# Impact of Revenue Planning
# In
# Nepal Investment Bank Limited


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SUBMITTED TO :
Office Of Dean
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In the partial fulfillment of the requirement for the Degree of
Master of Business Studies
(M.B.S.)

Kathmandu
March 2010

## RECOMMENDATION

This is to certify that the thesis:

Submitted by
Bhupal Adhikari

Entitled:

# IMPACT OF REVENUE PLANNING IN NEPAL INVESTMENT BANK LIMITED

*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 conducted the Viva Voce Examination of the thesis prepared by

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Entitled:

## "IMPACT OF REVENUE PLANNING IN NEPAL INVESTMENT BANK LIMITED"

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

**Master Degree of Business Studies (M.B.S. )**

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## Acknowledgement

**This thesis "Impact of Revenue Planning in Nepal Investment Bank" is prepared in partial fulfillment of the Master's Degree in Business Studies.**

**Many grateful hands were needed to complete this study. I am thankful to all those who had helped me in preparing this work.**

**I would like to pay sincere thanks to my respected teachers Mr. Jogendar Gohit who had supervised my work.**

**I would like to thank my Dad, Mom for their inspiration and helps to complete this study work.**

**Finally I must thank my friends Hari Parajuli as well as Ms. Samasti Manandhar from NIBL for providing necessary data and information.**

**I am solely responsible for any errors or omission in this research work and advices, recommendation and suggestions are welcomed.**

**Bhupal Adhikari**

## Declaration

**I hereby declare that the work reported in this thesis titled "Impact of Revenue Planning in Nepal Investment Bank Limited" submitted to Shanker Dev college, Faculty of Management, Tribhuvan University is my original work done in the form of partial fulfillment of the requirement of the Master's degree in Business Studies (M.B.S) under the supervision of Teacher Joginder Goet of Shanker Dev Campus.**

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**Date: …………………**

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# Abbreviation

| | |
|---|---|
| **AlCO :** | **Asset liability Management Committee** |
| **ATM :** | **Automated Tellar Machine** |
| **BC :** | **Before Christ** |
| **CD :** | **Credit to deposit** |
| **CSR :** | **Corporate Social Responsibility** |
| **CppG :** | **Credit policy and procedures Guide** |
| **CQC :** | **Credit Quality Control** |
| **EWS :** | **Early Warning Signals** |
| **L/C :** | **Letter Of Credit** |
| **NRB :** | **Nepal Rastra bank** |
| **NIBL :** | **Nepal Investment Bank** |
| **PPC :** | **Profit Planning And Control** |
| **RBB :** | **Rastriya Banijya Bank** |
| **RBS :** | **Rastriya Beema Sansthan** |

# CHAPTER–ONE

# INTRODUCTION

## 1.1 General Introduction

### 1.1.1 Introduction

**Revenue** or **revenues** (**turnover** in Europe) is income that a company receives from its normal business activities, usually from the sale of goods and services to customers. Some companies also receive revenue from interest, dividends or royalties paid to them by other companies. Revenue may refer to business income in general, or it may refer to the amount, in a monetary unit, received during a period of time, as in "Last year, Company X had revenue of $32 million.

Profits or net income generally mean total revenue minus total expenses in a given period. (www.wikipedia.org).

**Profit** generally is the making of gain in business activity for the benefit of the owners of the business. The word comes from Latin meaning "to make progress", is defined in two different ways, one for economics and one for accounting. (www.wikipedia.org).

The main objective of any business firm is to maximize profit. In the mean time Organization should focus on costumer satisfaction. To maximize profit, revenue plays the crucial role in any organization. Profit is a tool through which efficiency of organization is measured.

Pure economic profit is the increase in wealth that an investor has from making an investment, taking into consideration all costs associated with that investment including the opportunity cost of capital. Accounting profit is the difference between retail sales price and the costs of acquisition (whether by harvest, extraction, manufacture, or purchase). A key difficulty in measuring either definition of profit is in defining costs. Accounting profit may be positive even in competitive equilibrium when pure economic profits are zero.

In economics, a firm is said to be making a **normal profit** when total revenues equal total costs. These normal profits then match the rate of return that is the minimum rate required by equity investors to maintain their present level of investment. Economically, the "normal profit" is thus treated as a **cost**, and recognized as one of the two components of the cost of capital. (www.wikipedia.org).

An **economic profit** arises when its revenue exceeds the total (opportunity) cost of its inputs, noting that these costs include the cost of equity capital that is met by "normal profits." A business is said to be making an **accounting profit** if its revenues exceed the accounting cost the firm "pays" for those inputs. Economics treats the normal profit as a cost, so when deducted from total accounting profit what is left is economic profit (or economic loss). (www.wikipedia.org).

Business managers are continually involved in organizing, planning and controlling the operation of both large and small business organization. Profit planning is one of the most important management tools used to plan and control business operations. Budgets or the profit plans are financial plans prepared as a guide to and control future operations. Part of the financial planning includes forecasting of future business condition and activities. A financial plan must, then, be designed to serve as a guide or road map for the activities during the budget period. Best results are obtained when the planning period is the same as the company's fiscal year. Months, weeks, and days of operations may then, break down the annual profit. The plan should be designed to co-ordinate the effort of sales department, production department and all other departments.

The descriptive term comprehensive profit planning and control can be used in the same context as: business budgeting, managerial budgeting and budgeting. The term comprehensive profit planning and control Is defined as systematic and formalized approach for performing significant phases of management planning and control functions, specially, it includes:

1. The development and application of the broad and long range objectives for the enterprises.
2. The specification of enterprise goals.
3. A long range profit plan developed in broad terms.
4. A short range profit plan detailed by assigned responsibilities.
5. A system of periodic performance report detailed by assigned responsibilities.
6. Follow-up procedure.

### 1.1.2 Planning

**Planning** is both the organizational process of creating and maintaining a plan; and the psychological process of thinking about the activities required to create a desired future on some scale. As such, it is a fundamental property of intelligent behavior. This thought process is essential to the creation and refinement of a plan, or integration of it with other plans, that is, it combines forecasting of developments with the preparation of scenarios of how to react to them.

The term is also used to describe the formal procedures used in such an endeavor, such as the creation of documents, diagrams, or meetings to discuss the important issues to be addressed, the objectives to be met, and the strategy to be followed. Beyond this, planning has a different meaning depending on the political or economic context in which it is used.

### 1.1.3 Origin of Bank

There is no clear cut evidence about origin of bank. And there are lots of opinions regarding origin of bank. The term bank is originated from Italian word **Banco** which means bench. The money exchangers at that time kept heap of money on the bench from which came the use of words Banko. In the opinion of Macleod, since banko means bundle, it denotes the joint fund contributed by many persons. The term bank was first used in Italy.

The Banking system was prevalent in an unorganized way from ancient time. Crowther, thus has rightly remarked “Lending and borrowing are almost as old as money itself”.

According to French writer Revielpout “the bank and notes were used in Bebylone in 600 BC. The first public bank was Bank of Venice established in 1157, Bank of Barcelona was established in 1401, and Bank of Genoa in 1408 as public bank. The history of modern banking had started from Bank of England established in England in 1694.

### 1.1.4 Meaning of bank

A banker or bank is a financial institution that acts as a payment agent for customers, and borrows and lends money. In some countries such as Germany and Japan banks are the primary owners of industrial corporations while in other countries such as the United States banks are prohibited from owning non-financial companies.

Establishment for depositing, withdrawing and borrowing money. (Oxford Dictionary)

Banks are institution whose debts usually are referred to as bank deposit and are commonly acceptable in final settlement of other people’s debt. (Sayers, 1967 AD)

Banks act as payment agents by operating current accounts for customers, honoring cheques drawn by customers on the bank, and collecting cheques deposited to customers' current accounts. Banks also enable customer payments via other payment methods such as telegraphic transfer, EFTPOS, and ATM.

Banks borrow money by accepting funds deposited on current account, accepting time deposits and by issuing debt securities such as banknotes and bonds. Banks lend money by making advances to customers on current account, by making installment loans, and by investing in marketable debt securities and other forms of lending.

Banks provide almost all payment services, and a bank account is considered indispensable by most businesses, individuals and governments. Non-banks that provide payment services such as remittance companies are not normally considered an adequate substitute for having a bank account.

Banks borrow most funds borrowed from households and non-financial businesses, and lend most funds lent to households and non-financial businesses, but non-bank lenders provide a significant and in many cases adequate substitute for bank loans, and money market funds, cash management trusts and other non-bank financial institutions in many cases provide an adequate substitute to banks for lending savings to.

In general, bank means an institution that accepts deposits in different accounts and provides loans of different types.

### 1.1.5 Commercial Bank

A financial institution that accepts demand deposits and makes loans and provides other services for the public is called commercial bank. Commercial banks is defined as a bank which exchanges money, accepts deposits, advances loans and performs other commercial transaction and which is not specifically established with the objective of specified purpose. Commercial Banks in Nepal are governed under commercial Bank Act 2031. In 2006 this act was amended by Bank and financial Institution Act 2006 AD.  In Nepal Commercial bank are graded A category bank.

Thus commercial bank is established in view to collect deposits and employ them in productive sectors. And the main source of revenue of Commercial bank is Interest Income.

### 1.1.6 Functions of Commercial banks

The commercial role of banks is wider than banking, and includes:

- issue of banknotes or credit money(promissory notes issued by a banker and payable to bearer on demand)
- processing of payments by way of telegraphic transfer, EFTPOS, internet banking or other means
- Issuing bank drafts and bank cheques.
- accepting money on term deposit
- lending money by way of overdraft, installment loan or otherwise
- providing documentary and standby letters of credit, guarantees, performance bonds, securities underwriting commitments and other forms of off balance sheet exposures
- safekeeping of documents and other items in safe deposit boxes
- currency exchange
- sale, distribution or brokerage, with or without advice, of insurance, unit trusts and similar financial products as a 'financial supermarket'

#### 1.1.6.1 Economic functions

The economic functions of banks include:

1. Issue of money, in the form of banknotes and current accounts subject to cheque or payment at the customer's order. These claims on banks can act as money because they are negotiable and/or repayable on demand, and hence valued at par and effectively transferable by mere delivery in the case of banknotes, or by drawing a cheques, delivering it to the payee to bank or cash.
2. netting and settlement of payments -- banks act both as collection agent and paying agents for customers, and participate in inter-bank clearing and settlement systems to collect, present, be presented with, and pay payment instruments. This enables banks to economize on reserves held for settlement of payments, since inward and outward payments offset each other. It also enables payment flows between geographical

areas to offset, reducing the cost of settling payments between geographical areas.

3. credit intermediation -- banks borrow and lend back-to-back on their own account as middle men
4. Credit quality improvement -- banks lend money to ordinary commercial and personal borrowers (ordinary credit quality), but are high quality borrowers. The improvement comes from diversification of the bank's assets and the banks own capital which provides a buffer to absorb losses without defaulting on its own obligations. However, since banknotes and deposits are generally unsecured, if the bank gets into difficulty and pledges assets as security to try to get the funding it needs to continue to operate, this puts the note holders and depositors in an economically subordinated position.
5. Maturity transformation -- banks borrow more on demand debt and short term debt, but provide more long term loans. Bank can do this because they can aggregate issues (e.g. accepting deposits and issuing banknotes) and redemptions (e.g. withdrawals and redemptions of banknotes), maintain reserves of cash, invest in marketable securities that can be readily converted to cash if needed, and raise replacement funding as needed from various sources (e.g. wholesale cash markets and securities markets) because they have a high and more well known credit quality than most other borrowers.

## 1.2 Development of Bank in Nepal

Although the first step towards the establishment of a modem bank was taken as late as in 1937 AD, it does not that banking in Nepal is of recent origin. Some crude bank operations were known to have been practised even in the ancient time. Historically the banking system is traceable for back into dim ages of the past although the old chronicles contain at place obscure details, inaccurate figures and even impossible facts. The history of banking and currency in the country becomes definite only from the fifth century that is in the Lichhavi period, when the first coins were minted. **(Panta, 1964; P.940).**

Banking activities in ancient time can be inferred from references in the history of Nepal. Rebuilding of Kathmandu in 723 was done by Guna Kam Dev from borrowing. In the Nepalese chronicle, it was recorded that a new era known as Nepal Sambat was introduced by Shakhadhar and Sudra merchant of Kathmandu in 879 or 880 AD after having paid all the outstanding debts in the country. This is considered to be an adequate basis for a logical inference that the money lending operations were in practice during that period.

The reign of Jayasthiti Malla is recognized as the glorious age of the 14th century. He codified a law relating to commercial transaction and immovable property. This reform has left a lasting impression upon the Nepalese Nation of even today; and it is from about Raja Jayasthiti Malla reign onward that the granting of loans against immovable property must have more commonly, if not newly, practiced in the country. **(Panta, 1964; p. 8).**

He also classified the people in 64 classes on the basis of their occupations. This list included a class called "Tanka dhari" meaning money dealers. This is lenders and bankers during the medieval period of Nepal. It is believed that money lending business, particularly for financing the foreign trade with Tibet, become quite popular during the reign of Mallas. Advance for commercial transactions against persona security or merchandise remittance service for foreign trade (with India and Tibet) and loans for personal use were common with the increases in demand for these service and a large number of personal talking to this business, demoralization crept in the profession and consequently, several type of malpractice's becomes their favourable technique. Thus, cheating and fraud were common. In the absence of any regular measure during the Malla period and onward. The unscrupulous money was known to have changed exorbitant rates of interest and other extra dues on loans advanced. Also people were facing great inconveniences in obtaining loans at reasonable terms. Keeping the above inconveniences on the part of the people, Nepal's first commercial bank, the Nepal Bank Limited, was established in 1937. The government owned 51 percent of the shares in the bank and controlled its operations to a large extent. Nepal Bank Limited was headquartered in Kathmandu and had branches in other parts of the country. There were other government banking institutions. Rastriya Banijya Bank (National Commercial Bank), a state-owned commercial bank, was established in 1966. The Land Reform Savings Corporation was established in 1966 to deal with finances related to land reforms.

There were two other specialized financial institutions. Nepal Industrial Development Corporation, a state-owned development finance organization headquartered in Kathmandu, was established in 1959 with United States assistance to offer financial and technical assistance to private industry. Although the government invested in the corporation, representatives from the private business sector also sat on the board of directors. The Co-operative Bank, which became the Agricultural Development Bank in 1967, was the main source of financing for small agribusinesses and cooperatives. Almost 75 percent of the bank was state-owned; 21 percent was owned by the Nepal Rastra Bank and 5 percent by cooperatives and private individuals. The Agricultural Development Bank also served as the government's implementing agency for small farmers' group development projects assisted by the Asian Development Bank and financed by the United Nations Development Programme. The Ministry of Finance reported in 1990 that the Agricultural Development Bank, which is vested with the leading role in agricultural loan investment, had granted loans to only 9 percent of the total number of farming families since 1965. Since 1960s, both commercial and specialized banks have expanded. More businesses and households had better access to the credit market although the credit market had not expanded.

In the mid-1980s, three foreign commercial banks opened branches in Nepal. The Nepal Arab Bank was co-owned by the Emirates Bank International Limited (Dubai), the Nepalese government, and the Nepalese public. The Nepal Indosuez Bank was jointly owned by the French Banque Indosuez, Rastriya Banijya Bank, Rastriya Beema Sansthan (National Insurance

Corporation), and the Nepalese public. Nepal Grindlays Bank was co-owned by a British firm called Grindlays Bank, local financial interests, and the Nepalese public.

Nepal Rastra Bank was created in 1956 as the central bank. Its function was to supervise commercial banks and to guide the basic monetary policy of the nation. Its major aims were to regulate the issue of paper money; secure countrywide circulation of Nepalese currency and achieve stability in its exchange rates; mobilize capital for economic development and for trade and industry growth; develop the banking system in the country, thereby ensuring the existence of banking facilities; and maintain the economic interests of the general public. Nepal Rastra Bank also was to oversee foreign exchange rates and foreign exchange reserves.

Prior to the establishment of Nepal Rastra Bank, Kathmandu had little control over its foreign currency holdings. Indian rupees were the prevalent medium of exchange in most parts of the country. Nepalese currency was used mostly in the Kathmandu Valley and the surrounding hill areas. The existence of a dual currency system made it hard for the government to know the status of Indian currency holdings in Nepal. The exchange rates between Indian and Nepalese rupees were determined in the marketplace. Between 1932 and 1955, the value of 100 Indian rupees varied between Rs71 and Rs177. The government entered the currency market with a form of fixed exchange rate between the two currencies in 1958. An act passed in 1960 sought to regulate foreign exchange transactions. Beginning in the 1960s, the government made special efforts to use Nepalese currency inside the country as a medium of exchange.

Currently there are about 27 commercial A level banks in Nepal and the number is increasing. The names of banks are listed below.

| Commercial Bank |
|---|
| Nepal Bank Ltd. |
| Rastriya Banijya Bank |
| Nabil Bank Ltd. |
| Nepal Investment Bank Ltd |
| Standard Chartered Bank of Nepal Ltd. |
| Himalayan Bank Ltd. |
| Nepal SBI Bank Ltd. |
| Nepal Bangladesh Bank Ltd |
| Everest Bank Ltd. |
| Bank Of Kathmandu Ltd. |
| Nepal Credit and Commerce Bank Ltd |
| Lumbini Bank Ltd. |
| Nepal Industrial and Commercial Bank Ltd. |
| Kumari Bank Ltd |
| Machhapuchhre Bank Ltd. |
| Laxmi Bank Ltd. |
| Siddhartha Bank Ltd. |
| Global Bank Limited |
| Citizen Bank Limited |
| Sunrise Bank Limited |
| Prime Bank Ltd |
| Bank of Asia Nepal |
| Development Credit Bank Ltd |
| Agriculture Development bank |
| Nepal Merchant Bank Limited (NMB) |
| Kist Bank Limited |

### 1.3 Overview of NIBL

Nepal Investment Bank Ltd. (NIBL), previously Nepal Indosuez Bank Ltd., was established in 1986 as a joint venture between Nepalese and French partners. The French partner (holding 50% of the capital of NIBL) was Credit Agricole Indosuez, a subsidiary of one the largest banking group in the world.

With the decision of Credit Agricole Indosuez to divest, a group of companies comprising of bankers, professionals, industrialists and businessmen, has acquired on April 2002 the 50% shareholding of Credit Agricole Indosuez in Nepal Indosuez Bank Ltd.

The name of the bank has been changed to Nepal Investment Bank Ltd. upon approval of bank's Annual General Meeting, Nepal Rastra Bank and Company Registrar's office with the following shareholding structure.

- A group of companies holding 50% of the capital
- Rashtriya Banijya Bank holding 15% of the Capital.
- Rashtriya Beema Sansthan holding the same percentage.
- The remaining 20% being held by the General Public (which means that NIBL is a Company listed on the Nepal Stock Exchange).

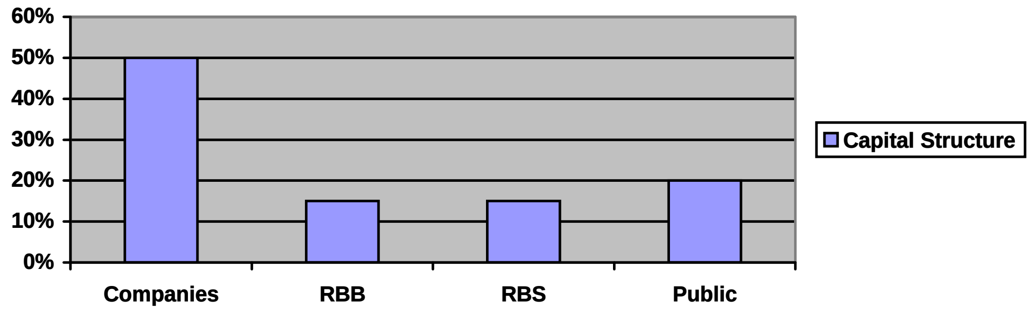


**Figure A: Capital Structure of NIBL**

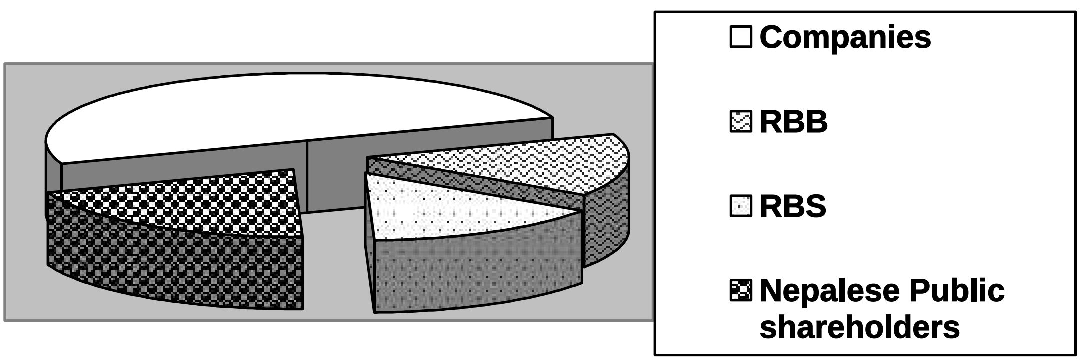


**Figure B: Capital Structure of NIBL**

NIBL is managed by a team of experienced bankers and professionals having proven track record, can offer you what you're looking for. NIBL are sure that your choice of a bank will be guided among other things by its reliability and professionalism.

### 1.3.1 Vision Statement

NIBL vision is to be the most preferred provider of Financial Services in Nepal.

### 1.3.2 Mission Statement

To be the leading nepali bank, delivering world class service through a blend of technology and visionary management in partnership with our committed staff, to achieve sound financial health with sustainable value addition to our stakeholders. We are committed to this mission while ensuring the highest levels of ethical standards, professional integrity, corporate governance and regulatory compliance.

### 1.3.3 Strategic Objectives

- To develop a customer oriented service culture with special emphasis on customer care and convenience.
- To increase our market share by following a disciplined growth strategy.
- To leverage our technology platform and open scalable systems to achieve cost-effective operations, efficient MIS, improved delivery capability and high service standards.
- To develop innovative products and services that attracts our targeted customers and market segments.
- To continue to develop products and services that reduces our cost of funds.

- To maintain a high quality asset portfolio to achieve strong and sustainable returns and to continuously build shareholders' value.
- To explore new avenues for growth and profitability.

### 1.3.4 Current Evaluation

The Bank has done well in all its core areas; however, we are not complacent with our performance. We see a lot of room for improvement and are striving to better our performance and increase our shareholders' value in the coming years. Though the road to the future is challenging due to uncertain political situation in the country, lackluster economic growth and heightened competition amongst banks, we are hopeful that we can meet the challenges by leveraging our strength and banking expertise as well as our product breadth, service standard, technological capabilities and strong customer base. our significant achievements over the past years both financial and non-financial are solid indications of our strength and potential. We have evolved and grown a lot over the period of last four years. Today, NIBL provide full range of services to corporate and retail customers and are expanding our scale of operations. We believe that building strong relationships with all our stakeholders, particularly our customers, is crucial for our growth and prosperity. our strategy is to create a strong customer base with diversified clientele supported by an extensive branch network. We accord the highest priority to a quality service experience and are always looking for ways to improve our service standard. Customers are our Primary focus and our activities are directed to meet their needs.

### 1.3.5 Core values and ethical principles

Our Core Values tell us, our customers and the communities we serve, who we really are; what we are about; and the principles by which we pledge to conduct business. In essence, we believe that success can only be achieved by living our core values and principles:

**1.3.5.1 Customer Focus:** At NIBL, our prime focus is to perfect our customer service. Customers are our first priority and driving force. We wish to gain customer confidence and be their trusted partner.

**1.3.5.2 Quality:** NIBL believe a quality service experience is paramount to our customers and we are strongly committed in fulfilling this ideal.

