

CHAPTER I

INTRODUCTION

1.1 General Background

The modern banking system was introduced from England since 1694 but the history of the banking system is not so long in Nepal. After the establishment of Nepal Bank in 1994 B.S. under the banking Act, 1994 the banking system is introduced. After the liberalization in the banking system different national and joint venture banks were established. The first joint venture bank was Nepal Arab bank limited (Nabil bank) was established in 2041 B.S. After then establishment of private is increasing. There are 28 commercial banks and 28th bank is Mega Bank Nepal.

Bank came into existence mainly with the objective of collecting the idle funds, mobilizing them into productive sector causing an overall economic development. The bankers have the responsibility of safeguarding the principle and providing interest to depositors, profit to the shareholders.

After establishment of peace and security especially private commercial banks also start to move toward every corner of the country and they are able to collect deposit and give loan and advances. Due to prevailing political crisis, they are not being able to meet their objective to reach to every corner of the country. Due to increasing competition banks are forced to innovate new products to their customer and they are also shifting from traditional service procedure to various sophisticated services like Automatic Teller Machine (ATM) card, debit cards, credit cards, housing loan, education loans, vehicle financing, letter of credit (LC), travelers cheque, bill of discount, internet banking, mobile banking and so on.

It is a grand opportunity to the general people to choose commercial bank according to their desire as well as facilities of these banks. People deposit their saving in trust of banks repay their deposits promptly when they demand for it. If one banks fails to repay the deposited amount to the public then their will be run in another banks and it leads to insolvency of the banks. So as the regulator, supervisor and inspector NRB always dictate the activities of the banks in the country. It chances its directives from time to time in order to have fair competition between the banks and to safeguards the

deposits of the public. As number of banks in the country increase NRB has to be more active towards its regulative and supervising role.

1.2 Profile of Sample Banks

1.2.1 Nabil Bank Limited (NBL)

Nabil Bank Limited (erstwhile Nepal Arab Bank Limited) was established on July 12th 1984 under a technical service agreement with Dubai Bank Limited, Dubai, which was later merged with Emirates Bank Ltd., Dubai. Nabil Bank is the first and major joint venture bank in the country with key points of representation all over the state. The Bank is managed by a team of qualified and highly experienced professionals.

Shareholdings are distributed as follows:

- 50% is owned by N.B. International Limited, Ireland
- 20% by local financial institutions
- 30% by the Nepalese public

The Bank provides a complete range of consumer, retail, SME and corporate banking services through its offices spread across the country. Nabil is the sole banker to a multitude of large corporate, international aid agencies, NGOs and embassies. It is the largest private bank in the country in terms of branch and ATM network. All its branches are interconnected on real time basis. On the technological front, the Bank has earned a reputation in providing an array of card products and Internet / Tele banking facilities besides ATMs and Any Branch Banking Service.

The statement 'Your Bank at Your Service' that the Bank holds on firmly is a resemblance that the Bank's stakeholders are at the core of everything it does. As for the culture embraced by the entire Nabil team, a set of Values, referred to as 'C.R.I.S.P.' in short, represents the fact that the bank uninterruptedly strives to be Customer Focused, Result Oriented, Innovative, Synergistic and Professional. By living these Values, individually as professionals and collectively as a Team, Nabil Bank is committed to

Surge Ahead to continue to be the Bank of 1st Choice in Nepal. It had awarded “Bank of Year” in 2004.

Board of Directors

Mr. Satyendra Pyara Shrestha	Chairman
Mr. Shambhu Prasad Poudyal	Director
Mr. Dayaram Gopal Agrawal	Director
Mr. Achyut Prashad Bazgain	Independent/Professional Director
Mr. Mohiuddin Ahmed	Director
Mr. Tabith Awaal	Director
Mr. Shyamalendu Chatterjee	Director
Mr. Jagadish Pd. Kanoria	Alternate Director to Dir. M. Ahmed
Mr. Megha Raj Pokhrel	Alternate Director to Dir. T. Awa

1.2.2 Nepal Investment Bank Limited (NIBL)

Nepal Investment Bank Ltd. (NIBL), previously Nepal Indosuez Bank Ltd., was established in 1986 as a joint venture between Nepalese and French partners. The French partner (holding 50% of the capital) was Credit Agricole Indosuez, a subsidiary of one the largest banking groups in the world. With the decision of Credit Agricole Indosuez to divest, a group of companies comprising of bankers, professionals, industrialists and businessmen, in April 2002, acquired 50% of the holdings of Credit Agricole Indosuez in Nepal Indosuez Bank. The name of the bank was changed to Nepal Investment Bank Ltd. upon approval of the Bank’s Annual General Meeting, Nepal Rastra Bank and Company Registrar’s office.

The shareholding structure comprises of:

- A group of companies holding 50% of the Capital
- Rastriya Banijya Bank holding 15% of the Capital.

- Rastriya Beema Sansthan holding 15% of the Capital.
- The general public holding 20% of the Capital.

The Bank’s Vision, Mission, Objectives:

“Our Vision is to be the most preferred provider of Financial Services in Nepal”

To develop a customer oriented service culture with special emphasis on customer care and convenience

Nepal Investment Bank at present has Thirty nine branches including Head Branches. Among them sixteen are inside valley and rests are outside the valley.

Board of Directors of NIBL

1 Prithivi B Pande	Chair and Chief Executive Director
2. Deepak Man Sherchan	Director
3. Prajanya Rajbhandari	Director
4. Rajecsh Rajkarnikar	Director “Representative - Rastriya Beema Sansthan”
5. Dhuba Prasad Bhandari	Director “Representative - Rastriya Banijya Bank
6. Surendra Bahadur Singh	Director “Public Share holder”
7. Damodar Prasad Sharma Pandey	Director “Independent Director”
8. Jitendra Basnyat	Company Secretary and senior General

1.3 Statement of the Problem

The numbers of joint venture banks are being increased in response to the economic liberalization policies of government. Besides joint venture banks, Nepalese promoters are also registering number of commercial banks.

These institutions have the tendency to centralize in major cities focusing the activities among the industrialists, trader and entrepreneurs. Because of number of banks & financial institution are come into existence, in the resent years that creates

instance competition in the banking sector. Banks are facing considerable pressure to lower the lending rates, which have adversely, affect the profitability of banks. The commercial banks are competing with limited opportunity, narrow clientele base and barring investment in the activities in the country. The demand for credit has not picked up. Besides, competition in the banking sector has turned instance and lending opportunity in the good projects is very limited.

Government policies on economic liberalization have further intensified the competition. Every bank shows their huge amount of profit and high technology. However, the profit is not only the instruments measure good health of that institution. There should also be the proper examination of their performance in terms of overall management of the banks. Financial plans may take many forms but any good plan must be understood if they are to be used to proper advantage and the weakness must be recognized if effective action is to be taken.

-) The problem of the study on the issues related to the comparative strength and weakness of Nabil and NIBL.
-) What is the comparative position of two banks in terms of Liquidity Ratio, Activity Turnover, Ratio Leverage Ratios and Profitability Ratios?
-) Whether there are any differences in financial preferences between Nabil and NIBL?
-) Whether both banks are more effective and efficient mobilization of fund for better financial performance?

1.4 Objectives of the Study

The main objective of this study is to analyze the financial position of Nabil and NIBL with the help of ratio analysis and other portfolio. However the specific objectives are as follows:

1. To analyze the financial performance of the banks in terms of liquidity, activity or turn over, leverage, profitability.

2. To highlight the total deposit, total loans and advance, total investment, and total expenses of selected banks.
3. To compare and contrast the two commercial banks from the performances of organization.

1.5 Significance of the Study

As stated above financial institutions are backbone of any country. A country can generate idle and scattered money and utilized in any productive work by using financial bank. Without financial institution, any country is probably unable to do such work. So for economic development financial development goes 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.

Every organization has to analyze its financial performance. So this study is very useful and valuable who are interested in the reference to the know condition of the financial institution and to the policy making bodies. This study is important for the following groups and individuals.

- Further Researchers
- University students who are new generation
- Financial managers
- Government
- NGO's and INGO's
- Stockholder and Creditor

1.6 Limitations of the Study

-) The study deals with only two banks but it may not applicable to other banks.
-) The data available in internet, publication and annual report, is assumed to be correct and true.

1.7 Structure of the Study

The study will be divided into five chapters. They are as follows:

Chapter 1: Introduction

Introduction chapter covers background of the study, statement of the problem, objectives of the Study, limitations of the Study and structure of the study.

Chapter 2: Review of Literature

This chapter deals with different article, books and relevant thesis related to financial analysis.

Chapter 3: Research Methodology

This chapter is concern with 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

In this chapter different part of ratio analysis are analyze like liquidity ratio, profitability ratio, assets management ratio and growth ratio. Statistical analysis and interpretations of data where study analyze the trend analysis, correlation analysis between different variable terms like total deposit, investment, net profit and loan advances.

Chapter 5: Summary, Conclusion and Recommendation

In this chapter summary of whole chapter and different results find in data analysis and recommendation to bank for nation development are included.

CHAPTER II

REVIEW OF LITERATURE

This chapter is related to examine and review of some related books, article, published and unpublished different economic journals, bulletins, magazines, newspapers, annually published balance sheet of respective banks, NRB directives and guidelines, economic survey, previous dissertation on related subject and related material from different websites.

2.1 Conceptual Review of the Study

2.1.1 Financial Performance Analysis

Brigham (1989) argues, “Balance sheet, profit and loss account are the financial statements of the bank. Balance sheet includes financial claims as liabilities in the form of deposit and as assets in the form of loans. Fixed assets appear in small portion out of the total assets. Financial innovations, which are generally contingent in nature, are considered as off balance sheet items. Interest received on loans, advances and investment and paid in deposit liabilities are major components of profit and loss account. The other sources of income are fee, fine, commission and discounts, foreign exchange income, dividend on investment, other service charge etc.

The users of financial statements of bank require relevant, reliable and comparative information to evaluate the financial performance and position and hence make economic decision regarding the bank. According to ‘Commercial Bank Acts 1974’ the audited balance sheet and profit and loss account must be published in the leading national newspaper for the information of general public. Most of the users of financial statements seek to access the bank’s overall performance. Following factors affect the evaluation of bank overall performance.”

2.1.2 General Concept of Financial Analysis

Dangol (1997) argues, “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 maximized. 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 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.”

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

Mayer (1961) argues, “Financial statement analysis is largely analysis study of relationship among the various financial factors in analysis business as disclosed by the single set of statement and analysis study of the trend of these factors as shown in analysis serous of statement.

Vanhorn and Watchowlcz (1997) argues, “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.”

Hampton (1998) argues “It is the process of determining the significant operating and financial statements. The goal of such analysis is to determining the efficiency and performance of the firm's management, as reflected in the financial records and reports.”

Pandey (1992) argues, “Financial analysis is the process of identifying the financial statement and weakness of the firms by properly establishing relationship between the items of the balance sheet and the profit and loss account.”

Pradhan (2000), “Financial analysis is to analysis the achieved statements to see if the results meet the objectives of the firm, to identify problems, if any in the past of present and/or likely to be in the future and to provide recommendation to solve the problems.”

Ratio analysis

Walsch (1997) argues, “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.”

Hamptom (1992) argues, “Ratio analysis is a powerful tool of financial analysis, which helps in identifying strength and weakness of business concerns. It is an important way to state meaningful relationships 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 1800.”

Dangol and Prajapati (2006) argues, “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 to 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 toward better or poor performance and in finding out significant deviation from any average or relatively applicable standard.

Maheshwari (1997) argues, “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 an end. Ratio analysis is in conceivable that accounting into ratio.”

