CHAPTER – I

INTRODUCTION

1.1 General Background of Study

Nepal, as being surrounded by the two economic superpower of the world, China and India is still in the least developed countries. More than 40% of the total population lies below the poverty line. The agro-dominated economy is further worsened by complex geographical situation; poor resources mobilization, landlocked nature, technological backwardness, lack of institutional commitment, lack of entrepreneurship, erratic government policies, political instability etc are responsible for the slow pace of the development of Nepal.

The globalization and liberalization process have surmounted a world wide pressure on planner and policy makers to design for rapid economic growth. This requires a sufficient and high amount of investment, which is possible through chanalization of what the people save.

Realizing the same, the government has given primary attention on the development of the banking sectors, so that it performs two major responsibilities

a. Generating income through the promotion of trade commerce and industries.
b. Trapping the public saving to raise the sufficient fund for the investment.

The growing influence of the liberal economic policies in the early 80's resulted into a global move for the economic liberalization and globalization. The influence in Nepal, first time of all appeared in the form of Nepal's liberal policies in the banking sector. The government of Nepal introduced financial sector reforms policy in 1980. This encouraged the healthy competition in the financial sector as well as it allowed the entry of the foreign banks in the Nepalese market. Nepal permitted to establish private commercial banks with foreign investment in this sector.

Banking industries are important component of the economy. It transfer the scattered funds collected from the saving of the public into various productive sectors. Economic activities remains halt in the absence of banking industries. It plays the role of catalyst for the economic development of the country in the developing country

where there prevail unorganized transactions. It helps to enhance economic activities of the country by providing capital funds for smooth operation of business activities, create employment opportunities investing in trade commerce and industries. Therefore the integrated and speedy development of country is only possible when competitive, reliable and sound banking services are reached and carried to every nook and corner of the country.

1.1.1 Development of Banking System in Nepal

Nepal has no longer history on the development of the banking sector. Tejarath Adda established in 1876A.D by the Rana Prime Minister Ranoodheep Singh used to lend loans to civil servant and to general public by pledging gold and silver is supposed to be first financial institution. The establishment of this institution marked the beginning of extending credit through any financial institution in Nepal. Thus the establishment of the "Tejarath Adda" could be regarded as the premier foundation of banking in Nepal.

However, the installations of "Kausi Toshi Khana" as a banking agency during the regime of King Prithivi Narayan Shah could also lay claim to be regarded as the first step towards initiating banking development in Nepal.

The origin of modern banking history in Nepal was started through the establishment of "Nepal Bank Limited" in 1994 B.S. under 'Nepal Bank Act 1993 B.S' it was established with the objective of economic development of the country. It is the first indigenous commercial bank undertaking all banking business of the general public. It is well established bank and has wide network of its branches throughout the country serving in various sectors of economy.

Nepal Rastra Bank was established as the central bank of Nepal under the NRB act 2012 on 12th Karitk, 2013 B.S. as a non profit organization, fully subscribed by the government to make banking system more systematic and dynamic during that period. After establishment of NRB the responsibilities of issuing new coins and currencies were taken over by it, which was previously performed by 'Taksar Bibhag'. Besides issuing new coin and currencies, the main objective of Nepal Rastra Bank is to

provide policy decision, guidance and control the banking sector. Thus NRB plays both regulatory and promotional role in the banking sector of Nepal.

About decade later in 2022 B.S, Rastriya Banijya Bank, was established as fully government owned second commercial bank in Nepal to play important role in the economy of Nepal. It has also gained confidence of the general public and has wide range of branches throughout the country. The other indigenous subsidized bank is the Agriculture Development Bank was established in 1968. The main objective of this bank is to accept public deposits and provide financial assistance and services to the agriculture sectors.

During the period of 80's, Nepal government adopted liberal economic polices which encouraged the healthy competition in the financial sectors as well as entry of the foreign banks in the Nepalese market in the form of Joint Venture Banks. As result in 12 July, 1984 A.D, NABIL Bank was established as the first JVB in Nepal, under Commercial Bank Act 1974 with foreign capital, technology and experience. With the opening of NABIL bank the door of opening joint venture bank was opened to private sectors.

1.1.2 Concept of Commercial Banks

Commercial Banks are the major component in the financial system. It came into the existence mainly with the objectives collecting the idle funds, mobilizing them into productive sectors and causing an overall economic development. The bankers have the responsibilities of safeguarding the interest of depositors, shareholders and the society. A sound banking system plays a key roles; intermediation maturity transformation, facility payment flows, credit allocation and maintaining financial discipline among the borrowers.

Commercial Banks are those financial institutions, which deal in accepting deposits of persons and institutions and giving loans against security, primarily for the purpose of profit earning. They are considered as heart of the financial system. They can be either of the branch banking type, as we see in most of the countries, with large network of branches or of the unit banking type as we see in the united state where

bank's operation are confide to a single office or to a few branches with in a strictly limited area [Shekhar; 1999:4].

"Commercial bank is corporation which accepts demand deposit subject to check and makes short term loan to business enterprises regardless of the scope of its services" [American Institute of Banking, 1972:345].

The Commercial Bank Act 1974 defined as "A commercial bank is one which exchanges money, deposits money, accepts deposits, grants loans, and performs commercial banking functions and which is not meant for co-operative, agriculture, industries or for such specific purpose" [Commercial Bank Act, 1974].

According to Nepal Company Act 2031 B.S. A commercial bank refers to such type of bank, which deals in money exchange accepting deposits, advancing loans and commercial transaction except specific banking related to co-operative, agriculture, industries and other objective.

1.1.2.1 Functions of Commercial Banks

"The business of commercial banks is primarily is to hold deposits and make loans and investments with the object of securing profits for its shareholders. Its primary motive is profit; another consideration is secondary" [Sudharsana; 1976:123].

The major functions of commercial banks are as follow:

i. Accepting Deposit: One of the major functions of a commercial bank is to accept deposit from the public. Bank not only protects it but also provides the depositors with a convenient method of transferring funds through the use of cheques. It accepts deposit from every class and from every sources and in all cases, without exception, it undertake to repay the money, either in part or in full, in legal tender money. Deposits are of various type of among them current, saving and fixed deposits are popular one.

ii. Advancing Loans: The second function of commercial bank is to provide loans and advances from money which it receives by way of deposits. Loans and advance are given to public and trade houses against the personal security of the borrowers or

against the security of moveable and immovable properties. Bank, in form of overdrafts, cash credit, direct loans and discounting bills of exchange grant loans.

iii. Agency Services: A bank also performs number of services on behalf of its customers. It undertakes the payment of subscriptions, insurance premium, rent etc and collect of cheques bills, salaries, pensions, dividends, interest, etc on half of the customers. Bank charges a small amount of commission for these services. In addition, bank arranges to remit money from one place to another by means of cheques, drafts, wire transfer etc. It also acts as representative or correspondent for its customer, of other banks and financial institutions. Moreover, a bank acts as a trustee, executer, administrator and attorney.

iv. Credit Creation: It is one of the most important functions of the commercial banks. In order to earn profits, they accept deposits and advance loans by keeping small amount of cash in reserve for day to day transactions. When a bank advances loans, it opens an account to draw money by cheque according to his needs. By granting a loan, the bank creates credit and earns interest in return.

v. Facilities for the Financing of Foreign Trade: The other primary function of commercial bank is making arrangement for the amount of foreign exchange needed by business organization to pay in the foreign countries. Bank provides more satisfactory guarantee to an individual or firms brought to issuance of a commercial letter of credit, drafts, telegraphic transfer (T.T) and accepting traveler's cheque.

vi. Safekeeping of Valuables: The safekeeping of valuable is one of the oldest services provided by commercial banks. The protection of valuables falls into two areas or department of bank; safe deposit boxes and safekeeping. Safe deposit boxes are made available to customer on rental basis that may be useful place for securities, deeds, insurance policies and personal valuable items to the owners. In other hand, safekeeping differs from safe deposits box services into that the bank has custody of the valuable and acts as an agent for the customer.

vii. Making Venture Capital Loans: Increasingly, banks have become active in financing the start up costs of new companies, particularly in high-tech industries. Because of added risk involved in such loans, this is generally through a venture

capital firm that is a subsidiary of a bank holding company, and other investors are often brought in to share risk.

viii. Financial Advising: The customer have long asked bankers for financial advice, particularly when it comes to the use of credit and the saving or investing of funds. Many banks offer a wide range of financial advisory services, from helping financial planning to consulting to business managers and checking on the credit standing of firms.

ix. Offer Security Brokerage Services: In today's financial market place, many banks are striving to become true "financial super market" offering a sufficiently wide array of financial services to permit customers to meet all of their financial need at one location. This is one of the reasons many banks began to market security brokerage services offering customers and opportunity to buy stocks, bonds and other securities without having to go to security dealer or broker.

x. Offer Investment Banking and Merchant Banking Services: Banks today are following in the footsteps of leading financial institutions all over the globe in offering investment banking and merchant banking services to corporations. These services include identifying possible merger targets, financial acquisitions of other companies, dealing in security underwriting, providing strategic marketing advice and offering hedging services to protect their customers against risk from fluctuating world currencies prices and changing interest rates.

Commercial banks play an important role in directing affairs of the economy in the various ways. The operating of commercial banks records the economy pulse of the economy. The size and composition of their transaction mirror the economy happening in the country. For example the mass failure of commercial banks during the 1930s had reflected the phenomenon of several global in the world. Commercial banks have played a vital role in giving a direction of financing the requirements of trade and industries in the country.

1.1.3 Concept of Joint Venture Bank

A joint venture is an association of two or more persons or parties under taken to make the operation highly effective with their collective efforts. Joint venture bank plays an important role in the economic development of the country.

"A Joint Venture Bank is joining of forces between two or more enterprises for the purpose of carrying out a specific operation such as a industrial or commercial investment, production or trade" [Gupta,D.P; 1984: 15].

The joint venture is common variant for expansion "A joint venture business involves in equity arrangement between two or more independent enterprises which results in the creation of new organization" [Jauch and Glueck, 1988:232].

This thought identified the joint venture as a mutual understanding among two or more firms then bringing a new enterprise in existence. Basically they are constant about the ownership of new firms. Firms within a country as well as operating in different countries may participate in a venture that happens to be more common firm's indifferent countries. The foreign joint venture banks with full-fledged banking functions in Nepal are formed under Company Act 1964 and operated under Commercial Bank Act 1974.

Joint venture bank has been established for trading to achieve mutual exchanges of goods and services, for sharing comparative advantages by performing joint investment schemes between Nepalese investors, financial and non financial institution as well as private investors and their parent banks. The parent banks that have experience in highly mechanized and efficient modern banking services in the many parts of the world have come to Nepal with superior technology, advanced management, skill and international network of banking.

Joint venture banks in Nepal are expected to be the medium of economic development and uplift the community under the guidance, operate under supervision, control and direction of Nepal Rastra Bank. NABL was the first foreign joint venture bank in Nepal, established in 1984 A.D. till now there are nine joint venture banks operating in major cities of Nepal.

Following are the JVBs established in Nepal.

S.N.	Joint Venture Banks	Established Date	Head Office
1	Nabil Bank Limited	2041/03/29	Kathmandu
2	Nepal Investment Bank Limited	2042/11/16	Kathmandu
3	Standard Chartered Bank Limited	2043/10/16	Kathmandu
4	Himalayan Bank Limited	2049/10/05	Kathmandu
5	Nepal SBI Bank Limited	2050/03/23	Kathmandu
6	Nepal Bangladesh Bank Limited	2051/02/23	Kathmandu
7	Everest Bank Limited	2051/07/01	Kathmandu
8	Bank Of Kathmandu Limited	2051/11/28	Kathmandu
9	Nepal Credit and Commerce Bank Limited	2053/06/28	Siddhartha Nagar

1.1.3.1 Role and Function of Joint Venture Banks

JVBs with foreign collaboration advanced managerial skills, international network and modern computerized technology have uplift the banking and financial sectors. It plays dynamic and vital role for the development of the efficient financial market as well as for proper mobilizing and utilizing of the resources in the country. Following heading illustrate the role and functions of JVBs.

i. Introduce New and Advance Banking Services: JVBs have introduced new era of banking in the nation. They are expert and efficient for practicing new and advance technology like computerized services, e-banking system, automatic teller machine (ATM), 24hrs banking system, Debit card, Credit card, Traveler cheque, premium saving account and many other attractive services to its customers.

ii. Create a Competitive Environment in Banking Sector: Joint Venture Banks with foreign collaboration advanced managerial skill, international network and modern computerized technology have created serious challenged to the existence of the traditionally running domestic commercial banks. With the entry of JVBs, their customer oriented banking service had created the opportunity and threat to the domestic bank to improve their services and sharpen their internal strength to survive.

iii. Provide more Resources for Investment: The JVBs play a significant role in mobilizing foreign resources for investment. They act as mediator between foreign investors and native promoters for the promotion and development of the trade and commerce in the country like Nepal.

iv. Offer better Link with International Market: The top level-management of the JVB is either from foreign country or supported by foreign parent institution for expertise and professional services. So JVBs are usually able to raise the resources internationally for viable projects in developing countries like Nepal due to their creditability and easier access to international market.

1.1.4 Focus of the Study

Joint Venture Banks play a tremendous role in the development of developing nations, also helps in the economic sector of the country. Typically commercial bank's main motive is to make profit providing quality services to the customers in Nepal, there exists twenty five commercial banks releasing their service and among them nine are JVBs. Although JVBs have managed to perform better than other local commercial banks within short span of time they have been facing neck to neck competition against one another. Among the nine JVBs this research is based on mainly three JVBs mainly NABIL, NIBL and HBL.

The main objective of this research is to analyze the financial performance through use of appropriate financial tools. So this research focused mainly to highlight and examine the profitability position of the selected banks ignoring other aspect of bank transactions.

To highlight the financial position of the banks, the research is based on the certain financial tool i.e. ratio analysis.

1.2 Statement of Problem

Economic liberalization and privatization policy adopted by the government has open up the opportunity and threat as to the banking sector also. As a result, we see a rapid growth in the numbers of commercial banks in the country and of course, the rapid

increment on the numbers of commercial banks in small kingdom like Nepal has created tough and bottle neck competition among bankers.

The sample banks (NABIL, NIBL, and HBL) which are chosen for the studies have achieved success in term of market share and profitability. However it cannot predict that these banks will continue to maintain profitability and stability of earnings. Thus the management should evaluate financial performance of the banks to prepare the sound financial policies.

Ratio analysis is powerful tools for evaluating the financial performance. It is also a process of determining and interpreting numerical relationship with the help of financial statement .management use effective strategies thorough financial tools and analysis for achieving goal. Financial analysis satisfies the interest of common stock holder, creditors, investors and promoter of the banks.

Although all sample banks are able to earn profit and dividends to their shareholder, they are facing throat cut competition between them and with other JVBs. Therefore some question of problem arises in these sample banks which are as follows.

a. To what extent these banks are able to raised and maintain their profitability?
b. Are sample banks more effective and efficient in mobilization of fund for better financial performance?
c. Is there any relationship of investment, loan and advance and deposit with net profit?
d. Is there any stability in various ratios polices of the sample banks?
e. How efficiently these banks are managing their liquidity, asset, capital structure etc?
f. How far is the current political and economical situation of the country affecting the performance of the sample banks
g. Do financial ratios indicate any strength and weakness of the banks?

1.3 Objectives of the Study

Commercial banks are established with the intention of earning profit so that the wealth of their shareholder is maximized and earning depends upon efficient mobilization of the resources. Financial analysis is tools for measuring the successes

of any business performance. All the detail financial information of bank is shown by the financial analysis. Therefore the main objectives of this study are to analyze, examine and interpret the financial position of NABIL, NIBL and HBL with the help of ratio analysis and other portfolios. In addition the study tries to evaluate the efficiency and progress of the sample banks comparatively.

The specific objectives of the study can be pointed out as follow:

a. To analyze the financial performance of sample banks in terms of liquidity, profitability, growth, leverage and capital adequacy.
b. To analyze the trend of total deposit, loan and advance, and net profit of selected banks.
c. To identify relationship between net profit with respect to deposit, loan and advance, and investment.
d. To evaluate the soundness of profitability and operating efficiency of sample banks.

1.4 Limitation of the Study

This study is simply for the partial fulfillment of the requirement of Master in Business Studies (MBS). However there are some limitations, which narrowed the generalization. For instant inadequate coverage of industries, time periods, reliability of statistical tools used and other variations. This study will be limited by following factors:

a. This study deals with only three banks but may not applicable to other banks.
b. The whole study is mainly based on secondary data collected from the respective companies and web site on internet.
c. The study concerns only a period of 5 years i.e. from 2003/04 to 2007/08 A.D. Therefore the conclusion is concern with only above period.

1.5 Organization of the Study

The study will be organized into five chapters:

Chapter I: Introduction

This chapter deals with subject matters of the study consisting background of the study, development of banking in Nepal, introduction and function of commercial banks, concept, role and function of JVB, focus of the study, statement of the problem, objective of the study, limitation of the study and organization of the study.

Chapter II: Review of the Literature

This chapter deals with review of the different literature of the study field. Therefore it includes conceptual framework along with the review of major books, journal, research work, and thesis etc.

Chapter III: Research Methodology

This chapter deals with research methodology and it includes research design, population and sample, sources of data, data collection process and data analysis tools i.e. financial and statistical tools.

Chapter IV: Data Presentation and Analysis

This chapter deals with presentation, analysis and interpretation of the data using different financial and statistical tools described in chapter three. Similarly it also includes the major finding of the study.

Chapter V: Summary, Findings, Conclusion, Recommendations

This chapter deals with summary of the study held, the conclusion made ultimately and possible suggestion.

CHAPTER – II
REVIEW OF LITERATURE

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

Therefore, the chapter is categorized under three main heading. Conceptual framework is concern with the fundamental of supportive text that will ensure the interpretation whether it is under principles and doctrine of the theories related to the topic. Review of related studies is about the studies of previous thesis, related books and previous researcher in similar topics. The last is research gap which will describe the difference between the previous thesis and current thesis.

2.1 Conceptual Framework

2.1.1 Financial Analysis

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

The main function of financial analysis is the pinpointing strength and weakness of a business undertaking by regrouping and analysis is figures contained in financial statements, by making comparison of various components and by examining their

content. This can be used by financial managers as the basis to plan future financial requirement by means of forecasting and budgeting procedures.

Weston, Besley and Brigham have stated, "Financial statement analysis involves a comparison of analysis firm's performance with that of the other firms in the same line of business which often is identified by the firm's industry classification. Generally, speaking, the analysis is used to determine the firm's financial position in order to identify its current strengths and weakness and to suggest actions that might enable the firm to take advantage of the strength and its weakness [Weston, Besley & Brigham, 1996:78].

Financial analysis is the process of determining financial strengths and weakness of company by establishing strategic relationship between the components of analysis balance sheet and other operative data [Pandey, 1994:96].

Similarly, Hampton has stated that "It is the process of determining the significant operating and financial statements. The goal of such analysis is to determining the efficiency and performance of the firm's management, as reflected in the financial records and reports" [Hampton, 1998:98].

In financial analysis, certain guidelines or criteria are included:

a. Historical evidence of performance as a base of financial performance analysis.
b. Economic consideration such as trend and average of price level, business profit interest rates, dividend policy, security price movements.

Financial statement gives insight knowledge on the firm's financial position at a point of time and on its operation over some past companies regarding what they has done in terms of assets, liability, income and expenses. One the other hand financial statement also highlights other aspects of company such as liquidity, profitability, activity, capital structure and market.

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

moment in time and next, income statement that depots analysis summary of the firm's profitability overtime [Vanhorn & Watchowlcz, 1997:120].

Financial statement is largely analysis study of relationship among the various financial factors in analysis business as disclosed by the single set of statement and analysis study of the trend of these factors as shown in analysis series of statement. [Myer, 1961:4].

"It is both analytical and judgmental process that helps answer question that have been posed. Therefore it is means to end. Apart from the specific analytical answer, the solutions to financial problems and issues depend significantly o the views of the parties involved in the related importance of the issue and on the nature and reliability of the information available"[Helfert, 1992:2].

2.1.2 Financial Performance Analysis

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

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

The user of financial statement of bank requires relevant, reliable and comparative information to evaluate the financial performance and position and hence make

economic decision regarding the bank. According to 'Commercial Bank Act 1974' the audited balance sheet and profit and loss account must be published in the leading national newspaper for the information of general public.

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

a. The structure of balance sheet and profit and loss account.
b. Operating efficiency and internal management system.
c. Managerial decisions taken by the top management regarding interest rate, lending policies, exchange rates etc.
d. Environment change such as in technology, government policies, competition, economy etc.

2.1.2.1 Technique of Analysis

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

a. Ratio Analysis.
b. Statement of Changes in Financial Position.
c. Cash Flow Statement.

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

a. Ratio Analysis:

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

Ratio analysis is an important way to state meaningful relationship between components of financial statement. Ratios are guided or shortcuts that one useful in evaluation the financial position and operations of a company and in comparing then to previous year or to other business concerns. The term ratio refers to the numerical or quantitative relationship between two variables. The rational of ratio analysis lies in the fact that it makes related information comparable. [Khan M.Y & Jain P.K:80]

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

Ratio analysis involves comparison for a useful interpretation of the financial statement. Ratio is the quantitative relationship between items. A ratio is define as and indicated quotient of two mathematical expressions and is the relationship between two or more thing.

