CHAPTER- I

INTRODUCTION

1.1 Background of the Study

Commercial banks` performance in Nepal has not been found impressive. Several reforms have been implemented in the financial sector since last two decade aiming at increasing performance, stability, productivity, financial access and efficiency. However, bank profitability, on an average, has been inconsistent. Moreover, there have been a lot of changes in technology and several financial innovations have been developed in Nepalese financial sector. All these changes have reorganized the banking sector in terms of management, interactions with clients and relationships with other institutions. All these developments are likely to affect banks` performance and their total cost of operations. It is, therefore, important to know the factors that affect bank performance so as to influence policy making and management decisions that can improve profitability in Nepalese banking sector.

The banking sector is an integral part of the economy. The sector is one of its major drivers. The banking sector is among the sectors under the financial services that is expected to contribute greatly to the realization of Nepalese Vision for economic prosperity. Commercial banks play an important role in affair of the economy in various ways. The operations of commercial banks record the economic pulse of the economy. The size and composition of their transaction mirror the economic happening in the country. They are essential instruments of accelerated growth in a developing economy, by mobilizing community savings and diverting them into productive channels commercial banks expand and appreciate the value of aggregate economic activity in the economy.

The financial system in Nepal has from a narrow, repressed regime till the eighties to a dynamic expanding sector in the nineties. Indicators of the last decade show that the sector has growth both quantitatively and qualitatively. It could be observed that, at the same time, the financial market has become more competitive, dynamic and also compels. This constitutionals network and the volume of operations of financial system have expanded and diversified with the number of increased in commercial banks.

The adoption of the market economy has given to birth too many private commercial banks in the country as said earlier. So far, all these banks are doing very well in the slowdown in the economy, interest rates are falling down. All the banks are with funds and looking for safe and profitable avenues to invest in it.

This study has attempted to analyze and comparative financial performance evaluation of SBL, NIBL, SCBL and Nepal SBI Bank with their individual strength on the basis of their internal reports and published annual reports. For the purpose, different tools and techniques have been applied to judge the performance of these organizations, drawn out the strength and weakness of the firms and try to prescribe measures to improve the performance of these two banks.

1.1.1 **Banking System in Nepal**

Banking sector plays significant role in the economic development of a country. In Nepal, the 'Tejarath Adda' may be regarded as the father of modern banking institution and for a quite long time it tendered a good service to government servants as well as to the general public (Pant, 1975). Nepal Bank Limited was established in 1994 BS and Rastriya Banijya Bank was established in 2022 BS. In the context of Nepal, the path of liberalization leads to the establishment of more than dozen commercial banks. Here, in Nepal, the most dramatic reforms were carried out in 1980s.The measure was allowing the foreign banks to operate as a joint venture, lifting of control on interest rate and introduction of government's securities. As a result of liberalization policy of HMG, foreign investors were attracted to invest in Nepal in joint venture especially in banking business. This initiated the establishment of Nepal Arab Bank Limited in 1984 AD, as a joint venture with Dubai Bank Limited. Following this, other banks in the same fashion were established.

Establishment of commercial banks contributes significantly in the formation and mobilization of internal capital and development efforts. They furnish necessary capital needed for trade and commerce for mobilizing the dispersed savings of the individual and institutions. In the present context, the role of commercial bank is impending larger. In this connection, Nepalese economy has witnessed several changes in the financial system in the first few years or so such as, financial liberalization. HMG’s deliberate policy of allowing Foreign Joint Venture Banks to operate in Nepal is basically targeted to encourage local traditionally run commercial banks to enhance their bankable capacity through competition, efficiency, modernization, mechanization via computerization and prompt customer service.

The foreign commercial banks with full fledged banking functions in Nepal have been formed under the economy Act 2021 BS and operated under the Banijya Bank Act 2031 BS. They have join venture schemes between Nepalese investors and their parent banks each supplying 50 percent of the total investment. The domestic portion of investment has been shared by financial and non-financial institutions as well as private investors.

Reforms in the commercial Bank Act and Government’s economic liberalization policy have encouraged foreign investors to invest in Nepal. As a result, joint venture banks are developed and promoted with foreign investment and participation of financial institutions and public.

1.1.2 Introduction to Selected Banks

I. Standard Chartered Bank Nepal Limited

Standard Chartered Bank Nepal Limited has been in operation in Nepal since 1987 when it was initially registered as a joint venture operation. Today, the bank is an integral part of the Standard Chartered Group having as ownership of 70.21% in the company in 29,79% Shares owned by the Nepalese public. The bank enjoys the status of the largest international bank currently operating in Nepal.

II. Nepal Investment Bank Limited

Nepal Investment Bank Limited was established 1986 as a joint venture between Nepal and French partners. The French partner holding 50% of the capital was Credit Agricole Indosuez, a subsidiary of one of the largest banking group in the world. The bank has redefined banking through deep understanding of customer needs. The bank has undertaken many initiatives to strengthen customer experience through multiple points. The Bank is managed by a team of qualified and highly experienced professionals.

III. Nepal SBI Bank Limited

Nepal SBI Bank Limited established in July 1993 is a subsidiary of State Bank of India. SBI holds 55% of the ownership and the Nepal Employee Provident Fund holds 15%. The balances 30% are held with the general public. Over the last many years, the bank has been doing well and has emerged as one of the strongest and leading “A” class commercial banks of Nepal. The bank is providing value added service to customers of all segments both in the world class digit and the mechanized banking environment as well as in the traditional way.

IV. Siddhartha Bank Limited

Siddhartha Bank Limited was established on Dec 2002 as 17th commercial bank of the country. SBL has successfully positioned itself as a customer oriented, innovative, continuously growing and healthy commercial bank of Nepal. The Bank focus on delivering excellent banking services to its customers. The bank has prioritized n identifying newer and better ways to serve the unique and diverse demands of its customers. The bank strives for excellence in each and every aspect of its service and its operation.

1.2 Statement of the Problem

Commercial banks have been undertaking the task of financial intermediation as their core function. Collecting deposits from different section of people, the amount otherwise would have remained idle or used at lesser productive purposes. Although the prime objective of the commercial banks is “profit maximization to its shareholder” yet, they have to accomplish twin objectives as well. First, providing return to capital to depositors and second, provide resources for productive purposes to entrepreneurs.

Despite of prevailing economic recession, JVBs operating in Nepal have managed to perform well in terms of their work efficiency and profitability. However, they are also facing problems in generating an adequate return on their investment and role of banking sector has been further increased for the improvement of the country’s economy from the present condition. They must attempt to find the potential areas of profitable investment in order to get themselves and the nation away from this economic turmoil.

Though several commercial banks have been established in Nepal within a short period of time, sufficient return has not been earned and strong, stable and appropriate investment policy has not been followed. In the one hand, these banks collected huge amount of deposits where as in the other hand investment opportunities are comparatively very low. Due to less investment opportunity bank discourage deposits by reducing the interest on deposits and increase minimum shareholders’ balance. Such condition may cause highly liquid market and can impact the condition of the whole economic sector negatively.

The search for new horizon for investment has been the most challenging job for the commercial banks. In addition to above problems, the commercial banks have to face following challenges:

- Accumulate the resources from the competitive environment to invest for the returns to maximize the shareholders wealth by protecting the assets of the depositors through complying strict directives issued by NRB.
- Run the branches in the rural communities to improve their living standard by providing banking services in order to promote the economic situation of the country.
- To deliver efficient services to the common people by enhancing efficiency of the staff and improving the management style of the banks.
- To give special attention towards loan recovery as the outstanding loan amount is increasing because of incapacity of the borrower in servicing the interest and loan dues to economic recession all over the world.
- To help the government for poverty alleviation and access to increased flow of credit and investment in the economic activities of direct benefit to the maximum number of low income people through micro and medium size loan.

Stiff competition among the commercials banks, financial companies, rural development banks and cooperative societies in short span of time has put a question mark to survival of JVB's including SBL, NIBL, SCBL and Nepal SBI Bank Limited. Both the selected banks need to take it seriously for betterment in performance and improvement in their productivity and better customer orientation.

This study is directed to resolve the issues that have been identified for the purpose of the study. The issues are as follows:

1. What is the profitability position of selected commercial banks in Nepal?
2. Is there any relationship among profitability indicators, financial leverage and bank size?
3. What is the effect of financial leverage and bank size on the profitability of commercial banks in Nepal?

1.3 Objectives of the Study

The main objective of this study is to evaluate the effect of financial leverage and bank size on the financial performance of the selected commercial banks. The following are the specific objectives of the study.

1. To examine the profitability position of selected commercial banks in Nepal.
2. To assess the relationship among profitability indicators, financial leverage and bank size of Nepalese commercial banks.
3. To investigate the effect of financial leverage and bank size on the profitability of commercial banks in Nepal.

1.4 Significance of the Study

The significance of the proposed study may be logically justified on followings grounds:

a) Its significance to management: This is helpful in depth analysis into those matters as to why the performance of their bank is better than the competitor.

b) Its significance to shareholders: The findings of the research will be of worth to the shareholders to see the financial health of two banks in comparison this justifies the rational of their investment decision.

c) Its significance to stakeholders: Among stakeholders, mainly, the customers, financing agencies, stock exchanges and stock traders are interested in the performance of banks and the customers can identify to which bank they should go. The financial agencies can understand where their fund is more secured and stock exchanges, stock brokers and stock traders can find the relative worth of the stocks of each bank.

d) Its significance to policy makers: It points the problem to be taken care of. The policy makers can take a lot of benefits and they can easily review the policies that has gone well and that has gone wrong. In this way this information might enables them to review the wrong policies and reinforce the better one.

1.5 Limitations of the Study

Like every research, the study has been conducted with certain limitations. The limitations of the study are as follows:

1. This study is to fulfill the partial requirement of the MBS programme and has to be conducted and submitted with in prescribed period.

2. This study is based on secondary data which are derived from financial statements and other available records

3. The study is carried out mostly on the basis of the published financial documents like balance sheet, profit and loss account, and other related journals, magazines and books, etc. These published documents have their own limitations which are the limitations of this study too.

4. The thesis will be limited to analyze Six years period i.e. from FY (2007/08- 2016/2017) A.D.

5. The lack of sufficient resources and time is also the limitations of this study.

6. The standard of ratio analysis is considered as prescribed by financial management experts, which may or may not be applicable for the enterprises under the entire situation.

1.6 Organization of the Study

Some preliminary pages have been incorporated in the beginning of the report that contains list of tables, list of figures, list of abbreviations and list of contents. This research report is divided into five main chapters. Chapter I deals with the subject matter of the study consisting background of the study, significance of the study, limitations of the study and organization of the study. Chapter II deals with the theoretical conceptual framework and the review of relevant research studies, articles, banking journals, books, websites etc. related to the study. Chapter III contains research methodology employed in the study. It includes the research design and tools and techniques used in the research work. It provides guidelines and gives a road map to analyze the collected data. Chapter IV covers analysis, presentation and interpretation of the acquired data, which was collected through the designed methodology. Data are presented in tabular, graphic or in an equation form to achieve of relevant data in an attractive way. Chapter V deals with summary and conclusion of the research and recommendations given to the concerned organization.

CHAPTER-II

LITERATURE REVIEW

A literature review is an essential part of all studies. It is a way to discover what other researchers have covered and left in the area. A critical review of the literature helps the researcher to develop a thorough understanding and insight into previous research works that relates to the present study. It is also a way to avoid investigation problems that have already been definitely answered. Thus a literature review is the process of locating, obtaining, reading and evaluating the research literature in the area of the student's interest.

Various studies in the field of banking have already been carried out by learned scholars, teachers, students and many others for different purposes, in books, booklets magazines and dissertations. In this chapter, the focus has been made on the review of literature relevant to the selected tropic. Every study is very much based on past knowledge; the past knowledge provides foundation to the present study. This chapter helps to take adequate feedback to broaden the information based and inputs to the study, therefore this chapter has its own importance in this study. This chapter is divided into Conceptual Review, Review of Legislature Provision, Review of Related Studies and lastly major findings of the study.

