A STUDY ON LOAN MANAGEMENT OF EVEREST BANK LIMITED

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RECOMMENDATION

This is to certify that **Mr. Bishnu Bahadur Karki** has prepared the thesis entitled **"A Study On Loan Management of Everest Bank Ltd"** under my supervision and guidance. I am satisfied with the work in terms of Research methodology, presentation and describes of data.

This thesis has been prepared in the form as required by the institute of Management for the partial fulfillment of the degree of Master of Business Studies (M.B.S.).

This thesis is forwarded for examination. I recommend this thesis for approval and acceptance.

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Thesis Supervisor

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APPROVAL SHEET

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" A Study On Loan Management of Everest Bank Ltd " has been prepared as approved by this department in the prescribed format of the Faculty of Management. This thesis is forwarded for examination.

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VIVA-VOCE SHEET

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″ **A Study On Loan Management of Everest Bank Ltd** ″ And found the thesis to be the original work of the student written according to the prescribed format. We recommend the thesis to be accepted as partial fulfillment of the requirement for the Degree of Master of Business Studies (M.B.S.)

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DECLARATION

I hereby declare that the work reported in this entitled **" A Study On Loan Management of Everest Bank Ltd "** submitted to Tribhuvan Multiple Campus, Palpa, Faculty of Management, Tribhuvan University, is my original work done in the form of partial fulfillment of the requirement for the Master of Business Studies (M. B. S.) under the supervision of supervisor **Mr. Mahesh Bhattarai** of Tribhuvan Multiple Campus, Palpa.

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ABBREVIATIONS

EBL	=Everest Bank Limited
NRB	=Nepal Rastra Bank
A/C	=Account
ADB	=Agriculture Development Bank
U.K	.=United Kingdom
i.e.	=That is
B.S.	=Bikram Sambat
L/C	=Letter Credit
NBL	= Nepal Bank Limited
NSBL	= Nepal Siddhartha Bank Limited
GOV	=Government of Nepal
MOF	=Ministry of Finance
SAARC	=South Asian Association for Regional Co-operation
T.U.	=Tribhuvan University
PNB	=Punjab National Bank

CHAPTER I

INTRODUCTION

1.1. Background of the Study

Nepal is a land-locked country surrounded to the east, west and south by the India & to the north, by the People's Republic of China, is one of the least developed countries in the world, which is directing her efforts in accelerating the pace of her economic development. Geographically, the country is at disadvantage in that, It is a land –locked country and the nearest sea –port is locked at Bay of Bengal, Calcutta in India, 1126 km to the south-east of the country, which has greatly hindered it's foreign trade situation. Nepal has an agro-based economy; most of the people are engaged in agriculture. The contribution of agricultural sector to GDP stood at 38.9% where as that of non-agriculture sector to the same stood at 61.1%. The main reason for its agro-based economy is attributed to its geographical construction where a major portion of the country is composed of Hills and Terai (plain lands) very suitable for agriculture. The other reason is due to its low literacy rate, which has restricted the people to primitive and traditional forms of occupation.

The source of finance is the most essential element for the establishment and operation of any profit and non profits institutions usually obtain these source through ownership capital, public capital through the issue of shares, and though financial institution such as operations of any organization, the role of banks come into effect in providing these sources, in the form of overdrafts and other related services. The history of banking system in Nepal in the form of money lending can be traced bank in the reigning periods of Gunkam dev, 'The king of Kathmandu'. Tankadhari 'a special class of people' was established to deal with the lending activities of money toward the end of fourteen century at the ruling period of king Jayasthiti Malla.

During the Prime Ministerial period of Rannodip Singh, one financial institution was established to give loan facilities to the government staff &effected loan facilities to the public in general in the term of 5% interest but ‘ Tejarath’ did not accept money from public. On 30th Kartik, 1994, Nepal Bank Limited was established for the first time to provide modern & organized banking facilities. Up to 2012, only NBL (Nepal Bank Limited) provided services to the public as an organized bank. Later, NRB act 2012 was made to establish NRB (Nepal Rastra Bank) as a central bank to manage, control and develop monetary system
Nepal. NRB was formally establish on 14th Baisakh 2013 & its capital at the starting time was 1 crore. Similarly, Rastriy Banijya Bank was set up 2022 to fulfill the growing needs of the century. The birth of this bank brought a new landmark in the history of banking facility in the Nepal. Like other development countries, Nepal also took policy of open economy to develop good competition in the banking field. Hence, the joint Venture Banking Company policy is taken. Today 23 commercial banks are operating to provide modern banking services & facilities to boost the economic condition of country.

The financial sector reform was initiated in mid – 1980s under the liberal economic policy of HMG/N. Under this policy, HMG/N first opened the banking sectors to foreign investors. In July 1985, Commercial banks were allowed, for the first time to accept current and fixed deposits on foreign currency (U.S. doller and sterling pound). On may 26 1986, NRB (Nepal Rastra Bank) deregulated the interest rate regime and regime and authorized commercial banks to fix interest rate at any level above is minimum prescribed levels.

Everest Bank Limited (EBL) started its operation in 1994 with a view and objectives of extending professionalized and efficient banking services to various segments of the society. The bank is providing customer friendly services through a network of 44 branches. Punjab National Bank (PNB) is the joint venture partner (holding 20% equity in the bank). The bank has been conferred with *"Bank of the Year 2006, Nepal"* by the banker, a publication of financial times, London. The bank was bestowed with the "NICCI Excellence award" by Nepal India chamber of commerce for its spectacular performance under finance sector. Recognizing the value of offerings a complete range of services, we have pioneered in extending various customer friendly products such as Home Loan, Education Loan, EBL Flexi Loan, EBL Property Plus (Future Lease Rental), Home Equity Loan, Vehicle Loan, Loan Against Share, Loan Against Life Insurance Policy and Loan for Professionals. EBL was one of the first banks to introduce Any Branch Banking System (ABBS) in Nepal EBL has introduced Mobile Vehicle Banking system to serve the segment deprived of proper banking facilities through its Birtamod Branch, which is the first of its kind. The banks performance under all parameters has been outstanding during the fiscal year 2063-64 after providing for income tax and statutory provisions there was a disposal net profit of Rs. 30.06 crore compared to Rs. 23.73 crore last year- an increase of 26.68 %. The bank was able to increase its operating profit by 31.9%, deposit by more than 38% and advances by 39% during the year compared to the corresponding period last year. During the last financial year, the Bank opened the four branches namely Balaju in Kathmandu Valley, Nepalgunj, Birtamod and Baglung. The Bank has further opened a branch at Gwarko. At Present, EBL has Twenty-Three Branches that spread out the nation. Everest Bank is first private commercial bank having largest network.Assets quality has improved by reduction of Non Performing Asset (NPA) to 0.80% from 1.27% in the previous year. This is one of the lowest NPA among the commercial bank in Nepal.Against the Paid- Up Capital by shareholders of Rs. 37.80 crore, the shareholders' funds now amount to Rs. 119.87 crore – with Core Capital base of Rs. 81.67 crore. Earnings per Share have surged to Rs 62.78 from Rs 54.22. The local Nepalese Promoters hold 50% stake in the Banks equity, while 20% of equity is contributed by joint venture partner India's Punjab National Bank (PNB) whereas remaining 30% is held by the public.

1.2. Statement of the Problem

Nepal is a small country with small market. Economic condition of the country is degrading due to conflict since 2052 B.S. Overall economic sectors either manufacturing or commercial sectors have undergone heavy losses. However the financial institutions are increasing regularly. Liquidity is maximum with the financial institutions. Hence the banks and financial institutions are competing among themselves to advance loan to limited opportunity sectors. Due to unhealthy competition among the banks, the recovery of the bank's loan t is going towards negative trends. Non- performing loans of the banks are increasing year by year. To control such type of state, the regulatory body of the banks and financial institutions NRB has renewed its directives of the loan loss provision. Therefore it is necessary to analyze the ‘Loan Management’ or loan disbursement recovery provision for loss and write off the loan. As the samples of commercial banks, EBL has been selected.

The problems faced by the banks can be pointed out as follows:

- Liquidity position is fluctuating.
- Loan rating company is not available therefore the bank is providing loans on the basis of on their own judgment.
- Due to the lack of enough investment sectors, bank is competing unfairly in the limited area.
- Due to poor loan administration, the loan recovery process is slow.
- Clear – cut objectives and policy of the loan management is lacking.
- The legal process in the recovery of loan is lengthy and ineffective.
- There are the major research issues being required in this study.

1.3. Objective of the Study

It is no doubt that the role of the commercial banks is significant in the development of the country. Banks help in development of the country by providing loan to the necessary sectors. The main objective of the study is to find out the loan management position of the Everest Bank.

The specific objectives of the study are as follows:-

- To analyze the functions, objectives, procedures and activities of the Everest Bank.
- To analyze the lending practices and resource utilization of Everest Bank.
- To determine the impact of growth in deposit on liquidity and lending practices.
- To examine lending efficiency and its contribution to profit.
- To make suitable suggestions based on the findings of this study.

1.4 . Significance of the Study

Commercial banking sector is considered as successful area in financial sector of Nepal. In today’s context, commercial banks have to be more organic and sincere to establish better creditability position due to vast competing among them. The present concept deals with how commercial banks managed loan t position and how do it affect to the organizational effectiveness. Present study is very important form the point of view of bank management. The main strategy of every commercial bank is to establish her better creditability position, which has directly impacted the financial performance of an organization besides, it helps to build positive attitude and perception on customers that help to make the organizational success in terms of better transaction, better turnover, and better profitability most of the earlier researches were focused on financial performance of bank but few researches were focused on creditability position of bank. From view point of bank loan is the most important in and sincere area. Thus, the present study is very important in viewing and organization performance or position in terms of creditability.

1.5. Limitations of the Study

Although this study will try to cover most of the importance sectors, it is still subject to the following limitations, which are as follows:

- The study mainly concentrates only on those factors related with loan practices.
- This research study largely depends on published documents such as balance sheet, Profit & Loss A/C. Which are circulated at the close of the financial year.
- The study is associated only to the financial performance of Everest Bank.
- In this study, only selected financial and statistical tools and techniques are used.
- The other limitation is lack of the purpose of this thesis is only to fulfill the partial requirement for the masters of Business Studies (MBS) of the management faculty, Tribhuwan University.
- The study deals mainly with secondary data.

1.6. Organization of the Study

The present is organization in such a way that he stated objectives an easily be fulfilled. The structure of the study will try to analyze the study in a systematic way. The study report has presented the systematic presentation and finding of the study. The study report is designed in five chapters which are as follows:

Chapter I: Introduction

This chapter describes the basic concept and background of the study. It has served orientation for readers to know about the basic information of the research area, various problems of the study, objectives of the study and need or significance of the study. It is oriented for readers for reporting giving them the perspective they need to understand the detailed information about coming chapter.

Chapter – II: Review of Literature

The second chapter of the study assures reader that they are familiar with important research that has been carried out in similar areas. It also established that the study as a link in a chain of research that is developing and emerging knowledge about concerned field.

Chapter – III: Research Methodology

Research methodology refers to the various sequential steps to be adopted by a researcher in studying a problem with certain objectives in view. It describes about the various source of data related with study and various tools and techniques employed for presenting the data.

Chapter – IV: Data Presentation and Analysis

This chapter analysis the data related with study and presents the finding of the study and also comments briefly on them.

Chapter V: Summary, Conclusion and Recommendations

On the basis of the results from data analysis, the researcher concluded about the performance of the concerned organization in terms of credit management. It also gives important suggestions the concerned organization for better improvement.

CHAPTER - II

REVIEW OF LITERATURE

The review of literature is a crucial aspect because it denotes planning of the study. The main purpose of review of literature is to find out what works have been done in the area of the research problem under study and what has not been done in the field of the research study being undertaken. For review study, the researcher uses different books, reports, journals and research studies published by various institutions, unpublished dissertations submitted by master level students have been reviewed.

It is divided in to two headings:

- Conceptual Review
- Review of Different Studies

2.1 Conceptual Review

The conceptual and theoretical frameworks have been included in the topic. Credit administration involves the creation and management of risk assets. The process of lending takes into consideration about the people and system required for the evaluation and approval of loan requests, negotiation of terms, documentation, disbursement, administration of outstanding loans and workouts, knowledge of the process and awareness of its strength and weaknesses are important in setting objectives and goals for lending activities and for allocating available funds to various lending functions such as commercial, installment and mortgage portfolios (Johnsson, 1940:132).

2.1.1 Concept of Commercial Bank

Before defining the term commercial bank, let us define the meaning of bank and commercial. According to S. and S.'s definition of bank, a banker or bank is a person or company carrying on the business of receiving money and collecting drafts, for customers subject to obligation of honoring cheques drawn upon them from time to time by the customers to the extent of the amount available on their customer to time by the customers to the extent of the amount available on their customer (Shekher &Shekher, 1999: 4).

Sir Jon Paget (1987), states that no one can be a banker who does not take deposit accounts, take current accounts, issue and pay cheques of crossed and uncrossed, for his customers. He further adds that if the banking business carried on by any person subsidiary to some other business; he cannot be regarded as a banker (Paget, 1987:2). Commerce is the financial transactions related to selling and buying activities of goods

and services. Therefore commercial banks are those banks, which works form commercial viewpoint. They perform all kinds of
banking functions as accepting deposits, advancing credits, credit creation and agency functions. They provide short term credit, medium term credits fund long
terms credit to trade and industry. They also operate off balance sheet functions such as issuing guarantee, bonds, letter of credit/loan etc.

Commercial banks act as an intermediately accepting deposits and providing credits to the needy area. The main source of the commercial bank is current deposit, so they give more importance to the liquidity of investment and as such they specialize in satisfying the short - term credit needs of business other than the
long-term .Commercial banks are restricted to invest their funds in corporate securities .Their business is confined to financing the short-term needs of trade and industry such as working capital financing. They cannot finance in fixed assets. They grant credits in the form of cash credits and overdrafts. Apart from financing, they also render services like collection of bills and cheques, safe keeping of valuables, financial advising, etc to their customers (Vaidhya, 1999:24). Commercial banks are organized as a joint stock company system, primarily for the purpose of earning profit. They can be either of the branch banking types as we see in most of countries, with a large network branches like in Nepal or of the unit banking type, as we see in the United States where a banks operations are confined to single office or to a few branches within a strictly limited area (Shekher & Shekher, 1999:4).

2.1.2 Functions of Commercial Banks

The business of commercial bank is primarily to hold deposits and make credits and investment with the object of securing profits for its shareholders. Its primary
motive is profit; other considerations are secondary (Sudharsanam, 1976:123). The major functions of commercial banks are as follows. Accepting Deposit, Advancing Credits, Agency Services, Credit Creation, Financing of foreign Trade,

Safekeeping of Valuables, Making Venture Capital Credits, Financial Advising, offers Security Brokerage services.

i) Assist in Foreign Trade

The bank assist the traders engaged in foreign trade of the country. He discounts the bills of exchange drawn by exporters on the foreign importers and enables the exporters to receive money in the home currency. Similarly, he also accepts the bills drawn by foreign exporters (Vaidhya, 1999:29).

ii) Offers Investment Banking and Merchant Banking Services

Banks today are following in the footsteps of leading financial institutions all over
the Banks today are following in the footsteps of leading financial institutions all
over the globe in offering investment banking and merchant banking services to corporations. These services include identifying possible merger targets, financing acquisitions of other companies, dealing in security underwriting, providing strategic marketing advice and offering hedging services to protect their customers
against risk from fluctuating world currency prices and changing interest rates (Vaidhya,199:29). Further, they support the overall economic development of the country by various modes of financing.

2.1.3 Concept of Loan

Loan is the amount of money lent by the creditor (bank) to the borrower (customers) either on the basis of security or without security. Sum of the money lent by banks is known as credit (Oxford Advanced Learners Dictionary, 1992:279). Loan and advances is an important item on the asset side of the balance sheet for a commercial bank. Bank earns interest on credits and advances, which is one of the major sources of income for banks. Bank prepares credit portfolio, otherwise it will not only add bad debts but also affect profitability adversely (Varshney and Swaroop, 1994:6). Credit is financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for an obligation of repay on specified date on demand. Banks generally grants Loan on four ways (Chhabra and Taneja,1991:4)

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

2.1.4 Types of Loan

Overdraft

It denotes the excess amount withdrawn over their deposits.