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

Ratio analysis involves basic understands of comparison to a useful interpretation of the financial statements. A single ratio by itself does not indicate favorable or unfavorable condition of a firm unless it is compared to some appropriate standard. Selection is a proper standard of comparison is a most important element of the ratio analysis. Ratio analysis provides guides specially in spotting trends toward better or poor performance

and in finding out significant deviation from any average or relatively applicable standard [Dongol, 2050:370].

Ratio analysis is widely used but no one ratio gives exact picture. In other hand ratio by them is not conclusion, as they are only means and no and end. Ratio analysis is in conceivable that accounting in into ratio.

A single ratio it self does not indicate favorable or unfavorable condition. It should be compared with some standard as;

    a. Time series analysis

    b. Cross-section analysis

    c. Industry analysis

    d. Perform analysis   [Pandey, 1997:102].

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

    a. Liquidity Ratio

    b. Activity Ratio

    c. Profitability Ratio

i. Liquidity Ratio:

Liquidity ratio measures the ability of firm to meet its current obligations. In fact, analysis of liquidity needs the preparation of cash budget, cash and fund, but liquidity ratio, by establishing the relationship between cash and other current assets to current obligations, provide a guide measure of liquidity [Pandey, 1997: 220]. Liquidity ratios give insight into the present cash solvency of the firm and its ability to remain solvent in the event of adversities. It is the comparison between the short term obligation and the short firm resources. In case of bank, liquidity management is widely used to analyze liquidity position of banks.

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

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

assets [Madhura, 1989: 320]. To analyze the ability of banks, the following ratios are calculated.

a. Current Ratio
b. Cash and Bank Balance To Total Deposit Ratio
c. Cash and Bank Balance To Current Ratio

ii. Activity Ratio/Asset Management Ratio:

Traditionally, asset and investment management ratio have been called activity ratio. Whatever designation, the idea is to measure how effectively the firm utilizes the investment and the economic resources at its command. Investments are made in order to produce profitable sales. For achieving profitable sales it involves sound investments. At the practical level, this involves comparisons between the sales and the investments in various assets account. The methodology postulates an optimal relationship between sales and the various types of asset investment [Weston & Copland, 1999: 112].

This ratio evaluates the efficiency with which the firm manages and utilizes its assets. They indicate the speed which assets are being converted or turned over. Thus, these ratios are used to measure the bank's ability to utilize their available resources. Some selected ratios for this research are illustrated as below:

a. Loans and Advance to Total Deposit Ratio
b. Loans and Advance to Fixed Deposit Ratio
c. Loans and Advance to Total Working Fund Ratio
d. Total Investment to Total Deposit Ratio
e. Investment on Government Securities to Total Working Fund Ratio
f. Investment on Share and Debenture to Total Working Fund Ratio

iii. Profitability Ratio:

Profit is the difference between total revenues and total expenses. Profit is the ultimate output of a commercial banks and it will have no future if it fails to make sufficient profits. Therefore, the financial manager continuously evaluates the efficiency of the banks in terms of profit. The profitability ratios in this study are

calculated to measure the operating efficiency and performance of three banks comparatively.

The future stream of cash flow is the result of a large number of policies and decisions. We start with historical data about cash flow and profitability but emphasize that these represent only the starting point. Further strategies and operating analysis is required to make meaningful projections for the future   [Weston   & Copland, 1993: 123].

Some major profitability identifying ratios used in this study are as follow;

- Net Profit to Total Asset Ratio
- Net Profit to Total Deposit Ratio
- Net Profit to Net worth Ratio
- Total Interest Earned to Total Working Fund

2.2 Review of the Related Studies

2.2.1 Review of Journal

Shrestha (2055), conducted a research study on "Portfolio Management in Commercial Bank, theory and practice." He has highlighted following issues in his journal. The portfolio management becomes very important both for individuals as well as institutional investors. Investors would like to select the best mix of investment assets subjects to following aspect:

Higher return which is comparable with alternative opportunities available according to the risk class of investors.

- Certain capital gain.
- Good liquidity with adequate safety of investment.
- Maximum tax concession.
- Flexible investment.
- Economic, efficient and effective investment mix.

In view of above aspects, following strategic are adopted:

- Do not hold any single security i.e. try to have a portfolio of different securities.
- Do not put all the eggs in the one basket i.e. to have a diversified investment.

) Choose such a portfolio of securities, which ensures maximum return with minimum risk or lower return but added objective of wealth.

However, Mr. Shrestha, has also presented following approach to be adopted for designing a good portfolio and its management.

) To find out the investible assets (generally securities) having scope for the better return depending upon individual characteristic like age, health, need, disposition, liquidity, tax liability etc.

) To find out the risk of the securities depending upon the altitude of investor toward risk.

) To develop alternative investment strategies for selecting a better portfolio, which will ensure a trade-off between risks and return so as attach the primary objective of wealth maximization at lower risk.

) To identify securities for investment to refuse volatility of return and risk.

Mr. Shrestha has presented two types of investment analysis technique i.e. fundamental analysis and technical analysis to consider any securities such as equity, debentures, bonds and other money and capital market instruments. He ha suggested that the banks having international network can also offer access to global financial markets. He has pointed out the requirement of skilled manpower, research and analysis team and proper management information system (MIS) in any commercial banks to get success in portfolio management and consumers' confidence.

Portfolio Management in Nepalese Banks

According to Mr. Shrestha, the portfolio management activities of Nepalese commercial banks at present are in nascent stage. However, on the other hand most of the banks are not doing such activities so far because of the following reasons:

) Unawareness of the clients about the service available.

) Hesitation of taking risk by the clients to sue such facility.

) Lack of proper technique to run such activities in the best and successful manner.

) Less development capital market and availability of few financial instruments in the financial market.

Regarding the joint venture banks, they are very eager to provide such services but because of above mentioned problems very limited opportunities are available to the banks for exercising the portfolio management.

Mr. Shrestha has given following concluding remarks:

) The survival of the banks depends upon its own financial health and various activities.

) In order to develop and expand the portfolio management activities successfully the investment management methodology of a portfolio manager should reflect high standard and give their clients the benefits of global strengths, local insights and prudent philosophy.

) With the disciplined and systematic approval to the selection of appropriate countries, financial assets and the management of various risks, the portfolio manager could enhance the opportunity for each investor or client to earn superior returns overtime.

) The Nepalese banks having greater network and access to national and international capital markets have to go for portfolio management activities for the increment of their fees based income as well as to enrich the client base and contribute nation's economy.

Poudal (2053), conducted research study on "Financial Statement Analysis: An Approach to Evaluate Bank's Performance" which was published NRB Samachar (An annual publication-2053) is review as follow:

According to Mr. Poudal, balance sheet and profit and loss account and the accompanying notes are the most useful aspects of the banks. It need to understand the major characteristics of bank's balance sheet and profit and loss a/c. The bank's balance sheet is composed of financial claims as liabilities in the form of deposits and assets in the form of loans. Fixed assets accounts form a small portion of the total assets. Financial innovations, which are generally contingent in the nature, are considered as off-balance sheet items.

Interest received on loans and advances and investment and paid on deposit liabilities are the major components of profit and loss account. The other sources of income are fees, commission, discount and services charges. The users of the financial statement of a bank need relevant, reliable and comparable information which assist them in evaluating in the financial position and performance of the bank and which is useful to them in making economic decisions. The disclosure requirement of bank's financial statement has been expressly laid down in the concerned act commercial banking act 1974 requires the audited balance sheet and profit and loss account to be published in the leading newspaper for the information of general public.

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

⟩ The structure of balance sheet and profit and loss account.
⟩ Operating efficiency and internal management system.
⟩ Managerial decision taken by top management regarding interest rate, exchange rate, lending policies etc.
⟩ Environment changes (technology, government, competition and economy)

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

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

2.2.2 Review of Article

Yadav (1998), in his article entitled "The growing trend of consumer banking" has summarized some newly adopted policy by the commercial banks in favors of

consumer while long term investment opportunities remain uncertain in the country. The Nepalese banks are starting to diversity the loans in order to reduce excess liquidity and other financial risks. Nepalese banks are moving towards the new eras of banking so that the relatively recent concept of consumer banking is swiftly becoming popular and flourishing among the middle to high level jobholders private companies to corporate houses and national to multinational companies. The banks are offering all kind of personal as well as commercial facilities. These days, Nepalese banks are coming up with new products and consumer package on the regular basis. They are increasing collaborating with international banks too, embracing their banking models, learning lesson from their traditional and latest concept and keeping up to data with new technologies coming in hence, giving added facilities to the consumer too, Nepalese bank rapidly expanding their research through the country and expanding their service hours keeping the customers 'convenience in mind.

Shrestha (1993), in her research "Investment planning of commercial banks in Nepal" has made remarkable efforts to examine the investment planning of commercial banks in Nepal. On the basis of the study she concluded that the bank portfolio (loans and investment) of commercial bank have been influenced by the variable securities rates. Investment planning of commercial banks in Nepal is directly traced to fiscal policy of government and heavy regulatory procedure of the central bank NRB. Therefore, the investments are not made in professional manners. Investment planning and operation of commercial banks in Nepal has not found satisfactory in term of profitability, security, liquidity, productivity and social responsibility. To overcome this problem she has suggested "commercial bank should take their investment function with proper business attitude and should perform lending and investment operation efficiently with the proper analysis of the projects'.

Shrestha (1990), in the article, "Commercial bank's comparative performance evaluation" has concluded that the JVBs are operationally more efficient than the local commercial banks. The JVBs have achieved better performance by using sophisticated technology and skilled manpower, and providing modern banking facilities whereas local banks have been burdened by the government policy of rural branching and financing public enterprises having no reimbursement capacity. However, local banks have competitively out performed the JVBs in term of granting

loans to cottage and small industries. Local banks have number of loopholes like absence of global balance sheet, absence of precise classification of loans and absence of proper development of computerized system. More over local banks have faced various problems from scio-economic, political system, on one hand spectrum and that of issue and challenges from JVBs commanding significant banking business on other spectrum.

2.2.3 Review of Previous Thesis

Prajuli (2002) in his thesis, "A comparative study of financial performance of Joint Venture Bank in Nepal" had set the main objective to evaluate effectiveness of monitoring and collecting polices of banks. The researcher had specialized study in Nepal Grind Lays Bank Ltd (NGBL) and Nepal Arab Bank Ltd (NABL) and the analysis of the liquidity ratio reveals that the liquidity position is relatively high in case of NABL. As indicated by the activity ratio, NABL has better performance than of NGBL, which might be the consequences of better lending policy of NABL. Regarding the profitability ratio NGBL has higher than those of NABL in percentage, which revels that NGBL is relatively greater efficiency in mobilizing its resources. Profitability ratio which measures the bank's capacity to earn the means of substance is different in those two banks. During the study time frame, NGBL has better result in respect of net profit to total assets ratio, net profit to total deposit, return on asset (ROA) than NABL. EPS of NGBL is better than of NABL but DPS and dividend payout ratio of NABL is better than of NGBL. Thus, it may conclude that NGBL may have bright future than that of NABL, because it is quite efficient in generating the means of subsistence.

Awasti (2003) in his thesis paper "A comparative study on financial performance between HBL and BOKL ", having the objectives to analysis and examine the financial performance, identifying the financial position and recommend the suggestion on conducted research. He used the descriptive cum analytical research design using the financial as well as statistical tools. He concluded that liquidity position of the both banks were not satisfactory where as efficiency of utilization of resources of HBL was relatively better. HBL was more successful to generate more return in its shareholders found than that of BOKL. Comparatively interest constitute

high portion in income and payment to BOKL than HBL and commission and staff expenses constitute higher portion in income and expenses of HBL than BOKL. Thus, HBL has comparatively superior financial performance. He recommended improving current ratio and increasing the investment by total deposit ratio for both banks. To enhance the profitability, idle money should be invested and to reduce finally, for banking development they have to obey to directive of NRB by establishing its branches in rural region and invest in priority sectors.

Ghimire (2004) in his thesis, "A comparative study of financial performance of NIBL and NSBIBL", was prepared with the objectives of analyzing and interpreting the financial performance. The major uncovered facts of this research were that the overall liquidity, earning and growth position of NIBL was stronger than that of NSBIBL. The capital adequacy, liquidity, quality of assets as well as turnover position was found to be superior that of NSBIBL. The corrective analysis reveled with the fact that NSBIBL was able to utilize its resources more efficiently and profitably. Earning per share, dividend per share of NSBIBL was very low in comparison to NIBL. Income and operating expenses were in increasing trend and were dominated by interest incase of the both banks.

Basnet (2005) in his thesis entitled "A comparative study on financial performance between the commercial banks: Nepal Bangladesh Bank Ltd. and Nepal SBI Bank Ltd." with the objectives to study the financial performance and compare the financial position of both the banks by analyzing various financial ratios. The researcher found that the average current ratio of SBI bank was greater than that of NBBL. An average loans and advances to total deposits ratio of NBBL was lower than that of the NSBI bank, which means that NSBI bank is utilizing its collected resources in the form of deposits much more efficiently, which definitely lead to the increase in income and profit of the bank. He also concluded that an average profitability ratio is higher in case of NSBI bank than of NBBL. It means NSBI bank is retaining lesser portion of its earning than that of NBBL. From the share holder point if view, the dividend is more desirable to increase their current wealth and retained earning are the most significant internal sources of financing for the growth of the firm.

Pradhan (2006) in his thesis entitled "A comparative study on financial performance of HBL and SCBNL." with main objective to examine the financial performance of

the bank in term of different ratio (i.e. liquidity, activity, profitability etc) and recommend suggestion to improve the financial soundness. The researchers found that current ratio of both the banks are below the standard that might affect the liquidity position of banks. Activity ratio of SCBNL was slightly lower than of HBL. So SCBNL is strongly recommended to follow liberal lending policy and invest more percentage of amounts of total deposits in loan and advances. Profitability ratio of SCBNL is better than that of HBL so HBL need to reduce the operating expenses and invest in different profitable sectors. Earning per share and dividend per share of SCBNL is higher than that of HBL so HBL need to increase its earning per share and dividend per share to keep investors within the banks.

Uperti (2007) in his thesis entitled, "A comparative analysis of financial performance of the NIBL, HBL, SCBNL, and EBL." has examined the comparative strength and weakness of four major competitive JVBs. He has studied the operational aspects of these JVBs taking into account the products they offer. According to his study, NIBL had better results in case of the profitability except return on net worth. Similarly, it had better liquidity, credit deposit and capital adequacy position as compared to HBL, SCBNL and EBL. SCBNL holds highest rank regarding performing assets ratio and other indicators like D/P ratio, EPS and BVPS. All the selected JVBs are extremely levered, though NIBL and HBL had relatively lower ratios. Trend analysis showed NIBL's growth in terms of net profit, loans and advances and total deposits have been increasing rapidly that of remaining these selected JVBs.

Bhattrai (2008) in his thesis entitled "A comparative analysis of financial performance of NABIL, NIBL and SCBNL." The main objective of the research was to examine the financial performance of the bank in term of different ratio (i.e. liquidity, activity, profitability etc) and recommend suggestion to improve the financial soundness. The researcher found liquidity position of all sample banks were failed to maintain their standard liquidity position however NABIL was success to maintain slightly more liquid than NIBL and SCBNL. Similarly NABIL with higher profitability ratio has been successful to generate profits with the proper utilization of its assets as compare to NIBL and SCBNL. NIBL has been successful in utilization of its funds in loan and advance and it has high debt to asset ratio that represents a greater risk to creditors than other sample banks. Similarly high earning per share,

high dividend payout ratio and high price earning ratio of SCBNL shows that they are successful to maintain their market value as compare to NIBL and NABIL. He recommended that all banks should maintain their standard liquidity position. Banks should try to mobilize its resources efficiently, invest in non risky asset and try to reduce the operating expenses as it affects the profits.

Gurung (2009) in his thesis entitled "A financial study of joint venture bank: a comparative study of Bank of Kathmandu Ltd. and Everest Bank Ltd." has found that the liquidity, profitability and dividend payout ratio of both the banks seems to be favorable and both banks have been able to manage satisfactory level of capital adequacy ratio in the subsequent years, which is well above the required adequacy norms. He also recommended that both the banks are required to maintain improved capital structure by increasing equity base i.e. more capital, expanding general reserve and retaining more earnings. Similarly the loans and advance to total deposit ratio seems to be higher of EBL than BOKL that mean BOKL is unable to utilize its fund in proper profitable sectors. Dividend creates positive attitude of the shareholders towards the enterprises, which consequently helps to increase the market value of the shares and in his thesis, cash dividend per share of EBL is slightly higher than BOKL. He has suggested that both banks should try to increase their operational efficiencies, mobilize resources more efficiently and minimize expenses as far as possible. Mobilization of idle deposit improve profitability and increase capital fund (reduce leverage).

2.3 Research Gap

Commercial banks invest its deposit in different profitable sectors according to the directives and circulars of the Nepal Rastra Bank and guidelines and policies to their own banks. Financial analysis statement has to prepare according to directives of NRB. Nepal Rastra Bank's polices and guidelines are changing according to time. So, the up to dated study over the change of time frame is major concern for the researcher and concerned organization as well as industry as a whole.

Large numbers of research are available bearing the same topic "A comparative study of financial performance of Commercial banks". I will draw insight from them. However, the research gap among the previous studies and the current study, firstly it

covers the relevant data and information from the year 2003/04 to 2007/08.Secondly, no research has been undertaken regarding the comparative analysis of financial performance between the NABIL Bank Ltd, Nepal Investment Bank Ltd and Himalayan Bank Ltd. That itself demonstrate the gap of this research from the previous one because the researcher has not found any research done on these banks in collective form.

NABIL, NIBL and HBL are the leading joint venture banks of the country having the huge market share and its investment activities and these banks have significant impact on the developing the economy of the country. Every year financial performances are changing according to the environment of the country. Hence, this study fulfills the prevailing research gap about the depth analysis of the financial performance which is the major concern if the shareholders and stakeholders. The research work will help to acquire knowledge regarding tools and technique used and extra knowledge for the further researchers who are going to study in the topics related to the financial performance of the commercial bank.

CHAPTER - III
RESEARCH METHODLOGY

Research Methodology is a way to solve systematically about the research problem, which include s many techniques and tools, if it necessary in every steps of the study. In other word research methodology is a systematize way to solve the research problem. It refers to the various sequential steps to be adopted by the researcher in studying problems with certain objects and to solve defined research process. A focus is given to research design, sample selection and size, data collection procedures, data analysis method etc.

3.1 Research Design

Research design is the plan, structure and strategy on investigations conceives so as to obtain answer to research questions and to control variances. In other word research design is the framework for a study that helps to analysis of data related to study topic. It includes all the process of collecting, verifying and evaluating of the past evidence systematically and objectively to reach the final conclusion. Some statistical and accounting tools have been applied to examine the facts and descriptive and analytical techniques have been adopted to evaluate the research study.

3.2 Sources of Data

This study is conducted on the basis of secondary data. The data relating to investment, deposit, loans and advances and profit are directly obtained from the balance sheet and profit and loss accounts of the sample banks annul report published in their respective websites. Supplementary data and information are collected from other institutions and regulating authorities like Nepal Rastra Bank, Nepal Stock Exchange and other different website. Similarly, various other information are collected from economic journals, magazines and bulletins and other published and unpublished research reports

3.3 Population and Sample

At present there are 24 commercial banks operating their services in Nepal and most of them are listed in NEPSE and their stocks are actively traded in the stock market.

But for the convenience only three banks have been taken as the sample banks of this study and rest of the commercial banks are considered as population. Five years data are taken to conduct the study from 2003/04 to 2007/08. Following banks are taken as the sample banks for the study.

a. NABIL Bank Limited (NABIL)
b. Nepal Investment Bank Limited (NIBL)
c. Himalayan Bank Limited (HBL)

3.4 Data Collection Process

As explain in previous, the main sources of secondary data are the annual reports of the banks published in their respective websites and other relevant website. In addition, some other relevant data and information are also collected from Central Library of Tribhuwan University, Library of Shanker Dev Campus, Library of NRB and SEBO Nepal.

3.5 Method of Data Analysis

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

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

3.5.1 Financial Tools

Financial tools basically help to examine the financial strength and the weakness of the banks and the institutions. There are various financial tools among them ratio analysis helps to make the qualitative judgment about the firm's financial performance.

3.5.1.1 Ratio Analysis

Ratio analysis is a technique of analysis and interpretation of financial statement, evaluate the performance of an organization by creating the ratio from the figures of the different accounts consisting balance sheet and income statement. With the help of ratio analysis the qualitative judgment can be done regarding financial performance of a firm. In this study, following ratios are calculated and analyzed

3.5.1.1.1 Liquidity Ratio

Liquidity ratio measure the firm's ability to meets its current obligations. It reflects the short term financial strength of the business. In order to ensure short term solvency, the company must maintain adequate liquidity. If the company maintain unnecessary high liquidity ratio then it may adversely effect in the profitability of the company, as it will invest all its assets in safe liquid assets, which can lose the opportunity to earn high profit. In the other hand if the company doesn't maintain adequate liquidity then it will result in bad credit rating, less creditors, confidence and eventually may lead to bankruptcy. Thus the company should endeavor to maintain proper balance between low liquidity and unnecessary high liquidity.

