

CHAPTER I

INTRODUCTION

1.1 Background of the Study

Banks are the monetary units of national economy. They work as facilitator for achieving sustained economic growth through providing effect monetary intermediation. They provide financial resources from surplus sector to deficit sector. A financial system promotes investment by financing productive business opportunities, mobilizing savings, efficiently allocating resources and makes trade of goods and services easy.

Banking renders service to the people in financial matters, and its magnitude of action is extending day by day. It is a major financial institutional system in Nepal. The performance evaluation of bank is important for all parties including depositors, investors, managers and regulators Jha & Hui., (2012).

Banks help to the growth of agriculture, trade, commerce and industry of the national economy. They are inevitable for the resources mobilization and economic development of the country. Banking industries are regarded as one component of economy. They transfer the scattered funds collected from saving of the public into various productive sectors. Economic activities remain halt in absence of banking industries. It helps to enhance economic activities of the country by providing capital funds for the smooth operation of business activities. If one bank fails to repay the deposited amount to the public then the public do not believe the bank and it leads to insolvency of the banks. So as the regulator and supervisor NRB always dictate the activities of the banks in the country. It provides its directives from time to time in order to have fair competition between the banks and to safeguards the deposits of the public. As number of banks in the country increases NRB has to be more active towards its regulative and supervising role. For healthy competitions of the banks, NRB planned to merge two banks and they have to make their capital 8,000,000,000.

A strong financial system promotes investment by financing productive business opportunities, mobilizing savings, efficiently allocating resources and makes easy the

trade of goods and services. Several studies have reported that the efficacy of a financial system to reduce information and transaction costs plays an important role in determining the rate of savings, investment decisions, technological innovations and supporting the rate of economic growth. Banking has become an important feature, which renders service to the people in financial matters, and its magnitude of action is extending day by day. Performance evaluation of a company is usually related to how well a company can use its assets, shareholders equity and liability, revenue and expenses. A competitive banking system promotes the efficiency and therefore important for growth, but market power is necessary for stability in the banking system. Commercial bank holds a large share of economic activities of a country. The function of the commercial banks has been enhanced in Nepal to sustain the increasing need of the service sector and the economy in general.

Comparative financial analysis is the process of analyzing the data found in a financial report in comparison with similar data from other reports. This allows whoever is doing the analysis to get some context which makes the raw numbers more meaningful. An individual can do comparative financial analysis by studying several reports of the same company from different time periods in an effort to spot trends. Another way to practice this type of analysis is to compare the reports of different companies that compete with each other in the same industry. When doing comparative financial analysis within one industry, the choice of which set of numbers to use as the basis for comparison is an important one. One way to do this, again using financial ratios, is to get the industry averages for these ratios and use these numbers as way to judge one company within the industry. Since averages may be difficult to locate and cumbersome to calculate, comparative analysis can be achieved using ratios from a single, financially strong company as an industry benchmark, against which all other companies' ratios may be compared. Financial analysis is the process of evaluating businesses, projects, budgets and other finance-related entities to determine their suitability for investment. Typically, financial analysis is used to analyze whether an entity is stable, solvent, liquid, or profitable enough to be invested in. When looking at a specific company, the financial analyst will often focus on the Income statement, balance sheet, and cash flow statement. In

addition, one key area of financial analysis involves extrapolating the company's past performance into an estimate of the company's future performance. It is used by a variety of stakeholders, such as credit and equity investors, the government, the public, and decision-makers within the organization. These stakeholders have different interests and apply a variety of different techniques to meet their needs. For example, equity investors are interested in the long-term earnings power of the organization and perhaps the sustainability and growth of dividend payments. Creditors want to ensure the interest and principal is paid on the organizations debt securities (e.g., bonds) when due.

Common methods of financial statement analysis include fundamental analysis, DuPont analysis, horizontal and vertical analysis and the use of financial ratios. Historical information combined with a series of assumptions and adjustments to the financial information may be used to project future performance.

Financial analysts often assess the following elements of a firm:

1. Profitability - its ability to earn income and sustain growth in both the short- and long-term. A company's degree of profitability is usually based on the income statement, which reports on the company's results of operations;
2. Solvency - its ability to pay its obligation to creditors and other third parties in the long-term.
3. Liquidity - its ability to maintain positive cash flow, while satisfying immediate obligations.
4. Stability - the firm's ability to remain in business in the long run, without having to sustain significant losses in the conduct of its business. Assessing a company's stability requires the use of the income statement and the balance sheet, as well as other financial and non-financial indicators. Etc.

Commercial banks collect deposits from the public and the largest portion of deposited money is utilized in disbursing loan and advances. Loans and advances constitute a major portion of the assets and deposits constitute a major portion of the liabilities of balance sheet of commercial banks. Similarly earning of the banks

depends upon the spread that it enjoys between the interest it receives from the borrowers and that to be paid to the borrowers. An average, bank generates sixty to seventy percent of its revenue through its lending activities. The return that the bank enjoys of deposit mobilization through loan and advances is very attractive but they do not come free of cost and free of risk. There is risk inherent in lending portfolio. Banking sector is exposed to number of risk like, interest rate risk, liquidity risk, credit risk or default risk, borrowers risk, security risk, earning risk etc. Such risk are excessive had led many banks to go bankrupt in a number of countries. Performing loans have multiple benefits to the society while non-performing loan erodes even existing capital.

1.2 Statement of the Problem

Emphasizing the role of commercial banks, various financial institutions have been established to assist the process of economic development of Nepal. The major problem in almost all underdeveloped countries and Nepal is no exception, is that of capital formulation and proper utilization. To avoid problems and thereby contribute to the national economy, various commercial banks have played vital role by accepting deposits and providing various types of loan. Loan affects overall development of the country. The development of the country directly related to the volume of loan, which is also obtained from commercial banks. The problem of lending has become very serious for developing country like Nepal. This is due to lack of sound policy of commercial banks.

Commercial banks are found to be making loan only in short term basis against movable merchandise. There is hesitation to investment on long term project as they are much more safety, they do not consider the profit potential of the project. There is raised criticism that commercial bank have served only richer communities and not the poor. This has directly had negative impact in economic growth. Nowadays commercial bank does not seem to be capable to invest their funds in more profitable sector i.e. treasury bills, development bonds and other securities. They keep high liquidity and flow lower funds to the productive sectors, this result in lower profitability to commercial banks and ignorance to the national economies growth

process. This is the main reason of crisis in the commercial banks and in the whole national economy as well.

In order to help realize the goal of the poverty alleviation, access to increased flow of credit and investment in the economic activities of direct benefit to the maximum number of low income people through micro and medium size loan needs serious attention in the days to come. It is also necessary to identify the activities that ensure quick return of the investment.

The mushrooming of banking and finance companies and about a dozens of rural banks and co-operative societies in short span of time has brewed new comparative scenario, and has posed a challenge to the previously monopolistic bank like Nabil bank and EBL which are making attractive profits. In the changed scenario these banks need to explore their strength and weakness to improve their performance because their successes depend upon their ability to boost their productivity and financial performance.

These following specific problems have been identified in details:

1. How far have Nabil Bank Limited and Everest Bank Limited been able to manage their assets?
2. How efficiently these banks are managing their liquidity?
3. At what extents the banks are able to raise and maintain their profitability?

1.3 Objective of the Study

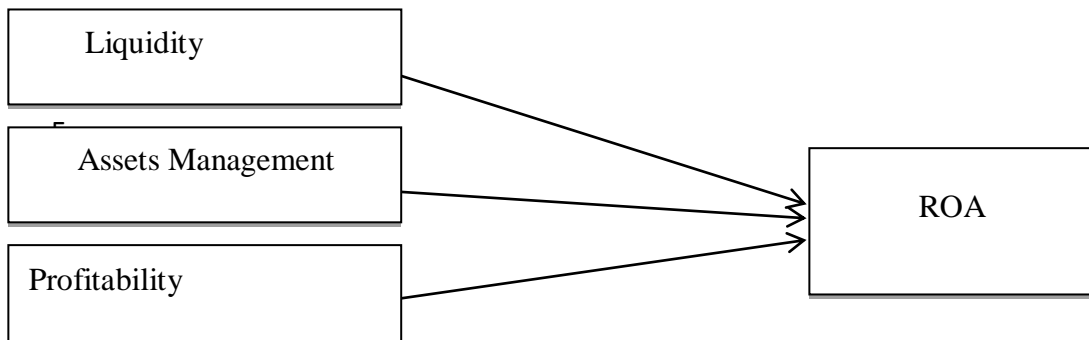
The objective of study is to examine the financial position of Nabil Bank and EBL. More specially the objective is to analyze and evaluate the financial stability of Nabil Bank and EBL and to suggest improving their financial efficiency. The main objective of the study is to analyze the comparative financial performance of two commercial banks Nabil Bank and EBL. Those specific objectives of the study are as follows:

1. To analyze the assets management of Nabil Bank Limited and EBL.
2. To examine the liquidity position of Nabil Bank Limited and EBL.

3. To analyze the profitability of Nabil Bank Limited and EBL.

1.4 Conceptual Framework

In this section a simplified conceptual framework that postulates the relationship between financial performance and its determinants. The evaluation of a firm's performance usually employs the financial ratio method, because it provides a simple description about the firm's financial performance in comparison with periods and helps to improve its performance of management. The researcher used the ROA as dependent variable which shows the profitability of the performance. And liquidity, Asset management and Profitability are used as the independent variable and these are also used as determinants variables for the study.



1.5 Significance of the Study

The banking sector is one of the major sectors of the country. It helps to emerge new business in industries by providing different facilities to businessmen so that they can run their business smoothly. This study helps to analyze the financial performance of joint venture bank like Nabil Bank and EBL. So, it will be useful for:

1. Management of two banks: The study helps the management to ascertain their position and competitive analysis.
2. Lenders and borrowers of these banks: Both lenders and buyers could get relevant information from the study which helps in decision making to choose the appropriate company.

3. Policy maker of these banks: It is beneficial to policy makers as they could make policies in accordance with the performance, situation and figures of the banks and their financial indicators.
4. Concerned parties and general interested parties of the banks: Various concerned parties like investors can take their decision such as where to invest through competitive analysis of performance of both the banks.
5. Customers of these banks: This study helps the customer to analyze the bank they are banking with in terms of benefits, security and services.

1.6 Limitations of the Study

The following are the limitations of the present study

1. This study has been carried out based on the published financial documents such as balance sheets, profit and loss accounts, related journals, magazines and books. These published documents have their own limitations.
2. The study has been based on the secondary data only.
3. The study has been focused on the financial performance of Nabil Bank and EBL with the help of financial tools but could not cover all the financial tools to measure financial performance and the study deals with certain financial tools only such as ratio analysis and statistical tools.
4. It covers the financial performance of Nabil Bank and EBL for the periods from 2013 to 2017 only. Therefore, it cannot be presented as the overall performance of the bank.
5. No comparison has been made with other commercial banks.
6. The conclusion drawn up from this study may or may not be applicable to other commercial banks in Nepal.
7. Limited resources and time at the disposal of the researcher did not allow a much more wide analysis of the subjective in question.

1.7 Chapter Plan of the Study

The study will be divided to five chapters as follows:

Chapter -I Introduction

This chapter includes Background of the study, Statement of the problem, Objectives of the study, Significance of the study, Limitations of the study and chapter plan of the study.

Chapter -II Review of literature

This chapter deals with the reviews existing literature on financial performance and reviews of earlier studies. It also helps to analyze research gap of the study.

Chapter -III Methodology

This chapter is concerned with research methodology to carry out this research. It has included the research design, sources and type of data, population and samples, methods and techniques of data analysis.

Chapter -IV Results

This chapter deals with systematic presentation and analysis of data by using various financial and statistical tools. It also helps to find out research outcomes.

Chapter -V Conclusions

This chapter summarize the main conclusion that flow from the study and offers necessary recommendations for future improvements of financial performance of Nabil Bank and EBL. At the end of the study, reference has also been incorporated.

CHAPTER II

REVIEW OF LITERATURE

This chapter contains the review of different sources of literature such as books, journal, research paper and other studies related to a comparative financial performance analysis of Nabil bank limited and Everest bank limited. It has been expected that the reviews will help to identify the research gap. The chapter has been divided mainly into two parts one is theoretical framework and other is preview studies in relevant field. The review of literature arranged in following:

2.1 Conceptual Review

2.1.1 Brief Profile of Sample Banks

2.1.1.1 Nabil Bank Limited

Nabil Bank Limited, the first foreign joint venture bank of Nepal, started operations 25 year ago, in July 1984. NABIL was incorporated with the objective of extending international standard modern banking services to various sectors of the society. Pursuing its objective, Nabil Bank provides a full range of commercial banking services through its 19 points of representation across the kingdom and over 170 reputed correspondent banks across the globe. The bank is providing customer friendly services through its wide Network through ABBS system, which enables customers to do all their transactions from any branches other than where they have their account. The Bank has 52 Branches, 100 ATM and numerous POS terminals, remittance agents spread across the nation and over 170 international correspondent banking relationship.

The bank has focused in improvement of information technology, venturing into new areas of banking activities and also laid greater stress in improving the quality of manpower. The bank has also emphasized to remain competitive in fast changing environment and adopt new marketing policies.

Share Holding Pattern of Nabil Bank

1. National Bank International Ltd.	50%
2. Other Entities	9.67%
3. RastriyaBeemaSansthan	10.33%
4. General Public	30.00%

(Source:- www.nabilbank.com)

2.1.1.2 Everest Bank Limited (EBL)

Everest Bank Limited (EBL) started its operation in 1994 with a view and objective of extending professionalized and efficient banking services to various segments of the society. The bank is providing customer friendly services through its wide Network through ABBS system, which enables customers to do all their transactions from any branches other than where they have their account. The Bank has 86 Branches, 115 ATM counters, 3 extension counters and 28 revenue collection across the country it

very efficient and accessible bank for its customer, anytime, anywhere. Creating more than 7.5 lacks its customers. EBL joined hands with Punjab National Bank (PNB), India as its joint venture partner (holding 20% equity) in 1997. PNB is the largest Public Sector Bank of India established in 1894 having 121 years of banking history either more than 7000 branches and 8500 ATMs spread all across the India and is known for its strong systems and procedures and a distinct work culture. Drawing strength from its joint venture partner, EBL has been steadily growing in its size and operations ever since its inception and today it has established itself as a leading Private sector bank of the Nation, reckoned as one of the faster growing Commercial Bank of the Country. The shareholding structure of EBL is as follows.

Share Holding Pattern of Nabil Bank

1. Punjab National Bank holding	20.05%
2. General Public holding	68.76%
3. Promoters holding	11.19%

(Source:- www.everestbank.com)

2.1.2 Liquidity

Liquidity position of commercial banks is normally monitored and measured by liquidity ratio Rychtarik, (2009) The significant items that was diagnosed includes the liquidity position measures such as total deposit to core funding position, liquid assets to demand liabilities and gross loans to demand liabilities. This study will examine a set of commercial banks providing services to the same economy and operating in the same environment. Moreover this study will be interested in establishing differences, if any, in relative degrees of liquidity position of these commercial banks. The ratio of total deposit to total Funding, liquid assets to demand liabilities and gross loans to total deposit were used as the measurement criteria.

2.1.3 Profitability

There is general agreement that bank profitability is a function of internal and external factors. Koch, (1995) Observed that the performance differences between banks indicate differences in management philosophy as well as differences in the market

served. Profitability is a function of internal factors that are principally influenced by a bank's management decisions and policy objectives such as the level of liquidity, provisioning policy, capital adequacy, expense management and bank size, and the external factors related to industrial structural factors such as ownership, market concentration and stock market development and other macroeconomic factors Athanasoglou, Brissimis, & Delis, (2006). To identify the relevant factors influencing commercial bank profitability in Liberia, this research will be concentrated on bank- specific factors based on the CAMEL framework and market structural factors; ownership and market concentration. CAMEL is a widely used framework for evaluating bank performance. The Central Bank of Liberia also uses the same to evaluate the performance of commercial banks in Liberia.

2.1.4 Asset Management

According to Investopedia Asset management is the direction of a client's cash and securities by a financial services company, usually an investment bank. The institution offers investment services along with a wide range of traditional and alternative product offerings that might not be available to the average investor. The account is held by a financial institution and includes checking writing privileges, credit cards, debit cards, margin loans, the automatic sweep of cash balances into a money market fund and brokerage services. Asset management requires investment minimums, which means this service generally restrict accounts to high net-worth individuals, government entities, corporations and financial intermediaries. This includes such products as equity, fixed income, real estate, commodities and international investments.

When individuals deposit money into the account, it is placed into a money market fund that offers a greater return that can be found in regular savings and checking accounts. Account holders can choose between Federal Deposit Insurance company backed- (FDIC) funds and non-FDIC funds. The added benefit to account holders is all of their banking and investing needs can be serviced by the same institution rather than having separate brokerage account and banking options.

2.1.5 Financial Statement Analysis

Financial statement analysis is helpful to the decision maker for finding out favorable or unfavorable situation of a business concern. Therefore, financial analysis reflects the financial position of a firm, which is the process of determining the operational and financial characteristics of a firm. Different types of financial statement analysis can be used based on our objectives. Myer, (1969) Said that “Financial statement analysis is largely a study of relationship among the various financial factors in a business as disclosed by the single set of statement and study of the trend of these factors as shown in a series of statement”

It is the process of determining the significant operating and financial statements. The goal of such analysis is to determine the efficiency and performance of the firm’s management, as reflected in the financial records and reports.

