CHAPTER – I
INTRODUCTION

1.1 Background of the Study:

Nepal is a developing country. Nepal is not being able to develop its economic condition due to various factors like political, Socio-cultural, technological environment of the country. The landlocked nature made it deprived form access to sea, which is very essential for trade with foreign country as sea transportation is considered as cheapest source of transportation. Not only that it has very less amount of resources, which are not utilized properly due to poor policies of government and lack of sufficient of capital. As Nepal is a developing country where many people are under poverty line. Even though banks and co-operatives plays paramount rule for making people life standard better by making them habit of saving, providing loans and other facility. A bank is a financial institution, which can play significant role in the rise of the economic situation of the developing country like Nepal. Bank plays a vital role to encourage thrift and discourage hoarding by mobilizing the resources and removing the habit of hoarding. They peruse economic growth rapidly, developing the banking habit among the people by collecting small-scattered resources in one bulk, using them in further productive purpose and rendering the valuable services to the country. Commercial bank deals with the offer of collected deposits and provides the loan for commercial purpose. In the other words, commercial bank's facilities also become right hand for the growth of trade and industry of national economy of developing country like Nepal. A good investment can be effective on for the economy to attain the economic objective directed towards the acceleration of the pace of development. A good investment pattern attracts both borrowers and lenders, which helps to increase the volume and quality of deposit, loan and investment. Nepalese commercial banks lag far behind fulfilling the responsibilities to invest in the crucial sector of the economy for the enlistment of the national economy.

Financial performance analysis can be considered as a heart of the financial decision. The growth and development of any enterprises is directly influenced by the financial policies. Rational evaluation of the financial performance of the financial management in public enterprise is too much involved in record keeping, raising necessary funds and maintaining relationship with the bank or other financial institutions. But financial aspect is one of the most neglected aspects of public enterprises in Nepal. However, commercial banks have analyzed financial performance for their corrective actions. But their analysis is limited within the banks themselves. Financial condition of business firm should be sound from the point of view of shareholder, debenture holders, financial institution and nation as whole. However, the type of analysis varies according to the specific interest of the party involved, shareholders of the firm are concerned principally with the present and expected future earnings, the stability of the earnings as well as their variations with the earnings of other enterprises. This indicates that they concentrate their analysis on the profitability of the firm.

Financial performance as a part of the financial management is the main indicator of the success or failure of the enterprises. There are different personal institutions that are affected by the decision of the enterprises stockholders such as owners, managers, creditors, investors, customers; tax authorities etc. are indirectly interested about the financial performance, of the enterprise. Shareholders of the enterprise are concerned principally with the present and expected future earning and the stability of the earning of other enterprises. This shows that they concentrate their analysis on the profitability of the enterprises. The study will deal with the comparative analysis of financial performance of Everest Bank Limited and Nepal Arab Bank Limited.

Banking industries is also regarded as one component of economy. It transfers the scattered funds collected from saving of the public into various productive sectors. Economic activities remain halt in absence of banking industries. It plays the role of catalyst for economic development of the country in the developing country where there prevail unorganized transactions. It helps to enhance economic activities of the country by providing capital funds for the smooth operation of business activities, create employment opportunities, investing agriculture, industry. At present, there are altogether twenty-eight commercial banks operating in the country among which Nepal Bank Limited (NBL) and Rastriya Banjiya Bank (RBB) has occupied wide range of the business due to access to most of the corner of the country. Slowly private banks are also initiating to move toward every corner of the country but due to prevailing political crisis they are not being able to meet their objects to reach to every corner of the country. Due to increasing competition banks are forced to innovate new products to their customer and they are also shifting from traditional service procedure to various sophisticated services like Automatic Teller Machine (ATM) card, debit cards, housing loan educational loans, vehicle financing.

To depict the performance of any firm financial analysis is essential past performance often a good indicator of future performance. Therefore, all parties are interested know the trend of past variable such as sales, expenses, net income, cash flow and return on investment and so on. Financial analysis is the process of critical judgment of detail accounting information given in the financial statement. Financial analysis is the process of determining the significant operation and financial characteristics of a firm from accounting data. It shows the relationship between the various components, which can be found in balance sheet and profit and loss statement. The analyze statement contain that information which is useful for management, shareholder, creditors, investors, depositors etc.

1.1.1 Introduction to Bank:

The word bank is originated from the Italian word 'Banco' In Italian language its meaning is bench. At that, time people were doing monetary transaction by sitting on bench thereafter the trade is known as Bank. As Nepal is a developing country where many people are under poverty line. Even though banks and co-operatives plays paramount rule for making people life standard better by making them habit of saving, providing loans and other facility.

As the commercial banks are multi-facilitated and popular, the study is all about the "Comparative analysis of financial performance of Everest Bank Ltd. (EBL) and Nepal Arab Bank Ltd. (NABIL).

1.1.2 Profile of EBL and NABIL:

Everest Bank Limited (EBL) was founded in 1994 in joint venture with Punjab National Bank (PNB). The bank has been one of the leading banks of the country and has been catering its services to various of the society. With clients from all walks of life the bank has helped developed the nation corporately, agriculturally and industrially.

EBL joint venture partner PNB is holding 20% of equity.PNB is the largest nationalized bank in India having presence virtually in all-important centers. Owing to it's performance during the year 2012-13, the Bank earned many laurels & accolades in recognition to its service & overall performance with "IDRBT"

Banking Technology Excellence Award" under Customer Management & Intelligence initiatives. EBL provides customer-friendly services through its wide network connected through ABBS system, which enables customers for operational transactions from any branches.

Nepal Arab Bank Ltd (NABIL): NABIL is the nation's first private sector bank, commencing it's business since July 1984.It was incorporated with the objective of extending international standard modern banking services to various sector of the society. Pursuing its objective, Nabil provides a full range of commercial banking services through its 74 points of representations. In addition to this, Nabil has presence through over 1500 Nabil remit agents throughout the nation. Nabil, as a pioneer in introducing many innovative products and marketing concepts in the domestic banking sector, represents a milestone in the banking history of Nepal as it started an era of modern banking with customer satisfaction measured as a focal objective while doing business.

1.2 Statement of Problem:

There is high flow of money in the market but less viable and investable projects. In the current situation, there is mismatch of deposit and investable funds of banks. Therefore, the introduction of a new bank is just sharing a cake rather than pumping new capital or new technology, as Nepalese market is almost felt safeguarded. Few commercial banks are continuously making profit, satisfying their shareholders, and returning them adequate profit. This has attracted the potential customers to power their money into banks, as there are very few sectors to make profitable investment and the investors are always reluctant to risk. They do not take initiation to invest in other sectors. Therefore, commercial banks have a lot of deposits.

This research will highlight the problems relating with banking sector with respect to two ample joint venture banks they are Everest Bank Ltd (EBL) and Nepal Arab Bank Limited (NABIL).

The sample banks, which are chosen for the studies, have achieved success in terms of market share and profitability. However, it cannot always predict that these banks will continue maintain profitability and stability of earnings. Thus, the management of bank should evaluate financial performance of the banks to prepare the sound financial policies. There are twenty-eight commercial banks operating in Nepal. They collected adequate amount from the mass, however they could not find or locate new investment sectors required to mobilize their funds on the changing context of Nepal. Many banks are increasing liquidity, has caused a downward trend in investment sectors. It has ensued bad impacts on interest rate to the depositors, lower dividend to the shareholders, lower contribution to national revenues market value of shares etc. For the assessment of such adverse impact, this study has liquidity position of commercial banks.

Thus the present study seeks to explore the efficiency and weakness of EBL and NABIL attempt is also being made to explore the following questions:

- **i)** Whether or not banking sector is able to maintain different ratios?
- **ii)** What are the financial performances of EBL and NABIL during the study period?
- **iii)** What type of role a bank has to play for emerging new business?
- **iv)** What are the financial strength and weakness of the EBL and NABIL?
- **v)** How efficient these banks are managing their relative financial position like liquidity, efficiency and profitability?

1.3 Significance of the Study:

This study mainly filling gap of the study of financial performance of concerned banks. Especially, this study deals with comparative study of investment policy of Everest Bank Ltd. and Nepal Arab Bank Limited. The EBL and NABIL is mandated by Government of Nepal to provide financial services to the rural population to stimulate income and generate employment in remote areas. This study will find the strengths and weaknesses of the Bank by analyzing the opportunities and threats in its overall conduct in the real ground. This study will also be an important support to the management owner clients, steak holders and other interest groups in analyzing the Bank's economic strength and performance efficiency. As it is a well-known fact that the Development Banks can affect the economic condition of the whole country. It will be helpful to the policy makers while formulating the policy regarding both sampled banks and people can understand how benefit is taking by them from the semi-government banks. The study is basically confined to review the financial performance and investment policies of the banks during the five years' period. This study is expected to provide a useful feedback to the policy maker of banks and also to the government and central bank (NRB) to formulate the appropriate strategies for improvement in the performance of banks. Moreover, this study can also be used as reference point by the international organization like ADB, World Bank etc.

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. It provides different facility so that businessmen can run their business smoothly. At present context, an offers wide range of facility such as any branch banking facility, Internet banking and SMS banking, ATMs and Tele-banking, Small business enterprises loan, pre-paid visa card, L/C, Bank Guarantee etc. These all facility including other temporary facility has made people life very convenience and easy.

1.4 Purpose of the Study:

Commercial banks are established with intention of earning profit so that the wealth their shareholder is maximized and earning depends upon efficient the mobilization resources. Financial analysis is tools for measuring the successes of any business performance. All the detail financial information or bank is shown by the financial analysis.

The purpose of the study is to examine and evaluate the financial performance of EBL and NABIL with the help of ratio analysis and other measuring tools. Besides, the following specific purpose are to support the evaluation and comparison of the efficiency and progress of these banks:

i) To analyze the comparison of financial performance of EBL and NABIL.
ii) To explore the financial strength and weakness of EBL and NABIL.
iii) To examine the relationship between loan and deposit, loan and net profit of EBL and NABIL.
iv) To analyze the different types of risk associated with the banks

1.5 Limitations of the Study:

This study has attempted to evaluate the comparative analysis of financial performance of the EBL and NABIL. Every study has its own restriction and limitations due to the lack of time, resources and knowledge. This study is also not an exception. The following are the limitations of the study:

i) This study would only concern with fulfilling in partial requirement in Masters of Business Studies (MBS).
ii) Only secondary data is used for analysis.

iii) The study has been focused on the financial performance of EBL and NABIL with the help of financial tools and does not cover other aspects.

iv) It covers the financial performance of EBL and NABIL for the periods from 2012/13-2016/17 only.

v) The conclusion drawn up from this study may or may not be applicable to other commercial banks in Nepal.

vi) The study deals with selected financial tools such as ratio analysis and statistical tools.

1.6 Chapter Plan:

This research work has been divided into five chapters, i.e. Introduction, Review of Literature, Research Methodology, Data Presentation and Analysis and finally Summary, Conclusion and Recommendation.

Chapter I: Introduction

The first chapter includes background of the study, statement of the problem, objective of the study, significance of the study and limitation of the study.

Chapter II: Review of Literature

The second chapter incorporates review of theoretical and related literature regarding the subject matter publications of writers and researchers have been related to the topic.

Chapter III: Research Methodology

This chapter explains the research methodology used in the study, which includes research designs, nature and sources of data, data collection, data analysis technique and different statistical and financial tools used in the study.

Chapter IV: Results & Discussion

This chapter deals with the major part of the study. This chapter includes presentation and analysis of data using different statistical tool, and major findings.

Chapter V: Conclusion & Implications

This chapter deals with summary and conclusion of the study and recommendations and suggestion regarding the subject matter.

Beside these refrences and appendices have also been annexed at the end of the thesis. Similarly, acknowledgment, table of contents, list of tables, list of figures and abbreviation has been included in the beginning of this thesis report.

CHAPTER – II

REVIEW OF LITERATURE

A literature review is a body of text that aims to review the critical points of current knowledge on a particular topic. In this chapter, we find what kind of study has been done before to the related topic. What kind of conclusion and findings has made before? We can compare and make better the topic by furthermore research and find major findings. The financial performance analysis has been done but comparison study is done very few. Therefore, the study will be helpful to know the EBL and NABIL financial position and their major differences. The study sources are books, journals, report, internet etc

Review of literature is the study of previous research or article or book in related field or topics for finding the past studies conclusion and deficiencies that may be known for further research. This chapter will help to check the chances of duplication in the present study. Thus the gap between the previous research and current research can be filled.

Therefore, the chapter is categorized under three main heading. Firstly, Conceptual framework is concern with fundamental of supportive text that will ensure the interpretation whether it is under the principles and doctrine of the theories related to the topic. Second is review of related studies is about the studies is about the studies of previous thesis, related books and previous researches in similar topics. The last is research gap, which will describe the difference between the previous thesis and current thesis. The purposes of the literature review are as follows: -

i) To define and limit the problem working on.
ii) To place the study in an historical perspective.
iii) To avoid unnecessary duplication.
iv) To evaluate promising research methods.
v) To relate the findings to previous knowledge and suggest further research.

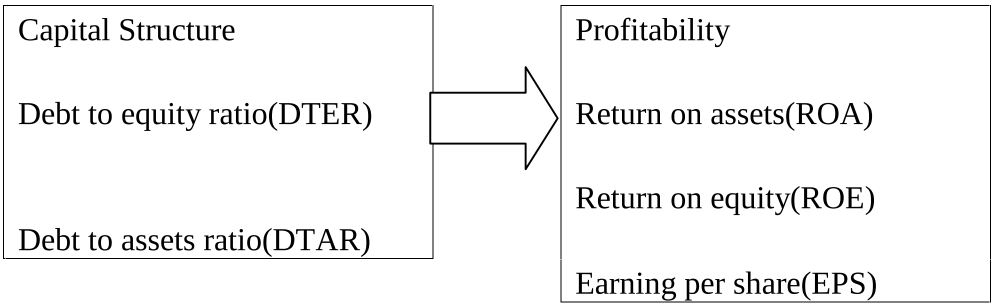
2.1 Conceptual Framework:

The modern financial evaluation has greatly affected the role and importance of financial performance. Nowadays, finance is best characterized as ever changing with new ideas and techniques. Only efficient manager of the company can achieve the set of goals. If a bank does not maintain adequate equity capital, it makes the bank more risky. If a bank has inadequate equity capital, it must be used more debt that has high fixed cost. So any firm must have adequate equity capital in their capital structure. The main objectives of the bank are to collect deposits as much as possible from the customers and to mobilize into the most profitable sector. If a bank fails to utilize its collected resources, it cannot generate revenue. Resource mobilization management of bank includes resource collection, investment portfolio loan and advances, working capital, fixed assets management etc. It measures the extent to which is useful to utilize its resources. To measure the bank performance in many aspects, we should analyze its financial indicator with the help of financial statement.

Besides, though there are different measures of profitability to be used as variables in measuring profitability of banks, this study considered ROA, ROE and EPS as measure of profitability of the commercial banks in Nepal with the concept of profitability of banks in Nepal is affected by their capital structure.

Based on the theoretical concepts and empirical studies stated above as well as to meet the objectives of the study, the following variables are selected and presented as conceptual framework.

Independent Variables Dependent Variables



2.2.1 Research Hypothesis:

The main objective of the study is to examine the impact of capital structure on profitability of Nepalese commercial banks. To achieve this research objective, following hypothesis will be tested and determined the relationship between the various independent and dependent variables:

i) H1: There is significant relationship between debt to equity and EPS of Nepalese commercial banks.
ii) H2: There is significant relationship between debt to assets and EPS of Nepalese commercial banks.

iii) H3: There is significant relationship between debt to equity and ROA of Nepalese commercial banks.

iv) H4: There is significant relationship between debt to assets and ROA of Nepalese commercial banks.

v) H5: There is significant relationship between debt to equity and ROE of Nepalese commercial banks.

vi) H6: There is significant relationship between debt to assets and ROE of Nepalese commercial banks.