A. Current Ratio

The Current Ratio indicates bank's liquidity and short term debt paying ability. It shows the relationship between current assets and current liabilities. It is calculated dividing the current assets by current liabilities, which is presented as follow:

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

B. Cash and Bank Balance to Total Deposit Ratio

Cash and bank balance are the most liquid current assets. This ratio measures the percentage of most liquid fund with the bank to make immediate or quick payment to their depositors. A high ratio indicates the sound ability to meet their daily cash requirement of their customer deposit and vice versa. This ratio is computed by dividing the cash and bank balances by the total deposit. This can be presented as follow:

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

C. Cash and Bank Balance to Current Assets

Since cash and bank balance is the most liquid assets, a financial analyst may examine the ratio of cash and bank balance to current assets. This ratio shows the percentage of readily available fund with in the bank. It is calculated by dividing cash and bank balance by current assets, which is shown as below:

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

3.5.1.1.2 Asset Management Ratio/Activity Ratio

Asset management evaluates the efficiency with which the firm manages and utilizes its assets. It measures how efficiently the company employs the resources at its command. The efficiency with which the assets are used must be reflected in the speed and rapidity with the assets is converted into revenues. The greater the rate of turn over or conversion, the more efficient is the management or utilization of assets. Hence, activity ratios are the indicators of a concern with regard to its efficiency in its asset management. Some time it is often referred as efficiency ratio as it is computed to assess firm's efficiency in utilization of available resources.

A. Loan and Advances to Total Deposit Ratio

This ratio measures the extent to which the banks are successful to utilize the total deposits for the profit generating purpose on the loans and advance. Generally, a high ratio reflects higher efficiency to the utilization of total deposits and vice versa. It can be calculated by dividing the amount of loans and advances by the total deposits, which is presented as below:

$$= \frac{\text{Loan and Advance}}{\text{Total Deposit}}$$

B. Loans and Advances to Fixed Deposit Ratio

This ratio measures how many times the amount is used in loans and advances in comparison to fixed deposits. Fixed deposits are the main sources of deposit of bank and are high interest bearing obligation whereas loans and advances are the major sources of investment to generate income for the commercial banks. This ratio is calculated by dividing the amount of loans and advances by fixed deposits, which is given below:

$$= \frac{\text{Loan and Advance}}{\text{Fixed Deposit}}$$

C. Loans and Advances to Total Working Fund Ratio

Loans and Advances is the major components in the total working funds, which indicates the ability of bank to utilize its deposits in the form of loans and advances to earn high return. This ratio is computed by dividing loans and advances by total working fund, which is presented as below:

$$= \frac{\text{Loan and Advance}}{\text{Total Working Fund}}$$

D. Total Investment to Total Deposit Ratio

Investment is one of the major forms of credit created to earn income. This implies the utilization of firm's deposit on investment in government securities, share and debenture of the other companies and banks. These ratios measure the extent to which the banks are successfully in mobilizing total investment on the total deposits. This ratio can be calculated by dividing the total investment by total deposit, which is mention as below:

$$= \frac{\text{Total Investment}}{\text{Total Deposit}}$$

E. Investment on Government Securities to Total Working Fund

This ratio measures to what extend banks are successful in mobilizing their total working fund in different types of government securities to generate income. All the

deposits should not be utilized as loans and advances, and credits from liquidity as well as company's security view point. That's why some of the investment should diversified into such kind of investment that has lower risk in comparison to loans. Higher the ratio results better the mobilization of the fund as investment in the government securities and vice versa. This ratio is calculated by dividing investment on government securities by total working fund, which is presented as below:

$$= \frac{\text{Investment on Government Securities}}{\text{Total Working Fund}}$$

F. Investment on Share and Debenture to Total Working Fund

The purpose of this ratio is to measure to what extent banks are successful in mobilizing the funds on shares and debentures of others companies. Share and debenture are long term investment. Banks should invest in long term securities by maintaining a proper liquidity position. The investment risk can diversified with the help of portfolio management. This ratio can be computed by dividing investment on share and debenture by total working fund. This can be stated as:

$$= \frac{\text{Investment on Share and Deventure}}{\text{Total Working Fund}}$$

3.5.1.1.3 Profitability Ratio

Profit is the difference between total revenues and total expenses over a period of a time. Profit is the ultimate output of a commercial banks and it have no future if it fails to make sufficient profits. Therefore, the financial manager continuously evaluates the efficiency of the bank in term of profits. Profitability shows the overall efficiency of the business concerns. The relation of the return of the firm to either its sale or equity of its assets is known as profitability ratio. It measure management's overall effectiveness as shown by the return generated on sales and investment. Higher the profitability ratio, better the financial performance of the bank and vice versa. Profitability can be calculated by following different ratios:

A. Net Profit to Total Asset Ratio

This ratio evaluates the efficiency of company in utilizing and mobilizing of assets and its survival. It is useful for the measurement of the profitability of all financial resources invested in the bank assets. It is also known as return on asset (ROA). Higher return on asset (ROA) indicates higher efficiency in utilization of total assets and vice versa. It is calculated by dividing net profit by total asset, which is stated as below:

$$= \frac{\text{Net Profit}}{\text{Total Assets}}$$

B. Return on Share holder's Equity / Net worth

Net worth or shareholders equity refers to the owners claim on the assets of the bank. It can be found by deducting total liabilities from total assets (excluding intangible asset and accumulated losses). This ratio measures the profit earned by the commercial bank by utilizing owner's equity and there by generating return to satisfy the owners. This ratio indicates how well the banks have used the resources of the owners. Higher ratio indicates sound management and efficiency and wealth maximization of the banks, which in turn is the wealth maximization of the banks. It is calculated by dividing net profit by net worth, which is express as below:

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

C. Total Interest Earned to Total Assets

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

$$= \frac{\text{Total Interest Earned}}{\text{Total Assets}}$$

3.5.1.1.4 Market Value Analysis

Market Value Analysis indicate the market value of the bank as compared to the book value and measured the stock price related to the earning. In this analysis the researcher analyzes and compare the various market related ratio such as Earning per share, Dividend payout ratio, P/E ratio are grouped under miscellaneous ratio to measures the financial performance of commercial banks of Nepal.

A. Earning Per Share (EPS)

Earning per share made over years indicates whether or not the company's earning power on per share basis has change over that period. EPS shows the profitability of the company of a per share basis. It is calculated by the following formula:

$$= \frac{\text{Net Profit after Tax}}{\text{No. of Common Share}}$$

B. Dividend Pay out Ratio (D/P Ratio)

This ratio reflects at what percentage of the net profit if to be distributed ib terms of dividend and what percentage is to be retained in the firm, as retained earning needed for business to grow and expand. This ratio is calculated by following formula

$$= \frac{\text{Dividend Per Share}}{\text{Earning Per Share}}$$

C. Price Earning Ratio (P/E Ratio)

This ratio is widely used by the security analysts to evaluate the firm's performance as expected by the investors. This ratio is closely related to the yield/earning ratio. This ratio is computed by dividing market price per share by the earning per share

$$= \frac{\text{Market Price Share}}{\text{Earning Per Sahre}}$$

3.5.2 Statistical Tools

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

3.5.2.1 Arithmetic Mean or Average

The average value is a single value within the range of the data that is used to represents all of the values in the series. Since an average is somewhere within the range of data so it is also called a measure of central value. It is obtain dividing sum of obtain observations by the number of items which is presented as follow:

$$\overline{X} = \frac{X}{N}$$

Where,

$\overline{X}$ = Arithmetic Average

ϕX = Summation for values of the variable.

N = No. of observation

3.5.2.2 Standard Deviation

The measurement of the scatter ness of the mass of figure on series about an average is known as dispersion. The standard deviation is the most important and widely accepted measure of studying dispersion. It is denoted by the small Greek letter (†). The standard deviation measures the absolute dispersion or variability of a distribution. A small S.D means higher degree uniformity of the observations as well as homogeneity of a series and vice versa. Hence, S.D is extremely useful in judging the representative of the means

Symbolically, S.D. (†)

$$\exists = \sqrt{\frac{\int x \, z\overline{x}\text{Å}}{n}}$$

Where,

$\exists$ = Standard deviation

$(X Z \overline{X})^2$ = Sum of square of the deviation measure from arithmetic mean

n = No. of observation.

3.5.2.3 Co-efficient of Variations

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

Symbolically,

$$\text{C.V.} = \frac{\dagger}{\overline{X}} \mid 100$$

Where, C.V. = Coefficient of Variations

$\exists$ = Standard deviation

$\overline{X}$ = Arithmetic Average

3.5.2.4 Co-efficient of Correlation (r)

Correlation is the statistical tool that we can use to describe the degree to which one variable is linearly related to another .The coefficient of correlation measures the degree of relationship between two or more than two variables. Among the various method of finding out coefficient of correlation, Karl Pearson's method is applied in this study. The result of co-efficient of correlation is always lies between +1 and -1. When r = +1, it means there is positively perfect correlation between the two variables. When r = -1, it means there is negatively perfect correlation between the two variables. When r = 0, it means there is no correlation between the two variables. The Karl Pearson's formula

Symbolically,

$$r = \frac{N \quad XY Z \quad X \quad Y}{\sqrt{N \quad X^2 \: Zf \quad X\text{Å}}\sqrt{N \quad Y^2 \: Zf \quad Y\text{Å}}}$$

Where, N = No. of Observation of X and Y

X = Sum observation in series of X

Y = Sum observation in series of Y

X^2 = Sum of Square observation in series of X

Y^2 = Sum of Square observation in series of Y

XY = Sum of product of observation in series X and Y

3.5.2.5 Probable Error of the Co-efficient of Correlation

After the calculations of the co-efficient of correlation the next is to find out the extent to which it is dependable. For this purpose the probable error of the coefficient of correlation is calculated. The probable error of the co-efficient of correlation helps in interpreting the value and measuring the reliability of the co-efficient of correlation. Probable error of the co-efficient of correlation is usually denoted by P.E (r). It is an old measure of testing the reliability of an observed value of correlation co-efficient is so far depends upon the conditions of random sampling. The formula to find out the probable error of the co-efficient of correlation is

$$P.E. = 0.6745 \frac{1 \, Zr^2}{\sqrt{N}}$$

Where, P.Er. = Probable error of co-efficient of correlation

r = Co-efficient of Correlation

N = No. of pairs of observation

In order to conclude whether the coefficient of correlation is significant or not following points should kept in mind.

) If the coefficient of correlation 'r' is greater than 6 times of P.E then 'r' is significant. (r> 6P.E., significant)

) If the coefficient of correlation 'r' is less than 6 times of P.E then 'r' is insignificant. (r< 6P.E, insignificant)

3.5.2.6 Co-efficient of Determination (r^2)

The co-efficient of determination is the measure of the degree of linear association or correlation between two variables, one of which happens to be independent and other being dependent variable. In the other words co-efficient of determination measures the percentage of the total variation in dependent variable explained by independent variable. The co-efficient of determination can have the value ranging one to zero. Co-efficient of determination is the square of the co-efficient of correlation.

Symbolically,

$$r^2 = (r)^2$$

Where,

r^2 = coefficient of determination

r = coefficient of correlation

3.5.2.7 Trend Analysis

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

For calculation of the "line of the best fit" following equation should kept in mind.

$$Yc = a + bx$$

Where,

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

a = "Y- intercept"/mean of Y value

b = slope of line/ rate of change

x = the variable in time series analysis represent time.

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

3.5.2.8 Test of Hypothesis

A hypothesis is analysis assumption that make about the population parameter. Alternatively, a hypothesis is a conjectural statement of the relationship between two or more variables. Hypothesis statement should be able to show the relationship between variables.

There are different type of hypothesis, among them F-test is to test the validity of our assumption. If the number of sample sub groups is three or more than three then, Z test and t test will be quite tedious. The analysis of variance is a statistical technique used to test whether the difference between the means of three sample subgroups is significant or not. It is to find out differences among the sample means which is done by investigating variances. As the procedure focuses on analysis of variance, we call it ANOVA or Analysis of Variance.

CHAPTER – IV
DATA PRESENTATION AND ANALYSIS

In this chapter collected data of sample banks are presented and analyzed according to the objectives set in the introduction chapter. The available data are tabulated, analyzed and interpreted so the financial forecast of banks can be done easily. However there many financial ratios but due to some sort coming and constraints, only selected ratios have been taken for analyzing the strength and weakness of the sample banks

This chapter also helps for presenting a major finding, proper recommendation for researcher which needs to define in the next chapter. In this way analysis effort is made to make proper linkage of every chapter.

4.1 Financial Ratio

Financial analysis is the process of determining financial strength and weakness of the organization presenting the relationship between the items of the balance sheet. Under this topic some financial tools such as liquidity ratio, activity ratio, profitability ratio, leverage ratio etc are used for the study.

4.1.1 Liquidity Ratio

Banks should maintain its satisfactory liquidity position to satisfy the credits needs of the community, to meet demands for deposits, withdraws, pay maturity obligation in time and convert non cash assets into cash to satisfy immediate needs without loss to bank and consequent impact in long run profit. Liquidity ratio measures the short-run solvency of the firm. The liquidity positions of the banks are comparatively studies through the following headings.

4.1.1.1 Current Ratio

Current ratio indicates the ability of the banks to meet its current obligation. This ratio measures the liquidity position of the financial institutions. In other words it measures the availability of current assets for meeting current liabilities. It is calculated by dividing the current assets by current liabilities. The widely accepted standard of

current ratio is 2:1. Following tables shows the comparative current ratio for the five years.

Table 4.1: Current Ratio

(in times)

Fiscal Year	NABIL	NIBL	HBL
2003/04	0.9777	1.1264	1.0270
2004/05	1.0407	1.1135	1.0192
2005/06	1.0359	0.7394	0.9259
2006/07	1.0488	0.7573	0.7289
2007/08	1.0561	0.8993	0.7708
Total	5.1592	4.6359	4.4718
Mean	1.0318	0.9272	0.8944
S.D	.028	0.1676	0.1253
C.V	2.71%	18.01%	13.86%

[Sources: Annual Report of Sample Banks, Refer Annex-1]

Above table indicates the current ratios of the sample banks. The ratio of NABIL over the study period has ranged between 0.9777 (2003/04) to 1.026 (2007/08). Whereas the ratio of NIBL is in fluctuating order from the fiscal year 2003/04 to 2005/06 it is in decreasing order and from 2006/07 to 2007/08 it is in increasing order. The highest ratio is registered in 2003/04which is 1.1264 and lowest ratio is registered in 2005/06 which is 0.7394. Similarly ratio of HBL is in decreasing order. It has lowest ratio in fiscal year 2006/07 which is 0.7289and highest ratio in 2003/04 which is 1.0270. The above table clearly indicates that the current ratio of all sample banks are always the below standard i.e. 2:1.

If the mean ratio is observed it is found that NABIL has the highest i.e. 1.0318 than that of NIBL (0.9272 and HBL (0.8944).

Similarly the S.D and C.V of NABIL is registered (0.028 &2.71%) which is less than that of both sample banks NIBL (0.167 & 18.01%) and HBL (0.125 & 13.86%). It indicates that the liquidity and consistency of NABIL seems to be in better position than that of both sample banks.

4.1.1.2 Cash and Bank Balance to Total Deposits

This ratio measures the availability of bank's highly liquid or immediate funds to meet its unanticipated calls on all types of deposits, money at calls and short term notice and other deposits. Higher ratio indicates the greater ability to meet their deposits and vice versa. Following table shows the cash and bank balance to total deposits of sample banks.

Table 4.2: Cash and Bank Balance to Total Deposit Ratio

(in percentage)

Fiscal Year	NABIL	NIBL	HBL
2003/04	13.64	10.81	7.43
2004/05	9.112	12.17	6.42
2005/06	18.25	12.28	8.18
2006/07	10.84	8.11	6.79
2007/08	17.02	11.69	9.42
Total	68.86	55.06	38.17
Mean	13.77	11.012	7.63
S.D	3.49	1.54	1.07
C.V	25.35%	13.98%	14.02%

[Sources: Annual Report of Sample Banks, Refer Annex-2]

Above table shows the fluctuation on cash and bank balance to total deposit ratio of all sample banks. During the study of five years period the ratio of NABIL is ranged between 9.112 (2004/05) to 17.02 (2007/08). Similarly NIBL is ranged between 8.11 (2006/07) to 12.28 (2005/06) and HBL is ranged between 6.42 (2004/05) to 9.42 (2007/08). NABIL has maintain the highest mean ratio which is 13.77 than that of NIBL (11.012) and HBL (7.63), which shows that NABIL has been successful in maintaining the higher cash and bank balance to total deposit ratio. It means NABIL is successful in meeting the daily cash requirement than other two sample banks.

If we observed S.D HBL has registered the lowest S.D 1.07 than that of other two sample banks. Whereas NIBL registered the lowest C.V (13.98%) than NABIL (25.35%) and HBL (1402%) It means the even though NIBL maintain low cash balance but they are more consistency in utilizing the cash balance among the three sample banks.

4.1.1.3 Cash and Bank Balance to Current Assets Ratio

This ratio reflects the portion of cash and bank balance in total current assets. Cash and bank balance are highly liquid assets than other in current portion, so this visualizes higher liquidity position than current ratio. Higher ratio shows the bank's ability to meet its demand for cash. Following table shows the ratios of sample banks.

Table 4.3: Cash and Bank Balance to Current Ratio

(in percentage)

Fiscal Year	NABIL	NIBL	HBL
2003/04	12.18	8.63	6.62
2004/05	8.35	9.69	5.78
2005/06	16.53	15.27	8.27
2006/07	9.32	10.15	8.93
2007/08	14.54	12.32	11.69
Total	60.92	56.06	41.29
Mean	12.18	11.21	8.26
S.D	3.08	2.36	2.05
C.V	25.29%	21.05%	24.82%

[Sources: Annual Report of Sample Banks, Refer Annex-3]

The above table shows that the ratios in percentage of cash and bank balance to current assets of all three sample banks. NABIL ranged between 8.35 in 2004/05 to 14.54 (2007/08). Similarly NIBL ranged between 8.63 in 2003/04 to 15.27 (2005/06) and HBL ranged between 5.78 (2004/05) to 11.69 (2007/08).

Since mean ratio of NABIL is higher i.e. 12.18 than the average of other two sample banks NIBL (11.21) and HBL (8.26).It support the conclusion that NABIL has been successful in maintaining its higher cash and bank balance to current assets but it doesn't mean that it has mobilized its fund in profitable sectors. It actually means that NABIL can meet its daily cash requirement easily. In contrast HBL has lowest mean because it may have invested their fund in some productive sectors whereas NIBL is successful in maintaining stability and consistency of cash and bank balance in comparison to other sample banks which is indicated by the lowest C.V (21.05%)

4.1.2 Activity Ratio/Asset Management Ratio

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

4.1.2.1 Loan and Advance to Total Deposit Ratio

This ratio used to find out, how successfully the banks are utilizing their total deposits on loan and advances for the purpose of profit generation. Higher ratio indicates the better utilization of loans and advances out of total deposit. Following tables shows the ratios of the sample banks.

Table 4.4: Loan and Advance to Total Deposit Ratio

(in percentage)

Fiscal Year	NABIL	NIBL	HBL
2003/04	70.03	57.86	54.31
2004/05	74.25	69.41	51.45
2005/06	65.71	57.07	51.42
2006/07	72.23	61.43	47.84
2007/08	73.32	72.86	47.61
Total	355.40	318.63	252.66
Mean	71.08	63.73	50.53
S.D	3.04	6.32	2.51
C.V	4.8%	9.92%	4.97%

[Sources: Annual Report of Sample Banks, Refer Annex-4]

From above comparative table, it reveals the highly fluctuation of ratio during the study period of five years of sample banks. HBL has registered the lowest ratio (47.61) and highest ratio (54.31) in fiscal year 2007/08 and 2003/04 respectively with lowest mean ratio (50.53) among the sample banks. Similarly NIBL has registered the highest ratio (72.86) in year (2007/08) and lowest ratio (57.07) in year (2005/06) with mean ratio of 63.73 and NABIL ha registered the lowest (65.71) and highest (74.25) ratio in fiscal year 2005/06 and 2004/05 respectively with highest mean ratio (71.08) among the sample banks. This shows that NABIL is successful in mobilizing the

47

loans and advances to profitable sectors with respect to total deposit where as HBL are less successful in comparison to other sample banks.

As concern with the consistency, NIBL are failed to maintain it in comparison to NABIL and HBL because they have higher C.V 9.92%. NABIL has lowest C.V i.e. 4.8%, thus they are able to maintain the consistency. In case of HBL they have 4.97% of C.V which shows that they are able to maintain the stability in investing through loan and advance to some extent.