2.1 Conceptual Review

The word bank has been derived from the Latin word 'Bancus' or from 'Bancque' which means a 'Bench' in English. The early bankers transact their business at benches in market place when a banker failed; his bench was broken up by the people. According to some, it is derived form the German word 'bank' which means a 'join stock fund' which was italianated into 'Banco' when the Germans were masters of a great part of Italy.

American institute of Banking defines commercial bank as “Commercial bank is a corporation which accepts demand deposits subject to check and makes short term loans to business enterprises, regardless of the scope of its other services.” The institution also laid down the four functions of commercial bank which are handlings deposits, handling payees of money, making loan and investments, creating money by extension of credit.

In this way, the commercial bank, pools together the saving of the community which means they help in the capital formation. Such savings are distributed to public in the form of credit for productive use. Generally, commercial banks finance short-term needs to trade, to industry and even to agriculture. Commercial banks of developing country finance small and cottage industries under priority sector investment scheme. The main purpose of this scheme is to uplift the backward sector of the economy. Commercial bank are controlled and regulated by central bank. In Nepal, Nepal Rastra Bank is the central bank that controls and regulate the commercial bank.

Commercial Bank has various functions to perform which plays key role in growth of economy of a nation. Mr. D.R. Bhandari describes that the commercial banks have the following functions:

- The credit (loan) function

- The payments (transaction) function
- The insurance (risk management) function
- The security banking (security underwriting) function
- The merchant banking (temporary stock investment) function
- The thrift (saving) functions
- The investment financial planning function
- The real estate and community development function
- The cash management function

The main functions performed by the commercial banks can be described as follows.

- Accepting Deposits: Commercial bank accepts deposits in three forms, namely current deposit, saving deposit, and fixed deposit.
- Current Deposits: Current deposit is also known as demand deposits. Under this any amount may be deposited in this account. The bank does not pay any interest on such deposits.
- Saving Deposits: Saving deposit is one of the deposits collected from small depositors and low income depositors. The bank usually pays small interest to the depositors against their deposits. This is also called saving account.
- Fixed Deposits: Fixed deposits are the one in which a customer is required to keep a fixed amount with bank for a specific period generally by those who do not need money for a stipulated period. The bank pays the higher interest on such deposits.
- Advancing Loans: Commercial bank provides loans and advances from the money which it received in the form of deposits. Direct loans and advances are given to all types of persons against the security of movable and immovable properties. Banks grant loans in four forms:
- Overdrafts
- Direct Loans
- Cash Credit and

- Discounting Bills of Exchange
- Agency Services: Commercial bank undertakes the payment of subscriptions, insurance premium, rent etc. It collects cheques, bills, dividends, interest, pensions etc. on behalf of the customers. The bank charges a small amount of commission for those services. It undertakes to buy and sell securities on behalf of its customers. Commercial bank also acts as a trustee, executor and administrator.
- Credit Creation: Credit creation is a very important function of the commercial banks. They accept deposits and advance loans. When the bank advances loans, it opens an account to draw the money by Cheques according to his needs. By granting loans, the bank creates credit or deposit.
- Other Functions: Other functions of the commercial banks can be explained as follows:
- Assist in Foreign Trade: Commercial bank discounts the bills of exchange drawn by Nepalese exporters or the foreign importers and enables the exporters to receive money in the native currency. Similarly, the bank also accepts the bills drawn by foreign exporters.
- Offers Security Brokerage Services: Many commercial banks have begun to market security brokerage services offering customers the opportunity to buy stocks, bonds and other securities without having to go to a security dealer or broker.
- Financial Advising: Many banks offer a wide range of financial advisory services from helping in financial planning and consulting business managers.

2.1.1 Development of Commercial Banks in Nepal

Nepal's banking history had begun with the establishment of Nepal Bank Ltd. in 1937. At that time, this bank had authorized capital of Rs.10 million and paid up capital of Rs. 842 thousand. Nepal Bank Ltd. was the first commercial bank with 51% government equity. Rastriya Banijya Bank came into existence in 1966, fully government ownership with the authorized capital of Rs. 10 million and paid up capital of Rs. 2.5 million.

Commercial bank performs all kind of banking business. The primary function of commercial bank is to accept deposit, advancing loan, letter of credit, guarantee, remittance, e-banking bills etc. Commercial banks are so popular nowadays that we understand commercial banks just by calling banks. They are established as the joint stock company. Establishment of commercial banks is to accept as deposit to the unused amount of one type of client and promotes to another type of clients to use such amount as loan. It also provides the long term, midterm and short term loans.

In 1980, the government introduced 'Financial Sector Reforms'. Nepal allowed the entry of foreign banks as joint ventures with up to a maximum of 50% equity participation. As per NRB record, there are 28 list of licensed commercial banks serving banking transaction in Nepal. In modernized business age banks are undergoing sweeping changes in function and form and these changes affect the banking business today. Many industries and business houses also have to adopt this banking revolution for their smooth activities. The organization chart of large organization or of a large money centre bank is much more complex than that of a small bank. The key problem in such an organization is span of control. Top level management has often knowledge about banking practices but is less informed about the products and services offered by subsidiary companies. In recent years, a number of large banks have moved toward the profit center approach, in which each major department strives to maximize its contribution to the bank's profitability and closely monitors its own performance. Largest banks-possess some advantages because they serve many different markets with many different services. They are better diversified and they rarely depend on the economic fortunes of a single industry or in many cases, even of a single nation.

The tendency in recent years has been for most banking institutions to become more complex organizations over time. Another significant factor influencing banking organizations today is the changing makeup of the skills bankers need to function effectively and efficiently as market conditions and technology change. Due to global trend government deregulation and the resultant increase in the number of competitors, banks become market driven. It means they are more alert to the changing service demands of their customers and also the challenges posed by bank and nonbank competitors. So it requires the appointment of bank management and staff who can devote more time to surveying customer service needs, developing new services, and modifying old services offering to reflect changing customer needs. Similarly they are adopting computer based systems and automation, modern technologies and automated book keeping has reduced the time managers spend in routine operations.

2.2 Review of Legislative Provisions

In this section, review of legislative framework under which the commercial banks are operating has been discussed. This legislative environment has significant impact on the commercial bank's establishment, their mobilization and utilization of resources. All the commercial banks have to conform to the legislative provisions specified in the Commercial Bank Act 2031 and the rules and regulations formulated to facilitate the smooth running of commercial banks. The commercials banks including joint venture banks are established in Nepal according to the Company Act 2063). The main purpose of JVBs is providing banking facilities to the people by facilitating tele banking services to the businessman, industrialists and other professionals and to grant loans and advances on agriculture, commerce and industrialists sectors as prescribed in the Commercial Bank Act 2031, Nepal Rastriya Bank Act 2058, and Foreign Exchange Regulation Act 2019 along with Nepalese Law.

Commercial Bank Act 2031 BS of Nepal has defined that " A commercial bank is one which exchange money, deposits money, accepts deposits, grant loan and performs commercial banking function and which is not a bank meant for co-operative, agriculture, industries or for such specific purpose." (Commercial Bank Act 2031 BS)

There were challenges towards managing risk within the banking system as well as reducing the risk from financial sector ability to absorb shocks arising from financial and economic stress. Basel committee on Banking Supervision in December 2010.

According Nepal Rastra Bank Act 2063, the bank shall have to submit the following reports to Government of Nepal within four months from the completion of each fiscal year i.e. auditing report,reporting on its activities of itself and report on economic and financial position.

2.2.1 Investment Management Regulation

"A commercial bank formulating a written policy may decide to invest in shares and securities of an organized institution. However, such investment is restricted to 10% of paid up capital of the organization. However, the cumulative amount of such investment in all the companies in which the bank has financial interest shall by limited to 20% of the paid up capital of the bank. But the total amount of investment in share and securities of organized institution is restricted to 30% of the paid up capital of the bank."(Directives to Commercial Banks, Directive No.8, NRB Banking Operation Department 81-82).

Likewise, commercial banks are not allowed to invest in any shares, securities, and hybrid capital instruments issued by any banks and financial institutions, licensed by NRB. Where such investment exists prior to issuance of this directive, such investment should be brought within the restrictive limitations by the fiscal year 2060/61. But investment on rural micro finance development banks' shares are not comes under such restriction. A commercial bank is directly related to the fact that how much fund must be collected as paid up capital while being established at a certain place of the nation, how much fund is needed to expand the branch and counters, how much flexible and helpful the NRB rules are also important. But we discuss only those, which are related to investment function of commercial banks. The main provisions, established by NRB in the form of prudential norms in above relevant area are briefly discussed here under.

i) Provisions for Investment in the Deprived Sector

Some rules, which are formulated by NRB, affect the areas of credit and investment extension to the deprived sector by the commercial bank.

According to the new provision, with effect from the 3rd quarter of FY 1995/96, investment in shares of the rural development bank by CBs, which used to be counted for the priority sector lending, only is now to be included under the deprived sector lending.

According to the new provisions effective from FY 2016/17, commercial banks have to lend four per cent of their total loans to the deprived sector while development banks and finance companies have to lend 3.5 per cent and three per cent, respectively. The amount will be increased by 0.5 percentage point next year.

ii) Provision for Credit to the Priority Sector

NRB requires commercial banks to extend loan and advances, amounting at least to 12 p.c. of their total outstanding credit to the priority sector. Commercial banks credit to the deprived sector is also a part of priority sector. Under priority sector, credit to agriculture, credit to the cottage and small industries and credit to service are counted commercial bank's loan to the co-operatives licensed by the NRB is also to be computed as the priority sector credit from the fiscal year 1995/96 onwards.

iii) Provision for the Investment in Productive Sector

Nepal, being a developing country needs to develop infrastructure and other primary productive sectors like agriculture, industry etc. For this, NRB has directed commercial banks to extend at least 40 p.c. of their total credit to the productive sectors. Loans to priority sector, agriculture sector, and industrial sector have to be included in productive sector investment.

iv) Provision for the Single Borrower Credit Limit

With the objectives of lowering the risk of over concentration of bank loans to a few big borrowers and also to increase the access of small and middle size borrower to the bank loans, NRB directed CBs to set an upper limit on the amount of loan financed to an individual, firm, company or group of companies. According to this, CBs are required not to exceed the single borrower limit of 35 percent in the case of fund- based credit and 50 percent, in the case of non- fund based credit such as the letter of credit, guarantee, acceptance letter, commitment has been fixed is a proportion of capital funds of bank. Similarly, NRB has graded four foreign joint venture banks now as the prestigious class 'A' bank, which SCBL,SBL,NIBL and Nepal SBI Bank.These banks have been kept outside the purview of the single borrower credit limit.

Likewise, in the case of consortium financing, commercial banks are permitted to extend an additional 10 percent credit above the limit fixed by the NRB as before.

In addition, Nepal Oil Corporation, Agriculture Input Corporation and Nepal Food Corporation for their imports of petrol, diesel, kerosene, fertilizer and foodstuff respectively have been removed from the restrictions of single borrower credit limit.

v) Provision for Minimize Liquidity Risk

Commercial banks are required monitor their liquidity risk. This is to minimize risk inherent in the activities and portfolio of the banks. According to the regulation a gap found between maturing assets and maturing liabilities is the liquidity risk. They are monitoring their assets and liabilities on the basis of maturity period. Maturity periods such as 0-90, 91-180,181-270, 271-365 days and above 1 year are classified for the purpose of checking.

vi) Cash Reserve Requirements (CRR)

To ensure adequate liquidity in the commercial banks, to meet the depositors' demand for cash at anytime and to inject the confidence in depositors regarding the safety of their deposited funds, commercial banks are required to have maximum CRR. In this regard, NRB has directed commercial banks to five per cent for commercial banks, 4.5 per cent for development banks and four per cent for finance companies to promote lending.

vii) Loan Classification and Loss Provision

With a view to improving the quality of assets of commercial banks NRB has directed commercial banks to classify their out-standing loan and advances, investment and other assets into six categories. The classification is done in two ways. The loans of more than one lakh are to be classified as debt service charge ratio, repayment situation, financial condition of borrower, management efficiency, quality of collateral. The loans of less than one lakh have to be classified as per maturity period.

