

CHAPTER-I

INTRODUCTION

1.1 Background

Human beings want to adjust normally in the society using minimum requirements needed to run their daily life smoothly. People apply their skill and knowledge to enhance equipment which proves to be beneficial for the society and people. For this, economic growth is required. Not a single step for the development of technology and materials can be forwarded without economic enhancement of a nation. For the economic development, a good financial institution has to be established and hence banking institution has been operated to provide financial resources for the enhancement of economic activities. Government should show active participation in the industrialization of the nation formulating and implementing proper strategies because industrialization provides employment opportunities to the people which enable them to uplift their economic condition.

A bank is an institution which deals with money by accepting various types of deposits, disbursing loans and rendering other financial services to its customers. Bank provides capital, which is required for each and every development program. Several underdeveloped countries in the world suffer from economic crisis due to the lack of capital formation and their mobilization. None other financial institutions can be as good as banks in proper mobilization of capital. Banks provides loan which is required for rapid economic growth and development of a country. It also provides services of wide range like remittances of fund purchase and sell of bills, supplying of timely

credit and other market information. These services also help in smooth economic development.

History shows that requirements of economic development of any country heavily realize upon the banking system of the country. During its industrial development period, U.K. used bank credit to fulfill its working capital need. In 19th century, during the industrialization process of France and Germany, banks played an important role in industrial finance and the growth of the nation.

Bank, in general, means an institution that deals with money. Several financial, monetary and economic activities are performed by banks which are initials for the economic development of a country. It is a monetary institutional vehicle for domestic resources mobilization of the country that accepts deposits from various sources and invests such accumulated sources in the field of agriculture, trade, commerce, etc. Generally, the term “Bank” refers commercial banks. They play an important role in the economic development of the country. Commercial banks are one of the vital aspects of this sector, which deal in the progress of channeling the available resources in the needed sectors. It is the intermediary between deficit and surplus of financial resources. It is a source for economic development and it maintains economic confidence of various segments and extends credit to people. Thus, commercial banks have actively contributed to eliminate poverty, reduce unemployment and enhance economic growth.

Various names can be given to identify the modern commercial banks such as business banks, retail banks, clearing banks, joint venture banks, mer-

chant banks, etc but they all perform the same basic function: i.e. they provide a link between lenders, those who do not have surplus money and do not wish to spend immediately with borrower, they who do not have surplus money but wish to borrow for investment in productive purpose. The commercial banks charge slightly higher rate of interest to borrowers than they pay to the lenders, hence they make their profit.

Commercial banks provide the following major products and services:

- Acceptance of deposit.
- Granting of advances.
- Remittance collection and distribution.
- Cash management.
- Insurance of letters of credit and guarantee.
- Merchant banking business.
- Credit cards.
- Technology based services-internet banking services.
- Loan distribution.
- Safe keeping services/lockers.
- Handling government business.
- Automated Teller Machine(ATM)
- Any Branch Banking Services(ABBS)

History of Bank

As a public enterprise, banking made its first beginning around the middle of the 14th century in Italy established with the name of “The bank of Venice “ in 1357 A.D., the first public banking institution . Then, "The Bank of Barcelona “and “The bank of Genoa” were established in the year 1401 A.D. and 1407 A. D. respectively. The evaluation of “The Bank of England” in the

kingdom of 1694 A.D. brought remarkable change in the process of establishing banking institution in the world. The establishment of this bank was big milestone in the history of banking development because it is believed that the idea of commercial bank rapidly spread all over the world only after the commencement of this bank.

In the context of Nepal, banking has developed its network in relatively recent days. In Nepal, record of banking system is not clear rather it gives detail account of mixture life. In past days, rich merchants and landlords had acted as lenders in the unorganized money market. History suggests that, at the end of 8th century Gunakam Dev had borrowed money to rebuild the Kathmandu valley. Moreover in the 11th century during Malla regime there was an evidence of professional money lenders and bankers. But there were no any regulatory bodies due to which the money lenders used to charge high rate of interest and other extra dues on loans extended. In the year 1877 A.D. "Tejarath Adda" was established by the government of Kathmandu valley and banking system was flourished. It helped the general public to provide credit facilities at very low rate of interest. The Tejarath Azdda extended the loan to the public against the collateral of gold and silver. Hence the establishment of Tejarath Adda could be taken as pioneer foundation of banking in Nepal. Due to the lack of financial support the Tejarath Adda could not run and extended the advance required to the general people. Not only this, no other financial institutions were set up. Thus, Tejarath Adda failed to run smoothly and again the organized money lenders became active.

There was a need of finance for the reconstruction of the infrastructures on 1934 A.D. in the earthquake. Hence the need of banking institution was realized. Keeping this in view, Industrial Development Board was formed in the year 1936 A.D. The board formulated the “Company Act” and “Nepal Bank Act” in 1937 A.D.

As the first commercial bank of Nepal, Nepal Bank Limited (NBL) was established in 1937 A.D. During that period, limited industrial undertaking and trading activities were created in the economy and NBL was established for the fulfillment of their financial needs. NBL alone could not fulfill the financial needs and necessity of other commercial banks was felt at the latter stage. As a result Nepal Rastra Bank was established in 1965 A.D. as a central bank of Nepal. The objective of its established was developing banking system of in the country to promote industry, trade and agricultural in addition to its main function of circulating. Nepalese currency all over the country with the advent of economic liberalization in late 1980 A.D. Keeping in view the role of commercial banks in the financial system for the promotion of the industry, trade and business sectors, different financial institutions to carry out the banking activities. Joint venture commercial banks were permitted to run in the country only in late 1980 A.D. In present condition, 1 central banks , 58 development banks, 78 finance companies, 16 cooperative societies and 46 Non Government Organization are operating presently in Nepal.

Nepal Bank Limited a pioneer commercial bank is the oldest bank in the history of modern banking system of Nepal. The bank was established on 31th Kartik, 1994 B.S. (1937 A.D) in the technical assistance of Imperial Bank of

India under “Nepal Bank Act 1993”. The establishment of Nepal Bank Limited laid the foundation of modern financial system in the country. The significance of this bank was highlighted in the speech by the late Prime Minister JuddhaShumsher Jung Bahadur Rana on the occasion of its inauguration as “The work which is being done in the larger interest of nation, is a great moment for me. Until today a bank could not be opened in Nepal. Therefore, this bank, which is being established under the name of Nepal Bank Limited to full that need and to be inaugurated by His Majesty the King is a moment of great joy and happiness. The bank’s objective is to render service to the people whether rich or poor and to contribute to the nations development will also need the support and the best wishes of all. I am confident with forthcoming” were set at the time of its inception.

As this bank was established prior to the Nepal Rastra Bank i.e. the central bank, it used to perform the function of a commercial bank as well as of a Central Bank until the inception of Nepal Rastra Bank. Now in the presence of a separate central bank, it carries out the functions of a commercial bank only. Being the oldest bank in the banking history of the country, it has played a vital role in the development of banking system for the country. It has expanded its branches throughout the kingdom including far remote areas having very poor profitability and some of the parts having income not sufficient to meet breakeven. The bank has given more priority to the service of common and poor class people rather than to the profit and it has been able to achieve some objectives, which were set at the time of its inception. The main objective of setting up of the Nepal Bank Limited under the circumstances prevailing at the time were highlighted in the preamble of Nepal Bank Act 1933, as “In the absence of any bank in Nepal, the econom-

ic progress of the country was being happened and causing inconvenience to the people and for the betterment of the country, this nearby promulgated for the establishment of the bank and its operations.”¹

At the time of inception, it had an Authorized capital of Rs. 10 Million, Issued capital of Rs. 2.5 Million and paid –up capital of Rs. 0.842 Million. But now, they are Rs. 1000, Rs. 500 and Rs. 380.4 Million respectively. The bank, which was started with a single branch in 1994 B.S. currently, it has 2800 staffs and 101 offices together with head office, branch and sub-branch offices spread through the country. It was established to provide the services, to accept deposits, to extend credit facilities for the promotion of trade, cottage industries and agriculture, to render custom related services, i.e. issue of bill of exchange, hundis etc. to invest credit to invest on government bond and securities to carry out agency functions and to act as banker to the government. The first bank in Nepal, Nepal Bank Limited was originally incorporated under a special character “Nepal Bank Act 1993”.After the enactment of Commercial Bank Act 2031 B.S., Nepal Bank Limited was brought under this act. In addition to the major banking functions of the Nepal Banking Limited as described by Commercial Bank Act 2031, section 12 may be:²

- i. To accept deposits with or without interest under current, saving and other deposit schemes.
- ii. To provide loans against the collateral of government securities, movable properties, company’s shares or debentures, bill of exchange, promissory notes or to investment on them

¹ Nepal Rastra Bank, *40 year of the Nepal Rastra Bank, 1996, P.32*

² Nepal Bank Act, 2003.

- iii. To issue, accept, discount, buy and sell bill of exchange, promissory notes, cheques, etc.
- iv. To work as an agent of the Nepal Rasrtra Bank and to remit or transmit amount to different places with in or outside the kingdom of Nepal.
- v. To operate off balance sheet operations subject to the conditions specified by the Nepal Rastra Bank.
- vi. To buy and sell the securities issued by the government and non-government organization.
- vii. To make necessary arrangements for performing the functions of the commercial banks.
- viii. To provide clearing/ collection facilities, bank guarantee, locker facilities and fund transfer services for the customers and banks.
- ix. To provide loans and advance on vehicle loan, home loan and also invest on trade finance.

Nepal Bank Limited has been playing a momentous role in the development of Nepalese economy. The bank is highly successful to create banking habits among the Nepalese people and to create monetization in the non-monetized area of Nepal. It has been helping in business communication and government in different ways since its incorporation. The bank not only holds its capital but also holds the deposits of people, which make it responsible to society. The increase in assets and deposits of the bank indicates that the bank has made a significant progress and the progress of financial institution in always positively associated with the progress of a country's economy. Its contribution to the government revenue in term of the tax was also good and the facility provided to staff was welcomable. In recent some years, its fi-

nancial performance and position was satisfactory to all the concerned parties. Now, it has been able to give good facilities to personal and service to general people. Its bad debts are reducing form some years. It has been able to compete with other joint venture banks, able to attract the customers, in one word it able to go with time. Shareholding structure of Nepal Bank Limited is as follow:

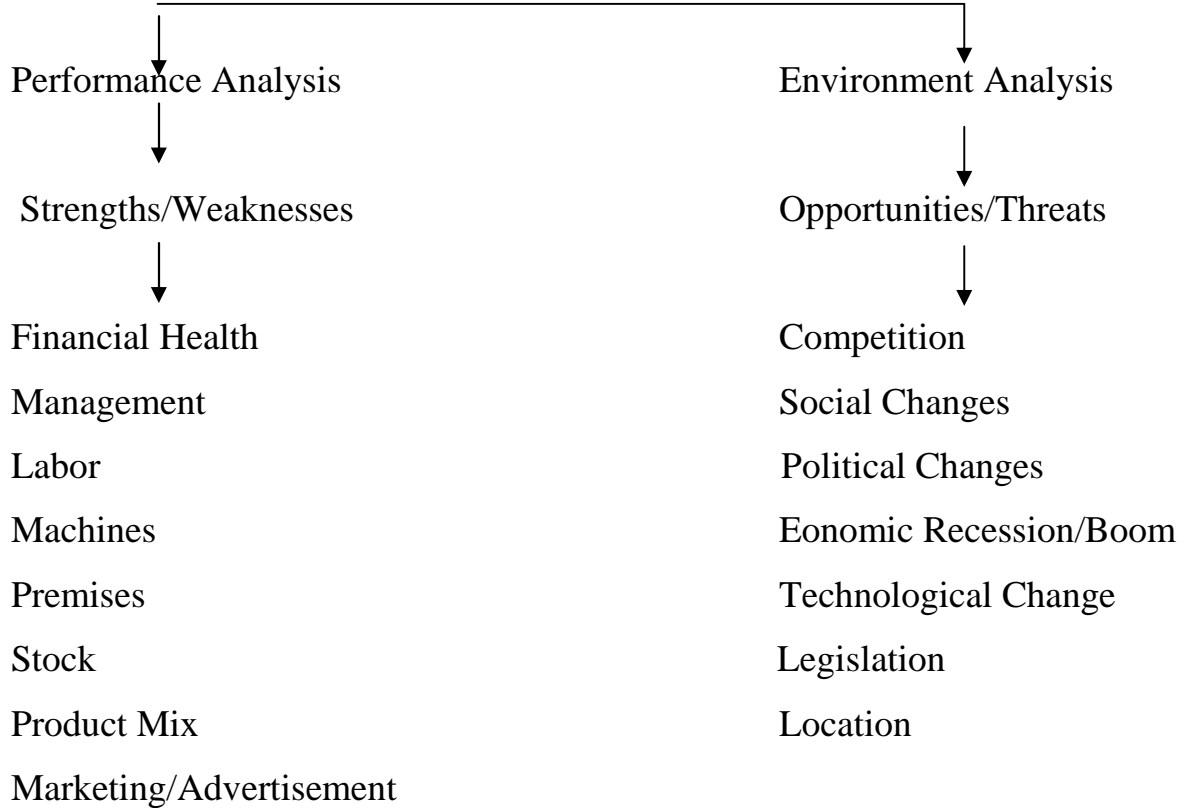
-) Government holding 40.49% of the capital.
-) Corporate institutions holding 8.87% of the capital.
-) General public holding 49.93% of the capital.
-) Others holding 0.71% of the capital.

1.2 Focus of the study:

The present research paper directly focuses on the financial performance of the economy in Nepal. The study on the financial strength and weakness of Nepal Credit & Commerce Bank Ltd. (NCCBL) and Nepal Bank Limited (NBL) as a Commercial Bank would be a dealt throughout the research process. For the purpose, the study evaluates the position of the banks with respect to liquidity, leverage, capital adequacy, turnover and profitability and tests the relationship between various variables. The study assumes the hypothesis that the performance of sampled banks does not differ significantly. Analyze the SWOT i.e. Company's strengths & weaknesses and opportunities & threats



SWOT



This study is basically focused on strength, weakness, opportunity and threat on the selected period to know its impact on the national economy as a whole. The financial performance of the bank can be evaluated on the basis of meeting of their objectives and fulfilling of function. Analyzing financial performance in a process of evaluating relationship between component parts of financial statements to obtain a better understanding of a bank's position and performances.

Nepal Credit & Commerce Bank Ltd. (NCCBL) formerly registered as Nepal Bank of Ceylon Ltd. , commenced its operation on 14th October, 1996 as a joint venture with Bank of Ceylon, Sri Lanka. It was the first private sector bank with the largest authorized capital of Rs. 1,000 million, issued capital

Rs. 1,000 million, paid up capital of Rs. 700 million, and public offering Rs. 210 million. The Head Office of the bank is located at Siddhartha agar, Rupan-dehi, the birthplace of LORD BUDDHA, while its Corporate Office is placed Bagbazar, Kathmandu. At present NCC Bank provides banking facilities and services to rural and urban areas of the kingdom through its 14 branches and 3 extension branches. The bank has developed corresponding agency relationship with more than 150 international banks having a worldwide network. The Bank is using Humor Plus, the most commonly used software by Nepalese banks. The bank offers Any Branch Banking Service (ABBS) on four branches operating in Kathmandu Valley. Telex, Society for Worldwide Interbranch Financial Tele-communication (SWIFT) is other modes of communication for efficient and effective transmission of information. Here is also the Automated Teller Machine (ATM) and Western Union Money Transfer facility for all its valuable customers.

Despite being commercial in nature, the main objective of NCCBL is to provide services to the general public. The previous study of the pattern of services provided by NCCBL shows that the banks has given more emphasis to its service objective rather than its profit objectives, which would be dealt later during our study in detail. This bank has taken the responsibility of extending banking branch of Nepal Rastra Bank (NRB), and other commercial banks in such places it acts as an agent of NRB. The main objective of the bank is to provide modern banking facilities and to extend loan facility to the commercial and industrial sectors as well.

1.3 Statement of problem

Mainly, the comparatively study emphasis lay upon the performance of Nepal Bank Limited (NBL) and Nepal credit & commerce Bank LTD (NCCBL). The struggle and survival, pros and cons, up –down and ability of the banks to adopt in the changing economic condition effectively would be deals and analyzed .Besides commercial banks, development banks and Joint venture banks are also being registered by Nepalese and foreign promoters. Other institution offering similar nature of service like finance companies, co-operative societies and saving bank are growing in large number. The study would be focused on finding the financial ability, performance and its contribution and comparatively analysis. Today we are in a position to judge that the government and private banks are lagging behind in term of profitability when compared to joint venture banks .The financial performance of both banks are visibly low . Both banks haves deal with various social obligations and gave to provide different subsidies and have also given more emphasis to its service objective rather than its profit objectives, which would be deals later during our study in detail. At the sane time, joint venture banks can merely operate for profit making with the prevailing economic condition of the country, the investment is in manufacturing productive, agricultural and industrial sector have not grown satisfactorily. Hence, NBL and NCCBL are also not succeeding perfectly to shift the deposit in profitable sectors. The problem of the study will be focused on finding out the following reasons for the different in their respective financial strength, weaknesses, opportunities, and threats.

- How far have NBL & NCCBL been able to shift the monetary resources from savers to users?

- What are the position of the concerned banks in terms of liquidity, leverage, capital adequacy, and profitability?

1.4 Objectives of the study

The main objectives of thesis are to comparatively examine, discuss and evaluate the financial operation and the financial statements of the Nepal Bank LTD. Therefore, to attain the mentioned objectives, following specific objective have been set.

- a. To comparatively review strength & weakness of NBL & NCCB in its major area of operation.
- b. To comparatively explore areas of opportunities and threats to NBL & NCCB prevailing in the changing context.
- c. To show a suggestive package based on the findings of the study for the improvement of the financial performance of NBL& NCCB.

1.5 Significance of the study:

This study basically helps to ascertain the financial performance of the government Bank and private Bank as NBL & NCCB. Regarding the economic structure of the country, the banks do not have sufficient investments opportunities .Bank business is growing very slowly, because of rapidly increasing financial institution and the joint venture banks. They are creating threats to the government banks and private Banks. Most of the investors are investing their money and assets without any proper knowledge information, so till now, investment is just like (shooting in the dark.)

This study will be beneficial for the entire person who is directly or indirectly related to banking business. This study will give the information about the

financial condition of NBL & NCCB and it will definitely help to increase the analytical power of the investors, depositors, shareholders, debenture holders, suppliers, debtors, creditors, etc.

Apart from this study will be a matter of interest for academicians, students, teachers or practicing in the field of finance.

1.6 Limitation of the study:

As every research has its own limitation, this study is not biased. Basically, the research is done for the partial fulfillment of M.B.S. So this study has some limitations, which are listed below:

- The study covers the relevant data information only for five years.
- Major portion of analysis and interpretation have been done on the basis of available secondary data and information. So the consistency of findings and conclusion is strictly dependent upon the reliability of secondary data and information.
- Time and financial constraints are also the major limitations of the study. The report has to submit within the time period.
- This report cannot remain without flaws. Best effort has been done to make this report with minimum errors. Being almost impossible without error, existence of unnoticed error is also major limitation of the study.
- The research is concerned with NBL and NCCBL.

