

**A STUDY ON PROFIT PLANNING AND CONTROL OF
SANIMA BANK LIMITED**

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INTRODUCTION

Background of the Study

Nepal is a landlocked country sandwiched between China in the north and India in other three directions. Its altitude ranges from 70 meters to 8,848 meters from the mean sea level. The country stretches from East to West with a mean length of 885 km and north to south with a mean width of 193 km. The country has a total of 147,181 square kilometers area. Geographically, the country is divided into three ecological zones, the high mountains and Himalayas in the north, the hills and small mountains in the middle and the Terai (plains) in the south. Administratively, the country is broadly divided into five development regions - eastern, central, western, mid-western and far - western development regions. The five development regions have 14 zones and 75 districts. The population census of 2068 B. S. indicated an annual growth rate of 1.35 % and on this basis the total population has been reached to 26,494,504.

At the current prices, the annual per capita income FY 2070/2071 stood at US \$ 721. Agriculture, tourism, hydropower and forestry are the major areas for broad based development of the country. Nepal has high potential for accelerated growth and development as it is situated between the two fast growing giant neighbors- China and India. There are 31 Commercial Banks, 88 Development Banks, and 23 Micro Finance Institutions in Nepal.

Back Ground of Banking Sector in Nepal

Integrated and speedy development of the country is possible only when Competitive banking service reaches nook and corners of the country because it is not possible to develop all the sectors by the investment of funds by the government alone. Commercial bank occupies quite an important place in the framework of every economy because it provides capital for the development of industry, trade and business by investing the saving collected as deposits from public. A bank is an institution that deals with money and credit. It

accepts deposits from individuals and business institutions and mobilizes the fund to productive sectors. It also provides remittance facility to transfer money from one place to another.

Banks are the most important financial institutions in the economy. They are also the lending buyers of bond and cater to the need for financial services to the public and their enterprises. They are also the most important source of short-term working capital for business and long-term business loans for new plants and equipments. Therefore, Banks are the principle source of credit for individual business and government. Bank is a dealer of money. At present context, bank is not only confined to accepting deposits and disbursing loan but also engaged in different function as remittance, exchange currency, joint venture, underwriting, bank guarantee, discounting bills facilitating foreign trades through letter of credit (LC) etc.

Nepal is adopting mixed economy where public and private sectors co-exist. Nepal is a developing country. In any economy, the importance of financial sector in general and banking sector in particular cannot be undermined. Banking sector definitely plays a vital role in the overall development of an economy. The Nepalese banking sector is at an exciting point in its development. The Opportunities to enter new business and new markets and to deliver higher levels of customer's services are immense. As the Nepalese banks position themselves as financial service providers, banking business is getting refined.

Technology is unsettling the earlier business process and costumer's behavior is undergoing considerable changes. These have enhanced the forces of competition. It is said that the banking sector mirrors the large economy. Its linkage to all sectors makes it a proxy for what is happening in the economy as a whole. Indeed, the Nepalese banking sector today has the same sense of excitement and opportunity that is evident in the Nepalese economy. Nepal's

economic progress is being declined, political stability is not cleared and agriculture production is not sufficient, the number of financial institution was being increased day by day. But increment in banking & financial institutions has been stopped and NRB has adopted merger process for those bank and financial institutions that have interested for merger. In the recent time, there are 31 commercial banks, 88 development banks, 78 finance companies and 23 micro-finance institutions in Nepali financial market. The numbers of Co-operatives are in large numbers and there are many more financial institutions in pipeline for merger and acquisition (www.nrb.org.np).

Increasing financial institution has no harms for the country. This will help the nation's economic growth. From side of customer also they will get cheapest and best service in the banking field and it is sure that any business activities will help youth and educated unemployment problem will be decreased. But there is a little harder for self banking and financial institutions. All the financial institutions small or large are being involved only in dealing with undifferentiated Vanilla banking products. Because of numerous increment of financial institution, the tough competition is raised automatically among them. So the FIs are developing their skills and products to attract the customers and increasing interest to saver and decreasing interest to creditors. The primary objective of this joint venture is always to earn profit by investing or granting loan and advances to people associated with trade, business and industry etc. that means they are required to mobilize their resources properly to acquire profit.

How well a bank manages its investment has a great deal to do with the economic health of the country because the bank loans support the growth of new business and trade empowering the economic activities of the country. In summary, increase in number of Bank and financial institution may provide positive impact for nation and its people. However, the tough competition among them with regard to management improvement, transparencies of

transaction, globalization of marketing and compliance of NRB rules and regulation will make them hard to sustain with better performance and they also have harder to sustain in market.

As a management student, selected to know the profit planning of Sanima Bank Limited. Many industries and construction companies are emerging. For them a lot of fund is needed. So that banks provide loans with security. Banks are largely investing in hydro sector as well as construction, trade, business, education, health, sport etc. Their contribution is highly recognized. Especially, commercial banks that collect money from public giving low rate of interest and granting loan with high interest rate. The difference between interests is the profit along with commission and charge deducting all kinds of expenses.

Introduction of Bank

Meaning of Bank

Bank is an institution, which deals in money & credit. R. S. Sayers “Ordinary banking business consists of changing cash for bank deposits & bank deposits for cash; transferring bank deposits from one person or corporation to another; giving bank deposits in exchange for bills of exchange, government, bonds, the secured or unsecured promises of businessmen to repay.”

Indian Company Acts defines banking as “The accepting for the purpose of lending or investment of deposit of money from the public repayable on demand or otherwise withdrawal by cheque, draft or otherwise.”

Similarly, United States Laws has defined it as “Any institution offering deposits subject to withdrawal on demand and making loans of a commercial or business nature is a bank.”

“Banks are not just the storehouses of the country's wealth but are the reservoirs of resources necessary for economic development. Bank renders

valuable service to trade and industry. Industrial development can take place only if sufficient money is invested in industries. Banks undertake the stupendous tasks by mobilizing the saving of the people and lending the same to the traders and industrialists. The bank helps in the uniform development of the different regions in the country” (*www.wikipedia.com*).