2.1.6 Significance of Financial Analysis

Significance of analysis lies on the objectives of financial analysis of any firm. Different groups associated with the concern perceive the facts discovered by the analysis differently. The facts and the relationships concerning managerial performance, corporate efficiency, financial strengths and weaknesses and credit worthiness are interpreted based on objective in the hand. Such an analysis leads management of an enterprise to take crucial decisions regarding operative policies, investment value of the firm, inter-financial control system and bargaining strategy for funds from external sources. The parties that are benefited by the results or conclusion drawn from the analysis of financial performance can be enumerated as: -

1. Top management
2. Creditors
3. Shareholders
4. Economist
5. Labor union

2.1.7 Objectives of Financial Analysis

Financial analysis enables us to explore various facts related to the past performance of business and predict about the potential for achieving expected results. Major

objectives of analysis of financial statement are to assess various factors in relation to the business firm, which are as follows:

1. The present and future earning capacity or profitability of the concern.
2. The operational efficiency of the concern and of its various parts or department.
3. The short term and long-term solvency of the concern
4. The possibility of developments in the future making future forecasts and preparing budgets
5. The comparative stud regarding to one firm with another firm.
6. The financial stability of business concern.
7. The long-term liquidity of its funds.
8. The real meaning and significance of financial data.

2.1.8 Financial Performance Analysis of Bank

The users of financial statements of bank require relevant, reliable and comparative information to evaluate the financial performance and position and hence make economic decision regarding the bank.

Traditionally, banks act as financial intermediaries to channel funds from surplus units to deficit units. Unlike other non-banking financial companies, commercial banks do not produce any physical goods. They produce loans and financial innovations to facilitate trade transactions. Because of special role they play in the economy, concerned authorities heavily regulate them. Analysis of banks financial statement is different from threat of other companies due to the special nature of assets and liabilities.

Balance sheet, profit and loss account and the accompanying notes are the most widely aspects of financial statements of the bank. The bank's B/S includes financial claims as liabilities in the form of deposit and as assets in the form of loan. Fixed assets appear in small portion out of the total assets. Financial innovations, which are generally contingent in nature, are considered as off-balance sheet item. Interest received on loans, advances, and investment and paid on deposit liabilities re major components of profit and loss account. The other sources of income are fee,

commission and discounts, foreign exchange income, dividend on investment, other service charge etc.

Following factors affect the evaluation of bank's overall performance.

1. The structure of B/S and P/L account.
2. Operating efficiency and internal management system.
3. Managerial decision taken by the top management regarding interest rate lending policy, exchange rates etc.
4. Environment changes such as changes in technology, government, competition and economy etc.

2.2 Theories of Liquidity Management

The theories of liquidity management are outlined and explained in this section.

2.2.1 Anticipated Income Theory

This theory holds that a bank's liquidity can be managed through the proper phasing and structuring of the loan commitments made by a bank to the customers. Here the liquidity can be planned if the scheduled loan payments by a customer are based on the future of the borrower. The doctrine of anticipated income, as formalized by Herbert, (1949), embodied these ideas and equated intrinsic soundness of term loans, which were of growing importance, with appropriate repayment schedules adapted to the anticipated income or cash flow of the borrower. The credit demands of business were well accommodated under this system of banking policy, and the use of loan commitments was freely pursued. Changing economic conditions, however, placed extra demands on the banking system that resulted in a new approach to balance sheet management, and businesses faced new financial challenges. Under this emerging state of affairs, bank loan commitment policies would come to play a more important part in the credit process. This theory has encouraged many commercial banks to adopt a ladder effects in investment portfolio.

2.2.2 Shiftability Theory

This theory posits that a bank's liquidity is maintained if it holds assets that could be shifted or sold to other lenders or investors for cash. This point of view contends that a bank's liquidity could be enhanced if it always has assets to sell and provided the Central Bank and the discount Market stands ready to purchase the asset offered for discount. Thus this theory recognizes and contends that shiftability, marketability or transferability of a bank's assets is a basis for ensuring liquidity. This theory further contends that highly marketable security held by a bank is an excellent source of liquidity. This theory of liquidity replaced the commercial loan theory and was supplemented by the doctrine of anticipated income. Formally developed by Moulton,(1915), the shiftability theory held that banks could most effectively protect themselves against massive deposit withdrawals by holding, as a form of liquidity reserve, credit instruments for which there existed a ready secondary market. Included in this liquidity reserve were commercial paper, prime bankers' acceptances and, most importantly as it turned out, Treasury bills. Under normal conditions all these instruments met the tests of marketability and, because of their short terms to maturity, capital certainty.

2.2.3 Commercial Loan Theory

This theory has been subjected to various criticisms by Dodds, (1982) and Nwankwo, (1992) from the various points of view, the major limitation is that the theory is inconsistent with the demands of economic development especially for developing countries since it excludes long term loans which are the engine of growth. The theory also emphasizes the maturity structure of bank assets (loan and investments) and not necessarily the marketability or the shiftability of the assets.

Adam Smith provided the first systematic exposition of the doctrine in his *Wealth of Nations* (1776). Basically, it is a theory of asset management that emphasized liquidity; the doctrine held that banks should restrict their earning assets to "real" bills of exchange and short-term, self-liquidating advances for commercial purposes. In this way, it was argued; individual banking institutions could maintain the liquidity necessary to meet the requirements of deposit withdrawals on demand. Under a somewhat modified character this basic doctrine came to be known in the U. S. as the

commercial loan theory of credit. The commercial loan theory of credit became obsolete both because of its conceptual flaws and its impracticality.

A critical underlying assumption of the theory held that short-term commercial loans were desirable because they would be repaid with income resulting from the commercial transaction financed by the loan. It was realized that this assumption would certainly not hold during a general financial crisis even if bank loan portfolios did conform to theoretical standards, for in most commercial transactions the purchaser of goods sold by the original borrower had to depend to a significant extent on bank credit. Without continued general credit availability, therefore, even short-term loans backing transactions involving real goods would turn illiquid. Rigid adherence to the orthodox doctrine was, furthermore, a practical impossibility if banks were to play a role in the nation's economic development Casu, Girardone, & Malyneux, (2006). Moreover, the practice of continually renewing short-term notes for the purpose of supporting long-term capital projects proved unacceptable. The failure or inability of banks to tailor loan arrangements to the specific conditions encountered with longer-term uses in fact contributed to the demise of the practice.

2.3 Empirical Review

2.3.1 Review of Journal Articles

The trend of commercial banking is changing rapidly. Competition is getting stiffer and therefore, banks need to enhance their competitiveness and efficiency improving performance. Normally, the financial performance of commercial banks and other financial institutions has been measured using a combination of financial ratio analysis, benchmarking, measuring performance against budget or a mix of these methodologies Avkiran, (1995)

Helfert, (1996) studied that it is both an analytical and judgmental process that helps answer questions that have been posed. Therefore, it is means to end. Apart from the specific analytical answer, the solutions to financial problem and issues depend significantly on the views of the parties involved in the related importance of the issue and on the nature and reliability of the information available.

Pandey,(2000) conducted a study on “A study of financial analysis on HBL” to ascertain, analyze and evaluate the financial position of HBL for the period of 1994/95 to 1998/99. In the study, it is tried to examine the growth of the sampled bank. In this study it is concluded that overall liquidity and capital structure position of the bank is not satisfactory. Overall profitability condition was highly appreciable profit generating capability through loans and advances appeared satisfactory. Trend of deposit collection showed that the bank was in a higher risk with respect to saving deposits as against the fixed deposits.

Shrestha, (2002) in his analysis “Lending operation of commercial banks of Nepal and its impact on GDP” has presented with the objectives to make an analysis of contribution of commercial banks’ lending to the gross domestic product (GDP) of Nepal. It has set hypothesis that there has been positive impact of lending of commercial banks to the GDP. In research methodology, it has considered GDP as the dependent variable and various sectors of lending viz. agriculture industrial, commercial, service and general and social sectors as independent variables. A multiple regression technique has been applied to analyze the contribution. The multiple analyses have shown that all the variables except service sector lending have positive impact on GDP. Thus, in conclusion it has accepted the hypothesis i.e. there has been positive impact on GDP by the lending of commercial banks in various sector of economy, except service sector investment.

Pyakuryal, (2002) examine on “Workshop on Banking and National Development” the present changing context of the economy calls, for a substantial revitalization of the resources. How much they have gained over the years depends chiefly on how far they have been able to utilize their resources in an efficient manner therefore, the task of utilization of resources is as much crucial as the mobilization. The underutilization of resources not only results in loss of income but also goes further to discourage the collection of deposits.

Bajracharya & Bhattarai, (2004) effective planning and control are to enhancing enterprise value. Financial plans may take many forms. But any good plan must be related to the firm’s existing strengths and weaknesses. The strengths must be

understood if they are to be used to proper advantage, and the weaknesses must be recognized if corrective action is to be taken. For example, are inventories adequate to support the projected level of sales? Does the firm have too heavy an investment in accounts receivable, and does this condition reflect a tax collection policy? For efficient operation, does the firm have too much or too little invested in plant and equipment? The financial manager can plan future financial requirements in accordance with the forecasting and budgeting procedures, but the plan must begin with the type of financial analysis

Ho & Zhu, (2004) have reported that the evaluation of a company's performance has been focusing the operational effectiveness and efficiency, which might influence the company's survival directly. The empirical results of the researches Alam, Raza, & Akram, (2011) explained that a company, which has better efficiency, it does not mean that always it will show the better effectiveness. Alam, Raza, & Akram, (2011) Study concludes that ranking of banks differ as the financial ratio changes.

Gopinatham, (2009) has presented that the financial ratios analysis can spot better investment options for investors as the ratio analysis measures various aspects of the performance and analyzes fundamentals of a company or an institution.

Bakar & Tahir, (2009) in their paper used multiple linear regression technique and simulated neural network techniques for predicating bank performance. ROA was used as dependent variable of bank performance and seven variables including liquidity, credit risk, cost to income ratio, size and concentration ratio, were used as independent variables.

Kumbirai & Webb, (2010) investigated the performance of South Africa's commercial banking sector for the period 2005-2009. Financial ratios are employed to measure the profitability, Liquidity and credit quality performance of five large South African based commercial banks. The study found that overall bank performance increased considerably in the first two years of the analysis. A significant change in trend is noticed at the onset of the global financial crisis in 2007, reaching its peak during

2008-2009. This resulted in falling profitability, low liquidity and deteriorating credit quality in the South African Banking sector

Jha & Hui, (2012) compared the financial performance of different structured banks in Nepal using camel framework. The study covers the years 2005-2010 to assess the financial performance of eighteen commercial banks in Nepal. The analysis was based mainly on the descriptive financial analysis to describe measure, compare and classify the financial situations. The authors then used multivariate regression model to test the significance of the variables used. They found that the return on assets of public sectors banks were higher than those of joint ventures and private banks. Moreover, the values determined for the financial ratios revealed that joint venture and private banks were also not so strong in Nepal to manage the possible large scale stock to their balance sheet.

2.3.2 Review of Theses

Gurung,(1995) in this study entitled “A Financial study of Joint Venture Banks in Nepal: A comparative study of NGBL and NABIL” analyze assets, liabilities, debt and equity, profit and loss etc. for the period of 1986/87 to 1992/93. In the study it is found that profitability records of both the banks have registered an increasing trend during the first half of the study period and have decrease thereafter. It is found that the liquidity, profitability and dividend payout ratio of both the banks seems too favorable and both the banks have been able to manage satisfactory level of capital adequacy ratio in the subsequent years, which is above the required adequacy norm.

It is recommended that both the banks are required to maintain improved capital structure by increasing equity base i.e. issuing more capital, expanding general reserve and retaining more earning and wide range of fluctuation the cash/ bank to deposit ratio of the bank should be stabilized after proper diagnosis of the root cause. The study suggested further that both banks should try hard to earn operational profit by increasing their operational efficiencies, mobilizing resources more efficiently or by minimizing operating expenses as far as possible or the both, it focused mainly on Return on deposit of NGBL and NABIL in the study.

Shrestha, (2010) compared the financial performance of joint venture commercial banks. The study entitled "financial performance of commercial banks in Nepal" was done in 2010. This study compares the financial performance of EBL, HBL and NSBI banks with data of 2004/05 to 2008/2009. It adopted the comparative research approach for achieving its objectives to evaluate the financial performance of commercial banks in Nepal. Liquidity ratio, leverage ratio, activity ratio, performance ratio, credit ratios are used as the indicators of financial performance of banks in Nepal. The study shows that the current ratio of all sample banks i.e. EBL, HBL and Nepal SBI is less than 1 but EBL has the highest current ratio. It means EBL's solvency position is better than HBL and Nepal SBI. The cash and bank balance of EBL with respect to total deposit is more liquid than other sample banks. It indicates that EBL is able to make immediate payments to its depositor. It also shows that the Earnings per share of EBL is the highest than other selected joint venture banks. The highest dividend payout ratio of HBL refers that the bank provides the maximum amount of dividend to its shareholders. The study recommends that the management team of EBL should put emphasis on maximizing the wealth of the shareholders. It also recommended that banks should try to reduce the amount of high interest bearing deposits like fixed deposits, saving deposits and others.

Zergam, (2010) studied entitled 'Financial performance Analysis' was conducted on Bank of Abyssinia. Both the trend and comparative financial performance analysis approaches were used. Five years audited financial reports from 2005 to 2009 of the private commercial banks were taken for analysis purpose. So far, most researches have tried to assess the growth of private banks relative to state-owned bank in terms of asset ownership and loan granting ability. But this paper has tried to assess whether the private commercial banks are financially sound or not by specifically considering only the private commercial banks and by taking Bank of Abyssinia as a case study. The objective of the study is to evaluate the financial performance of Bank of Abyssinia by analyzing its past five years' performance trend and comparing the financial performance of the bank with other private commercial banks operating in Ethiopia (United Bank, Wegagen Bank and Nib International Bank). Financial ratios were considered to measure the credit quality, liquidity,

efficiency and profitability as well as sustainability (financial and operating) of the private commercial banks. In both the financial performance analysis approaches i.e., the trend and comparative analysis, Bank of Abyssinia's financial performance showed that weak performance has been reported continuously in all the financial ratios (Profitability, Liquidity, Risk and Solvency Efficiency and credit quality) taken for analyzing the financial performance.

France, (2012) investigated the determinants of commercial bank performance in Sub-Saharan Africa. Specifically the focus was on profitability and total factor productivity growth as key measures of bank performance. The analysis used an unbalanced panel of 216 commercial banks drawn from 42 countries in Sub-Saharan Africa for the period 1999 to 2006. Using the cost efficiency model, bank profitability was estimated using panel random effects method in static framework. The explanatory variables are growth in bank assets, growth in bank deposits, capital adequacy, operational efficiency (inefficiency), and liquidity ratio as well as the macroeconomic variables of growth in GDP and inflation. The findings clearly show that both bank-specific as well as macroeconomic factors explained the variation in commercial bank profitability over the study period. In estimating bank total factor productivity growth method, in static framework. In this specification, new variables were introduced as explanatory. These are growth in other bank earning assets, asset quality, profitability and real exchange growth and maintaining some few variables used in bank profitability measurement. Result also show that both bank-specific as well as macroeconomic factors had an influence on bank total factor productivity growth over the study period. These findings demonstrate the importance of both bank level as well as macroeconomic factors in explaining commercial bank performance in Sub-Saharan Africa. The policy implications drawn from this thesis are that if banks are to attain performance improvements, both bank level as well as macroeconomic factors is important.

Shakya,(2015)conducted a study entitled “Comparative analysis of financial performance of selected JVBs, a case study of NGBL and HBL” for the period from year 2010/11to 2014/15. the major finding drawn from the study are HBL is more efficient in case of liquidity as well as it is more levered than NGBL whereas HBL is

in better condition from the aspect of capital adequacy, activity and profitability ratios. Study showed positive correlation between loans and advances to total debt of both banks. According to the trend analysis, profit before tax of NGBL has been increasing at the higher rate than that of HBL.

Pathak,(2016) has followed the operational performance approach to study the post-merger effects of financial institutions which deals with the link between mergers and the productivity efficiency of the banks involved.They seek proper organizational identification from the new management which directly affects their turnover intentions. Baniya & Adhikari,(2017) Since the evidences from different economies on bank mergers suggest varying impact, this study adds to the existing literature on the effects of merger in the banking industry with evidence of Nepalese context revealing which performance dimension significantly improves, deteriorates or remain constant after the merger. It also helps to gain comparative view by linking the results of this study with results from other economies. Furthermore, the published literatures in the Nepalese economy consider only the operational profitability ratios as the variables to measure the post-merger performance and rather than making comparisons of individual financial institutions, pooled data is taken.

2.4 Research Gap

Large number of research is available bearing the same topic," A Comparative Financial Performance Analysis of Commercial Bank in Nepal". Previous research focused mainly on the portfolio investment of banking sector and only the financial performance of the bank but this study is based on a comparative financial performanceof joint venture bank of Nepal and affecting the financial performance of commercial banks in Nepal. And also whether variables like liquidity, asset management and profitability with financial performance is better or not in context of Nepal?It is composed of both parts of technical aspect and logical aspect of historical data. Research is systematic and organized efforts to investigate specific problem that needs a solution. This process of investigation involves a series of well throughout activities of gathering, recording, classifying and interpreting the data with the purpose of finding the answer to the problem. The present researcher tries to draw insights from them. However, the researcher fills the gap by covering the relevant

data and information. This study has taken five years latest data 2012/013 to 2016/017 which is relevant in present situation to analyze the financial performance which is lacked by previous research.

