.11	0.0975
2064/65	80.8043	931.07	0.0868	59.6647	848.22	0.0703	86.0469	1150.50	0.0748
2065/66	120.7546	1264.77	0.0955	124.6337	1550.54	0.0834	174.0892	2449.787	0.0711
2066/67	179.8036	1676.38	0.1073	279.1513	1926.32	0.1449	355.9008	4241.56	0.0839
Mean			0.0975			0.08908			0.25858
S.D.			0.01279			0.0318			0.40049
C.V. (%)			13.1179			35.69			15.488

[Sources: Annual Report of Concerned Bank, Refer Appendix -12]

Table 12 reveals the total interest earned to total working fund ratio. The ratios of PDBL and SDBL are in the fluctuating trend throughout the study period whereas the ratio of BDBL is in increasing order. The highest ratio of SDBL is 0.0975 in year 2063/64 and lowest ratio is 0.0711 in year 2065/66 with highest mean ratio of 0.25858. The ratio of PDBL has ranged between 0.0842 in year 2063/64 to 0.1137 in year 2062/63 with mean ratio of 0.0975. Similarly, BDBL also has a fluctuating trend. The ratio is ranged between 0.0683 to 0.1449 in year 2062/63 to 2066/67 respectively.

The mean ratio shows that all sample banks are successful in earning the interest on total working fund. Among them SDBL found to be a leader in earning an interest with compare to PDBL and BDBL. Since PDBL has a lowest C.V. (13.1179%) they have a consistency in earning an interest by mobilizing a total working fund effectively. The highest C.V. is found in BDBL with 35.69% which shows a greater variability in earning an interest.

Figure - 12



4.1.1.3.5 Total Interest Paid to Total Working Fund Ratio

Interest earning is the major source of a commercial bank. The ratio is used to measure the percentage of total interest expenses against the total assets. The following are the comparative ratio figures of Banks recorded in different periods.

Table 13 : Total Interest Paid to Total Working Fund Ratio

(Rs. in millions)

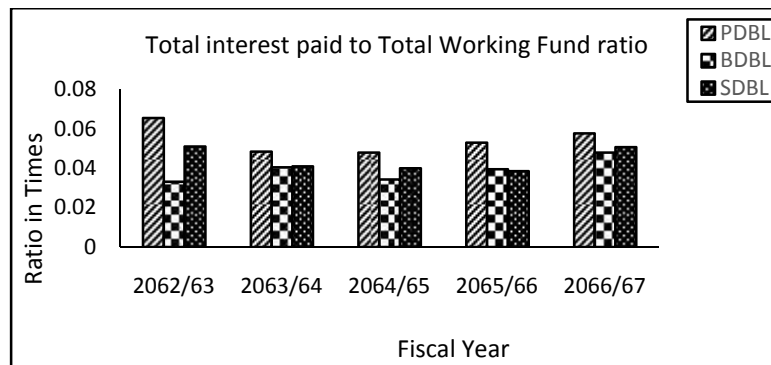
Banks									
Fiscal Year	Paschimanchal Development Bank Limited			Bhrikutee Development Bank Limited			Siddhartha Development Bank Limited		
	Interest Paid	Working Fund	Ratio (in times)	Interest Paid	Working Fund	Ratio (in times)	Interest Paid	Working Fund	Ratio (in times)
2062/63	19.9247	303.5	0.0656	7.6697	230.68	0.0332	16.4882	322.49	0.0511
2063/64	25.456	525.18	0.0485	17.2128	424.956	0.0405	28.0337	692.11	0.041
2064/65	44.6626	931.07	0.048	29.1392	848.22	0.0344	45.5074	1150.50	0.04
2065/66	67.0678	1264.77	0.053	61.2197	1550.54	0.0395	94.4264	2449.787	0.0385
2066/67	96.944	1676.38	0.0578	92.446	1926.32	0.048	215.0045	4241.56	0.0507
Mean			0.05458			0.03912			0.04426
S.D.			0.007331			0.004102			0.006128
C.V. (%)			13.432			10.486			13.845

[Sources: Annual Report of Concerned Bank, Refer Appendix -13]

Table 13 shows the comparative analysis of total interest paid to total working fund. All the ratios are in fluctuating trend. The highest and lowest ratio of BDBL are 0.048 and 0.0332 in fiscal year 2066/67 and 2062/63 respectively with mean ratio of 0.03912 which is lowest mean ratio among sample banks. The highest and lowest ratios of PDBL are 0.0656 and 0.048 with mean ratio of 0.05458. Similarly, SDBL has a fluctuating ratio which is ranged between 0.0385 in 2065/66 and 0.0511 in 2062/63. The above definition determined that PDBL has paid a higher interest on working fund in compare to BDBL and SDBL which is shown by highest mean ratio.

BDBL has consistency in interest paid because C.V. of BDBL is lowest among sample banks which is 10.486%. The C.V. PDBL and SDBL are 13.432 % and 13.845 % respectively.

Figure-13



4.1.1.4 Leverage Ratios

A firm should have strong short- term as well as long -term financial position. Like other ratios, leverage ratio is also very necessarily important tool in measuring financial performance of any institution. This ratio reveals the proportion of funds used by the institution either from the creditor's side or form owner side. In order to maintain healthy financial position any institutions need to maintain proper proportion of debt & equity. These ratios indicate the situation of the capital structure, which is calculated to measure the company's ability of using debt for benefit of shareholders. Long- term creditors like debenture holders, financial institutions etc. are more interested to the firm's long term financial health, debt serving capacity and strength and weakness of the concerns. This ratio may be calculated from the balance sheet items to determine the proportion of debt in total financing. In summary debt ratio tell us the relative proportions of capital of contribution by creditors and by owners.

Leverage ratio is also called solvency ratio or capital structure ratio. There are various tools in order to measure leverage of the institution among them. Debt Asset ratio & Debt Equity ratio has been used.

4.1.1.4.1 Debt-Asset Ratio

It measures proportion of the creditor's funds used by the institution to acquire the assets. The increased proportion of debt indicated the riskiness or burden to the institution. The debt is considering more risky and cheap source of financing. Risky in the sense that the debt financing needs regular payment of interest in any condition of economic. The debt asset ratios of sample banks are as below:

Table 14 : Debt- Asset Ratio

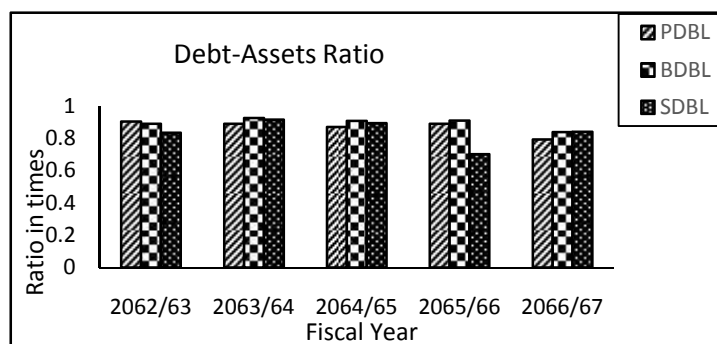
(Rs. in millions)

Banks									
	Paschimanchal Development Bank Limited			Bhrikutee Development Bank Limited			Siddhartha Development Bank Limit		
Fiscal Year	Total Debt	Total Assets	Ratio (in times)	Total Debt	Total Assets	Ratio (in times)	Total Debt	Total Assets	Ratio (in times)
2062/63	274.7916	303.497	0.9054	205.3285	230.68	0.89	269.1372	322.49	0.8346
2063/64	468.1953	525.1788	0.8915	393.629	424.956	0.9263	633.8196	692.11	0.9158
2064/65	811.1768	931.07	0.8712	771.1354	848.22	0.909	1028.4059	1150.50	0.8939
2065/66	1125.6711	1264.77	0.890	1412.982	1550.54	0.9113	1718.3234	2449.787	0.7014
2066/67	1331.3524	1676.38	0.7941	1616.762	1926.32	0.8393	3569.1394	4241.56	0.8415
Mean			0.87044			0.89518			0.83744
S.D.			0.04438			0.03379			0.08346
C.V. (%)			5.099			3.775			2.9958

[Sources: Annual Report of Concerned Bank, Refer Appendix -14]

Table 14 shows that debt financing ratio of all sample banks are high. The ratio of PDBL, BDBL and SDBL are in fluctuating trend. The highest ratio of SDBL is 0.9158 in 2063/64 and lowest is 0.7041 in 2065/66 with mean ratio of 0.83744 which is lowest mean ratio among the sample banks. The ratio of PDBL is ranged between 0.7941 and 0.9054 in year 2066/67 and 2062/63 respectively. Similarly, BDBL have highest ratio in year 0.9263 in year 2063/64 and lowest ratio in year 0.8393 in year 2066/67 with mean ratio of 0.89518. BDBL has a highest mean ratio with 0.89518 among sample banks. The C.V. of SDBL, PDBL and BDBL are 2.9958%, 5.099% and 3.775%. Above statement conclude that the debt financing of SDBL in assets is lowest and highest in BDBL. Therefore BDBL is utilizing a highest debt among the sample banks. Even though SDBL use less proportion of debt financing with compare to BDBL, PDBL successful in maintaining a consistency which is shown by lowest C.V. (2.9958) among sample banks.

Figure - 14



4.1.1.4.2 Debt-Equity Ratio

The Debt Equity ratio implies the debt equity proportion used by the institution. High Debt Equity ratio indicated more used of money from creditors side and vice versa. High Debt Equity ratio considered good if the institution is able have higher return than the cost paid on debt.

Table 15 : Debt- Equity Ratio

(Rs. In millions)

Banks									
	Paschimanchal Development Bank Limited			Bhrikutee Development Bank Limited			Siddhartha Development Bank Limited		
Fiscal Year	Total Dept	Total Equity	Ratio(in times)	Total Dept	Total Equity	Ratio(in times)	Total Dept	Total Equity	Ratio(in times)
2062/63	274.7916	28.7053	9.5729	205.3285	25.3528	8.0988	269.1372	53.3519	5.045
2063/64	468.1953	56.9835	8.2163	393.629	31.327	12.565	633.8196	58.2914	10.8733
2064/65	811.1768	119.8965	6.7656	771.1354	77.0875	10.0033	1028.4059	122.0967	8.4229
2065/66	1125.6711	139.0968	8.0927	1412.982	138.6712	10.189	1718.3234	662.4644	2.5938
2066/67	1331.3524	345.027	3.8587	1616.762	309.555	5.223	3569.1394	672.4234	5.3079
Mean			7.30124			9.21582			6.44858
S.D.			2.1658			2.7375			3.2252
C.V. (%)			29.66			29.70			50.014

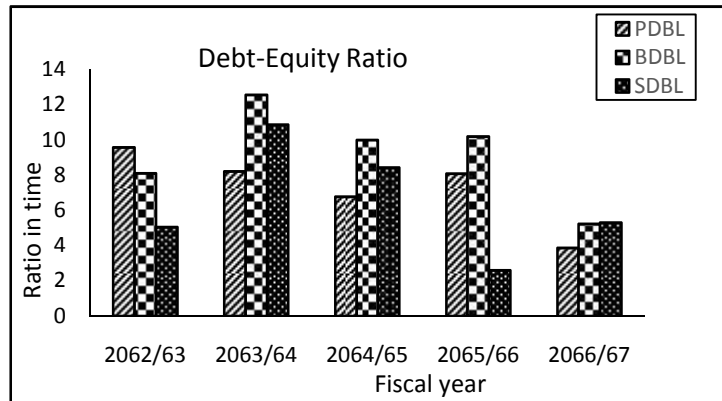
[Sources: Annual Report of Concerned Bank, Refer Appendix -15]

Table 15 shows that the ratio of SDBL is in fluctuating mode. The highest ratio is recorded in year 2063/64 (10.8733) and lowest ratio is recorded in year 2065/66 (2.5938) with mean ratio of 6.44858 which is lowest among the sample banks. It declared that SDBL has lowest debt cost and higher investment from equity fund. In the same way the ratio of PDBL is also in fluctuating trend. It has ratio ranged between 3.8587 (2066/67) to 9.5729 (2062/63) with mean ratio of 7.30124. The ratio of BDBL is also fluctuating mode. The ratio is ranged between 5.223 in year 2066/67 to 12.565 in year 2063/64 with highest mean ratio 9.21528. Since highest mean ratio is recorded by BDBL, they have more investment from debt than equity fund which cost a higher than equity. Higher debt investment brings a higher cost to the banks.

The C.V. of SDBL, PDBL and BDBL are 50.014%, 29.66% and 29.70%. Therefore PDBL has lowest C.V. which defined that PDBL has consistency in debt-equity ratio. BDBL also

has maintained stability almost similar to PDBL. But SDBL is not successful as PDBL and SDBL to maintain a consistency.

Figure - 15



4.1.1.5 Capital Adequacy Ratios

Capital Adequacy ratio indicates strength of capital base of the institution. Capital refers to paid up capital, general reserve and unpaid profit. A high or low capital adequacy ratio is undesirable items of lower return or lowered solvency respectively. Therefore appropriate capital adequacy is needed but it is a controversial matter. The capital adequacy ratios of the sampled banks are as follows:

4.1.1.5.1 Shareholder's Fund to Total Deposit Ratio

Shareholder's fund to total deposit ratio shows how well bank are maintain sufficient amount as shareholder's fund is comparison to the amount of the total deposit.

Table 16 : Shareholder's Fund to Total Deposit Ratio

(Rs. in millions)

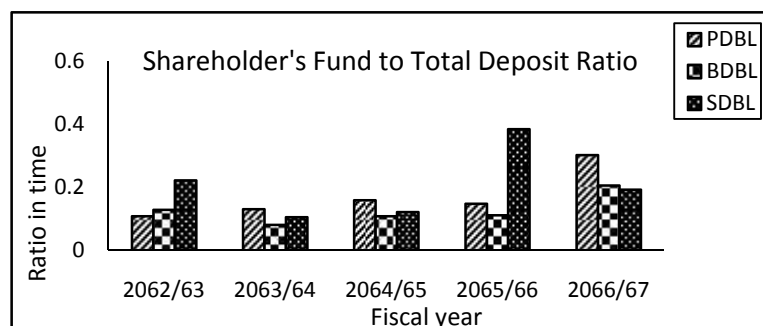
Fiscal Year	Banks								
	Paschimanchal Development Bank Limited			Bhrikutee Development Bank Limited			Siddhartha Development Bank Limited		
	Net Worth	Total Deposit	Ratio (in times)	Net Worth	Total Deposit	Ratio (in times)	Net Worth	Total Deposit	Ratio (in times)
2062/63	28.7053	263.02	0.1091	25.3528	196.51	0.1289	53.3519	240.112	0.22222
2063/64	56.9835	435.546	0.1308	31.327	387.38	0.0809	58.2914	549.52	0.106
2064/65	119.8965	753.61	0.1591	77.0875	706.44	0.1091	122.0967	1002.15	0.122
2065/66	139.0968	938.736	0.1482	138.6712	1237.96	0.1120	662.4644	1719.28	0.385
2066/67	345.027	1139.615	0.3028	309.555	1503.55	0.2059	672.4234	3479.94	0.193
Mean			0.17			0.12736			0.205644
S.D.			0.0766			0.0472			0.1113
C.V. (%)			45.06			37.06			54.120

[Sources: Annual Report of Concerned Bank, Refer Appendix -16]

Table 16 shows the capital adequacy ratio of all sample banks are fluctuating. The highest ratio of PDBL is registered in year 2066/67 (0.3028) and lowest ratio is registered in year 2062/63 (0.1091). Similarly, the highest ratio and lowest ratio of BDBL are in year 2066/67 (0.2059) and 2063/64 (0.0809). The ratio of SDBL is ranged between the 0.106 in year 2063/64 to 0.385 (2065/66). The mean ratio of PDBL, BDBL and SDBL are 0.17, 0.12736 and 0.205644. The highest and lowest mean ratio is registered by SDBL and BDBL respectively. Since, SDBL has highest mean ratio which indicates that capital base of bank is strongest among sample banks.

In the same way C.V. of PDBL, BDBL and SDBL are 45.06%, 37.06% and 54.120%. Therefore stability in capital strength is found to be higher in BDBL. SDBL has less consistency in maintaining a capital strength which is indicated by highest C.V. among sample banks.