The banking business has its genesis from its function of lending. Lending is the most fundamental function of a bank. The pace of time has changed the portfolio of banking business from its primary functions to other functions such as merchant banking, credit card business, documentary credit, traveler cheques business etc.

Nevertheless, the importance of lending in banking business is undoubtedly unchanged and remained vital as it was in early days of the business. “The classical economic functions of bank and other financial intermediaries all over the world have remained virtually unchanged in modern times. What have been changed are the institutional structure, the instruments and the techniques used in performing these functions” (*www.wikipedia.com*). A banker or bank is a financial institution whose primary activity is to act as a payment agent for customer and to borrow and lend money.

Need of Bank

A well developed banking system plays an important role in the economic development of a country. A country, developing or developed need adequate and well-diversified banking services for the development of any concerned sector. In the modern economy, banks are to be considered not merely as the dealers in money but also the leaders in development. Therefore, banking is a backbone of any country's economy. Bank plays vital role in the overall development of the nation. Bank came into existence mainly with the objectives of collecting the idle funds, mobilizing them into productive sector

and causing an overall economic development. Following are some of the needs of establishing and developing banks. (www.wikipedia.com).

- Capital Formation
- Monetization of Economy
- Economic Development
- Implementation of Monetary policy
- Price Stability
- Control Interest rate
- Credit Creation
- Expansion of Business
- Underwriting operation
- Safe Custody of Wealth
- Promote Saving
- Agency Service
- Fund Transfer
- Boost of Trade and Industry
- Employment Generation
- Legal Entity and Freedom from Exploitation Development of Agriculture and other neglected sectors, etc.

Types of Banks

There are mainly five types of financial institutions.

- Central bank (A Class)
- Commercial bank (B Class)
- Finance companies(C Class)
- Micro Financial Institutions (D Class)
- Co-operatives (Non Class)

Meaning of Commercial Banks

Commercial Banks are that financial institutions which deals in accepting deposits of persons and institutions and in giving loans against securities. They provide working capital, which needs of trade, industry and even to agricultural sectors.

Moreover, Commercial Banks also provide technical and administrative assistance to industries, trade and business enterprises. The main purpose of priority sector investment scheme is to uplift the backward sectors of economy. The definition of a bank varies from country to country.

English common law, “A banker is defined as a person who carries on the business of banking, which is specified as:

- Conducting current accounts for his customer
- Paying cheque drawn on him, and
- Collecting cheques for his customers.

Commercial Bank is corporations which accepts demand deposits subject to check and make short term loans to business enterprises, regardless of the scope of its other services.

“A commercial banker is dealer in money and substitutes for money such as cheque or bill of exchange. It also provides a variety of financial service” the new Encyclopedia Britannica, the world Book.

Commercial Bank Act 1975 A.D. defined, “A commercial bank is one which exchange money, deposits money, accepts deposits, grants loans and performs. A commercial banking function which is not a bank meant for co-operatives, agriculture, industries or for such specific purpose.”

Commercial banks are the heart of the financial system. They hold the deposits of many persons, government establishment and business units. They make fund available through their lending and investing activities to borrowers, individuals, business firms and government establishments units.

“Commercial Bank means a bank which operates currency exchanges transactions, accepts deposit, provide loans, performs, dealing, relating to commerce except the banks which have been specified for the cooperative, agricultural, industry of similar other specific objective” Commercial Bank Act 2031.

In the context of Nepal, one of the developed sectors is banking sector. More investor is attracted in the banking sector for the investment- The only stock exchanges of Nepal also so the growth of financial sector. Thus, all the definitions of commercial banks have tried to introduce on the basis of its functions, so it will be relevant to discuss about the functions of commercial banks in the following section

Functions of Commercial Banks

Commercial bank is the financial institution that deals with money and monetary transaction. Although, it generally accept deposits and provide loans. But nowadays, in the modern and advanced economy, it expand and diverse its functions. It perform every potential functions for the development of trade, commerce, industry and agriculture including supports for priority and deprived sector. It is established with the prime objective of profit maximization. So, keeping this objective in mind, commercial banks operate its banking business. They earn profit as interest by advancing the fund as loan at the interest rate higher than its cost.

The functions of commercial banks are as follows:

Accepting Deposits

- Fixed Deposit Account
- Saving Deposit Account
- Current Deposit Account
- Nari Saving Account
- Recurring Deposit Account

Advancing Loans

- Term Loans
- Cash Credit
- Overdraft
- Money at Call

General Utility Function of letter of credit and traveler's cheques

Remittance of money

- Discounting bills of exchange
- Locker facilities
- Collecting trade information and banking statistics
- Exchange foreign currency
- Collection and payment of cheques, bills, promissory notes, etc.

Agency Function

- Collection of money from other banks to the customer
- Receipt and payment of dividend, interest, etc
- Financial adviser to the customer
- Security brokerage service
- Underwriting securities of Public and Private sector

Historical Background of Banks

The evolution of banking industry had started a long time back, during ancient time. The name bank derives from the Italian word banco "desk/bench", used during the Renaissance by Florentine bankers, who used to make their transactions above a desk covered by a green tablecloth. However, there are traces of banking activity even in ancient times. In 1157, the first bank named "Bank of vanish" was established. The first modern bank was found in Italy in Genoa in 1406, its name was Banco di San Giorgio (Bank of St. George). But after the establishment of "Bank of England" in 1694, modern banking was begun. Now, there are a lot of banks that are providing quality services world widely. To think about business, trade even life without bank is now impossible. For the contribution of economic development, banking sector plays vital role.

In the country, the development of banking is relatively recent. The record of banking system in Nepal gives detail account of mixture of slow and steady evolution in the financial and global economy of Nepalese life. Involvement of landlords, rich merchants, shopkeepers and other individual moneylender has acted as fence to institutional credit in presence of unorganized money market. In the Nepalese chronicle, it was recorded that the new era known as Nepal Sambat was introduced by Shankhadar Shakhwa, a surda merchant of kantipur in 880 A.D. after having paid all the outstanding debts in the country. This shows the basic of money lending practice in ancient Nepal.

