CHAPTER –I
INTRODUCTION

1.1 Background of the Study

Financial sector plays vital role for development of economy of the country. The network of a well- organized financial system of the country has great bearing in capital formation. Finance, the art and science of managing money, affect the lives of every person and every organization, finance is concerned with the process, institutions, market and institution involved in the transfer of money among and between individuals, business and government. It collects scattered financial resources from the masses and invests them among those engaged in commercial and economic activities of the country. Previously finance was limited for pronouncement of long- term found. The traditional concept of finance is changed due to industrialization, technological innovation and intense competition, technological innovation and intense competition. While the specifics very among organizations, the key finance function are the investment, financing and dividend decision for organization. Funds are raised from external financial sources and allocated for different uses. It has been well established that the economic activities of any country can hardly be carried forward without the assistance and support of financial institutions. Commercial banks are major financial institution provide capital for the development of industry, trade, business and others resource deficit sector by investing the saving collected as deposits.

Banking industries is also regarded as one component of economy. It transfers the scattered funds collected from saving of the public into various productive sectors. Economic activities remains halt in absence of banking industries. It plays the role of catalyst for economic development of the country in the developing country where there prevail unorganized transactions. It helps to enhance economic activities of the country of business activities, create employment opportunities, investing agriculture, industry. At present there are altogether 26 commercial banks operating in the country among which Nepal Bank limited (NBL) and Rastriya Banijya Bank (RBB) has occupied wide range

of the country slowly private banks are also initiating to reach to every corner of the country. To depict the performance of any firm financial analysis is essential. Past performance is often a good indicator of future performance. Therefore all parties are interested to know the trend of past variable such as sales, expenses, net income cash flow and return on investment and so on. Financial analysis is the process of critical judgment of detail accounting information given in the financial statement.

Investopedia explains "financial performance", there are many different ways to measure financial performance, but all measures should be taken in aggregation line items such as revenue from operations, operating income or cash flow from operations can be used, as well as total unit sales. Furthermore, the analyst or investor may wish to look deeper into financial statements and seek out margin growth rates or any declining debt *(Economic Survey; 1994:95).*

Financial analysis is the process of identifying the financial strength and weakness of the items of the Balance sheet and profit and loss account. It is the process of determining the significant operation and financial characteristics of firm from accounting data. It shows the relationship between the various component which can be found in balance sheet and profit and loss statement. The analyze statement contain those information which is useful for management, shareholders, creditors, investors, depositors etc. Quality governance is impossible without effective analysis and evaluation of financial information. In financial analysis a ratio is used as an index or yard sticks for evaluating the financial position and performance of a firm. Analysis and interpretation of various ratios should give an experience and skilled analyst a better understanding of financial condition and performance of firm than he would obtain from analysis of the financial data alone. So financial analysis depends on a very large extent on the uses of ratio though other equally important tools of such analysis.

The study of performance of listed companies and return to investors occupies an important role in the development of capital market. Development and expansion of capital market helps economic development by mobilizing long-term capital needed for

productive sector. It is vital to long -term growth and prosperity of the economy since it provides the channel through which needed funds can be raised *(Shrestha; 1988: 10).*

The capital market can be decomposed into securities market and non-securities market. Securities market is the mechanism that allows suppliers and demanders of funds to make transaction. It is the market where securities are traded *(Sharma; 1996: 23*).

It plays a key role in the purchase and sales activities of investors *(Gitman and Johenk; 1990).*

Non securities market refers to the mobilization of the financial resources by the financial institutions in the form of deposits and loans. Stock market is a major component of the securities market. Stock market is a mechanism through which corporate sector mobilizes fund to finance productive projects by issuing share in the market similarly, stock market provides the best investment opportunity to the investors. In Nepal, the market is becoming one of the important parts of the national economy. But people do not have idea of how to invest and where to invest. Due to the lack of proper investment opportunity, one of the most valuable sources performed by securities market is to maintain active trading so securities so investors can buy or sell securities immediately *(Sharma; 1996: 23).*

A continuous market increases the liquidity of the securities traded their performance of listed companies have greater impact on the liquidity of stock market. Investors desire for the stocks of the companies which have performed well in comparison to other in the past. The stocks of the well performed companies are easily traded in the stock market and thus it makes the stocks market more liquid. There is anecdotal evidence to suggest that investors use relative performances information *(Bagnoli and Walt; 2000:31).*

Higher relative performers attract more investor funds. Investors sack to purchase the stocks of higher relative performers. However, the performance of companies is not the only criteria to investors to decide whether to invest in the stocks of the company or not.

They also consider the return on their investment. Return is the fundamental requirement of investment and certain level of risk is attached with it saving is worthless until and unless used in productive investment. Investment is the sacrifice of certain present value for the uncertain future reward. Since investment ends are transit and investment environment is fluid. Investors in securities will, therefore, from time to time, reappraise and re-evaluate their various investment commitments in the light of new information, changed expectations and ends. Investment return is the after tax increase in the value of the initial investment *(Cheney and Moses; 1993:30).*

Increment in the value of investment ultimately increase the return to investors the performance information of company and in other hand determines the return to investors or, share holders. Market price per share is one hand reflects the performance information of company and in other hand determines the returns to investors in the form of capital gain.

The fair price and the market price are the components that are recursively discussed by the investors before deciding their investment portfolios. The fair price is the price is the price derived by using the various models of investment analysis some of the models are Net assets value (NAV) approach, Dividend discount model, and P/E ratio and option price model. These models give the fair market price and a threshold to the potential investors about the value of the common stock trading at the stock exchange. The different variables such as earning per share, dividend per share, and net worth per share are also very crucial to analyze which affect market price and all these help to evaluate the performance of company. If instead of paying dividends, the firm retains the funds to exploit other growth opportunities, the share holders can expect to benefit indirectly through the increment in the stock price in future. Investors thus get returns in the form of dividend and capital gain. Analysis of the stock returns is essential for the investor to determine the investment decision. Higher return in the stock market attract the existing and potential investors and active participation of investors again helps to promote the stock market. From the total earning, a firm distributes dividends to their investors. Higher profitability thus increases the dividend but it may decrease the market price of

the stock. Investors are more concerned with the role of dividends and capital gains, not with absolute values. The relation of the financial ratios with the dividend yields, capital gain yield and total yields is therefore very important to analyze.

Nepal stock exchange ltd has been acting as secondary market in Nepal. The performance of companies listed in the NEPSE ltd. plays an important role in the development and expansion of capital market in Nepal. It also determines the participation of investors in the stock market since higher returns are attractive to investors. The relation of financial position of the companies with returns is greater issue in the international as well as in Nepalese context. It is therefore very important to analyze the performance of listed companies and return to investors.

1.1.1 Profile of the Banks

The organizations under research are following:

A. Everest Bank Limited

Everest Bank Limited was registered on November 17, 1992 and come into operation on October 18, 1994 with an objective of extending professionalized and efficient banking services to various segments of the society. The bank had an initial paid up capital of Rs. 3 corer. Today the bank has grown to become one of the leading banks in Nepal.

B. Nepal SBI Bank Limited

The fifth joint venture Bank in country was established in 2050 with the collaboration of State Bank of India having 50% ownership. It had 240 million authorized capitals, 120 million issued capital and 120 million paid up capital.

C. Standard Charted Bank Nepal Ltimited

Standard chartered bank Nepal (earlier known as Nepal Grind lays bank Ltd) came into existence in 2043(1987) as a joint venture between ANZ Grind lays and Nepal bank ltd. It started its business with Rs. 30 million paid up capital. After acquiring of the ANZ operation in the region by the standard chartered, it has become a subsidiary of sc Grind

lays, which holds 50% of share holding in the bank. New, from the date July 2001, it is named standard chartered Bank Nepal Ltd, after takeover by standard, UK by the virtue of annexation of ANZ; Grind lays Banks by standard chartered group. The bank has 9 branches all over the country. Among the remaining 50% equity shares of SCB Nepal Ltd, 33.34% shares are held by commercial bank and 1.66% shares by Nepalese public and others financial institution.

Authorizes capital and paid up capital of standard chartered Bank Nepal Ltd are Rs. 339548800. The main objective of the bank is to collect deposits and provide loans to agricultural, commercial, industrial sectors and to provide modern banking service to the people. The bank was listed in the NEPSE on July 1983. Per value per share of the bank is Rs. 100 and number of shareholders is 3746400.

D. Nabil Bank Limited

Nabil bank ltd is the first joint venture commercial bank in Nepal which was established in 1984 under the company Act 1964, Dubai Bank ltd. (DBL) was the initial foreign joint venture partner with 50% equity investment. The shares owned by DBL were transferred to emirates Bank international, Ireland (NBI). Hence, 50% of equity shares of Nabil Bank ltd were held by NBI international, Ireland (NBI) an out of another 50% shares, financial institution has taken 20% and remaining 30% were issued to general public of Nepal. NBI is managing the Bank is accordance with the technical service agreement signed between NBI Bank the bank on June 1995. At present, 19 branches of the bank are operating in different parts of the country.

E. Bank of Kathmandu Limited

Bank of Kathmandu Ltd is the latest joint venture bank listed in NEPSE. It was established in 1993 in collaboration with the SIMA commercial bank pcc, Thailand under the company act. The major objective of the bank was to operate commercial banking activities throughout the country with the approval of NRB. The SIMA commercial Bank diluted its holding to the Nepalese citizens in 1998. Hence Nepalese public hold 97.72% of the equity shares of the BOKL and remaining shares are hold by financial institution

(0.9%) and organized institution (1.38%). The Bank was listed in Nepal stock Exchange (NEPSE) on 17 July 1997. Par value per share of the bank is Rs. 100 and the number of shareholders is 4635810. Authorized capital and paid up capital of BOK ltd are Rs. 100 million and Rs. 463.58 million respectively. The bank has 10 branches located in the various cities.

1.2 Focus of the Study

A joint study of performance of and return to investor is an attempt to explore the relationship between the two under estimated to aspects of capital market in Nepal. So this study on its completion is supposed to have a distinct place for the concerned. This study will be more beneficial to investors who assume overall risk while investing in stocks. Every individual today is conscious about its uncertain future. To eradicate this uncertainty saving is necessary. Investors do not make investments without knowing what the company is doing and performing in terms of various fundamental indicators. Investment of this saving to earn sufficient amount is what the investors are always worrying about. Today wide range of investment tools is available and specially talking about the Nepalese prospective share market is becoming the first choice. Investment in security is what every investor thinks to be secured, unknowing that investment in security is most risky. Commercial banks are considered the Blue Chip Company and investors are ready to pay high price for the shares. The payment of high price is backed with some expectation. Therefore the transaction of shares of commercial bank occupies the largest proportion in daily transaction. These expectations germinate on the ground of financial performance of the company.

The research study on "performance and return to Investors" primarily focuses on the two major aspects. Performance is the decision taken by the management. The decision has the major impact, which solely depends upon the financial decision taken by the management. The decision has the major impact, which is ultimately reflected on the profitability of the company. The financial indicators are used to measure its performance. Stock markets were the shares are traded on the basis of their strength (financial strength) provide a sufficient amount of return. The return is basically

determined by the price paid for the shares. Higher price is paid carrying some expectation. These expectations are based on the performance or the financial activities conducted by the company. An investor is ready to pay higher price for the share if it feels the future of the company is bright. Price of shares, of inferior or poor performing companies' decline as the result of which returns decreases. So some relationship between these two aspects is the focus of this study financial performance will be measured by variable like EPS, DPS, ROE and BVPS where as the return will be calculated using the share price during the considered period.

1.3 Statement of the Problems

The financial problem is to be considered as one of the greatest obstacle for overall socio-economic development of any country. Commercial banks can play a predominant role in the development of agriculture, industry, commerce and trade. In under developed and developing countries, there are not quite commercial activities of financial institutions. In Nepal commercial banks have not been organized and developed, there is insufficient capital which can help to prevent financial problem. So, they are still in the age of growth and development. Most commercial banks of Nepal miss invest their capital due to lack of proper knowledge of utilization. Some commercial banks have lost a lot of capital to the selfishness i.e. they give loan to their relatives, those who give bribe to them, those who have sourced and force. In the Nepalese financial market there are various financial instruments available to the investors, but there is no way to justify that it is perfect. Out of various instrument available, investors mostly prefer for common stocks that is why we see the long queue for the bank's common stocks and high price of their stocks. Being an imperfect market the floor price of the listed companies' share cannot represent their true value. The options remained are undervalued stocks. There might exist situations where stocks are too overvalued or undervalued. The general conclusion that emerges from the above mentioned studies is that stock returns are explained and determined not only by a single factor rather this is the function of different interdependent variables. Financial position determines the stock return.

Performance of a company can be measured using different financial ratios. These ratios are used for comparison, which is the better performer? Development of these ratios will be focused from the previous Balance sheet and profit and loss account. The development of the ratios will ensure the performance of the company. These developments must be in according to the changes in the market price of the share. A financially sound and better performing should have adequate liquidity. The stocks of such companies should lead the price and trade volume in stock market. Does this situation really endure in Nepalese situation? Another important factor is the relative performance, the performance of share price of companies in the same sector. Even though the sector are attract and posses a good opportunity regarding market growth and profit development only few are performing well. In Nepal, the listing of shares in NEPSE ltd and their trading in the stock market is not an old phenomenon. The Nepalese stock market is characterized by a low trading volume, absence of professional brokers, early stage of growth, limited movement of shares prices and limited information available to investors. The number of investors in stock market is still very few. They are not confident to get appropriate returns from the listed companies. Information about the performance of listed companies and returns on the stocks of the companies is very essential for the investors.

To sum up, this study deals with the following issues.

- How is the performance of listed companies in terms of market price per share, net worth per share, earnings per share and dividend per share?
- What is the return to investors in term of dividend yields, capital gain yield, and total yields?
- Is there any different between large and small companies with respect to the performance of the companies and returns to investors?
- Are the investors getting higher return from the companies whose earnings position is good?
- Do the companies with sound financial positions are providing higher return to their investors.

1.4 Objectives of the Study

In the capital market investors can choose any financial instrument available in the market. The major objective of this study is to analyze the performance of listed companies and return to their investors. Its specific objectives are as follows.

- To see the investors' preferences in choice of the financial instruments.
- To see the performance of listed companies.
- To see the investment return of commercial banks.
- To trace the stock price movement with special reference to the performance of the company.
- To see the relationship between earning and return to investors of selected companies.

1.5 Significance of the Study

Lots of study has been conducted previously to measure the performance of the company listed in the security market. Separately some studies have also been conducted to study the rate of return to investor. A joint study of performance and return to investor is an attempt to explore the relationship between the two under estimated aspects of capital market in Nepal. So this study on its completion is supposed to have a distinct place for the concerned. This study will be more beneficial to investors who assume overall risky by investing in stocks. Being a mini research and backing with some constraints, which are mentioned in the limitation section, this research will also be prominent to the listed companies taken as sample. Some conclusion regarding their performance and their stock price will provide some initiatives to the investors on the floor. Providing a base further researcher can extend and conduct a in depth study in this area of capital market. Even though this is not the end, researcher can utilize this study and step into the section where this study has failed.

1.6 Limitation of the Study

Every work has its own limitation due to lack of time, Research and knowledge. The work has been completed within the periphery of the limitations. This study is totally based on secondary data are crucial for the study. The data problem is acute in Nepal.

The work has been completed within following limitations:

- This study has been based on secondary sources of data i.e. annual reports of bank, Nepal Rastra banks, SEBON, NEPSE, Government publications other related journals, News paper and intent.
- This study does not cover all the listed companies. It, therefore, implies that the conclusions drawn are of a tentative nature and firm generalization should be avoided for the entire companies.
- The study is based on the analysis of limited observation.
- This study is based on some important variable like EPS, DPS of the company's, rate of return, income of investor and tax.
- The study is conducted only within the Kathmandu value, so it couldn't represent all of Nepalese investor's performances.
- All the data and reports are kept according to the annual performance and accountability reports of particular banks. This thesis's standard is proxy on the accuracy, reliability and timeliness of data and reports of particular or sample bank.

1.7 Organization of the Study

This study has been organized into five different chapters. Each chapter devoted to some aspect of investors' preference and financial instruments. The chapters one to five is consist of:

Chapter I: Introduction

Introduction chapter provides an introduction to the topic, objective, scope and limitation of the study.

Chapter II: Review of Literature

It is directed towards the review of literature of related studies, it contains conceptual frame work, major studies in generals and review of major studies in Nepal.

Chapter III: Research Methodology

This chapter is related to research methodology. This chapter explains the research design, method of primary and secondary data collection and tools and technique used in analysis of data.

Chapter IV: Data Presentation and Analysis

This chapter is the main body of the research. It consists of analyzing performance of listed companies, return to investors and the properties of portfolios formed on returns to investors.

Chapter V: Summary, Conclusion and Recommendation

It is the last chapter of this study. It provides the summary, conclusion and recommendation of the study.

CHAPTER – II
REVIEW OF LITERATURE

Review of literature is an essential part of all studies. It is a way to discover what other research in the area of our problem has uncovered. Scientific research must be based on a past knowledge. The previous studies cannot be ignored because they provide the foundation to the present study. The purpose of literature review is thus to find out what research studies have been conducted in one's chosen field of study and what remain to be done *(Wolff and Pant; 2005:30).*

Review of literature means reviewing research studies or other relevant proposition in the related area of the study so that the past studies, their conclusion and definition may be known and further research can concluded. This chapter highlights available literature related to this is stock taking of available literature is one's field of research. It comprises conceptual review of related studies.

2.1 Conceptual Review

2.1.1 Commercial Bank

"Commercial banks accept both demand deposits and time deposits. These funds are loaned to individuals, business and government. Commercial banks are important sources of short term loan. Banks are also major sources of term loans, which repaid in installments between 1 and 10 years and are usually repaid in installments over the life of the loan. The proceeds from term loan can be used to finance current assets, such as inventory or account receivable, and to finance current assets, such as inventory or account receivable, and to finance the purpose of fixed plant facilities and equipment, as well as to replay other debts. Many people maintain a checking amount at a commercial bank. These demands are demand deposit, time deposit, time deposit and certificates of deposit" *(Thapa, Bhattarai & Basnet; 200:.112).*

2.1.2 Financial Performance

Financial performance analysis can be considered as a heart of financial decision. The growth and development of any enterprise is directly influenced by the financial policies. The goal of such analysis is to determine the efficiency and performance of the firm's management, as reflected in the financial records and reports. Rational evaluation of financial performance of financial management is too much involved in record keeping, raising necessary funds and maintaining relationship with bank and other financial institutions. Financial performance as the part of financial management is the main indicator of the success or failure of the firm. Financial condition of business firm should be sound from the point of view of shareholders, debenture holders, financial institutions and nation as whole. The analyst is attempting to measure the firm's liquidity, profitability and other indications that business is conducted in a rational and orderly way. If a firm doesn't achieve financial norms for its industry or relationships among data that seen reasonable, the analysts note the deviations. The burden of explaining the apparent problems may then be placed upon management"(*Hampton; 2006:98).*

"Financial statement analysis includes the study of relationship within a set of financial statement at a point in time and with trends in these relationships over time*" (Foster; 2002:58).*

"Financial analysis is the process of identifying the financial strengths and weakness of the firm by properly establishing relationship between the items of the balance sheet and the profit and loss account" (*Pandey; 1999:108).*

A powerful and the most tested tool of financial analysis is the ratio analysis. "It is defined as the systematic use of ratio to interpret the financial statement. So that the strengths and weakness of a firm as well as its historical performance and current financial condition can be determined*" (Khan and Jain; 1990:5-13).*

The major functions of financial management are raising funds, investing them in assets and distrusting return earned from assets to shareholders, which are respectively known

as financing investing and dividend decision. While performing these functions a firm should balance cash outflow and inflow, which is known as liquidity decision *(Pandey; 1995:5).*

Financial management in broad sense and provide a conceptual and analytical framework for decision making they also covers both acquisitions of funds as well as their allocation of funds to various uses. Their major decision, are investing decisions, financial decisions and the dividend policy decision *(Khan and Jain; 1991:1.16).*

A study of financial performance is a basic process which provides information, liquidity position, earning capacity, efficiency in operation, profitability, sources and uses of capital, financial achievement and status of the companies. This study mainly focused on financial performance of commercial banks, which is examined for various reasons".
"If management is to maximize the value of the firm's stock price, is must analysis the weakness and strength of the firm which is possible from the ratio analysis which help to assess the financial performance in comparing with the firm and other firm financial statement analysis involves a comparison of firm's performance with that of other firm in the same line of business. The analysis is used to determine the firm's financial position in order to find out current strengths and weakness and to suggest action that might useful to firm to take advantages to its strength and correlation to its weakness *(Weston & Brigham;1987:44).*

Ratio analysis is a powerful tool of financial analysis. A ratio is defined as "the indicate quotient of two mathematical expressions and as the relationship between two or more things. In financial analysis a ratio is used as a benchmark for evaluating the financial position and performance of a firm*"(Pandey; 1999:109).*

Ratio analysis is the process of determining and interpreting numerical relationship based on financial statements. A ratio is a statistical yardstick that provides a measure of the relationship between two variable and figures. This relationship can be express as percent

(Cost of goods sold as a percentage of sales) or as a quotient (current assets as a certain number of times the current liabilities) (*Kuchhal; 1976:21).*

Financial ratio can be divided into four types: liquidity debt, profitability and coverage. Each of these types has a special use for the financial analyst. These ratios are also helpful for managerial control and for providing a better understanding of what outside suppliers of capital expect in the way of financial condition and performance. The usefulness of the ratio depends upon the ingenuity and experience of the financial analyst who employs them. By themselves financial ratios are fairly meaningless they must be analyzed on a comparative basis.

Commercial bank is corporation, which accepts demand deposits, subject to check and makes short-term loans to business enterprises, regardless of the scope of its other service (*American Institution of Banking; 1972:345).*

In most public corporations, top management's compensation is tied to the performance of the company's stock, this aligns their interests with shareholder, but compensation tied to stock return is not a complete solution. Stock return respond to events outside reflect investor's expectation of manager's future performance *(Breadly and Myers; 2003:820).*

Ratio analysis is a widely used tool of financial analysis. It is defined as systematic use of ratio interprets the financial statement so that the strengths and weakness of a firm as well its historical performance and current condition can be determined (*Khan and Jain; 1996:60).*

Ratio analysis which relates balance sheet and income statement items to one another permits the firm's history and the evaluation of its present position. It also allow the financial manager to anticipate relations of investors and creditor and thus to gain insight into how attempts to acquire fund are likely to be received *(Weston and Brigham; 1980:160).*

The objective of financial analysis is to capsulate how efficiently a company employs its assets and how it has chosen to finance the acquisition and carrying cost of those assets. This is accomplished by analyzing the relationship between an enterprise's operating result (income statement) and its financial structure (balance sheet) (*Altman; 1981:21).*

Management of the enterprise is interested in all aspect of financial analysis to adopt a good financial management system and for the internal control of the enterprise. The creditors are primarily interested in the liquidity position to see the ability of the enterprise to pay their short term claims. Government, economists, trade associations, trade unions, competitors etc are also interested in the analysis.

2.1.3 Investment

Investment, in its broadest sense, means the sacrifice of current Rupees (dollars) and resources for the sake of future Rupees (dollars) and resources. In other words, it is a commitment of money and other resources that are expected to generate additional money and resources in the future, such a commitment takes place in the future and always remains uncertain. Therefore, every investment entails some degree of risk. Investments are made in assets. Assets, generally, are of two types: real assets (land, building, factories etc.) and financial assets (stocks, bonds, T-Bills etc.). These two types of investments are not competitive but complementary, highly developed institutions for financial investment are employment of funds with the aim of achieving addition income or growth in a value. It involves the commitment of resources that have been saved or put away from current consumption, in the hope that some benefits will accrue in the future.

Investment is the current commitment of funds for a period of time to derive a future flow of funds that will compensate the investing until for the time funds are committed for the expected rate of inflation and also for uncertainty involved in the future flow of the funds *(Frank and Reilly; 1992:1).*

Investment is any vehicle into which funds can be placed with the expectation that will preserve or increase in value and generated positive returns *(Gitman & Joehnk; 2000:256).*

Investment may be defined as the purchase by an individual or institutional investor of a financial or real asset that produces a return proportional to the risk assume over some future investment period.

A banker does not prefer to invest his funds in company shared and debentures. The share and debentures may be very easily sold on the stock exchange. But the bank will incur a loss if the market value of the securities falls. Unlike the government securities there is no maturity date for shares. The income from shares depends upon the prosperity of the company issuing the shares. If the company becomes involvement the bankers loses heavily. If a bank has certain amount of funds which can be left undisturbed for a number of years, investment in long term government securities becomes profitable proportion *(Radhaswamy; 1979:549).*

Investment choice or decision is found to be outcome of three different but related classes of factors. The first may be described as factual or information premise. The factual premise of investment decision is provided by many data, which provide an insight of the environmental condition and particular feature of the organization. The second class of factor entering in the investment decision may be described as expectation premise. Expectation relation to the outcomes of alternative investment in subjective and hypothetical in any case, but their foundation is necessarily provided by the environmental and financial fact available to investor. The third and final class of factor may be described as the valuation premises. This regularity of the income received.

2.1.4 Returns to Investors (Shareholders)

The return to shareholders has become the touchstone of much financial analysis. The expected rate of return for a portfolio of investment is simply the weighted average of the expected rate of return for the individual investment in the portfolio. The theme of

enhancing shareholder value is the subject of many books, articles, and it's highlighted in the annual reports of many individual companies. The return to shareholders measures what shareholders actually earn over a period of time. This is widely used measure in making comparisons between the market returns among wide range of financial instruments. The return to shareholders is defined as the average of the sums of the dividend yield plus capital gains per year over the measurement period.

In general terms, return is the income received on investment return is defined as the after tax increase in the value of the initial investment as per Cheney & Mosses. The increase in value of assets can come from two sources: a direct cash payment to the investor or an increase in market value of the investment relative to the original purchase price. The rate of return is the relative value of benefit on Investment. The rate of return is the relative value of benefit on Investment. The rate of return concept is important because it measure the speed at which the investor's wealth increases of decreases *(Francis; 1992:1).*

Shareholders expect two forms of return from the purchase of common stock.

1. Capital gain/ return
2. Dividend gain/ return

Return is the motivating force in the investment process, that is, it is the reward for undertaking the investment. Return on a typical investment consists of two components. The first component that usually comes to mind is the periodic cash receipts (either interest or dividends). This cash receipt is also known as an ordinary gain on investment from mature and Stable Corporation, most investors expect regular dividends to be declared and paid in common stock. This expectation takes priority over the desire to retain earning to finance expansion and growth shareholder's expectations can be fulfilled through either capital gain or dividend. Since dividends would be more attractive to stock holders, one might think that there would be tendency for corporation to increase distribution of dividends. The second component is the appreciation (or depreciation) in the price of the asset and this is commonly called a capital gain or loss. The capital gain or loss is the difference between the purchase price and the price at which the asset can

be or is sold. Therefore, the total return on investment is the sum of the ordinary gain and the capital gain or loss.

Total Return = Capital Gain (Loss) + Ordinary Gain

2.1.5 Holding Period Return

Single Period Return

A single period return is also known as a holding period return. A holding period or single period return is simply the total return an investor would earn during the period returns are often calculated for a period other than one year, for this reason, the length of the holding period must always be indicated for a specific single period return. In general, if the length of the holding period is not specific, it is assumed to be one year. An investment's single period return is simply the total return an investor would receive during the investing period or holding period stated as a percent of the investment price at the start of the holding period.

One Year Holding period Return = $\frac{P_{t+1}-P_t+C_t}{P_t}$

Where,

Pt+1 = market price at the end of the period

Pt = market price at the beginning

Ct = cash inflow if any

Multi Period Return and Annualized Return

Multi period return is the return earned during the multiple periods of holding the securities. To express the multiple period returns as annual return we convert the returns on an annualized basis. Such an annualized return is the mean return and there are two types of means.

I) Arithmetic Mean

The arithmetic mean return is appropriate as measure of the central tendency of a distribution consisting of returns calculated for a particular time, such as a year. The mean return in equation is as follows.

$$r = \frac{r_1 + r_2 + \cdots + r_n}{n}$$

II) Geometric Mean

It is another method of calculating the annualized return. Geometric mean return is calculated by taking the nth root of the product of one plus individual rate of return minus one. When percentage changes in value over time are involved, the arithmetic mean of these changes can be misleading. A different mean, the geometric mean, is needed to describe accurately the 'true' average rate of return over multiple periods. The geometric mean return measures compound, cumulative returns over the growth in investment funds, that is, it measures the realized change in wealth over multiple periods. In equation,

$$Gm = [(1+r_1)\,(1+r_2)\,(1+r_3) \text{ ---------- } (1+r_n)^{1/n} - 1$$

Where,

Gm = geometric mean return

r_t = single period return at time t

n = number of observation or returns.

