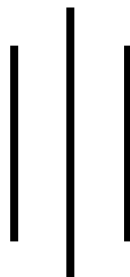


**A Comparative Analysis of Financial
Performance of Nepal SBI Bank Limited,
Himalayan Bank Limited and Kumari Bank Limited**

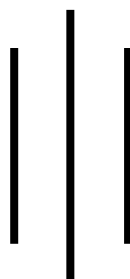


By:
Sushma Rai

**Post Graduate Campus
Faculty of Management
T.U. Registration No.: 7-2-218-286-2002**

A Thesis Submitted To:

**Office of the Dean
Faculty of Management
Tribhuvan University**



*In partial fulfillment of the requirements of the degree of
Masters of Business Studies (M.B.S.)*

Biratnagar, Nepal
August, 2009



TRIBHUVAN UNIVERSITY

Faculty of Management
POST GRADUATE CAMPUS
Biratnagar, Nepal
Tel No. 021-526327

Ref. No.:

RECOMMENDATION

This is to certify that the thesis:

Submitted by

Sushma Rai

Entitled

A Comparative Analysis of Financial performance of Nepal SBI Bank Limited, Himalayan Bank Limited And Kumari Bank Limited

*has been prepared as approved by this Department in the prescribed format of
Faculty of Management. This thesis is forwarded for examination.*

Supervisor

(Prof. Dr. Khagendra Acharya)

Head of Department

(Prof. Dr. Madhav Bahadur Shrestha)

.....

.....

Campus Chief

(Mr. Harihar Bhandari)

Date:

.....



TRIBHUVAN UNIVERSITY

Faculty of Management
POST GRADUATE CAMPUS
Biratnagar, Nepal
Tel No. 021-526327

Ref. No.:

VIVA-VOCE SHEET

We have conducted the Viva-Voce examination of the thesis presented by

Sushma Rai

entitled

A Comparative Analysis of Financial Performance of Nepal SBI Bank Limited, Himalayan Bank Limited and Kumari Bank Limited

*and found the thesis to be the original work of the student and written
according to the prescribed format. We recommend the thesis to
be accepted as partial fulfillment the requirement for*

Master's Degree in Business Studies (M.B.S.)

Viva-Voce Committee

Chairperson, Research Committee:

Member (Thesis Supervisor):
(Prof. Dr. Khagendra Acharya)

Member (External Expert):

Date:

ACKNOWLEDGEMENT

This research has been prepared for the partial fulfillment of requirements of the degree of master in business studies, on the topic "A Comparative Analysis of Financial Performance of Nepal SBI Bank Limited, Himalayan Bank Limited and Kumari Bank Limited. This study shows the comparative financial position of NSBI, HBL and KBL. The major objectives of this study are to examine, analyze and interpret financial performance, identify financial strength and weakness and mobilization of fund.

First of all, I would like to express my sincere gratitude to Prof. Dr. Khagendra Acharya, Supervisor of this thesis, for his valuable suggestion, constant encouragement, adequate support, patient guidance, co-operation and regular supervision to complete this research study. Similarly, I would like to give sincere thanks to Prof. Dr. Madhav Bahadur Shrestha, Head of the research department, Post Graduate Campus, Biratnagar. I am indebted to Campus Chief Mr. Harihar Bhandari.

I am extremely thankful to all the staff and members of this campus, who directly and indirectly assisted me for the completion of this research work. Likewise, personnel of Nepal SBI Bank Limited, Himalaya Bank Limited and Kumari Bank Limited, my special thanks for their co-operation in furnishing necessary data and information. I am highly grateful to my respected family members for their co-operation and support.

August, 2009

Biratnagar

Sushma Rai

P.G. Campus, Biratnagar

ABBREVIATION

%	Percentage
A/C	Account
A.D.	Anno Domini
ATM	Automatic Teller Machine
B.S.	Bikram Sambat
CA	Current Assets
CL	Current Liabilities
C.V.	Coefficient of Variation
DPS	Dividend Per Share
Dr.	Doctor
EBIT	Earning Before Interest and Taxes
EBL	Everest Bank Limited
EPS	Earning Per Share
e.g.	Example
etc.	Etcetera
HBL	Himalayan Bank Limited
i.e.	That is
JVBs	Joint Venture Banks
KBL	Kumari Bank Limited
KTM	Kathmandu
Ltd.	Limited
MBS	Master of Business Studies
MVPS	Market Value Per Share
NABIL	Nepal Arab Bank Limited
NIBL	Nepal Investment Bank Limited
No.	Number
NPAT	Net Profit after Tax
NRB	Nepal Rastra Bank
NSBI	Nepal SBI Bank Limited
p/l	Profit and Loss
P.G.	Post Graduate
Prof.	Professor
Rs.	Rupees
SBI	State Bank of India
SCBL	Standard Chartered Bank Limited
S.d.	Standard Deviation
TIE	Time Interest Earned
T.U.	Tribhuvan University
www	word wide web

TABLE OF CONTENTS

Acknowledgement	
Table of Contents	
List of Tables	
List of Figures	
Abbreviation	
	Page No.
CHAPTER – I	INTRODUCTION
1.1 Background	1
1.2 Focus of Study	2
1.3 Statement of the Problems	3
1.4 Objectives of the Study	4
1.5 Significance of the Study	5
1.6 Limitation of the Study	7
1.7 Organization of the Study	8
CHAPTER-II	REVIEW OF LITERATURE
2.1 Conceptual Review	10-25
2.1.1 Meaning and Growth of Bank	10
2.1.2 History and Concept of Joint Venture Commercial Banks	12
2.1.3 Objectives of Joint Venture Banks	13
2.1.4 Brief Introduction of SBI Bank, HBL and KBL	15
2.1.5 Financial Performance	17
2.1.6 Financial Statement Analysis	18
2.1.7 Financial Ratio Analysis	20
2.1.8 Limitations of Financial Ratio	24
2.2 Review of Related Studies	26-31
2.2.1 Review of Related Articles	26
2.2.2 Review of Previous Research Work	29
CHAPTER-III	RESEARCH METHODOLOGY
3.1 Introduction	32
3.2 Research Design	33
3.3 Population and Sample	34
3.4 Nature and Sources of Data	35
3.5 Data Collection Procedure	35

3.6	Data Analysis Tools	36-46
3.6.1	Financial Tools	36
3.6.1.1	Liquidity Ratio	36
3.6.1.2	Activity Ratio	38
3.6.1.3	Leverage Ratio	40
3.6.1.4	Profitability Ratio	41
3.6.1.5	Other Ratio	43
3.6.2	Statistical Tools	44
3.6.2.1	Arithmetic Mean	44
3.6.2.2	Standard Deviation	45
3.6.2.3	The Coefficient of Variation	45
3.6.2.4	Coefficient of Determination	45
3.6.2.5	Trend Analysis	46

CHAPTER-IV PRESENTATION AND ANALYSIS OF DATA

4.1	Financial Analysis	47-85
4.1.1	Ratio Analysis	47
4.1.1.1	Liquidity Ratio	48
4.1.1.2	Activity Ratio	59
4.1.1.3	Leverage Ratio	65
4.1.1.4	Profitability Ratio	71
4.1.1.5	Other Ratio	79
4.2	Statistical Analysis	85-104
4.2.1	Coefficient of Correlation Analysis	85
4.2.2	Trend Analysis	96

CHAPTER-V SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1	Summary	105
5.2	Conclusion	111
5.3	Recommendation	116

BIBLIOGRAPHY

APPENDIX

LIST OF TABLES

Table No.		Page No.
1	Current Ratio	48
2	Cash and Bank Balance to Current Assets Ratio	50
3	Loan and Advances to Current Assets Ratio	53
4	Cash and Bank Balance to Total Deposit Ratio	55
5	Fixed Deposit to Total Deposit Ratio	57
6	Loan and Advances to Total Deposit Ratio	60
7	Loan and Advances to Fixed Deposit Ratio	62
8	Total Investment to Total Deposit Ratio	64
9	Total Debt to Total Assets Ratio	66
10	Debt to Equity Ratio	68
11	Time Interest Earned Ratio	70
12	Return on Equity Ratio	72
13	Return on Total Assets Ratio	74
14	Return on Total Deposit	76
15	Interest Earned to Total Assets Ratio	78
16	Earning Per Share	80
17	Dividend Per Share	82
18	Dividend Payout Ratio	84
19	Calculation of Correlation between Net Profit and Total Assets of NSBI	86
20	Calculation of Correlation between Net Profit and Total Assets of HBL	87
21	Calculation of Correlation between Net Profit and Total Assets of KBL	88
22	Calculation of Correlation between Total Deposit and Loan and Advance of NSBI	90
23	Calculation of Correlation between Total Deposit and Loan and Advance of HBL	91
24	Calculation of Correlation between Total Deposit and Loan and Advance of KBL	92
25	Calculation of Correlation between Interest Earned and Operating Profit of NSBI	93
26	Calculation of Correlation between Interest Earned and Operating Profit of HBL	94
27	Calculation of Correlation between Interest Earned and Operating Profit of KBL	95
28	Trend of Total Investment	98
29	Trend of Loan and Advances	99
30	Trend of Total Deposit	100
31	Trend of Net Profit	102
32	Trend of Earning Per Share	103

LIST OF FIGURES

Figure No.		Page No.
1	Current Ratio	49
2	Cash and Bank Balance to Current Assets Ratio	52
3	Loan and Advances to Current Assets Ratio	54
4	Cash and Bank Balance to Total Deposit Ratio	56
5	Fixed Deposit to Total Deposit Ratio	58
6	Loan and Advances to Total Deposit Ratio	61
7	Loan and Advances to Fixed Deposit Ratio	63
8	Total Investment to Total Deposit Ratio	65
9	Total Debt to Total Assets Ratio	67
10	Debt to Equity Ratio	69
11	Time Interest Earned Ratio	71
12	Return on Equity Ratio	73
13	Return on Total Assets Ratio	75
14	Return on Total Deposit Ratio	77
15	Interest Earned to Total Assets Ratio	79
16	Earning Per Share	81
17	Dividend Per Share	83
18	Dividend Payout Ratio	85
19	Trend of Total Investment	98
20	Trend of Loan and Advances	99
21	Trend of Total Deposit	101
22	Trend of Net Profit	102
23	Trend of Earning Per Share	104

CHAPTER-I

INTRODUCTION

1.1 Background

Banking sector plays catalyst role in the process of economic growth of the country. For the rapid development of the country, the banking activities should be entered in to every sector of economy for a rapid development of the country. An efficient banking system plays a vital role for the development of an efficient financial market; it virtually benefits all members of economy and leads for saving investment and hence economic growth. The overall development of the country depends upon the economic growth of that country. Bank plays the pivotal role in the economic development because the crux of the economic growth lies in the development of well managed banking system by creating and mobilizing capital, rendering other financial services to the member of economy. The present human activities are not performed without the assistance of banking sector. There are involved monetary transactions in each and every human activity directly or indirectly. In addition, monetary transactions are performed through the bank at present. Another important thing sufficient capital is needed to establish the enterprise and working capital also needed at the running period and there can be crises of such type of capital, which is fulfilled by the bank by collecting the saving from the society. In this way capital formation and capital mobilization functions are performed by the bank, which are very much important for the economic growth of the country.

The basic task of the bank is to mobilize the saving of the community and ensure efficient allocation of these savings to high yielding investment projects to offer attractive and secured returns to the surplus spending on the one hand and to the different sectors of the economy according to plan priorities of the country; on the other hand. Some other utility functions are also performed by banks which have great economic significance for the economy. Such functions as cheap remittance of funds,

accepting and discounting of bills of exchange, agency functions are very important for the working of the modern economy. Banks play the important role in the various economic affairs of the country in various ways. Their operations record the economic plus of the economy. They are an essential instrument, for acceleration of the growth in the developing country. They pursue economic growth rapidly developing the banking habit among the people by collecting the small scattered resource in one bulk, using them in the further productive purpose and rendering other valuable service to the country. Thus, this gives the individual an opportunity to borrow funds against future income, which may improve the economic well being of the borrower. In fact, banks are the essential parts of present human society and the economy of the nation. Further more present human civilization, activities would not be possible without banking sectors.

1.2 Focus of the Study

After the liberalization economic policy taken by the HMG Nepal, the rapid growth of commercial banks has seen and the financial market of the country has become more competitive, dynamic and also complex. The institutional network and volume of operations of the financial system have expanded and diversified with the number of commercial bank rising from five in 1990 to seventeen in 2004. Among them joint venture commercial banks are also increased. At present, due to high competition they all are functioning at a great complex situation. To rendered prompt and efficient service to the client, they are adopting modern and advance technology in their operation. To face the competition and for the better performance, changing technology and adopting advance technology is only not sufficient there must evaluate the performance of the banks and should be taken the corrective actions on the weaknesses of the bank according to findings after judgment.

As other commercial banks, joint venture banks have also the great contribution in the capital formation and mobilization process. They are seen highly efficient than other commercial banks. So joint venture commercial banks are the important number of the banking system. Thus it becomes necessary to evaluate, analyze and interpret the

financial performance of the Joint venture banks comparatively among them. This study is focused on joint venture commercial banks (between three selected) of Nepal. By analyzing their financial statements of latest five years and interpreting them the evaluation is carried out. For the reach study, different analytical tools and techniques are used. The information required for the research study regarding these banks are drawn out from the annual reports of the related banks and from their separate website, Nepal stock exchange website *www.nepalstock.com* and various publications published by NRB.

1.3 Statements of the Problem

The open and liberal economic policy towards the banking sector of government of Nepal initiated many joint venture and financial companies, rural banks and cooperative societies in Nepal. The rapid growth of financial institutions has led a sharp competition among each other. Although joint venture banks have been managing for better performance than other local commercial banks within short span of time.

Comparatively all joint venture banks are performing efficiently than other private or governmental commercial banks but also they are facing various problem due to the increasing competitive environment introducing various new technology like computerization. In order to achieve financial efficiency attempts and takes measurement for their improvement. A comparative study of financial performance is basic process which provides information about the profitability, liquidity position, earning capacity, efficiency in operation, credit worthiness, sources and usage of capital, financial achievement, status of bank and pointing out their strength and weakness.

The main problem of the study is to inquire into the financial performance of the selected joint venture banks. This study has aimed to find out the answer to the following questions.

- How far have they been able to keep the sound status in terms of financial performance?
- What are the major problems faced by the bank in developing financial planning?
- Comparatively joint venture banks are operating efficiently than other banks?
- Among the selected banks, whose financial performance is better? Are they able to meet their financial obligations or not?
- Do they manage and utilize their resources efficiently?
- Are they maintaining sufficient liquidity?

In this context the main purpose of the study is, analyzing comparatively to the overall financial performance of the banks, in terms of profitability, liquidity, turnover, efficiency as well as other related dimensions.

1.4 Objectives of the Study

Financial analysis can be considered as a heart of financial decision. The growth and development of an enterprise is fully affected by its financial performances. The main objectives of this study are to analyze and to compare the financial performance of joint venture commercial banks through the help of certain financial ratios and other statistical tools. It helps to examine the financial strength and weakness of the banks. The main objectives are specified as below:

- a. To compare liquidity position of the related banks.
- b. To compare the financial position among three banks.
- c. To analyze the liquidity, profitability, leverage, activity ratios of the related banks.

- d. To make comparative analysis of other indicators with reference to Earning per share, Dividend per share, Dividend payout ratio.
- e. To compare the growth trend of banks as regard to investment, loan and advances, total deposit, net profit and earning per share.
- g. To provide suitable suggestion and possible guidelines to improve financial performance of Nepal SBI Bank, Himalayan Bank and Kumari Bank.

1.5 Significance of the Study

Every research work or study should be fruitful. It is believed that this work must be fruitful for various people and organizations. Due to lack of sufficient capital, only few commercial banks are opened with domestic investment. The foreign capital is entered our country, through the joint venture commercial banks, which is essential for the development of banking sector and numbers of commercial banks are established with the foreign investment. So, joint venture banks cover the major portion of Nepalese commercial banking sector. Through the capital formation and capital mobilization process, commercial banks help in the upliftment of the economy. Due to the poor financial performance they can't be successes in the capital formation and capital mobilization process. At that time they can't contribute in the economic development of the country. A sound financial performance is important for the growth of business enterprises and financial institutions. The banking sector is gearing up to operate in a more competitive and market oriented system. It is modernizing to operate and moving towards providing a range of financial products and services in an innovative and competitive way.

Numbers of studies have been made to identify the financial performance of different Nepalese companies among them some are the comparative study between two or more companies among companies as well as between or among the banks also. But at present there is not made any latest study and but done by examining the overall factors of financial performance. There is highly competition among the joint venture commercial banks, so there is necessary to compare the financial performance, by

which findings can be obtained about the strength and weaknesses. This present study does not only fulfill this gap but also identifies the overall financial performance of related joint venture banks by the help of different financial tools and statistical tools. It could be easier to take corrective actions in the weaknesses of related banks.

This study may also provide valuable information about the banks, which are under this study. This study will also be helpful to find out whether these banks are going to be financially sound or not? Some other significances and importance are as follows:

- a. It is helpful to find out the overall financial performance of the concerned joint venture commercial banks.
- b. The management of the bank can take crucial decision effectively on the basis of their financial performance.

Hence, the present study will be useful for both the insiders and outsiders of concerned banks i.e. for managers, shareholders, customers, public, government and students as well as to the competitors also.

1.6 Limitations of the Study

It is natural that all types of study have been conducted within certain limitation. A research is a vast study investigatory the subject matter for solving perceived research problems. Although this research study has so much advantages aspect, after all, it is conducted under some limitations; it means that the study has done under certain limitation. Therefore, the following are the main limitation of the study:

- This study has used only five years data of selected banks.
- Up to date data and information related to the study have not been available from the concern source.
- Only balance sheet and profit and loss a/c presented in the web site of Nepal stock exchange have been used.

- The study is prepared to fulfill the requirements of Master Degree in Business studies.
- This study is mainly based on the secondary data like annual report of the banks, journals, other published articles and works etc.
- There are more than 17 commercial banks, out of them; the study is done only of three banks due to the lack of time and resources.
- This study has only focused on the comparative financial performance analysis of selected banks.
- There are many financial tools but this study deals with certain financial tools and statistical tools.

1.7 Organization of the Study

The whole study has been divided into five chapters; each chapter deals some important factors of financial performance. The titles of each of these chapters are listed below:-

Chapter I : Introduction of the study

Chapter II : Review of literature

Chapter III : Research Methodology

Chapter IV : Presentation and Analysis of Data

Chapter V : Summary, Conclusion and Recommendation

Chapter I: This is the introduction chapter of the study. This chapter includes background of the study, focus of study, statements of problems, objectives of the study, significance of study and limitation of the study.

Chapter II: This chapter is the review of literature deals the conceptual framework: joint venture bank, financial performance, financial statement analysis, financial ratio analysis, history and objectives of joint venture banks have been also defined. Similarly, different articles, books and earlier studies are reviewed.

Chapter III: This chapter explains the research methodology, which includes research design, population and sample, nature and sources of data, data collection procedure and method of data analysis.

Chapter IV: This chapter is the heart of the study. This chapter deals with the presentation and analysis of data using various financial tools and statistical tools have been used to analyze and interpret the results.

Chapter V: This chapter deals with summary and conclusion of the whole study and offers recommendation for the improvement of the bank is future.

The bibliography and appendices are given at the end of the study.

CHAPTER-II

REVIEW OF LITERATURE

2.1 Conceptual Review

2.1.1 Meaning and Growth of Bank

A bank is an institution, which deals in money receiving deposit from customers, honoring customer's drawings against such surplus deposits until they are required for repayment. "Generally an institution established by law, which deals with money and involved in monetary transaction is called bank. A bank simply carries out the work of exchanging money, providing loan, accepting deposit and transferring the money."¹

"Bank means a financial establishment for the deposit, loans exchange or issue of money and for the transmission of funds."²

"A bank can be defined as a 'financial department store; which renders a host of financial services besides taking deposits and giving loans."³

Hence, a bank is an establishment for the custody of money received from or on behalf of its customers; its essential duty is to pay their draft on it. Its profit arises from its use of the money left unemployed by them.

The growth of banking system in Nepal not from so long. In comparison with other developing and developed country, the institutional development in banking system of Nepal is far behind. Nepal has to wait for a long time to come to this present banking position. Talking about the history of bank and institutional banking system came into existence in Nepal only in the nineteenth century. Tejarath Adda established during the tenure of the Prime Minister Ranodip Singh in 1933 B.S. was the first step towards the institutional development of banking system in Nepal. Nepal Bank limited was the first

¹ Dilli Raj Bhandari; *Banking and Insurance* 1st ed., Ayush Prakashan, Kathmandu, 2003 P.2

² Dilli Raj Bhandari, OP. cit. P.3

³ Bhuwan Dahal and Sarita Dahal; *A hand Book to Banking*, 2nd edition, Asmita Books and Stationary, Kathmandu, 2002, P.7

financial institution of Nepal established on the 30th of Kartik 1994 B.S. as a commercial bank. Only one Nepal Bank limited was not sufficient to look after all the sectors of the country. So, in 2013 B.S., another bank named Nepal Rastra Bank was established as the central bank. Similarly, the second commercial bank, Rastriya Banijya Bank was established as the second commercial bank of Nepal in Magh 10th, 2022 B.S. under Rastriya Banijya Bank Act. 2021. This act is now revised as commercial bank Act 2031 B.S; "Accepting deposit, granting loan and performing commercial banking functions are the main motto of commercial banks."

For the development of the industry, commerce and trade Nepal industrial development corporation was established under industrial development corporation Act, 2016 for the development of agriculture sector, Agriculture Development Bank was established on Magh 7th, 2024 B.S. under the Agriculture Bank Act 2024 B.S. Moreover security exchange centre was established in 1976 A.D. to enhance capital market activities and it is functioning at by the name of Nepal stock exchange with the establishment of Rastriya Banijya Bank and Agriculture Development Bank, banking service spread to both the urban and rural areas. After the restoration of democracy, government took economic liberalization policy in Nepal as a result various commercial and development banks are established, among them some are as joint ventures and some other are established on the sole investment of domestic investor.

2.1.2 History and Concept of Joint Venture Commercial Banks

The government of Nepal observed the necessities of rapid development of the country for which it has adopted "Liberalized economic policy, laissez fair economy and encouraged foreign investment." It becomes successful to attract foreign investors, government forwards such liberal economic policy in 2039 B.S. as a result, joint venture is welcomed in various sectors and policy allowed foreign banks to operate as joint venture banks. As a result, Nepal Arab Bank limited was established in 29th Ashad 2041 B.S. as a first joint venture bank. Its joint venture partner was emirates

bank international limited, Derim and Dubai. Then the number of joint venture banks increased rapidly. All joint venture banks were established and operated under the rules and regulations of Nepal Rastra Bank. The second joint venture bank, Nepal Indosuez Bank limited was established in 6th Magh 2042 B.S. Similarly, others joint venture banks like Nepal Grindlays Bank limited on 16th Marg 2043 B.S., Himalayan Bank limited on 2049 B.S., State Bank of India limited on 2050 B.S., Nepal Bangladesh Bank limited established on 2051 B.S., Everest Bank limited on 2051 B.S., Bank of Katmandu on 2052 B.S. and Nepal Bank of Celon limited on 2052 B.S. have been also established. Till now others commercial banks have been also established.

Among them, majority of banks are established as joint venture banks. A joint venture bank is an association of two or more persons or parties under taken to make the operation highly effective with their collective efforts. Joint venture banks play an important role for economic development of nation. They have been adopted new banking technique, management like; take banking, credit card, master card from international banking technique. Forms within a country as well as operated in different countries may participate in a venture through instance of joint venture happen to be more common form in different countries. Joint venture is mode of trading through the partnership among nations and also a form of negotiation between the various group of industrialists traders and mercantile to achieve mutual exchange of goods and services for sharing comparative advantage in their contribution.

"Joint venture banks are the finance for high risks high profit oriented firm. JBV's are already playing and increasing dynamics and vital role in the economic development of the country. This will undoubtedly increase with time." ⁴

At present, numbers of joint ventures banks within the country has been established and all they are functioning, providing competitive and quantitative services and play important role in the economic development of the country.

2.1.3 Objectives of Joint Venture Banks

⁴ Sunil Chopra;; *Nepal Rastra Bank Samachar*, Nepal Rastra Bank, Kathmandu 2046, P.1-2

At present most of JVBs are operating in financial sectors specially in banking, insurance, finance and leasing etc less efforts have been made in manufacturing, construction, designing etc. Joint venture banks pose serious challenges to the existence. But the same challenges can be taken by the domestic banks as an opportunity to modernize themselves and sharpen their competitive zealous. So it is clear that JVBs are playing and increasing dynamic role to boost up and improve the economic status.

The main objectives of JVBs are described as follows:-

a) Introducing New Methods and Technology in Banking Services:

The joint venture banks have invited a new era of banking in this undeveloped country by introducing high technology and efficient methods in the banking business. Other areas of expertise are forward cover for foreign transaction by importers and exporters, merchant banking, inter bank market for money and securities, arranging foreign currency, loans etc.

b) Providing More Resources for Investment:

The JVBs have been played a significant role in channeling additional resources for investment for the development of the country although it is argued by many that resources raised to locally in the prevailing market those resources would have been mobilized by any other domestic institution, it is assumed that the joint venture banks have mobilized net additional resources if they tap to 30, for untapped resources in the local market. Like this JVBs are providing more resources for the investment.

c) Providing New Services:

Even though the joint venture banks so far have not provided any remarkable new services that not offered by the domestic, bank they have drawn a large number of customers who assume that they will eventually benefit from their association with

these banks when they introduce new services. At present, speedier services than that of the cosmetic banks in the half mark of the joint venture banks through their services are basically in traditional areas, which could highly educate for the domestic banks.

d) Creating Competitive Environment:

The JVBs have created a competitive environment in banking business in Nepal prior to the arrival of joint venture banks there was little competitive zeal between the Nepal Bank Limited and Rastriya Banijya Bank as they had almost set bunch of customers, working areas and services.

2.1.4 Brief Introduction of NSBI, HBL and KBL

- **Nepal SBI Bank Ltd.**

Nepal SBI Bank Ltd. is a joint venture between employees provident fund and State Bank of India. SBI Bank, the largest commercial bank of India holds 50% of the equity. It was established in 2050. It started its operation on 23rd Ashad 2050 (1993) with its head office in Kathmandu. The initial paid up capital was Rs. 119.95 Million. After the establishment of this bank, generally the monetary transaction between Nepal and India have been carried out through this bank. Since State Bank of India has its network throughout the urban area to remote rural area in India. The bank operates with the objectives of providing loan to industry, commerce and trade.

The bank has more than ten branches in various parts of the kingdom. Its corporate office located is Hattisar, Kathmandu and main branch office in Durbar Marg, Kathmandu. It has another branches located in New road, and Embassy of India extension counter and remaining are outside of the valley i.e. Biratnagar, Bhairahawa, Pokhara, Janakpur, Itahari branches. To extend more efficient services to its customers, Nepal SBI Bank has been adopting innovative and latest banking technology. This has

not only helped the bank to constantly improve its service level but has also kept it prepared for future adoption of new technology. Nepal SBI Bank has just entered into the sixteenth year of successful operation. During these periods, the bank has established itself as one of the leading joint venture banks in the country.

- **Himalayan Bank Ltd.**

Himalayan Bank limited (HBL) was established in 2049 by the distinguished business personalities of Nepal in partnership with employees provident fund and Habib Bank limited, one of the largest commercial banks of Pakistan. Its operation was commenced from Poush (January) 2050 (1993). It is the first commercial bank of Nepal with maximum share holding by the Nepalese private sector. Besides commercial activities, the bank also offers industrial and merchant banking. The bank at present has five branches in Kathmandu valley namely Thamel, New Road, Maharajjung, Pulchowk and Suryavinayak. Besides, it has eleven branches outside Kathmandu valley namely Banepa, Tandi, Bharatpur, Birgunj, Hetauda, Bhairahawa, Biratnagar, Pokhara, Butwal, Dharan and Itahari. The bank is also operating a counter in the premise of the Royal palace. The bank has a very aggressive plan of establishing more branches in different part of the kingdom in near future.

HBL has just entered into the seventeen year of successful operation. It has pioneered several products, often the first of their kind, in the banking sector. For starters, it was the first bank to launch the card service. Its latest facility is the SMS banking service. Customer satisfaction is the main motto of HBL, it develops and customizes banking packages for the satisfaction of the various needs of the customers. The other major area of investment is hydropower. For this, it is now doing homework for ISO certification. It has notched up outstanding progress.

- **Kumari Bank Ltd.**

Kumari Bank Limited (KBL) came into existence as the fifteenth commercial bank of Nepal by starting its banking operation from Chaitra 21th, 2057 B.S. (April 03, 2001) with an objective of providing competitive and modern banking services in the

Nepalese financial market. The bank has paid up capital of Rs. 1078.272 Million of which 70% is contributed from promoters and remaining from public. Kumari Bank Limited has been providing wide range of modern banking services in various urban and semi urban part of the country. Its head office is situated at Darbar Marga Kathmandu. It has another branches located in Putalisadak, New Road, Gongabu, Darbarmarga, Kumaripati and remaining are outside of the valley i.e. Biratnagar, Birjung, Pokhara, Itahari, Chitwan, Birtamode, Baglung, Damouli, Bhairahawa, Butwal branches.

The bank is pioneer in providing some of the latest/lucrative banking services like E-Banking and SMS Banking Services in Nepal. The bank always focus on building sound technology driven internal system to cater the changing needs of the customers that enhance high comfort and value. The adoption of modern Globus Software, developed by Temenos NV, Switzerland and arrangement of centralized data base system enables customer to make highly secured transactions in any branch regardless of having account with particular branch. Similarly, the bank has been providing utility bill payment services, inward and outward remittance services and various other banking services.

2.1.5 Financial Performance

Financial performance is that managerial activity which has concern with the planning, organizing, controlling and administrating of financial resources of an enterprise. Again it is basically concerned with analysis of financial statement of an enterprise by using different tools and techniques. Financial performance is not concerned with evaluation of past and present financial condition, but also it helps the improvement of financial condition of an enterprise is the main financial performance indicator of an organization profit and strong financial position of an enterprise is also a result of a successful management. "Financial management is that managerial activity which is concerned with planning and controlling of firms financial resources."⁵

⁵ I.M. Pandey; *Financial Management*, 7th ed., Vikas Publishing house P. (Ltd.) New Delhi, 1997, P.103

It was easier to record and check and business transactions for each businessman in the beginning of civilization because the number of business transaction had taken a very small place. As the human civilization has been growing, human activities have also been increasing remarkable. By the help of financial performance every businessman could show actual business condition to the different parties. Financial performance is a study of overall financial position of any organization. In the modern context, it is concerned with making the investment decisions, financing decisions and dividend decision.