Table 2.1

Loan Classification and Loss Provision

Loan Classification	**Pass**	**Watch List**	**Sub-standard**	**Doubtful**	**Loss**
Duration	1- 3 mts	Up to 3 mth	3–6 mts	6mts—1yrs	Above1 yrs
Loan Loss provision	1%	5%	25%	50%	100%

Source: Financial Report of Commercial Banks

viii) Directives Regarding Interest Rate Spread

The interest rate spread, the difference between interest charged on loan and advances and the interest paid to the depositors, has widened significantly in the aftermath of deregulation in interest rates. This has caused lower financial intermediation. Therefore, NRB has required commercial banks to limit interest rate spread between deposit and lending rates to a maximum extent of 5 percent. NRB has also provided commercial banks with new calculation method of interest rate spread for a certain period recently.

2.2.2 Regulatory Policy

Nepal adopted the policy of ‘Economic Liberalization’ and permitted Nepalese promoters in the early 1980s to operate commercial banks in joint venture with foreign banks. The reasoning behind this policy of the government is to impart opportunities to the people to encourage for saving by acquiring shares, placing money in form of deposits, to mobilize and invest the accumulated savings in the field of agriculture, trade, commerce, industry, tourism, hydro-electricity and other general utility projects, which helps to create employment and investment opportunities for the people and to generate revenue in the form of corporate tax from JVBs.

As mentioned above, banking sector has a serious responsibility of mobilizing financial resources essential for economic and social development. This sector needs to invest accumulated resources for the returns on the other hand and to protect the assets of depositors on the other. Lacking effective regulations, bad debt is mounting and the capital is eroding. Therefore, government has formulated various acts, prudential rules and regulation and directives to ensure that the NRB exercises its regulatory role to best protect the interest of the depositors at large. The related acts and polices have been reviewed under the chapter Review of Literature.

NRB as the central bank is empowered with the responsibility of regulating and supervising the commercial bank in order to protect the interest o public and to motivate them towards the developmental goal of the country.

The whole financial system of the country is strictly regulated by the Central Bank. NRB is empowered by Nepal Rastra Bank Act, Commercial Bank Act and different Regulatory Directives in order to direct and control the operation of all the commercial banks operating in Nepal. However, all commercial banks have been allowed to quote their own rate of interests for deposits, advances, commissions and other banking charges.

The main objective of Nepal Rastra Bank is the establishment of sound financial system, to maintain the stability of the banking. It ensures that the banks are operating in a sound condition, so that the interest of depositors and the general public are protected. NRB is in a better position to regulate and supervise commercial banks in an efficient manner.

Central Bank is able to evaluate the position of any particular bank through the periodic on-site and off-site inspections. Central bank can judge the true financial position of the banks through different rating systems like CAMEL which stands for:

C : Capital Adequacy

A : Asset Quality

M : Management Quality

E : Earnings

L : Liquidity

2.3 Review of Related Studies

Yamaltdinova, and Sulaimanova (2014) have examined the financial performance of commercial banks: The Case of Kyrgyz Republic mainly represented the increase of financial performance which leads to improve their functions and activities. The aim of this research is to set as empirically investigate the financial performance of commercial banks of Kyrgyz Republic. The financial performance measured by using one indicator, Return on Assets. This indicator will be estimated by multiple regression analysis with explanatory variables, such as bank size, credit risk, operational efficiency and asset management.

Akram (2012) has examined the financial performance of Palestinian commercial banks empirically examines the financial performance of five Palestinian commercial banks listed on Palestine securities exchange. Financial Performance has been measured by Return on Assets, Market based performance and economic based performance. The study employed the correlation and multiple regression analysis of annual time series data from 2005-2010 to capture the impact of bank size, credit risk, operational efficiency and asset management on financial performance measured by the three indicators and to create a good fit regression model to predict the future financial performance of these banks.

Rasidah (2014) has evaluated the performance and financial ratios of commercial banks in Malaysia and China investigate the impact of bank specific factors which include the liquidity. Credit capital, operating expenses and the size of commercial banks in their performance which is measured by return on assets (ROA) and return on equity (ROE). The results imply that ratios employed in this study have different effects on the performance of banks in both countries except credit and capital ratios. Operating ratios influence performance of banks in China, but this influence is not true for Malaysian banks regardless of the measure of performance.

Mohammed and & Akhter (2016) have assessed the performance of commercial banks in Bangladesh and investigated the effect of corporate governance mechanisms on performance of commercial banks in Bangladesh. In this article, ROA, ROE and EPS are taken as dependent variable to measure bank performance. Correlation Analysis and Multiple Regression are used to examine the hypothesis. Regression results also shows there is a linear relation exists between capital adequacy ratio and return on asset but non linear relation capital adequacy ratio and other two performance measures return on equity and earnings per share. This study provides useful information in increasing understanding on the relationship between corporate governance practices and bank performance. The study also reveals that policymakers, regulators, owners and stakeholders should focus more effectiveness and efficiency of respective board members rather than number.

Hao, Cheng, and Wei (2011) examined the impact of the subprime crisis on commercial banks financial performance investigates changes in the financial performance of representatives of the world top 200 commercial banks after the global subprime financial crisis. The results shows the following subprime crisis disclose all commercial bank exhibit worse financial performance in asset quality, profitability, liquidity and growth index. Developed markets have suffer a greater negative influence than emerging market causing downward pressure on asset adequacy, asset quality and profitability since the subprime crisis. Commercial banks within developed nations suffered more direct pronounced effect from subprime crisis than did those in emerging market. The results prove that larger commercial banks those with larger capitalization have economics of scale advantage to resist the negative effect of economic downturns.

Haque (2014) has investigated the financial performance of commercial banks, case study in the context of India and also examined and evaluated the concurrent performance of few Indian commercial banks during 2009-2013 following the global financial slump of 2008. The present study compares the financial position of various indigenous and foreign Schedules Commercial Banks. He has also used the parameters i.e. Return on Equity, Return on Assets and Net Interest Margin. The result indicates that there is no significant means in difference of profitability means among different banking groups in respect to ROA and NIM, yet a significant means of difference is seen among the peer groups in terms of ROA.

Bikker (2010) has evaluated the measuring performance of banks. Adequate performance of financial institution is of crucial importance to their customers, prices and quality of their products are determined by efficiency and competition. Since efficiency and competition cannot be observed by directly, various indirect measures are analyzed.

Sangmi and Tabassum (2010) have examined the financial performance of commercial banks in India by applying the Camel Model. The authors evaluated the financial performance of two major banks in Nothern India. The evaluation has been done by using CAMEL Parameters, using latest model of financial analysis. Through this model, it is highlighted that the position of the banks under study is sound and satisfactory so far as their capital adequacy, asset quality, management capability and liquidity is concerned.

Bhandari (2012) has investigated the performance evaluation of commercial banks Nepal using AHP. The study explores the determinants of performance exposed by financial ratios and determines the financial performances of commercial banks in Nepal through Analytical Hierarchy Process based on the financial characteristics. The financial parameters were derived by segregating 5 major criteria which were liquidity, efficiency, profitability, capital adequacy and asset quality. The performances were done under 13 commercial banks for financial data for the year 2008/09 to 2011/12. This study evaluated the performance of banks and also gives insights to focus in the area of improvements to a particular bank in comparison to others.

Idhayajothi, Latasri, Manjula, Malini, and Banu (2012) have examined the financial performance of Ashok Leyland Limited at Chennai. Financial is regarded as the life blood of business enterprises. In the modern oriented economy, finance is one of the basic foundations of all kinds of economic activities. Finance statements are prepared primary for decision making. They play a dominant role in setting the framework and managerial conclusion and be drawn from these statements is of immense use in decision making through analysis and interpretation of financial statements. The project entitled “Financial performance analysis of Ashok Leyland Ltd” throwlight on overall financial performance of the company.

2.4 Concluding Remarks

There are many researches about comparative analysis between different commercial banks. There are a number of studies on the determinants of bank profitability. Liqidity risk is considered as an important internal determinant of bank profitability It arises from possible inability of a bank to accommodate decreases in liabilities ofr to fund increases on assets side of the balance sheet. To avoid insolvency, banks hold liquid assets that can be easily converted into cash.

Therfore, the higher liquidity would be associated with lower profitability.

On the other hand, credit risk also reflect changes in the health of banks loan portfolio which may in turns affect the banks performance.The variation in bank profitability are largely attributable to variations in credit risk since increased exposure to credit risk is normally associated with decreased banks profitability.There is a negative relationship between credit risk and bank profitability, the more banks expose bto high risk loans, the higher the accumulation of unpaid loans therefore lower the profitability.On other hand, capital is also another important internal determinant of bank profitability as ther is a positive relationship between bank capitalization and profitability.As higher profits may lead to increase in capital and low risk of going bankrupt.However,

Literature review investigates the financial performance of banks by efficiency ratios, capital adequacy, asset quality,management efficiency, financial ratio and liquidity.

CHAPTER- III

RESEARCH METHODOLOGY

This chapter deals with research methodology adopted in this thesis. Moreover, methods followed in the process of collecting and analyzing the data are also outlined in this chapter. The followings are the details of research methodology applied in this study.

3.1 Research Design

This study is based on wide range of variables and factors influencing financial performance of the commercial banks in Nepal. Thus, descriptive and analytical research designs have been used in this study.

3.2 Sources of Data

For the purpose of the study, secondary data have been used. Secondary data have been collected from the following sources.Annual Reports to Shareholders (NBBL), Annual Reports to Shareholders (SBL), Annual Reports to Shareholders (Nepal SBI Bank Limited), Annual Reports to Shareholders (SCBL), Nepal Rastra Bank Directives, Bank supervision annual report (NRB), Quarterly Economic Bulletin Published by Nepal Rastra Bank, and other relevant publications.

3.3 Sampling

Out of the 28 commercial banks operating in Nepal, this study has chosen only at four commercial banks namely: Nepal Investment Bank Limited (NIBL), Siddhartha Bank Limited (SBL), Nepal SBI Bank Limited and Standard Chartered Bank Limited (SCBL). The 10 years data of these four banks were taken as sample to examine the effect of leverage and bank size on the financial performance of Nepalese commercial banks.

3.4 Data Collection Procedure

The study is based on secondary data provided by NIBL,SBL,Nepal SBI Bank and SCBL. It includes the annual financial statements provided in the form of annual report. Besides that the banks supervision annual report of NRB is also used.

3.5 Method of Data Analysis

The information or data obtained from the different sources are in raw forms. From that information, direct presentation is not possible. So, it is necessary to process data and converts it into required form. After then only the data are presented for this study. This process is called data processing. For this study, only required data are taken from the secondary source (bank's publication) and presented in this study. For presentation, different tables are used. Similarly, in some cases graphical presentation is also made. As far as the computation is concerned, it has been done with the help of scientific calculator and computer software program Microsoft Excel.

3.5.1 Descriptive Statistics

In this study the descriptive statistics like: mean, Std. Deviation, Skewness, Kurtosis, Minimum, Maximum,and Percentiles are used to analyze the data. These statistical tools indicate the average value, dispesion of data and normality status of the data.

3.5.2 Correlation Analysis

The pearson correlation analysis is used for study purpose to show the by-variate correlation coefficients among study variables. The result of correlation coefficient may be in between +1 and -1. This inferential statistics shows the strength of relationship between variables selected for the study.