2.1.6 Expected Rate of Return

Investment decisions are based on expectation about the future. The expected rate of return for any asset is the weighted average rate of return using the probability of each rate of return as the weight. The expected rate of return is based upon the expected cash receipt over the holding period and the expected ending or selling price. The expected rate of return is an ex-ante or unknown future return *(Cheney and Moses; 1993:34).*

Unless the rate of return is guaranteed most investors recognize that several rate of return are possible. Investors summarize these possible rates of return into a single number called the expected rate of return.

If the investors can describe the possible variables that will influence each of the possible rates of returns should equal the weighted average of the various possibilities. Listing the possible investment results and assigning probabilities to each of these out comes is the same as creating a probability distribution in statistics.

Probability distributions are used to describe possible outcomes and to assign individual probabilities from zero to one, to each possible outcome. The expected rate of return is calculated by summing the products of the rate of return and their respective probability.

$$\sum(r) = \sum p_t \, r_t$$

Where,

P_t = Probability Distribution of Rates of Returns

r_t = Rate of Return

If an investor believes that an investment will provide different rates of return under different economic condition might create a probability distribution for those return. Various estimating technique could be used to construct and derive probability distribution. Regardless of the forecasting technique used the goal is the same the investor is attempting to describe the possible events that could influence the expected rate of return.

2.1.7 Market Efficiency

Market efficiency means that the market price of a security represents the market consensus estimate of the security. Capital market and market efficiency has direct and linear relationship. If the market is efficient, it uses all information available to it in setting a price. Investors who choose their information lead them to think that the security

is worth at least its current market price. Those who do not purchase the stock interpret their information as a lower appraisal.

An efficient financial market exist when security price reflect all available public information about the economy, about financial market and about the specific involved. The implication is that the market price of individual security adjusts very rapidly to new information. As a result security price are said to fluctuate randomly about their intrinsic value.

In such a world the only price change that would occur are those, which occur from new information. Since there is no reason to expect that the information would be non-random in its appearance, the period-to-period change of the stock price should be random movement, statistically independent of one another. The levels of stock price will, under these conditions describe what statisticians call a random walk and physicist calls Brownian motion. In the normal course of event, the level of price that is the summation of these random movements will show movement that will, look like cycle but in fact are not. The semi strong hypothesis centers on how rapidly and effectively market price adjusts to new publicity available information. Different financial reports an audited financial information field with the security exchange are readily available to the investor *(Sharestha; 2000:18).*

A market is efficient with respect to a particular set of information if it is impossible to make abnormal profit by using this set of information to formulate buying and selling decision. That is in an efficient market investors should expect to make only normal profits and earn a normal rate of return on their investment. This background information about corporation provides the perspective needed to evaluate new information. Financial newspapers and news service compete to deliver new information as quickly as possible so that investor can obtain information as quickly as possible so that latest news quickly at minimum cost when news affect the value of security it causes revaluation and security trading that begins immediately and affect price at once.

Test of efficiency are essentially test of whether the three general type of information, past price, other public information and inside information can be used to make above average profit on investment.

The strong from hypothesis is concerned with whether or not certain individual or group process inside information that can be used to make above average profit. It holds that stock price react very quickly to all public and inside information. One obvious to check the validity of the strongly efficiently market hypothesis is to examine the profitability of trades in security made by insiders to see if the insiders access to valuable information allow them to ear statistically significant trading profit.

Since strongly efficient market hypothesis suggests that all information, public or not fully reflect in the security price. This idealistic economy situation result in a perfectly efficient market where price and value are always equal as they fluctuate randomly together in response to the arrival of new information *(Western & Bingham; 1982:125-127).*

2.1.8 Investment Environment

The investment environment is a combination of securities, market and intermediaries. The investment environment encompasses the kinds of marketable securities that exit and where and how they are bought and sold. Investment environment in our country is not providing favorable due to non performing character of the public limited companies. However, by definition, the investment environment refers to all internal and external forces affecting investment environment refers to all internal and external forces affecting investment decisions of investors. It covers all kind of marketable securities that they are bought and sold through the brokers' network and financial intermediaries. Thus, securities, security markets and financial institutions from the scope and coverage of investment environment.

Existence of a favorable environment is the medium, which direct the pool of saving into the productive sector. It also creates a positive effect on the saving habits, which is done

for future consumption. Favorable environment leads to the availability of numerous options of investment and a defined arena to carry out the transaction *(Bhattarai;2008:1).*

2.1.8.1 Securities

Security, in general, is a piece of paper responding the investor's rights to certain prospects or property and the conditions under which he/she may exercise these rights. The piece of paper serving as an evidence of property rights is called a security. For example; share certificate, bond, commercial paper, preferred stock, Treasury bill etc. It may be transferred to another investor and, with it, will go all its rights and conditions. Moreover, security is a legal representation of the right to receive prospective future benefits under stated conditions.

2.1.8.2 Security Markets

Securities, as we have already explained, are financial assets. Security markets are mechanism created to facilitate the exchange of financial assets. Therefore, the market exists in order to bring together the buyers and sellers of securities. The flotation of the shares and debentures by public limited companies, trading on mutual funds by an investment company and the auction of treasury bills by governments take place in security markets.

There are many ways in which security markets can be classified

I. Money market and Capital market
II. Primary market and Secondary market

Money Market and Capital Market

Money market is the type of market which is meant for a short term and for highly liquid debt securities. A money market typically involves financial assets that have a life span of one year or less. Money market instruments include short- term marketable, liquid, and low- risk securities. Money market instruments sometimes are also called cash equivalents, or just cash. A money market brings together the supplier and the demander of short- term liquid fund. A money market is created by means of short- term funds.

Capital markets are the markets meant for long- term securities issued by the government or a corporation. Capital market typically involves financial assets that have life spans of greater than one year. For example, the shares issued by the NCC Bank are traded in the capital market where as the Treasury bills issued by Nepal Rastra Bank (NRB) are traded in the money market.

Primary and Secondary Market

Market in which corporation raise a new capital is known as primary markets. When the firms need capital, they may sell now securities. These new securities are sold I primary market. Primary markets, thus, are basically concerned with the accumulation of fund. Securities Board of Nepal (SEBON), regulator of capital market, has approved 33 new issues for ordinary and right shares of Rs. 7559.64 million during the last quarter of current FY which makes the total issues of 63 ordinary shares and right shares of Rs. 14875.12 for the fiscal year 2065-66. This is an increase of 28.59 percent in total amount comparing with the previous fiscal year. Out of this 2 approvals were for debentures, 11 for ordinary shares and rest 50 for right shares. The figure shows that although total amount of approved issues by SEBON has increased, the number of issues has decreased during FY 206-66 as compared to previous FY.

Similarly, during the review period i.e. Baishak to Ashar, 7 companies' ordinary shares were approved for public issue for the total amount of Rs. 1516.77 million. Out of this, Chilime Jalbidhut Company limited alone gets approval of Rs. 745.81 million which can be issued at premium. In the same period 26 companies get approval for issuing right shares of Rs. 6042.87. In conclusion more amount to previous fiscal year by less number of issues as compared to previous fiscal year.

Market in which the existing, already outstanding securities are traded among investors, are called secondary markets. In other words, a secondary market is the place where already – issued securities are traded. Nepal stock exchange (NEPSE) is an example of a secondary market. During the last quarter of current fiscal year, the total trading has been decreased by 29.58 percent and reached to Rs. 4.78 billion during the period. However it

is an increase of 46.3 percent as compared to previous quarter of current fiscal year. The decreasing trend is also followed by NEPSE index which reached to 749.1 at the end of fourth quarter showing a decline by 22.24 percent from the last day of previous fiscal year. But the ending NEPSE index of current fiscal year is 13.28 percent higher than the ending points of third quarter. Similarly, market capitalization of Rs. 512.94 billion at Ashar end 2066 is an increase of 40.03 percent as compared to Ashar end 2065 where as it is an increase of 21.80 percent from the previous quarter. At the end o fourth quarter last year, there were total 142 companies listed at NEPSE where as it is 159 in the current year. Although some increase in secondary market indicators is observed during the fourth quarter as compare to the third quarter of current year, the overall situation for the year is declining. The reason for the downfall of the market is due to the increment of capital gain tax in the beginning of the fiscal year. Similarly, other national and international economic factors s well as other signaling effects at market make investor to lose their confidence *(Bhattarai;2008:11).*

2.1.8.3 Valuation

Section market efficiency, has described efficient market as one in which every security price equals its investment value at all time. In this definition investment value means the accurate price of security to be paid. In others term it is called as percent value, economic value or intrinsic value.

Various mathematical models have been developed to include variable that determines value. These models over simplify the valuation process. In reality many factors determine the market price of a common stock. These factors may change and the relationship between these factors may change and the relationship between these factors may change. No models can consider the complexities of the real word process. These models however can provide a useful framework for the analyses.

Mathematical models imply precision and accuracy and it is essentially a quantitative procedure. However common stock valuation is an art. Models are useful to the analyst but are not the substitute for judgment and common sense. Models can be used in making

accurate forecast. Therefore models should be viewed a tools for decision making. Finance theory indicates that the value of common stock is essentially a function of future income the stock can provide and the riskiness of the income stream. Valuation model therefore takes the fro.

V_n =f (Income, Risk)

Where,

V_n = Intrinsic value of the Common Stock in period n.

Since prediction of income regarding equity is very crucial. In fact equity management is based on the notion explicitly stated or implied, that the stock market is not totally efficient. In way equity management assumes that all historical and current information is not fully and correctly reflected in the current price of every stock. Hence there exist stocks that are undervalued and overvalued *(Gautam & Thapa; 2008:259).*

2.1.9 Investment Decision

Investment decision theory analyzes how to get from investors' preference to the optimal investment decisions. Decision made after the completion of analysis. The general model of decision making is to compare the estimate expected return and estimate requires holding period return *(Bhattarai; 2008:7).*

$$\text{Expected return } E(HPR_1) = \frac{V_1 - P_0 + D_1}{P_0}$$

Where,

$E(HPR_1)$ = Expected holing period return

V_1 = Value at the end over one year

P_0 = Price at the beginning of the year

D_1 = dividend paid at the end of the year

And, the estimated required rate of return as suggested by CAPM

$$\sum(r_j) = r_f + b_i[\sum(r_m)-r_f]$$

Where,

$\sum (r_j)$ = expected required period return

r_f = Risk free return

b_i = Beta for the stock

$\sum (r_m)$ = Expected market return

The analyst should compare $\sum$ (HPR) and $\sum (r_j)$ and if

$\sum$ (HPR) > $\sum (r_j)$ the analyst should invest for long term and if

$\sum$ (HPR) < $\sum (r_j)$ should invest for a short plan

2.1.10 Investment Strategies

Investment strategies as obtained by the investors depend upon the development of the capital market. For the development of the market is sensed in the light of efficiency. As already discussed previously in the section, market efficiency about various hypotheses strategies as carried out are to outperform the assume that an investor earned risk adjusted excess return on a long position because the security was purchased as at a price below intrinsic value. The bargain purchase was possible because the seller didn't realize that the security was undervalued. The success of the buyer therefore comes at the expenses of the seller.

In a competitive market security price are likely to accurately reflect available information and responses very rapidly to available information, as degree of efficiency is the crucial matter of concern, which has to be addressed while going for an investment strategy. If the market is less than perfectly efficient some strategies may result in the risk adjusted excess return *(Bhattarai; 2008:9).*

The degree of market efficiency has been the subject of considerable debate. This debate has resulted into two strategies, passive strategies and active strategies.

2.1.10.1 Passive Strategy

In this strategy, investors believe that investing in portfolio through an analysis of securities is a wasted effort and includes high cost. A passive strategy aims to create well-diversified portfolio without attempting to find under or, over-valued stock. Passive management is usually characterized by a buy and hold strategy. The passive investors believe that the efficient market reflects all the information in stock prices and their value is fair. A passive strategies leads to earn what just the market determines it does not try to outperform the market or earn risk adjusted excess return. Investors select stocks for investment randomly since in perform efficient market the selected stock would be correctly valued. Portfolio investment strategies incur low transactional cost. The cost of trading or for acquiring and analyzing information is avoided. Passive investment strategy includes the following.

1) Index Fund

An index fund tries to match the performance of broad market Index. The fund buys shares in securities included in a particular index in proportion to each security's representation in that index. One approach to implementing a passive investment a strategy is to invest in an indexed portfolio that is designed to duplicate precisely the performance of a market index.

2) Combination Strategy

An alternative to complete to a complete passive investment strategy such as indexing is to divide the portfolio into active and passive component. Efficient market and high transaction cost suggest passive investment strategy.

2.1.10.2 Active Strategy

An active investment strategy is purchased on the ground that market inefficiency exists. Under active investment management investors believe that financial market is perfectly efficient and securities analyst can profit from finding undervalued and overvalued securities. Active strategy assumes that some investors have an advantage over other.

The following are the possible area of advantages.

1. Timing: Use of accurate time is the basic to gain extra return investors who can accurately predict movement in investment in individual security or the market can achieve superior return.
2. Selection: In efficiency leads to the existence of undervalued and overvalued stock in the market. To find out these securities, investors must processes advantage in the quality and time lines of information.
3. Investment Philosophy: Investment philosophy requires a commitment to a specific area or investment approach.

An individual has a large advantage institution and professional investors including the following. Individuals' investors engage in small trades that can be executed quickly.

- Individual have the flexibility to invest in small companies.
- If they wish individual investors can put all or most of their eggs in one basket.
- Individual have the flexibility to use short sale and margin trading *(Bhattarai; 2008:91).*

2.2 Review of Related Studies

2.2.1 Conceptual Review or Financial Analysis

Financial analysis is the process of identifying the financial strength and weakness of the firm by properly establishing relationship between the items of the balance sheet and the profit and loss account. The focus of the financial analysis is on key figures contained in the financial statements and the significant relationship that exists between them. It is undertaken by various interest groups of a firm and the nature of analysis differs depending on the purpose of the analyst. Management of the firm is generally interested in every aspect of the financial analysis because they have overall responsibility of maintaining efficient and effective utilization of resources and sound financial position of the firm.

Financial analysis may be of two types i.e. vertical and analysis and horizontal analysis. When financial statements like a balance sheet or a profit and loss account, of a certain

period only are analyzed, the analysis is called vertical analysis. Since it measure position of the business at a point of time, it is also known as static analysis. In horizontal analysis, a series of statements relating to a number of years are reviewed and analyzed. It is also known as dynamic analysis because it measures the change of position or trend of the business over a number of years. This study is based on horizontal analysis.

There are three steps a financial analysis.

i. Selection of relevant information from the total information.
ii. Arrangement of the selected information in a way to highlight significant relationship.
iii. Interpretation and drawing of inferences and conclusions.

A powerful and the most widely used tool of financial analysis is ratio analysis. A financial ratio (or simply a ratio) is the relationship between two accounting figures, expressed mathematically or the term ratio refers to the numerical or quantitative relationship between two items/variables. This type of relationship can be expressed as (i) Percentage (ii) Fraction and (iii) Proportion of financial data and to make qualitative judgment about the firm's financial performance. The ratios in financial institutions are regarded as the best indicators of their performance. Ratio analysis is the systematic use of ratio to interpret the financial condition can be determined. A comparative study can be made between different statistics concerning varied facts of a business unit with the help of ratio analysis. Besides, just as the blood pressure, plus and temperatures are the measures the economic and financial health of a business concern. In an economic and financial position/performance of a firm can be fully x-rayed through ratio analysis.

After calculating various ratios we need some standard for comparison may be four types: I) ratios calculated from the past financial statements of the same firm II) ratios developed using the projected or preformed financial statements of the same firm, III) ratio of some selected firms, especially the most progressive and successful at the same point in time, and IV) ratios of the industry to which the firm belongs. Weston and Brigham have classified ratios into six fundamental types v is i) liquidity ratio ii) leverage

ratio iii) activity ratio iv) Profitability ratio v) growth ratio and vi) valuation ratios, the first four types are popular and widely used. Growth ratios measure the firm's ability to maintain its economic position in the growth of the economy and industry and valuation ratios are the most complete measure of performance because they reflect the risk ratios (the first two) and the returns ratios (the following three) viewing the nature and the limitation of this study. Only the first four types of ratios along with capital adequacy ratios are used here for financial analysis.

2.2.2. Review of Other Relevant Books

Financial performance analysis focuses on financial statements and the significant relationship that exists among the variables contained. In this regard Metealf and Titard say, 'Analyzing financial performance is a process of evaluating financial statements to obtain a better understanding of a firm's position and performance. The profit earned by the firm is the main financial indicator of business enterprises. Profit earned by the firm is the main financial indicator of business enterprises. Profit is the result of successful managements, cost control, credit risk management, efficiency of operation etc. Profit is essential for enterprises. Profit is the result of successful managements, cost control, credit risk managements, cost control, credit risk management, efficient of operation etc. Profit is essential for an enterprise to survive and grow and to maintain capital adequacy through retained earnings. Profit is essential for an enterprise to survive and grow and to maintain capital adequacy through retained earnings. Profit is essential to raise the market price of shares and to attract additional raise the market price of shares and to attract additional capital investment. In this regard American institute of banking says, "Under the farce enterprises system like USA, the interest of the nations as well as those of the individual stockholders are supposed to be best served by vigorously seeking profit but the profit cannot be a sole objective of an enterprise and an enterprise should not be evaluated just on the ground of the profit it earned. Neither bank nor the community will be best served if the banker unreasonably scarifies the safety of funds or the liquidity of bank in an attempt to increase income *(Western & Bringham; 1982:27).*

Commercial banks in Nepal are the business institutions; hence they should be careful in generating adequate profit for their operation. Liquidity is other financial indicator of the business enterprise. It is extremely essential for a firm to be able to meet its obligations as they become duet. "A firm should ensure that it does not suffer from lack of liquidity and also that it is not too much highly liquid. The failure of a company to meet its obligations, due to lack of sufficient liquidity, will result in bad credit image. Loss of creditor's confidence, or even in lawsuits resulting in the closure of the company. A very high degree of liquidity is also bad, idle assets earn nothing. The firm's funds will be unnecessarily tied up in current assets. Therefore it is necessary to strike a proper balance between liquidity and lack of liquidity. A bank should have an optimum capital structure i.e. the optimum blend of equity and debt capital. During excessive profit periods, highly leverage capital structure becomes optimum and vice- versa. Such a strategy will increase shareholder's return. A bank should properly utilize the resources mobilized and increase profitability" *(Pandey; 1999: 85-86).*

2.2.3 Review of Article

Hans Wagner (2009), analyzing a Bank's financial statements explained that the financial statements for banks present a different analytical problem than manufacturing and service companies. As a result, analysis of a bank's financial statements requires a distinct of a bank's financial statements require a distinct approach that recognize a bank's somewhat unique risks. Bank's take deposits from savers, paying interest on some of these accounts. They pass these funds on to borrowers, receiving interest on the loans. Their profits are derived from the spread between the rate they pay for funds and the rate they receive from many sources that can be lent to many different borrowers creates the flow of funds inherent in the banking system. By managing this flow or funds, banks generate profits, acting as the intermediary of interest paid and interest received and taking on the risk of offering credit.

A careful review of bank's financial statements can highlight the key factors that should be considered before making a trading or investing decision. Investors need to have a good understanding of the business cycle and the yield curve- both have a major impact

on the economic performance of banks. Interest rate risk and credit risk are the primary factors to consider as bank's financial performance follows the yield curve. Which it flattens or become inverted bank's net interest revenue is put under greater pressure when the yield curve returns to a more traditional shape, a bank's net interest revenue usually improves credit risk cab be the largest contributor to the negative performance of a bank, even a causing it to lose money. In addition, management of credit risk is a subjective process that can be manipulated in the short term investors in banks need to be aware of these factors before they commit their capital.

The Investopedia dictionary defines a sinful stock as: "stock from a company that is associated with (or is directly involved in) activities considered unethical or immoral. The thing with is or what is not ethical or moral. For example, one investor may view certain advertising campains as unethical and brand the product or the ad company itself a sinful investment. Another investor may see no ethical compromise in the e situation. So when we talk about sinful investing, there is some gray area in defining a stock as sinful.

Shrestha (1990), in commercial Banks comparatively performance evaluation explained that the joint venture banks are operationally more efficient than the local commercial banks. Because joint venture banks generally used sophisticated technology, skill manpower and providing modern banking facilities. However, local commercial banks have competitively outperformed the JVBs in terms of granting loans to cottage and small industries, local banks have number of loopholes like absence of modern global balance sheet absence of proper development of computer networks. Moreover, local commercial banks have to face various problems from socio- economic, political system on one hand spectrum and that of issues and challenges from JVCs commanding significant banking business on other spectrum.

Abstract of the article *"How to Invest Successfully in shares"?* Was Published in BM (Business Manager) by Diller (2000), spot publication (P) ltd. In his article he has

conducted an intensive survey and has given some rules to be followed by an investor before investing in shares if presented in brief his rules can summarized as follows:

1. First iron rule for every long term investor is “Masses are always on the wrong side”.
2. Second, “Money supply influence interest rate shares are good as long as interest rates are going down; they become risky if the interest rate goes off”.
3. Third rule “If you want to be very successful in share business access the overall market growth and profit development of the economic sector where companies are active in”.
4. Fifth rule, “Relative share price performance and relative company performance of the company is better than the relative performance on the company sell. If relative performance of share price stays behind to the relative performance company buy.”

Regarding the fifth rule the articles gives an emphasis on the assessment of the company. To access the company one should not forget the past developments, but what is more important is a look at the future potential, as only this will influence in the end share price development. A number of others factors has also been outlined. Number one is the top management. A good management is always necessary. If we have good management a lot of problem can be overcome. Therefore one of the most important points assessing a company is to get to know the top management. The shareholders friendliness or as it is called now days the shareholders value orientation of a company is another very important factor.

Indicators of these are:

1. A reasonable proportion of profit to shareholders.
2. Publishing annual reports in time and holding regular AGM.

Another factor, which has to be looked at, is the development of ratio. Development of ratio of past balance sheet and P & L account are very indicative for the future of the company. Others factors which have to be observed are changes within the company like management changes, ownership changes as in the case of privatization, changes in marketing, developing of exports. Future profit often depends on investment. Thus

investment activity of the company is worthwhile to look at. Diversification is also a determining factor similarly market share development cannot be over looked upon. At last this all to have a very close look to the company. This takes effort and time but the return for this effort can be highly attractive.

Farma and French (1992), studied on cross- section of expected stock returns. They identified the relationship of average returns with market beta and size. They also examined the role of earning price ratio, leverage, and book to market equity in average returns. Their goal was to evaluate the joint role of market in the cross- section of average returns on NEPSE, AMEX, and NASDAQ stocks.

They found that the relationship between market beta (β), and average returns disappeared during the more recent 1963-1990 period, even when β was used alone to explain average returns. The appendix of the study shows that the simple relation between β and average returns was also weak in the 50 years 1941-1990 period. In short, their test did not support the prediction that average stock returns are positively related to market βs. Unlike the simple relations between average return and size, leverage, E/P and look to market were strings. In multivariate tests, the negative relation between size and average return was robust to the inclusion of other variables. The positive relation between book - to market equity and average return also persisted in competition with other variables. Moreover, although the size effect has attracted more attention, book – to market equity had a consistently stronger role in average returns.

Their bottom, results area: (a) β did not seem to help explain the cross section of average stock returns and (b) the combination of size and book – to market equity seemed to absorb the roles of leverage and E/P in average stock returns, at least during their 1963-1990 sample periods.

Goetzmenn and Jorin (1993) examined the ability of dividend yields to predict long horizon stock returns. The results of study revealed that there was no strong statistical evidence indicating that dividend yields could be used to forecast stock returns.

From all the studies mentioned above, it is clear that a stock returns in the function of various fundamental financial variables. Most of the empirical studies are, however, devoted to testing the effect of fundamental variables on stock return using cross- section data. In the empirical literature, considerable attention has been paid to analyzing has been paid analyzing the relation of different financial variables such as book to market, price earnings ratios, market capitalization (size), earning yields, cash flow yield, profitability, leverage with stock returns. The findings in general reveal positive relation of book to market, earning yield or, earning price, cash flow yield and profitability leverage with stock returns. A strong negative association between sizes (i.e. market capitalization) and average return is also observed by the most of the researchers. Similarly, expected return is more accurately explained by dividend payout rather than only earnings. Through there are various studies in the context of developed and big capital markets, their applicability and relevancy are yet to be seen in the context of small and under developed capital markets like Nepal.

Paudel, (2053) in his article *"financial statement analysis: An approach to evaluate bank's performance published in NRB samachar"* said that balance sheet, profit and loss account. The bank's balance sheet is composed of financial claims as liabilities in the form of deposits and as assets in the form of loans. Fixed assets accounts form a small portion of the total assets. Financial innovations, which are generally contingent in nature, are considered as off- balance sheet items. Interest received o loans/advance and investments and paid on deposits are the major component of profit and loss account. The other sources of income are fee, commission, discount and service charges. The users of the financial statements of a bank need relevant, reliable and comparable information, which assist them in evaluating the financial position and performance of the bank and which is useful to them in making economic decisions. The disclosure requirement of the bank's financial statement has been expressly laid down in the audited balance sheet and profit and loss account to be published in the leading newspaper for the information of general public.

Bhatta (1995), has conducted a study on *assessment of the performance of listed companies in Nepal.* The study was based on 10 listed companies which data from 1990 to 1995. In this study, he has focused on the performance of listed companies in term of i) Companies performance on market, in PE multiplies dividend yield, liquidity, leverage, and profitability ii) risk and return in terms of expected rate of return and internal rate of return and internal rate of return, systematic risk and diversification of risk through portfolio. He has analyzed the company's performance in the market in relation to the market price of shares. He found that highly significant positive correlation ship between risk and return characters of the company. Investors expect higher return from those stock which associates higher risk. Nepalese stock market is not efficient one so that prices do not contain all the information relation to market and company itself. Investors in Nepal have not yet participated it invest portfolio of securities. An analysis of the two securities portfolio shows some the risk can be minimized if the correlation is perfectly negative. The analysis shows some have negative correlation and some have positive one. Negative correlation and some have positive one. Negative correlation between securities return is preferred for diversification of risk. On the basis of findings, he concluded that many companies have higher unsystematic or specific risk. There is a need of expert institution which will provide consultancy service to the investors to maximize their wealth through rational investment decision *(Bhattarai; 1990:102).*

Poudel (2055), gives more emphasis on "*financial performance of financial companies of Nepal"*. He had written that at the time 1996, the ratio of capital funds to deposit has been increasing over the time but on top of this, it is substantially below than the authorize level of deposit mobilization, which is ten times of the capital base. Never the less, some of the finance companies have even mobilized the deposits by more than ten times of have even mobilize the deposits by more than ten times of their capital base by violating the regulatory norms issued by NRB. The credit/deposit ratio has remained quite high leaving the room for doubt about the quality of loan especially in the absence of repayment schedule. The loan diversification has been improved however, during a short span of time. As such the hire purchase housing and term loans are the major sectors, which all together received more than 95% of the total loan and advance in mid

July 1996. Because of the mush rooming growth of the number of finance companies the average sources of funds for each company is evaluate the performance of financial companies in Nepal but equally important factor is that the regulatory and supervisory authority should keep close eyes to monitor their activities.

2.2.4 Review from Thesis

Ranabhat, (1997), in the thesis *"An Analysis of Financial Performance of Financé Companies in Context of Nepal"* has stated that, there are various services provided by fiancé companies for the customers. Among them the uses of funds towards the business financing, this activities must be taken by finance companies because for achieving the long term objective of finance companies to shift their investment and credit strategy to the productive industrial and business sectors of the economy so as to have adequate capital formation for overall national development. The unhealthy competition of interest rate towards banks for collection of deposit fund and uses of that fund should not be there. There must be certain demarcation line between the various finance companies, which already started their functions. That is very important to have frequent sharing of experience by conducting a seminar or workshop at least once or twice a year. The key participants will be top executives from finance companies and concerned regulating authorities to identify where the problems lie in their efficient operations and then based on the feedback information undertake policy measures for future follow- up action. Nepal Rastra Bank should also encouraged training to new entrants to provide orientations on the conceptual dimensions and practical aspects of operating finance companies through the development of capital market training institute.

