

CHAPTER-ONE

GENERAL INTRODUCTION

1.1 Introduction:

In the economic world of today, the banks are the financial institution in thousand of local town and cities. The banks play a vital role for the economic development of a country and encourage the habit of saving and development of trade and commerce. Bank helps to mobilize the frizzed and scatter saving of the people and play intermediary role to make investment of the collected fund in different productive sector. They help to fulfill the requirement of trade and industry in the country and play great role in reducing of poverty, raising employment opportunities and raising people life standard. Banks also arranged remit money from one place to another place at very low price by cheque and draft. They buy and self securities on behalf of customer. Banks are very important to individual business and for country. In fact, the economic development of country is not possible without banking system. So, for the economic development, capital formation, supply of money, business promotion industrial and agricultural development banks play vital role in the economic history of any country.

The oldest bank of Nepal is Nepal Bank Limited which was established in 1994 B.C. Nepal Rasta Bank was established in 2013 as central bank of country. After this, several others commercial banks like Rastriya Banijiya Bank, Agricultural Development bank are also established. Other several banks are established in Nepal with joint investment such as standard chartered bank, Nepal SBI Bank, Kumari Bank, Himalayan Bank Ltd, Nabil Bank Ltd. etc.

According to the Nepal Commercial Bank Act 2031 B.S “A commercial bank is one which exchange money, deposits money, accepts deposited grant loan and performs commercial banking function.”

According to Crowther, "A banker is a dealer in debt his own and other's. The bankers business is than to take debts of their people to offer his own in exchange and there by to create money."

According to R.S. Sayers "We can define a bank as an institution whose debts (Bank deposits) are widely accepted in statement of other people in debt each other."

Generally, an institution established by law when deal with money and creates loan is called bank. A bank simply carries out the works of exchanging money, providing loan, accepting deposits and transferring money.

There are various types of bank and one of them is commercial bank. Commercial bank means a bank which operates currency exchange, transaction, accepts deposits, provide loan and performs dealing relating to commerce except the banks which have been specified for the co-operating agricultural industry of similar other specific objectives.

"The commercial bank has its own role contribution in the economy development. It maintains economic confidence of various segments and extends credit of people."(American institution of banking) 1972:1

"The some commercial bank was first used to indicate that loans extended were short term loans to business through loans later were extended to consumer's Government and other non-business institution as well. In general the assets of commercial bank lend to be more liquid and carry less than the assets hold by other financial intermediaries."

(The new encyclopedia Britannica, USA, 1991:3)

Commercial bank is an important bank which provides different services for the economic development of the nation. It has covered each and every aspect of the economy. In the absence of these kinds of services providing by commercial banks, development of various sector of economy would not be possible.

Thus, in an under developing country like Nepal establishment of commercial banks are very essential for the rapid economy development, although these banks are truly inspired with the objectives of gaining profit. These also established to accelerate common people economic welfare and facility to make available loan to the agriculture, industry and commerce and to provide the banking services to the public and the state.

Joint venture banks effect of strategic alliance arrangement in which two corporations combine forces to form co-operative partnership in order to share risk of development of offset on weakness with strengths of other and like other. In, Nepal JVBS registered under the commercial bank act 2031 B.S. They have joint venture between Nepalese investor and their partner foreign bank occupies certain percentage of share not exceeding 50% and applies their international management and network.

There were many JVBS established after 2040 B.S. The first joint venture bank is “Nepal Arab Bank Ltd” (Renamed as NABIL Bank Limited, since 1st January 2002). Nabil Bank Limited gave a new way to the financials sectors. The second JVBS “Nepal Indosuez Bank Ltd” were established in 2043 B.S. After the incorporation of NIBL a new joint venture bank under to the name of “Nepal Grind lays Bank Ltd” was established in 10th Magh 2043 B.S. It is the thirds JVBS of Nepal. “After the established of NGBL more JVBS were come in to existence after initiation of government policy of economic liberalization and privatization in 2049 B.S.” They are Himalayan Bank Limited (2049), Nepal SBI Bank Ltd (2051), and Bank of Kathmandu (2052) and so on. These JVBS come in to existence to develop the economy condition of the nations. The foreign commercial banks play a dominate role to manage the joint venture bank in Nepal

1.2 Focus of Study

A research work is the process of a systematic and in depth study or search of any particular subject area. An immense research work can be

done in any topic or area of the universe. But it is difficult and irrelevant to conduct a research work concentrating on different topic or subject at once. So in this study an attempt will be made only to identify financial weakness and strength of the selected commercial Bank i.e. NABIL Bank Ltd, Nepal SBI Bank Ltd and Himalayan Bank Ltd. The main focus of the study is to analyze the comparative financial performance of these Banks for 5years.

“Finance holds a key role on all human activities. Every financial decision is made by observing the income and expenditure of each investment decision.”

According to the above statement it needs to study commercial Bank in Nepal which are major in financial activities and there financial standard. Best financial performance of certain business organization represents its property but financial performance of the financial institution it selves is prosperity of economic sector.

We know that finance plays significance role in industrialization commercial banks and their performance with respect to their finance is essential study. Best financial performance of commercial banks encourages development of whole economic sector of nation. The researcher’s interest to study the financial performance of NABIL Bank Ltd, Nepal SBI Bank Ltd and Himalayan Bank Ltd. Researcher objectives is giving the corrective suggestion in financial performance of financial institution. So study suggests for the further improvement a financial performance of NABIL Bank Ltd, Nepal SBI Bank Ltd and Himalayan Bank Ltd.

Development of industry trade and commercial of country depend upon the development of financial sector. Development is directly related with funds and their easy availability, use and the better relationship between financial activities. Commercial Bank in developing country like

Nepal plays a vital role for the development of financial performance of commercial Bank.

For the objective of this study evaluation of the banks is made with respect to their liquidity activities, profitability, income and expenditure. This study also tries to find out the correlation between specific variable and cause leading to better performance of Bank. There are only three banks selected for the study.

1.3 Importance of Study

This study is important to many parties in different ways which can be listed follows:-

- This study helps the shareholders or investors by providing information about the financial condition of their respective Banks. This informs them to have a comparative analysis whether their fund was better utilized or not.
- This study also helps the management of respective banks for self-assessment of what they have done in the past guides them in their future plans and programs.
- The financial agencies, stock exchanges and stock traders are also interested in the performance of the banks as well as the customers, depositors, investors and debtors also can identify the banks in terms of probability safety and liquidity.
- Policy maker at the macro level i.e. Government and Nepal Rastra Bank will also benefit regarding the formulation of further policies in regard to economic development through financial institution.
- This study is also expected to help the teachers and students for further study of relating sector as literature.

1.4 Background of Nabil Bank Ltd, Nepal SBI Bank Ltd and Himalayan Bank Ltd.

Banks are an essential part of the business activity which is established to safeguard people's money and saving money in making

loans and investment. There are several banks operating inside of valley as commercial bank and joint venture bank. Every bank invests lots of money in some profitable business in long run. An investment is the commitment of money that is expected to generate additional money. Now a day's many kinds of banks are established in our country as commercial banks, joint venture bank. The competition of banking sector in Nepal has increased. There are many kinds of joint venture banks operating, out of them; Nabil Bank Ltd, Nepal SBI Bank Ltd and Himalayan Bank Ltd are selected for research.

1. Nabil Bank Ltd.

Nabil Bank limited is the first and major joint venture banks of Nepal, which commenced its operations on July 12, 1984(Ashad 2041). Through the bank oriented from United Arab Emirates, the management of the bank is invested with nation bank limited, Dhaka (Bangladesh). The bank established under the technical services agreement approved by Nepal Rastra bank.

Nabil has been a pioneer in introducing modern banking and many innovative products in Nepal. It is the only bank authorized to operate inside the international airport both at arrival and departure lounge and designated to collect embarkation fees of departing passengers. NABIL is well known from providing highly personalized services to its customers.

Nabil is offered to its customers to open various account. Such as current deposit, margin deposit, other deposit, saving deposit, fixed deposit and call deposit account. All these accounts can be opened in various currencies subject to compliance of interval and Nepal Rastra Bank rules. Besides all these services of NABIL, it has provided other types of services to its customer like, tele-banking, credit card services; international trade and bank guarantee, safe deposit locker, Weston union money transfer and ATM card etc. Its authorized capital is Rs. 500 million.

2. Nepal SBI Bank Ltd.

Nepal SBI bank Ltd is a joint venture between employee's provident fund and state bank of India. SBI bank the largest commercial bank of the India holds 50% of the equity. It was established in 2050, it started its operation on 23rd Ashadh 2050(1993) with its head office in Katmandu. The initial paid up capital was Rs. 119.95 million. After the establishments of this bank, generally the monetary transactions between Nepal and India have been carried out through this bank. Since state bank of India has its network throughout the urban area to remote rural area in India. The bank operates with the objectives of providing loan to industry commerce and trade.

The bank has more than ten branches in various parts of the kingdom. Its corporate office located is Httisar, Katmandu and main branch office in durbar marg, Katmandu. It has another branches located in New road, and embassy of India extension counter an remounting are outside of the valley, i.e. Biratnagar, Bhairhawa, Pokhara, Jankpur and Itahari branches. To extend more efficient services to its customers Nepal SBI Bank has been adopting innovative and latest banking technology. This has not only helped the bank to constantly improve its service level but has also kept it prepared for further adaptation of new technology. Nepal SBI Bank has just entered into the seventeenth year of successful operation. During these periods, the bank has established itself as one of the leading joint venture banks in the country.

3. Himalayan Bank Limited:

Himalayan bank limited was incorporate in 1992 by a few distinguished business personalities of Nepal in partnership with employee provident fund and "Habib Bank Ltd" one of the largest commercial bank of Pakistan. But the banking operation was commenced from 1993 only. It is the first commercial bank of Nepal whose maximum share is hold by

Nepalese private sector. Besides commercial banking services also offers industrial and merchant banking services.

HBL is always committed to providing a quality services with a personal touch to its valued customers. All the customers are regarded as valued clients and treated with almost courtesy wherever possible offers tailored facilities to its client to meet unique needs and requirement of different clients.

To further extend to reliable and efficient services is its valued customers, HBL has adopted the latest banking technology and runs world class banking software Globus on IBM platform. This has not helped to constantly improve its services level but has also prepared the banks for future adaptation to new technology.

1.5 Statement of Problem:

Banking business is very sensitive and risky business these days. It's getting popular and it has earned high profit in spite of high risk too. The economic environment of the country is highly unfavorable that affect all sectors of the economy. The banks too can't remain untouched. It is so difficult to survive in such a situation and weak enterprises would die out too. The fluctuation in economic environment affects the earning and stability of the banking business. The variation on overall financial performances also brings fluctuation on other important aspects such as return on shareholders equity, dividend payout ratio, earning per share and market value per share which send negative impact to the shareholders.

On the other hand the mushrooming of banking and financial institution and about a dozen of rural banks and co-operatives in a short span of time has brewed. Now competitive scenario has posed a challenge to the previous monopolistic banks like Nabil, Nepal SBI Bank and Himalayan bank Ltd, which are making attractive profits. In the changed scenario these banks need to explore their strength and

weaknesses and improve their performance because their success depends up on their ability to boost their productivity and financial performance.

Keeping these points in view, the present study concentrates to explore the weaknesses and efficiency of Nabil, NEPAL SBI and Himalayan bank ltd. on the finding out answer to these questions.

- What is the current position of financial performance of Nabil, Nepal SBI and Himalayan bank ltd.?
- What is the financial growth trend of these banks?
- What are the comparative liquidity, capital structure activity, capital adequacy and profitability position of these banks?
- Whether these banks audit their annual reports legally?

1.6 Objectives of Study:

The main objectives of the study are to measure the financial performance of Nabil, Nepal SBI bank ltd. and Himalayan bank ltd. It obtains the true and exact result about the financial performance of these banks. The specific objectives of this study are asunder:-

- To analyze the financial performance of the Nabil, Nepal SBI bank ltd and Himalayan bank ltd.
- To conduct cash flows analysis and measure the operating efficiency, stability and profitability of Nabil, Nepal SBI bank ltd and Himalayan bank ltd.
- To measure the ability to meet the short term and long term obligations.
- To provide the information about the capacity of bank for paying the loan and interest theorem.
- To provide further suggestions for improvement.

1.7 Research Hypothesis

The hypothesis is most powerful tool has invented to achieve dependable knowledge. And hypothesis is an educated guess about problem solution. A logically conjecture relationship between two or more variables expressed in the form of testable statement. Hypothesis is thus a statement about the relationship between two or more variable which need to be investigated for its truth. If the relationship between two variables act as hypothesis predicts then the hypothesis is supported and a new theory has been suggested. And in this study there are two types of variables i.e. dependent and independent. Financial performance is dependent variable and different type of ratio such as liquidity ratio, leverage ratio and profitability ratio are independent variable.

In this research, the researcher is developing the following hypothesis.

- Higher the liquidity ratio, the organization liquidity position is better.
- Higher the debt ratio, it is not good for organization.
- Higher the profitability ratio, it is good for organization.
- Higher the profitability ratio, so that maximizing profit and decreasing of operating cost.

1.8 Limitation of Study:

In the world every type of work has its own limitation. So, in this study have some limitations, which are as follows:

- The study is limited to financial performance.
- The study is only based on secondary data.
- The data available in published annual report have been assumed to be correct and true.
- There is only three type of bank for the study i.e. Nabil, Nepal SBI and Himalayan bank ltd.
- This study is only for 5 years.

1.9 Organization of Study:

The study has been organized in to five chapters. Each chapter deals some important factors of financial performance. The title of each of these chapters is listed below:

Chapter 1: Introduction of study

Chapter 2: Review of literature

Chapter 3: Research methodology

Chapter 4: Presentation and analysis of data

Chapter 5: Summary, conclusion and recommendation.

Chapter 1: Introduction

This is introduction chapter of this study. This chapter includes background of title, focus of the study, and importance of study, background of NABIL, SBI and Himalayan bank ltd. Statement of problem, limitation of the study and organization of study.

Chapter 2: Review of Literature:

This chapter is review of literature with conceptual framework of the financial performance, review of book and thesis work.

Chapter 3: Research methodology

This chapter contains the research methodology. This chapter deals introduction, research design and population and sample, sampling method, source of data, and method of data collection, tests for analysis and statistical analysis.

Chapter 4: Presentation and analysis of data

This chapter deals with presentation of data and analysis of the liquidity position, leverage position and profitability position of NABIL, Nepal SBI bank ltd and Himalayan bank ltd.

Chapter 5: Summary, conclusion and recommendation

This chapter includes summary, conclusion and recommendation of the study. Bibliography and appendix are at the end of the study.

CHAPTER – TWO

REVIEW OF LITERATURE

2.1 Introduction

This chapter deals with the review of the literature to make the basis knowledge for the study. Review of literature means reviewing research studies or other relevant proposition in related area of the study. Reviewing research studies and once chooses field of study and found what remains to be done in the related area of the study is called review of literature. “The purpose of reviewing the literature is to develop some experts in one’s area. To see, what new contribution can be made and to receive some ideas for developing a research design.” (Wolff, Howard K and Pant, P.R. 1999:30)¹

Scientific research must be based on the past knowledge. The previous studies can not be ignored because they provide the foundation to the present study in their words, there has to be continuity in research. A careful and successful review of literature helps the researchers in avoiding any duplication of work done earlier. It enables the researcher in discovering important variables relevant to the area of the present research.

2.2 Conceptual and theoretical review

It was easier to record and check the business transactions for each businessman in the beginning of civilization because the number of business transactions had taken a very small place. As the human civilization has been growing, human activities have also been increasing remarkably. By the help of financial performance every businessman could show actual business condition to the different parties.

¹ Howard, K. Wolff and, Prem Rag Pant: A Hand book of Social Science Research & thesis writing. Bhuddha Academic Enterprises Pvt. Ltd. Second edition 1999 P. 30

2.3 Concept of financial performance

The main indicator of financial performance of business enterprises is the profit earned by the firm profit results mainly from the successful business management. Cost control credit extension risk management in general efficiency of operation.

Financial statement are prepared from the accounting record maintain by the firm. The accounting records are historical and expressed in terms of money. So it is related to past period. It provides reliable information of business activities and their result. It also provides information about resources of business.

Financial performance is that managerial activity which has concern with the planning, organizing, controlling and administrating of financial resources of financial statement of enterprise. Again it is basically concerned with analysis of financial statement of enterprise by using different tools and technique financial performance is not also it helps improvement of financial condition in future.

2.4 Concept of financial statement

Generally the statements, which are prepared at the end of each financial or fiscal year is the known as financial statements. Financial statement refers to that statement, which systematically contains summarized information of firm's financial affairs. With the help of financial statement, every business man could show actual business condition to the different parties via: - government, investors, shareholders, customers, researcher etc, who are directly or indirectly related to be business. The generally accepted accounting principles and procedures are followed to prepare these statements. According to I.M Pandey, "Financial statement contains summarized information of firm's financial affairs organized

systematically. They are means to present the firm's financial situation to users."²

In this connection, John N. Myers, " The financial statement provide a summary of the accounts of business enterprise, the balance sheet reflecting the assets, liabilities and capital as of a certain date and the income statement showing the results of operations during a certain period."³ The definition of financial statements by American Institute of Cost and Public Accounts (AICPA) has stated, "Financial statements are prepared for the purpose of presenting a periodical review or report on progress by the management and deal with the status of the investments in the business and result achieved during the period under review. They reflect a combination of recorded facts, accounting conventions and performance judgment. And the judgments and conventions applied affect them materially. The soundness of the judgments necessarily depends upon the competence and integrity of those who make them and on their adherence to generally accepted accounting principles and conventions."⁴

In the light of the above discussion and definition, some of the features of financial statements are enumerated below: -

1. Financial statements are periodical review of the status of investment and progress made by the management.
2. Financial statement contains facts recorded on the basis of accounting conventions and exercise of personal judgment.
3. To prepare financial statements, more result oriented integrity and competency of generally accepted accounting principles and conventions.

² I.M Pandey, financial Management, Seventh Revised Editon Vikash Publishing House Pvt Ltd P 29-30.

³ John N Myer, financial statement Analysis. Fourth Edition, prentice. Hall of India Pvt. Ltd. New Delhi 1974, p 3

⁴ AICPA as Quotated byu Ralph D. Kennedy and MC Millian.S.Y Richard Lrwin in financial statement Analysis and INterpretation, sixth Edition 1973, p 11

Generally financial statements refer to the two summarized financial reports. Which the account prepares, usually at the end of fiscal year of an enterprises, they are:

- a. Income statement or profit and loss account
- b. Balance sheet

Now a brief explanation of balance sheet and profit and loss account or income statement is presented below: -

- a. Income statement:-

An income statement shows the net result of the business operations during an accounting period. It may include manufacturing and trading account, profit and loss account and profit and loss appropriation account. An income statement presents the summary of revenues expenses and net income and loss of a fir. It serves as measure of the firm's profitability.

