Chapter-I
INTRODUCTION

1.1 Background of the Study

Nepal is situated in the northern hemisphere, known as land of Mt. Everest and the birth place of Lord Buddha, Nepal is a tiny landlocked country. Though Nepal occupies only 0.03% and 0.3% of total land area of world and Asia respectively, the country has an extreme topography and climate. The altitude ranges from 70 meters to 8848 meters and the climate varies from tropical to arctic depending upon altitude. The country stretches from east to west with mean length of 885 kilometers and widens from north to south with mean breath of 193 kilometer.

Geographically, the country is divided into three East-West ecological zones: the Northern Range-Mountain, the Mid Range- Hill and the Southern Range-Terai (flat land). In the northern Range, the Himalayas from an unbroken mountain range which contains eight peaks higher than 8,000 meters, including Mt. Everest on the border with china. The middle range is captured by gorgeous mountains, high peaks hills, valleys and lakes. The Kathmandu valley lies in this region. The southern range with almost 16 km. to 32 km. north-South consist of dense forest areas, national parks, wildlife reserves and conservation areas and fertile lands.

At present, the country is divided into five north-south administrative development zones: Eastern Development Region, Central Development Region, Western Development region, Mid-Western Development Region and Far-Western Development Region. The country is further divided into 75 administrative districts. Moreover the districts are further divided into smaller units, called Village Development Committees (VDCs-3915) and Municipalities (58). The VDCs are rural areas, whereas municipalities are urban areas of the country.

According to the National Population Census 2011, the annual growth rate of population is 1.35 percent and the total population of the country in 2011 has reached about 26.5 millions with sex ratio 94.2. The preliminary estimates of per capita GDP at current prices stands at NRs. 57,726 (US $ 735) for the year 2011/012. The economic growth of the country measured by Gross Domestic Product (GDP) is 4.63 percent per year in the year 2011/012. About one fourth of the population (25.16%) lives below poverty line as per the National Living Standards Survey 2010/011 and the Gini –Coefficient; which indicates inequality in income distribution, is 0.328. Situated in the lap of Himalayan, between the latitude of 26°22" to 30°27" north and longitude 80°4" to 88°12" east. According to Population Census 2011, Nepal's population is about 26,494,504. "Nepal, the steepest country in the world, descends from the height of Everest to the tiger prowling jungle below. Rich in the more than 2500 years of culture where Hinduism and Buddhism have met and created undreamed of glories of spiritualism through stone, brick and metal for eye to behold and for the soul to experience. The most Himalayan countries discover the world of mountains, rivers, jungle and culture in the world of Nepal." (Visit Nepal Year; 1998)

In the agro based country Nepal, a majority of her people still relies on agriculture which has remained the chief mode of employment income source. Agriculture contributes the largest share in GDP. In the light of this fact, agriculture prospective plan has been executive aimed at reducing poverty, raising agro-products and fostering employment opportunities. According to the National Account of Statistics prepared by the Central Bureau of Statistics on the basis of provisional data of FY2011/012, the economic growth is 4.63 percent at the basic price and by 4.7 percent at the producer's price.

As per the census of 2011, out of the total population, the economically active working population in the labor market was estimated at 12,310,968. At the time of formulation of the Twelve three year Plan it was estimated that on

additional 12,73,000 jobs would be created during the Plan period (FY2011/012) and economically active population at the end of the year (2011/012) would be 13,58,000.

According to economic survey report of Nepal published by Nepal Rasta Bank (NRB) till mid July there has been a significant growth in the number of banks and financial institutions in the review period 2012. The total number of commercial banks ('A' class financial institutions) reached 32 in December 2012. Similarly, the number of development banks ('B' class financial institutions), finance companies ('C' class financial institutions) and micro-finance institutions ('D' class financial institutions including Rural Development Banks) reached 88, 77 and 15 respectively. The number of cooperatives licenses by the NRB to undertake limited financial transactions stood as same in number 16 and the number of Non-government organizations (NGO's) licensed by the NRB to undertake micro-finance transactions decreased in comparison to the previous year and stood at 53. In total the number of financial institutions as at the end of December stood the number including 25 insurance companies, Employees provided fund, citizen investment Trust and Postal Savings Bank. In addition, to the NRB licensed financial institutions, a number of other institutions represent the Nepalese financial system.

In the fiscal year 2012, the net profit of the commercial banks (based on unaudited balance sheet of the respective commercial banks) increased by36.4 percent amounting to Rs 25.1 billion from a net profit of Rs. 20.11 billion in the previous year. Among the 32 commercial banks no bank went into net operating loss in the year 2011/012. Although the net profit of government owned three banks namely Nepal bank Limited(NBL), Rastriya Banijya Bank Limited(RBBL) and Agricultural Development Bank of Nepal(ADBN) stood at Rs. 1.o Billion, Rs. 2.0 billion and Rs. 1.8 billion respectively in December 2012 compared to respective profit of Rs. 845.2 million, Rs. 1.0 billion and 1.6

billion in December 2011. The Nepalese banking and financial sector is at an exciting point in its development. The opportunities to enter new business and new market and to deliver higher levels and customer services are immense. As the Nepalese banks position themselves as financial service provider banking business is getting redefined. Technology is unseffling the earlier business processes and customer behavior is undergoing considerable changes, these have enhanced the forces of competition. A compared to the regime Nepalese banks have adopted better operational strategies and upgraded their skill. They have withstood the initial challenges and have become more adoptive to the changing environment.

Competitive advantage can be achieved through harnessing the potential available in the employees by creating positive work culture and enlisting the support of all the employees to the organizational goals. In the complex and fast changing environment, the only sustainable competitive advantage for banks is to give the customer an optimum blend of technology and traditional services.

After entering into the arena of World Trade Organization (WTO), Nepal was promised to open all business and services sectors to the global economy at the end of 2010; therefore, Nepal was found out the challenges posed by global business environment. Nepal Rasta bank(NRB) is currently working on bringing out comprehensive directives under the new ordinance, which will cover all classed of financial institutions, including commercial banks, development financial institutions, finance companies and micro finance institutions. Banks in their part need to strengthen their audit and compliance functions. They would be evaluated based on their performance in the market place both in terms of their financial performance and also on the regulatory and compliance issues. Four trends will fundamentally alter the banking industry in future: consideration and merger, globalization of operations, development of new technology and sustenance of traditional services with a

new capital adequacy norms coming through, it is expected that few banks have no choice but to merge. In order to have a sustainable growth in the bottom lines, banks must increase their global market operations especially in treasury products by being more innovative an selecting a pool of products which the global market is offering today to reward the calculated risks taken by the banks. Nepal Rasta bank's support for liberalizing the global market operations is highly evident. Technological advancement and new ways of doing banking business must be sidelined with a simple reason that these products will continue to be a bread and butter of Nepalese banking sectors for a long time to role. The ongoing development in Nepalese industries and integration process with the global market offer myriad opportunities to the banking sector of Nepal.

After entering the World Trade Organization (WTO) positive and negative impacts should be analyzed accordingly to gain the international reputation. Positive impacts for the Least Develop Countries (LDCs) like Nepal would be expansion of trade, trade diversification, getting the transit rights, increased in bargaining power the special arrangement made by the WTO for the LDCs, easy access to international market. Likewise negative impacts may be loss of domestic market, limited and low quality goods and services due to lack of entrepreneurial managerial, technical and marketing skills, the possibility of price hike because of implication of Trade Related on Intellectual Property rights (TRIPS) and controversy between the theory and practices such as the car sales dispute between United State of America (USA) and Japan, unwillingness of European Union(EU) to reduce subsidies on agricultural products, etc.

A Commercial bank provides financial services to depositors, borrowers and investors. Access to a Commercial bank is rather low in the country. Only 40% of households in the country can reach the nearest bank within 30 minutes. For some 44% households, it takes one hour and more. Similarly, only 27% of rural

households have access to a bank which is extremely lower than the percentage of urban households (89%) with the same facilities within 30 minutes of time. There is much disparity among the ecological belts regarding the percentage of households having access to a bank. Terai region has the highest percentage of households (75%) having access to this facilities within one hour time whereas the same percentages for the hills and the mountains are 45% and 17% respectively. There is also much difference between mean time taken to reach the nearest bank between urban and rural households. The mean time taken for rural households (135 minutes) is about eight times higher than the time taken for urban households (16 minutes). (CBS 2010/011,).

1.1.1 A History of Productivity Drive in Nepal

Productivity is not a new word for a developing country like Nepal. In the context of Nepal, productivity has occasionally drawn attention of development pundits of Nepal. Most development a plan, the first one was launched in 1956 has somehow incorporated a productivity theme as part of national development objectives. Then after, Nepal joined the Asian Productivity Organization (APO) in 1961 as one of its eight founding members. A substantial number of people from both the public and private organizations in Nepal have participated in APO programs. Some agencies like Industrial Service Centre and other training and research institutes, including private enterprises, have undertaken various activities related to productivity improvement. However, the productivity campaign along with the institutional development process has gained momentum only in the recent years.

As a result of establishment of the National Productivity Council in 1993 by Nepal Government under the chairmanship of the Minister for Industry with representatives from relevant major line ministries and professional organization, the then existing Economic Service Center which was bifurcated as a public consulting company in 1988 from the Industrial Service Center was renamed as the National Productivity and Economic Development Center

(NPEDC) and designated as the secretariat of the council. NPEDC today is expected to perform major functions such as:

a. productivity promotion as the secretariat of National Productivity Center(NPC)
b. consulting services as a public company

Considering these functions, National Productivity and Economic Development Center (NPEDC) has been undertaken the various productivity related activities and it also has been involved in a productivity awareness campaign with a target group approach for last few years. But in recent years, it has been considered as a financial burden of Nepal government due to its slow operation of activities in the field of productivity improvement programs.

1.1.2 Scenario of National and Sectoral Level Productivity

Due to the globalization of world's economy, most of the nations are necessarily agree to enhance their competitive position by making themselves more proactive to the changing business environment. After entering into the World Trade Organization (WTO) in 2004, Nepal cannot stay away from the global economy. Changes and occurrences happened in one country's economy the effects can be seen in another country's economy. Therefore the main duty of our nation is to tap the opportunities of world's economic environment and to react rightly for the threats. To do these actions in a scientific manner, we have to identify our competitive position. In this regard we can develop our national gifts basically the potentiality of hydropower and tourism industry. Therefore it seems to be essential to have huge investment in these two economic sectors. For this we have to train and develop our labor force to cope with the current situation of the national economy. "In order to overcome the deficiencies related to invasion transitional, have non competitive domestic industries and low technology, Nepal must engage in strong productivity drives to generate advantages and ameliorate weaknesses. Restructuring of industrial

enterprises may be necessary to make hitherto non-competitive industries efficient by pursuing the path of productivity improvement. New enterprises should also give attention to sustaining higher productivity in order to create and sustain a niche in the global market."(Bajracharya; 1998)

National and sectoral level productivity statistics are targeted for planners and policy makers. These statistics are necessary to evaluate performance of various economic sectors so as to assess needs, adopt strategies and set priorities in line with the countries development policies. Productivity statistics can also be used for inter-country comparison to formulate various opportunities investment and economic policies. The importance of national and sectoral level productivity and its importance to country's socio-economic growth and development can be summarized under here: (NPEDC, 1996)

- serve as nations economic indicators
- provide comparative efficiency data of different countries
- help in measuring efficiency
- keep in evaluating economic performance and in formulating social and economic policies
- identify factors affecting income and income distribution in different sectors
- help in determine priority in decision making
- help authorities to identify problem areas
- evaluate impact of national development programs
- help in allocating scarce resources
- assist in forecasting national income and output

A study done by Mr.Devendra pradhan & Mahesh Gongal **Labor Productivity at National Level** is noticed to rise in most of the years during FY 1984/85 to 2003/04, average annual growth rate of the productivity at national level is observed to decrease gradually during the observed period at an interval of six years indicating deteriorating performances. Productivity level growth rate of

almost all the sectors shows decreasing trend except that of agriculture, fishery and forestry, though the productivity level of the sector is the lowest among the nine-sectors. The trend of labor productivity level at industry group level indicates the average annual growth rate of 9.5 percent during the 1984/85 to 2003/04 which is contradictory to the findings of the labor productivity level at sectoral level of the manufacturing sectors due to difference in nature of data resulted from the differences in sources of data.

1.2. Introduction to Commercial Banks

Commercial banks are the major components in the financial system, they work as the intermediary between depositors and lenders and facilitate in overall development of the economy, with major thrust in industrial development.

Commercial banks come into existence mainly with the objective of collecting the idle funds, mobilizing them into productive sector and causing and overall economic development. The bankers have the responsibility of safeguarding the interest of the depositors, the shareholders and the society they are serving. A sound banking system is important because of the key roles it plays in the economy, intermediation, and maturity transformation facilitating payments flows, credit allocation and maintaining financial discipline among borrowers. Banks are the gathers of saving, allocates of resources. Banks are the gathers of saving, allocates of resources providers of liquidity and payments services.

1.2.1. Introduction to Nepal Investment Bank Ltd. (NIBL)

Nepal investment bank Limited is one of the private sector large branches networking commercial bank of Nepal. Nepal Investment bank limited was established in 1986 which was previously known as Nepal Indosuez Bank Limited is regarded as one of the leading commercial bank of the country. It was a joint venture of between the Nepalese and the French partner, who hold 50% of the total capital. The French partner known as Credit Agricole Indosuez, a subsidiary firm of one of the largest banking group in the world,

with its decision group of companies which comprises bankers. Professional industrialist and businessman on 2002 took over the 50% shareholding into Nepal Indosuez bank. Upon the approval of the annual general meeting of the bank, Nepal Rasta Bank and Company registers' office changed the name of the bank into Nepal Investment Bank Limited.

Its authorized capital is 40,000,000 ordinary shares @ Rs. 100 per share. It's issued and paid up capital is 37,661,553 shares @ Rs. 100 per share since the end of the year 2012, which are 13,562,684 right shares and 24,098,869 bonus shares. 80% of shares ownership are promoters share and only 20% of shares are ordinary shares. NIBL is the company listed on the Nepal stock Exchange with the following share structure.

I.	Group of Companies	50%
II.	Rastiya Banijya Bank	15%
III.	Rastiya Beema Sansthan	15%
IV.	General Public	20%

NIBL's vision to be the most prefer of financial services in Nepal. Its mission to be the leading Nepali bank delivering world class services through the blending of shat. Of- the art technology and visionary management in partnership with competent and committed staff, to achieve sound financial health with sustainable value addition to all stakeholders, fill and of the 2012/013, NIBL has opened 42 branches and 68 ATM services all over the Nepal to provide better customer services by its different products.

NIBL is committed to building and maintaining a strong relationship between the bank and large community. In doing so the bank invest in various prospects that promotes national heritage and arts, in education and health initiatives, various Non Government Organization(NGOs) programs, sports as well as in supporting the less privileged sector of the society.

NIBL is the proud recipient of the prestigious Bank of the year awarded by the London Based Financial Times group "The Banker" making it first Nepali Bank to win the award four times in the year 2003, 2005,2008 and 2011. It is the recipient of the "Best presented Accounts Award 2006" award by the Institutions of chartered Accounts of Nepal (ICAN).