Subedi, (2002), conducted his master's thesis on *"A Comparative Study of Financial Performance between Himalayan Bank Limited and Everest Bank Limited"* with an objective of examining and comparing the financial performance of two joint ventures and has concluded the current ratio of EBL is greater than that of HBL. The liquidity of bank may be affected by external internal factor such as interest rate supply and demand position of loan and saving to investment situation. HBL has maintained the ratio of cash and bank balance to total deposit considerably lower than that of EBL. Comparatively

HBL's profitability ratios like return on total assets, return on total deposit is not satisfactory in the both banks. HBL has lower capital adequacy ratio in comparison to directive issued by NRB. HBL's loan and advances to total deposit ratio are significant to lower than that of EBL.

Luintel, (2003), revels in the thesis, *"A Study on Financial Performance Analysis of Nepal Bank Limited"* that, the NBL has not maintained a balanced ratio among its deposit liabilities during the first period; the bank is seemed to be unable to utilize its high cost resource in high yielding investment portfolio. During both the periods there are negative operating profit for two years. But both the years of the first period enjoyed positive net profits due to the non-operating incomes. Hence, there is a demarcation between operational and non operational activities of the bank and performance and result of the first period shows that the bank is more inclined towards non-operating activities. Furthermore, the liquidity position of the bank is also not satisfactory during both periods. It is even worse during the second period. Various current ratios have fluctuated during both the periods. It shows lack of specific policy of holding various types of current assets. Thus it can be said that the financial position of the NBL is worse during the second period due to its inefficiency in risk management. The overall financial position on the bank is unsatisfactory during the both periods.

Joshi, (2003), conducted her master's thesis on *"A Study of Financial Analysis of Nepal Investment Bank Limited"* had main objective to evaluate the overall financial position, examine liquidity, profitability and ownership ratio and to study the income and expenditure statement of the Bank o the basis of various analyses, the researcher come out with the following conclusions. The current ratio of the bank over the study period is 1.09 times on average. Therefore, the liquidity position NIBL is in normal standard. The cash and bank balance proportion with respected to the current asset is moderate since the average ratio is 10.17%. The result of the analysis indicates that the share of fixed deposit is high in the total deposit. Saving deposit stand mid way between current and fixed deposits. The analysis indicates that cash reserve as bank is more than required hence; in general this liquidity position of the bank is good enough to meet the short term

obligation. The debt equity ratio of bank is high, which means the creditor have invested more in the bank than the owners.

Interest earned in comparison to the assets is inadequate net profit earned in comparison to the total deposit is relatively low. The result of the analysis indicates that the net profit earned in comparison to total assets is fluctuating. Profit earning and the shareholder's equity of NIBL is better. In general the profitability ratios of the bank indicate that the overall performance of the bank is effective in maximizing the wealth. The activity ratio of the bank indicates that it had utilized its resources in the best possible way to maximize its wealth. Because the bank has succeed to utilize total deposits in profit generating purpose and the bank had mobilized its total deposit in loans and advance satisfactory.

The EPS of the bank is quite good because through the EPS had fluctuate its average stands 54.16% during the study period. The proportion of earning distributed to the share holder per share is very low and they are being compensated very slowly. DPR of the bank is decreasing and very low.

Maharjan, (2006), conducted his thesis *"A Comparative Study of Financial Performance of Commercial Bank"* with respect to 'Himalayan Bank limited' had main objective to analyze the financial performance of sample banks in term of liquidity, profitability, growth, leverage and capital adequacy, to analyze the trend of the selected banks and to identify relationship between net profit with respect to deposit, loan and advances and investment. The main conclusion of this thesis was. The overall performance of sample banks found to satisfactory. All sample banks are not strong in all performance. Some are strong in liquidity position and some are strong in profit making. From liquidity point of view, EBL found to be comparatively better than sample banks because HBL and NIBL have aggressive working policy. All the ample banks are comparatively successful in assets management. Among sample banks EBL found to be comparatively best in mobilizing its assets and deposit in profitable sectors in mobilizing its assets and deposits in profitable sectors in form of loan and advances, investment in government securities

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

Saud, (2006), conducted his master thesis on *"A Study of Financial Performance of Selected Commercial Bank in Nepal (Himalayan Bank, NB bank and Everest bank)"* had a main objectives to evaluate the trends and growth of loan, investment and total deposit patterns, and find out that sample books have gain normal position of different financial ratio.

- Due to lower liquidity position (below than normal standard) and highly leveraged capital structure and lower liquidity position as profitability as long as more risky.
- In case of earning capital and utilization of profit researcher come into the following conclusion.
- Himalayan bank has performed better in terms net of profit during the study period. All of these three sample banks are able to earn above 1% on total assets and to mobilize deposit properly.
- In case of dividend all sample banks of are not able to pay regular dividend to its EPS above its value.
- Regarding earning per share of the sample banks is not able to retain its EPS on its previous level. The researcher concluded that during the study period trend line shows the decreasing pattern of net income after tax.

Maharjan, (2007), conducted his master's thesis *on "A comparatively study of financial performance of commercial banks (with reference to Himalayan Bank limited, Nepal Investment Bank limited and Everest Bank Limited)"* had main objectives to identify the relationship between net profit with respect to deposit, loan and advance and investment and to analyze financial performance of sample banks found to be satisfactory. All sample banks are not strong in all performance. Some are strong in liquidity point of

view, EBL fund to be comparatively better than sample banks because HBL and NIBL have aggressive working policy. All the sample banks are comparatively successful in assets and deposits in profitable sectors in form of loan and advance, investment in government securities and shares and debenture.

Bahracharya, (2007), in his thesis *"An analysis of investors" investment of shares in commercial Banks performed his study on 4 listed companies (SCBNL, NIBL, HBL, BOKL).* The main objective of this study is to measure systematic and unsystematic risk of the commercial bank, to explore risk and return, to examine the movement of the share price, to indicate the suggestive measure to the investors. Based on the analysis of data and their interpretation, the major findings of the study in relation to the objective set could be summarized as follow: The shares of commercial banks of Nepal are heavily traded in the stock market and therefore, these shares play a key role in determination of stock exchange indicators. This study tries getting the empirical result of the investment on shares of the commercial banks from risk and return objectives. The average mean return of market portfolio, as measured by the percentage change in the EPS index is 9.64% over the sample period. All the shares of sampled banks produced higher rate of return and has lesser per unit of risk of return than market portfolio. The common stock investment of SCBNL is best because of the lowest relative dispersion and of NIBL lowest due to highest relative dispersion among sampled banks. Standard deviation shows that BOKL returns has most fluctuated and of NIBL least fluctuated. The shares of the sampled bank has systematic risk more than unsystematic risk on the returns on shares of sampled individual banks is due to market or macro economic factors. In case of SCBNL unsystematic risk is higher than the systematic risk which indicates that realized return does not compensate the individual investors for company specific or unique risk. The concluding remark is that investing in shares of commercial banks is risky in the sense that its return varies depending on how the company prospers. Though lots of investors are attracted in trading these stocks and shares of banking sector has a key role in fluctuation of stock exchange index. The results of this study shows investment in common stock of commercial banks has less risk and more return when compared with the market risk and return. This is due to the regular disclosure of the financial position;

market penetration and expansion a continual declaration of dividend with encourage the investors to buy the shares of commercial banks.

Khaka, (2007)**,** conducted his *thesis "Financial Performance Analysis of Everest bank Limited"* had main objective to evaluate the financial performance of Everest Bank Ltd in a terms different kind of ratio, to see the relationship between deposit & profit, investment & profit, deposit & investment of EBL, and to examine income and expenditure of EBL. The main conclusion of his research was that Everest Bank Limited is one of the growing banks of Nepal. It has been steadily growing in its size and operation ever since its inception and it has established itself as a leading private sector bank of nation reckoned as a one of the fastest growing commercial bank of country. Liquidity position of the EBL is efficient. It shows the EBL didn't maintain the convenient standard of current ratio of 2:1 comparing to banking industry its current ratio is satisfactory. A notable strength of the bank's are, bank invested large portion in loan and advance of fixed deposit, and its net non performing asset (NPA) was 2.03% in a year 2006 which is least of banking industry. This indicates EBL lent greater portion of loans in secured sectors.

Gautam, (2008), conducted his thesis on "*Financial Performance and Return to Investor of Listed Commercial Banks in Nepal Stock Exchange (with reference to NABIL, SCBL, SCBL, HBL, EBL)"* with objective to identify and analyze the common variables to measure the performance of selected commercial bank, to analyze the investment returns of commercial banks, to assess the financial performance of the commercial banks and to trace the stock price movement with special reference to the performance of the company. From the study EBL is capable to pay their current obligations in comparison to NAIBL, SCBNL, and HBL. Comparatively NAIBL has maintained low ratios, it shows some difficulties to meet the demand of its customers on their deposit to pay at any time but it may be earning more by investing cash to different sectors. But it should ensure to have enough liquid funds to different sectors. But it should ensure to have enough liquid funds to serve its customer. NIBL is low capable to maintain cash & Bank balance is comparison to other three banks. SCBNL has invested its more portions of

current assets as government securities than that of NABIL, EBL & HBL. SCBNL liquidity portion from the point of view of investment on government securities is better than that of other three banks. NABIL has succeeded to investment its fund in loan and advances In comparison to HBL and EBL in point of view of meant and C.V. from the analysis of assets management ratio EBL has strong position regarding the mobilization of total deposit on loan and advance and acquiring higher profit with compare to NABIL, SCBNL, & HBL. EBL is in weak condition to mobilize its deposits by investing in different sector in comparison of other three banks. In profitability ratio, it can be concluded that NABIL is in strong position in the earning capacity by utilizing available resources than other banks. It's less consistent and homogenous than SCBNL & more than HBL and EBL. NABIL is I strong position is earning high interest income from its total outside assets is comparison to SCBNL & HBL is viewpoint of mean and C.V. ratio from the investor analysis, the analysis it is found that common stock of sampled banks are dependent mainly on the financial performance. However, the analysis it is found that common stock of sampled banks are dependent mainly on the financial performance. However, the analyses are not exactly reflected in the share price. This may be due to lack of analysis in the movement and relationship of the MPS with reference to various. It can be inferred that the investors are still investing in the shares based on the rumor rather than financing on a realistic picture.

2.3 Research Gap

The review of an above relevant literature has contributed to enhance the fundamental understanding and knowledge, which is required to make the study meaningful and purposive. One of the most critical of all banking problems in recent years centers on raising and maintaining sufficient capital. Bank capital is the first hand fund that initiates to operate the whole banking functions and its adequacy is always playing a catalytic role in the up liftmen of the banking system. The amount of capital is one which assures the creditors especially the largest depositors. It assists to acquire public confidence. Most of the thesis studies are of comparative type. Many studies have been found few studies regarding on the performance analysis of more than two financial institutions. To fulfill the need of financial analysis of banks, the researcher has put his effort in this study. This

study put its effort to analyze the main indicators of financial and statistical tools for banks. Hence, this study fulfills the research gap about the performance of listed commercial banks and returns to Investors (with reference to SCBNL, NABIL, EBL, BOK and NSBI) with 5 years of study period.

CHAPTER - III
RESEARCH METHODOLOGY

3.1 Introduction

Research methodology refers to the four various sequential steps to be adopted by a research in studying a problem with certain objective in view. Research methodology basically describes the methods, process of scientific research *(Kothari; 1991:126).*

Research is the process of systematic ad in-depth study or search for any particular topic, subject or area of investigation backed by collection, presentation and interpretation or relevant details or data *(Michael; 2000:225).*

In this chapter, "financial performance and investors return" of five banks has been analyzed. It describes about the financial performance of these banks. The main objective of this study includes the analysis of the financial performance of sample commercial bank and analysis of financial decision through ratio analysis. So this chapter is divided into different headings as below.

a) Research Design
b) Population and sample
c) Nature and type of data
d) Techniques of Analysis
e) Tools of Analysis

3.2 Research Design

Research design is important for scientific investigation. Research design gives students/investigator a direction to research systematically, "A research design is the arrangement of condition for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure". It includes an outline of what the investigator will do from writing the hypothesis and their operational

implications to the final analysis of data. The structure of the research is more specific. It is the outline, the scheme, the paradigm of the operation of the variables. When we draw diagrams that outline the variable and their relation and just a position, we build structured scheme for accomplishing operational research purposes. Strategy, as used here, is also more specific than plan. In, other words, strategy implies how the research objectives will be reach and how the problems encountered in the research will be tackled *(Selltiz & Others 1962:325).*

By research design we mean an overall framework or plan for the collection and analysis of data. The, research design serves as a framework for the study, guiding the design serves as a framework for the study, guiding the collection and analysis of the data. The research instrument utilizes, and the sampling plan to be followed. Specifically speaking, research design describes the general plan for collecting, analyzing and evaluating data after identifying what the researcher wants to know and what has to be dealt with in order to obtain the required information. The research design is an organized approach and not a collection of loose, unrelated parts. It is an integrated system that guides the researchers in formulating, implementing and controlling the study. Useful research design is thus an integrated frame that guides the researchers in planning and executing the research works. This study is more analytical, empirical and less descriptive. Analytical in the scene that all the available data, are analyzed by using various financial and statistical tools & technique such as ratio, return, S.D., C.V., correlation, regression and hypothesis. All the data used in this study have been taken from related source. The financial performance is main objective of the study that follows the numerical data.

3.3 Population and Sample

Population is the group of interest of the research on which the results of the study can be generalized. In any investigation, the interest usually lies in the studying the various characteristics relating to individuals belonging to population. Since the study is concerned with the financial performance and investors return of the selected five commercial banks, therefore the population for the study has been all the twenty-six commercial banks which are currently in operation in our country. This study has been

limited to the commercial banking sector, which has a large impact on the total performance of the stock exchange. The individuals selected from a population in such a way that they represent the large group from which they are selected comprise a sample. The purpose of selecting a sample is to gain information about a population. In the present study, judgment or porosities sampling (a non-random sampling methods) technique has been used in the selection of the commercial banks. This study has been limited to the commercial banking sector, which has a large impact on the total performance of the stock exchange. Total no of commercial banks listed in the stock exchange is twenty-six. The Five commercial banks have been selected for the studies are

1. Nepal Investment Bank Limited (NIBL)
2. Himalayan Bank Limited
3. Standard Chartered Bank Ltd.
4. Nabil Bank Limited
5. Bank of Kathmandu

In addition, financial data of each of the sampled commercial banks are taken for the period of 5 years during 2004/05 to FY 2008/09.

3.4 Nature and Sources of Data

Since the study is basically analytical and historical on nature, most of the data are based on the past performance of the sampled commercial banks. For the purpose of the study, all the data used are secondary data of the respective banks under study. Such data have been derived from the financial statements of the companies concerned. This study based on secondary data of commercial banks, Nepal Rastra Bank, SEBO, and different library are the providers of the data. The review of literature of the purposed study was based on the text books, official publication, journals, unpublished thesis, web site etc. The necessary data and information at macro level have been collected from relevant institution such as NRB, ministry of finance, NEPSE, SEBO and their respective publications similarly the required micro level data derived from annual reports of selected banks, SEBO and NEPSE. In addition to above, supplementary data and information were collected from different library such as library of Shankar Dev Campus,

T.U. central library, SEBO etc. The main of the data are the financial statements of the other banks also. The required financial statements have been obtained from the website of Nepal Investment Bank ltd. (www.nibl.com.np). Himalayan bank ltd (www.himalayanbank.com.np) , Nepal Rastra Bank (www.nrb.org.np), Economic survey (www.mof.gov.np), and Nepal stock exchange limited (www.nepalstock.com), Everest bank limited (www.everestbank.com.np), Nabil bank limited (www.nabilbank.com.np), Bank of Kathmandu (www.bankofkathmndu.no). Similarly some of the data has been obtained from annual reports of the banking and financial statistics published by NRB and economic survey published by ministry of finance, government of Nepal.

Data Gathering Procedure

After identification of sources of data, the required data for the study have been gathered through the following procedures:

- Firstly, to obtain the data, the annual reports of all the listed commercial bank were-down loaded to the computer disk. Secondly, all the down loaded annual reports were transcribed into computer printouts and the data required for the study were taken from there.
- To get data from NRB publication (Economic Review an Baking and financial statistics), authorized staffs of NRB head office at Baluatar, Kathmandu were approached and required data are taken.
- Other books and journals and also been consulted.

3.5 Techniques of Analysis

To achieve the objective of the study various financial and tools have been used. The analysis of data will be done according to the pattern of data available. Due to limited time and resources, simple analytical statistical tools such as percentage, graph, Karl pearson's coefficient of correlation are used in this study. Likewise, some financial tools such as ratio analysis and trend analysis have also been used for financial analysis. The various calculated results obtained through financial and statistical tools are tabulated under the different headings. Then they are compared with each other to interpret the results.

3.5.1 Financial Tools

Financial tools are used to get precise knowledge of a business which in turn is fruitful in exploring the strengths and weakness of financial policies and strategies. These tools are used for the analysis and interpretation of financial data.

3.5.1.1 Ratio Analysis

Financial ratio is the mathematical relationship between two according figures. Ratio analysis is a part of the whole process of analysis of financial statements of any business or industrial concern especially to take output and credit decisions. Thus ratio analysis is used to compare a firm's financial performance and status to that of other firm's to it overtime. The qualitative judgment regarding financial performance of a firm can be done with the help of ratio analysis.

A. Liquidity Ratio

As name denotes the liquidity refers to the ratio between liquid assets and liquidities, the ability of firm to meet its obligation in the short- term is known as liquidity. It reflects the short-term financial strength of the business. In order to ensure short term solvency, the company must maintain unnecessary high liquidity of to earn high profit means everybody knows that investing all assets in safe liquid assets doesn't maintain adequate liquidity then it will result lead to bankruptcy. Thus the company should endeavor to maintain proper balance between inadequate liquidity and unnecessary liquidity for the survival and avoiding risk.

i) Current Ratio

The current ratio is the ratio of total current assets to total current liabilities. It is calculated by dividing current assets by current liabilities, which is presented as follows:

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

Current assets those assets which can be converted into cash and bank balance within analysis accounting period such as cash and bank balance, investment in treasury bill,

purchased and discount inter branch account, other short-term loans, receivable and prepaid expenses etc. Current liabilities refer to the short-term maturing obligations. This include all deposit liabilities, intra bank reconciliation account, bills payable, tax provision ,staff, bonus, divided payable, bank overdrafts, provisions and accrued expenses.

ii) Cash and Bank Balance to Total Deposit Ratio

Cash and bank balance are the most liquid current assets of a firm, cash and bank balance to total deposit ratio measures the percentage of most liquid current assets to pay depositors immediately. This ratio is completed dividing the amount of cash and bank balance by the total deposits. It can be presented as,

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

Where, total deposits consist of deposits on current accounts; saving account; fixed account; money at call and other deposits.

iii) Cash and Bank Balance to Current Assets Ratio

This ratio measures the percentages of liquid assets i.e. cash and bank balance among the current assets of a firm. Higher ratio shows the higher capacity of a firm to meet the cash demand.

$$\text{Cash \& Bank Balance to Current Assets Ratio} = \frac{\text{Cash \& Bank Balance}}{\text{Current Assets}}$$

Hence, cash and banks balance includes cash in hand, foreign cash and foreign banks.

iv) Investment on Government Securities to Current Assets Ratio

This ratio is used to find the percentage of current assets invested on government securities, treasuring bills and development bonds. This ratio can be calculated dividing the amount of investment on government securities by the total amount of current assets and can be stated as follows,

$$\text{Investment on Govt. to Current Assets Ratio} = \frac{\text{Investment in Government Securities}}{\text{Current Assets}}$$

v) Investment in Government Securities to Total Deposit

Investment in government securities to total deposit ratio is used to measure the percentage of total deposit invested to government securities like treasury bills and development bonds. This ratio can be expressed as:

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

vi) Loan and Advantage to Current Assets Ratio

Bank's major earning source is loans are also taken as current assets as most of them are maturing within a period of one year and represent short-term disbursement. A bank should not allocate all funds in loan and advance so it must maintain in an appropriate level. In order to calculate the proportion of loan and advances to total current assets, the ratio I obtained by dividing loan and advances by current assets.

$$\text{Loan and Advantage to Current Assets Ratio} = \frac{\text{Total Loan \& Advance}}{\text{Current Assets}}$$

B. Assets Management Ratios (Activity Ratio)

Activity ratio evaluates the efficient with which the firms manage and utilize its assets. This ratio is also known as turnover ratio. It measures how effectively the company employs the resources at its command. Funds are creates by the collection of shares as well as debt from the owner, creditor and outside parties. Those funds are invested in procuring various kinds of assets to generate profits or income. Activity ratios are the indicators of a concern with regard to its efficiency in assets management hence they are often referred to as efficiency ratio are completed to assess finance companies efficiency in utilizing available resources.

i) Loan and Advance to Total Deposit Ratio

This ratio is calculated to find out how successfully the selected banks and finance companies are utilizing their total collection/deposit on loan and advances for the purpose of earning profit.

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

ii) Total Investment to Total Deposit Ratio

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

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

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

iii) Loan and Advances to Total Working Fund Ratio

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

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

Here, total working fund includes all assets of a balance sheet items. In other words, this includes current assets, net fixed assets, loan for development bonds and other etc. A high ratio indicates a better mobilization of fund as loan and advance and vice-versa.

iv) Investment on Government Securities to Total Working Fund Ratio

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

$$= \frac{\text{Investment on Government Securities}}{\text{Total Working Fund}}$$

v) Investment on Shares and Debentures to Total Working Fund Ratio

The purpose of this ratio is to measures the successfulness of mobilizing the total working fund to share and debenture. Share and debentures are long-term investment. Bank should invest in long term securities by maintaining a liquidity position. The investment risk can diversified with the help of portfolio management. This ratio can be computed by dividing investment on shares and debentures by total working fund. This can be stated as:

$$= \frac{\text{Investment to Shares and debenture}}{\text{Total working Fund}}$$

C. Profitability Ratios

Profitability ratios are calculated to measure the efficiency of operation of a firm on term of profit. It is the indicator of the financial performance of any institution. This implies that higher the profitability ratio, better the financial performance of the bank and vice-versa. Profitability position can be evaluated through following different way.

i) Return on Total Assets

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

$$\text{Return on Total Assets (ROA)} = \frac{\text{Net Profit After Tax}}{\text{Total Assets}}$$

ii) Net Profit to Net Worth Ratio

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

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

iii) Total Interest Earned to Total Working Fund Ratio

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

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

iv) Total Interest Paid to Total Working Fund Ratio

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

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

v) Return on Equity Ratio (ROE)

The ratio measures how efficiently the banks have used the funds of the owners. The ratio is calculated by dividing net profit by total equity capital (net worth). This can be stated as:

Return on Equity (ROE) = $\frac{\text{Net Profit}}{\text{Total Equity Capital}}$

D. Leverage Ratio

This ratio is also called solvency ratio or capital structure ratio. A firm should have strong short term as well as long-term financial position. To judge the long term financial position of the firm, these ratios help to measure the financial contribution of owners and creditors comparatively. These ratios indicate the situation of the capital structure, which is calculated to measure the company's ability of using debt for benefit of shareholders long term creditors like debenture holders, financial institutions etc. are more interested to the firms long term financial health, debt servicing capacity and strength and weakness of the concerns. This ratio may be calculated from the balance sheet items to determine the proportion of debt in total financing. In summary debt ratio tell us the relative proportions of capital contribution by creditors and by owners.

i) Debt Assets Ratio

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

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

ii) Debt Equity Ratio

Debt equity ratio examines the relative claims of creditors and owners against the firm assets. Alternatively, the debt equity ratio indicates the combinations of debt capital and equity capital fund to the total investment. The ratio is computed by using following formula:

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

E. Market value Ratio/ Growth Ratio

Market value ratio represents how well the banks are maintaining their economic and financial position. The ratios can be calculated by dividing the compound interest tables. Alternatively, it is calculated by using the following formula.

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

Where,

FV = Future value

PV = Present Value

r = Rate of interest

n = no. of year

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

i) Net Profit

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

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

Where,

NP = Net profit after tax and interest

OI = operating income

TE = Total expenditure

IP = Interest Paid

T = Taxes

ii) Earnings per Share

The earnings per share exhibits that the owners are theoretical entitled to get from company. EPS is also identifying to measure the profitability of the profitability of bank on a per share basis. This ratio can be calculated by dividing net profit after interest and taxes less preference dividend by the total number of equity shares outstanding of banks. It is calculated by using following formula.

$$EPS = \frac{NAPIT-PD}{N}$$

Where,

EPS = Earnings per share

NPAIT = Net profit after interest and tax

PD = preference dividend

N = number of equity shares

ii) Dividend Per Share

Bank pays certain amount of net profit as dividend to its shareholders under its policy. The term dividend refers to shareholders under its policy. The term dividend refers to distribute earning to the shareholders of the bank in return to their investment. Generally, dividend implies that portion of net profit, which is allocated to share holders as their return in term of cash or share. The difference fund between EPS and DPS is in the company as retain earning. It is calculated total dividend by number of share.

$$DPS = \frac{TDD}{N}$$

Where,

DPS = Dividend per share

TDD = Total Distributed dividend

N = no. of common share outstanding

iv) Price Earnings Ratio (P/E Ratio)

This ratio measures investor's expectation and the market appraisal of the performance of a firm. P/E ratio is widely used to assess the bank's performance as expected by investors. It represents the investor's expectations measures how the market is responding towards the earning performance of the concerned institution. High ratio indicates higher expectation of the market towards the achievement of the firm.

This ratio is calculated by dividing the market value per share by earning per share as follows.

$$\text{P/E Ratio} = \frac{\text{Market Value Per Share}}{\text{Earning per Share}}$$

3.5.2 Statistical Tools

Statistical tools help to out the trend of financial position of the bank. It also analyzes the relationship between variables and helps banks to make appropriate investment policy regarding to profit maximization and deposit collection, fund utilization through providing loan and advance or investment on other companies. Range of statistical tools is also used to analyze the collected data and to achieve the objectives of the study. Simple analytical tools such as standard deviation, Karl person's coefficient of correlation, trend analysis adopted which are as follows:

Coefficient of Correlation (r)

Correlation is defined as a statistical measure which is used to study the degree of relationship between two or more than two variables. Correlation analysis contributes to the understanding of economic behavior, aids in locating he critically important variables on which others depend may reveal to the economist the connections by which disturbances spread and suggest to him the paths through which stabilizing forces may become effective. The coefficient of correlation measure the direction of relationship between the two sets of figures. It is the square root of the coefficient of determination. Two variables are said to be correlated if the change is one variable result in a corresponding change in the other variable. There is positive and negative correlation. If the value of the two variables deviate in the same direction i.e. the increase in the values of the two variables deviate in the same direction i.e. the increase in the value of one variable results, on an average, in a corresponding increase in the value of the other value or if a decrease in the value of one variable results, on a average, in a corresponding decrease in the values of the other variable, correlation is said to be positive or direct. On the other hand correlation is said to be negative or inverse if the variables deviate in the opposite direction i.e. if the increase (decrease) in the value of one variable results, on the average, in a corresponding decrease (increase) in the value of one variable. In this study coefficient of correlation is calculated between a MVPS and BVPS, ROE and HPR. The

degree of association between the two variables, say X and Y and is defined by correlation coefficient (r).

$$r = \frac{N\sum XY - \sum X.\sum Y}{\sqrt{N.\sum X^2 - (\sum X)^2}.\sqrt{N.\sum Y^2 - (\sum y)^2}}$$

Where,

N = the no. of pair of observation

X = dependent variable

Y = Independent Variable

The value of 'r' lies between -1 to +1 and if r = 1, there is perfect positive relationship. If r = -1, there is perfect negative relationship. If r = 0, there is no correlation at all.

Coefficient of Determination (r^2)

The coefficient of determination is the measure of the degree of linear association or correlation between two variables, one of which happens to be independent and the other dependent variable. It measures the percentage of total variation in dependent variable explained by independent variables. The coefficient of determination can have a value ranging from 0 to 1.

$$r^2 = \frac{\text{Explained Variation}}{\text{Total Variation}}$$

Probable Error (PE)

The probable error of the coefficient of correlation helps in interpreting its value. With the help of probable error it is possible to determine the reliability of the values of the coefficient in so far it depends on the coefficient of correlation is obtained as follows.

$$PE = 0.6745 \times \frac{1-r^2}{\sqrt{N}}$$

Where,

r^2 = coefficient of determination

N = the no. of pair of observation

1. If the value of r is less than probable error there is no evidence of correlation i.e. value of r is not at all significant.
2. If the value of r is more than six times the probable error coefficient of correlation is practically certain i.e. the value of r is significant.

Regression Analysis

The literal or dictionary meaning of the word regression is stepping back or returning to the average value.