Also research can be done to analyze major issues that are faced by the various banks going for implementation of financial position in their management. Studies are required to be done throw light on the effect and the potential benefits of the financial performance, which will help to the banking take faster decision regarding profitability, working capital as well liquidity maintaining based investment management. Set of studies can be dedicated to study the impact of financial performance and utilization of funds on improving the overall competitiveness of banks.

CHAPTER III

RESEARCH METHODOLOGY

The basic objective of this study is to compare financial performance of Nabil Bank and EBL. This chapter studies how research to be conducted, how the research is made effective and what are the steps of research so that the study and goal of the related study can be easily achieve. Especially research refer sequential step's to be followed by researcher at the time of solving problem or studying the concerned subject matter in detail that include following steps.

1. Research design
2. Population and sample
3. Sources and types of data
4. Data procedure
5. Method of data analysis

3.1 Research Design

General objective of this research study is to examine and evaluate the financial performance of commercial banks especially that of Nabil Bank and EBL in order to

achieve the objective, descriptive research design has been followed. The study focuses on the examination of relationship between those variables that influence financial decision of the sampled banks.

Scientific method of classification, tabulation, analysis and comparison of data and it also use to estimate the relationship. For this, it requires information and data from the annual reports and the financial statements published by the related banks. They are collected for the F/Y 2012/13 to F/Y 2016/17 for the analytical purpose. Then the important information and data are selected for the study. Then data are arranged in useful manner after that, data are analyzed by using appropriate financial, descriptive and analytical tools. In analysis part, interpretation and comments are also made wherever necessary.

3.2 Population and Sample

The population for this study comprises 28 commercial banks currently operating in the country. The sample consists of two judgmentally selected banks- Nabil Bank Limited and Everest Bank Limited. These units represent 7.14% of the total population and are comparable to each other in various aspects. Convenience sampling method was used to select the sampled banks.

Table 3.1: Number of commercial banks selected for the study

S.No.	Name of Commercial Banks	Study Period
1.	Nabil Bank Limited	2012/13- 2016/17
2.	Everest Bank Limited (EBL)	2012/13 - 2016/17

3.3. Sources of Data

This study is based on secondary data which are gathered from 2 sampling commercial banks in Nepal for the period 2010/11 to 2016/17. These data are collected from annual report and website of respective commercial banks which is selected for study, Annual report of SEBON, Website of Nepal Stock Exchange Ltd, Nepal Rastra Bank and other official and unofficial publications.

3.4. Data Collection Procedure

The problem of the study lies on the issues related to the comparative strengths and

weaknesses of the banks. The study has been inducted to examine and evaluate the financial performance of the sample banks. This study is also intended to find the weaknesses and strengths so that appropriate suggestion can be provided to enhance the performance of the banks in coming days. For the purpose, various data are required. With the view of obtaining the data, secondary data are used such as the published books of different authors, unpublished thesis reports, journals articles, Internet web sites, AGM reports of commercial banks, bulletins published by NRB etc. are the major sources of data. To collect these secondary data, the researcher visits different campus library including online library, TU central library and website of NRB. Different web sites are also searched to collect necessary information for the study.

3.5 Method of Data Analysis

The data collected from different sources are recorded systematically as necessary. Only useful and related data are grouped as per need of the research work. Data are presented in appropriate forms of tables, graphs and charts. For analysis appropriate mathematical, financial as well as statistical tools are used. Some of them are:

3.5.1 Financial Ratio Analysis

Financial tools are those, which are used for the analysis and interpretation of financial data. These tools can be used to get the precise knowledge of a business, which in turn, are fruitful in exploring the strengths and weaknesses of the financial policies and strategies. For the sake of analysis, following various financial tools have been used in order to meet the purpose of the study. Lawrence J, (P-199), "A Ratio is simply a number expressed in terms of other number and it expressed the quantitative relation between any two Variables." Moreover, it is used as a technique to quantify the relationship between two sets of financial data taken from either profit and loss account or balance sheet. It provides information relation to strength and weaknesses of financial data in relation to others. However, the researcher has employed his utmost effort to use as many ratios as possible to reach the point of true financial position of the banks. These ratios include the following:

1. Liquidity Ratios
2. Profitability Ratios
3. Activity Ratios

3.5.1.1 Liquidity Ratios

Liquidity Ratio measures the firm's ability to fulfill its short-term commitments. These ratios focus on current assets and current liabilities and are used to ascertain the short-term solvency. A very high degree of liquidity of liquidity is also bad, idle cash earn nothing. So, it is necessary to a firm to maintain optimum level of liquidity. A bank is subject to a minimum cash reserve requirements (CRR) imposed by central bank to ensure minimum amount of total assets to meet unexpected withdrawals. The following ratio has been applied to find out liquidity position of the banks.

1. Current ratio
2. Cash and bank balance to current and saving deposits ratio
3. Cash and bank balance to Total Deposit ratio
4. Fixed deposit to total deposit ratio

3.5.1.1.1 Current Ratio

The current ratio is the ratio of total current assets to total current liabilities and measures the short-term solvency of a firm. It is calculated by dividing current assets by current liabilities.

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

Current assets include normally those assets of a firm, which are converted into cash within one year. These assets of a firm includes cash , bank balance, investment in treasury bills, discounts, overdrafts, short-term advance loans, foreign currency loan, bills for collection, customer acceptance, outstanding expenses, divided payable,

provision for taxation. Although there is no hard and fast rule for measuring this ratio, conventionally a CR ratio of 1:1 is the considered satisfactory in banking sector.

3.5.1.1.2 Cash and Bank Balance to Current and Saving Deposits Ratio (CBBCSDR)

This ratio is calculated by dividing cash and bank balance by current and saving deposits.

$$\text{Cash and Bank to Current and Saving Deposit} = \frac{\text{Cash and Bank Balance}}{\text{Current and Saving Deposit}} \times 100$$

Cash and bank balance includes cash in hand, foreign cash in hand, other cash items, balance with domestic bank and balance held in foreign banks. On the other hand current and saving deposits consist of all types of deposits excluding fixed deposits. This ratio measures the ability of bank to meet its immediate obligation. High ratio normally indicates sound liquidity position of the bank but too high ratio is not good as it reveals the under- utilization of fund.

3.5.1.1.3 Cash and Bank Balance to Total Deposit Ratio (Cash Reserve Ratio)

The cash reserve requirement in most of the developed and developing countries has been used extensively to control commercial banks credit. Especially in those countries, where capital market is not well developed, cash reserve requirement can be used not only to control. The commercial bank credit but also to influence the investment portfolio of the commercial banks.

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

3.5.1.1.4 Fixed Deposit to Total Deposit Ratio (FDTDR)

This ratio determined by dividing fixed deposits by total deposits.

$$\text{Fixed Deposit to Total Deposit Ratio} = \frac{\text{Fixed Deposit}}{\text{Total Deposit}} \times 100$$

It indicates the percentage between total deposits. High ratio shows better opportunity available to the bank to invest in sufficient profit generating long-term loans but low ratio indicates vice versa.

3.5.1.2 Assets Management Ratio

Now a day these relations are also known as assets investment management. Activity or turnover ratios employed to evaluate the efficiency with which the firm manages and utilized its assets. They indicate the speed with which assets are being converted or turned over. Thus, these ratios are used to measure the banks' ability to utilize their available resources. Various activity ratios are used to predict the effectiveness of asset utilization. Some selected ratios for this research can be illustrated as follows:

1. Loans and advances to total deposit ratio.
2. Loans and advances to fixed deposit ratio
3. Loans and advances to current and saving deposit ratio
4. Investment to total deposit ratio

3.5.1.2.1 Loan and Advances to Total Deposits ratio

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

$$\text{Loans and advances to total deposit} = \frac{\text{Loans and Advances}}{\text{Total Deposit}} \times 100$$

3.5.1.2.2 Loans and Advances to Fixed Deposit Ratio

This ratio measures how many times the amount is used in loan and advances in comparison to fixed deposits. Fixed deposits are high interest-bearing obligation whereas loan and advances are the major source of investment to generate income for

the commercial banks. This ratio is calculated by dividing the amount of loans and advances by fixed deposits that is given below:

$$\text{Loans and advances to fixed deposit} = \frac{\text{Loans and Advances}}{\text{Fixed Deposit}} \times 100$$

3.5.1.2.3 Loan and Advance to Current and Saving Deposit Ratio:

This ratio measures how many times the second-high interest bearing deposit is utilized for income generating purpose. This ratio can be calculated by dividing the amount of loans and advances by the amount of current and saving deposits. The ratio is calculated as follows:

$$\text{Loans and advances to saving deposit} = \frac{\text{Loans and Advances}}{\text{Current Saving Deposit}} \times 100$$

Here, loan and advances refer to total of loan, advances and overdraft (i.e. in local current plus convertible foreign currency) and total deposits refer to total of all kinds of deposits.

3.5.1.2.4 Investment to Total Deposit Ratio

This ratio is derived by dividing investment by the amount of total deposit in the bank.

$$\text{Investment to total deposit ratio} = \frac{\text{Investment}}{\text{Total Deposit}} \times 100$$

Investment comprised investment in Nepal Government Treasury bill, development bond, company shares and other type of investment. The ratio shows the efficiency of mobilization of the major resources of the bank. High ratio indicates managerial efficiency regarding the utilization of deposits, when low ratio is the result of less efficiency in use of funds.

3.5.1.3 Profitability Ratios

Profitability ratio is one of the main indicators to analyzing the financial performance of a firm. It calculates to measure the earning performance and operational efficiency of the bank. A bank should be able to produce adequate profit on each rupee of investment, if investments do not generate sufficient profits, it would be very difficult for the bank to cover operating expenses and interest charges. The profitability of the bank should also be evaluated in term of its investment in assets and in term of capital contributed by creditors. If the bank is unable to earn satisfactory return of investment, its survival is threatened.

Under this category the researcher has calculated the following ratios to obtain the stated objectives of the study.

1. Return on total assets ratio
2. Return on equity ratio
3. Net Profit to total deposit
4. Interest earned to total assets ratio

3.5.1.3.1 Return on Total Assets Ratio (ROA)

This ratio is a useful measurement of the profitability of all financial resources invested in the bank's assets. This ratio provides the foundation necessary for company to deliver a need of return on equity. Higher return on assets (ROA) ratio indicates higher efficiency in the utilization of total assets and vice-versa. The return on assets (ROA) or profit to assets ratio is calculated by dividing the amount of net profit by the amount of total assets.

$$\text{Net Profit to Total Assets} = \frac{\text{Net profit}}{\text{Total Assets}} \times 100\%$$

3.5.1.3.2 Return on Equity Ratio (ROE)

Net worth or shareholders equity refers to the owners claim on the assets of the bank. It can be found by deducting total assets (excluding intangible assets and accumulated losses). This ratio measures the profit earned by the commercial banks by utilizing owners' equity and there by generating return to satisfy the owners.

Higher the ratio indicates sound management and efficiency and wealth maximization of the banks, which in turn is the wealth maximization of the banks. It is calculated by dividing net profit after tax by net worth, which is as follows:

$$\text{Net Profit to Net Equity} = \frac{\text{Net Profit}}{\text{Net Equity}} \times 100$$

Here, NPAT refers to net profit after tax from profit and loss a/c and net worth refers to paid up capital, reserve and surplus and undistributed profit.

3.5.1.3.3 Net Profit to Total Deposit Ratio

The collected deposits are mobilized in investment and loans to get profit. This ratio indicated the percentage of profit earned by using the total deposit. This ratio is mirror for bank's overall financial performance as well; as its success in profit generation, the reason being that the deposits made by its customer's is the major source of earning of the commercial banks as the earning is made by the efficient and effective utilization of these deposits. It is calculated by dividing the amount of net profit by the amount of total deposits, which is presented below.

$$\text{Net Profit to total deposit} = \frac{\text{Net Profit}}{\text{Total Deposit}} \times 100$$

Here, net profit calculated from profit and loss a/c and total deposit refers to all kinds of deposits, i.e. (current, saving, fixed, other, margin and call at short notice).

3.5.1.3.4 Interest Earned to Total Assets

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

$$\text{Interest Earned to total asset ratio} = \frac{\text{Interest Earned}}{\text{Total Assets}} \times 100$$

3.5.2. Statistical Tools

Various statistical tools can be used in research to draw the reliable conclusion according to the financial data available to the researcher. For this purpose, the researcher in this study uses following statistical tools.

3.5.2.1. Arithmetic Mean (\bar{X})

Arithmetic Mean or Simply a 'mean' of a set of observation is the sum of the entire observation dividend by the number of observation. it is also known as the arithmetic average. It is the sum of total value of dividend by number of value .It is calculated as;

$$\text{Mean } (\bar{X}) = \frac{\sum X_i}{N}$$

Where,

X_i = Value of Variable i

N = Number of Items

3.5.2.2. Standard Deviation (σ)

Standard Deviation is defined as the positive square root of the mean of the square of the deviations taken from the arithmetic mean. The standard Deviation is the absolute in other measure of dispersion are removed. it is said to be the best measure of dispersion as it satisfies most of the requisites of a good measure of dispersion .it is calculated as;

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

$\sum (X - \bar{X})^2$ = Sum of the mean deviation squared

N = Total number of observation

3.5.2.3. Coefficient of Variation (CV)

The coefficient of dispersion based on standard deviation multiply by 100 is known as the coefficient of variation (CV). It is independent of unit. So, two distributions can

bitterly be compared with the help of C.V for their variability .Less the C.V more will be the uniformity, consistency and more than C.V less will be the uniformity, consistency. It is calculated as;

$$C.V = \frac{\sigma}{X} \times 100$$

3.5.2.4 Least Square Linear Trend

The straight line trend implies that irrespective of the seasonal and cyclical swings and irregular functions, the values increases or decreases by absolute amount per unit of time. The linear trend values from a series in arithmetic progression.

It combines by following notations.

$$y = a + bx$$

Where,

y= the value of dependent variable

a= intercept of trend line

b=slope of trend line

x= value of the independent variable i.e. time

When they are put in normal equation, these equations can be developed

$$\Sigma y = na + b\Sigma x$$

$$\Sigma xy = a\Sigma x + b\Sigma x^2$$

Since

$$\Sigma x = 0$$

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

and,
$$b = \frac{\Sigma xy}{\Sigma x^2}$$

The constant 'a' is simply equal to the mean of y value and constant 'b' given the rate of change.

This is a mathematical method, which is widely used in practice. It is applied for finding out a trend line for those series, which change periodically in absolute amount.

CHAPTER IV

RESULTS

The purpose of this chapter is to carry out secondary data analysis. In this chapter, the relevant data and information regarding the ratios of the commercial banks are presented and analyzed comparatively. The financial as well as statistical tools are used for the comparison of the financial indicators. Also the correlation and regression analysis of the sample firm is calculated and data are presented in a systematic tabulated form.. Furthermore, many suitable graphs, and diagrams have also been used to clarify the actual position and performance of the bank.

4.1 Ratio Analysis

Ratio analysis is the process of determining the significant operation and financial characteristics of a firm from accounting data and financial statement. The goal of such analysis is to determine the efficiency and performance of the firm's management as reflected in the financial records and reports. It gives the analyst a way making meaningful comparisons of a firm's financial data at different points in the time and with other firm.

The technique of ratio analysis has considerable significance in studying the financial stability, liquidity, profitability of the firm. It has been used to evaluate the financial health, operating result and growth of the sample bank.

4.1.1 Liquidity Ratio

Liquidity Ratio measures the firm's ability to fulfill its short-term commitments. This ratio measure to evaluate the performances of the selected banks regarding their

strategies, operating and financial decision. These ratios focus on current assets and current liabilities and are used to ascertain the short-term solvency

The liquidity positions of the Banks are comparatively studied through following ratios.

4.1.1.1 Current Ratio

The current ratio, one of the most commonly cited financial ratio, measures the firm's ability to meet its short-term obligations. The current ratio is the ratio of total current assets to total current liabilities and measures the short-term solvency of a firm. It is calculated by dividing current assets by current liabilities.

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

Table 4.1
Ratio of Current Assets to Current Liabilities

Rs. In Million

Year	Nabil Bank			EBL		
	CA	CL	Ratio (Times)	CA	CL	Ratio (Times)
012/013	724655.40	663032.8	1.09	651099.68	600420.98	1.08
013/014	894330.37	822849.02	1.08	698180.88	645190.88	1.08
014/015	1178687.18	1088377.42	1.08	985224.09	911935.81	1.08
015/016	1268170.79	1136693.74	1.11	1132060.59	1042996.11	1.08
016/017	1395410.96	1228809.14	1.13	1157820	1038822.55	1.11
Mean	1.09			1.08		
S.D.	0.02			0.01		
C.V.	2.27			1.10		

(Source: Annual Report of the Concerned Banks)

Table 4.1 shows that current asset and current liabilities of NABIL are increasing in trend in the study period and current ratio of NABIL has ranged between 1.09 times and 1.13 times with a mean of 1.099 times. The C.V. of NABIL is 2.27% which is relatively lower

fluctuation from mean. The current asset and current liabilities of EBL is increasing trend in research period the current ratio of EBL ranges from 1.084times and 1.11 time with mean of 1.089 times the C.V. of EBL is 1.10% which is relatively lower fluctuation from mean. Mean ratio of both bank are similar but C.V of Nabil Bank Limited is higher than EBL so NABIL is more variable but less stable than EBL, so the EBL is more consistent.