2.1.6 Financial Statement Analysis

The analysis of financial statements is done to obtain a better is sight into a firm's position and performance. Analysis of financial statement is a process of evaluating the relationship between the component parts of the financial statements to obtain better understanding of a firm's position and performance. "Financial statement analysis attempts to examine the liquidity, the profitability, the financial structure, and the efficiency of the firm."⁶

Financial statements are the basis of analysis, which include income statement, balance sheet. This contains summary of the firm's financial affairs. The investors and financial analyst's are the major interested party to ensure the firm's performance through the statement. This analysis is significant in making investment, decisions. These statements are published in company's annual report. The annual report is specially prepared for the shareholder's, which includes chairman's speech, the director's report and auditor's report with accounting policies. The most important financial statements are as follows:

I. Balance Sheet (Statement of Financial Position)

Balance sheet is one dimension of statement, which assists is measuring the assets, liabilities and capital of a firm at a moment of time. It informs the financial condition

⁶ Richard A. Stevenson; *Fundamentals of Finance*, International student edition, Mc. Graw- Hill international book company, 1981, P.167

of affairs of a firm or bank at an accounting period. It depicts the information about resources and obligations of a business entity. The assets, liabilities and capital fall in it. The assets are measured in monetary terms, which are the future benefits. They are the valuable possessions owned by the firm cash, stock, receivable and other tangible and intangible items.

"The balance sheet is a most significant financial statement. It is a statement of assets and liabilities and indicates the financial position of the firm of a particular time. It contains information about economic term of accounting. The balance sheet communicates about assets, liabilities and owner's equity in the firm. In short, it provides information about the financial position of the firm of the end of the accounting period."⁷

The balance sheet can be presented either in a T form or in a vertical order, beginning with assets. Assets and liabilities are two constituents of balance sheet. Normally assets and liabilities are detailed in their order of performance.

II. Profit and Loss Account (Income Statement)

It depicts information regarding income and expenses of the firm. Previously, statement analysis was basically related the balance sheet since profit and loss accounts were not available readily at that time. The profit and loss account was considered as a supplement to the balance sheet in rendering information. But, in those days p/l account are compulsorily prepared and publicly published in annual report. They are regarded as primary function of accounting and these are related to be complementary to balance sheet.

"Profit and loss shows the cost of production, cost of sale and finally the net operating and net profit earned or the loss incurred during the year. In gist, it shows the profitability and performance of business."⁸

⁷ Shiva Prasad Munakarmi; *Management accounting*, Buddha academic enterprises, Kathmandu 2003, P. 12. 03

⁸ Shiva Prasad Munakarmi; *Management accounting*, Buddha academic enterprises, Kathmandu 2003 P. 12. 07

The major income items of banks include interest income, foreign exchange income and commission. On the other hand, interest expenses, staff bonus and welfare, personnel and administrative expenses form major expenditure of a bank.

2.1.7 Financial Ratio Analysis

Financial ratio analysis is one of the important parts of the financial analysis in evaluating firm's performance. The parties interested in financial analyses are short-term creditors, the long-term creditors, owners and management. Short-term creditors main interest is in the liquidity position or the short-term solvency of the firm. On the other hand, long-term creditors are more interested in the long-term solvency and profitability of the firm. Effective planning and control are central enhancing enterprises value. Financial plans may take forms but any good plan must be related to the firm's existing strength and weakness. The strength must be understood if they are to be used to proper advantage and the weakness must be recognized if corrective action is to be taken. For example are inventories adequate to support the projected level of sale? For efficient operations, does the firm have too much or too little invested in plant and equipment? Proper utilization of the bank's resources is an indicator of sound performance.

Traditional financial ratio analysis has focused on the numbers. The value of this approach is that quantitative relations can be used to diagnose strengths and weaknesses in a firm's performance. But the world is becoming more dynamic and subject to rapid changes. It is not enough to analyze operating performance. Financial analysis must also include consideration of the strategic and economic developments to which the firm must relate for its long run success. In the present political and social environment, the stakeholders must be expanded to include employees, consumers and social and environmental considerations and other government regulatory interest. Different sources and different analysts use different lists or combinations of financial ratios for analysis.

The ratio analysis is designed to determine the relative strengths and weaknesses of business operations. It also provides a framework for financial planning and control. Financial managers need the information provided by analysis both to evaluate the firm's past performance and to map future plans. Financial analysis concentrates on financial statement analysis, which highlights the key aspects of firms operation. Financial ratio can be classified into various categories according to financial activity. Generally, financial ratio can be grouped into four types. They are as follows:-

A. Liquidity Ratio

The first category of financial ratio is "Liquidity Ratio". Liquidity ratios refer to the ability to meet its short term of current obligations as and when they fall due to the payment. A firm should ensure that it does not suffer from the liquidity crunch and also that it is not too much highly liquid. The failure of a company due to lack of sufficient liquidity will result in bad credit image and loss of creditor's confidence. A high degree of liquidity is also not good. Liquidity ratio measures the ability to meet the short term obligations and reflects the short term financial strength and solvency of the bank. As financial tools, following ratios have been used to find out the comparative liquidity position of the banks.

- i. Current Ratio
- ii. Working Capital
- iii. Cash and Bank Balance to Current Assets Ratio
- iv. Loan and Advance to Current Assets Ratio
- v. Cash and Bank Balance to Total Deposit Ratio
- vi. Quick Ratio
- vii. Fixed Deposit to Total Deposit Ratio

B. Activity Ratio

Activity ratio is concerned with measuring the efficiency in assets management. The efficiency with which the assets are used would be reflected in the speed and rapidly with which assets are converted into sales. The greater the rate turnover the more efficient utilization management other things being equal. Activity ratio are also called turnover ratio. Activity ratios establish a relationship between sales and assets. Activity ratio consists of the following ratios.

- i. Loan and Advance to Total Deposit Ratio
- ii. Loan and Advance to Fixed Deposit Ratio
- iii. Loan and Advance to Current Deposit Ratio
- iv. Total Investment to Total Deposit Ratio

C. Leverage Ratio

Another category of financial ratio is "leverage ratio". The leverage ratio may be defined as financial ratios, which throw light on the long term solvency of a firm as reflected in its ability to assure the long term creditors. Therefore, leverage ratios are calculated to evaluate the long term financial position of the firm. This ratio measures the relationship between debts and owners equity and examine the proportion of debt the company is using. Leverage ratio consists of the following ratio:-

- i. Debt Ratio
- ii. Debt to Equity Ratio
- iii. Time Interest Earned (TIE) Ratio

D. Profitability Ratio

Profitability ratios measure the efficiency and effectiveness of a business enterprise. Profit is the main element that makes an organization to survive and grow for long term. This ratio measures the capacity of generating revenue and search for the incomes of the firm. The operating efficiency of the bank and its ability to ensure adequate return to its shareholders depends ultimately on the profit earned by the bank. It measures the success of the firm in terms of profit margin, return on equity, and return on total investment and reflects the overall efficiency effectiveness of the management. Profitability ratios are two types.

- On the basis of sales
- On the basis of Investment

The above types contain the following ratios:-

- i. Net Profit Margin
- ii. Operating Expenses Ratio
- iii. Return on Equity
- iv. Return on Assets
- v. Earning Per Share
- vi. Dividend Per Share
- vii. Dividend Payout Ratio
- viii. Price Earning Ratio

2.1.8 Limitation of the Financial Ratios

Although ratios are exceptionally useful tools, they should be used with judgment. Ratios are constructed from accounting data and these data are subject to different

interpretation and even to manipulation. For example two firms any use different depreciation methods or inventory valuation methods, depending on the procedures followed reported profit can be raised or lowered. Similarly differences can be encountered in the treatment of research and development expenditures, pension plan costs, merger, product warranties, and bad debt reserves. Further if firms use different fiscal years, and if seasonal factors are important, this can influence the comparative ratios.

Thus, if the ratios of two firms are to be compared, it is important to analyze the basic accounting data upon which the ratios were based and to reconcile any major difference. We should also note that while ratio analysis can provide useful information concerning and company's operations and financial condition, it does not inherent problems and limitations that necessitate care and judgment. Some potential problems are listed below:-

- Many firms want to be better than average, so nearly attaining average performance is not necessarily good. As a target for high level performance, it is best to look at the industry leader's ratio.
- Ratios may be distorted by seasonal factors, or manipulated by management to give the impression of a sound financial condition.
- Inflation has badly distorted firm's balance sheet recorded values are often substantially different from "true" values. Since, inflation affects both depreciation charges and inventory costs, profits are also affected.
- The use of industry averages may not provide a very challenging target for high level performance.
- It is difficult to generalize about whether a particular ratio is "good" or "bad". For example high current ratio may indicate a strong liquidity position, which is good or which is bad.

- Ratio analysis is useful, but analysts should be aware of these problems and make adjustments as necessary.
- Many large firms operate a number of different divisions in quite different industries, and in such cases it is difficult to develop a meaningful set of industry averages for comparative purposes. This tends to make ratio analysis more useful for small, narrow focused firms than for large, multidivisional ones.
- A firm may have some ratios, which look "good" and others, which look "bad" making it difficult to tell whether the company is on balance in a strong or a weak position.

Ratio, are extremely useful tools; but as with other analytical methods, they must be used with judgment, not in an unthinking, mechanical manner. Financial ratio analysis is a useful part of an investigation process. But financial ratios alone are not the complete answer to questions about the performance of a firm.

2.2 Review of Related Studies

Prior to this study, several students in various aspects of commercial bank's financial performance or soundness value carried out various research studies. So it is not a new research work in this section, some relevant thesis have been reviewed in order to facilitate the subject matters of current study and some other articles related with this research work are also reviewed.

2.2.1 Review of Related Articles

The conceptual framework provides the basic concept of financial performance of the joint venture banks. Relevant articles relating to the different aspects of commercial banks help to conduct this study smoothly. In this section, some articles are reviewed which are relating to the study.

Govinda Bahadur Thapa in his namely "Nepalese Banking System can the mess be managed states; the joint venture banks have been earning a huge profit not from fund

based lending but from fund based activities have slowed down in Nepal for several years. However, commercial banks have not lowered their lending rates to revitalize the economy. On the country, the commercial banks have been discouraging the deposits to get rid of excess liquidity. And, new avenue that a country with such a low saving rate and need to unlimited investment is investing huge amount of resources in developed countries and is piling up international reserves. Therefore, it can be inferred that Nepalese banking system has not been made and motivated to contribute to the promotion of the economic activities in the country as it should do.”⁹

In the banking book of Bhuvan Dahal and Sarita Dahal, they define bank as a financial department store, which renders a host of financial services besides taking deposits and giving loan. So, bank needs adequate liquidity to fulfill the demand of customers. If liquidity is inadequate in a bank may lead to collapse while excess liquidity is detrimental to bank's profitability, to remove this bank need to maintain optimum level of liquidity, which is possible when there, is correctly predicted. Similarly, a bank always puts efforts to maximize its profitability. This is so because its shareholders expect a fair rate of return depositors expect better rate of return and employees expect handsome salary, perks and bonus. If bank cannot satisfy either of these parties, the success of the bank is always questioned. The profit is excess of incomes over expenses. The major source of income of bank is interest income from loan and investments and fee based income. For this bank invest deposits in the form of loan and advances which have higher rate of return. But when loan and advances given they may not pay on time and bank need to fulfill demand of depositors. So liquidity and profitability are conflicting consideration and in the same way they are like two wheels of carts, in absence of one bank cannot survive. A bank is an institution, which acts as the bridge between the depositors and the borrowers and put in efforts to maximize the earnings mainly through interest spread.¹⁰

⁹ Govinda Bahadur Thapa; *Nepalese Banking System; can the mess be managed?* The Kathmandu Post, 15th September, 2000

¹⁰ Bhuvan and Sarita Dahal; *A hand Book of Banking*, Union Press Pvt. Ltd., Nepal, 2nd Edition 2002.

“Bank refers to a financial intermediary who accepts funds, principally as deposits repayable on demand or at short notice, makes advances by overdrafts and loans, and to hold other, mainly financial assets like marketable securities. An important banking function has to maintain a money transmission system by accepting deposits on current account and operating a system off transferring funds by cheques or gyro transfer. Other important banking activities include providing foreign exchange service for customers, financing foreign trade, operating in wholesale money markets and offering a wide range of financial advisory services.”¹¹

“James C. Van Horne has divided financial ratio into four types liquidity ratio, debt ratio, profitability ratio and coverage ratio. These ratios are helpful for managerial control and for a better understanding of what outside suppliers of capital expect in financial condition and performance. He defines until and unless there is comparison, financial analysis is meaningless so it can be compare with own firm overtime an inter firm. Additional insight is obtained when balance sheet and income statement items are expressed as percentage. The percentage can be in relation to total asset or total sales for some base year. Ratio may be judged in comparison with those of similar terms in the same line of business and when appropriate with an industry average. In this way, James Van Horne had written his view regarding financial performance analysis that to have better analysis there should comparative study about various related ratios with the several years of the inter bank and with the intra banks so that the strength, weakness and the position of the firm in the market can be find out and improvement in the future can be done.”¹²

In the book of Weston and Brigham, they describe that if management is to maximize the value of the firm's stock price, it must analysis the weak 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

¹¹ C.S. Nagpal; *Dictionary of economic*, Anmol Publications Pvt. Ltd. New Delhi, 2nd Edition, 1998

¹² James C. Van Horne; *Financial Management and Policy*, Prentice Hall of India Pvt. Ltd. India, 2000

out current strengths and weaknesses and to suggest action that might useful to firm to take advantages to its strength and correction to its weakness. Financial statement analysis is to evaluate the attractiveness of the firm as an investment by examination its ability to meet its current obligation and expected financial obligation. However, financial analysis is done to predict the firm's financial position in future and determining earnings and dividend. So, financial analysis is useful in both way to anticipate future conditions and more important, as a starting point for planning actions that will influence the future course of events. But most important and most difficult input to successful ratio analysis is the judgment used when interpreting the result to reach an overall conclusion about the firm's financial position. So, ratio analysis is used, but analysis should be aware of these problems and make adjustments as necessary.¹³

2.2.2 Review of Previous Research Work

Mr. Keshav Raj Joshi through his thesis "A study on financial performance of commercial banks"¹⁴ he reviews that the liquidity position of commercial bank is satisfactory. He found that comparatively the local commercial banks have been found relatively highly leveraged compared to the joint venture banks. Loan and advances have been the main form of investment. Two third of assets have been used for earning purposes. Profitability position of NABIL bank is stronger than the other commercial bank.

Ragahu Bir Kapadia, "A comparative study on financial performance of NABIL Bank and Standard Chartered Bank Limited."¹⁵ In this study he found that interest coverage ratio of both the bank is not satisfactory over the finding period. Price earning ratio of NABIL bank is on average, higher with consistency than that of SCBL which reflects than NABIL bank has better performance for the growth in earning that SCBL. The

¹³ J. Fred Weston and Eugene F. Brigham; *Essential of Managerial Finance*, Illions Dryden Press. Eleventh Edition, 1998

¹⁴ Keshav Raj Joshi; *A study on financial performance of commercial banks*, unpublished dissertation T.U. 1989

¹⁵ Ragahu Bir Kapadia; *A comparative study on financial performance of NABIL Bank and SCBL*, unpublished dissertation, T.U. 2002

study shows efficiency in utilizing the resources is satisfactory. Comparatively NABIL bank has good and higher liquidity position and higher leverage ratio SCBL.

Ashok Poudel in his thesis "Financial performance analysis of EBL"¹⁶ had focused on the objectives as to examine the financial statement of the bank and analyze them to see the financial soundness of the bank, to observe the return over the equity, to highlight the relationship between different variables, to provide suggestion and recommendation for the improvement of the future performance of EBL based on the findings of analysis. `

Bindeshwar Mahato, in his thesis "A comparative study of the financial performance of NABIL and NIBL"¹⁷ concludes that, NABIL is more oriented in discharging responsibilities toward its share holders than NIBL. NABIL is also found paying more attention towards the attainment of national objective. NABIL participation in the task of economic development with liberal attitude towards the government and being more responsive to the national priorities like branch expansion, more employment more resource mobilization etc is appreciable.

Lekh Raj Karki in his thesis, "A comparative financial soundness analysis with special reference to HBL and NSBI"¹⁸ concludes that NSBI has larger proportion of cash and bank balance with assets holdings while HBL has better position of loans and advances. In terms of its volume and annual growth rate. But the proportion of loans and advances in total assets holdings is lower in HBL than in NSBI. The position of loans and advances with respect to total current assets total deposits and saving deposits was relatively more sounder in SBI Bank than in HBL. HBL's ability to attract the public deposits is sounder than that of SBI Bank. All the values of EPS, DPS and MVPS are larger in HBL than in NSBI.

¹⁶ Ashok Poudel; *Financial performance analysis of EBL*, Unpublished dissertation, T.U. 2002

¹⁷ Bindeshwor Mahato; *A comparative study of the financial performance of NABIL and NIBL*, Unpublished Masters Degree Thesis. T.U. 1998. P. 114

¹⁸ Lekh Raj Karki; *A comparative financial soundness analysis with special reference to HBL and NSBI* Unpublished Masters Degree Thesis, T.U. 2001, P. 127

CHAPTER – III

RESEARCH METHODOLOGY

3.1 Introduction

Research methodology is a systematic and scientific method or technique that is used in handling a problem by the researcher. So, it is another important aspect of thesis writing. In other words, research methodology provides various tools and techniques as regard to the problem and also provides the various instructions as regard to the methods and process associated with the overall study. In this way research methodology is the process of arriving to the solution of the problem through planned and systematic dealing with the collection analysis and interpretation of fact and figure. Research methodology is very helpful in identifying the research problem. In fact, research is an art of scientific investigation. For the purpose of achieving the objectives the detailed research methodology used in this study are highlighted in this chapter.

"Research is a systematic method of finding out solution to a problem whereas research methodology refers to the various sequential steps to adopt by a researcher in studying a problem with certain objectives in view".¹⁹

Research methodology covers the wide range of the investigation. According to nature of the phenomena various statistical and financial tools and techniques are applied to find out the solution of the problem. Research methodology is composed by two words 'research' and 'methodology'. In common sense research means to search for knowledge, facts information that is still unknown. Like wise methodology is a scientific and systematic process that consists of various tools and technique that can be used to solve, the problems. Therefore, research is a systematic and organized effort that includes the scientific method of acquiring knowledge. The scientific and systematic methodology various authors and writers have defined research methodology in numbers of ways. Some of the definitions are as follows:

¹⁹ C.R. Kothari; *Research methodology method and technique*, Wiley Eastern Pvt. Ltd. New Delhi, 1989, P. 19

"Research methodology is a way to systematically solve the research problem it may be understood as a science of studying how research is done systematically."²⁰

"Research is systematic and organized effort to investigate a specific problem that needs a solution. This process of investigation involves a series of well thought out activities of gathering, recording, analyzing and interpreting the data with the purpose of finding answers to the problem. This is the entire process by which we attempt to solve problems or search the answers to questions is called research."²¹

From the above definition, research is the scientific and systematic process. It includes all types of investigation requiring solution to the problem. Research also helps to discover new ideas, knowledge in a particular area of interest. The scientific and systematic process of research involves activities of identifying problems, collecting facts and information tabulating and recording the data, setting hypothesis analysis the facts and reaching certain conclusion with a view to finding answer to the problem.

3.2 Research Design

The research design is a systematic and conceptual structure within which the study is to be conducted. Research design is a clear map of all types of investigation. The appropriate research design is also required for the achievement of desired objectives of the investigation it can be compared with the blue print of the procedures and techniques, which guide to the study. "Research design is a plan for the collection and analysis of data." Research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure". It presents a series of guideposts to enable the researcher to progress right direction in order to achieve the goal. The design may be as specific presentation of the problem, formulation of hypothesis, conceptual clarity and methodology, survey of literature and documentation, bibliography, data collection, interpretation, presentation and report writing.

²⁰ I bid. P.10

²¹ Howard K. Wolf and Prem R. Pant; *Social Science research and thesis writing*, 3rd edi., Buddha academic publishers and distributors, KTM, 2002, P.4

A research design is the specification of methods and procedures for acquiring the information needed. It is the overall operational pattern of framework the project that stipulates what information is to be collected from which sources by what procedure. Research design is essential for the whole study and helps in finding out the starting of work. The research design is both of descriptive and prescriptive nature. For analytical purpose, in this research the annual reports published by the related banks and other publications of the related banks, monthly newsletter, articles published by sample banks were collected.

3.3 Population and Sample

The term 'Population' or 'Universe' for research means all the members of any well-defined class of people events or objects. Because of its large size, It is fairly difficult to collect detailed information from each members a sub-group is chosen which is believed to be representative of the population. This sub-group is called a sample and the method of choosing this sub-group is done by sampling.

At present, there are more than seventeen commercial banks performing their activities in our country Nepal. Among them eight commercial banks are established with the foreign investment as joint venture commercial banks. Among them, only three joint venture commercial banks are chosen as sample i.e. Nepal SBI Bank Limited, Himalayan Bank Limited and Kumari Bank Limited.

3.4 Nature and Sources of Data

Adequate information are required for the research study from the different sources. The main task of the researcher is to collect information and data from the different sources. So, for the achievement of the desired objectives the sources of data. By nature, data can be primary or secondary according to their sources. For this research study mainly secondary data are used which are collected from the concern publication from the different publishers.

Financial data of previous 5 years of the selected banks are downloaded from *www.nepalstock.com*. Different books from library, periodicals, newspapers, companies, magazines will also be used whenever required. Needless to say that this study is associated with fast phenomena, therefore only the secondary data will be used to carry out the whole calculations.

3.5 Data collection Procedure

Data collection is one of the course very important but there are different tools of data collecting e.g. interview, questionnaire, schedule etc. Tools of data collection need not only careful consideration but also proper planning. These tools can best be used only when researcher has deep understanding of the problem. But techniques of data collection are dependent on many factor e.g. the type of the people who are to respond, what is the type of information sought for, duration of research investigation, availability of manpower and so on.

To obtain the objective of this study various information has been collected from selected banks, such as annual reports, newspapers and bulletins. Various publications published by NRB, unpublished periodicals, magazines, dissertations information from NRB sites have also been used to under take this study. Most of the data used in this study are from secondary sources of data.

3.6 Data Analysis Tools

Different kind of financial tools and statistical tools and techniques are used to determine and analyze the relative strengths and weaknesses of the performance of Nepal SBI Bank Ltd., Himalayan Bank Ltd. and Kumari Bank Ltd. Various financial and statistical tools that have been used in this study are as follows:

3.6.1 Financial Tools

To evaluate the financial condition and performance of a firm, the ratio analysis is the most powerful tool of financial analysis. A financial ratio is the numerical relationship between two financial variables or figures, which should serve some meaningful purpose. This relationship can be expressed in percentage or times. It is a process of

identifying the financial strengths and weaknesses of a firm. This may be accomplished through a comparison of the firm's ratios with some standard. In this study, various ratios used for the analysis of the financial statements are explained below:

3.6.1.1 Liquidity Ratio

Liquidity ratios are used to examine the solvency of the firm, the adequacy of the firm and firm's ability to meet its short-term obligations. Banking industry has survival in its ability to create and its credit creation ability is dependent upon its liquidity ratio. The liquidity ratio of banking industry depends upon the banking habit of people. Liquidity ratio ascertains the solvency of the company and its ability to remain solvent even in difficult times. In case of commercial banks short-term obligations are current deposit, saving deposit, short-term loans and source of meeting these obligation are cash and bank balance, short notice, investment in government securities. There is compulsion for commercial bank to maintain cash and bank balance according to NRB regulations. In this study, liquidity ratios are analyzed as under.

a. Current Ratio

Current ratio refers the relationship of current assets and current liabilities. Current assets are those assets, which can be converted into cash within short period of time. Current liabilities are those items, which are paid within a year. Current ratio measures paying ability of short-term debt by the firm. Traditionally 2:1 is standard ratio but it is a conservative outlook. This ratio is calculated as:-

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

The current assets of bank include cash and bank balance, short-term investment, loan and advance, inventories, sundry debtors etc. Similarly, the current liabilities include creditors, short-term loans, cash credit, outstanding expenses, provision for taxation etc.

b. Cash and Bank Balance to Current Assets Ratio

The ratio reflects the proportion of cash and bank balance to current assets. Cash and bank balance are two major components of current assets. There are ready cash, which can be used anytime and anywhere according to the need of a firm. By nature, almost all the current assets of a firm remain idle or earn very little. This ratio can be calculated as follows:

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

c. Loan and Advance to Current Assets Ratio

This ratio measures the relationship between loan and advance to current assets. It shows the capacity of a bank to purchase, discount, bill and loan, credit and overdraft facility to its customer. The main business of a bank is mobilization of resources. The resources collected from different sources and mobilized in terms of loan and advances. The major part of the collected fund is invested in the form of loan and advance. It is calculated as:

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

d. Cash and Bank Balance to Total Deposit Ratio

This ratio measures the bank's ability of withdrawal of fund immediately of their depositors. A higher ratio represents a greater ability to cover their deposits and vice-versa. Total of the deposits is the most important source of a bank fund. This fund should be utilized into various sectors in a profitable manner and cash and bank balance. Excess cash and bank balance, from viewpoint of liquidity, shows a firm's strong position and it is always harmful from viewpoint of profitability. This ratio can be calculated as:

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

e. Fixed Deposit to Total Deposit Ratio

This ratio measures the relationship of fixed deposit on total deposit. Fixed deposit is one of major sources of fund, which bears cost at a certain rate and has certain

maturity. Though termed as current liabilities, it should not be paid back before maturity. However, a serious drawback of this type of deposit is saving of interest on this type of deposit will be an extra burden for the bank till its maturity this ratio can be calculated as:

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

3.6.1.2 Activity Ratio

Activity ratio is also called the turnover ratio and a performance ratio. This ratio measures the performance efficiency of an organization that whether it is using its resources properly or not. To carry out operations a firm needs to invest in both short term and long term. Activity ratio describes the relationship between the firm's level of operation and the assets needed to sustain the activity. Activity ratio can also be used to forecast a firm's capital requirement the activity ratios analyzed in the study are:

a. Loan and Advance to Total deposit Ratio

Loan and advance is the main item of utilization of bank's collected fund. The collected fund must be mobilized somewhere else in the form of loan and advance or investment or in any other forms to generate income. This ratio measures how much extent the bank is successful in utilizing the outsider's funds in the profit generating purpose. It can be calculated as:

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

b. Loan and Advance to Fixed Deposit Ratio

Loan and advances is that part of bank's investment which generates income at a certain rate and fixed deposit is that part of bank's fund which bears cost at a certain rate. This ratio represents how many times the funds are used in loan and advance against fixed deposits. Fixed deposits are long-term interest bearing obligation.

