FINANCIAL ANALYSIS

(A COMPARATIVE STUDY OF NABIL BANK LIMITED AND EVEREST BANK LIMITED)

A Thesis

Submitted By:

Jyoti Kumari Rasaily

Central Department of Management

Tribhuvan University, Kirtipur

T.U. Registration Number: 7-2-327-986-98

Second Year Exam Symbol Number – 6655

Class Roll Number: 473/063/064

A Thesis Submitted

Office of Dean

Faculty of Management

Tribhuvan University

In Partial Fulfillment of the requirements for the degree of

Master of Business Studies (MBS)

Kirtipur, Kathmandu, Nepal

October, 2012

RECOMMENDATION LETTER

This is to Certified that the Thesis

Submitted by:

Jyoti Kumari Rasaily

Entitled

Financial Analysis

(A Comparative Study of NABIL Bank Limited and Everest Bank Limited)

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

----------	----------	----------
Dr. Mahanand Chalise	Prof. Dr. Bal Krishna Shrestha	Associate Prof. Ajay Prasad Dhakal
(Supervisor)	(Chairman Research Department)	(Head of Department)

Date: …….

VIVA-VOCE SHEET

We have conducted the Viva-Voce examination of the Thesis

Submitted by

Jyoti Kumari Rasaily

Entitled

Financial Analysis

(A Comparative Study of NABIL Bank Limited and Everest Bank Limited)

and found the thesis to be the original work of the student written according to the prescribed format. We recommended the thesis to be accepted as partial fulfillment for the requirement for the degree of **Master of Business Studies (M.B.S.)**

Viva - Voce Committee:

Member (Thesis Supervisor) ----------

Member (External Expert) ----------

Chairperson (Research Committee) ----------

Member (Head of Department) ----------

Date: ……

DECLARATION

I hereby declare that the thesis entitled "Financial Analysis (A Comparative Study of NABIL Bank Limited and Everest Bank Limited)" submitted to Office of the Dean, Faculty of Management, Tribhuvan University is my original work done in the form of partial fulfillment of the requirement for the degree of master of Business studies (M.B.S) under the guidance and supervision of Dr. Mahanand Chalise, Lecturer, Central Department of Management.

Jyoti Kumari Rasaily
Central Department of Management
Tribhuvan University

Date:

ACKNOWLEDGEMENTS

I would like to express my deep gratitude towards my supervisor Dr. Mahananda Chalise, Lecture, Central Department of Management for enthusiastic and regular guidance. It would not have been possible for me to complete this research work without his unflagging supervision, trenchant advice and direction. So, I owe great debt of gratitude to him first.

My thanks also go to all the respondents who gladly and quickly gave their valuable views and purpose. I am also thankful to the personnel of NABIL Bank Ltd. and Everest Bank Ltd of Statistics for their kind and indefatigable co-operation in providing me the necessary data and supportive materials.

I would also like to express my sincere thanks to all the members of library who help me a lot. Last but not the least I would like to thanks my family, colleagues and friend who directly or indirectly helped me to complete this thesis. Without their support and help, it would be difficulty for me to prepare and complete this thesis in time.

Date:

Jyoti Kumari Rasaily
Central Department of Management
T.U. Regd. No. : 7-2-327-986-98
Exam Roll No. : 6655
Campus Roll No.: 473/063/064

TABLE OF CONTENTS

		Page No.
Recommendation Letter		**i**
Viva-Voce Sheet		**ii**
Declaration		**iii**
Acknowledgements		**iv**
Table of Contents		**v**
List of Tables		**viii**
List of Figures		**ix**
Abbreviation Used		**x**
CHAPTER – I : INTRODUCTION		**1-22**
1.1	Background of the Study	1
1.2	Profile of Sample Banks	5
1.2.1	Nabil Bank Limited (NBL)	5
1.2.2	Everest Bank Limited (EBL)	7
1.3	Concept of Commercial Banks	9
1.3.1	Function of Commercial Banks	10
1.3.2	Types of Commercial Banks	12
1.3.3	Concept of Joint Venture Bank	14
1.3.4	Role and function of Joint Venture Bank	15
1.4	Focus of the Study	17
1.5	Statement of the Problems	18
1.6	Objectives of the Study	19
1.7	Significance of the Study	20
1.8	Limitative of the Study	21
1.9	Organization of the Study	21

CHAPTER – II : REVIEW OF LITERATURE **23-46**

2.1 Conceptual Review of the Study 23

2.1.1 General Concept of Financial Analysis 23

2.1.2 Objectives of Financial Analysis 25

2.1.3 Needs of Financial Analysis 25

2.1.4 Limitation of Financial Analysis 26

2.1.5 Techniques of Financial Analysis 27

2.2 Ratio Analysis 28

2.2.1 Utility and Importance of Financial Ratio Analysis 32

2.2.2 Users of Financial Statement and Ratio Analysis 33

2.2.3 Limitation in Using Ratio Analysis 34

2.3 Review of Related Studies 35

2.3.1 Review of Journals and Books 35

2.3.2 Review of Article 40

2.3.3 Review of Thesis 42

CHAPTER III : RESEARCH METHODOLOGY **47-70**

3.1 Research Design 47

3.2 Natures and Sources of Data 47

3.3 Population and Sampling Design 48

3.4 Data Analysis Procedure 48

3.4.1 Financial Tools 49

3.4.2 Statistical Tools 63

CHAPTER IV : PRESENTATION AND ANALYSIS OF DATA **71-108**

4.1 Presentation and Analysis of Data 71

4.1.1 Ratios Analysis 71

4.1.1.1 Liquidity Ratios 72

4.1.1.2 Activity Ratio/ Assets Management Ratios 77
4.1.1.3 Profitability Ratios 80
4.1.1.4 Leverage Ratios 87
4.1.2 Statistical Analysis 91
4.1.2.1 Coefficient of Correlation Analysis (r) 92
4.1.2.2 Trend Line Analysis 97
4.2 Major Finding of the Study 103
4.2.1 Liquidity Ratio 103
4.2.2 Assets Management Ratio 104
4.2.3 Profitability Ratio 105
4.2.4 Leverage Ratio 106
4.2.5 Coefficient of Correlation 107
4.2.6 Trend Line Analysis 107

CHAPTER V: SUMMARY, CONCLUSION & RECOMMENDATION 109-119
5.1 Summary 109
5.2 Conclusions 111
5.3 Recommendation 114

Bibliography
Appendix

LIST OF TABLES

		Page No.
Table 1	Share subscription and Capital Structure of EBL	6
Table 2	Share subscription and Capital Structure of EBL	8
Table 3	Current Ratio	73
Table 4	Cash and Bank Balance to Total Deposit Ratio	74
Table 5	Cash and Bank Balance to Current Assets Ratio	76
Table 6	Loan and Advances to Total Deposit Ratio	78
Table 7	Investment on Govt. Securities to Total Deposit Ratio	79
Table 8	Net profit to Total Assets Ratio	82
Table 9	Net profit to Total Deposit Ratio	83
Table 10	Total Interest Earned to Total Working Fund Ratio	85
Table 11	Total Interest Paid to total Working Fund Ratio	86
Table 12	Debt- Asset–Ratio	89
Table 13	Debt- Equity Ratio	90
Table 14	Coefficient of Correlation between deposits and loans & advances	93
Table 15	Coefficient of Correlation between deposits and Investment	94
Table 16	Coefficient of Correlation between Investment & Net profit	95
Table 17	Coefficient of Correlation between Loan and Advance and Net Profit	96
Table 18	Trend Line Analysis of Total Deposit	98
Table 19	Trend Line Analysis of Loan and Advance	99
Table 20	Trend Line Analysis of Investment	101
Table 21	Trend Line of Net Profit	120

LIST OF FIGURES

		Page No.
Figure 1	Current Ratio	74
Figure 2	Cash and Bank Balance to Total Deposit it Ratio	75
Figure 3	Cash and Bank Balance to Current Assets Ratio	77
Figure 4	Loan and Advance to Total Deposit Ratio	79
Figure 5	Investment on Govt. Securities to Total Deposit Ratio	80
Figure 6	Net Profit to Total Assets Ratio	83
Figure 7	Net Profit to Total Deposit Ratio	84
Figure 8	Total Interest Earned to Total working fund Ratio	86
Figure 9	Total Interest Paid to Total Working Fund Ratio	87
Figure 10	Debt. Asset Ratio	90
Figure 11	Debt- Equity Ratio	91
Figure 12	Trend Line Analysis of Total Deposit	98
Figure 13	Trend Line of Loan and Advance	100
Figure 14	Trend Line Analysis of Investment	101
Figure 15	Trend Line of Net Profit	103

ABBREVIATION USED

%	:	Percentage
&	:	And
ABBS	:	Any where Branch Banking System
AD	:	Anno Domini
ATM	:	Automatic Teller Machine
B.S.	:	Bikram Sambat
bet^n	:	Between
BOKL	:	Bank of Kathmandu Limited
C.V.	:	Coefficient of Variation
CED	:	Chief Executive Director
d.f.	:	Degree of Freedom
DJIAI	:	Dow Jones Industrial Average Index
DPS	:	Dividend Per Share
EBL	:	Everest Bank Limited
EPS	:	Earning Per Share
FY	:	Fiscal Year
GDP	:	Gross Domestic Product
H_0	:	Null Hypothesis
H_1	:	Alternative Hypothesis
HBL	:	Himalayan Bank Limited
JVBs	:	Joint Venter Banks
Ltd.	:	Limited
LXBL	:	Laxmi Bank Limited
mgmt	:	Management

MVPS	:	Market Value Per Share
NBBL	:	Nepal Bangladesh Bank Limited
NBL	:	Nepal Bank Limited
NIBL	:	Nepal Investment Bank Limited
NIDC	:	Nepal Industrial Development Commission
NRB	:	Nepal Rastra Bank
PSA	:	Premium Saving Account
RBB	:	Rastriya Banijaya Bank
ROA	:	Return on Total Assets
SCBNL	:	Standard Charted Bank Limited
SD	:	Standard Deviation
TU	:	Tribhuvan University

CHAPTER – I

INTRODUCTION

1.1 Background of the Study

Bank is an institution that provides great variety of financial services. It is an institution which collects scattered finance resources from the masses and invests them among those engaged in economics and commercial activities of country. Bank plays an important role in upgrading the developing country like Nepal and mobilizing their financial resources. Hence, money is a subject to manage and banks are the manager. Banks play an important role in the economic growth of a country. In the leaders of development. Therefore, a bank is also an institution that deals with money by accepting various types of deposits, disbursing loan and rendering others financial services . Bank come in existence mainly with the objectives of collecting the idle funds, mobilizing them into productive sections and causing an overall economic development. That mobilized deposits contribute to the development of economic infrastructure of the nation. The bankers have the responsibility of safeguarding the interest of the depositors. The shareholders and the society they are serving. So, the economic activities of the country can be hardly being carried forward without the assistance of financial institutions.

In Nepal the growth of banking sector in not so developed as compared with other banks of the world. In comparison with other developing country the institutional development in banking system is far behind. Nepal had to wait for the period to enter the present banking position. The origin and growth of bank in Nepal is controversial Banking System in Nepal came in existence only in 19^{th} century with

establishment of Nepal Bank Limited (NBL) on 30th of Kartik 1994 BS. Which authorized capital contributed by government was 51 percent. The NBL dominated the financial sector of the development of the banking sector, Nepal Rastra Bank (NRB) was established on 14th Baishak 2013 under NRB banking management system of country. As the monetary transaction got more and more complicated. NRB finally suggested the government to establish another commercial bank with the growing activities in the country, the necessity of an additional commercial bank was realized in the country. consequently, another commercial bank fully owned by the government named as Rastriya Banijya Bank was established in 2022 B.S. under the commercial Bank act 2021 B.S with 100 percent government ownership. the farmer industrial Development center was established in 2013 B.S. and was converted into NIDC in 2016 B.S to finance equity and loan capital to industries that are going to be established in the country. Agricultural development Bank Nepal was established in 2004 to finance agricultural sector as well as agro-based industries with-in the country.

Commercial banks are major financial institution which accepts deposits, makes business loans, and offers related services. commercial banks also allow for a variety of deposit accounts, such as checking, savings and time deposits, these institution are run to make a profit and owned by a group of individuals, yet some may be member of the federal reserve system. While commercial banks offer services to individuals, they are primarily concerned with received deposits and lending to businesses.

Commercial banks are the major component in the financial system. They work as the intermediary between deposits and lenders and facility in over all development of the economy, with major thrust in

industrial development. So, commercial banks are those that accept deposits and finance to the business and project. they provide short term and long-term finance as per commercial Bank act 2021 B.S "A commercial Bank means the bank which deals in exchanging currency, accepting deposits, giving loans and doing commercial transaction."

Commercial banks help the process of saving and of the holding of saving in a racially describe form. Though the, advances bank also help the creative of the incomes which further saving by the community and farther growth potentials image for the good of economy. The employment income distribution and other objectives of plan are as far as possible subsumed into production plan with banks finance. The importance of commercial bank is directing the economic activities in the system is indeed overwhelming with the establishment of commercial banks the flood gates of development promising great hopes for people in the life open. Although, commercial banks are truly inspired with the objective of gaining profit, they provide welfare and facility to make available loan to the agriculture industry and commerce and provide the banking services to the public and the state. In the present situation, Nepal banking system is evaluating itself as a powerful instrument of planning and economic growth of all development and under developed countries. The basis for the financial planning, analysis and decision making is the financial information. Financial information is needed to predict, compare and evaluate the firm's earning ability. It is required to aid in economic decision making, the financial information of an enterprise is contained in the financial statement or accounting reports.

Financial statement analysis applies analytical tools and techniques to general purpose financial statements and related data to derive to estimates and interfaces useful in business decision. It is a screening tool

in selecting investment as merges candidates and is a forecasting tool of future financial conditions and consequences. It is a diagnostic tool in assessing financing, investing and operating activities and is an evaluation tool for managerial and others business decision. "Financial statement analysis reduces over reliance an hunches guesses, and intuition and in turn it diminishes our uncertainty in decision making. It doesn't lessen the need for expert judgment but rather establishes an effective and systematic basis for making business decisions.

Financial statement of firm mainly include income statement and the balance sheet. They are important source of financial informative regarding the firm's operations and its financial position. To analyses the financial performance and strength and weakness of the firm, many types of tools and techniques are used.

Ratio analysis is one of the very popular and widely need tools of financial analysis. Ratio analysis is done with different ratios, which are calculated from the accounting data contained in the financial statement. It is the primary tool for examining the firms financial position and performance. Ratios are used as yardstick for evaluating the financial condition and performance of the firm.

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

The financial system in Nepal has evolved from a narrow, repressed regime till the eighties to a dynamic expanding sector in the nineties. Indicators of the last decade shown that the sector has growth both quantitatively. It could be observed that, at the same time, the financial market has become more competitive, dynamic and also complex. this constitutionals network and the volume of operatives of financial system have expanded and diversified with the numbers of increased in commercial banks.

The adoptions of the market economy has given birth to many private commercial bank in the country as said earlier. so for all these banks are doing vary well in the bourses. with the show down in the economy, interest sales are falling down. All the banks are flushed with funds and looking for safe and profitable avenues in invest into.

The researcher has attempted to analyze the comparative financial performance of Nabil Bank Ltd. and Everest Bank ltd. and this individual strength on the basis of their internal reports and published annual reports. For the purpose, different tools and techniques have been applied to judge the performance of the organizations, draw out the strength and weakness of the firms and try to prescribe remedial measures to improve the performance of those two Banks.

1.2 Profile of Sample Banks

1.2.1 Nabil Bank Limited (NBL)

Nabil Bank Limited, the first foreign joint venture bank of Nepal, started operation in July 1984 A.D. Nabil was in corporate with the objective of extending international standard modern banking services to various sectors of the society. Pursuing its objective, Nabil provides a full range

of commercial banking services through its 47 points of representation across the kingdom; 74 branches and 2 exchange counter in all Nepal and over 170 reputed correspondent banks across the globe.

Nabil as a pioneer in introducing many innovative products and marketing concepts in the domestic banking sector, represents a milestone in the banking history of Nepal as it started an era of modern banking with customer satisfaction measured as a focal objective while doing business.

Operation of the bank including day-to-day operations and risk management are managed by highly qualified and experienced management team. Bank is fully equipped with modern technology which include ATMs, credit cards, state of art, world renowned software from infosys technologies system, Banglore, India, Internet banking system and telebanking system.

Its share capital distribution is as follows:

Authorized Capital	(16000000 shares @ Rs 100)	Rs 1600000000
Issued Capital	(14491240 shares @ Rs 100)	Rs 1449124000
Paid up Capital	(14491240 shares @ Rs 100)	Rs 1449124000

Table No. 1

Share subscription and Capital Structure of EBL

Subscription	% Holding
N.B. International Ltd./Ireland	50.00
Journal Public	30.00
National Industrial Development Committee	10.00
Rastriya Beema Sassthan	9.67
Nepal Stock Exchange	0.33
Total	100

Board of Directors of Nabil Bank Limited

Mr. Satyendra Pyara Shrestha	Chairman
Mr. Shambhu Prasad Poudyal	Director
Mr. Dayam Gopal Agrawal	Director
Mr. Krishna Prasad Acharya	Director
Mr. Nirvan Kumar Chaudhary	Director/Mr. Tabith Awal
Mr. Krishna Prasad Manandhar	Director/Mr. Jagadish Prd. Kanoria
Mr. Mohiuddin Ahmed	Director/Mr. Ashish Shrestha

1.2.2 Everest Bank Limited (EBL)

Everest Bank Limited (EBL) started its operations in 1994 A.D. with a view and objective of extending professionalized and efficient banking services to various segments of the society. The bank is providing customer-friendly services through its Branch Network. Currently EBL has forty seven branches all over the Nepal. All the branches of the bank are connected through Anywhere Branch Banking System (ABBS), which enables customers for operational transactions from any branches. With an aim to help Nepalese citizens working abroad, the bank has entered into arrangements with banks and finance companies in different countries, which enable quick remittance of funds by the Nepalese citizens in countries like UAE, Kuwait, Bahrain, Qatar, Saudi Arabia, Malaysia, Singapore and U K. Bank has set up its representative offices at New Delhi (India) to support Nepalese citizen remitting money and advising banking related services.

Everest Bank Limited has introduced Mobile Vehicle Banking system to serve the segment deprived of proper banking facilities through its Birtamod Branch, which is the first of its kind. It has introduced branchless banking system first time in Nepal to cover unbanked sector of

Nepalese society and also it is first bank that has launched e-ticketing system in Nepal. EBL customer can buy yeti airlines ticket through internet.

Its share capital distribution is as follows:

Authorized Capital	(18000000 shares @ Rs 100)	Rs 1800000000
Issued Capital	(11214065 shares @ Rs 100)	Rs 1121406500
Paid up Capital	(11196095 shares @ Rs 100)	Rs 1119609500

Table No. 2

Share subscription and Capital Structure of EBL

Subscription	% Holding
Promoter Share holders	50
Punjab National Bank	20
Nepalese Public Share Holders	30
Total	100

Board of Directors of Everest Bank Limited

Mr. B.K Shrestha	Chairman
Mr. P.K. Mohaptra	Director (CEO)
Mr. Ved Kumar Shrestha	Director (Promoter)
Mr. Arun Man Sherchan	Director (Promoter)
Dr. Bal Gopal Vaidya	Director (Promoter)
Mr. K. Ram Mohan	Director (Promoter)
Mr. Shivasharan K.C	Director (Public)
Mr. Muskan Shrestha	Director (Public)

1.3 Concept of Commercial Banks

Finical intermediaries play significant role to the development of national economy. They influences savings and surpluses considerably, which results investments. Financial intermediaries collects financial resources and supply them to the productive sectors that boasts the trade and industry and at last development of the country's economy.

Commercial Banks are also financial intermediaries they mediate people who save money and who want to secure the use of money by accepting the deposits, burrowing founds and advancing loans. In addition to these primary function, commercial banks, collect checks and bills, open letter of the credit guarantee on behalf of customers, undertake capital and other many activities, exchange foreign currencies etc.

"A commercial bank is one which exchange money, deposits money, accept deposits, grants loan and performs commercial banking function and which is not a bank meant for co-operative, agriculture industries or for such specific purpose."

"Commercial Banks are heart of financial system they hold the deposits of many person, government establishment business unit. They make fund available through their lending and investing activities to borrowers, individuals, business firms and services for the produces to customers and the financial activities of the government. They provide the large portion of the medium of exchange and they are media through which monetary policy is affected. these facts show that the commercial banking system of nation is important to the functioning of the economy".

In content of Nepal, commercial banks are operated under commercial bank act 2031 B.S.", In addition to commercial Bank act, Nepal Rastra Bank also lays down other many directives.

1.3.1 Function of Commercial Banks

Regarding the function of commercial banks a commercial Bank Act state that a commercial bank is one that exchanges money, accept deposits, grants loans, and performs commercial banking function. the functions and services of modern commercial banks are classified under the following headings.

i. Accepting Deposits

A commercial bank accepts deposits from customers in the forms of current, saving and fixed deposits. These deposits are repayable on demand. the depositors other than current A/c are paid interest.

ii. Granting Loans and Deposits

The second main function of the commercial bank is to grant loans and advances to businessman, the industrialist, the individuals, the different organization etc. In the forms of term loans, cash credit overdraft, trust receipts, hire purchase loans etc. Banks charge interest on such loan and advances, which is the largest sources of total income.

iii. Agency service

A modern commercial banks act as an agent of individuals customers, business institutes and different organization. The agency services of banks may involve collection of interest and dividends on debt and share capital. A bank buys and sells securities on behalf of the customers. Bank also collects chaques, drafts promissory notes etc and

receives their payments sometimes, it makes payments of insurance premium, bills of electricity, telephone etc. It takes commission for the services rendered.

iv. Guarantee on Behalf of Customer

The need of bank guarantee arises in business, Generally, business customers enjoy this service. Sometimes, personal customers may also need a bank guarantee. a guarantee is a definite and irrevocable under taking by a bank on behalf of its customers to make payments up to a specified sum of money to the beneficiary on demand incase of default by its customers.

v. Issuance of Traveler's Cheque

The people traveling outside the country want to reduce the fear of getting money stolen during the travel. Bank sells the traveler's cheque. The unique feature of the traveler's cheque is that unless the purchaser of traveler's cheque signs for encashment it cannot be encashed.

vi. Opening Letter of Credit

Today letter of credit has become very popular in foreign business. The letter of credit is established/opened by the bank on the request of the customers.

vii. Remittance function

Sending and receiving fund to/from various places in the necessity of today. The remittance service of bank has benefited both business and personal customers. Funds transfers are made through various made like demand drafts, telegraphic payment orders, swift, far and mail payment orders.

viii. Other Services

Modern commercial banks are equally important in undertaking safe custody of important valuable and documents. Banks also offer some of the bank services at the door of highly valued customers. Few large banks conduct research and survey in the economic conditions and they supply trade statistics and information.

In addition to these, banks also inform their customers about the credit standing of other particles.

1.3.2 Types of Commercial Banks

The following are the commercial Banks that have been established in Nepal.