2.2 Review of Previous Works:

2.2.1 Review of Journal and Articles:

Mr. N. P. Poudel,(2016) in the journal entitled," Financial Statement Analysis: An Approach to Evaluate Bank's Performance" which was published NRB Samachar. According to Mr. Poudel, Balance sheet, profit and loss a/c and the accompanying notes are the most useful aspects of the banks. It needs to understand the major characteristics of bank's balance sheet and profit and loss a/c. The bank's balance sheet is composed of financial claims as liabilities in the form of deposits and as assets in the form of loans. Fixed assets account forms a small portion of the total assets. Financial innovations, which are generally contingent in nature, are considered as off-balance sheet item.

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

According to Mr. Poudel, the principle objectives of analyzing financial statement are to identify Liquidity, Profitability and Solvency. Most of users of the financial statements are interest in assessing the bank's overall performance that is affected by the following factors:

i) The structure of balance sheet and profit and loss account.

ii) Operating efficiency and internal management system.
iii) Managerial decision taken by top management regarding interest rate, exchange rate, lending policies etc.
iv) Environmental changes (Technology, Government, Competition and Economy)

The other factors to be considered in analyzing the financial statement of bank are to assess the capital adequacy ration and liquidity position. In the line of adequacy of bank is assessed on the basis of risk-weighted assets. It indicates a bank's strength and solvency. Bank facing with capital adequacy problem may increase capital or reduce assets or reallocate the existing assets structure in order to maintain the desired level of capital base.

Liquidity is measured by the speed with which a bank's assets can be converted in to cash to meet deposit withdrawals and other current obligations. It is also important view of survival and growth of a bank.

Dr. M. K. Shrestha (2016) in the journal entitled," Commercial Bank's Comparative performance evaluation", which was published in Karmachari Sanchay Kosh.

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

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

Padma and Arulmathi (2013), in his article “Financial performance of State Bank of India and ICICI bank” emphasized the financial performance and efficiency of commercial banks are the key elements of countries financial system. In view of this, the study set out to apply Profitability ratios, Solvency ratios and Management efficiency ratios on SBI and ICICI bank in order to compare their efficiency and solvency position. On the basis of analysis, it has been found that both the banks are maintaining the required standards and running profitably. This comparative study of SBI and ICICI banks demonstrates that there are significant differences on the performance of these banks. In terms of deposit, advances, investments, net profit and total assets. Based on the study it can be said that SBI have an extensive operation than ICICI bank.

The researcher has selected the main objective to compare the financial performance, to know the profitability position and managerial efficiency. For that objective, the researcher used the different research methodology, which includes research design, sample design, selection of the sample units and data collection. The researcher represented the net profit ratio, operating ratio, return on shareholder investment (ROI), earning per share (EPS), total assets turnover ratio, dividend payout ratio and debt-equity ratio.

Abu Zafar Mahmudul Haq (2015), in his article “A comparative study of financial performance of NBL and BRAC in Bangladesh’’, the banking system of Bangladesh is facing crucial moment. In his context, the objective of the study is to analyze the performance evaluation of NBL and BRAC bank in Bangladesh. Data of this study come from secondary sources such as annual reports, websites, articles, newspapers and company profiles. Data has been analyzed through growth percentage, standard deviation, trend equation, square of correlation coefficient and correlation matrix for the purpose of evaluating the performance of NBL and BRAC banks of Bangladesh. The selected parameter of performance analysis are branches employees, deposits, loan and advances and net income. It is observed that the selected banks are able attain growth. However, selected performance parameter of BRAC bank is stable compare to the NBL bank. The results of trend values of selected parameter are positive for the both banks except the net income trend value of NBL, which is found negative. The square of correlation coefficient of branches, employees, deposits, loan and advances, net income is more than 0.080 except the NBL which indicates very low r2 i.e.

0.14.The result indicate that the prospect of BRAC bank is brighter than the NBL. It also thought that the prospect of private commercial bank in Bangladesh is mixed with bright and gloom pictures.

Performance of NBL and BRAC banks are evaluated from the viewpoints of some selected factors. It is assumed that most of the selected factors of BRAC bank are stable while it is unstable in the case of NBL. However, the growth percentage of the selected factors is comparatively higher in NBL than BRAC bank. It is also found that trend equations of all selected factors are positive in case of BRAC bank compared to the NBL. It is also evident that interrelationships among the different factors with net income are poor in case of NBL while this relationship is very well in case of BRAC bank. It can be concluded that BRAC bank is operating well compared to the NBL with minor exceptions. Probably NBL is not patience for the banking operations and it likes to issue big loans etc., to earn quick profits, which may damage the health of the bank as it is noticed from many evidences (Muklesur Rahman 2015).

Edward I. Altman (2014) in “journal of finance” employed financial ratio to predict corporate bankruptcy through multiple discriminate the analysis out of the twenty two financial ratios examined, Altman selected the five that did the best combine job in bankruptcy. These ratios were working capital to assets, retained earnings to total assets, earnings before interest and taxes to total assets, market value of equity to book value of total debt and sales to total assets. Using these ratios, Altman found the discriminate model to be an accurate predictor bankruptcy.

Mr. Upendra Kumar Poudel (2016), in the article, “ Present Condition of Financial Companies” has presented with compared to the commercial bank, the interest rate is relatively high that is provided and accepted by finance companies. The financial companies should not be confined only in the valley. They should extend their services to the rural sectors of hill and terai to reduce regional imbalance. The collection of deposit and loan investment done by the commercial banks also to sustain themselves in the environment of competitions, they should introduce novel technology and equipment’s to collect deposits and investments. They should learn form the draw banks, failure and success of commercial banks to effectively maintain as alternative status.

Mr. Krishan Pradhan (2015), in the article, “Transaction Analysis of Financial Companies in Nepal. “Has concluded that the finance companies are centered in the city as like commercial banks. If this trends remains, the central bank is to consider novel strategy. However, financial and banking transaction don’t take place in zero, it favors of financial intermediaries. The emergence of closure of financial companies in market economy in common sense. But keeping in mind, the social and economic structure of our country, we should not turn a deaf ear to regional balance.

Mr. R. L. Shrestha (2014), in the article “Capital Adequacy of bank in the Nepalese context” has suggested that the banks deal in highly risky transactions to maintain strong capital base. He concluded that the capital base should neither be too much leading to inefficient allocation of scarce resources nor so weak degree of risk associated with them are subject to changes country wish, bank wish and time period wise.

Mr. D. P. Poudel (2013) give more emphasis of financial performance of financial companies in the article “An Overview Financial Companies of Nepal”. He had written that at the time 1996, the ratio of capital funds to deposits have been increasing over the time but to of this, it is substantially below than the authorized level of deposit mobilization, which is ten times of the capital base. Never the less, some of the finance companies have even mobilize the deposits by more then ten times of their capital base by violating the regulatory norms issued by NRB. The credit / deposit ratio has remained quite high leaving the room for doubt about the quality of loan 3especially in the absence of repayment schedule. The loan diversification has been improved however, during a short span of time. As such, the hire purchase housing and term loans are the major sectors, which all together received more than 95% of the total loan and advances in mid July 1996. Since the varying factor, it is too early to evaluate the performance of financial companies in Nepal but equally important factor is that the regulatory and supervisory authority should keep close eyes to monitor their activities.

2.2.2 Review of Thesis:

Mr. Lekh Nath Ghimire (2012) in the thesis “A comparative study if financial performance of HBL and NSBIBL” was prepared with the objective of analyzing and interpreting the financial performance. The major uncovered facts of this research was that the overall liquidity, earning and growth position of HBL was stronger than that of NSBIB's capital adequacy, quality of assets as well as turnover position was found to be superior to that of HBL.HBL was more efficient in creating in comparison to NSBIBL. Corrective analysis revealed the facts that NSBIBL was able to utilize its resources more efficiently and profitability. Income and operating expenses were in increasing trend and were dominated by interest incase of both the banks.

Mr. Dev Raj Adhikari (2014) in his study entitled "Evaluating the financial performance of Nepal Bank Limited" has calculated and analyzed the different ratios by observing figures of balance sheet of Nepal Bank Limited for the period FY 2038/39 to 2046/47. He remarked that the bank is not found to have been able to utilize its fund effectively and efficiently for the development of the economy. He also stated in his report that "The bank has been unable to utilize its resources on high yielding investment portfolio to maximize returns.Hence, the bank is indicating by the operational loss has been found unsatisfactory. Hence the bank has been suggested to manage its investment portfolio efficiency. He recommended that the bank should try to mobilize its resources efficiently by creating new business and service ideas which will certainly help for the better utilization of ideal resources and for the economic development of the country. He has focused on utilization and mobilization of funds and resources of Nepal Bank Limited. His study especially concentrated on the deposit collection of the bank and disbursement of the fund as loan and advances. Therefore, his main study areas are uses and sources of funds and income and expenses trends of the banks

Sangeeta Shakya (2016) in the thesis "Comparative analysis of Financial Performance of selected JVBs, A case study of NGBL and HBL" has familiar with comparative strength and weakness and their ability through the analysis of liquidity ratios. The major findings drawn from the study are HBL is more efficient in case of liquidity as well as it is more levered than NGBL where as HBL as HBL is in better condition from the aspect of capital adequacy, activity and profitability ratios. The study showed positive correlation between loans and advances to total debts of both banks. According to the trend analysis, profit before tax of NGBL has been increasing at the higher rate than that of HBL.

2.3 Research Gap:

Commercial Bank invests its deposit in different profitable sector according to the directives and circulars of the Nepal Rastra Bank and guidelines and policy of their own bank. Financial analysis statement has to prepare according to the direction of NRB. Nepal Rastra Bank's policy and guidelines are changing according time to time. So, the up to dated study over the changes of time frame is major concern for the researcher and concerned organization as well as industry as a whole. This study covers the more recent financial data and analysis is done within the latest guidelines and curriculum of Nepal Rastra Bank.

No research has been undertaken regarding the comparative analysis of financial performance between the Everest Bank Ltd and Nepal Arab Bank Ltd. Some researcher has done the comparative studies of other joint venture bank. But within this bank, study is not found. Financial analysis is the major function of every commercial bank for evaluating the financial performance. Therefore, it is the major concern of stakeholders to know the financial situation of the bank.

EBL and NABIL are the leading joint venture commercial banks of the country having the huge market share and its investment activities and these banks has significant impact on developing the economy of the country. Every year the financial performance of changing according to the environment of the country. Hence, this study fulfills the prevailing research gap about the in depth analysis of the financial performance which is the major concern of the shareholders and stakeholders.

CHAPTER - III
RESEARCH METHODOLOGY

This chapter contains research designs, data collection techniques tools and methods used method of presentation and analysis.

3.1 Research Design:

A research design is the logical and systematic planning and direction of a piece of research. Research design is like blueprint to the researcher. There are different views regarding research design but overall it contains whole report contents. It is the overall plan of proposal study to specify the appropriate research method and procedures for obtaining specific finding valid objectively accurate and economically as possible.

Research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure. It is the plan, structure and strategy on investigations conceived for obtaining answers to research questions and to control variances to achieve the objective of this study, descriptive and analytical research designs have been used. Some statistical and accounting tools have also been applied to examine facts and descriptive techniques have been adopted to evaluate financial performance of the banks.

3.2 Sources of Data:

This study is conducted on the basis of secondary data. The data relating to investment, deposit, loan and advances and profit are directly obtained from the balance sheet and profit and loss account of the concerned Bank's annul reports published on wed sites of concern banks. Supplementary data and information are collected from number of institutions and regulating authorities like Nepal Rastra Bank, website www.nepalstockexchange.com and different related website.

According to the need and objectives, all the secondary data are compiled, processed and tabulated in time series. In order to judge the reliability of data provided by banks and other sources, they were complied with the annual reports' of auditor.

Similarly, various data and information are collected form the periodicals, economic journals, managerial magazines and other published and unpublished reports and documents from various sources and websites.

3.3 Data Collection Process:

As explained in previous chapters, the main sources of secondary data are the reports of the Banks published in their respective annual general meetings and web site www.nepalstockexchange.com and relevant bank's website. In addition to that, some of the relevant data are also collected from the non-bank financial statistics published by the non-bank regulation department of Nepal Rastra Bank.

3.4 Population and Sample:

The large group about which the generalization is made is called the population under study or the universe and small portion on which the study is made is called the sample of the study. There are altogether twenty-eight commercial banks in Nepal. In this study, the focus will be on the comparative analysis on financial performance of EBL and NABIL. There are so many commercial banks in the market but it is impossible to study all of them so two commercials bank has been selected for the analysis among them on the basis of reputation of the banks and to limit on organization. So the study is based on sample based on sample basis not on the population.

It is not possible to study all the data related with all bank of Nepal. There are altogether twenty-eight listed commercial banks in the country and their stocks are traded actively in stock market. So the financial analysis of listed two banks is being compared with that average of the same, which are selected from population. The listed commercial banks are considered as population. Out of the total population these banks are selected as sample for the study by using judgmental sampling method.

1) Everest Bank Ltd. (EBL)
2) Nepal Arab Bank Ltd. (NABIL)

Population comprises of data published by the concerned banks to make the descriptive and analytical study. For the analytical part, sample of data are taken into consideration within which the analysis and evaluation is made. For this purpose, the study has been taken sample data of recent five years financial statement from 2012/13 to 2016/17.

3.5 Methods of Data Analysis:

To achieve the objectives of the study, various financial, statistical and accounting tools have been used in this study. The analysis of data will be done according to pattern of data available. With the available tools and resources, analytical statistical tools such as Karl Person's coefficient of correlation, simple & multiple regression as well as corresponding hypothesis are adopted in this study. Similarly, some strong accounting tools such as ratio analysis and trend analysis have also been used for financial analysis.

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

3.5.1 Financial Tools:

There are various financial tools to measure the performance of an organization. The following financial tools have been used for the analysis:

3.5.1.1 Ratio Analysis:

The relationship between two accounting figures expressed mathematically is known as a financial ratio "Ratio analysis is used to compare a firm's financial performance and status to that of other firms or to itself over time. "From the help of ratio analysis, the qualitative judgment can be done regarding financial performance of a firm. In this study, following ratios are calculated and analyzed.

3.5.1.1.1 Liquidity Ratio:

A name denotes the liquidity refers to the ratio between liquid assets and liability. The ability of firm to meet its obligation in the short term is known as liquidity. It reflects the short-term strength of the business. In order to ensure short-term solvency, the company maintain adequate liquidity. But liquidity ratio must be optimum.

1. Current Ratio:

The current ratio is the ratio of total current assets to total current liabilities. It is calculated as follows;

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

2. Cash and Bank Balance to Total Deposit Ratio:

Cash and bank balances are the liquid current assets. This ratio measures percentage of most liquid fund with the bank to make immediate payment to the depositors. This can be presented as follows:

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

3. Cash and Bank Balances to Current Assets:

Since cash and bank balances are the liquid assets, a financial analyst may examine the ratio of cash and balance to current assets. This ratio shows the percentage of readily available fund with in the banks. It is calculated as follows:

$$\frac{\text{Current and Bank Balance}}{\text{Current Assets}}$$

3.5.1.1.2 Assets Management Ratio (Activity Ratio):

Activity ratio evaluates the efficiency with which the firm manages and utilizes its assets. This ratio is also known as turnover ratio. It measures how effectively the company employees the resources at its command. Activity ratios are the creditors of a concern with regard to its efficiency in assets management.

