CHAPTER-I

INTRODUCTION

1.1 GENERAL BACKGROUND

Financial institution plays all-important roles in financial market (it consists of agent, broker's institution and intermediaries, purchases and seller of securities.) and there has been a phenomenal growth of financial intermediaries. Such institution share considered as the way of magnetizing economy by the process of demand and supply of money assets through saving and loans. Financial institutions facilitate the saving and borrowing process and in so doing, maximize the wealth of the institution's owners. Unlike non-financial business, which enter the money an capital markets to satisfy only their own needs, institution deal in the financial market to satisfy. The needs of other business money are regarded as a commodity, which is borrowed and lent to facilitate the timely employment of real economic resources. Money is brokered, refined and accounted for by financial institutions just as wheal; oil and ores are processed and traded by non financial business. An understanding of the financial market is important to everyone. All have their specific goal attuned to take benefit from the efficient functioning of the financial system. In fact the prosperity of a nation and her people depends up on the manner how financial market plays a role in the transfer of fund by integrating the various sector of the economy. (Rebort, 1996:2)

There is various types of institutions performing different function in the context of Nepal. It can be broadly divided into two parts. The central banks and the other financial institution, which are also, know as financial intermediaries dealing with money or money related transaction. Taking the case from our own country financial system is slowly bringing significant macro-economic policy transformation effect. It is because the government's role is providing vital in the growth of financial institutions. (Thapa&Koirala, 2007:1.4)

1.2. FINANCIAL INSTITUTIONS IN NEPAL

1.2.1 Commercial Banks

The history of organized modern banking system begins in Nepal only after the establishment of a commercial bank namely Nepal Bank Limited in 1937 AD. The pace of growth of this sector from 1937 to 1983 was very slow. The establishment of Nepal Rastra Bank, the country's central banks in 1956 was the major achievement for the growth of banking sector in Nepal. A long with these two commercial bank under government ownership had been established during 1937 to 1983 (Nepal Bank Limited in 1937 A.D. and Rastriya Banijya Bank in 1966). They hold the deposits of million persons, government and business units. They exchanges money, accept deposits, grants loan and operates commercial transaction. They make funds available through their lending and investing activities to borrower, individuals, business firms and government. (Khadka, 2006:2)

At present date, there are 25 commercial banks. All these banks are in direct supervision and guideline of Nepal Rastra Bank.

1.2.2 Finance companies

The financial company act was introduced in 1985 (2042 B.S.). The aim of the act is to guide the economy in right direction is giving services where commercial bank and other financial institution are not available after the first amendment of financial company act. 2042 in 2049 B.S., various sizes of financial companies are being established. In the month of shrawan of the year, the first company, Nepal Housing and Development finance company, is established by government sector. The second came in poush of the year, Nepal Finance and saving company, which established time 1991 to 1995, 30 companies were established. (Sigdel,2006:3)

In Nepal's scope for opening finance companies emerges as only the commercial banks are not getting able to supply credit timely to Nepalese entrepreneurs and they pay less attention towards small project. Finance companies have established not only to serve with less complicate procedures but also to carry out capital market activities. Till today there are 79 finance licensed by NRB.

1.2.3 Insurance companies

The history of modern insurance company began from 1947 A.D. with the establishment of a company named mall chalani tatha bima company, later renamed as Nepal Insurance and Transport Company in 2016 B.S. at that time the company conducted the transportation services along with insurance. The company renamed as a Nepal Insurance Co. Ltd. Since 2024 B.S. Then the government established Rastriya Beema Sansthan in 2024 B.S. under the company act. (Bhandari,2007:1)

Insurance company is as institution which accepts the premium for specific probable events and pay the loss. Insurance has provided it self device that could be a safe guard against such uncertainties and unfortunate happenings. People always wish to secure their present and future life. But modern mechanical complexities developed in course of growth of human civilization make future life risky and unsafe. So insurance plays a security role too. At present 21 insurance companies are operating in Nepal.

1.2.4 Development Banks

Development bank is a bank established to provide capital and technical assistance for the development of basic infrastructure of the country. Different countries have different provision for the establishment of such banks even though the objective of its establishment is to develop the country. In Nepal, development banks are established under provision of development bank act 2052 for the investment and development of particular sector of country.

Development banks create the proper environment in the country for development of rural, industrial and agricultural sector of the country. Development banks provide short term and long term loan to the industries and they provide capital, technical assistance and managerial administrative suggestions to development of industrial, agricultural and rural sector of the country. (Timalsina, 2008:2)
There are 59-development bank established till 2065 poush.

1.3. INTRODUCTION OF SAMPLE INSTITUTIONS

Before starting to analyze the ratio position of sample institution is necessary to introduce the institution in brief. The short introductions of sample institutions are shown as follows:

1.3.1 Introduction of commercial banks:

A. Kumari Bank Limited

Kumari bank came into existence as the fifteen commercial banks of Nepal by starting its banking operation from chaitra 21,2057 B.S. with an objective of providing competitive and modern banking service in the Neplease finance market. Now it has 4 branches inside the valley and 5 out side the valley.
The capital structure of Kumari Bank is as follows:

(Annual Report 2064/65)

- Authorized capital NRs 1000 million
- Paid up capital NRs 1000 million

The share holding pattern is as follows:

- Promoters 70%
- Public 30%

B. Machhapuchchhre Bank Limited

Machhapuchchhre bank limited has becomes a prominent name in the neplease banking sector. It was registered in 2053 B.S. as the first regional bank to start banking from western region of napal with its head office in Pokhara. Today, bank has already 8 branches and open many more branches in the coming years.

The capital structure of Machhapuchchhre bank is as follows:

(Annual Report 2064/65)

- Authorized capital NRs 1000 million
- Paid up capital NRs 900 million

Machhapuchchhre bank is the pioneer in introducing the latest technology in the banking industry in the country.

1.3.2 Introduction of Finance Companies:

A. Kathumandu Finance Limited

Kathmandu Finance Limited has been established in 2051 B.S under finance act 2042.The main office this finance is in DilliBazar with no any branches. It is a listed company with Nepal Stock Exchange from 2052 B.S.

The capital structure of Kathumandu Finance Limited is as follows:

(Annual Report 2064/65)

- Authorized capital NRs 240 million
- Paid up capital NRs 33 million

The share holding pattern is as follows:

- Promoters 60%
- Public 40%

B. National Finance Company Limited

National finance company limited has been established in 2050 B.S. after license by NRB in 2049 B.S. The main office of National finance company limited is in New road. It is a listed company with Nepal Stock Exchange.

The capital structure of National finance company limited is as follows:

(Annual Report 2064/65)

Authorized capital	NRs 240 million
Paid up capital	NRs 156 million

The share holding pattern is as follows:

Promoters	60%
Public	40%

1.3.3 Introduction of Insurance Companies:

A. Nepal Insurance Company Limited

It is established by the Nepal Bank Limited as a joint venture with general public on ashwin 2004 B.S. It is a listed company with Nepal Stock Exchange. Nepal Insurance Company Limited have many branches in Birjung, Biratnager, Pokhara, Nepaljung, Dhangadhi,Birtamod and Lahan with more than 129 employee.

The capital structure of Nepal Insurance Company Limited is as follows:

(Annual Report 2064/65)

Shareholders fund	NRs 188 million
Paid up capital	NRs 102 million

B Himalayan General Insurance Company Limited

It is established on poush 2049B.S to write insurance policies after license from insurance board of Nepal to non-life insurance. From last 16 years it is operating well with more than 72employees.

The capital structure of Himalayan General Insurance Company Limited is as follows:(Annual Report 2064/65)

Paid up capital	NRs 30 million
Proposed Bonus Share	NRs 33 million

1.3.4 Introduction of Development Banks:

A. Nepal Development Bank Limited

It is the first national level development bank in the private sector. It has been established under development bank act 2053 in 2057 B.S. The involvement of one of the most leading development bank of India, industrial development bank of India as an important strategic investor will go a long way to further enhance the performance of the bank and for the technology.

The capital structure of Nepal development bank is as follows:

(Annual Report 2063/64)

- Authorized capital — NRs 320 million
- Issued capital — NRs 246 million
- Paid up capital — NRs 246 million

The share holding pattern is as follows:

- Private sector promoters — 31%
- Institutional promoters — 29%
- Industrial Development Bank of India — 10%
- Public — 40%

B. ACE Development Bank Limited

It was established in the year 2052B.S under the provision of company act 2052. It is the private development bank without having any direct involvement of Government of Nepal.

The capital structure of development credit bank is as follows: (Annual Report 2063/64)

- Authorized capital — NRs 320 million
- Issued capital — NRs 268 million
- Paid up capital — NRs 268 million

The share holding pattern is as follows:

- Private sector promoters 51%
- Institutional promoters 19%
- Public 30%

1.4. STATEMENT OF THE PROBLEMS

These institutions have been operating well from their very establishment. Their experience on international banking, prompt and computerized services, professional attitude and factors for their progress. They have been growing from weakness and inefficiency of traditional institution. These institutions have succeeded to capture a remarkable market share of Nepalese banking sector or financial sector or development sector in relatively short period of times. In spite of the above, the problems are as follows:

a) Inefficiency and weakness can be traced with the analysis of financial statement.

b) Problem of economic growth with stability which is quite contradictory within itself. Due to various internal and external factors, the economic activities have been fluctuating.

c) There are very few sectors to make a profitable investment and the investors are always reluctant to risk. They do not take initiation to invest in other sectors.

d) They are even discouraging people by offering very low interest rate and higher threshold balance.

In the light of above, the study will be conducted to obtain the answer of the following:

a) What is the comparative position of financial institution in term of ratio analysis?

b) How sound is the operational result in relation of their profitability?

1.5. OBJECTIVES OF THE STUDY

The main objective of this study is to examine the ratio analysis of selected financial institution. The specific objectives of this study are as follows:

a) To analyze, evaluate and interpret comparative ratio analysis and performance of selected financial institution.
b) To identify the strength and weakness of these institutions.
c) To evaluate the liquidity, leverage and profitability position of studied institutions.
d) To provide suggestions and recommendations based on major findings.

1.6. SIGNIFICANCE OF THE STUDY

The importance of the study will be as:

1 The study will have great significance since the study focus on financial performance of selected institution.
2 This study will be valuable for the share holders, management and board of directors of respective institution as they will be told the position where they stand in the market.
3 This study will provide information to the general public regarding success of this institution on the investment they have made.

1.7. LIMITATIONS OF STUDY

This study has certain limitation the main limitations and constraints of the study will be as follows:

1 The study will be based on eight selected financial institution.
2 Past performance of these institutions is not necessarily the best

indicator of its future performance.

3. Most the data used in the study is secondary. The data published in the annual reports of the institution. Any mistakes, omission etc will be affection the out come of the study. Thus, it is presumed that all data there in are correct.
4. Ratio analysis helps to build a picture of a company. The richness of the picture depends on the quality of the financial information which the ratio is based.
5. The data from the F.Y. 2060/61 to 2064/65, i.e. five year only used.

1.8. ORGANIZATION OF THE STUDY

The Study will be organized into five chapters each denoted to some aspect of the ratio analysis of financial institutions. The title of each of these chapters will be as follows:

Chapter One: It contains the introduction of the study and will include introduction, statement of the problems, objectives of the study, significance of the study, limitations of the study and organization of the study.

Chapter Two: It will state the theoretical review of the study and review of previous studies.

Chapter Three: It will explain the methodology used in this research to find the result for meeting the objectives set in the chapter one.

Chapter Four: It will deal with the analysis of primary as well as secondary data and list part includes major findings of the study.

Chapter Five: It will state the summary, conclusion and recommendations of the study.

CHAPTER-II

REVIEW OF LITERATURE

This chapter deals with the literature, relevant to this study. This part of thesis is essential to know about the concept of the topic and findings of other researchers which are appropriate to the study.

2.1. REVIEW OF LITERATURE ON RATIO ANALYSIS

The term ratio refers the numerical or quantitative relationship between two terms or variables. A ratio is calculated by dividing one item of the relationship with the other. The ratios are designed to show the relationship between the financial statements, within a firm and between firms. Translating accounting numbers into relative values or ratios allows us to compare the financial position of one firm to another even if their size in significantly differences.

“Ratio analysis is such a powerful tool of financial analysis that through it economic and financial position of a business unit can be fully x-rayed.” (Kothari,1994:487)

“Ratio analysis is used to compare a firm’s financial performance and status with that of other firm or to itself over time.” (Western and Bringham,1997:93)

“Financial ratios are the tools to analyze the financial condition and performances. We calculate ratios because in this way we get a comparison that may prove more useful than the raw number by themselves.” (Van Horn,1997:148)

Webster's new collegiate Dictionary defines a ratio as "the indicated quotient of two mathematical expressions and as the relationship between two or more things". In financial analysis a ratio is used as a benchmark for evaluating the financial position and performance of a firm.

In this context, it is clear that, ratio analysis involves the method of calculating and interpreting financial figures in order to access the firm's performance and status. Ratio analysis is a process of establishing meaningful relationship between two figures or set of figures of financial statement with a view to present the financial statement in simple concise and intelligible form.

"A ratio is simply one number expressed in terms of another and as such it expresses the quantitative relationship between any two numbers. Ratio can be expressed in term of percentage, proportion and as a coefficient." Logarithmic graph" and 'Break even chart' are the graphic forms of expressing a ratio. The technique of ratio analysis is a part of the whole process of analysis of financial statements of any business or industrial concern specially to take output and credit decision. Though this technique, a comparative study can be made between different statistics concerning varied facts of a business unit. Just as the blood pressure pulse and temperatures are the measures of the health of an individual so does ratios analysis measure the economic or financial health of a business concern? Thus, the technique of ratio analysis is of a considerable significance in management of the business and industrial concerns." (Kothari,1994:489)

"The usefulness of ratios depends upon ingenuity and the experience of the financial analyst who employs them. By themselves; financial ratio is meaningless; they must be analyzed in comparative basis. Comparison cover leading clues in evaluating changes and trends in the firm's financial conditions and profitability. This comparison may be historical, but it may also include an analysis of the future based upon projected financial statements." (Van Horn,1997:149)

Ratio analysis is one of the techniques of financial analysis. All of the firms use ratios as yardsticks for evaluating the financial condition and performance. Analysis and interpretation using various ratios give a skilled and experienced analyst better understanding of the financial condition and performance of the firm than what he could have obtained only through a perusal of financial statements.

The ratio analysis being the quantitative relationship may be expressed either of the following ways.

(a) **In percentage Method**: The relationship between two figure is presented in percentage or a number obtained by dividing one item by another is multiplied by hundred and it becomes the percentage from. For examples: if total assets of a firm is Rs. 1,00,000/- and current assets is Rs. 40,000/- the relationship can be expressed as current assets to be 40% of total assets.

(b) **In rate or times method**: According to this method, one figure is expressed in terms of the other relative figure or a number obtain by dividing one item by another item is taken as unit of expression. For Exmaples, if total assets of a firm are Rs. 1,00,000/- and current assets are Rs. 50,000/- the relationship between the two can be said as, total assets to be 2 times of current assets.

(c) In ratio or proportion method : the relationship between two figure is presented in ratio. Such as the ratio of current assets to total assets can be said to be 50,000:1,00,000 or 1:2 in the above b.

2.1.1 Types of Ratio Analysis

2.1.1.1 Liquidity Ratios

The liquidity ratios measure the liquidity position and short term solvency indicating the firm's ability to meet short-term obligation. A firms should ensure that it does not suffer from the liquidity crunch, and also that it is not too much highly liquidity. There should be proper balance between liquidity and lack of liquidity. The very high degree of liquidity results in and idleness of assets whereas low degree of liquidity results in a poor creditworthiness, loss of creditor's confidence and even shutdown of the firm.

An institution must ensure that it has a sound liquidity position to face the instant claim by its creditors. Therefore, in order to protect firm's solvency and to honor its short-term obligations or liabilities, adequate liquidity are must. Regarding this N RB has directed all banks to maintain adequate Cash Reserve Ratio (CRR).

In the following section, Current ratio, Quick ratio and Cash and Bank Balance to Deposit ratios are calculated for the various institutions for the review period.

I. Current Ratio:

The ratio is calculated by below formula:

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

Components:

Current Assets includes cash and those assets which can be converted into cash within the year, such as cash in hand or at bank, money at call, investment in the share, short-term loans and advances, bills for collection and other assets.

Current liabilities includes deposits, borrowing, bills payable, proposed dividend, tax liabilities and other liabilities

II. Quick Ratio

This ratio is calculating by dividing quick assets by current liabilities. Here, quick assets include the total current assets except prepaid expenses and stock of inventory. A quick ratio of 1:1is considered satisfactory.

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

Components:

In case of this study there is no any inventory and prepaid expenses. Therefore quick assets are the current assets.

II. Cash and Bank Balance to Total Deposit Ratio

Like current ratio, banks have to maintain certain amount of cash in order to ensure enough liquidity to face heavy deposit withdraws. Cash and Bank balance to Deposit ratio indicates the ability of the banks to immediately fund the withdrawals of their various deposits. This ratio is computed by cash and bank balance divided by total deposits to meet their daily requirements and deposits and vice versa.

Institutions have to be prepared for the high amount of withdrawal situation, but some Institutions had the very less amount of cash and bank balance is also disadvantageous because it will lack up the capital since it return back nothing. This also shows the inability of Institutions to invest in more productive sector like government securities, treasury bills etc. to enhance its profitability.

The ratio is calculated by follow formula:

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

2.1.1.2 Profitability Ratios

Profit maximization and wealth maximization are the primary objectives of any organization. Therefore, all organization tries to maximize its profit. It is very important for their survival in this competitive market and for their future growth. Profit indicates the present condition of the organization and where they stand in this market. In this section various profitability ratios, which reflect the operating efficiency of the institutions, have been analyzed.

I. Return on Total Assets

The return on total assets ratio is calculated by dividing profit before tax by the total assets. This ratio measures the profitability of all resources invested in the bank's assets. Higher the ratio, higher the efficiency of the institutions in utilizing its overall resources and lower the volume of non-performing assets. Non-performing assets reduce the profit because it returns nothing.

Return on total assets can be calculated by using following formula:

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

II. Return on Shareholder’s Equity

This ratio is calculated by dividing net profit by shareholders equity. This ratio measures the return on shareholders investment in the institution. The higher ratio of return on equity is better for shareholders. It builds trust worthiness to the customer as well as reputation of the institution.

$$\text{Return on Equity} = \frac{\text{Net Profit}}{\text{Shareholder's Equity}}$$

Where,

Shareholder’s Equity = Paid up capital + Reserve +Surplus

III. Earning Per Share

Earning per share shows the amount of money earned by one share. It is calculated as follows:

$$\text{Earning per share} = \frac{\text{Net Profit after tax}}{\text{No. of Existing Equity Share}}$$

2.1.1.3 Leverage ratios

Leverage ratio is also known as capital structure ratio which shows long term solvency of institution. Generally capital refers to the composition of debt and equity component on overall capital of firm. These ratios are calculated to judge the long term financial position of the institution. Under this group the research has calculated the following ratios to obtain the stated objective of the study.

I. Total Debt to Equity Ratio

This ratio is calculated dividing total debts by total shareholders equity. Total debts refer to sum of long term debts, current liabilities and debentures. This ratio shows the relationship between debt capital and equity capital. High debt equity ratio indicates greater financing by debt holder than those of equity holders. From the creditors point of view high debt to equity ratio of the institution may failed to satisfy creditors.

$$\text{Debt to Equity Ratio} = \frac{\text{Total Debts}}{\text{Shareholder's Equity}}$$

Where,

Debt = In case of the study there is no long term liability. Therefore total debt is the current liability.

II. Shareholder's Equity to Total Asset Ratio

This ratio is very essential for every financial institution to have a balance of required percentage of total assets as shareholders' Equity i.e. Capital Fund; Shareholders' Fund to assets ratio measures the relative claims of owners of the bank over the bank's asset. It is calculated by dividing total shareholders' Equity by total assets ratio:

$$\text{Shareholders' Equity to Total Assets Ratio} = \frac{\text{Total Shareholders' Equity}}{\text{Total Assets}}$$

(Dahal&Wagle, 2008:10.11)

2.1.2 Importance of Ratio Analysis

Ratio analysis is the most important tool that it presents facts on a comparative basis of financial analysis. The various groups of users of financial statements having different interests are engaged in analyzing the financial information. The importance of ratio analysis can be summarized as under:

(a) **Short term credits :** The ratio analysis helps to the creditor in the short run like suppliers of materials, goods or bankers can determine the firm's ability to meet its current liabilities with the help of liquidity ratios.

(b) **Long term creditors :** Another important of ratio analysis helps to the creditor in the long run like debenture holder and other lending financial institutions can determine the firm's long term financial and ultimately survival strength with the help of leverage ratios and profitability ratios which focuses on earning power and operating efficiency of the firm.

(c) **Management :** The management has an important job of managing the different resource available with the enterprise efficiently and effectively. They can determine the operational efficiency with the utilization of its various assets in initiating sales with the help of activity ratio. Besides this, the management can carryout inters firm comparative analysis and form meaningful judgment about the performance by comparing the actual ratios with the standard ratios. An inter-firm comparison would demonstrate the relative position of its competitors.

(d) **Investor :** At last ratio analysis tells to the investors to determine the extent of profitability, its earning capacity and capacity to pay dividends so that they can from judgment whether to hold, sell or purchase the shares and the prospective investor can decide whether or not to buy the shares and the movement is favorable or unfavorable.

2.1.3 Limitation of Ratio Analysis

In the fast-changing world it is difficult to take with the pace of changes. Due to the arrival of unforeseen difficulties every study always bounded by some limitations. Some limitations of ratio analysis are given below :

(a) Qualitative factor may be more important that the quantitative factors; the ratio analysis ignores the qualitative aspect, as it is basically a quantitative analysis.

(b) The quality of the ratios depends upon the quality of the accounts on the basis of which these are established. The ratio can only be accurate if the books of accounts are correctly drawn up. The financial statements because the ratio is based on the information provide this.

(c) The comparability of ratio suffers, if the price of the commodities in two different years is not the same. In reality, price does not remain the same and the ratio analysis does not have an inbuilt mechanism to adjust the changing prices. A ratio can be accurately interpreted only if the effect of change in price, which may have taken place in adjusted in the figures used in the ratio.

(d) Ratio analysis is basically historical in nature since the financial statements on the basis of which the ratio are established, are historical in nature. Unless the ratio analysis is based on the projected financial statements prepared to plan the future.

(e) Ratios are only indicators; they cannot be taken as final regarding good or bad financial position of the firms. No ratio may be regarded as good or bad, it may be an indication that a firm is weak or strong, but it must never be taken as proof either one.

(f) Another limitation is that of standard ratios with which the actual ratio may be compared.

Generally, there are no such ratios, which may be treated as standard for the purpose of comparison, because condition of concern differ significantly from those of another concern and over the year of the same concern.

2.2 REVIEW OF PREVIOUS RELATED STUDIES

Many researchers have conducted their research on the field of financial institutions especially on their financial performance, capital structure, risk analysis etc. Besides this, there are project works; articles and thesis conducted on ratio analysis of various institutions. Most of the cases, ratio analysis has been used us supplementary tool of financial institutions on comparative basis in T.U. are not found sufficient.