Praddhan (1986) argues, “Financial ratios help us to find the symptom of problems. The cause of any problem may be determined only after location the symptoms the operational and financial problems of a corporation can be ascertained by examining the behavior of these ratios.”

Kothari (1990) argues, “Ratio analysis is such a powerful of financial analysis that through it economic and financial position units can be fully-x-rayed”

Weston and Brigham (1985) have classified ratios into six fundamental types Viz. 1. Liquidity Ratio, 2. Leverage Ratio, 3. Activity Ratio, 4. Profitability Ratio, 5. Growth ratio and 6. Growth Ratio and valuation Ratio. These type of ratio, the first four types are popular are widely used. Growth ratio measure the firm’s ability to maintain its economic position in Growth of economy and industry and valuation ratios are the most complete measures of the performance because they reflect the risk ratio (the first two) and the return (the following three).”

Pandey (1992), A single ratio it self does not indicate favorable or unfavorable condition. It should be compared with some standard. As

-) Time serious analysis
-) Cross- sectional analysis
-) Industry analysis

) Perform analysis

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

- ❖ Liquidity Ratio:
 - Current Ratio
 - Liquid Ratio to Total Deposit Ratio
- ❖ Activity Ratio:
 - Cash and Bank Balance to Total Deposit Ratio
 - Loan and Advances to Total Deposit Ratio
 - Investment to total deposit Ratio
- ❖ Leverage Ratio:
 - Total Debt to Equity Ratio
- ❖ Profitability Ratio:
 - Total Interest Earned to loan and advances
 - Total Interest Paid to Total Deposit Ratio
 - Total Interest Earned to Total Working Fund Ratio
 - Total Interest Paid to Total Working Fund Ratio
 - Interest Income to Total Income Ratio
 - Interest Expenses to Total Expenses Ratio
 - Interest Income to Interest Expenses Ratio
 - Return on Total Assets Ratio
 - Return on Total Deposit Ratio

- Return on Loan & Advances
- Return on Net Worth or Total Shareholders Equity
- Return on total Investment

2.2 Review of Related Studies

2.2.1 Review of Journal

Shrestha (1990), “The journal stresses on a proper risk management with appropriate classification of loans under performing and non performing category. Researcher further clarify that adequate provisioning is the surest way to get relief from sinking loan after careful consideration of portfolio risk. A clear out criteria is necessary to treat interest suspense account and it is advisable that all interest unpaid for more than six month need to be treated as unearned income. Regarding risk management of banks Dr. Shrestha’s other suggestion are as follows:

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

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

2.2.2 Review of Dissertation

Poudel (1996) argues “Balance sheet, Profit and loss a/c and the accompanying notes are the most useful aspects of the banks. It needs to understand the major characteristics of bank’s balance sheet and profit and loss a/c. The bank’s balance sheet is composed of financial claims as liabilities in the form of deposits and as assets in the form of loans. Fixed assets account forms a small portion of the total assets. Financial innovations, which are generally contingent in nature, are considered as off- balance sheet item.

Interest received on loans and advances and investment and paid on deposit liabilities are the major components of profit and loss account. The other sources of income are fee, commission, discount and service charges. The users of the financial statement of a bank need relevant, reliable and comparable information which assist them in evaluating the financial position and performance of the bank and which is useful to them in making economic decisions. The disclosure requirement of bank’s financial statement has been expressly laid down in the concerned act. Banking and Financial act (BAF) 2003 requires the audited balance sheet and profit and loss account to be published in the leading newspaper for the information of general public.”

Poudel (1996) argues, “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.

Shakya, (2008) argues, "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."

Joshi (2001) argues has concluded that the bank has maintained low liquidity position then required. There is a gradual increase in the amount of funded debt and capital structure. Return on assets is not satisfactory. The research suggests that the bank should invest its resources in more productive sector and equity financing should be emphasized.

Ghimire (1999) argues that Nepalese finance companies face several problems related to fund mobilization and investment. They work with traditional approach. Finance companies have to revitalize their role require encouraging environment to be innovative and diversify their business to other depending only on time bound fixed deposit that can not always with the long term lending maturity structure. Financial companies continue to have a gradual diversification of their functions by shifting a considerable portion of their assets. In this way he give force to reallocation the funds and diversify such funds innovative and higher profitable area.

Jha (1999) has examined the comparative strength and weakness of four competitive Joint Venture Bank (JVBs). He has studied the operational aspects of these JVBs taking into account the products they offer. According to his study, NIBL had better results in case of the profitability except return on net worth. Similarly, it had better liquidity, credit deposit and capital adequacy position as compared to HBL, NABIL and NGBL. NGBL holds highest rank regarding performing assets ratio and other indicators like D/P ratio and EPS. All the selected JVBs are extremely levered, though NIBL and NABIL had relatively lower ratios. Trend analysis showed, NABIL's growth in terms of PBT, loans and advances and total deposits has been increasing rapidly that of remaining three selected JVBS.

Pandey (2005) has conducted another study to analyze and evaluate the financial position of HBL with title of "A Study of Financial Analysis on HBL". In his research, he has concluded that overall liquidity and capital structure position of the bank is not satisfactory. Overall profitability condition was highly appreciable profit generating capability through loans and advances appeared satisfactory. Trend of deposit collection showed that the bank was in a higher risk with respect to saving deposit as against the fixed deposit.

Shakya (1998) in the thesis "Comparative analysis of Financial Performance of selected JVBs, A case study of Nepal Grindlays Bank Limited (NGBL) and Himalayan Bank Limited (HBL)" has familiar with comparative strength and weakness and their ability through the analysis of liquidity ratios. The major findings drawn from the study are HBL is more efficient in case of liquidity as well as it is more levered than NGBL where as HBL is in better condition from the aspect of capital adequacy, activity and profitability ratios. Study showed positive correlation between loans and advances to total debts of both banks. According to the trend analysis, Profit before tax of NGBL has been increasing at the higher rate than that of HBL.

CHAPTER III

RESEARCH METHODOLOGY

Research methodology is the technique 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.

3.1 Research Design

“A research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure.” Research design is a plan structure and strategy of investigation conceived so as to obtain answer to research questions and to control variances. 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 Banks.

3.2 Natures and Sources of Data

Secondary data are widely used in this study. 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.

3.3 Population and Sampling Design

To study all the data related with all bank of Nepal is not possible. In our country there are altogether 26 listed Commercial Banks and their stocks are traded actively in stock market. 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 banks are as follows:

- a) Nabil Bank Limited (Nabil)
- b) Nepal Investment Bank Limited (NIBL)

Data Collection Procedure

Secondary data are the main sources and the annual reports of the banks published in their respective Annual General Meetings (AGM) 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" the Central Bank of Nepal.

3.5 Data Analysis Procedure

Various accounting, statistical and financial tools have been used to find out result in this study. With the available tools and resources statistical tools such as Karl Pearson's coefficient of correlation, simple and multiple regressions analysis are 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.

3.5.1 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.

3.5.1.1 Ratio Analysis

Ratio analysis is the widely used and powerful tool of financial analysis. In financial analysis, a ratio is used as a benchmark for evaluating the financial position of the firm. Ratio analysis reflects the relative strengths and weakness of any organization

and also indicates the operating and financial growth of the organization. "Ratio helps to summarize large quantities of financial data and to make quantitative judgment about the firm's financial performance. The relationship between two accounting figures expressed mathematically is known as financial ratios" (Pandey, 1999:108). Even though there are many ratios, only those ratios have been calculated in our study period which is related to the subject matter. Following ratios have been computed and analyzed in this study.

In this study, following ratios are calculated and analyzed.

3.5.1.1.1 Liquidity Ratio

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. In fact, analysis of liquidity needs the preparation of cash budgets and cash funds, but liquidity ratio, by establishing a relationship between cash and other current assets to current obligation, provide a guide measure of liquidity. Liquidity ratios give insight into the present cash solvency of the firm and its ability to remain solvent of adversities. It is the comparison between the short term obligation and the short firm resources. In case bank, liquidity management is widely used to analyze liquidity position of banks. If a company does not maintain sufficient liquidity then it will result in baa credit ratings, less creditors, confidence, eventually may less to bankruptcy. Thus the company should endeavor to maintain proper balance between sufficient liquidity and unnecessary liquidity for the survival and for avoiding risk.

A bank should ensure that it does not suffer from lack of liquidity and it does not have excess liquidity. Both conditions of liquidity are unfavorable for a bank.

Banks can experience lack of liquidity when cash outflows (due to deposit, withdraws, loans, etc) exceed cash inflows (new deposits loan repayments etc). They can resolve any cash deficiency either by creating additional liabilities or by selling assets. To analyze the ability of banks, the following ratios are calculated.

3.5.1.1.1 Current Ratio

Current Ratio establishes a relationship between current assets and current liabilities. It measures short-run debt paying ability of the firm. It is calculated by dividing the current assets by current liabilities and 2:1 regarded as standard. Current assets include cash in hand, cash at bank, loan and advances, money at call, investment in government, securities and other miscellaneous current assets. Current liabilities include deposits, short term borrowings, dividend payable and other miscellaneous current liabilities. The ratio is expressed as a ratio of current assets & current liabilities.

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

Current assets those assets which can be converted into cash 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.

3.5.1.1.2 Liquid Assets to Total Deposit Ratio

This ratio measures the proportion of liquid assets i.e. cash & Bank balance, government securities, NRB bonds, marketable securities among the total deposit of the Commercial Banks. This ratio is expressed as a ratio of liquid and total deposit and 1:1 regarded as standard.

$$\text{Liquid Assets to Total Deposit Ratio} = \frac{\text{Liquid Assets}}{\text{Total Deposit}}$$

3.5.1.1.2 Activity Turnover Ratio

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

between the sales and the investment in various assets accounts. The methodology postulates an optimal relationship between sales and the various types of asset investment.

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

3.5.1.1.2.1 Cash and Bank Balance to Total Deposit Ratio

This ratio measures the ability of commercial banks to meet their daily requirements for their daily customers. The ratio of cash and bank balance and total deposit is:

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

3.5.1.1.2.2 Loan and Advances to Total Deposit Ratio

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

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

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

3.5.1.1.2.3 Investment to total deposit Ratio

This ratio indicates the proportion of the amount invested out of total deposits. Higher ratio indicates higher portion of the investment and vice-versa. This ratio is expressed as a ratio of total investment divided by total deposit.

$$\text{Loan and advance to Total Deposit} = \frac{\text{Investment}}{\text{Total Deposit}}$$

3.5.1.1.3 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 help to measure the financial contribution of owners and creditors comparatively. These ratios indicate the situation of the capital structure, which is calculated to measure the company's ability of using debt for benefit of shareholders. Long- term creditors like debenture holders, financial institutions etc. are more interested to the 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.

3.5.1.1.3.1 Total Debt to Equity Ratio

Debt ratio to Equity ratio measures the relative claims of the creditors and owners against the assets of the firm. The ratio is express as a ratio of the total liabilities and net worth/shareholder's equity.

$$\text{Total debt to equity ratio} = \frac{\text{Total Liabilities}}{\text{Net Worth} + \text{Shareholder Equity}}$$

3.5.1.1.4 Profitability Ratios

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

3.5.1.1.4.1 Total Interest Earned to loan and advances Ratio

This ratio measures the interest earning capacity of the Commercial Banks through the efficient utilization of the outside assets.

Total ratio is express as a ratio of total interest earned & total loan.

$$\text{Total Interest Earned to Loan and Advances} = \frac{\text{Interest Incone}}{\text{Loan \& Advances}}$$

The denominator includes loan and advances and overdraft. Similarly, the numerator includes total interest earned from loans advances, credit and overdraft, govt. securities and from another investment.