**1.3.5.3 Honesty and Integrity:** NIBL ensure the highest level of integrity to our customer, creating an ongoing relationship of trust and confidence. We treat our customers with honesty, fairness and respect.

**1.3.5.4 Belief in our people:** NIBL recognize that employees are our most valuable asset and our competitive strength. NIBL respect the worth and dignity of individual employees who devote their careers for the progress of the Bank.

**1.3.5.5 Teamwork:** NIBL are a firm believer in teamwork and feel that loyal and motivated teams can produce extraordinary results. NIBL are drived by a performance culture where recognition and rewards are based on individual merit and demonstrated track record.

**1.3.5.6 Good Corporate Governance:** effective Corporate Governance procedures are essential to achieve and maintain public trust and confidence in any company, more so in a banking company. At NIBL, NIBL are committed in following best practices resulting in good corporate governance.

**1.3.5.7 Corporate Social Responsibility**: As a responsible corporate citizen, NIBL consider it important to act in a responsible manner towards the environment and society. our commitment has always been to behave ethically and contribute towards the improvement of quality of life of our people, the community and greatly the society, of which NIBL are an integral part.

### 1.3.6 Future plans

- The Bank has been successful in getting the Associate Membership of MasterCard International for acquiring and issuance of MasterCard products in Nepal. After sorting out the technical aspect of the project, NIBL will soon be launching MasterCard products to our customers.
- The Bank has initiated steps to implement an international standard banking software.
- With a view to expand and provide wider network to our customers, the Bank is in the final stages of opening new branches at Janakpur and Nepalgunj. Suitable space at Thamel (Kathmandu) is also being looked at for branch expansion and relocation of our Card Center.
- To meet increasing demand, the Bank is planning to install six more ATMS one each at new Road, Boudha, Putalisadak and Tripureshowr within the valley and one each in Birgunj and Narayangarh branches.
- The Bank is planning to launch loans against Gold & Silver from Birgunj and new Road branches. At present this service is available only from Head office.
- The Bank has issued over 45,000 VISA debit cards, making it the leader in the Cards industry.
- The Bank has tied-up with Oman Exchange Company
- Kuwait, Alukkas exchange - UAE and Bank Albilad
- Saudi Arabia to increase its market share in the remittance business. The Bank has, during the review year, appointed 23 additional remittance disbursement agents all over Nepal for speedy distribution of remittances. The total number of such agents (excluding our 13 branches) now stands at 63.
- the Bank plans to strengthen its position in workers' remittance by joining hands with established exchange Houses in Malaysia, Israel, Korea and Russia.

### 1.3.7 WTO: Implementing Challenges

Come 2010, Nepal will open its doors to foreign banks allowing them to set up branches in Nepal. Given their highly competitive strength and nature, it is imperative for Nepalese bankers to enhance their efficiency and competitiveness to meet future challenges. For this purpose, Nepalese bankers have to improve on all accounts, be it human resource, information technology, capital resource, branch network, product development, service standard and delivery, risk management practices, market share and the like. One of the ways to augment capacity and pool the required resources is to go for an M & A option. In this context, NIBL believe banks should merge to achieve synergy in operations and increased profitability.

### 1.3.8 Corporate Governance

**NIBL believe that the trust and confidence reposed on the Bank by the stakeholders is, interalia, an acknowledgement of the good corporate governance practices adopted by the Bank, NIBL.**

At NIBL, we are firmly committed to the highest standards of governance. The Board of Directors ensures that the activities of the Bank are always conducted with the highest ethical standards and in the best interests of all its stakeholders. The Board of Directors continues to ensure that the Bank conducts itself as a model corporate citizen by specifying corporate values for the Bank and stipulating a Code of Conduct and ethics for the employees to ensure that the employees maintain their dignity and integrity and build customer confidence. Pursuant to Section 12 of the Bank and Financial Institutions Act, 2006 requires appointment of an independent director to the Board of the Bank. The Bank has appointed one independent director in its Board. There are several Board constituted committees, each with a defined scope of work and terms of reference. These Committees are responsible for providing independent and expert advice to the Board on the subjects assigned.

1. Executive Credit Committee
2. Audit Committee
3. Human Resource Development Committee
4. Construction Committee
5. System Committee

The Bank has adopted good corporate governance practices prescribed by the Nepal Rastra Bank as well as in other relevant statues such as the Companies Act 2006 and Bank and Financial Institution Act, 2006. NIBL believe that the trust, confidence and goodwill reposed on the Bank by the stakeholders and clients is, inter alia, an acknowledgement of the good corporate governance practices adopted by the Bank.

**1.3.9 Corporate Social Responsibility (CSR):** At NIBL, we believe that our prosperity is directly linked with the well-being of the society in which we work. Being a responsible corporate entity, we are very aware of our social responsibilities. As part of our duty towards society, NIBL have made numerous attempts to address social needs. to this effect, the Bank has contributed to various social causes during the fiscal year. to name a few, the Bank donated Rupees Fifty thousand each to Bal Mandir and pashupati Bridhashram. Likewise, the Bank donated Rupees one Hundred thousand to Hospital and Rehabilitation Center for Disabled Children (HRDC). NIBL contributed Rupees Six Hundered and Forty thousand to United Nations High Commission for Refugees (UNHCR's) Nepal programme, as part of its corporate social responsibility. The fund is to be utilized for the Bhutanese Refugees camps in eastern Nepal to fund the primary education needs of the refugee children. to quote UNHCR's representative in Nepal **Mr. Abraham Abraham** "**this is a landmark in private sector support to refugees in Nepal and a clear expression of the concern of NIBL to help a refugee population in need, and we wish to warmly thank NIBL for its generosity**." the Bank has equally shown interest in extending its support for the development and promotion of various sports and sporting activities in the country. NIBL has entered into a partnership agreement with Friends Club Kupundole. NIBL has provided sponsorship amount of Rupees Six Hundred thousand. Furthermore, NIBL sponsored the 35$^{th}$ national Athletic Championship and tenzing Hillary Everest Marathon. NIBL has also been supporting various sports bodies such as Nepal Boxing Association, Nepal Golf Association, All Nepal lawn tennis Association and Cricket Association.

NIBL care deeply for our common Nepali heritage and have pear headed several fundraising activities to enable preservation and restoration of our treasured historical monuments. In future also, the Bank is committed to support such social causes and communal needs.

### 1.3.10 Human Resources

NIBL strongly recognizes the important role of human resource to successfully achieve its business objectives. It firmly believes that ensuring employee satisfaction results in better customer service. It therefore strives to build a workplace where employees are stimulated to reach their potential by maintaining a work environment that cultivates high ethical standards, honesty, professionalism, mutual respect, creativity and team work. Currently, the Bank has total staff strength of 390 compared to 353 in the previous year. of the total staff strength, 143 (36.7%) are female staffers and 72 staff members have completed more than 10 years of service in the institution. our HR strategy lays great emphasis on improving the skills and efficiency of our employees by providing specialized training pertinent to their job/function. During the year, 182 participants attended 65training/ workshops/seminars conducted mainly at the banks training facilities at putalisadak Branch. NIBL brought in experts from Nepal and India who imparted both basic and advanced level training in the fields of credit analysis, risk management, trade finance, customer relationship management, treasury operation, financial statement analysis, strategic panning, effective marketing etc. The Bank believes in ‘Healthy Body, Healthy Mind’. therefore, to keep the staff motivated and also to nourish team work and social bonding amongst them, the Bank regularly organizes various sporting events, picnics, staff parties from time to time. to ensure that the employees have proper recreation and spend some time in leisure, the Bank also has the concept of forced leave under which each employee has to take uninterrupted leave for ten days period every year. Further, the Bank also provides medical insurance and life insurance facilities to its staff. The Bank supports staff to pursue further advanced study courses in areas which are mutually beneficial to the staff and the Bank. The Bank will even provide financial assistance to pursue these courses. The Bank has also put in place an appropriate reward system to motivate good performance. As a result of sound Human Resource policy, the Bank has been successful in building progressive teams of employees, which is reflected in our productivity.

### 1.3.11 Information Technology

In today's banking environment, information technology is no more a luxury but a necessity. Gone are the days when information technology was considered as expenditure; they are now major investments appearing in the balance sheet of many banks. It has become the backbone of any modern banking company. At NIBL, we view It as a 'business driver' and not merely as 'business support'. The Bank is in the final stage of implementing our state-of-the-art core banking technology. Once the software is implemented across the NIBL branch network, were confident that we will be in a better position to provide our customers with unparalleled valued-added services.

### 1.3.12 Risk Management

Banks are by their very nature in the risk business and taking risk is an integral part of banking. However, with the continuing increase in the scale and complexity of the banking business and the rapid growth in the volume of their financial transactions, risk management has becomes essential. Risk Management strategies include the transferal of risk to other parties, avoidance of risk, reduction of the negative effect of the risk and acceptance of the consequences of a particular risk. The design of a risk management system in a commercial bank depends among other things, on its size, capital structure, complexity of functions, technical expertise, quality of MIS and the like. It is structured to address both banking as well as non-banking risks. With a view to maximize shareholders' value, the risk management system ensures that the Bank takes well-calculated business risks while safeguarding the Bank's capital, its financial resources and profitability. The Bank's primary business activity is commercial banking where substantial risk comprises of credit risks. to a lesser extent, commercial banking activities also expose the Bank to market risk arising from re pricing, maturity and currency mismatches of assets and liabilities. These mismatches give rise to interest rate risk, liquidity risk and foreign exchange risk. The Board of Directors of Nepal Investment Bank ltd. recognizes that a critical factor in the Bank's continued growth, profitability and stability is its effective risk management capabilities and risk return trade-off. In this respect, the Bank ensures its risk management capabilities and also continuously promotes a pro-active risk management culture in the Bank.

### 1.3.13 Credit Risk Management

Credit risk is the probability that a borrower or counterparty will fail to meet its obligations in accordance with the terms of approval of the credit. This includes non-repayment of capital and/or interest within the agreed time frame, at the agreed rate of interest and in the agreed currency. Our various branches are the business units of our Bank. Each branch forwards business proposals to the Head of Credit Division, Head office. The Credit Division critically analyses the proposal from different perspectives in line with statutory, regulatory and internal guidelines. Thereafter, if the business proposal is found to be creditworthy, it is placed in the Credit Committee. The Credit Committee is comprised of seasoned bankers who evaluate credit proposals. The Committee analyzes in depth financial as well as non-financial information regarding the borrower such as business history, market situation, and future prospects of the market, managerial capabilities, cash flow and then declines or recommends approval of the designated credit authorities. To ensure proper and adequate risk analysis and timely customer service, our Credit policy and procedures Guide (CppG) provides various layers in the credit approval process. The CppG has conferred specific credit discretions ranging from the General Manager to the executive Credit Committee, the penultimate authority of the Bank.

– **Important Risk Management measures of the Bank to address Credit Risk include:**

- Adoption of international standards via our in-house Credit policy and procedures Guide.
- Formation of Credit Quality Control (CQC) unit for monitoring the quality of credit, both at the account level and portfolio level.
- Regular review of the credit portfolio by the senior Management with periodic reporting to the Board of Directors.
- Separate independent audit and inspection of borrowers by internal auditors in addition to audit and inspection by statutory auditors.
- Strict adherence to the prudential guidelines of the Central Bank on loan Classification, Interest Recognition, Asset Classification, single obligor limit, Sect oral exposure etc.
- Establishing suitable exposure limits for borrowers and sectors and monitoring the limits on a regular basis.
- Risk mitigation steps with a special emphasis on collateral.
- Setting counterparty limits based on financial strength.
- Training of lending and legal officers on documentation and professional valuations.
- Developing skills and expertise of lending officers to scientifically assess project viability and customer integrity.
- Educating the staff on provisions in the Banks and Financial Institution Act and other relevant statues and the regulatory guidelines of the Central Bank.
- Seeking external legal opinion and advice.
- Identifying early Warning Signals (eWS) and taking prompt action thereon.
- Constant post sanctions monitoring with special independent team for verification of hypothecated stocks.

### 1.3.14 Market Risk Management

Market risk is the uncertainty in the future value of the bank's on balance sheet and off balance sheet financial items resulting from movements in factors such as interest rates, foreign currency exchange rates, equity prices and commodity prices. the Asset liability Management Committee (AlCo) serves as the primary oversight and decision making body that provides strategic directions for the Bank's management of market risk and liquidity risk of the Bank. The key elements in the market risk management framework are principles and policies, risk limits and risk measures.

– **Important Risk Management measures of the Bank to address Market Risk include:**
    - A pro-active Assets liability Management Committee (AlCo) that meets on a weekly basis.
    - Review of AlCo decisions by top Management and Board of Directors.
    - Conduction of gap analysis, timely re-pricing of products and hedging of exposures.
    - Risk management via forward contracts, swaps and currency options.
    - Daily monitoring of Credit to Deposit (CD) ratio.
    - Maintaining the liquid Assets Ratio with a contingency buffer.
    - Constant monitoring of dealer, broker, counterparty, transaction, product and currency exposure limits.
    - Regular monitoring of competitor behavior and building competitor intelligence.
    - Maintaining strong relationship with correspondent banks.
    - Enhancing fee based income to reduce dependence on fund based income.
    - Non-engagement in large scale transactions on a speculative basis.
    - Separation of front and back offices at the treasury department.

### 1.3.15 Liquidity Risk Management

The objective of liquidity management is to ensure that the Bank has sufficient funds to meets its contractual and regulatory financial obligations at all times. Liquidity risk relates to the ability of the bank to maintain sufficient liquid assets at reasonable cost to meet its financial obligations as and when they fall due. The Bank's liquidity policy is to ensure that all contractual commitments can be met by readily available sources of funding. In addition, liquid assets are maintained in relation to cash flows to provide further sources of funding in the event of a crisis. The Bank also has excellent access to financial markets to ensure the availability of funds.

### 1.3.16 Foreign Exchange Risk Management

Foreign exchange risk arises from exchange rate movements which affect the profit of the Bank from its foreign exchange open positions. This risk is managed by setting pre-determined limits on open foreign positions, the monitoring of the open positions against these limits and the setting and monitoring of our stop-loss mechanism.

### 1.3.17 Operational Risk Management

Operational risk is the potential that a loss may arise from a breakdown in a bank's systems and procedures, internal controls, compliance requirements or corporate governance practices that result in human error, fraud, failure/delay to perform, or a compromise of the Bank's interests by employees. Operational risk also includes the potential loss arising from a major failure of computer systems, both from natural and man-made disasters.

- **Important Risk Management measures of the Bank to address Operational Risk include:**
  - Setting up of suitable Delegated Authority levels.
  - Creating a work environment for the staff.

- Training a second layer of staff and the formulation of a succession plan.
- Effective internal audit functions.
- Quarterly assessment of compliance with statutory requirements and periodical reports to the Board and Audit Committee.
- Signing non-disclosure and confidentiality agreements with staff and members of the Board.
- Implementation of computer based MIS system.
- Periodical servicing of equipments through maintenance contracts with vendors.
- Furthering awareness of the "Know Your Customer" policy.
- Issuing of circular instructions and protection of sensitive information.
- Building up of contingency buffer in the form of reserves.
- Implementation of a well planned and sustainable expansion strategy.
- Regular upgrading of hardware and software to keep it 'state-of-the-art'.
- Inculcating organizational values and ethics in employees.
- Risk transfer measures such as taking insurance coverage.
- Contingency plans for disaster recovery and business continuity.

### 1.3.18 Anti-Money Laundering

The Central Bank of the country, Nepal Rastra Bank, has, during the review year, issued broad guidelines on 'Know Your Customer', essentially to check money laundering activities in the country. In addition to the guidelines issued by Nepal Ratsra Bank, the Bank has voluntarily designed and adopted some additional prudential measures to prevent the use of its system, products and services for illegal and unlawful purposes. The Bank periodically conducts various programs in order to create and raise awareness amongst the staff on the subject of money laundering, its impending legal implications, associated risks, international and domestic objectives and the relevant anti-money laundering steps. The Bank's Internal Audit and Compliance

Department reviews the compliance of the anti-money laundering guidelines and suggests necessary measures to make it more effective.

### 1.3.19 Current scenario of Interest rates provided by NIBL

| Type | Interest Rate: % per annum |
|---|---|
| Savings | 2.50 |
| E-Zee Savings | 2.75 |

| Fixed Deposits | % per annum Prime | Others |
|---|---|---|
| 14 Days | 1.25 | 1.25 |
| 1 Month | 1.75 | 1.75 |
| 3 Month | 2.75 | 2.50 |
| 6 Month | 3.00 | 2.75 |
| 1 Year | 4.50 | 4.25 |
| 2 Years | 4.75 | 4.50 |
| Above 2 Years | 5.00 | 4.75 |
| Call Deposits | 4.00 | 3.00 |

| Lending Rates | % per annum Prime | Others |
|---|---|---|
| Overdraft (Corporate And Multinational) | 9.75 | |
| Working Capital / Short term Loan | 9.75 | |
| 90 Days Cash Credit | 9.00 | |
| Term Loan | 10.25 | |
| Other Loans | 13.00 | |
| Export Credit | 8.25 | |
| Trust Receipt / Importer's Loan | | |
| 120 Days | 8.25 - 8.50 | |
| 150 Days | 8.50- 8.75 | |
| Term Loan | 11.00 | 12.00 |
| Export Credit | 9.50 | 10.50 |
| Overdraft | 11.00 | 12.00 |
| Working Capital Short Term Loan | 11.00 | 12.00 |
| Trust Receipt Importer's Loan | | |
| 90 Days | 9.75 | 10.00 |
| 120 Days | 10.25 | 10.50 |

| Sector | Institutional | Prime | Others |
|---|---|---|---|
| Priority Sector | 4.00 | 11.00 | 12.00 |
| Deprived Sector | 4.00 | 7.00 | 9.00 |
| Hire Purchase Loan | 9.00 | 11.00 | |
| Loan Against Govt. Bonds | | 7.00 | |
| Loan Against 1st Class Bank Guarantee | | 8.00 | |
| Loan Against Fixed Deposites held with our Bank | 7.00 | 8.00 | |
| Loan Agains Pledge of USD | 6.50 | 8.00 | |
| Housing Loan (Up to 5yrs) | 7.50 | | |
| Housing Loan(Above 5yrs) | 9.00 | | |

### 1.3.20 Services:

**- Deposits**

-Individual Account
-Personal NPR (For Nepalese Citizen)
-Joint NPR (For Nepalese Citizen)
-Personal NPR (For Indian Citizen)
-Personal NPR and FC (For Foreign National)
-Joint NPR (For Foreign National)
-Business Account

NIBL is the first bank to introduce saving account with minimum balance of Re 1.

**-FIXED DEPOSITS**

NIBL have fixed account services for which costumer cannot withdraw amount before stipulated time.

**-E banking**

E banking is a procedure where we can view our accounts details and make transactions through internet.

**-ATM services**

Service Offered

- Open 24 hours a day, 7 days a week, 365 days a year.
- Deposits
- Cash Withdrawal.
- Fast Cash
- Statement request.
- Cheque pad request.
- Mini Statement.
- Balance Inquiry
- Pin Change
- NTC Mobile Bill Payment

NTC Pre-paid Mobile Recharge

**-Credit Card**

A Credit Card is a payment card, which enables you with the option of making purchases on credit. Spend now and pay later!

It is a convenient financial management tool. It offers many benefits, however at the same time it also carries many responsibilities to the holder thereof. It provides you with a freedom from the burden of carrying cash. Credit cards have very wide applications, wider than the currency notes and safer than them too!

**-Safe Deposit Lockers**

Safe deposits Lockers are provided by NIBL to its costumers. Bank charges annual amount which depends on the size of lockers.

**-Premium Banking Services**

- An executive lounge in the main office building first floor to cater to all your banking needs.

- Services of tea, coffee, cold drinks.
- A dedicated account officer exclusively for the Cell.
- Free consultancy services of professional experts on insurance, taxation, travel & tours and legal matters through prior appointments.
- Free services for payment of utility bills.

**-NTC's Mobile Bill payment**

Mobile bill can be paid through different branches of NIBL. Mobile bill can be paid using our utility payment facility provided in our ebanking service. All you need to do is sign in and pay from anywhere at anytime. NIBL can also pay for mobile bill from ATM's also.

**-Vehicle Loan and other loans**

NIBL provides vehicle loan upto 80 % for new vehicle and 50 % for second hand vehicle. Interest rate is 10 % per annum and tenure is for upto 5 years. Bank charges 1 % processing fee.

**-Other loans and advances**

NIBL provides different types of loan against mortgage of property, shares, Loans against pledge of saving bonds etc.

**-Debit Card**

A Debit Card is a payment card, which enables you with the option of making purchases at merchant locations as well as cash with drawl from ATMs with access to your bank account. It is a convenient financial management tool. It offers many benefits, however at the same time it also carries many responsibilities to the holder thereof. It provides you with a freedom from the burden of carrying cash as well as risk associated with that. Debit Cards have very wide applications, wider than the currency notes and safer than them too

**-365 days Service**

NIBL has its service throughout the year for 365 days for its valued costumers.

**-Remittance Services**

Nepal Investment Bank Limited (NIBL), operating under the guidelines set by The Government of Nepal and Nepal Rastra Bank (the Central Bank of Nepal), offers one of the safest and the most secured means of money transfer to Nepal. Remitters can send money to NIBL from any part of the globe through our correspondent banks, exchange houses and banks in the Middle East and using PrithiviExpress, our in-house remittance software.

**-SWIFT Transfers:**

NIBL offers fast and reliable money transfer services through SWIFT. Your bank account with NIBL can be credited with remittance from anywhere in the world. The remitter has to mention the NIBL's SWIFT Address "NIBLNPKT" and the beneficiary details to transfer money to Nepal through us. We cater the need of customers to remit fund anywhere in the world, denominated in major currencies, through SWIFT.

**-Demand Draft :**

NIBL have draft drawing arrangement with our correspondent banks in different countries. NIBL honors bank drafts drawn on/by various international banks denominated in major currencies like US Dollar, Euro, Great Britain Pound, etc.

**-Traveler Cheques :**

NIBL offers "American Express Traveler's Cheque" that is accepted worldwide.

NIBL is working extended hours to serve its customers in Nepal. Our branches within the Kathmandu valley work all 365 days a year. Apart from our 15 branches, NIBL have 78 remittance agents.

**-CashManagement Services:**

NIBL provides Cash Management Services in Nepal. NIBL will help you to collect your bills receivables more efficiently if you are engaged in exporting goods to India. You can enroll yourself for the service and provide details of your buyer in India. Our correspondent bank in India will collect cheque from your buyer and credit your account in a shorter time through us.

**-Remittance from the Middle-East:**

NIBL is the authorized agent of leading remittance companies of the world such as

| | | |
|---|---|---|
| 1. Xpress Money | 7. Alukkas Exchange | 13. Union exchange |
| 2. UAE Exchange | 8. Doha Bank | 14. Gulf Exchange |
| 3. Wall Street Exchange | 9. Oman Exchange | 15. Emirates and East India Exchange |
| 4. Instant Cash | 10. Bank AlBilad | 16. Global Money Transfers |
| 5. ARY Speed Remit | 11. Arab National Bank | |
| 6. Travelex | 12. City Exchange | |

**1.4 Statement of the Problem**

The Investment Bank is one of the leading commercial bank in Nepal, which is earning profit since its establishment. But in recent years the economic condition of Nepal is not satisfactory. All business activities are

going downwards. As a result there is less investment opportunities and increment in collection of deposit. This may effect on profitability of the bank. So the bank has to prepare the profit/revenue plan for future in order to take step to improve profitability. The main research questions are as under:

1. Whether or not NIBL is practicing PPC system?
2. If yes, is profit planning practice of NIBL effective?
3. What is the profit trend?

4. How much is the difference between budgeted and actual performance?
5. How much revenue is collected by NIBL?

**1.5 Objectives of the study**

The main objectives of the study are to study and analyse the effectiveness of Revenue plan practice and know about the different types of revenues collected by NIBL. This study will also help in knowing profit planning practise in NIBL.

