

# CHAPTER I

## 1. INTRODUCTION

### 1.1 Background

Nepal is a small Himalayan nation in South Asia sandwiched between the world's largest countries and fastest growing economies namely China and India. It is one of the least developed countries in the world in spite its fastest developing neighbors. The feudal system of economy, traditional agriculture, weak financial system, slow pace of industrialization, unethical business practice, unsettled politics, lack of the rule of law, rampant corruption, etc. are some of the major reasons for its least development. However, since entire Asia is economically emerging today, Nepal cannot remain undeveloped forever, as it has no other option than to strive for pursuing fast economic development following the pace of the economic development of its neighbors. It is widely hoped that the present political imbroglio will be over soon and the nation will have a democratic constitution.

Banking sector plays vital role for the country's economic development. Bank is a resource mobilizing institution that accept deposits from various sources and invest such accumulated resources in primary, secondary and territory sector. The level of overall development of a country social, cultural, political or economic development is characterized by the level of the economic growth and the crux of the economic growth lies in the development of a well managed banking system. Hence Bank can be considered as the backbone of a countries overall development. In short banks are extremely necessary for the healthy country. By creating and mobilizing the capital and rendering various financial services. Banks are contributing to the establishment and development of so many small and large scales of industries and domestic as well as international trade and commerce. Though bank refers to transaction of money mordents banks are established with specific purpose. Depending upon the nature of bank, it serves differently to its customers.

The finance is directly concerned with conservation or accumulation of capital funds to meet the financial needs of various institutions. The smooth continuity of the economic

development widely depends upon the adequate and steady of medium as well as long term capital funds for productive investments, which is concerned with finance. For efficient mobilization of financial resources, the financial market is an important intermediary through which effective bridging of deficit units and surplus units can be ensured. Financial markets are engaged in mobilization of saving from surplus units and deploy funds into the deficit units into productive investment. Capital market plays a crucial role in mobilizing a constant flow of saving and channeling these financial resources for expanding.

## **1.2 Development of Banking System**

Certainly, no comparisons can be made between ancient and modern banks, yet it is necessary to know how the present banking system gradually developed. In ancient time, gold smiths, businessman and moneylenders used to perform the work of banking in every country. Hence, Couter has describes the following persons are the ancestors of modern banks:-

- ) The merchants
- ) The money lenders
- ) The goldsmiths

### **The Merchants**

The oldest ancestors of modern banks were the merchants. The merchants used to exchange the gold, silver coins and deposit the valuable ornaments or goods made of gold, silver and gems. The receipts (written document as a proof) given by them was considered equivalent to money. They had played vital role to develop the banking transaction.

### **The Money Lenders**

The money lenders were second ancestors of the modern banks. Lenders and borrowing are almost as old as money itself and the village moneylenders, is found even in quite primitive communities. The services he performs are undoubtedly useful and necessary, even though the reward he extracts in return may usually be rapacious.

## **The Goldsmiths**

The goldsmiths were the third ancestors of the modern banks. Noted economists' Hartley Withers has taken the ancient goldsmiths as the father of the modern banks. The goldsmiths used to give receipts, which were known as Goldsmiths as goldsmith's Note. It was made payable to bearer and on demand which transformed the said into the position of a bank note. It gained circulation and currency in due course of time. These note with the passage of time became payable to bearer on demand and enjoyed circulation. Thus we can say that the goldsmiths became the precursor of the modern bank note and the forerunner of the modern banking institutions. Hence, the banks started to carry out the works of creating the credit, issuing the notes, depositing, lending, transacting the bills of exchange and promissory note etc.

The history of banking development, we can't forget bank of Casa de San Giorgio in Genoa, was established in 1148; Bank of Venice was established in 1157 and Bank of Genoa was established in 1148. In 1401, the Bank of Barcelona was established in Barcelona. In fact, modern bank started to take rapid speed in forming and functioning from 17<sup>th</sup> century. During this period, Bank of Milan, Bank of Florence and Bank of St. George were established in Genoa. In 1609 the bank of ansterdam was established in Holland, likewise in 1610, Bank of Hamberg was established in Germany and the Bank of England was established in England. In the context of Nepal, for the first time, the Nepal Bank Limited was established in 1994 (1938) and the central bank of Nepal (Nepal Rastra bank) was established in 2013 (1957).

In conclusion, we can say that banking is not static but a dynamic concept. It is a product of centuries and the development which has taken place is the product of a method of trial and error and experience which were made and the result that followed relating to the acceptance of money and valuable as deposits, keeping them as such, lending them whether to private individuals, to states of other bodies and for controlling the multifarious and multi-dimensional activities which, in the beginning were only trivial and could be ignored but with the growth of time, become international in character and multidimensional in nature calling for actions on the part of the states as the actions on the part of the individuals failed and state control become eminent.

Stage wise development of banking in Nepal can be narrated as follows:

## Ñ The First Phase of Banking Development

Eight century, king “Gunkamdev” renovated the Kathmandu city by taking loan. At the end of same century merchant named “Shankhardhar” had started the “New year” Nepal Sambhat after freeing all people of Kathmandu from the debt.

In the 11<sup>th</sup> century, during Malla reigns, there was an evidence of professional money lender and buyer Tejarath Adda.

## Ñ The Second Phase of Banking Development

The modern banking of Nepal started with establishment of Nepal Bank Ltd in 1994 B.S. with the need of development of banking sector to help the government formulate monetary policies, Nepal Rastra Bank was set up in 2013 B.S. as the central bank of Nepal. In B.S. 2022, Government set Rastriya Banijya Bank as a fully government owned commercial bank. The agricultural development bank was established in B.S. 2024. This bank was established with the objective of increasing the life standard of the people who are involved in agriculture.

## Ñ The Third Phase of Banking Development

The process of development of banking system in Nepal was not satisfactory. Nepal was observing the events that were taking places in the world also. The country can't change its status by using only its own capital in the country without importing in the new technology from foreign country and accordingly, law and policy have been enacted by the state to encourage the foreign investment on banking sector. From this, the real form to the development of the banking system started in Nepal. In order to establish and develop other joint venture commercial banks and other financial institution, Nepal adopted liberal free economic policy. Accordingly, Nepal is allowed to establish different joint venture banks under the collaboration with foreign banks.

## Ñ The Fourth Phase of Banking Development

From 2041 B.S., His Majesty's Government of Nepal established 5 rural development banks. They are as follows:

- ) Eastern Rural Development Bank
- ) Central Rural Development Bank
- ) Western Rural Development Bank
- ) Mid- Western Rural Development Bank
- ) Far- Western Rural Development Bank

In order to establish and develop other joint venture commercial banks and other financial institution, Nepal adopted liberal free economic policy. After 2041 B.S., the government gradually liberalized and opened up the financial sector, resulting in the rapid entry of the foreign banks. Later, in 2041 B.S., with the grand opening of NABIL bank Ltd., other commercial banks started emerging in the private sectors. As a result, now there are altogether 27 commercial banks operating at different parts of the country. At present, the banking sector is more liberalized and there are various types of bank working on modern banking system. This includes central development and commercial banks. Evolutions of the information technology has revolutionized the banking sector is saving lots of time and money by implementing IT. Technology has changed the traditional method of the services of bank. Invention of different bank such as banking software, ATM, E-Banking , Mobile Banking and credit card ,Debit Card, Prepaid Card etc which helps the customer as well as banks to operate and conduct their activities more efficiently and effectively. This helps bank to generate more customers, goodwill and profit.

### **History of Two Commercial Banks:-**

#### **Nepal Investment Bank Ltd.**

Nepal investment bank limited previously Nepal Indosuez Bank limited was established as a joint venture between Nepalese and French partner in falgun 16,2042 B.S(1985A.D). The French partner holding 50% of the capital of NIBL was credit Agricole Indosuez, a subsidiary of one the largest banking group in the world. With the decision of credit Agricole Indosuez to divest, a group of companies comprising of bankers, professionals, industrialists and businessman, had acquired on April 2002 the 50% shareholders of credit Agricole Indosuez in Nepal Indosuez Bank Ltd.The name of bank has been changed to Nepal Investment Bank ltd. upon approval of Bank's Annual General Meeting, Nepal Rastra Bank and Company Register's Office with the following shareholding structure.

A group of companies holding 50% of the capital

Rashtriya Banijya Bank holding 15% of the capital

Rashtriya Beema Sansthan holding 15% of the capital

The remaining 20% is being held by the General Public (which means that NIBL is a company listed on the Nepal stock exchange).

The head office of the bank is located at Durbar Marg, Kathmandu. The bank has 40 numbers of branches with in the country. The bank is planning further more branches in the country. Branch details are as follows:

Kathmandu Head Office Durbar Marg, Kathmandu

Seepadole Branch	Suryabinayak, Bhaktapur
Birgunj Branch	Adarshanagar, Birgunj
Pulchowk Branch	Pulchowk, Lalitpur
Banepa Branch	Banepa, Kavre
Jeetpur Branch	Jeetpur, Bara
Newroad Branch	Newroad, Kathmandu
Biratnagar Branch	Golcha Chowk, Biratnagar
Butwal Branch	Traffic Chowk, Butwal
Bhairahawa Branch	Maitri Road, Bhairahawa
Pokhara Branch	Chiple Dunga, Pokhara
Putalisakak Branch	Putalisadak, Kathmandu
Narayanghat Branch	Pulchowk, Narayanghat
Janakpur Branch	Mills Area, Janakpur
Nepalgunj Branch	Dhamboji, Nepalgunj
Thamel Branch	Chaksibari, Thamel
Kalimati Branch	Kalimati Chowk, Kathmandu
Birtamod Branch	Traffic Chowk, Birtamod
Battisputali Branch	Battisputali, Kathmandu

Dhangadi Branch	Main Road, Dhangadi
Gongabu Branch	Gongabu Chowk, Kathmandu
Surkhet Branch	Neta chowk, Surkhet
Jumla Branch	Khalanga Chowk, Jumla
Boudha Branch	Boudha, Kathmandu
Hetauda Branch	Bank Road, Hetauda
Palpa Branch	Tansen, Palpa
Lukla Branch	Chaurikharka, Lukla
Naya Baneswor Branch	Naya Baneswor, Kathmandu
Dhumbarahi Branch	Pipalbot chowk, Kathmandu
Bhotahiti Branch	Bhotahiti, Kathmandu
Tulsipur Branch	Tulsipur, Dang
Tripureshwor Branch	Tripureshwor, Kathmandu
Damauli Branch	Safasadak, Damauli
Gaighat Branch	Gaighat, Udayapur
Lajimpat Branch	Lajimpat, Kathmandu
Parsa Branch	Parsa, Chitawan
Maharajgunj Branch	Maharajgunj, Kathmandu
Lalbandhi Branch	Lalbandhi, Sarlahi
Lagankhel Branch	Lagankhel, Lalitpur
Waling Branch	Waling, Syangja
Krishna nagar branch	Krishna nagar kapilvastu

Source: [http://www.nibl.com.np./branch\\_network.html](http://www.nibl.com.np./branch_network.html)

### Board of Directors of NIBL

Mr. Prithigvi Bahadur Pandey	Chairman/CEO	Group "A"
Mr. Prajanya Rajbhandari	Director	Group "A"
Mr. Deepak Man Serchan	Director	Group "A"
Mr. Janardan Dev Panta	Director	RBB
Mr. Omkar Nidhi Tiwari	Director	Rastriya Beema Sanstan Group C
Mr. Surendra Bdr. Singh	Public Director	Group D
Mr. Mohan Madan Budhathoki	Professional Director	

Source: [http://www.nibl.com.np./branch\\_of\\_directors.html](http://www.nibl.com.np./branch_of_directors.html)

### **NABIL Bank**

NABIL Bank Limited is the first joint venture commercial bank in Nepal which established in Ashad 29,2041 (1984 A.D) Dubai bank Limited was the initial foreign joint venture partner with 50% equity investment. NABIL was incorporated with the objectives of extending international standard modern banking services to various sectors of the society. NABIL has the 50 branches throughout the country to provide its banking facility. This bank was renamed is NABIL bank Ltd from 1st January 2002. First Dubai bank Ltd was partner of 50% equity capital. Later Dubai bank Ltd takes out its hand and transfers its equity to National bank Ltd. of Bangladesh.

National bank limited Bangladesh	50%
Nepalese public shareholders	30%
NIDC	10%
Rastriya beema sansthan	9.66%
Nepal stock exchange	0.34%

The head office of the NABIL bank is located at Durbar Marg, Kathmandu. Besides the head office, the bank has 48 numbers of branches with in the country. The bank is planning further more branches in the country. Branch details are as follows:



NABIL Bank, Head Office Nabil Centre Beena Marga Durbar Marga Kathmandu

Kantipath Branch	Kantipath, Kathmandu
Newroad Branch	Newroad ktm
Tripureshwor Branch	UWTC Building, Tripureshwor ktm
Jorpati Branch	Jorpati ktm
Birgunj Branch	Aadarsha nagar, birgunj, Parsa
Powerhouse chok Branch	Shreepur, Birgunj, Parsa
Biratnagar Branch	Goshwara road Biratnagar morang
lalitpur Branch	Kupandole, Kathmandu
Itahari Branch	Main road itahari sunsari
Butwal Branch	Main road butwal rupandehi
Bhalwadi Branch	Bhalwadi rupandehi
Pokhara Branch	Dipendra sabha griha newroad kaski
Bhairahawa Branch	Narayanpath bhairahawa rupandehi
Nepalgunj Branch	Dhambojhi nepalgunj banke
Lakeside Branch	Lakeside pokhara Kathmandu
Dharan Branch	Mahendrapath dharan sunsari
Maharajgunj Branch	Maharajgunj Kathmandu
Extension Branch	Tribhuvan int'l airport Kathmandu
Birtamod Branch	Hicola road anarmani jhapa
Damak Branch	Main highway road damak jhapa
Hetauda Branch	Bank road hetauda makawanpur
Narayanghat Branch	Sahid chowk narayanghat chitwan
Tulsipur Branch	Sitalpur road tulsipur dang
Ghorai Branch	Ganesh hall road ghorahi dang
Baglung Branch	Mahendrapath baglung
Dhangadhi Branch	Main road dhangadhi kailali
Mahendranagar Branch	Mahendranagar kanchanpur
New baneshwor Branch	New baneshwor, Kathmandu

Halchowk Branch	halchowk Kathmandu
Thamel Branch	Thamel Kathmandu
Kushaltar Branch	Kausaltar bhaktapur
Chabahil Branch	Chabahil Kathmandu
Maitidevi Branch	Maitidevi Kathmandu
Balaju Branch	Balaju Kathmandu
Kuleshwor Branch	Kuleshwor Kathmandu
Satdobato Branch	Satdobato lalitpur
Charikot Branch	Bhimeshwor charikot dolakha
Khadbari Branch	Khadbari sankhuwasava
Dhulikhel Branch	Dhulikhel kavre
Gorkha branch	Gorkha
Beshisahar branch	Beshisahar Kathmandu
Chandragadhi branch	Chandragadhi jhapa
Dhapasi branch	Dhapasi Kathmandu
Anamnagar branch	Anamnagar Kathmandu
Gwarko branch	Gwarko Kathmandu
Atterkhel branch	Atterkhel Kathmandu
Sinamangal branch	Sinamangal Kathmandu
Teendhara branch	Teendhara Kathmandu

Source: [http://www.nabilbank.com.np./branch\\_network.html](http://www.nabilbank.com.np./branch_network.html)

## Board of Directors of NABIL

Mr. Satyandra pyara shrestha	Chairman/CEO	Group "A"
Mr. Shambhu Prasad paudyal	Director	Group "C"
Mr. Dayaram gopal agrawal	Director	Group "C"
Mr. Shyamalendu chatterji	Director	Group "A"
Mr. Krishna Prasad acharya	Director	Group "B"
Mr. Krishna bahadur manandhar	Director	Group "A"
Mr. Nirvana chaudhari	Director	Group "A"
Mr. Binaya regmi	Company secretary	

Source: [http://www.nabilbank.com.np./branch\\_of\\_directors.html](http://www.nabilbank.com.np./branch_of_directors.html)

Achievement of objective in every organization depends on the application of available resources most effectively. Mobilization of internal resources is one of the key factors in economic and social development of a country. Financial institutions are the major players in this field. The more healthy banking practice in an economy, the better becomes the economic development. The research study is connected with the profit planning in commercial banks with comparative financial performance analysis of NIBL & NABIL, with the major objectives of examining the proper applicability of financial performance analysis in the bank. Financial performance analysis process significantly contributes to improve the profitability as well as the overall financial performance of an organization by the best utilization of resources.

Other research study may be useful for those who want to know financial performance in the NIBL & NABIL. It may also helpful for future researchers as reference materials.

Financial performance analysis is the most useful technique for the analysis the profitability and its performance. Hence, this study provides the guideline for the technique of financial performance analysis.

### **1.3 Statements of problems**

Commercial banks financial several problems like lack of smooth functioning of economy cut throat competition due to mushrooming growth of the banks and financial institutions , over liquidity caused by lack of good leading opportunities just sharing a small size of the cake among the banks different policies and guideline of NRB, political instability security problem poor information system non performing assets, etc. This study has indentified the following research questions with special reference to Nepal investment Bank limited (NIBL) and Nabil bank limited (NABIL) ,which are as follows.

#### **The main problems are pointed below**

- ) What are the liquidity, profitability, assets management and capital structure ratio of commercial banks?
- ) What is the relationship between total deposit and loan & advances of commercial banks?
- ) What is the relationship between deposit and investment of the commercial banks?
- ) How efficiently the banks use their capital?
- ) Which banks performing efficiently?