1.7 Organization of the study:

This study is divided into five chapters which are as follows:

Chapter 1 includes the introduction and general background of the study, focus of the study, statements of the problem objectives of the study, significance of the study and limitation of the study.

Chapter 2 includes review of literature. In this chapter, the review from books, journals, thesis and independent studies are taken into account.

Chapter 3 includes research methodology. It includes the research design data collection procedure, tools for analysis, method of analysis and presentation.

Chapter 4 includes data presentation and analysis part. It is the main body of our research. It includes data presentation, interpretation and analysis.

Chapter 5 includes the summary and conclusion of the research. And finally suggestions and recommendation are given.

CHAPTER-TWO

REVIEW OF LITERATURE

This review of literature basically highlights the existing literature and research work related to the present research being conducted with the view of finding out what had already been explained by the previous researchers and how the current research adds further benefits to the research. While conducting the research study, previous studies can not be ignored, as that information would help to check the chances of duplication in the present study. Thus one can find what research studies have been conducted and what remains to go with.

This chapter highlights and deals with the literature relevant to this study and serves the following important functions:

- i. This study continues with the process in chapter 1 by providing readers background information needed to understand.
- ii. This study established the study as a link in order to fill the gap of research that is seen in this field.
- iii. This study assures readers that they are familiar with the important research that has been done by others in similar areas.

This review of literature had been classified into the following basic sub-groups, they are as follows:

2-1 Theoretical Review/Conceptual Review

2-2 Review of Related Studies

2-2.1 Review of Related Journals

2-2.2 Review of Related Articles

2-2.4 Review of Related Thesis

2-2.4 Research Gap

2-1 Theoretical Review/ Conceptual Review

The theoretical review or conceptual review is also known as review of books. Financial statement refers to any formal and original that discloses the financial information related to any business concern during financial years. The income statements and balance sheet usually prepared at the end of each financial year shows the firm's financial position. The analysis makes an attempt to dissect component on the basis of the purpose on one hand and between individual components on the basis of the purpose on one hand and between individual components and total of these items on the other. In course of studying and evaluating the financial position of the organization a study of trends 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.³

Financial analysis is the process of indentifying the financial strength and weakness of the firm by properly establishing relationship between the item of the Balance sheet and profit & loss Account.⁴

Financial analysis involves the use of various financial statements. The first is the balance sheet, which represents a snapshot of the firm's financial po-

³ R.m Srivastava; Financial Management; pragati prakasan; 1993;P-56

⁴ I.M Pandey, Financial Management Vikash publishing House, New Delhi, 1994,P.P-96

sition at a moment in time and next is the income statement that depicts a summary of profitability over time.⁵

Financial analysis is both an analytic and judgmental process that helps to answer the questions that has been properly posed and therefore, it is a means to an end. We can stress enough that financial analysis is an aid that allows those responsible for results to make sound decision.⁶

Analysis and interpretation of financial statements is an attempt to determine the financial performance of any organization so that forecast may be made of the prospects for future Earning, ability to pay interest debt maturity and profitability of a sound dividend policy.

Besides, it can be taken as the starting point for making plans, before using any sophisticated forecasting and planning procedures. Financial data can be used to analyze a firm's strength. Management of the firm would be strength to their best use and to spot out the financial weakness to take corrective action.

The analysis of transactions determines the solvency of business and the measure of efficiency of operations as compared to similar concerns. The analysis reveals how far the dreams and ambitions of the top management have been converted into reality during each financial year. The analysis, being a technique of x-raying the financial position as well as progress of a

⁵ J.C Vanhorne and J.M. Wachowicz, Fundamental of Financial Management, Prentice Hall of India, Pvt. Ltd. 1997, p. 120

⁶ A.H.Erich, Technical of Financial Analysis, Seventh Revised Edition, Jaico Publishing House, PP2

concern, it enables. Managers and investors take decision that will affect the company's future. Hence, much information can be obtained about various aspects of a business through the analysis, which otherwise would have been buried in amaze of details.

Financial analysis is the process of identifying the financial strengths and weakness of the firm by properly establishing relationships between the terms of the balance sheet and the profit and loss account. Management of the firm can undertake it or by parties outside the firm.

2.2 Review of Related Studies

2.2.1 Review of Journals

This study has been designed to answer the different research questions. Therefore, the study deserves some significance. This study has multinational importance in the particular areas of the concerned bank. It will be helpful to the managers to go deep in to the matter as why the performance of this bank is better or worse than their competitors. Financial with banking would also find this study as a useful reference. The result of the study is thought to importance for the following groups: Management of the bank, potential investors, government policy formulators, general public academicians, management stock brokers, other commercial banks and other concerned parties. At present, commercial banks in Nepal are holding high deposits. They hold not only higher deposits but also a higher lending portfolio. In spite of this, they have not been ranked, profit-wise in the top most positions in the international banking world.

Several studies were conducted on scope and performance of banking and financial institutions. Those studies have shown that a huge amount of deposit is concentrated in urban areas especially in Kathmandu valley and other cities. The banking and financial institutions, therefore have established at the potential sector (Kathmandu valley and major cities) costumers of urban areas have received modern and sophisticated banking services. Rural people are yet to benefit from the banking and financial services to the fullest. However, the government is trying to expand the banking institutions to rural areas. The commercial bank and agriculture bank both are playing vital rote in the economic and financial market development and vice – versa. They are both trying to expand their services to the rural areas and have several banking units set up in those areas to contribute to the development of those areas for the sector they serve.⁷

There are many threats and opportunities in the banking sector. A proper analysis of these factors is a must for any bank to be on the cutting edge. One of the most trusted tools is the SWOT analysis.

SWOT is an acronym for:

S = strength: Higher deposit assuming huge inward remittance. Qualified and skilled staff.

W = weakness: Less earnings through forex transactions.

O = Opportunities: Can make use of the excess deposit concentrating more on lending to various viable projects or to business men and entrepreneurs

T= Threats: unfavorable economic condition favorable business is unpredictable.

⁷ Rastriya Banijya Bank, Upshaw, Anniversary Issue, Vol.52, Kasthamandap Press, Kathmandu., 2052,p.124

The objective of banks is to disburse more loans and advances. As the banks have acquired more deposits, they can lend and earn interest based income. On the other hand, the banks should try to boost export business in order to gain more foreign currency, which ultimately increases its interest and commission – based earnings and Fcy revolution gains.⁸

Financial analysis is the process of identifying the financial strengths and weakness of the firm by properly establishing relationship between the terms of the balance sheet and profit & loss account. Management of the firm can undertake it or by parties outside the firm .The focus of the financial analysis is on the key figure contained in the financial statement and significant relationship existed .Management of the firm is generally interested in every aspect of the financial analysis they are responsible for the overall efficient and effective utilization of the available resources and the financial position of the firm.

⁸Himalayan Bank, Info Himalaya, Bimonthly Newsletter of Himalayan Bank Ltd., Vol. No. 6, Sep.- Oct.2004,P.5

2.2.2 Review of Articles

Prof. Manohar Krishna Shrestha on “commercial bank comparative performance evaluation” has concluded that joint venture Banks (JVBS) is new, operationally more efficient, having superior performance while comparing with government- banks. Better performance of JVBs is due to their sophisticated technology modern banking methods and skills. Their better performance is also due to burden, the banks facing government’s branching policy in rural sector, but having number of deficiencies. So government banks have to face growing constraints of social, economical and political system on one hand spectrum and that of issues and challenges of JVBs commanding significant banking business on other spectrum.⁹

The profit earned by the firm is the main financial indicator of business enterprise. Profit is the result of successful management, lost control, credit risk management, efficiency of operation etc. Profit is essential for an enterprise to survive, growth and to maintain capital adequacy through retained earnings. Profit is essential to raise the market price of shares and to attract additional capital investment. In this regard American institute of Banking says “under the free enterprise systems of the U.S.A, the interest of the nation as well as those of individual stock holders are supposed to be best served by vigorously seeking profit. But the profit can not be sole objective of an enterprise and enterprise should not be evaluated just on the ground of the profit it makes. Neither bank nor the communities are best served if the

⁹Prof. Dr. M.K. Shrestha, Commercial Bank Comparative Performance Evaluation, KOSH, Karmachari San-chaya Kosh Publication, Vol.16, 2047

banker unreasonably sacrifices the safety of funds or the liquidity of the bank in an effort to increase income.¹⁰

Commercial banks in Nepal are the business institution, they should be careful in generating adequate profit for their operation. Liquidity is the other financial indicator of the business enterprise. It is extremely essential for a firm to be able to meet its obligations as they become due. Profitability determines the ratio of liquidity required to meet those obligations. To improve the productivity and quality of banking sector the authorities have created a new environment giving rise of joint venture banks and government stabilization and structural reform.

After reviewing the books, certain useful journals on domestic market, banking financial statement analysis and monetary credit situation of Nepal are studied. There has been substantial growth of commercial banks in Nepal in late 1980 A.D. The basic reason behind this is the government's deliberate policies of allowing foreign joint venture banks to operate in Nepal. Government's liberalization policy also encourages the traditionally run domestic commercial banks to enhance their efficiency and competitiveness through modernization, mechanization via computerization and prompt computer services by setting them to the exposure of the joint venture banks.¹¹

¹⁰American Institute of Banking, Principles of Banking Operation, U.S.A, 1972

¹¹ M.K. Shrestha, Evaluation of Banking Supervision in Nepal Rastra Bank, IMF, January 31, 1998

2.2.3 Review of Related Thesis

The researcher has found various studies conducted in the field of financial strength and weakness of commercial banks. But no studies, regarding any aspects of Nepal Credit & Commerce Banks Ltd and Nepal Bank Ltd could be found. However, different related dissertations have been reviewed so that the chances of duplication will be avoided from the present study and some newness can be created for serving the objective set.

Mr. S.L Bajracharya in his study, “Evaluating financial patterns of Nepalese Commercial Banks “, concluded as through the train of deposit is increasing the percentage change each year is decreasing. Commercial Banks are contributing to enlarge the gap between collection and utilization of resources. Commercial Banks are too liquid oriental to benefit the national economic development in proper utilization of resources is creating shortfall in economic upliftment.¹²

The study conducted by Lal Mani Adhikari Khatri with the objectives:

- To know investment , which of the bank is better in terms of profitability, liquidity, security and diversification
- To know which of the bank is better in terms of resources mobilization
- To know the difference in earning of two banks.
- To know the difference in the performance of branches and employees of two banks regarding deposit collection and investment

Findings of the study established at the end of the research process were as follows:

¹²S.L. Bajracharya, Evaluating Financial Pattern of Nepalese Commercial Banks, An Unpublished Dissertation, T.U.,Kritipur,1978

- There is a high correlation between deposit and investment in NBL & RBB
- Deposit structure of two banks is more or less similar percentage of loans disbursed by RBB is significantly higher. Both banks are investing lower percentage on loans.
- Ratio of current assets and current liabilities is significantly higher in NBL
- Performance evaluation shows that branches and employees of NBL are significantly more efficient in resources mobilization.
- Both the banks are earning very in significant percentage of total income from other banking functions.¹³

A study conducted by Restha Jha has highlighted the growth, objectives, functions, and role of commercial JVBs. He has further studies the operational aspects of these JVBs taking into account the products they offer.¹⁴

2.2.4 Research Gap

This research paper is mainly focused on the bank's strength, weakness, opportunity and threat. The researcher has found various studies conducted in the field of financial performance of commercial banks. But no studies, regarding comparative SWOT analysis as such of Nepal Credit & Commerce Banks Ltd (NCCBL) and Nepal Bank Ltd (NBL) could be found. However, different pilot studies have been reviewed so that the chances of duplication

¹³ Lal Mani Adhikari Khatri, Commercial Analysis of Investment Structure of RBB and NBL, An Unpublished Dissertation, submitted to T.U., M.A., Economics, 1987

¹⁴ R.Jha, A comparative Analysis of Financial Performance of the selected Joint Venture Banks Unpublished Master's Thesis, T.U., 1998, P.17

will be avoided from the present study and some newness can be created for serving the objectives set.

Similarly, Balaram paudel has confined his study to the examination and evaluation of financial operation, financial position and performance of Nepal SBL Banks and Nepal Grind lays Banks. He has assessed their strength, weaknesses and opportunities and attempted to find out reasons of changes on profitability and liquidity trends of the both.¹⁵

In conclusion, the researcher is trying to clear that whether it is focused to the deposit mobilization, generating more profitability, giving more loan and advances to customers or not. So, it is trying to evaluate the effectiveness of monitoring and collective policies of the banks.

¹⁵ B.R Paudel, A Comparative Financial Performance Analysis of NSBIBL, Unpublished Master's Thesis, T,U.,2000, P.4

CHAPTER- THREE

RESEARCHER METHODOLOGY

Research methodology understands for the research technique used thought the research process. The basic objectives of the financially strengths & weaknesses and opportunities & threats of the banks under study, evaluating it's respectively performance and to offer suggestion packages for better financially strengths & weaknesses.

This chapter is designed to throw light on the methodology used to undertake this financial performance of Nepal Credit & Commerce Bank Ltd (NCCBL) and Nepal Bank conclusion from this.

In the first two chapters, the researcher to established a setting for the research topic and has reviewed the findings of other previous researchers and his/her works. During this chapter the tools methods, and procedures for the entire research work would be decided and application of the same would be determined. This is the phase where researcher actually gathers the information that is required to decision the research, determines the sources of data, determines the data processing procedures, determines financial and statistical tools, and thinks logically about presentation of the so collected information in an attractive and conclusive manner “Research methodology is the process to solve the research problems systematically.”¹⁶

¹⁶C.R. Kothari, Research Methodology Methods and Techniques, New Delhi, Wiley Eastern Ltd., P.39

Research mythology refers to the various sequential steps to be adopted by researcher in studying a problem with certain objective/objectives in view. Therefore this chapter deals with the following aspects of methodology

- Research design
- Population and sample
- Sources of data
- Data collection procedure
- Data processing
- Analytical tools

3.1 Research design

Research design understands for definite sets of procedures, processes, and a technique that guides the research process and propounds the ways for research's viability. Since, the study is mainly focused on finding out the appropriate path for improving the performances of the banks under study named Nepal Credit & Commerce (NCC) and Nepal Bank Ltd (NBL) and its respective role in the economy. The study is bank's financial statement. Both the descriptive as well as analytical methods have been applied wherever necessary. Suggestions from the guide teacher as well as other faculty members have been incorporated in the research to make it more attractive and impressive.

3.2 Population and Sample

The population for this study comprises (30) commercial banks currently operating in the country. All the commercial banks perform under the rules, regulations and directives of Nepal Rastra Banks. The Sample consists of judgmentally selected bank—Nepal Credit & Commerce Bank Ltd & Nepal

Banks Ltd. Financial statements of this bank for latest five years have been taken as sample for this purpose.

3.3 Source of Data

The study is mainly based on secondary sources of information, which provides insights into financial performance of the bank under the study (NCCBL & NBL). The supplementary data and information have been collected from unpublished official annual reports of the respective bank, information from Nepal Rastra Bank and other reports, magazines and dissertations and bulletins of the concerned organization.

3.4 Data Collection procedure

The problem of the study lies on the issues related to the strengths and weaknesses of the banks. As a consequence of liberal policy adopted by the government, financial institutions have been emerging in the country. The sample banks have been facing threats from such institutions. Therefore, the study is also intended to find the weaknesses and strengths. So that appropriate suggestion can be provided to enhance the performance of the banks in coming days.

For this purpose, various data are required with the view of obtaining the data, researcher made several visits of the sample bank. In first visit, the researcher consulted the concerned authority of the banks and explained about the above stated problems and objectives of the study. She also explained why she is interested in the bank and what she wishes to analyze. After keeping the view of researcher the authorities got convinced and appraised the efforts. They assured that they would help as far as possible. Regarding

the information needed they said that they would make them available up to extent that doesn't affect the privacy and secrecy of the bank. Researcher got pleased with the response shown by them and started the work.

In another visit, she approached to the share department and asked profit and loss account and balance sheet of the bank of last five years. After explaining the provided the need of such information, the related staff provided the necessary statements. Likewise, the researcher visits the accounting expert in the bank for the clarification of the components items of the statements. So as avoid the ambiguity and confusion. In this way the researcher got the available data for her.

3.5 Data processing

Data obtained from the various sources cannot be directly used in their original form. Further, they need to be verified and simplified for the purpose of analysis data, information, figures and facts so obtained need to be checked, rechecked, edited and tabulated for computation.

According to the nature of data, they have been inserted in meaningful tables, which have been shown in annexes. Homogeneous data have been sorted in one table and similarly various tables have been prepared in understandable manner, odd data excluded from the table. Using financial and statistical tools, data have been analyzed and interpreted.

3.6 Analytical Tools

Financial statement can provide various useful information's for the parties directly or indirectly involved in the business selection of suitable tools and

proper analysis makes data effective. The researcher has used two sorts of tools.

) Financial tools

) Statistical tools

3.6.1 Financial tools

Financial tools are those, which are used for the analysis and interpretation of financial data. These tools can be used to get the precise knowledge of a business, which in turn, are fruitful in exploring the strengths and weaknesses of the financial policies and strategies. In order to meet the purpose of the study, following tools have been used.

3.6.1.1 Ratio Analysis

The ratio analysis is considered as a powerful tool for making financial analysis. A ratio may be defined as the indicated quotient of two mathematical expressions and a relationship between two or more variables with each other. Ratio analysis is a process of determining and interpretation financial performance or position of the firm by comparing various numerical figures presented in the financial statements.

A ratio is simply a number expressed in terms of another number and it expresses the quantitative relation between any two variables.¹⁷

Ratio analysis is a technique of analysis and interpretation of financial statements. To evaluate the performance of an organization by creating ra-

¹⁷ C.R. Kothari, Quantitative Techniques, Vikash Publishing Pvt. Ltd.,1994, P. 487

tios from the figures of different accounts consisting in the balance sheet and income statement is known as ratio analysis.¹⁸

Ratio analysis consists of the following steps:

- Creating the ratio which is relevant to the objective of the analysis.
- Calculating the different ratio required for making analysis.
- Comparing the ratios so calculated with other firm or the ratio of the same firm with the past ratios or with the standard ratios fixed by the management.
- Interpreting and evaluating the various ratios for determining performance.