1.2.2. Introduction to Himalayan Bank Limited (HBL)

Himalayan Bank Limited (HBL) is another one of the large commercial bank of Nepal which was established in 1993 in joint venture with Habib Bank limited of Pakistan. It is the first commercial bank of Nepal with maximum share holding by Nepalese private sector. HBL, with its innovative approaches and modern Banking concept has been able to maintain a lead role in primary banking activities loans and deposits. Besides, HBL is the first bank to introduce the Auto Tellering Machine (ATMs) and Tele banking services in the Nepalese market and also expanded its services in the Middle East and Gulf countries with the help of their products Himal Remit.

Working up to the expectation and aspiration of the customers and the share-holders being innovative, Himalayan bank Limited (HBL) works under the single banking software to provide services such as "Any Bank Branch Services", Internet Banking and Short Message Service (SMS) Banking. HBL also has deducted off site known as "Disaster Recovery Managing System." HBL is not only a banks but a commitment of the corporative citizen (corporate social Responsibility) which promotes social activates for the common good to the society. Significant portion of the sponsorship budget of the bank is committed forwards activities that assist the society at large. HBL holds of a vision to become a leading bank of the country by providing premium products and services to the customers, thus ensuring attractive and substantial returns to the stake holders of the bank.

The bank mission is to become preferred providers of quality financial services in the country. There are two components in the mission of the banks, preferred providers and quality financial services; therefore Himalayan Bank Limited believes the mission will be accomplished only by the satisfaction of these two important components with the customer at focus. The bank always strives positioning itself in the hearts and minds of the customers.

The authorized share capital of Himalayan Bank Limited is 30,000,000 shares @ Rs 100 per share. It's issued and paid up capital is 27,600,000 shares @ Rs 100 per share 85% shares are holds by promoter and rest 15% share holds by public. There are altogether 44 branches including Head office inside of the Kathmandu valley and 27 branches outside of the valley and more than 50 ATMs all over the country. HBL is the biggest inward remittance handling bank in Nepal. All this only reflects that HBL has an outside in rather than inside-out approach where customer needs and wants stand first. A part from this other focus of HBL bank as follows SMS banking to provide better service through more branches and ATM to increase overall part of the employees through training.

Corporate and social responsibility (CSR) holds one of the very important aspects of HBL. Being one of the corporate citizens of the country, HBL has always promoted social activated. Many activities that achieve common good to the society have been undertaken by HBL even in the past and this happens to go even in the assists in the social welfare as:

- Donation to charitable organization such as orphanage
- Frequently organizes different sports events like football, golf etc.

1.3. Focus of the Study

Focus of the study mainly concerned with the assessing the current status of banks named Nepal Investment Bank Limited and Himalayan Bank Limited.

The sources and uses of value addition and value added productivity growth pattern has been also matters for this study. Besides this, research work has also tried to compare the value added staff productivity between NIBL and HBL and has identified the areas to be addressed for enhancing value added staff productivity of respective banks. Few research works are alone on the issue of value added productivity in the service sector companies like banks and this research work related to staff value added productivity. So, the research work on the value added staff productivity could be important steps to the productivity assessment are of Nepalese economy. Instead, it is very difficult to find out the possible relation between value added staff productivity and other variables remain in the organization. However, researcher here tries to find out the outcome of value added staff productivity whether it is beneficial to stakeholders or not. Definitely, value added staff productivity of Nepal Investment Bank (NIBL) and Himalayan Bank Limited (HBL) give them some propulsions to the concerned partied for the betterment of these banks.

1.4. Statement of the Problem

The main problem of the today's financial and banking services is giving more emphasis on the city areas. They don't consider the rural and urban areas, only 10%. People are getting financial and banking services 90% of other people in rural and urban areas are out of banking services. The banking and financial companies fail to predict the situation that has to be settled. In many cases management team wants to minimize the profits by moral or immoral business activities. In such cases, staff/labor who assumed as real assets of the company suffered from the exploitation from the business owner. One reason for this may be in which country where staffs/labors are illiterate and easily available, many types of laws and regulations are enacted but not effective and no proper mechanism for the settlement of disputes related to staffs/labors management relation all these factors are responsible for that.

While doing root cause analysis for this financial and banking scenario, two very strong reasons have evolved. The first reason being the poor quality of loans due to non-compliance of basic credit principle while granting loans copied with lack of credit skills assessment and the second reason being involved in dealing with indifferent vanilla banking products for example, if someone needs a car loan, which is typically a commercial bank product, he or she can walk into any development bank in the country. Yes, in a current scenario, it is very difficult for development banks in the country to burn their fingers by giving into long term project loans. However, they should be able to create their own riche market. To give another example, there are simple value-added products like another example, there are simple value added products like "funded Risk Participation" and "Private Labeling" in the trade finance area option and other derivative products" in global market area and "Remittance Securitization" in our must lucrative area of the "Remittance".

There is a serious problem in knowledge about the above mentioned products amount the banking community of Nepal. The annual staff training and development expenses of these financial institutions is very low are NPR 0.20 Billion. This can be attributable to non-availability of structured banking related course in the country. There is handful of banking related training centers in the country, which are only providing piece meal training courses in the various areas. Which are not adequate for true learning someone, who has completed a post graduate program in Banking and Finance from an overseas university will be able to tell how much more can we do in Nepali financial sector when if we implement 10% of what he has learnt in this PG program. The level of product diversification in areas such as trade finance, remittance, global market and even credit management is very low in Nepal. In terms of comparison, even if we keep a side India, being one of the large economic, and compare our financial market with that of Bangladesh, if Bangladesh financial market is rated 10 we are not even at 3. This means there is a huge gap to be filled in before our banking sectors starts operating at an optimum level. If

further analyze our financial market needs to do a lot in improving knowledge level of HR, use of technology and improving their corporate governance. While something noticeable, from our financial market is that there is stringent regulation for the financial institutions and also the level of competition among the players are pretty intense.

This study has been limited due to the time and financial constraints, however been focused on the simplification and indication of staffs value added productivity of Nepal Investment Bank and Himalayan Bank Limited. The term productivity basically related with the staff/labor and capital productivity which is visible and straight forwarded. For this study researcher has selected the staff value added productivity for the Nepal investment bank and Himalayan Bank Limited. Nepal Investment Bank Limited and Himalayan Bank Limited carried the unique identity being banking financial services companies.

The optimum utilization of the resources raw materials tools and technologies etc is the way to increase staff value added productivity. In Nepalese banking and financial services industrial sector, the main problem affecting caused by excessive exchange of staff is increase in the cost of services and various costs involved in continuous hiring and firing smooth operation of banking and financial companies. Thus, in their work efficiency lead to the vulnerable condition. Therefore, the exchange of staff forces causes a tremendous drain and a strain on the industry resulted to the low productivity.

Nepal Rasta Bank has been formulated comprehensive directive under the new ordinance, which will cover all classes of financial institutions, including commercial banks, development financial institutions, finance companies and micro-finance institutions. Nepal will be opened the all kinds of service sectors industries for international competitive market of the end of 2010. Though, strong competitive market will be created. To cope with this four trends will

fundamentally alter the banking and financial industries in future by NRB directives are: consolidation and merger, globalization of their operatives development of new technology and sustenance of traditional services with the new capital adequacy norms coming through it is expected that few banks have no choice but to merge. In order to have a sustainable growth in the bottom lines, banks must increase their global market operations, especially in treasury products by being more innovative and selecting a pool of products which the global market is offering today to reward the calculated risk taken by the banks. The legislation regarding the minimum ways for industrial workers states that made and female workers shall be paid equal ways for equal works. The interim constitution of Nepal guaranteed the equal opportunities of employment for male and female not respecting their caste, ethnicity, religion and backgrounds. Now-a-days literate women are also involved in labor market, in banking and financial sector almost all 60% of female staffs are enjoying in financial productivity. Due to the exploitation definitely result to the higher productivity. Due to the exploitation of staffs/labor force, lack of proper industrial environment and desired level of industrial development has not taken place in full saving. This research work entirely connected with the following research questions and these research questions are expected to fulfill the main objective of the research work.

- Is there any relationship between productivity and profitability?
- What type of relation is required for long plus survival of the banks?
- Can organization see its bright future by investing on the part of staff?
- What types of productivity improvement technique are used in the banks?
- Is staff always productive? Is it indispensible factor of the bank?

1.5. Objective of the Study

The general objective of this study is comparatively value added staff productivity analysis of the two commercial banks namely Nepal Investment

Bank Limited and Himalayan Bank Limited. And it is expected that this general objective can be achieved by fulfilling the following specific objective.

- To analyze the condition of value added staff productivity of NIBL and HBL
- To find out sources and application of value addition of staff's value added productivity and also analyze the causes and hindrance of value added staff productivity.
- To suggest and recommend the management on the basis of research findings for their overall betterment of the banks.

1.6. Significance of the Study

This study work primarily based on the micro level of national economy. Therefore, it can't represent the whole financial and banking services sectors at macro level. But in industry levels, undoubtedly in banking sector, this study will help to rethink on their efforts basically related with the concern of staff/labor, to enhance the organizational competitiveness. Moreover, it can be set up for the support of strategic improvement efforts. Before starting a productivity improvement program within a company, this study is useful to have an indication of the current performance level and understanding of the problem facing by the financial and banking services industries.

Productivity and performance measures enable the individual services sector industries to establish whether they are to set goals as to where. They want to be and to monitor progress towards those goals. This study helps to realize the current status of banks. This study will be pioneering efforts towards the undertaking of staff value added productivity measurement of this banking and financial company.

The importance of staff value added productivity measurement lies at the macro and micro level of national economy and has been widely accepting by

the industries, firms, companies and different types of organizations whether they are capital intensive and staff/labor intensive. Therefore, the productivity measurement for the macro level can be basis for strategy to alleviate the national poverty. Having a nature of micro level, this study serve as a basis of bench marking for the banking services thereby helps to identify the leading and logging banking services and can rectify the area of problem as they are facing.

The another importance of this study may lies at finding the productivity promotion activities or not is another concern of this study up these activities or not another concern of this study work. Such promotion activities may include the seminars, training, essay competition, demonstration-cum-training program talk program on the theme of productivity etc. on the basis of the organizations financial position and needs these types of productivity promotion activities can be utilize and this study hope it will be guideline for the future productivity promotion program adopted by the banks and financial institutions.

1.7. Limitation of the Study

Limitation of this study are:

- ✓ This study is a micro level study of banks. It may not be applicable for other similar companies.
- ✓ It covered the analysis of 5 years data ranging from FY 2007/08 to FY 2011/012.
- ✓ The data of this study taken from the secondary sources where the accuracy depends on the intensions of management teams of the respective banks/ organization.
- ✓ This study emphasized only the value added staff productivity and it may not be whole implications of productivity of banks.
- ✓ Inflation effects over the staff salaries and wages did not considered at the time picture of value added staff productivity may vary.

- ✓ Comparatively value added approach used in this study covered the analysis of two commercial banks (NIBL & HBL) which may not coherence with the findings of selected bank.

1.8. Organization of the study

This study consists five chapters in total:

The *first chapter* deals with the introduction of the study and it consists the background, focus of the study, statement of the problem, introduction of the study area, objectives, significance, limitation and organization of the study,

The *second chapter* starts with the review of literature. In this chapter three main function of the study are included. First conceptual review has been laid down on the staff/ labor value added productivity deals with the similar studies that have been studied by the scholars. Last research gap reveals the importance of this research work and found the needed study area. *Third chapter* mainly deals with the research methodology where research design, population and sample, sources of data, data collection techniques and data analysis tools has been included.

The *fourth chapter* has been considered as a heart of the study. It deals with the presentation and analysis of data thereby major findings of the research work to achieve the stated objectives.

And the last *fifth chapter* which deals with the summary and conclusion of the research work on the basis of the summary and conclusion an attempt has been made for recommendation to management of NIBL & HBL.

Chapter- II
REVIEW OF LITERATURE

2.1 Introduction

Review of literature is one of the importance parts of planning of entire research work and deals with the findings of past research works under the study area so as to take further action to find the remaining facts and figures. "Review of literature is an essential part of all studies. It is way to discover what other research in the area of our problem has undiscovered. It is also a way to avoid investing problems that have already been definitely answered" (Wolf & Pant, 2003).

Thus, review of literature is an important element of the thesis writing. So, it is necessary to review important books, articles and works conducted by different researchers, institutions, and scholars. Review of literature gives us clear directions for the relevancy of research in order to get genuine findings.

Very few research works has been conducted in the area of staff/ labour value added productivity at micro level. So, it is very difficult to find out genuine research work that has been done in the area of staff/ labour value added productivity related to NIBL & HBL. However, some of the major findings have been derived by studying and searching the national level staff/ labour productivity. Hence, an attempt has seen made to reconcile and rejoined the staff/ labour productivity implications at the root level when and wherever necessary.

2.2 Conceptual Review

2.2.1 Staff / Labour

The term staff/ labour we generally understand that work which is especially related with physical & mental work or task that has to be done. In addition to this, staff/ labour mean workers who work with their hands & mind. But in economics, staff/ labour refers various types of work not only manual work but also mental work or service. Therefore, the term labour today became a multi dimensional and multi faceted word and it implies the physical or non physical work or services. For example, physical work consist the work of collies, potters, painters, factory workers, housewives etc. and non physical work reflects the work of doctors, engineers, writers, lawyers, policeman, staff in banks, government officials etc.

According to Prof. Marshall, "By staff/ labour is meant the economics work of men, whether with hand or the head." If stresses three important points. First, staff/ labour include physical work. Second, it includes mental work or non physical service. Third, only economic work can be called staff/ labour. Explaining the meanings of staff/ labour Jevons makes the point clear by emphasizing that "Purpose should be other than pleasure derived directly from the work" (Shrestha, 2056).

Staff/ labour is an indispensable factor of production or services. A business firm employs workers to do the several types of works. Some do the manual works where use of machine use not possible or it is uneconomical. A part from the workers, the firm may employs the persons to manage its offices, to guard its properties and several other such works. Similarly, banks employees several staffs to handle the banking officials' works. Thus, the use of staff/ labour will be quite

prevalent in its business operations whether it is production of goods or services or any other things. Without staff/ labour, we may not be able to do the business and run the industries & others office at all.

2.2.2 Productivity

Productivity for a general definition is the relationship between the output generated by a production or service system and input provided to create this output. In other worlds, productivity can be defined as efficient use of resources such as capital, labour, land, materials etc. to produce qualitative goods and services. Regardless of economic and political system or geographical region the definition of productivity is the same which is:

$$\text{Pr}\,oductivity\ \text{X}\frac{Output}{Input}$$

"The term productivity often confused with the term production". Many people think that the greater production the greater the productivity. But this is not true, because production is concerned with the activity of producing goods and services, while productivity is concerned with the efficient and effective utilization of resources (inputs) in producing goods and services (output). Sometime, productivity viewed as a more intensive use of resources as staff/ labour and machines which should reliably indicate performance or efficiency if measured accurately. However, it is important to separate productivity from intensity of staff/ labour because while staff/ labour productivity reflects the beneficial results of staff/ labour, its intensity means excess effort and is no more than work 'speed up'. The essence of productivity improvement is working more intelligently, not harder. Real productivity improvement is not achieved by working harder: this result in very limited increase in productivity due to man's physical limitations "(Prokepenko, 1993).

Productivity means efficient use of input resource to obtain maximum output. It also means improving quality of that output. Infact, productivity and quality are also two side of a coin.