Cash Credit/Loan

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

Term Credit/Loan

It refers to money lent in lump sum to the borrowers. It is principal form of medium term debt financing having maturities of 1 to 8 years. Barely and Myers urge that bank credits with maturities exceeding 1years are called term credits. The firm agrees to pay interest based on the bank's prime rate and to repay principal in the regular installments. Special patterns of principal payments over time can be negotiated to meet the firm's special needs (Richard, 1996:80).

Working Capital Credit/Loan

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

Priority or Deprived Sector Credit/Loan

Commercial banks are required to extend advances to the priority and deprived sector.12% of the total credit must be towards priority sector including deprived sector. Rs.2million for agriculture cum service sector and Rs.2.5 million for single borrowers are limit sanctioned to priority sector. Institutional support to 'Agriculture Development Bank' and Rural Development Bank' are also considered under this category. Deprived sector lending includes:

- Advances to poor/downtrodden/weak/deprived people up to Rs 30,000 for generation income or employment.
- Institutional Credit to Rural Development bank.
- Loans to NGOs those are permitted to carryout banking transactions for lending up to Rs 30,000.

Hire Purchase Financing (Installment Credit/Loan)

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

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

Housing Loan (Real Estate Credit/Loan)

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

Project Credit/Loan

Project Loan is granted to the customers as per project viability. The borrowers have to invest certain proportion to invest certain proportion to the project from their equity band the rest will be financed as project credit. Construction Credits are short – term credits made to developers for the purpose of completing proposed projects. Maturities on construction credits range from 12 months to as long as 4 to 5 years, depending on the size of specific project (Johnson, 1940:242).

The basic guiding principle involve in disbursement policy is to advance funds corresponding to the completion stage the project. Hence, what percent to the loan will be disbursed at which stage of completion must be spelled in disbursement policy. Term of loan needed for project fall under it.

Consortium Credit/Loan

Non single financial institution grant loan to the project due to single borrower limit or other reason and two or more such institutions may consent to grant loan facility to the project of which is baptized as consortium credit. It reduces the risk of project among them. Financiers bank equal (or likely) charge on the project's assets.

Credit Cards and Revolving Lines of Credit/Loan

Banks are increasingly utilizing charge and revolving lines of loan to make unsecured consumer credit. Revolving lines of credit to make unsecured consumer

credit. Revolving credit line lowers the cost of making credit since operating and processing cost resulting reduction on administrative cost. Continued borrowing arrangement enhances cost advantages. Once the credit line is established, the customer can borrow and repay according to his needs and the bank can provide the fund to the customer at lower cost. Charge cards and credit lines tied to demand deposit accounts are the two most common revolving agreements. It can be further divided into credit cards, automatic overdrafts lines and large loan lines.

Off – Balance Sheet Transaction

In fact, bank guarantee and letter of loan refer to off balance sheet transactions of financial institution. It is also known as contingent liability pinpoints the liability, which may or may not arise during the happening of certain event. Footnotes are kept as reference to them instead of recording in the books of accounts. It is non-funded based remunerative facilities but more risky than the funded until adequate collateral are not taken. Lets its two verities be described separately.

Bank Guarantee

It is used for the sake of the customers in favor of the other party (beneficiary) up to the approved limit. Generally, a certain percent amount is taken as margin from the customer and the customer's margin account is credited.

Letter of Credit (L/C)

It is issued on behalf of the customer (buyer/importer) in favor of the exporter (seller) for the import of goods and services stating to pay certain sum of money on the submission of certain documents complying the stipulated terms and conditions as per the agreement of L/C. It is also known as importers letter of credit since the bank of importer do not open separate L/C for the trade of same commodities.

2.1.5 Objective of the Sound Loan Policy

The purposes of a written loan policy are:

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

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

2.1.6 Lending Criteria

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

1. Character

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

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

2. Capacity

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

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

3. Collateral

Collateral is the security proposed by the borrower. Collateral may be of either nature movable or immovable. Movable collateral comprises right from stock, inventories to playing vehicles. In case of immovable it may be land with or without building or fixtures, plant machineries attached to it.

4. Capital

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

5. Conditions

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

2.1.7 Principle of Loan Policy

Good Loan policy is essential to carry out the business of lending more effectively. Some policies are follows:

1. Principle of Profitability: Profitability denotes the value created by the use of resource is more than the total of the input resources. Bank should provide to such project that can provide optimum amount of return. For such purpose, bank should take little bit risk by providing credit to venturous project.

2. Principle of National Interest: In lending and granting advances, interest nation should be distorted (if undermined). Priority and deprived sector of economy and other alarming sector should be given proper emphasis while extending advances.

3. Principle of Security: It acts as cushion to grant advances and loans Adequate values of collaterals ensure the recovery of credit correctly at the right time. Accepted security should be readily marketable, handy and free from encumbrance.

4. Principle of Safety Fund: Banks should look the fact that is there any unproductive or speculative venture or dishonest behavior of the borrower.

5. Principle of Liquidity: Liquidity refers to pay on hands on cash when it needed without having to sell long-term assets at loss in unfavorable market (American Institute of Banking 1972:149). A banker has to ensure that money will come as on demand or as per agreed terms of repayment.

6. Principle of Spread: Portfolio or loan advances is to spread not only among many borrowers of same industry. It across the industries in order of minimize the risk of lending, by keeping" Do not put your all eggs in the same basket" in mind.

7. Principle of Purpose of Credit: Generally, loan request would be accepted for productive sector only. Bank should be rejected credit request for speculation social functions, pleasure trips, ceremonies and repayment of prior credit as are unproductive

2.1.8 Project Appraisal

Before providing credit to the customer, bank makes analyses of project form various aspect and angles. It will help the bank to see whether project is really suitable to invest. The purpose of project appraisal is to achieve the guarantee of reasonable return from the project. Project appraisal answers the following questions:

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

Generally, the project appraisal involves the investigation from the following aspects (Gautam, 2004:258).

a. Financial aspect

b. Economic aspect

c. Legal aspect

d. Management/Organizational aspect

Directives Issued by NRB for the commercial Bank: (related to credit aspect only):

1. Loan Classifications and Provisioning

Classification		Provision
1	Pass Credit /Loan	1%
2	Sub Standard Credit/Loan	25%
3	Doubtful Credit /Loan	50%
4	Bad Credit/Loan	100%

Those loans that have not crossed the time schedule of repayment and are within 3 months delay of maturity date fall under the classification topic' pass loan'. It is also known as performing loan. Sub standard loan are those loan which are already crossed the repayment time schedule and are within 3-6 months delay of maturity date, are known as bad loan. All the above 3 types of credits are classified as non-performing loan also. The loan loss provision for performing loan is termed general loan loss provision whereas the loan loss provision fro non-performing loan is termed as specific loan loss provision. Auditor has to correctly rate the loan and ensure that accurate loan loss provision been made. The auditor should examine whether the bank has obtained complete documentation so that banks interest is secured. In addition audit is made to inspect compliance of terms and conditions laid down. Loan audit is required to check whether loan given is within authority, drawing power, etc. Loan audit helps the bank to adopt corrective measures where weaknesses have been pointed out and to focus further on strengths. General guidelines whether to reject or renew the loan can be establish with the help of loan audit.

2. Limit of Loan and Advances in a Particular Sector

i. Fund based loan and Advances can be issued up to 25% (upper limit) of core capital to single customer, firm, company and group of related customer.

ii. Non – fund based (off – balance items can be issued up to 50% of core capital to a single customer, firm , company and group of related customer.

Note: The core capital include {Paid up capital + share premium+ nonredeemable preference share+ general fund+ accumulated profit (loss) – goodwill (if any included)}

Group of Related Customer

- If a company takes 25% or more of another company.
- Member of board of directors of company shareholders of private limited company and such members and shareholders with others in a single house, even if husband, wife, son , daughter, daughter in law, unmarried daughter, adopted son , adopted unmarried daughter, father, mother, stepmother, brothers &sisters whom be should look after. And the above members personally or combined take 25% ort more share of another company.
- Firm, company and members as a related group.
- Members of board of directors, shareholders and other relatives as stated in serial number 'b' takes less than 25% of board of directors of the company solely or combined but have control on the other company by the following ways:
- Being president of board of directors of the company.
- Being executive directors of the company.
- Nominating more than 25% of members of board of directors of the company.
- If cross guarantee is given by one company to another company.

2.2 Review of Articles and Journals

Bodhi B. Bajracharya (1991), in his article "Monetary policy and deposit mobilization in Nepal" has concluded that mobilization of the domestic saving is one of the prime objectives of the monetary policy in Nepal. And commercial banks are the most active financial intermediary for generating resources in the form of deposit of private sector and providing credit to the investors in different sectors of the economy.

Bhandari (2003), says that in banking sector or transaction, and unavoidable ness of loan management and its methodology is regarded very important. Under this management, many subject matters are considered and thought. For example, there are subject matters like the policy of loan flow, the documents of loan flow, loan administration, and audit of loan, renewal of loan, the condition of loan flow, and the provision of security, the provision of the payment of capital and its interest and other such procedures. This management plays a great role in healthy competitive activities. It is very important to be reminded that most of the bank failures in the world are due to shrinkage in the value of loan and advances. Hence, risk of non-payment of loan is known as credit risk or default risk (Dahal, 2002:114). Portfolio management helps to minimize or manage the credit risks by spreading over the risk to various portfolios. This method of managing credit risks is guided by the saying do not put all the eggs in a single basket.

2.3 Review of Past Thesis (Dissertations)

Chand (1998), has submitted his thesis on “Credit Disbursement and Repayment of Agriculture Development Bank Nepal”. His research statements of problems are:

- The bank does not benefit small farmers (i.e. problem of balance development).
- The collection of credit is slow, so it hinders the flow of capital required to develop economic growth.

Objective of the Study:

- To see the repayment situation.
- To find out the growth rate of investment.
- To explain possible causes of none and delay repayment.

Major Findings:

- There is systematic relationship between credit disbursement and repayment. The coefficient of correlation value as calculated is 0.94 which shows significance relationship.
- Repayment situation is satisfactory on production and agro-based industry, warehouses and farm mechanization, irrigation, tea horticulture, livestock, poultry and fisheries is less satisfactory.
- As recommendation given by Chand, ADB/N should play a significant role in such direction as to fulfill the credit demands of rural areas. For effective credit recovery from the borrowers or clients, credit should be channeled through the borrower groups.

Joshi (1999), has studied on “Lending policy of Commercial Banks in Nepal”. The main objective of this study is to examine the role of commercial banks in its functions as well as performance: to show the relationship between deposit and loan advance, to identify major weaknesses of lending policy to commercial banks and to suggest lending policy to process the utilization of the resources and they are still lazy to play active role to utilizes these sources collected from different sectors accordance with the need of the economy.

He recommended that Nepal Rastra Bank have significant role in the overall economic policy of the country. NRB must safe of lending policy and role to solve various problems, which have been arising in the banking development.

Thapa (1997), has studies on “Deposit mobilization of commercial banks in Nepal”. The main objective is to impact of interest rate on deposit mobilization as well as credit ratio increase or decrease as the change in interest rate. Besides this, the objective is to know the efficient utilization of the accumulated deposits. She has found out that the commercial banks. It is because of the fact, the commercial banks have not able to motive and facilitate to their clients except at change in the rate of interest. The problems are to attracting the savings to maximum possible extent to channeling these savings into those sectors of the economy where there are most needed and to extending banking facilities in the country to unbanked areas. The change of interest rates in loan is also recommended commercial banks should extend long term and medium term credit in addition short term credit.

2.4 Research Gap

The purpose of this research is to develop some expertise in one’s area, to see what new contribution can be made and to receive some ideas, knowledge and suggestions in relation to credit management of Everest Bank. Thus, the previous studies can’t be ignored because they provide the foundation to the present study. In other words, there has to continuity in research. This continuity in research is ensured by linking the present study with the past research studies. Here, it is clear that the new research can not be found on that exact topic, i.e. Credit Management: A study on Everest Bank limited. Therefore, to fulfill this gap, this research is selected. To complete this research work: many books journals, articles and various published and unpublished dissertations are followed as guideline to make the research easier and smooth. In this regard, here we are going to analyze the different procedure of credit management, which is considered only on Everest Bank. Our main research problem is to analyze whether the Everest Bank limited has right level of liquidity as well as is able to utilize its resources effectively or not. To achieve this main objective, various financial and statistical tools are used. Similarly, trend analysis of investment and profit are reviewed to make this research complete. Therefore, this study is useful to the concern bank as well as different persons: such as shareholders, investors, policy makers, stock brokers, state of government etc.

CHAPTER - III
RESEARCH METHODOLOGY

3.1 Introduction

Research in common parlance refers to a search for knowledge. The Webster International Dictionary gives a very inclusive definition of research as a careful critical inquiry or examination in seeking facts and principles: diligent investigation in order to ascertain something (Sarawanavel, 1990:1). Research Methodology is a way to systematically solve the research problem (Kothari, 1990:10). It may be understood as a science of studying how research is done scientifically. In it, we study the various steps that are generally adopted by a researcher, studying his research problem among with the logic behind them.

Research methodology helps us to find out accuracy, validity and suitability. The justification on the present study cannot be obtained without help of proper research methodology. For the purpose of achieving the objectives of study, the applied methodology will be used. The research methodology used in the present study is briefly mentioned below.

This chapter looks into the research design, nature and sources of data, data collection procedures and tools & technique of analysis. This topic presents the short outline of the methods applied in the process of analyzing the credit management of the selected joint venture bank. Research is a systematic method finding out the solution to a problem whereas research methodology refers to the various sequential steps to adopt by a researcher in studying a problem with certain objective in view.

3.2 Research Design

A research design is the arrangement of condition for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure. For the analysis of credit management of selected joint venture bank, analytical as well as descriptive designs applied to achieve the objective of the research.

Thus, a research design is a plan for the collection and analysis of data. If presents a series of guide posts of enable the researcher to progress in the right direction in order to achieve the goal. The design may be specific presentation of the various steps in the problems, formulation of hypothesis, conceptual clarity, methodology, survey of literature and documentation, bibliography, data collection, testing of the hypothesis, interpretation, presentation and report within. Generally, a common research design possesses the five basic elements viz. (i) selection of problem(ii) methodology (iii) data gathering (iv) data analysis (v) report writing.

The research design asks, what approach to the problem should be taken, what methods will be used, what strategies will used, what strategies will be effective? Etc. Identification, selection and formulation of a research problem may be considered as planning stage of research and the remaining activities refer to the design, operation and completion of the research study. A research design is the specification of methods and procedures of acquiring the information needed. It is the overall operational pattern of framework, of the project that stipulates what information is to be collected from which sources and what procedure. If it is a good design, it will ensure that the information obtained is relevant to the research questions and that was objective and economical procedures. In this study, descriptive research design has been followed.

3.3 Data Collection Techniques

The researcher used two types of data collection techniques.

a) Primary Data and
b) Secondary Data

The primary data are those which are collected a fresh and for the first time, and thus happen to be original in character. The secondary data, on the other hand are those, which have already been collected by some one else and already, been passed through the statistical process (Kothari, 1990:115). In some cases primary data are also taken as personal interview, face to face and telephone interview but the study is mainly based on secondary data. So, the major sources of secondary data for this study are as follows:

a) Annual reports of the bank.
b) Published and unpublished bulletins, reports of the Nepal Stock Exchange.
c) Previous studies and reports.
d) Unpublished official records.
e) "Banking and Financial Statistics" report of Nepal Rastra Bank Magazines.
f) Journals and other publish and unpublished related documents and reports for Central Library of T.U., Library of Tribhuvan Multile Campus- Palpa, Library of Nepal Rastra Bank.
g) Various Internet Websites.
h) Other published materials.

3.4 Data Collection Procedure

Secondary data are collected from the mentioned sources. Some primary information was collected using personal interviews. Open-end (Yes or No) questionnaires were included in the interview to the bank employees and customers.