The establishment of the "Tejaratha Adda" during the year 1877 AD was fully subscribed by the government of Kathmandu Valley, which played a vital role in the banking system. This establishment helped the general public to provide credit facilities at a very low rate of 5 percent. Tejaratha Adda distributed credit facilities to the public especially on the collateral of gold and silver. Hence, the establishment of Tejarath Adda" could be regarded as pioneer foundation of banking in Nepal.

When government started trade with India and Tibet the need of banking institution was realized. In the 1937 AD, Nepal Bank Ltd was established under the “Nepal Bank Act 1937” as the first commercial bank of Nepal with 10 million authorized capitals. Rastriya Banija Bank, the second commercial bank was established in the year 1965 AD. RBB being the largest commercial bank plays a major role in the economy. The financial shapes of the two old banks have a tremendous impact on the economy. That is the reason why these banks still exist in spite of their bad position (www.nrb.org.np).

Having felt need of development of banking sector and to help the government for formulate monetary policies, fiscal policies, issue of currency etc., Nepal Rastra Bank was established in 1956 A.D. as a central bank of the nation under Nepal Rastra Bank act 1956 A.D. Since then, it has been functioning as the government bank and has contributed to the growth of financial sector. With the opening of Nabil Bank Ltd. In 1985 AD, the door of opening commercial banks was opened to the private sectors. As the commercial banks grew they stopped entertaining small projects. Thus, a scope for opening finance companies emerged. Nepal Housing & Development Finance Company was the first finance company (www.nrb.org.np).

No matter what name give to banks like Business Banks, Retail Banks, Clearing Banks, Joint Venture Banks, Merchant Banks, etc, they all perform the same basic function. Like other organization, the main objective of the banking industries will be profit maximization and wealth maximization. Many other financial activities were added over time. For example banks are important players in financial markets and offer financial services such as investment funds. Banks have influence economics and politics for centuries. Historically, the primary purpose of a bank was to provide loans to trading companies.

Banks in Nepal

Table 1.1
Commercial Banks in Nepal

S.No.	Names	Operation Date (A.D.)
1	Nepal Bank Limited	15/11/1937
2	Rastriya Banijya Bank	23/01/1966
3	Agriculture Development Bank Ltd.	02/01/1968
4	NABIL Bank Limited	16/07/1984
5	Nepal Investment Bank Limited	27/02/1986
6	Standard Chartered Bank Nepal Limited	30/01/1987
7	Himalayan Bank Limited	18/01/1993
8	Nepal SBI Bank Limited	07/07/1993
9	Nepal Bangladesh Bank Limited	05/06/1994
10	Everest Bank Limited	10/18/1994
11	Bank of Kathmandu Limited	12/03/1995
12	Nepal Credit and Commerce Bank Limited	14/10/1996
13	Lumbini Bank Limited	17/07/1998
14	Machhapuchhre Bank Limited	03/10/2000
15	Kumari Bank Limited	03/04/2001
16	Laxmi Bank Limited	03/04/2002
17	Siddhartha Bank Limited	24/12/2002
18	Global IME Bank Ltd	02/01/2007
19	Citizens Bank International Ltd.	21/06/2007
20	Prime Commercial Bank Ltd	24/09/2007
21	Sunrise Bank Ltd.	12/10/2007
22	NIC Asia Nepal Limited	12/10/2007
23	Grand Bank Nepal Limited	23/01/2001
24	NMB Bank Limited	07/05/2009
25	Kist Bank Limited	07/05/2009
26	Janata Bank Nepal Limited	05/10/2013
27	Mega Bank Nepal Limited	17/09/2010
28	Commerz & Trust Bank Nepal Limited	20/09/2010
29	Civil Bank Limited	15/12/2013
30	Century Commercial Bank Limited	10/03/2013
31	Sanima Bank Limited	15/02/2013

Source: www.nrb.org.np

Introduction of Sanima Bank Limited (SANIMA)

SANIMA Bank Limited (SANIMA) started its banking journey in 2004 as a national level “B” class development bank. The Bank is promoted by prominent and dynamic Non Resident Nepalese (NRN). Taking corporate governance as its top priority aside from being customer- oriented SANIMA has been able to establish itself as an “A” class commercial bank of the country. The vision of the bank is optimum mobilization of resources for national development. SANIMA has progressively continued to be profitable since its operation.

SANIMA believes that the “Customer is King” and pledges to deliver products and services in a customized and simplified manner. Ever since its inception, SANIMA has offered a wide range of products and services best suited to customer's needs. Dedicated and hospitable professional employees are strength and they have been able to win the hearts of customers and stakeholders by ensuring high standards of quality service and corporate governance. In line with extending bank's reach to every citizen of the country. It has today 27 fully fledged branches across the country. The bank's expansion plan is underway to have more footprints in different parts of the country. SANIMA has always taken the initiative for the wellbeing of the society in which it operates and has been contributing to different sectors like health, employment, and education. SANIMA assures its commitment to give continuation to such a noble cause. (Source: www.Sanimabank.com)

SANIMA was the first private sector national level Bikas Bank in the country to be capitalized at NPR 320 million (equivalent to USD 4.5 million) on its initial. The current shareholding pattern of the Bank constitutes of promoters holding 51% and general public holding 49%. (www.Sanimabank.com)

SANIMA Bank Ltd offers a full range of banking products and services in wholesale and Consumer banking, catering to a wide range of customers

encompassing individuals, mid-market local corporate, multinationals, large public sector companies, government corporations, airlines, hotels as well as the DO segment comprising of embassies, aid agencies, NGOs and INGO'S. The Bank enjoys an impeccable reputation of a leading financial institution in the country. In addition to which the national branches network of SANIMA Bank Ltd gives the Bank a unique opportunity to provide truly national banking in Nepal. The Bank has been the pioneer in introducing 'Customer Focused' products and services in the country and aspires to continue to be a leader in introducing new products in delivering superior services. It is the first Bank in Nepal that has implemented the free withdrawal facility of cash by using its debit card (ATM) from SCT network. (Source: Sanimabank.com)

CSR Programs by SANIMA

Corporate Social Responsibility (CSR) has always been an integral part of SANIMA. SANIMA is very much concerned for the development of the community/ society where SANIMA work and are eager to make consistently meaningful contributions addressing their needs. As a social duty, current year too, SANIMA has served their community/ society in different sectors like health, education and employment. SANIMA believes that development of communities/ societies ultimately means development of the country as a whole. As far as service to SANIMA's customer is concerned, SANIMA has been carrying out several loyalty programs besides making various occasions to show it's appreciation for the valuable support and trust they have in SANIMA.(www.Sanimabank.com).