1. To analyse the effectiveness of the Revenue plan practices of Investment Bank Limited.
2. To analyse the profit trends and determine the variables.
3. To enumerate the variances between budgeted and actual performance.
4. To analyze revenue trends on the basis of interest, and other revenues.
5. To provide appropriate recommendation to improve the situation.

**1.6 Significance of the Study**

The study of revenue / profit planning of NIBL may be useful to all parties who are interested on revenue / profit planning. It may help the concerned parties of the bank to develop future plan for maximizing the profit. It may give guideline to follow the profit planning process in any banking sector. It not only helps the banking sectors but also other large and small sectors business firms like finance companies, cooperative, manufacturing companies, etc. As I could not find a lot of research done on banks about revenues planning in commercial banks, this research will play a crucial role in this field.

**1.7 Limitations of the Study**

1. The study will cover only the period of 6 years from the fiscal year to the fiscal year 2063/64.

2. It will be mostly based on the published financial statement of NIBL, along with other related journals.
3. The result of the study may not be thoroughly applied over all types of commercial banks.

**1.8 Scheme of Study**

In the preceding Chapter there is presentation of introduction, statement of problems, objectives of study. It also includes brief introduction of related NIBL.

Chapter II presents literature reviews about Revenue planning, profit planning, origin of PPC, elements of PPC, its usefulness etc. It also includes review of previous studies and research gap between this study and previous study.

In Chapter III the researcher discuss the Methodology adopted for the study. The method used for the collection of data.

Chapter IV will present the analysis of data and presentations of the data.

Chapter V will focus on summary, conclusions, and recommendations

# CHAPTER 2
# REVIEW OF LITERATURE

This chapter aims to establish a conceptual framework and make a review of the relevant studies that have already done in related topic so that some new contribution can be given.

## 2.1 Conceptual Review

### 2.1.1 Revenue Planning Management

In business, **revenue** or **revenues** (**turnover** in Europe) is income that a company receives from its normal business activities, usually from the sale of goods and services to customers. Some companies also receive revenue from interest, dividends or royalties paid to them by other companies. Revenue may refer to business income in general, or it may refer to the amount, in a monetary unit, received during a period of time, as in "Last year, Company X had revenue of $32 million." Profits or net income generally mean total revenue minus total expenses in a given period.( Wikipedia)

For non-profit organizations, annual revenue may be referred to as **gross receipts**. This revenue includes donations from individuals and corporations, support from government agencies, income from activities related to the organization's mission, and income from fundraising activities, membership dues, and financial investments such as stock shares in companies. For government, revenue includes gross proceeds from income taxes on companies and individuals, excise duties, customs duties, other taxes, sales of goods and services, dividends and interest.

In accounting and financial analysis, revenue is often referred to as the "top line" due to its position on the income statement at the very top. This is to be contrasted with the "bottom line" which denotes net income, which are revenues minus expenses

### 2.1.2 Government revenue

Government revenue comes primarily from taxes but includes all amounts of money received from sources outside the government entity. Large governments usually have an agency or department responsible for collecting government revenue from companies and individuals. In Nepal a large number of Revenue is collected from internal revenue department. From Custom also, there is a high revenue collection. There are various custom points through which import duties as well as export duty are charged.

### 2.1.3 Business revenue

Business revenue is income from activities that are ordinary for a particular corporation, company, partnership, or sole-proprietorship. For some business such as manufacturing businesses and grocery stores, most revenue is from the sale of goods. Service businesses such as law firms and barber shops receive most of their revenue from rendering services. Lending businesses such as car rentals and banks receive most of their revenue from fees and interest generated by lending assets to other organizations or individuals.

Revenues from a business's primary activities are reported as **Sales**, **Sales revenue** or **Net sales**. This excludes product returns and discounts for early payment of invoices. Most businesses also have revenue that is incidental to the business's primary activities, such as interest earned on deposits in a demand account. This is included in revenue but not included in Net Sales. Sales revenue does not include sales tax collected by the business.

**Other Revenue** Non-Operating Revenue is revenue from peripheral (non-core) operations. For example, a company that manufactures and sells automobiles would record the revenue from the sale of an automobile as “’regular’” revenue. If that same company also rented a portion of one of its buildings, it would record that revenue as “other revenue” and disclose it separately on its income statement to show that it is from something other than its core operations.

A public company reports its total annual revenues based on its fiscal year. Public companies also report quarterly revenues.

Internally, companies break revenue down by operating segment, geographic region, and product line.

**Revenue management** is a technique to optimize the revenue earned from a fixed, perishable resource. The challenge is to sell the right resources to the right customer at the right time for the right price.

Revenue management implements the basic principles of supply and demand economics in a tactical way to generate incremental revenues. There are three essential conditions for revenue management to be applicable:

- That there is a fixed amount of resources available for sale.
- That the resources sold are perishable. This means that there is a time limit to selling the resources, after which they cease to be of value.
- Those different customers are willing to pay a different price for using the same amount of resources.

Revenue management is of especially high relevance in cases where the constant costs are relatively high compared to the variable costs. The less variable cost there are, the more the additional revenue earned will contribute to the overall profit.

For example in the passenger airline case, capacity is regarded fixed because changing what aircraft flies a certain service based on the demand is the exception rather than the rule. If the aircraft departs, the unsold seats cannot generate any revenue any more and thus can be said to be perished. It's finally trivial that a businessman is willing to pay more for a seat when booking late than a leisure traveler is willing to pay for a trip due in several months.

If the resources available are not fixed or not perishable, the problem is limited to logistics, i.e. inventory or production management. If all customers would pay the same price for using the same amount of resources, the challenge would perhaps be limited to selling as quickly as possible, e.g. if there are costs for holding inventory.

One way of achieving a different willingness to pay is to achieve effective market segmentation. A firm may repackage its basic inventory into different products to this end. In the passenger airline case this means implementing e.g. purchase restrictions, length of stay requirements and requiring fees for changing or cancelling tickets.

Price and/or availability of these products may be manipulated to maximize the expected future revenue based on detailed statistical demand forecasts and mathematical optimization. The passenger airlines achieve this by implementing either demand based pricing or extremely sensitive and dynamic availability controls, or both, on their reservation systems.

Revenue is often 'left on the table' by firms that do not effectively segment their market. Although the exact mechanisms used to implement price and availability controls vary between industries the underlying business process and mathematical techniques have a remarkably broad applicability.

Revenue management has significantly altered the travel and hospitality industry since its inception in the mid 1980s. It requires analysts with detailed market knowledge and advanced computing systems who implement sophisticated mathematical techniques to analyze market behavior and capture revenue opportunities. It has evolved from Yield Management which the airlines invented as a response to deregulation and quickly spread to hotels, car rental firms, cruise lines, media, and energy to name a few. Its effectiveness in generating incremental revenues from an existing operation and customer base has made it particularly attractive to business leaders that prefer to generate return from revenue growth and enhanced capability rather than downsizing and cost cutting.

Revenue management "....the single most important technical development in transportation management since we entered deregulation..."

Revenue management is most effective in a high capital cost, low marginal cost environment. This is because it focuses on maximizing expected marginal revenue for a given operation and planning horizon. It optimizes resource utilization by ensuring inventory availability to customers with the highest expected net revenue contribution and extracting the greatest level of ‘willingness to pay’ from the entire customer base. Revenue management practitioners typically claim 3% to 7% incremental revenue gains due to revenue management activity. In many industries this can equate to over 100% increase in profits. A competent revenue management analyst with good decision support tools can generate $10,000 per hour.

### 2.1.4 Revenue of Bank

Revenue of Bank refers to interest charges, commission charges, transfer charges, income from safety lockers, exchange gain etc. Similarly Bank generates income from bank guarantee transaction, issuing L/C, cheques/drafts collection etc. In such activity, banks don’t have to involve fund and those are the charges taken by bank for providing services. Likewise bank needs to involve fund to generate income from Interest charges.

### 2.1.5 Meaning and Definition of PPC

Budget is a plan of the firm’s expectation in future; planning involves the control and manipulation of controllable and non-controllable variables. A comprehensive plan reflects that all activities and operations are considered when it is prepared. The comprehensive PPC is prepared after co-ordination of budget for various segments of an enterprise.

“Budgets maybe developed in terms of varieties of quantities but finally they must be expressed in money unit**.”**

A comprehensive profit planning and controlling is a systematic and formalized approach for stating and communicating the firm’s expectations and accomplishing the planning, co-ordination and control responsibilities of management in such a way to maximize the use of given resources.

It is the only comprehensive approach to manage. So far developed that if utilized with sophistication and good judgments, fully recognizes the dominant role of the manager and provides a framework for implementing such fundamental aspects of scientific management as management by objectives, effective communications, participative management, dynamic control, continuous feedback, responsibility accounting, management by exception and managerial flexibility.

The budget is applied to a system of management and accounting control by which all operations and output are forecasted as far ahead as possible and actual results when known are compared with the budget estimates. The institute of cost and management accountants, England has defined budgetary control as the establishment of budgets relating the responsibilities of executives to the requirements of a policy, and the continuous comparison of actual with budgeted results, either to secure by individual action the objectives of that policy or to provide a firm basis for its revision.

There is some kind of definition about PPC which are given by some authors which is as follows:

A profit plan is the formal expression of the enterprise's plans and objectives, stated in financial terms for as specified future period of time.

A budget detailed quantitative plan to guide its operation in the near future.

A budget is a comprehensive and co-ordinate plan, expressed in financial terms for the operations and resources of an enterprise for some period in future.

### 2.1.6 Origin of PPC

National budget for the fiscal year 1922/23 was prepared in USA towards the end of 1921. With the introduction of national budget in USA businessmen started realizing the importance of budgeting. National budget covers or implies on the following:

1. Forecast the probable future expenditure.
2. Analysis of the sources from which income is to be realized to meet the expenses.
3. Maintaining coordination between expenses and source of income.

During that time USA businessmen were not untouched by the difficulties and were also suffering from the problem of co-ordination between expenses for material, rent and labour etc and receipt from sales, so they started thinking about adaptation of budget. Slowly and gradually they started adopting of budget. This can be considered as origin of PPC.

In 1932, the first book ever written in business budget was published in UK. The name of book was, "Business budget and budgetary control" written by A.W. Willsome. This book is a collection of six articles written by him, which were published in "The Times" engineering supplement published between 5-12-1931 to 6-12-1932 but this philosophy could not gain popularity in UK before 1936.

Interest of British business was aroused by Mr. R. Dankerly who presented interesting reviews on several industries of USA, which was introduced and adopted budgeting at the sixth international engineering for scientific management, which was held in London in 1935. But actual popularity of PPC was gained after Marshall plan.

### 2.1.7 Purpose of PPC

A comparative profit planning and controlling is a systematic and formalized approach for stating and communicating the firm's expectation and accomplishing management in such a way so as to maximize the use of profit plan to achieve the maximum benefit from the resource available to an organization over a particular span of time. It is a tool for management control. It is the best source of communication and an important tool for management. The purposes of PPC or budgeting are as follows:

1. To state the firm's expectation (goal) in clear and formal terms to avoid confusions and to facilitate their attainability.
2. To communicate expectation to all concerned with the management of the firm so that they understand, support and implement.
3. To provide details plan of action for reducing uncertainty and for its proper direction of individual and group efforts to achieve goals.
4. To co-ordinate the activities and efforts in such a way that the use of resources is maximized.
5. To provide a means of measuring and controlling the performance of individuals and units and to supply information based on which the corrective action can be taken.

### 2.1.8 The Basic Elements OF PPC

The basic elements of PPC are as follows:

1. Comprehensive and co-ordinate plan: PPC is the plan for future expectation of firm's budget for all departments. It is prepared after co-coordinating them for various segments of the enterprise. That budget is known as comprehensive budget for profit planning.
2. Expressed in financial terms: PPC is always quantified in financial terms. Initially budgets must be developed in terms of various quantities, but finally they must be expressed in the monetary units i.e. Rupee, Dollars, Pounds etc.
3. Plan for operational resources and expenses: PPC is a mechanism to plan for the firm's operations or activities. The two aspects of every

operation are revenue and expenses. The PPC must plan for revenues and expenses related to a specific operation. The planning for resource will include planning for assets and source of funds.

4. Long term future plan: PPC should be meaningful only when it related to a specified period of time. The budget estimates will be relevant only for some specific period. Comprehensive and co-ordinate plan: PPC is the plan for future expectation of firm's budget for all departments. It is prepared after co-coordinating them for various segments of the enterprise. That budget is known as comprehensive budget for profit planning.
5. Expressed in financial terms: PPC is always quantified in financial terms. Initially budgets must be developed in terms of various quantities, but finally they must be expressed in the monetary units i.e. Rupee, Dollars, Pounds etc.
6. Plan for operational resources and expenses: PPC is a mechanism to plan for the firm's operations or activities. The two aspects of every operation are revenue and expenses. The PPC must plan for revenues and expenses related to a specific operation. The planning for resource will include planning for assets and source of funds.
7. Long term future plan: PPC should be meaningful only when it related to a specified period of time. The budget estimates will be relevant only for some specific period.

### 2.1.9 How Is It Used?

The profit plan is used in the following ways:

1. Evaluating operations**:** Each time you prepare an income statement, actual sales and costs are compared with those you projected in your original profit plan. This permits detection of areas of unsatisfactory performance so that corrective action can be taken.
2. Determining the need for additional resources such as facilities or personnel**:** For example, the profit plan may show that a sharp increase in expected sales will overload the company's billing personnel. A

decision can then be made to add additional invoicing personnel, to retain an EDP service, or to pursue some other alternative.

3. Planning purchasing requirements**:** The volume of expected sales may be more than the business' usual suppliers can handle or expected sales may be sufficient to permit taking advantage of quantity discounts. In either case, advance knowledge of purchasing requirements will permit taking advantage of cost savings and ensure that purchased goods are readily available when needed.
4. Anticipating any additional financing needs**:** With planning, the search for needed funds can begin as early as possible. In this way, financial crises are avoided and financing can be arranged on more favourable terms.
5. Evaluating operations**:** Each time you prepare an income statement, actual sales and costs are compared with those you projected in your original profit plan. This permits detection of areas of unsatisfactory performance so that corrective action can be taken.
6. Determining the need for additional resources such as facilities or personnel**:** For example, the profit plan may show that a sharp increase in expected sales will overload the company's billing personnel. A decision can then be made to add additional invoicing personnel, to retain an EDP service, or to pursue some other alternative.
7. Planning purchasing requirements**:** The volume of expected sales may be more than the business' usual suppliers can handle or expected sales may be sufficient to permit taking advantage of quantity discounts. In either case, advance knowledge of purchasing requirements will permit taking advantage of cost savings and ensure that purchased goods are readily available when needed.
8. Anticipating any additional financing needs**:** With planning, the search for needed funds can begin as early as possible. In this way, financial crises are avoided and financing can be arranged on more favourable terms.

### 2.1.10 Advantages of Profit Planning

Profit planning offers many advantages to your business. The modest investment in time required to develop and implement the plan will pay liberal dividends later. Among the benefits that your business can enjoy from profit planning are the following:

1. Awareness of responsibilities**:** With the profit plan, personnel are readily aware of their responsibilities for meeting sales objectives, controlling costs, and the like.
2. Performance evaluation**:** The profit plan provides a continuing standard against which sales performance and cost control can quickly be evaluated.
3. Cost consciousness**:** Since cost excesses can quickly be identified and planned, expenditures can be compared with budgets even before they are incurred, cost consciousness is increased, reducing unnecessary costs and overspending.
4. Disciplined approach to problem-solving**:** The profit plan permits early detection of potential problems so that their nature and extent are known. With this information, alternate corrective actions can be more easily and accurately evaluated.
5. Thinking about the future**:** Too often, small businesses neglect to plan ahead; thinking about where they are today, where they will be next year, or the year after. As a result, opportunities are overlooked and crises occur that could have been avoided. Development of the profit plan requires thinking about the future so that many problems can be avoided before they arise.
6. Financial planning**:** The profit plan serves as a basis for financial planning. With the information developed from the profit plan, you can anticipate the need for increased investment in receivables, inventory, or facilities as well as any need for additional capital.
7. Confidence of lenders and investors**:** A realistic profit plan, supported by a description of specific steps proposed to achieve sales and profit objectives, will inspire the confidence of potential lenders and

investors. This confidence will not only influence their judgment of you as a business manager, but also the prospects of your business' success and its worthiness for a loan or an investment.

8. PPC performance is more relevant than past performance. Since performance is based on historical factors, which are constantly changing.
9. PPC improves the quality of communication. The objectives, goal, plans, authority and responsibility of enterprise are clearly written and communicated through PPC to all individuals in the enterprise, which can be better to all among managers and subordinates of enterprise.
10. PPC increases the morale and the productivity of the employees by seeking their meaningful participation in the formulation of plan and policies, bringing harmony between individual goals and the enterprise objectives.
11. PPC helps to optimize the use of the firm’s resources i.e. Capital and manpower
12. PPC develops an atmosphere of profit mindedness and cost consciousness. PPC focus management attention on significant matters through budgetary reports, it facilitates management by exception and save management time and energy considerably.
13. PPC measures efficiency, permits management self-evaluation and indicates the progress in attaining the enterprise objectives.
14. Performance evaluation**:** The profit plan provides a continuing standard against which sales performance and cost control can quickly be evaluated.
15. Awareness of responsibilities**:** With the profit plan, personnel are readily aware of their responsibilities for meeting sales objectives, controlling costs, and the like.
16. Cost consciousness**:** Since cost excesses can quickly be identified and planned, expenditures can be compared with budgets even before they are incurred, cost consciousness is increased, reducing unnecessary costs and overspending.

17. Disciplined approach to problem-solving**:** The profit plan permits early detection of potential problems so that their nature and extent are known. With this information, alternate corrective actions can be more easily and accurately evaluated.
18. Thinking about the future**:** Too often, small businesses neglect to plan ahead; thinking about where they are today, where they will be next year, or the year after. As a result, opportunities are overlooked and crises occur that could have been avoided. Development of the profit plan requires thinking about the future so that many problems can be avoided before they arise.
19. Financial planning**:** The profit plan serves as a basis for financial planning. With the information developed from the profit plan, you can anticipate the need for increased investment in receivables, inventory, or facilities as well as any need for additional capital.
20. PPC performance is more relevant than past performance. Since performance is based on historical factors, which are constantly changing.
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25. PPC develops an atmosphere of profit mindedness and cost consciousness. PPC focus management attention on significant matters through budgetary reports, it facilitates management by exception and save management time and energy considerably.

### 2.1.11 Limitations of Profit Planning

Profit plans are based upon estimates. Inevitably, many conditions you expected when the plan was prepared will change. Crystal balls are often cloudy. The further down the road one attempts to forecast, the cloudier they become. In a year, any number of factors can change, many of them beyond the con- trol of the company. Customers' economic fortunes may decline, suppliers' prices may increase, or suppliers' inability to deliver may disrupt your plan.

The profit plan requires the support of all responsible par- ties.Sales quotas must be agreed upon with those responsible for meeting them. Expense budgets must be agreed upon with the people who must live with them. Without mutual agreement on objectives and budgets, they will quickly be ignored and serve no useful purpose.

Finally, profit plans must be changed from time to time to meet changing conditions. There is no point in trying to operate a business according to a plan that is no longer realistic because conditions have changed.

## 2.2 Review of the Previous Research

The study of Revenue Planning in particular commercial bank seems to be new area of research. So far this researcher could not find any research on revenue planning on commercial Banks. There are some studies carried out on manufacturing enterprises. Those researchers had tried to elaborate about cash management and revenue planning.

**Kamal Raj Joshi (2004)** has conducted research on the topic “Revenue planning and cash management of Nepal Electricity Authority”. The objective of the study was to elaborate the revenue planning procedure in Nepal Electricity Authority. The major findings of the research were as following.

- NEA has not adopted practice of preparing monthly budget.
- Target sales revenue is increased by small figure but the actual sales revenue is highly increased than budgeted in both internal and external sales market in the FY. 2056/57
- NEA has a practice to increase 10 percent in past year figure to forecast next year's figure as a basis for forecast.
- Demand of electricity is too high in India
- The analysis of category-wise unit shows that the achievements in domestic, non-commercial, commercial and industrial categories are highly consistent. But the achievements in the remaining categories are fluctuating.
- Actual selling price of electricity is too high in domestic, non-commercial.
- Category wise analysis of NEA shows that the major contribution of domestic and industrial categories to consumption of sales unit and increased in sales revenue.
- Net fixed assets and total assets turnover ratio shows that the huge amount has been invested to purchase fixed and current assets have not been utilized properly.
- Revenue per employee ratio indicates that the employees' contribution on revenue of NEA is in increasing trend.
- Return on assets and return on equity capital are very poor. It is observed that NEA is seriously suffering to maximum utilization of available sources. In other word, NEA must minimize the high operating cost.
- NEA's market is pure monopoly, it is continuously facing problem of liquidity and under capitalization due to the improper management of revenue and over due account receivables. The problems of liquidity have always been solved by foreign loans, but till when? If NEA had been able to manage revenue efficiently, foreign loan would have increased less rapidly, for its own sake and national interest.
- NEA is paying a huge amount of cash as interest on long-term loan, because of overloading of debt.

- The authority does not maintain its periodic performance reports systematically.

**Uday Kishore Tiwari (2005)** has conducted research on Profit planning in commercial Banks. A case study of Standard Chartered bank Nepal limited. The main objective of this study was examining system of profit planning applied in Standard Chartered BankNepal Limited. Following were findings of the study.

- It is observed that the bank is adopting a policy to keep minimum number of employees as possible. But it has unnecessariy long ladder at various levels with out specific job description.
- Bank has the policy to employ academically highly qualified (first class M.B.S.) fresh candidates at management trainee, which may be considered as good aspect for future manpower building.
- Controlling functions of the branches are so far being carried out directly by head office, which may be difficult in the days to come because of its wide geographical strength.
- Objectives of the bank are expressed in literate form and not specified clearly; therefore there is a danger of it being misinterpreted in the way of one's benefit by the concerned.
- Major concentration of resources mobilization of SC bank is at deposit mobilization. In this respect they are incurring higher cost toward deposit mobilizations.
- Bank's Resources deployment for non-yielding liquid assets (cash and bank balance) is increasing every year, which is detrimental to profitability objectives, but it is supportive to meeting liquidity requirements of the bank
- Interest expenses amount is the highest among total expense items of the bank every year.
- Interest income amount of the banks is the highest among other income items in the total revenue.
- The other income of bank is also in increasing trend.

- The rate of growth of spread is higher than of burden the profitability of the bank is in increasing position.

**Lekh Prasad Panta (2006)** had conducted research on study on "A study of revenue planning in manufacturing Enterprise", A case study of Royal Drug Limited. The main objective of this study was to find out the Revenue planning in Royal Drug Limited. Following were findings on that research.

- Organization goals and policies are set up by the top executive level management board in accordance with plan and policies of the RDL
- A comprehensive and complete profit planning and budgeting is not in practice at RDL. Only some of budgets they use to prepare for budgeting. And these budgets are also prepared on 'ad-hoc basis' than systematic and realistic analysis.
- Regression line of actual sales achievement on budget shows negative relationship with budgeted sales and time series.
- From the personal interviews and interaction; it is also fond that RDL is suffering from short supply of Raw Materials. Short availability of Raw Material has caused low production and also idle capacity.
- RDL has started to plan for capital expenditure. It is good sign for managing fixed assets and controlling investments in fixed assets.
- RDL has not classified all its costs into variable and fixed portion. Due to this it is impossible to monitor the costs incurred in RDL. All the costs has been classified on the basis pf personal decision as manufacturing costs are variable costs and administrating costs are fixed costs
- Sensitivity analysis revealed that operating activity of Royal Drugs Limited is highly sensitive over change in selling price compared to fixed cost and variable cost.
- Manpower planning of Royal Drugs Limited is weak because its ratio of actual sales per employee is decreasing over last five years.