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

c. Total Investment to Total Deposit Ratio

The total deposit is the main source of bank's fund which is the amount accepted by the bank from its customers under various accounts. This ratio is calculated to see how efficiency the banks have mobilized their total deposits on investment. Funds management is gaining a widespread importance in the banking sectors. It can be calculated as:

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

3.6.1.3 Leverage Ratio:

Leverage ratio is also known as capital structure or solvency ratio. It provides an insight into the financing techniques used by a business and focus as a consequence on the long-term solvency position. A firm should have a strong short-term as well as long-term financial position. Leverage ratio measures the relationship between debt and owners equity and examine the proportion of debt the company is using.

a. Debt Ratio

Debt ratio is indicates the relationship between total debt to total assets. This ratio measures the percentage of the firm's assets financed by creditors. The lower the ratio, the greater the protection afforded creditors in the event of liquidation. Debt is defined to include both current liabilities and long-term debt. This ratio is calculated as:

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

b. Debt to Equity Ratio

This ratio reflects the proportion of debt to equity. This ratio measures the extent to which the owners are using debt rather than their own funds to finance the company. The debt to equity ratio indicates how well creditors are protected in case of the company's solvency. This ratio can be calculated as:

$$\text{Debt to Equity Ratio} = \frac{\text{Total Debt}}{\text{Total Owner's Equity}}$$

c. Time Interest Earned (TIE) Ratio

This ratio is relationship between earnings before interest and taxes (EBIT) to interest charge. It measures the ability of the firm to meet its annual interest payments. This ratio is determine by dividing earning before interest and taxes (EBIT) by the interest charges. This ratio can be calculated as:

$$\text{Time Interest Earned (TIE) Ratio} = \frac{\text{EBIT}}{\text{Interest Charge}}$$

3.6.1.4 Profitability Ratio

Profit is an important factor, which determines the company expansion and diversification. Profit is major element of each and every business and it assists for business survival, further growth and development and fulfillment of social expectation. Profitability is the difference between the revenues and the expenditure over a period. Profitability ratio analyzes and measures the operational efficiency of the firm. Through this ratio, the investor can decide whether to invest in a business or not because creditors want to get interest and repayment of principal regularly and owner also want to get required rate of return on their investment. In this study following ratios has been analyzed.

a. Return on Equity

Return on equity is an important measurement from the owner's point of view. It measures whether the firm has earned a satisfactory return for its equity holders or not. This ratio indicates how well the firm has used the resources of owners. Higher ratio represents sound management and efficient mobilization of the owner's equity. This ratio is calculated by using the following formula:

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

Here, net profit denotes the net profit after tax. Similarly, net worth includes paid up capital, reserve surplus and undistributed profit.

b. Return on Total Assets Ratio

This ratio is used to measure in terms of the relationship between net profit after tax and total assets. This ratio judge's effectiveness in using the pool's of Funds that is

useful to measure the profitability of all the financial resources invested in the firm's assets. It also plays an important role to measure the profit after tax against the amount invested in total assets to ascertain whether assets are being utilized properly or not. This ratio can be calculated as:

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

c. Return on Total Deposit Ratio

This ratio enables to evaluate to what extent the management has been able to mobilize the deposits. Further more it assists to identify overall performance as well as its success is generating profit. This ratio is used for measuring the internal rate of return from deposits. This ratio is calculated by dividing net profit after tax by total assets.

$$\text{Return on Total Deposit Ratio} = \frac{\text{Net Profit After Tax}}{\text{Total Deposit}}$$

d. Interest Earned to Total Assets Ratio

Interest earned to total assets ratio measure the percentage of interest earned in relation to total assets of the banks. The ratio signifies the mobilization of its assets in generating purpose. The ratio plays a significant role in evaluating their efficiency in earning interests. Banks usually earn interest through the provision of loans, advances overdraft and investment in various securities, which are major sources of income from the banks. This ratio can be calculated by applying the following formula:

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

3.6.1.5 Other Ratio

In this study earning per share, dividend per share and dividend payout ratio are calculated among the various ratio to measure the financial performance of NSBI, HBL and KBL.

a. Earning Per Share

Earning per share is a widely used ratio in assessing the profitability of a firm from the owner's point of view. In other words, it measures the profit available to the equity holders on a per share basis. Shareholders are concern about the earning that will eventually be available to pay them dividends of that are used to expand their interest in the firm retain earning. This ratio is calculated by applying following formula.

$$\text{Earning Per Share} = \frac{\text{Net Profit After Tax}}{\text{Total no. of outstanding Common Share}}$$

b. Dividend Per Share

Dividend per share is basically displayed as that portion of earning which is allocated to its shareholders on the basis of each share. In other words, DPS is evaluated to know percentage of the dividend that the shareholders receive in relation to the paid up value of shares. Dividend per share is that portion of earning after tax that cash amount is allocated to shareholders dividend by total number of ordinary share outstanding. It can be computed by using the following formula:

$$\text{Dividend Per Share} = \frac{\text{Total Dividend}}{\text{Total no. of outstanding Common Share}}$$

c. Dividend Payout Ratio

Dividend payout ratio reflects at what percentage of the net profit is to be distributed in terms of dividend at what percentage is to retained in firm as retained earning. Usually, higher dividend payout ratio is preferred by the shareholders, where as a very high ratio may slow down the growth rate of the firm. So the firm with a high growth goals where as a low dividend payout ratio or retention of proportionally more earning in order to utilize them in profit generating purpose. This ratio is calculated by using the following formula:

$$\text{Dividend Payout Ratio} = \frac{\text{Dividend Per Share}}{\text{Earning Per Share}}$$

3.6.2 Statistical Tools

Some statistical tools are also been used for the analysis of the data. Statistical tools are expected to provide valuable information about the variation, standard deviation, correlation, growth rate etc. While analyzing financial performance, such analysis helps to draw conclusion which of the organization is better managed, if statistical tools indicate that there is some loose aspect, than it helps management to take corrective actions. The main statistical tools used in analyzing the data obtained are:

3.6.2.1 Arithmetic Mean

Arithmetic mean is the most popular and widely used measure for representing the entire data by one value also called average. Its value is obtained by adding together all the items and then dividing this total by the number of items added. It can be calculated using following formula:

$$\begin{aligned} \text{Arithmetic Mean } (\bar{X}) &= \frac{X_1 + X_2 + X_3 + \dots + X_n}{N} \\ &= \frac{\sum X}{N} \end{aligned}$$

Where, \bar{X} = Arithmetic Mean

$X_1 + X_2 + X_3 + \dots + X_n$ = Value of Variables

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

N = Number of observations

3.6.2.2 Standard Deviation

Karl Pearson propounded the standard deviation concept in 1893. It is one of the most used techniques in the field of dispersion. Standard deviation, usually denoted by the letter σ (small sigma) of the Greek alphabet, is defined as the positive square root of the arithmetic mean of the squares of the deviations of the given observations from their arithmetic mean. It can be calculated by following formula:

$$\text{Standard deviation } (\sigma) = \sqrt{\frac{\sum (X - \bar{X})^2}{N - 1}}$$

3.6.2.3 The coefficient of variation

The relative measure of dispersion based on the standard deviation is known as coefficient of standard deviation. The corresponding measure of relative dispersion is coefficient of variation (C.V.) There may be some variables where fluctuation is not desired but there may be some up downs. An organization with low C.V. is regarded most consistent and hence better managed. C.V. is calculated by using the following formula:

$$\text{Coefficient of Variation (C.V.)} = \frac{\sigma}{\bar{X}} \times 100$$

3.6.2.4 Coefficient of Determination

Correlation analysis indicates degree of relationship between two or more than two variables. Relationships between two variables are called simple correlation and correlation between three or more variables is called multiple correlations. Correlation can be positive or negative. If variable change to the same direction then it is positive correlation, otherwise it is negative.

Degree of correlation or coefficient of correlation will lie in between 0 to ± 1 . When the value is near to one, the relationship is strong. Similarly, when the coefficient of correlation is near to 0 the relation is weak and hence cause and effect relationship does not exist. In statistical analysis, instead of using coefficient of correlation (r), there is a tendency of using coefficient of determination (r^2). Interpretation of r^2 very simple: when $r=0.9$, then coefficient determination (r^2) will be $(0.9)^2=0.81$. It means 81% change on dependent variable is explained but a change independent variable. The remaining 19% change is unexplained. It means the change is caused by other variables not included in the model.

$$\text{Coefficient of determination (R)} = r^2$$

Where,

r = coefficient of correlation

3.6.2.5 Trend Analysis

The general tendency of the time series data to increase or stagnate during a long period of time is called trend. In the situation of analysis, different kinds of tools can be used to know the actual position of a business concern, out of which trend analysis is one, which show percentage changes in several successive years instead of between two years. Trend analysis indicates the direction of change. It is always desirable to express the trend in absolute term as well as relative's terms.

A better method to state each years position as a percentage of the base the first year is selected as the base year or hundred percent and years relative to the first year base. This type of percentage result is known as "trend percentage method." We can use the following formula to compute the index percentage for trend analysis.

$$\text{Index Percentage} = \frac{\text{Index Yearly Amount}}{\text{Base Year's Amount}} \times 100$$

This index percentage can be plotted on group either in arithmetic scale chart or semi-logarithmic or ratio chart to facilitate the study of trends in a firm. Here in this study ratio chart is used.

CHAPTER – IV

PRESENTATION AND ANALYSIS OF DATA

This chapter of study presents the data and facts, which is related to different aspects of Nepal SBI Bank Limited, Himalayan Bank Limited and Kumari Bank Limited. These data are collected from various sources. These available data are tabulated, analyzed and interpreted so that financial forecast of banks can be done easily. The main objective of presentation and analyzing data are financial performance and interpretation is to highlight the strength and weakness of the business. The collected data are analyzed and interpreted by using the financial and statistical tools.

4.1 Financial Analysis

Financial analysis is the process of evaluating relationship between components of financial statements, i.e. balance sheet and profit and loss account to obtain a better understanding of bank's position and performance. Financial analysis finds out the

2004/05	13160.68	17226.21	0.76	17539.42	18747.46	0.94	3423.12	4629.02	0.74
2005/06	13312.40	16384.73	0.81	14165.33	19433.25	0.73	3340.25	4410.24	0.76
2006/07	13868.30	15135.42	0.92	16881.45	21899.93	0.77	7517.89	8359.46	0.90
2007/08	14244.04	15153.13	0.94	18495.86	23030.89	0.80	11144.33	12506.94	0.89
2008/09	14971.80	15420.82	0.97	21200.10	25992.94	0.82	13967.79	15078.84	0.93
	Average (\bar{x})		0.88	Average (\bar{x})		0.81	Average (\bar{x})		0.84
	S.d. (σ)		9.06	S.d. (σ)		7.92	S.d. (σ)		8.77
	C.V.		10.30	C.V.		9.78	C.V.		10.44

Source: Appendix I, II, § III

The above table shows the current ratio of NSBI, HBL and KBL. The table shows that the ratio of NSBI is continuously increasing trend during the study period. In case of HBL, in 2004/05 current ratio is 0.94 and 2005/06 it decreases, again from 2007/08 year it started to increase. Similarly, current ratio of KBL is in increasing trend upto 2006/07 and it is decreased in 2007/08. Again, it is started increase i.e. 0.93 in the final year of the study period.

The average current ratio of NSBI, HBL and KBL are 0.88, 0.81 and 0.84 respectively. It indicates that the average current ratio of NSBI is higher than HBL and KBL. But all banks' average current ratio is below 1 so all banks need to improve their solvency position. The coefficient of variation of NSBI, HBL and KBL are 10.30%, 9.78% and 10.44% respectively, which signifies that HBL has more consistency in maintaining current ratio compare to NSBI and KBL.

The average current ratios of NSBI, HBL and KBL calculated in the table no. 1 is presented in the figure no. 1.

Figure No. 1

Chart Showing Current Ratio of NSBI, HBL and KBL

Figure Showing Average Current Ratio for the period of 5 years

Average Current Ratio

Bank Name

	Balance			Balance			Balance		
2004/05	812.90	13160.68	6.18	1435.18	17359.92	8.27	446.70	3423.12	13.05
2005/06	1051.82	13312.40	7.90	1264.67	14165.33	8.93	338.92	3340.25	10.15
2006/07	1144.77	13868.30	8.25	1979.21	16881.45	11.72	926.53	7517.89	12.32
2007/08	970.49	14244.04	6.81	2001.19	18495.86	10.82	1226.92	11144.33	11.01
2008/09	559.38	14971.80	3.74	2014.47	21200.10	9.50	1340.49	13967.79	9.60
	Average (\bar{x})		6.58	Average (\bar{x})		9.85	Average (\bar{x})		11.23
	S.d. (σ)		1.78	S.d. (σ)		1.41	S.d. (σ)		1.45
	C.V.		27.05	C.V.		14.31	C.V.		12.91

Source: Appendix I, II and III

The above table shows the cash and bank balance to current assets ratio of NSBI, HBL and KBL. The table shows that the ratio of NSBI is increasing trend from 2004/05 to 2006/07 and It slightly decrease in 2007/08 and 2008/09. The ratio of HBL and KBL is in fluctuating trend throughout the study period. The fluctuating trend shows the fluctuating ability to manage deposit and withdrawal from the customers. The average of the cash and bank balance to current assets ratio of NSBI, HBL and KBL are 6.58%, 9.85% and 11.23%. It indicates that to keep an average of 6.58%, 9.85% and 11.23% as cash and bank balance by NSBI, HBL and KBL respectively is a positive aspect from viewpoint of liquidity but negative aspects from viewpoint of profitability.

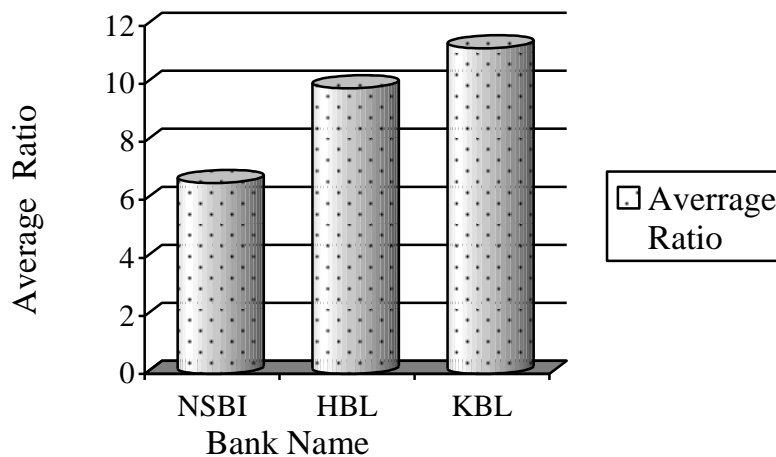
As far as the consistency in maintaining cash and bank balance to current assets is concerned, KBL is more consistent than the NSBI and HBL because its C.V. 12.91% lower than that of NSBI 27.05% and HBL 14.31%. Similarly, HBL is more consistent than NSBI.

The average cash and bank balance to current assets ratios of NSBI, HBL and KBL calculated in the table no. 2 is presented in the figure no. 2.

Figure No. 2

Chart Showing Average Cash and Bank Balance to Current Assets Ratio of NSBI, HBL and KBL

Figure Showing Average Cash and Bank Balance Current Assets Ratio for the Period of 5 years



The above figure shows the average cash and bank balance to current assets ratio of NSBI, HBL and KBL from the year 2004/05 to 2008/09. In figure, Y-axis represents the average ratio of 3 banks and X-axis represents the 3 banks. The above figure shows that the average cash and bank balance to current assets ratio of KBL is higher than NSBI and HBL.

c. Loan and Advance to Current Assets Ratio

The main business of a bank is mobilization of resources. The fund or resources collected from different sources are mobilized in terms of loan and advances and by investing on various types of securities and projects. The major part of the collected fund is invested in the form of loan and advances. Unlike cash and bank balance, loan and advances cannot be converted into cash on the desires of the investors. It is not always sure that the principal and interest of the loan and advances will be recovered in the stated time. This ratio indicates the percentage of total current which have been lent to the customers with a promise to be paid interest at a certain rate. It can be calculated as:

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

Table No. 3

Loan and Advances to Current Assets Ratio of NSBI, HBL and KBL

(Rs. In Million)

Fiscal Year	NSBI			HBL			KBL		
	Loan and Advances	Current Assets	Ratio (%)	Loan and Advances	Current Assets	Ratio (%)	Loan and Advances	Current Assets	Ratio (%)
2004/05	7993.28	13160.68	60.74	8651.74	17359.42	49.84	2318.91	3423.12	67.74
2005/06	7135.54	13312.40	53.60	8653.57	14165.33	61.09	2518.06	3340.25	75.39
2006/07	7454.26	13868.30	53.75	9700.66	16881.45	57.46	5648.03	7517.89	75.13
2007/08	7953.76	14244.04	55.84	11635.31	18495.86	62.91	6917.80	11144.33	62.07
2008/09	10465.27	14971.80	69.90	12088.71	21200.10	57.02	9933.08	13967.79	71.11
	Average (\bar{x})		58.77	Average (\bar{x})		57.66	Average (\bar{x})		70.29
	S.d. (σ)		6.86	S.d. (σ)		5.02	S.d. (σ)		5.57
	C.V.		11.67	C.V.		8.71	C.V.		7.92

Sources: Appendix I, II and III

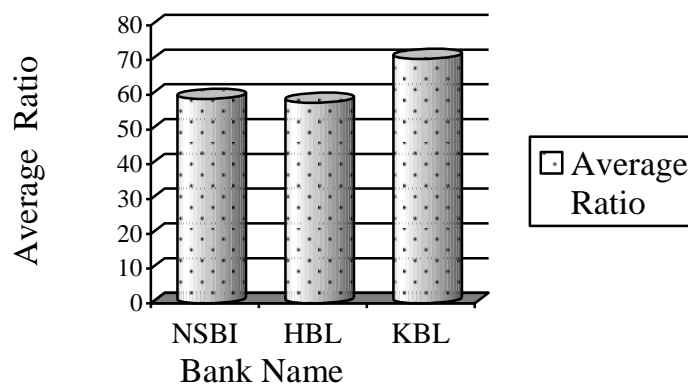
The above table shows the loan and advances to current assets ratio of NSBI, HBL and KBL. The table shows that the ratio of NSBI is decreasing from 2004/05 to 2005/06 and ranges between 53.60 and 53.75 showing the constant behaviour and again shows the increment trend in 2008/09. In case of HBL and KBL, the ratio is in fluctuation trend throughout the study period. It indicates the fluctuating ability to provide loan and advances. The average loan and advances to current assets ratio of NSBI, HBL and KBL are 58.77%, 57.66% and 70.29% respectively. The average loan and advances to current assets ratio of KBL is higher than NSBI and HBL where as the average ratio of HBL is minimum. HBL has been providing 57.66% of current assets in the form of loan and advances to the customers. Similarly, NSBI has been providing 58.77% of its current assets as loan and advances and KBL has been providing the maximum percentage of 70.29% of its current assets in the form of loan and advances. So the utilization of current assets as loan and advances has been higher in KBL and lower in HBL. This shows the better performance of KBL in providing loan and advances but it should be careful in recovery of loan and advances.

The coefficient variation of NSBI, HBL and KBL are 11.67%, 8.71% and 7.92% respectively. It should that KBL is more consistent maintaining loan and advances to current assets ratio.

The average loan and advance to current assets ratios of NSBI, HBL and KBL calculated in table no. 3 is presented in the figure no. 3.

Figure No. 3
Chart Showing Average Loan and Advances to Current Assets Ratio of NSBI, HBL and KBL

Figure Showing Average Loan and Advances to Current Assets Ratio for the period of 5 years



The figure no. 3 shows the average loan and advances to current assets ratio of NSBI, HBL and KBL from the year 2004/05 to 2008/09. In figure, Y-axis represents the average ratio of 3 banks and X-axis represents the 3 banks. The above figure shows that the average loan and advances to current assets ratio of KBL is higher than NSBI and HBL.

d. Cash and Bank Balance to Total Deposit Ratio

Cash and bank balance to total deposit ratio measures the availability of bank highly liquid funds to meet its unanticipated, calls on different types of deposits. This ratio indicates the ability of banks funds to cover their current, saving, fixed, call and other deposits. In addition to this, it also assess that what proportion of total deposit is

utilized and what proportion of cash and bank balance remain. Low ratio percentage indicates the better utilization of deposits whereas high ratio percentage shows the strong liquidity position of firm. But too high ratio percentage is not favorable for the bank. This ratio can be calculated as:

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

Table No. 4
Cash and Bank Balance to Total Deposit Ratio of NSBI, HBL and KBL
(Rs. in Million)

Fiscal Year	NSBI			HBL			KBL		
	Cash and Bank Balance	Total Deposit	Ratio (%)	Cash and Bank Balance	Total Deposit	Ratio (%)	Cash and Bank Balance	Total Deposit	Ratio (%)
2004/05	812.90	15839.01	5.13	1435.18	17532.40	8.19	446.70	4256.21	10.50
2005/06	1051.82	15506.44	6.78	1264.67	18619.37	6.79	338.92	4174.76	8.12
2006/07	1144.77	13447.65	8.51	1979.21	21007.37	9.42	926.53	7922.75	11.69
2007/08	970.49	14119.03	6.87	2001.19	2210.39	9.05	1226.92	11524.67	10.65
2008/09	559.38	14586.61	3.83	2014.47	24819.00	8.12	1340.49	14254.57	9.40
	Average (\bar{x})		6.22	Average (\bar{x})		8.31	Average (\bar{x})		10.07
	S.d. (σ)		1.79	S.d. (σ)		1.02	S.d. (σ)		1.36
	C.V.		28.78	C.V.		12.27	C.V.		13.50

Source: Appendix I, II and III

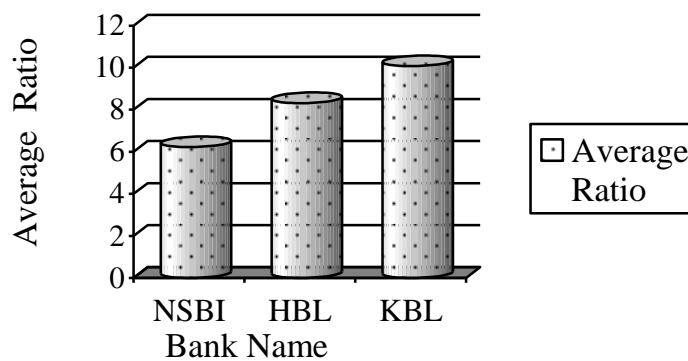
The above table shows the cash and bank balance to total deposit ratio of NSBI, HBL and KBL. The table shows that the ratio of all three banks is in fluctuating trend throughout the study period. The fluctuating trend shows the fluctuating ability to maintain cash and bank balance. The average cash and bank balance to total deposit ratio of NSBI, HBL and KBL is 6.22%, 8.31% and 10.07% respectively. It means KBL is maintaining higher cash and bank balance than other two banks where as NSBI is maintaining lower cash and bank balance. It is clear that KBL is unable to mobilize its total deposit to earn more profit where as NSBI has taken risk by investing its deposits to earn more profit. The coefficient of variation of NSBI, HBL and KBL are 28.78%,

12.27% and 13.50% respectively, which indicates that HBL is more consistent than NSBI and KBL. Similarly, KBL is more consistent than NSBI.

The average cash and bank balance to total deposit ratios of NSBI, HBL and KBL calculated in the table no. 4 is presented in the figure no. 4.

Figure No. 4
Chart Showing Average Cash and Bank Balance to Total Deposit Ratio of NSBI, HBL and KBL

Figure Showing Average Cash and Bank Balance to Total Deposit Ratio for the period of 5 years.



The above figure shows the average cash and bank balance to total deposit ratio of NSBI, HBL and KBL from the year 2004/05 to 2008/09. In figure, Y-axis represents the average ratio of 3 banks and X-axis represents the 3 banks. The above figure shows that the average cash and bank balance to total deposit ratio of KBL is higher than NSBI and HBL, which indicates KBL is unable to mobilize its total deposit to earn more profit.

e. Fixed Deposit to Total Deposit Ratio

Fixed deposit is one of major sources of fund, which bears cost at a certain rate and has certain maturity. Though termed as current liabilities, it should not be paid back before maturity. But, a serious drawback of this type of deposit is, paying of interest on deposit will be an extra burden for the bank till its maturity. Hence, fixed deposit to total deposit ratio shows the percentage of total deposit, which bears cost at a fixed rate. This ratio can be calculated as:

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

Table No. 5
Fixed Deposit to Total Deposit Ratio of NSBI, HBL and KBL
(Rs. in Million)

Fiscal Year	NSBI			HBL			KBL		
	Fixed Deposit	Total Deposit	Ratio (%)	Fixed Deposit	Total Deposit	Ratio (%)	Fixed Deposit	Total Deposit	Ratio (%)
2004/05	3719.20	15839.02	23.48	4927.37	17532.40	28.10	1658.66	4256.21	38.97
2005/06	2446.85	15506.44	15.78	5480.84	18619.37	29.44	945.93	4174.76	22.66
2006/07	2252.54	13447.65	16.75	3205.37	21007.37	15.26	1672.82	7922.75	21.11
2007/08	2310.57	14119.03	16.36	4710.18	22010.34	21.40	2294.68	11524.67	19.91
2008/09	2078.54	14586.61	14.25	6107.43	24814.00	24.61	3212.26	14254.57	22.53
	Average (\bar{x})		17.32	Average (\bar{x})		23.76	Average (\bar{x})		25.04
	S.d. (σ)		3.57	S.d. (σ)		5.69	S.d. (σ)		7.87
	C.V.		20.61	C.V.		23.95	C.V.		31.43

Source: Appendix I, II, and III

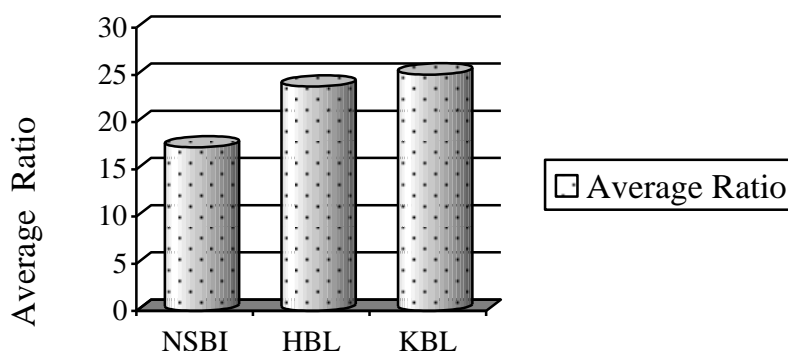
Table no. 5 shows the fixed deposit to total deposit ratio of NSBI, HBL and KBL. The table shows that the ratio of NSBI is decreasing from 2004/05 to 2005/06 and constant behaviour in the year 2006/07 and 2007/08 and again decreased in the year 2008/09. Similarly, the ratio of HBL and KBL is in fluctuating trend throughout the study period. The average fixed deposit to total deposit ratio of NSBI, HBL and KBL is 17.32%, 23.76% and 25.04% respectively. It is shows that NSBI has failed to accumulate more fixed deposit amount comparatively than HBL and KBL. From viewpoint of liquidity, greater portion of fixed deposit may be termed as favorable one. So, all three banks are unable to maintain the fixed deposit in satisfactory manner.

The coefficient of variation of NSBI, HBL and KBL are 20.61%, 23.95% and 31.43% respectively. This indicates that NSBI is more consistent in fixed deposit to total deposit ratio.

The average fixed deposit to total deposit ratios of NSBI, HBL and KBL is calculated in the table no. 5 is presented in the figure no. 5.

Figure No. 5
Chart Showing Average Fixed Deposit to Total Deposit Ratio of
NSBI, HBL and KBL

Figure Showing Average Fixed Deposit to Total Deposit Ratio for the period of 5 years



The figure no. 5 shows the average fixed deposit to total deposit ratio of NSBI, HBL and KBL from the year 2004/05 to 2008/09. In figure, Y-axis represents the average ratio of 3 banks and X-axis represents the 3 banks. The above figure shows that the average fixed deposit to total deposit ratio of KBL is higher than HBL and NSBI.

4.1.1.2 Activity Ratio

Activity Ratio measures the efficiency of management in utilizing assets, funds in profit generating and how available assets are utilized. This ratio is called turnover of efficient or assets utilization ratio. Activity ratios indicate the degree of efficiency in assets management; hence, they are often referred to as efficiency ratios. Many ratios are computed under this heading, which are as follows:

a. Loan and Advance to Total Deposit Ratio

Loan and advances to total deposit examines to what extent commercial banks are able to utilize the depositor's fund to earn profit by providing loans and advances. Total deposit includes current, saving, fixed call and other deposit. High ratio percentage represents the greater efficiency or proper utilization of funds provided by the outsiders. But very high percentage shows poor liquidity position and risk in loans.

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

Table No. 6**Loan and Advances to Total Deposit Ratio of NSBI, HBL and KBL****(Rs. in Million)**

Fiscal Year	NSBI			HBL			KBL		
	Loan and Advances	Total Deposit	Ratio (%)	Loan and Advances	Total Deposit	Ratio (%)	Loan and Advances	Total Deposit	Ratio (%)
2004/05	7993.28	15839.01	50.47	8651.74	17532.40	49.35	2318.91	4256.21	54.48
2005/06	7135.54	15506.44	46.02	8653.57	18619.37	46.48	2518.06	4174.76	60.32
2006/07	7454.26	13447.65	55.43	9700.66	21007.37	46.18	5698.03	7922.75	71.29
2007/08	7953.76	14119.03	56.33	11635.31	22010.34	52.86	6917.80	11524.67	60.03
2008/09	10465.27	14586.61	71.75	12088.71	24814.00	48.72	9933.08	14254.57	69.68
	Average (\bar{x})		56.00	Average (\bar{x})		48.72	Average (\bar{x})		63.16
	S.d. (σ)		9.73	S.d. (σ)		2.69	S.d. (σ)		7.10
	C.V.		17.38	C.V.		5.52	C.V.		11.24

Source: Appendix I, II, and III

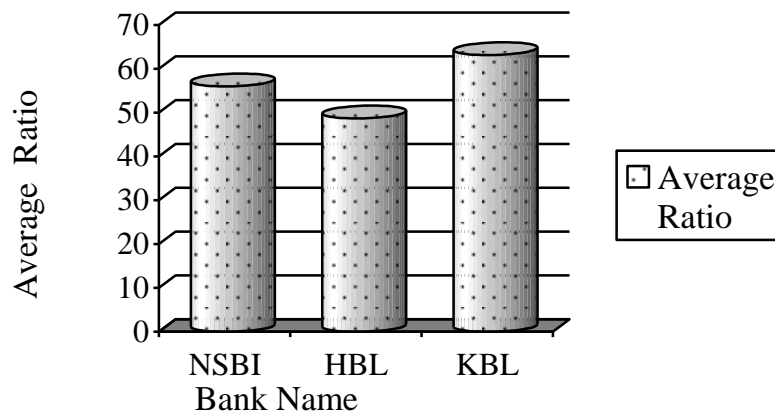
Table no. 6 shows the loan and advances to total deposit ratio of NSBI, HBL and KBL. The ratio of NSBI has decreased in 2005/06 and again started to increase from 2006/2007 to 2008/09. The ratio of HBL and KBL is in fluctuating trend throughout the study period. The average loan and advances to total deposit ratio of NSBI, HBL and KBL is 56%, 48.72% and 63.16% respectively. The average loan and advances to total deposit ratio of KBL is greater than NSBI and HBL. It indicates KBL's better utilization of total deposit for investing in loan and advances in comparison to NSBI and HBL. Similarly, average of NSBI shows better performance in utilization of total deposit in comparison to HBL. The C.V. of NSBI, HBL and KBL is 17.38%, 5.52% and 11.24% respectively. This indicates that HBL is more consistent in loan and advances to total deposit ratio as regard NSBI and KBL. Similarly, KBL is more consistent than NSBI.

The average loan and advances to total deposit ratios of NSBI, HBL and KBL calculated in the table no. 6 is presented in figure no. 6.