1. Loan and Advances to Total Deposit Ratio:

This ratio measures the extent to which the banks are successful to utilize the outsiders' fund (Total deposit) for the profit generating purpose on the loans and advance. Generally, a high ratio reflects higher efficiency to the utilization of fund and vice-versa. It can be calculated as below:

$$\frac{\text{Loan and Advance}}{\text{Total Deposits}}$$

2. Loans and Advances to Fixed Deposit Ratio:

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

$$\frac{\text{Loans and Advances}}{\text{Fixed Deposit}}$$

3.5.1.1.3 Profitability Ratios:

Profit is the difference between total revenues and total expenses over a period. Profit is the ultimate output of a commercial bank and it will have no future if it fails to make sufficient profits. Therefore, the financial manager continuously evaluates the efficiency of the banks in terms of profits. Profitability shows the overall efficiency of the business concerns. Profitability ratio can be calculated by following different ratio:

1. Net profit to Total Assets:

Net profit refers the profit after interest and taxes. It is also known as Return on total assets (ROA). This ratio evaluates the efficiency of company in utilizing and mobilizing of assets and its survival. It is useful for measurement of the profitability of all financial resources invested in the bank assets. ROA is calculated by dividing the amount of net profit by the total assets.

$$\frac{\text{Net profit}}{\text{Total assets}}$$

2. Net profit to Total Deposit Ratio:

Net profit to total deposit ratio evaluate whether management has been capable to mobilizes and utilize the deposit.This ratio is most important to identify whether the organization well efficient or not in mobilizing its total deposits. So that corrective action could be taken. Higher ratio indicates better utilization of deposit and vice-versa. This can be calculated as follows:

$$\frac{\text{Net profit}}{\text{Total Deposit}}$$

3. Net Profit to Net worth ratio:

Net worth or shareholder equity refers to the owners claim on the assets of the bank.This ratio measures the profit earned by the commercial banks by utilizing owner’s equity and there by generating, return to satisfy the owners. It is calculated as follows.

$$\frac{\text{Net Profit}}{\text{Net Worth}}$$

3.5.1.1.4 Leverage Ratios:

This ratio is also called solvency ratio or capital structure ratio. A firm should have strong short-term as well as long-term financial position. To judge the long term financial position of the firm, these ratios help to measure the financial contribution of owners and creditors comparatively. These ratios indicate the situation of the capital structure, which is calculated to measure the company’s ability of using debt for benefit of shareholders.

1. Debt-Assets Ratio:

This ratio exhibits the relationship between creditors fund and owner capital. This ratio shows the proportion of outside fund used in financing total assets. Generally, 1:2 ratios are considered good however, no hard and fast rule is prescribed. This ratio implies a finance company success in exploiting debt to more profitable areas. This ratio represents as follows:

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

2. Debt Equity Ratio:

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

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

3.5.1.1.5 Market Value Ratio (Growth Ratio):

Market value ratio represents how well the banks are maintaining their economic and financial position. The ratios can be calculated by dividing the last period dividend by the first period dividend, then by referring to the compound interest tables.

1. Net Profit:

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

2. Earning Per Share:

The earning per share exhibits that the owner is theoretical entitles to get from company. EPS is also identifying to measure the profitability of the shareholder's investment. It simply shows that the profitability of bank on a per share basis. This ratio can be calculated by dividing net profit after interest and taxes less preference dividend by the total number of equity shares outstanding of bank

2. Dividend Per Share:

The term dividend refers to distribute earning to the shareholders of the bank in return to their investment. Generally, dividend implies that portion of net profit, which is allocated to shareholders as their return in term of cash or share. The difference fund between EPS and DPS is retaining in the company as retain earning.

3.5.2 Statistical Tools:

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

3.5.2.1 Arithmetic Mean:

The average value is a single value with in the range of the data that is used to represent all of the values in the series. Since an average is somewhere with in the range of the data, it is also called a measure of central value. Since average represents the entire data, its value lies somewhere in between the two average. It is obtained by dividing sum of obtain observations by the number of items

3.5.2.2 Standard Deviation:

The standard deviation is the most important and widely used measure of studying dispersion. It is also known as root mean square deviation for the reason that the square root of the mean of the standard deviation from the arithmetic mean. It is also denoted by the small Greek Letter ∂ (Sigma). The standard deviation measures the absolute dispersion/ or variability of a distribution. Hence, standard deviation is extremely useful in judging the representative of the mean.

3.5.2.3 Coefficient of Variation (C.V.):

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

3.5.2.4 Correlation Analysis:

Correlation is the statistical tool that we can use to describe the degree to which one variable is linearly related to another. The co-efficient of correlation measures the degree of relationship between two sets of figures. Among the various methods of finding out coefficient of correlation, Karl Pearson's method is applied in the study. The result of coefficient of correlation is always between +1 and -1.

When r = +1.it means there is perfect relationship between two variables and vice-versa. When r = 0, it means there is no relationship between two variables.

3.5.2.5 Probable Error of the Co-efficient of Correlation:

After the calculation of co-efficient of correlation, the next thing is to find out the extent to which it is dependable. For this purpose, the probable error of the coefficient of correlation is calculated. It the probable error is added to and subtracted from the co-efficient of correlation it would be give two such limits with in which we can reasonably except the value of co-efficient of correlation to vary.

3.5.2.6 Coefficient of Determination:

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

3.5.2.7 Trend Analysis:

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

3.5.2.8 Regression Analysis:

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

CHAPTER – IV

RESULTS & DISCUSSION

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

This chapter also helps for presenting a major finding, proper recommendation for researcher, which needs to define in next chapter. In this way analysis, effort is made to make proper linkage of every chapter. In order to find out the strengths and weakness and financial performance of the sample banks various ratios and variable have been calculated that are as follows:

4.1 Ratio Analysis:

Ratio Analysis is the expression of the relationship between the mutually independent figures. It shows the quantitative relation between two variables. Simply it is calculated as dividing one variable by another variable.

There are various types of financial ratio which are used by different field for different purpose. Such as creditors, investor, financial institutions and management of the firm. In this analysis following ratio are analyzing and interpret for the past five year for the sample banks.

4.1.1 Liquidity Ratio:

A bank should maintain its satisfactory liquidity position to satisfy the short-term credit needs of the community, to meet demands for deposits, withdraws, pay maturity obligation in time and convert non-cash assets into cash to satisfy immediate needs without loss to bank and consequent impact in long run profit. Liquidity ratio measures the short-run solvency of the firm.

1. Current Ratio:

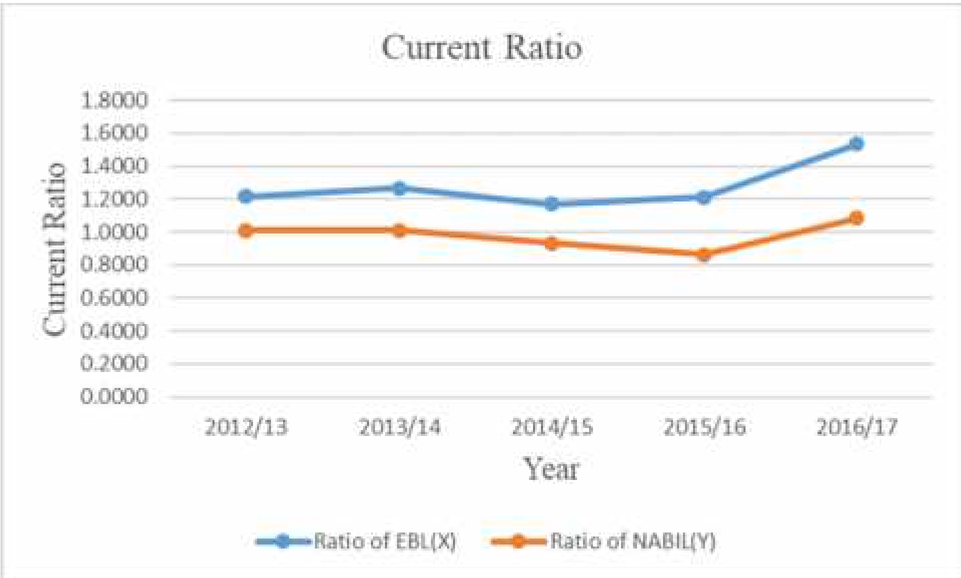
Current ratio indicates the ability of the company to meet its current obligation. This is the broad measurement of liquidity position of the Banks. In other words, it measures the availability for current assets for meeting current liabilities. This ratio is also known as working capital. The following table and figure shows the comparative current ratio for five years.

Table No. 4.1: Current Ratio (Rs. In Million)

Fiscal Year	Banks					
	Everest Bank Ltd.			Nepal Arab Bank Ld.		
	Current Assets	Current Liabilities	Ratio (times)	Current Assets	Current Liabilities	Ratio (times)
2012/13	55846.11	45937.31	1.2157	56036	55464	1.0103
2013/14	63313.90	49990.22	1.2665	68155	67479	1.0100
2014/15	83419.74	71408.69	1.1682	84202	90328	0.9322
2015/16	95007.32	78300.57	1.2134	90002	104637	0.8601
2016/17	103817.49	67570.75	1.5364	106947	98836	1.0821
Mean			1.28			0.9789
S.D.			0.1475			0.1010
C.V. (%)			11.52			10.32

[Refer Annex- 1] Sources: www.everestbankltd.com and www.nabilbank.com

Figure No. 4.1: Current Ratio



The table and figure above indicates the current ratios of the sample banks. The ratio of EBL is in fluctuating order that is from 1.2157 to1.5364 in fiscal year 2012/13 to 2016/17 throughout the study period. Similarly, current ratio of NABIL is in fluctuating order. The highest ratio is in the year 2016/17, which is 1.0821 and lowest is 0.8601 in the year 2015/16.Since the mean ratio of NABIL is below 1:1, which indicates it has failed to maintain the current obligation whereas EBL has above 1:1 mean ratio which means the successful management of current assets over current liabilities. As concern with liquidity and consistency NABIL seems to be in better position than EBL which is by the lower CV (10.32%).

2. Cash and Bank Balance to Total Deposit Ratio:

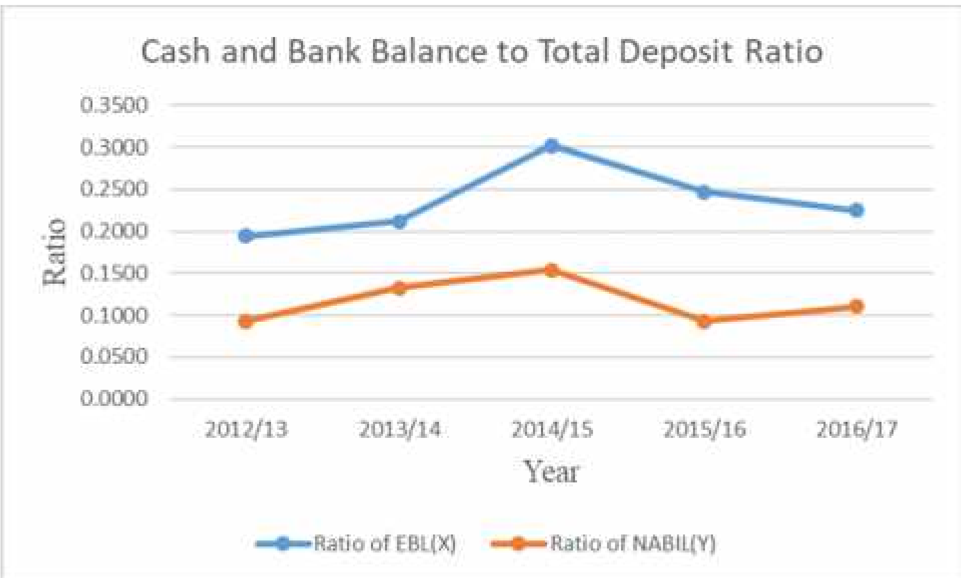
The main purpose of this ratio is to examine the bank's liquidity capacity on the basis of cash and bank balance. The following table and figure shows the cash and bank balance to total deposit ratio of selected sample banks.

Table No. 4.2: Cash and Bank Balance to Total Deposit Ratio (Rs. In Million)

Fiscal Year	Banks					
	Everest Bank Ltd.			Nepal Arab Bank Ld.		
	Cash and Bank Balance	Total Deposit	Ratio (times)	Cash and Bank Balance	Total Deposit	Ratio (times)
2012/13	11215.79	57720.47	0.1943	5882	63608	0.0925
2013/14	13172.79	62108.14	0.2121	9993	75389	0.1326
2014/15	25116.48	83093.79	0.3023	16004	104238	0.1535
2015/16	23117.4	93735.48	0.2466	10263	110265	0.0931
2016/17	21383.49	95094.46	0.2249	13091	118897	0.1101
Mean			0.2360			0.1164
S.D.			0.0415			0.0224
C.V.(%)			17.58			19.24

Sources: www.everestbankltd.com and www.nabilbank.com

Figure No. 4.2: Cash and Bank Balance to Total Deposit Ratio



In the table and figure above shows the fluctuation on cash and bank balance to total deposit ratio of the sample banks. During the study of five years' period, the ratio of EBL is ranged between 0.1943 in 2012/13 to 0.2249 in 2016/17, NABIL is ranged between 0.0925 in 2012/13 and 0.1101 in 2016/17. It shows that EBL has maintained the highest mean ratio which is 0.2360 than NABIL. This shows that EBL has successfully maintained the higher cash and bank balance to total deposit ratio. It also means that EBL is successful in meeting the daily cash requirement.

Even though NABIL fail to maintain a higher cash balance which is shown by low mean ratio 0.1164 it has also failed to maintain a consistency level in utilizing the cash balance than EBL. This consistency is measured by highest C.V. (19.24%) which is higher than that of EBL.EBL mean is 0.2360 and CV is 17.58% which indicate the higher cash balance and lower consistency.

3. Cash and Bank Balance to Current Assets Ratio:

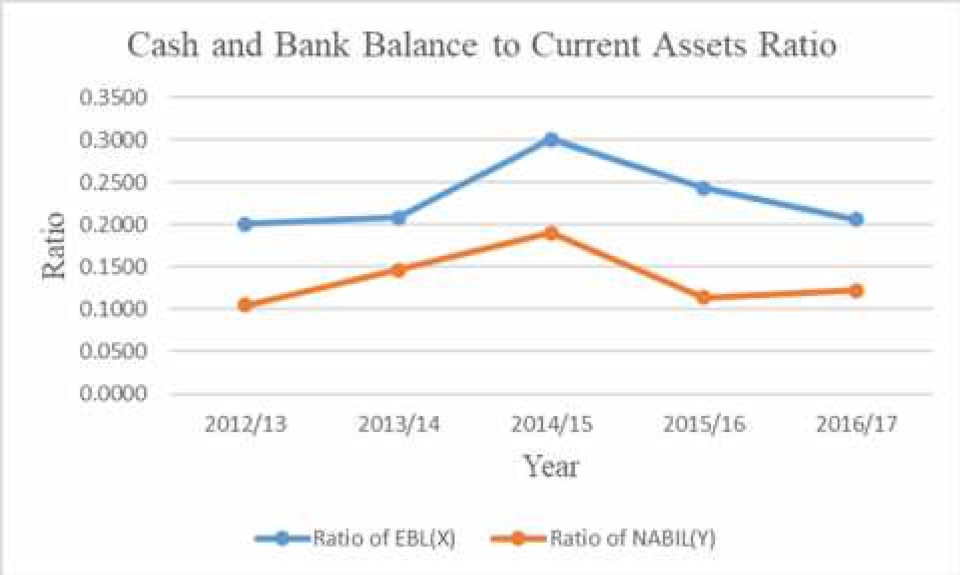
This ratio measures at what level of cash and bank balance they have out of total current assets. The cash and bank balance are the liquid assets in terms of other current assets. It also shows that the bank ability to pay to the depositors.

Table No.4.3:Cash and Bank Balance to Current Assets Ratio (Rs. In Million)

Fiscal Year	Banks					
	Everest Bank Ltd.			Nepal Arab Bank Ld.		
	Cash and Bank Balance	Current Assets	Ratio (times)	Cash and Bank Balance	Current Assets	Ratio (times)
2012/13	11215.79	55846.11	0.2008	5882	56036	0.1050
2013/14	13172.79	63313.90	0.2081	9993	68155	0.1466
2014/15	25116.48	83419.74	0.3011	16004	84202	0.1901
2015/16	23117.4	95007.32	0.2433	10263	90002	0.1140
2016/17	21383.49	103817.49	0.2060	13091	106947	0.1224
Mean			0.2319			0.1356
S.D.			0.0421			0.0235
C.V.(%)			18.16			17.33

Sources: www.everestbankltd.com and www.nabilbank.com

Figure No. 4.3: Cash and Bank Balance to Current Assets Ratio



The above table and figure shows that the ratio of EBL is ranged between the 0.2008 in 2012/13 and 0.2060 in 2016/17 with mean ratio of 0.2319; NABIL is ranged between the 0.1050 in 2012/13 and 0.1224 in 2016/17 with mean ratio of 0.1356.