Above calculated ratios of Nabil and EBL shows current ratio is below the standard 2:1. However looking at the nature of assets and liabilities of the commercial banks the ratio, below the standard may be accepted as satisfactory. But it signifies banks have poor liquidity position. The bank may face the problem of working capital if they need to pay the current liabilities at demand. Bank may lose their goodwill in case of delay in the payment of liabilities. Bank will have the problem in winning the confidence of current depositor and short term lenders.

4.1.1.2 Cash and Bank Balance to Current and Saving Deposit Ratio

This ratio measures the ability of bank to meet its immediate obligation. High ratio normally indicates sound liquidity position of the bank but too high ratio is also not good as it reveals the under- utilization of fund. This ratio is calculated by dividing cash and bank balance by current and saving deposits.

$$\text{Cash and Bank to Current and Saving Deposit} = \frac{\text{Cash and Bank Balance}}{\text{Current and Saving Deposit}} \times 100$$

Table 4.2
Cash and Bank Balance to Current and Saving Deposit Ratio

Rs. In Million

Year	Nabil Bank			EBL		
	Cash & Bank Bal	Current & Saving Deposit	Ratio (%)	Cash & Bank Bal	Current & Saving Deposit	Ratio (%)
012/013	5897.39	30607	19.26	11215.79	29166.53	38.45
013/014	12953.43	42147	30.73	13172.78	32979.56	39.94
014/015	18651.72	55563	33.56	25116.48	39685.54	63.28

015/016	10492.52	69674.7	15.05	23117.39	47279.50	48.89
016/017	13091.73	68345	19.15	21383.48	44423.59	48.13
Mean			23.55			47.73
S.D.			8.08			9.9
C.V.			34.30			20.74

(Source: Annual Report of 142147the Concerned Banks)

Table 4.2 show that cash and bank balance of NABIL has adopted as increasing trend in the study period exceptin the years 015/016 and current and saving deposit of NABIL is increasing trend in the study period and cash and bank balance to current and saving deposit ratio of NABIL hasranged between 15.05% and 33.56% with mean of 23.55% the C.V. of NABL is 34.30% which is relatively higher fluctuation than themean. cash and bank balance of EBL has adopted as increasing trend in the study period 014/015 than it has decreasing trend and current and saving deposit of EBL is increasing trend in the study period and cash and bank balance to current and saving deposit ratio of EBLhasranged between 38.43% and 63.28% with mean of 47.73% the C.V. of EBL is 20.74% which is relatively higher fluctuation than the mean. It means that cash and bank balance to current and saving deposit ratios of both banks are fluctuating over time. Banks should maintain suitable cash and bank balance in current and saving deposit. In general terms, the bank has been able to meet its short-term obligations. The above analysis indicates that the bank is in sound liquidity position. High ratio normally indicates sound liquidity position of the bank but too high ratio is not good as it reveals the underutilization of fund.

4.1.1.3 Cash and Bank Balance to Total Deposit Ratio

The cash reserve requirement in the most developed and developing countries have been used extensively as a means to control commercial banks credit. Especially in countries where capital market is not well developed, cash reserve requirement can be used not only to control the commercial bank credit but also to influence the investment portfolio of the commercial banks. Cash Reserve Ratio (CRR) is calculated by dividing the cash and bank balance by the amount of total deposit.

$$CRR = \frac{\text{Cash and Bank Balance}}{\text{Total Deposit}} \times 100$$

Table 4.3
Cash and Bank Balance to Total Deposit Ratio

Rs. In Million

Year	Nabil Bank			EBL		
	Cash & Bank Bal	Total Deposit	Ratio (%)	Cash & Bank Bal	Total Deposit	Ratio (%)
012/013	5897.39	63506.10	9.23	11215.79	57720.46	19.43
013/014	12953.43	75360.76	17.18	13172.78	62108.13	21.20
014/015	18651.72	103957.0	17.94	25116.48	83093.78	30.22
015/016	10492.52	110210.9	9.50	23117.39	93735.48	24.66
016/017	13091.73	118896.15	11.01	21383.48	95094.46	22.48
Mean	12.98			23.59		
S.D.	4.23			4.16		
C.V.	32.58			17.63		

(Source: Annual Report of the Concerned Banks)

Table 4.2 show that cash and bank balance of NABIL has adopted as increasing trend in the study period except in the years 015/016 and Total deposit of NABIL is increasing trend in the study period and cash and bank balance to total deposit ratio of NABIL has ranged between 9.23% and 17.94% with mean of 12.98% the C.V. of NABIL is 32.58% which is relatively higher fluctuation than the mean. cash and bank balance of EBL has adopted as increasing trend in the study period 014/015 than it has decreasing trend and total deposit of EBL is increasing trend in the study period and cash and bank balance to total deposit ratio of EBL has ranged between 19.43% and 30.22% with mean of 23.59% the C.V. of EBL is 17.63% which is relatively higher fluctuation than the mean. The mean ratio of EBL is higher than the NABIL this indicates that EBL has stable deposit and C.V. of EBL is less than NABIL which indicated that the EBL is consistent and stable.

Holding cash and bank balance can have a negative impact to the goodwill and reputation of the banks to fulfill the demand of the profit holder and lower cash balance can have a negative impact on the customer. Therefore banks should maintain

the enough liquidity. Though high ratios indicate its high liquidity position but it also affects profitability due to idleness of high interest bearing fund.

4.1.1.4 Fixed Deposit to Total Deposit Ratio (FDTDR)

Fixed deposit is the high interest bearing deposit and can be withdrawn only after its maturity. This ratio is calculated in order to find out the proportion of fixed deposit with respect to the total deposit. It is calculated by dividing the amount of fixed deposits by the amount of total deposit.

$$\text{Fixed Deposit to Total Deposit Ratio} = \frac{\text{Fixed Deposit}}{\text{Total Deposit}} \times 100$$

Table 4.4
Fixed Deposit to Total Deposit Ratio

Rs. In Million

Year	Nabil Bank			EBL		
	Fixed Deposit	Total Deposit	Ratio (%)	Fixed Deposit	Total Deposit	Ratio (%)
012/013	10786.02	63506.10	16.98	14104.77	57720.46	24.43
013/014	11854.87	75360.76	15.73	14528.85	62108.13	23.39
014/015	15871.93	103957.09	15.26	19784.88	83093.78	23.81
015/016	8868.60	110210.92	8.04	25999.03	93735.48	27.73
016/017	24044.67	118896.15	20.22	36311.502	95094.46	38.18
Mean	15.24			27.52		
S.D.	4.47			6.206		
C.V.	29.39			22.54		

(Source: Annual Report of the Concerned Banks)

Table no.4.4 show that the fixed deposit is the high interest bearing deposit which can be withdrawn only after its maturity. NABIL Fixed deposit has adopted an increasing trend in the study period except in the years 015/016 and the total deposit also been increasing trend. Fixed deposit to total deposit ratio of the Nabil Bank has ranged between 8.04% and 20.22% with mean ratio of 15.24%. the C.V. of NABIL has

29.39%. EBL Fixed deposit has adopted an increasing trend in the study and the total deposit also been increasing trend. Fixed deposit to total deposit ratio of the EBL has ranged between 23.39% and 38.18% with mean ratio of 27.52%. The C.V. of EBL has 22,54%. However EBL is more consistent or more stable than Nabil Bank because its C.V. is 22.54% which is less than the C.V. of Nabil Bank C.V. 29.39%. The analysis indicates that the portion of fixed deposit in the total deposit is fluctuating.

4.1.2 Activity / Assets Management Ratio

Activity ratio has been used to evaluate managerial efficiency and proper utilization of assets. This includes investment to total deposit ratio, loans and advances to total deposit ratio, loans and advances to saving deposit ratio and total income generating assets to total deposit ratio.

4.1.2.1 Loan Advances to Total Deposit Ratio

This ratio indicates the proportion of total deposits invested in loan and advances. High ratio indicates greater use of deposits in loan and advances but low ratio may be the cause of ideal cash or use of fund in less productive sector.

$$\text{Loans and Advance to Total Deposit Ratio} = \frac{\text{Loans and Advances}}{\text{Total Deposit}} \times 100$$

Table 4.5
Loan Advances to Total Deposit Ratio

Rs. In Million

Year	Nabil Bank			EBL		
	Loans & Advances	Total Deposit	Ratio (%)	Loans & Advances	Total Deposit	Ratio (%)
012/013	46369.83	63506.10	73.01	43393.18	57720.46	75.17
013/014	54684.09	75360.76	72.56	47572.02	62108.13	76.59
014/015	65501.92	103957.0	63.08	54482.46	83093.78	65.56
015/016	76106.01	110210.92	69.05	67955.10	93735.48	72.49
016/017	89877.12	118896.15	75.59	77287.76	95094.46	81.27
Mean			70.65			74.21
S.D.			4.83			5.79

C.V.	6.84	7.80
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(Source: Annual Report of the Concerned Banks)

The table 4.5 shows that proportion of total deposit invested in loans and advances out of the total deposit. NABIL loan and advance has adopted an increasing trend in the study and the total deposit also been increasing trend. Loan and advance to total deposit ratio of the Nabil Bank has ranged between 63.08% and 75.59% with mean ratio of 70.65% the C.V. of NABIL has 6.84%. EBL Loan and advance has adopted an increasing trend in the study and the total deposit also been increasing trend. Loan and advance to total deposit ratio of the EBL has ranged between 65.56% and 81.27% with mean ratio of 74.21%. The C.V. of EBL has 7.80%. However NABIL is more consistent or more stable than Nabil Bank because its C.V. which is less than the C.V. of EBL. The analysis indicates that the portion of Loan and advance in the total deposit is fluctuating. Above table shows banks are successful in utilizing its deposits on loans and advances. But the trend of utilization is fluctuating for both the banks.

4.1.2.2 Loan and Advances to Fixed deposit

This ratio is calculated by dividing the amount of loans and advances by fixed deposits that is calculated below:

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

Table 4.6
Loan and Advances to Fixed Deposit

Rs. In Million

Year	Nabil Bank			EBL		
	Loans & Advances	Fixed Deposit	Ratio (Times)	Loans & Advances	Fixed Deposit	Ratio (Times)
012/013	46369.83	10786.02	4.29	43393.18	14104.77	3.07
013/014	54684.09	11854.87	4.16	47572.02	14528.85	3.27
014/015	65501.92	15871.93	4.12	54482.46	19784.88	2.75

015/016	76106.01	8868.60	8.58	67955.10	25999.03	2.61
016/017	89877.12	24044.67	3.73	77287.76	36311.502	2.12
Mean			5.06			2.76
S.D.			1.99			0.44
C.V.			39.28			16.059

(Source: Annual Report of the Concerned Banks)

Table 4.6 shows that NABIL loan and advance has adopted an increasing trend in the study and the fixed deposit also been increasing trend the ratios of Nabil Bank were ranged between low of 3.78 times and 8.58 times, the mean ratio of Nabil Bank has 5.06 times and EBL loan and advance has adopted an increasing trend in the study and the fixed deposit also been increasing trend. EBL were ranged between low of 2.12 times and 3.27 times. The mean ratio of EBL has 2.76 times. The C.V. of EBL is less than Nabil bank i.e. (16.059% < 39.28%) according to calculated C.V., it indicated that loan and advance to fixed deposit ratio are being efficiently and properly utilized by EBL then Nabil Bank limited.

4.1.2.3 Loans and Advances to Current and Saving Deposit Ratio

This ratio can be calculated by dividing the amount of loans and advances by the amount of Current and saving deposits. The ratio is calculated as follows:

$$\text{Cash and Bank to Current and Saving Deposit} = \frac{\text{Cash and Bank Balance}}{\text{Current and Saving Deposit}} \times 100$$

Table 4.7
Loan and Advances to Current and Saving Deposit

Rs. In Million

Year	Nabil Bank			EBL		
	Loans & Advances	Current and Saving Deposit	Ratio (%)	Loans & Advances	Current and Saving Deposit	Ratio (%)
012/013	46369.83	30607	1.51	43393.18	29166.535	1.48
013/014	54684.09	42147	1.29	47572.02	32979.566	1.44

014/015	65501.92	55563	1.17	54482.46	39685.548	1.37
015/016	76106.01	69674.7	1.09	67955.10	47279.508	1.43
016/017	89877.12	68345	1.31	77287.76	44423.59	1.73
Mean			1.27			1.49
S.D.			0.15			0.13
C.V.			12.35			8.73

(Source: Annual Report of the Concerned Banks)

The table 4.7 shows that NABIL loan and advance has adopted an increasing trend in the study and the current and saving deposit also been increasing trend except last years, ratio of Nabil bank has ranged between lowest of 1.09 times and highest of 1.51 times with mean ratio of 1.27 times and C.V. of NABIL has 12.35%. Similarly, EBL loan and advance has adopted an increasing trend in the study period and the current and saving deposit also been increasing trend except last years, ratio of EBL has ranged between lowest of 1.37 times and highest of 1.73 times with mean ratio 1.49 times and C.V. of EBL has 8.73%. In short the mean ratio of EBL is more than the mean ratio of Nabil Bank. EBL has more consistency in this ratio with C.V. of 8.73% which is less than C.V. of Nabil Bank is 12.35%. It means that EBL is utilizing its saving deposits better than Nabil Bank.

4.1.2.4 Total Investment to Total Deposit Ratio

The main purpose of this ratio is to measure the successfulness in mobilizing the deposits in investment. High ratio shows managerial efficiency regarding the utilization of deposits and vice-versa. The total investments to total deposits of the selected two banks are mentioned in the table below.

$$\text{Investment to Total Deposit Ratio} = \frac{\text{Investment}}{\text{Total Deposit}} \times 100$$

Table 4.8
Total Investment to Total Deposit Ratio

Rs. In Million

Year	Nabil Bank	EBL
------	------------	-----

	Total Investments	Total Deposit	Ratio (%)	Total Investments	Total Deposit	Ratio (%)
012/013	16344.42	63506.102	25.73	9263.85	57720.46	16.04
013/014	18283.59	75360.769	24.26	6504.18	62108.13	10.47
014/015	30978.93	103957.09	29.79	15102.67	83093.78	18.17
015/016	36109.85	110210.92	32.76	18198.10	93735.48	19.41
016/017	32593.66	118896.156	27.41	11964.56	95094.46	12.58
Mean	28.062			15.33		
S.D.	3.26			3.75		
C.V.	11.64			24.48		

(Source: Annual Report of the Concerned Banks)

The table 4.8 shows that NABIL total investment has adopted an increasing trend in the study period except last year and total deposit of NABIL is increasing trend in study period. this ratio of Nabil Bank has ranged between 24.26% and 32.76 % with mean being 28.06% and C.V. of NABIL is 11.64% Similarly, EBL total investment has adopted an increasing trend in the study period except last year and total deposit of EBL is increasing trend in study period this ratio of EBL is fluctuating in between the range of 10.47% and 19.41% with mean being 15.33% and C.V. EBL is 24.48% In brief both bank's ratio is following fluctuating trend. Remarkably, higher mean ratio of Nabil Bank signifies that Nabil bank has prefers utilizing its deposits in investment portfolio. Conversely, EBL has given less importance in this issue and the bank is less stable as well.

The above table reflects that the investments among the total deposit of the commercial banks are highly fluctuating. Bank should invest certain percentage of deposit in different sector. If bank is unable to invest in proper way it increases interest expenses, idle fund do not gives any return to bank.

4.1.3 Profitability Ratio

Profitability ratio is one of the main indicators to analyzing the financial performance of a firm. It calculates to measure the earning performance and operational efficiency

of the bank. A bank should be able to produce adequate profit on each rupee of investment, if investments do not generate sufficient profits, it would be very difficult for the bank to cover operating expenses and interest charges. The profitability of the bank should also be evaluated in term of its investment in assets and in term of capital contributed by creditors. If the bank is unable to earn satisfactory return of investment, its survival is threatened. Profitability shows the overall efficiency of the business concerns.

4.1.3.1 Return on Total Assets (ROA)

This ratio is related to net profit after tax (NPAT) and total assets. How efficiently the assets of a firm able to generate more profit are measured by this ratio is calculated by dividing NPAT by Total Assets. This ratio provides the foundation necessary for a company to deliver a good return on equity. The ratio is calculated by following formula:

$$\text{Net profit to total asset ratio} = \frac{\text{Net profit}}{\text{Total Assets}} \times 100$$

Table 4.9
Return on Total Assets Ratio

Rs. In Million

Year	Nabil Bank			EBL		
	NPAT	Total Assets	Ratio (%)	NPAT	Total Assets	Ratio (%)
012/013	2226.68	73343.59	3.03	1471.11	65741.15	2.23
013/014	2331.44	90293.03	2.58	1549.69	70445.08	2.199
014/015	2098.16	118695.99	1.76	1574.35	99152.80	1.58
015/016	2823.46	127619.35	2.21	1730.20	113885.04	1.51
016/017	3613.20	140332.06	2.57	2006.24	116510.44	1.72
Mean			2.43			1.84
S.D.			0.47			0.33
C.V.			19.51			18.31

(Source: Annual Report of the Concerned Banks)

The table 4.9 shows that NPAT of NABIL has adopted an increasing trend in the study period except in the year 014/015. Total asset of NABIL has also been increasing trend. Return on Total Assets for Nabil Bank has ranged between higher 3.03% and lower of 1.76% with mean 2.43% and C.V. of NABIL is 19.51%. NPAT of EBL has adopted an increasing trend in the study period. Total asset of EBL has also been increasing trend. Return on Total Assets for EBL has ranged between higher 2.23% and lower 1.51% with mean 1.84% and C.V. of EBL is 18.31%. Higher mean ratio indicates the success of management in overall operation and in earning net profit with efficient utilization of total assets. The mean ratio of Nabil Bank is higher than the EBL but EBL has more consistency than the Nabil bank with C.V. of EBL 18.31% and C.V. of Nabil Bank is 19.51%. So EBL has maintained its profitability.