4.1.2.2 Loan and Advance to Fixed Deposit Ratio

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

Table 4.5: Loan and Advance to Fixed Deposit Ratio

(in times)

Fiscal Year	NABIL	NIBL	HBL
2003/04	1.206	1.435	2.425
2004/05	1.536	1.893	1.844
2005/06	1.316	1.465	1.630
2006/07	1.456	2.711	1.626
2007/08	1.756	3.451	3.120
Total	7.27	10.955	10.845
Mean	1.454	2.191	2.169
S.D	0.189	0.780	0.545
C.V	12.99%	35.6%	25.13%

[Sources: Annual Report of Sample Banks, Refer Annex-5]

The above table shows that all sample banks has fluctuation ratio throughout the study period. NBIL has decreasing order of ratio from fiscal year 2003/04 to 2005/06 and then increasing order from 2006/07. The highest ratio (1.756) registered by NABIL in fiscal year 2007/08 and the lowest ratio (1.206) registered in fiscal year 2003/04.. NBIL also has fluctuating ratio ranged between the 1.435 and 3.451 in fiscal year

48

2003/04 and 2007/08 respectively. Similarly, HBL has registered the highest ratio (3.12) in year2007/08 and the lowest ratio (1.626) in year 2006/07. The mean ratios of NABIL, NIBL & HBL are 1.454, 2.191 and 2.169 respectively.

Thus, above table clearly indicate that loans and advances are being effectively and properly utilized by NIBL and HBL with respect to fixed deposit which is clearly shown by their mean ratio. Whereas NABIL seems to be less effective in mobilizing the loans and advance in comparison to other sample banks.

Similarly NIBL and HBL registered 35.6% and 25.3% of C.V respectively which means they are failed to maintain the consistency but NABIL is successful to maintain its consistency as it registered lowest C.V (12.99%) among the sample banks.

4.1.2.3 Loan and Advance to Total Working Fund

This ratio exhibits the extent to which the banks are successful in mobilizing their total assets on loans and advances for the purpose of income generation. The following are the ratios of different sample banks that have been calculated in the study period.

Table 4.6: Loan and Advance to Total Working Fund Ratio

(in percentage)

Fiscal Year	NABIL	NIBL	HBL
2003/04	59.99	45.43	47.56
2004/05	66.54	54.54	45.54
2005/06	57.77	47.37	43.12
2006/07	59.77	51.56	42.82
2007/08	60.96	64.03	46.28
Total	305.02	262.93	225.17
Mean	61.0	52.59	45.05
S.D	2.96	6.55	1.82
C.V	4.85%	12.46%	4.05%

[Sources: Annual Report of Sample Banks, Refer Annex-6]

The above comparative table revels that fluctuation in ratios are found during the five years study period. NABIL has registered highest ratio (66.54) in fiscal year 2004/05

and lowest ratio (57.77) in year 2005/06 with the mean ratio 61. The highest ratio (64.03) and lowest ratio (45.53) is recorded by the NIBL in fiscal year 2007/08 and 2003/04 respectively with the mean ratio 52.59. Similarly, the ratios of HBL are in decreasing trend where it recorded the highest ratio (47.56) in year 2003/04 and lowest ratio (42.82) in fiscal year 2006/07 with the mean ratio of 45.05.

NABIL is successful to maintain the highest mean ratio among the three sample banks which indicates that NABIL is successful in mobilizing the loans and advance with the total assets. Whereas HBL has the lowest mean ratio so HBL are failed to maintain the average ratio which indicate that they are not much successful in mobilizing the loans in compare with sample banks.

Since the HBL has the lowest C.V i.e. 4.05%, they are able to maintain the consistency in investing in loan and advance from its working fund. NBIL also able to maintain the stability\y to some extent but NIBL are failed in comparison to HBL and NABIL as it recorded highest C.V 12.46%.

4.1.2.4 Total Investment to Total Deposit Ratio

The main purpose of this ratio is to measure successfulness in mobilizing the deposits in investment. The following are the ratios of different sample banks that have been calculated in the study period.

Table 4.7: Total Investments to Total Deposit Ratio

(in percentage)

Fiscal Year	NABIL	NIBL	HBL
2003/04	49.83	22.03	64.06
2004/05	47.84	36.20	64.17
2005/06	35.21	28.58	61.87
2006/07	40.90	29.97	64.29
2007/08	40.74	28.05	62.13
Total	214.52	144.83	316.52
Mean	42.9	28.97	63.3
S.D	5.30	4.53	1.07
C.V	12.35%	15.64%	1.69%

[Sources: Annual Report of Sample Banks, Refer Annex-7]

From the above table it reflects the fluctuating trend of ratios in all the sample banks. The ratio of NABIL is in decreasing trend, it registered the highest ratio (49.83) in fiscal year 2003/04 and the lowest ratio (35.21) in year 2005/06 with the mean ratio of 42.9. Similarly, NIBL registered the highest ratio (36.2) in fiscal year 2004/05 and the lowest ratio (22.03) in fiscal year 2003/04 with mean ratio of 28.97. The mean ratio of HBL is 63.3, which is the highest among sample banks. Its ratios are ranged between 61.87 to 64.29 in fiscal year 2005/06 to 2006/07 respectively.

From the above statement HBL is successful in mobilizing the deposit, since it has the highest mean ratio but NIBL has lowest mean ratio, they are less successful to utilize the deposit in investment sectors in compare to sample banks. So NIBL have to bring different investment project for the proper utilization of its deposit. Similarly NABIL is also successful in mobilizing the deposit in investment to some extent.

As concern to consistency, HBL is able to maintain the consistency in mobilization of investment with respect to the total deposit which is shown by the lowest C.V 1.69%, the greater variation is found in NIBL in part in investing since they have higher C.V. (15.64%)

4.1.2.5 Investment on Government Securities to Total Working Fund Ratio

This ratio shows investment on government securities of the banks in comparison of the its total working fund. It is important to know the extent to which banks are successful in mobilizing their total fund on different types of government securities to maximize its profits. The higher ratio shows that better mobilization of fund as investment on government securities and vice versa.

Table 4.8: Investment on Government Securities to Total Working Fund Ratio

(in percentage)

Fiscal Year	NABIL	NIBL	HBL
2003/04	8.13	2.90	4.11
2004/05	7.55	10.0	13.32
2005/06	15.82	5.85	11.41
2006/07	23.29	4.44	14.74
2007/08	19.86	4.51	17.12
Total	77.65	27.7	60.7
Mean	15.53	5.54	12.14
S.D	6.28	2.42	4.43
C.V	40.44%	43.68%	36.49%

[Sources: Annual Report of Sample Banks, Refer Annex-8]

The above comparative table reveals that NABIL has increasing trend up to fiscal year 2006/07 and then decreases. It has registered its highest ratio (23.29) in fiscal year 2006/07 and the lowest ratio (8.13) in year 2003/04 with the highest mean ratio of 15.53 among the sample banks. In the other hand NIBL has fluctuating ratio which is ranged between 2.9 to 10.0 with the lowest mean ratio 5.54. Whereas, HBL has increasing order of ratios throughout the study period. It has registered its highest ratio (17.12) in fiscal year 2007/08 and the lowest ratio (4.11) in year 2003/04 with the mean ratio of 12.14.

Thus, above table shows that among the sample banks, NABIL is more successful in mobilizing the investment in government securities which is shown by its highest mean ratio where as NIBL is failed in mobilizing its fund in government securities among the sample banks.

Similarly, C.V of the three sample banks NABIL (40.44%), NIBL (43.68%) and HBL (36.49%) are registered for the five year study period which reveals that HBL is more successful in maintaining the consistency among the sample banks as it registered the lowest C.V. Whereas, NIBL is less successful to maintain its consistency in investing funds in government securities.

4.1.2.6 Investment on Share and Debenture to Total Working Fund Ratio

This ratio helps to find out to what extent banks are successful to invest their funds on other companies and banks' debenture and shares. Following table shows the ratio of investment on shares and debentures to total assets.

Table 4.9: Investment on Share and Debenture to Total Working Fund Ratio

(in percentage)

Fiscal Year	NABIL	NIBL	HBL
2003/04	0.11	0.41	0.09
2004/05	0.07	0.33	0.06
2005/06	0.07	0.25	0.05
2006/07	0.26	0.28	0.17
2007/08	0.21	0.15	0.15
Total	0.72	1.42	0.52
Mean	0.144	0.28	0.104
S.D	0.077	0.086	0.04
C.V	53.47%	30%	38.46%

[Sources: Annual Report of Sample Banks, Refer Annex-9]

Above table shows the ratio of investment of shares and debentures to total working fund. This ratio reveals very negligible portion of the total working fund has invested in the share and debentures of the other companies. As the banks works on others money its quite good to invest less in other shares and debentures as they are considered to be more risky.

The ratio of NABIL is ranged between 0.07 in fiscal year 2004/05 to 0.26 in year 2006/07 with the mean ratio of 0.144. Similarly, NIBL with the highest ratio 0.41 in year 2003/04 and the lowest ratio 0.15 in year 2007/08, with the highest mean ratio of 0.28. Where as ratio of HBL is in fluctuating trend, registered highest ratio (0.17) in year 2006/07 and the lowest ratio (0.05) in year 2005/06 with the mean ratio of 0.104.

Since NIBL has the highest mean ratio among the sample banks they have more amount if investment in share and debenture. Moreover, the C.V reveals that except NIBL other sample banks are failed to maintain their consistency throughout the period since it has registered the lowest C.V (30%) among the sample banks.

4.1.3 Profitability Ratio

Profitability ratio is calculated to measure the earning performance and operational efficiency of banks and business institution. The main objective of a bank is to make profit providing different types of services to its customer. To meet those objectives likewise a good liquidity position, meet fixed interest obligation, overcome the future contingencies, grab the investment opportunities, business expansions etc. they must earn sufficient profit. It is an obvious that profitability ratios are the best indicators of overall efficiency. In this study, mainly those ratios are presented which ratios are related with profits as wall as fund mobilization. The following are profitability ratios those are relevant in this study.

4.1.3.1 Net Profit to Total Asset (ROA)

This ratio is a measuring tool of profitability with respect to each financial resources investment of the assets. If bank's working fund (total asset) is well managed and utilized efficiently, return on such assts will be higher and vice versa. The following comparative table shows the return on total assets ratio of different banks recorded over the study period.

Table 4.10: Net Profit to Total Asset Ratio

(in percentage)

Fiscal Year	NABIL	NIBL	HBL
2003/04	2.43	2.42	1.27
2004/05	2.73	2.27	1.13
2005/06	3.06	2.46	1.42
2006/07	3.23	2.56	1.61
2007/08	2.72	2.42	1.79
Total	14.17	12.13	7.20
Mean	2.83	2.43	1.44
S.D	0.317	0.093	0.235
C.V	11.2%	3.83%	16.32%

[Sources: Annual Report of Sample Banks, Refer Annex-10]

The above comparative table reveals that all sample banks have fluctuating ratios throughout the study period. The ratio of NABIL is in increasing trend till fiscal year 2006/07 and then in decreasing trend. It has registered highest ratio (3.23) in fiscal

year 2006/07 and the lowest ratio (2.43) in year 2003/04. Similarly NIBL has registered its highest ratio (2.56) in year 2006/07 and the lowest ratio (2.27) in year 2004/05 and HBL has registered its highest ratio ((1.79) in fiscal year 2007/08 and lowest ratio (1.13) in year 2004/05.

Similarly if we observe mean ratio then, NABIL has registered the highest mean ratio (2.83) than other sample banks NIBL (2.43) and HBL (1.44), which indicate that NABIL is successful in earning net profit with efficient utilization of total asset with compare to NIBL & HBL.

But as concern with consistency, NIBL is able to maintain the consistency in net profit which is shown by the lowest C.V (3.83%) whereas NABIL (11.2%) and HBL (16.32%) have greater variation in earning profit on total asset, which is shown by higher C.V registered by them.

4.1.3.2 Return on Shareholder's Equity/ Net Worth

This ratio reveals how efficiently the banks have utilized the owner's funds or shareholder's equity. Higher ratio indicates the sound and efficient management and vice versa. The following table presents the net profit to net worth ratio of sample banks.

Table 4.11: Return on Shareholder's Equity

(in percentage)

Fiscal Year	NABIL	NIBL	HBL
2003/04	43.52	18.29	47.62
2004/05	30.72	20.94	35.96
2005/06	31.29	19.67	34.07
2006/07	33.88	24.77	37.55
2007/08	32.72	26.70	32.68
Total	172.13	110.42	187.88
Mean	34.43	22.07	37.58
S.D	4.68	3.16	5.29
C.V	13.59%	5.29%	14.08%

[Sources: Annual Report of Sample Banks, Refer Annex-11]

The above table reveals net worth ratio of all sample banks. The ratio of NABIL is in fluctuating trend. It has registered the highest ratio (43.52) in fiscal year 2003/04 and the lowest (30.72) in year 2004/05. Similarly, the NIBL has registered its highest ratio (26.7) in year 2007/08 and the lowest ratio (18.29) in year 2003/04 whereas the ratio of HBL is also in decreasing trend and it registered the highest (47.62) in year 2003/04 and the lowest ratio (32.68).

Similarly, the mean ratio of NABIL, NIBL and HBL are 34.43, 22.07 and 37.58 respectively. This indicates that HBL with the highest mean ratio got a better achievement on increasing net profit by mobilizing on resources of shareholder's equity where as NIBL with lower mean ratio are less successful in earning net profit by utilizing shareholder's equity in comparison to other sample banks.

Even though, NIBL is less successful in earning profit with respect to net worth they have consistency or stability in earning net profit which is shown by the lowest C.V (5.29%). in contrast NABIL and HBL are less consistency which is shown by the higher C.V 13.59% & 14.08% respectively.

4.1.3.3 Total Interest Earned to Total Asset Ratio

This ratio shows the earning capacity of bank on its working fund (total assets). This ratio exhibits the extent on which banks are successful in mobilizing their working funds to generate income as much as possible. The following table shows the comparative ratios of banks for the 5 years period.

Table 4.12: Total Interest Earned to Total Asset Ratio

(in percentage)

Fiscal Year	NABIL	NIBL	HBL
2003/04	4.23	2.95	3.55
2004/05	4.20	3.0	3.20
2005/06	4.70	3.25	3.63
2006/07	4.27	3.14	3.44
2007/08	3.79	3.20	3.50
Total	21.19	15..54	17.32
Mean	4.24	3.11	3.46
S.D	.0289	0.115	0.146
C.V	6.81%	3.7%	4.22%

[Sources: Annual Report of Sample Banks, Refer Annex-12]

Above table reveals the total interest earned to total asset ratio. NABIL has registered the highest ratio (4.7) in the fiscal year 2005/06 and the lowest ratio (3.79) in the year 2007/08 with the highest mean ratio 4.24. Similarly NIBL has registered the highest ratio (3.25) in the fiscal year 2005/06 and the lowest ratio (2.95) in year 2003/04 with the lowest mean ratio 3.11. HBL has registered the highest ratio (3.63) in the fiscal year 2005/06 and the lowest ratio (3.20) in year 2004/05 with the mean ratio of 3.46.

The mean ratio shows that all ample banks are successful in earning the interest on total working fund. Among them, NABIL found to be more successful in earning interest with compare to other sample banks. Even though NABIL is found successful in earning the interest but it has failed to maintain its consistency which s indicated by its highest C.V (6.81%) registered by it whereas NIBL is more successful in to maintain its consistency and stability compare to other banks which is shown by its lowest C.V 3.7%.

4.1.4 Market Value Analysis Ratio

Market value analysis ratio indicates the market value of the bank as compared to book value and measures the stock price related to the earning.

4.1.4.1 Earning Per Share (EPS)

Earning per share is one of the most widely quoted statistics when there is a discussion of company's performance. It is after tax profit figure that is divided by the number of common share to calculate the value of earning per share. This figure tells how much profits have been earned by the common share holder for per share basis.

Table 4.13: Earning Per Share

(in Rs)

Fiscal Year	NABIL	NIBL	HBL
2003/04	84.66	39.56	30.2
2004/05	92.61	51.7	42.5
2005/06	105.49	39.5	45.7
2006/07	129.21	59.35	52.9
2007/08	137.08	62.57	35.8
Total	549.05	252.68	207.1
Mean	109.81	50.54	41.42
S.D	20.33	9.66	7.86
C.V	18.51%	19.11%	18.97%

[Sources: Annual Report of Sample Bank, Refer Annex-13]

The above table reflects the EPS of the all sample banks throughout the study period. NABIL has the increasing trend of the EPS thought out the study period with the highest (Rs.129.21) in fiscal year 2007/08 and the lowest (Rs.84.66) in year 2003/04. NIBL has the fluctuating trend, it registered the highest EPS (Rs.62.57) in year 2007/8 and the lowest (Rs.39.5) in year 2005/06. Similarly HBL has the increasing trend of EPS with the ranged Rs30.2 to Rs.52.9 in year 2003/04 to 2006/07.

The average EPS of NABIL is registered Rs109.81 the highest among the sample banks so it indicate that NABIL is able to provide the highest earning to the equity holder on a per share basis whereas HBL with the lowest average EPS Rs. 41.42 are not able to provide the sufficient profit to its equity holder.

Form the C.V point of view NABIL registered the lowest C.V (18.51%) among the sample bank NBIL (19.11%) and HBL (18.97%). This indicate that NABIL has low degree of variability or more consistency in providing the EPS to its equity holder and NBIL has less consistency in providing EPS compare to sample banks.

4.1.4.2 Dividend Payout Ratio

It measures what percentage or portion of the net profit after tax is paid out to the equity shareholders as dividend and how much it is retained in the firm for the purpose of expansion and growth in the future. The following table shows the dividend payout ratio of sample banks.

Table 4.14: Dividend Payout Ratio

(in percentage)

Fiscal Year	NABIL	NIBL	HBL
2003/04	50	20.2	22
2004/05	65	15	35
2005/06	70	12.5	50
2006/07	85	20	42
2007/08	89	5	30
Total	359	72.5	169
Mean	71.8	14.5	35.8
S.D.	14.10	5.57	11.22
C.V.	19.64%	38.14%	33.2%

[Sources: Annual Report of Sample Banks, Refer Annex-14]

The above table shows the dividend pay out ratio of the sample banks throughout the study period. The ratio of NABIL is in increasing trend, it registered the highest (89) and the lowest (50) with the highest mean ratio of 71.8. similarly the ratio of NIBL is in fluctuating order with ranged between 5 to 20.2 in the fiscal year 2007/08 to 2003/04 respectively with the lowest mean ratio of 14.5. whereas the ratio of HBL is also in fluctuating order ranged between 22 to 50 in fiscal year 2003/4 to2005/06 with mean ratio of 35.8. The above statement indicates that NABIL has the highest dividend payout ratio whereas NIBL has the lowest as compare to the sample banks.

As concern to C.V NABIL registered the lowest C.V (19.64%), which indicate that it has less variability or more consistency than other sample banks but NIBL registered the highest C.V (38.14%) that shows they are less successful to maintain their consistency in paying dividend to the shareholders.

4.1.4.3 Price Earning Ratio (P/E)

This ratio shows the price currently paid by the market for each rupees of currently reported earning per share. The following table shows the P/E ratio of sample banks throughout the study period.

Table 4.15: Price Earning Ratio

(in times)

Fiscal Year	NABIL	NIBL	HBL
2003/04	20.1	8.74	10.98
2004/05	18.18	10.8	12.16
2005/06	20.25	14.27	16.38
2006/07	21.23	17.34	21.47
2007/08	27.63	36.84	35.25
Total	107.39	87.99	96.24
Mean	21.48	17.6	19.25
S.D	3.23	10.06	8.81
C.V	15.03%	57.16%	45.77%

[Sources: Annual Report of Sample Banks, Refer Annex-15]

The above table reveals the price earning (P/E) ratio of the sample banks over the study period. The P/E ratios of all sample banks are in increasing trend. NABIL has

registered the highest ratio (27.63) in the fiscal year 2007/08 and the lowest ratio (18.18) in year 2004/05 with the mean ratio of 21.48. NIBL has registered the highest ratio (36.84) on fiscal year 2007/08 and the lowest ratio (8.74) in year 2003/04 with the lowest mean ratio of 17.6. Similarly the ratio of HBL is ranged between 10.98 to 35.25 in the fiscal year 2003/04 to 2007/08 respectively with the mean ratio of 19.25.

Form S.D point of view, NBIL has the highest S.D (10.06) and next to it there is HBL with 8.81, whereas NABIL has the lowest S.D (3.23). It implies that NIBL and HBL have high fluctuation in market price share than NABIL. Similarly NABIL registered lowest C.V (15.03%) than other sample banks NIBL (57.16) and HBL (45.77%) which implies that NABIL is more consistency to maintain its market price per share as per share where as both NIBL and HBL are failed to maintain its consistency and variability.

4.2 Statistical Analysis

4.2.1 Coefficient of Correlation Analysis

The coefficient of correlation measures the degree of relationship between two sets of variables. Among the various methods of finding out coefficient of correlation, Karl Pearson's method is applied in this study. This tool is used to predict the relationship between deposits and loans & advances, deposits and investment, investment and net profit, loans & advance and net profit.

4.2.1.1 Coefficient of Correlation between Deposits and Loans & Advance

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

Table 4.16: Coefficient of Correlation between Deposits and Loans & Advance

Particular	NABIL	NIBL	HBL
r	0.994	0.989	0.993
r2	0.988	0.979	0.986
PE.r	0.004	0.006	0.004
6PE.r	0.024	0.036	0.024
Test of significant	Significant	Significant	Significant

[Sources: Annual Report of Sample Banks, Refer Annex-16]

The coefficient of correlation for all sample banks found to be almost '1' which indicates that there is highly positive relationship between the deposit and loans & advances for all the banks. Similarly, the coefficient of determination (r2) which measures the percentage of total variation in dependent variable (loans and advance) explained by independent variables (deposit) are registered 98.8%, 97.9% & 98.6% of NABIL, NIBL & HBL. This reveals that loans & advance highly depend upon the deposits of all the sample banks as it has registered higher percentage of r2.