Figure No. 6

Chart Showing Average Loan and Advances to Total Deposit Ratio of NSBI, HBL and KBL

Figure Showing Average Loan and Advances to Total Deposit Ratio for the period of 5 years



The figure no. 6 shows the average loan and advances to total deposit ratio of NSBI, HBL and KBL during the study period. In figure, Y-axis represents the average ratio of 3 banks and X-axis represents the 3 banks. The above figure shows that the average loan and advance to total deposit ratio of KBL is greater than NSBI and HBL.

b. Loan and Advance to Fixed Deposit Ratio

Loan and advances is that part of bank's investment which generates income at a certain rate and fixed deposit is that part of bank's fund which bears cost at a certain rate. Hence, this ratio indicates the relationship between the investment of bank earning interest at a fixed rate and the liabilities of bank bearing interest at a certain rate. It is calculated as follows:

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

Table No. 7**Loan and Advances to Fixed Deposit Ratio of NSBI, HBL and KBL****(Rs. in Million)**

Fiscal Year	NSBI			HBL			KBL		
	Loan and Advances	Fixed Deposit	Ratio (%)	Loan and Advances	Fixed Deposit	Ratio (%)	Loan and Advances	Fixed Deposit	Ratio (%)
2004/05	7993.28	3719.20	214.92	8651.74	4927.37	175.59	2318.91	1658.66	139.81
2005/06	7135.54	2446.85	291.62	8653.57	5480.84	157.89	2518.06	945.93	266.12
2006/07	7454.26	2252.54	330.93	9700.66	3205.37	302.64	5648.03	1672.82	337.64
2007/08	7953.76	2310.57	344.23	11635.31	4710.18	247.02	6917.80	2294.68	301.47
2008/09	10465.27	2078.54	503.49	12088.71	6107.43	197.93	9933.08	3212.26	309.22
	Average (\bar{x})		337.02	Average (\bar{x})		216.21	Average (\bar{x})		270.85
	S.d. (σ)		94.63	S.d. (σ)		58.75	S.d. (σ)		78.33
	C.V.		28.08	C.V.		27.17	C.V.		28.92

Source: Appendix I, II and III

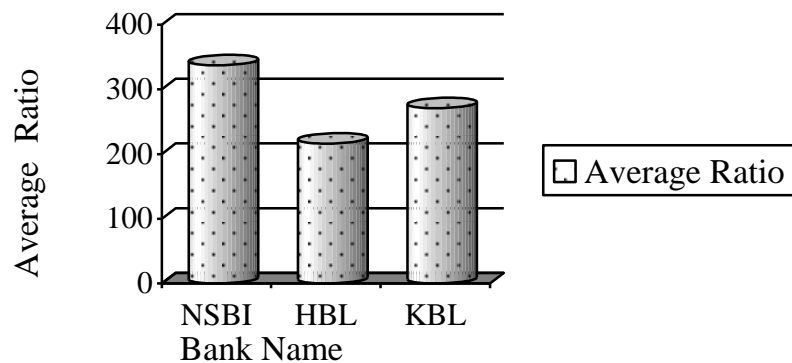
The table no. 7 shows the loan and advances to fixed deposit ratio of NSBI, HBL and KBL. The ratio of NSBI is in increasing trend throughout the study period. In case of HBL, the ratio has decreased all the year of the study period except the year 2006/07. Similarly, ratio of KBL has increased in the year 2005/06 and constant behaviour on remaining study period. The average loan and advances to fixed deposit ratio of NSBI, HBL and KBL is 337.02%, 216.21% and 270.85% respectively. It shows that the position of NSBI in mobilizing the fixed deposit in the form of loan and advances is higher than HBL and KBL. HBL has invested lower proportion of fixed deposit in the form of loan and advances.

The C.V. of NSBI, HBL and KBL is 28.08%, 27.17% and 28.92% respectively. This indicates that HBL is more consistent in loan and advances to fixed deposit ratio in comparison to NSBI and KBL. The average loan and advances to fixed deposit ratios of NSBI, HBL and KBL calculated in the table no. 7 is presented in the figure no. 7.

Figure No. 7

Chart Showing Average Loan and Advances to Fixed Deposit Ratio of NSBI, HBL and KBL

Figure Showing Average Loan and Advances to Fixed Deposit Ratio for the period of 5 years



The figure no. 7 shows the average loan and advances to fixed deposit ratio of NSBI, HBL and KBL from the year 2004/05 to 2008/09. In figure, Y-axis represents the average ratio of 3 banks and X-axis represents the 3 banks. The above figure shows that the average loan and advances to fixed deposit ratio of NSBI is higher than HBL and KBL.

c. Total Investment to Total Deposit Ratio

This ratio measures that how successfully the banks are mobilizing their deposits on investment. Here, the investment includes investment on loans, cash credit, overdraft, government securities, bills purchase and discount, money at call and short notice. It also assesses the company's financing policy. If they do not have good financing policy, then they can't earn proper return. It is calculated by using the following formula.

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

Table No. 8**Total Investment to Total Deposit Ratio of NSBI, HBL and KBL****(Rs. in Million)**

Fiscal Year	NSBI			HBL			KBL		
	Total Investment	Total Deposit	Ratio (%)	Total Investment	Total Deposit	Ratio (%)	Total Investment	Total Deposit	Ratio (%)
2004/05	16532.48	15839.01	104.38	17145.47	17532.40	97.79	4386.61	4256.21	103.06
2005/06	15646.56	15506.44	100.90	18388.92	18619.37	98.76	4372.70	4174.76	104.74
2006/07	14435.10	13447.65	107.34	20293.12	21007.37	96.60	7503.49	7922.75	94.71
2007/08	14922.57	14119.03	105.69	21578.61	22010.34	98.04	11288.72	11524.67	97.95
2008/09	15694.47	14586.61	107.00	24518.03	24814.00	98.81	14182.5	14254.57	99.49
	Average (\bar{x})		105.18	Average (\bar{x})		98.00	Average (\bar{x})		99.99
	S.d. (σ)		2.73	S.d. (σ)		0.90	S.d. (σ)		4.01
	C.V.		2.60	C.V.		0.82	C.V.		4.01

Source: Appendix I, II and III

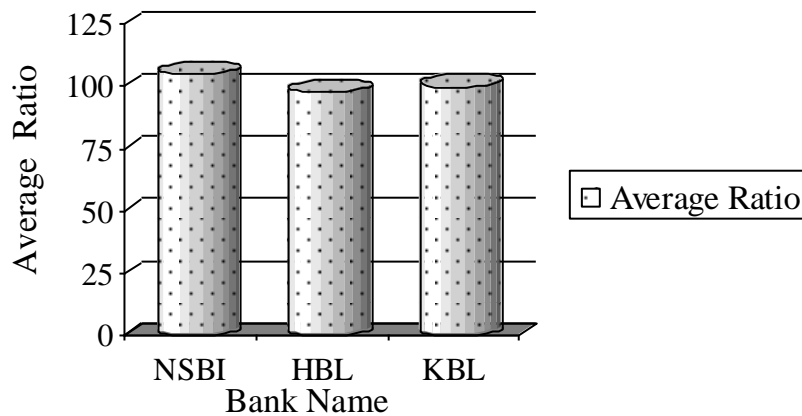
The table no. 8 shows the total investment to total deposit ratio of NSBI, HBL and KBL. The table shows that the ratio of NSBI, HBL, and KBL is in fluctuating trend throughout the study period. The fluctuating trend shows the fluctuating in utilizing its resources on investment. The average total investment to total deposit ratio of NSBI, HBL and KBL is 105.18%, 98.00% and 99.99% respectively. This shows that NSBI has utilized its total deposits for investment purpose more efficiently than HBL and KBL. Similarly, KBL is more capable in utilizing its resources on investment than HBL. NSBI has invested excess amount than the total deposit in the whole study period. Whereas KBL has able to invest excess amount than total deposit only in first two years of the study. HBL has not invested excess amount than total deposit. The C.V. on total investment to total deposit ratio of HBL i.e. 0.82 shows that HBL is more consistent in mobilizing total deposit on investment than NSBI and KBL and NSBI is more consistent than KBL.

The average total investment to total deposit ratios of NSBI, HBL and KBL calculated in the table no. 8 is presented in the figure no. 8.

Figure No. 8**Chart Showing Average Total Investment to Total Deposit Ratio of**

NSBI, HBL and KBL

Figure Showing Average Total Investment to Total Deposit Ratio for the Period of 5 years



The above figure shows the average total investment to total deposit ratio of NSBI, HBL and KBL from the year 2004/05 to 2008/09. In figure, Y-axis represents the average ratio of 3 banks and X-axis represents the 3 banks. The above figure shows that the average total investment to total deposit ratio of NSBI is higher than HBL and KBL.

4.1.1.3 Leverage Ratio

This ratio is calculated to judge the long-term financial position of the firm. Long-term creditors like debenture holders, financial institutions etc. are concerned with the firm's long-term financial strength. The long-term creditors would judge the soundness of a firm on the basis of long-term financial strength measured in terms of its ability to pay the interest regularly as well as repaying the installment of the principal. It represents the long-term solvency of a firm. Leverage ratio helps to calculate the proportion of outsider and owner's contribution of the firm.

a. Debt Ratio

The ratio of debt to total assets measures the percentage of the firm's assets financed by creditors. The lower the ratio, the greater the protection afforded creditors in the event of liquidation. Here, debt includes both current liabilities and long-term debt. Creditors

prefer low debt ratios because the lower the ratio, the greater the cushion against creditor's losses in the event of liquidation. On the other hand, the owners may seek high leverage to magnify earnings. This ratio can be calculated by using the following formula.

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

Table No. 9
Total Debt to Total Assets Ratio of NSBI, HBL and KBL
(Rs. in Million)

Fiscal Year	NSBI			HBL			KBL		
	Total Debt	Total Assets	Ratio (%)	Total Debt	Total Assets	Ratio (%)	Total Debt	Total Assets	Ratio (%)
2004/05	17304.32	18367.15	94.21	18779.98	19500.58	96.30	4658.29	5127.37	90.85
2005/06	16482.83	17629.25	93.50	19814.32	20672.45	95.85	4450.44	4973.90	89.48
2006/07	15248.43	16562.61	92.07	22292.09	23355.23	95.45	8375.71	9014.24	92.92
2007/08	15263.93	16745.61	91.15	23437.87	24762.04	94.65	12526.46	13255.50	94.50
2008/09	15528.70	17186.33	90.35	26302.94	27844.96	94.46	15093.90	16274.07	92.74
	Average (\bar{x})		92.26	Average (\bar{x})		95.34	Average (\bar{x})		92.10
	S.d. (σ)		1.60	S.d. (σ)		0.78	S.d. (σ)		1.95
	C.V.		1.73	C.V.		0.82	C.V.		2.12

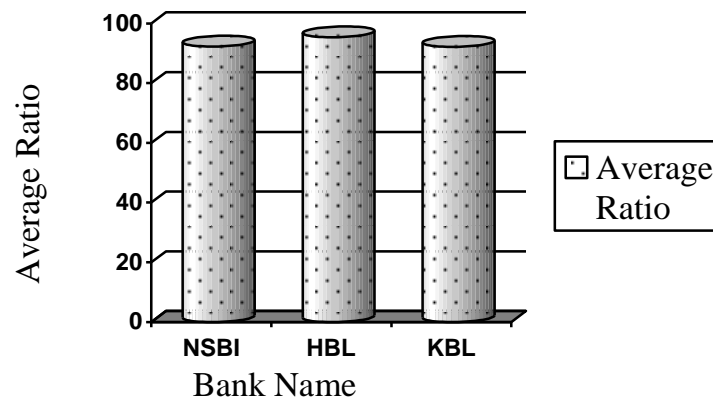
Sources: Appendix I, II and III

The above table shows the total debt to total assets ratio of NSBI, HBL and KBL. The ratio of NSBI and HBL has decreased throughout the study period. The ratio of KBL is in fluctuating trend during the study period. The average total debt to total assets ratio of NSBI, HBL and KBL is 92.26%, 95.34% and 92.10% respectively. This shows that the ratio of HBL is higher than NSBI and KBL. KBL's ratio is lower than other banks. NSBI, HBL and KBL would find it difficult to borrow additional funds without first raising more equity capital.

As far as the consistency in maintaining total debt to total assets ratio is concerned, HBL is more consistent than NSBI and KBL because its C.V. 0.82% is lower than that of NSBI 1.73% and KBL 2.12%. Similarly, NSBI is more consistent than KBL.

The average total debt to total assets ratios of NSBI, HBL and KBL calculated in the table no. 9 is presented in the figure no. 9.

Figure No. 9
Chart Showing Average Total Debt to Total Assets Ratio of
NSBI, HBL and KBL
Figure Showing Average Total Debt to Total Assets Ratio for
the period of 5 years



The above figure shows the average total debt to total assets ratio of NSBI, HBL and KBL from the year 2004/05 to 2008/09. In figure, Y-axis represents the average ratio of 3 banks and X-axis represents the 3 banks. The above figure shows that the average total debt to total assets ratio of HBL is higher than NSBI and KBL.

b. Debt to Equity Ratio

The debt to equity ratio measures the extent to which the owners are using debt rather than their own funds to finance the company. The debt to equity ratio indicates how well creditors are protected in case of the company's insolvency. This ratio can be calculated by using following formula.

$$\text{Debt to Equity Ratio} = \frac{\text{Total Debt}}{\text{Total Owner's Equity}}$$

Table No. 10

Debt to Equity Ratio of NSBI, HBL and KBL

(Rs. in Million)

Fiscal Year	NSBI			HBL			KBL		
	Total Debt	Total Owner's Equity	Ratio (Times)	Total Debt	Total Owner's Equity	Ratio (Times)	Total Debt	Total Owner's Equity	Ratio (Times)
2004/05	17304.32	1062.83	16.28	18779.98	720.60	26.06	4658.29	469.08	9.93
2005/06	16482.83	1146.42	14.38	19814.32	858.13	23.09	4450.44	523.46	8.50
2006/07	15248.43	1314.18	11.60	22292.09	1063.14	20.97	8375.71	638.53	11.12
2007/08	15263.93	1481.68	10.30	23437.87	1324.17	17.70	12526.46	729.04	17.18
2008/09	15528.70	1657.63	9.37	26302.94	1541.75	17.06	15093.90	1180.17	12.79
	Average (\bar{x})		12.39	Average (\bar{x})		20.98	Average (\bar{x})		11.90
	S.d. (σ)		2.58	S.d. (σ)		3.75	S.d. (σ)		3.34
	C.V.		2.08	C.V.		1.79	C.V.		2.81

Source: Appendix I, II and III

The above table shows the debt to equity ratio of NSBI, HBL, and KBL. The table shows that the ratio of NSBI and HBL has decreased throughout the study period. In case of KBL, the ratio has decreased in 2005/06 and increased upto in the year 2007/08 and again decreased thereafter. The average debt to equity ratio of NSBI, HBL and KBL is 12.39 times, 20.98 times, and 11.90 times respectively. The higher the debt to equity ratio is regarded as weaker financial position for any firm. Generally, debt to equity ratio below 0.50 is regarded as sound position for banking sector. In average HBL's debt to equity ratio is higher than NSBI and KBL. So HBL position is not satisfactory in comparison to NSBI and KBL. HBL should decrease its ratio. Similarly, KBL's debt to equity ratio is lower than other two banks. So its position is relatively satisfactory in comparison with NSBI and HBL.

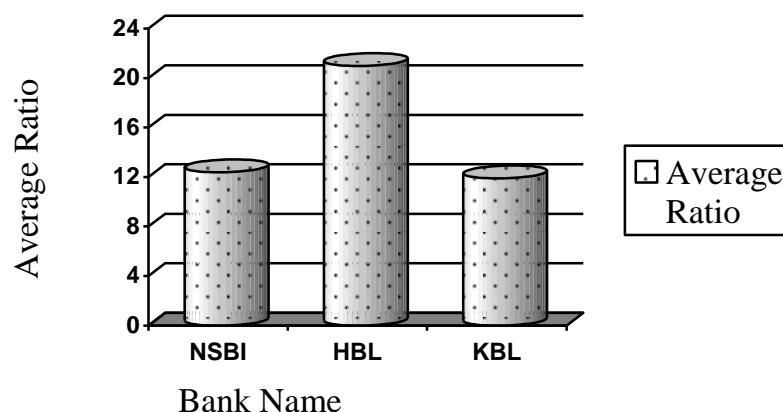
The C.V. of NSBI, HBL and KBL is 2.08%, 1.79% and 2.81% respectively. This indicates that HBL is more consistent in debt to equity ratio as regard NSBI and KBL.

The average debt to equity ratios of NSBI, HBL and KBL calculated in the table no. 10 is presented in the figure no. 10.

Figure No. 10

Chart Showing Average Debt to Equity Ratio of NSBI, HBL and KBL

Figure Showing Average Debt to Equity Ratio for the period of 5 years.



The above figure shows the average debt to equity ratio of NSBI, HBL and KBL from the year 2004/05 to 2008/09. In figure, Y-axis represents the average ratio of 3 banks and X-axis represents the 3 banks. The figure shows that the average debt to equity ratio of HBL is higher than NSBI and KBL.

c. Time Interest Earned (TIE) Ratio

This ratio measures the ability of the firm to meet its annual interest payments. The TIE ratio indicates the extent to which operating income can decline before the firm is unable to meet its annual interest costs. Failure to meet this obligation can bring legal action by the firm's creditors, possibly resulting in bankruptcy. Earning before interest and taxes (EBIT) rather than income is used in the numerator. Because interest is a deductible lost, the ability to pay current interest is not affected by taxes. This ratio can be calculated as:

$$\text{TIE Ratio} = \frac{\text{EBIT}}{\text{Interest Charge}}$$

Table No. 11

Time Interest Earned Ratio of NSBI, HBL and KBL in Times

(Rs. in Million)

Fiscal Year	NSBI			HBL			KBL		
	EBIT	Interest Charge	Ratio (Times)	EBIT	Interest Charge	Ratio (Times)	EBIT	Interest Charge	Ratio (Times)
2004/05	1051.72	578.36	1.82	1167.7	732.69	1.59	257.27	163.42	1.57
2005/06	871.66	462.08	1.89	927.17	578.13	1.60	208.55	130.44	1.60
2006/07	932.75	317.35	2.94	914.15	554.13	1.65	359.36	189.21	1.90

2007/08	940.02	282.94	3.32	912.11	491.54	1.86	557.68	326.21	1.71
2008/09	1001.32	293.54	4.11	1084.5	561.96	1.93	688.23	354.55	1.94
	Average (\bar{x})		2.82	Average (\bar{x})		1.73	Average (\bar{x})		1.74
	S.d. (σ)		0.97	S.d. (σ)		0.16	S.d. (σ)		0.17
	C.V.		34.40	C.V.		9.25	C.V.		9.77

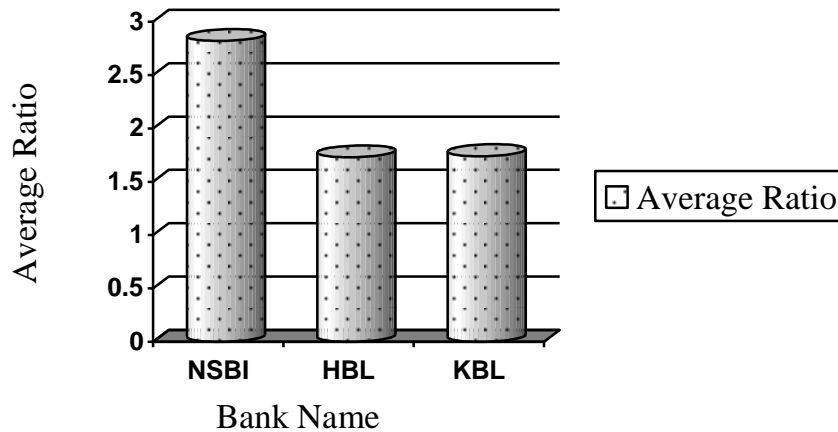
Source: Appendix I, II and III

The above table shows the time interest earned ratio of NSBI, HBL and KBL. The ratio of NSBI and HBL has increased throughout the study period. In case of KBL, the ratio has increased all the year of the study period except the year 2007/08. The average time interest earned ratio of NSBI, HBL and KBL is 2.82 times, 1.73 times and 1.74 times respectively. In general higher interest coverage ratio is treated as good for banking sector. The table shows that NSBI's interest coverage ratio is higher than HBL and KBL. It indicates that NSBI can pay off its interest easily. HBL and KBL has low coverage ratio so they are recommended to increase its interest coverage ratio.

The C.V. of NSBI, HBL and KBL is 34.40%, 9.25% and 9.77% respectively. This shows HBL is more consistent in interest coverage ratio in comparison to NSBI and KBL. Similarly, KBL is more consistent than NSBI.

The average time interest earned ratios of NSBI, HBL and KBL calculated in the table no. 11 is presented in the figure no. 11.

Figure No. 11
Chart Showing Average Time Interest Earned Ratio of
NSBI, HBL and KBL
Figure Showing Average Time Interest Earned Ratio
For the Period of 5 years



The figure No. 11 shows the average time interest earned ratio of NSBI, HBL and KBL from the year 2004/05 to 2008/09. In figure, Y-axis represents the average ratio of 3 banks and X-axis represents the average ratio of 3 banks. The above figure shows that the average time interest earned ratio of NSBI is higher than HBL and KBL.

4.1.1.4 Profitability Ratio

The profitability ratios are calculated to measure the operating efficiency of the firm. Bank is a business institution whose prime objective is to earn maximum profit. It is because, for any business field profit is essential for its successful operation and further expansion. It is the key factor that measures the earning how effectively the firm is being operated managed. Even then, profit plays a fundamental role to make a firm stand strong to meet its social responsibilities. Moreover, it measures the earning power and management overall effectiveness. Many ratios are determined under this heading, which are as follows.

a. Return on Equity

Ordinary or common shareholders are entitled to the residual profit. The rate of dividend is not fixed. The earning may be distributed to shareholder. This ratio indicates the capacity of the banks to utilize its owner's fund. It measures whether the bank has earned satisfactory return on its equity or not. Higher ratio indicates the sound management and efficient mobilization of the owner's fund. This ratio is calculated by using following formula.

$$\text{Return on Equity} = \frac{\text{Net Profit After Tax (NPAT)}}{\text{Net Worth}}$$

Table No. 12

Return on Equity Ratio of NSBI, HBL and KBL

(Rs. in Million)

Fiscal Year	NSBI			HBL			KBL		
	NPAT	Net Worth	Ratio (%)	NPAT	Net Worth	Ratio (%)	NPAT	Net Worth	Ratio (%)
2004/05	291.37	1062.83	27.41	280.69	720.60	38.95	56.41	469.08	12.03
2005/06	271.63	1146.42	23.69	235.02	858.13	27.39	57.10	523.46	10.91
2006/07	416.25	1314.18	31.67	212.12	1063.14	19.95	116.82	638.53	18.30
2007/08	455.32	1481.68	30.73	263.05	1324.17	19.87	152.67	729.04	20.94
2008/09	518.63	1657.63	31.29	308.28	1541.75	20.00	232.15	1180.17	19.67
	Average (\bar{x})		28.96	Average (\bar{x})		25.23	Average (\bar{x})		16.37
	S.d. (σ)		3.39	S.d. (σ)		8.32	S.d. (σ)		4.59
	C.V.		11.71	C.V.		32.98	C.V.		28.04

Source: Appendix I, II and III

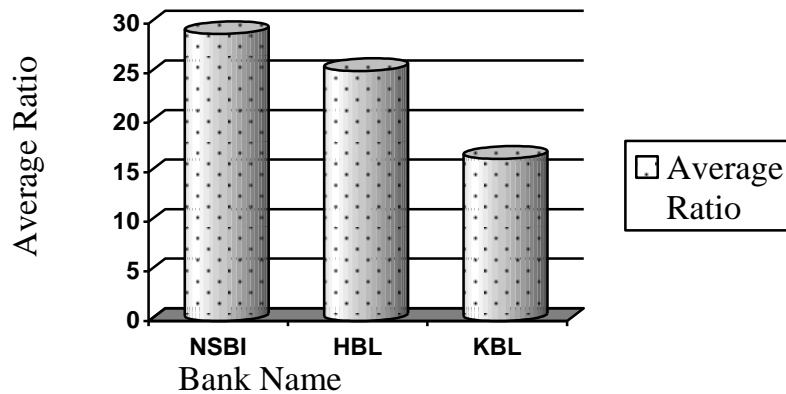
Table no. 12 shows the amount and the proportion of NPAT to net worth of NSBI, HBL and KBL during the study period. The ratio of NSBI and KBL has fluctuating trend during the study period whereas the ratio of HBL has started to decrease from 2005/06 to 2007/08 and has increased thereafter. The average return on equity of NSBI, HBL and KBL is 28.96%, 25.23% and 16.37% respectively. The average of NSBI is higher than that of HBL and KBL. It shows that NSBI has utilized its shareholder's than fund more efficiently in profit generating purpose than the HBL and KBL. Similarly, HBL is more efficient than KBL in this regard. The C.V. of NSBI, HBL and KBL is 11.71%, 32.98% and 28.04%. This indicates that NSBI is more consistent to earn return on its shareholder's equity in comparison to HBL and KBL. Similarly, KBL is more consistent than HBL.

The average return on equity ratios of NSBI, HBL and KBL calculated in the able no. 12 is presented in the figure no. 12.

Figure No. 12

Chart Showing Average Return on Equity Ratio of NSBI, HBL and KBL

Figure Showing Average Return on Equity Ratio for the period of 5 years



This figure no. 12 shows the average return on equity ratio of NSBI, HBL and KBL during the study period. In figure, Y-axis represents the average ratio of 3 banks and X-axis represents the 3 banks. The above figure shows that the average return on equity of NSBI is higher than HBL and KBL.

b. Return on Total Assets Ratio

This is the ratio of net profit to total assets. It measures the return on all the firm's assets after interest and taxes. It indicates the efficient of the banks in utilizing its overall resources. This ratio measures how far the management has utilized all the assets of a firm in profit generating activities. Higher ratio indicates higher efficiency in the utilization of total assets and vice-versa. This ratio is calculated by dividing the net profit by total assets.

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

Table No. 13

Return on Total Assets Ratio of NSBI, HBL and KBL

(Rs. in Million)

Fiscal Year	NSBI			HBL			KBL		
	NPAT	Total Assets	Ratio (%)	NPAT	Total Assets	Ratio (%)	NPAT	Total Assets	Ratio (%)
2004/05	291.37	18367.15	1.57	280.69	19500.58	1.44	56.41	5127.37	1.10
2005/06	271.63	17629.25	1.54	235.02	20672.45	1.14	57.10	4973.90	1.15
2006/07	416.25	16562.61	2.51	212.12	23355.23	0.91	116.82	9014.24	1.30

2007/08	455.32	16745.61	2.72	263.05	24762.04	1.06	152.67	13255.50	1.15
2008/09	518.63	17186.33	3.02	308.28	27844.69	1.12	232.15	16274.07	1.43
	Average (\bar{x})		2.27	Average (\bar{x})		1.13	Average (\bar{x})		1.23
	S.d. (σ)		67.92	S.d. (σ)		19.34	S.d. (σ)		13.67
	C.V.		29.92	C.V.		17.12	C.V.		11.11

Source: Appendix I, II and III

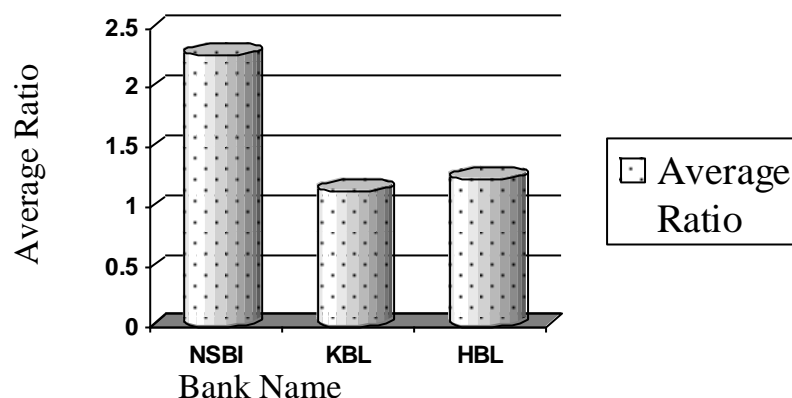
The table no. 13 shows the return on total assets ratio of NSBI, HBL and KBL. The ratio of NSBI has decreased in the Year 2005/06 and has increased thereafter. The ratio of HBL has decreased in the year 2005/06 and 2006/07 and has increased thereafter. Incase of KBL, the ratio has decreased in 2007/08 and again started to increase in 2008/09. The average return on total assets of NSBI, HBL and KBL is 2.27%, 1.13% and 1.23% respectively. Higher average of NSBI indicates that it is more efficient to utilize its assets in comparison to HBL and KBL. HBL and KBL are not seemed to be utilized its assets more efficiently. So those banks are required to increase the rate of return on total assets by making investment in higher return sectors. The C.V. in return on total assets of KBL i.e. 11.11% is lower than HBL i.e. 17.12% and NSBI i.e. 29.92%. It indicates that KBL is more consistent to return on total assets ratio in comparison to NSBI and HBL. Similarly, HBL is more consistent to NSBI.

The average return on total assets ratios of NSBI, HBL and KBL calculated in the table no. 13 is presented in the figure no. 13.

Figure No. 13

Chart Showing Average Return on Total Assets Ratio of NSBI, HBL and KBL

Figure Showing Average Return on Total Assets for the period of 5 years.



The figure no. 13 shows the average return on total assets ratio of NSBI, HBL and KBL during the study period. In figure, Y-axis represents the average ratio of 3 banks and X-axis represents the 3 banks. The above figure shows that the average return on total assets ratio of NSBI is higher than HBL and KBL.

c. Return on Total Deposit Ratio

Accepting deposits and granting loan is the main function of commercial banks. Therefore, mobilization of deposit is one of the main transaction of banks. It is the main sources of income for them. This ratio measures bank's efficiency towards its deposit mobilization. Here, total deposit includes current, fixed, saving, call and other deposit. Higher ratio indicates the better mobilization of deposits and vice-versa. This ratio is calculated by using following formula.

$$\text{Return on Total Deposit Ratio} = \frac{\text{Net Profit After Tax}}{\text{Total Deposit}}$$

Table No. 14

Return on Total Deposit of NSBI, HBL and KBL

(Rs. in Million)

Fiscal Year	NSBI			HBL			KBL		
	NPAT	Total Deposit	Ratio (%)	NPAT	Total Deposit	Ratio (%)	NPAT	Total Deposit	Ratio (%)
2004/05	291.37	15839.01	1.84	280.69	17532.40	1.60	56.41	4256.21	1.33
2005/06	271.63	15506.44	1.75	235.02	18619.37	1.26	57.10	4174.76	1.37
2006/07	416.25	13447.65	3.10	212.12	21007.37	1.02	116.82	7922.75	1.47
2007/08	455.32	14119.03	3.22	263.05	22010.34	1.20	152.67	11524.67	1.32
2008/09	518.63	14586.61	3.56	308.28	24814.00	1.24	232.15	14254.57	1.63
	Average (\bar{x})		2.69	Average (\bar{x})		1.26	Average (\bar{x})		1.42
	S.d. (σ)		0.83	S.d. (σ)		0.21	S.d. (σ)		1.13
	C.V.		30.86	C.V.		16.67	C.V.		9.15

Source: Appendix I, II, and III

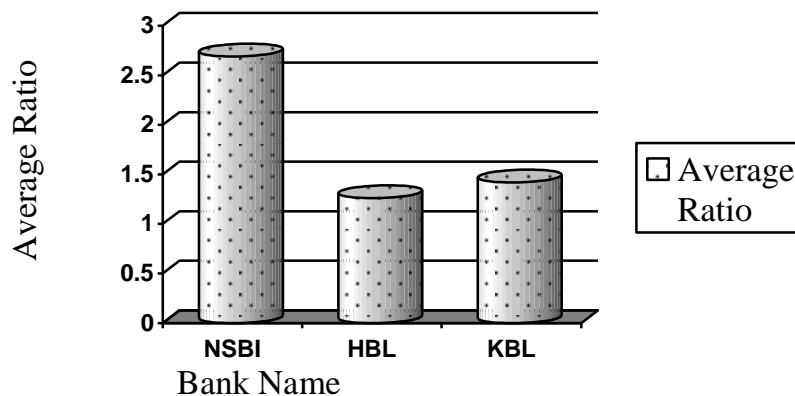
Table no. 14 shows that the percentage of return on total deposit of NSBI, HBL and KBL. The table shows that the ratio of NSBI has decreased in 2005/06 and has increasing way remaining study period. Incase of HBL and KBL, the ratio is in fluctuating trend during the study period. The average return on total deposit of NSBI,

HBL and KBL is 2.69%, 1.26% and 1.42% respectively. The average of NSBI is higher than that of HBL and KBL. It shows that NSBI is more efficient to mobilize its total deposit for profit yielding purpose than the HBL and KBL. Likewise, KBL is more efficient than HBL in this regard.