Some of the previous related studies- their objectives, major findings and suggestions relating to the topic have been reviewed below:

Mr. Binod Prasad Timalsina (2008) has conducted a thesis work on " **Performance evaluation of Development Banks**". The main objectives of his research are:

1. To know the various ratios of NDBL and DCBL.
2. To find the competitive position of NDBL and DCBL.
3. To evaluate its major significance from finding of the study.
4. To make recommendation from the finding of the study.

He had come out with some major findings some of them are as follow :

1. Current ratios were in slightly fluctuating trend of NDBL and in increasing trend of DCBL.
2. Average return on total assets ratio of DCBL was much higher than in NDBL.

3. Average return on shareholders equity ratio found to be greater in NDBL.
4. Debt assets ratio remained higher in NDBL than in DCBL.

He gives some recommendation by this work:

1. It was found that the banks were suffered from high and low liquidity position. In this context DCBL need to improve its liquidity position. NDBL needs to maintain its high liquidity position. So DCBL had maintained by holding more liquid assets but needs to be increase and NDBL also has investment plan in profitable sector.
2. Profitability position of NDBL was much weaker than DCB. It should improve overall efficiency by investing in more returnable sector.
3. The quality of assets owned by NDBL seen to be poorer in comparison to DCBL. There for it is suggested to advance the loans only after the proper analysis of customer.

Mr. Uttam Singh Bhandari (2007) has conducted a thesis work on "**Financial performance of Insurance Companies in Nepal**" with the supplementary use of ratio analysis.

The main objectives of the study carried out by Mr. Uttam are:

1. To analysis the various aspect of financial performance of United insurance company limited, NECO insurance company limited and Himalayan General insurance company limited.

2. To compare the competitive financial position of these insurance companies.
3. To identified the financial weakness and strength of the concerned insurance companies.
4. To suggest for improvement to all concerned based on the finding of this research.

Major finding of his work are as follow:

1. The current ratio analysis of UICL more than the rule of thumb i.e.2:1 during the period.
2. Debt to equity ratio of UICL, NICL and HGICL is about 57%, 161% and 126%.
3. Gross profit margin ratios of all companies are in fluctuating trend.
4. Operating expenses ratio of NICL, is in the increasing trend. But it is fluctuating in other companies.

Some recommendations by Mr. Uttam are as follow:

1. Since the current ratio of NICL, HGICL and NIC are maintain about the standard i.e. 2:1. But UICL has above the standard. For this purpose the company should either decrease their current assets or current liabilities :
2. Except UICL, other companies are advised to minimize the risk level by reducing debt portion or by increasing equity portion even though it is risk oriented institution.
3. Operation expenses ratio of NICL, HGICL and NIC is increasing so the companies should control the unnecessary expensed and keep the cost at the optimum level.
4. Return on total assets and premium on net worth of all companies are decreasing. So, the companies should formulate effective policies to improve this ratio.

Mr. Deepak (2007) has conducted a thesis work on **"Financial performance analysis of NABIL and NBBL"** with the help of ratio analysis.

The main objectives of the study carried out by him are:

1. To analyzed evaluated and interpret financial position of NABIL and NBBL.
2. To examine the financial growth of these banks.

3. To derive conclusion to offer package of suitable suggestion.

Mr. Deepak has come up with several major finding out of which the most significant are:

1. Cash and bank balance to total deposit ratio reveled fluctuating trend in NABIL. It started to decline from the base year till that last year.
2. Fixed deposit ratio is it appeared that both of the banks were successful to maintain minimum level of balance to NRB i.e.6%.
3. Loan to advance to total deposit ratio of both banks have fluctuating ratio.
4. Average of interest coverage ratio was almost same in both banks. They are earning satisfactory interest throughout study period.
5. Return on total asset ratio with respect to NABIL showed slightly fluctuating trend where as NBBL showed almost equal trend expect the fourth year.

He had come out with some major recommendation some of them are as follow :

1. NABIL has high than NBBL's ratio of cash and bank balance which indicates that the bank has burden more idle money. There for bank should invest idle cash to productive sector.
2. Both banks have satisfactory loans and advance to total deposit ratio. There fore they have to properly utilize the funds on loan and advances.
3. The ratio of interest earned is satisfactory hence, this must be improved and new area of credit must be searched.
4. Return on total assets ratio is in satisfactory level but needs to be improved.

A study on "**An Evaluating of financial performance of Nepal Insurance Company Limited**" conducted by **Hari Prasad Aacharya (2007)**.

The main objective of this work is:

1. To analyses the various aspects of financial performance of NICL.

Major finding of research:

1. Liquidity management of NICL is in very week position.
2. The company is not able to collect its outstanding premium efficiently.
3. Profitability position of the company is in satisfactory level.
4. The company's assets are in increasing trend.

The researcher has given various recommendations to the company.

1. The company should improve the liquidity position.
2. Commission and management expenses should be controlled.
3. Company should maximize investment return through optimum portfolio management.
4. Business portfolio should be diversified.

Mr. Lal kumar Khadka (2006) has conducted a thesis work on "**A Comparative ratio analysis Commercial Banks**" for his thesis work.

The main objective of the study carried out by Mr. khadka are:

1. To measure the ability of NABIL and NIBL to meet its short term obligation and reflect the short term financial strength.
2. To measure the efficiency of the banks is assets management.
3. To measure the operating efficiency and its ability to ensure adequate to its shareholder.
4. To measure the efficiency of the banks is assets management.

Mr. Khadka has come up with several major comparative finding out of which the most significant are:

1. Relating to liquidity ratio analysis. NIBL is found in better position.
2. As regaled to leverage ratio analysis Nabil banks has relative better capital structure ratio than Nabil bank.
3. On profitability ratio analysis, Nabil has come out with better achievement in comparison with NIBL bank.
4. With reference to assets management NIBL has been seen slightly

well in comparison to Nabil.

5. On account of other relevant ratio analysis NIBL has accomplished better performance.

He had come out with some major recommendation some of them are as follow :

1. The current ratio of NIBL is better than NABIL, but bank should try to meet the standard of current ratio.
2. NABIL has good current ratio but this ratio must be increased order to back its short-term obligations.
3. NIBL has relatively lower return on total assets ration thus the banks has to concentrate little bit on performing assets.
4. NABIL seems lower as compared to NIBL hence it needs to increase its funds and make it utilize appropriately in market.
5. Capital adequacy ratio of NABIL is not good therefore banks have to generate make profit so as to make a healthy relation between shareholder’s.

Mr. Sharada Sigdel (2006) has done work on **“Ratio Analysis of listed finance companies in Nepal”.**

The main objectives of the studies are:

1. To study and analyze the present financial position of listed finance companies in Nepal(i.e. CIT, KAFL, NAFCL and UFCML)
2. To make recommendation from the findings of the study.

Major finding of her studies are :

1. Current ratio of all finance companies are not capable to meet their current asset sufficiently because their ratio are less then 2.
2. Quick ratio is smaller in finance companies. This indicate that they cannot meet their current obligation.
3. Debt amount in the finance companies are bigger than equity. This can strengthen the position of creditors.

4. Market value of book value ratio is not satisfactory but not so bad. A bit improvement is necessary.

Recommendations by Mrs. Sigdel are :

1. Financial companies are investing in government security in big deal, rather than the other growth oriented sectors. They can pay fewer amounts to their depositors. Actually they are to collect dispersed money from public and mobilize to productive sectors.
2. Finance companies are recommended to practice activities like project management share issue planning and management mergers and acquisitions, brokerage service, design of capital structure, helping buying and selling marketable securities on behalf of their clients arranging foreign collaborations to make the easy the work of local promoters factoring of receivables to satisfactory extent rather than simply relying in conservative investment practices.
3. It is better to finance companies to maintain the liquid fund to total deposit ratio at about 0.15:1 that keeping high by making huge investment in government securities. The companies may mobilize the excess fund in the see for with comparatively higher rate of return like loans and advance with maturity period.
4. Analysis of market demand of the companies found that the companies would be facing credit demand in comparison to availability of deposit. This means that they need to decrease interest rate on loan and advance. This will decrease cost of production because cost of capital to the borrower will decrease and will have positive impact on purchasing power of ultimate consumers also.

2.3. RESEARCH GAP

Research gap is the difference between previous works done and the present research work. The research may feel comfort, if the gap created by the previous studies as well as, it will be helpful to the interested groups in the selected companies such as investors, creditors etc. to analyze their position at present and search for the prospective investment.

Many researchers have conducted their research on the field of financial institution. Besides this, I have tried to explore the current position of selected financial institution through the ratio analysis. In this research I choose 2 commercial banks 2finance companies 2development banks and 2insurance companies by judgmental sampling method, which was not done anyone till today. In this research I use primary data for analysis with the help of chi-square test. Chi-square test is good for analysis of quantitative variable such as opinions of person, habit and so on.

CHAPTER-III

RESEARCH METHODOLOGY

This chapter describes the methodology employed in this study. Research methodology is a way to systematically solve the research problem. In other words research methodology describes the methods and processes applied in the entire aspect of the study. This chapter describes research design, population, sampling procedure, sources of data and method applied for the analysis of data.

3.1 RESEARCH DESIGN

A research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure. This research design is basically the comparative evaluation of financial performance by ratio analysis of selected financial institution. This research design used for the study is descriptive as well as analytical.

This research is a historical research design because it concern with the past phenomenon. It is a process of collecting, evaluating and verifying the past evidence systematically to reach in conclusion. So, this study is the analysis of ratios of selected financial institutions on the basis of historical data and records of these institutions.

3.2 POPULATION AND SAMPLE

There are many financial institutions in the country as of December 2008. Out of these there are 25 commercial banks, 79 finance companies, 59 development bank and 21insurance companies were taken as population.

List of Financial Institutions

Commercial Banks	Standard Finance Ltd.
Nepal Bank Limited	International Leasing & Finance Co. Ltd.
Rastriya Banijya Bank	Mahalaxmi Finance Co. Ltd.
Agriculture Development Bank Ltd	Lalitpur Finance Co. Ltd.
NABIL Bank Limited	Bhajuratna Finance & Saving Co. Ltd.
Nepal Investment Bank Limited	United Finance Ltd.
Nepal Investment Bank Limited	General Finance Ltd.
Himalayan Bank Limited	Nepal Shreelanka Merchant Bank Ltd.
Nepal SBI Bank Limited	Merchant Finance Co. Ltd.
Nepal Bangladesh Bank Limited	Alpic Everest Finance Ltd
Everest Bank Limited	Nava Durga Finance Co.Ltd.
Bank of Kathmandu Limited	Janaki Finance Ltd.
Nepal Credit and Commerce Bank Limited	Pokhara Finance Ltd.
Lumbini Bank Limited	Arun Finance & Saving Co. Ltd.
Industrial & Commercial Bank Limited	Central Finance Co. Ltd.
Machhapuchhre Bank Limited	Premier Finance Co. Ltd.
Kumari Bank Limited	Multipurpose Finance Co. Ltd
Laxmi Bank Limited	Butwal Finance Co. Ltd.
Siddhartha Bank Limited	Shrijana Finance Ltd.
Global Bank Ltd.	Om Finance Ltd.
Citizens Bank International Ltd.	Cosmic Merchant Banking & Finance Ltd
Prime Commercial Bank Ltd	World Merchant Banking & Finance Ltd.
Sunrise Bank Ltd.	Capital Merchant Banking & Finance Ltd.
Bank of Asia Nepal Ltd.	Crystal Finance Ltd.
Development Credit Bank Ltd.	Royal Merchant Banking & Finance Ltd.
NMB Bank Ltd.	G. Merchant Banking & Finance Ltd.
Finance Companies	Patan Finance Ltd.
Nepal H. Development Finance Co.Ltd.	Kist Merchant Banking & Finance Ltd.
Nepal Finance Co.Ltd.	Fewa Finance Ltd.
NIDC Capital Markets Ltd.	Everest Finance Co. Ltd.
National Finance Co.Ltd.	Birgunj Finance Ltd.
Annapurna Finance Co.Ltd.	Prudential Bittiya Sanstha Ltd
Nepal Share Markets and Finance Ltd.	ICFC Bittiya Shanstha Ltd.
Peoples Finance Ltd.	IME Financial Institution Ltd.
Mercentile Finance Co. Ltd.	Sagarmatha M. B. and Finance Co. Ltd
Kathmandu Finance Ltd.	Shikhar Bittya Sanstha Ltd.
Himalaya Finance & Savings Co.Ltd	Civil Merchant Bittiya sanstha Ltd.
Union Finance Ltd.	Prabhu Finance Co. Ltd.
Narayani Finance Ltd.	Imperial Financial Institution Ltd.
Gorkha Finance Ltd.	Kuber Merchant Bittiya sanstha Ltd
Paschhimanchal Finance Co.Ltd.	Nepal Express Finance Ltd.
Nepal H. & Merchant Finance Co.Ltd.	Valley Finance Ltd.
Universal Finance Co.Ltd.	Gandaki Bikas Bank Ltd.
Samjhana Finance Co. Ltd.	Infrastructure Development Bank Ltd.
Goodwill Finance Ltd.	Business Development Bank Ltd.
Siddhartha Finance Co. Ltd.	Biratlaxmi Bikas Bank Limited.
Shree Investment & Finance Co. Ltd.	Excel Development Bank Ltd.
Lumbini Finance & Leasing Co. Ltd.	Clean Energy Development Bank Ltd.
Inbesta Finance Ltd.	Western Development Bank Ltd.

Yeti Finance Co. Ltd.	Himchuli Bikas Bank Limited
Zenieth Merchant Financial Institution Ltd.	Arniko Bikas Bank Ltd.
Unique Financial Institution Ltd.	Nepal Dev. and Emp. Promotion Bank Ltd.
Manjushree Financial Institution Ltd.	Sewa Bikas Bank Ltd.
Swostik Merchant Finance Company Ltd.	Mitery Development Bank Ltd.
Subhalaxmi Finance Ltd.	Tinau Bikas Bank Ltd.
Seti Bittiya sanstha Ltd.	Gaindakot Development Bank Ltd.
Hama Financial Institution Ltd.	Muktinath Bikas Bank Ltd.
Reliable Investment Bittiya sanstha Ltd	Sangrila Bikas Bank Ltd.
Loard Buddha Financial Institutions Ltd.	Kankai Bikas Bank Ltd.
Api financial Institution Ltd.	Public Development Bank Ltd.
Nameste Bitiya Sanstha Limited.	Mahakali Bikas Bank Ltd.
Kaski Finance Limited	**Ace Development Bank Ltd.**
Suryadarshan Financial Institution Ltd	Diyalo Bikas Bank Ltd.
Development Banks	Bhargab Bikas Bank Ltd.
Nepal Industrial Development Corporation	Vibor Bikas Bank Ltd.
Nepal Development Bank Ltd.	Resunga Bikas Bank Ltd.
Uddyam Development Bank Ltd.	Rara Bikas Bank Ltd.
Malika Development Bank Ltd.	Biswo Bikas Bank Ltd.
Siddhartha Development Bank Ltd.	Country Development Bank Ltd.
Sahayogi Bikas Bank Ltd.	Kasthamandap Development Bank Ltd.
United Development Bank Ltd.	Alpine Development Bank Ltd.
Nepal C. and Small Ind. Dev. Bank Ltd.	Nilgiri Bikas Bank Ltd.
Narayani Development Bank Ltd.	Corporate Development Bank Ltd.
Pashupati Development Bank Ltd.	***Insurance companies***
Pashimanchal Development Bank Ltd.	Nepal Insurance Co.Ltd.
Bhrikuti Bikas Bank Limited.	Rastriya Beema Sansthan
Karnali Bikash Bank Ltd.	National LifeInsu. Co.Ltd.
Triveni Development Bank Limited.	**Himalayan Gen.Insu. Co.Ltd.**
Annapurna Development Bank Limited.	United Insurance Co.(Nepal)Ltd.
Shubhechchha Bikas Bank Limited.	Everest Insurance Co. Ltd.
Bageshowri Bikas Bank Limited.	Premier Insurance co. Ltd.
Sanima Bikas Bank Limited.	Neco Insurance Co.
Purnima Bikas Bank Ltd.	Alliance Insurance Company Limited
Kabeli Bikas Bank Ltd.	Sagarmatha Insurance Co.Ltd
Gaurishankar Bikas Bittiya Sanstha Ltd.	NB Insurance Co. Ltd.
Gorkha Bikas Bank Limited.	Nepal Life Insurance Co. Ltd.
Professional Bikas Bank Ltd.	Life Insurance Co. Nepal
Jyoti Development Bank Ltd	Prudential Insurance Co.
Pathibhara Bikas Bank.	The oriental Insurance Co.Ltd.
Garima Bikas Bank Ltd	American Life Insurance Co.Ltd
City Development Bank Ltd.	**National Insurance Com. Ltd**
Kamana Bikas Bank Ltd.	Deposit Insu. &Credit Security Cor. Pvt. Ltd.
Clean Energy Development Bank Ltd.	Shikhar Insurance Com. Ltd.
Western Development Bank Ltd.	Lumbani General Insurance Company.
Excel Development Bank Ltd.	Shiddharth Insurance Limited.
Biratlaxmi Bikas Bank Limited	
Business Development Bank Ltd.	
Infrastructure Development Bank Ltd.	
Gandaki Bikas Bank Ltd.	

(Source: Gorkha Patra 27 May, 2008.)

To meet the requirement of sample from population, some selected financial institutions were taken as sample. The sampling procedure was judgmental sampling. Among them 2 institutions were selected from each group. They are:

A. Commercial Banks

1. Machhapuchchhre Bank Limited. (MBL)
2. Kumari Bank Ltd. (KBL)

B. Finance Companies

1. National Finance Company Ltd.(NFCL)
2. Kathmandu Finance Ltd. (KFL)

C. Insurance Companies

1. Nepal Insurance Company Ltd.(NICL)
2. Himalayan General Insurance Company Ltd.(HGICL)

D. Development Banks

1. Nepal Development Bank Ltd.(NDBL)
2. ACE Development Bank Ltd. (ADBL)

3.3 DATA GATHERING PROCEDURE

Data collection procedure is the method, technique and process of gathering the necessary information for the study. The necessary information may already recorded or to be collected or both. The data were collected by applying following procedure.

Primary data

Primary data were gathered to ascertain the views of executives as well as non-executives of sample institution about the ratio analysis of these institutions. For this purpose some questionnaires were developed and sent them to acquire the necessary information. In this process question asked to 8 executives and answered but all but only 56.25% of non-executives answered out of 16 were asked.

Secondary data

These data were related to quantitative nature that may be balance sheet, income statement and other information which were necessary for the study. Data were acquired form annual reports, web page publication of sample institutions and different news papers.

3.4 TOOLS FOR ANALYSIS

Various financial and statistical tools have used in this study to get the meaningful result and to meet the research objective. Ratios are the main tools for the analysis. In addition simple statistical tools were also used. The tools applied in this study are described in the following section.

3.4.1 Ratio analysis

The ratio analysis involves comparison for a useful interpretation of financial statement. The quantitative judgment regarding financial performance of a firm can be done with the help of ratio analysis.

Several ratios calculated from the accounting data can be grouped into various classes according to financial activity to be evaluated. In the view of requirement of various users ratios may be classified into following groups.

I. Liquidity Ratios: Current Ratio, Quick Ratio and Cash and Bank Balance to Total Deposit Ratio.

II. Profitability Ratios: Return on Total Assets, Return on Shareholder's Equity and Earning per Share.

III. Leverage ratios: Total Debt to Equity Ratio and Shareholder’s Equity to Total Asset Ratio

3.4.2 Coefficient of Correlation

Coefficient of correlation is defined as the 'relationship' or (association) between (among) the one dependent variable or factor and one (or more than one) independent variable or factor.

Karl Pearson’s co-efficient of correlation

It is one of the most commonly used statistical tools in order to measure the nature of relationship between two variables. It is a useful statistical tool for measuring the strength of magnitude of linear relationship between two series. It can calculate by this formula:

$$r = \frac{N|\;\; xy - \;\; x \;\; y}{\sqrt{N\;\; X^2 - (\;\; X)^2}\;\sqrt{N\;\; Y^2 - (\;\; Y)^2}}$$

Where,

r= correlation coefficient

N= number of pairs of observation in series x and y

X= Sum of observation in series x

Y= Sum of observation in series y

X^2= Sum of square observation in series x

Y^2= Sum of square observation in series y

| xy= Sum of the product of observation in series of x and y

Here,

r always lies between -1 to +1

r= +1 implies that two variables are perfectly positively correlated.

r= -1 implies that two variables are perfectly negative correlated.

r= 0 implies that there is no correlation or it does not necessarily mean that the variables are independent. (Chaudhary&Sharma, 2006:406)

Probable Error (PE) of Correlation Coefficient:

The probable error of the correlation coefficient is applicable for the measurement of reliability of the computed value of the correlation coefficient "r". The probable error (PE) is defined by

$$PE = 0.6745 \sqrt{\frac{1-r^2}{N}}$$

Where,

r= correlation coefficient

N= number of pairs of observation

If r< 6 PE, the value of r is not significant; so, perhaps there is no evidence of correlation

If r > 6 PE, the value of r is significant i.e. correlation is significant

In other case, nothing can be concluding. (Chaudhary&Sharma, 2008:411)

5.4.3 Chi-square Test

Since chi- square test does not make any assumption about population parameters, it is called distribution free test. This test is good for nominal or ordinal scale of measurement. Chi-square test is also used for analysis of person; religious affiliation, smoking habits and so on. Chi-square test is a test which describes the magnitude of difference between observed and expected (Theoretical) frequencies under certain assumption. In other words it describes the magnitude of the discrepancy between theory and observation. It is defined as:

Chi-square (x^2) = (O-E)/ E

Where,

O= observed frequencies

E = expected frequencies

E = RT*CT/N

Where,

N= Number of observation

RT = Row Total

CT = Column Total

Here, level of significance = 5% has been used for all test.

(Chaudhary&Sharma, 2008:364)

CHAPTER-IV

PRESENTATION AND ANALYSIS OF DATA

This chapter deals with the presentation, analysis and interpretation of data in order to fulfill the objectives of this study. This Chapter includes analysis of ratios and statistical analysis. The motto of this chapter is to study, evaluation and analysis of data which are related to ratio analysis.

4.1 PRESENTATIONS OF DATA FROM SECONDARY SOURCES

This section includes the data related with the study from secondary sources. Secondary sources mean the data of these institutions from their annual reports; web page and other already published sources. These data were in numerical type. The data were analyzed according to the tools as mentioned in chapter three. These presentation and analysis include the ratio analysis and correlation analysis, which are presented as follows.

4.1.1 Liquidity Ratios

Liquidity ratios are the ratios that provide the quick measure of the liquidity position or ability of the firm to meet its current obligation.

4.1.1.1Current Ratios:

Some Adjustments were made while calculating current ratio. They are as follows:

- 80% of loans, advances are considered as short- term obligations.
- 70% of deposits are considered as short-term obligation.
- 20% of investment and borrowing are considered as short-term obligations.
- Loan loss provision is excluded from other liabilities.