Since, the mean ratio of EBL is higher than that of NABIL. It supports the conclusion that, EBL has been successful in maintaining its higher cash and bank balance to current assets ratio, but it doesn't mean that it has mobilized its more fund in profitable sectors. It actually means that EBL can meet its daily cash requirement. In contrast NABIL has lower mean ratio because it may have invested their fund in more productive sectors. Moreover, EBL has failed to maintain a stability of cash and bank balance in comparison to NABIL which is indicate by higher C.V. (18.16%).

4. Fixed Deposit to Total Deposit Ratio:

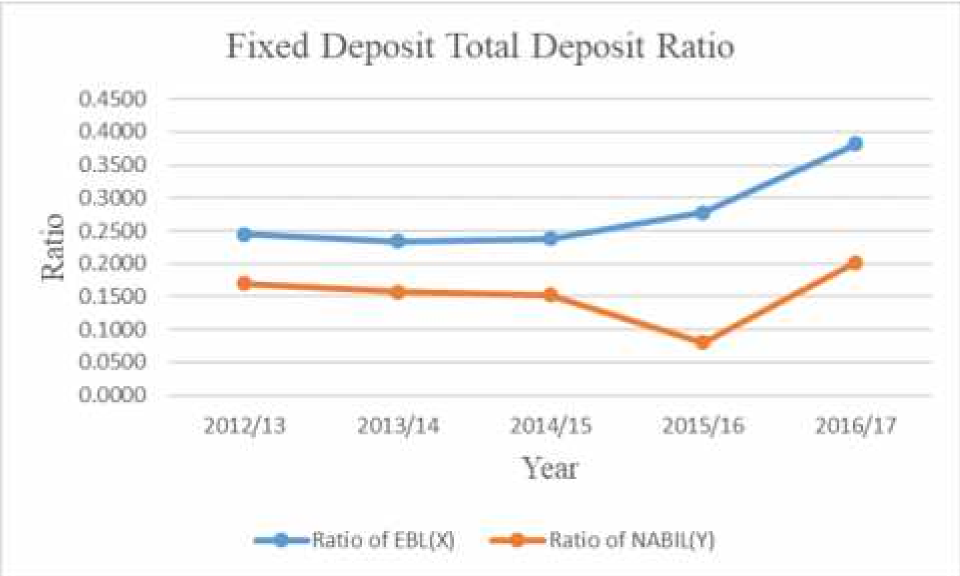
This ratio measures the proportion of fixed deposit out of total deposit a bank has collected. This analysis is useful to bank for long-term investment strategy. If a bank is able to know this ratio, it may invest the fixed deposit amount proportion in long-term investment sector for higher return.

Table No. 4.4: Fixed Deposit to Total Deposit Ratio (Rs. In Million)

Fiscal Year	Banks					
	Everest Bank Ltd.			Nepal Arab Bank Ld.		
	Fixed Deposit	Total Deposit	Ratio (times)	Fixed Deposit	Total Deposit	Ratio (times)
2012/13	14104.78	57720.47	0.2444	10785	63608	0.1696
2013/14	14528.86	62108.14	0.2339	11855	75389	0.1573
2014/15	19784.89	83093.79	0.2381	15872	104238	0.1523
2015/16	25999.04	93735.48	0.2774	8867	110265	0.0804
2016/17	36311.50	95094.46	0.3818	24045	118897	0.2022
Mean			0.2751			0.1523
S.D.			0.0621			0.0574
C.V. (%)			22.56			37.65

Sources: www.everestbankltd.com and www.nabilbank.com

Figure No. 4.4: Fixed Deposit to Total Deposit Ratio



The above table and figure shows that the ratio of EBL is ranged between the 0.2444 in 2012/13 and 0.3818 in 2016/17 with mean ratio of 0.2751; NABIL is ranged between the 0.1696 in 2012/13 and 0.2022 in 2016/17 with mean ratio of 0.1523.

Since the mean ratio of EBL is higher than that of NABIL which is 0.2751, means that the bank is successfully able to collect larger amount of fixed deposit out of total deposit than that of NABIL. This could be advantage to the banks if it could utilize the fixed deposit in productive sector. This could bring an opportunity to invest in higher return sector. The EBL bank has successfully maintained a stability of fixed deposit in comparison to the NABIL which is indicated by lower C. V. (22.46%).

4.1.2 Leverage Ratios or Capital Structure Ratio:

Leverage ratio is also one of the major ratios to know about the financial performance of any institution. This ratio reveals the proportion of funds used by the institution either from the creditor's side or from owner side. In order to maintain healthy financial position any institutions need to maintain proper proportion of debt and equity capital. A capital structure of an institution is very important in terms of sustainability, liquidity and profitability.

1. Debt-equity Ratio:

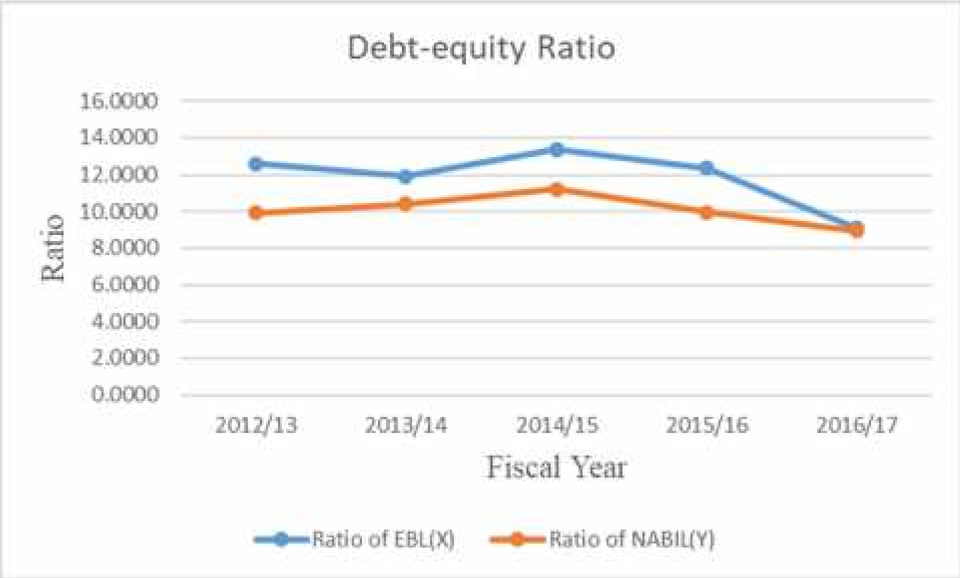
The debt equity ratio implies the debt equity proportion used by the institution. High debt equity ratio indicates more use of money from creditors' side and vice-versa. High debt equity ratio considered good if the institution is able to have higher return than the cost paid on debt.

Table No. 4.5: Debt-equity Ratio **(Rs. In Million)**

Fiscal Year	Banks					
	Everest Bank Ltd.			Nepal Arab Bank Ld.		
	Total Debt	Total Equity	Ratio (times)	Total Debt	Total Equity	Ratio (times)
2012/13	60913.3	4827.85	12.6171	66549	6691	9.9460
2013/14	64987.93	5457.15	11.9088	79634	7641	10.4219
2014/15	92262.43	6890.37	13.3901	106500	9486	11.2271
2015/16	105371.47	8514.09	12.3761	115704	11596	9.9779
2016/17	104965.86	11544.58	9.0922	126237	14095	8.9562
Mean			11.8768			10.1058
S.D.			1.6464			0.6083
C.V. (%)			13.86			6.02

Sources: www.everestbankltd.com and www.nabilbank.com

Figure No. 4.5: Debt-equity Ratio



The above table and figure shows that ratio of EBL is in fluctuating trend from year 2012/13. The ratio is ranged between 12.6171 (2012/13) to 9.0922(2016/17) with mean ratio of 11. 8768.In the same way the ratio of NABIL is ranged between 9.9460(2012/13) to 8.9562(2016/17) with mean ratio of 10.1058. The mean ratio of NABIL is lower than that of EBL. It declared that NABIL has lower debt cost and higher investment from equity fund. The ratios of both banks are in fluctuation mode. The higher debt investment brings a higher cost to the banks.

The C.V. of EBL and NABIL are 13.86 and 6.02 respectively. Therefore, NABIL has lower C.V.which indicates that NABIL has consistency in debt equity ratio.

2. Debt-assets Ratio:

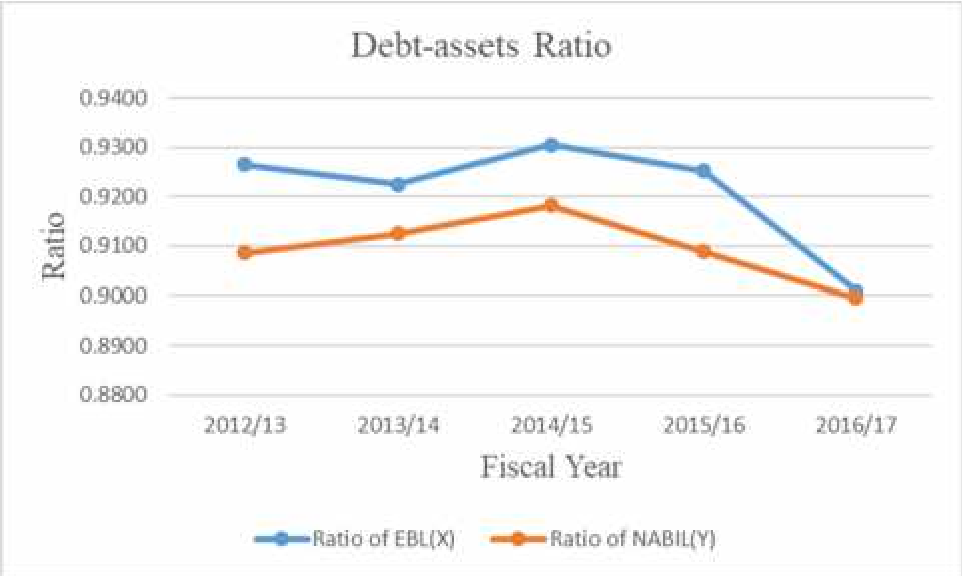
It measures proportion of the creditor's funds used by the institution to acquire the assets. The increased proportion of debt indicated the high level of risk or burden to the institution. The debt is considering riskier and cheaper source of financing. The higher level of risk, in the sense that the debt financing needs regular payment of interest in any condition of institution financial status and economic. The debt assets ratios of the sample banks are as below:

Table No.4.6: Debt-assets Ratio **(Rs. In Million)**

Fiscal Year	Banks					
	Everest Bank Ltd.			Nepal Arab Bank Ld.		
	Total Debt	Total Assets	Ratio (times)	Total Debt	Total Assets	Ratio (times)
2012/13	60913.3	65741.15	0.9266	66549	73240	0.9086
2013/14	64987.93	70445.08	0.9225	79634	87275	0.9124
2014/15	92262.43	99152.8	0.9305	106500	115986	0.9182
2015/16	105371.47	113885.05	0.9252	115704	127300	0.9089
2016/17	104965.86	116510.44	0.9009	126237	140332	0.8996
Mean			0.9212			0.9096
S.D.			0.0112			0.0050
C.V. (%)			1.22			0.55

Sources: www.everestbankltd.com and www.nabilbank.com

Figure No. 4.6: Debt-assets Ratio



The above table and figure shows that debts financing of both sample banks are high. The ratios are not very fluctuation. The highest ratio of EBL is 0.9305 in 2014/15 with mean ratio of 0.9212 which is highest mean ratio than NABIL. The ratio of NABIL is ranged between 0.9086 to 0.8996 in 2012/13 to 2016/17 respectively. NABIL has a lower mean ratio than that of EBL. The C.V. of EBL and NABIL are 1.22% and 0.55% respectively. Above statement conclude that the debt financing of EBL is higher than that of NABIL.NABIL use low proportion of debt and they are also successful in maintaining a consistency has more consistency than EBL due to lower C.V. (0.55%).

3. Coverage Ratio:

This ratio measures the proportion of possible loan losses out of its total loans and advance invested.

Table No: 4.7 Coverage Ratio **(Rs. In Million)**

Fiscal Year	Banks					
	Everest Bank Ltd.			Nepal Arab Bank Ld.		
	Provision for possible losses	Loans and Advances	Ratio (times)	Provision for possible losses	Loans and Advances	Ratio (times)
2012/13	98.81	43393.19	0.0023	27	46370	0.0006
2013/14	155.97	47572.02	0.0033	238	54692	0.0044
2014/15	163.96	54482.47	0.0030	167	65502	0.0025
2015/16	168.13	67955.11	0.0025	5	76106	0.0001
2016/17	89.73	77287.76	0.0012	19	89877	0.0002
Mean			0.0024			0.0016
S.D.			0.0008			0.0019
C.V. (%)			33.62			124.74

Sources: www.everestbankltd.com and www.nabilbank.com

From the above comparative table, the ratios of both banks are highly fluctuating. The mean ratio of EBL is higher than NABIL, which is not good for the bank. The higher ratio indicates the larger amount of losses for the banks out of loans and advances invested. EBL has more consistency due to its lower C.V. of 33.62% than NABIL.

4.1.3Activity Ratios or Assets and Investment Management Ratio:

Banks must be able to manage its assets very well to earn high return to satisfy its customers and for its own existence. Asset management ratio predicts how efficiently banks manage the resources at its command. The following asset management ratios are used in this study for comparison of the banks.

1. Loan and Advances to Total Deposit Ratio:

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

Table No. 4.8: Loan and Advances to Total Deposit Ratio (Rs. In Million)

Fiscal Year	Banks					
	Everest Bank Ltd.			Nepal Arab Bank Ld.		
	Loan and Advances	Total Deposit	Ratio (times)	Loan and Advances	Total Deposit	Ratio (times)
2012/13	43393.19	57720.47	0.7518	46370	63608	0.7290
2013/14	47572.02	62108.14	0.7660	54692	75389	0.7255
2014/15	54482.47	83093.79	0.6557	65502	104238	0.6284
2015/16	67955.11	93735.48	0.7250	76106	110265	0.6902
2016/17	77287.76	95094.46	0.8127	89877	118897	0.7559
Mean			0.7422			0.7058
S.D.			0.0579			0.0313
C.V. (%)			7.80			4.44

Sources: www.everestbankltd.com and www.nabilbank.com

From above comparative table, it reveals the fluctuating ratio during the study period of five years of the sample banks. In fiscal year 2014/15 and 2016/17 EBL has registered the lowest ratio (0.6557) and highest ratio (0.8127) respectively with mean ratio of 0.7422 which is the higher than that of NABIL. Similarly, NABIL has registered the highest ratio (0.7559.) in year 2016/17 and lowest ratio (0.6284) in year 2014/15 with mean ratio of 0.7058.EBL has higher mean ratio of 0.7422 which shows that they are successful in mobilizing the loan and advances to profitable sector with respect to total deposit whereas NABIL is less successful in comparison to other sample banks.

As concern with the consistency, EBL is failed to maintain the consistency in comparison to NABIL because it has higher C.V. (7.80%) whereas NABIL has (4. 44%).It shows that NABIL is able to maintain the stability in investing through loan and advance that of EBL.

2. Loan and Advances to Fixed Deposit Ratio:

This ratio measures the effectiveness of mobilizing loan and advance in respect with fixed deposit. Fixed deposits are high interest-bearing obligation whereas as loan and advance are the major sources of investment to generate income for the commercial banks. The following table displays the ratio of loan and advances to fixed deposit ratio of the sample banks.

Table No. 4.9: Loan and Advances to Fixed Deposit Ratio (Rs. In Million)

Fiscal Year	Banks					
	Everest Bank Ltd.			Nepal Arab Bank Ld.		
	Loan and Advances	Fixed Deposit	Ratio (times)	Loan and Advances	Fixed Deposit	Ratio (times)
2012/13	43393.19	14104.78	3.0765	46370	10785	4.2995
2013/14	47572.02	14528.86	3.2743	54692	11855	4.6134
2014/15	54482.47	19784.89	2.7537	65502	15872	4.1269
2015/16	67955.11	25999.04	2.6138	76106	8867	8.5831
2016/17	77287.76	36311.50	2.1285	89877	24045	3.7379
Mean			2.7694			5.0721
S.D.			0.4429			2.6096
C.V. (%)			15.99			51.45

Sources: www.everestbankltd.com and www.nabilbank.com

The above table shows that both banks has fluctuation ratio throughout the study period. EBL has increasing order of ratio from fiscal year 2012/13 to 2013/14 and then decreasing order from 2014/15. The highest recorded ratio of EBL is 3.2743 in year 2013/14 and the lowest recorded ratio is 2.1285 in year 2016/17 with mean ratio of (2.7694). NABIL has also fluctuating ratio with highest ratio (8.5831) in year 2015/16 and lowest (3.7379) in year 2016/17 and with mean ratio of (5.0721).