3.5 Populations and Samples

23 commercial banks are operating in Nepal. From them, one commercial bank, Everest Bank Limited has been selected as sample for the present study. Similarly, financial statements of this bank for 5 years from 2005/06 to 2009/10 have been taken as samples for the same purpose.

3.6 Methods of Data Analysis

Mainly financial methods are applied for the purpose of this study. Appropriate statistical tools are also used. Among them correlation analysis regarded as major one is used for this research. To make the study more specific and reliable, the researcher uses two types of tool for analysis: i) Financial Tools and ii) Statistical Tools.

3.6.1 Financial Tools

For the sake of analysis, various financial tools were used. The basic tools used were ratio analysis. Besides it, income and expenditure analysis and cash flow analysis have been used.

Ratio Analysis

Ratio analysis is a powerful and the most widely used tool of financial analysis. A ratio defined as “The indicated quotient of two mathematical expression” and as the relationship between two or more things (Webster’s New Collection Dictionary, 1975:958). A ratio is a figure or a percentage representing the comparison of one-dollar amount with some other dollar amount as a base (Roy, 1947:97). Ratio analysis is a widely used tool of financial analysis. It is defined as the systematic use of ratio to interpret the financial statements so that the strength and weakness of a firm as well as its historical performance and current financial condition can be determined. In financial analysis a ratio is used as an index or yardstick for evaluating the financial position and performance of a firm. Ratio helps to summarize the large quantities of financial data and to make qualitative judgment about the firm’s financial performance (Pandey, 1979:97). A large number of ratios can be generated from the components of profit and loss account and balance sheet. They are sound reasons for selecting different kinds of ratios for different types of situations. For this study, ratios are categorized into the following major headings:

A. Liquidity Ratio

Liquidity refers to the ability of a firm to meet its short – term or current obligations. So liquidity ratios are used to measure the ability of a firm to meet its short – term obligations and from them the present cash solvency as well as ability to remain solved.

Inadequate liquidity can lead to unexpected cash short falls that must be covered at inordinate cost, thus reducing profitability. In the worst case, inadequate liquidity can lead to the liquidity insolvency of the institution. On the other hand, excessive liquidity can lead to low asset yields and contribute to poor earnings performance (Scott, 1992:140).

To find out the ability of bank to meet their short – term obligations, which are likely to mature in the short period, these ratios are calculated. The following ratios are developed under the liquidity ratios to identify the liquidity position.

i. Cash and Bank Balance to Total Deposit Ratio

This ratio shows the ability of banks immediate funds to cover their deposit. Higher the ratio shows higher liquidity position and ability to cover the deposits and vice versa. It can be calculated by dividing 'cash and bank balance by deposits. This ratio can be calculated using the following formula.

Cash and Bank Balance to Total Deposit Ratio

$$= \frac{Cash\ and\ Bank\ Balance}{Total\ Deposits}$$

ii. Cash and Bank Balance to Current Deposit Ratio

This ratio is computed to disclose the soundness of the company to pay total calls made of current deposits. It can be expressed as:

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

B. Activity/Efficiency Ratio

It is also known as turnover or efficiency ratio or assets management ratio; measures how efficiently the firm employs the assets. Turnover means; how many numbers of times the assets flow through a firm's operations and into sales (Kulkarni, 1194:138). Greater rate of turnover or conversion indicates more efficiency of a firm in managing and utilizing its assets, being other things equal. Various ratios are examined under this heading.

i. Credits and Advances to Total Deposit Ratio

Commercial banks utilize the outsider's fund for profit generation purpose. Credits and advances to deposit ratio shows whether the banks are successful to utilize the outsiders funds (i.e. total deposits) for the profit generating purpose on the credit and advances or not. Generally, a high ratio reflects higher efficiency to utilize outsiders' fund and vice-versa. The ratio can be calculated by using following formula.

$$Credits\ and\ Advances\ to\ Total\ Deposits\ Ratio = \frac{Credits\ andAdvances}{Total\ Deosit}$$

ii. Credits and Advances to Fixed Deposit Ratio

Fixed deposits are the long-term interest bearing obligations and credits and advances is the major sources of investment to generate the income by the commercial banks. This ration measures how many times the amount is used in credits and advances in comparison to fixed deposit for the income generating purpose. The ratio is slightly differing with the former one, because it only includes the fixed deposits, where as the former on includes all deposits. The following formula is used to obtain this ratio.

$$Crdit\ and\ Advances\ to\ Fixed\ Deposit\ Ratio = \frac{Credits\ andAdvances}{Fixed\ Deposit}$$

iii. Credit and Advances to Total Assets Ratios

It measures the ability in mobilizing total assets into credits and advances for profit generating income. A higher ratio is considered as an adequate symbol for effective utilization of total assets of bank into credit and advances which creates opportunity to earn more and more. It is calculated as:

$$Credit\ and\ Advances\ to\ Total\ Assets\ Ratio = \frac{Credit\ andAdvances}{Total\ Assets}$$

iv. **Performing Assets to Total Assets Ratio**

It tells the percent of performing assets on total assets. It is useful to know the fact that whether the good loan is increasing or not. We can generate more earning by increasing good loan and reducing bad and inferior credit. It teaches us to invest only on good credit (i. e. profitable venture). It is computed as:

$$Performing\ Assets\ to\ \ Total\ Assets = \frac{PerformingAssets}{Total\ Assets}$$

v. Credit Loss Provision to Credit and Advances Ratio

It measures the percentage of credit loss provision on credit and advances. Credit loss provision on credit is given to reduce risk of non-payment of released credit. As per directives to bank and finance companies by NRB (2058 B.S.), 1% of good credit can be provisioned as credit loss provision to reduce risk that may arise due to no recovery of disbursed credit. It is computed as:

$$Credit\ Loss\ Provision\ to\ Credit\ Due\ Ratio = \frac{Total\ Credit\ LossProvision}{Total\ Credit\ Due}$$

vi. Overdue Credit to Total Credit Ratio

It shows the percentage of non-performing credits to total credits. Bank's performance is good if the percentage is low and vice versa. It also shows the credit recovery efficiency of the bank. Credit loss provision should be provisioned on the basis of overdue credit classification. It is computed as:

$$Overdue\ Credit\ to\ Total\ Credit\ Ratio = \frac{Over\ due\ Credit}{Total\ Credit}$$

C. Leverage Ratio

The use of finance is refers by financial leverage. When a firm borrows money, it promises to make series of fixed payments, which create financial leverage (Brealy and Myers, 1991: 677). These ratios are also called solvency ratio or capital structure ratio. These ratios indicate mix of funds provided by owners and lenders. As a general rule, there should be and appropriate mix of debt and owner's equity in financing the firm's assets. To judge the long-term financial position of the firm, leverage ratios are calculated. This ratio highlights the long term financial health, debt servicing capacity and strength and weaknesses of the firm. Following ratios are included under leverage ratios.

i. Total Assets to Net worth Ratio

This ratio is calculated to find out the proportion of the owner's fund to finance for the total assets. It also called the proportion of insider's claim on total assets of the bank. Generally, very high ratio is unfavorable to the business because the debt capital has certain claims on the profit only not on other assets of the company. These claims are for interest payments at regular intervals plus repayment of the principal by the agreed time. On the other hand, very low ratio is also unfavorable from the shareholders point of view. They want this ratio to be high so that they can have better returns with smaller capital. It is calculated as follow:

$$Total\ Assets\ to\ Net\ Worth\ Ratio = \frac{TotalAssets}{Net\ Worth}$$

D. Profitability Ratios

Profit is the difference between revenues and expenses over a period of time. A company should earn profit to survive and to grow over a long period of time. So profits are essential, but profit earnings are not the ultimate aim of company and it should never be earned at the cost of employees, customer and society. Profitability ratios are the indicators of degree of managerial success in achieving firm's overall goals (Pradhan, 1996:41). It shows the overall efficiency of the business concern. The following ratios are calculated under the profitability ratios:

i. Net Profit/Loss to Total Assets Ratio

The ratio is useful to measure how well management uses all the assets in the business to generate an operating surplus. Higher the ratio indicated the higher efficiency in the utilization of total assets and vice-versa. The ratio is low due to low profit. In other words, it is low utilization of bank assets and over use of higher interest bearing amount of debt and vice-versa. In this study, net profit/loss to total assets ratio assets ratio is examined to measure the profitability of all the financial resources in bank-assets and is calculated by applying the following formula:

$$Net\ Profit\ /\ Loss\ to\ Total\ Assets\ Raio = \frac{Net\ Profit\ /\ Loss}{Total\ Assets}$$

ii. Interest Income to Total Credit and Advances

It tells the income as interest from total credit and advances. It is useful to know the fact that whether the credit has given good return or not. We can increase interest income by taking good issuing and recovery credit policy. High return shows the soundness of credit policy. It is calculated by using the following formula:

$$Interest\ Income\ to\ a\ Total\ Credit\ and\ Advances\ Ratio = \frac{Interest\ Income}{Total\ Credit\ and\ Advance}$$

E. Other Ratio

i. Earnings Per Share (EPS)

EPS is one of the most widely quoted statistics when there is a discussion of a company's performance or share value. It is the profit after tax figure that is divided by the number of common shares to calculate the value of earnings per share. This figure tells us what profit the common shareholders for every share held have earned. A company can decide whether to increase or reduce the number of shares on issue. This decision will automatically affect the earnings per share. The profits available to the ordinary shareholders are represented by net profit after taxes and preference dividend. Symbolic expression of EPS is given below.

$$EPS = \frac{Net\ Income\ AfterTax}{Number\ of\ Common\ Socks\ Outstanding}$$

ii. Price Earnings Ratio (P/E Ratio)

The P/E ratio is widely used by the security analysis to evaluate the firm's performance as expected by investors. It shows the price currently paid by the market for each rupee of currently reported earnings per share. It is also called multiplier. Here, the expression takes place as follows:

$$P\ E\ Ratio = \frac{Market\ price\ PerShare}{Earning\ Per\ Share}$$

iii. Limitations of Ratio Analysis

Ratio analysis is suffered from some inherent limitations that are direct inherited from financial statements. Some of the most common weakness of ratio analysis is as follows;

- The firms or industry although apparently comparable in respect to size, age, location, product mix and technology may not be really comparable if they are following different accounting methods.
- Financial statement records past transactions. They are, thus an index of what happened in the past. They do not show the current position of the business. Evidently ratio analysis is also primarily concerned with analyzing the past,

which may or may not be relevant today. It is thus a sort of ‘POST –MORTEM’ analysis rather than a guide for decision-making.

- In the context of persistent price level changes, intra firm trends analysis losses much of its operational significance.
- The differences in the definitions of items in the balance sheet and the income statement make the interpretation of ratios difficult.
- Sometimes ratio analysis may suffer from what known as fallacy of misplaced concreteness (Singh, 1993:101).

Although, various limitations of ratio analysis and doubt may arise about the valid are of the financial performance but they used widely to measure the financial performance of the firm.

3.6.2 Statistical Tools

For supporting the study, statistical tool such as Mean, Standard Deviation, Coefficient of Variation, Correlation, Trend Analysis, Hypothesis and diagrammatic cum pictorial tools have been used under it.

i. Arithmetic Mean($\bar{X}$)

Averages are statistical constants, which enable us to comprehend in single effort of the whole (Gupta, 200:357). It represents the entire data by a single value. It provides the gist and gives the bird’s eye view of the huge mass of heavy numerical data. It is calculated as:

$$\bar{X} = \frac{\Sigma X}{N}$$

Where,

$\bar{X}$ = Arithmetic Mean

N = Numbers of observation

Σx = Sum of observations

ii. Standard Deviation

The standard deviation is the square root of mean squared deviations from the arithmetic mean and is denoted by S.D. or (Shrestha, 2048:112). It is used as absolute measure of dispersion or variability. It is calculated as:

$$SD(\sigma) = \sqrt{\frac{\sum x2}{n} - \left(\frac{\sum X}{n}\right)^2}$$

Where,

σ = Standard Deviation

$\frac{\Sigma X2}{N}$= Sum of Squares of Observation

$\frac{\Sigma X}{N}$= Sum of Squares of Mean

iii. Coefficient of Variation (C.V.)

The Co-efficient of variation (C.V) is the relative measure based on the standard deviation and is defined as the ratio of the standard deviation to the mean expressed in percentage (Shrestha, 2048:119). It is independent of units. Hence it is a suitable measure for comparing variability of two series with same or different units. A series with smaller C.V. is said to bell variable or more consistent or more homogeneous or more uniform or more stable than the others and vice versa. It is calculated as:

$$C.V = \frac{\sigma}{\bar{X}}$$

Where,

$\bar{X}$= Mean

σ = Standard Deviation

C.V. = Coefficient of Variation

iv. Correlation Coefficient (r)

Correlation may be defined as the degree of linear relationship existing between two or more variables. These variables are said to be correlated when the change in the value of one results change in another variable. Correlation is of three types. They are simple, Partial and Multiple correlations. Correlation may be positive, negative or zero. Correlation can be classified as linear or non- linear. Here, we study simple correlation only. In simple correlation the effect of others is not included rather these are taken as constant considering them to have no serious effect on the dependent variable (Shrestha, 2051:31). It is calculated as:

Simple Correlation Coefficient (r) = $$\frac{N\Sigma Xy - (\Sigma X)(\Sigma y)}{\sqrt{N\Sigma X^2 - (\Sigma X)^2}\sqrt{N\Sigma y^2 - (\Sigma y)^2}}$$

Where, r = correlation coefficient

N = no. of years.

ΣX = Sum of Series X

Σ*Y* = Sum of Series Y

ΣXY = Sum of the product of X and Y variables

ΣX = Sum of squares of Series X

ΣY = Sum of squares of Series Y

v. Probable Error

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

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

Here, r = Correlation coefficient

N = Number of pairs of observations

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

vi. Coefficient of Determination (r^2)

It explains the variation percent derived in dependent variable due to the any one specified variable. It denoted the fact that the independent variable is good predictor of the behavior of the dependent variable. It is square of correlation coefficient.

3.7 Limitations of Research Methodology

- Only the selected financial and statistical tools have been used in this thesis.
- Thesis mainly depends on the secondary data, i.e., Income Statement of the bank and data provided by the NRB.
- Sample taken by the researcher is only one.
- In the process of taking primary data from the bank, only 'yes or no' questionnaires have been used by the researcher. Only 10 customers and 10 employees of the bank have been chosen to take the view of theirs towards bank.
- Only the five years data (2005/06 to 2009/10) have been collected to analyze the credit management of the bank. In the process of data collection procedure, thesis could not be found written on credit management of commercial bank. In the same topic related to ADB/N has been used as a guide.

CHAPTER – IV
DATA PRESENTATION AND ANALYSIS

4.1 Introduction

This chapter deals with the presentation, analysis and interpretation of relevant data of Everest Bank in order to fulfill the objectives of this study. To obtain best result, the data have been analyzed according to the research methodology as mentioned in third chapter. The purpose of this chapter is to introduce the procedure of data analysis and interpretation. With the help of this analysis, efforts have been made to highlight credit management of Everest Bank as well as other cases or problems of Everest bank can be visualized. For analysis, the researcher uses the different types of analytical methods and tools such as financial ratio analysis as well as statistical analysis.

4.2 Financial Statement Analysis

The concept of financial statement analysis has been already discussed in previous chapter. Here, we study and analyze the data by using accounting tools.

4.2.1 Ratio Analysis

Ratio analysis has been already discussed in the previous chapter. Here, the researcher calculates, analyzes and interprets different ratios of Everest bank.

A. Liquidity Ratios

Liquidity refers to the ability of a firm to meet its short-term or current obligations. So liquidity ratios are used to measure the ability of a firm to meet its short-term obligations. Inadequate liquidity can lead to unexpected cash short falls that must be covered at inordinate costs that reducing profitability. In the worst case, inadequate liquidity can lead to the liquidity insolvency of institution. To find out the ability of bank to meet their short- term obligations, which are likely to mature in the short period, the following ratios are developed under the liquidity ratios to identify position.

I. Cash and Bank Balance to Total Deposit Ratio

This ratio shows the ability of banks immediate funds to cover their deposit. Higher the ratio shows higher liquidity position and ability to cover the deposits and vice versa. It can be calculated by dividing 'cash and bank balance by deposits. This ratio can be calculated using the following formula.