S.N	Commercial Banks	Established date	Head office
1	Nepal Bank Limited	1994-07-30	Dharmpath Ktm
2	Rastriya Banijya Bank	2022-10-10	Shinghdarbar Ktm
3	Krishi Bikash Bankd ltd.	2024-11-7	Ramshahapath Ktm
4	Nepal Arab Bank Ltd (Nabil)	2041-03-29	Kantipath Ktm
5	Nepal investment Bank ltd	2042-11-26	Darbarmarhg Ktm
6	Standard charted Bank ltd	2043-10-16	New Baneshwor Ktm
7	Himalayan Bank Ltd	2049-10-05	Thamal ktm
8	Nepal Bangaladesh Bank Ltd	2050-02-23	New Baneshwor Ktm
9	Nepal SBI Bank Ltd	2050-03-23	Hattisar Ktm
10	Everest Bank Ltd	2051-07-01	Lazimpat Ktm
11	Bank of Kathamandu Ltd	2051-11-28	Kamladi Ktm
12	Nepal credit and commercial bank Ltd	2053-06-28	Siddharthanagar Rupandihi
13	Lumbini Bank Ltd	2055-04-01	Narayangash chitwan
14	Nepal Industrial & commercial Bank Ltd	2055-04-15	Biratnagar Pkra
15	Machhpuchre Bank Ltd	2057-06-17	Prithivichok Pkra
16	Kumari Bank Ltd	2057-12-21	Kamalidi Ktm
17	Laxmi Bank Ltd	2058-12-21	Adarthanagar Birjung
18	Siddhartha Bank Ltd	2059-09-09	Kamaladi Ktm
19	Global Bank Ltd	2063-09-18	Parsa Birjung
20	Citizen Bank Ltd	2064-01-07	Kamaladi Ktm
21	Prime Bank Ltd	2064-06-07	New road Ktm
22	Sunrise Bank Ltd	2064-06-25	Gauridhara Ktm
23	Bank of Asia Nepal Ltd	2064-06-25	Tripurewor Ktm
24	Grand Bank Nepal Ltd	2065-02-12	Kamaladi Ktm

25	NMB Bank	2065-02-20	Babarmahal Ktm
26	Kist Bank	2066-01-24	Anamnagar Ktm
27	Janata Bank Ltd	2067-01-15	New Banerswar Ktm
28	Mega Bank Nepal Ltd	2067-06-	Kantipath Ktm
29	Commerce & Trust Bank Ltd	2067-05-04	Kamaladi Ktm
30	Civil Bank Ltd	2067-08-29	Kamaladi Ktm
31	Century Commercial Bank Ltd	2067	Putalisadak Ktm
32	Sanima Bank Ltd	2068	Naghjpokhari Ktm

1.3.3 Concept of Joint Venture Bank

"A Joint Venture Bank is joining of forces between two or more enterprises for the purchase of carrying out a specific operation i.e. industrial and commercial investment production or trade."

The joint venture is common variant for expansion. "A joint venture business involves in equity arrangement between two or more independent enterprises which results in the creation of new organization entity". This thought identified the joint venture as a mutual understanding among two or more firms then bringing a new enterprise in existence. Basically they are constant about. the ownership of new firms. In what proportion they are going to contribute ownership is also decided mutually.

Firms within a country as well as operating in different countries may participate in a venture that happens to be more common firms indifferent countries. The foreign joint venture banks with full-fledged banking. functions in Nepal are formed under the Company Act 2021 B.S. and operated under the Banijaya Bank Act 2031 B.S. Joint Venture Bank have been established for trading to achieve mutual exchanges of

goods and services, for sharing comparative advantages by performing joint investment schemes between Nepalese investors, financial and non-financial institutions as well as private investors and their parent banks. The parent banks: that have experience in highly mechanized and efficient modern banking services in the many part of the world have come to Nepal with superior technology, advanced management skills and international network of banking.

"The existence of foreign joint venture banks has presented an environment of healthy competition among the existing commercial banks. The increased competition has led to improve their quality and has caused an extension of services by simplifying procedures and training" .

The concept of joint venture banks is a new innovation in finance and it is at a growing stage, mostly in developing countries.

"HMG's deliberate policy of. allowing foreign JVBs to operate in Nepal is basically targeted to encourage local traditionally run commercial banks to enhance their balanceable capacity. through competition efficiency, modernization via computerization and prompt customer service."

Joint venture banks in Nepal are expected to be the medium of economic development and uplift the community under the guidance, operate under the supervision, controlling and direction of Nepal Rastra Bank. Nepal Arab Bank Limited was the first joint venture bank of Nepa1stablished in 29th Ashar 2041B.S.

1.3.4 Role and function of Joint Venture Bank

With the entry of foreign joint venture banks with foreign collaboration advanced managerial skills, international network,

personalized manpower, and modern computerized technology have created serious challenges, to the existence of the traditionally running inefficient domestic state owned banks. JVBs are able to provide quality-banking service at the cheaper costs.. At same time, JVBs create the opportunity and environment to the domestic banks to improve their style of doing business by modernizing themselves and sharpening the internal strength.

The JVBs have already been providing a dynamic and vital role for the development of the efficient financial market as well as for successful mobilizing and utilizing financial resources in the country, which can be illustrated in the following headings.

I. Providing Advanced Banking Services

The joint venture banks are expert and efficient for practicing new methods of doing banking business like computerization, providing tele-banking facility, automatic teller machine (ATM), 24 hours banking services, any branch banking facility, premium saving account (PSA), free life insurance of account holders, and other many attractive facilities

II. International Management Network

The top level-management of the JVB is either from foreign country or supported by foreign parent institutions for expertise and professional services. And the management is able. to formulate policy and strategy according to Nepalese economic climate with the participation of native promoters. Such management system can be a model example to the domestic banks that are operating traditionally.

III. Creation of Healthy Competition in the Banking Industry

In the post liberalization period the introduction of the JVBs has ended the monopoly of the two domestic banks namely NBL and RBB and brought satisfactory fair competition in the banking business, which results the competitive advantages to customers. Efficiency of the financial market is the backbone of the economy The advent of the JVBs has contributed much to the direction of domestic saving as well as to efficiency of funds flow into the economy which surely would not have been possible through the government's conservative and restricting free competition policy.

IV. Advantage of Foreign Investment

The JVBs play a remarkable role in making available foreign financial resources br the investment: They act as mediators between foreign investors and native investors and' promoters. That will help for the' promotion of the trade-and commerce in the ount1y

Recently, tile JVBs are being criticized, as they only want to operate in urban and suburban areas rather than to rural ones driven by profit motive. However the JVBs have been contributing much in the direction of the development and modernization of the efficient banking system, financial system, domestic saving, creation of the employment opportunities.

1.4 Focus of the Study

This study is focused on the comparative analysis of the financial performance of NBL and EBL. Financial analysis covers analysis and other portfolios of commercial Bank. Financial analysis is the process of

determining the significant operating and financial characteristic of a firm from accounting data and financial statements.

Financial ratios analysis is a widely used tool of financial analysis and its performance. The goal of such analysis is to determine the efficiency and the performance of the firm's management as reflected in the financial records and reports. Besides financial analysis emphasizing profitability the study is focus on financial position analysis, income and expenditure analysis, correlation analysis and trend analysis of NBL and EBL. Financial ratio indentifies the financial strength and weaknesses of sample banks with the help of basis financial statement namely balance sheet and P/L accounts. It measures the bank's liquidity, leverage, activity and profitability in rational way.

1.5 Statement of the Problems

As we know Nepal is developing country and its economy is much depends on the agriculture. Most of the industries our based on the agriculture which provide employment opportunities and assist in improving national economy. Poverty has been a mean problem in the country. Therefore, public enterprises are established but most of the public enterprises are not able to run in profit. Even though the government has given the subsidy to run public enter prices, they are not able to contribute to society at desirable rate.

This research will highlight the problems relating with banking sector with respect to two sample commercial banks they are NBL and EBL. The sample banks which are choosing for the studies have achieved success in terms of market share and profitability. However it cannot always predict that there banks will continue to maintain profitability and stability of earning. Thus the management of bank should evaluate

financial performance of the banks to prepare the sound financial policies.

Ratio analysis is powerful tools for evaluating the financial analysis. It is also a process of determining and interpreting numerical relationship with the help of financial statement. Management use effective strategies through financial tools and analysis for achieving optional goal. Financial analysis satisfies the interest of common stock holders, equity investors, creditor and management of the banks. Although all sample banks are able to earn profit and dividend to shareholders, they are facing throat cut competition between them or with other commercial banks. Therefore some question of problem arises in these sample banks, which are as follows.

a) How sound is the operational result in relation to their profitability?
b) What is the comparative position of the banks in term liquidity, profitability and efficiency ?
c) How is their earning capacity, credit worthness, sources and uses of capital, financial achievement and status of the Bank ?

1.6 Objectives of the Study

The primary objectives of this study is to make comparative namely analysis of the financial performance of two commercial banks Nabil Bank Limited and Everest Bank Limited and to recommended suggestion for the improvement of state of affairs. same of other objectives are.

a) To analyze the financial strength and weakness of those two commercial banks namely Nabil Bank and Everest bank.

b) To examine the financial performance of the Banks.

c) To study the comparative financial position of the two commercial banks.

1.7 Significance of the Study

Economic development and financial development go side by side and the need of financial institutions availing varieties of banking services to fulfill commerce, trade, industry and agriculture needs of their country is of crucial important in Nepal. In banking world, Nepal is still in its infant stage although the number of financial intuition have been increasing. Many commercial banks, finance and insurance companies have opened up within a few years. The competition in the financial sector in banking industry is ever increasing. However, there have been few commercial banks creating to banking need of the country, the success and failure of such financial institutions would be responsible for disparity of the economy.

Financial analysis play vital role in the management decision every organization has to analyze it financial performance. In this way this study is very useable and valuable to major parties interested is the reference to the policy making bodies. This study is important for the following ways.

a) The study may be used as pilot work for future research.

b) The findings of this research will be worth while to share-holders of the banks.

c) This study intends to give general information regarding bank policies and financial position of commercial banks.

d) The research would reveal the strengths and weak nesses of two commercial bank also point out pitfalls and suggest remedies.

1.8 Limitative of the Study

This study is simply for partial fulfillment of the requirement of master in Business studies (MBS). However there are some limitative, which narrowed the generalization. This study will be limited by following factors:

a) The study deals with only two banks but it may not applicable to other banks.
b) The whole study is based on secondary data collected from the respective compares and web sites on interest. As far as the output concerned, any research based on secondary data is not far from limitative due to inherent character.
c) The study concerns only a period of Five years i.e. form 2005/06 to 2009/10.
d) Time and budget constraints.

1.9 Organization of the Study

The study on the comparative financial analysis of Nabil Bank limited and Everest Bank Limited has been divided into five chapters.

Chapter -1: Introduction

This chapter covers background of the study, introduction of NBL and EBL statement of the problem objectives of the study, limitations and structure of the study.

Chapter - 2: Review of Literature

This chapter includes the theoretical analysis and brief review to related literature available. It includes a discussion of the conceptual framework and review of the major studies.

Chapter - 3 : Research Methodology

This chapter is concern with research question, research design, sources of data population and sampling, data collection procedures and data analysis procedures. In data analysis there are two parts. One is financial analysis where different ratio analysis concern with financial performance is study. Another is statistical analysis where different statistical tools like trend line analysis, correlation analysis and simple regression analysis are mention.

Chapter - 4 : Presentation and Analysis

This chapter deals with presentation and analysis of data through definite course of research methodology. The main working of this chapter is to analysis different financial ratios related to the financial performance and fund mobilization of two banks i.e. Nabil bank Ltd and Everest Bank Ltd.

Chapter - 5: Summary, Conclusion and Recommendation

This is the last chapter that consist the summary of whole chapter and different results find in data analysis and recommendation to bank for nation development. It also provides suggestions for further improvement. Beside these, bibliography and appendices are also included.

CHAPTER – II
REVIEW OF LITERATURE

Review of literature means reviewing research studies or other relevant proposition in the related area of the study so that the post studies, their conclusion and deficiencies may be known and further research can be inducted. This chapter will help to check the chances of duplication in the present study. Thus the gap between the previous research and current research can fill out.

2.1 Conceptual Review of the Study

2.1.1 General Concept of Financial Analysis

Profit is one of the indicators of sound performance, which indicates the result of sound business management. “Profit earned by the firm is the main financial performance indicators of the business enterprise”. So, every business organization is established with view of earning profit. Bank is also established with the objectives of maximizing the profit. Profit is necessary of long term existing of business. An Investor always invests in that area where profit is maximum. Financial statement is the indicator of business performance that whether business is profitable or not.

Financial statement analysis is helpful to the decision maker for finding out favorable or unfavorable situation of a business concern. Financial statement analysis is important not only for the firm’s managers but also for the firm’s investors and creditors. Internally, financial managers use the information provided by financial analysis to help make financing and investments decisions to maximize the firm’s value. Externally, stockholders and creditors use financial statement analysis to

evaluate the attractive of the firm as an investment by examining its ability to meet its current and expected financial obligations. Financial analysis reflects the financial position of a firm, which is the process of determining the operational and financial characteristics of a firm.

Financial analysis also includes consideration of the strategies and economic development. Financial analysis is the main indicator of success or failure of the company. The main function of financial analysis is the pinpointing of the strengths and weakness of a business undertaking by regrouping and analysis of figures contained in financial statements, by making comparison of various components and by examining their content. This can be used by financial managers as the basis to plan future financial requirement by means of forecasting and budgeting procedures.

According to the Pandey I.M (1999) "Financial analysis is the process of determining financial strengths and weakness of company by establishing strategic relationship between the components of analysis balance sheet and other operative data."

According to the Weston, Besley and Brigham (1996) have stated, Financial statement analysis involves a comparison of analysis firm's performance with that of other firms in the same line of business which often is identified by the firm's industry classification. Generally speaking, the analysis is used to determine the firm's financial position in order to identify its current strength and weakness and to suggest actions that might enable the firm to take advantage of the strength and correct its weakness.

According to the Vanhorn, J.C. Watchowlcz (1997) Financial analysis is process of identifying the financial strength and weakness of the firm by properly establishing relationship between the items of the

balance sheet, which represents analysis snapshot of the firm's financial position analysis at moment in time and next, income statement, that depots analysis summary of the firm's profitability overtime.

2.1.2 Objectives of Financial Analysis

Financial analysis enables us to explore various facts related to the past performance of business and predict about the potential for achieving expected results. Major objectives of analysis of financial statement is to asses various factors in relative to the business firm.

a. To analysis the present and future earning capacity or profitability of the concern.
b. To find out the operational efficiency of the concern as a whole and of its various parts or department.
c. To find short term and long term solvency of the concern.
d. To make comparative study regarding to one form with another firm.
e. To evaluate possibility of developments in the future making, future forecasts and preparing budgets.
f. To analysis financial stability of business concerns the real meaning and significance of financial data.
g. To find long term liquidity of its fund.

2.1.3 Needs of Financial Analysis

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

a. How was the firm doing in past ? Was there any problem ? If so in what areas ?

b. How it is doing at present ? Is it doing better compared to the past performance, competitions and industry average ? Is there any problem at present ? It so, it what areas ?

c. What about the future ? Is there any likely problem on the way in the future ? What will its position be in the future ?

d. What are the expected results of recommendations ? Are there improvements ?

2.1.4 Limitation of Financial Analysis

Financial analysis is of great significance for investor, creditors, management, economist and other parties haring interest in business. It helps managements to evaluate its efficiency in past performance and take decisions relating to the future. However, it is not free from drawbacks. Its limitations are listed below :

a. Historical Nature

The basic nature of financial analysis is historical. Past can never be a precise and infallible index of the future and can never be perfectly helpful for the future forecast and planning.

b. No Substitute for Judgment

Analysis of financial analysis is a tool to be used by expert analyst for evaluate the financial performance of a firm. That's why it may lead to faulty conclusion if used by unskilled analyst.

c. Reliability of Figures

Reliability of analysis depends on reliability of the figures of the financial statements under inspection. The entire working of analysis will be vitiated by manipulation in his income statement, window dressing in

the balance sheet, questionable procedures adopted by the accountant for the valuation of fixed assets and such other facts.

d. Result may have different Interpretation

Different users may differently interpret the result derived from the assist. For example, a high current ratio may suit the banker but it may be the index of insufficiency of the management due to under utilization of fund.

e. Change in Accounting Methods

Analysis will be effective, it the figures derived from the financial statement are comparable. Due to change in accounting methods, the figures of current period may have no comparable base and then the whole exercise of analysis will useless.

f. Selection of Appropriate Tool

There are different tool of analysis available to the analysis. The tools to be used in a particular situation depend on skill, training, intelligence and expertise of the analyst. It wrong tools used, it may give misleading results and may lead to wrong conclusion, which may be harmful to the interest of business.

2.1.5 Techniques of Financial Analysis

The fundamental of the analytical technique is to simply or reduce the data under review to the understandable terms. There are various tools and technique of financial statement analysis, each of which is used according to purpose for which the analysis is carried out. The widely technique used is as follows:

- Ratio analysis
- Statement of change in financial position
- Cash flow statement

Among them ratio analysis is used by most companies. Therefore in this study we will discuss only about ratio analysis.

2.2 Ratio Analysis

Ratio analysis is one of the important and mostly used financial analysis tools. Ratio analysis is analysis of numerical relationship between financial factors of financial statements ratios express a logical relationship between financial elements. It is computed by dividing one element/item/variable by another. Financial ratio analysis is designed to determine the relative strengths and weakness of business operations. It also provides 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. Ratio analysis is widely used but no one ratio gives exact picture.

Ratio analysis is a technique of analysis and interpretation of financial statement evaluate the performance of an organization by creating the ratio from the figures of different accounts unsisting in balance sheet and income statement is known as ratio analysis (Dango/R.M.).

Ratio analysis is a powerful tool of financial analysis, which helps in identifying strength and weakness of business concerns. It is a important way to state meaningful relationship between components of financial statements. The primary purpose of ratio is to point out area for

further investigation. Ratio analysis has been a major tools used in the interpretation and evaluation of financial statements since late 1880 A.D.

Ratio analysis involves basic understands of comparison to a useful interpretation of the financial statements. A single ratio by itself does not indicate favorable or unfavorable condition of a firm unless it is compared is some appropriate standard. Selection of a proper standard of comparison is a most important element of the ratio analysis. Ratio analysis provides guides specially in spotting trends deviation from any average or relatively applicable standard.

Ratio analysis is widely used but no one ratio gives exact picture. In other hand ratio by them is not conclusion, as they are only means and not and end. Ratio analysis is in conceivable that accounting into ratio.

A single ratio it self does not indicate favorable or unfavorable condition. It should be compared with some standard. As

- Time series analysis
- Cross-sectional analysis
- Industry analysis
- Perform analysis [Pandey, 1997]

Among the large number of financial ratio existing they have been categorized into following groups.

- Liquidity ratio
- Leverage ratio
- Activity ratio
- Profitability ratio
- Invisibility ratio

a. Liquidity Ratio

It is extremely essential for a firm to be able to meet is obligations as they became due. A liquidity ratio measures the ability of the firm to meet its current obligations. In fact, analysis of liquidity need the preparation of cash budgets and cash and fund flow statements, but liquidity ratios, by establishing a relationship between cash and other current assets to current obligations, provide a quick measure of liquidity. A firm should ensure that it doesn't suffer from lack of liquidity, and also that it doesn't have excess liquidity. The failure of company to meet its obligation due to lack of sufficient liquidity, will result in poor credit worthiness, loss of creditors confidence, or even in legal tangles resulting in the closure of the company. A very high degree of liquidity is also bad: Idle assets. Therefore, it is necessary to strike a proper balance between high liquidity and lack of liquidity.

b. Leverage Ratio

The short term creditors, like bankers and supplies of raw materials are more concern with the firm's debt paying ability. ON the other hand, long-term creditors, like debenture holders, financial institutions etc., are more concerned with the firm's long-term financial strength. In fact, a firm should have a strong short as well as long-term financial position. To judge the long-term financial position of the firm, financial leverage, or capital structure ratios are calculated. These ratios indicate mix of debt and owner's equity in financing the firm's assets. The process of magnifying the shareholder's return through the use of debt is called financial leverage or financial gearing or trading on equity.

c. Activity Ratio

Funds of creditors and owners are invested in various assets to generate sales and profits. The better the management of assets, the larges the amount of sales. Activity ratios are employed to evaluate the efficiency with which the firm manage and utilizes its assets. These ratios are also called turnover ratios because they indicate the speed with which the assets are being converted or turned over into sales. Activity ratios, thus, involve a relationship between sales and assets. A proper balance sales and assets generally reflects that the assets are managed well.

d. Profitability Ratio

A company should earn profits to survive and grow over a long period of time. Profit is the difference between revenues and expenses over a period of time. Profit is the ultimate out put of the company, and it will have no future if it fails to make sufficient profits. Therefore, the financial manager should continuously evaluate the efficiency of the company in terms of the profits. The profitability ratios are calculated to measure the operating efficiency of company. Beside management of the company, creditors and owner's are also interested in the probability of the firm. Creditors want to get interest and repayment of principal regularly only when the company earns enough profits.

Generally, two major types of profitability ratios are calculated:

- Profitability in relation to sales
- Profitability in relation to investment

e. Invisibility Ratio

Investors contemplating to invest share in company would be taken to know the investment potentiality of company before taking financial decisions. Analysis of investibility ratios helps the investors to know about their investments.

2.2.1 Utility and Importance of Financial Ratio Analysis

Ratio analysis is an important and age-old technique of financial analysis. The data given in financial statement in absolute form are dumb and unable to communicate anything. Ratios are relative form of financial data and very useful technique to check upon the efficiency with which working capital is being used it eh enterprises. The following are the some main importance of the financial ratio analysis.

i. Ratio analysis simplifies the financial statement. It tells the whole story of change in the financial condition of the business.
ii. Ratio analysis provides data for inter-firm comparison.
iii. Ratio analysis helps in planning and fare costing.
iv. Ratio may be used as a measure for inter firm and intra firm comparisons.
v. Ratio analysis is also helpful for effecting control of the business.
vi. Ratio analysis is also very useful for decision making.
vii. For simple assessment of liquidity, profitability, leverage and activity position of the firm, the ratios are very useful. It helps to evaluate the financial condition and performance of the company.
viii. Ratio analysis is also helpful to analyze creditors.

2.2.2 Users of Financial Statement and Ratio Analysis

Financial statement users are broadly classified into two groups. Internal users, primarily the managers of a company, are involved in making operating and strategic decision for the business. As employee, they typically have complete access to a company's information system, internally generated financial reports are therefore, especially tailored to the unique information needs of an internal decision maker such as CED or internal auditor.

External users are individuals not directly involved in the company's operations. These users must relay on information provided by management as a part of the financial reporting process. There are many classes of external users of financial statements. Creditors are bankers, bondholders and others individuals who lend money to business enterprises. Creditors look to financial statements for evidence concerning the ability of the borrower to pay periodic interest payments and repay the principle amount when the loan matures. Equity investors include existing and potential shareholders of a company. Existing shareholders need financial information in deciding whether to continue holding the stock or sell it. Potential shareholders need financial information to help in choosing among competing alternatives investment.

Merger and acquisition analysis are interested in determining the economic value and assessing the financial and operating compatibility of potential merger candidates.

Auditors use financial analysis techniques in determining areas warranting special attention during their examination of a clients financial statements.

A company's board of directors, in their role as appointees of shareholders, monitor management's actions.

Regulatory agencies utilize financial statements in the exercise of their supervisory functions, including the securities and exchange commission, which vigilantly oversees published financial statements for compliance with federal securities laws.

Other users include employees, intermediaries suppliers, and customers. All of these users relay on the analysis of financial statements.

2.2.3 Limitation in Using Ratio Analysis

The ratio analysis is a widely used technique to evaluate the financial position and performance of a business. But ratios are only the means to reach conclusions and not conclusions in themselves. They are clues, not bones for immedialc conclusions. A lot care, caution and intelligence are needed in using these ratios because there are a numbers of limitations in these ratios and some of the limitations in brief are:

1. Ratio are tool of qualitative analysis only and normally qualitative factors are needed to draw conclusions.
2. Lack of standard formulas for working out ratios makes it difficult to compare them.
3. Ratios are computed from past accounting records, which have their own limitations.
4. Price changes are not taken into account.