Figure– 16



4.1.1.5.2 Shareholder's Fund to Total Assets Ratio

This ratio is concerned with the sufficiency of shareholders fund against the total assets. Generally this ratio measures the relative claims of owners of the bank over its assets. A high ratio indicates that out of total assets shareholders have more controlled, owner command and vice -versa.

Table 17 : Shareholder's Fund to Total Assets Ratio

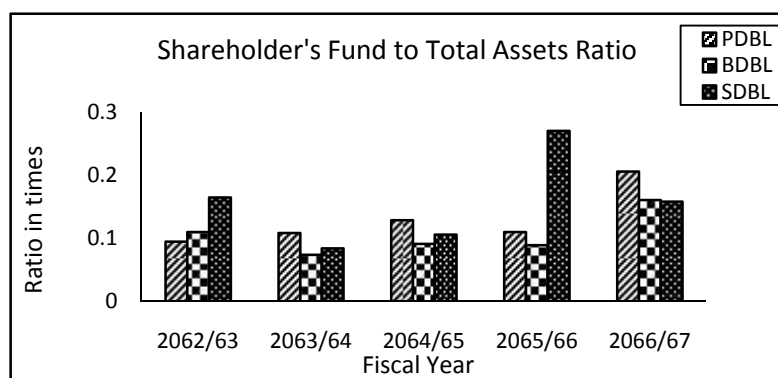
(Rs. in millions)

Fiscal Year	Banks								
	Paschimanchal Development Bank Limited			Bhrikutee Development Bank Limited			Siddhartha Development Bank Limit		
	Net Worth	Total Assets	Ratio (in times)	Net Worth	Total Assets	Ratio (in times)	Net Worth	Total Assets	Ratio (in times)
2062/63	28.7053	303.497	0.0946	25.3528	230.68	0.1099	53.3519	322.49	0.165
2063/64	56.9835	525.1788	0.1085	31.327	424.956	0.0737	58.2914	692.11	0.084
2064/65	119.8965	931.07	0.1288	77.0875	848.22	0.091	122.0967	1150.50	0.1061
2065/66	139.0968	1264.77	0.1099	138.6712	1550.54	0.089	662.4644	2449.787	0.2704
2066/67	345.027	1676.38	0.2058	309.555	1926.32	0.1607	672.4234	4241.56	0.1585
Mean			0.12952			0.10486			0.1568
S.D.			0.0443			0.0338			0.04434
C.V. (%)			34.20			32.23			28.29

[Sources: Annual Report of Concerned Bank, Refer Appendix -17]

Table 17 shows that the control over total assets by shareholder's fund is high in SDBL which is shows by highest mean ratio, hence SDBL has better Shareholders fund among other sample banks. The ratio of SDBL is ranged between 0.084 in year 2063/64 to 0.2704 in year 2065/66 with mean ratio of 0.1568. Similarly, ratio of PDBL is in fluctuating trend. The ratio is ranged between 0.0946 (2062/63) to 0.2058 (2066/67) with mean ratio 0.12952. The ratio of BDBL is in fluctuating trend 2063/64 year and in 2066/67. The highest and lowest ratio is 0.1607 in 2066/67 and 0.0737 in 2063/64 respectively with mean ratio of 0.10486. Since SDBL has lowest C.V. (28.29%) it has more consistency than PDBL and BDBL whose C.V. are 34.20% and 32.23% respectively.

Figure – 17



4.1.1.6 Growth Ratio of Net Profit, Earning Per Share and Dividend Per Share

Table 18: Growth Ratio of Net Profit, Earning Per Share and Dividend per Share Ratio

(Rs. in millions)

	Banks								
	Paschimanchal Development Bank Limited			Bhrikutee Development Bank Limited			Siddhartha Development Bank Limited		
	Fiscal Year 2062/63	Fiscal Year 2066/67	Growth Rate (In %)	Fiscal Year 2062/63	Fiscal Year 2066/67	Growth Rate (In %)	Fiscal Year 2062/63	Fiscal Year 2066/67	Growth Rate (In %)
Net Profit	5.9356	35.2136	42.77	3.012	60.4646	82.19	3.1258	48.659	73.16
EPS	1.4839	2.7087	12.79	7.0376	15.1161	16.52	3.1259	3.7430	3.67
DPS	0.6579	2.0709	25.78	6.3158	12.2435	14.16	5	2.9769	-9.85

[Sources: Annual Report of Concerned Bank]

Table 18 shows that growth ratio for the study period in PDBL remained 42.77%, 12.79%, and 25.78 % respectively for Net profit, EPS and DPS where as in BDBL these appeared 82.19%, 16.52% and 14.16% correspondingly. Similarly, SDBL's growth ratio of Net Profit, EPS and DPS are 73.16%, 3.67% and -9.85% respectively.

The above results shows that BDBL is found to be best from point of view of net profit, since they has highest growth rate among sample banks. PDBL is less successful than BDBL and SDBL in increasing a net profit. SDBL also has satisfied growth rate of net profit. In the same way BDBL has a highest growth rate in EPS among sample banks. This defined that their EPS are higher than PDBL and SDBL. Since BDBL's growth rate of EPS is in positive it has increasing trend of EPS. Similarly, PDBL and SDBL also have a positive growth rate which makes a conclusion of increment in EPS of banks. PDBL has highest positive growth rate of DPS among sample banks. This defined that PDBL has distribute the much dividend than BDBL and SDBL. Similarly BDBL has also positive growth rate and SDBL has negative growth rate. BDBL has also distributed dividend but lower than PDBL.SDBL has not distributed dividend.

4.1.2 Statistical Analysis

This chapter includes some statistical analysis such as Karl Pearson's coefficient of correlation, simple regression analysis and trend line analysis, which are used to analyze the data to achieve the objective of the study.

4.1.2.1 Coefficient of Correlation Analysis (r)

This tool is used to predict the relationship between deposits and loans & advances, net profit and outside assets and deposits and total investment. Under this study, Karl Pearson's coefficient of correlation is being used.

4.1.2.1.1 Coefficient of Correlation between deposits and loans & advances

Deposit is the main tool for developing the banking performance of the banks. Likewise loans and advances are the key part to mobilize the collected deposits. The coefficient of correlation between deposits and loans & advances measures the degree of relationship between these two variables. For this study, deposit is taken as independent variable (x) and loans & advances are dependent variables (y). The purpose of computing 'r' between these two variables is to justify whether deposits are significantly used as loans and advances in proper way or not.

Table 19: Coefficient of Correlation between Deposits and Loan & Advance

(Rs .in millions)

Fiscal Year	Banks					
	Paschimanchal Development Bank Limited		Bhrikutee Development Bank Limited		Siddhartha Development Bank Limit	
	Total Deposit (x)	Loan & Advances (y)	Total Deposit (x)	Loan & Advances (y)	Total Deposit (x)	Loan & Advances (y)
2062/63	263.02	239.863	196.51	154.74	240.112	235.2612
2063/64	435.546	407.34	387.38	319.684	549.52	516.28
2064/65	753.61	769.307	706.44	577.51	1002.15	783.981
2065/66	938.736	1030.965	1237.96	1108.847	1719.28	1472.84
2066/67	1139.615	1195.399	1503.55	1327.132	3479.94	2850.227
r	0.9672		0.9993		0.9992	
r²	0.9355		0.9986		0.9984	
PE.r	0.0195		0.0004		0.00048	
6PE.r	0.1167		0.0024		0.0029	
Level of Significant	Significant		Significant		Significant	

[Sources: Annual Report of Concerned Bank, Refer Appendix -18]

The coefficient of correlation (r) for all the sampled banks found to be almost '1' which indicates there is proportion relationship between the deposits & loan & advance for all the banks. While testing 6PE.r for all sample banks found to be significant as the r value for all

the banks are greater than 6P.E.r which implies that there found to be perfect correlation between the deposits and loan & advances. It shows that the loan and advances is depends upon the deposit and all sample banks are successful in mobilizing the deposit to loan and advances efficiently.

4.1.2.1.2 Coefficient of Correlation between deposits and Investment

Investment is also a measures part of banks to mobilize the collected deposit. By investing in different profitable area like shares and debenture, government securities banks maximize the profit. Therefore it is important to study the relation between the deposit and investment. For this analysis deposit is taken as independent variable (x) and investment (y) is taken as dependent variable. This analysis measures the degree of relationship between these two variables. Besides this, it will justify whether the deposits are significantly used in proper way or not and whether there is any relationship in between these two components. The following table exhibits the coefficient of correlation (r) between deposits and total investment, coefficient of determination (r²), probable error P.E.r.

Table 20 : Coefficient of Correlation between Deposits and Investment

(Rs. in millions)

Fiscal Year	Banks					
	Paschimanchal Development Bank Limited		Bhrikutee Development Bank Limited		Siddhartha Development Bank Limit	
	Total Deposit (x)	Investment (y)	Total Deposit (x)	Investment (y)	Total Deposit (x)	Investment (y)
2062/63	263.02	70.20	196.51	9.92	240.112	45.72
2063/64	435.546	113.285	387.38	67.25	549.52	85.67
2064/65	753.61	124.72	706.44	96.57	1002.15	220.874
2065/66	938.736	111.71	1237.96	165.02	1719.28	333.88
2066/67	1139.615	234.76	1503.55	199.95	3479.94	747.5
r	0.8142		0.9889		0.9978	
r²	0.6629		0.9779		0.9956	
PE.r	0.1017		0.0067		0.0013	
6PE.r	0.6102		0.0402		0.0078	
Level of Significant	significant		Significant		Significant	

[Sources: Annual Report of Concerned Bank, Refer Appendix -19]

The coefficient of correlation for all the sampled banks are found to be positive which indicates that there is positive and perfect relationship between the deposits & investments for all the sample banks. While testing 6P.E.r for all sample banks found to be significant as

the r value for all the banks are greater than 6P.E.r which implies that there found to be perfect correlation between the deposits& investments. It shows that the is deposits & investment depends upon the deposit and all sample banks are successful in mobilizing the deposit & investment efficiently.

4.1.2.1.3 Coefficient of Correlation between Investment & Net profit

Following table shows the relation between the investment and net profit. As we say in above investment is done in different profitable area to maximize the profit. Net profit is the key to survive the banks. Without profit banks cannot sustain in the market. Therefore it is necessary to measures the degree of relationship between these two variable. For this study, Investment (x) is taken as independent variable and net profit(y) is taken as dependent variable. The following table shows the coefficient of correlation between(r), coefficient of determinants (r^2) and probable error P.E.r on investment and net profit of banks.

Table 21 : Coefficient of Correlation between Investment and Net Profit

(Rs. in millions)

Banks						
Fiscal Year	Paschimanchal Development Bank Limited		Bhrikutee Development Bank Limited		Siddhartha Development Bank Limit	
	Investment(x)	Net Profit (y)	Investment (x)	Net Profit (y)	Investment (x)	Net Profit(y)
2062/63	70.20	5.9356	9.92	3.012	45.72	3.1258
2063/64	113.285	8.2782	67.25	6.2372	85.67	12.747
2064/65	124.72	15.9393	96.57	15.7273	220.874	16.99
2065/66	111.71	21.8467	165.02	29.1699	333.88	35.19
2066/67	234.76	35.2136	199.95	60.4646	747.5	48.659
r	0.9069		0.9199		0.9517	
r ²	0.8225		0.8462		0.9057	
PE.r	0.0535		0.0410		0.0284	
6PE.r	0.3210		0.2460		0.1704	
Level of Significant	significant		Significant		Significant	

[Sources: Annual Report of Concerned Bank, Refer Appendix -20]

The coefficient of correlation for all the sampled banks found to be almost '1' which indicates that there is proportion relationship between the investment & net profit for all the sample banks. While testing 6P.E.r for all sample banks found to be significant as the r value for all the banks are greater than 6P.E.r which implies that there found to be perfect correlation between the investment & profit. It shows that the is investment & profit depends upon the deposit and all sample banks are successful in mobilizing the investment & profit efficiently.

4.1.2.1.4 Coefficient of Correlation between Loan and advances & Net profit

Loan and advances also plays a vital role in earning the profit. By mobilizing the deposit in loan & advances banks earns the profit. So, it is necessary to study the relation between these two variable loan & advances and net profit. Following table shows the coefficient of correlation(r), coefficient of determinants (r^2) and probable error PE.r of loan & advances and net profit of sample banks. For this study loan and advances(x) is taken as independent variable and net profit (y) is taken as dependent variable

Table 22 : Coefficient of Correlation between Loan and Advances and Net Profit

(Rs.in million)

Banks						
Fiscal Year	Paschimanchal Development Bank Limited		Bhrikutee Development Bank Limited		Siddhartha Development Bank Limit	
	Loan & Advances	Net Profit	Loan & Advances	Net Profit	Loan & Advances	Net Profit
	(x)	(y)	(x)	(y)	(x)	(y)
2062/63	239.863	5.9356	154.74	3.012	235.2612	3.1258
2063/64	407.34	8.2782	319.684	6.2372	516.28	12.747
2064/65	769.307	15.9393	577.51	15.7273	783.981	16.99
2065/66	1030.965	21.8467	1108.847	29.1699	1472.84	35.19
2066/67	1195.399	35.2136	1327.132	60.4646	2850.227	48.659
r	0.9535		0.9392		0.9719	
r²	0.9092		0.8821		0.9446	
PE.r	0.0274		0.0356		0.0167	
6PE.r	0.1644		0.2136		0.1002	
Level of Significant	Significant		Significant		Significant	

[Sources: Annual Report of Concerned Bank, Refer Appendix -21]

The coefficient of correlation for all the sampled banks found to be almost '1' which indicates there is proportion relationship between the loan & advance and net profit for all the banks. While testing 6P.E.r for all sample banks found to be significant as the r value for all the banks are greater than 6P.E.r which implies that there found to be perfect correlation between the Loan & advance and net profit. It shows that all sample banks are successful in earning the net profit by mobilizing the loan and advances.

4.1.2.2 Simple Regression Analysis

Regression Analysis is useful tool in statistical analysis which shows how the variables are related. In regression analysis one variable is considered to be unknown and other to be known variable. From the known variable we can estimate the value of unknown variable. So, Regression is said to be measures of average relationship between two or more variables in terms of the original units of the data. For the study we confined to only two variables and this kind of regression is called simple regression. “Simple” because there is only one independent variable and liner” because the relationship between the independent and dependent variable is assumed to be linear.

4.1.2.2.1 Regression Analysis between Net Profit and Total Deposit

The main point of this analysis is to determine the relation between net profit and total deposit. Obviously, it seems that as total deposit increases the net profit of the banks need to increase. So, in this analysis net profit is considered to be dependent variable and total deposit as independent variable. The relation between net profit and total deposit can be present mathematically as below:

$$N.P.= a + b T.D.$$

Where,

N.P. = Net Profit

T.D.= Total Deposit

Table 23: Regression Analysis between Net Profit and Total Deposit

S.No.	Banks	Intercept (a)	Regression Coefficient (b)	r	T-stat
1	Paschimanchal Development Bank Limited	-4.8703	0.0316	0.9624	6.1374*
2	Bhrikutee Development Bank Limited	-9.008	0.0396	0.9420	4.8617*
3	Siddhartha Development Bank Limited	4.1870	0.0137	0.9672	6.5954*

[Sources: Annual Report of Concerned Bank, Refer Appendix -22]

Note: * represents that results are significant at 5 percent level of significant

Table 23 exhibits the estimation of net profit on the basis of the total deposit. The regression coefficient of net profit and total deposit for all the sampled banks are positive which determine that increase in the total deposit ultimately increases Net Profit for each sampled banks. The coefficient correlation found to be almost near by “1”. The coefficient correlation found to be highest in case of SDBL almost near by ‘1’ which indicates proportionate change in net profit as increase or decrease in Total Deposit for the bank. In case of t-test variables of all sample bank was significance at 5% level of significant. This shows that there was high correlation between net profit and total deposit in case of all sample banks.

