

CHAPTER-ONE

INTRODUCTION

1.1. General concept of the study

A Bank is an economic institution which accepts deposits from the general public and in return advances loans by creating credit. Bank is the most important financial institution, essential for the Business in thousands of local towns and cities. It is also different from other financial institutions in that they cannot create credit though they may be accepting deposits and making advances.

Banks are these financial institutions that offer the widest range of financial services especially credit creation, saving, and payment services and performs the widest range of financial functions of the economy. Bank also performs an intermediating role between individuals and institutions in order to raise funds and leaning funds to deficit spending individuals and institutions.

“A bank is an organization whose principal operations are concerned with the accumulation of the temporarily idle money of the general public for the purpose of advancing to others for expenditures” (*Upadhya G.B. and Tiwari N.R., 1982, Principles of Money & Banking in Nepal, P-167*)

Bank plays an important role to the economic development of national economy. Bank is that cooperated or institution which performs the indispensable work of intermediating among two or more institutions and individual to increase fund and then to give loan of those funds or accumulated amount. In another word, bank is a dealer in capital and he is intermediate party between the borrower and the lender.

“A bank is one who in the ordinary course of his business receives money which he pays by honoring cheques of person from whom or whose account receives.” (*Singh Hridaya & Khadka Sherjung, 2056, Banking principle legislation and practice, P-1*)

A Bank or a banker is a person, firm or company having a place of business where credits are opened by the deposit or collection of money or currency subject to be paid or loaned on stocks, bonds and bills of exchange and promissory notes are received for account and sale.

Bank is a very important institution because he acts several roles such as intermediate role, payment role, guarantor role and agency role etc. same way, bank motivates people to mobilize saving for economic development. Bank promotes the private investment and capital formulation for safety of wealth, transfer of money.

According to Kindly “Bank is an establishment which makes to individuals such advances of money or other means of payments as may be required and safely made and to which individuals entrust or means of payments when not required by them for use.” (*Shrestha, Shyam Joshi, 2058, Principles of banking and insurance, P- 6*)

In this way, banks are those financial institutions who offer the widest range of financial services especially saving, credit and payment service. And receiving deposits of various kinds, lending money, issuing cheques and collecting cheques etc are the essential functions of a bank.

1.1.1. Origin, Evolution and Growth of Banking

The word ‘Bank’ is of German origin through some person traces its origin to the French word “Banqui” and the Italian word “Banco”. It refers to a ‘desk/bench’ for keeping, lending and exchanging of money or coins in the market place by money lenders and money chargers. There was no word such as banking before 1640, although the practice of safe keeping and savings flourished in the temple of Babylon as early as 2000 B.C. Chanakya in his Arthasastra written in about 300 B.C. mentioned about the existence of powerful guilds of merchant bankers who received deposits, advanced, loans and issued hundis (letter of transfer). (*Jhingan, M.L., 2004, Money Banking, International Trade & Public Finance, P-129*)

The next stage in the growth of banking was the goldsmith. The business of goldsmith was such that he had to take special precautions against theft of gold and

jewellery. As this practice spread, the goldsmith started charging something for taking care of the money and bullion. Goldsmith also acted as a medium of exchange and mean of payment. Gradually, goldsmith started advancing the wins on loans by charging interest. As a safeguard, he kept some money in the reserve. Thus, goldsmith money lender became a banker who started performing the two functions of modern banking that is of accepting deposits and advancing loans.

Though, banking in any one form was in existence even in ancient times. However, modern banking is of recent origin. Modern bank or banking company is an organization whose principle operations are accumulation of the public deposits for advancing loans and credits for expenditures.

1.1.2. Development of banking in Nepal

The origin of bank of Nepal has not a very old history. Modern banking system is a recent phenomenon in Nepal. The practice of modern banking emerged in Nepal in 71 years ago with the establishment of Nepal Bank Limited in 1994 B.S.

Although Nepal has no any very long banking history, this doesn't mean that there was a complete absence a banking activity in the early days. Like other countries goldsmiths, merchants and money lenders were the ancient bankers of Nepal. Tejarath Adda established during tenure of the Prime Minister Ranadip Singh (1993 B.S.) was the first step towards the institutional development of banking in Nepal. Tejrath Adda did not collect deposits from the public but used to loans to employees and public against the bullion.

Nepal's first commercial bank; Nepal Bank Limited was established in 1994 B.S. under the Nepal Bank act with one crore authorized capital. In 2012 B.S., for development and control of banking sector and monetary system, central bank was felt necessary to issue Nepal Bank Act 2012. Then NRB was formed systematically under this act as a central or apex bank of Nepal with one crore capital in 2013 B.S.. Its basic function is to supervise commercial banks, to guide the basic monetary

policy of the government, control the currency and its exchange etc. With a view to provide the integrated and smooth development of the economy, the requirement of other commercial bank was left. The government of Nepal then under its sole ownership gave birth to Rastriya Banijya Bank, a state owner commercial bank in 2022 B.S. with the objectives to mobilize the available idle and spread funds in the country, to the productive sector.

After the restoration of multiparty democracy in Nepal, government took liberal economic policy in the banking sector that allowed opening up the commercial banks for foreign participation. The Nepal Arab Bank was co-owned by the Emirates Bank International Limited (Dubai), Nepal Indosuez Bank was jointly owned by the French Benque Indosuez, Nepal Grind lays Banks were established. Thus, as the country followed economic liberalization, there was massive entrance of foreign banks in Nepal.

1.1.3. Introduction of Commercial Banks

Commercial banks are the banks which perform all kinds of banking functions such as accepting deposits, advancing loans, Credit creation and agency functions. Commercial Banks are the oldest form of banks. These banks work as the intermediary between depositors and lenders and facilitate I overall development of the economy, with major trust in industrial enhancement. The stock in trade of commercial bank consists of its paid up capital and borrowing made from their parties. The appropriate balance between these funds source is always emphasized.

In the context of our country Nepal, Nepal Bank Limited is the first commercial bank. It was established on 30th Kartik, 1994 B.S., which began as era of formal banking in Nepal. The bank was really the bank of business houses and personnel. Commercial banks play a vital role for the economic development of the nation because they provide different services. In the absence of their services, the development of the various areas of the economy may not be possible. Commercial

banks provide different kinds of services such as accepting travels cheques, underwriting, buy and sales of foreign exchange etc. Commercial banks are also known as financial intermediaries because they collect funds from many sources and reinvest them to various sectors. These banks provide short-term loan, medium-term loan and long-term loans to industry.

After restoration of multiparty democracy in Nepal, government took liberal economic policy in the banking sector that allowed opening of the commercial banks. Several commercial banks mushroomed gradually. Nabil bank, The Himalayan Bank, Standard Charter Bank of Nepal, Bank of Kathmandu, Everest Bank, Laxmi Bank etc. are the examples of established commercial banks in Nepal.

List of commercial banks in Nepal: The followings are prevailing list of commercial banks in Nepal:

S.No	Name of commercial bank	Head office	Date of established	Paid up capital Rs. in million
1	Nepal Bank ltd.	Kathmandu	1994 B.S.	3,804
2	Rastriya Banijya Bank Ltd.	Kathmandu	2022 B.S.	11,723
3	Nepal Agricultural Development Bank	Kathmandu	2024 B.S.	10,778
4	NABIL Bank Ltd.	Kathmandu	2041 B.S.	6,892
5	Nepal Investment Bank Ltd.	Kathmandu	2042 B.S.	12,039
6	Standard Chartered Bank Nepal ltd.	Kathmandu	2043 B.S.	6,208
7	Himalayan Bank Ltd.	Kathmandu	2049 B.S.	10,135
8	Nepal SBI Bank Ltd.	Kathmandu	2050 B.S.	8,745
9	Nepal Bangladesh Bank Ltd.	Kathmandu	2050 B.S.	7,441
10	Everest Bank Ltd.	Kathmandu	2051 B.S.	8,314
11	Bank of Kathmandu Ltd.	Kathmandu	2051 B.S.	6,031
12	Nepal Credit & Commerce Bank Ltd.	Rupandehi	2053 B.S.	13,995
13	NMB Bank Ltd.	Babarmahal Kathmandu	2053	10,000

14	Sunrise Bank Ltd.	Gauridhara Kathmandu	2054	7,000
15	Bank of Asia	Tripureswor Kathmandu	2054	7,000
16	Lumbini Bank Ltd	Chitawan	2055	9,957
17	Nepal Industrial and commercial Bank Ltd.	Biratnagar Morang	2055	9,439
18	Machha Puchre Bank Ltd.	PrithibiChow k Pokhara	2057	9,013
19	Kumari Bank Ltd.	Putalisadak Kathmandu	2057	10,700
20	Development Credit Bank Ltd	Kamaladi Kathmandu	2057	11,075
21	Laxmi Bank Ltd.	Adarshanagar Birgunj	2058	9,132
22	Siddartha Bank Ltd.	Kamaladi Ktm	2059	8,280
23	Global Bank Ltd.	Birjung Parsa	2063	7,000
24	Citizen Bank Ltd.	Kamaladi Kthmandu	2064	5,600
25	Prime Bank Ltd.	Kathmandu	2064	7,000

Source: Gorkhapattra Daily, August 27th, 2008, (Wednesday).

1.1.4. Importance of Commercial Banks

Commercial Banks are the most important financial institution in the economy. The economic development of a country is not possible without commercial banks. Commercial Banks in Developing countries play an effective role in their economic development. The majority of such countries are poor, unemployed and engaged in traditional agriculture. There is acute shortage of capital. People lack initiative and enterprise. Means of transport are underdeveloped. Industry is depressed. The commercial banks help in overcoming these obstacles and

promoting economic development. So, at this stage of trade and commerce, a bank is promoter, safe keeper, a lender, a path finder, an advisor and a friend for the nation.

The major importance of commercial banks can be highlighted as:

- i) Mobilizing savings for capital formation through a network of branch banking and inducing people to save by introducing variety of deposit schemes to suit the need of individual depositors.
- ii) Financing industrial sector by providing short term, medium term and long term loans at an attractive as well as reasonable interest rate.
- iii) Financing both internal and external trade such as; providing loans to importers, whole sellers and retailers.
- iv) Financing the consumer activities in terms of their requirements such as; purchasing vehicles, electronic instruments etc.
- v) Promoting employment generating activities in the society.
- vi) Help in effective application of monetary policy of the Central Bank.

1.1.5. Functions of Commercial Banks

The modern commercial banks perform different types of functions. In this study, the functions of commercial bank are discussed as follows:-

a) Accepting deposits: The major function of commercial banks is the accepting deposits. It is oldest function. Commercial banks perform for pooling of national saving. A bank accepts deposits in three forms which are saving, current and fixed deposits.

Saving deposits is one of the deposits collected from low income depositors and small depositors. In this deposit banks pay small interest. In this deposit the depositors are allowed to withdraw their money only a specified sum by cheques.

Current Account, which is generally opened by business people for their convenience. Under this, money can be deposited and with-drawn any time. Money can be with-drawn only by means of cheques under this; the bank does not pay any

interest on such account. But charges a small amount on the customer having current account. This account is also known as demand deposits.

A fixed deposit is one which is repayable after the expiry of a predetermined period fixed by the customer himself. The bank pays a higher interest on this deposit. On the fixed deposits money is not repayable before the expiry of a fixed period.

b) Providing loans: The second major function of a commercial bank is to provide loan for a certain period; bank grants the loan on certain interest, loans are granted by banks in four forms which are direct loan, cash credits, overdraft and discounting bills of exchange.

Direct loan are granted by bank against some collateral security. Under this loan borrows have to any interest on the entire amount of loan. Cash credits are granted against certain securities. The borrower can withdraw money through cheques according to his requirements but pays interest on the full amounts.

An overdraft is an arrangement by which the customer is allowed to overdraw his account against some collateral security. The customer pays interest to the bank on the account overdrawn by them.

If the holder of bill exchanges wants money immediately, the bank provides him money by discounting bill of exchange. After deducting its interest or commission the bank pays the price of the bill to the holders. When the bill of exchange matures the bank can obtain its payment from the party who accepted the bill.

c) Agency service: Another major function of commercial bank is to give agency services. Commercial bank provides the payments of insurance premium rent, subscription etc and collection of pensions, dividends, interest, cheques etc. The bank helps its customers in transferring funds from one place to another place through as bank draft. The commercial bank also acts as representative for his customer. The bank preserves the bill of the customers and executes, Attorney them same way bank undertake to sales and purchase the share; bond debenture of the customer on their order.

d) Safekeeping of valuables: This is the oldest service provided by the commercial bank. The bank provides the facilities to the customer to keep the valuable such as ornaments documents, jewelers in bank for safe custody and the bank returns them back when demanded.

e) Financial advising: Since the bank is fully familiar with the economic situation. So, it is in that position to give the useful advices to its customer on financial matters. Bank offers financial advisory services, from helping financial planning to consult to business managers.

Beside of above functions, offers security brokerage services, collection of credit instruments, sales and purchase securities and assist in foreign trade etc. are also other function of commercial banks.

1.1.6. Brief introduction of selected banks

Out of several banks, here I am going to introduce only commercial banks which are selected for the study. One is Nepal Industrial and Commercial Bank Ltd. And another is Nepal Arab Bank Ltd. a) Nepal Industrial and Commercial Bank Limited (NIC)

NIC Bank which commenced operation on 21st July 1998 is the first commercial bank in the country to be capitalized at NPR 500 million. The Bank was promoted by some of the prominent business houses of the country. Promoters hold 65% of the shares while the remaining 35% is held by the general public. NIC Bank is the most widely held companies in Nepal with nearly 32,000 shareholders. Within 10 years of commencing business the Bank has grown rapidly with 16 branches throughout the country while at least 4 more are planned this year.

This Bank is the first commercial bank in Nepal to be ISO 9001:2000 certified for Quality Management System. Furthermore, NIC Bank became the 1st Bank in Nepal to be provided a line of credit by International Finance Corporation (IFC), an arm of World Bank Group under its Global Trade Finance Program enabling our Letters of Credit to be accepted /confirmed by more than 200 banks worldwide. The Bank has also been awarded the “Bank of the year 2007-Nepal” by the world-renowned financial publication of The Financial Times, U.K.-The Banker.

The Bank believes in continuously offering new and value added services to its customers, with commitment to quality and value to its clients at the same time. Accordingly, the Bank has been in the forefront in launching innovative and superior products having unique customer friendly features with immense success.

Services provided by NIC Bank

Now NIC has been applying services: NIC life Savings Account, NIC USD Super Savings Account, Shareholder Savings Account, NIC Business Account, NIC Super Deposit, Karmashil Bachat Khata, NIC Sikshya Kosh, NIC Pure Gold, NIC Pure Silver, 365 Days Banking, NIC Cash Card, NIC SMS Banking, NIC Ghar Subidha, NIC Small Business Loan, NIC Sajilo Karja (NSKza).

b) Nepal Arab Bank Limited (NABIL)

The economic environment of Nepal is liberalizing, banking services have become highly competitive and customer oriented, Nepal has interred into WTO, every industry is becoming competitive and complex, in this scenario NABIL Bank is very successfully paving its path.

NABIL Bank Ltd. Is a first joint venture bank of Nepal. It is one of the leading commercial bank of Nepal. It was established on 29th Ashadh 2041 under the commercial act 2031. At the launching period, the paid up capital of NABIL was 30 million. But now it has increased. It has 28 branches currently all across the nation with its head office in Kathmandu which is named as NABIL House Kamaladi, Kahtmandu.

It is s joint venture bank partner with Dubai Bank Ltd. And participated country is United Arab Emirates (U.A.E.). Its 50% share was acquired by Dubai Bank Ltd., 30% share was acquired by general public of Nepal and remaining 20% share was acquired by financial institution of Nepal. NABIL was incorporated with the objectives of extending international standard modern banking services to various sector of the society. Pursuing its objectives, NABIL Bank provide a full

range of commercial services through its branches across the nation and over 170 reputed corresponding Banks across the world.

NABIL Bank is a pioneer in introducing many innovative products and marketing concepts in the domestic banking sector. It has applied latest modern technologies in the banking activities such as ATM cards, credit cards, visa electronic debit card, world renowned software from India, E-banking and Tele-banking systems. These facts show that NABIL Bank has been providing itself as a leader in terms of bringing the best international standard practices, products and services to the nation.

Since its establishment, the bank has been serving both the people and nation for the economic development with its variety of services. NABIL Bank is one of the leading joint venture banks in Nepal as it holds the highest percentage of profit among the entire banks in Nepal. As a result, it was awarded “Bank of the Year” in 2004. NABIL Bank performs its business with continuous to remain most successful and reputed joint venture organization in Nepal, registering strong growth in net worth and profits year after year.

Shareholders and promoters of NABIL Bank Limited

NB (International) Limited, Ireland	50%
General Public	30%
Nepal Industrial Development Corporation	10%
Rastriya Beema Sansthan	9.67%
Nepal Stock Exchange Limited	0.33%
Total	100%

Source: Annual Report of NABIL Bank Ltd. For Fiscal year 2064/65.

Brief view of Capital and ownership of NABIL Bank Limited

Shares	Amount in (Rs.)
Authorized Capital	1,600,000,000
Issued Capital	689,216,000
Paid up Capital	689,216,000

Source: Annual Report of NABIL Bank Limited for the fiscal year 2064/65.

a) Service provided by NABIL Bank Limited

The varieties of services provided by NABIL Bank Limited are: **Current deposits-** Current deposit, Call deposits, Time deposit, Savings, Normal Saving, NABIL Bachat, **Loan Services-** Corporate Lending, Trade Finance, Personal Lending, Bank Overdraft, **Card Services-** ATM service, Credit Card, Debit Card, **Remittance Service-** Western Union Money Transfer, NABIL Remit, NABIL E-remittance, SWIFT Transfer, Travelers' Cheques (TC), **NABIL Net, Any Branch Banking Services (ABBS), Statements of Account, Safe Deposit Lockers.**

b) Objectives of NABIL Bank Limited

The main objectives of NABIL Bank Limited are to ensure the maximization of the shareholders' wealth, ensure profitability, liquidity and safety in its operations. It aims to provide services uniquely and advanced to its customers through improving services so that maximum satisfaction can be realized to the customers. The major objectives of NABIL Bank are summarized under:

- To provide variety of deposit schemes in both local and foreign currencies with attractive and competitive interest rates which results maximum return on idle funds.
- To provide varieties of loans and credit facilities to the target customers.
- To promote the industrial sector and introduce the domestic products in the market.
- To provide funds to their customers through the fastest means of money transfer.
- To promote the activities of domestic enterprises and business persons.
- To provide Draft Services to its customers.
- To create employment opportunities through optimum utilization of the resources.

- To uplift the economic status of the people.

1.2. Focus of the Study

Financial performance is a major function of a bank. Actually, finance is concerned with the acquisition, utilization and controlling of funds. It is a combination of process, procedures, institutions, market and instruments involved in the transfer of money around and between individuals, business and government. Therefore the focus of the study has been primarily based on financial performance of two selected banks i.e. NABIL Bank Ltd. and NIC Bank Ltd.

If a bank's financial performance is good, definitely it becomes strong financially. All banking markets are affected by various factors such as political, economic, technology, social etc. So, all banks are operating under same conditions and problem. Similarly, all banks have similar opportunities too. Same way NABIL and NIC Banks are also operating under same condition and problem and also opportunities are similar. Even though, they have dissimilarities also. Because NABIL Bank is the first joint venture bank and NIC Bank is the first commercial bank.

Financial performance of a bank is very important aspect of a bank's overall performance. So the main focus of the study is to highlight the financial performance of NIC Bank and NABIL Bank Ltd. Which is operating in very good position, whose performance is better? This study has been measured whether the bank's financial performance is satisfactory or not. It evaluates the financial strengths and weakness of NIC and NABIL.

On the other hand, this study would provide required information to management of the bank that would help them to take corrective actions. In the same way, shareholders would get valuable information to make some decision. If a bank's financial performance is very good then definitely it becomes strong financially. The study's main aim is to obtain the area of difference between NIC and NABIL Banks in terms of collection, deposit, profitability, turnover and earning

capacity etc. And for analyzing the data, statistical tools are also used. So the main focus of the study will be to compare the overall performance of NIC and NABIL Bank and to show which is in good position.

1.3. Statement of the problems

Both banks are similar in their nature because they, both are commercial banks. But they are different in their structure because NABIL Bank is joint venture bank and another is not joint venture bank. These both banks are famous for their quality and fast service to their customers. These banks have been established with good position even though they have been facing the several problems such as financial, managerial, market related problems etc.

Both banks are operating under same condition and problem and opportunities also are similar. But some activities are found different and inconsistent; such as interest earned rate, profitability rate, EPS, dividend distribution among the shareholder operating expenses etc. There must be some reasons and causes behind the difference and inconsistency. Due to these differences, their performances also have been different. That is why the main problems of the study is to find out the reasons and causes behind the performance. Banks have been increasing their profits however, they have facing some financial, managerial and market related problems. Both banks are famous for quality and fast service to their customers. However, they are operating under some problems:

- EPS & DPS are the most important tools of evaluating financial performance but not satisfactory.
- Operating expenses of both banks have been continuously increasing.
- Banks are facing more challenges due to increase in establishment of other banks, it means more commercial banks are establishing but customers are limited.
- Interest rate which are provided by the banks are not similar that also affects on transaction.
- The financial position is also affected by growth depression.

1.4. Objectives of the study

Before doing something we must setup its objectives like that the main objectives of this study are also setup already. The main objectives of the study is to analyze and evaluate comparatively the financial performance and related financial affairs of these two commercial banks, namely NIC and NABIL Banks and following are the specific objectives of the study:

- To identify the financial conditions of NABIL Bank Limited and NIC Bank limited over the period.
- To identify the financial strengths and weaknesses of those banks.
- To analyze and compare the bank's financial statements to obtain the key ratios that reflects the banks' financial position.
- To analyze the financial trend of the two banks.
- To evaluate the two banks' financial performance of liquidity, profitability, leverage, activity etc.
- To compare the two banks with EPS, DPS, dividend payout ratios, earning power, dividend yield ratio and price earning.
- To evaluate market value with book value of these banks.
- To aware the positive financial potentials and efficiencies and also the potential risk and deficiencies.
- To provide the financial facts and figures to the management of the banks this will support to make future financial decisions and actions.

1.5. Limitations of the study

While studying any subject matter there are certain limitations. As we know, research is the vast study and investigation for the resolution. In the context of Nepal, problem of reliable data is the major problem for research study. On the other hand, due to the fulfillment of partial requirement of Master Degree programmed and limited time to finish this study, all the concerned areas might not be possible to

cover. So, here some assumptions and limitations are made while conducting the research study:

- The proposed study is based only on the five fiscal years audited financial statement from the fiscal years 2003/04 to 2007/08.
- There are various commercial banks; however the study focuses on NABIL and NIC Banks.
- Only selected tools and techniques of analyzing data are used.
- The study only for partial fulfillment of MBS programmed.
- Published secondary data are used to evaluate financial performance.
- The data available in published account and other reference have been assumed to be correct and true.
- In this study, the amounts which are given in financial statement are taken on nearest thousand and figures are rounded.
- Limited resource and time for the researcher, it has not been allowed a much more extensive analysis of the subject.
- The study focuses on presenting the suggestions to the bank management rather than directing.

1.6. Significance of the study

As we know that NIC Bank and NABIL Bank are the most leading banks of Nepal which are serving a large quantity in the form of business, industries and other general people. Analysis of financial performance is important in respect of that it presents the useful and reliable summarized information related to financial affairs of the banks which are very useful for shareholders, investors, creditors, government and other concerned parties. It reflects the financial performance and position of the bank. It is important present analysis and studies the financial statements of the bank. The researcher thought that following are the major importance to analyze and study the financial statements and present this study:

-) It presents the information about the banks' financial position in the market.

-) It provides reliable information about all the financial affairs of the banks during the period.
-) It identifies the both banks' financial strengths and weaknesses.
-) It presents the future potentiality and risk & deficiencies of the banks.
-) It is helpful for managements in making major financial decisions.

1.7. Organization of the study

This study of comparative financial performance of NIC Bank and NABIL Bank Ltd. has been divided mainly into five chapters, which are as follows:

Chapter-One

Introduction:

This first chapter comprises of introduction. Which includes general concept of the study, Origin, Evolution and Growth of banking, Development of banking in Nepal, Introduction of Commercial banks, Importance of Commercial banks, Functions of Commercial banks, Brief Introduction of selected banks. Similarly it includes Focus of the study, Limitation of the study, Objectives of the study, Statement of the Problems, significance of the study and Organization of the study are as well.

Chapter-Two

Review of Literature:

In this chapter, related subject matter and findings have been reviewed so far as possible. This chapter consists of concept of financial performance, financial statement, and review of publications, financial and statistical tools which are used to analyze the data and so on.

Chapter-Three

Research Methodology:

In this chapter, Research designs and methodologies have been discussed. Basically, this chapter includes Sources of data, Data collection techniques, Different

data analysis tools and techniques (which includes financial and statistical tools), Research design, Population and sample, Period coverage, Data processing procedures and so on.

Chapter-Four

Data presentation and Analysis

This chapter deals the actual study of the available data from NIC Bank Ltd. and NABIL Bank Ltd. by the help of different tools and techniques as follows:

A) Financial tools: It includes;

- i) Ratio analysis
- ii) Trend analysis
- iii) Cash flow statement
- iv) Common size statement etc.

B) Statistical tools: It includes;

- i) Average
- ii) Standard deviation
- iii) Co-efficient of Correlation analysis
- iv) Co-efficient of variance
- v) Hypothesis test

Chapter-Five

Summary, Conclusion & Recommendations:

It is fifth and last chapter of this study. And this chapter includes summary, conclusion or findings of the whole study and recommendation for the improvement in future performance.

CHAPTER-TWO

REVIEW OF LITERATURE

The previous studies are foundation of the present study. There should be continuity in research where such continuity in research is ensured by linking the present study with the past studies.

In this chapter, some basic and useful related literatures are included. In other words, this chapter includes the theories, the empirical evidence of financial performance; such as publications, articles, review of journal, thesis, dissertations and other business reports are involved. The main purpose of literature review is to find out that what research studies have been conducted in one's chosen field of study, and what remains to be done, and which provides the foundation for developing comprehensive theoretical framework and from which hypothesis can be developed for the testing.

2.1. Concept of Financial Performance

Analysis of various financial statement of a bank is called financial analysis and it an evaluation of bank's past financial performance, present financial performance and future prospects. Financial analysis if the process of analyzing various item of financial statement of a bank to insure its comparative strength and weakness. Financial performance can be measured on the basis of financial statement which are such as balance sheet, profit & loss account or income statement etc.

“Financial analysis is the process of identifying the financial strengths and weaknesses of the firm by properly establishing relationship between the items of the balance sheet and the profit and loss accounts.” (*Pandey, I.M., 1979, Financial Management, P-109*)

“Financial analysis is the process of determining the significant operating and financial characteristics of a firm from accounting. It makes extensive use of the financial statement through the different tools.” (*Hampton, John J., 1982, Financial Decision Making Concepts; Problems and Cases, P-17*)

“Financial analysis is the process of analyzing various items of financial statements of a firm from to ensure its comparative strengths & weaknesses. In other words, financial analysis involves analyzing financial statement prepared in accordance with severally accepted principles to ascertain information concerning the magnitude, timing and risking of future cash flow.” (*Rana, Surya, 2000, Financial Management, P-17*)

“Traditional financial rates analysis has focused on the number. The value of this approach is that quantitative relations can be used to diagnose strengths and weakness in a firm’s performance. But the world is becoming more dynamic and subject to rapid changes. It is not enough to analyze operating performance. Financial analysis must also include consideration of strategic and economic developments to which the firm must relate for its long run success.” (*Western J. Fred & Copeland Thomas E., 1993, Managerial Finance, P-150*)

Actually, financial analysis helps to know about clear picture of a firm or bank’s present, past financial condition. By means of financial analysis, information related to financial position of a bank can be observed and by analyzing those information. Financial strengthen and weakness can be measured. So the financial analysis is very important for a firm or bank development, its economic strengths and to take corrective actions and decision against economic weakness.

2.2. Concept of Financial Statement

Financial statement reports what happens to the firm in terms of sales, assets, liabilities, earnings, and so on over the time. These provide an input to the investors and the general community of investors to form expectations about the required rate of return and risk of the firm. Financial statement analysis is a major function of financial managers or financial management team. Finance is concerned with

acquisition, utilization, and controlling of funds. It is a combination of process, producers, institutions, market and instruments involved in the transfer of money around and between individuals, business and government. Finance and its management is not easy thing and it is required to make decisions like investment decisions, financing decisions, assets management decisions and liquidity decisions.

The financial statement analysis is done to identify the financial results which can be useful to the shareholders, government, general public and interest groups. Financial statement analysis is the process of identifying the financial strengths and weakness of any organization by properly establishing relationship between the items of balance sheet and profit and loss account. The financial statement analysis of a bank is the analysis of financial records which evaluate the bank's financial performance over the period. Financial statements contain summarized information of the banks' financial affairs organized systematically. It helps to present the banks' financial situation to the users, investors so that they could be prepared at present very carefully.

“The term financial statement refers to the two statements which the accountant prepares at the end of a period of time for a business enterprise. They are the balance sheet or statement of financial position and the income statement or profit & loss account. Financial statement is the end product of financial accounting in a set of financial statements prepared by the accountants that support to reveal the finance of the enterprise.”(Grewal, T.S., 2003, *Analysis of Financial Statement*, P-12)

Financial Statement refers that statement, which systematically contain summarized information of the firm's financial affairs. These statements provide reliable financial information about economic resource and obligation of business enterprises. Financial statement contains summarized information of firms financial affairs organized and systematically. They are meant to represent the firm financial situation to user.

“The financial statements refer to one two summarized financial reports which the accountant prepares usually at the end of the fiscal year of firm, they have

income statement or profit & loss account and balance sheet.” (Pandey, I.M., 1993, *Financial Management*, P-35)

“Financial statements are annual documents prepared by the organization. They are prepared for periodical review on the progress made and results achieved during the period under review. They generally refer to income statement and balance sheet drawn by the business at the end of each financial year.” (Munakarmy, S.P., 2002, *Management Accounting*, P-459)

“Financial statements report what actually has happened to the firm’s financial position and to its earnings and dividends over the past few years.” (Western & Brigham, 2001, *Essential of Managerial Finance*, P-78)

The major financial statements required for reporting to shareholders, investors, creditors, government and other shareholders are; (Chaudhary, S.B., 1974, *Management Accounting*, P-21)

a) Profit & Loss account/ Income statement

Profit and loss account keeps the record of the revenue and related expenditure of a firm within a particular period of time. Generally it is prepared at the end of fiscal year. It shows the net profit or loss of company at the end of fiscal year. Profit & loss account is the statement in which summarizes the revenue generated and the expenses incurred by the firm during the accounting period. It is also known as income statement.

The income statement/ profit and loss account is a classified and condensed record prepared for the various subsidiary nominal accounts of the gain & losses to the firms for a period of time.

Profit and loss statement is a statement related the sources of income of a firm and the nature of all expenses of operation for a specific period and also net profit and loss for that period. So in conclusion it is a summary of net income and expenditure of a firm or Bank over a specific period. Income statement of a bank represents the earning capacity and potentiality of a bank. The income statement provides the financial summary of the banks operating results during a specified period.

b) Balance Sheet

The balance sheet represents a summary statement of the bank's financial position of a given point of time. The statement balances bank's assets against its financing, which can be either debt or equity. It is the instrument that communicates about the banks assets, liabilities and owner's equity.

Total of all assets will always be equal to the total of all liabilities. It provides a state of affairs of a bank or providing a fair view of the company affairs. It also judge liquidity of a bank or firm and solvency of a bank or firm.

The balance sheet which reveals the financial position of business as reflected by the accounting records contains a list of assets liability and net worth items as given data. Balance sheet has two sides; Capital & liabilities and Assets.

Objectives of financial statement analysis

The followings are the major objectives and limitations of financial statements.

(Munakarmy, S.P., 2002, Management Accounting, P-267)

- To judge the financial health of the enterprises.
- To judge the profitability of the firm or a bank undertaking.
- To examine and evaluate the return on investment and capital employed.
- To evaluate the capacity of repay the loans and interest thereon.
- To compare the various expenses of current year with the standard expenses of previous year to know the operational efficiency of the firm.
- To evaluate the solvency position of the firm or bank.

Limitations of Financial Statement analysis

Analysis of financial statement suffers from certain limitation. They are as follows:

- Financial statement analysis is based on the financial statement which record historical facts. So it fails to disclose the current worth of the enterprise.
- Financial statement doesn't record the changes in the price level.
- Financial statement analysis provides quantitative information only but not the qualitative information.

- The management may be based and as such, the financial statement analysis may contain based and manipulated information.
- Financial statement based on historical figures may not represent the true position to date.
- Financial statement analysis provides the information of financial problems and operational inefficiency but it can't suggest remedies.

2.2.1 Review of related studies Publication and studies

It is necessary to put the view expressed by the different experts in the term of reviewing the literature. Experts may be professors, person, related institutes, authors etc. Therefore some views expressed by the experts in their books and publications are presented here regarding commercial banking, operations, activities, functions and so on.

“How much bankable is your Bank.” Article published on BM magazine November, 2000 edition states that on the basis of single parameter, the strength and performance of any commercial bank cannot be judged the performance can be measured with operating profit ratio, deposited to advances ratio where the strength can be measured total assets, total equity employed, total deposits and mobilized etc.

Dr. Sunity shrestha in her articles “Demand & Supply of Credit in Nepalese Commercial Bank” published in Nepal Bank Patrika 2056 Baishakh concludes that demand of credit is positively affected by the lending rate and non agriculture income of the country. Where as the supply of the credit is positively related with total deposit of the bank and the lending rate. Thus these variables can be considered as the determining variable for the demand and supply of the credit of the commercial banks of Nepal, and it can be forecasted based on these variables. This is the analytical study based on secondary data of all the commercial banks in Nepal.

“Commercial Bank Comparative performance Evaluation” Dr. M.K. Shrestha in his article published on Karmachari Sanchaya Kosh, Publication year 16, 2047, concluded that JVBs are new operationally more efficient, have superior performance while

comparing with local banks. Better performances of JVBs are due to modern banking method and skills, sophisticated technology and also due to the burden the banks facing government's branching policy in rural areas and financial public enterprise. Local banks are efficient and expertise in rural sector, but having number of deficiencies. So local banks have to face growing constrains of social, economical, political system on one hand spectrum and tat issues and challenges of JVBs commanding significant banking on other spectrum.

2.2.2. Previous research work carried out by students

Mr. Rajiv Raj Joshi, a student of MBA, in his thesis "Comparative study on financial performance of Nepal Arab Bank & Nepal Grind Bank" concluded that the liquidity analysis reveals that overall liquidity position of NABIL is better than NGBL. But both are failure to maintain sufficient cash & bank balance. NGBL has more net worth than NABIL. NABIL & NGBL have more branches operating in urban areas of Nepal. NABIL and NGBL should expand their branch in Semi-urban and Rural areas so that the people of such areas can get modern banking facilities. The bank will be able to increase its volume of deposited and can be able to increase its volume of deposits and can grant loads to the people of those areas.

Another research study made by *Mr. Mohan Kumar Dahal, on his thesis, "A study of financial performance of NABIL & HBL"* concludes regarding HBL that is more oriented in charging responsibilities towards its shareholders than NABIL. HBL is also found paying more attention towards the attainment of national objective.

Another research study conducted by *Mr. Dharma Prasad Paudel, a student of MBS, in his thesis "Financial Statement Analysis of NABIL Bank Limited"* concludes that the bank should stabilize its liquidity position by increasing its current assets against its current liabilities. The investment made by the bank is average against its deposit. So, bank must increase investment relative to its deposit for better return. The bank's interest income is increasing; it is good but it also should try to minimize the increment in interest expenses.

2.3. Tools and Techniques of Financial Analysis

For analysis and interpretation of data and information of NABIL and NIC banks, some financial & statistical tools have been used in this study. It can be highlighted as follows;

2.3.1. Financial Tools: It includes;

A) Ratio Analysis

Ratio Analysis is an important tool which is helpful for estimating the financial performance of a firm or an institution. The ratio analysis can be calculated by comparing one item of financial statements with another item of the same statement. Ratio analysis helps in financial planning and forecasting, it is also helpful for effective control of the firms. Ratio analysis provides guidelines and clues especially in supporting trends towards better or poor performance.

“Ratio refers to the numerical or quantitative relationship between two items or variables. In simple language ratio is one number expressed in terms of another and can be marked out by dividing the number with the other.”(*Munakarmy, S.P., 2002, Management Accounting, P-468*)

“The relationship between two accounting figure expressed mathematically, in known as a financial ratio (or simply as a ratio). Ratio helps to summarize the large quantities of financial data and to make qualitative judgment about the firms’/banks’ financial performance.”(*Pandey, IM, 1990, Financial Management, P-110*)

Ratio analysis is a technique of analysis and interpretation of financial statement through mathematical expression. Ratio analysis is an important technique of financial analysis. The data given in financial statements are meaningless and they are unable to communicate anything from the analytic point view. (*Dongol, R.M., 2003, Accounting for Financial Analysis and Planning, P-388*)

Various ratios are used to analyze and interpret the financial data to reflect the financial performance of the banks, which are as follows:

I) Liquidity Ratio: It shows the banks’ ability to meet short term obligation. It also shows short term solvency of the banks, adequacy of the funds. This ratio represents

the relationship between current assets and current liabilities of the banks during the period. It measures the short term solvency of the banks. This ratio is known as current ratio and working capital ratio.

“The liquidity ratio measures the ability of a firm to meet its short term obligation and reflect the short term financial strength and solvency of a firm or bank. The ratios, which indicate the liquidity of a firm, are net working capital, current ratio, acid test ratio, super quick ratio and turnover ratio etc.” (*Khan MY and Jain PK, 1990, Financial Management P-119*)

II) Profitability Ratio: Profit is ultimate output of a business organization and it will have no future if it fails to make sufficient profits. Profitability ratios are calculated to measure the operating efficiency of the banks which is very important for owners, debtors and creditors. It shows the management’s overall effectiveness, the deficiency of the banks activities and its ability to generate profits as well as it analyses the financial strengths and weakness of the banks.

The profitability ratio is calculated to measure the operating efficiency of the company. Besides management of the company; creditors and owners are also interested in the profitability ratio of the firm.

Profitability ratio is designed to provide answer to such questions as (i) is the profit earn by the bank adequate? (ii) What rate of return does it present? (iii) What is the rate of profit for various divisions and segment of the firm? (iv) What is the rate of return to equity share holder? The profitability ratios relevant to banks are calculated, analyzed and presented; net profit ratio, return on equity return on assets, operating profit ratio, return on net worth, return on total deposit ratio, interest earned to total deposited ratio, office expenses ratio etc are measured. (*James, C Van Horne, 2000, Financial Management and Policy, P-702*)

III) Activity Ratio: It indicates the efficiency with which a bank uses its assets to generate profit. It also reflects that how efficiently the banks are managing its resources. From this ratio, we come to know whether the funds have been used effectively or not. So it is called efficiency ratio and assets turnover ratio because it

indicates the relationship between sales and assets and measures the effectiveness of the investment of resource as well as assets management.

An activity ratio may be defined as a test of the relationship between loans and advances and the total deposits.)

In conclusion, assets turnover loan and advance to total deposits ratio, investment and total deposit ratio and current assets turnover ratio etc can be measured. This ratio shows the speed of collection funds and utilization of those funds to increase revenue by providing loan to the enterprises and public for the research study.

IV) Leverage ratio: This ratio measures the banks' ability to pay the interest regularly and to repay the principal on due dates. Higher leverage ratio indicates a riskier bank because the interest payments in the debt are fixed even if the earning of the banks fluctuation. This ratio is called solvency ratio or capital structure ratio in the bank. This ratio is calculated to measure the financial risk and the banks' ability of using debt for the benefit of shareholders. Debt Equity ratio, Debt to total capital ratio, debt to assets ratio, interest coverage ratio & fixed coverage ratio etc are included in leverage ratio.

The capital structure ratio may be defined as a financial ratio which throw light on the long term solvency of a firm as reflected in its ability to assure the long term creditors with regard to periodic payment of interest during the period of loan and repayment of principle on maturity in predetermined installments at due dates.

“Leverage is approached in two ways; one approach examines balance sheet ratios and determines the extent to which borrowed funds have been used to finance the firm. The other approach measures the risk of debt by income statement ratios designed to determine the number of times fixed charges are covered by operating profits. These sets of ratios are complementary and most analysts examine both.”

(Western & Thomas, 1993, Managerial Finance, P-203)

B) Trend Analysis

Trend analysis is a comparative analysis of the financial statements of several fiscal years. On the basis of trend analysis, forecasting the item in a future is easy. The general tendency of the time series data to increase or stop during a long period of time is called trend. Trend analysis provides information about whether the firm's financial position is more likely to improve or deteriorate in the future. It indicates the direction of change.

In other words, trend analysis visualize the reality of different items i.e. financial variables, whether they are moving towards right direction or not. For the trend analysis of financial variables, generally index number is taken 100 in relation to the base year. This procedure is known as trend percentage method.

“Trend analysis is valuable to compare the financial ratios for a given company over time. In this way the analyst is able to detect any improvement or deterioration in its financial condition and performance.”(*James C Van Horne, 2000, Financial Management and Policy, P-116*)

“Trend analysis helps in business forecasting and planning the future operations. For example, if the time series for a particular phenomenon exhibits a trend in a particular direction, then under the assumption that the same pattern will continue in the near future. Trend analysis is a tool to compare two or more time series over different periods of time and draw important conclusions about them.”(*Gupta, SC, 1996, Fundamentals of Statistics, P-757*)

C) Cash Flow Statement

The statement of cash flows can be defined as the defined as the summary of the banks' operating, investment and financing cash flows. For every financial institution the statement of cash flow proves to be an important financial tool for determining the inflows and outflows of cash during the period. The statement of cash flow of the banks provides the meaningful and important information for

assessing the position and performance of the bank. It is the statement that explains the changes in cash position for a period.

“Cash flow simply refers to the flow of cash into and out of a business over a period of time. Watching the cash inflows and outflows in one of the major management tasks. The outflow of cash is measured by those cheques issued every month to pay salaries, suppliers, creditors and to others. The inflows are the cash received from customers, lenders and investors.” (*Wagle, KN & Dahal, RK, 2004, Management Accounting, P- 11.1*)

Cash flow analysis is done through statement of cash flows. A cash flows statement is a statement of company’s ability to generate cash from various activities such as operating, investing, and financing and their need of cash. It is a statement which shows the inflows and outflows of cash and cash equivalents during the year.

D) Common Size Statement Analysis

A popular tool for evaluating profitability in relation to sales is the common size income statement. On this statement each item is expressed as a percentage of sales, thus highlighting the relationship between sales specific cost, expenses and forms of income. Common size income statements are especially useful in comparing performance across years. This statement is sometimes called a percent income statement. The same treatment is a often applied to the firm’s balance sheet to make it easier to evaluate changes in the assets and financial structures of a firm. In addition to measuring profitability, these statements in effect can be used as an alternative or supplement to liquidity, activity and debt-ratio analysis. (*Lawrence J. Gitman, 2001, Principles of Managerial Finance, P-142*)

The common size statement analysis can be defined as an analysis of percentage financial statements where all balance sheet and income statement items are divided by net assets and net profit respectively. Common size statement simplifies the large figures and gives meaningful insight up on the banks’ financial statements. Common size statement analysis includes analysis of common size balance sheet and common size income statement.

2.3.2. Statistical Tools: It includes;

A) Average (X)

One of the most important measurements in statistical analysis is to determine various numerical measures. The sum of all the observations divided by the number of observations is called mean. It is also known as arithmetic mean average.

An average is a single value selected from a group of values to represent them in some way, a value which is supposed to stand for the whole group of which it is part, as typical of all the values in the group.

The purpose for calculating the average value for a set of observations is to obtain a single value which is representative of the entire variable and which the mind can catch simply and quickly and they will be helpful for the making of comparative studies.

B) Standard deviation: (&)

The standard deviation measures the variability of a distribution: the greater the amount of variability the greater the standard deviation, for the greater will be the magnitude of the deviations of the values from their mean.

“It is defined as the positive square root of the arithmetic mean of the squared deviations from their arithmetic mean of a set of values.” (*Pant, GD & Chaudhary, AK, 2058, Business Statistics and Mathematics for BBS, P-196*)

C) Correlation Co-efficient Analysis (r)

Coefficient of correlation is an important statistical tool that determines the relationship between two variables. In other words by calculating the coefficient of correlation, the relationship of two variables can be measured. This calculation helps to determine the relationship between two financial variables from the financial statements of the banks, which also can be taken as the tool for measuring the financial performance of the banks.

“Correlation is an analysis of the variance between two or more variable and correlation analysis deals to determine the degree of relationship between variable.” *(Pant GD & Chaudhary AK, 2058, Business Statistics and Mathematics for BBS, P- 208)*

Correlation can be positive or negative. If variable change to same direction, it is positive correlation other wise it is negative correlation.

Interpretation of correlation efficient:

-) Where, $r = 1$, positively correlated between two variables.
-) Where, $r = 0$, uncorrelated between two variables.
-) Where, $r = -1$, negatively correlated between two variables.
-) When, r lies between 0.7 to -0.999, there is a high degree of correlation.

D) Co-efficient of Variance (CV)

The standard deviation discussed above is an absolute measure of dispersion. The corresponding relative measure is known as the coefficient of variation. It is used in such problems where we want to compare the variability of two or more than two series or groups. “That series for which the coefficient of variation is grater is said to be more variable or conversely less consistent, less uniform, less stable or less homogeneous. On the other hand, the series for which coefficient of variation is less is said to be less variable or more consistent, more uniform, more stable or more homogeneous.” *(Gupta, SC, 1996, Fundamentals of Statistics, P-985)*

E) Hypothesis Test

Hypothesis is a statistical tool or it is an assuming theory from which the researcher completes his/her research work. In other words, the method of statistics, which helps in arriving at the criterion for decision, is called test of hypothesis or hypothesis testing. A hypothesis is and assumption that we make about the population parameter. The test of hypothesis is a process of testing of significance regarding the parameter of the population on the basis of sample drawn from the

population. The test of hypothesis discloses the fact whether the difference between the computed statistic and hypothetical parameter is significant.

“A statistical is some assumption or statement, which may or may not be true, about a population or equivalently about the probability distribution characterizing the given population, which we want to test on the basis of the evidence from a random sample. If the hypothesis completely specifies the population, then it is known as composite hypothesis.” (Gupta, SC, 1996, *Fundamentals of Statistics*, P- 1210)

The test of hypothesis is an assumption and it is used to test whether the assumption is right or not. Hypothesis is divided into following types:

I) **Null hypothesis:** It is denoted by H_0 and suggests that there is no difference between population mean and sample mean. It can be expressed as;

$H_0: \mu = x$ (i.e. Population mean is equal to sample mean)

II) **Alternative hypothesis:** It is denoted by H_1 and suggests that there is difference between population mean and sample mean. It can be expressed as;

$H_1: \mu \neq x$ (i.e. Population mean is not equal to sample mean)

CHAPTER – THREE

RESEARCH METHODOLOGY

3.1. Introduction

The term ‘Research Methodology’ is composed of two words, ‘Research’ and ‘Methodology’, in simply, research refers investigation or careful study, especially, in order to discover new facts or information. In the other hand, a set of methods used in a particular area of activity is known as methodology.

The research, it generated new knowledge, which can be used for different purposes. In other words, it is a systematized effort to gain new knowledge. Furthermore, the research is used to build a theory, develop policies, support decision-making and solve problems. With the opening of new frontiers of knowledge through research, new concepts and theories are developed to explain, verify and analyze the social phenomena. Methodology is the research method used to test the hypothesis. It refers to the systematic method consisting the problem, formatting the hypothesis, collecting the data, and analyzing the facts to reach the certain conclusion.

“Research is a systematic and organized effort to investigate a specific problem that needs a solution (Sekaran, 1992). This process of investigation involves a series of well thought out activities of gathering, recording, analyzing and interpreting the data with the purpose of finding answers to the problem. Thus, the entire process by which we attempt to solve problems is called research”.(Wolf, H.K. & Pant, P.R., 2000, *A Social Science Research and Thesis Writing*, P-204)

Therefore, research methodology is a way to solve the research problem with systematically. In other words, those systematic rules, methods or working system, which is considered in research to solve the solution, is called research methodology, where research can be undertaken for two different purposes. The first purpose is to

solve a currently existing problem in the work setting and other purpose is to generate a new knowledge in a particular area or to develop a base of knowledge upon which theory can be built.

“Research Methodology refers to the various sequential steps to be adopted by a research in studying a problem with certain object in view.”(Kothari, C.R., 1990, *Operation Research*, 332)

This chapter includes research design, population & sample of the study, sources of data, data collection techniques, data analysis tools etc.

3.2 Research Design

The research design provides the framework to a study. Actually, it is the outline of a plan to test the hypothesis and the research design is also known as the conceptual structure within which research is conducted.

After formulating the research study, the next logical step is to construct the research design that refers to the entire process of planning and carrying out a research study. The research design asks what approach to the problem should be taken. ; What methods will be used? ; What strategies will be most effective? ; Identification, selection and formulation of a research problem may be considered as the planning stage of a research. The remaining activity refers to the designs, operation & completion of the research study.

“The research design is the strategy for conducting research. It describes the general framework for collecting, analyzing and evaluating data after identifying: (i) What the researcher wants to know, and (ii) What has to be dealt with in order to obtain required information.” (Wolf, H.K. & Pant, P.R., 2000, *A Social Science Research and Thesis Writing*, P-50)

Research design is the plan, structure and strategy of investigation conceived so as to obtain answers to research questions and to control the variance. The plan is the overall scheme or program of the research. It includes an outline of what the investigator will do from writing the hypothesis and their operational implications to the final analysis of data. The structure of the research is more specific. It is the

outline, the scheme, and the paradigm of the operation of the variables. When we draw diagrams that outline the variables and their relation & juxtaposition, we build structural schemes for accomplishing operational research purposes. Strategy, as used here, is also more specific than plan. In other words, strategy implies how the research objectives will be reached and how the problems encountered in the research will be tackled

The research design has basically two purposes that the first one is to answer the research question or test the research hypothesis and next one is to control the variance. There are many types of research, field study research, correlational research, departmental research etc. (Wolf, H.K. & Pant, P.R., 2000, *A Social Science Research and Thesis Writing*, P-53)

This research study is consisted to analyze the comparative financial performance of NIC Bank and NABIL Bank Ltd. Under this, Historical research design is applied because historical research design is concerned with past phenomena. It is a process of collecting, evaluating, verifying, and synthesizing past evidence systematically and objectively to reach a conclusion

This study is also concerned with past evidence. Therefore, the historical research design has adopted in this study by the help of financial statements such as balance sheets, profit & loss accounts and cash flow statements from fiscal year 2060/61 to 2064/65 (five years). The past evidences can be found either primary source or secondary source, and to support the historical research design, the researcher has used to analytical and descriptive study methods. In conclusion, research design can be said as the combination of tools to measure the position of capital structure in the company.

3.3. Population and Sample of the Study

3.3.1. Population

In simple language, the term 'Population' refers the whole and also known as universe. There are two types of population; they are finite and infinite population.

“In any statistical investigation, the interest usually lies in studying the various characteristics relating to items or individuals belonging to a particular group. This group of individuals under study is known as the population. Furthermore, population is the aggregate of objects, animate or inanimate, under study in any statistical investigation.”(Gupta SC, 1996, *Fundamentals of Statistics*, P- 1039)

This study is related with financial statement analysis of NIC Bank and NABIL Bank Ltd. To conduct this research study, various financial data are necessary. The population of this study refers to the financial statements such as Balance sheet, Profit & loss account etc. from the establishment year to till now. Thus, population refers the ‘whole’ year.

3.3.2. Sample

In research study, it is not possible to study the whole items of population so, the sampling process is essential. The term ‘Sample’ refers to a part chosen from the population. Sample means the ‘part of the whole’. The process of selecting a sample from a population is called ‘sampling’. It is a tool, which helps to researcher to draw conclusions about the characteristics of the population after studying only those observations that are included in the sample. *(Shrestha, Sunity & Silwal, DP, 2059, Statistical Methods in Management, P-159)*

In this study, sample refers to the financial statement as balance sheet, profit & loss accounts etc. over five fiscal years (i.e. fiscal year from 2003/04 to 2007/08). There are different sampling methods such as simple random sampling, systematic sampling, cluster sampling, quota sampling, judgmental sampling method etc. In this study, sample is picked out by using the convenient sampling method.

3.4. Sources of Data

The data, which are necessary to conduct the research study, can be collected from primary and secondary source. When the researchers go to field and collect required data and information using face to face interview with the manager of banks and other staffs or collect data by watching the events is known as primary data. On the other hand, secondary data are those which are collected through other person are known as secondary data. The required financial statement for this research study has been collected from the published annual report and accounts of the Banks. In other words, the necessary data have been collected through shareholders of the company. Thus, the source of data collecting is secondary source as well as primary data method is also used in this study.

3.5. Data Collection Techniques

In this research study, necessary financial statements have been collected from the published annual reports and accounts, where all the financial data i.e. balance sheet, profit

& loss account etc. for five years have been collected from its shareholders and other published books regarding the Banks have been obtained. In this study, both primary and secondary data methods are used in collecting the needed data and information. In primary data, interview was conducted and some questions were asked to the manager and other staffs of the banks. And as a secondary data published annual reports of both banks were taken from the shareholders and staffs.

3.6. Data Analysis Tools

The data and information are analyzed and presented using different feasible tools and techniques. The researcher in this study has used different financial and statistical tools and techniques which are shortly presented below:

3.6.1. Financial Tools:

There are various tools for interpreting and analyzing of data. For the research study, the following tools will have been used.

1. Liquidity ratio:
2. Profitability ratio:
3. Leverage ratio:
4. Activity ratio:
5. Trend analysis:
6. Cash Flow Statement:
7. Common Size Statement:

3.6.2. Statistical Tools: The following selected tools are used to evaluate the financial performance & position of the Banks.

- a) Average:
- b) Standard deviation:
- c) Correlation Co-efficient analysis:
- d) Coefficient of variance:
- e) Hypothesis test:

CHAPTER – FOUR

DATA PRESENTATION AND ANALYSIS

4.1. Introduction

Data presentation, analysis and interpretation are an important aspect of evaluation of the study. The data and information are presented to prove the research study. The effort of this chapter will be made to analyze and interpret the comparative financial performance of NABIL and NIC Bank. Furthermore, factual and practical information of NABIL Bank and NIC Bank are tried to provide in this chapter and on the basis of this chapter, conclusion and recommendation will be drawn easily.

In this chapter, various financial variables will be presented in numerical form, analyzed and interpreted to achieve the financial decisions. For this, various ratios analysis, trend analysis, cash flow statement, common size statement, average, standard deviation, co-efficient of correlation, testing of hypothesis etc. will be used to analyze the position of comparative financial performance of NABIL and NIC banks as main tools.

4.2. Ratio Analysis

Ratio analysis is an important tool of financial analysis. It is helpful for estimating the financial performance of a firm or a institution. Ratio analysis interprets the financial statement so that the strengths and weakness of a bank or firm as well as its historical performance and current financial condition can be determined. The ratio analysis can be calculated by comparing one item of financial statements with another item of the same statement. There are various types of ratios but in this study: liquidity ratio, profitability ratio, activity ratio and leverage ratio are chosen for analyzing the data.

4.2.1. Liquidity Ratio: Liquidity ratio measures the ability of a firm to meet its short term obligation. It reflects the short term financial strength of the business. This ratio is used to know the capacity of the concern to repay its short term liabilities. Here, the followings ratios are calculated for this purpose: (*Munakarmy, S.P., 2000, Management Accounting, P-476*)

4.2.1.1. Current ratio: This ratio shows the relation between current assets and current liabilities. The current ratio is calculated by dividing current assets by current liabilities. The objective of this ratio is to measure the ability of the banks to meet its short term obligation. The following formula can be ascertained this ratio:

$$\text{Current Ratio} = \frac{\text{Current assets}}{\text{Current liabilities}}$$

There are two components in current ratio. The first component is current assets, those assets which can be converted into cash within a short period of time, normally not exceeding one year. The second component is current liabilities which mean the obligation which are payable within a short period or those liabilities which are expected to be matured within a year is termed.

Interpretation: Higher the current ratio, better the liquidity position is. Actually 2:1 is preferred to be an adequate ratio. If the current ratio of a firm is less than 2:1, it means the firm has difficulty in meeting its current obligation.

In this analysis, current assets includes cash balance and bank balance, Balance with financial institutions, Loan advances and bills purchased, Money at call (short notice), non-banking assets, other assets and like that current liabilities includes borrowing, deposit, bills payable, income tax liabilities, other liabilities etc.

Table No. 1

Comparative Current ratio of NABIL Bank and NIC Bank Ltd.

Years Banks	03/04	04/05	05/06	06/07	07/08	Average	SD	C.V	Range
NABIL	0.69	0.83	0.79	0.73	0.78	0.76	0.65	0.86	0.14
NIC	0.95	0.84	0.84	0.94	0.93	0.90	0.49	0.54	0.11

Source: Appendix – 7

The above table shows that all the current ratios of the banks for fiscal years are less than 1, which indicates that the both banks are not able to cover its current liabilities with its current assets. Because generally 2:1 is considered as a good standard current ratio for the bank's liquidity position. However, this result shows that the both banks are able to minimize the idle cash reserve.

Comparatively, the above table shows that the NIC Bank Ltd has higher the current ratio and lower the standard deviation and coefficient of variation than NABIL Bank Ltd. in all five fiscal years. The highest current ratio of NABIL Bank is 0.83 times in fiscal year 04/05 and like that the highest current ratio of NIC Bank is 0.95 times in fiscal year 03/04. The NIC Bank has 0.12 times higher current ratio than NABIL Bank Ltd. The lowest current ratio of NABIL Bank is 0.69 times in 03/04 fiscal year and like wise another Bank NIC has 0.84 times which lies in 04/05 and 05/06 fiscal years. NABIL Bank has 0.15 times less current ratio than NIC Bank Ltd. The average current ratio of NABIL and NIC are 0.76 and 0.90 times respectively. Likewise, standard deviation and coefficient of variation of NABIL are 0.65 and 0.86 respectively. Similarly, another NIC have 0.49 and 0.54 respectively. The average current ratio of NIC Bank is higher than that of NABIL Bank by 0.14 times. During the study period, there are fluctuations of 0.14times and 0.11 times respectively in both banks.

From the above analysis, it indicates that NIC has maintained higher liquidity than NABIL. Because its assumption is higher the current ratio, better the liquidity

position. Lower standard deviation and coefficient of variation are preferable. However NIC also should improve its position to meet the criteria.

4.2.2. Profitability Ratio: The profitability ratio is related to profit. It shows the overall efficiency of the business concern. The earning capacity of a business, future expansion and growth are measured by profitability ratio. Here the research aims to analyze and compare the profitability pattern of NABIL and NIC and to know how NABIL and NIC are operating their profit. What percentage of income is paid out as operating expenses and interest etc. for this purpose, ROE, ROTA, Equity-capital, etc. are considered as the main ingredients of profitability.

4.2.2.1. Return on Equity (ROE) or Return on Net worth: This ratio shows the relation between the net profit after tax and shareholder's funds. Return on equity or net worth indicates how well the bank used the resources of the owners. In this research, return on equity and return on net worth are the same because there are not preference shares. Here return denotes net profit after tax and share holder equity or net worth includes paid up capital, reserve fund, provision for loan loss and profit etc. It is calculated dividing net profit after tax by equity. A high ROE represents the high profitability position of the banks and vice-versa. It is calculated using following formula.

$$\text{Return on net worth} = \frac{\text{NPAT}}{\text{Shareholders' equity}}$$

Table No. 2

Comparative Return on Equity Ratio of NABIL & NIC Bank Ltd. (in percentage)

Years Banks	03/04	04/05	05/06	06/07	07/08	Average	SD	C.V.	Range
NABIL	98.26	98.28	31.18	28.68	28.66	57	33.7	0.59	69.62
NIC	18.88	19.35	22.72	25.17	22.46	22	2.33	0.105	6.29

Source: Appendix-8

The above table shows that the ROE and average of NABIL Bank is higher than that of NIC Bank during the study period. It means NABIL has ability to utilize the shareholder's fund in the most efficient manner. From the view point of standard deviation, NABIL Bank is in high risk than NIC Bank. Because it has more standard deviation than NIC. Similarly, C.V. and Range also are high of NABIL Bank than NIC Bank so there is high fluctuation in NABIL Bank. The above table shows that the everything in NIC Bank is going smoothly and it is more consistent.

4.2.2.2. Return on Total Assets: This ratio shows the relationship between net profit and total assets. This ratio measures the profitability of all financial resources invested in the firm's assets. It indicates that how far the management is effective in using the total resources invested in assets. Here total assets include total current assets and total fixed assets. A higher return on total assets indicates that the bank is able to generate more return. This ratio is calculated by using the following formula:

$$\text{Return on total assets} = \frac{\text{NPAT}}{\text{Total assets}}$$

Table No. 3

Comparative Return on Total Assets of NABIL & NIC Bank Ltd.

Years Banks	03/04	04/05	05/06	06/07	07/08	Average	SD	C.V.	Range
NABIL	2.91	2.86	2.68	2.30	2.02	2.55	0.34	0.13	0.89
NIC	3.32	2.42	1.70	2.26	1.83	2.31	0.57	0.25	1.62

Source: Appendix - 9

From the above table, it is observed that the average ratio is 2.55% and 2.31% respectively in NABIL Bank and NIC Bank. Here average ratio of NABIL is higher than NIC by 0.24%. It means NABIL Bank is able to generate more return on assets than NIC Bank. The C.V. of NIC is more than NABIL, so NIC has less consistency in comparison of NABIL Bank. Similarly, range and deviation also are high of NIC Bank than NABIL therefore it is in high risk and fluctuation. In comparison NABIL has shown better performance than NIC Bank in term of return on assets.

4.2.2.3. Return on Total Deposit Ratio: Deposit from the public constitute is the major portion of the bank's working capital and its mobilization is the major function of commercial bank. This ratio measures internal rate of return from total deposits. This ratio indicates that what percentage profit earn on total deposit, utilization of deposits are better or not. Here return denotes earning before interest and tax (EBIT). Deposit includes fixed, saving and other deposits. Here current deposit is not included because on current deposit, interest should not be paid. Generally the high ratio indicates better utilization of deposit. It is calculated as follows:

$$\text{Return on Total Deposit Ratio} = \frac{\text{EBIT}}{\text{Total deposits}}$$

Table No. 4

Comparative Return on Total Deposit Ratio of NABIL & NIC Bank

Years Banks	03/04	04/05	05/06	06/07	07/08	Average	SD	C.V.	Range
NABIL	6.57	6.58	6.29	6.44	5.79	6.33	0.29	0.05	0.79
NIC	11.96	6.50	5.93	6.70	6.35	7.45	2.25	0.30	6.03

Source: Appendix-10

From the above table, it is observed that the average return to total deposit ratio is 6.33% in NABIL Bank and 7.45% in NIC Bank respectively. Here the average ratio of NIC is higher than that of NABIL. Similarly, CV, range and standard deviation of of NABIL are higher than that of NIC Bank. From the view point of the average ratio, NIC Bank has better performance but from the view point of CV, range and standard deviation, there is high fluctuation and less consistency.

4.2.2.4. Equity-Capital Ratio: A relation between equity and total assets is known as equity-capital ratio. Or equity-capital ratio is defined as equity divided by total assets. It shows whether the amount of total assets has been properly used or not or return on equity. This ratio shows the efficiency of the Banks on the utilization of total assets. Other things being equal, a lower equity-capital ratio leads to a higher return on equity. This ratio is calculated using the following formula:

$$\text{Equity-capital Ratio} = \frac{\text{Equity}}{\text{Total Assets}}$$

Table No. 5

Comparative Equity-capital Ratio of NABIL & NIC Bank Ltd.

Years Banks	03/04	04/05	05/06	06/07	07/08	Average	SD	C.V.	Range
NABIL	0.03	0.03	0.09	0.08	0.07	0.06	0.025	0.42	0.06
NIC	0.18	0.12	0.07	0.09	0.08	0.11	0.040	0.36	0.11

Source: Appendix-11

From the above table, it is observed that the average ratio of NABIL is lower than that of NIC by 0.05. So, which would have resulted in a decline in return on equity. In case of NIC bank in comparison to NABIL bank. From the view point of standard deviation, NABIL Bank is in low risk than NIC Bank. Because its standard deviation is less than NIC i.e. (0.040>0.025). The CV is lower in NIC by 0.06 than NABIL. It shows that variability of the ratio of NABIL is more uniform than that of NIC. The range of ratio in NIC bank is high therefore there is high fluctuation in return on equity. Comparatively, NABIL has better performance in term of returns on equity or equity-capital ratio.

4.2.2.5. Interest Expenses to Total Deposit Ratio: This ratio measures what percentage interest paid on total deposit. Major function of the bank is to receive the deposits from those public so the bank has to pay interest on deposit. This ratio indicates the interest paid percentage on total deposit. It is calculated by using the following formula:

$$\text{Interest Expenses to Total Fixed Deposit} = \frac{\text{Interest Expenses}}{\text{Total Fixed Deposit}}$$

Table No. 6

Comparative Interest Paid to Total Fixed Deposit Ratio of NABIL & NIC Bank

Years Banks	03/04	04/05	05/06	06/07	07/08	Average	SD	C.V.	Range
NABIL	0.20	0.12	0.10	0.10	0.09	0.12	0.04	0.33	0.11
NIC	0.06	0.04	0.04	0.05	0.04	0.05	0.008	0.16	0.04

Source: Appendix-12

From the above table, it is observed that NABIL Bank has higher average ratio than NIC Bank (i.e. 0.12 >0.05). It means NABIL Bank has more ability to pay high interest rate on fixed deposit. Because, during the study period also its ratios are higher than that of NIC Bank. The ratio of CV also is lower in NABIL Bank than NIC Bank. It shows that variability of the ratio of NABIL is more uniform than that of NIC. From the view point of range of ratio, there is high fluctuation in NABIL Bank.

4.2.2.6. Interest Expenses To Interest Earned Ratio: Bank pays interest to its depositors. On the other hand, bank receives interest from loan and advance, money at call and short notice investment in government securities etc. Therefore bank should mobilize deposits in such a way that it is able to pay interest to its depositors and able to earn profit. It is calculated by using the following formula:

$$\text{Interest Expenses to Interest Earned Ratio} = \frac{\text{Interest Paid}}{\text{Interest Earned}}$$

Table No. 7
Comparative Interest Expenses to Interest Earned Ratio of NABIL & NIC
Bank Ltd.

Years Banks	03/04	04/05	05/06	06/07	07/08	Average	SD	C.V.	Range
NABIL	0.23	0.23	0.27	0.35	0.38	0.29	0.06	0.21	0.15
NIC	0.27	0.26	0.27	0.26	0.24	0.26	0.01	0.04	0.03

Source: Appendix- 13

From the above table, the averaged ratio of interest paid to interest earned ratio of NABIL & NIC are 0.29 & 0.26 respectively. The average ratio of NABIL is higher than that of NIC Bank. From the view point of average ratio, NABIL Bank has better performance than NIC Bank. Similarly range, CV and deviation ratio of NIC are 0.03, 0.04 and 0.01 respectively during the study period, which are lower than that of NABIL Bank. It means there is less risk, less consistency and less fluctuation in NIC Bank. In comparison, the NABIL bank has good ability to pay interest to its depositors.

4.2.2.7. Total Interest Earned to Total Investment Ratio: The interest in the major source on income of the banks. Banks invest the deposits at different sector. Total interest earned to total investment ratio measures interest earned from total investment of the bank. Here total investment includes loan, advance & overdraft, investment in government securities, money at call and bill purchased & discount. It is calculated by using following formula:

$$\text{Total Interest Earned to Total Investment} = \frac{\text{Total Interest Earned}}{\text{Total Investment}}$$

Table No. 8
Comparative Total Interest Earned to Total Investment Ratio
of NABIL & NIC Banks Ltd.

Years Banks	03/04	04/05	05/06	06/07	07/08	Average	SD	C.V.	Range
NABIL	0.17	0.25	0.21	0.18	0.20	0.20	0.03	0.15	0.08
NIC	0.52	0.56	0.23	0.45	0.40	0.43	0.12	0.27	0.33

Source: Appendix -14

It is observed that the average total interest earned to total investment ratio of NABIL and NIC Banks are 0.20 & 0.43 respectively. The average ratio of NIC Bank is higher than that of NABIL Bank by 0.23 during the study period. It indicates proper utilization of its resources for investment in NIC than NABIL. Here, the average ratio during the study period in NIC is high due to its high investment on loan & advance in comparison to NABIL Bank. Due to its high investment on loan & advance, it is highly risk bearing with high fluctuation and less consistency.

4.2.3. Credit Quality Ratio: Financial institutions can afford to make loans that are individually risky as long as the default rate for the group of loans is predictable. For example, a 2 percent loss rate on a group of consumer loans will not cause difficulty as long as the loss rate is anticipated and the interest rate on the loans is high enough to provide a profit after deducting loan losses. A problem arises when loss rates are higher than anticipated.

It is difficult to measure credit quality using financial statement information, but some information can be gained by ratio analysis. Under this ratio, credit loss provisions to total assets, credit loss coverage, credit loss reserves to total assets etc. are main points. (Yeager, Fred C., & Seitz Neil E., 1989, *Financial Institutional Management*, P-128)

4.2.3.1. Provision for possible/credit/loan loss to Total Assets Ratio: The ratio of credit loss provisions to total assets is one such measure. This ratio shows the relationship between credit loss provisions to total assets. This ratio measures the risk on loans provided to debtors. This ratio can be calculated by using the following formula:

$$\text{Ratio of Provision for credit loss} = \frac{\text{Provision for credit loss}}{\text{Total Assets}}$$

Table No. 9

Comparative Provision for Credit Loss Ratio of NABIL & NIC Banks Ltd.

Years Banks	03/04	04/05	05/06	06/07	07/08	Average	SD	C.V.	Range
NABIL	0.15	0.26	0.35	0.40	0.30	0.29	0.085	0.29	0.25
NIC	2.14	1.91	1.44	1.58	1.87	1.79	0.25	0.14	0.70

Source: Appendix -15

The above table shows the comparative provision for credit loss ratio of NABIL and NIC banks Ltd. for the study period. The average ratio of provision for loan loss ratio of NABIL and NIC banks are 0.29 and 1.79 respectively. Here, NIC bank's provision for credit loan losses as a percentage of total assets increased sharply (i.e. $1.79 > 0.29$). This could be the result of the NIC bank moving into more risky loans. From the view point of standard deviation, NIC bank is in more risk than NABIL bank because, it's SD is more by 0.165. The CV of NABIL and NIC are 0.29 and 0.14 respectively. From the view point of CV there is less consistency in NIC bank because its CV is less than NABIL and there is high fluctuation in NIC with more range than NABIL bank. In comparison, NABIL bank has better efficiency than NIC bank.

4.2.3.2. Credit Loss Coverage: The credit loss coverage measures the margin for error provided by income. The credit loss coverage ratios for the NABIL and NIC banks are presented below with this formula:

$$\text{Credit Loss Coverage} = \frac{\text{EBT} + \text{Provision for credit loss}}{\text{Provision for credit losses}}$$

Table No. 10

Comparative Credit Loss Coverage Ratio of NABIL & NIC Banks Ltd.

Year Banks	03/04	04/05	05/06	06/07	07/08	Average	SD	C.V.	Range
NABIL	290.45	161.81	112.30	87.64	99.27	150.29	74.49	0.50	202.81
NIC	30.12	23.80	25.40	27.18	22.39	25.78	2.69	0.10	7.73

Source: Appendix -16

The above table has presented the calculated value of credit loss coverage ratio of NABIL and NIC banks Ltd. during the study period. The average ratio of credit loss coverage ratio of NABIL and NIC banks are 150.29 and 25.78 respectively. Here, the average ratio of NABIL is higher than that of NIC bank. A high credit loss coverage ratio means a greater margin for error and therefore more safety, other things being equal. However, the decline in the coverage ratio in this case must be interpreted in light of that fact that a more conservative approach to loan loss provisions has been adopted.

The standard deviation of NABIL and NIC are 74.49 & 2.69, CV 0.50 & 0.10 and range of NABIL and NIC banks are 202.81 & 7.73 respectively. From the view point of SD, CV and range, NIC is in less risk less more consistency and less fluctuation.

4.2.3.3. Total Investment to Total Deposit Ratio: This ratio helps to establish the relationship between investments made by the bank in proportion of deposit collected. This relationship is very important for the banks, because the stability and success or failure is represented by this ratio. How much does the bank keeps ability to invest the deposits collected, is determined by this ratio. If the investment is low in proportion deposit collected, the bank is bound to achieve only low volume of interest income. This ratio measures the efficiency, which the banks are successful in mobilizing total deposits on investment. Deposits from the public constitute is the major portion of the banks working. Here, total deposit amount is included saving, current, fixed and other account's amount. This total deposit amount should be utilized by the banks because banks will pay the deposit amount to the depositor along with interest. So, calculation of this ratio presents the actual relationship between the banks' investment and deposit. This ratio is calculated by using the following formula:

$$\text{Total Investment to Total Deposit Ratio} = \frac{\text{Total Investment}}{\text{Total Deposits}}$$

Table No. 11

Comparative Total Investment to Total Deposit Ratio of NABIL and NIC Bank

Years Banks	03/04	04/05	05/06	06/07	07/08	Avg	SD	C.V.	Range
NABIL	0.41	0.29	0.32	0.38	0.31	0.34	0.05	0.15	0.12
NIC	0.25	0.13	0.28	0.16	0.18	0.20	0.06	0.30	0.15

Source: Appendix – 17

The above table shows that the average ratio of total investment to total deposit ratio of NABIL and NIC banks are 0.34 and 0.20 respectively. Here, the average ratio of NABIL is higher than that of NIC bank. It means the NABIL

represents the bank is capable in mobilizing the deposits into the investment. Similarly, the standard deviation of NABIL bank is 0.05 and the standard deviation of NIC bank is 0.06. Here, the standard deviation of NIC is higher than that of NABIL bank by 0.01. So, there is high risk in NIC bank. Like that CV ratio of NABIL is 0.15 and the CV of NIC is 0.30. NIC bank has more CV ratio by double (i. e. $0.30 > 0.15$). It means there is less consistency than NABIL bank. Similarly, range of NABIL bank is 0.12 and range of NIC bank is 0.15. There is less fluctuation in NABIL bank with its less range by 0.03. Comparatively, NABIL bank has greater efficiency in mobilizing the deposits into investments.

4.2.3.4. Total Loan & Advance to Total Deposit Ratio: Loans and Advances are the important programs lunched by the bank to generate profit. The deposit collected from various depositors is mobilized by the bank in the form of loans advances. The bank lends such deposits with higher interest rate to the borrowers, thus they generate profit for the bank. Loans and advances to total deposit ratio presents the bank's lending with respect to deposit. Loans and advances includes total loans, advances bills purchased, overdrafts and total deposit includes saving deposits, currents deposits, fixed deposits, call and short time deposits. This ratio represents the capability of the bank to make lending in suspect to deposits. This ratio measures the efficiency of the banks to mobilize its deposits in purpose of profit generating. It is calculated by using the following formula:

$$\text{Total Loan \& Advances to Total Deposits} = \frac{\text{Total Loan \& Advances}}{\text{Total Deposits}}$$

Table No. 12
Comparative Total Loans & Advances to Total Deposits Ratio
of NABIL and NIC Bank Ltd.

Years	03/04	04/05	05/06	06/07	07/08	Avg	SD	C.V.	Range
NABIL	0.58	0.73	0.67	0.67	0.67	0.66	0.05	0.08	0.15
NIC	0.83	0.75	0.76	0.89	0.86	0.82	0.05	0.06	0.14

Source: Appendix – 18

The above table shows the mean ratio of NABIL bank and NIC bank are 0.66 & 0.82 respectively. Here the mean ratio of NIC bank is greater than NABIL bank by 0.16. From the view point of mean ratio, NIC bank has better efficiency of utilizing the total deposits as loan and advance. Similarly, the standard deviation of NABIL and NIC banks are the same i.e. 0.05 = 0.05. It means there are same condition or equal risk in both banks. Like that, CV ratio of total loan and advance to total deposits of NABIL and NIC banks are 0.08 and 0.06 respectively. There is less CV ratio in NIC bank by 0.02. It shows that there is high consistency in NIC bank. Ranges of fluctuation of both banks are 0.15 and 0.14 respectively. On the basis of range, there is slightly more fluctuation in NABIL bank.

4.2.3.5. Total Loan and Advance to Fixed Deposit Ratio: Fixed deposit is also sources of collecting the fund. Fixed deposit fund can be utilized to finance by the bank for a long period because fixed deposit has a longer period and it as pre-determined maturity date. This ratio measures the efficiency of banks to mobilize the fixed deposit into loan & advance. This ratio is calculated by using the following formula:

$$\text{Loan \& Advance to Fixed Deposit Ratio} = \frac{\text{Loan \& advance \& Draft}}{\text{Fixed Deposit}}$$

Table No. 13
Comparative Loan & Advance to Fixed Deposit Ratio
of NABIL and NIC Bank Ltd.

Years	03/04	04/05	05/06	06/07	07/08	Avg	SD	C.V.	Range
NABIL	7	5	4	3	3	4.4	1.5	0.34	4
NIC	1	2	2	2	2	1.8	0.4	0.22	1

Source: Appendix – 19

From the above table, it is found that the average ratio of Loan and advance to fixed deposit ratio of NABIL and NIC banks are 4.4 and 1.8 respectively. Here, the average ratio of NABIL is more than NIC bank. It means NABIL bank has more power to utilize its fixed deposits into loan and advance. Similarly, standard deviation of NABIL bank and NIC bank are 1.5 & 0.4 respectively. NIC bank has less standard deviation by 1.1 than NABIL bank. So it is less risky than NABIL bank. CV of NABIL bank is 0.34 and of NIC bank 0.22. NIC Bank has greater CV than NIC bank by 0.12. From this point, NABIL bank is more consistent than NIC bank. There is more fluctuation in NABIL bank due to the high range.

4.2.4. Leverage/ Capital Structure/ Solvency Ratio

The leverage ratios are calculated to judge the long term financial position of a firm. These ratios measure the firm's ability to pay the interest regularly and to repay the principal on maturity. Leverage ratio shows how much of a firm's fund is financed by debt and equity. Here it aims to analyze and compare the leverage ratios of NABIL & NIC Banks by using the following tools:

4.2.4.1. Interest Coverage Ratio: This ratio indicates the ability of a firm to pay interest charges on its borrowed capital. It is also called "Debt Service Ratio" or "Time interest Earned Ratio". Interest Coverage Ratio judges the sufficiency of an organization's income to pay the interest by establishing the relationship between income before interest and taxes (EBIT). The higher the coverage ratio, the greater

the ability of the firm to make the payment of interest. This ratio indicates that for how many times interest expenses are coverage by EBIT. This ratio is calculated by using the following formula:

$$\text{Interest Coverage Ratio} = \frac{\text{EBIT}}{\text{Interest}}$$

Table No. 14

Comparative Interest Coverage Ratio of NABIL and NIC bank Ltd.

Years Banks	03/04	04/05	05/06	06/07	07/08	Avg	SD	C.V.	Range
NABIL	0.95	0.90	0.93	0.95	0.93	0.93	0.02	0.02	0.05
NIC	0.90	0.89	0.90	0.93	0.89	0.90	0.01	0.01	0.01

Source: Appendix – 20

It is observed that the average ratio of NABIL and NIC banks are 0.93 and 0.90 respectively. The average ratio of NABIL is higher than that of NIC bank. So, it means NABIL has strong debt servicing capacity in comparison to NIC during the study period. Similarly the standard deviation and CV ratios are greater of NABIL bank by 0.01. It shows that the NIC Bank is more risky and consistent in comparison of NABIL bank. From the view point of range, there is high fluctuation in NABIL bank.

4.2.4.2. Debt-to-Equity Ratio: Debt equity Ratio indicates the relationship between borrowed funds and owners equity. In other word, this ratio indicates the relative claims of borrower and owners against the firm’s assets. It is calculated dividing total debts by shareholders’ equity. In case of commercial bank, total debts are the sum of current liabilities and total long term debts amount. The financial interest of owners is called share holder equity. Shareholder equity includes paid up capital,

$$\text{Debt-to-Equity Ratio} = \frac{\text{Total Debts}}{\text{Shareholders' equity}}$$

reserve fund, provision for loan loss and profit etc. A high ratio means the claims of depositor and creditors are greater than those of owners. And it is unfavorable for the bank. This ratio is calculated by using the following formula:

Table No. 15

Comparative Debt Equity Ratio of NABIL Bank and NIC Bank Ltd. (in times)

Years Banks	03/04	04/05	05/06	06/07	07/08	Avg	SD	C.V.	Range
NABIL	31	30	10	11	13	19	9.4	0.49	21
NIC	5	8	12	10	11	9	2.5	0.28	7

Source: Appendix- 21

From the above table, it is observed that the average ratio of NABIL bank and NIC bank are 19 & 9 times respectively during the study period. There is different by 10 times between the average ratio of NABIL and NIC banks. Or there is higher average ratio in NABIL bank by 10 times than NIC bank. Similarly, standard deviations of NABIL and NIC banks are 9.4 and 2.5 times respectively. Here, there is high standard deviation in NABIL bank, so, it is in high risk. CV ratio of NABIL bank and NIC bank are 0.49 & 0.28 times respectively. It means, there is less consistency in NIC bank due to its less CV ratio. From the view point of range, there is less fluctuation in NIC bank with its less range by 14 times.

4.2.4.3. Debt to Total Capital Employed: This ratio shows the relationship between the long term debt and total capital. Total capital employed consists of long term debt and share holders' equity and current liabilities. Total debt consists of long term debt and current liabilities. A low ratio represents security to creditors in extending credit. On the contrary, a high ratio represents a greater risk to creditors as well as shareholders. This ratio is calculated by using the following formula:

$$\text{Debt to Total Capital Employed} = \frac{\text{Total Debts}}{\text{Capital Employed} + \text{Current Liabilities}}$$

Table No. 16

Comparative Debt to Total Capital Employed Ratio of NABIL and NIC banks

Years Banks	03/04	04/05	05/06	06/07	07/08	Avg	SD	C.V.	Range
NABIL	0.97	0.97	0.91	0.92	0.93	0.94	0.03	0.03	0.06
NIC	0.85	0.91	0.94	0.94	0.95	0.92	0.04	0.04	0.10

Source: Appendix – 22

From the above table, it is observed that the average ratio of NABIL and NIC banks are 0.94 & 0.92 respectively. There is greater average ratio of NABIL bank by 0.02 than that of NIC bank. A high ratio represents a greater risk to creditors in extending credit. So, there is high risk and high profitability in NABIL bank in comparison of NIC bank. The CV ratio of NABIL is 0.03 and CV ratio of NIC is 0.04. There is more consistency in NABIL bank in comparison of NIC due to its lower CV ratio. Similarly, on the basis of range deviation ratio, there is less fluctuation in NABIL bank than that of NIC bank.

4.2.4.4. Total Debts to Assets Ratio: Debt to assets ratio measure the proportion of debt capital has been used for acquiring assets. Debt to assets ratio can be calculated by two approaches first is to relate the long term debt to the net fixed assets. A net fixed asset is the difference between gross fixed assets and depreciation of fixed assets. Long term debt is only fixed deposit because fixed deposit from the depositor has long term maturity period.

Second approach is to relate the total debt to total assets total assets consists of current assets and total fixed assets. Total debts are consists of current liabilities

and fixed deposits. A high ratio indicates the higher risk to creditors or depositors than owner and lower ratio indicates just opposite.

For this research study, first approach is taken because second approached calculation will be same as debt to total capital employed ratio. So, it is calculated by using the following formula:

$$\text{Total Debts to Fixed Coverage Ratio} = \frac{\text{Long Term Debt}}{\text{Net Fixed Assets}}$$

Whereas, Long Term Debt = Fixed Deposit

Table No. 17

Comparative Total Debts to Fixed Coverage Ratio of NABIL bank and NIC bank Ltd.

Years Banks	03/04	04/05	05/06	06/07	07/08	Avg	SD	C.V.	Range
NABIL	0.22	0.21	0.23	0.75	0.45	0.37	0.21	0.57	0.54
NIC	4.27	1.70	4.78	26.45	20.81	11	10	0.90	25

Source: Appendix 23

The above table shows that the average ratio of Long term debt to net fixed assets of NABIL and NIC banks are 0.37 and 11 respectively. The average ratio of NIC is very higher than that of NABIL bank. It means, there is higher risk to depositors because higher proportion of fixed assets is financed by NIC bank in comparison to NABIL. Similarly, CV of NABIL and NIC banks are 0.57 and 0.90 respectively. There is great CV in NIC bank so, there is high consistent. Range and deviation of NABIL bank is less than NIC bank. From the view point of range and deviation, NABIL bank has better efficiency to utilize fixed assets of depositors.

From the above analysis in NIC bank, higher proportion of fixed assets are financed by long term debt whereas less in NABIL. So, it proved that in NIC bank is higher claim on assets of outsider/ depositors or external.

4.2.5. Market Value/ Other Ratios: This ratio is frequently used to show the market value of a firm. From the help of this ratio the researcher can analyze the market value of NABIL and NIC banks. Market value ratios are widely used and important tool to measure the soundness of performance of the bank. These ratios also reflect the bank's financial performance. Market ratios give insight in to how well investors in the market feel the firm's performance. It, in other words reflects the return and risk in the eye of market. Market ratios includes the price earning (PE) ratio, dividend per share ratio, dividend per share ratio, dividend payout ratio, dividend yield ratio, market/book ratio etc are component of this ratio.

4.2.5.1. Earning per Share (EPS): Earning per ratio measures the profit available to the equity shareholder in term of per share. It is a widely used ratio measuring profitability of a firm from the owner's point of view. It is calculated dividing the profit available to the shareholder by the number of outstanding shares. Profits available to the shareholder represented by net profit after tax and preference dividend. It indicates investor's judgments about the firm's performance. The higher ratio indicates more efficient bank. It is calculated by using the following formula:

$$\text{Earning Per Share} = \frac{\text{Earning Available to Equity Share}}{\text{No of Outstanding Shares}}$$

Table No. 18

Comparative Earning Per Share Of NABIL Bank and NIC Bank Ltd.

Years Banks	03/04	04/05	05/06	06/07	07/08	Avg	SD	C.V.	Range
NABIL	99	99	122	127	109	111	12	0.12	28
NIC	29	32	35	44	46	37	7	0.19	17

Source: Appendix- 24

The above table shows that earning per share of NABIL bank has significantly increased in two respective years 05/06 and 06/07 (i. e. Rs.122 and Rs.127) then decreased. But in NIC bank has gone increasingly in all respective years. It is observed that the average earning per share of NABIL significantly large than that of NIC. The average EPS of NABIL and NIC banks are Rs.111 and Rs.37 respectively. Here, the average EPS of NABIL is larger by Rs.74. On the basis of per share, higher earning per share indicates higher profitability of NABIL than in NIC. The standard deviation of NABIL and NIC are 12 & 7 respectively. It means, there is high risk in NABIL bank than that of NIC bank. Similarly, CV ratio of NABIL and NIC are 0.12 and 0.19 respectively. CV shows that there is more consistent in NABIL bank than NIC bank. Range of NABIL and NIC banks are Rs.28 and Rs.17 respectively. It means there high fluctuation in NABIL bank and less fluctuation in NIC bank.

4.2.5.2. Dividend Per share (DPS): Dividend is the portion of net profit after tax which is paid to the ordinary share holder on per share basis. DPS is considered as better indicator than EPS because it shows what exactly is received by the owner's. How much per share the dividend is distributed to common shareholders can be known from this ratio. It is calculated as follows:

$$\text{Dividend Per Share} = \frac{\text{Dividend Paid (Proposed Dividend)}}{\text{No. of Shares}}$$

Table No. 19

Comparative Dividend per Share Ratio of NABIL and NIC Bank Ltd.

Years Banks	03/04	04/05	05/06	06/07	07/08	Avg	SD	C.V.	Range
NABIL	66	70	85	100	60	76	14	0.18	40
NIC	1	10	1	1	2	3	4	1.33	9

Source: Appendix- 25

It observed that the average ratio of Dividend per Share of NABIL and NIC banks are Rs. 76 & Rs.3 respectively. The average ratio of NABIL is extremely large than NIC bank or NABIL bank is paying more dividend per share to shareholders in comparison to NIC bank. But from the view point of standard deviation, it is in high risk because there is higher standard deviation than in NIC bank. (i.e. standard deviation of NABIL is 14 and NIC is 4) CV ratio of NABIL and NIC are 0.18 and 1.33 respectively. Here, CV ratio of NABIL is less than NIC. So, there is more consistency in NABIL bank than NIC bank. Range of NABIL and NIC banks are 40 and 9 respectively. On the basis of range, there is high fluctuation in NABIL bank than NIC bank.

4.2.5.3. Dividend Pay-out Ratio: The purpose of calculating this ratio is to know the portion of dividend distributed out of total earning. This ratio shows the relation between the returns belonging to equity shareholders and the dividend paid to them. The dividend pay-out ratio shows what percentage share of the net profit after tax & preference dividend to shareholders. It can be found by using following formula:

$$\text{Dividend Pay-out Ratio} = \frac{\text{Dividend Per Share}}{\text{Earning Per Share}}$$

Table No. 20

Comparative Dividend Pay-out Ratio of NABIL Bank and NIC Bank Ltd.

Years Banks	03/04	04/05	05/06	06/07	07/08	Avg	SD	C.V.	Range
NABIL	0.67	0.70	0.70	0.79	0.55	0.68	0.08	0.12	0.24
NIC	0.03	0.32	0.03	0.02	0.04	0.09	0.12	1.33	0.30

Source: Appendix – 26

It found that the average dividend yield ratio of NABIL and NIC banks are 0.68 and 0.09 respectively during the study period. Here, average ratio of NABIL bank is higher than that of NIC bank by 0.59. Similarly, standard deviation of NABIL and NIC are 0.08 and 0.12 respectively. The standard deviation of NABIL is less than that of NIC bank by 0.04. There is less risk in NABIL bank. CV of NABIL bank and NIC bank are 0.12 and 1.33 respectively. Here, the CV ratio of NIC is greater than NABIL bank. It means the variability of dividend yield ratio of NABIL is more consistent than that of NIC bank. Range of NABIL bank and NIC bank are 0.24 and 0.30 respectively. On the basis of range, it is observed that there is high fluctuation in NIC bank because its range is high.

4.2.5.4. Earning Yield Ratio: This ratio shows the relationship between the market value per share and earning per share. It is closely related to earning per share. EPS is expressed in term of market value per share is known as earning yield ratio. A high ratio indicates favorable and vice-versa. It is calculated by using following formula:

$$\text{Earning Yield Ratio} = \frac{\text{Earning Per Share}}{\text{Market value per share}}$$

Table No. 21

Comparative Earning Yield Ratio of NABIL bank and NIC bank Ltd.

Years Banks	03/04	04/05	05/06	06/07	07/08	Avg	SD	C.V.	Range
NABIL	0.10	0.07	0.05	0.03	0.02	0.05	0.03	0.60	0.08
NIC	0.13	0.09	0.07	0.05	0.04	0.08	0.03	0.40	0.09

Source: Appendix – 27

From the above table, it is observed that the average ratio of Earning Yield Ratio of NABIL and NIC bank are 0.05 and 0.08 respectively. Here, the average ratio of NIC bank is higher than that of NABIL bank. It reflects that NIC bank has more earning per share over the market value per share. The standard deviation of NABIL and NIC banks are equal or same i.e. 0.03 = 0.03. So, there is equal risk in both banks. CV ratio of NABIL and NIC banks are 0.60 and 0.40 respectively. Here, the CV ratio of NABIL is higher than that of NIC bank. It means, there is high consistency in NABIL bank than NIC bank. Range of NABIL and NIC banks are 0.08 and 0.09 respectively. On the basis of range, there is high fluctuation in NIC bank.

4.2.5.5. Price Earning Ratio: Price earning ratio measures the expectation of investors and the market appraisal of the performance of firm. Price earning ratio is the ratio between market price per share and earning per share. It indicates investor's judgment or expectation about the firm's performance. A high price earning ratio indicates the greater confidence of investor in the firm's future and vice-versa. It is calculated by using the following formula:

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

Table No. 22

Comparative Price Earning Ratio Of NABIL Bank and NIC Bank Ltd.

Years Banks	03/04	04/05	05/06	06/07	07/08	Avg	SD	C.V.	Range
NABIL	10	15	18	40	49	26	15	0.58	39
NIC	8	12	14	22	28	17	7	0.41	20

Source: Appendix – 28

From the above table, the average ratio of Price Earning Ratio of NABIL and NIC banks are 26 and 17 respectively during the study period. The average ratio of NABIL is higher than that of NIC bank by 9. It means, shareholders of NABIL has greater confidence than shareholders of NIC bank in the bank's future because the high price earning ratio reflects its higher market price per share over earning per share. The standard deviation of NABIL and NIC banks are 15 and 7 respectively. The standard deviation of NIC is less than NABIL bank so there is less risk. CV ratio of NABIL and NIC banks are 0.58 and 0.41 respectively. The CV ratio of NIC is less and it is more consistency than NABIL bank. Range of NABIL bank is 39 and the range of NIC bank is 20. Volatility is more in NABIL bank due to its more range.

4.2.5.6. Market Value to Book Value per Share: This ratio reflects the relationship between market value of common stock and book and fair value of the same stock. Book value is the shareholders' fund. Book value of a share is also called intrinsic value. Market value to book value per share ratio measures real worth of a share with the market price of same share in the market. This ratio can be obtained by dividing the market price of common stock by the book value of the same stock. It is calculated by using following formula:

$$\text{Market Value to Book Value per Share} = \frac{\text{Market Value per Share}}{\text{Book Value per share}}$$

Table No. 23

Comparative Market Value to Book Value per Share of NABIL and NIC Banks

Years Banks	03/04	04/05	05/06	06/07	07/08	Avg	SD	C.V.	Range
NABIL	3	5	6	12	15	8.2	4.50	0.55	12
NIC	0.4	0.5	0.6	1.0	1.0	0.7	0.25	0.36	0.6

Source: Appendix-29

From the above table, it has shown the average ratio of Market Value to Book Value per share of NABIL and NIC banks are 8.2 and 0.7 respectively during the study period. Here, there is more average ratio in NABIL bank, so it shows the stock of NABIL is selling at higher value in comparison to NIC bank. The standard deviation of NABIL and NIC banks are 4.5 and 0.25 respectively. There is higher standard deviation in NABIL bank and it is high risk than NIC bank. The CV ratio of NABIL bank is 0.55 and the CV ratio of NIC bank is 0.36. There is more CV in NABIL bank with less stability. Range of NABIL bank and NIC are 12 and 0.6 respectively. There is significant difference between the range of NABIL bank and NIC bank. According to the range, there is less fluctuation in NIC bank.

4.2.5.7. Earning Power Ratio: The earning power of a firm may be divined as the overall profitability of enterprises. This ratio represents the relationship between the profit before interest & tax and total assets. It is calculated dividing the earning before interest & tax by total assets. Here, total assets consist of current assets and fixed assets. Earning power can be also calculated by multiplying between the net profit margin and investment turnover. A high ratio indicates the overall profitability and operational efficiency of a firm and vice versa. This ratio can be found by using the following formula:

$$\text{Earning Power Ratio} = \frac{\text{EBIT}}{\text{Total Assets}}$$

Table No. 24

Comparative Earning Power Ratio of NABIL Bank and NIC Bank Ltd.

Years Banks	03/04	04/05	05/06	06/07	07/08	Avg	SD	C.V.	Range
NABIL	0.06	0.06	0.05	0.06	0.05	0.06	0.005	0.08	0.01
NIC	0.09	0.06	0.05	0.06	0.05	0.06	0.015	0.25	0.04

Source: Appendix- 30

From the above table, it is found that the average ratio of Earning Power Ratio of NABIL and NIC banks are equal or same i.e. $0.06 = 0.06$. It means, there is equal chance for earning power in both banks. The standard deviation of NABIL and NIC banks are 0.005 and 0.015 respectively. Here, the standard deviation of NABIL bank is less than NIC bank. According to standard deviation, the NABIL bank is in less risk. CV ratio of NABIL and NIC banks are 0.08 and 0.25 respectively. CV ratio of NIC is higher than that of NABIL bank by 0.17. It indicates that the NABIL bank has more consistency than NIC bank. Range of NABIL bank and NIC bank are 0.01 and 0.04 respectively.

In comparison of above all sectors, NABIL bank has better profitability, efficiency and performance.

4.3. Trend Analysis

Trend analysis is one of the most important statistical tools to evaluate the movement of financial variables over a period of time. It shows the various fluctuation i.e. upward and downward movements of variables. And the movement of variables is compared with the base period's index and also can make the evaluation for future. With the help of this trend analysis, researcher can know the direction of the movement usually first year is selected as base year or 100% and expressing in percentage, the amount in the subsequent year relative o the first year base.

In this study, various trends of variables of NABIL and NIC banks during the five fiscal years have been presented and analyzed. In this section, attempt has been made to analyze the trends of some significant items contained in the financial statements of both banks. The trend will have been tabulated and plotted in the graphs. The following significant items contained in the financial statement:

4.3.1. Trend of Deposits: In this section, trend of total deposit, fixed deposit, current deposit and saving & other deposit are presented serially to compare the improvement or deterioration in the collection of deposits of NABIL & NIC banks during the study period.

4.3.1.1. Trend of Total Deposit: Total deposit of NABIL and NIC banks are included fixed, current, saving & other deposits etc. are presented below:

Table No. 25

Calculation of Trend of Total Deposit of NABIL Bank and NIC Bank Ltd.

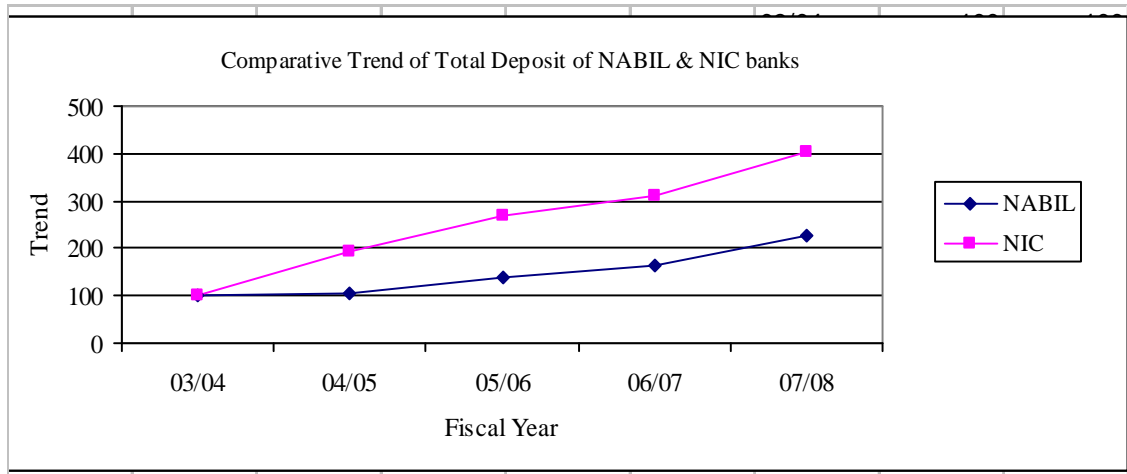
(In percentage)

Year	NABIL		NIC	
	Total Deposit (Rs.)	Trend (%)	Total Deposit (Rs.)	Trend (%)
03/04	14,119,032	100	3,242,378	100
04/05	14,586,608	103	6,241,378	192
05/06	19,347,399	137	8,765,951	270
06/07	23,342,285	165	10,068,231	311
07/08	31,915,047	226	13,084,689	404

Source: Appendix – 1&2

The above calculated trend of deposit of NABIL and NIC banks are presented in graphical form, which is below:

Graph No. 1



The above graph shows trend of NABIL and NIC banks. It shows increasing trend line in both banks during the fiscal year. Comparatively the growth of NIC is higher than that of NABIL. It means that NIC bank is more successful in collecting total deposit in comparison of NABIL bank.

4.3.1.2. Trend of fixed deposit: Banks accept deposits on various accounts. Out of this accounts fixed accounts is one and banks accept deposits on fixed accounts for fixed period and pay interest with specific rate. Under fixed account depositors cannot withdraw their fixed deposits before the expiry of that period. Usually, bank can utilize fixed deposit for long term loan or investment which yields high return. Trend of fixed deposit of NABIL and NIC banks are presented below:

Table No. 26

Calculation of Trend of Fixed Deposit of NABIL Bank and NIC Bank Ltd.

(In percentage)

Years	NABIL		NIC	
	Fixed Deposit (Rs.)	Trend (%)	Fixed Deposit (Rs.)	Trend (%)
03/04	1,100,245	100	1,901,462	100
04/05	2,078,535	189	2,930,620	154
05/06	3,449,094	313	4,064,500	214
06/07	5,435,190	494	4,047,563	213
07/08	8,464,086	769	5,875,951	309

Source: Annual Report of NABIL and NIC banks

The above table shows that the trend of Fixed Deposit of NABIL and NIC banks during the study period. The trend of NABIL and NIC banks are in increasing trend respectively. But there is more fluctuation in NIC bank. Because, in fiscal year 06/07 to 07/08 has increased significantly. In NIC bank has increased consistently. Comparatively, the growth of NABIL bank is higher than NIC bank.

4.3.1.3. Trend of Current Deposit: Bank accepts money on current account also. Bank must pay to current depositor whenever they demand current deposits. Bank should not pay interest on current deposit. The trend of current deposit of NABIL and NIC is shown below:

Table No. 27

Calculation of Trend of Current Deposit Of NABIL Bank and NIC Bank Ltd.

(In percentage) ('000)

Year	NABIL		NIC	
	Current Deposit (Rs.)	Trend (%)	Current Deposit (Rs.)	Trend (%)
03/04	2,054,223	100	170,529	100
04/05	2,799,185	136	233,161	137
05/06	2,910,590	142	391,872	230
06/07	3,395,240	165	510,201	299
07/08	5,284,368	257	654,178	384

Source: Annual Report of NABIL and NIC banks

The above table shows that the trend of current of deposit of NABIL and NIC banks respectively. The trends of current deposit are in increasing trend in both banks during those five fiscal years. But comparatively, NIC bank has more growth than NABIL bank in all fiscal years. It means NIC bank is better efficiency in collection of current deposit.

4.3.1.4. Saving & other deposit: Bank accepts saving & other deposits also. Under this account, some restriction is imposed by the bank on withdrawn of amount by depositor. Bank can mobilize the deposit amount to finance medium and short term loans. Trend of saving & other deposit of NABIL and NIC banks are presented below:

Table No. 28

Calculation of Trend of Saving & Other Deposit of NABIL Bank and NIC Bank

(In percentage) ('000)

Year	NABIL		NIC	
	Saving & other Deposit (Rs.)	Trend (%)	Saving & Other Deposit (Rs.)	Trend (%)
03/04	6,423,897	100	1,508,879	100
04/05	7,026,334	109	2,024,259	134
05/06	8,770,759	137	2,797,421	185
06/07	10,187,354	159	3,335,671	221
07/08	12,159,966	189	3,667,897	243

Source: Annual report of NABIL & NIC banks.

The above table shows the trend of saving & other deposit of NABIL & NIC banks during the study period. Here, trend of saving & other deposit of both banks are all moving upward. But the saving & other deposit of NIC is higher in all fiscal years than that of NABIL bank. So, it means NIC bank is more successful in collecting of saving and other deposit than in NABIL bank.

4.3.2. Trend of Investment: In this section, trend of total investment loan, advance & overdraft, bill purchased & discount as well as investment trends are used to

compare the improvement or deterioration in the investment of NABIL and NIC banks during the period.

4.3.2.1. Trend of Total Investment: Deposited amount on various accounts are invested by the bank in different form to earn interest or profit. Such different forms are loan advance & overdraft, bills purchased and discount etc. Here total investment includes loan, advance & overdraft, bills purchased & discount, investment as well as money at call. Here total investment trend of NABIL and NIC banks are presented below:

Table No. 29

Calculation of Trend of Total Investment of NABIL Bank and NIC Bank Ltd.

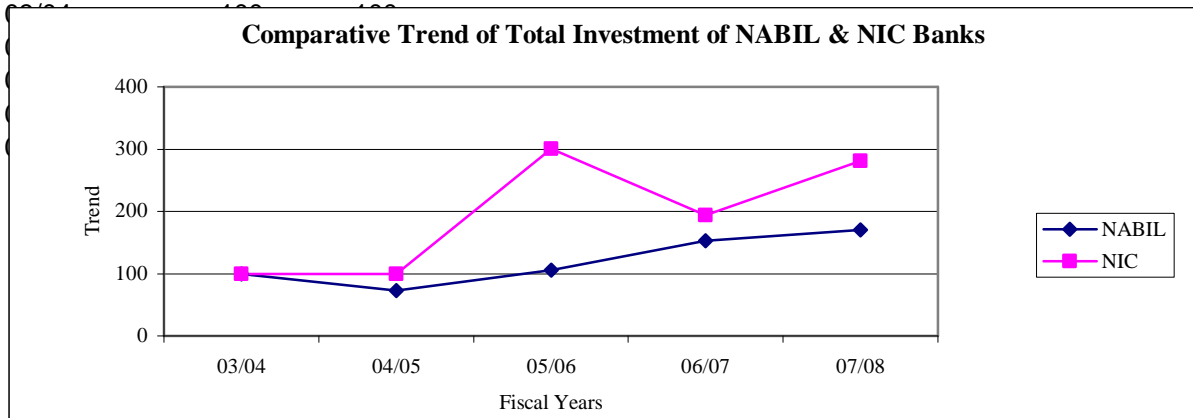
(In percentage) ('000)

Year	NABIL		NIC	
	Total Investment (Rs. '000)	Trend (%)	Total Investment (Rs. ' 000)	Trend (%)
03/04	5,835,948	100	822,901	100
04/05	4,275,528	73	822,901	100
05/06	6,178,533	106	2,479,913	301
06/07	8,945,310	153	1,599,481	194
07/08	9,939,771	170	2,311,468	281

Source: Annual Report of NABIL & NIC banks

The above trend of total investment is presented in graphical form which is below:

Graph No. 2



The above graph shows that the total investment trend lines of NABIL and NIC banks during five fiscal years. The growth rate of total investment of NIC bank is higher than that of NABIL bank in all fiscal years. The trend of NABIL in 04/05 fiscal year is below the base line (i.e. $73 < 100$). Similarly, it increased significantly in 05/06 fiscal year from 73 to 106 to 153 and 170 respectively. On the other hand, NIC bank remained at base line in 04/05 fiscal year. And then, it increased rapidly from 100 to 301 in fiscal year 05/06. Now it decreased in fiscal year 06/07 from 301 to 194. Again, it increased satisfactorily in fiscal year 07/08 from 194 to 281. There is high fluctuation in NIC bank than NABIL bank however, it is better in comparison to NABIL bank.

4.3.2.2. Loan, Advance & Bills purchased: Bank invests their funds on different sectors. Loan, advance and bills purchased is one of sectors to invest. From loan, advance & bills purchased bank yields high return. Investment in loan, advance & bills purchased of NABIL and NIC banks are presented below:

Table No. 30
Calculation of Trend of Loan, Advance & Bills Purchased
of NABIL Bank and NIC Bank Ltd. (In percentage) ('000)

Year	NABIL		NIC	
	Bills Purchased (Rs. '000)	Trend (%)	Bills Purchased (Rs. ' 000)	Trend (%)
03/04	8,189,993	100	2,697,102	100
04/05	10,586,170	129	4,711,712	175
05/06	12,922,543	158	6,655,964	247
06/07	15,545,779	190	8,941,398	332
07/08	21,365,053	261	11,264,678	418

Source: Appendix- 1 & 2

The above table shows the trend of loan & advance & bills purchased of NABIL and NIC banks up to five years. The trend of loan, advance & bills purchased of both banks are in increasing trend. But among them NIC bank's growth rate is high than NABIL bank. There is high fluctuation in NIC bank than NABIL bank. Comparatively, NIC bank is better from the view point of loan, advance & bills purchased.

4.3.3. Trend of Net Profit (EAT): Net profit is the actual profit earned by the bank. Net profit of NABIL and NIC banks is presented below:

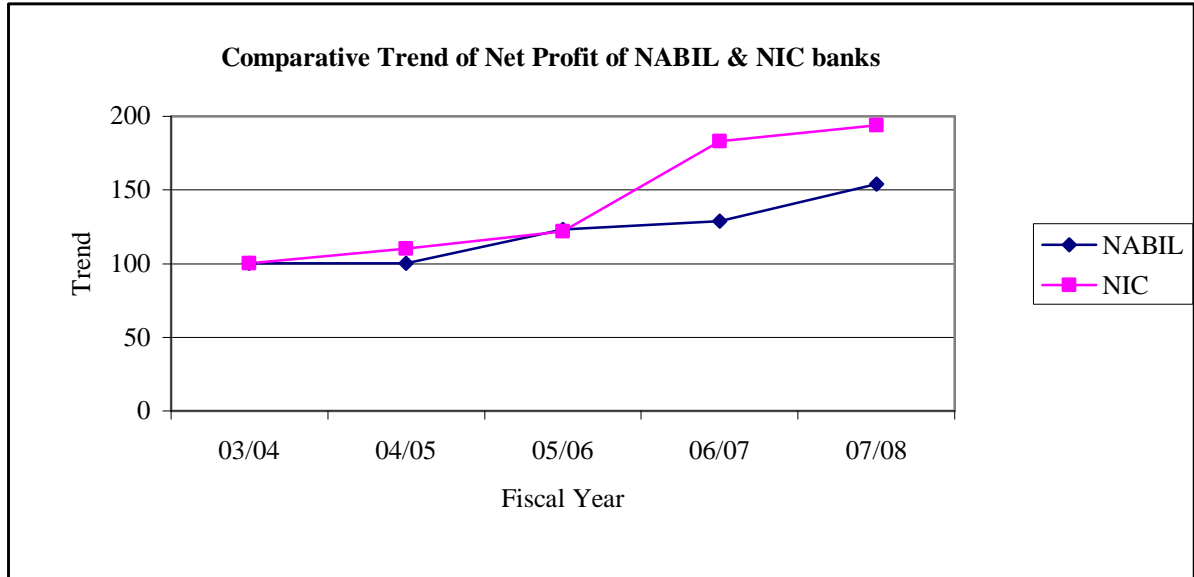
Table No. 31
Calculation of Trend of Net Profit of NABIL Bank and NIC Bank Ltd.

Year	NABIL		NIC	
	Net Profit (EAT) (Rs.)	Trend (%)	Net Profit (EAT) (Rs.)	Trend (%)
03/04	486,466	100	143,937	100
04/05	488,759	100	158,264	110
05/06	597,500	123	176,255	122
06/07	625,577	129	263,793	183
07/08	748,332	154	278,888	194

Source: Appendix- 3&4

The above trend of Net Profit shown in above table is presented in graphical form as below:

Graph No. 3



The above graph shows that the trend of Net Profit of NABIL and NIC banks. The trend line of net profit of both banks is moving upwards. The trend of NABIL in fiscal year 03/04 to 04/05 is the same i.e. 100 = 100. But in NIC bank is 110. Similarly in fiscal year 05/06, the trend of net profit of NABIL and NIC are 123 and 122 respectively. So, the trend lines of both banks are seen in one place in the above graph. But from this fiscal year, they are separated in increasing manner. There is high fluctuation in NIC bank than NABIL bank. However, NIC bank is better shown in case of earning net profit. And bank's profitability position is so good.

4.3.4. Trend of Total Operating Income: Here, total operating income includes interest income commission & discount, foreign exchange income and other incomes. Here, dividend income is not included. Trend of operating income of NABIL & NIC banks is presented below:

Table No. 32

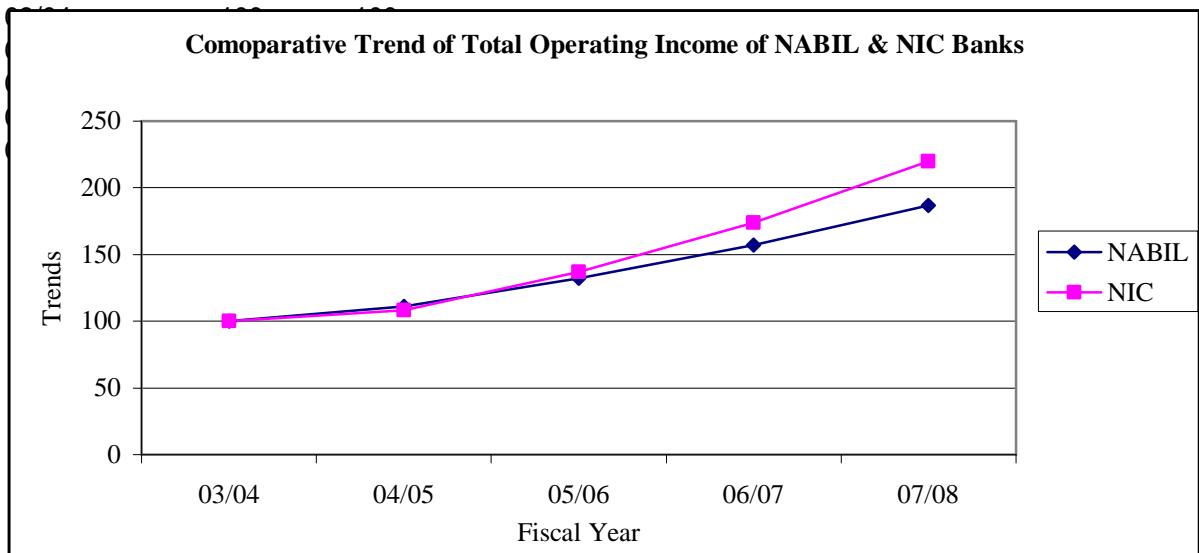
Calculation of Trend of Total Operating Income of NABIL Bank and NIC Bank

Year	NABIL		NIC	
	Income (EAT) (Rs.)	Trend (%)	Total Operating Income (EAT) (Rs.)	Trend (%)
03/04	1,295,822	100	478,859	100
04/05	1,438,443	111	518,497	108
05/06	1,716,674	132	655,057	137
06/07	2,035,868	157	832,288	174
07/08	2,428,864	187	1,052,337	220

Source: Appendix 3&4

The above calculated total operating income is presented in the following graphical form:

Graph No. 4



The above graph shows that the trend lines of Total Operating Income of NABIL and NIC banks. The above trend lines of NABIL and NIC banks are moving upwards in similar way. In fiscal year 04/05, the trend of NABIL & NIC banks are 111 and 108 respectively from the base year so, the trend lines are being double. In

fiscal year 05/06, the trend line of NIC bank has tangent to the trend line of NABIL bank with the trend $137 > 132$. Like that in fiscal year 06/07 is 157 and 174 and in fiscal year 07/08 is 187 and 220 respectively.

4.3.5. Trend of Total Operating Expenses: Total operating expenses includes staff expenses, office operating expenses and foreign exchange. An interest expense is also operating expenses but here an interest expenses is not included. Trend of operating expenses of NABIL and NIC is presented below:

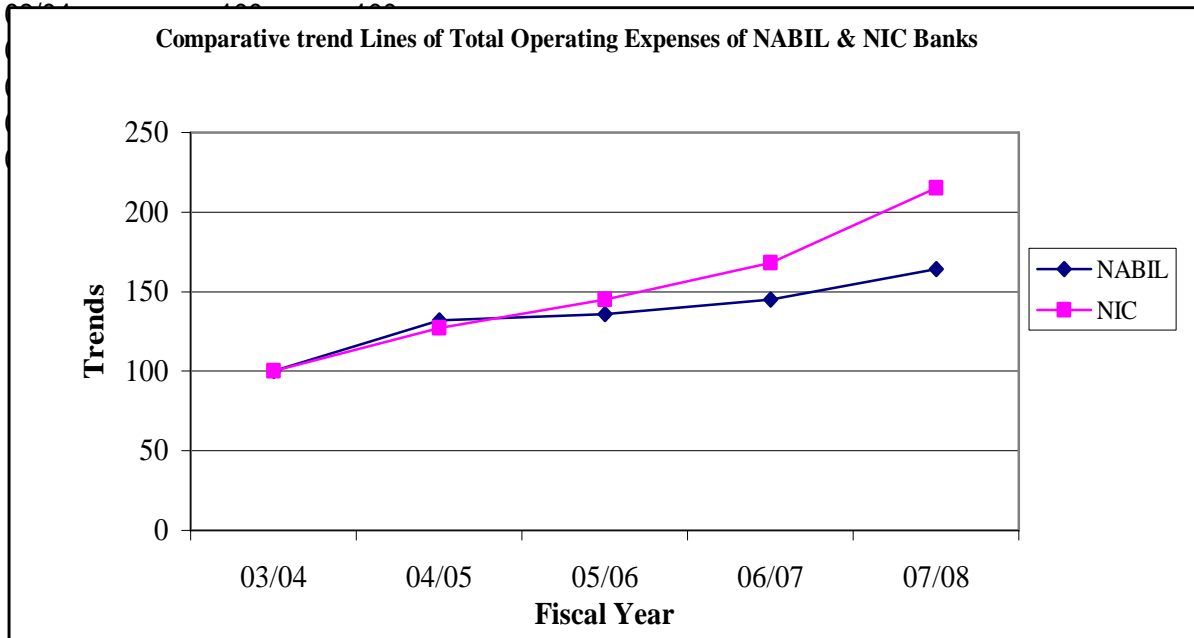
Table No. 33
Calculation of Trend of Total Operating Expenses of NABIL Bank and NIC Bank Ltd.

Year	NABIL		NIC	
	Total Operating Expenses (Rs.)	Trend (%)	Total Operating Expenses (Rs.)	Trend (%)
03/04	295,023	100	71,171	100
04/05	389,816	132	90,633	127
05/06	402,477	136	102,851	145
06/07	428,345	145	119,552	168
07/08	483,658	164	153,277	215

Source: Appendix- 3&4

The trend of total operating expenses shown in above table is also presented in graphical form as below:

Graph No. 5



The above graph shows the trend of total operating expenses of both banks NABIL and NIC during the study period. In above graph both lines of NABIL and NIC are upward moving in increasing trend. In fiscal year 04/05, the trend of total operating expenses of NIC bank is 127 and of NABIL bank is 132 respectively. In this fiscal year, trend of total operating expenses is less than NABIL Bank. But in another fiscal year, it has crossed the NABIL bank's trend line i.e. 145 is greater than 136. Trend of total operating expenses of NABIL is going slowly upward but the trend line of NIC is going rapidly upward. Comparatively, the growth of operating expenses trend is higher in NIC bank than in NABIL bank. But high efficiency in expenses is not good for a form.

4.3.6. Net Operating Income: Net operating income is difference between the total operating incomes and total operating expenses. Trend of net operating income of NABIL and NIC banks are presented below:

Table No. 34

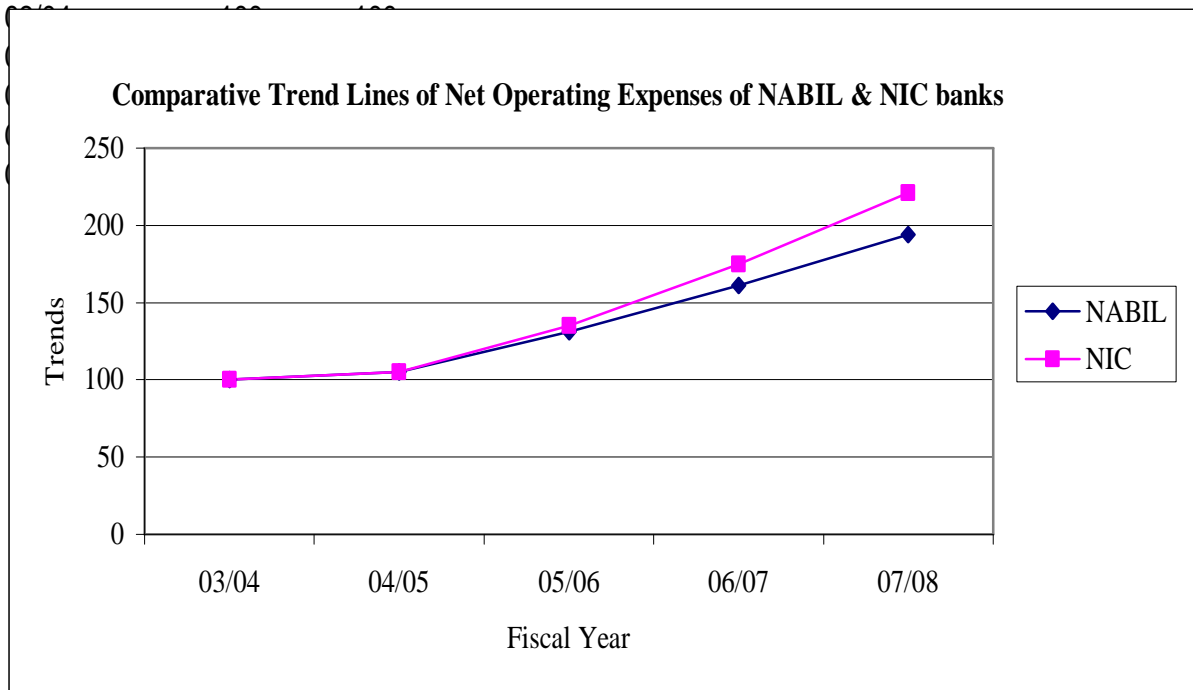
**Calculation of Trend of Net Operating Income of NABIL Bank and NIC Bank
Ltd.**

Year	NABIL		NIC	
	Net Operating Income (Rs.)	Trend (%)	Net Operating Income (Rs.)	Trend (%)
03/04	1,000,799	100	407,689	100
04/05	1,048,627	105	427,865	105
05/06	1,314,197	131	552,207	135
06/07	1,607,524	161	712,736	175
07/08	1,945,205	194	899,060	221

Source: Appendix- 3&4

The above trends of NABIL and NIC banks shown in a table is presented below in a graphical form:

Graph No. 6



The above table shows the trend of Net Operating Income of NABIL and NIC banks during those five years. The trend of net operating income of both banks are moving upwards. In fiscal year 04/05, the trend of net operating income of NABIL

and NIC are the same i.e. 105=105. It has slightly increased from the base year. Comparatively, the trend line of net operating income of NIC bank is above from the trend line of NABIL bank. But both bank's trend lines are moving upward.

4.3.7. Trend of Interest Earned: Interest is a major source of earning of bank and earning from interest is one of the components of operating income. Bank receives interest from the various sources. Such are loan and advance & overdraft, money at call, investment in government securities etc. Interest earned of NABIL and NIC banks are presented below:

Table No. 35

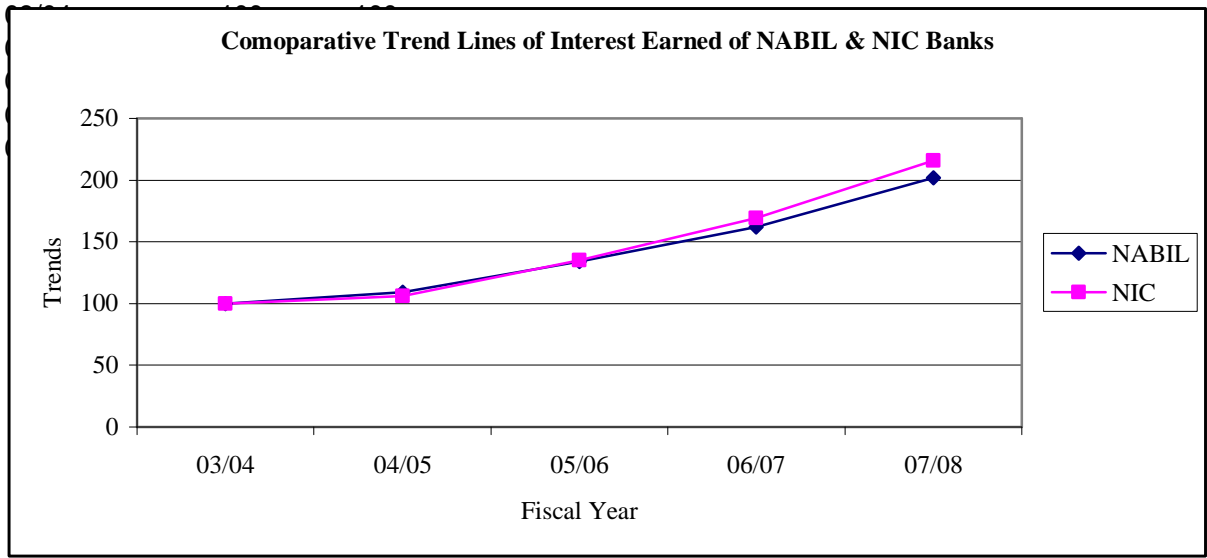
Calculation of Trend of Interest Earned of NABIL Bank and NIC Bank Ltd.

Year	NABIL		NIC	
	Interest Earned (Rs.)	Trend (%)	Interest Earned (Rs.)	Trend (%)
03/04	978,765	100	430,525	100
04/05	1,068,747	109	457,609	106
05/06	1,309,999	134	579,979	135
06/07	1,587,759	162	725,819	169
07/08	1,978,697	202	931,401	216

Source: Appendix-3&4

The above calculated trend values of interest income of NABIL and NIC banks are plotted into graph as under:

Graph No. 7



The above graph shows the trend lines of interest earned of NABIL and NIC Banks. The trend lines of both banks are going upwards in the graph. The trend of NABIL and NIC banks are slightly different or there is not much different between both trend lines. In fiscal year 04/05, trend lines of both banks are nearly double seen in the above graph but its trends are 109 & 106 respectively. Similarly, in fiscal year 05/06, the trend lines of both banks are being double in the graph, but its trends are 134 and 135 respectively. In the fiscal year 06/07 and 07/08 of NABIL and NIC banks are 162 & 169 and 202 & 216 respectively. Comparatively, the growth rate of NIC is higher than that of NABIL bank. So, this graph shows that the trend of interest earned of NIC is satisfactory in comparison to NABIL bank.

4.3.8. Trend of Interest Expenses: Bank has to pay interest on their deposits funds. Bank pays the higher interest on fixed deposit. Trend of interest expenses of NABIL and NIC banks are presented below:

Table No. 36

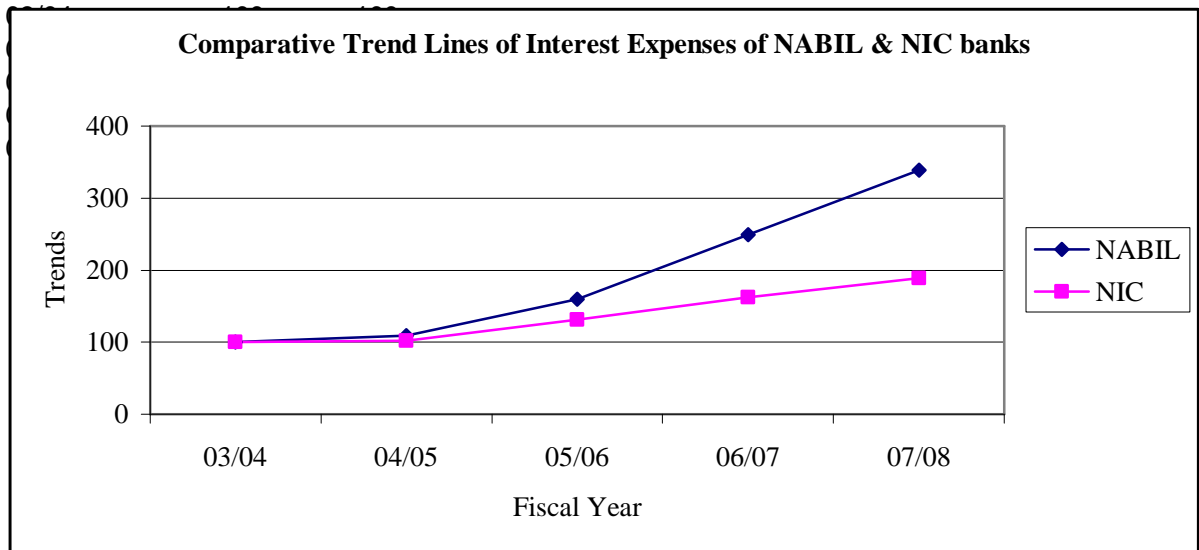
Calculation of Trend of Interest Expenses of NABIL Bank and NIC Bank Ltd.

Year	NABIL		NIC	
	Interest Expenses (Rs.)	Trend (%)	Interest Expenses (Rs.)	Trend (%)
03/04	223,434	100	117,064	100
04/05	243,545	109	119,654	102
05/06	357,161	160	153,758	131
06/07	555,710	249	189,965	162
07/08	758,436	339	221,670	189

Source: Appendix – 3&4

The above tabulated values of NABIL and NIC banks are presented in the graph as under:

Graph No. 8



The above table & graph shows the trends of interest expenses of NABIL and NIC banks during the study period. The trend lines of interest expenses of NABIL and NIC banks are moving upward. In this case, the trend line of NIC bank is under than the trend line of NABIL bank. In fiscal year 04/05, the trend of NIC bank is 102 and the trend of NABIL bank is 109 so the trend lines are nearly double. But from

the fiscal year 05/06, the trend lines are moving upward. The trend line NIC bank is slightly moving upward and the trend line of NABIL bank is rapidly moving upward. Comparatively, the graph shows that the interest expenses trend of NABIL is higher than that of NIC bank.

4.3.9. Trend of Net Worth: Net worth is the first hand fund that initiates to operate the banking system. A trend of net worth of NABIL & NIC bank during the study period is presented below:

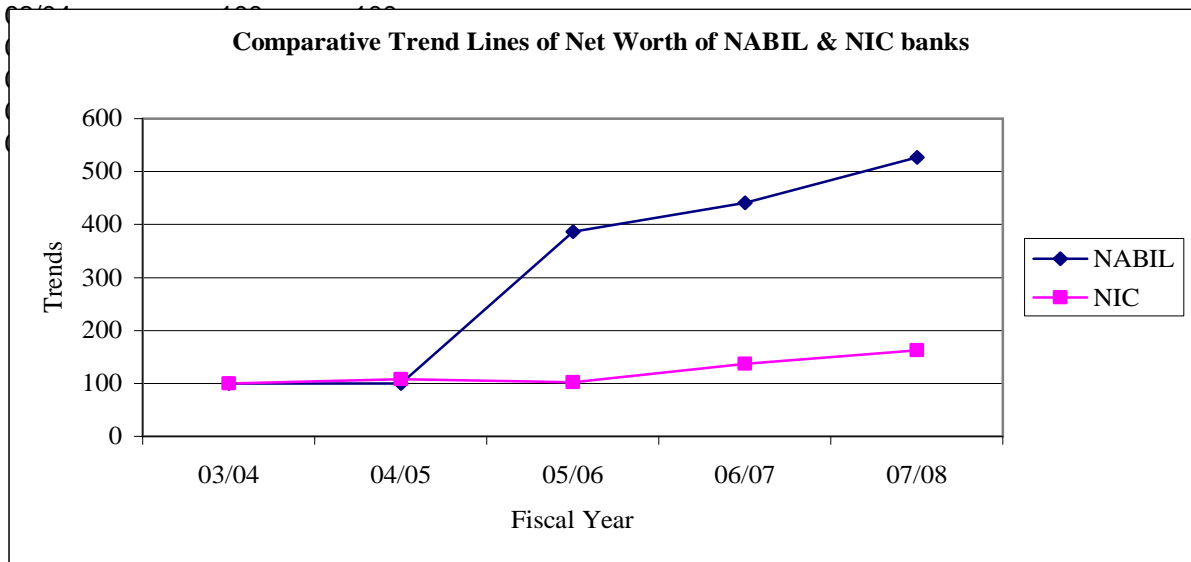
Table No. 37
Calculation of Trend of Net Worth of NABIL Bank and NIC Bank Ltd.

Year	NABIL		NIC	
	Net Worth (Rs.)	Trend (%)	Net Worth (Rs.)	Trend (%)
03/04	495,101	100	762,500	100
04/05	497,305	100	819,932	108
05/06	1,916,161	387	775,728	102
06/07	2,181,361	441	1,048,077	137
07/08	2,610,845	527	1,241,879	163

Source: Appendix – 4 & 5

The above calculated trend values of NABIL bank and NIC bank are plotted into the following graph:

Graph No. 9



The above graph shows the trend lines of net worth of NABIL and NIC banks during the specific period. The trend lines of net worth of NABIL and NIC banks are increasing upward. But there is high fluctuation in NABIL bank than NIC bank. In fiscal year 04/05, trend of NABIL bank is equal to the base year i.e. 100=100. Whereas 108 in NIC bank in same year. In 05/06 fiscal year, the trend of net worth of NIC bank has decreased to 102 but the trend line of NABIL has increased significantly i.e. 387 from 100. In NABIL bank, from the fiscal year 05/06, it has increased constantly in both banks. Comparatively, the growth rate of net worth of NABIL bank is higher than that of NIC bank.

4.4. Analysis of Cash Flow Statement

The statement of cash flows can be defined as the summary of the bank's operating, investing and financing cash flows. Cash flow analysis is concerned with cash inflows and outflows. For every financial institution the statement of cash flow proves to be an important financial tool for determining the in flows and out flows of cash during the period. The statement of cash flow of a bank also provides the meaningful and important information for assessing the position and performance of the bank. It is the statement that explains the changes in cash position for a specific period.

Table No. 38
Comparative Cash Flow Statement of NABIL and NIC Banks Ltd.
For the Fiscal Years 2003/04 to 2007/08
('000)

Particulars	NABIL Bank					NIC Bank				
	04/05	05/06	06/07	07/08	Avg.	04/05	05/06	06/07	07/08	Avg.
Total Cash From Operating Activities (A)	138778	(1030741)	544234	1503617	231178	63748	(17739)	218944	328562	118703
Total Cash From Investing Activities (B)	(549884)	1101599	225354	(472302)	60953	(16910)	19308	145628	72023	44010
Total Cash From Financing Activities (C)	-	-	-	240000	48000	40500	300000	-	151877	98475
Total Cash From All Activities (A+B+C)	(411106)	70858	769587	1271315	340131	681774	(261247)	(149380)	592590	172747
Opening Cash Equivalent	970487	559381	630239	1399826	711987	328613	1010387	749139	599759	537580
Closing Cash Equivalent	559381	630239	1399826	2671141	1052117	1010387	749139	599759	1192349	710327

Source: Annual Report of NABIL & NIC Banks

The above table shows that the comparative cash flows of NABIL & NIC banks Ltd. for the fiscal years 2004/05 to 2007/08. It represents the net cash flows from operating activities, investing activities and financing activities. It is calculated the average of all items (i.e. operating, investing, financing activities and closing and opening cash equivalent) of cash flow statement of NABIL and NIC banks for making easy to analyze and compare the figure during the study period. The figure presented in the table shows that there are fluctuations in the operating activities, investing activities and financing activities in these fiscal years.

Operating activities of NABIL and NIC banks are 231,178 & 118,703, investing activities of NABIL and NIC banks are 60,953 and 44,010 and financing activities of both banks are 48,000 and 98,475 respectively. In case of operating and investing activities, the NABIL bank is higher than that of NIC bank. And in case of financing activity, NIC bank is higher than that of NABIL bank.

Opening cash equivalent of NABIL & NIC banks are 711,978 and 537,580, closing cash equivalent of NABIL and NIC banks are 1,052,117 and 710,327 respectively. There is high fluctuation in NABIL bank than that of NIC bank, in case of closing cash equivalent. But in comparison, NIC bank is higher closing cash equivalent than that of NABIL bank.

4.5. Common Size Statement Analysis

The common size statement analysis can be defined as an analysis of percentage financial statements where all balance sheet and income statement items are divided by net assets and net profit respectively. Common size statement simplifies the large figures and gives meaningful insight up on the banks' financial statements. Common size statement analysis includes analysis of common size balance sheet and common size income statement. The common size statements of NABIL and NIC banks are shown in below:

4.5.1. Comparative common size of balance sheet: The comparative common size balance sheet of NABIL and NIC banks are presented below in the table no. 45:

Table No. 39
Comparative Common Size Balance Sheet
of NABIL & NIC Banks Ltd. for the fiscal years 2003/04 to 2007/08.

Assets	NABIL						NIC					
	03/04	04/05	05/06	06/07	07/08	Avg.	03/04	04/05	05/06	06/07	07/08	Avg.
Cash balance	1.7	0.9	1.1	1.0	1.4	1.2	1.4	0.9	1.3	1.6	1.5	1.3
Balance with NRB	4.1	2.3	1.4	4.1	4.9	3.4	12.4	8.5	4.4	2.3	4.2	6.3
Balance with financial Institutions	-	0.1	0.3	0.6	0.9	0.4	2.4	1.4	1.5	1.3	2.1	1.7
Money at call and short notice	5.5	5.1	7.8	2.1	5.3	5.1	1.1	1.2	3.4	1.4	1.1	1.6
Investments	34.9	25.1	27.7	32.3	26.8	29.3	19.0	23.6	23.9	13.7	15.2	19.1
Loans, advance & bills purchased	48.9	62.0	57.9	57.0	57.5	56.7	62.1	62.7	64.1	76.6	73.9	67.9
Fixed assets	2.0	2.1	1.4	1.1	1.6	1.6	0.5	0.8	0.4	1.3	1.3	0.9
Non-banking assets	-	-	-	-	-	0.0	0.1	0.1	0.0	0.0	0.0	0.0
Other assets	2.9	2.4	2.4	1.8	1.6	2.2	1.1	0.8	1.0	1.9	0.8	1.1
Total	100	100	100	100	100	100	100	100	100	100	100	100.0
Capital & Liabilities												
Share Capital	2.9	2.9	2.2	1.8	1.9	2.3	10.4	6.7	5.8	5.1	6.2	6.8
Reserve Funds	5.9	6.8	6.2	5.7	4.7	5.9	3.5	2.5	1.6	2.2	2.4	2.4
Debenture & Bonds	-	-	-	-	0.7	0.1	-	-	1.9	1.7	1.3	1.0
Borrowings	1.4	0.1	0.8	3.2	3.7	1.8	6.5	5.6	4.4	3.0	2.2	4.3
Deposits	84.3	85.5	86.6	85.7	86.0	85.6	74.7	83.1	84.4	86.2	85.9	82.9
Bills Payable	1.0	0.5	0.6	0.3	0.6	0.6	0.6	0.4	0.9	0.3	0.2	0.5
Proposed & undistributed dividend	-	2.1	2.0	1.9	1.2	1.4	1.2	0.7	0.1	0.1	0.1	0.4
Income tax liabilities	-	0.1	0.2	-	0.1	0.1	2.0	0.0	0.0	0.0	0.1	0.4
Other liabilities	4.4	2.0	1.6	1.4	1.3	2.1	0.9	0.7	0.8	0.8	1.7	1.0
Total	100	100	100	100	100	100	100	100	100	100	100	100.0

Source: Appendix – 1 & 2

The above table shows that, the comparative common size balance of NABIL and NIC banks Ltd. for the fiscal years 2003/04 to 2007/08. To analyze and compare the above data of common size statement of NABIL and NIC banks Ltd., it is calculated the average of all items. The averages of cash balance of NABIL and NIC banks are 1.2 and 1.3, balance with NRB is 3.4 and 6.3, and balances with financial institutions are 0.4 and 1.7, respectively. In case of those items, the NIC bank has higher average ratio. Similarly, money at call and short notice of both banks are 5.1 and 1.6, investments are 29.3 and 19.1, loans advance & bills purchased are 56.7 and 67.9, fixed assets are 1.6 and 0.9 respectively. In case of these items, NABIL bank has hither average ratio than NIC bank. The item non-banking assets are not given in NABIL bank. And other assets of NABIL and NIC are 2.2 and 1.1 respectively.

Share capital of NABIL and NIC banks are 2.3 and 6.8 respectively. Share capital of NIC bank is higher than that of NABIL bank. Reserve funds of NABIL and NIC banks are 5.9 and 2.4; debenture and bonds of both banks are 0.1 and 1.0, 1.8 and 4.3 respectively. In case of these items, NABIL bank is stronger than NIC bank. Like that deposits of NABIL and NIC banks are 85.6 and 82.9, bills payable are 0.6 and 0.5, proposed and undistributed dividend are 1.4 and 0.4 respectively. Income tax liabilities of both banks are 0.1 and 0.4 and other liabilities are 2.1 and 1.0 respectively.

4.5.2. Common size income statement: The comparative common size income statement of NABIL and NIC banks are presented in the following table:

Table No. 40
Comparative common Size Income Statement
of NABIL and NIC banks Ltd. for the fiscal years 2003/04 to 2007/08

Expenses	NABIL						NIC					
	03/04	04/05	05/06	06/07	07/08	Avg.	03/04	04/05	05/06	06/07	07/08	Avg.
Interest expenses	17.24	16.93	20.79	27.22	30.92	22.62	24.45	22.98	23.46	22.74	21.06	22.9
Non operating expenses	----	----	----	----	----	----	----	----	0.62	----	0.41	0.2
Provision for possible loss	0.19	0.31	0.45	0.53	0.45	0.39	1.94	2.41	2.29	2.21	2.72	2.3
Provision for staff bonus	5.51	5.85	5.23	4.87	4.43	5.12	2.17	2.25	2.10	2.77	3.37	2.5
Provision for income tax	16.76	15.83	15.30	15.73	13.96	15.5	26.52	24.56	28.95	26.41	31.40	27.6
Staff expenses	12.80	13.87	12.81	11.77	10.72	61.97	6.17	7.49	6.94	6.57	6.84	6.8
Other operating expenses	9.96	13.23	10.63	9.23	8.91	10.39	8.69	9.91	8.75	7.73	7.71	8.6
Net profit c/d	37.54	33.98	34.79	30.65	30.51	167.5	30.06	30.39	26.89	31.57	26.49	29
Total	100	100	100	100	100	100	100	100	100	100	100	100
Income						Avg.						Avg.
Interest income	75.51	74.27	76.23	77.79	80.67	76.89	89.91	87.88	88.54	86.91	88.51	88.35
Commission and discount	8.28	8.92	8.12	7.38	6.37	7.81	4.49	5.20	4.50	4.31	4.12	4.5
Foreign exchange income	12.23	12.86	10.79	10.28	8.01	10.8	4.07	4.72	3.87	5.30	3.77	4.3
Non-operating income	0.02	0.03	0.04	0.26	0.98	0.27	----	0.43	----	0.34	----	0.15
Other income	3.96	3.92	4.82	4.29	3.97	4.19	1.53	1.77	3.04	3.14	3.60	2.6
Total	100	100	100	100	100	100	100	100	100	100	100	100

Source: Appendix -3 & 4

The above table shows that the comparative common size income statement of NABIL and NIC banks Ltd. during the study period. To analyze and compare the above five fiscal years' data, it is calculated the average of all items. The average of interest expenses of NABIL and NIC banks are 22.62 and 22.9 respectively. There is slightly increment in NIC bank than NABIL. Non-operating expenses are nil in NABIL bank and the average in NIC bank is 0.2. Similarly, Provision for possible loss of NABIL bank is 0.39 and in NIC bank is 2.3, the average of provision for staff bonus of NABIL and NIC are 5.12 and 2.5 respectively. The average of provision for income tax of NABIL and NIC banks 15.5 & 17.6 respectively. In case of provision for possible loss, NIC has greater average than NABIL bank.

Like that, the average of staff expenses of NABIL & NIC banks are 61.97 & 6.8 respectively. There is a great difference between NABIL & NIC banks' average of staff expenses. The average of other operating expenses of NABIL and NIC banks are 10.39 & 8.6 respectively. In this item the NABIL bank is higher than NIC bank. Similarly, the average of net profit c/d of NABIL and NIC banks are 167.5 & 29 respectively. NABIL bank has a great profit carried down during the study period. Comparatively, NABIL bank has made better profit than NIC bank.

On the other hand, the average of interest income of NABIL & NIC banks are 76.89 & 88.35, the average of commission and discount of NABIL & NIC banks are 7.81 & 4.5, the average of foreign exchange income of NABIL & NIC are 10.8 & 4.3 respectively. In case of interest income, NIC bank is better than NABIL bank with higher average. The average of non-operating income of NABIL & NIC banks are 0.27 & 0.15, the average of other income of NABIL & NIC banks are 4.19 & 2.6 respectively. In case of these items NABIL bank is higher than that of NIC bank.

4.6. Correlation Co-efficient Analysis

It is a statistical technique to measure the degree of relationship between two variables. In other word, by calculating the coefficient of correlation, the relationship of two variables can be measured. Correlation may be

positive or negative. If variables change to same direction, there is positive correlation otherwise, it is negative correlation. In this study, the correlation between current assets and current liabilities, total deposits & total investments, interest earned and net operating income, interest earned and interest paid, operating income and operating expenses are measured. In order to measure the degree of change in dependent variable due to a change in independent variable, values of coefficient, correlation of determination are calculated. The calculations of coefficient of correlation (r) between financial variables of the NABIL and NIC banks Ltd. are presented in the tables below:

4.6.1. Correlation between Current Assets and Current Liabilities: Correlation and coefficient between current assets and current liabilities of NABIL bank and NIC bank are calculated as under:

Table No. 41
Calculation of correlation between current assets and current liabilities
in case of NABIL bank for period of 2003/04 to 2007/08.

(Rs. In 1 Million)

Year	X	Y	X ²	Y ²	XY
03/04	10.57	15.26	111.75	232.98	161.36
04/05	12.43	15.05	154.44	226.36	186.97
05/06	15.83	20.02	250.66	400.80	316.96
06/07	18.02	24.69	324.76	609.44	444.89
07/08	26.59	34.02	707.29	1157.24	904.71
	83.45	109.03	1548.91	2626.82	2014.89

Source: Appendix - 5

Let, Current Assets = X

Current Liabilities = Y

Formula,

$$r = \frac{N \sum XY - \sum X \cdot \sum Y}{\sqrt{N \sum X^2 - (\sum X)^2} \times \sqrt{N \sum Y^2 - (\sum Y)^2}}$$

Where,

$$X = 83.45, \quad Y = 109.03, \quad X^2 = 1548.91, \quad Y^2 = 2626.82, \quad XY = 2014.89$$

Now, putting the value in formula:

$$r = \frac{975.89}{\sqrt{780.65} \times \sqrt{1246.56}}$$

$$r = \frac{5 \times 2014.89 - 83.45 \times 109.03}{\sqrt{\quad} \sqrt{\quad}}$$

$$r = \frac{975.89}{986.47}$$

$$r = 0.9893$$

$$\begin{aligned} \text{co-efficient of determination (R)} &= (0.9893)^2 \\ &= 0.9787 \end{aligned}$$

Table No. 42

**Calculation of correlation between current assets and current liabilities
in case of NIC bank for period of 2003/04 to 2007/08.**

(Rs. In 1 Million)

Year	X	Y	X ²	Y ²	XY
03/04	3.49	3.69	12.21	13.62	12.89
04/05	5.68	6.77	32.24	45.86	38.45
05/06	7.86	9.41	61.84	88.48	73.97
06/07	9.93	10.55	98.52	111.29	104.71
07/08	12.73	13.74	162.12	188.81	174.96
	39.69	44.16	366.93	448.06	404.98

Source: Appendix - 6

Let, Current Assets = X

C

$$r = \frac{N \sum XY - \sum X \cdot \sum Y}{\sqrt{N \sum X^2 - (\sum X)^2} \times \sqrt{N \sum Y^2 - (\sum Y)^2}}$$

Where,

$$X = 39.69, \quad Y = 44.16, \quad X^2 = 366.93, \quad Y^2 = 448.06, \quad XY = 404.98$$

Now, putting the value in formula:

$$r = \frac{5 \times 404.98 - 39.69 \times 44.16}{\sqrt{109.35} \times \sqrt{290.19}}$$

$$r = \frac{272.19}{\sqrt{109.35} \times \sqrt{290.19}}$$

$$r = \frac{272.19}{178.14}$$

$$r = 1.5279$$

$$\begin{aligned} \text{Co-efficient of determination (R)} &= (1.5279)^2 \\ &= 2.3346 \end{aligned}$$

The above table no. 46 (a) & (b) shows that the comparative correlation coefficient between current assets and current liabilities of NABIL and NIC banks. The correlation coefficient between current assets and current liabilities of NABIL and NIC banks are 0.9787 and 2.3346 respectively. So, there is high degree of positive correlation between current assets and current liabilities of both banks. On the basis of coefficient of determination, it can be observed that when there is change in current assets, it brings 97.87% change in current liabilities of NABIL bank. Similarly, there is change in current assets, it brings 233.46% change in current liabilities of NIC bank. In conclusion, current assets and current liabilities of both banks are highly positive correlated therefore, which implies the banks are unable to cover its current liabilities with their current assets.

4.6.2. Correlation between Total Deposit and Total Investment: Correlation between total deposit and total investment of NABIL and NIC banks are calculated as under:

Table No. 43

Calculation of correlation between Total Deposit and Total Investment

in case of NABIL bank for period of 2003/04 to 2007/08.

(Rs. In 1 Million)

Year	X	Y	X ²	Y ²	XY
03/04	14.12	5.84	199.35	34.06	82.40
04/05	14.59	4.28	212.77	18.28	62.37
05/06	19.35	6.18	374.32	38.17	119.54
06/07	23.34	8.95	544.86	80.02	208.80
07/08	31.92	9.94	1018.57	98.80	317.23
	103.31	35.18	2349.87	269.33	790.33

Source: Appendix – 1

Let, Total Deposit = X

Total Investment = Y

Formula,

$$r = \frac{N \sum XY - \sum X \cdot \sum Y}{\sqrt{N \sum X^2 - (\sum X)^2} \times \sqrt{N \sum Y^2 - (\sum Y)^2}}$$

Where,

$$X = 103.31, \quad Y = 35.18, \quad \sum X^2 = 2349.87, \quad \sum Y^2 = 269.33, \quad \sum XY = 790.33$$

Now, putting the value in formula:

$$r = \frac{5 \times 790.33 - 103.31 \times 35.18}{\sqrt{\quad} \sqrt{\quad}}$$

$$r = \frac{317.20}{342.53 \sqrt{109}}$$

$$r = 0.9261$$

$$\begin{aligned} \text{Co-efficient of determination (R)} &= (0.9261)^2 \\ &= 0.8576 \end{aligned}$$

Table No. 44

Calculation of correlation between Total Deposit and Total Investment

in case of NIC bank for period of 2003/04 to 2007/08.

(Rs. In 1 Million)

Year	X	Y	X ²	Y ²	XY
03/04	3.24	0.82	10.51	0.68	2.67
04/05	6.24	0.82	38.95	0.68	5.14
05/06	8.77	2.48	76.84	6.15	21.74
06/07	10.07	1.60	101.37	2.56	16.10
07/08	13.08	2.31	171.21	5.34	30.24
	41.40	8.04	398.89	15.41	75.89

Source: Appendix – 2

Let, Total Deposit = X

Total Investment = Y

Formula,

$$r = \frac{N \sum XY - \sum X \cdot \sum Y}{\sqrt{N \sum X^2 - (\sum X)^2} \times \sqrt{N \sum Y^2 - (\sum Y)^2}}$$

Where,

$$X = 41.40, \quad Y = 8.04, \quad X^2 = 398.89, \quad Y^2 = 15.41, \quad XY = 75.89$$

Now, putting the value in formula:

$$r = \frac{5 \times 75.89 - 41.40 \times 8.04}{\sqrt{280.49} \times \sqrt{112.41}}$$

$$r = 0.7899$$

$$\begin{aligned} \text{Co-efficient of determination (R)} &= (0.7899)^2 \\ &= 0.6241 \end{aligned}$$

The above table no. 48 (a) & (b) shows the calculation of correlation between total deposit and total investment of NABIL & NIC banks. The correlation co-efficient between total deposit & total investment of NABIL & NIC bank are 0.8576 & 0.6241 respectively. So, there is a high degree of positive correlation between total deposit and total investment in both banks. On the basis of co-efficient of determination, it can be observed that when there is change in total deposits, it brings 85.76% change in total investment of NABIL bank. Like that in NIC bank, if there is change in total deposit, it brings 62.41% change in total investment.

4.6.3. Correlation between Interest Earned and Net Operating Income: Correlation between interest earned and net operating profit of NABIL and NIC banks are calculated below:

Table No. 45
Calculation of correlation between Interest Earned and Net Operating Income
in case of NABIL bank for period of 2003/04 to 2007/08.

(Rs. In 1 Million)

Year	X	Y	X ²	Y ²	XY
03/04	0.98	1.00	0.96	1.00	0.98
04/05	1.07	1.05	1.14	1.10	1.12
05/06	1.31	1.31	1.72	1.73	1.72
06/07	1.59	1.61	2.52	2.58	2.55
07/08	1.98	1.95	3.92	3.78	3.85
	6.92	6.92	10.25	10.20	10.22

Source: Appendix -3

Let, Interest Earned = X

Net Operating Income = Y

Formula,

$$r = \frac{N \cdot XY - X \cdot Y}{\sqrt{N \cdot X^2 - (X)^2} \times \sqrt{N \cdot Y^2 - (Y)^2}}$$

Where,

$$X = 6.92, \quad Y = 6.92, \quad X^2 = 10.25, \quad Y^2 = 10.20, \quad XY = 10.22$$

Now, putting the value in formula:

$$r = \frac{5 \times 10.22 - 6.92 \times 6.92}{\sqrt{5 \times 10.25 - (6.92)^2} \times \sqrt{5 \times 10.20 - (6.92)^2}}$$

$$r = \frac{3.21}{\sqrt{3.36} \times \sqrt{3.11}}$$

$$r = \frac{3.21}{3.23}$$

$$r = 0.9930$$

$$\begin{aligned} \text{Co-efficient of determination (R)} &= (0.9930)^2 \\ &= 0.9860 \end{aligned}$$

Table No. 46
Calculation of correlation between Interest Earned and Net Operating Income
in case of NIC bank for period of 2003/04 to 2007/08.

(Rs. In 1 Million)

Year	X	Y	X ²	Y ²	XY
03/04	0.43	0.41	0.19	0.17	0.18
04/05	0.46	0.43	0.21	0.18	0.20
05/06	0.58	0.55	0.34	0.30	0.32
06/07	0.73	0.71	0.53	0.51	0.52
07/08	0.93	0.90	0.87	0.81	0.84
	3.13	3.00	2.13	1.97	2.05

Source: Appendix – 4

Let, Interest Earned = X

Net Operating Income = Y

Formula,

$$r = \frac{N \sum XY - \sum X \cdot \sum Y}{\sqrt{N \sum X^2 - (\sum X)^2} \times \sqrt{N \sum Y^2 - (\sum Y)^2}} = 1.97, \quad \sum XY = 2.05$$

Now, putting the value in formula:

$$r = \frac{5 \times 2.05 - 3.73 \times 3.00}{\sqrt{\quad} \sqrt{\quad}}$$

$$r = \frac{0.86}{\sqrt{0.85} \times \sqrt{0.85}}$$

$$r = \frac{\quad}{0.85}$$

$$\begin{aligned} \text{Co-efficient of determination (R) } &= (1.01)^2 \\ &= 1.02 \end{aligned}$$

The correlation co-efficient between interest earned and net operating profit of NABIL & NIC banks are 0.9806 and 1.02 respectively. So, there is high positive correlation between interest earned and net operating income in both banks. Similarly, to measure the degree of change in dependent variable (Net Operating Profit) due to change in independent variable (Interest Earned), coefficient of determination is calculated. According to determination, it can be observed that when there is change in interest income it brings 98.06% change in net operating income of NABIL bank and 102% change in net operating income incase of NIC bank.

4.6.4. Correlation between Operating Income and Operating Expenses: Correlation between operating income and operating expenses of NABIL and NIC banks are calculated as under:

Table No. 47
Calculation of correlation between Operating Income and Operating Expenses
in case of NABIL bank for period of 2003/04 to 2007/08.

(Rs. In 1 Million)

Year	X	Y	X ²	Y ²	XY
03/04	1.30	0.30	1.68	0.09	0.38
04/05	1.44	0.39	2.07	0.15	0.56
05/06	1.72	0.40	2.95	0.16	0.69
06/07	2.04	0.43	4.14	0.18	0.87
07/08	2.43	0.48	5.90	0.23	1.17
	8.92	2.00	16.74	0.82	3.68

Source: Appendix – 3

Let, Operating Income = X

Operating Expenses = Y

Formula,

$$r = \frac{N \sum XY - \sum X \cdot \sum Y}{\sqrt{N \sum X^2 - (\sum X)^2} \times \sqrt{N \sum Y^2 - (\sum Y)^2}}$$

W

$$X = 8.92, \quad Y = 2.00, \quad \sum X^2 = 16.74, \quad \sum Y^2 = 0.82, \quad \sum XY = 3.68$$

Now, putting the value in formula:

$$r = \frac{5 \times 3.68 - 8.92 \times 2.00}{\sqrt{5 \times 16.74 - (8.92)^2} \times \sqrt{5 \times 0.82 - (2.00)^2}}$$

$$r = \frac{0.56}{\sqrt{4.13} \times \sqrt{0.10}}$$

$$r = \frac{0.56}{0.64}$$

$$r = 0.8714$$

$$\begin{aligned} \text{Co-efficient of determination (R)} &= (0.8714)^2 \\ &= 0.7593 \end{aligned}$$

Table No. 48
Calculation of correlation between Operating Income and Operating Expenses
in case of NIC bank for period of 2003/04 to 2007/08.

(Rs. In 1 Million)

Year	X	Y	X ²	Y ²	XY
03/04	0.48	0.07	0.23	0.01	0.03
04/05	0.52	0.09	0.27	0.01	0.05
05/06	0.66	0.10	0.43	0.01	0.07
06/07	0.83	0.12	0.69	0.01	0.10
07/08	1.05	0.15	1.11	0.02	0.16
	3.54	0.54	2.73	0.06	0.41

Source: Appendix – 4

Let, Operating Income = X

Operating Expenses = Y

Formula,

$$r = \frac{N \sum XY - \sum X \cdot \sum Y}{\sqrt{N \sum X^2 - (\sum X)^2} \times \sqrt{N \sum Y^2 - (\sum Y)^2}}$$

Where,

$$X = 3.54, \quad Y = 0.54, \quad X^2 = 2.73, \quad Y^2 = 0.06, \quad XY = 0.41$$

Now, putting the value in formula:

$$r = \frac{5 \times 0.41 - 3.54 \times 0.54}{\sqrt{1.12} \times \sqrt{0.01}}$$

$$r = \frac{0.1384}{\sqrt{1.12} \times \sqrt{0.01}}$$

$$r = \frac{0.1384}{0.1058}$$

$$\begin{aligned} \text{Co-efficient of determination (R)} &= (1.3081)^2 \\ &= 1.71 \end{aligned}$$

The above table no. 50 (a) & (b) clearly shows the correlation between operating income and operating expenses of NABIL and NIC banks. Here, correlation between operating income and operating expenses of NABIL and NIC are 0.7593 and 1.71 respectively. There is high positive correlation between two variables of both banks. On the basis of coefficient of determination, it is clear that when there is change in total operating income, it brings 75.93% change in case of NABIL bank and 171% change in operating expenses of NIC.

4.7. Testing of Hypothesis

Hypothesis is an assumption and it is used to test whether the assumption is right or not i.e. the testing of hypothesis. It is the method of statistics, which helps in arriving at the criterion for the decision.

Under this study, the position of comparative financial performance of NABIL and NIC banks have covered only the five years' financial data. Its observation period is only five fiscal years i.e. 2003/04 to 2007/08. Therefore, small sample (i.e. $n < 30$) hypothesis have been tested that is t-test, instead of z-value. Here, hypothesis related to debt-to-equity ratio and debt-to-total capital ratios of comparative financial performance of NABIL and NIC banks have been tested at 5% level of significance.

Setting the null and alternative hypothesis;

$H_0: \mu = 1$ time, i.e. the standard of bank average of debt-to-equity ratio of NABIL and NIC are equal to 1 time.

$H_1: \mu \neq 1$ time, i.e. the standard of banks average of debt-to-equity ratio of NABIL and NIC banks.

Level of significance = 5%

Degree of freedom = $n - 1$, thus, $5 - 1 = 4$

Where, n = number of observations

$$\text{Formula for two tailed test, } t = \frac{\bar{X} - \mu}{\text{S.E.}}$$

Where as, \bar{X} = sample mean, μ = population mean, S.E. = standard error i.e. S / \sqrt{n} and S = sample standard deviation.

In case of NABIL bank;

$$\begin{aligned} \text{Now, } t &= \frac{\quad}{9.4/\sqrt{5}} \\ &= \frac{18}{4.2} \\ t &= 4.28 \end{aligned}$$

In case of NIC bank;

$$\begin{aligned} \text{Now, } t &= \frac{9 - 1}{2.5/\sqrt{5}} \\ &= \frac{8}{1.12} \\ &= 7.15 \end{aligned}$$

The above calculated value of 't' is 4.28. The tabulated value of 't' at 5% level of significance and 4 degree of freedom is 4.604. Since the calculated value of 't' is lower than its tabulated value. Hence, the null hypothesis is accepted, and concluded that NABIL bank has been achieving the industry average of debt-to-equity ratio.

In case of NIC bank, the above calculated value of 't' is 7.15. The tabulated value of 't' at 5% level of significance and 4 degree of freedom is 4.604. Since the calculated value of 't' is more than its standard value. So, the null hypothesis is highly rejected and concluded that NIC bank has not been achieving the target average of debt-to-equity ratio.

Again,

$H_0: \mu = 2$ times, i.e. the standard of industry average of debt-to-equity ratio of NABIL and NIC are equal to 2 times.

$H_1: \mu \neq 2$ times, i.e. the standard of industry average of debt-to-equity ratio of NABIL and NIC banks.

Level of significance = 5%

Degree of freedom = $n - 1$, thus, $5 - 1 = 4$

Where, n = number of observations

$$\text{Formula for two tailed test, } t = \frac{\bar{X} - \mu}{\text{S.E.}}$$

Where as, \bar{X} = sample mean, μ = population mean, S.E. = standard error i.e. S / \sqrt{n} and S = sample standard deviation.

In case of NABIL bank;

$$\begin{aligned} \text{Now, } t &= \frac{0.94 - 1}{0.03/\sqrt{5}} \\ &= \frac{-0.06}{0.0134} \\ |t| &= 4.48// \end{aligned}$$

In case of NIC bank;

$$\begin{aligned} &= \frac{0.92 - 1}{0.04/\sqrt{5}} \\ &= \frac{-0.08}{0.0179} \\ |t| &= 4.47// \end{aligned}$$

The above calculated value of $|t|$ for NABIL and NIC banks are 4.48 and 4.47 respectively. Where the tabulated value of $|t|$ at 5% level of significance and 4 degree of freedom is 4.604. Since, the calculated value of $|t|$ is lower than its tabulated value. Hence, the null hypothesis is highly accepted and can be concluded that both banks' have been

SUMMARY, CONCLUSIONS AND RECOMMENDATION

5.1. Summary

Banks are financial institutions whose principle operations are concerned with the accumulation of the idle money of the public for the purpose of advancing to other for expenditure. Banks accepts deposits from the public and in return advances loans and services and also acts as a crucial body in the development of the nation. Banks play an important role to the economic development of national resource.

Commercial banks in the context of Nepal are emerging rapidly with relative services and scope of competition is increasing. Nepal Bank Limited is the first commercial bank established in 1994 B.S. and Rastriya Banijya Bank established in 2022 B.S. is the second commercial bank of Nepal. After the restoration of democracy in Nepal, government of Nepal took liberal economic policy in the banking sector as a result different types of foreign participating joint venture and private banks established.

Joint venture bank is such types of bank in which Nepalese investors and foreign investor participate for operating of banking services. Joint venture banks have played an important role for investment for increasing resource for the development of country. In Nepal, there are various joint venture banks out of these NABIL bank also joint venture. All joint venture banks are registered in Nepal under the company act 2021 and operating under commercial bank Act 2031.

NABIL Bank Limited is the first joint venture commercial bank of Nepal established in 2041 B.S. and the participated country is U.A.E. Like that NIC Bank which commenced operation on 21st July 1998 is the first commercial bank in the country. The Bank was promoted by some of the prominent business houses of the country. Every commercial bank is trying to get more attention for their customers and clients as their numbers are increasing. Both banks accept the deposit and provide the loans, financial advising and agency services etc.

The main focus of the study is to highlight the financial performance of NABIL and NIC banks and also find out that whose performance is better because the both banks NABIL and NIC are operating under same condition and problems. One bank has high profitability whereas other has less in comparison with other. Similarly, one bank has high risk whereas other has less. So, main objectives of the study is to evaluate and analyze the financial performance of NABIL and NIC banks. For this study, published secondary data are used and it is only based on five years audited financial statement from the year 2003/04 to 2007/08.

Review of literature is the process of reviewing the available material relating with the particular research work. It helps to receive some idea for conducting research design.

Research methodology is the process of achieving to the solution of problem through systematic. Research methodology consist research design, nature and source of data, data collection, financial tools and statistical tools techniques etc. Research design is the conceptual structure within which research is conducted. For this research study, historical and analytical research designs are followed. For the study of the financial performance comparatively, various financial as well as statistical tools and techniques are used. Financial tools such as ratio analysis, in which consist liquidity ratio, profitability ratio, credit quality, leverage ratio, market value ratio, trend analysis etc are used. Similarly, statistical tools such as average, standard deviation, co-efficient of correlation of determination, variance, range deviation, hypothetical test etc. are used. Statistical tools provide valuable information about bank's variation, correlation etc.

Ratio analysis is one of the most commonly used techniques in the analysis of financial statement and evaluation of managerial performance. Ratio refers to the numerical or quantitative relationship between two items.

The summarized forms of the analysis of the study which is shown in presentation, analysis and interpretation chapter are as follows:

(a) Ratio Analysis

1) Liquidity ratio

1.1 The average current ratio in case of NABIL bank is 0.76 and in case of NIC bank is 0.90 respectively. The standard deviation of NABIL is 0.65 and in NIC is 0.49, the CV ratio of NABIL and NIC banks are 0.86 and 0.54, similarly, fluctuation of NABIL is 0.14 and in NIC is 0.11 respectively.

2) Profitability Ratio

2.1. The average ratio of return on net worth (ROE) in NABIL bank is 57 and in NIC is 22, the standard deviation of NABIL is 33.7 and in NIC is 2.33, CV ratio of NABIL bank is 0.59 and of NIC is 0.105 respectively. The fluctuation range of NABIL and NIC banks are 69.62 and 6.29 respectively.

2.2. The average return on total assets ratio of NABIL and NIC banks are 2.55 and 2.31 respectively. The standard deviation of NABIL is 0.34 and 0.57 in NIC bank, the CV ratio of NABIL and NIC banks are 0.13 and 0.25 respectively. Like that, range of NABIL and NIC banks are 0.89 and 1.62 respectively.

2.3. The average ratio of return on total deposit ratio of NABIL and NIC banks are 6.33 and 7.45 respectively. The CV ratio of NABIL is 0.05 and of NIC is 0.30, the standard deviation of NABIL and NIC are 0.29 and 2.25 respectively. Similarly, range of NABIL and NIC are 0.79 and 6.03 respectively.

2.4. The average ratio of equity-capital ratio of NABIL and NIC banks are 0.06 and 0.11 respectively. The CV of NABIL is 0.42 and in NIC bank is 0.36, the standard deviation of NABIL and NIC banks are 0.025 and 0.040 respectively. Like that range of NABIL is 0.06 and of NIC is 0.11.

2.5. The average ratio of interest expenses to total fixed deposit ratio of NABIL and NIC banks are 0.12 and 0.05 respectively. The SD of NABIL is 0.04 and of NIC is 0.008, CV of NABIL and NIC banks are 0.33 and 0.16, the range of NABIL bank is 0.11 and of NIC bank is 0.04.

2.6. The average ratio of interest expenses to interest earned ratio of NABIL and NIC banks are 0.29 and 0.26 respectively. The SD of NABIL is 0.06 and of NIC is 0.01. Similarly, CV ratio of NABIL and NIC banks are 0.21 and 0.04 respectively. Range deviation of NABIL is 0.15 and range of NIC is 0.03.

2.7. The average ratio of interest earned to total investment ratio of NABIL and NIC banks are 0.20 and 0.43 respectively. The standard deviation of NABIL bank is 0.03 and the standard deviation of NIC is 0.12, CV ratio of NABIL bank is 0.15 and CV of NIC bank is 0.27. Similarly, range of NABIL and NIC banks are 0.08 and 0.33 respectively.

3) Credit Quality Ratio

3.1. The average ratio of provision for possible loss to total assets ratio of NABIL and NIC banks is 0.29 and 1.79 respectively. Standard deviation of NABIL bank is 0.085 and of NIC bank is 0.25, CV ratio of NABIL bank is 0.29 and CV ratio of NIC bank is 0.14. Similarly, range of fluctuation of NABIL bank is 0.25 and range of fluctuation of NIC bank is 0.70.

3.2. The average ratio of credit loss coverage of NABIL and NIC banks are 150.29 and 25.78 respectively. The standard deviation of NABIL bank is 74.49 and of NIC bank is 2.69. Similarly, CV ratio of NABIL is 0.50 and CV ratio of NIC is 0.10, like that range fluctuation of NABIL and NIC banks 202.81 and 7.73 respectively.

3.3. The average ratio of total investment to total deposit ratio of NABIL and NIC banks are 0.34 and 0.20 respectively. The standard deviation of NABIL is 0.05 and the standard deviation of NIC is 0.06, the CV ratio of NABIL is 0.15 and CV ratio of NIC is 0.30. Similarly, range fluctuation of NABIL is 0.12 and range fluctuation of NIC 0.15 respectively.

3.4. The average ratio of total loans, advance to total deposit ratio of NABIL bank and NIC banks are 0.66 and 0.82 respectively. The CV ratio of NABIL is 0.08 and CV ratio of NIC is 0.06, the standard deviation of NABIL and NIC banks are the same i.e. 0.05. Similarly, range of NABIL bank is 0.15 and the range of NIC bank is 0.14.

3.5. The average ratio of total loan and advance to total fixed deposit of NABIL and NIC banks are 4.4 and 1.8 respectively. The standard deviation of NABIL bank is 1.5 and the standard deviation of NIC bank is

0.4, the CV of NABIL bank and NIC bank are 0.34 and 0.22 respectively. Range of NABIL bank is 4 and of NIC bank is 1.

4. Leverage Ratio

- 4.1. The average ratio of interest coverage ratio of NABIL and NIC banks are 0.93 and 0.90 respectively. The standard deviation of NABIL is 0.02 and standard deviation of NIC bank is 0.01, the CV of NABIL is 0.02 and CV of NIC is 0.01. Similarly, range of NABIL bank is 0.05 and range of NIC bank is 0.01.
- 4.2. The average ratio of debt-to-equity ratio of NABIL and NIC banks are 19 and 9 respectively. The standard deviation of NABIL bank is 9.4 and of NIC bank is 2.5, the CV of NABIL bank is 0.49 and CV of NIC bank is 0.28, range of NABIL and NIC banks are 21 and 7 respectively.
- 4.3. The average ratio of debt to total capital employed of NABIL bank and NIC bank are 0.94 and 0.92 respectively. The standard deviation of NABIL bank is 0.03 and the standard deviation of NIC bank is 0.10, the CV ratio of NABIL is 0.03 and CV of NIC is 0.04. Range of fluctuation of NABIL and NIC banks are 0.06 and 0.10 respectively.
- 4.4. The average ratio of total debts to fixed coverage ratio of NABIL and NIC banks are 0.37 and 11 respectively. The standard deviation of NABIL bank is 0.21 and the standard deviation of NIC bank is 10, the CV ratio of NABIL bank is 0.57 and the standard deviation of NIC bank is 0.90. Similarly, range of NABIL and NIC banks are 0.54 and 25 respectively.

5) Market Value or other Ratios

- 5.1. The average ratio of earning per share of NABIL and NIC banks are 111 and 37 respectively. The standard deviation of NABIL bank is 12 and of NIC bank is 7, the CV of NABIL bank is 0.12 and the CV of NIC bank is 0.19, the range of NABIL and NIC banks are 28 and 17 respectively.
- 5.2. The average ratio of dividend per share of NABIL and NIC banks are 76 and 3 respectively. The standard deviation of NABIL bank is 14 and the standard deviation of NIC bank is 4, the CV ratio of NABIL is

0.18 and the standard deviation of NIC is 1.33. The range of NABIL and NIC banks are 40 and 9 respectively.

- 5.3. The average ratio of dividend pay-out ratio of NABIL bank and NIC bank are 0.68 and 0.09 respectively. The standard deviation of NABIL bank is 0.08 and of NIC bank is 0.12, the CV of NABIL bank is 0.12 and of NIC bank is 1.33. Range of NABIL and NIC banks are 0.24 and 0.30 respectively.
- 5.4. The average ratio of earning yield ratio of NABIL bank and NIC bank are 0.05 and 0.08 respectively. The standard deviation of NABIL bank and NIC bank are the same i.e. 0.03, the CV ratio of NABIL bank is 0.60 and of NIC bank is 0.40. Range of NABIL and NIC banks are 0.08 and 0.09 respectively.
- 5.5. The average ratio of price earning ratio of NABIL and NIC banks are 26 and 17 respectively. The standard deviation of NABIL is 15 and the standard deviation of NIC bank is 7, the CV ratio of NABIL bank is 0.58 and the CV ratio of NIC bank is 0.41. Range of NABIL and NIC banks are 39 and 20 respectively.
- 5.6. The average ratio of market value to book value per share of NABIL and NIC banks are 8.2 and 0.7 respectively. The standard deviation of NABIL bank is 4.5 and the standard deviation of NIC bank is 0.25, the CV ratio of NABIL and NIC are 0.55 and 0.36 respectively. Similarly, range of NABIL is 12 and range of NIC is 0.60.
- 5.7. The average ratio of earning power ratio of NABIL and NIC banks are the same i.e. 0.06. The standard deviation of NABIL and NIC banks are 0.005 and 0.015 respectively. The CV ratio of NABIL is 0.08 and CV ratio of NIC is 0.25. Range of NABIL and NIC banks are 0.01 and 0.04 respectively.

b) Trend Analysis

1. The trend of total deposit of NABIL and NIC banks are in increasing trend through out the study period. The fiscal year 2003/04 is taken as base year in this trend analysis. The significant increase in trend of

NABIL is in fiscal year 07/08 from the fiscal year 06/07 i.e. 226% from 165%, similarly, in case of NIC bank also it has increased significantly from fiscal year 06/07 to 07/08 from 311% to 404%.

2. The trend of current deposit of NABIL and NIC banks are increasing rapidly. The trend of current deposit of NABIL and NIC banks in fiscal year 2004/05 are 136% and 137 % respectively. In the fiscal year 2005/06, the trend of NABIL is 142% and of NIC is 230%, in the fiscal year 2006/07, the trend of NABIL is 165 and of NIC are 299. Similarly, in the fiscal year 2007/08, in case of NABIL is 257% and in case of NIC bank is 384%.
3. The trend of saving and other deposit of NABIL and NIC banks are in increasing trend. The trend of NABIL and NIC banks in the fiscal year 2004/05 are 109% and 134% respectively. In the fiscal year 2005/06 of NABIL and NIC banks' trends are 137% and 185%, similarly, in the fiscal year 2006/07, the trend of NABIL and NIC banks are 159% and 221%, and in fiscal year 2007/08, the trend of NABIL and NIC banks are 189% and 243% respectively.
4. The trend of total investment of NABIL and NIC banks are 73% and 100% respectively in the fiscal year 2004/05, like that in the fiscal year 2005/06, the trend of NABIL and NIC banks are 106 and 301, in fiscal year 2006/07 of NABIL is 153% and of NIC 194% and in fiscal year 2007/08, the trend of NABIL and NIC banks are 170% and 281% respectively.
5. The trend of loan, advance & bills purchased in the fiscal year 2004/05 of NABIL is 129% and of NIC bank is 175% respectively. In the fiscal year 2005/06, the trend of NABIL and NIC banks are 158% and 248%, similarly, in the fiscal year 2006/07, the trend of NABIL bank is 190% and in NIC bank is 332% and in fiscal year 2007/08, the trend of NABIL and NIC banks are 261% and 418%.
6. The trend of net profit in the fiscal year 2004/05, in case of NABIL bank is 100% and in NIC bank is 110%. In the fiscal year 2005/06, the trend of NABIL and NIC banks are 123% and 122% respectively. Similarly,

- in the fiscal year 2006/07, the trend of net profit in case of NABIL is 129% and in case of NIC 183%. In the fiscal year 2007/08 the trend of NABIL and NIC are 154 and 194 respectively.
7. The trend value of total operating income of NABIL and NIC banks in the fiscal year 2004/05 are 111% and 108% respectively. In the fiscal year 2005/06, the trend value of NABIL is 132% and in NIC bank is 137%, like that, in the fiscal year 2006/07, in case of NABIL is 157% and in case of NIC is 174%, and in fiscal year 2007/08, the trend value of NABIL and NIC are 187% & 220% respectively.
 8. The trend value of total operating expenses, in the fiscal year 2004/05 of NABIL and NIC banks are 132% and 127% respectively. The trend value in the fiscal year 2005/06, incase of NABIL bank is 136% and in case of NIC 145%, similarly, in the fiscal year 2006/07, the trend value of NABIL and NIC are 145% and 168%, and in the fiscal year 2007/08, the trend value of NABIL bank and NIC banks are 164% and 215%.
 9. The trend value of net operating income of NABIL and NIC banks are the same value i.e. 105 in the fiscal year 2004/05. Similarly, in the fiscal year 2005/06, the trend value of NABIL is 131% and of NIC is 135, in the fiscal year 2006/07, the trend of NABIL is 161% and in NIC bank is 175%. In the fiscal year 2007/08, the trend value of NABIL and NIC banks are 194% and 221% respectively.
 10. The trend of interest earned of NABIL and NIC banks in the fiscal year 2004/05 are 109% and 106% respectively. The trend value of NABIL and NIC are in the fiscal year 2006/07 134% and 135%, in the same way, the trend value of NABIL and NIC banks are 162% and 169%, in fiscal year 2007/08.
 11. The trend of interest expenses in the fiscal year 2004/05 in case of NABIL bank is 109% and in case of NIC bank is 102% respectively. The trend value of NABIL bank is 160% and in NIC bank is 131% in the 2005/06 fiscal year. Similarly, in the fiscal year 2006/07, the trend value of NABIL is 249% and in NIC bank is 162%, and in fiscal year 2007/08, the trend value of NABIL and NIC banks are 339% and 189% respectively.

12. The trend of net worth of NABIL and NIC banks are 100% and 108% respectively in the fiscal year of 2004/05. The trend value of NABIL and NIC banks are 387% and 102% respectively in the fiscal year 2005/06. Similarly, the trend value of NABIL and NIC banks are 441% and 137% in the fiscal year 2006/07. And the trend value of NABIL is 527% and in NIC bank is 163% in the fiscal year of 2007/08.

c) Cash Flow Statement Analysis

The cash flow analysis of NABIL and NIC banks have been done comparatively from the fiscal year 2004/05 to 2007/08. The average of all items (i.e. operating, investing, financing activities and closing and opening cash equivalent) of cash flow statement of NABIL and NIC banks for making easy to analyze and compare the figure during the study period have been done.

Operating activities of NABIL and NIC banks are 231,178 & 118,703, investing activities of NABIL and NIC banks are 60,953 and 44,010 and financing activities of both banks are 48,000 and 98,475 respectively.

Opening cash equivalent of NABIL & NIC banks are 711,978 and 537,580, closing cash equivalent of NABIL and NIC banks are 1,052,117 and 710,327 respectively.

d) Common Size Statement Analysis

i) Common Size Balance Sheet Analysis

The comparative common size balance sheet of NABIL and NIC banks Ltd. for the fiscal years 2003/04 to 2007/08 has been analyzed. To analyze and compare the above data of common size balance sheet of NABIL and NIC banks Ltd., there is calculated the average of all items. The averages of cash balance of NABIL and NIC banks are 1.2 and 1.3, balance with NRB is 3.4 and 6.3, and balances with financial institutions are 0.4 and 1.7, respectively. In case of those items, the NIC bank has higher average ratio. Similarly, money at call and short notice of both banks are 5.1 and 1.6, investments are 29.3 and 19.1, loans advance & bills purchased are 56.7 and 67.9, fixed assets are 1.6 and 0.9 respectively. And other assets of NABIL and NIC are 2.2 and 1.1 respectively.

Share capital of NABIL and NIC banks are 2.3 and 6.8 respectively. Reserve funds of NABIL and NIC banks are 5.9 and 2.4; debenture and bonds of both banks are 0.1 and 1.0, 1.8 and 4.3 respectively. Like that deposits of NABIL and NIC banks are 85.6 and 82.9, bills payable are 0.6 and 0.5, proposed and undistributed dividend are 1.4 and 0.4 respectively. Income tax liabilities of both banks are 0.1 and 0.4 and other liabilities are 2.1 and 1.0 respectively.

ii) Common Size Income Statement Analysis

To analyze and compare the five fiscal years' data, there is calculated the average of all items. The average of interest expenses of NABIL and NIC banks are 22.62 and 22.9 respectively. Non-operating expenses are nil in NABIL bank and the average in NIC bank is 0.2. Similarly, Provision for possible loss of NABIL bank is 0.39 and in NIC bank is 2.3, the average of provision for staff bonus of NABIL and NIC are 5.12 and 2.5 respectively. The average of provision for income tax of NABIL and NIC banks 15.5 & 17.6 respectively.

Like that, the average of staff expenses of NABIL & NIC banks are 61.97 & 6.8 respectively. There is a great difference between NABIL & NIC banks' average of staff expenses. The average of other operating expenses of NABIL and NIC banks are 10.39 & 8.6 respectively. Similarly, the average of net profit c/d of NABIL and NIC banks are 167.5 & 29 respectively.

the average of interest income of NABIL & NIC banks are 76.89 & 88.35, the average of commission and discount of NABIL & NIC banks are 7.81 & 4.5, the average of foreign exchange income of NABIL & NIC are 10.8 & 4.3 respectively. In case of interest income, NIC bank is better than NABIL bank with higher average. The average of non-operating income of NABIL & NIC banks are 0.27 & 0.15, the average of other income of NABIL & NIC banks are 4.19 & 2.6 respectively.

e) Correlation co-efficient Analysis

1) Correlation between current assets and current liabilities of NABIL and NIC banks are 0.9787 and 2.3346 respectively. When there is change in current assets, it brings 97.87% change in current liabilities of NABIL bank. Similarly, there is change in current assets, it brings 233.46%.

2) Correlation between total deposit and total investment of NABIL and NIC banks are 0.8576 & 0.6241 respectively. On the basis of co-efficient of determination, it can be observed that when there is change in total deposits, it brings 85.76% change in total investment of NABIL bank. Like that in NIC bank, if there is change in total deposit, it brings 62.41% change in total investment.

3) Correlation between interests' earned and net operating income of NABIL and NIC banks are 0.9806 and 1.02 respectively. According to determination, it can be observed that when there is change in interest income it brings 98.06% change in net operating income of NABIL bank and 102% change in net operating income incase of NIC bank.

4. Correlation between operating income and operating expenses of NABIL and NIC are 0.7593 and 1.71 respectively. On the basis of coefficient of determination, it is clear that when there is change in total operating income, it brings 75.93% change in case of NABIL bank and 171% change in operating expenses of NIC.

f) Testing of Hypothesis

The calculated value of 't' is 4.28. The tabulated value of 't' at 5% level of significance and 4 degree of freedom is 4.604. Since the calculated value of 't' is lower than its tabulated value. Hence, the null hypothesis is accepted, and concluded that NABIL bank has been achieving the industry average of debt-to-equity ratio.

In case of NIC bank, the calculated value of 't' is 7.15. The tabulated value of 't' at 5% level of significance and 4 degree of freedom is 4.604. Since the calculated value of 't' is more than its standard value. So, the null hypothesis is highly rejected and concluded that NIC bank has not been achieving the target average of debt-to-equity ratio.

5.2. Conclusion or Finding of the Study

After the completion of the study of comparative financial performance of NABIL and NIC banks, the researcher has concluded the following points in different area of study:

- 1.a) From the above analysis, it is found that the both banks are not able to cover its current liabilities with its current assets. Because generally 2:1 is considered as a good standard current ratio for the bank's liquidity position. However, this result shows that the both banks are able to minimize the idle cash reserve. But comparatively, the NIC bank has maintained higher liquidity position than the NABIL bank.
- b) The average of return on equity (ROE) of NABIL Bank is higher than that of NIC Bank during the study period. It means NABIL bank has more ability to utilize the shareholder's fund in the most efficient manner.
- c) The average ratio return on total assets of NABIL is higher than NIC. It means NABIL Bank is able to generate more return on assets than NIC Bank. NIC has less consistency in comparison of NABIL Bank. It is in high risk and fluctuation. In comparison NABIL has shown better performance than NIC Bank in term of return on assets.
- d) Here the above analysis of return on total deposit's average ratio of NIC is higher than that of NABIL bank. From the view point of the average ratio, NIC Bank has better performance. And it is able to earn more profit.
- e) On the basis of equity-capital ratio, NABIL bank leads to higher return on equity or better utilization of total assets which indicates higher return on equity. Because its average equity-capital ratio is less.
- f) During the study period, the interest paid to total deposit ratio NABIL bank is higher than that of NIC Bank. It means NABIL Bank has more ability to pay high interest rate on fixed deposit.
- g) The average ratio of interest paid to interest earned of NABIL is higher than that of NIC Bank. There is less risk, less consistency and less fluctuation in NIC Bank. In comparison, the NABIL bank has good ability to pay interest to its depositors.

- h) It is found that the average ratio of NIC Bank is higher than that of NABIL Bank during the study period. It indicates proper utilization of its resources for investment in NIC than NABIL. Here, the average ratio in NIC bank is high due to its high investment on loan & advance in comparison to NABIL Bank. Due to its high investment on loan & advance, it is highly risk bearing with high fluctuation and less consistency.
- i) NIC bank's provision for credit loan losses as a percentage of total assets increased sharply. This could be the result of the NIC bank moving into more risky loans. In comparison, NABIL bank has better efficiency than NIC bank
- j) The average ratio of NABIL is higher than that of NIC bank. A high credit loss coverage ratio means a greater margin for error and therefore more safety, other things being equal. However, the decline in the coverage ratio in this case must be interpreted in light of that fact that a more conservative approach to loan loss provisions has been adopted.
- k) Here, the average ratio of total investment to total deposit of NABIL is higher than that of NIC bank. It means the NABIL represents the bank is capable in mobilizing the deposits into the investment.
- l) The mean ratio of total loan & advance to total deposit of NIC bank is greater than NABIL bank. From the view point of mean ratio, NIC bank has better efficiency of utilizing the total deposits as loan and advance.
- m) The average ratio of loan and advance to fixed deposit of NABIL is more than NIC bank. It means NABIL bank has more power to utilize its fixed deposits into loan and advance.
- n) It is found that the average ratio of interest coverage ratio of NABIL is higher than that of NIC bank. So, it means NABIL has strong debt servicing capacity in comparison to NIC during the study period.
- o) There is higher average ratio of debt equity ratio in NABIL bank than NIC bank. A high ratio means the claims of depositor and creditors are greater than those of owners. And it is unfavorable for the bank. Or the NIC bank has better efficiency than NABIL.

- p) There is greater average ratio debt to total capital employed ratio of NABIL bank than that of NIC bank. A high ratio represents a greater risk to creditors in extending credit. So, there is high risk and high profitability in NABIL bank in comparison of NIC bank.
 - q) The average ratio of Long term debt to net fixed assets of NIC is very higher than that of NABIL bank. It means, there is higher risk to depositors because higher proportion of fixed assets is financed by NIC bank in comparison to NABIL. So, it proved that in NIC bank is higher claim on assets of outsider/ depositors or external.
 - r) The average EPS of NABIL is larger than NIC bank. On the basis of per share, higher earning per share indicates higher profitability of NABIL than in NIC.
 - s) The average ratio of dividend per share of NABIL is extremely large than NIC bank or NABIL bank is paying more dividend per share to shareholders in comparison to NIC bank.
 - t) The average ratio price earning ratio of NABIL is higher than that of NIC bank. It means, shareholders of NABIL has greater confidence than shareholders of NIC bank in the bank's future because the high price earning ratio reflects its higher market price per share over earning per share.
 - u) Here, there is more average ratio of market value to book value in NABIL bank, so it shows the stock of NABIL is selling at higher value in comparison to NIC bank.
2. Comparatively the growth of total deposit of NIC is higher than that of NABIL. It means that NIC bank is more successful in collecting total deposit in comparison of NABIL bank. Similarly, the growth of fixed deposit of NABIL bank is higher than NIC bank. In the same way, NIC bank has more growth than NABIL bank in all fiscal years. It means NIC bank is better efficiency in collection of current deposit. The saving & other deposit of NIC is higher in all fiscal years than that of NABIL bank. So, it means NIC bank is more successful in collecting of saving and other deposit than in NABIL bank.

The growth rate of total investment of NIC bank is higher than that of NABIL bank in all fiscal years. It means NIC has better efficiency to invest total assets. NIC bank's growth rate of loan, advance and bills purchase is high than NABIL bank. Comparatively, NIC bank is better from the view point of loan, advance & bills purchased. The trend of net profit of NIC bank is better shown in case of earning net profit. And bank's profitability position is so good. In case of total operating income, NIC bank is higher than NABIL bank and but in case of total operating expenses, NABIL bank is better than NIC because its trend is less than NIC bank. Comparatively, the trend line of net operating income of NIC bank is above from the trend line of NABIL bank.

3. Operating activities of NABIL and NIC banks are 231,178 & 118,703, investing activities of NABIL and NIC banks are 60,953 and 44,010 and financing activities of both banks are 48,000 and 98,475 respectively. In case of operating and investing activities, the NABIL bank is higher than that of NIC bank. And in case of financing activity, NIC bank is higher than that of NABIL bank.

Opening cash equivalent of NABIL & NIC banks are 711,978 and 537,580, closing cash equivalent of NABIL and NIC banks are 1,052,117 and 710,327 respectively. There is high fluctuation in NABIL bank than that of NIC bank, in case of closing cash equivalent. But in comparison, NIC bank is higher closing cash equivalent than that of NABIL bank

4. The correlation coefficient between current assets and current liabilities of NABIL and NIC banks are 0.9787 and 2.3346 respectively. So, there is high degree of positive correlation between current assets and current liabilities of both banks. In conclusion, current assets and current liabilities of both banks are highly positive correlated therefore, which implies the banks are unable to cover its current liabilities with their current assets.

The correlation co-efficient between total deposit & total investment of NABIL & NIC bank are 0.8576 & 0.6241 respectively. So, there is a high degree of positive correlation between total deposit and total investment in both banks.

Here, correlation between operating income and operating expenses of NABIL and NIC are 0.7593 and 1.71 respectively. There is high positive correlation between two variables of both banks.

5. The calculated value of 't' is 4.28 in case of NABIL bank. The tabulated value of 't' at 5% level of significance and 4 degree of freedom is 4.604. Since the calculated value of 't' is lower than its tabulated value. Hence, the null hypothesis is accepted, and concluded that NABIL bank has been achieving the industry average of debt-to-equity ratio.

In case of NIC bank, the calculated value of 't' is 7.15. The tabulated value of 't' at 5% level of significance and 4 degree of freedom is 4.604. Since the calculated value of 't' is more than its standard value. So, the null hypothesis is highly rejected and concluded that NIC bank has not been achieving the target average of debt-to-equity ratio.

5.3. Recommendations

- i.) The NABIL bank maintains higher cash and bank balance than NIC bank. It reduces the income generating capacity. So, it should be reduced.
- ii) In comparison, NABIL bank has lower capacity to solve the current obligation, however both banks have not met the criteria so, both banks should decrease its current liabilities and increase cash balance to solve the current obligation.
- iii) Deposit from the public is the major portion of the bank's working capital and its mobilization is the major function of commercial banks. But the NABIL has the low proportion of utilization of deposit. It should properly invest the deposit amount.
- iv) NABIL bank pays and charges more interest on fixed deposit and loan respectively than NIC bank. It is not competitive work.
- v) The staff expenses of NABIL bank is more than NIC bank. It should be minimized so far as possible.
- vi) Credit loss coverage of NIC bank is lower which leads to bank towards risk. So, it should be reduced immediately.

- vii) The NIC bank has not invested its total deposits. So, the NIC bank should focus the investment policy more efficiently so that operating income could be increased.
- viii) Total deposit amount of NIC bank is lower than that of NABIL bank. It would be advisable to the NIC bank to give attraction to the outsiders for new customers in order to increase the volume of any deposit.
- ix) The current ratio of both banks couldn't meet its standard. So, current liabilities should be decreased by both banks.
- x) Return on equity or return on net worth of NABIL in terms of SD is high in comparison to NIC bank; therefore NABIL bank should pay more attention to NPAT.
- xi) The debt ratio of both banks are fluctuating which is not favorable for the banks. So, it should stabilize the debt position.
- xii) The earning per share & dividend per share of NIC bank is lower than NABIL bank, so, NIC bank should pay more attention to earning available.
- xiii) The interest incomes of both banks are increasing trend which is good for the bank but it also should try to minimize the increment in interest expenses.
- xiv) The correlation between current assets and current liability in terms of NIC bank is not favorable it should try to adjust as far as possible.

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Appendix – 1

Comparative Balance sheet of NABIL Bank Ltd.**From the Fiscal Year 2003/04 to 2007/08****(‘000)**

Assets	03/04	04/05	05/06	06/07	07/08
Cash Balance	286,886	146,353	237,819	270,407	511,427
Balance with Nepal Rastra Bank	683,600	389,705	318,359	1,113,415	1,829,471
Balance with Financial Institutions	-	23,323	74,061	16,003	330,244
Money at Call and Short Notice	918,733	868,428	1,734,902	563,533	1,952,361
Investments	5,835,949	4,275,528	6,178,533	8,945,311	9,939,771
Loans, Advances and Bills Purchased	8,189,993	10,586,170	12,922,543	15,545,779	21,365,053
Fixed Assets	338,126	361,235	319,086	286,895	598,039
Other Assets	492,199	413,339	544,668	512,050	606,394
Total	16,745,486	17,064,081	22,329,971	27,253,393	37,132,760
Capital and Liabilities	03/04	04/05	05/06	06/07	07/08
Share Capital	491,654	491,654	491,654	491,654	689,216
Reserve Funds	990,028	1,165,984	1,383,340	1,565,395	1,747,983
Debentures & Bonds	-	-	-	-	240,000
Borrowings	229,660	17,063	173,202	882,573	1,360,000
Deposits	14,119,032	14,586,609	19,347,399	23,342,285	31,915,047
Bills Payable	173,499	85,419	112,607	83,515	238,422
Proposed and undistributed dividends	-	361,221	435,084	509,418	437,373
Income Tax Liabilities	-	15,345	34,605	-	38,778
Other Liabilities	741,613	340,786	352,079	378,553	465,941
Total	16,745,486	17,064,081	22,329,971	27,253,393	37,132,760

Appendex-2

Comparative Balance Sheet of NIC Bank Ltd.**From the Fiscal Year 2003/04 to 2007/08****(‘000)**

Assets	03/04	04/05	05/06	06/07	07/08
Cash Balance	59,633	69,778	139,186	181,607	235,246
Balance with Nepal Rastra Bank	537,001	637,301	455,769	262,735	634,114
Balance with Financial Institutions	102,208	103,308	154,184	155,416	322,988
Money at call & short Notice	49,542	89,881	353,515	163,009	160,000
Investments	822,901	1,772,902	2,479,914	1,599,481	2,311,468
Loans, Advances & Bills purchased	2,697,102	4,711,712	6,655,960	8,941,398	11,264,678
Fixed Assets	23,457	59,496	39,864	153,679	194,500
Non-banking Assets	2,320	3,465	2,646	1,164	674
Other Assets	45,899	62,554	102,563	220,345	115,066
Total	4,340,063	7,510,397	10,383,601	11,678,834	15,238,736
Capital and Liabilities	03/04	04/05	05/06	06/07	07/08
Share Capital	450,000	500,000	600,000	660,000	943,877
Reserves & funds	150,194	184,194	166,462	257,990	359,550
Debenture & Bonds	-	-	200,000	200,000	200,000
Borrowings	380,570	450,371	457,705	352,129	335,000
Deposit	3,242,378	6,241,378	8,765,951	10,068,231	13,084,689
Bills Payable	25,328	28,329	91,508	31,691	32,564
Proposed Dividend Payable	50,010	54,011	10,954	11,380	12,475
Income Tax Liabilities	1,530	2,041	4,631	405	13,927
Other Liabilities	40,053	50,073	86,390	97,008	256,654

Total	4,340,063	7,510,397	10,383,601	11,678,834	15,238,736
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Source: Annual Reports of NIC Bank Ltd.

Appendix – 3
Income Statement of NABIL Bank Ltd.
From the Fiscal Year 2003/04 to 2007/08

(‘000)

Particulars	03/04	04/05	05/06	06/07	07/08
Interest Income	978,765	1,068,747	1,309,999	1,587,759	1,978,697
Commission & discount	107,267	128,377	138,294	150,609	156,235
Foreign exchange income	158,469	184,879	185,484	209,926	196,487
other income	51,321	56,441	82,898	87,575	97,445
A) Total Operating Income (Revenue)	1,295,822	1,438,443	1,716,674	2,035,868	2,428,864
Staff expenses	165,912	199,516	219,781	240,161	262,908
Other operating expenses	129,110	190,300	182,696	188,183	220,751
Foreign exchange loss	-	-	-	-	-
B) Total Operating Expenses	295,023	389,816	402,477	428,345	483,658
Net Operating Income (A - B)	1,000,799	1,048,627	1,314,197	1,607,524	1,945,205
Add non-operating income	35	48	735	5,281	24,084
Less non-operating expenses	-	-	-	-	-
Add dividend received	-	-	-	-	-
Less provision for possible loss	2,431	4,455	7,729	10,926	11,101
Less provision for staff Bonus	71,257	84,198	89,800	99,505	108,899
EBIT	927,076	959,974	1,217,402	1,502,373	1,849,290
Less interest expenses	223,434	243,545	357,161	555,710	758,436
EBT	703,642	716,430	860,241	946,663	1,090,853
Less Provision for tax	217,176	227,671	262,741	321,086	342,522
EAT/NPAT	486,466	488,759	597,500	625,577	748,332
Cash dividend	324,254	344,158	417,906	491,654	413,530
No of Shares	491,654	491,654	491,654	491,654	689,216

Source: Annual Report of NABIL Bank Ltd.

Appendix – 4
Income Statement of NIC Bank Ltd.
From the Fiscal Year 2003/04 to 2007/08

(‘000)

Particulars	03/04	04/05	05/06	06/07	07/08
Interest Income	430,525	457,609	579,979	725,819	931,401
Commission & discount	21,503	27,102	29,447	36,017	43,373
Foreign exchange income	19,506	24,606	25,388	44,277	39,658
other income	7,326	9,180	20,242	26,175	37,905
A) Total Operating Income (Revenue)	478,859	518,497	655,057	832,288	1,052,337
Staff expenses	29,541	39,004	45,494	54,920	72,074
Other operating expenses	41,629	51,629	57,356	64,631	81,203
Foreign exchange loss	-	-	-	-	-
B) Total Operating Expenses	71,171	90,633	102,851	119,552	153,277
Net Operating Income (A - B)	407,689	427,865	552,207	712,736	899,060
Add non-operating income	-	2,225	-	2,840	-
Less non-operating expenses	-	-	3,990	-	4,284
Add dividend received	-	-	351	401	420
Less provision for possible loss	9,300	12,550	15,000	18,500	28,500
Less provision for staff Bonus	10,379	11,739	13,739	23,091	35,519
EBIT	387,915	405,806	519,728	674,385	831,177
Less interest expenses	117,064	119,654	153,758	189,965	221,670
EBT	270,851	286,152	365,970	484,420	609,507
Less Provision for tax	126,914	127,887	189,715	220,627	330,619
EAT/NPAT	143,937	158,264	176,255	263,793	278,888
Cash dividend (Proposed Dividend)	4,256	50,000	3,158	6,947	10,004
No of Shares	5,000	5,000	5,000	6,000	6,000

Source: Annual Reports of NIC Bank Ltd.

Appendix-5

**Calculation of Current assets, Current liabilities, fixed assets etc. of NABIL Bank Ltd.
From the Fiscal Year 2003/04 to 2007/08**

('000)

Assets	03/04	04/05	05/06	06/07	07/08
<u>Current Assets:-</u>	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)
Cash balance	286,886	146,353	237,818	270,407	511,427
Bank balance with Nepal Rastra Bank	683,600	389,705	318,358	1,113,415	1,829,471
Balance with financial institutions	-	23,323	74,061	16,003	330,243
Money at call (short notice)	918,733	868,428	1,734,901	563,533	1,952,361
Loan, advances & bill purchased	8,189,993	10,586,170	12,922,543	15,545,779	21,365,053
Other assets	492,199	413,339	544,668	512,050	606,394
A) Total Current Assets:	10,571,411	12,427,318	15,832,349	18,021,187	26,594,949
<u>Fixed Assets:-</u>					
Investments	5,835,948	4,275,528	6,178,533	8,945,310	9,939,771
Fixed Assets	338,126	361,235	319,086	286,895	598,039
B) Total Fixed Assets:	6,174,074	4,636,763	6,497,619	9,232,205	10,537,810
Total Assets (A+B)	16,745,485	17,064,081	22,329,968	27,253,392	37,132,759
Capital & Liabilities					
Authorized Capital @ Rs. 100	500,000	500,000	500,000	500,000	1,600,000
Issued Capital @ Rs. 100	491,654	491,654	491,654	491,654	689,216
Shareholder equity:-					
Paid up share capital @ Rs. 100	491,654	491,654	491,654	491,654	689,216
Reserve Fund	990	1,166	1,383,340	1,565,395	1,747,983
P/L appropriation	26	30	33,438	113,386	162,545
Provision for(possible) loan loss	2431	4455	7729	10926	11101
Total Shareholder's equity	495,101	497,305	1,916,161	2,181,361	2,610,845
<u>Current Liabilities:-</u>					
Borrowing	229,660	17,063	173,202	882,572	1,360,000
Deposit	14,119,032	14,586,608	19,347,399	23,342,285	31,915,047
Bills payable	173,499	85,420	112,607	83,515	238,422
Income Tax liabilities	-	15,345	34,605	-	38,777
Other Liabilities	741,613	340,787	352,080	378,553	465,941
Total Current Liabilities:	15,263,804	15,045,223	20,019,893	24,686,925	34,018,187

Source: Annual reports of NABIL Bank Ltd.

Appendix-6
Calculation of Current Assets, Current Liabilities, Fixed Assets etc. of NIC Bank Ltd.
From the Fiscal Year 2003/04 to 2007/08
(‘000)

Assets	03/04	04/05	05/06	06/07	07/08
<u>Current Assets:-</u>	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)
Cash balance	59,633	69,778	139,186	181,607	235,246
Bank balance with Nepal Rastra Bank	537,001	637,301	455,769	262,735	634,114
Balance with financial institutions	102,208	103,308	154,184	155,416	322,988
Money at call (short notice)	49,542	89,881	353,515	163,009	160,000
Loan, advances & bill purchased	2,697,102	4,711,712	6,655,964	8,941,398	11,264,678
Non-banking Assets	2,320	3,465	2,646	1,164	674
Other assets	45,800	62,554	102,562	220,345	115,066
A) Total Current Assets:	3,493,606	5,677,999	7,863,826	9,925,674	12,732,766
<u>Fixed Assets:-</u>					
Investments	822,901	822,901	2,479,913	1,599,481	2,311,468
Fixed Assets	23,458	59,496	39,864	153,679	194,500
B) Total Fixed Assets:	846,359	882,397	2,519,777	1,753,160	2,505,968
Total Assets (A+B)	4,339,965	6,560,396	10,383,603	11,678,834	15,238,734
Capital & Liabilities					
Authorized Capital @ Rs.100	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Issued Capital @ Rs. 100	500,000	500,000	500,000	600,000	600,000
<u>Shareholders' equity:-</u>					
Paid up share capital @ Rs. 100	500,000	500,000	500,000	600,000	600,000
Reserve Fund	150,194	184,194	166,462	257,990	359,550
Provision for loan and loss	9,300	12,550	15,000	18,500	28,500
P/L appropriation	103,006	123,188	94,266	171,587	253,829
Total shareholder's equity	762,500	819,932	775,728	1,048,077	1,241,879
<u>Current Liabilities:-</u>					
Borrowing	380,570	450,371	457,705	352,129	353,000
Deposit	3,242,378	6,241,378	8,765,951	10,068,231	13,084,689
Bills payable	25,329	28,329	91,508	31,692	32,564
Income Tax liabilities	1,530	2,040	4,631	405	13,927
Other Liabilities	40,053	50,073	86,390	97,008	256,654
Total Current Liabilities:	3,689,860	6,772,191	9,406,185	10,549,465	13,740,834

Source: Annual Reports of NIC Bank Ltd.

Appendix - 7
Calculation of current ratios
of NABIL & NIC Bank Ltd. (in Rs.)

('000)

Year	NABIL			NIC			
	Current Assets	Current liabilities	Times	Current Assets	Current Liabilities	Times	
03/04	10,571,412	15,263,804	0.69	3,493,705	3,689,860	0.95	
04/05	12,427,318	15,045,223	0.83	5,677,999	6,772,192	0.84	
05/06	15,832,352	20,019,893	0.79	7,863,825	9,406,285	0.84	
06/07	18,021,187	24,686,925	0.73	9,925,674	10,549,464	0.94	
07/08	26,594,949	34,018,187	0.78	12,732,768	13,740,835	0.93	
Average ratio of NABIL Bank			0.76	Average ratio of NIC Bank			0.90

Source: Appendix – 5 & 6

Appendix – 8
Calculation of Return on equity (ROE) or Return on Net Worth
of NABIL and NIC Banks Ltd.

Year	NABIL			NIC		
	NPAT ('000)	Shareholders' equity ('000)	Ratio (%)	NPAT ('000)	Shareholders' equity ('000)	Ratio (%)
03/04	486,466	495,101	98.26	143,937	762,500	18.88
04/05	488,759	497,305	98.28	158,642	819,932	19.35
05/06	597,500	1,916,161	31.18	176,255	775,728	22.72
06/07	625,577	2,181,361	28.68	263,793	1,048,077	25.17
07/08	748,332	2,610,845	28.66	278,888	1,241,879	22.46

Source: Appendix – 3,4,5&6

Appendix – 9
Calculation of Return on Total Assets (ROTA)
of NABIL & NIC Bank Ltd.

Year	NABIL			NIC		
	NPAT ('000)	Total Assets ('000)	Ratio (%)	NPAT ('000)	Total Assets ('000)	Ratio (%)
03/04	486,466	16,745,485	2.91	143,937	4,339,965	3.32
04/05	488,759	17,064,081	2.86	158,642	6,560,396	2.42
05/06	597,500	22,329,968	2.68	176,255	10,383,603	1.70
06/07	625,577	27,253,392	2.30	263,793	11,678,834	2.26
07/08	748,332	37,132,759	2.02	278,888	15,238,734	1.83

Source: Appendix – 3,4,5&6

Appendix-10
Calculation of Return on Total Deposit Ratio
of NABIL & NIC Bank Ltd.

Year	NABIL			NIC		
	EBIT (Rs.)	Total Deposit (Rs.)	Ratio (%)	EBIT (Rs.)	Total Deposit (Rs.)	Ratio (%)
03/04	927,076	14,119,032	6.57	387,915	3,242,378	11.96
04/05	959,974	14,586,608	6.58	405,806	6,241,378	6.50
05/06	1,217,402	19,347,399	6.29	519,728	8,765,951	5.93
06/07	1,502,373	23,342,285	6.44	674,385	10,068,231	6.70
07/08	1,849,290	31,915,047	5.79	831,177	13,084,689	6.35

Source: Appendix- 1,2,3& 4

Appendix – 11
Calculation of Equity-capital Ratio of NABIL & NIC Bank Ltd.

Year	NABIL			NIC		
	Equity (Rs.)	Total Assets (Rs.)	Ratio	Equity (Rs.)	Total Assets (Rs.)	Ratio
03/04	495,101	16,745,485	0.03	762,500	4,339,965	0.18
04/05	497,305	17,064,081	0.03	819,932	6,560,396	0.12
05/06	1,916,161	22,329,968	0.09	775,728	10,383,603	0.07
06/07	2,181,361	27,253,392	0.08	1,048,077	11,678,834	0.09
07/08	2,610,845	37,132,759	0.07	1,241,879	15,238,734	0.08

Source: Appendix – 5&6

Appendix- 12
Calculation of Interest Expenses to Total Fixed Deposit Ratio
of NABIL & NIC Bank Ltd.

Year	NABIL			NIC		
	Interest Expenses (Rs.)	Total Fixed Deposit (Rs.)	Ratio	Interest Expenses (Rs.)	Total Fixed Deposit (Rs.)	Ratio
03/04	223,434	1,100,245	0.20	117,064	1,901,462	0.06
04/05	243,545	2,078,535	0.12	119,654	2,930,620	0.04
05/06	357,161	3,449,094	0.10	153,758	4,064,500	0.04
06/07	555,710	5,435,190	0.10	189,965	4,047,563	0.05
07/08	758,436	8,464,086	0.09	221,670	5,875,951	0.04

Source: Appendix 3,4,5& 6

Appendix – 13
Calculation of Interest Expenses to Interest Earned Ratio
of NABIL & NIC Bank Ltd.

Year	NABIL			NIC		
	Interest Paid (Rs.)	Interest Income (Rs.)	Ratio	Interest Paid (Rs.)	Interest Income (Rs.)	Ratio
03/04	223,434	978,765	0.23	117,064	430,525	0.27
04/05	243,545	1,068,747	0.23	119,654	457,609	0.26
05/06	357,161	1,309,999	0.27	153,758	579,979	0.27
06/07	555,710	1,587,759	0.35	189,965	725,819	0.26
07/08	758,436	1,978,697	0.38	221,670	931,401	0.24

Source : Appendix – 3&4

Appendix – 14
Calculation of Total Interest Earned to Total Investment Ratio
of NABIL & NIC Bank Ltd.

Year	NABIL			NIC		
	Interest Income (Rs.)	Total Investment (Rs.)	Ratio	Interest Income (Rs.)	Total Investment (Rs.)	Ratio
03/04	978,765	5,835,948	0.17	430,525	822,901	0.52
04/05	1,068,747	4,275,528	0.25	457,609	822,901	0.56
05/06	1,309,999	6,178,533	0.21	579,979	2,479,913	0.23
06/07	1,587,759	8,945,310	0.18	725,819	1,599,481	0.45
07/08	1,978,697	9,939,771	0.20	931,401	2,311,468	0.40

Source: Appendix -3, 4, 5 & 6

Appendix – 15
Calculation of Provision for Credit Loss Ratio
of NABIL & NIC Bank Ltd.

Year	NABIL			NIC		
	Provision for possible loss (Rs.)	Total Assets (Rs.'000)	Ratio	Provision for possible loss (Rs.)	Total Assets (Rs.'000)	Ratio
03/04	2,431	16,745	0.15	9,300	4,340	2.14
04/05	4,455	17,064	0.26	12,550	6,560	1.91
05/06	7,729	22,330	0.35	15,000	10,384	1.44
06/07	10,926	27,253	0.40	18,500	11,679	1.58
07/08	11,101	37,133	0.30	28,500	15,239	1.87

Source: Appendix – 3,4,5 & 6

Appendix – 16
Calculation of Credit Loss Coverage Ratio
of NABIL & NIC Bank Ltd.

Year	NABIL				NIC			
	Provision for loan loss (Rs.)	EBT (Rs.)	EBT + Pro. For loan loss	Ratio	Provision for loan loss (Rs.)	EBT (Rs.)	EBT + Prov. For loan loss	Ratio
03/04	2,431	703,642	706,073	290.45	9300	270,851	280,151	30.12
04/05	4455	716,430	720,885	161.81	12,550	286,152	298,702	23.80
05/06	7,729	860,241	867,970	112.30	15,000	365,970	380,970	25.40
06/07	10,926	946,663	957,589	87.64	18,500	484,420	502,920	27.18
07/08	11,101	1,090,853	1,101,954	99.27	28,500	609,507	638,007	22.39

Source: Appendix – 3&4

Appendix – 17
Calculation of Total Investment to Total Deposit Ratio
of NABIL and NIC Bank Ltd.

Year	NABIL			NIC		
	Total Investment (Rs.)	Total Deposits (Rs.)	Ratio	Total Investment (Rs.)	Total Deposits (Rs.)	Ratio
03/04	5,835,948	14,119,032	0.41	822,901	3,242,378	0.25
04/05	4,275,528	14,586,608	0.29	822,901	6,241,378	0.13
05/06	6,178,533	19,347,399	0.32	2,479,913	8,765,951	0.28
06/07	8,945,310	23,342,285	0.38	1,599,481	10,068,231	0.16
07/08	9,939,771	31,915,047	0.31	2,311,468	13,084,689	0.18

Source: Appendix – 5 & 6

Appendix – 18
Calculation of Total Loan & Advance to total Deposit
of NABIL & NIC bank Ltd.

Year	NABIL			NIC		
	Total Loan & Advance (Rs.)	Total Deposits (Rs.)	Ratio	Total Loan & Advance (Rs.)	Total Deposits (Rs.)	Ratio
03/04	8,189,993	14,119,032	0.58	2,697,102	3,242,378	0.83
04/05	10,586,170	14,586,608	0.73	4,711,712	6,241,378	0.75
05/06	12,922,543	19,347,399	0.67	6,655,964	8,765,951	0.76
06/07	15,545,779	23,342,285	0.67	8,941,398	10,068,231	0.89
07/08	21,363,053	31,915,047	0.67	11,264,678	13,084,689	0.86

Source: Appendix – 5 & 6

Appendix -19
Calculation of Loan & advance to Fixed Deposit Ratio
of NABIL and NIC Banks Ltd.

Year	NABIL			NIC		
	Loan & Advance (Rs.)	Total Fixed Deposits (Rs.)	Ratio	Loan & Advance (Rs.)	Total Fixed Deposits (Rs.)	Ratio
03/04	8,189,993	1,100,245	7.44	2,697,102	1,901,462	1.42
04/05	10,586,170	2,078,535	5.09	4,711,712	2,930,620	1.61
05/06	12,922,543	3,449,094	3.75	6,655,964	4,064,500	1.64
06/07	15,545,779	5,435,190	2.86	8,941,398	4,047,563	2.21
07/08	21,363,053	8,464,086	2.52	11,264,678	5,875,951	1.92

Source: Appendix – 5&6

Appendix – 20
Calculation of Interest Coverage Ratio
of NABIL Bank and NIC Bank Ltd.

Year	EBIT (Rs.)	Interest Income (Rs.)	Ratio	EBIT (Rs.)	Interest Income (Rs.)	Ratio
03/04	927,076	978,765	0.95	387,915	430,525	0.90
04/05	959,974	1,068,747	0.90	405,806	457,609	0.89
05/06	1,217,402	1,309,999	0.93	519,728	579,979	0.90
06/07	1,502,373	1,587,759	0.95	674,385	725,819	0.93
07/08	1,849,290	1,978,697	0.93	831,177	931,401	0.89

Source: Appendix – 3 & 4

Appendix – 21
Calculation of Debt to Equity Ratio
of NABIL Bank and NIC Bank Ltd.

Year	NABIL			NIC		
	Debt (Rs.)	Shareholders' equity (Rs.)	Ratio	Debt (Rs.)	Shareholders' Equity (Rs.)	Ratio
03/04	15,263,804	495,101	30.83	3,689,860	762,500	4.84
04/05	15,045,223	497,305	30.25	6,772,191	819,932	8.26
05/06	20,019,893	1,916,161	10.45	9,606,185	775,728	12.38
06/07	24,686,925	2,181,361	11.32	10,749,465	1,048,077	10.26
07/08	34,018,187	2,610,845	13.03	13,940,834	1,241,879	11.23

Source: Appendix- 1, 2, 5&6

Appendix – 22
Calculation of Debt to Total Capital Employed Ratio
of NABIL and NIC banks Ltd.

Year	Total Debts (Rs.)	Capital Employed + Current Liab. (Rs.)	Ratio	Total Debts (Rs.)	Capital Employed + Current Liab. (Rs.)	Ratio
03/04	15,263,804	15,756,448	0.97	3,689,860	4,340,054	0.85
04/05	15,045,223	15,538,043	0.97	6,772,191	7,456,385	0.91
05/06	20,019,893	21,894,887	0.91	9,606,185	10,172,647	0.94
06/07	24,686,925	26,743,974	0.92	10,749,465	11,407,455	0.94
07/08	34,018,187	36,455,386	0.93	13,940,834	14,700,384	0.95

Source: Appendix – 1, 2, 5 & 6

Appendix- 23
Calculation of total debt to Fixed Coverage Ratio
of NABIL and NIC bank Ltd.

Year	NABIL			NIC		
	Long Term Debts (Rs.)	Net Fixed Assets (Rs.)	Ratio	Long Term Debts (Rs.)	Net Fixed Assets (Rs.)	Ratio
03/04	73,056	338,162	0.22	100,245	23,458	4.27
04/05	76,362	361,235	0.21	101,189	59,496	1.70
05/06	74,260	319,086	0.23	190,617	39,864	4.78
06/07	215,799	286,895	0.75	4,064,500	153,679	26.45
07/08	266,647	598,039	0.45	4,047,563	194,500	20.81

Source: Appendix – 5 & 6

Appendix – 24
Calculation of Earning Per Share
of NABIL Bank and NIC Bank Ltd.

Year	NABIL			NIC		
	E A T (Rs.)	No. of Shares	Ratio	EAT (Rs.)	No. of Shares	Ratio
03/04	486,466	4,917	98.94	143,937	5,000	28.79
04/05	488,759	4,917	99.40	158,264	5,000	31.65
05/06	597,500	4,917	121.52	176,255	5,000	35.25
06/07	625,577	4,917	127.23	263,793	6,000	43.97
07/08	748,332	6,892	108.58	278,888	6,000	46.48

Source: Appendix- 2&3

Appendix – 25
Calculation of Dividend Per Share Ratio
of NABIL bank and NIC bank Ltd.

Year	NABIL			NIC		
	Dividend Paid (Rs.)	No. of Shares	Ratio	Dividend Paid (Rs.)	No. of Shares	Ratio
03/04	324,254	4,917	66	4,256	5,000	1
04/05	344,158	4,917	70	50,000	5,000	10
05/06	417,906	4,917	85	3,158	5,000	1
06/07	491,654	4,917	100	6,947	6,000	1
07/08	413,530	6,892	60	10,004	6,000	2

Appendix – 3&4

Appendix – 26
Calculation of Dividend Pay-out Ratio
of NABIL and NIC bank Ltd.

Year	NABIL			NIC		
	Dividend Per Share (DPS)	Earning Per Share (EPS)	Ratio	Dividend Per Share (DPS)	Earning Per Share (EPS)	Ratio
03/04	66	99	0.67	1	29	0.03
04/05	70	99	0.70	10	32	0.32
05/06	85	122	0.70	1	35	0.03
06/07	100	127	0.79	1	44	0.02
07/08	60	109	0.55	2	46	0.04

Source: Appendix- 24 & 25

Appendix – 27
Calculation of Earning Yield Ratio
of NABIL Bank and NIC Bank Ltd.

Year	NABIL			NIC		
	Earning Per Share (EPS)	Market Value Per Share (Rs.'000)	Ratio	Earning Per Share (EPS)	Market Value Per Share (Rs.'000)	Ratio
03/04	99	1000	0.10	29	218	0.13
04/05	99	1505	0.07	32	366	0.09
05/06	122	2240	0.05	35	496	0.07
06/07	127	5050	0.03	44	950	0.05
07/08	109	5275	0.02	46	1284	0.04

Source: Annual report of NABIL and NIC bank.

Appendix – 28
Calculation of Price Earning Ratio
of NABIL Bank and NIC Bank Ltd.

Year	NABIL			NIC		
	Earning Per Share (EPS)	Market Value Per Share (Rs.)	Ratio	Earning Per Share (EPS)	Market Value Per Share (Rs.)	Ratio
03/04	99	1000	10	29	218	8
04/05	99	1505	15	32	366	12
05/06	122	2240	18	35	496	14
06/07	127	5050	40	44	950	22
07/08	109	5275	49	46	1284	28

Source: Annual report of NABIL and NIC banks.

Appendix- 29
Calculation of Market Value to Book Value Per Share
of NABIL and NIC Bank Ltd.

Year	NABIL			NIC		
	Book Value Per Share (Rs.)	Market Value Per Share (Rs.)	Ratio	Book Value Per Share (Rs.)	Market Value Per Share (Rs.)	Ratio
03/04	301	1000	3.3	620	218	0.4
04/05	337	1505	4.5	684	366	0.5
05/06	381	2240	5.9	766	496	0.6
06/07	418	5050	12.1	918	950	1.0
07/08	354	5275	14.9	1,303	1284	1.0

Source: Annual Report of NABIL and NIC Banks.

Appendix- 30
Calculation of Earning Power Ratio
of NABIL Bank and NIC Bank Ltd.

Year	NABIL			NIC		
	EBIT (Rs.)	Total Assets (Rs.)	Ratio	EBIT (Rs.)	Total Assets (Rs.)	Ratio
03/04	927,076	16745485	0.06	387,915	4339965	0.09
04/05	959,874	17064081	0.06	405,806	6560396	0.06
05/06	1,217,402	22329968	0.05	519,728	10383603	0.05
06/07	1,502,373	27253392	0.06	674,385	11678834	0.06
07/08	1,849,290	37132759	0.05	831,177	15238734	0.05

Source: Appendix – 3, 4, 5 & 6