Computation of Current Ratio of Commercial Banks

Table: 4.1

Current Ratio Analysis

(Amt in '000)

Year	Particular	MBL	KBL
2060/61	Current Assets	2615909	3922387
	Current Liabilities	1970308	3501266
	Ratios	1.32	1.12
2061/62	Current Assets	4967680	5284496
	Current Liabilities	3985362	4555233
	Ratios	1.25	1.16
2062/63	Current Assets	6786006	6420422
	Current Liabilities	5630708	5588747
	Ratios	1.20	1.15
2063/64	Current Assets	8095938	8598054
	Current Liabilities	6619993	7530130
	Ratios	1.23	1.15
2064/65	Current Assets	9079357	10314400
	Current Liabilities	7798316	9285405
	Ratios	1.16	1.11

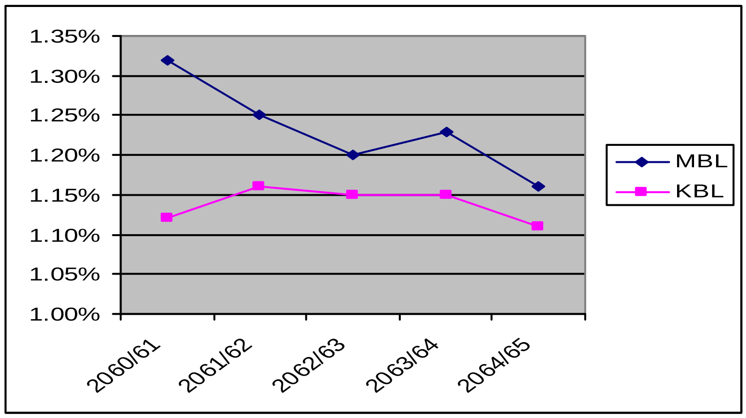
Source: Appendix-II

Above table indicates that Current Ratio of these banks current ratios is fluctuating. But the current ratio of each banks are more than one during the study period. Therefore, in the case of current assets these banks under study contained more than its liabilities. This signifies that all the banks had inadequate current assets to pay its short-term obligations. Though the idle standard of the current ratio is 2:1 but none of the banks meet the standard.

Graphical Presentation of Current Ratios of Commercial Banks

Graph 4.1:

Current Ratio Analysis



From graphs the current ratio of both Banks are decreasing trend. During the year 2060/61 current ratio of MBL is 1.32 after that it decreasing to 1.20 in 2062/2063 again it increase to 1.23 in 2063/2064. During the year 2060/2061 current ratio of KBL is 1.12 after that it increases for only one year i.e. 1.16 in year 2061/62 but after it is decreasing from 1.15 to 1.11 in year 2062/2063 to 2064/2065. Now it can be concluded that the current ratio of MBL is in better position.

Computation of Current Ratio of Finance Companies

Table 4.2:

Current Ratio Analysis

(Amt in '000)

Year	Particular	NFL	KFL
2060/61	Current Assets	538324	179787
	Current Liabilities	383087	162992
	Ratios	1.40	1.10
2061/62	Current Assets	570057	201718
	Current Liabilities	427982	172462
	Ratios	1.33	1.16
2062/63	Current Assets	579529	225582
	Current Liabilities	440356	170833
	Ratios	1.32	1.32

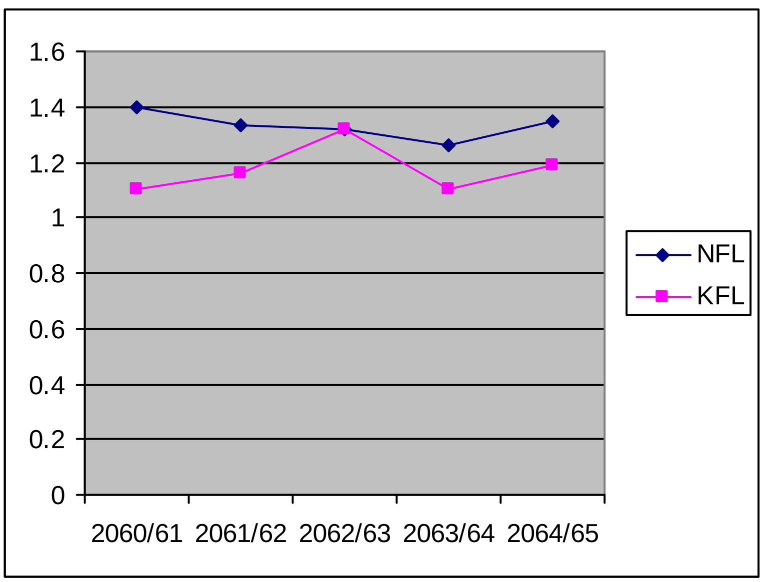
2063/64	Current Assets Current Liabilities Ratios	575484 456638 1.26	251536 229689 1.10
2064/65	Current Assets Current Liabilities Ratios	698617 515811 1.35	276677 231704 1.19

Source: Appendix-II

Above table indicates that current ratio of these companies are in fluctuating trend .The current ratio of each finance are more than one but none of these finance meet the standard i.e 2:1. NFL is high ratio in F.Y.2064/65 with 1.35 and the lowest is 1.10 of KFL in the year 2063/64.

Graphical Presentation of Current Ratios of Finance Companies

Graph 4.2:
Current Ratio Analysis



Graphical presentation of finance company shows the current ratio both are in fluctuating trend because during the year 60/61 it is 1.40 of NFL and after it decreased from the year 61/62 to 63/64 again it increased to 1.35 in 2064/65. In case of current ratio of KFL in 60/61 it is 1.10 and it raise to 1.16 in year 2061/62 after that it decrease in year 63/64 to 1.10.

Computation of Current Ratio of Development Banks

Table 4.3:
Current Ratio Analysis

(Amt in '000)

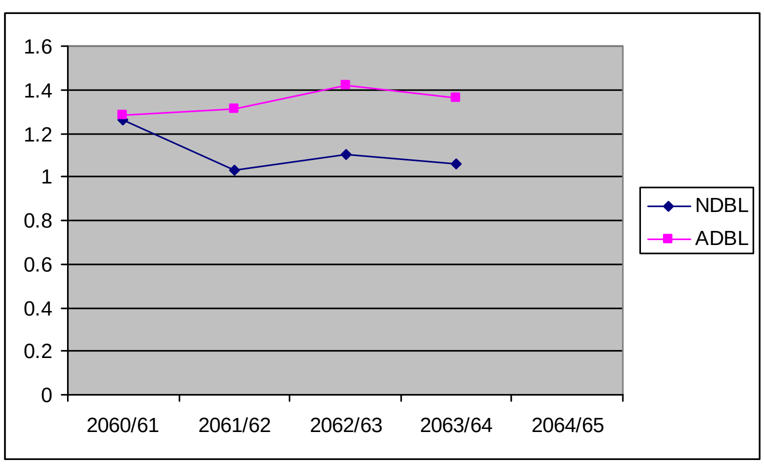
Year	Particular	NDBL	ADBL
2060/61	Current Assets Current Liabilities Ratios	1710665 1347895 1.26	1256651 975376 1.28
2061/62	Current Assets Current Liabilities Ratios	1184329 1145944 1.03	1378466 1044956 1.31
2062/63	Current Assets Current Liabilities Ratios	1053913 958921 1.10	1541311 1088548 1.42
2063/64	Current Assets Current Liabilities Ratios	797600 752238 1.06	2093364 1534828 1.36

Source: Appendix-II

Above table indicates that current ratio of NDBL is in decreasing trend but ADBL is in increasing trend .If shows that NDBC is weak in liquidity but ADBL seems better in liquidity .NDBL has lowest 1.03 in the year 2061/62 and the highest is 1.42 of ADBL in the year 2063/64.

Graphical Presentation of Current Ratios of Development Banks

Graph 4.3:
Current Ratio Analysis



Graphical presentation of current ratio of Development Banks. During the year 2060/61 the ratio of NDBL is 126 then it start to decrease to 1.03 in year 2061/62 and again it raise to 1.10 in year 2062/63. The ratio ADBL in year 2061/62 to 2062/63 i.e. 1.31 to 1.42.

Computation of Current Ratio of Insurance Companies

Table 4.4:

Current Ratio Analysis

(Amt in '000)

Year	Particular	HGI	NIC
2060/61	Current Assets Current Liabilities Ratios	59275 54906 1.07	97084 84480 1.14
2061/62	Current Assets Current Liabilities Ratios	129713 123186 1.05	150942 114040 1.32
2062/63	Current Assets Current Liabilities Ratios	66146 55023 1.20	311870 239590 1.30
2063/64	Current Assets Current Liabilities Ratios	68960 46645 1.48	351014 272570 1.28
2064/65	Current Assets Current Liabilities Ratios	63560 56820 1.11	138736 102970 1.34

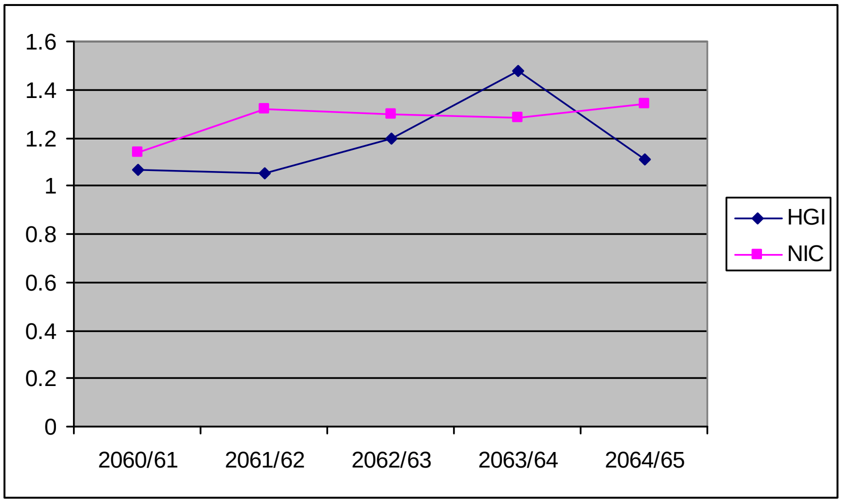
Source: Appendix-II

Above table shows that current ratio of HGI is in increasing tread but the ratio of NIC is in decreasing trend. HGI has higher ratio of 1.48 in F.Y. 2063/64 and same insurance have lowest of 1.05 in F.Y.2061/62.

Graphical Presentation of Current Ratios of Insurance Companies

Graph4.4:

Current Ratio Analysis



Graphical presentations of current ratio of insurance companies. During the year 2060/61 the ratio of HGI is 1.07 after that the ratio in 2061/62 is 1.11 and from year 2063/64 to 2064/65 it raised to 1.48. The ratio of NIC in 2060/61 is 1.14 after that it is increasing from 2061/62 to 2062/63 than it starts to decline.

4.1.1.2Quick Ratios:

In case of study there is no inventories and prepaid expenses, so current assets is quick assets.

Computation of Quick Ratio of Commercial Banks

Table 4.5:

Quick Ratio Analysis

(Amt in '000)

Year	Particular	MBL	KBL
2060/61	Quick Assets	2615909	3922387
	Current Liabilities	1970308	3501266
	Ratios	1.32	1.12

2061/62	Quick Assets Current Liabilities Ratios	4967680 3985362 1.25	5284496 4555233 1.16
2062/63	Quick Assets Current Liabilities Ratios	6786006 5630708 1.20	6420422 5588747 1.15
2063/64	Quick Assets Current Liabilities Ratios	8095938 6619993 1.23	8598054 7530130 1.15
2064/65	Quick Assets Current Liabilities Ratios	9079357 7798316 1.16	10314400 9285405 1.11

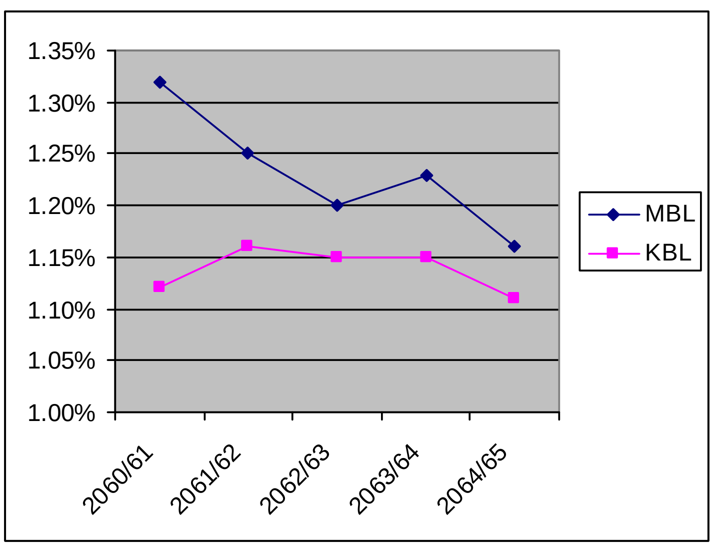
Source: Appendix-II

Above table indicates that quick Ratio of these banks current ratios is fluctuating. But the quick ratio of each banks are more than one during the study period. Therefore, in the case of quick assets these banks under study contained more than its liabilities. Both banks have satisfactory liquidity position because both have equal position of liquid assets and current liability i.e 1:1.

Graphical Presentation of Quick Ratios of Commercial Banks

Graph 4.5:

Quick Ratio Analysis



From graphs the quick ratio of both Banks are decreasing trend. During the year 2060/61 quick ratio of MBL is 1.32 after that it decreasing to 1.20 in 2062/2063 again it increases to 1.23 in 2063/2064. During the year 2060/2061 quick ratio of KBL is 1.12 after that it increases for only one year i.e. 1.16 in year 2061/62 but after it is decreasing from 1.15 to 1.11 in year 2062/2063 to 2064/2065. Now it can be concluded that the current ratio of MBL is in better position.

Computation of Quick Ratio of Finance Companies

Table 4.6:

Quick Ratio Analysis

(Amt in '000)

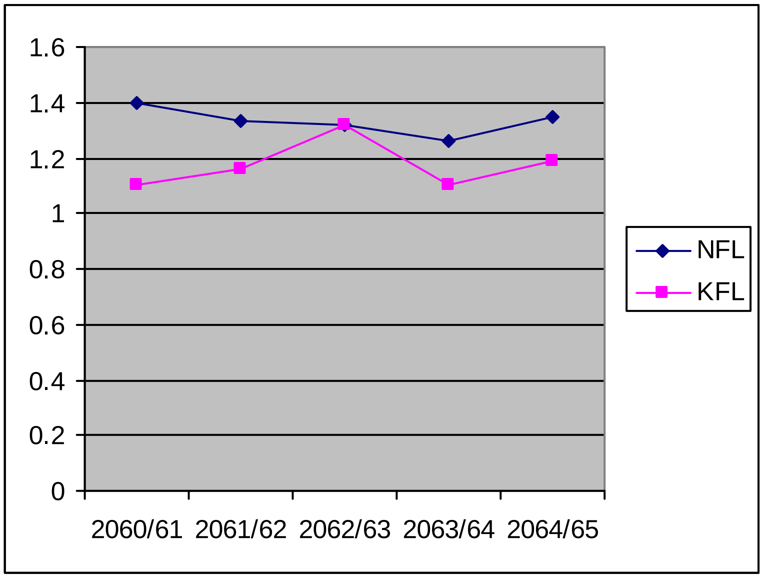
Year	Particular	NFL	KFL
2060/61	Quick Assets	538324	179787
	Current Liabilities	383087	162992
	Ratios	1.40	1.10
2061/62	Quick Assets	570057	201718
	Current Liabilities	427982	172462
	Ratios	1.33	1.16
2062/63	Quick Assets	579529	225582
	Current Liabilities	440356	170833
	Ratios	1.32	1.32
2063/64	Quick Assets	575484	251536
	Current Liabilities	456638	229689
	Ratios	1.26	1.10
2064/65	Quick Assets	698617	276677
	Current Liabilities	515811	231704
	Ratios	1.35	1.19

Source: Appendix-II

Above table indicates that quick ratio of these companies are in fluctuating trend .The quick ratio of each finance are more than one it means Both have satisfactory liquidity position because they have equal position of liquid assets and current liability i.e 1:1.NFL is high ratio in F.Y.2064/65 with 1.35 and the lowest is 1.10 of KFL in the year 2063/64.

Graphical Presentation of Quick Ratios of Finance Companies

Graph 4.2:
Quick Ratio Analysis



Graphical presentation of finance company shows the quick ratio both are in fluctuating trend because during the year 60/61 it is 1.40 of NFL and after it decreased from the year 61/62 to 63/64 again it increased to 1.35 in 2064/65. In case of quick ratio of KFL in 60/61 it is 1.10 and it raise to 1.16 in year 2061/62 after that it decrease in year 63/64 to 1.10.

Computation of Quick Ratio of Development Banks

Table 4.7:

Quick Ratio Analysis

(Amt in '000)

Year	Particular	NDBL	ADBL
2060/61	Quick Assets Current Liabilities Ratios	1710665 1347895 1.26	1256651 975376 1.28
2061/62	Quick Assets Current Liabilities	1184329 1145944	1378466 1044956

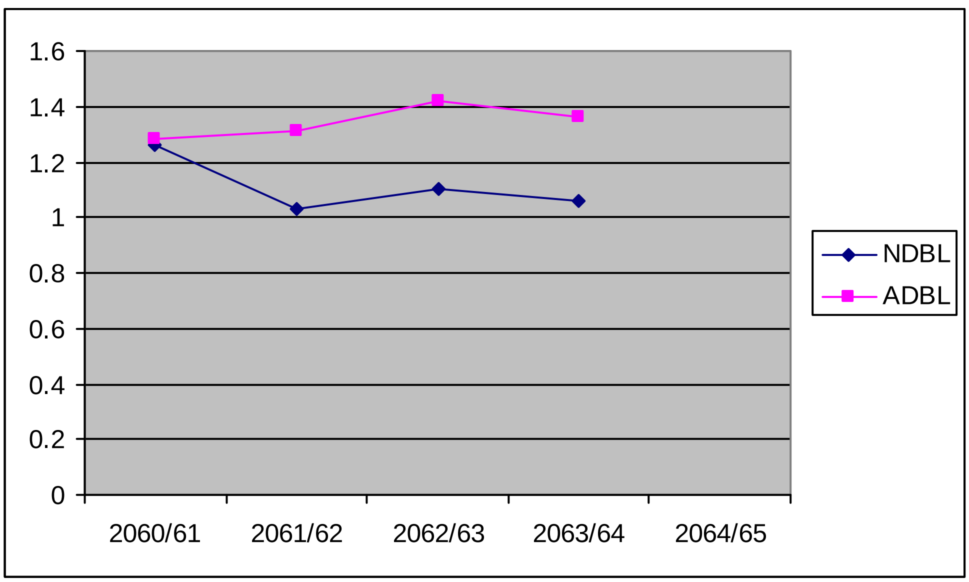
	Ratios	1.03	1.31
2062/63	Quick Assets Current Liabilities Ratios	1053913 958921 1.10	1541311 1088548 1.42
2063/64	Quick Assets Current Liabilities Ratios	797600 752238 1.06	2093364 1534828 1.36

Source: Appendix-II

Above table indicates that quick ratio of NDBL is in decreasing trend but ADBL is in increasing trend .If shows that NDBC is weak in liquidity but ADBL seems better in liquidity .NDBL has lowest 1.03 in the year 2061/62 and the highest is 1.42 of ADBL in the year 2063/64.

Graphical Presentation of Quick Ratio of Development Banks

Graph 4.7:
Quick Ratio Analysis



Graphical presentation of current ratio of Development Banks. During the year 2060/61 the ratio of NDBL is 126 then it start to decrease to 1.03 in year 2061/62 and again it raise to 1.10 in year 2062/63. The ratio ADBL in year 2061/62 to 2062/63 i.e. 1.31 to 1.42.

Computation of Quick Ratio of Insurance Companies

Table 4.8:

Quick Ratio Analysis

(Amt in '000)

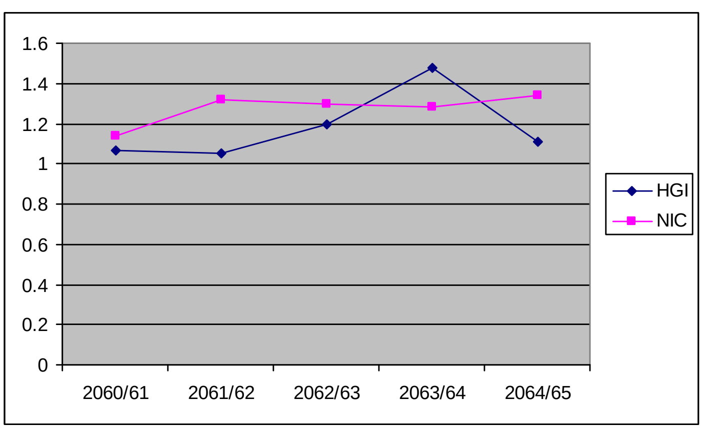
Year	Particular	HGI	NIC
2060/61	Quick Assets Current Liabilities Ratios	59275 54906 1.07	97084 84480 1.14
2061/62	Quick Assets Current Liabilities Ratios	129713 123186 1.05	150942 114040 1.32
2062/63	Quick Assets Current Liabilities Ratios	66146 55023 1.20	311870 239590 1.30
2063/64	Quick Assets Current Liabilities Ratios	68960 46645 1.48	351014 272570 1.28
2064/65	Quick Assets Current Liabilities Ratios	63560 56820 1.11	138736 102970 1.34

Source: Appendix-II

Above table shows that quick ratio of HGI is in increasing tread but the ratio of NIC is in decreasing trend. HGI has higher ratio of 1.48 in F.Y. 2063/64 and same insurance have lowest of 1.05 in F.Y.2061/62.

Graphical Presentation of Quick Ratios of Insurance Companies

Graph 4.8: Quick Ratio Analysis



Graphical presentations of current ratio of insurance companies. During the year 2060/61 the ratio of HGI is 1.07 after that the ratio in 2061/62 is 1.11 and from year 2063/64 to 2064/65 it raised to 1.48. The ratio of NIC in 2060/61 is 1.14 after that it is increasing from 2061/62 to 2062/63 than it starts to decline.

