CREDIT MANAGEMENT OF PASCHIMANCHAL DEVELOPMENT BANK LIMITED

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A Thesis Submitted To:

Office of the Dean

Faculty of Management

Tribhuvan University

In partial fulfillment of the requirements for the degree of

Master of Business Studies (M.B.S)

Butwal, Nepal

Nov, 2009

RECOMMENDATION

This is to be certify that thesis

Submitted by:

TILAK RAM DHAKAL

Entitled:

"CREDIT MANAGEMENT OF" PASHCHIMANCHAL DEVELOPMENT BANK"

Has been prepared as approved by this department in the prescribed format of faculty of management. This thesis is forwarded for examination.

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VIVA-VOCE SHEET

We have concluded the viva - voce examination of the thesis

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Entitled:

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And found the thesis to be original work of the student written according to the prescribed format. We recommend the thesis to be accepted as partial fulfillment of the requirements for

Master degree in business studies (M.B.S)

Viva -voice committee

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Date………………………..

DECLARATION

I here by declare that the work reported in this thesis entitled **"CREDIT MANAGEMENT OF PASHCHIMANCHAL DEVELOPMENT BANK LIMITED"** submitted to Lumbini Banijya Campus, faculty of management Tribhuvan University is my original work done in the form of partial fulfillment of the requirement for the master degree in business study (MBS) under the supervision of Mr. Rajendra Lamsal lecture, Lumbini Banijya Campus.

…………………………….

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ACKNOWLEDEMENT

This thesis "Credit Management of Paschimanchal Development Bank Limited" has been prepared for the partial fulfillment of the requirement of Master Degree of Business Studies (MBS) under the faculty of Management, Tribhuvan Universality is based on research models involving the use of quantities and qualities model to analyze the Credit Management of Paschimanchal Development Bank Limited.

Financial institution is profit oriented organization. They are rising of the funds and utilization of the funds. They invest funds create profit through investment and satisfy the share holder, stockholders. Banks house played vital role in Nepalese economies, its major findings and recommendations which may useful for future planning strategy formulation, Policy maker ok. This research report would be helpful to Bankers, financial institutions academicians, researcher and general interested public.

First of all, I regard as it my disposition land providence to get an opportunity to work under the admirable supervision of Mr. Rajendra Lamasal, lecture of Lumbini Banijya campus. He always motivated me and provided guidance all time word fail me in expressing my gratitude to their. I also thank to express my deep admiration to Dr Ishowr Gatuam, head of the research department of Lumbini Banijya Campus, whose valuable suggestion helped me to complete this research work. I would also like to record my indebt ness to all my respected who support me in this thesis writing.

I am very grateful to all the department heads and other staff of Paschimanchal Development Bank Limited. Who provided the necessary data for this thesis.

Finally, I would like to express my genuine appreciation to the staff of library of Lumbini Banijya Campus and Tribhuwan University.

Finally, I would like to thank my parents, Teachers, and friends for their valuable assistance, timely encouragement in very step. Also the special thanks to my wife Mrs. Meena Dhakal who have been uninterrupted source of sustain for me while during the tribulation of this work.

Tilak Ram Dhakal

Lumbini Banijya Campus, Butwal

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ABBREVIATION

NRB	- Nepal Rastra Bank
PDB	- Pashimanchal Development Bank
SBI	- State Bank of India
NIDC	- Nepal Industrial Development Bank
BOK	- Bank of Kathmandu
HBL	- Himal Bank Limited
NSBL	- Nepal Siddhatha Bank Limited
NIBL	- Nepal Industrial Bank Limited
NB	- Nepal Bank
SCBNL	- Standard Chartered Bank Limited
NGBL	- Nepal Grindlays Bank Limited
NABIL	- Nepal Arab Bank Limited

CHAPTER - I

INTRODUCTION

1.1 Background of the Study

The concept of the banking has been developed from the ancient history with the effort of ancient gold smiths who developed the practice of storing people's gold and valuable's under such arrangement the depositors would leave their gold for safekeeping and given a receipt by the gold smiths. Wherever, the receipt was presented the depositors would get back their gold and valuables after paying a small amount as fee for safekeeping and serving.

Banking Plays significant role in the economic development of a country. Bank is a resource for the economic development, which maintains the self- confidence of various segments of society and extends credit to the people. So, commercial banks are these financial institutions mainly dealing with activities of the trade, commerce, industry and agriculture that see regular financial and other helps from them for growing and flourishing the objectives of commercial banks is to mobilize idle resources into the most profitable sector after collecting them from scattered sources. Commercial bank contributes significantly in the formation and mobilization of internal capital and development effort.

To over come this economic situation, government has to formulate and implement strategies focusing overall industrialization of the nation and development of a sound banking system is necessary for the rapid industrial development, "financial infrastructure of an economy consists of financial infrastructure, financial institution, and financial marking" (Shrestha; 1990) In this country, a bank is a financial institution, which plays a significance role in the development of a country .it facilitates the growth of trade and industry of national economy. However, bank is a resource for economic development which maintains the self confidence of various segments of society and extends credit to the people. Banking sector plays a vital role for the country's economic of the country secures proper growth .in this way, it is necessary for the industrial development and for economic development of the country "A bank is a business organization that .receivers and holds deposits of fund from other, Makes loan s or extents credit and transfer fund by written others of depositors." - (Vidya, S. 1999)

Banks grants loan and advances to industries, people and companies that result in the increase in the productivity of nation. For example: - The loan against to agricultural sector enhances. The agricultural product on the farmers can use the loan amount as per their need to produce their product that will promote the agriculture product on. Similarly, the loan and advances to different people and corporate bodies help to increase their income and profits. They can use the amount as per their need at right place at the right time. Bank is a business organization where monetary transaction occurs. It creates fund form its clients saving and lends the same to needy person or business companies in term loans, advances and investment. There fore proper financial decision making is more important in banking transactions for its efficiency and profitability. Most of the financial Decision making is loan management. It plays the vital role in the business succession, so efficient management of lending policy in needed.

The History of banking system in Nepal in the form of money lending can be traced back in the reigning period of Gunakama Dev, The king of Kathmandu (NBL Patrika: 2037):-Tankadhari a special class of people was established to deal with the lending activates of money toward the end of fourteen century at The ruling period of king Jaysthi Malla (NBL Patrika 2001). During Period of Randiodip singh prime minister of Nepal, one financial institution was established to give loan facilities to the government staff and afforded loan facilities to the public in general in the term of 5% interest but “Tejarath did not accept money from public (NBL, Patrika:2040).

Now days banking field is being very though competition, so every bank lunches Varity of services and now technology. They start their operating with automated system, which could easily attract the equate group of business community due to their prompt served modern management. In this way banks are successful to brings, increase in foreign investment, prompt and expand export -Import trade introduce new technique and technology In recent times, may commercial banks are providing consumer. Financing facilities also. They provide direct housing loan, home equity loan, vehicle loan, education loan, loan for household appliances hire purchase etc. In this way the bank provide advance technology and quick service to scope and swathing competitive global banking environment.

The source of finance is most essential element for the establishment and operation of financial institute. profit oriented institutions usually obtain there sources of shares and debenture, borrowing through banking institution as credit or loan now days , The essential sources of the organization for financial supporting is the credit overdrafts and others provided by banking institution .

The study focuses on evaluating the deposits utilization of the bank in terms of loans and advance and investment and its contribution in the profitability of the bank. It also .focus on the contribution of off balance sheet activities in the earnings of the bank and non performing assets position of the bank the term credit is referred to the loan. Credit is the amount of money lent by the creditors (bank) to the borrower (customers) either based on security or without security.

Keeping invites the growing importance of banking companies in economic activities; The Nepal raster bank has framed suitable policy measures for their establishment. As a result the total number of Development banks touched up to 61 in our country. The field of study Pashchimanchal Development Bank Limited, Butwal, Rupendehi which is a well established development bank and has earned a good image regionally and nationally. The bank took the sologan "The partner for the rural development". So one the bank was established in 2059 Chaitra 20 with a authorized capital of Rs. 40 core and paid up capital of Rs. 10 core as a development bank.

Its head office is situated at Butwal. At present it is providing services to its
Clients through head office. Now it has also 4 subs –office situated at Sunwal, Kawasaki, Manigram and Tansen.

The bank has increased his fund and the it’s established in national bank level in current future, its share holder pattern has promoters 70% and general public 30%.

1.2 Focus of the Study:

Although commercial banks have managed credit than other public banks. Within short span of time, against one another. Among this joint venture banks, this research is based on mainly commercial banks. Namely Pachchimanchal Development Bank Ltd. Banks play a tremendous role in a developed of developing nation also helps to improve the economic sector of the country. Typically commercial banks main motive is to make profit by providing quality services to the realizing their services. They study focus on evaluating the deposits utilization of the bank in terms of loans and advances and investments and its commercial banks are the heart of financial system. They hold the deposit of money persons, government establishment and business. The study focuses on evaluating the deposits utilization in the contribution in the profitability of the bank. Commercial banks are the heart of financial System. They hold the deposit of many persons, government establishment and business units. They make fund available through their lending and investing activities to borrowing individual's business firms and government establishment. In doing so, they assist both the flow of goods and services from the produces to consumers and the financial activities of the government. They provide a large portion of medium of exchange and they are the media through which monetary policy is affected. These facts show that commercial banking system of nation is important to the functioning of the economy.

Financial institution is currently viewed as catalyst in the process of economic growth of country. A key factor in the development of an economy is the mobilization of the domestic resources and intermediaries, the financial institution helps the process of resources mobilization. The domestic resources and intermediaries, the financial institution helps the process of resources mobilization. The importance of financial institutions in the economy has of late grown to an enormous extent. The government in turn is required to regulate their activities so; the financial policies are implemented as per the requirement of the country.

Therefore, this researcher has focused this resource mainly to highlight and examine the credit management of the selected bank ignoring other aspects of bank transaction. To highlight the credit management of the bank, the research is based on the certain statistical tools i.e. mean with a view to find out the true picture of the bank. The main objective of this research is to analyze the credit management through the use of appropriate financial tools.

1.3 Statement of the Problems

The problems of the study who ultimately find out the reasons about the credit management 'A study on the credit mgt. of the development books would he highly beneficial for pointing out their strength and weakness. The study focus on the following key issues:-

1. To analysis impact of deposit and loan and advantage in liquidity?
2. To analysis sufficient liquidity of PDB?
3. To know the procedure of PDB for granting loan ?
4. To analysis its assets and portfolio management?
5. To analysis how PDB maintaining lending efficiency?
6. To analysis the gape between deposit and investments of the PDB?
7. To analysis the gape between deposit and loan and advances?

1.4 Objective of Study

The main objective of this study is to evaluate the credit management of pashchimanchal development bank limited besides there may be other objectives as well.

1. To analyze the portfolio of landing of selected sector of PDB.
2. To analysis liquidity, assets management and profitability of PDB.
3. To determine the impact of deposit in liquidity and its effect on lending practices.
4. To analysis correlation coefficient between loan and advance to total deposit and other statistical analysis.
5. To offer suitable suggestion based on findings of this study.

1.5 Significance of the Study

Significant of the study are .the focuses of the study being on a critical examination of credit management technique this bank.

1. The study will give us a clear picture of financial position of the company under study.
2. This study will provide us information to those who are planning to invest in pashchimanchal development banks.
3. With the help of report of this study, the management may apply corrective measures for the improvement of the books performance.
4. The policy formulates of the bank may gain something with the help of the result of this study.
5. The study will help general pubic to know about the overall financial position of the pashchimanchal development bank limited
6. After the completion, this report will be kept in the library which plays the role of references to the students making the similar study in future.
7. After the study we maintain sufficient credit liquidity in our bank.

1.6. Limitation of the Study

This study has been limited to Paschimanchal Development Bank limited, Butwal Rupendehi only. The limitation of the study is as follows.

1. The study covers the data of only fiscal from 2059/60 to 2063/064 and the collusion drawn confines only to the above period.
2. The study is based only on secondary data so it may contain reporting errors.
3. There is in total 61 development banks in the in financial market but this researcher takes only one from them. The sampled bank is pachimanchal development bank ltd.
4. The study is made within limited time frame, limited data, and with lack of research experiment.
5. The study covers the part and personal state of the developmental banks in Nepal and will not make any projection in future.
6. This research used only the selective tools for analysis and interpretation of data.

1.7. Organization of the study

The present study is organized in such way that the stated objectives can easily be fulfilled the structure of the study will try to analyzed the study in a schematic way. The study report has presented the systematic presentation and finding of the study. This study has been organized into 5 chapters.

Chapter (I): Introduction

The first chapter is the introduction which deals with the introduction of the study, objectives, limitations and field of the study, Research methodology and duration of the study.

Chapter (II): Review of literature

The second chapter deals with the review of literature relating to cash management techniques, account receivable model, cash management model and working capital control and Banking policy.

Chapter (III): Research Methodology

The Third chapter deals with the research methodology consisting of introduction research design nature of the data collection and analytical technique employed.

Chapter (IV): Data Presentation and Analysis

The fourth chapter is organized as presentation and analysis of the research question on the basis of chart and figure gathered by different methods. The major finding of the study.

Chapter (V): Summary Conclusion and Recommendations

The fifth chapter deals with a summary of the major finding and constraints and includes concrete suggestions and recommendations including biography and appendix.

CHAPTER – II

REVIEW OF LITERATURE

To explore the relevant and true facts for the research purpose. This chapter highlights the literature available related to study. An attempt has been made to look in to bank publications. Periodicals and central banks rules and regulations. In addition informal interviews with bank personal and a few customers (borrowers have been aimed to receive). Further interaction programs related with the financial issues transmitted by the various television channels will be taken as support concept. For review study, the research uses different books, reports, journals and research studies published by carious institution un-published dissertations submitted by master level students have been reviewed.

It is divided in to two heading.

- Conceptual review
- Review of different studies.

2.1 Conceptual review:

The review of text books and other reference materials such as newspaper, magazines, research, articles and past thesis have been included in this topic. Credit administration involves the creation and management of risk assets. The process of lending takes in to consideration about the people and system required for evaluation and approval of loan requires. Negotiation of terms, documentation, disbursement administration of outstanding loans and work outs, knowledge of the process and awareness of its strength and weakness are important in setting objectives and goals for lending activities and for allocating available funds to various lending functions such as commercial, installment and mortgages portfolios.

Mobilization of the domestic saving is one of the monetary policies in Nepal. And developing banks are the most active financial intermediary for generating resources in the form of deposit of private sector and providing credit to the investors in different sectors of the economy. The banking sector or transaction, and unavoidable nerves of loan management, matters like the policy of loan flow, The documents of loan flow, loan administration, audit of loan renewal of loan, the condition of loan flow, and the provision of securities, the provision of the payment of capital and its interest. And other such procedures. This management plays a great role in healthy competitive activities.

It is very important to be reminded that most of the bank failures in the world are due to shrinks in the value of loan and advance. Hence, risk of non payment of loan is known as credit risk of non payment of loan is known as credit risk or defeat risk.

2.1.1 Concept of Commercial Bank

Course, H.D. (1963), in this book entitled” management policies for commercial banks” says that commercial banks as financial institution perform a number of internal functions. Among them, providing credit is considered as most important one. “Commercial banks bring in to being the most important ingredient of the money supply, demand deposit through the creation of credit in the form of loan and investment.

Commercial banks act (1974) A.D. of Nepal has defined that “A commercial bank is one which exchange money. Deposits money, accepts. Deposits, grants loans and performs commercial banking function and which is not a bank mean for co- operative, agriculture, industries for such specific purpose.”

Grolier incorporated (1984) the encyclopedia American describes that a commercial bank is business organization that receiver and holds deposit of fund from other make loans or extents credits and transfers funds by written order of deposits.

The new encyclopedia Britannia, (1985) says that A commercial banks is a dealers in money and substitute fore money such as cheque or bill of exchange. Hew also provides a variety of financial services.

Before defining the term commercial bank , let us define the meaning of bank and developing paged (1987) states that no one can be a banker who does not take deposit accounts take current accounts, issues and pay cheques of crossed and uncrossed for his customers. He further adds that if the banking business carried on by and person is subsidiary to some other business; he can not be regarded as a banker. According to s. and s. Definition of bank, a banker of bank is a person of company carrying on the business of receiving money collecting drafts, for customers subject to the obligation of honoring cheques drawn upon them from time to tine by the customers to the extent to the amount available on their customer, (Shekhar and Shekhar, 1999m)

Commercial is the financial transactions related to selling and buying activities of goods and services. There fore commercial banks are those banks, which work from commercial view point. They perform all kinds of banking functions as accepting deposits, advancing credits credit creation and agency function. They provide short term credit, medium term credits and long terms credit to trade and industry. They also operate off. Balance sheet functions such so issuing guarantee, bonds, letters of credit, etc.

2.1.2 Function of Commercial Banks

"The business of commercial banks is primarily is to hold deposits and make credits and investments with the objection of securing profits for its shareholders. Its primary motive is profit, other considerations are secondary" (Sudharsanan, D.P.1976) the major functions of commercial banks are as follows:

- Accepting deposits
- Agency services
- Credit creation
- Financing of foreign trade
- Safekeeping of valuable
- Offers security brokerage services

I. Assist in foreign trade

The bank assist the traders engaged in foreign trade of the country, He discounts the bills of exchange drawn by exporters on the foreign import, and enables the exporters to receive money in the home currency. Similarly, he also accepts the bills drawn by foreign exports.

II. Offers investment banking and merchant banking services:

Banks today are following in the leading financial institutions all over the globe in offering investment banking and merchant banking services to co-operations. There services include identifying possible merger targets, financing acquisitions of other companies, dealing in security underwriting, providing strategies marketing advice and offering hedging service to protect their customers against risk from fluctuating world currency prices and changing interest rate

Further, they support the overall economic. Development of the country by various modes of financing.

Concept of credit

Credit is financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for an obligation of repay on specified on demand. Banks generally grants credit on four ways (Chhabra and Taneja, 1991)

Credit is the amount of money lint by the creditor (bank) to the borrower (customers) either on the basis of security or with out security. Sum of money lent by a bank is known as credit (oxford advanced dictionary, 1992), Bank earns interest and advancing which one of the major sources is of became for banks. Bank prepares credit portfolio other wise. It will not only add bad debts but also affect profitability adversely." (Varshney, N.P and Swaroop.G 1994). Credit and advances is an important item on the asset side of the balance sheet of a commercial bank. Bank earns interest on credits and advances, which is one of the major sources of income for banks. Bank prepares credit portfolio, otherwise it will not only add bad debts but also affect profitability adversely, Varshney and Swaroop, affect profitability adversely, Varshney and Swaroop, affect profitability adversely, Varshney and Swaroop, 1994.

1. Overdraft
2. Cash Credit
3. Direct Credit
4. Discounting of Bills

2.1.4 Types of Credit

It denotes the excess amount withdrawn over their deposits.

- Cash Credit :

  The credit is not given directly in cash but deposit account is being opened on the name of credit takes and the amount credited to that account. In his way, every credit creates deposit.

- Term Credit :

  It refers to money lent in lump sum to the borrowers. It is principle from of medium term debt financing having maturities of 1 to 8 years.

- Working capital Credit :

  Working capital denotes the difference between current liabilities. It is granted to the customers to meet their working capital gap for supporting production process. A natural process develops in funds moving through the cycle are generated to repay a working capital credit.

- Priority or Deprived sector Credit :

  Commercial banks are required to extend advances to the priority and deprived sector 12% of the total credit must be toward priority sector including deprived sector.