Simple Regression Equation

Regression lines are expressed algebraically by the equation of straight line called regression equation. The regression equation of Y on X is used to describe the change in Y-Value for a given change in x-Value.

The regression equation of Y on X axis is

$y = a + bx + u$ $\quad a = \frac{\sum Y^2 \sum X - \sum Y \sum XY}{N\sum Y^2 - (\sum Y)^2}$, $\quad b = \frac{N\sum XY - \sum X \sum Y}{N\sum Y^2 - (\sum Y)^2}$

Where,

y = Dependent variable

x = Independent variable

a = Intercept

b = slope of regression

u = Residual value

In order to determine the line completes method of least square.

CHAPTER-IV
DATA PRESENTATION AND ANALYSIS

This chapter deals with the analysis and interpretation of data according to the research methodology to attain the objective of this study. This chapter is the main body of the study i.e. analysis and finding of the collected data. The collected data are tabulated, analyzed, interpreted and presented to meet the objective of the research. The basic objective of analyzing the financial performance and return to investor and interpretation is to highlight the strength and weakness of the business. Therefore, this chapter includes the analysis and result of gathered data with a view to assessing financial performance of the bank for the period of five years. Consequently, this analysis help the management take benefits of strategic management technique by providing the information regarding the strength and weakness of the five commercial banks, to exploit the opportunities lying in the environment and management threat posed by the environment.

In this chapter, the data are presented, calculated and analyzed. The secondary data is used for the purpose and the data represents the duration of five years (2004/05, 2005/06, 2006/07, 2007/08, 2008/09). The details of calculation are shown in the respective appendix.

4.1 Financial Tools

Financial analysis is the act of identifying the financial strength and weakness of the organization presenting the relationship between the items of balance sheet. For the purpose of this study, ratio analysis has been mainly used and with the help of it data have been analyzed. Various financial ratios related to the investment management and the fund mobilization are presented and discussed to evaluate and analyze the performance of (SCBNL, NABIL, EBL, BOK, NSBI). The ratios are designed and calculated to highlight the relationship between financial items and figures. It is a king of mathematical relationship and procedure dividing one item by another. All these

calculations are based on financial statement of concerned banks. The important and needed financial ratios, which are to be calculated for the purpose of this study, are maintained below;

a) Liquidity Ratio
b) Assets management Ratio
c) Profitability Ratio
d) Leverage Ratio
e) Market Value Ratio/Growth Ratio

4.1.1 Liquidity Ratio

Liquidity ratio measures the ability of firm to meet its maturing short term obligation and reflects the short term financial strength. Liquidity refers to the solvency of the firm's overall financial position. The following ratios are used to measure the liquidity position of the firm.

i. Current Ratio

Current ratio indicates the ability of a bank to meet its current obligation. This is the broad measure of liquidity position of the financial institution. Current ratio is derived by dividing current assets by current liabilities.

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

Where,

Current assets consist of cash and bank balance, money at call or short-term notice, loan and advances, investment in government securities and other interest receivable and other miscellaneous current assets current liabilities consist of deposits, loan and advances, bills payable, tax provision, staff bonus, dividend payable and miscellaneous current liabilities.

Table 4.1

Current Ratio

(Times)

Banks	Fiscal Years					Mean	S.D.	C.V (%)
	2004/05	2005/06	2006/07	2007/08	2008/09			
SCBNL	0.91	0.94	0.91	0.96	0.97	0.938	0.248	2.65%
NABIL	0.98	1.01	1.14	1.23	1.12	1.096	0.0908	8.28%
EBL	1.58	2.08	1.39	1.35	1.25	1.53	0.2951	19.29%
BOK	1.39	1.36	1.31	1.25	1.30	1.322	0.0486	3.67%
NSBI	2.07	2.50	2.15	2.36	1.87	2.19	0.2206	10.07%

(Sources: Annex-1)

The above table shows that current assets of SCBNL is higher than current liabilities and ratios are in increasing trend from 2004/05 to 2005/06 and again increase from 2007/08. NABIL has lower current assets than current liabilities in Fiscal year 2004/05, but from Fiscal year 2005/06 to 2008/09 it's current assets is greater than current liabilities & EBL ratio is in increasing trend during the FY 2004/05 to 2005/06 and again decrease from FY 2006/07. BOK ratio is decreasing trend during the FY 2004/05 to 2007/08 and again increase from FY 2008/09. NSBI is higher current assets than current liabilities during the study period.

In average liquidity position of NSBI is greater than other banks i.e. 2.19>1.53>1.322>1.096>0.938. So, NSBI is sound in liquidity position than other banks. Likewise the coefficient of variation (C.V.) of NSBI is less than EBL and higher than NABIL, BOK & SCBNL i.e. 10.07%>8.28%>3.67%>2.65% & 10.07%<19.29%. It can be said that current ratio of NSBI is more consistent than EBL & less consistent than SCBNL, BOK & NABIL. Thus, it can be concluded that NSBI is capable to pay their current obligations in comparison to SCBNL, NABIL, EBL & BOK.

ii. Cash & Bank Balance to Total Deposit Ratio

Cash & bank balance is said to be the first defense of every banks. The ratio between the cash and bank balance & total deposit measures the ability of the bank to meet the unanticipated cash and all types of deposits. Higher the ratio, the greater will be the ability to meet sudden demand of deposit and vice versa. But every high ratio is not desirable. Since banks has to pay interest on deposits. This will also maximize the cost of fund to the bank.

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

(Note: Cash & bank balance is composed of cash on hand including Foreign Cheques, other cash items; balance with domestic banks and abroad. Deposit includes saving deposits, Fixed Deposits, Call deposits, Certificate of deposits).

Table 4.2

Cash & Bank Balance to Total Deposit (%)

Banks	Fiscal Years					Mean	S.D.	C.V(%)
	2004/05	2005/06	2006/07	2007/08	2008/09			
SCBNL	5.74	5.53	8.20	6.89	8.75	7.022	1.28	18.30
NABIL	3.83	3.28	5.10	8.37	9.03	11.648	6.1906	53.15
EBL	10.40	11.25	13.15	11.13	18.50	12.886	1.8774	14.56
BOK	8.25	6.95	10.62	9.09	12.07	9.396	1.7910	19.06
NSBI	8.36	10.16	9.81	9.79	6.81	8.986	1.2511	13.92

(*Sources: Annex- 2)*

Table 4.2 shows that the cash and bank balance to total deposit ratio of SCBNL has decreasing trend from FY 2004/05 to 2005/06 & increase in 2006/07 than it again decease in FY 2007/08, again in increase in FY 2008/09. Similarly NABIL has decrease from FY 2004/05 to FY 2005/06 & it increase from FY 2006/07. On the case of EBL it has followed increasing trend during the period of FY 2004/05 to 2006/07 & again decrease in FY 2007/08 than it again increase. BOK has decreasing trend from FY 2004/05 to 2005/06, again it increases in FY 2006/07 than it decrease and again increase

in FY 2008/09. NSBI has increasing trend from FY 2004/05 to 2005/06 than it continue decrease till FY 2008/09.

In average, SCBNL has maintained lower cash & bank balance to total deposit ratio than NABIL, EBL, BOK & NSBI i.e. 7.022<8.986<9.396<11.648<12.886. It states that cash and bank balance in liquidity position of SCBNL is lower than other four banks. The C.V. of NABIL is 53.15%, which is comparatively higher than of BOK 19.06%, SCBNL 18.30%, EBL 14.56% & NSBI 13.92%. So that NABIL shows the less consistent than that of other banks.

Comparatively NABIL has maintained low ratio, it shows some difficulties to meet the demand of its customers on their deposit to pay at any time but it may be earning more by investing cash to different sectors. But it should ensure to have enough liquid funds to serve its customer.

iii Cash and Bank Balance to Current Assets Ratio

This ratio shows the bank liquidity capacity on the basis of cash and bank balance that is the most liquid asset. Higher ratio indicates the bank ability to meet the daily cash requirement of their customer deposit vice versa. But higher ratio is not preferred, as the bank has to pay more interest on deposit and will increase the cost of fund. Lower ratio is also very dangerous, as the bank may not be able to make the payment against the cheques presented by the customers. Therefore, bank has to balance the cash and bank balance to current assets ratio in such a manner that it should have the adequate cash for the customers demand against deposit when required and less interest is required to be paid against the cash deposit.

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

Current assets consist of cash & bank balance, money at call and short notice, investment in treasury bills, loan, advance & bills purchase, non banking assets & other assets.

Table 4.3

Cash & Bank Balance to Current Assets Ratio (%)

Banks	Fiscal Years					Mean	S.D.	C.V(%)
	2004/05	2005/06	2006/07	2007/08	2008/09			
SCBNL	6.50	6.37	9.66	7.74	10.72	8.198	1.7281	21.08
NABIL	4.27	3.70	6.48	8.79	9.86	6.62	2.4197	36.55
EBL	9.26	7.15	12.02	10.69	18.18	11.46	3.7278	32.53
BOK	8.46	6.71	10.41	9.35	11.99	9.384	1.7804	18.97
NSBI	7.42	8.71	8.39	8.02	9.37	8.382	0.6542	7.81

(Sources: Annex- 3)

Above table exhibits that cash & bank balance to current assets ratio of SCBNL and NABIL has fluctuating trend from FY 2004/05 to 2008/09. EBL shows decreasing trend from FY 2004/05 to 2005/06 than it increase in FY 2006/07, again it decrease in FY 2007/08 & increase in 2008/09. BOK has fluctuating trend during the study period. NSBI has increasing trend from FY 2004/05 to 2005/06 than it decrease in 2006/07, again it decrease in FY 2007/08 and increase in FY 2008/09.

While examining the mean ratio, NABIL had maintained 6.62 which is less than SCBNL, NSBI, BOK and EBL i.e. 8.198, 8.382, 9.384 & 11.46. It states that liquidity position of NABIL is lower than other four banks. In this regard, the co-efficient of variation between the above ratio of NABIL is 36.55% which is comparatively higher than that of EBL, SCBNL, BOK & NSBI. Thus, it can be concluded that NABIL is low capable to maintain cash and bank balance in comparison to other four banks.

iv. Investment to Government Securities to Current Assets Ratio

The commercial banks are interested to invest their collected funds to various government securities issued by the government. Though government securities are not so much liquid as cash and bank balance, they can be easily sold in the market or they can be converted into cash in other ways. The main purpose of this ratio is to examine the portion of commercial banks current assets that is invested in different government securities.

Investment on Government Securities to Current Assets Ratio = $\frac{\text{Investment on GovtSecurities}}{\text{Current Assets}}$

Investment in government securities consist of Nepal Government Treasury bills, Nepal Government saving bonds, Nepal Government other securities & Nepal Rastra Bank bonds.

Table 4.4

Investment in Government Securities to Current Assets Ratio (%)

Banks	Fiscal Years					Mean	S.D.	C.V(%)
	2004/05	2005/06	2006/07	2007/08	2008/09			
SCBNL	42.13	43.10	33.99	30.74	34.17	36.826	4.8915	13.28
NABIL	18.47	13.49	22.26	15.29	10.83	16.068	3.9698	24.71
EBL	18.52	16.33	23.65	19.31	15.17	18.596	2.9302	15.76
BOK	24.52	24.47	18.44	13.71	9.59	18.146	5.8922	32.47
NSBI	26.52	27.99	17.54	18.13	16.28	21.292	4.9273	23.14

(Sources: Annex- 4)

The above table 4.4 shows that the ratio of SCBNL is in decreasing trend from FY 2004/05 to 2007/08 and increasing in FY 2008/09. In the case of NABIL, EBL, & NSBI its ratio is in fluctuating trend. BOK has decreasing trend during the study period.

In overall, the mean ratio of investment in the government securities to current assets ratio of SCBNL is higher than that of NSBI, EBL, and BOK & NABIL. i.e. 36.826 > 21.292 > 18.596 > 16.068. It means the SCBNL has invested its higher portions of current assets on government securities, than other four banks. On the other hand C.V in ratio of BOK is greater than that of NABIL, NSBI, EBL & SCBNL i.e. 32.47% > 24.71% > 15.76% > 13.28% which means the variability of the ratio of BOK is less consistent than that of NABIL, NSBI, EBL & SCBNL.

It can be Concluded that SCBNL has invested its more portion of current assets as government securities than that of other four banks & SCBNL liquidity portion from the point of view of investment on government securities is better than that of other four banks.

v. Loan and Advances to Current Assets Ratio

Loan and advance are also included is the current assets of commercial banks because generally it provides short-term loan, advances/overdraft/cash-credit, local & foreign bill purchased & discounted.

To make a high profit by mobilizing its fund in the best way, a commercial bank should not keep its all collected funds as cash and bank balance but they should be invested as loan and advances to the customers. If sufficient loan and advances cannot be granted, it should pay interest on those unutilized deposit funds & may lose some earnings, but high loan and advances may also be harmful to keep the bank is most liquid position because they can only collect at the time of maturity only. Thus, the bank must maintain its loan and advances in appropriate level to find out the portion of current assets, which is granted as a loan and advances.

$$\text{Loan and Advances to Current Ratio (\%)} = \frac{\text{Loan and Advances}}{\text{Current Assets}}$$

Table 4.5

Loan and Advances to Current Assets Ratio (%)

Banks	Fiscal Years					Mean	S.D.	C.V (%)
	2004/05	2005/06	2006/07	2007/08	2008/09			
SCBNL	47.63	44.59	50.22	51.82	46.74	48.2	2.5563	5.30
NABIL	80.86	75.77	71.97	70.32	80.63	75.91	4.3260	5.70
EBL	67.16	45.09	68.69	73.45	70.43	64.964	10.1545	15.63
BOK	67.54	66.81	74.34	80.86	80.47	74.004	6.1241	8.28
NSBI	63.67	59.44	70.75	72.36	74.50	68.144	5.6610	8.32

(Sources: Annex- 5)

The above table exhibits that the ratio of SCBNL, EBL & NSBI has maintained fluctuating trend NABIL has decreasing trend from FY 2004/05 to 2007/08 and increase in FY 2008/09. BOK shows the decreasing trend from FY 2004/05 to 2005/06 then it is increase till FY 2007/08 again it decrease in FY 2008/09. The mean of the NABIL is higher than BOK, NSBI, EBL & SCBNL i.e. 75.91>74.004>68.144>64.964>48.2. On the

other side co-efficient of variation of NABIL 5.70% is higher than SCBNL & lower than EBL, BOK & NSBI. Form the above table it can be concluded that NABIL has succeeded to invest its fund in loan & advances but seen little weak in comparison to SCBNL in point of view of C.V.

vi. Investment in Government Securities to Total Deposit

Investment in government securities to total deposit ratio is used to measure the percentage of total deposit invested to government securities like treasury bills and development bonds. This ratio can be expressed as:

Investment in Government Securities to total Deposit

$$= \frac{\text{Investment in Government Securities}}{\text{Total Deposit}}$$

Total deposit consists of current deposits, margin deposits, others, saving deposits, call deposits & certificate deposit.

Table 4.6

Invest in Government Securities to Total Deposit (%)

Banks	Fiscal Years					Mean	S.D.	C.V(%)
	2004/05	2005/06	2006/07	2007/08	2008/09			
SCBNL	37.20	37.45	28.84	27.36	27.87	31.744	4.5823	14.44
NABIL	16.58	11.89	20.59	14.56	9.92	14.708	3.7146	25.26
EBL	20.80	25.71	25.87	20.11	15.44	21.586	3.8969	18.05
BOK	23.92	25.35	18.82	13.35	9.65	18.218	6.0141	33.01
NSBI	29.90	32.65	20.49	22.13	11.83	23.4	7.3724	31.51

(Sources: Annex- 6)

From table 4.6, Investment in government securities to total deposit of SCBNL & NABIL are fluctuated over the five years. EBL has increasing trend from FY 2004/05 to FY 2006/07 then it decrease till FY 2008/09. BOK shows increasing trend from FY 2004/05 to FY 2005/06 then it begins to decrease till FY 2008/09. NSBI has fluctuated trend during the study period.

Government Securities are risk free investment but gives lower return to investor so bank should invest in other secured sector which gives higher return than government securities.

4.1.2 Assets Management Ratio (Activity Ratio)

Assets management ratio measures the efficiency of the bank to manage its assets in profitable and satisfactory manner.

i. Loan and Advances to Total Deposit Ratio

This ratio measure the extent to which the banks are successful to mobilize total deposit on loan and advances for the purpose of income generation. The following table exhibits the ratio of loan advances to total deposit of the bank throughout the study period.

Table 4.7

Loan and Advances to Total Deposit Ratio (%)

Banks	Fiscal Years					Mean	S.D.	C.V(%)
	2004/05	2005/06	2006/07	2007/08	2008/09			
SCBNL	42.05	38.75	42.61	46.12	38.14	41.534	2.8887	6.95
NABIL	72.57	66.79	66.60	66.94	73.87	69.354	3.1851	4.59
EBL	67.16	71.01	75.13	76.49	71.68	72.294	3.2873	4.55
BOK	65.87	69.23	75.87	78.71	80.10	73.956	5.5087	7.45
NSBI	71.80	69.32	82.66	88.32	54.12	73.244	11.8250	16.15

(Sources: Annex-7)

In the table 4.7 SCBNL have fluctuating trend regarding the ratio. NABIL has decreasing trend from FY 2004/05 to 2006/07 then it again increase till FY 2008/09. EBL have increasing trend from FY 2004/05 to 2007/08 then it decrease in FY 2008/09. BOK have increasing trend during the study period. NSBI have fluctuating trend from FY 2004/05 to 2008/09.

In overall mean ratio of loan and advance to total deposit of BOK is higher than that of NSBI, EBL, NABIL, SCBNL i.e. 73.244. In side of co-efficient of variation of above banks EBL has 4.55% which is comparatively lower than NABIL, SCBNL, BOK, NSBI i.e. 4.59 < 6.95 < 7.45 <16.15 respectively.

In conclusion, in side of mean BOK & Inside of co-variation EBL has strong position regarding the mobilization of total deposition loan and advances and acquiring higher profit with compare to other banks.

ii. Total Investment to Total Deposit Ratio

A commercial bank mobilizes its deposit by investing its fund is different securities issued by government and other financial or no financial institution. How, effort has been made to measure the extent to which the banks are successful is mobilizing the total deposit on investment. In the process of portfolio management of bank assets, various factors such as availability of fund, liquidity requirement central banks norms etc are to be considered in general. A high ratio is the indicator of high success to mobilize the banking fund as investment and vice versa.

$$\text{Total Investment to Total Deposit Ratio} = \frac{\text{Total investment}}{\text{TotalDeposit}}$$

Table 4.8

Total Investment to Total Investment Ratio (%)

Banks	Fiscal Year					Mean	S.D	C.V(%)
	2004/05	2005/06	2006/07	2007/08	2008/09			
SCBNL	20.11	55.67	54.99	46.74	56.41	52.784	3.7423	7.09
NABIL	29.31	31.93	28.32	31.14	28.99	29.938	2.0543	6.86
FBL	21.08	30.43	27.41	21.10	17.85	23.574	4.6222	19.61
BOK	28.95	32.18	24.15	20.24	15.39	24.182	5.9924	24.78
NSBI	30.13	32.82	23.24	22.52	47.52	31.246	9.0422	28.94

(Sources: Annex- 8)

The above table exhibits that the ratio of SCBNL and NABIL have fluctuate trend. EBL has increasing trend from FY 2004/05 to 2005/06 then it begin to decrease till fiscal year 2008/09. BOK has also shows increasing trend from FY 2004/05 to 2005/06 then it begin to decrease till FY 2008/09. NSBI has increasing trend from FY2004/05 to FY 2005/06 then it decrease till FY2007/08, again it increase in FY 2008/09.

In average SCBNL has maintained higher mean value i.e. 52.784> 31.246> 29.938> 24.182> 23.574. The C.V ratio of NSBI is 28.94%. This is a higher then other banking conclusion; NSBI is in weak condition to mobilize its deposits by investing in different sectors in comparison of other Banks.

iii. Loan and Advances to Total Working fund Ratio

Loan and advances is an important part of total assets (total working fund, commercial bank must be very careful in mobilizing it total assets). As loan and advances in appropriate level to generate profit this ratio reflects the extent to which the commercial banks are success in mobilization of funds as loan and advances and vice versa.

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

Where, Total Working Fund = Current Assets – Prepaid Expenses.

Table 4.9

Loan and Advances to total working fund ratio (%)

Banks	Fiscal Year					Mean	S.D	C.V (%)
	2004/05	2005/06	2006/07	2007/08	2008/09			
SCBNL	44.66	44.62	50.25	51.95	46.81	48.258	2.5991	5.39
NABIL	80.96	75.84	72.04	70.36	80.69	75.978	4.3385	5.71
FBL	67.17	45.10	68.70	63.46	70.44	64.968	10.1545	15.363
BOK	67.59	66.86	74.39	80.94	80.57	74.07	6.0584	8.18
NSBI	63.69	59.45	70.80	72.40	74.57	68.182	5.6899	8.34

(Sources: Annex- 9)

The above table exhibits that the ratio of SCBNL, FBL and BOK are fluctuate trend. NABIL has decreasing trend from FY2004/05 to 2006/07 and then increase till FY 2008/09. NSBI has shows decreasing trend from FY 2004/05 to 2005/06 then it begin to increase on the basis of mean ratios, NABIL has maintained the higher ratio than that of BOK, NSBI, EBL and SCBNL. i.e. 75.978>74.07>68.182>64.968>48.258. NABIL is in

good condition to mobilize its total working fund as loan and advances coefficient of variation of NABIL is more than SCBNL and less than EBL, NSBI and BOK.

So that NABIL fund mobilization in terms of loan and advances with respect of total working fund is more satisfactory than that of other four banks.

iv. Investment on Government Securities to Total Working Fund Ratio

All the resources of a bank are not used as loan and advances. A bank mobilize its fund is various ways. To some extent commercial bank seems to utilize its fund by purchasing government securities. A government security is a safe medium of investment though it is not liquid as cash and bank balance. This ratio is very important to show the extent to which the banks are successful in mobilizing their total fund or different types of government securities to maximize its income.

A high ratio indicates better mobilization of funds as investment on government securities is a current assets which is invested by external parties. These types of securities to total market.

Investment on government securities to total working fund ratio =

$$\frac{\text{Investment on Government Securities}}{\text{Total Working Fund}}$$

Table 4.10

Investment on Government Securities to Total Working Fund Ratio (%)

Banks	Fiscal Year					Mean	S.D	C.V(%)
	2004/05	2005/06	2006/07	2007/08	2008/09			
SCBNL	42.15	43.12	34.01	30.81	32.21	36.46	5.1521	14.13
NABIL	18.50	13.51	28.28	15.30	10.84	17.286	6.0348	34.91
FBL	18.52	16.33	23.65	19.31	15.18	18.598	2.9279	15.74
BOK	24.54	24.49	18.46	13.72	9.60	18.161	5.8966	32.47
NSBI	26.53	27.99	17.55	18.14	16.29	21.300	4.9246	23.12

(Sources: Annex- 10)

From the above table it is clearly seen that investment on government securities to total working fund ratio of SCBNL, NABIL, FBL, BOK and NSBI it in fluctuation trend.

On the basis of mean, NABIL has maintained 17.286 which is lower than other four bank i.e. 17.286<18.162<18.598<21.3<36.46. The coefficient of variation of NABIL is higher than that of BOK, NSBI, FBL and SCBNL i.e. 34.91%> 32.47%> 23.12%> 15.74%> 14.13%.

From the above analysis, it can be concluded that NABIL's fund mobilization in terms of government securities with respect of total working fund is not more satisfactory than that of other four banks and NABIL is not satisfactory of ratios point of view is fund mobilization term and less homogeny

v. Investment on Share and Debentures to Total Working Fund Ratio

To study the investment management SCBNL, NABIL, FBL, BNOK NSBI bank, total investment has been separated into two parts i.e. investment on government securities and investment on share and Debentures. Now a daze a commercial bank is inserted to invest its funds not only on government securities but also in share and Debentures to total assets ratio reflects the extent to which the banks are successful to mobilize their assets on purchase of shares and debentures of other companies to generate incomes and utilize their excess fund. A high ratio indicates more portion of investment on share and debentures out of total working fund. A high ratio indicates more portion of investment on share and debentures out of total working fund and vice versa.

Investment on shares and debentures to Total Working Fund ratio =

$$\frac{\text{Investment on Shares and Debentures}}{\text{Total Working Fund}}$$

Table 4.11

Investment on Shares and Debentures to Total Working Fund Ratio (%)

Banks	Fiscal Year					Mean	S.D	C.V (%)
	2004/05	2005/06	2006/07	2007/08	2008/09			
SCBNL	0.08	0.08	0.22	0.43	0.39	0.24	0.1485	61.87
NABIL	0.39	0. 61	1.33	0.80	0.80	1.386	1.0303	74.34
FBL	0.17	0.09	0.10	0.41	0.00	0.214	0.1234	57.65
BOK	0.06	0.89	0.71	0.74	0.68	0.816	0.1418	17.37
NSBI	0.20	0.15	0.24	0.19	0.16	0.188	0.0316	3.1623

(Sources: Annex- 11)

The above table exhibits that the SCBNL has increasing trend from FY 2004/05 to FY 2007/08 and it decrease in FY 2008/09. BOK has decreasing trend and NABIL, EBL and NSBI is in fluctuating trend.

On the basis of mean ratios, NABIL has higher investment than other four banks i.e.1.38>0.186>0.24>0.214>0.188. Moreover CV of NABIL is higher than other four banks i.e. 74.34>61.87>57.65>17.37>3.1623.

It can be concluded that on the basis of CV, NABIL has not invested more portion of its total working fund on shares and debentures than other four banks.

4.1.3 Profitability Ratio

Profit is the back bone of the financial institutions and commercial banks. The main objective of a commercial bank is to earn profit providing different types of banking service to its customers. To meet various objectives like have a good liquidity position, meet fixed internal obligation, overcome the future contingencies, grab hidden investment opportunities, expend banking transactions in different places and finance government in need of development funds etc, a commercial banks must earn sufficient profit.

Profitability ratios are the best indicators of overall efficiency. Here mainly those ratios are presented and analyzed which are related with profit as well as investments.

i. Return on Total Assets

This ratio measures the profitability with respect to total assets. This ratio is examined to measure the profitability of all financial resources invested in the bank's assets.

$$\text{Return on Total Assets (ROA)} = \frac{\text{Net Profit After Tax}}{\text{Total Assets}}$$

Table 4.12

Return on Total Assets Ratio (ROA) (%)

Banks	Fiscal Year					Mean	S.D	C.V (%)
	2004/05	2005/06	2006/07	2007/08	2008/09			
SCBNL	2.46	2.56	2.42	2.46	2.53	2.486	0.0514	2.07
NABIL	3.06	3.23	2.72	2.32	2.55	2.776	0.3313	11.93
FBL	1.43	1.19	1.38	1.66	1.73	1.538	0.1342	8.73
BOK	1.41	1.65	1.80	2.04	2.25	1.83	0.2933	16.03
NSBI	0.58	0.90	1.83	1.44	1.02	1.154	0.4360	37.78

(Sources: Annex- 12)

The above table exhibits that the return on total assets ratio of SCBNL, NABIL and EBL shows fluctuating trend. BOK has show increasing trend during the study period. NSBI has increasing trend from FY 2004/05 to 2006/07 then it begin to decrease till FY 2008/09.

On the basis of mean ratio SCBNL maintain 20486 which is slightly lower than NABIL and greater than EBL, BOK and NSBI which is 2.486 <2.776 and 2.486> 1.83> 1.538> 1.154. CV of the SCBNL is lower than the other banks i.e. 2.07< 8.73 <11.93 <16.03 <37.78.

It can be conclude that SCBNL has indicates efficiently in utilizing its overall resources than other banks.

ii. Net Profit to Net Worth Ratio

This ratio is used to measures the successfulness of earning the profit with respect to the shareholders equity. Higher this ratio indicates the sound management and efficiency for earning a satisfactory return for its equity shareholders. It also indicates forwards the favorable horizen of wealth maximization of the bank.

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

Table 4.13

Net Profit to Net worth Ratio (%)

Banks	Fiscal Year					Mean	S.D	C.V(%)
	2004/05	2005/06	2006/07	2007/08	2008/09			
SCBNL	33.89	37.55	32.68	32.55	33.58	44.11	1.7774	5.21
NABIL	31.39	33.91	32.79	30.60	32.95	32.328	1.1806	3.65
FBL	24.29	28.84	27.92	28.54	31.88	28.294	2.4245	8.57
BOK	14.09	18.93	26.42	26.494	26.51	22.578	5.1885	29.98
NSBI	8.32	12.04	22.10	17.64	18.58	15.176	4.9167	31.25

(Sources: Annex- 13)

From an above table it reveals that SCBNL, NABIL and EBL have fluctuating ratio. The ratio of Bok has increasing trend from FY 2004/05 to FY 2007/08 then it again decrease in FY2008/09.

