## CHAPTER I INTRODUCTION

### Background of the Study:

Financial Performance analysis is the important approach for enterprises to give incentive and restraint to their operators and it is an important channel for enterprise stakeholders to get the performance information (Sun, 2011). The performance evaluation of a commercial bank is usually related to how well the bank can use its assets, shareholders’ equities and liabilities, revenues and expenses. The performance evaluation of banks is important for all parties including depositors, investors, bank managers and regulators. The evaluation of a firm’s performance usually employs the financial ratio method, because it provides a simple description about the firm’s financial performance in comparison with previous periods and helps to improve its performance of management (Lin et al., 2005). Moreover, the ratio analysis assists in determining the financial position of the bank compared to other banks. Different ratios including return on assets (ROA), return on equity (ROE), CR, debt equity ratio, return on deposit etc. were evaluated to analyze the financial data of selected Nepalese commercial banks for the period 2008/009 to 2015/016. These ratios would help to indicate the condition of capital, assets quality, management, Earning, and liquidity position of different types of banks.

Financial sector is the backbone of economy of a country. The banking sector plays a main role of the financial system is to channel the funds from savers to borrowers. If this process is done efficiently, than the profitability should improve, the flow of funds should increase, too, and there should be better quality services for customers. Indeed, financial intermediation determines, among other factors, the efficient allocation of savings, as well as the return on savings and investments (Aremu and Mejabi, 2013). Banks provide a safe link between the savers who deposit their money and the investors. In addition, banks are involved in current and future development plans of an economy by providing capital for innovation, and infrastructure, and create job opportunities. It is therefore, necessary evaluate the financial performance of banks in order to identify their strengths and also possible weaknesses in their

managerial skills and competencies which can be strengthened to enhance the services of they provide. In addition, banks must make future plans to develop their service standards to facilitate balanced economic and technological growth in the country. Financial performance of banks is very important in all societies and economic systems. Analysis of financial performance provides an insight into how efficient a bank is in using its assets to generate profits and how sound was its financial health was over a given period of time. It can also, be used to compare and assess similar firms across the domain of banking in the country.

Commercial banks collect deposits from the public and the largest portion of deposited money is utilized in disbursing loan and advances. Loans and advances constitute a major portion of the assets and deposits constitute a major portion of the liabilities of balance sheet of commercial banks. Similarly earning of the banks depends upon the spread that it enjoys between the interest it receives from the borrowers and that to be paid to the borrowers. An average, bank generates sixty to seventy percent of its revenue through its lending activities. The return that the bank enjoys of deposit mobilization through loan and advances is very attractive but they do not come free of cost and free of risk. There is risk inherent in lending portfolio. Banking sector is exposed to number of risk like, interest rate risk, liquidity risk, credit risk or default risk, borrowers risk, security risk, earning risk etc. Such risk are excessive had led many banks to go bankrupt in a number of countries. Performing loans have multiple benefits to the society while non-performing loan erodes even existing capital. (Singh 2008)

In Nepal there are two types bank, one is public sector and another is private sector.

1. commercial bank (NRB 2016) are available among them three banks are government i.e. Nepal Bank LTD., Rastriya Banijya Bank LTD. and Agriculture Development Bank. And other 25 are operation private sector.

Research has been conducted on this topic, even though, very few research were made with the limited data and analysis. Therefore, this study gains attention of reader to get factual and reliable information about Government owner bank and Private sector bank in Nepalese banking industries.

### Introduction of Samples Banks Public Sector Commercial Banks

Public sector banks have substantial shares in the total assets of the industry and have huge branch networks around the country. Rastriya Banijya Bank (RBBL), Nepal Bank Limited (NBL) and Agriculture Development Bank (ADBL) are government owned banks. These banks have significant contribution on improving banking habit among the people at large and encourage entrepreneurship in both the urban as well as rural area. The public sector banks are still the largest banks in all aspects from deposit and credit mobilization to the number of branches in operation.

### Private sector Banks

We can classify the Private sector banks in to two category, joint Venter and Domestic private bank. The joint venture banks have very few branch networks and are concentrated in urban centers. JVBs started to establish since mid-1980s (Poudel, 2005). They have foreign equity participation (along with domestic) and management with good name with international reputation, conducting banking business professionally. They are well mechanized and supervised by their respective home country supervisory authorities. The share of total assets of the joint venture banks has been increased to about 50% of total commercial bank assets. The introduction of joint venture banks infused modern banking and financial technology and new financial instrument in the financial system. However, the spillover effect of their efficient management and modern banking skills was less in the domestic banks, as per expectation.

Domestic private banks came in operation by late 1990s and early 2000s. They are managed and owned by private sector without foreign equity participation. Since they are relatively new banks, they have the opportunity to start as ‘fresh banks’ without bad loans in their portfolios and with the possibility of adopting recent banking technologies during their inception. Most of them are relatively small in asset size as well as their networks.

### Problem Statement and Research Questions:

Financial performance of a company is one of the major characteristic. It is the identification of their weakness and strengths .in a competitive financial market, banks performance provides signal to depositors and investors whether to withdraw or invest funds respectively from the banks. The present study basically focused on financial performance of public sector banks and private sector banks. Owner and manager require financial statement to make important business decision that affects its continued operation.

Both private sector and Public sector banks are competing in the Nepalese market but they vary in different aspects. Private sector banks are highly equipped by modern technology. Some are established as JVBs so they follow the worldwide and advance banking practices. Their decision-making processes are fast and they select highly qualified and trained employees to appoint. On the other hand, Public sector banks are just in the starting phase of using modern technology. They are characterized by delay in decision-making process, interference of government in operation and management. However, they are highly trusted by people because of ownership of government and their long history legacy in banking sector.

Financial Performance Analysis or Financial Management is the main indicator of the success or failure of any financial institution and commercial banks. Financial condition of the business firm should be sound from the viewpoint of shareholders, debenture holders, financial institution and nation as a whole. The survival of the existing commercial bank and other financial institutions depend upon how they manage their assets and liabilities to maximize their profits with the minimum exposure of assets to risk, and are guided by three important conflicting criteria of solvency, liquidity and profitability. Commercial banks deal with other people’s deposits, adequate cash flow, liquidity, and better utilization of assets.

The main aim of this study is to evaluate and compare financial performance of private and public commercial banks, to provide some comments by observing several financial ratios, analyzing trends. From the review of previous literature some

indicators show performance is not much encouraging toward the service coverage. In such a situation the study tries to analyze the present performance of bank, which would give the answers of following queries.

* + 1. What are the comparative ratios of liquidity, profitability, leverage and activities ratio of the selected public and private bank in Nepal?
    2. Are the trends of different ratios of these banks satisfactory in Nepal?

### Objective of the Study:

The main objective of the study is to analyze, examine, compare and interpret the financial performance between private sector (NSBI, NIBL & NABIL) and Public sector banks (RBB, NBL & ADBL) of Nepal. General objective of the study to find out the overall strength and weakness of the selected private and public sector bank in terms of their financial performance through the technique of ratios analysis and statistical tools. To obtain the main objective following specific objectives are determined.

* + 1. To analyze the liquidity, profitability, leverage and activities ratios of private and public Nepalese commercial banks.
    2. To analyze trends of different ratios of private and public Nepalese commercial banks.

### Significance of the Study:

The success of economic growth of a country mainly depends on the effective performance of banks. Nepalese capital market is highly dependent on the growth and prosperity of banking companies. Therefore, it is high time to evaluate the financial performance of Nepalese banking companies. In this backdrop, the present study seeks to examine the trends in the financial performance of six top banks, major players in the Nepalese money market, during the period of 2008/009 to 2015/016. Private Banks have been selected on the basis of their paid up capital in 2014/15.

The study is expected to have importance to many parties. Since the study revolves around one of the popular issues of current business scenario, the following are the expected significances

* + 1. It provides some insight about the evaluation process of banking industry.
    2. To initiate the concerned organizations to reassess existing practices and put a renewed emphasis on those undermined ones.
    3. To serve as a reference material for both academicians and practitioners
    4. To initiate other interested researchers to carry out more extensive studies in the area

### Limitation of the study:

This study aims to analyze financial performance of Nepalese commercial banks. The study relies on different statistical and econometric tools in an attempt to obtain statistically significant relationship between bank performance and a set of explanatory variables. However, in the process of deriving reliable findings, the study is not free from limitations. The limitations of the study are as follows:

* + 1. The study will focus only six commercial banks (Three government bank and three are private, private banks selected on the basis of highest paid up capital) which may not truly represent the whole population.
    2. This study will mainly be conducted on the basis of secondary data. Therefore, the study has inherent limitation of the secondary data.
    3. This study will cover the analysis of only eight years data from the fiscal year 2008/009 to 2015/16. Hence, the conclusion drawn confirms to the above periods only.
    4. “A” class commercial banks licensed by NRB till mid-July 2016 are considered to analyze bank-specific variables and their effects on performance of banks but the study does not consider other banks than “A” class commercial banks such as development banks, finance companies, cooperatives, micro finance companies etc. Hence, results of study may differ if other classes of banks are considered.

### Chapter plan:

This study has been divided into five chapters; brief descriptions of the course are as under:

### Chapter I Introduction

The introduction chapter deals with the general background and the subject matter of the study. It consists of introduction of research study, which explains the focus of the study, statement of the problem, objectives of the study, significance of the study and limitations of the study

### Chapter II Review of Literature

The second chapter is Review of literature which refers reviewing the research or other related published or unpublished literature, articles published in different economic journal, bulletin, dissertation papers, magazines, newspapers and websites in the related area's study, so that all possible relevant past studies, their conclusion findings and recommendation can be known through review of literature. The purpose of literature review is to find out what research studies have been conducted in one's chosen field of study, and what remains to be done. In other words review of literature is basically a stock taking of available literature in the field of research. In brief this chapter includes conceptual framework and review of related studies

This chapter also deals with a brief sketch of previous research studies and related publications.

### Chapter III Research Methodology

This chapter describes the research methodology employed in the study. This chapter has dealt with the research design, population and sample, sources of data, data collection techniques and data analysis tools (financial tools and statistical tools) and methods of analysis and presentations.

### Chapter IV Results

This chapter includes secondary data presentation, data analysis, interpretation, answering to the research question by using various tools and techniques of financial management and statistics to present the result relating to the study.

### Chapter V Conclusions

The last chapter states the summary, conclusions of the whole study and implication too. It also offers several avenues for future research. The bibliography and appendix is incorporated at the end of the study.

## CHAPTER –II REVIEW OF LITERATURE

### Background

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. So the study will be helpful to know the Public sector banks and private sector 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. 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. 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:-

* + - To define and limit the problem working on.
    - To place the study in an historical perspective.
    - To avoid unnecessary duplication.
    - To evaluate promising research methods.
    - To relate the findings to previous knowledge and suggest further research.

### Theoretical Review

### Meaning of Financial Analysis

Financial Analysis is an evaluation of both a firm’s past financial performance and its prospectus for the future. Financial statement analysis involves the calculation of various ratios. In mathematics a ratio is the relationship between two quantitative figures. In financial management the ratio is the relationship of two accounting figures. The ratio analysis is the financial tool by which the financial strength and weakness are measured by relating two accounting data. (Khatri, 2010)

The relationship between two accounting figure, expressed mathematically is known as ratio. In financial analysis a ratio is used as an index or yardstick for evaluation the financial position and performance of a firm. Absolute figures and valuable but they are standing alone convey no meaning unless compared with other. Accounting ratio shows inter-relationship among various data supplied by financial statements are worked out, they are known as accounting ratio.(Helfert, 2008)

Every business organization is established with view of earning the profit. Bank is also established with objectives of maximizing the profit. Profit is necessary for long- term existence of any business. An investor always invests in that area where profit can be maximized. Financial statement is the indicator of business performance that whether business is profitable or not. Therefore, financial analysis reflects the financial position of a firm, which is the process of determining the operational and financial characteristics of a firm. Different types of financial statement analysis can be used on the basis of this researcher’s objectives. Financial statement analysis is helpful to the decision maker for finding out favorable or unfavorable situation of a business concern. Financial performance is the main indicator of success or failure of the company.(Ally 2013)

The main function of financial analysis is the pinpointing of the strengths and weakness of a business undertaking by regrouping and analysis of figures contained in financial statements, by making comparison of various components and by examining their content. Financial managers can use this as the basis to plan future financial

requirements by means of forecasting and budgeting procedures. [Man *Mohan and Goyal, 1997*]

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

Financial analysis is the process of determining financial strengths and weakness analysis of company by establishing strategic relationship between the components of analysis balance sheet and other operative data. [Pandey*, 1994*]

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

Financial statement analysis is largely analysis study of relationship among the various factors in analysis business as disclosed by the single set of statement and analysis study of the trend of these factors as shown in analysis series of statement. [*Myer, 1961*]

Financial analysis is process of identifying the financial strength and weakness of the firm by property establishing relationship between the items of the balance sheet, which represents analysis snapshot of the firm’s financial position analysis at analysis

moment in time and next income statement, that depots analysis summary of the firm’s profitability overtime.[ *Vanhorn & Watchowtch, 1997*]

Thus, the analysis of financial statement is an important aid to financial analysis. It is helpful in assessing the financial position and profitability of analysis business concern. *[Pandey, 1979]*

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

“It is both analytical and judgmental process that helps answer questions that have been posed. Therefore, it is means to end. Apart from the specific analytical answer, the solutions to financial problems and issues depend significantly on the views of the parties involved in the related importance of the issue and on the nature and reliability of the information available.”[*Helfert, 1992*]

According to Surendra Pradhan, “Financial analysis is to analyze the achieved statements to see if the result meets the objectives of the firm, to identify problems, if any, in the past or present and/or likely to be in the future, and to provide recommendation to solve the problems*.”[Pradhan, 2000]*

Thus, financial analysis stands for the process of determining and presenting the relationship of items and groups of items in the financial statement it is a way by which financial stability and health of a concern can be judged.

### Significance of Financial Analysis

Significance of analysis lies on the objectives of financial analysis of any firm. Different groups associated with the concern perceive the facts discovered by the analysis differently. The facts and relationship concerning managerial performance, corporate efficiency, financial strength and weakness and credit worthiness are interpreted based on objective in the hand. Such an analysis leads management of an enterprise to take crucial decisions regarding operative policies, investment value of

the firm, inter-financial control system and bargaining strategy for funds from external sources. (Agrawal, 1993).The importance of financial analysis is as follows:

### Useful in financial position analysis:

Ratio analysis is an important technique of financial analysis. It is also reveal the financial position of the concern. This helps the bank, insurance company and other financial institutions in leading and making investment decision.

### Useful in comparison of performance:

Through accounting ratio comparison can be made between one departments of a firm with another of the same firm in order to evaluate the performance of various departments in the firm. Manager is naturally interested in such comparison in order to know the proper sand smooth functioning of such department. Ratio also helps to make any change in the organization structure.

### Useful in forecasting purposes:

If accounting ratio is calculated for a number of years then a trend is established. This trend helps in setting up at future plans and forecasting. The ratio calculation of past year works as a guideline for the future.

### Useful in communication:

Ratio analysis provides the information about strength and weakness of concern (firm) to the internal and external parties.

### Useful for decision in making classification of ratio: -

* 1. Liquidity ratio
  2. Capital structure ratios (Average ratio)
  3. Activity ratios
  4. Profitability ratios

The parties that are benefited by the results or conclusion draw from the analysis of financial performance can be enumerated as:

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

### Top Management:

The responsibility of the top management is to evaluate are as follows: Are the resources of the firm used effectively and efficiently?

Is the financial condition of the firm shall enough?

Based on past facts firms can anticipate their future. Hence, top management can measure the success or otherwise of a company’s operations, determine the relative efficiency of various departments; process and products appraise the individual’s performance and evaluate the system of internal audit.

### Creditors:

The creditors can find out the financial strengths and capacity of the borrower to meet their claims. Trade creditors are interested in the firm’s ability to meet their claims over a short span of time, the suppliers of long-term debt focus upon the firm’s long- term solvency and survival. A lending bank through and analysis of these statements can decide whether the borrower retains the capacity of refunding the principle and paying interest in time or not.

### Shareholders:

The shareholders, who have invested their money in the firm’s shares, are most concerned about the firm’s earning. They evaluate the efficiency of the management and determine about the necessity for the change. In large company, the shareholder’s interest is to decide whether to buy, sell or hold the shares. They wish to buy the shares in case of sound performance of the firm where as they simply intend to hold the shares in the condition of satisfactory performance. However, they are curious to sell the shares in case of poor performance.

### Economist

The diagnose the prevailing status of business and economy; economists analyze the financial statements of any firm. The government agencies analyze them for them for the purpose of price regulation; rate setting and similar other purpose.

### Labor union

Productivity is the synonym of well-motivated labors. Labor unions are interested in rights and benefits of labor to enhance the moral of labors. To motivate the labors they expect increase in wages, fringe benefits and so on. These benefits are affected by the company’s profitability condition. Therefore, the union assesses the financial condition of the firm to determine whether the firm is in the situation or not to make such facilities available. (*Srivastav, 1993:45*).

### Financial Performance Analysis of Bank:

Traditionally, banks act as financial intermediaries to channel funds from surplus units to deficit units. Unlike other non-banking financial companies, commercial banks do not produce any physical goods. They produce loans and financial innovations to facilitate trade transactions. Because of special role they play in the economy, concerned authorities heavily regulate them. Analysis of banks financial statement is different from threat of other companies due to the special nature of assets and liabilities. *[Paudel, 2053:64-69*]

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

The users of financial statements of bank require relevant, reliable and comparative information to evaluate the financial performance and position and hence make economic decision regarding the bank. According to Commercial Bank Act 1974 the audited balance sheet and profit and loss account must be published in the leading national newspaper for the information of general public.