3.5.3 Multiple Regression Analysis

In order to measure the effect of financial leverage and bank size on the financial performance of commercial banks in Nepal, following three regression models are estimated:

$$\mathbf{ROA_{it} = \beta_0 + \beta_1}\ \mathrm{TDR_{it}} + \boldsymbol{\beta_2}\ \mathrm{LnTA_{it}} + \mathbf{e_{it}} \quad \mathbf{(1)}$$

$$\mathbf{ROE_{it} = \beta_0 + \beta_1}\ \mathrm{TDR_{it}} + \boldsymbol{\beta_2}\ \mathrm{LnTA_{it}} + \mathbf{e_{it}} \quad \mathbf{(2)}$$

$$\mathbf{EPS_{it} = \beta_0 + \beta_1}\ \mathrm{TDR_{it}} + \boldsymbol{\beta_2}\ \mathrm{LnTA_{it}} + \mathbf{e_{it}} \quad \mathbf{(3)}$$

Where:

ROA_{it} = Return on assets of i^{th} bank in t year

ROE_{it} = Return on equity of i^{th} bank in t year

EPS_{it} = Earnings per share of i^{th} bank in t year

TDR_{it} = Total debt ratio of i^{th} bank in t year

$LnTA_{it}$ = Natural logarithm of total assets of i^{th} bank in t year

β_0 = Intercept

$\beta_1, \beta_2,$ = Coefficients of independent variables

e_{it} = Error term

3.6 Study Variables and Definitions

All these four selected commercial banks have their own financial strengths and weaknesses in their specific field. In order to analyze the effect of financial leverage and bank size on the financial performance of Nepalese commercial banks, a number of performance indicators and independent variables are used for study purpose.

Dependent Variables

The dependent variables selected for this study are the financial performance indicators which are: Return on Assets (ROA), Return In Equity (ROE), and Earnings Per Share (EPS).

Return on Assets (ROA)

Return on Assets (ROA) which is often called the firms return on total assets measures the overall effectiveness of management in generating profit with its available assets. The higher the firm's return on assets the better it is doing in operation and vice versa.

$$\text{Return on Assets (ROA)} = \frac{\text{Net Income}}{\text{Total Assets}}$$

Return On Equity (ROE)

Return on Equity (ROE) measures the return on the owner's investment in the firm. Higher ratio of return in equity is better for owner.

$$\text{Return on Equity (ROE)} = \frac{\text{Net Income}}{\text{Total Equity}}$$

Earning Per Share (EPS)

Earnings per share (EPS) is the portion of a company's profit allocated to each outstanding share of common stock. Earnings per share serves as an indicator of a company's profitability.

$$\text{Earning Per Share (EPS)} = \frac{\text{Net Income- Preferred Dividend}}{\text{Weighted Average Common Shares Outstanding}}$$

Independent Variables

The independent variable selected for study purpose are: Total Debt Ratio (TDR) and Bank Size(LnTA).

Total Debt Ratio

The total debt ratio is the product of total debt divided by total assets of the commercial bank. This ratio has been used in the study as the proxy for financial levereage position of commercial banks. It is hypothesized that total debt ratio has significantly positive impact on profitability.

Bank Size

When the performance of one bank is compared to another bank size, it is usually measured by total assets. In this study natural logarithm of total assets is used as the prozy for bank size. It is hypothesized that bank size has positive impact on profitability of commercial bank.

CHAPTER - IV

PRESENTATION AND ANALYSIS OF DATA

This chapter deals with the presentation, analysis and interpretation of statistical evidences and facts to clarify the research work. The data were analyzed using descriptive statistics, correlation analysis and multiple regression models. The data and results are also presented in tables and suitable graphs.

4.1 Profitability Position of Selected Commercial Banks

4.1.1 Analysis of Return on Equity (ROE)

Return on equity measures return on investment targeting on ordinary share holders. It specifically aims at measuring the return the shareholders expects from their investment in share. It measures the rate of return earned by the shareholders. A high degree reflects a strong financial structure of the company. A relatively low equity ratio reflects a more speculative situation. Return on equity (ROE) is calculated as net income divided by total equity.

Table 4.1

Return on Equity (%) of Selected Commercial Banks

Year	SCBL	SBL	Nepal SBI	NIBL
2007/08	32.81	13.4	17.64	25.93
2008/09	33.58	11.01	18.58	23.05
2009/10	32.22	10.86	16.05	28.00
2010/11	30.43	13.01	16.19	24.10
2011/12	28.36	13.26	15.02	20.10
2012/13	26.37	11.53	20.31	31.70
2013/14	26.27	10.40	22.85	27.60
2014/15	21.69	8.49	21.51	24.80
2015/16	17.18	6.89	22.16	26.01
2016/17	11.98	9.25	20.41	19.10
Mean	25.96	10.81	19.07	25.03
Std. Deviation	46.06	4.16	6.91	2.809

Source: Annual report of selected banks

The time series data presented in Table 4.1 shows the mean and standard deviation of return on equity of all four commercial banks i.e. Standard Chartered Bank Limited (SCBL), Siddhartha Bank Limited (SBL), Nepal SBI Bank Limited and Nepal Investment Bank Limited (NIBL). The mean and the standard deviation of SCBL and NIBL are higher in comparison with SBL and Nepal SBI Bank Limited. It is generally considered that higher the return on equity, better for the commercial banks.

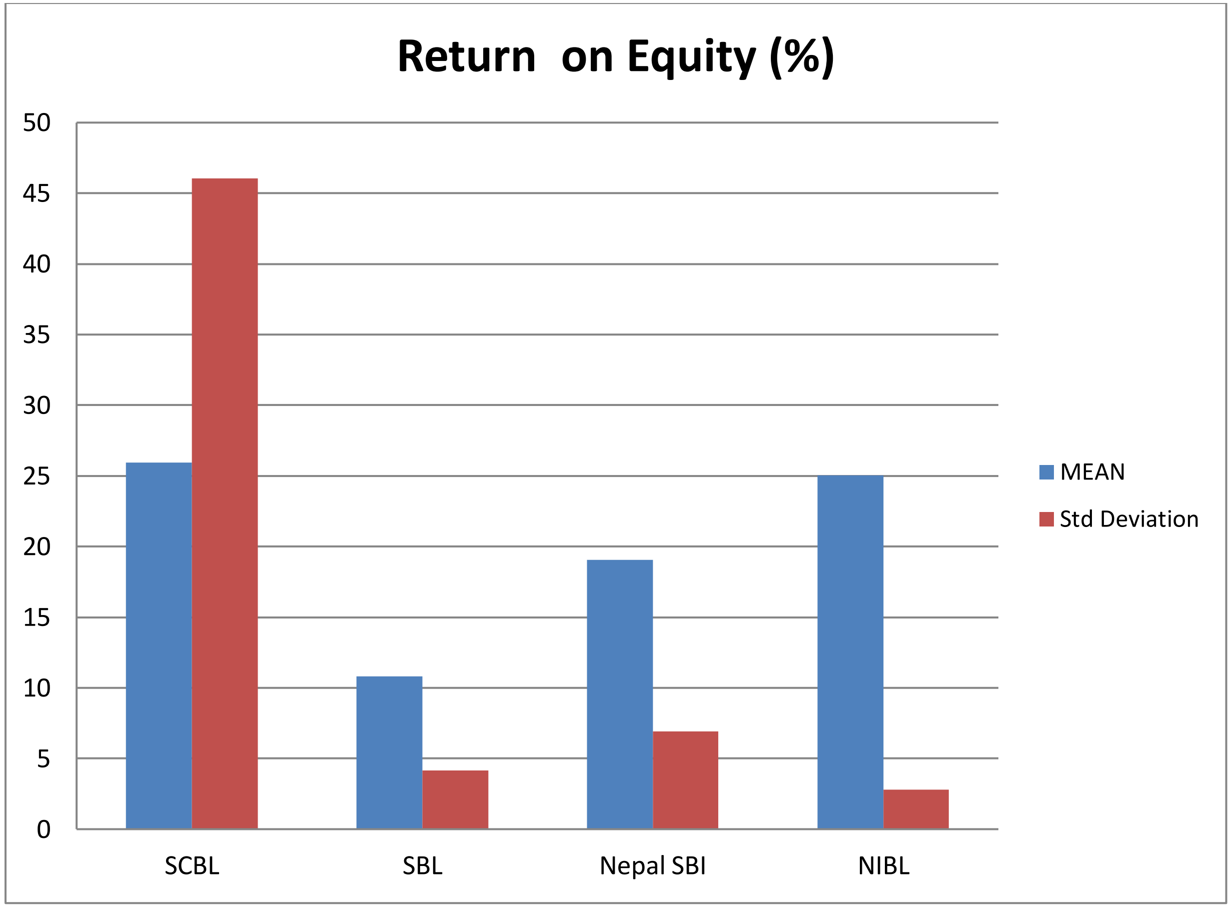

Figure 4.1: Return on equity of selected commercial banks.

The Figure 4.1 shows that return on equity of four commercial banks i.e. SCBL, SBL, Nepal SBI and NIBL, the return on equity of Nepal SBI Bank is higher than in comparison with other three commercial banks in the fiscal year 2016/17.

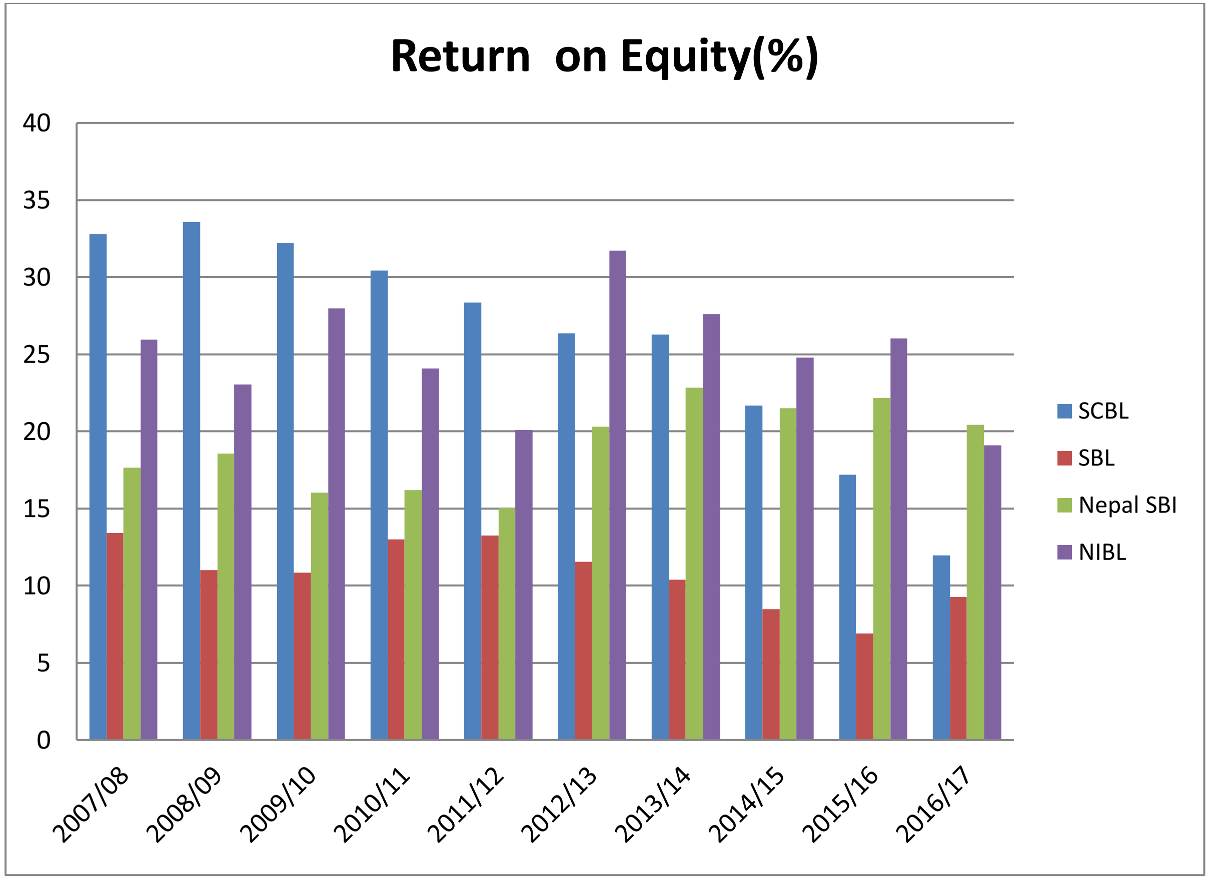

Figure 4.2: Annual return on equity of selected commercial banks

The better return on equity, it is better for the commercial banks.