The mean ratio of SCBNL is higher than other banks i.e. 34.11> 32.328> 28.294> 22.578> 15.736. C.V of SCBNL is higher than NABIL and lower than EBL, BOK and NSBI i.e. 5.21%>3.65 and 5.21 <8.57<22.98<3125 mean ratio of NSBI has maintained 15.736 which is lower than other four banks and C.V. NSBI has higher than other four banks. i.e. 31.25>22.98>8.57>5.21>3.65

It can be conclude then NSBI has less successful and SCBNL has high successful than others banks in earning a net profit with respect to net worth they has consistency or stability in earning a net profit.

iii. Total Interest Earned to Total Working Fund Ratio

The ratio shows the earning capacity of a bank on its total working fund. This ratio exhibits the extent on which banks are successful in mobilizing their working funds to generate income as much as possible. A high ratio is indicator of high earning power of the bank on its total working fund and vice versa.

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

Table 4.14

Total Interest Earned to Total Working Fund Ratio (%)

Banks	Fiscal Year					Mean	S.D	C.V
	2004/05	2005/06	2006/07	2007/08	2008/09			(%)
SCBNL	6.20	5.94	6.76	6.03	6.46	6.278	0.2991	4.76
NABIL	8.17	7.69	7.36	6.52	8.12	7.572	0.6039	7.98
FBL	6.34	6.16	5.75	6.20	6.45	5.78	0.8443	14.61
BOK	6.94	6.61	6.48	6.72	7.41	6.832	0.3263	4.77
NSBI	0.59	5.22	6.22	5.80	7.20	5.006	2.3006	45.96

(Sources: Annex- 14)

Above comparative table reveals that SCBNL has followed fluctuating trend from FY 2004/05 to FY 2006/07 then it begin to increase till FY2008/09 EBL has decreasing trend from FY 2004/05 to 2006/07 then it begin to increase. BOK shows decreasing trend from FY 2004/05 to 2006/07 and increase in FY 2007/08 and again it decrease in FY2008/09 NSBI has increase in FY 2007/08 and increase in FY 2008/09.

The mean ratio of NABIL is greater than that of other four banks i.e. 7.572> 6.832> 6.278>5.78> 5.006> so we can say that NABIL is in strong position to generate interest income from the total working fund than other four banks on the other hand C.C of SBLS

is lower than NSBI, EBL, NABIL and BOK i.e. 4.76 <4.77 <7.38 <14.61 <45.96 < it means more consistent their four banks.

iv. Total Interest Paid to Total Working Fund

This ratio measures the percentage of total interest paid against the total working fund. A high ratio indicates the higher interest expenses on total working fund and vice versa.

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

Table 4.15

Total Interest Paid to Total Working Fund (%)

Banks	Fiscal Year					Mean	S.D	C.V (%)
	2004/05	2005/06	2006/07	2007/08	2008/09			
SCBNL	1.499	1.51	1.98	1.79	1.86	1.726	0.1943	11.26
NABIL	1.86	2.10	2.58	2.50	3.37	2.482	0.5160	20.79
FBL	2.64	1.85	2.60	2.53	2.99	2.522	0.3716	14.74
BOK	2.76	2.84	2.68	2.71	3.10	2.818	0.1511	5.36
NSBI	2.65	2.61	3.09*	2.72	4.06	3.026	0.5443	17.99

(Sources:Annex- 15)

The above comparative table reveals that total interest paid to total working fund ratio of SCBNL is in increasing trend from FY 2004/05 to 2006/07 and decrease in FY year 2007/08 then it increase in FY 2008/09. NABIL is in increasing trend from FY 2004/05 to FY 2006/07 and decrease in 2007/08 and increase in FY2008/09. EBL, BOK and NSBI have shows fluctuating trend during the study period.

The mean ratio of NSBI is 3.026 which is higher than that of BOK, EBL, NABIL, and SCBNL i.e. 2.818, 2.522, 2.482 and 1.726. It means NSBI pays higher interest than other four banks during the study period. On the other hand NABIL coefficient of variable is higher i.e. 2079% in comparison to NSBI, EBL, SCBNL and BOK i.e. 17.99%, 14.74%, 11.26% and 5.36%. it indicates that NABIL ratio is loss consistent than other banks .

In conclusion we can say that BOK is in greater position from payment of interest point of view (less expense is generate the high income generate theory). It seems to be successful to collect its working fund from less expensive sources in comparison to SCBNL, NABIL, EBL and less than NSBI.

v. Return on Equity Ratio (ROE)

Equity capital of any banks is its owned capital. The prime objective of any banks is wealth maximization or in words to earn high profit and maximizing return to its share holders. ROE is the measuring rod of profit ability of banks. It reflects the extent to which the banks have been successful to mobilize its equity capital. A higher ratio indicates higher success to mobilize its owned capital and vice versa.

$$\text{Return on Equity} = \frac{\text{Net Profit}}{\text{Total Equity}}$$

Where, total equity consist paid up capital, retain earning, reserve and surplus.

Table 4.16

Return on equity (ROE) (%)

Banks	Fiscal Year					Mean	S.D	C.V(%)
	2004/05	2005/06	2006/07	2007/08	2008/09			
SCBNL	32.13	34.21	27.92	29.09	28.38	30.346	2.4265	7.99
NABIL	28.37	30.36	30.10	26.095	26.97	28.55	1.4674	5.14
FBL	16.81	21.46	20.30	19.84	24.09	20.50	2.3623	11.52
BOK	17.65	21.12	23.12	21.38	21.57	20.968	1.7997	8.52
NSBI	8.33	12.04	22.10	17.64	18.58	15.738	4.9137	31.22

(Sources: Annex- 16)

Of SCBNL, NABIL, EBL followed fluctuating trend during the study period. BOK has increasing trend from FY 2004/05 to 2006/07 then it decrease in FY 2007/08 and again it increase in FY2008/09. NSBI have increasing trend from FY 2004/05 to FY 2006/07 and decrease in 2007/08 and increase in FY 2008/09.

In the mean ratios, it is observed that NABIL has the average mean value i.e. 28.55 which is less than 30.346 of SCBNL and higher than 20.968, 20.50, 15.738 of BOK, FBL,

NSBI. The coefficient of variation of NABIL is less than other bank i.e. 5.14 %< 7.99 %< 8.58 %< 11.52 %< 31.22%.

In the point of view of average mean and lower C.V it can be conclude that comparatively NABIL has mobilized its equity capital more efficiently than other banks. So, NABIL has sound investment policy on equity capital more over its lower C.V shows its more homogenous during the study period.

4.1.4 Leverage Ratio

Like other ratios, leverage ratio is also very necessarily important tool in measuring financial performance of any institution. This ratio reveals the proportion of funds used by the institution either firm the creditor's side or from owners' side. In order to maintain healthy financial position any institutions need to maintain proper proportion of debt and equity. There are various tools in order to measure leverage of the institution among them. Debt assets ratio and debt equity ratio has been used.

i. Debt Assets Ratio

It measures proportion of the creditors' fund used by the institution to acquire the assets. The increased proportion of debt indicated the riskiness or burden to the institution. The debt is considering more risky and cheap source of financing. Risky in the sense that the debt financing needs regular payment of interest in any condition of economic.

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

Where, Total Debt Consists Debenture; bond and browning.

Table 4.17

Debt Assets Ratio (%)

Banks	Fiscal Year					Mean	S.D	C.V (%)
	2004/05	2005/06	2006/07	2007/08	2008/09			
SCBNL	0.13	0	1.39	0	0.74	0.452	0.5431	120.16
NABIL	0.10	0.78	3.24	4.31	4.52	2.59	1.8211	70.31
FBL	2.56	1.88	1.40	1.10	1.66	1.72	0.4943	28.74
BOK	0.06	6.13	6.38	1.69	1.46	3.144	2.6019	82.76
NSBI	4.71	6.23	7.30	10.63	2.99	6.372	2.5773	40.45

(Sources: Annex- 17)

The table shows that the Debt Assets ratio of SCBNL has fluctuating trend. NABIL has increasing trend during the study period. EBL shows decreasing trend from FY 2004/05 to 20070/08 and increase in FY 2008/09. BOK shows the fluctuating and NSBI has increasing trend from FY 2004/05 to FY 2007/08 than it decrease in FY 2008/09.

The mean ratio of NSBI is 6.372 which are higher than the other four banks. i.e. 3.144 of BOK, 2.59 of NABIL, 1.72 of EBL, 0.452 of SCBNL. The C.V of EBL is 28.74% which is less than 40.45% of NSBI, 70.31% of NABIL, 82.76% of BOK and 120.16% of SCBNL. Above statement conclude that the debt financing of NSBI in Assets in high therefore NSBI in utilizing a highest debt among the sample banks EBL has more consistency than other sample banks due to less C.V. among sample banks.

(ii) Debt Equity Ratio (ROE)

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

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

Table 4.18

Debt on Equity Ratio (ROE) (%)

Banks	Fiscal Year					Mean	S.D	C.V (%)
	2004/05	2005/06	2006/07	2007/08	2008/09			
SCBNL	1.65	0	16.15	0	8.31	5.222	6.2651	119.97
NABIL	0.93	8.28	39.41	57.76	51.82	31.64	22.9704	72.60
FBL	29.98	27.13	20.55	13.19	23.0	22.77	5.7923	25.44
BOK	0.76	78.56	81.94	17.74	14.01	38.602	34.4872	89.34
NSBI	108.74	126.89	156.74	208.97	106.05	141.478	38.2827	27.06

(Sources: Annex- 18)

The table shows, SCBNL has fluctuating trend. NABIL has increasing trend from FY 2004/05 to 2007/08 and decrease in FY 2008/09. FBL has decreasing in trend during the study period. BOK has increasing trend from FY 2004/05 to 2006/07 then it begin to decrease. NSBI has increasing trend from FY 2004/05 to FY 2007/08 and decrease in FY 2008/09SCBNL is lowest mean ratio than other i.e. 5.222. It declared that SCBNL has lowest debt and higher investment from equity fund. The highest mean ratio is recorded by NSBI, they have more investment from debt than equity fund which cost a higher than equity. Higher debt investment brings a higher cost to the banks.

The C.V of SCBNL, BOK, NNSBIL, DBI and EBL are 119.97%, 89.34%, 72.60%and 25.44%. Therefore EBL has lowest C.V which defined that EBL has consistency in debt-equity ratio.

4.2 Return to Investor

Market value ratio represents how well the banks are maintaining their economic and financial position. Return is the motivating force in the investment process; that is, it is the reward for the making the investment. Therefore it is of crucial importance to investor. It is the only rational way for corporations to compare alternative investment that differ in what they offer. Return to the investor is another tools of analysis is the performance of the commercial banks higher the return to the investor, better performance of the company. Higher dividends and the stock price increase the return to investor. Investor thus gets return to their investment in the form of dividend field. This

study tries to analysis the rate of return to the investors as MPS EPS, DPS, NWPS, prices earnings ratio and dividend field.

i. Market Price Per Share

Market price per share is the price at which shares are traded in the stock market. Those shares are transacted in the secondary markets, which are already issued to the public. Organized stock exchange centers are known as secondary market where trading of the stocks are market value in the secondary market is determined by supply and demand factors and reflects the consensus opinion of investors and traders concerning the value of the stock. The market price per share of listed companies is a good measure of performance. A higher market t price per share indicates the better performance of the company and vice versa. Whether a market price per share is high or low is difficult to determine. For this, the financial analysis has to compare it with the book value per share and also with the market price share and also with the market prices share of other companies.

Table 4.19

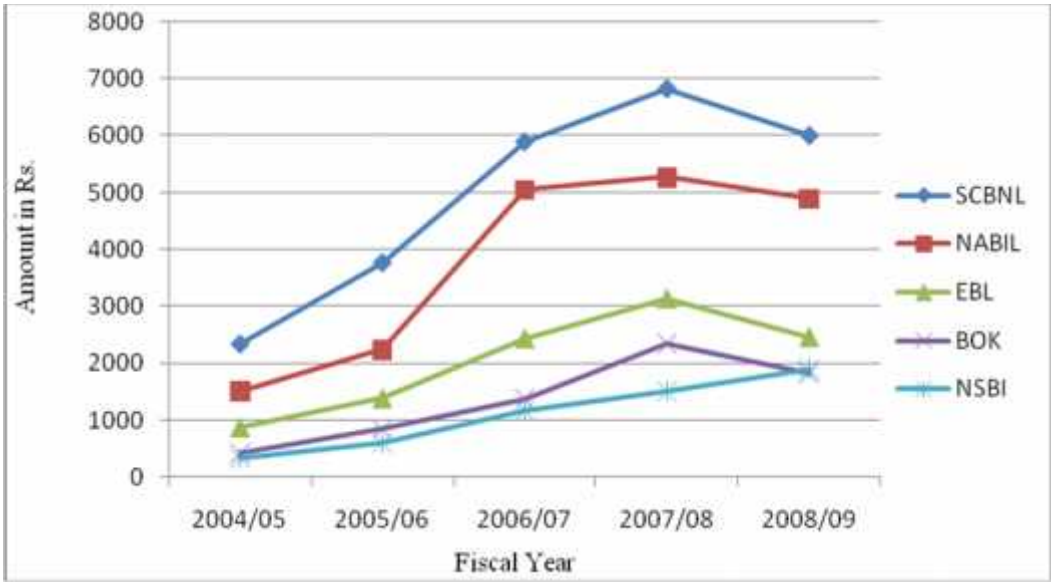
Market Price per Share

Banks	Fiscal Years					Mean	S.D.	C.V (%)
	2004/05	2005/06	2006/07	2007/08	2008/09			
SCBNL	2345	3775	5900	6830	6010	4973	1656.7878	33.32
NABIL	1505	2240	5050	5275	4899	3793.8	1590.3684	41.92
EBL	870	1379	2430	3130	2455	2052.8	814.5461	39.68
BOK	430	850	1375	2350	1825	1366	681.3765	49.88
NSBI	335	612	1176	1511	1900	1106.8	572.3347	51.71

(Sources: Annual Report of Concern Banks)

Figure 4.1

Market Price Per Share



The average closing MPS of SCBNL during the period of study is Rs.4972 with standard deviation of 1656.7878 and a coefficient of variation of 33.32%.

NABIL within the period of study had an average closing MPS of Rs.3793.8, ranging between Rs.6830 and Rs.2345.The standard deviation is 1590.3684 and the fluctuation of 41.92%.

During the period of study, EBL had an average closing of MPS of Rs.2052.8 with standard deviation 814.5461.The coefficient of variation shows that there is fluctuation of 39.68% in closing MPS of NBB.

BOK with in the period study had an average closing MPS of Rs.1366 with standard deviation 681.3765.The coefficient of variation shows that there is fluctuation of 49.885% in closing MPS is seen during the period.

NSBI has the closing MPS range between Rs.1900 and Rs.335 during the period of study. An average closing MPS of Rs.1106.8 is noted during the period. The standard deviation

of the closing MPS is 572.3347.The C.V. of 51.71% indicates that there is a fluctuation of 51.71% in the closing MPS of NSBI during the period of the study.

From the above data calculation, it can be seen that the average closing MPS of SCBNL is the highest and that of NSBI is lowest. Similarly the standard deviation of SCBNL is highest and NSBI is the lowest. The coefficient variation of these banks shows that there is an above moderate level of fluctuations in the MPS.

ii. Net Worth Per Share

Net worth is the owner's equity in the company. It also known as book value of the company. The book value per share is computed by dividing the amount of total share holder's equity, which is called net worth, by the number of shares outstanding *(Weston and Brigham; 1996:675).* This figure represents the asset value per share after deducting liabilities and preferred stock *(Cherey and Moses; 1993:417).* Book value is a historical cost amount. It represents the real or actual value of the common stock generally; Market price of stock is greater than book value of the stock. This clearly indicates that higher net worth per share is the signal of better companies. Therefore, the net worth per share is a good measure of performance of the joint venture banks.

$$\text{Net Worth Per Share} = \frac{\text{Book Value of New Worth}}{\text{Total No. of Share}}$$

Table 4.20

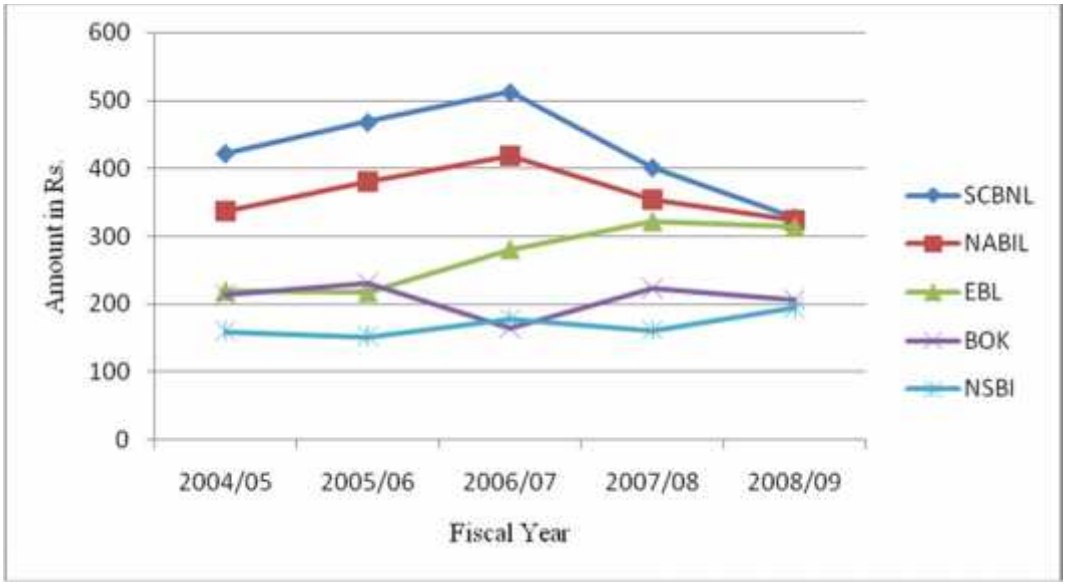
Net Worth per Share (Rs)

Banks	Fiscal Year					Mean	S.D	C.V
	2004/05	2005/06	2006/07	2007/08	2008/09			
SCBNL	422.38	468.22	512.19	401.52	327.53	426.368	62.4808	14.68
NABIL	337	381	418	354	324	362.8	33.5463	9.24
EBL	219.87	217.67	280.82	321.77	313.64	270.754	44.6099	16.48
BOK	213.60	230.67	164.68	222.51	206.25	207.542	22.9542	11.06
NSBI	159.54	151.78	178.04	160.57	194.68	168.922	15.4806	9.16

(Sources: Annual Report of Concern Banks)

Figure 4.2

Net Worth per Share



During the period of study, SCBNL had on average NWPS of rs426.368 with standard deviation of 62.4508. The coefficient of variation shows that there is fluctuation of 14.65% in NWPS of SCBNL.

NABIL with the period of study had on NWPS of Rs. 362.8, ranging between Rs. 418 and Rs. 324. The standard deviation is 33.5463 and the fluctuation of 9.247% in the closing NWPS in seen during the period.

During the period of study, EBL had an average Rs. 270.754 with standard deviation on of 33.5463. The coefficient of variation shows that there is fluctuation of 16.48% in NWPS of EBL.

The average NWPS of BOK during the period of study is Rs. 207.542 with standard deviation 22.9542 and a coefficient of variation of 11.06%.

NSBI has the NWPS range between Rs. 194.68 and Rs. 151.78 during the period of study. An average NWPS of Rs. 168.922 is noted during this period. The C.V of 9.18% in the NWPS of NSBI during the period of the study.

From the above calculations, it can be seen that NWPS SCBNL is the highest and that of NSBI is the lowest. Similarly the standard deviation of SCBNL is highest and NSBI is lowest. The coefficient of variation of these banks shows that there is an above moderate level of fluctuations in the NWPS.

iii. Earnings per Share (EPS)

Profit is the lifeblood of any company. Although the company can run without profit in short period, it cannot run and exist over the long period. Therefore, sufficient earning is necessary for the company to satisfy its owners. Earnings of the share holders are the residual amount that remains after deducting all the expenses, interest, taxes and dividends to preferred share holders from the revenue. Earnings per share are the amount available to the holders of each share. It is calculated by dividing the total earning available to the holders of each share. It is calculated by dividing the total earning available to common shares outstanding.

EPS is a good measure of performance because it integrates all the major financial ratios and provides holistic information. Overall financial model states EPS as follows:

EPS= Assets turnover × Margin on Sales × Financial Leverage × Book Value per Share.

$$= \frac{\text{Sales}}{\text{Total Assets}} \times \frac{\text{Net Income}}{\text{Sales}} \times \frac{\text{Total Assets}}{\text{Equity}} \times \frac{\text{Equity}}{\text{No. of Shares}}$$

EPS is the overall result of turnover, profitability, leverage and book value per share. It provides combined result of total assets turnover, return on sales debt and equity position in the capital structure, and the book value per share of the company. Higher EPS shows the better earning capacity to the company. The EPS is thus a good measure of performance of companies. A company with higher earnings per share not only can

satisfy its existing share holders and at tract potential investors but also contribute to government society and ultimately to the nation.

Table 4.21

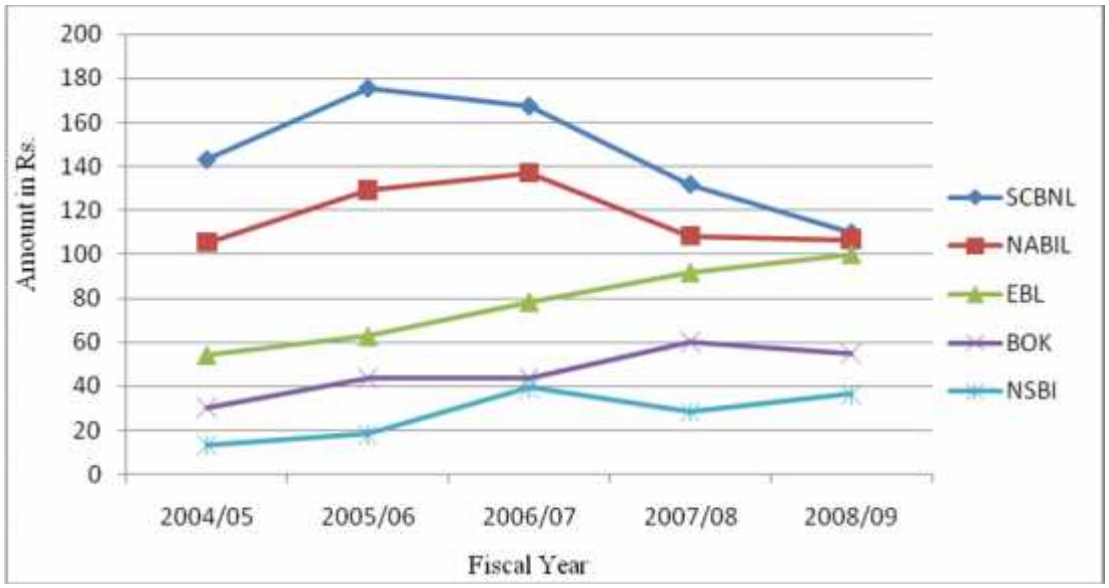
Earnings per Share (Rs.)

Banks	Fiscal Year					Mean	S.D	C.V
	2004/05	2005/06	2006/07	2007/08	2008/09			
SCBNL	143.14	175.54	167.37	131.92	109.99	145.652	24.2059	16.62
NABIL	105.49	129.21	137.08	108.31	106.76	117.37	13.1488	11.20
EBL	54.22	62.78	78.42	91.82	99.99	77.446	17.148	22.14
BOK	30.10	43.67	43.50	59.94	54.68	46.378	10.3289	22.27
NSBI	13.29	18.27	39.35	28.33	36.18	27.084	10.0270	37.02

(Sources: Annual Report of Concern Banks)

Figure 4.3

Earning Per Share



During the period of study, SCBNL had an average EPS of Rs. 145.652 with standard deviation 24.2059. The coefficient of variation shows that there is fluctuation of 16.62% in EPS of SCBNL.

NABIL within the period of study had a average EPS of Rs. 117.37, range in between Rs. 137.08 and Rs. 105.49. The standard deviation is 13.1488 and the fluctuation of 11.20% in the EPS seen during the period.

During the period of study, FBL had an average EPS of Rs. 77.446 with standard deviation 17.1483. The coefficient of variation shows that there is fluctuation of 22014% in EPS of EBL.

The average EPS of BOK during the period of study is Rs. 46.378 with standard deviation of 10.3289 and a coefficient of variation of 22.27%.

NSBI has EPS range between Rs. 39.35 and Rs. 13.29 during the period of study. An average EPS of Rs. 27.084 is noted during this period. The standard deviation of the EPS is 10.0270. The C.V of 37.02% in the EPS of NSBI during the period of study.

From the above data calculations, it can be seen that average EPS of SCBNL is the highest and that of NSBI is the lowest similarly the standard deviation of SCBNL is highest and NSBI is lowest. The coefficient of variation of these banks shows there is an above moderate level of fluctuation in EPS.

iv. Dividend per Share (DPS)

Investors on the common stock are attracted to the dividends because it is the return on their investment. Not all companies can provide higher dividends to the common stock holders. For this, they need larger amount of profit. From the total earnings available to common stock holders, the company may retain some earnings for planned investment used distribute remaining amount to common stock or the company may distribute dividends at fixed amount of constant payout ratio as per its dividend policy.

Dividend per share the regular amount availed to the holder of each common stock by the company. Evaluation of performance of listed comprise in terms of dividend per share (DPS) it considered as an appropriate measure, which shows the company's earnings and dividend paying capacity.

DPS is the result of various ratios as follows.

$$= \frac{\text{Sales}}{\text{Total Assets}} \times \frac{\text{Net Income}}{\text{Sales}} \times \frac{\text{Total Assets}}{\text{Equity}} \times \frac{\text{Dividend}}{\text{Net Income}}$$

Dividend per share includes dividend decision in earning per share. Although the behaviors of companies towards dividend payment is disappointing in Nepal, the joint venture banks, other financial institutions, and some other companies have brought greater revolution in this trend. They are competing for paying larger amount of dividends in recent years.

Here, dividend consist only cash dividend.

Table 4.22

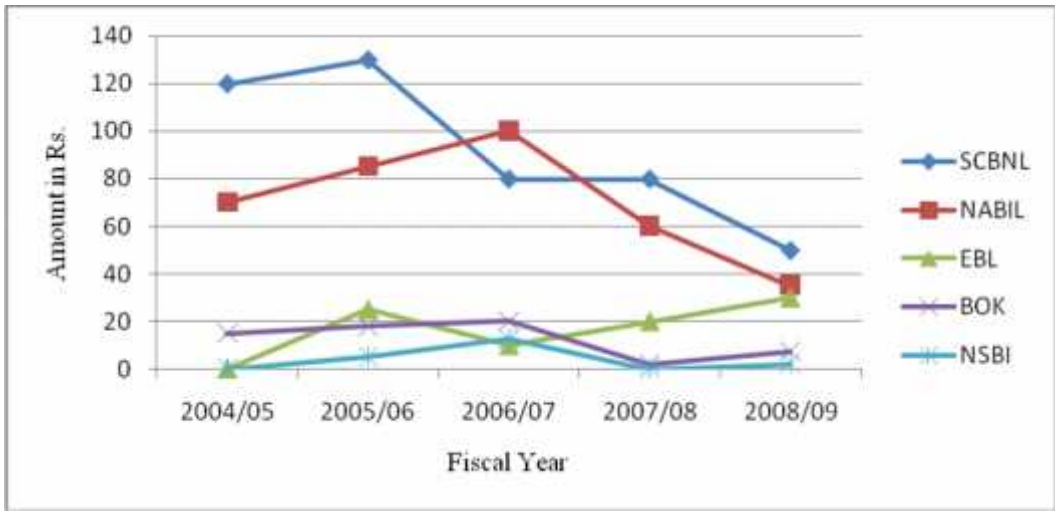
Dividend per share (Rs.)