Cash and Bank Balance to Total Deposit Ratio

$$= \frac{Cash\ and\ Bank\ Balance}{Total\ Deposits}$$

Table 4.1

Cash and Bank Balance to Total Deposit Ratio of EBL

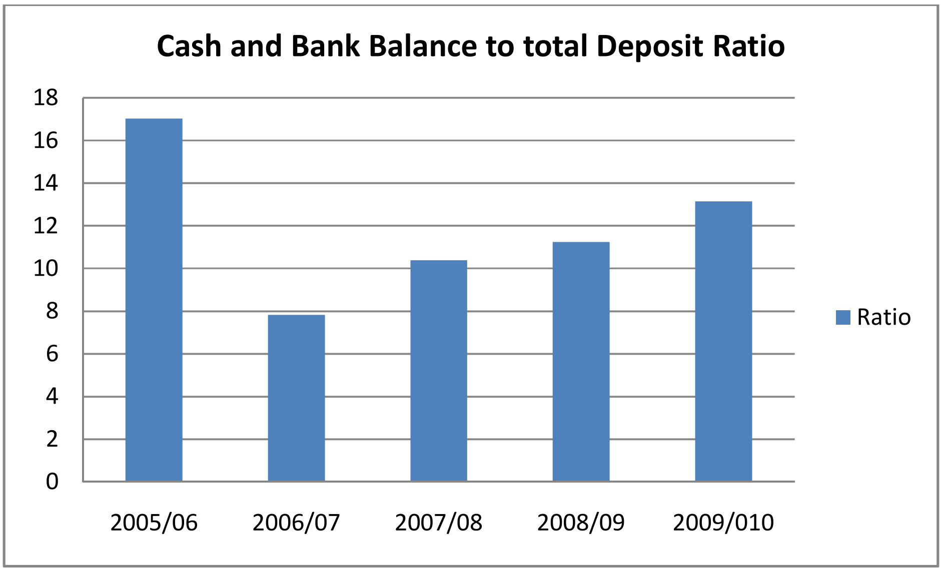
(RS. in millions)

Years	Cash and Bank Balance	Total Deposit	Ratio (%)
2005/006	1139.6	6695	17.02
2006/07	631.8	8063.9	7.83
2007/08	1050	10097.7	10.39
2008/09	1552.9	13802.4	11.25
2009/010	2391.3	18186.2	13.14
Mean $\bar{X}$			11.93

(Sources: Annual Report of EBL)

Figure 4.1

Cash and Bank Balance to total Deposit Ratio



Cash and Bank balance to total deposit of this bank has been observed as 17.02%, 7.83%, 10.39%, 11.25%, and 13.14% respectively Figure 4.1 it is clear that EBL has fluctuating trend throughout the study period. Liquidity position in terms of Cash and Bank Balance to total deposit throughout the study period. From the table no ratio of EBL is found 11.93% as average in the five years study period. The trend is fluctuating throughout the study period. Liquidity position in terms of Cash and bank balance to total deposit ratio of EBL is found 11.93% on average in the five year study period. From this it is obvious that the bank has enough cash and bank balance to cover its demands.

II. Cash and Bank Balance to Current Deposit Ratio

Table 4.2

Cash and Bank Balance to Current Deposit Ratio

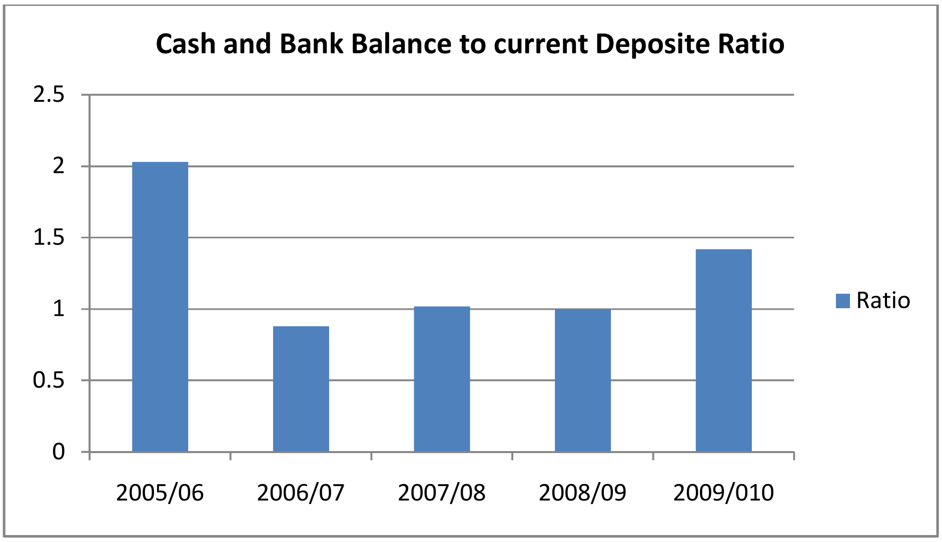
(RS. In Millions)

Years	Cash and Bank Balance	Current Deposit	Ratio(%) (Times)
2005/006	1139.6	562.4	2.03
2006/07	631.8	719.8	0.88
2007/08	1050	1025	1.02
2008/09	1552.9	1145.7	1
2009/010	2391.3	1673.9	1.42
Mean ($\bar{X}$)			1.27

(Sources : Annual Report of EBL)

Figure 4.2

Cash and Bank Balance to Current Deposit Ratio



Cash and bank balance to current deposit ratio of EBL is 2.03,. 88, 1.02, 1 and 1.42 times respectively from the first year to last year of the research period. The average is 1.27 times, which means consistency in this ratio during the research period. Cash and bank balance should be sufficient to meet the demand of current depositors otherwise the bank would lose its image from the viewpoints of customers. In the case of EBL, the cash and bank balance may be called as enough to meet the demand of customers because the average ratio is 1.27 times.

B. Activity/Efficiency Ratios

It is also known as turnover or efficiency ratio or assets management ratio. It measures how efficiently the firm employs the assets. Turnover means how many number of times the assets flow through a firm's operations and into sales (Kulkarni, 1994:138). Greater rate of turnover or conversion indicates more efficiency of firm in managing and utilizing its assets, being other things equal. Various ratios are examined under this heading.

I. Loan and Advances to Total Deposit Ratio

Table 4.3

Loan and Advance to Total Deposit Ratio

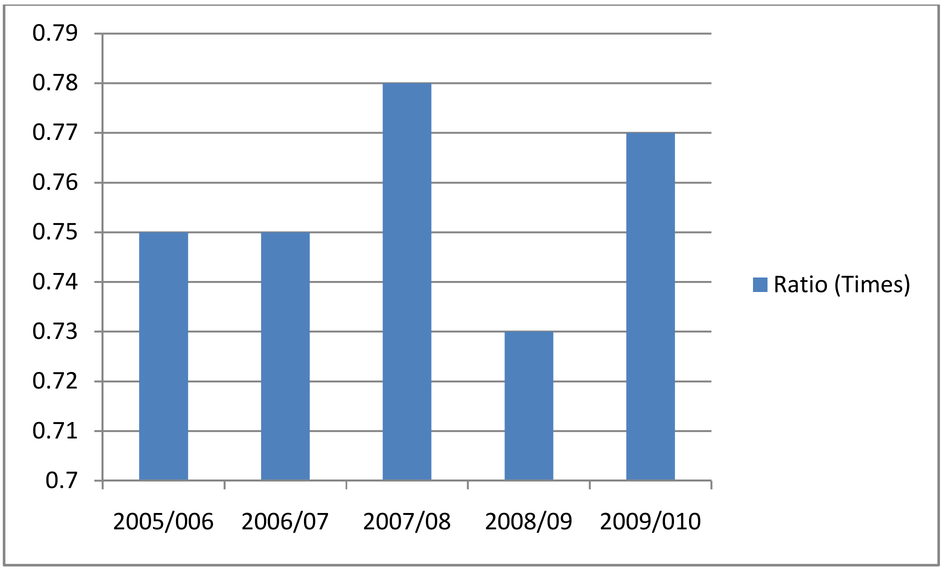
(Rs. in Millions)

Years	Loan and Advances	Total Deposit	Ratio (Times)
2005/006	5049.6	6695	0.75
2006/07	6095.8	8063.9	0.75
2007/08	7900	10097.7	0.78
2008/09	10136.2	13802.4	0.73
2009/010	14082.7	18186.2	0.77
Mean ($\bar{X}$)			0.75

(Sources: Annual Report of EBL)

Figure 4.3

Loan and advanced to total Deposit Ratio of EBL



From the above table 4.3 the average ratio of credit and advances to total deposit is 0.75 or 75%. The function in the ratio is not too high. Under study period starting from 2005/06 to 2009/010, the ratio goes from 0.75,0.75, 0.78, 0.73 and 0.77 respectively. In the last fiscal year being 0.73 as the lowest ratio and 0.78 as highest ratios in the fiscal year 2007/08. It is clear from the above table that the ratio for the commercial banks is around 75%. Total deposits are the main sources of bank to provide credit and advances. Large proportion(almost 75% of total deposits) goes as credit and advances to customers. Therefore, it seems, banks are heavily depended on credit and advances to make profit from their investment.

Table no 4.3 shows that as deposits increases, the credit and advances also increases and vice versa. Therefore, it indicates that there is strong relationship between total deposits and total credits and advances, which can be proved by the statistical tools 'correlation'.

II Loan and Advances to Fixed Deposit Ratio

Table no 4.4

Loan and Advances to Fixed Deposit Ratio of EBL

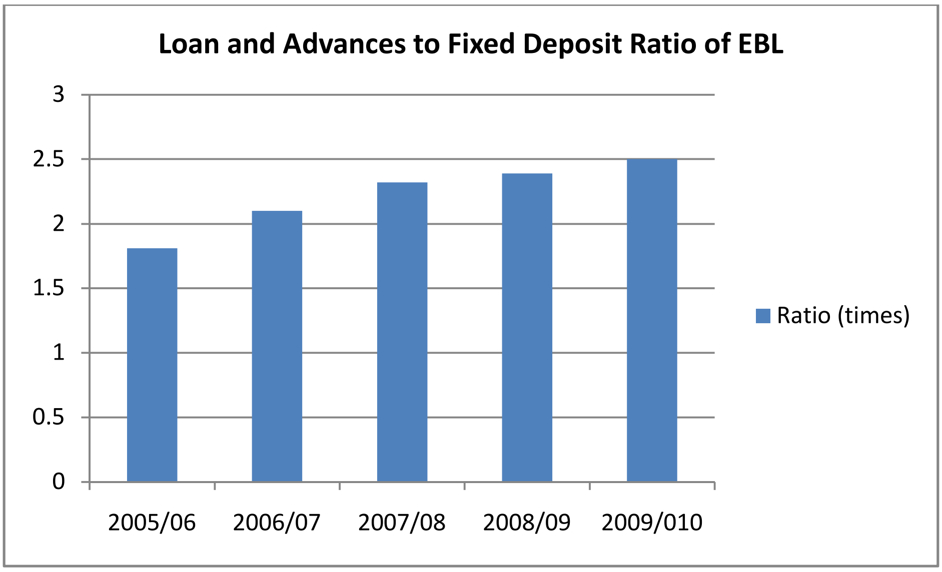
(Rs in millions)

Years	Loan and Advances	Fixed Deposit	Ratio(Times)
2005/006	5049.6	2794.75	1.81
2006/07	6095.8	2897.96	2.1
2007/08	7900	3403.9	2.32
2008/09	10136.2	4242.3	2.39
2009/010	14082.7	5626.6	2.5
Mean ($\bar{X}$)			2.22

(Sources: Annual Report of EBL)

Figure : 4.4

Loan and Advances to Fixed Deposit Ratio



From the above table no 4.4, it is visualized that credit and advances to fixed deposits ratio are increasing in overall. Except in second year, the ratio of EBL is increasing year by year as 1.81 times in the first year and then 2.1 times. 2.32 times, 2.39 times and 2.5 times in the following years respectively. The average is 2.22 times.

III. Loan and Advances to Total Assets Ratio of EBL

Table 4.5

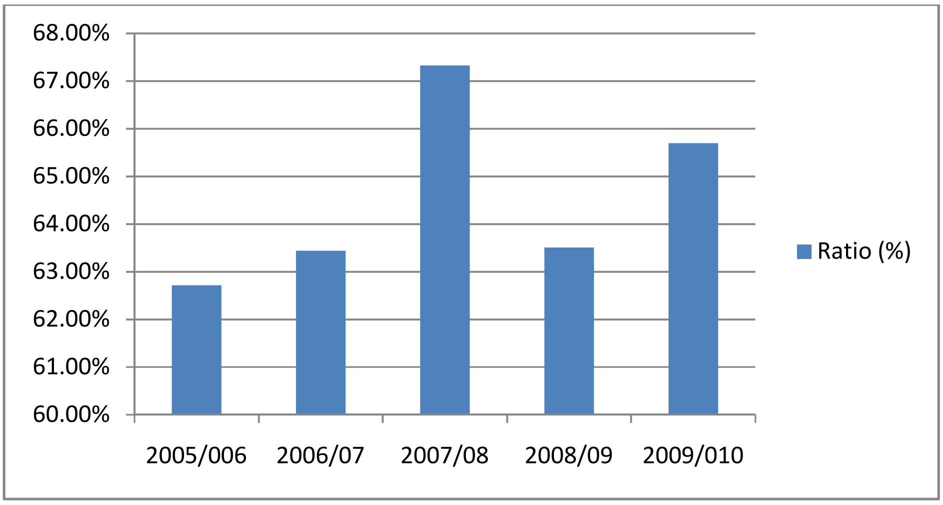
Loan and Advances to Total Assets Ratio of EBL

Years	Loan and Advances	Total Assets	Ratio (%)
2005/006	5049.6	8052.2	62.71%
2006/07	6095.8	9608.6	63.44%
2007/08	7900	11732.5	67.33%
2008/09	10136.2	15959.3	63.51%
2009/010	14082.7	21432.6	65.70%
Mean ($\bar{X}$)			64.54%

(Source: Annual Report of EBL)

Figure 4.5

Loan and Advanced to total Assets Ratio



It is clear from the above table no 5 that the EBL has generally mixed under the study period. The highest ratio is 67.33% in the fiscal year 2007/008 the lowest ratio is 62.71%

in the fiscal year 2005/006. The average ratio is 64.54% . It shows that bank has capability in utilizing total assets in the form of credit advances. Consistency in the utilization so assets in the form of credit and advances are satisfactory because the fluctuation in the ratio is minimum.

iv. Performing Assets to total Assets Ratio

Table 4.6

Performing Assets to Total Assets Ratio of EBL

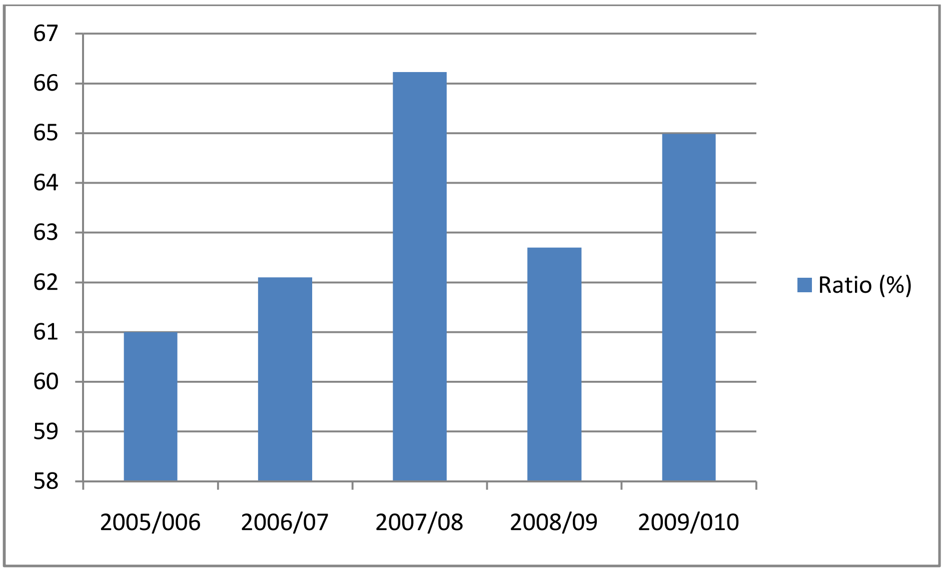
(RS. in millions)