5. A single ratio would not be able to convey anything and at the same time, when there are many ratios. They are likely to confuse.
6. Past is not exact indicator of future. A particular ratio is not rare indicator of bad or good management.
7. Ratio analysis is only a beginning and it gives only little information about decisions.
8. Change in accounting practices between two years may render the comparison of difficulty.
9. Ratios are simply means not ends.
10. It is guide rather than solution to present problem and future plans.
11. The current economic conditions are ignored.
12. If the financial data are not correct the ratio cannot be correct and gives false result.
13. It is difficult to find out a proper basis of comparison. It is recommended to compare industry average but the industry average like in our country is not early available.
14. Company differences: Situations of two companies are never same, similarly, the factors influencing the performance of the company make also difference. It makes the inter company comparison uneasy.

2.3 Review of Related Studies

2.3.1 Review of Journals and Books

The bank are such types of institution, which deal in money and substitute for money. They deal with credit and credit instruments. Good circulation of credit is very much important for the Bank. Unsteady and unevenly flow of credit with ad-hoc decisions harm the economy and the bank as well. Thus, to collect fund and utilize it in a good investment, is

not a joke for such organization. An investment of the fund may be the question of life and death for the bank.

Sayers (1967) in his "Modern Banking" highlights in the economic importance of the commercial banks and the function of 'creation of money' by banks. According to Sayers the special interest of the economists in the activities of the deposit liabilities of the banks. There lies the communities' interest in the bank because by their operations they can effect the monetary situation in senses of the availability of the purchasing power. When a bank makes an advances by allowing customers to overdraw his accounts, the bank in effect exchanges its own promise to pay immediately against the customers promise to pay of the advances later on the economic importance of this exchange is that the banks promise to pay immediately is absolutely effective purchasing power, which pays instrumental role in increasing the total demand of the goods and services. Here people use banks for the purpose of making payments and as sources of loans; the latter involves different uses of the resources that can be devoted to adding to the real capital of nature.

In the words of **Gitman & Joehnk** (1990) Investment is any vehicle into which fund can be placed with the expectation that will preserve or increase in value and generate positive returns."

Kim (1993) in his "International Money And Banking" defines commercial banks as.financia1 intermediaries which offer demand deposit and both of which contain some unique features, which may justify to differentiate them from other financial institutions." He further adds that when commercial banks operate. internationally, it faces four distinctive international dimensions, namely the bank's home country; it's facility location, residence of customers and currency denomination

of banking products. With a number of suitable combinations of these dimensions, we developed taxonomy of international banking markets, from the entrepot or offshore market.

Based on theories of direct foreign investment, he had developed an elastic theory of international banking, describing dynamics of three sources of comparative advantage for banks to go abroad, namely, home-country, host-country, and firm-specific advantages. One main source of home country specific advantages come from the home currency begins used as international money, where as host-country specific advantages stem regulatory differences. The individual bank-specific advantages stem mainly from the special bank-customers relationship, which is characterized by the follow-the-customers hypothesis, of the product-cycle theory, and internalization theory.

N.P. Poudel (2053) in the journal entitled," Financial Statement Analysis: An Approach to Evaluate Bank's Performance" which was published NRB Samachar (An annual publication -2053) is reviews as follows:

According to Mr. Poudel, Balance sheet, Profit and loss a/c and the accompanying notes are the most useful aspects of the banks. It needs to understand the major characteristics of bank's balance sheet and profit and loss a/c. The bank's balance sheet is composed of financial claims as liabilities in the form of deposits and as assets in the form of loans. Fixed assets account forms a small portion of the total assets. Financial innovations, which are generally contingent in nature, are considered as off- balance sheet item.

According to Mr. Poudel (2053) the principle objectives of analyzing financial statement are to identifying Liquidity, Profitability and

Solvency. Most of users of the financial statements are interest in assessing the bank's overall performance which is affected by the following factors:

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

The other factors to be considered in analyzing the financial statement of bank are to assess the capital adequacy ratio and liquidity position. In the line of adequacy of bank is assessed on the basis of risk weighted assets, It indicates a bank's strength and solvency. Bank facing with capital adequacy problem may increase capital or reduce assets or reallocate the existing assets structure in other to maintain the desired level of capital base. Liquidity is measured by the speed with which a bank's assets can be converted into cash to meet deposit withdrawals and other current obligations. It is also important in view of survival and growth of a bank.

Dr. M.K. Shrestha (2047) in the journal entitled," commercial Bank's Comparative Performance Evaluation", which was published in Karmachari Sanchay Kosh Publicaiton, 2047 is review as follows:

The journal stresses on a proper risk management with appropriate classification of loans under performing and non performing category. Researcher further clarify that adequate provisioning is the surest way to get relief from sinking loan after careful consideration of portfolio risk. A clear out criteria is necessary to treat interest suspense account and it is

advisable that all interest unpaid for more than six month need to be treated as unearned income. Regarding risk management of banks Dr. Shrestha's other suggestion are as follows:

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

Dr. Shrestha's suggestions are focused towards proper risk management. Whatsoever , aspects of the bank the above journals target, they all have to be combinable assessed and kept in strict consideration for effective and efficient financial performance of the banks in the Nepalese economy.

Fama's Study (1965), on the random walk model was one of the best definitive and comprehensive every study conducted. He observed the daily proportionate crises of 30 individual stocks of the Dow Jones industrial average index (DJIAI) for the period 1975-1962. He employed the statistical tools such as serial correlation and runs test to draw inference to about depend of the price series. He calculated auto – correlation, coefficient for daily changes in log prices for lag from 1-30 and found that the coefficient where most close to zero in overall. The correlation coefficient for daily changes in average was +0.03, which is near to 0. But on the daily price changes, 11 out of 30 stocks had

correlation coefficient more than twice their computed standard errors. The coefficient ranged from smallest 0.06 to largest 0.123.

Fama concluded, “Dependence as such a small order of magnitude is, from a particle point of view, probably unimproved for both the statistician and the investor.” Fama also concluded serial correlation for lag from 1 to 10 for no- overlapping differencing intervals of four, nine and sixteen days to examine the possibility if price change across longer interval shows dependence. All the results are again not significantly different from 0.

2.3.2 Review of Article

In this section, effort has been made to examine and review of some related articles in different economic journals, World Bank discussion papers, magazines, newspapers and other related books.

Shrestha (2055), in her article,” Lending operation of commercial banks of Nepal and its impact on GDP ”has presented with the objectives to make an analysis of contribution of commercial banks’ lending to the Gross Domestic Product (GDP) of Nepal. She has set hypothesis that there has been positive impact of lending of commercial banks to the GDP. In research methodology, she has considered GDP as the dependent variable and various sectors of lending viz. Agriculture, Industrial, Commercial service and general and Social sectors as independent variables. A multiple regression technique has been applied to analysis the contribution.

The multiple analysis have shown that all the variables expect service sector lending have positive impact on GDP. Thus, in conclusion she has accepted the hypothesis i.e. there has been positive impact on

GDP by the lending of commercial banks in various sectors of economy, except service sector investment.

Shrestha (2047), in his article," Commercial banks comparative performance evaluation", concludes that JVB's are new, operational more efficient, having superior performance comprisals with local banks. Due to their sophisticated technology, modern banking method and skill JVB's is known to be better performed then other. Their better performance is also due to the government branching policy in rural areas and financing pees. Local banks are efficient in rural section. Despite having number of deficiencies, local bank has to face growing constraints of socio-economic political system on one hand spectrum and that of issues and challenges of JVBs commanding significant banking business of other spectrum.

Thapa (1994) in his article he has expressed his view that the commercial banks including foreign joint venture banks seem to be doing pretty well in mobilizing deposits. Like wise, loans and advances of these banks are also increasing. But compared to the high credit needs particularly by the newly emerging industries, the banks still seem to lack adequate funds. The banks are increasing their lending to non-traditional sectors along with the traditional sectors.

Timilsin (2004) in his article, "Consumer satisfaction in Joint Venture Commercial Bank," has tried to find out the satisfaction or dissatisfaction from the performance of joint venture commercial bank to people. He concludes that if perceived performance matches expected performance customers are felt neutral. But if perceived performance exceeds desired performance, customers are highly satisfied and vice-versa. Here, perceived performance refers to product or service

characteristic. The researcher' had taken eight banks as the sample for the study whether these banks are capable for consumer satisfaction or not. Interest rate, fast and efficiency service, reliability, timely information, targeted for poor people, pleasant office environment,. good behavior of employees, distance from customers residence has been taken responsible factors for customer satisfaction and another five factors have been identified as contributing to dissatisfaction i.e., low interest rate, emp1oyce behavior, complicated to get other services, hesitation to be familiar with modern banking and high minimum balance. Form these factors he concludes that these joint venture banks are performing high satisfaction to their customer.

He further concludes that customers satisfaction is a critical element iii attaining success' in' any business venture as it helps to gain the market share and retain it. It is imperative that service organizations like banks should be particularly aware of customer satisfaction and dissatisfaction factors.

2.3.3 Review of Thesis

Before this, various students regarding the various aspect of commercial banks such as lending policy, financial performance, investment policy, interest rate structure, resources mobilization and capital structure have been conducted several thesis works. Some of them are supposed to be relevant for the studies are present below:

Sapkota (2002), in his thesis paper "A study on Fund Mobilization Policy of SCBNL in Comparison to NBBL and HBL" has compared the fund mobilization policy of SCBNL with HBL & NBBL. He had concluded that liquidity position of SCBNL was not found satisfactory. Loan and advances, cash and bank balances ratio seems too weak than

NBBL & HBL. Investment on share and debenture and interest earning power on total working fund seems also in weak condition than NBBL and HBL. Growth ratio of deposits, loan and advances, investments, net profits seems too weak in comparison to NBBL and HBL. The relation of investment and loan and advances with deposits seems positive and the relation of net profit 'with' outside- assets seems also be positive. He further concludes that in' overall condition SCBNL seems in satisfactory position in comparison to NBBL & HBL.

Further he recommends that investment opportunity is less in present condition, so that SCBNL can select education as its potential investment sector SCBNL has maintained the ratio to cash and bank balance to total deposits considerably lower than NBBL & HBL. SCBNL is recommended to increase cash and bank balance to meet the need of investment and demanded of loan and advances. Since SCBNL use to provide less loan and advances in' comparison to its total deposits, SCBNL is strongly recommended to follow a liberal lending policy so that more percentage of deposits can be invested to different profitable sectors. He also recommends that besides giving priority of investing to government securities, SCBNL is recommended to invest its funds in the purchase of share and debenture of other financial and non-financial companies.

Paudel (2002), On his thesis entitled, 'A Comparative Study of Financial Performance of Nepal Bangladesh Bank Ltd.(NBBL) & Everest Bank Ltd.(EBL)". The study finds out that the average net profit margin remains greater in NBBL. Higher CV in EBL suggests greater fluctuations in the ratio over the period. EBL found to be weaker in utilizing the banks assets for the profit generation. EBL holds greater capacity in paying immediate obligation as revealed by the higher cash

and bank balance to current assets ratio. Total deposits, loans and advances, total investment, net worth, net profit, EPS and MVPS showed the increasing trend over the study period in both banks. Loans and advances to total deposits ratio appeared considerably higher in NBBL. Provision for possible losses to loan and advances ratio in NBBL exceeded than in EBL, which indicate that loan and advances granted by the banks are inferior in contrast to EBL. But NBBL has maintained the consistency in the ratios than that of EBL over the period.

Awasthi (2003) in his thesis "A Comparative Study on Financial Performance Between HBL & BOKL" has concluded that liquidity position of HBL is better thatn that of BOKL but they are not satisfactory, also the assets utilization in profit generating purpose of HBL is better than BOKL. He also concluded that return on total assets of HBL is found in better performance by utilizing overall resources but the generated profit is found lower for the overall resource in both commercial banks. The ROI has been in fluctuating trend in both banks but in yearly average BOKL has higher rate of return than HBOL.

The debt to total assets ratio of both banks is found high. The earning profit on shareholder's equity of both banks is me but not satisfactory. Further he concludes that EPS of HBL is always higher than BOKL and the DPS is also high than that of BOKL. Further he recommends hat profitability ratio in both. banks such as ROI, ROTA are not satisfactory. He has also suggested using low debt capital to both banks.

Adhikari (2005), on her thesis entitled," A Comparative study performed for an analysis of portfolio on common stock investment with special reference to banking industry." This study is closely related with the current study in the sense that both studies are related with financial analysis of commercial banks. The study wrote," The main objective of

the study is to analyze the risk and return of the common stock of commercial banks". The study stats that," Banking industry is the biggest one in terms of market capitalization and turnover. Expected return on the common stock of Nepal Bank ltd is maximum, i.e 66.99% and common stock of Nepal SBI Bank ltd is found minimum. In this regard common stock of Nepal is most risky and common stock of NSB is least risky. In the context of industries, expected return of finance and industry is found highest i.e. 60.83%".At the end of this study he has concluded that common stock of Nepal Bangladesh Bank (NBB) is the best one for investment. He further added that," In other hand, portfolio between the common stock of NGB and NBB is 0.2666,but portfolio standard deviation, hence, the portfolio approach of investment is better way to win stock market investment.

Maharjan (2008), on his thesis entitled, "Financial performance of commercial banks in Nepal: A Comparative Study of Nepal Bank Ltd. and Nabil Bank Ltd". The result of analysis of activity ratio shows that Nabil is efficiently utilizing its outsider funds by extending loans & advances and investment to generate profit, whereas NBL cannot utilize totally its outsider fund but holding the fund. It shows NBL is discouraging the investment of its resources. Nabil is utilizing its assets on generating satisfactory profit but NBL cannot generate satisfactory profit because of not utilizing its assets on loan & advances and investment. While analyzing of valuation ratio of this two banks, it is concluded that the NABIL has higher ratio than NBL. So, the market judges Nabil bank's performance and prospect is better than those banks.

Thapa (2009), on her thesis entitles, "A Comparative analysis of financial performance of Standard Chartered Bank and Himalayan Bank Ltd." In this analysis, the study reveals that the current ratio of HBL is

greater than 1 and SCBNL current ratio is less than 1, which should be considered satisfactory for HBL but not satisfactory for SCBNL. The liquidity position of HBL is better than SCBNL. The cash and bank balance of HBL with respect to deposit is greater than SCBNL this puts, HBL in a better position with respect to meeting customer requirement than SCBNL. The cash and bank balance of HBL with respect to current assets is higher than SCBNL. This shows greater capacity of HBL to meet its customer's cash requirement but that doesn't mean SCBNL cannot meet its daily customer cash requirement. Both the banks have successfully managed their assets.

Shakya (2009) on her thesis entitled," A Comparative Study on the Financial Performance of Nepal Investment Bank Ltd (NIBL) and Laxmi Bank Ltd (LXBL)" has found that both banks under the study have been able to earn positive profit but not the satisfactory level. Among the various profitability ratios, return on net worth ratio, return on capital employed ratio, return on total assets, return on total deposit ratio and interest earned to total assets ratio of NIBL are greater than that of LXBL .These ratio shows that NIBL is more successful in generating profit than LXBL with inconsistency on those ratios. It concludes that NIBL has efficiently operated its long term fund, deposit and assets to generate more profits. Where as price earning ratio of LXBL is on average higher with inconsistency than of NIBL, which reflect that LXBL bank has better performance for in earning that of NIBL.

From the review of various books, articles, journals and thesis, this study is different from previous studies. In this study research has taken two banks for financial analysis. They are NBL and EBL. This study will be fruitful to those interested person, researchers, students, teacher, businessmen and government for academically as well as policy perspectives.

CHAPTER III

RESEARCH METHODOLOGY

Research methodology is necessary for each research work. Research methodology is the way to solve the research problems systematically. The research methodology considers the logic behind the methods used in the context of research study and explains why particular method or technique is used. It also highlights about how the research problem has been defined, what data have been collected, what particular method has been adopted. This is the most sensitive part of the research and the base on which our conclusion was drawn is include.

3.1 Research Design

Research design is a plan structure and strategy of investigation conceived so as to obtain answer to research questions and to control variance. It 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. To achieve the objective of the study, descriptive and analytical research designs will be used. Some statistical and accounting tools will be applied to evaluate financial performance of the two Banks.

3.2 Natures and Sources of Data

Mainly, the study is conducted on the basis of the secondary data. The data relating to investment, deposit, loan and advances and profit are directly obtained from the balance sheet and profit and loss account of the concerned bank's annual reports published in their respective annual general meetings and website www.nepalstockexchange.com and relevant bank's website. In addition to that some of the relevant data will also

collect from the non bank financial statistics published by the non bank regulation department of Nepal Rastra Bank.

All the secondary data are compiled, processed and tabulated in the time series as per the need and objectives. Formal and informal talks with the concerned authorities of the bank were also helpful to obtain the additional information of the related problem.

Likewise, various data and information are collected from the economic journals, periodicals, bulletins, magazines and other published and unpublished reports and documents from various sources.

3.3 Population and Sampling Design

It is not possible to study all the data related with all bank of Nepal. There are many Commercial Banks in our country and their stocks are traded actively in stock market. Due to the limitation of time and unavailable of the relevant data has forced to take research on the few commercial banks. So the financial analysis of listed two banks is being compared with that average of the same, which are selected from population. From the above listed commercial banks are considered as population.

The selected samples are as follows:

a) Nabil Bank Limited (NBL)
a) Everest Bank Limited (EBL)

3.4 Data Analysis Procedure

In this study, various accounting, statistical and financial tools have been used to achieve the objective of the study. The analysis of data is done according to pattern of data available. With the available tools and

resources statistical tools such as Karl Pearson's coefficient of correlation, simple and multiple regressions analysis as well as corresponding hypothesis etc is use in the study. Similarly some strong accounting and financial tools such as ratio analysis and trend line analysis are also apply in this study.

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

3.4.1 Financial Tools

There are various financial tools and technique each of which is used according to their purpose carried out. Among them ratio analysis is used by most companies. Therefore in this study we discuss about ratio analysis.

Ratio Analysis

Financial ratio is the mathematical relation between two accounting figures. Ratio analysis is the part of the whole process of analysis of financial statements of any business or industrial concern especially to take output and credit decisions. It is the powerful tool of financial analysis, which helps in identifying financial strengths and weakness of business concerns, compare a firm’s financial performance and status. The qualitative judgment regarding financial performance of a firm can be done with the help of ratio analysis.

A. Liquidity Ratios

Liquidity ratios are used to judge the ability of banks to meet its short-term liabilities that are likely to mature in the short period. From

them, much insight can be obtained into present cash solvency of the bank and its ability to remain solvent in the event of adversities. It is measurement of speed with which a bank's assets can be converted into cash to meet deposit withdrawal and other current obligations.

i. Current Ratio

The current ratio is the ratio of total current assets to total current liabilities. It shows the relationship between current assets and current liabilities, which is presented as follows:

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

Where,

Current assets include cash and bank balance within analysis accounting period such as cash bank balance, investment in Treasury bill, money at call or placement, loans, receivable and prepaid expenses etc.

Current Liabilities refers to the short- term maturing obligations. This includes all deposit liabilities, intra bank reconciliations account, bills payable, tax provision, staff bonus, dividend payable overdrafts, provisions and accrued expenses.

ii. Cash and Bank Balance to Total Deposit Ratio

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

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

Where,

Total deposits consist of deposits on current account, saving account, fixed account, money at call and other deposits.

iii. Cash and Bank Balance to Current Assets Ratio

This ratio shows the percentage of liquid assets i.e cash and bank balance among the current assets of the firm. Higher ratio shows the higher capacity of firms to meet the cash demand. The formula is as follows:

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

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

iv. Investment on Government Securities to Current Assets Ratio

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

$$\text{Investment of Government Securities to Current Assets Ratio} = \frac{\text{Investment on government securities}}{\text{Current Assets}}$$

v. Loan and Advances to current Assets Ratio

Banks measured earning source is loan. Loan are also taken as currents assets as most of them are maturing within the period of one year and represents short term disbursement .A bank should not allocate all funds in loan and advance so, it must maintain in an appropriate level. In other to calculate the proportion of loan and advance to total current assets, the ratio is obtained by dividing loan and advance by current assets.

$$\text{Loan and Advance to Current assets ratio} = \frac{\text{Total loan \& Advance}}{\text{Current Assets}}$$

B. Assets Management Ratios (Activity Ratios)

Assets management ratio is used to measure how effectively the firm utilized the investments and the economic resources at its command. Investments are made in order to produce profitable sales. Achieving profitable sales, therefore involves making sound investments. At the practical level, this involves comparisons between the sales and the investment in various assets accounts. The methodology postulates an optimal relationship between sales and the various types of asset investment.

The following financial ratios related to investment policy are calculated under asset management ratio and interpretations are made by these calculations.

i. Loan and Advances to Total Deposit Ratio

This ratio is calculated to find out how successfully the selected banks and finance companies are utilizing their total collections/deposits

on loan and advances for the purpose of earning profit. It can be calculated by dividing the amount of loans and advances by the amount of total deposits, which is given below:

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

Where,

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

ii. Loan and Advances to Fixed Deposit Ratio

This ratio indicates how many times the amount is used in loans and advances in comparison to fixed deposits. Fixed deposits are the main sources of deposit of bank and are high interest bearing obligation whereas loans and advances are the major sources of investment to generate income for the commercial banks. This ratio is calculated by dividing the amount of loans and advances by fixed deposits that is given below:

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

iii. Loan and Advances to Total Working Fund Ratio

Loan and advances is the major components in the total working fund, which indicates the ability of banks are successful in mobilizing their loan and advances on the working fund ratio for the purpose of the income generation.

This ratio is computed by dividing loans and advances by total working fund .This are stated as below:

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

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

iv. Investment on Government Securities to Total Deposit Ratio

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

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

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

v. Investment on Government Securities to Total Working Fund Ratio

Investment on government securities to working fund ratio shows how much part of investment is there on government securities in percentage. It can be obtained by;

Investment on Govt. Securities to Total Working Fund Ratio

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

vi. Investment on Shares and debentures to Total Working Fund Ratio

Investment on Shares and debentures to total working fund ratio shows the investment of banks and finance companies on the shares and debentures of obtained dividing on shares and debentures by total working fund. It can be obtained by;

Investment on Shares and debentures to Total Working Fund Ratio

$$= \frac{Investment\ on\ share\ \&debenture}{Total\ Working\ Fund}$$

C. Profitability Ratios

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

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

i. Net Profit to Total Assets

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

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

ii. Net Profit to Total Deposit Ratio

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

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

iii. Net Profit to Net worth Ratio

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

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

iv. Total Interest Earned to Total Working Fund Ratio

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

Total Interest Earned to Total Working Fund Ratio

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

v. Total Interest Paid to Total Working Fund Ratio

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

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

D. Leverage Ratios

Leverage ratios have a number of implications. First, creditors look at equity, or owner supplied funds, as a cushion or base for the use of debt. If owners provide only a small proportion of total financing, the risk of the enterprise are borne mainly by the creditors. Second, by raising funds through debt the owners gain the benefits of achieving control of the firm with a limited commitment. Third, the use of debt with a fixed interest rate magnifies both the gains and losses to the owners. Fourth, the uses of debt with a fixed interest cost and with a specified maturity increase the risk that the firm may both be able to meet its obligations.

In practice, leverage is approached in two ways. One approach examines balance sheet ratios and determines the extent to which borrowed funds have been used to finance the firm. The other approach measures the risks of debt by income statement ratios designed to determine the number of times fixed charges are covered by operating profits. These sets of ratios are complementary, and most analysts examine both.

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

i. Debt Assets Ratio

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

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

ii. Debt Equity Ratio

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

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

E. Capital Adequacy Ratios

The capital adequacy ratio is used to measure the strength of the capital adequacy of the available capital .It is measured by the capital (Paid up capital + free reserves) to the total assets explain the strength of the capital base of commercial banks. A high or low capital adequacy ratio is undesirable items of lower return or lowered solvency respectively. Therefore appropriate capital adequacy is needed but it is a controversial matter. According to NRB's prescription bank has to keep capital adequacy ratio. NRB's standard of capital adequacy ratio is changing over the time period. The capital adequacy is measured by analyzing following ratio:

i. Shareholder's Fund to Total Deposit Ratio

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

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

ii. Shareholder's Fund to Total Assets Ratio

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

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

F. Market Value Ratio / Growth Ratio

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

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

Where,

FV = Future Value

PV= Present Value

r = rate interest

n= no. of year

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

i. Net Profit

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

Net Profit = Operating Income-(Total Expenditure+Interest Paid +Taxes)

ii. Earning per share (EPS)

It is calculated by dividing the net profit after tax less preference dividend by the total no. of common shares It is calculated by using following formula.