4.1.2 Analysis of Return on Assets (ROA)

Return on Assets (ROA) which is often called the firms return on total assets measures the overall effectiveness of management in generating profit with its available assets. The higher the firm's return on assets the better it is doing in operation and vice versa. Return on asset (ROE) is calculated as net income divided by total assets.

Table 4.2

Return on Assets (%) of Selected Commercial Banks

Year	SCBL	SBL	Nepal SBI	NIBL
2007/08	2.460	1.230	1.440	1.79
2008/09	2.530	1.220	1.050	1.70
2009/10	2.270	1.060	1.030	2.20
2010/11	2.550	1.280	1.010	2.02
2011/12	2.800	1.120	0.830	1.60
2012/13	2.670	1.430	1.190	2.70
2013/14	2.510	1.740	1.50	2.30
2014/15	1.990	1.510	1.70	1.90
2015/16	1.980	1.690	2.00	1.96
2016/17	1.840	1.540	1.680	2.10
Mean	2.36	1.382	1.343	2.027
Std. Deviation	0.0947	0.06264	0.1282	0.0869

Source: Annual report of selected banks

The time series data presented in Table 4.2 shows the mean and standard deviation return on assets of all four commercial banks i.e. Standard Chartered Bank Limited(SCBL), Siddhartha Bank Limited (SBL), Nepal SBI Bank Limited and Nepal Investment Bank Limited(NIBL). The mean of SCBL and NIBL is higher in comparison with SBL and Nepal SBI Bank Limited but the standard deviation of Nepal SBI Bank is higher in comparison with other three commercial banks. It is considered that higher the return on assets, better for the profit maximization of commercial banks.

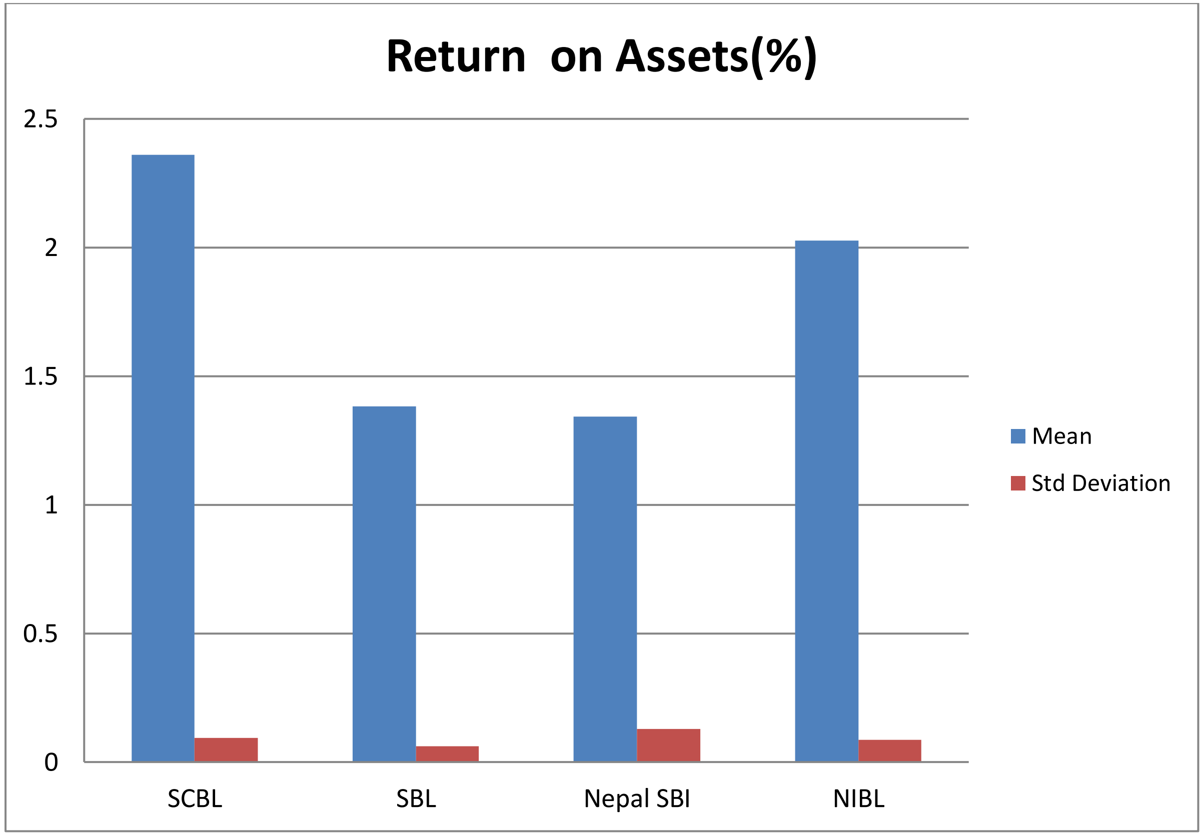

Figure 4.3: Mean and Standard Deviation of Return on Assets (%) of Banks

The time series data presented in table 1.4 shows that return on assets of four commercial banks are: SCBL, SBL, Nepal SBI and NIBL, the return on assets of Standard Chartered Bank Limited is higher than in comparison with other three commercial banks in the fiscal year 2016/17. The better return on assets, it is better for the for profit maximization of commercial banks.

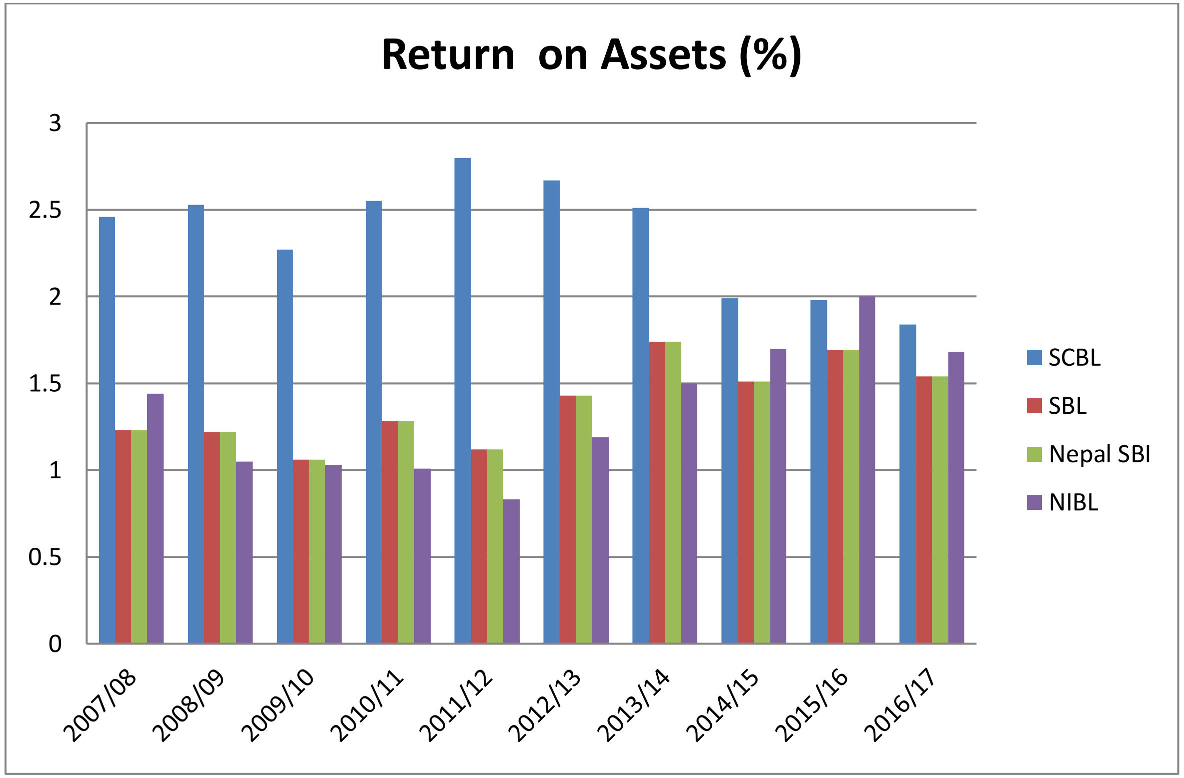

Figure 4.4: Annual Return on Assets (%) of Selected Banks

4.1.3 Analysis of Earning Per Share (EPS)

Earnings per share (EPS) is the portion of a company's profit allocated to each outstanding share of common stock. Earnings per share serve as an indicator of a company's profitability. There are three components in the calculation of earnings per share, net income, preferred dividend and weighted average common shares outstanding. By examining each input individually, we can discover the sources of a company's. Earnings per share (EPS) is calculated as net income minus preferred dividend divided by common shares outstanding. Symbolically it can be expressed as shown below:

Table 4.3

Earnings per Share (Rs.) of Selected Commercial Banks

Year	SCBL	SBL	Nepal SBI	NIBL
2007/08	131.92	17.29	22.67	57.87
2008/09	109.99	22.89	36.18	37.42
2009/10	77.65	21.99	23.69	52.55
2010/11	69.51	19.82	24.85	39.10
2011/12	72.6	20.41	22.93	27.60
2012/13	65.7	29.8	32.75	46.20
2013/14	65.47	38.63	34.83	40.70
2014/15	57.38	37.77	34.84	30.90
2015/16	45.96	41.53	34.29	29.30
2016/17	35.39	18.82	30.61	29.30
Mean	59.96	26.79	29.76	35.09

Std. Deviation	21.42	7.009	4.984	8.656

Source: Annual report of selected banks

The time series data presented in Table 4.3 shows the mean and standard deviation earning per share of all four commercial banks i.e. Standard Chartered Bank Limited (SCBL), Siddhartha Bank Limited (SBL), Nepal SBI Bank Limited and Nepal Investment Bank Limited (NIBL). The mean of SCBL and NIBL is higher in comparison with SBL and but the standard deviation of SCBL is higher in comparison with other three commercial banks. Higher the earning per share, better for the share holders and bank.