The C.V. of NSBI, HBL and KBL is 30.86%, 16.67% and 9.15% respectively, this indicates that KBL is more consistent in return on total deposit ratio than NSBI and HBL. While HBL is more consistent than NSBI.

The average return on total deposit ratios of NSBI, HBL and KBL calculated in the table no. 14 is presented in the figure no. 14.

Figure No. 14
Chart Showing Return on Total Deposit Ratio of NSBI, HBL and KBL
Figure Showing Average Return on Total Deposit Ratio
for the period of 5 years



The figure no. 14 shows the average return on total deposit ratio of NSBI, HBL and KBL during the study period. In figure, Y-axis represents the average ratio of 3 banks and X-axis represents the 3 banks. The above figure shows that the average return on total deposit ratio of NSBI is higher than HBL and KBL.

d. Interest Earned to Total Assets Ratio

Interest earned to total assets ratio measures the percentage of interest earned in relation with the assets of the banks. This ratio pays a signification rate in evaluating their efficiency in earning interest. Usually, banks earn interest by granting loan and advances and through the overdraft, investment in various securities. Higher ratio

indicates the better efficiency in utilizing resources in interest generating sectors and low ratio indicates low efficiency of bank in utilizing the resources for the generation of income. This ratio can be calculated by using following formula.

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

Table No. 15

Interest Earned to Total Assets Ratio of NSBI, HBL and KBL

(Rs. in Million)

Fiscal Year	NSBI			HBL			KBL		
	Interest Earned	Total Assets	Ratio (%)	Interest Earned	Total Assets	Ratio (%)	Interest Earned	Total Assets	Ratio (%)
2004/05	1266.70	18367.15	6.90	1326.38	19500.58	6.80	349.76	5127.37	6.82
2005/06	1120.18	17629.25	6.35	1149.00	20672.45	5.56	326.22	4973.90	6.56
2006/07	1017.87	16562.61	6.15	1201.23	23355.23	5.14	459.51	9014.24	5.10
2007/08	1001.62	16745.61	5.98	1245.89	24762.04	5.03	731.40	13255.50	5.52
2008/09	1068.75	17186.33	6.22	1446.47	27844.69	5.19	886.80	16274.07	5.45
	Average (\bar{x})		6.32	Average (\bar{x})		5.54	Average (\bar{x})		5.89
	S.d. (σ)		0.35	S.d. (σ)		0.73	S.d. (σ)		0.75
	C.V.		5.54	C.V.		13.18	C.V.		12.73

Sources: Appendix I, II and III

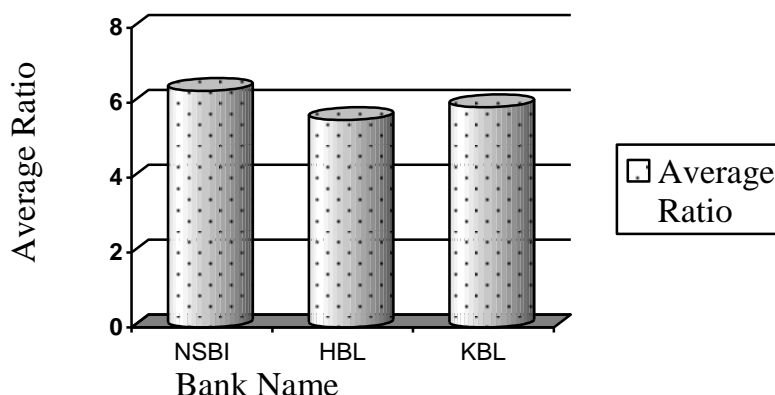
The table no. 15 shows the interest earned to total assets ratio of NSBI, HBL and KBL. The table shows that the ratio of NSBI and HBL has decreased all the years of the study period except the year 2008/09. Incase of KBL, the ratio has fluctuating trend during the study period. The average interest earned to total assets ratio of NSBI, HBL and KBL is 6.32%, 5.54% and 5.89% respectively. Higher average of NSBI indicates that it is able to utilize its assets successfully to earn more interest than HBL and KBL. Similarly, KBL is more efficient than HBL. The coefficient of variation of NSBI i.e. 5.54% is lower than HBL i.e. 13.18% and KBL i.e. 12.73%. It indicates that the interest earning of NSBI is more consistent than HBL and KBL. Likewise, lower C.V. of KBL shows that it is more consistent than HBL.

The average interest earned to total assets ratios of NSBI, HBL and KBL calculated in the table no. 15 is presented in the figure no. 15.

Figure No. 15

**Chart Showing Interest Earned to Total Assets Ratio of
NSBI, HBL and KBL**

Figure Showing Interest Earned to Total Assets Ratio for the period of 5 years.



The figure no. 15 shows the average interest earned to total assets ratio of NSBI, HBL and KBL from the year 2004/05 to 2008/09. In figure, Y-axis represents the average ratio of 3 banks and X-axis represents the 3 banks. The above figure shows that the average interest earned to total assets ratio of NSBI is higher than HBL and KBL.

4.1.1.5 Other Ratio

To assess the financial performance these 3 selected banks some other important ratio has also been analyzed. Earning per share, Dividend per share, Dividend payout ratios etc. are the some much important ratios, which helps investor to know the investment potentiality of the bank before taking final decision. Here such ratios are analyzed as follows:

a. Earning Per Share

From the owner's point of view to assess the profitability of the firm, earning per share is widely used. It means the percentages profit available to be the equity holder on a per share basis. The investors favour high earning per share. It reflects the sound profitability position of the bank. Earning per share can be calculated using the following formula:

$$\text{Earning Per Share (EPS)} = \frac{\text{Net Profit After Tax}}{\text{Total No. of Equity Shares}}$$

Table No. 16

Earning Per Share Ratio of NSBI, HBL and KBL

(Rs. in Million)

Fiscal Year	NSBI			HBL			KBL		
	NPAT	No. of Equity Shares	EPS (Rs.)	NPAT	No. of Equity Shares	EPS (Rs.)	NPAT	No. of Equity Shares	EPS (Rs.)
2004/05	291.37	3.4399	84.72	280.69	3.0000	93.56	56.41	1.6998	33.19
2005/06	271.63	4.2489	63.93	235.02	3.9000	60.26	57.10	1.6998	33.59
2006/07	416.25	4.2516	97.90	212.12	4.2900	49.45	116.82	2.2529	39.56
2007/08	455.32	4.2686	106.67	263.05	5.3625	49.05	152.67	2.9529	51.70
2008/09	518.63	4.2715	121.42	308.28	6.4350	47.92	232.15	5.8774	39.50
	Average (\bar{x})		94.93	Average (\bar{x})		60.05	Average (\bar{x})		39.51
	S.d. (σ)		21.87	S.d. (σ)		19.39	S.d. (σ)		7.48
	C.V.		23.04	C.V.		32.29	C.V.		18.93

Source: Appendix I, II and III

The above table shows the earning per share of NSBI, HBL and KBL. The table shows that the EPS of NSBI have been increased gradually over the years except in fiscal year 2005/06. Incase of HBL, it has been decreasing trend of EPS whereas EPS of KBL has the fluctuating trend. The average EPS of NSBI, HBL and KBL is Rs. 94.93, Rs. 60.05 and Rs. 39.51 respectively. Higher EPS of NSBI indicates higher profitability on per share basis than HBL and KBL. Likewise, HBL has better position than KBL.

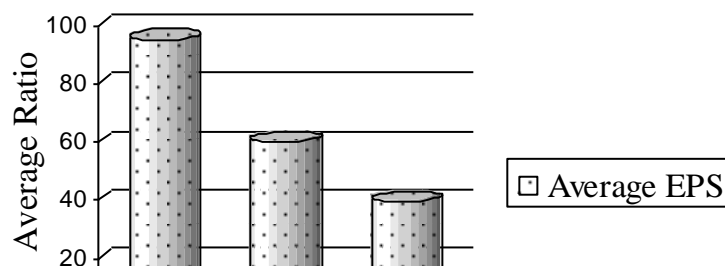
The coefficient of variation of NSBI, HBL and KBL is 23.04%, 32.29% and 18.93% respectively. It shows that KBL is more consistent on EPS than NSBI and HBL. Similarly, NSBI is more consistent than HBL in this regard.

The average earning per share of NSBI, HBL and KBL calculated in the table no. 16 is presented in the figure no. 16.

Figure No. 16

Chart Showing Earning Per Share of NSBI, HBL and KBL

Figure Showing Earning Per Share For the Period of 5 Years



The figure no. 16 shows the average earning per share of NSBI, HBL and KBL during the study period. In figure, Y-axis represents the average EPS of 3 banks and X-axis represents the 3 banks. The above figure shows that the average EPS of NSBI is higher than HBL and KBL.

b. Dividend Per Share

Earning per share only indicates profit belonging to the shareholder. To calculate and analyze the percentage of earning is distributed to the shareholders as divided on per share basis, dividend per shares is calculated. Dividend is that portion of net profit, which is distributed to the shareholder as return on their investment. Dividend per share is that part of earning after tax which is distributed by dividing the EAT by total No. of ordinary shares outstanding. It can be calculated by using the following formula:

$$\text{Dividend Per Share} = \frac{\text{Total Dividend}}{\text{Total ordinary Shares Outstanding}}$$

Table No. 17**Dividend Per Share Ratio of NSBI, HBL and KBL****(Rs. in Million)**

Fiscal Year	NSBI			HBL			KBL		
	Total Dividend	Total no. of common Share	Ratio (Rs.)	Total Dividend	Total no. of common Share	Ratio (Rs.)	Total Dividend	Total no. of common Share	Ratio (Rs.)
2004/05	60.11	3.4394	17.48	57.50	3.0000	19.17	-	1.6998	-
2005/06	30.00	4.2489	7.06	35.00	3.9000	8.97	30.00	1.6998	17.65
2006/07	50.00	4.2516	11.76	25.00	4.2900	5.83	20.00	2.9529	6.77
2007/08	65.00	4.2686	15.23	20.00	5.3625	3.73	15.00	2.9529	5.08
2008/09	70.00	4.2715	16.39	31.58	6.4350	4.91	12.00	5.8774	2.13
	Average (\bar{x})		13.58	Average (\bar{x})		8.52	Average (\bar{x})		6.33
	S.d. (σ)		4.23	S.d. (σ)		6.26	S.d. (σ)		6.07
	C.V.		31.15	C.V.		73.47	C.V.		95.89

Source: Appendix I, II and III

The table no. 17 shows the dividend per share of NSBI, HBL and KBL. The table shows the DPS of NSBI has increased gradually over the year except in FY 2005/06. In case of HBL, has decreased over the year except in FY 2008/09. Whereas, DPS of KBL has been decreasing trend. The average DPS of NSBI, HBL and KBL is Rs. 13.58, Rs. 8.52 and Rs. 6.33 respectively. It indicates that NSBI is more efficient to distribute dividend. Similarly, HBL is more efficient than KBL.

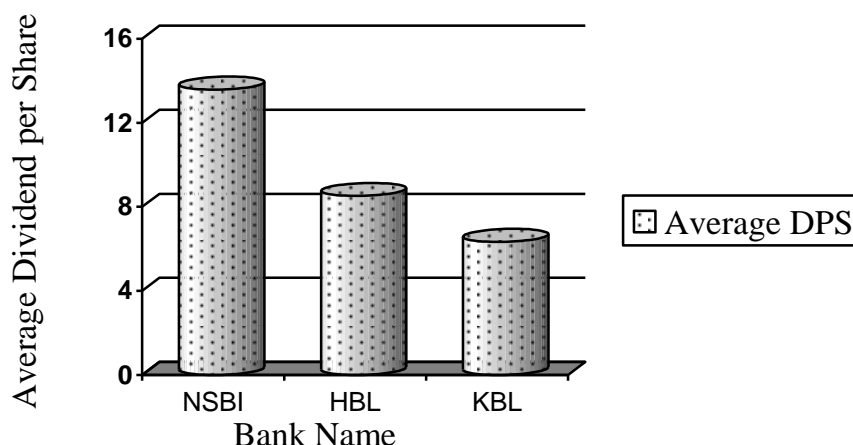
The coefficient of variation of NSBI, HBL and KBL is 31.15%, 73.47% and 95.89% respectively. This shows that NSBI is more consistent in dividend per share than HBL and KBL. Likewise, HBL is more efficient than KBL.

The average dividend per share of NSBI, HBL and KBL calculated in the table no. 17 is presented in the figure no. 17.

Figure No. 17

Chart Showing Dividend Per share of NSBI, HBL and KBL

Figure Showing Dividend Per share for the period of 5 years.



The figure no. 17 shows the dividend per share of NSBI, HBL and KBL during the study period. In figure, Y-axis represents the average DPS of 3 banks and X-axis represents the 3 banks. The above figure shows that the average DPS of NSBI is higher than HBL and KBL.

c. Dividend Payout Ratio

Dividend payout ratio shows what proportion of the earning is paid out as dividend and how much retained by the firm. Usually, shareholder prefers the higher dividend payout ratio but very high dividend payout ratio may be slow down the growth rate of the firm. So, the firm with high growth goals favors a low dividend payout ratio in order to utilize in profit generating purpose again. This ratio is calculated by using the following formula.

$$\text{Dividend Payout Ratio} = \frac{\text{Dividend Per Share}}{\text{Earning Per Share}}$$

Table No. 18
Dividend Payout Ratio of NSBI, HBL and KBL
(Rs.in Million)

Fiscal Year	NSBI			HBL			KBL		
	DPS	EPS	Ratio (%)	DPS	EPS	Ratio (%)	DPS	EPS	Ratio (%)
2004/05	17.48	84.72	20.63	19.17	93.56	20.49	-	33.19	-
2005/06	7.06	63.93	11.04	8.97	60.26	14.89	17.65	33.59	52.55
2006/07	11.76	97.90	12.01	5.83	49.45	11.79	6.77	39.56	17.11
2007/08	15.23	106.67	14.28	3.73	49.05	7.60	5.08	51.70	9.83
2008/09	16.39	121.42	13.50	4.91	47.92	10.25	2.13	39.50	5.39
	Average (\bar{x})		14.29	Average (\bar{x})		13.00	Average (\bar{x})		16.98
	S.d. (σ)		3.76	S.d. (σ)		4.95	S.d. (σ)		19.04
	C.V.		26.31	C.V.		38.08	C.V.		112.13

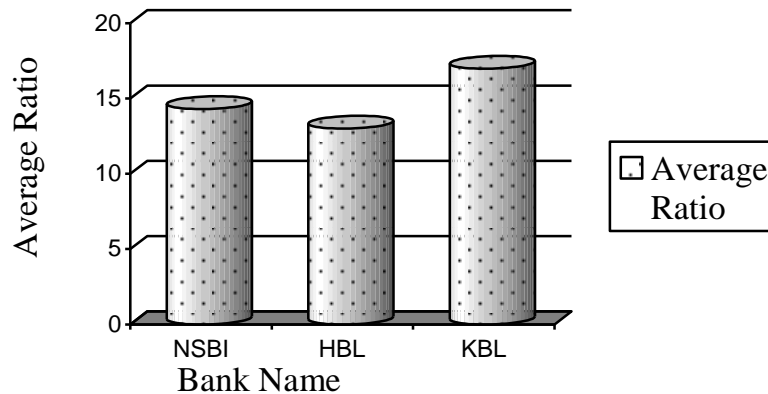
Source: Appendix I, II and III

The above table shows the dividend payout ratio of NSBI, HBL and KBL. The table shows the ratio of NSBI and HBL has fluctuating trend throughout the study period. Whereas, the ratio of KBL has decreasing trend. The average dividend payout ratio of NSBI, HBL and KBL is 14.29%, 13.00% and 16.98% respectively. KBL has the higher ratio than NSBI and HBL. It indicates that KBL has the higher ratio than NSBI and HBL. It indicates that KBL has been relatively paying more dividend to its shareholders out of its earnings. Similarly, NSBI is more efficient to paying more dividend than HBL.

The coefficient of variation of NSBI, HBL and KBL is 26.31%, 38.08% and 112.13% respectively. It can be concluded that NSBI is more consistent on dividend payout ratio than HBL and KBL. Likewise, HBL is more consistent than KBL.

The average dividend payout ratio of NSBI, HBL and KBL calculated in table no. 18 is presented in the figure no. 18.

Figure No. 18
Chart Showing Average Dividend Payout Ratio of NSBI, HBL and KBL
Figure Showing Average Dividend Payout Ratio for the period of 5 years



The figure no. 18 shows the average dividend payout ratio of NSBI, HBL and KBL during the study period. In figure, Y-axis represents average ratio of 3 banks and X-axis represents 3 banks. The above figure shows that the average dividend payout ratio of KBL has higher than NSBI and HBL.

4.2 Statistical Analysis

4.2.1 Correlation Analysis:

Correlation Analysis is statistical technique, which measures the degree and direction of relationship between among the variables. In other words, it helps studying the covariance of two or more variables. The value of correlation lies in between 0 to ± 1 . This relationship may be positive or negative. Incase of positive relationship the variable change to the same direction whereas in negative correlation the variable under consideration change to the opposite direction. Higher the value of correlation of coefficient i.e. as it approaches to 1 the variables are said to be closely related. Here, correlation analysis is used to find out the relationship between the following variables.

- i. Net Profit and Total Asset
- ii. Total Deposit and Loan and Advance
- iii. Interest Earned and Operating Profit

i. Correlation between Net Profit and Total Asset

Net profit refers the profit after interest and tax. Total assets include current assets, fixed assets, loans, investment and other assets. Net profit play important role in any organization for its survival for long term. In this study, correlation analysis between

two variables net profit and total assets is calculated to measure the closeness of relationship between them. Here, net profit is independent variable (X) and total asset is dependent variable (Y). The correlation between net profit and total assets is calculated as follows:

Table No. 19

Calculation of Correlation between Net Profit and Total Assets of NSBI

Let, X = Net Profit, Y = Total Assets

(Rs. in Million)

Fiscal Year	X	Y	dx (X - \bar{X})	dy (Y - \bar{Y})	dx ²	dy ²	dx.dy
2004/05	291.37	18367.15	-99.27	1068.96	9854.53	1142675.48	-106115.66
2005/06	271.63	17629.25	-119.01	331.06	14163.38	109600.72	-39399.45
2006/07	416.25	16562.61	25.61	-735.58	655.87	541077.94	-18838.20
2007/08	455.32	16745.61	64.68	-552.58	4183.50	305344.66	-35740.87
2008/09	518.63	17186.33	127.99	-111.86	16381.44	12512.66	-14316.96
Total	1953.20	86490.95			45238.72	2111211.46	-182245.15

Sources: Appendix I

Here,

$$\sum X = 1953.20 \quad \sum Y = 86490.95 \quad N = 5$$

$$\bar{X} = \frac{\sum X}{N} = \frac{1953.20}{5} = 390.64 \quad \bar{Y} = \frac{\sum Y}{N} = \frac{86490.95}{5} = 17298.19$$

$$\sum dx^2 = 45238.72 \quad \sum dy^2 = 2111211.46 \quad \sum dx.dy = -182245.15$$

We Know,

$$\begin{aligned} \text{Correlation of Coefficient (} r_{xy} \text{)} &= \frac{\sum dx.dy}{\sqrt{\sum dx^2} \cdot \sqrt{\sum dy^2}} \\ &= \frac{-182245.15}{\sqrt{45238.72} \times \sqrt{2111211.46}} \\ &= \frac{-182245.15}{309044.50} = -0.5897 \end{aligned}$$

$$\text{Coefficient of Determination } (r^2) = (-0.5897)^2 = 0.3477$$

Table No. 20

Calculation of Correlation between Net Profit and Total Assets of HBL

Let, X = Net profit, Y = Total Assets

(Rs. in Million)

Fiscal Year	X	Y	dx (X- \bar{X})	dy (Y- \bar{Y})	dx ²	dy ²	dx.dy
2004/05	280.69	19500.58	20.86	-3726.42	435.14	1388620.02	-77733.12
2005/06	235.02	20672.45	-24.81	-2554.55	615.54	6525725.70	63378.39
2006/07	212.12	23355.23	-47.71	128.23	2276.24	16442.93	-6117.85
2007/08	263.05	24762.04	3.22	1535.04	10.37	2356347.80	4942.83
2008/09	308.28	27844.69	48.45	4617.69	2347.40	21323060.94	223727.08
Total	1299.16	116134.99			5684.69	44107783.39	208197.33

Source: Appendix II

Here,

$$\sum X = 1299.16 \quad \sum Y = 116134.99 \quad N = 5$$

$$\bar{X} = \frac{\sum X}{N} = \frac{1299.16}{5} = 259.83 \quad \bar{Y} = \frac{\sum Y}{N} = \frac{116134.99}{5} = 23227.00$$

$$\sum dx^2 = 5684.69 \quad \sum dy^2 = 44107783.39 \quad \sum dx.dy = 208197.33$$

We Know,

$$\begin{aligned} \text{Correlation of Coefficient } (r_{xy}) &= \frac{\sum dx.dy}{\sqrt{\sum dx^2} \cdot \sqrt{\sum dy^2}} \\ &= \frac{208197.33}{\sqrt{5684.69} \times \sqrt{44107783.39}} \\ &= \frac{208197.33}{500738.53} = 0.4158 \end{aligned}$$

$$\text{Coefficient of Determination } (r^2) = (0.4158)^2 = 0.1729$$

Table No. 21

Calculation of Correlation between Net Profit and Total Assets of KBL

Let, X = Net profit, Y = Total Assets

(Rs. in Million)

Fiscal Year	X	Y	dx (X- \bar{X})	dy (Y- \bar{Y})	dx ²	dy ²	dx.dy
2004/05	56.41	5127.37	-66.62	-4601.65	4438.22	21175182.72	306561.92
2005/06	57.10	4973.90	-65.93	-4755.12	4346.76	22611166.21	313505.06
2006/07	116.82	9014.24	-6.21	-714.78	38.56	510910.45	4438.78
2007/08	152.67	13255.50	29.64	3526.40	878.53	12436061.19	104522.50
2008/09	232.15	16274.07	109.12	6545.05	11907.17	42837679.50	714195.86
Total	615.15	48645.08			21609.24	99571000.07	1443224.12

Source: Appendix III

Here,

$$\sum X = 615.15 \quad \sum Y = 48645.08 \quad N = 5$$

$$\bar{X} = \frac{\sum X}{N} = \frac{615.15}{5} = 123.03 \quad \bar{Y} = \frac{\sum Y}{N} = \frac{48645.08}{5} = 9729.02$$

$$\sum dx^2 = 21609.249 \quad \sum dy^2 = 99571000.07 \quad \sum dx.dy = 1443224.12$$

We Know,

$$\begin{aligned} \text{Correlation of Coefficient } (r_{xy}) &= \frac{\sum dx.dy}{\sqrt{\sum dx^2} \cdot \sqrt{\sum dy^2}} \\ &= \frac{1443224.12}{\sqrt{21609.24} \times \sqrt{99571000.07}} \\ &= \frac{1443224.12}{1466851.62} = 0.9839 \end{aligned}$$

$$\text{Coefficient of Determination } (r^2) = (0.9839)^2 = 0.9681$$

The above calculation shows the correlation coefficient between Net Profit and total assets of NSBI, HBL and KBL is -0.5897, 0.4158 and 0.9839 respectively. It indicates that there is highly positive correlation between net profit and total assets of KBL whereas NSBI has the moderate negative correlation between net profit and total assets. Incase of HBL, there is moderate positive correlation between two variables net profit and total assets.

Similarly, in order to measure the degree on dependent variable (Total Assets) due to change in independent variable (Net Profit), coefficient of determination is calculated. On the basis of coefficient of determination, it is known that when there is a change in

net profit it brings 17.29% and 96.81% change in total assets of HBL and KBL respectively. Whereas, net profit and total assets are not relatively correlated incase of NSBI because when there is a change in net profit, it brings 34.77% opposite change in total Assets.

ii. Correlation between Total Deposit and Loan and Advance

Banks acts as financial intermediary. For this, bank collects deposits from the general public and this same deposit utilizes to grant loan and advances to the needy person or institution. The capacity of bank granting loan and advances depends upon the capacity of collecting deposit. If there is high capacity of collecting deposit then there will be high lending capacity. Total deposit of bank includes fixed, saving, current, call and other deposit. Here, loan and advance is affected by the total deposit of bank. The correlation between total deposit and loan and advance is calculated as follows:–

Table No. 22
Calculation of Correlation between Total Deposit and loan and
Advance of NSBI

Let, X = Total Deposit Y = Loan and Advance

(Rs. in Million)

Fiscal Year	X	Y	dx (X-\bar{X})	dy (Y-\bar{Y})	dx²	dy²	dx.dy
2004/05	15839.01	7993.28	1139.26	-207.14	1297913.35	42906.98	-235986.32
2005/06	15506.44	7135.54	806.69	-1064.88	650748.76	1133969.41	-859028.05
2006/07	13447.65	7454.26	-1252.10	-746.16	1567754.41	556754.75	934266.94
2007/08	14119.03	7953.76	-580.72	-246.66	337235.72	60841.16	143240.40
2008/09	14586.61	10465.27	-133.14	2264.85	1200.66	5129545.52	-256245.13
Total	73498.74	41002.11			3866452.90	6924017.82	-273752.16

Source: Appendix I

Here,

$$\sum X = 73498.74 \quad \sum Y = 41002.11 \quad N = 5$$

$$\bar{X} = \frac{\sum X}{N} = \frac{73498.74}{5} = 14699.75 \quad \bar{Y} = \frac{\sum Y}{N} = \frac{41002.11}{5} = 8200.42$$

$$\sum dx^2 = 3866452.90 \quad \sum dy^2 = 6924017.82 \quad \sum dx.dy = -273752.16$$

We Know,

$$\begin{aligned} \text{Correlation of Coefficient (} r_{xy} \text{)} &= \frac{\sum dx.dy}{\sqrt{\sum dx^2} \cdot \sqrt{\sum dy^2}} \\ &= \frac{-273752.16}{\sqrt{3866452.90} \times \sqrt{6924017.82}} \\ &= \frac{-273752.16}{5174107.54} = -0.0529 \end{aligned}$$

$$\text{Coefficient of Determination (} r^2 \text{)} = (0.0529)^2 = 0.0028 \text{ or } 0.28\%$$

Table No. 23

Calculation of Correlation between Total Deposit and loan and Advance of HBL

Let, X = Total Deposit Y = Loan and Advance

(Rs. in Million)

Fiscal Year	X	Y	dx (X- \bar{X})	dy (Y- \bar{Y})	dx ²	dy ²	dx.dy
2004/05	17532.40	8651.74	-3264.30	-1494.26	10655654.49	2232812.95	4877712.92
2005/06	18619.37	8653.57	-2177.33	-1492.43	4740765.93	2227347.31	3249512.61
2006/07	21007.37	9700.66	210.67	-445.34	44381.85	198327.72	-93819.78
2007/08	22010.34	11635.31	1213.64	1489.31	1472922.05	2218044.28	1807486.19
2008/09	24814.00	12088.71	4017.30	1942.71	16138699.29	3774122.14	780448.88
Total	103983.48	50729.99			33052423.61	10650654.40	17645340.82

Source: Appendix II

Here,

$$\sum X = 103983.48 \qquad \sum Y = 50729.99 \qquad N = 5$$

$$\bar{X} = \frac{\sum X}{N} = \frac{103983.48}{5} = 20796.70 \qquad \bar{Y} = \frac{\sum Y}{N} = \frac{50729.99}{5} = 10146.00$$

$$\sum dx^2 = 33052423.61 \qquad \sum dy^2 = 10650654.40 \qquad \sum dx.dy = 17645340.82$$

We Know,

$$\begin{aligned} \text{Correlation of Coefficient (} r_{xy} \text{)} &= \frac{\sum dx.dy}{\sqrt{\sum dx^2} \cdot \sqrt{\sum dy^2}} \\ &= \frac{17645340.82}{\sqrt{33052423.61} \times \sqrt{10650654.40}} \\ &= \frac{17645340.82}{18762460.95} = 0.9405 \end{aligned}$$

$$\text{Coefficient of Determination (} r^2 \text{)} = (0.9405)^2 = 0.8845$$

Table No. 24

Calculation of Correlation between Total Deposit and loan and

Advance of KBL

Let, X = Total Deposit Y = Loan and Advance

(Rs. in Million)

Fiscal Year	X	Y	dx (X - \bar{X})	dy (Y - \bar{Y})	dx ²	dy ²	dx.dy
2004/05	4256.21	2318.91	-4170.38	-3148.27	17392069.34	9911603.99	13129482.24
2005/06	4174.76	2518.06	-4251.83	-2949.12	18078058.35	8697308.77	12539156.89
2006/07	7922.75	5648.03	-503.84	180.85	253854.75	32706.72	-91119.46
2007/08	11524.67	6917.80	3098.08	1450.62	9598099.69	2104298.38	4494136.81
2008/09	14254.57	9933.08	5827.98	4465.90	33965350.88	19944262.81	26027175.88
Total	42132.96	27335.88			79287433.01	40690180.67	56098832.36

Source: Appendix III

Here,

$$\sum X = 42132.96 \quad \sum Y = 27335.88 \quad N = 5$$

$$\bar{X} = \frac{\sum X}{N} = \frac{42132.96}{5} = 8426.59 \quad \bar{Y} = \frac{\sum Y}{N} = \frac{27335.88}{5} = 5467.18$$

$$\sum dx^2 = 79287433.01 \quad \sum dy^2 = 40690180.67 \quad \sum dx.dy = 56098832.36$$

We Know,

$$\begin{aligned} \text{Correlation of Coefficient } (r_{xy}) &= \frac{\sum dx.dy}{\sqrt{\sum dx^2} \cdot \sqrt{\sum dy^2}} \\ &= \frac{56098832.36}{\sqrt{79287433.01} \times \sqrt{40690180.67}} \\ &= \frac{56098832.36}{56799823.71} = 0.9877 \end{aligned}$$

$$\text{Coefficient of Determination } (r^2) = (0.9877)^2 = 0.9756$$

The above table shows that the correlation coefficient between total deposit and loan and advance of NSBI, HBL and KBL is -0.0529, 0.9405 and 0.9877 respectively. It means there is very highly positive correlation between total deposit and loan and advance in HBL and KBL. But incase of NSBI, there is negative correlation between total deposit and loan and advance, during the study period. Total deposit has been decreasing trend whereas loan and advance is in increasing trend. On the basis of

coefficient of determination, it is known that when there is a change in total deposit it brings 88.45% change in loan and advance of HBL, 97.56% change in loan and advance of KBL. Incase of NSBI, there is not relatively correlated between total deposit and loan and advance because when there is change in total deposit it brings 0.28% opposite change in loan and advances.

iii. Correlation between Interest Earned and Operating Profit:

Interest earned refers to such income, which is earned from the investment made by the bank. Interest income covers the big portion of total income. Operating profit is the profit before tax paid. Interest income affects its operating profit. So correlation analysis helps to know the relationship between interest earned and operating profit. So, here correlation analysis is calculated to measure the closeness of relationship between interest earned and operating profit.