Thus, above table clearly indicate that loans and advances are being effectively and properly utilized by NABIL than EBL with respect of fixed deposit which shows the higher mean ratio. In terms of consistency, EBL is success in maintaining the stability in investing in loan and advances with respect to fixed deposit, which is indicate by lower C.V. 15.99%.

3. Long-term Investment to Total Deposit Ratio:

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

Table No.4.10:Long-term Investment to Total Deposit Ratio (Rs. In Million)

Fiscal Year	Banks					
	Everest Bank Ltd.			Nepal Arab Bank Ld.		
	Long-term Investment	Total Deposit	Ratio (times)	Long-term Investment	Total Deposit	Ratio (times)
2012/13	9263.86	57720.47	0.1605	16332	63608	0.2568
2013/14	6504.19	62108.14	0.1047	18277	75389	0.2424
2014/15	15102.67	83093.79	0.1818	30972	104238	0.2971
2015/16	18198.74	93735.48	0.1941	36528	110265	0.3313
2016/17	11964.56	95094.46	0.1258	32594	118897	0.2741
Mean			0.1534			0.2803
S.D.			0.0376			0.0425
C.V. (%)			24.49			15.15

Sources: www.everestbankltd.com and www.nabilbank.com

From above table reflects that the ratio of EBL is ranged between (0.1047) to (0.1941) in year 2013/14 to 2015/16 with mean ratio of (0.1534), NABIL ratio is ranged between (0.2424) to (0.3313) in year 2013/14 to 2015/16 with mean ratio of 0. 2803.The NABIL has a higher mean ratio than EBL which indicates it has successfully invested in long-term investment out of total deposit. Moreover, NABIL has also successfully maintained to its consistency in comparison to EBL which is lower that is 15.15%.

4.1.4 Profitability Ratio:

The main objective of a bank is to make profit providing different types of services to its customers.It is an obvious that profitability ratios are the best indicators of overall efficiency. In this study, mainly those ratios are presented which are related with profit as well as fund mobilization. The following are profitability ratios those are relevant in this study.

1. Net Profit to Total Deposit Ratio:

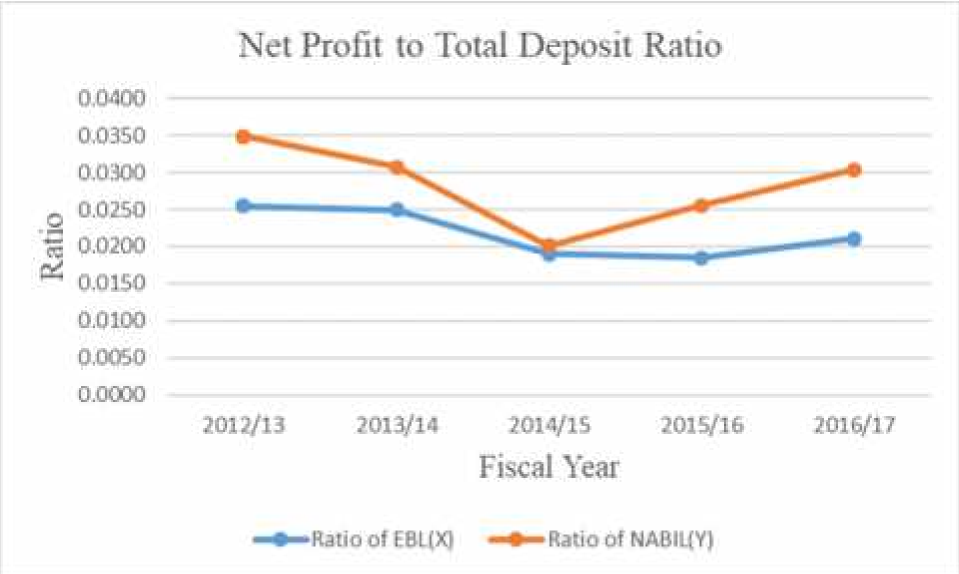
The following table reveals the percentage of net profit to total deposit of the sample banks.

Table No. 4.11: Net Profit to Total Deposit Ratio (Rs. In Million)

Fiscal Year	Banks					
	Everest Bank Ltd.			Nepal Arab Bank Ld.		
	Net Profit	Total Deposit	Ratio (%)	Net Profit	Total Deposit	Ratio (%)
2012/13	1471.12	57720.47	0.0255	2219	63608	0.0349
2013/14	1549.7	62108.14	0.0250	2320	75389	0.0308
2014/15	1574.35	83093.79	0.0189	2094	104238	0.0201
2015/16	1730.21	93735.48	0.0185	2819	110265	0.0256
2016/17	2006.25	95094.46	0.0211	3613	118897	0.0304
Mean			0.0218			0.0283
S.D.			0.0033			0.0041
C.V. (%)			15.11			14.59

Sources: www.everestbankltd.com and www.nabilbank.com

Figure No. 4.7: Net Profit to Total Deposit Ratio



The above comparative table and figure reveals the net profit to total deposit ratio are in fluctuating situation of both banks. The ratio of EBL is 0.0255 in year 2012/13 and 0.0211 in year 2016/17 with mean ratio of 0.0218,NABIL has ratio 0.0349 in year 2012/13 and 0.0304 in year 2016/17 with mean ratio of 0.0283.NABIL has the higher mean ratio with 0.0283.The above statement indicates that NABIL has better performance in utilizing deposit to earn a higher profit than EBL as it has higher mean ratio of 0.0283.As far as consistency level, NABIL has successful in maintaining consistency in mobilizing total deposit to earn the profit even though it has lower C.V. of 14.59%.

2. Net Profit to Total Assets ratio:

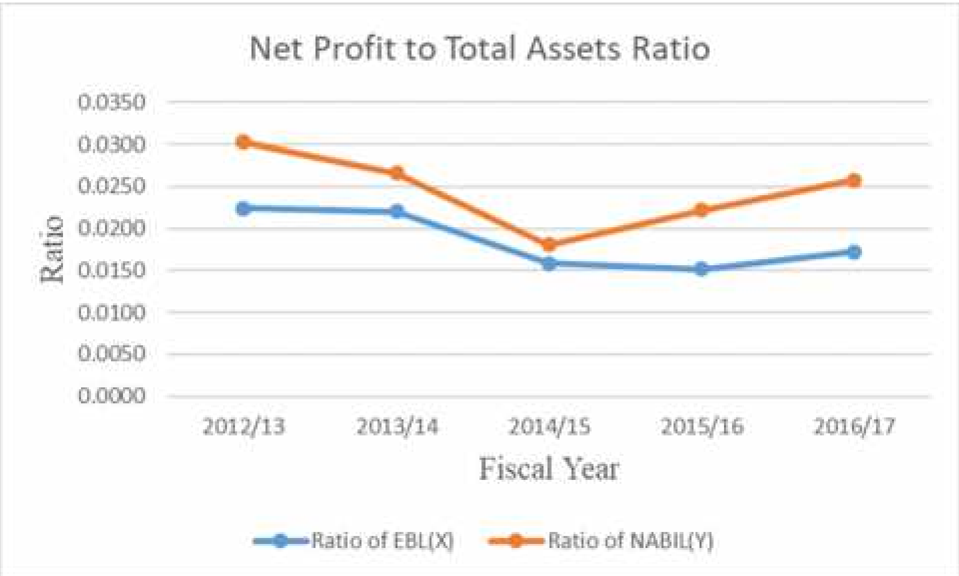
This ratio is a measuring tool of profitability with respect to each financial resource investment of the assets. It is also known as Return on total assets (ROA). If bank is total assets is well managed and utilized efficiently, return on such assets will be higher and vice-versa.

Table No. 4.12: Net Profit to Total Assets Ratio **(Rs. In Million)**

Fiscal Year	Banks					
	Everest Bank Ltd.			Nepal Arab Bank Ld.		
	Net Profit	Total Assets	Ratio (%)	Net Profit	Total Assets	Ratio (%)
2012/13	1471.12	65741.15	0.0224	2219	73240	0.0303
2013/14	1549.7	70445.08	0.0220	2320	87275	0.0266
2014/15	1574.35	99152.8	0.0159	2094	115986	0.0181
2015/16	1730.21	113885.05	0.0152	2819	127300	0.0221
2016/17	2006.25	116510.44	0.0172	3613	140332	0.0257
Mean			0.0185			0.0246
S.D.			0.0034			0.0035
C.V. (%)			18.44			14.40

Sources: www.everestbankltd.com and www.nabilbank.com

Figure No. 4.8: Net Profit to Total Assets Ratio



From comparative table and figure, it can be seen that the both banks have fluctuating ratio. The ratio of EBL is 0.0224 and 0.0172 in year 2012/13 and 2016/17 respectively with mean ratio of 0.0185, NABIL ratio is 0.0303 and 0.0257 in year 2012/13 and 2016/17 respectively with mean ratio of 0. 0246.The highest recorded ratio of EBL is 0.0224 in year 2012/13 and lowest is 0.0152 in year 2015/16.Similarly, the highest recorded ratio of NABIL is 0.0303 in year 2012/13 and lowest is 0.0181 in year 2014/15. Moreover, NABIL has a highest mean ratio with 0.0246 which determined that NABIL is successful in earning the net profit with efficient utilization of total assets with comparison to EBL. In addition, NABIL is successful to maintain the consistency profit which is shown by lower C. V (14.40%).

3. Return on Net Worth:

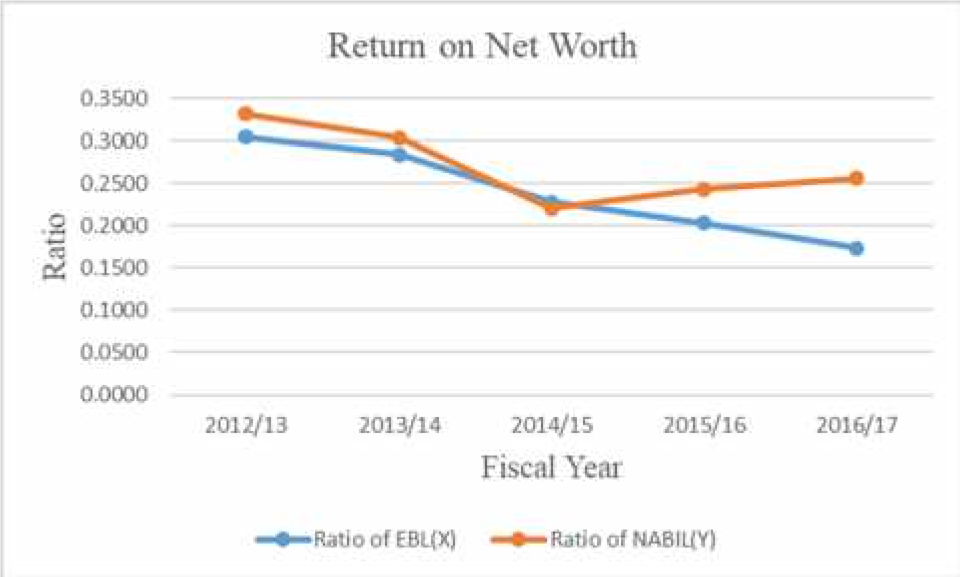
This ratio is used to measure the successfulness of earning the profit with respect to the shareholder's equity. The following table presents the net profit to net worth ratio of sample banks.

Table No. 4.13: Return on Net Worth **(Rs. In Million)**

Fiscal Year	Banks					
	Everest Bank Ltd.			Nepal Arab Bank Ld.		
	Net Profit	Net Worth	Ratio (%)	Net Profit	Net Worth	Ratio (%)
2012/13	1471.12	4827.85	0.3047	2219	6691	0.3316
2013/14	1549.7	5457.15	0.2840	2320	7641	0.3036
2014/15	1574.35	6890.37	0.2285	2094	9486	0.2207
2015/16	1730.21	8514.09	0.2032	2819	11596	0.2431
2016/17	2006.25	11544.58	0.1738	3613	14095	0.2563
Mean			0.2388			0.2711
S.D.			0.0547			0.0403
C.V. (%)			22.92			14.88

Sources: www.everestbankltd.com and www.nabilbank.com

Figure No. 4.9: Return on Net Worth



From above table and figure it reveals that both sample banks have fluctuating ratio. EBL has highest ratio recorded in year 2012/13 with 0.3047 and lowest is in year 2016/17 with 0.1738, NABIL has highest recorded ratio in year 2012/13 with 0.3316 and lowest in year 2014/15 with 0. 2207.The mean ratio of EBL is 0.2388 and NABIL ratio is 0. 2711.The NABIL has the highest mean ratio than that of EBL which defined that they got a better achieving on increasing a net profit by mobilizing on resources of shareholder’s equity. On the other side, EBL has a lower mean ratio which indicates it less successful in earning a net profit by utilizing a shareholder’s equity due to its lower mean ratio.

Moreover, NABIL is also successful in earning a net profit with respect to net worth it has consistency or stability in earning a net profit than EBL which is shown by lower C.V. of 14.88%.

4. Return on Capital Employed Ratio:

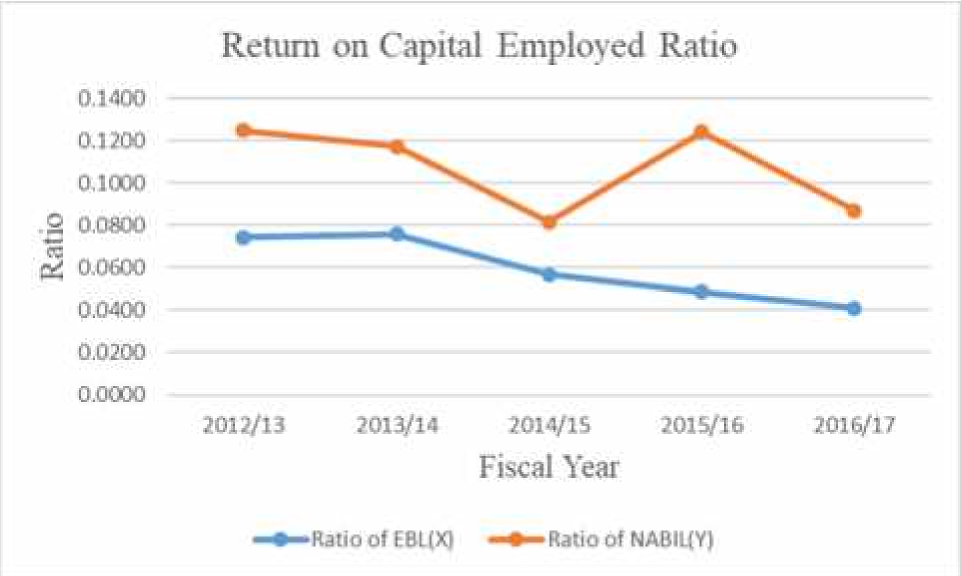
A relation between net profit and capital employed is known as return on capital-employed ratio. It shows whether the amount of capital employed has been properly used or not.