Most of the users of financial statements seek to assets the bank’s overall performance. Following factors affect the evaluation of bank overall performance:

* + - * The structure of balance sheet and profit and loss account.
      * Operating efficiency and internal management system.
      * Managerial decisions taken by the top management regarding interest rate, lending policies exchange rates etc.
      * Environment changes such as changes in Technology, Government, Competition, and Economy etc.

### Technique of Financial Analysis:

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

1. Ratio Analysis
2. Statement of changes in financial position
3. Cash flow statement

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

Simply, ratio refers to the numerical or quantitative relationship between two items or variables. In simple language ratio is one number expressed in terms of another and can be worked out by dividing the number to the other. Therefore ratio is the expression of one figure in terms of another. It is an expression of the relationship between mutually independent figures. It is a simple mathematical expression of the relationship of one item to another.

A ratio helps to the researcher to make qualitative judgment about the firm’s financial position and performance. Ratio analysis is an important way to state meaningful relationships between components of financial statement. Ratios are guided or shortcuts that one useful in evaluation the financial position and operations of a company and in comparing then to previous year or to other business concerns. The term ratio refers to the numerical or quantitative relationship between two variables. The rational of ratio analysis lies in the fact that it makes related information comparable. (Khan, and Jain, 2008)

Ratio analysis is a technique of analysis and interpretation of financial statement evaluate the performance of an organization by creating the ratio from the figures of different accounts consisting in balance sheet and income statement is known as ratio analysis. (Dangol, 2052 BS)

Ratio analysis is an analytical tool of financial analysis, which helps in identifying strength and weakness of business concerns. It is an important way to state meaningful relationship between components of financial statements. The primary purpose of ratio is to point out area for further investigation. Ratio analysis has been a major tools used in the interpretation and evaluation of financial statements since late 1800 A.D.

Ratio analysis involves comparison for a useful interpretation of the financial statement. Ratio is the quantitative relationship between items. A ratio is defined as and indicated quotient of two mathematical expressions and is the relationship between two or more thing. (Van Horn, 2009)

It is undertaken of various parties engaged such as trade creditors, bondholders, investor and management in the firm according to their specific purpose. It is defined as a systematic use of ratio to interpret the financial statement so that the strength and weakness of a firm as well as its historical performance and current financial condition can be determined.

Ratio analysis involves basic understands of comparison to a useful interpretation of the financial statements. A single ratio by itself does not indicate favorable or

unfavorable condition of a firm unless it is compared to some appropriate standard. Selection of a proper standard of comparison is a most important element of the ratio analysis. Ratio analysis provides guides specially in spotting trends toward better or poor performance and in finding out significant deviation from any average or relatively applicable standard. (Dangol, 2052 BS)

Ratio analysis is widely used but no one ratio gives exact picture. In other hand ratio by them is not conclusion, as they are only means and not an end. Ratio analysis is in conceivable that accounting into ratio. A single ratio itself does not indicate favorable or unfavorable condition. It should be compared with some standard as:

1. Time series analysis
2. Cross-sectional analysis
3. Industry analysis
4. Perform analysis (Pandey, 2009)

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

* 1. Liquidity ratio 2.Activity ratio 3.Profitability ratio 4.Leverage ratio

### Liquidity ratios

Liquidity ratio measures the ability of firm to meet its current obligations. In fact, analysis of liquidity needs the preparation of cash budget and cash and fund, but liquidity ratio, by establishing a relationship between cash and other current assets to current obligation, provides a guide measure of liquidity. (Pandey, 2009)

Liquidity ratios give insight into the present cash solvency of the firm and its ability to remain solvent in the event of adversities. It is the comparison between the short- term obligation and the short firm resources. In case of bank, liquidity management is widely used to analyze liquidity position of banks.

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

Banks can experience lack of liquidity when cash outflows (due to deposit withdraws, loans etc.) exceed cash inflows (new deposits loan repayments etc.).They can resolve any cash deficiency either by creating additional liabilities or by selling assets. (Madhura, 1989)

To analyze the ability of banks, the following ratios are calculated:

1. Current ratio
2. Cash and bank balance to Total deposit ratio
3. Balance with NRB to Total deposit ratio
4. Saving deposit to total deposit ratio
5. Fixed deposit to total deposit ratio

### Activity ratio/assets and investment management

Traditionally, assets and investment management ratios have been called activity ratios or turnover ratios. Whatever designation, the idea is to measure how effectively the firm utilizes the investments and the economic resources at its command.

Investments are made in order to produce profitable sales. Achieving profitable sales, therefore, involves making sound investments. At the practical level, this involves comparisons between the sales and the investment in various assets accounts. The methodology postulates an optimal relationship between sales and the various types of asset investment. (Weston & Copland, 1992)

This ratio evaluates the efficiency with which the firm manages and utilizes its assets. They indicate the speed with which assets are being converted or turned over.

Thus, these ratios are used to measure the bank's ability to utilize their available resources. Various activity ratios are used to predict the effectiveness of asset utilization. Some selected ratios for this research can be illustrated as follows:

1. Loan and advances to Total deposit ratio
2. Loans and advances to Total assets
3. Total investment to Total deposit ratio

### Profitability ratio

Profit is the difference between total revenues and total expenses. 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 profit. The profitability ratios in this study are calculated to measure the operating efficiency and performance of two banks comparatively.

The future stream of cash flows is the result of a large number of policies and decisions. We start with historical data about cash flow and profitability but emphasize that these represent only the starting point. Further strategic and operating analysis is required to make meaningful projections for the future. (Weston & Copland, 1992)

Some major profitability identifying ratios used in this study are as follows:

1. Net profit to Total assets ratio
2. Net profit to Total deposit ratio
3. Total interest expenses to total interest income ratio

### Leverage ratio

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

In practice, leverage is approached in two ways. One approach examines balance sheet ratios and determines the extent to which borrowed funds have been used to

finance the firm. The other approach measures the risks of debt by income statement ratios designed to determine the number of times fixed charges are covered by operating profits. These sets of ratio are complementary, and most analysts examine both. (Weston & Copland, 1992)

Following are ratios, which are used in this study:

1. Debt asset ratio
2. Debt Equity ratio
3. Net worth to total assets ratio
4. Capital adequacy ratio

Financial ratios help us to find the symptom of problems. The cause of any problem may be determined only after location the symptoms. The operational and financial problems of a corporation can be ascertained by examining the behavior of these ratios. (Pradhan, 2000).

Ratio analysis is such a powerful tool of financial analysis that through it economic and financial as position of a business unit can be fully x-rayed. (Kothari, 1994)

Financial ratios are employed to measure the profitability, liquidity and credit quality of commercial banks. (Kumbirai and Webb, 2010)

A powerful and the most widely used tools of financial analysis is ratio analysis. A financial ratio is the relationship between the accounting figures, expressed mathematically or the term ratio refers to the numerical or quantitative relationship between two variables. This type relationship can be expressed as percentage or fraction or proportion of numbers. Ratios help to summaries the large quantities of financial data and to make qualitative judgment about the firm's financial performance.

### Review of previous study

The trend of commercial banking is changing rapidly. Competition is getting stiffer and, therefore, banks need to enhance their competitiveness and efficiency by improving performance. Normally, the financial performance of commercial banks

and other financial institutions has been measured using a combination of financial ratios analysis, benchmarking, measuring performance against budget or a mix of these methodologies (Avkiran, 1995).

Sha and Hui (2012), compared the financial performance of different structured banks in Nepal using CAMEL framework. The study covered the years 2005 – 2010 to assess the financial performance of the eighteen commercial banks in Nepal. The analysis was based mainly on the descriptive financial analysis to describe measure, compare and classify the financial situations. The authors used multivariate regression model to test the significance of variable. They found that ROA of public sector banks were higher than those of joint venture and domestic public banks. Moreover, the values determined for the financial ratios revealed that joint venture and domestic public banks were also not so strong in Nepal to manage the possible large scale shock to their balance sheet.

Al mamun (2013), the study on financial evaluation of prime bank limited in terms of capital adequacy from 2008 to 2012. The study finds that, through high debt equity ratio bank maintains capital above regulatory requirement. This will help the researcher and bank to further improvement in capital adequacy to meet regulatory requirement and enhance bank performance.

Chowdhury(2009) public the article in international journal of business and management on the topic of performance evaluation of selected private commercial bank of Bangaladesh by using the trend analysis during the period of 2002 to 2006, it say that in a developing country, the banking system as a whole play a vital role in the progress of economic development. This study indicates the prospect of private commercial bank in Bangaladesh is very bright.

Abara(2015) Research on financial performance analysis in the banking sector ( selected commercial banks in Ethiopia) by using the t-test and analysis of assets management, risk management, liquidity, profitability, solvency. The study employs the ratio analysis to compare the financial performance.

Qin & Pastory(2012), the International journal and business management public a paper on comparative analysis of commercial banks liquidity position. In this paper testing the ANOVA to find out the result and use the casual research design. In this research used secondary data. The finding under this study, commercial banks have strongest liquidity level.

Bakar and Tahir (2009) in their paper used multiple linear regression technique and simulated neural network techniques for predicting bank performance. ROA was used as dependent variable of bank performance and seven variables including liquidity, credit risk, cost to income ratio, size and concentration ratio, were used as independent variables. They concluded that neural network method outperforms the multiple linear regression method however it need clarification on the factor used and they noted that multiple linear regressions, not withstanding its limitations, can be used as a simple tool to study the linear relationship between the dependent variable and independent variables.

A thesis conducted by Dufera Abli (2010) on financial performance evaluation. The main objective was to compare and examine empirically the performance of first commercial bank in Ethiopia comparison with industry average. The result indicates that AIB was less profitable than industry average.

Faisal Abbas, Muhammad Tahir, Mutee-ur-Rahaman (2012) has compared financial performance of Pakistani commercial banks by covering the period of five years from 2007 to 2011. This period had rapid growth of the banking sector in Pakistan and revolutionary change in financial performance of banks. The findings of this study shows that the ranking of top five Pakistani commercial banks based on their total average assets, total operating fixed assets, total average equity and return on the respective variable.

Mukdad Ibrahim (2015) has compared financial performance between Conventional and Islamic banking in UAE. The central objective of the paper had been to conduct a comparative performance of two banks in UAE for the period of 2002-2006. Five groups of parameters had been used to measure liquidity level, profitability level,

management capacity, capital structure and share performance. The findings showed that both banks were finally viable as both had used the appropriate financial tools and policies to manage their organization and to adapt to their dynamic environment, resulting in a modest maximization of their profits.

Zawadi Ally (2013) has compared the financial performance of commercial banks in Tanzania. In this study financial ratios were employed to measure the profitability and liquidity of banks; in addition Analysis of variance (ANOVA) was used to test the significance differences of profitability means among peer banks groups. The study found that overall bank financial performance increased considerably in the first two years of the analysis. A significant change in trend is noticed at the onset of the global financial crisis profitable and remained in a sound position. The study found that, there is no a significant means difference of profitability among of peer banks groups in term of ROA, however, a significance differences among banks group is existed in term of ROE and NIM.

Guru et al. (1999) assessed the factors that influence bank profitability by taking a sample of seventeen Malaysian commercial banks for the period 1986-1995. The study obtained data relating to external determinants including market growth, interest rates and inflation rates from Malaysian Bank’s Quarterly Bulletin and annual reports over the period of 1985-1998. The study obtained data for internal determinants from annual reports of the sample banks. The study considered both micro and macro variables as determinants of profitability of the banks and revealed that asset size is positively related with net income before tax in the assets based on profitability model of regression whereas size is negatively related between net profit after tax and with capital based profitability. Furthermore, the study stated that capital is significantly and negatively related whereas loan is significantly and positively related with bank profitability. The study also suggested that deposit is positively related but liquidity is negatively related with the bank profitability. Finally, the study concluded that inflation is positively related with bank profitability.

Kumbirai and Webb (2010) had research on A Financial Ratio Analysis of Commercial Bank Performance in South Africa. This paper investigated the

commercial banks performance for the period of 2005- 2009. This research based on five sample bank of South Africa. This paper uses a descriptive financial ratio analysis to measure, describe and analyze the performance of commercial bank. The study found that overall bank performance increase in the first two year. Then significant change due to global financial crises. This resulted in falling profitability, low liquidity and deteriorating credit quality in the South African Banking sector.

Adhikari (1993) 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 2049/50.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. Operational efficiency of the bank is indicate by the operational loss has been found unsatisfactory. Hence, the bank is indicate 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

Ghimire (2000) 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 in case of both the banks.

Shakya (2002) 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.

Tuna (2013) tried to measure the financial health of two banks in Indonesia for the period of 2008 – 2012, using five assessment aspects of the CAMEL model. The T- test has been used to assess the differences between the two banks. The results in this research found no significant differences about bank soundness between the two banks.

Olson and Zoubi (2008) distinguished between conventional and Islamic banks in the Guff corporation council region on the basis of financial characteristics alone. They put 26 financial ratios into legit, neural network and K- means nearest neighbor classification models to determine whether these ratios distinguish between the two types of banks. Their result indicated that measures of banks characteristics such as profitability ratios, efficiency ratios, assets quality indicator and cash/ liability ratios are good discriminations between Islamic and conventional banks in the GCC resion.

Abdul- Hamid and Azmi (2011) compared the financial performance between one Islamic bank eight conventional commercial banks for the period 2000- 2009. The financial measurements used in this research are based on the criteria such as profitability, risk and solvency, and community involvement. The study evaluate inter- temporal and interbank performance of the pioneer of Islamic banking in Malaysia using. T-tests have been used in determining their significance. They used

data for one Islamic bank for the period of 2000-2009 while the data used for eight conventional banks is from 2005 to 2009. The study found that while there is on significant difference in profitability during these two periods, Islamic bank is relatively more liquid and less risky as compared to conventional banks.

### Research Gap

There is a certain gap between the present research and past research. Previous research conducted study generally on comparative financial analysis within private commercial banks or public banks separately. In addition, the financial parameters were compared across banks or across time only. The previous researchers did not disclose the comparative analysis between private and public commercial banks properly. Thus, to fulfill this gap the present research is conducted analyzing comparative financial performance between private and public commercial banks across banks, across group (Private and public) and across time with up to date statistics.

## CHAPTER III RESEARCH METHODOLOGY

Research methodology sets out overall plan associated with a study. It provides a basic framework on which the study is conducted. In the absence of methodology, it is likely that the conclusions drawn may be misunderstood. This chapter therefore, deals with research methodology that aims at answering the research questions raised and accomplishing the research objectives set in the introduction. In this study, research methodology includes research design, nature and sources of data, selection of population and sample size, models and methods of data analysis on of banks performance. Finally, this chapter also outlines with some methodological limitations of this study. The selected banks are:

|  |  |
| --- | --- |
| **Public Sector Commercial Banks** | **Private Sector Commercial Banks** |
| Nepal Bank Limited (NBL) | Nepal SBI Bank Limited (SBI) |
| Rastriya Banijya Bank Limited (RBB) | Nepal Investment Bank Limited(NIB) |
| Agriculture Development Bank Limited  (ADBL) | NABIL Bank Limited (NABIL) |

### Research design

The study employee descriptive research designs to deal with the various factors influencing bank performance in the context of Nepalese commercial banks. The descriptive and analytical research design use adopted to explain about bank-specific variables and their effects on performance of banks. In this study, comparative and analytical research design applied to show the financial performance of Nepalese commercial banks.

### Sources of data

This study mainly utilizes the secondary sources of data. For the secondary data set, the necessary information collected from periodical reports and statements published by Nepal Rastra Bank (NRB) database, Economic Survey published by Ministry of Finance and financial statements of respective banks covering the period of eight years i.e. from the fiscal year 2008/009 to 2015/16. The numbers of observation are 8 from each of the 6 sample banks and total 48 observations are included

### Population and sample

All the “A” class commercial banks licensed by Nepal Rastra Bank (NRB) till mid- July 2016 are considered as population for the study. There are altogether 28 commercial banks trading during this period. This study includes those commercial banks which are involving in commercial trading and required financial information are available for the study periods .In this study, only six commercial banks are selected as sample. Three public bank and three are private. Private Banks are selected on basis of higher paid up capital. The study is carried out for the period covering fiscal year 2008/009 to 2015/16 depending on the availability of data.

### Method of data analysis

The collected data analyzed by using various Statistical and financial tools (ratios) to achieve the research objectives. This section deals with statistical and econometric models used for the purpose of analysis of secondary data. The method of secondary data analysis which is applied in this study consists of econometric models including several statistical tests. Econometric models consist of ordinary least square regression model is applied under comparative analysis for secondary data analysis. Here is the brief discussion of both the tools, which are used to analyze and interpret the financial performance of Nepalese commercial bank.

* + 1. Financial tools.
    2. Statistical tools

### Financial tools:

Financial tools are those, which are used for the analysis and interpretation of financial data. These tools can be used to get the precise knowledge of a business, winch in turn, are fruitful in exploring the strengths and weaknesses of the financial policies and strategies. For the sake of analysis following various financial tools has been used in order to meet the purpose of the study.

### Ratio analysis:

Ratio analysis helps to summarize the large quantities of financial data and to make quantitative judgments about the firm's financial performance. Ratio is the expression of one figure in terms of another. It is the expression of relationship between the mutually independent figures, in financial analysis; ratio is use to as an index of yardstick for evaluating the financial position and performance of firm.

Ratio can be calculated between any two items of financial statements. It means there may be as many ratios as there are the numbers of items. However, under the ratio analysis technique, it is not practical to work out all the ratios. Hence, only the required ratios have been worked out. There are numerous ratios to analyze and interpret the financial form once of the enterprise or firm. However, for our purpose, only important and relevant ratios are used to check the financial health of Nepalese commercial banks which are as below:

* + - 1. Liquidity ratio.
      2. Turnover ratio.
      3. Leverage ratio.
      4. Profitability Ratio.