4.1.3.2 Return on Equity Ratio (ROE)

Total shareholders' equity consists of preference share capital, ordinary share capital, share premium and reserve and surplus less accumulated losses. This ratio can be computed as Net profit after tax (NPAT) divided by average total shareholders' equity.

$$\text{Net profit to total Equity ratio} = \frac{\text{NPAT}}{\text{Total Equity}} \times 100$$

Table 4.10
Return on Equity Ratio (ROE)

Rs. In Million

Year	Nabil Bank			EBL		
	NPAT	Total Equity	Ratio (%)	NPAT	Total Equity	Ratio (%)
012/013	2226.68	6707.09	33.19	1471.11	4827.83	30.47
013/014	2331.44	7671.31	30.39	1549.69	5457.97	28.39
014/015	2098.16	9519.51	22.04	1574.35	6890.37	22.84
015/016	2823.46	11637.21	24.26	1730.20	8513.1	20.32
016/017	3613.20	14094.82	25.63	2006.24	11544.57	17.37
Mean			27.12			23.87
S.D.			4.57			5.47
C.V.			16.88			22.93

(Source: Annual Report of the Concerned Banks)

The table 4.10 shows that NPAT of NABIL has adopted an increasing trend in the study period except in the year 014/015. Total equity of NABIL has also been increasing trend. Return on Total Equity of the Nabil Bank has ranged between maximum of 33.18% in the year 2012/013 to the minimum of 24.26% in the year 2015/16 with mean 27.102% and C.V. of NABIL is 16.88%. NPAT of EBL has adopted an increasing trend in the study period. Total equity of EBL has also been increasing trend. Return on Total Equity of EBL has ranged between lower to 17.35%

in 2016/17 to higher to 30.47% in 2012/13 with mean of 23.87% and C.V. of EBL is 22.93%. The mean ratio of Nabil Bank is higher than that of EBL (i.e. mean of Nabil bank is 27.10% >EBL is -23.87%). However, Nabil bank has more consistency than EBL.

4.1.3.3 Net Profit to Total Deposit Ratio

This ratio is most important to identify whether the organization well efficient or not in mobilizing its total deposits. Net profit to total deposit ratio evaluate whether management has been capable to mobilizes and utilize the deposit. The following table reveals the percentage of net profit to total deposit of sample banks. This ratio is calculated by following formula

$$\text{Net profit to total deposit} = \frac{\text{Net profit}}{\text{Total Deposit}} \times 100$$

Table 4.11
Net Profit to Total Deposit Ratio

Rs. In Million

Year	Nabil Bank			EBL		
	NPAT	Total Deposit	Ratio (%)	NPAT	Total Deposit	Ratio (%)
012/013	2226.68	63506.102	3.50	1471.11	57720.46	2.54
013/014	2331.44	75360.769	3.09	1549.69	62108.13	2.49
014/015	2098.16	103957.09	2.01	1574.35	83093.78	1.89
015/016	2823.46	110210.92	2.56	1730.20	93735.48	1.84
016/017	3613.20	118896.156	3.03	2006.24	95094.46	2.10
Mean			2.83			2.17
S.D.			0.57			0.32
C.V.			20.10			15.10

(Source: Annual Report of the Concerned Banks)

The table 4.11 shows that NPAT of NABIL has adopted an increasing trend in the study period except in the year 014/015. Total deposit of NABIL has also been

increasing trend the ratio of Nabil Bank has ranged between lower of 2.01% in 2014/15 to higher of 3.50 % in 2012/13 with the mean being 2.83% and C.V. of NABIL is 20.10%. NPAT of EBL has adopted an increasing trend in the study period. Total deposit of EBL has also been increasing trend the ratio of EBL has ranged between lower of 1.84% in 2014/15 to higher of 2.54% in 2012/13 with mean of 2.17% and C.V. of EBL is 15.10%. The mean ratio of Nabil Bank is higher than that of EBL. However, the ratio of EBL is more consistent than that of Nabil Bank with C.V. of EBL being 15.10% to Nabil Bank is 20.10%. Both bank has well equipped its profit is highly earned and deposited amount is properly utilized.

4.1.3.4 Interest Earned to Total Assets

Interest earning is the major source of income of a commercial bank. This ratio is calculated to find out percentage of the interest earned in comparison to total assets. This ratio indicates how much interest mobilizing the assets in the bank has generated. This ratio is calculated by following formula

$$\text{Interest Earned to total asset ratio} = \frac{\text{Interest Earned}}{\text{Total Assets}} \times 100$$

Table 4.12
Interest Earned to Total Assets Ratio

Rs. In Million

Year	Nabil Bank			EBL		
	Interest Earned	Total Assets	Ratio (%)	Interest Earned	Total Assets	Ratio (%)
012/013	5721.10	73343.59	7.80	4936.92	65741.15	7.50
013/014	5652.37	90293.03	6.26	5177.55	70445.08	7.34
014/015	5778.16	118695.99	4.86	4996.42	99152.80	5.03
015/016	6170.46	127619.35	4.83	5057.07	113885.04	4.44
016/017	8065.59	140332.06	5.74	6747.14	116510.44	5.79
Mean	5.88			6.02		
S.D.	1.77			1.36		
C.V.	19.95			22.67		

(Source: Annual Report of the Concerned Banks)

The table 4.12 shows that interest earned of NABIL has adopted an increasing trend. Total asset of NABIL has also been increasing trend in the study period .the ratio of Nabil Bank has ranged between 4.83% and 7.80 % with the mean being 5.89% and C.V. is 19.95%. The interest earned of EBL has adopted an increasing trend except year 014/015.Total asset of EBL has also been increasing trend in the study period. Whereas the ratio of EBL has ranged between 4.44% and 7.50% with mean of 6.02% and C.V. of EBL is 22.67%.The mean ratio of Nabil Bank is less than that of EBL. However, the ratio of Nabil Bank is more consistent than that of EBL with C.V. of Nabil bank being 19.95% to EBL is 22.67%. So Nabil Bank is well equipped than EBL with its interest is highly earned and Asset is properly utilized. But the both Banks were not so much successful in mobilizing their working fund to generate income.

4.2. Trend Analysis

Trend analysis has been a very useful and commonly applied statistical tool to forecast the future events in quantitative items. On the basis of tendencies in the dependent variables in the past periods, the future trend is predicted. This analysis takes the historical data as the basis of forecasting. This method of forecasting the future trend is based on the assumptions that the past tendencies of the variables are repeated in the future or past events the future events significantly. The future trend is forecasted by using the following formula,

$$Y = a + bX$$

Where,

Y = the dependent Variable

a = the origin i.e. arithmetic mean

b = the slope coefficient i.e. rate of change

Hence, future value of coming years have been analyzed and forecasted with the help of trend analysis. They are;

- Total Deposits
- II. Loan & Advances
- Investment
- Net Profit

4.2.1. Trend Analysis of Total Deposit

Trend analysis of Total Deposits shows the pattern of total deposit in the banks. Trend helps the investor to estimate its future deposit. Prediction of total deposit for the next five Fiscal years is done here.

Table 4.13
Trend Analysis of Total Deposit

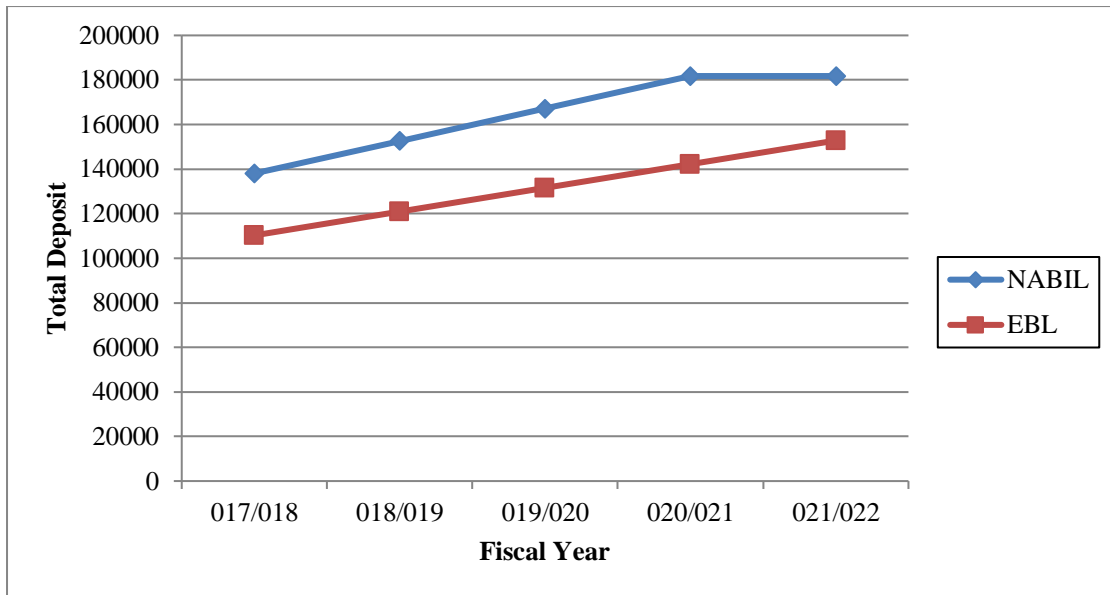
			Actual	Forecasted				
Name	A	b	016/017	017/018	018/019	019/020	020/021	021/022
NABIL	94386.20	14563.02	118896.16	138075.26	152638.28	167201.30	181764.32	181764.32
EBL	78350.462	10637.535	95094.46	110263.067	120900.602	131538.137	142175.76	152813.207

(Source: Calculation-Appendix II)

Above table 4.24 shows the trend analysis of the total deposit for the coming five Fiscal Years of NABIL BANK and EBL. Total Deposits of both the banks are increasing. It shows good future of the banks if they can regularly increase their deposits as per the prediction.

Figure 4.1 has shown this trend analysis more precisely.

Figure 4.1
Trend Analysis of Total Deposit



4.2.2. Trend Analysis of Loans and Advances

Loans and advances of the two commercial banks for the coming five years are forecasted here. According to the calculation done in Appendix, the future forecast of the loans and advances of the above mentioned banks is shown in the table below.

Table 4.14
Trend Analysis of Loans & Advances

			Actual	Forecasted				
Name	A	b	016/01	017/018	018/019	019/020	020/021	021/022
			7					
NABI	66507.7	10843.	89877.	99038.7	109882.3	120726.0	131569.6	142413.3
L	94	65	12	44	94	44	9	44
EBL	58138.1	8817.2	77287.	84589.7	93407	102224.2	111041.4	119858.6
	04	24	76	7		24	48	72

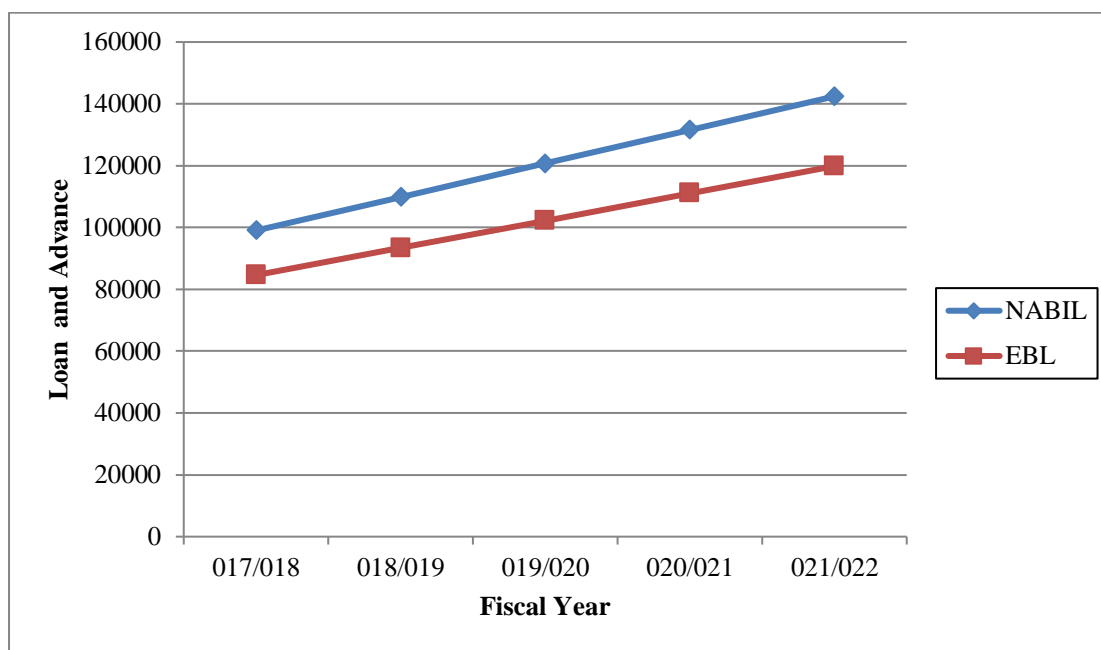
(Source: Calculation-Appendix II)

Table 4.27 presented above predicts the Loans & Advances of the commercial banks for five years 2009/10, 2010/11, 2011/12 and 2012/13. Loans and advances of both

the banks are in increasing trend. For the coming years also it is expected to increase as per the calculation done in this study.

The following figure shows the above table in more descriptive form.

Figure 4.2
Trend Analysis of Loans & Advances



4.2.3 Trend Analysis of Investment

Trend Analysis of the investment shows the pattern of investment of the commercial banks. Future Investment of the listed sample banks are predicted in the given table.

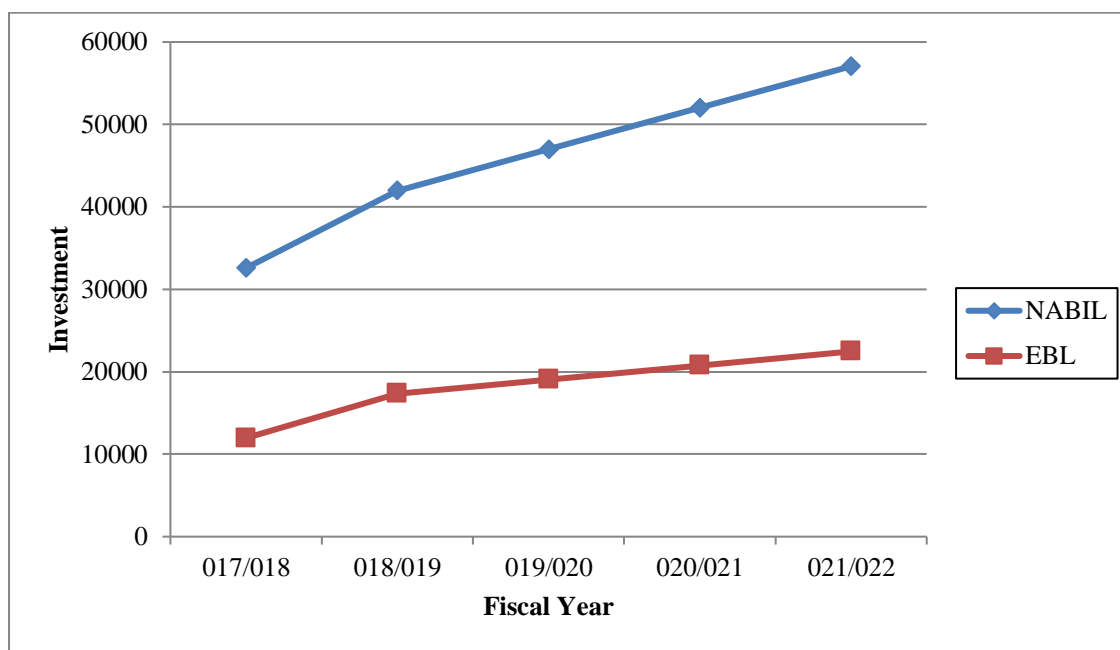
Table 4.15
Trend Analysis of Investment

			Actual	Forecasted				
Name	A	b	016/017	017/018	018/019	019/020	020/021	021/022
NABI	26862.0	5032.47	32593.6	41959.51	46991.9	52024.46	57056.94	62089.41
L	9	5	6	5	9	5	4	5
EBL	12206.6	1709.53	11964.3	17335.27	19044.8	20754.34	22463.87	24173.41
	7	4			0			

(Source: Calculation-Appendix II)

The trend of Investment has been presented to have eagle eye on future trend.