Ratios can be grouped under four main groups:

a. Liquidity ratio

1. **Cash to Total Deposit:-**Cash in hand divided by total deposit.
2. **Cash and Bank Balance to Total Deposit:-**Cash and balance with NRB and other banks divided by Total Deposit.
3. **NRB Balance to Total Deposit:-**Nepal Rastra Bank Balance divided by Total Deposit.
4. **Cash and Bank Balance to Current Deposit:-**All the cash and bank balance divided by the Current Deposit.

b. Leverage ratio

1. **Total Debt to Total Assets Ratio:-**Total debt= total Liabilities – (Profit + Reserve Fund + Paid up Capital) divided by Total Assets.
2. **Debt Equity Ratio: -** Total Debt divided by Net Worth. Net worth = Paid up capital + Reserve Fund.

¹⁸ R.M Dangol, Management Accounting, Taleju Prakashan, Kathmandu, 2054, P.369

3. **Total Debt to Shareholder's Fund Ratio:** - Total debt divided by Shareholder's fund = paid up capital + profit.
4. **Shareholder's Equity to Total Assets Ratio:-** Shareholder's equity divided by total Assets.(Shareholder's Equity=Paid up capital Reserve Fund)

c. Activity Ratio

1. **Investment to Total Deposit:** - Total investment in various Institutions divided by Total Deposit.
2. **Investment to Total Assets:** - Total investment divided by Assets.
3. **Investment, Loan and Advances to Total Assets:** - Total of Investment, Loan and Advance divided by Total Assets.
4. **Investment, Loan and Advance to Total Deposit:** - Total to Investment, Loan and Advance to Total Deposit.
5. **Loan and Advance to Total Deposit:-** Total loan and Advances Excluding investment divided by Total Deposit.
6. **Non – Performing Assets to Total Deposit:-** Non-performing Assets divided by Total Loan.(**Non-Performing Assets** = All substandard, doubtful and loss Graded loan)
7. **Non-Performing Assets to Total Assets:** - Non-Performing Assets divided by Total Assets.
8. **Interest Suspense to Non-Performing Assets:** - Interest suspense divided by Total Assets.
9. **Non-Performing Assets to Loan Loss Provision:-**Non-Performing Assets divided by Loan Loss Provision.

d. Profitability Ratio

- 1. Earning Power Ratio or Return on Assets:** - Net Profit after Tax divided by Total Assets.
- 2. Return on Equity:** - Net Profit After tax divided by Shareholder's Equity.
- 3. Return on Net loan and Advance:** - Net profit After Tax divided by Net Loan and Advance.
- 4. Earning Per Share:** - Net profit After Tax and Performances divided by No. of Ordinary Share Issued.

3.6.1.2 Trend Analysis

Trend Analysis of deposit, loan and advance and deposit utilization analysis have been conducted.

3.6.2 Statistical Tools

Some important tools are used to achieve the objective of this study. In this study statistical tools such as Mean, Coefficient of Correlation and Coefficient of Correlation of Probable Error (P.E).

a. Arithmetic Mean:

Arithmetic mean of a given set of observation is their sum divided by the number of observation. In general X_1, X_2, \dots, X_n are the given number of observation; their arithmetic mean can be derived in this way.

Where,

X =Variables

\bar{X} =Arithmetic Mean

N =Number of Observation

The arithmetic mean is a single value of selection which represents them in average. Out of the various central tendencies a mean is one of the useful tools to find out the average values of the given data. Furthermore it is very easy with respect to financial analysis and it is also easy to calculate.

b. Karl Pearson’s coefficient of correlation

Out of several method of measuring correlation the Karl Pearson is popularly known as Pearson’s Coefficient of Correlation widely used in practice to measure the degree of relationship between two variables. Two variables are said to have correlation when the value of one variable is accompanied by the change in the value of the other. So, it is measured by following formula using two variables:

Coefficient of Correlation(r)=

Here,

r=Karl Pearson’s Coefficient of Correlation

N=Number of Paris of X and Y observed

XY=Sum of product of deviation in two series

X=Sum of squared deviation in X series

Y=Sum of squared deviation in Y series

Problem error (P, E) of the Coefficient of Correlation

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

If r is less than its P.E., it is not significant at all. If r is more than P.E. there is significant correlation. And if r is more than 6 times it’s P.E. and r equal or greater than (...) 0.5 than the correlation is considered significant.

CHAPTER-FOUR

PRESENTATION AND ANALYSIS OF DATA

In this chapter, data and information regarding overall financial performance of Nepal Bank Limited and Nepal credit and commerce Bank Limited are presented and analyzed. This analyzed attempts to throw light on various aspects of bank' performances such as: deposit trend, investment, loan and advance, liquidity, leverage, efficiency and earning power. The data are presented and analyzed in different table to arrive at some concrete and explicit obtained from various published and unpublished financial statements, reports, bulletins, articles and so on. However, conclusions have been derived on the basis of personal observation informal interviews and discussions with the concerned officials and other financial experts.

4.1 RATIO ANALYSIS

To evaluate the financial performance of a firm, the analysis needs certain key factors which factors ate two numerical expressions of the particular firm or sectors, by which the two variables are dividing into each other and get the ratio. A ratio is widely used as a financial analysis to find out the position and performance of Nepal Bank Limited and Nepal Credit and Commerce Bank Limited. The ratio analysis has been grouped in two categories which reflect the Liquidity, Leverage, Activity and Profitability of the bank. A ratio is calculated by dividing one nature of the relationship with the other.

4.1.1 LIQUIDITY RATIO

The firm's ability to meet its short-term obligation is known as liquidity. Liquidity reflects the short-term financial strength of the business firm, the insight can be obtained from present cash solvency of the bank and its ability to remain solvent in the event of advertised. Liquidity ratio is used to make comparison between short-term resources and short-term obligations of the firm. Liquidity ratio may be further sub grouped into two major heads. In the context of burning competition in banking sector, insufficient liquidity will leave the concerned bank behind. On the other hand, high liquidity is also bad as it results in lower profitability

because of underutilized assets. Therefore, it is necessary to strike a proper balance between liquidity and lack of liquidity.

4.1.1.1 Cash to Total Deposit Ratio

Table No 4.1.(Rs''000'')

Year	NBL			NCCBL		
	Cash	Total De- posit	Ratio %	Cash	Total De- posit	Ratio %
2062/2063	1110953	35829765	3.1	218925	6619600	3.30
2063/2064	1086067	39014204	2.78	265783	6500343	4.0
2064/2065	1181792	41829391	2.83	592632	7320236	8.09
2065/2066	1515655	45194232	3.35	342793	9127748	3.75
2066/2067	1849518	42406007	4.36	517662	10824692	4.78
Average			3.28			4.80
C.V.			0.19			0.39

(Appendix-V)

The highly liquid ratio of the bank is derived in table no. 4.1. The ratio of cash to total deposit is highest rate of NCCBL is 8.09% in FY 2064/65 and lowest rate of NBL is 2.78% in FY 2063/64. In NBL the ratio is swinging each year in between 2.78% to 4.36 %. In NCCBL the ratio is swinging each year in between 3.3% to 8.0% and decrease in the year 2065/66 and also increase in the year 2066/67. The average ratio of the NCCBL is higher than the NBL. The C.V of the NCCBL is also higher than the NBL.

NOTE: Here, cash is only cash in hand and total deposit is the combination of (current + fixed + saving + call + other) deposit.

4.1.1.2 Cash and Bank Balance to Total Deposit Ratio

Table No.4.2 (Rs “000”)

Year	NBL			NCCBL		
	Cash and Bank Balance	Total deposit	Ratio %	Cash and Bank Balance	Total deposit	Ratio %
2062/2063	7174058	35829765	20.02	658950	6619600	9.95
2063/2064	7117292	39014204	18.24	758164	6500343	11.66
2064/2065	6616992	41829391	15.81	1477832	7320236	20.18
2065/2066	9171789	45194232	20.29	1187003	9127748	13.00
2066/2067	10059315	42406007	23.72	2196346	10824692	20.29
Average			19.62			15.2
C.V.			0.1			0.32

(Appendix-V)

The ratio of cash and bank balance to total deposit is exhibited in table no. 4.2. The lowest ratio of NBL on FY 2064/65 is 15.81% and the highest ratio on FY 2066/67 is 23.72%. The lowest ratio of NCCBL on FY 2062/63 is

9.95% and the highest ratio on FY 2066/67 is 20.29%. The average ratio of NBL is higher than the NCCBL. The C.V of NCCBL is higher than the NBL. Low C.V of the ratio shows that the ratio is very consistent. Thus, the ratio has the inverse relationship in each year.

NOTE: Here, cash and bank balance is cash plus bank balance. Cash means cash in hand only and bank balance means the combination of Nepal Rastra Bank plus domestic bank balance plus foreign bank balance.

4.1.1.3 NRB balance to Total Deposit Ratio

Table No.4.3 (Rs “000”)

Year	NBL			NCCBL		
	Cash and Bank Balance	Total deposit	Ratio %	Cash and Bank Balance	Total deposit	Ratio %
2062/2063	5353964	35829765	14.94	356781	6619600	5.38
2063/2064	5224860	39014204	13.39	255573	6500343	3.93
2064/2065	4430641	41829391	10.59	762438	7320236	10.41
2065/2066	6619700	45194232	14.64	781446	9127748	8.56
2066/2067	7507226	42406007	17.70	1483099	10824692	13.70
Average			14.25			8.39
C.V.			18.11			46.57

(Appendix-V)

The NRB Balance to Total Deposit Ratio is shows in table no. 4.3. The highest ratio of NBL is 17.70% in FY 2066/67 and the lowest ratio is 13.39% in FY 2063/64. The highest ratio of NCCBL is 13.70% in FY 2066/67 and the lowest ratio of NBL is 3.93% in FY 2063/64. The average

ratio of the NBL is higher than the NCCBL. The C.V of the NCCBL is higher than the NBL.

4.1.1.4 Cash and Bank Balance to Current Deposit Ratio

Table No.4.4 (Rs''000'')

Year	NBL			NCCBL		
	Cash and Bank Balance	Total deposit	Ratio %	Cash and Bank Balance	Total deposit	Ratio %
2062/2063	7174058	6030523	118.96	658950	4017819	16.40
2063/2064	7117293	6766342	105.18	758164	451439	167.94
2064/2065	6616992	7819755	84.61	1477832	440871	335.20
2065/2066	9171789	9923275	92.42	1187003	565430	209.92
2066/2067	10059315	10976688	91.64	2196346	593445	370.10
Average			98.56			119.91
C.V.			13.79			64.33

(Appendix-V)

The above table shows the Cash and Bank Balance to Current Deposit Ratio. The highest ratio of NBL is 118.96% in FY 2062/63 and the lowest ratio is 84.61% in FY 2064/65. The highest ratio of NCCBL is 370.10% in FY 2066/67 and the lowest ratio is 16.40% in FY 2062/63. The average and C.V of the NCCBL is higher than the NBL.

4.1.2 Leverage/Capital Structure Ratio

The long term solvency position of the bank can be measured by using this leverage ratio and also called it capital it capital structure ratio. It is defined as ability to assure the long term creditors with regard the periodic interest

payment and principal .In this category; we examine the debt equity ratio, shareholder’s equity ratio and total debt ratio of the bank.

4.1.2.1 Total Debt to Total Assets Ratio

Table No.4.5 (Rs “000”)

Year	NBL			NCCBL		
	Cash and Bank Balance	Total deposit	Ratio %	Cash and Bank Balance	Total deposit	Ratio %
2062/2063	42220360	35918905	117.54	6001200	6660790	90.09
2063/2064	45506309	39258794	115.91	6547011	6036676	108.45
2064/2065	48061743	42053444	114.28	7556248	8241334	91.68
2065/2066	52413421	47559110	110.20	9491924	10590847	89.62
2066/2067	50927838	142644037	35.70	11238365	12761074	88.06
Average			98.73			93.58
C.V.			35.79			8.98

(Appendix-V)

The above table shows the Total Debt to Total Assets Ratio. The highest ratio of NBL is 117.54% in FY 2062/63 and the lowest ratio is 35.70% in FY 2066/67. The highest ratio of NCCBL is 108.45% in FY 2063/64 and the lowest ratio is 88.06% in FY 2066/67. The average ratio and C.V of NBL is higher than NCCBL.

4.1.2.2 Debt- Equity Ratio

Table No.4.6 (Rs''000'')

Year	NBL			NCCBL		
	Total Debt	Shareholder's Equity	Ratio%	Total Debt	Shareholder's Equity	Ratio
2062/2063	42220360	380383	110.99	60012000	699117	85.83
2063/2064	45506309	380383	119.63	65470111	699117	93.64
2064/2065	48061743	380383	126.35	75562480	1399558	53.99
2065/2066	52413421	380383	137.79	94919240	1399558	67.82
2066/2067	50927838	380383	133.88	112383650	1399558	80.29
Average			125.73			76.31
C.V.			8.59			20.48

(Appendix-V)

The above table shows the Debt-Equity Ratio. The highest ratio of NBL is 137.79% in FY 2065/66 and the lowest ratio is 110.99% in FY 2062/63. The highest ratio of NCCBL is 93.64% in FY 2063/64 and the lowest ratio is 53.99% in FY 2064/65. The average ratio of NBL is higher than the NCCBL. The C.V of the NCCBL is higher than the NBL.

4.1.2.3 Total Debt to Shareholder's Fund Ratio

Table No.4.7 ("000")

Year	NBL			NCCBL		
	Total Debt	Shareholder's Fund	Ratio%	Total Debt	Shareholder's Fund	Ratio%
2062/2063	42220360	1820548	23.19	6001200	4603000	1.30
2063/2064	45506309	1903977	23.90	6547011	5104000	1.28
2064/2065	48061743	1903977	25.24	7556248	6851000	1.10
2065/2066	52413421	1903977	27.52	9491924	1099000	8.63
2066/2067	50927838	1903977	26.74	11238365	1522700	7.38
Average			25.32			3.94
C.V.			0.07			0.94

(Appendix-V)

The total debt to shareholder's fund ratio is presented in table no 4.7. During the study period, the lowest point ratio of NBL is 23.19 times in FY 2062/63 and highest point ratio of NBL is 27.52 times in FY 2065/66 and the lowest point ratio of NCCBL is 1.1 times in FY 2064/2065 and highest point ratio of NCCBL is 8.63 times in FY 2065/66. In NBL, the ratio is above the average i.e. 27.52 times and 26.74 times in FY 2065/66 and 2066/67 respectively and the ratio is below the average is 23.19 times, 23.90 times and 25.54 times in FY 2062/63, 2063/64 and 2064/65 respectively. In NCCBL, the ratio is above the average i.e. 8.63 times and 7.38 times in FY 2065/66 and 2066/67 respectively and the ratio is below the average is 1.3 times, 1.28 times and 1.1 times in FY 2062/63, 2063/64 and 2066/65 respectively. The C.V of NBL is lower than the NCCBL.

4.1.2.4 Shareholder's Equity to Total Assets Ratio

Table No. 4.8(Rs''000'')

Year	NBL			NCCBL		
	Shareholder's Equity	Total Assets	Ratio %	Shareholder's Equity	Total Assets	Ratio %
2062/2063	380383	35918905	1.05	699117	6660790	10.49
2063/2064	380383	39258794	0.96	699117	6036676	11.58
2064/2065	380383	42053444	0.90	1399558	8241334	16.98
2065/2066	380383	47559110	0.79	1399558	10590847	13.21
2066/2067	380383	142644037	0.26	1399558	12761074	10.96
Average			0.79			12.64
C.V.			0.39			0.20

(Appendix-V)

The shareholder's Equity to Total Assets Ratio is revealed in above table. The average of shareholder's equity to total assets ratio of NBL & NCCBL during the five years period are 0.79% and 12.64%. The ratio is near to an average all over the study period. The highest ratio of NBL is recorded 1.06% in FY 2062/63 and lowest ratio is 0.26% in FY 2066/67 and the highest ratio of NCCBL is 16.98% in FY 2064/65 and the lowest ratio is 10.49% in FY 2062/63. Shareholder's equity to total assets ratios each year are close to the average.

4.1.3 Activity Ratio

The activity ratio concerned with the efficiency of assets management of the Bank and shows how the assets managed utilized. To evaluate the activity

ratio we analyze the investment, loan and advance and non-performance assets against the resources as deposit, assets and total loan of the Bank.

4.1.3.1 Investment to Total Deposit Ratio

Table No.4.9 (“000”)

Year	NBL			NCCBL		
	Investment	Total De-posit	Ratio	Investment	Total De-posit	Ratio
2062/2063	14490247	35829765	40.44	7091000	6619600	107.12
2063/2064	16072180	39014204	41.19	1236621	6500343	19.02
2064/2065	16570756	41829391	39.61	1900758	7320236	25.96
2065/2066	13397560	45194232	29.64	1583102	9127748	17.34
2066/2067	5886083	42406007	13.88	1947614	10824692	17.99
Average			32.95			37.48
C.V.			0.35			1.04

(Appendix-V)

The above table reflects the investment against total deposit ratio. It gives the picture of how the deposit is mobilized in investment sector. In NBL, the ratio above the average in first three FY2062/63, 2063/64 and 2064/65 which are 40.44%, 41.19% and 39.61% respectively. But in last two FY 2065/66 and 2066/67, the ratio is under the average i.e. 29.64% and 13.88% respectively. In NCCBL, the ratio is above the average in first one FY 2062/63 which is 107.12% but in last four FY 2063/64, 2064/65, 2065/66 and 2066/67, the ratio is under the average i.e. 19.02%, 25.96%, 17.34% and 17.99% respectively.

4.1.3.2 Investment to Total Assets Ratio

Table No.4.10 (“000”)

Year	NBL			NCCBL			
	Investment	Total As-sets	Ratio	Investment	Total As-sets	Ratio	Ratio
2062/2063	14490247	35918905	40.34	1191000	6660790	17.88	
2063/2064	16072180	39258794	40.93	1236621	6036676	20.48	
2064/2065	1657756	42053444	3.94	1900758	8241334	23.06	
2065/2066	13397560	47559110	28.17	1583102	10590847	14.94	
2066/2067	5886083	142644037	4.12	1947614	12761074	15.26	
Average			23.50				18.32
C.V.			0.78				0.18

(Appendix-V)

The investments to Total Assets Ratio of NBL & NCCBL are exhibited in the above table. In NBL, the investment ratio is increase to 40.94% in FY 2063/64 and it decreased to 3.94% in FY 2064/65. In NCCBL, the ratio is increase to 23.063% in FY 2064/65 and it decreased to 14.94% in FY 2065/66. The investment ratio of NCCBL is closed to the average in each year.