Banks	Fiscal Year					Mean	S.D	C.V
	2004/05	2005/06	2006/07	2007/08	2008/09			
SCBNL	120	130	80	80	50	92	29.274	31.80
NABIL	70	85	100	60	35	70	22.135	31.62
EBL	-	25	10	20	30	17	10.7331	63.14
BOK	15	18	20	2.11	7.37	12.496	6.7382	53.92
NSBI	-	5	12.59	-	2.11	3.94	4.6977	119.20

(Sources: Annual Report of Concern Banks)

Figure 4.4

Dividend Per Share



The average DPS of SVBNL is Rs. 92 with the standard deviation 29.2574. The coefficient of variation is 31.80%, which indicates that there is moderate fluctuation in the DPS of SCBNL.

NABIL has an average DPS of Rs. 70. Continue dividend was paid in the years. The standard deviation is 22.135 and the fluctuation of 31.62% in the DPS is seen during the period.

EBL has on a average DPS of Rs. 27 with the standard deviation 10.733a. The coefficient of variation is 63.14% which indicates that there is huge fluctuation in the DPS of EBL.
BOK has average DPS of Rs. 12.496. The highest DPS is Rs.20 where as it has paid low dividend in the years 2007/08 i.e. Rs. 2.11. The standard deviation is 6.7382 and coefficient of variation is 53.92%. The C.V indicates that the DPS of BOK is moderate fluctuation.

NSBI has not paid dividend continue in the years. It has an average DPS of Rs. 3.94 with standard deviation of 6.7382. The C.V of 119.23% indicates that there is a huge fluctuation in the DPS of NSBI.

v. Price Earnings Ratio (P/E Ratio)

The price earnings ratio is widely used by the security analysis to value the firm's performance as expected by investors. It indicates investor's expectations about the firm's performance. Management is also interested in this market appraisal of the firm's performance and will take to find the causes if the P/E ratio declines. P/E ratio reflects investor expectations about the growth prospects accordingly; the P/E ratio industries vary widely.

Price earnings ratio is the ratio between market price per share and earnings per share. It is also called earning multiplier. The price earnings ratios of the banks under study are presented in table and graph as follows.

Table 4.23

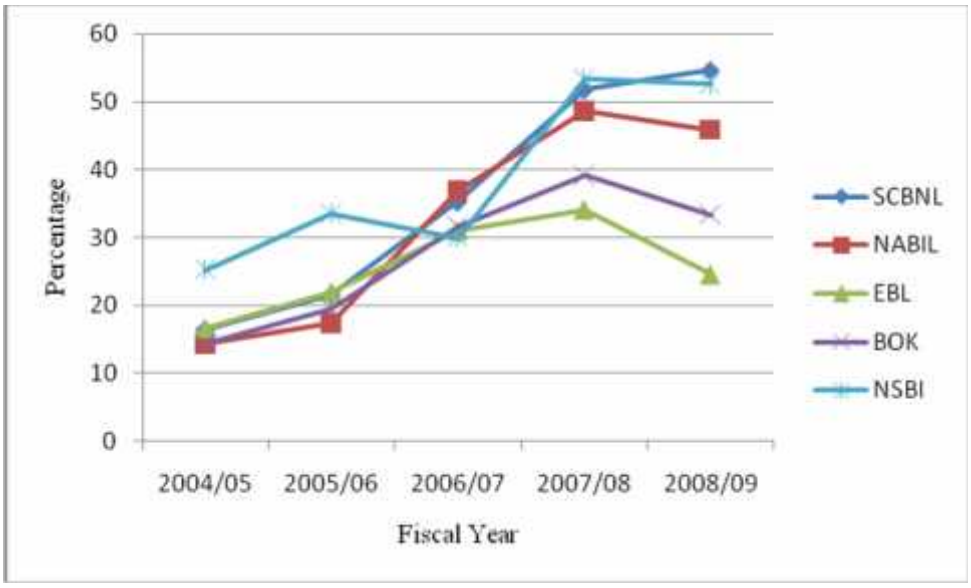
Price Earnings Ratio (P/E) (%)

Banks	Fiscal Year					Mean	S.D	C.V
	2004/05	2005/06	2006/07	2007/08	2008/09			
SCBNL	16.38	21.47	35.25	51.77	54.64	35.902	15.4449	43.02
NABIL	14.27	17.34	36.84	48.70	45.89	32.608	14.3015	43.86
EBL	16.604	21.97	30.99	34.11	24.55	25.532	6.4362	25.21
BOK	14.29	19.46	31.61	39.21	33.37	27.588	9.2475	33.52
NSBI	25.21	33.49	29.89	53.34	52.52	38.89	11.7633	30.25

(Sources: Annual Report of Concern Banks)

Figure 4.5

Price Earning Ratio



The average P/E Ratio of SCBNL, during these periods of study is 35.902. It is within the range of 16.38 and 54.64. The standard deviation of P/E ratio is 15.4449 where as coefficient of variation is 43.02% indicates the moderate fluctuating nature of P/E ratio in SCBNL.

NABIL has an average P/E ratio of 32.608. The standard deviation is 14.3015 and coefficient of variation is 43.86%. The C.V indicates that the P/E ratio of NNSBIL is moderate.

EBL has an average P/E ratio of 25.532 ranging between 54.11 and 16.04 during the period of study. The standard deviation is 6.4362 and the fluctuation of 25.21% the P/E ratio is seen during this period which is high.

The average P/E ratio of BOK is 27.588 with standard deviation of 9.2475. The coefficient of variation is 33.52% which indicates that the bank has the medium fluctuation and NSBI has average P/E ratio is 38.89with standard deviation of 11.7633and the coefficient of variation is 3025%. It also indicates medium fluctuation during the study period.

vi. Dividend Yield

Dividend yield is the rate of return in the form of dividend per share by market price per share. Only higher dividend of lower dividends does not mater to investors. So it is essential to determine the rate of return on their investment. Dividend yield it an appropriate measure which helps to decide whether to make investment or not in a common stock. Sometimes, lower dividend also produces higher. Yield and higher dividends also produce lower yield. Therefore, dividend yield helps to investors to know the rate of return in the form of dividend.

Table 4.24

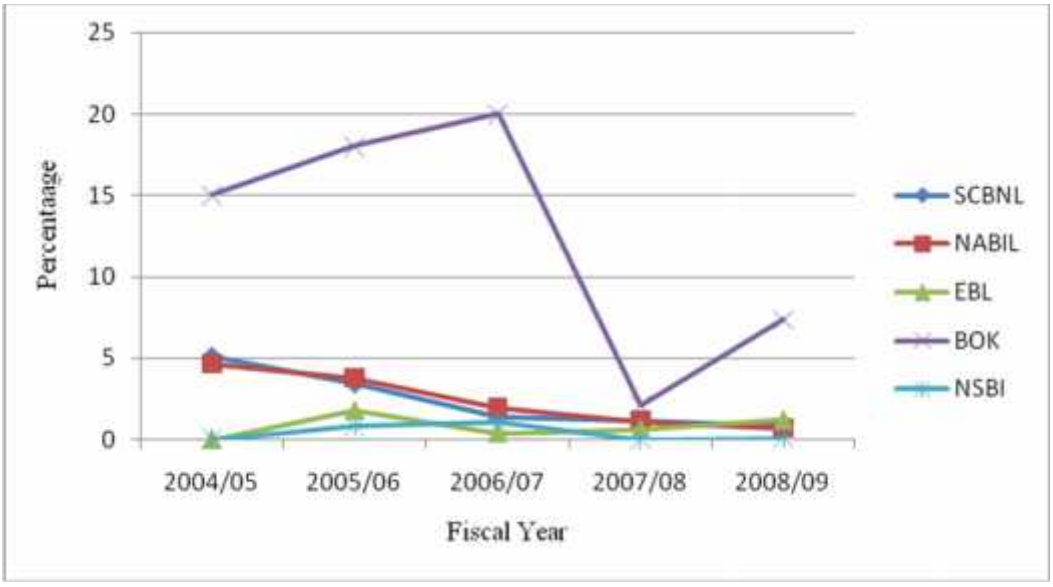
Dividend Yield (%)

Banks	Fiscal Year					Mean	S.D	C.V
	2004/05	2005/06	2006/07	2007/08	2008/09			
SCBNL	5.12	3.44	1.36	1.17	0.83	2.84	1.6455	69.02
NABIL	4.65	3.79	1.98	1.14	0.71	2.454	1.5232	62.07
EBL	0	1.81	0.41	0.64	1.22	0.86	0.6337	77.66
BOK	15.00	18.00	20.00	2.11	7.37	12.496	6.7382	53.92
NSBI	0	0.81	1.07	0	0.11	0.398	0.4519	113.54

(Sources: Annual Report of Concern Banks)

Figure 4.6

Dividend Yield



During the period of study, SCBNL had an average dividend yield of 2.384 with standard deviation of the dividend yield under the period of study is 1.6455%. The dividend yield range between 5.12% and 0.83%. The coefficient of variation shows that there is fluctuation of 69.02% in dividend yield of SCBNL. NABIL has dividend yield range between 4.65% and 0.71% during the period of study. An average dividend yield of 2.454 is noted during this period. The standard deviation of the Dividend yield is 1.5232. The C.V of 62.07% indicates that there is a fluctuation of the dividend yield of NABIL.

EBL within the period of study hand an average of dividend yield of 0.816ranging between 1.81 and 0. The standard deviation is 0.6337 and the fluctuation of 77.66% in the dividend yield, shown by the coefficient of variation.

The dividend yield of BOK range between 20% and 2.11% during the period of study. The average dividend yield is 53.92%. The standard deviation of the dividend yield is 6.7382. The C.V of 53.92% indicates that the fluctuation of the dividend yield of BOK is medium.

The average dividend yield of NSBI is 0.398. The standard deviation of the dividend yield is 0.4519 and. The C.V. of 113.54% indicates that the fluctuation of the dividend yield of NSBI is significantly high.

From the above data calculation, it can be seen that the average dividend yield of BOK is the highest and that of NSBI is the lowest. The dividend range of the banks under study during the period is between 20%and 0%. Similarly the standard deviation of BOK is the highest and NSBI is lowest the coefficient of variation of these hunks shows a high level of fluctuation in the dividend yield.

4.3 Return Analysis

A return analysis represent the investment return is defined as after tax increase in the value of ht initial investment. The increase in the value can come from two sources, a direct cash payment to the investors or an increase in market value of investment relative to the original purchase price.

Table 4.25

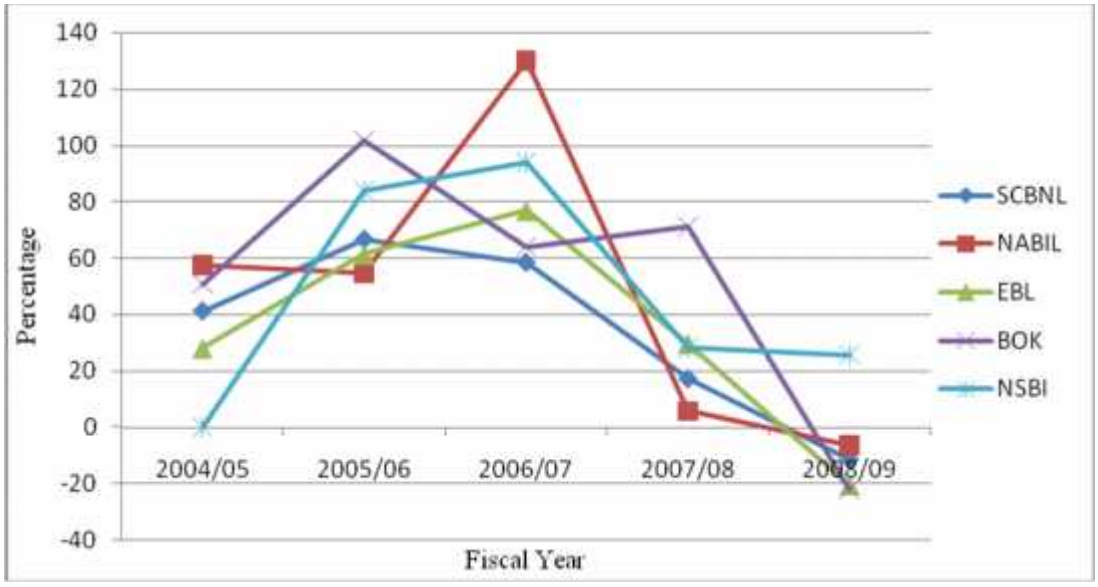
One Year Holding Period Return of Banks (%)

Banks	Fiscal Year					Mean	S.D	C.V
	2004/05	2005/06	2006/07	2007/08	2008/09			
SCBNL	41.26	66.52	58.41	17.33	-11.27	34.41	28.4226	82.60
NABIL	57.50	54.49	129.91	5.64	-6.4644	48.22	48.1708	99.89
EBL	27.94	61.38	76.94	29.71	-20.66	35.062	33.5580	95.71
BOK	50.85	101.86	64.12	71.06	-22.03	53.172	41.1609	77.41
NSBI	0.12	84.179	94.21	28.49	25.88	48.376	34.1326	70.56

(Sources: Annual Report of Concern Banks)

Figure 4.7

One year holding period return of banks



The above table shows the one year holding period return of listed commercial bank during the study period 2004/05 to 2008/09. The mean holding period return of SCBNL, NABIL, EBL, BOK and NSBI are 34.41, 48.22, 35.062, 53.062, 53.172 and 48.376 respectively the mean HPR of BOK is greater where as the mean HPR of SCBNL is less among the banks. The SCBNL, EBL and BOK have negative return in the FY 2008/09. And rests have positive return.

The C.V of NABIL is 99.89%. Which is higher among other banks which are taken for the study, the return of NABIL is more variance where as the C.V of NSBI is 70.56% lies less among there, the return comparing to other.

4.4 Statistical Tools

Under this heading some statistical tools such coefficient of correlation analysis between different various, trend analysis of deposits, loan and advances, investment and net profit as well as hypothesis test are used to achieve the objective of the study.

4.4.1 Coefficient of Correlation Analysis

Correlation analysis is the relationship between dependent variables so it is called constant variable also correlation is denoted by "r" and ranges from +1, indicating perfect positive correlation to -1, indicating perfect negative correlation. If the correlation coefficient is zero, then the factors are independent or un-correlated. In this chapter, correlation between MPS and EPS, NWPS, DPS have been calculated. The result have analyzed and interpreted and then significance of correlation has been tested using Karl person's correlation of co-efficient.

Interpretation of Correlation Co-efficient

- It lies always between +1 to -1.
- When r=+1, there is perfect positive correlation.
- When r=-1, there is perfect negative correlation.
- When r=0, there is no correlation
- When riles between 0.7 to 0.999, (-0.7 TO -0.999) there is a high degree of positive or negative correlation.
- Where r lies between 0.5 to 0.6999, this is moderate degree of correlation.
- When r is less than 0.5, there is low degree of correlation

Probable Errors

- If r<6P.E, then the value of "r" is not significant
- If r>6P.E, then the value of "r" is definitely significant
- If the other situation happens, nothing can be concluded with certainty.

4.4.1.1. Coefficient of correlation between MPS and EPS

This table is present to show the relationship between MPS and EPS. It is know that the correlation coefficient helps to determine if any relationship exists among variables and this test the significant of correlation coefficient.

Table 4.26

Correlation between MPS and EPS

S. No.	Names of Companies	Correlation coefficient (r)	Probable error (6P.E.)	Result
1	SCBNL	-0.3636	1.5702	Insignificant
2	NABIL	0.0804	2.0979	Insignificant
3	EBL	0.0701	2.1014	Insignificant
4	BOK	0.9595	0.1673	Significant
5	NSBI	0.8216	0.5880	Significant

(Sources: Annex- 19)

The statistical table 4.26 clear demonstrates that the degree of relationship between MPS and EPS seems to be significant. We can clearly see that the correlation of MPS and EPS -0.3636, 0.0804, 0.0701, 0.9595 and 0.8216 in case of SCBNL, NABIL, EBL, BOK and NSBI. Generally if the market value is increase then EPS is also increase but SCBNL shows surprise impact that the negative correlation between MPS and EPS. Thus, there exists negative correlation of SCBNL, low degree of positive correlation in NABIL and EBL, high degree of positive correlation in BOK and NSBI. Such an increasing value of MPS with EPS is healthy indicator of the financial activities of companies.

But value of 'r' is less than six times P.E. in case of SCBNL, NABIL & EBL. This states that there is not significant. BOK and NSBI the value of 'r' is greater than 6P.E. which shows that the BOK and NSBI are correlation coefficient of is significant.

In other words, if independent variables (EPS) increase then it causes to increase dependent variable (MPS) by 1 unit and vice- versa in case of positive correlation. Again if independent variable (EPS) decreases that it causes to decrease dependent variable (MPS) by 1 unit and vice- versa in case of negative correlation.

4.4.1.2 Coefficient of Correlation between MPS and NWPS

This table is present to show the relationship between MPS and NWPS. It is the correlation coefficient helps to determine if any relationship exists among variable and this test the significant of correlation coefficient.

Table 4.27

Correlation coefficient between MPS and NWPS

S. No.	Name of Companies	Correlation Coefficient (r)	Probable Error (6P.E.)	Result
1	SCBNL	-0.2101	2.0181	Insignificant
2	NABIL	0.1657	1.7604	Insignificant
3	EBL	0.9464	0.2205	Significant
4	BOK	-0.0493	1.8054	Insignificant
5	NSBI	0.7541	0.7806	Insignificant

(Sources: Annex- 20)

The statistical table 4.27 clear demonstrates that the degree of relationship between MPS and NWPS seems to be significant we can clearly see that the correlation of MPS with NWPS -0.2101, 0.1657, 0.9464, -0.0493 and 0.7541 respectively. SCBNL and BOK shows negative correlation, NABIL shows low degree of positive correlation and EBL and NSBI shows high degree of positive correlation. Such as increasing value of MPS NWPS is healthy indicator of financial activities of company in the least development countries.

But the value of 'r' is less than six times P.E. in case of SCBNL, NABIL, BOK and NSBI. This states that there is no significant. EBL the value of 'r' is greater than 6P.E. which shows that the correlation coefficient is significant.

In other words, if independent variables (NWPS) increase dependent variable (MPS) by 1 unit and vice-versa in case of positive correlation. Again if independent variables (NWPS) decrease than it causes to decrease dependent variable (MPS) by 1 unit and vice-versa in case of negative correlation.

4.4.1.3 Coefficient of Correlation between MPS and DPS

This table is present to show the relationship between MPS and DPS. It is know that the correlation coefficient helps to determine if any relationship exists among variables and this test the significant of correlation coefficient.

Table 4.28

Correlation Coefficient between MPS and DPS

S. No.	Name of Company	Correlation Coefficient	Probable Error (6P.E.)	Result
1	SCBNL	-0.8089	0.6258	Insignificant
2	NABIL	-0.2222	1.7208	Insignificant
3	EBL	0.4680	1.4136	Insignificant
4	BOK	-0.3398	1.6008	Insignificant
5	NSBI	0.0053	1.8096	Insignificant

(Sources: Annex- 21)

The statistical table 4.28 clear demonstrates that the degree of relationship between MPS and DPS seems to be significant. We can clearly see that the correlation of MPS with DPS -0.8089, -0.2222, 0.4680, -0.3398, 0.0053 respectively in case of SCBNL show high degree of negative correlation, NABIL shows low degree of negative correlation, EBL shows low degree of positive correlation, BOK shows low degree of negative correlation and NSBI shows low degree of positive correlation. Such an increasing value of MPS with DPS is healthy indicator of financial activities. We can clearly see that the correlation between MPS and EPS indicates unhealthy of companies.

But the value of 'r' is less than six times P.E. in case of SCBNL, NABIL, and BOK & NSBI. This states that there is no significant. In case of EBL the value of 'r' is greater than 6P.E. which shows that the correlation coefficient is significant.

4.4.2 Regression Analysis

Regression analysis is used to estimate the likely value of one variable i.e. in regression analysis we establish a kind of average irreversible functional relationship between the two variables. The cause and effect relationship is clearly indicated through regression analysis than by correlation. In other words, regression analysis is a mathematical

measure of the average relationship between two or more variables in terms of original units of data. There are two types of variables in regression analysis dependent variable and independent variable. The variable whose value is in fluctuated or is to be predicated is called dependent variable where as the variable which influences the value or is used for prediction is called independent variable.

For the study we confined to only two variables and this kind of regression is called simple regression.

4.4.2.1 Regression equation of MPS on EPS

.Table 4.29

Regression Equation of market price on EPS (MPS=a+bEPS)

Name of Company	Regression coefficient	
	Constant(a)	Slope(b)
SCBNL	1296.3261	25.2360
NABIL	2652.0000	9.7261
EBL	-1137.0641	41.1934
BOK	-1569.4213	63.2934
NSBI	-159.9133	46.7698

(Sources: Annex- 22)

Table 4.29 deficits the major output of simple regression between market price and EPS of the sampled companies. The regression coefficient of (b) of SCBNL, NABIL, EBL, BOK and NSBI are 25.2360, 9.7261, 41.1934, 63.2934, and 46.7698 respectively. They Indicate that there Exists positive relationship between market price and EPS which demonstrate that if EPS(independent variable) increase by 25.2360, 9.7261,41.1934, 63.2934 & 46.7698 units respectively causes to increase 1 unit value of MPS.

4.4.2.2 Regression Equation of Market price on NWPS

Table 4.30

Regression equation of MPS on NWPS (MPS=a+b NWPS)

Names of Companies	Regression Coefficient	
	Constant(a)	Slope (b)
SCBNL	7347.2108	-5.5708
NABIL	944.0423	7.8549
EBL	-2628.5699	17.2916
BOK	1669.6547	-1.4631
NSBI	-3603.0663	27.8819

(Sources: Annex- 23)

Table 4.30 deficits the major output of simple regression between market price and net worth per share. The regression coefficient (b) of NABIL, EBL and NSBI are positive of 7.8549, 17.2916, and 27.8819 respectively. They indicate that there exists positive relationship between market price and NWPS. If MPS increases by 7.8549, 17.2916 and 27.8819 units, causes to increase 1 unit value of NWPS. But in case of SCBNL and BOK the value of 'b' is negative i.e. -5.5708 and -1.4631, which means that there exists negative relationship between market price and NWPS which demonstrate that if NWPS (independent variable) decrease by -2.782 unit then MPS increase by 1 unit.

4.4.2.3 Regression Equation of Market price on DPS

Table 4.31

Regression Equation of MPS on DPS (MSP=a+bDPS)

Name of Companies	Regression Coefficient	
	Constant (a)	Slope (b)
SCBNL	9186.5844	-45.8107
NABIL	4911.3710	-15.9653
EBL	1451.0787	35.4189
BOK	832.6845	-42.6789
NNSBI	1104.2689	0.6424

(Sources: Annex-24)

Table 4.31 deficits the major output of simple regression between market price and DPS of the sampled companies. The regression coefficient (b) of EBL and NSBI are positive of 35.4189 and 0.6424 respectively. They indicate that there exists positive relationship between market price and DPS. If the market price increases by 35.4189 and 0.6424 units, causes to increase DPS by 1 unit.

But increase of SCBNL, NABIL and EBL the value of 'b' is negative i.e. -45.8107, -15.9653 and -42.6789 which indicate that there exits negative relationship between market price and DPS which demonstrate that if DPS (independent variable) decrease by -45.8107, -15.9653 and -42.6789 units then it leads to increase MPS by 100% and vice-versa. In case of slope if one variable increase than other variable decreases.

4.5 Major Findings of the Study

Having completed the basic analysis required for this study, the find and the most important task of the research is to enlist the findings. This will give meaning to the desired result. A comprehensive summary of the major findings of this study is presented below.

Liquidity Ratio

The liquidity position of SCBNL, NABIL, EBL, BOK and NSBI reveals that:

- From the analysis of current ratio it is found that the mean of ratio of NSBI is higher than that of EBL, BOK, NABIL and SCBNL. It means NSBI has maintained the higher liquidity. And lower risk in compare to other banks. The ratio of NSBI is more consistent than HBL and less consistent than NABIL, BOK and SCBNL.
- The mean ratio of cash and bank balance to total deposits SCBNL is lower than NSBI, BOK, NABIL & NSBI; it states that cash and bank balance in liquidity position of SCBNL is more consistent than EBL & NSBI.
- The mean ratio of cash and balance to current assets of NABIL is lower than SCBNL, NSBI, BOK and EBL. It states that the liquidity position of NABIL is poor than that of SCBNL, NSBI, BOK and EBL. And the ratio of NABIL is more variable than that of other four banks.

- In overall, the mean ratio of investment in government securities to current assets ratio of SCBNL is higher than NSBI, EBL, BOK and NABIL. It means SCBNL has invested its higher portion of current assets on government securities, than other four banks. On the other had C.V. in ratio of BOK is greater than that of NABIL, NSBI, EBL & SCBNL. Which means the variability of ratios of BOK is less consistent than that of NABIL, NSBI, EBL, & SCBNL.
- The mean ratio of loan and advance to current assets ratio of NABIL is greater than other four banks. It means NABIL has succeeded to invest its fund in loan and advances but seen little weak in comparison to SCBNL in point of view of C.V.
- In overall, the mean ratio of investment in government securities to total deposit ratio of SCBNL is higher than that of NSBI, EBL, BOK and NABIL. And it is more consistent than other four banks.

Assets Management Ratio (Activity Ratio)

The assets management ratio of SCBNL, NABIL, EBL, BOK and NNSBI reveals that.

- In overall mean ratio of loan and advances to total deposit ratio of BOK is higher than that of NNSBI, EBL, NABIL and SCBNL, in side of co-efficient of variation of above banks EBL has 4.55% which is comparatively lower than NABIL, SCBNL, BOK and NNSBI i.e. 4.59%, 6.95%, 7.45% and 16.15%.
- The mean ratio of total investment to total deposit of SCBNL is higher than NNSBI, NABIL, BOK and EBL. SCBNL is more consistent than NABIL.
- The mean ratio of loan and Advance to total working fund of NABIL is higher than BOK, NNSBI, EBL and SCBNL. So that NABIL fund mobilization in terms of loan and advance with respect of total working fund is more satisfactory than that of other four banks.
- The mean of investment on government securities to total working fund ratio of SCBNL is higher than NSBI, NABIL, EBL and BOK. However NABIL seems to have more variable and uniform ratios than that of four compared banks.
- The mean ratio of investment on share and debenture to total working fund of NABIL is higher than BOK, SCBNL, EBL and NSBI and also NABIL is less consistent and heterogeneous than SCBNL, EBL, BOK and NSBI.

Profitability ratio

The profitability ratio of SCBNL, NABIL, EBL, BOK and NSBI reveals that:

- NABIL has the mean ratio of return on Total Assets Ratio is higher than SCBNL, BOK, EBL and NSBI on the other hand NSBI is less consistent than BOK, NABIL, EBL and SCBNL.
- The mean ratio of Net profit to Net worth ratio of SCBNL is higher than NABIL, EBL, BOK and NSBI. The variable of NABIL is less than SCBNL & higher than EBL, BOK & NSBI.
- The mean ratio of Total Interest Earned to Total Working fund ratio of NABIL is higher than other four banks. So we can say that NABIL is in strong position to generate interest income from the total working fund than other four banks. SCBNL is more consistent than other four banks.
- The mean ratio of Total Interest paid to total working fund ratio of NSBI is higher than BOK, EBL, NABIL and SCBNL. It means NSBI pays higher interest than other four banks during the study period. NABIL is less consistent than other banks.
- The return on equity ratio, In the point of view of average mean and lower C.V. it can be concluded that comparatively NABIL has mobilized its equity capital more efficiently than other banks. So, NABIL has sound investment policy on equity capital more over its lower C.V. shows its more homogenous during the study period.

Leverage Ratio

- The mean ratio of Debt-Assets ratio of NSBI is higher than BOK, NAIL, EBL and SCBNL. The C.V. of EBL is less than other four banks. Above statement conclude that the Debt financing of NSBI in Assets is high. Therefore NSBI is utilizing a highest debt among the sample banks. EBL has more consistency than other sample banks.
- The mean ratio of Debt-equity ratio of SCBNL is lowest mean ratio than other, it declared that SCBNL has lowest debt cost and higher investment from equity fund. The highest mean ratio is recorded by NSBI, they have more investment from debt than equity fund which cost a higher than equity. Higher debt investment brings a

higher cost to the banks. EBL has lowest C.V. which defined that EBL has consistency in debt-equity ratio.

Return to Investor

- The mean ratio of market price per share of SCBNL is higher than other four banks and it is more consistent than other sampled banks.
- The mean ratio of Net worth per share of SCBNL is the highest and that of NSBI is the lowest and NABIL has more consistent than other four banks.
- The mean ratio of earnings per share of SCBNL is higher than other four banks. It shows that SCBNL has the better has more consistent than other four banks.
- The mean ratio of dividend per share of SCBNL is higher than NABIL, EBL, BOK and NSBI. NSBI has less consistent than other four banks.
- The mean ratio of price earnings ratio of NSBI is higher than SCBNL, NABIL, BOK and EBL. EBL is more consistent than other four banks.
- The mean ratio of dividend yield of BOK is higher than NABIL, SCBNL, EBL and NSBI. NSBI is less consistent and BOK is more consistent than other banks.
- The average mean of one year holding period returns of NSBI is higher than other four banks and it is more consistent.