While testing coefficient of correlation is significant or not all sample banks found to be significant as the r value of all banks are greater than 6PE.r (i.e. r>6PE.r) which implies that there is perfect correlation between the deposit and loan & advances. It shows that sample banks are successful in mobilizing the deposit to loans and advances efficiently.

4.2.1.2 Coefficient of Correlation between Deposits and Investment

Investment is also measure part of banks to mobilize the collected deposit. Banks generate the profits investing in different profitable area. Therefore it is important to study the relation between the deposit and investment. For this analysis deposit is taken as independent variable (x) and investment (y) is taken as dependent variable. This analysis measures the degree of relationship between these two variables. Besides this, it will justify whether the deposits are significantly used in proper way or not. The following table exhibits the correlation, coefficient of determination, 6PE.r etc. of all sample banks.

Table 4.17: Coefficient of Correlation between Deposits and Investment

Particular	NABIL	NIBL	HBL
r	0.958	0.864	0.959
r2	0.918	0.746	0.919
PE.r	0.025	0.077	0.024
6PE.r	0.148	0.46	0.144
Test of significant	Significant	Significant	Significant

[Sources: Annual Report of Sample Banks]

The coefficient of correlation for all the sample banks found to be almost '1' which indicates that there is highly positive relationship between the deposit and investment for all the banks. Similarly, in order to measure the degree of change on dependent variable investment due to change in independent variable total deposits, value of coefficient of determination (r2) is calculated. On the basis of coefficient of determination it can be concluded that when there is change in total deposit it brings 91.8% change in investment of NABIL, 74.6% of NIBL and 91.9% of HBL over the study period.

Similarly while testing coefficient of correlation is significant or not all sample banks are found to be significant as the r value of all banks are greater than 6PE.r (r>6PE.r) which implies that all sample banks are successfully utilizing their deposits as in form of investment in different profitable sectors.

4.2.1.3 Coefficient of Correlation between Investment and Net Profit

Investment is done in different profitable area to maximize the profits. Net profit is the key to survive the banks. Without profits banks cannot sustain in the market. Therefore it is necessary to measures the degree of relationship between these two variables. For this study, investment (x) is taken as independent variable and net profit (y) taken as dependent variable. The following table exhibits the correlation, coefficient of determination, 6PE.r etc. of all sample banks

Table 4.18: Coefficient of Correlation between Investment and Net Profit

Particular	NABIL	NIBL	HBL
r	0.97	0.548	0.431
r2	0.94	0.3	0.186
PE.r	0.018	0.211	0.246
6PE.r	0.109	1.267	1.474
Test of significant	Significant	Insignificant	Insignificant

[Sources: Annual Report of Sample Banks]

The coefficient of correlation of NABIL is recorded 0.97 which is indicates there is highly positive correlation between investment and net profit. Whereas other sample banks NIBL and HBL registered 0.548 and 0.431 which implies that there is less correlation between investment and net profit among them comparing to NABIL.

Similarly, in order to measure the degree of change on dependent variable net profit due to change in independent variable investment, value of coefficient of determination (r_2) is calculated. On the basis of coefficient of determination it can be concluded that when there is change in investment it brings 94% change in net profit of NABIL, 30% of NIBL and 18.6% of HBL over the study period.

While testing coefficient of correlation is significant or not, only NABIL is found to be significant as the r value of NABIL is greater the 6PE.r (r>6PE.r) where as NIBL and HBL are found insignificant as their r is less than 6PE.r (r<6PE.r), this indicate that NIBL and HBL are weak in earning net profit through investment as compare to NABIL.

4.2.1.4 Coefficient of Correlation between Loans & Advances and Net Profit

Loans and advances also play a vital role in earning the profits. By mobilizing the deposit in loan and advances banks earn the profit. So, it is necessary to study the relationship between these two variable loans and advances and net profit. For the study loans and advances (x) is taken as independent variable and net profit (y) as dependent variable. The following table exhibits the correlation, coefficient of determination, 6PE.r etc. of all sample banks

Table 4.19: Coefficient of Correlation between Loans & Advances and Net Profit

Particular	NABIL	NIBL	HBL
r	0.976	0.944	0.704
r2	0.953	0.89	0.495
PE.r	0.014	0.033	0.152
6PE.r	0.085	0.198	0.914
Test of significant	Significant	Significant	Insignificant

[Sources: Annual Report of Sample Banks]

The coefficient of correlation for all the sample banks found to be almost '1" which indicate there is highly positive relationship between loan & advances and net profit. In order to measure the degree of change on dependent variable net profit due to change in independent variable loans and advances, value of coefficient of determination (r2) is calculated. On the basis of coefficient of determination it can be concluded that when there is change in loans and advances it brings 95.3% change in net profit of NABIL, 89% of NIBL and 49.5% of HBL over the study period.

While testing coefficient of correlation is significant or not, NABIL and NIBL are found to be significant as r value of NABIL and NIBL are greater the 6PE.r (r>6PE.r), which indicate that both banks are successful in earning net profit by mobilizing the loan and advances. Whereas, HBL is considered as insignificant as its r is less than 6PE.r (r <6PE.r.)

4.2.2 Trend Analysis

The main objective of this analysis is to interpret the trend of loans and Advances, deposit and net profits of sample banks NABIL, NIBL and HBL for the period of 2004 to 2008 and it also help to make the forecasting or the next five years up to 2013. The forecast is done under limited factors which are as follows.

   a. The economy will remain unchanged as the present condition.
   b. The banks will run in present position.
   c. The guide line by NRB for banks will remain unchanged.
   d. The forecast will be true only when the limitations of least square method are carried out.

e. The main assumption is that other factors are constant.

4.2.2.1 Trend Analysis of Loans and Advances

This analysis will show the picture of trend values of loan and advance of NABIL, NIBL and HBL for five years study period and then forecast for the next five years. The trend values of loans and advance of sample banks are presented below.

Table 4.20: Trend Value of Loans and Advance of Sample Banks

(in million)

Fiscal Year	NABIL	NIBL	HBL
2004	7153.23	5025.31	9503.65
2005	9148.58	7978.73	11005.28
2006	11143.93	10932.15	12506.90
2007	13139.28	13885.57	14008.53
2008	15134.63	16838.99	15510.15
2009	17129.98	19792.41	17011.78
2010	19125.33	22745.83	18513.40
2011	21120.68	25699.25	20015.03
2012	23116.03	28652.67	21516.85
2013	25111.38	31606.09	23018.28

[Sources: Annual Report of Sample Banks, Refer Annex-17]

The above table shows that the trend value of loans and advances are in increasing trend of all sample banks. From the above table it's clear that if other things remain unchanged the loans and advances of NABIL, NIBL and HBL will be 25111.38, 31606.09 and 23018.28 million respectively in fiscal year 2013. It shows that the trend value of loan and advance of NIBL will be the highest among the other sample banks in future.

In conclusion, it is clear that NIBL will be the most successful bank in utilizing its fund in term of loans and advance compare to other sample banks NABIL and HBL. The above given trend values of table is fitted in trend lines which is as follows:

Figure 4.1: Trend Line of Loans and Advance of Sample Banks
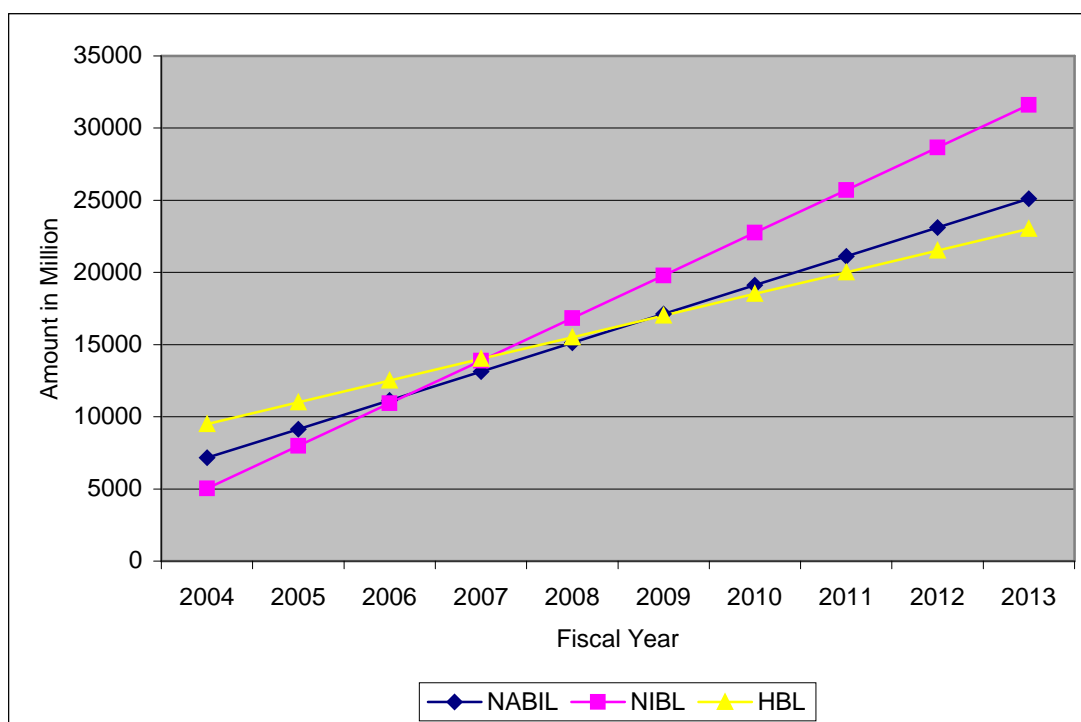
4.2.2.2 Trend Analysis of Total Deposits

This analysis will show the picture of trend values of total deposit of NABIL, NIBL and HBL for five years study period and then forecast for the next five years. The trend values of total deposits of sample banks are presented below.

Table 4.21: Trend Value of Total Deposit of Sample Banks   In Million

Fiscal Year	NABIL	NIBL	HBL
2004	13407.38	11061.38	18899.55
2005	14876.75	14906.20	21602.70
2006	15546.12	17751.02	24305.86
2007	17812.35	20595.84	26469.02
2008	19032.53	23524.66	29712.17
2009	21073.15	25285.48	32415.33
2010	24564.76	28130.32	35118.49
2011	27135.60	31975.12	38356.89
2012	30249.58	34819.94	39531.63
2013	32358.36	37664.76	42160.25

[Sources: Annual Report of Sample Banks]

The above table shows that the total deposits of all sample banks are in increasing trend throughout the study period. On the basis of past trend of ratio, the future trend of total deposit is analyzed. HBL will register the highest 42160.25 million in fiscal year 2013 whereas NABIL and NIBL will register 32358.76 and 37664.76 million rupee in year 2013 respectively.

From the above table we can conclude that NABIL and NIBL will have satisfactory level of deposit but HBL will be more successful to deposit huge amount in compression to other two banks. The above given trend values of table is fitted in trend lines which is as follows;

Figure 4.2: Trend Line of Total Deposit of Sample Banks
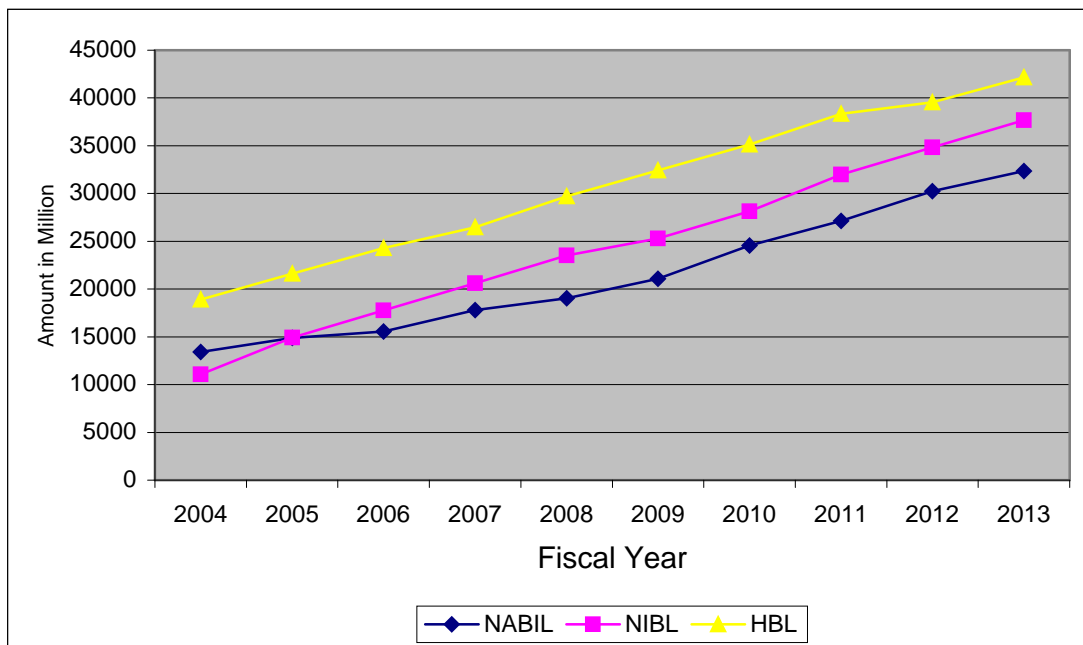
4.2.2.3 Trend Analysis of Net Profit

This analysis will show the picture of trend values of net profit NABIL, NIBL and HBL for five years study period and then forecast for the next five years. The trend values of net profit of sample banks are presented below.

Table 4.22: Trend Value of Net Profit of Sample Banks

(in million)

Fiscal Year	NABIL	NIBL	HBL
2004	433.62	334.97	223.62
2005	471.48	378.36	251.09
2006	523.94	424.64	295.67
2007	578.10	473.84	333.29
2008	696.26	513.63	375.39
2009	744.42	612.03	422.50
2010	811.59	670.12	478.66
2011	876.74	723.36	528.26
2012	929.23	769.41	573.81
2013	1053.36	823.62	618.91

[Sources: Annual Report of Sample Banks]

The above table reveals that the trend value of net profit of al sample banks are in increasing trend. If other things remain unchanged, the net profit of NABIL, NIBL and HBL will be for the next five years 1053.36, 823.62 and 618.91 million rupee respectively in fiscal year 2013.

From the above table it can be concluded that NABIL seems to be more successful in earning profits as it has highest increasing trend of its profit in comparison to other sample banks, whereas NIBL and HBL are also at satisfactory level of earning profits. The above given trend values of table is fitted in trend lines which is as follows:

Figure 4.3: Trend Line of Net Profit of Sample Banks
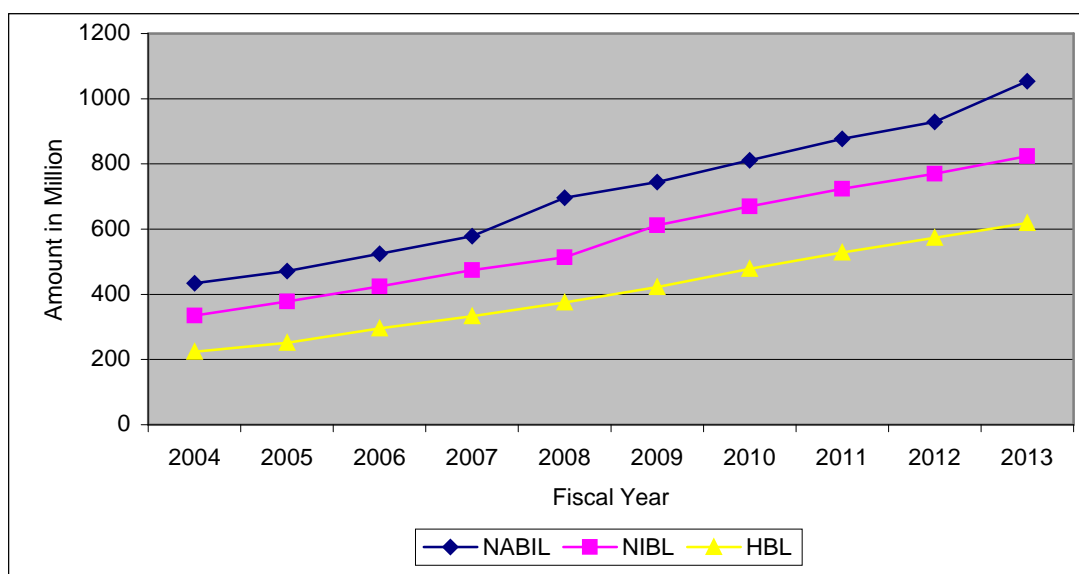
4.2.3 Test of Hypothesis

A hypothesis is conjectural statement of the relationship between two or more variables. The main objective of this test is to test significant difference regarding the parameter of the population on the basis of sample drawn from the population.

If the number of sample sub groups is three or more than three then, Z test and t test will be quite tedious. So, we use F test. It is a statistical technique used to test whether the difference between the means of three sample subgroups is significant or not. It is to find out differences among the sample means which is done by investigating variances. As the procedure focuses on analysis of variance, we call it ANOVA or Analysis of Variance.

A. Test of Significance difference on Net Profit to Total Asset Ratio between NABIL, NIBL & HBL

Let x_1, x_2 and x_3 be denoted as net profit to total asset ratio of NABIL, NIBL and HBL respectively.

Null Hypothesis H_0: $\mu x_1 = \mu x_2 = \mu x_3$ i.e. there is no significant difference between the mean ratio of net profit to total asset of NABIL, NIBL and HBL.

Alternative Hypothesis H$_1$: $\mu x_1 \neq \mu x_2 \neq \mu x_3$ i.e. there is significant difference between the mean ratio of net profit to total asset of NABIL, NIBL and HBL.

Test statistic under H$_0$

$$F\ cal = \frac{MSB}{MSE}$$

ANOVA Table

Sources of Variation	Sum of Square	d.f.	Mean Sum of Square
Between sample	SSB=5.13	3-1=2	MSB=5.12/2=2.56
Due to error	SSE=50.55	15-3=12	MSE=50.55/12=4.21
Total	TSS=55.68	15-1=14	

[Sources: Annual Report of Sample Banks, Refer Annex-18]

$$F\ cal = \frac{2.56}{4.21}, = 0.608$$

Critical value: the tabulated value of F [i.e. F tab] at 5% level of significance for 2 and 12 d.f. is 3.89.

Decision: Since calculated value of F is less than tabulated value of F [i.e. $F_{cal} < F_{tab}$] so, the null hypothesis is accepted. That means there is no significant difference between mean ratio of net profit to total asset of NABIL, NIBL and HBL

B. Test of significance difference on Net Profit to Total Deposit ratio between NABIL, NIBL & HBL

Let x_1, x_2 and x_3 be denoted as net profit to total deposits ratio of NABIL, NIBL and HBL respectively.

Null Hypothesis H$_0$: $\mu x_1 = \mu x_2 = \mu x_3$ i.e. there is no significant difference between the mean ratio of net profit to total deposit of NABIL, NIBL and HBL.

Alternative Hypothesis H$_1$: $\mu x_1 \neq \mu x_2 \neq \mu x_3$ i.e. there is significant difference between the mean ratio of net profit to total deposit of NABIL, NIBL and HBL.

Test statistic under H_0

$$F_{cal} = \frac{MSB}{MSE}$$

ANOVA Table

Sources of Variation	Sum of Square	d.f.	Mean Sum of Square
Between sample	SSB=6.24	3-1=2	MSB=6.24/2=3.12
Due to error	SSE=0.66	15-3=12	MSE=0.66/12=0.055
Total	TSS=6.9	15-1=14	

[Sources: Annual Report of Sample Banks, Refer Annex-19]

$$F_{cal} = \frac{3.12}{0.055}, = 56.732$$

Critical Value: the tabulated value of F [i.e. F_{tab}] at 5% level of significance for 2 and 12 d.f. is 3.89.

Decision: Since calculated value of F is greater than tabulated value of F [i.e. $F_{cal}>F_{tab}$] so, the null hypothesis is rejected hence alternative hypothesis is accepted. That means there is significant difference between mean ratios of net profit to total deposit of NABIL, NIBL and HBL.

C. Test of Significance Difference on Investment to Total Deposit Ratio between NABIL, NIBL & HBL

Let x_1, x_2 and x_3 be denoted as investment to total deposits ratio of NABIL, NIBL and HBL respectively.

Null Hypothesis H_0: $\mu x_1 = \mu x_2 = \mu x_3$ i.e. there is no significant difference between the mean ratio of investment to total deposit of NABIL, NIBL and HBL.

Alternative Hypothesis H_1: $\mu x_1 \neq \mu x_2 \neq \mu x_3$ i.e. there is significant difference between the mean ratio of investment to total deposit of NABIL, NIBL and HBL.