The term productivity to reflect consciously the ratio between input and output was first used in 1776, when Adam smith clarified that production depends on number of its productive staffs/ laborers the productivity power of those staffs/laborers employed. It has been regular use after 1870's when it became past of in economic literature. Prof Ichiro Nakayama clarified in 1963 that "it is an application of the economic principal of realizing maximum effect with minimum cost and the other maximum effect" viewed in this way, a certain relationship of efficiency emerging from input and output should form the core concept of productivity Adam smith and Frederick Taylor focused on the division of labour, identifying and standardizing the best of doing work as means to improve productivity.

Productivity is above all, a state of mind it is an attitude that seeks the continuous improvement of what exists. It is a conviction that one can do better today than yesterday, and that tomorrow will be better than today. Further more, it requires constant efforts to adapt economic activities to ever-changing conditions and the application of new theories and methods. It is firm belief in progress of humanity.

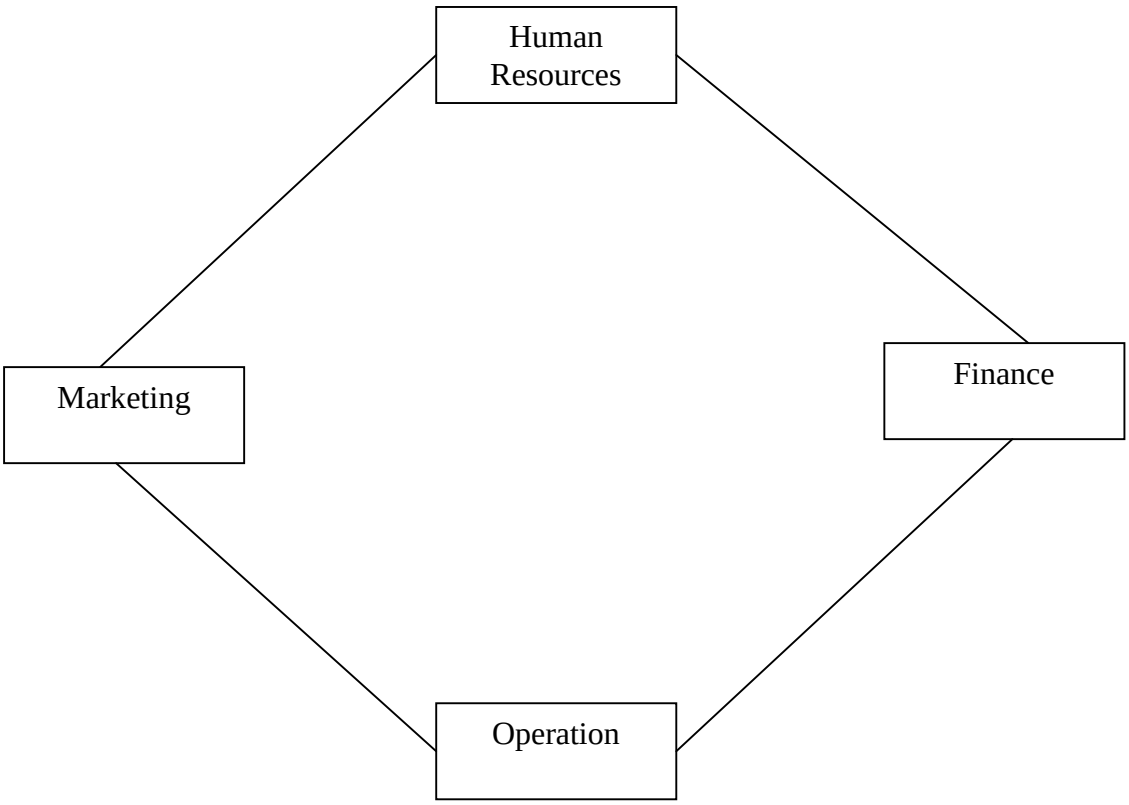
2.2.3 Scope of Productivity Management

The scope of productivity management can, however, depends on the attitude of peoples towards it. Today, in this global economy era, who can survive is able to be productive. And this matter definitely acts in a national economy of a country as well. Scope of productivity

management lied at four pillars of any organization. The first, most important and only living thing of productivity is Human Resources which operate all of others non living things of organization. The second pillar of productivity management is finance, which is daily working capital of any organization. Marketing and operation are another two pillars of productivity management. Productivity is depends upon the good or bad operation of these pillars.

Figure 2.1

Four pillars of Productivity Management.



2.2.4 Factors Affecting Productivity.

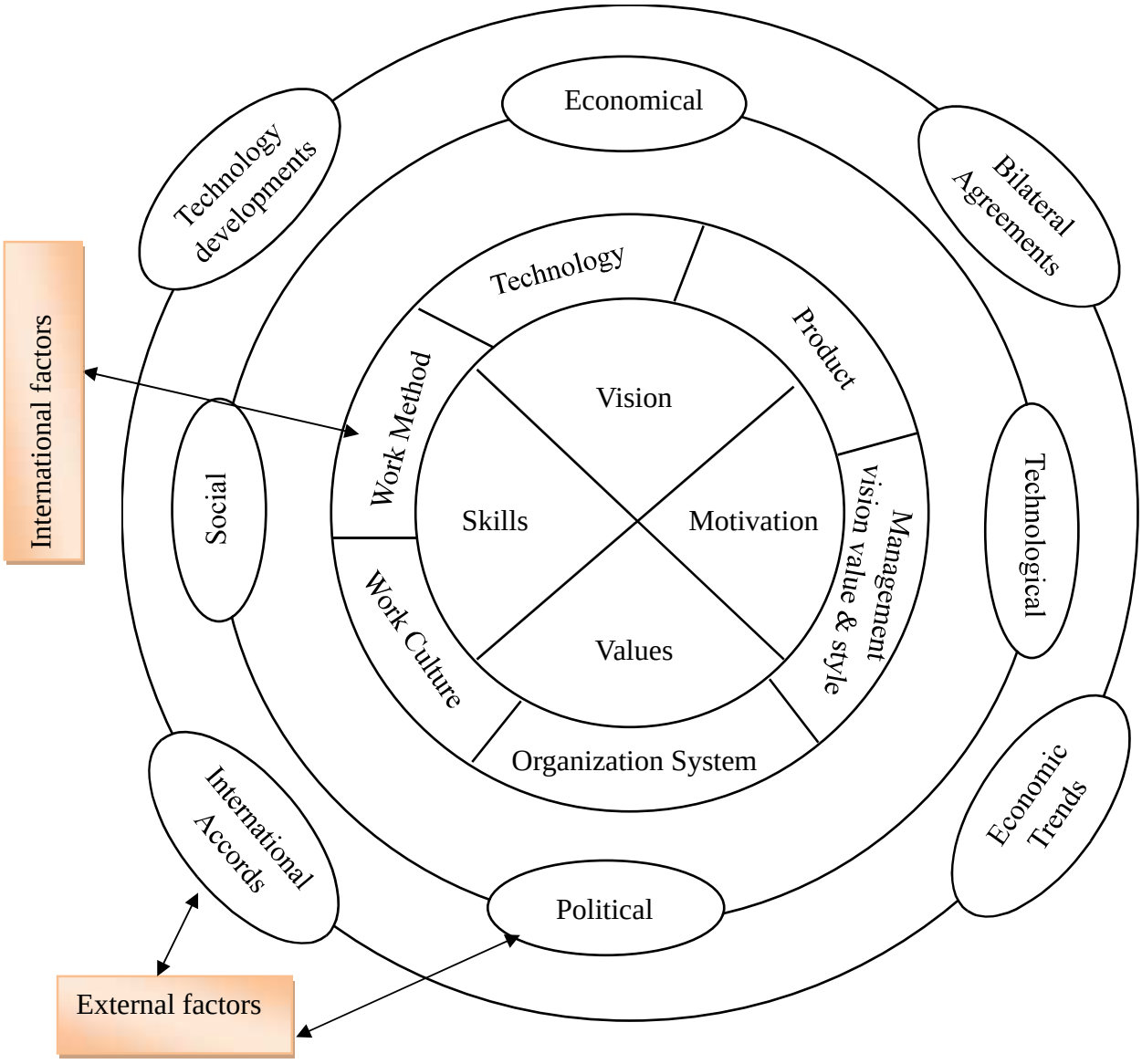
Two factors which are most critical for productivity drive in an organization. The first is manpower and leadership of the organization which plays the drivers role in achieving the higher performance. Employers are motivated when they feel a past of an organization which

contributes to the societal goals and objectives. The role of employees of all levels is equally vital to improve productivity. Employees are the fountainhead of productivity as it is the only resource which poses the creative abilities and has got feeling that can refers to produce resistance to the implementation of changes required for improvement. (Monga: 1999).

Factors affecting productivity at different levels can be presented in following figure:

Figure: 2.2

Factors Affecting Productivity.



2.2.5 Productivity Measurement

Productivity measurement can be applied both at micro and macro level. For the macro level, productivity can be measured at three different levels such as national economic level, economic sectoral level and industry group level. But for micro level, productivity can be measured at two levels which are which are as follows.

i) Industry level

ii) Company level/ Firm level.

i) Industry level.

If the input and output data of industry groups are available, productivity measurement at industry level can be composed on the basic of basic principles of productivity measurement as follows : (NPEDC: 1996)

$$\text{Total productivity (TP)} = \frac{Total\ output}{Total\ input}$$

$$\text{Total Factor Productivity} = \frac{Total\ output}{Total\ (L\ \Gamma\ C)}$$

$$\text{Partial Productivity} = \frac{output}{Partial\ input}$$

The partial input may be capital, labor, machines, fuel, etc. It the partial input is staff/ labour,

Then,

$$\text{Staff/ labour Productivity} = \frac{output}{Staff\ /\ labour\ input}$$

Similarly, if the partial input is taken as capital,

$$\text{Capital Productivity} = \frac{Output}{Capital\ input}$$

If firm/ Company level

For mangers investors, workers and stakeholders, who are trying to improve productivity of an undertaking, productivity at firm level is more important than national or sectoral level. There are many approaches to productivity measurement in a firm or company level, depending upon the firm, but most commenly used is: (NPEDC: 1996)

$$\text{Staffs/ labour Productivity} = \frac{Value\,added}{No\,ofEmployees}$$

$$\text{Capital Productivity} = \frac{Value\,added}{Tangible\,Assets}$$

$$\text{Total Productivity} = \frac{Value\,added}{Input(L\,\Gamma\,C)}$$

If the produced goods different kinds, it is better to express the output in value added form. Value added can be calculated as mentioned below.

Value added Approach

Value added approach can be defined as that value which can be obtained by subtracting input from output i.e. total sales (S) minus external expenses (X). External expenses may include raw materials consumed (RM), bought out items (B) work service (W) and depreciation (D).

So,

Value added = Sales - (Raw materials +Bought out items + Work service + Depreciation)

In this study, external expenses include the opening stock, collection expenses, sales expenses, administrative expenses and depreciation.

Value added = Output - Input

Value added = Total sales - External Expenses

In banking and financial institution, value added can be calculated by total revenue generated by different activities minus total expenses generated by the curtained period.

Value added = Total Revenue - Total Expenses

While measuring value added productivity, input is basic term which is most important in the organization, staffs/ laborers are the major input used in the production or services. It can be measured in three ways:

i) In terms of number of employers

ii) Personal Expenses

iii) Total man Hour

In the case of measuring the staff/ labor productivity working time is a major basis for this. The quantity of output produced per unit of working time is an indicator of staff/ labor value added productivity. For this study, different units of working time have been used depending upon the concrete nature of tasks, hours, days, months and years. Therefore, the indicator of staff/labor value added productivity is expected in the form of revenue or output generated by different activities which turned out on an average per man hour, day, month and year. In this study, staff/ labor value added productivity is generally obtained by dividing the total revenue generated during the fiscal year by average number of listed staffs/ workers in two commercial banks. However, in the analysis of current and annual, it is necessary to make additional calculation of value added productivity per man-hour, per a day.

The indicators of staff/ labor productivity in physical term per unit of working time are the most easily and simply way to the calculation. The indicators such as income generated per man hour, man day, man month and man year. How ever for this study work, the cases for calculation of staff value added productivity with the help of indicators is physical terms are very limited.

Rate of value added productivity of staff

$$= \frac{Average\,output\ per\,man\,hour\,in\,reporting\ period}{Average\,output\ per\,man\,hour\,in\,base\ year} \times 100$$

The indication of staff on physical term for the growth rate of staff value added productivity may not be real signal in the organization. The ratio of the absolute term of staff value added productivity during given period and staff value added during the base period is called the index of staff value added productivity. For the constructing of physical index of staff value added productivity, all the various incomes which is generated by different activities in terms are expressed in terms of a single measure. This measure might be either the expenditure of current staff for the income generation or the value of the income generated or any other common measure. The index of staff value added productivity is calculated in this case by using following formula: (Ezhov; 1960)

$$PILP = \frac{\phi_1(q_1 / T_1 \rceil q_0 T_0) \times T_1}{\phi T_1}$$

Where,

q_1 = Total amount of a particular income generated during the reporting period.

q_0 = Corresponding amount for the same income generated during the base period.

T_1 = Expenditure of staff for the total amount generated of the given period in the reposted period.

T_0 = Corresponding expenditure of staffs in the base period.

PILP = Physical index of staff value added productivity.

Value index of staff value added productivity is constructed on the basis of the gross income from operating and non operating activities. If the data on gross income in terms of whole banking activities of the banks are used, the index of staff value added productivity taken the following expressions:

$$\text{VILP} = \frac{\phi q_1 p}{\phi T_1} \div \frac{\phi q_0 p}{\phi T_0}$$

Where,

q_0 = Total income generation in base period.

q_1 = Total income generation in reporting period

p = Money value per staff of income generation in comparable prices.

q_1p = Gross income generation in constant prices in the reporting period.

q_0p = Gross income generation in constant price in the base period.

T_1 = Average number of listed staffs in the reporting period.

T_0 = Average number of listed staffs in the reporting base period.

$\frac{\phi q_0 p}{\phi T_0}$ = Average income generation i.e. income per staff in base period.

$\frac{\phi q_1 p}{\phi T_1}$ = Average income generation i.e. income per staff in reporting period.

Therefore, value index of staff value added productivity based on gross income from operating and non operating activities in comparable prices can be expresses as:

$$\text{Staff value added productivity} = \frac{\textit{staff value added productivity in current year}}{\textit{Staff value added productivity in base year}} \times 100\%$$

2.2.6 Techniques of Improving Productivity.

There are various tools and techniques that have been developed and practices success fully in an organization for productivity improvement. Productivity tools and techniques (PI tools and techniques) may be structured into three major categories in line with the three important factors for productivity improvement human ware, software and hardware. This structural classification depends on which factor and on which effect the particular tools or techniques are targeted for efficiency and productivity improvement. The PI tools and techniques are categorized as follows: (Chapagain: 1999)

Human oriented PI tools and Techniques.

- Economic incentive system.
- Non financial motivational technique.
- Small group activities.
- Management by committees.
- Employee's participation.
- Training for employees.

Hardware oriented PI tools and Techniques.

- Value analysis.
- Ergonomic analysis
- Technically advanced machine.
- Autonomous maintenance.
- Improved material handling equipment.

2.2.7 Relation between Profitability and Productivity.

The relation between profitability and productivity can be summarized in following table and this table also gives the way to the organization what they must to do "if and then" condition.

Table 2.1

Relation between Profitability and Productivity.