Earning Per Share

$$= \frac{\text{Net Profit after Interest and Taxes-Preference Dividend}}{\text{Number of Equity Shares}}$$

iii. Dividend Per Share (DPS)

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

$$\text{Dividend per share} = \frac{\text{Total Distributed Dividend}}{\text{Number of Common Share Outstanding}}$$

3.4.2 Statistical Tools

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

i. Arithmetic Mean or Average

The average value is a single value with in the range of the data that is used to represent all of the values in the series. Since an average is somewhere with in the range of that data, it is also called a measure of central value. Since average represents the entire data, its value lies somewhere in between the two average. Among them is use the arithmetic mean which is more popular to denote particular type of average. It is obtain dividing sum of obtain observations by the number of items which is presented as follows.

$$\overline{X} = \frac{\sum x}{N}$$

Where,

$\overline{X}$ = Arithmetic Mean

$\sum x$ = Summation for Total Values of the Variable/Observation

N = Number of Items

ii. Standard Deviation

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

or variability of a distribution. A small standard deviation means a high degree of uniformity of the observation as well as homogeneity of a serious, a large standard deviation means just the opposite. Hence, standard deviation is extremely useful in judging the representative of the mean.

Symbolically,

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

Where,

σ = Standard Deviation

$\sum d^2$ = Sum of Squares of the Deviation Measured from the Arithmetic Average

n = Numbers of Item

iii. Co-efficient of Variation (C.V)

The co-efficient of variation is the corresponding relative measure of dispersion, comparable across distribution, which is defines as the ratio of the standard deviation to the mean expressed in percentage. It is used in such problems where we want to compare the variability of two or more than two series. The series for which the co-efficient of variation is greater is said to be more variable or conversely less consistent, less uniform, less stable or less homogeneous. On the other hand, the series for which co- efficient of variation is less is said to be less variable or more consistent, more uniform, more stable or more homogenous. We can denotes this by following formula,

$$CV = \frac{\sigma}{x} \times 100$$

Where,

CV = Co-efficient of Variation

σ = Standard Deviation

$\bar{X}$ = Mean / Average

iv. Co-efficient of Correlation (r)

Correlation is the statistical tool that we can use to describe the degree to which one variable is linearly related to another. The coefficient of correlation measures the degree of relationship between two sets of figures. Among the various methods of finding out coefficient of correlation, Karl Pearson's method is applied in the study. The result of coefficient of correlation is always between +1 and –1. When r =+1, it means there is perfect relationship between two variables and vice-versa. When r=0, it means there is no relationship between two variables. The Pearson's1 formula is as follows:

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

Where,

r = Co-efficient of Correlation

x = Independent Variable

y = Dependent Variable

N = Number of Periods

v. Probable Error of the Co-efficient of Correlation

After the calculation of co-efficient of correlation the next thing is to find out extent to which it is dependable. For this purpose the probable error of the coefficient of correlation is calculated. If the probable error is added to and subtracted from the co-efficient of correlation it would give

two such limits with in which we can reasonably accept the value of co-efficient of correlation to vary. The formula for finding out the probable of error of the Karl Pearson's co-efficient of correlation is:

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

Where,

P.E.r = Probable Error of Co-efficient of Correlation

r = Co-efficient of Correlation

n = Number of Pairs of Observations

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

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

vi. Co-efficient of Determination (R^2)

The Co-efficient of determination is the measure of the degree of linear association or correlation between two variables, one of which happens to be independent and other being dependent variable. In other words, co-efficient of determination measures the percentage of total variation in dependent variable explained by independent variable. The co-efficient of determination can have value ranging from zero which simply means that all the data points in the scatter diagram fall exactly o

the regression line. Co- efficient of determination is the square of the co-efficient of correlation.

Symbolically,

$R^2 = (r)^2$

Where,

R^2 = Co-efficient of Determination

r =Co-efficient of Correlation

vii. Simple Regression Analysis

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

Sometimes, the correlation between two variables may be insufficient to determine a reliable estimation equation. Yet, if we add the data from more independent variables, we may be able to determine an estimating equation that describes the relationship with greater accuracy. In regression analysis, we use independent variables utilizing more of the information available to us to estimate the dependent variable. In this study the researcher uses simple regression equation.

viii. Test of Hypothesis

The method of statistics which help in arriving at the criterion for such decision is called test of hypothesis or statistical decision making. A hypothesis is analysis assumption that make about the population

parameter. Alternatively, a hypothesis is a conjectural statement of the relationship between two or more variables. Hypothesis statement should be able to show the relationship between variables.

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

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

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

$$t = \frac{r}{\sqrt{1-r2}}\sqrt{n-2}$$

ix. Trend Line Analysis

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

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

$$Yc = a + bx$$

Where,

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

a = "Y- intercept "/ mean of Y value

b = "slope of line "/ rate of change

x = the variable in time series analysis represent time

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

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

Where;

N= Number of Years for with the date are given

Here, X stands for the time variations and Y for the variables related to time. Naturally, if we take the middle year or the mid – point

of the two years as the starting point, X will be equal to 0 and the two equations will then be

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

By transformation, we; can write

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

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

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

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

CHAPTER IV
PRESENTATION AND ANALYSIS OF DATA

In this chapter data, facts figures relating to two banks NBL & EBL are presented according to the objectives set in the introduction chapter. These data are translated, analyzed and interpreted so that financial forecast of banks can be done easily. To make a data more realistic and complete qualitative and quantitative analysis is done through different financial ratio and statistical analysis. However there are many ratios but due to some sort coming and constraints, only selected ratios have been taken for analyzing the strength and weakness of the sample banks.

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

4.1 Presentation and Analysis of Data

4.1.1 Ratios Analysis

Ratio analysis is a powerful tool of financial analysis, which helps in identifying strength and weakness of business concerns. The term ratio refers to the numerical or quantities relationships between two variables. Important ratios can be calculated from the balance sheet and profit & loss account and thus calculated financial ratios can be useful for analyzing and assessing the performance and position of the bank, which reflect the relative strength and weakness of any particular bank over others. Ratio analysis has been a major tools used in the interpretation and evaluation of financial statements.

There are various types of financial ratio which are used by different field for different purpose, such as creditors, investors, financial institutions and management of the firm. In this analysis following ratio are analysis and interpret for the past five year 2005\06 AD to 2009\10 AD for different banks.

4.1.1.1 Liquidity Ratios

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

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

4.1.1.1.1 Current Ratio

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

Table 3

Current Ratio

(Rs. in Million)

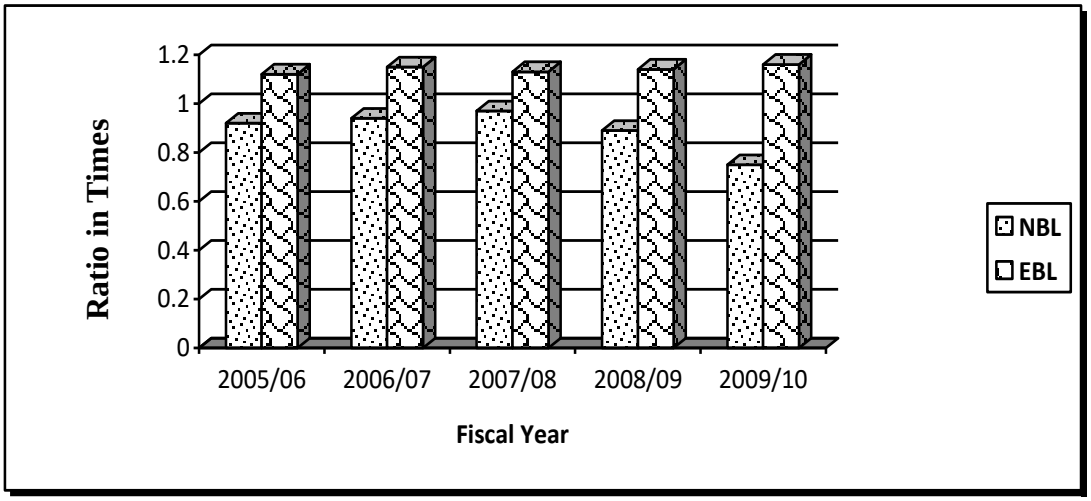
Fiscal Year	NBL Bank			Everest Bank		
	Current Assets	Current Assets	Ratio	Current Assets	Current Liabilities	Ratio
2005/06	13868.31	15135.42	0.92	15621.75	13932.92	1.1212
2006/07	14244.03	15153.01	0.94	21039.82	18296.50	1.1499
2007/08	14971.80	15420.81	0.97	25256.32	22326.50	1.1312
2008/09	18133.81	20352.55	0.89	29278.40	25656.32	1.1412
2009/10	19109.47	25284.29	0.75	33300.56	28681.37	1.1610
Means ($\bar{x}$)			0.894			1.1409
S.D. (σ)			0.0766			0.013915
C.V. (%)			0.5682			1.2196

Table 3 indicates the current rations of the sampled banks. The ratio of NBL is increasing order. From fiscal year 2005/06 to 2007/08. Thereafter ratio is decreasing in fiscal years 2009/10 and 2008/09. The highest ratio is registered in 2007/08 which is 0.97 and lowest ratio is registered in 2009/10 which is 0.75. Similarly ratio of EBL is in fluctuating order through out the study period. The highest ratio is 1.1610 in fiscal years 2009/10 and lowest ratio is registered in 2005/06 which is 1.1212. Since mean ratio of EBL fund to be highest than NBL from that we can concluded EBL is successful to meet their current obligation. Even though NBL has failed to maintain the current obligation. It is not failed in earning the profit. From point of view of working policy it has taken the aggressive policy.

As concern with liquidity and consistency EBL seems to be in better position than NBL which shows by the lowest C.V. (1.2196%) between the sample banks. where, NBL is failed to maintain the consistency in the liquidity.

Figure 1

Current Ratio



4.1.1.1.2 Cash and Bank Balance to Total Deposit Ratio

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

Table 4

Cash and Bank Balance to Total Deposit Ratio

(Rs. in Million)

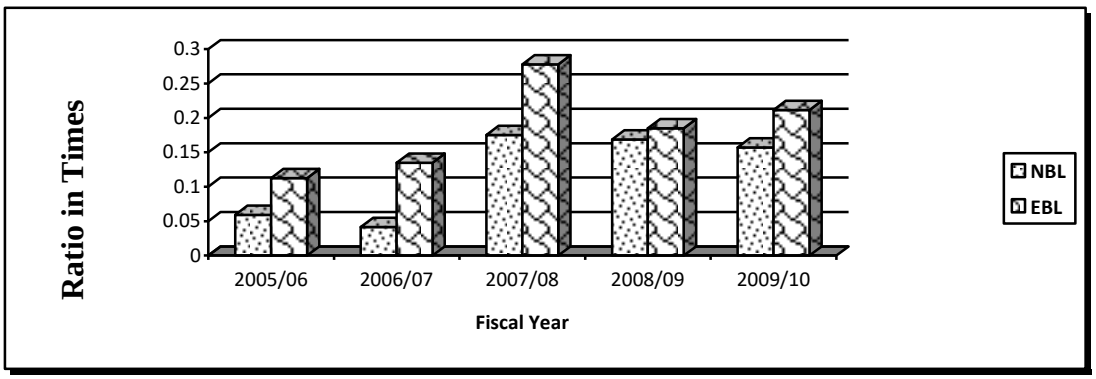
Fiscal Year	NBL Bank			Everest Bank		
	Cash and Bank	Total Deposit	Ratio (in times)	Cash and Bank	Total Deposit	Ratio (in Time)
2005/06	1140.77	19347.66	0.599168	1552.96	13802.40	0.112514
2006/07	970.48	23342.03	0.041576	2391.30	18186.20	0.134898
2007/08	559.38	31915.60	0.0175268	6667.9	23976.30	0.278104
2008/09	630.23	37.348.40	0.0168743	6164.40	33322.90	0.184990
2009/10	728.98	46411.40	0.0157068	7818.8	36932.3	0.211706
Means ($\bar{X}$)			0.03017038			0.184442
S.D. (σ)			0.17420			0.05854
C.V. (%)			57.741			31.748

Table 4 shows the fluctuation on cash and bank balance to total deposit ratio of NBL and EBL but NBL is in decreasing order from 1st to last years. During study of five year period, the ration of EBL is increasing order from 2005/06 to 2007/08 than slidly fluctuation. The ratio of EBL is highest in 2007/08 which is 0.278104 and lowest in 2005/06 which is 0.112514, similarly NBL has highest ratio in 2005/06 and lowest in 2009/10 which is 0.59168 and 0.15707 respectively. It is found that EBL has maintained the highest mean ratio which is 0.184442 than NBL. Which shows that EBL has successful in maintains the highest cash and bank balance to total deposit ratio. But it does not mean that it has invested in profitable sector. It actually means that EBL is successful in meeting the daily sash requirement.

EBL has maintains the higher cash and bank balance to total deposit ratio and has better position in consistency which is shown by lowest C.V. (31.744%) they have a consistency in utilizing the cash balance between other sample banks. Holding cash and bank balance can have a negative impact on the goodwill and reputation of the bank to fulfill the demand of profit holder and lower cash balance can have a negative impact on the customer. Therefore banks should maintain the enough liquidity.

Figure -2

Cash and Bank Balance to Total Deposit it Ratio



4.1.1.1.3 Cash and Bank Balance to Current Assets Ratio

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

Table 5

Cash and Bank Balance to Current Assets Ratio

(Rs. in Million)

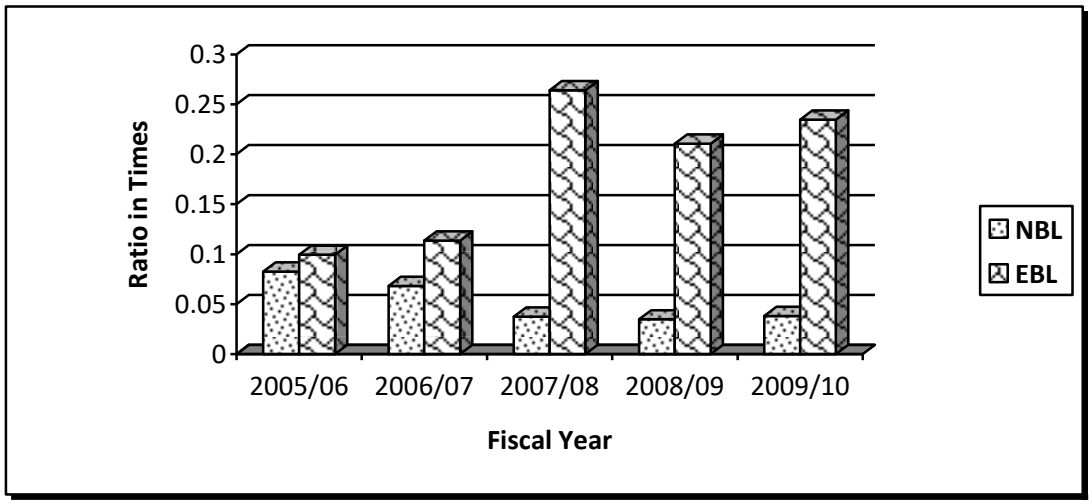
Fiscal Year	NBL Bank			Everest Bank		
	Cash and Bank	Current Assets	Ratio	Cash and Bank	Current Assets	Ratio
2005/06	1144.77	13868.31	0.08254	1552.96	15621.75	0.09944
2006/07	970.48	14244.03	0.06813	2391.30	21039.82	0.11366
2007/08	559.38	14971.80	0.03736	6667.90	25256.32	0.26401
2008/09	630.23	18133.81	0.03475	6164.40	29278.44	0.21054
2009/10	728.98	19109.47	0.03815	7818.80	33300.56	0.23479
Means ($\bar{x}$)			0.052186			0.184489
S.D. (σ)			0.0194730			0.0660030
C.V. (%)			37.3147%			35.7761%

Table 5 shows that the cash and bank balance to current Assets Ratio of NBL is ranged between the 0.08254 in 2005/06 and going on decreasing, similarly the ratio is 0.03815 in 2009/10 with mean ratio of 0.052186. Since the mean ratio of EBL is higher than the NBL. EBL's ratio is increasing order from 2005/06 to 2007/08 which is between 0.09944 to 0.26401 then ratio is going on decreasing order with mean ratio of 0.184489. It's support the conclusion is that, EBL has been successful in maintaining its highest cash and bank balance to current. Assets ratio. But it doesn't means that it has mobilized its more funds in profitable sectors. It actually means that it has mobilized its more funds in profitable sectors. It actually means that EBL can meet its daily cash requirement and laso EBL has lowest C.V. 35.78% than NBL, which means the bank successful in maintain a stability of cash and bank

balance in comparison to next sample banks. NBL, it has a lowest mean ratio because it may have invested their fund in more productive sector.

Figure 3

Cash and Bank Balance to Current Assets Ratio



4.1.1. 2 Activity Ratio/ Assets Management Ratios

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

4.1.1.2.1 Loan and Advance to Total Deposit Ratio

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

Table No. 6

Loan and Advances to Total Deposit Ratio

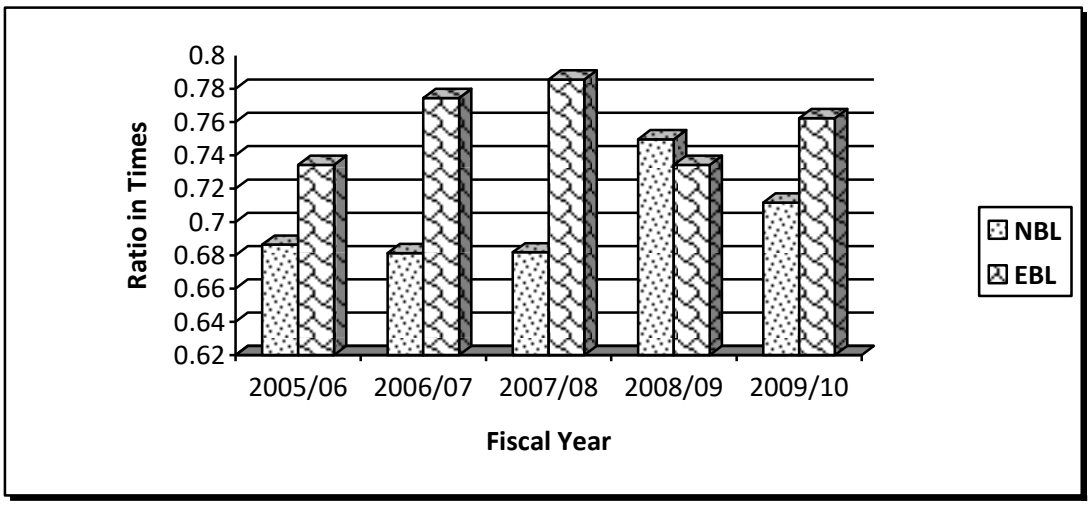
(Rs. in Million)

Fiscal Year	NBL Bank			Everest Bank		
	Loan and Advance	Total Deposit	Ratio	Loan and Advance	Total Deposit	Ratio
2005/06	13279.95	19347.66	0.686385	10136.2	13802.40	0.734380
2006/07	15903.99	23342.03	0.681346	14082.7	18186.20	0.774362
2007/08	21759.17	31915.60	0.681772	18836.4	23976.30	0.785626
2008/09	27999.54	37348.40	0.749685	24469.6	33322.90	0.734318
2009/10	33031.20	46411.70	0.711700	28156.4	36932.30	0.762379
Means ($\bar{X}$)			0.702177			0.758213
S.D. (σ)		0.0262579				0.020826
C.V. (%)		3.7395				2.7467

Table 6 shows the ratio during the study period of five year of two banks. In fiscal year 2006/07 and 2008/09 NBL has registered the lowest ratio (0.681346) and highest ratio (0.749685) respectively with mean ratio of 0.702177. Similarly, EBL has registered the highest ratio (0.785628) in the fiscal year 2007/08 and lowest ratio (0.734318) in the fiscal years 2008/09 with mean ratio of 0.758213 also. As concerned with the consistency of EBL is successful to maintain the consistency in comparatively to NBL because. It has a lower CV of 2.4767%. NBL has a highest C.V. of 3.7395% thus It is not able to maintain the consistency. In this way it shows that it is able to maintain the stability in investing through loan and advance to some extent.

Figure 4

Loan and Advance to Total Deposit Ratio



4.1.1.2.2 Investment on Government Securities to Total Deposit Ratio

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

Table 7

Investment on Govt. Securities to Total Deposit Ratio

Fiscal Year	NBL Bank			Everest Bank		
	Invest on Govt. Sec.	Total Deposit	Ratio	Invest on Govt. Sec.	Total Deposit	Ratio
2005/06	6031.17	19347.66	0.311726	3548.62	13802.40	0.257102
2006/07	5835.94	23342.03	0.250018	4704.63	18186.20	0.258692
2007/08	4267.23	31915.60	0.133703	4906.50	23976.30	0.204639
2008/09	6178.53	37348.40	0.165429	5146.00	33322.90	0.154428
2009/10	8581.75	46411.70	0.184905	5008.3	36932.30	0.135607
Means ($\bar{x}$)			0.209156			0.202094
S.D. (σ)			0.06385			0.12076
C.V. (%)			30.5274%			59.7597%

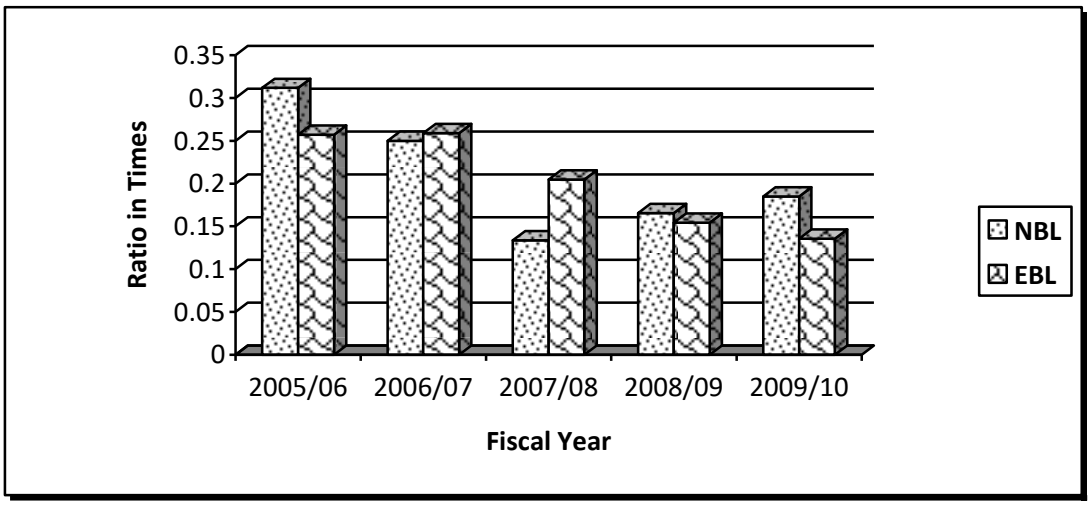
Table 7 reflects that the ratio of NBL is fluctuating in between the range of (0.311726) in year 2005/06 and (0.133703) in years 2007/08

with average being 0.209156 which is the highest than EBL, similarly, the ratio of EBL is decreasing till 2009/10. Highest ratio (0.257102) registered by EBL is 2005/06 and ratio (0.135607) is in 2009/10 with mean ratio of 0.202094 which lowest between sample banks. NBL is successful in mobilizing the deposit, since it has a highest mean ratio, But EBL has a lower mean ratio. It is less successful to utilize the deposit in investment on government securities in compare with both banks.