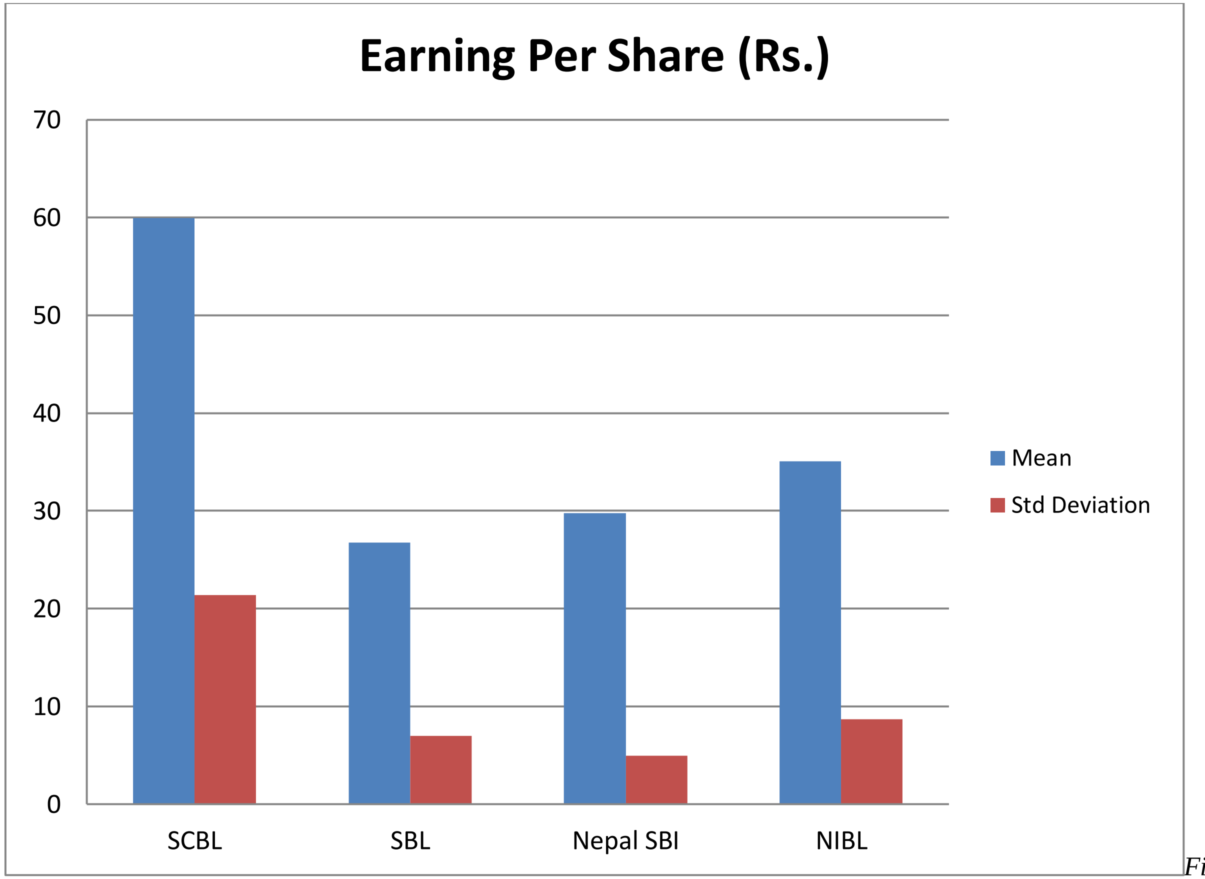

Figure 4.5: Mean and Standard Deviation of Earnings per Share (Rs.) of Selected Banks

The time series data presented in Figure 4.5 shows that earning per share of four commercial banks i.e. SCBL, SBL, Nepal SBI and NIBL, the earning per share of Standard Chartered Bank Limited is higher than in comparison with other three commercial banks in the fiscal year 2016/17. The better earnings per share, it is better for the for profit maximization of banks for the shareholders.

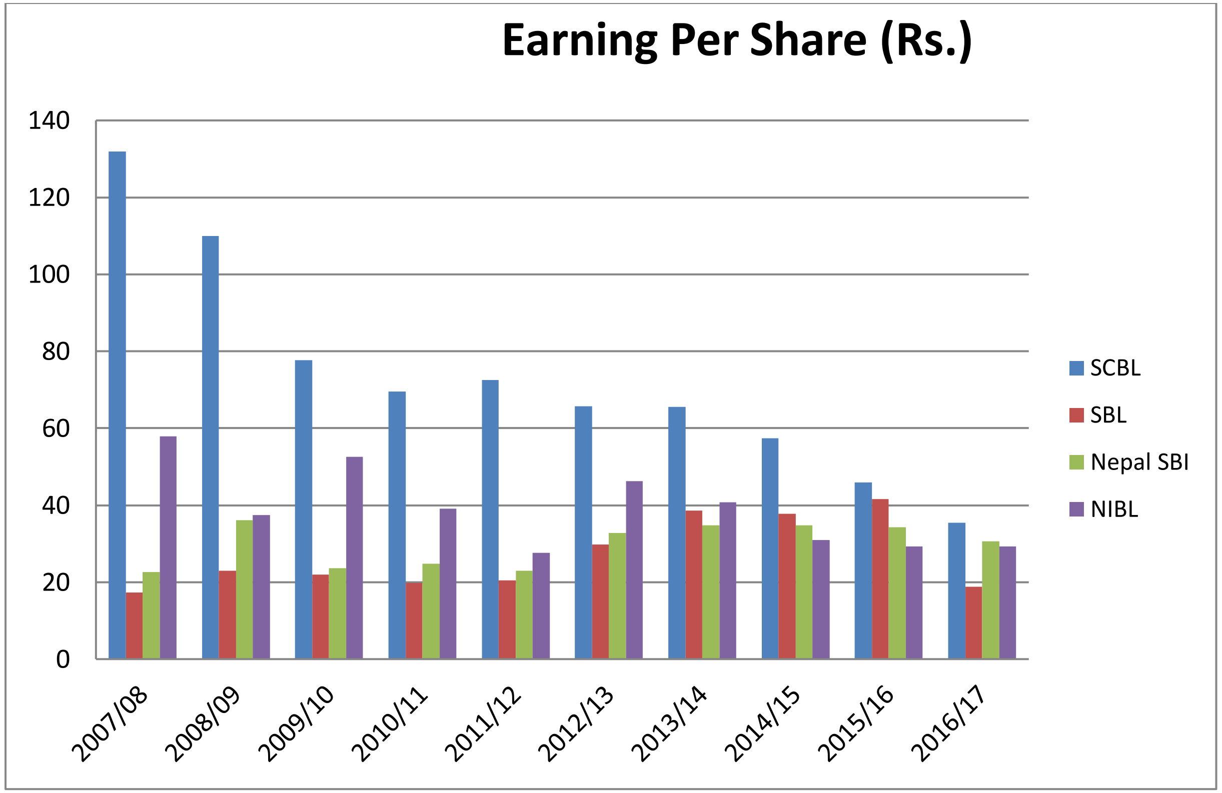

Figure 4.6: Annual Earnings Per Share (Rs.) of Selected Banks

4.2 Descriptive Statistics of Study Variables

The descriptive statistics of study variables is shown in Table 4.4. The results show that selected Nepalese commercial banks earn, in average, about 1.78 percent from their assets. However the average earning rate of equity of the selected banks is higher which is 20.25 percent during study period. The minimum and maximum earnings per share are: Rs.17.29 and 131.92 respectively.

Table 4.4

Descriptive Statistics of Variables (n=40)

Variable	Mean	Std. Deviation	Skewness	Kurtosis	Minimum	Maximum	Percentiles		
							25	50	75
ROA	1.78	0.53	0.18	-0.89	0.83	2.80	1.32	1.72	2.18
ROE	20.25	7.46	0.03	-1.02	6.89	33.58	13.30	20.36	26.21
EPS	42.23	24.27	1.99	4.66	17.29	131.92	25.54	35.17	50.96
TDR	43.41	23.27	0.09	-1.25	6.97	84.18	20.68	44.52	60.87
LnTA	24.63	0.54	-0.48	0.52	23.18	25.74	24.38	24.70	24.99

Source: Annual report of selected banks and data were analyzed using SPSS-16

The result also indicates that about 43.41 percent of assets of selected commercial banks are financed by debt capital. The tabulated results show that the minimum total debt ratio is 6.97 percent and maximum debt ratio is 84.18 percent during study period.

4.3 Correlation Analysis

Statistical Package of Social Science (SPSS) is used to analyze the collected data to examine the relationship between corporate governance practices and firm performance. There are two methods of analysis used in this study which is correlation and regression analysis. These methods are used to examine the relationship between dependent and independent variables.

Table 4.5

Pearson Correlation Coefficients (n=40)

Variable	ROA	ROE	EPS	TDR	LnTA
ROA	1				

ROE	.749**	1			
EPS	.721**	.705**	1		
TDR	.467**	.701**	.313*	1	
LnTA	.335*	.213	-.015	.516**	1

**. Correlation is significant at the 0.01 level (2-tailed).
*. Correlation is significant at the 0.05 level (2-tailed).

Correlations coefficients reveal the strength of relationship between two variables and the direction of relation (positive and negative). It can range from -1.00 (a perfect negative value) to +1.00 (a perfect positive value). It can be justified that there is no relationship between the variables being tested if the values is 0.00. Bank Performance is measured by three dependent variables; EPS, ROA and ROE. In this table 4.5, the correlation coefficient between TDR and ROA is 0.467, the significance value is P = 0.00, this means there is a significant correlation between TDR and ROA. Similarly, the correlation coefficient between TDR and ROE is 0.701, the significance of P= 0.00, this means there is significant correlation between TDR and ROE. Similarly, the correlation coefficient between TDR and EPS is 0.313. Total debt ratio (TDR) is highly positively correlated with Return on equity among three profitability indicators. The correlation coefficients of independent variables are less than 0.80, it indicates that there is no problem of multicorrelanrity.

4.4 Regression Analysis

The results of regression analysis have been shown in Table 4.6. In model 1, R^2 is 0.230, and Adj. R^2 is 0.189 which indicates the explanatory power of selected independent variables on dependent variable: ROA. In model 2, R^2 is 0.521, and Adj. R^2 is 0.495, which show the explanatory power of selected independent variables on dependent variable: ROE. Among three models estimated. Likely, in model 3, R^2 is 0.140, and Adj. R^2 is 0.094 which indicate the poor explanatory power of selected independent variables on dependent variable: EPS. The p-value of F-statistics shows that model 1 and model 2 are statistically valid models; however, model 3 seems weak in term of model validity.

Table 4.6

Regression Results (n=40)

Variable	Model: 1 Dependent Variable: ROA			Model: 2 Dependent Variable: ROE			Model: 3 Dependent Variable: EPS		
	Coefficients	t-statistics	P-value	Coefficients	t-statistics	P-value	Coefficients	t-statistics	P-value
Constant	-1.711	-.427	.672	77.972	1.764	.086	287.988	1.495	.143
TDR	.009	2.385	.022	.258	6.063	.000	.456	2.455	.019
LnTA	.125	.754	.455	-2.799	-1.527	.135	-10.781	-1.351	.185
	R^2= .230, Adj. R^2 = .189 F-stat. = 5.534, F-sig. =.008			R^2= .521, Adj. R^2 = .495, F-stat. =20.134, F-sig. = .000			R^2=.140 , Adj. R^2 = .094 F-stat. =3.019, F-sig. = .061		

Source: Annual report of selected banks and data were analyzed using SPSS-16

Among three models estimated, total debt ratio (TDR) is found positively significant with all profitability indicators (ROA, ROE, EPS). The results indicate that increase in total debt ratio (TDR) can enhance the profitability of Nepalese commercial banks. However the effect of assets size has minimal effect on the profitability of Nepalese commercial banks.

4.5 Major Findings

1. Return on assets of SCBL was observed be in a increasing trend in the year 2008/09 and then it shows a gradual decrement in the year 2009/10 and then it increases in the subsequent years in comparison with other three commercial banks. It can be concluded that SCBL is relatively in better position than SBL, NIBL and Nepal SBI Bank and it indicates that it is better for generating the profit for the bank.

2. Return on equity of SCBL was observed to be in a increasing trend in the year 2008/09 but from the year 2009/10 to the year 2016/17, it was in the decreasing trend. The return on equity of SCBL is higher with the comparison with other three banks. The higher the return on equity, it is better for the commercial banks.

3. Earnings per share of SCBL was observed to higher with other three commercial banks but earning per share was observed to be in the decreasing trend of all four commercial bank from the year 2008/09 to 2016/17. The decreased in earning per share decreases the profit maximization of banks and affect to the shareholders. The higher the EPS, it is increases the profit and better for the shareholders.

4. The average earning rate of equity of the selected banks is higher which is 20.25 percent during study period is. Selected Nepalese commercial banks earn, in average, about 1.78 percent from their assets. The minimum and maximum earnings per share are: Rs.17.29 and 131.92 respectively.

5. Total debt ratio (TDR) is highly positively correlated with Return on equity among three profitability indicators. Total debt ratio (TDR) is found positively significant with all profitability indicators (ROA, ROE and EPS). The increase in debt in capital structure can enhance profitability of Nepalese commercial banks.

CHAPTER V
SUMMARY, CONCLUSION AND RECOMMENDATIONS

This chapter consists of mainly three parts: summary, conclusion and recommendation. In summary, the revision of all four chapters is made. In conclusion, the result of the research is summed up and in recommendation, suggestion and recommendation based on the result and experience of thesis is made. Recommendation is made for improving the present situation of the concerned parties as well as for further research.