Correlation and Regression Analysis

- Correlation coefficient of MPS with EPS, there exist negative correlation I SCBNL and positive correlation in NABIL, EBL, BOK and NSBI. Such an increasing value of MPS with EPS is healthy indicator of the financial activities of companies in the least development countries like Nepal. But the value of 'r' is less than six times P.E. in case of SCBNL, NABIL, and EBL. This states that there is not significant. BOK and NSBI and value of 'r' is greater than 6P.E. which shows that BOK and NSBI are correlation coefficient of is significant.
- Correlation coefficient of MPS with NWPS, there exist negative correlation in SCBNL & BOK, low degree of positive correlation in case of NABIL, and high degree of positive correlation in case of EBL & NSBI. Such an increasing value of MPS with NWPS is healthy indicator of the financial activities of companies in the

least development countries. But the value of 'r' is less than six times P.E. in case of SCBNL, NABIL and BOK. This states that there is no significant. In case of EBL & NSBI the value of 'r' is greater than 6P.E. which shows that the correlation coefficient is significant.

- Correlation coefficient of MPS with DPS there exist negative correlation in SCBNL, NABIL and BOK and positive correlation in EBL & NSBI. Such an increasing value of MPS with DPS is healthy indicator of the financial activities of companies in the least development countries.

If independent variable (EPS, NWPS & DPS) increase then it causes to increase depended variable (MPS) by 1 unit and vice- versa in case of positive correlation. Again if independent variable (EPS, NWPS, & DPS) decrease than it causes to increase dependent variable (MPS) by 1 unit and vice-versa in case of negative correlation.

- The regression coefficient (b) of SCBNL, NABIL, EBL, BOK and NSBI are positive. Which indicate that there exist positive relationship between market that there exist positive relationship between market price and EPS.
- The regression coefficient (b) of NABIL, EBL and NSBI are positive. They indicate that there exists positive relationship between market price and NWPS. But increase of SCBNL & BOK, the value of 'b' is negative, which means that there exists negative relationship between market price and NWPS.
- The regression coefficient (b) of EBL and NSBI are positive. They indicate that there exist positive relationship between market price and DPS. But increase of SCBNL, NABIL and BOK, the value of 'b' is negative, which means that price.

CHAPTER - V

SUMMARY, CONCLUSION AND RECOMMENDATION

This is the final chapter that involves summary, conclusions and recommendations of the research work. The facts and findings from secondary data analysis are presented in this chapter. Besides summarizing and concluding research work, recommendations are made to concerned persons and organizations.

5.1 Summary

Finance plays a vital role for successful operation of any industry or organization. The capital structure decision is one of the most crucial complex areas of financial decision making. Capital markets provide a channel where the saving of small individual is directed towards productive sector. Barter system, which started with the civilization of human race, still operates in the era of development in a difficult process. So, barter system can be taken as the foundation of the today's financial markets. Financial market brings borrowers and lenders to the same place, where both parties fulfill their needs. Borrowers receive fund from the lender having excess funds by promising to pay certain return in future. Securities are the major tool of investment for the lender where as it is one of the important sources of collecting funds for institutions. The fund users must use the fund efficiently so that they could earn justifiable return from the investment. The securities issued on exchange of fund are liquid assets, which are traded in the stock market. The price of the liquid assets is determined by performance of the institutions. This research has been focused on these two aspects that are financial performance and rate of return to investors.

The first chapter has focused on the objective of the study defining the problem. Being very specific the study has been initiated to determine the financial performance and its effect on the stock price, which determines the return to investors.

Second chapter is the survey on the area of study. It includes conceptual review and review of related studies. Conceptual review based on text book has portrayed the theoretical concept of the related area. It consists discussion on financial performance and indicators the concept of return and the techniques of measuring return. Related to these areas, such as investment environment, includes a glance on securities. Financial markets and investment strategies, which play a vital role determining, return. The second section deals with the relevant studies conducted in this area.

Even though there were no more study on this topic has found but there were some studies related to this study. Their finding has been presented in this section if it is applicable. Similarly journal review, independent studies, article studies were also found relevant and extracted on this section.

Research and methodology in the third chapter is the main heart of the study. It is designed in that way so that it could give the total method of analysis starting from research design. Population and sample sources of data, limitation of the methodology and the most important data analysis tools are also presented. The analysis methodology ranges from financial analysis, statistical analysis to significance test.

Above mentioned tools of analysis have been implemented in the fourth chapter. The data has covered a five year period starting from 2002/03 to 2006/07. Relation between the pre determined variables, which represent financial performance and return are tried to unfold. First of all statistical analysis using correlation analysis and regression analysis has been calculated. At the end significance test using ‘t’ test statistics has been done to test the significance of the study. The second part of the study has outlined the major findings of the study.

5.2 Conclusion

Liquidity ratio measures the ability of firm to meet its maturing shot-term obligation and reflects the short- term financial strength. Liquidity refers to the solvency of the firm's overall financial position. NSBI is capable to pay their current obligation in comparison

to EBL, BOK, SCBNL and NABIL. Comparatively SCBNL is low capable to maintain cash and bank balance than other four banks. SCBNL has invested its more portions of current assets as government securities than that of NSBI, EBL, BOK and NABIL. SCBNL liquidity portion from the point of view of investment on government securities is better than that of other four banks. NABIL has succeeded to invest its fund in loan and advances in comparison to BOK, NSBI, EBL and SCBNL but seen little weak in comparison to SCBNL in point of view of C.V.

From the analysis of assets management ratio SCBNL has strong position regarding the mobilization of total deposit on loan and advance and acquiring higher profit with compare to NSBI, EBL, BOK and NABIL. EBL is in weak condition to mobilize its deposit by investing in different sectors in comparison of other four banks. EBL fund mobilization in terms of loan and advances with respect of total working fund is more satisfactory than that of other four banks. NABIL's fund mobilization in terms of government securities with respect of total working fund is not more satisfactory than other four banks and NABIL is not satisfactory of ratios point of view is fund mobilizing term and less homogeneous. NABIL has invested more portion of its total working fund on share and debentures than other four banks. And also NABIL is less consistent than SCBNL, EBL, BOK and NSBI.

In profitability ratio, it can be concluded that SCBNL has indicates efficiency in utilizing its overall resources than other banks. It's less consistent and homogeneous than NABIL and more than EBL, BOK and NSBI. NSBI has less successful and SCBNL has high successful than others banks in earning a net profit with respect to Net worth they has consistency or stability in earning a net profit. NABIL is in strong position to generate interest income from the total working fund than other four banks. BOK is in better position from payment of interest point of view (less expenses generate the high income generate theory). It seems to be successful to collect its working fund from less expensive sources in comparison to SCBNL, NABIL, EBL and less than NSBI. In the point of view of average mean and lower C.V. it can be concluded that comparatively NABIL has mobilized its equity capital more efficiently than other banks. So, NABIL has sound

investment policy on equity capital more over its lower C.V. shows its more homogenous during the study period.

In average ratio it can be concluded that the debt financing of NSBI in Assets is high. Therefore NSBI is utilizing a highest debt among the sample banks and EBL has more consistency than other sample banks. SCBNL has lowest debt cost and higher investment from equity fund. The highest mean ratio is recorded by NSBI; they have more investment from debt than equity fund which cost a higher than equity higher debt investment brings a higher cost to the banks.

From the investor analysis, the analysis it is found that common stock of sampled banks are dependent mainly on the financial performance. However the analyses are not exactly reflected in the share price. This may be due to lack of analysis in the movement and relationship of the MPS with reference to various variables. It can be inferred that the investors are still investing in the shares based on the number rather than financing on a realistic picture.

The regression coefficient (b) between MPS and EPS of SCBNL, NABIL, EBL, BOK and NSBI are positive. The regression coefficient (b) between MPS and NWPS of NABIL, EBL & NSBI are positive which indicate that there exist positive relationship between MPS and NWPS. SCBNL and BOK, the value of 'b' is negative. NABIL, EBL & NSBI which means that there exist positive relationship between market price and NWPS which demonstrate that if NWPS (independent variable) increase then it leads to increase MPS by 1 unit and vice-versa. In case of slope if one variable increase than other variable increases. The regression coefficient (b) between MPS and DPS of EBL & NSBI are positive. They indicate that there exists positive relationship between market price and DPS. If market price increase then heads to increase DPS by 1 unit and vice-versa. But increase of SCBNL, NABIL and EBL, the value of 'b' is negative. This means that there exist negative relationship between market price and DPS. Which demonstrate that it leads to increase MPS by 1 unit and vice- versa. In case of slope if one variable increase than other variable decrease.

5.3 Recommendation

Based on the research work, the researcher has reached the following recommendations.

- Market performance of the banking sector is very strong. The share prices of the banks are always on the rise except in some years. Investors assuming any strategy will not regret if invested in this sector.
- A continuous flow or information should be made available to the investor, which will help the investors to accurately value the shares.
- Good management uplifted the performance of company shareholders are the owner but neither can take part actively in the mgmt nor can control the management is answerable to shareholder through directors. Hence for the best performance board should decision appropriate policies and monitor the performance of the managers in implementing them.
- Investors are unaware of financial markets, programs creating awareness among the investors should be conducted, which is for most duty of the Nepal stock Exchange.
- Certain measures should be conducted by the NEPSE that would try to increase the participation of number of shareholders in share trading.
- Only performing well is not an end, in an efficient market the basic goals is to make the market aware of the performance idea in the investors mind are very necessary.
- It is recommended to carry out further research study on financial performance and its impact in the stock price further more to educate the investors regarding the relevancy of financial performance. There is a crying need of a separate body made up of financial experts and chartist to provide financial suggestions to public investors.

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ANNEXURE

Annex: 1

A. Current Ratio (Times)

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

1. SCBNL	**Fiscal Year**				
	2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**
Current Assets	17097081500	20037995200	20912966330	2647342900	29265042820
Current Liabilities	18755330200	21876906220	22883846240	27542226390	30133300650
Ratio	0.91	0.94	0.91	0.96	0.97

2.NABIL	**Fiscal Year**				
	2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**
Current Assets	13091946160	17054820480	21599842220	30383335560	34218848960
Current Liabilities	13310845970	16832680800	18878581070	24631474050	30445143560
Ratio	0.98	1.01	1.14	1.23	1.12

3. EBL	**Fiscal Year**				
	2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**
Current Assets	11343226180	21734966810	19892703390	24967250600	33912639530
Current Liabilities	7195940746	10454124620	14304397320	17481924010	27051245360
Ratio	1.58	2.08	1.39	1.35	1.25

4.BOK	**Fiscal Year**				
	2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**
Current Assets	8754563197	10865255590	12644207420	15411768680	18202620150
Current Liabilities	6282927612	7975661656	9620949511	12376675870	13979797820
Ratio	1.30	1.25	1.31	1.25	1.30

5.NNSBI	**Fiscal Year**				
	2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**
Current Assets	9758855328	12831949910	13371933350	16741165580	20310768100
Current Liabilities	4718020775	5124864179	6205077586	7090436716	10838203390
Ratio	2.07	2.50	2.15	2.36	1.87

Annex: 2

B. Cash and bank balance to Total Deposit Ratio (%)

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

1. SCBNL	**Fiscal Year**				
	2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**
Cash & Bank Balance	1111116894	1276241423	2021021068	2050243214	3137163535
Total Deposit	19363469850	23061032081	24647020755	29743998794	3537163535
Ratio	5.74	5.53	8.20	6.89	8.75

2. NABIL	**Fiscal Year**				
	2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**
Cash & Bank Balance	559380614	630238588	1399825851	2671141055	3372512471
Total Deposit	14586608707	19347399440	23342285327	31915047467	37348255840
Ratio	3.83	3.28	5.10	8.37	9.03

3.EBL	**Fiscal Year**				
	2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**
Cash & Bank Balance	1049989208	1552967494	2391420594	2667971830	6164371163
Total Deposit	10097690989	13802444988	18186253541	23976298535	33322946246
Ratio	10.40	11.25	13.15	11.13	18.50

4. BOK	**Fiscal Year**				
	2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**
Cash & Bank Balance	740520482	728697092	1315903941	1440466943	2182111836
Total Deposit	8975780868	10485359239	12388927294	15833737799	18083980266
Ratio	8.25	6.95	10.62	9.09	12.07

5. NSBI	**Fiscal Year**				
	2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**
Cash & Bank Balance	723745300	1118158408	1122690227	1342960326	1903906121
Total Deposit	8654774214	11002040633	11445286030	13715394960	27957220794
Ratio	8.36	10.16	9.81	9.79	6.81

Annex: 3

C. Cash and Bank Balance to Current Assets Ratio (%)

$$= \frac{\text{Cash \& Bank Balance}}{\text{Current Assets}}$$

1. SCBNL	**Fiscal Year**				
	2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**
Cash & Bank Balance	1111116894	1276241423	2021021068	2050243214	3137163535
Current Assets	17097081500	20037995200	20912966330	26473429000	3137163535
Ratio	6.50	6.37	9.66	7.74	10.72

2. NABIL	**Fiscal Year**				
	2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**
Cash & Bank Balance	5593806614	630238588	1399825851	2671141055	3372512471
Current Assets	13091946160	17054820480	21599842220	30383335560	34218848960
Ratio	4.27	3.70	6.48	8.79	9.86sss

3. EBL	**Fiscal Year**				
	2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**
Cash & Bank Balance	1049989208	1552967494	2391420594	2667971830	6164371163
Current Assets	11343226180	21734966810	19892703390	24967250600	33912639530
Ratio	9.26	7.15	12.02	10.69	18.18ss

4. BOK	**Fiscal Year**				
	2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**
Cash & Bank Balance	740520482	728697092	1315903941	1440466943	2182111836
Current Assets	8754563197	10865255590	12644207420	15411768680	18202620150
Ratio	8.46	6.71	10.41	9.35	11.99sss

5.NSBI	**Fiscal Year**				
	2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**
Cash & Bank Balance	723745300	1118158408	1122690227	1342960326	1903906121
Current Assets	9758855328	12831949910	13371933350	16741165580	20310768100
Ratio	7.42	8.71	8.39	8.02	9.37

Annex: 4

D. Investment on Government securities to Current Assets Ratio (%)

$$= \frac{\text{Investment on Government Securities}}{\text{Current Assets}}$$

1. SCBNL	**Fiscal Year**				
	2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**
Investment on Government securities	7203066250	8635875440	7107937303	8137615178	9998753558
Current Assets	17097081500	20037995200	20912966330	26473429000	29265042820
Ratio	34.17	43.10	33.99	30.74	34.17

2. NABIL	**Fiscal Year**				
	2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**
Investment on Government securities	2418431378	2301463338	4808348503	4646883136	3706102662
Current Assets	13091946160	17054820480	21599842220	30383335560	34218848960
Ratio	18.47	13.49	22.26	15.29	10.83

3. EBL	**Fiscal Year**				
	2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**
Investment on Government securities	2100289702	3548616968	4704632426	4821604744	5146045773
Current Assets	11343226180	21734966810	19892703390	24967250600	339126395
Ratio	18.52	16.33	23.65	19.31	15.17ss

4. BOK	**Fiscal Year**				
	2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**
Investment on Government securities	2146619488	2658369057	2332041251	2113223115	1744976571
Current Assets	8754563197	10865255590	12644207420	15411768680	18202620150
Ratio	24.52	24.47	18.44	13.71	9.59

5. NSBI	**Fiscal Year**				
	2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**
Investment on Government securities	2588141003	3591773064	2345579516	3035553586	3306573660
Current Assets	9758855328	12831949910	13371933350	16741165580	20310768100
Ratio	26.52	27.99	17.54	18.13	16.28

Annex: 5

E. Loan & Advance to Current Assets Ratio (%)

$$= \frac{\text{Total Loan \& Advance}}{\text{Current Assets}}$$

1. SCBNL	**Fiscal Year**				
	2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**
Total Loan & Advance	8143207783	8935417810	10502637135	13718597132	13679756990
Current Assets	17097081500	20037995200	20912966330	26473429000	29265042820
Ratio	47.63	44.59	50.22	51.82	46.74

2. NABIL	**Fiscal Year**				
	2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**
Total Loan & Advance	10586170002	12922543153	15545778730	21365053318	27589933041
Current Assets	13091946160	17054820480	21599842220	30383335560	34218848960
Ratio	80.86	75.77	71.97	70.32	80.63s

3. EBL	**Fiscal Year**				
	2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**
Total Loan & Advance	7618671476	9801307676	13664081664	18339085562	23884673616
Current Assets	11343226180	21734966810	19892703390	24967250600	33912639530
Ratio	67.16	45.09	68.69	73.45	70.43

4. BOK	**Fiscal Year**				
	2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**
Total Loan & Advance	5912579472	7259082579	9399327617	12462637541	14647296987
Current Assets	8754563197	10865255590	12644207420	15411768680	18202620150
Ratio	67.54	66.81	74.34	80.86	80.47

5. NSBI	**Fiscal Year**				
	2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**
Total Loan & Advance	6213878776	7626736137	9460450701	12113698428	15131747944
Current Assets	9758855328	12831949910	13371933350	16741165580	20310768100
Ratio	63.67	59.44	70.75	72.36	74.50

Annex: 6

F. Investment in Government Securities to Total Deposit Ratio (%)

$$= \frac{\text{Investment in Government Securities}}{\text{Total Deposit}}$$

1. SCBNL	**Fiscal Year**				
	2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**
Investment on Government Securities	7203066250	8635875440	7107937303	8137615178	9998753558
Total Deposit	19363469850	23061032081	24647020755	29743998794	35871721127
Ratio	37.20	37.45	28.84	27.36	27.87

2. NABIL	**Fiscal Year**				
	2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**
Investment on Government Securities	2418431378	2301463338	4808348503	4646883136	3706102662
Total Deposit	14586608707	19347399440	23342285327	31915047467	37348255840
Ratio	16.58	11.89	20.59	14.56	9.92

3. EBL	**Fiscal Year**				
	2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**
Investment on Government Securities	2100289702	3548616968	4704632426	4821604744	5146045773
Total Deposit	10097690989	13802444988	18186253541	23976298535	33322946246
Ratio	20.80	25.71	25.87	20.11	15.44

4. BOK	**Fiscal Year**				
	2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**
Investment on Government Securities	2146619488	2658369057	2332041251	2113223115	1744976571
Total Deposit	8975780868	10485359239	12388927294	15833737799	18083980266
Ratio	23.92	25.35	18.82	13.35	9.65s

5. NSBI	**Fiscal Year**				
	2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**
Investment on Government Securities	2588141003	3591773064	2345579516	3035553586	3306573660
Total Deposit	8654774214	11002040633	11445286030	13715394960	27957220794
Ratio	29.90	32.65	20.49	22.13	11.83

Annex: 7

G. Loan & Advance to Total Deposit Ratio (%)

$$= \frac{\text{Loan \& Advance}}{\text{Total Deposit}}$$

1. SCBNL	**Fiscal Year**				
	2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**
Loan & Advance	8143207783	8935417810	10502637135	13718597132	13679756990
Total Deposit	19363469850	23061032081	24647020755	29743998794	35871721127
Ratio	42.05	38.75	42.61	46.12	38.14

2. NABIL	**Fiscal Year**				
	2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**
Loan & Advance	10586170002	12922543153	15545778730	21365053318	27589933041
Total Deposit	14586608707	19347399440	23342285327	31915047467	37348255840
Ratio	72.57	66.79	66.60	66.94	73.87

3. EBL	**Fiscal Year**				
	2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**
Loan & Advance	7618671476	9801307676	13664081664	18339085562	23884673616
Total Deposit	11343226180	13802444988	18186253541	23976298535	33322946246
Ratio	67.16	71.01	75.13	76.49	71.68

4. BOK	**Fiscal Year**				
	2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**
Loan & Advance	5912579472	7259082579	9399327617	12462637541	14647296987
Total Deposit	8975780868	10485359239	12388927294	15833737799	18083980266
Ratio	65.87	69.23	75.87	78.71	80.10

5. NSBI	**Fiscal Year**				
	2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**
Loan & Advance	6213878776	7626736137	9460450701	12113698428	15131747944
Total Deposit	8654774214	11002040633	11445286030	13715394960	27957220794
Ratio	71.80	69.32	82.66	88.32	54.12

Annex: 8

H. Total Investment to Total Deposit Ratio (%)

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

1. SCBNL	Fiscal Year				
	2004/05	2005/06	2006/07	2007/08	2008/09
Total Investment	9702553250	12838555440	13553233464	13902819011	20236121082
Total Deposit	19363469850	23061032081	24647020755	29743998794	35871721127
Ratio	50.11	55.67	54.99	46.74	56.41

2. NABIL	Fiscal Year				
	2004/05	2005/06	2006/07	2007/08	2008/09
Total Investment	4275528208	6178533108	8945310567	9939771428	10826379001
Total Deposit	14586608707	19347399440	23342285327	31915047467	37348255840
Ratio	29.31	31.93	38.32	31.14	28.99

3. EBL	Fiscal Year				
	2004/05	2005/06	2006/07	2007/08	2008/09
Total Investment	2128931852	4200515220	4984314586	5059557544	5948480273
Total Deposit	10097690989	13802444988	18186253541	23976298535	33322946246
Ratio	21.08	30.43	27.41	21.10	17.85

4. BOK	Fiscal Year				
	2004/05	2005/06	2006/07	2007/08	2008/09
Total Investment	2598253410	3374711966	2992433866	3204067718	2783598566
Total Deposit	8975780868	10485359239	12388927294	15833737799	18083980266
Ratio	28.95	32.18	24.15	20.24	15.39

5. NSBI	Fiscal Year				
	2004/05	2005/06	2006/07	2007/08	2008/09
Total Investment	2607680003	3610775484	2659452919	3088886918	13286181660
Total Deposit	8654774214	11002040633	11445286030	13715394960	27957220794
Ratio	30.13	32.82	23.24	22.52	47.52

Annex: 9

I. Loan and Advance to Total Working Fund Ratio (%)

$$= \frac{\text{Loan and Advance}}{\text{Total working Fund}}$$

1. SCBNL	**Fiscal Year**				
	2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**
Loan and Advance	8143207783	8935417810	10502637135	13718597132	13679756990
Total working fund	17087255990	20026150690	20900828450	26408795990	29226171440
Ratio	47.66	44.62	50.25	51.95	46.81

2. NABIL	**Fiscal Year**				
	2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**
Loan and Advance	10586170002	12922543153	15545778730	21365053318	27589933041
Total working fund	13075442990	17040325450	21579718140	30365395980	34192620160
Ratio	80.96	75.84	72.04	70.36	80.69s

3. EBL	**Fiscal Year**				
	2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**
Loan and Advance	7618671476	9801307676	13664081664	18339085562	23884673616
Total working fund	11341925400	21732538710	19890087680	24964578180	33906591010
Ratio	67.17	45.10	68.70	73.46	70.44

4. BOK	**Fiscal Year**				
	2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**
Loan and Advance	5912579472	7259082579	9399327617	12462637541	14647296987
Total working fund	8747556883	10856339380	12635501870	15397888370	18180537540
Ratio	67.59	66.86	74.39	80.94	80.57

5. NSBI	**Fiscal Year**				
	2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**
Loan and Advance	6213878776	7626736137	9460450701	12113698428	15131747944
Total working fund	9756800137	12829800590	13362314560	16731806710	20291055690
Ratio	63.69	59.45	70.80	72.40	74.57

Annex: 10

J. **Investment on government Securities to Total Working Fund Ratio =**

$$\frac{\text{Investment On Government Securities}}{\text{Total Working Fund}}$$

1. SCBNL	**Fiscal Year**				
	2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**
Investment on government securities	7203066250	8635875440	7107937303	8137615178	9998753558
Total working fund	17087255990	20026150690	20900828450	26408795990	29226171440
Ratio	42.15	43.12	34.01	30.81	32.21

2. NABIL	**Fiscal Year**				
	2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**
Investment on government securities	2418431378	2301463338	4808348503	4646883136	3706102662
Total working fund	13075442990	17040325450	21579718140	30365395980	34192620160
Ratio	18.50	13.51	28.28	15.30	10.84

3. EBL	**Fiscal Year**				
	2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**
Investment on government securities	2100289702	3548616968	4704632426	4821604744	5146045773
Total working fund	11341925400	21732538710	19890087680	24964578180	33906591010
Ratio	18.52	16.33	23.65	19.31	15.18

4. BOK	**Fiscal Year**				
	2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**
Investment on government securities	2146619488	2658369057	2332041251	2113223115	1744976571
Total working fund	8747556883	10856339380	12635501870	15397888370	18180537540
Ratio	24.54	24.49	18.46	13.72	9.60

5. NSBI	**Fiscal Year**				
	2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**
Investment on government securities	2588141003	3591773064	2345579516	3035553586	3306573660
Total working fund	9756800137	12829800590	13362314560	16731806710	20291055690

Ratio	26.53	27.99	17.55	18.14	16.29

Annex: 11

K. Investment on Shares and Debenture to Total Working Fund Ratio (%)

$$= \frac{\text{Investment on Shares \& Debenture}}{\text{Total Working Fund}}$$

1. SCBNL	**Fiscal Year**				
	2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**
Investment on Share and Debenture	13348000	15343000	44943000	114536000	115418500
Total working fund	17087255990	20026150690	20900828450	26408795990	29226171440
Ratio	0.08	0.08	0.22	0.43	0.39

2. NABIL	**Fiscal Year**				
	2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**
Investment on Share and Debenture	443087180	104192082	286957542	242684400	272428764
Total working fund	13075442990	17040325450	21579718140	30365395980	34192620160
Ratio	3.39	0.61	1.33	0.80	0.80

3. EBL	**Fiscal Year**				
	2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**
Investment on Share and Debenture	19387000	19887000	19887000	101152000	102034500
Total working fund	11341925400	21732538710	19890087680	24964578180	33906591010
Ratio	0.17	0.09	0.10	0.41	0.30

4. BOK	**Fiscal Year**				
	2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**
Investment on Share and Debenture	93019550	96867892	90168896	114059078	123751074
Total working fund	8747556883	10856339380	12635501870	15397888370	18180537540
Ratio	1.06	0.89	0.71	0.74	0.68sss

5. NSBI	**Fiscal Year**				
	2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**
Investment on Share and Debenture	19539000	19539000	31939000	32821500	32946500
Total working fund	9756800137	12829800590	13362314560	16731806710	20291055690

Ratio	0.20	0.15	0.24	0.20	0.16

Annex: 12

L. Return on Total Assets Ratio (%)

$$= \frac{\text{Net Profit After Tax}}{\text{Total Assets}}$$

1. SCBNL	**Fiscal Year**				
	2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**
Net profit after tax	536244885	658755881	691668064	818921008	1025114536
Total Assets	21781679522	25767352068	28596689451	33335788326	40587468009
Ratio	2.46	2.56	2.42	2.46	2.53

2. NABIL	**Fiscal Year**				
	2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**
Net profit after tax	520114085	635262349	673959698	746468394	1031053098
Total Assets	17064082093	22329971078	27253393008	37132759149	43867397504
Ratio	3.06	3.23	2.72	2.32	2.55

3. EBL	**Fiscal Year**				
	2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**
Net profit after tax	168214611	237290936	296409281	451218613	638732757
Total Assets	11732516418	15959284687	21432574300	27149342884	36916848654
Ratio	1.43	1.46	1.38	1.66	1.73

4. BOK	**Fiscal Year**				
	2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**
Net profit after tax	139529721	202440627	262386980	361496879	461734911
Total Assets	9888533138	12278329302	14581394916	17721925187	20496005483
Ratio	1.41	1.65	1.80	2.04	2.25

5. NSBI	**Fiscal Year**				
	2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**
Net profit after tax	57386634	117001973	254908844	247770758	316373495
Total Assets	9963021251	13035839124	13901200559	17187446174	30916681796
Ratio	0.58	0.90	1.83	1.44	1.02

Annex: 13

M. Net Profit to Net Worth Ratio (%)

$$= \frac{\text{Net Profit}}{\text{Net worth}}$$

1. SCBNL	**Fiscal Year**				
	2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**
Net profit	536244885	658755881	691668064	818921008	1025114536
Net worth	1582415000	1754139000	2116353000	2492548000	3052470000
Ratio	33.89	37.55	32.68	32.85	33.58