As concern with liquidity and consistency NBL seems to be in better position them EBL, which shows by the lowest C.V. 30.5274 percent between the both sample banks. EBL is failed to maintain the consistency in the liquidity.

Figure 5

Investment on Govt. Securities to Total Deposit Ratio



4.1.1.3 Profitability Ratios

The main objective of a bank is to make profit providing different types of services to its customers. Profit is the different between total revenue and total expenses over a period of time. Profit is necessary to survive in any business field for its successful operation and further

expansion. Profit is the ultimate output of a commercial bank and it will have no future if it fails to make sufficient profits. Therefore, the financial manager continuously evaluates the efficiency of the banks in terms of profits. Profitability shows the overall efficiency of the business concerns. To meet those objectives likewise a good liquidity position, meet fixed interest obligation, overcome the future contingencies, grab the investment opportunities, business expansions etc., they must earn sufficient profit. It is an obvious that profitability ratios are the best indicators of overall efficiency. In this study, mainly those ratios are presented which are related with profit as well as fund mobilization.

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

4.1.1.3.1 Net Profit to Total Assets Ratio

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

Table 8

Net profit to Total Assets Ratio

(Rs. in million)

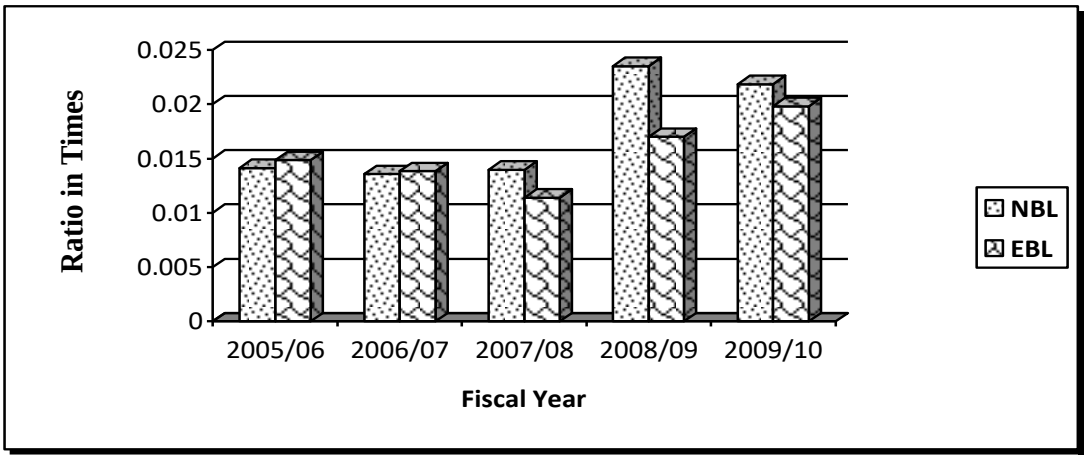
Fiscal Year	NBL Bank			Everest Bank		
	Net Profit	Total Assets	Ratio	Net Profit	Total Assets	Ratio
2005/06	416.24	29460.39	0.014129	237.30	15959.28	0.0148691
2006/07	455.31	33519.14	0.013583	296.40	21432.57	0.0138294
2007/08	518.63	37132.76	0.013967	311.40	27325.65	0.0113959
2008/09	1031.30	43867.40	0.023509	367.20	36002.63	0.0169925
2009/10	1139.10	52150.23	0.021843	831.80	41982.76	0.0198139
Means ($\bar{X}$)			0.01741			0.01480
S.D. (σ)			0.004338			0.002797
C.V. (%)			24.9179%			18.8972%

Table 8 shows that both banks fluctuation ratio. The ratio of NBL is ranged between (0.023509) and (0.021843) in years 2008/09 and 2009/10 respectively with the highest mean ratio (0.01741). It is successful in utilizing the has assets for earning the net profit in compare to both banks similarly EBL has recorded a highest ratio in 2009/10 which is (0.0198129) and lowest ratio is 0.0109925 in years 2008/09 with a lowest mean ratio with (0.01480) which determined that EBL is less successful in utilizing the total assets for earning the net profit.

But as concern with consistency, EBL is able to maintain the consistency is profit which is shown by lowest C.V. 18.8972 percent between the sample banks. NBL has highest variance in earning the profit on total working fund and C.V. of NBL has 24.9179%.

Figure 6

Net Profit to Total Assets Ratio



4.1.1.3.2 Net profit to Total Deposit Ratio

This ratio is the mirror for banks overall financial performance as well as its success in profit generating, the reason being that the deposits made by its customer's is the major sources of earning of the joint venture banks as the earning is made by the efficiency and effective utilization of these deposits. The following table reveals the percentage of net profit to total deposit of sample banks.

Table No. 9

Net profit to Total Deposit Ratio

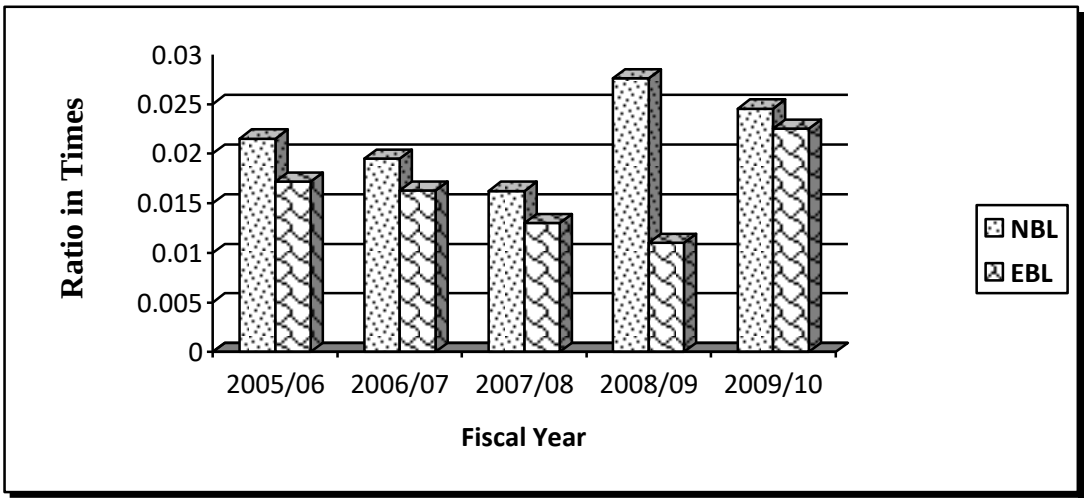
(Rs. in Million)

Fiscal Year	NBL Bank			Everest Bank		
	Net Profit	Total Assets	Ratio	Net Profit	Total Assets	Ratio
2005/06	416.24	19347.66	0.0215137	237.30	13802.40	0.0171927
2006/07	455.31	23342.03	0.0195060	296.40	18186.20	0.0162981
2007/08	518.63	31915.60	0.016250	311.40	23976.30	0.0129878
2008/09	1031.30	37348.40	0.027613	367.20	33322.90	0.01101945
2009/10	1139.10	46411.70	0.024543	831.80	36932.30	0.0225223
Means ($\bar{x}$)			0.021885			0.160041
S.D. (σ)			0.003935			0.003948
C.V. (%)			17.9809%			24.6687%

Table 9 reveals that net profit to total deposit ratio is an fluctuating situation of all average ratio. The ratio of NBL has ranged between (0.016250) in 2007/08 (0.027613) in 2008/09 with mean ratio of 0.021885. It is shows the highest. Mean ratio. Similarly EBL has ranged situation between 0.01101945 and (0.0225223) in year (2008/09) and (2009/10) respectively. And shows that lowest mean ratio (0.0160041). the above statement indicates the NBL has better performance in utilizing total deposit to earn a highest profit then EBL. As far as consistency level NBL is successful maintaining constentcy in mobilizing total deposit to earn the profit. This is shown by lowest CV of NBL is 17.9809 % and EBL has 24.6687%.

Figure 7

Net Profit to Total Deposit Ratio



4.1.1.3.3 Total Interest Earned to Total Working Fund Ratio

The ratio shows the earning capacity of a Bank on its total assets (working fund). This ratio exhibits the extent on which banks are successful in mobilizing their working funds to generate income as much as possible.

The higher ratio will indicate the high earning power of the banks on its total assets and lower ratio will indicate the low earning power of the banks. The following table shows the comparative ratios of Banks for the different periods.

Table 10

Total Interest Earned to Total Working Fund Ratio

(Rs. in Million)

Fiscal Year	NBL Bank			Everest Bank		
	Net Profit	Total Assets	Ratio	Net Profit	Total Assets	Ratio
2005/06	1017.87	16562.61	0.0161456	1066.5	26582.32	0.04012065
2006/07	1001.62	16745.48	0.059814	1378.7	31256.23	0.0441096
2007/08	1068.7	17186.33	0.062183	1848.1	36352.56	0.0508382
2008/09	2798.5	22329.97	0.125325	2565.3	40256.30	0.0637242
2009/10	4047.22	38650.93	0.104712	3535.5	46562.89	0.0759295
Means ($\bar{x}$)			0.082698			0.054944
S.D. (σ)			0.0271935			0.012083
C.V. (%)			32.8829%			21.9916

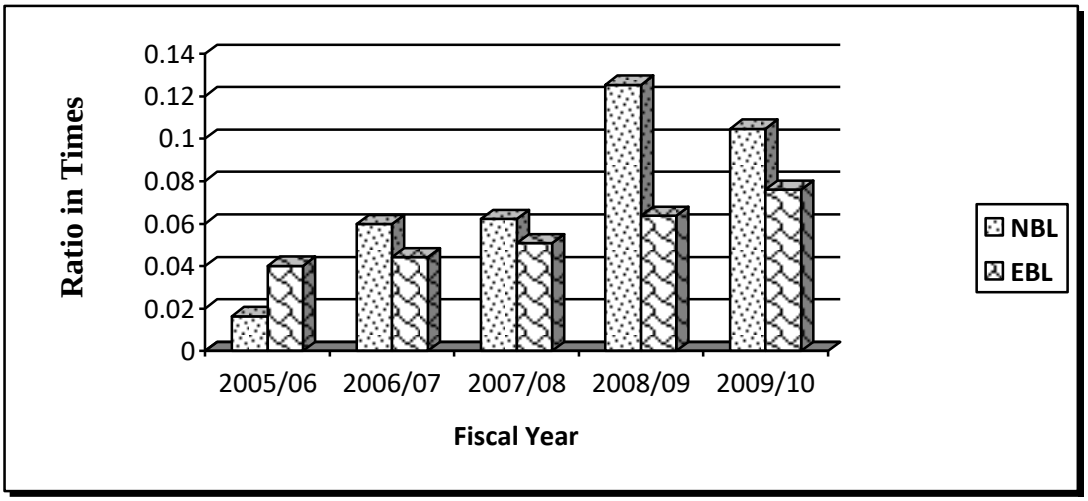
Table 10 reveals that total interest earned to total working fund ratio. The ratio of NBL is in increasing every years from (0.016456) in year 2005/06 to (0.125325) in year 2008/09 then decrease in year 2009/10 (0.104712) similarly, EBL has also increasing trend as the ratio (0.04012065) in years 2005/06 (0.0759295) in years 2009/10 respectively and mean ratios is highest of NBL than EBL (0.08298) and 0.054944 respectively.

The mean ratio shows that both banks are successful in earning the interest on total working fund between them NBL found to be a leader in earning a interest with compare to EBL, since EBL" has lowest C.V. 21.9916 percent. It has a consistency in earning a interest by mobilizing a

total working fund effectively. The highest C.V. is in NBL with 32.8829% which shows a greater variability in earning an interest.

Figure 8

Total Interest Earned to Total working fund Ratio



4.1.1.3.4 Total Interest Paid to Total Working Fund Ratio

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

Table 11

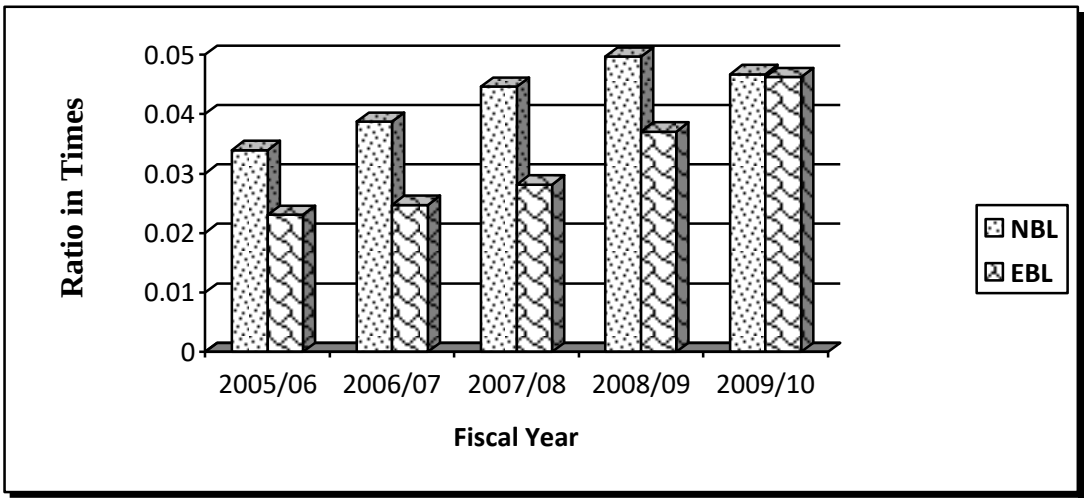
Total Interest Paid to total Working Fund Ratio (Rs. in Million)

Fiscal Year	NBL Bank			Everest Bank		
	Net Profit	Total Assets	Ratio	Net Profit	Total Assets	Ratio
2005/06	561.96	16562.61	0.033929	613.4	26582.32	0.023075
2006/07	648.84	16745.48	0.038747	772.8	31256.23	0.0247247
2007/08	766.50	17186.33	0.044599	1024.3	36352.56	0.0281768
2008/09	1108.75	22329.97	0.049653	1491.8	40256.30	0.037057
2009/10	1572.79	38650.93	0.046692	2151.7	46562.89	0.0462106
Means ($\bar{x}$)			0.0415240			0.0318488
S.D. (σ)			0.005322			0.00865572
C.V. (%)			12.8169			27.1775

Table 11 shows the comparative analysis of total interest paid to total working fund all the ratio of NBL are in fluctuating trend but EBL are in increasing trend. The highest and lowest ratio of NBL are 0.049653 and 0.033929 in fiscal year 2008/09 and 2005/06 respectively with mean ratio of 0.0415246 which is highest mean ratio both sample banks. The highest and lowest ratio of EBL are 0.023075 and 0.0462106 with mean ration of 0.0318488 which is lowest between both banks. the above definition determined that NBL has paid a highest interest on working fund in compare to EBL which is shown by highest mean ratio (0.0415240) also NBL has consistency in interest paid because. C.V. of NBL is lowest between both sample banks which is 12.8169%.

Figure 9

Total Interest Paid to Total Working Fund Ratio



4.1.1.4 Leverage Ratios

A firm should have strong short- term as well as long –term financial position. Like other ratios, leverage ratio is also very necessarily important tool in measuring financial performance of any institution. This ratio reveals the proportion of funds used by the institution either from the creditor's side or form owner side. In order to maintain healthy financial position any institutions need to maintain proper proportion of

debt & equity. These ratios indicate the situation of the capital structure, which is calculated to measure the company's ability of using debt for benefit of shareholders. Long- term creditors like debenture holders, financial institutions etc. are more interested to the firm's long term financial health, debt serving capacity and strength and weakness of the concerns. This ratio may be calculated from the balance sheet items to determine the proportion of debt in total financing. In summary debt ratio tell us the relative proportions of capital of contribution by creditors and by owners.

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

4.1.1.4.1 Debt-Asset Ratio

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

Table 12

Debt- Asset–Ratio

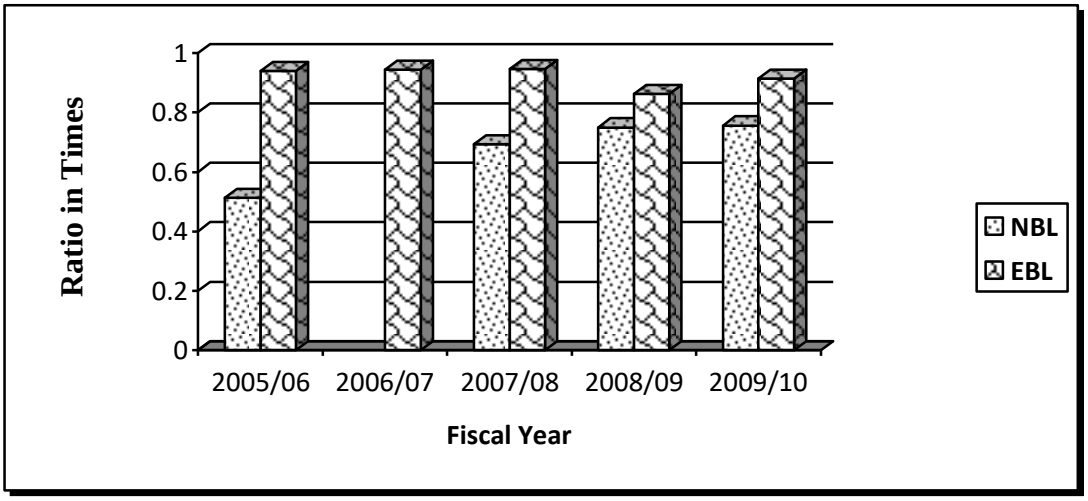
(Rs. in Million)

Fiscal Year	NBL Bank			Everest Bank		
	Net Profit	Total Assets	Ratio	Net Profit	Total Assets	Ratio
2005/06	15093.89	29460.39	0.512345	14996.48	15959.28	0.939671
2006/07	19914.71	33519.14	0.594129	20231.10	21432.57	0.943942
2007/08	25712.73	37132.76	0.692454	25856.25	27325.65	0.946226
2008/09	32888.26	43867.40	0.749720	31256.36	36002.63	0.868169
2009/10	39562.88	52150.23	0.758633	38523.45	41982.76	0.913122
Means ($\bar{x}$)			0.661456			0.923122
S.D. (σ)			0.94828			0.02929
C.V. (%)			14.3362			3.1736

Table 12 shown that debt financing ratio of both sample banks are high. The ratio of EBL are fluctuating trend. But the ratios of NBL are increasing trend. The highest ratios of NBL is 0.758633 in 2009/10 and Lowest is 0.512345 with mean ratio of 0.66145. The ratio of EBL is ranged between 0.868169 and 0.946226 in the year 2008/09 and 2007/08 with highest mean ratios 0.923122 respectively. Above statement conceded that the debt financing of NBL in assets is lowest and highest in EBL. Therefore, EBL is utilizing a highest debt between the sample banks. Also EBL is successful in maintain a consistency which is shown by lowest C.V. (3.1736%) between both banks.

Figure 10

Debt. Asset Ratio



4.1.1.4.2 Debt-Equity Ratio

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

Table 13

Debt- Equity Ratio

(Rs. in Million)

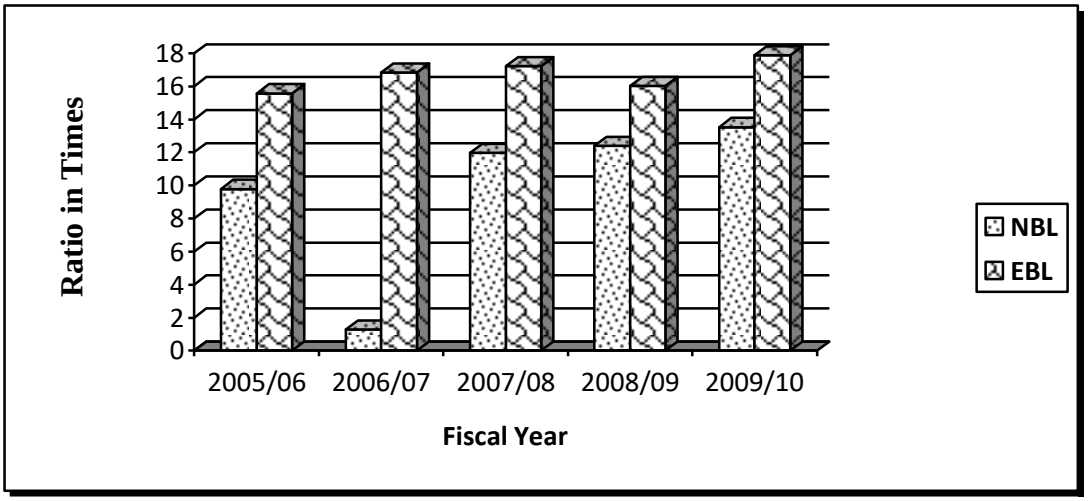
Fiscal Year	NBL Bank			Everest Bank		
	Total Debt	Total Equity	Ratio	Total Debt	Total Equity	Ratio
2005/06	15093.89	1541.75	9.790102	14996.48	962.81	15.575741
2006/07	19914.71	1766.18	11.275583	20231.10	1201.52	16.837922
2007/08	25712.73	2146.5	11.978909	25856.25	1501.23	17.223377
2008/09	32888.32	2655.98	12.382743	31256.36	1951.88	16.013464
2009/10	39562.88	2922.98	13.534947	38523.45	2156.25	17.865947
Means ($\bar{X}$)			11.792459			16.7032.90
S.D. (σ)			1.240649635			0.806436
C.V. (%)			10.5207			4.8280

Table 13 shows that debt-equaity ratio of both sample banks are high. The highest ratio of NBL is recorded in year 2009/10 (13.534947) and lowest ratio is recorded in year 2005/06 (9.790102) with mean ratio of 11.792457 which is lowest between both banks. In the same way the ratio of EBL is fluctuating trend. It has ratio ranged between 15.575742 (20005/06) to 17.865947 (2009/10) with mean ration of 16.703290, since, highest mean, ratio is recorded by EBL, they have more investment from debt than equity found which cost a higher than equity, Higher debt investment brings a highest cost of the banks.

The C.V of NBL and EBL are 10.5207% and 4.8280% respectively. Therefore EBL has lowest C.V. which defined that EBL has consistency in debt-equity return. NBL is not very successful to maintain a consistency.

Figure 11

Debt- Equity Ratio



4.1.2 Statistical Analysis

This chapter includes some statistical analysis such as Karl Pearson's coefficient of correlation, simple regression analysis and

trend line analysis, which are used to analyze the data to achieve the objective of the study.

4.1.2.1 Coefficient of Correlation Analysis (r)

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

4.1.2.1.1 Coefficient of Correlation between deposits and loans & advances

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

Table 14

Coefficient of Correlation between deposits and loans & advances

(Rs. in Million)

Fiscal Year	NBL Bank		Everest Bank	
	Total Deposit (X)	Loan and Advance (Y)	Total Deposit (X)	Loan and Advance (Y)
2005/06	19347.66	13279.95	13802.40	10136.20
2006/07	23342.03	15903.99	18186.20	14082.70
2007/08	31915.60	21759.17	23976.30	18836.40
2008/09	37348.40	27999.54	33322.90	24469.6
2009/10	46411.70	33031.20	36932.30	28156.4
r	3.1463		0.8069	
r^2	9.8992		0.6512	
$PE = 0.6745^* \frac{1-r^2}{\sqrt{n}}$	– 2.6840		0.10521	
6PEr	– 50.67560		0.50938	
Level of Significant	Significant		Significant	

The coefficient of correlation (r) for both bank found to be different value. NBL has found greater than 1 and EBL has near about 1. Which indicates NBL has not good proposition relationship between the deposits loan and advance for the banks but EBL has the proportion relationship between the deposits and loan and advance. While testing proportion 6.PE. r for both sample banks found to be significant as the r value of all the banks are greater than 6 PEr which implies that there found to be perfect correlation between the deposits and loan and advance. It shows that the loan and advance is dependent upon the deposit and both sample banks are successful in mobilizing the deposit to loan and advance efficiently.