Case	If	If	THEN	THEN
	Profit ability	Product ivity	What will happen	What should be done
1	HIGH	HIGH	Financial condition will be sound and stable.	Maintain or increase productivity further.
2	HIGH	LOW	High profitability may not be sustained on a long term basis. In the long run low productivity will eat up profits.	Improve productivity.
3	Low	HIGH	The company may soon be operating at a loss and may be on the brink of a shut-down.	Improve profitability, strength market strategy, market promotion/ advertising and pricing policies.
4	Low	Low	Shut down/ Bankruptcy	Improve productivity and strengthen market.

2.3 Review of Related Literature

Thesis on staff/ labor value added productivity is not found in central library and Shankar dev campus library as requires in numbers and suitability. Therefore an attempt has been to review the some studies at

macro and micro level articles and research presented by different scholars as follows.

Dahal M.K. (1999) has published a comprehensive study under the topic of **"Productivity Wages, Employment and Labor Market Situation in Nepal"**. These writers have presented the true picture of ongoing practices in productivity, wages, and employment in different industry located at Biratnagar, Jhapa, Kathmandu, Hetauda and Pokhara. Some of the important glimpses of this study have been presented here.

According to this report, more than 92 percent of the employment labor force is in rural areas and 81 percent in agriculture only 19 percent of rural workers and 21 percent of all workers work as wage laborers. A majority of wage laborers more over are in employed in the organized sector of the economy. Besides the level of education of the workforces is low with high geographical mobility and very low returns to labor. Although, wage differential between male and female participation in the workforce is low and they are confined to less productive.

The report further shows that the existing wage rate structure including the social security system is poor that workers have to struggle for survive. The un-official rate of interest in unorganized sector in rural areas and urban areas is as high as 60 percent and 30 percent respectively. Those have aggravated the extent of rural indebtedness in Nepal. At although, recently, the tripartite meeting was held in November 30, 2008 between Federation of Nepalese Chamber of Commerce and Industry (FNCCI), Trade unions and government which would be effective from September 17, 2008 wage rate structure for different types of workers as follows:

Table: 2:2

Wage Rate Structure

S.N	Types of Workers	Basic Salary(RS)	Dearest Allowance(RS)	Maximum Remuneration(RS)
1	Unskilled	3050	1550	4600
2	Semi-skilled	3100	1550	4550
3	Skilled	3200	1550	4750
4	Highly skilled	3400	1550	4950

(Source: NRB News Report, 3 December 2008)

The report further shows that the social cultural status of workers is male dominated. Composition of labor force is over whelming male dominated (76 percent). However, the regional distribution does not support the result of national average. In Jhapa, female workers share in total labor forced participation is higher (76.7 percent) than the share of their males (33.3 percent) counterparts. In Biratnager and Hefauda, the participation of male workers is high (above 95 percent). But in the case of Kathmandu, the composition of labor forces according to sex, to some extent fair (57 percent) male and 43 percent female.

In the case of bonded labor report reveals that the absence of effective government intervention, if is likely to persist in future. Although, child labor is legally prohibited, it still exists in factories, mines, construction, transportation, agricultural, plantation, hotel and restaurant, tea shops and home services.

The report also mentioned that the Nepal lacks even basic data and information that are necessarily for monitoring employment and labor market developments. The government should seek the co-operation of

donor communities in conducting labor force survey in appropriate interval in the country.

Economic survey (2007/08) of ministry of finance has showed the fact of Nepal Human Development Index (HDI) is at the lower ebb as mentioned in the Human Development Report 2007 of the 177 countries included in report; Nepal is at 142nd position which is the lowest position among the SAARC countries. This reflects that Nepal is trailing behind not just from the low economic growth but also from the dimensions of overall human development.

On the issue of salary and wages, Economic survey further shows the fact that the year on year national salary and wage index increase by a percent in mid-march 2008 compared to the rise of 10 percent a year ago. Separating both index, salary index increased by 8.4 percent which was increased by 6.2 percent in previous year while the wage index had increased by 11.4 percent. The increase in the salary index reflected mainly the salary increment of government officials in mid-July 2007. The increase in the wage index was on account of the wage increment in the industrial labors for the period of 2007/08. 11.6 percent while it was 13.3 percent in 2006/07. For the year of 2004/05, 2005/06 it was 10.5 and 5.1 percent respectively.

Adhikari Baburam (2003) on his dissertations on **"Labor Demand Situation and Labor Productivity in Furniture and Textile Industries of Patan Industrial Estate"** has presented the following conclusion:

- Information on productivity is crucial for supporting development efforts in Nepal. The furniture industries labor productivity has

demonstrated a up word trend followed by a downward trend in successive fiscal years.

- Industrialization and urbanization play a significant role in labor market. Patan Industrial estate is located within the city area but the workers come to work from outside. City area majority of migrant labors come from the skill areas in research of job.

- As productivity statistics are immensely important for designing policy responses to productivity enhancement, the researcher has recognized its role in it and made an effort to create a sound and reliable data base development in such as important field.

- Average annual growth rate of labor force in furniture industry was 1.3 where as it was -5.1 in the textile industry. This fact shows that gloomy situation in the labor market. The annual growth of labor productivity level in the furniture industry was 5.0 whereas it was -5.3 in the textile industry.

A report of International Labor Organization (ILO) (2008) on the "**Child Labors in Nepal**" reveals that the number of domestic child labor are 62000 under fourteen year and in total Nepal has 1.66 million child labors between the age of 5 to 14 there by its 6th position in South Asia. Children working in hazardous industries such as construction, transportation, production etc are in huge numbers. Under the age of 16, 12000 girls have been trafficking every year from Nepal to foreign countries especially in India. The prevalence of child bonded labor in agriculture and certain parts of the industrial and informal sectors made the developments efforts of Nepal on this case ineffective and unbalanced.

A study of productivity measurement and labor productivity at National, sectoral and Industry group level (2005) edited by Mahesh Gongal and

Devendra Pradhan at the National productivity and Economic Development Center has nicely presented at the micro level study of labor productivity for the period of Fy 1984/85 to Fy 2003/04. The objective of this study was to measure the labor productivity base on the approaches that were most commonly used in members countries of Asian productivity organization. Sectoral level productivity of agriculture and non-agriculture sectors had been computed with a view to assessing the contribution of agricultural and non-agricultural sectors in the national productivity level. Total value added had been taken as a measure of output and the total economic active population as a measure of labor input to calculate the productivity at national level.

For the purpose of analysis and compassion value added at current pieces has deflated by implicit value added deflators taken from national accounts statistics. The value added figures in constant prices for those years taken with 1994/95 as a base year. These value added at constant prices then divided by the economically active population in the respective year. For the industry group level census value added of each industry. Group was considered as output and members of persons employed in those sectors were taken as input. Census output was defined as a sum of total value of shipments (including own consumption). Total receipt from industrial and other services, total cost of work done in own account and change in the value of stock of finished goods. Semi-finished goods and goods sold in the same condition as purchase. Based on the available classification of manufacturing establishment, eighteen major manufacturing industry groups were identified and their productivity levels are estimated by their respective census value addition and levels number of employees.

Major findings of this study are:

- National labor productivity consistently increases over the years except in Fy 2001/02 and Fy 2002/o3. There was a drop in productivity level from RS 29036 in Fy 2000/01. to RS 28128 in fy 2001/02 and again to Rs 25021 in Fy 2002/03. Annual productivity level in average went up by 4.4 percent in between Fy 1989/85 to Fy 1990/91. But the growth rate was only 2.1 percent in between in between Fy 1990/91 to 1996/97, which further dropped to 0.7 percent in the recent six years period between Fy 1997/98 to Fy 2003/04.

- Labor productivity of agriculture sector rose slowly in all years observed except in Fy 1992/93. Annual average productivity level increase for agriculture sectors was 4.4 percent during Fy 1984/85 to Fy 1990/91. But this growth rate went down to 2.73 percent in between Fy 1990/91 to Fy 1996/97 and rose again to 2.9 percent during the period of Fy 1997/98 to Fy 2003/04. Labor productivity level of non-agriculture sector is declining every year. Labor productivity levels of non-agriculture sector declined by 3.48 percent between six years interval both in Fy 1984/085 to Fy 1990/91 and Fy 1990/91 to Fy 1996/97. It declined by 3.2 percent in 1997/98 to FY 2003/04.

- Productivity level of manufacturing industry groups as a whole also depicts the increasing during the observed period. The growth rate of employees from the manufacturing census data shows negative growth rate for different years whereas economically active population figures have positive growth rate when derived from the population census 2001/02.

A paper presented by Dr. Sunity Shrestha (1999) on her topic **"Agricultural Productivity in Nepal"** (1999)" tried to measure the production, productivity level and productivity idea of agriculture sectors of Nepal. The objective of the paper was to.

-Assess the current situation of agricultural productivity in Nepal and other APO member's countries.

-Analyse the land and labor productivity in agricultural sectors of Nepal using different approaches of measurement of productivity such as productivity ratio approach, idea approach to productivity, Cobb-Douglas production function approach to productivity.

-Make conclusion based on findings of all approaches to measurement of productivity on going though the study, Dr Shrestha had offered the following major conclusion in her presentation paper.

-The data in labor involved in food crops and such crops was not maintained separately.

- The national level productivity shows an average annual growth rate of 3.32 percent.

-The land productivity of cash crops is relatively higher than that of food crops.

-The labor productivity of food crops is relatively higher than that of cash crops.

-The index approach reveals that the land productivity of food crops has fluctuating trend and throughout the years under study if has increasing 12 percent only.

-The index approach shows that the land productivity of cash crops is increasing gradually considering 1985 as base year and from 1985 it has increased by 76 percent.

- The result from the Cobb-Douglas production function approach depicts that there is an increasing return to scale in agriculture sectors in Nepal.

A report of International Labor Organization (ILO) (2001) on **"Competitiveness, Productivity and Job Quality in South Asian**

Garment Industry" shows that the strategy of improving productivity can be presented through a combination of various measures:

a) Investment in new technology and equipment up gradation of skills among the workers.

b) Improvement in Production, up gradation and processes.

c) Improvement in job quality.

This report shows that investment in new technology and up gradation of skills could certainly contribute to improvement in productivity and competitiveness, as proven in the cases of Bangladesh and Sri-lanka. However, improvement in working environment, workers, concern, benefits and incentives, safety and security and other working conditions would provide motivation for the worker to utilize such skills and technology for enhancement.

ILO also mentioned the following aspects on industrial labor standards:

i) Discrimination should not be done on the basic of sex, religion, race color or origin.

ii) Prohibition on child and forced labor in the organized industry.

iii) Healthy and safety requirements for the workers.

iv) Minimum wages and benefits should be applicable to all workers.

v) Regulation of the number of working hours of the employees.

vi) Sexual harassment and abuse subjected to the employees.

vii) Registration of the employees in terms of providing appointment letters to employer.

viii) Freedom of association in terms of forming free labor unions.

ix) Ensure that the working environment in the industry is conducive to the overall welfare of the employees.

Bhattarai (1998) in her dissertation on "Labor market Situations and Trade Union Movement in Nepal" has tried to fulfill the gap of

knowledge about labor market situation and brief knowledge about the wage and trade unions. The level of productivity of Nepali workers was found to be very low due to the lack of adequate education, skills and training facilities. Nepalese labor market and employment conditions show that there is a high incidence of poverty, inequality and jobless. The majority of women workers have not participated in trade unions activities. In a sample more than three forth factories were set with trade unions. So, they frequently visit and report to the trade unions about their work related problems.

2.4 Research Gap

Research gap denotes the gaping between the past findings and the ongoing research work. This research work being a micro level study, previous research work on the labor productivity at the macro level study which carried out by the institutions. There can hardly found the research work done in the particular industry. In the banking sectors of the economy, no research work has been done yet from the level and individuals and organizations, in the staff value added productivity. Therefore, research gap aims to show the prevailing situation of staffs value added productivity in the comparatively study which in the long run remains the liability of the Nepalese private banking and financial industries. This research will try to compare the value added income of two banks (Namely NIBL and HBL). Income of staffs value added productivity, which has unseen by intentionally or unintentionally and can be a basic of organizational effectiveness.

Chapter-III

RESEARCH METHODOLOGY

Research methodology deals with the road map of the study. If is the way to solve the problems systematically by dealing with the collected data, analyzed these data and figure out the necessary conclusion and recommendations. It is the bridge, which links the research from where he/she is to and where he/she wants to be the basic objective of the study is to analyze and visualize the current position of staff value added productivity and its implications to the stakeholders' of the two banks (Name NIBL and HBL) in terms of their income procedure. To find out the true picture of staff value added productivity in related banks, the researcher has been used the sources of data, statistical and financial tools used for the analysis of data.

3.1 Research Design

The term research design is employed in the sense of overall framework or plan for the collection and analysis of data. It has been served as a framework for the study. In this study, analytical as well as description research design has been adopted to clarify the situation of staff value added productivity in comparative basic through the presentation and analysis of various data.

3.2 Population and sample size

In this research work, all the income statements and balance sheets of the two banks represent as population of research. In number there are 30 commercial banks operating currently in Nepalese banking financial markets currently. As far as the concerned for this study, two commercial

banks has been taken due to the similarities of population and the availability of data and information, further more financial constraints as well. These banks are Nepal investment bank limited and Himalayan bank limited.

3.3 Sources of data

This study has been mostly based on secondary sources of data. Secondary data has been compiled through banks yearly financial reports (i.e. profit & loss account, balance sheet) Published by Commercials banks, official website, Field visit, different books, journals, magazine and articles. During the period of research work, different libraries of different campuses have also been consulted.

3.4 Data collection procedure

Secondary data were directly obtained from official financial records of official website and annual reports of the banks by field visit. All the gathered information and data has been used and analysis according to the need and requirement of this study.

3.5 Data processing procedure

At first, financial statements, i.e. profit and loss account, balance sheet of the banks annual reports and other related data were collected from available sources. All the information was grouped at one place and analyzed these thoroughly. Then collected data were organized, classified, rearranged, summarized and presented in the suitable table and graph to make the analysis easy and clear.

3.6 Method of Data Analysis

To satisfy the research question and objectives analysis has been done qualitatively and qualitatively and quantitatively. The quantitative data were collected from the annual reports of banks, books and journals and these has been categorized, tabulated and analyzed by simple statistical tools such as percentage, ration and average wherever necessary.

3.7 Tools for Productivity Analysis

Tools for analysis for this study are mentioned here:

i) Staff value added productivity $= \frac{Gross\ incomes\ of\ the\ bank}{No\ of\ staffs\ employed}$

ii) Physical Index of staff value added productivity (PISVAP) is given by:

$$PISVAP = \frac{\phi \left(q_1 / T_1 \right] q_0 / T_0 \right) T_1}{\phi T_1}$$

Where,

q_1 = Quantity of a particular income generated during the reporting period.

q_0 = Corresponding quantity for the same income generated during the base period.

T_1 = Expenditure of staffs for the total income generation of the given working time in the reporting period.

T_0 = Corresponding expenditure of staffs in the base period.

PISVAP = Physical index of staff value added productivity.

iii) Value index of staff value added productivity (VISVAP) is given by:

$$VISVAP = \frac{\phi q_1 p}{\phi T_0} \rceil \frac{\phi q_0 p}{\phi T_0}$$

Where,

q_0 = Income generation in base period.

q_1 = Income generation in reporting period.

p = Money value per staff of income in comparable prices.

q_1p = Gross Income in constant price in the reporting period.

q_0p = Gross Income in constant price in the base period.