Test statistic under H_0

$$F_{cal} = \frac{MSB}{MSE}$$

ANOVA Table

Sources of Variation	Sum of Square	d.f.	Mean Sum of Square
Between sample	SSB=2981.81	3-1=2	MSB=2981.81/2=1490.9
Due to error	SSE=248.73	15-3=12	MSE=248.73/12=20.73
Total	TSS=3230.54	15-1=14	

[Sources: Annual Report of Sample Banks]

$$F_{cal} = \frac{1490.9}{20.73}, \ = 71.92$$

Critical Value: the tabulated value of F [i.e. F_{tab}] at 5% level of significance for 2 and 12 d.f. is 3.89.

Decision: Since calculated value of F is greater than tabulated value of F [i.e. $F_{cal} > F_{tab}$] so, the null hypothesis is rejected hence alternative hypothesis is accepted. That means there is significant difference between mean ratio of investment to total deposit asset of NABIL, NIBL and HBL

D. Test of Significance difference on Loan and Advance to Total Working Fund Ratio between NABIL, NIBL & HBL

Let x_1, x_2 and x_3 be denoted as loan and advance to total working fund ratio of NABIL, NIBL and HBL respectively.

Null Hypothesis H_0: $\mu x_1 = \mu x_2 = \mu x_3$ i.e. there is no significant difference between the mean ratio of loan and advance to total working fund of NABIL, NIBL and HBL.

Alternative Hypothesis H_1: $\mu x_1 \neq \mu x_2 \neq \mu x_3$ i.e. there is significant difference between the mean ratio of loan and advance to total working fund of NABIL, NIBL and HBL.

Test statistic under H_0

$$F_{cal} = \frac{MSB}{MSE}$$

ANOVA Table

Sources of Variation	Sum of Square	d.f.	Mean Sum of Square
Between sample	SSB=636.66	3-1=2	MSB=6.36.66/2=318.33
Due to error	SSE=274.56	15-3=12	MSE=274.56/12=22.88
Total	TSS=911.22	15-1=14	

[Sources: Annual Report of Sample Banks]

$$F_{cal} = \frac{318.33}{22.88}, = 13.9$$

Critical Value: the tabulated value of F [i.e. F_{tab}] at 5% level of significance for 2 and 12 d.f is 3.89.

Decision: Since calculated value of F is greater than tabulated value of F [i.e. $F_{cal} > F_{tab}$] so, the null hypothesis is rejected hence alternative hypothesis is accepted. That means there is significant difference between mean ratios of loan and advance to total working fund of NABIL, NIBL and HBL.

E. Test of Significance difference on Current Ratio of NABIL, NIBL & HBL

Let x_1, x_2 and x_3 be denoted as current ratio of NABIL, NIBL and HBL respectively.

Null Hypothesis H_0: $\mu x_1 = \mu x_2 = \mu x_3$ i.e. there is no significant difference between the mean current ratio of NABIL, NIBL and HBL.

Alternative Hypothesis H_1: $\mu x_1 \neq \mu x_2 \neq \mu x_3$ i.e. there is significant difference between the mean current ratio of NABIL, NIBL and HBL.

Test statistic under Ho

$$F_{cal} = \frac{MSB}{MSE}$$

ANOVA Table

Sources of Variation	Sum of Square	d.f.	Mean Sum of Square
Between sample	SSB=0.056	3-1=2	MSB=0.056/2=0.028
Due to error	SSE=0.224	15-3=12	MSE=0.224/12=0.0187
Total	TSS=0.28	15-1=14	

[Sources: Annual Report of Sample Banks]

$$F_{cal} = \frac{0.028}{0.0187}, = 1.48$$

Critical Value: the tabulated value of F [i.e. F_{tab}] at 5% level of significance for 2 and 12 d.f. is 3.89

Decision: Since calculated value of F is less than tabulated value of F [i.e. $F_{cal} < F_{tab}$] so, the null hypothesis is accepted. That means there is no significant difference between mean current ratios of NABIL, NIBL and HBL.

4.3 Major Finding of the Study

The main findings of the study are carried out on the basis of the financial data of the sample banks which are presented below:

4.3.1 Liquidity Ratio

a. During the five years of study period of sample banks the current ratio found to be highly fluctuating. The average current ratio of sample banks i.e. NABIL, NIBL and HBL are 1.032, 0.927 and 0.894 times respectively which shows that the current ratios of all sample banks are below the standard ratio i.e. 2:1. Among, the sample banks current ratio of NABIL dominate the other which indicate that NABIL is in more successful of paying their current obligations compare to other sample banks. NIBL and HBL have low current ratio, but it does not mean that they are failed to meet their current obligation but from the point of view of working policy they are much more aggressive.

b. The average ratio of cash and bank balance to total deposit of sample banks are NABIL (13.77%), NIBL (11.01%) and HBL (7.63%).this indicates that on average basis NABIL has more liquid to serve its depositors in time have enough cash in hand. whereas other banks are found to be holding less cash in hand to that its deposits.

c. NABIL found to be in better position to maintain the cash and bank balance to meet its demand for cash among the sample banks but it does not mean that it has mobilized its more funds in different sectors. It actually means that it can meet the daily cash requirement to make payment to its customer.

From the above result it can say that liquidity position of NABIL found to be comparatively better than other sample banks. But NIBL and HBL also has satisfactory level of liquidity position due to their aggressive working policy.

4.3.2 Asset Management Ratio

a. The loans and advance to total deposit ratio of all banks found to be at satisfactory level and maintain the good consistency in ratios. However, NABIL has used highest percentage (i.e. 71.08%) of total deposit into loans and advance than other sample banks i.e. NIBL (63.7%) & HBL (50.5%) over the study period and as well as succeed to maintain its consistency level.

b. The average ratio of loans and advance to fixed deposit of sample banks NABIL, NBIL & HBL are 1.45, 2.19 & 2.16 times respectively. This reveals that both NIBL and HBL are successful in using the fixed deposit as loans and advances. Fixed deposits are high interest bearing obligation so we need to mobilize it effectively. Though, NABIL is not mobilizing properly its fixed deposit as compare to other banks but they are more successful in maintaining the consistency in loans and advance to fixed deposit.

c. Loans and advances are the major component in total working fund to mobilize it effectively for the purpose of income generation. Here, the loans and advance to total working fund ratio of all sample banks found to be at satisfactory level and are able to maintain their consistency in ratios also. However, NABIL has used highest percentage (i.e. 61%) of total working

funds into loans and advance than other sample banks i.e. NIBL (52.6%) & HBL (45.1%) over the study period.

d. The mean ratio of investment to total deposit of HBL and NABIL is found to be at satisfactory level. Since, HBL has the highest mean ratio (i.e.63.3%) so they are successful to invest in different sectors from its deposits. But NIBL is not found good in this part as it has the lowest mean ratio (28.9%). Therefore, NBIL has to explore the possibilities of new investment for mobilizing its deposits.

e. NABIL and HBL have satisfactory investment on government securities to total working fund ratio. Since NABIL has the highest mean ratio (15.5%) so they are more successful in mobilizing the fund in government securities as compare to others. Whereas NIBL has the lowest mean ratio (5.5%) this shows that they are failed to invest in government securities in past five years. HBL are found to best as concern with consistency, as it has maintained the consistency level up to some extent.

f. All the banks have negligible portion of their working fund to the investment on share and debenture of others company. As the banks works on deposits of public so it might be good to invest less fund on others share and debenture as they are considered as more risky. Among the sample banks NIBL has registered high mean ratio but as concern to consistency all sample banks are failed to maintain the consistency in investment of shares and debentures.

4.3.3 Profitability Ratio

a. All the sample banks are able to earn the profit on total assets. Among them, NABIL found to be best, since it has the highest mean ratio (2.83%) among the other sample banks. But as concern to consistency, NABIL is failed to maintain it. NIBL is successful to earn profit at satisfactory level as well as able to maintain its consistency on earning the profit. HBL has lowest earning on total assets and it failed to maintain its consistency too.

b. The mean ratio of net profit to net worth of HBL (37.5%) is the highest among the sample banks but are failed to maintain its consistency. Both HBL and NABIL are successful to earn profit by mobilizing the share holders equity but

unable to maintain its consistency. On contrary, NIBL has low mean ratio among the sample banks but succeed to maintain its consistency on earning profit on its shareholder equity.

c. The mean ratio shows that all sample banks are successful to earn interest on total working fund. NABIL found to be more successful with compare to other sample banks as it registered the highest mean ratio (21.2%) but failed to maintain its consistency in earning. NIBL and HBL are successful to earn interest on total working fund as well as both are able to maintain their consistency.

4.3.4 Market Value Analysis

a. The mean ratio of EPS of sample banks NABIL, NIBL and HLB is registered Rs109.81, 50.5 and 41.4 respectively. This indicate that NABIL is able to provide the highest earning to the equity holder on a per share basis whereas HBL with the lowest mean EPS are not able to provide the sufficient profit to its equity holder. Among the sample banks NABIL is successful to maintain its consistency whereas both HBL and NIBL are failed to maintain it

b. The average dividend payout ratio of NABIL, NIBL and HBL are 75%, 14.5% and 33.8% respectively. It reveals that NABIL has the highest dividend payout ratio among the sample banks. NIBL has the lowest as compare to the sample banks and also failed to maintain their consistency in paying dividend to the shareholder.

c. NABIL registered the highest (17.6) average price earning ratio among the sample banks NIBL (17.6) and HBL (19.25). It means that NABIL market price per share is 17.6 times greater than its earning per share. NABIL is more consistency to maintain its market price per share as per share where as both NIBL and HBL are failed to maintain its consistency and variability.

4.3.5 Coefficient of Correlation

The correlation has pulled out following results:

a. Correlation between the deposit and loan & advances are found highly positive of all sample banks. The correlation between the deposit and loan &

advance are perfect as there is significant between them. It means that the all sample banks are successful in mobilizing the deposit as loan and advances.

b. There is perfect positive correlation between the deposit and investment in all sample banks. Similarly the correlation between the deposit and investment are perfect as there is significant between them. It shows that the all sample banks have effectively mobilize its deposit on different investment sectors. In other word it can be said that investment is depend on the deposits.

c. NABIL are successful to earn the net profit from its investment which means that there is highly positive correlation between the investment and net profit in NABIL. NIBL and HBL are failed to earn the profit from its investment. Since the correlation between the investment and net profit are insignificant in NIBL and HBL. They are less successful in mobilizing the investment to earn the profit.

d. NABIL and NIBL are successful in earning the net profit by mobilizing the loans & advances. The correlation between the loan & advance and net profit are found to be positive. In contrast, HBL is failed to earn the net profit from its loans & advance since correlation between the loans & advance and net profit is insignificant

4.3.6 Trend Analysis

Trend value of loans and advance, total deposit and net profit and projection for next five years of sample banks shows that;

a. The past trend values of loan and advances of all three banks are found to be in increasing trend. However NIBL has registered for the highest trend ratio which shows that they are successful in mobilizing the loans and advance to different profitable and productive sectors.

b. The past trend values of total deposit of all three banks are found to be in increasing trend. However, HBL has registered for the highest trend ratio which shows that they will be more successful in collecting the total deposits.

c. The past trend value of net profit for all sample banks are in increasing trend. However, NABIL has registered for the highest trend ratio which shows that they are successful in earning profits in comparison to other sample banks.

4.3.7 Test of Hypothesis

From the F test analysis, following results have found.

a. On the basis of hypothesis analysis of net profit on total asset of samples banks it can be concluded that there is no significant difference in mean ratios of net profit to total asset of all three sample banks NABIL, NIBL and HBL

b. On the basis of hypothesis test analysis of net profit on total deposit of samples banks it can be concluded that there is significant difference in mean ratios of net profit to total deposit of all three sample banks NABIL, NIBL and HBL

c. On the basis of hypothesis test analysis of investment to total deposit ratio it can be concluded that there is significant difference in mean ratio of investment to total deposit of all sample banks.

d. On the basis of hypothesis test analysis of loan and advance to total working fund ratio, it can be concluded that there is significant difference in mean ratio of loans and advance to total working fund ratio of all sample banks.

e. On the basis of hypothesis test analysis of current ratio of all sample banks NABIL, NIBL and HBL, it can be concluded that there is no significant difference in mean current ratios of all sample banks.

CHAPTER – V
SUMMARY, CONCLUSION AND RECOMMENDATIONS

This chapter is the important for the research as this chapter extract of the entire previously discussed chapter. This chapter consists of mainly three part i.e. summary, conclusion and recommendations. In the summary part, short revision of all four chapters is made. In conclusion part, the result from the research is summed up and recommendation is made based on the result and experience of thesis. Recommendation is made for improving the present situation to concern parties as well as further research.

5.1 Summary

Industrialization is an important factor for achieving the basic objective of a country's economic and social progress. Industrialization not only provides necessary products and services to the community but also create employment opportunities. Industrial development thus, has multiplier effects on the economy of the nation. Banking industries been regarded as one of the major component of economy. Commercial banks are the prominent part of banking industries. It transferred the scattered fund collected from the saving of the public into various productive sectors. Economic activities remain halt in absence of commercial banks as it play the role of catalyst for economic development of the country.

Commercial banks helps to enhance economic activities of the country by providing capital, fund for the smooth operation of business activities, create employment opportunities, investing agriculture industries etc. So, for the growth and the sustainable existence of the banks it must ensure reasonable profitability.

Under this study, the researcher has tried to cover the various aspects of the sample banks for the period of five years covering 2003/04 to 2007/08. In the first introductory chapter, the study report has tried to give introduction and history to banking system and its relation to economy, concept of JVBs and their role, statement of problem, objective of study and its limitation.

During the research work, extensive review of various literature books, journal and dissertation and past thesis have been studied and consulted. As per requirement other materials from internet and relevant websites were also visited. These works are compiled in the second chapter titled "Review of Literature."

For the study the researcher has gathered the data basically from the annual reports published by the concerned banks foe the five years. Financial tools like ratio analysis, statistical tools as arithmetic mean, standard deviation, coefficient of variation, coefficient of correlation, coefficient of determination, trend analysis, test of hypothesis etc are followed for the research work in the third chapter title "Research Methodology."

Data relating to activities of banks have been collected and presented in figures and table as far as possible and tried to interpret in the study report in logical way. Data are then analyzed applying various financial and statistical tools and findings of the study have been listed in systematic manner. All these works are compiles in the fourth chapter titled "Data presentation and Analysis."

Finally the summary, conclusion and recommendation is made by the researcher is presented in the chapter five titled "Summary, Conclusion and Recommendations."

5.2 Conclusion

The overall performance of sample banks found to be satisfactory. All sample banks are not strong in all performance. Some are strong in liquidity position and some are strong in profit making. From the liquidity point of view current ratio of all sample banks are failed to maintain the standard current ratio 2:1. However, NABIL found to comparatively better than other sample banks with highest average current ratio. The cash and bank balance of NABIL with respect to total deposit is more than other sample banks. It indicates that NABIL is more successful to maintain its liquidity position than NIBL and HBL as they maintain low liquidity positions due to aggressive working policy.

Similarly, all the banks are seen successful in asset management ratio. Among the sample banks NABIL has highest mean ratio of loans and advance to total deposit as well as to total working fund which means NABIL is found to be comparatively best

in mobilizing its total deposit and total working fund in profitable sectors in the form of loans and advances. Similarly HBL found to be best in investing funds from the total deposit as it registered higher average mean ratio on investment to total deposit ratio.

From the profitability point of view, NABIL found to be better among the sample banks because they have been successful in earning more profits by mobilizing its deposit and total assets to different productive and profitable sectors. Similarly NABIL is successful to earn high interest from its total assets. NABIL is found to be best on the basis of leverage ratio because NIBL and HBL use high debt fund rather than equity fund.

Earning per share of NABIL has the highest than other selected sample banks. Similarly, the highest dividend payout ratio refers that bank provides high amount of dividend to its share holder so, NABIL is the best to maintain its market value ratio as it registered high dividend payout ratio and high P/E ratio among the other sample banks

All sample banks have positive relation between the deposit and loans & advance, deposit and investment, net profit and investment. There is highly positive correlation between investment and net profit which means that NABIL is successful to earn the net profit from its investment as compare to other sample banks NIBL and HBL.

The trend line of loans and advance shows that NIBL have the high loans and advance among the sample banks. Therefore it is assumed that in future NIBL will have higher loans and advance. Even though NABIL has low trend of loans and advance and deposit compare to other banks but it has high trend of profits.

5.3 Recommendations

Based on the analysis, interpretation, finding and conclusion some of the major recommendations are mentioned as below.

   a. All sample banks are failed to maintain its liquidity. Bank should not invest all the deposit as loans and advances. The standard form of liquidity 2:1 should be followed strictly. The depositors may demand their money at any time so if

bank failed to pay their current obligation it may affects in the creditability and goodwill of the banks.

b. HBL have less mobilization of total deposit loan and advances among the sample banks. The purpose of loan and advance is to generate income for the banks. So HBL should increase loan and advance to different productive area.

c. Fixed deposits are for the long period and need to pay the higher interest. Therefore fixed deposit can use for the long investment and generate income for the banks. Since, mobilization of fixed deposit by NABIL is low among sample banks, so they should mobilize their fixed deposit by innovating different new investment sectors.

d. NIBL also should increase its investment towards government securities and decrease variation of investment on government securities even though government securities have low interest rate but they are risk less assets.

e. The overall investment of the bank should be concentrated on productive sectors such as business, trade industrial loan, agricultural loan etc rather than on consumer products as hire purchaser, home loans etc. because industrial and business sectors create the economic growth, employment, goods and services etc.

f. Among the sample banks, NIBL is less successful in mobilizing its deposit by investing in different productive sectors. Investment is the key to earn a profit therefore; they should invest in different productive sectors utilizing the different types of deposits.

g. HBL is not successful as NABIL and NIBL to earn net profit by utilizing its assets and deposit. So HBL should invest its deposits and utilize its assets in different productive and profitable sectors on the basis of portfolio management.

h. Low market price of share and less earning per share of banks indicate the poor performance in the market. Similarly low dividend pay our ratio also discourages the share holder. Reviewing the study, NABIL has higher EPS, Dividend Pay out ratio than other sample banks. So, it is suggested to the management team HBL and NIBL to improve their performance.

i. Share holders are the real owners of the organization but it banks are not providing enough return on equity. NIBL has very low ROE as compare to

NABIL and HBL. So banks should also give emphasis on the wealth maximization of the shareholders.

j. Expenses are the vital determinants to increase or decrease the profitability of banks. Interest expenses on deposit also affect the profitability of the banks. Thus, it is recommended that should try to mobilized or reduce the amount of high interest bearing deposits like fixed deposit, saving deposits etc and others and at same time bank should try to reduce the operating expenses as much as it can to increase profitability

k. Banks should evaluate its investment portfolio every year. Investment portfolio must be balanced in each sector according to the NRB rules and companies policies.

l. Today is the age of tough competition; a well marketing system plays a tremendous role in the development of banks. Every commercial bank should be customer oriented. Marketing is the one of the best and effective tool to attract and draw the customers. So, bank should use aggressive marketing tools and make aware about the new banking facilities like E- banking, Internet banking service, SMS banking , ATM, Debit card, Credit card, evening counters, 365days banking services, etc.

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ANNEXES

NABIL Bank Limited:

NABIL bank Ltd is the first joint venture commercial bank in Nepal which was established in July 12, 1984 A.D. under the Company Act 1964 and Commercial Bank Act 1974. Dubai Bank Ltd was the initial foreign joint venture partner with 50% equity investment. The share owned by Dubai Bank Ltd was transfer to Emirates Bank International Ltd (EBIL), Dubai by virtue of its annexation. Later on Emirate Bank International Ltd, Dubai sold its entire 50% equity to National Bank Limited, Bangladesh. National Bank Ltd, Bangladesh is managing the bank accordance with technical services agreement signed between it (NBL) and the bank on June 1995. Nabil Bank Ltd was officially known as Nepal Arab Bank Ltd, till 31st Dec, 2001.

Nabil is the pioneer in the introducing many innovative products and marketing concept in banking sector of Nepal with 27 branches and a counter in major cities. Among them 7 branches and a counter is regulating their services in Kathmandu Valley. It is the only bank having its presence at Tribhuwan International Airport (TIA), only international airport of country. Success of Nabil is a milestone in the banking history of Nepal as it paved the way for establishment of many other commercial banks and financial institutions.

Share subscription and capital structure

Subscription	Holding %
NB International Ltd	50%
Nepal Industrial Development Corporation	10%
Rastriya Beema Sansthan	9.67%
Nepal Stock Exchange	0.33%
General Public	30%

Authorized capital: Rs. 500,000,000

Issued capital: Rs 491,654,400

Paid up capital: Rs 491,654,400

Nepal Investment Bank Limited:

Nepal Investment Bank previously, Nepal Indosuez Bank Limited was established in 1986 A.D as a joint venture bank between Nepalese and French partner. The French partner (holding 50% of the capital) was Credit Agricole Indosuez, a subsidiary of the largest banking in the world. With the decision of Credit Agricole Indosuez to divest, a group of companies comprising of bankers, professional, industrialist and businessmen, in April 2002 A.D, acquired 50% of holding of Credit Agircole Indosuez in Nepal Indosuez Bank. The name of the bank was changed to Nepal Investment Bank Ltd upon approval of Bank's annual general meeting, Nepal Rastra Bank and Company Registrar's office. NIBL provides a full range of commercial banking services through its outlets spread all over nation and reputed correspondent banks across globe. It has 23 branches; among them 9 branches along with head office located in Dubar Marg facilitate its services in Kathmandu Valley. It cordially invites to visit its branches and counter to have the taste of full-fledge banking services. Therefore it has good name in the market for its highly personalized services to the customer.