- Hire Purchase Credit :

  Hire-Purchase credits are characterized by periodic repayment of principle and interest over the maturity of the credit. Hirer agrees to take the goods on hire at a stated rental including their repayment of principle as well as interest with an option to purchase.

  A rent survey of commercial banks indicates those banks are planning to offer installment credits on a variable rate basis. It can be secured and unsecured as well as direct and indirect installment credits on a variable rate basis. It can be secured and unsecured as well as direct and indirect installment credits on a variable rate basis. It can be secured and unsecured as well as direct and indirect installment credit.

- Housing Credit (Real Estate Credit) :

  Financial institutions also extend credit to their customers. It is different types, such as; residential building, commercial complex, construction of warehouse etc. It is given to those who have regular income or can earn revenue from housing project itself.

- Project Credit :

  Project credits are sort-term credits made to developers for the purpose of completing proposed projects. Maturities on project credits range from 12 months to as long as 4 to 5 years, depending on the size of the specific project. (Johnson.etc at 1940)

- Credit Cards and Revolving lines of Credit :

  Banks are increasingly utilized cards and revolving lines of credit to make secured consumer credit. Revolving credit line lowers the cost of making credit since operating and processing cost are reduced. Due to standardization, centralized department processes revolving credits resulting reduction on administration cost. Continued borrowing arrangement enhances cost advantages. Once the credit line is established the customer can borrow and repay according to his needs and the bank can provide the fund to the customer at lower cost.

2.1.5 Principle of Credit Policy

- Principle of Safety fund

  Banks should look the fact that is there any unproductive or speculative venture of the Brower.
- Principle or liquidity

  Liquidity refers to pay on hands on cash when it is needed without having to sell long-term assets at loss in unfavorable market.
- Principle of security

  Security refers adequate value of collaterals, which ensure the recovery of credit correctly at the right time.

- Principle of profitability

  Profitability denotes the value created by the use of resource is more than the total of the input resources. Bank should provide to such project that can provide optimum amount of return. For such purpose, bank should take a little bit risk by providing credit to venturous project. It across the industries in order to minimize the risk of lending by keeping "Do not put your all eggs in the same basket." in mind. In lending and granting advances, interest of nation should not be disturbed (If undermined). Priority and deprived sector of economy and other alarming sector should be given proper emphasis while extending advances.

2.1.6 Objectives of the Sound Credit policy

The purposes of a written credit policy are:

i) To assure compliance by lending personnel with the bank's polices and objectives regarding the portfolio of credits and

ii) To provide personnel with a framework of standards within which they can operate.

2.1.7 Lending Criteria

While screening a credit application, 5-cs to be first considered supported by documents.

1. Character

Character is the analysis of the applicant as to his ability to meet the obligations put forth by the lending institution. For this analysis generally the following documents are needed.

- Memorandum and Article of Association
- Registration certification
- Tax registration certificate (Renewed)
- Resolution to borrow
- Authorization–person authorizing to deal with the bank.
- Reference of other lenders with whom the applicant has dealt in the part of bank A/C statement of the customer.

2. Capacity

Describes customer's ability to pay, it is measured by applicants part performance records and followed by physical observation. For this, an interview with applicant's customers/suppliers will further clarify the situation. Documents relating to his area were:

- Certified balance sheet and profit and loss account for at least part 3 years.
- Reference or other lenders with whom the applicant has dealt in the part or bank A/C.

3. **Capital**

This indicates applicant's capacity to inject his money. By capacity analysis, it can be included that whether borrower is truing to play with lender's money only or is also injecting his own fund to the project for capital analysis, financial statements, like certified balance sheet, profit and loss account is the only tools.

4. **Collateral**

Collateral is the security proposed by the borrower. Collateral may be of either nature moveable or immovable. Moveable collateral comprise right from stock, inventories to playing vehicles. Incase of immovable it may be land with or without building or fixture, plant machineries attached to it.

5. **Conditions**

Once the funding company is satisfied with the character, capacity, capital and collateral then a credit agreement (sanction letter) is issued in favor of the borrower starting conditions of the credit to which borrower's acceptance is accepted.

2.1.8 Project Appraisal

Before providing credit to the customer bank makes analysis of project from various aspects and angles. It will help the bank to see whether project is really suitable to invest. The purpose of project appraisal is to achieve the guarantee of reasonable return from the project.

Project appraisal answers the following questions:

- Is the project technically sound?
- Will the project provide a reasonable return?
- Is the project in line with the overall economic objectives of the country?

Generally, the project appraisal involves the investigation from the following aspects (Gautam, 2004)

a) Financial aspect
b) Economic aspect
c) Management/Organizational aspect

d) Legal aspect

Directives issued by NRB for the Commercial Bank: (related to credit aspect only):

2.1.9 Credit classification and provisioning:

	Classification	Provision
i.	Pass credit	1%
ii.	Sub standard credit	25%
iii.	Doubtful credit	50%
iv.	Bad credit	100%

Those credits that have not crossed the time schedule of repayment and are within three months delay of maturity date fall under the classification topic "pass credit". It is also known as performing credit.

Sub standard credit are those credit which are already crossed the repayment time schedule and are within 3-6 months delay of maturity date. Likewise, within 6-12 months from the time to be recovered are classified as doubtful credit. Those credits, which are not recovered yet after 1 year from maturity date, are known as bad credit. All the above 3 types of credits are classified as nonperforming credit also. The credit loss provision for performing credit is termed as general credit loss provision whereas the credit loss provision for non-performing credit is termed as specific credit loss provision.

Auditor has to correctly rate and ensure accurate credit loss provision has been made. The auditor should examine whether the bank has obtained complete documentation so that banks interest is secured. In addition audit is made to inspect compliance of terms and conditions laid down. Credit audit is required to check whether credit given is within authority, drawing power etc. credit audit helps the bank to know quality of its credit, its weakness and strengths. This, in turn, helps the bank to adopt corrective measures where weaknesses have been pointed out and to focus further on strengths. General guidelines whether to reject or renew the credit can be established with the help of credit audit.

2.1.10 Limit of credit and Advances in a particular sector

- Fund based credit and advances can be issued up to 25% (upper limit) of core capital to a single customer, firm, company and a group of related customer.
- Non-fund based (off-balance items) can be issued up to 50% of core capital to a single customer, firm, company and group of related customer.

Note: The core capital includes {paid up capital + share premium + non redeemable preference share + general fund + accumulated profit (loss) – goodwill (if any included)}

Group of related customer:

- If a company takes 25% or more share of another company.
- Member of board of directors of company shareholders of private limited company and such members and shareholders with others in a single house, even if husband, wife, son, daughter in law, unmarried daughter, adopted son, adopted unmarried daughter, father, mother, stepmother, brothers and sisters whom be should look after.
- Firm, company and members as a related group.
- Being president of board of directors of the company.
- Being executive directors of the company.
- If cross guarantee is given by one company to another company.

2.3 Review of Thesis

(Chand, 1988) has submitted his thesis on "Credit disbursement and repayment of agriculture development Bank Nepal". The problem of this research is the bank doesn't benefit small farmers (i.e. problem of balance development). The collection of credit is slow so it hinders the flow of capital required to develop economic growth. The main objecting of this research is to see the repayment situation to find out the rate of growth of investment to explain possible causes of none and delayed repayment.

States that profitability in term of return on shareholders equity ration of return on shareholders equity ratio off (NGEl is fund lower in F.Y, 1994/95 (36.71%) similarly the ratio of HBL is found within the range from 38.68% (in 1995/96) to 23.13% (in 1998/99). The yearly average (i.e. 31.52) is higher than yearly average (i.e. 30.152) of HBL. It can be concluded that both the banks have been able to earn profit on shareholder's equity but not satisfactory level. NGBL is more success to generate more return on its shareholder's funds than that of HBL, although there is no significant different between the averages of these ratio of the two banks. Return on total assets ratio of NGBL is found within the range between 2.95% (in 1995/96), (2.30%) and (in 1994/95) where the same ratio of HBL is found within the range from 2.48% (in 1995/96) to 1.48% (in 1998/99). The yearly ratio of HBL is generally decreasing over the study period. Moreover, the yearly average of NHBL (2.64) is found higher than the yearly average of HBL along with its yearly average ratio is also higher than composite average of the banks. It can be concluded that return on total assets ratio in cash of NGBL is found better performance by utilizing overall resources but the generated profit is found lower for the overall resources in both the Banks.

(Shrestha B.N 1990) has submitted a thesis named “study of industrial credit provided by NIDC in Sunsari district”. The study found that the financial assistance provided by NIDC in different industrial sectors in Sunsari district. The attitude of industrialists in regard to the performance of NIDC to give suggestions to improve the role on NIDC.

On the basis of finding one of the most important policies of NIDC has adopted in investing its fund to the industries in security oriented rather than industrial development oriented, it seems that NIDC lack definite systematic and clear-cut long term financing policy, repayment and follow up activities following by NIDC are not efficient as no taken side by side.

(Gautam R.2000) in his thesis entitled “investment analysis of finance company of Nepal”. Analyze that the interest rate of credit, the repayment of credit, collection of credit and so on. The study found that the use of funds towards the hire purchase credit is decreasing rapidly. As the direct data of good and bad credit was not available than the credit loss provision used to analyze the credit quality, credit loss is increasing every year significantly and should be controlled, the loss provision of some company is more alarming on individual analysis the company having above average credit loss provision should re think on their investment and repayment policy.

(Pandey, M.P 2001) in his study about “loan disbursement and collection of ADB” says that the bank must take loan outstanding into consideration at he timer of targeting loan disbursement and collection. For loan recovery, he has expressed his view that in the case of borrowers, who are able but do not their due loans, the banks must examine the borrower’s past repayment records and corrective action must be re-arranged after scrutinizing the exact cause of inability.

He suggest the bank that strict supervision must be made for issuing the memorandum letter supervisor must visit the field whether the borrowers utilize the total loan amount for concerned purpose. Supervisor must motivate the borrowers to utilize the full amount in loan purpose.

(Kapadi, 2002) states that most of the capital structure ratios show that the capital structure of both the banks is highly leveraged. Total debt to equity ratio of both the banks reveals that the claims of the outsider exceeds more than that of the owner's over the bank asset. However NABIL bank seems to be more leveraged than SCBNL. Total debt to total assets ratio of both that banks has always been over 88, which indicates the excessively geared capital structure. Comparatively NABIL bank has used a little more debt financing than SCBNL. Long-term debt total assets ratio of NABIL bank is seems to be greater as per mean which shows more use of long-term debt by NABIL bank than by SCBNL. Long-term debt to net worth ratio of both the banks is following the fluctuating trend. The mean proportion of outsiders fund and owners fund employed in the total capitalization of NABIL bank is higher than that of SCBNL. This implies that it is following an aggressive strategy of higher risk higher return policy. The next fixed asset to net worth ratio of NABIL bank is higher than that of SCBNL as per mean ratio. But her investment of owner's equity in fixed assets for both the banks are minimum as is commonly seen in various financial institutions.

The main statement of the problem of his search is NABIL bank and SCBNL have been operating well from their very establishment. Their experience on international banking, prompt and computerized services professional altitude are the factor for their rapid progress. They have been gaining weakness and inefficiency of domestic banks. These banks have succeeded to capture a remarkable market share of Nepalese banking sector in a relatively short period of time. This fluctuation in different aspects of both the sample banks can be traced and by analyzing their financial performance. Therefore, the researches of this thesis will seek the answers to the following questions relating to both of there banks.

(Bista, 2002) found that the study has been undertaken to examine and evaluate the financial performance of NABIL bank limited. The researches have used the financial tools to make this study more effective and informing. This study has corrected ten years data from 1991/1992 to 2000/2001 of the NABIL bank limited. The analysis shows that the deposits of the bank have increased during the years 1999/2000 and 2000/2001. The rate of increase was comparatively low for the year 1996/1997. Total loans and advances have been increasing at an average rate of 24% each year, highest of 51% in year and lowest of 7% in year 1996/1997. Total investment of the bank has been increasing over the years, which is mainly due to the bank's strategy of safe lending and because of increase in customer's deposits and limited opportunities for prudent lending.

(Parajuli, 2003) states that concept of financial reform emerged since 1980s with economic liberalization. Nepal Government and NRB published the economic and monitory policy to support such reform. As the result of these policies various jointed venture bank established in the private sector under the structural adjustment program of he IME the financial sector was further liberalized in 1987. The focus of NRB was placed on indirect monitory control. The agricultural development bank of Nepal and Nepal industrial development corporations were allowed to issuer debentures to increase their financial resources. NRB strengthened its regulation and supervision of banking and financial institution and the commercial banks were granted virtually freedom to fix their interest rates on deposit in July 1989 except for the priority sector credit. The credit information Bureau was established in 1989. NRB started to control the financial institutions with strengthing to supervision and monitoring system. It has also pointed out the need of having deposit taking institutions act which it's on umbrella act of all deposit taking institution. Some of the main elements of financial sector reform strategy published by NG in December 2000. Such regulation accounting and auditing system improving the regulation and supervision on non banking deposit institutions.

(Luitel, 2003) found that to examine the short-term solvency of the NBL the help of liquidity ratios was taken. While comparing the ratios of two periods at as average the first period had higher current liabilities ratio than the second period. The average current ratio of the first period was 105.11% over 100.49% of the second period. Through the proportion of current assets greater than that of current liabilities at an average during both the periods the bank can not be said to have a sound current ratio or during both the periods the banks did not have healthy short-term solvency. Even then the first period of the study had better short-term solvency than the second period. The highest and lowest current ratio for the first period were 110.35% and 101.031% in the F.Y 047/048 and 048/049 respectively whereas the same for the second period were 104.47% and 94.16% in F.Y 053/054 and 056/057 B.S respectively. The F.Y 055/056 also showed the ratio less than 100% i.e. 97.92% which signifies that during the years the bank had current liabilities move than current assets. During both the period' liquidity position of the bank was worsening.

(Regmi, 2004) states that commercial banks are those banks, which works from commercial view point. They perform all kinds of banking functions such as accepting deposits, advancing credits, credit creation and management of credit and advances. Portfolio management helps to minimize or manage the credit risks and spreading over the risks to various portfolios. Banks earn interest on credit and advances which is one of the major sources of income for banks on average 5 years of research period, cash and bank balance to total deposits of ratio of NB bank and BOK is 12.75% and 14.12% respectively. Likewise NB bank and cash and bank balance 1.584 times of current deposits and BOK has cash and bank balance 1.14 times of current assets. NB bank most of the credit and advances almost 70% is provided an assets guarantee. The assets guarantee credit is increasing period by period. After assets guarantee bank has provided credit based on bills guarantee credit is 3421.3 millions (79.1% of total credit) and in the last period it is 3347.99 millions (58.2% of total credit).

(Karki, 2004) found that the development of any country largely depend upon its economic development capital formation is the prerequisite in setting the overall place of the economic development of a country. Well-organized financial system contributes to the process of capital formation by converting scattered saving in to meaningful capital investment in order to aid industry, trade, commerce and agriculture for the economic development of the nation. The financial institution play dominant role in the process of economic development. Banks are indispensable elements in the systems. Commercial banks furnish necessary capital needed for trade and commerce for mobilizing the dispersed saving of the individuals and institutions. They provide the bank of the money supply as well as the primary means of facilitating the flow of credit.

(Basnet, 2005) states that financial analysis in values the method of calculating and interpreting financial ratio in order to assets the firm's performance and status. The following are the main findings from the financial ratio. The current ratio measures only total rupees worth of current liabilities i.e. it indicates the availability of for current liabilities. A ratio that is greater than one means that the firm has more current assets than current claims against them. The calculation found that the average current ratio of SBI (1.05 times) is greater than that of NBB (0.98 times). The table shows that the ratio is in fluctuating trend of SBI and decreasing trend of NBB. The highest ratio for SBI is 3.14% and lowest is 18.45% and lowest ratio is 8.47%. Calculation of loan and advances to total deposit exhibits that the ratio is fluctuating for SBI. It was lowest is fiscal year 2000/2001 whereas the ratio was in increasing trend up to fiscal year 2001/2002 for NBB but it is decreased in 2002/2003.

(Adhikari.R, 2005) in his thesis “risk and return analysis with reference to listed commercial Banks”. He concludes that most of the investors invest keeping the return in mind but they are found unable to calculate the risk factor of security. Some of the investors use their funds in two or more securities but it is found that they do not make analysis before selecting security. They invest their funds in different securities on the basis of assumption and expectation. This study enables investors to put the return they can expect and the risk they may take into better perspective.

(Paudyal, 2006) states that interest income from loan and advances are the main sources of income, which will increases profit of commercial bank. The main ratio of interest income to total income of NSBL is higher than that HBI. NRB has restricted the gap between the interest taken in loan and advances and interest offered in deposit. HBL have higher mean ratio of interest income to interest expenses and total income to expenses ratio than that of NSBL. HBL has maintained high return in every reflect than that of NSBL. Among the various measurement of profitability ratios return to equity and earning per share, reflects the relative measure of profitability. The performance of NBL is higher than that of NSBL. Coefficient of correlation between deposit and loan and advances total income and loan and advances of both bank have positive value these is significant relationship between deposit and loan and advances total income and loan and advances total income and loan and advances. Coefficient of correlation between net profit and loan advances of both bank have positive relationship. But the number of HBI is greater than number of NSBL. There is no significant relationship between net profit and loan and advances of both banks. They are greater than number of both banks.

(Rana S.B, 2007) in this thesis 'A comparative financial performance analysis of NABIL Bank ltd and Himalayan Bank ltd.' He conducted that both banks has utilized its deposits very efficiently on loan and advances but its return on investment of both the bank is not satisfactory. It found that both banks are using more debt in the capital structures. Both banks are able to earn high return on shareholder equity.

(Sedai, 2007): in his theses “An analysis or lending policy and strength of Nepal investment bank ltd” highlighted that aggregate performance of NIBL is satisfactory and pushing up ward. Lending strength of NIBL in term of expose of loan and advance is good and appreciable, The contribution made by bank in industrial as well as agriculture sector of the economic is high lee appreciable and its bust up towards national prosperity The ratios of loan and advances top total asset, loan and advances to share holder” equity indicate a good performances of NIBL in its landing activities.

(Thapa S, 2007) in his thesis entitled "liquidity assessment of Bank of Katmandu "he conclude that liquidity assessment is primarily based on the assessing liquidity of BOK. Its main objectives are to find out the liquidity assessment of BOK, to examine the relationship between liquidity and profitability in this study he uses various. Types of financial ratio and statistical tools to analyze and interpret the liquidity assessment of BOK. He has found that the liquidity position of the company is not matched with the standard ratio set for the liquidity. Current ratio is 2:1 where as the ratio is found only 1:2 in fiscal year 2062/2063 and it is highest on fiscal yet 2058/2059 i.e., 1.29 but even that time the ratio was also less than standard. He also found that cash and bank balance to total deposit ratio is not satisfactory as the average ratio found out to be only 0.1408 which seems to be lacking of meeting their standard level. This shows that BOK is not capable to keep more cash balance against its various deposits liquidity position is not good i.e. under liquidity. So he recommend to BOK by using different points.

- Standard liquidity ratio should be maintained.
- Improvement in company performance.
- Establishment of informational channel.
- Ensure feeling of safety and security.

Adhikari I.P (2008) in his Thesis “Credit management of Everest Bank Limited” highlighted that aggregate the role of commercial bank in mobilizing and Utilizing Scattered resources of nation in praiseworthy one the basis objectives of the study are to have true insight into the credit management aspects. This aims to examine its efficient in effectiveness, systematization and sincerity in disbursing and recover loan as well within the directives of NRB, Financial institution act and its own policy.

The main objectives are as follows

- To examine the impact of deposit in liquidity
- To examine and evaluate the various stages occurred in loan management procedure.
- To analyze the lending efficiency of the bank.
- To examine the assets management efficiency and portfolio ratios.

Major finding and conclusion of the study are as follows.

- EBL bank has sufficient liquidity. It shows that bank does not have investment sectors to utilize their liquid money. Remittance has also help to increase the amount of deposit in bank. On the other hand due to political crisis economic sectors have been withdrawn due to security problem. Therefore, banks have maximum liquidity due to lack of safety investment sectors.

- Operating income of bank is also in satisfactory position however, it is not in good condition. So it should enhance its operating income.

- Interest spread rate ratio of EBL is also in fluctuating trend. However, fluctuating trend is not better for the bank it should be upward trend. Therefore it should invest its deposit in high rate and borrow fund in low rate.

2.4 Research Gap

The review of above relevant literature has contribution to enhance the fundamental understanding and knowledge , which is required to make this study meaning full and purpose. There is various researchers conduct on lending practice. Financial performance and credit management of commercial bank. Some of the research has compared the financial performance between two or three different commercial bank. In order to perform those analysis researchers have used ratio analysis. Thesis done by Shrestha a credit management of commercial bank with special refers to Nepal's Bank Ltd. On 2004 and bits done by financial performance of NABIL bank on 2002 how ever no one has done study on " credit policy with special refers to Pashimanchal Development Bank Ltd." There fore the research attempts to study in this area since the research have used data only five year. In this study researcher also used the different statistical tools like coefficient of correlation land trend analysis to analyze the data.

CHAPTER-III

RESEARCH METHODOLOGY

3.1 Introduction

Research methodology referees to the various sequential steps to be adopted by researcher in studying problems with certain objective in view. In this chapter research methodology is presented for achieving the predator mind objective which is already started. One various statically and financial instrument will be used for the required purpose .If counts on the resources find techniques available and to be the extend of there reliability and validity in this chapter. This research methodology has primary sought evaluation of the credit practices of the targeted bank I.e. Pachimanchal Development Bank Ltd. This research methodology adopted in this chapter follows some limited but crucial steps aimed to achieve. The objective of research. Research methodology refers to the various sequential steps. (Along with a rational of each such step) to be adopted by researcher in study a problem certain objective in view.

3.2 Research design

This is an academic research. It describes the research activity. It is the arrangement of condition for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure. “A research design is the arrangement of conditions for collection and analysis of data.

A research design is a plan for the collection and analysis of data generally, a common research design process the five basic element viz. (i) selection of problem (ii) methodology (iii) data gathering (iv) data analysis and (v) report writing. The present study follows the descriptive as wall as all exploratory design to meet the stated objectives of the study. The crux of the research is to analyze Paschimncal Development Bank Ltd in relation to credit disbursement and recovery as well over all management.

3.3 Population and sample

Commercial banks are the principle agents of the money market which is turn is the major instrument of the financial system. Thus commercial banks and their landing transaction obviously affect the national economy. Moreover lending and borrowing transaction the takes place through the commercial banks influence the daily livings of each national. And at the same time from the government side a great concern should be taken as the misleading by the commercial banks can violate the total economy system commercial banks, financial management system can be contribute the economic growth too because this bank is the major variable of financial market .

In the country they are many financial Institutions have to do financial work. In our country they are 26 Commercial Bank, 61 development bank and 78 finance company of them, we select among Development Bank PDB. It's area are fixed not all over the country. Lies in center of our country so it can be expand its breaches all over the country in future. So our study is focus on Development Banks, Paschimanchal Development Bank. It area are small only Rupendhi, Palpa, Nawalparasi District. It has four Branches. We stay in this place in Nawalparasi, so we select the PDB.

The total 61 Development Banks shall constitute the population of the data and single bank under the study. So among the various commercial banks in the banking industry, PASCHIMANCHAL DEVELOPMENT BANK Limited is taken sample for the study.

3.4 Sources of data

Necessary data collected from both sources. Primary and secondary. Even though adequate data are collected from secondary sources.

The primary sources data are taken form five investor, five officer level employs and five customers by taking question and answer then we get primary data.

3.5 Secondary sources

Economy survey of NG, Ministry of finance.

National news paper, journals and magazine.

Annual general report of PDBL.

Internet.

NRB directive.

3.6 Method of data analysis Technique

For the purpose of the study all collected primary as well as secondary data are arranged, tabulated under various heads and them after disunities and statistical analysis have been carried out to enlighten the study.

In this way all the tools used in this study can be classified in to two categories.

Financial method

Statistical method

3.6.1 Financial tools

Financial tools basically help analyzed the financial strength and weakness of a firm. It helps to analysis the capital structure for the sake of analysis various financial tools were used. The basic tools used were ratio analysis. Beside it income and expenditure analysis and cash flow analysis have been used.

3.6.2 Liquidity Ratio

This ratio measures the adequacy of firm's cash resources to meet its near-term cash obligations. Short term lenders such as suppliers and creditors use liquidity analysis to assess the risk level and ability of a firm its current obligations. Satisfying these obligations. Requires the use of the cash resources available as of the balance sheet data and the cash to be generated through the operating cycle of the firm.

3.6.2.1 Cash reserve ratios

Deposit is one of the major liabilities of the commercial bank. Bank has to manage its liquidity meet depositors demand; this ratio measures the availability of the banks liquid or immediate fund to meet its unanticipated calls on all types of deposit. Total deposit includes current deposit saving fixed deposit, call short deposit, and other types of deposit.

$$\text{Cash reserve ratio} = \frac{\text{Cash and bank balance}}{\text{Total Deposit}}$$

3.6.2.2 Cash and Bank Balance to current assets ratios

Cash and bank balance are the liquid current assets. This ratio measures the percentage of liquidity fund with the current assets. Higher ratio indicates the banks sound ability to meet the daily cash requirement of their customers. Deposit. If bank maintain low ratio, bank may not able to make the payment of against cheque. So bank has to maintain cash and bank balance to current assets ratios property.

Cash and bank balance to current assets ratio = $\frac{\text{Cash and bank balance}}{\text{Current assets}}$

3.6.3.1 Assets management ratios

Assets management ratio measures the proportion of various assets and liabilities in balance sheet commercial bank should manage its assets and liabilities properly to earn profit assets management ratio measures its efficiency in performing assets. Following are the various assets management ratio, which measures the lending strength and effective use of assets.

3.6.3.2 Loan Advance to total deposit ratio.

The, main sours of banks landing is its deposit .This ratio is calculated to find out now successfully the banks are utilizing their deposits on loan and advances for profit generating activities. Greater ratio indicates better utilization of total deposits.

Loan and advances to total deposit ratios = $\frac{\text{Loan and advance}}{\text{Total deposit}}$

3.6.3.3 Interest spread rate.

The ratios measures the contribution made by investment in total loan and advances. The proportion between investments measures the management attitude towards risk assets and safety assets. Investment and loan and advances in whole do not provide the quality of assets that a bank has created. The low ratio indicates the mobilization of funds in safe3 area and vice versa.

Interest spread rate = $\frac{\text{interest income}}{\text{Loan and advance}} - \frac{\text{interest expenses}}{\text{Deposit}}$

3.6.3.4 Non- performing Assets to total Assets ratio

This ratio shows the relationship of non- performing assets and total assets and is to determine how efficient management has used the total assets. Higher ratio. Shows he low efficient operating of the credit management and lower ratio shows the more efficient operating of credit management.

Non- Performing assets to total assets ratio = $\frac{\text{Non - performing assets}}{TotalAssets}$

3.6.4 Profitability Ratio

This ratio shows the profitability conditions of the bank. Profit is essential for the survival of bank so it is regarded as the engine that drives the banking business and indicates economic progress. Profitability ratios are calculation to measure the management ability regarding .how well they have utilized there fund, lending is one of the major functions of bank so following are the various types of ratio, which should the contribution of loan and advances in profit and help to be investor whether to invert in particular firm or nor.

3.6.4.1 Net profit to gross income ratios

The ratios measures the position of profitability of the company to total income this shows the sound and weakness of the company to utilize its resources, higher ratio shows the higher efficiency of management and lower ratios shows the lower efficiency of the management. The formula of net profit to gross income ratio is.

$$\text{Net profit to gross income ratio} = \frac{\text{Net profit}}{\text{Gross income}}$$

3.6.4.2 Interest Income to total income ratio

The ratios measure the volume of interest income to total income. The high ratio indicated the banks performance on other fee- based activities. The high ratio indicates the high contribution made by lending and investing activities.

$$\text{Interest income to total income ratio} = \frac{\text{Interest income}}{\text{Total Income}}$$

3.6.4.3 Operating profit to loan and advances Ratio:

Operating profit to loan and advances ratio measure the earning capacity of commercial bank ,operating profit to loan and advances ratio is calculated by dividing operating profit by loan and advances.

$$\text{Operating profit to loan and advance ratio} = \frac{\textit{Operating profit}}{\textit{Loan and advance}}$$

3.6.4.4 Return on loan and advance ratio

This ratio measures the earning capacity of the commercial bank through it fund mobilization as loan and advances. Higher ratios indicated greater success to mobilize fund and loan and advances and vice versa. Mostly loan and advances includes cash, credit, bank overdraft, bills purchased and discounted.

Return on loan and advances = $\frac{Net\ \mathrm{Pr}\ ofit}{Loan\ and\ Advance}$

3.6.4.5 Net profit to total assets

This ratio shows the relationship of net profit and assets and is to determine how efficiently the total assets and it’s to determine how efficiently the total assets have been used by the management. This ratio indicates the ability of generating profit per rupees of total assets. It also evaluates the present return on the total assets as guide for return expected on future purchase of assets. Higher the ratio shows the more efficient operating of management and lower the ratio shows the low efficient operating of management. This ratio is computed by.

Net profit to total ratio = $\frac{\text{Net profit}}{\text{Total Assets}}$

3.6.4.6 Earning per share (EPS)

Earning per share measure the profit available to the cash equity holders It only measures the over all operational efficiency bank. It is profit the common share holders get for every share.

Earning per share = $\frac{\text{Profit after tax}}{\text{No o common share}}$

3.6.4.7 Price earning ratio

This ratio shows the relationship between earning per share and market value per share. This ratio measures the profitability of the firm. Higher ratio shows the higher efficiency of the management and lower ratio shows the lower efficiency of the management. The ratio is computed by.

Earning per share = $\frac{\text{Earning per share}}{Market\ value\ per\ share}$

3.6.5 Lending Efficiency Ratio.

This ratio is concerned with measuring the efficiency of bank. This also the utility of available fund. One following is the various types of lending efficiency ratio

3.6.5.1 Loan loss provision to total loan and Advance ratio

Loan loss provision to total loan and advance describes the quality assets that a bank holding. The provision for loan loss reflects the increasing profitability of non-performing loan. The provision of loan means the net profit of the banks will come down by such amount increase in loan loss provision decreases in profit result to decreases in dividends but its positive impact is that strengthens financial conditions of the bank by controlling the credit risk and reduced the risks related deposits . So it can said that loan suffer it only for short term while the good financial conditions and safety of loans will make banks prosperity regularly increasing profits for long term.

The low ratio indicates the good quality of assets in total volume of loan and advances high ratio indicates more risky assets in total volume of loan advances.

$$\text{Loan loss provision to total loan and advances} = \frac{\text{Loan loss prevision}}{\textit{Total loan and advances}}$$

3.6.5.2 Non- performing loan to total loan and advances

This ratio shows the relationship of non- performing loan and total loan and advances and is to determine how efficiently the total loan and advances have been used by management higher ratio shows the low efficient operating of the management and lower ratio shows the more efficient. Operating of credit management

$$\text{Non- performing loan to total loan and advances} = \frac{\text{Non - performing loan}}{\text{Total loan and advances}}$$

3.6.5.3 Interest Expenses to total deposit ratio

This ratio measure the percentage of total interest paid against total deposit. A high ratio indicates higher interned expenses on total deposit. Commercial banks are dependent up on its ability to generate cheaper fund. The cheaper fund had more the probability of generating loans advances and vice versa.

Non – performing loan to total loan and advances = $\frac{\text{Non - performing loan}}{\text{Total loan and advance}}$

3.6.5.4 Statistical Method

For supporting the study statistical tool such as mean, has been used under this.

I) Arithmetic Means (average)

Arithmetic mean also called 'the mean' or average as most popular and widely used measures of central tendency. Arithmetic mean represents the entire data by a single value. It provides the gist and given the birds' eye view of the huge mass of a widely numerical data. It is called as:

$$\bar{X} = \frac{1}{n}\sum_{i=1}^{n} X_i$$

Where, $\bar{X}$ = mean value or arithmetic mean

$\sum_{i=1}^{n} X_i$ = sum of observation

N = number of observation

II) Correlation coefficient ' r '

Correlation may be defined as the degree of liner relationship exiting between two or more variables. These variables are said to be correlated when the change in another variable. Correlation is categorized three types. They are simple, partial and multiple correlations, correlation my be positive, negative or zero. Correlation can be classified as linear or no-liner, here, we study simple correlation only. In simple correlation the effect of there is not included rather these are taken as constant considering them to have no serious effect on the dependent.

Formula:

$$r_{x_1x_2} = \frac{N\sum x_1x_2 - \left(\sum x_1\right)\left(\sum x_2\right)}{\sqrt{N\sum x_1^2 - \left(\sum x_1\right)^2}\sqrt{N\sum x_2^2 - \left(\sum x_2\right)^2}}$$

Where as, $r_{x_1x_2} =$ Correlation between x_1 and x_2.

$N \sum x_1x_2 =$ No. of product observation and sum of product x_1 and x_2.

$\sum x_1 \sum x_2 =$ Sum of product x_1 and sum of product x_2.

a) Coefficient of variation (C.V)

The coefficient of various is measures the relative measures of dispersion, hence capable to compare two variables independently in term of variability.

$$C.V = \frac{\sigma}{\bar{x}} \times 100$$

σ = Standard deviation

X = Sum of the observation

b) Probable Error:

The probable error of the coefficient of correlation helps in interpreting its value. With the help of probable error, it is possible to determine the reliability of the value of the coefficient in so far as it depends on the conditions of random sampling. The probable error of the coefficient of correlation is obtained as follows.

$$P.E = 0.6745 \frac{1 - r^2}{\sqrt{N}}$$

Here, r = Correlation coefficient

N = Number of pairs of observation

If the value of 'r' less than the probable error, there is no evidence do correlation, i.e., the value of 'r' is not at all significant. Then, if the value of 'r' is more than six times at the probable error, the coefficient of correlation is practically certain, i.e., the value of 'r' is significant.

III) Times series Analysis:

Time series is used to measure the change of financials, economical as well as commercial data. The least square method to trend analysis has been used in measuring the trend analysis. This method is widely used in practice. The straight line trend of a series of data is represented by the following formula.

$$y = a + bx$$

Here,

Y is the dependent variable, a is y intercept or value of y when x = 0, b is the slope of the trend line or amount of change that comes in y for a unit change in *x*.

CHAPTER-IV

DATA PRESENTATION AND ANALYSIS

In the chapter, the data collected from various sources have been analyzed and major findings of the study are presented systematically. Data have been analyzed according to the research methodology as mentioned in third chapter. The purpose of this chapter is to introduce the mechanics of data. Analysis and interpretation with the help of this analysis effort have been made to highlight credit management of Pashchimanchal Development Bank Ltd.

4.1 Analysis the portfolio of lending of given sectors.

A commercial bank must maintain the analyze of difference sector of lending loan. The paschimanchal development bank LTd had to distribute loan given sector on the study period. It is very important factors of bank's earning. The bank can goes in liquidation due to landing curiously so this bank focus given sectors.

Analysis the portfolio of lending of given sectors

Table no 1

Sectors	Years					Total	Per%
	2060	2061	2062	2063	2064		
Agriculture	28,59,723	1,23,66,374	2,53,80,522	5,16,84,439	8,79,88,356	18,02,79,414	17.83
Industry	1,07,28,000	2,66,04,283	3,10,54,389	3,56,91,098	5,45,34,859	15,86,12,629	15.69
Service	1,28,87,411	2,81,72,228	3,23,82,366	4,13,89,176	8,26,69,646	19,75,00,827	19.53
Land and housing	1,47,45,947	4,06,66,129	6,72,45,840	9,07,25,139	15,43,65,364	36,77,48,419	36.37
Trade loan	-	1,76,58,692	2,15,65,350	2,79,65,053	3,39,13,229	10,11,02,324	10
Fixed received loan	-	1,05,000	6,70,500	11,80,382	25,10,677	44,66,559	.44
Other	-	-	-	-	14,21,378	14,21,378	.144

Sources: Annual report of PDB

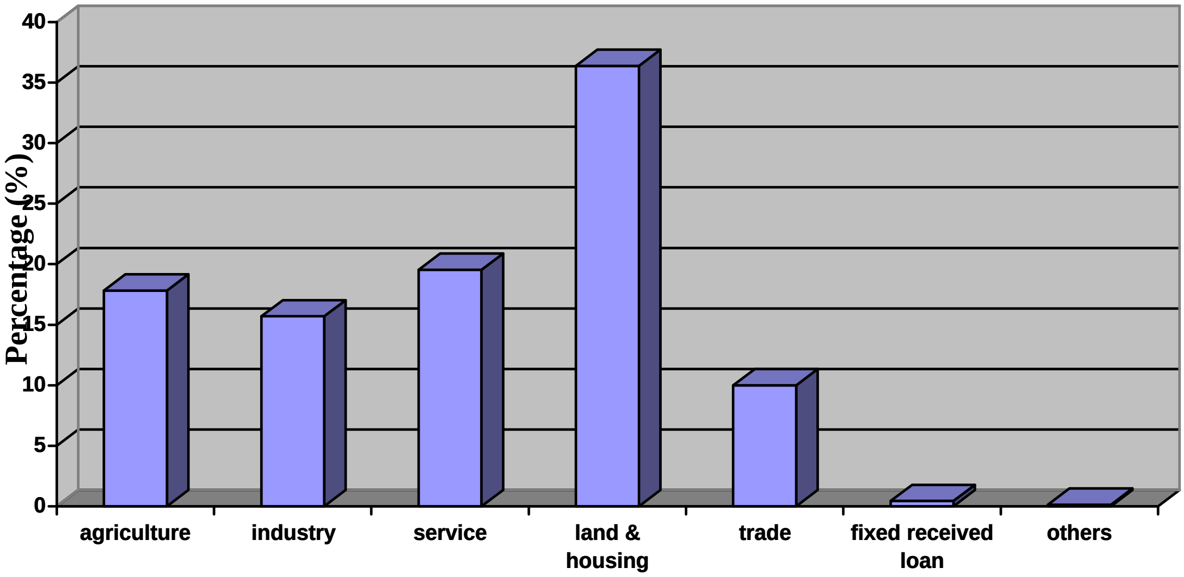


Figure no. 4.1

Table no shows that the PDB invested different sector in the study periods 2060-2064. in the study period in established year 2060 the bank invested only four sector. Of them highest invested in the land and housing sector Rs.14745947 and lowest invested sector in agriculture sector rs2859723. It shows the PDB give focus in land and housing sector.

In the year 2061. The PDB invested in six sectors to agriculture, industry service, land and housing, trade loan, fixed receive bill loan. Other sector. Given six sectors highest invested sector is land and housing loan Rs.40666129. lowest invested sector is fixed received hill loan. Rs1, 05,000.

In the year 2062. The bank invested in six sectors live 2061 years. These six sectors the highest invested sector is land and housing Rs.6, 72, 45,840. Lowest sector is fixed received hill loan Rs.6, 70,500.

In the year 2063. The bank invested in six sectors like 2061 years. There six sectors the highest invested sector is land and housing is Rs.9,07,25,139. The lowest invested sector is fixed received bill loan1, 180,383.

In the study last year 2064. The bank invested in seven sectors like agriculture industry, service land and housing trade and loan fixed receive bill loan, and others. In this tear highest invested in land and housing sector isRs.15, 43, 65,364 and lowest sector except others fixed received bill loan sector Rs 25, 10,677.

The portfolio of this bank in the study period 2060. to 2064 years . The bank main focus or invested in land and housing sector is Rs36,77,48,419. or 36.37%, Agriculture sectors is 17.83%, Industry sector 15.69% trade sector , 10% , fixed received bill loan sector 44% and other sector. 14% The bank 1 st invested sectors house land and housing sector. It in very risky invested sector. From this sector invested loan can not return in time. Because the land and housing loan is fixed assets loan. We can not sell then easily. It create economic crises in the banking sectors. IN second sector is service sector has 19.53% and third sector agriculture 17.83% and lowest sector except other sector fixed receive bill. Loan has 0.44%.

4.2 Measuring ,assets management and profitability of PDB

A commercial bank must maintain its satisfactory liquidity position to satisfy the credit needs to meet demands for deposit withdrawal, pay maturity obligation in time and convert non-cash assets into cash to satisfy immediate needs without loss to the bank and with out consequerd impact on long run profitability of the bank. To measure the liquidity position of the bank the following measures of liquidity ratio has been calculated and a brief of the same has been done as below.

4.2.1 Cash and Bank balance to total Deposit.

Cash and bank balance to total deposit ratio shows that percentage relation between cash and bank to total deposit. It means the liquid balance available in respect to total deposit of the bank where as the difference between the cash and bank balance to total deposit is said as the investment of the bank the reserves requirement below 10% of deposit liabilities is noted as fully liberalized, 10% to 15% as largely liberalized, 15% to 25% as practically repressed and above 25% as completely repressed, it is ranked by 3, 2, 1 and 0 respectively the ratio calculation are as follows.

Table 4.2

Cash and bank balance to total deposit

Years	Cash	Bank Balance	Total Deposit	Ratio (Times)
2060	521780	6215678	34902780	0.19
2061	1554078	19365812	127848267	0.16
2062	1130882	15400814	195003513	0.08
2063	2247004	53164314	263020642	0.21
2064	4108123	63280669	435546214	0.15
Mean				0.16

Source: Annual Report of PDB

Figure 4.2

Cash and balance

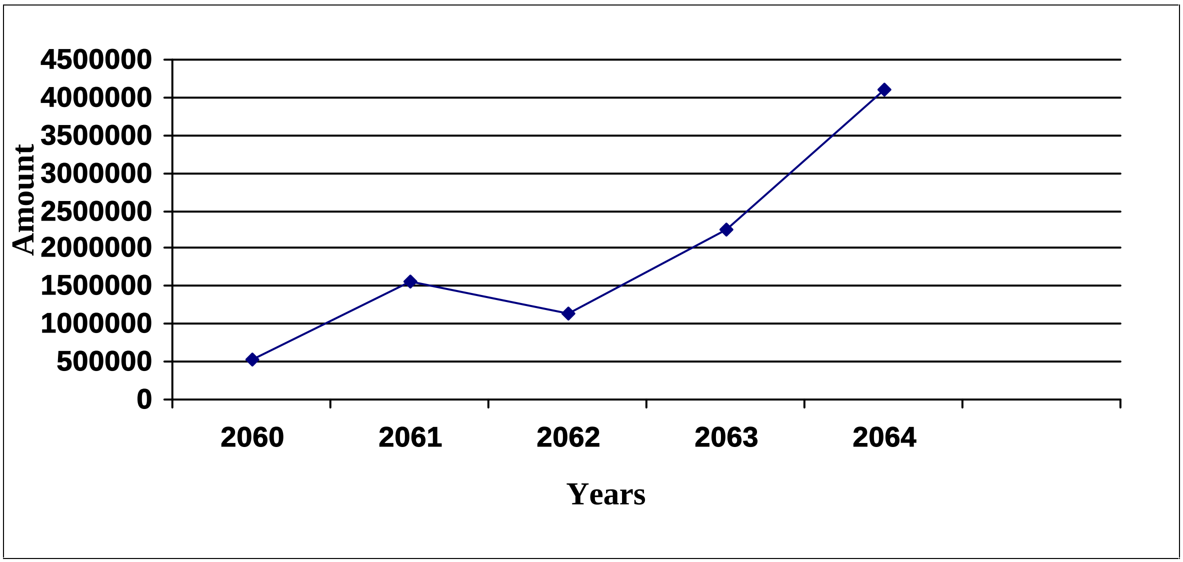
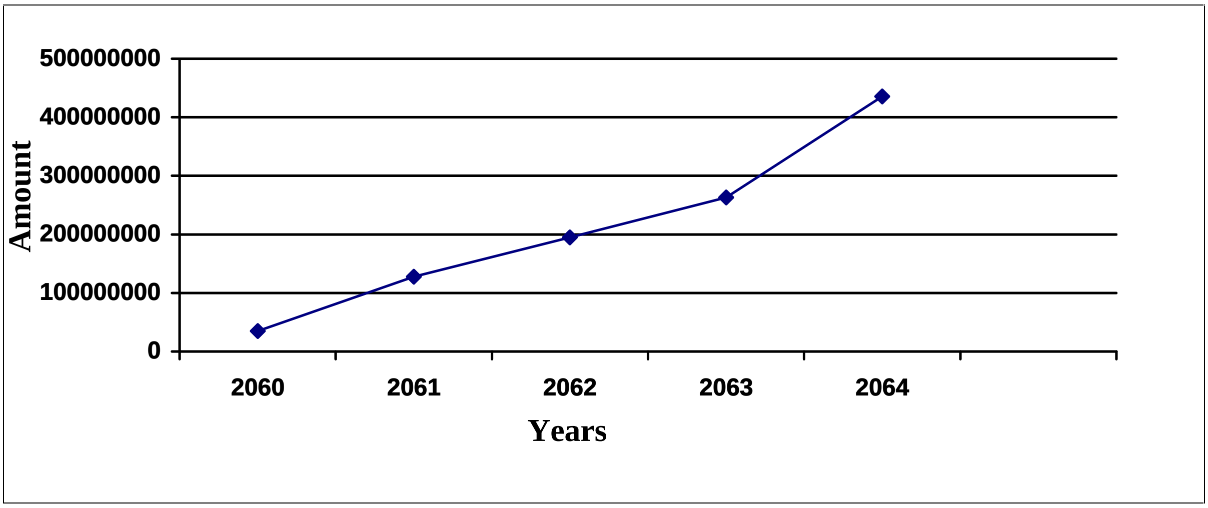


Figure 4.3

Total Deposit



Source: Annual report of PDB

Above figure and table shows the cash and bank balance total deposit ratio of PDB is in fluctuating trend. The highest ratio is 0.21 times on years 2063 and lowest ratio 0.08 times in 2062. The mean ratio is 0.16 in the study period. This means that the bank is able to maintain this ratio in the good liquidity position of the bank. Ratio is 0.21 times in year 2063. This shows that a high liquidity position of the bank ratios are 0.15, 0.16, 0.19

times in years 2064, 2061 and 2060. These show that liquidity position of the bank. There fore that credit management is in good position of PDB cash reserve ratio in years 2063, 21%, it is partially repressed, in year 2062 is 8% it is fully repressed, in your 2064 is 15%, it is largely liberalized in year 2061 is 16%, it is also largely liberalized and in 2060 is 19%, it is also largely liberalized, cash, bank balance and total deposit are presented in bar diagram as follows.

4.2.2 Cash and bank balance to current deposit ratio.

This ratio shows the relation between cash and bank balance to current deposit cash and bank balance is aggregate out come of deposit of customers plus other income and reserve of the bank. Bank is responsible to customer to payout upon demand of customers any time so it is very important factor. The ratio between cash and bank to current deposit are as follows.

$$\text{Cash and Bank balance to current deposit} = \frac{Cash \,\&\, Bank\ Balance}{Current\ Deposit}$$

Table 4.3

Cash and Bank Balance to current deposit Ratio;

Years	Cash	Bank Balance	Current Deposit	Cash and bank balance to current assets ratio (time)
2060	521780	6215678	34902780	0.19
2061	1554078	19365812	127848267	0.16
2062	1130882	15400814	195003513	0.08
2063	2247004	53164314	263020642	0.21
2064	4108123	63280669	435546214	0.15
Mean				0.16

Figure 4.4
Cash and balance
Sources: Annual report of PDB

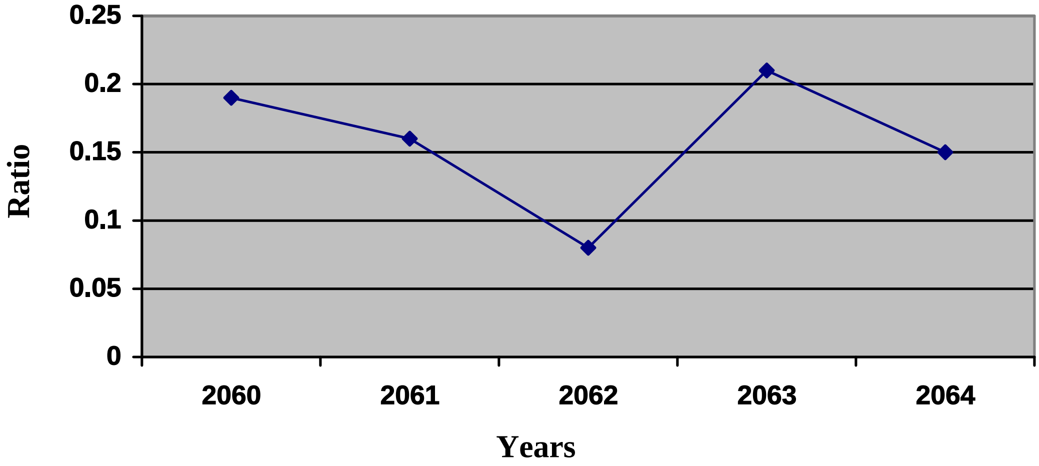
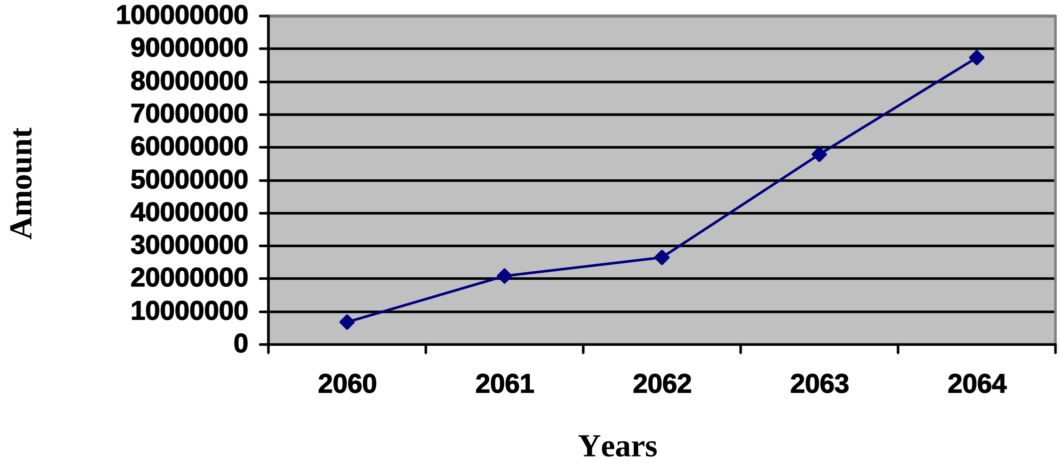


Figure 4.5

Cash and bank balance

Sources: Annual report of PDB



Above table and figure shows that the cash and bank balance to current assets ratio of PDB is in fluctuating trend. The highest ratio is 1 time in year 060 and lowest ratio 0.77 times in year 2064. The mean ratio is 0.87 times. This means that the bank's sound ability to meet the daily cash requirement of their customers deposit. Ratio is 1 time in year 060,061. This indicates the bank is in sound ability to meet the daily cash requirement of their customer's deposit. Ratio are 0.62, 0.96, 0.77 times in year 062,063 and 064 respectively; the bank may not be able to make the payment against cheque. Thus, credit management balance and current assets are presented in pie chart as follows:

4.2.3 Assets Management Ratio:

This ratio measures the efficiency of commercial banks generate sales in the fund mobilization. A commercial bank must be able to manage its assets property to earn high profit maintaining. The appropriate level of liquidity. Assets management ratio measures the efficiency of the bank. By the help of the following ratios asset management of PDB limited has been analyzed.

4.2.4 Loan and Advances to total deposit ratio:

This ratio measures the extent to which the bank is successful to manage its total deposit on loan and advances for the purpose of income generation. A high ratio indicates better mobilization of collected deposit and vice-versa. However, it should not be better from liquidity point of view.

Table 4.4

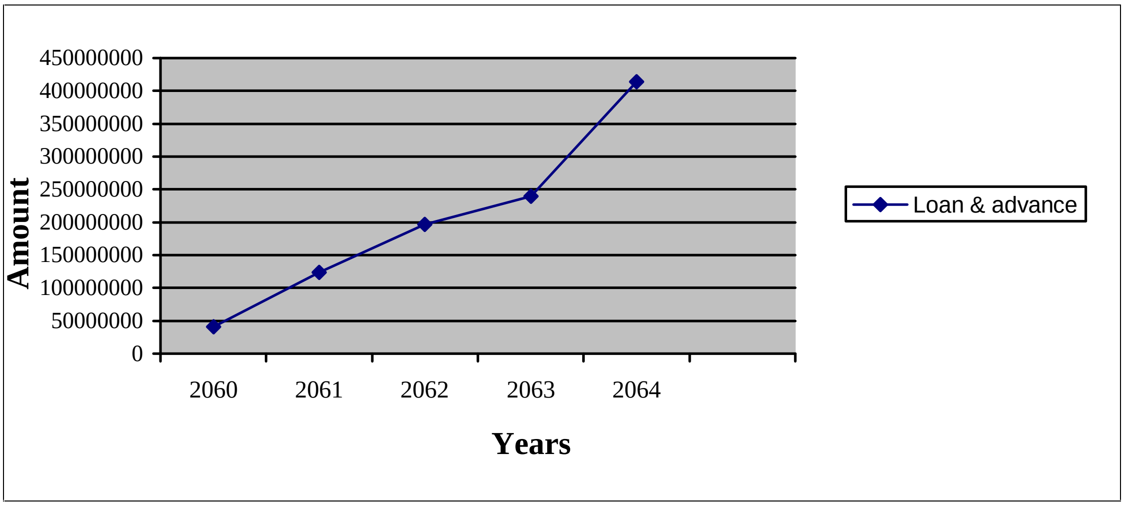
Loan and advances to total deposit ratio

Years	Loan and Advance	Total Deposit	Loan and advances to total deposit times
2060	40808870	34902780	1.16
2061	124152739	127848267	0.97
2062	196464489	195003513	1
2063	239863107	263020642	.91
2064	414340537	435546214	.95
Mean			.99

Sources: Annual report of PDB

Figure 4.6

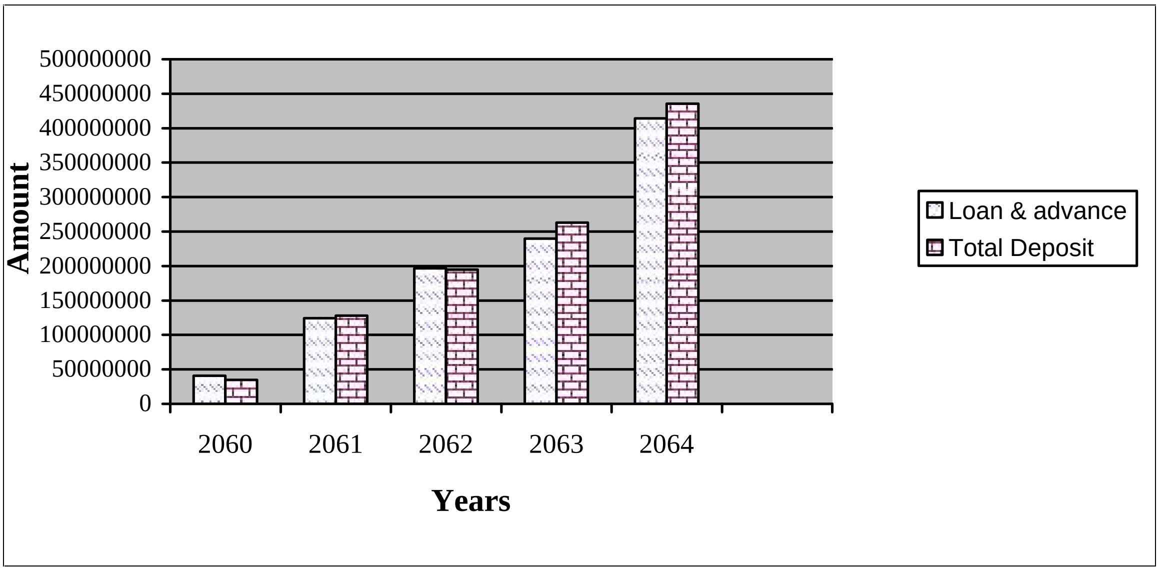
Loan and advances to total deposit ratio.



Above table and figure shows the total advance to total deposit ratio of PDB is in fluctuating trend. The highest ratio is 116% in year 2060 and lowest ratio 91% in year 2063. The mean ratio is 99.8% in the study period. This means that the bank is able to mobilization of collected deposit. According to NRB directives. Above 70% to 90% of loan and advances to total deposit ratio is able to better mobilization of collected deposit. So all of the years the bank has met the NRB above requirement or it has utilized its deposit to provide loan. Loan advances and total deposit are presented in bar diagram as follows.

Figure 4.7

Loan and advances to total deposit ratio.



Sources: Annual report of PDB

4.2.5 Loan and Advance to fixed deposit ratio's :

Credit and advances clearly sate that it is the assets of the bank and fixed deposit is the liability. It's also known as loan and advance ratio. So this is the ratio between assets and liability. This helps to so the ratio of loan and advances to fixed deposit. We can also conclude that what part of the credit of advances is initiated against fixed deposit.

Table 4.5

Loan and Advance to fixed deposit ratio

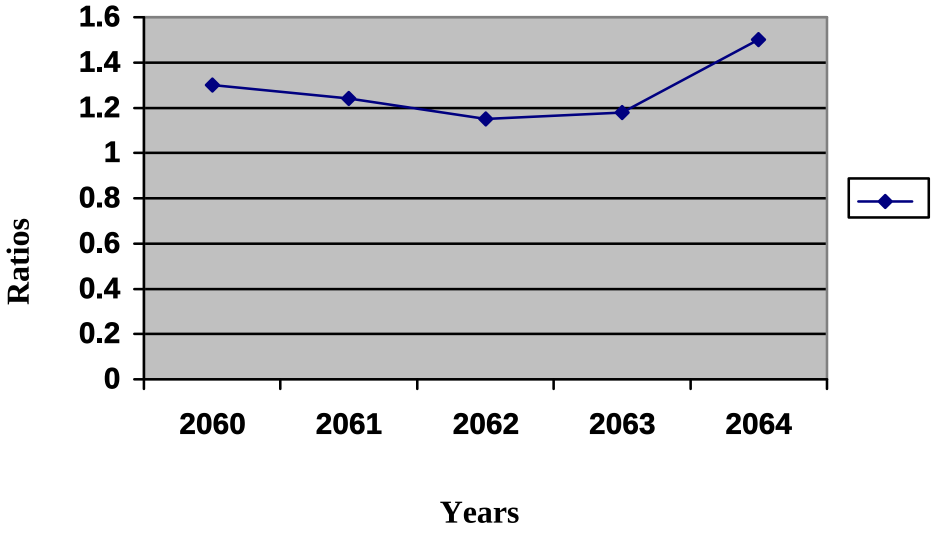
Years	Loan and Advance	Fixed Deposit	Ratio in times
2060	40808870	31302100	1.30
2061	124152739	100371483	1.24
2062	196464489	169587432	1.15
2063	239863107	201890219	1.18
2064	414340537	275630470	1.5
Mean			1.27

Sources: Annual report of PDB

From the above table it is visualized that loan and advances to fixed deposit ratio are increasing and decreasing trend in overall. The ratio of PDB in 2060 was 1.3 and decrease in year 2061, 1.24 after the ratio are decreasing trend i.e. 1.15 and 1.18 in the following year respectively. The mean average of PDB is 1.27 times at research period. Credit an advance to fixed deposit ratio is represented in figure as follows.

Figure no. 4.8

Loan and Advance to fixed deposit



4.2.6 Interest spread Rate:

The ratio measures the contribution made by investment in total loan and advances. The low ratio indicates the mobilization of fund in safe and vice-versa.

Table 4.6

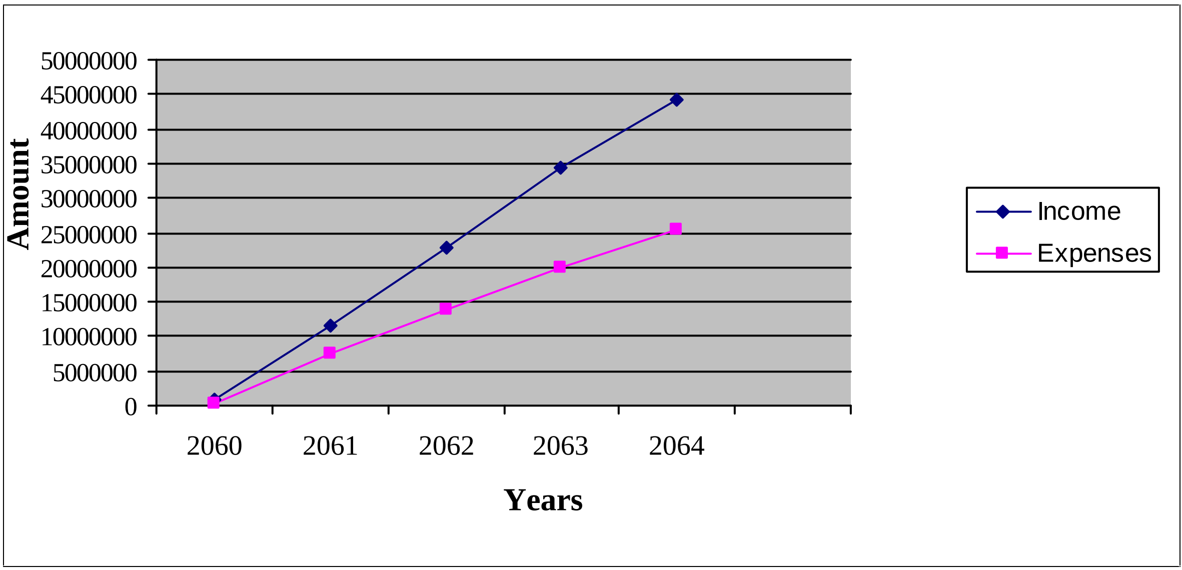
Interest spread rate

Years	Interest income	Interest expenses	Loan and Advance	Total Deposit	Loan and advances to total deposit ratio (in %)
2060	884645	342368	40808870	34902780	1.18%
2061	11697583	7384924	124152739	127848267	3.72%
2062	22964654	13770328	196464489	195003513	4.58%
2063	34518293	19924694	239863107	263020642	6.82%
2064	44199360	25455972	414340537	435546214	4.82%
Mean					3.27%

Sources: Annual report of PDB

Figure 4.9

Interest Spread rate



Above figure and table shows that the interest spread rate ratio of PDB is in fluctuating trend the highest ratio is 6.82% in year 2063 and lowest ratio 1.18% in year 2060. The mean ratio is 3.27 this indicates the mobilization of funds in the better area. Ratios are 3.72%, 4.58%, 4.82% in 2061, 2062 and 2064 respectively. There indicate the mobilization of funds in the better earning area. This indicates the mobilization of funds in safe area. Interest income, Interest expenses, Loan advances and deposit are represented figure as follows.

4.2.7 Non-perforating Assets to Total assets Ratio:

Lower the non-performing assets ratio is good and higher the ratio is bad. This ratio measures lending opportunity of the bank.

Table 4.7

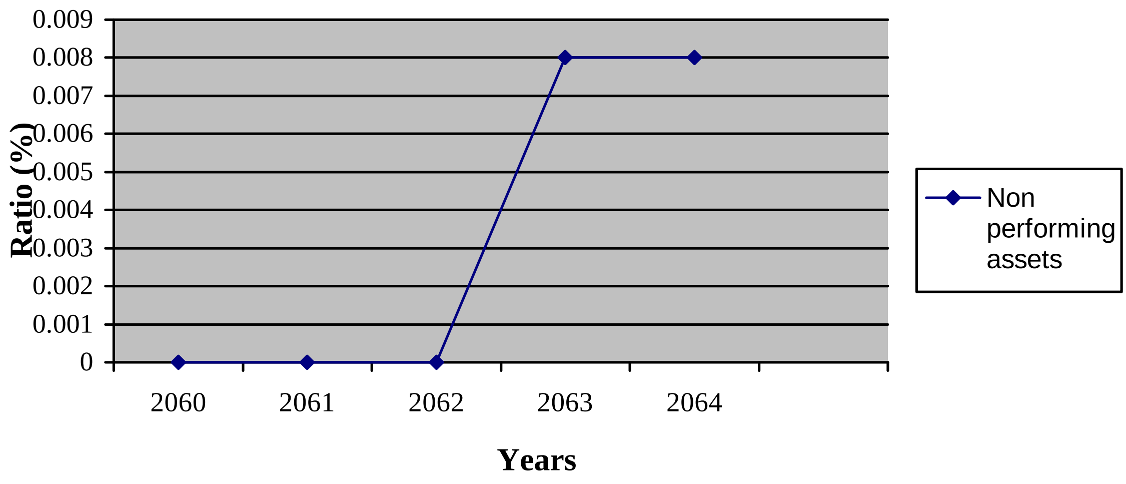
Non-forming assets to total assets ratio

Years	Non-performing assets	Total assets	Non performing assets to total assets ratio (%)
2060	-	9764197	-
2061	-	24757357	-
2062	-	33126033	-
2063	504123	63633796	0.008
2064	931277	117838281	0.008
Mean			00.32%

Sources: Annual report of PDB

Figure 4.10

Non performing assets to total assets ratio



Above table shows that the total non-performing assets to total assets ratio of PDB is in 1st 3 years nill. Another 2 years are equal, of there five years highest ratio is 0.008% year in year 2063 and 2064 and lowest ratio is 0 or Nill in year 2060, 2061, 2062. The mean ratio is 0.32%. The bank is able to obtain higher lending opportunity. These are able to obtain higher lending opportunity. Ratio is 0.008 in year 2063and 2064. This does not able to obtain higher lending efficiency there fore, credit management is in good position of the bank. According to direction of NRB to the commercial banks, the ratio of non-performing assets to total assets should be less than 5%, with referring to this table, PDB is able the level of non-performing assets as an adequate position, which is on an average of 0.32%. Non-performing assets to total assets ratio is represented in bar diagram as follows.

4.2.8 Leverage Ratio:

These Ratios are also called capital structure ratio or solvency ratio. This ratio indicates mix of funds provided by owners and lenders. As a general rule, there should be and appropriate mix of debt an owner's equity in financing the firm's assets. To judge the long-term financial position of the firm leverage ratios are calculated. This ratio highlights the long-term financial health debt servicing capacity and strength and weakness of the firm. Following ratios are included under this leverage ratio.

4.2.8.1 Total debt to equity ratio:

Total debt is the liability of the firm and it is payable toward its creditors. Debts include the value of deposits form customers, land and advances payable. Bills payable and other liabilities. Equity is the share capital and reserves of the firm. This ratio shows the companies in between total debts and equity.

Total Debts = Debentures and Bonds + Borrowings + deposits + Bill payable + proposed and undistributed Dividends + Income tax liabilities.

Total Equity = Share capital + Reserve and surplus.

Table No. 4.8

Total Debt to equity Ratio.

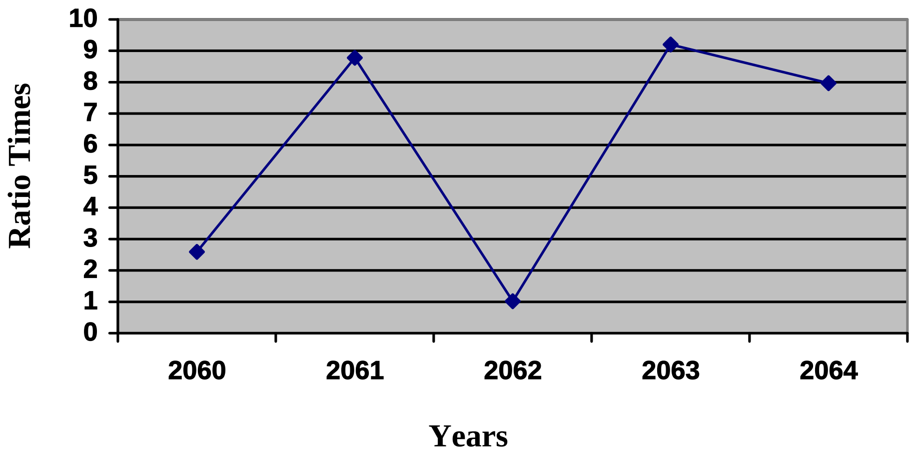
Years	Total debt	Total Equity	Ratio in times
2060	36502265	14070803	2.59
2061	133601748	15206448	8.78
2062	207354967	2029010393	1.02
2063	265244213	28705333	9.2
2064	454144619	56983522	7.97
Mean			5.91

Sources: Annual report of PDB

Above table show debt to total equity ratio is in fluctuating trend. The ratio is 2.59 times in the first 2060 years 8.78 in 2061. 1.02 in 2062, 9.2 in year 2063 and 7.97 in year 2064. The average mean ratio is 5.91 times. Excess amount of debt capital structure results heavy burden in payment of interest. Risk of liquidation increase if the debt cannot be repay in the time. High gearing ratios may provide high return to the equity share holder if the bank makes profit. Ratio is represented in figure as follow.

Figure. No. 4.11

Total Debt to equity



4.2.8.2 Total Debt to Total Assets:

A metric used to measure a company's financial risk by determining how much of the company's assets have been financed by debt. Calculated by adding short term and long term debt and ten dividing by the company's total assets. In general creditors' creditors prefer a low debt and owner prefer and high debt ratio in order to magnify their earning on one had and to maintain their concerned control over the firm on the other hand.

$$\text{Total debt to total Assets} = \frac{\textit{Total Debt}}{\textit{Total Assets}}$$

Table No. 4.9
Total Debts to Total Assets

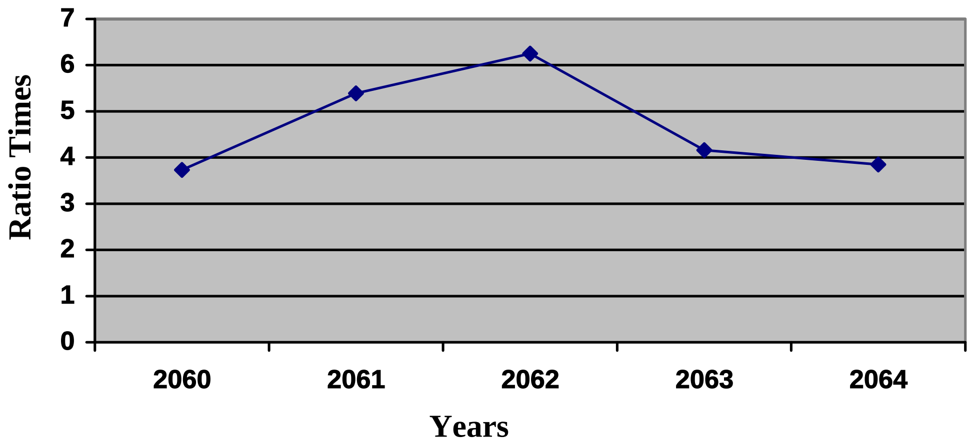
Years	Total Debt	Total Assets	Ratio in times
2060	36502265	9764197	3.73
2061	133601748	24757357	5.39
2062	207354967	33126033	6.25
2063	265244213	63633796	4.16
2064	454144619	117838281	3.85
Mean			4.6

Sources: Annual report of PDB

In above table the ratio is found as 3-73 times in 060 years, 5.39 in 061 year 6.25 in year 2062, 4.16 in year 2063 and 3.85 in year 2064. The average mean ratio in 5 years research period is 4.6 times it means almost 4.6 times of total assets is financed by the outsiders' founds. It is seen that there is much deviation in the ratio for five years study period. It means change in the policy on this ratio for the five years. Ratio is represented in figure a follows.

Figure 4.12

Total Debts to Total Assets



4.2.9 Profitability Ratio:

Profitability ratios are very helpful to measure the over all efficiency in operation of a financial institution. In the context of banks, no bank can survive without profit. Profit is one the major indicates or efficient operation of a bank. The banks acquire profit by providing different services to its customers or by providing loan and advances and making various kinds of investment opportunities. Profitability ratios measure the efficiency of bank. A higher profit ratio shows the higher efficiency of a bank the following ratios are calculated.

4.2.9.1 Net Profit to Gross Income Ratio:

The ratio measures the volume of gross income. The high ratio measure the higher efficiency of the bank lower ratio indicates the lower efficiency of the bank.

Table 4.10

Net Profit to gross Income Ratio:

Years	Net Profit	Gross Income	Net Profit to Gross Income Ratio (%)
2060	70,803	1645107	4.30
2061	1135646	4491656	25.28
2062	2731871	7454327	36.64
2063	5935518	8726151	18.26
2064	8278189	13962684	59.28
Mean			28.75

Sources: Annual report of PDB

Figure 4.13

Net Profit to gross income ratio

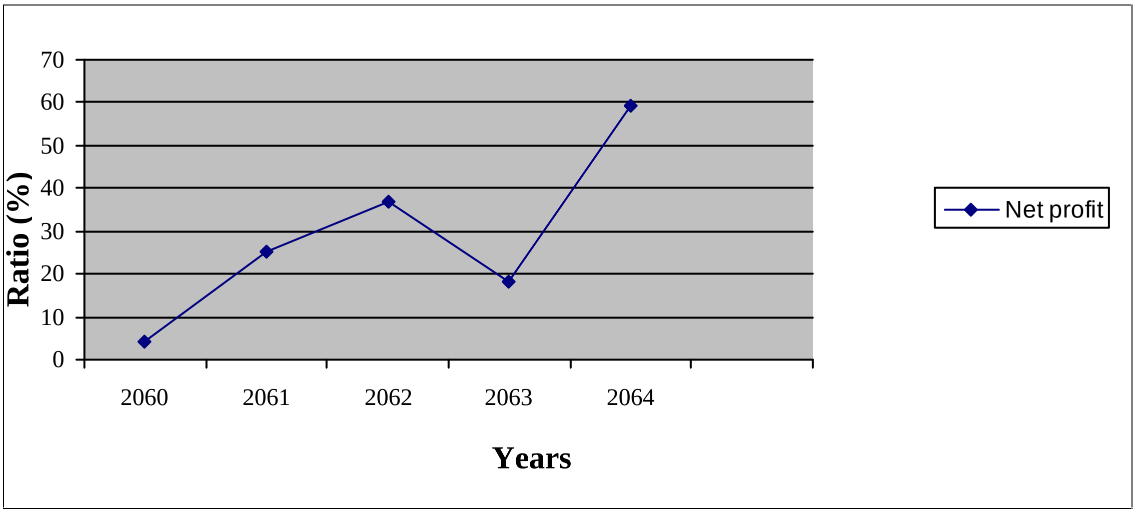


Table no 4.6 shows that the total net profit to gross income ratio of PDB is in increasing and decreasing trend. The highest ratio is 59.28% in year 2064 and lowest ratio 4.30% in year 2060. The mean ratio is 28.75%. The ratios are 25.28%, 36.64%, and 18.26% in year 2061, 2062 and 2063 respectively. These are able to obtain higher efficiency of the bank. Therefore, credit management is in good position of bank. Net profit to gross income ratio is represented in figure.

4.2.9.2 Interest Income to Total Income Ratio:

This ratio measures the volume of interest income to total income. The high ratio indicates the banks performance on other fee bare activities. The high ratio indicates the high contribution made by lending and investing activities.

Table 4.11

Interest Income to total Income Ratio

Years	Interest Income	Total Income	Ratio (Time)
2060	884645	1627763	0.54
2061	11697583	13542516	0.86
2062	25678630	28986705	0.88
2063	34518293	37304567	0.92
2064	44199360	49847473	0.88
Mean			0.82

Sources: Annual report of PDB

Figure 4.14

Interest income

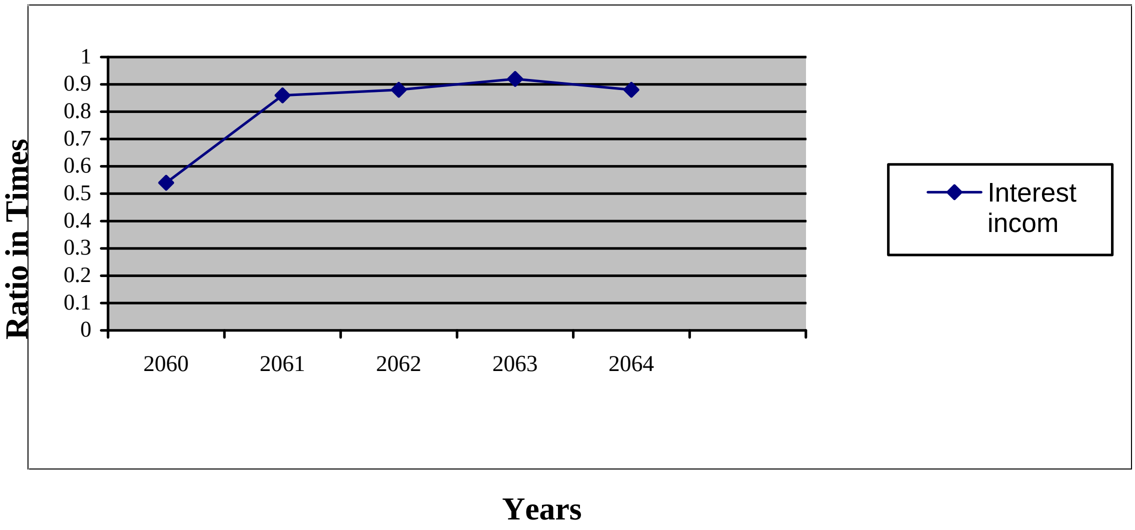


Table no. 4.7 shows that the interest income to total income ratio of PDB is in increasing trend. The ratios are 0.54, 0.86, 0.88, 0.92 and 0.88 times in financial year 2060, 2061, 2062, 2063 and 2064 respectively. The highest ratio is 0.92 times in year 2063 and lowest 0.54, in year 2060. The mean ratio is 0.82 times in the study period. The ratio indicates the high contribution made by lending and investing activities. The total interest income to total income is continuously increasing trend. Therefore, credit management is in a good position of the bank. Interest income and Total income are presented in figure as follows.

4.2.9.3 Operating Profit to Loan and Advance Ratio:

Operating profit to loan and advance ratio measures the earning capacity of commercial bank. Operating profit to loan and advance ratio is calculated by dividing profit by loan and advance.

$$\text{Operating profit to loan and advance ratio} = \frac{\textit{Operating Ratio}}{\textit{Loan and advance}}$$

Table 4.12

Operating profit to loan and advance ratio

Years	Operating profit	Loan and advance	Operating profit to loan and advances ratio (%)
2060	526508	40808870	1.3
2061	9880292	124152739	7.9

2062	8052609	196464489	4.1
2063	7884788	239863107	3.1
2064	13962684	414340537	3.4
Mean			3.96

Sources: Annual report of PDB

Figure 4.15

Operating profit to loan and advance ratio

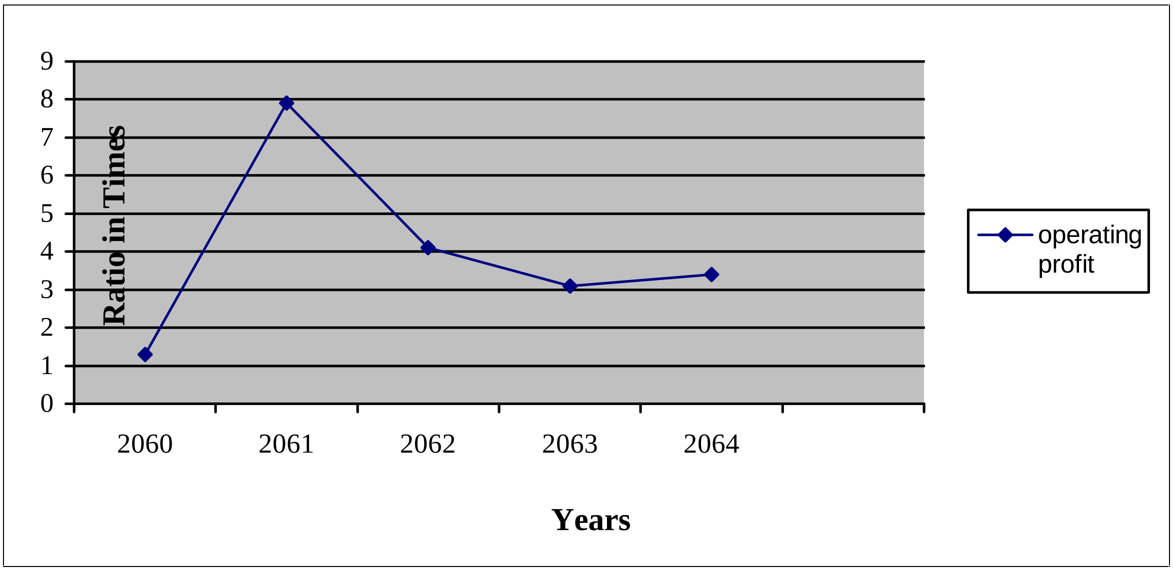


Table no 4.8 shows that the operating profit to loan and advances ratio of PDB is in fluctuating trend. The highest ratio is 7.9 in year 061 and lowest ratio 1.3% in year 060. The mean ratio over the period is 3.96%. This shows the better profitability position of the bank. Ratios are 4.1%, 3.1% and 3.4% in year 062, 063 and 064 respectively. These show the better profitability position of commercial bank. Ratio is 1.3% in year 060. It doesn't show the better profitability position of the bank in year 2060.

4.2.9.4 Total Income to Total Expenses Ratio:

Total income to total expenses ratio measures the productivity of expenses to generate income. The high ratio indicates the higher productivity of expenses.

Table 4.13

Total income to total expenses ratio

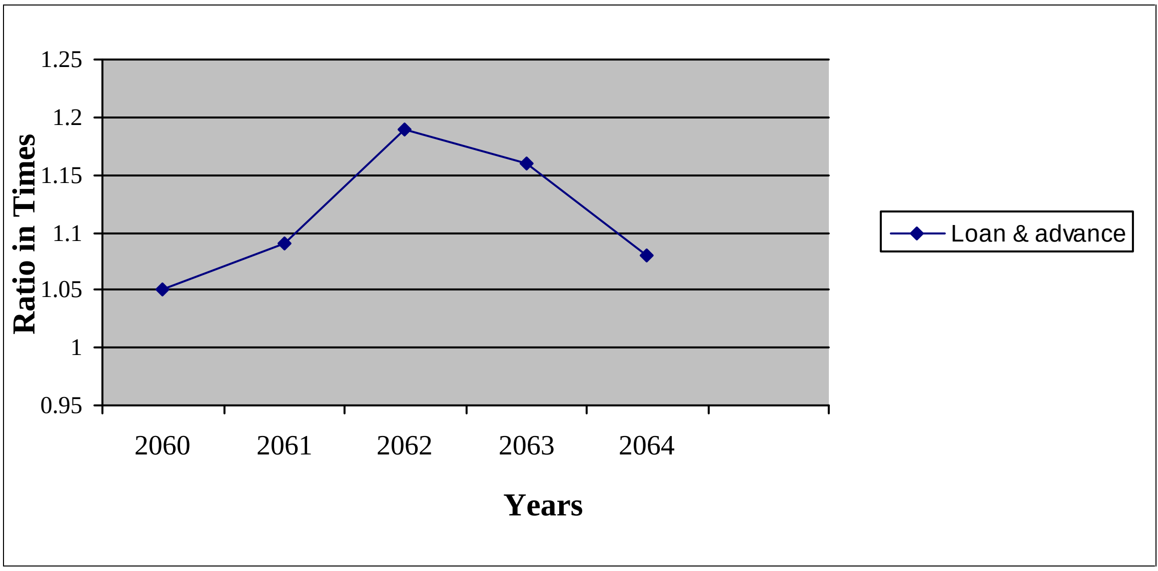
Years	Total Income	Total expenses	Total income to total expenses ratio (Time)
2060	1627763	1556960	1.05
2061	13542516	12406870	1.09
2062	17379873	14568570	1.19

2063	25931992	23199421	1.16
2064	243391501	224348802	1.08
Mean			1.114

Sources: Annual report of PDB

Figure 4.16

Total income to total expenses ratio



Above figure and table shows that the total income to total expenses ratio of PDB is fluctuating trend. The highest ratio is 1.19 times in year 2062 and lowest ratio 1.05 times in year 2060. The mean ratio is 1.114 times in the study period. This indicates that higher productivity of expenses. Ratios are 1.09 times and 1.16 times and 1.08 times in year 061, 063 and 064 respectively of expenses. These indicate the higher productivity of expenses.

4.2.9.5 Return On Loan and Advances Ratio:

This ratio measures the earning capacity of commercial banks through its fund mobilization as loan advance and vice-versa.

Table 4.14

Return on loan and Advances Ratio

Years	Net Profit	Loan and Advance	Return on loan and in Advances ratio (%)
2060	70,803	4,08,08,870	0.18%
2061	11,35,646	12,41,52,739	0.92%
2062	2731871	19,64,64,489	1.4%

2063	5935518	23,98,63,107	2.8%
2064	8278189	41,43,40,537	2.00%
Mean			1.46%

Sources of annual reports of PDB

Figure 4.17

Return on Loan and Advance Ratio

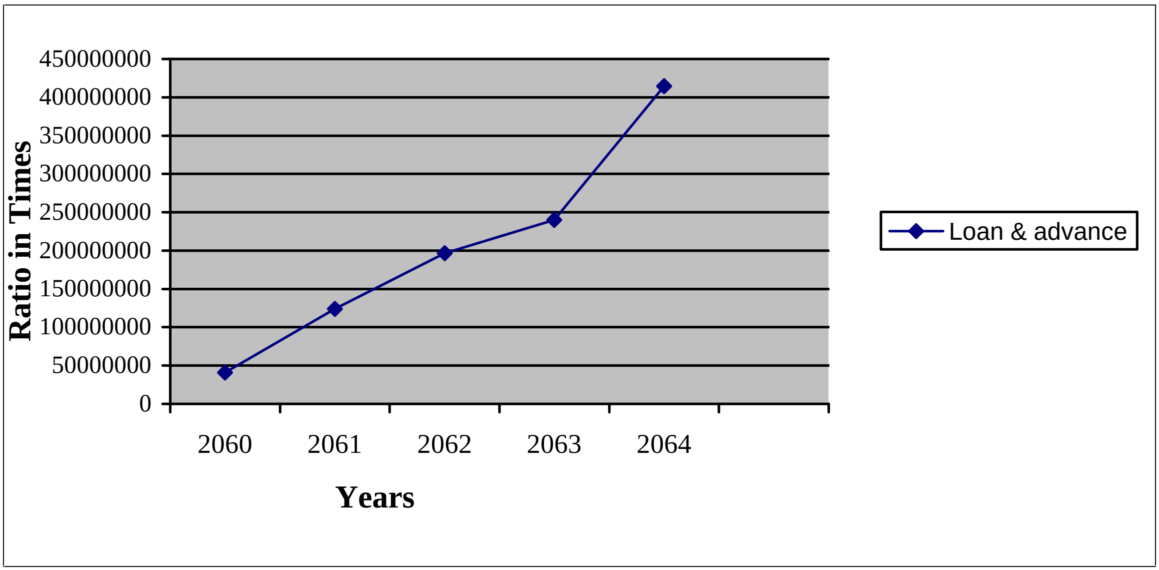


Table no. 4.10 shows that return on loan and advances ratio of PDB is in fluctuating trend. The higher ratio is 2.8% in year 063 and lowest ratio 0.18% in year 060.The mean ratio is 1.46 in the study periods .This shows the normal earning capacity of PDB in loan and advances. Ratios are 0.92%, 1.4%, and 2.00% in year 061,062 and respectively. There shows the normal earning capacity in loan and advances, Ratio are 0.18% and 2.00% in year 2060 and 2064 respectively. There do not show the normal earning capacity in loan and advances.

4.2.9.6 Earning per share:

It measures the profit available to equity shareholders on per share basis i.e. the amount they can get each share held. The objective of computing this ratio is to measure the profitability of the firm on per equity share basis. This ratio is computed by dividing the net profit after performance divided by the number of equity.

Table no.4.15

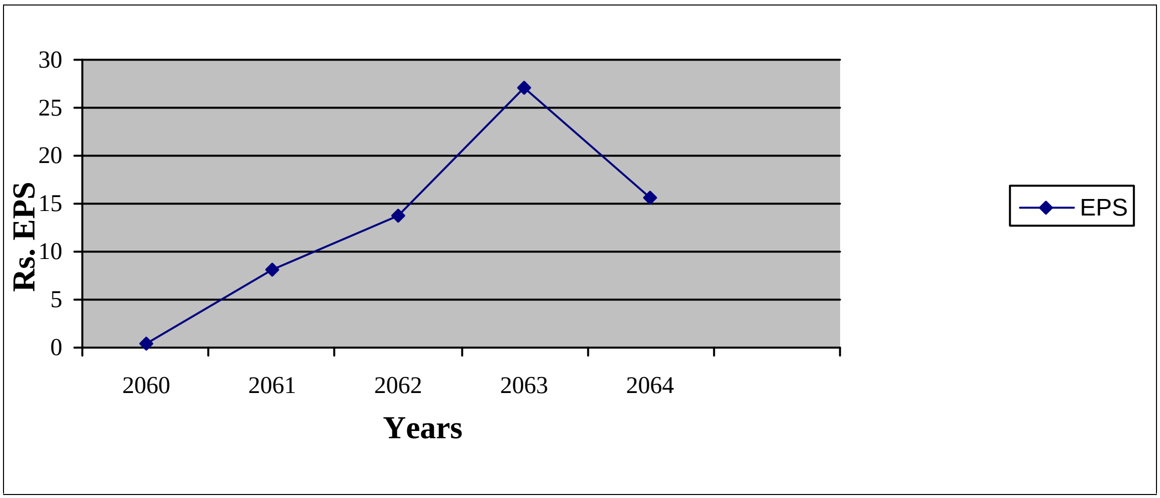
Earning per share

years	Net profit	No of equity shares	Earning per shares (Rs)
2060	70,803	1,40,000	0.51
2061	11,35,646	1,40,400	8.11
2062	27,31,871	200,000	13.66
2063	59,35,518	220,000	26.98
2064	82,78,189	5,25,000	15.77
mean			13.06(Rs)

Sources of annual reports of PDB

Figure 4.18

Earning per share



Sources: Annual report of PDB

Above table and figure shows that the earning per share of PDB is increasing trend. The highest EPS is Rs.26.98 in year and lowest EPS Rs .51 in years in year 2060 this is established year. The mean EPS of P.D.B is Rs. 13.06 in the study period. This shows the better profitability in the country last years. Earning per shares are Rs. 8.11,13.66 and 15.77 in year 2061,2062 and 2064 respectively; there mean that the better profitability in the coming last years. EPS are Rs. 0.51 and is. 15.77 In year 2061 and 2064 respectively; these means that the banks don't have good profitability position. But in over all profitability is in good position.

4.2.9.7 Price earning Ratio:

Price earning ratio measures the profitability of the firm. Higher profitability of the firm lower profitability of the firm

Table: 4.16

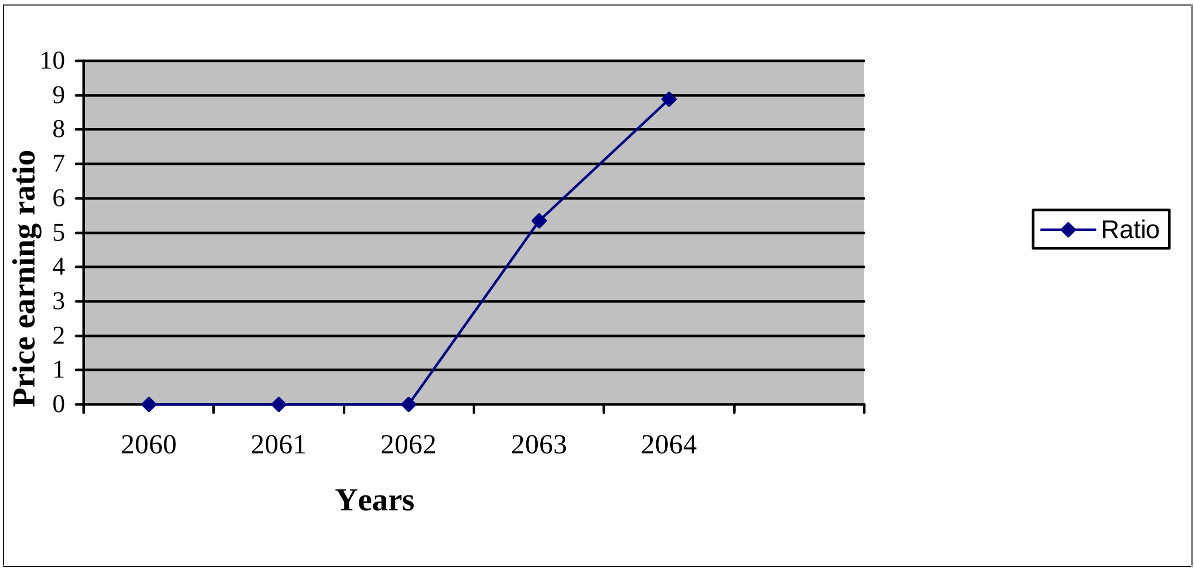
Price Earning Ratio

Years	Market price per share	Earning per share	Price earning ratio (times)
2060	0	0.51	0
2061	0	8.11	0
2062	0	13.66	0
2063	142	26.55	5.35
2064	140	15.77	8088
Mean			2.85 times

Sources of annual reports of PDB

Figure 4.19

Price earning ratio



Above the table shows that price that price earning ratio earning ratio earning ratio earning ratio earning of PDB is in increasing trend except year 060, 061 and 062 years. There years the bank established in 2060 so that it is affected. But another 2 years 063 ratio is 5.35 and 064 ratio 8.88 times of the year 064 (8.88) times is highest ratio and 063 years is 5.35 is medium ratio. The mean ratio of the study periods is 2.85 times. The ratios of 5.35 and 8.88 times are highest ratio than but years 2060, 2061, 2062 are zero ratio so it is seen low profitability of the bank. In overall profitability position of the bank is satisfactory in last year.

4.3 Lending Efficiency Ratio:

Lending efficiency indicated the how properly or efficiently use the assets and funds. The efficiency of firm depends largely on the efficiency with which its assets are managed and utilized. This ratio is concerned with measuring the efficiency of bank. This ratio also shows the utility to available fund. The following are the various types of lending efficiency ratio.

4.3.1 Loan Loss Provision To Total Loan and Advances:

Loan loss provision to total loan and advances describes the quality of assets that a bank holding. The amount of loan loss provision in balance sheet refers to general loan loss provision. The provision for loan the provision for loan reflects the increasing probability of non-performing loan. The provision of loan means the profit of the banks will come down by such amount. Increase in loan loss provisions decreases in profit result to decrease in dividends but its positive impact is that strength financial conditions of the banks by controlling the credit risk and reduced risks related to deposits. Therefore, it can be said that banks suffer it only for short-term loan while the good financial conditions and safely of loans will make bank's prosperity resulting increasing profit for long term loan loss provision is not more than 1.25% of risk bearing assets.

Table No. 4.17

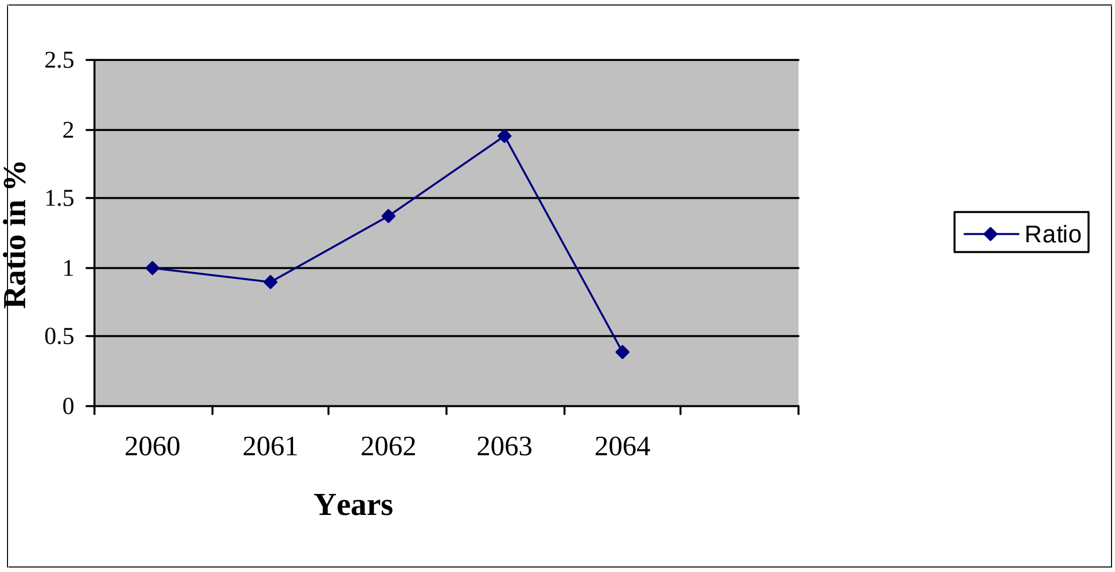
Loan loss provision to total loan and Advance ratio

Years	Loan loss provision	Loan & advances	Loan loss provision to loan and advance ratio (%)
2060	412210	40808870	1
2061	1109655	124152739	0.9
2062	2719588	196464489	1.38
2063	4698765	239863107	1.45
2064	1599845	414340537	0.39
Mean			1.13

Sources of annual reports of PDB

Figure 4.20

Loan loss provision to total loan and Advance



Above the table shows that loan loss provision to total loan and advances ratio of PDB is in fluctuating trend. The highest ratio is 1.95% in year 2063 and lowest ratio 0.39% in year 064. The mean ratio of the study period is 1.13%. This shows that good quality to assets in total volume of loan and advances. Ratios are 1%, 0.9% and 1.38% in year 060, 061 and 062 respectively. There indicate the good quality of assets in total volume of loan and advances. Ratios are 1.38% and 1.95% in year 062 and 063 respectively. This indicates that more risky assets in total volume of loan advances. So, in all of the year the bank has met the NRB requirement.

4.3.2 Interest Expenses To Total Deposit Ratio:

The ratio measures the percentage of total interest against total deposit commercial banks is dependent upon its ability to generate cheaper fund. The cheaper fund has more the probability of generating loan and advances and vice-versa.

Table 4.18

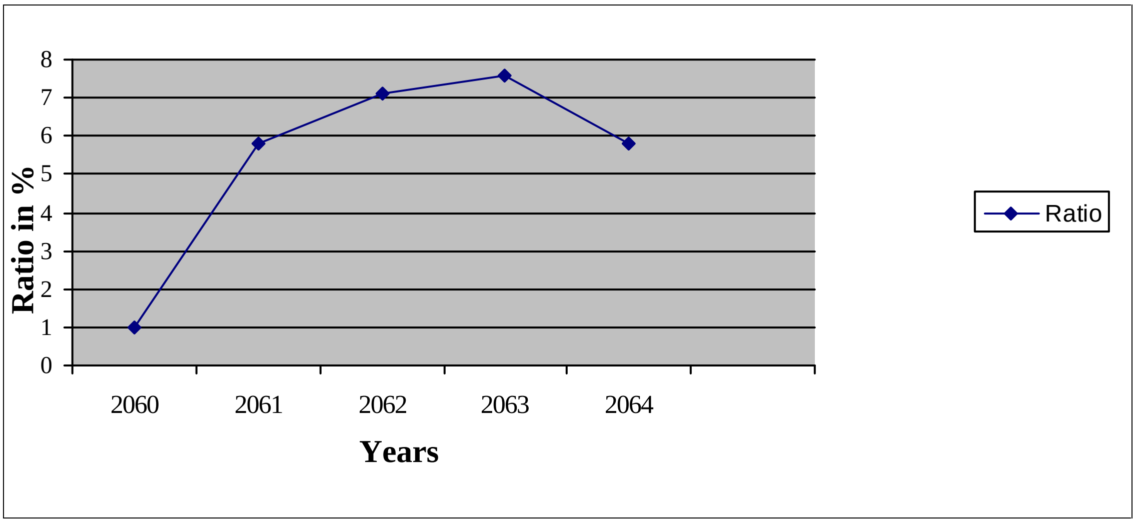
Interest Expenses to total Deposit ratio

Years	Interest Expenses	Total deposit	Interest expenses to total deposit ratio (%)
2060	342368	34902780	.98
2061	7384934	127848267	5.78
2062	13770328	195003513	7.1
2063	19924694	263020642	7.56
2064	25455972	435546214	5.8
Mean			5.44

Sources of annual reports of PDB

Figure 4.21

Interest Expenses to total Deposit ratio



Sources: Annual report of PDB

Above table shows that interest expenses to total deposit ratio of PDB is in fluctuating trend. The highest ratio is 7.56% in the year2063 and lowest ratio is 0.98% in year 2060. From mean point of view, interest expenses to total deposit ratio of PDB is 5.44% during the study period. That this ratio does not indicate highest interest expenses on total deposit commercial banks are dependent upon its ability to generate cheaper fund ratios are 5.78% 7.1% and 5.8% in year 061, 062 and 064 respectively. These indicate that higher interest expenses on total deposit than in average. Ratios are 98%, 5.78% and 5.8% in year 2060, 2061 and 2064 respectively. These do not indicate that the higher interest expenses on total deposit.

4.3.3 Non-performing loan to total loan and advances ratio.

Higher ratio shows the low efficient operating of the management and lower ratio shows the more efficient operating of credit management.

Table no: 4.19

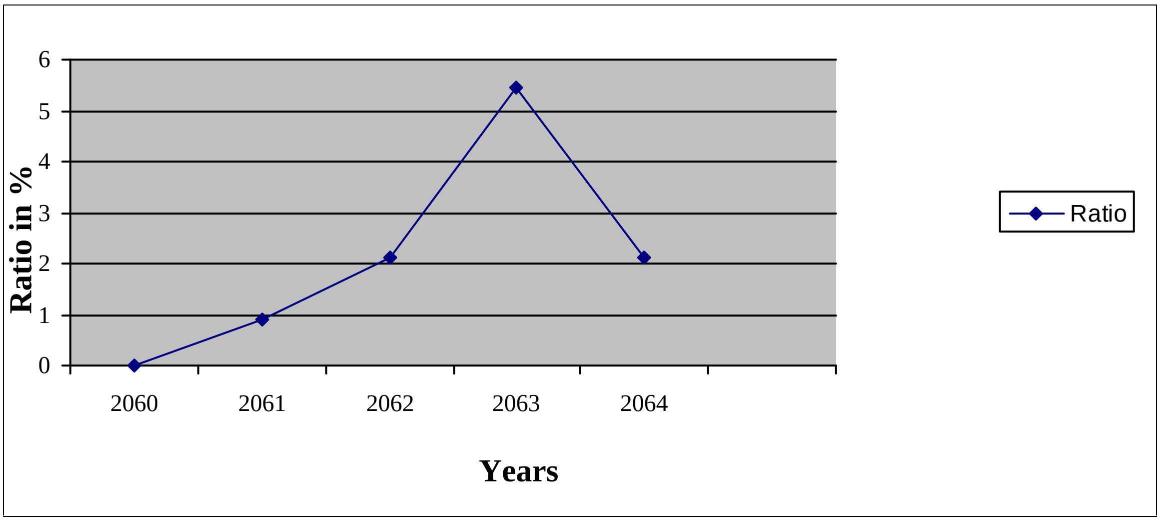
Non-performing loan to loan and advance.

Years	Non performing advances	Loan & advances	None performing to loan and advance ratio (%)
2060	0	40808870	0
2061	1104959	124152739	0.89
2062	4165047	196464489	2.12
2063	13096525	239863107	5.46
2064	8825453	414340537	2.13
Mean			2.12

Sources of annual reports of PDB

Figure 4.22

Non performing loan to total loan and advance



Above figure and table shows that non-performing loan to total and advancers ratio of PDB is decreasing trend the highest ratio of PDB is decreasing trend. the highest ratio 5.46% in year 2063 and lowest ratio .00% in year 2060 in year 2060 from mean point of view non-performing loan to total loan and advance ratio of PDB is 2012% during the study period . This ratio indicates the less operating of management. Ratios are operating of credit management. Ratios are 0.89%, 2.12%, 2.13% in year 2061, 2062, and 2064 respectively .these ratios indicate he lower efficient operating of credit management. Ratios are 00 and 0.89% in year 2060 and 2061 respectively. These ratios indicates the higher efficient of credit management I, overall credit management is satisfactory position. Non-performing loan and loan and loan advancers are represented in figure as follows.

4.4 correlation and coefficient between sectors and others statistical analysis

a) Correlation coefficient

Correlation coefficient is used to define the relationship between two or more variable coefficient of correlation has been studies to find out whether the two available variables are inter-correlated or not. If the two variables are inter-correlated or not if the two variables are inter-correlated otherwise not. Now to find out the correlation coefficient between total lending and total assets, the widely used method of Karl parson's coefficient of correlation has been adopted.

Coefficient of correlation (r)= $\dfrac{N\sum xy - \sum x \sum y}{\sqrt{N\sum x^2 - \left(\sum x\right)^2}\sqrt{N\sum y^2 - \left(\sum y\right)^2}}$

Here,

N= number of pairs of x and y observed

x = values of credit and advances

y = values of total assets

r = Karl Pearson's coefficient of correlation

b) Probable error:

It is a method to determine the reliability of the value of Pearson's coefficient of correlations. It helps in interesting the value of coefficient of correlation. If "r" is the calculated correlation coefficient in a sample of n pairs of observation. Then its standard error usually denoted by S.E and is given by

S.E(r) = $\dfrac{1-r^2}{\sqrt{N}}$

Probable error of the coefficient of correlation can also be calculated from S.E of the coefficient of correlation by the following formula.

Probable error (p.e) =0.6745× $\dfrac{1-r^2}{\sqrt{N}}$

Where r = coefficient of correlation

N= no of observation

The probable error is used to text whether the calculated value of correlation significant or not if r<6×P.E(R) ,then the value of r is not significant if r>(6×P.E.(r), then the value of r is not significant in this course of study, correlation coefficient and probable error is used to measure sample the relationship between.

- Total credit and total assets
- Loan and advance and total deposit

A] Loan and advance (total credit) to total deposits.

Table No. 4.20

Correlation coefficient between loan and advance to total deposit

Amount (in 000000)

Years	Total credit(x)	Total assets(y)	x^2	y^2	xy
2060	40.80	34.90	1664.64	1218.01	1423.92
2061	124.15	127.84	15413.22	16343.06	169279.34
2062	196.46	195.00	38596.53	38025	38309.7
2063	239.86	263.02	57532.81	69079.52	63087.97
2064	414.34	435.54	171677.63	189695.09	180461.64
N=5	$\sum x = 1015.55$	$\sum y = 1056.3$	$\sum x^2 = 284884.83$	$\sum y^2 = 314460.68$	$\sum xy = 452562.57$

Here, N =5, $\sum x$= 1015.55, $\sum y$=1056.3, $\sum x^2$ =284884.83, $\sum y^2$ =314460.68, $\sum xy$ =452562.57

Now, coefficient of correlation(r) = $\dfrac{N\sum xy - (\sum x)(\sum y)}{\sqrt{N\sum x^2 - (\sum x)^2}\sqrt{N\sum y^2 - (\sum y)^2}}$

$$r = \frac{5 \times 452562.57 - 1015.55 \times 1056.3}{\sqrt{5 \times 28488.83 - (1015 - 55)^2} \times \sqrt{5 \times 314460.68 - (1056)^2}}$$

$$= \frac{2262812.85 - 187275.46}{\sqrt{1424424.15 - 1031341.80}\sqrt{15723034 - 1115769.69}}$$

$$= \frac{39008.39}{393082.35 \times \sqrt{456533.71}}$$

$$= \frac{390087.39}{626.96 \times 675.672}$$

$$= 0.920$$

Computation of probable error (P.E)

$$(\text{P.E}) = 0.6745 \times \frac{1-r^2}{\sqrt{N}}$$

$$= 0.6745 \times \frac{1-0.920}{\sqrt{5}}$$

$$= \frac{0.6745 \times 0.08}{2.236}$$

$$= 0.024$$

Now P.E = 6×0.024 = 0.144

Since ‘r’ is more than 6×P.E the coefficient of correlation is considered as significant. There is high degree of positive correlation between loan and advances to total deposits. It seems increasing amount in deposit will helps to increasing loan and advance and vice-versa

B] Total credit and total assets:

Table No: 4.21

Correlation coefficient between total credit and total assets of PDB

Amount (in 000000)

Years	Total credit(x)	Total assets(y)	x^2	y^2	xy
2060	40.80	50.57	1664.32	2557.32	2063.25
2061	124.15	148.80	15413.22	22141.44	18473.52
2062	196.46	228.56	38596.53	52239.67	44902.89
2063	239.86	303.49	57532.81	92106.18	72795.11
2064	414.34	525.17	1711677.63	275803.52	217598.93
N=5	$x = 1015.55$	$y = 1256.59$	$x^2 = 284884.5$	$y^2 = 444848.13$	$xy = 355833.7$

Sources of annual reports of PDB

Here, N= 5, x = 1015.55, x=1256.59, x^2 = 24884.51

y^2 = 444848.13, xy = 355833.7

Now, coefficient of correlation (r) = $\dfrac{N\Sigma xy - (\Sigma x)(\Sigma y)}{\sqrt{N\Sigma x^2 - (\Sigma x)^2}\sqrt{N\Sigma y^2 - (\Sigma y)^2}}$

$$= \frac{5 \times 355833.7 - 1015.55 \times 1256.59}{\sqrt{5 \times 284884.5 - 1031341.8}\sqrt{2224240.65 - 1579018.42}}$$

$$= \frac{503038.53}{626.9 \times 803.25}$$

= 0.998

It seems the correlation between total credit and total assets is high degree of positive correlation.

Computation of probable Error (P.E)

$$\text{P.E} = 0.6745 \times \frac{1 - r^2}{\sqrt{n}}$$

We have, r = 0.998 and n=5

$$\text{Then P.E} = 0.6745 \times \frac{1 - 0.998^2}{\sqrt{n}}$$

$$= \frac{0.003996}{2.236}$$

= 00.178

Since, ‘r’ is more than 6×PE the coefficient of correlation as significant. In other words, the total credit and advance are significant correlated to total asset of PDB ltd in the study of 2060 to 2064.

(c) Trend analysis:

Here, trend analysis of total deposits and loan advancers is projected for the five years. The behaviors of given variable in series of time. This trend analysis is carried out to see average performance of the banks for next five years.

Trend analysis is based on some assumption.

- The bank will run in present condition.
- The economy will remain in present stage.
- NRB will not change its guidelines to commercial banks.
- All the other things will remain unchanged.

I) Trend analysis of total deposit.

Deposits are the important part in banking sector hence its trend for next five years will be for carted for future analysis. This id calculated by the least square method

$Y = a + bx$

Where, y = dependent variable, a = y - intercept

B = slope of trend line or annual growth rate

X = deviation from some convenient time periods

Table no.4.22

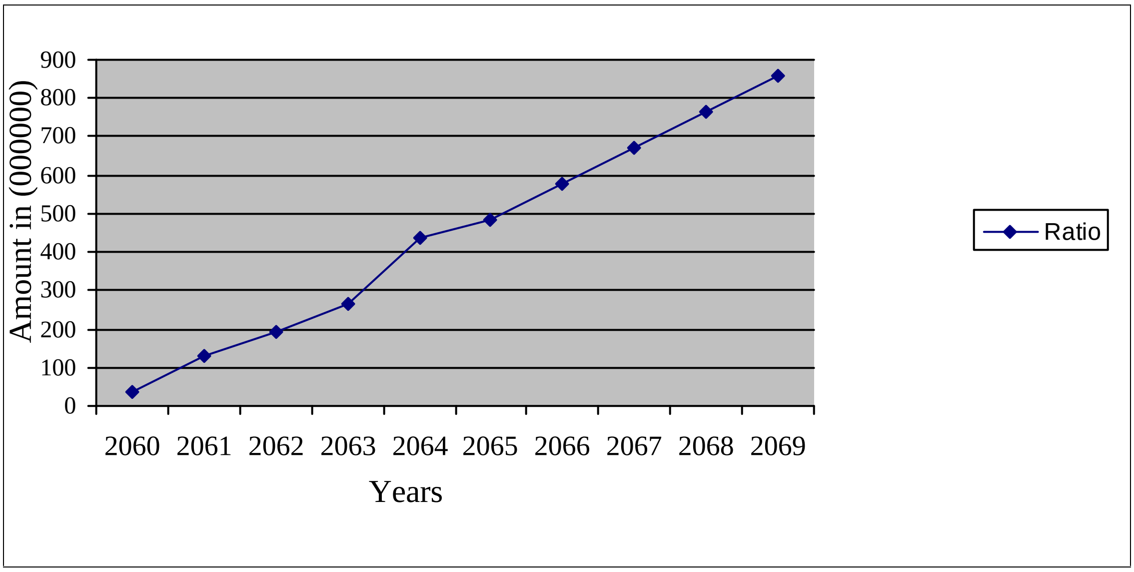
Trend of total deposit

Years	Total deposit in (1000000)
2060	34.90
2061	127.84
2062	195
2063	263.02
2064	435.54
2065	482.146
2066	575.83
2067	669.52
2068	763.21
2069	856.91

Source annual report of PDB

Figure 4.23

Trend of total deposits



The following graph helps to show the trend lines deposit for the projected five years the equation y = - 80+93.69*x*

(ii) **Trend analysis of total loan advance (credit)**

Trend analysis of total loan advance

Table no.4.23

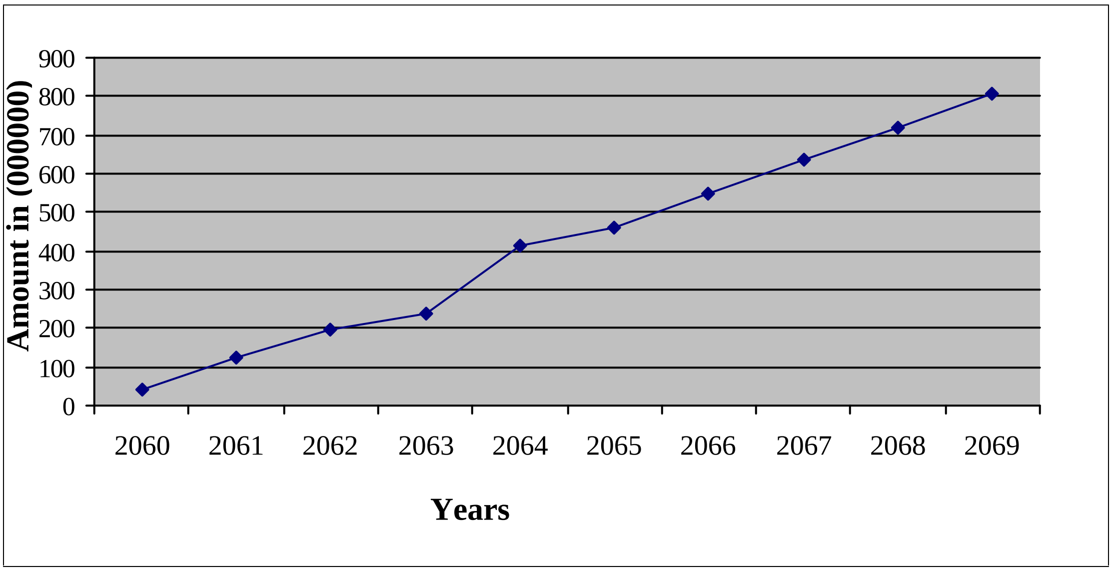
Amount (in 000000)

Years	Total credit
2060	40.80
2061	124.15
2062	196.46
2063	239.86
2064	414.34
2065	461.97
2066	548.25
2067	634.53
2068	720.81
2069	807.09

Sources: Annual report of PDB

Figure 4.24

Trend analysis of total loan advance



The following graph helps to shows the trend lines of loan and advance for the projected five years.

The equation is y=-55.71+86.28x

Trend analysis of total loan and advancer

(iii) Trend analysis of total assets

Table no.4.2446

Trend analysis of total assets

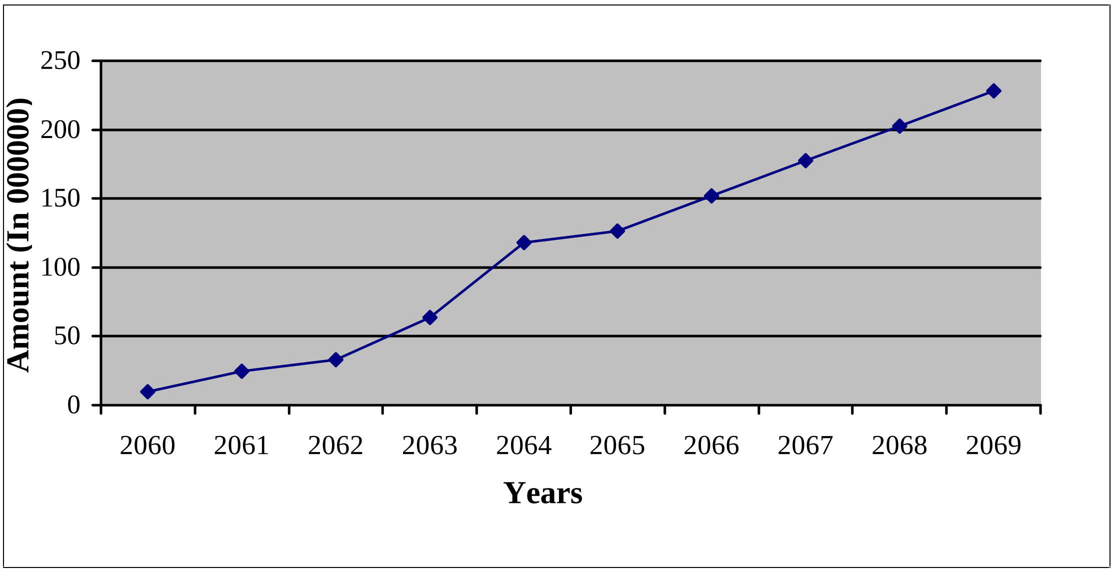
Amount (in 000000)

Years	Total assets
2060	9.76
2061	24.75
2062	33.12
2063	63.63
2064	117.83
2065	126.30
2066	151.79
2067	177.28
2068	202.77
2069	228.26

Sources: Annual report of PDB

Figure 4.25

Trend analysis of total assets



The following graph helps to show the trend lines of total asset for the projected five years

The equation is yc=-26.64+254.49x

(iv) Trend line of net profit

Table 4.25

Trend analysis of net profit

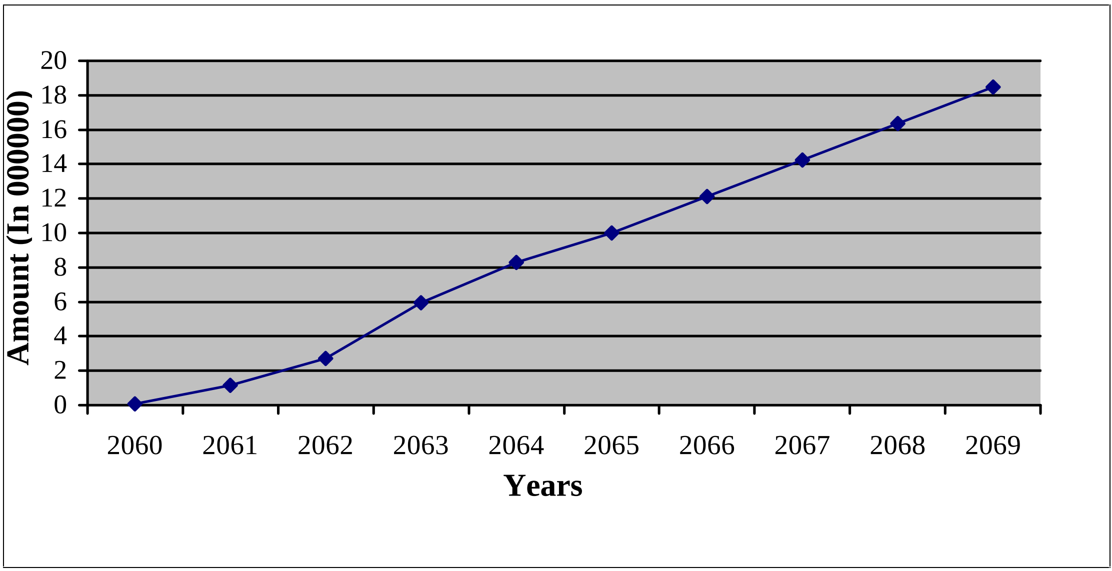
Amount (in 000000)

Years	Net profit
2060	0.70
2061	1.14
2062	2.73
2063	5.94
2064	8.28
2065	10.002
2066	12.12
2067	14.25
2068	16.36
2069	18.49

Sources: Annual report of PDB

Figure 4.26

Trend analysis of Net Profit



The following graph helps to show the trend lines of net profit for the projected five years.

4.5 Major Finding Of The Study.

4.5.1 Portfolio analyze.

The portfolio analyze of pashchimanchal development bank has find mixed. or various sectors . In the study periods the bank gives more focus in land and housing sector has 44% fixed receive bill loan. Except other sectors. The bank gives priority in agriculture sector also it invested in this sector 17.83%. This is sufficient level of NRB priority sector. The bank should be diversification policy in invest sectors. Here the bank should be focused in investing at. Trade loan, industry loan and service loan. His sector are safe for return in investment in investment in time. But here the bank invested highest loan amount in land at housing it is risky investment. It can not return in time. It creates economic crises. Because the bank invest all liquid assets in this sector so bank face in liquidity problem.

As a hole the bank take good investing policy. So on the bank can get it's own objectives in coming days.

4.5.2 Finding of Liquidity Assets management profitability landing efficiency

The cash and bank balance to total deposit of the PASHCHIMANCHAL DEVELOPMENT BANK shows the fluctuating trend during the study period. The mean ratio is 0.16 times in the study period. Cash and bank show the fluctuating trend during the study period. This means that the bank is able to be maintained in the good liquidity position of the bank. Therefore that credit management is in good position of the PDB.

A] Assets management ratio

Loan and advances to total deposit ratio of PDB is also in fluctuating trend. The mean ratio is 99.8% times in the study periods. The ratio indicates that it has used its deposit in loan and advances in proper way.

Interest spread rate ratio of PDB is also I fluctuating trend. The mean ratio is 3.27%, this indicate that collection of fund in low cost and use fund high rate. However, fluctuating trend is not better for the bank it should be in upward trend.

Non-performing assets tit ital assets to total assets ratio of PDB is in nill in first 3 year after another 2 year is consistent it like 0.008% and mean ratio is 0.32% the bank is able to obtain higher lending opportunity. Thus, credit management is in a satisfactory position.

B] Leverage Ratio:

The debt to equity ratio of PDB is in fluctuating trend during the study period. The average mean ratio is 5.91 times. Excess amount of debt capital structure results heavy burden in payment of interest. Risk of liquidation decreasing if the debt can be repay in the time. The analysis indicates that the bank is highly leveraged because the claim of the outsides exceeds than these 01 the owners over the bank assets. The debt to assets ratio of PDB is excessively geared capital structure. on an average 4.6 times of assets are financial through debt capital that is outsiders cost bearing fund which implies that the bank has low riskier debt financing position.

C] Profitability ratios

Profitability ratios are very helpful to measure the overall efficiency in operation of financial institutions. Net profit to gross income ratio of PDB is in increasing and decreasing trend. There is highest ratio in 2064. The mean ratio is 28.75%. The bank is able to obtain higher efficiency. This means that credit management is in fit position.

Interest income to total income ratio of PDB fluctuating trend. The mean ratio is 82 times in the study period. There interest income play dominant role in total income. The ratio indicates the high contribution made by lending and inverting activities.

Operating profit to loan and advances ratio of PDB is fluctuating trend. The average mean ratio over the study period is 3.96%.This shows the better profitability position of the bank.

Return on loan advances ratio of PDB is also in fluctuating trend and stepping downward in ending study period. It indicates contribution in return is decreasing by loan and advance. The average mean ratio is 1.46% anyway this shows the normal earning capacity of PDB in loan and advances.

Earning per share of PDB is in increasing trend except 2064. The mean EPS of PDB is 13.06 in the study period. This shows the satisfactory position and coming year will be good position. In overall profitability of PDB is in increasing trends. Therefore credit management and overall performance of company is in good quality .

Price earning ratio of PDB has increasing trend. Except first 3 year. In this three year the bank established year so PE ratio 5.35% and 8.88% are Nill. But another 4th and 5th year EP share ratio is increasing trend. The mean EPS of the PDB is 2.85 times in the study period. This shows the good profitability in the coming last years. It represents high expectation of company in market and high demand of share.

D] Lending Efficiency Ratio

Loan loss provision to total loan advances ratio of PDB is in decreasing trend. The means ratio of the study period is 1.13%. This shows that better quality of assets in total volume of loan and advances. It indicates aggregate loan of bank are safe. Thus credit management is in good position. So the bank has met and maintained the NRB requirement in all year.

Non-performing loan to total loan advances ratio is also decreasing trend. The average non-performing loan to total loan and advances ratio of PDB is 2.12% during the study period. This ratio indicates the more efficient operating of credit management. Ratios are decreasing trends it indicate the above is decreasing non-performing loan from total loan. Therefore, credit management is in a high quality.

Interest expenses to total deposit ratio of PDB is in fluctuating trend. The average mean point of interest expenses to total deposit ratio is 5.44% during the study periods. Generally commercial bank generates low types of interest deposit. This ratio does not indicate higher interest expenses on total deposit.

E] Statically Tools:

In statistical analysis, correlation analysis and trend analysis has been calculated. Correlation coefficient between total credit and total assets is 0.998, which shows high degree of positive correlation. It can be concluded that total assets and total credit are increasing and can be said that increasing assets will have positive impact towards total credit.

Correlation coefficient between total deposit and loan and advances has high degree of positive correlation i.e.0.920 it is concluded that increasing total deposit will have positive impact towards loan and advancers.

Trend analysis tools are done for future forecasting. Trend analysis for total deposit is calculated to see future deposit trend of the bank. Average increasing trend is 93 million.

Trend analysis for loan and advance is done to see future loan and advancers of the bank. Average increasing trend is 86 million.

Trend analysis for total asset is calculated to see future to five years total asset of the bank. Average increasing trend is 26 million.

Similarly, trend analysis of net profit is done to see future profit of the bank. Average increasing trend of net profit of coming five years is 2 million per years.

CAPTER -V

SUMMARY CONCLUSION AND RECOMMENDATION

5.1 Summary:

Economic conditions show the actual value of any country. So bank and financial institution is the backbones of economic development. Bank and financial institution play vital role of developing economic condition under develop country like Nepal. Economic activities are guided by finance. Financial institutions provide capital to develop trade, industry and business. Bank, development banks, finance companies, co-operative societies, insurance companies, stock exchanges helps in the economic development of the country. Capital and financial instrument plays an important role in accelerating the economic growth of a nation, which in turn is determined among other, by saving and investment properties, liberalization, globalization as well as privatization are most common and essential part of investment and other activities in financial sector at Nepal. The liberalization policy attracts foreign investor as well as national invest financial sector and commercial sector as well as Joint venture company, venture company, which help to raises the life standard of people and boost up national prosperity.

The research is about the credit management of PDB in this chapter summary, conclusion and recommendation are included. All the summary and conclusion are made according to obtained data from analysis. Recommendation has made which would be beneficial for the management of the bank and other stake holder.

The portfolio analysis PDB has been find mix and gives land and housing loan investment in first priority or position in the study period. The list priority has been seen other sectors loan. It gives NRB investment policy in agriculture sector. But it invested highest loan amount in land and housing it is investment it can not return in time. it create economic crisis . Because the bank invest or liquidity assets in this sector so the bank in liquidity problems.

In the aspect of liquidity position cash and bank balance reserve ratio shows the more liquidity position, cash and bank balance to total deposit has fluctuating trend in 5years in study period. The average mean ratio is 0.8 times in the study period. There all ratios shows that the bank is not maintain good liquidity position of the bank. Cash and bank balance would not sufficient to meet the demand of current depositions.

In the asset management ratio credit advancers to total deposit ratio is decreasing trend. But in aggregate is shows the better performance. It is minimum then the averages whereas investment in loan and advances is safely and not talking more risk. Interest spread rate is in fluctuating trend. So it should increase in interest spread rate in latest year. Non-performing assets to total assets is very minimum, the average mean ratio is 0.32% the band is able to obtain higher lending opportunity during the study period. Therefore credit management is in good position of the bank.

In the aspect of profitability position, total net profit gross income, the total interest income to total income ratio of PDB Increasing trend. The mean ratio is 0.82 times in the study period. The ratio indicates the high contribution made by lending and inverting activities operating profit to loan and advances ratio of PDB is in decreasing trend. Return on loan and advances ratio of PDB is in fluctuating trend the average means ratio is 1.46%. These show the little high earning capacity of PDB through loan and advances. Earning per share of PDB is in fluctuate trend. The price earning ratio of PDB is in increasing trend. The average mean ratio is 2.85 times in the study period. These mean that the good profitability in the coming last years. It represents high expectation of company in market and high demand of share.

After analyzing the lending efficiency of the bank, That loan loss provision to total loan and advances ratio of PDB is decreasing trend. The ratio is currently decreasing this indicates that bank increasing performance. This credit management is in good position the non-performing loan to total loan and advance ratio is also decreasing trend. This ratio indicates the more efficient operating of credit management. Interest expenses to total deposit ratio of PDB is also in decreasing trend. From means point of view interest expenses to total deposit ratio of PDM is 5.44% during the study period. This ratio does not indicate higher interest expenses on total deposit. Thus credit management is in good position.

In statistical analysis, correlation analysis and trend analysis have been calculated. Correlation coefficient between total credit and total asset is 0.998, which shows him degree of positive correlation. It can be concluded that total assets and total credit are increasing and can be said that increasing asset will have positive impact towards total credit. Correlation coefficient between total deposit and loan ad advance (credit) has high degree of positive correction is 0.920. It is concluded that increasing total deposit will have positive impact towards loan and advances.

Trend analysis tools are done for future forecasting. Trend analysis for total deposit is calculated to see future deposit is 93 millions. Trend analysis for loan and advances is done to see future loan and advances Average increasing trend is 86 millions. Trend analysis for total asset is calculated to see future total asset. Average increasing trend is 26 millions and the trend analysis for net profit is calculated to see future net profit. Average net profit increasing trend is 2 millions per years.

5.2 Conclusions

The portfolio of PDB is good became it seems focus in house and land loan. The house loan nearly 37% is seem on the total investment of loan. It also invested in NRB priority sectors like agriculture, Industry services trade loan etc. As a hole we can say it credit policy is good not better.

The study is conducted on credit management of PDB, which is one of the current growing banks in Nepal. PDB has been maintaining a steady growth rate over this period. PDB has earned a net profit of Rs.0.07 millions for fiscal year 2060 or bank established year and this comes to be is 8.28 million earned in study of 5th year. PDB earned an operating profit of Rs. 13.96 million for fiscal year 2064 and this comes to be 77% more as compared to the same period in the pervious fiscal year.

Similarly total deposit is Rs. 435 million for fiscal year 2063/2064 and this comes to be 65% increase than past fiscal year. Similarly total loan is the 414 million which is by 73% than the previous fiscal year.

PDB has adequate liquidity position it shows that banks invested is appropriate now in Nepal , many bank and other financial institution are functioning to collect deposits and invest money somewhere in the investigate sectors. Remittance has also help to increase the amount of deposit in bank. On the other hand due to political crisis economic sectors have been damaged. Most of the projects have been withdrawn due to security problem. So banks are utilizing their fund in home loan auto loan and share loan etc. in consume banking.

Loan loss provision to total loan and advances ratio of PDB is in decreasing trend, this shows that good quality of assets in total volume of loan and advances. Total non-performing assets to total assets ratio is also in decreasing trend. It indicates proper manage of total assets. This ratio indicates the more efficient operating of credit management. Ratios are decreasing the non-performing loan from total loan. Interested express to total deposit ratio of ratio of PDB is decrease in fiscal year 2063/064 express on total deposit.

Equity portion of the PDB is slightly increasing in the recent years due to issue of directives by Nepal Rastra Bank (NRB) the entire bank to increase it's paid up capital. NRB has issued that direction to provide more safety to the customers. Therefore bank has issued new share in the market. NRB gives directions for every bank should be increasing their capital for according their level. Therefore a bank has continuously increasing their capital every year.

5.3 Recommendation

These finding may be useful for them who are concerned directly or indirectly with the credit management of the bank especially reference to PDB. On the basis of above analysis and finding of the study, following suggestions and recommendation can be drawn out.

- This bank should be adopt equally investment policy in loans, became here high nearly 37% invested in house and loan. So it's not good investment
- Cash and bank balance of PDB is high. Banks efficiency should be increased to satisfy the demand of depositor at low level of cash and bank balance does not provide return to the bank. Therefore some percentage of the cash and bank balance should be invested in profitable sectors.
- Operating income of banks is also in satisfactory position however it is not in good condition. So it should enhance its operating income.
- Interest income to total income ratio of PDB is higher which is good from view point bank in short run but in longer run it is not good. Bank should generate its income from extra sources (like exchange gain, commission and discount, remittance service) other than interest for the survival from in long run.
- Bank should regularly follow of the credit customers. If the customers have utilized their credit for some purpose or not committed of the time of taking credit from the bank.
- NRB recommended following the NRB directives which will helps to reduce credit risk arising from defaulter, lack of proper credit appraisal defaulters by blacklisted

borrower and professional defaulter. Government has established credit information bureau which will provide suggestion to financial institutions. So PDB is suggested to collect as much information about borrower and only lend to non-risky area and non-defaulter.

- PDB should be fulfilling some social obligations by extending their resources to rural areas and promoting the development of poor and disadvantages group. In order do so, they remote area with the objectives to provide the banking services. The minimum deposit amounts should be reduced.
- PDB should regularly avoid extending credits merely based on oral information presented at the credit interview. Historical financial and trade records should be obtained for proper assessment of the prop oral.
- PDB should regularly follow of the credit customers. If the customers have utilized their credit of the tome of talking credit from the bank.
- Zonal relation of PDB is satisfactory in another zonal or bank should make large area or national level of bank for increase its transactions.
- Interest spread rate ratio of PDB is also in fluctuating trend. However fluctuating trend is not better for the bank it should be in upward trend. Therefore it should invest its deposit sin high rate and borrow fund in low rate.
- The research felt to improve internal system more effectively and introducing of new strategies and major function for all selected banks.

Keeping all there in consideration the PDB has performing well. In the light of growing competition in the banking sector the business of the bank should be customer oriented. It should strengthen and active its marketing function as it is an effective tool to purpose the bank should develop an innovative approach to bank marketing and formulate new strategies of serving customers in a more optimally utilizing the modern technology and offering new facilities to the customer at competitive prices.

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