T_1 = Average number of listed staffs in the reporting period.

T_0 = Average number of listed staffs in the base period.

$\frac{\phi q_0 p}{\phi T_0}$ = Average gross income per staff in base period.

$\frac{\phi q_1 p}{\phi T_1}$ = Average gross income per staff in reporting period.

iv) Staff value added productivity index

$$= \frac{Staffs\ value\ added\ \ productivity\ in\ current\ year}{Staffs\ value\ added\ \ productivity\ in\ base\ year} \mid 100\%$$

v) Staff value added productivity = $\frac{Value\ added\ income}{No\ of\ \ staffs\ /\ Employees}$

Chapter-IV

DATA PRESENTATION AND ANALYSIS

This chapter consists of fully analytical topics which are devoted to analyze the different subject mentioned in the objectives of the study. This chapter has been assumed as most important and vital because it is as like processing unit of a system. Based on this, all interpretations, recommendations and suggestion are made.

In this chapter Gross Value Added Productivity is obtained from operating and non-operating income minus operating and non-operating expenditure. And then it is divided by total number of staffs working in the bank. Then after comparatively its Value Added productivity trend analysis of the selected banks.

Collected data and information are presented in a well manner in required from and format. They then are analyzed using paper statistical tools.

4.1. Analysis of Value Added Staff Productivity of Nepal Investment Bank Limited.

Nepal investment bank limited is a one of the leading commercial bank of the country, which was established in 1986, was previously known as Nepal Indosuez Bank Limited. It was a joint venture between the Nepalese and the French. Partner, known as Credit Agricole Indosuez, a subsidiary firm of one of the largest banking group in the world, who holds 50% of the total capital in the initial stage with its decision group of companies which companies bankers, professionals, industrialist and business man, On 2002 took over the 50% shareholdings into Nepal Indosuez Bank Limited . Upon the approval of the annual general

meeting of the bank NRB and company registrar's office changed the name of the bank into Nepal Investment Bank Limited.

Table: 4.1

Gross Value Added Statement of NIBL

Rs. In million

Particular	2007/08	2008/2009	2009/010	2010/011	2011/012
sourees of value addition:-	2750.40	3921.20	5349.4	6569.00	7006.10
Income from operating Non-operating activities.					
Less: operating, adm. and Non-operating expences. Less: Depreciation.	1295.20 61.32	2080.20 88.14	2795.20 104.97	4138.4 122.79	4781.00 101.93
Gross value added income after depreciation(Gross VA)	1393.88	1752.86	2449.23	2307.81	2123.17

Source: Annual Reports (2007-2012) Nepal Investment Bank limited, Kathmandu:

Above Table shows the details of Gross value Added income after depreciation of NIBL. The Gross Value Added Income of NIBL is increasing fiscal year 2007/08 to fiscal year 2009/10 and then it is decreasing trend. The Gross Value Added Income of NIBL in Fy 2007/08 is Rs.1393.88 million, Fy 2008/09 in Rs.1752.86 million, fy 2009/010 Rs.2449.23 million, Fy 2010/011 Rs.2307.81million and Fy Rs.2123.17 million respectively.

Table: 4.2

Breakdown of Staff working days, working hours, man days & man hours of NIBL.

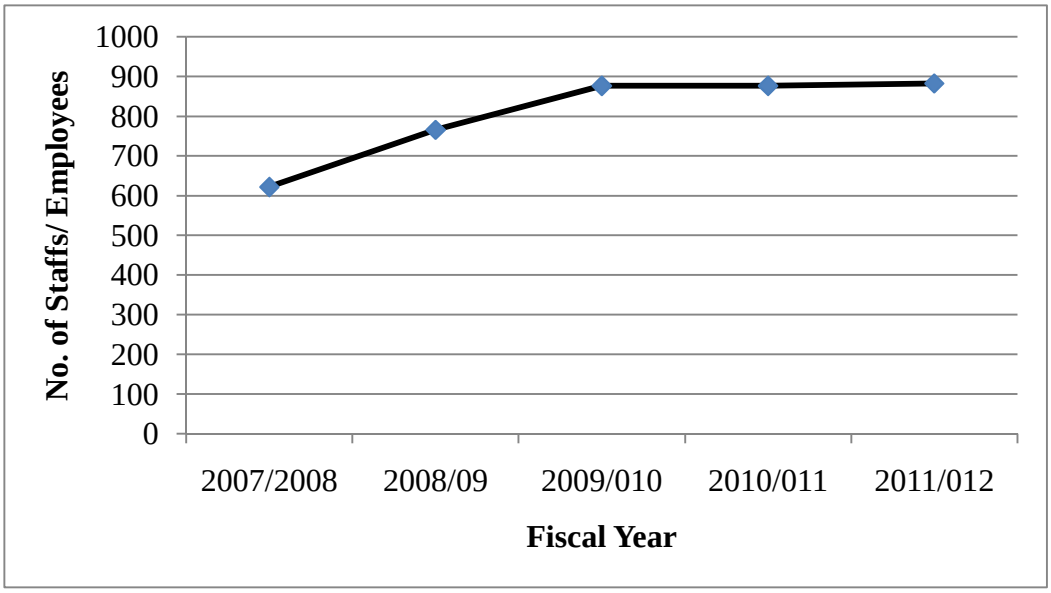
Fiscal Year	Number of Staffs	working days /year	working hours/day	Total man Days/year	Total man Hours
2007/2008	622	365	8	227030	1816240
2008/09	766	365	8	279590	2236720
2009/010	877	365	8	320105	2560840
2010/011	877	365	8	320105	2560840
2011/012	883	365	8	322295	2578360

Source: Annual Reports (2007-2012) Nepal Investment Bank limited, Kathmandu:

The above table shows the details of the breakdown of number of staff exiting in the NIBL, working days in a year, working hours per day, total man days and total man hours. The structure of staff show that the every fiscal up to 2011/012, there was increasing trend in fiscal year 2007/08 and fiscal year 2008/09, than after it became constant in year 2009/010 and 2010/011, than it was slowly increased in fiscal year 2011/012 respectively. The number of staff in fiscal year 2007/08 was 622 and by 2008/09 it was 766 in total being increased by 144 staffs. And it was 877 in by 2009/010, 877 in by 2010/011, and 883 in by 2011/012 respectively. The trend of staff increasing was fluctuating nature of arrival and departure pattern. There was 144 staff increased in by 2008/009 and it was constant in fiscal year 2009/010 and 2010/011 than it moved to increase. This fact can be shown in the following graph.

Figure 4.1

Employ Structure of NIBL



The working days per year were reported to be 365 days in each fiscal year due to nature of organization. The working hours per days was reported as 8 hours which time any kind of organizational structural works & services.

The Table 4.3 presents the value added staff productivity in terms of value added income per man year, per man month, per man days and per man hours.

The growth of average value added income per man year was least in 2007/08 (Rs. 2240964.63) and highest in 2010/011 (Rs.2792736.60). It was increasing trend in by 2007/08 to by 2008/09 and it was constant in year 2009/010 and 2010/011 and then it was slowly increasing trend. In other hands, same result in figure of value added income per man month, per man day and per man hours respectively.

Table: 4:3

Value Added Staff Productivity of NIBL

Fiscal Year	Gross VA income(Rs)	No.of staff/Employees	Income per man year(Rs)	Income per man month(Rs)	Income per man days(Rs)	Income per man hours(Rs)
2007/08	1393880000	622	2240964.63	186747.05	6139.63	767.45
2008/09	1752860000	766	2288328.98	190694.08	6269.39	783.67
2009/010	2449230000	877	2792736.60	232728.05	7651.33	956.42
2010/011	2307810000	877	2792736.60	232728.05	7651.33	956.42
2011/012	2123170000	883	2404496.04	200374.67	6587.67	823.46

Source: Annual Reports (2007-2012) Nepal Investment Bank limited, Kathmandu:

The Table 4.4 provides the basic information regarding the Gross Value addition rate of its total capital fund (TFC) under the different fiscal year. The Gross value addition rate of NIBL was 35.82 in the fiscal year 2007/08 which is the higher than the fiscal year 2011/012 and fiscal year 2008/09. It was 34.40 percent in 2008/09, 36.49 percent in year 2010/011.the higher Gross value addition rate of NIBL is 43.34 percent in year 2009/010. It is decreasing in first and then it is increasing trend again it is decreasing continuously in year 2011/012.

Table: 4.4

Value Addition Rate of NIBL

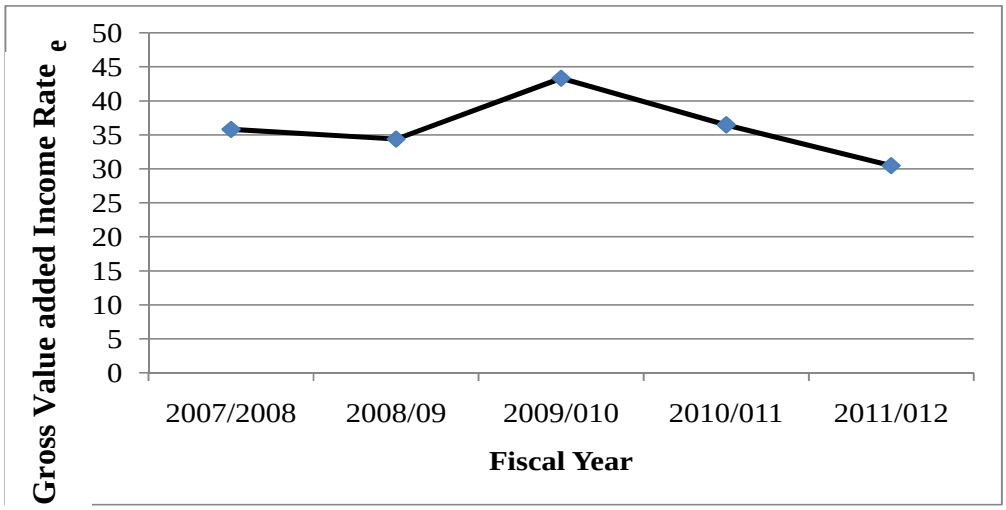
Fiscal year	Total capital fund (TCF) Rs.	Total Gross Value added income. (Rs)	Value addition Rate (%)
2007/08	3891235000	1393880000	35.82
2008/09	5095353000	1752860000	34.40
2009/010	5651045000	2449230000	43.34
2010/011	6324627000	2307810000	36.49
2011/012	6963182000	2123170000	30.49

Source: Annual Reports (2007-2012) Nepal Investment Bank limited, Kathmandu:

If we see the Gross value addition trend of NIBL, It is decreasing trend first two fiscal year (2007-2009) and then increased (Fiscal year 2009/010), and then after it is decreasing trend in nature. The Gross value addition income and Total capital fund of NIBL in year 2007/08 is less than the f y 2008/09, f y 2009/010, f y 2010/011 and f y 2011/012. The highest capital fund is Rs.6963182000 in fy 2011/012 and highest Gross value addition income in figure is fiscal year 2009/010. And value addition rate is higher than the other fiscal year , which is shown in the following figure:

Figure..4.2

Value Added Staff Productivity Income Trend of NIBL



The Table 4.5 shows that the application of value added income in various activities of NIBL in different fiscal years. It shows that, application of value added income to employees were Rs. 289.15 million (20.74%) in 2007/08, Rs. 355.58 million (20.29%) in 2008/09, Rs. 460.70 million (18.81%) in 2009/010, Rs.494.30 million (21.42%) in 2010/011 and Rs. 489.00 million (23.03%) in 2011/012. Application to Government were Rs. 323.23 million (23.19%) in 2007/08, Rs. 397.98 million (22.70%) in 2008/09, Rs. 542.30 million (22.14%) in 2009/010, Rs.501.40 million (21.73%) in 2010/011 and Rs. 449.10 million (21.15%) in 2011/012. To capital providers (interest on borrowings + Dividend to share holders) were Rs. 567.30 million (40.71%) in 2007/08, Rs.571.71million (32.62%) in 2008/09, Rs 753.70 million (30.77%) in 2009/010, Rs 711.00 million (30.81%) in 2010/011 and Rs 249.30 million (11.74) in 2011/012.Application to depreciation Rs 61.32 million (4.40%) in 2007/08, Rs 88.14 million (5.03%) in 2008/09, Rs 104.97 million (4.29%) in 2009/010, Rs 122.79 million (5.32%) in 2010/011 and Rs101.93 million (4.80%) in 2011/012.Similarly, application to

expansion, Reserve Repair & main tense and Retention Rs 152.80 million (10.96%) in 2007/08, Rs 339.45 million (19.37%) in 2008/09, Rs 587.56 million (23.99%) in 2009/010, Rs 478.32 million (20.72%) in 2010/011 and Rs 833.84 million (39.27%) in 2011/012 respectively.

Table: - 4.5

Statement of Application of Value Addition of NIBL (Rs. in million)

Particular	2007/08		2008/09		2009/010		2010/011		2011/012	
	Rs	%	Rs	%	Rs	%	Rs	%	Rs	%
Application of value addition :-										
To Employees	289.15	20.74	355.58	20.29	460.70	18.81	494.30	21.42	489.00	23.03
To Government	323.23	23.19	397.98	22.70	542.30	22.14	501.40	21.73	449.10	21.15
To capital provider	567.38	40.71	571.71	32.62	753.70	30.77	711.00	30.81	249.3	11.74
(interest on borrowing +Dividend to shareholder)										
To Expansion, Reserve, Repaire & Maintenance and Retention	152.80	10.96	339.45	19.37	587.56	23.99	478.32	20.72	833.84	39.27
To Depreciation	61.32	4.40	88.14	5.03	104.97	4.29	122.79	5.32	101.93	4.8
Total Gross value added Income(GVA)	1393.88	100	1752.86	100	2449.23	100	2307.81	100	2123.17	100

Source: Annual Reports (2007-2012) Nepal Investment Bank limited, Kathmandu:

4.2: Analysis of Value Added Staff Productivity of Himalayan Bank Limited.

Himalayan Bank limited also one of the large commercial private sector banks of the country. It was established in 1993in joint venture with

Habib Bank of Pakistan, one of the largest commercial Bank of Pakistan. It is the first commercial Bank of Nepal with maximum share holding by Nepalese private sector with its innovative approaches and modern banking concept, HBL has been able to maintain a lead role primary banking activities loan and deposits. Besides this, HBL is the first bank to introduce the ATMs and Tele Banking services in the Nepalese market and also expanded its services in the Middle East and Gulf countries with the help of their products Himal Remit.

The authorised share capital of HBL is Rs. 300, 00, 00,000 (3, 00, 00,000 ordinary shares @ Rs. 100 per share) and it's issued & paid up capital is Rs. 2760,000,000 (27,600,000 ordinary shares @ Rs. 100 per share). 85% of shares are holds by promoters & other institutions remaining 15% shares are holds by general public. Now, 27 outside valley branch network and 44 inside valley branch networks and more over 50 ATMs has provided banking & financial services all over the country with 365 days services.