Among others, the following CSR and loyalty programs have been conducted during this fiscal year.

- SANIMA's scholarship program
- Free eye treatment and self employment trainings
- Blood Donation Programs
- Tree Plantation at Narayanchaur

(Source: Sanimabank.com)

Strategic Intent of SANIMA:

"Strong & Reliability"

Values of SANIMA

- Responsive
- Trustworthy
- Creative
- International
- Courageous

Share Capital and Ownership of SANIMA

Table 1.2

Share capital & ownership of SANIMA

Particular F/Y 2011/2012

S. N	Share Capital	Amounts(Rs)
1	Authorized Capital 21,000,000 Ordinary Shares of Rs100 each	2,100,000,000
2	Issued Capital 20,160,000 Ordinary Shares Of Rs100 each	2,016,000,000
3	Paid Up Capital 20,160,000 Ordinary Shares of Rs100 each	2,016,000,000

Sources: Sanima Annual Report FY 2011/2012

Share Ownership of SANIMA

Table 1.3

Share ownership of SANIMA

Particulars Percentage F/Y 2011/2012

A	Promoter	51%
1	Government of Nepal	-
2	Foreign Institutions	-
3	"A" Class Licensed Institutions	-
4	Other Licensed Institutions	-
5	Other Entities	-
6	Individual	-
7	Others	-
B	General Public	49%

TOTAL	100%
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Sources: www.sanimabank.com

Details of Shareholders Holding > 0.5 % Shares

Table 1.4

Details of Shareholders Holding

S.N.	Name of the Shares Holder	No. of Shares	Amount Rs	Percentage
1	Mr. Arun Kumar Ojha	2,822,400	282,240,000	14.00
2	Mr. Tekraj Niraula	1,735,400	173,540,000	8.61
3	mr. jibanath lamichhane	1,260,000	126,000,000	6.25
4	Dr. Niraj Gobinda Shrestha	1,260,000	126,000,000	6.25
5	Mr. Binay Kumar Shrestha	1,013,000	101,300,000	5.02
6	Dr. Birendra Prasad Mahato	945,000	94,500,000	4.67
7	Mr. Ghanashyam Thapa	941,700	94,170,000	4.67
8	Mr. Khemraj Lamichhan	794,000	79,400,000	3.94
9	M/s Jai Ganesh Investment Company Pvt.Ltd.	756,000	75,600,000	3.75
10	Mr. Ram Krishna Shah	633,000	63,300,000	3.14
11	Mr. Dineshmani Shrestha	394,900	39,490,000	1.96
12	Mr. Dilip Shrestha	327,600	32,760,000	1.63
13	Mrs. Indira Bhandari	176,400	17,640,000	0.88
14	Mr. Samba Lama	146,790	14,679,000	0.73
	Total	13,206,190	1,320,619,000	65.50

Sources: Sanima Annual Report FY 2011/2012

Board of Directors of SANIMA

Table 1.5

Board of Directors of SANIMA

S.N.	Name	
1	Jibanath Lamichhane	Chairman
2	Ram Krishna Shah	Director
3	Binay Kumar Shrestha	Director
4	Dr. Biswo Poudel	Director
5	Shamba Lama	Director
6	Bharat Kumar Pokhrel	Director
7	Mahesh Ghimire	Director
8	Rudra Banjara	Company Secretary

Source: Annual report 2011/2012

Promoters of SANIMA

Table 1.6

Details Name of Promoters

S. N.	Name Of the Promoters	S.N.	Name of the Promoters
1	Mr. Tek Raj Niraula	21	Mr. Harendra Prasad Jayswal
2	Mr. Arun Kumar Ojha	22	Mrs. Moushami Regmi
3	Mr. Jiba Lamichhane	23	Mr. Mohan Raj Pokhrel
4	Mr. Niraj Govinda Shrestha	24	Mr. Baidya Nath Sharma
5	Mr. Binaya Kumar Shrestha	25	Mr. Badri Prasad Pandey
6	Mr. Ghana Shyam Thapa	26	Dr. Manik Lal Shrestha
7	Dr. Birendra Prasad Mahato	27	Mr. Shiva Mani Bhurtyal
8	Mr. Khem Raj Lamichhane	28	Mrs. Jamuna Bhandari
9	Mr. Ram Krishna Shah	29	Mr. Ganesh Kumar Agrawal
10	Mr. Dinesh Mani Shrestha	30	Mr. Sudhir Kumar Agrawal
11	Mr. Dilip Shrestha	31	Mr. Subodh Kumar Devkota
12	Dr. Ganesh Prasad Pokharel	32	Mr. Bishnu Hari Regmi
13	Dr. Gopal Prasad Shrestha	33	Mrs. Sharmila Shrestha
14	Mr. Badri Prasad Ojha	34	Dr. Keshab Prasad Acharya
15	Dr. Upendra Mahato	35	Mr. Anand Prakash Rathi
16	Mrs. Usha Aryal	36	Mr. Kul Acharya
17	Mr. Madhav Banskota	37	Mr. Bishwo Nath Poudel
18	Dr. Subarna Das Shrestha	38	Mrs. Jyoti Shrestha
19	Mr. Tuk Prasad Paudel	39	Mr. Jay Ganesh Investment Co. Pvt. Ltd.
20	Dr. Jugal Bhurtel	40	Mrs. Saroswati Bhattarai