3.5.1.1.4.2 Total Interest Paid to Total Deposit Ratio

This Ratio is compute to find out the percentage of interest paid on liabilities with respect to total deposit fund. This ratio is express as a ratio of total interest paid to total deposit.

$$\text{Total Interest Paid to Total Deposit Ratio} = \frac{\text{Interest Expenses}}{\text{Total Deposit}}$$

3.5.1.1.4.3 Total Interest Earned to Total Working Fund Ratio:

This ratio reflects the extent on which the Financial Institutions are capable to mobilize their total assets to generate high income as interest. This ratio is express as a ratio of total interest earned and total assets.

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

3.5.1.1.4.4 Total Interest Paid to Total Working Fund Ratio:

This ratio measures the percentage of total interest paid on liabilities with respect to total working fund. The interest paid comprises of total interest expenses on total deposit, loan and advance, borrowings & other deposit. The ratio is expressing as ratio of total interest paid & total assets.

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

3.5.1.1.4.5 Interest Income to Total Income Ratio:

This ratio calculates to find out the proportion of total interest income in relation to the total income of that company. It also denotes how the investment, loan and advances were utilized. This ratio is express as a ration of total interest income to the total income.

$$\text{Interest Income to Total Income Ratio} = \frac{\text{Interest Income}}{\text{Total Income}}$$

3.5.1.1.4.6 Interest Expenses to Total Expenses Ratio:

This ratio is express to find out the proportion of total interest expenses out of total expenses. Interest is paid on total liabilities of the company like deposit, borrowings etc. this ratio is also express as a ratio of total interest expenses to the total expenses ratio,

$$\text{Interest Expenses to Total Expenses Ratio} = \frac{\text{Interest Expenses}}{\text{Total Expenses}}$$

3.5.1.1.4.7 Interest Income to Interest Expenses Ratio:

This ratio compares the total income with respect to total interest expenses. It shows the operating efficiency of the company

$$\text{Interest Income to Interest Expenses Ratio} = \frac{\text{Interest Income}}{\text{Interest Expenses}}$$

3.5.1.1.4.8 Return on Total Assets Ratio:

It measures the productivity of the assets. This ratio judges the effectiveness in using the total fund supplied by the owners & creditors.

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

3.5.1.1.4.9 Return on Total Deposit Ratio:

Net profit to total deposit ratio measures the relationship between net profits towards Commercial bank's total deposit.

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

3.5.1.1.4.10 Return on Loan & Advances Ratio

This ratio measures how efficiently the Commercial Bank has employed its Loan & Advances. This ratio is express as ratio of net profit to total loan & advances.

$$\text{Return on Loan \& Advances} = \frac{\text{Net Profit after Tax}}{\text{Loan and Advances}}$$

3.5.1.1.4.11 Return on Net Worth or Total Shareholders Equity Ratio

This ratio is compute to find out the percentage of net profit after tax with respect to the total net worth of the company. This ratio shows how profitably the firm has utilized owner's fund.

The ratio is expressed as a ratio of net profit after tax and net worth.

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

3.5.1.1.4.12 Return on total Investment Ratio

This ratio is calculated to find out the percentage of net profit after tax with respect to the total investment of that company. This ratio is express as a ratio of net profit after tax & total Investment.

$$\text{Return on Total Investment} = \frac{\text{Net Profit after Tax}}{\text{Total Investment}}$$

3.5.1.2 Statistical Tools

Various statistical tools are used to make conclusion according to the available financial data. For this study following statistical tools are used.

3.5.1.2.1 Arithmetic Mean or Average

The average value is a single value within 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 obtained by dividing the sum of observations by the number of items which is presented as follows.

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

Where,

$$\bar{X} = \text{Arithmetic Mean}$$

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

$$N = \text{Number of Items}$$

3.5.1.2.2 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 series, 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,

$$\sigma = \text{Standard Deviation}$$

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

$$n = \text{Numbers of Item}$$

3.5.1.2.3 Co-efficient of Variation (C.V)

The co-efficient of variation is the corresponding relative measure of dispersion, comparable across distribution, which is defined 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 homogeneous.

We can denote this by following formula,

$$CV = \frac{\sigma}{\bar{X}} \times 100$$

Where,

CV = Co-efficient of Variation

σ = Standard Deviation

\bar{X} = Mean / Average

3.5.1.2.4 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. Coefficient of correlation lies between -1 to +1. If correlation coefficient.

The Pearson's formula is:

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

Where,

r = Co-efficient of Correlation

x = Independent Variable

y = Dependent Variable

N = Number of Periods

3.5.1.2.5 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 on 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

3.5.1.2.6 Probable Error of the Co-efficient of Correlation

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

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

Where,

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

r = Co-efficient of Correlation

n = Number of Pairs of Observations

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

) If P.E.r is less than co-efficient of correlations (r) P.E.r is significant.

) If P.E.r is greater than co-efficient of correlations (r) P.E.r is insignificant.

3.5.1.2.7 Simple Regression Analysis

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

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

3.5.1.2.8 Test of Hypothesis

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

conjectural statement of the relationship between two or more variables. Hypothesis statement should be able to show the relationship between variables.

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

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

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

$$t = \frac{r}{\sqrt{\frac{1-r^2}{n-2}}} \sqrt{(n-2)}$$

Where, t = T Test

r = simple correlation coefficient

n = number of observations

CHAPTER IV

4.1 DATA PRESENTATION AND ANALYSIS

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

This chapter is also called nerve system, which helps to provide conclusion after detailed analysis .so that; the proper recommendation can be given at the end of the study.

In other words, 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:

4.1.1 Financial Tools

4.1.1.1 Ratios Analysis

To identifying strength and weakness of business ratio analysis is a powerful tool of financial analysis. Ratios analysis is the expression of the relationship between the mutually independent figures. It is an important way to state meaningful relationships between components of financial statements. It shows the quantitative relation between two variables. 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. To find out the ratio is simply calculated as dividing on variable by another variable.

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 2004 AD to 2009 AD for different banks.

4.1.1.1.1 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:

4.1.1.1.1.1 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 No. 1: Current Ratio

Banks						
	Nabil Bank Limited			Nepal Investment Bank Limited		
FY	Current Assets	Current Liabilities	Ratio	Current Assets	Current Liabilities	Ratio
2004/05	16702.85	15406.44	1.0841	15743.51	14533.37	1.0833
2005/06	22010.89	20454.98	1.0761	20986.74	19364.7	1.0838
2006/07	26966.5	25196.35	1.0703	26831.39	24912.73	1.0770
2007/08	36534.42	34455.56	1.0603	37903.21	35136.52	1.0787
2008/09	33,206.41	40,437.20	0.8212	52612.9	48,247.43	1.0905
Mean	1.0224			1.0827		
S.D	0.1009			0.0047		
C.V. (%)	9.8695			0.4332		

[Sources: web sites of Nepal share market and Annual Report of Concerned Banks]

Mean = arithmetic mean

SD = standard deviation

CV = coefficient of variation

Table 1 indicates the current ratios of the banks. Current ratio is in fluctuation mode of Nepal NABIL. The ranges of current ratio of NABIL is between 10.841 in 2004/05 to 0.8212 in 2008/09 and the average is 1.0224 in the period of study. On the other hand Nepal Investment Bank Limited (NIBL) has also in fluctuation mode. The highest is 1.0905 in 2008/09 and lowest is 1.0770 in 2006/07 and average is 1.0827. Average ratio of NIBL is higher (1.0827) than NABIL (1.0224). Standard Deviation (S.D) of NABIL and NIBL is 0.01099 and 0.0047. Coefficient of Variation (C.V.) was 9.8695% of NABIL and 0.4332% of NIBL. In two banks, the position NIBL is less fluctuation in current ratio, less fluctuation of C.V. is more consistent or vice versa. NIBL position is better than Nabil. Any way both banks are best position in current ratio.

4.1.1.1.2 Liquid Assets to Total Deposits Ratio:

Total liquid assets to total deposits ratio is a numerical relationship between total liquid assets and total deposits of a bank. The higher ratio implies better liquidity position. Following table shows the comparative current ratio for five years.

Table No. 2: Liquid Assets to Total Deposits Ratio

Bank s						
	Nabil Bank Limited			Investment Bank Limited		
FY	Liquid Assets	Total Deposit	Ratio	Liquid Assets	Total Deposit	Ratio
2004/05	16,702.85	14,586.61	1.145 1	11,709.51	14,254.57	0.821 5
2005/06	22,010.89	19,347.40	1.137 7	20,986.74	18,927.31	1.108 8
2006/07	26,966.50	23,342.29	1.155 3	2,683.39	24,488.86	0.109 6
2007/08	36,534.42	31,915.05	1.144 7	37,903.21	34,451.73	1.100 2
2008/09	33,206.41	37,348.26	0.889 1	52,612.90	46,697.98	1.126 7

Mean	1.0944	0.8533
S.D	0.1028	0.3886
C.V. (%)	9.3924	45.5404

[Sources: web sites of Nepal share market and Annual Report of Concerned Banks]

Mean = arithmetic mean

SD = standard deviation

CV = coefficient of variation

In table 2, Liquid Assets to Total Deposit Ratio is calculated. If we examine the data, its ratio has fluctuating. FY 2005/06 ratio of NABIL is 1.1553 which is highest and ratio in 2008/09 ratio decreases and falls to 0.8891. Similarly in 2008/09 ratio of NIBL is increases and FY 2006/07 is decrease to 0.1096. S.D. of NABIL and NIBL are 0.1028 and 0.3886 respectively. It means NABIL is in better position than NIBL. Coefficient of Variation is 9.3924 percentages for NABIL and 45.5404 percentages for NIBL. NABIL is in better position in study of the banks.

4.1.1.1.2 Activity or Turnover Ratio

Activity Ratio/ Turnover 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. Activity 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.

4.1.1.1.2.1 Cash and Bank Balances 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 banks.

Table: 3 Cash and Bank Balance to Total Deposit Ratio.

Banks							
	Nabil Bank Limited				Investment Bank Limited		
FY	Cash and Bank Balance	Total Deposit	Ratio	Cash and Bank Balance	Total Deposit	Ratio	
2004/05	536.06	14,586.61	0.0368	1,340.48	14,254.57	0.0940	
2005/06	556.18	1,934,704.00	0.0003	2,336.52	18,927.31	0.1234	
2006/07	1,383.82	23,342.29	0.0593	2,441.51	24,488.86	0.0997	
2007/08	2,340.90	31,915.05	0.0733	3,754.94	34,451.73	0.1090	
2008/09	3,925.40	37,348.26	0.1051	7,918.00	46,697.98	0.1696	
Mean	0.0550			0.1191			
S.D	0.0352			.2291			
C.V. (%)	64.0354			22.7434			

[Sources: web sites of Nepal share market and Annual Report of Concerned Banks]

Mean = arithmetic mean

SD = standard deviation

CV = coefficient of variation

In table 3, indicates cash and bank balance to total deposit ratio. The ratio of NABIL is maximum in 2008/09 which is 0.1051 and lowest is in 2005/08 which is 0.0003 and the ratio of NIBL has also in fluctuation during the period of study. The maximum of NIBL is in 2008/09 which is 0.1696 and lowest in 2004/05 which is 0.0940. In average, performance of the NIBL is better than NABIL because mean value of NIBL is 0.1191 and while NABIL value is 0.0550 respectively. S.D. of NABIL is 0.0352 and NIBL is 0.0271. Coefficient of Variation is NABIL is 64.0354 percentages and NIBL 22.7434 percentages. In this ratio variables are fluctuating highly in NABIL and less fluctuating in NIBL in the period of study. It means this ratio, NIBL ratio is more better than NABIL because fluctuation is less than next bank.

4.1.1.1.2.2 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 loan and advances to total deposits of the Banks throughout the study period.

Table: 4 Loan and Advances to Total Deposit Ratio:

Bank s						
Nabil Bank Limited				Nepal Investment Bank Limited		
FY	Loan and Advances	Total Deposit	Ratio	Loan and Advances	Total Deposit	Ratio
2004/05	10568.17	14,586.61	0.7245	10,126.06	14,254.57	0.7104
2005/06	12,922.54	19,347.40	0.6679	12,776.21	18,927.31	0.6750
2006/07	15,545.78	23,342.29	0.6660	17,286.43	24,488.86	0.7059
2007/08	21,365.05	31,915.05	0.6694	26,996.65	34,451.73	0.7836
2008/09	17,589.93	37,348.26	0.4710	36,827.16	46,697.98	0.7886
Mean	0.6398			0.7327		
S.D	0.0872			0.0453		
C.V. (%)	13.6327			6.1837		

[Sources: web sites of Nepal share market and Annual Report of Concerned Banks]

Mean = arithmetic mean

SD = standard deviation

CV = coefficient of variation

In table 4, the ratio of mobilization of total deposit into loan and advances has been decreasing in the case of NABIL, in the opening year the ratio was 0.7245 thereafter the ratio is decreases continuously which is fall up to 0.4710 in FY 2008/09. The same ratio has been increasing mode in NIBL. In the opening FY 2004/05 it was

0.6750 and it is increasing up to 0.7886 in FY 2008/09. The average performance of mobilization of deposit is better of NIBL than NABIL which are 0.7327 and 0.6398 and S.D. is also 0.0453 and 0.0872 respectively. Coefficient of Variance of NABIL and NIBL are 13.6327 percentages and 6.1837 percentages. It means the position of NIBL is better position than NABIL.

4.1.1.1.2.3 Investment to Total Deposit Ratio:

Investment from the total deposit is also important work in commercial bank. Using deposit in investment especially government securities, bond, treasury of private company are the short run investment and investment in hydropower, producing companies are the long run investment. In this ratio higher the investment higher will be the profit so it is better commercial banks to utilization in investment.

Table: 5. Investment to Total Deposit Ratio:

Banks						
	Nabil Bank Limited			Investment Bank Limited		
FY	Investment	Total Deposit	Ratio	Investment	Total Deposit	Ratio
2004/05	5167.28	14,586.61	0.3542	4,074.74	14,254.57	0.2859
2005/06	7,978.50	19,347.40	0.4124	5,672.87	18,927.31	0.2997
2006/07	9,524.85	23,342.29	0.4081	6,767.65	24,488.86	0.2764
2007/08	2,2122.38	31,915.05	0.3830	6,874.02	34,451.73	0.1995
2008/09	10,826.38	37,348.26	0.2899	7,403.11	46,697.98	0.1585
Mean	0.3695			0.2440		
S.D	0.0449			0.0551		
C.V. (%)	12.1507			22.5867		

[Sources: web sites of Nepal share market and Annual Report of Concerned Banks]

Mean = arithmetic mean

SD = standard deviation

CV = coefficient of variation

In Table 5, invest to total deposit ratio is calculated. Ratio is in between 0.4124 and 0.2899 for NABIL bank which is in FY 2005/06 and FY 2008/09 respectively. In the same way Ratio of NIBL is in between 0.2997 to 0.1995 which was FY 2005/06 and

FY 2008/09 respectively. Average and S.D. of NABIL 0.3695 and 0.0449 where are NIBL has 0.2440 and 0.0551. Coefficient of variation of NABIL is 12.1507 percentages and NIBL is 22.5867 percentages. In this ratio fluctuation of the NIBL is higher. By observing these data performance of NABIL is better than NIBL.

4.1.1.1.3 Leverage Ratio

Leverage ratio is also called solvency ratio or capital structure ratio. 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.

4.1.1.1.3.1 Total Debt to Equity Ratio

The total 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: 6. Total Debt to Equity Ratio

Banks						
	Nabil Bank Limited			Investment Bank Limited		
Fiscal year	Total Liabilities	Net Worth	Ratio	Total Liabilities	Net Worth	Ratio
2004/05	1103.63	1657.63	0.6658	16,013.54	1,180.17	13.5688
2005/06	1294.8	1,877.99	0.6895	21,330.14	1,415.44	15.0696
2006/07	1716.62	2,057.05	0.8345	27,590.86	1,878.13	14.6906
2007/08	2026.52	2,446.20	0.8284	38,873.31	2,686.20	14.4715
2008/09	43867.41	3,130.21	14.0142	53,700.64	4,403.21	12.1958
Mean	3.4065			13.9993		

S.D	5.3043	1.0280
C.V. (%)	155.7125	7.3436

[Sources: web sites of Nepal share market and Annual Report of Concerned Banks]

Mean = arithmetic mean

SD = standard deviation

CV = coefficient of variation

In Table6, the total dept ratio of the NABIL was 0.6658 in the beginning FY. After then, ratio was increased up to 2006/07 and reached 0.8284 and in FY 2007/08 ratio was slightly downfall and reached to 0.8284. In FY 2008/09 it was highly increases and reached 14.0142. On the other side, the ratio of NIBL was also fluctuated. In the beginning ratio was 13.5688 and after it is increased and reached 15.069 in FY 2005/06. The ratio FY 2006/07, 2007/08 and 2008/09, it was decreased up to 12.1958. Average and S.D. of NABIL is 3.4065 and 5.3043 and NIBL is 13.9993 and 1.0280 respectively. Coefficient of variance of NABIL is 155.7125 percentages and NIBL is 7.3436 percentages. Here total dept ratio of NABIL is highly fluctuated which is 155.7125 which is the worst condition. If the fluctuation is higher, less uniform and less consistence in variable. Whereas, NIBL's ratio is 7.3436 better than NABIL in the study period.

4.1.1.1.4 Profitability Ratios

Earning profit providing different items of services to the customers is the main goal of the commercial banks. Total revenue minus total expenses is Profit over a period of time. Profit is necessary to survive for any organization for its successful operation and further expansion. Profit is lubricates of any organization and commercial bank and it will have no future if it can not 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.

4.1.1.1.4.1 Total Interest Earned to loan and advances Ratio

Each and every financial institutions are used their deposit in different field to achieve profits. Among them, interest earned for the deposit mobilization from the loan and advances. Capacity of the commercial bank can be known from this ratio.

Table: 7. Total Interest Earned to Loan and Advances Ratio

Banks						
	Nabil Bank Limited			Investment Bank Limited		
Fiscal year	Interest Income	Loan and Advance	Ratio	Interest Income	Loan and Advance	Ratio
2004/05	1068.75	10568.17	0.1011	886.80	10,126.06	0.0876
2005/06	1310	12,922.54	0.1014	1,172.74	12,776.21	0.0918
2006/07	1487.76	15,545.78	0.0957	1,584.99	17,286.43	0.0917
2007/08	1978.7	21,365.05	0.0926	2,194.28	26,996.65	0.0813
2008/09	33206.41	17,589.93	1.8878	3,267.11	36,827.16	0.0887
Mean	0.4557			0.0882		
S.D	0.7160			0.0038		
C.V. (%)	157.3210			4.3500		

[Sources: web sites of Nepal share market and Annual Report of Concerned Banks]

Mean = arithmetic mean

SD = standard deviation

CV = coefficient of variation

In table No 7, the ratio of NABIL and NIBL are both in fluctuation. For NABIL, in the opening FY 2004/05 ratio was 0.1011 and slight increased next year FY 2005/06, which was 0.1014. After then it decreased two years continuously which was 0.0957 and 0.0926. In last year FY2008/09 it increases to 1.8878. On the other hand, next

bank has been in fluctuation mode. In the opening FY 2004/05 it was 0.0876. There after it increased in small amount which was 0.0918 in FY2005/06 and in FY 2006/07 it decreased into 0.0917. It decreased again in FY and 2007/08 and fallen 0.081 and it raises FY 2008/09 and reaches up to 0.0887, which is higher than opening year. Average and S.D. of NABIL are 0.4557 and 0.7160 and NIBL are 0.0882 and 0.0038. Coefficient of variation of NABIL and NIBL are 157.123 and 4.35 respectively.

Here, in this ratio Performance of NABIL is better than NIBL because mean of NABIL is more than NIBL on the other hand performance of NIBL is more consistence and homogeneous than NABIL because C.V of NIBL is less than NABIL in the period of study.

4.1.1.1.4.2 Total Interest Paid to Total Deposit Ratio

With out money from depositors or common people only assets of the bank is not enough to mobilized money and can not get enough profit. So that deposit is necessary. To achieve deposit in large amount it should give interest to the depositors' so that depositor deposits their money in bank. For such depositors, bank gives interest annually. Payment of Banks can be known from this ratio.

Table: 8. Total Interest Paid to Total deposit Ratio.

Banks						
	Nabil Bank Limited			Investment Bank Limited		
Fiscal year	Interest Expenses	Total Deposit	Ratio	Interest Expenses	Total Deposit	Ratio
2004/05	243.54	14586.61	0.0167	354.54	14,254.54	0.0249
2005/06	357.16	19,347.40	0.0185	490.95	18,927.31	0.0259
2006/07	555.71	23,342.29	0.0238	685.53	24,488.86	0.0280
2007/08	758.44	31,915.05	0.0238	992.16	34,451.73	0.0288
2008/09	1153.28	37,348.26	0.0309	1,686.27	46,697.98	0.0361
Mean	0.0227			0.0287		
S.D	0.0050			0.0039		

C.V. (%)	21.8533	13.7140
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[Sources: web sites of Nepal share market and Annual Report of Concerned Banks]

Mean = arithmetic mean

SD = standard deviation

CV = coefficient of variation

Table 8: show the comparative analysis of the commercial bank towards the Interest Expenses and Total deposit. In the opening FY 2004/05 it was 0.0167 for the NABIL and it increases continuously in 2008/09 and reached 0.0309. Similarly, in the opening FY 2004/05 of the NIBL was 0.0249 and increases continuously up to the 0.0361 in FY 2008/09. Mean, S.D. of NABIL are 0.227 and 0.0050 and NIBL's 0.0287 and 0.0039 respectively. C.V. of NABIL is 21.8533 and NIBL is 13.7140.

Here, in this ratio Performance of NABIL is better than NIBL because mean of NABIL is less than NIBL on the other hand performance of NIBL is more consistence and homogeneous than NABIL because C.V of NIBL is less than NABIL in the period of study.

4.1.1.1.4.3 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. The following table shows the comparative ratios of Banks for the different periods.

Table: 9. Total Interest Earned to Total Working Fund Ratio

Banks						
	Nabil Bank Limited			Investment Bank Limited		
Fiscal year	Interest Income	Total Assets	Ratio	Interest Income	Total Assets	Ratio
2004/05	1068.75	17064.09	0.0626	886.80	16,064.10	0.0552
2005/06	1310	22,327.98	0.0587	1,172.74	1,330.19	0.0550
2006/07	1487.76	2,753.40	0.5403	1,584.99	27,590.85	0.0574
2007/08	1978.7	37,132.76	0.0533	2,194.28	38,873.30	0.0564

2008/09	2789.49	33,206.41	0.0840	3,267.11	53,739.44	0.0608
Mean	0.1598			0.0570		
S.D	0.1906			0.0021		
C.V. (%)	119.2597			3.6994		

[Sources: web sites of Nepal share market and Annual Report of Concerned Banks]

Mean = arithmetic mean

SD = standard deviation

CV = coefficient of variation

Table 9: shows comparative analysis of total interest earned to total working fund. The ratio of NABIL and NIBL are fluctuated. The maximum ratio of NABIL, in our period of study, FY 2008/09 (0.0840) and lowest is in FY 2007/08 (0.0533). Whereas, highest Ratio of NIBL in the period of study in 2008/09 (0.608) and minimum is in 2005/06 (0.0550). Average and S.D of the NABIL are 0.1598 and 0.1906 and NIBL are 0.0570 and 0.0021 respectively. C.V. of NABIL is 119.2597 and 3.6994 of NIBL.

Here, in this ratio Performance of NABIL is better than NIBL because the mean of NABIL is higher than NIBL on the other hand performance of NIBL is more consistence and homogeneous than NABIL because C.V of NIBL is less than NABIL in the period of study.

4.1.1.1.4.4 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: 10. Total Interest Paid to Total Working Fund Ratio:

Banks						
	Nabil Bank Limited			Investment Bank Limited		
Fiscal year	Interest Expenses	Total Assets	Ratio	Interest Expenses	Total Assets	Ratio
2004/05	243.54	17064.09	0.0143	354.54	16,064.10	0.0221
2005/06	357.16	22,327.98	0.0160	490.95	42,459.19	0.0116
2006/07	555.71	2,753.40	0.201	685.53	27,590.85	0.024

			8			8
2007/08	758.44	37,132.76	0.0204	992.16	38,873.30	0.0255
2008/09	1153.28	33,206.41	0.0347	1,686.27	53,739.44	0.0314
Mean	0.0575			0.0231		
S.D	0.0725			0.0065		
C.V. (%)	126.276			28.1921		

[Sources: web sites of Nepal share market and Annual Report of Concerned Banks]

Mean = arithmetic mean

SD = standard deviation

CV = coefficient of variation

Table 10: displays total interest paid to total working fund ratio. Ratio of NABIL is 0.0347 in 2008/09 which is maximum and 0.0143 is min in 2004/05. Whereas NIBL bank's ratio is maximized in FY2008/09 which is 0.0314 and minimum is in 2005/06. Mean and S.D. is 0.0575 and 0.0725 of NABIL and 0.0231 and 0.0065 of NIBL respectively in the period of study. C.V. of NABIL is 126.2760% and 28.1921% of NIBL.

Here, in this ratio performance of NIBL is better than NABIL because mean of NIBL is less than NABIL and total interest paid to total working fund ratio is more consistent of NIBL because C.V ratio of NIBL is less than NABIL.

4.1.1.1.4.5 Interest Income to Total Income Ratio

Banks not only utilize their deposit or working fund in loan and advances but also utilize its fund in investment in different sector and gain profits with interest so in this ratio; it is try to measure the ratio of interest achieved by commercial bank in total income.

Table: 11. Interest Income to Total Income Ratio:

Banks						
	Nabil Bank Limited			Nepal Investment Bank Limited		
Fiscal year	Interest	Total	Ratio	Interest	Total	Ratio

	Income	Income		Income	Income	
2004/05	1068.75	1484.01	0.7202	886.80	1,145.63	0.7741
2005/06	1310	1,751.21	0.7481	1,172.74	1,461.43	0.8025
2006/07	1487.76	2,092.81	0.7109	1,584.99	1,999.76	0.7926
2007/08	1978.7	2,092.81	0.9455	2,194.28	2,750.41	0.7978
2008/09	2789.49	2,504.04	1.1140	3,267.11	3,895.52	0.8387
Mean	0.8477			0.8011		
S.D	0.1584			0.0211		
C.V. (%)	18.6801			2.6351		

[Sources: web sites of Nepal share market and Annual Report of Concerned Banks]

Mean = arithmetic mean

SD = standard deviation

CV = coefficient of variation

In this table, Interest Income to total Income Ratio is observed. The ratio of NABIL is fluctuated and maximum ratio is 1.1140 in 2008/09 and minimum ratio is 0.7202 in 2004/05. Similarly, Ratio of NIBL is 0.8387 which is maximize in 2008/09 and minimum 0.7741 in 2004/05. Average, S.D and C.V is 0.8477, 0.1584 and 18.6801 of NABIL and 0.8011, 0.021 and 2.6351 of NIBL respectively.

Performance of NABIL is better than NIBL because mean of interest income of NABIL is higher than NIBL. On the other hand interest income to total income ratio is more consistent of NIBL than NABIL because C.V of NIBL is less than NABIL.

4.1.1.1.4.6 Interest Expenses to Total Expenses Ratio

In every organization there is official expenses which is for the day to day work such work have to done in commercial banking either. But in Banking sector there is not such expenses enough because they have to pay interest to the depositors' which is also expenses of the bank. In our study such expenses ratio is calculating to find out the expense structure.

Table: 12. Interest Expenses to Total Expenses Ratio:

Bank s	
Nabil Bank Limited	Investment Bank Limited

Fiscal year	Interest Expenses	Total Expenses	Ratio	Interest Expenses	Total Expenses	Ratio
2004/05	243.54	726.22	0.3354	354.54	811.95	0.4367
2005/06	357.16	853.21	0.4186	490.95	956.51	0.5133
2006/07	555.71	1,097.77	0.5062	685.53	1,276.39	0.5371
2007/08	758.44	1,415.05	0.5360	992.16	1,730.45	0.5734
2008/09	1153.28	1,951.93	0.5908	1,686.27	2,599.67	0.6486
Mean	0.4774		0.5418			
S.D	0.0903		0.0697			
C.V. (%)	18.9137		12.8681			

[Sources: web sites of Nepal share market and Annual Report of Concerned Banks]

Mean = arithmetic mean

SD = standard deviation

CV = coefficient of variation

In this table, Interest Expenses to Total Expenses Ratio is observed. Ratio of NABIL is increasing during the period of the study which is 0.3354 of opening FY year in 2004/05 and reaches to 0.5908 in 2008/09. Similarly same condition occurred in NIBL where 0.4367 in the beginning year of the period of study, in 2004/05 and reaches up to the 0.6486 in 2008/09. Mean and S.D of NABIL is 0.4774 and 0.0903 respectively and NIBL is 0.5418 and 0.0679 respectively. C.V. of NABIL is 12.8681% and NIBL is 18.9137%.

Here, in this ratio performance of NABIL is better than NIBL because mean of interest expenses of NABIL is less than NIBL but interest expenses to total expenses ratio is more consistent of NIBL because C.V ratio of NIBL is less than NABIL.

4.1.1.1.4.7 Interest Income to Interest Expenses Ratio

This ratio compares the earning of bank from interest by mobilizing the deposits or working capital as a whole and the amount of money which it have to paid to the

depositors'. Without collection of the deposit it can not invest and can not earning profit but paying more interest to the depositors' is not rational for commercial bank so there must positive gab between interest income and interest expenses for the survival of the commercial bank.

Table: 13. Interest Income to Interest Expenses Ratio

Bank s						
	Nabil Bank Limited			Investment Bank Limited		
Fiscal year	Interest Income	Interest Expenses	Ratio	Interest Income	Interest Expenses	Ratio
2004/05	1068.75	243.54	4.388 4	886.80	354.54	2.501 3
2005/06	1310	357.16	3.667 8	1,172.74	490.95	2.388 7
2006/07	1487.76	555.71	2.677 2	1,584.99	685.53	2.312 1
2007/08	1978.7	758.44	2.608 9	2,194.28	992.16	2.211 6
2008/09	2789.49	1153.28	2.418 7	3,267.11	1,686.27	1.937 5
Mean	3.1522			2.2702		
S.D	0.7554			0.1915		
C.V. (%)	23.9625			8.4345		

[Sources: web sites of Nepal share market and Annual Report of Concerned Banks]

Mean = arithmetic mean

SD = standard deviation

CV = coefficient of variation

Table 13: indicates interest income to interest expenses ratio. The ratio is decreasing continuously in both banks in our study because it might be tough competition towards the commercial bank so that they compels to increases their interest rate to the depositors' and have to reduce its rate of interest for loan and advances. NABIL's ratio in the opening year, in our study, FY 2004/05 is 4.3884 which decrease at 2.4187 in FY 2008/09. On the other hand NIBL's ratio is in the beginning year FY 2004/05 is 2.5013 and decreases at 1.9375 in FY 2008/09. Mean of 3.1522 and 2.2702 of NABIL and NIBL and S.D. is 0.7544 and 0.1915 respectively. C.V. of NABIL is 23.9625% and is 8.4345% NIBL.

Here, in this ratio performance of NABIL is better than NIBL because mean of interest income of NABIL is higher than NIBL but interest income to interest expenses ratio is more consistent of NIBL because C.V ratio of NIBL is less than NABIL.

4.1.1.1.4.8 Return on Total Assets Ratio

Assets are the medium to develop the business which does not have enough to the business man so there is compulsion of such person for the higher return. On the other hand, banks can not keep their assets in idle because the return will be productive in both which is also called win - win game. It measures the productivity of the assets. This ratio judges the effectiveness in using the total fund supplied by the owners & creditors.

Table: 14 Return on Total Assets Ratio

Bank s						
	Nabil Bank Limited			Investment Bank Limited		
Fiscal year	Net Profit After Tax	Total Assets	Ratio	Net Profit After Tax	Total Assets	Ratio
2004/05	520.11	17064.09	0.0305	232.15	16,064.10	0.0145
2005/06	635.26	22,329.98	0.0284	350.54	21,330.19	0.0164
2006/07	673.96	27,253.40	0.0247	501.40	27,590.85	0.0182
2007/08	746.47	37,132.76	0.0201	696.73	38,873.30	0.0179
2008/09	1031.05	33,867.40	0.0304	914.58	53,739.44	0.0170
Mean	0.0268			0.0168		
S.D	0.0040			0.0013		
C.V. (%)	14.7781			7.9160		

[Sources: web sites of Nepal share market and Annual Report of Concerned Banks]

Mean = arithmetic mean

SD = standard deviation

CV = coefficient of variation

Table 14: the maximum ratio is 0.0305 in FY 2004/05 and lowest is 0.0201 in FY 2005/06 of NABIL. On the other hand, ratio of NIBL is highest is 0.0182 in FY 2006/07 and lowest is 0.0145 in 2004/05 .Mean of NABIL is 0.0268 and NIBL is 0.0168. S.D of NABIL is 0.040 and NIBL is 0.0013. C.V of NABIL is 14.7781% and NIBL is 7.9160%.

Here, in this ratio performance of NABIL is better than NIBL because mean of net profit of NABIL is higher than NIBL but net profit to total assets ratio is more consistent of NIBL because C.V ratio of NIBL is less than NABIL.

4.1.1.1.4.9 Return on Total Deposit Ratio

Net profit to total deposit ratio shows the percentage of net income in proportion to the total deposit.

Table: 15 Return on Total Deposit Ratio:

Bank s						
	Nabil Bank Limited			Nepal Investment Bank Limited		
Fiscal year	Net Profit After Tax	Total Deposit	Ratio	Net Profit After Tax	Total Deposit	Ratio
2004/05	520.11	14586.61	0.0357	232.15	14,254.54	0.0163
2005/06	635.26	19,347.40	0.0328	350.54	18,927.31	0.0185
2006/07	673.96	23,342.29	0.0289	501.40	24,488.86	0.0205
2007/08	746.47	31,915.05	0.0234	696.73	34,451.73	0.0202
2008/09	1031.05	37,348.26	0.0276	914.58	46,697.98	0.0196
Mean	0.0297			0.0190		
S.D	0.0042			0.0015		
C.V. (%)	14.314			80.0116		

[Sources: web sites of Nepal share market and Annual Report of Concerned Banks]

Mean = arithmetic mean

SD = standard deviation

CV = coefficient of variation

Table 15: the ratio is fluctuating; highest ratio of NABIL is 0.0357 in opening year of the study 2004/05. And lowest 0.0289 is in 2006/07. On the other hand the ratio of NIBL 0.0163 is highest in 2005/06 and lowest 0.0185 in 2005/06. Mean and S.D are 0.0297 and 0.042 of NABIL as well as 0.0190 and 0.0015 of NIBL. C.V of NABIL is 14.314% and NIBL is 80.0116%.

Here, in this ratio performance of NABIL is better than NIBL because mean of net profit of NABIL is higher than NIBL and net profit to total deposit ratio is more consistent of NABIL because C.V ratio of NABIL is less than NIBL.

4.1.1.1.4.10 Return of Loan and Advances Ratio

Loan and advances which are used to utilized for increment of interest or profit of the commercial bank. The more loan and advances utilized by the banks the more they get more profit.

Table: 16. Return of Loan and Advances:

Banks						
	Nabil Bank Limited			Investment Bank Limited		
Fiscal year	Net Profit After Tax	Loan and Advance	Ratio	Net Profit After Tax	Loan and Advance	Ratio
2004/05	520.11	10568.17	0.0492	232.15	10,126.06	0.0229
2005/06	635.26	12,922.54	0.0492	350.54	12,776.21	0.0274
2006/07	673.96	15,545.78	0.0434	501.40	17,286.43	0.0290
2007/08	746.47	21,365.05	0.0349	696.73	26,996.65	0.0258
2008/09	1031.05	17,589.93	0.0586	914.58	36,827.16	0.0248
Mean	0.0471			0.0260		
S.D	0.0078			0.0021		
C.V. (%)	16.5500			8.0565		

[Sources: web sites of Nepal share market and Annual Report of Concerned Banks]

Mean = arithmetic mean

SD = standard deviation

CV = coefficient of variation

Table 16: shows the ratio of return on loan and advances ratio is increasing from the starting period to ending period of the study. In the beginning year FY 2004/05 ratio is 0.0492 and it reaches up to 0.0586. But NIBL ratio is in fluctuation the highest ratio is 2006/07 is 0.0290 in FY 2004/05. Mean and S.D is 0.0471 and 0.0078 of NABIL and 0.0260 and 0.0021 of NIBL respectively. C.V of NABIL is 16.5500% and NIBL is 8.0565%.

Here, in this ratio performance of NABIL is better than NIBL because mean of net profit of NABIL is higher than NIBL but net profit to loan and advance ratio is more consistent of NIBL because C.V ratio of NIBL is less than NABIL.

4.1.1.1.4.11 Return on Net worth or Total shareholders equity Ratio

This ratio shows how the firm uses its net profit for the welfare of the organization, promoter, shareholders as well as staff.

Table: 17 Return on Net worth or Total shareholders equity

Bank s								
	Nabil Bank Limited				Investment Bank Limited			
Fiscal year	Net Profit After Tax	Net Worth	Ratio		Net Profit After Tax	Net Worth	Ratio	
2004/05	520.11	1657.63	0.3138		232.15	1,180.17	0.1967	
2005/06	635.26	1,877.99	0.3383		350.54	1,415.44	0.2477	
2006/07	673.96	2,057.05	0.3276		501.40	1,878.13	0.2670	
2007/08	746.47	2,446.20	0.3052		696.73	2,686.76	0.2593	
2008/09	1031.05	3,130.21	0.3294		914.58	4,403.21	0.2077	
Mean	0.3228				0.2357			
S.D	0.0118				0.0282			
C.V. (%)	3.6621				11.9750			

[Sources: web sites of Nepal share market and Annual Report of Concerned Banks]

Mean = arithmetic mean

SD = standard deviation

CV = coefficient of variation

Table 17: shows the ratio of return of net worth of total shareholders equity is in fluctuation both NABIL and NIBL bank. NABIL's highest ratio is 0.3383 in 2005/06 and lowest in 2007/08 which is 0.3052 and in the same way, second bank's ratio position is also fluctuation mode. The maximum ratio is 0.2670 in 2006/07 and minimum is 0.167 in 2004/05. Mean and S.D on this ratio is 0.3228 and 0.0118 of NABIL and 0.237 and 0.5644 of NIBL. C.V. of NABIL is 3.6621% and NIBL is 11.9750%.

Here, in this ratio performance of NABIL is better than NIBL because mean of net profit of NABIL is higher than NIBL and net profit to net worth ratio is more consistent of NABIL because C.V ratio of NABIL is less than NIBL.

4.1.1.1.4.12 Return on Total Investment Ratio

This ratio measures the return of the bank from the investment after payment of the tax and services. Not only from the loan and advances but also income from the investment of the commercial bank can earn.

Table: 18 Return on Total Investment

Banks						
	Nabil Bank Limited			Investment Bank Limited		
Fiscal year	Net Profit After Tax	Total Investment	Ratio	Net Profit After Tax	Total Investment	Ratio
2004/05	520.11	5167.28	0.1007	232.15	4,074.74	0.0570
2005/06	635.26	7,987.50	0.0795	350.54	5,672.87	0.0618
2006/07	673.96	9,524.85	0.0708	501.40	6,868.65	0.0730
2007/08	746.47	12,222.38	0.0611	696.73	6,874.02	0.1014
2008/09	1031.05	10,826.38	0.0952	914.58	7,403.11	0.1235
Mean	0.0815			0.0833		
S.D	0.0148			0.0253		
C.V. (%)	18.1441			30.3921		

[Sources: web sites of Nepal share market and Annual Report of Concerned Banks]

Mean = arithmetic mean

SD = standard deviation

CV = coefficient of variation

Table 18: shows the ratio is in fluctuating mode for NABIL. The highest ratio is 0.1007 in FY 2004/05. And lowest is 0.0611 in FY 2007/08 of NABIL. Where as NIBL's ratio is increasing in the period of the study. In FY2004/05 ratio is 0.0570 and increases up to 0.1235. Average and SD is 0.0815 and 0.0148 of NABIL and 0.0833 and 0.0253 of NIBL. C.V is 18.1441% of NABIL and 30.3921% of NIBL.

Here, in this ratio performance of NIBL is better than NABIL because mean of net profit of NIBL is higher than NABIL but net profit to total investment ratio is more consistent of NABIL because C.V ratio of NABIL is less than NIBL.

4.1.2 Statistical Analysis

The second portion of 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 Co-efficient of Correlation (r)

4.1.2.1.1 Coefficient of Correlation between Current Assets and Current Liabilities

For this study, Current Assets (x) and Current Liabilities (y) are two variables. This analysis measures the degree of relationship between these two variables. Besides this, it will justify whether the Current Assets and Current Liabilities 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 current assets and current liabilities coefficient of determination (r^2), probable error (P.E.r.)

Table: 19. Coefficient of Correlation between Current Assets and Current Liabilities

Bank				
	Nabil Bank Limited		Investment Bank Limited	
Fiscal year	Current Assets(x)	Current Liabilities (y)	Current Assets (x)	Current Liabilities (y)
2004/05	16702.85	15406.44	15743.51	14533.37
2005/06	22010.89	20454.98	20986.74	19364.7
2006/07	26966.5	25196.35	26831.39	24912.73
2007/08	36534.42	34455.56	37903.21	35136.52
2008/09	33,206.41	40,437.20	52612.9	48,247.43
R	0.9309		.9999	
r²	0.8665		.999	
P.E. r	0.0403		0.00004	
Level of Significance	Significant		Significant	

[Sources: web sites of Nepal share market and Annual Report of Concerned Banks, Appendix - 1]

Table 19: shows coefficient of correlation between current assets and current liabilities of NABIL and NIBL is strong degree of correlation. Because value of correlation of NABIL and NIBL are 0.9309 and .9999 respectively. Even in comparison of both banks NIBL is strong. Coefficient of determination of NABIL is 0.8665 which means 86.65 percentages is affected from the dependent variable i.e. Current Assets and Current Liabilities. And, remaining 13.35 percentages is affected by unexplained variable or macro economic variable. But NIBL is better condition, it

has 0.9999 which means 99.99 percentages is affected by independent variable and only 0.01 percentages is affected by other variable. P.E.r of NABIL and NIBL both bank is insignificant because both P.E.r is less than r.

4.1.2.1.2 Coefficient of correlation between Investment and Total Deposit.

Deposit and Investment are most important phenomenon for the commercial bank. They are part and parcel. If both parts can not go simultaneously, bank can not earn profit more. If it can not earn more money, it will be backward in the competition. In this study Investment (x) is and Total Deposit (y) are dependent variables.

Table: 20. Coefficient of correlation between Investment and Total Deposit.

Bank				
	Nabil Bank Limited		Investment Bank Limited	
Fiscal year	Investment (x)	Total Deposit (y)	Investment (x)	Total Deposit (y)
2004/05	5167.28	14,586.61	4,074.74	14,254.57
2005/06	7,978.50	19,347.40	5,672.87	18,927.31
2006/07	9,524.85	23,342.29	6,767.65	24,488.86
2007/08	12,222.38	31,915.05	6,874.02	34,451.73
2008/09	10,826.38	37,348.26	7,403.11	46,697.98
R	0.8872		0.8551	
r ²	0.7872		0.7311	
P.E. r	0.0642		0.0811	
Level of Significance	Significant		Significant	

[Sources: web sites of Nepal share market and Annual Report of Concerned Bank, Appendix - 2]

Table 20 displays Coefficient of Correlation of NABIL and NIBL. Both banks are in positive and high or strong degree of correlation. NABIL's correlation in investment and deposit which is 0.8872 is greater than NIBL which is 0.8551. Coefficient of Determination (r²) is 0.7872 of NABIL and 0.8551 which is 78.72 and 85.51 percentages respectively affected by explain variable 21.28 and 14.49 respectively of NABIL and NIBL are affected by other unexplained variables. Level of Significance of P.E.r is significant of both banks.

4.1.2.1.3 Coefficient of correlation between Total Debt and Shareholders Equity

In this purpose total debt means total liabilities and shareholders equity means net worth. Liabilities (x) is one dependent variable and Net Worth (y) is next dependent variable

Table: 21 Coefficient of correlation Total Debt to Shareholders Equity

Bank					
	Nabil Bank Limited		Investment Bank Limited		
FY	Total Liabilities(x)	Net Worth (y)	Total Liabilities (x)	Net Worth (y)	
2004/05	1103.63	1657.63	16,013.54	1,180.17	
2005/06	1294.8	1,877.99	21,330.14	1,415.44	
2006/07	1716.62	2,057.05	27,590.86	1,878.13	
2007/08	2026.52	2,446.20	38,873.31	2,686.20	
2008/09	43867.41	3,130.21	53,700.64	4,403.21	
r	0.8754		0.9888		
r ²	0.7663		0.9778		
P.E. r	0.0705		0.0067		
Level of Significant	Significant		Significant		

[Sources: web sites of Nepal share market and Annual Report of Concerned Bank, Appendix - 3]

Table 21 also correlation of dependent variables which are Total Liabilities (x) and Net worth (Y). Both bank, NABIL and NIBL are in High degree / strong correlation. But, correlation between two variables of NIBL which is .988 is higher than NABIL which is 0.8754. Coefficient of Variation of NABIL is 0.7663 which means 76.63 percentage by the explained variables and 23.37 is by unexplained variables or the macro economic variable. Similarly, NIBL's Coefficient of Determination is 0.9778 which is 97.78percentage by the explained variable and rest of variable 2.22 by unexplained variable. P.Er is significant because both banks data are less than r.

4.1.2.1.4 Coefficient of correlation between Return on Total Investment

Return includes interest of loan and advance, overdraft and investment similarly investment includes investment on share and debenture, investment on government securities and other investment. Simply investment and return have positive

relationship. The following table shows two variables relation. Net Profit After tax (x) and Total Investment (y) are two variables.

Table: 22. Return on Net Worth or Total Shareholders Equity:

Bank					
	Nabil Bank Limited		Investment Bank Limited		
Fiscal year	Net Profit After Tax (x)	Total Investment (y)	Net Profit After Tax (y)	Total Investment (x)	
2004/05	520.11	5167.28	232.15	4,074.74	
2005/06	635.26	7,987.50	350.54	5,672.87	
2006/07	673.96	9,524.85	501.40	6,868.65	
2007/08	746.47	12,222.38	696.73	6,874.02	
2008/09	1031.05	10,826.38	914.58	7,403.11	
R	0.7103		0.8820		
r ²	0.5045		0.7779		
P.E. r	0.1495		0.0670		
Level of Significant	Significant		Significant		

[Sources: web sites of Nepal share market and Annual Report of Concerned Banks, Appendix - 4]

Table 22, NABIL's and NIBL correlation between two variables is positive relationship between variables but in the case of NABIL which is one of the bank of this study, Correlation between them is significant But NIBL's ratio is high degree significant. Coefficient of Determination of NABIL and NIBL are 0.5045 which is 50.45 percentages and 0.7779 which is 77.79 percentage respectively are determined by the explained variable i.e. net profit after tax and total investment and rest of percentage 49.55 of NABIL 22.21 respectively are due to unexplained variables. P.E.r is Significant of both banks in the period of study.

4.1.2.2 Simple Regression Analysis

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

regression. “Simple” because there is only one independent variable and liner” because the relationship between the independent and dependent variable is assumed to be linear.

4.1.2.2.1 Regression Analysis of Current Assets and Current Liabilities

The main point of regression analysis is to determine relation of the dependent variable and independent variable. Here is Current Assets is considered as the independent variable and Current Liabilities is considered as dependent variable. It is to be checked the relation between current assets and current liabilities. The relation current assets and current liabilities can be shown mathematically.

$$C.L. = a + b C.A.$$

Where,

C.L. = Current Liabilities

C.A. = Current Assets

Table: 23 Regression Analysis of Current Assets and Current Liabilities

S.N.	Banks	Intercept (a)	Regression Coefficient (b)	T Test
1.	Nabil	-4699.23	1.1774	4.41*
2.	NIBL	158.45	0.9157	149.66*

[Sources: web sites of Nepal share market and Annual Report of Concerned Banks Appendix - 5]

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

Table 23, this mathematical analysis indicates the relationship between Current Assets and Current Liabilities. The coefficient in two banks is higher in Nabil bank than NIBL. The regression coefficient of the both banks are positive which indicate the increasing Current Assets ultimate increase in Current Liabilities so that bank can be achieve profit by expanding its working area i.e. mobilizing loan and advance, Investment and so on. The value of independent variable is increased i.e. current assets is increases 1 unit the dependent variable i.e. current liabilities of Nabil is 1.1774 units where as NIBL is 0.9157 unit. Intercept is negative of Nabil is negative (-4699.23) which means if independent variable zero, bank will be in minus which means loss for the bank. It does not give real picture because in mathematical value of current assets will be negative if current liability is negative. But Nabil’s intercept is

158.45, in this case if the independent variable of NIBL is zero the value of dependent will positive.

While testing the significance on the basis of t-test of Nabil and NIBL are significant at 5% level of significance. This shows that there is high correlation between Current Assets and Current Liabilities in case of both banks.

4.1.2.2.2 Regression Analysis of Investment and Total Deposit

In regression there is dependent and independent variable. The relation of the two dependent and independent variable have to check. In this case Total deposit is dependent variable and next on Investment is independent variable.

$$I. = a + b \text{ T.D.}$$

Where,

I. = Investment

T.D. = Total deposit

Table: 24 Regression Analysis of Investment and Total Deposit

S.N.	Banks	Intercept (a)	Regression Coefficient (b)	T Test
1.	Nabil	2544.66	0.2608	3.33*
2.	NIBL	3738.38	0.0872	2.86*

[Sources: web sites of Nepal share market and Annual Report of Concerned Banks, Appendix 6]

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

Table 24, this mathematical analysis indicates Investment and Total Deposit in commercial bank. Regression Coefficient positive means the increasing trend of Total deposit and increase in investment. The value of independent variable i.e. total deposit by 1 unit the dependent variable i.e. investment of Nabil is 0.2608 units where as NIBL is 0.0872 unit. Value of Intercept of Nabil and NIBL are 2544.66 and 3738.38 which means if the independent variable is zero, the value of dependent variable will be positive.

While testing the significance on the basis of t-test of Nabil and NIBL are significant at 5% level of significance. This shows that there is high correlation between Investment and Total Deposit in case of both banks.

4.1.2.2.3 Regression Analysis of Total Debt and Equity

This analysis determines the relation between Total Liabilities and share holder equity. Total Liabilities is considered as independent variable and Share Holder equity is considered as dependent variable.

$$T.L. = a + b S.E.$$

Where,

T.L. = Total liabilities

S.E. = Share holder equity

Table: 25 Regression Analysis of Total Debt and Equity

S.N.	Banks	Intercept (a)	Regression Coefficient (b)	T Test
1.	Nabil	1966.34	0.0267	3.14*
2.	NIBL	-383.86	0.0856	11.50*

[Sources: web sites of Nepal share market and Annual Report of Concerned Banks, Appendix 7]

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

Table 25, this analysis indicates regression analysis of both bank in Total liabilities and Share holder equity. Share holder equity of Nabil is 0.0267 units where as NIBL is 0.0856 unit. The value of independent variable i.e. Total liabilities is increased by 1 unit the dependent variable i.e. total liabilities will increase in 0.0267 and 0.0856 respectively. Intercept of Nabil is 1966.34 which means if independent variable is zero the value of dependent i.e. Share holder equity is positive but NIBL's is negative so that if the share holder equity the bank is in negative (-383.86) if independent variable is zero it does not give the real picture because total liability will not be negative if share holder equity is zero. To be positive these bank must do some profit independent variable.

While testing the significance on the basis of t-test of Nabil and NIBL are significant at 5% level of significance. This shows that there is high correlation between Total Debt and Equity in case of both banks.

4.1.2.2.4 Regression Analysis of Return on total Investment

This analysis determines the ratio of Total Investment and Net tax after tax. Total Investment is considered as independent variable and Net Profit after tax is considered as dependent variable.

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

Where,

T.I. = Total Investment

N.P.T = Net Profit after tax

Table: 26. Regression Analysis of Return on Total Investment.

S.N.	Banks	Intercept (a)	Regression Coefficient (b)	T Test
1.	Nabil	264.10	0.05	1.75*
2.	NIBL	-572.31	0.18	3.24*

[Sources: web sites of Nepal share market and Annual Report of Concerned Banks, Appendix -8]

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

Table 26 shows mathematical analysis indicates the regression analysis of Total Investment and Net profit after tax. Regression coefficient of Total Investment and Net Profit after tax of both bank are positive which determines increase in Net Profit after tax, increases Total Investment for each bank. The value of independent variable i.e. Total investment is increased by 1 unit the dependent variable i.e. Net profit after tax of Nabil is 0.0500 units where as NIBL is 0.180 unit. Intercept of Nabil is 364.10 which means if independent variable is zero the value of dependent i.e. total investment is positive but NIBL's is negative so that if the investment the bank is in negative (-572.31) if independent variable (net profit after tax) is zero it does not give the real picture because investment will not negative if net profit after tax is zero.

While testing the significance on the basis of t-test of Nabil is not significant at 5% level of significance but NIBL's is significant. This shows that there is not correlation between total investment net Profit after tax of Nabil and high correlation between in case of NIBL bank.

4.2 Major Finding

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. Current ratios of NIBL dominate the respective current liabilities which indicate that NIBL is capable in paying the current obligation. Therefore NIBL has a highest liquidity ratio between two banks. NABIL has low current ratio, but it does not mean that bank is failed to maintain the liquidity position. Even though both bank do not maintain standard level. However average of both banks shows the satisfactory level of current ratio.

) In the period of study, the liquid assets to total deposits ratio of NABIL higher than NIBL; but fluctuation exists in both banks. And here is standard level is to maintain 1:1 which is not maintain in all years by both banks.

Here, in liquidity ratio current ratio is better NIBL and liquid assets to total deposit ratio is better of NABIL. In average both bank are good in liquidity ratio.

4.2.2 Activity or Turnover Ratio

) NIBL found to be in better position to maintain the cash and bank balance to total deposit ratio between the two 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. Both banks have a fluctuation ratio during study period but NABIL'S fluctuation is higher than NIBL.

) 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 NIBL has a highest mean ratio it shows that NIBL's using more deposit in loan and advances which makes more profit to it. Both banks do not have high level of fluctuation.

-) Between two banks in average NABIL is successful in mobilizing the deposit in investment in different sector. But NIBL has a lower mean ratio; they are less successful to utilize the deposit in investment in the comparison of NABIL banks. If, it is watched the fluctuation of NABIL is higher than NIBL in the period of study in the sampling bank.
-) In Activity or Turnover ratio the overall performance of two commercial bank NABIL performance is better than NIBL but in loan and advances to total deposit ratio NIBL's position is better.

4.2.3 Leverage Ratio

-) In this leverage ratio lower average ratio is better than higher ratio in the sense NABIL position is better than the NIBL. It means NABIL has lower liabilities than NIBL. NIBL has high mean ratio. So, it use debt into more profitable sector. Fluctuation exists in NABIL but such fluctuation does not exist in NIBL in the period of the study. Less liability is suitable for the bank which is to pay back.

4.2.4 Profitability Ratio

-) Total Interest Earned to loan and Advances Ratio is higher profitable when the commercial bank can earn more interest from the loan and advances. Here, in the study of two banks i.e. NABIL and NIBL which are the banks of the study. NABIL is in higher profit and more consistence than NIBL in the period of the study. Lower level of fluctuation exists in both banks.
-) In the interest paid to total deposit ratio has found Performance of NABIL is better than NIBL because mean ratio of NABIL is less than NIBL on the other hand performance of NIBL is more consistence and homogeneous than NABIL because C.V of NIBL is less than NABIL in the period of study.
-) In the total interest earned to total working fund ratio, higher mean ratio is better than lower mean ratio in the sense Performance of NABIL is better than NIBL. In this ratio NIBL is more consistence than NABIL.

-) Total Interest Paid to Total Working Fund Ratio is minimum of NIBL and it has done more profit than NABIL. Total interest paid to total working fund ratio is more consistent of NIBL because C.V ratio of NIBL is less than NABIL.
-) Banks have different types of income sources i.e. service charge, profit, rewards and so on. Among them Interest is one of them which is main sources of banks. In this study NABIL is earning more profit than NIBL. Fluctuation does not exist in NABIL rather it is increasing trend but in NIBL has seen fluctuation. NIBL is more consistent than NABIL.
-) In interest expenses to total expenses ratio found that performance of NABIL is better than NIBL and NIBL is more consistent than NABIL.
-) In interest income to interest expenses ratio found that performance of NABIL is better than NIBL and NIBL is more consistent than NABIL because C.V ratio of NIBL is less than NABIL.
-) Return on total assets ratio found that performance of NABIL is better than NIBL although both bank ratio is fluctuating.
-) Return on total deposit ratio found that ratio of both bank are fluctuating. NABIL performance is better than NIBL. This ratio is more consistent of NABIL than NIBL.
-) Return of loan and advance ratio found that NIBL mean ratio is lower than NABIL so, NIBL performance is lower than NABIL. Similarly C.V of NIBL is less than NABIL so NIBL is more consistent than NABIL.
-) Return on net worth or total shareholders equity ratio found that performance of NABIL is better than NIBL because mean of net profit of NABIL is higher than NIBL and net profit to net worth ratio is more consistent of NABIL because C.V ratio of NABIL is less than NIBL.
-) Return on total investment ratio found that performance of NIBL is better than NABIL because mean of net profit of NIBL is higher than NABIL but net

profit to total investment ratio is more consistent of NABIL because C.V ratio of NABIL is less than NIBL.

) In this study we are mainly base on average ratio and co-efficient of variation. In the base of two variables both banks are similar. Both banks are not perfect in all sectors in the study area in the period of study. In the study period NABIL is performed better performance in some ratios and NIBL is better in other.

4.2.5 Coefficient of Correlation

) The correlation analysis has pull out the following results.

) The Positive correlation between Current Assets and Current Liabilities found in between two banks. The correlation between Current Assets and Current Liabilities are high and strong correlation as there is significant between them. It means that both banks provided Current Assets and Current Liabilities.

) There is the positive correlation between the deposit and investment in between two banks. The correlation between deposit and investment is high/strong correlation. NABIL is successful to use the deposit in proper way .In case of another bank they have mobilize its deposit competitive way on investment. In another word it can be said that Investment is depends upon the deposit.

) There is positive strong relation and high degree / strong correlation between total liabilities and net worth. NIBL is performing better performance between two banks. NABIL is also good movement

) There is positive and perfect high degree correlation between two variables but in NIBL there is positive significant correlation between two variables. NIBL's ratio is better in the period of study and NABIL condition is not good in correlation between variables.

4.2.6 Simple Regression Analysis

-) In regression analysis of current assets and current liabilities. Both banks have a positive regression coefficient. Regression coefficient of NABIL is higher than NIBL. Intercept of NABIL is positive which indicates if the independent variable is zero the dependent variable is positive whereas Nabil's is negative which shows if the independent ratio is zero the dependent variable is negative which is meaningless in the real world of mathematics.
-) The regression coefficient of investment and total deposit for both banks are positive but NABIL performs better performance than NIBL. Intercept of these banks is positive which indicates if independent is zero dependent variable has some value.
-) Both banks have got the positive regression coefficient between total debt and equity NIBL has got the high Regression than NABIL. In this analysis, intercept of Nabil is positive which indicates if independent variable is zero the value of dependent variable depends upon the value of intercept whereas the value of NIBL is negative which means share holder equity will be negative if the independent variable, total liabilities is zero which is meaningless in the real world of mathematics.
-) In regression analysis of return on total investment regression coefficient of NIBL is higher than Nabil. Intercept of Nabil is positive which indicates if the value of independent variable is zero the value of dependent is determined by intercept whereas the value of NIBL is negative Which means performance dependent variable of bank will be negative if independent variable is zero which is meaningless in the real world of mathematics.

CHAPTER V

SUMMARY, CONCLUSION & RECOMMENDATION

This chapter 'summary, conclusion and recommendation' is the concluding part of this study, which summarizes the major findings deriving from the analysis of NABL and NIBL. The facts and findings from secondary data analysis are presented in this chapter. Summary covers the brief explanation to all the chapters of the study and shows the actual facts that have been taken from the analytical section. And the analysis is performed with the help of financial and statistical tools. Besides summarizing and concluding research work, recommendations are made to concerned persons and organizations

5.1 Summary

Banking industries is one of the main components of economy. It collects the scattered funds from saving of the public and invests such scatter amount into huge amount in various productive sectors. Such huge amount of fund can not be collect in absence of banking industries so that expansion of economic may impossible so it plays the role of catalyst for economic development of the country in the developing country, developed country as well. By the backup of banking sector industrialization becomes an important factor for achieving the basic objective of a country's economic and social progress. Industrialization not only provides necessary products and services to the community but also create employment opportunities. Industrial development thus has a multiplier effect on the economy. It helps to enhance economic activities of the country by providing capital funds for the smooth operation of business activities, create employment opportunities, investing agriculture, industry. At present there are altogether 28 commercial banks operating in the country among which NABIL 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 banks.

The study covers only two banks NABIL and NIBL among 27 commercial banks. Operating date of these two banks are 12th July 1984, and 29th March 1986 respectively. Head offices of both banks are in Kathmandu. The study completely based on secondary data accumulated from websites. The study is based on five fiscal years from 2004/05 to 2008/09. Therefore the conclusion is concern with only above period. The specific objective of the study will be pointed out as follows:

1. To analysis the financial performance of both banks in terms of liquidity, activity and turn over, leverage, profitability.
2. To highlight the total deposit, total loans and advance, total investment, and total expenses of selected banks.
3. To compare and contrast the both commercial banks within the industry performances.

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

- Ratio Analysis
- Statement of changes in financial position
- Cash flow statement

Among them ratio analysis is used by most companies. Therefore in this study we have discussed only about ratio analysis. Under statistical analysis Mean, Standard Deviation, Coefficient of variation, Probable Error of the Co-efficient of Correlation, Coefficient of Correlation, Simple regression and Trend line analysis have been used.

5.2 Conclusions

Both banks are not sound performance in all sectors. One is strong in one but not in others. I.e. if they are able to collection deposit, they will not able to uses such fund or excess interest expenses, if they sound loan and advances they have less working fund, one is strong in liquidity position and one is strong in profit making etc. The overall performance of both banks found to be satisfactory. The analysis of liquidity position of these commercial banks shows different positions. From which we can conclude that NIBL has strong position than NABIL.

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. In liquidity ratio NIBL's performance is better than Nabil. From the analysis of turnover of banks both banks are comparatively successful in assets management.

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. Activity or turnover ratio administration performance is observed by using different components of activity ratio in this ratio. NIBL's performance is better than NABIL. Leverage ratio is calculated to measure the long-term financial position of a firm. The analysis of leverage ratio shows NABIL 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. From profitability point of view, NABIL found to be better between these banks because it pays lower interest for debt fund and earn higher interest by mobilizing its deposit and assets to different productive and profitable sectors.

Deposits are the main tool for developing banking performance of the banks. And investment and loan and advances are keys to mobilize the deposit. Both banks have a positive relation between the current assets and liabilities, investment and total deposit, total debt and equity and return on total investment, which shows by the correlation between these variables. In such correlation among them NIBL is best. NABIL is better only in investment and total deposit.

The regression analysis shows the increase current assets and liabilities, Investment and total deposit, total debt and equity and return on total investment. All the regression analyses are positive but intercept is both positive and negative.

The overall both banks are 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 both banks have aggressive polices in investment and lending. Deposits are main tool of investing and both bank's deposit and net profit are in increasing trend.

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.

Recommendations

Bank as above sated is the main pillar to enhance economy upward. So, it is better to be best performance success of goal can be achieved. One of them is stronger in profit making but failed to maintain the consistency, but that is also relevant because it is hard or probably impossible to achieve best score. Direction of banks should be upward by mobilizing assets in productive sector. Other is weaker in mobilizing their deposits. Any way, 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 of current ratio is 2:1 is not maintained by both banks. Liquid assets to total deposit ratio 1:1 is maintain by the NABIL but not NIBL. The depositor may demand the money at time so; bank should be ready at any time. In this research none of banks have the standard ratio due to their aggressive working capital policy. Both banks are failed to maintain liquidity ratio. Therefore both banks should modify their working capital policy to maintain the standard ratio. If these banks cannot maintain the ratio they may failed to maintain the daily cash transaction.
-) The Company must apply different development scheme such as deposit, insurance scheme, workers saving scheme and women development scheme through which banks can attract more customers.
-) Cash and bank balance ratio is higher in NIBL than NABIL. In this case NABIL is indicating profit more than NIBL.
-) Loan and advance to total deposit have to be higher for the better performance. NIBL has higher average ratio. NABIL's trend is decreasing from the beginning, it has to evaluate its work and increase the ratio.
-) Investment to total deposit ratio NABIL's position is better. It is recommend to NIBL to improve its ratio. And NABIL has to decrease its fluctuation rate so that bank will be stable.
-) In this ratio Total debt to equity ratio NIBL has to reduce its variable. If it is not maintain there will negative impact of this bank in the eye of lenders. Banks have to pay certain percentage of interest with debt. Here, NABIL is in better position. It is recommend to NIBL to reduce dept.

-) NIBL is paid more interest in comparison of NABIL in average ratio in the study period. Paying higher level of interest is less profit to the bank. NIBL has to maximize its profit from interest i.e. paying less interest rate to the depositors.
-) NABIL is achieving more amounts in comparison of NIBL. Which bank can get success to mobilize working fund can get more profit so it is recommend to NIBL to increase interest by mobilize amount.
-) In different kind of income, NABIL achieve higher level of income form the interest but NIBL is unable to achieve in the ratio at the rate of NABIL and interest expenses to total expenses ratio profit is done by NABIL by paying less amount the depositors than NIBL. It is recommended that NIBL have to decreases its expenses from total expenses ratio.
-) 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.
-) In this study we found that NIBL profit earning ratio is stable and consistence in comparison of NABIL although its mean profit ratio is less. It is recommended that NIBL should increases profit with maintain stability and consistency profit mean ratio.
-) In this study we found that NABIL profit earning ratio is not stable and consistence in comparison of NIBL although its mean profit ratio is higher. It is recommended that NABIL should maintain stability and consistency increasing profit in same ratio.
-) The economic liberalization has made both banks 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.

-)] 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 feedback 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.

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Appendix 1						
Banks						
	Nabil Bank Limited			Investment Bank Limited		
Fiscal year	Ratio in times	$d = X - \bar{X}$	d^2	Ratio in times	$d = X - \bar{X}$	d^2
2004/05	1.0841	0.0617	0.003807	1.0833	0.0006	4.10E-07
2005/06	1.0761	0.0537	0.002884	1.0838	0.00114	1.30E-06
2006/07	1.0703	0.0479	0.002294	1.0770	-0.00566	3.20E-05
2007/08	1.0603	0.0379	0.001436	1.0787	-0.00396	1.57E-05
2008/09	0.8212	-0.2012	0.040481	1.0905	0.00784	6.15E-05
$\sum X$	5.112			5.4133		
mean \bar{X}	1.0224			1.0827		
$\sum d^2$			0.050903			1.11E-04
S.D.	0.1009			0.0047		
C.V. (%)	9.8695			0.4332		

Mean

$$SD = \sqrt{\frac{\sum d^2}{N}}$$

Nabil Bank

$$= \sqrt{\frac{0.05009}{5}}$$

$$= 0.055$$

Nepal Investment Bank

$$= \sqrt{\frac{0.0001100}{5}}$$

$$= 0.0000275$$

$$\text{Coefficient of variation} = \frac{S.D.}{\text{Mean}} \times 100$$

Nabil Bank

$$= \frac{0.1009}{1.0224} \times 100$$

Nepal Investment Bank

$$= \frac{0.0047}{1.0827} \times 100$$

= 9.8659

= 0.4332