### Liquidity Ratios:

The following ratios are developed and used for our purpose to find the liquidity positions of the Nepalese commercial banks.

### Current Ratio::

Current ratio= 𝑐𝑢𝑟𝑟e𝑛𝑡 𝑎𝑠𝑠e𝑠𝑡𝑠

𝑐𝑢𝑟𝑟e𝑛𝑡 𝑙i𝑎𝑏i𝑙i𝑡ie𝑠

### Cash and Bank Balance to Total Deposit Ratio.

The ratio is calculated using following formula,

Cash and bank balance to total deposit ratio= Cash and bank balance

Total Deposit

### NRB balance to total deposits ratio

The ratio is computed by dividing the balance held with Nepal Rastra Bank by total deposits accepted.

NRB balance NRB balance to total deposit ratio = NRB balance

Total Deposit

### Turnover Ratio:

Depending upon special nature of assets and sales made by the bank, following ratios are tested:

### Loan and Advanced to Total Deposit Ratio:

The ratio is computed by dividing total loans and advances by total deposit liabilities.

=Loans and advance Total deposit

### Investment to Total Deposit Ratio:

The ratio obtained by dividing investment by total deposits collection in the bank.

= Investment Total deposit ratio

### Loan and advances to total assets:

Loans and Advances to total assets Ratio = Loans & Æ𝑑𝑣𝑎𝑛𝑐e

total assets

### Leverage Ratio:

Under this group, following ratios are calculated to test the optimality capital structure:

### Debt –Equity Ratio:

The ratio is calculated by dividing total debt by shareholder's equity. We calculate as:

Debt – equity ratio = Long term debt

′

shareholder s equity

### Debt-Asset Ratio:

The ratio can be calculated by dividing total debt by total assets Debt-asset ratio= Total debt

Total assets

### Interest Coverage Ratio:

The ratio is calculated by dividing net profit before deduction of interest and tax by interest charges.

Interest charges ratio=Net profit before interest and tax

interest charges

### Profitability Ratio:

To meet the objective of study, following ratios are calculated in this group;

### Return on Total Asset:

The ratio is calculated by dividing net profit after tax by total on asset on the bank.

= Net profit after tax Total asset

### Return on Net Worth:

The ratio is computed by dividing net profit after tax by net worth.

= Net profit after tax

Net worth

### Return on Total Deposit:

Return on Total Deposit = Net profit after tax

total deposit

### Total Interest Expenses to Total Interest Income Ratio:

The ratio is obtained by dividing total interest expenses by total interest income.

= Total interest expenses Total interest income

### Earnings Per Share (EPS) :

It is obtained by dividing earning available to common shareholders by number of equity shares out-standing.

= Earning avilabile to common shareholders No.of equity share oustanding

### Statistical Tools:

Various statistical tools can be used to analyze the data available to the researcher. These tools are used in research in order to draw the reliable conclusion through the analysis of financial data. Following tools are used for are purposes:

### Arithmetic mean (̅X̅ ):

An average is a single value selected from a group of values to represent them in same way, which is supposed to stand for whole group of which it is a pare, as typical of all the values in the group (Waugh A.E.), Out of various measures of the central tendency, arithmetic mean is one of the useful tools applicable here, it is easy to calculate and understand and based on all observations. Arithmetic mean of a given set of observations is their sum divided by the number of observation. In general, if X1, X2, X3...............Xn are the given observations, then arithmetic mean usually denoted by X is given by,

X = X1+X2+X3 Xn = ∑𝑋

𝑁

Where, n = number of observation

### Standard Deviation:

It is the square root of the variance standard deviation 𝜎 = √∑(X−X)2

N

Where,

N = No. of observation

∑( X- X) 2 = sum of square of deviation measure from Arithmetic mean

### Coefficient of Variation:

According to Prof. Karl Pearson, coefficient of variation is the percentage variation in mean, standard deviation being considered as the total variation in the mean. It is one of the relative measures of dispersion that is useful in comparing the amount of variation in data groups with different mean. Coefficient of variation, denoted by

C.V. is given by:

Coefficient of variation =

Standard *Deviation Mean*

100

For comparing the variability o two distributions, we compute the coefficient of variation for each distribution. A distribution with smaller CV is said to more homogeneous or uniform or less variable than other, conversely a series with greater CV is said to be more variable or heterogeneous than the other.

### 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.(Shrestha 2010)

For calculation of the “line of the best fit” following equation should be kept in mind. Yc = a + bx

Where,

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

a = “ Y = intercept” / mean of Y value b = “slope of line / rate of change

x = the variable in time series analysis represent time.

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

This topic will be used to forecast the ratios between net profit and deposit, net profit and investment, net profit and loan & advances of the banks for next five years on the base of past five years. The analysis is done under limited factors which are as follows.

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

## CHAPTER IV RESULTS

This chapter provides the systematic presentation and analysis of data to deal with various issues associated with financial performance of commercial banks in the context of Nepal. This chapter also presents the results of data analysis obtained by applying the various statistical and financial models and methodologies described in chapter three - Research Methodology. This chapter has been divided into following sub-topics:

* 1. Financial tools
  2. Statistical tools
  3. Major findings

### Financial tools

### Liquidity ratio

Liquidity ratios measure the liquidity of the firm to meet its current obligations. Liquidity is related to cash. A firm should ensure that it does not suffer lack of cash and also it does not have excess cash. If a bank has low cash or liquidity, it will not be able to pay cash to the customers. If there is high degree of cash, it is very difficult to make profit. So, both are harmful for the bank. Then the bank must manage liquidity. To measure the liquidity position of the commercial bank, following ratios have been calculated.

### 41.1.1 Current ratio

Current assets includes of cash balance, balance with NRB, Bank balance with other bank or financial institutions, money at call and short notice, loan and advance and bills purchase and other assets. Current liabilities includes of deposit, bills payable, proposed dividend payable, income tax liabilities and other liabilities.

This ratio is calculated as:

Current Assets Current Liabilities

### Table 4.1 Current ratio

(In *times*)

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Year/  Bank | NBL | RBBL | ADBL | Mean | NSBI | NIBL | NABIL | Mean |
| 2008/09 | 1.28 | 1.28 | 1.21 | 1.26 | 0.63 | 1.23 | 0.84 | 0.90 |
| 2009/10 | 2.33 | 1.7 | 1.7 | 1.91 | 0.62 | 0.30 | 0.79 | 0.57 |
| 2010/11 | 1.78 | 1.38 | 1.38 | 1.51 | 0.62 | 0.14 | 0.86 | 0.54 |
| 2011/12 | 4.24 | 2.74 | 2.74 | 3.24 | 0.61 | 1.43 | 0.84 | 0.96 |
| 2012/13 | 2.54 | 2.22 | 2.22 | 2.33 | 0.64 | 0.12 | 0.85 | 0.54 |
| 2013/14 | 1.26 | 0.37 | 0.37 | 0.67 | 0.77 | 1.19 | 0.86 | 0.94 |
| 2014/15 | 1.45 | 3.11 | 3.11 | 2.56 | 0.93 | 0.88 | 0.79 | 0.87 |
| 2015/16 | 2.79 | 3.11 | 3.12 | 3.01 | 0.88 | 0.89 | 0.80 | 0.86 |
| Mean | 2.06 | | |  | 0.77 | | |  |
| S.D | 0.93 | | |  | 0.18 | | |  |
| C.V | 45.15 | | |  | 23.38 | | |  |

Table 4.1 shows that the current ratio of public sector banks and private sector banks. It is in fluctuating trend. The average current ratio of Public sector banks is higher than private sector (i.e. 2.06 > 0.77). The liquidity position of Public sector banks is good but private sectors banks liquidity position is not satisfactory. Stander deviation and CV of government owner banks has higher than private sector banks. From figure we can easily identify the government owner banks can maintain the current ratio.

### Figure 4.1 Trend of current ratio

3.5

3

y = 0.1437x + 1.4146

2.5

2

1.5

Public

PSBs

Linear (Public) Linear (PSBs)

1

y = 0.0238x + 0.6654

0.5

0

2008/09 2009/10 2010/11 2011/12 2012/13 2013/14 2014/15 2015/16

Figure 4.1 represent the trend of current ratio of government owner bank and private sector Nepalese commercial banks for the period of 2008/09 to 2015/16. Trend of public sector bank is very fluctuating than private sector banks.

### Cash and bank balance to total deposit ratio

This ratio is employed to measure whether bank and cash balance is sufficient to cover its current deposits, saving deposit and call margin. It is calculated as:

Cash and Bank Balance Total Deposit

### Table 4.2

**Cash and bank balance to total deposit ratio**

*(In percentage)*

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Year/  Bank | NBL | RBBL | ADBL | Mean | NSBI | NIBL | NABIL | Mean |
| 2008/09 | 20.41 | 19.83 | 14.8 | 18.35 | 6.81 | 16.9 | 9.03 | 10.91 |
| 2009/10 | 23.66 | 16.89 | 12.78 | 17.78 | 10.17 | 13.61 | 3 | 8.03 |
| 2010/11 | 23.37 | 9.54 | 14.11 | 15.67 | 11.5 | 16.24 | 4.89 | 10.88 |
| 2011/12 | 21.4 | 21.67 | 14.54 | 19.20 | 10.33 | 20.70 | 7.76 | 12.93 |
| 2012/13 | 22.52 | 16.25 | 17.51 | 18.76 | 13 | 21.23 | 9.24 | 14.49 |
| 2013/14 | 9.58 | 22.93 | 13.14 | 15.22 | 12.22 | 22.68 | 13.25 | 16.05 |
| 2014/15 | 4.61 | 18.09 | 14.74 | 12.48 | 16.33 | 16.34 | 15.35 | 16 |
| 2015/16 | 17.46 | 21.61 | 12.2 | 17.09 | 15.93 | 12 | 9.31 | 12.41 |
| Mean | 16.82 | | |  | 12.83 | | |  |
| S.D | 1.06 | | |  | 2.03 | | |  |
| C.V | 6.30% | | |  | 15.82% | | |  |

Table 4.2 shows the Cash and bank balance to total deposit ratio of public sector banks and private banks. Higher mean of Public sector banks then private sector. A high ratio represents the greater ability to meet their all types of deposits. But too high ratio of cash and bank balance to total deposits may be unsuitable and harmful because it affects their profitability position and also low ratio is unfavorable as capital will be tied up and opportunity cost will be higher. Higher CV of ratios in Private sector banks as compared with Public sector banks signifies greater variation in the ratios.

### Figure 4.2

**Trend of Cash and bank balance to total deposit ratio**

25

20

15

10

y = 0.8026x + 9.1007

y = -0.4418x + 18.807

Public Private

Linear (Public)

Linear (Private)

5

0

2008/092009/102010/112011/122012/132013/142014/152015/16

In this figure 4.2 shows that Trend of Cash and bank balance to total deposit ratio. A high ratio represents the greater ability to meet their all types of deposits. Public sector bank has higher ability to meet their all types of deposit than Private sector banks. Fluctuating trends of Cash and bank balance to total deposit ratio of Public sector banks. 2009/10 to 2013/14 increasing trend of cash and bank balance to total deposit ratio of Private sector banks after that decreasing trend.

### Balance with NRB to total deposit ratio

As Nepal Rastra Bank is a central bank of Nepal, all commercial banks have to deposit a balance of certain percentage of their total deposit amount with NRB. It is a legal provision for them. This ratio is calculated as:

Balance with NRB Total Deposit

### Table 4.3

**Balance with NRB to total deposit**

#### (In percentage)

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Year/  Bank | NBL | RBBL | ADBL | Mean | NSBI | NIBL | NABIL | Mean |
| 2008/09 | 14.7 | 14.51 | 7.73 | 12.31 | 2.94 | 9.45 | 7.09 | 6.49 |
| 2009/10 | 17.44 | 12.04 | 4.97 | 11.48 | 1.58 | 6.46 | 1.18 | 3.07 |
| 2010/11 | 17.45 | 6.51 | 7.37 | 10.44 | 5.28 | 8 | 2.95 | 5.41 |
| 2011/12 | 15.29 | 18.61 | 7.36 | 13.75 | 5.49 | 14.91 | 6.69 | 9.03 |
| 2017/13 | 16.52 | 12.70 | 11.54 | 13.59 | 6.13 | 14.02 | 7.52 | 9.22 |
| 2013/14 | 4.2 | 19.55 | 6.08 | 9.94 | 8.41 | 17.14 | 9.37 | 11.64 |
| 2014/15 | 1.71 | 14.57 | 7.77 | 8.02 | 7.14 | 9.92 | 12.40 | 9.82 |
| 2015/16 | 1.22 | 17.70 | 5.38 | 8.10 | 9.03 | 7.15 | 15.93 | 10.70 |
| Mean | 10.96 | | |  | 8.17 | | |  |
| S.D | 1.71 | | |  | 1.21 | | |  |
| C.V | 15.59 | | |  | 14.87 | | |  |

Table 4.3 shows the balance with NRB to total deposit ratio of six banks and also shows the mean ratio, standard deviation and CV of private and public Nepalese commercial bank. The bank should maintain adequate cash and bank balance to meet the unexpected as well as heavy withdrawal of deposits. High ratio indicates sound liquidity position of the bank. However, too high ratio is not good enough as it reveals the under utilization of funds. Figure no. 4.5 indicates the Balance with NRB to total deposit ratio. From this figure Balance with NRB to total deposit ratio of Public sector banks has higher than Private sector banks.

### Figure 4.3

**Trend of Balance with NRB to total deposit ratio**

16

14

12

y = 0.9774x + 3.7743

10

Public

8

y = -0.5765x + 13.548

6

4

Private

Linear (Public) Linear (Private)

2

0



The comparative table figure shows that cash and bank balance to total deposits ratio of banks have in fluctuating trend throughout from the study period. The means ratio of Public sector banks appeared greater than Private sector banks, which indicates that the former is more efficient in paying the immediate obligation. Higher CV of ratio in Public sector banks as compared to Private sector banks signifies greater variation in the ratios.

### Activity ratio

Activity ratios are calculated to evaluate the efficiency of the firm in managing and utilizing its assets. Higher rate of return shows the high efficient and utilization management of the firm. To measure the activity position of Public sector banks and Private sector banks, the following ratios have been calculated:

### Loan and advance to total deposit ratio

This ratio measures the bank’s ability to utilize the depositor’s funds to earn profit by providing loan. A high ratio denotes higher efficiency to utilize depositor’s fund. It is calculated as:

Loan and Advance Total Deposit

### Table 4.4

**Loan and advance to total deposit ratio**

#### (In percentage)

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Year  Bank | NBL | RBBL | ADBL | Mean | NSBI | NIBL | NABIL | Mean |
| 2008/09 | 43.43 | 46.29 | 108.86 | 66.19 | 54.12 | 77.61 | 74.48 | 68.74 |
| 2009/10 | 59.43 | 51.90 | 121.29 | 77.54 | 50 | 80.45 | 71.01 | 76.15 |
| 2010/11 | 56.91 | 49.77 | 117.42 | 74.70 | 50.37 | 81.97 | 78.01 | 70.12 |
| 2011/12 | 52.73 | 45.97 | 104.85 | 67.85 | 49 | 73 | 77.66 | 66.55 |
| 2012/13 | 60.08 | 53.77 | 101.03 | 73.63 | 48.86 | 74.33 | 74.71 | 65.97 |
| 2013/14 | 59.40 | 56.67 | 94.86 | 70.31 | 64.74 | 70.46 | 74.06 | 69.75 |
| 2014/15 | 68.25 | 61 | 93.88 | 74.38 | 77.45 | 77.44 | 64.27 | 73.05 |
| 2015/16 | 68.25 | 55.96 | 90.96 | 71.72 | 72.03 | 78.67 | 76.53 | 75.74 |
| Mean | 71.79 | | |  | 69.63 | | |  |
| S.D | 13.28 | | |  | 4.67 | | |  |
| C.V | 18.5 | | |  | 6.70 | | |  |

The table4.4 depicts that the ratio in the six banks is slightly fluctuated throughout the study period. And also compare mean, standard deviation and CV of Public sector banks and Private sector banks. Mean ratio of Public sector banks came higher than that of Private sector banks (i.e. 71.79>69.63) which means that Public sector banks has the greater ability to repay the deposit i.e. Public sector banks is more efficient to serve the customers from liquidity point. CV the ratios remained lower in Private sector banks, which signifies greater consistency in it. Loan and advances are interest- earning assets, so the management of Private sector banks suggested increasing the investment on their assets out of total deposits.

### Figure 4.4

**Trend of loan and advance to total deposit ratio**

y = 0.3787x + 69.055

y = 0.1848x + 71.209

80

78

76

74

72

70

68

66

Public

Private

Linear (Public) Linear (Private)

64

62

60

2008/092009/102010/112011/122012/132013/142014/152015/16

Figure 4.4 shows the trend of loan and advance to total deposit ratio of public and private Nepalese commercial bank for the period of 2008/09 to 2015/16. In this figure ratios trend is fluctuated. Private sectors bank's trend after second year is decreasing then after 2013/14 increasing trend.

### Investment to total deposit ratio

This ratio measures how much the banks are successful in mobilizing total deposits on investments. Investment refers to government treasury bills, development bonds, company’s shares and other investment. High ratio indicates high efficiency and low ratio indicates banks inability to utilize deposit.