Years	Performing Assets	Total Assets	Ratio (%)
2005/006	4912.4	8052.2	61.00
2006/07	5967.26	9608.6	62.10
2007/08	7771.28	11732.5	66.23
2008/09	10007.01	15959.3	62.70
2009/010	13928.7	21432.6	64.99
Mean ($\bar{X}$)			63.4

(Sources: Annual Report of EBL)

Figure 4.6

Performing Assets to total Assets Ratio of EBL



Performing assets to total assets ratio of the EBL is 61.00% in the year 2005/06, 62.10 % in the year 2006/07, 66.23% in the year 2007/08, 62.70% in the year 2008/09 and 64.99% in the year 2006/007. The average is 63.4 %. It shows the performing assets are increasing year by year which is good from the view point of both bank and share holders. The average ratio is 63.4%, which means 63.4 of total assets, is non- performing in the research period.

v. Provision for Loan Loss to Total Loan and Advances Ratio

Table 4.7

Provision for Loan Loss to Total Loan and Advances Ratio

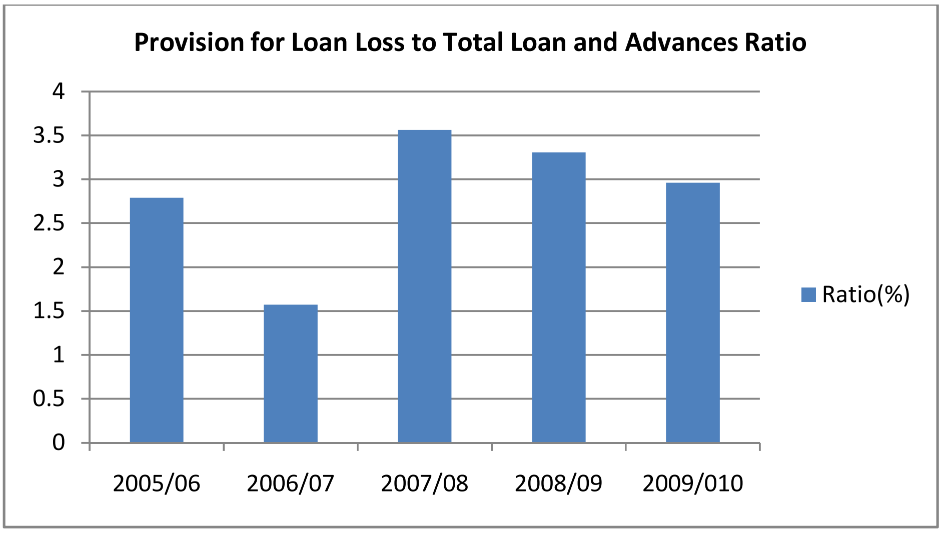
(Rs in millions)

Years	Provision for Loan Loss	Total Loan and advances	Ratio (%)
2005/006	141.12	5049.6	2.79
2006/07	221.83	6095.8	3.63
2007/08	305.43	7900	3.87
2008/09	375.17	10136.2	3.70
2009/010	453.18	14082.7	3.22
Mean ($\bar{X}$)			3.44%

(Sources: Annual Report of EBL)

Figure 4.7

Provision for Loan Loss to Total Loan and Advances Ratios



Provision for loan loss is increasing year by year. The ratio of provision for loan loss to total loan and advances is 2.79%, 3.63%, 3.87% 3.70% and 3.22% respectively for five years. The average is 3.44%. The policy of the NRB for provision of loan loss has been changed from 2001/02. Time period for non – performing has been lowered therefore the ratio has moved upwards.

Now, banks should categorize all loans as non – performing loans, which pass 3 months from the expiration date. Therefore, before change policy, those loans, which considered as performing loan, may fall under non – performing loan now, which has increased the percentage of ratio. Banks should try to keep non – performing loan as low as possible which increases the profit of the bank and boost the image of the bank. Provision for loan loss should be strictly followed otherwise the actual picture of assets of bank cannot be visualized

vi. Overdue Loan to Total Loan and Advances Ratio of EBL.

Table 4.8

Overdue Loan to Total Loan and Advances Ratio of EBL

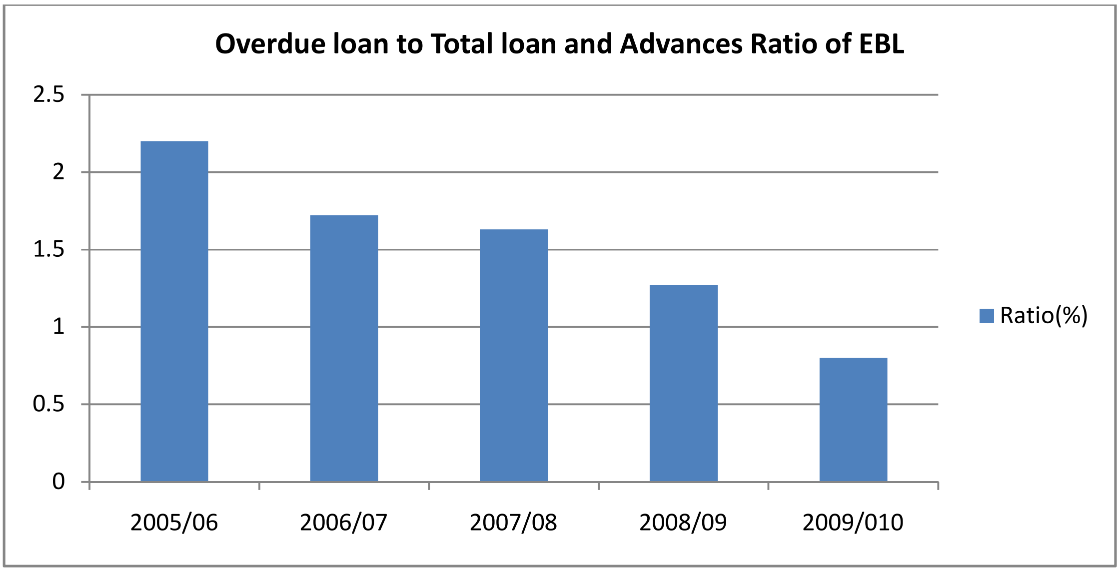
(Rs in millions)

Years	Overdue Loan	Loan and Advances	Ratio(Times)
2005/006	111.16	5049.6	2.2
2006/07	104.75	6095.8	1.72
2007/08	128.5	7900	1.63
2008/09	129.23	10136.2	1.27
2009/010	113.17	14082.7	0.8
Mean ($\bar{X}$)			1.52

(Sources: Annual Report of EBL)

Figure 4.8

Overdue Loan to Total Loan and Advances Ratio of EBL



The overdue loan to total loan and advances ratio of EBL is high. The average ratio of the bank is the period is 1.52% and it was functioning increase in 2007/008 and 2008/09 and decrease in 2006/07 and 2009/010. It indicates that the bank is not able to collect its loan in the right time. overdue loan is the major cause of lower profit of the bank. Therefore, more attention should be given to control the overdue credit. As far as possible, the banks should minimize the overdue loan. And bank should keep sufficient provision for the overdue loan to show the actual pictures of the banks as well as to safeguard the interest of depositors.

C. Leverage Ratio

These ratios are also called solvency ratio. These ratios indicate mix of funds provided by owners and lenders. As a general rule, there should be an appropriate mix of debt and owner's equity in financing the firm's assets. To judge the long term financial health, debt servicing capacity and strength and weaknesses of the firm. Following ratios are included under these leverage ratios.

Total Assets to Net worth Ratio

Table 4.9

Total Assets to Net worth Ratio of EBL

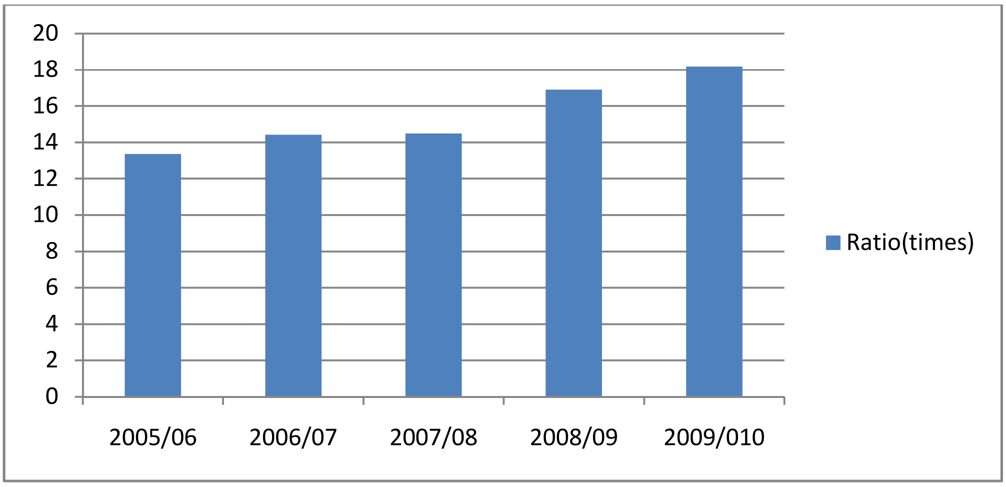
(Rs in millions)

Years	Total Assets	Net worth	Ratio(Times)
2005/006	8052.2	612.82	13.14
2006/07	9608.6	680.31	14.12
2007/08	11732.5	832.61	14.09
2008/09	15959.3	962.8	16.56
2009/010	21432.6	1201.1	17.84
Mean ($\bar{X}$)			15.15

(Sources: Annual Report of EBL)

Figure 4.9

Total Assets to Net worth Ratio of EBL



Total assets to net worth ratio of the bank are fluctuating. It is 13.14 times in the first year of study period and 17.84 in the last year of the study period. The average ratio at that time is 15.15 times. The assets to net worth ratio are increasing because of high rate of decrease in net worth value.

D. Profitability Ratios

Profit is the difference between revenues and expenses over a period of time. A company should earn profit to survive and to grow over a long period of time. So profits are essential, but profit earning is not the ultimate aim of company and it should never be earned without the cost of employees, customer and society. Profitability ratios are the indicators of degree of managerial success in achieving firm's overall goals (Pradhan, 1996:41). It shows the overall efficiency of the business concern. The following ratios are calculated under the profitability ratios:

Table 4.10

Net Profit/ Loss to Total Assets Ratio of EBL

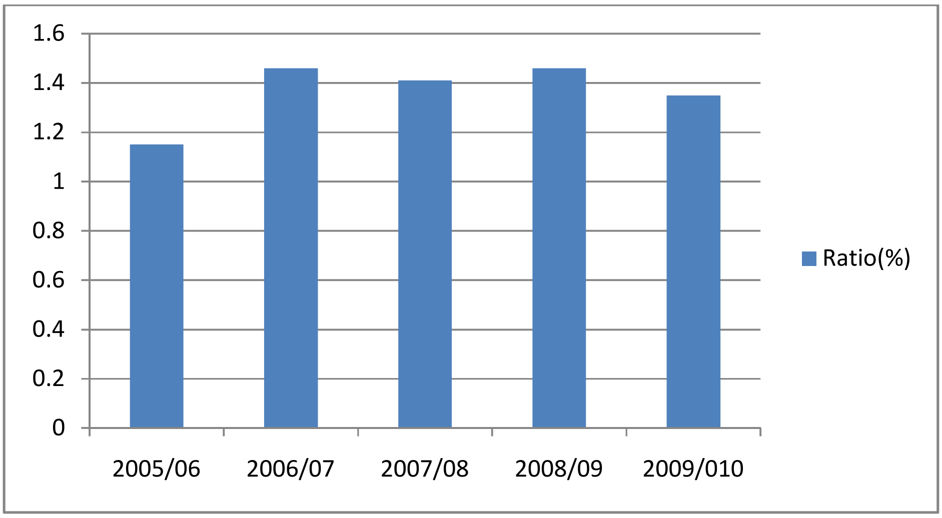
(Rs in millions)

Years	Net Profit/ Loss	Total Assets	Ratio(%)
2005/006	94.2	8052.2	1.17%
2006/07	143.6	9608.6	1.49%
2007/08	170.8	11732.5	1.45%
2008/09	237.2	15959.3	1.49%
2009/010	296.4	21432.6	1.34%
Mean ($\overline{X}$)			1.39%

(Sources : Annual Report of EBL)

Figure 4.10

Net Profit/ Loss to Total Assets Ratio



The ratio is increasing in the first 4 years and are 1.17% , 1.49%, 1.45% and 1.49% last year is 1.34% . The average ratio is 1.39. There is a trend of increasing of ratio. But in the last year slightly decrease in percentage. But overall the profit of EBL is in satisfactory level.

ii. Net Profit/ Loss to Loan and Advances Ratio

Table 4.11

Net Profit / Loss to Loan and Advances

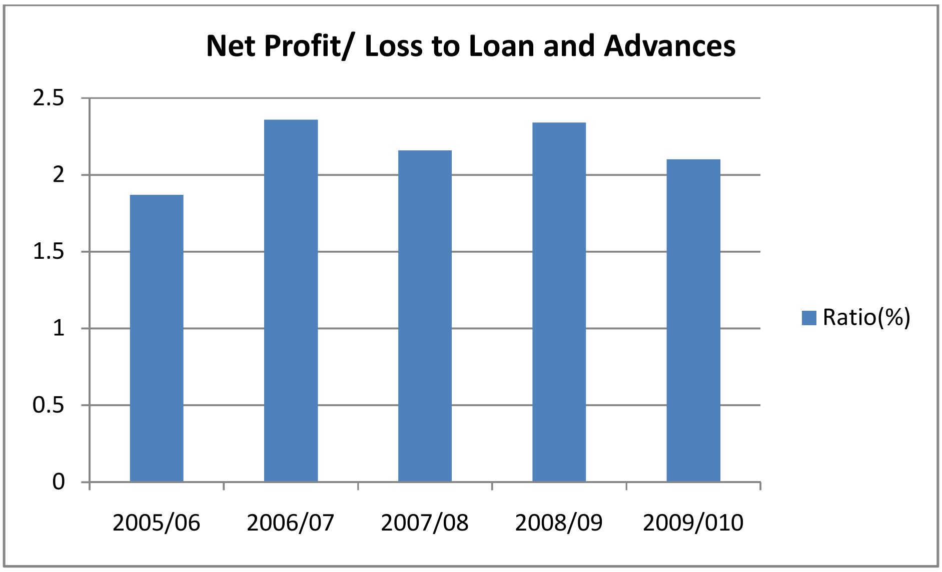
(Rs in millions)

Years	Net Profit/ Loss	Loan and Advances	Ratio(%)
2005/006	94.2	5049.6	1.87 %
2006/07	143.6	6095.8	2.36%
2007/08	170.8	7900	2.16%
2008/09	237.2	10136.2	2.34%
2009/010	296.4	14082.7	2.10%
Mean ($\bar{X}$)			2.17%

(Sources: Annual Report of EBL)

Figure 4.11

Net Profit/ Loss to Loan and Advances Ratio



It is necessary to analyze this ratio because it tells us about the contribution of loan and advances to net profit. Net profit to total credit and advances ratio of the research period is 1.87%, 2.36%, 2.16%, 2.34%, and 2.10% from the last year to last year respectively. The average ratio is 2.17%.

iii. Analysis of Interest Income to total Loan and Advances Ratio of EBL

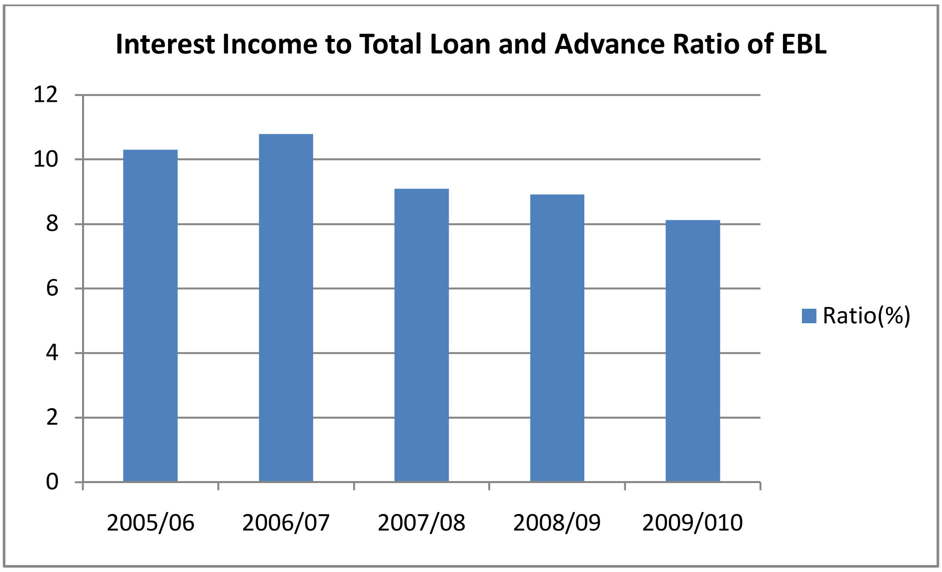
(Rs in millions)

Years	Interest Income	Loan and Advance	Ratio (%)
2005/006	520.17	5049.6	10.30%
2006/07	657.24	6095.8	10.78%
2007/08	719.3	7900	9.10%
2008/09	903.4	10136.2	8.91%
2009/010	1144.4	14082.7	8.12%
Mean ($\bar{X}$)			9.44%

(Sources : Annual Report of EBL)

Figure 4.12

Interest Income to Total Loan and Advances Ratio of EBL



The interest income to total loan and advances ratio is,10.30%, 10.78%, 9.10%, 8.91% and 8.12% in the five years of study period respectively. The average ratio is 9.44%. Bank Should balance between risky loan and safety loan. Risky Loan provides good return and this type of loan carry more risk of default. On the other hand safety loan provide regular return but low. In conclusion the bank's interest to loan and advances ratios is satisfactory level.