4.1.2.1.2 Coefficient of Correlation between deposits and Investment

Investment is also a measures part of banks to mobilize the collected deposit. By investing in different profitable area like shares and debenture, government securities banks maximize the profit. Therefore it

is important to study the relation between the deposit and investment. For this analysis deposit is taken as independent variable (x) and investment (y) is taken as dependent variable. This analysis measures the degree of relationship between these two variables. Besides this, it will justify whether the deposits are significantly used in proper way or not and whether there is any relationship in between these two components. The following table exhibits the coefficient of correlation (r) between deposits and total investment, coefficient of determination (r2), probable error P.E.r.

Table 15

Coefficient of Correlation between deposits and Investment

(Rs. in Million)

Fiscal Year	NBL Bank		Everest Bank	
	Total Deposit (X)	Loan and Advance (Y)	Total Deposit (X)	Loan and Advance (Y)
2005/06	19347.66	6031.17	13802.40	3548.62
2006/07	23342.03	5835.99	18186.20	4704.63
2007/08	31915.6	4267.23	23976.30	4906.50
2008/09	37348.40	6178.53	33322.90	5146.00
2009/10	46411.70	8581.75	36932.30	5008.30
r	0.5525		– 1.3354	
r^2	0.3053		0.023628	
$PE = 0.6745 * \frac{1 - r^2}{\sqrt{n}}$	0.20955		2.618980	
6PEr	0.11578		15.71928	
Level of Significant	Significant		No Significant	

The coefficient of correlation for NBL is found to be positive which indicates that there is positive and perfect relationship between the deposit and investment while testing 6 PE.r of NBL is found to be significant as the r value for NBL is greater than 6 PE.r which implies that there found to be perfect correlation between the deposit and investment. the bank's investment is depednes upon the deposit. But EBL has weak correlation between the deposits and investment. It is shares

now the coefficient of correlation is found – 1 and 6 PEr found the greater than r. Which indicate that there is not positive and perfect relationship between the deposits and investments for the EBL.

4.1.2.1.3 Coefficient of Correlation between Investment & Net profit

Following table shows the relation between the investment and net profit. As we say in above investment is done in different profitable area to maximize the profit. Net profit is the key to survive the banks. Without profit banks cannot sustain in the market. Therefore it is necessary to measures the degree of relationship between these two variable. For this study, Investment (x) is taken as independent variable and net profit (y) is taken as dependent variable. The following table shows the coefficient of correlation between(r), coefficient of determinants (r2) and probable error P.E.r on investment and net profit of banks.

Table 16

Coefficient of Correlation between Investment & Net profit

(Rs. in Million)

Fiscal Year	NBL Bank		Everest Bank	
	Investment (X)	Net Profit (Y)	Investment (X)	Net Profit (Y)
2005/06	6031.17	416.24	3548.62	237.30
2006/07	5835.94	455.31	4704.63	296.40
2007/08	4267.23	518.63	4906.50	311.40
2008/09	6178.53	1031.30	5146.00	367.20
2009/10	8581.75	1139.10	5008.30	831.80
r	0.7164		0.0284614	
r^2	0.5133		0.00081	
$PE = 0.6745 * \frac{1 - r^2}{\sqrt{n}}$	0.14681		0.301401	
6PEr	0.63105		0.05147	
Level of Significant	Significant		No Significant	

The coefficient of correlation for NBL found to be almost 1, which indicates that there is proportion relationship between the investment and

Net profit while testing 6 PE.r for NBL found to be significant. As r value of the bank is greater than 6 PE.r which implies that there is perfect correlation between the investment and Net profit. This shows that NBL is successful to earn net profit by mobilizing the deposit to the investment. In other words. EBL has not found satisfactory solution of coefficient of correlation between investment and Net profit.

4.1.2.1.4 Coefficient of Correlation between Loan and advances & Net profit

Loan and advances also plays a vital role in earning the profit. By mobilizing the deposit in loan & advances banks earns the profit. So, it is necessary to study the relation between these two variable loan & advances and net profit. Following table shows the coefficient of correlation(r), coefficient of determinants (r2) and probable error PE.r of loan & advances and net profit of sample banks. For this study loan and advances (x) is taken as independent variable and net profit (y) is taken as dependent variable

Table 17

Coefficient of Correlation between Loan and Advance and Net Profit

(Rs. in Million)

Fiscal Year	NBL Bank		Everest Bank	
	Loan and Adv. (x)	Net Profit (Y)	Loan and Advance (X)	Net Profit (Y)
2005/06	13279.95	416.24	10136.20	237.30
2006/07	15903.99	455.31	14082.70	296.40
2007/08	21759.17	518.63	18836.40	311.40
2008/09	27999.54	1031.30	24469.60	367.20
2009/10	33031.20	1139.10	28156.40	831.80
r	0.0713200		0.8090	
r^2	0.0050865		0.654481	
$PE = 0.6745^* \frac{1-r^2}{\sqrt{n}}$	0.30011		0.10422	
6PEr	0.12842		0.90590	
Level of Significant	Significant		Significant	

The coefficient of correlation for both the sample banks found to be almost '1' which indicates there is proportion relationship between the loan and advance and net profit for the both banks. while testing 6. PEr for all sample banks found to be significant as the r value for the bank are greater than 6 PEr. which implies that there found to be prefer correlation between the loan and advance and Net profit. It shows that all sample banks are successful in earning the net profit by mobilizing loan and advance.

4.1.2.2 Trend Line Analysis

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

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

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

4.1.2.2.1 Trend Line Analysis of Total Deposit

The part of this analysis will analyze Total deposit of banks for five years from 2005/06 to 2009/10 and projection for next five years i.e. 2011 to 2015. The following table exhibits the trend values of Total deposit of sample banks for 10 years.

Table 18

Trend Line Analysis of Total Deposit

(Rs. in Million)

Trend Value of Total Deposit		
Year	**NBL Bank (NBL)**	**Everest Bank (EBL)**
2006	303103.18	12964.72
2007	309916.63	19104.47
2008	316730.08	25244.02
2009	323543.53	31383.67
2010	330356.98	37523.32
2011	337170.43	43662.97
2012	343983.88	49802.62
2013	350797.33	55942.27
2014	357610.78	62081.92
2015	364424.23	68221.57

Source: Annual Report of Concerned Bank Refer Appendix XVI.

Figure 12

Trend Line Analysis of Total Deposit

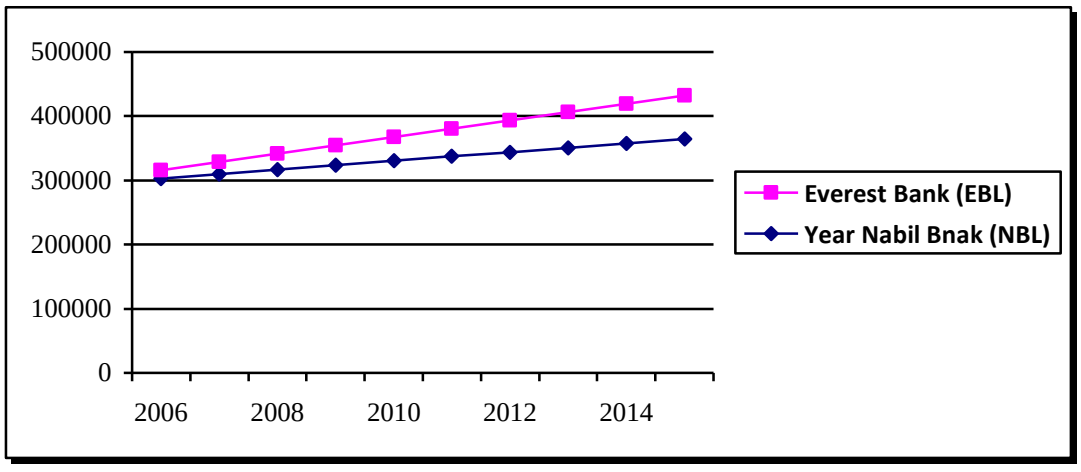


Table 18 exhibits that the trend values of two sample banks are in increasing trend, which means futures of total deposit of the two sample banks are good. Between the sample banks NBL has a highest trend of total deposit. It means NBL is successful in mobilizing the deposit. In fiscal year 2006 the trend values of NBL and EBL are 303103.18 and 12964.73 respectively. It is increase to 364424.23 and 68221.57 for the forecast year 2015.

4.1.2.2.2 Trend Line Analysis of Loan and Advances

The analysis will analyze Loan and Advances of banks for five years from 2006 to 2010 and forecast for following five years i.e.2011 to 2015. The following table exhibits the trend values of Total Loan and Advance of sample banks for 10 years.

Table 19

Trend Line Analysis of Loan and Advance

(Rs. in Million)

Trend Value of Loan and Advance		
Year	**NBL Bank (NBL)**	**Everest Bank (EBL)**
2006	5468.93	9850.8
2007	13931.85	14493.53
2008	22394.77	19136.26
2009	30857.69	23778.99
2010	39320.61	28421.72
2011	47783.53	33064.45
2012	56246.45	37707.18
2013	64709.37	42349.91
2014	73172.29	46992.64
2015	81635.21	51635.37

Figure 13

Trend Line of Loan and Advance

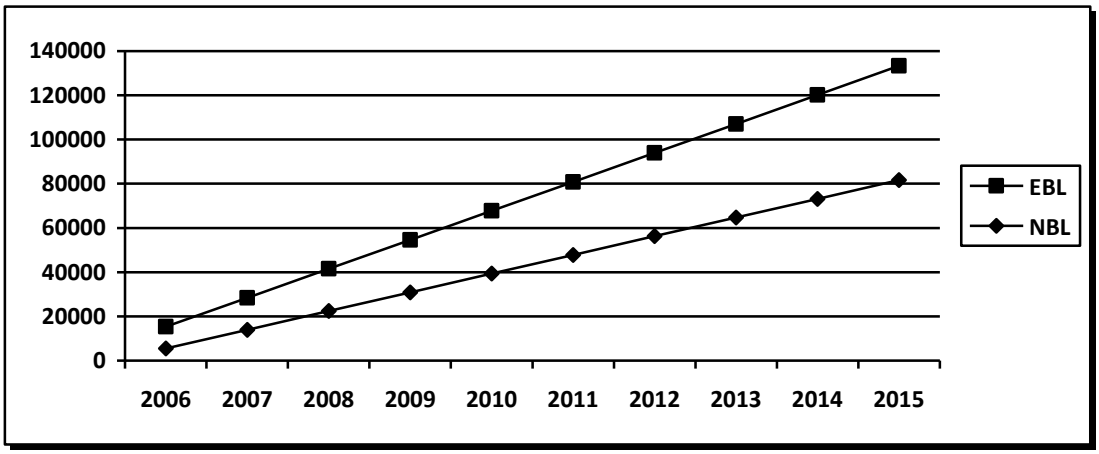


Table 19 exhibits that the trend values of both sample banks are in increasing trend, which means futures of total Loan and Advances of all the sample banks are good. Between the two sample bank, NBL are in highest trend .All the sample banks are successful in mobilizing the Loan and Advances to different productive and profitable sector. In fiscal year 2006 the trend values of NBL and EBL are 5468.93 and 9850.8 respectively. It is increase to 81635.21, and 51635.37 for the forecast year 2015..

4.1.2.2.3 Trend Line Analysis of Investment

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

Table 20

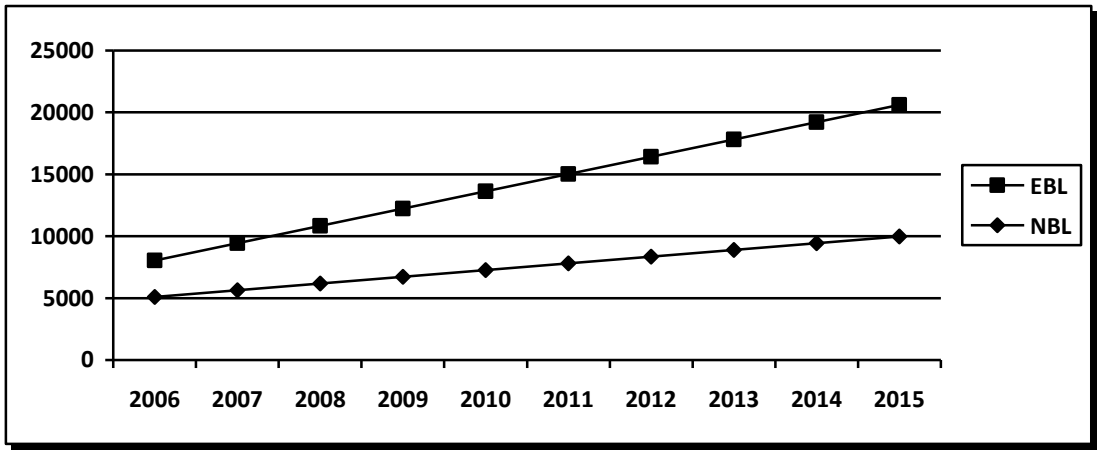
Trend Line Analysis of Investment

(Rs. in Million)

Trend Values of Investment		
Year	**NBL Bank (NBL)**	**Everest Bank (EBL)**
2006	5090.18	2961.47
2007	5634.55	3812.14
2008	6178.92	4662.81
2009	6723.29	5513.48
2010	7267.66	6364.15
2011	7812.03	7214.82
2012	8356.4	8065.49
2013	8900.77	8916.16
2014	9445.14	9766.83
2015	9989.51	10617.5

Figure 14

Trend Line Analysis of Investment



Sources: Annual Report of Concerned Bank, Refer Appendix

Table 20 exhibits that the trend values of NBL and EBL are in increasing trend, which means futures of total deposit of these banks are good. But the sample banks EBL has a higher increasing trend of

Investment. It means EBL is successful in mobilizing the Investment then NBL. In fiscal year 2006 the trend values of NBL and EBL are 5090.5 and 2961.47 respectively. It is increase to 9989.51 and 10617.5 for the forecast year 2015.

4.1.2.2.4 Trend Line Analysis of Net Profit

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

Table 21

Trend Line of Net Profit

(Rs. in Million)

Trend Values of Net Profit		
Year	**NBL Bank (NBL)**	**Everest Bank (EBL)**
2006	307.72	156.86
2007	509.95	282.84
2008	712.18	408.82
2009	914.41	534.8
2010	1116.64	660.78
2011	1318.87	786.76
2012	1521.10	912.75
2013	1723.33	1038.72
2014	1925.56	1164.7
2015	2127.79	1290.68

Figure 15

Trend Line of Net Profit

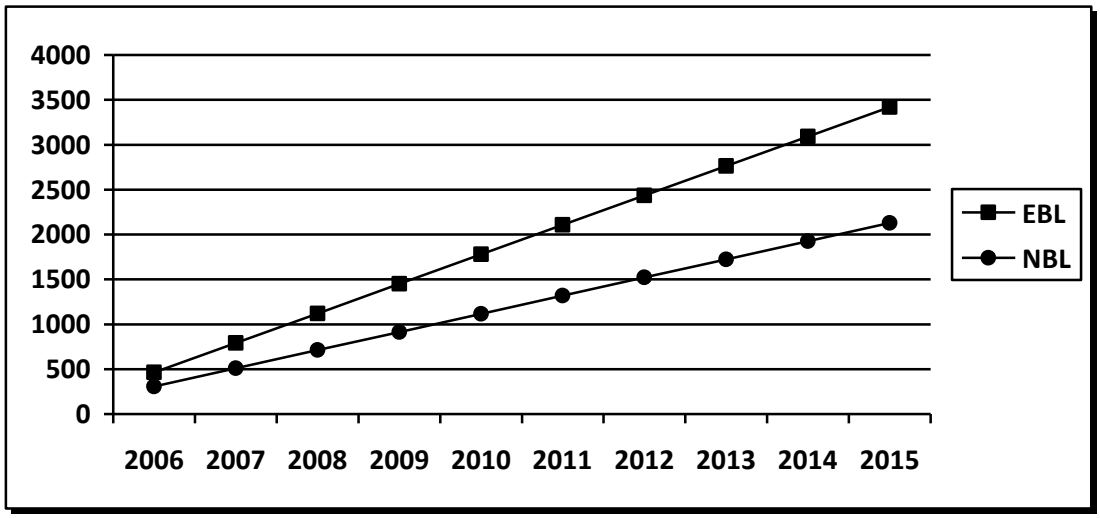


Table 21 exhibits that the trend values of both sample banks are in increasing trend, which means futures of Net Profit of all the sample banks are good. Both the sample banks NBL has a highest trend of Net Profit. In fiscal year 2006 the trend values of NBL and EBL are 307.72, and 156.86 respectively. It is increase to 2127.79 and 1290.68 for for the forecast year 2015.

4.2 Major Finding of the Study

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

4.2.1 Liquidity Ratio

- During the five years study period of two banks the current ratio found to be highly fluctuate. It is well known that the standard current ratio is 2:1. Between sample bank the current ratios of EBL dominate the respective current liabilities which indicate that EBL is capable in paying the current obligation. Therefore EBL has a highest liquidity ratio between sample banks. NBL have low

current ratio, but it does not mean that it is failed to maintain the liquidity position. From point of view of working policy it is very much aggressive. However average of both banks shows the satisfactory level of current ratio.

- EBL is found to be in better position to maintain the cash and bank balance in total deposit ratio and cash and bank balance to current Assets ratio respectively between the both banks. But it does not mean that it has mobilized its more funds in profitable sector. It actually means that it can meet the daily cash requirement to make payments of the customer. NBL has an average mean ratio. Both the banks have a fluctuation ratio during study period.

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

4.2.2 Assets Management Ratio

- The loan and advances to total deposit ratio of both banks found to be at satisfactory level and maintain the good consistency in ratio. However EBL has a highest mean ratio it shows that NBL's liquidity position with respect to this ratio is more satisfactory than other banks. Apart from that it has a more consistency in ratio than other.

- The mean ratio of loan and advances to total deposit ratio both banks are found to be at satisfactory level. Since EBL has a higher mean ratio, EBL is able to proper utilization of loan and advance

with respects to fixed deposit. NBL have seemed to less effective in utilizing the loan and advances in compare to EBL.

- All the sample banks are successful to mobilize their funds as loan and advances with respect to total assets. But in comparative study for five years for two sample banks EBL has a higher mean ratio, so they are found to be best investor between sample banks. As concern to consistency, NBL bank is failed to maintain the consistent. Between them EBL has maintain the consistency in loan and advances up to some extent.

- Between sample banks NBL is successful in mobilizing the deposit in invest on government securities, since it has a higher mean ratio. But EBL has a lower mean ratio; they are less successful to utilize the deposit in investment on government securities in compare with sample banks.NBL is found to be best as concern with consistency. It has maintained the consistency level up to some extent.

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

4.2.3 Profitability Ratio

- All the sample banks are able to earn the profit on total assets. Between them, NBL found to be best, since it has a higher mean ratio than average mean ratio. As concern to consistency EBL also shows the consistency on earning the profit. In case of NBL they have highest earning on total assets and also have lowest consistency in earning the profit.

- The mean ratio of net profit to total deposit ratio of NBL is highest between the sample banks. EBL has lower mean ratio and failed to maintain the consistency. Also NBL is found to be best as concern with consistency. It has maintained the best consistency level between the sample banks. EBL has lower mean ratio and failed to maintain the consistency.

- Even though all sample banks seem to earn the interest on total working fund, NBL has successful in earning the higher interest where as EBL maintain the consistency in earning. NBL is failed to maintain the consistency in earning the interest than EBL.

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

From above finding, we can conclude that NBL has a consistency in earning the profit and expenses on interest and NBL are successful in earning the higher profit with lower interest expenses. Where as EBL is average of next comparatives bank.

4.2.4 Leverage Ratio

- Debt-assets ratio of the HBL is highest between the sample banks. Similarly, NBL has maintained the debt-assets ratio but less than that of EBL. Whereas EBL have more consistence in maintaining the ratio.

- EBL is able to maintain the debt-equity ratio than other sample banks and also maintain the variability. With maintain the consistency than next banks but they also failed to use the equity

fund to creditors. In case of NBL is unable to maintain the debt equity ratio as well as variability.

4.2.5 Coefficient of Correlation

- The Positive correlation between the deposit and loan and advances are found in both banks. The correlation between the deposit and loan and advances are perfect as there is significant between them. It means that the all banks provided the loans and advances from its deposit. Banks are successful in mobilizing the deposit as loans and advances.

- There is the perfect positive correlation between the deposit and investment in NBL sample banks. But EBL has weak/negatives correlation between the deposit and investment it is found that have not effectively mobilize its deposit on investment.

- The NBL banks are successful in earn the net profit from its investment which means that there is a positive correlation between the Investment and net profit. But EBL is not successful in earn the net profit from its investment which means that there is not positive correlation between the investment and net profit.

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

4.2.6 Trend Line Analysis

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

- The trend line of total deposit for both sample banks is in increasing trend. In fiscal year 2006 the trend values of NBL and are 303103 and 12964.72 respectively. It is increase to 364424.23 and 68221.57 for the forecast year 2015. Between the sample banks NBL has a highest trend of total deposit. It means NBL is successful in mobilizing the deposit.

- All the sample banks have increasing trend of the loan and advances. Between them NBL has highest increasing trend and EBL has lowest increasing trend. All the sample banks are successful in mobilizing the Loan and Advances to different productive and profitable sector. In fiscal year 2006 the trend values of NBL are 5468.93, and 9850.8 respectively. It is increase to 81635.21 and 51635.37 for the forecast year 2015.

- The trend values of NBL and EBL are in increasing trend, which means futures of total deposit of these banks are good. But the sample banks NBL has a slowly increasing trend of Investment. It means NBL is not successful in mobilizing the Investment then EBL. In fiscal year 2006 the trend values of NBL, and EBL are 5090.18 and 2961.47 respectively. It is increase to 9989.51 and 10617.5 for the forecast year 2015.

- Although all sample banks has increasing trend of Net Profit NBL has highest increasing trend. In fiscal year 2006 the trend values of NBL and EBL are 307.72 and 156.86 respectively. It is increase to 2127.79 and 1290.68 for the forecast year 2015. It is indicate that these banks are going on profitable condition. It is shows that financial strength of the banks condition.

CHAPTER V
SUMMARY, CONCLUSION & RECOMMENDATION

The proceeding chapters have discussed and explored the facts and matters required for the various parts of the study, analytical part, which is the heart of the study, made a comparative analysis of various aspects of the financial performance of commercial banks by using some important financial as well as statistical tool. Having completed the basic analysis required for the study, the final and most important task of the researcher is to enlist, finding and give recommendation for further improvement this would be meaningful to the top management of the bank to initiate action and achieve the desired result. The objective of the researcher is not only to point out an errors and mistakes but also to correct them and give directions for further growth and improvement.

5.1 Summary

The development of any country largely depends upon its economic development. Banking industries been regarded as one of the component of economy. It transfers the scattered funds collected from saving of the public into various productive sectors. Economic activities remains halt in absence of banking industries as it plays the role of catalyst for economic development of the country in the developing country where there prevail unorganized transactions. It helps to enhance economic activities of the country by providing capital funds for the smooth operation of business activities, create employment opportunities, investing agriculture, industry. At present there are more than 32 commercial banks operating in the country among which NBL and RBB has occupied wide range of the business due to access to most of the corner of the country. Slowly private banks are also initiating to move

toward every corner of the country but due to prevailing political crisis they are not being able to meet their objects to reach to every corner of the country. Due to increasing competition banks are forced to innovate new products to their customer and they are also shifting from traditional service procedure to various sophisticated services like ATM card, debit cards, credit card, housing loan, educational loans, vehicle financing.