### Table 4.5 Investment to total deposit ratio

*(In percentage)*

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Year | NBL | RBBL | ADBL | Mean | NSBI | NIBL | NABIL | Mean |
| 2008/09 | 23.89 | 12.31 | 9.88 | 15.36 | 11.83 | 15.42 | 10.65 | 12.63 |
| 2009/10 | 10.30 | 13.95 | 10.55 | 11.60 | 12.36 | 8.39 | 17.54 | 12.76 |
| 2010/11 | 11.92 | 17.01 | 17.28 | 15.40 | 13.14 | 8.57 | 17.95 | 13.22 |
| 2011/12 | 10.79 | 26.52 | 23.86 | 20.39 | 8.55 | 10.82 | 14.92 | 11.43 |
| 2012/13 | 13.36 | 30.89 | 16.23 | 20.16 | 6.22 | 9.59 | 12.82 | 9.54 |
| 2013/14 | 28.71 | 28.43 | 16.79 | 24.64 | 10.96 | 7.89 | 11.32 | 10.06 |
| 2014/15 | 20.70 | 27.50 | 13.74 | 20.65 | 7.25 | 11.81 | 14.65 | 11.24 |
| 2015/16 | 14.36 | 30 | 16 | 20.12 | 29.58 | 29.91 | 26.32 | 28.60 |
| Mean | 18.54 | | |  | 13.69 | | |  |
| S.D | 1.97 | | |  | 0.85 | | |  |
| C.V | 10.65 | | |  | 6.24 | | |  |

Table 4.5 indicates that investment to total deposit ratio of public and private Nepalese commercial bank for the period of 2008/09 to 2015/16. At sample period average investment to total deposit ratio of Government owner bank has higher than private sector banks. In table no. 4.5 also presented the S.D and CV of public and private commercial banks. High ratio indicates high efficiency and low ratio indicates banks inability to utilize deposit. So we can say that investment to total deposit ratio of government owned bank is good then private sector banks.

### Figure 4.5

**Trend of Investment to total deposit ratio**

y = 1.2626x + 12.858

y = 1.105x + 8.7125

35

30

25

20

15

Public

Private

Linear (Public) Linear (Private)

10

5

0

2008/092009/102010/112011/122012/132013/142014/152015/16

Figure 4.5 indicates the Trend of Investment to total deposit ratio. In this figure ratio's trend is fluctuating. Private sectors banks trend is more fluctuating. A large proportion of investment in long term investment may bring a higher return to the institution.

### Loan and advance to total assets ratio

Loan and advance to total assets ratio analyze how much the banks are successful in mobilizing their total assets on loan and advances for the profit generating purpose. Higher the ratio means higher efficiency in utilizing assets. It is calculated as:

Loan and Advance Total Assets

### Table 4.6

**Loan and advance to total assets ratio**

*(In percentage)*

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Year/  Bank | NBL | RBBL | ADBL | Mean | NSBI | NIBL | NABIL | Mean |
| 2008/09 | 35.27 | 31.57 | 62.92 | 43.25 | 48.34 | 66.35 | 60.55 | 58.41 |
| 2009/10 | 50.05 | 39.82 | 65 | 51.62 | 45.42 | 68.32 | 60.25 | 58 |
| 2010/11 | 47.82 | 38.87 | 60.58 | 49.09 | 45.95 | 67.91 | 63.25 | 59.04 |
| 2011/12 | 48.38 | 37.54 | 57.20 | 47.71 | 44.60 | 60.92 | 59.73 | 55.08 |
| 2012/13 | 49.03 | 42.46 | 59.36 | 50.28 | 43.95 | 60.73 | 60.72 | 55.13 |
| 2013/14 | 49.44 | 46.74 | 57.63 | 51.27 | 55.86 | 57.71 | 59.55 | 57.71 |
| 2014/15 | 58.95 | 50.32 | 60.37 | 56.55 | 64.93 | 60.37 | 53.66 | 59.65 |
| 2015/16 | 59.19 | 48.11 | 71.11 | 59.47 | 59.83 | 65.85 | 65.42 | 63.70 |
| Mean | 51.16 | | | | 58.34 | | | |
| S.D | 1.67 | | | | 0.9 | | | |
| C.V | 3.26 | | | | 1.55 | | | |

The range of this ratio of Public sector banks is between 43.25 and 59.47 and the range of Private sector banks is between 55.08 and 63.70. Here, Public sector banks have lower average of loan and advance to total assets ratio than Private sector banks. The higher ratio of Private sector banks shows higher efficiency of this bank in utilizing its assets for profit generation purpose. The lower CV (1.55%) of Private sector banks shows that its loan and advance to total assets ratio is more consistent than that of Public sector banks which has CV is 3.26%.

### Figure 4.6

**Trend of Loan and advance to total assets ratio**

y = 0.4921x + 56.125

y = 1.7536x + 43.264

70

60

50

40

30

Public

Private

Linear (Public) Linear (Private)

20

10

0

2008/092009/102010/112011/122012/132013/142014/152015/16

Figure 4.6 shows the Trend of Loan and advance to total assets ratio of public sector bank and private sector Nepalese commercial banks. Above figure indicate that loan and advance to total assets ratio is fluctuating trend but it is increasing slowly.

### Leverage Ratio:

Leverage refers to the ratio of debt to total equity in the capital structure of the firm. Debt and equity are long- term obligation and remaining part of the liabilities side of Balance Sheet are term as short-term obligation. Both types of obligations are required in forming capital structure of firm. The appropriate mixed of all types of structure in capital structure result sound position of firm. Therefore a firm has strong short-term liabilities as well as long-term financial position. Long-term financial position of the firm is determined by leverage or capital structure. So, leverage ratios have been analyzed and interpreted to judge the long-term financial health of the sampled banks. These include debt-equity ratio, debt-assets ratio and interest coverage ratio.

### Debt-Equity Ratio:

The ratio shows the mixed of debt & equity in capital. It measures creditors’ claim against owners. This ratio brings out the relation between long term loans and equity. Total debt refers to all deposit, bills payable, borrowing from other banks and other liabilities. Total equity refers to paid up capital, general reserve and surplus and undistributed profit. Employment of debt in the business is considered beneficial when the interest rate is less than return. An approximate mix of debt and equity is aspired for beneficial for maximization of owners' equity.

Debt equity ratio = Long term debt

Shareholder equity

### Table 4.7 Debt equity ratio

*(In percentage)*

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Year/  Bank | NBL | RBBL | ADBL | Mean | NSBI | NIBL | NABIL | Mean |
| 2008/09 | -9.72 | -6.02 | 3.42 | -4.11 | 72.81 | 61.54 | 12.56 | 48.97 |
| 2009/10 | -9.78 | -7.3 | 3.22 | -4.62 | 28.59 | 56.92 | 12.18 | 32.56 |
| 2010/11 | -10.87 | -9.20 | 2.8 | -5.76 | 27.56 | 59.29 | 11.28 | 32.71 |
| 2011/12 | -20.04 | -29 | 3.53 | -15.17 | 47.70 | 44.56 | 10.17 | 34.14 |
| 2012/13 | 19 | 73.29 | 4.06 | 32.12 | 54.67 | 52.74 | 9.51 | 38.97 |
| 2013/14 | 22.3 | 45.69 | 5.29 | 24.43 | 45.29 | 55.73 | 9.86 | 36.96 |
| 2014/15 | 22.03 | 1.50 | 4.90 | 9.48 | 35.48 | 35.48 | 10.95 | 27.30 |
| 2015/16 | 13.93 | 15.78 | 4.93 | 11.55 | 9.57 | 11.05 | 9.66 | 10.09 |
| Mean | 5.99 | | | | 32.71 | | | |
| S.D | 5.4 | | | | 10.40 | | | |
| C.V | 1.08 | | | | 31.79 | | | |

Table 4.7 indicates the ratio of debt and equity of Public sector banks and Private sector banks. Till 2011/12 debt equity ratio of Public sector banks has negative then after it is positive. Then private banks maintain their debt equity ratio over the sample

period because debt equity ratio of PRIVATE SECTOR BANKS has positive. Private sector banks has higher mean, SD, and CV of debt equity ratio.

### Figure 4.7

**Trend of Debt Equity Ratio**



y = -3.3438x + 47.76

y = 3.7855x - 11.045

60

50

40

30

20

10

Public

Private

Linear (Public) Linear (Private)

0

-10

-20

This figure 4.7 represents the trend of debt equity ratio of Public sector banks and Private sector banks for the period of 2008/09 to 2025/16. Up to 2011/12 debt to equity ratio is negative then after it is positive. Debt equity ratio of private banks has decreasing trend.

### Total debt to total assets ratio

A high debt ratio shows a bank’s success in exploiting debt to be more profitable as well as its risky capital structure. Higher the debt ratio indicates higher financial risk as well as increasing claim of outsiders in total assets. And lower the ratio indicates lower financial risk as well as decreasing claims of outsiders. This ratio can be calculated as: Total Debt

Total Assets

### Table 4.8 Debt assets ratio

*(In percentage)*

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Year/  Bank | NBL | RBBL | ADBL | Mean | NSBI | NIBL | NABIL | Mean |
| 2008/09 | 110.29 | 117.41 | 80.07 | 102.59 | 94.32 | 92.93 | 92.86 | 93.37 |
| 2009/10 | 110.04 | 114.66 | 79.88 | 101.53 | 93.56 | 92 | 92.64 | 92.73 |
| 2010/11 | 107.11 | 111.79 | 77.74 | 98.88 | 93.75 | 91.16 | 92.13 | 92.35 |
| 2011/12 | 106.18 | 103.33 | 79.26 | 96.26 | 94.49 | 90.80 | 91.37 | 92.22 |
| 2012/13 | 111.49 | 98.75 | 79.6 | 96.61 | 94.14 | 90.40 | 90.85 | 91.80 |
| 2013/14 | 98.48 | 98.05 | 84.93 | 93.82 | 92.57 | 90.80 | 91.50 | 91.62 |
| 2014/15 | 99.89 | 95.22 | 83.93 | 93.01 | 90.48 | 90.60 | 91.98 | 91.02 |
| 2015/16 | 102.14 | 94.52 | 83.78 | 93.48 | 91.18 | 87.45 | 90.88 | 89.84 |
| Mean | 97.02 | | | | 91.87 | | | |
| S.D | 3.44 | | | | 1.06 | | | |
| C.V | 3.54 | | | | 1.11 | | | |

Nepal bank and RBB have its negative capital fund from 2008/09 to 2012/13. At that time its borrowing is high. So, it has higher debt to total assets ratio of Public sector banks. Mean of Public sector banks is high than Private sector banks ( ie. 97.02

>91.87). It means Public sector banks have higher financial risk than Private sector banks.

### Figure 4.8

**Trend of Debt assets ratio**

y = -1.4429x + 103.52

y = -0.427x + 93.79

105

100

95

90

Public

Private

Linear (Public) Linear (Private)

85

80



Figure 4.8 indicates the trend of debt assets ratio of government owned bank and private sector Nepalese commercial banks for the period of 2008/09 to 2015/16. In this period debt assets ratio of both bank Public sector banks & Private sector banks are decreasing trend.

### Interest Coverage Ratio:

The ratio is known as time interest earned ratio is used to test the debt servicing capacity of bank. It shows the number of times the interest charged are covered by fund that ordinary available for their payment. This ratio can be calculated as:

Interest charges ratio=Net profit before interest and tax

interest charges

### Table 4.9 Interest coverage ratio

*(In percentage)*

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Year/  Bank | NBL | RBBL | ADBL | Mean | NSBI | NIBL | NABIL | Mean |
| 2008/09 | 18.38 | 86 | -121.31 | -5.64 | 53.64 | 77.7 | 136.15 | 89.16 |
| 2009/10 | -55.23 | 73.02 | -80.92 | -21.04 | 39.5 | 75.52 | 87.06 | 67.36 |
| 2010/11 | -3.79 | 29.35 | -24.68 | 0.29 | 32.16 | 49.26 | 71.02 | 50.81 |
| 2011/12 | -9.58 | 0.82 | -3.62 | -4.12 | 24.3 | 35.58 | 84.46 | 48.11 |
| 2012/13 | 4.70 | 22.43 | 40 | 23.38 | 47.27 | 77.33 | 159.93 | 94.84 |
| 2013/14 | -0.27 | 39.49 | 14.47 | 17.90 | 60.89 | 102.52 | 185.47 | 116.29 |
| 2014/15 | 21.35 | 76.49 | 18.71 | 38.85 | 91.94 | 108.06 | 146.63 | 115.54 |
| 2015/16 | 117.41 | 111.58 | 65.14 | 98.04 | 131.57 | 129.56 | 240.51 | 167.21 |
| Mean | 18.33 | | | | 93.67 | | | |
| S.D | 34.92 | | | | 37.12 | | | |
| C.V | 190.51 | | | | 39.63 | | | |

The figure shows the ratio interest coverage. Mean ratio of Private sector banks higher than that of Public sector banks which reveals the better debt servicing capacity of Private sector banks or higher mean interest coverage ratio of Private sector banks measures the higher percentage of net worth in relation to the total deposit collected in the bank as comparison to both banks. By comparing the CV of the ratios, Public sector banks (i.e 190.51) has more varied than Private sector banks (39.63).

### Figure 4.9

**Trend of Interest coverage ratio**



y = 12.267x + 38.464

y = 13.161x - 40.768

200

150

100

50

Public

Private

Linear (Public) Linear (Private)

0

-50

According to figure 4.9 interest coverage ratio of Public sector banks is negative up to FY1011/12 then after increasing trend. Interest coverage ratio of Private sector banks is decreasing trend till FY 1011/12 then after increasing trend.

### Profitability ratio

Profit is the different between revenue and expenses in a certain period. Profitability ratios measure the operating efficiency and performance of a firm. Profit is essential for the firm but it is not fixed that the profit will occur. Under profitability ratios, mainly following ratios are calculated.

### Return on total assets ratio

This ratio measures earning power and overall operating efficiency of a firm. Higher the ratio indicates higher efficiency in utilization of total assets and lower the ratio means that the lower efficiency. Return on total assets ratio can be calculated as:

Net Profit after Tax (NPAT) Total Assets

### Table 4.10 Return on assets (ROA)

*(In percentage)*

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Year/  Bank | NBL | RBBL | ADBL | Mean | NSBI | NIBL | NABIL | Mean |
| 2008/09 | 1.92 | 2.80 | 2.04 | 2.25 | 1.05 | 1.60 | 2.35 | 1.67 |
| 2009/10 | 0.86 | 2.98 | 3.5 | 2.45 | 1.03 | 2.21 | 2.19 | 1.81 |
| 2010/11 | 0.29 | 2.29 | 3.99 | 2.19 | 1.01 | 2 | 2.43 | 1.81 |
| 2011/12 | 0.30 | 1.26 | 2.9 | 1.49 | 0.83 | 1.58 | 2.80 | 1.74 |
| 2012/13 | 0.11 | 1.29 | 2.97 | 1.46 | 1.19 | 2.62 | 3.25 | 2.35 |
| 2013/14 | 0.92 | 1.50 | 1.76 | 1.39 | 1.51 | 2.25 | 2.65 | 2.14 |
| 2014/15 | 0.55 | 3.33 | 3.57 | 2.48 | 1.78 | 1.88 | 2.06 | 1.91 |
| 2015/16 | 2.79 | 1.60 | 2.20 | 2.20 | 1.75 | 1.97 | 2.21 | 1.98 |
| Mean | 1.99 | | | | 1.93 | | | |
| S.D | 0.40 | | | | 0.12 | | | |
| C.V | 20.10 | | | | 6.37 | | | |

Table 4.10 presents ROA of the 6 sample banks listed in the population of 28 “A” class commercial banks licensed by NRB till now with48 observations for the period 2008/09 through 2015/16. ROA indicates return on assets of banks in percentage. Standard deviation represents the variation of bank profitability in terms of ROA in percentage. This table shows Public sector banks has the highest mean ROA (1.99.41%) and Private sector banks has the least mean ROA (1.93%) during the sample periods. The results indicate that Public sector banks have higher profitability than Private sector banks.

From the above table we can conclude that a Public sector bank has been able to utilize its overall resources in efficient way in comparison with Private sector banks during the study period. It also reflects the successes of management.

### Figure 4.10

**Trend of Return on assets (ROA)**

3

y = 0.0508x + 1.6975

2.5

y = -0.0313x + 2.1296

2

1.5

1

public

Private

Linear (public) Linear (Private)

0.5

0



Above figure 4.10 represent the trend of ROA of Public sector banks & Private sector banks for eight year (2008/09 to 2015/16). According to mean ROA, Public sector banks profitability is decreasing trend and Private sector banks' trend line is increasing. So that Private sector banks earn more profit at future.

### 4.1.4.2. Return on Net Worth / Shareholders’ Equity (ROE):

The ratio is tested to see the profitability of the owner’s investment. It reflects the extent to which the objective of business is accomplished. The ratio is of great interest to present as well as prospective shareholders and also of great significance to management, which has the responsibility of maximizing the owner’s welfare. Return on total assets ratio can be calculated as:

Net profit after tax (NPAT) Shareholder equity

### Table 4.11

**Return on net worth / shareholder equity (ROE)**

*(In percentage)*

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Year/  Bank | NBL | RBBL | ADBL | Mean | NSBI | NIBL | NABIL | Mean |
| 2008/09 | -21.11 | -15.29 | 10.24 | -8.72 | 18.47 | 23 | 42.43 | 27.92 |
| 2009/10 | -8.83 | -23.33 | 17.41 | -4.92 | 15.99 | 27.45 | 36.26 | 26.57 |
| 2010/11 | -8.82 | -23.70 | 17.93 | -4.86 | 16.14 | 22.81 | 29.02 | 22.66 |
| 2011/12 | -13.19 | -36.85 | 13.97 | -12.02 | 15 | 20.10 | 30.25 | 21.78 |
| 2012/13 | -78.31 | 102.96 | 16.10 | 13.58 | 20.31 | 31.70 | 32.78 | 28.26 |
| 2013/14 | 46.99 | 76.96 | 10.09 | 44.68 | 20.35 | 27.61 | 27.91 | 25.29 |
| 2014/15 | 15.72 | 69.56 | 29.27 | 38.18 | 18.87 | 24.86 | 22.75 | 22.16 |
| 2015/16 | 42.94 | 28.41 | 13.60 | 28.32 | 22.16 | 26 | 24.26 | 24.14 |
| Mean | 12.87 | | | | 24.85 | | | |
| S.D | 21.24 | | | | 2.40 | | | |
| C.V | 165 | | | | 9.67 | | | |

Table 4.11 presents ROE of the 6 sample banks listed in the population of 28 “A” class commercial banks licensed by NRB till now with 48 observations for the period 2008/09 through 2015/16. ROE indicates the return on equity of the banks in percentage. Standard deviation represents the variation of bank profitability in terms of ROE in percentage.