- From different ratio analysis, it is found that liquidity or solvency and profitability ratios are very poor. These are indicating poor condition of RDL in respect to liquidity, productivity, and profitability.
- Flexible budget analysis showed that if Royal Drugs Limited operates i.e. makes sales and production at least at its 50% capacity, it will generate positive profit.

**Amrit Koirala (2007)** has conducted research work on Revenue Planning and its impact on profitable operation of Nepal SBI Bank Limited. The objective of this research was to appraise SBI bank appropriately for the application of comprehensive revenue planning system.

The major findings of the research were as following.

- The off Balance sheet operation of bank is in almost decreasing trend.
- The income of SBI bank is growing consistently.
- Interest income of the bank is in upward trend. Bank is increasing interest income every year.
- The bank focus on lacking on non fund based income. The increase in net burden is increased in semi fixed cost which is bad signal on the efficiency of the bank. Bank has been unable to track the other expenses.
- The margin of safety is high. So the chance of bank going in loss is very low.
- The correlation between loans and its interest income is positive and strong. Similarly correlation between investment and its income is also positive and strong.
- Net profit of SBI bank is in increasing trend.

**Suresh Shrestha (2008)** has conducted research work on “Comprehensive Budgeting system and its impact on Management system of Nepal Investment Bank Limited”. The main Objective of this study was to highlight the current budgeting policies adopted by NIBL and to study about the growth of the NIBL over the period. The major findings of the study were as following.

- Bank has system of preparing of business plans and business budget which is centralized and top down approach.
- Bank operates in 17 branches through out the country.
- From the data analysis of deposit and actual achievements, by coefficient of variance, it was found that the actual deposits were more variable than the budgeted one.
- The estimated target set for deposit mobilization has been well met every year by the bank.
- The date analysis of deposit and loan and advances with the help of coefficient of variation shows that Loan and advances is more variable than the Deposit.
- Interest expenses are highest among total expenses items of bank every year.
- The interest expenses and other expense are increasing every year.
- Interest income is highest contributor in the total Revenue.
- The net profit of Bank is in increasing trend.
- The average current ratio of the bank found to be always higher than standard ratio is 2:1, which shows satisfactory liquidity position of bank.
- The earning per share of bank is in increasing Trend.
- Cash flow analysis of bank shows the sources of cash flow are adequately met by the bank for the cash flow.
- Deposit mobilization is the major contributor for cash inflow in the bank.
- Loan and advances is the major cash outflow factor of the bank.

## 2.3 Research Gap

In past most of the research was carried out on Profit planning Topics. Study on Revenue management is new and this researcher could get only one study directly in the field of revenue management of commercial Bank.

This study has been carried out to indicate the major role of Revenue in running the overall organization especially bank. This study has focused on revenue of the commercial bank.

# CHAPTER-3

# RESEARCH METHODOLOGY

## Introduction

Research may be defined as a systematic method of finding solution to a problem. The systematic method lies on enunciating the problems, collecting facts (data), analysing data critically and researching conclusion based on them. Research methodology may be defined as method or a systematic method, which make research work easy, effective and help to find a solution of the problem.

The main objective of this study is to analyze, examine and interpret the profit planning techniques and its effectiveness to the enterprise. The research methodology is followed to achieve the basic objectives and goals of research work. The major components of research methodology followed in this research study are discussed below.

## 3.1 Research Design

A detailed proposal relating to a defined piece of archaeological endeavour which includes: a definition of a problem, subject, or hypothesis for investigation; the background and context to the investigation; the proposed means and methods of the investigation; the work plan and timetable; details of the proposed investigators, management arrangements, and quality control procedures; a table of costs. The research design of this study is descriptive as well as analytical. Analytical method is used to present information and data. Apart from these, the research also posse qualitative aspects and these aspects are described in detail wherever it is necessary. The research has its basic objective to figure out the problem therein and provide them with some recommendation

## 3.2 Population and Sample

This study aims at studying the revenue planning of NIBL. It is not concerned with any specific branch of NIBL. So there is not any difference in the population and sample terms of this study. NIBL is sample and population itself.

### 3.3 Period Covered

The data presented in this study are secondary type. The annual reports of the concerned bank are the major sources of data for the study. Besides the annual reports of the concerned bank, the following sources of data shall also be used in this study.

1. NRB reports, Publication of finance Ministry.
2. Various publications dealing in the subject matter of the study.
3. Various articles published in the newspaper.

Annual reports of the bank are collected from the concerned bank, especially from their corporate office. Reports of NRB such as economic bulletin, annual reports are collected from NRB head office. Some of data are collected from Central library at T.U. as well as some data's are obtained from the various websites.

### 3.4 Research Variables

The research variable of this study is mainly related with the accounting statement of the bank. Interest income, non-interest income, total income, interest expenses, deposit, loan and advance etc are the research variables of this study

### 3.5 Analysis of Data

Data collected from various sources are managed, analyzed using various financial and statistical tools. Interpretation and explanations of results are made wherever necessary. Financial tool used in this study is mainly analysis. Statistical tools used in this study are trend analysis and correlation analysis. Similarly the test of variance analysis is also used in this study.

# CHAPTER 4

# DATA ANALYSIS AND PRESENTATION

## 4.1 Introduction

In this chapter Researcher had tried to deal with systematic presentation, analyzed and interpreted the data's, as the main objective of this research is to analyze the total revenues and its impact on overall control mechanism of Nepal Investment bank Ltd. To obtain these goals, related data's are presented and analyzed in systematic way in tabular forms and graph charts. Data are also analyzed using various statistical tools such as mean, standard deviation, time series analysis etc. Ratio analyses are also done to find out the effectiveness and performance evaluation of the NIBL.

### 4.1.1 Data Presentation and Analysis

This study has tried to cover the revenue activities of NIBL from 2057-58 to 2063-64 for 6 years. Different statistical tools as well as graphical approach are used to find out meaningful evaluation. The main source of data presentation and analysis used in this research is annual reports of Nepal Investment Bank Limited. Besides this, some informal discussions as well as oral questionnaire were asked to find out the possible reasons for deviations.

## 4.2 Major sources of Revenues

Revenues are the earning of bank. In manufacturing organization sales is the main revenue. But in the case of bank, there are various sources of revenue. These are defined below.

### 4.2.1 Interest Income

The major source of revenue of any bank is Interest Income. A major portion of revenue is generated through Interest. The deposits collected by bank are mobilized in various sectors to earn interest. The bank provides loans, advances and overdrafts facilities to earn interest. Bank also makes investment in various sectors to generate revenue. Some of examples of investment are HMG securities, treasury bills, Development bonds, Investment in Foreign securities etc.

Bank also earns interest on agency balance as well as money at call and short notices with local banks and institutions as well as foreign banks. Other sources of revenue from interest are certificate of deposit; inter bank / financial institution loan etc.

### 4.2.2 Commission and discount

The second major revenue is collected from commission and discount. Bills purchase from foreign banks generates revenues. There are various sources from where bank generates revenues as commission. Commissions are received from letter of credit, guarantees, collection fees, remittance fees, commission from cards and agency commission.

### 4.2.3 Other Operating Income

Other income includes income from safe deposits lockers as well as issue and renewal of credit cards. This also includes issue and renewal of ATM cards/ Debit cards as well as telex charges.

### 4.2.4 Exchange gain loss

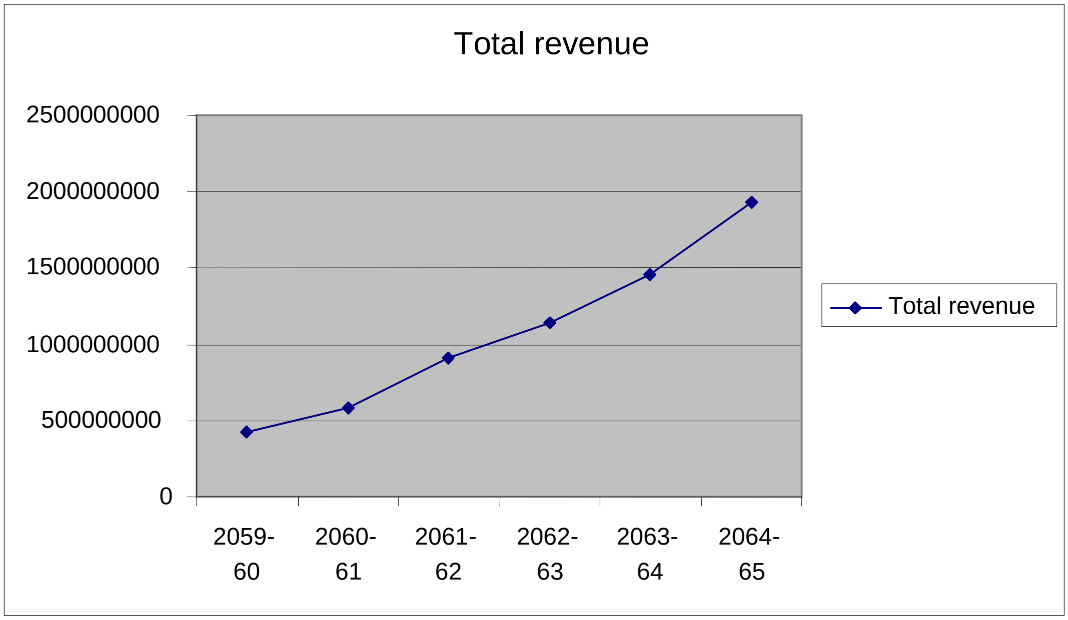
**Table:1**

**Total revenue trend of NIBL**

| Year | Total revenue | Trend % |
|---|---:|---:|
| 2059-60 | 418786124 | |
| 2060-61 | 577931678 | 38.00 |
| 2061-62 | 913713859 | 58.10 |
| 2062-63 | 1145628453 | 25.38 |
| 2063-64 | 1450333956 | 26.60 |
| 2064-65 | 1931560529 | 33.18 |

**Figure: 1**

**Total revenue trend of NIBL**




Bank has good earning from exchanging different foreign currency. Meanwhile in NIBL also exchange gain plays significant role in total revenue. So, total revenue has been analyzed in the beginning. Table 1 shows the total revenue generated from year 2058-59 to 2063-64 by NIBL. We can see that total revenue is in increasing trend.

## 4.3 Resources Mobilization

The resource that has been used for the fulfillment of its activities in various sectors is resource mobilization. Bank mobilizes resources from the following sources.

- Deposit collection
- Loans and borrowings from other banks.
- Capital fund
- Other Liabilities

**Table 2:**
**Deposits collection of NIBL**

| Year | Deposits | Change % |
|---|---|---|
| 2059-60 | 4,174,762,439 | |
| 2060-61 | 7,922,766,420 | 89.78 |
| 2061-62 | 11,524,679,645 | 45.46 |
| 2062-63 | 14,254,573,663 | 23.69 |
| 2063-64 | 18,927,305,974 | 32.78 |
| 2064-65 | 24,488,855,696 | 29.38 |

**Table 3:**
**Share capital Structure**

| Year | Number of Share | Share Capital | Change % |
|---|---|---|---|
| 2059-60 | 1699845 | 169984500 | |
| 2060-61 | 2952930 | 295293000 | 73.72 |
| 2061-62 | 2952930 | 295293000 | 0.00 |
| 2062-63 | 5877385 | 587738500 | 99.04 |
| 2063-64 | 5905860 | 590586000 | 0.48 |
| 2064-65 | 8013526 | 801352600 | 35.69 |

Among the above 4 sources, the deposit collection is the major source mobilization which in fact is one of the major activities of commercial banks. Table 2 shows the deposit collected by NIBL for past 6 years of study. Deposit collection is in increasing trend which shows that bank is in good position. Deposits are mobilized in terms of Loans, advances and overdrafts as well as investment in various sectors are done. Loan and borrowing is obtained from local banks, foreign banks, central bank and other financial institution generally for short period.

The capital fund is raised from share holder's equity; this is the net worth of bank. Commercial banks capital fund has been a major source of resources of bank. Other liabilities are also source of capital. Table 3 shows the number of share and share capital for past 6 years of study. The total share capital has been increasing every year. This is because of the directives from NRB to increase share capital. NIBL has issued bonus share and right share to increase its share capital.

### 4.4 Analysis of various Revenues of NIBL

The major sources of revenues are interest income, commission and discount, exchange gain and non operating other income. Table 4 and figure 3 shows the share of various revenues in study periods of 6 years. The aggregate interest income for study period is 80% where commission and discount covers 7% of total revenues. Likewise Exchange gain and non operating other income covers 9% and 5% of total revenue respectively. Figure 2 also shows the increase or decrease pattern of various revenues.

**Table:4**

**Various revenues and their share**

| Year | Interest Income | % | Commission & Discount | % | Exchange Gain | % | Non Operating Other Income | % | Total |
|---|---|---|---|---|---|---|---|---|---|
| 2059-60 | 326223712 | 78 | 16197893 | 4 | 42856394 | 10 | 33508125 | 8 | 418786124 |
| 2060-61 | 459509886 | 80 | 40811770 | 7 | 50834056 | 9 | 26775966 | 5 | 577931678 |
| 2061-62 | 731402930 | 80 | 55747480 | 6 | 87980293 | 10 | 38583156 | 4 | 913713859 |
| 2062-63 | 886799959 | 77 | 93550933 | 8 | 102517923 | 9 | 62759638 | 5 | 1145628453 |
| 2063-64 | 1172742193 | 81 | 115942016 | 8 | 125747407 | 9 | 35902340 | 2 | 1450333956 |
| 2064-65 | 1584987354 | 82 | 163899110 | 8 | 135355345 | 7 | 47318720 | 2 | 1931560529 |
| | Mean | 80 | | 7 | | 9 | | 5 | |

**Figure 2:**
**Various revenues and their share**

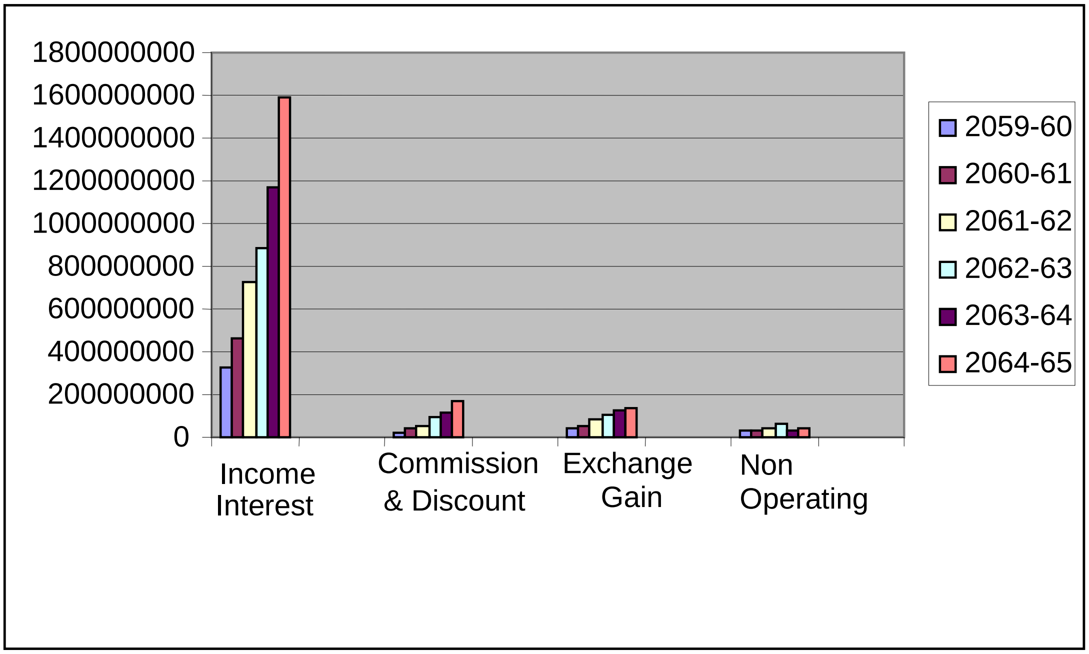



**Figure 3:**
**Average revenue share for 6 years**

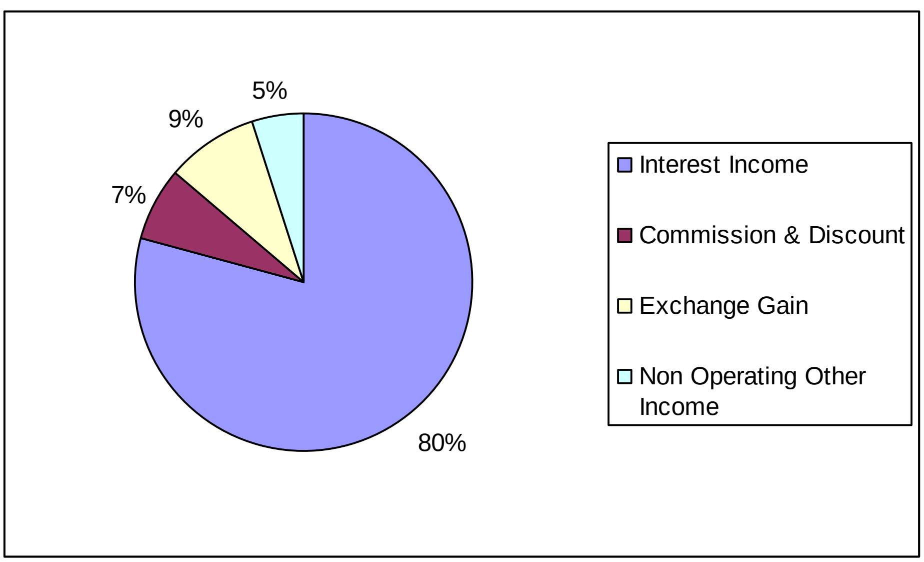
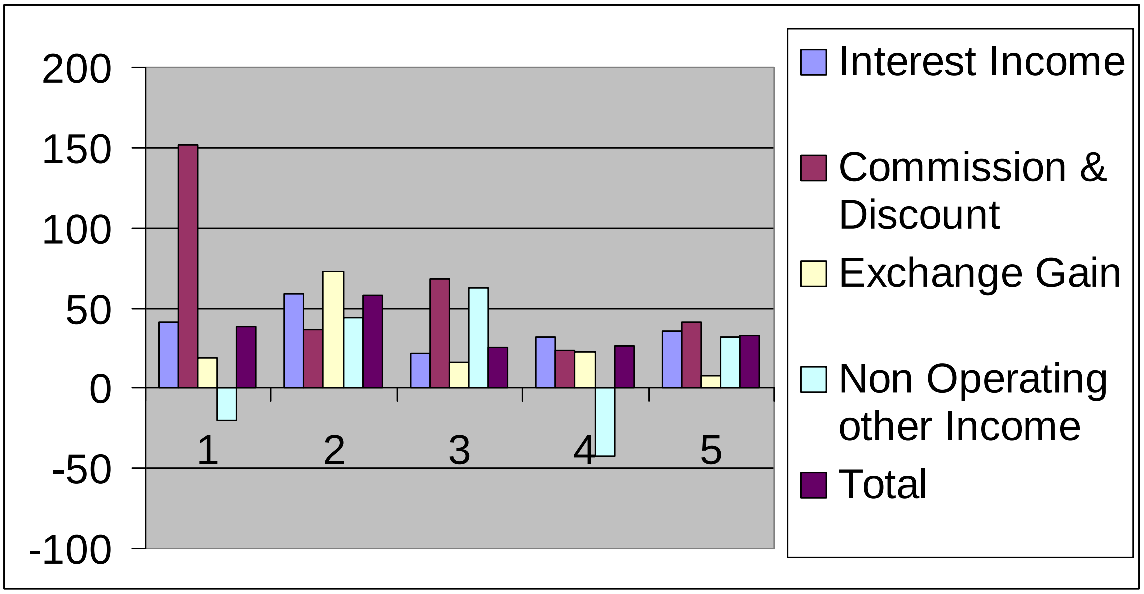


**Figure: 4**

**Fluctuation of various revenues**




Above figure shows the percentage wise fluctuation of various incomes of NIBL for study periods. The increase in interest income is consistent in every year where as commission and discounts have increased in year 2 by high percentage. Again from year 2 this has been little consistent. There is very high growth in year 3 of study. Non operating incomes has decreased 2$^{nd}$ and 5$^{th}$ year of study. Researcher had tried to find out the reason of fluctuation in their respective analysis part.

### 4.4.1 Income from Interest

Interest income is the major source of revenue in NIBL. Among different interest income, interest from loans, advances and overdrafts is highest. It covers 85% of total interest income in aggregate. Likewise average interest from investment is 5% where as on average; Money at call and short notices is 8%. Similarly 1% interest income is generated from agency balance and others. These data's are shown in table 6.

**Table 5:**

**Revenues generated from interest**

| Year | Loan, overdraft and Advances | % | On Investment | % | On Agency Balances | % | On Money At call and short notices | % | On others | % | Total Interest |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 2059-60 | 258583590 | 79 | 11027705 | 3 | 4128281 | 1 | 49187848 | 15 | 3296288 | 1 | 326223712 |
| 2060-61 | 421847299 | 92 | 10227494 | 2 | 1475707 | 0 | 22960401 | 5 | 2998985 | 1 | 459509886 |
| 2061-62 | 663016258 | 91 | 35868062 | 5 | 1038456 | 0 | 20027091 | 3 | 11453063 | 2 | 731402930 |
| 2062-63 | 769195061 | 87 | 56550194 | 6 | 3840739 | 0 | 46937649 | 5 | 10276316 | 1 | 886799959 |
| 2063-64 | 964689365 | 82 | 82420193 | 7 | 7858831 | 1 | 106421948 | 9 | 11351856 | 1 | 1172742193 |
| 2064-65 | 1302121998 | 82 | 78493554 | 5 | 10126583 | 1 | 183067186 | 12 | 11178043 | 1 | 1584987364 |

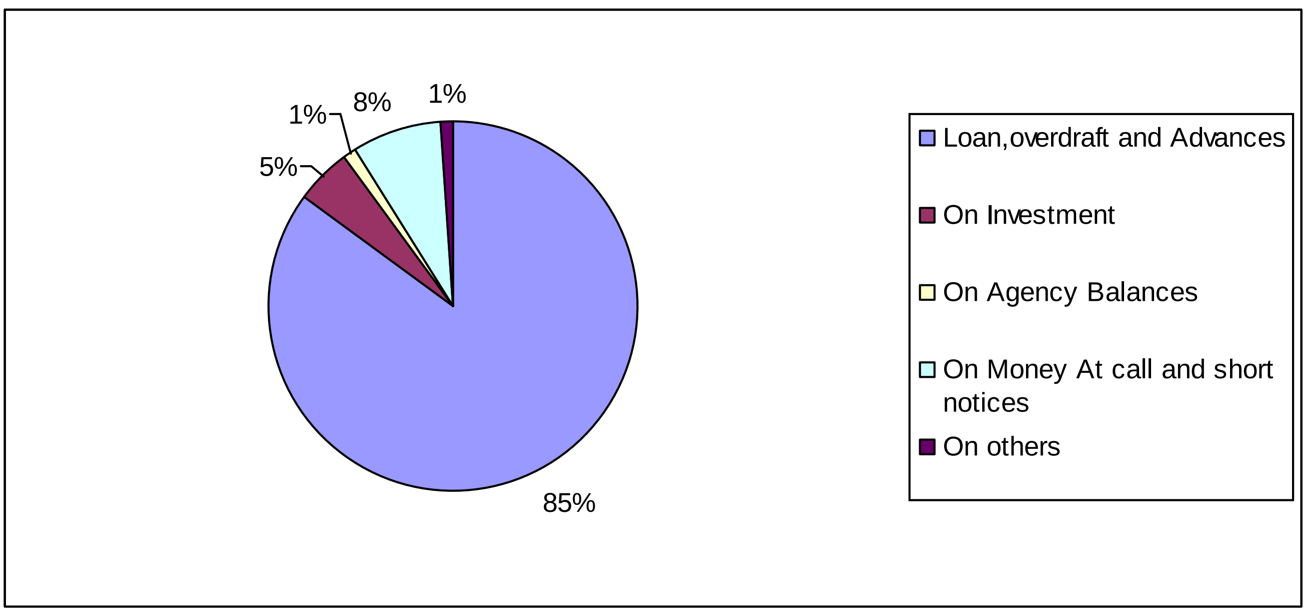
**Table 6:**

**Average interest income for 6 years**

| Average Interest income for 6 years | % |
|---|---|
| Loan, overdraft and Advances | 85 |
| On Investment | 5 |
| On Agency Balances | 1 |
| On Money At call and short notices | 8 |
| On others | 1 |

**Figure 5:**

**Average interest income**



The above figures show the pie chart of various interest incomes. It clearly shows that loans advances and overdraft is the highest interest earning category.