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

In this study regarding the financial performance of the two banks namely NBL and EBL has been conducted to highlight the hidden implications of figures portrayed in the balance sheet and profit loss account of the banks by interpreting their cause effect relationship with regard to their finance performance and to identify their contribution to the national economy. The objective of this study can also be identified as to come up with conclusion and findings of the financial performance of banks with regard to their key financial variables and based on the findings of the analysis; provide specific suggestion which will be beneficial for these banks as well as for the entire economy. The financial

statement of five years 2005/2006 to 2009/2010 has been examined to fulfill the objective of the study.

5.2 Conclusions

The overall performance of sample banks found to be satisfactory. All sample banks are not strong in all performance. Some are strong in liquidity position and some are strong in profit making. The analysis of liquidity position of these commercial banks shows different positions. The current ratio measures only total rupees worth of current assets and total rupees of current liabilities, i.e. it indicates the availability of current assets in rupees for everyone rupee of current liability .Since mean ratios of EBL found to be highest than NBL from which we can conclude that EBL is successful to meet their current obligation. Even though NBL has failed to maintain the current obligation they it is not failed in earning the profit. From point of view of working policy they have taken the aggressive policy.

The turnover of the commercial banks is the main indication of income generating activity. These ratios are used to judge how efficiently the firm has been using its resources. From the analysis of turnover of banks all the sample banks are comparatively successful in assets management. Between sample banks NBL found to be comparatively best in mobilizing its assets and deposits in profitable sectors in form of loan and advances and Investment in Government securities

The main objective of a bank is to make profit providing different types of services to its customers. Profit is necessary to survive in any business field for its successful operation and further expansion. Profitability shows the overall efficiency of the business concerns. From profitability point of view, NBL found to be better among sample banks

because they pay lower interest rate for debt fund and earn higher interest by mobilizing its deposit and assets to different productive and profitable sectors.

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

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

The Trend Line Analysis of Deposit, Loan and Advance and Net Profit shows increasing trend which indicates futures of those variables are bright. Also the Trend Line Analysis of Investment of NBL and EBL are in increasing trend but of EBL is higher than NBL. Between them NBL has highest increasing trend in Deposit, Loan and Advances and Net Profit where as EBL has Highest increasing trend in Investment. That indicates NBL is successful in mobilizing the deposit, Loan and

Advances and net profit where as EBL has successfully mobilize their Investment.

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

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

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

5.3 Recommendation

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

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

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

- NBL have less mobilization of total deposit to loan and advances both sample banks. The purpose of loan and advances is to generate an income for the banks. So, NBL should increase a loan

and advances to different productive or profitable sectors. NBL should maintain the consistency.

- NBL are failed to maintain the average ratio which indicate that they are not very much successful in mobilizing the loan and advance with respect to the total assets. So NBL should try to mobilize the Loan and Advance with respect to Total Assets.

- Between sample banks, EBL is less successful in mobilizing its deposit by investing in different productive sectors. Investment is the key to earn a profit. Therefore, they should invest in different productive sectors by utilizing the different types of deposit. Since there consistency level is very high they should maintain stability in total investment.

- The overall investment of the Bank should be concentrated on productive sector such as business and industrial loan rather than consumer product such as hire purchase and housing loan. Because industrial and business sector will create the employment opportunity which is necessary for capital formation and economic growth.

- NBL also should increase it's investment toward government securities. And decrease a variation of investment on government securities. Even though Government Securities have low interest rate, they are risk free assets because government securities have marketability and can sell any time when needed.

- Profit is a key of success of any business. The bank also cannot survive without the profit. So, they should keep in the mind for profit maximization. But in long term business bank also should be

concern with the shareholder's wealth maximization as they are investor of the bank.

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

- NBL should maintain stability in earning an interest since they have greater variation in earning an interest. Also EBL have low interest earning among the sample banks they should increase an interest earning because it will directly effect to the net profit.

- The economic liberalization has made the entire bank to determine the own interest rate. But nowadays dew to unhealthy competition the spread between the deposit and lending interest has being higher than Nepal Rastra's Banks policy. If the depositor interest rate is very low then depositor may not interest to deposit their saving. Therefore the spread should be fixed according to the NRB.

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

- The discrimination in lending interest should not be done by the bank because it will bring the un satisfaction to the general public. This may lead to discourage toward deposit in the bank in long term business. The rate of interest should be fixed accordance to the situation of the country. There should not be unhealthy competition regarding the interest rate to attract customer.

- All the sample banks have more creditors fund to acquire an assets & investment. This means they all have more debt financing in assets. Since debt financing need to pay an interest regularly, higher debt are burden to bank. Between sample banks highest debt is used by EBL. Therefore they should decrease a debt financing and increase an equity financing, which may help in increasing profit to some extent. Equity fund is invest by shareholder and banks should pay dividend which may be very low than interest. So, more financing should do from equity fund rather than debt fund.

- Banks should evaluate its investment portfolio every year. Investment portfolio must be balanced in each sector according to the NRB rules and company's self policy. It should calculate co-efficient of correlation and regression among deposit, investment and return of the company.

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

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

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

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

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

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

BIBLIOGRAPHY

Adhikari, S. (2005). *A Comparative Study Performed for an Analysis of Portfolio on Common Stock Investment with Special Reference to Banking Industry*. An Unpublished Master Degree Thesis Submitted to the Central Department of Management, T.U., Kirtipur.

Awashi, G. P. (2003). *A Comparative study of Financial Performance between HBL & BOK*. An Unpublished Master Degree Thesis Submitted to the Central Department of Management, T.U., Kirtipur.

Gupta, S. C. & Kapoor, V. K. (1994). *Fundamental of Mathematics Statistics, A Modern Approach*, Ninth Extensively Revised Edition, New Delhi: Greatly improved, Sulton Chand and Sons.

Hampton, J. J. (1998). *Financial Decision Making*. New Delhi: Prentice Hall of India, Private Limited.

Joshi, P. R. (2010). *Research Methodology*. Kathmandu: Buddha Academic Publisher and Distributer Pvt. Ltd.

Kim, T. (1993). *International Money and Banking*. Cornwall, London: T.J. Press Ltd

Kothari, C. R. (1989). *Research Methodology, Methods & Techniques*. New Delhi: Willey Eastery Ltd.

Maharjan, N. (2008). *Financial Performance of Commercial Banks in Nepal (With Reference to Nepal Bank Ltd. and NBL Bank Ltd)*. An Unpublished Master Degree Thesis Submitted to the Central Department of Management, T.U., Kirtipur.

Munakarmi, S. P. (2002). *Management Accounting*. First Edition, Buddha Academic Enterprise Pvt. Ltd.

Pandey, I. M. (1992). *Financial Management.* New Delhi: Vikas Publishing House Pvt. Ltd., India

Paudel, D. K. (2002). *A Comparative Study of Financial Performance of Nepal Bangladesh Bank Ltd. and Everest Bank Ltd.* An Unpublished Master Degree Thesis Submitted to the Central Department of Management, T.U., Kirtipur.

Poudel, N. P. (2053). *Financial Statement Analysis to Approach to Evaluate Books Performance.*

Sapkota, U. P. (2002). *A Study on Fund Mobilization Policy of SCBNL in Comparison to HGB and HBL.* An Unpublished Master Degree Thesis Submitted to the Central Department of Management, T.U., Kirtipur.

Sayers, R. S. (1967). *Modern Banking.* Oxford Clarendon Press.

Shakya, N. (2009). *A Comparative Study on the Financial Performance of Nepal Investment Bank Ltd and Laxmi Bank Ltd.* An Unpublished Master Degree Thesis Submitted to the Central Department of Management, T.U., Kirtipur.

Shrestha, M. K. (2047). *Commercial Banks Comparative Performance Evaluation.* Karmachari Sanahay Kosh Publication.

Shrestha, S. and Silwal, D. P. (2057). *Statistical Methods in Management.* Kathmandu: Taleju Prakashan Bhotahity.

Shrestha, M. K. (2047). *Commercial Banks Comparative Performance Evaluation.*

Thapa, S. (2009). *A Comparative Analysis of Financial Performance of Standard Chartered Bank and Himalayan Bank Ltd.* An Unpublished Master Degree Thesis Submitted to the Central Department of Management, T.U., Kirtipur.

Timilsena, J. (2004). *Consumer Satisfaction in Joint Venture Commercial Bank, The Nepalese Management Review.* Vol. XII, Central Department of Management, T.U., Kirtipur.

Van H. and James, C. (2010). *Financial Management and Policy*. New Delhi: Prentice Hall of India Private Limited.

Vanhorn, J. C. & Watchowlcz, J.M. (1997). *Fundamentals of Financial Management.* Prentice Hall of India, Pvt. Ltd.

Weston, J. F. and Brigham, E. F. (1978). *Managerial Finance*. Florida: Illinois, The Dryden Press.

Weston, J. F. and Copeland, T. E. (1992*). Managerial Finance*. Florida: The Dryden Press, A Harcourt Brace Jovanovich Collage Publisher.

Weston, J. F./Besley, S. & Brigham, E.F. (1996). *Essential Managerial Finance.* The Dryden Press, Harcourt Brace College Publishers.

Annual Report of Nabil Bank Limited.

Annual Report of Everest Bank Limited.

www.ebl.com.np.

www.nbl.com.np

APPENDIX I
Current Ratio

Fiscal Year	Ratio in Times (x)	$d = \frac{x - }{x}$	d^2	Ratio in Times (x)	$d = \frac{x - }{x}$	d^2
2005/06	0.92	0.026	0.000676	1.1212	– 0.0197	0.00038809
2006/07	0.94	0.046	0.002116	1.1439	0.009	0.000081
2007/08	0.97	0.076	0.005776	1.1312	– 0.0097	0.00009409
2008/09	0.89	– 0.004	0.000016	1.1212	0.00037	0.0000009
2009/10	0.75	– 0.144	0.020736	1.1610	0.0201	0.00040401
ΣX	0.47			5.7045		
Mean ($\bar{x}$)	0.894			1.1409		
Ed^2			0.02932			0.00096809
S.D.						
C.V.%						

1) **Mean =** $\frac{\Sigma X}{N}$

	NBL	**Everest**
Mean **(** $\bar{x}$ **)**	$\frac{4.47}{5}$	$\frac{5.7045}{5}$
	= 0.894	= 1.1409

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

$\sqrt{\frac{0.02932}{5}}$ $\sqrt{\frac{0.00096809}{5}}$

0.0766 0.013915

3) Coefficient of Variation (C.V) = $\frac{S.D.}{Mean} \times 100$

NBL **Everest**

$\frac{0.0766}{0.894} \times 100$ $\frac{0.0013915}{1.1409} \times 100$

= 8.5682 = 1.2196

APPENDIX II

Cash and Bank Balance to Total Deposit Ratio

Fiscal Year	Ratio in Times (x)	$d = \frac{x - \bar{x}}{\bar{x}}$	d^2	Ratio in Times (x)	$d = \frac{x - \bar{x}}{\bar{x}}$	d^2
2005/06	0.059168	0.0629008	0.00084146	0.112514	– 0.071928	0.00517363754
2006/07	0.041576	0.011406	0.00013009	0.134898	– 0.049544	0.002456079
2007/08	0.0175268	– 0.012643	0.00015984	0.278104	0.093662	0.008772570
2008/09	0.0168743	– 0.013296	0.00017678	0.184990	0.000548	0.00000030034
2009/10	0.01567068	– 0.014463	0.00020918	0.211706	0.627264	0.00074332
ΣX	0.1508519			0.0922212		
Mean ($\bar{x}$)	0.030170			0.184442		
Ed^2			0.00151735			0.1714443
S.D.			0.017420			0.05854
C.V.%			57.740			31.744

APPENDIX III

Cash and Bank Balance to Total Deposit Ratio

Fiscal Year	Ratio in Times (x)	$d = X - \bar{X}$	d^2	Ratio in Times (x)	$d = X - \bar{X}$	d^2
2005/06	0.08254	0.030354	0.000921	0.09944	0.085049	0.007233
2006/07	0.06813	0.015944	0.000254	0.11366	– 0.070829	0.005017
2007/08	0.03736	– 0.014826	0.000200	0.26401	0.079521	0.0006323
2008/09	0.03475	– 0.017436	0.000304	0.21054	0.026051	0.000679
2009/10	0.03815	– 0.014036	0.000197	0.23479	0.050301	0.002530
ΣX	0.26093			0.922445		
Mean ($\bar{x}$)	0.052186			0.184489		
Ed^2			0.001896			0.021782
S.D.	0.0194730			0.0660030		
C.V.%	37.3149			35.7761		

APPENDIX IV

Loan and Advances to Total Deposit

Fiscal Year	Ratio in Times (x)	$d = X - \bar{X}$	d^2	Ratio in Times (x)	$d = X - \bar{X}$	d^2
2005/06	0.686385	– 0.015792	0.000249390	0.734386	– 0.023833	0.000056301
2006/07	0.681346	– 0.020831	0.00043393	0.774362	0.016149	0.000026079
2007/08	0.681772	– 0.020405	0.00041636	0.78626	0.027413	0.00075147
2008/09	0.749685	0.047508	0.00225701	0.734318	– 0.023895	0.00057097
2009/10	0.711700	0.009523	0.00009069	0.762379	0.004166	0.00001735
ΣX	3.510887852			3.791064731		
Mean ($\bar{x}$)	0.0702177			0.758213		
Ed^2			0.001416068264			
S.D.	0.0262579			0.020826		0.00218859
C.V.%	3.7395			2.7467		

APPENDIX V

Investment on Government Sector to Total Deposit

Fiscal Year	Ratio in Times (x)	$d = X - \bar{X}$	d^2	Ratio in Times (x)	$d = X - \bar{X}$	d^2
2005/06	0.311726	0.10257	0.01052060	0.257102	0.55008	0.00302580
2006/07	0.250018	0.040862	0.001670046	0.258692	0.056598	0.00320333
2007/08	0.133703	– 0.075453	0.00191205	0.204639	0.002545	0.00000677
2008/09	0.165429	– 0.043727	0.00058511	0.154428	– 0.047666	0.00442052
2009/10	0.184905	– 0.024251		0.135607	– 0.066487	
ΣX	1.045781			1.01046855		
Mean ($\bar{x}$)	0.209156			0.202094		
Ed^2			0.20384			0.0729282
S.D.	0.06385			0.12076		
C.V.%	30.5274			59.7597		

APPENDIX VI

Net Profit to Total Assets Ratio

(Rs. in Million)

Fiscal Year	NBL			Everest		
	Ratio in Times (x)	$d = X - \bar{X}$	d^2	Ratio in Times (x)	$d = X - \bar{X}$	d^2
2005/06	0.14129	– 0.003281	0.00001076	0.148691	0.0000691	0.000000004775
2006/07	0.013583	– 0.003827	0.00001464	0.138294	– 0.0009706	0.000000942064
2007/08	0.013967	– 0.003443	0.00001185	0.0113959	– 0.0034041	0.000011587
2008/09	0.023509	0.006099	0.00003720	0.0109925	– 0.0038075	0.0000014497
2009/10	0.021843	0.004433	0.00001965	0.0198129	0.0050129	0.000025129
ΣX	0.0870307			0.070899794		
Mean ($\bar{x}$)	0.01741			0.01480		
Ed^2			0.00009410			
S.D.	0.004338			0.00279678		
C.V.%	24.9179			18.8972		

APPENDIX VII

Net Profit to Total Assets Ratio

(Rs. in Million)

Fiscal Year	NBL			Everest		
	Ratio in Times (x)	$d = X - \bar{X}$	d^2	Ratio in Times (x)	$d = X - \bar{X}$	d^2
2005/06	0.0215137	– 0.0003713	0.000000137864	0.0171927	0.0011886	0.00000141277
2006/07	0.0195060	– 0.002379	0.0000056964	0.0162981	0.000294	0.00000068644
2007/08	0.016250	– 0.005635	0.0000317532	0.0129878	0.0030163	0.0000090980
2008/09	0.027613	0.005728	0.0000328099	0.01101945	– 0.0049847	0.0000248472
2009/10	0.024543	0.002658	0.00000070649	0.0225223	0.0065182	0.0000424869
ΣX	0.1094260802			0.08002034		
Mean ($\bar{x}$)	0.021885			0.0160041		
Ed^2			0.00077425678			0.0000779313
S.D.	0.00393511			0.00394795		
C.V.%	17.9808			24.6687		

APPENDIX VIII

Total Interest Earned to Total Working Fund Ratio

(Rs. in Million)

Fiscal Year	NBL			Everest		
	Ratio in Times (x)	$d = X - \bar{X}$	d^2	Ratio in Times (x)	$d = X - \bar{X}$	d^2
2005/06	0.61456	– 0.021242	0.000451222	0.04012065	– 0.0088234	0.00007785
2006/07	0.059814	– 0.022884	0.000523677	0.0441096	– 0.0108344	0.000117384
2007/08	0.062183	– 0.020515	0.000420865	0.0508382	– 0.0041058	0.0000172889
2008/09	0.125325	0.042627	0.001817061	0.0637242	0.0087802	0.000077092
2009/10	0.104712	0.022014	0.000484616	0.0759295	0.0209855	0.0004403912
ΣX		0.4134900			0.274722	
Mean ($\bar{x}$)		0.082698			0.054744	
Ed^2			0.003697441			0.0007300062
S.D.		0.0271935			0.012083045	
C.V.%		32.8829			21.9916	

APPENDIX IX

Total Interest Paid to Total Working Fund Ratio

(Rs. in Million)

Fiscal Year	NBL			Everest		
	Ratio in Times (x)	$d = X - \bar{X}$	d^2	Ratio in Times (x)	$d = X - \bar{X}$	d^2
2005/06	0.033929	– 0.007595	0.0000576840	0.023075	– 0.0087738	0.0000769796
2006/07	0.038747	– 0.002777	0.00000771172	0.0247247	– 0.0071238	0.000056748
2007/08	0.044599	0.003075	0.000009455625	0.0281768	– 0.0036718	0.0000134821
2008/09	0.049653	0.008129	0.00006608064	0.037057	0.0052082	0.000027125
2009/10	0.040692	– 0.0000832	0.00000692224	0.0462106	0.0143622	0.0002065273
ΣX	0.207620			0.1345194197		
Mean ($\bar{x}$)	0.0415240			0.0318488		
Ed^2			0.00014162421			0.0003746077
S.D.	0.005322			0.00865572		
C.V.%	12.8169			27.1775		

APPENDIX X

Debt-Asst Ratio

(Rs. in Million)

Fiscal Year	NBL			Everest		
	Ratio in Times (x)	**$d = X - \bar{X}$**	**d^2**	**Ratio in Times (x)**	**$d = X - \bar{X}$**	**d^2**
2005/06	0.51345	– 0.1499111	0.0222341	0.939671	0.016549	0.000273869
2006/07	0.594129	– 0.067327	0.00453292	0.943942	0.2082	0.0004334724
2007/08	0.692454	0.030998	0.000960876	0.946226	0.023104	0.00053379
2008/09	0.749720	0.088264	0.00779053	0.868169	– 0.054953	0.003019832
2009/10	0.758633	0.097177	0.00944337	0.917602	– 0.00552	0.0000304704
ΣX	0.307281			4.615609654		
Mean ($\bar{x}$)	0.661456			0.923122		
Ed^2			0.0449179533			0.0042914338
S.D.	0.094828			0.0292965		
C.V.%	14.3362			3.1736		

APPENDIX XI

Debt-Equity Ratio

(Rs. in Million)

Fiscal Year	NBL			Everest		
	Ratio in Times (x)	$d = X - \bar{X}$	d^2	Ratio in Times (x)	$d = X - \bar{X}$	d^2
2005/06	9.790102	– 2.002355	4.009425546	15.575142	– 1.127548	1.271364492
2006/07	11.275583	0.516874	0.26715873	16.8379922	0.134632	0.018125775
2007/08	11.978909	0.186452	0.034764348	17.223377	0.520087	0.27049049
2008/09	11.382743	0.590286	0.34843756	16.013464	– 0.689826	0.47585991
2009/10	12.382743	1.74249	3.0362714	17.865947	1.102657	1.21585246
ΣX	13.53947			83.516453		
Mean ($\bar{x}$)	58.962284			16.703290		
Ed^2	11.792457		7.696057			3.251693127
S.D.	1.240649635			0.806436		
C.V.%	10.5207			4.8280		

APPENDIX XII

Coefficient of Correlation Between Deposit and Loan and Advance

(Rs. in Million)

Fiscal Year	Total Deposit (x)	**Loan and Advance (y)**	**xy**	**x^2**	**Y^2**
2005/06	19347.66	13279.59	256935957.4	374331947.5	176357072
2006/07	23342.03	15903.99	3712314117	554850364.5	252936897.9
2007/08	31915.60	21759.17	694456966.1	1018605523	473461479.1
2008/09	373480.40	27999.54	1045738020	1394902983	783974240.2
2009/10	46411.70	33031.20	1533034145	2154045897	1091060173
ΣX	**158365.39**	**Σy = 111973.85**	**Σxy = 3901396500**	**Σx^2 = 5486736715**	**Σ^{y2}= 2777789863**

Where,

$$r = \frac{N\Sigma xy - \Sigma x \times \Sigma y}{\sqrt{N\Sigma x^2 - (\Sigma x)^2}\sqrt{N\Sigma y^2 - (\Sigma y)^2}} \qquad P.e.r = 0.6745 = \frac{1-r^2}{\sqrt{N}}$$

Where,

r = coefficient of correlation

x = Independent variable

y = depend variable

N = Number of Periods

P.E.r. = Probable Error of Co-efficient

r = Co-efficient of Correlation

n = number of pairs of observation

r^2 = ?

$R^2 = (r)^2$

where,

R^2 = co-efficient of determination

r = coefficient of correlation

Fiscal Year	Total Deposit (x)	**Loan and Advance (y)**	**xy**	**x^2**	**Y^2**
2005/06	13802.40	10136.20	139903886.9	190506245.8	102742550.4
2006/07	18186.20	140820.70	256110798.7	330737870.4	198322439.3
2007/08	23976.30	18836.40	451627177.3	574958870.9	354809965
2008/09	33322.90	24469.6	815398033.8	1110415664	598761324.2
2009/10	36932.30	28156.40	1039880612	1363994783	792982861
ΣX	**Σy =126220.1**	**Σxy = 95681.3**	**Σx^2 = 2702920508**	**Σy^2 = 3272949344**	**Σy2 = 20487419140**

$$NBL = \frac{5\times 3901396500 - (158365.39\times 111973.85)}{\sqrt{5\times 5486736715 - (158365.39)^2}\sqrt{5\times 2777789863 - (111973.85)^2}}$$

r = 3.1463 r^2 = 9.8992 PE = – 2.68440 6 PEr = – 506756

$$\text{Everest} = \frac{5\times 2702920508 - (126220.1\times 95681.3)}{\sqrt{5\times 3272949344 - (126220.1)^2}\ \sqrt{5\times 2047419140 - (95681.3)^2}}$$

r = 0.8069 r^2 = 0.6512 PE = 0.10521 6 PE.r = – 0.50938

APPENDIX XIII

Coefficient of Correlation between Deposit and Loan and Advance

(Rs. in Million)

NBL Bank Limited

Fiscal Year	Total Deposit (x)	Loan and Advance (y)	xy	x^2	Y^2
2005/06	19347.66	6031.17	116689026.6	374331947.5	36375011.57
2006/07	23342.03	5835.99	136223853.7	544850364.5	34058779.28
2007/08	31915.6	4267.23	136191205.8	10211859.36	182092051.87
2008/09	37348.40	6178.53	230758209.9	1394902883	38174232.96
2009/10	46411.70	8581.75	398293606.5	2154045897	73646433.06
ΣX	**158365.70**	**ΣY = 30894.67**	**ΣXY = 108155902**	**ΣX^2 = 4478343051**	**ΣY^2 = 200463708.7**

Everest Bank Limited

Fiscal Year	Total Deposit (x)	Loan and Advance (y)	xy	x^2	Y^2
2005/06	13802.40	3548.62	48979472.69	1696245.76	12592703.9
2006/07	18186.20	4704.63	855559342.11	330737870.40	22133543.44
2007/08	23976.30	4906.50	117639716	574862961.7	240732742.25
2008/09	33322.90	5146.00	171479643.4	1110415664	26481316
2009/10	3692.30	5008.30	184968038.1	1363994783	250800614
ΣX	**158365.70**	**ΣY = 23314.05**	**ΣXY = 564544212**	**ΣX^2 = 3381707525**	**ΣY^2 = 200463708.7**

$$\text{NBL} = \frac{5\times 1018155902 - (158365.39\times 305894.67)}{\sqrt{5\times 4478343051 - (158365.39)^2}\ \sqrt{5\times 200463708.7 - (30894.67)^2}}$$

r = 0.5525 r^2 = 0.3053 PE = 0.20955 6 PEr = 0.11578

$$\text{Everest} = \frac{5\times 564544212.3 - (126220.1\times 23314.05)}{\sqrt{5\times 3381707525} - (126220.1)^2\ \sqrt{5\times 110361369.6 - (23314.05.3)^2}}$$

r = – 1.3354 r^2 = 1.7833 PE = 0.23628 6 PE.r = 0.31553

APPENDIX XIV

Coefficient of Correlation Between Investment and Net Profit

NBL Bank Ltd.