Table No. 25

Calculation of Correlation between Interest Earned and Operating Profit of NSBI

Let, X = Interest Earned

Y = Operating Profit

(Rs. in Million)

Fiscal Year	X	Y	dx (X - \bar{X})	dy (Y - \bar{Y})	dx ²	dy ²	dx.dy
2004/05	1266.70	471.72	171.68	-60.21	29474.02	3625.24	-10336.85
2005/06	1120.18	409.63	25.85	-122.30	668.23	14957.29	-3161.46
2006/07	1017.87	528.45	-77.15	-3.48	5952.12	12.11	268.482
2007/08	1001.62	564.30	-93.40	32.37	8723.56	1047.82	-3023.36
2008/09	1068.75	685.54	-26.27	153.61	690.11	23596.03	-4035.33
Total	5475.12	2659.64			45508.04	43238.49	-20288.52

Source: Appendix I

Here,

$$\sum X = 5475.12$$

$$\sum Y = 2659.64$$

$$N = 5$$

$$\bar{X} = \frac{\sum X}{N} = \frac{5475.12}{5} = 1095.02$$

$$\bar{Y} = \frac{\sum Y}{N} = \frac{2659.64}{5} = 531.93$$

$$\sum dx^2 = 45508.04 \quad \sum dy^2 = 43238.49 \quad \sum dx.dy = -20288.52$$

We Know,

$$\begin{aligned} \text{Correlation of Coefficient (} r_{xy} \text{)} &= \frac{\sum dx.dy}{\sqrt{\sum dx^2} \cdot \sqrt{\sum dy^2}} \\ &= \frac{-20288.52}{\sqrt{45508.04} \times \sqrt{43238.49}} \\ &= \frac{-20288.52}{44358.75} = -0.4573 \end{aligned}$$

$$\text{Coefficient of Determination (} r^2 \text{)} = (-0.4573)^2 = 0.2091$$

Table No. 26

Calculation of Correlation between Interest Earned and Operating Profit of HBL

Let, X = Interest Earned

Y = Operating Profit

(Rs. in Million)

Fiscal Year	X	Y	dx (X - \bar{X})	dy (Y - \bar{Y})	dx ²	dy ²	dx.dy
2004/05	1326.38	432.69	52.59	20.11	2765.71	404.41	1057.58
2005/06	1149.00	346.59	-124.79	-65.99	15572.54	4354.68	8234.89
2006/07	1201.23	349.26	-72.56	-63.32	5264.35	4009.42	4594.50
2007/08	1245.89	417.27	-27.90	4.69	778.41	22.00	-130.85
2008/09	1446.47	519.75	172.68	107.17	29818.38	11485.41	18506.12
Total	6368.97	2062.89			54200.00	20275.92	32393.09

Source: Appendix II

Here,

$$\sum X = 6368.97$$

$$\sum Y = 2062.89$$

$$N = 5$$

$$\bar{X} = \frac{\sum X}{N} = \frac{6368.97}{5} = 1273.79$$

$$\bar{Y} = \frac{\sum Y}{N} = \frac{2062.89}{5} = 412.58$$

$$\sum dx^2 = 54200.00 \quad \sum dy^2 = 20275.92 \quad \sum dx.dy = 32393.09$$

We Know,

$$\begin{aligned} \text{Correlation of Coefficient (} r_{xy} \text{)} &= \frac{\sum dx.dy}{\sqrt{\sum dx^2} \cdot \sqrt{\sum dy^2}} \\ &= \frac{32393.09}{\sqrt{54200.00} \times \sqrt{20275.92}} \\ &= \frac{32393.09}{33150.49} = 0.9772 \end{aligned}$$

$$\text{Coefficient of Determination (} r^2 \text{)} = (0.9772)^2 = 0.9549$$

Table No. 27

Calculation of Correlation between Interest Earned and Operating Profit of KBL

Let, X = Interest Earned

Y = Operating Profit

(Rs. in Million)

Fiscal Year	X	Y	dx (X - \bar{X})	dy (Y - \bar{Y})	dx ²	dy ²	dx.dy
2004/05	349.76	93.87	-200.98	-85.28	40392.96	7272.68	17139.57
2005/06	326.22	75.01	-224.52	-104.14	50409.23	10845.14	23381.51
2006/07	459.51	169.66	-91.23	-9.49	8322.91	90.06	865.77
2007/08	731.40	229.70	180.66	50.55	32638.04	2555.30	9132.36
2008/09	886.80	327.49	336.06	148.34	112936.32	22004.76	49851.14
Total	2753.69	895.73			244699.46	42767.94	100370.35

Source: Appendix III

Here,

$$\sum X = 2753.69 \quad \sum Y = 895.73 \quad N = 5$$

$$\bar{X} = \frac{\sum X}{N} = \frac{2753.69}{5} = 550.74 \quad \bar{Y} = \frac{\sum Y}{N} = \frac{895.73}{5} = 179.15$$

$$\sum dx^2 = 244699.46 \quad \sum dy^2 = 42767.94 \quad \sum dx.dy = 100370.35$$

We Know,

$$\text{Correlation of Coefficient (} r_{xy} \text{)} = \frac{\sum dx.dy}{\sqrt{\sum dx^2} \cdot \sqrt{\sum dy^2}}$$

$$= \frac{100370.35}{\sqrt{244699.46} \times \sqrt{42767.94}}$$

$$= \frac{100370.35}{102300.00} = 0.9811$$

$$\text{Coefficient of Determination } (r^2) = (0.9811)^2 = 0.9626$$

The above table shows that the correlation coefficient between interest earned and operating profit of NSBI, HBL and KBL is -0.4573, 0.9772 and 0.9811 respectively. It shows highly positive correlation between interest earned and operating profit in HBL and KBL. But in case of NSBI, there is negative moderate negative correlation between interest earned and operating profit because interest earned of NSBI is in decreasing trend whereas the operating profit is in increasing trend. On the basis of coefficient of determination, it is known that when there is a change in interest earned it brings 95.49% and 96.26% change in operating profit of HBL and KBL respectively. The coefficient of determination of NSBI is 20.91%. It means, the correlation is negative so there will come change by 20.91% on operating profit due to the change in interest earned negatively.

4.2.2 Trend Analysis

For the analysis of actual position of an enterprise different kinds of tools and techniques can be used out of them trend analysis is also on, which shows the percentage is changed in several successive years. Trend analysis indicates the direction of change of various factors of the enterprise such as deposit, investment, income, expense etc. In financial analysis, the direction of change of such factors over a period of year is very much important. For knowing the direction change of significant activities of the bank following trends are calculated and also presented in diagram show the direction of change of some factors of the bank.

- i. Trend of investment
- ii. Trend of Total deposit
- iii. Trend of Net Profit
- iv. Trend of Earning per share

i. Trend of Investment

In this study, trend of total investment, loan and advance are calculated to compare the improvement in the investment of NSBI, HBL and KBL during the study period.

a. Trend of Total investment:

Total investment includes investment in loan and advance, cash credit, government securities, bills discounted and purchased, money at call and short notice etc. Here, the total investment trend is presented during the study period.

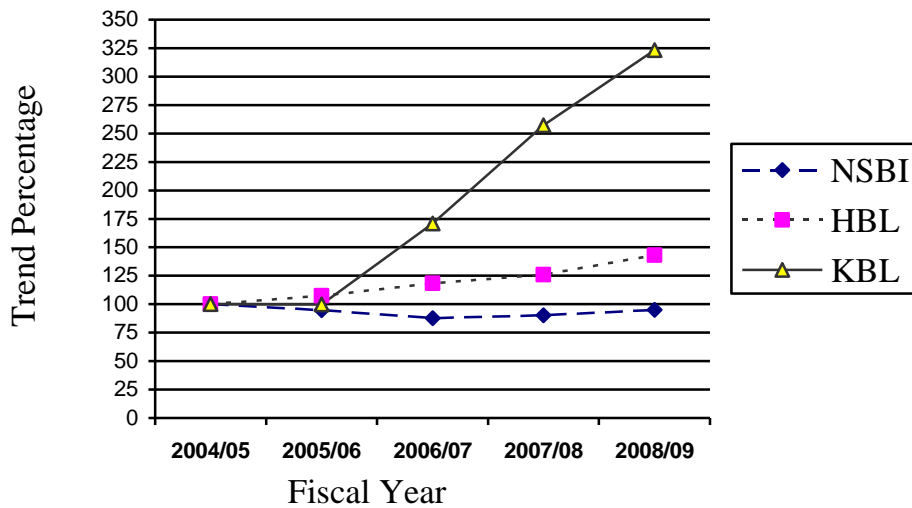
Table No. 28
Trend of Total Investment

(Rs. in Million)

Fiscal Year	NSBI		HBL		KBL	
	Total Investment	Trend Line (%)	Total Investment	Trend Line (%)	Total Investment	Trend Line (%)
2004/05	16532.48	100.00	17145.47	100.00	4386.61	100.00
2005/06	15646.56	94.64	18388.92	107.25	4372.70	99.68
2006/07	14435.10	87.73	20293.12	118.36	7503.49	171.05
2007/08	14922.57	90.26	21578.61	125.86	11288.72	257.34
2008/09	15694.47	94.93	24518.03	143.00	14182.50	323.31

Source: Appendix I, II and III

Figure No. 19
Trend of Total Investment of NSBI, HBL and KBL



The above table and figure shows total investment trend of NSBI, HBL and KBL during the study period. It shows that the total investment trend of HBL and KBL is in increasing trend whereas the same trend of NSBI is in fluctuating trend. It is 143% in fiscal year 2008/09 incase of HBL and 323.21% incase of KBL but increasing trend of KBL is higher than that of HBL. Higher trend line of investment of KBL indicates that it is improving its investment more efficient than other two banks.

b. Trend of Loan and Advances

Bank can mobilize their funds on loan and advances. It is the main source of income for the bank. It means, from loan and advances banks yield high returns. Trend of loan and advances of NSBI, HBL and KBL are presented below.

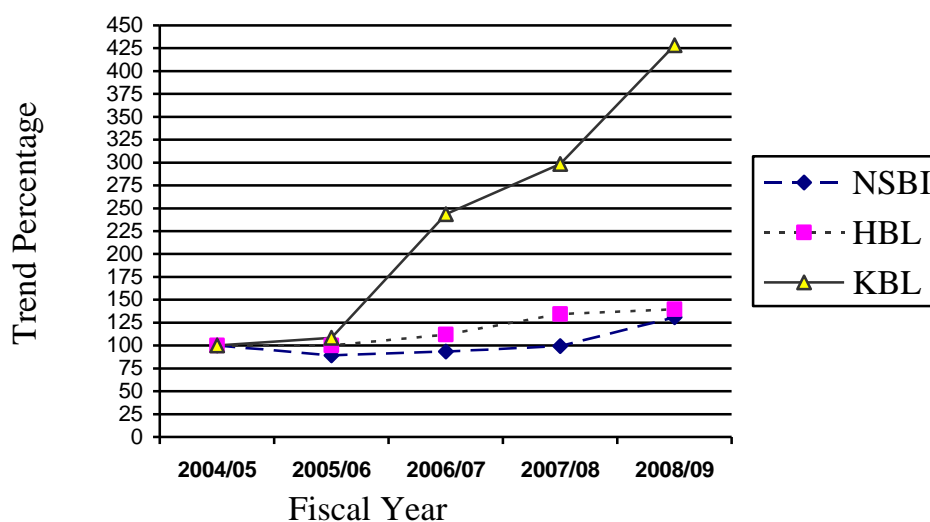
Table No. 29
Trend of Loan and Advances

(Rs. in Million)

Fiscal Year	NSBI		HBL		KBL	
	Loan and Advance	Trend Line (%)	Loan and Advance	Trend Line (%)	Loan and Advance	Trend Line (%)
2004/05	7993.28	100.00	8651.74	100.00	2318.91	100.00
2005/06	7135.54	89.27	8653.57	100.02	2518.06	108.59
2006/07	7454.26	93.26	9700.66	112.12	5648.03	243.56
2007/08	7953.76	99.51	11635.31	134.49	6917.80	298.32
2008/09	10465.27	130.93	12088.71	139.73	9933.08	428.35

Source: Appendix I, II and III

Figure No. 20
Trend of Loan and Advances of NSBI, HBL and KBL



The above table and figure shows the loan and advances trend of NSBI, HBL and KBL during the study period. The loan and advances trend of all three banks have been increasing trend except FY 2005/06 of NSBI. This trend of NSBI, HBL and KBL in last year of study period has increased to 130.93%, 139.73% and 428.35% respectively. The above figure also shows the continuous growth of loan and advances

of KBL is more than in comparison to NSBI and KBL. It is near about tripple. It means investment in loan and advances of KBL is improving very significantly in comparison to NSBI and HBL.

ii. Trend of Total Deposit

Under total deposit of bank, fixed deposit, saving deposit, call and other deposit are included. Here, total deposit trend of concerned banks are calculated to compare the improvement in the collection of deposit during the study period.

Table No. 30
Trend of Total Deposit

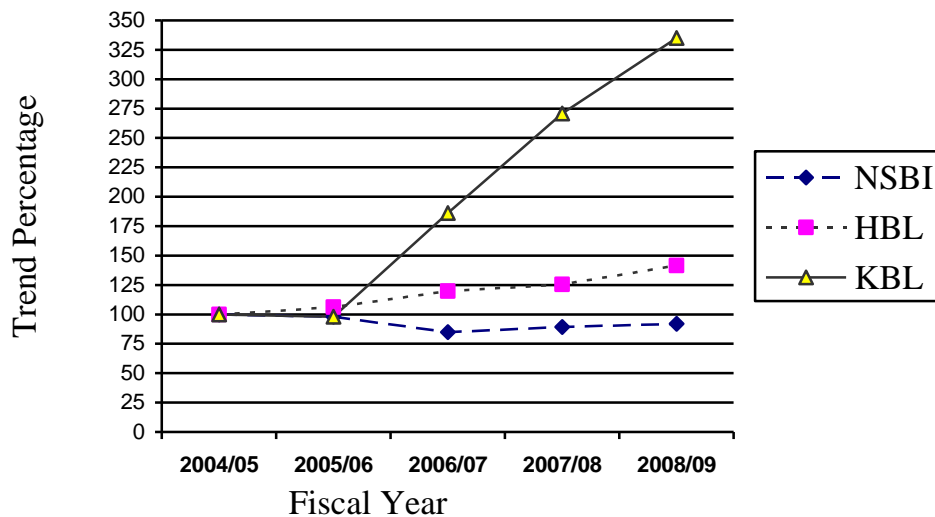
(Rs. in Million)

Fiscal Year	NSBI		HBL		KBL	
	Total Deposit	Trend Line (%)	Total Deposit	Trend Line (%)	Total Deposit	Trend Line (%)
2004/05	15839.01	100.00	17532.40	100.00	4256.21	100.00
2005/06	15506.44	97.90	18619.37	106.20	4174.76	98.09
2006/07	13447.65	84.90	21007.37	119.82	7922.75	186.15
2007/08	14119.03	89.14	22010.34	125.54	11524.67	270.77
2008/09	14586.61	92.09	24814.00	141.53	14254.57	334.91

Source: Appendix I, II and III

Figure No. 21

Trend of Total Deposit of NSBI, HBL and KBL



The above table and figure reveals that the trend of total deposit of NSBI, HBL and KBL. It shows the trend of total deposit of HBL and KBL is in increasing trend. Whereas incase of NSBI trend of total deposit is fluctuating trend. The up going trend line of KBL indicates that it has higher growth rate of collection of deposit than the NSBI and HBL. Likewise, the slightly up going trend line of HBL also indicates that it is successful in collecting deposit. In other hand, the trend line of NSBI shows that it is inefficient in deposit collection.

iii. Trend of Net Profit

Net profit plays important role in any organization for its survival for long term. Net profit is the difference between earnings and expenses. So it is the actual earning of the bank. Net profit is one of the best way to analyze the overall effectiveness of the firm during the study period. Here, net profit trend of NSBI, HBL and KBL is presented below.

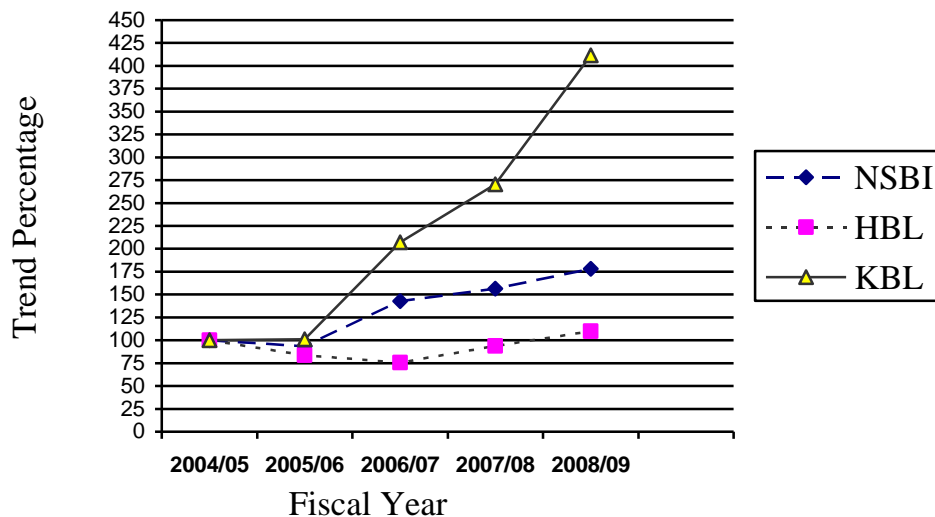
Table No. 31
Trend of Net Profit

(Rs. in Million)

Fiscal Year	NSBI		HBL		KBL	
	Net Profit	Trend Line (%)	Net Profit	Trend Line (%)	Net Profit	Trend Line (%)
2004/05	291.37	100.00	280.69	100.00	56.41	100.00
2005/06	271.63	93.32	235.02	83.73	57.10	101.22
2006/07	416.25	142.86	212.12	75.57	116.82	207.09
2007/08	455.32	156.27	263.05	93.72	152.67	270.64
2008/09	518.63	178.00	308.28	109.83	231.15	411.54

Source: Appendix I, II and III

Figure No. 22
Trend of Net Profit of NSBI, HBL and KBL



The above table and figure shows that the trend of net profit of NSBI, HBL and KBL during the study period. The net profit trend of NSBI and KBL are increasing continuously throughout the study period except FY 2005/06 of NSBI bank. Whereas the trend of net profit of HBL is fluctuating during the study period. The above figure also shows the net profit trend line of KBL is rapidly going up wards every successive year during the study period in comparison to NSBI and HBL. It means KBL is performing its activities more effectively than NSBI and HBL. Likewise, the higher trend line of NSBI in comparison to HBL indicates NSBI is more effective than HBL.

iv. Trend of Earning Per Share

Earning per share is helped in assessing the profitability of a firm from the owner's point of view. Shareholders are concerned about the earning that will eventually be available to pay them dividends of that are used to expand their interest in the firm retain earning. Here, trend of earning per share of NSBI, HBL and KBL is calculated to compare the improvement in the earning on a per share basis during the study period.

Table No. 32
Trend of Earning Per Share

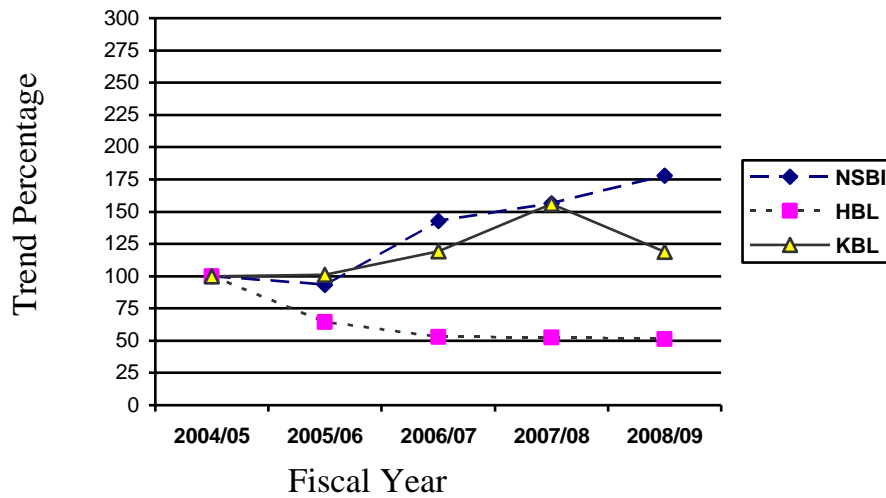
(Rs. in Million)

Fiscal Year	NSBI		HBL		KBL	
	Earning per Share	Trend Line (%)	Earning per Share	Trend Line (%)	Earning per Share	Trend Line (%)
2004/05	59.26	100.00	93.57	100.00	33.18	100.00
2005/06	55.25	93.32	60.26	64.40	33.59	101.24
2006/07	84.66	142.86	49.45	52.85	39.56	119.23
2007/08	92.61	156.28	49.05	52.42	51.70	155.82
2008/09	105.49	178.01	47.91	51.20	39.50	119.05

Source: Appendix I, II and III

Figure No. 23

Trend of Earning Per Share of NSBI, HBL and KBL



The above table and figure presents the earning per share trend of NSBI, HBL and KBL during the study period. The trend of earning per share of NSBI is increasing continuously during the study period except FY 2005/06. The earning per share of HBL is decreasing trend. Whereas, incase of KBL, trend of earning per share is fluctuating throughout the study period. The above figure shows the continuous growth of earning per share of NSBI banks than HBL and KBL. It means NSBI is more efficient in earning per share in comparison to HBL and KBL.

CHAPTER-V

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Summary

Capital formation is based upon the saving of the country. Banks promote saving, mainly by commercial banks. Like this, there is great contribution of commercial banks to form the capital as well as its mobilization. By collecting saving from the different people and organizations, it creates fund, which is reinvested to various productive projects, providing capital to invest. After the restoration of democracy in Nepal, government took liberalization economic policy. As a result various joint venture banks are also established. At present all they are performing competitively. This study, relating commercial banks is done on topic “A comparative analysis of financial performance of NSBI, HBL and KBL.”

This study is divided into five chapters. They are introduction, review of literature, research methodology, presentation and analysis of data and summary, conclusion and recommendation.

The first chapter includes background of study, focus of study, statement of the problems, objectives of the study, significance of the study, limitation of the study.

The second chapter deals meaning and growth of bank, history and concept of joint venture commercial banks, objectives of joint venture banks, brief introduction of NSBI Bank, HBL and KBL, financial performance, financial statements analysis, review of financial ratio analysis, limitation of the financial ratio are theoretically reviewed. In this chapter review of related articles and review of research work has also been described.

Similarly, the third chapter covers research methodology in which research design, population and sample, nature and sources of data, data collection procedure and tools of data analysis have been included.

The fourth chapter is main part of the study. In this chapter required data for study are presented, analyzed and interpreted by using appropriate financial and statistical tools.

In the fifth chapter summary, conclusion and recommendation have been mentioned for the improvement of the future performance of NSBI, HBL and KBL.

5.1.1 Liquidity Ratio

To access the solvency position or short term financial strength of 3 banks, various ratios such as current ratio, cash and bank balance to current assets ratio, loan and advance to current assets ratio, cash and bank balance to total deposit ratio, fixed deposit to total deposit ratio are calculated.

- The average current ratio of NSBI, HBL and KBL is 0.88, 0.81 and 0.84 respectively. The coefficient of variation of NSBI is 10.30%, HBL is 9.78% and KBL is 10.44%.
- The mean cash and bank balance to current assets ratio of NSBI is 6.58%, HBL is 9.85% and KBL is 11.23%. Similarly, the coefficient of variation of NSBI is 27.05%, HBL is 14.31% and KBL is 12.91%.
- The average loan and advance to current assets ratio of NSBI, HBL and KBL is 58.77%, 57.66% and 70.29% respectively. The coefficient of variation of NSBI is 11.67%, HBL is 8.71% and KBL is 7.92%.
- The mean cash and bank balance to total deposit ratio of NSBI is 6.22%, HBL is 8.31% and KBL is 10.07%. The coefficient of variation NSBI is 28.78%, HBL is 12.27% and KBL is 13.50%.
- The average fixed deposit to total deposit ratio of NSBI, HBL and KBL is 17.32%, 23.76% and 25.04% respectively. The coefficient of variation NSBI is 20.61%, HBL is 23.95% and KBL is 31.43%.

5.1.2 Activity Ratio

In this section, to access how efficiently these banks are collecting their funds and utilizing it in business activities, very ratios are calculated. Such as loan and advance to total deposit ratio, loan and advance to fixed deposit, total investment to total deposit ratio etc.

- The mean loan and advance to total deposit ratio of NSBI is 56.00%, HBL is 48.72% and KBL is 63.16%. The coefficient of variation of NSBI is 17.38%, HBL is 5.52% and KBL is 11.24%.
- The average proportion of loan and advance to fixed deposit ratio of NSBI is 337.02%, HBL is 216.21% and KBL is 270.85%, the coefficient of variation of NSBI is 28.08%, HBL is 27.17% and KBL is 28.92%.
- The average proportion of total investment to total deposit of NSBI is 105.18%, HBL is 98.00% and KBL is 99.99% and the coefficient of variation of this ratio for the study period is 2.60%, 0.82% and 4.01% respectively of NSBI, HBL and KBL.

5.1.3 Leverage Ratio

To find out the long-term financial position of the 3 banks some ratios such as debt ratio, debt to equity ratio and time interest-earned ratio are calculated.

- The average debt ratio of NSBI is 92.26%, HBL is 95.34% and KBL is 92.10%. The coefficient of variation of NSBI, HBL and KBL is 1.73%, 0.82% and 2.12% respectively.
- The average debt to equity ratio of NSBI, HBL and KBL is 12.39 times, 20.98 times and 11.90 times respectively. The coefficient of variation of NSBI is 2.08%, HBL is 1.79% and KBL is 2.81%.
- The mean time interest earned ratio of NSBI is 2.82%, HBL is 1.73% and KBL is 1.74%. The coefficient of variation of NSBI, HBL and KBL is 34.40%, 9.25% and 9.77% respectively.

5.1.4 Profitability Ratio

The profitability ratio analysis is done to assess the earning pattern as well as profitability pattern of concern banks i.e. NSBI, HBL and KBL.

- Mean return on equity ratio of NSBI is 28.96%, HBL is 25.23% whereas it is 16.37% of KBL and the coefficient of variation of this of NSBI, HBL and KBL is 11.11%, 32.98% and 28.04% respectively.

- Average return on total assets ratio of NSBI is 2.27%, HBL is 1.13% and KBL is 1.23%. The coefficient of variation of NSBI, HBL and KBL is 29.92%, 17.12% and 11.11% respectively.
- Average return on total deposit of NSBI is 2.69%, HBL is 1.26% and KBL is 1.42%. The coefficient of variation of NSBI, HBL and KBL is 30.86%, 16.67% and 9.15% respectively.
- The average interest earned to total assets ratio for the study period on NSBI is 6.32%, 5.54% on HBL and 5.89% on KBL. The coefficient variation of this ratio of NSBI is 5.54%, HBL is 13.18% and KBL is 12.73%.

5.1.5 Other Ratio

For accessing the financial performance of 3 banks other some indicators have also been calculated. Such as, earning per share, dividend per share, dividend payout ratio etc. have been calculated and analyzed.

- Average earning per share of NSBI is 94.93%, HBL is 60.65% and KBL is 39.51%. The coefficient of variation of NSBI, HBL and KBL is 23.04%, 32.29% and 18.93% respectively.
- The average dividend per share of NSBI is 13.58%, HBL is 8.52% and KBL is 6.33%. The coefficient of variation of NSBI, HBL and KBL is 31.15%, 73.47% and 95.89% respectively.
- Average dividend payout ratio of NSBI is 14.29%, HBL is 13.00% KBL is 16.98%. The coefficient of variation of NSBI, HBL and KBL is 26.31%, 38.08% and 112.13% respectively.

5.1.6 Correlation Analysis

Correlation analysis, a statistical technique has been used to measure the degree and direction of relationship between the variables. Under this, correlation between net profit and total assets, between total deposit and loan and advance and between interest earned and operating profit has been calculated to know the relationship between the concerned variables.