E Other Ratio

i. Stakeholder's Income per share

Table 4.13

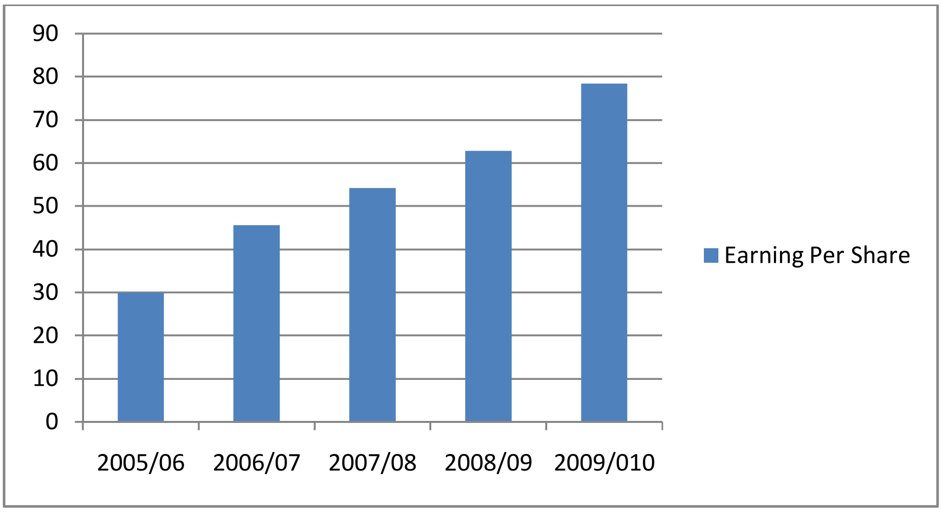
Shareholder's Income Per Share

Years	Earnings Per Share(Rs)
2005/006	29.9
2006/07	45.6
2007/08	54.2
2008/09	62.8
2009/010	78.4
Mean ($\bar{X}$)	54.18

(Sources: Annual Report of EBL)

Figure 4.13

Earnings per Share of EBL



The shareholders income per share of EBL is increasing. The average earnings per share is RS 54.18. This shows that EPS is at satisfaction level. The income in the year 2005/06, 2006/007, 2007/008, 2008/09 and 2009/010 is RS 29.9, RS 45.6, RS 54.2, Rs 62.8 and RS. 78.4 Respectively that is satisfactory level due to the good return of the bank in debt.

ii. Price Earnings Ratio

Table 4.14

Price Earnings Ratio

Years	Price Earnings Ratio(Times)
2005/006	14.9
2006/07	14.9
2007/08	16
2008/09	22
2009/010	31
Mean ($\bar{X}$)	19.76

(Sources : Annual Report of EBL)

Figure 4.14

Price Earnings Ratio

Price earnings ratio of the EBL is 14.9 times in the first year and second year, 16 times in third year ,22 times in the fourth year, 31 times in the fifth year research. The average ratio is 19.76. Price earnings ratio is increasing year by year. So it shows that earning of bank is in good position.

III Weighted Average Interest Rate Spread

Table 4.15

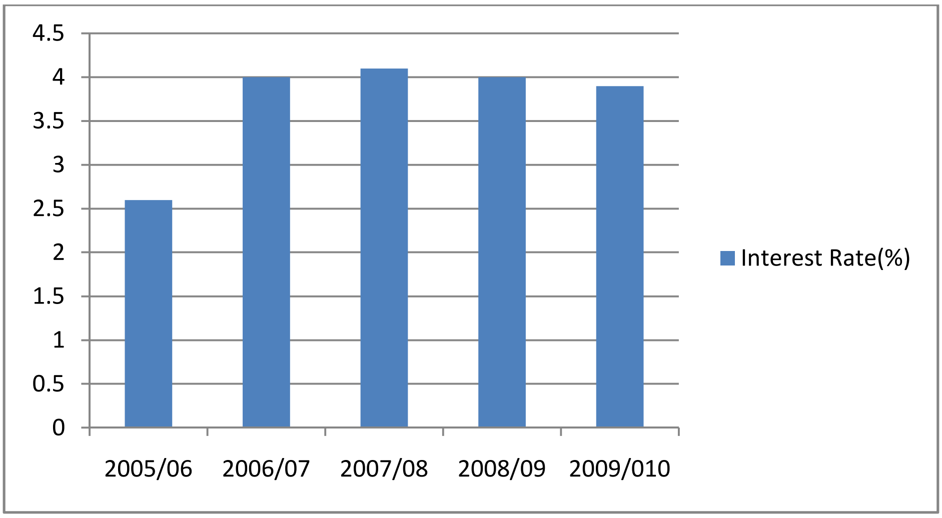
Weighted Average Interest Rate of EBL

Years	weighted average interest rate(%)
2005/006	2.6
2006/07	4
2007/08	4.1
2008/09	4
2009/010	3.9
Mean ($\bar{X}$)	3.72

(Sources : Annual Report of EBL)

Figure 4.15

Weighted Average Interest Rate of EBL



Interest rate affects the amount of deposit, which in turn affect the loan and advances also. If deposit interest rate decreases, bank minimizes the loan interest rate and vice-versa. On the other hand if the liquidity is maximum, interest rate also decreases.

The interest rate of EBL, is fluctuating to national situation. The average interest rate is 3.72%. Interest rate is decreasing due to the liquidity is increasing year by year in the bank and interest rate is increasing due to the decreasing liquidity. In the first year of the study period, i.e. in the year 2005/06, the interest rate is decreasing up to 2.6% but all there maiming years have almost same interest rate around of 4%.

4.3 Statistical Analysis

i Coefficient of Correlation Analysis

The statistical tool, coefficient of correlation has been studied to find out whether the two available variables are inter- correlation or not. If the result falls within the correlated points, the two available variables are inter- correlated otherwise not. Now to find out the correlation coefficient between total lending and total assets, the widely used method of Karl Pearson's Coefficient of Correlation has been adapted.

Simple Correlation Coefficient (r) = $$\frac{N\Sigma Xy - (\Sigma X)(\Sigma y)}{\sqrt{N\Sigma X^2 - (\Sigma X)^2}\sqrt{N\Sigma y^2 - (\Sigma y)^2}}$$

Here,

N= Number of Pairs of X and Y observed

X= Values of Credit and advances

Y= Values of total assets

r= Karl Pearson's coefficient of Correlation

Table 4.16

Computation of correlation coefficient between Total Loan and Total Assets of EBL

Year	Total Loan and Advance(X)	Total Assets(y)	X^2	Y^2	XY
2005/006	50.5	80.5	2550.25	6480.25	4065.25
2006/07	60.9	96.08	3708.81	9231.37	5851.27
2007/08	79.00	117.32	6241	13763.98	9268.28
2008/09	101.3	151.9	10261.7	23073.61	15387.47
2009/010	140.8	214.32	19824.6	45933.06	30176.26
	Σx= 432.50	Σy= 660.12	Σx^2= 42586.35	Σy^2=98482.27	Σxy= 64748.53

Here,N=5,Σx=432.50,Σy=660.12, Σx^2= 42586.35, Σy^2=98482.27, Σxy= 64748.53

Now,

Simple Correlation Coefficient (r) = $\dfrac{N\Sigma Xy - (\Sigma X)(\Sigma y)}{\sqrt{N\Sigma X^2 - (\Sigma X)^2}\sqrt{N\Sigma y^2 - (\Sigma y)^2}}$

$$= 0.998$$

II computation of Probable Error(P.E)

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

If 'r' is less than its P.E. It is not significant at all. If 'r' is more than it's P.E than there is significant correlation. Add if 'r' is more than 6 times of its P.E and 'r' equals to greater than +0.5 then only the correlation is considered as significant.

Computation of Probable Error (P.E) :

We have, r= 0.998 and N=5

Then, Probable Error$(\mathrm{P.E}) = 0.6745 \text{ x} \frac{1-r^2}{\sqrt{N}} = 0.017$

And,

$$\frac{r}{P.E} = 58.7\ times$$

Since 'r' is more than +0.5 an also more than 6 times of the probable Error(P.E), the coefficient of Correlation is considered as significant. In other words, the total credit an advance is significantly correlated to the total assets of EBL in the study period of 2005/006 to 2009/10.

4.4 Interpretation of Questionnaires Responses Given by Loan Customers of EBL

Table 4..17

Interpretation of opinion given by loan customers of EBL

Particulars	Yes		No		Not clear		Total
	No	%	No	%	No	%	
Do you have all knowledge about bank's loan policies?	5	50	5	50	-	-	10
Are you satisfied with the rate of interest on loan charging by bank.	2	20	8	80	-	-	10
Have you received any notice before loan expiration date?	7	70	1	10	2	20	10
Does any bank officer visit your project site at the time of granting loan?	8	80	1	10	1	10	10
Do you want to take further loan from the bank?	7	70	1	10	2	20	10
Does the service charges taken by	5	50	4	40	1	10	10

bank is satisfactory?							
Have you utilized the entire loan to the same sector as specific at the time of taking loan ?	9	90	-	-	1	10	10
Do you feel the full cooperation from the bank officer?	6	60	4	40	-	-	10
Are you satisfied with the bank services?	7	70	3	30	-	-	10
Are you thinking to switch the bank in the future?	1	10	7	70	3	20	10

- Only 50% of the total customers said that they knew about the bank's loan policies.

- 8 customers, out of 10 customers were unsatisfied with the banks interest rate. Only two customers said, "We are more or less satisfied".

- 70% of the total customers of the bank received information of repaying loan from the bank, 20% of the total customers were uncooperative with the researcher, and remaining 10% said 'No'.

- 80% of the sample customers said that the bank officers visited their project site at the time of granting loan. I customer said 'No' and the reaming customer was unknown about the bank officer visit, he said he was the representative of the loan -taking group.

- 7 customers, out of 10 customers responded that they would take loan from the same bank in the near future, I said 'No' and the remaining 2 customers did not responded clearly.

- Services charge taken at the time of issuing loan is high from the viewpoint of 50% customers. 40% customers said that they were more or less satisfied with the service charge. One customer was unaware of that service charge.

- 90% of the sample customers said that they utilized the loan for the same sector as specified at the time of taking loan. One customer did not response clearly. Nobody said 'No'.

- 5 customers, out of 10 customers were satisfied with the bank officer's cooperation, 4 customers were unsatisfied.

- 70% of sample customers of the bank told that they were satisfied with the bank and the remaining percentage said not.

- Only one respondent, out of ten respondents clearly said that they would change the bank next time. Two customers did not want to response the question. Seven customers said that they would attach with the bank.

4.5 Interpretation of Questionnaire's Responses Given by Employees of EBL

Table 4.18

Analysis of Responses Given by Employees of EBL

Particulars	**Yes**	**%**	**No**	**%**
Is there customer related problems in the bank?	10	100	-	-

Is there NRB related problems in the bank?	7	70	3	30
Are there loan policy problems in the bank?	10	100	-	-
Do you know interest rate on loan ?	5	50	5	50
Do you see any changes needed in the process of recovering loan?	8	80	2	20
Is your organization obeying 'NRB Directives' sincerely?	10	100	-	-
Are you satisfied with the incentive offered by the bank to employees?	6	60	4	40
Are you satisfied with the promotion policy of the bank?	3	30	7	70
If you get the opportunity, would you like to switch the bank for the same post?	10	100	-	-
Are you satisfied with the bank?	6	60	4	40

All the employees of the bank said there was customer related problem. At the time of evaluation of project, at the time of recovering loan, bank should face problems. Lack of good customer is another major problem.

- Out of 10 employees, 7 employees said there is NRB related problem where as 3 employees said 'NO'. Frequent changes rules, regulations, provisions and directives are main causes of problem.

- All the sample employees taken as sample said that there is loan related problem in the bank. No repayment of loan in time by customer, slow in the legal process, increasing amount of non-performing loan are the main causes of the loan related problems.

- 5 out of 10 employees know the interest rate of loan of the bank reaming 5 employees do not know the interest rate on loan of the bank . Most of the employees who work in the loan department said that they were up to dated with the interest rate of the bank. 8 out of 10 employees of the bank said that there is necessary to change in the process of recovering loan. Lengthy and weak legal process of recovery is the main cause of the problem.

- All respondents of EBL are agreed about that their bank is obeying the ‘NRB Rules and Directives’ sincerely.

- 6 employees out of 10 said that they are satisfied with the incentive given by the bank. 4 employees are dissatisfied with the incentive provided by the bank they are satisfied as they compare to low incentives paying bank and dissatisfied when they compare their incentives with the high incentives paying bank.

- 6 employees out of 10 are satisfied with the bank where as 4 employees are dissatisfied. Regular payments of salary, working facilities are causes of their satisfaction. Main causes of dissatisfied respondents are ‘Not getting Promotion’ as well as the bonus scheme of the bank.

- All sample employees answered that they will shift the bank, if and only if, they get the chance to go to high public image and more facilities providing bank. That kind of bank in their mind was Standard Chartered bank and Kumari Bank limited.

- 3 employees are satisfied with the bank promoting policy. The remaining seven out of 10 are dissatisfied with the bank promoting policy. Main reason of dissatisfaction is nepotism, favoritism, open recruiting policy etc.

4.6 Findings of the Study

- EBL operates as a full-fledged commercial bank, they provides services to clients such as: Loan and Advances, Demand Loan , Trade Finance, Working Capital Loan, Term Credit, Demand Credit , Trade furnaces (Import/Export), Hire Purchase Credit, Letter of Credit, Bills Purchase, Bank Guarantees and others. The bank's manor objectives are as to maximize the wealth of share holders, to provide modern services to its customers / clients, to help the monetary policy taken by the central bank 'NRB' and ultimately to help to reduce the poverty of the country.
- Future plans of EBL are facilitate the opening of account of Nepalese residing and working in India and remitting their funds to any EBL branch in Nepal, and to lease with and attract the business relating to trade finance emanating to and from India. Bank has launched its own remittance package "Everest Remit". Presently, this remittance facility is available to the Nepalese who are employed in UAE, Quarter, UK and Bahrain. This facility will be extended to other places too in due course. In order to facilitate inward remittance and foreign trade, we have tied up with various institutions, namely, Commercial Bank AG, Germany, HDFC Bank Limited, India, American Express Bank Limited, Tokyo, American Express Bank Ltd, New York. Advance technology is adopted bank has introduced 'EBL Debit Card' installed its' own ATMs at various branches as well as has tied up with Smart choice technology (STC) for ATM switch sharing that enables the EBL Cardholders to have access at more than 64 different locations of SCT member banks.
- On average of 5 years of research periods, cash and bank balance to total deposit ratio of EBL is 11.93%. Likewise, EBL has cash and bank balance is 1.27 times of current deposit. It shows that cash and bank balances of EBL are high. Thus the bank can meet the demand of depositors.