Fiscal Year	Investment (x)	Net Prfit (y)	xy	x^2	y^2
2005/06	6031.17	416.24	2510414.20	36375011.57	173255.73
2006/07	5835.94	455.31	2657161.84	34058195.68	207307.1961
2007/08	4267.23	518.63	2213113.49	18209251.87	268977.0769
2008/09	6178.53	1031.30	6371917.99	38174232.96	1063579.69
2009/10	8581.75	1139.10	9775471.42	73646433.06	1297548.81
	ΣX = 158365.70	**ΣY = 3560.58**	**ΣXY = 23528078.95**	**ΣX^2 = 200463125.1**	**ΣY^2 = 3010668.503**

Eve rest Bank Ltd.

Fiscal Year	Investment (x)	Net Prfit (y)	xy	x^2	y^2
2005/06	3548.62	237.90	842087.53	1252703.9	56311.29
2006/07	4704.63	296.40	1394452.33	22133543.44	87852.96
2007/08	4906.50	311.40	1527884.1	24073742.25	96969.96
2008/09	5146.00	367.20	1889611.2	26481316	134835.84
2009/10	5008.30	831.80	4165903.94	25080064	691891.24
	ΣX = 12331405	**ΣY = 2044.1**	**ΣXY = 98199329.1**	**ΣX^2 = 110361369.6**	**ΣY^2 = 1067861.29**

$$\text{NBL} = \frac{5\times 23528078.95 - (30894.67\times 3560.58)}{\sqrt{5\times 200463125.1 - (3089467)^2}\,\sqrt{5\times 3010668.503 - (3560.58)^2}}$$

r = 0.07164 r^2 = 0.5133 PE = 0.14681 6 PEr = 0.63105

$$\text{Everest} = \frac{5\times 9819939.1 - (23314.05\times 2044.1)}{\sqrt{5\times 110361369.6 - (23314.05)^2}\,\sqrt{5\times 1067861.29 - (2044.1)^2}}$$

r = 0.0284614 r^2 = 0.00081 PE = 0.301401 6 PE.r = 0.0514

APPENDIX XV

Coefficient of correlation between Loan and Advance and Net Profit

NBL Bank Ltd.

Fiscal Year	Loan and Advance (x)	Net Prfit (y)	xy	x^2	y^2
2005/06	13279.95	416.24	5527646.39	176357072	173255.738
2006/07	15903.99	455.31	7241245.69	252936897.9	207307.1961
2007/08	21759.17	518.30	11284958.34	473461479.1	268977.077
2008/09	27999.54	1031.30	28875925.6	783974240.2	1063579.69
2009/10	33031.20	1139.10	37625839.92	1091660173	1297548.81
	ΣX = 111973.85	**ΣY = 3560.58**	**ΣXY = 90555615.94**	**ΣX^2 = 2777789863**	**ΣY^2 = 3010668.503**

Eve rest Bank Ltd.

Fiscal Year	Loan and Advance (x)	Net Prfit (y)	xy	x^2	y^2
2005/06	1036	237.30	2405320.26	102742550.4	56311.29
2006/07	14082.70	296.40	4174112.28	198322439.3	87852.96
2007/08	18836.40	311.40	5865654.96	354809965	96969.963
2008/09	24469.60	367.20	8985237.12	59871324.2	134835.84
2009/10	28156.40	931.80	23420493.53	792782861	691891.24
	ΣX = 956813.3	**ΣY = 2044.1**	**ΣXY = 44850818.14**	**ΣX^2 = 2047419140**	**ΣY^2 = 106786129**

$$\text{NBL} = \frac{5\times 90555615.94 - (111973.85\times 3560.58)}{\sqrt{5\times 2777789863} - (111973.85)^2 \sqrt{5\times 3010668.511} - (3560.58)^2}$$

r = 0.0713200 r^2 = 0.0050865 PE = 0.30011 6 PEr = 0.12842

$$\text{Everest} = \frac{5\times 44850818.14 - (95681.3\times 2044.1)}{\sqrt{5\times 2047419140} - (956813)^2 \sqrt{5\times 1067861.29} - (2044.1)^2}$$

r = 0.8090 r^2 = 0.654481 PE = 0.10422 6 PEr = 0.90590

APPENDIX XVI

Trend Line Analysis of Deposits

y = a + bx

NBL Bank Ltd.

Calculation of Trend Value of Depoist

Year (T)	**Deposit (y)**	**x = t – 2008**	**xy**	**x^2**	**yc** = 316730.08 + 6813.45x
2005/06	19347	– 2	– 38695.32	4	3031003.108
2006/07	23342.03	– 1	– 23342.02	1	309916.63
2007/08	31915.60	0	0	0	316730.08
2008/09	37348.40	1	37348.4	1	323543.53
2009/10	4611.70	2	92823.4	4	330356.98
	Σy = 158365.39		**Σxy = 68134.46**	**Σx^2 = 10**	

Where,

$$\mathbf{a} = \frac{\Sigma y}{N} \qquad \mathbf{b} = \frac{\Sigma xy}{\Sigma xy^2}$$

$$= \frac{158365.39}{5} \qquad = \frac{68134.46}{10}$$

a = 316730.08 = 6813.446 b = 6813.45

Future Projection of Next five year:

Year (T)	**x = t – 2008**	**yc** = 316730.08 + 6813.45x
2011	3	337170.43
2012	4	343983.88
2013	5	350797.33
2014	6	357610.33
2015	7	364424.23

y + bx

Everest Bank Limited

Year (T)	**Deposit (y)**	**x = t – 2008**	**xy**	**x^2**	**yc** = 316730.08 + 6813.45x
2005/06	13602.4	– 2	– 27604.8	4	12964.72
2006/07	18186.20	– 1	– 18186.20	1	19104.37
2007/08	23976.30	0	0	0	25244.02
2008/09	33322.90	1	33322.90	1	31383.67
2009/10	36932.30	2	73864.60	4	37523.32
	$\Sigma y = 126220.1$	**$\Sigma x = 0$**	**$\Sigma xy = 61396.5$**	**$\Sigma x^2 = 10$**	

Where,

$$\mathbf{a} = \frac{\Sigma y}{N} \qquad \mathbf{b} = \frac{\Sigma xy}{\Sigma xy^2}$$

$$= \frac{126220.1}{5} \qquad = \frac{61396.5}{10}$$

$$= 25244.02 \qquad = 6139.65$$

Future Projection of Next five year:

Year (T)	**x = t – 2008**	**yc = 316730.08 + 6813.45x**
2011	3	43662.97
2012	4	49802.62
2013	5	55942.27
2014	6	62081.92
2015	7	68221.57

Appendix XVII

Trend Lines Analysis of Loan and Advances

$y = a + bx$

NBL Bank Limited

Calculation of Trend Value of Loan and Advance

Year (T)	**Loan and Advances (y)**	**x = t – 2008**	**xy**	**x^2**	**yc** = 316730.08 + 6813.45x
2005/06	13279.95	– 2	– 26559.9	4	5468.93
2006/07	15903.99	– 1	– 15903.99	1	13931.85
2007/08	21759.17	0	0	0	22394.77
2008/09	27999.54	1	27999.54	1	30857.69
2009/10	33031.20	2	99093.6	4	39320.610
	$\Sigma y = 111973.85$	**$\Sigma x = 0$**	**$\Sigma xy = 84629.25$**	**$\Sigma x^2 = 10$**	

Where,

$$\mathbf{a} = \frac{\Sigma y}{N} = \frac{111973.85}{5} = 22394.77$$

$$\mathbf{b} = \frac{\Sigma xy}{\Sigma xy^2} = \frac{84629.25}{10} = 8462.92$$

Future Projection of Next five year:

Year (T)	**x = t – 2008**	**yc = 22394.77 + 8462.92x**
2011	3	47783.53
2012	4	56246.45
2013	5	64709.37
2014	6	73172.29
2015	7	81635.21

Trend line analysis of loan and Advance

$y = a + bx$

Everest Limited

Calculation of Trend value of loan and advance

Year (T)	**Loan and Advances (y)**	**x = t – 2008**	**xy**	**x^2**	**yc =** 316730.08 + 6813.45x
2005/06	10136.2	– 2	– 20272.4	4	9850.8
2006/07	14082.7	– 1	– 14082.7	1	14493.53
2007/08	18836.4	0	0	0	19136.26
2008/09	24469.6	1	24469.6	1	23778.99
2009/10	28156.4	2	56312.8	4	28421.72
	$\Sigma y = 95681.3$	**$\Sigma x = 0$**	**$\Sigma xy = 46427.3$**	**$\Sigma x^2 = 10$**	

Where,

$$\mathbf{a} = \frac{\Sigma y}{N} = \frac{95681.3}{5}$$

$$\mathbf{b} = \frac{\Sigma xy}{\Sigma xy^2} = \frac{46427.30}{10} = 4642.73$$

Future Projection of Next five year:

Year (T)	**x = t – 2008**	**yc = 19136.26 + 4642.73x**
2011	3	33064.45
2012	4	37707.18
2013	5	42349.91
2014	6	46992.64
2015	7	61635.37

Appendix XVIII

Trend Lines Analysis of Investment

$y = a + bx$

NBL Bank Limited

Calculation of Trend Value of Loan and Advance

Year (T)	**Loan and Advances (y)**	**x = t – 2008**	**xy**	**x^2**	**yc** = 6178.92 + 54437x
2005/06	6031.17	– 2	– 12062.34	4	5090.18
2006/07	5835.94	– 1	– 5835.94	1	5634.55
2007/08	4267.23	0	0	0	6178.92
2008/09	6178.53	1	6178.53	1	9723.29
2009/10	8581.75	2	17163.5	4	7267.66
	Σy = 30894.62	**Σx = 0**	**Σxy = 84629.25**	**Σx^2 = 10**	

Where,

$$\mathbf{a} = \frac{\Sigma y}{N} \qquad \mathbf{b} = \frac{\Sigma xy}{\Sigma xy^2} = \frac{84629.25}{10}$$

$$= \frac{30894.62}{5} \qquad = \frac{5443.75}{10} = 544.375$$

$$= 6178.924$$

Future Projection of Next five year:

Year (T)	**x = t – 2008**	**yc = 6178.92 + 544.37x**
2011	3	7812.03
2012	4	8356.4
2013	5	8900.77
2014	6	9445.14
2015	7	9989.51

Everest Bank Limited

Calculation of Trend Value of Loan and Advance

Year (T)	**Loan and Advances (y)**	**x = t – 2008**	**xy**	**x^2**	**yc** = 4662.81 + 850.67x
2005/06	3548.62	– 2	– 7097.24	4	2961.47
2006/07	4704.63	– 1	– 4704.63	1	3812.14
2007/08	4906.50	0	0	0	4662.81
2008/09	4906.50	1	5146.00	1	5513.48
2009/10	5008.3	2	15162.6	4	6364.15
	Σy = 23314.05	**Σx = 0**	**Σxy = 8506.73**	**Σx^2 = 10**	

Where,

$$\mathbf{a} = \frac{\Sigma y}{N} \qquad \mathbf{b} = \frac{\Sigma xy}{\Sigma xy^2} = \frac{8506.73}{10}$$

$$= \frac{23314.05}{5} \qquad = \frac{5443.75}{10}$$

$$= 4662.81 \qquad = 850.67$$

Future Projection of Next five year:

Year (T)	**x = t – 2008**	**yc = 4662.8 + 850.67x**
2011	3	7214.82
2012	4	8065.49
2013	5	8916.16
2014	6	9766.83
2015	7	10617.5

Appendix XIX

Trend Lines Analysis of Net Profit

$y = a + bx$

NBL Bank Limited

Calculation of Trend Value of Loan and Advance

Year (T)	**Loan and Advances (y)**	**x = t – 2008**	**xy**	**x^2**	**yc** = 712.18 + 202.13x
2005/06	416.24	– 2	– 832.48	4	307.72
2006/07	455.31	– 1	– 455.31	1	509.95
2007/08	518.63	0	0	0	712.18
2008/09	1031.30	1	1031.30	1	914.41
2009/10	1139.40	2	2278.8	4	
	$\Sigma y = 3560.88$	**$\Sigma x = 0$**	**$\Sigma xy = 2022.31$**	**$\Sigma x^2 = 10$**	

Where,

$$\mathbf{a} = \frac{\Sigma y}{N} \qquad \mathbf{b} = \frac{\Sigma xy}{\Sigma xy^2} = \frac{84629.25}{10}$$

$$= \frac{356.88}{5} \qquad = \frac{2022.31}{10}$$

$$= 712.176 \qquad = 202.231$$

$$= 712.18 \qquad = 202.23$$

Future Projection of Next five year:

Year (T)	**x = t – 2008**	**yc = 712.18 + 202.23x**
2011	3	1318.87
2012	4	1521.10
2013	5	1723.33
2014	6	1925.56
2015	7	2127.79

Trend Line Analysis of Net Profit

$y = a + bx$

Everest Bank Limited

Calculation of Trend value of Net profit

Year (T)	**Loan and Advances (y)**	**x = t – 2008**	**xy**	**x^2**	**yc** = 712.18 + 202.13x
2005/06	237.30	– 2	– 474.6	4	156.86
2006/07	296.40	– 1	– 296.40	1	282.84
2007/08	311.40	0	0	0	408.82
2008/09	367.20	1	367.20	1	534.8
2009/10	831.80	2	1663.6	4	660.78
	$\Sigma y = 2044.1$	**$\Sigma x = 0$**	**$\Sigma xy = 1259.80$**	**$\Sigma x^2 = 10$**	

Where,

$$\mathbf{a} = \frac{\Sigma y}{N} \qquad \mathbf{b} = \frac{\Sigma xy}{\Sigma xy^2} = \frac{1259.80}{10}$$

$$= \frac{2044.1}{5} \qquad = \frac{1259.80}{10}$$

$$= 408.82 \qquad = 125.59$$

Future Projection of Next five year:

Year (T)	**x = t – 2008**	**yc = 408.82 + 125.98x**
2011	3	786.76
2012	4	912.75
2013	5	1038.72
2014	6	1164.7
2015	7	1290.68

Appendix XX
BALANCE SHEET OF
NABIL BANK LIMITED

(Rs in million)

S.N	Capital and Liabilities	2005/06	2006/07	2007/08	2008/09	2009/10
1	Share Capital	1205.27	1125.35	1203.91	1448.62	2028.77
2	Reserves and Funds	1224.12	1576.77	1482.87	1681.63	1805.98
3	Debentures and Bonds	300.00	266.06	250.00	300.00	300.00
4	Borrowings	950.25	2100.00	868.96	1681.305	74.90
5	Deposits	23537.66	26342.03	31915	37348.40	46411.70
6	Bills payables	580.75	560.44	530.28	463.34	425.44
7	Proposed and Dividend Payables	1524.82	485.02	325.21	338.01	434.74
8	Income Tax Libilities	100.67	73.22	60.85	80.236	24.9
9	Other Liabilities	936.85	990.25	495.69	526.21	644.80
Total Liabilities		**29460.39**	**33519.14**	**37132.76**	**43867.40**	**52150.23**

S.N	Assets	2005/06	2006/07	2007/08	2008/09	2009/10
1	Cash Balance	575.72	602.12	660.23	674.39	635.98
2	Balance with Nepal Rastra Bank	1679.21	2826.13	2338.95	2648.60	549.45
3	Balance with Banks/Financial Inst.	57.00	300.00	285.52	49.52	214.66
4	Money at Call and Short Notice	600.63	270.00	545.23	552.89	3118.14
5	Investments	5495.82	3340.845	10582.30	10826.38	13670.92
6	Loan Advances and Bills Purchase	19775.063	21808.99	21819.40	27589.93	32268.87
7	Fixed Assets	600.592	610.75	650.81	660.99	779.53
8	Non-Banking Assets	1.125	0.375	0	0	0
9	Other Assets	675.23	759.82	850.30	864.69	912.66
	Total Assets	**29460.39**	**33519.14**	**37132.76**	**43867.40**	**52150.23**

PROFIT AND LOSS ACCOUNT OF
NABIL BANK LIMITED

(Rs in million)

S.N	Particulars	2005/06	2006/07	2007/08	2008/09	2009/10
1	Interest Income	1017.87	1001.62	1068.7	2798.50	4047.22
2	Interest Expenses	561.96	648.84	766.50	1108.75	1572.79
	Net Interest Income	**455.91**	**352.78**	**302.2**	**1689.75**	**2474.43**
3	Commission and Discount	250.69	175.72	150.28	179.69	215.48
4	Other Operating Income	198.27	157.25	120.17	144.16	169.54
5	Exchange Fluctuation income	250.78	185.32	160.29	251.91	291.44
	Total Operating Income	**1155.59**	**871.07**	**732.94**	**2265.51**	**3150.89**
6	Staffs Expenses	250.07	285.27	300.82	339.89	366.94
7	Other Operating Expenses	230.76	260.25	288.35	265.15	334.18
8	Exchange Fluctuation Loss	-	-	-	-	-
	O.P. before Provision for Possible Losses	**674.76**	**325.8**	**143.77**	**1660.47**	**2449.77**
9	Provision for Possible Losses	165.667	200.79	105.63	45.722	355.82
	Operating Profit	**509.09**	**125.01**	**38.14**	**1614.74**	**2093.95**
10	Non-Operating Income(Loss)	1.069	0.989	0.756	2.190	6.454
11	Loan Loss Provision Written-Back	6.066	5.34	8.56	10.617	39.791
	Profit from Regular Operations	**516.22**	**131.34**	**47.45**	**1627.54**	**2140.195**
12	Profot/(Loss) from Extra-ordinary Activities	15.24	1.75	0.85	43.521	34.321
	Net Profit after considering all Activities	**531.46**	**133.09**	**48.3**	**1671.66**	**2174.52**
13	Staff Bonus Provision	13.421	1.99	0.95	147.87	162.51
14	Tax Provision	380.42	252.07	89.00	477.61	486.07
	a)Current Year	300.06	380.27	400.89	470.70	472.82
	b)Upto previous year	600.63	621.27	753.72	918.74	831.93
	c)Deffered Income tax (Expenses)	5.65	4.21	6.12	(24.00)	12.42
15	Provision for Non Banking Assests		-	-	-	-
NET PROFIT/LOSS		**137.619**	**(120.97)**	**(136.35)**	**1076.21**	**1525.93**

Appendix XXI
BALANCE SHEET OF
EVEREST BANK LIMITED

(Rs in million)

S.N	Capital and Liabilities	2005/06	2006/07	2007/08	2008/09	2009/10
1	Share Capital	518	518	831.4	838.82	1279.60
2	Reserves and Funds	444.808	683.515	1,089.84	1,364.60	1479.53
3	Debentures and Bonds	300	300	300	300	300.00
4	Borrowings	0	0	0	312	404.60
5	Deposits	13802.445	18,186.25	23,976.30	33,322.95	36932.31
6	Bills payables	15.805	26.776	49.429	148.656	1458.51
7	Proposed and Dividend Payables	114.667	68.146	140.79	230.525	276.25
8	Income Tax Libilities	0	15.278	411.143	20.522	(1.13)
9	Other Liabilities	763.559	1634.604	720.443	378.575	566.08
	Total Liabilities	**11732.51**	**15959.28**	**21432.57**	**27519.34**	**41382.760**

S.N	Assets	2005/06	2006/07	2007/08	2008/09	2009/10
1	Cash Balance	259.347	534.996	822.989	944.695	1091.50
2	Balance with Nepal Rastra Bank	1,139.51	1,178.20	1,080.91	4787.163	5625.11
3	Balance with Banks/Financial Inst.	154.104	678.225	764.067	432.511	1102.20
4	Money at Call and Short Notice	66.96	0.00	346.00	0	0
5	Investments	4,200.52	4,984.31	5,059.56	5,948.48	5008.30
6	Loan Advances and Bills Purchase	9,801.31	13,664.08	18,339.09	23,884.67	27556.35
7	Fixed Assets	152.089	170.097	360.512	427.157	463.094
8	Non-Banking Assets	7.437	0	0	0	0
9	Other Assets	178.007	222.66	376.215	492.166	536.18
	Total Assets	**15959.28**	**21432.57**	**27149.34**	**36916.85**	**41382.760**

PROFIT AND LOSS ACCOUNT OF
EVEREST BANK LIMITED

(Rs in million)

S.N	Particulars	2005/06	2006/07	2007/08	2008/09	2009/10
1	Interest Income	903.411	1548.657	1144.408	2186.814	3102.45
2	Interest Expenses	401.397	632.609	517.166	1012.874	1572.79
	Net Interest Income	**502.014**	**916.048**	**627.242**	**1173.94**	**1529.66**
3	Commission and Discount	96.839	150.264	117.718	202.094	208.12
4	Other Operating Income	48.902	79.133	67.967	106.403	142.31
5	Exchange Fluctuation income	14.397	64.452	28.404	62.526	47.88
	Total Operating Income	**662.15**	**1209.90**	**841.33**	**1544.96**	**1927.987**
6	Staffs Expenses	70.924	157.957	86.118	186.919	226.36
7	Other Operating Expenses	143.562	233.766	177.545	292.01	352.51
8	Exchange Fluctuation Loss	0	0	0	0	0
	O.P. before Provision for Possible Losses	**447.67**	**818.17**	**577.67**	**1066.03**	**1349.10**
9	Provision for Possible Losses	70.465	99.34	89.695	93.084	(77.01)
	Operating Profit	**377.20**	**718.83**	**487.97**	**972.95**	**1272.09**
10	Non-Operating Income(Loss)	2.959	4.519	1.315	5.005	12.34
11	Loan Loss Provision Written-Back	0	20.201	11.686	8.044	83.55
	Profit from Regular Operations	**380.16**	**743.55**	**500.97**	**986.00**	**1367.98**
12	Profot/(Loss) from Extra-ordinary Activities	0	-18.998	-0.795	-5.549	(61.19)
	Net Profit after considering all Activities	**380.16**	**724.56**	**500.18**	**980.45**	**1306.79**
13	Staff Bonus Provision	34.56	66.868	45.471	89.131	118.80
14	Tax Provision					0
	a)Current Year	106.753	216.913	158.299	276.864	357.02
	b)Upto previous year	1.556	9.445	0	24.278	0
	c)Deffered Income tax (Expenses)		207.468	0	0	(0.794)
15	Provision for Non Banking Assests	0	0	0	0	0
	NET PROFIT/LOSS	**237.29**	**451.22**	**296.41**	**638.73**	**831.765**