Share subscription and Capital Structure

Subscription	Holding%
Group of Companies	50%
Rastriya Banijya Bank	15%
Rastriya Beema Sansthan	15%
General Public	20%

Authorized Capital: Rs 1,000,000,000

Issued Capital: Rs 801,352,600

Paid up Capital: Rs 801,352,600

Himalayan Bank Limited:

Himalayan bank Limited was established in 1992 A.D. under the Company Act 1964. It was incorporated by few distinguished personalities of Nepal in partnership with Employees Provident Fund and Habib Bank Limited, one of the largest commercial bank of Pakistan. Banking operation commenced from January 1993. It was the first Joint venture bank of Nepal whose maximum shares are held by the Nepalese private sectors. Besides commercial banking services, the Bank also offers industrial and merchant banking services.

The bank has six branches in Kathmandu Valley at the following location: Thamel, New Road, Maharajgunj, Teku, Pulchowk and Bhaktapur. In addition, the bank also has 12 other branches outside Kathmandu Valley. The bank also operates a counter in the premises of the Royal Palace. Himalayan Bank has been always committed to provide quality services to its customers and is treated with utmost courtesy as valued clients. The bank, where ever possible, offers tailor made facilities to its clients, based on the unique needs and requirements to extend more efficient services to its customers. Himalayan Bank has been adopting innovative and latest banking technology, this has not only helped the bank constantly improve its service level but also prepared the bank for the future adaptation to new technology.

Share subscription and Capital Structure

Subscription	Holding%
Promoters	51%
Habib Bank Limited	20%
Employees Provident Fund	14%
General Public	15%

Authorized Capital: Rs 1, 000,000,000
Issued Capital: Rs 772,000,000.
Paid up Capital: Rs 772,000,000.

ANNEX – 1

Current Ratio (X)

Fiscal	NABIL	NIBL	HBL

Year	X	$(X-\overline{X})^2$	X	$(X-\overline{X})^2$	X	$(X-\overline{X})^2$
2003/04	0.9777	0.0029	1.1264	0.0397	1.0270	0.0176
2004/05	1.0407	0.001	1.1135	0.0347	1.0192	0.0156
2005/06	1.0359	0.0	0.7394	0.0353	0.9259	0.0010
2006/07	1.0488	0.0003	0.7573	0.0289	0.7289	0.0274
2007/08	1.0561	0.006	0.8993	0.0008	0.7708	0.0153
Total	5.1592	0.0039	4.6359	0.1394	4.4718	0.0769

Where, n = 5 years

$$\text{Mean} (\overline{X}) = \frac{X}{N} \qquad \text{S.D.} (\ ) = \sqrt{\frac{x^2}{N}} \qquad \text{C.V.} = \frac{}{\overline{X}}$$

$$\text{NABIL} = \frac{5.1592}{5} \qquad = \frac{0.0039}{5} \qquad = \frac{0.028}{1.0318} \mid 100$$

$$= 1.0318 \qquad = 0.028 \qquad = 2.71\%$$

$$\text{NIBL} = \frac{4.6359}{5} \qquad = \frac{0.1394}{5} \qquad = \frac{0.167}{5} \mid 100$$

$$= 0.9272 \qquad = 0.167 \qquad = 18.01\%$$

$$\text{HBL} = \frac{4.478}{5} \qquad = \frac{0.0769}{5} \qquad = \frac{0.124}{0.8944} \mid 100$$

$$= 0.8944 \qquad = 0.124 \qquad = 13.86\%$$

ANNEX – 2

Cash and Bank balance to Total Deposit Ratio (X)

Fiscal Year	NABIL		NIBL		HBL	
	X	$(X-\overline{X})^2$	X	$(X-\overline{X})^2$	X	$(X-\overline{X})^2$
2003/04	13.64	0.020	10.81	0.04	7.43	0.04

2004/05	9.11	21.72	12.17	1.35	6.42	1.46
2005/06	18.25	20.07	12.28	1.61	8.18	0.30
2006/07	10.84	8.0	8.11	8.42	6.79	0.71
2007/08	17.02	10.56	11.69	0.46	9.42	3.2
Total	68.86	60.95	55.06	11.88	38.17	5.71

Where, n =5 years

$$\text{Mean} (\overline{X}) = \frac{X}{N} \qquad \text{S.D.} (\ ) = \sqrt{\frac{x^2}{N}} \qquad \text{C.V.} = \frac{}{\overline{X}} | 100$$

$$\text{NABIL} = \frac{68.86}{5} \qquad = \frac{60.95}{5} \qquad = \frac{3.49}{13.77} | 100$$

$$= 13.77 \qquad = 3.49 \qquad = 25.35\%$$

$$\text{NIBL} = \frac{55.06}{5} \qquad = \frac{11.88}{5} \qquad = \frac{1.54}{11.88} | 100$$

$$= 11.012 \qquad = 1.54 \qquad = 13.98\%$$

$$\text{HBL} = \frac{38.17}{5} \qquad = \frac{5.71}{5} \qquad = \frac{1.07}{7.63} | 100$$

$$= 7.63 \qquad = 1.07 \qquad = 14.02\%$$

ANNEX – 3

Cash and Bank balance to Current Asset Ratio (X)

Fiscal Year	NABIL		NIBL		HBL	
	X	$(X-\overline{X})^2$	X	$(X-\overline{X})^2$	X	$(X-\overline{X})^2$
2003/04	12.18	0.0	8.63	6.66	6.62	2.69
2004/05	8.35	14.69	9.69	2.31	5.78	6.15
2005/06	16.53	8.92	15.27	16.48	8.27	0.0

2006/07	9.32	8.18	10.15	1.12	8.93	0.45
2007/08	14.54	5.57	12.32	1.23	11.69	11.76
Total	60.92	47.36	56.06	27.8	41.69	21.05

Where, n = 5 years

$$\text{Mean } (\overline{X}) = \frac{X}{N} \qquad \text{S.D. } (\ ) = \sqrt{\frac{x^2}{N}} \qquad \text{C.V.} = \frac{}{\overline{X}} \Big| 100$$

$$\text{NABIL} = \frac{60.92}{5} \qquad = \frac{47.36}{5} \qquad = \frac{3.08}{12.18} \Big| 100$$

$$= 12.18 \qquad\qquad = 3.08 \qquad\qquad = 25.29\%$$

$$\text{NIBL} = \frac{56.06}{5} \qquad = \frac{27.8}{5} \qquad = \frac{2.36}{11.21} \Big| 100$$

$$= 11.21 \qquad\qquad = 2.36 \qquad\qquad = 21.05\%$$

$$\text{HBL} = \frac{41.29}{5} \qquad = \frac{21.05}{5} \qquad = \frac{2.05}{8.26} \Big| 100$$

$$= 8.26 \qquad\qquad = 2.05 \qquad\qquad = 24.82\%$$

Annex-4

Loan and Advances to Total Deposit Ratio (X)

Fiscal	NABIL		NIBL		HBL	
Year	X	$(X-\overline{X})^2$	X	$(X-\overline{X})^2$	X	$(X-\overline{X})^2$
2003/04	70.03	1.102	57.86	34.46	54.31	14.288
2004/05	74.25	10.048	69.41	32.26	51.45	0.846
2005/06	65.71	28.836	57.07	44.36	51.42	0.792
2006/07	72.23	1.322	61.43	5.29	47.87	7.076
2007/08	73.32	5.017	72.86	83.36	47.61	8.53

Total	355.4	46.329	318.63	199.72	252.66	31.53

Where, n =5 years

$$\text{Mean } (\overline{X}) = \frac{X}{N} \qquad \text{S.D. } (\quad) = \sqrt{\frac{x^2}{N}} \qquad \text{C.V.} = \frac{}{\overline{X}} \mid 100$$

$$\text{NABIL} = \frac{355.4}{5} \qquad = \frac{46.32}{5} \qquad = \frac{3.044}{71.08} \mid 100$$

$$= 71.08 \qquad = 3.044 \qquad = 4.28\%$$

$$\text{NIBL} = \frac{318.63}{5} \qquad = \frac{199.72}{5} \qquad = \frac{6.32}{63.73} \mid 100$$

$$= 63.73 \qquad = 6.32 \qquad = 9.92\%$$

$$\text{HBL} = \frac{252.66}{5} \qquad = \frac{31.53}{5} \qquad = \frac{2.51}{50.53} \mid 100$$

$$= 50.53 \qquad = 2.51 \qquad = 4.97\%$$

Annex - 5

Loan and Advances to Fixed Deposit Ratio (X)

Fiscal Year	NABIL		NIBL		HBL	
	X	$(X-\overline{X})^2$	X	$(X-\overline{X})^2$	X	$(X-\overline{X})^2$
2003/04	1.206	0.0615	1.435	0.5715	2.425	0.0655
2004/05	1.536	0.0067	1.893	0.0888	1.844	0.1056
2005/06	1.316	0.0191	1.465	0.5271	1.830	0.1149
2006/07	1.456	0.0	2.711	0.2704	1.626	0.2948
2007/08	1.756	0.0912	3.451	1.5876	3.12	0.9044
Total	7.27	0.1785	10.95	3.0454	10.845	1.4852

Where, n = 5 years

$$\text{Mean} (\overline{X}) = \frac{X}{N} \qquad \text{S.D.} (\ ) = \sqrt{\frac{x^2}{N}} \qquad \text{C.V.} = \frac{}{\overline{X}} \mid 100$$

$$\text{NABIL} = \frac{7.27}{5} \qquad = \frac{0.1785}{5} \qquad = \frac{0.189}{1.45} \mid 100$$

$$= 1.45 \qquad\qquad = 0.189 \qquad\qquad = 12.99\%$$

$$\text{NIBL} = \frac{10.95}{5} \qquad = \frac{3.054}{5} \qquad = \frac{0.78}{2.191} \mid 100$$

$$= 2.191 \qquad\qquad = 0.78 \qquad\qquad = 35.6\%$$

$$\text{HBL} = \frac{10.845}{5} \qquad = \frac{1.485}{5} \qquad = \frac{0.454}{2.169} \mid 100$$

$$= 2.169 \qquad\qquad = 0.545 \qquad\qquad = 25.13\%$$

Annex - 6

Loan and Advances to Total Working Fund Ratio (X)

Fiscal Year	NABIL		NIBL		HBL	
	X	$(X-\overline{X})^2$	X	$(X-\overline{X})^2$	X	$(X-\overline{X})^2$
2003/04	59.99	1.020	45.43	51.26	47.56	6.3
2004/05	66.54	30.692	54.54	3.80	45.54	0.24
2005/06	57.77	10.453	47.37	27.25	43.12	3.72
2006/07	59.76	1.538	51.56	1.06	42.82	4.97
2007/08	60.96	0.002	64.03	130.87	46.23	1.39
Total	305.02	43.685	262.93	214.24	225.17	16.62

Where, n =5 years

$$\text{Mean} (\overline{X}) = \frac{X}{N} \qquad \text{S.D.} (\ ) = \sqrt{\frac{x^2}{N}} \qquad \text{C.V.} = \frac{}{\overline{X}} \mid 100$$

NABIL $= \dfrac{305.02}{5}$ $\qquad = \dfrac{43.685}{5}$ $\qquad = \dfrac{2.956}{61} \mid 100$

$\qquad = 61$ $\qquad\qquad = 2.956$ $\qquad\qquad = 4.85\%$

NIBL $= \dfrac{262.93}{5}$ $\qquad = \dfrac{214.24}{5}$ $\qquad = \dfrac{6.55}{52.59} \mid 100$

$\qquad = 52.59$ $\qquad\qquad = 6.55$ $\qquad\qquad = 12.46\%$

HBL $= \dfrac{7.27}{5}$ $\qquad = \dfrac{0.1785}{5}$ $\qquad = \dfrac{0.189}{1.45} \mid 100$

$\qquad = 45.05$ $\qquad\qquad = 1.823$ $\qquad\qquad = 4.05\%$

Annex-7

Investment to Total Deposit Ratio (X)

Fiscal	NABIL		NIBL		HBL	
Year	X	$(X-\overline{X})^2$	X	$(X-\overline{X})^2$	X	$(X-\overline{X})^2$
2003/04	49.83	48.02	22.03	48.16	64.06	0.58
2004/05	47.84	24.4	36.2	52.27	64.17	0.76
2005/06	35.21	59.14	28.58	0.15	61.87	2.04
2006/07	40.9	4.0	29.97	1.0	64.29	0.98
2007/08	40.74	4.67	28.05	0.85	62.13	1.37
Total	214.52	140.23	144.83	102.43	316.52	5.73

Where, n =5 years

Mean $(\overline{X}) = \dfrac{X}{N}$ $\qquad$ S.D. $(\ ) = \sqrt{\dfrac{x^2}{N}}$ $\qquad$ C.V. $= \dfrac{}{X} \mid 100$

NABIL $= \dfrac{214.52}{5}$ $\qquad = \dfrac{140.23}{5}$ $\qquad = \dfrac{4.53}{5.30} \mid 100$

= 42.9	= 5.30	= 12.35%	

$$\text{NIBL} = \frac{144.83}{5} \qquad = \frac{102.43}{5} \qquad = \frac{4.53}{28.97} \mid 100$$

$$= 28.97 \qquad\qquad = 4.53 \qquad\qquad = 15.64\%$$

$$\text{HBL} = \frac{316.52}{5} \qquad = \frac{5.73}{5} \qquad = \frac{1.07}{63.30} \mid 100$$

$$= 63.30 \qquad\qquad = 1.07 \qquad\qquad = 1.69\%$$

Annex - 8

Investment on Government Securities to Total Working Fund Ratio (X)

Fiscal	NABIL		NIBL		HBL	
Year	X	$(X-\overline{X})^2$	X	$(X-\overline{X})^2$	X	$(X-\overline{X})^2$
2003/04	4.11	64.48	2.90	6.97	8.13	54.76
2004/05	13.32	1.39	10.0	19.89	7.55	63.68
2005/06	11.41	0.53	5.85	0.096	15.82	0.084
2006/07	14.74	6.76	4.44	1.21	23.29	60.22
2007/08	17.12	24.8	4.51	1.061	19.86	18.75
Total	60.7	97.96	27.7	29.23	77.65	197.49

Where, n =5 years

$$\text{Mean } (\overline{X}) = \frac{X}{N} \qquad \text{S.D. } (\ ) = \sqrt{\frac{x^2}{N}} \qquad \text{C.V.} = \frac{}{\overline{X}} \mid 100$$

$$\text{NABIL} = \frac{60.7}{5} \qquad = \frac{97.96}{5} \qquad = \frac{4.43}{12.14} \mid 100$$

$$= 12.14 \qquad\qquad = 4.43 \qquad\qquad = 36.49\%$$

$$\text{NIBL} = \frac{27.7}{5} \qquad\qquad = \frac{29.23}{5} \qquad\qquad = \frac{2.42}{5.54} \mid 100$$

$$= 5.54 \qquad\qquad\qquad = 2.42. \qquad\qquad\qquad = 43.68\%$$

$$\text{HBL} = \frac{77.65}{5} \qquad\qquad = \frac{197.49}{5} \qquad\qquad = \frac{6.28}{15.53} \mid 100$$

$$= 15.53 \qquad\qquad\qquad = 6.28 \qquad\qquad\qquad = 40.44\%$$

Annex - 9

Investment on Securities and Debenture to Total Working Fund Ratio (X)

Fiscal	NABIL		NIBL		HBL	
Year	X	$(X-\overline{X})^2$	X	$(X-\overline{X})^2$	X	$(X-\overline{X})^2$
2003/04	0.09	0.000196	0.41	0.0169	0.11	0.001156
2004/05	0.06	0.001936	0.33	0.0025	0.07	0.005476
2005/06	0.05	0.002916	0.25	0.0009	0.07	0.005476
2006/07	0.17	0.004356	0.28	0.0	0.26	0.013456
2007/08	0.15	0.002116	0.15	0.0169	0.21	0.004356
Total	0.52	0.01152	1.42	0.0372	0.72	0.02992

Where, n = 5 years

$$\text{Mean } (\overline{X}) = \frac{X}{N} \qquad\qquad \text{S.D. } (\ ) = \sqrt{\frac{x^2}{N}} \qquad\qquad \text{C.V.} = \frac{\overline{}}{X} \mid 100$$

$$\text{NABIL} = \frac{0.52}{5} \qquad\qquad = \frac{0.0115}{5} \qquad\qquad = \frac{0.04}{0.104} \mid 100$$

$$= 0.104 \qquad\qquad\qquad = 0.04 \qquad\qquad\qquad = 38.46\%$$

$$\text{NIBL} = \frac{1.42}{5} \qquad\qquad = \frac{0.0372}{5} \qquad\qquad = \frac{0.086}{0.28} \mid 100$$

= 0.28	= 0.086.	= 30%

$$\text{HBL} = \frac{0.72}{5} \qquad = \frac{0.0299}{5} \qquad = \frac{0.077}{0.144} \mid 100$$

$$= 0.144 \qquad = 0.077 \qquad = 53.47\%$$

Annex – 10

Net Profit to Total Asset Ratio (X)

Fiscal	NABIL		NIBL		HBL	
Year	**X**	**(X-$\overline{X}$)²**	**X**	**(X-$\overline{X}$)²**	**X**	**(X-$\overline{X}$)²**
2003/04	2.43	0.160	2.42	0.0001	1.27	0.0289
2004/05	2.73	0.010	2.27	0.0256	1.13	0.0961
2005/06	3.06	0.053	2.46	0.0009	1.42	0.0004
2006/07	3.23	0.160	2.56	0.0169	1.61	0.0289
2007/08	2.72	0.121	2.42	0.0001	1.79	0.1225
Total	14.17	0.504	12.13	0.0436	7.2	0.2768

Where, n =5 years

$$\text{Mean}\ (\overline{X}) = \frac{X}{N} \qquad \text{S.D.}\ (\ ) = \sqrt{\frac{x^2}{N}} \qquad \text{C.V.} = \frac{}{\overline{X}} \mid 100$$

$$\text{NABIL} = \frac{14.17}{5} \qquad = \frac{0.504}{5} \qquad = \frac{0.317}{2.83} \mid 100$$

$$= 2.83 \qquad = 0.317 \qquad = 11.2\%$$

$$\text{NIBL} = \frac{12.13}{5} \qquad = \frac{0.0436}{5} \qquad = \frac{0.093}{2.43} \mid 100$$

$$= 2.43 \qquad = 0.093 \qquad = 3.83\%$$

$$\text{HBL} = \frac{7.2}{5} \qquad = \frac{0.2768}{5} \qquad = \frac{0.235}{1.44} \mid 100$$

| | = 1.44 | = 0.235 | = 16.32% |

Annex – 11

Return on Shareholder's Equity Ratio (X)

Fiscal Year	NABIL		NIBL		HBL	
	X	$(X-\overline{X})^2$	X	$(X-\overline{X})^2$	X	$(X-\overline{X})^2$
2003/04	43.52	82.63	18.29	14.29	47.62	100.8
2004/05	30.72	13.69	20.94	1.28	35.96	2.62
2005/06	31.29	9.86	19.67	5.76	34.07	12.32
2006/07	33.88	0.30	24.77	7.29	37.55	0.001
2007/08	32.72	2.92	26.7	21.44	32.68	24.01
Total	172.13	109.4	110.42	50.06	187.88	139.75

Where, n = 5 years

$$\text{Mean}\,(\overline{X}) = \frac{X}{N} \qquad \text{S.D.}\,(\ ) = \sqrt{\frac{x^2}{N}} \qquad \text{C.V.} = \frac{}{\overline{X}} \mid 100$$

$$\text{NABIL} = \frac{172.13}{5} \qquad = \frac{109.4}{5} \qquad = \frac{4.68}{34.43} \mid 100$$

$$= 34.43 \qquad = 4.68 \qquad = 13.59\%$$

$$\text{NIBL} = \frac{110.42}{5} \qquad = \frac{50.06}{5} \qquad = \frac{3.16}{22.08} \mid 100$$

$$= 22.08 \qquad = 3.16 \qquad = 5.29\%$$

$$\text{HBL} = \frac{187.88}{5} \qquad = \frac{139.75}{5} \qquad = \frac{5.29}{37.58} \mid 100$$

$$= 37.58 \qquad = 5.29 \qquad = 14.08\%$$

Total Interest Earned to Total Asset Ratio (X)

Fiscal Year	NABIL		NIBL		HBL	
	X	$(X-\overline{X})^2$	**X**	$(X-\overline{X})^2$	**X**	$(X-\overline{X})^2$
2003/04	4.23	0.0001	2.95	0.0256	3.55	0.0081
2004/05	4.20	0.0016	3.0	0.0121	3.20	0.0676
2005/06	4.70	0.2116	3.25	0.0196	3.63	0.0289
2006/07	4.27	0.0009	3.14	0.0009	3.44	0.0004
2007/08	3.79	0.2025	3.20	0.0081	3.5	0.0016
Total	21.19	0.4167	15.54	0.0663	17.32	0.1066