Table No. 4.14: Return on Capital Employed Ratio (Rs. In Million)

Fiscal Year	Banks					
	Everest Bank Ltd.			Nepal Arab Bank Ld.		
	Net Profit	Total Capital	Ratio (times)	Net Profit	Total Capital	Ratio (times)
2012/13	1471.12	19803.84	0.0743	2219	17776	0.1248
2013/14	1549.7	20454.86	0.0758	2320	19796	0.1172
2014/15	1574.35	27744.11	0.0567	2094	25658	0.0816
2015/16	1730.21	35584.48	0.0486	2819	22663	0.1244
2016/17	2006.25	48939.69	0.0410	3613	41496	0.0871
Mean			0.0593			0.1070
S.D.			0.0154			0.0189
C.V. (%)			26.01			17.62

Sources: www.everestbankltd.com and www.nabilbank.com

Figure No. 4.10: Return on Capital Employed Ratio



The above table and figure reflects the ratio trends of both banks. The ratio of EBL is 0.0743 in year 2012/13 and 0.0410 in year 2016/17 with mean ratio of 0.0593, NABIL ratio is 0.1248 in year 2012/13 and 0.0871 in year 2016/17 with mean ratio of 0. 1070. The highest recorded ratio of EBL and NABIL are 0.0758 and 0.1248 in year 2013/14 and 2012/13 respectively. Similarly, the lowest recorded ratio of EBL and NABIL are 0.0410 and 0.0816 in year 2016/17 and 2014/15 respectively. The mean ratio of NABIL is higher than that of EBL, which indicates the efficiency of the firm on the utilization of total capital.

4.1.5 Market Value Ratio (Growth Ratio):

1. Earning Per Share:

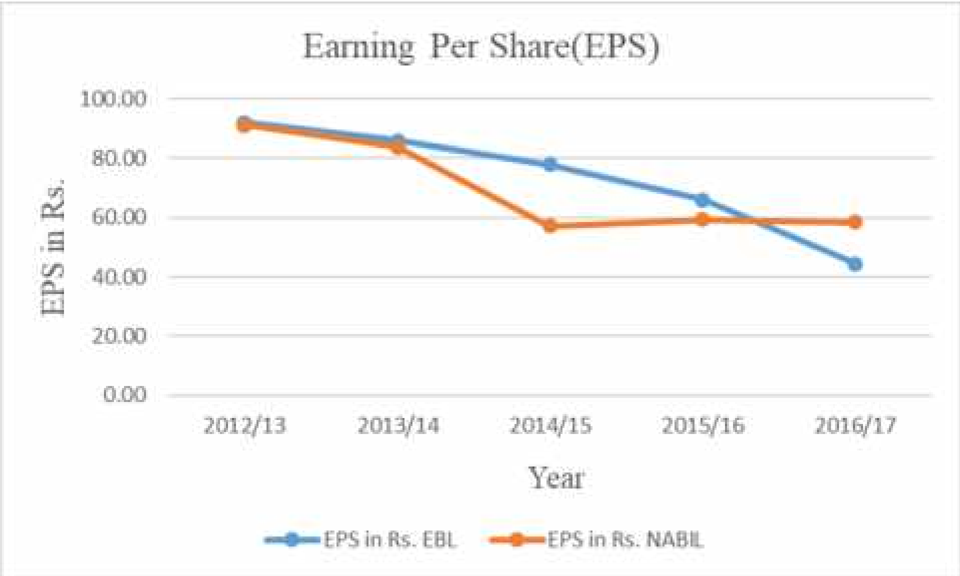
EPS refers to the income available to the common shareholder on per share basis.

Table No. 4.15: Earning Per Share (In Rs.)

Fiscal Year	EPS in Rs.	
	EBL	NABIL
2012/13	91.88	91.05
2013/14	86.04	83.68
2014/15	78.04	57.24
2015/16	65.97	59.27
2016/17	44.32	58.41
Mean	73.25	69.93
S.D.	18.86	16.14
C.V	25.75	23.09

Sources: www.everestbankltd.com and www.nabilbank.com

Figure No. 4.11: Earning Per Share



In the above table and figure, shows that mean of the EPS of EBL is higher than NABIL; which indicates the profitability position of the EBL is better than that of NABIL. In this EBL seems more successful to attract the investor.

2. Dividend Per Share:

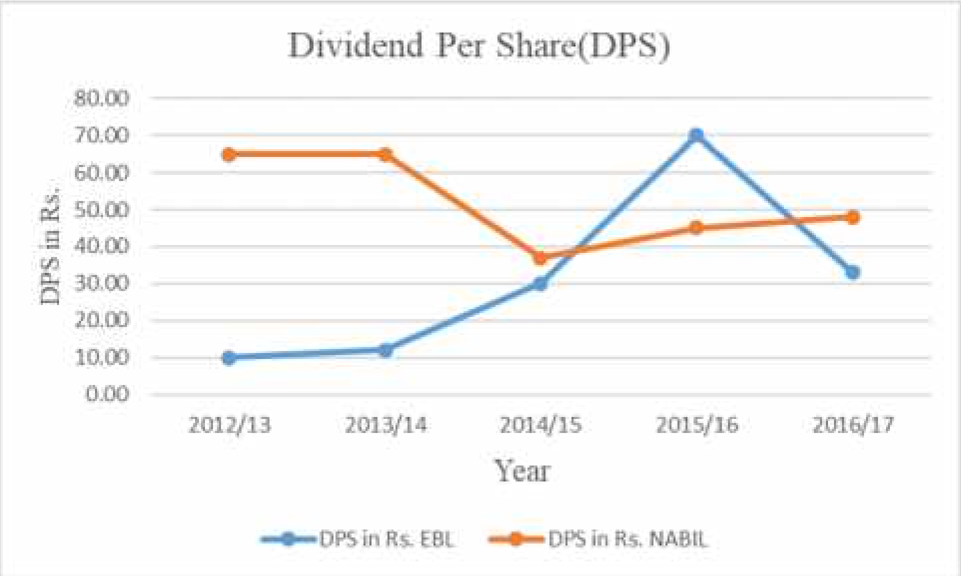
The net profit after the deduction of preference dividend belongs to equity shareholders .But the income that they really receive is the amount of earning distributed as dividend. Dividend may distribute in form of cash or share.

Table No. 4.16: Dividend Per Share (In Rs.)

Fiscal Year	DPS in Rs.	
	EBL	NABIL
2012/13	10.00	65
2013/14	12.00	65
2014/15	30.00	36.84
2015/16	70.00	45
2016/17	33.00	48
Mean	31.00	51.97
S.D.	24.12	12.58
C.V	77.82	24.20

Sources: www.everestbankltd.com and www.nabilbank.com

Figure No. 4.12: Dividend Per Share



In the above table and figure, The DPS of EBL is in increasing trend from 2012/13 to 2015/16 and start to decrease in 2016/17.The highest and lowest DPS of EBL is Rs.70 in 2015/16 and Rs.10 in 2012/13

Similarly, the DPS of NABIL is fluctuating trend. The highest and lowest DPS of NABIL is Rs.65 in 2012/13 and Rs.36.84 in 2014/15.

3. P/E Ratio:

The price-to-earnings ratio (P/E ratio) is the ratio for valuing a company that measures its current share price relative to its per-share earnings (EPS). The price-to-earnings ratio is also sometimes known as the price multiple or the earnings multiple.

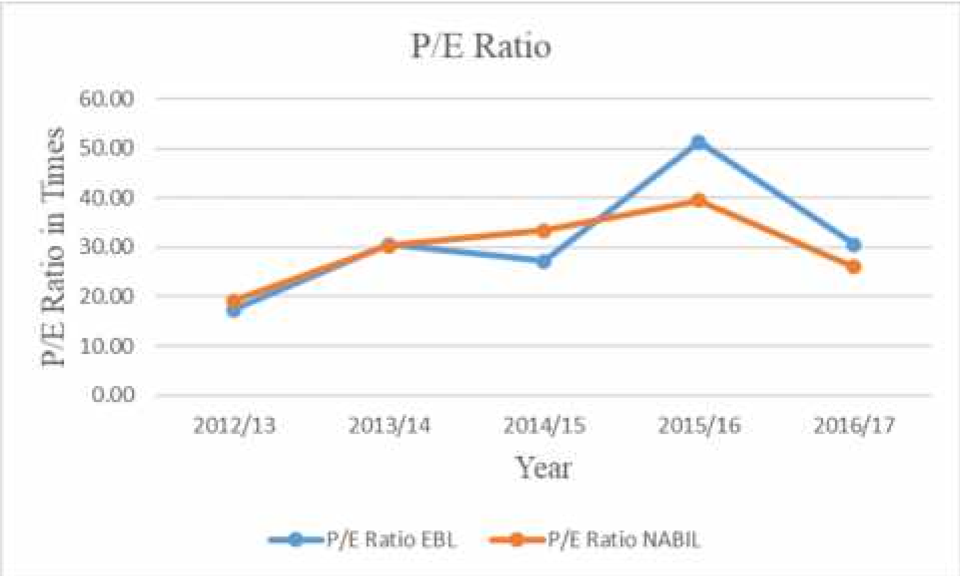
P/E ratios widely used to evaluate the banks performance as expected by investors. It represents the investor's judgement or expectation about the growth in banks earning.

Table No. 4.17: P/E Ratio (In Times)

Fiscal Year	P/E Ratio (In times)	
	EBL	NABIL
2012/13	17.32	19.08
2013/14	30.58	30.29
2014/15	27.17	33.37
2015/16	51.31	39.55
2016/17	30.53	26.07
Mean	31.38	29.67
S.D.	12.39	7.69
C.V	39.49	25.93

Sources: www.everestbankltd.com and www.nabilbank.com

Figure No. 4.13: P/E Ratio (In Times)



In the above table and figure, The P/E ratio of both banks are in fluctuating trend. The mean P/E ratio of EBL and NABIL are 31.38 and 29.67 times respectively. The mean P/E ratio of EBL is higher than NABIL, which indicates the investors are well satisfied with the performance of the bank or market has positively judged the performance of EBL. The CV of EBL is higher than NABIL, which indicates that the ratios varied in the bank.

4.2 Statistical Analysis:

4.2.1 Coefficient of Correlation Analysis:

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

4.2.1.1 Correlation between Total Deposits and loan and Advances:

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

Table No. 4.18: Correlation between Total Deposits and loan and Advances:

(Rs. In Million)

Fiscal Year	Banks			
	Everest Bank Ltd.		Nepal Arab Bank Ld.	
	Total Deposit (x)	Loan & Advances (y)	Total Deposit (x)	Loan & Advances (y)
2012/13	57720.47	43393.19	63608	46370
2013/14	62108.14	47572.02	75389	54692
2014/15	83093.79	54482.47	104238	65502
2015/16	93735.48	67955.11	110265	76106
2016/17	95094.46	77287.76	118897	89877
r	0.9349		0.9536	
r2	0.8740		0.9094	
P.E.(r)	0.038		0.0273	
6 * P.E.(r)	0.2281		0.1639	
Level of Significant	Significant		Significant	

[Refer Annex-2] *Sources: www.everestbankltd.com and www.nabilbank.com*

The coefficient of correlation for both banks found to be almost '1', which indicates there is proportion relationship between the total deposit and loans & advances for both banks. While testing 6*P.E. (r) for both banks found to be significant as the value of 'r' is greater than 6*P.E. (r) which implies that there found to be perfect correlation between the total deposits and loan and advances. It shows that the loan & advances and the total deposit to loan and advances efficiently.

4.2.1.2 Correlation between Total Deposit and long-term Investment:

Investment is also a measures part of banks to mobilize the collected deposit. By investing in different profitable area like shares and debenture, government securities banks maximize the profit. Therefore, it is important to study the relation between the deposit and investment. For this analysis deposit is taken as independent variable(x) and investment (y) is taken as dependent variable. This analysis measures the degree of relationship between these two variables. Besides this, it will justify whether the deposits are significantly used in proper way or not and whether there is any relationship in between these two components.

Table No.4.19: Correlation between Total Deposit and long-term Investment:

(Rs. In Million)

Fiscal Year	Banks			
	Everest Bank Ltd.		Nepal Arab Bank Ld.	
	Total Deposit (x)	Long-term Investment (y)	Total Deposit (x)	Long-term Investment (y)
2012/13	57720.47	9263.86	63608	16332
2013/14	62108.14	6504.19	75389	18277
2014/15	83093.79	15102.67	104238	30972
2015/16	93735.48	18198.74	110265	36528
2016/17	95094.46	11964.56	118897	32594
r	0.7872		0.9551	
r2	0.6196		0.9122	
P.E.(r)	0.1147		0.0265	
6 * P.E.(r)	0.6885		0.1590	
Level of Significant	Significant		Significant	

Sources: www.everestbankltd.com and www.nabilbank.com

The coefficient of correlation for the NABIL found to be almost ‘1’ which indicates there is proportion relationship between the deposits & investment for the banks.This shows that the both sample banks are successful in investment with respect to deposit.

4.2.1.3 Correlation between long-term Investment and Net Profit:

Following table shows the relation between the investment and net profit. As we say in above investment is done in different profitable area to maximize the profit.Net profit is the key to survive the banks. Therefore, it is necessary to measure the degree of relationship between these two variables. For this study long-term investment (x) is taken as independent variable and net profit(y) is taken as dependent variable

Table No. 4.20: Correlation between long-term Investment and Net Profit:

(Rs. In Million)

Fiscal Year	Banks			
	Everest Bank Ltd.		Nepal Arab Bank Ld.	
	Long-term Investment (x)	Net Profit(y)	Long-term Investment (x)	Net Profit(y)
2012/13	9263.86	1471.12	16332	2219
2013/14	6504.19	1549.7	18277	2320
2014/15	15102.67	1574.35	30972	2094
2015/16	18198.74	1730.21	36528	2819
2016/17	11964.56	2006.25	32594	3613
R	0.3248		0.5432	
r2	0.1055		0.2951	
P.E.(r)	0.2698		0.2126	
6 * P.E.(r)	1.6190		1.2758	
Level of Significant	Insignificant		Insignificant	

Sources: www.everestbankltd.com and www.nabilbank.com

The coefficient of correlation of the EBL and NABIL are found to be 0.3248 and 0.5432 respectively, which indicates that there is moderate degree of correlation between investment and net profit. While testing 6*P.E. (r) of EBL and NABIL found to be insignificant as the value of r is lower than 6*P.E. (r). Both banks are found to be weak in earning the net profit through the investment.

4.2.2 Trend Analysis:

The main objective of this part is to analyze the trend of prospective net profit in future by analyzing the trend of past net profit of the banks.This topic will be used to forecast variables for next five years on the base of past five years.

4.2.2.1 Trend Analysis of Total Deposit:

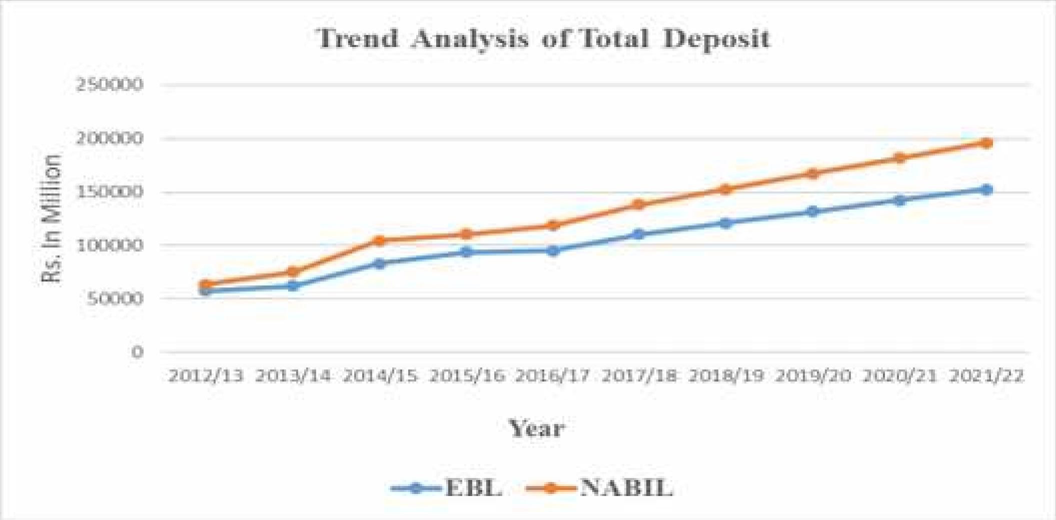
The part of this analysis will analyze net profit to total deposit of banks for five years from 2012/13 to 2016/17 and projection for next five years i.e. 2017/18 to 2021/22. The following table exhibits the trend values of net profit to total deposit of banks for ten years.