4.1.3.3 Investment, Loan and Advance to Total Assets Ratio

Table No.4.11 (“000”)

Year	NBL			NCCBL		
	Investment, Loan and Advance	Total As- sets	Ratio %	Investment, Loan and Advance	Total As- sets	Ratio %
2062/2063	24246410	35918905	67.53	3948172	6660790	59.27
2063/2064	27130658	39258794	69.10	4944263	6036676	81.90
2064/2065	29822719	42053444	70.91	6318614	8241334	76.66
2065/2066	31012457	47559110	65.28	8441295	10590847	79.70
2066/2067	30821045	142644037	21.63	9942331	12761074	77.91
Average			58.86			75.09
C.V.			0.35			0.12

(Appendix-V)

The total lending against the total assets ratio is reflected in the above table of NBL & NCCBL. In NBL, the highest ratio of lending reached to 70.91% in FY 2064/65 and the lowest ratio came down to 21.6% in FY 2066/67. The ratio is above the average 67.5%, 69.1%, 70.91% and 65.2% in FY 2062/63, 2063/64, 2064/65, and 2065/66 respectively. The ratio is under the average is 21.6% in FY 2066/67 respectively. In NCCBL, the ratio is above the average 81.9%, 76.66%, 79.7% and 77.91% in FY 2063/64, 2064/65, 2065/66 and 2066/67 respectively and the ratio is under the average 59.2% in FY 2062/63 respectively.

4.1.3.4 Investment, Loan and Advance to Total Deposit Ratio

Table No.4.12 (Rs''000''

Year	NBL			NCCBL		
	Investment, Loan and Advance	Total De- posit	Ratio %	Investment. Loan and Advance	Total De- posit	Ratio %
2062/2063	24246410	35829765	67.67	3948172	6619600	59.64
2063/2064	27130658	39014204	69.54	4944263	6500343	76.06
2064/2065	29822719	41829391	71.29	6318614	7320236	86.31
2065/2066	31012457	45194232	68.62	8441295	9127748	92.47
2066/2067	30821045	42406007	72.68	9942331	10824692	91.84
Average			69.96			81.27
C.V.			0.02			0.16

(Appendix-V)

The total lending against the total deposit of NBL & NCCBL are shows above table. The ratio shows how much available resources have been utilized in income generating sector. In NBL, the ratio is increased up to 72.68% in FY 2066/67 and decreased up to 67.67% in FY 2062/63. The ratio is nearby average in each year in NBL. In NCCBL, ratio is above the average 86.31%, 92.47% and 91.84% in FY2064/65, 2065/66 and 2066/67 respectively and the ratio under the average 59.64% and 76.06% in FY 2062/63 and 2063/64 respectively.

4.1.3.5 Loan and Advance to Total Deposit Ratio

Table No.4.13 (Rs“000”)

Year	NBL			NCCBL		
	Loan and Advance	Total De-posit	Ratio %	Loan and Advance	Total De-posit	Ratio %
2062/2063	9756163	35829765	27.22	4070340	6619600	61.48
2063/2064	11058478	39014204	28.34	3707642	6500343	57.03
2064/2065	13251963	41829391	31.68	4417856	7320236	60.35
2065/2066	17614898	45194232	38.97	6858193	9127748	75.13
2066/2067	24934962	42406007	58.80	7994717	1.1E+07	73.85
Average			37.00			65.57
C.V.			0.35			0.12

(Appendix-V)

The loan and advance excluding investment against total deposit is reflected in this table for the five years of study period. The loan and advance ratio 37.00% in an average of Nepal Bank Limited over the study period. The loan and advance ratio 65.5% in an average of Nepal Credit & Commerce Bank Limited. In NBL the lowest ratio 27.22% reveals in FY 2062/63 and the highest ratio is 58.8% in FY 2066/67. In the first three FY 2062/63, 2063/64 and 2064/65, the ratio is less than the average i.e. 27.22%, 28.34% and 31.68% respectively. But in the last two FY 2065/66 and 2066/67 the ratio is higher than the average i.e. 38.97% and 58.8% respectively. In NCCBL, in the first three FY 2062/63, 2063/64 and 2064/65, the ratio is less than the average i.e. 61.48%, 57.03% and 60.35% respectively. But, in last

two FY 2065/66 and 2066/67 the ratio is higher than the average i.e. 75.13% and 73.85% respectively.

4.1.3 Non-performing Assets to Total Deposit Ratio

Table No.4.14 (Rs “000”)

Year	NBL			NCCBL		
	Non-performing Assets	Total Loan	Ratio %	Non-performing Assets	Total Loan	Ratio %
2062/2063	2262	12442	18.18	1478910	5899200	25.06
2063/2064	1856	13757	13.49	1606872	5122221	31.37
2064/2065	2067	15765	13.11	867316	5281051	16.42
2065/2066	966	19560	4.98	197069	7183681	2.74
2066/2067	1241	23455	5.29	241322	8387898	2.87
Average			11.00			15.69
C.V.			0.52			0.82

(Appendix-V)

Table No. 4.14 show the ratio of Non- performing Assets to Total Loan of the NBL & NCCBL for the FY of 2062/63 to 2066/67. This was 18.18%, 13.49%, 13.11%,4.98%,5.29%, 25.16%, 31.37% 16.42%, 2.74% and2.87% respectively. In NBL, the ratio increased 18.18% in FY 2062/63.In the first three FY 2062/63, 2063/64 and 2064/65, the ratio is above the average i.e. 18.18% 13.49% and 13.11% respectively. But in the last two FY, the ratio is under the average i.e. 4.98% and 5.29% respectively. In NCCBL, in the first FY 2062/63, 2063/64 and 2064/65, the ratio is above the average i.e. 25.06%, 31.37% and 16.42% respectively. But in the last two FY 2065/66

and 2066/67, the ratio is under the average i.e. 2.74% and 2.87% respectively. As the C.V shows the fluctuation of the ratio is low. Therefore, NBL &NCCBL were able to become reduce Non-performing Assets gradually in the last years. According to the direction of NRB to the commercial banks, the ratio of non-performing assets to total loan should be about 5%. But with referring to this table, NBL & NCCBL are not able to keep the level of non-performing assets as an adequate position which are on an average 11.00% and 15.69%.

4.1.3.7 Non-performing Assets to Total Assets Ratio

Table No.4.15 (Rs. '000')

Year	NBL			NCCBL		
	Non-Performing Assets	Total Assets	Ratio %	Non-Performing Assets	Total Assets	Ratio %
2062/2063	2262	35918	6.29	1478	66607	2.21
2063/2064	1856	39258	4.72	1606	60366	2.66
2064/2065	2067	42053	4.91	8673	82413	10.52
2065/2066	9660	47559	20.31	1970	10590	18.60
2066/2067	1241	14264	8.70	2413	12761	18.90
Average			7.42			10.58
C.V.			1.00			0.77

(Appendix-V)

Table No 4.15 depicts the ratio of Non-performing Assets to Total Assets of NBL & NCCBL for the FY 2062/63 to 2066/67.NBL was not able to keep

good position according to the direction of NRB in FY 2062/63, 2063/64, 2064/65 and 2066/67 but NBL was able to keep good position in FY 2065/66. In first two FY 2062/63 and 2063/64 NCCBL was not able to keep good position but last three FY 2064/65, 2065/66 and 2066/67 NCCBL was able to keep good position. The direction of NRB to the commercial bank, the ratio of non –performing assets to total assets should be 10%. But with referring to this table, NBL is not able to keep the level an average but NCCBL is able to keep the level an average. The average ratio and C.V are 7.4% , 10.58% 1.00 and 0.77 .

4.1.3.8 Interest Suspense to Non-performing Assets Ratio

Table No. 4.16 (Rs. in Million)

Year	NBL			NCCBL		
	Interest Suspense	Non- performance Assets	Ratio%	Interest Suspense	Non- performance Assets	Ratio%
2062/2063	5227	2302	2.27	1529	1478	1.03
2063/2064	5087	1856	2.74	9027	1606	5.62
2064/2065	4502	2067	2.17	6217	8673	0.71
2065/2066	3965	966	4.10	2183	1970	1.10
2066/2067	3250	1241	2.61	1548	2413	0.64
Average			2.78			1.82
C.V.			0.27			1.16

(Appendix-V)

The above table reflects the interest suspense to Non- performing Assets Ratio of NBL and NCCBL for the FY 2062/63 to 2066/67. This was 2.27%, 2.74%, 2.1%, 4.1%, 2.61%, 1.03%, 5.62%, 0.71%, 1.1% , and 0.64%. Under the study period of five years, the ratio is going upward and downward in each year. In NBL, the highest ratio is 4.10% in FY 2065/66 and the lowest ratio is 2.1% in FY 2064/65. The ratio is below the average is 2.27, 2.74, 2.17 and 2.61 in FY 2062/63, 2063/64, 2064/65 and 2066/67 respectively and the ratio is above the average is 4.10 in FY 2065/66 respectively. The C.V of ratio is 0.27. In NCCBL, the highest ratio is 5.62 in FY 2063/64 and the lowest ratio is 0.64 in FY 2066/67. The ratio is below the average is 10.3, 0.71, 1.1 and 0.64 in FY 2062/63, 2064/65, 2065/66 and 2066/67 respectively. The ratio is above the average is 5.62 in FY 2063/64 respectively. The C.V of the ratio is 1.16.

4.1.3.9 Loan Loss Provision to Non-Performing Assets Ratio

Table No. 4.17 (Rs. In Million)

Year	NBL			NCCBL		
	Loan Loss Provision	Non-performing Assets	Ratio%	Loan Loss Provision	Non-performing Assets	Ratio%
2062/2063	2202	2262	97.34	1244	1478	84.16
2063/2064	1829	1856	98.54	1341	1606	83.49
2064/2065	1935	2067	93.61	7911	8673	91.21
2065/2066	9151	9660	94.73	1801	1970	91.42
2066/2067	1527	1241	123.04	1981	2413	82.09
Average			101.45			86.47

C.V.			0.120			0.05

(Appendix-V)

Above table No. 4.17 shows the ratio of Loan Loss Provision to Non-performing Assets of NBL& NCCBL for the period of 2062/63 to 2066/67. High amount of non-performing assets and its provision is not good for the banks performance. Even though, bank should make a provision for non –performing assets according to the reasonable standards. According to NRB guidelines as substandard, doubtful and loss graded accounts are non –performing assets. And NBL has not a standard for the loan loss provision for non-performing assets from 25% to 100%. In NBL, the ratio is increase up to 123.04% in FY 2066/67 and decrease up to 93.61% in FY 2064/65. The ratio is above the average 123.04% in FY 2066/67 respectively and the ratio is under the average 97.34%, 98.54%, 93.61% and 94.73% in FY 2062/63, 2063/64, 2064/65 and 2065/66 respectively. In NCCBL, the ratio is above the average 91.21% and 91.42% in FY 2064/65 and 2065/66 respectively and the ratio is under the average 84.49%, 83.49% and 82.09% in FY 2062/63, 2063/64 and 2066/67 respectively.

4.1.4 Profitability Ratio

The overall financial efficiency for the both short term and long term obligations are reflected by this ratio. The bank should earn legitimate amount of profit to survive in the market and its growth. The profit is an essential factor, but it would be in just if every action of the management enhances the profit. So, we are going to analyze how the bank is operating the activities

in connection of profit maximization. In this regard we calculate earning power and return of the bank and interpret it.

4.1.4.1 Earning Power Ratio or Return on Assets Ratio

Return on total assets ratio measures how well the management was able to use the assets of the business in order to generate an operating surplus. Net profit is the after tax profit of a firm, which can be benefit of owners. The return on total assets ratio, therefore points out how successfully a firm has utilized its total assets. A superior return on total assets ratio shows firm's better position and wise management of various assets and vice-versa. So, a firm should always try to maximize this ratio. This ratio is calculated by dividing net profit after tax (loss) with total assets.

Table No. 4.18 (Rs. '000')

Year	NBL			NCCBL		
	Net Profit	Total Assets	Ratio%	Net Profit	Total Assets	Ratio%
2062/2063	1207265	35918905	3.36	554200	6660790	8.32
2063/2064	226953	39258794	0.57	-115929	6036676	-1.9
2064/2065	239214	42053444	0.56	498755	8241334	6.05
2065/2066	894254	47559110	1.8	415461	10590847	3.92
2066/2067	357098	142644037	0.25	423773	12761074	3.32
Average			1.32			3.93
C.V.			0.977			0.96

(Appendix-V)

The Table No. 4.18 shows the amount of net profit (loss) to total assets and respective ratios of the e banks for different periods. The net profit (loss) to total assets ratio of NCCBL has ranged between -1.9 %(FY 2063/64) to 8.32% (FY 2062/63) the ratio more or less fluctuating trend through the periods. The average ratio is 3.93%. The net profit (loss) to total assets ratio of NBL has ranged between 0.25 %(2066/67) to 3.36 %(2062/63) the ratio more or less fluctuating trend through the periods. The average ratio is 1.32%.

On the basis of above analysis it can be concluded that the return to total assets ratio of NCCBL is better when compared NBL. The ratio seems in negative ratio in FY 2063/64 but in other FY (2062/63, 2064/65, 2065/66 and 2066/67) ratio is increased , which is the better fiscal years according to our study periods.

4.1.4.3 Return on Net Loan and Advance Ratio

Table No. 4.19 (Rs. '000')

Year	NBL			NCCBL		
	Net Profit	Net loan and Ad-vance	Ratio %	Net Profit	Net loan and Ad-vance	Ratio %
2062/2063	1207265	9756163	12.37	554200	3102650	17.86
2063/2064	226953	11058478	2.05	-115929	3707642	-3.12
2064/2065	239214	13251963	1.80	498755	4417856	11.28
2065/2066	894254	17614899	5.07	415461	6858194	6.05
2066/2067	357098	1486285	24.02	423773	7994718	5.30

Average			9.06			7.47
C.V.			1.03			1.03

(Appendix-V)

Table no. 4.19 exhibits the ratio of net profit and net loan and advance of NBL & NCCBL for the FY 2062/63 to 2066/67. In NBL, the ratio is above the average 12.37%, and 24.02% in FY 2062/63 and 2066/67 respectively and the ratio is under the average 20.5%, 1.8%, and 5.07% in FY 2063/64, 2064/65 and 2065/66 respectively. In NCCBL, the ratio is above the average 17.86% and 11.28% in FY 2062/63 and 2064/65 respectively and the ratio is under the average - 3.12%, 6.05% and 5.3% in FY 2063/64, 2065/66 and 2066/67 respectively. High C.V shows the high in inconsistency of the ratio. The ratio shows in FY 2063/64 is poor situation of NCCBL with its return on loan and advance, but FY 2064/65, it is starting to earn profit and shows NCCBL is utilizing its loan and advance efficiency in profitable sector.

4.1.4.4 Earning Per Share

Table No. 4.20 (Rs. '000')

Year	NBL			NCCBL		
	Net Profit	No. of Share	EPS	Net Profit	No. of Share	EPS
2062/2063	120726	380383	0.31	554200	699117	0.79
2063/2064	226953	380383	0.59	-115929	699117	-0.16
2064/2065	239214	380383	0.62	498755	139955	3.56
2065/2066	894254	380383	2.35	415461	139955	2.96
2066/2067	357098	380383	0.93	423773	139955	3.02

Average			0.96			2.03
C.V.			0.83			0.79

(Appendix-V)

Table No 4.21 depicts the earning per share. In FY 2063/64, the profit of NCCBL shows negative. In other remaining FY 2062/63, 2064/65, 2065/66 and 2066/67 the earning per share is positive. In NBL, the profit is positive in FY 2062/63 to 2066/67. According to this calculation, average EPS of NCCBL is grater then NBL.

4.2 Trend Analysis

To overview the trend of deposit, lending and the relationship of the lending and deposit, trend analysis has been performed.

4.2.1 Deposit Growth Trend

The main function of a commercial bank is the collection of deposit and its utilization, collection of deposit show the bank's efficiency in performance and reliability of its activities. It indicates the success of profitability and its service organization. Banks have to pay interest on its deposit and also pay dividends to its shareholders. So, more earnings and more distributions can be achieved through deposit collection and its productive use. The efficient deposit and its utilization in productive sectors relating to the industry, commerce, foreign trade, tourism, service and business area, ultimately contribute to the national economy. Thus collections of deposit of Nepal Bank Limited & Nepal Credit Commerce Bank Limited are analyzed as follows:

Table No.4.21 (Rs.'000')**NBL**

Year	Total De-posit	Growth Rate %	Fixed Deposit	Growth Rate %	Current Deposit	Growth Rate %	Saving Deposit	Growth Rate %	Other Deposit	Growth Rate %
2062/63	35829765		5790895		6030523		23547950		460397	
2063/64	39014204	108.88	5393196	93.13	6766342	112.20	26427197	112.22	427471	92.84
2064/65	41829391	116.74	4757924	82.16	7819755	129.66	28565392	121.30	686320	149.07
2065/66	45194232	126.13	3586190	61.92	9923275	164.54	31284260	132.85	400507	86.99
2066/67	42406007	118.35	3852180	66.52	10976688	182.01	32543210	138.37	42603871	92.53
Average	40854719.8	114.02	4676077	80.79	8303316	137.68	28473602	120.91	8915713	193.63

(Appendix-V)

NCCBL

Year	Total Deposit	Growth Rate %	Fixed Deposit	Growth Rate %	Current Deposit	Growth Rate %	Saving Deposit	Growth Rate %	Other Deposit	Growth Rate %
2062/63	6619600		2661540		401781		2921880		634399	
2063/64	6500343	98.19	1736581	65.24	451439	112.35	3317316	113.53	995007	156.84
2064/65	7320236	110.58	508486	19.10	440871	109.72	4557294	155.97	2322071	366.02
2065/66	9127748	137.88	1145547	43.04	565430	140.73	5448553	186.47	1968218	310.24
2066/67	10824692	163.52	1902263	71.47	593445	147.70	4933280	168.83	3395704	235.26
Average	8078523.8	122.03	1590883	59.77	490593.2	122.10	4235665	144.96	1863080	293.67

(Appendix-V)

Figure -1

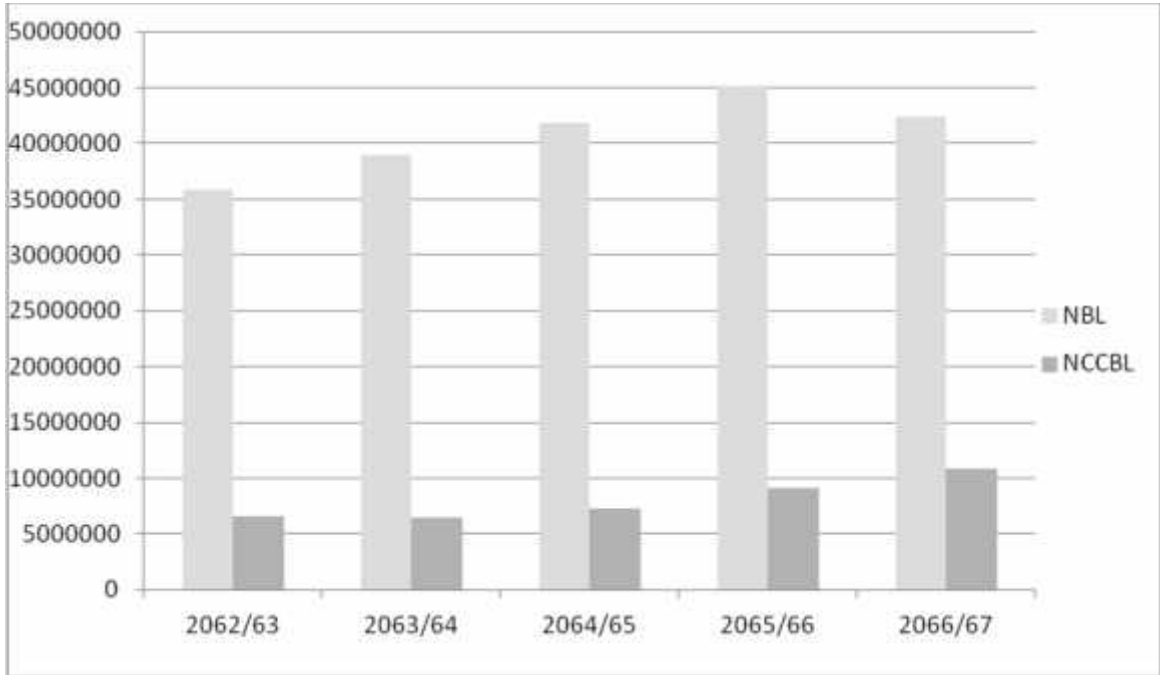


Figure-2

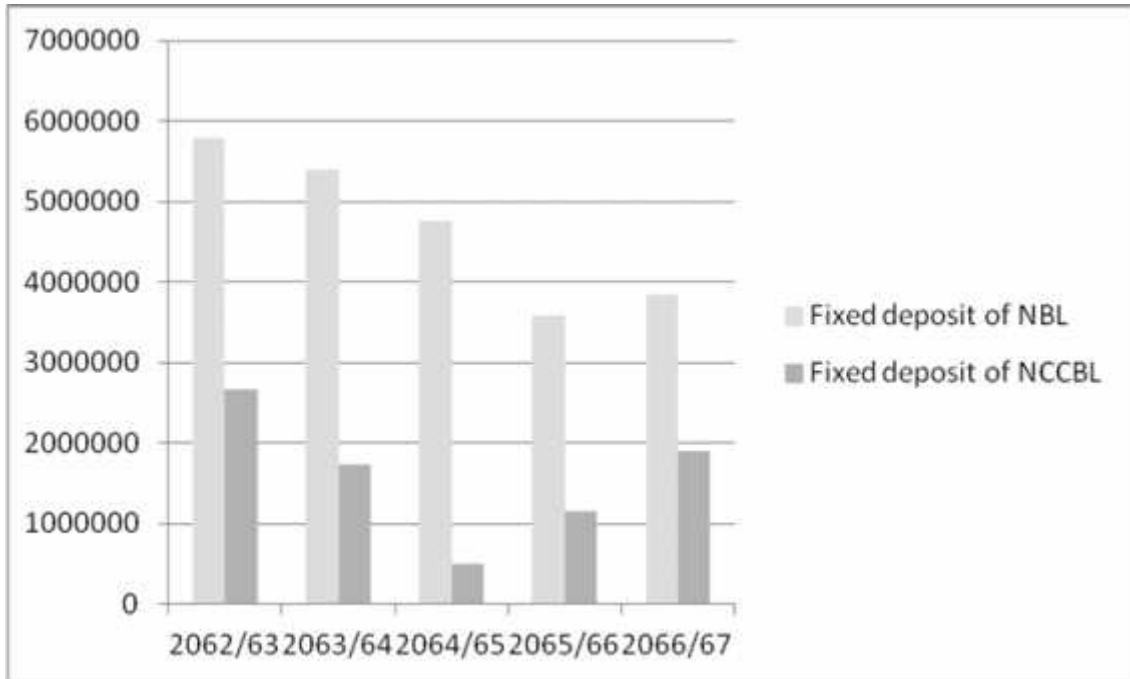


Figure -3

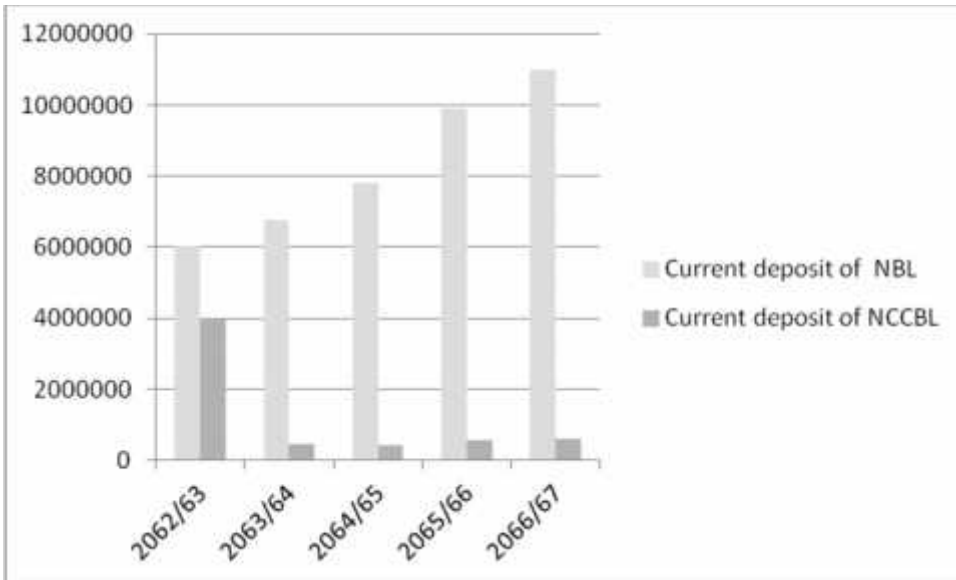


Figure -4

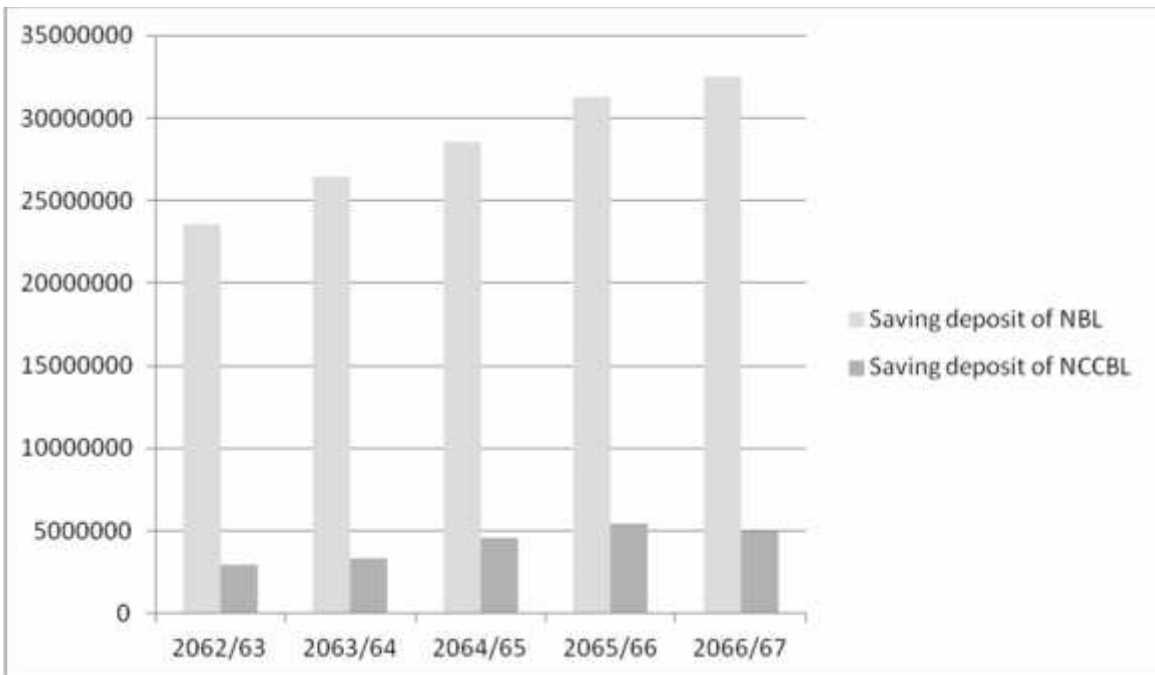
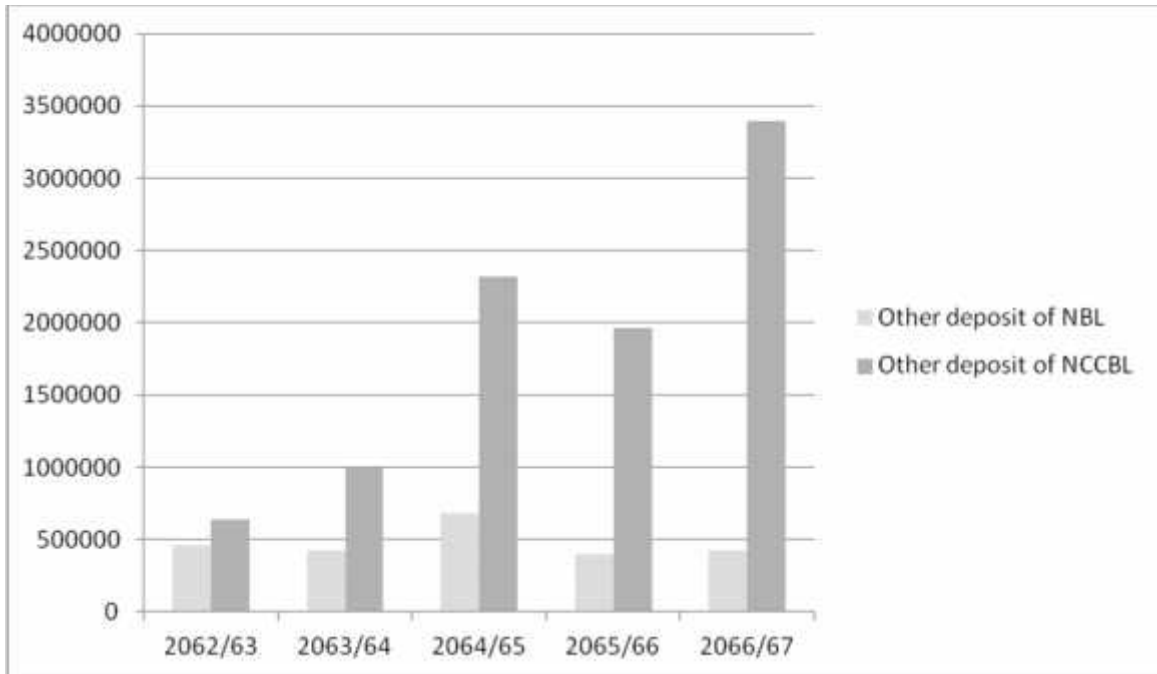


Figure -5



Note: Here, we assume that the FY 2062/63 is a base year.

The deposit growth trend is shown in the above table. In NBL, the total deposit's growth rate is fluctuating from 108.88% to 126.13% and average growth rate is 114.02%. Similarly, the fixed deposit's growth rate is declining. It is in between of 93.13% to 66.52% and average growth rate is 80.75%. Likewise, the growth rate of current deposit is swinging from 112.20% to 182.01% and average growth rate is 137.68%. In the same way, growth rate of saving deposit is gradually increasing from 112.22% to 138.19% and average growth rate is 120.91%. But the growth rate of other deposit is fluctuating from 92.84% to 149.67% and average growth rate is 193.63%..

In NCCBL, the total deposit's growth rate is swinging from 98.19% to 163.52% and average growth rate is 122.03%. Similarly, the fixed deposit's growth rate is fluctuating. It is in between of 65.24% to 71.47% and average growth rate is 59.77%. Likewise, the growth rate of current deposit is fluctuating from 112.35% to 147.7% and average growth rate is 122.10%. In the same way, growth rate of saving deposit is gradually fluctuating from 113.53% to 186.47% and average growth rate is 144.96%. But the growth rate of other deposit is fluctuating from 156.84% to 366.02% and average growth rate is 293.67%. By this analysis we can say that there is no relationship in two banks' deposit.

4.2.2 Deposit Trend

The deposit trend shows the contribution of the various deposit mix like current, saving, fixed and other. The deposit mix shows the picture of the nature of deposit, liability of deposit and liquidity condition of the bank. The lending strategy would be adopted by analyzing the deposit mix. The current deposits are very short – term mature and the fixed deposit are long –term mature and the fixed deposit are long –term i.e. one year or more years. Likewise, saving deposits are the semi-short term deposit. The deposit mix is shown here in table below as following:

Table no: 4.22(Rs.000)

NBL

Year	Total deposit	Mix %	Fixed deposit	Contribution %	Current deposit	Contribution %	Saving deposit	Contribution %	Other deposit	Contribution %
2062/63	35829765	100	5790895	16.16	6030523	16.83	23547950	65.72	460397	1.28
2063/64	39014206	100	5393196	13.82	6766342	17.34	26427197	67.73	427471	1.09
2064/65	41829391	100	4757924	11.37	7819755	18.69	28565392	68.29	686320	1.64
2065/66	45194232	100	3586190	7.93	9923275	21.95	31284260	69.22	400507	0.88
2066/67	4768207	100	3852180	8.78	10976688	23.20	32543210	68.50	426038	3.93
Average	33327160	100	4676077	14.03	8303317	24.91	28473602	85.43	480147	1.4

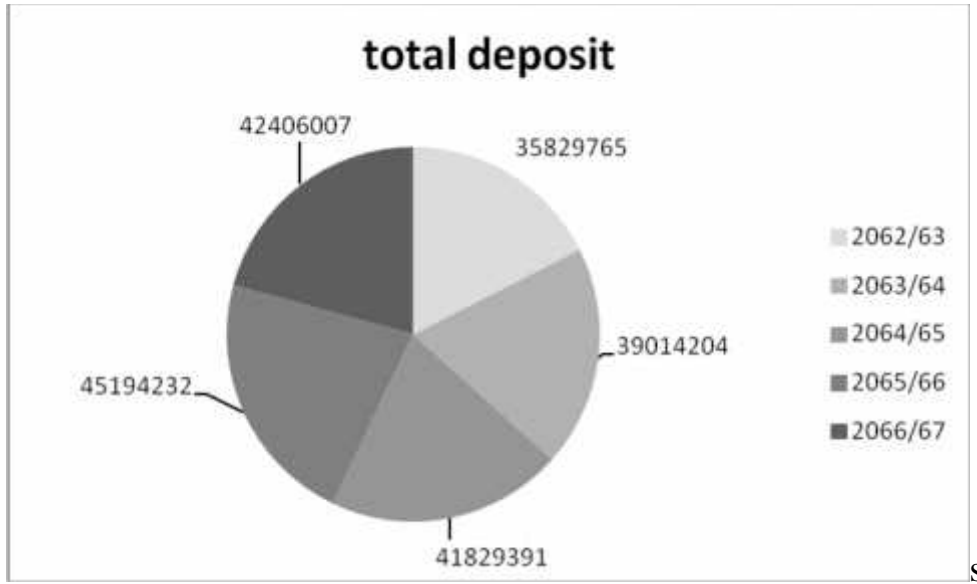
(Appendix-V)

NCCBL

Year	Total deposit	Mix %	Fixed deposit	Contribution %	Current deposit	Contribution %	Saving deposit	Contribution %	Other deposit	Contribution %
2062/63	6619600	100	2661540	40.20	401781	6.06	2921880	44.13	634399	9.58
2063/64	6500343	100	1736581	26.71	451439	6.94	3317316	51.03	995007	15.303
2064/65	7320236	100	508486	6.94	440871	6.02	4557294	62.25	2322071	31.72
2065/66	9127748	100	1145547	12.55	565430	6.19	5448553	59.69	1968218	21.56
2066/67	10824692	100	1902263	17.57	593445	5.48	4933280	45.57	3395704	31.36
Average	8078523.8	100	1590883	19.69	490593	6.07	4235665	52.43	1863080	23.06

(Appendix-V)

Figure -6
NBL



NCCBL

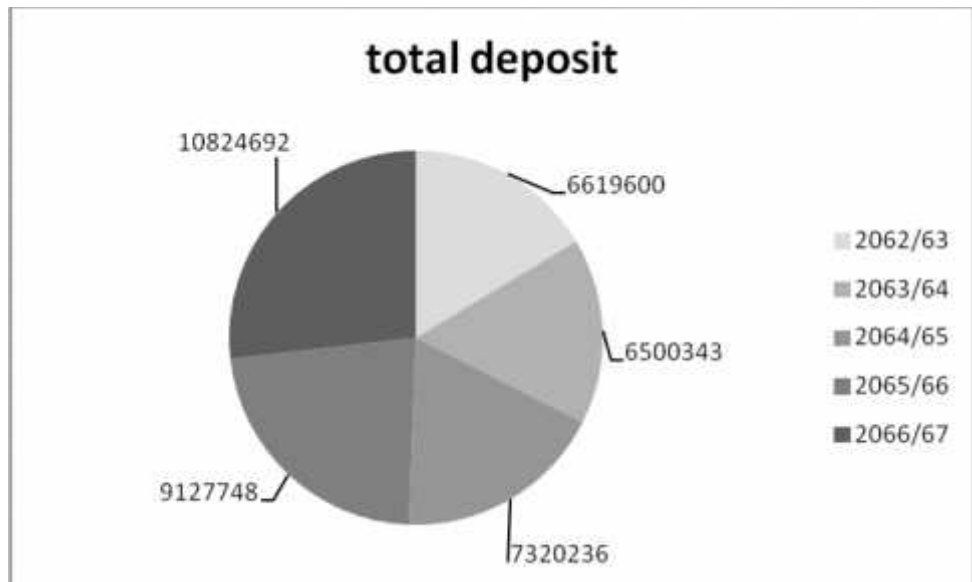
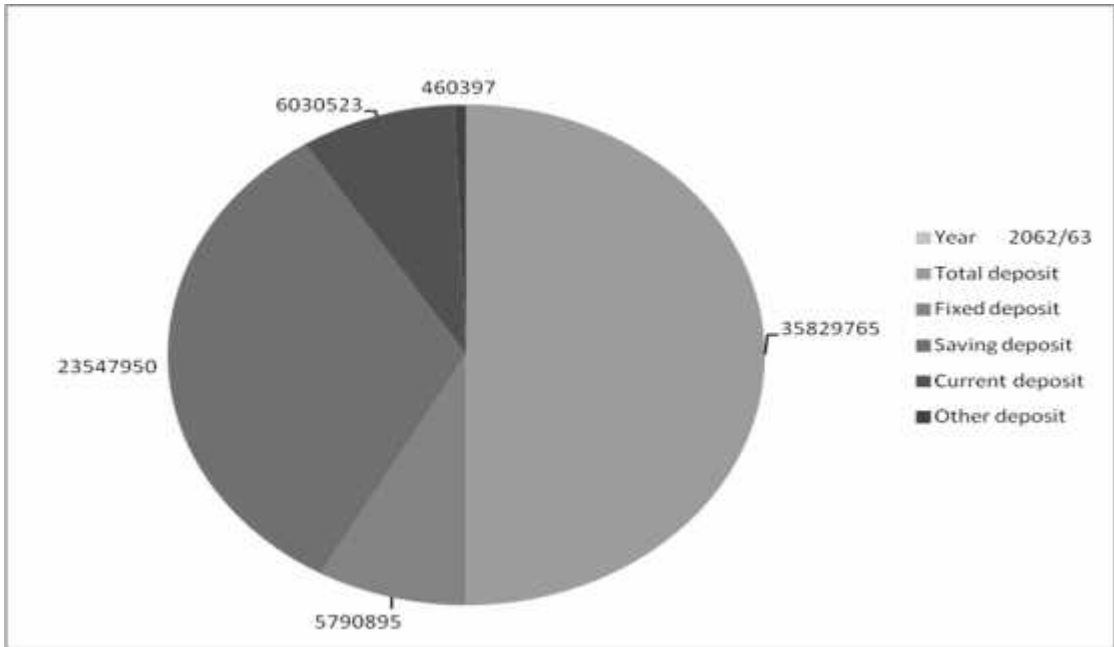


Figure -7
NBL



NCCBL

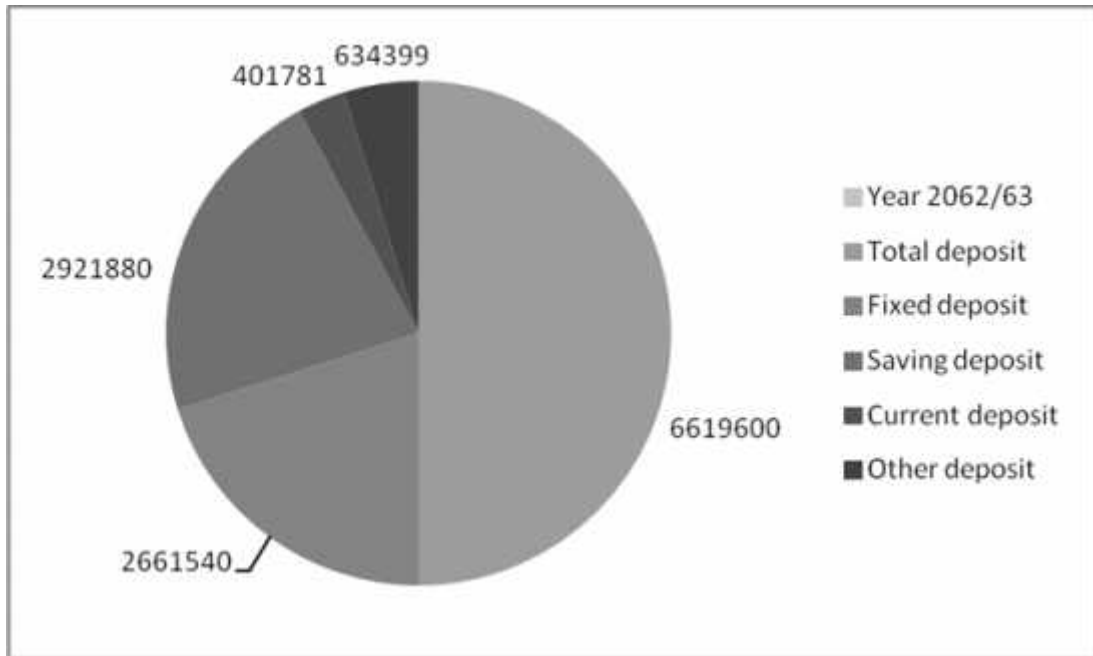
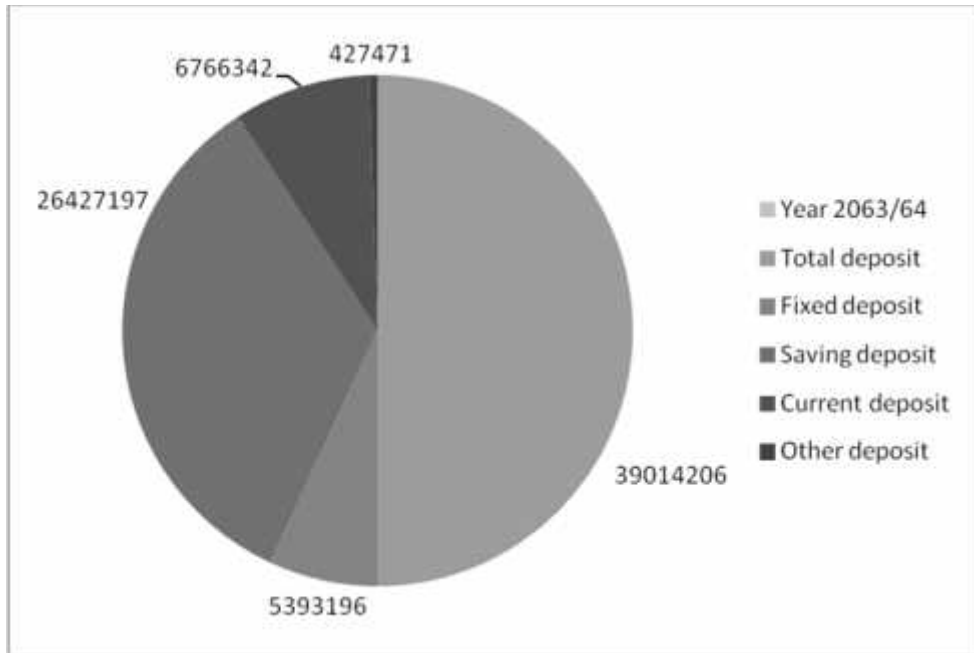


Figure -8
NBL



NCCBL

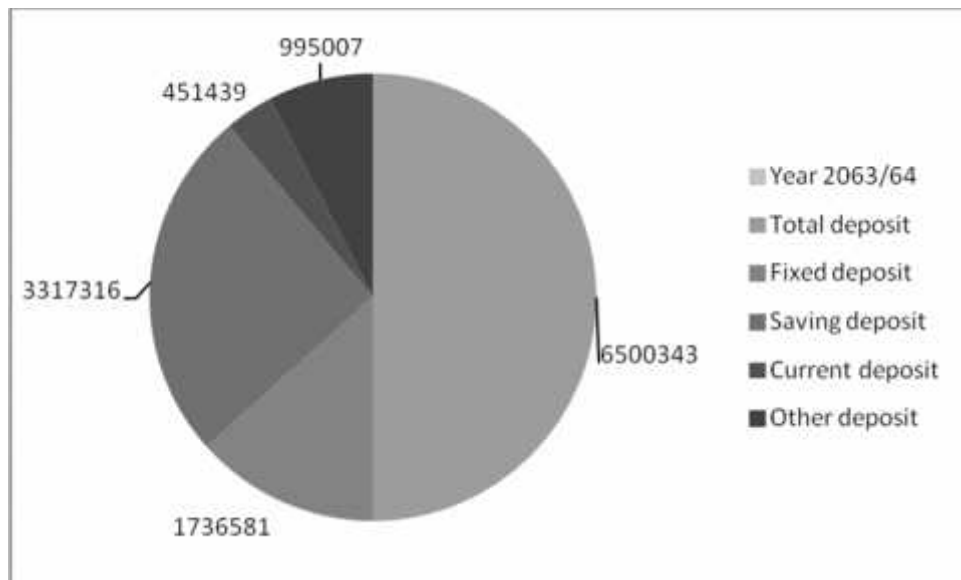
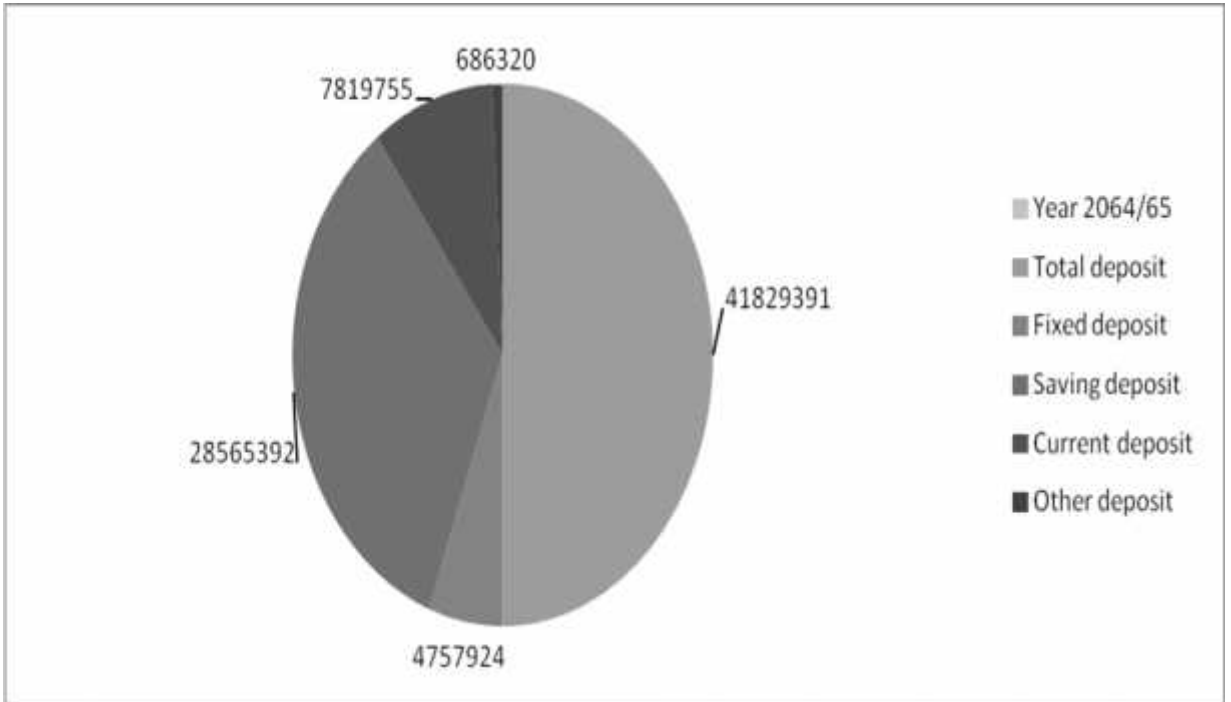


Figure -9
NBL



NCCBL

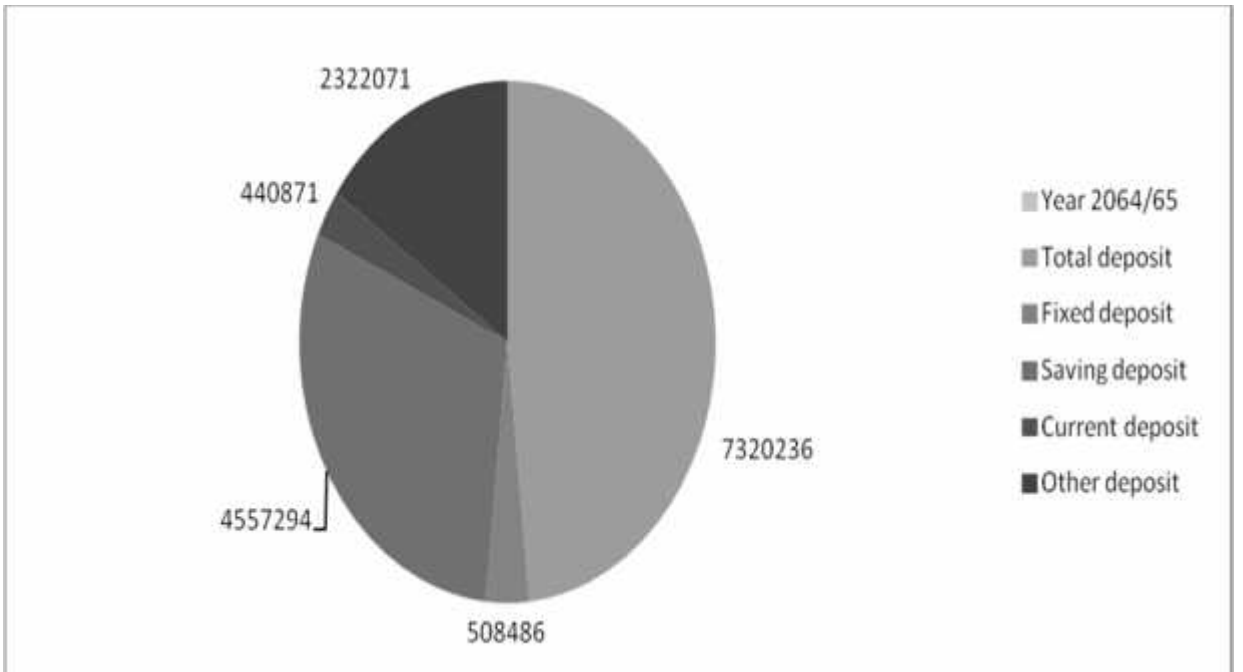
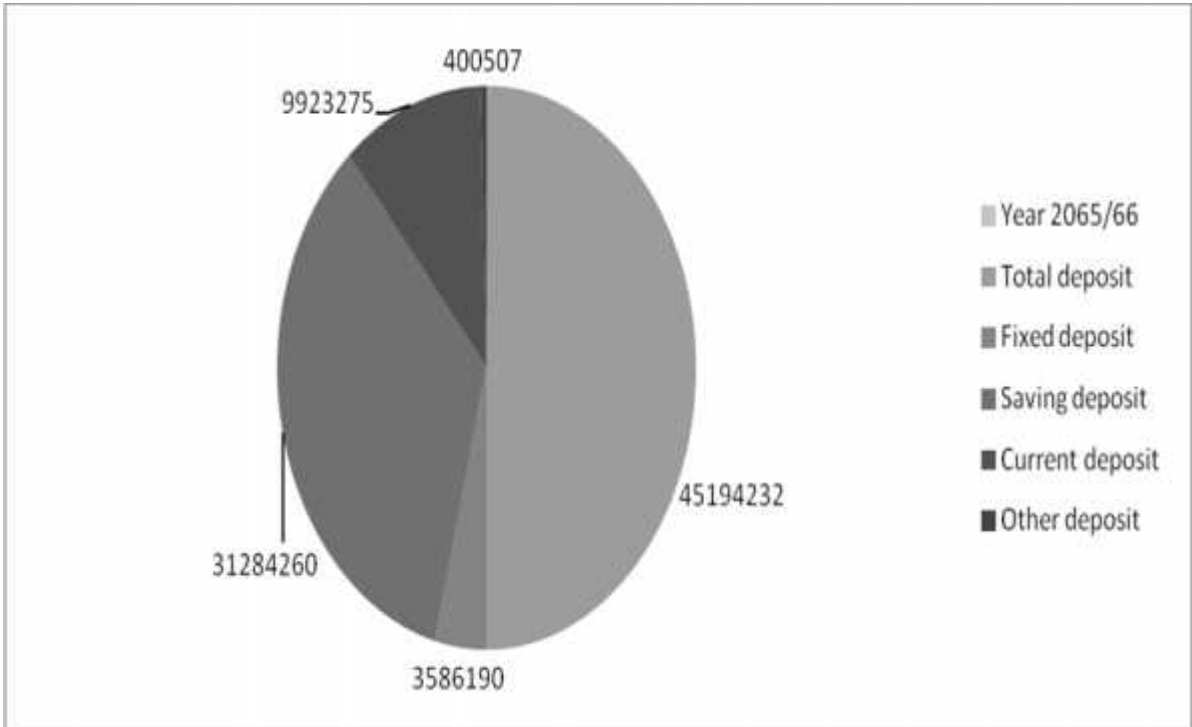


Figure -10
NBL



NCCBL

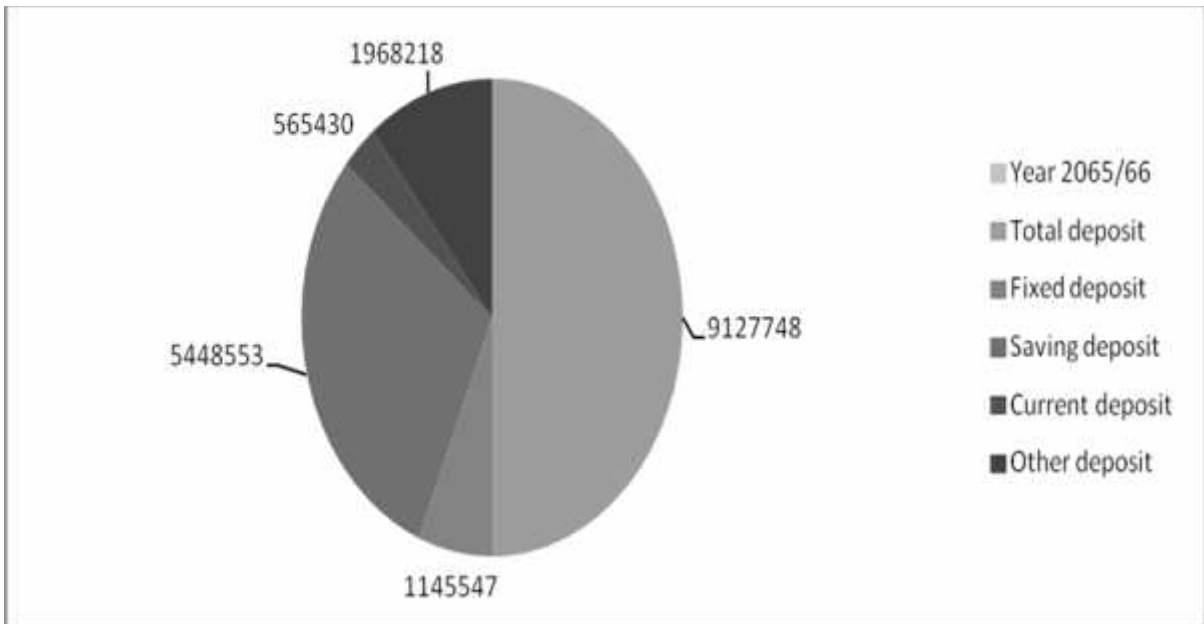
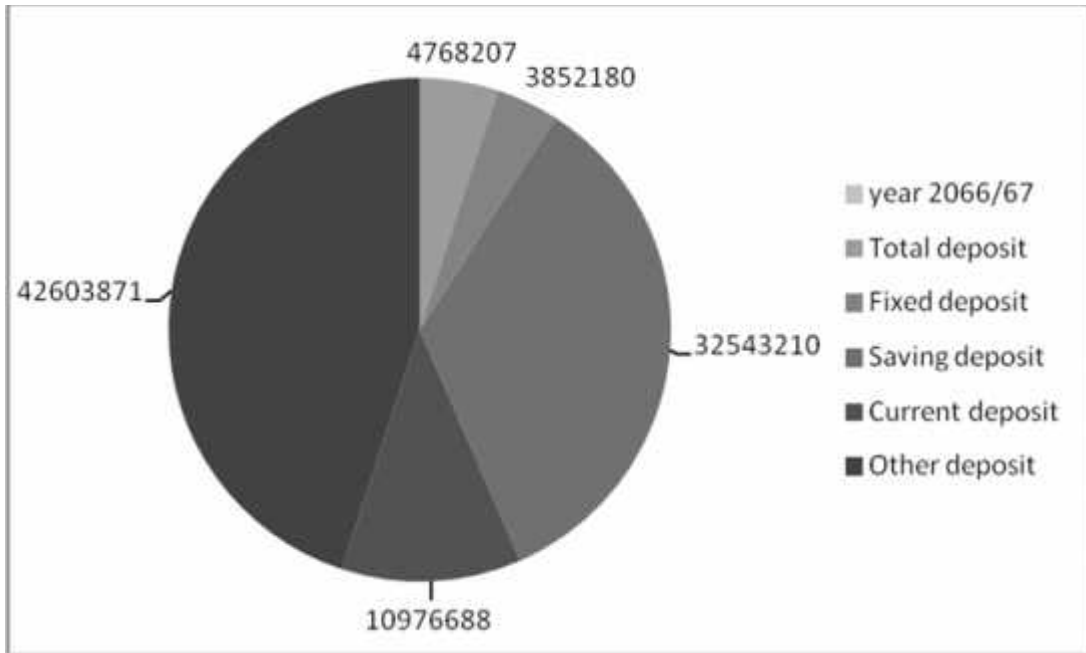
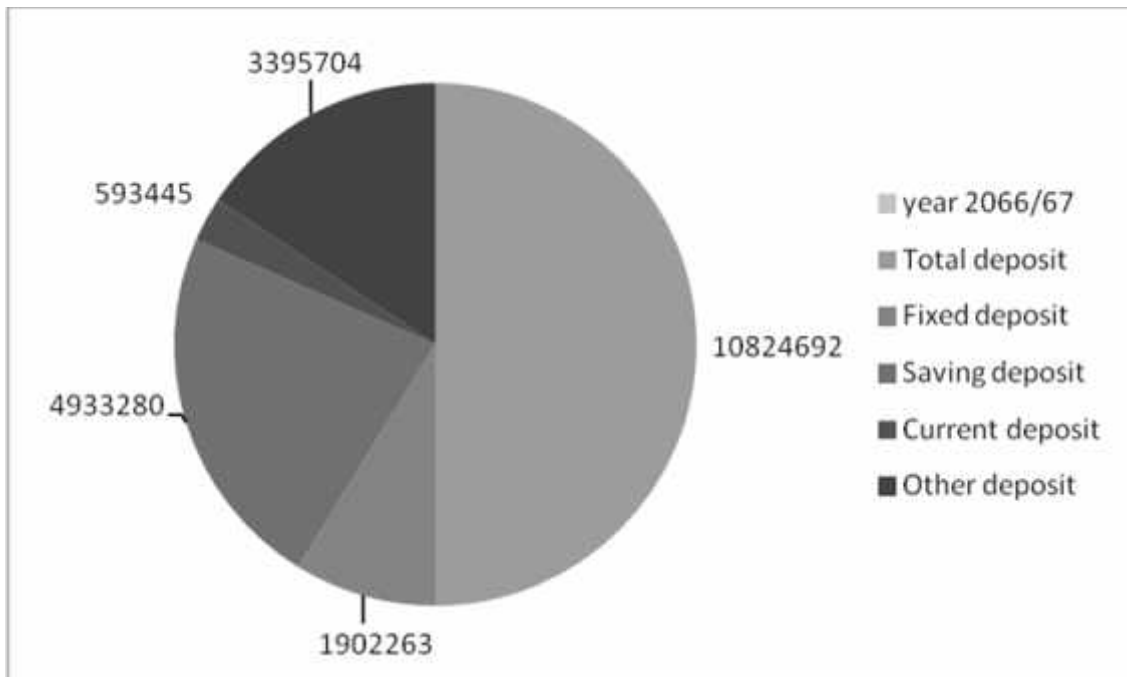


Figure -11
NBL



NCCBL



The table no 4.23 shows the deposit mix trend of Nepal Bank Limited and Nepal Credit and Commerce Bank Limited for the five years study period. In NBL, the contribution of fixed deposit is gradually declining trend with the average 14.03% of the total deposit whereas, the contribution of saving deposit is gradually increasing trend with the average of 85.43% of the total deposit. But the contribution of current deposit is smoothly increasing trend with the e average of 24.91% of total deposits. Similarly, the contribution of other deposits is in fluacating trend with the average of 1.4% of total deposit in the study period of five years from 2062/63to 2066/67.

In NCCBL, the contribution of fixed deposit is gradually declining trend with the average 19% of the total deposit whereas, the contribution of saving deposit is gradually fluacating trend with the average of 52% of the total deposit. But the contribution of current deposit is smoothly decreasing trend with the e average of 6% of total deposits. Similarly, the contribution of other deposits is in fluacating trend with the average of 23% of total deposit in the study period of five years from 2062/63to 2066/67. By this analysis we can say that there is no relationship between two banks in deposit mix.

4.2.3 Investment, Loan and Advance Trend

When we say the bank, everyone thinks about the deposit and side by side the loan .The deposit and lending are the unanimously two jobs of the bank as a same category or we can say two sides of a coin. The efficient management is not only to accelerate the deposit but also invest in a proper and suitable sector to the available resources. The proper and efficient utilization of bank's deposit and other resources can enhance the bank's performance and credibility. The value and worthiness of bank are esteemed the sound in-

vestment portfolio of the resources. The investment, loan and advance are analyzed as follows:

NBL
Table No.4.23

Year	Investment, Loan and advance	Growth rate %	Change %
2062/63	24246410	-	-
2063/64	27130658	111.8956	18.76
2064/65	29822719	122.9985	11.1
2065/66	31012457	127.9054	4.91
2066/67	30821045	127.1159	(0.79)
Average	28606658	117.9831	(9.13)

(Appendix-V)

Note: Here Investment, Loan and Advance Growth rate of 2062/63 is 93.13%.

Year	Investment, Loan and Advance of NBL	Investment, Loan and Advance of NCCBL
2062/63	24246410	3948172
2063/64	27130658	4944263
2064/65	29822719	6318614
2065/66	31012457	8441295
2066/67	30821045	9942331

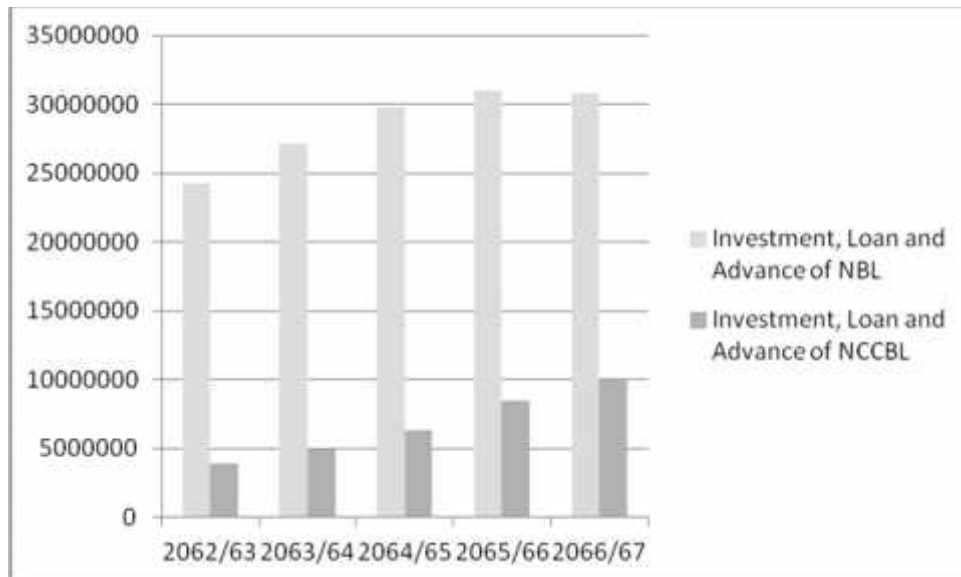
(Appendix-V)

NCCBL

Year	Investment, Loan and advance	Growth rate %	Change %
2062/63	3948172		
2063/64	4944263	125.229169	59.98
2064/65	6318614	160.038975	35.03
2065/66	8441295	213.802615	53.77
2066/67	9942331	251.821121	38.02
Average	6718935	170.17	(81.64)

(Appendix-V)

Note: Here Investment, Loan and Advance Growth rate of 2062/63 is 65.24%.



The table no 4.24 shows the trend of the loans and advances with investment. In NBL If we assume the base year to the FY 2062/63, the growth rate is increasing from 111.89% to 127.11% in FY 2066/67 with the average of 117.98%. Likewise, the change percentage is 18.76% which is the highest in FY 2063/64 and negative 0.79% which is the lowest in FY 2066/67. The average change is 9.13% of investment , loan and advances in each year.

In NCCBL, if we assume the base year to the FY 2062/63, the growth rate is increasing from 125.22% to 251.82% in FY 2066/67 with the average of 170.17%. Likewise, the change percentage is 59.98% which is the highest in FY 2063/64 and 35.03% which is the lowest in FY 2064/65. The average change is 81.64% of investment , loan and advances in each year.

4.2.4 Deposit Utilization Trend

The chief function of the bank is the utilization of its deposit effectively. The indicator of the efficiency of the bank is the quality of the resources mobilization i.e. management of loans and advances. The deposit utilization is analyzed as follows:

Table No.4.24 (Rs.'000')

NBL

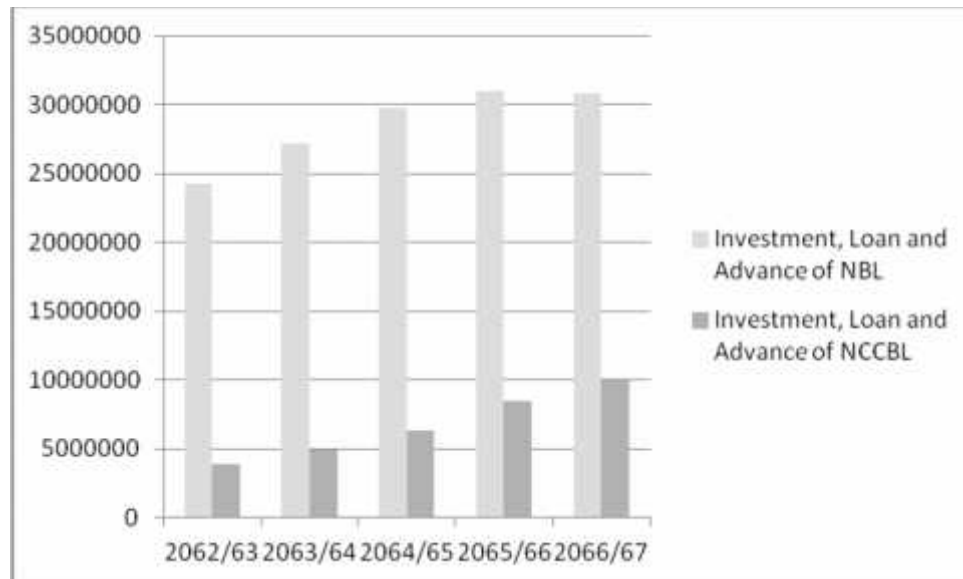
Year	Investment, Loan and Advance	Growth Index	% Change	Total Deposit	Growth Index	% Change	Deposit Utilization Rate
2062/63	24246410			35829765			67.67
2063/64	27130658	111.89	18.76	39014206	108.88	(0.11)	69.54
2064/65	29822719	122.99	11.1	41829391	116.74	7.86	72.99
2065/66	31012457	127.90	4.91	45194232	126.13	17.14	75.62
2066/67	30821045	127.11	(0.79)	4768207	133.07	24.08	79.38

Average							95.04
C.V							12.9

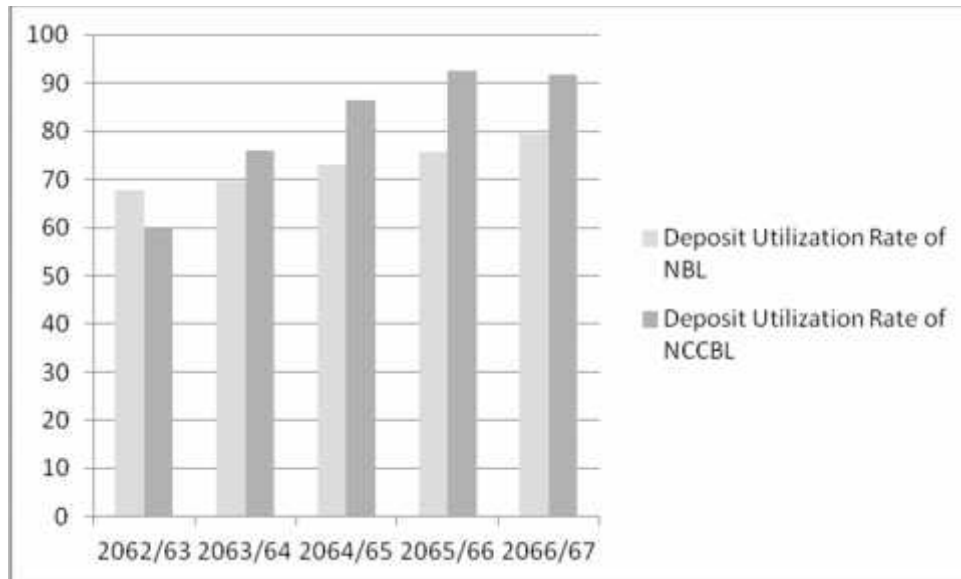
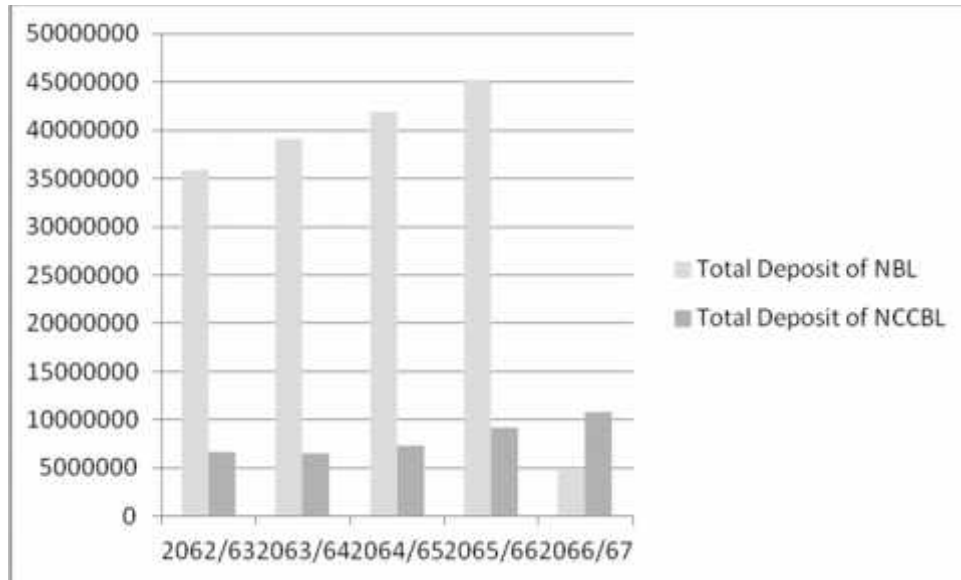
(Appendix-V)

Note: Here, Deposit Growth rate of 2062/63 is 108.99%.

Figure-12
Deposit Utilization Trend



Deposit Utilization Trend



NCCBL

Year	Investment, Loan and Advance	Growth Index	% Change	Total Deposit	Growth Index	% Change	Deposit Utilization Rate

2062/63	3948172			6619600			59.64
2063/64	4944263	125.2	59.98	6500343	98.19	(38.12)	76.06
2064/65	6318614	160.03	35.03	7320236	110.58	12.39	86.31
2065/66	8441295	213.80	53.77	9127748	137.88	27.3	92.47
2066/67	9942331	251.82	38.02	10824692	163.52	25.64	91.84
Average	6718935						81.27
C.V							16.93

(Appendix-V)

Note: Here, Deposit Growth rate of 2062/63 is 98.19%.

The utilization of deposit through bank's investment, loan and advance of NBL and NCCBL are shown in the above table. Table no. 4.25 exhibit the deposit utilization ratio from FY 2062/63 to 2066/67. In NBL, the highest ratio is 72.99% which has been utilized in FY 2064/65 and the lowest ratio is 64.38% in FY 2066/67. The deposit utilization ratio is below the average is 67.67%, 69.54%, 72.99%, 75.62% and 79.38% respectively.

In NCCBL, the highest ratio is 92.47% which has been utilized in FY 2065/66 and the lowest ratio is 59.64% in FY 2062/63. The deposit utilization ratio is above the average is 86.31%, 92.47% and 91.84% in FY 2064/65, 2065/66 and 2066/67 respectively. But .in the first two FY, the deposit utilization ratio is below the average which is 59.64% and 76.06% in FY 2062/63 and 2063/64 respectively. Deposit utilization rate of NBL is increasing trend

and NCCBL fluctuating trend and its average utilization rate are 95.04% and 81.27%, which shows NBL is utilizing its deposit efficiency towards investment, loan and advances then NCCBL.

4.3 Analysis of Correlation Coefficient of Various Variables in NBL & NCCBL

The statistical tool of coefficient of correlation has been studied to find out whether the available variables are inter-correlated or not. Now to find out the correlation of net worth and net profit, total deposit and investment, and also non-performing assets and total loan, the widely used method of Karl Pearson's Correlation coefficient has been adopted.

$$\text{Coefficient of Correlation (r)} = \frac{N \sum xy - \sum x \sum y}{\sqrt{N \sum Y^2 - (\sum y)^2} \sqrt{N \sum X^2 - (\sum X)^2}}$$

4.3.1 Correlation Coefficient of Non-performing Assets and Total loan of NBL & NCCBL

Table No. 4.25(Rs. in Million)

NBL

Year	Non-Performing Assets	Total loan
2062/63	2262	12442
2063/64	1856	13757
2064/65	2067	15765
2065/66	966	19560
2066/67	1241	23455
Correlation(r)		-0.0819

Probable Error (P.E.)		0.0299
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(Appendix-I)

NCCBL

Year	Non-Performing Assets	Total loan
2062/63	14789	58992
2063/64	16068	51222
2064/65	86731	52810
2065/66	19706	71836
2066/67	24132	83878
Correlation(r)		-0.338
Probable Error (P.E.)		0.03

(Appendix-II)

Table no. 4.26 depicts the correlation coefficient between non-performing assets and total loan for five sample years of NBL & NCCBL remained -0.0819 and -0.0338 .Similarly the probable error of correlation coefficient remained 0.0299 and 0.03. Since 'r' is less than +- 0.5 and also less than six times of the probable error (P.E.), the coefficient of correlation is not significant. In other words, the non – performing assets is not correlated to the total loan of Nepal Bank Limited (NBL) & Nepal credit and commerce Bank Limited(NCCBL) in the study period of five years from FY 2062/63 to 2066/67.