Figure 4.3
Trend Analysis of Investment



4.2.4 Trend Analysis of Net Profit

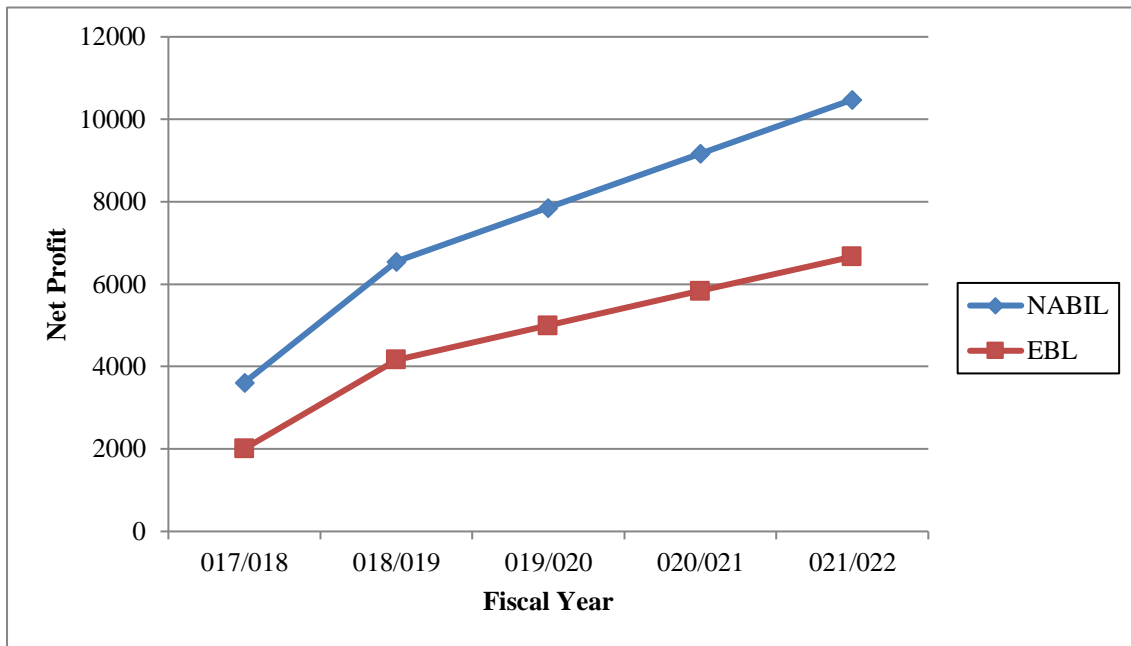
Trend Analysis of the Net profit shows the pattern of Profit of the commercial banks. Future Net Profit of the listed sample banks are predicted in the given table.

Table 4.16
Trend Analysis of Net Profit

			Actual	Forecasted				
Name	A	b	016/017	017/018	018/019	019/020	020/021	021/022
NABIL	2618.588	2309.29	3613.2	6546.46	7855.76	9165.05	10474.35	11783.64
EBL	1666.31	833.15	2006.24	4165.787	4998.91	5832.06	6665.21	7498.36

(Source: Calculation-Appendix II)

Figure 4.4
Trend Analysis of Net Profit



As Deposit, Loans & Advances, investment and Net Profit of the commercial banks is also forecasted to grow. For the coming five years from 2017/018to 2021/022 the investment is growing for both the banks - Nabil Bank and EBL. It shows that banks are able to increase their deposit and also investment, which helps the banks to earn good income.

4.3 Findings of the Study

The following findings have been derived from the analysis and interpretation of the data, during the study period. Ratio Analysis involves the methods of calculating and interpreting financial ratios in order to assess the firm's performance and status.

1. Neither Nabil Bank nor EBL got the standard current ratio 2:1 over the five years of study period. But this ratio also seems to be satisfactory in case of banking institute. The average current ratios of Nabil Bank and EBL are 1.1 times and 1.09 times respectively. Whereas, coefficient of variation (CV) of Nabil Bank and EBL are 2.27% and 1.10% respectively. The current ratio analysis of the bank over the five year period indicates that the bank has

been able to meet its short-term obligations and is in sound liquidity position.

2. The average Cash & Bank balance to current & saving deposit of Nabil Bank and EBL are 23.55% and 47.73% respectively. Whereas, coefficient of variation (CV) of Nabil Bank and EBL are 34.30% and 20.74% respectively. Cash & Bank balance to current & saving deposit ratio is highly fluctuated for both the banks. When it is too low it can be concluded that banks are not being able to meet its immediate obligations and when it's too high it indicates banks are unable to utilize their funds. So suitable ratio is to be maintained.
3. Total deposit includes current, saving, fixed, call and other deposits. Liquidity position of both the banks Nabil Bank and EBL is weak. The average Cash & Bank balance to total deposit of Nabil Bank and EBL are 12.98% and 23.598% respectively. Whereas, coefficient of variation (CV) of Nabil Bank and EBL are 32.59% and 17.63% respectively.
4. Fixed deposit is the high interest bearing deposit which can be withdrawn only after its maturity. The average Fixed deposit to total deposit of Nabil Bank and EBL are 15.24% and 27.52% respectively. Whereas, coefficient of variation (CV) of Nabil Bank and EBL are 29.31% and 22.54% respectively.
5. The Loan and advances to total deposit ratio measures the extent to which the bank is successful to utilize the outsiders fund (Total Deposit). The average of Loan and advances to total deposit ratio of Nabil Bank and EBL are 70.65% and 74.21% respectively. Whereas, coefficient of variation (CV) of Nabil Bank and EBL are 6.84% and 7.80% respectively. The analysis shows that the bank is mobilizing its total deposits in loan and advances adequately and it has efficiently utilized its total deposits for loan and advances. Higher ratio reveals that it is efficient to utilize the financial resources in productive sectors.
6. The mean ratio of Nabil Bank has 5.06 times whereas EBL has 2.76 times. The C.V. of EBL is less than Nabil bank i.e. (16.059% < 39.28%) according to calculated C.V., it indicated that loan and advance to fixed deposit ratio are being efficiently and properly utilized by EBL then Nabil Bank limited.

7. The average ratio of loan and advance to current and saving deposit of Nabil and EBL is 1.27 times and 1.49 time respectively. In short the mean ratio of EBL is more than the mean ratio of Nabil Bank. EBL has more consistency in this ratio with C.V. of 8.73% which is less than C.V. of Nabil Bank is 12.35%. It means that EBL is utilizing its saving deposits better than Nabil Bank.
8. The average of investment to total deposit ratio of Nabil Bank and EBL are 28.06% and 15.33% respectively. Whereas, coefficient of variation (CV) of Nabil Bank and EBL are 11.64% and 24.48% respectively. Nabil Bank and EBL seem successful to utilize the depositor's fund in investment. Nabil Bank is more successful in managerial efficiency regarding the utilization of deposits than EBL.
9. The average Return on Total Assets for Nabil Bank 2.43% and EBL has 1.84%. Higher the ratio indicates the success of management in overall operation and in earning net profit with efficient utilization of total assets. The mean ratio of Nabil Bank is higher than the EBL but EBL has more consistency than the Nabil bank with C.V. of EBL 18.31% and C.V. of Nabil Bank is 19.51%. so EBL has maintained its profitability.
10. The average Return on Total Equity of the Nabil Bank is 27.102% and EBL is 23.87%. The mean ratio of Nabil Bank is higher than that of EBL (i.e. mean of Nabil bank is 27.10% > EBL is 23.87%). However, Nabil bank has more consistency than EBL i.e. C.V. of EBL is 22.93% while that of Nabil bank is 16.88%.
11. Net profit to total deposits ratio indicates the percentage of profit earned by using the total deposit. The average net profit to total deposit of the Nabil Bank and EBL is 2.83% and 2.17%. The mean ratio of Nabil Bank is higher than that of EBL. However, the ratio of EBL is more consistent than that of Nabil Bank with C.V. of EBL being 15.10% to Nabil Bank is 20.10%. EBL is well equipped than Nabil Bank with its profit is highly earned and deposited amount is properly utilized.
12. The average interest earned to total asset of Nabil Bank and EBL has 5.89% and 6.02%. The mean ratio of EBL is higher than Nabil bank but Nabil Bank

is more consistent than that of EBL with C.V. of Nabil bank being 19.95% to EBL is 22.67%. So Nabil Bank is well equipped than EBL with its interest is highly earned and Asset is properly utilized. But the both Banks were not so much successful in mobilizing their working fund to generate income.

CHAPTER – V

CONCLUSIONS

5.1 Summary

The banking sector is considered to be an important source of financing for most businesses. Financial analysis is the process of identifying the financial strengths and weakness of the firm by properly establishing relationship between the items of balance sheet and profit and loss account. Ratio analysis is the one of the tools used by financial analysis for making decision regarding credit and investments. The method utilized the data found in the financial statement to determine a bank's standing. It will compare the bank's ratio to its past performances as well as to bank statistics to determine risks, trends, and to identify any peculiarities.

This study was conducted to evaluate the financial performances of Nabil Bank and EBL, which was working as Joint Venture Bank in Nepal by providing the quality and banking services. General objective of the study is to examine and evaluate the comparative financial performance of two commercial banks Nabil Bank and EBL and to suggest improve their financial efficiency. In this study used the ROA as dependent variable which shows the profitability of the performance, and liquidity, Asset management and Profitability are used as the independent variable and these are also used as determinants variables for the study.

In order to achieve the objective, this study is mainly based on the secondary data and descriptive research design has been followed. The analysis is done on the basis of financial statement from 2012/13 to 2016/17. These data are collected from annual report and website of respective commercial banks which is selected for study,

Annual report of SEBON, Website of Nepal Stock Exchange Ltd, Nepal Rastra Bank and other official and unofficial publications. The study focuses on the examination of relationship between those variables that influence financial decision of the sampled banks. Various financial indicators were used for analysis of financial data of the sampled bank like Financial ratio analysis (liquidity ratio, profitability ratio, activity ratio) and Statistical tools (Arithmetic mean, Standard deviation, Coefficient of Variation, Least square linear trend).

From this analysis of financial performance of both the banks the various findings are made. The study helps the management to ascertain their position and competitive analysis also both lenders and buyers could get relevant information from the study which helps in decision making to choose the appropriate company. This study is beneficial to policy makers as they could make policies in accordance with the performance, situation and figures of the banks and their financial and various concerned parties like investors can take their decision such as where to invest through competitive analysis of performance of both the banks. This study helps the customer to analyze the bank they are banking with in terms of benefits, security and services.

5.2 Conclusion

The study is based on the data of two commercial banks namely Nabil Bank and EBL for five Fiscal Years from 2012/2013 to 2016/2017. The thesis includes only secondary data and all the calculations and presentations are based on the secondary data. According to the analysis, the overall performance of the sample banks is found to be satisfactory. Neither Nabil Bank nor EBL got the standard current ratio 2:1 over the five years of study period. But this ratio also seems to be satisfactory in case of banking institute. The current ratio analysis of the bank over the five year period indicates that the bank has been able to meet its short-term obligations and is in sound liquidity position. Cash & Bank balance to current & saving deposit ratio is little fluctuated for both the banks. When it is too low it can be concluded that banks are not being able to meet its immediate obligations and when it's too high it indicates banks are unable to utilize their funds so, suitable ratio is to be maintained. The Loan and advances to total deposit and fixed deposit ratio measures the extent to which the

bank is successful to utilize the outsiders fund (Total Deposit, fixed deposit).The analysis shows that the bank is mobilizing its total deposits in loan and advances adequately and it has efficiently utilized its deposits for loan and advances. Higher ratio reveals that it is efficient to utilize the financial resources in productive sectors also Nabil Bank and EBL seems successful to utilize the depositor's fund in investment. Nabil Bank is more successful in managerial efficiency regarding the utilization of deposits than EBL. The average Return on Total Assets for Nabil Bank 2.43% and EBL has 1.84%. Higher the ratio indicates the success of management in overall operation and in earning net profit with efficient utilization of total assets. The mean ratio of Nabil Bank is higher than the EBL but EBL has more consistency than the Nabil bank with C.V. of EBL18.31%and C.V. of Nabil Bank is 19.51%. SoEBL has maintained its profitability.Net profit to total deposits ratio indicates the percentage of profit earned by using the total deposit. The mean ratio of Nabil Bank is higher than that of EBL. EBL is well equipped than Nabil Bank with its profit is highly earned and deposited amount is properly utilized. The average interest earned to total asset of EBL is higher than the Nabil bank , So Nabil Bank is well equipped than EBL with its interest is highly earned and Asset is properly utilized. But the both Banks were not so much successful in mobilizing their working fund to generate income.

In conclusion, uncontrollable growth in number of banks within a short span of time has raised reasonable doubts to the common people. Banks, Insurance Companies and other Companies are directly playing parts in the country to establish their banking with fully or partly repatriation facilities. Banks help to mobilize the small saving collectively to the huge capital investment through banking is considered as the platform of money market and capital markets, commercial banks basically help to promote the money market. Because of qualitative managerial skills, at most customer's satisfaction, objective to use advanced technology, commercial banks have been able to attain their objectives within short span of time.

5.3 Implication

Based on the analysis, interpretation & conclusions, some recommendations are made here so that the concerned authorities, future researchers, academicians, bankers can

get some insights on the present conditions on above topics. It is assumed that this research will be profitable to improve the current situation as well as for the grounding of further researches.

On the basis of the major findings some important suggestions have been forwarded so that they might help the sample banks to strengthen weaker aspects of the financial activities.

1. Profit is essential for the survival and growth of banks. But over the study period both the banks are seen unable to earn a satisfactory level of profit. In this context, both the banks are recommended to earn more operational profit either by increasing their operational efficiency, or by decreasing their operational expenses as far as possible. Because the financial statement has reflected that a large portion of profit is on account due to the fluctuation in the value of local currency, cannot be regarded as operating profit.
2. Banks should maintain liquidity ratio for the daily cash transactions. All the deposit should not be invested in loans and advances. Some percentages of deposit is to be kept in the banks for fulfilling the required demand of the customer. Standard liquidity ratio is 2:1, but here both the bank's current ratio is seen to be lower than this. Therefore the sample banks should modify their working capital policy to maintain the standard ratio.
3. EBL should be more serious to improve the efficiency in utilizing its deposits in loan and advance for generating the profits. But however, both the banks should keep up their efforts in utilizing their assets in performing assets at their best level.
4. Both the banks should be stabilized after proper diagnosis to the root cause of unsatisfactory liquidity.
5. Majority of private commercial banks have been found to be profit oriented, ignoring their social responsibility, which is not a proper strategy to sustain in long run. So, both the banks are suggested to render their services even in the rural areas providing special loans to the deprived and priority sectors, which might further intensify the good will of the banks in future.

6. The economic liberalization policy adopted by HMG has created an environment of strict competition even in the banking sectors. In this context, both the banks are suggested to formulate and implement some sound and effective financial and non-financial strategies to meet required level of profitability as well as the social responsibility.

APPENDICES

Appendices - I

Calculation of Arithmetic Mean (\bar{X}), Standard Deviation (σ) and Coefficient of Variation (CV)

Current Asset to Current Liabilities

Years	Nabil Bank		Everest Bank	
	Ratio(X)	$(X - \bar{X})^2$	Ratio(X)	$(X - \bar{X})^2$
2012/13	1.09	0.00081	1.084	0.000025
2013/14	1.086	0.00017	1.082	0.000049
2014/15	1.082	0.00030	1.080	0.000081
2015/16	1.11	0.00010	1.085	0.000016
2016/17	1.13	0.00092	1.114	0.000441
Total	$\Sigma X = 5.498$	$\Sigma (X - \bar{X})^2 = 0.00250$	$\Sigma X = 5.445$	$\Sigma (X - \bar{X})^2 = 0.00692$

For Nabil Bank

$$\text{Mean } (\bar{X}) = \frac{\sum Xi}{N}$$

$$\frac{5.498}{5}$$

$$= 1.0996$$

$$\text{Mean } (\bar{X}) = \frac{\sum Xi}{N}$$

$$= 1.089$$

For Everest Bank

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

$$\sqrt{\frac{0.00250}{4 - 1}}$$

$$= 0.025$$

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

$$\sqrt{\frac{0.000692}{4 - 1}}$$

$$= 0.012$$

$$\begin{aligned}
 \text{C.V} &= \frac{\sigma}{\bar{X}} \times 100 & \text{C.V} &= \frac{\sigma}{\bar{X}} \times 100 \\
 &= \frac{1.0996}{0.025} \times 100 & &= \frac{1.089}{0.012} \times 100 \\
 &= 2.27 \% & &= 1.101\%
 \end{aligned}$$

Cash and Bank Balance to Current and Saving Deposit

Years	Nabil Bank		Everest Bank	
	Ratio(X)	$(X - \bar{X})^2$	Ratio(X)	$(X - \bar{X})^2$
2012/13	19.26	18.40	38.45	86.11
2013/14	30.73	51.55	39.94	60.68
2014/15	33.56	100.20	63.28	242.11
2015/16	15.05	72.09	48.89	1.32
2016/17	19.15	19.31	48.13	0.16
Total	$\Sigma X = 117.764$	$\Sigma (X - \bar{X})^2 = 261.561$	$\Sigma X = 238.69$	$\Sigma (X - \bar{X})^2 = 390.47$