5.1 Summary

In this conclusive part, summary, findings, recommendations have been dealt. This chapter summarizes the whole study, draws the major finding conclusion and the recommendation for more efficient performance of the selected banks. Basically, the entire research work focuses on the Analysis of Financial Performance of Commercial Banks: SCBL, SBL, Nepal SBI Bank Limited and NIBL " by taking ten years data from the year 2007/08 to 2016/17. The study is mainly based on secondary sources. All data are taken from concerned banks annual report, literature publication, balance sheet, profit and loss account, previous thesis report, different websites, related books and booklets, journals and articles. After collecting data from different sources, it is analyzed by using financial and statistical tools. Findings are drawn by applying various financial tools.

An attempt has been made to fulfill the objectives of the research work. All secondary data are compiled, processed and tabulated as per necessity and figures, diagrams, different types of chart are also used. This study suffers from different limitations; it considers four banks only and time and resource are the constraints of the study. Therefore, the study may not be generalized in all cases and accuracy depends upon the data collected and provided by the organization.

5.2 Conclusion

SCBL shows a fluctuating trend but the figures are quite encouraging. We can conclude SCBL is relatively in better position than SBL, Nepal SBI Bank Limited and NIBL and it indicates that it is more efficient in controlling expense and maintaining appropriate service policy.

Return On Equity of SCBL is relatively higher than the SBL, Nepal SBI Bank and NIBL. Higher the return on equity, better for the banks for profit maximization.
Return On Assets of SCBL is in the fluctuating trend but higher than the SBL, Nepal SBI Bank and NIBL. ROA measure the effectiveness of management in generating the profit .Higher the return on assets, it is better for the operation and profit maximization.

Earning Per Share of SCBL is in the fluctuating trend but is higher than all three other commercial banks. EPS is in increasing and decreasing trend. EPS mainly focuses on profit maximization of banks and beneficial for the share holders. Higher the EPS, better for the shareholders and increases the profit of the organization.

5.3 Recommendations

Based on the above findings and conclusions, certain recommendation can be made here so that the concerned authorities, future researchers, academicians, and bankers can get some insights on the present conditions on above topics. It is considered that this research will be fruitful for them to improve the present condition as well as for further research. The major recommendations of this study are as follows:

- Profit is the foundation for survival of commercial banks. They should be able to earn sufficient profit to build up the confident among the shareholders, cusomer and its staffs. So both the banks are recommended to use its resoureces in high profit potential sector. SCBL's profitability position is higher than that of SBL,Nepal SBI Bank Limited and NIBL . So it is strongly recommended to utilise risky assets and shareholders funds to generate high profit margin for the other three banks.

- Although profit needs to be earned for survival and growth of any institution, it should not be the one and only goal. The country has expected services from the financial sectors in such a way that it encompasses the balanced development. So, the banks are suggested to diversify their loans in priority and deprived sectors as per the directive of NRB.

- In a long term business both the bank should be concern with the shareholder's wealth mazimization and not mearly focus on short term profit maximization.

- Although SCBL has higher profitability ratios than SBL, Nepal SBI Bank and NIBL yet much inconsistency has been observed. SCBL has relatively higher earning per share than SBL, Nepal SBI Bank and NIBL. So it is recommended to maintain a stability and consistency in its earning.

- SBL and Nepal SBI Bank must try to increase its Earning Per Share (EPS). It must efficiently utilize its assets so as to generate more profit.
- The ROA and ROE, a measure of financial leverag of all four banks is in a decreasing trend. So, both the banks should try to formulate a sound leverage and financing polices; the source chosen to fund the bank.

- For attracting the customers, all four the banks should expand to impliment different attractive programs, facilities and technologies like ATM, credit cards, 365 days banking services ,evening counter in all its branches, so as to provied prompt services to its valuable customers.

- All the banks should not be centered within urban areas only ignoring the social responsibilities. They must try to expand there branches in remote areas as well. They are also suggested to involve themselves in social responsibilities by investing a part of their profit.

- From the experience of collecting the secondary data, it is suggested that NRB should pay special attention to publish detail information on timely manner. The untimely publication of such information may cause negative impact on the efficiency of those whose workings are based on these information. Sample institutions are also suggested to include their kindly requested for the co-operation and sincere support to the research students in providing the data.

- As this research is made by highlighting only the key profitability ratios, further research has been suggested.

- Appendix

Year	Bank	ROA(%)	ROE(%)	EPS(Rs)	NIM(%)	LnLA	LNDep	LnTA	TDR (%)
2007/08	SCBL	2.46	32.81	131.92	4.773235	23.35975	24.11589	24.2299	53.05
2008/09	SCBL	2.53	33.58	109.99	4.649817	23.35377	24.30322	24.42671	60.73
2009/10	SCBL	2.27	32.22	77.65	5.078232	23.50683	24.28382	24.41746	54.02
2010/11	SCBL	2.55	30.43	69.51	6.195617	23.64978	24.36083	24.50475	50.89
2011/12	SCBL	2.8	28.36	72.6	6.888621	23.71039	24.30583	24.45322	44.87
2012/13	SCBL	2.67	26.37	65.7	5.556002	23.86476	24.39872	24.54385	41.37
2013/14	SCBL	2.51	26.27	65.47	4.845769	23.99391	24.55838	24.69965	43.13
2014/15	SCBL	1.99	21.69	57.38	3.965362	24.05632	24.77133	24.89653	51.08
2015/16	SCBL	1.98	17.18	45.96	3.705677	24.1795	24.74373	24.90051	43.12
2016/17	SCBL	1.84	11.98	35.49	3.953828	24.40537	24.88016	25.07237	37.8

Year	Bank	ROA(%)	ROE(%)	EPS(Rs)	NIM(%)	LnLA	LNDep	LnTA	TDR (%)
2007/08	SBL	1.23	13.4	17.29	6.255892	22.97256	23.04477	23.1802	6.97
2008/09	SBL	1.22	11.01	22.89	7.077507	23.32625	23.48675	23.60705	14.82
2009/10	SBL	1.06	10.86	21.99	8.851214	23.55028	23.7288	23.85013	16.35
2010/11	SBL	1.28	13.01	19.82	10.36669	23.64895	23.7948	23.97938	13.57

2011/12	SBL	1.12	13.26	20.41	9.808047	23.7489	23.97936	24.11201	20.58
2012/13	SBL	1.43	11.53	29.8	8.601647	23.88963	24.06937	24.2405	16.45
2013/14	SBL	1.74	10.4	38.63	7.578421	24.05497	24.29037	24.42033	20.98
2014/15	SBL	1.51	8.49	37.77	6.496975	24.33699	24.52415	24.64958	16.96
2015/16	SBL	1.69	6.89	41.53	5.536717	24.75639	24.89664	25.03276	12.98
2016/17	SBL	1.54	9.25	18.82	7.400974	24.93217	25.07119	25.22173	13

Year		ROA(%)	ROE(%)	EPS(Rs)	NIM(%)	LnLA	LNDep	LnTA	TDR (%)
2007/08	Nepal SBI Bank	1.44	17.64	22.67	5.646637	23.2685	23.34178	23.56745	11.68
2008/09	Nepal SBI Bank	1.05	18.58	36.18	4.723812	23.47131	24.05394	24.15456	44.16
2009/10	Nepal SBI Bank	1.03	16.05	23.69	5.835252	23.61162	24.27565	24.38417	48.52
2010/11	Nepal SBI Bank	1.01	16.19	24.85	6.747087	23.80144	24.47077	24.55208	48.8
2011/12	Nepal SBI Bank	0.83	15.02	22.93	6.492392	23.99904	24.6999	24.78474	50.38
2012/13	Nepal SBI Bank	1.19	20.31	32.75	6.343763	24.09723	24.79945	24.89451	50.45
2013/14	Nepal SBI Bank	1.5	22.85	34.83	6.510239	24.29882	24.72134	24.8355	34.46
2014/15	Nepal SBI Bank	1.7	21.51	34.84	6.446527	24.42387	24.66733	24.80549	21.61
2015/16	Nepal SBI Bank	2	22.16	34.29	5.070681	24.5849	24.90093	25.08656	27.1
2016/17	Nepal SBI Bank	1.68	20.41	30.61	5.925871	24.87827	25.12589	25.32595	21.93

Year		ROA(%)	ROE(%)	EPS(Rs)	NIM(%)	LnLA	LNDep	LnTA	TDR (%)
2007/08	NIBL	1.79	25.93	57.87	5.64473	24.03851	24.2628	24.38357	60.92
2008/09	NIBL	1.7	23.05	37.42	6.164764	24.3295	24.56697	24.69375	72.14

2009/10	NIBL	2.2	28	52.55	8.12062	24.43557	24.63717	24.77165	76.29
2010/11	NIBL	2.02	24.1	39.1	9.94472	24.45824	24.63805	24.78985	74.3
2011/12	NIBL	1.6	20.1	27.6	9.098244	24.4823	24.76649	24.90922	73.26
2012/13	NIBL	2.7	31.7	46.2	8.035696	24.5882	24.85728	25.01581	84.18
2013/14	NIBL	2.3	27.6	40.7	6.749465	24.70216	25.02505	25.17963	76.4
2014/15	NIBL	1.9	24.8	30.9	5.545825	24.9382	25.23006	25.37097	77.2
2015/16	NIBL	1.96	26.01	29.3	5.221725	25.18929	25.41121	25.58911	76.2
2016/17	NIBL	2.1	19.1	29.3	6.132357	25.39313	25.55692	25.73934	73.7

Year	Bank	ROA (%)	ROE (%)	EPS	Loan &Adv in 000'	Deposit in 000'	NPR (Net Profit Ratio) in 000'	TE (Total Equity)	TA in 000'	Non IntExp in 000'	NIM (Net Interest Margin) in 000'	LnLA	LNDep	LnTA	NIM	TDR
2007/08	**SCBL**	2.46	32.81	131.92	13,963,984	29,743,999	818,921	46.95	33,335,788	471,730	1,591,196	23.36	24.12	24.23	4.77	53.05
2008/09	**SCBL**	2.53	33.58	109.99	13,880,703	35,871,721	1,025,115	39.27	40,587,000	543,787	1,887,221	23.35	24.30	24.43	4.65	60.73
2009/10	**SCBL**	2.27	32.22	77.65	16,176,583	35,182,721	1,085,000	45.98	40,213,000	575,741	2,042,109	23.51	24.28	24.42	5.08	54.02
2010/11	**SCBL**	2.55	30.43	69.51	18,662,478	37,999,242	1,119,000	49.11	43,881,000	1,003,100	2,718,699	23.65	24.36	24.50	6.20	50.89
2011/12	**SCBL**	2.8	28.36	72.6	19,828,509	35,965,631	1,169,000	55.13	41,677,000	1,007,199	2,870,971	23.71	24.31	24.45	6.89	44.87
2012/13	**SCBL**	2.67	26.37	65.7	23,138,370	39,466,453	1,218,000	58.63	45,631,000	611,382	2,535,259	23.86	24.40	24.54	5.56	41.37
2013/14	**SCBL**	2.51	26.27	65.47	26,328,361	46,298,532	1,337,000	56.87	53,324,000	576,299	2,583,958	23.99	24.56	24.70	4.85	43.13
2014/15	**SCBL**	1.99	21.69	57.38	28,023,823	57,286,482	1,290,000	48.92	64,927,000	661,075	2,574,590	24.06	24.77	24.90	3.97	51.08
2015/16	**SCBL**	1.98	17.18	45.96	31,697,345	55,727,178	1,292,000	56.88	65,186,000	565,705	2,415,583	24.18	24.74	24.90	3.71	43.12
2016/17	**SCBL**	1.84	11.98	35.49	39,729,836	63,872,855	1,422,000	62.2	77,409,000	863,460	3,060,619	24.41	24.88	25.07	3.95	37.8