Table 4.6

Break down of Staff working, working hours, man days and man hours of HBL

Fiscal year	No of staff	working days /year	working hours /days	Total man days	total man hours
2007/08	501	365	8	182865	1432920
2008/09	561	365	8	204765	1638120
2009/010	584	365	8	213160	1705280
2010/011	591	365	8	215715	1725720
2011/012	591	365	8	215715	1725720

Source: Annual Reports (2007-2012) Himalayan Bank limited, Kathmandu:

The above table shows the number of staff employment in different fiscal year in Himalayan Bank limited. The number of staff in employment (591) was higher in 2011/012 and same in year 2010/012 than in other fiscal years. The trend of employment in different fiscal year is not same. It was increased 60 staffs in fiscal year 2008/09 than the fiscal year 2007/08. But in year 2009/010 it was 23 and 7 in fiscal year 2010/011. This table also present the total working days per year, working hours per days total man days and total man year. The working hours per days per year found to be 365 days. The working hours per day were 8 hours which is the world international standard working hours. The staff employment trend can also be present in the following figure.

Figure: 4.3

Employee Structure of HBL

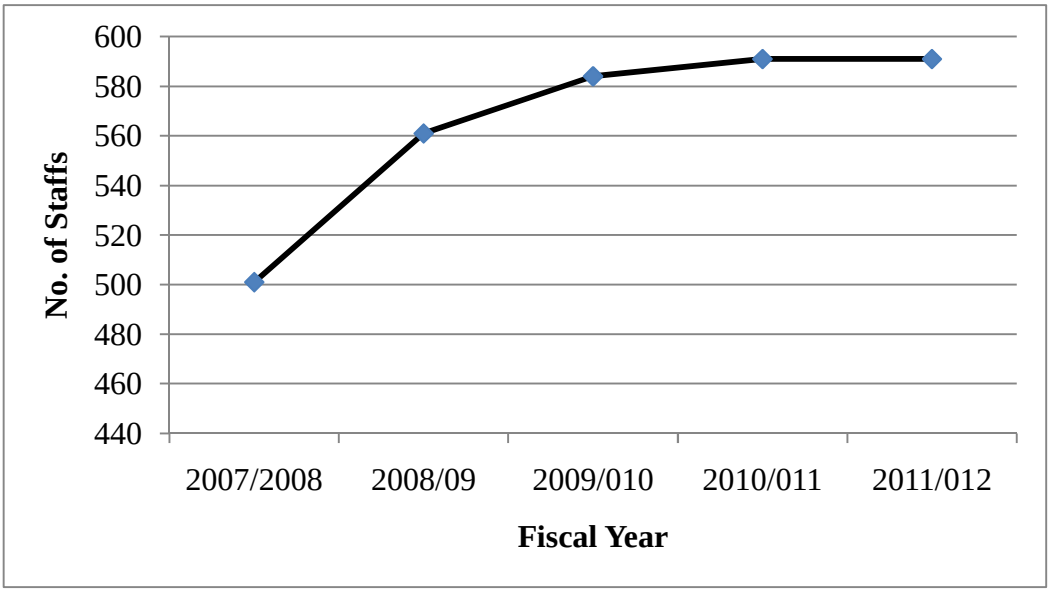


Table: 4.7

Gross Value Added Statement of HBL

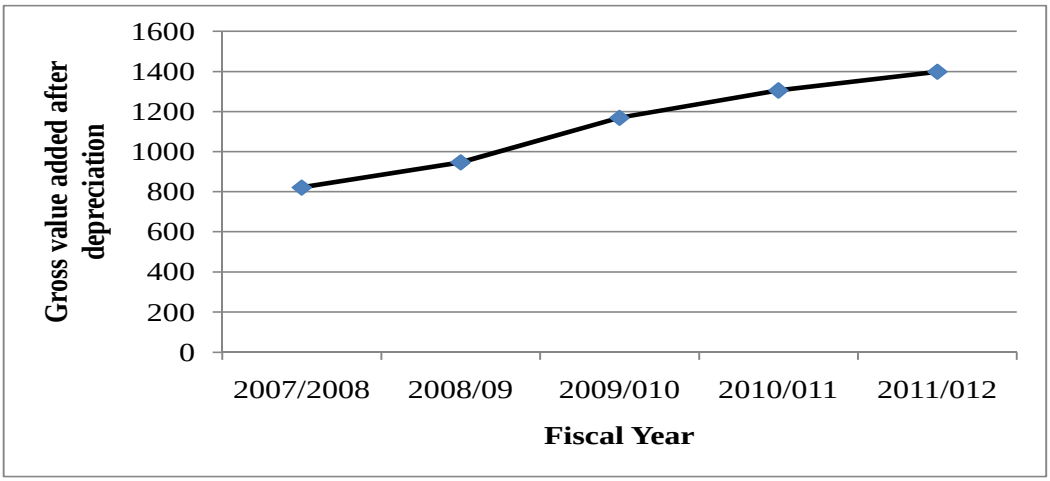
Particulars	2007/08	2008/09	2009/010	2010/011	2011/012
Source of value addition :-					
Income from operating & Non-operating activities	1760.68	2100.83	2576.92	2615.05	2946.12
Less: operating, adm. and Non-operating	902.62	1113.51	1375.65	1274.70	1498.32
Less: Depreciation	36.43	40.30	32.35	34.88	49.58
Gross value added after depreciation	821.63	947.02	1168.92	1305.47	1398.22

Source: Annual Reports (2007-2012) Himalayan Bank limited, Kathmandu:

The Table 4.7 shows the sources of value addition of Himalayan Bank limited (HBL). In Banking & Financial services sector value added income (VA) is comes operating & Non- operating activities minus operating, administrative and Non-operating expenses minus depreciation of the fixed assets. The gross value added income after depreciation of HBL were Rs 821.63 million , Rs 947.02 million , Rs 1168.92 million ,Rs 1305.47 million and Rs 1398.22 million in Fiscal year 2007/08, F Y 2008/09, fy 2009/010, FY 2010/011 and FY 2011/012 respectively.

Figure: 4.4

Value Added Staff Productivity Income Trend of HBL



The Table 4.8 provides the more detailed information of value added staff income levels showing the exact productivity levels per man year, man month, man days and man hours in different fiscal year. The average value added income per staff in fy 2007/08 was Rs 1639980.04 and continuously, the increasing trend from fiscal year 2007/08 to fy 2044/012 but increasing rate of VA income in different year was different.

Table-4.8

Value Added Staff Productivity of HBL

Fiscal year	Gross value added income (Rs)	No of staffs/Employees	VA per mass year (Rs)	VA per mass month (Rs)	VA per mass days (Rs)	VA per mass hours (Rs)
2007/08	821630000	501	1639980.04	136665.00	4493.10	561.64
2008/09	947020000	561	1688092.69	146674.39	4624.91	578.11
2009/010	1168920000	584	2001575.34	166797.95	5483.77	685.47
2010/011	1305470000	591	2208917.09	184076.42	6051.83	756.48
2011/012	1398220000	591	2365854.48	197154.54	6481.79	810.22

Source: Annual Reports (2007-2012) Himalayan Bank limited, Kathmandu:

The Table 4.9 shows the value addition rate of HBL. The highest value addition rate was (48.00 percent) in Fy 2009/010 and least (36.36 percent) in fiscal year 2011/012. The trend of value addition rate was increasing in Fy 2007/08 to Fy 2009/010 and then after it was decreasing from Fy 2010/011 to Fy 2011/012 respectively which was shown in the figure. 4.5 below.

Table 4.9

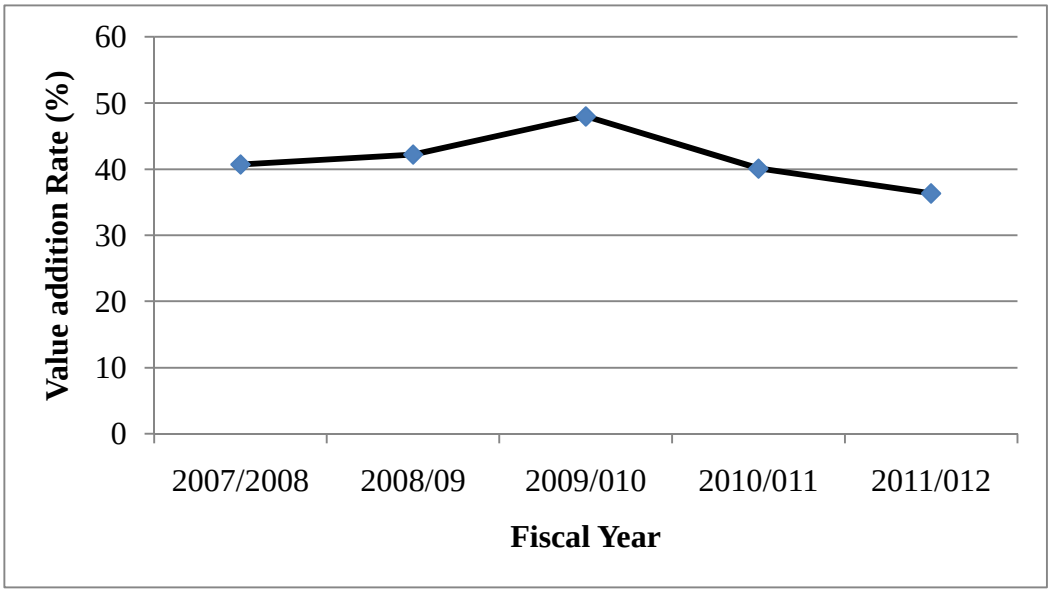
Gross Value Addition Rate of HBL

Fiscal year	Total capital fund (TCF RS)	Total Gross value added income (RS)	Value addition Rate (%)
2007/08	2017060000	821630000	40.73
2008/09	2242840000	947020000	42.22
2009/010	2435370000	1168920000	48.00
2010/011	3253520000	1305470000	40.12
2011/012	3845210000	1398220000	36.36

Source: Annual Reports (2007-2012) Himalayan Bank limited, Kathmandu:

Figure 4.5

Value Addition Trend of HBL



The Table 4.10 gives a more detailed breakdown of application of value added income to the different operational sectors of HBL. It shows that application of value added income to employees was Rs. 236.65 million

28.80 percent in 2007/08 Rs. 301.83 million 31.87 percentage in 2008/09, Rs. 362.66m (31.03 %) in 2009/010, Rs402.41 m (30.82%) in 2010/011 and Rs 467.64 m (33.45%) in 2011/012. The application value added income to government was Rs 214.27 million (26.08%), Rs 214.94 (22.7%), Rs 225.58(19.30%), Rs 312.97(23.97%) and Rs 313.77(22.44%) in year 2007/08, 2008/09, 2009/010, 2010/011 and 2011/012. Similarly, the application of value added income to capital providers (interest on borrowing + Dividend to shareholders) was Rs 239.43 million (29.14%) in 2007/08, Rs 305.23 million (32.23%) in year 2008/09, Rs359.12 million (30.72%) in 2009/010, Rs506.55 million (38.80%) in year 2010/011 and Rs529.73 million (37.89%) in year 2011/012. The application of value added income to depreciation was Rs. 36.43 million (4.43%) in 2007/08, RS. 40.30 million (4.26%) in 2008/09, Rs. 32.35 million (2.77%) in 2009/010. Rs. 34.88 million (2.67%) in 2010/011 and Rs.49.58 million (3.55%) in 2011/012. And rest of the value added income was utilized to expansion. Reserve, Repair and maintenance and retention, as Rs94.85 million (11.54%) in 2007/08. Rs84.72 million (8.95%) in 2008/09, Rs489.21 million (16.19%) in 2009/010, Rs 48.66 million (3.73%) in 2010/011 and Rs37.5 million (2.68%) in 2011/012 respectively.

Table 4.10

Statement of Application of Value Addition of HBL

Rs in Million.

Particular	2007/08		2008/09		2009/010		2010/011		2011/012	
	RS	%	RS	%	RS	%	RS	%	RS	%
Application of value addition										
To Employees	236.65	28.80	301.83	31.87	362.66	31.03	402.41	30.82	467.64	33.45
To Government	214.27	26.08	214.94	22.70	225.58	19.30	312.97	23.97	313.77	22.44
To Capital Providers	239.43	29.14	305.23	32.23	359.12	30.72	506.55	38.80	529.73	37.89
(Interest on borrowing + Dividend to Shareholders)										
To Depreciation	36.43	4.43	40.30	4.26	32.35	2.77	34.88	2.67	49.58	3.55
To Expansion, Reserve, Repair and maintenance and Retentions.	94.85	11.54	84.72	8.95	189.21	16.19	48.66	3.73	37.5	2.68
Total Gross value added income.(GVA)	821.63	100	947.02	100	1168.92	100	1305.47	100	1398.22	100

Source: Annual Reports (2007-2012) Himalayan Bank limited, Kathmandu:

4.3 Comparatively Analysis of Gross Value Added Rate Between NIBL and HBL

Comparisons of Gross Value Added Income Growth Rate of two Banks are constructed from Gross Value Added Income generated per year divided by Total Capital Fund per year. The Gross value added rates between NIBL and HBL have been analyzed in the following Table:

Comparatively Gross Value Added Rate Analysis Between NIBL and HBL

Table 4.11

Name of Banks	Years	2007/08	2008/09	2009/010	2010/011	2011/012
NIBL	TCF(Rs)	3891235000	5095353000	5651045000	6324627000	6963182000
	GVAI(Rs)	1393880000	1752860000	2449230000	2307810000	2123170000
	VAR(%)	35.62	34.40	43.34	36.49	30.49
	TFC(Rs)	2017060000	2242840000	2435370000	3253520000	3845210000
HBL	GVAI(Rs)	821630000	947020000	1168920000	1305470000	1398220000
	VARL(%)	40.73	42.22	48.00	40.12	36.36

Source: Annual Reports (2007-2012) Nepal Investment Bank Limited, Kathmandu:

Annual Reports (2007-2012) Himalayan Bank Limited, Kathmandu:

TCF= Total Capital Fund

GVAI= Gross Value added Income.

VAR= Value addition Rate

The above table gives a more detailed of gross value added rate between NIBL and HBL. It shows that the value added rate of NIBL was 35.62% in 2007/08, 34.40% in 2008/09, 43.34% in 2009/010, 36.49% in 2010/011 and 30.49% in 2011/012. The value added rate of HBL was 40.73% in 2007/08, 42.22% in 2008/09, 48.00% in 2009/010, 40.12% in 2010/011 and 36.36% in 2011/012. Seeing value added rate condition, trend of NIBL, was decreasing at first, then after it was increasing and again it was decreasing. But HBL value added rate was increasing trend at first in year upto 2009/010, and then it was decrease continuously. NIBL value added rate was increased from FY 2007/08 to FY 2009/010,

and then it was decreased. But HBL's value added rate was increased from FY 2007/08 to FY 2009/010, and then it was decreased.

4.4 Comparison of Value Added Staffs Productivity Analysis of commercial Banks.

Table 4.12

Value Added Staffs Productivity of NIBL and HBL

Name of Banks	Fiscal Years	2007/08	2008/09	2009/010	2010/011	2011/012
NIBL	GVAI(Rs)	1393880000	1752860000	2449230000	2307810000	2123170000
	TNS	622	766	877	877	883
	VASP/m.yr.	2240964.63	2288328.98	2792736.60	2631482.33	2404496.04
HBL	GVAI(Rs)	821630000	947020000	1168920000	1305470000	1398220000
	TNS	501	561	584	591	591
	VASP/m.yr	1639980.04	1688092.69	2001575.34	2208917.09	2365854.48

Source: Annual Reports (2007-2012) Nepal Investment Bank Limited, Kathmandu:

Annual Reports (2007-2012) Himalayan Bank Limited, Kathmandu:

GVAI= Gross value added income.