For Nabil Bank

$$\text{Mean } (\bar{X}) = \frac{\sum X_i}{N}$$

$$\frac{117.764}{5}$$

$$= 23.55$$

For Everest Bank

$$\text{Mean } (\bar{X}) = \frac{\sum X_i}{N}$$

$$\frac{238.69}{5}$$

$$= 47.73$$

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

$$\sqrt{\frac{261.561}{4 - 1}}$$

$$= 8.08$$

$$\sqrt{\frac{390.47}{4 - 1}}$$

$$= 9.9$$

$$C.V = \frac{\sigma}{\bar{X}} \times 100 \qquad C.V = \frac{\sigma}{\bar{X}} \times 100$$

$$= \frac{23.55}{8.08} \times 100 \qquad \frac{47.73}{9.9} \times 100$$

$$= 34.30\% \qquad = 20.74\%$$

Cash and Bank Balance to Total Deposit

Years	Nabil Bank		Everest Bank	
	Ratio(X)	$(X - \bar{X})^2$	Ratio(X)	$(X - \bar{X})^2$
2012/13	9.23	13.64	19.43	17.37
2013/14	17.18	17.64	21.20	5.71
2014/15	17.94	24.60	30.22	43.85
2015/16	9.50	11.97	24.66	1.12
2016/17	11.01	3.88	22.48	1.24
Total	$\Sigma X = 64.93$	$\Sigma (X - \bar{X})^2 = 71.73$	$\Sigma X = 117.99$	$\Sigma (X - \bar{X})^2 = 69.30$

For Nabil Bank

$$\text{Mean } (\bar{X}) = \frac{\sum X_i}{N}$$

$$\frac{64.93}{5}$$

$$= 12.98$$

For Everest Bank

$$\text{Mean } (\bar{X}) = \frac{\sum X_i}{N}$$

$$\frac{117.99}{5}$$

$$= 23.59$$

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

$$\sqrt{\frac{\sum (X - \bar{X})^2}{N - 1}}$$

$$\sqrt{\frac{71.73}{4 - 1}}$$

$$= 4.23$$

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

$$\sqrt{\frac{69.30}{4 - 1}}$$

$$= 4.16$$

$$\begin{aligned}
 \text{C.V} &= \frac{\sigma}{\bar{X}} \times 100 \\
 &= \frac{4.23}{12.98} \times 100 \\
 &= 32.58\%
 \end{aligned}$$

$$\begin{aligned}
 \text{C.V} &= \frac{\sigma}{\bar{X}} \times 100 \\
 &= \frac{4.17}{23.59} \times 100 \\
 &= 17.63\%
 \end{aligned}$$

Fixed Deposit to Total Deposit

Years	Nabil Bank		Everest Bank	
	Ratio(X)	$(X - \bar{X})^2$	Ratio(X)	$(X - \bar{X})^2$
2012/13	16.98	3.06	24.43	9.58
2013/14	15.73	0.23	23.39	17.05
2014/15	15.26	0.004	23.81	13.76
2015/16	8.04	51.92	27.73	0.044
2016/17	20.22	24.74	38.18	113.63
Total	$\Sigma X = 76.23$	$\Sigma (X - \bar{X})^2 = 79.90$	$\Sigma X = 137.63$	$\Sigma (X - \bar{X})^2 = 154.06$

For Nabil Bank

$$\begin{aligned}
 \text{Mean } (\bar{X}) &= \frac{\sum X_i}{N} \\
 &= \frac{76.23}{5} \\
 &= 15.246
 \end{aligned}$$

For Everest Bank

$$\begin{aligned}
 \text{Mean } (\bar{X}) &= \frac{\sum X_i}{N} \\
 &= \frac{137.63}{5} \\
 &= 27.52
 \end{aligned}$$

$$\begin{aligned}
 \text{Standard Deviation } (\sigma) &= \sqrt{\frac{\sum (X - \bar{X})^2}{N - 1}} \\
 &= \sqrt{\frac{79.90}{5}}
 \end{aligned}$$

Standard Deviation (σ) =

$$\sqrt{\frac{79.90}{4-1}}$$

$$=4.46$$

$$\sqrt{\frac{154.06}{4-1}}$$

$$=6.20$$

$$C.V = \frac{\sigma}{X} \times 100$$

$$= \frac{4.47}{15.24} \times 100$$

$$= 29.31\%$$

$$C.V = \frac{\sigma}{X} \times 100$$

$$= \frac{6.20}{27.52} \times 100$$

$$= 22.54\%$$

Loan and Advance to Total Deposit

Years	Nabil Bank		Everest Bank	
	Ratio(X)	$(X-\bar{X})^2$	Ratio(X)	$(X-\bar{X})^2$
2012/13	73.01	5.56	75.17	0.91
2013/14	72.56	3.64	76.59	5.63
2014/15	63.08	57.30	65.56	74.92
2015/16	69.05	2.56	72.49	2.97
2016/17	75.59	24.40	81.27	49.75
otal	$\Sigma X=353.25$	$\Sigma (X-\bar{X})^2$ =93.4717	$\Sigma X=371.08$	$\Sigma (X-\bar{X})^2$ =134.18

For Nabil Bank

$$\text{Mean } (\bar{X}) = \frac{\Sigma Xi}{N}$$

$$\frac{353.25}{5}$$

$$= 70.65$$

For Everest Bank

$$\text{Mean } (\bar{X}) = \frac{\Sigma Xi}{N}$$

$$\frac{371.08}{5}$$

$$= 74.216$$

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

$$\sqrt{\frac{\sum (X - \bar{X})^2}{N - 1}}$$

$$\sqrt{\frac{93.4717}{4 - 1}}$$

$$= 4.83$$

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

$$\sqrt{\frac{134.18}{4 - 1}}$$

$$= 5.79$$

$$\text{C.V} = \frac{\sigma}{\bar{X}} \times 100$$

$$= \frac{4.83}{70.65} \times 100$$

$$= 6.84\%$$

$$\text{C.V} = \frac{\sigma}{\bar{X}} \times 100$$

$$\frac{5.79}{74.21} \times 100$$

$$= 7.80\%$$

Loan and Advance to Fixed Deposit

Years	Nabil Bank		Everest Bank	
	Ratio(X)	$(X - \bar{X})^2$	Ratio(X)	$(X - \bar{X})^2$
2012/13	4.29	0.60	3.07	0.09
2013/14	4.16	0.20	3.27	0.25
2014/15	4.12	0.88	2.75	0.00012
2015/16	8.58	12.39	2.61	0.0234
2016/17	3.73	1.76	2.12	0.4147
Total	$\sum X = 25.84$	$\sum (X - \bar{X})^2 = 15.84$	$\sum X = 13.82$	$\sum (X - \bar{X})^2 = 0.78812$

For Nabil Bank

$$\text{Mean } (\bar{X}) = \frac{\sum X_i}{N}$$

For Everest Bank

$$\text{Mean } (\bar{X}) = \frac{\sum X_i}{N}$$

$$\frac{25.84}{5}$$

$$=5.06$$

$$\frac{13.82}{5}$$

$$=2.76$$

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

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

$$\sqrt{\frac{\sum(X - \bar{X})^2}{N-1}}$$

$$\sqrt{\frac{15.84}{4-1}}$$

$$=1.99$$

$$\sqrt{\frac{0.78812}{4-1}}$$

$$=0.44$$

$$\text{C.V} = \frac{\sigma}{\bar{X}} \times 100$$

$$\text{C.V} = \frac{\sigma}{\bar{X}} \times 100$$

$$= \frac{1.99}{5.06} \times 100$$

$$= \frac{0.44}{2.76} \times 100$$

$$=39.28\%$$

$$=16.05\%$$

loan and Advance to Current and Saving Deposit

Years	Nabil Bank		Everest Bank	
	Ratio(X)	$(X - \bar{X})^2$	Ratio(X)	$(X - \bar{X})^2$
2012/13	1.51	0.055	1.48	0.001
2013/14	1.29	0.0004	1.44	0.0025
2014/15	1.17	0.01	1.37	0.0144
2015/16	1.09	0.0324	1.43	0.0036
2016/17	1.31	0.002	1.73	0.0576
Total	$\sum X = 6.37$	$\sum (X - \bar{X})^2 = 0.0998$	$\sum X = 7.457$	$\sum (X - \bar{X})^2 = 0.0782$

For Nabil Bank

For Everest Bank

$$\text{Mean } (\bar{X}) = \frac{\sum X_i}{N}$$

$$\text{Mean } (\bar{X}) = \frac{\sum X_i}{N}$$

$$\frac{6.37}{5}$$

$$= 1.27$$

$$\frac{7.457}{5}$$

$$= 1.49$$

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

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

$$\sqrt{\frac{\sum(X - \bar{X})^2}{N - 1}}$$

$$\sqrt{\frac{0.0998}{4 - 1}}$$

$$= 0.15$$

$$\sqrt{\frac{0.0782}{4 - 1}}$$

$$= 0.13$$

$$\text{C.V} = \frac{\sigma}{X} \times 100$$

$$\text{C.V} = \frac{\sigma}{X} \times 100$$

$$= \frac{0.15}{1.27} \times 100$$

$$= 12.34\%$$

$$\frac{0.13}{1.49} \times 100$$

$$= 8.72\%$$

Total Investment to Total Deposit

Years	Nabil Bank		Everest Bank	
	Ratio(X)	$(X - \bar{X})^2$	Ratio(X)	$(X - \bar{X})^2$
2012/13	25.73	5.43	16.04	0.49
2013/14	24.26	11.84	10.47	23.61
2014/15	29.79	2.98	18.17	8.065
2015/16	32.76	22.07	19.41	16.64
2016/17	27.41	0.42	12.58	7.56
Total	$\sum X = 140.31$	$\sum (X - \bar{X})^2 = 42.74$	$\sum X = 76.67$	$\sum (X - \bar{X})^2 = 56.36$

For Nabil Bank

For Everest Bank

$$\text{Mean } (\bar{X}) = \frac{\sum X_i}{N}$$

$$\frac{140.31}{5}$$

$$= 28.06$$

$$\text{Mean } (\bar{X}) = \frac{\sum X_i}{N}$$

$$\frac{76.67}{5}$$

$$= 15.33$$

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

$$\sqrt{\frac{\sum (X - \bar{X})^2}{N - 1}}$$

$$\sqrt{\frac{42.74}{4 - 1}}$$

$$= 3.26$$

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

$$\sqrt{\frac{56.36}{4 - 1}}$$

$$= 3.75$$

$$\text{C.V} = \frac{\sigma}{\bar{X}} \times 100$$

$$= \frac{3.26}{28.06} \times 100$$

$$= 11.64\%$$

$$\text{C.V} = \frac{\sigma}{\bar{X}} \times 100$$

$$\frac{3.75}{15.33} \times 100$$

$$= 24.48\%$$

Return on Total Asset

Years	Nabil Bank		Everest Bank	
	Ratio(X)	$(X - \bar{X})^2$	Ratio(X)	$(X - \bar{X})^2$
2012/13	3.03	0.36	2.23	0.146
2013/14	2.58	0.0225	2.199	0.1239
2014/15	1.76	0.4489	1.58	0.0676
2015/16	2.21	0.0484	1.51	0.1089
2016/17	2.57	0.0196	1.72	0.0144
Total	$\sum X = 12.15$	$\sum (X - \bar{X})^2 = 0.8994$	$\sum X = 9.238$	$\sum (X - \bar{X})^2 = 0.4579$

For Nabil Bank

$$\begin{aligned} \text{Mean } (\bar{X}) &= \frac{\sum X_i}{N} \\ &= \frac{12.15}{5} \\ &= 2.43 \end{aligned}$$

$$\begin{aligned} \text{Standard Deviation } (\sigma) &= \sqrt{\frac{\sum (X - \bar{X})^2}{N - 1}} \\ &= \sqrt{\frac{0.8994}{4 - 1}} \\ &= 0.47 \end{aligned}$$

$$\begin{aligned} \text{C.V} &= \frac{\sigma}{\bar{X}} \times 100 \\ &= \frac{0.47}{2.43} \times 100 \\ &= 19.51\% \end{aligned}$$

For Everest Bank

$$\begin{aligned} \text{Mean } (\bar{X}) &= \frac{\sum X_i}{N} \\ &= \frac{9.238}{5} \\ &= 1.84 \end{aligned}$$

$$\begin{aligned} \text{Standard Deviation } (\sigma) &= \sqrt{\frac{\sum (X - \bar{X})^2}{N - 1}} \\ &= \sqrt{\frac{0.4579}{4 - 1}} \\ &= 0.33 \end{aligned}$$

$$\begin{aligned} \text{C.V} &= \frac{\sigma}{\bar{X}} \times 100 \\ &= \frac{0.33}{1.84} \times 100 \\ &= 18.31\% \end{aligned}$$

Return on Equity

Years	Nabil Bank		Everest Bank	
	Ratio(X)	(X - \bar{X}) ²	Ratio(X)	(X - \bar{X}) ²
2012/13	33.19	37.06	30.47	43.45
2013/14	30.39	10.81	28.39	20.43
2014/15	22.04	25.62	22.84	1.077
2015/16	24.26	8.07	20.32	12.65
2016/17	25.63	2.166	17.37	42.35
Total	$\sum X = 135.51$	$\sum (X - \bar{X})^2$	$\sum X = 119.39$	$\sum (X - \bar{X})^2$

		=83.733		=119.96
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For Nabil Bank

$$\text{Mean } (\bar{X}) = \frac{\sum Xi}{N}$$

$$\frac{135.51}{5}$$

$$= 27.10$$

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

$$\sqrt{\frac{\sum (X - \bar{X})^2}{N - 1}}$$

$$\sqrt{\frac{83.733}{4 - 1}}$$

$$= 4.57\%$$

For Everest Bank

$$\text{Mean } (\bar{X}) = \frac{\sum Xi}{N}$$

$$\frac{119.39}{5}$$

$$= 23.87$$

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

$$\sqrt{\frac{119.96}{4 - 1}}$$

$$= 5.47\%$$

$$\text{C.V} = \frac{\sigma}{\bar{X}} \times 100$$

$$= \frac{4.57}{27.12} \times 100$$

$$= 16.88\%$$

$$\text{C.V} = \frac{\sigma}{\bar{X}} \times 100$$

$$\frac{5.47}{23.87} \times 100$$

$$= 22.93\%$$

Net Profit to Total Deposit

Years	Nabil Bank		Everest Bank	
	Ratio(X)	$(X - \bar{X})^2$	Ratio(X)	$(X - \bar{X})^2$
2012/13	3.50	0.438	2.54	0.1354
2013/14	3.09	0.0625	2.49	0.1011
2014/15	2.01	0.6889	1.89	0.079

2015/16	2.56	0.0784	1.84	0.1102
2016/17	3.03	0.0361	2.10	0.0049
Total	$\Sigma X=14.19$	$\Sigma (X - \bar{X})^2$ =1.3041	$\Sigma X=10.86$	$\Sigma (X - \bar{X})^2$ =0.4306

For Nabil Bank

$$\text{Mean } (\bar{X}) = \frac{\Sigma X_i}{N}$$

$$\frac{14.19}{5}$$

$$= 2.83$$

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

$$\sqrt{\frac{1.3041}{4 - 1}}$$

$$= 0.57$$

$$\text{C.V} = \frac{\sigma}{\bar{X}} \times 100$$

$$= \frac{0.57}{2.83} \times 100$$

$$= 20.10\%$$

For Everest Bank

$$\text{Mean } (\bar{X}) = \frac{\Sigma X_i}{N}$$

$$\frac{10.86}{5}$$

$$= 2.17$$

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

$$\sqrt{\frac{0.4306}{4 - 1}}$$

$$= 0.32$$

$$\text{C.V} = \frac{\sigma}{\bar{X}} \times 100$$

$$\frac{0.32}{2.17} \times 100$$

$$= 15.10\%$$

Interest earned to Total Asset

Years	Nabil Bank		Everest Bank	
	Ratio(X)	$(X - \bar{X})^2$	Ratio(X)	$(X - \bar{X})^2$
2012/13	7.80	3.61	7.50	2.19
2013/14	6.26	0.12	7.34	1.17

2014/15	4.86	1.08	5.03	0.98
2015/16	4.83	1.14	4.44	2.49
2016/17	5.74	0.02	5.79	0.05
Total	$\Sigma X=29.49$	$\Sigma (X - \bar{X})^2$ =5.5417	$\Sigma X=30.01$	$\Sigma (X - \bar{X})^2$ =7.4558

For Nabil Bank

$$\text{Mean } (\bar{X}) = \frac{\sum X_i}{N}$$

$$\frac{29.49}{5}$$

$$= 5.89$$

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

$$\sqrt{\frac{\sum (X - \bar{X})^2}{N - 1}}$$

$$\sqrt{\frac{5.5417}{4 - 1}}$$

$$= 1.77$$

$$\text{C.V} = \frac{\sigma}{\bar{X}} \times 100$$

$$= \frac{1.77}{5.88} \times 100$$

=

$$= 22.67\%$$

For Everest Bank

$$\text{Mean } (\bar{X}) = \frac{\sum X_i}{N}$$

$$\frac{30.01}{5}$$

$$= 6.02$$

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

$$\sqrt{\frac{7.4558}{4 - 1}}$$

$$= 1.36$$

$$\text{C.V} = \frac{\sigma}{\bar{X}} \times 100$$

$$\frac{1.33}{6.02} \times 100$$

19.95%

Appendices - I I
Calculation of Trend Analysis

Least Square of Linear Trend of Total Deposit of Nabil Bank

Year (X)	Total Deposits (Y)	x = X-A	X²	XY
2012/13	63506.102	-2	4	-127012.204
2013/14	75360.769	-1	1	-75360.769
2014/15	103957.09	0	0	0
2015/16	110210.92	1	1	110210.92
2016/17	118896.16	2	4	237792.312
Total	471931.037	0	10	145630.259