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Year	Bank	ROA (%)	ROE (%)	EPS	Loan &Adv in 000'	Deposit in 000'	NPR (Net Profit Ratio) in 000'	TE (Total Equity)	TA in 000'	Non IntExp in 000'	NIM (Net Interest Margin) in 000'	LnLA	LNDep	LnTA	NIM	TDR
2007/08	**SBL**	1.23	13.4	17.29	9,481,000	10,191,000	818,921	93.03	11,669,000	408,000	730,000	22.97	23.04	23.18	6.26	6.97
2008/09	**SBL**	1.22	11.01	22.89	13,504,000	15,855,000	1,025,115	85.18	17,881,750	813,619	1,265,582	23.33	23.49	23.61	7.08	14.82
2009/10	**SBL**	1.06	10.86	21.99	16,895,000	20,197,000	1,085,000	83.65	22,802,429	1,406,490	2,018,292	23.55	23.73	23.85	8.85	16.35
2010/11	**SBL**	1.28	13.01	19.82	18,647,000	21,575,000	1,119,000	86.43	25,948,500	1,925,000	2,690,000	23.65	23.79	23.98	10.37	13.57
2011/12	**SBL**	1.12	13.26	20.41	20,607,000	25,948,000	1,169,000	79.42	29,628,732	2,048,000	2,906,000	23.75	23.98	24.11	9.81	20.58
2012/13	**SBL**	1.43	11.53	29.8	23,721,000	28,392,000	1,218,000	83.55	33,691,224	1,742,000	2,898,000	23.89	24.07	24.24	8.60	16.45
2013/14	**SBL**	1.74	10.4	38.63	27,986,000	35,414,000	1,337,000	79.02	40,328,850	1,708,870	3,056,290	24.05	24.29	24.42	7.58	20.98
2014/15	**SBL**	1.51	8.49	37.77	37,104,000	44,740,730	1,290,000	83.04	50,719,745	1,859,407	3,295,249	24.34	24.52	24.65	6.50	16.96
2015/16	**SBL**	1.69	6.89	41.53	56,437,000	64,934,360	1,292,000	87.02	74,402,915	1,989,418	4,119,479	24.76	24.90	25.03	5.54	12.98
2016/17	**SBL**	1.54	9.25	18.82	67,283,000	77,318,000	1,422,000	87	89,879,400	3,998,165	6,651,951	24.93	25.07	25.22	7.40	13

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Year	Bank	ROA (%)	ROE (%)	EPS	Loan &Adv in 000'	Deposit in 000'	NPR (Net Profit Ratio) in 000'	TE (Total Equity)	TA in 000'	Non IntExp in 000'	NIM (Net Interest Margin) in 000'	LnLA	LNDep	LnTA	NIM	TDR
2007/08	**Nepal SBI Bank**	1.44	17.64	22.67	12,746,216	13,715,395	247,771	88.32	17,187,446	454,918	970,513	23.27	23.34	23.57	5.65	11.68
2008/09	**Nepal SBI Bank**	1.05	18.58	36.18	15,612,050	27,957,221	316,373	55.84	30,916,682	824,700	1,460,446	23.47	24.05	24.15	4.72	44.16
2009/10	**Nepal SBI Bank**	1.03	16.05	23.69	17,963,641	34,896,424	391,742	51.48	38,896,424	1,443,694	2,269,704	23.61	24.28	24.38	5.84	48.52
2010/11	**Nepal SBI Bank**	1.01	16.19	24.85	21,718,791	42,415,000	464,565	51.2	46,008,000	2,096,000	3,104,200	23.80	24.47	24.55	6.75	48.8
2011/12	**Nepal SBI Bank**	0.83	15.02	22.93	26,463,671	53,337,000	480,100	49.62	58,060,000	2,770,799	3,769,483	24.00	24.70	24.78	6.49	50.38
2012/13	**Nepal SBI Bank**	1.19	20.31	32.75	29,193,903	58,920,456	771,400	49.55	64,796,153	2,486,979	4,110,514	24.10	24.80	24.89	6.34	50.45
2013/14	**Nepal SBI Bank**	1.5	22.85	34.83	35,714,256	54,492,994	922,980	65.54	61,082,972	2,231,604	3,976,648	24.30	24.72	24.84	6.51	34.46
2014/15	**Nepal SBI Bank**	1.7	21.51	34.84	40,471,869	51,628,222	1,065,400	78.39	59,277,290	1,773,842	3,821,326	24.42	24.67	24.81	6.45	21.61
2015/16	**Nepal SBI Bank**	2	22.16	34.29	47,542,981	65,213,520	1,331,900	72.9	78,515,345	1,565,151	3,981,262	24.58	24.90	25.09	5.07	27.1
2016/17	**Nepal SBI Bank**	1.68	20.41	30.61	63,752,342	81,664,549	1,523,200	78.07	99,751,765	2,989,082	5,911,161	24.88	25.13	25.33	5.93	21.93

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Year	Bank	ROA (%)	ROE (%)	EPS	Loan &Adv in 000'	Deposit in 000'	NPR (Net Profit Ratio) in 000'	TE (Total Equity)	TA in 000'	Non IntExp in 000'	NIM (Net Interest Margin) in 000'	LnLA	LNDep	LnTA	NIM	TDR
2007/08	**NIBL**	1.79	25.93	57.87	27,529,000	34,451,000	697,000	39.08	38,873,000	992,158	2,194,276	24.04	24.26	24.38	5.64	60.92
2008/09	**NIBL**	1.7	23.05	37.42	36,827,000	46,698,000	901,000	27.86	53,010,000	1,686,973	3,267,941	24.33	24.57	24.69	6.16	72.14
2009/10	**NIBL**	2.2	28	52.55	40,948,000	50,094,000	1,265,000	23.71	57,305,000	2,553,847	4,653,521	24.44	24.64	24.77	8.12	76.29
2010/11	**NIBL**	2.02	24.1	39.1	41,887,000	50,138,000	1,176,000	25.7	58,357,000	3,620,337	5,803,440	24.46	24.64	24.79	9.94	74.3
2011/12	**NIBL**	1.6	20.1	27.6	42,907,000	57,010,000	1,039,000	26.74	65,756,000	3,814,411	5,982,641	24.48	24.77	24.91	9.10	73.26
2012/13	**NIBL**	2.7	31.7	46.2	47,700,000	62,428,000	1,915,000	15.82	73,152,000	2,774,789	5,878,272	24.59	24.86	25.02	8.04	84.18
2013/14	**NIBL**	2.3	27.6	40.7	53,458,000	73,831,376	1,950,000	23.6	86,173,928	2,820,475	5,816,279	24.70	25.03	25.18	6.75	76.4
2014/15	**NIBL**	1.9	24.8	30.9	67,690,000	90,631,000	1,962,000	22.8	104,345,000	2,807,361	5,786,791	24.94	25.23	25.37	5.55	77.2
2015/16	**NIBL**	1.96	26.01	29.3	87,010,000	108,630,000	2,550,000	23.8	129,780,000	2,885,650	6,776,755	25.19	25.41	25.59	5.22	76.2
2016/17	**NIBL**	2.1	19.1	29.3	106,683,000	125,669,000	3,114,000	26.3	150,818,000	4,464,552	9,248,699	25.39	25.56	25.74	6.13	73.7

- Appendix
- **Standard Chartered Bank Nepal Limited:**
- Standard Chartered Bank Nepal Limited has been in operation in Nepal since 1987 when it was initially registered as a joint venture operation. Today, the bank is an integral part of Standard Chartered Group having as ownership of 70.21% in the company with 29,79% Shares owned by the Nepalese public. The bank enjoys the status of the largest international bank currently operating in Nepal. The promoter and their shareholder pattern are as follows:
- **Authorized capital** **Rs 8,000,000,000/-**
- Issued capital Rs 4,005,715,333/-
- Paid capital Rs 4,005,715,333/-
- Proposed Bonus Shares Rs 4,005,715,333/-
- **Total Share Capital** **Rs 8,011,430,667/-**
- (Source: Annual report of end of Ashad 2074).
- **SHARE OWNERSHIP**

Particulars	%	Share Capital
1.1 Domestic Ownership	29.79	**1,193,289,333**
1.2 "Ka" Class Licensed Institution	0	
1.3 Citizen Investment Trust	0	
1.3 Other Licensed Institutions	0	
1.4 Other Entities	1.04	41,764,466
1.5 Individuals	28.75	1,151,524,867
1.6 Others	0	
2. Foreign Ownership	70.21	2,812,426,000
Total	**100**	**4,005,715,667**

- **Nepal Investment Bank Limited:**
- Nepal Investment Bank Limited was established 1986 as joint venture between Nepal and French partners. The French partner holding 50% of the capital was Credit AgricoleIndoseuz, a subsidiary of one of the largest banking group in the world. The bank has redefined banking through deep understanding of customer needs. The bank has

undertaken many initiatives to strengthen customer experience through multiple points. The Bank is managed by a team of qualified and highly experienced professionals.

- **Authorized capital** **Rs 15,000,000,000/-**
- Issued capital Rs 9,240,378,865/-
- Paid capital Rs 9,240,378,865/-
- Proposed Bonus Shares Rs 1,386,056,830/-
- **Total Share Capital** **Rs 10,626,435,695/-**
- (Source: Annual report of end of Ashad 2074).

- **SHARE OWNERSHIP**

Particulars	**%**	**Share Capital**
1.1 Nepal Government	0	
1.2 'Ka' Class Licensed Institution	0	
1.3 Other Licensed Institutions	18.95	1,750,692,400
1.4 Other Institutions	43.40	4,010,645,700
1.5 Public	31.02	2,866,034,767
1.6 Others(Promoter Individuals)	6.63	613,005,998
Total	**100**	**9,240,378,865**

- **Nepal SBI Bank Limited:**
- Nepal SBI Bank Limited established in July 1993 is a subsidiary of State Bank of India. SBI hold 55% of ownership and Nepal Employee Provident Fund holds 15%. The balance 30% are hold with general public. Over the last many years, the bank has been doing well and has emerged as one of the strongest and leading "A" class commercial banks of Nepal. The bank is providing value added service to customers of all segments both in the world class digit and mechanized banking environment as well as in traditional way.
- **Authorized capital** **Rs 10,000,000,000/-**
- Issued capital Rs 6,490,512,353/-
- Paid capital Rs 3,883,735,565/-
- Proposed Bonus Shares Rs 1,089,343,547/-

- **Total Share Capital** **Rs 4,973,079,112/-**
- (Source: Annual report of end of Ashad 2074).
- **SHARE OWNERSHIP**

Particulars	%	Share Capital
Domestic Ownership	44.91	**1,743,953,711**
1.1 Nepal Government	0	
1.2 "A" Class Licensed Institution	0	
1.3 Other Licensed Institutions	0	
1.4 Other Entities	15.03	583,576,854
1.5 General Public	29.88	1,160,376,917
1.6 Others	0	
2. Foreign Ownership	55.09	2,139,781,794
Total	**100**	**3,883,735,565**

- **Siddhartha Bank Limited**
- Siddhartha Bank Limited was established on Dec 2002 as 17th commercial bank of the country. SBL has successfully positioned itself as a customer oriented, innovative, continuously growing and healthy commercial bank of Nepal. The Bank focus on delivering excellent banking services to its customers. The bank has prioritized n identifying newer and better ways to serve the unique and diverse demands of its customers. The bank strives for excellence in each and every aspect of its service and its operation.
- **Authorized capital** **Rs 10,500,000,000/-**
- Issued capital Rs 3,022,077,338/-
- Paid capital Rs 3,022,077,338/-
- Proposed Bonus Shares Rs 1,473,262,702/-
- Call in Advance Rs 803,225/-
- **Total Share Capital** **Rs 4,496,143,266/-**
- (Source: Annual report of end of Ashad 2074).
- **SHARE OWNERSHIP**

Particulars	%	Share Capital
Domestic Ownership		
1.1 Nepal Government	0	

1.2 “A” Class Licensed Institution	0	
1.3 Other Licensed Institutions	0	
1.4 Other Entities	0	
1.5 General Public	49	1,480,817,896
1.6 Others (Promoter)	51	1,541,259,443
2. Foreign Ownership		
Total	**100**	**3,022,077,338**

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