This table depicts that return on equity of Nepal Bank Limited (NBL) and Rastriya Banijya Bank Limited (RBBL) is negative till the fiscal year 2012/13 and 2011/12 respectively. The mean ROE of Private sector banks is 24.85 percent which indicates that Private sector banks have the highest profitability and mean ROE of Public sector banks is 12.87 percent.

### Figure 4.11

**Trend of Return on net worth / shareholder equity (ROE)**



50

y = 7.7262x - 22.988

40

30

y = -0.4064x + 26.676

20

10

Public

Private

Linear (Public) Linear (Private)

0

-10

-20

Above figure 4.11 represent the trend of ROE of Public sector banks & Private sector banks for eight year (2008/09 to 2015/16). Public sector banks started negative trend and going to increasing trend. And Private sector banks' ROE trend is slowly decreasing trend.

### Return on total deposit ratio

This ratio shows banks overall financial performance as well as its success in profit generation. It can be calculated as:

NPAT

Total Deposit

### Table 4.12 Return on total deposit

*(In percentage)*

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Year/  Bank | NBL | RBBL | ADBL | Mean | NSBI | NIBL | NABIL | Mean |
| 2008/09 | 2.29 | 2.82 | 3 | 2.70 | 1.13 | 1.93 | 2.76 | 1.94 |
| 2009/10 | 0.71 | 2.95 | 5.83 | 3.16 | 1.12 | 2.53 | 2.55 | 2.07 |
| 2010/11 | 0.21 | 2.32 | 6.88 | 3.14 | 1 | 2.35 | 2.71 | 2.02 |
| 2011/12 | 0.3 | 1.35 | 4.25 | 1.97 | 0.9 | 1.82 | 3.10 | 1.94 |
| 2012/13 | 0.32 | 1.44 | 4.20 | 1.99 | 1.31 | 3 | 3.51 | 2.61 |
| 2013/14 | 1.29 | 1.71 | 2.31 | 1.77 | 1.69 | 2.63 | 3.09 | 2.47 |
| 2014/15 | 1.1 | 3.74 | 4.68 | 3.17 | 2 | 2.16 | 2 | 2.05 |
| 2015/16 | 0.67 | 1.81 | 2.82 | 1.77 | 2.07 | 2.35 | 2.56 | 2.33 |
| Mean | 2.46 | | | | 2.18 | | | |
| S.D | 0.60 | | | | 0.24 | | | |
| C.V | 24.59 | | | | 10.97 | | | |

The ratio of return on total deposit is in fluctuating trend. The range of this ratio of Public sector banks is between 1.77% and 3.17%. The range of this ratio of Private sector banks is between 1.94 and 2.61. On the basis of average ratio, the ratio of Public sector banks shows higher position than Private sector banks. Public sector banks should utilize its deposit in profitable sectors to optimize its profit. The above mean ratio indicates that Public sector banks has better performance in utilizing deposit to earn a higher profit than Private sector banks. The lower CV of Private sector banks is 10.59% shows that it is more consistent than that of Public sector banks which has CV is 24.59%.

### Figure 4.12

**Trend of Return on total deposit**

y = -0.1256x + 3.0239

y = 0.0554x + 1.9296

3.5

3

2.5

2

1.5

Public

Private

Linear (Public) Linear (Private)

1

0.5

0

2008/09 2009/10 2010/11 2011/12 2012/13 2013/14 2014/15 2015/16

Figure 4.12 depicts that trend of return on total deposit. Public sector banks' return on total deposit ratio is decreasing trend and Private sector banks' trend is increasing. The above figure indicates that Private sector banks has better performance in utilizing deposit to earn a higher profit than Public sector banks.

### Total interest expenses to total interest income ratio

This ratio shows the relationship between interest paid on different liabilities and interest income from different sources. Higher this ratio indicates that the bank has paid higher amount of interest on liabilities in relation to interest income and vice versa.

Interest expenses include interest paid on deposit liabilities, loan and advances or borrowing amount and other deposit liabilities. Similarly, interest income includes the interest from loan and advance, cash credit and overdraft, government securities, inter-bank lending and other investments. The ratio can be calculated as:

Total interest expenses Total interest income

### Table 4.13

**Total interest expenses to total interest income ratio**

*(In percentage)*

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Year/  Bank | NBL | RBBL | ADBL | Mean | NSBI | NIBL | NABIL | Mean |
| 2008/09 | 48.81 | 31 | 27.35 | 35.72 | 56.47 | 51.62 | 41.21 | 49.77 |
| 2009/10 | 52.24 | 33 | 27.59 | 37.61 | 63.61 | 54.88 | 48.42 | 55.64 |
| 2010/11 | 36.69 | 48.54 | 34.69 | 39.97 | 67.52 | 62.38 | 56.04 | 61.98 |
| 2011/12 | 58.49 | 56.45 | 40.80 | 51.91 | 73.5 | 63.76 | 51.30 | 62.85 |
| 2012/13 | 54.23 | 42.82 | 37.36 | 44.80 | 60.50 | 47.31 | 38.21 | 48.67 |
| 2013/14 | 46.71 | 36.43 | 45.38 | 42.84 | 56.12 | 48.49 | 34.30 | 46.30 |
| 2014/15 | 43.65 | 29.52 | 35.60 | 36.56 | 46.42 | 46.42 | 38.80 | 43.88 |
| 2015/16 | 34.46 | 25.23 | 34.91 | 31.53 | 46.36 | 42.14 | 27.72 | 38.74 |
| Mean | 40.08 | | | | 50.98 | | | |
| S.D | 5.92 | | | | 8 | | | |
| C.V | 14.77 | | | | 15.70 | | | |

Table 4.13 present the total interest expenses to total interest income ratio. The range of Public sector banks is between 31.53 and 51.91 and the range of Private sector banks is between 38.74 and 62.85. On the basis of average ratio, Public sector bank has lowered this expenses ratio than Private sector banks (i.e.40.08 < 50.98). It means Public sector banks uses less interest bearing liabilities. Public sector banks collect more saving deposit than fixed deposit, so it should not pay high interest rate on it. But both banks are reducing these expenses. It will be better for their future. CV about 15.77% of Private sector banks shows higher fluctuations than that of Public sector banks, which has CV is 14.77%.

### Figure 4.13

**Trend of Total interest expenses to total interest income ratio**

70

60

50

40

y = -2.348x + 61.545

Public

Private

30

y = -0.3938x + 41.89

Linear (Public)

Linear (Private)

20

10

0

2008/092009/102010/112011/122012/132013/142014/152015/16

Figure 4.13 depicts that trend of Total interest expenses to total interest income ratio of Public sector banks and Private sector banks for the period of 2008/09 to 2025/16. Trend of total interest expenses to total interest income ratio of Public sector banks is slowly decreasing and Private sector banks' trend is decreasing. Both banks are reducing these expenses. It will be better for their future.

### Price-Earnings Ratio (P/E Ratio):

P/E ratios widely used to evaluate the banks performance as expected by investors. It represents the investor’s judgment or expectation about the growth in banks earning. The ratio can be calculated as:

= Earning avilabile to common shareholders No.of equity share oustanding

### Table 4.14 Earnings per share

*(In RS)*

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Year/  Bank | NBL | RBBL | ADBL | Mean | NSBI | NIBL | NABIL | Mean |
| 2008/09 | 235.09 | 499.27 | 50.91 | 261.75 | 36.18 | 37.5 | 113.44 | 62.37 |
| 2009/10 | 65.56 | 526.08 | 62.30 | 217.98 | 23.69 | 52.71 | 83.81 | 53.40 |
| 2010/11 | 33.74 | 445.46 | 77.88 | 185.69 | 24.85 | 39.2 | 70.76 | 44.94 |
| 2011/12 | 46.36 | 307.49 | 60.57 | 138.14 | 22.93 | 27.6 | 83.23 | 44.59 |
| 2012/13 | 198.53 | 21.79 | 71.54 | 97.29 | 33.52 | 46.20 | 91.05 | 56.92 |
| 2013/14 | 18.08 | 21.38 | 35.19 | 24.88 | 33.52 | 40.7 | 76.12 | 50.11 |
| 2014/15 | 7.48 | 54.07 | 78.83 | 46.79 | 38.16 | 36.9 | 57.24 | 44.10 |
| 2015/16 | 44.59 | 26.49 | 52.79 | 41.29 | 34.29 | 29.3 | 59.27 | 40.95 |
| Mean | 126.73 | | | | 49.67 | | | |
| S.D | 82.99 | | | | 6.92 | | | |
| C.V | 65.48 | | | | 13.94 | | | |

In above figure 4.14, the ratios of all six Banks were in fluctuating trend. Mean EPS of Public sector banks is Rs. 126.73 and mean EPS of Private sector banks is Rs

78.04. Mean of the EPS was much higher of Public sector banks which indicate that the profitability position of the former is far better than that of the latter. In this sense, Public sector banks seem more successful to attract the investors. Net profit earned by Public sector banks is greater than Private sector banks.

### Figure 4.14

**Trend of Earnings per share**

300

250

200

150

100

Public

Private

Linear (Public) Linear (Private)

50

y = -2.0071x + 58.705

0

y = -34.791x + 283.29



Figure 4.13 depicts that trend of earning per share of Public sector banks and Private sector banks for the period of 2008/09 to 2025/16. Trend of earning per share ratio of Private sector banks is slowly decreasing and Public sector banks' trend is decreasing. Both banks are going to decreasing trend it is not satisfactory performance of Nepalese commercial banks.

### Major findings

* + 1. The average proportion of current ratio, cash and bank balance to total deposit ratio, and balance with NRB to total deposit ratio of Public sector banks are higher than Private sector banks. Liquidity is the thing that in most needed to meet the unexpected with drawn of deposit by the depositors but excess liquidity will also be burden for the bank because interest has to pay it. On the basis of current ratio, cash and bank balance to total deposit ratio and balance with NRB to total deposit ratio the liquidity position of Public sector banks is better than Private sector banks.
    2. The average proportion of loan and advance to total deposit and investment to total deposit ratio of Public sector banks is greater than Private sector banks. It shows that Public sector bank has relatively been able to mobilize its deposits more efficiently than Private sector banks. This ratio measures how much the banks are successful in mobilizing total deposits on investments. Investment refers to government treasury bills, development bonds, company’s shares and other investment. High ratio indicates high efficiency and low ratio indicates banks inability to utilize deposit
    3. Total debt to total equity ratio of Private sector banks have higher than Public sector banks and total debt to assets ratios of Public sector banks are higher than Private sector banks. Higher ratio shows that used a little more debt financially. This implies utilizing more outside funds for the benefit of its shareholders. Mean ratio of Private sector banks higher than that of Public sector banks which reveals the better debt servicing capacity of Private sector banks or higher mean interest coverage ratio of Private sector banks measures the higher percentage of net worth in relation to the total deposit collected in the bank as comparison to both banks.
    4. Profitability ratios indicate the degree of success in achieving desired profit level. Return on total assets, return on equity, return on total deposit and total interest expenses to total interest income ratio. ROA and return on deposit ratios are higher of Public sector banks then Private sector banks. ROE and total interest expenses to total interest income ratio of Private sector banks has higher than Public sector banks. Interest expenses ratio is more, to minimize this ratio will be better for both banks. According to this study, both banks have been able to earn profits. Public sector banks were bearing loss in starting years of this study. But now it is also being success to earn profit.

## CHAPTER IV CONCLUSIONS

This chapter ‘conclusions’ is the concluding part of this study which summarizes and concludes the major findings. It has been divided into three sub-sections. Firstly, it presents summary of the study. The second sub- section presents the conclusions made by the study. And finally, third sub-section of the study has been provided few recommendations on the basis of the findings and experiences of this study.

* 1. Summary
  2. Conclusions
  3. Recommendations

### Summary

A strong and sound financial system is essential to mobilize financial resources for the economic development of a nation. Financial institutions play imperative role to mobilize financial resources to facilitate business sectors which help to solve unemployment problems of the nation. The financial system of Nepal is dominated by the commercial banks. Growth and success of banks are affected by internal and external factors which determine the performance of the banks.

This comparative study has evaluated the financial performance of two commercial banks, Government owner bank and private sector banks. This study has done by taking eight years data from 2008/09 to 2015/2016 and it is mainly based on secondary data. Four types of ratios liquidity ratio, profitability ratio, activity ratio and leverage ratio have been calculated. There are two objectives of the study. Those are to analyze profitability position, liquidity position & other ratio and analysis of trend line of these ratios.

The presentation and analysis of data has been made comparative analytical and their interpretation has done in chapter four by applying the wide varieties of methodology as stated in chapter three. It includes the various financial and statistical tools. Ratio analysis includes liquidity, turnover, leverage, profitability ratio. Various statistical tools such as arithmetic mean, standard deviation and Coefficient of variation have

been applied to fulfill the objectives of this study. The analysis has been done mainly through secondary. The major findings of the study are also included in the final section of the presentation and analysis chapter.

The study has employed descriptive and causal comparative research designs to deal with the various factors influencing banks’ financial performance in the context of Nepalese commercial banks. All the “A” class commercial banks licensed by Nepal Rastra Bank (NRB) till mid-July 2016 have been considered as population for the study. In this study, only 6 commercial banks have been selected as sample. The required data have been taken from financial statements of banks from Nepal Rastra Bank database published by NRB, Economic Survey published by Ministry of Finance and from financial statements of the respective sample banks

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 statements contain that information which is useful for management, shareholder, creditors, investors, depositors etc. As in other industries banking industries also need financial analysis, as it is crucial for evaluating and analyzing the performance of the particular company as compare to the other and also from the previous performance of the same company.

### Conclusions

This study is a comparison of financial performance of a Government owner bank and a Private sector bank. It is completely based on secondary data. Based on the results from the data analysis and findings of the research, the empirical findings of the impact of variables on the commercial bank performance in Nepal suggest the following conclusions.

The liquidity ratio measures the ability of a firm to meet its short-term obligations and select the short-term financial solvency of a firm. The liquidity position of the banks in terms of current ratio shows that the average ratio of Private sector banks is lower than Public sector banks. It shows that the liquidity position of Public sector banks in

terms of current ratio is better than Private sector banks. The liquidity position in terms of cash and bank balance to total deposit ratio of Public sector banks is also greater than Private sector banks (i.e. 16.82% > 12.83% on an average). So, it is concluded that Public sector banks has sufficient cash and bank balance to deposit than that of Private sector banks. Balance with NRB to total deposit ratio of Public sector banks is also higher than Private sector banks (10.96 > 8.17%). So, in an average, both banks have their liquidity position is good.

The activity ratio is used to examine the efficiency with which firm manages and utilizes its assets. The activity ratio of Public sector banks in terms of loan and advance to total deposit ratio is higher than that of Private sector banks (71.79% > 69.63%). From the analysis, it is concluded that Public sector banks has been successfully utilized its deposit in term of loan and advances for profit generating purpose in compared to Private sector banks.

Loan and advance to total assets ratio of Private sector banks is higher than Public sector banks (i.e. 58.34% > 51.16%) and investment to total deposit ratio of Public sector banks is higher than Private sector banks (i.e. 18.54% > 13.69%). It means Private sector banks invests in loan and advance and Public sector banks invests on investment mostly. Investment in loan and advance provide more profit than the investment of financial assets. So, in terms of this ratio, Private sector banks has its better performance.

The leverage or capital structure position in terms of total debt to shareholders equity ratio of Private sector banks is higher than public sector banks (i.e. 32.71% > 5.99%). The average of this ratio implies that the proportion of outsiders claim, in the total capitalization, is higher in Private sector banks. It seems relatively more leverage. Thus, Private sector bank has more risky and aggressive capital structure than Public sector banks.

Total debt to total assets ratio implies a bank’s success in exploiting debts to be more profitable as well as its riskier capital structure. The average of total debt to total assets ratio of Public sector banks is higher than Private sector banks (i.e. 97.02% >

91.87%). It shows that public sector bank has riskier debt financing. Public sector banks should minimize its debt portion. When, Public sector banks had its negative retained earnings, at that time its borrowing was high.

Profitability ratio is a measurement of efficiency. It provides the degree of success in achieving desired profit. The Return on Total Assets of Public sector banks (1.99%) is higher than that of Private sector banks (1.93%), the highest ROA, the better it is. So the Public sector banks are in a better position in the operation of Total Assets efficiently & it is gaining the highly raised return on investment at present.

Similarly average ROE of Private sector banks (24.85%) is higher than that of Public sector banks (12.87%). As higher the ROE shows the better position, the Private sector banks are increasing rate of shareholder's Equity Capital is seems to be very appropriate & beneficiary for its owner's capital.