Table No. 4.21: Trend Analysis of Total Deposit (Rs. In Million)

Fiscal Year	Banks	
	Everest Bank Ltd.	Nepal Arab Bank Ld.
	Total Deposit	Total Deposit
2012/13	57720.47	63608
2013/14	62108.14	75389
2014/15	83093.79	104238
2015/16	93735.48	110265
2016/17	95094.46	118897
2017/18	110263.06	138115.60
2018/19	120900.60	152661.00
2019/20	131538.13	167206.40
2020/21	142175.66	181751.80
2021/22	152813.19	196297.20

[Ref. Annex -4 &5] Sources:www.everestbankltd.com and www.nabilbank.com

Figure No. 4.14: Trend Analysis of Total Deposit



Among the sample banks, NABIL has a higher increasing trend of total deposit in past. The total deposit forecasted for the next five years on the basis of past years of EBL. Similarly, NABIL total deposit for next five years are forecasted.

4.2.2.2 Trend Analysis of Loan & Advances:

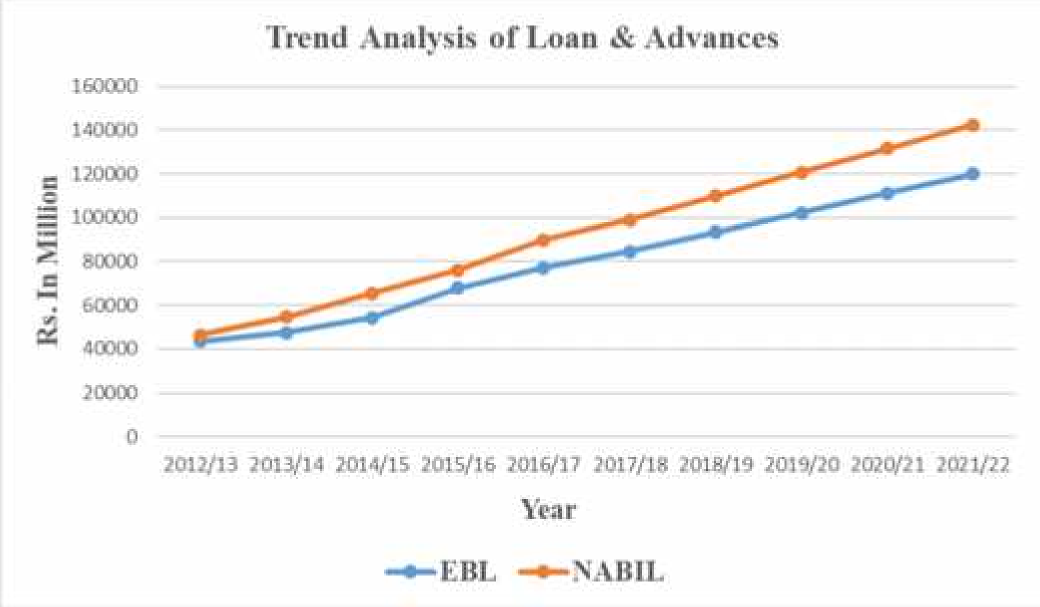
This analysis will show the picture of trend values of net profit to loans & advances of banks for the study period and then forecast for following five years.

Table No. 4.22: Trend Analysis of Loan & Advances (Rs. In Million)

Fiscal Year	Banks	
	Everest Bank Ltd.	Nepal Arab Bank Ld.
	Loan & Advances	Loan & Advances
2012/13	43393.19	46370
2013/14	47572.02	54692
2014/15	54482.47	65502
2015/16	67955.11	76106
2016/17	77287.76	89877
2017/18	84589.78	99037.80
2018/19	93407.00	109880.60
2019/20	102224.23	120723.40
2020/21	111041.45	131566.20
2021/22	119858.67	142409.00

Sources: www.everestbankltd.com and www.nabilbank.com

Figure No. 4.15: Trend Analysis of Loan & Advances



The comparative table and figure shows that both banks has an increasing trend of net profit with respect to loan & advances. Among them, NABIL has a higher trend of loan & advances than EBL

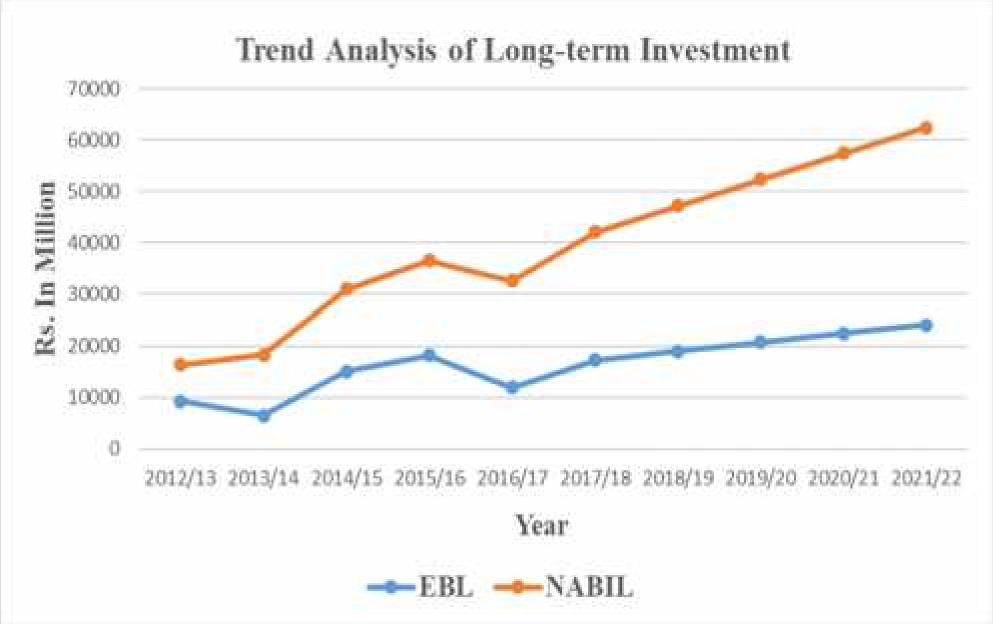
4.2.2.3 Trend Analysis of Long-term Investment:

The following table are the analysis for trend of net profit to long-term investment and prediction of long-term investment for next five years according to base of past five-year analysis.

Table No. 4.23: Trend Analysis of Long-term Investment (Rs. In Million)

Fiscal Year	Banks	
	Everest Bank Ltd.	Nepal Arab Bank Ld.
	Long-term Investment	Long-term Investment
2012/13	9263.86	16332
2013/14	6504.19	18277
2014/15	15102.67	30972
2015/16	18198.74	36528
2016/17	11964.56	32594
2017/18	17335.59	42173.10
2018/19	19045.18	47250.60
2019/20	20754.78	52328.10
2020/21	22464.37	57405.60
2021/22	24173.97	62483.10

Figure No. 4.16: Trend Analysis of Long-term Investment



The above comparative table and figure shows the trend of long term investment from 2012/13 to 2016/17 actual data and next five year forecast.

4.2.3 Simple Regression Analysis:

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

4.2.3.1 Regression analysis between Net Profit and Total Deposit:

The focal point of this analysis is to determine the relation between net profit and total deposit. Obviously, it seems that as total deposit increases the net profit of the banks need to increases this analysis net profit is considered to be dependent variable and total deposit as independent variable.

Table No. 4.24: Regression analysis between net profit and total deposit

S. No.	Banks	Intercept(a)	Regression Coefficient(b)	R	t-test
1	EBL	-34.28	67.57	0.82	2.48*
2	NABIL	26.56	25.99	0.68	1.61

[Refer Annex -6 & 7]

Note: i) * represents that results are significant at 5 % level of significant

The above table exhibits the estimation of net profit on the basis of total deposit. The regression coefficient of net profit and total deposit of EBL and NABIL are positive which determine that increase in the total deposit ultimately increases Net Profit. The coefficient of correlation found to be highest in case of EBL almost ‘1’ which indicates proportionate change in net profit as increase or decrease in total deposit for the bank. NABIL has lower correlation in comparison to EBL. EBL has higher value than t-test table value it has got significant at 5% level while testing the hypothesis whereas NABIL didn’t get the significance between net profit and total deposit. This represents that there is a high correlation between the net profit and total deposit for EBL and low correlation for NABIL.

4.2.3.2 Regression analysis between Net Profit and Loan and Advances:

The analysis determines the relation between net profit and loan & advances. As loan & Advances increases the net profit of the banks need to increase. So, in this analysis net profit is considered to be dependent variable and loan and advances as independent variable.

Table No. 4.25: Regression analysis between net profit and loan and advances

S. No.	Banks	Intercept(a)	Regression Coefficient(b)	r	t-test
1	EBL	-49.10	64.35	0.96	5.94*
2	NABIL	3.81	23.99	0.87	3.06*

Note: i) * represents that results are significant at 5 % level of significant

The above table is a comparative result of regression analysis for both banks. The regression coefficient of net profit and loan and advances of both sampled banks are positive which determine that increase in the loan and advances ultimately increases net profit. The coefficient correlation found to be highest in case of EBL almost ‘1’ which indicates proportionate change in net profit as increase or decrease in loan and advances whereas NABIL has lower correlation between net profit and loan and advances. While testing the hypothesis on the basis of t-test the variables are significant which indicates as they got at 5% significance level. This shows that there was high correlation between net profit and loan and advances.

4.2.3.3 Regression analysis between Net Profit and Long-term Investment:

This analysis determines the relation between net profit and long-term investment. As long-term advance increases the net profit of the banks need to increase. So, in this analysis net profit is considered to be dependent variable and long-term investment as independent variable.

Table No. 4.26: Regression analysis between net profit and long-term invest.

S. No.	Banks	Intercept(a)	Regression Coefficient(b)	r	t-test
1	EBL	61.03	7.08	0.32	0.57
2	NABIL	-95.67	46.92	0.54	1.11*

Note: i) * represents that results are significant at 5 % level of significant

The above comparative table represents the regression analysis between the net profit and long-term investment. The regression coefficient of net profit and long-term investment for both banks are positive which indicate that increase in investment ultimately increases net profit of the banks. The coefficient of correlation of NABIL found to be highest which indicates proportionate change in net profit as increase or decrease in investment of the bank. EBL has lower correlation in respect to NABIL. Since NABIL has higher value than t-test table value it has got significant at 5% level while testing the hypothesis whereas EBL didn’t get the significance between net profit and long-term investment. This represents that there is a high correlation between the net profit and long-term investment for NABIL and low correlation for EBL.

4.3 Major Findings:

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

4.3.1 Liquidity Ratios:

i) During the five years’ study period of the sampled banks the current ratio found to be in fluctuate trend. It is well known that the standard current ratio is 2:1. Among sample bank the current ratio of EBL dominates the respective current liability which indicates that EBL is capable in paying the current obligation. Therefore, EBL has a highest liquidity ratio than NABIL.NABIL has low current ratio, but it does not mean that it failed to maintain the liquidity position. From point of view of working policy NABIL is found to be very much aggressive. However, average of both banks shows the satisfactory level of current ratio.

ii) EBL found to be in better position to maintain the cash and bank balances ratio than NABIL. But it doesn't mean that it has mobilized its more funds in profitable sector. It actually means that it can meet the daily cash requirement to make payments of the customer. NABIL has lower mean ratio which means it may invest the more fund in the productive sector. But both banks have a highly fluctuation ratio during the study period.

iii) EBL is successful to collect larger amount of fixed deposit out of its total deposit which is indicated by its higher mean ratio than that of NABIL.It actually means the bank can invest in long-term profitable sector for higher return which will ultimately maximize the profit of the banks. On the other hand, NABIL has lower ratio which indicates the lower fund collection for fixed deposit and will be limited for long-term investment which will ultimately impacts on its profit.

From above results it can be said that the liquidity position of EBL found to be comparatively better than NABIL. Although NABIL has a satisfactory level of liquidity position due to their aggressive working policy.

4.3.2 Leverage Ratios or Capital Structure Ratios:

i) The debt-equity ratios of the both banks are in highly fluctuation trend. The mean ratio of EBL is higher than NABIL which indicates that more of the funds invested in the business are provided by the outsider not the owners which is riskier. But comparatively NABIL has lower debt-equity ratio which shows that more funds invested in the business are provided by the owners. Moreover, NABIL has lower C.V. which indicates it has successfully able to maintain consistency in comparison to EBL.

ii) Debt-assets ratios of both banks are very consistent. The mean ratio of EBL is negligible higher in comparison to NABIL. NABIL has more consistency due to its lower C.V. This ratio shows the proportion of debt out of its total assets. NABIL has lower debt proportion as its mean ratio is lower than EBL.

iii) The mean coverage ratio of EBL is higher than NABIL which indicates larger amount of possible losses for the bank. A bank has to be careful in lending to minimize its possible losses. On the other hand, NABIL has comparatively lower coverage mean ratio which indicates the lower amount of possible losses. Moreover, EBL is also able to maintain its consistency, which indicates its lower C.V.

4.3.3 Activity Ratios or Assets and Investment Management Ratios:

i) The loan and advances to total deposit ratio of both banks found to be at satisfactory level and maintain the good consistency in ratio. However, EBL has a higher mean ratio it shows that the bank's liquidity position with respect to this ratio is more satisfactory than NABIL. The C.V of NABIL is lower than that of EBL, which indicates the more consistency.

ii) The mean value of NABIL of loan and advances to fixed deposit ratio is higher than that of EBL which indicates the effective mobilization of loan and advance with respect to fixed deposit. As commercial bank has to pay higher interest on fixed deposit so it has to mobilize it effectively to generate income. The consistency level of EBL is better than NABIL which is indicated by its lower C.V.

iii) The proportion of mobilizing the deposit in investment is measured by the long-term investment to total deposit ratio. The mean value of NABIL the long-term investment to total deposit ratio is higher than EBL which indicates that it has mobilize the deposit effectively. Moreover, NABIL is also able to maintain consistency level in comparison to EBL very significantly which is 15.15% Vs 24.49%.

From above findings, it shows that both banks are successful in on- balance sheet utilization as well as off balance sheet operation. However, EBL found a best in mobilizing the assets to the profitable sector.

4.3.4 Profitability Ratios:

The following findings are derived from the profitability ratios of sample banks.

i) Net profit to total deposit ratio of NABIL is higher than EBL which is indicated by higher mean value. As concern of consistency level NABIL has maintained successfully better level than EBL which is indicated by its lower C.V.

ii) The both sample banks are able to earn the profit on total assets. As the mean value of net profit to total assets ratio of NABIL is higher than EBL the bank is in better position. Moreover, the C.V of NABIL is lower than EBL which indicates it has maintained successfully its consistency level. The consistency level of this ratio indicates consistency of earning on total assets which is very important for banks.

iii) NABIL has higher mean value of return on capital-employed ratio, which indicates that the capital employed has been used properly but EBL has lower. Moreover, the consistency level maintained by NABIL is also better than EBL, which is indicated by its significantly lower C.V.

From above finding, we can conclude that NABIL has a consistency in earning the net profit and expenses. However, EBL has also earned a competitive level of earning and maintained its consistency level but it is failed to maintain as effectively as maintained by NABIL.

4.3.5 Coefficient of Correlation:

The following statement can be concluded by correlation analysis:

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

ii) There is the perfect positive correlation between the deposit and investment of both banks. It shows that both sample banks have effectively mobilized its deposit on investment. In another word it can be said that investment depends upon the deposit.

iii) EBL and NABIL are weak in earning the net profit from its deposit since there is low degree of correlation between the investment and net profit. While testing 6*P.E. (r) of both banks found to be insignificant as the value of r is lower than 6*P.E. (r). It indicates that both banks have failed in mobilizing the investment to earn desired level of the profit.

4.3.6 Trend Analysis:

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

i) The past trend of total deposit for both banks is in increasing trend. However, NABIL has registered for the higher trend value which shows that NABIL are more successful in mobilizing the deposit in comparison to EBL.

ii) The both banks have increasing trend of the loan & advances. Even though EBL has low increasing trend value they are successful in mobilizing the loan and advances to different productive and profitable sector. The higher loan & advances trend value is registered by the NABIL. On the basis of the past trend the future trend of loan & advances will continue.

iii) Although the both sample banks have fluctuating trend of the investment NABIL has recorded the higher long-term investment value. This shows that NABIL is successful in mobilizing the investment than EBL.

4.3.7 Simple Regression Analysis:

i) The both sample banks have a positive regression coefficient. There is a high correlation and significance while testing the hypothesis between the net profit and total deposit. This represents that as the total deposit changes the net profit also change in same proportion.

ii) The regression coefficient of net profit and loan and advances of both banks are positive. There is a high correlation and significance between the net profit and loan and advances in EBL and NABIL which indicate that if loan and advances increases net profit also increases and vice-versa.

iii) EBL and NABIL both banks have the positive regression coefficient between the net profit and investment but NABIL only got the high correlation and significance which represents that if investment is change net profit also change in same ratio. But in case of EBL there is only slightly changes in net profit are found, even though investment changes. This represents by low correlation and no significance between the net profit and investment.

4.4 Discussion:

Industrialization is an important factor for achieving the basic objective of a country's economic and social progress. Industrialization not only provides necessary products and services to the community but also create employment opportunities. Industrial development thus has a multiplier effect on the economy. Banking industries have been regarded as one of the components of economy. It transfers the scattered funds collected from saving of the public into various productive sectors. Economic activities remain halt in absence of banking industries as it plays the role of catalyst for economic development of the country in the developing country where there prevail unorganized transactions. It helps to enhance economic activities of the country by providing capital funds for the smooth operation of business activities, create employment opportunities, investing agriculture, industry. At present, there are altogether twenty-eight commercial banks operating in the country among which EBL and NABIL has occupied wide range of the business due to access to most of the corner of the country. Slowly private banks are also initiating to move toward every corner of the country but due to prevailing political crisis they are not being able to meet their objects to reach to every corner of the country. Due to increasing competition banks are forced to innovate new products to their customer and they are also shifting from traditional service procedure to various sophisticated services like ATM card, debit card, credit card, housing loan, educational loans, vehicle financing.

Economic development of a country cannot be imagined without the development of commerce and industry. No doubt, banking promotes the development of commerce to its extreme, as banking itself is the part of commerce. Though the economic growth was as snail speed in earlier year, it had caught its full sailing with the restoration of democracy in the country. In this study the objective functions, policies and strategies of foreign participated private commercial banks have been emphasized and analyze of their financial performance. Here the main finding of the study is the financial performance of these two sample banks has been presented. The financial data, statement of five consecutive years i.e. 2012/13 to 2016/17 has been examined for the purpose of the study. The study is mainly based on the primary and secondary data, which have been processed first and analyzed comparatively. From this analysis of financial performance of both the banks the following findings are made.

Financial analysis is the process of determining the significant operation and financial characteristics of a firm from accounting data. It shows the relationship between the various component which can be found in balance sheet and profit and loss account. The analyzed statement contains that information which is useful for management, shareholder, creditors, investors, depositors etc.

CHAPTER – V
CONCLUSION & IMPLICATIONS

5.1 Conclusion:

The study completely based on secondary data accumulated from websites. The study covers only two banks EBL and NABIL among various banks but the sample banks are the leading banks among commercial banks. The study is based on five fiscal years from 2012/13 to 2016/17.Research Methodology followed to achieve the objective of the study and which constitute research design, sources of data, population and sample, data collection process and method of analysis. Moreover, financial and statistical tools have been used according to the requirement to achieve the targeted result.

The 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 though banking is considered as the platform of money market and capital markets, commercial banks help to promote the money market. Because of qualitative managerial skills, at most customers' satisfaction, objective to use advanced technology, private commercial banks have been able to attain their objectives within short span of time.

5.2 Implications:

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

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

Therefore, both sample banks should modify their working capital policy to maintain the standard ratio. If sample banks cannot maintain the ratio, they may fail to maintain the daily cash transaction.

As leverage ratios indicates both the banks are suggested to increase their debt financing so that profit will be generated through the utilization of deposits.

NABIL has less mobilization of total deposit to loan and advances than EBL. The purpose of loan and advances is to generate income for the banks. So, NABIL should increase a loan and advance to different productive sectors.

Fixed deposits are deposited for long period and need to pay higher interest. Therefore, fixed deposit can use for long-term investment and generate income for the bank. Since mobilization of fixed deposit by EBL is lower than NABIL, they should mobilize its fixed deposit to different productive sector in for of loan and advances or investment.

EBL is less successful in mobilizing its deposit by investing in different productive sector. Investment is the key to earn a profit. Therefore, they should invest in different productive sectors by utilizing the different types of deposit. Since the consistency level is very high, they should maintain stability in total investment.Profit is a key of success of any business. The bank also cannot survive without the profit so they should keep in the mind for profit maximization. But in long-term business bank also should be concern with the shareholder's wealth maximization as they are investor of the bank. Over the study period, NABIL is successful to earn more profit than EBL with consistency in profit. So, it is recommended to EBL that it may cut down its operating expenses or can imply other profit maximization tools.

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, 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 goodwill of the banks in future. The overall investment of the bank should be concentrated on productive sector such as business and industrial loan rather than consumer product such as hire purchase and housing loan. Because industrial and business sector will create the employment opportunity which is necessary for capital formation and economic growth. The economic liberalization has made the entire bank to determine the own interest rate. But nowadays due to unhealthy competition the spread between the deposit and lending interest has been higher than NRB directives. If the depositor interest rate is very low, then depositor may not interest to deposit the saving. Therefore, the spread should be appropriate.

Banks should evaluate its investment portfolio every year. Investment portfolio must be balanced in each sector according to the NRB rules and company's self-policy. It should be calculated co-efficient of correlation and regression among deposit, investment and return of the company. Nepal Rastra Bank should clearly define its role and strict monitoring for the efficient operations of banks so that they can use the facilities as much as possible. Besides that, NRB should open to all, flexible and strong supervision rather than imposing rules and regulation only.

The success rate of banking mainly depends upon the banking awareness by the public. Therefore, there should be the awareness program, regularly conducted in terms of seminars or workshops from well-experienced personnel such as top executives from banks and concerned regulating authorities. This will exchange the ideas and share the grass root problems. On the basis of this feedback information, regular changes or implementation of new rules and regulations can be easily carried out. Nepal Rastra Bank should also encourage frequent trainings to new entrants to provide orientations on the conceptual dimensions and practical aspects of operation of the banks.

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APPENDICES

ANNEX – 1

Calculation of Mean, Standard deviation and Coefficient of Variation between current assets and current Liabilities:

(Rs. In Million)

Fiscal Year(X)	Ratio of EBL(X)	(X - X)	(X - X)2	Ratio of NABIL(Y)	(Y-Y)	(Y-Y)2
2012/13	1.2157	-0.0643	0.0041	1.0103	0.0314	0.0010
2013/14	1.2665	-0.0135	0.0002	1.0100	0.0311	0.0010
2014/15	1.1682	-0.1118	0.0125	0.9322	-0.1188	0.0141
2015/16	1.2134	-0.0666	0.0044	0.8601	-0.1188	0.0141
2016/17	1.5364	0.2564	0.0657	1.0821	0.1032	0.0106
N = 5	**6.4002**		**0.0870**	**4.8947**		**0.0408**
Mean	1.2800			0.9789		
S.D.	0.1475			0.1010		
C.V.	11.52			10.32		

Here,

Arithmetic Mean $\overline{X} = \frac{\sum X}{N} = \frac{6.4002}{5} = 1.28$

Arithmetic Mean $\overline{Y} = \frac{\sum Y}{N} = \frac{4.8947}{5} = 0.9789$

Standard Deviation (S.D) of EBL $= \sqrt{\frac{\sum (X - X)2}{N-1}} = \sqrt{\frac{0.0870}{5-1}} = 0.1475$

Standard Deviation (S.D) of NABIL $= \sqrt{\frac{\sum (Y - Y)2}{N-1}} = \sqrt{\frac{0.0408}{5-1}} = 0.1010$

Coefficient of Variation (C.V) of EBL = $\frac{Q}{\overline{\overline{X}}}$ × 100 % = $\frac{0.1475}{1.28}$ × 100 % = 11.52

Coefficient of Variation (C.V) of NABIL = $\frac{Q}{\overline{\overline{Y}}}$ × 100 % = $\frac{0.1010}{0.9789}$ × 100 % = 10.32

ANNEX – 2

Calculation of Correlation Coefficient between Total Deposits(x) and Loan and Advance(y):

For EBL:

(Rs. In Million)

Fiscal Year	X	Y	d1=x-a	d2=y-a	d1^2	d2^2	d1d2
2012/13	57720.47	43393.19	-25373.32	-11089.28	643805367.8	122972130.9	281371850
2013/14	62108.14	47572.02	-20985.65	-6910.45	440397505.9	47754319.2	145020285
2014/15	**83093.79**	**54482.47**	0	0	0	0	0
2015/16	93735.48	67955.11	10641.69	13472.64	113245566.1	181512028.6	143371658.4
2016/17	95094.46	77287.76	12000.67	22805.29	144016080.4	520081252	273678759.5
	391752.34	**290690.55**	**-23716.61**	**18278.2**	**1341464520**	**872319730.7**	**843442553**

$$r_{12} = \frac{n\sum d_1 d_2 - (\sum d_1)(\sum d_2)}{\sqrt{n\sum d_1^2 - (\sum d_1)^2}\sqrt{n\sum d_2^2 - (\sum d_2)^2}}$$

Where,

n=5

a= assumed mean

Karl's Pearson's Coefficient of Correlation

$$r_{12} = \frac{5x843442553 - (\text{-}23716.61).(18278.2)}{\sqrt{5x1341464520 - (\text{-}23716.61)^2}\sqrt{5x872319730.7 - (18278.2)^2}}$$

$$r_{12} = \frac{4650709706}{4974776428}$$

$$= 0.9349$$

$$r^2 = 0.8740$$

$$P.E.(r) = 0.6745x\frac{1-r^2}{\sqrt{n}}$$

$$= 0.6745x\frac{1-0.8740}{\sqrt{5}}$$

$$= \frac{0.0850}{2.2361}$$

$= 0.038$

$6xP.E(r) = 6x0.038$

$= 0.228\,1$

ANNEX – 3

Calculation of Correlation Coefficient between Total Deposits(x) and Loan and Advance(y):

For NABIL:

(Rs. In Million)

Fiscal Year	X	Y	d1=x-a	d2=y-a	$d1^2$	$d2^2$	d1d2
2012/13	63608	46370	-40630	-19132	1650796900	366033424	777333160
2013/14	75389	54692	-28849	-10810	832264801	116856100	311857690
2014/15	**104238**	**65502**	0	0	0	0	0
2015/16	110265	76106	6027	10604	36324729	112444816	63910308
2016/17	118897	89877	14659	24375	214886281	594140625	357313125
	472397	**332547**	**-48793**	**5037**	**2734272711**	**1189474965**	**1510414283**

$$r_{12} = \frac{5x1510414283 - (-48793).(5037)}{\sqrt{5x2734272711 - (-48793)^2}\sqrt{5x1189474965 - (5037)^2}}$$

$$= \frac{7797841756}{8176980612}$$

$$= 0.9536$$

$$r^2 = 0.9094$$

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

$$= 0.6745x\frac{1-0.9094}{\sqrt{5}}$$

$$= \frac{0.0611}{2.2361}$$

$$= 0.0273$$

$$6xP.E(r) = 6x0.0273$$

$$= 0.1639$$

ANNEX – 4

Trend Analysis of Total Deposit

For EBL:

Where,

$$a = \frac{\sum y}{N} = \frac{391752.34}{5} = 78350.47$$

$$b = \frac{\sum xy}{\sum x2} = \frac{106375.32}{10} = 10637.53$$

Trend Line (Yc) = a + bx = 78350.47+ 10637.53x

Total Deposit in Year 2017/18 = a + bx
= 78350.47+ 10637.53 (2017 – 2014)
= 110263.06

Total Deposit in Year 2018/19 = 78350.47+ 10637.53 × 4
= 120900.60

Total Deposit in Year 2019/20 = 78350.47+ 10637.53 × 5
= 131538.13

Total Deposit in Year 2020/21 = 78350.47+ 10637.53 × 6
= 142175.66

Total Deposit in Year 2021/22 = 78350.47+ 10637.53 × 7
= 152813.19

ANNEX – 5

Trend Analysis of Total Deposit

For NABIL:

Where,

$$a = \frac{\sum y}{N} = \frac{472397}{5} = 94479.40$$

$$b = \frac{\sum xy}{\sum x2} = \frac{145454}{10} = 14545.40$$

Trend Line (Yc) = a + bx = 94479.40+ 14545.40x

Total Deposit in Year 2017/18 = a + bx
= 94479.40+ 14545.40 (2017 – 2014)
= 138115.60

Total Deposit in Year 2018/19 = 94479.40+ 14545.40 × 4
= 152661.00

Total Deposit in Year 2019/20 = 94479.40+ 14545.40 × 5
= 167206.40

Total Deposit in Year 2020/21 = 94479.40+ 14545.40 × 6
= 181751.80

Total Deposit in Year 2021/22 = 94479.40+ 14545.40 × 7
= 196297.20

ANNEX – 6

Regression Analysis between Net Profit and Total Deposit

For EBL:

(Rs. In '000' Million)

Fiscal Year	Net Profit(x)	Total Deposit(y)	x2	y2	xy
2012/13	1.47112	57.72047	2.164194054	3331.652657	84.91373783
2013/14	1.5497	62.10814	2.40157009	3857.421054	96.24898456
2014/15	1.57435	83.09379	2.478577923	6904.577937	130.8187083
2015/16	1.73021	93.73548	2.993626644	8786.340211	162.1820649
2016/17	2.00625	95.09446	4.025039063	9042.956323	190.7832604
	8.33163	**391.75234**	**14.06300777**	**31922.94818**	**664.9467559**

$$\left.\begin{aligned} 5a + 8.3316\,b &= 391.7523 \\ 8.3316a + 14.0630b &= 664.9467 \end{aligned}\right\} \qquad \begin{aligned} a &= -34.28 \\ b &= 67.57 \end{aligned}$$

$$r_{12} = \frac{n\sum xy - \sum x.\sum y}{\sqrt{n\sum x^2 - (\sum x)^2}\sqrt{n\sum y^2 - (\sum y)^2}}$$

$$= \frac{5x664.95 - (8.33).(391.75)}{\sqrt{5x14.06 - (8.33)^2}\sqrt{5x31922.95 - (391.75)^2}}$$

$$= \frac{60.81}{74.34}$$

$$= 0.82$$

$$t = \frac{0.82}{\sqrt{1-(0.82)^2}} * \sqrt{5-2}$$

$$= \frac{0.82}{0.5723} * 1.73$$

$$= 2.48$$

ANNEX – 7

Regression Analysis between Net Profit and Total Deposit

For NABIL:

(Rs. In ‘000’ Million)

Fiscal Year	Net Profit(x)	Total Deposit(y)	x2	y2	xy
2012/13	2.219	63.608	4.923961	4045.977664	141.146152
2013/14	2.32	75.389	5.3824	5683.501321	174.90248
2014/15	2.094	104.238	4.384836	10865.56064	218.274372
2015/16	2.819	110.265	7.946761	12158.37023	310.837035
2016/17	3.613	118.897	13.053769	14136.49661	429.574861
	13.065	**472.397**	**35.691727**	**46889.90646**	**1274.7349**

$$\left.\begin{array}{l} 5a+13.065b = 472.397 \\ 13.065a + 35.6917b = 1274.7349 \end{array}\right\} \qquad \begin{array}{l} a = 26.56 \\ b = 25.99 \end{array}$$

$$r_{12} = \frac{n\sum xy - \sum x.\sum y}{\sqrt{n\sum x^2 - (\sum x)^2}\sqrt{n\sum y^2 - (\sum y)^2}}$$

$$= \frac{5x1274.73 - (13.07).(472.40)}{\sqrt{5x35.69 - (13.07)^2}\sqrt{5x46889.91 - (472.40)^2}}$$

$$= \frac{201.81}{296.08}$$

$$= 0.68$$

$$t = \frac{0.68}{\sqrt{1-(0.68)2}} * \sqrt{5-2}$$

$$= \frac{0.68}{0.7332} * (1.73)$$

$$=1.61$$