- In average 75% of total deposit of EBL is utilized in credit and advances. It shows that bank's major sector of investment is granting loan to its customers. Correlation coefficient of EBL shows that there is high degree of correlation between credit and advances and total deposits. For EBL correlation of coefficient is 0.998 as a total deposits increases credit and advances also increases and vice versa. Fixed deposits are the main sources of granting credit of EBL. Performing Assets of Total Assets Ratio of EBL is 63.4% which means that an average Nonperforming Assets is only 38%. That means Performing Asset is higher than Non performing Assets. It means that Recovery process of loan is satisfactory level.
- Provision for loan losses also indicates that the performing loans are increasing. In another words, the recovery of the loan is satisfactory. As the none performing loan increases, and should increase its provision for loan loss and vice versa. But in the case of EBL there is no need to increase provision for loan loss. In the case of EBL provision for credit loss is increasing as well as total loan and advances also increases in 2009/10 provision for loan loss is 453.10 ten thousand and Total loan and advances is 14082.7 thousands.
- On the other hand, overdue loan of EBL is not too much. Overdue loan ratio of EBL in the research period in average is 1.52%.
- EBL has invested money in granting loan and Advances and recovery process of the bank is satisfactory level. Efficiency in the management of loan is satisfactory level.
- The profit ratio of EBL is increasing in the research periods. Therefore average profit is at satisfactory level.
- Income of EBL is increasing in year by year. It has good impact directly on the shareholder's income. In 2009/10 Annual General meeting to declare bonus share @30% and 10% cash dividend to the shareholders.

- Strengths: In terms of liquidity, EBL is strong. They can satisfy the demand of current and saving depositors. EBL has provided modern facilities to its customers and has used modern technology. In future bank has launched its own remittance package “Everest Remit”. They can attract good customers as comparison to Nepal’s other commercial bank. The bank was bestowed with “NICCI Excellence Award” under the finance Sector by Nepal India Chamber of commerce & Industry (NCCI). The bank was also conferred with the ‘BANK OF THE YERAR 2006’ by the Banker, London. Being the only Nepalese bank to open a representative office in Delhi, India, the Nepalese in India can open account in Nepal from the designated branches of Punjab National bank and remit their savings economically. The bank has a Drafts Drawing Arrangement with 180 branches of PNB all over India. The Bank is also offering cash Management System for managing the funds of corporate exporting to India by collecting their funds from about 183 locations in India.
- With an aim to help Nepalese citizens working abroad, the bank has entered into arrangements with banks and finance companies in different

  countries which enable quick remittance of funds by the Nepalese citizens in counties like UAE, Kuwait, Bahrain, Qatar, Saudi Arabia, Malaysia, Singapore and U.K. The bank also maintains nostril accounts in all major currencies. The bank has started its own online remittance produce “Everest Remit” for Qatar and Dubai for remitting funds to Nepal (more than 50 pay out locations) economically and will be extending this facility in other regions also.
- Weakness: Overdue loans of EBL have increased is not satisfactory level. In future it may damages the income of the bank. Bank has not opened their branches all over the country. So they are unable to grab opportunity for all over the Nepal. In EBL there is presence of nepotism and favoritisms in the process of recruitment, placement, promotion etc. Therefore, capable employees switch the bank if they get more opportunity from other banks. Some customers are

unsatisfied with the service charges and interest rate of loans. Therefore, bank should decrease service charges and interest charges.

- Overall EBL is having profits year by year. Now days it is one of the best commercial bank all over the Nepal. Comparatively there are more strengths than weakness.

CHAPTER - V
SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Summary

This chapter involves with the findings and conclusions derived from analysis of correlation, arithmetic mean, percentage, standard deviation, coefficient of variation of loan management of the sample bank, Everest Bank Limited. This chapter consists of three sections draws the summary, conclusions and recommendations to solve the problems based on the findings

Everest Bank Limited (EBL) started its operation 1994 with an objective of extending professionalized and efficient banking services to various segments of the society . The bank is providing customer-friendly services though a wide network of 44 branches and many correspondent banks across the global. Deriving strength from Punjab national Bank, joint venture partner, EBL has been steadily growing in its size and operations and has established itself as a leading private sector Bank. The bank recorded commendable performance during 2009/2010 registering 37% growth in deposit, 29% growth in loan and 28% increment in net profit. The total business of the bank exceeds Rs. 25 billion. The bank has one lowest Non performing Asset in banking industry. This sustained growth of Bank is attributed to its strong systems and procedures, professional approach, quality lending and highly motivated staff members.

All the branches of the bank are connected through Anywhere Branch Banking System, which enables customers to do all their transactions from any branches other than where they have their account. EBL in association with Smart Choice 79 Technology (SCT) is providing ATM services to its customers through more than 50 ATMs and over point of Sales across the country.

The Bank was bestowed with “NCCI EXCELLENCE AWAES” under the finance sector by Nepal India chamber of commerce & industry (NCCI). Te bank was also conferred with the ‘BANK OF THE YEAR2006’ by The Banker, London. On average of 5 years of research period, cash and bank balance to total deposit ratio of EBL is 11.93% likewise, EBL bank has cash and bank balance 1.27 times of current deposit. More than 77.4% of total deposits of EBL bank utilized in loan and advances. For EBL, correlation of coefficient is 0.998. Performing assets to total assets ratio of EBL bank is increasing regularly in the research period.

Commercial banks are those banks, which works from commercial viewpoint. They perform all kinds of banking functions such as accepting deposits, advancing credits, credit creations, agency functions etc. Loan administration involves the creation and management of loan and advances. Portfolio management helps to minimize or manage the loan risks by spreading over the risk to various portfolios. Bank earns interest on loans and advances, which is one of the major sources of income for bank. Major ratios calculated for the analysis of loan management of EBL is as follows:

Summary of Major Ratios

Table 5.1

Average Figure of Ratios obtained from five years of Research Period

Particulars	Average Ratio
Cash and Bank Balance to total Deposit Ratio	11.93%
Cash and Bank Balance to Current Deposit Ratio	1.27 times
Loan and Advances to Total Deposit Ratio	0.75 times
Loan and Advances to Fixed Deposit Ratio	2.22 times
Loan and Advances to Total Assets Ratio	64.54%
Performing Assets to Total Assets Ratio	63.4%
Provision for Loan Loss to Total Loan and Advances Ratio	3.44%
Overdue Loan to total Loan and Advances Ratio	1.52%
Total Assets to Net Worth Ratio	15.15 times
Net Profit to total Assets Ratio	1.39%
Net Profit to total Loan and Advances Ratio	2.17%

Interest income to Total Loan and Advances Ratio	9.44%
Shareholder’s Income per Share	Rs. 54.18
Price Earnings Ratio	19.76 times
Weighted Average Interest Rate Spread	3.72%

Most of the Loan and advances of EBL is provide against collateral of assets Which is generating income to the bank and more profits EBL. Most of the loan and advances of EBL is provided to private sectors. Therefore, the major portion of income of the bank comes from private sector’s Loan and advances in the form of interest. The remaining sectors play small contribution in the income of the bank. The private sector has dominated the all other remaining sectors. One of the manor reason of going Loan and advances to private sectors is liberalization. Private sectors are coming forwards to invest in different sectors.

5.2 Conclusion

Bank has developed and implemented various types of consumer loan to suit various types' people with view to augmenting the income level of the bank as well as to diversify the risk. It has got investment sectors to utilize liquid money. Now in Nepal, many banks and other financial institutions are functioning to collect deposits and invest money somewhere in investable sectors. Therefore miniaturizations have been increased since liberalization policy taken by the government. Heavy remittance has also help to increase the amount of deposits in bank. On the other hand, due to political crisis, economic sectors have been fully damaged. Most of the projects have been withdrawn due to security problem.

Banks are also going through severe strain due to the Government in its wisdom has been issuing fresh licenses for several new Banks. EBL Bank has utilized most funds in the form of Loan and advances. More than 77.4% of total deposits of the bank has been forwarded to customers as Loan and advances. Therefore, it is the major part of utilizing deposits and income generating sectors. Therefore, there is highly positive correlation between total deposits and Loan and advances. Correlation of coefficient between total deposit and Loan and advances of EBL is 0.998 so, bank is providing different schemes to attract good customers. After attracting deposits from the customer bank has issued the deposit to the needy area to make profit for the bank. Total deposits of commercial banks in the first eight months of the F.Y. 2063/64 increased by 12.3%. Similarly, total loans and advances during the same period grew by 5.4%. The share of business in total commercial banking of our bank in respect of deposit and advances stand at 5.6% and 4.3% respectively.

Provision for Loan loss has been increasing year by year of EBL. Due to economic crisis in the country, Loan takers are not getting good return from their investment sectors. On that situation, Loan customers do not return money of the bank in the stipulated time period therefore, the non- performing Loan of the bank increases. As the performing Loan increases, bank should increase it provision for loan loss. But in the case of EBL performing loan of the bank is increasing that means bank is successful to recover the loan.

5.3 Recommendations

According to analysis, the following suggestions are highlighted to put forward for the further improvement of EBL.

1) Cash and bank balance of EBL bank is high. Bank's efficiency should be increased to satisfy the demand of depositors at low level of cash and bank balance. Unused cash and bank balance do not provide return to the bank. Therefore, some

percentage of the cash and bank balance should be invested somewhere in profitable sectors.

2) Although, performing assets of EBL is higher than performing assets of EBL bank has to try to high performing assets for betterment of bank. Bank should balance the both assets. To provide more return bank should recover its Loan on time. More facilities should be providing to Loan department, so that loan officers will increase their effort to recover the Loan of the bank. On the other hand, at the time of granting Loan, bank should analysis other project report thoroughly. Whether the project is genuine or not, whether the project can generate sufficient income in time to pay the Loan of bank, should be analyzed in detail. Collateral should be enough to recover the Loan, in case, customer fails to pay the Loan.

3) As there is highly positive correlation between Total Deposit and Loan and advances of EBL, it recommended them to increase their Total Deposits to make more Loan and advances.

4) EBL should avoid extending credits merely based on oral information presented at the Loan interview. Historical financial and trade records, as well as realistic cash flow projections should be obtained for proper assessment of the proposal

5) Some customers are unsatisfied with the service charges and interest rate of Loans. Therefore, bank should decrease service charges an interest charges.

6) Bank should regularly follow the Loan customer to confirm that whether the customers have utilized their loan for the same purpose or not, committed at the time of taking Loan from the bank.

7) Bank should strictly bank the policy of nepotism and favoritism. On the basis of capability and efficiency, recruitment, placement and promotion should be executed.

8) Though EBL sometimes fulfill some social obligation like; Computer donation to schools, Blood donation Campaign, support to Rehabilitation Center for Disabled Children and shelter for children. But EBL should extending their resources to rural areas and promoting the development of poor and disadvantaged group. In order to do so, they should open their branches in the remote areas with the objective of providing cheaper banking services. The minimum amounts to open account should be reduced.

9) The economic liberalization policy adopted by Nepal Government has created an environment of cutthroat competition even in the banking sectors. In this context, EBL is suggested to formulate and implement some sound and effective financial and non-financial strategies to minimize their operational expenses to meet required level of profitability.

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Questionnaire - I

1. Do you have all knowledge about bank's loan policies?

☐ Yes ☐ No ☐ Not Clear

2. Are you satisfied with the rate of interest on loan charging by bank?

☐ Yes ☐ No ☐ Not Clear

3. Have you received any notice before loan expiration date?

☐ Yes ☐ No ☐ Not Clear

4. Does any bank officer visit your project site at the time of granting loan?

☐ Yes ☐ No ☐ Not Clear

5. Do you want to take further loan from the bank?

☐ Yes ☐ No ☐ Not Clear

6. Does the service charges taken by bank is satisfactory?

☐ Yes ☐ No ☐ Not Clear

7. Have you utilized the entire loan to the same sector as specific at the time of taking loan ?

☐ Yes ☐ No ☐ Not Clear

8. Do you feel the full cooperation from the bank officer?

☐ Yes ☐ No ☐ Not Clear

9. Are you satisfied with the bank services?

☐ Yes ☐ No ☐ Not Clear

10. Are you thinking to switch the bank in the future?

☐ Yes ☐ No ☐ Not Clear

Questionnaire – II

1. Is there customer related problems in the bank?
    a. Yes b. No

2. Is there NRB related problems in the bank?
    a. Yes b. No

3. Are there loan policy problems in the bank?
    a. Yes b. No

4. Do you know interest rate on loan?
    a. Yes b. No

5. Do you see any changes needed in the process of recovering loan?
    a. Yes b. No

6. Is your organization obeying ‘NRB Directives’ sincerely?
    a. Yes b. No

7. Are you satisfied with the incentive offered by the bank to employees?
    a. Yes b. No

8. Are you satisfied with the promotion policy of the bank?
    a. Yes b. No

9. If you get the opportunity, would you like to switch the bank for the same post?
    a. Yes b. No

10. Are you satisfied with the bank?
    a. Yes b. No

Appendices

Appendix- I

Principle Indicators of Everest Bank Ltd

FY 2005/06

SN	Particular	Indicators	2005/06
1	Net Profit/Total Income	%	14.8
2	Per share Earnings (after tax income)	Rs. 4	29.9
3	Market price per share	Rs.	445
4	Price/Earnings Ratio	Ratio	14.9
5	Dividend on share- Bonus Share	%	-
6	Cash Dividend	%	20
7	Interest Income/Loans & advances	%	10.5
8	Employee expenses/Total operating expenses	%	8.5
9	Interest expenses/Total deposits & borrowing	%	4.6
10	Exchange Income/Total Income	%	5.0
11	Staff bonus/total employee expenses	%	40.4
12	Net Profit/Loans & advances	%	1.9
13	Net Profit/Total Assets	%	1.2
14	Total Loans &advances/Total Deposits	%	75.4
15	Total operating expenses/Total Assets	%	5.4
16	Capital Adequacy Ratio:		
	a) Core Capital	%	11.6
	b) Supplementary Capital	%	1.5
	c) Total Capital Funds	%	13.1
17	Cash Reserve Ratio (CRR)	%	2.0
18	NPAs/Total Loans & advances	%	2.2
19	Weighted Average Interest Rate Spread	%	2.6
20	Book Net worth (Rs. in Lakhs)	Rs.	612.82
21	Total Shares	Number	3150000
22	Total Employee	Number	239
	Others-		
23	Over Due Loan	Rs	111.16
24	- Per employee Business (Rs. in Lakhs)	Rs.	491.4
25	Employee expenses/Total Income	%	5.9
26	Fixed deposit	Rs.	2794.75
27	Current deposit	Rs.	562.4
28	Performing Assets	Rs.	4912.4
29	Interest Income	Rs.	520.17