Sources: Sanima Annual Report FY 2011/2012

Management Committee of SANIMA

Table 1.7

Management Committee of SANIMA

S.N.	Name	Function
1	Kumar Lamsal	Chief Executive Office
2	Sarju Kumar Thapa	Senior Relationship Manager
3	Sushil Ratna Bajracharya	Head-Information Technology
4	Tej Bahadur Chand	Deputy Chief Executive Office
5	Saroj Guragain	Head-Treasury, Finance & Planning
6	Bobby Singh Gadtaula	Head- Central Operation
7	Rudra Banjara	Company Secretary & Head- Share
8	Roshan Chandra Gautam	Head -Liability Marketing
9	Samir Jung Rayamajhi	Head-GS, BE & Remittance
10	Niraj Dhakal	Head- Internal Audit
11	Santosh Koirala	Head- Retail Banking
12	Sugat Manandhar	Senior Relationship Manager
13	Pawan Kumar Acharya	Head Credit Risk & HR

Sources: Sanima Annual Report 2011/2012

Branch of SANIMA

SANIMA has 27 branches in all major cities 9 branches are in Kathmandu Valley, 18 branches are in outside the Kathmandu Valley till fiscal's year 2070/071. Sanima has its branch in far remote area like Terhthum & Sankhuwasabha.

Service and Products of SANIMA

A. Deposit

Saving Account

The Savings Account is a transactional interest bearing account wherein a deposit is placed with the Bank for an unspecified period of time and the depositor can withdraw or transfer the funds whenever required through different means.

It is an interest bearing account. In such account, interest is provided on daily average balance or on minimum monthly balance, depending on the bank's policy to attract deposits. Any individual, NGOs, INGOs, non-profit making organization like charitable organization are eligible to open this account. However, profit making organization can also open this account to tax on interest earned. Previously, they were restriction to a certain amount on daily/weekly or monthly basis in this type of account. However by saving a short period of notice to the bank large amount can also be withdrawn.

Banks encourage this type of account. The deposit in this type of account remains stable for a fairly long period of time. The weakness of this account is considered very suitable for lending. It is considered as the "Cash Cows Product" of the banker. Various banks have started to introduce various schemes in this account

The Saving Products of SANIMAs

- Sanima Sulav Savings
- Sanima Naari Savings
- Sanima Senior Citizens Savings
- Sanima Muna Savings
- Sanima Prime Savings
- Sanima Fixed Deposits
- Sanima Shareholder's Savings
- Sanima Commitment Saving

2. Current Account

The Current Account is a transactional non-interest bearing account wherein a deposit is placed with the Bank for an unspecified period of time and the depositor can withdraw or transfer the funds whenever required through different means.

Current account is a non interest bearing account which is known by cheking account also. The deposit in such account is known by demand deposit as

bankers have to pay on demand& no withdrawal restrictions can be imposed on such account. Any individual, any organization, be it profit making or non-profit making, corporate body, NGOs and INGO's all can open this account. There is no restriction of withdrawal and deposits in this account. Any amount can be deposited and any amount can be withdrawn in current account. Banks encourage this type of account, as it is a cost free account. The only weakness of this account is that large amount can be withdrawn at any time without giving prior information. So theoretically this account is not considered very suitable for long term lending as banks resort to the theory of long term deposit-long term lending and short term deposit- short term lending. As the account is maintained at very low cost, it is considered as the "Cash Cows Product" of the bank.

3. Fixed Deposit

A Fixed Deposit account is an interest bearing account, where a fixed amount is held at fixed interest rate and is repayable (principal/interest) at a fixed future date as agreed at the time of placement of the Deposits.

Deposit in this type accounts are accepted for a fixed period of time. Term deposit receipt is issued in Non-Negotiable form. Fund cannot be withdrawn before the maturity period of the deposit, interest rate is fixed depending upon the amount and time period of deposit, higher is the interest rate offered. However, in case the customer needs funds before the maturity of fixed term deposits, one can pledge the instrument (TD) and obtain loan. The interest on such loan may be 1% to 2% higher than what is paid on the fixed deposit. In such situation, accumulated interest for a certain period is not provided or certain percentage is deducted, which largely depends on the bank and its policy. Theoretically, this account is considered very suitable for long term lending as deposit remain stable for long term lending as deposit remains stable for a long period of time. The only weakness of this type of account is that it is

maintained at a very high cost due to the higher interest rate paid compare to other deposits. This type of account is “star Product” for bankers.

4. Sanima Sulav Savings

Sanima Sulav Savings account is a variant of Savings Account, which can be opened in the name of person with Zero balance for their future savings. It has normal interest rate.

5. Sanima Naari Savings

Sanima Naari Savins is a variant of Saving Account, specially designed for women customers. There are free I- Banking facilities in this product.

6. Sanima Senior Citizens Savings:

Sanima Senior Citizens Savings account is a variant of Savings Account, specifically designed for the Senior Citizens.

Loans

Sanima provides various types of loan such as home loans, auto loans, and personal loans, cash/near cash backed loan.

Loan products of Sanima

- Sanima Home Loan
- Sanima Auto Loan
- Sanima Small Business Growth Loan
- Sanima Hire Purchase Loan
- Sanima Project Financing
- Sanima Margin Lending
- Sanima Business Loan
- Sanima Education Loan
- Sanima Tractor Loan
- Micro Finance Loan

- Sanima Gold Loan
- Sanima Awasiya Ghaderi Karja

(Source: Sanima Annual Report 2011/012)

C. Debit Cards

It has introduced the SCT Debit Card.

D. Other Services

1. ATMs Network

Growing network ATM facilities are available to account holders. Debit Cards with Pin numbers are issued to enable the customers to avail to 24-hour ATM facility. SANIMA has 4 ATMs representative within country. The ATM card holder of SANIMA can withdraw cash from any bank's ATM machine with free of cost on SCT network.

2. Online Banking

SANIMA Online banking service connects the customers safely to their bank account anytime, anywhere. With Online Banking, SANIMA provides following services:

- Account Services
- Account Information
- Request for Statement
- Status of Issued Cheques
- Status of Inward Remittance
- Fund Transfers
- Within SANIMA Accounts
- Standing Order Requests for Periodic Payments

3. Safe Deposit Locker

Safe Deposit Locker is a special facility provided to our customers for keeping their valuables or important documents safely. The customers can access the

locker any time during the Bank's business hours. Each locker has a separate number and is fitted with a double key lock, which ensures the safety of customer's lockers. Currently the Safe Deposit Locker service is available at the following branches:

1. Head Office Naxal

E. Remittances

SANIMA provides an array of services to fulfill remittance requirements. SANIMA Bank Ltd has introduced its own remittance product SANIMA X-PRESS.

- Demand Drafts
- Telegraphic Transfers
- Cheque On Selves
- Foreign Exchange

F. SME Banking

SANIMA provides SME Banking service. It issues Letter of Credit, overdraft, Short-term loan, Demand loan, Term loan, Trust Receipt Loan/Importer's Loan, Export Credit, bank guarantees.

G. Wholesale Banking

SANIMA is the leading wholesale bank in the country. It is very well known for innovation and our capability to implement new products in the market. It provides cross border payment, domestic payment service. SANIMA provides service of account transfers between SANIMA bank accounts, payment through correspondent banks, telegraphic transfers.

Statement of the Problem

Profit is the primary measure of success of business. Normal profit is necessary to run a business smoothly in long run. Bank is no exception for this. SANIMA also needs profit so SANIMA might have been planning the profit.

The present study will try to analyze and examine the profit planning of this bank. Without proper profit planning, any business organization can't run in right way.

This study will answer the following questions:

- To what extend has the process of profit planning follows in this bank?
- What are the overall problems of SANIMA?
- To what steps should be taken to improve the profit planning system in this Bank?
- Does the SANIMA mobilize the deposit and other resources optimally?
- Does the bank setup resources generating satisfactory return?
- What is the movement of overall performance of SANIMA?
- What suggestion can be recommended for their proper solutions?

Objectives of the Study

The specific objectives of the study are listed below:

- To examine the present profit planning premises adopted by SANIMA
- To examine the resource mobilization and achievement of SANIMA
- To examine the outcome of those plan in term of achievements.
- To sketch the main problem of development and implementing profit planning system in SANIMA
- To outline the profit and loss of SANIMA.
- To provide appropriate suggestion and recommendation based on the major findings.

Significance of the Study

The specific significance of the study are listed below:

- The research study will concern with the profit planning in commercial bank with the case study of SANIMA.

- To analyze if there are any drawbacks in profit planning system in SANIMA.
- To analyze the proper applicability of profit planning system in SANIMA.
- The significance of the study is really to examine whether SANIMA is applying profit system properly or not.

Limitation of the Study

The limitations of the study are:

- Data prevails under this study are secondary.
- The study is limited to the related profit planning of SANIMA.
- Profit planning analysis covers only five years from F/Y 2064/65 to 2068/69.
- Only SANIMA is taken into consideration in this study.
- Review of literature is widely used.
- The accuracy of the study is based on the data available from the website of SANIMA, Annual Report & its various published documents and management.

Organization of the Study

According to the objectives of this study, it has been classified into five chapters and the chapter is as follows:

Chapter- 1: Introduction

This chapter includes background of the country & study, introduction of bank, meaning of commercial banks, and historical background of banks, introduction of SANIMA, statement of problems, objectives of the study, importance and limitation of the study.

Chapter-II: Conceptual Frame Work & Review of Literature

This chapter includes literature review about PPC, problems, limitation and importance of PPC. Review of previous research work and research gap are also included in this chapter.

Chapter-III: Research Methodology

This chapter deals with research methodology that includes research design, nature and source of data, procedure of data collection research variables and research tools.

Chapter-IV: Presentation & Analysis of Data

This chapter deals with presentation and analysis of data using statistical and financial tools like mean, standard deviation, correlation analysis, trend analysis, percentage analysis, ratio analysis and major findings.

Chapter-V: Summary, Conclusions & Recommendations

This chapter is the final chapter of the study that includes summary, conclusion and recommendations. The bibliography, appendix and glossary have been incorporated at the end of the study.

Research Gap

All the above-mentioned research studies are related to profit planning of public enterprises and to the commercial banks. The study have pointed out that there is no proper profit planning system in these organizations. Decision making, policy formation and strategy formulation are made by executive directors. Participation of lower level managers is not allowed. Also, found that actual achievements are lower than budgeted. So, the researchers have suggested and recommended to implement effective and appropriate profit planning system. This may help this organization to achieve their goal and objectives. And, also help to reduce the variance between actual and budgeted data. But this study is different from the previous studies. The study aims to access the profit system of SANIMA. This study tried to indicate the role of profit planning to increase its profit. This study attempts to analyze the financial position of the bank by using various statistical and financial tools. It also concludes the various findings of the research and recommendation for immediate and long term improvement and corrections.

Research Methodology

Introduction

“Research methodology is the way to solve systematically about the research problem” (Kothari, 1990: 39).

Research methodology is the procedure of planned outline which deals with research design, data collection procedure, nature of data, identify the population, making confidence of the sampling method and sampling variables, data selecting styles, presentation style of collected information and data and interpreting it. Now, no doubtingly it is obvious that the research methodology is helpful to attain the objectives of the research.

This study mainly concentrated on the profit planning of Sanima Bank Ltd. Research methodology, therefore, is designed and implemented to study about the sources, causes and methods of profit planning. The analysis is income, expenses, loan, deposit, employee status of SANIMA

Research Design

Research design is that outline which configures the collection and analysis style of the data and information.

“Research design is a plan of structure and strategy of investigation conceived so as to obtain answer to research questions and to control variances” (Kerlinger, 1986 : 275).

“Descriptive research is process of accumulating facts. It does not necessarily seek to explain relationship and test hypothesis make predictions or get at meanings and implications of a study” (Wolff and Pant, 2002: 81).

Analytical method is used to present information and data. A part from this, there is also qualitative aspect and these aspects are described in word detail wherever it is necessary.

The first step of the study is to collect necessary information and data concerning the study. Research design means the definite procedure and technique which guides the study and propounds ways or doing research. The research has its basic objective to highlight the degree of application of profit planning concept in SANIMA with respect to planned prediction and actual production, degree of sales realization in respect to budgeted figures and examine the cost structure. This study is an examination and evaluation of the budget process of profit planning program of SANIMA various related information. Functional budget and statement of SANIMA are tools to analysis and evaluated the profit planning system of SANIMA. Also to figure out the problems and provides them with some recommendations.

Period Covered

The research covers the period of five years from 2064/2065 to 2068/2069. Data are taken from SANIMA and analysis is basically made on the basis of five years data.

Natures and Source of Data

For any research work, information is the life blood. Therefore, it is the major task to gather the information and data collection. Mostly secondary data has been used in the study. It has been collected from the following sources:

- Published annual accounting and financial report of SANIMA
- Publication of Nepal Rastra Bank, publication of National Planning Central Bureau of Statistics and related publication.
- Books, booklets, articles, magazines and official records of SANIMA.
- Previous dissertations, electronic media such as websites.
- Published and Unpublished document related to SANIMA.

Data Collection Procedure

Data gathering, recording which the most important part of the research is consists of obtaining information from some body's hand. It is therefore, very

difficult activity of the whole research process. Researcher is the staff of Sanima Bank Ltd. He had collected all data from official published book, articles, magazines and the official records and the annual reports are the main source of secondary information.

In this study, I have been taken to analysis the collected data. Financial and statistical tools are used to analyze data. Financial tools mainly used are financial ratio. Similarly, the statistical tools are used such as mean, standard deviation, covariance correlation, trend analysis and Figure etc. Once the data and information collected then tabulated, presentation, analysis and interpretation has been done.

Research Variables

Research variables play vital role in developing profit plan. Customer deposit, loan, investment, profit, interest expenses, interest expenses, other income, other expenses, other assets, staff of SANIMA are research variables of this study.

Research Tools

Collected data and information are analyzed, presented in suitable table and format, chart, Figure and graph. Financial and statistical tools are used to analyze the presented data which includes mean, standard deviation, trend analysis, ratio analysis, percentile analysis, coefficient of correlation analysis, coefficient of variance, cash flow analysis etc.

Major Findings

Resource Mobilization

Major resource mobilization of SANIMA was deposit.

Deposit mobilized by SANIMA was found to be considerably growing every year. Interest bearing deposit was growing rapidly every year than interest free deposit. Total deposit was Rs. 11,178,734,351 in F/Y 2068/69 which was increased by 75.86% than previous year.

Resource Deployment

Major area of the resources deployed in investment.

Cash and bank balance was in fluctuating. It was reached to Rs 1,373,062,742 in F/Y 2068/69. LABP was in increasing trend over the study period. It was increased by 49.60% and reached to Rs. 9,531,504,834 in F/Y 2068/69.

Expenditure

Interest expenses amount were the highest among the total expenses of the bank. In F/Y 2068/69, it was Rs 753,616,783 which is 63.49% of total expenses.

Interest expenses of the bank were increasing trend every year. Interest expenses were perfectly correlated with deposit.

Cost of deposit (Calculated as the ratio of total interest expenses during a year on the outstanding deposit as of the year and expressed in percentage) of the bank was increasing trend but the bank has maintained lower cost of deposit. It was 6.99% only in F/Y 2068/69. The lowest cost of deposit is 4.92% in FY 2064/65. Provision for doubtful debt to LABP ratio was 0.55% in F/Y 2068/69. It was because of granting secured loan.

Revenue

Interest income was the highest among the others in total revenue. It was 95.40% in F/Y 2068/69. The amount of interest was increasing trend every year corresponding to increase in LABP. There is perfect correlation between interest income and LABP.

Interest spread was in increasing trend but net burden was in fluctuating trend. Net profit of the bank was positive and increasing trend over the study period till 2068/2069. But In F/Y 2068/69, it was 121,769,566 which was decreased by 21.55. The main reason of decreasing profit is started operation from its own new building, increment in business promotional expenses and additional provision for deficit management.

Business growth after being “A” class institution will be mainly reflected in the FY 2069/70. So, Net profit figures seem to be less in FY 2068/69.

Performance Evaluation

Ratio Analysis

Liquidity ratio of the bank was 2.8:1 in F/Y 2068/69. The bank had able to maintain standard ratio till over the study period. Debt to equity ratio of the bank was 5.59% in F/Y 2068/69. The bank had maintained its debt to equity ratio as per NRB guideline. Interest coverage ratio of the bank was higher than 1, which is satisfactory. It was 1.23 times in F/Y 2068/69. No. of employee of SANIMA was increasing trend. Deposit per employee and LABP per employee were also increasing some of the FY. It shows that the work efficiency was increased.

ROE of SANIMA was 6.04% in F/Y 2068/69. It was positive and it's only because of management efficiency. ROA of the bank was 0.89% in F/Y 2068/69. The bank has deployed most of the fund in non business and fixed assets. Therefore, ROA of the bank was low. EPS, MPS, PE ratio are

fluctuation trend over the study period due to the market situation of financial sector.

Cash Flow

Cash flow analysis of the bank shows source of cash inflow are adequately met by the bank for the cash outflow. Deposit mobilization is the major contributor of the bank in cash inflow. Loan, Advance and Bills Purchased are the major cash outflow.

Summary, Conclusions And Recommendations

Summary

Nepal is arguing to achieve economic prosperity though rich in natural resources, such resources for the economic progress of the country then to its poor economic condition. Its per capita income is only \$480 according to the 2011/12 (CBS) that Nepal still belongs to the groups of the least development country. Due to recession, the economic growth is not increasing. Political instability, strikes, band as, shortage of fuel, food, raw material, insecurity of public, higher rate of transportation, power cut of electricity, labor hike, higher rate of wages etc largely impact negatively in the development of industries, banks etc. In this time of insurgency, it is very hard to run a business and cope with these types of challenges.