- Correlation between net profit and total assets of NSBI, HBL and KBL is -0.5897, 0.4158 and 0.9839 respectively. There is positive and high degree of correlation between these variables of KBL. Similarly, there is moderate positive correlation between these variables of HBL. Whereas, incase of NSBI, there is moderate negative correlation between these variables. The coefficient of determination between net profit and total assets of NSBI, HBL and KBL is 34.77%, 17.29% and 96.81% respectively.
- Correlation between total deposit and loan and advance of NSBI, HBL and KBL are -0.0529, 0.9405 and 0.9877 respectively. So, there is highly positive correlation between these variables of HBL and KBL. Whereas there is negative correlation between these variables of NSBI. The coefficient of determination between total deposit and loan and advance of NSBI is 0.28%, HBL is 88.45% and KBL is 97.56%.
- The correlation coefficient between interest earned and operating profit of NSBI is -0.4573, HBL is 0.9772 and KBL is 0.9811. It shows there is highly positive correlation between these variables for HBL and KBL. But incase of NSBI, there is negative correlation between these variables. The coefficient of determination between interest earned and operating profit of NSBI is 20.91%, 95.49 % of HBL and 96.26% of KBL respectively.

5.1.7 Trend Analysis

Trend Analysis helps to know the direction of change of some significant activities of banks and it also examines whether the financial position of a firm is improving over the years.

- Trend of total investment of in relation to the base year for four successive years of NSBI is 94.64%, 87.73%, 90.26%, 94.93% respectively. Incase of HBL is 107.25%, 118.36%, 125.86% and 143.00and respectively. And 99.68%, 171.05%, 257.34% and 323.31% in KBL.
- Trend of loan and advances for last four years of the study of NSBI is 89.27%, 93.26%, 99.51% and 130.93% respectively. Likewise incase of HBL is 100.02%,

112.12%, 134.49% and 139.73% respectively and it is 108.59%, 243.56%, 298.32% and 428.35% respectively incase of KBL.

- Trend of total deposit shows the percentage of total deposit for four successive years of the study in relation to the base year. Incase of NSBI it is 97.90%, 84.90%, 89.14% and 92.09% respectively. And of HBL, it is 106.20%, 119.82%, 125.54% and 141.53% respectively. Similarly, it is 98.09%, 186.15% , 270.77% and 334.91% respectively incase of KBL.
- The trend of net profit for last 4 years of the study of NSBI is 93.32%, 142.86%, 156.27% and 178.00% respectively. And of HBL, it is 83.73%, 75.57%. 93.72% and 109.83% respectively. Incase of KBL, it is 101.22%, 207.09%, 270.64% and 411.54% respectively.
- Change proportion of earning per share in relation to the base year for four successive year of NSBI is 93.32%, 142.86%, 156.28% and 178.01% respectively. Likewise, incase of HBL it is 64.40%, 52.85%, 52.42% and 51.20% respectively. And incase of KBL, it is 101.24%, 119.23%, 155.82% and 119.05% respectively.

5.2 Conclusions

5.2.1 Liquidity Ratio

- a. The average current ratio of NSBI is higher than HBL and KBL. It indicates that NSBI's solvency position is comparatively better than HBL and KBL. But all banks of average current ratio is below 1 so all 3 banks need to improve their solvency position. The lower the coefficient of variation of HBL indicates that HBL has more consistency in maintaining current ratio in comparison to NSBI and KBL.
- b. The average cash and bank balance to current assets ratio of KBL is higher than NSBI and HBL whereas the average ratio of NSBI is lower than HBL and KBL. It indicates that KBL is more successful in maintaining lower cash and bank balance. From the liquidity point of view, all 3 banks are maintaining enough cash and bank balance.
- c. The average loan and advance to current assets ratio of KBL in higher than NSBI and HBL whereas the average ratio of HBL is minimum. It shows that KBL has

been providing the maximum percentage of its current assets in the form of loan and advance. So the utilization of current assets as loan and advances has been found higher in KBL and lower in HBL. This shows the better performance of KBL in providing loan and advances.

- d. The cash and bank balance to total deposit ratio of NSBI, HBL and KBL is in fluctuating trend throughout the study period. This fluctuating trend shows the fluctuating ability to maintain cash and bank balance. The average cash and bank balance to total deposit ratio of KBL is higher than NSBI and HBL. It means KBL is maintaining higher cash and bank balance than other two banks whereas NSBI is maintaining lower cash and bank balance. It is clear that KBL is unable to mobilize its total deposit to earn more profit whereas NSBI has taken risk by investing its deposits to earn more profit. Thus, NSBI has utilized more deposit for generating income. It means NSBI is significantly better in utilizing deposit.
- e. The average fixed deposit to total deposit ratio of KBL is higher than NSBI and HBL whereas NSBI has lower ratio. It indicates that NSBI has failed to accumulate more fixed deposit amount comparatively than HBL and KBL. From viewpoint of liquidity greater portion of fixed deposit may be termed as favorable one. So all three banks are unable to maintaining fixed deposit in satisfactory manner.

5.2.2 Activity Ratio:

- a. The average loan and advances to total deposit of KBL is greater than that of NSBI and HBL. It shows that KBL has better utilization of total deposit in investing loan and advances than the other two banks. Since investing total deposit in such investment like loan and advances will be riskier due to liquidity. Therefore, utilization of total deposit in loan and advances shows better performance of the bank. So KBL stands first among these three banks whereas NSBI stands ahead of HBL.
- b. The average loan and advance to fixed deposit ratio of NSBI is higher than HBL and KBL. It shows that NSBI has better utilization of fixed deposit for investing in loan and advances than that of HBL and KBL. Similarly, KBL is using comparatively more fixed deposits in granting loan and advances than that of HBL.

- c. The average proportion of total investment to total deposit of NSBI is higher than HBL and KBL. This indicates that NSBI has utilized its total deposits for investment purpose more efficiently than HBL and KBL. Similarly, KBL has higher deposit utilization capacity than HBL because the average ratio of total investment to total deposit of KBL is greater than HBL. But the consistency of utilizing total deposits for investment is better of HBL than NSBI and KBL.

5.2.3 Leverage Ratio

- a. Total debt to total assets ratio of HBL is higher than NSBI and KBL. Whereas KBL's ratio is lower than other banks. NSBI, HBL and KBL would find difficulty to borrow additional funds without first raising more equity capital. Creditors would be reluctant to lend the firm more money and management would probably be subjecting the firm to the risk of bankruptcy if it sought to increase the debt ratio any further by borrowing additional funds.
- b. The average debt to equity ratio of HBL is higher than NSBI and KBL. It shows that HBL position is not satisfactory in comparison to NSBI and KBL. Likewise, KBL's debt to equity ratio is lower than that of NSBI and HBL. So its position is relatively satisfactory in comparison with other twos banks. Overall, these ratios of all 3 banks are not very satisfactory because they are relying mainly on borrowed fund.
- c. The average time interest earned ratio of NSBI is higher than HBL and KBL. It indicates that NSBI can pay off its interest easily. Whereas, HBL and KBL has low coverage ratio. So they are recommended to increase its coverage ratio.

5.2.4 Profitability Ratio

- a. The return on equity ratio of NSBI is comparatively higher than other two banks. It indicates that NSBI has utilized its shareholder's fund more effectively in profit yielding purpose than that of HBL and KBL. Similarly, HBL is performing more efficiently than KBL.

- b.** NSBI has higher rate of return on total assets in comparison to HBL and KBL. It indicates that NSBI has more efficient to utilize its assets than that of HBL and KBL. HBL and KBL are not seems to be utilized its assets more efficiently.
- c.** Return on total deposit of NSBI is higher than that of HBL and KBL. It shows that NSBI is more efficient to mobilize its total deposit for profit yielding purpose than the HBL and KBL. Likewise, ratio of return on total assets of KBL is higher in comparison to HBL shows that KBL is more effectively utilizing its total deposit in generating profit than the HBL.
- d.** Higher interest earned to total assets ratio of NSBI indicates that NSBI is able to utilize its assets successfully to earn more interest than HBL and KBL. Similarly, KBL is performing more efficiently than HBL because of higher interest earned to total assets ratio in comparison to HBL.

5.2.5 Other Ratio

- a.** NSBI has higher earning per share in comparison to HBL and KBL. It indicates that NSBI has higher profitability on per share earning. Earning per share of KBL is lowest among these 3 banks but, the coefficient of variation shows that it is more consistent in earning on per share basis than NSBI and HBL.
- b.** Higher percentage of dividend per share of NSBI indicates that NSBI is more efficient to contribute dividend than that of HBL and KBL. Similarly, higher percentage of dividend per share of HBL in comparison to KBL indicates that HBL is more efficient than KBL.
- c.** Dividend payout ratio of KBL is higher than that of NSBI and HBL. It indicates that KBL has been relatively paying more dividend to its shareholders out of its earnings. Likewise, higher dividend payout ratio of NSBI in comparison to HBL indicates that NSBI is more efficient to paying more dividend than HBL.

5.2.6 Correlation Analysis

- a.** There is highly positive correlation between net profit and total assets of KBL whereas NSBI has the moderate negative correlation between net profit and total

assets. In case of HBL, there is moderate positive correlation between these two variables. On the basis of coefficient of determination, it is known that when there is change in net profit it brings 17.29% and 96.81% change in total assets of HBL and KBL respectively. Whereas, in case of NSBI change in net profit brings 34.77% opposite change in total assets. Therefore, it can be said that net profit and total assets are not relatively correlated in case of NSBI.

- b.** There is very highly positive correlation between total deposit and loan and advance in HBL and KBL. But in case of NSBI, there is negative correlation between these two variables. On the basis of coefficient of determination, it is known that when there is change in total deposit it brings 88.45%, 97.56% change in loan and advance of HBL and KBL. In case of NSBI, there is not relatively correlated between total deposit and loan and advance because when there is change in total deposit it brings 0.28% opposite change in loan and advances.
- c.** There is highly positive correlation between interest earned and operating profit of HBL and KBL. But in case of NSBI, there is moderate negative correlation between these two variables. On the basis of coefficient of determination, it is known that when there is change in interest earned it brings 95.49% and 98.11% change in operating profit of HBL and KBL respectively. Whereas, in case of NSBI change in interest earned brings 20.91% opposite change in operating profit.

5.2.7 Trend Analysis:

- a.** The total investment trend of HBL and KBL is in increasing trend; Whereas the same trend of NSBI is in fluctuating trend. While comparing growth rate of investment among three banks, it is found that KBL has higher growth rate than that of other two banks. NSBI's trend of total investment shows that it is poorest among three banks.
- b.** Trend of loan and advances of all three banks is an increasing trend. The growth rate of loan and advances increase of NSBI is nearly 3 times more higher than HBL and KBL. This indicates that NSBI is granting its great portion as loan and advances than that of other two banks.

- c. The total deposit trend of HBL and KBL is in increasing trend, whereas the same trend of NSBI is in fluctuating trend. The growth rate of total deposit among three banks, KBL has higher growth rate than NSBI and HBL. Similarly, HBL has higher growth rate of total deposit than NSBI.
- d. Trend of net profit of NSBI and KBL is in increasing trend, whereas the same trend of HBL is in fluctuating trend. While comparing growth rate of Net Profit among three banks it is found that KBL has higher growth rate than NSBI and HBL. Likewise, NSBI has higher growth rate of net profit than HBL.
- e. Earning per share trend on NSBI is in increasing trend, it is in decreasing trend in case of HBL whereas it is a fluctuating trend in case of KBL.

5.3 Recommendations

- i. Average current ratio of all three banks i.e. NSBI, HBL and KBL is below 1 so all three banks need to improve their solvency position either by increasing their current assets or by decreasing their current liabilities.
- ii. KBL is maintaining excess cash and bank balance, which is the symbol of idle fund. Hence, it is suggested to mobilize its idle fund in short term loan.
- iii. KBL is utilizing its assets properly in providing loan and advances in various sectors. This shows the better performance of KBL in providing loan and advances but KBL should be careful in recovery of loan and advances. HBL should utilize maximum part of its current assets as a loan and advance in order to maximize its profit.
- iv. HBL performance in mobilizing its deposit in the form of investments is weak among the three banks so it should identify the new investing sector.
- v. The higher the debt to equity ratio is regarded as weaker financial position of any firm. Generally, debt to equity ratio below 0.50 is regarded as sound position for banking sector. So, HBL needs to decrease its debt equity ratio. This bank should insist more in raising additional equity fund.
- vi. Generally, higher interest coverage ratio is treated as good for banking sector. So HBL and KBL is recommended to increase its interest coverage ratio.

- vii. KBL has comparatively low average proportion of earning per share. So it is suggested to KBL increase its EPS in order to increase the overall profitability of the bank.
- viii. Trend of total deposit of NSBI shows that there is lower rate of growth. So NSBI is recommend to increase collection of deposit at higher rate.
- ix. The credit worthiness of debtors must be evaluated before granting the loans.
- x. Due to the establishment of other commercial banks, finance companies, co-operative banks and insurance companies launching of new advance service such as Tele Banking, ATM, Debit/ Credit card etc by them, so it is recommended to all three banks that are for providing such services in all their branches in and out from the valley.

BIBLIOGRAPHY

Annual Reports of Himalayan Bank Ltd.

Annual Reports of Kumari Bank Ltd.

Annual Reports of Nepal SBI Bank Ltd.

Bhandari, Dilli Raj; *Banking and insurance* 1st ed., Aayush Prakashan, Kathmandu, 2003

Chopra, Sunil; *Nepal Rastra Bank Samachar*, Nepal Rastra Bank, Kathmandu, 2046

Dahal, Bhuwan and Sarita; *A hand book to banking*, 2nd edition, Asmita Books and Stationary, Kathmandu, 2002

Kothari, C.R; *Research methodology method and technique*, Wiley Eastern Pvt. Ltd. New Delhi, 1989

Munakarmi, Shiva Prasad; *Management accounting*, Buddha academic enterprises, Kathmandu, 2003

Nagpal, C.S.; *Dictionary of economic*, Anmol Publications Pvt. Ltd., New Delhi, 2nd Edition, 1998

Pandey, I.M.; *Financial Management*, 7th ed., Vikas Publishing house Pvt. (Ltd.) New Delhi, 1997

Stevenson, Richard A; *Fundamentals of Finance*, international student edition, MC. Graw-Hill international book Company, 1981

Thapa, Govinda Bahadur; *Nepalese Banking System; can the mess be managed?* The Kathmandu Post, 15th September, 2000

Van Horne, James C.; *Financial Management and Policy*, Prentice Hall of India Pvt. Ltd. India, 2000

Weston, J. Fred and Brigham, Eugene F.; *Essential of Managerial Finance*, Illions Dryden Press, Eleventh Edition, 1998

Wolf, Howard K. and Pant, Prem R.; *Social Science research and thesis writing*, 3rd edi., Buddha academic publishers and distributors, KTM, 2002

www.himalayabank.com

www.kumaribank.com

www.nepalstock.com

Unpublished Dissertations

Joshi, Keshav Raj; *A study on financial performance of commercial banks*, Unpublished dissertation T.U. 1989

Kapadia, Ragahu Bir; *A comparative study on financial performance of NABIL Bank and SCBL*, unpublished dissertation, T.U. 2002

Karki, Lekh Raj; *A comparative financial soundness analysis with special reference to HBL and NSBI*, Unpublished Masters Degree Thesis, T.U. 2001

Mahato, Bindsowr; *A comparative study of the financial performance of NABIL and NBL*, Unpublished Masters Degree Thesis, T.U. 1998

Poudel, Ashok; *Financial performance analysis of EBL*, unpublished dissertation, T.U. 2002

APPENDIX-I
NEPAL SBI BANK LTD

Head office: Durbar Marg, Kathmandu
Authorized capital: Rs. 1000000000.00
Issued Capital: Rs. 500000000.00
Paid-up Capital Rs. 425157300.00
Par Value/Share Rs. 100 & Rs. 0

Paid up value/share Rs. 100 & Rs. 0
Incorporation year B.S. 2050 A.D. 1193
Listing Date: B.S.10/03/51 A.D. : 1195

CHANGES IN PAID-UP CAIPTAL

Year	Before	After	Rs. in Million Remarks
2004/05	119.95	343.94	Bonus 1:1
2005/06	343.94	424.89	Right Share 2:1
2006/07	424.89	425.16	
2007/08	425.16	426.86	
2008/09	426.86	427.15	

COMPARATIVE BALANCE SHEET

As at Balance sheet	2004/05	2005/06	2006/07	2007/08	Rs. in Million 2008/09
Property & Assets					
A. Cash balance	208.48	318.16	187.78	286.89	146.35
B. Balance with Banks	604.42	733.66	956.99	683.60	413.03
C. Money at call & short notice	522.55	31.37	670.20	918.73	868.43
D. Investment:					
a. Government Securities	2732.96	4120.29	3588.77	3672.63	2413.94
b. Share & Debenture	18.82	22.22	22.22	22.22	27.36
c. Others	<u>4952.53</u>	<u>4057.00</u>	<u>2420.18</u>	<u>2141.22</u>	<u>1825.93</u>
	7704.31	8199.51	6031.17	5836.07	4267.23
E. Loan, Advances & Bills Purchased:					
a. Loans, Cash Cr. & Overdrafts	7993.28	7135.54	7454.26	7953.76	10465.27
b. Bill Discounted & purchase	<u>331.16</u>	<u>302.36</u>	<u>301.69</u>	<u>236.23</u>	<u>120.90</u>
	8324.44	7434.90	7755.95	8189.99	10586.17
F. Fixed Assets (Net):					
Gross Block	364.13	395.66	433.12	550.17	611.28
Less: Depreciation	<u>(129.01)</u>	<u>(158.03)</u>	<u>(181.21)</u>	<u>(212.09)</u>	<u>(250.09)</u>
	235.12	237.63	251.91	338.13	361.24
G. Others Assets:					
a. Interest Receivable	291.37	100.68	177.60	174.49	168.86
b. Misc. Current Assets	476.46	570.34	531.01	317.71	375.02
c. Misc. Assets	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
	767.83	671.02	708.61	492.20	543.88
Total Assets	18367.15	17629.25	16562.61	16745.61	17186.33
Capital & Liabilities					
A. Current Liabilities					
a. Deposit & other A/C's					
Saving	4917.14	4972.06	5229.72	5994.12	7026.33
Fixed	3719.20	2446.85	2252.54	2310.57	2078.54
Current	2850.97	2703.82	3034.00	2688.97	2799.18
Call & Short Deposit	3948.34	4944.96	2540.70	2801.41	2341.33
Other	<u>403.36</u>	<u>438.75</u>	<u>390.69</u>	<u>323.96</u>	<u>341.23</u>
	15839.01	15506.44	13447.65	14119.03	14586.61
b. Short term loan	0.00	417.30	961.46	229.66	17.06
c. Bills payable	69.70	67.75	108.94	173.50	119.75
d. Tax provision	0.00	0.00	0.00	0.00	0.00
e. Staff Bonus	52.60	44.12	66.36	71.94	84.20
f. Dividend payables	143.52	11.80	94.14	36.88	17.06
g. Misc. Current Liabilities	<u>1121.38</u>	<u>337.32</u>	<u>456.87</u>	<u>522.12</u>	<u>596.14</u>
Total Current Liabilities (A)	17226.21	16384.73	15135.72	15153.13	15420.82
B. Differed Liabilities					
a. Long Term Loan	0.00	0.00	0.00	0.00	0.00
b. Other Differed Liabilities	<u>78.11</u>	<u>98.10</u>	<u>113.01</u>	<u>110.80</u>	<u>107.88</u>
Total Differed Liabilities (B)	78.11	98.10	113.01	110.80	107.88
C. Net Worth					
a. Share Capital					
Ordinary share	50.00	50.00	50.00	50.00	50.00
Bonus share	441.65	441.65	441.65	441.65	441.65

Preference share	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total Share Capital	491.65	491.65	491.65	491.65	491.65
b. Share holder's Reserves:					
General Reserve	514.50	568.83	652.08	743.20	847.00
Capital Reserve	0.07	49.24	103.32	162.87	228.37
Exchange Fluctuation Reserve	25.11	28.26	30.01	33.90	37.80
Other Reserve	5.33	6.33	7.33	20.27	22.83
Unappropriated Profit (Loss)	<u>26.17</u>	<u>2.11</u>	<u>29.79</u>	<u>29.79</u>	<u>29.98</u>
Total Shareholder's Reserve	571.18	654.77	822.53	990.03	1165.98
Net Worth (C)	1062.83	1146.42	1314.18	1481.68	1657.63
Total Capital & Liabilities (A+B+C)	18367.15	17629.25	16562.61	16745.61	17186.33

COMPARATIVE PROFIT & LOSS ACCOUNT

For the period Ending	2004/05	2005/06	2006/07	2007/08	2008/09
A. Operating Income					
a. Interest Earned	1266.70	1120.18	1017.87	1001.62	1068.75
b. Commission & Discount	146.84	114.34	144.41	135.96	128.88
c. Exchange Income	159.51	154.22	144.08	157.32	184.88
d. Dividend	0.26	0.00	0.00	0.00	0.00
e. Other Income	<u>0.00</u>	<u>250.37</u>	<u>34.15</u>	<u>38.75</u>	<u>55.93</u>
Total Income (A)	1573.31	1639.11	1340.51	1333.65	1438.44
B. Expenses:					
a. Cost of Service:					
Interest Paid:					
On Borrowings	13.57	5.31	9.85	17.47	15.64
On Deposits	<u>564.79</u>	<u>456.77</u>	<u>307.50</u>	<u>265.47</u>	<u>227.90</u>
Salaries, Allowances & P.F.	578.36	462.08	317.35	282.94	243.54
Total Cost of Service	<u>145.86</u>	<u>144.88</u>	<u>210.58</u>	<u>180.84</u>	<u>199.52</u>
b. Provision of Staff Bonus	724.22	606.96	527.93	463.78	443.06
c. Provision for Doubtful Debts	52.60	44.12	66.36	71.94	84.20
d. Total General Expenses	165.77	0.00	0.00	1.05	4.21
	<u>132.73</u>	<u>538.65</u>	<u>182.73</u>	<u>186.31</u>	<u>162.72</u>
Total Expenses (B)	1075.32	1189.73	777.02	723.08	694.19
Gross Profit (A-B)	497.99	449.38	563.49	610.57	744.25
Less. Depreciation	<u>26.27</u>	<u>39.75</u>	<u>35.04</u>	<u>46.27</u>	<u>58.71</u>
Operating Profit	471.72	409.63	528.45	564.30	685.54
Add: Income from other sources	<u>1.64</u>	<u>(0.05)</u>	<u>86.95</u>	<u>92.78</u>	<u>72.24</u>
Pre tax Profit	473.36	409.58	615.40	657.08	685.54
Less: Provision for tax	<u>181.99</u>	<u>137.95</u>	<u>199.15</u>	<u>201.76</u>	<u>239.15</u>
Net Profit	291.37	271.63	416.25	455.32	518.63

Key Indicators of Last Five Years

	Unit	2004/05	2005/06	2006/07	2007/08	2008/09
Earning Per Share	Rs.	59.26	55.25	84.66	92.61	105.49
Market Value Per share	Rs.	1500	735	735	1000	1505
Price Earning Ratio	Ratio	25.31	13.30	8.68	10.80	14.27
Dividend of share capital (Including Bonus)	Percent	60.11	30	50	65	70
Dividend per share	Rs.	40	30	50	65	70
Dividend	Percent	40	30	50	65	70
Market Capitalization of Closing price (Rs. in Million)	Rs.	7374.82	3613.66	3613.66	4916.36	7399.40
Market Value Per share/ Book value		6.94	3.15	2.75	3.32	4.46
Dividend cover	Ratio	1.48	1.84	1.69	1.42	1.51
Dividend yield	percent	2.67	4.08	6.80	6.50	4.65
Dividend payout	percent	67.50	54.30	59.06	70.19	66.36
Earning yield	percent	3.95	7.52	11.52	9.26	7.01
Book Net Worth (In Million)	Rs.	216.17	233.18	267.30	301.37	337.15
Total Share	Number	3439400	4298900	4251600	4268600	4271500
Total Staff	Number	388	382	326	372	426
Current Assets (In Million)	Rs.	13160.68	13312.40	13868.30	14244.04	14971.80
Current Liabilities (In Million)	Rs.	17226.21	16384.73	15135.42	15153.13	15420.82
Net Worth (In Million)	Rs.	1062.83	1146.42	1314.18	1481.68	1657.63
Net profit/ Gross income	Percent	18.50	16.57	29.16	31.92	39.33
Interest Income/ loans & advances	Percent	11.46	10.34	9.83	9.45	8.70
Staff Expenses/ Total Operating expenses	Ratio	16.51	19.48	30.34	29.43	31.50
Interest Expenses of total deposit	Percent	4	2.91	2.09	1.97	1.68

Fix Gain/total income	Percent	10.13	9.41	10.09	11.03	11.24
Staff Bonus/ Total staff expenses	Percent	36.03	30.45	31.51	39.78	42.2
Net Profit/ Loan & Advances	Percent	3.94	3.51	5.27	5.33	5.32
Net profit/ total assets	Ratio	1.71	1.53	2.43	2.73	3.06
Total loan/ Deposits	Percent	52.56	50.31	60.49	60.55	75.05
Total operating expenses/ total income	Percent	5.18	4.2	4.06	3.69	3.73
Capital Adequacy Ratio:						
A. Core capital	Percent	6.5	10.53	11.45	12.12	11.35
B. Supplementary Capital	Percent	3.96	3.33	1.60	1.44	1.09
C. Total Capital Fund	Percent	10.46	13.86	13.05	13.56	12.44
Liquidity (CRR)	Percent	5.13	6.75	8.51	6.87	3.83
Non-performing loan/ Total loan	Percent	16.2	7.14	5.54	3.35	1.32
Weighted Average Interest Rate Spread	Percent	4.6	4.02	4.51	4.46	5.01

		2004/05	2005/06	2006/07	2007/08	2008/09
FINANCIAL RATIOS						
STABILITY RATIOS						
1. Shareholder's Reserve to Share Capital%		116.18	133.18	167.30	201.37	237.16
2. Net Worth to Total Assets%		5.79	6.50	7.93	8.85	9.65
3. Current Assets to Net Worth%		1238.27	1161.21	1055.28	961.34	903.21
4. Total Deposit to Net Worth%		1490.27	1352.60	1023.27	952.91	879.97
LIQUIDITY RATIOS						
5. Cash & Bank balance to Current Assets%		6.18	7.90	8.25	6.81	3.74
6. Investment on Govt. Sect. to Current Assets		20.77	30.95	25.88	25.78	16.12
7. Loans & Advances to Current Assets		63.25	55.87	55.93	57.50	70.71
8. Fixed Deposit to Total Deposit%		23.48	15.78	16.75	16.36	14.25
9. Saving Deposit to Total Deposit%		31.04	32.06	38.89	42.45	48.17
10. Short Term loan to Total Deposit%		0.00	2.69	7.15	1.63	0.12
CREDIT RATIOS						
11. Cash & Bank Balance to Total Deposit%		5.13	6.78	8.51	6.87	13.83
12. Invest on Govt. Securities to Total Deposit%		17.25	26.57	26.69	26.01	16.55
13. Total Investment to Total Deposit%		48.64	52.88	44.85	41.33	29.25
TURNOVER RATIOS						
14. Loans & Advances to Total Deposit		0.53	0.48	0.58	0.58	0.73
15. Loans & Advances to Fixed Deposit		2.24	3.04	3.44	3.54	5.09
16. Loans & Advances to Saving Deposit		1.69	1.50	1.48	1.37	1.51
17. Opr. Profit to Net worth		0.44	0.36	0.40	0.38	0.41
PROFITABILITY RATIOS						
18. Interest earned to working fund%		6.90	6.35	6.15	5.98	6.22
19. Interest paid to working fund%		3.15	2.62	1.92	1.69	1.42
20. Cost of services to working fund%		3.94	3.44	3.19	2.77	2.58
21. Net Profit to working fund%		1.59	1.34	2.51	2.72	3.02
22. Net Profit to Total Deposit%		1.84	1.75	3.10	3.22	3.56
STRUCTURAL RATIOS						
23. Long Term Debt to Net worth%		0.00	0.00	0.00	0.00	0.00
24. Net fixed Assets to long Term Debt%		0.00	0.00	0.00	0.00	0.00
25. Total Debts (Liabilities) to Net worth%		1628.14	1437.77	1160.30	1030.18	936.80
26. Total Deposit% (for Comm. Banks)		23.94	-2.10	-13.28	4.99	3.31
27. Loans & Advances% (For Comm. Banks)		13.49	-10.65	4.28	5.60	29.25
28. Loans% (For Dev. Banks)		0.00	0.00	0.00	0.00	0.00

**NEPAL SBI BANK
DARBARMARG KATHMANDU
BALANCE SHEET**

Trend Analysis Average of 01/02-05-06 = 100	2004/05	2005/06	2006/07	2007/08	2008/09
1. Total Assets	106.18	101.91	95.75	96.81	99.35
2. Current Assets	94.60	95.69	99.69	102.39	107.62
3. Cash & Bank balances	89.54	115.86	126.09	106.90	61.61
4. Loans & advances	98.41	87.93	91.69	96.82	125.15
5. Investments	120.24	127.96	94.12	91.08	66.60
6. Loans	0.00	0.00	0.00	0.00	0.00
7. Total Liabilities	108.38	103.24	95.51	95.60	97.26
8. Current Liabilities	108.59	103.28	95.41	95.52	97.21
9. Deposit & other A/C's	107.75	105.49	91.48	96.05	99.23
10. Net worth	79.76	86.03	98.62	111.19	124.40
11. Share Capital	100.00	100.00	100.00	100.00	100.00
12. Shareholder's Reserves	67.93	77.87	97.82	117.73	138.66

PROFIT AND LOSS STATEMENT

Trend Analysis Average of 01/02-05-06 = 100	2004/05	2005/06	2006/07	2007/08	2008/09
1. Operating Income	107.39	111.88	91.50	91.03	98.19
2. Interest (Earned)	115.68	102.30	92.95	91.97	97.60
3. Cost of services	130.92	109.72	95.43	83.84	80.09
4. Interest paid	153.47	122.62	84.21	75.08	64.62
5. Salaries, Allowances & P.F.	82.72	82.16	119.42	102.55	113.15
6. General Expenses	108.61	195.99	66.49	68.17	60.74
7. Gross Profit	86.89	78.41	98.32	106.53	129.86
8. Net Profit	74.59	69.53	106.36	116.56	132.76

Sources: www.nepalstock.com

APPENDIX-II
HIMALAYAN BANK LTD.