4.1.2.2.2 Regression Analysis between Net Profit and Loan & Advances

This analysis determines the relation between net profit and loan & advances. As loan & advances increases the net profit of the banks need to increase. So, in this analysis net profit is considered to be dependent variable and loan & Advances as independent variable. The relation between net profit and loan & deposit can be present mathematically as below:

$$N.P.= a + b LA$$

Where,

N.P. = Net Profit

L.A.= Loan & Advances

Table 24: Regression Analysis between Net Profit and Loan & Advances

S.No.	Banks	Intercept (a)	Regression Coefficient (b)	r	T-stat
1	Paschimanchal Development Bank Limited	2.8117	0.0278	0.9535	5.4796*
2	Bhrikutee Development Bank Limited	-7.3529	0.0434	0.9392	4.7376*
3	Siddhartha Development Bank Limited	3.4232	0.0170	0.9719	7.1514*

[Sources: Annual Report of Concerned Bank, Refer Appendix -23]

Note: * represents that results are significant at 5 percent level of significant

Table 24 gives a competitive result of regression analysis for all sample banks. Regression coefficient of net profit and loan and advances for all the sampled banks are positive which determine that increase in the loan and advances ultimately increases net profit for each sampled banks. The coefficient correlation found to be highest in case of SDBL almost near by '1' which indicates proportionate change in net profit as increase or decrease in loan and advances for the bank. BDBL has registered the lowest correlation (r) between loan and advances and net profit in respect to other sampled banks.

While testing the hypothesis on the basis of t-test the variables of all sample banks are got significance at 5% level. This shows that there was high correlation between net profit and loan and advances of all sample banks.

4.1.2.2.3 Regression Analysis between Net profit and Investment

This analysis determines the relation between net profit and Investment. As Investment increases the net profit of the banks need to increase. So, in this analysis net profit is considered to be dependent variable and Investment as independent variable. The relation between net profit and Investment can be present mathematically as below:

$$N.P. = a + b I$$

Where,

N.P. = Net Profit

I. = Investment

Table 25: Regression Analysis between Net Profit and Investment

S.No.	Banks	Intercept (a)	Regression Coefficient (b)	r	T-stat
1	Paschimanchal Development Bank Limited	-5.2353	0.1732	0.9069	3.7280*
2	Bhrikutee Development Bank Limited	-7.4827	0.2822	0.9199	4.0630*
3	Siddhartha Development Bank Limited	5.5938	0.0619	0.9517	5.3688*

[Sources: Annual Report of Concerned Bank, Refer Appendix -24]

Note: i) * represents that results are significant at 5 percent level of significant.

Table 25 represents the regression analysis between the net profit and investment. The regression coefficient of net profit and investment for all the sampled banks are positive which indicate that increase in the investment ultimately increases net profit for each sampled banks. The coefficient correlation found to be highest in case of SDBL almost near by '1' which indicates proportionate change in net profit as increase or decrease in investment for the bank. PDBL has registered lowest correlation (r) in respect to other sampled banks.

Since SDBL has higher calculated value than t-test table value it has got significant at 5 % level while testing the Hypothesis. The other two sample banks didn't get the significance between net profit and investment. This represents that there is a high correlation between the net profit and Investment for SDBL and low correlation for PDBL and BDBL.

4.1.2.3. Trend Line Analysis

Among the various methods of determining trend of time series, the most popular and mathematical method is the least square method. Using this method of least square in the study, it has been tried to analyze the trend of prospective net profit in future by analyzing the trend of past net profit of the banks. Banks utilized the deposit by releasing investment in loan and advances in different profitable area for maximizing the profit. A bank can invest in shares & debenture, government securities and provide the loan and advances under different scheme.

This topic will be used to forecast the ratios of Total deposit, Total Loan and Advances, Total Investment and Net Profit of the banks for next five years on the base of past five years. The analysis is done under limited factors which are as follows:

-) The economy will remain unchanged as of present the stage.
-) Banks will run as of present position.
-) The guidelines by NRB for Banks will remain unchanged.
-) The forecast will be true only when the limitations of least square method are carried out.
-) The main assumption is that other factors are constant

4.1.2.3.1 Trend Line Analysis of Total Deposit

The part of this analysis will analyze Total deposit of banks for five years from 2063 to 2067 and projection for next five years i.e. 2068 to 2072. The following table exhibits the trend values of Total deposit of sample banks for 10 years.

Table 26 :Trend Line Analysis of Total Deposit

Year	Trend Values of Total Deposit		
	PDBL	BDBL	SDBL
2063	254.824	113.47	-131.68
2064	480.465	459.9	633.26
2065	706.105	806.33	1398.2
2066	931.745	1152.76	2163.14
2067	1157.385	1499.19	2928.08
2068	1383.025	1845.62	3639.02
2069	1608.665	2192.05	4457.96
2070	1834.305	2538.48	5222.9
1071	2059.945	2884.91	5987.84
2072	2991.69	3231.34	6752.78

Figure – 18

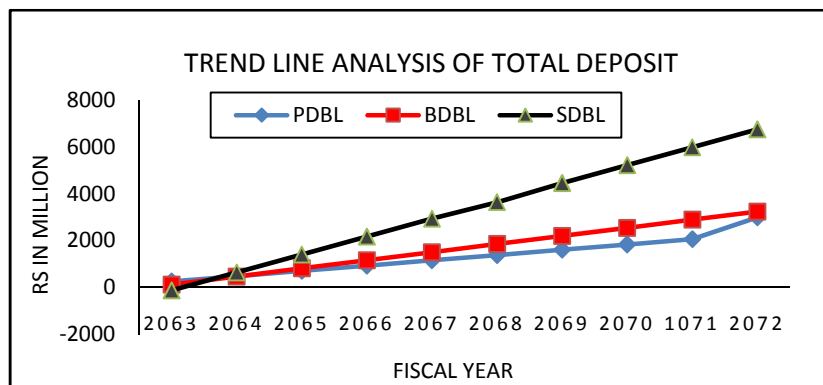


Table 26 exhibits that the trend values of all the sample banks are in increasing trend, which means futures of total deposit of all the sample banks are good. Among the sample banks SDBL has a highest trend of total deposit. It means SDBL is successful in mobilizing the deposit. In fiscal year 2063 the trend values of PDBL, BDBL and SDBL are 254.824, 113.47

and -131.68 respectively. It is increase to 2991.69, 3231.34 and 6752.78 for the forecast year 2072.

4.1.2.3.2 Trend Line Analysis of Loan and Advances

The analysis will analyze Loan and Advances of banks for five years from 2063 to 2067 and forecast for following five years i.e. 2068 to 2072. The following table exhibits the trend values of Total deposit of sample banks for 10 years.

Table 27 :Trend Line Analysis of Loan & Advances

Year	Trend Values of Loan & Advances		
	PDBL	BDBL	SDBL
2063	221.63	70.8	474.42
2064	475.1	384.19	1098.07
2065	728.57	697.58	1711.72
2066	982.04	1010.97	2330.37
2067	1235.51	1324.36	2949.02
2068	1488.98	1637.75	3567.67
2069	1742.45	1951.14	4186.32
2070	1995.92	2264.53	4804.97
1071	2249.39	2577.92	5423.62
2072	2502.86	2891.31	6042.27

[Sources: Annual Report of Concerned Bank,
Refer Appendix -26]

Figure -19

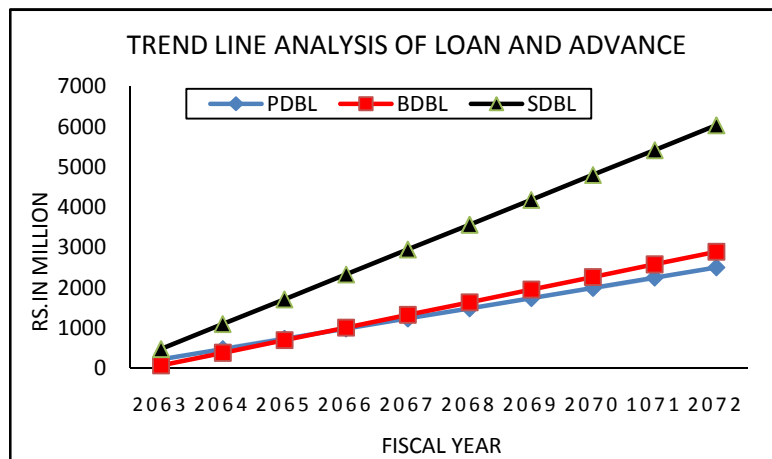


Table 27 exhibits that the trend values of all the sample banks are in increasing trend, which means futures of total Loan and Advances of all the sample banks are good. All the sample banks are successful in mobilizing the Loan and Advances to different productive and profitable sector. Among the sample banks SDBL has a highest trend of Loan and Advances . It means SDBL is successful in mobilizing the deposit In fiscal year 2063 the trend values of PDBL, BDBL and SDBL are 221.63, 70.8 and 474.42 respectively. It is increase to 2502.86, 2891.31 and 6042.27 for the forecast year 2072.

4.1.2.3.3 Trend Line Analysis of Investment

The following table analyzes the trend values of Investment of sample banks for five years and prediction for next five years.

Table 28 :Trend Line Analysis of Investment

Year	Trend Values of Investments		
	PDBL	BDBL	SDBL
2063	65.44	12.18	-43.63
2064	98.19	59.96	121.55
2065	130.94	107.74	286.73
2066	163.69	155.52	451.91
2067	196.44	203.3	617.09
2068	229.19	250.96	782.27
2069	261.94	298.86	947.45
2070	294.69	346.64	1112.63
1071	327.44	394.42	1277.81
2072	360.19	442.2	1442.99

[Sources: Annual Report of Concerned Bank, Refer Appendix -27]

Figure – 20

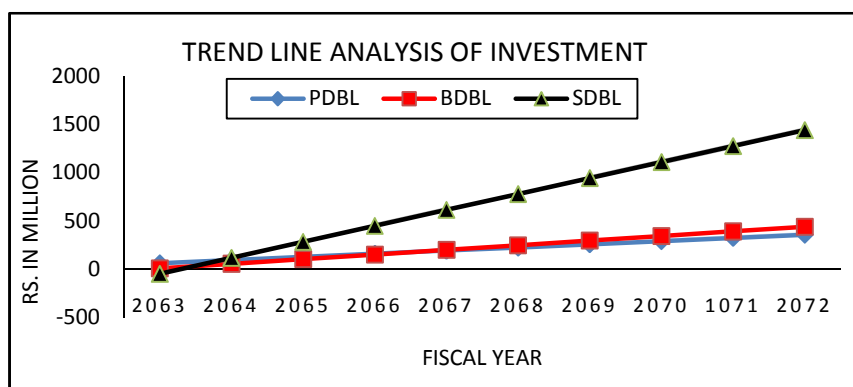


Table 28 exhibits that the trend values of all the sample banks are in increasing trend, which means futures of total deposit of all the sample banks are good. Among the sample banks SDBL has a highest trend of Investment. It means SDBL is successful in mobilizing the Investment. In fiscal year 2063 the trend values of PDBL, BDBL and SDBL are 65.44, 12.18 and -43.63 respectively. It is increase to 360.19, 442.2 and 1442.99 for the forecast year 2072.

4.1.2.3.4 Trend Line Analysis of Net Profit

The following table analyzes the trend values of Net Profit of sample banks for five years and prediction for next five years.

Table 29 :Trend Line Analysis of Net Profit

Year	Trend Values of Net Profits		
	PDBL	BDBL	SDBL
2063	3.02	-4.64	0.64
2064	10.23	9.14	11.99
2065	17.44	22.92	23.34
2066	24.65	36.7	34.69
2067	31.86	50.48	46.04
2068	39.07	64.26	57.39
2069	46.28	78.04	68.74
2070	53.49	91.82	80.09
1071	60.7	105.6	91.44
2072	67.91	119.38	102.79

[Sources: Annual Report of Concerned Bank, Refer Appendix -28]

Figure – 21

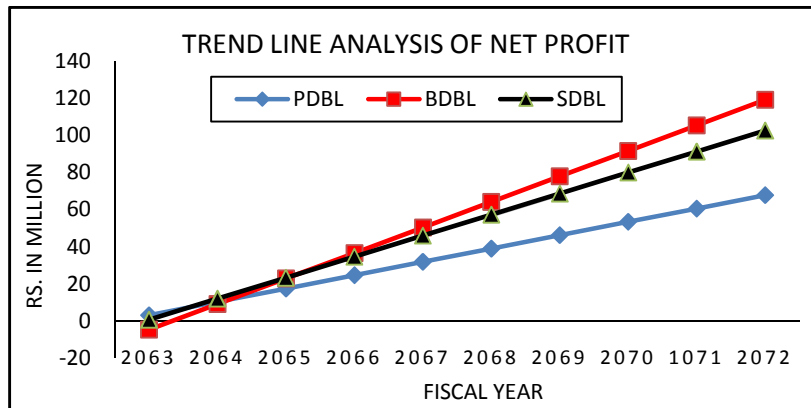


Table 29 exhibits that the trend values of all the sample banks are in increasing trend, which means futures of Net Profit of all the sample banks are good. Among the sample banks BDBL has a highest trend of Net Profit. It means BDBL is successful in mobilizing the Net Profit . In fiscal year 2063 the trend values of PDBL, BDBL and SDBL are 3.02, -4.64 and 0.64 respectively. It is increase to 67.91, 119.38 and 102.79 for the forecast year 2072.

4.2 Major Findings of the Study

The main findings of the study are carried out on the basis of the analysis of financial data of banks which are as follows:

4.2.1 Liquidity Ratio

-) During the five years study period of three banks the current ratio found to be highly fluctuate. It is well known that the standard current ratio is 2:1. Among sample bank the current ratios of SDBL dominate the respective current liabilities which indicate that SDBL is capable in paying the current obligation. Therefore SDBL has a highest liquidity ratio among sample banks. PDBL and BDBL have low current ratio, but it does not mean that they are failed to maintain the liquidity position. From point of view of working policy they are very much aggressive. However average of all banks shows the satisfactory level of current ratio.
-) BDBL found to be in better position to maintain the cash and bank balance ratio among the sample banks. But it does not mean that it has mobilized its more funds in

profitable sector. It actually means that it can meet the daily cash requirement to make payments of the customer. PDBL has lowest mean ratio which mean it may invest the more fund in the productive sector. SDBL has an average mean ratio. All the banks have a fluctuation ratio during study period.

From above results it can said that the liquidity position of PDBL found to be comparatively better than other sample banks. But SDBL and BDBL also has a satisfactory level of liquidity position due to their aggressive working policy.

4.2.2 Assets Management Ratio

-) The loan and advances to total deposit ratio of all banks found to be at satisfactory level and maintain the good consistency in ratio. However PDBL has a highest mean ratio it shows that PDBL's liquidity position with respect to this ratio is more satisfactory than other sample banks. Apart from this BDBL has a more consistency in ratio than other.
-) The mean ratio of loan and advances to fixed deposit ratio all the banks are found to be at satisfactory level. Since BDBL has a higher mean ratio, BDBL is able to proper utilization of loan and advance with respects to fixed deposit. PDBL and SDBL have seemed to less effective in utilizing the loan and advances in compare to BDBL.
-) All the sample banks are successful to mobilize their funds as loan and advances with respect to total assets. But in comparative study for five years for three sample banks PDBL has a higher mean ratio, so they are found to be best investor among sample banks. As concern to consistency, almost all banks are failed to maintain the consistent. Among them BDBL has maintain the consistency in loan and advances up to some extent.
-) Among sample banks PDBL is successful in mobilizing the deposit in invest on government securities, since it has a higher mean ratio. But BDBL has a lower mean ratio; they are less successful to utilize the deposit in investment on government

securities in compare with sample banks. Among sample banks SDBL are able to maintain the consistency in mobilization of investment on government securities.

-) All sample banks have satisfactory investment on govt. securities to total working fund ratio. Since PDBL has a higher mean ratio they are successful in mobilizing the funds in govt. securities. Whereas BDBL has a lowest mean ratio which shows that they are failed to invest in govt. securities in past five years. SDBL are found to be best as concern with consistency. It has maintained the consistency level up to some extent.

From above finding, it shows that all the sample banks are successful in on-balance sheet utilization as well as off balance sheet operation. Among them PDBL found a best in mobilizing the assets to the profitable sector.