TNS=Total number of staffs.

VASP/m.yr=Value added staff productivity per man year.

The value added staffs productivity of per man per year of NIBL was Rs. 2240964.63 in fiscal year 2007/08, Rs. 2288328.98 in 2008/09, Rs.2792736.60 in 2009/010, Rs.2631482.33 in 2010/011 and Rs.2404496.04 in 2011/012. The value added staffs productivity per man per year of HBL was Rs.1639980.04 in 2007/08, Rs.1688092.69 in 2008/09, Rs.2001575.34 in 2009/010, Rs.2208917.09 in 2010/011 and Rs.2365854.48 in 2011/012 respectively by seeing the above mentioned

data, staffs of NIBL were more productive then the HBL. The staff's efficiency of NIBL was higher than HBL staffs.

4.5 Value Added Staffs Productivity Levels and Indices in Two Banks.

The Value Added Staff Productivity Level means that income, which is constructed by gross Value Added Income divided by total Man hours work during the year. The Value Added Indices is calculated by Gross Value Added Income in current year divided by Gross Value Added Income in previous year. The value added staffs productivity level and indices of two banks have been presented in following table.

Table 4.13

Productivity Levels and Indices in Two Banks.

Name of Banks	Fiscal Years	2007/08	2008/09	2009/010	2010/011	2011/012
NIBL	VASPL(Rs)	2240964.63	2288328.98	2792736.60	2631482.33	2404496.04
	VASPI	100	102	124	118	107
HBL	VASPL(Rs)	1639980.04	16688092.69	2001575.34	2208917.09	2365854.48
	VASPI	100	103	122	135	144

Source: Annual Reports (2007-2012) Nepal Investment Bank Limited, Kathmandu:

Annual Reports (2007-2012) Himalayan Bank Limited, Kathmandu:

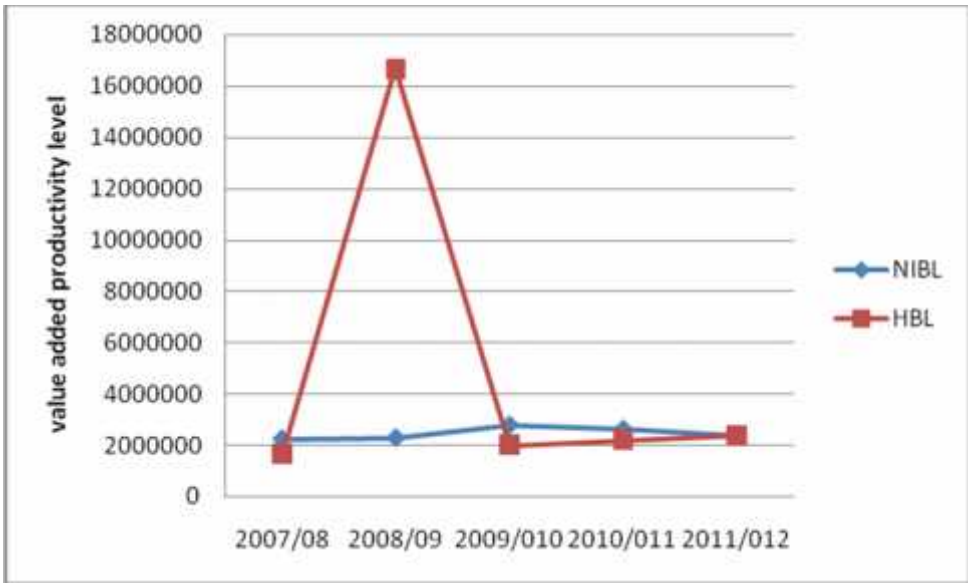
VASPL=Value added Staff productivity Level
VASPI= Value added staff productivity index

The table 4.13 shows that value added staffs productivity index of NIBL was 102 in 2008/09, 124 in 2009/010, 118 in 2010/011, and 107 in

2011/012 according to base year 2007/08. Similarly, value added staffs productivity in idea of HBL slowly increased and reached to 103 in 2008/09 and it was increased to 122 in 2009/010, 135 in 2010/011 and 144 in 2011/012 respectively, with 2007/08 as a base year. The trend of value added staffs productivity level of two banks has been presented in figure 4.6a. Similarly, figure 4.6b presets the value added staffs productivity indices of bank (NIBL and HBL).

Figure:-4.6 a

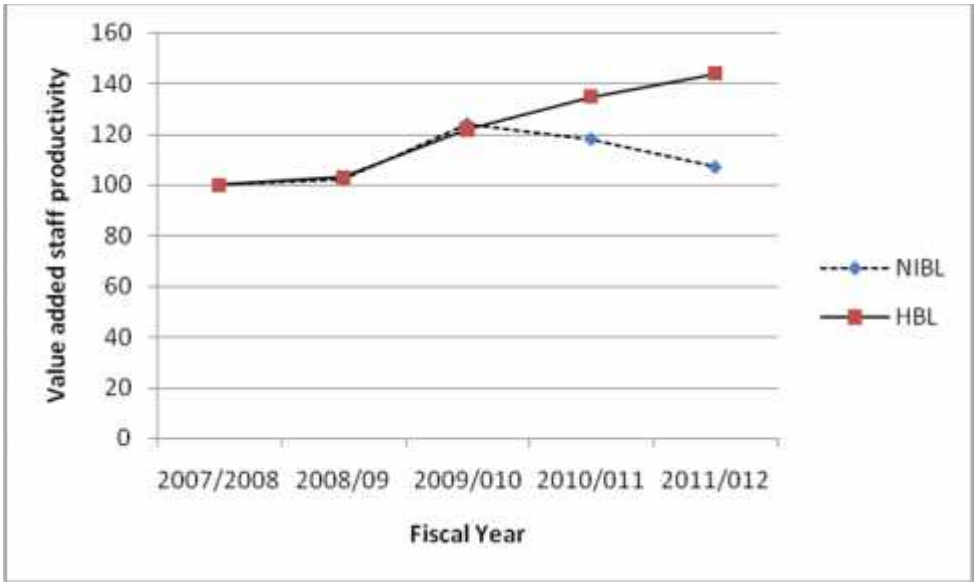
Value Added Staffs Productivity Level in Two Banks (NIBL and HBL)



The value added staff productivity level for the NIBL is in increasing trend up to fiscal year 2009/010 then it is decreasing, in fiscal year 2007/08 with the base year, it is fluctuating level. Similarly in the case of HBL, it is very slowly increased in fiscal year 2008/09 with the base year 2007/08 and 2009/010 to 2011/012 speed of increased is faster.

Figure: - 4.6b

Value Added Staffs Productivity Indices of Two Banks.



The value added staff productivity index of two banks shows that they are in increasing but fluctuating trend. For the NIBL, value added staff productivity index for the fiscal year 2009/010 being a highest as a base year in 2007/08. The staffs of NIBL added value in its capital by 7% from the fiscal year 2007/08 to fiscal year 2011/012 respectively. For the case of HBL, it show fluctuating and increasing trend with a base year 2007/08. It is slowly increasing trend up to fiscal year 2011/012. But increasing rate of value added productivity is different.

4.6 Value Index of Value Added Staff Productivity in Two Banks.

The value index of value added staff productivity for the two banks named NIBL and HBL have been presented in the following table.

Table 4:14

Value index of value added staff productivity in two banks (NIBL and HBL)

Name of Banks	Base period 2007/08			Reporting period 2011/012			VIVASP
	Gross value added Income(Rs)	Average No of listed staffs	Income per staff(Rs)	Gross value added income (Rs)	Average no of listed staffs	Income per staff (Rs)	
Symbols	q_0/p	T_0	$\frac{q_0}{p}/T_0$	q_1/p	T_1	$\frac{q_1}{p}/T_1$	$\frac{q_1}{p}/T_1 \div \frac{q_0}{p}/T_0$
NIBL	1393880000	622	2240964.63	2123170000	883	2404496.04	107
HBL	821630000	501	1639980.04	1398220000	591	2365854.48	144

Source: Annual Reports (2007-2012) Nepal Investment Bank Limited, Kathmandu:

Annual Reports (2007-2012) Himalayan Bank Limited, Kathmandu:

The value index of value added staff productivity in 2011/012 in two banks are 107 and 144 with a base year 2007/08. It shows increasing trend in the level of productivity.

4.7 Physical Index of Value Added Staff Productivity in Two Banks.

The indication of staff on physical term for the growth rate of staff value added productivity may not be real signal in the organization. The ratio of the absolute term of staff value added productivity during given period and staff value added during the base period is called the index of staff value added productivity. For the constructing of physical index of staff value added productivity, all the various incomes which is generated by different activities in terms are expressed in terms of a single measure. This measure might be either the expenditure of current staff for the

income generation or the value of the income generated or any other common measure.

The physical indexes of value added staff productivity at the two commercial banks have been tabulated as under:

Table 4.15

Physical Index of Value Added Staff Productivity in Two Banks.

Name of banks	Base period 2007/08			Current year 2011/012			Individual indices of VA staff productivity (Rs)		PIVAS
	Gross VA income (Rs)	Total man hours	Average income per man hour (Rs)	Gross VA income (Rs)	Total Man Hours	average income per man hour (Rs)			
NIBL	139388000	1816240	767.45	2123170000	2578360	823.46	1.07	2766533.75	107
HBL	821630000	1462920	561.64	1398220000	1725720	810.22	1.44	2489517.95	144
Symbols	q_0	T_0	q_0/T_0	q_1	T_1	q_1/T_1	$q1/T1 \diagup q0/T$	$q1/T1 \diagup q0/T \times T_1$	$\frac{(q1/T1 \rceil q0/T0)}{\phi T_1}$

Source: Annual Reports (2007-2012) Nepal Investment Bank Limited, Kathmandu:

Annual Reports (2007-2012) Himalayan Bank Limited, Kathmandu:

The physical Index of Value Added Staff Production (PIVASP) in two banks was 107 and 144 for NIBL and HBL with the base year 2007/08 receptivity. The physical index of value added staff productivity in HBL is higher than the NIBL. It means that the efficiency of staffs of HBL is higher than the efficiency of NIBL.

4.8 Analysis of overall Value Added Staff Productivity and Indices of Two Banks.

Value added staff productivity levels and indices of two banks have been tabulated under here:

Table: 4.16

Value Added Staff Productivity and Indices of Two Banks.

S.N.	Description		2007/08	2008/09	2009/010	2010/011	2011/012	Growth rate (%)
1	Gross value added income(Rs)	NIBL	139388000	1752860000	2449230000	2307810000	2123170000	10.34
		HBL	821630000	947020000	1168920000	1305470000	1398220000	11.50
2	Employees (Staffs)	NIBL	622	766	877	877	883	7.67
		HBL	501	561	584	591	591	3.46
3	Value added staffs Productivity level	NIBL	2240964.63	2288328.98	2792736.60	2631482.33	2404496.04	1.95
		HBL	1639980.04	1688092.69	2201575.34	2208917.09	2365854.48	8.16
4	Value added staffs productivity indices	NIBL	100	102	124	118	107	10.20
		HBL	100	103	122	135	144	20.80

Source: Annual Reports (2007-2012) Nepal Investment Bank Limited, Kathmandu:

Annual Reports (2007-2012) Himalayan Bank Limited, Kathmandu:

The above table shows that the growth rate for the gross value added income, employees/staffs, and value added staffs Productivity levels and productivity indices. Growth rate of all factors are positive, but pattern of growth rate is different.

4.9 Analysis of Gross Value Added Staff Income Application or use in Two Banks.

The Gross Value Added Staffs Income Application means utilization of Value Added Income in different types of Staffs, Capital providers, Government and other sector of banks. The application of Gross value added staff income is tabulated as under:

The table 4.17 shows that the value added staff income application in different factors of production. The utilization on of value added income for staffs/employees in NIBL are Rs289.15 million (20.74%) in year 2007/08, Rs355.58 million (20.29%) in 2008/09, Rs460.70 million (18.81%) in 2009/010, Rs494.30 million (21.42%) in 2010/011 and Rs489.00 million (23.03%) in 2011/012. The application of value added income for staffs/employees in HBL are Rs236.65 million (28.80%) in year 2007/08, Rs301.83 million (31.87%) in 2008/09, 362.66 million (31.03%) in 2009/010, Rs402.41 million (30.42%) in 2010/011 and Rs467.64 million (33.45%) in 2011/012 respectively. It seems that HBL has more compensated its employees/staffs than the NIBL. NIBL and HBL both banks have spent 65% to 95%. Gross value added income. For their, employees, Capital providers and the government and rest of income spent depreciation, Reserve, Repair and maintenance, Retention and others. HBL has spent 84.02% in 2007/08, 86.8% in 2008/09, 81.05% in 2009/010, 93.60% in 2010/011 and 93.78% in 2011/012 per employees. Government and Capital providers but NIBL has spent 67.75% in 2007/08, 94.98% in 2008/09, 72.55% in 2009/010, 84.64% in 2010/011 and 75.61% in 2011/012 for the employees, Government and Capital providers of HBL has greater than NIBL but exception of year 2011/012 respectively.

Table 4.17

Statement of Gross Value Addition of Staff's Income Application of Two Banks

Rs in million.

Year → / Particular ↓		2007/08		2008/09		2009/010		2010/011		2011/012	
		Rs	%	Rs	%	Rs	%	Rs	%	Rs	%
Application of Gross value addition											
To Employed staffs	NIBL	289.15	20.74	355.58	20.29	460.70	18.81	494.30	21.42	489.00	23.03
	HBL	236.65	28.80	301.83	31.87	362.66	31.03	402.41	30.42	467.64	33.45
To Government	NIBL	323.23	23.19	397.98	22.70	542.30	22.14	501.40	21.73	449.10	21.15
	HBL	214.27	26.08	214.94	22.70	225.58	19.30	312.97	23.97	313.77	22.44
To Capital	NIBL	567.38	40.71	571.71	32.62	753.70	30.77	711.00	30.81	249.30	11.74
providers: Interest on borrowing +Dividend to share holders	HBL	239.43	29.14	305.23	32.23	359.12	30.73	506.55	38.80	529.73	37.89
To Depreciation	NIBL	61.32	4.40	88.14	5.03	104.97	4.29	122.79	5.32	101.93	4.80
	HBL	36.43	4.43	40.30	4.26	32.35	2.77	34.88	2.67	49.58	3.55
To Expansion,	NIBL	152.38	10.96	339.45	19.37	587.56	23.99	478.32	20.72	833.84	39.27
Reserve, Repair and maintenance and Retention	HBL	94.85	11.54	84.72	8.95	189.21	16.19	48.66	3.73	37.5	2.63
Total Gross value added income	NIBL	1393.88	100.00	1752.86	100.00	2449.23	100.00	2307.81	100.00	2123.17	100.00
	HBL	821.63	100.00	947.02	100.00	1168.92	100.00	1305.47	100.00	1398.22	100.00

Source: Annual Reports (2007-2012) Nepal Investment Bank Limited, Kathmandu:

Annual Reports (2007-2012) Himalayan Bank Limited, Kathmandu:

4.10 Findings of the study

The major findings of the study are as follows:

- Gross value addition rate of NIBL is not satisfactory, it is fluctuating in trend and HBL is satisfactory. For the NIBL, it reflects that, the gross value addition rate is in slowly decreasing stage up to fiscal year 2008/09. Then it is slowly

decreased in fiscal year 2009/010 and again it is decreased. The gross value addition rate of HBL is in slowly increasing stage unto fiscal year 2009/010 it is grew relatively faster and reach in highest point and then fatly decreased in fiscal year 2010/011 and 2011/012. The gross value addition trend of NIBL is highly fluctuation than the gross value addition trend of HBL. But gross value addition rate of HBL is more than the NIBL in every fiscal year.