### **1.4 Objective of the study**

The primary objective of this study is to make comparative analysis of the financial performance of selected joint venture banks namely Nepal Investment Bank Limited and NABIL Bank Limited and to recommend suggestions for the improvement of state of affairs some of other objectives are ,

- ) To evaluate the liquidity position to measure the strength of financial performance.
- ) To compare and analysis of various ratio between NIBL and NABIL.
- ) To evaluate the activity and operation with reference to mobilization of the collected funds.
- ) To evaluate the earning and profitability position.
- ) To ascertain the weaknesses and strengths of these banks.

## **1.5 Significance of the study**

Analysis of financial performance of any company is very important. Actually, on the basis of the financial analysis, we can say if the concerned company is strong or not. The financial reports published by the banks give a meaningful picture to the general public regarding the financial position of the banks. Thus, the analysis of these statements is necessary in order to give a full and clear-cut position and performance of the banks. This study focuses on a comparison of financial performance of NIBL and Nable Bank that encourages to improve the position and performance of the selected banks from data presentation and analysis. The researcher finds different strengths and weaknesses, and a recommendation is made for the future. Banking institutions definitely contribute and play an important role for domestic resource mobilization, economic confidence of various segments, and extend credit to people. The significance of the study can be pointed out below.

- ) This study has multidimensional significance that justifies finding out important points and facts to researchers, shareholders, brokers, traders, financial institutions, and public knowledge.
- ) This study helps and justifies finding out the financial performance of NIBL and NABIL Bank and the government of Nepal to make plans and policies.
- ) This study certainly provides input to the policy maker for making plans and policies for an effective banking system.

## **1.6 Limitation of study**

Every work has its restriction and limitation due to the lack of time, resource, and knowledge. Despite the enough efforts of the researcher, this is not free from limitation. The study is presented for the partial fulfillment of M.B.S [Master's of business studies] degree. The researcher has come across many problems in the course of study. Following are the major limitations.

- ) This is based on secondary data collected from commercial banks. Thus, the result of the analysis depends on the information provided by them.

- ) This thesis covers two commercial bank only viz. Nepal investment bank limited and NABIL bank limited.
- ) This thesis covers five years data i.e from (2063/064 to 2067/068).
- ) The source of data i.e published annual report and internet website is assumed to be correct.

### **1.7 Organization of the study:-**

The study will be organized into five chapters each denoted to some aspects of the study of clearing and settlement system. The title of each chapter will be as follows;

#### **Chapter -I: Introduction**

The introduction chapter will include the background of the study, concept of commercial bank, statement of problem, objectives of the study, significance of the study, limitation of the study and organization of the study.

#### **Chapter- II: Review of Literature**

The second chapter will include the review of literature which includes review of books, review of journals and annual reports published by the bank and other authorities of related articles and previous thesis as well.

#### **Chapter- III: Research Methodology**

The third chapter will describe methodology employed to attain the objective of the research.

#### **Chapter- IV: Data Presentation of Analysis**

The fourth chapter will deal with analysis and presentation of data and information. It consists of descriptive as well as statistical analysis of data or information.

#### **Chapter - V: Summary, Conclusions & Recommendations**

The last chapter will include summary, conclusions and recommendation of the study and bibliography and appendices will be listed at the end.

## CHAPTER II

### CONCEPTUAL FRAME WORK AND REVIEW OF LITERATURE

#### 2.1 Introduction

After finding the subject matter of research, it is necessary to study the related research subject matter. Various books, articles, journals, bulletins, reports, news statement, research study published by various institutions and some Master's level thesis etc. are the bases for preparing it. The main objectives of literature of review are to obtain knowledge about the research subject or problem.

Review of literature is also said to be critical review. Critical does not mean to criticize in a negative manner. Rather it requires question the information and opinions in a text and presents your evaluation or judgment of the text. This chapter includes the various reviews of literature concern with the study. The chapter has been divided into two main sections. The first section of the chapter implies the review of previous studies. And the second chapter helps to take adequate feed back to broaden the information based on study.

The review of literature provides the guidelines for further study and helps to avoid the unnecessary duplication in the research work. This review of literature has been classified into following subgroups.

- ) Conceptual Review
- ) Review of journal and articles
- ) Review of previous research work

## **2.1 Conceptual review.**

### **2.1.1 Concept of banking**

Banking system is said to be lifeblood of country for development of country. In modern age banking system is necessary for economic development of country. Bank provides funds for economic development. It's solves the problem created from barter exchange system. It motivates people to save and investment money in the productive sector.

Development of country depends on, how the banking system developed in the country. On the one hand, bank collects deposit i.e. idle money, providing interest and on the other hand it provides loan to the entrepreneur and businessman in a lower interest rate. From that, unemployment manpower can get job by mobilizing resources. So that bank is that institution, which collects deposit from people in order to mobilization, as financial intermediaries.

Banking system play vital role for develop of country. It helps to formation of capital, increase employment, mobilization of resources, development of agriculture sector, safe for wealth and assets, promotion foreign trade, expansion of credit, implementation of public policy and finally it helps to economic development of country.

A banker of bank is a person, firm or company, having a place of business where credits are opened by the deposit or collection of money or currency subject to paid or remitted upon draft cheque or under where money is advance or loaned on stock, bond: bullion bills of exchange and promissory notes are received for discount and sale.

Banks are such types of institutions, which deals in money and substitute for money. They deal with credit and credit instruments. The most important think for the bank is good circulation of credit. Fluctuate flow of credit and weak decision harms the whole economy and the bank as well. Thus to collect fund effectively and its utilization is the very challenging task for the bank. The decision of an investment of fund may be the question of life and death for the bank.



Financial intermediaries play significant role to the development of national economy. They influence savings and surpluses considerably, which results investments. Financial intermediaries collect financial resources and supply them to the productive sectors that boosts the trade and industry and at last development of the country's economy. Commercial banks are also financial intermediaries they mediate people who save money and who want to secure the use of money by accepting the deposits, borrowing funds and advancing loans. In addition to these primary functions, commercial banks, collect checks and bills, open letter of the credit, guarantee on behalf of customers, undertake capital and other many activities, exchange foreign currencies etc.

"A commercial bank is one which exchanges money, deposits money, accept deposits, grants loan and performs commercial banking functions and which is not a bank meant for co-operative agriculture industries or for such specific purpose" (Nepal Commercial Bank, Act, 2031:1).

Commercial Banks are heart of financial system they hold the deposits of many person, government establishment business unit. They make fund available through their lending and investing activities to borrowers, individuals, business firms and services for the producers to customers and the financial activities of the government. They provide the large portion of the medium of exchange and they are media through which monetary policy is affected. These facts show that the commercial banking system of nation is important to the functioning of the economy (Donald, 2003:186).

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

"Latin America's banking system in the 1980s" has concluded that most of the banks concentrated on compliance with central banks rules on reserve requirements credit allocation and interest rates. It is found that loan portfolio quality, operating efficiency

and soundness of bank investment management has largely been over looked. The huge losses of the bank's portfolio in many developing countries and testimony to the poor quality of this oversight investment function (Maheshowri, 2000).

He further adds that management in financial institutions has involved inadequate and over optimistic loan appraisal, tax loan recovery, high risk diversification of lending and investment, high risk concentration, connected and insider lending loan mismatching. This has led many banks of developing countries to the failure in 1180's.

“Mobilization of domestic saving is one of the prime objectives of the monetary policy in Nepal and commercial banks and the more active financial intermediary for generating resource in the form of deposit of private sectors and providing credit to the investor in the different sectors of the economy” (Bajracharya, 2047) .

### **2.1.2 Function of Commercial Banks**

There are many functions of commercial banks. The following are the main functions performed by the commercial banks.

#### **(A) Accepting Deposits**

Commercial bank accepts deposits in three forms, namely –current, saving, and fixed deposit.

- ) Current Deposits
- ) Saving Deposits
- ) Fixed Deposits

#### **(B) Advancing Loans**

Commercial bank provides loans and advances from the money, which it receives by way of deposits. Direct loans and advances are given to all types of persons against the security of movable and immovable properties. Banks in four forms grant loans, namely:

- ) Overdrafts,
- ) Direct Loans,
- ) Cash Credit, and
- ) Discounting Bills of Exchange

### **(C) Agency Services**

Commercial bank undertakes the payment of subscriptions, insurance premium, rent etc. It collects Cheque, bills, dividends, interest, pensions etc. on behalf of the customers. The bank charges a small amount of commission for those services. It undertakes to buy and sell securities on behalf of its customers. Commercial bank also acts as a trustee, executor and administrator.

### **(D) Credit Creation**

Credit creation is very important function of the commercial banks. They accept deposits and advance loans. When the bank advances loans, it opens an account to draw the money by Cheque according to his needs. By granting loans, the bank creates credit or deposit.

### **(E) Other Functions**

Other functions of commercial banks can be explained as follows:

#### **i. Assist in Foreign Trade**

Commercial bank discounts the bills of exchange drawn by Nepalese exporters or the foreign importers and enables the exporters to receive money in the native currency. Similarly, the bank also accepts the bills drawn by foreign exporters.

#### **ii. Offers Security Brokerage Services**

Many commercial banks have begun to market security brokerage services offering customers the opportunity to buy stocks, bonds and other securities without having to go to a security dealer or broker.

#### **iii. Financial Advising**

Many banks offer a wide range of financial advisory services from helping in financial planning and consulting the business of borrower operates and how they can be evaluated in terms of lending

### **2.1.3 Concept of financial performance**

Financial performance analysis is concerned with analyzing the financial statement of an organization by interpreting financial ratios and analysis, which enable to evaluate and disclose the conditions of an organization. Every stakeholder such as share holder, Trade creates Long-term investors or debtor, customers, employments, tax authorities, management etc. Wants to know about the position or condition of an organization before or after their involvement to the organization .By financial statement analysis they are able to take corrective actions to introduce new policies or correct their old policies, To know about their strength weakness etc. By analyzing financial statement someone can predict or know the financial Performance of organization.

“Financial performance as a part of financial management is the main indicator of the success or failure of the enterprises. Financial performance analysis can be considered as a heart of the financial decisions.

“Financial analysis is the process of determining financial strength and weakness of a company by establishing strategic relationship between the components of balance. Sheet and other operative data therefore the analysis of financial statements consist of a study of relationship and trends to determine whether or not financial position and result operations and financial progress of the company are satisfactory .

“It is the process of determining the significant operating and financial statement. The goal of such analysis to determine the efficiency and performance of the firm’s managements reflected in the financial records and reports.

“Financial statement analysis involves a comparison of firm’s performance with that of other firms in the same line of business which often is identified by the firm’s industry classification. Generally speaking the analysis is used to determine the firm’s financial position in order to identify its current strengths and weakness and to suggest actions that might enable the firm to take advantage of the strengths and correct its weakness”. The main function of financial strengths and weakness of a business undertaking by regrouping and analysis of figure contained in financial statement by making comparison

of various component and by examining their content .this can be used to financial managers as basic to plan future financial requirements by means of forecasting and budgeting procedures.

Importance of financial analysis importance of financial statement analysis is to know the strength and weakness of and organization, which enable to management for emphasizing on strength and take corrective actions rectifying weakness they are able to enhance their competence and make strategies against competitor to compete, survive at market and achieve short long-term goals on the basis of objective and analyst importance of financial analysis is vary.

The parties that are benefited by the result or conclusion drawn from the analysis of finical performance can enumerated from the analysis of financial statements one can know following position of an organization.

1. Liquidity position
2. Short term or long term debt solvency position
3. Profitability position
4. Capital structure position
5. Turnover or activity of the firm
6. Income and expenditure position

By interpreting the post data position of from at present can be know and corrective actions an appropriate decision can be made. The managers have to utilize their resources efficiency and effectively, they to analyze the risk and return position .From analyzing the previous data they take an appropriate decision. They can make strong strategies, can introduce new policies and correct wrong actions and can get their objectives and goals by optimum utilization of resources.

From the view of trade creditor and long term debtor, they are able to make investing or financing decision by the analysis of liquidity ratio, solvency ratio and capital structure of firm. They are able to analyze solvency position of the firm, which enable them to take investment decisions. The shareholders are concern about the profitability position or earning of the firm and wealth maximization they evaluate the efficiency of management.

In order their interest to decide whether to buy, sell or hold the financial statement, they are able to make such type of decisions

The government of the country also analyzes the financial performance of a business or whole industry to diagnose the prevailing states of business and economy. They need financial statement analysis for tax purpose as well.

## **2.2 Review of Previous studies**

### **2.2.1 Review of Books**

Relevant books in the field of Banking and relative subjects are reviewed to gain the general knowledge about the terminologies and subjects matters in this research are as follows.

“A commercial bank is a dealer in money and substitutes money such as cheque and or a bills of exchange. It also provides a variety of financial services” (*New Encyclopedia Britanica, 1995, p. 600*).

An arithmetic relationship between two figures is known as ratio analysis. Ratio analysis is a yardstick to evaluate the financial performance and condition of the firms. Ratio helps to summarize the large quantities of firm’s financial performance of firm. The absolute accounting figures reported in the financial statements do not provide auditors meaning full understanding of the performance and financial position of firm. An accounting figure conveys meaning when it is related to some other relevant information. Ratio helps to summarize the large quantities of firm’s financial performance.

“A commercial bank is a corporation which accepts demand deposits subject to repealed and makes short term loans to business enterprises, regardless of the scope of its other services” (*The American Institute of banking, 1972 p.75* ).

“A bank is a business organization that receives and holds deposits of funds from others, makes loans or extends credits and transfer funds by written orders of depositors” (*The Encyclopedia Americana 1984. p. 375*).

“Ordinary banking business consists of changing cash for bank deposits, and bank deposits from one person to corporation, (one depositor to another) giving bank deposits in exchange for bills of exchange, government bonds, secured and unsecured and unsecured, promises businessmen to pay” ( *S. & S. 2000, p. 35*).

“A bank is judged on the basis of capital, assets quality, management, earning, liquidity and sensitivity to market risk (CAMELS). Almost all the government banks are running at loss. Though almost all the private banks are showing profit, it is very difficult to call them sound if appraised from CAMELS approach. Some banks have very low capital adequacy ratio (CAR) while some banks have piled up Non-Performing Assets (NPAs). Similarly, banks have not proper system in place for management of market risks. The people have been raising questions over the correctness of credit classification and provisioning of some banks should the suspicion come true, it will prove very costly to the depositors, creditors and national economy as a whole. It would be prudent to advice NRB to strictly implement its recently introduced directives so that other banks overtake the fate of NBL, RBB and NIDC” ( *Dahal & Dahal, 2002 p. 9-25*).

Activity ratios reflect the firm's efficiency in utilizing its assets. (Pandey, 1993, p. 98) Activity ratios measure the effectiveness of the employment of the resources in a business concern. (Kothari, 1989) In order to examine the efficiency and profitability in making use of resources as well as the wisdom and far sightedness in observing the financial policies lay down in this regard; certain ratios are being used and they are collectively called as activity ratios or performance ratios (Gupta, 1994, p. 71). Under these ratios the following ratios applied in this research. Karl Pearson's measure known as person correlation coefficient between two variables (series) X and Y usually denoted by (r) is numerical measure of linear relationship between them ( *Gupta, 1995, p. 115*).

## 2.2.2 Review of Article and reports

In this study we examine and review of some related article in different economic journals, Report, World Bank discussion paper, newspaper and other books.

**Thapa (1994)** has expressed that the commercial banks including foreign joint venture banks seem to be doing pretty well in mobilizing deposits. E.g. loans and advance of these banks are also increasing. But compared with high credit needs particularly by the newly emerging industries, the banks still seem to lack adequate funds. The banks are increasing to nontraditional sectors along with the traditional sector.

In Nepal, Nepal Bank Limited and Rastriya Banijya Bank are opening with a nominal profit. The late turning towards negative form time to time because of non recovery of accrued interest, the margin between interest income and interest expenses as declining, because of these two banks in traditional off balance sheet operations, these banks have not been able to increase their income from commission and discounts. At last they have go heavy burden of personal and position of these banks has been seriously affected.

On the other hand, foreign ventures banks have been functioning in an extremely efficient way. They are making huge profit after year and have been distributing large amount of bonus and dividends to its employees and shareholders. Because of their effective performance for loan recovery, overdue and defaulting loans have been limited resulting in high margins between interest income and interest expenses. Similarly, concentration of these banks to modern off balance sheet operation and efficient personnel management has added to the maximization of their profits.

**Bista (1996)** in his research "*Nepal ma Aadhunik Banking Byabastha*" has made an attempt to highlight some of the important indicators, which has contributed to efficiency and performance of JVBs in the field of CBs. The joint venture banks have brought new banking technique such as computerization, modernization in banking system and other. It helps in the financial development process to the economy

**Poudel (1997)** is of the opinion that joint venture commercial banks of Nepal are concentrated only in the urban areas. Most of people of the country live in rural and sub-



urban area. However, Nepal Grindlays Bank Ltd. Is neglecting the need of small's communities and borrowers of outside the urban area. The bank should desired level of branch network for the development of the country and contribute to fulfill the government's objectives of people's participation in the economic development. Since, banks are the effective mechanism of resource mobilization in the national context NGBL should come forward to expand its branches in these areas by the analysis of cost effectiveness. By expansion on branch network, more resources will be mobilized, more will be deposits collection, and bank will earn higher profit.

**Pradhan (2003)**, in his research paper "*Role of saving, Investment and Capital formation in economic development a case of Nepal*" has studied about the strong role and impact of saving, investment and capital formation on economic development of Nepal. This study is based on secondary data only. The necessary data on saving, investment, capital formation and gross domestic product has been collected for the period of 1974/75 to 2000/01. The role and impact of saving, investment and capital formation on economic development were analyzed by using various regressions models. The regression equations used in this study have been estimated at current prices as well as in real terms with the entire study period divided into different sub periods.