4.2.3 Profitability Ratio

The following findings are derived from the profitability ratios of sample banks.

-) All the sample banks are able to earn the profit on total assets. Among them, BDBL found to be best, since it has a higher mean ratio than average mean ratio. But as concern to consistency PDBL also shows the consistency on earning the profit.
-) Net profit to total deposit ratio of BDBL is highest among the sample banks whereas SDBL have low mean ratios. Similarly PDBL have more consistences in ratio.
-) The mean ratio of net profit to net worth of BDBL is highest among the sample banks. Also BDBL is found to be best as concern with consistency. It has maintained the best consistency level among the sample banks. SDBL has lower mean ratio and failed to maintain the consistency.
-) Even though all sample banks seem to earn the interest on total working fund, SDBL has successful in earning the higher interest and BDBL has lower interest compaired

to other sample banks. But as concern to consistency PDBL shows the consistency on earning the profit

-) SDBL and PDBL seem to be successful to collect its working fund from less expensive sources in comparison to BDBL. Even though PDBL has a higher interest expense they are successful in maintain the stability on expenses of interest

From above finding, we can conclude that BDBL has a consistency in earning the profit and expenses on interest and are successful in earning the higher profit with lower interest expenses, where as SDBL are average of other comparative banks.

4.2.4 Leverage Ratio

-) Debt-assets ratio of the BDBL is highest among the sample banks. Whereas SDBL have more consistence in maintaining the ratio. Similarly, PDBL has maintained the debt-assets ratio to some extent.
-) Even though BDBL is able to maintain the debt-equity ratio than other sample banks but failed to maintain the variability. In part of PDBL they are able to maintain the consistency but they also failed to use the equity fund to creditors. In case of SDBL is unable to maintain the debt equity ratio but successes in maintain the variability.

4.2.5 Capital Adequacy Ratio

-) The capital adequacy ratio for shareholders fund to total deposit is highest for SDBL among the sample banks. Similarly, BDBL has achieved a lowest ratio. PDBL and SDBL they both are failed to maintain the variability in comparison to the BDBL.
-) SDBL has achieved the highest shareholders fund to total assets ratio, which means that they have more assets out of the shareholder's fund. And also SDBL is able to maintain the variability. BDBL have lowest ratio among the sample banks. PDBL is in average position.

4.2.6 Growth Ratio

-) The growth rate of net profit of all sample banks is positive. Among sample banks BDBL have highest growth rate and PDBL has lowest growth rate.
-) BDBL found to be strongest in comparison to other sample banks in case to growth of earning per share. Whereas SDBL found to be lowest growth in earning per share.
-) The growth rate of dividend per share of PDBL & BDBL is positive whereas that of SDBL is negative. SDBL has lowest growth rate and PDBL has highest growth rate. BDBL is in average position.

4.2.7 Coefficient of Correlation

The correlation analysis has pull out the following results.

-) The Positive correlation between the deposit and loan and advances are found in all sample banks. The correlation between the deposit and loan and advances are perfect as there is significant between them. It means that the all banks provided the loans and advances from its deposit. Banks are successful in mobilizing the deposit as loans and advances.
-) There is the perfect positive correlation between the deposit and investment in all sample banks. The correlation between the deposit and investment are perfect as there is significant between them. In another word it can be said that Investment is depends upon the deposit.
-) All the sample bank are successful to earn the net profit from it's investment which means that there is a positive correlation between the Investment and net profit. Hence all the sample banks are mobilizing the investment to earn the profit.

-) All the sample banks are successful in earning the net profit by mobilizing the loan and advances. The correlation between the loan and advances and net profit are found to be positive.

4.2.8 Simple Regression Analysis

-) Even though all sample banks has a positive regression coefficient. All the sample banks have a high correlation and significance between the net profit and total deposit, while testing the hypothesis. That indicates proportionate change in net profit as increase or decrease in Total Deposits of the bank.
-) The regression coefficient of net profit and loan and advances for all sample banks are positive. There is a high correlation and significance between the net profit and loan and advances all sample banks, which indicate that if loan and advances increases net profit also increases and vice-versa.
-) All sample banks has got the positive regression coefficient between the net profit and investment but only SDBL has got the high correlation and significance which represents that if investment is change net profit also change in same ratio. But in case of PDBL and BDBL there is only slightly changes in net profit is found, even though investment change. This is represents by low correlation and no significance between the net profit and investment.

4.2.9 Trend Line Analysis

Trend analysis is for past five years for projecting future results. The future trend analysis is done on some basic assumption that will continue in the future. The trend analysis results are as follows:

-) The trend line of total deposit for all sample banks is in increasing trend. In fiscal year 2063 the trend values of PDBL, BDBL and SDBL are 254.824, 113.47 and -131.68 respectively. It is increase to 2991.69, 3231.34 and 6752.78 for the

forecast year 2072. Among the sample banks SDBL has a highest trend of total deposit. It means SDBL is successful in mobilizing the deposit.

-) All the sample banks have increasing trend of the loan and advances. Among them SDBL has Highest increasing trend and PDBL has lowest increasing trend. In fiscal year 2063 the trend values of PDBL, BDBL and SDBL are 221.63, 70.8 and 474.42 respectively. It is increase to 2502.86, 2891.31 and 6042.27 for the forecast year 2072.

-) Although all sample banks has increasing trend of the investment SDBL has highest increasing trend and PDBL has lowest increasing trend. This shows that SDBL is successful in mobilizing the investment than other sample banks.

-) Although all sample banks has increasing trend of Net Profit BDBL has highest increasing trend. In fiscal year 2063 the trend values of PDBL, BDBL and SDBL are 3.02,-4.64 and 0.64 respectively. It is increase to 67.91,119.38 and 102.79 for the forecast year 2072.

CHAPTER 5

SUMMARY, CONCLUSION & RECOMMENDATION

This chapter is a complete suggestive package, which contains summary, conclusion and recommendation. This chapter also highlighted some selected actionable conclusions and recommendation on the basis of the major findings, which are derived from the analysis of PDBL, BDBL and SDBL. Summary covers the brief explanation to all the chapters of the study and shows the actual facts that have been taken from the analytical section. And the analysis is performed with the help of financial and statistical tools. Conclusions are based on the principal findings of the study representing the strengths and weakness of the performance of the commercial banks. Recommendations are presented in the form of suggestions, which are prepared on the basis of findings.

5.1 Summary

Industrialization is an important factor for achieving the basic objective of a country's economic and social progress. Industrialization not only provides necessary products and services to the community but also create employment opportunities. Industrial development thus has a multiplier effect on the economy. Banking industries been regarded as one of the component of economy. It transfers the scattered funds collected from saving of the public into various productive sectors. Economic activities remains halt in absence of banking industries as it plays the role of catalyst for economic development of the country in the developing country where there prevail unorganized transactions. It helps to enhance economic activities of the country by providing capital funds for the smooth operation of business activities, create employment opportunities, investing agriculture, industry. At present there are altogether 88 development banks operating in the country among which PDBL, BDBL and SDBL has also occupied some range of the business due to access to most of the corner of the country. Slowly private banks are also initiating to move toward every corner of the country but due to prevailing political crisis they are not being able to meet their objects to reach to every corner of the country. Due to increasing competition banks are forced to innovate new products to their customer and they are also shifting from traditional service procedure to various sophisticated services like ATM card, debit cards, credit card, housing loan, educational loans, vehicle financing.

The NRB has also declared Development banks to have minimum paid up capital Rs. 640 million to operate all over Nepal which is effective from 2063B.S. It also directed development banks to invest in the shares and securities of an organization not more than 10 percent paid-up capital of the organization. Likewise, the development banks could invest not more than 10 percent in the securities of any one of its financially self-interest bearing organizations that of not more than 20 percent in case of those financially self-interest bearing organizations. For making investment in the securities like this, the total investment was required to be not more than 30 percent of banks paid-up capital; the investment should be made only in the shares and securities of those organizations which were already listed and were in the process being listed within one year in stock exchange; and the banks could not invest in the shares, securities and hybrid capital instruments in those issued by the banks and financial institutions that took permission from NRB to operate their transactions.

Financial analysis is the process of determining the significant operation and financial characteristics of a firm from accounting data. It shows the relationship between the various component which can be found in balance sheet and profit and loss statement. The analyzed statement contains that information which is useful for management, shareholder, creditors, investors, depositors etc. As in other industries banking industries also need financial analysis, as it is crucial for evaluating and analyzing the performance of the particular company as compare to the other and also from the previous performance of the same company. So, this study almost concentrated in following problems of the sampled banks.

The study covers only three banks PDBL, BDBL and SDBL among 88 development banks. Operating date of these three banks are 2nd March 2003, 19th August 2004 and 20th august 1998 respectively. Head office of SDBL is in Kathmandu whereas that of BDBL & PDBL are in Butwal. The study completely based on secondary data accumulated from websites. The study is based on five fiscal years from 2062/63 to 2066/67. Therefore the conclusion is concern with only above period. The specific objective of the study will be pointed out as follows:

- a) To analysis the financial performance of sample banks in terms of liquidity, profitability, growth, leverage and capital adequacy.
- b) To identify relationship between net profit with respect to deposit, loan and advances and investment.

- c) To analysis the trend of total deposit, loans and advances, total investment, net profit of the selected banks.

Research Methodology followed to achieve the objective of the study and which constitute Research Design, Source of Date, Population and sample, Data Collection process and Method of Analysis. As it has already mentioned that the procedure has been divided into two parts that is financial analysis and statistical analysis. Both parts have made comparative analysis and their interpretation. There are various tools and technique of financial analysis, each of which is used according to purpose for which the analysis is carried out. The widely technique used is as follows:

- Ratio Analysis
- Statement of changes in financial position

Among them ratio analysis is used by most companies. Therefore in this study we have discussed only about ratio analysis. Under statistical analysis Coefficient of Correlation, Simple regression, Test of Hypothesis and Trend line analysis have been used.

5.2 Conclusions

The overall performance of sample banks found to be satisfactory. All sample banks are not strong in all performance. Some are strong in liquidity position and some are strong in profit making. The analysis of liquiddity position of these development banks shows different positions. The current ratio measures only total rupees worth of current assets and total rupees of current liabilities, i.e. it indicates the availability of current assets in rupees for everyone rupee of current liability. Among sample bank the current ratios of SDBL dominate the respective current liabilities which indicate that SDBL is capable in paying the current obligation. Even though PDBL and BDBL have failed to maintain the current obligation they are not failed in earning the profit. From point of view of working policy they have taken the aggressive policy.

The turnover of the development banks is the main indication of income generating activity. These ratios are used to judge how efficiently the firm has been using its resources. From the analysis of turnover of banks all the sample banks are comparatively satisfactory in assets management. Among sample banks PDBL found to be comparatively best in mobilizing its

assets and deposits in profitable sectors in form of loan and advances, Investment in Government securities and shares & debentures.

The main objective of a bank is to make profit providing different types of services to its customers. Profit is necessary to survive in any business field for its successful operation and further expansion. Profitability shows the overall efficiency of the business concerns. From profitability point of view, BDBL found to be better among sample banks because they pay lower interest rate for debt fund and earn higher interest by mobilizing its deposit and assets to different productive and profitable sectors.

Leverage ratio is calculated to measure the long-term financial position of a firm. The analysis of leverage ratio shows that all the sample banks use a high equity fund rather than debt fund. Debt fund need to pay an interest until debt is hold by bank. Therefore debt fund is burden for the bank and it should decrease according to the necessity.

The capital adequacy ratio is used to measure the strength of the capital adequacy of the available capital. The capital base of bank is strongest in SDBL, since they have higher capital adequacy ratio. SDBL also have more assets from its shareholder's fund which shows they are strong from point of view of shareholder's fund.

BDBL have highest positive growth rate of net profit among sample banks. PDBL is less successful than BDBL and SDBL in increasing a net profit. All the sample banks have positive growth rate in EPS, BDBL is found to be strongest in comparison to other sample banks in case of growth of earning per share .But the growth rate in DPS for SDBL is negative and is positive for BDBL & PDBL .Although PDBL have lowest growth rate of net profit it has highest growth rate in DPS .This defined that PDBL has distribute the much dividend than BDBL and SDBL.

Deposits are the main tool for developing banking performance of the banks. And investment and loan and advances are keys to mobilize the deposit. All sample banks have a positive relation between the Deposit and Loan & Advances, Deposit and Investment, Investment and Net Profit and also Loan and Advances and Net Profit, which shows by the correlation between these variables. All the sample banks use their deposit use in proper way as Loan and Advances and Investment. Among them SDBL is best. BDBL is weak in earning the net profit through the investment whereas SDBL and PDBL are successful to earn net profit by

mobilizing the deposit to the investment. Coefficient of correlation between Loan and Advances and Net profit shows that all sample banks are successful in earning the net profit by mobilizing the loan and advances.

The regression analysis shows that increase in Loan and Advances, Deposit and Investment ultimately increases net profit for each sampled banks.

Testing of Hypothesis conclude that there is significance difference Net profit and Total Deposit as well as net profit and Loan and Advances of all the sample banks are 5% level of significance. There is no significant difference between Net Profit and Investment of PDBL and BDBL but SDBL has significant difference.

The Trend Line Analysis of Deposit, Loan and Advance, Investment and Net Profit shows increasing trend which indicates futures of those variables are bright. Among them SDBL has highest increasing trend in Deposit, Loan & Advances and Investment where as BDBL has highest increasing trend in Net profit. This indicates that SDBL is successful in mobilizing the deposit, Loan & Advances and investment Where as BDBL has successfully mobilize their profit.

The overall sample banks is satisfactory however inflation in the current situation came as a major factor in narrowing the scope of operation of these banks. Therefore Nepal Rastra Bank has to play more active role to enhance the operation. The analysis of financial performance shows that all the banks have aggressive polices in investment and lending. Deposits are main tool of investing and all bank's deposit and net profit are in increasing trend.

Strengthening and the institutionalization of the banks are very important to have a meaningful relationship between financial institution and national development through shift of credit to the productive industrial sectors. At the same time the series of reforms such as consolidation of banks, good relationship between financial institution and development banks, directing attention to venture capital financing, appropriate risk return trade of by linking credit to timely repayment schedules, avoiding imperfections, allowing flexibility in lending, one window service from NRB, need of a strong supervision and monitoring from NRB, diversify scope of activities to fee based services, allow funds transfer, refinancing facilities for banks, professional culture within banks, etc. All these are necessary to ensure better future performance of banks that have already been established and growing in Nepal.

Banks have to prove that they are the potential contributors to the national economy ensuring adequate rate of return on investment, efficient and viable agencies for mobilization of savings and its channels into productive sectors and strategically well planned to be competitive with competitors and other agencies and are trust worthy.

5.3 Recommendation

From above finding and analysis it is clear that all banks are not strong in all fields. Some of them are stronger in profit making but failed to maintain the consistency, some are weaker in mobilizing their deposits; few of them have concentrated into very limited diversified investments etc. Therefore the following recommendations should be brought into highlight to overcome inefficiency, weakness and to develop present fund mobilization and investment policy of the banks:

-) Bank should maintain the liquidity ratio for daily cash transaction. Bank should not invest all the deposit as loan and advances. According to the policy of NRB some percentage should kept in the banks for fulfilling require demand of the customer. The Standard liquidity ratio is 2:1. The depositor may demand the money at time so; bank should be ready at any time. In this research none of sample bank has the standard ratio due to their aggressive working capital policy. Therefore all sample banks should modify their working capital policy to maintain the standard ratio. If sample banks cannot maintain the ratio they may failed to maintain the daily cash transaction.

-) The Company must apply different development scheme such as deposit, insurance scheme, workers saving scheme and women development scheme by offering attractive incentives through which banks can attract more customers.

-) Operating Expenses is second major parts of expenses, which is increasing rapidly. It has negative correlation with total income. If these sample banks tries to minimize this expenses, income will be highly increased. So the bank should try to minimize this expenses using mordern managerial tools and techniques like business re-enginearing, value analysis system and MBO.

-) These sample banks should move towards the modern banking facilities, prompt service in each branches, and provide new product to the customer to attract relative growth trend of deposit.

-) The net profit trend of PDBL is less successful. Therefore the bank should look forward to maximize the profit through good lending without lengthy procedures and sound management.