4.1.1.3 Cash and Bank Balance to Total Deposit Ratio

Computation of Cash and Bank Balance to Total Deposit Ratio of Commercial Banks

Table 4.9:

Cash and Bank Balance to Total Deposit

(Amt in '000)

Year	Particular	MBL	KBL
2060/61	Cash and Bank Balance	560755	687477
	Total Deposit	1928242	3365555
	Ratios	29.08%	20.42%
2061/62	Cash and Bank Balance	746133	533371
	Total Deposit	3910762	4388268
	Ratios	19.08%	12.15%
2062/63	Cash and Bank Balance	1532399	534630
	Total Deposit	5525309	5438270
	Ratios	27.73%	9.83%
2063/64	Cash and Bank Balance	1978080	1044328
	Total Deposit	6632816	7390191
	Ratios	29.82%	14.13%
2064/65	Cash and Bank Balance	1658563	989201
	Total Deposit	7771569	8941996
	Ratios	21.34%	11.06%

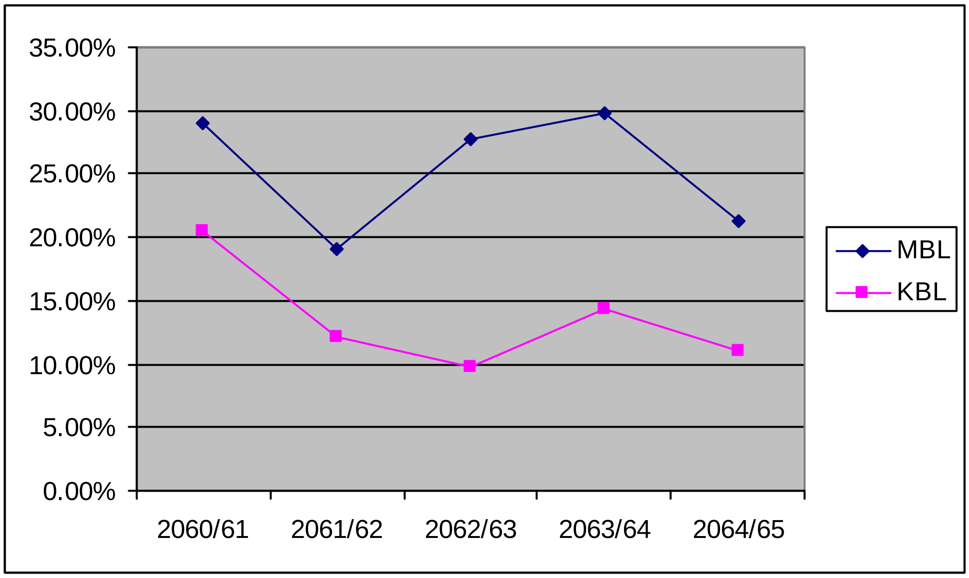
Source: Appendix-II

The above table shows that both banks ratio are in fluctuating trend the ratio of cash and bank balance total deposit of MBL is high than KBL in all year .MBL has highest 29.82% in the year 2063/64 and KBL has lowest 9.83% in the year 2063/64.

Graphical Presentation of Average of Cash and Bank Balance to Total Deposit Ratio

Graph 4.9:

Average of Cash and Bank Balance to Total Deposit Ratio Analysis



From graphs the cash and bank balance to total deposit ratio of both are in fluctuating trend. During the F.Y. 2060/2061 the ratio of MBL is 29.08% after that in year 2061/62 it is decrease to 19.08% it is increase 29.82% in 2063/2063. The ratio of KBL is in 2060/2061 to 20.42% after that it start t decline to year 2064/65 till to 11.06%.

Computation of Cash and Bank Balance to Total Deposit Ratio of Finance

Table 4.10:

Cash and Bank Balance to Total Deposit

(Amt in '000)

Year	Particular	NFL	KFL
2060/61	Cash and Bank Balance	90787	41029
	Total Deposit	368459	149555
	Ratios	24.63%	27.43%
2061/62	Cash and Bank Balance	111708	37293
	Total Deposit	407999	159268
	Ratios	27.37%	23.41%

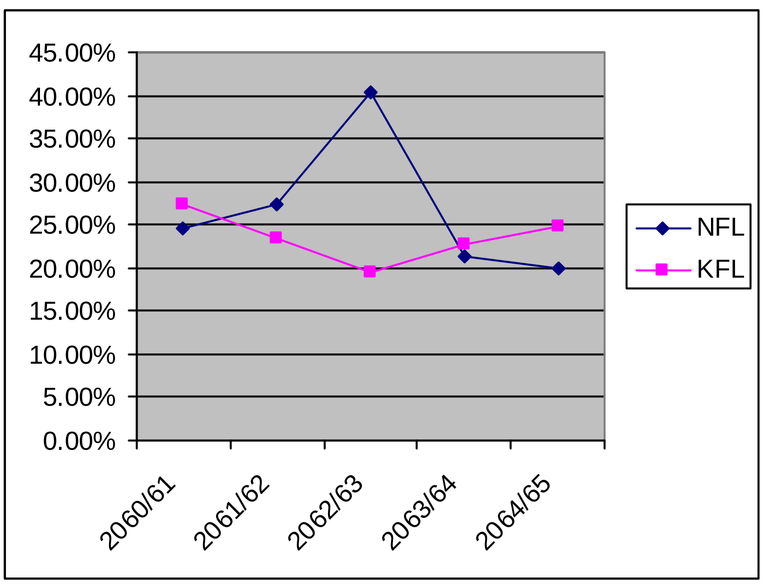
2062/63	Cash and Bank Balance Total Deposit Ratios	177532 438785 40.45%	34035 173827 19.58%
2063/64	Cash and Bank Balance Total Deposit Ratios	94428 440693 21.43%	48299 213506 22.62%
2064/65	Cash and Bank Balance Total Deposit Ratios	90653 455692 19.9%	54832 221711 24.73%

Source: Appendix-II

Above table shows that the cash and Bank balance to total deposit ratio of KFL is increasing but NFL's ratio is decreasing to 19.90% from 40.45%. NFL has highest ratio of 40.45% in FY 2062/63 and lowest ratio of 19.90% in FY 2064/65.

Graphical Presentation of Cash and Bank Balance to Total Deposit Ratio

Graph 4.10:
Cash and Bank Balance to Total Deposit Ratio Analysis



Graphical presentation of finance company shows the cash and bank balance to total deposit ratio. During the 2060/61 the ratio of NFL is 24.63% and it raise to 40.45% after that it false to 19.9% from 62/63 to 64/65. The ratio of KFL in year 60/61 is 27.43% and from the year 62/63 to 64/65 it falls to 19.58%.

Computation of Cash and Bank Balance to Total Deposit Ratio of Development Banks

Table 4.11:

Cash and Bank Balance to Total Deposit

(Amt in '000)

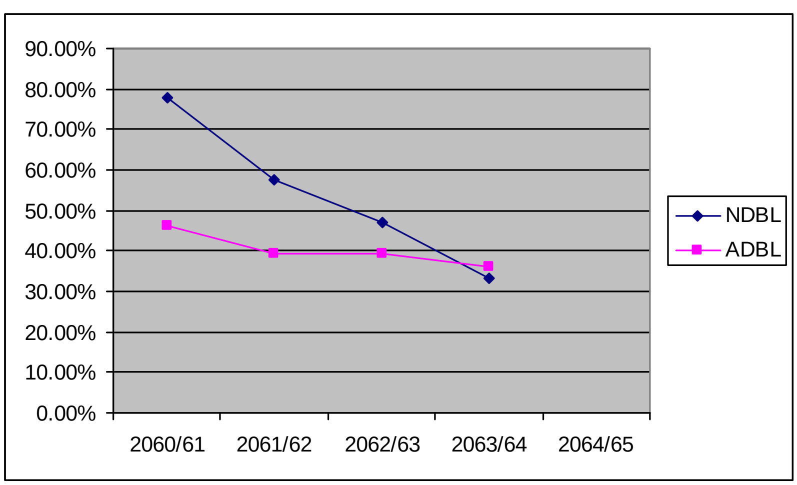
Year	Particular	NDBL	ADBL
2060/61	Cash and Bank Balance	1034853	421786
	Total Deposit	1326171	915604
	Ratios	78.03%	46.06%
2061/62	Cash and Bank Balance	647404	387526
	Total Deposit	1121964	989781
	Ratios	57.70%	39.15%
2062/63	Cash and Bank Balance	506008	406687
	Total Deposit	1076347	1035352
	Ratios	47%	39.28%
2063/64	Cash and Bank Balance	309898	533722
	Total Deposit	918469	1472377
	Ratios	33.41%	36.25%

The above table shows that both bank's cash and Bank Balance to total deposit ratio is in decreasing trend. NDBL has highest of 57.70% in the year 2061/62 and lowest in the year 2063/64 which is 33.41%.

Graphical Presentation of Cash and Bank Balance to Total Deposit Ratio

Graph 4.11:

Cash and Bank Balance to Total Deposit Ratio Analysis



Graphical presentations of Cash and bank balance to total deposit ratio of development banks. During the year 2060/61 the ratio of NDBL has high at 78.03% and after that it is in decreasing. The ratio of ADBL in year 2060/61 is 46.06% after that it is slightly decline to 36.25% in year 2063/64.

4.1.2 Leverage Ratios

4.1.2.1 Shareholder's Equity to Total Assets Ratio

Computation of Shareholder's Equity to Total Assets Ratio of Commercial Banks

Table 4.12:

Shareholder's Equity to Total Assets Ratio

(Amt in '000)

Year	Particular	MBL	KBL
2060/61	Shareholder's Equity	554222	533403
	Total Assets	3448634	5449176
	Ratios	16.07%	9.70%
2061/62	Shareholder's Equity	637739	645442
	Total Assets	6445423	7437882
	Ratios	9.9%	8.68%
2062/63	Shareholder's Equity	931091	863851
	Total Assets	9069830	9010276
	Ratios	10.27%	9.58%
2063/64	Shareholder's Equity	1007292	1025630
	Total Assets	10810331	11918311
	Ratios	9.32%	8.60%
2064/65	Shareholder's Equity	1163347	1364885
	Total Assets	12498548	15206599
	Ratios	9.31%	9.08%

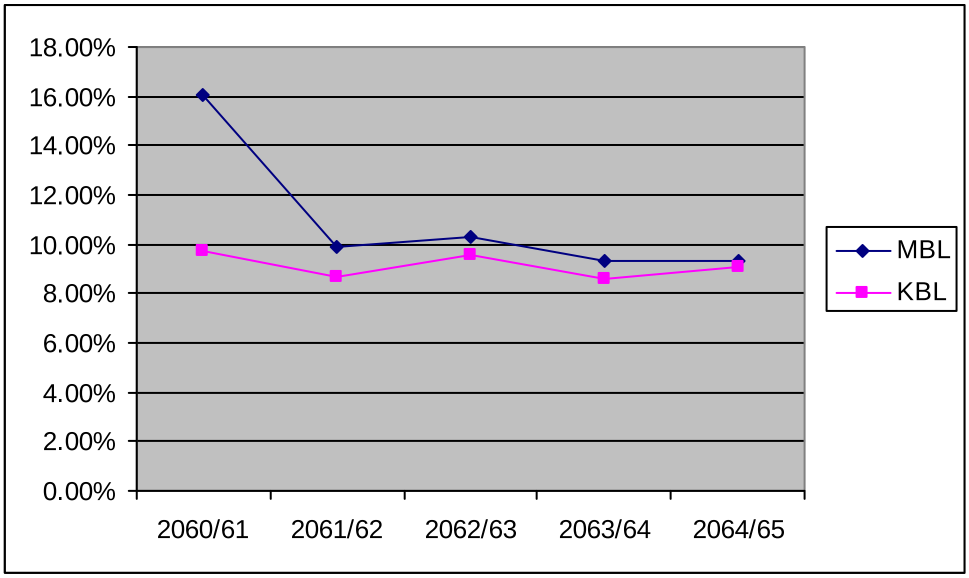
Source: Appendix-II

The above table shows the ratio of shareholder's equity to total assets of these banks are in fluctuating trend MBL have the highest ratio i.e. 10.27% in the FY 2062/63. The entire ratios are above 8% hence it can say these banks in satisfactory level.

Graphical Presentation of Shareholder's Equity to Total Assets Ratio

Graph 4.12:

Shareholder's Equity to Total Assets Ratio Analysis



From graphs the share holder's equity to total assets ratio of MBL in F.Y.2060/61 is 16.07% after that is recreation for only one year i.e. in F.Y 2060/61 is 16.07%. After that is decreasing for only one year i.e. in F.Y.2061/2062 to 9.9% again it increases to 10.27 in F.Y. 2062/63 after next two year it is decreasing to 9.31%. in case of the ratio of KBL in F.Y. 2060/61 it is 9.70% and 8.68%,9.58%,8.60%,9.08% for following respective year. Finally, it can say the ratio of MBL is high the ratio of KBL.

Computation of Shareholder's Equity to Total Assets Ratio of Finance

Table 4.13:

Shareholder's Equity to Total Assets Ratio

Year	Particular	NFL	KFL
2060/61	Shareholder's Equity Total Assets Ratios	174245 715244 24.36%	46000 273087 16.84%

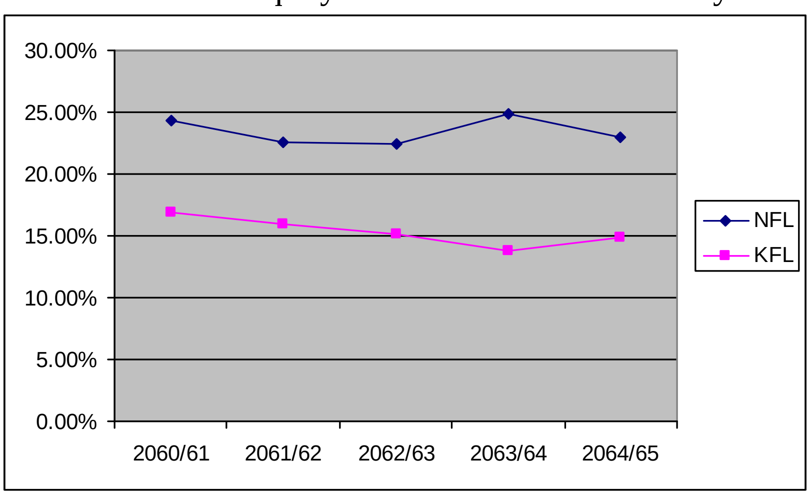
2061/62	Shareholder's Equity Total Assets Ratios	157827 778666 22.58%	45612 286332 15.93%
2062/63	Shareholder's Equity Total Assets Ratios	184995 825135 22.42%	46751 309577 15.10%
2063/64	Shareholder's Equity Total Assets Ratios	215560 865444 24.92%	51433 373885 13.75%
2064/65	Shareholder's Equity Total Assets Ratios	213408 930592 22.93%	57853 390663 14.80%

Source: Appendix-II

Above table shows the ratio of share holder's equity to total assets of both finance which are in fluctuating trend. NFL has recorded the highest ratio i.e. 24.92% and KFL have lowest ratio i.e 13.75% in FY 2063/64. KFL have good ratio but NFL have relatively high ratio which above the 20%. It means investment in total assets by equity financing of NFL is above 20%.

Graphical Presentation of Shareholder's Equity to Total Assets Ratio

Graph 4.13:
Shareholder's Equity to Total Assets Ratio Analysis



Graphical presentation of shareholder's equity to total assets ratios of finance companies. During the year 60/61 the ratio of NFL is 24.37 and from the year

61/62 to 62/63 it falls to 22.42% after that it is slightly raise to 24.92%. KFL has recorded the lowest ratio 13.75% in FY 63/64.

Computation of Shareholder's Equity to Total Assets Ratio of Banks

Table 4.14:

Shareholder's Equity to Total Assets Ratio

(Amt in '000)

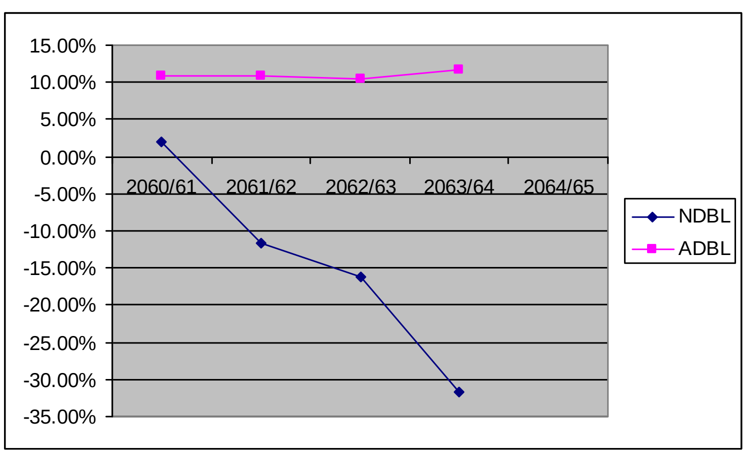
Year	Particular	NDBL	ADBL
2060/61	Shareholder's Equity	43611	168431
	Total Assets	2106642	1538009
	Ratios	20.7%	10.95%
2061/62	Shareholder's Equity	(179680)	180348
	Total Assets	1536106	1666877
	Ratios	-11.7%	10.82%
2062/63	Shareholder's Equity	(221154)	192766
	Total Assets	1352099	1847058
	Ratios	-16.3%	10.43%
2063/64	Shareholder's Equity	(318087)	304090
	Total Assets	1002325	2605937
	Ratios	-31.73%	11.67%

Above table shows the ratio of share holder's equity to total assets of NDBL has recorded at negative ratio in viewed period but ratio of ADBL in increasing trend. Hence it concluded that NDBL need to add more equity to meet satisfactory level.

Graphical Presentation of Shareholder's Equity to Total Assets Ratio

Graph 4.14:

Shareholder's Equity to Total Assets Ratio Analysis



Graphical presentation of shareholder’s equity to total assets ratio of Development banks. During the year 2060/61 the ratio of NDBL is 2.07% then the ratio has recorded at negative to -31.73%. The ratio of ADBL in year 2060/61 is 10.95% after that it is decreased to 10.43% from 2061/62 to 2062/63 and again it raise to 11.67% in 2063/64.

Computation of Shareholder’s Equity to Total Assets Ratio of Insurance

Table 4.15:

Shareholder’s Equity to Total Assets Ratio

(Amt in '000)

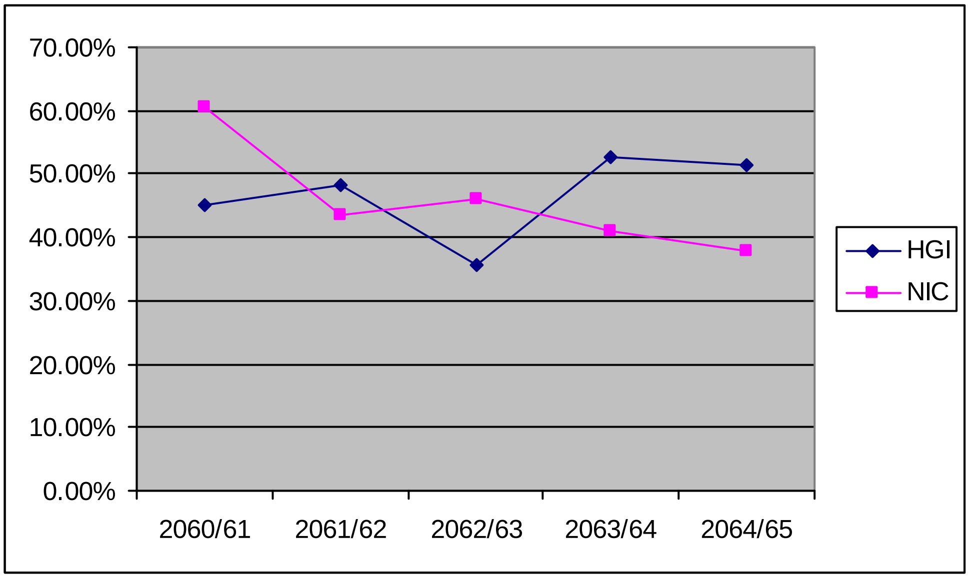
Year	Particular	HGI	NIC
2060/61	Shareholder’s Equity	58514	148530
	Total Assets	130065	245080
	Ratios	44.98%	60.60%
2061/62	Shareholder’s Equity	70472	127620
	Total Assets	146512	293630
	Ratios	48.09%	43.46%
2062/63	Shareholder’s Equity	81484	144460
	Total Assets	227705	313300
	Ratios	35.78%	46.12%
2063/64	Shareholder’s Equity	93326	195490
	Total Assets	176778	475500
	Ratios	52.79%	41.11%
2064/65	Shareholder’s Equity	98000	195510
	Total Assets	180763	515800
	Ratios	51.45%	37.9%

Source: Appendix-II

The above table shows the ratio of equity to total assets in HIG is in increasing trend but in NIC decreasing trend. HIG has highest ratio i.e. 52.79% in FY 2062/63. In both insurance investments in total assets made by equity financing is above 50%.

Graphical Presentation of Shareholder's Equity to Total Assets Ratio

Graph 4.15:
Shareholder's Equity to Total Assets Ratio Analysis



Graphical presentation of shareholder equity to total assets ratios of insurance companies. During the year 2061/62 the ratio of HGI 44.98% after that it is increasing trend from year 2061/62 to 64/65. The ratio of NIC in year 2060/61 is 60.60% and from year 2061/62 to 2064/65 it falls to 37.9%.

4.1.2.1 Debt to Equity Ratio

Computation of Debt to Equity Ratio of Commercial Banks

Table 4.16:

Debt to Equity Ratio Analysis

(Amt in '000)

Year	Particular	MBL	KBL
2060/61	Total Debt Shareholder's Equity Ratios	1970308 554222 355%	3501266 533403 656%
2061/62	Total Debt Shareholder's Equity Ratios	3985362 637739 625%	4555233 645442 705%

2062/63	Total Debt Shareholder's Equity Ratios	5630708 931091 605%	5588747 863851 645%
2063/64	Total Debt Shareholder's Equity Ratios	6619993 1007292 657%	7530130 1025630 734%
2064/65	Total Debt Shareholder's Equity Ratios	7798316 1163347 670%	9285405 1364885 680%

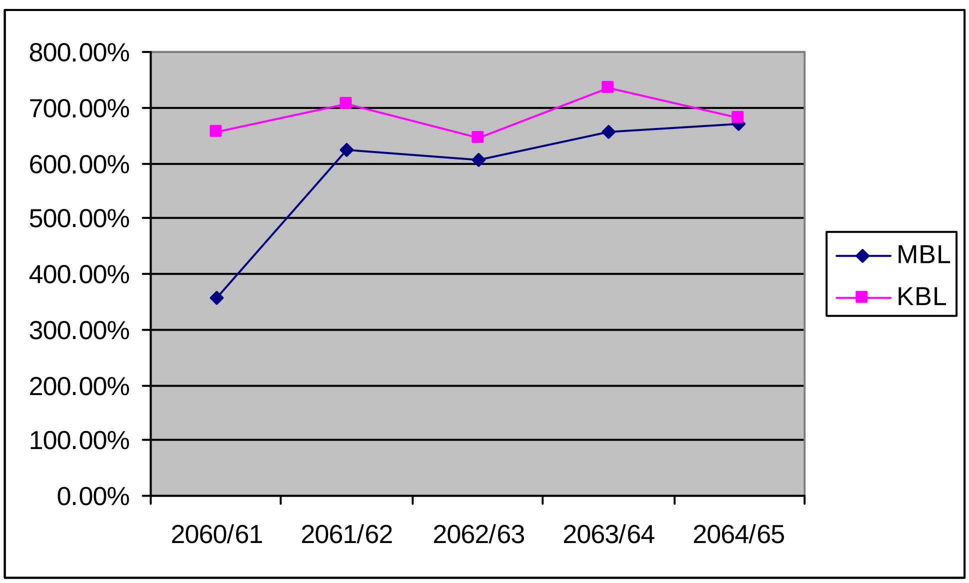
Source: Appendix-II

Above table shows debt to equity ratio of both banks. The ratio for MBL came 625%, 605% and 670% for the study period. Similar the ratio of KBL come 705%, 645% and 734%. The ratio of both is in little fluctuating trend. KBL has high ratio than MBL. This shows that the KBL has used more debt than equity. This show the interest expense was high for KBL.

Graphical Presentation of Debt to Equity Ratio

Graph 4.16:

Debt to Equity Ratio Analysis



Graphical presentation of debt to equity ratio of both bank show the ratio of both is in little fluctuating trend. During the year 2060/61 the ratio of MBL is 355% after that is increasing to 625% in 2061/62 again it is decreasing to 605% in 2062/63 and again it increase to 670% in 2064/65. The ratio of KBL in FY 2060/61 is 656% after that it is increasing to 705% in 2061/62 and it star decline from to 680% till to 2064/65. Therefore this graphs show the KBL used more debt than equity.

Computation of Debt to Equity Ratio of Finance Companies

Table 4.17:

Debt to Equity Ratio Analysis

(Amt in '000)

Year	Particular	NFL	KFL
2060/61	Total Debt	383087	162992
	Shareholder's Equity	174245	46000
	Ratios	219%	345%
2061/62	Total Debt	427982	172462
	Shareholder's Equity	175827	45612
	Ratios	243%	378%
2062/63	Total Debt	440356	170833
	Shareholder's Equity	184995	46751
	Ratios	238%	365%
2063/64	Total Debt	456638	229689
	Shareholder's Equity	215560	51433
	Ratios	212%	447%
2064/65	Total Debt	515811	232704
	Shareholder's Equity	213408	57853
	Ratios	242%	402%

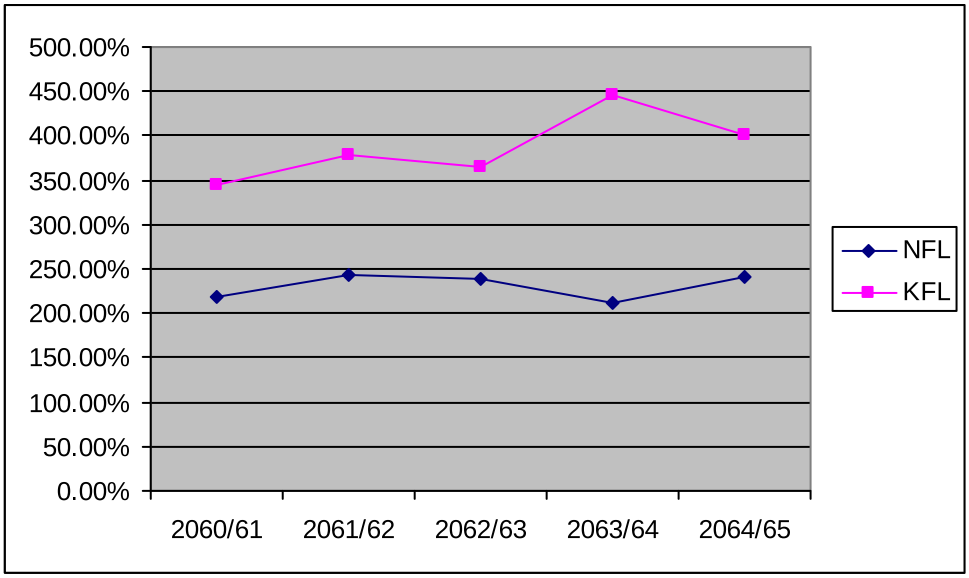
Source: Appendix-II

Above table shows debt to equity ratio of both finances. The ratio of NFL came 238%, 212% and 242% for reviewed period. The ratios of KFL come 365%, 447% and 402%. The ratio of both finances in fluctuating trend but KFL has high ratio than NFL.

Graphical Presentation of Debt to Equity Ratio

Graph 4.17:

Debt to Equity Ratio Analysis



Graphical presentations of debt to equity ratio of finance companies are in fluctuating trend. During the year 2060/61 the ratio of NFL came 219% and it slightly raise to 2043% in year 2061/62 than it falls from 62/63 to 63/64. The ratio of KFL has recorded highest 447% in FY 2063/64.

Computation of Debt to Equity Ratio of Development Banks

Table 4.18:

Debt to Equity Ratio Analysis

(Amt in '000)

Year	Particular	NDBL	ADBL
2060/61	Total Debt Shareholder's Equity Ratios	1347895 43611 30.90%	975376 168431 579%
2061/62	Total Debt Shareholder's Equity Ratios	1145944 (179680) -638%	1044956 180348 579%

2062/63	Total Debt Shareholder's Equity Ratios	958921 (221154) -434%	1088548 192766 565%
2063/64	Total Debt Shareholder's Equity Ratios	752238 (318078) -236%	1534828 304090 505%

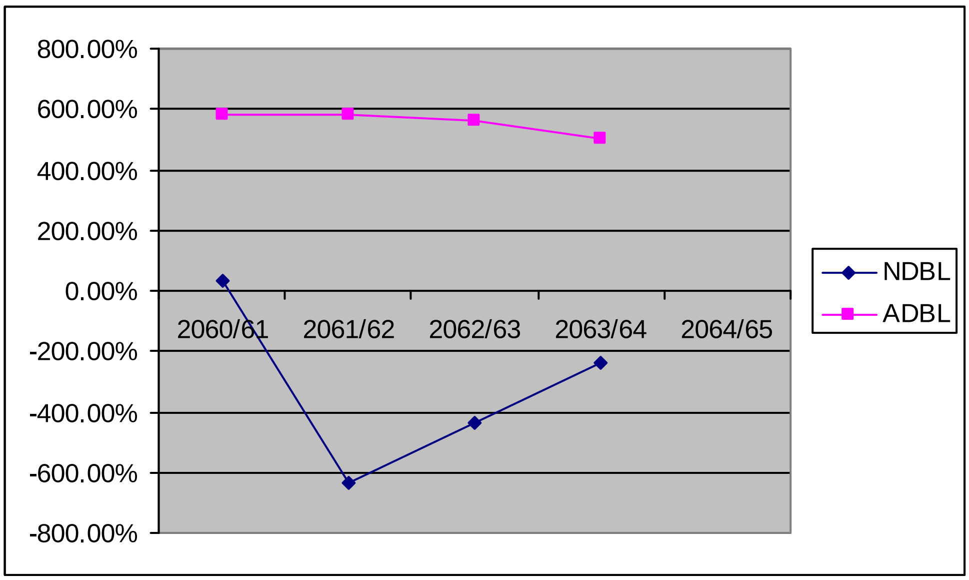
Source: Appendix-II

Above table shows debt to equity ratio of both development banks. The ratio of NDBL is negative because of negative equity, which shows the bank used high debt. Ti means the interest expenses was high for NDBL. The ratios for ADBL came 579%, 565% and 505% for all year respectively.

Graphical Presentation of Debt to Equity Ratio

Graph 4.18:

Debt to Equity Ratio Analysis



Graphic the presentation of date to equity ratio of development banks during the year 2060/61 the date use by NDBL is 30.90% after that year the NDBL has negative ratio to -638% in year 2061/62. The ratio of ADBL in year 2060/61 is 579% than it is decrease to 505% in year 2063/64.

Computation of Debt to Equity Ratio of Insurance Companies

Table 4.19:

Debt to Equity Ratio Analysis

(Amt in '000)

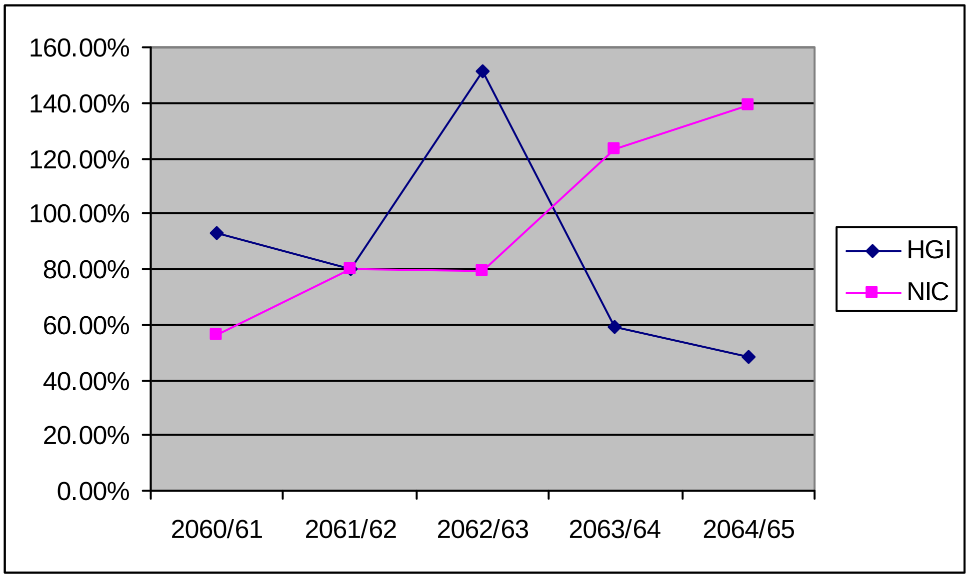
Year	Particular	HGI	NIC
2060/61	Total Debt Shareholder's Equity Ratios	54906 58514 93%	84480 148530 56%
2061/62	Total Debt Shareholder's Equity Ratios	56820 70472 80%	102970 127620 80%
2062/63	Total Debt Shareholder's Equity Ratios	123186 81484 151%	114040 144460 79%
2063/64	Total Debt Shareholder's Equity Ratios	55023 93326 59%	239590 195490 123%
2064/65	Total Debt Shareholder's Equity Ratios	46645 98000 48%	272570 195510 139%

Source: Appendix-II

Above table shows debt to equity ratio of HGI came 1561%, 59% and 48%. The ratio NIC came 79%, 123% and 139% for study period. NIC have high debt to equity ratio which means NIC is more risk than HGI because of it used more debt than equity.

Graphical Presentation of Debt to Equity Ratio

Graph 4.19:
Debt to Equity Ratio Analysis



Graphical presentation of debt to equity ratio of insurance companies. During the year 60/61 the ratio of HGI is93% and it is record highest in year2062/63i.e.151%. The ratio of NIC 2060/61 is 56% in after that it is increasing trend from 2062/63 to 64/65.

4.1.3 Profitability Ratios

4.1.3.1 Return on Total Assets Ratio

Return on Total Assets Ratio of Commercial banks

Table 4.20:

Return on Total Assets Ratio

(Amt in '000)

Year	Particular	MBL	KBL
2060/61	Net Profit Total Assets Ratios	46689 3448634 1.35%	48685 5494116 0.88%

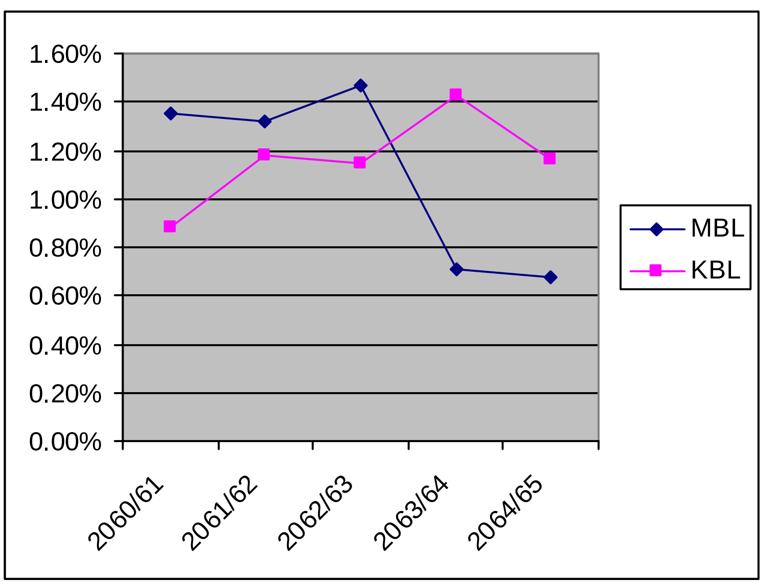
2061/62	Net Profit Total Assets Ratios	84870 6445423 1.32%	87880 7437882 1.18%
2062/63	Net Profit Total Assets Ratios	133997 9069830 1.47%	103667 9010276 1.15%
2063/64	Net Profit Total Assets Ratios	75799 10810331 0.71%	170263 11918311 1.43%
2064/65	Net Profit Total Assets Ratios	85016 12498548 0.68%	174930 15026599 1.16%

Source: Appendix-II

Above table shows the ratio of return on total assets ratio of both banks are in fluctuating trend. MBL has high ratio than KBL in fiscal year 2061/62 and 2062/63 but in year 2063/64 KBL have high ratio than MBL. The ratio in fluctuating trend, this is because of its conservative lending procedure. They for they must increase their performing assets to generate income.

Graphical Presentation of Return on Total Assets Ratio

Graph 4.20:
Return on Total Assets Ratio Analysis



Graphical presentation of debt to equity ratio of both bank show the ratio of both is in little fluctuating trend. During the year 2060/61 the ratio of MBL is 355% after that is increasing to 625% in 2061/62 again it is decreasing to 605% in 2062/63 and again it increase to 670% in 2064/65. The ratio of KBL in FY 2060/61 is 656% after that it is increasing to 705% in 2061/62 and it star decline from to 680% till to 2064/65. Therefore this graphs show the KBL used more debt than equity.

Return on Total Assets Ratio of Finance Companies

Table 4.21:

Return on Total Assets Ratio

(Amt in '000)

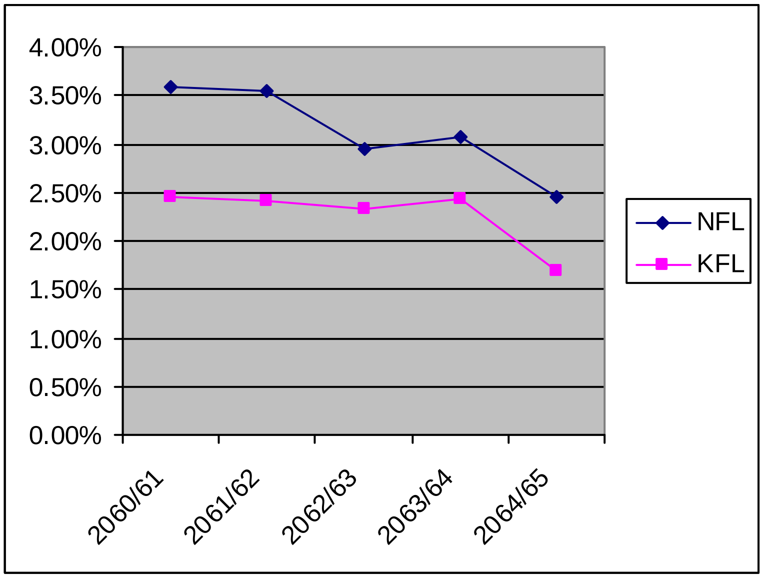
Year	Particular	NFL	KFL
2060/61	Net Profit	25640	6732
	Total Assets	715244	273087
	Ratios	3.58%	2.46%
2061/62	Net Profit	27580	7014
	Total Assets	778666	286332
	Ratios	3.54%	2.44%
2062/63	Net Profit	24260	7512
	Total Assets	825135	309577
	Ratios	2.94%	2.42%
2063/64	Net Profit	26520	8664
	Total Assets	865111	373885
	Ratios	3.07%	2.32%
2064/65	Net Profit	22933	6613
	Total Assets	930592	390663
	Ratios	2.46%	1.69%

Source: Appendix-II

Above table shows the ratio of return on total assets ratio of KFL is decreasing from 2.42% to 1.69%. The ratio of NFL is increasing for FY 2061/62 to 2062/63 than it start decline.

Graphical Presentation of Return on Total Assets Ratio

Graph 4.21:
Return on Total Assets Ratio Analysis



Graphical presentation of Return of total assets of finance companies. During the year 2060/61 the ratio of NFL is 3.58% after that it falls to 2.94% in year 2062/63 again raise to 3.07% in year 2064/65. The ratio of KFL is in year 2060/61 is 2.46% and after that it decreases to 2.32% from 2061/62 to 2064/65.

Return on Total Assets Ratio of Development banks

Table 4.22:

Return on Total Assets Ratio

(Amt in '000)

Year	Particular	NDBL	ADBL
2060/61	Net Profit Total Assets Ratios	(105038) 2106642 -4.98%	16654 1538009 1.08%

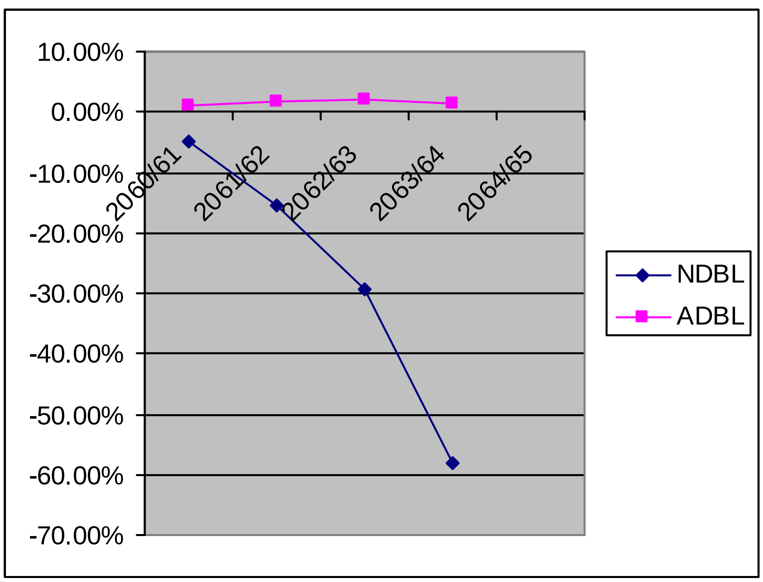
2061/62	Net Profit Total Assets Ratios	(237569) 1536106 -15.46%	30750 1666877 1.84%
2062/63	Net Profit Total Assets Ratios	(399226) 1352099 -29.52%	35638 1847058 1.93%
2063/64	Net Profit Total Assets Ratios	(582349) 1002325 -58.10%	38290 2605937 1.47%

Source: Appendix-II

Above table shows the ratio of return on total assets of NDBL is negative for all fiscal year because of its heavy loss but in ADBL, the ratio is in fluctuating trend and highest recorded in 2062/4 i.e. 1.93%. It indicates that the NDBL has to change its portfolio in order to increase on assets ratio and they must increase their performing assets.

Graphical Presentation of Return on Total Assets Ratio

Graph 4.22:
Return on Total Assets Ratio Analysis



Above graph shows the return on assets of development banks during the year 60/61 the return of NDBL is -4.98% than it is raised to -58.10% in year 2063/64. The ratio of ADBL in year 60/61 is 1.08% than it starts too increased from 2060/61 to 2062/63 and it is decline in 2063/64 to 1.47%.

Return on Total Assets Ratio of Insurance Companies

Table 4.23:

Return on Total Assets Ratio

(Amt in '000)

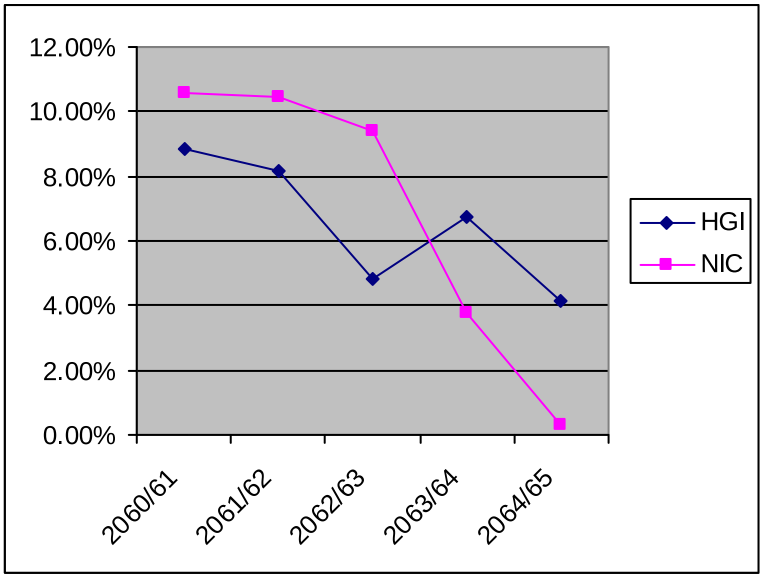
Year	Particular	HGI	NIC
2060/61	Net Profit	11526	25400
	Total Assets	130065	245080
	Ratios	8.85%	10.36%
2061/62	Net Profit	11958	30770
	Total Assets	146512	293630
	Ratios	8.16%	10.47%
2062/63	Net Profit	11011	29470
	Total Assets	227705	313300
	Ratios	4.83%	9.4%
2063/64	Net Profit	11970	17860
	Total Assets	176778	475500
	Ratios	6.77%	3.75%
2064/65	Net Profit	7530	20
	Total Assets	180763	515800
	Ratios	4.16%	.003%

Source: Appendix-II

Above table shows the ratio of return on total of HGI come 4.83%, 6.77% and 4.16% for study period. There ratio of NIC come 9.4%, 3.75% and 0.003% which is below the average.

Graphical Presentation of Return on Total Assets Ratio

Graph 4.23:
Return on Total Assets Ratio Analysis



Graphical presentation of return of total assets ratio of insurance companies. During the year 60/61 the ratio of HGI is 8.85% and from 61/62 to 63/64 it is decreasing to 4.83% after that it is slightly raised to 6.77% in 2064/65. The ratio of NIC is decreasing form the year 2060/61 to 64/65.

4.1.3.2Return on Equity Ratio

Computation of Return on Equity Ratio of Commercial banks

Table 4.24:

Return on Equity Ratio

(Amt in '000)

Year	Particular	MBL	KBL
2060/61	Net Profit Shareholder's Equity Ratios	46689 554422 8.42%	48689 533403 9.12%

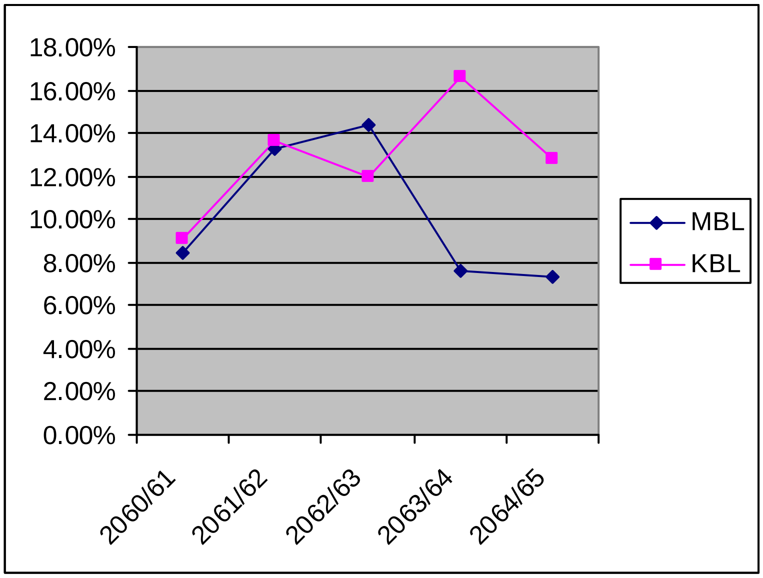
2061/62	Net Profit Shareholder's Equity Ratios	84870 637739 13.30%	87880 645442 13.62%
2062/63	Net Profit Shareholder's Equity Ratios	133997 931091 14.39%	103667 863851 12%
2063/64	Net Profit Shareholder's Equity Ratios	75799 1007292 7.62%	170263 1025630 16.6%
2064/65	Net Profit Shareholder's Equity Ratios	85016 1163347 7.30%	174930 1364886 12.81%

Source: Appendix-II

Above table shows the ratio of return on equity. The ratios in both banks are fluctuating trend. The ROE of KBL has become higher than MBL which is good sign. ROE in both banks are lower than 15% prescribed by the World Bank but in 2063/64 ROE of KBL is 16.6%.

Graphical Presentation of Return on Equity Ratio

Graph 4.24:
Return on Return on Equity Ratio Analysis



From graphical presentations Return on equity of both banks is in fluctuating trend. During the year2060/61 the ROE of MBL is 8.42% after that it is increasing to 7.62% from 2061/62 to 2062/63 again it is decreasing to 7.62% in the year 2063/64 during the year 2060/61 the ROE of MBL is 9.12% after that it is increase to 13.62% in year 2061/62 again it is decrease to 12% in 2062/63 and 16.6% in year 2063/64. Finally it can be concluded that the ROE of KBL is higher then ROE of MBL.

Computation of Return on Equity Ratio of Finance Companies

Table 4.25:

Return on Equity Ratio

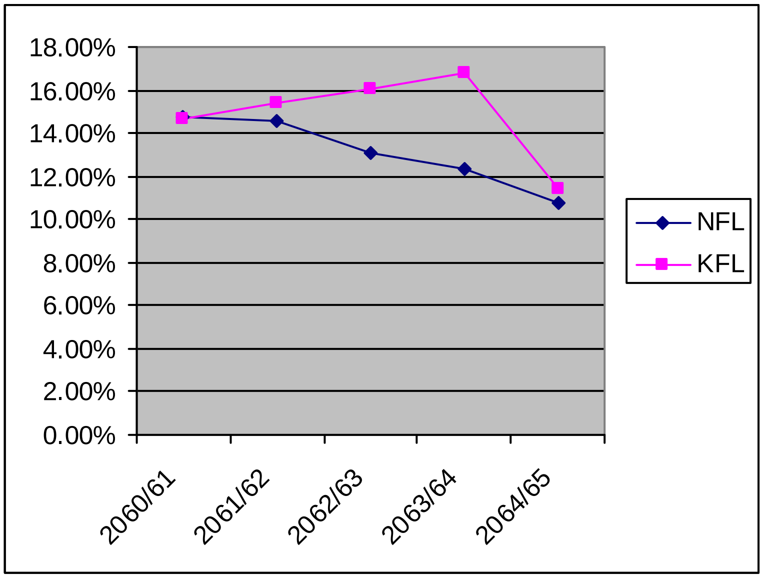
(Amt in '000)

Year	Particular	NFL	KFL
2060/61	Net Profit	25640	6732
	Shareholder's Equity	174245	46000
	Ratios	14.71%	14.63%
2061/62	Net Profit	25640	7014
	Shareholder's Equity	175827	45612
	Ratios	14.58%	15.37%
2062/63	Net Profit	24260	7512
	Shareholder's Equity	184995	46751
	Ratios	13.11%	16.07%
2063/64	Net Profit	26520	8664
	Shareholder's Equity	215560	51433
	Ratios	12.3%	16.84%
2064/65	Net Profit	22933	6613
	Shareholder's Equity	213408	57853
	Ratios	10.75%	11.43%

Above table shows the ratio of return on equity of finance companies. The ratio of NFL came 13.11%, 12.3% and 10.75% for study period. The ration of KFL came 16.07%, 16.84% and 11.43% which is above the average ratio. It means the ratio of KFL is high than ratio of NFL.

Graphical Presentation of Return on Equity Ratio

Graph 4.25:
Return on Return on Equity Ratio Analysis



Graphical presentation of Return on equity ratio of finance companies. During the year 2060/61 the ratio of NFL is 14.71% and form the year 2061/62 to 2064/65 it falls to 10.75%. The ratio of KFL in the year 2060/61 is 14.63% and after that it is increasing from 2061/62 to 2064/65 i.e. 15.37% to 16.84%.

Computation of Return on Equity Ratio of Development banks

Table 4.26:

Return on Equity Ratio

(Amt in '000)

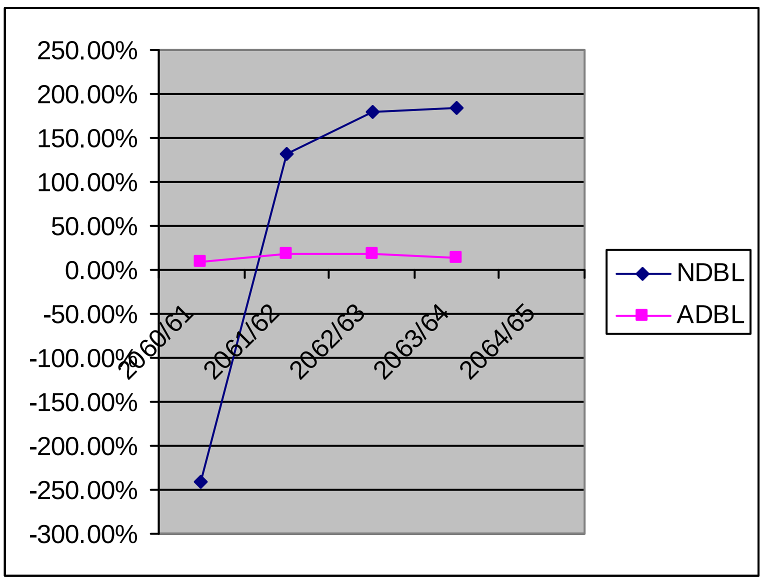
Year	Particular	NDBL	ADBL
2060/61	Net Profit Shareholder's Equity Ratios	(105038) 43611 -240%	16654 168431 9.88%
2061/62	Net Profit Shareholder's Equity Ratios	(237569) (179680) 132.22%	30750 180348 17.05%

2062/63	Net Profit Shareholder's Equity Ratios	(399226) (221154) 180.52%	35638 192766 18.84%
2063/64	Net Profit Shareholder's Equity Ratios	(582349) (318078) 183.08%	38290 304090 12.59%

Above table shows the ratio of return on equity of development banks. The ratio of NDBL came 132.22%, 180.52% and 183.08% because of negative equity and negative profit. But earning point of view ADBL is high ROE i.e. 17.05%, 18.48% and 12.95% for study period.

Graphical Presentation of Return on Equity Ratio

Graph 4.26:
Return on Return on Equity Ratio Analysis



Graph shows return on equity of development banks during the year 2060/61 it is -240% because of loss and negative equity. After that the ratio came 132.22%, 180.52% and 182.08%. The ratio of ADBL in year 2060/61 is 9.88% than it is raised to 18.84% in year 2062/63 and it is decline to 12.59% in year 2063/64.

Computation of Return on Equity Ratio of Insurance Companies

Table 4.27:

Return on Equity Ratio

(Amt in '000)

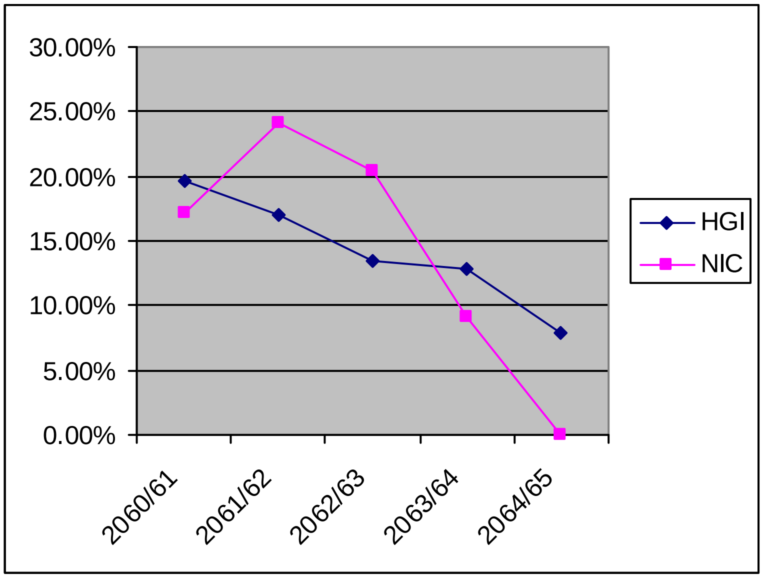
Year	Particular	HGI	NIC
2060/61	Net Profit	11523	25400
	Shareholder's Equity	58514	148530
	Ratios	19.69%	17.10%
2061/62	Net Profit	11958	30770
	Shareholder's Equity	70472	127620
	Ratios	16.96%	24.11%
2062/63	Net Profit	11011	29470
	Shareholder's Equity	81484	144460
	Ratios	13.51%	20.40%
2063/64	Net Profit	11970	17860
	Shareholder's Equity	93326	195490
	Ratios	12.82%	9.14%
2064/65	Net Profit	7530	20
	Shareholder's Equity	98000	195510
	Ratios	7.86%	0.01%

Source: Appendix-II

Above tables shows the ratio of return on equity both insurance. The ratio of HGL came 13.51%, 12.82% and 7.68% which is in decreasing trend. The ratio of NIC came 20.40%, 9.14% and 0.01% which also decreasing.

Graphical Presentation of Return on Equity Ratio

Graph 4.27:
Return on Return on Equity Ratio Analysis



During the year 2060/61 the ratio of HGI 19.63% and from year 2061/62 to 2064/65 it falls to 7.87%. The ratio of NIC in 2060/61 is 17.10 % and it raise to 24.11% in year 2061/62 than the ratio is in decreasing trend.

4.1.3.3 Earning Per Share Ratio

Computation of Earnings Per Share of Commercial Banks

Table 4.28:

Earnings Per Share Analysis

Year	**Particular**	**MBL**	**KBL**
2060/61	Net Profit No. of Share EPS	46689 5500 8.48	48685 5000 9.73
2061/62	Net Profit No. of Share	84870 5500	87880 5000

	EPS	15.43	17.58
2062/63	Net Profit No. of Share EPS	133997 715 18.74	103667 6250 16.58
2063/64	Net Profit No. of Share EPS	76799 8210 9.35	170263 7500 22.70
2064/65	Net Profit No. of Share EPS	85016 9020 9.42	174930 10000 17.94

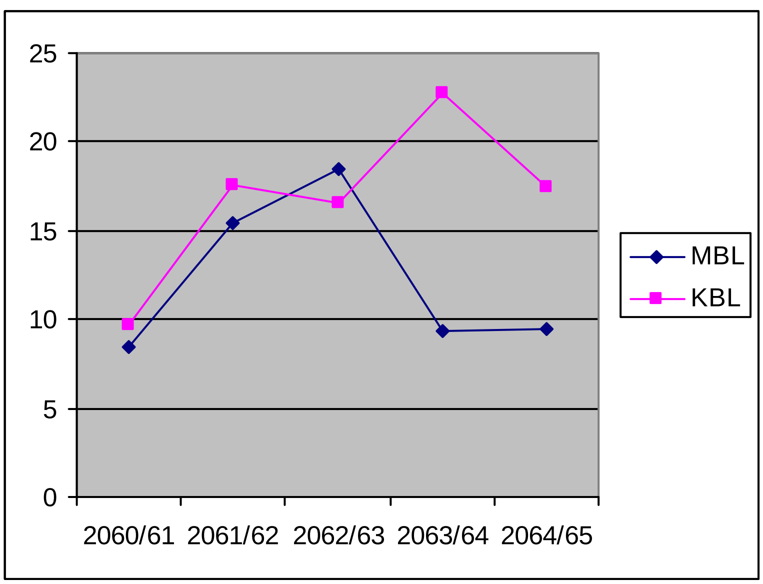
Source: Appendix-II

Above table shows the Earning per share of both banks. The EPS of MBL came 15.43, 18.74, 9.35 and 9.42 for study period. The EPS of KBL came 17.58, 16.58 and 22.70 which is above the average EPS.

Graphical Presentation of Earning Per Share

Graph 4.28:

Earnings Per Share Analysis



Above graph shows the earning per share of both Banks. During the year 2060/61 EPS of MBL is 8.48 after that it is increase for next two year i.e.15.43 and 18.74, and then it start decreasing. During the F.Y. 2060/61 the EPS of KBL came 9.73, after that it is increasing to 17.58 for 2061/62, again it is decreased to 16.58 for 2062/63 and again it is increased to 22.70 for the year 2063/64. Above graphs shows the EPS of KBL is better than EPS of MBL.

Computation of Earnings Per Share of Finance Companies

Table 4.29 :

Earnings Per Share Analysis

(Amt in '000

Year	Particular	NFL	KFL
2060/61	Net Profit No. of Share EPS	25640 950 26.98	6732 285 23.62
2061/62	Net Profit No. of Share EPS	27580 950 29.03	7014 300 23.38
2062/63	Net Profit No. of Share EPS	24260 950 25.54	7512 300 25.04
2063/64	Net Profit No. of Share EPS	26520 1050 25.52	8664 330 26.25
2064/65	Net Profit No. of Share EPS	22933 1570 14.61	6613 330 20.04

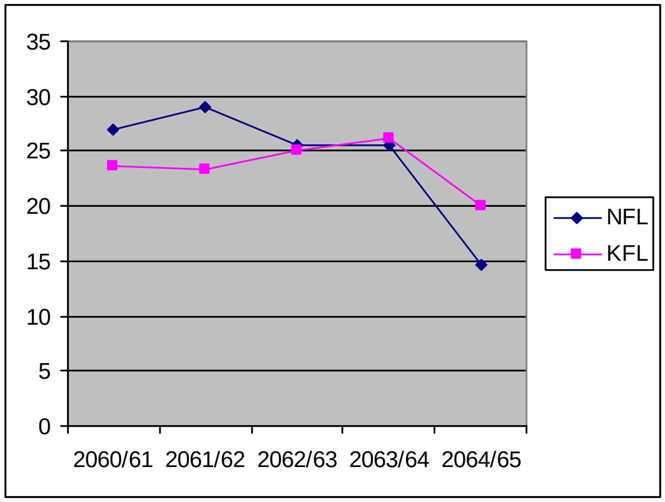
Source: Appendix-II

Above table show the Earning per share of both finances. The EPS of NFL came 25.54, 25.25 and 14.61 for study period. The EPS of KFL came 25.04, 26.25 and 20.04 for reviewed period. It shows the earning power of per share of KFL is high.

Graphical Presentation of Earning Per Share

Graph 4.29:

Earnings Per Share Analysis



Graphical presentation of Earning per share of finance companies. During the year 2060/61 the EPS of NFL 2698 then it start decreasing from 2062/63 to 2064/65. But EPS of KFL is in fluctuating trend because EPS in year 2060/61 is 23.62 than in year 2061/62 23.38, again in year 2062/63 to 2063/64 it is in increasing and in last year it is 20.04.

Computation of Earnings Per Share of Development Banks

Table 4.30 :

Earnings Per Share Analysis

(Amt in '000)

Year	Particular	NDBL	ADBL
2060/61	Net Profit No. of Share EPS	(105038) 144 (729)	16654 1600 10.40
2061/62	Net Profit No. of Share EPS	 (237569) 1600	 30750 9600

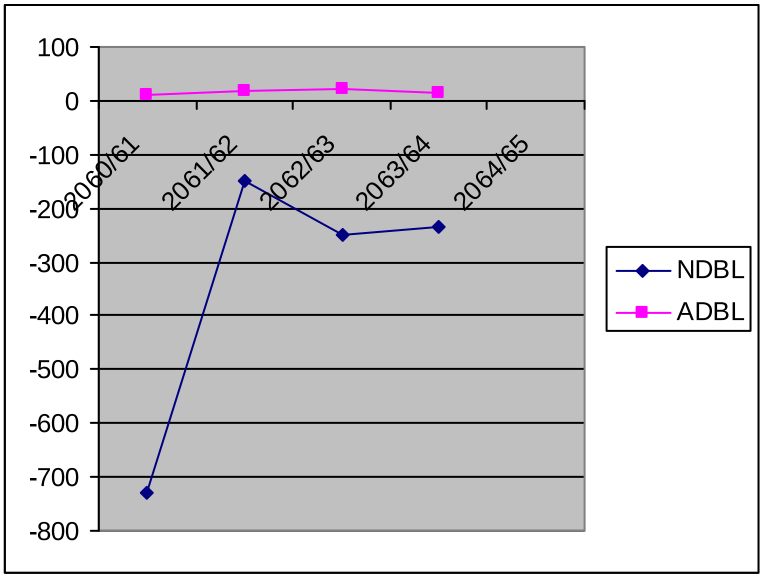
		(148.48)	19.22
2062/63	Net Profit No. of Share EPS	(399226) 9600 (249.52)	35638 1600 22.27
2063/64	Net Profit No. of Share EPS	(582349) 2462 (236.53)	38290 2688 14.42

Source:Appendix-II

Above table shows the earning per share of both banks. The EPS of NDBL come -148.48, -249.59 and -236.53 because of its heavy loss for study period. The EPS of ADBC came 19.22, 22.27 and 14.24 for study period.

Graphical Presentation of Earning Per Share

Graph 4.30:
Earning Per Share Analysis



Above graph shows the earning per share of both banks. The EPS of NDBL come -729,-148.48, -249.59 and -236.53 because of its heavy loss for study period. The EPS of ADBC came 19.22, 22.27 and 14.24 for study period.

Computation of Earning Per Share of Insurance Companies

Table 4.31 :

Earning Per Share Analysis

(Amt in '000

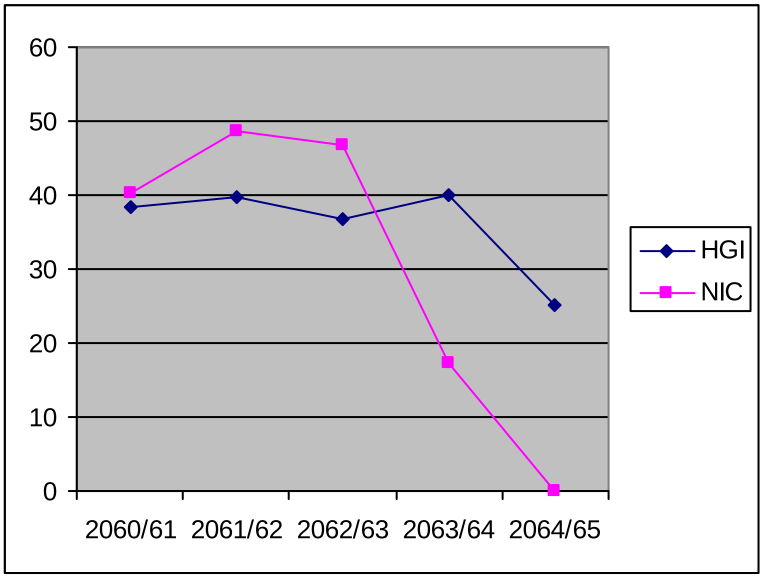
Year	Particular	HGI	NIC
2060/61	Net Profit	11523	25400
	No. of Share	300	632
	EPS	38.41	40.18
2061/62	Net Profit	11958	30770
	No. of Share	300	632
	EPS	39.86	48.68
2062/63	Net Profit	11011	29470
	No. of Share	300	632
	EPS	36.70	46.63
2063/64	Net Profit	11970	17860
	No. of Share	300	1026
	EPS	40	17.41
2064/65	Net Profit	7530	20
	No. of Share	300	1027
	EPS	25.1	0.002

Source: Appendix-II

Above table shows the Earning per share of insurance companies. The EPS of NGI came 36.70, 40 and 25.1 for the study period. The EPS of NIC came 46.63, 17.41 and 0.02 for the review period. It shows earning power of HGI is high than earning power of NIC.

Graphical Presentation of Earning Per Share

Graph 4.31:
Earning Per Share Analysis



Graphical presentations of earning per share of insurgencies companies. During the year 2060/61 the EPS of HGI is 38.41 and from the year 2062/63 to 64/65 it is in fluctuating trend. EPS of NIC is in decreasing trend.

4.1.4 Coefficient of Correlation

Coefficient of correlation is defined as the 'relationship' or (association) between (among) the one dependent variable or factor and one (or more than one) independent variable or factor.

4.1.4.1 Coefficient of Correlation between Total Investment and Net Profit

Table4. 32:

Total Investment and Net Profit

Institutions/Evaluation	r	PEr	6PEr
MBL	0.53	0.21	1.26

KBL	0.15	0.29	1.74
NFL	0.39	0.25	1.5
KFL	0.26	0.28	1.68
NDBL	0.090	0.38	2.28
ADBL	-0.94	0.045	0.27
HGI	0.25	0.36	2.16
NIC	-0.91	0.066	0.396

Source: Appendix-III

The above table shows that the coefficient of correlation between total investment and net profit which donated by 'r' has a value that range from -0.94 to 0.090. The value which is greater than zero shows positive relation between it independent variable and dependent variable. It indicates if the value of investment will increase or decrease the value of net profit will also increase or decrease. But the value which is less than zero shows the negative relation between its independent variable and depended variable. In addition the above value of 'r' shows ADBL and NIC were negatively correlated with total investment and net profit. The ‘r’ and PE is ADBL remained -0.94 and 0.045 in study period. Correlation coefficient came smaller than 6 times of PE i.e. -0.94 < 0.27. It indicates that the investment and net profit of DCBL was not related each other. ADBL can not raise its profit for the raise in total investment. The same case appear in NIC value of 'r' came smaller than 6 PEr i.e. -0.91 < 0.396. The value of r shows MBL,KBL,NFL, KFL, HGI and NDBL are positive correlated but have less or relationship and correlation was not significant because the value of r came smaller than 6 PEr i.e. 0.15<1.26,0.15<1.740,0.26<1.68, 0.39< 1.5, 0.25 < 2.16 and 0.090 < 2.28 respectively.

4.1.4.2 Coefficient of Correlation between Total Deposit and Total Investment

The main function of a financial institution is the collection of deposits and the efficient utilization of the deposits collected. Deposit collection shows an institution's efficiency in performance and reliability and efficient utilization of the same indicates its success and profitability as well as service orientation. They have to pay high interest on deposits and also pay dividends to their shareholders. So earning more and more interest through deposit utilization is very crucial task of institutions.

In correlation analysis of total deposits and total investments, total deposit is independent variable (X) and total investment is dependent variable (Y). The main purpose of computing correlation of coefficient is to justify whether there is any relation between these two variables.

Table4.33:

Total Deposit and Total Investment

Institutions/Evaluation	**r**	**PEr**	**6PEr**
MBL	0.96	0.02	0.12
KBL	0.56	0.2	1.2
NFL	0.36	0.26	1.56
KFL	0.86	0.078	0.47
NDBL	0.88	0.076	0.45
ADBL	0.66	0.16	0.96

Source: Appendix-III

The above table shows that coefficient of correlation between Total Deposit and Total Investment which is denoted by the symbol 'r' has a value that range from 0.36 to 0.99. All the value of banks are greater than Zero thus these have positive relation between its independent variable (Total Deposit) and dependent variable (Total Investment) That means if the value of Total Deposit will increase or decrease the value of Total Investment will also increase or decrease. In addition, the above value 'r' shows NFL has utilized less amount of deposit comparing to other and MBL has utilized more amount of deposit. Furthermore, in case of MBL, KFL and NDBL by considering the probable error, the value of 'r' i.e. 0.96, 0.86 and 0.88 are greater than six times of PEr i.e.0.12, 0.47, 0.45 it means the value of 'r' is significant i.e. there is significant relationship between Total Deposit and Total investment. The coefficient of correlation of KBL, NFL and ADBL 0.56, 0.36 and 0.66 are lower than six times of probable error i.e. 1.2, 1.56 and 0.96 which means the value of 'r' is not significant with a relationship between Total Deposits and Total Investment.

4.2. PRESENTATION OF DATA FROM PRIMARY SOURCES

This study entitled "Ratio Analysis of Financial Institution" is based on Questionnaire with the related body. The details data presentations are shown below:

4.2.1. Is ratio analysis a technique of analysis and interpretation of financial statement in your institution?

The following groups gave answer of the above question is the following manners.

Table 4.34:
View on ratio analysis

Group	Questioned	Answered	Yes	No	Total
Executives	8	8	8	-	8
Non-executives	16	9	7	2	9
		Total	15	2	17

Source: Primary Survey (Question no-1)

Out of the total respondents of them that ratio analysis a technique of analysis and interpretation of financial statement 2 of non-executives were not in favor of ratio analysis.

Above question was asked and analyzed through chi-square method. In chi-square method test two hypothesis should be taken. So, according to the chi-square method following tow hypothesis was set:-

Null hypothesis (Ho): Ratio analysis is a technique of analysis and interpretation of financial statement.

Alternative hypothesis (H_1): Ratio analysis is not a technique of analysis and interpretation of financial statement

Test statistics: Under H0, the test statistic is:

$$x^2 = \sum \frac{(O-E)^2}{E}$$

Table 4.35:

Calculation of Chi-square test

R, C	O	E=RT×CT/N	O-E	$(O\text{-}E)^2$	$(O\text{-}E)^2/E$
1,1	8	8×15/17=7.05	0.94	0.88	0.13
1,2	0	8×2/17=0.94	-0.94	0.88	0.93
2,1	7	9×15/17=7.94	-0.94	0.88	0.11
2,2	2	9×2/17=1.06	0.94	0.88	0.83
			Total	$\sum \frac{(O-E)^2}{E} = 2$	

Here,

Calculated $x^2 = 2$

Degree of freedom = (r-1) (c-1) = (2-1) (2-1) =1

$\alpha = 5\%$

Tabulated value of x^2 0.05 (1) = 3.841

Conclusion: Since calculated x^2 < tabulated x^2, Ho is accepted which means that ratio analysis is a technique of analysis and interpretation of financial statement in institution. From above test we can conclude that personnel think that ratio analysis is a technique of analysis and interpretation of financial statement.

4.2.2. Is current ratio used to examine the liquidity position of the institution?

The following groups gave answer of the above question is the following manners.

Table 4.36 :

View on current ratio

Group	Questioned	Answered	Yes	No	Total
Executives	8	8	8	-	10
Non-executives	16	10	8	2	8
		Total	16	2	18

Source: Primary Survey (Question no-2)

Out of the total respondents of them those current ratios used to examine the liquidity position 2 of non-executives were not in favor of current ratio.

Above question was asked and analyzed through chi-square method. In chi-square method test two hypothesis should be taken. So, according to the chi-square method following tow hypothesis was set:-

Null hypothesis (Ho): Current ratio used to examine the liquidity position.

Alternative hypothesis (H_1): Current ratio is not used to examine the liquidity position.

Test statistics: Under H0, the test statistic is:

$$x^2 = \sum \frac{(O-E)^2}{E}$$

Table4.37:

Calculation of Chi-square test

R, C	O	E=RT×CT/N	O-E	$(O-E)^2$	$(O-E)^2/E$
1,1	8	8× 16/18 = 7.11	0.89	0.79	0.11
1,2	0	8 ×2/18 = 0.88	-0.89	0.79	0.89
2,1	8	10 ×16/18 = 8.89	-0.89	0.79	0.08
2,2	2	10×2/18 = 1.11	0.89	0.79	0.71
			Total	$\sum \frac{(O-E)^2}{E} = 1.79$	

Here,

Calculated x^2 = 1.79

Degree of freedom = (r-1) (c-1) = (2-1) (2-1) =1

α = 5%

Tabulated value of x^2 0.05 (1) = 3.841

Conclusion: Since calculated x^2 < tabulated x^2, Ho is accepted which means that current ratio used to examine the liquidity position in institution. From above test we can conclude that personnel think that current ratio used to examine the liquidity position.

4.2.3. Do you think high debt financing is risky for organization?

The following groups gave answer of the above question is the following manners.

Table 4.38 :

View on high debt financing is risky or not

Group	Questioned	Answered	Yes	No	Total
Executives	8	8	8	-	8
Non-executives	16	8	6	2	8
		Total	12	4	16

Source: Primary Survey (Question no-3)

Out of the total respondents of them that high debt financing is risky 2 of non-executives were not in favor of high debt financing is risky.

Above question was asked and analyzed through chi-square method. In chi-square method test two hypothesis should be taken. So, according to the chi-square method following tow hypothesis was set:-

Null hypothesis (Ho): High debt financing is risky.

Alternative hypothesis (H_1): High debt financing is not risky.

Test statistics: Under H0, the test statistic is:

$$x^2 = \sum \frac{(O-E)^2}{E}$$

Table4.39:

Calculation of Chi-square test

R, C	O	E=RT×CT/N	O-E	$(O-E)^2$	$(O-E)^2/E$
1,1	8	8 ×12/16= 6	2	4	0.66
1,2	0	8 × 4/16= 2	-2	4	2
2,1	6	8×12/16= 6	0	0	0
2,2	2	4 ×8/16= 2	0	0	0
			Total	$\sum \frac{(O-E)^2}{E} = 2.66$	

Here,

Calculated $x^2 = 2.66$

Degree of freedom = (r-1) (c-1) = (2-1) (2-1) =1

$\alpha = 5\%$

Tabulated value of x^2 0.05 (1) = 3.841

Conclusion: Since calculated x^2 < tabulated x^2, Ho is accepted which means that high debt financing is risky. From above test we can conclude that personnel think that high debt financing is risky for institution.

4.2.4. Does EPS show the earning capacity of your organization?

The following groups gave answer of the above question is the following manners.

Table 4.40:

View on EPS show the earning capacity or not

Group	Questioned	Answered	Yes	No	Total
Executives	8	8	6	2	8
Non-executives	16	10	8	2	10
		Total	14	4	18

Source: Primary Survey (Question no-4)

Out of the total respondents of them that EPS show the earning capacity 2 of non-executives and 2 executives was not in favor of EPS show the earning capacity.

Above question was asked and analyzed through chi-square method. In chi-square method test two hypothesis should be taken. So, according to the chi-square method following tow hypothesis was set:-

Null hypothesis (Ho): EPS shows the earning capacity of organization.

Alternative hypothesis (H_1): EPS does not show the earning capacity of organization.

Test statistics: Under H0, the test statistic is:

$$x^2 = \sum \frac{(O-E)^2}{E}$$

Table 4.41:

Calculation of Chi-square test

R, C	O	E=RT×CT/N	O-E	$(O-E)^2$	$(O-E)^2/E$
1,1	6	8×14/18=6.22	-0.22	0.049	0.0079
1,2	2	4×8/18=1.77	0.22	0.049	0.027
2,1	8	10×14/18=7.78	0.22	0.049	0.0063
2,2	2	4×10/18=2.22	-0.22	0.049	0.022
			Total	$\sum \frac{(O-E)^2}{E}$ = 0.063	

Here,

Calculated x^2 = 0.063

Degree of freedom = (r-1) (c-1) = (2-1) (2-1) =1

α = 5%

Tabulated value of x^2 0.05 (1) = 3.841

Conclusion: Since calculated x^2 < tabulated x^2, Ho is accepted which means that EPS show the earning capacity. From above test we can conclude that personnel think that EPS show the earning capacity of institution.

4.3 MAJOR FINDINGS OF THE STUDY

Major Findings from secondary data analysis:

- Though the idle standard of the Current Ratio is 2:1 but none of these institution under study could perform that standard though these have more current assets than current liabilities thus these are willingness to serve its consumers deposits. Moreover, from the liquidity point of view, finance companies seem better.

  For the study period the current ratio of KBL is less than the current ratio of MBL.

  NFL has higher current ratio than the ratio of KFL's for the study period.

  ADBL's current ratio is above the average ratio and NDBL's ratio is less than average ratio.

  For the year 2063/64 HGI's current ratio is higher than the NIC's but in rest year NIC's ratio is higher than HGI's ratio.

- The satisfactory measure of quick ratio of 1:1 so, these institutions are able to maintain the satisfactory liquidity position. But among them the quick ratio of finance companies are in better position.

- Development banks have better performance in the case of Cash and Bank Balance to Total Deposit due to readiness to serve the deposits to its consumers than other institution.

  In review period MBL have higher cash and bank balance to total deposit ratio than KBL's ratio.

In 2062/63 the ratio of NFL have higher ratio but next two year KFL have high ratio.

In 2061/62 and 2062/63 only NDBL’s ratio is better but for 2063/64 ADBL’s ratio is better than NDBL’s ratio.

- In case of shareholder's equity to total assets ratio of insurance companies are seems better than other for reviewed period.

  In all fiscal year the equity to total assets ratio of KBL and MBL's above the average but in fluctuating. Investment in total assets is made from 10% equity.

  For reviewed period, the ratio of NFL is above the average ratio but KFL is below the average for all year. Investment in total assets is made from 20% equity financing.

  Equity to total assets ration of NDBL seen to be negative which means investment in total assets is made from 0% equity financial. But the ratio of ADBL is in increasing trend and investment in assets is made from 10% equity financing.

  For study period the equity to assets ratio of both insurance is around 50% which means equity financing and debt financing in total assets is equal.

- According to above analysis debt to equity ratio of commercial banks are very high for reviewed period and very low ratio appears in the case of insurance companies.

  Debt equity ratio of MBL is below the average for all fiscal year and the ratio of KBL have higher ratio recorded in fiscal year 2063/64 i.e. 734%

  Debt equity ratio of NFL is in increasing trend but lower ratio. The ratio of KFL seen high than ratio of NFL.

  NDBL's ratio is in negative because of negative equity. The ratio of ADBL's is in decreasing trend. NDBL used high debt. So the creditor of this bank is in risk side.

  Debt to equity ratio of NGI is below seems lower but the ratio of NIC is high for all fiscal year.

- In case of return on assets insurance companies are very good compared to other.

  Return on total assets of MBL is higher than KBL. It implies that the profitability position of MBL in the study period. Both banks have not met the branch mark of 1.5% or higher set by World Bank.

  Return on assets of NFL is higher than KFL. For all study period the ratio of KFL is below the average.

  Return on assets ratio of DCBL and NDBL are in fluctuating trend. The ratio of NDBL is to be weaker but ADBL have more.

  Return on assets NIC is in decreasing for the study period but in HGI it is increasing trend. So HGI has better return on assets.

- From above analysis the return on equity of finance companies are better than other.

  ROE of KBL is fluctuating trend in all year expect MBL is decreasing trend from the FY 2062/63. ROE of both below the 1.5% set by World Bank expect of KBL is FY 2063/64.

  ROE of NFL and KFL both are in decreasing trend but only KFL is above the average.

  ROE of NDBL found to be greater because of the negative profit and negative shareholder's equity. But in ADBL the ratio is fluctuating trend.

  HGI has better return on equity ratio than NIC which indicates that shareholder's of HGI earn more than shareholders of NIC.

- In case of Earning per share finance companies are more than other for all fiscal year.

  EPS of KBL is higher than EPS of MBL which means earning power of per share of KBL is higher than MBL's share.

  EPS of KFL is more than NFL, but both company's EPS is in fluctuating it means earning position is unfavorable.

NDBL's earning per share is negative because of its loss but ADBL have positive earning per share in decreasing trend.

EPS of both insurance companies are in decreasing trends it means earning power of share is decreasing because they lose profit year by year.

- The coefficient of correlation of MBL,KBL,NFL KFL, NDBL and HGI are lower than 6PEr i.e. 0.53<1.26,0.15<1.74,0.39<1.5,0.26<1.68,0.090<2.28 and 0.25<2.16 respectively which means that value of 'r' is not significant with a relationship between total investment and net profit. ADBL and NIC has negative correlation i.e -0.94 and -0.91 which is less than 6PEr i.e. 0.27 and 0.396 respectively.

- The coefficient correlation of MBL, KFL and NDBL are higher than 6PEr i.e. 0.96>0.12,0.86>0.47and 0.88> 0.46 respectively. It means the value of 'r' is significant with a relationship between total deposit and total investment. But in case of KBL,NFL and ADBL the value of 'r' is less which means positive relationship but not significant.

Major Findings from Primary data Analysis:

- It was food that the respondents had the knowledge of ratio analysis.
- Ratio analysis is the main tool used to analysis financial statement in the institutions. Out of total respondent 100% of executives and 56.25% of non -executives are in favor of ratio analysis.
- Current ratio is used to measure the liquidity of institutions. Out of total respondent 100% of executives and 60% of non -executives are in favor of current ratio.
- The hypothesis test also supported the above theories.

CHAPTER-V

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 SUMMARY

Financial institutions are one of the vital aspects of economic sector, which deals in the process of channel sing the available resources in the needed sector. It is the intermediary between the deficit and surplus of financial resources. It is the pillar of the economic system of the country. They utilize the idle resources to the market, returns back to the shareholder by the way of dividend, returns back to the depositors by way of interest and returns back to the country by way of corporate tax.

Financial institutions play and important role in the economic development of the country. Being a soul of the economic development, Nepalese Financial institutions face several problems related to maintain liquidity and profitability position of institutions. They are still working with traditional approach. They need to achieve innovative approach of banking, thereby, bringing professionalism in their business. At the same time it should target not only the urban sector, it should go to the rural sector also. They have to explore all the potential sectors like tourism etc. in order to generate high rate of profits.

Some statistical and financial tools have been applied to examine the facts and descriptive techniques have been adopted to evaluate the ratio of selected financial institutions.

After completion of the basic analysis required for the study, the final and most important task of the researcher is to enlist conclusion of the study and give suggestions for further improvement. The main objective of this research is not only to point out faults and errors but also to provide sound directions for further improvement.

5.2 CONCLUSION

Financial institutions are proved as a resource for achieving rapid economic development of any country. Being a soul economic development, Nepalese Financial institutions face several problems to maintaining efficient standard of ratio. They are still working with traditional approach. They need to achieve innovative approach of banking, thereby, bringing professionalism in their business. It is better for financial institutions to follow above suggestions. They can certainly have better achievement to the modern innovative and competitive banking scenario. From the above analysis we can give the following conclusions.

The average standard of the current ratio of three different selected institutions more than1but none of them can perform the ideal standard that is 2:1. These institutions contained more current assets than current liabilities thus banks are readiness to serve its consumers deposits. Moreover, form the liquidity point of view insurances seems better.

The quick ratio of selected institution is more than 1, so all of them able to meet the normal standard of 2:1. These institutions have equal portion of liquid assets and current liability thus these are able to serve against the interest of organization. However from the liquidity point of view finance and insurance seems better.

The cash and bank balance position with respect to total deposit has better performance in the case of development banks and finance companies due to readiness to serve its consumer deposit than commercial banks.

Development banks perform lowest ratio among all institutions because of NDBL's

Negative equity and also it appeared as a fluctuating bank regarding to attain stable shareholder to assets ratio. On comparison to these under shareholder to assets ratio both Finance and insurance are in satisfactory level while other needs to add more shareholder funds.

Debt to equity ratio was in development bank very low because of NDBL's negative equity, this shows the NDBL employed very high debt commercial banks have very high ratio, which indicates that they employees varying proportion of interest bearing debt for the purpose.

Return on assets ratio of insurance finance comprise are seems better than banks, which means they make profit by mobilizing its funds in the productive sector.

Returns on equity of all are fluctuating trend and shows that the return per unit of equity invested by share holders is also fluctuating year by year. The higher average return on equity ration in development bank because NDBL have negative equity and Loss. But earning point of view finance and commercial bank have better return for its equity holders.

Earning per shares of all is fluctuating during the study period. It shows the unfavorable earning position.

The coefficient of correlation of MBL, KFL, NDBL and HGI are positive correlated but have lesser relationship with total investment and net profit. ADBL and NIC have negative correlation and KFL and NFL has highly positive correlated with investment and net profit.

Primary data analysis, it can be concluded that the ratio analysis is used to analyze the performance of institution.

5.3 RECOMMENDATIONS

A clear financial picture each of institutions can be viewed from all above presentation. Now, some valuable and timely suggestions and recommendation can be put forward on the basis of findings and financial pictures to overcome weaknesses and inefficiency and to improve present financial position.

Commercial Banks:

- Current ratio of both banks seems good but this ratio must be increased order to bank its short term obligation. But none of them able to meet standard of 2: 1, so they should try to meet the standard to current ratio by either decrease their current liability or increase their current assets. Quick ratio of both is in satisfactory position but it needs to be increased. These banks has high ratio of cash and bank balance which indicate that banks has burden idle money therefore bank should invest idle cash in more productive sectors.

- KBL and MBL has satisfactory shareholder's equity to total assets ratio but they needs to add more fund to generate more profit so as to make a heal they relation between share holders. Debt to equity ratio of these banks seems high. So, they advised to minimize the risk level by reducing debt portion or by increasing equity position even though it is risk oriented institution.

- Return on assets and return on equity ratio of by the World Bank. The most important performance measure fro any time's is profit liability, without profit no firm can grow and survive in loan run, so they company are recommended to increase its yield as its net profit to gain trust to the equity holders and other stakeholders. EPS should improve by generation maximum level of revenue.

- In correlation of coefficient analysis, correlation of total investment and net profit of both banks is not significant thus both need to invest in profitable sector. The relation between total deposit and total investment of both banks is significant thus then should try to invest more deposit.

Finance Companies:

- Current ratio of both finances better than other but it should try to meet standard of current ratio. Quick ratio of both finance is in satisfactory position but they need to try to keep same position in future cash and bank balance ratio of NFL is high which indicates that the finance has idle money. Therefore this cash should invest in marketable securities share etc.
- Shareholders equity to total assets ratio of both finance is good but they need to add more equity to generate more profit.

- They can increase debt portion for make profit by bearing risk.

- Return on assets and return on equity of this finance is good but they can make it better by mobilization its fund in the productive sector.

- In correlation of coefficient analysis, correlation of total investment and net profit to both is not significant. Hence both need to generate profit by more investment of by portfolio. The relationship between total deposit and total investment of NFL is not significant thus; NFL should to expand investment in new sector.

Development Banks:

- Current ratio of these banks is poor compared to other these banks should try to improve it by either increasing current assets or decreasing current liabilities. Quick ratio of both is more than 1 but the need to try to keep it in future. Both banks have idle money, which need to invest for more return.

- Debt servicing capacity of NDBL is appeared poor. So, it is better to search more profitable sector for investment and utilizing of the deposit collected but ADBL can earn more by adding debt in its capital structures. Shareholder’s equity to assets rate of NDBL seen table less satisfactory so it needs to raise the equity.

- It should improve overall efficiency by investing in more returnable sector i.e. risky area after proper is analysis.

- In correlation of coefficient analysis, correlation of total investment and net profit of DCBL is not significant hence ADBL and NDBL both banks should invest in risky sector after research.

Insurance Companies:

- Current ratio sot insurance company are good but is should try to meet standard of ratio i.e. 2:1. For this they need to increase current assertor decrease current liabilities otherwise it may loose its credibility. The maintained liquidity position by holding more liquid assets but it needs to be increased.

- They use low position of debt than equity. So they need to add more debt to generate revenue. In case of return on equity and ass etc.

- Companies should formulate effective policies to improve these ratios. EPS should improve by genera tine maximum level of revenue.

- In correlation of coefficient analysis, correlation of total investment and net profit of both insurance is not significant hence; both insurance should invest in profitable sector.

BIBLIOGRAPHY

Books

Agrawal, A.N. (1963), **Accountancy,** Allahabad University.

Besly, Western & Brigham, (1996), **Essentail of Management Finance,** USA:The Dryden Press Harcount Brace College.

Chaudhary, Arun Kumar & Sharma, Puskar Kumar, (2008), **Statistical Method,** Kathmandu:Khanal Books and Stationary.

Gupta, S.P., (1984), **Statistical Methods,** Daryagunj, New Delhi- 110002, Sultan Chand & Sons.

Joshi, Puspa Raj, (2008), **Research Methodology,** Kathmandu: Buddha Academic Intreprizes.

Khan, M.Y. and Jain, P.K., (1992), **Financial Management,** New Delhi: Tata McGraw-Hill Publishing Co. Ltd., 2nd Edition.

Kothari, C.R., (1994), **Research Methodology and Techniques,** New Delhi: Wishwa Prakashan.

Pandey, I.M., (1995), **Financial Management,** New Delhi: Vikas Publication House Pvt. Ltd.

Robetr ,O,Edministre (1990), **Financial Institutions,** New Delhi: Tata McGraw-Hill Publishing Co. Ltd., 5nd Edition.

Shrestha, Sunity & Silwal, Dhurba Prasad, (2004), **Statistical Methods in Management,** Kathmandu: Taleju Prakashan.

Thapa, Kiran&Koirala, Narayan, (2007), **Corporate Finance Management,** Kathmandu: Khanal Books and Stationary.

Van Horn, James C., (1997), **Financial Management and Policy,** Prentice-Hall of India Pvt. Ltd., New Delhi, 8th Edition.

Wagle, Keshab Nath & Dahal, Rewan Kumar, (2008), **Management Accounting,** Kathmandu: Khanal Books and Stationary, Minbhawan.

Wolff, Howard K. and Pant, Prem R. (2006), **Social Science Research and Thesis Writing,** Buddha Academic Enterprises Pvt. Ltd.

Journals & Articles

NRB, Mid May (2008), **Gorakhaparta Publication.**

NRB, Mid July (2006), **Banking and Financial Statistic.**

Pradhan, R.S., (1986), **Public Corporations of Nepal.**

Sinkey, Joseph Jr., (1983), **Commercial Bank Financial Management,** MC millan publication co. inc and Collies.

Thesis

Khadka, Lal Kumar, (2006) on **A Comparative ratio analysis Commercial Banks**, Unpublished Master's dissertation submitted to T.U.

Bhandari, Uttam Sing, (2007) on **Financial performance of Insurance Companies in Nepal**, Unpublished Master's dissertation submitted to T.U.

Timalsina, Binod Prasad, (2008) on **Performance evaluation of Development Banks,** Unpublished Master's dissertation submitted to T.U.

Sigdel, Sharada, (2006) on **Ratio Analysis of listed finance companies in Nepal,** Unpublished Master's dissertation submitted to T.U.

Karki, Deepak, (2007) on **Financial performance analysis of NABIL and NBBL,** Unpublished Master's dissertation submitted to T.U.

Aacharya ,Hari Prasad ,(2007) on **An Evaluating of financial performance of Nepal Insurance Company Limited**, Unpublished Master's dissertation submitted to T.U.

Websites:

www.nrb.org.np

www.ndevbank.com

www.Kathmandufinance.com

www.Kumaribank.com.np

www.machbank.com.np

www.hgi.com.np

www.nationalinsurance.com.np

www.google.com.np

www.nationalfinaceltd.com

www.Adbl.com.np

APPENDIX – I

REQUEST LETTER

The questionnaire maintained below is guidelines for conducting a research work. Your small effort plays the vital role to prepare my research work healthy. There fore I request to answer the following question as mentioned below. Please specify with tick mark (√) for choosing the alternatives.

Name of the institution :
Address of institution :
Post of respondent :

Date :

Research Questionnaire

(Prepared by Mohan Joshi, Nepal Commerce Campus)

Q.N.1. Is ratio analysis a techniques of analysis and interpretation of financial statement in your institutions?

a) Yes b) No

Q.N.2. Is current ratio used to examine the liquidity position of the institution?

a) Yes b) No

Q.N.3. Do you think high debts financing is risky for organization?

a) Yes b) No

Q.N.4. Does EPS show the earning capacity of your institution?

a) Yes b) No

APPENDIX- II

Machhapuchchhre Bank Limited
Balance Sheet

(In 000)

Fiscal Year / *Capital &Liabilities*	**2060/61**	**2061/62**	**2062/63**	**2063/64**	**2064/65**
Share Capital	550,000	550,000	715,000	821,651	901,339
Reserve and Fund	4,222	87,739	216,091	185,640	262,007
Debenture and Bonds	-	-	-	-	-
Borrowing	10,2176	154,217	131,675	228,504	88,508
Deposit Account	2,754,632	5,586,803	7,893,297	9,475,451	11,102,242
Bills Payable	5,136	9,327	11,365	21,482	10,311
Proposed & Dividend Payable	-	-	5,665	-	8,648
Income Tax Liabilities	-	874	10,462	7,372	3,037
Other Liabilities	32,477	56,462	86,294	70,228	122,453
Total Liabilities	**3,448,634**	**6,445,423**	**9,069,830**	**10,810,330**	**12,498,548**
Assets					
Cash Balance	65,257	121,550	280,421	385,940	560,317
Balance with NRB	-	463,232	489,090	785,668	893,295
Balance with Banks/ FIs	345,489	146,350	44,412	112,450	134,950
Money at Call &Short Notice	150,000	15,000	718,474	694,000	70,000
Investment	274,407	468,612	1,190,829	1,278,468	1,443,550
Loan, Advances &Bills Purchase	2,493,108	5,061,433	6,068,427	7,129,891	8,642,323
Fixed Assets	62,413	86,212	104,943	262,246	535,886
Non Banking Assets	-	4,353	12,532	3,392	-
Other Assets	57,962	78,678	160,698	158,251	218,224
Total Assets	**3,444,8634**	**6445423**	**9,069,830**	**10,810,330**	**12,498,548**

Source: MBL, Annual Reports.

Kumari Bank Limited
Balance Sheet

(In 000)

Fiscal Year / *Capital &Liabilities*	**2060/61**	**2061/62**	**2062/63**	**2063/64**	**2064/65**
Share Capital	500,000	500,000	625,000	750,000	1000,000
Reserve and Fund	33,403	145,441	238,850	275,630	294,885
Debenture and Bonds	-	-	-	-	400,000
Borrowing	-	401,761	251,400	212,970	100,000
Deposit Account	4,807,936	6,268,954	7,768,957	10,557,416	12,774,281
Bills Payable	14,637	7,339	11,918	16,554	65,296
Proposed & Dividend Payable	-	-	6,578	-	-
Income Tax Liabilities	-	-	296	11,007	(9650)
Other Liabilities	138,199	114,385	107,274	94,733	331,786
Total Liabilities	**5,494,176**	**7,437,882**	**9,010,276**	**11,918,311**	**15,026,599**
Assets					
Cash Balance	68,471	111,249	135,794	190,748	565,641
Balance with NRB		-	210,552	384,844	244,576
Balance with Banks/ FIs	61,9006	332,122	43,282	96,520	123,624
Money at Call &Short Notice	-	90,000	145,000	372,215	55,360
Investment	98,3504	1,190,271	1,394,947	1,678,418	213,8797
Loan, Advances &Bills Purchase	3,649,008	5,590,925	6,891,855	8,929,013	11,335,087
Fixed Assets	57152	82,984	91,932	189,323	222,000
Non Banking Assets	-	-	3,592	2,394	3,140
Other Assets	11,9033	40,329	93,318	74,833	33,8370
Total Assets	**5,494,176**	**7,437,882**	**9,010,276**	**11,918,311**	**15,026,599**

Source: KBL, Annual Reports.

National Finance Limited
Balance Sheet

(In 000)

Fiscal Year *Capital &Liabilities*	2060/61	2061/62	2062/63	2063/64	2064/65
Share Capital	95,000	95,000	95,040	104,576	156,881
Reserve and Fund	79,245	80,827	89,954	110,983	56,526
Debenture and Bonds			-	-	-
Borrowing			-	-	-
Deposit Account	52,6371	582,856	626,834	629,561	650,989
Bills Payable			-	-	-
Proposed & Dividend Payable	4,266	8,395	6,125	5,332	25,359
Income Tax Liabilities		122	155		-
Other Liabilities	10,362	1,1466	12,678	14,656	40,835
Total Liabilities	**715,244**	**778,666**	**898,330**	**865,111**	**930,592**
Assets					
Cash Balance	1,5680	1,8076	2,489	2,901	4,775
Balance with NRB	12,732	12,876	12,853	13,073	23,841
Balance with Banks/ FIs	62,375	80,756	162,189	78,452	52,035
Money at Call &Short Notice			-	-	10,000
Investment	75,856	114,342	148,453	176,535	71,738
Loan, Advances &Bills Purchase	418,543	432,436	454,541	520,188	688,518
Fixed Assets	32,526	30,648	31,074	32,226	31,798
Non Banking Assets			-	12,133	5,082
Other Assets	97,532	89,532	86,731	29,599	42,800
Total Assets	**715,244**	**778,666**	**898,330**	**865,111**	**930,592**

Source: NFL, Annual Reports.

Kathmandu Finance Limited
Balance Sheet

(In 000)

Fiscal Year / *Capital &Liabilities*	**2060/61**	**2061/62**	**2062/63**	**2063/64**	**2064/65**
Share Capital	28,500	30,000	30,000	32,933	33,000
Reserve and Fund	17,500	15,612	16,751	18,500	24,852
Debenture and Bonds			-	-	-
Borrowing			-	-	-
Deposit Account	213,650	227,526	248,324	305,008	316,729
Bills Payable			-	-	-
Proposed & Dividend Payable	408	437	575	3,871	1,218
Income Tax Liabilities	4,002	4,032	4,692	4,143	4,233
Other Liabilities	9,027	8,725	9,234	9,428	10,628
Total Liabilities	**273,087**	**286,332**	**309,576**	**373,884**	**390,663**
Assets					
Cash Balance	1,205	1,334	1,487	1,038	2,310
Balance with NRB	4,300	6,207	2,563	6,607	6,594
Balance with Banks/ FIs	35,523	29,752	29,985	40,752	45,926
Money at Call &Short Notice			-	-	-
Investment	58,614	40,293	30,285	77,283	60,283
Loan, Advances &Bills Purchase	156,282	190,163	226,719	229,436	257,845
Fixed Assets	14,918	13,925	14,421	13,835	13,656
Non Banking Assets	234	422	-	799	532
Other Assets	2,011	4,236	4,115	4,132	3,513
Total Assets	**273,087**	**286,332**	**309,576**	**373,884**	**390,663**

Source: KFL, Annual Reports.

Nepal Development Bank Limited
Balance Sheet

(In 000)

Fiscal Year / *Capital &Liabilities*	2060/61	2061/62	2062/63	2063/64	2064/65
Share Capital	144000	160,000	160,000	246,199	N/A
Reserve and Fund	(100,389)	(339,680)	(381,154)	(564,277)	N/A
Debenture and Bonds	-	-		-	N/A
Borrowing	57,600	103,400	27,269	-	N/A
Deposit Account	1,894,530	1,602,806	1,537,639	1,312,098	N/A
Bills Payable	414	-	-	-	N/A
Proposed & Dividend Payable	-	-	-	-	N/A
Income Tax Liabilities	450	-	-	-	N/A
Other Liabilities	9,340	9,580	8,346	8,305	N/A
Total Liabilities	**2106642**	**1,536,106**	**1,352,099**	**1,002,324**	**-**
Assets					
Cash Balance	15,700	12,900	18,676	13,576	N/A
Balance with NRB	25,380	27,200	43,141	60,136	N/A
Balance with Banks/ FIs	208,730	235,783	161,424	160,981	N/A
Money at Call &Short Notice	785,043	372,520	282,764	75,201	N/A
Investment	178,500	189,200	127,950	48,300	N/A
Loan, Advances &Bills Purchase	678,593	532,817	551,376	541,050	N/A
Fixed Assets	23,532	17,527	21,756	18,604	N/A
Non Banking Assets	93,926	77,325	63,793	-	N/A
Other Assets	97,238	71,832	81,215	45,203	N/A
Total Assets	**2,106,642**	**1,536,106**	**1,352,099**	**1,002,324**	**-**

Source: NDBL, Annual Reports.

ACE Development Bank Limited
Balance Sheet

(In 000)

Fiscal Year / *Capital &Liabilities*	2060/61	2061/62	2062/63	2063/64	2064/65
Share Capital	160,000	160,000	160,000	268,800	N/A
Reserve and Fund	8,431	20,348	32,776	35,290	N/A
Debenture and Bonds	-	-	-	-	N/A
Borrowing	2,250	5,200	120,000	170,000	N/A
Deposit Account	1,30,8006	1,413,973	1,479,073	2,103,395	N/A
Bills Payable	29,987	30,282	414	6,247	N/A
Proposed & Dividend Payable	-	-	23,530	5,624	N/A
Income Tax Liabilities	8,722	13,662	3,431	1,369	N/A
Other Liabilities	20,613	23,412	27,841	17,948	N/A
Total Liabilities	**1,538,009**	**1,666,877**	**1,847,057**	**2,605,937**	**-**
Assets					
Cash Balance	2,689	4,325	3,449	6,632	N/A
Balance with NRB	68,246	20,136	27,142	121,949	N/A
Balance with Banks/ FIs	7,378	5,896	3,574	1,800	N/A
Money at Call &Short Notice	343,473	357,169	372,520	403,339	N/A
Investment	76,160	45,086	28,821	48,552	N/A
Loan, Advances &Bills Purchase	1,010,406	1,189,672	1,364,833	1,848,523	N/A
Fixed Assets	18,118	14,408	13,296	120,226	N/A
Non Banking Assets	-	-	-	-	N/A
Other Assets	11,309	30,185	33,420	54,912	N/A
Total Assets	**1,538,009**	**1,666,877**	**1,847,057**	**2,605,937**	**-**

Source: ADBL, Annual Reports.

Himalayan General Insurance Limited
Balance Sheet

(In 000)

Fiscal Year / *Capital &Liabilities*	**2060/61**	**2061/62**	**2062/63**	**2063/64**	**2064/65**
Share Capital	30,000	30,000	30,000	30,000	30,000
Proposed Bonus share	-		-	-	33,000
General Reserve	22,507	30,000	30,000	30,000	30,000
Profit &loss	6,007	11,986	21,484	33,326	5,558
Reserve -Statutory	16,645	19,220	23,035	28,439	35,560
Provision for Unsettled Claims	7,973	4,564	3,806	5,126	10,532
Other Liabilities	46,933	52,256	1,19,380	49,897	36,113
Total Liabilities	**1,30,065**	**1,46,512**	**2,27,705**	**176,788**	**1,80,763**
Fixed Assets	12,638	9,840	42,597	47,488	47,003
Investment	72,690	91,390	1,10,790	78,942	81,000
Other Assets	40,943	43,482	71,636	45,704	44,971
Cash and Bank Balance	3,794	1,800	2,682	4,645	7,789
Total Assets	**1,30,065**	**1,46,512**	**2,27,705**	**176,788**	**180,763**

Source: HGI, Annual Reports.

Nepal Insurance Company Limited
Balance Sheet

(In 000)

Fiscal Year / *Capital &Liabilities*	**2060/61**	**2061/62**	**2062/63**	**2063/64**	**2064/65**
Share Capital	63,180	63,180	63,180	120,670	102,680
General Reserve	63,100	63,100	64,100	90,990	90,990
Capital Reserve	160	160	15,950	140	140
Other Reserve	20,100	0	-	-	-
Profit &Loss	1,990	1,180	1,230	1,690	1700
Estimated Liabilities for outstanding claim	17,270	2,171	31,300	33,440	35,200
Due to Re-insurer	43,050	38,470	45,110	94,450	132,550
Sundry Creditors	4,780	21,770	15,570	4,680	5,890
Provision for Dividend	15,790	31,590	17,860	10,270	-
Provision for other	3,590	4,320	4,200	20	20
Miscellaneous current Liabilities	-	1,620	-	96,730	98,910
Insurance fund	-	32,450	36,040	40,420	47,720
Miscellaneous Deferred Liabilities	1,207	14,080	18,760	-	-
Total Liabilities	**245,080**	**293,630**	**313,300**	**475,500**	**515,800**
Assets					
Fixed Assets	13,060	11,830	10,950	11,030	11,850
Investment	168,670	178,830	189,260	190,750,	191,170
Sundry Debtors	30,870	61,460	59,980	165,390,	167,060
Advance &Others	23,420	27,240	34,190	76,770	101,630
Cash and Bank Balance	9,060	14,270	18,920	31,560	44,090
Total Assets	**245,080**	**293,630**	**313,300**	**475,500**	**515,800**

Source: NIC, Annual Reports.

APPENDIX – III

Calculation of correlation between Total Investment and Net profit of MBL

(In million)

Year	Total Investment (X)	Net profit (Y)	X Y	X^2	Y^2
2060/61	274.40	46.68	12808.99	75295.36	2179.36
2061/62	468.61	84.87	39770.39	219595.33	7202.91
2062/63	1190.83	133.99	159559.31	1418076.09	17953.32
2063/64	1278.46	76.79	98172.94	1634459.97	5896.70
2064/65	1443.55	85.01	122716.18	2083836.6	7226.7
N=5	**$\sum X$= 4655.85**	**$\sum Y$= 427.36**	**$\sum XY$= 433028.35**	**$\sum X^2$= 5431262**	**$\sum Y^2$= 40458.65**
					r = 0.53 **PE= 0.21**

Calculation of correlation between Total Investment and Net profit of KBL

(In million)

Year	Total Investment (X)	Net profit (Y)	X Y	X^2	Y^2
2060/61	983.50	48.68	47876.78	967572.25	2369.74
2061/62	1190.97	87.88	104600.90	1416742.67	7722.89
2062/63	1394.94	103.66	144599.48	1945857.61	10745.39
2063/64	1678.41	170.29	285766.08	2817060	28988.46
2064/65	2138.56	174.93	374138.53	4574422.66	352135.42
N=5	**$\sum X$= 7385.91**	**$\sum Y$= 593.41**	**$\sum XY$= 957981.79**	**$\sum X^2$= 11721355.3**	**$\sum Y^2$= 401961.91**
					r = 0.15 **PE= 0.29**

Calculation of correlation between Total Investment and Net profit of NFL

(In million)

Year	Total Investment (X)	Net profit (Y)	X Y	X^2	Y^2
2060/61	75.85	25.64	1944.79	5753.22	657.40
2061/62	114.34	27.58	3152.49	13073.63	790.65
2062/63	148.45	24.36	3661.24	22037.48	593.41
2063/64	176.53	26.52	4681.57	31162.84	703.31
2064/65	71.74	22.93	1644.99	5146.62	525.78
N=5	**∑X= 586.91**	**∑Y= 127.03**	**∑XY= 15041.28**	**$\sum X^2$= 77173.71**	**$\sum Y^2$= 3240.56**
					r = 0.39 **PE= 0.25**

Calculation of correlation between Total Investment and Net profit of KFL

(In million)

Year	Total Investment (X)	Net profit (Y)	X Y	X^2	Y^2
2060/61	58.61	6.73	394.44	3435.13	45.29
2061/62	79.83	7.01	1559.60	6372.82	49.14
2062/63	30.28	7.51	227.46	916.87	56.4
2063/64	77.28	8.66	669.32	5972.19	74.99
2064/65	60.28	6.61	401.88	3633.67	43.69
N=5	**∑X= 306.28**	**∑Y= 36.52**	**∑XY= 2252.56**	**$\sum X^2$= 20330.68**	**$\sum Y^2$= 269.51**
					r = 0.26 **PE= 0.28**

Calculation of correlation between Total Investment and Net profit of NDBL

Year	Total Investment(X)	Net profit (Y)	X Y	X^2	Y^2
2060/61	178.5	(9.72)	(1735.02)	31862.98	94.47
2061/62	189.23	(132.53)	(25074.67)	35796.64	17564.20
2062/63	127.89	(161.65)	(20683.11)	16371.2	26130.72
2063/64	48.32	(183.12)	(8844.69)	2332.89	33532.93
N=4	**∑X= 543.95**	**∑Y= (477.3)**	**∑XY= (54602.47)**	**$\sum X^2$= 86362.98**	**$\sum Y^2$= 77227.85**
					r = 0.09 **PE= 0.38**

Calculation of correlation between Total Investment and Net profit of ADBL

(In million)

Year	Total Investment (X)	Net profit (Y)	X Y	X^2	Y^2
2060/61	76.16	16.65	1268.06	5800.34	277.22
2061/62	45.08	30.75	1386.21	2032.20	945.56
2062/63	28.82	35.63	1026.89	830.59	1269.49
2063/64	48.55	26.02	1263.27	2357.10	677.04
N=4	**∑X= 198.61**	**∑Y= 109.05**	**∑XY= 4943.4**	**$\sum X^2$= 11020.23**	**$\sum Y^2$= 3169.31**
					r = -0.94 PE= 0.045

Calculation of correlation between Total Investment and Net profit of HGI

(In million)

Year	Total Investment (X)	Net profit (Y)	X Y	X^2	Y^2
2060/61	72.69	11.52	837.38	5283.83	132.76
2061/62	91.39	11.95	1092.11	8352.13	142.80
2062/63	110.29	11.01	1219.79	12274.42	121.21
2063/64	78.94	11.97	944.91	6231.52	143.28
2064/65	81	7.53	609.93	6561	56.7
N=5	**∑X= 434.80**	**∑Y= 53.98**	**∑XY= 4704.52**	**$\sum X^2$= 38702.9**	**$\sum Y^2$= 596.71**
					r = 0.25 PE= 0.36

Calculation of correlation between Total Investment and Net profit of NIC

(In million)

Year	Total Investment (X)	Net profit (Y)	X Y	X^2	Y^2
2060/61	168.67	25.40	4284.21	28449.56	645.16
2061/62	178.83	30.77	5502.59	31980.16	946.79
2062/63	189.26	29.47	5577.49	35819.35	868.48
2063/64	190.75	17.86	3406.79	36385.55	318.97
2064/65	191.17	0.021	3.82	36545.96	0

N=5	**∑X= 918.68**	**∑Y= 103.52**	**∑XY= 18774.91**	**$\sum X^2$= 169180.59**	**$\sum Y^2$= 2779.40**
					r = - 0.91 PE= 0.066

Calculation of correlation between Total Deposit and Total Investment of MBL

(In million)

Year	Total Deposit (X)	Total Investment(Y)	X Y	X^2	Y^2
2060/61	2754.41	274.40	755870.47	7587986.43	75295.36
2061/62	5586.80	468.61	2618030.34	31212334.24	21995.93
2062/63	7893.29	1190.83	944673.53	62304027.02	1418076.08
2063/64	9475.45	1278.46	12113983.81	89784152.7	1634459.97
2064/65	11102.24	1443.55	16026638.55	123259733	2083836.6
N=5	**∑X= 36812.41**	**∑Y= 4655.85**	**∑XY= 40914089.47**	**$\sum X^2$= 314148233.4**	**$\sum Y^2$= 5431262.36**
					r = 0.96 PE= 0.02

Calculation of correlation between Total Deposit and Total Investment of KBL

(In million)

Year	Total Deposit (X)	Total Investment(Y)	X Y	X^2	Y^2
2060/61	4807.93	983.50	4728599.47	32116190.88	967272.25
2061/62	6268.95	1190.27	7461743.1	39299734.1	1416742.67
2062/63	7768.95	1394.94	10833023.88	60356584.1	1945857.60
2063/64	10557.41	1678.42	17719768.09	111458905.9	2847386.25
2064/65	1277405	2138.79	27321502	163182229.5	4574422.66
N=5	**∑X= 42177.52**	**∑Y= 7385.91**	**∑XY= 68068831.47**	**$\sum X^2$= 397413644.4**	**$\sum Y^2$= 11721355.3**
					r = 0.56 PE= 0.2

Calculation of correlation between Total Deposit and Total Investment of NFL

(In million)

Year	Total Deposit (X)	Total Investment(Y)	X Y	X^2	Y^2
2060/61	526.37	75.85	39928.16	277065.32	5753.22
2061/62	582.85	114.34	66643.06	339714.12	13073.63
2062/63	626.83	148.45	93052.91	392915.84	22037.42
2063/64	629.56	176.53	111136.22	396345.79	31162.84
2064/65	650.98	71.73	46694.79	423774.96	5145.19
N=5	**∑X= 3016.97**	**∑Y= 586.91**	**∑XY= 357452.75**	**$\sum X^2$= 1829816.09**	**$\sum Y^2$= 77173.71**

r = 0.36
PE= 0.26

Calculation of correlation between Total Deposit and Total Investment of KFL

(In million)

Year	Total Deposit (X)	Total Investment(Y)	X Y	X^2	Y^2
2060/61	227.65	58.61	13342.56	51824.52	3435.13
2061/62	213.65	79.83	17063.66	45689.06	6372.82
2062/63	248.32	30.28	7519.12	6166.82	916.87
2063/64	305	77.28	23570	93025	5972.19
2064/65	316.73	60.28	19092.04	100317.8	3633.67
N=5	**∑X= 1329.4**	**∑Y= 306.28**	**∑XY= 80588.23**	**$\sum X^2$= 352519.29**	**$\sum Y^2$= 20330.68**

r = 0.86
PE= 0.078

Calculation of correlation between Total Deposit and Total Investment of NDBL

(In million)

Year	Total Deposit (X)	Total Investment(Y)	X Y	X^2	Y^2
2060/61	1894.52	178.5	338173.6	3589246.91	31862.25
2061/62	1602.80	189.2	303249.76	2568967.8	35796.64
2062/63	1537.63	127.98	196739.75	2364306	16371.2
2063/64	1312.09	48.30	63373.94	1721580.16	2332.89
N=4	**∑X= 6347.05**	**∑Y= 543.95**	**∑XY= 901537**	**$\sum X^2$= 10244098.12**	**$\sum Y^2$= 86362.98**

r = 0.88
PE= 0.076

Calculation of correlation between Total Deposit and Total Investment of ADBL

(In million)

Year	Total Deposit (X)	Total Investment(Y)	X Y	X^2	Y^2
2060/61	1308	76.16	99617.28	1710864	580034
2061/62	1413.26	45.08	63741.76	1999311.16	2032.20
2062/63	1479.07	28.82	42626.79	2187648.06	830.59
2063/64	2103.39	48.55	102119.58	4424249.49	2357.10
N=4	**$\sum X$= 6304.43**	**$\sum Y$= 198.61**	**$\sum XY$= 308105.24**	**$\sum X^2$= 10322072.71**	**$\sum Y^2$= 11020.23**
					r = 0.66 **PE= 0.16**