Appendix- II

Principle Indicators of Everest Bank Ltd

FY 2006/07

SN	Particular	Indicators	2006/07
1	Net Profit/Total Income	%	18.3
2	Per share Earnings (after tax income)	Rs. 4	45.6.
3	Market price per share	Rs.	680
4	Price/Earnings Ratio	Ratio	14.9
5	Dividend on share- Bonus Share	%	-
6	Cash Dividend	%	20
7	Interest Income/Loans & advances	%	9.2
8	Employee expenses/Total operating expenses	%	10.3
9	Interest expenses/Total deposits & borrowing	%	3.9
10	Exchange Income/Total Income	%	3.5
11	Staff bonus/total employee expenses	%	48.2
12	Net Profit/Loans & advances	%	2.4
13	Net Profit/Total Assets	%	1.5
14	Total Loans &advances/Total Deposits	%	75.6 4
15	Total operating expenses/Total Assets	%	6.0
16	Capital Adequacy Ratio:		
	a) Core Capital	%	9.6
	b) Supplementary Capital	%	1.5
	c) Total Capital Funds	%	11.1
17	Cash Reserve Ratio (CRR)	%	1.6
18	NPAs/Total Loans & advances	%	1.7
19	Weighted Average Interest Rate Spread	%	4.0
20	Book Net worth (Rs. in Lakhs)	Rs.	680.31
21	Total Shares	Number	3150000
22	Total Employee	Number	250
	Others-		
23	Over due Loan	Rs	104.75
24	- Per employee Business (Rs. in Lakhs)	Rs.	566.6 1
25	Employee expenses/Total Income	%	6.2
26	Fixed deposit	Rs	2897.96
27	Current deposit	Rs	719.8
28	Performing Assets	Rs	5967.26
29	Interest Income	Rs.	657.24

Appendix- III

Principle Indicators of Everest Bank Ltd

Fiscal Year 2007/08

SN	Particular	Indicators	2007/08
1	Net Profit/Total Income	%	19.9
2	Per share Earnings (after tax income)	Rs. 4	54.2
3	Market price per share	Rs.	870
4	Price/Earnings Ratio	Ratio	16.0
5	Dividend on share- Bonus Share	%	20
6	Cash Dividend	%	-
7	Interest Income/Loans & advances	%	8.0
8	Employee expenses/Total operating expenses	%	12.4
9	Interest expenses/Total deposits & borrowing	%	2.9
10	Exchange Income/Total Income	%	3.2
11	Staff bonus/total employee expenses	%	46.3
12	Net Profit/Loans & advances	%	2.2
13	Net Profit/Total Assets	%	1.4
14	Total Loans &advances/Total Deposits	%	78.2
15	Total operating expenses/Total Assets	%	4.1
16	Capital Adequacy Ratio:		
	a) Core Capital	%	8.9
	b) Supplementary Capital	%	4.7
	c) Total Capital Funds	%	13.6
17	Cash Reserve Ratio (CRR)	%	1.9
18	NPAs/Total Loans & advances	%	1.6
19	Weighted Average Interest Rate Spread	%	4.1
20	Book Net worth (Rs. in Lakhs)	Rs.	832.61
21	Total Shares	Number	3150000
22	Total Employee	Number	257
	Others-		
23	Over Due Loan	Rs	128.5
24	- Per employee Business (Rs. in Lakhs)	Rs.	700.3
25	Employee expenses/Total Income	%	7.1
26	Fixed deposit	Rs.	3403.9
27	Current deposit	Rs.	1025
28	Performing Assets	Rs.	7771.28
29	Interest Income	Rs.	719.3

Appendix- IV

Principle Indicators of Everest Bank Ltd

Fiscal Year 2008/09

SN	Particular	Indicators	2008/09
1	Net Profit/Total Income	%	22.2
2	Per share Earnings (after tax income)	Rs. 4	62.8
3	Market price per share	Rs.	1379
4	Price/Earnings Ratio	Ratio	22.0
5	Dividend on share- Bonus Share	%	
6	Cash Dividend	%	25
7	Interest Income/Loans & advances	%	7.6
8	Employee expenses/Total operating expenses	%	11.5
9	Interest expenses/Total deposits & borrowing	%	2.8
10	Exchange Income/Total Income	%	2.2
11	Staff bonus/total employee expenses	%	48.7
12	Net Profit/Loans & advances	%	2.3
13	Net Profit/Total Assets	%	1.5
14	Total Loans &advances/Total Deposits	%	73.4.
15	Total operating expenses/Total Assets	%	3.9
16	Capital Adequacy Ratio:		
	a) Core Capital	%	8.2
	b) Supplementary Capital	%	4.1
	c) Total Capital Funds	%	12.3
17	Cash Reserve Ratio (CRR)	%	1.9
18	NPAs/Total Loans & advances	%	1.3
19	Weighted Average Interest Rate Spread	%	4.0
20	Book Net worth (Rs. in Lakhs)	Rs.	962.8
21	Total Shares	Number	3780000
22	Total Employee	Number	306
	Others-		
23	Overdue Loan	Rs.	129.23
24	- Per employee Business (Rs. in Lacs)	Rs.	782.3.
25	Employee expenses/Total Income	%	6.7
26	Fixed deposit	Rs	4242.3
27	Current deposit	Rs	1145.7
28	Performing Assets	Rs	10007.01
29	Interest Income	Rs.	903.4

Appendix- V

Principle Indicators of Everest Bank Ltd

Fiscal Year 2009/010

SN	Particular	Indicators	2009/010
1	Net Profit/Total Income	%	21.6
2	Per share Earnings (after tax income)	Rs. 4	78
3	Market price per share	Rs.	2430
4	Price/Earnings Ratio	Ratio	31.0
5	Dividend on share- Bonus Share	%	30
6	Cash Dividend	%	10
7	Interest Income/Loans & advances	%	6.9
8	Employee expenses/Total operating expenses	%	11.0
9	Interest expenses/Total deposits & borrowing	%	2.7
10	Exchange Income/Total Income	%	2.1
11	Staff bonus/total employee expenses	%	52.8
12	Net Profit/Loans & advances	%	2.1
13	Net Profit/Total Assets	%	1.4
14	Total Loans &advances/Total Deposits	%	77
15	Total operating expenses/Total Assets	%	3.6
16	Capital Adequacy Ratio:		
	a) Core Capital	%	7.8
	b) Supplementary Capital	%	3.4
	c) Total Capital Funds	%	11.2
17	Cash Reserve Ratio (CRR)	%	2.9
18	NPAs/Total Loans & advances	%	0.8
19	Weighted Average Interest Rate Spread	%	3. 9
20	Book Net worth (Rs. in Lakhs)	Rs.	1201.1
21	Total Shares	Number	3780000
22	Total Employee	Number	393
	Others-		
23	Over Due Loan	Rs	113.7
24	- Per employee Business (Rs. in Lacs)	Rs.	821
25	Employee expenses/Total Income	%	6.3
26	Fixed deposit	Rs.	5626.6
27	Current deposit	Rs.	1673.9
28	Performing Assets	Rs.	13928.7
29	Interest Income	Rs.	1144.4

Appendix- VI

Balance Sheet of Everest Bank Ltd.

Balance sheet of FY 2005/06

Capital and Liabilities		Assets	
	Amount Rs.		
1. Share Capital	455,000,000	1. Cash in Hand	136,658,509
2. Reserve & Surplus	157,824,701	2. Bank Balance	1,002,910,267
3. Loans	-	3. Money at Call and Short Notice	-
4. Deposit Liabilities	6,694,963,060	4. Investments	1,653,977,060
5. Bills Payable	22,101,054	5. Loans, Advances & Bills Purchase	4,908,460,647
6. Other Liabilities	722,320,310	6. Fixed Assets	109,590,594
		7. Other Assets	240,612,048
Total	**8,052,209,125**	**Total**	**8,052,209,125**
Contingent Liabilities	2,317,299,954		

Appendix- VII

Balance Sheet of Everest Bank Ltd.

Balance sheet of FY 2006/07

Capital and Liabilities		Assets	
	Amount Rs.		
1. Share Capital	455,000,000	1. Cash in Hand	128,757,118
2. Reserve & Surplus	225,318,543	2. Bank Balance	503,047,813
3. Loans	-	3. Money at Call and Short Notice	187,445,000
4. Deposit Liabilities	8,063,902,086	4. Investments	2,535,657,694
5. Bills Payable	22,027,03	5. Loans, Advances & Bills Purchase	5,884,122,609
6. Other Liabilities	842,323,194	6. Fixed Assets	118,374,628
		7. Other Assets	251,165,999
Total	**9,608,570,861**	**Total**	**9,608,570,861**
Contingent Liabilities	2,233,893,497		

Appendix- VIII

Balance Sheet of Everest Bank Ltd.

Balance sheet of FY 2007/08

Capital and Liabilities		Assets	
	Amount Rs.		Amount Rs.
1. Share Capital	518,000,000	1. Cash in Hand	192,590,297
2. Reserve & Surplus	314,617,365	2. Balance with Nepal Rastra Bank	779,669,004
3. Debenture and Bonds	300,000,000	3. Balance with Other Banks & Financial Institution	77,729,907
4. Loan and Borrowings	-	4. Money at Call and Short Notice	570,000,000
5. Deposit Liabilities	10,097,690,989	5. Investments	2,128,931,852
6. Bills Payable	17,777,860	6. Loans, Advances & Bills Purchase	7,618,671,476
7. Proposed and Un paid dividend	23,527,388	7. Fixed Assets	134,068,090
8. Income Tax Liabilities	3,312,244	8. Non- Banking Assets	24,570,614
9. Other Liabilities	457,590,572	9. Other Assets	206,285,178
Total Liabilities	11,732,516,418	**Total Assets**	11,732,516,418

Appendix- IX

Balance Sheet of Everest Bank Ltd.

Balance sheet of FY 2008/09

Capital and Liabilities		Assets	
	Amount Rs.		Amount Rs.
1. Share Capital	518,000,000	1. Cash in Hand	259,347,645
2. Reserve & Surplus	444,808,301	2. Balance with Nepal Rastra Bank	1,139,514,873
3. Debenture and Bonds	3000,000,000	3. Balance with Other Banks & Financial Institution	154,104,976
4. Loan and Borrowings	-	4. Money at Call and Short Notice	66,960,000
5. Deposit Liabilities	13,802,444,988	5. Investments	4,200,515,220
6. Bills Payable	15,805,995	6. Loans, Advances & Bills Purchase	9,801,307,676
7. Proposed and Un paid dividend	114,666,758	7. Fixed Assets	152,089,805
8. Income Tax Liabilities	-	8. Non- Banking Assets	7,436,642
9. Other Liabilities	763,558,645	9. Other Assets	178,007,850
Total Liabilities	15,959,284,687	**Total Assets**	15,959,284,687

Appendix- X

Balance Sheet of Everest Bank Ltd.

Balance sheet of FY 2009/010

Capital and Liabilities		Assets	
	Amount Rs.		Amount Rs.
1. Share Capital	518,000,000	1. Cash in Hand	534,996,791
2. Reserve & Surplus	683,515,266	2. Balance with Nepal Rastra Bank	1,178,198,197
3. Debenture and Bonds	300,000,000	3. Balance with Other Banks & Financial Institution	678,225,606
4. Loan and Borrowings	-	4. Money at Call and Short Notice	-
5. Deposit Liabilities	18,186,253,541	5. Investments	4,984,314,586
6. Bills Payable	26,776,480	6. Loans, Advances & Bills Purchase	13,664,081,664
7. Proposed and Un paid dividend	68,146,323	7. Fixed Assets	170,097,452
8. Income Tax Liabilities	15,278,110	8. Non- Banking Assets	-
9. Other Liabilities	1,634,604,580	9. Other Assets	222,660,004
Total Liabilities	21,432,574,300	**Total Assets**	21,432,574,300

Financial Highlights, Principle Indicators And Bank Balance of Everest Bank Ltd

Appendix- XI

Financial Highlights of Everest Bank Ltd

Fiscal Year 2005/06

Particular	**Fiscal year 2005/06**
Paid up capital- Ordinary Shares	315.00
Statutory General Reserve	64.46
Share Premium	6.43
Capital Adjustment Reserve (Pls. See Note 1)	31.50
Other Reserves	14.50
Proposed Bonus Shares	-
Retained Profit	40.85
General Loan Loss Provision & Provision for NBA	141.12
Total Shareholders' Funds	613.95
Total Deposits	6694.96
Total Loans and advances	5049.58
Total Investments	1653.98
Profit & Loss Account	
Total Income	635.33
Interest Expenses	(307.64)
Employees Expenses	(37.64)
Operating Expenses	(93.59)
Operating Profit	**196.74**
Provision for possible losses	(45.75)
Staff Bonus	(15.10)
Gratuity Provision	-
Profit before Income Tax	**135.89**
Provision for Income Tax	(41.71)
Net Profit(after tax and all profit)	**94.18**

Appendix- XII

Financial Highlights of Everest Bank Ltd

Fiscal Year 2006/07

Particular	**Fiscal year 2006/07**
Paid up capital- Ordinary Shares	315.00
Statutory General Reserve	91.95
Share Premium	6.43
Capital Adjustment Reserve (Pls. See Note 1)	63.00
Other Reserves	17.05
Proposed Bonus Shares	-
Retained Profit	46.90
General Loan Loss Provision & Provision for NBA	221.83
Total Shareholders' Funds	**762.16**
Total Deposits	8063.90
Total Loans and advances	6095.84
Total Investments	2535.66
Profit & Loss Account	
Total Income	785.06
Interest Expenses	(316.37)
Employees Expenses	(48.53)
Operating Expenses	(103.80)
Operating Profit	**316.36**
Provision for possible losses	(81.78)
Staff Bonus	(23.46)
Gratuity Provision	-
Profit before Income Tax	**211.12**
Provision for Income Tax	(67.55)
Net Profit(after tax and all profit)	**143.57**

Appendix- XIII

Financial Highlights of Everest Bank Ltd

Fiscal Year 2007/08

Particular	**Fiscal year 2007/08**
Paid up capital- Ordinary Shares	315.00
Statutory General Reserve	126.11
Share Premium	6.43
Capital Adjustment Reserve (Pls. See Note 1)	94.50
Other Reserves	17.05
Proposed Bonus Shares	63.00
Retained Profit	70.53
General Loan Loss Provision & Provision for NBA	305.43
Total Shareholders' Funds	**998.03**
Total Deposits	10097.69
Total Loans and advances	7900.01
Total Investments	2128.93
Profit & Loss Account	
Total Income	858.96
Interest Expenses	(299.56)
Employees Expenses	(55.10)
Operating Expenses	(129.07)
Operating Profit	**375.23**
Provision for possible losses	(88.93)
Staff Bonus	(28.08)
Gratutity Provision	(5.50)
Profit before Income Tax	**252.72**
Provision for Income Tax	(81.91)
Net Profit(after tax and all profit)	**170.81**

Appendix- XIV

Financial Highlights of Everest Bank Ltd

Fiscal Year 2008/09

Particular	**Fiscal year 2008/09**
Paid up capital- Ordinary Shares	378.00
Statutory General Reserve	173.56
Share Premium	6.43
Capital Adjustment Reserve (Pls. See Note 1)	132.30
Other Reserves	23.87
Proposed Bonus Shares	**-**
Retained Profit	108.64
General Loan Loss Provision & Provision for NBA	375.17
Total Shareholders' Funds	**1197.97**
Total Deposits	13802.44
Total Loans and advances	10136.25
Total Investments	4201.32
Profit & Loss Account	
Total Income	1066.51
Interest Expenses	(401.40)
Employees Expenses	(68.38)
Operating Expenses	(143.56)
Operating Profit	**453.17**
Provision for possible losses	(70.47)
Staff Bonus	(34.56)
Gratuity Provision	(2.55)
Profit before Income Tax	**345.59**
Provision for Income Tax	108.31)
Net Profit(after tax and all profit)	**237.38**

Appendix- XV

Financial Highlights of Everest Bank Ltd

Fiscal Year 2009/10

Particular	**Fiscal year 2009/010**
Paid up capital- Ordinary Shares	378.00
Statutory General Reserve	232.85
Share Premium	6.43
Capital Adjustment Reserve (Pls. See Note 1)	170.10
Other Reserves	30.19
Proposed Bonus Shares	113.40
Retained Profit	130.55
General Loan Loss Provision & Provision for NBA	453.18
Total Shareholders' Funds	**1514.67**
Total Deposits	18186.25
Total Loans and advances	14082.69
Total Investments	4985.12
Profit & Loss Account	
Total Income	1370.71
Interest Expenses	(517.17)
Employees Expenses	(78.10)
Operating Expenses	(177.55)
Operating Profit	**597.87**
Provision for possible losses	(89.69)
Staff Bonus	(45.47)
Gratuity Provision	(8.00)
Profit before Income Tax	**454.71**
Provision for Income Tax	(158.30)
Net Profit(after tax and all profit)	**296.41**