-) SDBL is not successful as BDBL and PDBL to earn a net profit by utilizing its assets and deposits. So, SDBL should invest its deposits and utilize its assets in different productive and profitable sectors on the basis of portfolio management. The portfolio management of assets basically means allocation of funds into different components of banking assets having different degrees of risk and varying rate of return in such a way that the conflicting goal of maximum yield and minimum risk. So, portfolio condition of each bank should carefully be examined from time to time and attention should be made to maintain equilibrium in the portfolio condition as far as possible keeping the statement in mind that all eggs should not be kept in the same basket. Even though BDBL has higher net profit with respect to total assets and deposit, they are failed to maintain stability. Therefore they should decrease a variation level. PDBL also fail to maintain consistency. They should try to maintain consistency level.

-) PDBL paid a higher interest among sample bank which mean that they used more creditors funds or paid higher interest rate in investment. So, they need to use equity fund rather than debt or should pay a less interest rate. PDBL should maintain stability in paying the interest because their variation in interest rate is high.

-) All the sample banks have more creditors fund to acquire an assets & investment. This means they all have more debt financing in assets. Since debt financing need to pay an interest regularly, higher debt are burden to bank. Among sample banks

highest debt is used by BDBL. Therefore they should decrease a debt financing and increase an equity financing, which may help in increasing profit to some extent. Equity fund is invest by shareholder and banks should pay dividend which may be very low than interest. So, more financing should do from equity fund rather than debt fund.

-) Nepal Rastra Bank should clearly define its role and strict monitoring for the efficient operations of Banks so that they can use the facilities as much as possible. Besides that, NRB should show open to all, flexible and strong supervision rather than imposing rules and regulations only.

-) The success rate of banking mainly depends upon the banking awareness by the general public. Unless they find a convincing reason about their savings as well as new approach of investment, it is almost impossible to make live for a bank. Therefore there should be the awareness program, regularly conducted in terms of seminars or workshops from well experienced personnel such as top executives from Banks and concerned regulating authorities. This will exchange the ideas and share the grass root problems. On the basis of this feed back information, regular changes or implementation of new rules and regulations can be easily carried out. Nepal Rastra Bank should also encourage frequent trainings to new entrants to provide orientations on the conceptual dimensions and practical aspects of operation of the Banks.

-) Today is an age of competition. Bank should be survived within these competitions. Therefore for attraction of the deposit, they should brought different attractive programmed , facilities , technology etc. like ATM, credit cards, 365days banking service, ABBS prompt service etc.

-) In the present situation, it is the utmost important to provide security and the reliability. So the bank should focus on the security concern in order to make the customer feel that they more secured in investing in the bank whether it may be PDBL, BDBL or PDBL.

) Banks should strictly band the policy of nepotism(biasness)and favouritism,instead placement and promotion should be extended on the basis of capability and efficient recruitment.

) It is suggested to all the sample banks that they should use well-trained manpower. Well trained manpower will provide better services to the bank and customer. They will try to increase the operating efficiency of the bank, so the banks have to conduct "Training School" for their personal.

Banks play a vital role in development of economy of the country. However all the banks have satisfactory performance, there is situation of inflation which is a cause of narrow scope operation. Therefore NRB has to come with strong supervision and monitoring with one window service in lending and investment activities. Banks have to prove that they are the potential contributors to the national economy ensuring adequate rate of return on investment, efficient and viable agencies for mobilization of savings and its channels into productive sectors and strategically well planned to be competitive with banks and other agencies and are trust worthy.

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APPENDIX -1

Current Ratio

Banks									
	Paschimanchal Development Bank Limited			Bhrikutee Development Bank Limited			Siddhartha Development Bank Limited		
Fiscal Year	Ratio (in times) X	d = X - \bar{X}	d ²	Ratio (in times) X	d = X - \bar{X}	d ²	Ratio (in times) X	d = X - \bar{X}	d ²
2062/63	1.099	-0.0284	0.000807	1.117	-0.004	0.000016	1.190	0.0274	0.000751
2063/64	1.081	-0.0464		1.053	1.081	1.168561	1.075	1.075	1.155625
2064/65	1.128	1.128	1.272384	1.085	1.128	1.272384	1.099	1.099	1.207801
2065/66	1.098	1.098	1.205604	1.086	1.098	1.205604	1.345	1.345	1.809025
2066/67	1.231	1.231	1.515361	1.174	1.231	1.515361	1.104	1.104	1.218816
X	5.637			5.515			5.813		
Mean (\bar{X})	1.1274			1.103			1.1626		
d ²			3.996309			5.161926			5.392018
S.D.	0.9995			1.1360			1.1610		
C.V.(%)	0.8866			1.0299			0.9986		

$$\text{Mean} = \frac{\sum X}{N}$$

Paschimanchal Development Bank Limited

$$= \frac{5.637}{5}$$

$$= 1.1274$$

Bhrikutee Development Bank Limited

$$= \frac{5.515}{5}$$

$$= 1.103$$

Siddhartha Development Bank Limited

$$= \frac{5.813}{5}$$

$$= 1.1626$$

$$S.D. = \sqrt{\frac{d^2}{N Z1}}$$

Paschimanchal Development

Bhrikutee Development

Siddhartha Development

Bank Limited

Bank Limited

Bank Limited

$$= \sqrt{\frac{3.996309}{5 Z1}}$$

$$= \sqrt{\frac{5.161926}{5 Z1}}$$

$$= \sqrt{\frac{5.392018}{5 Z1}}$$

$$= 0.9995$$

$$= 1.1360$$

$$= 1.1610$$

$$\text{Coefficient of Variations (C.V.)} = \frac{S.D.}{Mean} | 100$$

Paschimanchal Development

Bhrikutee Development

Siddhartha Development

Bank Limited

Bank Limited

Bank Limited

$$= \frac{0.9995}{1.1274} | 100$$

$$= \frac{1.1360}{1.103} | 100$$

$$= \frac{1.1610}{1.1626} | 100$$

$$= 0.8866\%$$

$$= 1.0299\%$$

$$= 0.9986\%$$

APPENDIX -2

Cash and Bank Balance to Total Deposit Ratio

Banks									
	Paschimanchal Development Bank Limited			Bhrikutee Development Bank Limited			Siddhartha Development Bank Limited		
Fiscal Year	Ratio (in times) X	$d = X - \bar{X}$	d^2	Ratio (in times) X	$d = X - \bar{X}$	d^2	Ratio (in times) X	$d = X - \bar{X}$	d^2
2062/63	0.210	0.0808	0.00652864	0.334	0.0648	0.00419904	0.15	0.002	0.000004
2063/64	0.154	0.0248	0.00061504	0.194	-0.0752	0.00565504	0.175	0.027	0.000729
2064/65	0.125	-0.0042	0.00001764	0.267	-0.0022	0.00000484	0.213	0.065	0.004225
2065/66	0.049	-0.0802	0.00643204	0.242	-0.0272	0.00073984	0.105	-0.043	0.001849
2066/67	0.108	-0.0212	0.00044944	0.309	0.0398	0.00158404	0.097	-0.051	0.002601
x	0.646			1.346			0.74		
Mean (\bar{X})	0.1292			0.2692			0.148		
d^2			0.0140428			0.0121828			0.009408
S.D	0.0593			0.5519			0.0485		
C.V. (%)	0.459			0.3715			0.3277		

APPENDIX -3

Cash and Bank Balance to Current Assets Ratio

Banks									
	Paschimanchal Development Bank Limited			Bhrikutee Development Bank Limited			Siddhartha Development Bank Limited		
Fiscal	Ratio			Ratio			Ratio		

Year	(in times) X	$d = X - \bar{X}$	d^2	(in times) X	$d = X - \bar{X}$	d^2	(in times) X	$d = X - \bar{X}$	d^2
2062/63	0.183	0.07652	0.00585531	0.2860	0.05952	0.00354263	0.113	-0.01286	0.000165
2063/64	0.1329	0.02642	0.00069802	0.1811	-0.04538	0.00205934	0.1414	0.01554	0.000241
2064/65	0.1038	-0.00268	0.00000718	0.2255	-0.00098	0.00000096	0.2135	0.08764	0.007681
2065/66	0.0372	-0.06928	0.00479972	0.1953	-0.03118	0.00097219	0.0754	-0.05046	0.002546
2066/67	0.0755	-0.03098	0.00095976	0.2445	0.01802	0.00032472	0.086	-0.03986	0.001589
\bar{X}	0.5324			1.1324			0.6293		
Mean (\bar{X})	0.10648			0.22648			0.12586		
d^2			0.01231999			0.00689985			0.012223
S.D	0.0555			0.0415			0.0553		
C.V. (%)	0.5212			0.1832			0.4394		

APPENDIX -4

Loan and Advances to Total Deposit Ratio

Banks									
	Paschimanchal Development Bank Limited			Bhrikutee Development Bank Limited			Siddhartha Development Bank Limited		
Fiscal	Ratio			Ratio			Ratio		

Year	(in times) X	$d = X - \bar{X}$	d^2	(in times) X	$d = X - \bar{X}$	d^2	(in times) X	$d = X - \bar{X}$	d^2
2062/63	0.912	-0.091	0.008281	0.787	-0.0546	0.002981	0.9798	0.10434	0.010887
2063/64	0.935	-0.068	0.004624	0.825	-0.0166	0.000276	0.9395	0.06404	0.004101
2064/65	1.021	0.018	0.000324	0.8175	-0.0241	0.000581	0.7823	-0.09316	0.008679
2065/66	1.098	0.095	0.009025	0.8957	0.0541	0.002927	0.8567	-0.01876	0.000352
2066/67	1.049	0.046	0.002116	0.8828	0.0412	0.001697	0.819	-0.05646	0.003188
\bar{X}	5.015			4.208			4.3773		
Mean (\bar{X})	1.003			0.8416			0.87546		
d^2			0.02437			0.008462			0.027206
S.D	0.0781			0.046			0.0825		
C.V. (%)	0.0779			0.0547			0.0942		

APPENDIX – 5

Loan and Advances to Fixed Deposit Ratio

Banks									
Fiscal Year	Paschimanchal Development Bank Limited			Bhrikutee Development Bank Limited			Siddhartha Development Bank Limited		
	Ratio (in times) X	$d = X - \bar{X}$	d^2	Ratio (in times) X	$d = X - \bar{X}$	d^2	Ratio (in times) X	$d = X - \bar{X}$	d^2
2062/63	1.188	-1.246	1.552516	1.7621	-1.60316	2.570122	1.734	-1.0206	1.041624
2063/64	1.478	-0.956	0.913936	2.181	-1.18426	1.402472	2.42	-0.3346	0.111957
2064/65	2.200	-0.234	0.054756	3.421	0.05574	0.003107	2.924	0.1694	0.028696
2065/66	3.14	0.706	0.498436	4.0282	0.66294	0.439489	4.103	1.3484	1.818183
2066/67	4.164	1.73	2.9929	5.434	2.06874	4.279685	2.592	-0.1626	0.026439
\bar{X}	12.17			16.8263			13.773		
Mean (\bar{X})	2.434			3.36526			2.7546		

d^2			6.012544			8.694875			3.026899
S.D	1.226			1.4744			0.8699		
C.V. (%)	0.5037			0.4381			0.3158		

APPENDIX - 6

Loan and Advances to Total Working Fund Ratio

Banks									
	Paschimanchal Development Bank Limited			Bhrikutee Development Bank Limited			Siddhartha Development Bank Limited		
Fiscal Year	Ratio (in times) X	$d = X - \bar{X}$	d^2	Ratio (in times) X	$d = X - \bar{X}$	d^2	Ratio (in times) X	$d = X - \bar{X}$	d^2
2062/63	0.8	0.01402	0.0001966	0.67	-0.0312	0.0009734	0.73	0.044	0.001936
2063/64	0.7756	-0.01038	0.0001077	0.752	0.0508	0.0025806	0.746	0.06	0.0036
2064/65	0.8262	0.04022	0.0016176	0.68	-0.0212	0.0004494	0.681	-0.005	0.000025
2065/66	0.8151	0.02912	0.000848	0.715	0.0138	0.0001904	0.601	-0.085	0.007225
2066/67	0.713	-0.07298	0.0053261	0.689	-0.0122	0.0001488	0.672	-0.014	0.000196
X	3.9299			3.506			3.43		

Mean (\bar{X})	0.78598			0.7012			0.686		
d^2			0.008096			0.0043428			0.012982
S.D	0.04499			0.03295			0.05697		
C.V. (%)	0.05724			0.047			0.0830		

APPENDIX – 7

Investment on Govt. Securities to Total Deposit Ratio

Banks									
	Paschimanchal Development Bank Limited			Bhrikutee Development Bank Limited			Siddhartha Development Bank Limited		
Fiscal Year	Ratio (in times) X	$d = X - \bar{X}$	d^2	Ratio (in times) X	$d = X - \bar{X}$	d^2	Ratio (in times) X	$d = X - \bar{X}$	d^2
2062/63	0.2669	0.0634	0.00401956	0.0505	-0.07492	0.005613006	0.1904	-0.00474	0.0000225
2063/64	0.2601	0.0566	0.00320356	0.1736	0.04818	0.002321312	0.1559	-0.03924	0.001539778
2064/65	0.1655	-0.038	0.001444	0.1367	0.01128	0.000127238	0.2204	0.02526	0.000638068
2065/66	0.1190	-0.0845	0.00714025	0.1333	0.00788	0.00006209	0.1942	-0.00094	0.00000088
2066/67	0.2060	0.0025	0.00000625	0.1330	0.00758	0.000057456	0.2148	0.01966	0.000386516
X	1.0175			0.6271			0.9757		
Mean (\bar{X})	0.2035			0.12542			0.19514		
d^2			0.01581362			0.008181103			0.002587741
S.D	0.06289			0.0452			0.02543		
C.V. (%)	0.3090			0.3604			0.1303		

APPENDIX – 8

Investment on Govt. Securities to Total Working Fund Ratio

Banks		
Paschimanchal Development Bank	Bhrikutee Development Bank Limited	Siddhartha Development Bank

Fiscal Year	Limited						Limited		
	Ratio (in times) X	d = X - \bar{X}	d ²	Ratio (in times) X	d = X - \bar{X}	d ²	Ratio (in times) X	d = X - \bar{X}	d ²
2062/63	0.231	0.0692	0.0047886	0.043	-0.06204	0.00384896	0.1417	-0.0123	0.0001513
2063/64	0.2157	0.0539	0.0029052	0.158	0.05296	0.00280476	0.1237	-0.0303	0.0009181
2064/65	0.134	-0.0278	0.0007728	0.1139	0.00886	0.0000785	0.192	0.038	0.001444
2065/66	0.0883	-0.0735	0.0054023	0.1065	0.00146	0.00000213	0.1363	-0.0177	0.0003133
2066/67	0.14	-0.0218	0.0004752	0.1038	-0.00124	0.0000154	0.1763	0.0223	0.0004973
X	0.809			0.5252			0.77		
Mean (\bar{X})	0.1618			0.10504			0.154		
d ²			0.0143442			0.00675			0.003324
S.D	0.0599			0.04108			0.02883		
C.V. (%)	0.5703			0.3911			0.1872		

APPENDIX – 9

Net Profit to Total Assets Ratio

Fiscal Year	Banks								
	Paschimanchal Development Bank Limited			Bhrikutee Development Bank Limited			Siddhartha Development Bank Limited		
	Ratio (in times) X	d = X - \bar{X}	d ²	Ratio (in times) X	d = X - \bar{X}	d ²	Ratio (in times) X	d = X - \bar{X}	d ²
2062/63	0.0195	0.001386	0.0000019	0.013	-0.00628	0.000039	0.0097	-0.004014	0.000016
2063/64	0.0157	0.002414	0.0000058	0.0146	-0.00468	0.00000219	0.0184	0.004686	0.0000219
2064/65	0.0171	0.001014	0.00000103	0.0185	-0.00078	0.00000061	0.0147	0.000986	0.00000097
2065/66	0.01727	0.000844	0.0000007	0.0189	-0.00038	0.00000014	0.0143	0.000586	0.00000034
2066/67	0.021	0.002886	0.00000833	0.0314	0.01212	0.000146894	0.01147	-0.002244	0.00000504
X	0.09057			0.0964			0.06857		
Mean (\bar{X})	0.018114			0.01928			0.013714		
d ²			0.0000178			0.0001888			0.00004425
S.D	0.00211			0.00687			0.003326		
C.V. (%)	0.1165			0.3563			0.2425		