Assume,

$$A = 2015$$

Now,

$$a = \frac{\sum Y}{N} = \frac{471931.03}{5} = 94386.2074$$

$$b = \frac{\sum XY}{\sum X^2} = \frac{145630.259}{10} = 14563.0259$$

Now for coming years,

For 017/18

$$\begin{aligned} Y &= a + bX \\ &= 94386.2074 + 14563.02 * 3 \\ &= 138075.26 \end{aligned}$$

For 018/019

$$\begin{aligned} Y &= a + bX \\ &= 94386.2074 + 14563.02 * 4 \\ &= 152638.28 \end{aligned}$$

For 019/020

$$\begin{aligned} Y &= a + bX \\ &= 94386.2074 + 14563.02 * 5 \end{aligned}$$

$$= 167201.30$$

For 020/021

$$\begin{aligned} Y &= a + bX \\ &= 94386.2074 + 14563.02 *6 \\ &= 181764.32 \end{aligned}$$

For 021/022

$$\begin{aligned} Y &= a + bX \\ &= 94386.2074 + 14563.02 *7 \\ &= 196327.3474 \end{aligned}$$

Least Square of Linear Trend of Total Deposit of EBL

Year(X)	Total Deposits (Y)	x = X-2015	X ²	XY
2012/13	57720.46	-2	4	-115440.92
2013/14	62108.13	-1	1	-62108.13
2014/15	83093.78	0	0	0
2015/16	93735.48	1	1	93735.48
2016/17	95094.46	2	4	190188.92
Sum	391752.31	0	10	106375.35

Assume,

$$A = 2015$$

Now,

$$\begin{aligned} a &= \frac{\sum Y}{N} = \frac{391752.31}{5} = 78350.462 \\ b &= \frac{\sum XY}{\sum X^2} = \frac{106375.35}{10} = 10637.535 \end{aligned}$$

Now for coming years,

For 017/18

$$\begin{aligned} Y &= a + bX \\ &= 78350.462 + 10637.535 * 3 \\ &= 110263.067 \end{aligned}$$

For 018/019

$$\begin{aligned} Y &= a + bX \\ &= 78350.462 + 10637.535 * 4 \\ &= 120900.602 \end{aligned}$$

For 019/020

$$\begin{aligned} Y &= a + bX \\ &= 78350.462 + 10637.535 * 5 \\ &= 131538.137 \end{aligned}$$

For 020/021

$$\begin{aligned} Y &= a + bX \\ &= 78350.462 + 10637.535 * 6 \\ &= 142175.672 \end{aligned}$$

For 021/022

$$\begin{aligned} Y &= a + bX \\ &= 78350.462 + 10637.535 * 7 \\ &= 152813.207 \end{aligned}$$

Least Square of Linear Trend of Loan and Advance of Nabil Bank

Year	Loan & Advances Y	x = X-2015	X ²	Y ²
2012/13	46369.83	-2	4	-92739.66
2013/14	54684.09	-1	1	-54684.09
2014/15	65501.92	0	0	0
2015/16	76106.01	1	1	76106.01
2016/17	89877.12	2	4	179754.24
Sum	332538.97	0	10	108436.5

Assume,

$$A = 2015$$

Now,

$$a = \frac{\sum Y}{N} = \frac{332538.97}{5} = 66507.794$$

$$b = \frac{\sum XY}{\sum X^2} = \frac{108436.5}{10} = 10843.65$$

Now for coming years,

For 017/18

$$\begin{aligned} Y &= a + bX \\ &= 66507.794 + 10843.65 * 3 \\ &= 99038.744 \end{aligned}$$

For 018/019

$$\begin{aligned} Y &= a + bX \\ &= 66507.794 + 10843.65 * 4 \\ &= 109882.394 \end{aligned}$$

For 019/020

$$\begin{aligned} Y &= a + bX \\ &= 66507.794 + 10843.65 * 5 \\ &= 120726.044 \end{aligned}$$

For 020/021

$$\begin{aligned} Y &= a + bX \\ &= 66507.794 + 10843.65 *6 \\ &= 131569.694 \end{aligned}$$

For 021/022

$$\begin{aligned} Y &= a + bX \\ &= 66507.794 + 10843.65 *7 \\ &= 142413.344 \end{aligned}$$

Least Square of Linear Trend of Loan and Advance of EBL

Year(X)	Loan & Advances (Y)	x = X-2015	X ²	XY
2012/13	43393.18	-2	4	-86786.36
2013/14	47572.02	-1	1	-47572.02
2014/15	54482.46	0	0	0
2015/16	67955.1	1	1	67955.1
2016/17	77287.76	2	4	154575.52
Sum	290690.52	0	10	88172.24

Assume,

$$A = 2015$$

Now,

$$\begin{aligned} a &= \frac{\sum Y}{N} = \frac{290690.52}{5} = 58138.104 \\ b &= \frac{\sum XY}{\sum X^2} = \frac{88172.24}{10} = 8817.224 \end{aligned}$$

Now for coming years,

For 017/18

$$\begin{aligned} Y &= a + bX \\ &= 58138.104 + 8817.224 *3 \\ &= 84589.776 \end{aligned}$$

For 018/019

$$\begin{aligned} Y &= a + bX \\ &= 58138.104 + 8817.224 *4 \\ &= 93407 \end{aligned}$$

For 019/020

$$\begin{aligned} Y &= a + bX \\ &= 58138.104 + 8817.224 *5 \\ &= 102224.224 \end{aligned}$$

For 020/021

$$\begin{aligned} Y &= a + bX \\ &= 58138.104 + 8817.224 *6 \\ &= 111041.448 \end{aligned}$$

For 021/022

$$\begin{aligned} Y &= a + bX \\ &= 58138.104 + 8817.224 *7 \\ &= 119858.672 \end{aligned}$$

Least Square of Linear Trend of Investment of Nabil Bank

Year(X)	Investment (Y)	x = X-2015	X²	XY
2012/13	16344.42	-2	4	-32688.84
2013/14	18283.59	-1	1	-18283.59
2014/15	30978.93	0	0	0
2015/16	36109.85	1	1	36109.85
2016/17	32593.66	2	4	65187.32
Sum	134310.45	0	10	50324.74

Assume,

$$A = 2015$$

Now,

$$a = \frac{\sum Y}{N} = \frac{134310.45}{5} = 26862.09$$

$$b = \frac{\sum XY}{\sum X^2} = \frac{50324.74}{10} = 5032.475$$

Now for coming years,

For 017/18

$$\begin{aligned} Y &= a + bX \\ &= 26862.09 + 5032.475 * 3 \\ &= 41959.515 \end{aligned}$$

For 018/019

$$\begin{aligned} Y &= a + bX \\ &= 26862.09 + 5032.475 * 4 \\ &= 46991.99 \end{aligned}$$

For 019/020

$$\begin{aligned} Y &= a + bX \\ &= 26862.09 + 5032.475 * 5 \\ &= 52024.465 \end{aligned}$$

For 020/021

$$\begin{aligned} Y &= a + bX \\ &= 26862.09 + 5032.475 * 6 \\ &= 57056.94 \end{aligned}$$

For 021/022

$$\begin{aligned} Y &= a + bX \\ &= 26862.09 + 5032.475 * 7 \\ &= 62089.415 \end{aligned}$$

Least Square of Linear Trend of Investment of EBL

Year(X)	Investment (Y)	x = X-2015	X ²	XY
2012/13	9263.85	-2	4	-18527.7
2013/14	6504.18	-1	1	-6504.18
2014/15	15102.67	0	0	0
2015/16	18198.1	1	1	18198.1
2016/17	11964.56	2	4	23929.12
Sum	61033.36	0	10	17095.34

Assume,

$$A = 2015$$

Now,

$$a = \frac{\sum Y}{N} = \frac{61033.36}{5} = 12206.672$$

$$b = \frac{\sum XY}{\sum X^2} = \frac{17095.34}{10} = 1709.534$$

Now for coming years,

For 017/18

$$Y = a + bX$$

$$= 12206.672 + 1709.534 * 3$$

$$= 17335.274$$

For 018/019

$$Y = a + bX$$

$$= 12206.672 + 1709.534 * 4$$

$$= 19044.806$$

For 019/020

$$Y = a + bX$$

$$= 12206.672 + 1709.534 * 5$$

$$= 20754.342$$

For 020/021

$$\begin{aligned} Y &= a + bX \\ &= 12206.672 + 1709.534 * 6 \\ &= 22463.874 \end{aligned}$$

For 021/022

$$\begin{aligned} Y &= a + bX \\ &= 2206.672 + 1709.534 * 7 \\ &= 24173.41 \end{aligned}$$

Least Square of Linear Trend of Net Profit of Nabil Bank

Year(X)	Net Profit(Y)	x = X-2015	X ²	XY	XY
2012/13	2226.68	-2	4	-4453.36	2226.68
2013/14	2331.44	-1	1	-2331.44	2331.44
2014/15	2098.16	0	0	0	2098.16
2015/16	2823.46	1	1	2823.46	2823.46
2016/17	3613.2	2	4	7226.4	3613.2
Sum	13092.94	0	10	3265.06	13092.94

Assume,

$$A = 2015$$

Now,

$$\begin{aligned} a &= \frac{\sum Y}{N} = \frac{13092.94}{5} = 2618.588 \\ b &= \frac{\sum XY}{\sum X^2} = \frac{3265.06}{10} = 326.506 \end{aligned}$$

Now for coming years,

For 017/18

$$\begin{aligned} Y &= a + bX \\ &= 2618.588 + 326.506 * 3 \\ &= 6546.46 \end{aligned}$$

For 018/019

$$\begin{aligned} Y &= a + bX \\ &= 2618.588 + 1309.294 * 4 \\ &= 7855.764 \end{aligned}$$

For 019/020

$$\begin{aligned} Y &= a + bX \\ &= 2618.588 + 1309.294 * 5 \\ &= 9165.058 \end{aligned}$$

For 020/021

$$\begin{aligned} Y &= a + bX \\ &= 2618.588 + 1309.294 * 6 \\ &= 10474.352 \end{aligned}$$

For 021/022

$$\begin{aligned} Y &= a + bX \\ &= 2618.588 + 1309.294 * 7 \\ &= 11783.646 \end{aligned}$$

Least Square of Linear Trend of Net Profit of EBL

Year(X)	Net Profit(Y)	x = X-2015	X²	XY	XY
2012/13	1471.11	-2	4	-2942.22	1471.11
2013/14	1549.69	-1	1	-1549.69	1549.69
2014/15	1574.35	0	0	0	1574.35
2015/16	1730.2	1	1	1730.2	1730.2
2016/17	2006.24	2	4	4012.48	2006.24
Sum	8331.59	0	10	1250.77	8331.59

Assume,

$$A = 2015$$

Now,

$$a = \frac{\sum Y}{N} = \frac{8331.59}{5} = 1666.318$$

$$b = \frac{\sum XY}{\sum X^2} = \frac{8331.59}{10} = 833.15$$

Now for coming years,

For 017/18

$$\begin{aligned} Y &= a + bX \\ &= 1666.31 + 833.15 * 3 \\ &= 4165.787 \end{aligned}$$

For 018/019

$$\begin{aligned} Y &= a + bX \\ &= 1666.31 + 833.15 * 4 \\ &= 4998.91 \end{aligned}$$

For 019/020

$$\begin{aligned} Y &= a + bX \\ &= 1666.31 + 833.15 * 5 \\ &= 5832.06 \end{aligned}$$

For 020/021

$$\begin{aligned} Y &= a + bX \\ &= 1666.31 + 833.15 * 6 \\ &= 6665.21 \end{aligned}$$

For 021/022

$$\begin{aligned} Y &= a + bX \\ &= 1666.31 + 833.15 * 7 \\ &= 7498.36 \end{aligned}$$

Appendices III

CONSOLIDATED FINANCIALS

Consolidated Balance Sheet

As at 15 July 2017 (31 Ashadh 2074)

(NPR)

CAPITAL & LIABILITIES	THIS YEAR	PREVIOUS YEAR
1. Share Capital	8,041,159,100	6,185,507,000
2. Reserves & Surplus	6,132,250,589	5,453,679,291
3. Non Controlling Interest	144,530,683	112,763,605
4. Debentures & Bonds	300,000,000	300,000,000
5. Borrowings	3,056,310,000	1,900,000,000
6. Deposits	118,684,419,344	110,210,927,524
7. Bills Payable	319,186,262	293,514,363
8. Proposed Dividend	1,113,391,260	711,518,920
9. Income Tax Liabilities	-	-
10. Other Liabilities	2,906,015,003	2,451,448,463
Total	140,697,262,241	127,619,359,166

ASSETS	THIS YEAR	PREVIOUS YEAR
1. Cash Balance	1,637,483,131	1,640,632,219
2. Balance with Nepal Rastra Bank	10,274,403,004	5,826,016,495
3. Balance with Banks/Financial Institutions	1,314,550,973	3,025,881,300
4. Money at Call and Short Notice	-	390,018,493
5. Investment	32,729,357,228	36,539,256,759
6. Loans, Advances and Bills Purchased	89,877,127,406	76,106,016,881
7. Fixed Assets	813,297,010	788,036,713
8. Non Banking Assets	-	-
9. Other Assets	4,051,043,489	3,303,500,306
Total	140,697,262,241	127,619,359,166

Consolidated Profit

For the period 16 July 2016 to 15 July 2017 (16)

PARTICULARS
1. Interest Income
2. Interest Expense
Net Interest Income
3. Commission and Discount
4. Other Operating Income
5. Exchange Income
Total Operating Income
6. Staff Expense
7. Other Operating Expense
8. Exchange Loss
Operating Profit before Provision for Possible Losses
9. Provision for Possible Losses
Operating Profit
10. Non Operating Income/(Expense)
11. Provision for Possible Losses Write Back
Profit from Regular Activities
12. Income/(Expense) from Extra-ordinary Activities
Profit from All Activities
13. Provision for Staff Bonus
14. Provision for Income Tax
Current Tax
Prior Period Tax
Deferred Tax
15. Share of Non-Controlling Interest in the Profit
Net Profit/(Loss)



Balance Sheet

As on 31 Ashadh 2074 (15th July, 2017)

S.No.	Capital and Liabilities	Schedule	This Year Rs.	Previous Year Rs.
1	Share Capital	4.1	7,732,723,147	4,606,426,899
2	Reserve and Surplus	4.2	3,811,858,733	3,907,661,213
3	Debenture and Bonds	4.3	1,068,845,000	1,068,845,000
4	Loans and Borrowings	4.4	14,761,650	2,500,000
5	Deposit Liabilities	4.5	95,094,461,030	93,735,480,708
6	Bills Payable	4.6	471,729,717	1,365,317,237
7	Proposed Dividend		110,422,513	106,495,939
8	Income Tax Liabilities		-	-
9	Other Liabilities	4.7	8,205,643,786	9,092,319,407
	Total Capital and Liabilities		116,510,445,575	113,885,046,402

S.No.	Assets	Schedule	This Year Rs.	Previous Year Rs.
1	Cash in Hand	4.8	3,060,845,724	2,514,947,575
2	Balance with Nepal Rastra Bank	4.9	14,577,083,955	13,356,018,269
3	Balance with Other Banks & Financial Institutions	4.10	3,745,560,351	7,246,428,654
4	Money at Call and Short Notice	4.11	-	-
5	Investments	4.12	11,964,561,347	18,198,739,944
6	Loan, Advances and Bills Purchased	4.13	77,287,764,142	67,955,107,021
7	Fixed Assets	4.14	728,387,934	678,987,899
8	Non-Banking Assets	4.15	-	-
9	Other Assets	4.16	5,146,242,122	3,934,817,040
	Total Assets		116,510,445,575	113,885,046,402



Profit and Loss Account

From Shrawan 1st, 2073 to Ashadh 31st, 2074 (July 16, 2016 to July 15, 2017)

Particulars	Schedule	This Year Rs.	Previous Year Rs.
1 Interest Income	4.18	6,747,148,285	5,057,077,497
2 Interest Expenses	4.19	3,009,792,494	1,828,492,869
Net Interest Income		3,737,355,791	3,228,584,628
3 Commission and Discounts	4.20	346,169,793	285,939,873
4 Other Operating Income	4.21	565,449,748	509,795,262
5 Exchange Income	4.22	94,025,599	112,975,610
Total Operating Income		4,743,000,931	4,137,295,373
6 Staff Expenses	4.23	882,328,736	699,880,930
7 Other Operating Expenses	4.24	681,018,155	603,177,998
8 Exchange Loss	4.22	-	-
Operating Profit Before Provision for Possible Loss		3,179,654,040	2,834,236,445
9 Provision for Possible Losses	4.25	89,728,124	168,133,771
Operating Profit		3,089,925,916	2,666,102,674
10 Non-operating Income/Loss	4.26	16,511,723	24,718,829
11 Write-back of Loan Loss Provision	4.27	43,323,645	92,751,077
Profit from Regular Activities		3,149,761,284	2,783,572,580
12 Profit /Loss from Transaction of Extraordinary Nature	4.28	-	4,278,683
Profit after Inclusion of all Transaction		3,149,761,284	2,787,851,263
13 Provision for Staff Bonus		286,341,935	253,441,024
14 Provision for Income Tax			
Tax for the year		852,882,594	752,147,755
Tax for Earlier Year		-	45,000,000
Current Year Deferred Tax (Income)/Expense		4,288,975	7,055,459
NET PROFIT		2,006,247,780	1,730,207,025

Schedules 4.18 to 4.28, 4.32 and 4.33 are integral part of the Profit & Loss Account

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Websites:

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