### 4.4.1.1 Interest from Loan overdraft and advances

Deposits collected are mobilized on loans, overdraft and advances on various sectors.

**Table 7:**

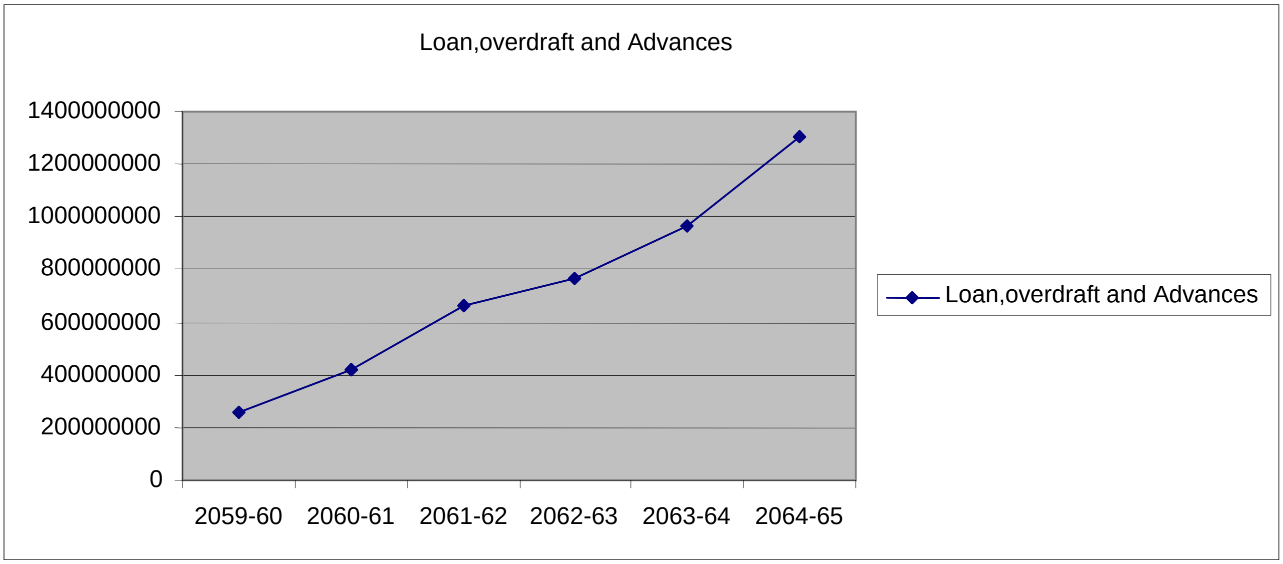
**Trend of Interest from Loan, overdraft and advances**

| Year | Income on Loans, advances and Overdrafts | |
|---|---|---|
| 2059-60 | 258583590 | Increase trend in % |
| 2060-61 | 421847299 | 63.14 |
| 2061-62 | 663016258 | 57.17 |
| 2062-63 | 769195061 | 16.01 |
| 2063-64 | 964689365 | 25.42 |
| 2064-65 | 1302121998 | 34.98 |

The major portion of interest income is covered by Interest earned from loan, overdraft and advances. About 85% of interest income is earned in this category. In above table 7 shows the trend of interest earned on loans overdrafts and advances. Figure 6 also shows the graphical trend. In the second year of study this has increased by 63.14% where as in 3$^{rd}$ year of study it increased by 57.17%. In the fourth and 5$^{th}$ year of study increased percentage has decreased to 16.01 and 25.42%. Finally in final year increased percentage is 34.98.

As discussed the matter of decreasing trend to concerned staffs of NIBL, they told that normally 70% of deposit is mobilized on loans. Exceeding percentage of loans is risky and restriction is made on loan disbursement. The main reason of fluctuation of loan trend is this.

**Figure 6:**
**Trend of interest from Loan, overdraft and advances**




### 4.4.1.2 Interest from Investment

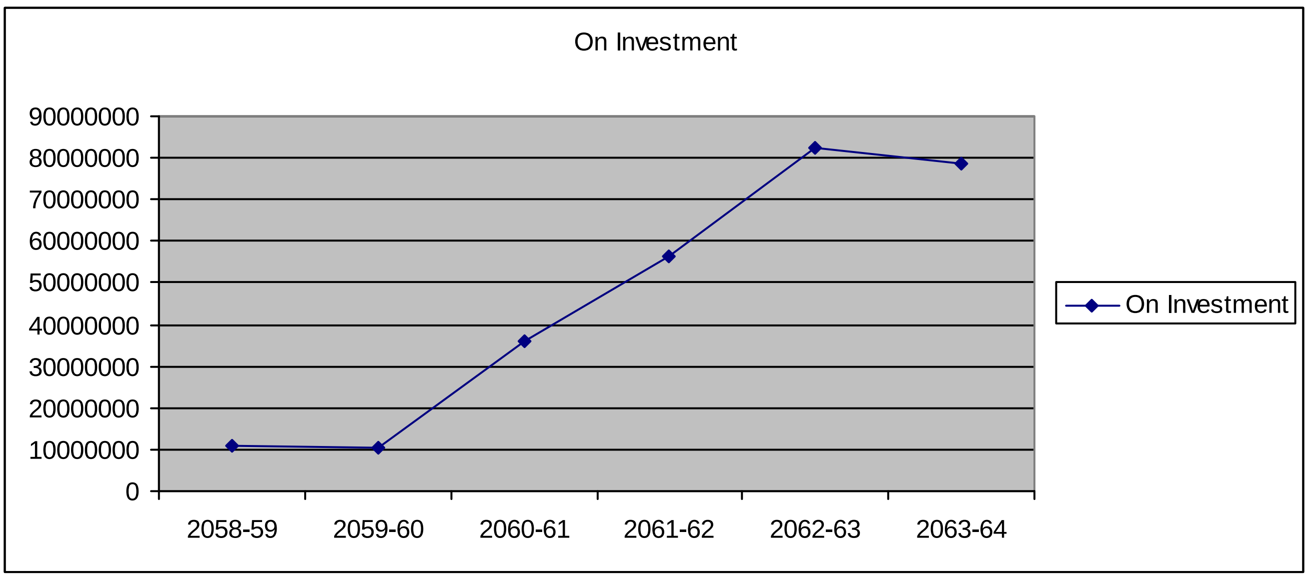
Bank mobilizes its deposit on various sectors. NIBL has invested on HMG securities like treasury bills, development bonds and foreign securities. The interest earn on these investment is kept under this heading. Investment on securities depends upon the policies of NRB.

**Table 8:**
**Trend of interest from investment**

| Year | Income form Investment | |
|---|---|---|
| 2059-60 | 11027705 | Trends in % |
| 2060-61 | 10227494 | -7.26 |
| 2061-62 | 35868062 | 250.70 |
| 2062-63 | 56550194 | 57.66 |
| 2063-64 | 82420193 | 45.75 |
| 2064-65 | 78493544 | -4.76 |

Table 8 shows the trend of interest earns from investment. We can see the fluctuation of interest from investment. Interest from investment is not consistent. Figure 7 elaborates trend in graphical approach. In 2$^{nd}$ year of study there is decrease in interest from investment. In year 3 this has increased by 250.70%. Investment made by NIBL is only in HMG treasury bills. Therefore this investment depends upon issue of treasury bills by Nepal Rastra Bank. In some years issuance of treasury bills has declined which has made impact on interest on investment and this income has declined. And sometimes bank bid to NRB but they don't get as per their demand. Therefore investing in investment is not in bank's hand only. Therefore in some years it is in increasing trend and in some years it is decreasing.

**Figure 7:**
**Trend of interest from investment**




### 4.4.1.3 Interest Income on Agency Balance

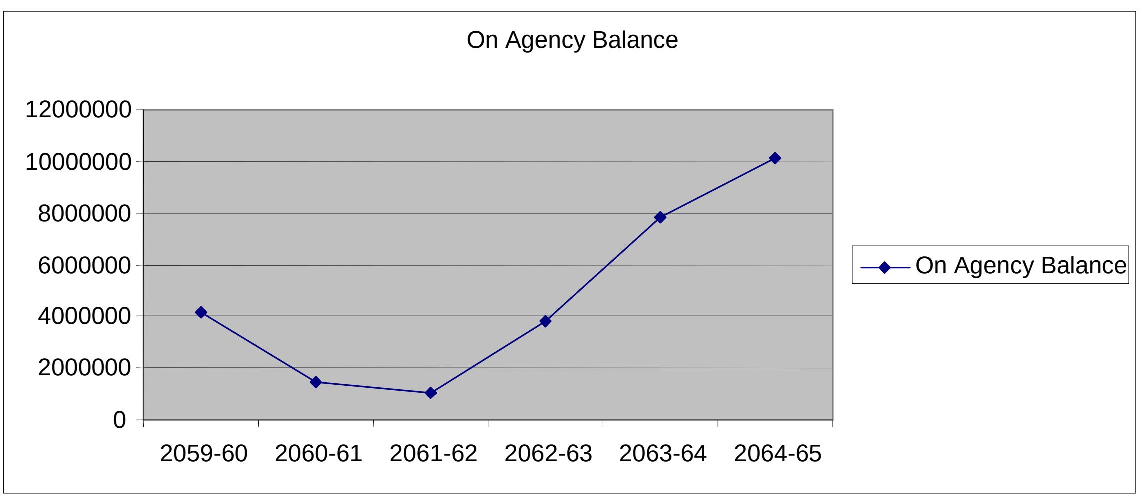
About 1% of total interest is covered by interest income from agency balance. NIBL earns interest from agency balance in foreign banks as well as Local banks and financial institution. NIBL earns interest from various banks acting as agency.

**Table 9:**
**Trend of Interest Income on Agency Balance**

| Year | On Agency Balance | Trends in % |
|---|---|---|
| 2059-60 | 4128281 | |
| 2060-61 | 1475707 | -64.25 |
| 2061-62 | 1038456 | -29.63 |
| 2062-63 | 3840739 | 269.85 |
| 2063-64 | 7858831 | 104.62 |
| 2064-65 | 10126583 | 28.86 |

Table 9 and figure 8 shows the trend of interest earned by agency balance. In the 2nd year and 3rd year of study this has decreased by 64.25% and 29.63% amounting 1475707 and 1038456. But there is a very much high increase in year 4 and 5 of study, increased by 269.85% and 104.62% respectively. In final year this increased is consistent. This is also not controllable by NIBL. The main reason of fluctuation of this income is due to uncontrollable also.

**Figure 8:**
**Trend of Interest Income on Agency Balance**



### 4.4.1.4 Interest from money at call and short notices

Interest earned from money at call and short notices covers about 8% of total interest income generated by NIBL. There is inconsistency in trend under this category.

**Table 10 :**

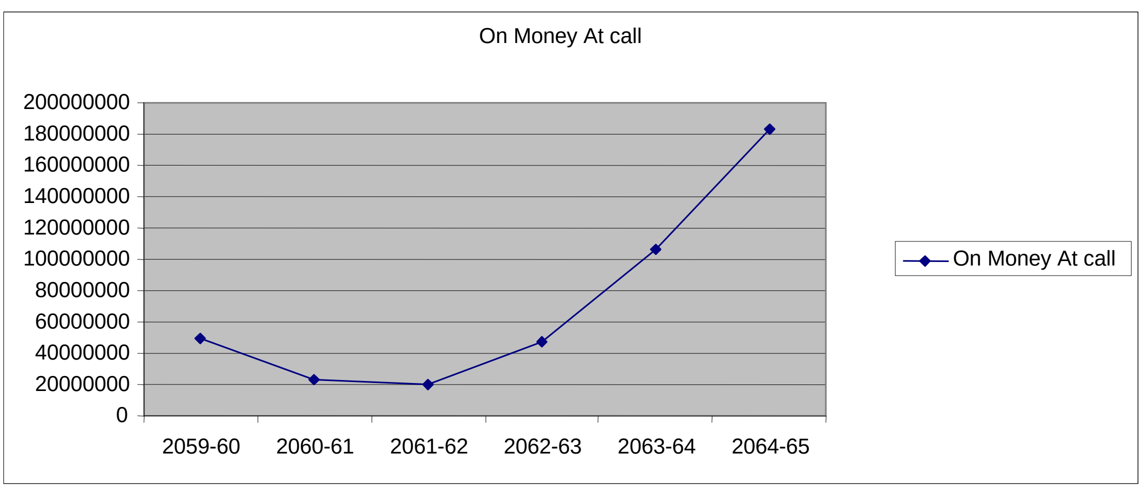
**Interest from money at call and short notices**

| | **On Money At call** | |
|---|---|---|
| **Year** | **and short Notices** | |
| **2059-60** | **49187848** | **Trends in %** |
| **2060-61** | **22960401** | **-53.32** |
| **2061-62** | **20027091** | **-12.78** |
| **2062-63** | **46937649** | **134.37** |
| **2063-64** | **106421948** | **126.73** |
| **2064-65** | **183067186** | **72.02** |

Interests are earned from various local as well as foreign Banks. In initials years this has decreased where as there is increase after year 4. In year 2 and 3, there is decrease of -53.32% and -12.78% respectively. In year 4 and 5 there is growth of 134.37% and 126.73%. In final year there is growth of 72.02%. Thus Researcher can say that this category of income is not consistent. Table 10 and figure shows the trend of interest income from money at call and short notices.

**Figure 9 :**

**Interest from money at call and short notices**



### 4.4.2 Commission and discount

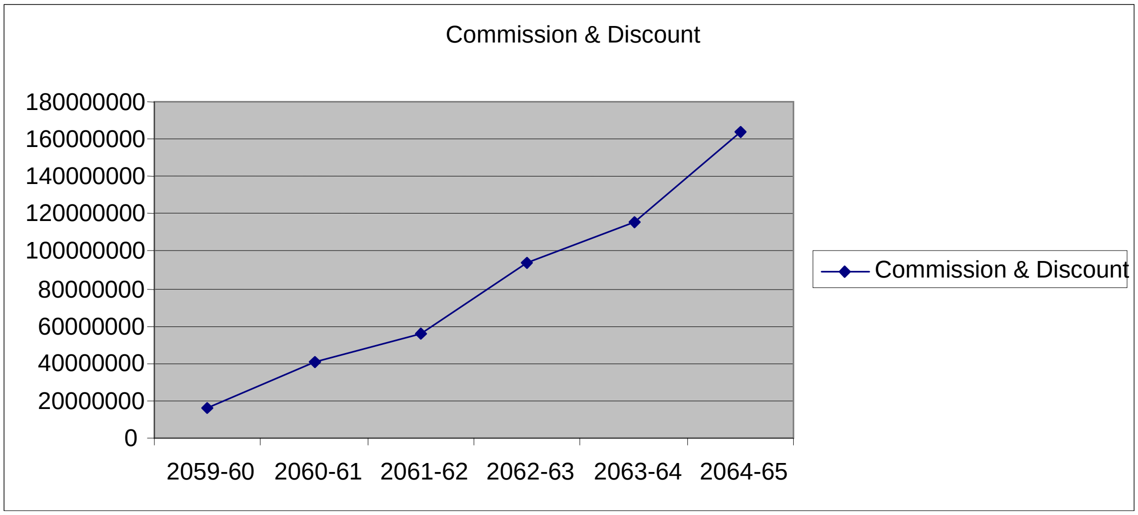
Commission and discount is another major source of revenue of NIBL. It covers about 7% of total revenue earned by NIBL. Commission from letter of credit, bank guarantees, remittance commission, and card commission are the major sources of commission and discounts. The trend of commission and discount is in increasing trend.

**Table 11 :**
**Income from Commission and Discount**

| **Year** | **Commission & Discount** | |
|---|---|---|
| **2059-60** | **16197893** | **Trends %** |
| **2060-61** | **40811770** | **151.96** |
| **2061-62** | **55747480** | **36.60** |
| **2062-63** | **93550933** | **67.81** |
| **2063-64** | **115942016** | **23.93** |
| **2064-65** | **163899110** | **41.36** |

Table 11 and Figure 10 show the trend of commission and discount. In the 2nd year of study there is a increase of 151.96% where as this has decreased to 36.60% in year 3. Again there is high increase in year 4, increased by 67.81%. Finally in year 5 and 6 there is a growth of 23.93% and 41.36% respectively. The main reason in increase in commission income is due to increase in remittance commission. The number of remittance transaction has exceeded in recent years.

**Figure 10:**
**Income from Commission and Discount**

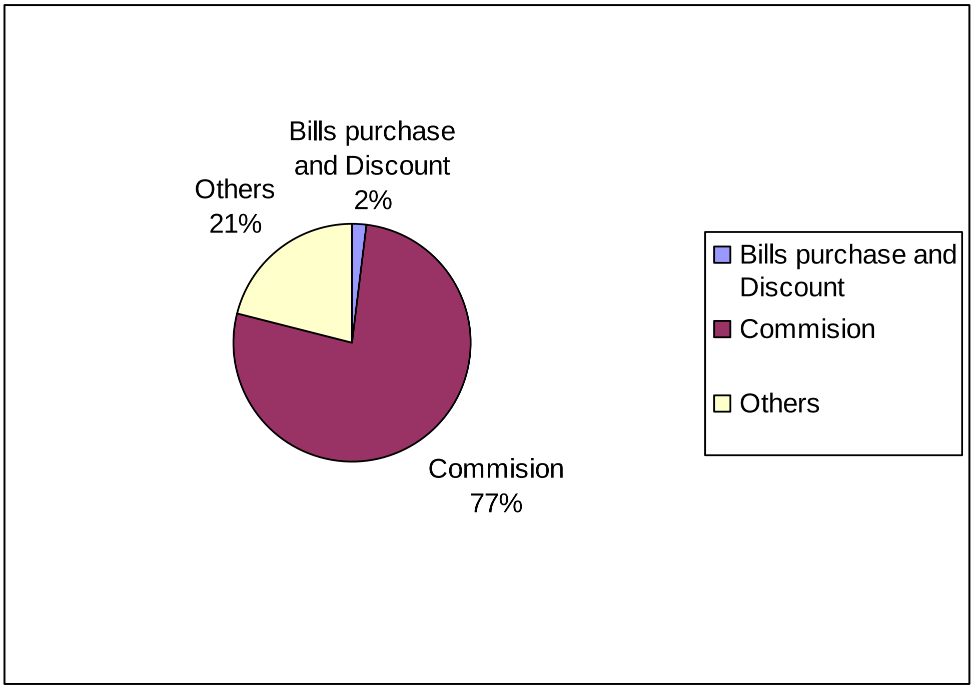



We can categorize income from commission and discount to two categories namely bills purchase and discount, commissions and others. Here Researcher will try to discuss about all the categories separately. Table 12 shows the share of different incomes under commission and discount. In figure 11 Researcher can see that average share of bills purchase and discount for entire study period is about 2% where as average share of commission is 77%. Income from others occupies about 21% share.

**Table12:**
**Share of Commission and Discount**

| Year | Bills purchase and Discount | % | Commission | % | Others | % |
|---|---|---|---|---|---|---|
| 2059-60 | 773127 | 4.77 | 11999996 | 74.08 | 3424770 | 21.14 |
| 2060-61 | 875883 | 2.15 | 31254654 | 76.58 | 8681233 | 21.27 |
| 2061-62 | 1212565 | 2.18 | 45504863 | 81.63 | 9030052 | 16.20 |
| 2062-63 | 970290 | 1.04 | 71343066 | 76.26 | 21237577 | 22.70 |
| 2063-64 | 920290 | 0.79 | 89808627 | 77.46 | 25213099 | 21.75 |
| 2064-65 | 841625 | 0.51 | 125227824 | 76.41 | 37829661 | 23.08 |
| | Mean | 1.907 | | 77.07 | | 21.02 |

**Figure 11:**
**Average share for 6 years for commission and discount**



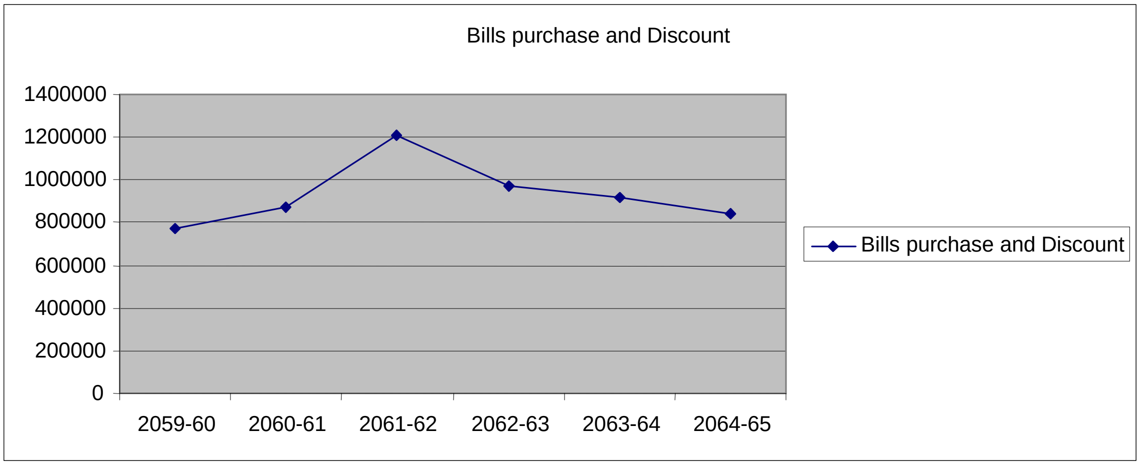

### 4.4.2.1 Income from Bills purchase and Discount

Commissions are received in purchase of bills and discounts with local banks as well as foreign banks. Table 13 shows the trend of income from bills purchase and discount. In the initial years this income was in increasing trend where as in last 3 years of study, this has been decreasing every year.

**Table 13:**
**Income from Bills purchase and Discount**

| Year | Bills purchase and Discount | |
|---|---|---|
| 2059-60 | 773127 | Trends in % |
| 2060-61 | 875883 | 13.29 |
| 2061-62 | 1212565 | 38.44 |
| 2062-63 | 970290 | -19.98 |
| 2063-64 | 920290 | -5.15 |
| 2064-65 | 841625 | -8.55 |

**Figure 12:**
**Income from Bills purchase and Discount**




### 4.4.2.2 Commissions

Commission plays the major role under commission and discount category. It covers about 77% share. There are other sub categories under commission. Table 13 shows the commission under different category. There are different headings like commission for letter of credit, guarantees commission, remittance commission, cards commission and other commission like collection fee, agency fee, exchange fee etc. Figure 12 shows the share of commissions under different category. The average L/C collection for study period is 30% where as Guarantee commission covers about 28% share. Like wise remittance commission covers 16% and card commission covers about 25%.