In their simplest form, the income statements contain two broad categories of items: revenue and expenses. The revenue may by thought as the level of accomplishment attained by the company while the expenses represent the effort expended to attain that level of accomplishment more. Specifically revenue represent the actual or expected inflow of assets, the settlement of liabilities or both from a company's primary business activity, while expenses represent the utilization or consumption of assets or incurring of liabilities or both produce the revenue inflow.

"The income statement provides are view of the factors directly concerned with the determination of net income, the revenue realized from the sales of goods or services and the cost incurred in the process of producing the revenue. They are deducted from the revenue to determine the income from regular operation. In addition, they may be income from other sources and other deductions from income." (John, N. Mayer, 1972:15)

The profit and loss account is the score board of the firm's performance during the particular period of time. The generally accepted convention is to show one year's events in the profit and loss account. Analysis of profit and loss account for several years may reveal desirable or undesirable trends in the profit earning capacity of a business enterprise.

b. Balance sheet:-

Balance sheet is not an account but it's a statement of assets and liabilities of business enterprises at a given date. It is a statement, summarizing the financial position of the firm. The balance sheet is prepared at the end of accounting period and after completing the preparation of trading and P\L account. It is the statement of balance sheet of ledger account which is not including in income statement. Therefore it is called balance sheet.

"The balance sheet is a most significant financial statement. It is a statement of assets and liabilities and indicates the financial position of the firm of a particular time. It contains information about economic term of accounting. The balance sheet communicates about assets, liabilities and owner's equity in the firm. In short it provides information about the financial position of the firm of the end of the accounting period."⁵

The balance sheet contains assets and liability. Liabilities refer to the financial obligation of an enterprises and carrying probable future benefits. Assets are also termed as economic resources owned by an enterprise.

The various items which are shown on liabilities are as:

1. Owner's equity\ share holder's equity
2. Long term liabilities
3. Current liabilities

⁵ Shiva Prasad Muna Karmi, Management accounting, m Buddha academic enterprises, Kathmandu, 2003, p 12.03

1. Owner's equity\ share holder's equity:-

The sum total of contributor and earned capital is known as the owner's equity. It can be expressed as total assets over total liabilities and it is called net worth. It includes capital reserve and credit balance of P\L account.

2. Long term liabilities: -

All the liabilities that are due beyond one year are known as long term debt or long term liabilities. These are obligations which will mature after a period longer than one year. Company deposit, debenture, long term loan from financial institution, loan a mortgage all are long term liability.

3. Current liabilities:-

Liabilities which are to be repaid within one year of the date of balance sheet are taken as current liabilities. It represents the obligation of the business, sundry creditors, bill payable, and bank overdraft, accrued expenses, received in advance, cash credit etc are examples of current liabilities.

The assets side is split up into four major heads which are as follows:-

1. Fixed assets:-

Fixed assets are those physical assets that are to be used in the conduct of the business. The expectation is that they will be used rather than sold. Examples of fixed assets are land and building, plant and equipment, furniture and fixture, tools, vehicles etc.

2. Current assets: -

These assets which are in the form of cash or can be converted into cash within a year are known as current assets. The current assets are assets which are reasonably expected to be realized in cash or sold or consumed during the normal operating business cycle. Cash in hand, cash at bank, sundry debtors, bill receivable, inventory, marketable securities, accrued income, prepaid expenses etc included in current assets.

3. Investment:-

It represents an expenditure on assets investment outside business to earn interest, dividend or benefits. The intention of investment is to hold the securities for the long run at least longer than a year. Share debenture, bonds are example of investment.

4. Other assets: -

Other assets refer to the payment made in one year, whose usefulness will expire in the future year. They represent assets usually of an intangible nature. These types of assets do not have real value. Examples of other assets are preliminary expenses, research and development cost, discount or loss of issue of share, differed revenue expenditure and debit balance of profit and loss account etc.

2.4.1 Financial Statement Analysis

Income statement and balance sheet don't all the required information regarding the financial operation of firm. The users of financial statement can get better information about the financial strength and weakness if the user's prosperity analyses the information reported in these statements. Analysis of financial statement is the process of critically examines in detail accounting information of the financial statement.

An act assessing financial strength and weakness of an organization through the meaningful search of information contained in financial statement is known as financial statement with specific tool and purpose. In a single sentence, financial statement analysis is an act of selecting, relating and interpreting the information contained in the financial statement with specific purpose and tools.

In order to make financial statement more meaningful analysis of financial statement is prepared. Analysis of financial statement means a study of relationship among the various financial factors. It is a process of classifying and arranging mass data of financial statement. For obtaining a better understanding of the position of business and its performance

classifying and arranging are needed. The objective of this process is to growth potential of the business.

“Financial statement analysis attempts to examine the liquidity the profitability the financial structure and the efficiency of the firm.”⁶

Financial statement analysis is rarely a study of relationship among the various financial factor in business as disclosed by a single of statement and a study of tends of these factors as shown in serious of statement. (John v. Mayer, 1974:392)

In summary, financial statement analysis highlights the strength and weakness of the business under taking by regrouping and analyzing the figures contained in financial statement and by making comparison of various components and by examines their contents. The analysis reveals how for the dreams and ambitious of the tough management have been converting in to reality during each financial year. Hence much information can be attained about various aspects of a business through the analysis which other ways would have buried in amaze of details.

2.4.2 Objective of financial statement Analysis

Following are the main objectives of analysis of financial statement:-

a. To know the profitability of the concern:-

The financial statement analysis is used to as certain it's earning capacity as well as prediction relating to its future earning.

b. To know the security and solvency of the concern.

Whether the firm is in position to meet its short term and long term liabilities or not can be judged by analysis its financial statement.

c. To know the trend of the concern.

The purpose of analysis is also the trend of business sales, purchase, profit and earning capacity.

d. To ascertain the financial strength:-

⁶ Rrcharad A. Stevenson, fundamentals of finance international student edition, Mc, Graw, hill international book company, 1981 p. 16

The purpose of financial statement analysis is to ascertain the financial strength and soundness of business.

e. To Judge the efficiency of Management:-

The plans and policy made by management are efficient or not can be ascertained from the analysis of financial statement.

f. To provide information:-

The purpose of financial statement analysis is to provide different information of different users.

2.4.3 Importance of Financial Statement Analysis:-

In the present time, a large number of parties are interested, trade union, banker and lender, government and other parties who are directly or indirectly related to the firm for different purposes. So there are different users of financial statement. They look at the same financial statement from different angles. Some of users and their purpose or analyses the financial statements are given below.

a. Management:-

By analyzing the financials statement, management can draw significant conclusion and determine the new policies and procedures for the concern. It helps them in different ways for knowing the financial position, profitability and adequately of capital structure.

b. Investors:-

“The investors may be interested in a cross-sectional analysis i.e. comparing risk and return across all firms in the pharmaceutical industry at a specific point in time.” (White Sondhi and Friend, 1994)

Every investor wants the safety of this investment. Therefore, he would like to know whether the business is profitable or not. He also wants to know about the growth potential of his business. The growing potential of business helps in appreciation the investment.

c. Creditors:-

In order to know the fact and actual position of short term liquidity position, the creditors analyses the financial statement. They are interested in knowing whether the concern will be able to pay their debts or not in time. They can easily as certain it by analyzing the financial statement.

d. Employees trade union:-

Employees and trade unions are interested in their welfare. They always want better employments, bonus, better working condition and security to their job. For this purpose, they analyze the financial statement to know the profitability and financial condition of the organization. They can as certain from the analysis how much bonus and wages are possible from the profit of concern.

e. Government: -

Government and government agencies like central statistical organization are interested in financial statement analysis for compiling the industry account and national accounts for the purpose of assessment of excise duty, income tax and sales tax. The analysis of financial statement can be used by taxation authorities. It is also helpful in operating the financial policies of government.

Finally financial statement analysis is helpful to the decision maker for finding out favorable and unfavorable situation of business firm. So, financial statement analysis is very useful to a number of parties who are related directly and indirectly to the firm. The analysis is important to them for different aspect of their interest.

2.4.4 Financial statement Analysis Tools:-

There are different measuring devices or tools of financial statement analysis which are applied in this thesis work as follows:-

2.4.4.1 Financial Tools

Financial analysis is the process of determining the significant operating and financial characteristics of a firm accounting data and

financial statement. Among the various financial tools i.e. ratio analysis and trend percentage analysis has been used for present purpose of the study.

1 Ratio Analysis

Ratio analysis is widely used tool of financial analysis. Ratios are calculated for a number of years, which shows the trend of the change position. The ascertainment trend helps us in making estimates for the future. The present ratios are compared with past ratios for analyzing trend. Trend ratio indicates the direction of change in performance. Improvement of consistency over year. Ratio is statically yard stick that provides a measure of relationship between two accounting figures.

"Ratio is numerical or an arithmetic relationship between two figures. It is expressing one number in term of other i.e. one figure is divided by another number in order to calculate the ratio." (Jain, S.P. and Marang, 1993:43)

In the word of M.Y. Khan and P.K. Jain, "The term ratio refers to the numerical or quantitative relationship between two items/variables. A relationship with other." (Khan, M.Y. and Jain, P.K 1990:119)

Although, ratio analysis is widely used but not one ratio gives the entire picture. Ratio analysis involves basis standard of comparison for a useful interpretation of the financial statements. Similarly a single ratio by itself does not indicate favorable or unfavorable condition of a firm, unless it is compared to so I appropriate standard. Selection of proper standard comparison is a most important element of ratio analysis. There are many types of ratio can be calculated from the accounting data contained in the financial statement, which are as follows:-

- i. Liquidity Ratio
- ii. Activity Ratio
- iii. Leverage Ratio
- iv. Profitability Ratio

v. Other Ratio and indicators

a. **Liquidity Ratio:**

Liquidity ratio is done to measure the short term financial soundness of the business. The ratio assesses the capacity of the company to repay its short term liabilities. Liquidity ratio is also an effective source to ascertain whether the working capital has been effectively utilized. Banks and other many lenders for short periods are interested in the current assets of the company i.e. short term financial position of the business.

Different types of ratio have been used to measure the liquidity position of an enterprise. In connection with commercial bank different liquidity ratio such as cash and bank balance to total deposit ratio cash and bank balance to current Assets ratio, current ratio are used to measure the liquidity position of both the banks. Now these ratios are briefly described as under.

i) **Cash and Bank Balance to Total Deposit Ratio:-**

Cash is the primary reserve of the banks. By its experience bank keep a certain percentage of deposits in the form of cash for contingent reason. This analysis indicates that the ability of banks funds to cover their current, saving, fixed, call and other deposits. In addition to this it also asserts that what proportion of total deposits is utilized and what proportion of cash and bank balance remain.

This ratio is calculated by using the following formula. Cash and Bank Balance to total deposit ratio.

$$\text{Total deposit} = \frac{\text{Cash and bank balance}}{\text{Total deposit}}$$

ii) **Cash and Bank Balance to Current Assets Ratio:-**

The cash and bank balance to current assets ratio measure of liquidity. The cash and bank balance to current assets ratio measures the proportion of cash and bank balance hold by commercial bank out of its total current assets. Current assets of commercial bank included cash and

bank balance, money at call and short notice loans and advance for commercial banks (i.e. loans, cash credit and overdraft and bills discounted and purchases). Investment on government securities and other interest receivable and other miscellaneous current assets.

This is calculated by using the following formula:-

Cash and bank balance to current assets ratio =

$$\frac{\text{Cash and bank balance}}{\text{Total current assets}}$$

iii) Investment on Government securities to current Assets Ratio

Investment on government securities is the most liquid form of current assets after cash and bank. Investment on government securities liquid but less earning assets. Therefore greater investment on government security mean greater liquidity but lesser investment sources on better earning sector. For earning point of view lesser investment on government securities is preferable but form the liquidity point of view greater investment on government securities is considered better.

Investment to government securities to current assets ratio shows the proportion of investment on government securities of commercial bank out of its total current assets. This ratio is calculated by using the following formula:-

Investment on Government Securities to Current Assets Ratio =

$$\frac{\text{Investment n Government Securities}}{\text{Total current Assets}}$$

iv) Current Ratio

Current ratio is the ratio of total current assets to total current liabilities. It indicates the availability of current assets in rupees for every one rupee of current liability, Current assets indicate all these assets which are in the form cash it can be converted into cash in the normal course of usual business not exceeding a period of one year, Current

assets of commercial bank includes cash and bank balance. Money at call and short notice loans and advance for commercial banks investment on government securities, interest receivable etc. Likewise current liabilities include all obligation maturity within a year and are represented by deposit and other account (i.e. saving, current called and short deposit and other), short form loan, bill payable, tax provision, staff banks, divided payable and other miscellaneous current liabilities.

This ratio is calculated by using the following formula:

Current Ratio = Total Current assets / Total Current liabilities

b. Activity Ratio

Funds of creditors and owners are invested in various assets to generate sales and profit. The better the management of assets the larger the amount of sales Activity ratio is employed to evaluate the efficiency with which the firm manage and utilize its assets. These ratio are also called turnover ratio because they indicate the speed with which assets are being converted r turned over into sales., Activity ratio, thus involves relationship between sales and assets. But non-manufacturing organization like bank, insurance company provides service but no goods. So that, the ratios relating to inventories and sales do not applicable those service oriented. This analysis is related with the measuring the efficiency in assets management as well as the effectiveness or not. Activity ratio has been briefly described in this study are presented below:-

i) Loan and advance to total deposit ratio:-

This ratio examines to what extent, the commercial banks are able to utilize the deposits fund to earn profit by providing loans and advances. It is computed by dividing total amount f loans and advances by total depositor's fund. Higher ratio represent the greater efficiency proper utilization of funds provided by the out-sliders i.e. deposit. This ratio is calculated by using the following formula:-

Loans and advance to total deposit ratio =

$$\frac{\text{Total loans and advance}}{\text{Total Deposit}} \times 100$$

A higher this ratio indicates commercial banks efficiency in investing its deposits and low ratio indicates commercial banks inability to put its deposit into lending although it helps to maintain sound liquidity position.

ii) Loans and advance fixed deposit ratio:-

This ratio show the relationship between loans and advances and fixed deposit determine extends to which fixed deposits are used in advancing loans and advances for generating revege of the bank. At the same time, loans and advanced are the assets, which have highest risk attached and also known as high risk assets. Similarly, fixed deposit is the major source f fund which a bank can utilize finance long term loans.

$$\frac{\text{Total loans and advance}}{\text{Fixed Deposit}} \times 100$$

iii) Loans and advances saving deposit ratio:-

Loans and advances are most profitable among all the assets of the bank. Which holds the larges part of the revenue of the bank. Which holds the whereas deposit collected saving deposits in medium or short term income generating purposed. So that it will be able pay the interest to its saving depositors and earn profit.

Loans and advances to saving deposit ratio shows the relationship between loan and advances and saving deposit t determine extend to which saving deposits are used in advances loan and advances for generating revenue in bank. It is calculated by using the following formula:-

Loans and advances to saving deposit ratio =

$$\frac{\text{Total loans and advances}}{\text{Total saving Deposit}} \times 100$$

A higher ratio indicated the greater efficiency or proper utilization of funds provides by saving deposits.

iv) Total investment to total deposit:-

This head of analysis measure that how successfully the banks are mobilizing their deposits on investment. Here, the investment includes investment on loans, cash, credit and draft, government securities, bills purchase and discount money at call and short notice where as total deposit includes current fixed saving and call and other deposit. It also assesses the company's financing policy. If they don't have good financing policy them they can't earn proper return. It is calculated by sing the following formula:-

$$\text{Total investment to total deposit} = \frac{\text{Total saving depsit}}{\text{Total deposit}} \times 100$$

c. Leverage Ratio:-

Leverage ratio is also known as capital structure ratio. Leverage ratio analysis is the long term solving of the firm. This ratio shows the manner by which the capital structure is formed. Leverage ratio is also called as debt ratio which show the extend to which the firm is financed by debt. The firm has legal obligations to pay interest to debt holders irrespective of the profit made or losses occurred by the firm. All the creditors sec the proportion of the firm supplied by the owners before supplying to the firm.

Leverage ratio has been briefly described this study as follows:-

i) Debt equity Ratio:-

This ratio show how many amount of total assets a business concerned finical owners equity (internal equity) and by outside debt (external equity). This ratio is also called debt to net worth ratio. It measures the claim of the creditors and owners against the firm assets. A high debt equity ratio measure the claim of creditors is greater than that of

owners. The high ratio means the high risk and more difficult in rising fund for the further need debt equity ratio is calculated by using following formula:-

$$\frac{\text{Total Debt}}{\text{Total shareholder's equity/Net Worth}} \times 100$$

ii) Permanent Capital Structure:-

Permanent Capital structure of bank can be defined as the combination of the long term debt share holder's equity. Permanent Capital structure can further be classified in following tow ratios:

- Long term debt to permanent capital ratio
- Net worth to permanent capital ratio:-
- Long term debt to permanent capital ratio:-

This ratio indicates what proportion of the permanent capital of a firm consists of long term debt. Here in this ratio the long term debt is related to there permanent capital of the firm and not merely to the share holder's equity. Long term Debt to permanent capital ratio

$$\frac{\text{Long term debt}}{\text{Permanent capital}}$$

➤ **Net Worth to Permanent Capital ratio:-**

Net Worth is permanent capital ratio measures the proportion of firms net worth out of its total permanent capital. Net Worth plays vital role in supporting its daily operation and insuring the long run viability of the banking system. Net Worth holds largest proportion out of its permanent capital. So its adequacy plays a catalytic role in up liftmen of the banking status. This ratio is calculated by using the following formula:-

Net Worth to Permanent Capital ration = $\frac{\text{Net Worth}}{\text{Permanent capital}}$

iii) **Total debt ratio:-**

This ratio shows the relationship between total debt and total assets. In other word, the ratio indicates the relation ship between creditors fund and owners capital. In this ratio we find outsider Claim, total assets and automatically the rest claim will belong to shareholders. According to Khan And Jain, "Debt to total assets ratio is related to the total debt to total assets of firm. The total debt comprised of long term debt plus current liabilities. Total assets consist of permanent capital plus current liabilities, "The high debt assets ratio is unfavorable to creditors. It can be calculated as follows:-

$$\text{Debt Assets Ratio} = \frac{\text{Total Debt}}{\text{Total Assets}}$$

D. Profitability Ratio:-

Maximization of profit is the main objective of each and every business concern. It is very necessary to earn maximum profit for the successful running of a business concern. According to the lord Keynes, "Profit is the engine that drives the business enterprises." The profit is also important to preserve the existence of business as well as strengthen and expand it.

Profitability is the net and end result of a number of corporate policies and decision. "Profitability analysis essentially related to the profit earned by enterprise during a particular period to various parameters like sales, shareholders equity, Capital employed and total assets. "(Bhattachrya, S.K& Derdon, Johan, 1890:283)

Profitability ratios are designed to provide answer to basically the following questions:-

- Does the firm earn adequate profit ?
- What rate of return does it represent ?
- What is the rate of return to equity shareholders ?

➤ What is the rate of profit for ratios division and segments the firm ?
And so on.

A good profitability ratio is of greatest importance of a concern. There are different types of the ratio out of them some important ratio have been briefly described in this study are presented below:-

i) Return on share holder equity:-

Return on share holder equity actually measure earning power on share holder's book value investment. This ratio indicates how well the firm has used the resources of owners. The earning of the satisfactory return is the most desirable objective of a firm. The return on shareholders equity reflect the extend to which this objective has been accomplished. This ratio is calculated by using the following formula:-

$$\text{Return on shareholder equity} = \frac{\text{Net Profit after tax}}{\text{Share holder equity}} \times 100$$

ii) **Return on total asset:-**

This ratio actually measures the rate of return on assets on investment. It measures overall effectiveness in generating profit on assets in term of percentage. A higher ratio show the better utilizing of assets. This ratio is calculated by using the following formula.

$$\text{Return total assets (ROA)} = \frac{\text{Net profit after tax}}{\text{Total assets}} \times 100$$

iii) **Return on total deposit ratio:-**

Return on total deposit ratio shows the percentage of profit earned from the utilization of the total deposit of the bank. It also measures banks efficiency towards its deposit mobilization. Total deposit of commercial bank includes saving fixed, current, call and short deposits and other. Generally, high percentage is the index of strong profitability position and vice-versa. This ratio is calculated by using the following formula:-

$$\text{Return on total deposit ratio} = \frac{\text{Net profit after tax}}{\text{Total Deposit}} \times 100$$

iv) Return on investment:-

This head of analysis measure the proportion of the banks have earned satisfactory return on their investment or not. More ever, it reflects how well the firm has invested their funds for profit generating purpose. High ratio percentage represents the appropriate investment policy for profit generating purpose and vice-versa. This ratio is calculated by using the following formula:-

$$\text{Return on total investment} = \frac{\text{Net Profit after tax}}{\text{Investment}} \times 100$$

v) Earning per share (EPS):-

To earning per share show the amount return on numbers of equity share outstanding. High earning per share show profit and shareholders are always interest in this ratio. This ratio measures the efficiency of utilizing shareholder fund in earning activities. This ratio can be calculated as follow:-

$$\frac{\text{Net Profit after tax}}{\text{Total no.of equity share}}$$

E.) Other ratio and indicators:-

A part from above there is same other financial indicators which light on various financial of aspect of the bank. Analysis of these indicators will be various useful in order to assess the financial strength and weakness of the bank. In this study, there are different types of financial indicators which are briefly described as under:-

i) Interest laid to interest earned ratio:-

$$\frac{\text{Total interst paid}}{\text{Total interst earned}} \times 100$$

ii) Interest earned to total investment:-

$$\frac{\text{Total interst earned}}{\text{Total interst}} \times 100$$

iii) **Price earning ratio (P/E ratios)**

$$\frac{\text{Market price per share (closing)}}{\text{Earning per share}} \times 100$$

iv) **Market value to book value:-**

$$\frac{\text{Market per share (closing)}}{\text{Book value per share}} \times 100$$

2.4.4.2 Statistical Tools

Some statistical tools are also been used for the analysis of data. In this study different types of statistical tools are used. They are arithmetic mean, standard deviation, coefficient of various, correlation coefficient analysis, regression analysis and hypothesis testing. While analyzing financial performance with the help of statistical tools such analysis help to draw conclusion regarding which of the organization is better managed. If statistical tools indicated that there are some tools aspects and then if helps management to take corrective action.

There are different types of statistical tools which are as follows:-

1. **Average (Arithmetic mean)**

The average is the measures which condense a huge mass of data into single value representing the whole data. Averages are the typical value around which most of the data tend to cluster? There are different types of average, but in this study, only arithmetic means of given set of observation is their sum divided by no, of observation. It can be computed as follows:-

$$\text{Mena}(\bar{X}) = \frac{\sum X}{N}$$

Where, \bar{X} = Arithmetic Mean

$\sum X$ = Sum of value

N = Number of observation

The purpose for computing the mean for set of observation is to obtain single value which is representative of all the items and which are mind can be graphs simply and quickly. The single value is the point of location around which the individual items cluster.

2. Standard deviation(S.D):-

Karl Person introduced the standard deviation concept in 1823. It is denoted by the Greek letter sigma (σ). The standard deviation is the absolute measure of dispersion in which the drawbacks presents in other measure of dispersion are removes. It is said to be the best measure of dispersion are removes. It is said to be the best measure of dispersion as it satisfied must of the requisites of a good measure of dispersion. The value of the standard deviation depends on whether the other return data are scattered or clustered around the central value. If the other value are scattered from the central values it is regarded more volatile or risky. They are standard deviation will be higher. Similarly, if the value is clustered around the mean the return distribution is regarded less volatile or less risky, there are standard deviation will be lower.

Standard deviation is defined as the positive square root of the mean of square of the deviation taken from the arithmetic mean. It is calculated by follows:-

$$\text{Standard Deviation (S.D)} = \sqrt{\frac{\sum(x-\bar{x})^2}{N}}$$

Where, N = No. of observation

The standard deviation measures the absolute dispersion or variability of a distribution. A small standard deviation indicates a high degree of uniformity or homogeneity of the data. A large standard deviation indicates just the opposite.

3. Coefficient of variation (C.V)

Standard deviation discussed above is an absolute measure of dispersion. It measures the variation which is expressed in terms of original units of service. Coefficient of variation is a relative measure of dispersion based on standard deviation. It is obvious that C.V is independent of unit. Hence, C.V. is suitable measures for comparing variability of two series (or set of data of distribution) with the same or different units. It is calculated as follows:-

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

That series (or group) for which has been the greater C.V. is said to be more variable or conversely less C.V. is said to be less variable or more consistent, more uniform stable or more homogenous.

4. Correlation Coefficient Analysis:-

Correlation Coefficient analysis is one of the most widely used and also one of the most widely used statistical measure, it measures the degree of relationship between two variables. In other words the term co-ordination indicates the relationship between two such variables in which changes in the value of one variable the value of the other variable also change.

Correlation coefficient is calculated when it is believed that there is causal and effect relationship between two variables. One variable will be causal variable and another will be its effects. Causal variable is also called independent variable. The degree of change on dependent variable due to change on caused variable depends upon degree of correlation between terms. The correlation is denoted by r and is calculated by using the following formula:-

$$\text{Correlation Coefficient (r)} = \frac{\sum xy}{\sqrt{\sum x^2} \sqrt{\sum y^2}}$$

where,

$$x = x - \bar{x}$$

$$y = y - \bar{y}$$

Interpretation of correlation coefficient (r). The value of 'r' exists between +1 and -1 following general rules are given which would help in interpretation of the result.

When $r = +1$, there is perfect positive correlation between the two variables,

When $r = -1$ there is perfect negative correlation between the two variables,

When $r = 0$, the variables are uncorrelated. In other words there is no linear relationship between two variables.

Closer the values of r to +1, closer the relationship between two variables.

Closer the value of 'r' to -1, lesser the relationship. One very convenient and useful way of interpreting two values of coefficient of correlation between two variables are used to square the coefficient of correlation, which is called the coefficient of determination (r^2). Interpretation of coefficient of determination is very simple. For example, where $r = 0.8$ the coefficient of determination (r^2) will be $(0.8)^2 = 0.64$. It means 64% change in the dependent variable is explained by a change in the independent variable. The remaining 36% change is unexpected. It means the change is caused by other variables.

5. Regression Analysis:-

Literal meaning of regression is stepping or returning back to the original position. The theory of regression analysis was first developed by Sir F. Galton. Regression analysis is used as a tool for determining the strength of relationship between two variables. Thus it is a statistical device with the help of which we can estimate or predict the value of another variable. Whose value is known is called the independent variable. The

analysis used to describe the average relationship between two variables is known as simple linear regression analysis.

Regression lines expressed in terms of algebraic relations are known as regression equations. It can be calculated as follows:-

a) Regression equation of y on x

$$y = a + bx \dots\dots\dots(i)$$

Here, a = intercept of the line

b = slope of the line

x = independent variable

y = dependent variable

6) Hypothesis Testing

Hypothesis testing is an important tool of testing the significance of variables. Hypothesis means the presumption or quantitative statement of the population parameter which may be true or false. In order to make proper decisions about the quantitative statement of the population, hypothesis testing techniques are used. Note that, the testing of hypothesis is carried out by using sample information.

According to Webster "Tentative theory or supposition provisionally adopted to explain certain facts to guide in the investigations of others". However, in statistics hypothesis means a statistical statement about the value of one or more parameters of the population.

This study has been undertaken to assess the financial performance of two joint venture banks i.e. Nepal SBI Bank Ltd and Kumari Bank Ltd.

Depending upon the size of the sample chosen to analyze the financial performance of the concerned banks, Student's 't' test is to be adopted for hypothesis testing. For the study, financial data are adopted from fiscal year 2062 to 2066 of three banks. Therefore, the size of the sample throughout this study process is 5 (i.e. n=5)

2.5 Review of Related Literature

Review of literature means reviewing research studies or other relevant proposition in the related area of the study. In this section review of book, review of thesis work, are included.

2.5.1 Review of Book:-

In this section different view expressed by different persons authors, profession, function activities, financial position, performance etc. of Nepalese Commercial banks have been reviewed.

A hand book of banking, written by Sarita and Bhuvan Dahal. A readable introductory hand book with a general overview of banking business dividing in to different topics such as, introduction of banking, banking operation liquidity, profitability loan and capital management of bank. It is designed for on introductory course for students, Bankers, business man and others. This book present a gradual development of banking business in Nepal the current position of he banking business in Nepal Current operation, financial and management strengths and weakness of banking business in Nepal.

The author expresses their view of the financial position of the commercial banks in Nepal as under.

All the joint venture banks are running at profit but two major banks i.e. Nepal Bank Ltd and Rastriya Banigya Bank are incurring huge losses. More over the joint venture banks do not have strong financial losses in respect of capital adequacy and EPS. Non operating assets and interest suspense of all the banks including the best banks like NABIL and SBI are also increasing. This is a serious problem of banking in Nepal because bad quality of assets load bankruptcy of many banking in south-east Asia.

There is a rumor that some banks are manipulating in the classification for credit and loss provisions being made. If the rumor is trod their balance sheet is not presenting the true picture. In the long run, this will prove to be very costly for depositor in particulars.

"Portfolio behaviour of commercial banks in Nepal" is written by Suniti Shrestha a useful readable book prepared on the thesis version of PhD degree. This book is useful to all students, researchers, bankers, general public etc. This book covers all the aspects of the commercial bank in Nepal. Such as introduction of banking system historical background of banking system, financial performance of commercial bank etc the author has conclude about the financial performance of the commercial bank in Nepal as under.

" Capital adequacy ratio reveals that Nepalese banks are below the standard set by government, foreign banks have higher capital adequacy ratio by has been declining every year."

"Debt equity ratio of commercial banks is more than 100% in most of the time period under study. If a leads to conclude that the commercial banks are highly leveraged and highly risky."

In the book of Western & Brigham, they describe the if management is to maximize the value of this firms stock price, it must analysis the weak and strength of the firm which is possible form the ratio analysis which had to access financial performance in comparing with the firm and other firm. Financial statement analysis involves a comparison of firms performance with that of other firm in the same line business. The analysis is used to determine the firm in the same line business. The analysis is used to determine firms financial position in order to find out strength and weakness and to suggestion that might and correction to its weakness. Financial statement analysis is to evaluate the attractiveness of the firm as and investment by examining its ability meet its current obligation and expected financial obligation. However, financial analysis is useful in both way to anticipate future condition and more important as a starting pint for planning action that will influence that future course of event. But most important and most difficult input to successful ratio analysis is the judgment used when interpreting the result to reach an overall conclusion

about the firm's financial position. So, ratio analysis is used but analysis should be aware of these problems and make adjustment as necessary.

2.5.2 Review of Thesis Work:-

In this section different types of related research studies have been reviewed because the chance of duplication will be avoided from the present study and some new and change can be created for achieving the objectives. Some of the relevant research studies have been mentioned below:

Mr. Keshav Raj. Joshi in his unpublished masters thesis "He view that the liquidity position of commercial bank is satisfactory. He found that comparatively the local commercial bank is satisfactory. He found that comparatively the local commercial banks have been found relatively highly leveraged compared to the joint venture banks loans and advance have been the main form of investment. Two third of assets have been used for earning purpose. Profitability position of NABIL Bank is strength that the other commercial bank.

A research study made by M.P. Khatiwada in his unpublished master's thesis. "A comparative study of the financial performance of NABIL and NSBL." concluded on their deposit utilization that the cash and bank balance to total deposit of NSBL has higher proportion than the NABIL. It means NSBL keeps more amount of cash in order to meet its cash requirement of its depositors and for other contingency that of NABIL keeping more idle cash balance is an profitable.

Manoj Bhakta Acharya has done research on "Dividend Policy and Practices in commercial banks. A comparative study of Nepal SBI bank and NBBL." In 2001 and focused on the dividend policy and practices adopted by the sample banks with a view to provides workable suggestion which may be helpful to formulation of optional dividend policy and maximum the stock price and to take some other appropriate dividend strategies and the specific objectives set by the researcher is to highlighted the dividend practice of the banks to reflect (identifying) the

relationship between dividend per share and other financial indicators such as earning per share, net profit net worth and market price of stock, to know if there is any market price of stock, to know if there is any uniformity among dividend per share, earning per share and dividend per share, earning per share and dividend payout ratio of the commercial bank sampled to examine whether or not dividend influence the liquidity position and share price of same banks, to provide a possible guideline and a package of suggestion on the basis of finding and analysis to overcome various issues and gaps.

Ganenra Acharya's study entitled "A comparative study of financial performance of joint venture banks in Nepal especially on the NABIL and NIBL," pointed out that banks are utilizing their assets more efficiency. Capital structure was highly leveraged. Capital adequacy ratio of NIBL as better than that of NABIL and Profitability position of both banks was recorded as satisfactory.

CHAPTER - THREE

RESEARCH METHODOLOGY

3.1 Introduction:-

Research methodology is a systematic and scientific method or technique that is used in hand line a problem by the researcher. So, it is another important aspect of thesis writing. In other words, research methodology provides various instruction as regard to the methods and process associated with the over all study. In this way research methodology is the process of arriving to the solution of the problem through planned and systematic dealing with the collection analysis and interpretation of fact and figure. Researcher methodology is very helpful in identifying the research problem. In fact, research is an art of scientific investigation. For the purpose of achieving the objective the detailed research methodology used in this study and highlighted in this chapter.

"Research is a scientific method of finding out solution to a problem where as research methodology refers to the various sequential steps to adopt by a researcher in studying a problem with certain objective in view."⁷

Research methodology covers the wide range of the investigation. According to nature of the phenomena various statistical and financial tools and techniques are applied to find out the solution of the problem. Research methodology is composed by two words research and methodology. In common sense research means to search for knowledge, facts information that is still unknown. Like wise methodology is a scientific and systematic process that consists of various tools and technique that can be used to solve, the problems. Therefore, research is a systematic and organized effort that includes the scientific method of acquiring

⁷ C.R Kothari, Research methodology method and technique, Wiley eastern Pvt. Ltd New Delhi, 1989 p.g. 19

knowledge. The scientific and systematic methodology various authors and writers have defined research methodology in numbers of ways. Some of the definitions are as follows:-

"Research is systematic and organized effort to investigate a specific problem that needs a solution. This process of investigation involves a series of well throughout activities of gathering, recording, analyzing and interpreting the data with the purpose of finding answers to the problem. This is the entire process or search the answers to questions is called research."⁸

From above definition, research is the scientific and systematic process. It includes all types of investigation solution to the problem. Research also helps to discover new ideas, knowledge in a particular area of interest, Research methodology refers to all those technique that the researchers use in performing research operation. The basic objective of this study is to highlight the financial performance of NABIL, NSBI & Himalayan Bank Ltd. during the period of 5 years from the fiscal year 2062/63 to 2066/67. In this chapter, researcher design, population and sample, sampling method, sources of data collection, tools and technique for analysis are included.

3.2 Research Design:-

The research design is a systematic and conceptual structure within which the study is to be conducted. Research design is a clear map of all types of investigation. The appropriate research design is also required for the achievement of desired objectives of the investigation if it can be compared with the blue print of the procedure and techniques, which guide to the study. "Research design is a plan for the collection and analysis of data." Research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the

⁸ Howard K. Wolf and Prem R. Pant: Social Science research and thesis correcting 3rd edition, Buddha academic publishers and distributors. KTM. 2002, p.4.

research purpose with economy is procedure. It presents a series of guide posts to enable the researcher to progress right direction in order to achieve the goal. The design may be as specific presentation of the problem. Formulation of hypothesis, conceptual clarity and methodology. Survey of literature and documentation, bibliography, data collection, interpretation, presentation and report writing.

Research design is the conceptual structure within which the research process is performed. Design setup to the framework for adequate test of the relationship among variables. Research design tells us about what observation to make then and how to analyze the quantitative representation of the observation. In this study, research is based on the recent historical data and covers the fiscal year 2062/63 to 2066/67. The data has been analyzed using various financial and statistical tools and techniques. These tools help to know the financial performance of NABIL, NSBI and Himalayan bank Ltd. So the research design is historical and explanatory types as regards these two banks.

3.3 Population and Sample:-

The published financial statement viz balance sheet and profit and loss account have been assessed to examine the financial performance of NABIL, NSBL and Himalayan Bank Ltd. The financial statement i.e. B/S and P/C a/c of NABIL, NSBL and Himalayan Bank Ltd Published from their establishment up to 2066/067 have been assumed as population of the study. A sample from the population has been taken for the study, which compares the published financial statement of three bank for the five years.

3.4 Sampling Method:-

There are different types of sampling method but we only use purposive or judgment sampling in this study judgment sample are selected from the population through researcher's intention or some other subjective basis. The selection of the sample is deliberate and purpose. It

is not random. In the judgment sampling subject are selected as the basis of their experience in the subject investigated.

3.5 Source of Data:-

Data Collection is the first step or first part of any research work. There are mainly two types of data are follow:-

1. Primary data:-

Primary data is that which are collected direct personal interview, indirect oral interview, information from correspondence, questionnaire to person and soon. These types of data are original characters.

2. Secondary data:-

The data which are not originally collected but obtained from some and unpublished sources are secondary data. In other words, data collected by some one else used already and are made available to other in the firm of published statistic are known as secondary data.

The study basically depends upon the secondary data. The major secondary source of data for this study is annual audit reports published by NABIL, NSBI and Himalayan Bank Ltd. Some to the journals economic survey report and banking news have been taken into consideration for this study.

3.6 Data Processing Procedure:-

In this study, the data extracted from annual financial reports published by NABIL, NSBL and Himalayan Bank Ltd is processed and interpreted considering the requirement of the study. The financial and statistical tools and technique are applied in data processing procedure. The relevant data of five years 2062/63 to 2066/67 are rearranged, presented, analyzed and interpreted.

3.7 Tools and Techniques for Analysis:-

Main objective of this study is comparative analysis of financial performance of three commercial banks i.e. NABIL, NSBL and Himalayan Bank Ltd. To evaluated the financial performance of the banks, different

types of method of technique are available. So various financial and statistical tools and technique have been used in these studies which are as follows:-

A) Ratio Analysis:-

An arithmetic relationship between two figure is known as ratio. Ratio analysis is powerful tool of financial analysis. In financial analysis ratio is used as a yard stick for evaluating the financial performance of a firm. The absolute accounting figure presented in a financial statement does not provide meaningful understanding of the performance and financial position of a firm. An accounting figure conveys meaning when it is relationship between two accounting figures. Therefore, the relationship between two accounting figures expressed mathematically is known as financial ratio. Ratio helps to summarize the large quantities of financial data and to make qualitative judgments about the firm financial performance.

Ratio is the numerical or an individual relationship between two figures. It is expressing one number in term o another in order to calculated one ratio. (Jain S. and Narang K.L. 1998:416)

"A ratio is a yardstick provides a measure of relationship between two accounting figure. It's defined or the indicated quotient or two mathematical expression and as the relationship between two or more thing." (Pandey, I.M. 1988:501)

So, ratio analysis is the expression of the relationship between sheet or form income statement of or form both two items either from both statement ratio is useful technique to interpret the financial statement. So that the strength and weakness of a firm as well as its historical performance and current financial condition can be determined.

In this research work, various analysis have been done or the basis of these tools such liquidity leverage ratio, activity ratio, profitability ratio and other ratio etc.

B) Trend percentage Analysis:-

Trend percentage analysis is another financial tool of analyzing financial performance. It reflects the change in financial statement two periods starting a base year and expressing other year in terms of the base year can easily study these. So trend analysis is a device for measuring changes in the magnitude of the phenomena from time or even from place to place. The careful study of relative changes that have taken place in the past helps to forecast the future trend and tendencies.

The trend percentage statement also known as trend ratio is an analytical device which examines whether the financial position of a firm is improving or deteriorating over the year. In this research work, this tool is used to find out the direction of change of major activities such as deposit net worth, investment operation income, total expenses, net profit and interest learning in comparison to first year (base Year) of study growth trend of activities (i.e. deposit, net worth, investment e.t.c) for four successive year can be calculated.

C) Arithmetic Mean (Average)

The most popular and widely used measure of representing the entire data of the one value is known as arithmetic mean its value is obtained by adding together all items and dividing this total by the no. of item. The purpose for computing the mean value for set of observation is obtaining a single value which is representative of all the items and which the mind can grasp simply and quickly. The single value is the point of location around which the individual items cluster.

Higher the value of mean, the profitability position is regarded as sound.

The calculation of average is necessary due to following reasons:-

To get a single value this represents of the characteristic the entire mass of data. They set unnecessary details of the data and put forward a concise picture of the complex phenomena under investigation. Single

average reduces the mass of data to angle figure. They are very helpful for purpose of making comparative study.

D) Standard deviation:-

It measures the variation of the mass of the figure in a serves of and averages. It is absolute measure of dispersion. So, it is calculated to supplementary of the relative measure coefficient of the variation. It is usually denoted by (σ) . Standard deviation is the positive square root of the arithmetic mean.

E) Coefficient of Variation:-

This is the relative measure of dispersion of riskiness of return based on standard deviation and mean co-efficient of variation is the percentage variation in mean and standard deviation being considered as the total variations is the mean C.V. suitable measure for comparing variability of two series (or set of data or distribution) with the same or different units. The higher C.V. indicates higher desperation.

F) Correlation Coefficient Analysis:-

Correlation coefficient analysis measures the relationship between tow or more variables. In other words it helps us in analyzing the co-variation between two or more variables. In this study, it is used to find the relationship in this study, it is used to find the relationship between total deposit and total investment, interest earned and interest paid, interest earned and operating profit. By finding the relationship between the above mentioned variables. The researcher will able to know whether the variables are positive correlated or not coefficient of correlation is denoted by 'r' .

Coefficient of correlation is always lies in +1 to -1. When 'r' will be +1 there will be perfect positive correlation between two variables. When 'r' will be -1 there will be perfect negative correlation between two variables. When 'r' will be '0' there will be no correlation between two variables.

G) Regression analysis

Regressing analysis is one of the most powerful statistical tools, which being used in the estimate of strength of relationship between two variables. A line of regression gives the best estimate of one variables of or one variables for any given value of the other variable. So there are two lines of regression referring as the line of regression of y and x and the line of regression x and y respectively. If two lines of regression coincide with each other, the correlation is perfect and if they cut each other at right angle, the variables are uncorrelated.

H) Hypothesis Testing:-

Student 't' test is used as the major statistical tools out of the various techniques of hypothesis testing. Especially this tools is used in this research study to test the significance of the difference between related variables to determine the relative position between them .

CHAPTER- FOUR

PRESENTATION AND ANALYSIS OF DATA

4.1 Introduction:

In this chapter, the data collected from various secondary sources are presented, analyzed and interpreted by using the various financial and statistical tools. With the help of those tools researcher aims reaching at meaningful conclusion. This analysis is based on the financial statement of the NABIL, Nepal SBI Bank Ltd and Himalayan Bank Ltd. from the fiscal year 2062/063 to 2066/067. In order to find out the strength and weakness to those three banks in term of their financial performance various ratio, trend analysis, correlation analysis, regression analysis etc. are computed.

4.2 Ratio Analysis

Ratio analysis is powerful tool of financial analysis. A ratio is defined as the indicated quotient of two mathematical expressions and as the relationship between or more things. In financial analysis, a ratio is used as a bank mark for evaluating the financial position and performance of a firm. Ratio provides clues to the financial position of a concern. These are the pointers or indicators of financial strength soundness position or weakness of an enterprises one of draw conclusion about the exact financial position of a concern with the help of ratios.

In this research work, ratio analysis of three banks i.e. NABIL, Nepal SBI Bank Ltd and HBL has been grouped into five categories.

4.2.1 Liquidity Ratio

The purpose of these ratios is to test the solvency positions for the payment of short term liabilities. Solvency position or liquidity denotes ability for payment of short term liabilities. It measures the ability of a firm to meet its short term obligations and reflect the short term financial strength. The liquidity ratios are analyzed as follows:-

1. Cash and Bank Balance to Total Deposit Ratio:-

Cash and Bank balance to total deposit ratio measures the availability of bank highly liquid funds to meet its unanticipated calls on different types of deposited. This analysis indicates the ability of bank fund to correct their current saving call and other deposits. Cash and bank balance includes cash balance and balance with bank.

Cash and bank balance to total deposit ratio of NABIL, NSBIBL and HBL are presented by following table.

Table No. 4.1
Cash Bank Balance to Total Deposit (In Million)

Fiscal Year	NABIL			NSBIBL			HBL		
	Cash and Bank Balance	Total Deposit	Ratio (%)	Cash and Bank Balance	Total Deposit	Ratio (%)	Cash and Bank Balance	Total Deposit	Ratio (%)
2062/063	630.234	19347.399	3.26	1118.157	11002.040	10.16	1717.35	26490.85	6.48
2063/064	1399.824	23342.285	6.00	1122.689	11445.296	9.81	1757.34	30048.42	5.85
2064/065	2671.139	31915.047	8.37	1342.959	13715.394	9.79	1448.14	31842.79	4.55
2065/066	3372.511	37348.255	9.03	1176.438	27957.220	4.21	3048.53	34682.31	8.79
2066/067	1400.096	46340.700	3.02	3441.260	34896.424	9.86	3593.49	37611.2	9.55
Average									
(\bar{X})		5.94	Average (\bar{X})		8.77	Average (\bar{X})		7.04	
S.D(σ)		2.50	S.D(σ)		2.28	S.D(σ)		1.86	
C.V		42.09	C.V		26.05	C.V		26.42	

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The above Table 4.1 shows that the ratio of cash and bank balance to total deposit of three banks for fiscal year 2063/64, 2064/65, 2065/66, 2066/67. Ratio percentage of NABIL is 3.26,6.00,8.37,9.03,3.02 and NSBIBL is 6.45,5.85,4.55,8.79 and 9.55 for the five year respectively. Average proportion of NABIL, NSBIBL and HBL are 5.94,8.77 and 7.04 respectively. It shows the average ratio of NSBIBL is higher than NABIL and HBL. It indicates that NSBIBL is less successful to utilize the fund of total deposit than NABIL and HBL. C.V of NABIL, NSBIBL and HBL are 42.09, 26.05 and 26.42 respectively. NSBIBL has lowest C.V than NABIL and HBL. So, NSBIBL is more consistent than other two.

2. Cash and Bank Balance to Current Assets Ratio:-

Cash and Bank Balance are two major components of current assets. These are ready cash, which can be used any time and any where according to the need of firm. Cash and bank balance is the most liquid form of current assets. Bank must keep cash and bank balance in its value to meet requirement of its call on time depositors and other official expenses cash and Bank balance includes cash balance and bank balance. Table of Cash and Bank balance to Current Assets of NABIL, NSBIBL and HBL as below:-

Table No. 4.2**Cash and Bank Balance to Total Current Assets (In Million)**

Fiscal Year	NABIL			NSBIBL			HBL		
	Cash and Bank Balance	Total Current Assets	Ratio (%)	Cash and Bank Balance	Total Current Assets	Ratio (%)	Cash and Bank Balance	Total Current Assets	Ratio (%)
2062/063	630.23	21466.21	2.94	1118.16	12743.43	8.77	1717.35	27886.57	6.16
2063/064	1399.82	26454.45	5.29	1122.69	13596.44	8.26	1757.34	32301.11	5.44
2064/065	2671.14	35928.33	7.43	1342.96	16849.56	7.97	1448.14	34814.68	4.16
2065/066	3372.51	42341.72	7.96	1176.44	29594.37	3.98	3048.53	37745.86	8.08
2066/067	1400.09	50388.03	2.78	3441.26	37227.44	9.24	3593.49	40600.87	8.85
	Average(\bar{X})		5.28	Average(\bar{X})		7.64	Average(\bar{X})		6.54
	S.D(σ)		2.17	S.D(σ)		1.89	S.D(σ)		1.72
	C.V		41.14	C.V		24.67	C.V		26.25

Appendix I,II and III

The above table 4.2 shows that the ratio of cash and bank balance to current assets of three banks for fiscal year 2062/63 to 2066/67. Ratio percentage of NABIL is 2.94, 5.29, 7.43, 2.78, NSBIBL is 8.77, 8.26, 7.97, 9.24 and HBL is 6.16,5.44,4.16,8.08, 8.85. Average proportion of NABIL, NSBIBL and HSL are 5.28,7.64 and 6.54 respectively. It shows that NABIL and HBL. V.C of NABIL, NSBIBL and HBL is 41.10,24.67 and 26.25 respectively. So NSBIBL is more consistent that other two, because of lowest C.V

3. Investment on Government Securities to Current Assets Ratio:-

Investment on government securities to current assets ratio indicates that the proportion of investment on government securities of commercial bank out of total current assets.

This ratio is calculated and presented by following table:-

Table No. 4.3

Investment on Government Securities to Total Current Assets (In Million)

Fiscal Year	NABIL			NSBIBL			HBL	
	Invest. on govt. securities	Total Current Assets	Ratio (%)	Invest. on govt. securities	Total Current Assets	Ratio (%)	Invest. on govt. securities	T C A
2062/063	2301.46	21466.225	10.72	1528.98	12743.43	12.00	5144.31	2
2063/064	4808.35	26454.45	18.18	1628.59	13596.44	11.98	6454.87	3
2064/065	4646.88	35928.33	12.93	2258.59	16849.56	13.40	7471.67	3
2065/066	3706.1	42341.72	8.75	3306.57	29594.37	11.17	4212.3	3
2066/067	7941.56	50388.03	15.76	4313.32	37227.44	11.59	4465.37	4
	Average (\bar{X})		13.27	Average (\bar{X})		12.03	Average (\bar{X})	
	S.D()		3.38	S.D()		0.75	S.D()	
	C.V		25.51	C.V		6.25	C.V	

Source: Appendix I,II and III

The above table 4.3 presents investment on government securities to current assets of three banks for fiscal year 2062/63 to 2066/67. Ratio percentage of NABIL is 10.72, 18.18, 12.93, 8.75, 15.76 NSBIBL is 12.00, 11.16 and 11.00 respectively Average proportion of NABIL, NSBIBL and HBL are 13.27, 12.03 and 16.41 respectively. It means HBL is most liquidity than other. Because HBL has highest proportion. C.V of NABIL, NSBIBL and HBL are 25.51, 6.25 and 27.16 respectively. It shows the HBL is more consistent is government securities to current assets ratio than other.

4. Current Ratio:-

Current ratio indicates the availability of current assets against current liabilities. The ratio is applied to test the solvency as well as determining short term financial strength of the commercial bank.

The following table presents the Current ratio of three Banks.

Table No. 4.4
Total Current Assets Ratio (In Million)

Fiscal Year	NABIL			NSBIBL			HBL	
	Total Current Assets	Current Liability	Ratio (%)	Total Current Assets	Current Liability	Ratio (%)	Total Current Assets	Current Liability
2062/063	21466.225	20454.98	104.94	12743.43	12053.47	105.72	27886.57	27694
2063/064	26454.45	25196.34	104.99	13596.44	12737.91	106.74	32301.11	31372
2064/065	35928.33	34455.56	104.27	16849.56	15772.80	106.83	34814.68	33662
2065/066	42341.72	40437.16	104.71	29594.37	28453.83	104.01	37745.86	36210
2066/067	50388.03	47945.50	105.09	37227.44	35597.13	104.58	40600.87	39277
	Average (\bar{X})		104.80	Average (\bar{X})		105.58	Average (\bar{X})	
	S.D()		0.29	S.D()		1.13	S.D()	
	C.V		0.28	C.V		1.07	C.V	

Source: Appendix I,II and III

The above table 4.4 shows the current ratio of NABIL, NSBIBL and HBL for fiscal year 2062/63 to 2066/67. Ratio of NABIL is 104.94, 104.27, 104.71, 105.09, NSBIBL is 105.72, 105.72, 106.72, 106.83, 104.01, 104.58 and HBL is 100.69, 102.42, 104.24, 103.37 respectively. Average proportion of NABIL, NSBIBL and HBL are 104.80, 105.58 and 103.37 respectively. Higher ratio indicates better maintain of current assets. So NSBIBL has been able to maintain safety margin to protect the interest of creditors because it has higher ratio. There is more fluctuation in proportion of current ratio of HBL than other because HBL has more C.V than other two bank.

4.2.2 Activity Ratio:-

Activities ratios are employed to evaluate the efficiency with which the firm manages and utilizes its assets. Activity ratio measures the efficiency of management in utilizing assets, funds in profit generating and how available assets are utilized. This ratio is called turnover of efficient or assets utilization ratio. Activity ratio indicates the degree of efficiency in assets management hence; they are often referred to as efficiency ratios. Many ratios are computed under this heading, which are as follows:-

1. Loan and Advance to total Deposit ratio:-

This ratio examines to what extent commercial banks are able to utilize the depositors' fund to earn profit by providing loans and advances. The following table presents the ratio of NABIL, NSBIL and HBL

Table No. 4.5
Loan and Advance to Total Deposit (In Million)

Fiscal Year	NABIL			NSBIBL			HE	
	Loan and Advance	Total Deposit	Ratio (%)	Loan and Advance	Total Deposit	Ratio (%)	Loan and Advance	Total Deposit
2062/063	12922.54	19347.4	66.79	7626.74	11002.04	69.32	14642.60	264
2063/064	15545.78	23342.29	66.60	9460.45	11445.29	82.66	16997.99	300
2064/065	21365.05	31915.05	66.94	12113.7	13715.39	88.32	19497.52	318
2065/066	27589.93	37348.26	73.87	15131.75	27957.22	54.12	24793.16	346
2066/067	32268.87	46340.70	69.63	17480.55	34896.42	50.09	27980.63	376
	Average(\bar{X})		68.77	Average(\bar{X})		68.90	Average(\bar{X})	
	S.D()		2.78	S.D()		15.09	S.D()	
	C.V		4.05	C.V		21.90	C.V	

Source: Appendix I,II and III

Table 4.5 shows that the percentage of loan and advance to total deposit ratio of three bank for the fiscal year 2062/63 to 2066/67. Ratio of NABIL is 66.79, 66.60, 66.94, 73.87, 69.63 NSBIBL is 69.32, 82.66, 88.32, 54.12, 50.09 and HBL is 55.27, 56.57, 61.23, 71.49, 74.39 respectively. Average ratio of NABIL, NSBIBL and HBL are 68.77, 68.77, 68.90 and 63.79 respectively. Here, average proportion of NSBIBL is greater than NABIL and HBL. It indicates that NSBIBL is better utilization of total deposit for investing in loans and advance than other. C.V of NABIL, NSBIBL and HSL are 4.05, 21.90 and 102.20 respectively. It indicates that NABIL is more consistent in loans and advance to total deposit ratio than other because it has lowest C.V.

2. Loans and Advance to fixed deposit ratio:-

Loans and advance is that part of banks investment which generates income at a certain rate and fixed deposit is that part of bank's fund which bears cost of a certain rate, hence, this ratio indicates the relationship between the investments of bank earning interest at a fixed rate the liabilities of bank bearing interest at a certain rate. Loan and advance are primary source of income and the most profitable of all the assets of the bank. So utilization of fixed deposit in loans and advance show the greater performance.

Table No. 4.6

Loan and Advance to Fixed Deposit (In Million)

Fiscal Year	NABIL			NSBIBL			HBL	
	Loan and Advance	Fixed Deposit	Ratio (%)	Loan and Advance	Fixed Deposit	Ratio (%)	Loan and Advance	Fixed Deposit
2062/063	12922.54	3449.09	374.67	7626.74	4235.56	180.06	14642.60	6000.00
2063/064	15545.78	5435.19	286.02	9460.45	5896.65	160.44	16997.99	8000.00
2064/065	21365.05	8464.09	252.42	12113.7	8956.56	135.25	19497.52	6000.00
2065/066	27589.93	8310.71	331.98	15131.75	17333.48	87.30	24793.16	6000.00
2066/067	32268.87	13957.82	231.19	17480.55	22333.71	78.27	27980.63	10000.00
	Average (\bar{X})		295.25	Average (\bar{X})		128.26	Average (\bar{X})	
	S.D()		52.31	S.D()		39.86	S.D()	
	C.V		17.72	C.V		31.08	C.V	

The above Table 4.6 shows that the ratio of loans and advance to fixed deposit of NABIL, NSBIBL and HBL for the fiscal year 2062/63 to 2066/67. Ratio NABIL is 394.67, 286.02, 252.42, 331.98, 231.19 , NSBIBL is 180.06, 160.44, 135.25, 87.30, 78.27 and HBL is 230.58, 207.26, 303.52, 388.78 and 246.99 respectively . Average proportion of NABIL, NSBIBL and HBL are 295.25, 128.26 and 275.43 respectively NABIL has utilized proficiently its fixed deposit in investing loans and advance than other. C.V of NABIL, NSBIBL and HBL are 17.72, 31.08 and 23.59 respectively. It indicates lower C.V of NABIL is more consistent in utilizing the fixed deposit in loans and advance than then other two.

3. Loans and advance to saving deposit ratio:-

This ratio shows the relationship between loans and advance and saving deposit. It determine extend to which deposit are used in loans advance for generating revenue to the bank.

Table No. 4.7

Loan and Advance to Saving Deposit (In Million)

Fiscal Year	NABIL			NSBIBL			HBL	
	Loan and Advance	Saving Deposit	Ratio (%)	Loan and Advance	Saving Deposit	Ratio (%)	Loan and Advance	Saving Deposit
2062/063	12922.54	10650.74	121.33	7626.74	6125.56	124.51	14642.60	14642.60
2063/064	15545.78	12261.70	126.78	9460.45	4568.96	207.06	16997.99	16997.99
2064/065	21365.05	18012.85	118.61	12113.7	4569.65	265.09	19497.52	19497.52
2065/066	27589.93	21602.23	127.72	15131.75	5871.02	257.74	24793.16	24793.16
2066/067	32268.87	20074.79	160.74	17480.55	7328.25	238.54	27980.63	27980.63
	Average (\bar{X})		131.04	Average (\bar{X})		218.59	Average (\bar{X})	
	S.D()		15.23	S.D()		51.14	S.D()	
	C.V		11.62	C.V		23.40	C.V	

Source :- Appendix I,II & III

The above table 4.7 shows that the ratio of loans and advance to saving deposit of three banks for the fiscal year 2062/63 to 2066/67. Ratio is NABIL is 121.33, 126.78, 118.61, 127.72, 160.74, NSBIBL is 124.51, 207.06, 265.09, 257.74, 238.54 and HBL is 100.41, 107.69, 108.49, 123.59, 171.73 respectively. Average ratio of NABIL, NSBIBL and HSL are 131.04, 218.59 and 122.38 respectively. It indicates the NSBIBL has utilized proficiency its saving deposit in investing loans and advance than other. C.V. of NABIL, NSBIBL and HBL are 11.62, 23.40 and 21.08 respectively. So, NABIL is more consistent in utilizing its saving deposit in loan and advance than two.

4. Total investment to total deposit ratio:-

This ratio measure that how successfully the banks are mobilizing their deposit on investment. Here, the investment includes total investment.

Table No. 4.8
Total Investment to Total Deposit (In Million)

Fiscal Year	NABIL			NSBIBL			HBL
	Total Investment	Total Deposit	Ratio (%)	Total Investment	Total Deposit	Ratio (%)	Total Investment
2062/063	6178.53	19347.4	31.93	3758.98	11002.04	34.17	10889.03
2063/064	8945.31	23342.29	38.32	2659.45	11445.29	23.24	11822.98
2064/065	9939.77	31915.05	31.14	3088.89	13715.39	22.52	13340.18
2065/066	10826.38	37348.26	28.99	13286.18	27957.22	47.52	8710.69
2066/067	13600.92	46340.70	29.35	16305.63	34896.42	46.73	8444.91
	Average (\bar{X})		31.95	Average (\bar{X})		34.83	Average (\bar{X})
	S.D()		3.37	S.D()		10.85	S.D()
	C.V		10.55	C.V		31.16	C.V

The above table 4.8 shows that the total investment to total deposit ratio of NABIL, NSBIBL and HBL for fiscal year 2062/063 to 2066/67. Ratio of NABIL is 31.93 38.32 31.14 46.73, NSBIBL is 34.17 23.24 22.52 47.52 46.73 and HBL is 41.10 39.35 41.89 25.12 22.45 respectively. Average ratio of NABIL, NSBIBL and HSL are 31.95,34.83 and 33.98 respectively. NSBIBL is highest average ratio then other. It indicates the NSBIBL has utilized is total deposit for investment purpose more efficiently then other. C.V. of NABIL, NSBIBL and HBL are 10.55, 31.16 and 24.75 respectively. C.V of NABIL is less than other. So it shows ha NABIL is more consistent in Mobilizing total deposit on investment then other two banks.

4.2.3.Leverage Ratio:-

This ratio is calculated to judge the long term financial position of the firm. Long term creditors like debenture holders. financial strength. The long term creditors would judge the soundness of a firm on the basis of long term financial strength measured in terms of the its ability to pay the interest regularly as well as repaying the installment of the principal. It represents the long-term solvency of a firm. Leverage ratio helps to calculated the proportion of outsider and owner contribution of the firm.

1. Debt-Equity Ratio:-

The relationship between long term debt and owners equity is knows as debt equity ratio. It is a popular measure of the long term financial solvency of the bank. Total debt includes total Current liability and other different liabilities.

Table No. 4.9

Debt-Equity Ratio (In Million)

Fiscal Year	NABIL			NSBIBL			HBL	
	Total Debt	Net Worth	Ratio (%)	Total Debt	Net Worth	Ratio (%)	Total Debt	Net Worth
2062/063	173.20	1874.99	9.24	812.43	982.37	82.70	504.62	1766.18
2063/064	882.57	2057.05	42.90	1015.37	1163.29	87.28	595.97	2146.50
2064/065	1600.00	2437.20	65.65	1827.48	1414.64	129.18	943.18	2512.99
2065/066	1981.31	3130.24	63.30	200.00	1712.61	11.68	500.00	3119.88
2066/067	374.90	3834.23	9.78	200.00	2450.55	8.16	500.00	3439.21
	Average (\bar{X})		38.17	Average (\bar{X})		63.80	Average (\bar{X})	
	S.D()		24.71	S.D()		46.90	S.D()	
	C.V		64.72	C.V		73.50	C.V	

Source :- Appendix I,II & III

The above table 4.9 indicates that debt-equity ratio of NABIL, NSBIBL and HBL for fiscal year 2062/63 to 2066/67. The ratio of NABIL is 9.24, 42.90, 65.65, 63.30, 9.78, NSBIBL is 82.70, 87.28, 129.18, 11.68, 8.16 and HBL 28.57, 27.76, 37.53, 16.03 and 14.54 respectively. Average proportion of NABIL, NSBIBL and HBL are 38.17, 63.80 and 24.89 and 24.89 respectively. It shows that NSBIBL is creditors claim more than others. C.V of NABIL, NSBIBL and HBL are 64.72, 73.50 and 34.44 respectively. NSBIBL is more risky than other because it has more C.V. Than other banks.

2. Permanent Capital Structure:-

Permanent Capital Structure can be defined in the following two categories:-

a) Long term debt to permanent capital ratio:-

This ratio measures the relationship between long term debts to permanent capital. Permanent capital includes Net Worth and total differed liability and long term debt includes differed liabilities.

Table No. 4.10

Long Term Debt to Permanent Capital (In Million)

Fiscal Year	NABIL			NSBIBL			HBL	
	Long term Debt	Permanent Capital	Ratio (%)	Long term Debt	Permanent Capital	Ratio (%)	Long term Debt	Pe Ca
2062/063	173.20	491.65	35.23	812.43	640.24	126.89	504.62	77
2063/064	882.57	491.65	179.51	1015.37	647.79	156.74	595.97	81
2064/065	1600.00	689.22	232.15	1827.48	874.53	208.97	943.18	10
2065/066	1981.31	1448.62	136.77	200.00	1224.34	16.34	500.00	16
2066/067	374.90	2028.77	18.48	200.00	1861.32	10.75	500.00	20
	Average (\bar{X})		120.43	Average (\bar{X})		103.94	Average (\bar{X})	
	S.D()		82.33	S.D()		78.37	S.D()	
	C.V		68.37	C.V		75.40	C.V	

Source :- Appendix I,II & III

The above table 4.10 shows the long term debt to permanent capital ratio of three banks for fiscal year 2062/63 to 2066/67. The ratio of NABIL is 35.23, 179.51, 232.15, 136.77, 18.48 NSBIBL is 126.89, 156.74, 208.97, 16.34, 10.75 and HBL 65.35, 73.50, 93.06, 31.25 and 25.00 respectively. Average ratio of NABIL, NSBIBL and HBL are 120.43, 103.94 and 57.63 respectively. It shows that NABIL is greater than NSBIBL and HBL. So the share holder point of view, investment in Share of NABIL is considered to satisfaction than NSBIBL and HBL because of low cost of outside fund were used to required assets to generate return. C.V of NABIL, NSBIBL and HBL are 68.37, 75.40 and 44.76 respectively. It shows the HBL is more consistent or uniform than others.

b) Net Worth to Permanent Capital ratio:-

This ratio measures the proportion of firm net worth out of its total permanent capital. Permanent capital includes net worth and total differed liability.

Table No. 4.11
Net worth to Permanent Capital (In Million)

Fiscal Year	NABIL			NSBIBL			HBL	
	Net Worth	Permanent Capital	Ratio (%)	Net Worth	Permanent Capital	Ratio (%)	Net Worth	P C
2062/063	1874.99	491.65	381.37	982.37	640.24	153.44	1766.18	7
2063/064	2057.05	491.65	418.40	1163.29	647.79	179.58	2146.50	8
2064/065	2437.20	689.22	353.62	1414.64	874.53	161.76	2512.99	1
2065/066	3130.24	1448.62	216.08	1712.61	1224.34	139.88	3119.88	1
2066/067	3834.23	2028.77	188.99	2450.55	1861.32	131.66	3439.21	2
	Average (\bar{X})		311.69	Average (\bar{X})		153.26	Average (\bar{X})	
	S.D()		91.86	S.D()		16.80	S.D()	
	C.V		29.47	C.V		10.96	C.V	

Source :- Appendix I,II & III

The above table 4.11 presents net worth to permanent capital ratio of three banks is fiscal year 2062/63 to 2066/67. The ratio of NABIL is 381.37, 418.40, 353.62, 216.08, 188.99 NSBIBL is 153.44, 179.58, 161.76, 139.88, 131.62 and HBL 228.72 264.74 194.99 and 171.96 respectively. Average proportion of NABIL is 311.69, NSBIBL is 153.26 and HBL is 221 respectively. if rivets that average proportion of Net Worth to Permanent Capital fevers NABIN more than other. C.V. of NSBIBL is lowest than other. So punctuation in net worth to total permanent capital is more than other.

3. Total Debt Ratio:-

The ratio is calculated to know what proportion of total assets have been financed by outsider fund. Total debt includes total current liabilities and different liabilities.

Table No. 4.12
Total Debt Ratio (In Million)

Fiscal Year	NABIL			NSBIBL			HBL	
	Total Debt	Total Assets	Ratio (%)	Total Debt	Total Assets	Ratio (%)	Total Debt	Total Assets
2062/063	173.20	22329.97	0.78	812.43	13035.84	6.23	504.62	29460.3
2063/064	882.57	27253.39	3.24	1015.37	13901.20	7.30	595.97	33519.1
2064/065	1600.00	37132.76	4.31	1827.48	17187.45	10.63	943.18	36175.5
2065/066	1981.31	43867.40	4.52	200.00	30166.44	0.66	500.00	39330.1
2066/067	374.90	52079.73	0.72	200.00	38047.69	0.53	500.00	42717.1
	Average(\bar{X})		2.71	Average(\bar{X})		5.07	Average(\bar{X})	
	S.D()		1.66	S.D()		3.93	S.D()	
	C.V		61.27	C.V		77.56	C.V	

The above table 4.12 shows that total debt ratio of three banks for the fiscal year 2062/63 to 2066/67. The ratio percentage of NABIL is 0.78, 3.24, 4.31, 4.52, 0.72 NSBIBL is 6.23, 7.30, 10.63, 0.66, 0.53 and HBL 1.71, 1.78, 2.61, 1.27 and 1.17 respectively. Average proportion of NABIL, NSBIBL and HBL are 2.71, 5.07, and 1.71 respectively. High debt ratio is unfavorable as it shows that the claim of creditors is much higher than those of owners. So NSBIBL is unfavorable than NABIL and HBL. C.V of total debt ratio of NABIL, NSBIBL and HBL is 61.27 77.56 and 29.78 respectively. It shows that HBL is more consistent than other two banks.

4.2.4. Profitability Ratio:-

The profitability ratios are calculated to measure the operating efficiency of the bank. Bank is a business institution whose prime objective is to earn maximum profit. It is because for any business field profit is essential for its successful operation and further expression. It is the key factors that measure the earning how effectively the firm is being operated managed. Even then profit plays a fundamental role to make a firm stand strong to meet its social responsibilities. Moreover, it measures the earning the earning power and management overall effectiveness. Many ratios are determined under this heading which are as follows.

1. Return on share holder equity:-

This ratio is an importance measurement from the owner's point of view. It measures the return or owner fund. Share holder equity includes net worth.

The ratio is calculated and presented by following table.

Table No. 4.13
Return on Share Holder Equity (In Million)

Fiscal Year	NABIL			NSBIBL			HBL		
	NPAT	Share Holder Equity	Ratio (%)	NPAT	Share Holder Equity	Ratio (%)	NPAT	Share Holder Equity	R. (%)
2062/063	635.26	1874.99	33.88	117.00	982.37	11.91	457.46	1766.17	25
2063/064	673.96	2057.05	32.76	254.91	1163.29	21.91	491.82	2146.49	22
2064/065	746.47	2437.19	30.63	247.77	1414.64	17.51	635.87	2512.99	25
2065/066	1031.05	3130.24	32.94	316.37	1712.61	18.47	752.83	3119.88	24
2066/067	1138.57	3834.23	29.69	391.74	2450.55	15.99	508.79	3439.21	14
	Average (\bar{X})		31.98	Average (\bar{X})		17.16	Average (\bar{X})		22
	S.D()		1.56	S.D()		3.27	S.D()		4.
	C.V		4.88	C.V		19.04	C.V		17

Source :- Appendix I,II & III

The above table 4.13 shows the return on share holder equity of NABIL, NSBI and HBL for fiscal year 2062/63 to 2066/67. The ratio of NABIL is 33.88, 32.76, 30.63, 32.94, 29.69 NSBIBL is 11.91, 21.91, 17.51, 18.47, 15.99 and HBL is 25.90, 22.91, 24.13 and 14.79 respectively. Average ratio of NABIL, NSBIBL and HBL are 31.98, 17.165 and 22.61 respectively. It shows that NABIL has utilized its share holder equity more efficiency in profit generating purpose than NSBIBL and HBL. C.V. NABIL, NSBIBL and HBL are 4.88, 19.04 and 17.87 respectively. NABIL is more consistent to earn return on its shareholder equity than NSBIBL and HBL because it has lowest C.V.

2. Return on Total assets:-

The ratio establishes the relationship between net profit and total assets. It can be presented by following table:-

Table No. 4.14
Return on Total Assets (In Million)

Fiscal Year	NABIL			NSBIBL			HBL	
	NPAT	Total Assets	Ratio (%)	NPAT	Total Assets	Ratio (%)	NPAT	Total Assets
2062/063	635.26	22329.97	2.84	117.00	13035.84	0.90	457.46	29460.34
2063/064	673.96	27253.39	2.47	254.91	13901.20	1.83	491.82	33519.14
2064/065	746.47	37132.76	2.01	247.77	17187.45	1.44	635.87	36175.53
2065/066	1031.05	43867.40	2.35	316.37	30166.44	1.05	752.83	39330.13
2066/067	1138.57	52079.73	2.19	391.74	38047.69	1.03	508.79	42717.12
	Average (\bar{X})		2.37	Average (\bar{X})		1.25	Average (\bar{X})	
	S.D()		0.28	S.D()		0.34	S.D()	
	C.V		11.91	C.V		27.49	C.V	

Source :- Appendix I,II & III

The above table 4.14 shows the return on total assets of three banks for fiscal year 2062/63 to 2066/67. The ratio of NABIL is 2.84 2.47 2.01 2.35 2.19 NSBIBL is 0.90, 1.83, 1.44, 1.05, 1.03 and HBL is 1.55 1.47 1.76 1.91 and 1.19 respectively. Average ratio of NABIL, NSBIBL and HBL are 2.37 1.25 1.58 respectively. Average ratio of NABIL is higher than NSBIBL and HBL. So NABIL is utilized its assets more efficiency in propose than NSBIBL and HBL. C.V. of NABIL, NSBIBL and HBL are 11.91, 27.49 and 15.74 respectively. It shows that lower C.V. of NABIL is more consistent to earn profit its assets than NSBIBL and HBL

3. Return on Total Deposit Ratio:-

This ratio gives clear vision ascertains whether total deposit is being properly utilized or not return on total deposit is tabulated as follows:-

Table No. 4.15
Return on Total Deposit (In Million)

Fiscal Year	NABIL			NSBIBL			HBL	
	NPAT	Total Deposit	Ratio (%)	NPAT	Total Deposit	Ratio (%)	NPAT	Total Deposit
2062/063	635.26	19347.4	3.28	117.00	11002.04	1.06	457.46	26490.85
2063/064	673.96	23342.29	2.89	254.91	11445.29	2.23	491.82	30048.42
2064/065	746.47	31915.05	2.34	247.77	13715.39	1.81	635.87	31842.79
2065/066	1031.05	37348.26	2.76	316.37	27957.22	1.13	752.83	34682.31
2066/067	1138.57	46340.70	2.46	391.74	34896.42	1.12	508.79	37611.20
	Average (\bar{X})		2.75	Average (\bar{X})		1.47	Average (\bar{X})	
	S.D()		0.33	S.D()		0.47	S.D()	
	C.V		12.17	C.V		31.71	C.V	

Source :- Appendix I,II & III

The above table 4.15 shows the return on total deposit on NABIL, NSBIBL and HBL for fiscal year 2062/63 to 2066/67. The ratio of NABIL is 3.28, 2.89, 2.34, 2.76, 2.46, NSBIBL is 1.06, 2.23, 1.81, 1.13, 1.12 and HBL is 1.73, 1.64, 2.00, 2.17 and 1.35 respectively. Average ratio of NABIL, NSBIBL and HBL are 2.75, 1.47, and 1.78 respectively. Here NABIL more efficient to utilize its total deposit for profit earning purpose than others C.V. of NABIL, NSBIBL and HBL are 12.17, 371 and 16.03 respectively. It shows that NABIL is more uniform to earn its deposit than NSBIBL and HBL because of lowest C.V. of NABIL.

4. Return on Investment:-

This ratio is relationship between net profit after tax and total investment :-

Table No. 4.16
Return on Total Deposit (In Million)

Fiscal Year	NABIL			NSBIBL			HBL	
	NPAT	Total Investment	Ratio (%)	NPAT	Total Investment	Ratio (%)	NPAT	Total Investment
2062/063	635.26	6178.53	10.28	117.00	3758.98	3.11	457.46	10889.03
2063/064	673.96	8945.31	7.53	254.91	2659.45	9.59	491.82	11822.98
2064/065	746.47	9939.77	7.51	247.77	3088.89	8.02	635.87	13340.18
2065/066	1031.05	10826.38	9.52	316.37	13286.18	2.38	752.83	8710.69
2066/067	1138.57	13600.92	8.37	391.74	16305.63	2.40	508.79	8444.91
	Average (\bar{X})		8.64	Average (\bar{X})		5.10	Average (\bar{X})	
	S.D()		1.10	S.D()		3.07	S.D()	
	C.V		12.72	C.V		60.28	C.V	

Source :- Appendix I,II & III

The above table 4.16 shows the return on total investment of NABIL, NSBIBL and HBL for fiscal year 2062/63 to 2066/67. The ratio of NABIL is 10.28, 7.53, 7.51, 9.52, 8.37, NSBIBL is 3.11, 9.59, 8.02, 2.38, 2.40, and HBL is 4.20, 4.16, 4.77, 8.64, 6.02, respectively. Average ratio of NABIL, NSBIBL and HBL are 8.64, 5.10 and 5.56 respectively. NABIL has highest average return on total investment than NSBIBL and HBL. It means NABIL is more efficient to invest its fund for profit generating purpose. C.V. of NABIL, NSBIBL and HBL are 12.72, 60.28 and 30327 respectively. It means NABIL is more consistent or uniform than other banks because of low C.V.

5. Earning per share (EPS)

EPS measures the earning available to on equity holders on per share basis. The earning which is eventually available for equity share holders can be retained wholly or partially.

The following table represents the EPS of three banks.

Table No. 4.17
Earning Per Share (In Million)

Fiscal Year	NABIL			NSBIBL			HBL	
	NPAT	Total No. of Common Share	EPS (Rs.)	NPAT	Total No. of Common Share	EPS (Rs.)	NPAT	Total No. of Common Share
2062/063	635.26	15.00	42.35	117.00	4.92	23.78	457.46	10.00
2063/064	673.96	15.00	44.93	254.91	4.92	51.81	491.82	20.00
2064/065	746.47	16.00	46.65	247.77	4.92	50.36	635.87	20.00
2065/066	1031.05	16.00	64.44	316.37	4.92	64.30	752.83	20.00
2066/067	1138.57	16.00	71.16	391.74	4.92	79.62	508.79	30.00
	Average (\bar{X})		53.91	Average (\bar{X})		53.98	Average (\bar{X})	
	S.D()		11.62	S.D()		18.41	S.D()	
	C.V		21.56	C.V		34.10	C.V	

Source :- Appendix I,II & III

The above table 4.17 shows the earning per share of NABIL, NSBIBL and HBL for fiscal year 2062/63 to 2066/67. EPS of NABIL is Rs. 42.35, Rs 44.93, Rs. 46.65, Rs. 64.44, Rs 71.16, NSBIBL is Rs 23.78, Rs 51.81, Rs50.36, Rs 64.30, Rs 79.62 and HBL is Rs 45.75, Rs. 24.59, Rs. 3179, Rs 37.64 and Rs 16.96 respectively. According to above table EPS of all banks are increasing trend.

4.2.5 Other Ratio and Indicators:-

Other ratio and indicators which are useful to measure the financial performance of NABIL, NSBIBL and HBL are briefly described as below:-

1) Interest paid to interest earned ratio:-

This ratio shows the proportion of interest expenses paid out of interest income:-

Table No. 4.18
Interest Paid to Interest Earned (In Million)

Fiscal Year	NABIL			NSBIBL			HBL	
	Interest Paid	Interest Earned	Ratio (%)	Interest Paid	Interest Earned	Ratio (%)	Interest Paid	Interest Earned
2062/063	357.16	1309.99	27.26	334.77	708.72	47.24	648.84	1626.47
2063/064	555.71	1587.76	35.00	412.26	831.12	49.60	767.41	1775.58
2064/065	758.44	1978.69	38.33	454.92	970.51	46.87	823.74	1963.64
2065/066	1153.28	2798.47	41.21	824.70	1460.45	56.47	934.78	2342.19
2066/067	1960.11	4047.73	48.42	1443.69	2269.7	63.61	1553.53	3148.61
	Average (\bar{X})		38.05	Average (\bar{X})		52.76	Average (\bar{X})	
	S.D()		6.98	S.D()		6.43	S.D()	
	C.V		18.34	C.V		12.18	C.V	

Source :- Appendix I,II & III

The above table 4.18 present the interest paid to interest earned ratio of NABIL, NSBIBL and HBL for fiscal 2062/63 to 2066/67. The ratio of NABIL is 27.26, 35.00, 38.33, 41.21, 48.42, NSBIBL is 47.24, 49.60, 465.87, 56.47, 63.61 and HBL is 39.89, 43.22, 41.95, 39.91 and 42.86 respectively. Average proportion of NABIL, NSBIBL and HBL are 38.05, 52.76 and 42.86 respectively. It shows NABIL is lowest percentage than NSBIBL and HBL. It means NABIL pays less interest to its deposit than other. C.V. of NABIL, NSBIBL and HBL are 18.34, 12.18 and 8.11 respectively.

2) Interest Earned to Investment:-

This ratio measures the percentage of interest earned from its investment.

This ratio is presented by following table.

Table No. 4.19
Interest Earned to Investment (In Million)

Fiscal Year	NABIL			NSBIBL			H	
	Interest Earned	Total Investment	Ratio (%)	Interest Earned	Total Investment	Ratio (%)	Interest Earned	Total Investment
2062/063	1309.99	6178.53	21.20	708.72	3758.98	18.85	1626.47	108
2063/064	1587.76	8945.31	17.75	831.12	2659.45	31.25	1775.58	118
2064/065	1978.69	9939.77	19.91	970.51	3088.89	31.42	1963.64	133
2065/066	2798.47	10826.38	25.85	1460.45	13286.18	10.99	2342.19	871
2066/067	4047.73	13600.92	29.76	2269.7	16305.63	13.92	3148.61	844
	Average (\bar{X})		22.89	Average (\bar{X})		21.29	Average (\bar{X})	
	S.D()		4.34	S.D()		8.58	S.D()	
	C.V		18.95	C.V		40.31	C.V	

Source :- Appendix I,II & III

The above table 4.19 shows the total interest earned to investment ratio NABIL, NSBIBL and HBL for fiscal 2062/63 to 2066/67. It shows the NABIL is 21.20, 19.91, 25.85, 29.76, NSBIBL is 18.85, 31.25, 31.42, 10.99, 13.92 and HBL is 14.94, 15.02, 14.72, 26.89, and 37.278 respectively. Average portion of NABIL, NSBIBL and HBL are 22.89, 21.29 and 21.77 respectively. It shows NABIL is highest ratio than NSBIBL and HBL. So it indicates NABIL is more consistent to earn interest on its total investment. C.V. of NABIL, NSBIBL and HBL are 18.95, 40.31 and 41.54 respectively. It shows that NABIL is more consistent to earn interest on its investment.

4.3 Trend Percentage Analysis:-

Trend percentage analysis is also known as trend ratio is an analytical device, which examines whether the financial position of firm is improving or deteriorating over the year.

In this study, this tool is used to find out direction of change of major activities such as deposit, net worth, investment and net profit in comparison to first year base year of study growth trend of activities for four successive years can conclusion.

In this section different types of trend percentage analysis are presented which are as follows.

1. Trend Total Deposit
2. Trend of Net Worth
3. Trend of Total Investment
4. Trend of Net Profit

4.3.1 Trend of Total Deposit:-

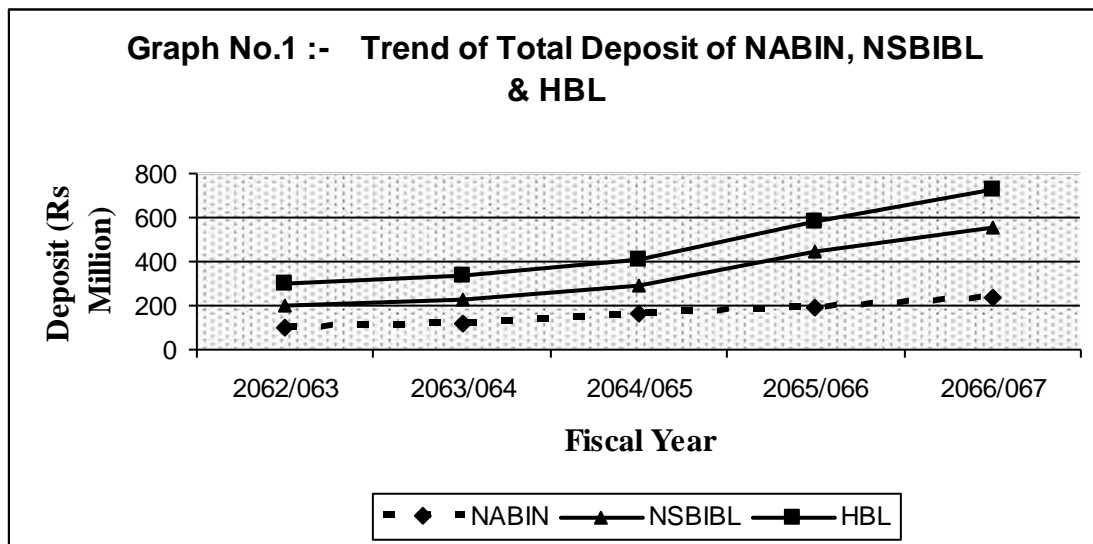
Total deposit trend of NABIL, NSBIBL and HBL have been presented as under:-

Table No. 4.20
Trend of Total Deposit (Rs.1000000)

Fiscal Year	NABIL		NSBIBL		HBL	
	Total Deposit	Trend line(%)	Total Deposit	Trend line(%)	Total Deposit	Trend line(%)
2062/63	19347.399	100.00	11002.40	100.00	26490.851	100.00
2063/64	23342.285	120.65	11445.286	104.03	30048.417	111.43
2064/65	31915.047	164.96	13715.394	124.66	31842.789	120.20
2065/66	37348.255	193.04	27957.220	254.11	34682.306	130.92
2066/67	46340.700	239.52	34896.424	317.18	37611.202	141.98

Source :- Appendix I,II & III

Graphically trend line of total deposit is presented as below:-



The above Graph no. 1 shows the trend percentage of total deposit of tree banks from 2062/63 to 2066/67. Total year of NABIL is 120.65, 164.96, 193.04, and 239.52 and NSBIBL is 104.03, 124.66, 254.11, and 317.18 and HBL is 111.43, 120.20, 130.92 and 141.98 respectively. According to the above graph NABIL, NSBIBL and HBL have increasing trend of total deposit. NSBIBL has gone up to highest 317.18.

4.3.2 Trend of Net Worth

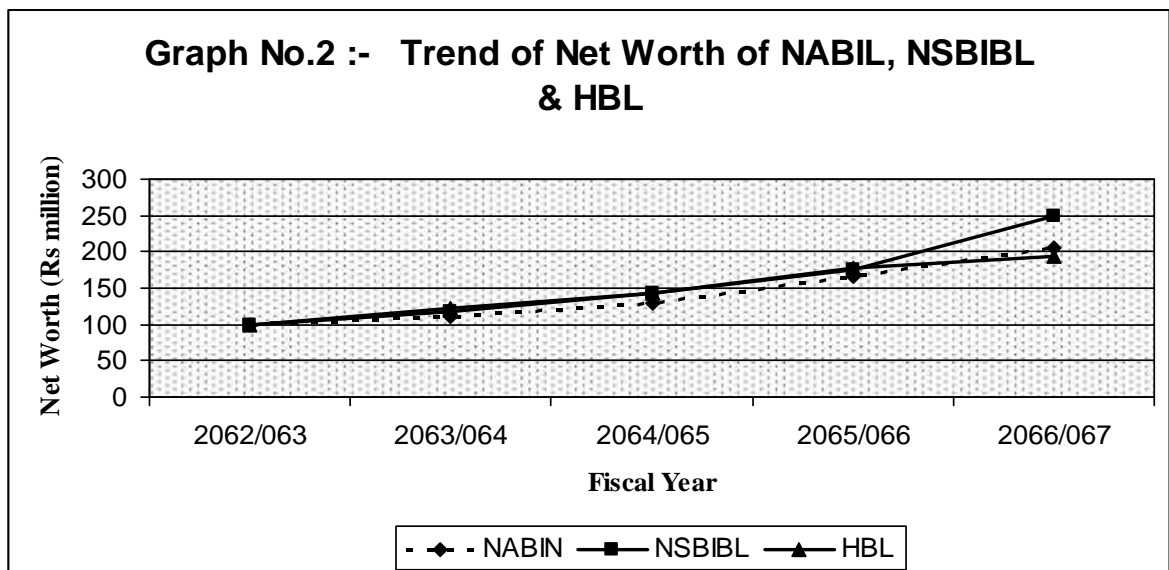
Trend of net worth of NABIL, NSBIBL and HBL is presented as below:-

Table No. 4.21
Trend of Net Worth (Rs.1000000)

Fiscal Year	NABIL		NSBIBL		HBL	
	Total Worth	Trend line (%)	Total Worth	Trend line (%)	Total Worth	Trend line (%)
2062/63	1874.994	100.00	982.373	100.00	1766.175	100.00
2063/64	2057.049	109.71	1163.290	118.42	2146.499	121.53
2064/65	2437.198	129.98	1414.643	144.00	2512.991	142.28
2065/66	3130.240	166.95	1712.606	174.33	3119.880	176.65
2066/67	3834.225	204.49	2405.553	249.45	3439.205	194.73

Source :- Appendix I,II & III

Graphically trend line of net worth of NABIL, NSBIBL and HBL is presented below:-



The above Graph 2 highlights the net worth trends of three banks from fiscal year 2062/63 to 2066/67. Net Worth is comparison to the base year i.e. 100% for 5 successive year of NABIL is 109.71, 129.28, 166.95, 204.49 NSBIBL is 118.42, 144.00, 174.33, 249.45 and HBL is 121.53, 142.28, 176.65, 194.73 respectively. It shows that net worth trend of all

banks are increasing trend. Comparing between all banks there are NSBIBL has higher increasing trend.

4.3.3 Trend of Total Investment

Trend of total investment of NABIL, NSBIBL and HBL

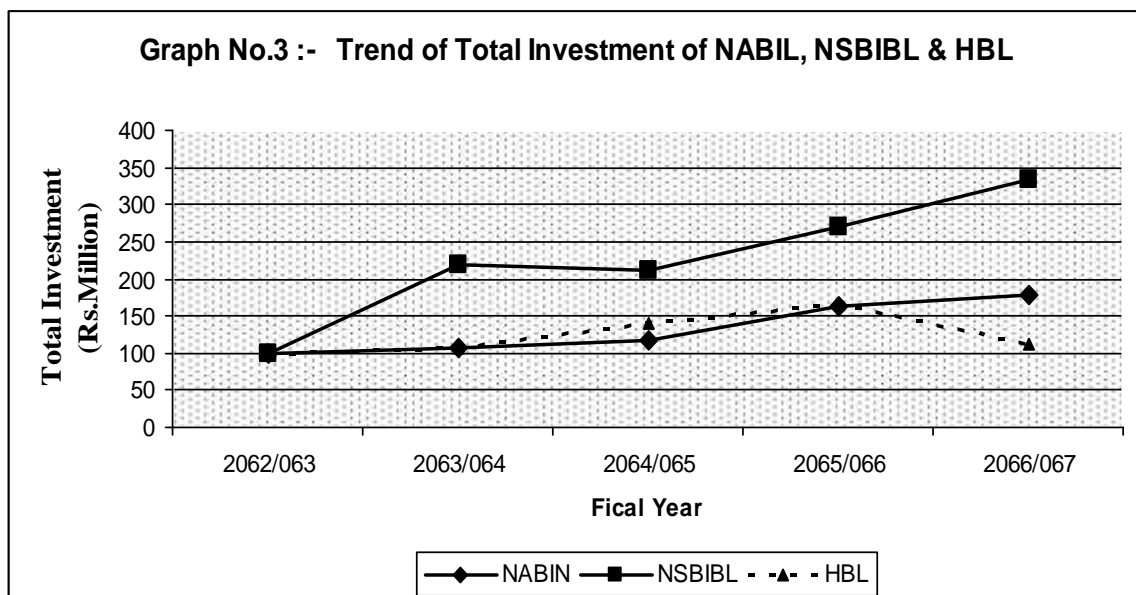
i) Presented as below:-

Table No. 4.22
Trend of Total Investment (Rs.1000000)

Fiscal Year	NABIL		NSBIBL		HBL	
	Total Investment	Trend line (%)	Total Investment	Trend line (%)	Total Investment	Trend line (%)
2062/63	6178.53	100.00	3758.975	100.00	10889.031	100.00
2063/64	8945.31	144.78	2659.452	70.75	11822.984	108.58
2064/65	9939.77	160.87	3088.886	82.17	13340.176	122.51
2065/66	10826.38	175.23	13286.181	353.45	8710.690	79.99
2066/67	13600.92	220.13	16305.632	433.78	8444.910	77.55

Source :- Appendix I,II & III

Graphically trend lines of total investment of NABIL, NSBIBL and HBL are presented as below:-



The above Graph 3 shows the total investment trend line of three elected banks for the fiscal year 2062/63 to 2066/67. Total investment in comparison on the base year i.e. 100% for the 5 successive years of NABIL is 144.78, 160.87, 175.23, 220.13. NSBIBL is 70.15, 82.17, 353.45, 433.78 and HBL is 108.58, 122.51, 79.99 and 77.55 respectively. Trend line of NABIL is increasing trend compare of NSBIBL and HBL. Higher trend line indicates improving investment more efficiently.

4.3.4 Trend of Net Profit

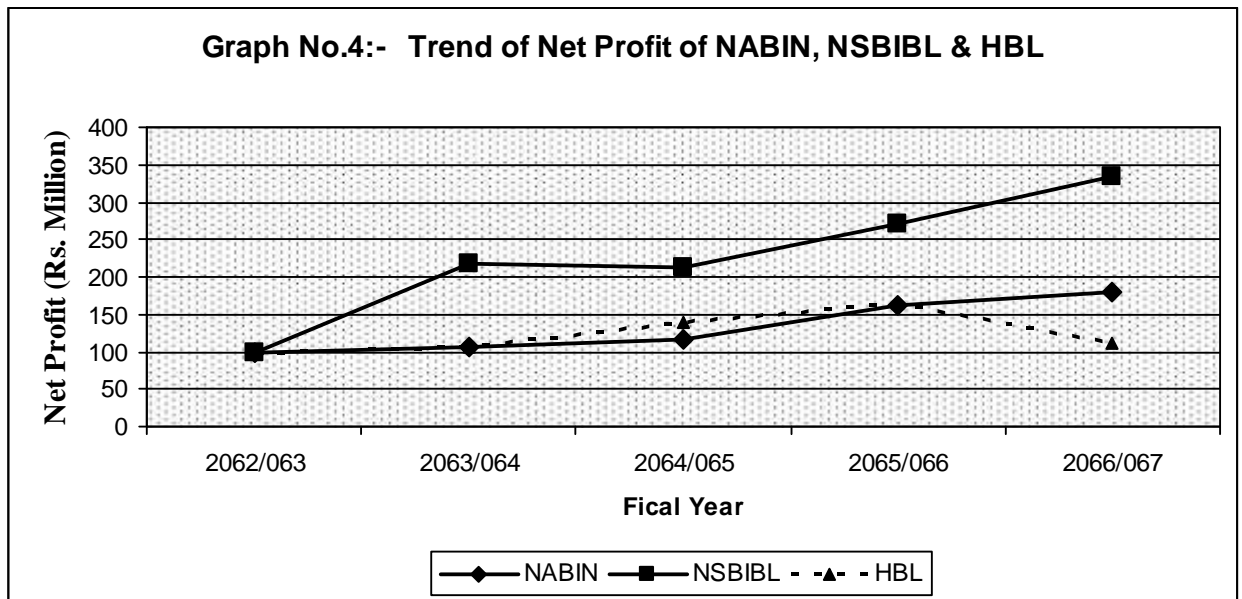
Trend of net profit of NABIL, NSBIBL and HBL is presented as below:-

Table No. 4.23
Trent of Net Profit (Rs.1000000)

Fiscal Year	NABIL		NSBIBL		HBL	
	Total Profit	Trend line(%)	Total Profit	Trend line(%)	Total Profit	Trend line(%)
2062/63	635.264	100.00	117.001	100.00	457.457	100.00
2063/64	673.961	106.09	254.908	217.87	491.822	107.51
2064/65	746.467	117.51	247.770	211.77	635.868	139.00
2065/66	1031.053	162.30	316.373	270.40	735.868	164.57
2066/67	1138.570	179.23	391.742	334.82	508.998	111.22

Source :- Appendix I,II & III

Graphically trend lines of net profit of NABIL, NSBIBL and HBL are presented as below:-



The above Graph No.4 highlights the trend of net profit of three selected banks from the fiscal year 2062/63 to 2066/67. The trend of net profit of all banks are increasing trend. But NSBIBL net profit trend is more increasing than other two bank. So it is clear that the growth of net profit of NSBIBL is better than other two.

4.4 Correlation Co-efficient analysis:-

Correlation analysis measure the relationship between two or more variables. It helps us analyzing the co-variation between two or more variables. It is denoted by 'r'. Co-efficient of correlation always lies in +1 to -1 . where 'r' will be +1 there will be -1, there will be perfect negative correlation between two variables. In this study to find the relationship between the following variables :-

1. Total Deposit and Total Investment.
2. Interest Earned and operating profit.

4.4.1 Correlation between Total Deposit and Total Investment.

- a) Calculation of correlation co-efficient between total deposit and total investment of NABIL.

Table No. 4.24

Fiscal	Total Deposit(x)	Total Investment(y)	$x=(x-\bar{x})$	$y=(y-\bar{y})$	x^2	y^2
2062/63	19347.3999	6178.53	-12311.34	-3179.65	151569092.60	1383579
2063/64	23342.285	8945.031	-8316.45	-952.87	69163340.60	90796.24
2064/65	31915.047	9939.77	256.31	41.59	65694.82	1729.73
2065/66	37348.255	10826.38	5689.52	928.20	32370637.83	861555.2
2066/67	46348.700	13600.92	14681.96	928.20	215559949.4	1371028
Total	158293.69	49490.91		3702.74	468728715.30	2931732

Source Appendix I

$$\text{Here } \Sigma X = 158293.69, \quad \Sigma Y = 49490.90$$

N=5 (No. of observation)

$$\text{Mean } (\bar{X}) \quad \frac{\Sigma x}{N} = \frac{158293.69}{5} = 31658.74$$

$$\text{Mean } (\bar{Y}) \quad \frac{\Sigma Y}{N} = \frac{49490.91}{5} = 9898.18$$

$$\text{Again, } \Sigma x^2 = 468728715.30, \quad \Sigma Y^2 = 29317325.84$$

$$\Sigma XY = 113373523$$

Now Correlation of Coefficient (r) =

$$\frac{\Sigma XY}{\sqrt{\Sigma x^2} \sqrt{\Sigma Y^2}}$$

$$\frac{113373523}{\sqrt{468728715.30} \sqrt{29317325.84}}$$

$$= 0.97$$

$$\text{Coefficient of determination } (r^2) = (0.97)^2$$

$$= 0.94$$

b) Calculation of correlation between total deposit and total investment of NSBIBL.

Table No. 4.25

Fiscal	Total Deposit (x)	Total Investment (y)	$x=(x-\bar{x})$	$y=(y-\bar{y})$	x^2	y^2
2062/63	11002.040	3758.975	-8801.23	-4060.85	77461649.51	16490502.72
2063/64	11445.286	2659.452	-8357.98	-5160.38	698558229.68	26629521.74
2064/65	13715.394	3088.886	-6087.88	-4730.94	37062282.89	22381793.28
2065/66	27957.220	13286.181	8153.95	5466.35	66486900.602	29880982.32
2066/67	34896.424	16305.632	15093.15	8485.80	227803176.9	72008801
Total	99016.37	39099.13			478669839.60	167391601.7

Source Appendix II

$$\text{Here } \Sigma X = 99016.37 \qquad \Sigma Y = 39099.13$$

N=5 (No. of observation)

$$\text{Mean } (\bar{X}) \quad \frac{\Sigma X}{N} = \frac{99016.37}{5} = 19803.27$$

$$\text{Mean } (\bar{Y}) \quad \frac{\Sigma Y}{N} = \frac{39099.13}{5} = 7819.83$$

$$\text{Again, } \Sigma x^2 = 478669839.60 \quad \Sigma Y^2 = 167391601.70 \quad \Sigma XY = 280322019.5$$

$$\text{Now Correlation of Coefficient } (r) = \frac{\Sigma XY}{\sqrt{\Sigma x^2} \sqrt{\Sigma Y^2}}$$

$$= \frac{280322019.5}{\sqrt{478669839.60} \sqrt{167391601.70}}$$

$$= 0.99$$

$$\text{Coefficient of determination } (r^2) = (0.99)^2$$

$$= 0.98$$

c) Calculation of correlation co-efficient between total deposit and total investment of HBL.

Table No. 4.26

Fiscal	Total Deposit(x)	Total Investment(y)	$x=(x-\bar{x})$	$y=(y-\bar{y})$	x^2	y^2
2062/63	26490.851	10889.031	-5644.26	247.47	31857693.52	61242.76
2063/64	30048.417	118122.984	-2086.70	1181.43	4354300.20	1395766.92
2064/65	31842.789	13340.176	-292.32	2698.62	85453.32	7282538.03
2065/66	4682.306	8710.690	2547.19	-1930.87	6488192.18	37282552.0
2066/67	37611.202	8444.910	5476.09	-2196.65	29987550.74	4825263.32
Total	160675.565	53207.791			72773189.96	17293063.0

Source Appendix III

Here $\sum X = 160675.57$ $\sum Y = 53207.79$

N=5 (No. of observation)

$$\text{Mean } (\bar{X}) = \frac{\sum x}{N} = \frac{160675.57}{5} = 32135.11$$

$$\text{Mean } (\bar{Y}) = \frac{\sum Y}{N} = \frac{53207.79}{5} = 10641.56$$

Again, $\sum x^2 = 72773189.96$ $\sum Y^2 = 17293063.06$

$$\sum XY = 21598283.57$$

Now Correlation of Coefficient (r) =

$$\frac{\sum XY}{\sqrt{\sum x^2} \sqrt{\sum Y^2}}$$

$$\frac{21598283.57}{\sqrt{72773189.96} \sqrt{17293063.06}}$$

$$\begin{aligned} \text{Coefficient of determination } (r^2) &= -0.61 \\ &= (-0.61)^2 \\ &= 0.37 \end{aligned}$$

From The above calculation, it show that correlation of coefficient between total deposit and total investment of NABIL, NSBIBL and HBL is 0.97, 0.99 and -0.61 respectively NABIL and NSBIBL has highly positive correlation between total deposit and total investment. But HBL has negative correlation.

If we calculated the coefficient of determination is 0.94 of NABIL. It indicates 94% change in dependent variable (Total investment) due to change in independent variable (Total deposit). Similarly coefficient of determination of NSBIBL and HBL is 0.98 and 0.37 respectively.

4.4.2 Correlation between interest earned and operating profit

a) Calculation of correlation between interest earned and operating profit of NABIL.

Table No. 4.27

Fiscal	Total Earned(x)	Total Profit(y)	$x=(x-\bar{x})$	$y=(y-\bar{y})$	x^2	y^2	xy
2062/63	1309.999	1359.514	-1034.54		1070273.01	291086.15	55815
2063/64	1587.258	1480.158	-756.77	-539.52	522700.83	175455.43	31699
2064/65	1978.677	1670.427	-365.85	-418.87	133846.22	52259.79	83634
2065/66	2798.486	2220.983	453.96	-228.60	206079.68	103649.23	14615
2066/67	4047.725	2764.088	1703.20	321.95	290089.24	748321.88	14733
Total	11722.65	9495.17		865.06	4883789.99	1370772.47	25782

Source: Appendix - I

Here $\sum X = 11722.65$ $\sum Y = 9495.17$

N=5 (No. of observation)

$$\text{Mean } (\bar{X}) = \frac{\sum x}{N} = \frac{11722.65}{5} = 2344.53$$

$$\text{Mean } (\bar{Y}) = \frac{\sum Y}{N} = \frac{9495.17}{5} = 1899.03$$

Again, $\sum x^2 = 4883789.99$ $\sum Y^2 = 1370772.47$ $\sum XY = 2578299.20$

Now Correlation of Coefficient (r) = $\frac{\sum XY}{\sqrt{\sum x^2} \sqrt{\sum Y^2}}$

$$= \frac{2578299.20}{\sqrt{4883789.99} \sqrt{1370772.47}}$$

$$= 0.99$$

Coefficient of determination (r^2) = $(0.99)^2$

$$= 0.98$$

b) Calculation of correlation between interest earned and operating profit of NSBIBL.

Table No. 4.28

Fiscal	Total Deposit(x)	Total Investment(y)	$x=(x-\bar{x})$	$y=(y-\bar{y})$	x^2	y^2	xy
2062/63	708.718	464.899	-539.38	-249.50	290930.78	62251.25	134
2063/64	31.116	533.511	-416.98	-180.88	173872.32	32718.30	75
2064/65	970.512	638.059	-277.59	-76.33	77056.21	5826.57	21
2065/66	1460.445	828.666	212.35	114.28	45092.52	13059.46	24
2066/67	229.704	1106.827	1021.60	392.14	1043666.56	154007.58	40
Total	6240.50	3571.96			1630618.40	267863.17	65

Appendix - II

$$\text{Here } \Sigma X = 6240.50 \quad \Sigma Y = 3571.96$$

N=5 (No. of observation)

$$\text{Mean } (\bar{X}) \quad \frac{\Sigma X}{N} = \frac{6240.50}{5} = 1248.10$$

$$\text{Mean } (\bar{Y}) \quad \frac{\Sigma Y}{N} = \frac{3571.96}{5} = 1899.03$$

$$\text{Again, } \Sigma X^2 = 1630618.40 \quad \Sigma Y^2 = 267863.17 \quad \Sigma XY = 656371.16$$

Now Correlation of Coefficient (r) =

$$\frac{\Sigma XY}{\sqrt{\Sigma X^2} \sqrt{\Sigma Y^2}}$$

$$\frac{656371.16}{\sqrt{1630618.40} \sqrt{267863.17}}$$

$$\begin{aligned} &= 0.99 \\ \text{Coefficient of determination } (r^2) &= (0.99)^2 \\ &= 0.98 \end{aligned}$$

c) Calculation of correlation between interest earned and operating profit of HBL

Table No. 4.29

Fiscal year	Total Earned(x)	Total Profit(y)	$x=(x-\bar{x})$	$y=(y-\bar{y})$	x^2	y^2	xy
2062/63	1626.433	684.092	-544.83	-92.76	296841.91	8605.23	50541.0
2063/64	1775.582	688.886	-395.72	-87.97	156525.90	7738.09	34810.24
2064/65	1963.647	902.526	-207.65	125.27	43119.35	15793.85	-26096.3
2065/66	23.42.198	1029.535	170.90	252.68	29206.13	63849.00	43183.12
2066/67	3148.605	579.231	977.31	-197.63	955130.93	39056.19	-193141.8
Total	10856.51	3884.28			1480894.22	135042.37	-90703.1

Appendix - III

Here $\sum X = 10856.51$ $\sum Y = 3884.28$

N=5 (No. of observation)

$$\text{Mean } (\bar{X}) = \frac{\sum X}{N} = \frac{10856.51}{5} = 2171.30$$

$$\text{Mean } (\bar{Y}) = \frac{\sum Y}{N} = \frac{3884.28}{5} = 776.86$$

Again, $\sum x^2 = 1480894.22$ $\sum Y^2 = 135042.37$ $\sum XY = -90703.16$

Now Correlation of Coefficient (r) =

$$\frac{\sum XY}{\sqrt{\sum x^2} \sqrt{\sum Y^2}}$$

$$\frac{-90703.16}{\sqrt{1480894.22} \sqrt{135042.37}}$$

$$= -0.20$$

Coefficient of determination (r^2) = $(-0.20)^2$

$$= 0.04$$

The above calculation shown the correlation. Coefficient between interest earned and operating profit of NABIL, NSBIBL and HBL is 0.99, 0.99 and -0.20 respectively. It shows that there is positive and high degree of correlation between interest earned and operating profit of NABIL and NSBIL. But HBL has negative correlation. Because interest earned of HBL is increasing trend and operating profit is decreasing trend.

Co-efficient of determination of NABIL, NSBIBL and HBL is 0.98, 0.98 and 0.04 respectively. It indicates 98%, 98% and 4% change in dependent variable (operating profit) is due to change in independent variable (Interest earned) respectively.

4.5 Regression Analysis

Regression analysis used to describe the average relationship between two variables known as simple linear regression analysis. In this study, an attempt is made to find the degree of relationship following variables:-

1. Total Deposit and Total investment
2. Interest earned and operating profit

4.5.1 Regression equation between total deposit and total investment.

a) Calculation of regression equation between total deposit and total investment of NABIL.

Table No. 4.30

Fiscal year	Total Deposit(x)	Total Investment(y)	x^2	y^2
2062/63	19347.399	6178.53	374321499.80	119538429.50
2063/64	23342.285	8945.31	544862502.40	208804020.20
2064/65	31915.047	9939.77	1018570417.00	317228256.50
2065/66	37348.255	10826.38	1394892525.00	404346455.10
2066/67	46340.700	13600.92	2147460476.00	630276153.40
Total	158293.70	49490.91	54801074200.00	1680193315

Source:-Appendix I

Here, N= 5 (No. of observations)

$$\sum X = 158293.70 \quad \sum Y = 49490.91$$

$$\sum X^2 = 54801074200.00 \quad \sum Y^2 = 1680193315$$

We know the simple regression equation Y on X is, $Y = a + bx$(i)

To determine the value of regression parameters a & b by solving the following equations,

Normal equation

$$\sum Y = na + b\sum X \dots\dots\dots (ii)$$

$$\sum XY = a\sum X + b\sum x^2 \dots\dots\dots(iii)$$

Putting the value of n, $\sum X$, $\sum Y$, $\sum XY$, $\sum X^2$ in equation (ii) and (iii)

$$49490.91=5a+b.158293.70 \dots\dots\dots (iv)$$

$$1680193315=a.158293.70+b.54801074120 \dots\dots\dots(v)$$

Solving equation (iv) and (v)

$$a= 2240.74, \quad b= 0.24$$

$$\therefore Y = 2240.74 + 0.24X$$

b) Calculation of regression equation between total deposit and total investment of NSBIBL

Table No. 4.31

Fiscal year	Total Deposit(x)	Total Investment(y)	x^2	xy
2062/63	11002.040	3958.925	121044884.20	41356448.32
2063/64	11445.286	2659.452	130994663.20	30438176.49
2064/65	13715.394	3088.886	188111922.90	42365331.02
2065/66	27957.220	13286.181	781606150.10	371444657.20
2066/67	34896.424	16305.632	12177601.29	569008112.80
Total	99016.36	39099.13	2439517249.69	1054612726.00

Source:-Appendix II

Here, N= 5 (No. of observations)

$$\sum X=99016.36 \quad \sum Y=39099.13$$

$$\sum X^2 = 2439517249.69 \quad \sum Y^2 = 1054612726.00$$

We know the simple regression equation Y on X is, $Y = a+bx \dots\dots\dots(i)$

To determine the value of regression parameters a & b by solving the following equations,

Normal equation

$$\sum Y = na + b\sum X \dots\dots\dots (ii)$$

$$\sum XY = a\sum X + b\sum x^2 \dots\dots\dots(iii)$$

Putting the value of n, $\sum X, \sum Y, \sum XY, \sum X^2$ in equation (ii) and (iii)

$$39099.13=5a+b.99016.36 \dots\dots\dots (iv)$$

$$1054612726=a.99016.36+b.2439517749 \dots\dots\dots(v)$$

Solving equation (iv) and (v)

$$a= -377.51, b= 0.585$$

$$\therefore Y = -377.51 + b \times 0.585$$

c) Calculation of refression equation between total deposit and total investment of HBL

Table No.4.32

Fiscal year	Total Deposit(x)	Total Investment(y)	x^2	xy
2062/63	26490.851	10889.031	701765186.7	288459697.8
2063/64	30048.417	11822.984	902907364.2	355261953.4
2064/65	31842.789	13340.176	1013963211	424788409.6
2065/66	34682.306	8710.690	1202862349	302106816.1
2066/67	37611.202	8444.910	1414602516	317623215.9
Total	160675.60	53207.79	5236100628	1688240093

Source:-Appendix III

Here, N= 5 (No. of observations)

$$\sum X=160675.60$$

$$\sum Y=53207.79$$

$$\sum X^2 = 5236100628$$

$$\sum Y^2 = 1688240093$$

We know the simple regression equation Y on X is, $Y = a+bx \dots\dots\dots(i)$

To determine the value of regression parameters a & b by solving the following equations,

Normal equation

$$\sum Y = na + b\sum X \dots\dots\dots (ii)$$

$$\sum XY = a\sum X + b\sum x^2 \dots\dots\dots (iii)$$

Putting the value of n, $\sum X, \sum Y, \sum XY, \sum X^2$ in equation (ii) and (iii)

$$53207.79 = 5a + b.160675.60 \dots\dots\dots (iv)$$

$$1688240093 = a.160675.60 + b.5236100628 \dots\dots\dots (v)$$

Solving equation (iv) and (v)

$$a = 20179.35, \quad b = -0.30$$

$$\therefore Y = 20179.35 + b \times (-0.30)$$

The above calculation shows that a= 2240.74 b= 0.24x in NABIL, a= -377.51, b= 0.585x of NSBIBL and a= 20179.35, b= -0.30 f HBL. which indicates, if total deposit increases by 2240.74 million that total investment increase by 0.24x of NABIL. Same as if total deposit decrease by -3777.51 million than total investment increase by 0.585x of NSBIBL and total deposit increase by 20179.35 million than total investment increase by 0.24x of HBL.

4.5.2 Regression equation between Interest earned and operating profit:-

- a) Calculation of regression equation between interest earned and operating profit of NABIL

Table No.4.33

Fiscal year	Interest Earn (x)	Operating Profit (y)	x^2	xy
2062/63	1309.999	1359.514	1716097.38	1780961.98
2063/64	1587.758	1480.158	2520975.467	2350132.706
2064/65	1978.697	1670.427	3915241.818	3305268.894
2065/66	2798.486	2220.983	7831523.892	6215389.832
2066/67	4047.725	2764.088	16384077.68	11188268.1
Total	11722.665	9495.17	32367916.23	24840021.51

Source:-Appendix I

Here, N= 5 (No. of observations)

$$\sum X = 11722.665 \quad \sum Y = 9495.17$$

$$\sum X^2 = 32367916.23 \quad \sum Y^2 = 24840021.51$$

We know the simple regression equation Y on X is, $Y = a + bx$(i)

To determine the value of regression parameters a & b by solving the following equations,

Solving the following normal equation

$$\sum Y = na + b\sum X \dots\dots\dots (ii)$$

$$\sum XY = a\sum X + b\sum x^2 \dots\dots\dots (iii)$$

Putting the value of n, $\sum X, \sum Y, \sum XY, \sum X^2$ in equation (ii) and (iii)

$$94.95.17 = 5a + b.11722.65 \dots\dots\dots (iv)$$

$$24840010.11 = a.11722.65 + b.32367894.59 \dots\dots\dots (v)$$

Solving equation (iv) and (v)

$$a = 661.29, \quad b = 0.53$$

$$\therefore Y = 661.29 + b \times 0.53$$

b) Calculation of Regression equation between interest earned and operating profit of NSBIBL

Table No.4.34

Fiscal year	Interest Earned (x)	Operating Profit (y)	x^2	xy
2062/63	708.218	464.899	501572.7355	329249.84
2063/64	831.116	533.511	690753.8055	443409.5283
2064/65	970.512	63.059	941893.5421	61199.51621
2065/66	1460.445	828.666	2132899.598	1210221.116
2066/67	2269.704	1106.827	5151556.248	2512169.669
Total	6239.995	2996.962	38937537.6	18701027.9

Source:-Appendix II

Here, N= 5 (No. of observations)

$$\sum X=6239.995 \quad \sum Y=2996.962$$

$$\sum X^2 = 38937537.6 \quad \sum Y^2 = 18701027.9$$

We know the simple regression equation Y on X is, $Y = a + bx$(i)

To determine the value of regression parameters a & b by solving the following equations,

Solving the following normal equation

$$\sum Y = na + b\sum X \dots\dots\dots (ii)$$

$$\sum XY = a\sum X + b\sum x^2 \dots\dots\dots (iii)$$

Putting the value of n, $\sum X, \sum Y, \sum XY, \sum X^2$ in equation (ii) and (iii)

$$3571.96 = 5a + b.6240.50 \dots\dots\dots (iv)$$

$$5114534.44 = a.6240.50 + b.9419386.45 \dots\dots\dots (v)$$

Solving equation (iv) and (v)

$$a = 211.99, \quad b = 0.40$$

$$\therefore Y = 211.99 + b \times 0.40$$

c) Calculation of Regression equation between interest earned and operating profit of HBL

Table No.4.35

Fiscal year	Interest Earned (x)	Operating Profit (y)	x^2	xy
2062/63	1626.423	684.092	2645251.775	1112622.963
2063/64	1775.582	688.886	3152691.439	1223173.582
2064/65	1963.647	902.529	3855909.541	1772248.363
2065/66	2342.198	1029.535	5485891.471	2411374.818
2066/67	3148.605	579.231	9913713.446	1823769.623
Total	10856.455	3884.273	25053457.67	8343189.349

Source:-Appendix III

Here, N= 5 (No. of observations)

$$\sum X = 10856.455 \quad \sum Y = 3884.273$$

$$\sum X^2 = 25053457.67 \quad \sum Y^2 = 8343189.349$$

We know the simple regression equation Y on X is, $Y = a + bx$(i)

To determine the value of regression parameters a & b by solving the following equations,

Solving the following normal equation

$$\sum Y = na + b\sum X \dots\dots\dots (ii)$$

$$\sum XY = a\sum X + b\sum x^2 \dots\dots\dots (iii)$$

Putting the value of n, $\sum X, \sum Y, \sum XY, \sum X^2$ in equation (ii) and (iii)

$$3884.28 = 5a + b.10856.51 \dots\dots\dots (iv)$$

$$8343245.41 = a.10856 + b.25053656.09 \dots\dots\dots (v)$$

Solving equation (iv) and (v)

$$a = 909.84, \quad b = -0.061$$

$$\therefore Y = 909.84 + b \times (-0.061)$$

The above calculation shows that a= 661.29, b= 0.53 of NABIL, a= 211.99, b= 0.40 of NSBIBL and HBL's a= 909.84, b= -0.061. Which indicates, if interest earned increases by 661.29 million than total operating profit increase by 0.53x of NABIL. Same as if interest earned increase by 211.99 million than total operating profit increase by 0.40x of NSBIBL and if interest earned increases by 909.84 million than operating profit decrease by 0.061x of HBL.

CHAPTER-FIVE

Summary, Conclusion And Recommendation

5.1 Summary:

Capital formation is based upon the saving of the country. Banks promote saving, mainly by commercial banks. Like this, there is great contribution of commercial banks to form the capital as well as its mobilization. By collecting saving from the different people and organizations, it creates funds, which is reinvested to various productive prospects, providing capital to invest. After the restoration of democracy in Nepal, government took liberalization economic policy. As a result various joint venture banks are also established. At present all they are performing competitively. This study relating commercial banks is done on topic "A Comparative Analysis of Financial Performance of NABIL, SBI and Himalayan."

This study is divided into five chapters. They are introduction, review of literature, research methodology, presentation and analysis of data and summary, conclusion and recommendation.

The first chapter includes background of study, focus of study, statement of the problem, objectives of the study, significance of the study, limitation of the study.

The second chapter deals meaning and growth of bank, history and concept of joint venture commercial banks, objectives of joint venture banks, financial performance, financial statement analysis, review of financial ratio analysis, limitation of the financial ratio are theoretically reviewed. In this chapter review of related articles and review of research work has also been described.

Similarly, the third chapter covers research methodology in which research design, population and sample, nature and source of data, data collection procedure and tools of data analysis have been included.

The fourth chapter is main part of the study. In this chapter required data for study are presented, analyzed and interpreted by using appropriate financial and statistical tools.

In the fifth chapter summary, conclusion and recommendation have been mentioned for the improvement of the future performance of NABIL, SBI and Himalayan.

5.2 Conclusion

There are many types of ration can be calculated from the accounting data contained in the financial statement, which are as follows:-

a. Liquidity Ratio

Finding of the liquidity ratio such as current ratio, cash and bank balance to total deposit ratio, investment on government securities to current assets ratio are calculated.

Table of Liquidity Ratio

Ratios	NABIL	NSBI	HBL	Conclusion	
				Higher	Lower
Cash & Bank Balance to Total deposit	5.94	8.77	7.04	NSBI (8.990)	NABIL (5.94)
Cash & Bank Balance to Current Assets	5.28	7.64	6.54	NABIL (7.64)	NABIL (5.28)
Investment on Gov. Securities to Current Assets	13.27	12.03	16.41	HBL (16.41)	NSBI (12.03)
Current Assets Ratio	104.80	105.58	102.94	NABIL (105.58)	HBL (102.94)

b. Activity Ratio

To understand whether the funds employed to NABIL, SBI and HBL has been used efficiently in the business activities or not. The researcher has tried to analyze the activity ratio of the these three banks has better utilize its available funds during the study period. For this regard some

selected ratio such as loan to fixed deposit and total investment to total deposit ratio have been assessed.

Table of Activity Ratio

Ratios	NABIL	NSBI	HBL	Conclusion	
				Higher	Lower
Loan and Advance to Total Deposit	68.77	68.90	63.79	NSBI (68.90)	HBL (63.79)
Loan and Advance to Fixed Deposit	295.25	128.26	275.43	NABIL (295.25)	NSBI (128.26)
Loan and Advance to Saving Deposit	131.04	218.59	121.38	NSBI (218.59)	HBL (121.38)
Total Investment to Total Deposit	31.5	34.63	33.98	NSBI (34.83)	NABIL (31.95)

c. Leverage Ratio

To understand whether the firm is able or not to pay its long-term solvency, the researcher has tried to analyze the leverage ratio of these three banks as well as compare which of these three banks has better long-term solvency position, during the study period, for this regard some selected ratios such as debt equity permanent capital structure and total debt ratio have been assessed.

Table of Leverage Ratio

Ratios	NABIL	NSBI	HBL	Conclusion	
				Higher	Lower
Debt- equity ratio	38.17	63.80	24.89	NSBI (63.80)	HBL (24.89)
Long-term debt to permanent Capital	120.43	103.94	57.63	NABIL (120.43)	NSBI (57.63)
Net worth to permanent capital	311.69	153.26	211.67	NSBI (311.69)	HBL (153.26)
Total debt Ratio	2.71	5.07	1.71	NSBI (5.07)	NABIL (1.71)

d. Profitability Ratio

In this study, the researcher has been attempted to understand the profitability position of NABIL, SBI and HBL. Compare their financial performance through the use of some profitability ratio such as return on share holder equity ratio, return on total assessed ratio, return on total deposit ratio etc. are calculated.

Table of Profitability Ratio

Ratios	NABIL	NSBI	HBL	Conclusion	
				Higher	Lower
Return on Share holder equity	31.98	17.16	22.61	NSBI (31.98)	HBL (17.16)
Return on total assets	2.37	1.25	1.58	NABIL (2.37)	NSBI (1.25)
Return on total deposits	2.75	1.47	1.78	NSBI (2.75)	HBL (1.47)
Return on Investment	8.64	5.10	5.56	NSBI (8.64)	NABIL (5.10)
Earning per share	53.91	53.98	31.35	NSBI (53.98)	HBL (31.35)

e. Other ratio and indicators

After from the liquidity, activity, leverage and profitability ratios these are still some ratio which can be assess in measuring the financial performance of NABIL, SBI and HBL have not been included under the above mentioned ratios. So that, such as interest paid to interest earned ratio, interest earned to total investment are calculated.

Table of Other Ratio and Indicator

Ratios	NABIL	NSBI	HBL	Conclusion	
				Higher	Lower
Interest Paid to Interest earned	38.05	52.76	42.86	NSBI (52.76)	HBL (38.05)
Interest Earned to Investment	22.89	21.29	21.77	NABIL (22.89)	NSBI (21.29)

5.3 Recommendations

- a. Average current ratio of all three banks i.e. NABIL, SBI and HBL is approximately. So all three banks need to improve their solvency position either by increasing their current assets or by decreasing their current liabilities.
- b. SBI is maintaining endless cash and bank balance, while is the symbol of idle fund. Hence, it is suggested to mobilize its idle fund in short term loan.
- c. SBI is utilizing its assets property in providing loan and advance in various sectors. This shows the better performing of SBI in provided loan and advance but SBI should be careful in revering of loan and advance.
- d. HBL performance in mobilizing its total deposit in the form of investment is weak among the three banks, So it should identify the new investing sectors.
- e. The higher the debt to equity ratio is regarded as weaker financial position of any firm. Generally, debt to equity ratio. So, is regarded as sound position for banking sector. So, SBI needs to decreases its debt equity ratio. This bank should insist more in raising additional equity fund.
- f. Trend of total deposit of HBL shows that there is lower rate of growth. So, HBL is recommended to increase. Collection of deposit at higher rate.
- g. Due to the establishment of other commercial banks, finance companies, cooperatives banks and insurance companies launching of new advance service such as tale banking, ATM, debit credit card etc. by them. So, it is recommended to all three banks that are for providing such services in all their branches in an out from the valley.

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Table No. 4.1
Cash Bank Balance to Total Deposit (In Million)

Fiscal Year	NABIL			NSBIBL			HBL	
	Cash and Bank Balance	Total Deposit	Ratio (%)	Cash and Bank Balance	Total Deposit	Ratio (%)	Cash and Bank Balance	Total Deposit
2062/063	630.234	19347.399	3.26	1118.157	11002.040	10.16	1717.35	26490.8
2063/064	1399.824	23342.285	6.00	1122.689	11445.296	9.81	1757.34	30048.4
2064/065	2671.139	31915.047	8.37	1342.959	13715.394	9.79	1448.14	31842.7
2065/066	3372.511	37348.255	9.03	1176.438	27957.220	4.21	3048.53	34682.3
2066/067	1400.096	46340.700	3.02	3441.260	34896.424	9.86	3593.49	37611.
Average		5.94	Average(\bar{x})		8.77	Average(\bar{x})		7.0
(\bar{x})		2.50	S.D(σ)		2.28	S.D(σ)		1.8
S.D(σ)		42.09	C.V		26.05	C.V		26.4
C.V								

Table No. 4.2
Cash and Bank Balance to Total Current Assets (In Million)

Fiscal Year	NABIL			NSBIBL			HBL		
	Cash and Bank Balance	Total Current Assets	Ratio (%)	Cash and Bank Balance	Total Current Assets	Ratio (%)	Cash and Bank Balance	Total Current Assets	Ratio (%)
2062/063	630.23	21466.21	2.94	1118.16	12743.43	8.77	1717.35	27886.57	6.16
2063/064	1399.82	26454.45	5.29	1122.69	13596.44	8.26	1757.34	32301.11	5.44
2064/065	2671.14	35928.33	7.43	1342.96	16849.56	7.97	1448.14	34814.68	4.16
2065/066	3372.51	42341.72	7.96	1176.44	29594.37	3.98	3048.53	37745.86	8.08
2066/067	1400.09	50388.03	2.78	3441.26	37227.44	9.24	3593.49	40600.87	8.85
	Average (\bar{X})		5.28	Average (\bar{X})		7.64	Average (\bar{X})		6.54
	S.D(σ)		2.17	S.D(σ)		1.89	S.D(σ)		1.72
	C.V		41.14	C.V		24.67	C.V		26.25

Appendix I,II and III

Table No. 4.3

Investment on Government Securities to Total Current Assets (In Million)

Fiscal Year	NABIL			NSBIBL			HBL	
	Invest. on govt. securities	Total Current Assets	Ratio (%)	Invest. on govt. securities	Total Current Assets	Ratio (%)	Invest. on govt. securities	T C A
2062/063	2301.46	21466.225	10.72	1528.98	12743.43	12.00	5144.31	2
2063/064	4808.35	26454.45	18.18	1628.59	13596.44	11.98	6454.87	3
2064/065	4646.88	35928.33	12.93	2258.59	16849.56	13.40	7471.67	3
2065/066	3706.1	42341.72	8.75	3306.57	29594.37	11.17	4212.3	3
2066/067	7941.56	50388.03	15.76	4313.32	37227.44	11.59	4465.37	4
	Average (\bar{X})		13.27	Average (\bar{X})		12.03	Average (\bar{X})	
	S.D()		3.38	S.D()		0.75	S.D()	
	C.V		25.51	C.V		6.25	C.V	

Source: Appendix I,II and III