APPENDIX – 10

Net Profit to Total Deposit Ratio

Banks									
	Paschimanchal Development Bank Limited			Bhrikutee Development Bank Limited			Siddhartha Development Bank Limited		
Fiscal Year	Ratio (in times) X	d = X - \bar{X}	d ²	Ratio (in times) X	d = X - \bar{X}	d ²	Ratio (in times) X	d = X - \bar{X}	d ²
2062/63	0.0227	-0.00072	0.00000052	0.0153	-0.0082	0.00006724	0.0130	-0.00454	0.0000206
2063/64	0.019	-0.00442	0.0000195	0.0161	-0.0074	0.00005476	0.0232	0.00566	0.000032
2064/65	0.0212	-0.00222	0.00000493	0.0223	-0.0012	0.00000144	0.017	-0.00054	0.00000029
2065/66	0.0233	-0.00012	0.000000014	0.0236	0.0001	0.00000001	0.0205	0.00296	0.0000088
2066/67	0.0309	0.00748	0.0000559	0.0402	0.0167	0.00027889	0.014	-0.00354	0.0000125
X	0.1171			0.1175			0.0877		
Mean (\bar{X})	0.02342			0.0235			0.01754		
d ²			0.00008086			0.00040234			0.00007419
S.D	0.004496			0.01003			0.004307		
C.V. (%)	0.1919			0.4268			0.2456		

APPENDIX – 11

Net Profit to Net Worth Ratio

Banks									
	Paschimanchal Development Bank Limited			Bhrikutee Development Bank Limited			Siddhartha Development Bank Limited		
Fiscal Year	Ratio (in times) X	d = X - \bar{X}	d ²	Ratio (in times) X	d = X - \bar{X}	d ²	Ratio (in times) X	d = X - \bar{X}	d ²
2062/63	0.2068	0.05796	0.0033594	0.1188	-0.06672	0.0044516	0.0586	-0.0498	0.00248
2063/64	0.1453	-0.00354	0.0000125	0.1991	0.01358	0.0001844	0.2187	0.1103	0.0121661
2064/65	0.1329	-0.01594	0.0002541	0.2040	0.01848	0.0003415	0.1392	0.0308	0.0009486
2065/66	0.1571	0.00826	0.0000682	0.2104	0.02488	0.000619	0.0531	-0.0553	0.0030581
2066/67	0.1021	-0.04674	0.0021846	0.1953	0.00978	0.0000957	0.0724	-0.036	0.001296
\bar{X}	0.7442			0.9276			0.542		
Mean (\bar{X})	0.14884			0.18552			0.1084		
d ²			0.005879			0.0056922			0.0199489
S.D	0.03834			0.03772			0.07062		
C.V. (%)	0.2576			0.2033			0.6515		

APPENDIX – 12

Total Interest Earned to Total Working Fund Ratio

Banks									
	Paschimanchal Development Bank Limited			Bhrikutee Development Bank Limited			Siddhartha Development Bank Limited		
Fiscal Year	Ratio (in times) X	d = X - \bar{X}	d ²	Ratio (in times) X	d = X - \bar{X}	d ²	Ratio (in times) X	d = X - \bar{X}	d ²
2062/63	0.1137	0.0162	0.0002624	0.0683	-0.02078	0.0004318	0.0882	-0.17038	0.0290293
2063/64	0.0842	-0.0133	0.0001769	0.0785	-0.01058	0.0001119	0.9749	0.71632	0.5131143
2064/65	0.0868	-0.0107	0.0001145	0.0703	-0.01878	0.0003527	0.0748	-0.18378	0.0337751
2065/66	0.0955	-0.002	0.000004	0.0834	-0.00568	0.0000323	0.0711	-0.18748	0.0351488

2066/67	0.1073	0.0098	0.000096	0.1449	0.05582	0.0031159	0.0839	-0.17468	0.0305131
\bar{X}	0.4875			0.4454			1.2929		
Mean (\bar{X})	0.0975			0.08908			0.25858		
d^2			0.000654			0.0040446			0.6415806
S.D	0.01279			0.0318			0.40049		
C.V. (%)	0.131179			0.3569			1.5488		

APPENDIX – 13

Total Interest Paid to Total Working Fund Ratio

Banks									
Fiscal Year	Paschimanchal Development Bank Limited			Bhrikutee Development Bank Limited			Siddhartha Development Bank Limited		
	Ratio (in times) \bar{X}	$d = X - \bar{X}$	d^2	Ratio (in times) \bar{X}	$d = X - \bar{X}$	d^2	Ratio (in times) \bar{X}	$d = X - \bar{X}$	d^2
2062/63	0.0656	0.01102	0.0001214	0.0332	-0.00592	0.00003505	0.0511	0.00684	0.0000468
2063/64	0.0485	-0.00608	0.00003697	0.0405	0.00138	0.0000019	0.041	-0.00326	0.0000106
2064/65	0.048	-0.00658	0.0000433	0.0344	-0.00472	0.0000223	0.04	-0.00426	0.00001818
2065/66	0.053	-0.00158	0.00000249	0.0395	0.00038	0.00000014	0.0385	-0.00576	0.00003318
2066/67	0.0578	0.00322	0.0000104	0.048	0.00888	0.00000789	0.0507	0.00644	0.00004147
\bar{X}	0.2729			0.1956			0.2213		
Mean (\bar{X})	0.05458			0.03912			0.04426		
d^2			0.000215			0.0000673			0.0001502
S.D	0.007331			0.004102			0.006128		
C.V. (%)	0.13432			0.10486			0.13845		

APPENDIX – 14

Debt- Asset Ratio

Banks

Banks									
	Paschimanchal Development Bank Limited			Bhrikutee Development Bank Limited			Siddhartha Development Bank Limited		
Fiscal Year	Ratio (in times) X	d =X - \bar{X}	d ²	Ratio (in times) X	d =X - \bar{X}	d ²	Ratio (in times) X	d =X - \bar{X}	d ²
2062/63	0.9054	0.03496	0.0012222	0.89	-0.00518	0.0000268	0.8346	-0.00284	0.00000807
2063/64	0.8915	0.02106	0.0004435	0.9263	0.03112	0.0009685	0.9158	0.07836	0.0061403
2064/65	0.8712	0.00076	0.000000578	0.909	0.01382	0.000191	0.8939	0.05646	0.0031877
2065/66	0.89	0.01956	0.0003826	0.9113	0.01612	0.0002599	0.7014	-0.13604	0.0185069
2066/67	0.7941	-0.07634	0.0058278	0.8393	-0.05588	0.0031226	0.8415	0.00406	0.0000165
X	4.3522			4.4759			4.1872		
Mean (\bar{X})	0.87044			0.89518			0.83744		
d ²			0.0078767			0.0045687			0.027859
S.D	0.04438			0.03379			0.08346		
C.V. (%)	0.05099			0.03775			2.9958		

APPENDIX – 15

Debt- Equity Ratio

Banks									
	Paschimanchal Development Bank Limited			Bhrikutee Development Bank Limited			Siddhartha Development Bank Limited		
Fiscal Year	Ratio (in times) X	d = X - \bar{X}	d ²	Ratio (in times) X	d = X - \bar{X}	d ²	Ratio (in times) X	d = X - \bar{X}	d ²
2062/63	9.5729	2.27166	5.1604392	8.0988	-1.11702	1.2477337	5.045	-1.40358	1.9700368
2063/64	8.2163	0.91506	0.8373348	12.565	3.34918	11.217007	10.8733	4.42472	19.578147
2064/65	6.7656	-0.53564	0.2869102	10.0033	0.78748	0.6201248	8.4229	1.97432	3.8979395
2065/66	8.0927	0.79146	0.6264089	10.189	0.97318	0.9470793	2.5938	-3.85478	14.859329
2066/67	3.8587	-3.44254	11.851082	5.223	-3.99282	15.942612	5.3079	-1.14068	1.3011509
X	36.5062			46.0791			32.2429		
Mean (\bar{X})	7.30124			9.21582			6.44858		
d ²			18.762175			29.974556			41.606603
S.D	2.1658			2.7375			3.2252		
C.V. (%)	0.2966			0.2970			0.50014		

APPENDIX – 16

Shareholder's Fund to Total Deposit Ratio

Banks									
	Paschimanchal Development Bank Limited			Bhrikutee Development Bank Limited			Siddhartha Development Bank Limited		
Fiscal Year	Ratio (in times) X	d = X - \bar{X}	d ²	Ratio (in times) X	d = X - \bar{X}	d ²	Ratio (in times) X	d = X - \bar{X}	d ²

2062/63	0.1091	-0.0609	0.0037088	0.1289	0.00154	0.00000237	0.22222	0.016576	0.0002748
2063/64	0.1308	-0.0392	0.0015366	0.0809	-0.04646	0.00215853	0.106	- 0.099644	0.0099289
2064/65	0.1591	-0.0109	0.0001188	0.1091	-0.01826	0.00033343	0.122	- 0.083644	0.0069963
2065/66	0.1482	-0.0218	0.0004752	0.1120	-0.01536	0.00023593	0.385	0.179356	0.0321686
2066/67	0.3028	0.1328	0.0176358	0.2059	0.07854	0.00616853	0.193	- 0.012644	0.0001599
\bar{X}	0.85			0.6368			1.02822		
Mean (\bar{X})	0.17			0.12736			0.205644		
d^2			0.0234753			0.00889879			0.0495285
S.D	0.0766			0.0472			0.1113		
C.V. (%)	0.4506			0.3706			0.54120		

APPENDIX – 17

Shareholder's Fund to Total Assets Ratio

Banks									
	Paschimanchal Development Bank Limited			Bhrikutee Development Bank Limited			Siddhartha Development Bank Limited		
Fiscal Year	Ratio (in times) X	$d = X - \bar{X}$	d^2	Ratio (in times) X	$d = X - \bar{X}$	d^2	Ratio (in times) X	$d = X - \bar{X}$	d^2
2062/63	0.0946	-0.03492	0.001219406	0.1099	0.00504	0.0000254	0.165	0.0082	0.001219406
2063/64	0.1085	-0.02102	0.00044184	0.0737	-0.03116	0.000970946	0.084	-0.0728	0.00044184
2064/65	0.1288	-0.00072	0.000000518	0.091	-0.01386	0.0001921	0.1061	-0.0507	0.000000518
2065/66	0.1099	-0.01962	0.000384944	0.089	-0.01586	0.00025154	0.2704	0.1136	0.000384944
2066/67	0.2058	0.07628	0.005818638	0.1607	0.05584	0.003118106	0.1585	0.0017	0.005818638
\bar{X}	0.6476			0.5243			0.784		
Mean (\bar{X})	0.12952			0.10486			0.1568		
d^2			0.007865348			0.00455809			0.007865348
S.D	0.0443			0.0338			0.04434		
C.V. (%)	0.3420			0.3223			0.2829		

APPENDIX -18

Coefficient of Correlation between Deposits (x) and Loan & Advance (y)

Paschimanchal Development Bank Limited

Fiscal Year	x	Y	xy	x^2	y^2
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2062/63	263.02	239.863	63088.766	69179.52	57534.259
2063/64	435.546	407.34	177415.31	189700.32	165925.88
2064/65	753.61	769.307	579757.45	567928.03	591833.26
2065/66	938.736	1030.965	967803.96	881225.28	1062888.8
2066/67	1139.615	1195.399	1362294.6	1298722.3	1428978.8
	x =3530.527	y = 3642.874	xy = 3150360.1	x ² =3006755.5	y ² =3307161

correlation(r)=0.9672

Bhrikutee Development Bank Limited

Fiscal Year	x	Y	xy	x ²	y ²
2062/63	196.51	154.74	30407.957	38616.18	23944.468
2063/64	387.38	319.684	123839.19	150063.26	102197.86
2064/65	706.44	577.51	407976.16	499057.47	333517.8
2065/66	1237.96	1108.847	1372708.2	1532545	1229541.7
2066/67	1503.35	1327.132	1995143.9	2260061.2	1761279.3
	x=4031.64	y=3487.913	xy = 3930075.4	x ² =4480343.1	y ² = 3450481.1

Correlation(r)=0.9993

Siddhartha Development Bank Limited

Fiscal Year	x	Y	xy	x ²	y ²
2062/63	240.112	235.2612	56489.037	57653.773	55347.832
2063/64	549.52	516.28	283706.19	301972.23	266545.04

2064/65	1002.15	783.981	785666.56	1004304.6	614626.21
2065/66	1719.28	1472.84	2532224.4	2955923.7	2169257.7
2066/67	3479.94	2850.227	9918618.9	12109982	8123794
	$\phi x = 6991.002$	$\phi y = 5858.589$	$\phi xy = 13576705$	$\phi x^2 = 16429837$	$\phi y^2 = 11229571$

correlation(r) =0.9992

APPENDIX -19

Coefficient of Correlation between Deposits (x) and Investment (y)

PaschimanchalDevelopmentBankLimited

Fiscal Year	x	Y	xy	x ²	y ²
2062/63	263.02	70.20	18464.004	69179.52	4928.04
2063/64	435.546	113.285	49340.829	189700.32	12833.491
2064/65	753.61	124.72	93990.239	567928.03	15555.078
2065/66	938.736	111.71	104866.2	881225.28	12479.124
2066/67	1139.615	234.76	267536.02	1298722.3	55112.258
	$\phi x = 3530.527$	$\phi y = 654.675$	$\phi xy = 534197.29$	$\phi x^2 = 3006755.5$	$\phi y^2 = 100907.991$

Correlation(r)=0.8142

Bhrikutee Development Bank Limited

Fiscal Year	x	Y	xy	x ²	y ²
2062/63	196.51	9.92	1949.3792	38616.18	98.4064
2063/64	387.38	67.25	26051.305	150063.26	4522.5625
2064/65	706.44	96.57	68220.911	499057.47	9325.7649

2065/66	1237.96	165.02	204288.16	1532545	27231.6
2066/67	1503.35	199.95	300594.83	2260061.2	39980.003
	$\Sigma x = 4031.64$	$\Sigma x = 538.71$ 	$\Sigma xy = 601104.59$	$\Sigma x^2 = 4480343.1$	$\Sigma y^2 = 81158.337$

correlation (r) = 0.9889

Siddhartha Development Bank Limited

Fiscal Year	x	Y	xy	x ²	y ²
2062/63	240.112	45.72	10977.921	57653.773	2090.3184
2063/64	549.52	85.67	47077.378	301972.23	7339.3489
2064/65	1002.15	220.874	221348.88	1004304.6	48785.324
2065/66	1719.28	333.88	574033.21	2955923.7	111475.85
2066/67	3479.94	747.5	2601255.2	12109982	558756.25
	$\Sigma x = 6991.002$	$\Sigma y = 1433.644$ 	$\Sigma xy = 3454692.5$	$\Sigma x^2 = 16429837$	$\Sigma y^2 = 728447.1$

correlation (r) = 0.9978

APPENDIX – 20

Coefficient of Correlation between Investment (x) and Net profit (y)

**Paschimanchal
Development
Bank Limited**

Fiscal Year	X	Y	xy	x ²	y ²
2062/63	70.20	5.9356	416.67912	4928.04	35.231347
2063/64	113.285	8.2782	937.79589	12833.491	68.528595
2064/65	124.72	15.9393	1987.9495	15555.078	254.06128
2065/66	111.71	21.8467	2440.4949	12479.124	477.2783
2066/67	234.76	35.2136	8266.7447	55112.258	1239.9976
	$\phi x = 654.675$	$\phi y = 87.2134$	$\phi xy = 14049.664$	$\phi x^2 = 100907.99$	$\phi y^2 = 2075.0972$

correlation (r) = 0.9069

Bhrikutee Development Bank Limited

Fiscal Year	x	Y	xy	x ²	y ²
2062/63	9.92	3.012	29.87904	98.4064	9.072144
2063/64	67.25	6.2372	419.4517	4522.5625	38.902664
2064/65	96.57	15.7273	1518.7854	9325.7649	247.34797
2065/66	165.02	29.1699	4813.6169	27231.6	850.88307
2066/67	199.95	60.4646	12089.897	39980.003	3655.9679
	$\phi x = 538.71$	$\phi y = 114.611$	$\phi xy = 18871.63$	$\phi x^2 = 81158.337$	$\phi y^2 = 4802.1737$

correlation (r) = 0.9199

**Siddhartha Develoment
Bank Limited**

Fiscal Year	x	Y	xy	x ²	y ²
2062/63	45.72	3.1258	142.91158	2090.3184	9.7706256
2063/64	85.67	12.747	1092.0355	7339.3489	162.48601
2064/65	220.874	16.99	3752.6493	48785.324	288.6601
2065/66	333.88	35.19	11749.237	111475.85	1238.3361
2066/67	747.5	48.659	36372.603	558756.25	2367.6983
	∑ x = 1433.644	∑ y = 116.7118	∑ xy = 53109.436	∑ x ² =728447.1	∑ y ² = 4066.9511

correlation (r) = 0.9517

APPENDIX – 21

Coefficient of Correlation between Loan and Advances (x) and Net profit (y)

**Paschimanchal Development
Bank Limited**

Fiscal Year	x	Y	xy	x ²	y ²
2062/63	239.863	5.9356	1423.7308	57534.259	35.231347
2063/64	407.34	8.2782	3372.042	165925.88	68.528595
2064/65	769.307	15.9393	12262.215	591833.26	254.06128

2065/66	1030.965	21.8467	22523.183	1062888.8	477.2783
2066/67	1195.399	35.2136	42094.302	1428978.8	1239.9976
	$\phi x = 3642.874$	$\phi y = 87.2134$	$\phi xy = 81675.473$	$\phi x^2 = 3307161$	$\phi y^2 = 2075.0972$

correlation (r) = 0.9535

Bhrikutee Development Bank Limited

Fiscal Year	x	Y	xy	x^2	y^2
2062/63	154.74	3.012	466.07688	23944.468	9.072144
2063/64	319.684	6.2372	1993.933	102197.86	38.902664
2064/65	577.51	15.7273	9082.673	333517.8	247.34797
2065/66	1108.847	29.1699	32344.956	1229541.7	850.88307
2066/67	1327.132	60.4646	80244.506	1761279.3	3655.9679
	$\phi x = 3487.913$	$\phi y = 114.611$	$\phi xy = 124132.14$	$\phi x^2 = 3450481.1$	$\phi y^2 = 4802.1737$

correlation (r) = 0.9392

Siddhartha Development Bank Limited

Fiscal Year	x	Y	xy	x^2	y^2
2062/63	235.2612	3.1258	735.37946	55347.832	9.7706256
2063/64	516.28	12.747	6581.0212	266545.04	162.48601
2064/65	783.981	16.99	13319.837	614626.21	288.6601
2065/66	1472.84	35.19	51829.24	2169257.7	1238.3361
2066/67	2850.227	48.659	138689.2	8123794	2367.6983
	$\phi x = 5858.5892$	$\phi y = 116.7118$	$\phi xy = 211154.67$	$\phi x^2 = 11229571$	$\phi y^2 = 4066.9511$

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correlation (r) = 0.9719

APPENDIX - 22

Regression between Total Deposit as independent variable (x) and Net profit as dependent variable (y)

$$y = a + bx$$

**Paschimanchal Development Bank
Limited**

Year	X	Y	x ²	y ²	Xy
2062/63	263.02	5.9356	69179.52	35.231347	1561.1815
2063/64	435.546	8.2782	189700.3	68.528595	3605.5369

2064/65	753.61	15.9393	567928	254.06128	12012.016
2065/66	938.736	21.8467	881225.3	477.2783	20508.284
2066/67	1139.615	35.2136	1298722	1239.9976	40129.947
	3530.527	87.2134	3006755.5	2075.0972	77816.965

$$y = -4.8703 + 0.0316X$$

$$T\text{-test} = 6.1374$$

$$\text{Correlation}(r) = 0.9624$$

Bhrikutee Development Bank Limited

Year	X	Y	x^2	y^2	xy
2062/63	196.51	3.012	38616.18	9.072144	591.88812
2063/64	387.38	6.2372	150063.26	38.902664	2416.1665
2064/65	706.44	15.7273	499057.47	247.34797	11110.394
2065/66	1237.96	29.1699	1532545	850.88307	36111.169
2066/67	1503.35	60.4646	2260061.2	3655.9679	90899.456
	4031.64	114.611	4480343.1	4802.1737	141129.07

$$y = -9.008 + 0.0396X$$

$$T\text{-test} = 4.8617$$

$$\text{Correlation}(r) = 0.942$$

Siddhartha Development Bank Limited

Year	X	Y	x^2	y^2	xy
2062/63	240.112	3.1258	57653.773	9.7706256	750.54209
2063/64	549.52	12.747	301972.23	162.48601	7004.7314
2064/65	1002.15	16.99	1004304.6	288.6601	17026.529
2065/66	1719.28	35.19	2955923.7	1238.3361	60501.463
2066/67	3479.94	48.659	12109982	2367.6983	169330.4
	6991.002	116.7118	16429837	4066.9511	254613.67

$$y = 4.1870 + 0.0137X$$

T- test = 6.5954

correlation (r) = 0.9672

APPENDIX – 23

Regression between Loan & Advances as independent variable (x) and Net profit as dependent variable (y)

$$y = a + bx$$

**Paschimanchal Development Bank
Limited**

Year	X	Y	x ²	y ²	xy
2063	239.863	5.9356	57534.259	35.231347	1423.7308
2064	407.34	8.2782	165925.88	68.528595	3372.042
2065	769.307	15.9393	591833.26	254.06128	12262.215
2066	1030.965	21.8467	1062888.8	477.2783	22523.183
2067	1195.399	35.2136	1428978.8	1239.9976	42094.302
	3642.874	87.2134	3307161	2075.0972	81675.473

$$y = -2.8117 + 0.0278X$$

T- test = 5.4796

correlation(r) = 0.9535

Bhrikutee Development Bank Limited

Year	X	Y	x ²	y ²	Xy
2063	154.74	3.012	23944.468	9.072144	466.07688
2064	319.684	6.2372	102197.86	38.902664	1993.933
2065	577.51	15.7273	333517.8	247.34797	9082.673
2066	1108.847	29.1699	1229541.7	850.88307	32344.956
2067	1327.132	60.4646	1761279.3	3655.9679	80244.506
	3487.913	114.611	3450481.1	4802.1737	124132.14

$$y = -7.3529 + 0.0434X$$

T- test = 4.7376

correlation (r) = 0.9392

Siddhartha Development Bank Limited

Year	X	Y	x ²	y ²	Xy
2063	235.2612	3.1258	55347.832	9.7706256	735.37946
2064	516.28	12.747	266545.04	162.48601	6581.0212
2065	783.981	16.99	614626.21	288.6601	13319.837
2066	1472.84	35.19	2169257.7	1238.3361	51829.24
2067	2850.227	48.659	8123794	2367.6983	138689.2
	5858.5892	116.7118	11229571	4066.9511	211154.67

$$y = 3.4232 + 0.0170X$$

T- test = 7.1514

correlation (r) = 0.9719

APPENDIX – 24

Regression between Investment as independent variable (x) and Net profit as dependent variable (y)

$$y = a + bx$$

**Paschimanchal Development Bank
Limited**

Year	X	Y	x ²	y ²	Xy
2063	70.20	5.9356	4928.04	35.231347	416.67912
2064	113.285	8.2782	12833.491	68.528595	937.79589
2065	124.72	15.9393	15555.078	254.06128	1987.9495
2066	111.71	21.8467	12479.124	477.2783	2440.4949
2067	234.76	35.2136	55112.258	1239.9976	8266.7447
	654.675	87.2134	100907.99	2075.0972	14049.664

$$y = -5.2353 + 0.1732X$$

correlation (r) = 0.9069

T- test = 3.7280

Bhrikutee Development Bank Limited

Year	X	Y	x ²	y ²	Xy
2063	9.92	3.012	98.4064	9.072144	29.87904
2064	67.25	6.2372	4522.5625	38.902664	419.4517
2065	96.57	15.7273	9325.7649	247.34797	1518.7854
2066	165.02	29.1699	27231.6	850.88307	4813.6169
2067	199.95	60.4646	39980.003	3655.9679	12089.897
	538.71	114.611	81158.337	4802.1737	18871.63

$$y = -7.4827 + 0.2822X$$

$$T\text{-test} = 4.0630$$

correlation (r)
=0.9199

Siddhartha Development Bank Limited

Year	X	Y	x ²	y ²	Xy
2063	45.72	3.1258	2090.3184	9.7706256	142.91158
2064	85.67	12.747	7339.3489	162.48601	1092.0355
2065	220.874	16.99	48785.324	288.6601	3752.6493
2066	333.88	35.19	111475.85	1238.3361	11749.237
2067	747.5	48.659	558756.25	2367.6983	36372.603
	1433.644	116.7118	728447.1	4066.9511	53109.436

$$y = 5.5938 + 0.0619X$$

$$T\text{-test} = 5.3688$$

correlation (r) =0.9517

APPENDIX – 25

Trend Line Analysis of Deposits

$$y = a + bx$$

Paschimanchal Development Bank Limited

Calculation of Trend Values of Deposit

year (t)	Deposit (y)	x = t - 2065	Xy	x ²	yc= 706.105+ 225.64x
2063	263.02	-2	-526.04	4	254.824
2064	435.546	-1	-435.546	1	480.465
2065	753.61	0	0	0	706.105
2066	938.736	1	938.736	1	931.745
2067	1139.615	2	2279.23	4	1157.385
	3530.527	0	2256.38	10	

Future Projection of Next Five Year

year	x = t - 2065	yc= 706.105+ 225.64x
2068	3	1383.025
2069	4	1608.665
2070	5	1834.305
1071	6	2059.945
2072	7	2991.69

Bhrikutee Development Bank Limited

Calculation of Trend Values of Deposit

Future Projection of Next Five
Year

year (t)	Deposit (y)	x = t - 2065	Xy	x ²	yc= 806.33+ 346.43 x
2063	196.51	-2	-393.02	4	113.47
2064	387.38	-1	-387.38	1	459.9
2065	706.44	0	0	0	806.33
2066	1237.96	1	1237.96	1	1152.76
2067	1503.35	2	3006.7	4	1499.19
	4031.64	0	3464.26	10	

year	x = t - 2065	yc= 806.33+ 346.43 x
2068	3	1845.62
2069	4	2192.05
2070	5	2538.48
1071	6	2884.91
2072	7	3231.34

Siddhartha Development Bank Limited

Calculation of Trend Values of Deposit

year (t)	Deposit (y)	x = t - 2065	Xy	x ²	yc= 1398.20 + 764.94 x
2063	240.112	-2	-480.224	4	-131.68
2064	549.52	-1	-549.52	1	633.26
2065	1002.15	0	0	0	1398.2
2066	1719.28	1	1719.28	1	2163.14
2067	3479.94	2	6959.88	4	2928.08
	6991.002	0	7649.416	10	

Future Projection of Next Five Year

year	x = t - 2065	yc= 1398.20 + 764.94 x
2068	3	3639.02
2069	4	4457.96
2070	5	5222.9
1071	6	5987.84
2072	7	6752.78

APPENDIX – 26

Trend Line Analysis of Loan and Advances

$$y = a + bx$$

Paschimanchal Development Bank Limited

Calculation of Trend Values of Loan and Advances

year (t)	Loan & Advances (y)	x = t-2065	Xy	x ²	yc= 728.57 +253.47x
2063	239.863	-2	-479.726	4	221.63
2064	407.34	-1	-407.34	1	475.1
2065	769.307	0	0	0	728.57
2066	1030.965	1	1030.965	1	982.04
2067	1195.399	2	2390.798	4	1235.51
	3642.874	0	2534.697	10	

Future Projection of Next Five Year

year	x = t-2065	yc= 728.57 +253.47x
2068	3	1488.98
2069	4	1742.45
2070	5	1995.92
1071	6	2249.39
2072	7	2502.86

Bhrikutee Development Bank Limited

Calculation of Trend Values of Loan and Advances

Future Projection of Next Five Year

year (t)	Loan & Advances (y)	x = t-2065	Xy	x ²	yc = 697.58+313.39x
2063	154.74	-2	-309.48	4	70.8
2064	319.684	-1	-319.684	1	384.19
2065	577.51	0	0	0	697.58
2066	1108.847	1	1108.847	1	1010.97
2067	1327.132	2	2654.264	4	1324.36
	3487.913	0	3133.947	10	

year	x = t-2065	yc= 697.58+313.39x
2068	3	1637.75
2069	4	1951.14
2070	5	2264.53
1071	6	2577.92
2072	7	2891.31

Siddhartha Development Bank Limited

Calculation of Trend Values of Loan and Advances

year (t)	Loan & Advances (y)	x = t-2065	Xy	x ²	yc=1711.72+618.65 x
2063	235.2612	-2	-470.5224	4	474.42
2064	516.28	-1	-516.28	1	1098.07
2065	783.981	0	0	0	1711.72
2066	1472.84	1	1472.84	1	2330.37
2067	2850.227	2	5700.454	4	2949.02
	5858.5892	0	6186.4916	10	

Future Projection of Next Five Year

year	x = t-2065	yc= 1711.72+618.65 x
2068	3	3567.67
2069	4	4186.32
2070	5	4804.97
1071	6	5423.62
2072	7	6042.27

APPENDIX – 27

Trend Line Analysis of Investments

$$y = a + bx$$

Paschimanchal Development Bank Limited

Calculation of Trend Values of Investment

year (t)	Investment (y)	x = t - 2065	Xy	x ²	yc = 130.94 + 32.75x
2063	70.20	-2	-140.4	4	65.44
2064	113.285	-1	-113.285	1	98.19
2065	124.72	0	0	0	130.94
2066	111.71	1	111.71	1	163.69
2067	234.76	2	469.52	4	196.44
	654.675	0	327.545	10	

Future Projection of Next Five Year

year	x = t - 2065	yc = 130.94 + 32.75x
2068	3	229.19
2069	4	261.94
2070	5	294.69
1071	6	327.44
2072	7	360.19

Bhrikutee Development Bank Limited

Calculation of Trend Values of Investments

year (t)	Investment (y)	x = t - 2065	Xy	x ²	yc = 107.74 + 47.78 x
2063	9.92	-2	-19.84	4	12.18

Future Projection of Next Five Year

year	x = t - 2065	yc = 107.74 + 47.78 x
2068	3	250.96

2064	67.25	-1	-67.25	1	59.96
2065	96.57	0	0	0	107.74
2066	165.02	1	165.02	1	155.52
2067	199.95	2	399.9	4	203.3
	538.71	0	477.83	10	

2069	4	298.86
2070	5	346.64
1071	6	394.42
2072	7	442.2

Siddhartha Development Bank Limited

Calculation of Trend Values of Investments

year (t)	Investment (y)	x = t - 2065	Xy	X ²	yc = 286.73 + 165.18 x
2063	45.72	-2	-91.44	4	-43.63
2064	85.67	-1	-85.67	1	121.55
2065	220.874	0	0	0	286.73
2066	333.88	1	333.88	1	451.91
2067	747.5	2	1495	4	617.09
	1433.644	0	1651.77	10	

Future Projection of Next Five Year

year	x = t - 2065	yc = 286.73 + 165.18 x
2068	3	782.27
2069	4	947.45
2070	5	1112.63
1071	6	1277.81
2072	7	1442.99

APPENDIX – 28

Trend Line Analysis of Net Profit

$$y = a + bx$$

Paschimanchal Development Bank Limited

Calculation of Trend Values of Net Profit

year (t)	Net Profit (y)	x = t-2065	Xy	x ²	yc= 17.44+7.21 x
2063	5.9356	-2	-11.8712	4	3.02
2064	8.2782	-1	-8.2782	1	10.23
2065	15.9393	0	0	0	17.44
2066	21.8467	1	21.8467	1	24.65
2067	35.2136	2	70.4272	4	31.86
	87.2134	0	72.1245	10	