**Table 14:**
**Commission revenue**

| Year | L/C commission | Guarantees Commission | Remittance Commission | Cards commission | Others |
|---|---|---|---|---|---|
| 2059-60 | 4027653 | 4213468 | 3291521 | 28943 | 438411 |
| 2060-61 | 13777630 | 12097147 | 4529614 | 12674 | 837589 |
| 2061-62 | 20647227 | 10814903 | 8767009 | 4273914 | 1001810 |
| 2062-63 | 24558698 | 20110137 | 10769772 | 15247028 | 657431 |
| 2063-64 | 26045155 | 26215205 | 14493160 | 22702741 | 352366 |
| 2064-65 | 32259455 | 31883138 | 18176299 | 42498095 | 410836 |

**Figure 13:**
**Average share for 6 years under commission income**

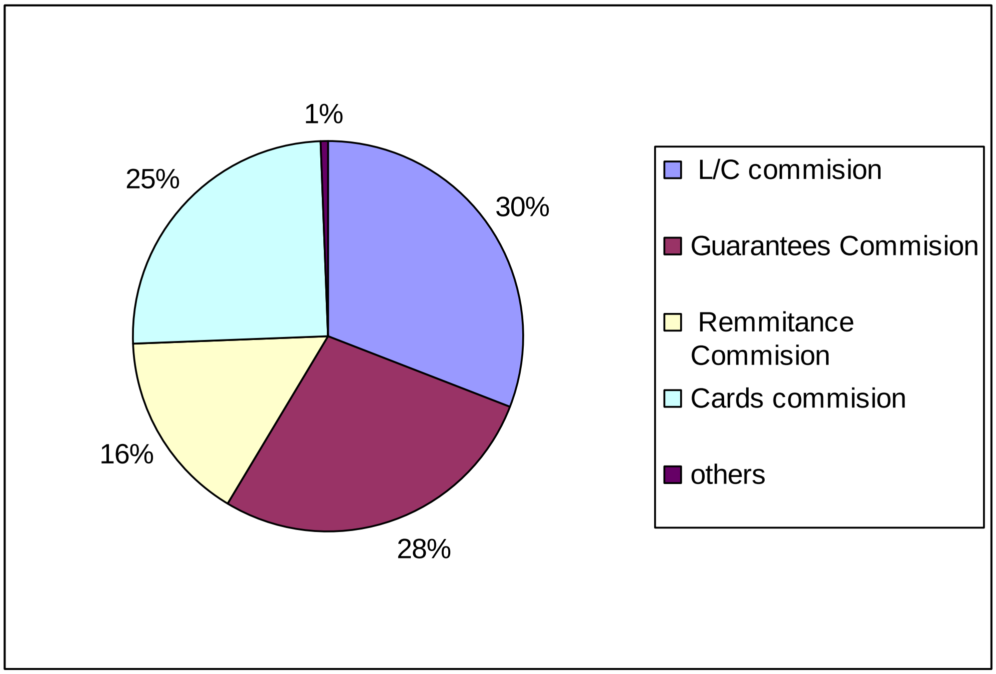
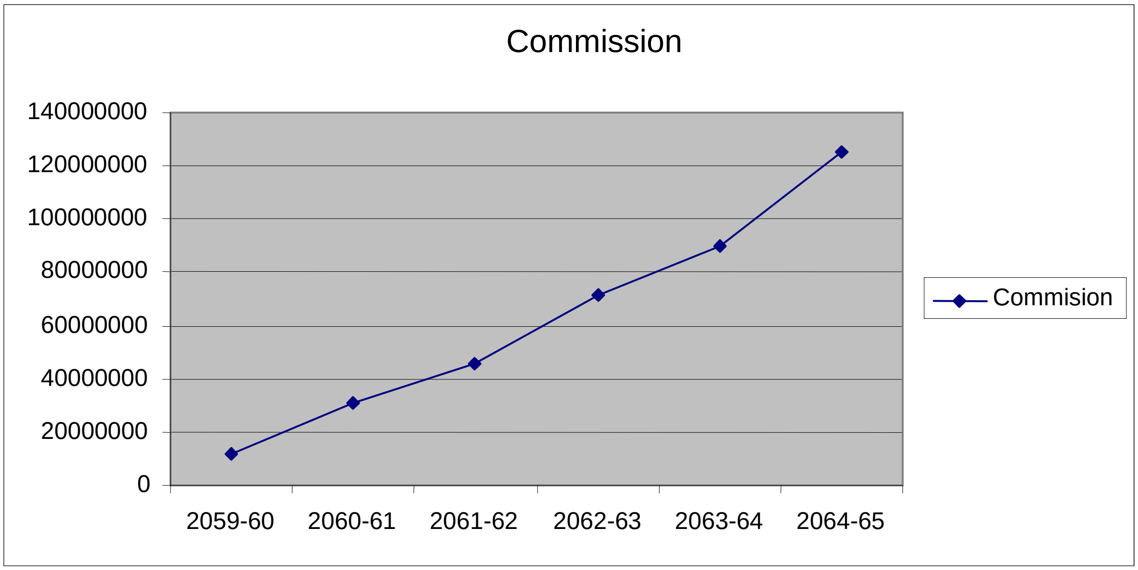



**Table 15:**
**Income form Commission**

| Year | Commission | Trends In % |
|---|---|---|
| 2059-60 | 11999996 | |
| 2060-61 | 31254654 | 160.46 |
| 2061-62 | 45504863 | 45.59 |
| 2062-63 | 71343066 | 56.78 |
| 2063-64 | 89808627 | 25.88 |
| 2064-65 | 125227824 | 39.44 |

The overall trend of commission income is shown in table 15 and figure 14. We can see that commission income is in growing trend and this is very good for NIBL. This income has been increased by 160.46% in year 2 where as from year 3 this is more consistent and increased by 45.59%. Likewise in year 4, 5 and 6 there is increase of 56.78%, 25.88% and 39.44 % respectively.

**Figure 14:**
**Income from Commission**




### 4.4.3 Other Income

Non operating incomes are generated without operation of activities. Non operating incomes are profit on sales of investment / Assets. Such income can be dividend received from different banks where NIBL has invested in terms of share capital by purchasing shares. Non operating incomes are also subsidies received from Nepal Rastra Bank.

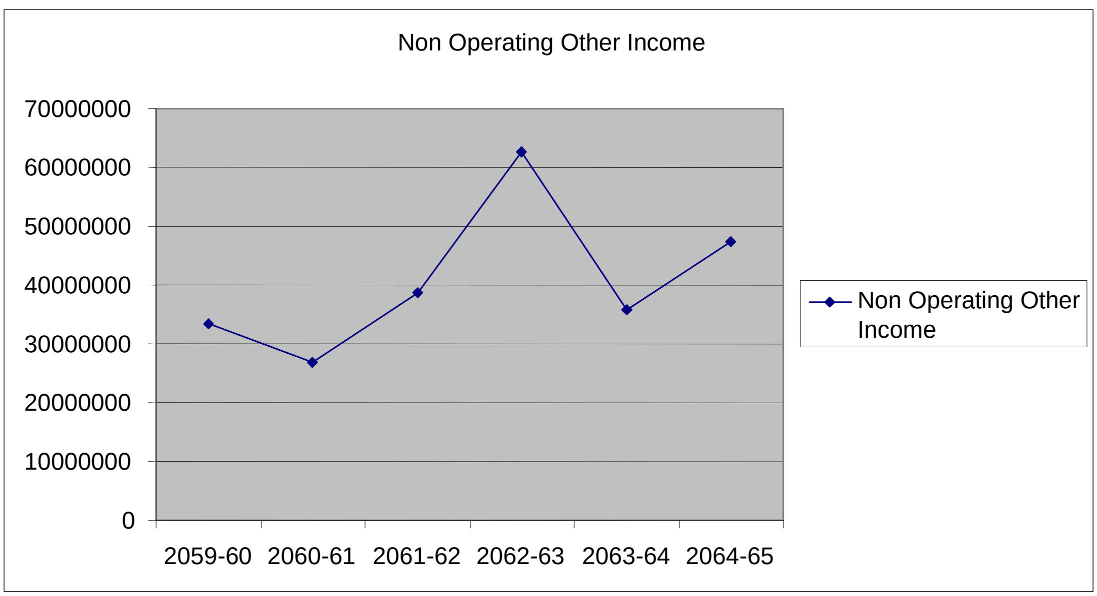
Other incomes includes rental on safe deposit lockers, issue and renewals of cards, telex / TT charges, service charges, renewal charges, loan provision written back and others. The trend of non operating / other income is fluctuating.

**Table 16:**
**Other Income**

| Year | Other Income | |
|---|---|---|
| 2059-60 | 33508125 | Trends |
| 2060-61 | 26775966 | -20.09 |
| 2061-62 | 38583156 | 44.096 |
| 2062-63 | 62759638 | 62.661 |
| 2063-64 | 35902340 | -42.79 |
| 2064-65 | 47318720 | 31.798 |

In the 2nd year of study this has decreased by 20.09% where as in year 3 and 4, this has increased by 44.09% and 62.66% respectively. Similarly in the year 5, there was decrease of 42.79% and again there was increase of 31.79% in year 6 of study.

**Figure 15:**
**Other Income**




### 4.4.3.1 Income from Safe Deposit Locker

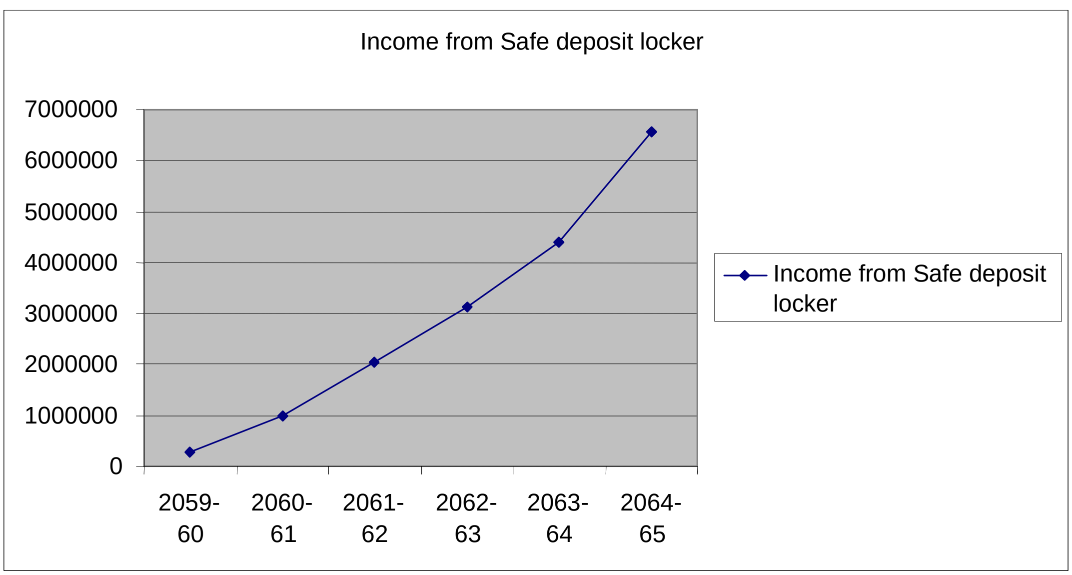
Income generated from hiring deposit lockers to its costumer is kept under this category. Bank takes certain charge for keeping valuable things in safe deposit lockers.

**Table 17:**
**Income from Safe Deposit Locker**

| Year | Income from Safe deposit locker | |
|---|---|---|
| 2059-60 | 267651 | Trends in % |
| 2060-61 | 980250 | 266.24 |
| 2061-62 | 2045448 | 108.67 |
| 2062-63 | 3121709 | 52.62 |
| 2063-64 | 4385686 | 40.49 |
| 2064-65 | 6566610 | 49.73 |

Table 17 and figure 16 shows the trend of income from safe deposit lockers. This table shows that there is increasing trend in income from safe deposit lockers. This also shows those publics are aware of keeping their valuable properties safely. Due to rise in robberies and unsecureness this trend has been increasing year by year. The trend is increasing by 266.24% in year 2, 108.67% in year 3, 52.62% in year 4, 40.49% in year 5 and finally there is increment of 49.73% in year 6 of study.

**Figure 16:**
**Income from Safe deposit locker**



### 4.4.3.2 Income from Telex / TT

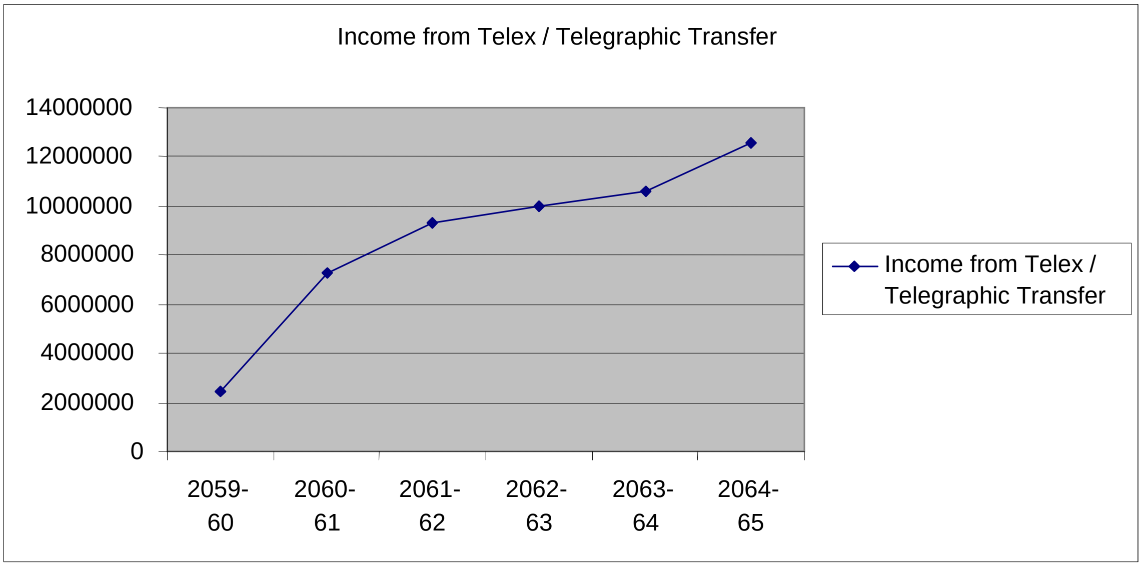
Telex is international system of telegraphy by teleprinters using the public telecommunications network.( Oxford Dictionary) Telegraphic Transfer (TT) is a way of transferring amount from one place to another place. Bank charges for providing such types of services. Telex / TT are most often used to send amounts from one country to another country. Table 18 and figure 17shows the trend of income from Telex / TT. We can see that there is increasing trend of this income. The major reason for this is that the remittance from abroad is increasing. As many people are leaving country for employment opportunity abroad, the remittance is growing every year.

**Table 18:**
**Income from Telex / TT**

| Year | Income from Telex / Telegraphic Transfer | |
|---|---|---|
| 2059-60 | 2450223 | Trends % |
| 2060-61 | 7254340 | 196.07 |
| 2061-62 | 9333302 | 28.66 |
| 2062-63 | 9989889 | 7.03 |
| 2063-64 | 10574635 | 5.85 |
| 2064-65 | 12567551 | 18.85 |

In the 2$^{nd}$ year of study there was increase of 196.07% where as 28.66% increase occurred in year 3. Similarly increased % decreased in year 4 and 5 and there was increment of 7.03% and 5.85% only. Finally in year 6, there was increase of 18.85% in income from Telex / TT.

**Figure 17:**
**Income from TT**




### 4.4.4 Income from Exchange Gain

Exchange is giving of money for its equivalent in the money of the same or another country. Thus exchange gain is income received from fluctuation of exchange rate of international currency. This gain is widely received from US dollar exchange to its costumers. Income from exchange gain covers about 9% of total revenue in NIBL in average. The income from exchange gain is also increasing year by year. The main reason behind this is the increase in use of US dollars. The number of persons going abroad is increasing and thus banks holding of US dollar as well as other foreign currency are growing. This ultimately leads increase in income from exchange gain.

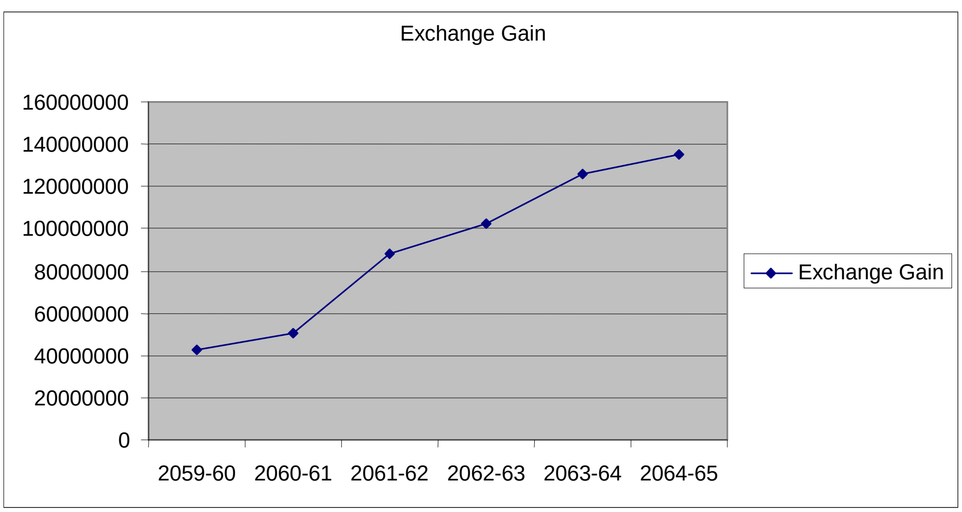
Thus Researcher can say that exchange gain plays a vital role in increasing the total revenue of NIBL.

**Table 19:**
**Income from Exchange Gain**

| Year | Exchange Gain | Trend % |
|---|---|---|
| 2059-60 | 42856394 | 00.00 |
| 2060-61 | 50834056 | 18.61 |
| 2061-62 | 87980293 | 73.07 |
| 2062-63 | 102517923 | 16.52 |
| 2063-64 | 125747407 | 22.66 |
| 2064-65 | 135355345 | 7.64 |

Table 19 and figure 18 shows the trend of income from exchange gain for 6 years study period. In the 2nd year of study there is increase of 18.61% where there is increase of 73.07% in year 3. Like wise there is increment of 16.52% and 22.66% in year 4 and 5 respectively. Finally in year 6, there is a growth of 7.64%. As the exchange gain incomes are not in hand of bank. It depends upon the international situation and mainly dependable in US dollar conversion rate.

**Figure 18:**
**Income from exchange gain**



### 4.5 Ratio Analysis

The ratio analysis is a powerful tool of financial analysis. A ratio is defined as "The indicated quotient of two mathematical expression" and as "The relationship between two of more things.

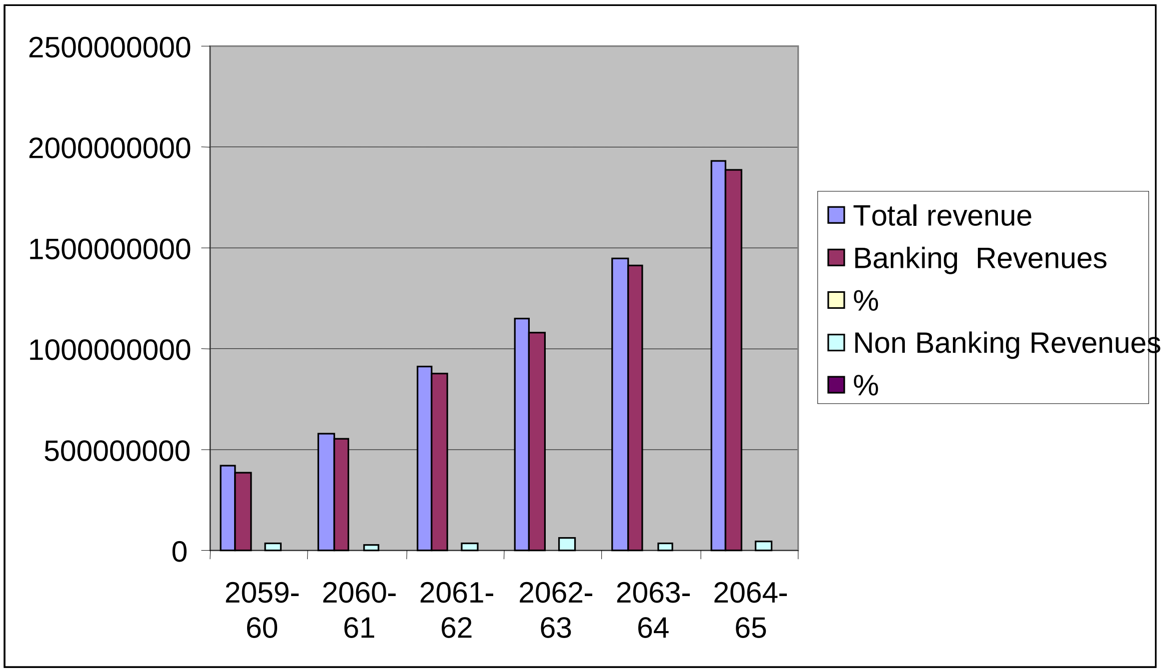
#### 4.5.1 Banking and Non Banking Revenues

Banking revenues refers to all the banking related incomes such as Interest income, Commission income, Exchange income etc where as nonoperating income refers to income other than banking income. Banking Revenues is derived by banking revenue upon Total revenue where as Non banking is derived by dividing non banking revenues upon total revenue multiplied by 100.

**Table 20:**
**Comparison of Banking And Non Banking Revenues**

| Year | Total revenue | Banking Revenues | % | Non Banking Revenues | % |
|---|---|---|---|---|---|
| 2059-60 | 418786124 | 385277999 | 92 | 33508125 | 8 |
| 2060-61 | 577931678 | 551155712 | 95 | 26775966 | 5 |
| 2061-62 | 913713859 | 875130703 | 96 | 38583156 | 4 |
| 2062-63 | 1145628453 | 1082868815 | 95 | 62759638 | 5 |
| 2063-64 | 1450333956 | 1414431616 | 98 | 35902340 | 2 |
| 2064-65 | 1931560529 | 1884241809 | 98 | 47318720 | 2 |

**Figure 19:**
**Comparison of Banking and non Banking Revenues**




From the above table 20 and figures 19 Researcher can see that banking revenue is very high in comparison to non Banking revenues. In the year 2058-59 non Banking revenue was 8% where as in 2063-64 this number has declined to 2%. The reason behind this is due to less concentration on non banking sectors by bank in comparison to banking sectors.

The above graph clearly indicates that bank has focused itself to banking sectors rather than non banking sectors. To survive in highly competitive market, bank has focused itself in banking sector due to which banking revenues occupies a major portion of total revenue.

### 4.5.2 Net Profit to Total Revenue Ratio

Net profit to total Revenue shows the portion of net profit on total Revenue. Net profit is derived from excess of all revenue over expenditure. There should be more revenue and less expenditure to get high net profit. The volume of net profit measures the success of bank in every aspects of its operation. So the bank must increase total revenue and reduce expenditure.

**Table 21:**
**Net profit to total Revenue Ratio**

| Year | Total revenue | Net Profit | Net Profit to Total Revenue Ratio % |
|---|---|---|---|
| 2059-60 | 418786124 | 57105284 | 13.63 |
| 2060-61 | 577931678 | 116817659 | 20.21 |
| 2061-62 | 913713859 | 152670976 | 16.70 |
| 2062-63 | 1145628453 | 232147098 | 20.26 |
| 2063-64 | 1450333956 | 350536413 | 24.16 |
| 2064-65 | 1931560529 | 501398853 | 25.95 |
| | | Mean | 24.182 |

Above table 21 shows net profit to total revenue of last 6 years of study period. Net profit to total revenue ratio is in increasing trend except in year 2060-61. In the first year of study this ratio was 13.63% where as in year 2, this number increased to 20.21% and this number decreased to 16.70% in year 3 of study. Similarly from year 4, this has been increasingly steadily and reached 25.95% in final year of study.