Head office: Thamel Kathmandu
Authorized capital: Rs. 1000000000.00
Issued Capital : Rs. 650000000.00
Paid-up Capital Rs. 643500000.00
Par Value/Share Rs. 100 & Rs. 0

Paid up value/share Rs. 100 & Rs. 0
Incorporation year B.S. 2048 A.D. 1992
Listing Date: B.S.03/21/2050 A.D. 1993

CHANGES IN PAID-UP CAIPTAL

Year	Before	After	Rs. in Million Remarks
2004/05	240.00	300.00	Bonus 1:4
2005/06	300.00	390.00	Bonus 30%
2006/07	390.00	429.00	Bonus 1:10
2007/08	429.00	536.25	Bonus 1:5
2008/09	336.25	643.50	Bonus 1:5

COMPARATIVE BALANCE SHEET

As at Balance sheet	2004/05	2005/06	2006/07	2007/08	Rs. in Million 2008/09
Property and Assets					
A. Cash balance	149.96	462.78	397.19	274.24	286.53
B. Balance with Banks	1285.22	801.89	1582.02	1726.95	1727.94
C. Money at call & short notice	4057.65	352.35	150.10	368.90	441.08
D. Investment:					
a. Government Securities	2224.30	3047.75	3998.87	3431.73	5469.73
b. Share & Debenture	10.69	34.27	34.27	34.27	39.91
c. Others	<u>1848.17</u>	<u>6075.09</u>	<u>6142.30</u>	<u>5826.11</u>	<u>6182.70</u>
	4083.16	9157.11	10175.44	9292.11	11692.34
E. Loan, Advances & Bills Purchased:					
a. Loans, Cash Cr. & Overdrafts	8651.74	8653.57	9700.66	11635.31	12088.71
b. Bill Discounted & purchase	<u>363.61</u>	<u>260.16</u>	<u>301.19</u>	<u>316.56</u>	<u>335.81</u>
	9015.35	8913.73	10001.85	11951.87	12424.52
F. Fixed Assets (Net):					
Gross Block	280.52	418.11	348.55	448.35	480.96
Less: Depreciation	<u>(78.52)</u>	<u>(99.26)</u>	<u>(118.68)</u>	<u>(148.71)</u>	<u>(185.14)</u>
	201.68	318.85	229.87	299.64	295.82
G. Others Assets:					
a. Interest Receivable	335.75	330.38	418.46	526.65	511.18
b. Misc. Current Assets	291.19	256.45	332.96	215.52	339.12
c. Misc. Assets	<u>80.62</u>	<u>78.91</u>	<u>67.34</u>	<u>106.16</u>	<u>126.16</u>
	707.56	665.74	818.76	848.33	976.46
Total Assets	19500.58	20672.45	23355.23	24762.04	27844.69
Capital & Liabilities					
A. Current Liabilities					
a. Deposit & other A/C's					
Saving	9144.47	9163.95	10870.54	11759.60	12852.41
Fixed	4927.37	5480.84	3205.37	4710.18	6107.43
Current	2252.13	2634.37	3503.14	4145.45	5045.16
Call & Short Deposit	740.72	883.60	3041.49	970.09	222.96
Other	<u>467.71</u>	<u>456.61</u>	<u>386.83</u>	<u>425.02</u>	<u>586.04</u>
	17532.40	18619.37	21007.37	22010.34	24814.00
b. Short term loan	79.53	174.01	285.84	299.01	146.05
c. Bills payable	22.90	35.58	46.73	64.38	68.40
d. Tax provision	154.46	0.00	0.00	0.00	0.00
e. Staff Bonus	48.34	38.78	40.00	46.73	58.06
f. Dividend payables	14.72	6.44	7.86	6.32	5.61
g. Misc. Current Liabilities	<u>895.11</u>	<u>539.07</u>	<u>512.13</u>	<u>604.11</u>	<u>850.82</u>
Total Current Liabilities (A)	18747.46	19433.25	21899.93	23030.89	25942.94
B. Differed Liabilities					
a. Long Term Loan	0.00	360.00	360.00	360.00	360.00
b. Other Differed Liabilities	<u>32.52</u>	<u>21.07</u>	<u>32.16</u>	<u>46.98</u>	<u>0.00</u>
Total Differed Liabilities (B)	32.52	381.07	392.16	406.98	360.00
C. Net Worth					
a. Share Capital					
Ordinary share	120.00	120.00	120.00	120.00	120.00

Bonus share	180.00	270.00	309.00	416.25	523.50
Preference share	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total Share Capital	300.00	390.00	429.00	536.25	643.50
b. Share holder's Reserves:					
General Reserve	239.75	286.75	329.18	381.79	443.44
Capital Reserve	90.00	39.00	107.25	107.25	128.70
Exchange Fluctuation Reserve	21.16	22.07	23.79	26.05	13.65
Other Reserve	0.78	0.78	51.43	102.86	154.29
Unappropriated Profit (Loss)	<u>68.91</u>	<u>119.53</u>	<u>122.49</u>	<u>169.97</u>	<u>158.17</u>
Total Shareholder's Reserve	420.60	468.13	634.14	787.92	898.25
Net Worth (C)	720.60	858.13	1063.14	1324.17	1541.75
Total Capital & Liabilities (A+B+C)	19500.58	20672.45	23355.23	24762.04	27844.69

COMPATATIVE PROFIT & LOSS ACCOUNT

	2004/05	2005/06	2006/07	2007/08	2008/09
For the period Ending					Rs. in Million
A. Operating Income					
a. Interest Earned	1326.38	1149.00	1201.23	1245.89	1446.47
b. Commission & Discount	125.97	101.70	102.56	123.93	132.82
c. Exchange Income	114.22	104.60	109.60	112.42	137.30
d. Dividend	0.00	0.00	0.00	0.00	0.00
e. Other Income	<u>6.35</u>	<u>32.04</u>	<u>30.15</u>	<u>34.08</u>	<u>41.30</u>
Total Income (A)	1572.92	1387.34	1443.54	1516.32	1757.89
B. Expenses:					
a. Cost of Service:					
Interest Paid:					
On Borrowings	10.89	6.49	36.14	35.67	36.22
On Deposits	<u>721.80</u>	<u>571.64</u>	<u>517.99</u>	<u>455.87</u>	<u>525.74</u>
Salaries, Allowances & P.F.	732.69	578.19	554.13	491.54	561.96
Total Cost of Service	<u>76.90</u>	<u>101.54</u>	<u>120.15</u>	<u>152.51</u>	<u>178.59</u>
b. Provision of Staff Bonus	809.59	679.67	674.28	644.05	740.55
c. Provision for Doubtful Debts	48.34	38.78	40.00	46.73	58.06
d. Other General Expenses	134.32	166.51	202.87	186.23	147.14
Total Expenses (B)	<u>125.28</u>	<u>132.05</u>	<u>153.85</u>	<u>187.31</u>	<u>254.98</u>
Gross Profit (A-B)	1117.53	1017.01	1071.00	1064.32	1200.73
Less. Depreciation	455.39	370.33	372.54	452.00	557.16
Operating Profit	<u>22.70</u>	<u>23.74</u>	<u>23.28</u>	<u>34.73</u>	<u>37.41</u>
Add: Income from other sources	432.69	346.59	349.26	417.27	519.75
Pre tax Profit	<u>2.32</u>	<u>2.45</u>	<u>10.76</u>	<u>3.30</u>	<u>2.79</u>
Less: Provision for tax	435.01	349.04	360.02	420.57	522.54
Net Profit	<u>154.32</u>	<u>114.02</u>	<u>147.90</u>	<u>157.52</u>	<u>214.26</u>
	280.69	235.02	212.12	263.05	308.28

Key Indicators of Last Five Years

	Unit	2004/05	2005/06	2006/07	2007/08	2008/09
Earning Per Share	Rs.	93.57	60.26	49.45	49.05	47.91
Market Value Per share	Rs.	1500.00	1000.00	836.00	840.00	920.00
Price Earning Ratio	Ratio	16.03	16.59	16.91	17.13	19.20
Divided of share capital (Including Bonus)	Percent	57.50	35.00	25.00	20.00	31.58
Dividend per share	Rs.	27.50	25.00	1.32	0.00	11.58
Dividend	Percent	27.50	25.00	1.32	0.00	11.58
Market Capitalization of Closing price (Rs. in Million)	Rs.	4500.00	3900.00	3586.44	4504.00	5920.20
Market Value Per share/ Book value		6.25	4.55	3.37	3.40	3.84
Dividend cover	Ratio	3.40	2.41	3.46	0.00	4.14
Dividend yield	percent	1.83	2.50	0.16	0.00	1.26
Dividend payout	percent	29.39	41.49	2.67	0.00	24.17
Earning yield	percent	6.24	6.03	5.92	5.84	5.21
Book Net Worth (In Million)	Rs.	240.19	220.02	247.81	246.93	239.59
Total Share	Number	3000000	3900000	4290000	5362500	6435000
Total Staff	Number	359	357	385	455	501
Current Assets (In Million)	Rs.	17359.42	14165.33	16881.45	18495.86	21200.10
Current Liabilities (In Million)	Rs.	187474.46	19433.25	21899.93	23030.89	25942.94
Net Worth (In Million)	Rs.	720.60	858.13	1063.14	1324.17	1541.75
Net profit/ Gross income	Percent	33.39	28.96	27.51	30.75	32.98
Interest Income/ loan & advances	Percent	14.71	12.89	11.08	9.64	10.75
Staff Expenses/ Total Operating						

expenses	Ratio	46.00	48.00	39.00	40.00	41.95
Interest Expenses on total deposit	Percent	4.19	3.11	2.64	2.23	2.26
Fix Gain/total income	Percent	19.30	12.89	7.54	7.40	7.80
Staff Bonus/ Total staff expenses	Percent	38.60	27.63	24.98	23.45	24.53
Net Profit/ Loan & Advances	Percent	3.11	2.64	2.12	2.20	2.48
Net profit/ total assets	Ratio	1.44	1.14	0.91	1.06	1.11
Total loan/ Deposits	Percent	51.42	47.89	47.61	54.30	50.07
Total operating expenses/ Ttal income	Percent	26.43	21.31	23.19	27.00	29.19
Capital Adequacy Ratio:						
A. Core capital	Percent	4.67	6.55	7.07	7.69	8.33
B. Supplementary Capital	Percent	3.34	5.01	3.85	2.96	2.69
C. Total Capital Fund	Percent	8.01	11.56	10.93	10.65	11.01
Liquidity (CRR)	Percent	11.77	11.69	8.30	8.28	7.86
Non-performing loan/ Total loan	Percent	0.00	12.10	10.08	8.88	7.44
Weighted Average Interest Rate Spread	Percent	4.05	3.53	3.33	3.25	3.19

FINANCIAL RATIOS	2004/05	2005/06	2006/07	2007/08	2008/09
STABILITY RATIOS					
1. Shareholder's Reserve to Share Capital%	140.2	120.03	147.82	146.93	139.59
2. Net Worth to Total Assets%	3.70	4.15	4.55	5.35	5.54
3. Current Assets to Net Worth%	2409.02	1650.72	1587.89	1396.79	1375.07
4. Total Deposit to Net Worth%	2433.03	2169.76	1975.97	1662.20	1609.47
LIQUIDITY RATIOS					
5. Cash & Bank balance to Current Assets%	8.27	8.93	11.72	10.82	9.50
6. Investment on Govt. Sec. to Current Assets	12.81	21.52	23.69	18.55	25.80
7. Loans & Advances to Current Assets	51.93	62.93	59.25	64.62	58.61
8. Fixed Deposit to Total Deposit%	28.10	29.44	15.26	21.40	24.61
9. Saving Deposit to Total Deposit%	52.16	49.22	15.26	21.40	24.61
10. Short Term loan to Total Deposit%	0.45	0.93	1.36	1.36	0.59
CREDIT RATIOS					
11. Cash & Bank Balance to Total Deposit%	8.19	6.79	9.42	9.09	8.12
12. Invest on Govt. Securities to Total Deposit%	12.69	16.37	19.04	15.59	22.04
13. Total Investment to Total Deposit%	23.29	49.18	48.44	42.22	47.12
TURNOVER RATIOS					
14. Loans & Advances to Total Deposit	0.51	0.48	0.48	0.54	0.50
15. Loans & Advances to Fixed Deposit	1.83	1.63	3.12	2.54	2.09
16. Loans & Advances to Saving Deposit	0.99	0.97	0.92	1.02	0.97
17. Opr. Profit to Net worth	0.60	0.40	0.33	0.32	0.34
PROFITABILITY RATIOS					
18. Interest earned to working fund%	6.80	5.56	5.14	5.03	5.19
19. Interest paid to working fund%	3.76	2.80	2.37	1.99	2.02
20. Cost of services to working fund%	4.15	3.29	2.89	2.60	2.66
21. Net Profit to working fund%	1.44	1.14	0.91	1.06	1.11
22. Net Profit to Total Deposit%	1.60	1.26	1.01	1.20	1.24
STRUCTURAL RATIOS					
23. Long Term Debt to Net worth%	0.00	41.95	33.86	27.19	23.35
24. Net fixed Assets to long Term Debt%	0.00	88.57	63.85	83.23	82.17
25. Total Debts (Liabilities) to net worth%	2606.16	2309.01	2096.82	1770.00	1706.04
ANNUAL RATE OF GROWTH					
26. Total Deposit% (for Comm. Banks)	24.85	6.20	12.83	4.77	12.74
27. Loans & Advances% (For Comm. Banks)	24.78	-1.13	12.21	19.50	3.95
28. Loans% (For Dev. Banks)	0.00	0.00	0.00	0.00	0.00

**HIMALAYAN BANK LIMITED
THAMEL KATHMANDU**

BALANCE SHEET

Trend Analysis Average of 01/02 – 05/06 = 100	2004/05	2005/06	2006/07	2007/08	2008/09
1. Total Assets	83.96	89.00	100.55	106.61	119.88
2. Current Assets	98.52	80.39	95.81	104.97	120.32
3. Cash & Bank balances	82.53	72.73	113.82	115.08	115.84
4. Loans & advances	86.18	85.21	95.61	114.25	118.76
5. Investments	45.98	103.12	114.59	104.64	131.67
6. Loans	0.00	0.00	0.00	0.00	0.00
7. Total liabilities	84.88	89.55	100.75	105.93	118.88
8. Current liabilities	85.95	89.10	100.41	105.59	118.94
9. Deposit & other A/C's	84.30	89.53	101.01	105.84	119.32
10. Net worth	65.42	77.90	96.51	120.21	139.96
11. Share Capital	65.25	84.83	93.31	116.64	139.97
12. Shareholder's Reserves	65.53	72.94	98.81	122.77	139.96

PROFIT AND LOSS STATEMENT

Trend Analysis Average of 01/02 – 05/06 = 100	2004/05	2005/06	2006/07	2007/08	2008/09
1. Operating Income	102.43	90.35	94.00	98.74	114.48
2. Interest (Earned)	104.13	90.20	94.30	97.81	113.56
3. Cost of services	114.09	95.78	95.02	90.76	104.36
4. Interest paid	125.53	99.05	94.94	84.21	96.28
5. Salaries, Allowances & P.F.	61.06	80.63	95.40	121.10	141.81
6. General Expenses	76.78	88.30	105.50	110.48	118.93
7. Gross Profit	103.15	83.88	84.38	102.38	126.20
8. Net Profit	108.03	90.45	81.64	101.24	118.65

Sources: www.nepalstock.com

APPENDIX-III
KUMARI BANK LIMITED

Head office: Durbar Marga, Kathmandu
Authorized capital: Rs.1000000000.00
Issued Capital : Rs. 750000000.00
Paid-up Capital Rs. 632500000.00
Par Value/Share Rs. 100 & Rs. 0

Paid up value/share Rs. 100 & Rs. 0
Incorporation year B.S. 2056 A.D. 2000
Listing Date: 03/11/2057 A.D. : 2001

CHANGES IN PAID-UP CAIPTAL

Year	Before	After	Rs. in Million
2004/05	135.35	169.98	Bonus 1:1
2005/06	169.98	169.98	
2006/07	169.98	295.29	
2007/08	295.29	295.29	
2008/09	295.29	587.74	

COMPARATIVE BALANCE SHEET

	2004/05	2005/06	2006/07	2007/08	Rs. in Million 2008/09
As at Balance sheet					
Property & Assets					
A. Cash balance	71.50	61.52	200.97	315.38	374.27
B. Balance with Banks	375.20	277.40	725.56	911.54	966.22
C. Money at call & short notice	0.00	0.00	40.00	310.00	140.00
D. Investment:					
a. Government Securities	300.00	224.40	400.00	2001.10	1948.50
b. Share & Debenture	12.69	13.89	13.89	13.89	17.74
c. Others	<u>1657.58</u>	<u>1583.87</u>	<u>1291.35</u>	<u>1847.49</u>	<u>1967.95</u>
	1970.27	1822.16	1705.24	3862.48	3934.19
E. Loan, Advances & Bills Purchased:					
a. Loans, Cash Cr. & Overdrafts	2318.91	2518.06	5648.03	6917.80	9933.08
b. Bill Discounted & purchase	<u>110.12</u>	<u>46.37</u>	<u>124.11</u>	<u>212.33</u>	<u>192.97</u>
	2429.03	2564.43	5772.14	7130.13	10126.05
F. Fixed Assets (Net):					
Gross Block	83.94	84.56	245.55	326.88	427.14
Less: Depreciation	<u>(49.96)</u>	<u>(48.67)</u>	<u>(54.44)</u>	<u>(77.09)</u>	<u>(106.55)</u>
	33.98	35.89	191.11	249.79	320.59
G. Others Assets:					
a. Interest Receivable	78.91	55.64	83.47	77.01	81.58
b. Misc. Current Assets	150.21	103.86	242.16	358.18	314.18
c. Misc. Assets	<u>18.27</u>	<u>53.00</u>	<u>53.59</u>	<u>40.99</u>	<u>16.99</u>
	247.39	212.50	379.22	476.18	412.75
Total Assets	5127.39	4973.90	9014.24	13255.50	16274.75
Capital & Liabilities					
A. Current Liabilities					
a. Deposit & other A/C's					
Saving	1259.57	1278.79	2434.05	4886.10	6703.51
Fixed	1658.66	945.93	1672.82	2294.68	3212.26
Current	769.01	785.40	979.01	1500.10	1583.03
Call & Short Deposit	502.51	1051.89	2610.41	2556.81	2469.74
Other	<u>66.46</u>	<u>112.75</u>	<u>226.46</u>	<u>286.98</u>	<u>286.03</u>
	4256.21	4174.76	7922.75	11524.67	14254.57
b. Short term loan	120.00	98.50	6.83	361.50	350.00
c. Bills payable	5.18	6.82	31.63	57.84	15.01
d. Tax provision	0.00	0.00	0.00	0.00	0.00
e. Staff Bonus	10.43	8.68	18.91	25.72	37.07
f. Dividend payables	5.38	1.81	1.69	5.25	5.89
g. Misc. Current Liabilities	<u>231.82</u>	<u>119.64</u>	<u>377.65</u>	<u>531.96</u>	<u>416.30</u>
Total Current Liabilities (A)	4629.02	4410.21	8359.46	12506.94	15078.84
B. Differed Liabilities					
a. Long Term Loan	0.00	360.00	360.00	360.00	360.00
b. Other Differed Liabilities	<u>29.27</u>	<u>40.23</u>	<u>16.25</u>	<u>19.52</u>	<u>15.06</u>
Total Differed Liabilities (B)	29.27	40.23	16.25	19.52	15.06
C. Net Worth					
a. Share Capital					
Ordinary share	60.00	60.00	116.66	116.66	409.11

Bonus share	109.98	109.98	178.63	178.63	178.63
Preference share	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total Share Capital	169.98	169.98	295.29	295.29	587.74
b. Share holder's Reserves:					
General Reserve	233.78	245.20	268.70	299.24	345.67
Capital Reserve	0.00	67.99	29.53	59.06	117.83
Exchange Fluctuation Reserve	15.40	16.61	16.58	17.91	18.26
Other Reserve	0.03	0.03	0.03	42.88	85.75
Unappropriated Profit (Loss)	<u>49.89</u>	<u>23.65</u>	<u>28.40</u>	<u>14.66</u>	<u>24.92</u>
Total Shareholder's Reserve	299.10	353.48	343.24	433.75	592.43
Net Worth (C)	469.08	523.46	638.53	729.04	1180.17
Total Capital & Liabilities (A+B+C)	5127.37	4973.90	9014.24	13255.50	16274.07

COMPARATIVE PROFIT & LOSS ACCOUNT

	2004/05	2005/06	2006/07	2007/08	Rs. in Million 2008/09
For the period Ending					
A. Operating Income					
a. Interest Earned	349.76	326.22	459.51	731.40	886.80
b. Commission & Discount	16.20	16.20	40.81	55.75	93.55
c. Exchange Income	49.83	42.86	50.83	87.98	102.52
d. Dividend	0.00	0.00	0.00	0.00	0.00
e. Other Income	<u>11.38</u>	<u>30.40</u>	<u>26.29</u>	<u>36.82</u>	<u>56.57</u>
Total Income (A)	427.17	415.68	577.44	911.95	1139.44
B. Expenses:					
a. Cost of Service:					
Interest Paid:					
On Borrowings	2.32	2.12	5.91	16.18	26.23
On Deposits	<u>161.10</u>	<u>128.32</u>	<u>183.30</u>	<u>310.03</u>	<u>328.32</u>
	163.42	130.44	189.21	326.21	354.55
Salaries, Allowances & P.F.	<u>33.99</u>	<u>41.72</u>	<u>61.29</u>	<u>89.75</u>	<u>97.00</u>
Total Cost of Service	197.41	172.16	250.50	415.96	451.55
b. Provision of Staff Bonus	10.43	8.68	18.91	25.72	37.08
c. Provision for Doubtful Debts	45.28	75.19	30.34	91.09	140.41
d. Other General Expenses	<u>71.36</u>	<u>76.05</u>	<u>96.16</u>	<u>126.08</u>	<u>150.12</u>
Total Expenses (B)	324.48	332.08	395.91	658.85	779.16
Gross Profit (A-B)	102.69	83.60	181.53	253.10	360.28
Less. Depreciation	<u>8.82</u>	<u>8.59</u>	<u>11.87</u>	<u>23.40</u>	<u>32.79</u>
Operating Profit	93.87	75.01	169.66	229.70	327.49
Add: Income from other sources	<u>(0.02)</u>	<u>3.10</u>	<u>0.49</u>	<u>1.77</u>	<u>6.19</u>
Pre tax Profit	93.85	78.11	170.15	231.47	333.68
Less: Provision for tax	<u>37.44</u>	<u>21.01</u>	<u>53.33</u>	<u>78.80</u>	<u>101.53</u>
Net Profit	56.41	57.10	116.82	152.67	232.15

Key Indicators of Last Five Years

	Unit	2004/05	2005/06	2006/07	2007/08	2008/09
Earning Per Share	Rs.	33.18	33.59	39.56	51.70	39.50
Market Value Per share	Rs.	1150	760	795	940	800
Price Earning Ratio	Ratio	34.66	22.63	20.10	18.18	20.25
Divided of share capital (Including Bonus)	Percent	0	30	20	15	12.5
Dividend per share	Rs.	0	0	20	15	12.5
Dividend	Percent	0	0	20	15	12.5
Market Capitalization of Closing price (Rs. in Million)	Rs.	1954.82	1291.88	2347.58	2775.75	4701.91
Market Value Per share/ Book value		4.17	2.47	3.68	3.81	3.98
Dividend cover	Ratio	0	0	1.98	3.45	3.16
Dividend yield	percent	0.00	0.00	2.52	1.60	1.56
Dividend payout	percent	0.00	0.00	50.56	29.01	31.65
Earning yield	percent	2.89	4.42	4.98	5.50	4.94
Book Net Worth (In Million)	Rs.	275.95	307.95	216.24	246.89	200.80
Total Share	Number	1699845	1699845	2952930	2952930	5877385
Total Staff	Number	107	105	254	325	353
Current Assets (In Million)	Rs.	3423.12	3340.25	7517.89	11144.33	13967.79
Current Liabilities (In Million)	Rs.	4629.02	4410.21	8359.46	12506.94	15078.84
Net Worth (In Million)	Rs.	469.08	523.46	638.53	729.04	1180.17
Net profit/ Gross income	Percent	13.38	14.54	20.12	16.71	20.26
Interest Income/ loan & advances	Percent	9.43	9.53	7.8	9.03	7.36
Staff Expenses/ Total Operating expenses	Ratio	28.28	33.01	36.2	37.52	34.65

Interest Expenses on total deposit	Percent	3.83	3.05	3	2.74	2.43
Fix Gain/total income	Percent	11.82	10.91	8.8	9.63	8.95
Staff Bonus/ Total staff expenses	Percent	33.53	20.8	30.85	28.66	38.22
Net Profit/ Loan & Advances	Percent	2.32	2.1	1.97	2.08	2.22
Net profit/ total assets	Ratio	1.1	1.15	1.27	1.13	1.40
Total loan/ Deposits	Percent	57.07	65	74.74	69.68	73.33
Total operating expenses/ Total income	Percent	2.14	2.47	1.85	1.78	1.69
Capital Adequacy Ratio:						
A. Core capital	Percent	13.1	14.4	7.87	7.22	8.52
B. Supplementary Capital	Percent	1	1.5	0.93	3.96	3.06
C. Total Capital Fund	Percent	14.1	15.9	8.81	11.18	11.58
Liquidity (CRR)	Percent	9.32	11.16	10.11	9.19	9.78
Non-performing loan/ Total loan	Percent	8.29	4.8	1.98	2.47	2.69
Weighted Average Interest Rate Spread	Percent	4.04	4.24	4.8	5.98	4.3

FINANCIAL RATIOS	2004/05	2005/06	2006/07	2007/08	2008/09
STABILITY RATIOS					
1. Shareholder's Reserve to Share Capital%	175.96	207.95	116.24	146.89	100.80
2. Net Worth to Total Assets%	9.15	10.52	7.08	5.50	7.25
3. Current Assets to Net Worth%	729.75	638.11	1177.37	1528.63	1183.54
4. Total Deposit to Net Worth%	907.35	797.53	1240.78	1580.80	1207.84
LIQUIDITY RATIOS					
5. Cash & Bank balance to Current Assets%	13.05	10.15	12.32	11.01	9.60
6. Investment on Govt. Sec. to Current Assets	8.76	6.72	5.32	17.96	13.95
7. Loans & Advances to Current Assets	70.96	76.77	76.78	63.98	72.50
8. Fixed Deposit to Total Deposit%	38.97	22.66	21.11	19.91	22.53
9. Saving Deposit to Total Deposit%	29.59	30.63	30.72	42.40	47.03
10. Short Term loan to Total Deposit%	2.82	2.36	0.09	3.14	2.46
11. Cash & Bank Balance to Total Deposit%	10.50	8.12	11.69	10.65	9.40
12. Invest on Govt. Securities to Total Deposit%	7.05	5.38	5.05	17.36	13.67
13. Total Investment to Total Deposit%	46.29	43.65	22.52	33.51	27.60
TURNOVER RATIOS					
14. Loans & Advances to Total Deposit	0.57	0.61	0.73	0.62	0.71
15. Loans & Advances to Fixed Deposit	1.46	2.71	3.45	3.11	3.15
16. Loans & Advances to Saving Deposit	1.93	2.01	2.37	1.46	1.51
17. Opr. Profit to Net worth	0.20	0.14	0.27	0.32	0.28
PROFITABILITY RATIOS					
18. Interest earned to working fund%	6.82	6.56	5.10	5.52	5.45
19. Interest paid to working fund%	3.19	2.62	2.10	2.46	2.18
20. Cost of services to working fund%	3.85	3.46	2.78	3.14	2.77
21. Net Profit to working fund%	1.10	1.15	1.30	1.15	1.43
22. Net Profit to Total Deposit%	1.33	1.37	1.47	1.32	1.63
STRUCTURAL RATIOS					
23. Long Term Debt to Net worth%	0.00	0.00	0.00	0.00	0.00
24. Net fixed Assets to long Term Debt%	0.00	0.00	0.00	0.00	0.00
25. Total Debts (Liabilities) to net worth%	993.07	850.20	1311.72	1718.21	1278.96
ANNUAL RATE OF GROWTH					
26. Total Deposit% (for Comm. Banks)	42.67	-1.91	89.78	45.46	23.69
27. Loans & Advances% (For Comm. Banks)	17.30	5.57	125.08	23.53	42.02
28. Loans% (For Dev. Banks)	0.00	0.00	0.00	0.00	0.00

KUMARI BANK LIMITED
DURBAR MARGA, KATHMANDU
BALANCE SHEET

Trend Analysis Average of 01/02 – 05/06 = 100	2004/05	2005/06	2006/07	2007/08	2008/09
1. Total Assets	52.70	51.12	92.65	136.25	167.27
2. Current Assets	43.45	42.40	95.42	141.45	177.29
3. Cash & Bank balances	52.21	39.60	108.25	143.35	156.62
4. Loans & advances	43.34	45.76	102.99	127.22	180.68
5. Investments	74.10	68.53	64.13	145.27	147.96
6. Loans	0.00	0.00	0.00	0.00	0.00
7. Total liabilities	51.64	49.33	92.85	138.86	167.32
8. Current liabilities	51.45	49.02	92.91	139.01	167.60
9. Deposit & other A/C's	50.51	49.54	94.02	136.77	169.16
10. Net worth	66.25	73.93	90.18	102.96	166.68
11. Share Capital	55.98	55.98	97.24	97.24	193.55
12. Shareholder's Reserves	73.96	87.41	84.88	107.26	146.50

PROFIT AND LOSS STATEMENT

Trend Analysis Average of 01/02 – 05/06 = 100	2004/05	2005/06	2006/07	2007/08	2008/09
1. Operating Income	61.52	59.87	83.16	131.34	164.10
2. Interest (Earned)	63.51	59.23	83.44	132.80	161.02
3. Cost of services	66.35	57.87	84.20	139.81	151.77
4. Interest paid	70.21	56.04	81.29	140.15	152.32
5. Salaries, Allowances & P.F.	52.49	64.43	94.66	138.61	149.81
6. General Expenses	64.65	83.83	70.12	120.37	161.03
7. Gross Profit	52.33	42.60	92.50	128.97	183.59
8. Net Profit	45.85	46.41	94.95	124.09	188.69

Sources: www.nepalstock.com