Where, n =5 years

$$\text{Mean } (\overline{X}) = \frac{X}{N} \qquad \text{S.D. } (\ ) = \sqrt{\frac{x^2}{N}} \qquad \text{C.V.} = \frac{}{\overline{X}} \mid 100$$

$$\text{NABIL} = \frac{21.19}{5} \qquad = \frac{0.416}{5} \qquad = \frac{40.289}{4.24} \mid 100$$

$$= 4.24 \qquad = 0.289 \qquad = 6.81\%$$

$$\text{NIBL} = \frac{15.54}{5} \qquad = \frac{0.0663}{5} \qquad = \frac{0.115}{3.11} \mid 100$$

$$= 3.11 \qquad = 0.115 \qquad = 3.7\%$$

$$\text{HBL} = \frac{17.29}{5} \qquad = \frac{0.1066}{5} \qquad = \frac{0.146}{3.46} \mid 100$$

$$= 3.46 \qquad = 0.146 \qquad = 4.22\%$$

Annex-13

Earning per Share (X)

Fiscal	NABIL		NIBL		HBL	
Year	X	$(X-\overline{X})^2$	X	$(X-\overline{X})^2$	X	$(X-\overline{X})^2$
2003/04	84.66	632.52	39.56	120.56	30.2	125.89
2004/05	92.61	295.84	51.7	1.35	42.5	1.16
2005/06	105.49	18.66	39.50	221.88	45.7	18.32
2006/07	129.21	376.36	59.35	77.62	52.9	131.79
2007/08	137.08	743.65	62.57	144.72	35.8	31.58
Total	549.05	2067.03	252.68	466.13	207.1	308.74

Where, n = 5 years

$$\text{Mean } (\overline{X}) = \frac{X}{N} \qquad \text{S.D. } (\ ) = \sqrt{\frac{x^2}{N}} \qquad \text{C.V.} = \frac{}{\overline{X}} \,|\,100$$

$$\text{NABIL} = \frac{549.05}{5} \qquad = \frac{2067.03}{5} \qquad = \frac{20.33}{109.81}\,|\,100$$

$$= 109.81 \qquad\qquad = 20.33 \qquad\qquad = 18.51\%$$

$$\text{NIBL} = \frac{252.68}{5} \qquad = \frac{466.13}{5} \qquad = \frac{9.66}{50.54}\,|\,100$$

$$= 50.54 \qquad\qquad = 9.66 \qquad\qquad = 19.11\%$$

$$\text{HBL} = \frac{207.1}{5} \qquad = \frac{308.74}{5} \qquad = \frac{7.86}{41.42}\,|\,100$$

$$= 41.42 \qquad\qquad = 7.86 \qquad\qquad = 18.97\%$$

Annex – 14

Dividend Pay out Ratio (X)

Fiscal	NABIL		NIBL		HBL	
Year	X	$(X-\overline{X})^2$	X	$(X-\overline{X})^2$	X	$(X-\overline{X})^2$
2003/04	50	576	20	30.25	22	139.24
2004/05	65	81	15	0.25	35	0.64
2005/06	70	16	12.5	4.0	50	201.64
2006/07	85	121	20	30.25	42	38.44
2007/08	100	676	5	90.25	20	249.64
Total	370	1470	72.5	155	169	629.6

Where, n =5 years

$$\text{Mean } (\overline{X}) = \frac{X}{N} \qquad \text{S.D. } (\ ) = \sqrt{\frac{x^2}{N}} \qquad \text{C.V.} = \frac{}{\overline{X}}|100$$

$$\text{NABIL} = \frac{370}{5} \qquad = \frac{1470}{5} \qquad = \frac{17.15}{75}|100$$

$$= 75 \qquad\qquad = 17.15 \qquad\qquad = 23.18\%$$

$$\text{NIBL} = \frac{72.5}{5} \qquad = \frac{155}{5} \qquad = \frac{5.57}{14.5}|100$$

$$= 14.5 \qquad\qquad = 5.57 \qquad\qquad = 38.41\%$$

$$\text{HBL} = \frac{169}{5} \qquad = \frac{629.6}{5} \qquad = \frac{11.22}{33.8}|100$$

$$= 33.8 \qquad\qquad = 11.22 \qquad\qquad = 33.2\%$$

Annex - 15

Price Earning Ratio (X)

Fiscal	NABIL	NIBL	HBL

year	X	$(X-\overline{X})^2$	X	$(X-\overline{X})^2$	X	$(X-\overline{X})^2$
2003/04	20.10	1.90	8.74	78.50	10.98	68.39
2004/05	18.18	10.89	10.86	40.24	12.16	50.27
2005/06	20.25	1.51	14.27	11.09	16.38	8.24
2006/07	21.23	0.07	17.34	0.007	21.47	4.93
2007/08	27.63	37.82	36.84	370.18	35.25	256
Total	107.39	52.19	87.99	506.08	96.24	387.83

Where, n =5 years

$$\text{Mean } (\overline{X}) = \frac{X}{N} \qquad \text{S.D. } (\ ) = \sqrt{\frac{x^2}{N}} \qquad \text{C.V.} = \frac{}{\overline{X}} \mid 100$$

$$\text{NABIL} = \frac{107.39}{5} \qquad = \frac{52.19}{5} \qquad = \frac{3.12}{21.48} \mid 100$$

$$= 21.48 \qquad\qquad = 3.23 \qquad\qquad = 15.03\%$$

$$\text{NIBL} = \frac{87.99}{5} \qquad = \frac{506.08}{5} \qquad = \frac{10.06}{17.6} \mid 100$$

$$= 17.6 \qquad\qquad = 10.06 \qquad\qquad = 57.16\%$$

$$\text{HBL} = \frac{96.24}{5} \qquad = \frac{387.83}{5} \qquad = \frac{8.81}{19.25} \mid 100$$

$$= 19.25 \qquad\qquad = 8.81 \qquad\qquad = 45.77\%$$

Annex – 16

Correlation between Deposit (X) and Loan & Advance (Y)

NABIL Bank Ltd.

Year	(X)	(Y)	XY	X^2	Y^2
2003/04	1948.94	1364.89	2660088.72	3798367.12	1862924.71
2004/05	3057.43	2270.18	6940916.44	93477878.20	5153717.23

2005/06	4574.51	3005.76	13749879.18	20926141.74	9034593.18
2006/07	5466.61	3948.48	21584800.25	29883824.89	15590494.31
200708	6694.95	4908.46	32861894.28	44822355.5	24092979.57
Total	x=21742.44	y=15497.77	xy=77797578.8	x²=108778567.4	y²=55734709.0

Correlation (r) = 0.994

Nepal Investment Bank Ltd.

Year	(X)	(Y)	XY	X^2	Y^2
2003/04	2438.88	1411.24	3441845.01	5948135.65	1991598.34
2004/05	2983.28	2070.68	6177418.23	8899959.56	4287715.66
2005/06	4256.21	2429.03	10338461.78	18115323.526	5900186.74
2006/07	4174.76	2564.43	10705879.79	17438621.06	6576301.22
200708	7922.75	5772.14	45731222.19	62769967.56	33317600.18
Total	x=2175.88	y=14247.52	xy=76394826.99	x²=113162007.4	y²=52073402.154

Correlation (r) = 0.9892

Himalayan Bank Ltd.

Year	(X)	(Y)	XY	X^2	Y^2
2003/04	9779.72	5311.66	51946547.54	95642923.28	28213731.96
2004/05	14043.10	7244.73	101457605.86	197208657.61	52196723.57
2005/06	17532.40	9015.35	185060722.34	307385049.76	81276535.62
2006/07	18619.37	8913.73	165968036.95	346680939.2	79454582.51
200708	21007.37	10001.85	21011256.63	441309594.32	100037003.42
Total	x=80981.96	y=40467.32	xy=687545476.3	x²=1388227164.1	y²=341178577.1

Correlation (r) = 0.9930

Calculation of other coefficient of correlation values of NABIL, NIBL and HBL are calculated accordingly.

Annex – 17

Trend value of Loan and advance of NABIL

Fiscal Year (X)	Loan and Advance (Y)	x = X-2006	X^2	xy	Yc = a+bx Y=11143.93+1995.35x
2004	7755.95	-2	4	-15511.9	7153.23
2005	8548.66	-1	1	-8548.66	9148.58
2006	10946.74	0	0	0	11143.93
2007	12922.54	1	1	12922.54	13139.28
2008	15545.78	2	4	31091.56	15134.63

	Y=55719.67	x=0	x^2=10	xy=19953.54	

Now, a = $\dfrac{y}{n}$ = $\dfrac{55719.67}{5}$, =11143.93

b= $\dfrac{xy}{x^2}$, = $\dfrac{19953.54}{10}$, =1995.35

Future projection of next five year

Fiscal Year	x=X-2006	Y=11143.93+1995.35x
2009	3	17129.98
2010	4	19125.33
2011	5	21120.68
2012	6	23116.03
2013	7	25111.38

Trend value of Loan and advance of NIBL

Fiscal year (X)	Loan and Advance (Y)	x=X-2006	X^2	xy	Yc=a+bx Y=10932.15+2953.42x
2004	5921.79	-2	4	-11843.58	5025.31
2005	7338.57	-1	1	-7338.57	7978.73
2006	10453.16	0	0	0	10932.15
2007	13178.15	1	1	13178.15	13885.57
2008	17769.10	2	4	35538.2	16838.99
	Y=54660.77	x=0	x^2=10	xy=29534.2	

Now, a = $\dfrac{y}{n}$ = $\dfrac{54660.77}{5}$, =10932.15

b= $\dfrac{xy}{x^2}$, = $\dfrac{29534.2}{10}$, =2953.42

Future projection of next five year

Fiscal Year	x=X-2006	Y= 10932.15+2953.42x
2009	3	19792.41
2010	4	22745.83
2011	5	25699.25
2012	6	28652.67
2013	7	31606.09

Trend value of Loan and advance of HBL

Fiscal Year (X)	Loan and Advance (Y)	x=X-2006	X^2	xy	Yc=a+bx Y=12506.9+1501.63x
2004	9557.14	-2	4	-19114.3	9503.65
2005	10844.6	-1	1	-10844.6	11005.28
2006	12919.63	0	0	0	12506.90

2007	13451.17	1	1	13451.17	14008.53
2008	15761.98	2	4	31523.96	15510.15
	Y=62534.52	x=0	x²=10	xy=15016.25	

Now, a = $\dfrac{y}{n} = \dfrac{62534.52}{5}$, =12506.9

b= $\dfrac{xy}{x^2}$, = $\dfrac{15016.25}{10}$, =1501.63

Future Projection of Next Five Year

Fiscal Year	x=X-2006	Y=12506.9+1501.63x
2009	3	17011.78
2010	4	18513.40
2011	5	20015.03
2012	6	21516.65
2013	7	23018.28

Calculation of other trend values of NABIL, NIBL and HBL are calculated accordingly.

Annex – 18

Calculation of Test of Significance difference on net profit to total asset of sample banks

F/Y	NABIL (X₁)	NIBL (X₂)	HBL (X₃)	(X₁)²	(X₂)²	(X₃)²
2003/04	2.43	2.42	1.27	5.90	5.86	1.61
2004/05	2.73	2.27	1.13	7.45	5.15	1.28
2005/06	3.06	2.46	1.42	9.36	6.05	2.02
2006/07	3.23	2.56	1.61	10.43	6.55	2.59
2007/08	2.72	2.42	1.79	7.45	5.86	3.2
	X₁=14.17	X₂=12.17	X₃=7.22	(X₁)²=90.59	(X₂)²=29.47	(X₃)²=10.7

Grand Total (T) =   X₁ +   X₂ +   X₃

= 14.17+12.17+7.22

=33.56

Correction Factor (C.F) = $\dfrac{T^2}{n}$

$$= \dfrac{33.56^2}{15}$$

$$=75.08$$

Total sum of square

(T.S.S) = $(X_1)^2 + (X_2)^2 + (X_3)^2$-C.F

= 90.59+29.47+10.7-75.08

=55.68

Sum square between sample subgroup

(S.S.B) = $\dfrac{\int x_1 Å}{n_1} \Gamma \dfrac{\int x_2 Å}{n_2} \Gamma \dfrac{\int x_3 Å}{n_3} Z C.F.$

$$= \dfrac{14.17^2}{5} \Gamma \dfrac{12.17^2}{5} \Gamma \dfrac{7.22^2}{5} Z 75.08$$

$$= 5.13$$

Sum square due to error

(S.S.E) = TSS-SSB

= 55.68-5.13

=50.55

Annex – 19

Calculation of Test of Significance difference net profit to total deposit of sample banks

F/Y	NABIL(X_1)	NIBL(X_2)	HBL (X_3)	$(X_1)^2$	$(X_2)^2$	$(X_3)^2$
2003/04	3.1	2.7	1.47	9.61	7.29	2.16
2004/05	3.22	2.54	1.32	10.37	6.45	1.74
2005/06	3.56	2.79	1.63	13.67	7.78	2.66
2006/07	3.28	2.86	1.85	10.76	8.18	3.42
2007/08	2.86	2.81	2.05	8.18	7.90	4.20
	X_1=16.02	X_2=13.7	X_3=8.32	$(X_1)^2$=51.59	$(X_2)^2$=37.6	$(X_3)^2$=14.18

Grand Total (T) = $X_1 + X_2 + X_3$

= 16.02 +13.7 + 8.32

=38.04

Correction Factor (C.F) = $\dfrac{T^2}{n}$

$$= \frac{38.04^2}{15}$$

$$=96.47$$

Total sum of square

$$(T.S.S) = (X_1)^2 + (X_2)^2 + (X_3)^2 - C.F$$

$$= 51.59 + 37.6 + 14.18 - 96.47$$

$$=6.90$$

Sum square between sample subgroup

$$(S.S.B) = \frac{f\ x_1 Å}{n_1}\ \Gamma\ \frac{f\ x_2 Å}{n_2}\ \Gamma\ \frac{f\ x_3 Å}{n_3}\ ZC.F.$$

$$= \frac{16.02^2}{5}\ \Gamma\ \frac{13.7^2}{5}\ \Gamma\ \frac{8.32^2}{5}\ Z96.47$$

$$= 6.24$$

Sum square due to error

$$(S.S.E) = TSS-SSB$$

$$= 6.90-6.24$$

$$=0.66$$

NABIL BANK LIMITED

Five Years Financial Summary
(Balance Sheet)

(Rs. in '000')

Fiscal Year	2003/04	2004/05	2005/063	2006/07	2007/08
Cash and bank bal.	1144767	970486	559381	630239	1399826
Money at call	670204	918733	868428	1734902	563532
Investment	60311176	5835949	4267233	6178533	8945310
Loan, advance and bill purchased	7755952	8189992	10586170	12922543	15545778
Fixed Assets	251915	338126	361235	319086	286895
Other Assets	708611	492199	413340	544668	512050
Total Assets	**16,562,625**	**16,745,485**	**17,055,787**	**22,329,971**	**27,253,391**
Share capital	491654	491654	491654	491654	491654
Reserve and surplus	435007	990027	1165983	1383340	1565395

Borrowings	961461	229660	17062	173202	882572
Deposits	13447661	14119032	14586608	19347399	23342285
Bills payable	387526	119753	77128	92538	83517
Proposed and un-distributed dividend	-	-	361221	435084	50941
Income tax liabilities	-	-	15345	34605	-
Other liabilities	839316	795359	340786	372149	378551
Total capital and liabilities	**16,562,625**	**16745,485**	**17,055,787**	**22,329,971**	**27,253,391**

NABIL BANK LIMITED

Five Years Financial Summary
(Profit and Loss Account)

(Rs. in '000')

Fiscal Year	2003/04	2004/05	2005/063	2006/07	2007/08
Interest income	1017872	1002872	1068747	1309998	1587758
Interest expenses	(317348)	(282948)	(243545)	(357161)	(555710)
Net interest income	700,524	718,669	825,202	952,837	1,032,048
Exchange earning	144075	157324	184879	185484	209926
Commission earning	144406	135958	128883	138294	150609
Other operating income	86946	38755	55934	82898	87574
Other non operating income	34154	92781	72241	26808	56942
Gross income	**1,110,102**	**1,143,487**	**1,267,139**	**1,386,321**	**1,537,099**
Staff cost	(210583)	(180840)	(199516)	(219781)	(240161)
Provision for staff bonus	(66364)	(71941)	(84198)	(89800)	(99504)
Premises costs	(166200)	(19259)	(22237)	(23381)	-
Other operating costs	-	(131500)	(168062)	(159315)	(188183)

Other non operating costs	-	(51574)	-	-	-
Total Cost	**(494,721)**	**(403,540)**	**(474013)**	**(492277)**	**(568584)**
Profit before tax	615381	739947	793126	894044	1009251
Income tax	199146	201763	239149	262741	321086
Book write off bad loans	-	(82873)	(31133)	7729	10926
Provision for loan loss	-	-	(4207)	(3770)	(14206)
Net profit after tax	**416,235**	**455,311**	**518,637**	**635,262**	**673,959**

NEPAL INVESTMENT BANK LIMITED
Five Years Financial Summary
(Balance Sheet)

(Rs. in '000')

Fiscal Year	2003/04	2004/05	2005/063	2006/07	2007/08
Share capital	295293	587738	590586	801352	1203915
Reserve & fund	433754	592434	824853	1076770	1482870
Debenture and bonds	-	300000	550000	800000	1050000
Deposit Liabilities	11524679	14254573	18927305	24488855	34451726
Bills payable	57836	15008	18820	32401	78838
Dividend payable	-	79353	121626	43650	93468
Income tax liabilities	-	-	9318	295	24082
Other liabilities	582432	184434	287626	347518	488404
Total Liabilities	**13,255,496**	**16,063,543**	**21,330,137**	**27,590,844**	**38,873,306**
Cash balance	315382	374265	562560	763984	1464482
Balance with NRB	-	780243	1526066	1381351	1820006
Bank balance	911540	185971	247894	296178	470452
Money at call	310000	140000	70000	3629270	-
Investment	3862483	3934188	5602868	6505679	6874023
Loan, advance & bill purchased	7130125	10126055	12776208	17286427	26996652
Fixed assets	249787	320592	343449	759456	970091
Non banking asset	-	1537	-	1125	750
Other assets	476176	200688	201089	233671	276846

Total assets	13,255,496	16,688,543	21,330,137	27,590,844	38,873,306

NEPAL INVESTMENT BANK LIMITED

Five Years Financial Summary
(Profit and Loss Account)

(Rs. in '000')

Fiscal Year	2003/04	2004/05	2005/063	2006/07	2007/08
Interest income	731402	886799	1172742	1584987	2194275
Interest expenses	(326202)	(354549)	(490946)	(685530)	(992158)
Net interest income	(405200)	532250	681795	899457	1202117
Commission & discount	55747	93550	115942	163899	215292
Other operating income	20251	25574	35902	47318	66376
Exchange profit	87980	102517	125747	135355	165838
Total Operating income	**163,978**	**753,894**	**959,386**	**1,246,030**	**1,649,624**
Staff expenses	89748	(97004)	(120663)	(145370)	(187149)
Other Operating expenses	(123350)	(182915)	(190605)	(243430)	(313153)
Exchange loss	-	-	-	-	-
Operating profit before provision		473975	648118	857229	1149321
Provision for possible loss	-	(140409)	(103807)	(129718)	(135989)
Operating Profits	**-**	**473,975**	**544,310**	**727,510**	**1,013,331**
Non operating income/loss	1767	6192	390	1426	7047
Provision for loan loss	91091	30992	10704	66776	101576

Profit from operation		370,750	555,405	795,713	11,21,956
Provision for staff bonus	(25719)	(37075)	(50491)	(72337)	(101996)
Income tax provision	(78801)	(101528)	(154377)	(221976)	(323228)
Net Profits	**152,670**	**232,147**	**350,536**	**501,398**	**696,731**

HIMALAYAN BANK LIMITED
Five Years Financial Summary
(Balance Sheet)

(Rs. in '000')

Fiscal Year	2003/04	2004/05	2005/063	2006/07	2007/08
Share capital	429000	536250	643500	772200	810810
Reserve & fund	634132	787916	898246	993975	1335689
Debenture and bonds	-	-	360000	360000	360000
Borrowings	608132	659005	146048	144624	235967
Deposit Liabilities	21045086	22010332	24814011	26490851	30048417
Bills payable	46727	64381	68399	73577	91303
Dividend payable	-	-	801203250	238409	130939
Income tax liabilities	-	-	80120	-	11913
Other liabilities	516262	759482	404581	494099	386750
Total Liabilities	**23,279,341**	**24,817,369**	**27,418,157**	**33,519,141**	**29,460,389**
Cash balance	397189	274235	286529	305428	177242
Balance with NRB	-	-	1604148	1096253	1272543
Bank balance	1582019	1726948	123792	315671	307555
Money at call	150100	368900	441080	315671	1710023
Investment	10175435	9292102	11692341	1005280	11822984
Loan, advance & bill purchased	10001848	11951869	12424520	10889031	16997997
Fixed assets	229871	299642	295822	14642559	574060
Non banking asset	-	-	31929	540824	12766
Other assets	**742877**	**903670**	**517992**	21732	643967
Total assets	**23,279,341**	**27,817,369**	**27,418,157**	**29,460,389**	**33,519,141**