This shows that the ratio is in increasing except in year 2061-62. The total amount of total revenue and net profit is increasing every year but the ratio has decreased in year 3 of study. Thus Researcher can say that bank have good net profit to total revenue ratio.

This shows that about 24.18% of total revenue is net profit and banks has been decreasing its expenses and increasing net profit. This indicates that from 13.63% profit of total revenue in year 1, profit has reached 25.95% of total revenue in year 6 of study is very good work of bank.

### 4.5.3 Interest Income vs. Interest Expenses and Net Income

Interest income refers to all the revenue derived from interest. Interest income is the major source of revenue and interest expense is also the major expenditure in the bank. The gap between expense and income is profit. Interest income to net interest income shows the gap between interest income ad interest expenses.

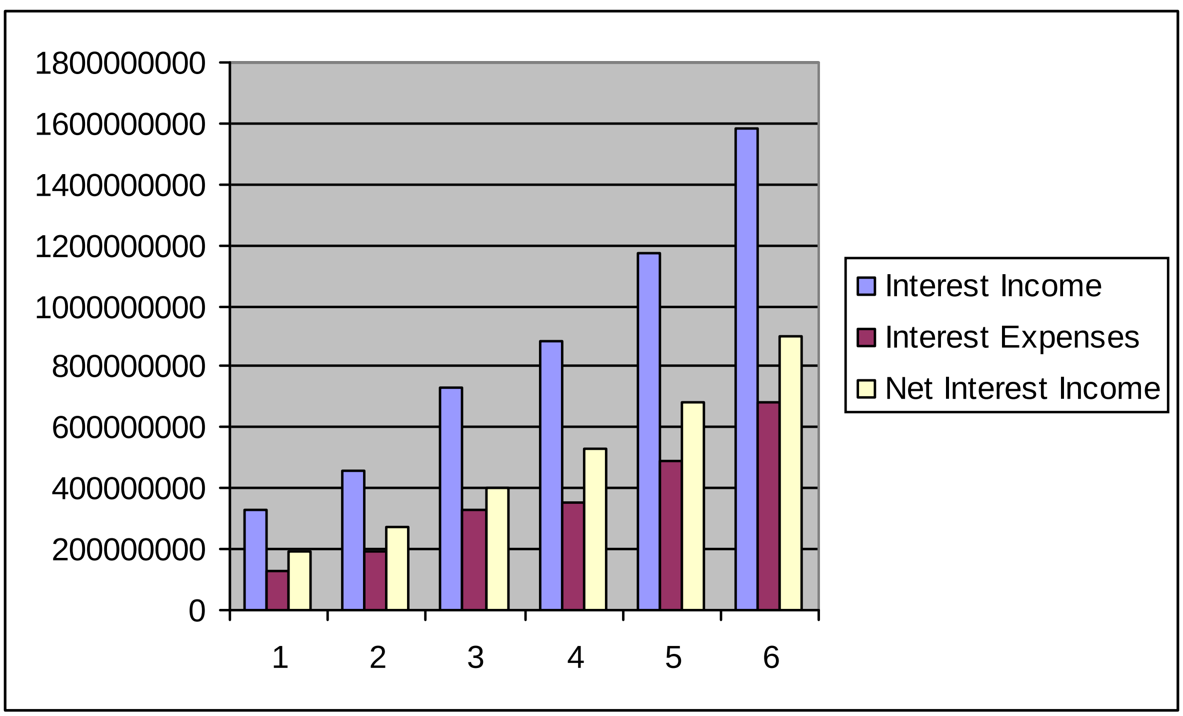
**Table 22:**

**Interest Income vs. Interest Expenses and net Interest income**

| Year | Interest Income | Interest Expenses | Net Interest Income | Interest Income to Net Interest Income Ratio |
|---|---|---|---|---|
| 2059-60 | 326223712 | 130436221 | 195787491 | 60 |
| 2060-61 | 459509886 | 189214343 | 270295543 | 59 |
| 2061-62 | 731402930 | 326202325 | 405200605 | 55 |
| 2062-63 | 886799959 | 354549307 | 532250652 | 60 |
| 2063-64 | 1172742193 | 490946961 | 681795232 | 58 |
| 2064-65 | 1584987354 | 685530264 | 899457090 | 57 |
| | | | Mean | 58.16 |

**Figure 20**:

**Interest Income vs. Interest Expenses and net Interest income**



In the Above figure 20 and table 22 Researcher can find that Interest income is consistently increasing where as interest Income is also growing in the same manner. Net income ratio is also consistent and is more than 50% in all study years. This implies that net interest income is more than 50 % of total interest income in every year. In the 1st year of study 60% of interest income is generated after deducting interest expenses. Similarly this has come down to 57% in year 6.  In overall, this implies good situation of Bank. Mean of interest income to net interest income ratio is 58.16%. But net interest income is decreasing. Reason behind this is increasing trend of cost of deposit. Bank is continuously increasing rate of interest which is decreasing net interest income.

### 4.5.4 Total expenses to total revenue ratio and total profit to total revenue

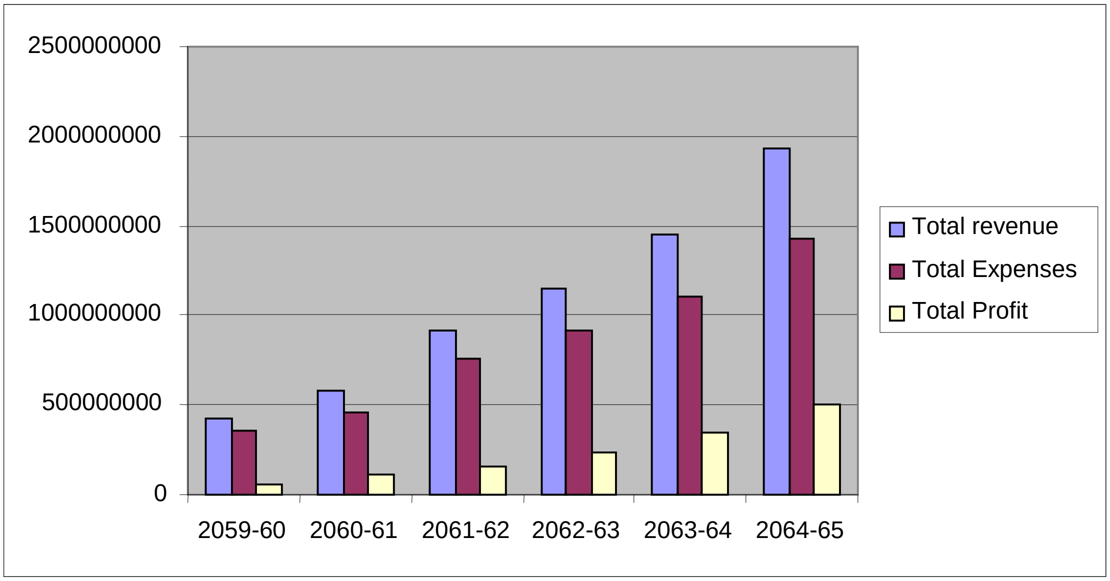
Total expenses to total revenue ratio shows the relationship between total expenses and total revenue. The lesser total expenses ratio is good for bank. This shows the percentage of expenses on total income over expenditure. Like wise total profit to total ratio shows the ratio of profit on total revenue. It shows the percentage of profit on total revenue.

**Table 23:**

**Comparison of Total revenue, total expenses and total profit**

| Year | Total revenue | Total Expenses | Total Profit | Total expenses to total Income ratio | Total Profit to total revenue ratio |
|---|---|---|---|---|---|
| 2059-60 | 418786124 | 361680840 | 57105284 | 86 | 14 |
| 2060-61 | 577931678 | 461114019 | 116817659 | 80 | 20 |
| 2061-62 | 913713859 | 761042883 | 152670976 | 83 | 17 |
| 2062-63 | 1145628453 | 913481355 | 232147098 | 80 | 20 |
| 2063-64 | 1450333956 | 1099797543 | 350536413 | 76 | 24 |
| 2064-65 | 1931560529 | 1430161676 | 501398853 | 74 | 26 |

**Figure 21:**
**Comparison of Total revenue, total expenses and total profit**




In the Table 23 and figure 21 it is clearly seen that Total revenue collected, total expenses and Total profit is continuously increasing year by year.
From the table Researcher can find out total Expenses to income ratio and total revenue to total profit ratio. From the ratio Researcher can find that total expenses percentage is in decreasing trend that is bank is lowering its expenses which are increasing total profit. In year 1, 86% of total revenue is expend to generate profit of 14%. Similarly in year 2, total expense was decreased to 80% generating total profit 20% of total revenue collected. Like wise in final year of study Researcher can find that total expenses decreased to 74% of total revenue generating total profit of 26% of total revenue which is very good figure indeed. Like wise Total profit to total revenue is in increasing trend in overall. In the 1$^{st}$ year of study there was only 14% total profit of total revenue where as in year 6, this has reached 26%. This implies that 26% of total revenue generated by NIBL is total profit.

Thus Researcher can say bank is in good position and Bank is decreasing its expenses year by year. There are various reasons behind decrease in total expenses like continuous decrease in employee expenses, operating expenses etc. which is increasing net profit. From 86% expenses of total revenue in year 1 of study, it has reached 74% expenses of total revenue in year 6 is very good task performed by bank in decreasing expenses.

### 4.5.5 Total Deposit to Total Revenue ratio

This ratio shows the percentage of revenue against total deposits collected through out the year. Deposit is major source of fund and the main revenue of bank is collected by mobilizing deposit to priority sectors.

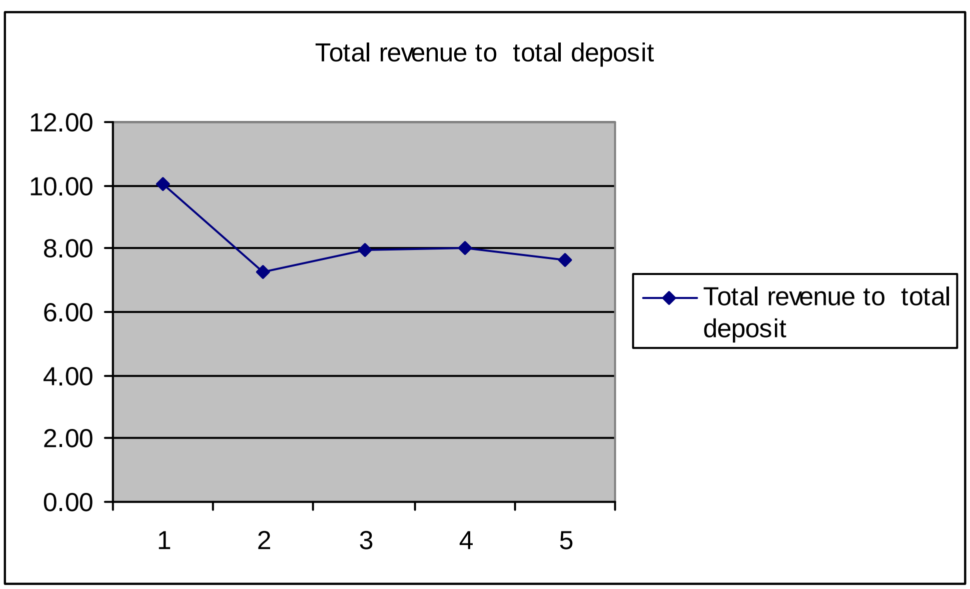
**Table 24:**

**Total deposit to total revenue ratio**

| Year | Total revenue | Deposits | Total revenue to total deposit |
|---|---|---|---|
| 2059-60 | 418786124 | 4,174,762,439 | 10.03 |
| 2060-61 | 577931678 | 7,922,766,420 | 7.29 |
| 2061-62 | 913713859 | 11,524,679,645 | 7.93 |
| 2062-63 | 1145628453 | 14,254,573,663 | 8.04 |
| 2063-64 | 1450333956 | 18,927,305,974 | 7.66 |
| 2064-65 | 1931560529 | 24,488,855,696 | 7.89 |
| | | Mean | 8.14 |

**Figure 22:**

**Total revenue to Total deposit ratio**



In the figure 22 Researcher can see that total revenue is very close to 8.14% of total revenue in 6 consecutive research periods. In the first year total revenue was 10% which gradually decreased to 7.88% in year 6. This implies that total revenue is decreasing in comparison to Total deposits collection in last 6 years. Total revenue is not increased in compare to deposit collection. In recent years this has been more ever decreasing. The reason behind decreasing this ratio is due to increase in interest rate of Deposit, deposit collection is high and lending interest is being lowered to compete in market which is decreasing overall revenue.

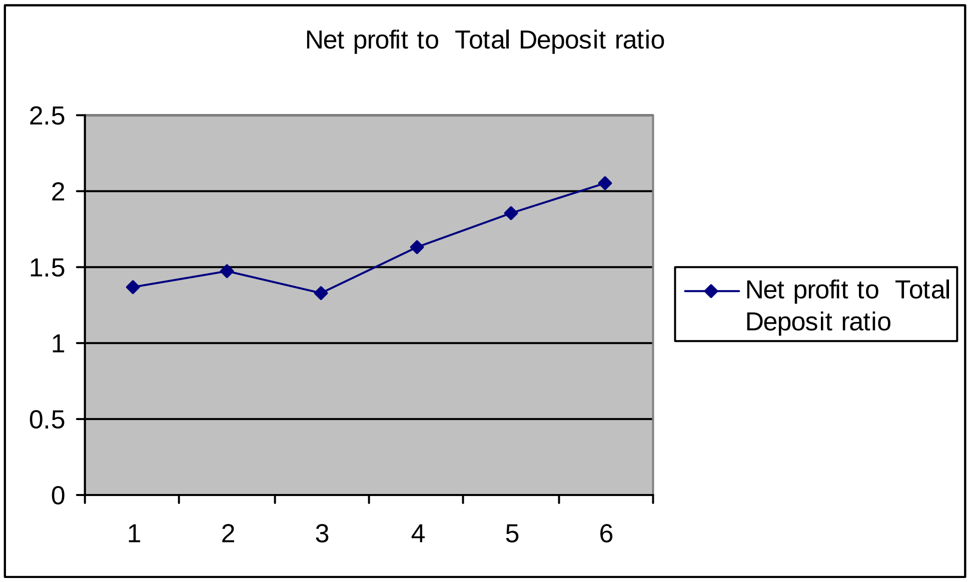
### 4.5.6 Net profit to Total deposit ratio

Net profit to total deposit shows the relationship between the total deposits versus net profit. This ratio shows the percentage of net profit on total deposits.

**Table 25:**
**Net profit to Total deposit ratio**

| Year | Deposits | Net Profit | Net profit to total Deposit ratio |
|---|---|---|---|
| 2059-60 | 4,174,762,439 | 57105284 | 1.37 |
| 2060-61 | 7,922,766,420 | 116817659 | 1.47 |
| 2061-62 | 11,524,679,645 | 152670976 | 1.32 |
| 2062-63 | 14,254,573,663 | 232147098 | 1.63 |
| 2063-64 | 18,927,305,974 | 350536413 | 1.85 |
| 2064-65 | 24,488,855,696 | 501398853 | 2.05 |
| | | Mean | 1.61 |

**Figure 23:**
**Net profit to Total deposit ratio**




In comparison net profit is about 1.61% of total deposits collected for the entire period of 6 years. Net profit was 1.37%in year 1 of study and in final year of study this has grown to 2.05%. In year 3, profit has declined to 1.32% and thereafter the profit rate is growing continuously every year.

This implies that net profit is growing in comparison to total deposits. Deposit collection trend is comparatively less than profit increasing trend, therefore continuous increase in net profit can be observed.

### 4.5.7 Net Profit to Total Assets Ratio

Net profit to total Assets ratio shows the efficiency of assets for generating income. Proper utilization of asset is defined by this ratio. Higher ratio shows high efficiency on utilization of assets.

**Table 26:**
**Net Profit to Total Assets Ratio**

| Year | Net Profit | Assets | Net Profit to Assets Ratio |
|---|---|---|---|
| 2059-60 | 57105284 | 4973890169 | 1.15 |
| 2060-61 | 116817659 | 9014249584 | 1.30 |
| 2061-62 | 152670976 | 13255496016 | 1.15 |
| 2062-63 | 232147098 | 16274063706 | 1.43 |
| 2063-64 | 350536413 | 21330137542 | 1.64 |
| 2064-65 | 501398853 | 27590844761 | 1.82 |
| | | Mean | 1.41 |

In the above table, net profit to total assets ratio of 6 study period is given. This ratio is in growing trend except third year of study. In first year it is 1.15 where as in the final year this has reached to 1.82. The increasing trend indicates that efficient utilization of assets. The volume of net profit is growing in comparison of Total Assets.

### 4.5.8 Cost of Deposit – Interest expenses to total Deposit Ratio

Cost of deposit – interest expense to total deposit ratio shows the cost of deposits. Interest has to be paid to various accounts holder against the deposits. We can say this ratio shows aggregate interest rate provided to deposit accounts. There are other costs also which is associated with deposits like staffs, machinery used for collecting deposits etc. But only interest was available for the study purpose. There were data associated with employees, but segregation was not possible. Therefore an interest expense is only assumed as cost of deposits.

**Table 27:**

**Interest expenses to total Deposit Ratio**

| Year | Interest Expenses | Deposits | Cost of Deposit |
|---|---|---|---|
| 2059-60 | 130436221 | 4,174,762,439 | 3.12 |
| 2060-61 | 189214343 | 7,922,766,420 | 2.39 |
| 2061-62 | 326202325 | 11,524,679,645 | 2.83 |
| 2062-63 | 354549307 | 14,254,573,663 | 2.49 |
| 2063-64 | 490946961 | 18,927,305,974 | 2.59 |
| 2064-65 | 685530264 | 24,488,855,696 | 2.80 |
| | | Mean | 2.70 |

In the above table 27, cost of deposit of last 6 study years is given. In the $1^{st}$ year it was 3.12 where as in 2nd year of study it decreased to 2.39. Again in year 3 of study it reached to 2.83 and finally reached to2.80 in year 6. Thus Researcher can see that interest rate is fluctuating year by year.

The rate of interest depends upon the guidance and regulatory actions from Nepal Rasta Bank. Therefore these types of fluctuations are seen in interest expenses. In year 2060-61, cost of deposit was higher as ezee saving was launched to focus on deposit collection giving higher interest rate. Similarly in recent years bank has been increasing its interest rates to lure depositors and to compete with new entrant banks which are providing higher interest to costumers.

### 4.5.9 Interest Expenses to Total Revenue Ratio

Interest income plays the major role out of Total revenue. Thus Interest expenses to total revenue ratio measures productivity of Interest Expenses in generating total revenue. Interest expenses cover the highest portion of expenses. Lower the interest expenses, higher total profit. Therefore this ratio should be lowered to maximize total revenue and profit.

**Table 28:**
**Interest Expenses to Total Revenue Ratio**

| Year | Interest Expenses | Total revenue | Interest expenses to Total Revenue Ratio |
|---|---|---|---|
| 2059-60 | 130436221 | 418786124 | 31.15 |
| 2060-61 | 189214343 | 577931678 | 32.74 |
| 2061-62 | 326202325 | 913713859 | 35.7 |
| 2062-63 | 354549307 | 1145628453 | 30.95 |
| 2063-64 | 490946961 | 1450333956 | 33.85 |
| 2064-65 | 685530264 | 1931560529 | 35.49 |
| | | Mean | 33.31 |

In the above Table 28, interest expenses are aggregate 33.31% of total revenue. This implies the total interest expenses that have spend to earn Total revenue is 33.31%. In the first year this ratio was 31.15 whereas it increased to 32.74 in year 2 of study. Similarly in year 4 this decreased to 30.95 from 35.7 in year 3 and again reached 35.49 in year 6 of study period. In the recent year interest expenses is growing in comparison to increase in total revenue.

Interest expenses slightly increased in year 2060-61 as the bank has continuing its product ezee saving in which interest rate was higher which led increase in interest expenses. Also an interest expense is growing as the bank has been increasing the interest rate to deposit holders.

### 4.5.10 Interest Income to Total Revenue

Interest Income to total revenue shows the portion of interest income on total Revenue. Interest is the main source of income of bank so the interest income should be increasing yearly. The high ratio implies the high contribution of interest income in lending activities.

**Table 29:**
**Interest Income to Total Revenue**

| Year | Interest Income | Total revenues | Interest income to total Revenue |
|---|---|---|---|
| **2059-60** | **326223712** | **418786124** | **77.9** |
| **2060-61** | **459509886** | **577931678** | **79.51** |
| **2061-62** | **731402930** | **913713859** | **80.05** |
| **2062-63** | **886799959** | **1145628453** | **77.41** |
| **2063-64** | **1172742193** | **1450333956** | **80.86** |
| **2064-65** | **1584987354** | **1931560529** | **82.06** |
| | | **mean** | **79.63** |

In the year 1 of study, interest contribution in total revenue was 77.9 where as increased 79.51 and 80.05 in year 2 and 3 of study. In year 4 of study portion of interest income decreased to 77.41. This implies that lending activities were decreased in this fiscal year. Again in year 5 and 6 of study this number increased 80.86 and 82.06. The interest income is in increasing trend except in year 4 of study. The aggregate interest income contribution is 79.63.

As the bank has concentrated to mobilize 70% of deposit to loans sectors, bank has increasing deposit mobilization in loans which increased the portion of income from interest.

### 4.5.11 Total Revenue to Total Assets Ratio

Total revenue to total assets ratio shows the relationship between total revenue and total assets. It shows the percentage of total revenue earned against total assets. The higher ratio implies portion of total revenues against assets. We can say that this ratio shows the percentage of total revenue in comparison to assets.

**Table 30:**
**Total Revenue to Total Assets Ratio**

| Year | Total revenue | Total Assets | Total Revenue to Total Assets |
|---|---|---|---|
| 2059-60 | 418786124 | 4973890169 | 8.42 |
| 2060-61 | 577931678 | 9014249584 | 6.41 |
| 2061-62 | 913713859 | 13255496016 | 6.89 |
| 2062-63 | 1145628453 | 16274063706 | 7.04 |
| 2063-64 | 1450333956 | 21330137542 | 6.80 |
| 2064-65 | 1931560529 | 27590844761 | 7.00 |
| | | Mean | 7.09 |

In the table Researcher can see that total revenue is 8.42% of total assets, the highest among all the study year in year 1. Similarly in year 2, this ratio is 6.41% and in year 3 it is 6.89.Similarly in year 4 and 5,this ratio was 7.04 and 6.80 respectively. The aggregate is 7.09% amounting 7.00 in year 6 of study. Thus this ratio is fluctuating and not consistent. There is no clear cut ratios policy for Total revenue and total asset ratio.

### 4.5.12 Employee Expenses to Total Revenue

Employee expenses to total revenue ratio shows the contribution of employee expenses to generate total revenue by bank. Staff expenses play vital role in profitability, the higher the ratio, lower the profit. Therefore bank needs to minimize this ratio.

**Table 31:**
**Employee Expenses to Total Revenue**

| Year | Employee Expenses | Total revenue | Employee Exp to Total Revenue |
|---|---|---|---|
| 2059-60 | 41719741 | 418786124 | 9.96 |
| 2060-61 | 61287912 | 577931678 | 10.60 |
| 2061-62 | 89748594 | 913713859 | 9.82 |
| 2062-63 | 97004160 | 1145628453 | 8.47 |
| 2063-64 | 120663710 | 1450333956 | 8.32 |
| 2064-65 | 145370601 | 1931560529 | 7.53 |
| | | Mean | 9.12 |

In the table 31 Researcher can see the portion covered by employee expenses against total revenue. In the 1st year of study ratio was 9.96 where as increased to 10.60 in year 2. Thereafter this ratio has been decreasing every year reaching 7.53% in year 6 of study. The aggregate employee expense is 9.12% out of total revenue generated.

Thus Researcher can say that NIBL is continuously decreasing the employee's expenses which ultimately lead to increase in profit. This also indicates that NIBL is optimizing the number of staffs to achieve its organizational goal.

### 4.5.13 Operating Expenses to Total Revenue Ratio

Operating expense include the expenses which are incurred in day to day official function. Operating expense include rent, stationery, legal expenses etc which are related to day to day function inside office. Operating expenses to total revenue shows the portion of operating expenses on total Income.

**Table 32:**

**Operating Expenses to Total Revenue Ratio**

| Year | Operating Expenses | Total revenue | Operating exp to Total Revenue |
|---|---|---|---|
| 2059-60 | 84647511 | 418786124 | 20.21 |
| 2060-61 | 108038671 | 577931678 | 18.69 |
| 2061-62 | 149479238 | 913713859 | 16.36 |
| 2062-63 | 182915061 | 1145628453 | 15.97 |
| 2063-64 | 190605132 | 1450333956 | 13.14 |
| 2064-65 | 243430632 | 1931560529 | 12.60 |
| | | Mean | 16.16 |

In the table Researcher can see that operating cost is decreasing year by year. In the first year of study operating expenses to total revenue was 20.21% whereas it decreased to 18.69% in year 2. In the final year of study the ratio was 12.60%. Bank has drastically decreased its operating to total revenue ratio which is good. The aggregate operating expense to total revenue is 16.16% for6 years of study.

### 4.5.14 Loan Advances and Bills purchased to Deposit Ratio

Loans advances and bills purchased is the major areas of deposit mobilization of the any commercial banks. Loans advances and bills purchased are the first type of application of fund and are more risky in compare to investment. This ratio shows how well is deposit mobilized in earning sectors which increases total revenue. Optimum usage of deposit increases the profit of bank.

**Table 33:**
**Loan Advances and Bills purchased to Deposit Ratio**

| Year | Loan Advances and Bills Purchased | Deposits | Loans to Deposits |
|---|---|---|---|
| 2059-60 | 2564423482 | 4,174,762,439 | 61.43 |
| 2060-61 | 5772140251 | 7,922,766,420 | 72.86 |
| 2061-62 | 7130125502 | 11,524,679,645 | 61.87 |
| 2062-63 | 10126055623 | 14,254,573,663 | 71.04 |
| 2063-64 | 12776208037 | 18,927,305,974 | 67.50 |
| 2064-65 | 17286427389 | 24,488,855,696 | 70.59 |
| | | Mean | 67.55 |

In the 1st year of study, loans, advances and bills purchased to total deposit ratio was 61.43%. This shows that 61.43% of deposit collected are mobilized in loan, advances and bills purchased. This ratio increased in year 2 to 72.86%, again decreased to 61.82% in year 3, increased to 71.04% in year 4, decreased to 67.59% in year 5 and finally increased to 70.59% in year 6 of study. Thus loans, advances and bills purchased to total deposit ratio is fluctuating and is not consistent. The aggregate of this ratio for 6 study years is 67.55%. The ratio is in increasing trend and fluctuating in some years. The bank has policy of mobilizing 70% of deposit as loan. Therefore in the beginning years this was less and Bank had pushed loans where as in fifth year it has reached 71% and bank has limited the loans and thus ratio decreased.

### 4.5.15 Total Investment to Total Deposit Ratio

Investment are also kind of deposit mobilizing sector and is more secure than loan and advances, are less productive and collects less revenue than loans and advances. This ratio also shows the mobilizing pattern of deposit in investment.

**Table 34:**
**Total Investment to Total Deposit Ratio**

| Year | Investment | Deposits | Investment to Deposit Ratio |
|---|---|---|---|
| 2059-60 | 1822162116 | 4,174,762,439 | 43.65 |
| 2060-61 | 1705240698 | 7,922,766,420 | 21.52 |
| 2061-62 | 3862483330 | 11,524,679,645 | 33.51 |
| 2062-63 | 3934188708 | 14,254,573,663 | 27.60 |
| 2063-64 | 5602868649 | 18,927,305,974 | 29.60 |
| 2064-65 | 6505679987 | 24,488,855,696 | 26.57 |
| | | Mean | 30.41 |

43.65% of total deposit was mobilized in investment in year 1 of study whereas this ratio decreased to 21.52% in year 2. In year 3 of study it increased to 33.51 %, decreased to 27.60% in year 4, increased to 29.60 in year 5 and decreased to 26.57 in year 6. Thus Researcher can say mobilization of deposit in investment is not consistent. The aggregate of 6 study years is 30.41%. As the investment depends upon the issue of treasury bills and government bonds, this is being fluctuating.

### 4.5.16 Earning Per Share

Earning per share is the income for 1 share in a particular fiscal year. This is derived from dividing net profit by number of total share. This used as tool for measuring organizational performance. Net profit determines how effectively organization is running. Therefore higher EPS shows the good performance as well as goodwill of the organization.

**Table 35:**
**Earning Per Share**

| Year | Net Profit | Number of Share | EPS |
|---|---|---|---|
| 2059-60 | 57105284 | 1699845 | 33.59 |
| 2060-61 | 116817659 | 2952930 | 39.56 |
| 2061-62 | 152670976 | 2952930 | 51.7 |
| 2062-63 | 232147098 | 5877385 | 39.5 |
| 2063-64 | 350536413 | 5905860 | 59.35 |
| 2064-65 | 501398853 | 8013526 | 62.57 |
| | | Mean | 47.71 |

In the figure Researcher can see that EPS is increasing year by year except in year 4 of study. In year 4, EPS decreased as the number of share was increased by almost 100%. In the 1$^{st}$ year of study this EPS was 33.59 whereas it increased to 39.56, increased to 51.7 in year 3, decreased to 39.5 in year 4, again increased to 59.35 and finally reached 62.57 in year 6 of study. Thus EPS of NIBL is in increasing trend. The aggregate EPS for 6 consecutive years is 47.71 which reflect good position of bank. The EPS in year 4 is decreased because bank has increased the number of share by 100%.

### 4.6 Trend Analysis

Trend analysis is a comparison of current year data with last year data to find out the increase or decrease percentage. We analyze trend to find out the increasing / decreasing pattern of that particular category.

#### 4.6.1 Profit Trend

Profit trend shows the pattern of profit. It shows what the ratio of increase / decrease in profit is. Profit is excess of income over expenses. The major determinant of profit is income and expenses. To maximize profit income should be maximized where as expenses should be minimized.

**Table 36:**
**Profit trend**

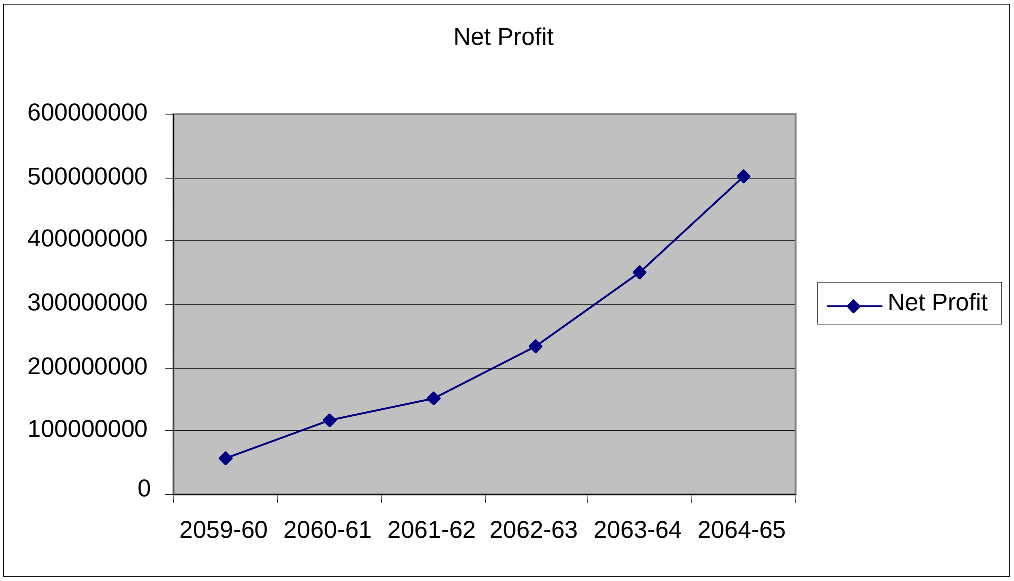
| **Year** | **Net Profit** | Trend % |
|---|---|---|
| **2059-60** | **57105284** | |
| **2060-61** | **116817659** | **104.57** |
| **2061-62** | **152670976** | **30.69** |
| **2062-63** | **232147098** | **52.06** |
| **2063-64** | **350536413** | **51.00** |
| **2064-65** | **501398853** | **43.04** |

Table 36 and figure shows the trend of profit. We can see that the trend of profit is in increasing. Every year there is growth in profit. In year 2 of study there is 104.57% growth where as 30.69% growth in year 3, 52.06% in year 4. Similarly there is growth of 51.00% and 43.04% respectively in year 5 and 6 of study.

The reason of increase in profit is due to control in income expenses as well as other expenses. Another reason for increase in profit is increase of deposit also. Bank has been increasing its deposits by which bank is able to mobilize the deposit on loans and investments which has increased income from interest income which ultimately is increasing net profit.

Similarly the Bank had added three new branches in year 2059-60. The Bank's primary objective was defined as to grow its lending to the maximum permitted by its capacity while keeping a tight control on risk. The prime focus was mostly on trade-related operations while being cautious on long-term lending. Additional products of the Bank, namely vehicle financing and an Ezee Saving Scheme were launched. These reasons helped bank in achieving 3 digit growth of bank in year 2059-60.

**Figure 24 :**
**Profit trend**




### 4.6.2 Deposits Trend

Deposits trend show the trend of deposits. It shows the increase / decrease of deposits in study years.

**Table 37:**
**Deposit Trend**

| Year | Deposits | Trend % |
|---|---|---|
| 2059-60 | 4,174,762,439 | |
| 2060-61 | 7,922,766,420 | 89.78 |
| 2061-62 | 11,524,679,645 | 45.46 |
| 2062-63 | 14,254,573,663 | 23.69 |
| 2063-64 | 18,927,305,974 | 32.78 |
| 2064-65 | 24,488,855,696 | 29.38 |

**Figure 25:**
**Deposit trend**

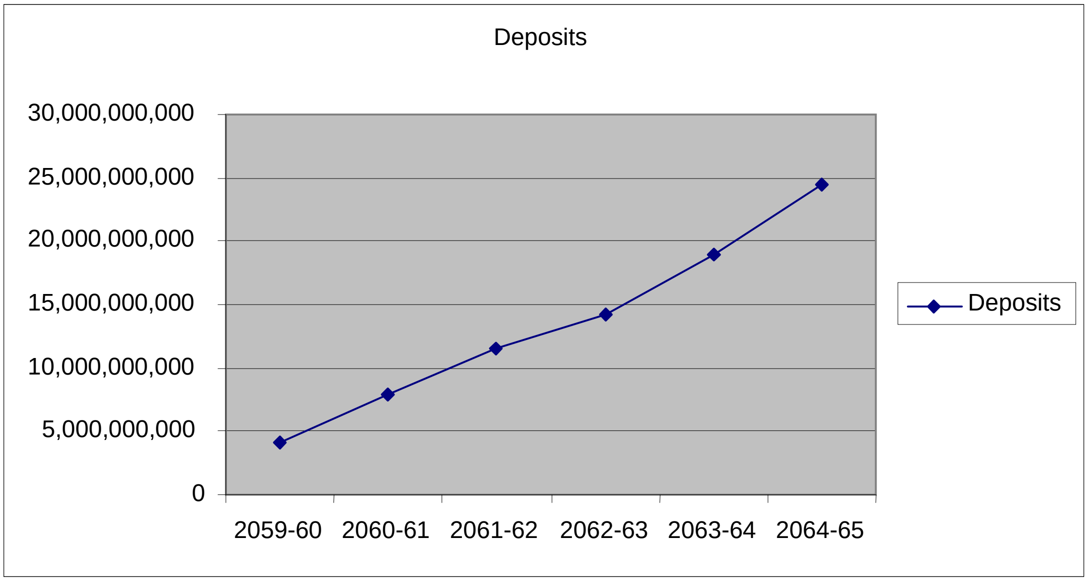



Table 37 and figure 25 show the trend of deposits for study years. Trend of deposits is in increasing. There is increase of 89.78% in year 2 of study where as increase of 45.46% in year 3. Like wise there is increment of 23.69 and 32.78 in year 4 and 5 of study. Finally in year 6 there is increase of 29.38%. The main reason of increasing in deposit is due to launch of various deposit related products. Bank has launched account opening scheme in Re 1 to increase the deposit collection form people from low income level giving every international standard banking services. The bank has continuously decreasing the minimum balance of the deposit accounts to lure account holders.

## 4.7 Statistical Analysis

In this portion of study, Researcher had tried to analyze on the basis of various statistical tools like mean, standard deviation, correlation etc. .

**Table 38:**
**Descriptive Statistics of Interest Income and Total Revenue**

| Year | Interest Income | Total revenues |
|---|---|---|
| 2059-60 | 326223712 | 418786124 |
| 2060-61 | 459509886 | 577931678 |
| 2061-62 | 731402930 | 913713859 |
| 2062-63 | 886799959 | 1145628453 |
| 2063-64 | 1172742193 | 1450333956 |
| 2064-65 | 1584987354 | 1931560529 |

**Descriptive Statistics**

| | Mean | Std. Deviation | N |
|---|---|---|---|
| INTEREST INCOME | 860277672.33 | 466042654.998 | 6 |
| TOTAL REVENUE | 1072992433.1667 | 562715292.46370 | 6 |

**Correlations**

| | | INT_INCO | TOTALREV |
|---|---|---|---|
| INTEREST INCOME | Pearson Correlation | 1 | .999(**) |
| | Sig. (2-tailed) | . | .000 |
| | N | 6 | 6 |
| TOTAL REVENUE | Pearson Correlation | .999(**) | 1 |
| | Sig. (2-tailed) | .000 | . |
| | N | 6 | 6 |

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

In the above table mean and standard deviation of Interest Income and Total revenue is shown. Mean of Interest Income for 6 years of study is

860277672.33 where as mean of Total Revenue is 1072992433.166. Similarly standard deviation of Interest income is 466042654.99 and total revenue is 562715292.46.

Another statistical tools correlation is used to analyze the degree of relationship between the interest income and total revenue. To find out Karl Pearson's correlation, Researcher had calculated with the help of SPSS Software. The value of correlation coefficient lies between +1 and -1. From the above table 38, the value is .999 which shows there is positive relationship between interest income and total revenue. This means the interest income should increase as the Total revenue and vice versa.

Similarly Table 39 shows the statistical analysis of Net Profit and Deposits.

**Table 39:**
**Descriptive analysis of Net Profit and Total Deposits**

| Year | Net Profit | Deposits |
|---|---|---|
| **2059-60** | **57105284** | **4174762439** |
| **2060-61** | **116817659** | **7922766420** |
| **2061-62** | **152670976** | **11524679645** |
| **2062-63** | **232147098** | **14254573663** |
| **2063-64** | **350536413** | **18927305974** |
| **2064-65** | **501398853** | **24488855696** |

**Descriptive Statistics**

| | Mean | Std. Deviation | N |
|---|---|---|---|
| NET PROFIT | 235112713.83 | 165358240.393 | 6 |
| TOTAL DEPOSIT | 13548823972.8333 | 7385569156.85885 | 6 |

**Correlations**

| | | NET PROFIT | Total Deposits |
|---|---|---|---|
| NET PROFIT | Pearson Correlation | 1 | .988(**) |
| | Sig. (2-tailed) | . | .000 |
| | N | 6 | 6 |
| TOTAL Deposits | Pearson Correlation | .988(**) | 1 |
| | Sig. (2-tailed) | .000 | . |
| | N | 6 | 6 |

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

From the above table Researcher can see that mean of Net Profit is 235112713.83 where as mean of Total deposits is 7385569156.85. Similarly standard deviation of Net Profit is 165358240.39 and Total deposit is 7385563156.85.

Another statistical tools correlation is used to analyze the degree of relationship between the Net profit and total deposits. To find out Karl Pearson's correlation, Researcher had calculated with the help of SPSS Software. The value of correlation coefficient lies between +1 and -1. From the above table 39, the value is .988 which shows there is positive relationship between Net Profit and total deposits. This means the net profit should increase as the Total deposits and vice versa

**Table 40:**
**Descriptive analysis of Net Profit and Total Revenue**

| Year | Net Profit | Total revenue |
|---|---|---|
| 2059-60 | 57105284 | 418786124 |
| 2060-61 | 116817659 | 577931678 |
| 2061-62 | 152670976 | 913713859 |
| 2062-63 | 232147098 | 1145628453 |
| 2063-64 | 350536413 | 1450333956 |
| 2064-65 | 501398853 | 1931560529 |

**Descriptive Statistics**

| | Mean | Std. Deviation | N |
|---|---|---|---|
| NET PROFIT | 235112713.83 | 165358240.393 | 6 |
| TOTAL REVENUE | 1072992433.1667 | 562715292.46370 | 6 |

**Correlations**

| | | NET PROFIT | TOTAL REVENUE |
|---|---|---|---|
| NETPROFIT | Pearson Correlation | 1 | .989(**) |
| | Sig. (2-tailed) | . | .000 |
| | N | 6 | 6 |
| TOTAL REVENUE | Pearson Correlation | .989(**) | 1 |
| | Sig. (2-tailed) | .000 | . |
| | N | 6 | 6 |

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

In figure 40, Researcher can see the various statistical data of Net Profit and Total revenue. Mean of Net profit is 235112713.83 where as mean of Total Revenue is 1072992433.16. Similarly Standard deviation of Net Profit is 165358240.39 and standard deviation of Total revenue is 562715292.46.

Another statistical tools correlation is used to analyze the degree of relationship between the Net profit and total Revenue. To find out Karl Pearson's correlation, Researcher had calculated with the help of SPSS Software. The value of correlation coefficient lies between +1 and -1. From the above table 40, the value is .989 which shows there is positive relationship between Net Profit and total deposits. This means the net profit should increase as the Total deposits and vice versa.

## 4.8 Major Findings

### 4.8.1 Branch Office

- Bank is operating 19 branches and planning to increase couple of branches more soon. Bank has planning to open branches in dhangadi,birtamode, mahendranagar and in baneshwor. Bank has plan to open 50 branches by 2010.

### 4.8.2 Personnel and management

- There are 514 staffs working in NIBL.
- 289 staffs were sent for seminars and trainings including 18 staffs trained abroad.

### 4.8.3 Revenue

- Revenue collection is increasing every year. Interest income is the highest contributor in the total revenue. The aggregate contribution of interest income is about 80% for the study years.
- Revenue collection from other than interest is also in growing trend. Other revenue collection contribution is made by commission and discount, exchange gain and other income. Their contributions are 7%, 9% and 5% respectively.
- Net Profit of NIBL is also in increasing trend. The net profit is about 20.151% of total revenue in aggregate. Bank is reducing other costs which are ultimately increasing the percentage of net profit.
- Net interest income is about 58.16% in aggregate. The aggregate difference of interest income and interest expenses is higher which shows the good position of bank in terms of earning profit.

### 4.8.4 Ratio Analysis

- The average cost of deposit is 2.70%. The bank has been reducing its cost of deposit.
- The aggregate interest expenses to total revenue are 33.31% which is the highest expenses of bank to generate net profit.
- The average employee expenses in comparison to total revenue is 9.12%.
- The aggregate of 67.55% of total deposit collected is mobilized as loan and advances. This shows that collected deposits are mobilized properly.

### 4.8.5 Financial status

- The share capital of NIBL is increasing. The share capital of NIBL was 80 crores in fiscal year 2063-64.
- Earning per share of bank is also increasing despite of increase in number of share.

### 4.8.6 Expenditure

- The major portion of expenses is covered by interest expenses. Other expenses like operating expenses, employee expenses etc. also play the significant role.
- The trend of expenses is also in increasing trend.

### 4.8.7 Statistical analysis

- From the descriptive statistics of interest income and total revenue, we can say that there is positive relationship between interest income and total revenue. This means the interest income should increase as the total income and vice versa.
- Positive relationship between Net Profit and total deposits exists. This means the net profit should increase as the Total deposits and vice versa.

- There is positive relationship between Net Profit and total deposits. This means the net profit should increase as the Total deposits and vice versa.

### 4.8.8 Miscellaneous

- Bank has plan to provide various value added services like facility of recharging from ATM's and internets.
- Bank has started workouts to use new international standard software.
- Bank has plan to increase number of remittance agent to 150 by the end of 2064-65.

# CHAPTER 5
# SUMMARY AND RECOMMENDATIONS

## 5.1 Summary

The economic growth leads country to prosperity. The commercial bank role in the economy leads country to achieve goals and economic prosperity. By collecting idle funds and mobilizing them to productive sector is the major role played by any commercial bank.

Therefore revenue of bank is very much essential for smoothly running of any bank. Revenue planning is very essential for any bank. More ever revenue planning ultimately leads to increase profit. This study basicly focuses on examining various revenues trend in commercial bank, with a specific study in Nepal Investment Bank Limited.
Nepal Investment bank is one of the oldest bank of Nepal which was previously known as Nepal Indosuez Bank established in 1986 AD in joint venture. In 2002 AD , the name of the bank was changed and there were change in share capital structure.

This study has tried to cover various revenues and its planning for the ending 2006-2007. Various chapters are made in this research in which 1$^{st}$ chapter consists of introduction of banking and its relation to the economy, profile of the concerned bank, NIBL, general concepts of revenue and revenue planning, problem statement, objective, limitation and significance of the study.

During the research various books, literatures, past thesis and journals have been studied. Review of literature and reviews of various books are compiled in chapter 2 titled review of Literature.

Various research methodologies are used in this thesis and are mentioned in chapter 3 of this thesis. Data collected from various sources are managed, analyzed using various financial and statistical tools. Interpretation and explanations of results are made wherever necessary. Financial tool used in this study is mainly analysis. Statistical tools used in this study are trend analysis and correlation analysis. Similarly the test of variance analysis is also used in this study.

Finally he summary and recommendation are made for this study is presented in this chapter.

## 5.2 Conclusions.

This thesis main aim is to study revenue planning and its impact on NIBL. The study shows that various revenues of NIBL are helping Bank to generate high profit. Interest Income is the highest source of revenue of NIBL. The revenue of NIBL is in increasing trend which shows that bank has a good position. Earning per share is also growing year by year. Deposit collection is also in growing trend and mobilization of Deposit on Loans is also increasing.

On the overall, the bank has very good position in terms revenue generation. Revenue Planning is well planned and hence bank has very good future in terms of profit and deposit collection as well as deposit mobilization.

## 5.3 Recommendations

On the basis of the study on Revenue planning and practice of NIBL, the following suggestions are recommended to improve overall systems related to revenues of bank.

### 5.3.1 The internal Management

- As the new commercial banks are entering, NIBL should plan to open R &D department to launch innovative product.
- should focus on costumer relation to maintain better costumer relationship.
- separate department should be employed to study feasibility of new branch before opening new branch. Bank should focus opening new branches in remote areas where people don’t have access to bank.

### 5.3.2 Business Part

- The figure shows that the deposit collection of the bank is very good. But to maintain this growth bank should revise the interest rate in deposits.
- The NIBL has the highest number of ATM card holder’s. Therefore bank should focus maintaining ATM machines and easily availability of ATM’s.
- Bank should think to increase its share capital rather than issuing debentures. As NRB has already instructed to increase capital, debentures are harmful.

### 5.3.3 General

- The numbers of branches increasing but there is a lot of areas where new branches can be opened.

With the above mentioned summary and conclusion from the study and the recommendations suggested, the report is concluded.

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