The results presented in this paper suggest that in all cases, GDP is significantly associated with saving, investment and capital formation both at current prices and in real terms. The results of the empirical analysis lead to three important conclusions. The first is saving; investment and capital formation have positive impact on economic development. Second are the current values and past values of saving, investment and capital formation has positive impact on economic development but the current values have the largest impact. Third is there is a strong role played by saving and capital formation on economic development with weak role played by investment.

**NRB Banks Supervision Report (2009/10, p.2)** the face of commercial banking is changing rapidly. Competition is getting tougher with financial liberalization. For a strong and resilient banking and financial system, therefore, banks need to go beyond peripheral issues and tackle major issues like improvements in profitability, efficiency

and technology, while achieving economies of scale through consolidation and exploring available cost effective solutions. These are some of the issues that need to be addressed if banks are to succeed in the days to come.

**NRB Banks Supervision Report (2009/10, p.55)** Due to the excessive growth in credit extended by the commercial banks in relative to their resource mobilization, the commercial banks are facing the problem of shortfall in their liquidity position. Credit growth exceeded the growth rate of deposit. The credit to deposit ratio is increasing. By contrast, liquid assets to deposit ratio of the commercial banks is declining.

### **2.2.3 Review of previous research work**

**Kapadi (2002)**, has conduct research on "A Comparative Study on Performance of NABIL Bank Ltd and Standard Chartered Bank Limited." The study of this thesis is the descriptive analytical method. The core objective of this thesis is to analyze the financial performance of NABIL bank and SCBL this include the examining of liquidity capital structure and activity and profitability ratios of the ratio joint venture sample banks.

#### **His major objectives:**

- ) To examine the trend of deposits and loan and advances of NABIL bank and SCBL.
- ) To study the liquidity profitability capital structure activity and capital adequacy position of NABIL Bank and SCBL.
- ) To suggest and recommended some measures by evaluating and finding financial performance of NABIL bank on the basis of finding.

#### **His major findings:**

- ) Total debt to equity ratio of both the banks reveals that the claims of the outsider exceeds more than that of the owner's over the bank asset. However BABIL bank seems to be more leveraged than SCBL.

- ) Total debt to total assets ratio of both the banks has always been over 88, which indicates the excessively geared capital structure. Comparatively NABIL bank has used a little more debt financial than SCBL. Long-term debt to total assets ratio of NABIL. Long –term debt to total assets ratio of NABIL bank is seems to be greater as per mean, which shows more use of long-term debt by NABIL bank then by SCBL.
- ) Long term debt to net worth ratio of both the banks is following the fluctuating trend. The mean proportion of outsiders fund and owners fund employed in the total capitalization of BABIL bank is higher than that of SCBL. This implies that it is following an aggressive strategy of higher return policy.
- ) The fixed asset to net worth ratio of NABIL bank is higher than that of SCBL as per mean is commonly seen in various financial institutions.

**Sharma (2005)**, made a research entitled, "To Evaluate the Financial Performance of Commercial Banks: Nepal SBI bank limited, Nepal Bangladesh Bank Limited and Everest Bank Limited”

**His major objectives:**

- ) To evaluate the liquidity position of Nepal SBI bank limited, Nepal Bangladesh bank limited and Everest bank limited.
- ) To evaluate the profit
- ) Liability position of the banks
- ) To evaluate the efficiency of assets management of the banks.
- ) To compare the overall financial performance of the banks.

**His major findings:**

- ) The debt assets ratio of the sample bank shows the aggressive use of debt capital by the banks. Such debt should be invested in profitable sectors.
- ) The total investment to total deposit ratio of the NSBIBL is comparatively lower. So it should utilize its total deposit for investment purpose more efficiently.
- ) Interest expense to total expense ratio of EBL shows a large portion of the expense has been incurred in other expenses in comparison to other listed banks. It will be better for EBL to decrease other expenses.
- ) NSBIBL has been yielding lower return to shareholder equity. So it should utilize the shareholder's equity more efficiently.
- ) A profitability ratio of NBBL shows that the profit of the bank is in decreasing trend. So it will be better for NBBL to focus to increase the profitability position of the bank.

**Neupane (2006)**, has made a research entitled "A study of Financial Performance Analysis of Himalayan Bank Limited".

**Her major objectives:**

- ) To make evaluation of the financial performance of HBL in terms of liquidity, efficiency of asset and cost management.
- ) To make Evaluation of earning generating capacity
- ) To provide suggestion and recommendation that will help management to improve the performance of bank

**Her major findings:**

- ) HBL bank is strong enough to maintain the liquidity position to meet the cash requirement of clients.
- ) The operating efficiency of the bank is decreasing every year and bank is not able to mobilize its deposit.
- ) The debt management ratio of the bank is very high which is not preferable
- ) The correlation coefficient of deposit and loan and advances, deposit and investment and total assets and net profit is found to be positive indicating the positive relationship between the respective variable.

**Shreshtha (2006)**, made research entitled “A Study on Financial Performance Analysis of NABIL Bank Limited.”

**Her major objectives:**

- ) To analyze the liquidity, profitability, capital structure and ownership ratios of NABIL bank.
- ) To provide information and major points that will help management to improve performance of the bank.
- ) To measure the ability of bank to meet its short term obligation and draw the problem of financial management.
- ) To evaluate the soundness of profitability and operating efficiency of NABIL bank limited.

**Her major findings:**

- ) The liquidity position of NABIL bank is strong and the basic earning power of bank is also good. It had utilized its deposit properly with increment in net income every year and on the basis of EPS also profit is increasing in every year.
- ) It is able to meet short term obligation and maintain the cash reserve ratio. The bank has high debt ratio indicating more investment of the creditors and the role of creditors is higher than investors.
- ) DPS of the bank is lower and dividend payout ratio is irregular also. Shareholders are being compensated slowly.

**Nakarmai (2008)**, has conducted a research entitled “*Investment Patter of Commercial Bank*” (With Especial Reference to Everest Bank ltd. And Bank of Kathmandu).

### **Main Objectives of the Study**

- ) To make comparative study of Everest Bank Ltd. & Bank of Kathmandu LTD on Investment Pattern.
- ) To analyze deposit utilization and its projection.
- ) To make the comparative study of investment, deposit loan and advances, and net profit.
- ) To provide the suggestion and recommendations of listed commercial banks on the basis of findings of the analysis.

### **Major Findings of the Study**

- ) From the analysis of current ratio, it is found that the mean ratio of both banks in not much different comparatively risk factor of EBL is more than BOKL. The ratio of EBL is less consistent than BOKL.
- ) The mean ratio of Cash & Bank balance to total deposits of EBL is higher than EBL & BOKL. It states that the liquidity position of EBL is better in this regard. And the ratio of EBL is more variable than that of BOKL.
- ) The mean ratio of investment on government securities to current ratio of EBL is higher than that of BOKL. EBL has satisfactory invested its more portion of current asset as government securities because its CV is lower than BOKL which is less consistent than BOKL.
- ) The mean ratio of cash & bank balance to current asset of EBL is higher than BOKL. It states that the liquidity position of EBL is better than BOKL. And the ration of EBL is less variable than that of BOKL.
- ) The mean ratio of loan & advance to current assets of EBL is lower than BOKL. EBL has maintained variability of ratio which is lower than BOKL. It indicates that the liquidity position of is more consistent.

**Kunwar (2009)**, has submitted thesis on the topic “*Financial Performance Analysis of Nabil Bank Limited.*”

### **Main Objectives of Study**

- ) To find out the relationship between total investment loan and advances, deposit, net profit and outside assets.
- ) To identify the investment priority sectors of commercial bank.
- ) To assess the impact of investment on profitability.
- ) To analyze and forecast the trend and structure of deposit utilization and its projection for five years of commercial bank.

### **Major Findings of the Study**

- ) Interest expenses amount is the highest among total expense item of the bank every year.
- ) The total deposit of the bank is found increasing every year corresponding to the increase in interest expenses the total deposit is perfectly and positively correlated with total expense.
- ) Nabil bank lacks active and organized planning department to undertake innovative productive research and development works.
- ) Objectives of the banks are expressed in literary form, and not specified clearly, therefor there is a danger if it being misinterpreted in the ways of one’s benefit by the concerned.

**Maharjan (2009)**, conducted a study on the topic “*Financial Performance Analysis of Commercial bank (A Case Study of Standard Chartered Bank).*”

### **Main Objectives of the Study**

- ) To highlight the current profit-planning premises adopted and its effectiveness in Standard Chartered Bank
- ) To observe Standard Chartered Bank's Profit Planning on the basis of overall managerial Budgets developed by bank.
- ) To analysis the variance of budgeted and actual achievements.
- ) To study the growth of the business of bank over the period.
- ) To make necessary suggestion and recommendation.

### **Major Findings of the Study**

- ) The decision making process is highly centralized however, management takes the need feed forwards for annual planning and strategy building through manager conferences and strategy building through manager conferences and strategic meeting organized twice in every year at the end head office.
- ) Interest expenses amount is the highest among total expenses item of the bank every year.
- ) The total deposit of the bank is found increasing every year corresponding to the increase in interest expenses the total deposit is perfectly and positively correlated with total interest expenses.
- ) The profitability ratio shows that it is a useful measurement for all financial researchers invested in the assets. As return on assets is high during 2007/08 with 2.55% and return on equity is high in same fiscal year with 37.55%. This shows that overall efficiency of the SC bank and better utilization of total resources available is higher and strong.

**Gewali (2010)**, has submitted the thesis on topic “*Financial Performance Analysis of Everest Bank Limited, Nabil Bank Limited And Bank of Kathmandu Limited*.”



## **Main Objectives of the Study**

- ) To find out the relationship between total investment, loan and advances, deposit, net profit and outside assets.
- ) To identify the investment priority sector of commercial Bank
- ) To assess the impact of investment on profitability.
- ) To analyze and forecast the trend and structure of deposit utilization and its projection for five years of commercial bank.
- ) To provide suggestion and possible guidelines to improve investment policy and its problems.

## **Major Findings of the Study**

- ) The current ratio of EBL shows the fluctuation trend during the study period. The ratio ranges from lowest 0.94 in 2008/0 to highest 2.38 in 2009/10 an average ratio of 1.334.
- ) The cash and bank balance to total deposit ratio of EBL has fluctuation trend. The main ratio of this bank higher than NABIL and BOK which indicates that its liquidity position is better to serve its customers deposits withdrawal demands.
- ) The main ratio of cash and bank balance to current assets of EBL is higher than NABIL and BOK. It states that liquidity position of EBL is better in this regards.

## **2.3 Research Gap**

Going through the review of literatures it has revealed that some research in the related topic and have already been reviewed that helps this study. Large numbers of research are available bearing the same topic “A comparative analysis of financial performance of commercial Bank”. However the researcher will sustain gap by covering the relevant data and information from the year 2063/64 to 2067/68 moreover, this study has selected two leading commercial banks of Nepal as sample banks i.e NABIL Bank Ltd and Nepal investment bank Ltd. That itself demonstrates the gap of this researcher has not found any comparative research done particularly of these two banks in detail as both the banks

have won “The Best banker” award for consecutive three years for Nepal and the researcher believes these two banks are perfect to be compared against each other as they have proved to be the strongest amongst all other banks. These banks are undoubtedly the leading commercial banks by which we can find for the perfect comparison between these two highly growing commercial banks rather than any other rapidly growing new commercial banks. Financial analysis is the major function of every commercial bank for evaluating the financial performance. Therefore, it is the major concern of stake holder to know the financial situation of the bank.

The 5 sample theses have not followed the international Accounting standards (IAS) in providing the various ratios mainly the current ratio. According to IAS 12, while calculating current ratio, other liability is calculated deducting the pension and gratuity funds. Deferred tax liability is a long term liability so it is also deducted from current liability while calculating the correct liability fixed deposit is deducted from total deposit before the current ratio the researcher has followed the international Accounting standard in preparing this research report

NABIL and NIBL are the leading commercial banks of the country having the huge market share and its investment activities and these banks have significant impact on developing the economy of country. Not only Nepal but the whole world has faced tremendous recession in the economy. And on top of that, the country is facing the worse unstable political condition as well. Every year the financial performance is affected by the country. And our country has faced too much change and political instability for the past few years. Hence, this study fulfills the prevailing research gap about the in depth analysis of the major concern of the share holders and stake holders. This research work will help to acquire knowledge regarding tools and techniques used and extra knowledge for the further researchers who are going to study in the topics related to the financial performance of commercial bank analysis between NIBL and NABIL.

## **CHAPTER III**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

Research Methodology describes the methods and process in entire study. It sequentially refers to the various steps to be adopted by a researcher. “Research methodology is the process of arriving at the solution of the problem through planned and systematic dealing with the collection, analysis and interpretation of facts and figures. Research is a systematic method of finding right solutions for the problem where as research methodology refers to the various sequential steps to adopt by a researcher in studying a problem with certain objectives in view” (Kothari, 1998:102).

The basic objective of the study is to analysis Profit Planning and control of Nepal Bank Limited. In order to reach and accomplish the objectives of the study, different activities are carried out and different stages are crossed during the study period. This chapter includes research design, population and sample, nature and sources of data, analysis of data etc.

#### **3.2 Research Design**

Research design is a plan, structure and strategy of investigation conceived so as to obtain answer to research questions and to control variances. It is the arrangement of conditions for collection and analysis of data. To achieve the objective of this study, descriptive and analytical research design has been used. Some financial and statistical tools have been applied to examine facts and descriptive, techniques have been adopted to analysis Profit Planning Control of Nepal Bank Limited.

#### **3.3 Population and Sample**

The time limit and unavailability of the relevant data had forced me to make research on the few CBs even though there are altogether 32 commercial banks functioning all over the Nepal and most of their stocks are traded actively in the stock market. In this study

comparative financial performance analysis of NIBL and NABIL is selected from population as follows:

**Table: 3.1**  
**List of Licensed Commercial Banks**

S.N	Commercial Banks	Established Date (B.S.)	Head Office
1	Nepal Bank Ltd.	1994/07/30	Kathmandu
2	Rastriya Banijya Bank	2022/10/10	Kathmandu
3	Agriculture Bank Ltd.	2024/10/7	Kathmandu
4	Nabil Bank Ltd.	2041/03/29	Kathmandu
5	Nepal Investment Bank Ltd.	2042/11/16	Kathmandu
6	Standard Chartered Bank Nepal Ltd.	2043/10/16	Kathmadu
7	Himalayan Bank Ltd.	2049/10/05	Kathmandu
8	Nepal Bangladesh Bank Ltd.	2050/02/23	Kathmandu
9	Nepal SBI Bank Ltd.	2050/03/23	Kathmandu
10	Everest Bank Ltd	2051/07/01	Kathmandu
11	Bank of Kathmandu	2051/11/28	Kathmandu
12	Nepal Credit and Commerce Bank	2053/06/28	Siddhartha Nagar
13	Lumbini Bank Ltd	2055/04/01	Narayanghat
14	N I C bank ltd.	2055/04/05	Biratnagar
15	Kumari Bank Ltd	2056/08/24	Kathmandu
16	Machhapucchre Bank Ltd.	2057/06/01	Pokhara
17	Laxmi Bank Ltd	2958/06/11	Birgunj
18	Siddhartha Bank Ltd.	2058/06/12	Kathmandu
19	Global Bank Ltd	2063/09/18	Birgunj
20	Citizen Bank Ltd	2064/01/7	Kathmandu
21	Prime Bank Ltd	2064/06/7	Kathmandu
22	Sunrise Bank Ltd.	2064/06/25	Kathmandu
23	Bank of Asia	2064/06/25	Kathmandu
24	NMB Bank Ltd	Effective from 2008	Kathmandu
25	DCBL Bank	Effective from 2008	Kathmandu
26	KIST Bank	Effective from 2009	Kathmandu
27	Janata Bank	Effective from 2010	Kathmandu
28	Mega Bank limited	Effective from 2010	kathmandu
29	Commerz and trust Bank limited	<b>Effective</b> from 2010	kathmandu
30	Civil Bank limited	<b>Effective</b> from 2010	kathmandu
31	Century commercial bank	<b>Effective</b> from 2010	kathmandu
32	Sanima Bank	Effective from 2068/11/04	Kathmandu
	Population = 32		

*Source: Nepal Rastra Bank*

Among them, only two banks NIBL and NABIL have taken into account for research purpose as samples in this study. NIBL and NABIL are the well established commercial

banks in Nepal. Both banks are able to maintain its position as a market leader in banking sector and there is ongoing effort and commitment in enhancing its financial position. They are equipped with research and analysis team, proper MIS, sufficient capital, skill manpower.

### **3.4 Nature and Source of Data**

This study conducted on the basis of primary and secondary data. Secondary data relating to “Investment” e.g. deposit, loan and advances and profit/loss that have been directly obtained from the balance sheet and the P/L a/c of concerned banks annual reports , collected from the number of institution and authorities like NRB budget speech, NRB published books, bank bulletin, newspaper, previous studies, security exchange board, Nepal stock exchange ltd. All the secondary data are observed, processed and tabulating in the time as per need and objectives. Various data and information are collected from the economic journal, periodicals, bulletins magazines and other published and unpublished reports and documents from various sources.

### **3.5 Data Collection Procedure**

Data required for this research is collected through published statistical report, available books, journals, newspapers and web pages. Similarly the relevant data and the important information have been collected from the central library of Tu. I had tried to generate primary data as required this research. But I used secondary data also which are as follows:

- ) Annual Reports of the Banks
- ) Published and unpublished bulletins
- ) Previous of the Study
- ) Report of Nepal Rastra Bank
- ) Journals of central library, Shanker dev Campus library, Minbhawan Campus library etc.
- ) Email & Internet

### **3.6 Data Analysis Tools**

In this study various financial as well as statistical tools have been used to achieve the objective of study. The analysis of data is done according to the pattern of available. The various tools applied in this study are presented as follows:

#### **3.6.1 Financial Tools**

Financial analysis is the process of analyzing various items of financial statement of a firm to ensure its comparative strength and weaknesses. In other words, financial analysis involve analyzing financial statement prepared in accordance with generally accepted accounting principles to ascertain information concerning the magnitude, timing and riskiness of future cash flows:

Financial analysis is meant to evaluate a firm's financial performance. It is because the absolute financial statements are less useful to understand all aspects of firm's financial performance. Therefore, they are represented in a relative terms for meaningful interpretation by calculating several kinds of financial ratios. Financial tools are used to examine the financial strength and weakness of the bank. In these study financial tools like ratio analysis has been used.

##### **3.6.1.1 Ratio Analysis**

An arithmetic relationship between two figures is known as ratio. It is completed by dividing one item of relationship with the other. Ration simply means one number expressed in terms of another. Financial ratio analysis is a part of whole process of analysis of financial statement of any business or industrial concern especially to take out pt and credit decisions. Thus ratio analysis is used to compare a firm's financial performance and status to that of other firms or to itself overtime. The qualitative judgment regarding financial performance of a firm can be done with the help of ratio

analysis. Even though there many ratios only those ratios have been covered in this study, which is related to the objectives of the study. This study contains following ratio:

### **(1) Liquidity Ratios**

The ability of a firm to meet its obligation in the short term is known as liquidity. Liquidity ratio is used to the ability of the banks to meet its short-term liabilities that are likely to mature in the short period. From them such insights can be obtained into present cash solvency in the event of adversities. It is the measurement of speed with which bank assets can be converted into cash to meet deposit withdrawal and other current obligations the following ratio is evaluated under liquidity ratio:

#### **a) Current Ratios**

This ratio shows the banks short term solvency. It shows the relationships between current assets and current liabilities. A current asset includes cash and bank balance money at call or short notice loans and advances overdrafts, bills purchased and discounted and miscellaneous current assets. Similarly, current liabilities include deposits and other short term loan, bills payable, tax provision, staff bonus, dividend payables and other miscellaneous current liabilities.

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

The widely acceptable standard of current ratio is 2:1 but accurate standard depends on circumstances in the case of seasonal business ratio and the nature of business.

#### **b) Cash Balance Total Deposit Ratio**

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

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

Hence cash and bank balance includes cash in hand foreign cash on hand cheques and other cash items, balance with domestic banks and balance held in foreign banks. The

total deposit encompasses current deposits, saving deposits, fixed deposits, money at call or short notice and other deposits.

**c) Cash and Bank Balance to Current Assets Ratio**

This ratio measures the proportion of most liquid assets of bank. Higher ratio shows the bank's ability to meet demand for cash. This ratio is computed by dividing cash and bank balance by current assets. This can be stated as:

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

**d) Investment on Government Securities to Current Assets Ratio**

This ratio is calculated to find out the percentage of current assets invested in government securities i.e. treasury bills and development bonds. This ratio is computed by dividing investment on government securities by current assets. We state it as,

This ratio is calculated to find out the percentage of current assets invested in government securities i.e. treasury bills and development bonds. This ratio is computed by dividing investment on government securities by current assets. We state it as,

$$\text{Investment on govt. Securities to Current Assets Ratio} = \frac{\text{Investment on govt. Securities}}{\text{Total Current Assets}}$$

**(2) Activity Ratio**

Activity ratios are also known as turnover ratios. These ratios look at the amount of various types of assets and attempt to determine if they are too high or too low with regard to current operating levels. They provide the measure for how effectively the firm's assets are being managed. If too many funds are tied up in certain types of assets that could otherwise be employed more productively elsewhere, the firm is not as profitable as it should be.



The following ratios are calculated to measure how efficiently a firm employs its assets.

**a) Loan and Advances to Total Deposit Ratio**

This ratio is calculated to find out how to successfully the banks are utilizing their total deposits on loans and advances for profit generating purpose. This can be obtained by dividing loan and advances by total deposits which can be stated as,

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

**b) Total Investment to Total Deposits Ratio**

Investment is one of the credited to earn income. This implies the utilization of firms deposit on investment government securities and shares debenture to other companies and bank. This can be mentioned as,

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

The numerator consists of investment of government securities investment on debenture and bonds shares in other companies and other investment.

**c) Loan and Advances to Total Assest Ratio**

Loan and advances is the major component in the total working fund (total assets). This indicates the ability of the bank to channelise its deposits in the form of loan and advances to earn high return. This ratio is computed by dividing loan and advances by total assets. This stated as,

$$\text{Loan and Advances to Total Assest Ratio} = \frac{L + a}{T + A}$$

Here the denominator included all assets as of on balance sheet items. In other words this includes current assets, net fixed assets, loans for development banks and other miscellaneous assets but excludes off balance sheet items like letter of credit, letter of guarantee etc.

### **(3) Profitability Ratio**

Profitability is the end result of a number of corporate policies and decisions. It measures how effectively the firm is being operated and managed. Besides owners and managers, creditors are also interested to know the financial soundness of the firm. Owners are eager to know their returns whereas managers are interested in their operating efficiency. So they calculate profitability ratios because expectations of both owners and managers are evaluated in terms of profit earned by the firm.

Profitability ratios are calculated to measure the efficiency of operating of a firm in terms of profit. It is the indicator of the financial performance of any institution. This implies that higher the profitability ratio, better the financial performance of bank and vice versa. Following are the major ratios used to measure the profitability of a firm:

#### **a) Return on Loan and Advance Ratio**

This ratio indicates how efficiently the bank has employed its resources in the form of loan and advances. This ratio is computed by dividing net profit (loss) by loan and advances. This can be expressed as

$$\text{Return on Loan and Advances Ratio} = \frac{\text{Net Profit}}{\text{Loan and Advances}}$$

#### **b) Return on Equity**

Net worth refers to the owner claim of a bank. The excess amount of total assets over total liabilities is known as net worth. This ratio measures how efficiently the banks have to use the funds of owners. This ratio is calculated by dividing net profit by total capital (net worth). This can be stated as follows:

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

Here total equity capital included shareholder reserve including P/L a/c and share capital i.e. ordinary share and preference share capital.

### c) Total Interest Earned to Total Assets Ratio

This ratio is computed to find out percentage of interest earned to total assets higher ratio implies better performance of the bank in terms of interest earning on its total assets.

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

### d) Return on Total Deposit ratio

This ratio measures the level of NPAT by using total deposits. It reveals the relationship between NPAT and total deposit with an ability of a firm to utilize maximum of deposits to earn more profit this ratio is calculated as follows.

$$\text{Return on Total Deposit Ratio} = \frac{\text{NPAT}}{\text{Total Deposits}}$$

### e) Return on Total Assets Ratio

This ratio measures the overall profitability of all assets. This ratio can be computed as.

$$\text{Return on Total Assets Ratio} = \frac{\text{NPAT} + \text{Interest}}{\text{Total Assets}}$$

## 3.6.2 Statistical Tools

Some important statistical tools are used to achieve the objectives of this study. In this study statistical tools such standard deviation coefficient of variance least square linear trend and hypothesis testing have been used. They basic analysis is written in point blow:

### **a) Co – efficient of Correlation Analysis**

The correlation coefficient determines the relationship between the two or more variables. N is the case of highly correlated variable, the effect on the variable may have effect on other correlated variable. When two elements have zero correlation with each other then they are unrelated in any way and have zero variance. Positive correlation implies positive covariance.

$$r = \frac{xy}{\sqrt{x^2} \sqrt{y^2}}$$

### **b) Trend Analysis**

This topic analysis the trend of deposit loan and advances investment and net profit of NBL bank from 2063/064-2067/068 and makes the forecast for the next five years till 2067/068. Under this topic following subtopic has been presented.

Trend analysis of total deposits

Trend analysis of loan and advances

Trend analysis of total investment

Trend analysis of net profit

### **c) Arithmetic Mean**

Arithmetic Mean is the sum of all the observations divided by the number of observations. Arithmetic mean is calculated to find the mean of financial ratio. The arithmetic mean can be computed as

$$A.M. = \frac{\Sigma}{N}$$

#### **d) Standard Deviation**

The measurement of the scatterness about an average is known as dispersion. The S.D. means a high degree of uniformity of the observations as well as homogeneity of the series. A large S.D. means just the opposite. In this study S.D. of different ratios are calculated. It is computed as:

$$\text{Standard Deviation (S.D.)} = \sqrt{\frac{\sum \epsilon^2}{N} - \left(\frac{\sum \epsilon}{N}\right)^2}$$

#### **e) Co-efficient of Variation (C.V.)**

The co-efficient of variation is the relative measure of dispersion comparable distribution, which is defined to the mean expressed in percent. It is calculated as

$$\text{C.V.} = \frac{\text{S.D.}}{\text{Mean}} \times 100$$

#### **f) Probable Error (PE)**

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

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

Where,  $r^2$  = Coefficient of Determination

N = the no. of pair of observation

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

## **g) Diagrammatic Presentation**

### **Bar Diagrams**

Bar diagram are one of the simplest, easiest and commonly used diagrammatical methods of presenting business, economic, and managerial data. Bars are simply the vertical lines where the heights of the bars are proportional to their corresponding given numerical data.

They are one dimensional diagram since only one dimensional (i.e., length of height) of the bars are taken into consideration. One can draw bars having the convenient same width for each bar under consideration. The distance between one bar to another bar should be equal. There are different types of bar diagrams which are as follows.

- ) Simple bar diagram
- ) Sub-divide or component bar diagram
- ) Percentage sub-divided bar diagram
- ) Multiple bar diagram

## CHAPTER IV

### DATA PRESENTATION AND ANALYSIS

#### 4.1 Presentation and Analysis of Data

In this chapter data collected from secondary sources are represented and analyzed by using financial and statistical tools. The available data are tabulated analyzed and interpreted so that financial forecast of banks can be done easily. To evaluate the financial performance of selected joint venture banks ratio analysis correlation analysis and trend analysis are used in this study.

##### 4.1.1 Financial analysis

In this study the financial ratios that are calculated for the purpose of this study are

- ) Liquidity ratio
- ) Activity ratio
- ) Profitability ratio

##### ) **Liquidity Ratio**

For analyzing the financial performance of the banks liquidity ratio is one of the powerful tools. Whether the company is able to meet its current obligation is judge by liquidity ratio

##### ) **Current Ratio**

The current ratio is a measure of the firm's short term solvency. Indicates the availability of current liabilities ratio of greater than one means that the firm has more current assets than current Liabilities current ratio measures than relationship between current assets and current Liabilities.

**Table 4.1**

**Current Ratio (Times)**

Fiscal Year	Current Ratio(times)	
	NIBL	NABIL
2063/64	1.072	1.097
2064/65	1.078	1.095
2065/66	1.081	1.105
2066/67	1.080	1.083
2067/68	1.096	1.119
Mean	1.081	1.0998
S.D	0.038	0.021
C.V.(%)	3.52	1.91

**Source: Appendix 1**

The above table shows that current ratio of NIBL is increase from 2063/64 to 2064/65 and in 2064/65 to 2065/66, slightly decrease in 2065/66 to 2066/67 and increase in 2067/68. Current ratio of NABIL bank is decrease in 2063/64 to 2064/65, increase in 2064/65to 2065/66, decrease in 2065/66 to 2066/67 and increase in 2066/67 to 2067/68, it indicates the good ability of NIBL and NABIL to pay short term obligations due to more assets.

In average liquidity position of NABIL is greater than NIBL bank i.e.  $1.0998 > 1.081$ . Which, indicates the sound liquidity position of NABIL bank in comparison to NIBL bank.

Likewise the co-efficient of variation (C.V) of NIBL is higher than NABIL i.e.  $3.52\% > 1.91$ . It indicates that current ratio of NABIL is more consistent than NIBL.

Finally it can be concluded that NABIL is capable to pay their current obligations in comparison to NIBL.



## **Figure 4.1**

### **Bar Diagram Showing the Current Ratio**

#### **) Cash and Bank Balance to Total Deposit Ratio**

This ratio indicates the ability of banks immediate funds to cover their current margin calls saving fixed call deposit and other deposits and vica versa . This ratio is calculated by dividing cash and bank balance by total deposits. The following table no 4.2 shows the comparative cash bank balance to deposits ratio.

**Table 4.2****Cash and Bank to Total Deposit Ratio**

Fiscal year	Cash and Bank Balance to Total Deposit Ratio (%)	
	NIBL	NABIL
2063/64	9.77	6.00
2064/65	10.90	8.40
2065/66	16.96	9.00
2066/67	13.61	3.00
2067/68	16.24	4.90
Mean	13.50	6.26
S.D	2.8	2.25
C.V.(%)	20.74	35.94

**Source: Appendix 2**

Table 4.2 shows that the cash and bank balance to total deposit ratio of NIBL has followed increasing trend from FY 2063/64 to 2064/65, 2065/66, decreasing in 2066/67 and again increase in 2067/68. Similarly, NABIL has increases from 2063/64 to 2064/65, 2065/66 and decreases form FY 2065/66 to 2066/67 and again increases in 2067/68. In case of NIBL it has followed decreasing trend during the study period i.e., FY 2063/64 to FY 2067/68. In case of NABIL the ratio is in increasing trend till 2065/66 from 2063/64 and it is drastically decreased in 2066/67 and slightly increased in 2067/68.

In average, NIBL has maintained higher cash & bank balance to total deposit ratio than NABIL i.e. 13.50% > 6.26%. It states that sound liquidity position of NIBL than NABIL bank. The C.V of NABIL is 35.94%, which is comparatively higher than that of NIBL i.e. 20.74%. So that NABIL shows the less consistent than that of NIBL.

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

**Figure 4.2**

Bar Diagram Showing the Cash and Bank to Total Deposit Ratio

**) Cash and Bank Balance to Current Assets Ratio**

Cash and bank balance is the most Liquid form of current assets. This ratio reflects the position of cash and bank balance to current assets of the bank.

The table below shows the cash and bank balance to current assets ratio of NIBL and NABIL bank from FY 2063/064 to FY 2067/068.

**Table 4.3**

**Cash and Bank Balance to Current Assets Ratio**

Fiscal year	Cash and Bank Balance to Current Assets Ratio (%)	
	NIBL	NABIL
2063/64	8.97	5.25
2064/65	9.92	7.37

2065/66	15.26	7.88
2066/67	12.23	2.70
2067/68	14.33	4.26
Mean	12.14	5.49
S.D	2.44	1.93
C.V.(%)	20.07	35.13

**Source : Appendix 3**

Table 4.3 shows that cash and bank balance to current assets ratio of NIBL has followed increasing trend from FY 2063/64 to 2065/66, decrease in FY 2066/67 and again increase in 2067/68. NABIL has followed increasing trend from 2063/64 to 2065/66, decrease in 2066/67 and increase in 2067/68. In case of both banks it has followed increasing trend except in FY 2066/67.

In average, NABIL is maintaining 5.49% which is less than NIBL i.e. 12.14%. It states that liquidity position of NABIL is lower than NIBL bank. Similarly the co-efficient of variation between the above ratios of NABIL is 35.13% which is comparatively higher than that of NIBL i.e.20.07% which shows less consistent of NABIL than NIBL.

Finally, it can be concluded that NABIL has lower capability to maintain cash & bank balance in comparison to NIBL.

**Figure 4.3**

**Bar Diagram Showing the Cash and Bank Balance to Current Assets Ratio**

### J Investment on Government Securities to Current Assets

The ratio examines portion of a commercial banks current assets which invested in different government securities i.e. treasury bills and government bonds. Commercial banks are interested to invest their collected fund in different securities issued by government to utilize their excess funds. Even governments securities are not so liquid as cash and bank balance of commercial bank, they can easily be sold in the market or it can also be converted into cash in other ways. The ratio is computed as:

**Table 4.4**

#### **Investment on Government Securities to Current Assets Ratio**

Fiscal year	Investment on Government Securities to Current Assets Ratio (%)	
	NIBL	NABIL
2063/64	12.21	18.02
2064/65	8.34	12.82
2065/66	4.88	8.65
2066/67	7.54	15.36

2067/68	7.56	15.14
Mean	8.12	13.10
S.D	2.31	5.85
C.V(%)	28.45	44.66

**Source: Appendix 4**

The above table 4.4 reflects that investment in government securities to current asset ratio of NIBL has decreasing trend up to fiscal year 2065/66 than increasing trend in fiscal year 2067/068. And NABIL has decreasing trend up to fiscal year 2065/66 than increasing trend in fiscal year 2066/67 and again decrease in 2067/68.

The mean ratio of NIBL is 8.12 and NABIL is 13.10. It means both banks are able to invest more portions of its current assets as government securities. The coefficient of variation of NABIL is 44.66% and NIBL is 28.45%. It shows that investment on government securities to current assets ratio of NABIL is more flexible than NIBL.

Lastly it can be concluded that NABIL has invested its more of portion assets as government securities than NIBL and investment made is flexible of coefficient of variation reveals. And its liquidity portion is strong in view point of investment on government securities than NIBL.

**Figure 4.4**

**Bar Diagram showing the Investment on Government Securities to Current Assets Ratio**

) **Activity Ratio**

This ratio refers how efficiently the organization is managing its resources. Thus this ratio measures the degree of effectiveness in use of resources or funds by a firm it is also known as turnover or conversion indicates the efficiency of a firm in managing and utilizing its assets the common activity ratios that are determined under this are as follows.

) **Loan and Advance to Total Deposit Ratio.**

This ratio measures how successfully the banks are able to mobilize the total deposit on loan and advances for profit generating purpose. Higher the ratio indicates the better mobilization of total deposits, but too high is not better from its liquidity point of view. The table shows the percentage of loan and advances to total deposit ratios position of NIBL and NABIL commercial banks utilize the outside fund for profit generation purposes. Loan and advances to deposit ratio shows whether the banks are successful in utilizing the outside funds (i.e total deposit for the profit generation purposes, (i.e loan and advance).

**Table 4.5**

**Loan and Advance to Total Deposit Ratio.**

Fiscal year	Loan and Advance to Total Deposit Ratio (%)	
	NIBL	NABIL
2063/64	70.59	66.60
2064/65	78.36	66.94
2065/66	77.61	73.87
2066/67	80.48	69.53
2067/68	81.96	76.53
Mean	77.8	70.70
S.D	3.95	3.81
C.V.(%)	5.08	5.39

**Source: Appendix 5**

The ratio of NIBL has increase in 2063/64 to 2064/65 and then decrease in 2065/66 and increase up to 2067/68. And the ratio of NABIL is increase in 2063/64 to2065/66, decrease in 2066/67 and increase in2067/68.

In average NIBL is maintain greater than NABIL i.e.  $77.8\% > 70.70\%$ , which shows that NIBL has stated greater liquidity position. Similarly the co-efficient of variation between the above ratios of NABIL is 5.39% which is comparatively higher than that of NIBL i.e.5.08%.which, shows less consistent of NABIL than NIBL.

Finally, it can be concluded that NIBL has greater capability to invest its fund in loan and advances in comparison to NABIL

**Figure 4.5**

**Bar Diagram Showing the Loan and Advance to Total Deposit Ratio.**



### **) Total Investment to Total Deposit Ratio**

The commercial banks must mobilize its deposit fund by investing in different securities issued by government and other financial, non financial sectors. This ratio measures the extent to which the banks are capable to mobilize their deposits on investment in various securities. This ratio is computed by dividing total investment by total deposit ratio. The table shows the total investment to total deposit of the NIBL and NABIL. Banks invest money in different from they are loans overdraft cash credit discounting bill of exchange, investment in government securities investment in share of well- established industrial concern and money at call short notice. In this analysis investment in government securities shaves and also investment in foreign banks is included to calculate the ratio. To ratio total deposits include saving current fixed and call deposit of the respective banks. The ratio of total investment to total deposit has been presented be

**Table 4.6**

### **Total Investment to Total Deposit Ratio**

Fiscal year	Total Investment to Total Deposit Ratio (%)	
	NIBL	NABIL
2063/64	26.57	38.32
2064/65	19.95	31.14
2065/66	15.85	28.99
2066/67	17.24	29.53
2067/68	14.81	26.32
Mean	18.88	30.86
S.D	4.22	4.04
C.V.(%)	22.35	13.09

**Source: Appendix 6**

From above table it is seen that the ratio of NABIL is in decreasing trend from 2063/64 to 2067/68 and NIBL is also in decreasing trend from 2063/34 to 2065/66, increase in 2066/67 and again decrease in 2067/68.

In average NIBL has maintained greater mean value than NABIL. It shows that, NIBL has stated greater liquidity position than NABIL.

The CV ratio of NABIL is 13.09% which is lower than 22.35% of NIBL indicating more stability than that of NABIL.

**Figure 4.6**

**Bar Diagram showing the Total Investment to Total Deposit Ratio**

) **Loan and advance to Total Assets Ratio.**

Loan and advances is the major component in the total working fund (total assets) which indicates the abilities of commercial bank are successful in mobilizing their loan and advances on total assets ratio for the purpose of income generation. This ratio is computed by dividing loan and advanced by total asset. The following table shows loan and advance to total assets of NABIL and NIBL.

**Table 4.7**

**Loan and Advance to Total Assets Ratio**

Fiscal year	Loan and Advance to Total Assets Ratio (%)	
	NIBL	NABIL
2063/64	62.65	57.04
2064/65	69.45	57.54
2065/66	68.37	62.89
2066/67	70.36	61.96
2067/68	70.42	65.42
Mean	68.25	60.97
S.D	2.87	3.21
C.V(%)	4.21	5.26

**Source: Appendix7**

The ratio of NIBL has increase in 2063/64 to 2067/68. And the ratio of NABIL is increase in 2063/64 to2065/66, decrease in 2066/67 and increase in2067/68.

In average NIBL is maintain greater than NABIL i.e.  $68.25 > 60.97$ , which shows that NIBL has stated greater liquidity position. Similarly the co-efficient of variation between the above ratios of NABIL is 5.26% which is comparatively higher than that of NIBL i.e.4.21%.which, shows less consistent of NABIL than NIBL.

Finally, it can be concluded that NIBL has greater capability to invest, to mobilize its fund in loan and advances in comparison to NABIL.

**Figure 4.7**

**Bar Diagram Showing the Loan and Advance to Total Assets Ratio**

## **) Profitability Ratios**

Profit generation is the main objective of commercial banks without sufficient profit they could not survive and grow at long run interest earned and interest paid to the assets and profit is the difference between income and expenses. Profit is the output of a business that measure the profitability of this the bank. At this chapter following ratio are calculated and evaluated.

## **) Return on Loan and Advances Ratio**

Every financial institution tries to mobilize their deposits on loan and advance properly. So, this ratio helps to measure the earning capacity of selected banks. Returns on loan and advances ratio of selected banks are presented below.

**Table 4.8**

**Return on Loan and Advances Ratio**

Fiscal year	Return on Loan & Advance Ratio(%)	
	NIBL	NABIL
2063/064	2.90	4.34
2064/065	2.58	3.49
2065/066	2.49	3.74
2066/067	3.14	3.53
2067/068	2.86	3.52
Mean	2.79	3.72
S.D.	0.257	0.349
C.V.%	9.21	9.38

**Source: Appendix 8**

Above table shows that return on loan and advances ratio of NIBL and NABIL are fluctuating trend. The average value of NABIL is higher than NIBL. It shows the NABIL has better utilized power than NIBL. And the CV of NABIL is higher than NIBL. It shows NABIL has less consistent .

It can conclude that NABIL bank has utilized the loan and advance for the profit generation purpose in proper way.

## Figure 4.8

### Bar Diagram Showing the Return on loan and Advances Ratio

#### ) Return on Total Assets Ratio

This ratio measures the overall profitability of all working funds i.e. total assets. A firm has to earn satisfactory return on working funds for its survival. The following table table shows return on total assets ratio of selected banks.

#### Table 4.9

### Return on Total Assets Ratio

Fiscal year	Return on Total Assets Ratio (%)	
	NIBL	NABIL
2063/064	1.82	2.47
2064/065	1.79	2.01
2065/066	1.70	2.35
2066/067	2.21	2.19
2067/068	2.02	2.30
Mean	1.91	2.26
S.D.	0.148	0.206
C.V.%	7.75	9.12

**Source: Appendix 9**

Above table shows that return on total assets ratio of NIBL and NABIL are fluctuating trend. The average value of NABIL is higher than NIBL. It shows the NABIL has better utilized power and good performance than NIBL. And the CV of NABIL is higher than NIBL. it shows NABIL has less consistent .

It can conclude that NABIL bank has more utilize the total assets for the profit generation purpose in proper way than NIBL.

**Figure 4.9**



## **Bar Diagram Showing the Return on Total Assets**

### **) Return on Equity (ROE)**

Equity capital of any bank is its own capital. The prime objective of any bank is wealth maximization or in other words to earn high profit and maximization return on its equity capital. Return on equity plays the measuring role of profitability of bank. It reflects the extent to which the bank has been successful to mobilize or utilize its equity capital. A high ratio indicates higher successful to mobilize its owned capital and vice versa. Following table shows return on equity of two banks.

**Table 4.10**

### Return on Equity (ROE)

Fiscal year	Return on Equity Ratio(%)	
	NIBL	NABIL
2063/064	26.70	32.76
2064/065	25.93	30.63
2065/066	23.05	32.94
2066/067	27.61	29.69
2067/068	22.80	29.29
Mean	25.22	31.06
S.D.	1.914	1.58
C.V.%	7.59	5.09

**Source: Appendix 10**

The above table shows that ratios of NIBL followed decreasing trend from FY 2063/64 to FY 2065/66 and then increased in FY 2066/67 and again decreased in FY 2067/68. In case of ratio of NABIL, it followed decreasing trend from FY 2063/34 to 2064/65 then increase in 2065/66 and again in decreasing trend from FY 2065/66 to FY 2067/68.

The average value of NABIL is higher than NIBL. It shows the NABIL has better utilized power than NIBL. And the CV of NABIL is less than NIBL. It shows NABIL has consistent.

It can conclude that NABIL bank has utilized the loan and advance for the profit generation purpose in proper way.

**Figure 4.10**

## **Bar Diagram Showing the Return on Equity (ROE)**

### **) Total Interest Earned to Total Assets Ratio.**

Total interest earned to total assets ratio evaluates how successful the selected banks are mobilizing their total assets to achieve high amount of interest. Higher the ratio indicates the higher interest income of the selected sample banks. The total interest income of the selected to total assets ratio of NIBL & NABIL.

**Table 4.11**

### Total Interest Earned to Total Assets Ratio

Fiscal year	Total Interest Earn to Total Assets Ratio(%)	
	NIBL	NABIL
2063/064	5.74	5.83
2064/065	5.64	5.33
2065/066	6.16	6.38
2066/067	8.12	7.78
2067/068	9.94	9.04
Mean	7.12	6.87
S.D.	1.69	1.35
C.V.%	23.74	19.65

**Source: Appendix 11**

The table reveals that Total interest Earned to Total Assets ratio of NIBL and NABIL has in fluctuating trend. NIBL has lowest ratio 5.64 on fiscal year 2065/066 and maintained highest ratio 9.94% on fiscal year 2067/068. And NABIL has lowest ratio 5.33% on fiscal year 2065/066 and maintained highest ratio 9.04 on fiscal year 2067/068

On the basis of mean ratios NABIL is less than NIBL i.e. 9.04% <9.94% in respect to total interest earned to total assets. On the other hand, C.V of NABIL is less than that of NIBL.

From the above analysis, it can be concluded the NABIL is in strong position is earning high interest income from its total assets is comparison to NIBL. In view point of mean & C.V. ratio. Moreover NIBL comparatively efficient to earn high interest income from assets than NABIL.

**Figure 4.11**

## **Bar Diagram Showing the Total Interest Earned to Total Assets Ratio**

### **) Return on Total Deposit Ratio**

The ratio of commercial bank measures the degree of NPAT earned by using the total deposit. This ratio shows how efficiently the management is utilizing its deposit in profit generating activities. This ratio is a mirror for banks overall financial performance as well as its success in profit generation. The reason being that the deposits made by its customers are the major source of earning of the commercial banks by efficiently and effectively utilization. The following table shows the ratio of these banks.

**Table 4.12**

### Return on Total Deposit Ratio

Fiscal year	Return on Total Deposit Ratio (%)	
	NIBL	NABIL
2063/064	2.05	2.89
2064/065	2.02	2.34
2065/066	1.93	2.76
2066/067	2.53	2.45
2067/068	2.35	2.69
Mean	2.18	2.63
S.D.	0.166	0.152
C.V.%	7.61	5.78

**Source: Appendix 12**

The above table shows that this ratio of NIBL is in decreasing trend up-to 2065/66, increase in 2066/67 and again decrease in 2067/68. And NABIL is in fluctuating trend with decrease and increase.

In average NABIL has greater than NIBL i.e. 2.63% > 2.18% and C.V. of NIBL is greater than NABIL i.e. 7.61 > 5.78. It shows that NABIL has more consistency than NIBL. It concludes that both have in satisfactory level.

## Figure 4.12

### Bar Diagram Showing the Return on Total Deposit Ratio

#### 4.1.2 Statistical Analysis

Some statistical tools such as coefficient of correlation analysis between different variables like deposits and loan and advances, net profit and total investment etc, trend analysis of deposits mobilization etc are studied under this analysis.

#### ) Coefficient of Correlation Analysis

Karl Pearson's coefficient of correlation has been used to find out the relationship between deposit and loan and advances, deposit and investment and outside assets to net profit. Value to coefficient of correlation lays between -1 to +1. If value of coefficient of correlation is positive then there is positive relation between dependent variable and independent variable, i.e. as increment in independent variable dependent variable also increase and vice versa. If value of coefficient of correlation is negative then there is negative relation between dependent variable and independent variable, i.e. increment in independent variable dependent variable decreases and vice versa.

## J Coefficient of Correlation between Deposit and Net Profit

The coefficient of correlation between deposit and net profit measures the degree of relationship between these two variables. Here deposit(X) is independent variable and net profit (Y) is dependent variable. The objectives of computing between these two variables are to justify whether net profit is significantly correlated with deposits or not. The following table 4.30 shows the value of 'r', 'r<sup>2</sup>' per, 6P.Er between deposit and net profit of NIBL and NABIL during the study period.

**Table 4.13**

### Coefficient of Correlation between Deposit and Net Profit

Bank	Evaluation criterions			
	r	r <sup>2</sup>	P.E.(r)	6P.E. (r)
NIBL	0.9478	0.8983	0.0307	0.1841
NABIL	0.9649	0.9311	0.0208	0.1247

**Source: Appendix 13**

From the above table it has been found that the coefficient of correlation between total deposit and net profit of NIBL the value of r is 0.9478, which indicated that the relationship between deposit and net profit is positive similarly. The coefficient of determination (r<sup>2</sup>) is 0.8983. which indicates 89.83% of the variation of the dependent variable has been explained by the independent variable. Similarly the value of 6P.E. (r) is less than value of 'r' i.e. 0.1841<0.9478 which clear that there is a significant relationship between deposits and net profit.

The above analysis clear that, the value of r of NIBL is significant relationship between deposit and net profit. Due to effective mobilization of fund NIBL has able to satisfied increase in net profit.



And coefficient of correlation between total deposit and net profit of NABIL the value of  $r$  is 0.9649, which indicated that the relationship between deposit and net profit is positive similarly. The coefficient of determination ( $r^2$ ) is 0.9311. Which, indicates 93.11% of the variation of the dependent variable has been explained by the independent variable. Similarly the value of 6P.E. ( $r$ ) is less than value of ' $r$ ' i.e.  $0.1247 < 0.9649$  which clear that there is a significant relationship between deposits and net profit.

The above analysis clear that, the value of  $r$  of NABIL is significant relationship between deposit and net profit. Due to effective mobilization of fund NABIL has able to satisfied increase in net profit.

In comparison the value of ' $r$ ' of NABIL is higher than that of NIBL. It indicates the deposit and net profit of NABIL is much correlated than NIBL. When the deposit increases, consequently the net profit also increases in higher ratio than NIBL.

In conclusion, it can be said that both the banks show significant relationship between total deposits and net profit.

### **) Coefficient of Correlation Between Deposit and Loan and Advance**

The coefficient of correlation between deposit and loan and advance measures the degree of relationship between these two variables. Here deposit( $X$ ) in independent variable and loan and advance ( $Y$ ) is dependent variable. The objectives of computing between these two variables are to justify whether loan and advance is significantly correlated with deposits or not. The following table 4.30 shows the value of ' $r$ ', ' $r^2$ ' per, 6P.Er between deposit and loan and advance of NIBL and NABIL during the study period.

**Table 4.14****Coefficient of Correlation Between Deposit and Loan and Advance**

Bank	Evaluation criterions			
	r	r <sup>2</sup>	P.E.(r)	6P.E. (r)
NIBL	0.9975	0.9950	0.00151	0.00906
NABIL	0.9894	0.9789	0.00636	0.0382

**Source: Appendix 14**

From the above table it has been found that the coefficient of correlation between total deposit and loan and advance of NIBL the value of r is 0.9975, which indicated that the relationship between deposit and loan and advance is positive similarly. The coefficient of determination (r<sup>2</sup>) is 0.9950. Which indicates 99.50% of the variation of the dependent variable has been explained by the independent variable. Similarly the value of 6P.E. (r) is less than value of 'r' i.e. 0.00906<0.9975 which clear that there is a significant relationship between deposits and loan and advance.

The above analysis clear that, the value of r of NIBL is significant relationship between deposit and loan and advance.

And coefficient of correlation between total deposit and loan and advance of NABIL the value of r is 0.9894, which indicated that the relationship between deposit and loan and advance is positive similarly. The coefficient of determination (r<sup>2</sup>) is 0.9789. Which, indicates 97.89% of the variation of the dependent variable has been explained by the independent variable. Similarly the value of 6P.E. (r) is less than value of 'r' i.e. 0.0382<0.9894 which clear that there is a significant relationship between deposits and loan and advance.

The above analysis clear that, the value of r of NABIL is significant relationship between deposit and loan and advance.

In comparison the value of 'r' of NIBL is higher than that of NABIL. It indicates the deposit and loan and advance of NIBL is much correlated than NABIL. When the deposit increases, consequently the loan and advance also increases in higher ratio than NABIL.

In conclusion, it can be said that both the banks show significant relationship between total deposits and loan and advance.

### ) **Coefficient of Correlation between Deposits and Interest Earned**

The coefficient of correlation between deposits and interest earned measure the relationship between these two variables. Deposits are independent variables(X) and an interest earned is dependent variable(Y). The objectives of calculating r between two variables are to justify whether deposit is significantly used to earn interest or not. The table 4.15 shows the value of 'r', r<sup>2</sup>, P.E. (r) and 6P.E. (r) of NIBL and NABIL during the study period.

**Table 4.15**

#### **Coefficient of Correlation between Deposits and Interest Earned**

Bank	Evaluation criterions			
	r	r <sup>2</sup>	P.E. (r)	6P.E. (r)
NIBL	0.8939	0.7990	0.0606	0.3638
NABIL	0.9614	0.9243	0.02283	0.1370

**Source: Appendix 15**

The coefficient of correlation 'r' between deposit and interest earned in case of NIBL is 0.8939, which indicates there is a high degree of positive correlation between these variables. When deposits increase the interest earned subsequently increased and when it decreases the interest earned also decreases. The coefficient of determination (r<sup>2</sup>) is 0.7990, which indicates that 79.90% of the variation of dependent variable has been explained by independent variable. Similarly considering the value of 'r' and comparing

with 6P.Er it has been found that the value of  $r$  is higher than the value of 6P.Er i.e.  $0.8939 > 0.3638$ , which indicates there is significant correlation between deposit and interest earned by the NIBL.

And the coefficient of correlation ' $r$ ' between deposit and interest earned in case of NIBL is 0.9614, which indicates there is a high degree of positive correlation between these variables. When deposits increase the interest earned subsequently increased and when it decreases the interest earned also decreases. The coefficient of determination ( $r^2$ ) is 0.9243, which indicates that 92.43% of the variation of dependent variable has been explained by independent variable. Similarly considering the value of ' $r$ ' and comparing with 6P.Er it has been found that the value of  $r$  is higher than the value of 6P.Er i.e.  $0.9614 > 0.1370$ , which indicates there is significant correlation between deposit and interest earned by the NIBL.

The above analysis clear that, the value of  $r$  of NABIL is significant relationship between deposit and interest earned. Due to effective mobilization of fund NABIL has able to satisfied increase in interest earned.

In comparison the value of ' $r$ ' of NABIL is higher than that of NIBL. It indicates the deposit and interest earned of NABIL is much correlated than NIBL. When the deposit increases, consequently the interest earned also increases in higher ratio than NIBL.

In conclusion, it can be said that both the banks show significant relationship between total deposits and interest earned.

### **) Coefficient of Correlation between Loan and Advances and Interest paid**

It measures the relationship between these variables. Here, loan and advances is independent variables (X) and interest paid in dependent variable (Y). The purpose of calculating ' $r$ ' between these variables is to established whether increase in loan and advances has play any role in decreasing in interest expenses.

The table 4.16 shows the values of ' $r$ '  $r^2$ , P.E. ( $r$ ) and 6 P.E. ( $r$ ) of NBL during the study period.

**Table 4.16**

**Coefficient of Correlation between Loan and Advances and Interest Paid**

Bank	Evaluation criterions			
	r	r <sup>2</sup>	P.E. (r)	6P.E. (r)
NIBL	0.8776	0.7702	0.0693	0.4159
NABIL	0.9539	0.9098	0.0272	0.1633

**Source: Appendix 16**

The coefficient of correlation between loan and advances and interest paid in case of NIBL is 0.8776 it shows that there is a high degree of positive correlation between two variables. The coefficient of determinant ( $r^2$ ) in case of NIBL is 0.7702 i.e. 77.02% of, the variation of dependent variable has been explained by independent variable. By considering the value of r is greater than 6P.Er it means there is a significant correlation between loan and advance and interest paid in case of NIBL.

And the coefficient of correlation between loan and advances and interest paid in case of NABIL is 0.9539, it shows that there is a high degree of positive correlation between two variables. The coefficient of determinant ( $r^2$ ) in case of NABIL is 0.9098 i.e. 90.98% of the variation of dependent variable has been explained by independent variable. By considering the value of r is greater than 6P.Er it means there is a significant correlation between loan and advance and interest paid in case of NABIL.

The above analysis clear that, the value of r of NABIL is significant relationship between loan and advance and interest paid. Due to effective mobilization of fund NABIL has able to satisfied increase in interest earned.

In conclusion, it can be said that both the banks show significant relationship between loan and advance and interest paid.

### **4.1.3 Trend Analysis**

Under this topic an effort has been made to calculate the trend value of the deposit, loan and advance, investment and net profit of NIBL and NABIL from the fiscal year 2063/064 to 2067/068 and make forecast base on the following 5years till 2072/073. The forecast base on the following assumptions:

The forecast will be true only when the limitation of least square method is followed.

The other things that affects to it directly or indirectly will remains constant.

- ) The central bank (NRB) will not change its directions and guidelines to commercial banks.
- ) The bank will remain in present situation
- ) The economy will remain in the present stage.

## Trend Value Analysis of Total Deposit

Table 4.17

### Trend Value of Total Deposit of NIBL and NABIL

Fiscal Year	Trend value (In Rs)	
	NIBL	NABIL
2063/64	-5585775575	24301818764
2064/065	17794265182	31022149602
2065/066	41174305938	37742480439
2066/067	64554346695	44462811277
2067/068	87934387451	51183142114
2068/069	111314428207.40	57903472952
2069/070	134694468963.80	64623803789
2070/071	158074509720.20	71344134627
2071/072	181454550476.60	78064465464
2072/073	204834591233.00	84784796302

**Source: Appendix 17**

The table shows the trend value of total deposit from 2063/064 to 2072/073 of NIBL and NABIL. The total deposit of NIBL and NABIL are in the increasing trend. If all the other things are remain the same. The total deposit of NIBL and NABIL will be Rs 204834591233.00 and Rs 84784796302 in the F/Y 2072/073.

By analyzing the above trend value, it is found that the total deposit position collection of NIBL and NABIL are better.

**Figure 4.13**

**Trend Analysis of Total Deposit of NIBL NABIL**



## Trend Value Analysis of Loan and Advance

**Table 4.18**

Fiscal Year	Trend value (In Rs)	
	NIBL	NABIL
2063/64	17,286,427,389	15,545,778,730
2064/65	26,996,652,258	21,365,053,318
2065/66	36,241,206,558	27,589,933,041
2066/67	40,318,308,062	32,268,873,283
2067/68	41,095,514,519	38,034,097,554
2068/69	50669570776	43724884469
2069/70	56763553783	49312930230
2070/71	62857536789	54900975992
2071/72	68951519796	60489021753
2072/73	75045502802	66077067514

**Source: Appendix 18**

The table shows the trend value of loan and advance from 2063/064 to 2072/073 of NIBL and NABIL. The loan and advance of NIBL and NABIL are in the increasing trend. If all the other things are remain the same. The loan and advance of NIBL and NABIL will be Rs 75045502802 and Rs 66077067514 in the F/Y 2072/073.

By analyzing the above trend value, it is found that the loan and advance position of NIBL and NABIL are better.

**Figure 4.14**

**Trend Analysis of loan and Advance of NIBL and NABIL**

## Trend value of Total Investment

**Table 4.19**

### Trend Value of Total Investment

Fiscal Year	Trend value (In Rs)	
	NIBL	NABIL
2063/64	7187812414	8892129606
2064/65	7007994435	10095633874
2065/66	7367630392	11299138141
2066/67	7727266350	12502642408
2067/68	8086902308	13706146675
2068/69	8446538265	14909650943
2069/70	8806174223	16113155210
2070/71	9165810180	17316659477
2071/72	9525446138	18520163745
2072/73	9885082096	19723668012

**Source : Appendix 19**

The table shows the trend value of total investment from 2063/064 to 2072/073 of NIBL and NABIL. The total investment of NIBL and NABIL are in the increasing trend. If all the other things are remain the same. The total deposit of NIBL and NABIL will be Rs 9885082096 and Rs 19723668012 in the F/Y 2072/073. By analyzing the above trend value, it is found that the total investment position of NIBL and NABIL are better.

**Figure 4.15**

**Trend Analysis of Total Investment of NIBL and NABIL**

## Trend Value of Net Profit

**Table 4.20**

### Trend Value of Net Profit of NIBL and NABIL

Fiscal Year	Trend Value(In Rs)	
	NIBL	NABIL
2063/64	7187812414	8892129606
2064/65	7007994435	10095633874
2065/66	7367630392	11299138141
2066/67	7727266350	12502642408
2067/68	8086902308	13706146675
2068/69	8446538265	14909650943
2069/70	8806174223	16113155210
2070/71	9165810180	17316659477
2071/72	9525446138	18520163745
2072/73	9885082096	19723668012

**Source : Appendix 20**

The table shows the trend value of net profit from 2063/064 to 2072/073 of NIBL and NABIL. The net profit of NIBL and NABIL are in the increasing trend. If all the other things are remain the same. The total deposit of NIBL and NABIL will be Rs 9885082096 and Rs 19723668012 in the F/Y 2072/073. By analyzing the above trend value, it is found that the net profit position of NIBL and NABIL are better.

## Figure 4.16

### Trend Analysis of Net Profit of NIBL and NABIL

#### 4.2 Major findings of the Study

##### Liquidity Ratio

From the above research study, following findings are drawn on the liquidity position of the selected banks.

- ) Generally banks have to maintain more liquid assets but the current ratios of both banks are below the standard of 2:1. The mean current ratio of NIBL is 1.081 and NABIL is 1.0998. The current ratio of NABIL is little higher than NIBL. It is indicate better liquidity position of NABIL.
- ) Cash and bank balance to total deposit ratio of NIBL is higher than NABIL i.e. 13.50% is greater than 6.26%.Which indicates that the bank has higher liquidity of NIBL than NABIL. A high ratio of cash and bank balance may be undesirable which indicates inability to invest in more productive sectors. Like short term marketable securities ensuring enough liquidity which will help to the bank to improve its profitability. But liquidity position is good.

- ) Cash and bank balance to current assets ratio of NIBL is higher than NABIL i.e. 12.14% is higher than 5.49%. According this analysis it can be said that NIBL has the better ability to meet daily cash requirements of their customers. But it should be noted that NIBL has excess cash due to the low opportunity.
- ) Investment in government securities to current assets of NIBL is less than NABIL i.e. 8.12% is less than 13.10%. According this analysis it can be said that NABIL has able to more invest in government securities.

### **Activity Ratio**

A commercial bank must be able to manage its assets very well to earn high profit, so to satisfy its customers and for own existence. The assets management ratios of NIBL and NABIL show the following findings.

- ) The loan advance to total deposit ratio of NIBL is higher than NABIL i.e. 77.8% is higher than 70.70%. It indicates that better mobilization of deposit by NIBL. So, NIBL has more efficiently utilizing the outsider's funds in extending credit for profit generating sectors.
- ) The total investment to total deposit of NIBL is less than NABIL i.e. 18.88% is less than 30.86%. It indicates that NABIL is mobilizing its fund on investment in various securities efficiently. It can be said that NABIL is more successful in utilizing its total deposit by investing in marketable securities.
- ) The loan and advance to total assets ratio of NIBL is higher than NABIL i.e. 68.25% is higher than 60.97%. It indicates that NIBL has utilized its total assets more efficiently in the form of loan and advance with more risk because it has greater variability in the ratio.

Above findings reveals that the NIBL has better utilization of assets rather than NABIL.

## **Profitability Ratio**

The major performance indicator of any firm is profit. Following findings are drawn on the basis of profitability position of NIBL and NABIL.

- ) Return on loan and advance NIBL is less than NABIL i.e. 2.79% is less than 3.72%. It indicates that NABIL has utilized the loan and advance for the profit generation purpose in proper ways than NIBL.
- ) Return on total assets ratio of NIBL is less than NABIL i.e. 1.91% is less than 2.26%. It indicates that NABIL seems successful in managing and utilizing the available assets in order to generate revenue.
- ) Return on equity of NIBL is less than NABIL i.e. 25.22% is less than 31.06%. It indicates that NABIL is successful to earn high profit through the efficient utilization of its equity capital.
- ) Total interest earned to total assets ratio of NIBL is higher than NABIL i.e. 7.12% is higher than 6.87%. It shows that NIBL has efficiently used its total assets to earn high interest income in comparison to NABIL. NABIL seems less conscious about managing its assets in order to earn more interest income.
- ) Return on total deposit ratio of NIBL is less than NABIL i.e. 2.18% is less than 2.63%. It indicates that NABIL has good performance in deposit rather than NIBL.

Overall, findings of profitability ratio show that NABIL has utilized its fund in risk free assets and NIBL has more interest by mobilizing assets.

## **Trend Analysis**

- ) The trend line of total deposit for both banks is upward slopping. It refers that both banks shows good performance. And comparatively NABIL has better performance than NIBL.
- ) The trend line of loan and advance for both banks is upward slopping. It refers that both loan and advance NABIL seems high growing than NIBL. It indicates that NABIL is more aggressive in mobilizing its loan and advance.



- ) The trend line of total investment for both banks is upward slopping, where NABIL has aggressive upward slopping of total investment trend line. It indicates that NABIL has far better increasing trend of total investment than NIBL.
- ) The trend line of net profit for both banks is upward slopping, where NABIL has aggressive upward slopping of net profit trend line. It indicates that NABIL has far better increasing trend of net profit than NIBL.

Above analysis, reveals that both banks have well their ratio, trend of their bank has in increasing trend. In comparison to both bank NABIL has good performance than NIBL.

## CHAPTER V

### SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

#### 5.1 Introduction

This chapter is focused on the findings and conclusions obtained from the study of "Comparative financial performance analysis of NIBL and NABIL." This chapter is comprised of three sections. The first section deals with the summary of the study, the second section draws the conclusions of the study. Lastly, the third section proposes the suggestions to the problems observed on the basis of the findings.

#### 5.2 Summary

Nepal is a developing country which started its economic development plans and policies more than four decades ago and has adopted the economic development plans through liberalization recently. The policy of liberalization that the government adopted after restoration of democracy in 1990 calls for primitive an facilitative role of the government together with its strict regulatory functions. The subject matter of economic development has been limited due to variety of geographical structural and economic constraints.

The economic growth of a country can't imagine without financial institutions. Commercial banks play a vital role as a financial institution which plays a quite important role of every economy by providing capital for the development of industry trade and business. Commercial bank pools between savers and users thereby raising employment opportunity. Besides the economic contribution commercial banks are also recognizes its social responsibilities by contributed to various social and welfare organization.

The major income source of bank is internal margin which depends upon the deployment of available resources. The bank generally deployed their resources for the purpose of liquidity, lending and investing in securities. So the overall profitability of bank depends on lending procedure, lending policy and investment policy. The main objective of the study is to evaluate the financial performance analysis of NIBL and

NABIL. The study is mostly based on secondary data and required data have been taken as a sample of the study a collected data has been analyzed by using various statistical and financial tools.

NIBL and NABIL are the well established commercial banks in Nepal. Both banks are able to maintain its position as a market leader in the banking sector and there is ongoing effort and commitment in enhancing its financial position.

### **5.3 Conclusion**

On the basis of major findings of study some conclusion has drawn about the NIBL and NABIL. The bank is more conscious about its human resources as they have the policy of skill development programs, reward system and other motivational activities. NIBL increasing its internal fund by increasing capital year by year this means strengthen their capability internally.

This study reveals that the current ratio of NABIL is greater than NIBL. It shows that the liquidity position of NABIL is better than NIBL. The cash and bank balance of NIBL with respect to current assets is higher than NABIL. This shows greater capacity of NIBL to meet its customer's cash requirement easily than NABIL. Investment in government securities to current assets of NIBL is less than NABIL i.e. 8.12% is less than 13.10%. According this analysis it can be said that NABIL has able to more invest in government securities. A commercial bank must be able to manage its assets very well to earn high profit, so to satisfy its customers and for own existence. The assets management ratios of NIBL and NABIL show the following findings. The loan advance to total deposit ratio of NIBL is higher than NABIL i.e. 77.8% is higher than 70.70%. It indicates that better mobilization of deposit by NIBL. So, NIBL has more efficiently utilizing the outsider's funds in extending credit for profit generating sectors. The total investment to total deposit of NIBL is less than NABIL i.e. 18.88% is less than 30.86%. It indicates that NABIL is mobilizing its fund on investment in various securities efficiently. It can be said that NABIL is more successful in utilizing its total deposit by investing in marketable securities. The loan and advance to total assets ratio of NIBL is higher than

NABIL i.e. 68.25% is higher than 60.97%. It indicates that NIBL has utilized its total assets more efficiently in the form of loan and advance with more risk because it has greater variability in the ratio.

Return on loan and advance NIBL is less than NABIL i.e. 2.79% is less than 3.72%. It indicates that NABIL has utilized the loan and advance for the profit generation purpose in proper ways than NIBL. Return on total assets ratio of NIBL is less than NABIL i.e. 1.91% is less than 2.26%. It indicates that NABIL seems successful in managing and utilizing the available assets in order to generate revenue. Return on equity of NIBL is less than NABIL i.e. 25.22% is less than 31.06%. It indicates that NABIL is successful to earn high profit through the efficient utilization of its equity capital. Total interest earned to total assets ratio of NIBL is higher than NABIL i.e. 7.12% is higher than 6.87%. It shows that NIBL has efficiently used its total assets to earn high interest income in comparison to NABIL. NABIL seems less conscious about managing its assets in order to earn more interest income. Return on total deposit ratio of NIBL is less than NABIL i.e. 2.18% is less than 2.63%. It indicates that NABIL has good performance in deposit rather than NIBL.

The trend line of total deposit for both banks is upward slopping. It refers that both banks have good performance. A comparatively NABIL has better performance. The trend line of loan and advance for both banks is upward slopping. It refers that both loan and advance NABIL seems high growing than NIBL. It indicates that NABIL is more aggressive in mobilizing its loan and advance. The trend line of total investment for both banks is upward slopping, where NABIL has aggressive upward slopping of total investment trend line. It indicates that NABIL has far better increasing trend of total investment than NIBL. The trend line of net profit for both banks is upward slopping, where NABIL has aggressive upward slopping of net profit trend line. It indicates that NABIL has far better increasing trend of net profit than NIBL.

Above analysis, reveals that both banks have well their ratio, trend of their bank has in increasing trend. In comparison to both bank NABIL has good performance than NIBL.

The result of the study shows the overall performance of NIBL and NABIL is satisfactory and progressive. And comparatively NABIL is better performance rather than NIBL.

#### **5.4 Recommendations**

This researcher would like to provide some suggestion for the better improvement of bank in future. This recommendation based on the study on Comparative financial performance analysis of NIBL and NABIL.

- ) Current ratio of the both banks have find below the standard, so it is recommended that the bank should increase the current assets to meet the short term obligation of the bank. The current ratio of two banks, NIBL and NABIL is considerable. This can be regarded as good liquidity position. The liquidity position affects external and internal factors such as prevalent investment situations, central banks requirements and so on. Considering the growth position of financial market, the lending policy management capabilities, strategic planning and fund flow situation, bank should maintain enough liquid assets to pay short term obligations. So it is recommended to maintain sound liquidity position to NIBL and NABIL.
- ) To get success in competitive banking environment, deposit must be utilized as loan and advance. The largest item of bank assets side is loan and advance. It has been finding that loan and advances to total deposit ratio of NIBL is higher than NABIL. It means NIBL has not properly used their existing fund as loan and advances. So NIBL is recommended to follow liberal lending policy and to invest more deposit in loan and advance.
- ) There is low liquidity position in the both of the sampled banks. Therefore, both the banks should be diagnosed the root cause for low liquidity ratio and should improve the liquidity.
- ) Both banks have earned more income from interest income which is not good for long term view. So both have to increase their revenue through other banking activity for long term survival and to avoid bad debt risk.

- ) It is recommended that to all banks to expand its services in the rural area so that the people in the rural areas will also be able to take the facility providing by banks.
- ) The assets management ratio of NABIL has poor than that of NIBL. Thus NABIL has suggested improving its activity ratio by efficiency mobilizing the fund of the bank.
- ) The deposit of NABIL is higher than NIBL. Low volume of deposits adversely affects to the investment, which ultimately decrease the profitability of the bank. The management should start the deposit promotion programmed to increase the deposit level of the bank.
- ) The bank should be very careful in increasing profit in a real sense to maintain the confidence of depositors, shareholders and its all customer. NIBL and NABIL are strongly recommended to gain highest profit margin.
- ) NRB has given directives to financial institution to invest their certain percentage of investment in deprive and priority sector. Both banks have earned profit from profitable and private sector. So they are recommended to strictly follow up the directives issued by NRB and should make investment on public utilities sector like health, sanitation, education, drinking water, agriculture etc.
- ) Last political instability directly affected the economic sector such as hotel and tourism, manufacturing and trading sector. Bank loan and advances is decreasing in this sector. So banks should give priority to those sector as well as banks should create new investing sector to mobilize deposit.

Keeping all these in consideration, the NABIL has title high performance than that NIBL. Therefore, in the future ahead, the NIBL should improve its weaknesses by adopting the innovative approach to marketing. In the light of growing competition in the banking sector both bank NIBL and NABIL should be customer oriented. It should strengthen and activate its marketing function as it is an effective tool to attract and retain the customers. For the purpose, the bank should develop an innovative approach to bank marketing and formulate new strategies of serving customers in a more convenient and satisfactory way by optimally utilizing the modern technology and offering new facilities to the customers

at competitive prices. The bank is also required to explore new market areas. For this purpose, it is recommended to form a strong market department in its central level, which deals with the banking products, places, price and promotion.

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**APPENDIXES**

**Appendix 1**

**Current Ratio**

(In Rs)

Fiscal Year	Selected Two Banks Current Ratio					
	NIBL			NABIL		
	Current Assets	Current Liabilities	Ratio (%)	Current Assets	Current Liabilities	Ratio (%)
2063/64	26,679,934,541	24,888,275,908	1.072	26678038347	24,313,770,818	1.097
2064/65	37,840,736,086	35,109,084,541	1.078	36238276639	33,095,560,160	1.095
2065/66	51,888,705,144	48,001,810,740	1.081	42822006398	38,755,851,867	1.105
2066/67	55,735,820,663	51,620,403,593	1.080	51915908719	47,940,077,187	1.083
2067/68	56815827730	51854296381	1.096	57756099890	51,624,321,202	1.119

**Appendix 2**

**Cash and Bank Balance to Total Deposit Ratio**

(In Rs)

Fiscal Year	Selected Two Banks Cash and Bank Balance to Total Deposit Ratio					
	NIBL			NABIL		
	Cash & bank blc	Total deposit	Ratio (%)	Cash & bank blc	Total deposit	Ratio (%)
2063/64	2,393,229,992	24,488,855,696	0.0977	1,399,825,851	23,342,285,327	0.060
2064/65	3,754,941,568	34,451,726,191	0.1090	2,671,141,055	31,915,047,467	0.084
2065/66	7,918,003,890	46,698,100,065	0.1696	3,372,512,471	37,348,255,840	0.090
2066/67	6,815,889,833	50,094,725,497	0.1361	1,400,097,804	46,410,700,628	0.030
2067/68	8,140,370,632	50,138,122,242	0.1624	2,458,549,590	49,696,112,934	0.049

### Appendix 3

#### Cash and Bank Balance to Current Assets Ratio (In Rs)

Fiscal Year	Selected Two Banks Cash and Bank Balance to Current Assets Ratio					
	NIBL			NABIL		
	Cash & bank blc	Current assets	Ratio (%)	Cash & bank blc	Current assets	Ratio (%)
2063/64	2,393,229,992	26,679,934,541	8.97	1,399,825,851	26678038347	5.25
2064/65	3,754,941,568	37,840,736,086	9.92	2,671,141,055	36238276639	7.37
2065/66	7,918,003,890	51,888,705,144	15.26	3,372,512,471	42822006398	7.88
2066/67	6,815,889,833	55,735,820,663	12.23	1,400,097,804	51915908719	2.70
2067/68	8,140,370,632	56,815,827,730	14.33	2,458,549,590	57756099890	4.26

### Appendix 4

#### Investment on Government Securities to Current Assets Ratio (In Rs)

Fiscal Year	Selected Two Banks Investment on Government Securities to Current Assets Ratio					
	NIBL			NABIL		
	Investment on govn. securities	Current Assets	Ratio (%)	Investment on govn. securities	Current Assets	Ratio (%)
2063/64	3,256,400,000	26,679,934,541	12.21	4,808,348,503	26678038347	18.02
2064/65	3,155,000,000	37,840,736,086	8.34	4,646,883,136	36238276639	12.82
2065/66	2,531,300,000	51,888,705,144	4.88	3,706,102,662	42822006398	8.65
2066/67	4,201,850,000	55,735,820,663	7.54	7,973,664,007	51915908719	15.36
2067/68	4,294,600,000	56,815,827,730	7.56	8,745,230,498	57756099890	15.14

**Appendix 5**

**Loan and Advance to Total Deposit Ratio**

(In Rs)

Fiscal Year	Selected Two Banks Loan and Advance to Total Deposit Ratio					
	NIBL			NABIL		
	Loan& Advance	Total Deposit	Ratio (%)	Loan& Advance	Total Deposit	Ratio (%)
2063/64	17,286,427,389	24,488,855,696	70.59	15,545,778,730	23,342,285,327	66.60
2064/65	26,996,652,258	34,451,726,191	78.36	21,365,053,318	31,915,047,467	66.94
2065/66	36,241,206,558	46,698,100,065	77.61	27,589,933,041	37,348,255,840	73.87
2066/67	40,318,308,062	50,094,725,497	80.48	32,268,873,283	46,410,700,628	69.53
2067/68	41,095,514,519	50,138,122,242	81.96	38,034,097,554	49,696,112,934	76.53

**Appendix 6**

**Total Investment to Total Deposit Ratio**

(In Rs)

Fiscal Year	Selected Two Banks Total Investment to Total Deposit Ratio					
	NIBL			NABIL		
	Total Investment	Total Deposit	Ratio (%)	Total Investment	Total Deposit	Ratio (%)
2063/64	6,505,679,987	24,488,855,696	26.57	8945310567	23,342,285,327	38.32
2064/65	6,874,023,625	34,451,726,191	19.95	9,939,771,428	31,915,047,467	31.14
2065/66	7,399,811,700	46,698,100,065	15.85	10,826,379,001	37,348,255,840	28.99
2066/67	8635530125	50,094,725,497	17.24	13,703,024,181	46,410,700,628	29.53
2067/68	7423106525	50,138,122,242	14.81	13,081,205,527	49,696,112,934	26.32

#### Appendix 7

#### Loan and Advance to Total Assets Ratio

(In Rs)

Fiscal Year	Selected Two Banks loan and Advance to Total Assets Ratio					
	NIBL			NABIL		
	Loan& Advance	Total assets	Ratio (%)	Loan& Advance	Total Assets	Ratio (%)
2063/64	17,286,427,389	27,590,844,761	62.65	15,545,778,730	27,253,393,008	57.04
2064/65	26,996,652,258	38,873,306,084	69.45	21,365,053,318	37,132,759,149	57.54
2065/66	36,241,206,558	53,010,803,126	68.37	27,589,933,041	43,867,397,504	62.89
2066/67	40,318,308,062	57,305,413,482	70.36	32,268,873,283	52,079,725,697	61.96
2067/68	41,095,514,519	58,356,827,501	70.42	38,034,097,554	58,141,437,401	65.42

#### Appendix 8

#### Return on Loan and Advances Ratio

(In Rs)

Fiscal	Selected Two Banks Return on Loan and Advances Ratio
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Year	NIBL			NABIL		
	Loan& Advance	Net Profit & Loss	Ratio (%)	Loan& Advance	Net Profit & Loss	Ratio (%)
2063/64	17,286,427,389	501,398,852	2.90	15,545,778,730	673959698	4.34
2064/65	26,996,652,258	696,731,516	2.58	21,365,053,318	746468394	3.49
2065/66	36,241,206,558	900,619,072	2.49	27,589,933,041	1,031,053,098	3.74
2066/67	40,318,308,062	1,265,949,588	3.14	32,268,873,283	1,139,099,399	3.53
2067/68	41,095,514,519	1,176,641,031	2.86	38,034,097,554	1,337,745,485	3.52

### Appendix 9

#### Return on Total Assets Ratio

(In Rs)

Fiscal Year	Selected Two Banks Return on Total Assets Ratio					
	NIBL			NABIL		
	Total Assets	Net Profit & Loss	Ratio (%)	Total Assets	Net Profit & Loss	Ratio (%)
2063/64	27,590,844,761	501,398,852	1.82	27,253,393,008	673959698	2.47
2064/65	38,873,306,084	696,731,516	1.79	37,132,759,149	746468394	2.01
2065/66	53,010,803,126	900,619,072	1.70	43,867,397,504	1,031,053,098	2.35
2066/67	57,305,413,482	1,265,949,588	2.21	52,079,725,697	1,139,099,399	2.19
2067/68	58,356,827,501	1,176,641,031	2.02	58,141,437,401	1,337,745,485	2.30

### Appendix 10

#### Return on Equity

(In Rs)

Fiscal Year	Selected two Banks Return on Total Equity Ratio					
	NIBL			NABIL		
	Total Equity	Net Profit & Loss	Ratio (%)	Total Equity	Net Profit & Loss	Ratio (%)

2063/64	1,878,123,538	501,398,852	26.70	2,057,049,715	673959698	32.76
2064/65	2,686,786,048	696,731,516	25.93	2,437,198,989	746468394	30.63
2065/66	3,907,839,708	900,619,072	23.05	3,130,240,637	1,031,053,098	32.94
2066/67	4,585,393,092	1,265,949,588	27.61	3,836,706,556	1,139,099,399	29.69
2067/68	5,159,759,697	1,176,641,031	22.80	4,566,517,021	1,337,745,485	29.29

### Appendix 11

#### Total Interest to Total Assets Ratio

(In Rs)

Fiscal Year	Selected two Banks Total Interest Earned Total Assets Ratio					
	NIBL			NABIL		
	Total Interest Earned	Total Assets	Ratio (%)	Total Interest Earned	Total Assets	Ratio (%)
2063/64	1,584,987,354	27,590,844,761	5.74	1,587,758,714	27,253,393,008	5.83
2064/65	2,194,275,722	38,873,306,084	5.64	1,978,696,727	37,132,759,149	5.33
2065/66	3,267,941,142	53,010,803,126	6.16	2,798,486,196	43,867,397,504	6.38
2066/67	4,653,521,338	57,305,413,482	8.12	4,049,714,179	52,079,725,697	7.78
2067/68	5,803,440,174	58,356,827,501	9.94	5,254,030,458	58,141,437,401	9.04

### Appendix 12

#### Return on Total Deposit Ratio

(In Rs)

Fiscal Year	Selected Two Banks Return on Total Deposit Ratio					
	NIBL			NABIL		
	Total Deposit	Net Profit & Loss	Ratio (%)	Total Deposit	Net Profit & Loss	Ratio (%)

2063/64	24,488,855,696	501,398,852	2.05	23,342,285,327	673959698	2.89
2064/65	34,451,726,191	696,731,516	2.02	31,915,047,467	746468394	2.34
2065/66	46,698,100,065	900,619,072	1.93	37,348,255,840	1,031,053,098	2.76
2066/67	50,094,725,497	1,265,949,588	2.53	46,410,700,628	1,139,099,399	2.45
2067/68	50,138,122,242	1,176,641,031	2.35	49,696,112,934	1,337,745,485	2.69

### Appendix 13

#### Coefficient of Correlation between Deposit and Net Profit

NIBL

(Rs in Ten Million)

Year	Deposit (X)	Net Profit (Y)	$x = X - \bar{x}$	$x^2$	$Y = y - \bar{y}$	$Y^2$	xy
2063/64	2448.88557	50.1398852	-1668.545024	2784042.498	-40.686916	1655.425	67887.95
2064/65	3445.172619	69.6731516	-672.2579747	451930.7846	-21.1536496	447.4769	14220.71
2065/66	4669.810007	90.0619072	552.3794127	305123.0156	-0.76489398	0.585063	-422.512
2065/67	5009.47255	126.5949588	892.0419559	795738.8511	35.76815762	1279.361	31906.7
2067/68	5013.812224	117.6641031	896.3816304	803500.0273	26.83730192	720.2408	24056.46
Total	20587.15297	454.1340059	0	5140335.176	0	4103.089	137649.3

$$r = \frac{\sum xy}{\sqrt{\sum x^2} \sqrt{\sum y^2}} = 0.9478$$

Coefficient of Determination ( $r^2$ ) = 0.8983

$$\text{Calculation of probable error (P.E. (r))} = 0.6745 \times \frac{1 - r^2}{\sqrt{n}} = 0.0307$$

Test of significance of (r) =  $6 \times \text{P.E.} = 6 \times 0.0307 = 0.1841$



**NABIL**

(Rs in Ten Million)

Year	Deposit (X)	Net Profit (Y)	$x = X - \bar{x}$	$x^2$	$Y = y - \bar{y}$	$Y^2$	$xy$
2063/64	2334.228533	67.3959698	-1440.019511	2073656.193	-31.1705517	971.6033	44886.2
2064/65	3191.504747	74.6468394	-582.7432972	339589.7505	-23.9196821	572.1512	13939.03
2065/66	3734.825584	103.1053098	-39.42245992	1554.130346	4.53878832	20.6006	-178.93
2065/67	4641.070063	113.9099399	866.8220189	751380.4124	15.34341842	235.4205	13300.01
2067/68	4969.611293	133.7745485	1195.363249	1428893.298	35.20802702	1239.605	42086.38
Total	18871.24022	492.8326074	0	4595073.784	0	3039.381	114032.7

$$r = \frac{\sum xy}{\sqrt{\sum x^2} \sqrt{\sum y^2}} = 0.9649$$

Coefficient of Determination ( $r^2$ ) = 0.9311

$$\text{Calculation of probable error (P.E. (r))} = 0.6745 \times \frac{1 - r^2}{\sqrt{n}} = 0.0208$$

$$\text{Test of significance of (r)} = 6 \times \text{P.E.} = 6 \times 0.0208 = 0.1247$$

**Appendix 14****Coefficient of Correlation between Deposit and Loan and Advance**

**NIBL**

(Rs in Ten Million)

Year	Deposit (X)	Loan& Advance(Y)	$x=X-x̄$	$x^2$	$Y=y-ȳ$	$Y^2$	xy	
2063/64	2448.88557	1728.642739	-	1668.545024	2784042.498	-1510.11944	2280460.71	2519702.27
2064/65	3445.172619	2699.665226	-	672.2579747	451930.7846	-539.09695	290625.521	362412.224
2065/66	4669.810007	3624.120656	-	552.3794127	305123.0156	385.3584801	148501.158	212864.091
2065/67	5009.47255	4031.830806	-	892.0419559	795738.8511	793.0686305	628957.853	707450.492
2067/68	5013.812224	4109.551452	-	896.3816304	803500.0273	870.7892762	758273.964	780559.511
Total	20587.15297	16193.81088	0	5140335.176			4106819.21	4582988.59

$$r = \frac{\sum xy}{\sqrt{\sum x^2} \sqrt{\sum y^2}} = 0.9975$$

Coefficient of Determination ( $r^2$ ) = 0.9950

$$\text{Calculation of probable error (P.E. (r))} = 0.6745 \times \frac{1 - r^2}{\sqrt{n}} = 0.00151$$

Test of significance of (r) =  $6 \times \text{P.E.} = 6 \times 0.0307 = 0.00906$ **NABIL**

(Rs in Ten Million)

Year	Deposit (X)	Loan& Advance(Y)	$x=X-x̄$	$x^2$	$Y=y-ȳ$	$Y^2$	xy	
2063/64	2334.228533	1554.577873	-	1440.019511	2073656.193	-1141.49685	1303015.05	1643777.73
2064/65	3191.504747	2136.505332	-	582.7432972	339589.7505	-559.569387	313117.899	326085.309
2065/66	3734.825584	2758.993304	-	39.42245992	1554.130346	62.91858558	3958.74841	-2480.4054
2065/67	4641.070063	3226.887328	-	866.8220189	751380.4124	530.8126098	281762.027	460120.058

2067/68	4969.611293	3803.409755	1195.363249	1428893.298	1107.335037	1226190.88	1323667.61
Total	18871.24022	13480.37359	0	4595073.784	0	3128044.61	3751170.3

$$r = \frac{xy}{\sqrt{x^2} \sqrt{y^2}} = 0.9894$$

Coefficient of Determination ( $r^2$ ) = 0.9789

$$\text{Calculation of probable error (P.E. (r))} = 0.6745 \times \frac{1 Z r^2}{\sqrt{n}} = 0.00636$$

$$\text{Test of significance of (r)} = 6 \times \text{P.E.} = 6 \times 0.0208 = 0.0382$$

## Appendix 15

### Coefficient of Correlation between Deposit and Interest Earned.

**NIBL**

(Rs in Ten Million)

Year	Deposit (X)	Interest Earned (Y)	$x = X - \bar{x}$	$x^2$	$Y = y - \bar{y}$	$Y^2$	xy
2063/64	2448.88557	158.4987354	-1668.545024	2784042.498	-191.584579	36704.651	319667.496
2064/65	3445.172619	219.4275722	-672.2579747	451930.7846	-130.655742	17070.923	87834.3648
2065/66	4669.810007	326.7941142	-552.3794127	305123.0156	-23.2892004	542.386855	-12864.475
2065/67	5009.47255	465.3521338	-892.0419559	795738.8511	115.2688192	13286.9007	102824.623

2067/68	5013.812224	580.3440174	896.3816304	803500.0273	230.2607028	53019.9913	206401.464
Total	20587.15297	1750.416573	0	5140335.176	0	120624.853	703863.473

$$r = \frac{\sum xy}{\sqrt{\sum x^2} \sqrt{\sum y^2}} = 0.8939$$

Coefficient of Determination ( $r^2$ ) = 0.7990

$$\text{Calculation of probable error (P.E. (r))} = 0.6745 \times \frac{1 - Zr^2}{\sqrt{n}} = 0.0606$$

$$\text{Test of significance of (r)} = 6 \times \text{P.E.} = 6 \times 0.0606 = 0.3638$$

## NABIL

(Rs in Ten Million)

Year	Deposit (X)	Interest Earned (Y)	$x = X - \bar{x}$	$x^2$	$Y = y - \bar{y}$	$Y^2$	$xy$
2063/64	2334.228533	67.3959698	-1440.019511	2073656.193	-154.60	23900.4965	222623.926
2064/65	3191.504747	74.6468394	-582.7432972	339589.7505	-115.50	13341.1862	67309.2126
2065/66	3734.825584	103.1053098	-39.42245992	1554.130346	-33.53	1123.93272	1321.64214
2065/67	4641.070063	113.9099399	866.8220189	751380.4124	91.60	8390.13726	79398.8967
2067/68	4969.611293	133.7745485	1195.363249	1428893.298	212.03	44956.4327	253452.057

Total	18871.24022	492.8326074	0	4595073.784	0.00	91712.19	624105.73
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$$r = \frac{xy}{\sqrt{x^2} \sqrt{y^2}} = 0.9614$$

Coefficient of Determination ( $r^2$ ) = 0.9243

$$\text{Calculation of probable error (P.E. (r))} = 0.6745 \times \frac{1Zr^2}{\sqrt{n}} = 0.02283$$

$$\text{Test of significance of (r)} = 6 \times \text{P.E.} = 6 \times 0.02283 = 0.1370$$

## Appendix 16

### Coefficient of Correlation between Loan and Advance and Interest paid.

NIBL

(Rs in Ten Million)

Year	Loan & Advance(X)	Interest paid (Y)	$x=X-x\bar{}$	$x^2$	$Y=y-y\bar{}$	$Y^2$	$xy$
2063/64	1,728.64	68.55	-1,510.12	2280460.713	-122.22	14938.6801	184572.677
2064/65	2,699.67	99.22	-539.10	290625.5214	-91.56	8383.43136	49360.2989
2065/66	3,624.12	168.70	385.36	148501.1582	-22.08	487.509033	-8508.5637
2065/67	4,031.83	255.38	793.07	628957.8527	64.61	4174.17169	51238.4432

2067/68	4,109.55	362.03	870.79	758273.9635	171.26	29328.8744	149128.541
Total	16,193.81	953.88	0.00	4106819.209	0.00	57312.6666	425791.397

$$r = \frac{\sum xy}{\sqrt{\sum x^2} \sqrt{\sum y^2}} = 0.8776$$

Coefficient of Determination ( $r^2$ ) = 0.7702

$$\text{Calculation of probable error (P.E. (r))} = 0.6745 \times \frac{1 - Zr^2}{\sqrt{n}} = 0.0693$$

$$\text{Test of significance of (r)} = 6 \times \text{P.E.} = 6 \times 0.0693 = 0.4159$$

## NABIL

(Rs in Ten Million)

Year	Loan & Advance(X)	Interest paid (Y)	$x = X - \bar{x}$	$x^2$	$Y = y - \bar{y}$	$Y^2$	xy
2063/64	1554.58	55.57	-1141.50	1303015.048	-92.09	8480.25307	105118.492
2064/65	2136.51	75.84	-559.57	313117.8986	-71.82	5157.49178	40185.8556
2065/66	2758.99	115.33	62.92	3958.748411	-32.33	1045.31265	-2034.2394
2065/67	3226.89	196.01	530.81	281762.0267	48.35	2337.86656	25665.5805
2067/68	3803.41	295.54	1107.34	1226190.884	147.88	21869.6107	163756.885
Total	13480.37	738.30	0.00	3128044.606	0.00	38890.53	332692.57

$$r = \frac{\sum xy}{\sqrt{\sum x^2} \sqrt{\sum y^2}} = 0.9539$$

Coefficient of Determination ( $r^2$ ) = 0.9098

$$\text{Calculation of probable error (P.E. (r))} = 0.6745 \times \frac{1 - r^2}{\sqrt{n}} = 0.0272$$

Test of significance of (r) =  $6 \times \text{P.E.} = 6 \times 0.0272 = 0.1633$

### Appendix 17

#### Trend Value of Total Deposit of NIBL

(In Rs)

Fiscal Year (t)		Total Deposit (y)	X=t-3	X <sup>2</sup>	XY	Yc = a+bx
2063/64	1	24,488,855,696	-2	4	48977711392	-5585775575
2064/65	2	34,451,726,191	-1	1	34451726191	17794265182
2065/66	3	46,698,100,065	0	0	0	41174305938
2066/67	4	50,094,725,497	1	1	50,094,725,497	64554346695
2067/68	5	50,138,122,242	2	4	100,276,244,484	87934387451
Total		205,871,529,691		10	233,800,407,564	

$$a = \frac{\sum y}{n}$$

$$N$$

$$=205,871,529,691/5$$

$$= 41174305938$$

$$b = \frac{\sum XY}{\sum x^2}$$

$$=233,800,407,564/10$$

$$=23380040756.4$$

Projected trend value of next five year

Fiscal year (t)		X = t-3	Yc= a+bx
2068/69	6	3	111314428207.40
2069/70	7	4	134694468963.80
2070/71	8	5	158074509720.20
2071/72	9	6	181454550476.60
2072/73	10	7	204834591233.00

**Trend Value of Total Deposit of NABIL**

(In Rs)

Fiscal Year (t)		Total Deposit (y)	X=t-3	X <sup>2</sup>	XY	Yc = a+bx
2063/64	1	23,342,285,327	-2	4	-46684570654	24301818764
2064/65	2	31,915,047,467	-1	1	-31915047467	31022149602



2065/66	3	37,348,255,840	0	0	0	37742480439
2066/67	4	46,410,700,628	1	1	46410700628	44462811277
2067/68	5	49,696,112,934	2	4	99392225868	51183142114
Total		188,712,402,196		10	67203308375	

$$a = \frac{\sum y}{N}$$

$$= 188,712,402,196 / 5$$

$$= 37,742,480,439$$

$$b = \frac{\sum XY}{\sum x^2}$$

$$= 67,203,308,375 / 10$$

$$= 6,720,330,838$$

Projected trend value of next five year

Fiscal year (t)		X = t-3	Yc= a+bx
2068/69	6	3	57903472952
2069/70	7	4	64623803789
2070/71	8	5	71344134627
2071/72	9	6	78064465464
2072/73	10	7	84784796302

(In Rs)

Fiscal Year	Trend value	
	NIBL	NABIL
2063/64	-5585775575	24301818764
2064/065	17794265182	31022149602
2065/066	41174305938	37742480439
2066/067	64554346695	44462811277
2067/068	87934387451	51183142114
2068/069	111314428207.40	57903472952
2069/070	134694468963.80	64623803789
2070/071	158074509720.20	71344134627
2071/072	181454550476.60	78064465464
2072/073	204834591233.00	84784796302

**Appendix 18**

**Trend Value of Loan and Advance of NIBL**

(In Rs)

Fiscal Year (t)		Loan & Advance (y)	X=t-3	X <sup>2</sup>	XY	Yc = a+bx
2063/64	1	17,286,427,389	-2	4	-34572854778	17,286,427,389
2064/65	2	26,996,652,258	-1	1	-26996652258	26,996,652,258
2065/66	3	36,241,206,558	0	0	0	36,241,206,558
2066/67	4	40,318,308,062	1	1	40318308062	40,318,308,062

2067/68	5	41,095,514,519	2	4	82191029038	41,095,514,519
Total		161,938,108,786		10	60939830064	

$$a = \frac{\sum y}{N}$$

$$= 161,938,108,786 / 5$$

$$= 32387621757$$

$$b = \frac{\sum XY}{\sum x^2}$$

$$= 60939830064 / 10$$

$$= 6093983006$$

Projected trend value of next five year

Fiscal year (t)		X = t-3	Yc= a+bx
2068/69	6	3	50669570776
2069/70	7	4	56763553783
2070/71	8	5	62857536789
2071/72	9	6	68951519796
2072/73	10	7	75045502802

## Trend Value of Loan and Advance

NABIL

(In Rs)

Fiscal Year (t)		Loan & Advance (y)	X=t-3	X <sup>2</sup>	XY	Yc = a+bx
2063/64	1	15,545,778,730	-2	4	-31091557460	15,545,778,730
2064/65	2	21,365,053,318	-1	1	-21365053318	21,365,053,318
2065/66	3	27,589,933,041	0	0	0	27,589,933,041
2066/67	4	32,268,873,283	1	1	32268873283	32,268,873,283
2067/68	5	38,034,097,554	2	4	76068195108	38,034,097,554
Total		134,803,735,926		10	55880457613	

$$a = \frac{\sum y}{N}$$

$$= \frac{134,803,735,926}{5}$$

$$= 26960747185$$

$$b = \frac{\sum XY}{\sum x^2}$$

$$= \frac{55880457613}{10}$$

$$= 5588045761$$

Projected trend value of next five year

Fiscal year (t)		X = t-3	Yc= a+bx
2068/69	6	3	43724884469
2069/70	7	4	49312930230
2070/71	8	5	54900975992
2071/72	9	6	60489021753
2072/73	10	7	66077067514

(In Rs)

Fiscal Year	Trend value	
	NIBL	NABIL
2063/64	17,286,427,389	15,545,778,730
2064/065	26,996,652,258	21,365,053,318
2065/066	36,241,206,558	27,589,933,041
2066/067	40,318,308,062	32,268,873,283
2067/068	41,095,514,519	38,034,097,554
2068/069	50669570776	43724884469
2069/070	56763553783	49312930230
2070/071	62857536789	54900975992
2071/072	68951519796	60489021753
2072/073	75045502802	66077067514

**Appendix 19**

**Trend Analysis of Total Investment of NIBL**

(In Rs)

Fiscal Year (t)		Investment (y)	X=t-3	X <sup>2</sup>	XY	Yc = a+bx
2063/64	1	6,505,679,987	-2	4	-13011359974	7187812414
2064/65	2	6,874,023,625	-1	1	-6874023625	7007994435
2065/66	3	7,399,811,700	0	0	0	7367630392
2066/67	4	8635530125	1	1	8635530125	7727266350
2067/68	5	7423106525	2	4	14846213050	8086902308
Total		36,838,151,962		10	3596359576	

$$a = \frac{\sum y}{N}$$

$$= 36,838,151,962/5$$

$$= 7367630392$$

$$b = \frac{\sum XY}{\sum x^2}$$

$$= 3596359576/10$$

$$= 359635957.6$$

Projected trend value of next five year

Fiscal year (t)		X = t-3	Yc= a+bx
2068/69	6	3	8446538265
2069/70	7	4	8806174223
2070/71	8	5	9165810180
2071/72	9	6	9525446138
2072/73	10	7	9885082096

### Trend value of Total Investment of NABIL

(In Rs)

Fiscal Year (t)		Total Investment (y)	X=t-3	X <sup>2</sup>	XY	Yc = a+bx
2063/64	1	8945310567	-2	4	-17890621134	8892129606
2064/65	2	9,939,771,428	-1	1	-9939771428	10095633874
2065/66	3	10,826,379,001	0	0	0	11299138141
2066/67	4	13,703,024,181	1	1	13703024181	12502642408
2067/68	5	13,081,205,527	2	4	26162411054	13706146675
Total		56495690704		10	12035042673	

$$a = \frac{\sum y}{N}$$

$$N$$

$$=56495690704/5$$

$$=11299138141$$

$$b = \frac{\sum XY}{\sum x^2}$$

$$=12035042673/10$$

$$=1203504267$$

Projected trend value of next five year

Fiscal year (t)		X = t-3	Yc= a+bx
2068/69	6	3	14909650943
2069/70	7	4	16113155210
2070/71	8	5	17316659477
2071/72	9	6	18520163745
2072/73	10	7	19723668012

(In Rs)

Fiscal Year	Trend value	
	NIBL	NABIL

2063/64	7187812414	8892129606
2064/065	7007994435	10095633874
2065/066	7367630392	11299138141
2066/067	7727266350	12502642408
2067/068	8086902308	13706146675
2068/069	8446538265	14909650943
2069/070	8806174223	16113155210
2070/071	9165810180	17316659477
2071/072	9525446138	18520163745
2072/073	9885082096	19723668012

**Appendix 20**

**Trend Analysis of Net Profit NIBL**

(In Rs)

<b>Fiscal Year (t)</b>		<b>Net profit (y)</b>	<b>X=t-3</b>	<b>X<sup>2</sup></b>	<b>XY</b>	<b>Yc = a+bx</b>
2063/64	1	501,398,852	-2	4	-1002797704	524327525.8
2064/65	2	696,731,516	-1	1	-696731516	716297768.8
2065/66	3	900,619,072	0	0	0	908268011.8
2066/67	4	1,265,949,588	1	1	1265949588	1100238255
2067/68	5	1,176,641,031	2	4	2353282062	1292208498
<b>Total</b>		<b>4,541,340,059</b>		<b>10</b>	<b>1919702430</b>	

$$a = \frac{\sum y}{N}$$

$$= \frac{4,541,340,059}{5}$$

$$= 908268011.8$$



$$b = \frac{\sum XY}{\sum x^2}$$

$$= 1919702430/10$$

$$= 191970243$$

Projected trend value of next five year

Fiscal year (t)		X = t-3	Yc = a+bx
2068/69	6	3	1484178741
2069/70	7	4	1676148984
2070/71	8	5	1868119227
2071/72	9	6	2060089470
2072/73	10	7	2252059713

### Trend value of Net Profit of NABIL

(In Rs)

Fiscal year (t)		Net profit (y)	X=t-3	X <sup>2</sup>	XY	Yc = a+bx
2063/64	1	673959698	-2	4	-1347919396	641624699
2064/65	2	746468394	-1	1	-746468394	813644956.9
2065/66	3	1,031,053,098	0	0	0	985665214.8
2066/67	4	1,139,099,399	1	1	1139099399	1157685473
2067/68	5	1,337,745,485	2	4	2675490970	1329705731
Total		4928326074		10	1720202579	

$$a = \frac{\sum y}{N}$$

$$= 4928326074/5$$

$$= 985665214.8$$

$$b = \frac{\sum XY}{\sum x^2}$$

$$= 1720202579/10$$

$$= 172020257.9$$

Projected trend value of next five year

Fiscal year (t)		X = t-3	Yc= a+bx
2068/69	6	3	1501725989
2069/70	7	4	1673746246
2070/71	8	5	1845766504
2071/72	9	6	2017786762
2072/73	10	7	2189807020

(In Rs)

Fiscal Year	Trend value	
	NIBL	NABIL
2063/64	7187812414	8892129606
2064/65	7007994435	10095633874
2065/66	7367630392	11299138141
2066/67	7727266350	12502642408

2067/068	8086902308	13706146675
2068/069	8446538265	14909650943
2069/070	8806174223	16113155210
2070/071	9165810180	17316659477
2071/072	9525446138	18520163745
2072/073	9885082096	19723668012