Interest expenses to interest income ratio of Private sector banks (50.98) are also higher than Public sector banks (40.08). It shows that Private sector bank pays more interest. It may provide less profit.

### Recommendations:

In order to hold up risky surprises and maintaining financial stability, it is vital to identify the determinants that mostly influence the overall performance of Nepalese commercial banks. Therefore, based on the findings of the study the following possible recommendations were forwarded:

* + - The liquidity position in terms of current ratio of Private sector banks could not maintain the conventional standard of liquidity. It indicates the poor liquidity position in the banking industry. . It may create the problem of working capital if they need to pay the short-term obligation at demand. With the delay in payment of liabilities of banks may lose their goodwill and may have the problem in winning the confidence of current depositors and short term lenders. So, the three banks are recommended to maintain the adequate net working capital. And Public sector banks should maintain the present current ratio.
    - The turnover of the commercial banks is the main factor of income generating activity. From the analysis of turnover of these two banks, Public sector banks has better turnover than Private sector banks in terms of loan and advance to total deposit and investment to total deposit. So, Public sector bank has better utilization of resources in income generating activities than Private sector banks. Lower the loan and advance to total deposit ratio of Private sector banks means the lower proportion of deposits invested in loan and advances. Loan and advances are interest-earning assets, so the management of Private sector banks is suggested to increase the investment on their assets out of total deposits.
    - The leverage position of both bank shows that they are highly leveraged. Public sector banks have more leverage ratio. Both the banks should consider the issue of leverageness vs. profitability and should maintain that level of leverageness that will enhance profitability.
    - Profitability ratio shows that the both banks are gaining profit. But to maintain the profit, they are suggested to utilize the resources more efficiently for profit generating sector. If assets remain idle banks should bear high cost and cause low profit margin. Public sector banks should provide some more responsibilities for society by expanding its operation in rural areas. Similarly, Private sector banks bank also should provide banking facilities for villagers. They can provide branchless banking service in village easily. Banks have to give response to poor groups. They should provide low interest loan for them. These things are helpful for maximizing their profit.
    - From the point of view of income and expenditure of interest, Private sector bank has more interest expenses than Public sector banks. Private sector banks should reduce interest expenses by collecting deposit in saving account rather than fixed deposit. The analysis shows that NBL has invested more amounts in government securities rather

than loan and advances. It may not provide high interest rate. So, Public sector bank is recommended to invest in loan and advances.

* + - For the national development banks should contribute from their side. Banks are not interested in agricultural sector. They are investing only in land and building business. They should lend in other sectors which are important in national development. By expanding their investment area, banks can maximize their profit and goodwill both.
    - This research covers only eight fiscal years from year 2008/09 to 2015/16. The finding of this study may not provide actual financial performance of Nepalese commercial banks. So the further studies can be done by taking more than eight fiscal years which may provide more reliable data.
    - This study has been done by taking six sample banks. For the further studies, more than six sample banks can be used. It will provide better position and performance of commercial banks.

## REFERENCES

Abbas, F., Tahir, M. and Rahman, M. (2012). "A comparison of financial performance in the banking sector: some evidence from Pakistani commercial banks." *Journal for Business Administration and Education,* 1, (1): 1-14.

Adhikari, D.R. (1993). *Evaluating the Financial Performance of Nepal Bank Limited,*

Unpublished Master Degree Thesis, T.U.

Agrawal, R.D. (1993). *Organization and Management****,*** New Delhi: TATA MCGraw Hill Publishing Company Limited.

Ally, Z. (2013).Comparative analysis of financial performance of commercial banks in Tanzania. *Research Journal of Finance and Accounting,* 4, (19): 1-12.

Aremu, D. & Mejabi, M. A. (2013). Determinants of banks profitability in developing economy. 4(9), 155-181.

Avkiran, NK. (1995). Developing an instrument to measure customer service quality in branch banking. *International journal Banks Mark.,* 12(6): 10-18.

Bakar, N.& Tahir, IM. (2009*), "*Applying multiple linear regression and neural network to predict bank performance*." International Business Research*, 2 (4):176-183

Dangol, R.M. (2055). *Cost and management accounting*. Kathmandu: Taleju Prakashan.

Dufera, A.(2010), *Financial performance evaluation.* Accounting and Finance College of Business and Economics, Mekelle University.

Ghimire, L.N. (2000) *A Comparative Study of Financial Performance of HBL and NSBIBL,* Unpublished Master Degree Thesis, T.U.

Goyal S.N. and Man Mohan (1997), *Principle of Management Accounting*, Agra: Sahiya Bhawan Prakashan Pvt. Ltd.

Guru, B. K., Staunton, J., & Balashanmugam, B. (1999, December, 16-17). Determinants of commercial bank profitability in Malaysia. Paper presented at the proceedings of the 12th Annual Australian Finance and Banking Conference, Sydney, Australia

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

Helfert E. A. (2008). *Techniques of financial analysis.* New Delhi: Jaico Publishing House

Jha, S.& Hui, X.(2012), "A comparison of financial performance of commercial banks". *African Journal of Business Management,* 6(25), 7601-76011

Khan, M.Y. and Jain, P.K. (2008). *Financial management.* New Delhi: Tata McGrawhill Publishing Company Limited.

Khatri A.(2010), *Financial Performance analysis of Nepalese commercial Banks,*

Unpublished Master Degree Thesis,Bhairahawa Multiple Campus

Kothari, C.R. (1994). *Quantitative techniques.* New Delhi: Vikash Publishing House Pvt. Ltd.

Kumbirai, M. and Webb, R.(2010). A financial ratio analysis of commercial bank performance in South Africa. *African Review of Economics and Finance,* 2, (1): 30-53.

Madhura, J. (1989). *Bank management, financial markets and institutes*. St. Paul: West Publishing Company.

Madura, J. (1989), *Bank Management, Financial Markets and Institutes*, St. Paul: West Publishing Company

Myer, J.N. (1961) *Financial Statement Analysis,* Prentice Hall: Englewood cliffs.

Nathwani, (2004) *financial performance of banking sector of india*. Thesis PhD, Saurasthtra University.

NRB (2016). Banking supervision annual report, Bank Supervision Department, Nepal Rastra Bank, Central Bank of Nepal.

Pandey, I.M. (2009). *Financial management*. New Delhi: Vikash Publishing House of India.

Pant, P.R. (2066), *Social Science Research and Thesis Writing*. Sixth edition. Kathmanu: Buddha academic publishers and distributors pvt. Ltd. Kathmandu, Nepal

Paudel, N.P.(2005), *Financial system and economic development*. Nepal Rastra bank in 50 years. Kathamndu: Nepal Rastra Bank.

Poudel, U.K. (2053), in the article, *Present Condition of Financial Companies;*

Kathmandu: Nepal Bank Patrika

Pradhan, R.S. (2000). *A study of financial ratios.* Kathmandu: National Book

Shakya, S. (2002), in the thesis, *Comparative Analysis of Financial Performance of Selected JVBs, A case study of NGBL and HBL;* Unpublished Master Degree Thesis, T.U.

Shrestha, P. (2010). Financial performance of Nepalese commercial banks, Unpublished Master Degree Thesis, Patan multiple campus.

Singha, H.B. (2008) *Banking & Insurance*. Kathmandu: Asia Publications

Sun, C.C. (2011). Assessing Taiwan financial holdings companies’ performance using window analysis and Malmquist productivity index. *Afr. J. Business Management,* 5(26): 10508-10523.

Tuna, V.V.(2013), "*Comparison analysis of CAMEL ratio between Manndari bank and Negara bank of Indonesia*", EMBA journal, 1(4), 756-761

Varn Horne J.C. & Wachowicz J.M. (1997), *Fundamentals of Financial Management****,***

New Delhi: Prentice-Hall of India Private Limited.

Varn Horne J.C. & Wachowicz J.M. (2009). *Fundamentals of financial management.*

New Delhi: Prentice Hall.

Weston J.F. & Brigham E.F. (1996), *Essentials of Managerial Finance****,*** Orlando: The Dryden Press.

Weston, J.F and Copeland, T.E. (1992).*Managerial finance*. New York: The Dryden [www.geogle.com](http://www.geogle.com/)

### Current Ratio

(Amount in ,000000)

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Bank |  | 2008/09 | 2009/10 | 2010/11 | 2011/12 | 2012/13 | 2013/14 | 2014/15 | 2015/16 |
| NBL | CA | 1629 | 15089 | 18566 | 22201 | 36403 | 15891 | 19920 | 28948 |
| CL | 52413 | 49341 | 55635 | 6312 | 68643 | 74633 | 84380 | 96765 |
| Ratio | 1.28 | 2.33 | 1.78 | 4.24 | 2.54 | 1.26 | 1.45 | 2.79 |
| RBB | CA | 26634 | 23025 | 26479 | 30117 | 25762 | 32687 | 43951 | 31647 |
| CL | 80675 | 77867 | 83440 | 12517 | 10025 | 12074 | 13288 | 16073 |
| Ratio | 1.28 | 1.7 | 1.38 | 2.74 | 2.22 | 0.37 | 3.11 | 3.11 |
| ADB | CA | 13516 | 14634 | 16491 | 11893 | 16764 | 14634 | 17627 | 17138 |
| CL | 41493 | 40852 | 43751 | 48075 | 60574 | 71178 | 82864 | 92278 |
| Ratio | 1.21 | 0.71 | 0.53 | 1.61 | 1.88 | 1.96 | 2.25 | 2.5 |
| NSBI | CA | 16626 | 21323 | 26760 | 32880 | 38224 | 42742 | 49327 | 58594 |
| CL | 28253 | 3537 | 34068 | 54262 | 60197 | 55547 | 52631 | 70594 |
| Ratio | 0.63 | 0.62 | 0.62 | 0.61 | 0.64 | 0.77 | 0.93 | 0.88 |
| NIBL | CA | 44549 | 10443 | 4982 | 54261 | 6064 | 6973 | 49327 | 14044 |
| CL | 36380 | 34807 | 33488 | 38031 | 49035 | 58754 | 33501 | 11194 |
| Ratio | 1.23 | 0.30 | 0.14 | 1.43 | 0.12 | 1.19 | 0.88 | 0.89 |
| NABIL | CA | 42924 | 54284 | 61186 | 66803 | 97510 | 16465 | 21388 | 14601 |
| CL | 40437 | 47300 | 53196 | 53487 | 66301 | 82284 | 10883 | 11556 |
| Ratio | 0.84 | 0.79 | 0.86 | 0.84 | 0.85 | 0.86 | 0.79 | 0.80 |

### Appendix II

**Cash and bank balance to total deposit ratio**

(Amount in ,000000)

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Bank |  | 2008/09 | 2009/10 | 2010/11 | 2011/12 | 2012/13 | 2013/14 | 2014/15 | 2015/16 |
| NBL | CB | 91717 | 10141 | 12013 | 14063 | 26772 | 66595 | 90113 | 15614 |
| TD | 45194 | 42882 | 46808 | 56052 | 62984 | 69337 | 77998 | 89410 |
| Ratio | 20.41 | 23.66 | 23.17 | 21.40 | 22.52 | 9.58 | 4.16 | 17.46 |
| RBB | CB | 11771 | 88512 | 59291 | 16826 | 15058 | 24405 | 22444 | 31599 |
| TD | 68160 | 68625 | 73941 | 87782 | 91093 | 10726 | 12422 | 14620 |
| Ratio | 19.83 | 16.89 | 9.54 | 21.67 | 16.25 | 22.93 | 18.09 | 21.61 |
| ADB | CB | 42393 | 41614 | 48089 | 62061 | 94611 | 88654 | 11428 | 10659 |
| TD | 35159 | 32472 | 34394 | 43264 | 54477 | 65898 | 77035 | 87387 |
| Ratio | 14.8 | 12.78 | 14.11 | 14.54 | 17.51 | 13.14 | 14.74 | 12.2 |
| NSBI | CB | 11764 | 34412 | 48778 | 56866 | 78523 | 66549 | 84357 | 10389 |
| TD | 27957 | 34896 | 42415 | 53337 | 59125 | 54492 | 51628 | 65213 |
| Ratio | 6.81 | 10.17 | 11.5 | 10.33 | 13 | 12.22 | 16.33 | 15.93 |
| NIBL | CB | 7918 | 6815 | 81403 | 1180 | 1325 | 1674 | 8435 | 13025 |
| TD | 46698 | 50094 | 501381 | 5701 | 6242 | 7383 | 51628 | 108626 |
| Ratio | 16.9 | 13.61 | 16.24 | 20.70 | 21.23 | 22.68 | 16.34 | 12 |
| NABIL | CB | 33725 | 14000 | 24589 | 42940 | 58973 | 12953 | 18651 | 10492 |
| TD | 37348 | 46340 | 49608 | 54905 | 63506 | 75360 | 10395 | 11021 |
| Ratio | 9.03 | 3 | 4.89 | 7.76 | 9.24 | 13.25 | 15.35 | 9.31 |

### Balance with NRB to total deposit

(Amount in ,000000)

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Bank |  | 2008/09 | 2009/10 | 2010/11 | 2011/12 | 2012/13 | 2013/14 | 2014/15 | 2015/16 |
| NBL | BN | 66197 | 74931 | 93432 | 106359 | 104117 | 29190 | 46921 | 109197 |
| TD | 45194 | 42882 | 46808 | 56052 | 62984 | 69337 | 77998 | 89410 |
| Ratio | 14.7 | 17.44 | 17.45 | 15.29 | 16.52 | 4.2 | 1.71 | 1.22 |
| RBB | BN | 84127 | 57274 | 38241 | 13990 | 11973 | 20847 | 17990 | 25876 |
| TD | 68714 | 67910 | 74880 | 93905 | 10152 | 12256 | 13956 | 17005 |
| Ratio | 14.51 | 12.04 | 6.51 | 18.16 | 12.70 | 19.55 | 14.57 | 17.70 |
| ADB | BN | 27178 | 17594 | 25532 | 32800 | 61822 | 41715 | 59189 | 47076 |
| TD | 35159 | 32472 | 34394 | 43264 | 54477 | 65898 | 77035 | 87387 |
| Ratio | 7.73 | 4.97 | 7.37 | 7.73 | 11.54 | 6.08 | 7.77 | 5.38 |
| NSBI | BN | 444 | 1842 | 2330 | 3269 | 4957 | 3890 | 3686 | 5888 |
| TD | 27957 | 34896 | 42415 | 53337 | 59125 | 54492 | 51628 | 65213 |
| Ratio | 2.94 | 1.58 | 5.28 | 5.49 | 6.13 | 8.41 | 7.14 | 9.03 |
| NIBL | BN | 4411 | 3237 | 4009 | 8502 | 8750 | 12652 | 4662 | 77673 |
| TD | 46698 | 50094 | 501381 | 5701 | 6242 | 7383 | 51628 | 108626 |
| Ratio | 9.45 | 6.46 | 8 | 14.91 | 14.02 | 17.14 | 9.92 | 7.15 |
| NABIL | BN | 26485 | 5494 | 14739 | 36819 | 47892 | 70680 | 129849 | 58260 |
| TD | 27348 | 46340 | 49608 | 54905 | 63506 | 75360 | 10395 | 11021 |
| Ratio | 7.09 | 1.18 | 2.95 | 6.69 | 7.52 | 9.37 | 12.40 | 15.93 |

### Appendix IV

**Loan and advance to total deposit ratio**

(Amount in ,000000)

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Bank |  | 2008/09 | 2009/10 | 2010/11 | 2011/12 | 2012/13 | 2013/14 | 2014/15 | 2015/16 |
| NBL | LA | 17614 | 23560 | 24671 | 27670 | 35611 | 39035 | 50970 | 61250 |
| TD | 45194 | 42882 | 46808 | 56052 | 62984 | 69337 | 77998 | 89410 |
| Ratio | 37.34 | 43.43 | 59.43 | 56.91 | 52.73 | 60.08 | 59.40 | 68.25 |
| RBB | LA | 26187 | 31424 | 32573 | 36779 | 45599 | 57293 | 72079 | 81822 |
| TD | 68714 | 67910 | 74880 | 93905 | 10152 | 12256 | 13956 | 17005 |
| Ratio | 46.29 | 51.90 | 49.77 | 45.97 | 53.77 | 56.67 | 61 | 55.96 |
| ADB | LA | 32603 | 33876 | 34459 | 39427 | 49685 | 57186 | 68578 | 79489 |
| TD | 35159 | 32472 | 34394 | 43264 | 54477 | 65898 | 77035 | 87387 |
| Ratio | 108.86 | 121.29 | 117.42 | 104.85 | 101.03 | 94.86 | 93.88 | 90.96 |
| NSBI | LA | 15131 | 17480 | 21365 | 26142 | 28788 | 352795 | 39979 | 46975 |
| TD | 27957 | 34896 | 42415 | 53337 | 59125 | 54492 | 51628 | 65213 |
| Ratio | 54.13 | 50 | 50.37 | 49 | 48.86 | 64.74 | 77.44 | 78.67 |
| NIBL | LA | 36241 | 40318 | 41095 | 41636 | 46400 | 52019 | 39979 | 85461 |
| TD | 46698 | 50094 | 501381 | 5701 | 6242 | 7383 | 51628 | 108626 |
| Ratio | 77.61 | 80.45 | 81.97 | 73 | 74.33 | 70.46 | 77.44 | 78.67 |
| NABIL | LA | 27589 | 32268 | 38034 | 41605 | 46369 | 54684 | 65501 | 76106 |
| TD | 27348 | 46340 | 49608 | 54905 | 63506 | 75360 | 10395 | 11021 |
| Ratio | 74.48 | 71.01 | 78.01 | 77.66 | 74.71 | 74.06 | 64.27 | 76.53 |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Bank |  | 2008/09 | 2009/10 | 2010/11 | 2011/12 | 2012/13 | 2013/14 | 2014/15 | 2015/16 |
| NBL | TI | 13397 | 57843 | 75855 | 83917 | 10979 | 22664 | 16902 | 12843 |
| TD | 45194 | 42882 | 46808 | 56052 | 62984 | 69337 | 77998 | 89410 |
| Ratio | 23.89 | 10.30 | 11.92 | 10.79 | 13.36 | 27.71 | 20.70 | 14.36 |
| RBB | TI | 15416 | 12984 | 15329 | 26497 | 29672 | 32089 | 35310 | 43768 |
| TD | 68714 | 67910 | 74880 | 93905 | 10152 | 12256 | 13956 | 17005 |
| Ratio | 12.13 | 13.95 | 17.01 | 26.52 | 30.89 | 28.43 | 27.50 | 30 |
| ADB | TI | 48960 | 45400 | 72672 | 91946 | 10837 | 13344 | 13501 | 13982 |
| TD | 35159 | 32472 | 34394 | 43264 | 54477 | 65898 | 77035 | 87387 |
| Ratio | 9.88 | 10.55 | 17.28 | 23.86 | 16.23 | 16.79 | 13.74 | 16 |
| NSBI | TI | 13286 | 16305 | 18911 | 24463 | 25906 | 17722 | 9319 | 19291 |
| TD | 27957 | 34896 | 42415 | 53337 | 59125 | 54492 | 51628 | 65213 |
| Ratio | 11.83 | 13.36 | 13.14 | 8.55 | 6.22 | 10.96 | 7.25 | 29.58 |
| NIBL | TI | 7399 | 8635 | 7423 | 10438 | 11435 | 15383 | 9319 | 29226 |
| TD | 46698 | 50094 | 501381 | 5701 | 6242 | 7383 | 51628 | 108626 |
| Ratio | 15.42 | 8.39 | 8.57 | 10.82 | 9.59 | 7.89 | 11.81 | 29.91 |
| NABIL | TI | 10826 | 13600 | 13003 | 14076 | 16344 | 18283 | 30978 | 36169 |
| TD | 27348 | 46340 | 49608 | 54905 | 63506 | 75360 | 10395 | 11021 |
| Ratio | 10.65 | 17.54 | 17.95 | 14.92 | 12.82 | 11.32 | 14.65 | 26.32 |

### Appendix VI

**Loan and advance to total assets ratio**

(Amount in ,000000)

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Bank |  | 2008/09 | 2009/10 | 2010/11 | 2011/12 | 2012/13 | 2013/14 | 2014/15 | 2015/16 |
| NBL | LA | 17614 | 23560 | 24671 | 27670 | 35611 | 39035 | 50970 | 61250 |
| TA | 47559 | 44736 | 51158 | 58615 | 70776 | 77980 | 88211 | 10347 |
| Ratio | 35.27 | 50.05 | 47.82 | 48.38 | 49.03 | 49.44 | 58.95 | 59.19 |
| RBB | LA | 26187 | 31424 | 32573 | 36779 | 45599 | 57293 | 72079 | 81822 |
| TA | 68714 | 67910 | 74880 | 93905 | 10152 | 122560 | 13956 | 17005 |
| Ratio | 31.57 | 39.82 | 38.87 | 37.54 | 42.46 | 46.74 | 50.32 | 48.11 |
| ADB | LA | 32603 | 33876 | 34459 | 39427 | 49685 | 57186 | 68578 | 79489 |
| TA | 51818 | 54020 | 59241 | 63521 | 77097 | 86512 | 10092 | 11178 |
| Ratio | 62.92 | 65 | 60.58 | 57.20 | 59.36 | 57.63 | 60.37 | 71.11 |
| NSBI | LA | 15131 | 17480 | 21365 | 26142 | 28788 | 352795 | 39979 | 46975 |
| TA | 30166 | 38047 | 46088 | 58059 | 64796 | 61082 | 59277 | 78515 |
| Ratio | 48.34 | 45.42 | 45.95 | 44.60 | 43.95 | 55.86 | 64.93 | 59.83 |
| NIBL | LA | 36241 | 40318 | 41095 | 41636 | 46400 | 52019 | 39979 | 85461 |
| TA | 53010 | 37305 | 58356 | 65756 | 73152 | 86173 | 59277 | 12978 |
| Ratio | 66.35 | 68.32 | 67.91 | 60.92 | 60.73 | 57.71 | 60.37 | 65.85 |
| NABIL | LA | 27589 | 32268 | 38034 | 41605 | 46369 | 54684 | 65501 | 76106 |
| TA | 43867 | 52079 | 58097 | 63257 | 73343 | 90293 | 11869 | 12761 |
| Ratio | 60.55 | 60.25 | 63.25 | 59.73 | 60.72 | 59.55 | 53.66 | 65.42 |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Bank |  | 2008/09 | 2009/10 | 2010/11 | 2011/12 | 2012/13 | 2013/14 | 2014/15 | 2015/16 |
| NBL | TD | 52413 | 49341 | 55635 | 63118 | 7285 | 74643 | 84380 | 96765 |
| SE | -48543 | -46049 | -44765 | -45033 | -20898 | 33470 | 38309 | 67139 |
| Ratio | -9.72 | -9.78 | -10.87 | -20.04 | -19 | 22.30 | 22.03 | 13.93 |
| RBB | TD | 19887 | 77867 | 83440 | 97031 | 10025 | 42873 | 132885 | 16220 |
| SE | -11960 | -99568 | -85603 | -31266 | 12724 | 23865 | 66757 | 93230 |
| Ratio | -6.02 | -7.30 | -9.20 | -29 | 73.29 | 45.69 | 1.50 | 15.78 |
| ADB | TD | 41493 | 43152 | 46051 | 50348 | 62874 | 73478 | 84704 | 93658 |
| SE | 10352 | 10867 | 13189 | 13145 | 14222 | 13033 | 16224 | 18127 |
| Ratio | 3.42 | 3.22 | 2.8 | 3.53 | 4.06 | 5.29 | 4.90 | 4.93 |
| NSBI | TD | 27881 | 34334 | 40892 | 54862 | 60997 | 56547 | 53631 | 71594 |
| SE | 1712 | 24505 | 2879 | 3179 | 3798 | 4535 | 5645 | 6920 |
| Ratio | 72.71 | 28.59 | 27.56 | 47.70 | 54.67 | 45.29 | 35.48 | 9.57 |
| NIBL | TD | 2404 | 2625 | 3058 | 2695 | 3702 | 4417 | 2003 | 11349 |
| SE | 3907 | 4612 | 5159 | 6049 | 7020 | 7925 | 5645 | 16287 |
| Ratio | 61.54 | 56.92 | 59.29 | 44.56 | 52.74 | 55.73 | 35.48 | 11.05 |
| NABIL | TD | 40737 | 48245 | 53525 | 57796 | 66634 | 81756 | 1038917 | 127015 |
| SE | 31302 | 38342 | 45720 | 54605 | 67094 | 76713 | 95195 | 11637 |
| Ratio | 12.56 | 12.18 | 11.28 | 10.17 | 9.51 | 9.86 | 10.95 | 9.66 |

### Appendix VIII Debt assets Ratio

(Amount in ,000000)

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Bank |  | 2008/09 | 2009/10 | 2010/11 | 2011/12 | 2012/13 | 2013/14 | 2014/15 | 2015/16 |
| NBL | TD | 52413 | 49341 | 55635 | 63118 | 7285 | 74643 | 84380 | 96765 |
| TA | 47559 | 44736 | 51158 | 58615 | 70776 | 77980 | 88211 | 10347 |
| Ratio | 110.29 | 110.04 | 107.11 | 106.18 | 111.49 | 98.48 | 99.89 | 102.14 |
| RBB | TD | 19887 | 77867 | 83440 | 97031 | 10025 | 42873 | 132885 | 16220 |
| TA | 68714 | 67910 | 74880 | 93905 | 10152 | 122560 | 13956 | 17005 |
| Ratio | 117.41 | 114.66 | 111.79 | 103.33 | 98.75 | 98.05 | 95.22 | 94.52 |
| ADB | TD | 41493 | 43152 | 46051 | 50348 | 62874 | 73478 | 84704 | 93658 |
| TA | 51818 | 54020 | 59241 | 63521 | 77097 | 86512 | 10092 | 11178 |
| Ratio | 80.07 | 79.88 | 77.74 | 79.26 | 79.60 | 84.93 | 83.93 | 83.78 |
| NSBI | TD | 27881 | 34334 | 40892 | 54862 | 60997 | 56547 | 53631 | 71594 |
| TA | 30166 | 38047 | 46088 | 58059 | 64796 | 61082 | 59277 | 78515 |
| Ratio | 94.32 | 93.56 | 93.75 | 94.49 | 94.14 | 92.57 | 90.48 | 91.18 |
| NIBL | TD | 2404 | 2625 | 3058 | 2695 | 3702 | 4417 | 2003 | 11349 |
| TA | 53010 | 37305 | 58356 | 65756 | 73152 | 86173 | 59277 | 12978 |
| Ratio | 92.93 | 92 | 91.16 | 90.8 | 90.40 | 90.80 | 90.60 | 87.45 |
| NABIL | TD | 40737 | 48245 | 53525 | 57796 | 66634 | 81756 | 1038917 | 127015 |
| TA | 43867 | 52079 | 58097 | 63257 | 73343 | 90293 | 11869 | 12761 |
| Ratio | 92.86 | 92.64 | 92.13 | 91.37 | 90.85 | 91.50 | 91.98 | 90.88 |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Bank |  | 2008/09 | 2009/10 | 2010/11 | 2011/12 | 2012/13 | 2013/14 | 2014/15 | 2015/16 |
| NBL | OI | 14552 | -62198 | -56108 | -21042 | 10416 | -59489 | 38665 | 19472 |
| IE | 79171 | 90999 | 148220 | 21971 | 22141 | 21876 | 18106 | 16584 |
| Ratio | 18.38 | -55.23 | -3.79 | -9.58 | 4.70 | -0.27 | 21.35 | 117.41 |
| RBB | OI | 91825 | 10133 | 71694 | 24932 | 55216 | 87820 | 14723 | 20707 |
| IE | 10677 | 13877 | 24423 | 30481 | 24618 | 22237 | 19249 | 18727 |
| Ratio | 86 | 73.02 | 29.35 | 0.82 | 22.43 | 39.49 | 76.49 | 111 |
| ADB | OI | -14036 | -12203 | -52237 | -10275 | 11283 | 55549 | 58371 | 21878 |
| IE | 11570 | 42311 | 21164 | 28401 | 28145 | 38397 | 31205 | 33588 |
| Ratio | -121.31 | -80.92 | -24.68 | -3.62 | 40 | 14.47 | 18.71 | 65.14 |
| NSBI | OI | 4423 | 5702 | 6742 | 6736 | 11750 | 13584 | 16303 | 20592 |
| IE | 8247 | 14436 | 20960 | 27707 | 24869 | 22316 | 17738 | 15651 |
| Ratio | 53.64 | 39.5 | 32.16 | 24.3 | 47.27 | 60.89 | 91.94 | 131.57 |
| NIBL | OI | 1310 | 1928 | 1783 | 1357 | 2146 | 2891 | 2545 | 36996 |
| IE | 1686 | 2553 | 3620 | 3814 | 2774 | 2820 | 1773 | 28556 |
| Ratio | 77.7 | 75.52 | 49.26 | 35.58 | 77.33 | 102.52 | 108.06 | 129.56 |
| NABIL | OI | 15702 | 17064 | 20929 | 26630 | 34959 | 35957 | 32752 | 44000 |
| IE | 11532 | 19601 | 29466 | 31529 | 21863 | 19387 | 22337 | 18294 |
| Ratio | 136.15 | 87.06 | 71.02 | 84.46 | 159.9 | 185.47 | 146.63 | 240.51 |

### Appendix X ROA

(Amount in ,000000)

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Bank |  | 2008/09 | 2009/10 | 2010/11 | 2011/12 | 2012/13 | 2013/14 | 2014/15 | 2015/16 |
| NBL | TP | 89425 | 24938 | 12834 | 17636 | 75518 | 71695 | 48384 | 28829 |
| TA | 47559 | 44736 | 51158 | 58615 | 70776 | 77980 | 88211 | 10347 |
| Ratio | 1.92 | 0.86 | 0.69 | 0.30 | 011 | 0.92 | 0.55 | 2.79 |
| RBB | TP | 19236 | 20269 | 17163 | 11844 | 13101 | 18366 | 46438 | 26484 |
| TA | 68714 | 67910 | 74880 | 93905 | 10152 | 122560 | 13956 | 17005 |
| Ratio | 2.80 | 2.98 | 2.29 | 1.26 | 1.29 | 1.50 | 3.33 | 1.60 |
| ADB | TP | 10576 | 18923 | 23654 | 18399 | 22893 | 15208 | 36033 | 24646 |
| TA | 51818 | 54020 | 59241 | 63521 | 77097 | 86512 | 10092 | 11178 |
| Ratio | 2.04 | 3.50 | 3.99 | 2.9 | 2.97 | 1.76 | 3.57 | 2.20 |
| NSBI | TP | 3163 | 3917 | 4646 | 4801 | 7714 | 9229 | 10654 | 13318 |
| TA | 30166 | 38047 | 46088 | 58059 | 64796 | 61082 | 59277 | 78515 |
| Ratio | 1.05 | 1.03 | 1.01 | 0.83 | 1.19 | 1.51 | 1.78 | 1.75 |
| NIBL | TP | 900 | 1265 | 177 | 1039 | 1915 | 1939 | 1065 | 25508 |
| TA | 53010 | 37305 | 58356 | 65756 | 73152 | 86173 | 59277 | 12978 |
| Ratio | 1.60 | 2.21 | 2 | 1.58 | 2.62 | 2.25 | 1.88 | 1.97 |
| NABIL | TP | 10310 | 11385 | 13441 | 17003 | 22269 | 23314 | 20981 | 28234 |
| TA | 43867 | 52079 | 58097 | 63257 | 73343 | 90293 | 11869 | 12761 |
| Ratio | 2.35 | 2.19 | 2.43 | 2.80 | 3.25 | 2.65 | 2.06 | 2.21 |

### ROE

(Amount in ,000000)

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Bank |  | 2008/09 | 2009/10 | 2010/11 | 2011/12 | 2012/13 | 2013/14 | 2014/15 | 2015/16 |
| NBL | TP | 89425 | 24938 | 12834 | 17636 | 75518 | 71695 | 48384 | 28829 |
| SE | -48543 | -46049 | -44765 | -45033 | -20898 | 33470 | 38309 | 67139 |
| Ratio | -21.11 | -8.83 | -8.32 | -13.19 | -78.31 | 46.99 | 15.72 | 42.94 |
| RBB | TP | 19236 | 20269 | 17163 | 11844 | 13101 | 18366 | 46438 | 26484 |
| SE | -11960 | -99568 | -85603 | -31266 | 12724 | 23865 | 66757 | 93230 |
| Ratio | -15.29 | -23.33 | -23.70 | -62.52 | 136.21 | 195.26 | 195.26 | 33.11 |
| ADB | TP | 10576 | 18923 | 23654 | 18399 | 22893 | 15208 | 36033 | 24646 |
| SE | 10352 | 10867 | 13189 | 13145 | 14222 | 13033 | 16224 | 18127 |
| Ratio | 10.24 | 17.41 | 17.93 | 13.97 | 16.10 | 10.09 | 29.27 | 13.60 |
| NSBI | TP | 3163 | 3917 | 4646 | 4801 | 7714 | 9229 | 10654 | 13318 |
| SE | 1712 | 24505 | 2879 | 3179 | 3798 | 4535 | 5645 | 6920 |
| Ratio | 18.47 | 15.99 | 16.14 | 15 | 20.31 | 20.35 | 18.87 | 22.16 |
| NIBL | TP | 900 | 1265 | 177 | 1039 | 1915 | 1939 | 1065 | 2550 |
| SE | 3907 | 4612 | 5159 | 6049 | 7020 | 7925 | 5645 | 16287 |
| Ratio | 23 | 27.45 | 22.81 | 20.1 | 31.7 | 27.6 | 24.8 | 26 |
| NABIL | TP | 10310 | 11385 | 13441 | 17003 | 22269 | 23314 | 20981 | 28234 |
| SE | 31302 | 38342 | 45720 | 54605 | 67094 | 76713 | 95195 | 11637 |
| Ratio | 42.43 | 36.26 | 29.02 | 30.25 | 32.78 | 27.9 | 22.75 | 24.26 |

### Appendix XII Return on total deposit

(Amount in ,000000)

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Bank |  | 2008/09 | 2009/10 | 2010/11 | 2011/12 | 2012/13 | 2013/14 | 2014/15 | 2015/16 |
| NBL | TP | 89425 | 24938 | 12834 | 17636 | 75518 | 71695 | 48384 | 28829 |
| TD | 45194 | 42882 | 46808 | 56052 | 62984 | 69337 | 77998 | 89410 |
| Ratio | 2.29 | 0.71 | 0.21 | 0.30 | 0.32 | 1.29 | 1.10 | 0.67 |
| RBB | TP | 19236 | 20269 | 17163 | 11844 | 13101 | 18366 | 46438 | 26484 |
| TD | 68714 | 67910 | 74880 | 93905 | 10152 | 12256 | 13956 | 17005 |
| Ratio | 2.82 | 2.95 | 2.32 | 1.35 | 1.44 | 1.71 | 3.74 | 1.81 |
| ADB | TP | 10576 | 18923 | 23654 | 18399 | 22893 | 15208 | 36033 | 24646 |
| TD | 35159 | 32472 | 34394 | 43264 | 54477 | 65898 | 77035 | 87387 |
| Ratio | 3 | 5.83 | 6.88 | 4.25 | 4.20 | 2.31 | 4.68 | 2.82 |
| NSBI | TP | 3163 | 3917 | 4646 | 4801 | 7714 | 9229 | 10654 | 13318 |
| TD | 27957 | 34896 | 42415 | 53337 | 59125 | 54492 | 51628 | 65213 |
| Ratio | 1.13 | 1.12 | 1 | 0.9 | 1.31 | 1.69 | 2 | 2.07 |
| NIBL | TP | 900 | 1265 | 177 | 1039 | 1915 | 1939 | 1065 | 2550 |
| TD | 46698 | 50094 | 501381 | 5701 | 6242 | 7383 | 51628 | 108626 |
| Ratio | 1.93 | 2.53 | 2.35 | 1.82 | 3 | 2.63 | 2.16 | 2.35 |
| NABIL | TP | 10310 | 11385 | 13441 | 17003 | 22269 | 23314 | 20981 | 28234 |
| TD | 27348 | 46340 | 49608 | 54905 | 63506 | 75360 | 10395 | 11021 |
| Ratio | 2.76 | 2.55 | 2.71 | 3.10 | 3.51 | 3.09 | 2 | 2.56 |

### Total interest expenses to total interest income ratio

(Amount in ,000000)

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Bank |  | 2008/09 | 2009/10 | 2010/11 | 2011/12 | 2012/13 | 2013/14 | 2014/15 | 2015/16 |
| NBL | IE | 79171 | 90999 | 148220 | 21971 | 22141 | 21876 | 18106 | 16584 |
| II | 26900 | 30675 | 37407 | 40511 | 47395 | 50112 | 51216 | 62635 |
| Ratio | 48.81 | 52.24 | 36.69 | 48.49 | 54.23 | 46.71 | 43.65 | 34.46 |
| RBB | IE | 10677 | 13877 | 24423 | 30481 | 24618 | 22237 | 19249 | 18727 |
| II | 34441 | 42051 | 50314 | 53998 | 57489 | 61045 | 65202 | 74226 |
| Ratio | 31 | 33 | 48.54 | 56.45 | 42.82 | 36.43 | 29.52 | 25 |
| ADB | IE | 11570 | 42311 | 21164 | 28401 | 28145 | 38397 | 31205 | 33588 |
| II | 42311 | 54648 | 61011 | 69610 | 75333 | 84619 | 87654 | 96202 |
| Ratio | 27.35 | 27.59 | 34.69 | 40.80 | 37.36 | 45.38 | 35.60 | 34.91 |
| NSBI | IE | 8247 | 14436 | 20960 | 27707 | 24869 | 22316 | 17738 | 15651 |
| II | 14604 | 22697 | 31042 | 37694 | 41105 | 39766 | 38213 | 39812 |
| Ratio | 56.47 | 63.61 | 67.52 | 73.5 | 60.50 | 56.12 | 46.42 | 46.36 |
| NIBL | IE | 1686 | 2553 | 3620 | 3814 | 2774 | 2820 | 1773 | 28556 |
| II | 3267 | 4653 | 5803 | 5982 | 5865 | 5816 | 3821 | 67767 |
| Ratio | 51.62 | 54.88 | 62.38 | 63.76 | 47.31 | 48.49 | 46.42 | 42.14 |
| NABIL | IE | 11532 | 19601 | 29466 | 31529 | 21863 | 19387 | 22337 | 18294 |
| II | 27984 | 40477 | 52582 | 61457 | 57211 | 56523 | 57781 | 61704 |
| Ratio | 41.21 | 48.42 | 56.04 | 51.30 | 38.21 | 34.30 | 38.80 | 27.72 |

**Calculation of Mean, S.D. and C.V. of Cash and Bank Balance to Total Deposit Ratio (Sample Calculation)**

|  |  |  |  |
| --- | --- | --- | --- |
| Years | Ratio (x) | x - x | (x - x)2 |
| 2008/09 | 1.26 | -0.80125 | 0.642002 |
| 2009/10 | 1.91 | -0.15125 | 0.022877 |
| 2010/11 | 1.51 | -0.55125 | 0.303877 |
| 2011/12 | 3.24 | 1.17875 | 1.389452 |
| 2012/13 | 2.33 | 0.26875 | 0.072227 |
| 2013/14 | 0.67 | -1.39125 | 1.935577 |
| 2014/15 | 2.56 | 0.49875 | 0.248752 |
| 2015/16 | 3.01 | 0.94875 | 0.900127 |
|  | x =16.49 |  | (x - x)2= 5.514888 |

We have,

We have, Mean (x) =

x

n = 16.49/8 = 2.06125

(x - x)2 n

Standard Deviation () =

= 0.8303

Coefficient of Variation (C.V.) =  × 100



x

0.8303 ×100

2.06125

= 40.2803%

Similarly, the Mean, S.D., C.V. of others ratios of both banks have been calculated

# FINANCIAL PERFORMANCE ANALYSIS OF NEPALESE COMMERCIAL BANKS

**(A COMPARATIVE STUDY ON PUBLIC AND PRIVATE COMMERCIAL BANKS)**

SUBMITTED BY MUKUNDA SUBEDI EXAM ROLL. NO. : 240

REGISTRATION NO: 7-2-732-48-2009 CENTRAL DEPARTMENT OF MANAGEMENT

A Proposal Submitted to

Central Department of Management Tribhuvan University, Kirtipur, Kathmandu

In partial fulfillment of the requirements of Masters of Business Studies (M.B.S)

June, 2016

Table of content

Title Page no

1. Background of the study 1
2. Statement of problem and research question 4
3. Objective of the study 5
   1. General objective 5
   2. Specific objective 5
4. Signification of the study 5
5. Literature review 6
6. Research methodology 8
   1. Research design 8
   2. Source of data 8
   3. Population and sample 9
   4. Analysis of data 9

Reference

### Background of the Study:

Financial Performance evaluation is the important approach for enterprises to give incentive and restraint to their operators and it is an important channel for enterprise stakeholders to get the performance information (Sun, 2011). The performance evaluation of a commercial bank is usually related to how well the bank can use its assets, shareholders’ equities and liabilities, revenues and expenses. The performance evaluation of banks is important for all parties including depositors, investors, bank managers and regulators. The evaluation of a firm’s performance usually employs the financial ratio method, because it provides a simple description about the firm’s financial performance in comparison with previous periods and helps to improve its performance of management (Lin et al., 2005). Moreover, the ratio analysis assists in determining the financial position of the bank compared to other banks. Different ratios including return on assets (ROA), return on equity (ROE), CR, debt equity ratio etc. were evaluated to analyze the financial data of selected Nepalese commercial banks for the period 2008/009 to 2014/015. These ratios would help to indicate the condition of capital, assets quality, management, Earnings and liquidity position of different types of banks.

Financial sector is the backbone of economy of a country. The banking sector plays a main role of the financial system is to channel the funds from savers to borrowers. If this process is done efficiently, than the profitability should improve, the flow of funds should increase, too, and there should be better quality services for customers. Indeed, financial intermediation determines, among other factors, the efficient allocation of savings, as well as the return on savings and investments (Aremu and Mejabi, 2013). Banks provide a safe link between the savers who deposit their money and the investors. In addition, banks are involved in current and future development plans of an economy by providing capital for innovation, and infrastructure, and create job opportunities. It is therefore, necessary evaluate the financial performance of banks in order to identify their strengths and also possible weaknesses in their managerial skills and competencies which can be strengthened to enhance the services of they provide. In addition, banks must make future plans to develop their service

standards to facilitate balanced economic and technological growth in the country. Efficiency in Financial performance of banks is very important in all societies and economic systems. One of the most important challenges faced by bank managers, therefore, is how to optimally use their scarce financial resources. In-depth analysis and evaluation of the financial performance of different banks can identify the strengths and weaknesses in the system further improvement. In other words, analysis of financial performance provides an insight into how efficient a bank is in using its assets to generate profits and how sound was its financial health was over a given period of time. It can also, be used to compare and assess similar firms across the domain of banking in the country.

In Nepal there are two types bank, one is public sector and another is private sector.

1. commercial bank (NRB 2016) are available among them three banks are government i.e. Nepal Bank LTD., Rastriya Banijya Bank LTD. and Agriculture Development Bank. And other 26 are operation private sector.

However there has been conducting researches in this topic by comparing private and public commercial banks, there are any few researches. Moreover, the sample taken in these researches are very few that may not give actual result and difficult to generalize the result in whole population. So here, in this research, samples also are six commercial banks under which three are public and three are private commercial banks. That is way; this research would be worthwhile in this area and will find proper result too.

### Introduction of samples banks Public sector banks

Public sector banks have substantial shares in the total assets of the industry and have huge branch networks around the country. Rastriya Banijya Bank (RBBL), Nepal Bank Limited (NBL) and Agriculture Development Bank (ADBL) are government owned banks. These banks have significant contribution on improving banking habit among the people at large and encourage entrepreneurship in both the urban as well as

rural area. The public sector banks are still the largest banks in all aspects from deposit and credit mobilization to the number of branches in operation.

### Private sector Banks

We can classify the Private sector banks in to two category, joint Venter and Domestic private bank.

The joint venture banks have very few branch networks and are concentrated in urban centers. JVBs started to establish since mid-1980s (Poudel, 2005). They have foreign equity participation (along with domestic) and management with good name with international reputation, conducting banking business professionally. They are well mechanized and supervised by their respective home country supervisory authorities. The share of total assets of the joint venture banks has been increased to about 50% of total commercial bank assets. The introduction of joint venture banks infused modern banking and financial technology and new financial instrument in the financial system. However, the spillover effect of their efficient management and modern banking skills was less in the domestic banks, as per expectation.

Domestic private banks came in operation by late 1990s and early 2000s. They are managed and owned by private sector without foreign equity participation. Since they are relatively new banks, they have the opportunity to start as ‘fresh banks’ without bad loans in their portfolios and with the possibility of adopting recent banking technologies during their inception. Most of them are relatively small in asset size as well as their networks.

### Problem statement and research question:

Financial performance of a company is one of the major characteristic. It is the identification of their weakness and strengths .in a competitive financial market, banks performance provides signal to depositors and investors whether to withdraw or invest funds respectively from the banks. The present study basically focused on financial performance of public sector banks and private sector banks. Owner and

manager require financial statement to make important business decision that affects its continued operation.

The main aim of this study is to evaluate and compare financial performance of private and public commercial banks, to provide some comments by observing several financial ratios, analyzing trends. From the review of previous literature some indicators show performance is not much encouraging toward the service coverage. In such a situation the study tries to analyze the present performance of bank, which would give the answers of following queries.

* 1. What are the comparative ratio of liquidity, profitability, leverage and activities ratio of the selected public and private bank?
  2. Are the trends of different ratios of these banks satisfactory?

### Objective of the Study:

This study will be indented to achieve the following objectives.

General objective: It is the study to find out the overall strength and weakness of the selected private and public sector bank in terms of their financial performance through the technique of ratios analysis and statistical tools.

* + 1. To analyze the liquidity, profitability, leverage and activities ratios of private and public Nepalese commercial banks.
    2. To analyze trends of different ratios of private and public Nepalese commercial banks.

### Signification of the study:

The success of economic growth of a country mainly depends on the effective performance of banks. Nepalese capital market is highly dependent on the growth and prosperity of banking companies. Therefore, it is high time to evaluate the financial performance of Nepalese banking companies. In this backdrop, the present study seeks to examine the trends in the financial performance of six top banks, major

players in the Nepalese money market, during the period of 2008/009 to 2015/015. Private Banks have been selected on the basis of their paid up capital in 2015/16.

The study is expected to have importance to many parties. Since the study revolves around one of the popular issues of current business scenario, the following are the expected significances

* + 1. It provides some insight about the evaluation process of banking industry.
    2. To initiate the concerned organizations to reassess existing practices and put a renewed emphasis on those undermined ones.
    3. To serve as a reference material for both academicians and practitioners
    4. To initiate other interested researchers to carry out more extensive studies in the area

### Literature reviews

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

Sha and Hui (2012), as per their study on a comparison of financial performance of commercial banks by using econometric model, found that the result of public sector banks are significantly less efficient than private and joint Venter banks.

Al mamun (2013), the study on financial evaluation of prime bank limited in terms of capital adequacy from 2008 to 2012. The study finds that, through high debt equity ratio bank maintains capital above regulatory requirement. This will help the researcher and bank to further improvement in capital adequacy to meet regulatory requirement and enhance bank performance.

Chowdhury(2009) public the article in international journal of business and management on the topic of performance evaluation of selected private commercial bank of Bangaladesh by using the trend analysis during the period of 2002 to 2006, it say that in a developing country, the banking system as a whole play a vital role in the progress of economic development. This study indicates the prospect of private commercial bank in Bangaladesh is very bright.

Abara(2015) Research on financial performance analysis in the banking sector ( selected commercial banks in Ethiopia) by using the t-test and analysis of assets management, risk management, liquidity, profitability, solvency. The study employs the ratio analysis to compare the financial performance.

Qin & Pastory(2012), the International journal and business management public a paper on comparative analysis of commercial banks liquidity position. In this paper testing the ANOVA to find out the result and use the casual research design. In this research used secondary data. The finding under this study, commercial banks have strongest liquidity level.

Bakar and Tahir (2009) in their paper used multiple linear regression technique and simulated neural network techniques for predicting bank performance. ROA was used as dependent variable of bank performance and seven variables including liquidity, credit risk, cost to income ratio, size and concentration ratio, were used as independent variables. They concluded that neural network method outperforms the multiple linear regression method however it need clarification on the factor used and they noted that multiple linear regressions, not withstanding its limitations, can be used as a simple tool to study the linear relationship between the dependent variable and independent variables.

A thesis conducted by Dufera Abli (2010) on financial performance evaluation. The main objective was to compare and examine empirically the performance of first commercial bank in Ethiopia comparison with industry average. The result indicates that AIB was less profitable than industry average.

### Research Methodology

Research methodology sets out overall plan associated with a study. It provides a basic framework on which the study is conducted. In the absence of methodology, it is likely that the conclusions drawn may be misunderstood. This chapter therefore, deals with research methodology that aims at answering the research questions raised and accomplishing the research objectives set in the introduction. In this study, research methodology includes research design, nature and sources of data, selection of population and sample size, models and methods of data analysis on of banks performance. Finally, this chapter also outlines with some methodological limitations of this study

The selected banks are:

|  |  |
| --- | --- |
| Public Sector Commercial Banks | Private Sector Commercial Banks |
| Nepal Bank Limited (NBL) | Nepal SBI Bank (NSBI) |
| Rastriya Banijya Bank Limited (RBB) | Nepal Investment Bank Limited(NIB) |
| Agriculture Development Bank  Limited(ADBL) | NABIL Bank Limited (NABIL) |

### Research design:

The study will employee descriptive and causal comparative research designs to deal with the various factors influencing bank performance in the context of Nepalese commercial banks. The descriptive research design will be adopted to explain about bank-specific and macroeconomic variables and their effects on performance of banks. In this study, causal comparative research design will be applied to show bank financial performance.. This study will be based on historical data.

### Source of data

This study will mainly utilize the secondary sources of data. For the secondary data set, the necessary information will be collected from periodical reports and statements published by Nepal Rastra Bank (NRB) database, Economic Survey published by Ministry of Finance and financial statements of respective banks

covering the period of seven years i.e. from the fiscal year 2008/009 to 2014/15. The numbers of observation are 8 from each of the 6 sample banks and total 48 observations are included.

### Population and sample

All the “A” class commercial banks licensed by Nepal Rastra Bank (NRB) till mid- July 2016 will be considered as population for the study. There are altogether 28 commercial banks trading during this period. This study will includes those commercial banks which are involving in commercial trading and required financial information are available for the study periods .In this study, only six commercial banks are selected as sample. (Three public sector bank and three are private, private banks selected on the basis of highest paid up capital) The study is carried out for the period covering fiscal year 2008/009 to 2015/16 depending on the availability of data.

### Method of analysis

The collected data will be analyzed by using various Statistical and financial tools (ratios) to achieve the research objectives. This section deals with statistical and econometric models used for the purpose of analysis of secondary data. The method of secondary data analysis which is applied in this study consists of econometric models including several statistical test of significance.

**REFERENCES**

Aremu, D. & Mejabi, M. A. (2013). Determinants of banks profitability in developing economy. 4(9), 155-181

Avkiran, NK. (1995). Developing an instrument to measure customer service quality in branch banking. *International journal Banks Mark.,* 12(6): 10-18.

Bakar, N.& Tahir, IM. (2009*),* Applying multiple linear regression and neural network to predict bank performance*. International Business Research*, 2 (4):176-183

Dufera, A.(2010), *Financial performance evaluation.* Accounting and Finance College of Business and Economics, Mekelle University.

Jha, S.& Hui, X.(2012), A comparison of financial performance of commercial banks.

*African Journal of Business Management,* 6(25), 7601-76011

NRB (2016). Banking supervision annual report, Bank Supervision Department, Nepal Rastra Bank, Central Bank of Nepal.

Pant, P.R. (2066), *Social Science Research and Thesis Writing*. Sixth edition. Kathmanu: Buddha academic publishers and distributors pvt. Ltd. Kathmandu, Nepal

Paudel, N.P.(2005), *Financial system and economic development*. Nepal Rastra bank in 50 years. Kathamndu: Nepal Rastra Bank.

Sun CC (2011). Assessing Taiwan financial holdings companies’ performance using window analysis and Malmquist productivity index. *Afr. J. Business Management,* 5(26): 10508-10523.