4.3.2 Correlation Coefficient of Total Deposit and Investment of NBL & NCCBL

Table No. 4.26 (Rs. in Million)

NBL

Year	Investment	Total Deposit
2062/63	7191000	6619600
2063/64	1236621	6500343
2064/65	1900758	7320236
2065/66	1583102	9127748
2066/67	1947614	10824692
Correlation(r)		-0.0155
Probable Error (P.E.)		0.030

(Appendix-III)

NCCBL

Year	Investment	Total Deposit
2062/63	14490247	35829765
2063/64	16072180	39014206
2064/65	1657756	41829391
2065/66	13397560	45194232
2066/67	5886083	4768207
Correlation(r)		-0.0384
Probable Error (P.E.)		0.03

(Appendix-IV)

Table no. 4.27 depicts the correlation coefficient between investment and total deposit for five years of NBL & NCCBL .In NBL, the correlation coefficient is -0.0384 and the probable error of correlation coefficient remained 0.030. Since 'r' is less than +- 0.5 and less than six time of the problem error (PE). The investment is not perfectly correlated to the total deposit of NBL. This means that there is not much increment of investment with respect to the increment in the total deposit.

In NCCBL, the correlation coefficient is -0.0155 and the probable error of correlation coefficient remained 0.030s. Since 'r' is less than +- 0.5 and less than six time of the problem error (PE). The investment is not perfectly correlated to the total deposit of NCCBL. This means that there is not much increment with respect to the increment in the total deposit.

4.4 Major finding of this study are presented below:

1. The liquidity position of the Nepal Bank Limited is higher than the requirement. The cash balance to total deposit ratio is an average of 3.28%, the cash and bank balance to total deposit ratio is an average of 19.62%, the NRB balance to total deposit ratio is an average of 14.25% and cash and bank balance to current deposit ratio is an average 98.56%. In this reason, the liquidity position is sound and high level compared to the directives prescribed by Nepal Rastra Bank in time to time.

The liquidity position of the Nepal Credit and commerce Bank Limited is higher than the requirement. The cash balance to total deposit ratio is an average of 4.8%, the cash and bank balance to total deposit ratio is an average of 15.02%, the NRB balance to total deposit ratio is an average of 8.39% and cash and bank balance to current deposit ratio is an average 119.9%. In this reason, the liquidity position is sound and high level compared to the directives prescribed by Nepal Rastra Bank in time to time.

2. The capital adequacy position of NBL in terms of total deposit to total assets is found so much higher in an average of 98.73%, likewise total debt to Shareholder's fund is in an average 25.32% times . In this regard, the bank has very low equity capital as compared to other capital. By utilizing more debt capital, the bank has to pay more charge which adversely affects its profitability.

In NCCBL, the capital adequacy position in terms of total deposit to total assets is found so much higher in an average of 93.58%, likewise

total debt to Shareholder's fund is in an average 3.94% times . In this regard, the bank has very low equity capital as compared to other capital. By utilizing more debt capital, the bank has to pay more charge which adversely affects its profitability.

3. The shareholder's equity to total assets ratio is an average of 0.799%. It means that the NBL is utilizing a low shareholder's equity. The contribution of shareholder's equity to the total assets is very nominal.

The shareholder's equity to total assets ratio is an average of 12.64%. It means that the NCCBL is utilizing a high shareholder's equity. The contribution of shareholder's equity to the total assets is not very nominal.

4. The activity ratio in terms of investment to total deposit ratio is in increasing trend. The average of investment to total deposit ratio is 32.95%. Likewise, investment to total assets ratio is also in more synchronized position. The ratio is in increasing trend. The average of investment to total assets ratio is 23.50%. This shows that the NBL is discouraging the investment of its resources.

The activity ratio in terms of investment to total deposit ratio is in increasing trend. The average of investment to total deposit ratio is 37.48%. Likewise, investment to total assets ratio is also in more synchronized position. The ratio is in increasing trend. The average of investment to total assets ratio is 18.32%. This shows that the NCCBL is also discouraging the investment of its resources.

5. The total lending position of NBL is very low. As the ratio of total lending to total assets is an average of 58.86% and total lending to to-

tal deposit is 69.96%. It means that the bank is holding more funds rather to invest it.

The total lending position of NCCBL is high. As the ratio of total lending to total assets is an average of 75.09% and total lending to total deposit is 81.27%. It means that the bank is not holding more funds rather to invest it.

6. The loan and advance to total deposit ratio of NBL is an average of 37.00% only. It means that, NBL can lending its available deposit but holding the fund to own custody. The pending of more than 75% of its deposit is quite big amount for the investment or in earning sector. It makes adverse effect to the bank in terms of efficiency and profitability also.

The loan and advance to total deposit ratio of NCCBL is an average of 65.57% only. Analysis of utilization of assets ratio of the bank under the study, the bank has given a satisfactory turnover in terms of giving loans and advances to fixed deposit and loans and advance to saving deposit, all these ratio indicates that the bank can't lending its available deposit but holding the fund and deposit to own custody.

7. Obviously, the fund of NBL is not utilizing. The resources are in liquidity position, which do not give any return. Then the profit definitely moves down. The net profit to total assets ratio is 1.32% in an average. This shows that the return on assets slightly positive way i.e. starting to go in profit trend.

The net profit to total assets ratio of the NCCBL is far from the satisfactory level. The average ratio of the bank is 3.93%. Even though, the bank is able to maintain its profit level highest in positive value (even though not satisfactory level). Therefore, the positive aspect be-

ing the profit, which bank has maintained in fluctuating trend through the study period, helps to assume that it can not improve its performance and can not do better future in future . Thus, to get the better performance in the future the bank should make increasing return to total assets ratio in the study periods.

8. Variables: It measures Coefficient of Correlation (r) and Probable Error (P.E.). The measure criteria are 6 times of its P.E. with compared to the coefficient of correlation. Thus, investment and total deposit of NBL & NCCBL are not correlated. Similarly, the non- performing assets are not correlated.
9. The net worth of NBL & NCCBL shows negative and the capital adequacy is also in negative position.

CHAPTER- FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Summary of the study

A brief overlook of previous chapter, major findings and conclusion of the study are presented in this fifth and the last chapter. At the end, some valuable suggestions and recommendations are put forwarded for the benefit of Nepal Bank Limited and Nepal credit and commerce Bank Limited as well as concerned persons and groups.

This study has been concluded with a vision to assess financial performances of NBL & NCCBL. Financial tools and statistical tools have been used to make this study more effective and informative. This study has covered five years data from 2062/63 to 2066/67 of NBL &NCCBL .In this section, the researcher has tried to summarized the financial performance of NBL &NCCBL.

The banking institution is also not free from competitions prevailing in the country as well as international market. Various international and domestic unrest and threats have affected very much in the financial sector. All sectors of the economy have also affected to the financial sector. Therefore, all sectors of the economy have suffered as set back due to those and many reasons. However, in line with the current market trend, the bank is making all possible efforts to consolidate its business portfolio and cut down the cost in all operating areas to gain or maintain the profit.

The role of the commercial bank is a crucial task of capital formation and its utilization in proper way, which is the key variable of the national economic development too. Scattered resources held no meaning unless they are mobilized in effective and productive sector. The bank can contribute the process of capital investment in order to industry, trade, commerce and agriculture for the economic development of a nation. The goal of economic development can not be achieved without strong capital base and the commercial banks play the pivotal role for the nation of such base.

In this study, some of the financial tools such as: trend analysis and coefficient of correlation has been used. The role of NBL & NCCBL can not over emphasize. Today NBL has already spent more than sixty years in servicing the nation, apart from its traditional functions; it has served as a major institution for the development of the nation. Thus, it has contributed the major role for the betterment of the country.

The financial analysis is the process of identifying the financial strength and weakness of the e firm. The comparatively financial analysis has been adopted to know the performance of NBL &NCCBL over the period of five years i.e. 2062/63 to 2066/67. In this study, horizontal or dynamic type of financial analysis has been adopted as a series of the statements tools of Karl Pearson's correlation coefficient are adopted. The four types of ratio analysis viz. liquidity, capital stricture, leverage, and profitability ratios have been calculated, analyzed and interpreted in this study to evaluate the financial performances of NBL &NCCBL. From this study, the findings are categorically emphasized in brief as such.

5.2 Conclusion

1. It is found from the study that there is not maintained balance ratio among its deposit liabilities in both sample banks. The researcher shows that none of these banks have to be able to utilize its high cost resources in high yielding investment portfolio. The investment portfolio of both banks have not been managed so efficiency as to maximize the returns. There is lack of demarcation of between operational and non-operational activities of the both banks. Liquidity position of NBL is better then NCCBL.
2. The operational efficiency of the NCCBL is found unsatisfactory because of operational loses in second year. The allocation of loans and advances by both banks does not seem as meaningful as the productive sector portfolio. The lower return on investment of the NBL &NCCBL and prevailing pay out ratio is not justified at all. Lower market value is a reflection of a weaker financial performance of the bank. The growth rate of total investment of NCCBL is not proportionate .The trend ratio of the total assets and total investment of NBL is increasing and their ratio is fluctuating.
3. The bank should diversify its investment from traditional commercial and consumption sector to productive sector. It can make capable utilizing its resources efficiency and fulfilling the goal of flourishing industry and agriculture in the country. It is recommended to diversify the credit portfolio to the various productive sectors. On the basis of the findings of the study few recommendations have been made , which would provide good opportunity for all private banks to analyze its strengths, weaknesses, opportunities and threats and learn from their past weaknesses and threats, which would provide them good in-

formation about their weaknesses and threats and also a good financial indicator.

5.3 Recommendations

A clear financial picture can be viewed from all above presentation. Now, some valuable and timely suggestions and recommendations are put forwarded on the basis of findings and conclusions or literally their financial pictures in order to revitalize and improve the financial position of Nepal Bank Limited & Nepal Credit and Commerce Bank Limited .

1. The liquidity position is relatively more than the minimum requirement criteria of Nepal Rastra Bank to 3% of its total deposit only. In the changing context and the situation of serious security environment, Nepal Bank Limited has to maximize its cash position in their vault for the shake of security and the utilization of its fund in income generating sectors.

The bank under study, liquidity position can not be regard as satisfactory. NCCBL has maintained high liquidity ratio than actual normal standard required. Therefore the bank is suggested to maintain the liquidity ratio to the actual normal stands required in order to maintain its short- term solvency position.

2. The leverage ratio of NBL is very high position. The NBL should decrease its debt ratio position more than more. The bank should increase its equity position for the future contingency.

The leverage ratio of NCCBL is also very high position. The NCCBL should decrease its debt ratio position more than more. The bank should increase its equity position for the future contingency.

3. The activity ratio measuring the efficiency achievement toward the income generating activities of the NBL. The bank should invest all the excess balance of liquid fund in income generating sector.

It is recommended that the NCCBL should hold the fund in form of cash equivalent items only to the extent of requirement. Though it is difficult to know the exact suitable liquidity ratio, estimation can be done on the basis of past expenses nature of depositors and nature of competition.

4. Due to the creeping lending position of the NBL, the profitable position of the bank seems to be very serious. The earning power ratio to total assets is in negative way. This is a very serious matter. Near to double digit inflation rate of Nepalese context, the bank should rethink towards the revitalization of its position and must boost-up the earning power.

The NCCBL has failed to utilize its assets for making proper investments. Thus it becomes necessary for the bank to search for better investment opportunity service and invest in it. It is necessary for the bank to increase the extent of its promotion and marketing collection in order to increase its business transaction that it is today.

5. NBL should move toward the modern banking facilities and prompt service in each branch and provide new product to the customer to attract relative growth relative growth trend of deposit.

NCCBL should move toward the modern banking facilities and prompt service in each branch and provide new product to the customer to attract relative growth relative growth trend of deposit.

6. The lending growth rate of NBL & NCCBL is in creeping position and downward position in somehow. That is why, the following lending processes are recommended.
 - i. Follow the liberal lending policy.
 - ii. Develop a special investment promotion unit.
 - iii. Identify new portfolio investment opportunity.
 - iv. Grand mid-term and short term loan.
 - v. Should launch productive credit programs.
7. The net profit trend of NBL is decreasing. So the bank should look forward to maximize the profit through good lending and sound management.

The net profit trend of NCCBL is negative in second fiscal year. So the bank should look forward to maximize the profit through good lending and sound management.
8. Total deposit of NBL & NCCBL is not correlated with the bank's loan and advance. This is very serious matter and the main cause of over liquidity. Thus, try to make the correlation between total deposit and loan and advance.
9. NBL & NCCBL should adopt efficient and modern management concept to make more capable to their activities as well as fulfill the growing demand of current financial services.
10. NBL & NCCBL should sponsor and encourage to social activities like sports, music and others. The marketing of the bank should be adopted through social obligation as a partner in the society.
11. Necessary to diversify the banks' credit investment from commercial and consumption sector to productive sector. It can make capable uti-

lizing its resources effectively and fulfill the goal of flourishing industry and agriculture in the country.

12. The banks should encourage the staffs through the modern approach of reward and punishment. The traditional file promotion system would not be the promotion factor of the job.
13. The bank should built local channel to collect deposit and lending opportunity. Similarly, in this twenty first century, in the time of globalization, the bank should provide prompt services to its customers.
14. Make strength the banking operation through hiring the efficient staff and firing the inefficient staffs. In other words, the golden handshake would be introduced.
15. Maximize the profitability by gearing up the irregular credits and make proper evaluation of the credit norms while sanctioning the loan.
16. Enhance the profitability through effective and efficient in management and accountability with credit worthiness.

The contribution of the bank in the mobilization and utilization of resources becomes effective and the goal of commercial banks remains unfulfilled. Thus, it should carefully examine safety of principle as well as sources of repayment, capital structure and credit worthiness of a borrower for providing credits. In other words , credit risk by considering well known five C' s credit viz. character , capacity , capital , collateral and conditions.

APPENDIX 1

NBL

Calculation of correlation coefficient "r" in order to test the relationship in between non performing Assets and total loan.

Here, Let, Non performing asset and total loan are denoted by X and Y respectively.

F/Y	X	Y	X ²	Y ²	XY
2062/63	2.26	12.44	5.10	154.75	28.11
2063/64	1.86	13.76	3.4	189.33	25.59
2064/65	2.07	15.77	4.2	248.69	32.64
2065/66	0.97	19.56	0.94	382.59	18.97
2066/67	1.24	23.46	1.5	550.37	29.09
N = 5	Σx = 8.4	Σy = 84.99	Σx ² = 15.14	Σy ² = 1525.73	Σxy = 134.4

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

$$= \frac{5 \times 134.4 - 8.4 \times 84.99}{\sqrt{5 \times 15.14 - (8.4)^2} \sqrt{5 \times 1525.73 - (84.99)^2}}$$

$$= \frac{672 - 713.916}{\sqrt{2.54} \times 20.13} = \frac{-41.916}{51.1302}$$

$$\dots r = -0.0819$$

$$PEr = 0.6745 \times \frac{1 - r^2}{\sqrt{N}} = 0.6745 \times \frac{1 - (-0.0819)^2}{\sqrt{5}}$$

$$= 0.0299$$

APPENDIX 2

NCCBL

Calculation of correlation coefficient "r" in order to test the relationship in between non performing Assets and total loan.

Here, Let, Non performing asset and total loan are denoted by X and Y respectively.

F/Y	X	Y	X ²	Y ²	XY
2062/63	14.79	58.99	218.74	3479.83	872.46
2063/64	16.07	51.22	258.24	2623.49	823.11
2064/65	86.73	52.81	7522.09	2788.90	4580.21
2065/66	19.71	71.84	388.48	5160.99	1415.97
2066/67	24.14	83.88	582.26	7035.85	2024.02
N = 5	ΣX = 161.43	ΣY = 318.74	ΣX ² = 8969.81	ΣY ² = 21890.05	ΣXY = 9715.77

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

$$= \frac{5 | 9715.77 - 161.43 | 318.74}{\sqrt{5 | 8969.81 - 161.43^2} \sqrt{5 | 21089.05 - 318.74^2}}$$

$$\frac{48578.85 - 51454.20}{\sqrt{18789.41} \sqrt{3850.06}} = \frac{2875.35}{8505.036} =$$

$$\dots r = 0.338$$

$$= P.E.r = 0.6745 \times \frac{1 \times r^2}{\sqrt{N}} = 0.6745 \times \frac{1 \times 0.338^2}{\sqrt{5}}$$

$$= 0.03$$

APPENDIX 3

NCCBL

Calculation of correlation coefficient "r" in order to test the relationship in between Investment and total deposit

Here, Let, Investment and total deposit are denoted by X and Y respectively.

F/Y	X	Y	X ²	Y ²	XY
2062/63	7.19	6.6	51.69	43.56	47.45
2063/64	1.23	6.5	1.51	42.25	7.995
2064/65	1.9	7.3	3.61	53.29	13.87
2065/66	1.5	9.1	2.25	82.81	13.65
2066/67	1.9	10.8	3.61	116.64	20.54
N = 5	∑X = 13.72	∑Y = 40.3	∑X ² = 62.67	∑Y ² = 338.55	∑XY = 103.46

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

$$= \frac{5 | 103.46 - 13.72 | 40.3}{\sqrt{5 | 62.67 - 13.72^2} \sqrt{5 | 338.55 - 40.3^2}}$$

$$\frac{517.3 - 552.1916}{\sqrt{125.12} \sqrt{68.66}} = \frac{35.616}{92.72} =$$

$$\dots r = 0.0384$$

$$= P.E.r = 0.6745 \times \frac{1 \times r^2}{\sqrt{N}} = 0.6745 \times \frac{1 \times 0.0384^2}{\sqrt{5}}$$

$$= 0.03$$

APPENDIX 4

NBL

Calculation of correlation coefficient "r" in order to test the relationship in between Investment and total deposit

Here, Let, Investment and total deposit are denoted by X and Y respectively.

F/Y	X	Y	X ²	Y ²	XY
2062/63	14.4	35.8	207.36	1281.64	515.52
2063/64	16.07	39.01	258.24	1521.78	626.89
2064/65	1.6	41.8	2.56	1747.245	66.88
2065/66	13.4	45.2	179.56	2043.04	605.68
2066/67	5.8	4.7	33.64	22.09*	27.26
N = 5	ΣX = 51.27	ΣY = 166.51	ΣX ² = 681.36	ΣY ² = 6615.79	ΣXY = 1842.23

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

$$= \frac{5 \times 1842.23 - 51.27 \times 166.51}{\sqrt{5 \times 681.36 - (51.27)^2} \sqrt{5 \times 6615.79 - (166.51)^2}}$$

$$\frac{674.19}{27.89 \times 155.94}$$

$$\dots r = 0.0155$$

$$= \text{PEr} - 0.6745 \times \frac{1 \times r^2}{\sqrt{N}} = 0.6745 \times \frac{1 \times 0.0155^2}{\sqrt{5}}$$

$$= 0.03$$