2. NABIL	**Fiscal Year**				
	2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**
Net profit	520114085	635262349	673959698	746468394	1031053098
Net worth	1656875328	1873203264	2055115392	2439824640	3129020280
Ratio	31.39	33.91	32.79	30.60	32.95

3. EBL	**Fiscal Year**				
	2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**
Net profit	168214611	237290936	296409281	451218613	638732757
Net worth	692600000	822800000	1061500000	1581200000	2003600000
Ratio	24.29	28.84	27.92	28.54	31.88

4. BOK	**Fiscal Year**				
	2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**
Net profit	139529721	202440627	262386980	361496879	461734911
Net worth	990208802.4	1069342062	993253092.8	1342049707	1741570669
Ratio	14.09	18.93	26.42	26.94	26.51

5. NSBI	**Fiscal Year**				
	2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**
Net profit	57386634	117001973	254908844	247776758	316373495
Net worth	689013061	971729028	1153313329	1404264131	1702571354
Ratio	8.32	12.04	22.10	17.64	18.58

Annex: 14

N. Total Interest Earned to Total Working Fund Ratio (%)

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

1. SCBNL	**Fiscal Year**				
	2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**
Total Interest Earned	1058677576	1189602957	1411981867	1591195526	1887221257
Total working fund	17087255990	20026150690	20900828450	26408795990	29226171440
Ratio	6.20	5.94	6.76	6.03	6.46

2. NABIL	**Fiscal Year**				
	2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**
Total Interest Earned	1068746769	1309998500	1587758714	1978696727	2798486196
Total working fund	13075442990	17040325450	21579718140	30365395980	34192620160
Ratio	8.17	7.69	7.36	6.52	8.18

3. EBL	**Fiscal Year**				
	2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**
Total Interest Earned	719297855	903411137	1144408308	1548657132	2186814992
Total working fund	11341925400	21732538710	19890087680	24964578180	33906591010
Ratio	6.34	4.16	5.75	6.20	6.45

4. BOK	**Fiscal Year**				
	2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**
Total Interest Earned	607095662	718121378	819003947	1034157874	1347755382
Total working fund	8747556883	10856339380	12635501870	15397888370	18180537540
Ratio	6.94	6.61	6.48	6.72	7.41

5. NSBI	**Fiscal Year**				
	2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**
Total Interest Earned	57386634	708718614	831116781	970512681	1460445686
Total working fund	9756800137	12829800590	13362314560	16731806710	20291055690
Ratio	0.59	5.52	6.22	5.80	7.20

Annex: 15

O. Total Interest Paid to Total Working Fund Ratio (%)

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

1. SCBNL	**Fiscal Year**				
	2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**
Total Interest Paid	254126645	303198419	413055152	471729700	543786600
Total working fund	17087255990	20026150690	20900828450	26408795990	29226171440
Ratio	1.49	1.51	1.98	1.79	1.86

2. NABIL	**Fiscal Year**				
	2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**
Total Interest Paid	243544611	357161304	555710109	758436212	1153280052
Total working fund	13075442990	17040325450	21579718140	30365395980	34192620160
Ratio	1.86	2.10	2.58	2.50	3.37

3. EBL	**Fiscal Year**				
	2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**
Total Interest Paid	299565269	401397351	517166241	632609264	1012874353
Total working fund	11341925400	21732538710	19890087680	24964578180	33906591010
Ratio	2.64	1.85	2.60	2.53	2.99

4. BOK	**Fiscal Year**				
	2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**
Total Interest Paid	241639164	308155647	339181011	417543432	563113007
Total working fund	8747556883	10856339380	12635501870	15397888370	18180537540
Ratio	2.76	2.84	2.68	2.71	3.10

5. NSBI	**Fiscal Year**				
	2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**
Total Interest Paid	258430003	334770096	412261744	454917713	824700275
Total working fund	9756800137	12829800590	13362314560	16731806710	20291055690
Ratio	2.65	2.61	3.09	2.72	4.06

Annex: 16

P. Return on Equity Ratio (%)

$$= \frac{\text{Net Profit}}{\text{Total equity Capital}}$$

1. SCBNL	**Fiscal Year**				
	2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**
Net Profit	536244885	658755881	691668064	818921008	1025114536
Total equity Capital	1669091821	1925862138	2477417585	2814841804	3611601067
Ratio	32.13	34.21	27.92	29.09	28.38

2. NABIL	**Fiscal Year**				
	2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**
Net Profit	520114085	635262349	673959698	746468394	1031053098
Total equity Capital	1833594313	2092350526	2239355013	2770137783	3823282285
Ratio	28.37	30.36	30.10	26.95	26.97

3. EBL	**Fiscal Year**				
	2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**
Net Profit	168214611	237290936	296409281	451218613	638732757
Total equity Capital	1000831976	1105599237	1460124547	2274176193	2650711512
Ratio	16.81	21.46	20.30	19.84	24.09

4. BOK	**Fiscal Year**				
	2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**
Net Profit	139529721	202440627	262386980	361496879	461734911
Total equity Capital	790730402	958729946	1135033564	1690844386	2141092949
Ratio	17.65	21.12	23.12	21.38	21.57

5. NSBI	**Fiscal Year**				
	2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**
Net Profit	57386634	117001973	254908844	247770758	316373495
Total equity Capital	746399694	1067363896	1336641876	1662415570	4691816779
Ratio	7.69	10.96	19.07	14.90	6.74

Annex: 17

Q. Debt- Assets Ratio (%)

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

1. SCBNL	**Fiscal Year**				
	2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**
Total debt	27551143	0	400000000	0	300000000
Total Assets	21781679522	25767352068	28596689451	33335788326	40587468009
Ratio	0.13	0	1.39	0	0.74

2. NABIL	**Fiscal Year**				
	2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**
Total debt	17062680	173201710	882572500	1600000000	1981305000
Total Assets	17064082093	22329971078	27253393008	37132759149	43867397504
Ratio	0.10	0.78	3.24	4.31	4.52

3. EBL	**Fiscal Year**				
	2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**
Total debt	300000000	300000000	300000000	300000000	612000000
Total Assets	11732516418	15959284687	21432574300	27149342884	36916848654
Ratio	2.56	1.88	1.40	1.10	1.66

4. BOK	**Fiscal Year**				
	2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**
Total debt	6000000	753180000	930000000	300000000	300000000
Total Assets	9888533138	12278329302	14581394916	17721925187	20496005483
Ratio	0.06	6.13	6.38	1.69	1.46

5. NSBI	**Fiscal Year**				
	2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**
Total debt	469628863	812430656	1015365219	1827480190	927466283
Total Assets	9963021251	13035839124	13901200559	17187446174	30916681796
Ratio	4.71	6.23	7.30	10.63	3.00

Annex: 18

R. Debt- Equity Ratio (%)

$$= \frac{\text{Total Debt}}{\text{Total Equity}}$$

1. SCBNL	Fiscal Year				
	2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**
Total debt	27551143	0	400000000	0	300000000
Total equity	1669091821	1925862138	2477417585	2814841804	3611601067
Ratio	1.65	0	16.15	0	8.31

2. NABIL	Fiscal Year				
	2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**
Total debt	17062680	173201710	882572500	1600000000	1981305000
Total equity	1833594313	2092350526	2239355013	2770137783	3823282285
Ratio	0.93	8.28	39.41	57.76	51.82

3. EBL	Fiscal Year				
	2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**
Total debt	300000000	300000000	300000000	300000000	612000000
Total equity	1000831976	1105599237	1460124547	2274176193	2650711512
Ratio	29.98	27.13	20.55	13.19	23.09

4. BOK	Fiscal Year				
	2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**
Total debt	6000000	753180000	930000000	300000000	300000000
Total equity	790730402	958729946	1135033564	1690844386	2141092949
Ratio	0.76	78.56	81.94	17.74	14.01

5. NSBI	Fiscal Year				
	2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**
Total debt	469628863	812430656	1015365219	1827480190	927466283
Total equity	431865600	640236100	647798400	874527840	874527840
Ratio	108.74	126.89	156.74	208.97	106.05

Annex: 22

Regression Equation of MPS on EPS SCBNL

Fiscal Year	X (EPS)	Y (MPS)	XY	X^2	Y^2
2004/05	143.14	2345	335663.3	20489.0596	5499025
2005/06	175.84	3775	663796	30919.7056	14250625
2006/07	167.37	5900	987483	28012.7169	34810000
2007/08	131.92	6830	901013.6	17402.8864	46648900
2008/09	109.99	6010	661039.9	12097.8001	36120100
SUM	728.26	24860	3548995	108922.1686	137328650

Let the regression equation of y on x be.

Y= a+bx.....(1)

To find out the value of a and b we have the following two normal equation.

$$\sum y = na + b\sum x$$ .....(ii)

$$\sum xy = a\sum x + b\sum x^2$$ .....(iii)

substituting the value of $n, \sum x, \sum y, \sum xy, \sum x^2,$ *and* $\sum y^2$ in (ii)and (iii)

24860 = 5a + 728.26b .....(iv)

3548995 = 728.26a + 108922.1686b .....(V)

Now multiplying (iv) by 145.652 and then subtracting (v) we get

$$\begin{array}{r} 3620908.72 = 728.26a + 106072.5255b \\ -3548995 = 728.26a \pm 108922.1686b \\ \hline 71913.72 = -2849.6431b \end{array}$$

b= 25.2360

Putting the value of b in equation(iv)

$$24860 = 5a + 728.26 \times 25.2360$$

a= 1296.3261

Regression Equation of MPS and EPS of NABIL

Fiscal Year	EPS(X)	MPS(Y)	XY	X^2	Y^2
2004/05	105.49	1505	15876.45	11128.1401	2265025
2005/06	129.21	2240	289430.4	16695.2241	5017600
2006/07	137.08	5050	692254	18790.9264	25502500
2007/08	108.31	5275	571335.25	11731.0561	27825625
2008/09	106.76	4899	523017.24	11397.6976	24000201
2008/09	586.85	18969	2234799.34	69743.0443	84610951

Let the regression equation of Y on X be

Y = a+bx .....(i)

To find the value of a and b we have the following two normal equation.

$$\sum y = na + b\sum x$$ .....(ii)

$$\sum xy = a\sum x + b\sum x^2$$ .....(iii)

substituting the value of $n, \sum x, \sum y, \sum xy, \sum x^2$, and $\sum y^2$ in (ii)and (iii) we get

18969 =5a +586.85 b.....(iv)

2234799.34 =586.85a +69743.0443 b.....(v)

Now multiplyig the (iv) by 117.37 and then subtracting we get

$$\begin{array}{r} 2226391.53 = 586.85a + 68878.5845\,b \\ -2234799.34 = -586.85a \pm 69743.0443\,b \\ \hline -8407.81 = -864.4598\,b \end{array}$$

b =9.7261

Putting the value of b in equation(iv)

$$18969 = 5a + 586.85 \times 9.7261$$

a =2652

Regression Equation of MPS on EPS of EBL

Fiscal Year	EPS(X)	MPS(Y)	XY	X^2	Y^2
2004/05	54.22	870	47171.4	2939.8084	756900
2005/06	62.78	1379	86573.62	3941.3284	1901641
2006/07	78.42	24301	190560.6	6149.6964	5904900
2007/08	91.82	3132	284448.24	8430.9124	9809424
2008/09	99.99	2455	245475.45	9964.0324	6027025
SUM	387.23	10266	854229.31	31452.778	24399890

Let the regression equation of Y on X be

Y = a+bx .....(i)

To find the value of a and b we have the following two normal equation.

$$\sum y = na + b\sum x$$ .....(ii)

$$\sum xy = a\sum x + b\sum x^2$$ .....(iii)

substituting the value of $n, \sum x, \sum y, \sum xy, \sum x^2$, and $\sum y^2$ in (ii)and (iii) we get

10266 =5a + 387.23 b.....(iv)

854229.31 =387.23 a +31425.778 b.....(v)

Now multiplying (iv) by 77.446 and then subtracting (v)

$$\begin{array}{r} 795060.636 = 387.23a + 29989.4146\,b \\ -85.4229.31 = -387.23a \pm 31425.778\,b \\ \hline -59168.674 = -1436.3634\,b \end{array}$$

b=41.1934

Putting the value of b in equation (iv)

$$10266 = 5a + 387.23 \times 41.1934$$

a = -1137.0641

Regression Equation of MPS on EPS of BOK

Fiscal Year	EPS(X)	MPS(Y)	XY	X^2	Y^2
2004/05	30.10	430	12943	906.01	184900
2005/06	43.67	850	37119.5	1907.0689	722500
2006/07	43.50	1375	59812.5	1892.25	1890625
2007/08	59.94	2350	140859	3592.8036	5522500
2008/09	54.68	1825	99791	2989.9024	3330625
SUM	231.89	6830	350525	11288.0349	11651150

Let the regression equation of Y on X be

Y = a+bx .....(i)

To find the value of a and b we have the following twonormal equation.

$$\sum y = na + b\sum x$$ .....(ii)

$$\sum xy = a\sum x + b\sum x^2$$ .....(iii)

substituting the value of $n, \sum x, \sum y, \sum xy, \sum x^2$, and $\sum y^2$ in (ii)and (iii) we ge

6830 =5a +231.89 b.....(iv)

350525 =231.89a + 11288.0349 b.....(v)

Now, multiplying (iv) by 46.378 and then subtracting (v) we get ,

$$316761.74 = 231.89a + 10754.5944\,b$$
$$-350525 = -231.89a \pm 11288.0349\,b$$
$$-33763.26 = -533.4405\,b$$

b = 63.2934

Putting the value of b in equation (iv)

$$6830 = 5a + 231.89 \times 63.2934$$

a = -1569.4213

Regression Equation of MPS on EPS of SBI

Fiscal Year	EPS(X)	MPS(Y)	XY	X^2	Y^2
2004/05	13.29	335	4452.15	176.6241	112225
2005/06	18.27	612	11181.24	333.7929	374544
2006/07	39.35	1176	46275.6	1548.4225	1382976
2007/08	28.33	1511	42806.63	802.5889	2283121
2008/09	36.18	1900	68742	1308.9924	3610000
SUM	135.42	5534	173457.62	4170.4208	7762866

Let the regression equation of Y on X be

Y = a+bx .....(i)

To find the value of a and b we have the following two normal equation.

$$\sum y = na + b\sum x$$ .....(ii)

$$\sum xy = a\sum x + b\sum x^2$$ .....(iii)

substituting the value of $n, \sum x, \sum y, \sum xy, \sum x^2$, and $\sum y^2$ in (ii)and (iii) we get ,

5534 = 5a +135.42 b.....(iv)

173457.62 =135.42 a + 4170.4208 b.....(v)

Now ,multiplying (iv) by 27.084 and then subtracting (v) we get ,

$$\begin{array}{r} 149882.856 = 135.42\,a + 3666.3611\,b \\ -173457.62 = -135.42\,a \pm 4170.4208\,b \\ \hline -23574.764 = -504.0597\,b \end{array}$$

b = 46.7698

Putting the value of b in equation (iv)

$$5534 = 5a + 135.42 \times 46.7968$$

a = -159.9133

Annex: 23

Regression Equation of MPS and NWPS of SCBNL

Fiscal Year	NWPS(X)	MPS(Y)	XY	X^2	Y^2
2004/05	422.38	2345	990481.1	178404.8644	5499025
2005/06	268.22	3775	1767530.5	219229.9684	14250625
2006/07	512.19	5900	3021921	262338.5961	34810000
2007/08	401.52	6830	2742381.6	161218.3104	46648900
2008/09	327.53	6010	1968455.3	107275.9009	36120100
SUM	2131.84	24860	10490769.5	928467.6402	137328650

Let the regression equation y on x b

Y= a+bx .....(1)

To find the value of a and b we have the following two normal equations.

$$\sum y = na + b\sum x \quad \ldots\ldots\ldots\ldots\ldots\ldots\ldots (it)$$

$$\sum xy = a\sum x + b\sum x^2 \ldots\ldots\ldots\ldots\ldots\ldots\ldots (iii)$$

substituting the value of $n, \sum x, \sum y, \sum xy, \sum x^2$ *and* $\sum y^2$ *in* (it) *and* (iii) *we get.*

24860= 5a+2131.84b .....(iv)

10490769.5= 2131.84a+928467.6402b.....(V)

Now multiplying (iv) by 426.368 then subtracting (v) we get

$$\begin{array}{r} 10599508.48 = 2131.84a + 908948.3571b \\ -10490769.5 = -2131.84a \pm 928467.6402b \\ \hline 10873898 = -19519.2831b \end{array}$$

b= -5.5708

Putting the value of b in equation (iv)

24860= 5a+2131.84X (-5.5708)

a = 7347.2108

Regression Equation of MPS and NWPS of NABIL

Fiscal Year	NWPS(X)	MPS(Y)	XY	X^2	Y^2
2004/05	337	1505	507185	113569	2265025
2005/06	381	2240	853440	145161	5017600
2006/07	418	5050	2110900	174724	25502500
2007/08	354	5275	1867350	125316	27825625
2008/09	324	4899	1587276	104976	24000201
SUM	1814	18969	6926151	663746	84610951

Let the regression equation of Y on X be

Y = a+bx .....(i)

To find the value of a and b we have the following two normal equation.

$$\sum y = na + b\sum x$$ .....(ii)

$$\sum xy = a\sum x + b\sum x^2$$ .....(iii)

substituting the value of $n, \sum x, \sum y, \sum xy, \sum x^2,$ *and* $\sum y^2$ in (ii)and (iii) we get ,

18969 = 5a +1814 b.....(iv)

6926151 =1814a + 663746b.....(v)

Now ,multiplying (iv) by 362.8 and then subtracting (v) we get ,

$$\begin{array}{r} 6881953.2 = 1814a + 658119.2b \\ -6926151 = -1814a \pm 663746b \\ \hline -44197.8 = -5626.8b \end{array}$$

b = 7.8549

Putting the value of b in equation (iv)

$$18969 = 5a + 18145 \times 7.8549$$

a = 944.0423

Regression Equation of MPS and NWPS of EBL

Fiscal Year	NWPS(X)	MPS(Y)	XY	X^2	Y^2
2004/05	219.87	870	191286.9	48342.8169	756900
2005/06	217.67	1379	300166.93	47380.2289	1901641
2006/07	280.82	2430	6823922.6	78859.8724	5904900
2007/08	321.77	3132	1007783.64	103535.9329	9809424
2008/09	313.64	2455	769986.2	98370.0496	6027025
SUM	1353.77	102.66	2951616.27	376488.9007	24399890

Let the regression equation of Y on X be

Y = a+bx .....(i)

To find the value of a and b we have the following two normal equation.

$$\sum y = na + b\sum x$$ .....(ii)

$$\sum xy = a\sum x + b\sum x^2$$ .....(iii)

substituting the value of $n, \sum x, \sum y, \sum xy, \sum x^2$, and $\sum y^2$ in (ii)and (iii) we get ,

10266 = 5a +1353.77b.....(iv)

2951616.27 =1353.77a + 346488.9007b.....(v)

Now ,multiplying (iv) by 270.754 and then subtracting (v) we get ,

$$\begin{array}{r} 2779560.564 = 1353.77a + 366538.6425b \\ -2951616.27 = -1353.77a \pm 376488.9007b \\ \hline -172055.706 = -9950.2581b \end{array}$$

b = 17.2916

Putting the value of b in equation (iv)

$$10266 = 5a + 1353.77 \times 17.2916$$

a = -2628.5699

Regression Equation of MPS and NWPS of BOK

Fiscal Year	NWPS(X)	MPS(Y)	XY	X^2	y^2
2004/05	213.60	430	91848	45624.96	184900
2005/06	230.67	850	196069.5	53208.6489	722500
2006/07	164.68	1375	226435	27119.5024	1890625
2007/08	222.51	2350	522898.5	49510.5024	5522500
2008/09	206.25	1825	376406.25	42539.0625	3330625
SUM	1037.71	6830	1413657.25	218002.8739	11651150

Let the regression equation of Y on X be

Y = a+bx .....(i)

To find the value of a and b we have the following two normal equations.

$$\sum y = na + b\sum x$$ .....(ii)

$$\sum xy = a\sum x + b\sum x^2$$ .....(iii)

substituting the value of $n, \sum x, \sum y, \sum xy, \sum x^2$, and $\sum y^2$ in (ii)and (iii) we get ,

6830 = 5a +1037.71b.....(iv)

1413657.25 =1037.71a + 218002.8739b.....(v)

Now ,multiplying (iv) by 207.542 and then subtracting (v) we get ,

$$1417511.86 = 1037.71a + 215368.4088b$$
$$\underline{1413657.25 = 1037.71a + 218002.8739b}$$
$$3854.61 = -2634.4651b$$

b = -1.4631

Putting the value of b in equation (iv)

$$6830 = 5a + 1037.71 \times (-1.4631)$$

a = 1669.6547

Regression Equation of MPS and NWPS of SBI

Fiscal Year	NWPS(X)	MPS(Y)	XY	X^2	Y^2
2004/05	213.60	430	91848	45624.96	184900
2005/06	230.67	850	196069.5	53208.6489	722500
2006/07	164.68	1375	226435	27119.5024	1890625
2007/08	222.51	2350	522898.5	49510.5024	5522500
2008/09	206.25	1825	376406.25	42539.0625	3330625
SUM	1037.71	6830	1413657.25	218002.8739	11651150

Let the regression equation of Y on X be

Y = a+bx .....(i)

To find the value of a and b we have the following two normal equations.

$$\sum y = na + b\sum x$$ .....(ii)

$$\sum xy = a\sum x + b\sum x^2$$ .....(iii)

substituting the value of $n, \sum x, \sum y, \sum xy, \sum x^2$, and $\sum y^2$ in (ii)and (iii) we get ,

5534 = 5a +844.61b.....(iv)

968223.57 =844.61a + 143871.4489b.....(v)

Now ,multiplying (iv) by 168.922 and then subtracting (v) we get ,

$$938414.348 = 844.61a + 142673.2104b$$
$$-968223.57 = 844.61a \pm 143871.4489b$$
$$-33409.222 = -1198.2385b$$

b = 27.8819

Putting the value of b in equation (iv)

$$5534 = 5a + 844.61 \times 27.8819$$

a = 1669.6547

Annex: 24

Regression Equation of MPS and DPS of SCBNL

Fiscal Year	NWPS(X)	MPS(Y)	XY	X^2	Y^2
2004/05	120	2345	281400	14400	5499025
2005/06	130	3775	490750	16900	14250625
2006/07	80	5900	472000	6400	34810000
2007/08	80	3830	546400	6400	46648900
2008/09	50	6010	300500	2500	36120100
SUM	460	24860	20091050	46600	137328650

Let the regression equation of Y on X be

Y = a+bx .....(i)

To find the value of a and b we have the following two normal equations.

$$\sum y = na + b\sum x$$ .....(ii)

$$\sum xy = a\sum x + b\sum x^2$$ .....(iii)

substituting the value of $n, \sum x, \sum y, \sum xy, \sum x^2$, and $\sum y^2$ in (ii)and (iii) we get ,

24860 = 5a +460b.....(iv)

2091050 =460a + 46600b.....(v)

Now ,multiplying (iv) by 92 and then subtracting (v) we get ,

$$\begin{array}{r} 2287120 = 460a + 42320b \\ -2091050 = -460a \pm 46600\,b \\ \hline 196070 = -4280\,b \end{array}$$

b = - 45.8107

Putting the value of b in equation (iv)

$$24860 = 5a + 460 \times (-45.8107)$$

a = 9186.5844

Regression Equation of MPS and DPS of NABIL

Fiscal Year	NWPS(X)	MPS(Y)	XY	X^2	Y^2
2004/05	70	1505	105350	4900	2265025
2005/06	85	2240	190400	7225	5017600
2006/07	100	5050	505000	10,000	25502500
2007/08	60	5275	316500	3600	27825625
2008/09	35	4899	171465	1225	24000201
SUM	350	18969	1288715	26950	84610951

Let the regression equation of Y on X be

Y = a+bx .....(i)

To find the value of a and b we have the following two normal equations.

$$\sum y = na + b\sum x$$ .....(ii)

$$\sum xy = a\sum x + b\sum x^2$$ .....(iii)

substituting the value of $n, \sum x, \sum y, \sum xy, \sum x^2$, and $\sum y^2$ in (ii)and (iii) we get ,

18969 = 5a +350b.....(iv)

1288715 =350a + 26950b.....(v)

Now ,multiplying (iv) by 70 and then subtracting (v) we get ,

$$\begin{array}{r} 1327830 = 350a + 24500b \\ -1288715 = -350a \pm 26950\,b \\ \hline 39115 = -2450\,b \end{array}$$

b = - 15.9653

Putting the value of b in equation (iv)

$$18969 = 5a + 350 \times (-15.9653)$$

a = 4911.371

Regression Equation of MPS and DPS of EBL

Fiscal Year	NWPS(X)	MPS(Y)	XY	X^2	y^2
2004/05	-	870	-	-	756900
2005/06	25	1379	34475	65	1901641
2006/07	10	2430	24300	100	5902900
2007/08	20	3132	62640	400	9809424
2008/09	30	2455	73650	900	3027025
SUM	85	10266	195065	2025	24399890

Let the regression equation of Y on X be

Y = a+bx .....(i)

To find the value of a and b we have the following two normal equations.

$$\sum y = na + b\sum x$$ .....(ii)

$$\sum xy = a\sum x + b\sum x^2$$ .....(iii)

substituting the value of $n, \sum x, \sum y, \sum xy, \sum x^2$, and $\sum y^2$ in (ii)and (iii) we get ,

10266 = 5a +85b.....(iv)

195065 =85a + 2052b.....(v)

Now ,multiplying (iv) by 17 and then subtracting (v) we get

$$\begin{array}{r} 174522 = 85a + 1445b \\ -195065 = -85a \pm 2025\,b \\ \hline -20543 = -580\,b \end{array}$$

b = 35.4189

Putting the value of b in equation (iv)

$$10266 = 5a + 85 \times 35.4189$$

a =1451.0787

Regression Equation of MPS and DPS of BOK

Fiscal Year	DPS(X)	MPS(Y)	XY	X^2	Y^2
2004/05	15	430	6450	225	184900
2005/06	18	850	15300	324	722500
2006/07	20	1375	35500	400	3150625
2007/08	2.11	350	4958.5	4.4521	5522500
2008/09	7.37	1825	13450.25	54.3169	3330625
SUM	62.48	6830	75658.75	1007.769	12911150

Let the regression equation of Y on X be

Y = a+bx .....(i)

To find the value of a and b we have the following two normal equations.

$$\sum y = na + b\sum x$$ .....(ii)

$$\sum xy = a\sum x + b\sum x^2$$ .....(iii)

substituting the value of $n, \sum x, \sum y, \sum xy, \sum x^2$, and $\sum y^2$ in (ii)and (iii) we get ,

6830= 5a +62.48b.....(iv)

75658.75 =62.48a +1007.769b.....(v)

Now ,multiplying (iv) by 3.94 and then subtracting (v) we get

$$\begin{array}{r} 85347.68. = 62.48a + 780.7501\,b \\ -75658.75 = -62.48a \pm 1007.769\,b \\ \hline 9688.93 = -227.0189\,b \end{array}$$

b = -42.6789

Putting the value of b in equation (iv)

$$6830 = 5a + 62.48 \times (-42.6789)$$

a =832.6845

Regression Equation of MPS and DPS of SBI

Fiscal Year	DPS(X)	MPS(Y)	XY	X^2	Y^2
2004/05	-	335	-	-	112225
2005/06	5	612	3060	25	374544
2006/07	12.59	1176	14805.84	158.5081	1382976
2007/08	-	1511	-	-	2283121
2008/09	2.11	1900	4009	4.4521	3610000
SUM	19.7	5534	21874.84	187.9602	7762866

Let the regression equation of Y on X be

Y = a+bx .....(i)

To find the value of a and b we have the following two normal equations.

$$\sum y = na + b\sum x$$ .....(ii)

$$\sum xy = a\sum x + b\sum x^2$$ .....(iii)

substituting the value of $n, \sum x, \sum y, \sum xy, \sum x^2$, and $\sum y^2$ in (ii)and (iii) we get ,

5534= 5a +19.7b.....(iv)

21874.84 =19.7a +187.9602b.....(v)

Now ,multiplying (iv) by 3.94 and then subtracting (v) we get

$$\begin{array}{r} 21803.96 = 19.7a + 77.618\,b \\ -21874.84 = -19.7a \pm 187.9602\,b \\ \hline -70.88 = -110.3422\,b \end{array}$$

b = 0.64.24

Putting the value of b in equation (iv)

$$5534 = 5a + 19.7 \times 0.6424$$

a =1104.2689