Future Projection of Next Five Year

year	x = t-2065	yc= 17.44+7.21 x
2068	3	39.07
2069	4	46.28
2070	5	53.49
1071	6	60.7
2072	7	67.91

Bhrikutee Development Bank Limited

Calculation of Trend Values of Net Profit

year (t)	Net Profit (y)	x = t-2065	Xy	x ²	yc=22.92+13.78 x
2063	3.012	-2	-6.024	4	-4.64
2064	6.2372	-1	-6.2372	1	9.14

Future Projection of Next Five Year

year	x = t-2065	yc=22.92+13.78 x
2068	3	64.26
2069	4	78.04

206 5	15.7273	0	0	0	22.92
206 6	29.1699	1	29.1699	1	36.7
206 7	60.4646	2	120.929 2	4	50.48
	114.611	0	137.837 9	10	

207 0	5	91.82
107 1	6	105.6
207 2	7	119.38

**Siddhartha Development Bank
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Calculation of Trend Values of Net Profit

year (t)	Net Profit (y)	x = t - 2065	Xy	x ²	yc= 23.34+11.35 x
206 3	3.1258	-2	-6.2516	4	0.64
206 4	12.747	-1	-12.747	1	11.99
206 5	16.99	0	0	0	23.34
206 6	35.19	1	35.19	1	34.69
206 7	48.659	2	97.318	4	46.04
	116.711 8	0	113.509 4	10	

Future Projection of Next Five Year

year	x = t - 206 5	yc= 23.34+11.35 x
2068	3	57.39
2069	4	68.74
2070	5	80.09
1071	6	91.44
2072	7	102.79

पश्चिमाञ्चल डेभलपमेन्ट बैंक लिमिटेड

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भूकृती डेभलपमेन्ट बैंक लिमिटेड

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सिद्धार्थ डेभलपमेन्ट बैंक लिमिटेड

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आयकर दायित्व	२६३२४८१.४१	१००९२५४.३१	३२३१४४४०९	३३२२२६४.१५	७२९६००.००
अन्य दायित्व	३७७९०९६०.८१	२५७६४४८१.८८	१०६८९२३१.९५	११०६११०३.७५	८३२९०९७.५५
कुल पूँजी तथा दायित्व	४२४१५६२७५.८२	२४४९७८७८०.१५	११५०५०२६५०.९०	६९२११०९३५.००	३२२४८९१५९.९५
सम्पती					
नगद मौज्जात	७४७५५३७९.४७	२६८१८६५४.०४	१२२४५१७१.९६	६०४६९५४.६८	२२५५१०१.६५
नेपाल राक्ष्ट्र बैकमा रहेको मौज्जात	२२०३६६६५७.३९	३९४४४३५२.४६	२८९२५३३.१४	३१७४०३.५९	३३०५९१.१६
बैंक तथा वित्तीय संस्थामा रहेको मौज्जात	४३१०१०२७.२३	११४९८०४९१.४६	२२६१३००२२.१६	८९९९८६२०.७३	३३५९८.३७६.०९
माग तथा अल्प सूचनामा प्राप्त हुने रकम	४०३३८८२६१.३६	६१९३२०१६१.४१	—	—	—
लगानी	३१८५६७७३५.८२	११३१०१३७४.२९	९५५०००००.००	६०५०००००.००	४४५०००००.००
कर्जा सापट तथा बिल खरीद	२८५०२२७३०८.०९	१४७२८३९७५.३४	७८३९१४९०.६८	५१६२७९३७३.६५	२३५२६११७०.०४
स्थिर सम्पती	३०२३७९०७८.८१	४५८०२९३२.५८	२०३४६८६९.९५	१०७५५१५४.६८	२०८०९६६.५७
गैर बैकिङ्ग सम्पति	—	—	२३२०२९.८२	३८७२७८२.९९	५२५००.००
अन्य सम्पती	२८७७७३१०.०९	१७४८००८८.४६	९१७४५२४.१९	४३४०६४४.६८	४४१०४५४.४४
कुल सम्पति	४२४१५६२७५.८२	२४४९७८७८०.१५	११५०५०२६५०.९०	६९२११०९३५.००	३२२४८९१५९.९४

पश्चिमाञ्चल डेभलपमेन्ट बैंक लिमिटेड

नाफा नोक्सान हिसाव

विवरण	२०६७	२०६६	२०६५	२०६४	२०६३
1 व्याज आमदानी	१७९८०३५७३.१३	१२०७५४६३७.२६	८०८०४२५७.४५	४४१९९३६०.३३	३४५१८२९३.०६
2 व्याज खर्च	९६९४३९८२.१०	६७०६७७५६.१७	४४६६२६१०.६५	२५४५५९७२.५४	१९९२४६९४.३५
खुद व्याज आमदानी	८२८५९५९१.०३	५३६८६८८१.०९	३६१४१४६.८०	१८७४३३८७.७९	१४५९३५९८.७१
3 कमीशन तथा डिस्काउण्ट	१८४८०४०.२४	१८१८५३९.५३	२२५५२३९.९७	१०८९१६८.६२	६६७२१८.४१
4 अन्य सञ्चालन आम्दानी	१४१५४०६३.६७	१२१८५७०१.६७	९६१४२७४.८२	४५५८९४५.५६	२११९०५६.२०
5 सटही घटवह आम्दानी	-	-	-	-	-
कुलसंचालन आम्दानी	९८८६१६९४.९४	६७६९११२.२९	४८०१११६१.५९	२४३९१५०१.९७	१७३७९८७३.३२
6 कर्मचारी खर्च	१८७७७६२७.७५	९६५१०१४.८६	६३९५५३४.३७	२७५९४०९.८५	१६०२१४६.००
7 अन्य संचालन खर्च	२६९२६६६६.७५	१७४४२११३.२०	११९१४९१५.१६	६०६९५६२.१४	३१९४१७२.७८
8 सटही घरवड नोक्सान	-	-	-	-	-
सम्भावित नोक्सानी व्यवस्ता अधिको संचालन मुनाफा	५३१५७४००.४४	४०५९७९९४.२३	२९७००७२.०६	१५५६२५२९.९८	१२५८३५४.५४
9 सम्भावित नोक्सानी व्यवस्थाहरु संचालन मुनाफा	११९१८७२९.८५	१५९७५७२९.४६	४११७८०२.३५	१५९९८४५.५३	४६९८७५.७१
10 गैर संचालन आमदानी/खर्च	५६५३६८.७०	६५९५०२.१३	१०८१०८.००	-	-
11 सम्भावित नोक्सानी व्यवस्थावाट फिर्ता	१४०८५७२८.७९	९३१३०२४.६२	-	-	८४१३६२.३६
नियमित कारोवारवाट भएको मुनाफा	५५८८९७६८.०८	३४५९४७९१.५०	२५६९१०१७.७१	१३९६२६८४.४५	८७२६१५१.१९
12 असामान्य कारोवारवाट भएको आमदानी/खर्च	-	-	४१३६४.७९	-	-
सम्पूर्ण कारोवार समावेश पछीको खुद मुनाफा	५५८८९७६८.०८	३४५९४७९१.५०	२५६९१६५२.९२	१३९६२६८४.४५	८७२६१५१.१९
13 कर्मचारी बोनस व्यवस्था	५०८०८८८.००	३१४४९८१.००	२३३१७८६.६३	१२६९३३४.९५	७९३२८६.४७
14 आयकर व्यवस्था	१५५९५२८१.००	९६०३१८१.६२	७३७८५६७.६३	४४१५१६०.३१	१९९७३४६.०६
यस वर्षको कर व्यवस्था	१६६८७६४४.००	१०१३२३०८.००	७३४५१२७.८८	३९९८४०५.०९	२०९१९९३.१९
गतवर्षकोवाट फिर्ता	-	(१३६०२२.००)	३३४३९.७५	४१६७५.२२	(९४६४७.१३)
स्थापित आयकर खर्च/आमदानी	(१०९२३६३.००)	(३९३१०४.००)	-	-	-
खुद नाफा/नोक्सान	३५२१३५९९.०८	२१८४६६२८.८८	१५९३९२९८.६६	८२७८१८९.१९	५९३५५१८.६६

भकुटी डेभलपमेन्ट बैंक लिमिटेड

नाफा नोक्सान हिसाव

	विवरण	२०६७	२०६६	२०६५	२०६४	२०६३
1	ब्याज आमदानी	२११३५५७५६.१८	११९३२२३४२.४७	५९६६४७१२.४०	३३३७९३९७.६९	१५७५७११५.०५
2	ब्याज खर्च	९२४४५९५५.८५	६१२१९६९६.३३	२९१३९२३८.९४	१७२१२८०६.६७	७६६९७०९.७८
	खुद ब्याज आमदानी	११८९०९८००.३३	५८१०२६४६.१४	३०५२५४७३.४६	१६१६६५९१.०२	८०८७४०५.२७
3	कमीशन तथा डिस्काउण्ट	२०७९५१८.६७	८७३१२८.०४	४८३८०४.४४	१४३३६८.९२	५७२२७.९४
4	अन्य सञ्चालन आमदानी	११०४९१९५.१९	१२४६६५९८.९५	६३५२२७२.८७	५०१५४२६.३९	२७३३५२०.८५
5	सटही घटवढ आमदानी	-	-	-	-	-
	कुल संचालन आमदानी	१३२०३८५१४.१९	७१४४३७३.१३	३७३६१५५०.७७	२१३२५३८६.३३	१०८७८१५४.०६
6	कर्मचारी खर्च	१५२११६०२.५८	८०९१३५१.६२	३९४३५१३.५८	२०७५०५३९०	१०९८८५६.७०
7	अन्य संचालन खर्च	१९०९४२८७.६६	११६०७३३८.८४	६९९६५१९.१६	४०८९३११.५९	२४५११३७.७९
8	सटही घरवढ नोक्सान	-	-	-	-	-
	सम्भावित नोक्सानी व्यवस्था अधिको संचालन मुनाफा	९७७३२६२३.९५	५१७४३६८२.६७	२६४२१५१८.०३	१५१६१०२०.८४	७४०८१५९.५७
9	सम्भावित नोक्सानी व्यवस्थाहरु	२३३४६४७.६३	३२८२५९७.४६	११४३२६६.४६	५१४५०७४.८८	२५७१२३१९.५
	संचालन मुनाफा	९५३९७९७६.३२	४८४६१०८५.२१	२५२७८२५१.५७	१००१५९४५.९६	४८३६९२७.६२
10	गैर संचालन आमदानी/नोक्सान	-	-	-	-	-
11	सम्भावित नोक्सानी व्यवस्थावाट फिर्ता	-	-	-	-	-
	नियमित कारोवारवाट भएको मुनाफा	९५३९७९७६.३२	४८४६१०८५.२१	२५२७८२५१.५७	१००१५९४५.९६	४८३६९२७.६२
12	असामान्य कारोवारवाट भएको आमदानी/खर्च	-	-	-	-	-
	सम्पूर्ण कारोवार समावेश पछीको खुद मुनाफा	९५३९७९७६.३२	४८४६१०८५.२१	२५२७८२५१.५७	१००१५९४५.९६	४८३६९२७.६२
13	कर्मचारी बोनस व्यवस्था	८६७२५४३.३०	४४०५५५३.२०	२२९८०२२.८७	९१०५४०.५४	४३९७२०.६९
14	आयकर व्यवस्था	२६२६०९२२.५७	१४८८५७२०.५६	-	-	१३८५१२०.१८
	यस वर्षको आयकर व्यवस्था	२६३७१६०४.२२	१३४१०१३६.७३	७२५२९९१.०५	२८६८२०२.७१	१३८५१२०.१८
	गतवर्ष सम्मको कर व्यवस्था	१३२८७३.६९	१४७५५८३८.४	-	-	-
	यस वर्षको स्थगत कर आमदानी खर्च	(२४३५५५.३४)	-	-	-	-
	खुद नाफा/नोक्सान	६०४६४५१०.४५	२९१६९८११.४४	१५७२७२३७.६५	६२३७२०२.७१	३०१२०८६.७५

सिद्धार्थ डेभलपमेन्ट बैंक लिमिटेड

नाफा नोक्सान हिसाव

	विवरण	२०६७	२०६६	२०६६	२०६४	२०६३
1	ब्याज आमदानी	३५५९००८१८.२४	१७४०८९१८२.६४	८६०४६८९३.३८	५१८४०४४९.८४	२८४२८८७९.७०
2	ब्याज खर्च	२१५००४५४९.२६	९४४२६४२३.७६	४५५०७४११.७०	२८०३३७३२.१७	१६४८८२२१.७०
	खुद ब्याज आमदानी	१४०८९६२६८.९८	७९६६२७५८.८८	४०५३९४८१.६८	२३८०६७१७.६७	११९४०६५८.००
3	कमीशन तथा डिस्काउण्ट	२८७०६०५.२४	३०४११८६.२२	१६२५२७५.६५	१४०००८२.१२	३९५०९५.७९
4	अन्य सञ्चालन आमदानी	३४१०८३४२.५१	१८९२४७५०.४७	१०१४७१०७.६६	५८६७५९१.०३	३५०७८९४.६०
5	सटही घटवढ आमदानी	-	-	-	-	-
	कुलसंचालन आमदानी	१७७८७५२१६.७३	१०१६२८६९५.५७	५२३११८६४.९९	३१०७४३९०.८२	१५८४३६४८.३९
6	कर्मचारी खर्च	३१६७७७२३.३४	१३३६६५६७.२८	६७४१८४५.०१	३८२४७२९.८१	१७००४८९.१७
7	अन्य संचालन खर्च	५६४६५९१७.१३	२६३४४६४९.९०	१२९०६४९०.२२	६३५०१०७.६०	२५४२७२७.१५
8	सटही घरवड नोक्सान	-	-	-	-	-
	सम्भावित नोक्सानी व्यवस्ता अधिको संचालन मुनाफा	८९,७३१,५७६.२६	६१,९१७,४७८.३९	३२,६६३,५२९.७६	२०,८९९,५५३.४१	११,६००,४३२.०७
9	सम्भावित नोक्सानी व्यवस्थाहरु	१२,१६६,४९५.५७	६,३३५,२७०.६६	५८७७०१९.८०	१२७३४२७.६७	६७६८०७२.५३
	संचालन मुनाफा	७७५६५०८०.६९	५५५८२२०७.७३	२६७८६५०९.९६	१९६२६१२५.७४	४८३२३५९.५४
10	गैर संचालन आमदानी/खर्च	४५९८८४.४२	१४३६४०.००	८३०.१७	-	-
11	सम्भावित नोक्सानी व्यवस्थावाट फिर्ता	-	७७३४३.२७	१२१३५८४.४०	१०१३४०५.७७	-
	नियमित कारोवारवाट भएको मुनाफा	७८०२४९६५.११	५५८०३१९१.००	२८०००९२४.५३	२०६३९५३१.५१	४८३२३५९.५४
12	असामान्य कारोवारवाट भएको आमदानी/खर्च	-	-	(७५६३७.९३)	-	(२९९१३.११)
	सम्पूर्ण कारोवार समावेश पछीको खुद मुनाफा	७८०२४९६५.११	५५८०३१९१.००	२७९२५२८६.६०	२०६३९५३१.५१	४८०२४४६.४३
13	कर्मचारी बोनस	७०९३१७८.६५	५०७३०१७.३६	२५३८६६२.४२	१८७६३२१.०५	४३६५८६.०४

	व्यवस्था					
14	आयकर व्यवस्था	२२२७२८०२.३३	१५५३९९९३.९२	८३९६५१५.५३	६०१५५१४.१५	१२४००००.००
	यस वर्षको कर व्यवस्था	२२१११९२९.३३	१५७६५८०६.००	८१७७१२८.१३	५९७६९८२.१५	१२४००००.००
	विगतवर्षको कर व्यवस्था	५५६९५४.००	१२६४५५.०३	२४८२६०.८२	३८५३२.००	-
	यस वर्षको स्थगन कर आमदानी/खर्च	(३९६०८१.०१)	(३५२२६७.११)	(२८८७३.४१)	-	-
	खुद नाफा/नोक्सान	४८६५८९८४.१४	१४३५१९०१७९.७२	१६९९०१०८.६५	१२७४७६९६.३१	३१२५८६०.३९