The prosperity of every developing country can only be ensured by its economic growth. The role of commercial banks in the economic growth of the nation can be fairly estimated to be very prominent. By mobilizing the scattered idle resources, commercial banks pool the fund in a sizable volume in order to feed to the fund requirement of productive sector of the economy. Such investments in the productive sector promote trade and industrialization in the country thereby raising the employment opportunities and earning to the labors and materials and service providers to such industries and trades which as a chain effect, promotes saving in the banks and more saving for further

investment. In this way, as the chain moves rolling on, the economy of the nation also grows.

To remain as the major contributing factor to the growth of the nation's economy, the banks also have to have sustainable existence and growth of themselves. For the suitable existence and growth of a bank, it must ensure reasonable profitability.

As the banks are formed as joint stock companies promoted by shareholders investment, it must give reasonable return on the fund of the shareholders. Further by the profit mad by the bank, it may choose to increase its capital base to make it stronger and more sustainable for facing any future threat that may come up. A profit earning organization can better feed to their employees, thereby enhancing the morale of the employees and motivate them for better performances.

Therefore, profit for commercial organizations has been defined as the life-blood for them. A commercial bank also, being a commercial institution has to plan for the reasonable profit earnings. Profit planning is the planning of activities in such way that it helps in increasing the income at a minimum possible cost or at optimum cost. PPC can be used an effective remedy for the organization running in loss and maintain same or high level profit. It is combination of various financial and physical techniques, which not only helps on increasing profit but also to reduce unnecessary cost and utilize the expenses in the best manner. This study aims at examining the application of profit planning in a commercial bank, with a specific case study of Sanima Bank Limited.

Sanima Bank Limited is also one of the leading commercial banks of Nepal. The Bank has been the pioneer in introducing 'customer focused' products and services in the country and aspires to continue to be a leader in introducing new

products in delivering superior services. It is the first Bank in Nepal that has implemented free of withdrawal facility using its debit card within SCT network. It has strongly adopted 'Know Your customer's (KYC)' on all the customer's accounts.

This study has tried to cover the various aspects of profit planning in the bank from the time of fiscal year 2064/65 to the end of fiscal year 2068/69. In the first introductory chapter, this study report has tried to give brief introduction of banking and its relation to the economy, brief history of banking in Nepal, brief profile of the concerned bank, general concepts to profit and comprehensive planning, the problem statement, objective of the study and its scope, limitation and significance.

During the research works, an extensive review of various literatures, books, past thesis, journals have been made and internet materials from relevant websites were also consulted. The work was compiled into "review of literature" chapter.

Research methodology followed for this research work is mentioned in the chapter three entitled as "Research Methodology". Likewise, Data relating to various activities of the bank has been collected, presented in tabular and various Figure form and are tried to be interpreted in the study report in logical ways. Data are then analyzed applying various financial, mathematical and statistical tools have been listed in a systematic manner. All these works are compiled in the fourth chapter titled as "Data Presentation and Analysis" of the study.

Finally, the summary and the recommendation are made for this study is hereby being presented in this chapter five titled as "Summary, Conclusion and Recommendations"

Conclusions

Economical development plays the significant role for the countries overall development. In the Nepalese prospective since the establishment of financial institution have played progressive role for the economical development of the country. So far commercial banks have been proved as prime movers of the economical development in Nepalese scenario. But as a developing country Nepal need to strengthen its economical structure to achieve rapid overall development due to the problems of fund mobilization and investment. Similarly, Nepalese banks are still stuck to traditional approaches for fund utilization and management.

Studying the available data, it can be concluded that major concentration of resource mobilization of the bank is deposit collection. Deposit collection of the bank is satisfactorily good but mobilization of resources other than deposit is not good. Likewise, resource deployment for non yielding liquid assets was in fluctuating trend each year. Major portion of resources are deployed in investments and LABP. Interest income is the main contributor of the income sources. Likewise, interest expenses are the major portion of the expenses. Cost of deposit of the bank is found to be increasing trend but the bank has maintained lower cost of deposit. Other expenses other than operating expenses were increasing trend every year. Other source of income other than other income is also increasing trend. Interest spread is to be increasing trend each year and net profit of the bank was increasing trend over the study period. Most of the correlation shows positive correlation. SANIMA is able to maintain proper coordination between goals, objective and strategies. There is proper application of PPC system.

Recommendations

After studying the financial position of the bank and analyzing the available data the followings suggestions are recommended to improve the profit planning system of the bank.

- From the study it seems that SANIMA has been focusing in the urban side of the country. So, it should focus on rural areas too for development of the nation.
- Corporate Social Responsibility should be maintained very seriously because it has responsibility to change the environment around it survives.
- The bank should give continuity in providing both conceptual and practical training to the staff to enhance their knowledge, skill and competency level.
- The Sanima Bank Limited should follow the process of profit plan to increase its efficiency and to increase its profitability position. Making profit plan means making further plan for income, expenses and profit etc. This will help the bank to increase profit, income and reduce expenses.
- The bank should reduce its expenses (such as interest expenses, staff expenses, provision for doubtful debt). These expenses are increasing yearly which is not favorable for the bank.
- The bank should make effort to collect non-interest bearing deposit. The bank should make effort to utilize the available resources effectively and implement cost effectiveness technique to reduce operating expenses. It must utilize effectively its human resources to reduce its staff expenses. Decrease in expenses will increase net profit of the bank.
- The bank should increase its interest income as well as non interest income.
- The bank should mobilize its fund properly to increase income.
- The bank has able to maintain lower provision for doubtful debt to total LABP over the study period. It is suggested to maintain the same level. The bank should evaluate the project before flow the loan and granting the loan on secured projects.
- Investment is the safe sector to utilize the fund. It does not increase any losses. The bank should increase investment activities and should invest in profitable sectors. The bank should invest on industrial sector and hydropower sector, which really helps to develop the nation.