- The value added staff productivity of NIBL is higher in almost of all the fiscal year than the HBL. But value added staff productivity of HBL is more stable and continually increasing in the same ration of growth rate but NIBL has more fluctuation in value added staffs productivity.
- The value added staff productivity level and indices of these (NIBL and HBL) banks for the year 2011/012 as the base year of 2007/08, Rs2240964.63 of NIBL and Rs2365854.48 of HBL which are the indices of 107 of NIBL and 144 of HBL. Similarly, for the year 2008/09 to 2010/011, the indices of NIBL are 102, 124 and 118 and the indices of HBL are 103, 122 and 135 respectively. It shows the fact that gross value added income of NIBL is not stable and constant stage of progressing but HBL has less fluctuation in progression.
- The value index of value added staff productivity of NIBL is 107 and HBL is 144 for the current year 2011/012 against the 100 in base year 2007/08. The value index of HBL is higher than the value index of NIBL.
- The physical index of value added staff productivity of NIBL is less than the physical index of value added staff

productivity of HBL. It shows that the staff efficiency of NIBL is less than the staff efficiency of HBL.

- Average annual growth rate of Gross value added income of the NIBL is 10.34 percent where as the HBL is 11.50 percent. This fact showing that, the input resources of HBL should be properly utilized than the input resources of NIBL. The average annual growth rate of staffs/employees in NIBL is 7.67 but in HBL is only 3.46. Similarly value added staff productivity level and indices growth rate of NIBL are 1.95 and 10.20 but HBL have 8.16 and 20.80 respectively this all fact reflects that the increasing number of staffs/employees has not been utilized properly in the value added income generation and there by the less productivity in NIBL than the HBL.
- Overall, the employment structure of HBL clearly denotes that the bank should consider while taking decision on the issue of staff forces and forces able factors like competitively market situation in global economy. But in NIBL, there should be in over staffing in initial stage and the management team should not considered output input properly. The number of staffs/employees in NIBL is 622 in Fy 2007/08, 766 in Fy 2008/09, 877 in Fy2009/010, 877 in Fy2010/011 and 883 in Fy 2011/012 but in HBL are 501 in Fy 2007/08 561 in Fy 2008/09, 584 in Fy 2009/010 and 591 in Fy 2010/011 and 2011/012. It shows that it has been increasing in fiscal year 2007/08 to fiscal year 2009/010 and stable in fy2009/10 to fy2010/011 then again it is increased of NIBL but in HBL, it has been increasing in first three fiscal year and stable in Fy 2010/011 and Fy 2011/012. The

average annual growth rate of employees of NIBL is 7.67 but growth rate of HBL is only 3.46.

- Gross value added income application in different factors of production between two banks are different. The NIBL has application it's gross value added income for the major stalks holders i.e. employees, Government and capital providers are Rs.1332.48 million (95.6%) in fiscal year 2007/08, Rs.1664.72 million (94.89%) in year 2008/09, Rs.2344.26 million (95.71%) in year 2009/010, Rs.2185.02 million (94.68%) in year 2010/011 and Rs.2021.24 million (95.19) in year 2011/012. All of rest amount in every year are spent in depreciation, Reserve, Repair and maintenance and Retention. Similarly HBL has applicator its Gross value added income for the stakeholder are Rs.690.35 million (84.02%) in 2007/08, Rs.822 million (86.80%) in 2008/09, Rs.947.36 million (81.05%) in 2009/010, Rs.1221.93 millin (93.60%) in 2010/011 and Rs1311.14 million (83.78%) in 2011/012. Rests of all are utilized in depreciation, Reserve, Repair and maintenance and Retention in every fiscal year respectively. By the comparatively analysis gross value added income utilization of NIBL to its stakeholders is more than the HBL but the value added staff productivity, value addition rate, productivity indices all are less than the HBL. It seems that the staffs of NIBL are less productive than the HBL.

Chapter-V

SUMMARY CONCLUSION AND RECOMMENDATIONS

5.1 Summary

This study is conducted to present the current condition of productivity and support to the management regarding the utilization of staff force in a proper manner in NIBL and HBL both are private sector established commercial bank of the country. NIBL was established in 1996, with a joint venture between the Nepalese and French partner. "Agricote Indosuez Bank". In 2002 the French partner took over the shareholdings into Nepal Indosuez Bank then after, upon the approval of the annual general meeting of the bank, NRB and company registers offic changed the name of the bank into the Nepal Investment Bank Limited. HBL was established in 1993 in joint venture with Habib Bank limited of Pakistan. It is the first commercial bank of Nepal with maximum shareholding by Nepalese Private Sectors and first Bank to introduce the ATMs and Tele Banking services in the Nepalese market.

Both Commercial Banks have advanced infrastructure comprising of fully modern technology. NIBL has 42 Branch Network providing modern technological customers service products, through Dhangadi to Jhapa and Jumla to Lukla, and 68 ATMs all over the country. Similarly, HBL has 27 branch networks, outside the valley and 44 branch & counter services has been providing modern and advance technological customer service products through bank to Jhapa. It has more than 50 ATMs with 365 banking services. NIBL and HBL are precious assets in the economic development of our nation by employing more than 1424 persons directly and others several persons indirectly. NIBL is a third largest tax payer

financial company to the government of Nepal. They have provided the various opportunities for the development of nation with rapid economic growth.

The topic under study has been collected with a view to highlight the importance to value added staff productivity in selected two commercial banks named NIBL and HBL. It aims to analyze the present condition of value added productivity to find out the hindrance for the growth of them and to give the right suggestions to the management. Certainly, the entire work consists of analysis, analytical and statistical rather than descriptive.

The general objective of this study is comparatively Value Added Staffs Productivity analysis of the two selected commercials banks namely Nepal Investment Bank Limited and Himalayan Bank Limited. And it is expected that this general objective to suggest and recommend the management on the basis of research findings for their overall betterment of the banks.

The study is based on secondary data.. Among 32 'A' class commercial banks, only two were chosen to analyze the condition of value added staff productivity. Data have been presented through tables and graphic. They have been analyzed using simple statistical tools. The methodological framework to the present study is analytical in nature.

The Gross value added income structure of NIBL is Rs.1393.88 million in FY 2007/08, Rs.1752.86 million in FY 2008/09, Rs.2449.23 million in FY 2009/010, Rs.2307.81 million in FY 2010/011 and Rs.2123.17 million in FY 2011/012. Similarly, Gross value added income of HBL is Rs.821.63 million in Fy 2007/08, Rs.1305.47 million in Fy 2008/09 and Rs.1398.22 million in Fy 2009/010, Rs.1305.47 million in Fy 2010/011 and Rs.1398.22 million in Fy 2011/012 respectively. The grass value

added income in both commercial banks has in increasing trend but growth rate of NIBL is lower than the growth rate of HBL. The average annual growth rate of gross value added income for NIBL and HBL are 10.34 percent and 11.50 percent respectively.

5.2 Conclusion of Major Findings

The following conclusion and Findings have been drawn from the present study:

- NIBL and HBL both are carrying out the task of various banking product development and inter-branch network of NIBL has spread from Jumla and Dhangadhi in the west to Lukla and Birtamod in the East. Similarly HBL branch has spread from bank from the west to Jhapa in the East. NIBL has employed 883 employers directly and HBL has employed 591 employeers directly they both have provided modern and advance technological banking product and services through their branch networks which are spread all over the country. Therefore, they have been playing crucial role in contributing to uplift the economic status of various farmers, businessman and others related customers. Thus, they have been recognized as an effective tool for economic development and poverty alleviation.

- Although, it is very difficult to find out the trained employers/staffs in banking and financial sector, NIBL and HBL both have focused more female participation in the employment and they are confined to high productive. There are no different between male and female staffs in work and salary basic. So there are employment securities as a permanent base for both male and female staffs.

- Productivity statistics need to be reliable, meaningful and consistent. At the time of investigation, this type of provision is nearly close found behind from the company's activities. Therefore, there are good co-ordination, harmonize and share the knowledge and experience regarding in this matter.

- One of the significant factors affecting productivity is prevalence of inadequate incentives provided by the management to the employees/staffs. In the case of NIBL and HBL, there can be hardly found the unsatisfied staffs from the action of management. Therefore, there would be provision of incentives such as pre-quisitics, good salaries and other benefits, which can boost up their efficiency and this may resulted to the motivation towards the attainment of organization goals.

- The NIBL and HBL both are private sector large commercial banks of the country. Therefore, there are not found any type of unions and other political activities. Thus, these banks have managed the good working relation between management and staffs.

- Training facilities for employees/staffs are good in the both banks. They both have trained their staffs and managers with on the job training facilities and off the job training facilities. They trained their staffs from the general banking management training center for off the job training. They both have published in their annual report regarding the training facilities to their employees/staffs in every fiscal year.

- Management has good mechanism regarding the hearing of staffs' problems and settles their grievances. Therefore, there can be

found great discipline and satisfaction among the staffs over the management activities.

- Quality circle is a major tool to improve the production in any organization. Quality circle had been created in the both banks since, when they established. Every week, meeting of quality circle usually took. Therefore, meeting time of quality circle should be better.

5.3 Recommendation

The following recommendation has been made:

- Productivity in an enterprise is a prime management objective and responsibility to increase productivity and maintain its growth. Therefore, first of all management should give more emphasis on productivity as well as profitability and it must be specified in a company's policies.
- To gain the benefits from the productivity, result orientation program should be involved and implemented in the both banks for attaining this strategy; there should be human commitment towards it. Therefore, management can use the two main interrelated and mutually supportive activates they can be motivational and technical.
- Adequate facilities of training to the staffs are to be made in time to time. This may help the staffs to get opportunity for their future growth and prosperity to face the globalize competitive market. In this matter planned provision can be made to give pre-service and in service training to the workers to improve their skill and it may give an opportunity for promotion.

- Almost all the working condition of the staffs of the both banks has well and customer service is cheerful. The future plan of these banks have to reduce the cost of production and it resulted to the high level of globalize marketability of the service product and technology. To overcome this problem, both banks can utilize and expand the local and urban area service, loan for agriculture to get more and more reformed from the Agro-service product.
- The banks top management should create a autonomy our and peaceful environment to settle the staffs related problems. Before establishing this, there should be proper channel to listen the hassles and grievance of staffs and consensus should be obtained from the stakeholders.
- There are no any trade unions in both banks. By maintaining good working environment in the both banks, the staffs can play a significant a most needed role in the value added productivity.
- The impact of any environmental effect and other any input to the new production process of gaining high profit should be studied time to time. For this, a separate productivity and profitability improvement section can be set up and it will be responsible for the productivity and improvement section can be set up and it will be responsible for the productivity and profitability in the organization.
- The system and culture of rewinding the most skill and trained staffs may play a significant role in the periphery of staffs to get the productivity and profitability drive in this competitive era and there by all staffs improve their efficiency in their work to get proper reward system.

- There are various types of productivity improvement techniques which are basically related with human ware software and hardware. According to the need and nature of the company, one or more may choose any of them. As for as concern for the banks, it may choose and can implement the maximum human ware oriented tools and techniques such as economic incentive system small group activities, quality circle, teamwork, staffs participation in management and career development, training for staffs in time to time, use of highly advance computer tools and techniques, market creativity techniques etc.
- Both banks management should give proper attention to their staffs. They are good paid and being utilized more than standard time. To solve this issue, both banks management should create good relation between management and staffs by giving more wages ant facilities for training and development.
- Quality Circle was found in both banks. By using this technique, both banks have utilized their resources in a rational way and other banks should follow and adopt this type of productivity improvement strategy to uplift their economic efficiency as well as human efficiency to substance global competitive banking and financial environment.

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Appendix –A

Gross Value Added Statement of NIBL

Particular	2007/08	2008/2009	2009/010	2010/011	2011/012
sourees of value addition:-	2750.40	3921.20	5349.4	6569.00	7006.10
Income from operating					
Non-operating activities.					
Less: operating, adm.	1295.20	2080.20	2795.20	4138.4	4781.00
and Non-operating	61.32	88.14	104.97	122.79	101.93
expences.					
Less: Depreciation.					
Gross value added income after depreciation(Gross VA)	1393.88	1752.86	2449.23	2307.81	2123.17

Source: Annual Reports (2007-2012) Nepal Investment Bank limited, Kathmandu:

Gross Value Added Statement of HBL

Particulars	2007/08	2008/09	2009/010	2010/011	2011/012
Source of value addition :-					
Income from operating & Non-operating activities	1760.68	2100.83	2576.92	2615.05	2946.12
Less: operating, adm. and Non-operating	902.62	1113.51	1375.65	1274.70	1498.32
Less: Depreciation	36.43	40.30	32.35	34.88	49.58
Gross value added after depreciation	821.63	947.02	1168.92	1305.47	1398.22

Source: Annual Reports (2007-2012) Himalayan Bank limited, Kathmandu:

Appendix –B

Statement of Application of Value Addition of NIBL (Rs. in million)

Particular	2007/08		2008/09		2009/010		2010/011		2011/012	
	Rs	%	Rs	%	Rs	%	Rs	%	Rs	%
Application of value addition :-										
To Employees	289.15	20.74	355.58	20.29	460.70	18.81	494.30	21.42	489.00	23.03
To Government	323.23	23.19	397.98	22.70	542.30	22.14	501.40	21.73	449.10	21.15
To capital provider	567.38	40.71	571.71	32.62	753.70	30.77	711.00	30.81	249.3	11.74
(interest on borrowing +Dividend to shareholder)										
To Expansion, Reserve, Repaire & Maintenance and Retention	152.80	10.96	339.45	19.37	587.56	23.99	478.32	20.72	833.84	39.27
To Depreciation	61.32	4.40	88.14	5.03	104.97	4.29	122.79	5.32	101.93	4.8
Total Gross value added Income(GVA)	1393.88	100	1752.86	100	2449.23	100	2307.81	100	2123.17	100

Source: Annual Reports (2007-2012) Nepal Investment Bank limited, Kathmandu: **Statement of Application of Value Addition of HBL**

Rs in Million.

Particular	2007/08		2008/09		2009/010		2010/011		2011/012	
	RS	%	RS	%	RS	%	RS	%	RS	%
Application of value addition										
To Employees	236.65	28.80	301.83	31.87	362.66	31.03	402.41	30.82	467.64	33.45
To Government	214.27	26.08	214.94	22.70	225.58	19.30	312.97	23.97	313.77	22.44
To Capital Providers	239.43	29.14	305.23	32.23	359.12	30.72	506.55	38.80	529.73	37.89
(Interest on borrowing + Dividend to Shareholders)										
To Depreciation	36.43	4.43	40.30	4.26	32.35	2.77	34.88	2.67	49.58	3.55
To Expansion, Reserve, Repair and maintenance and Retentions.	94.85	11.54	84.72	8.95	189.21	16.19	48.66	3.73	37.5	2.68
Total Gross value added income.(GVA)	821.63	100	947.02	100	1168.92	100	1305.47	100	1398.22	100

Source: Annual Reports (2007-2012) Himalayan Bank limited, Kathmandu: