CHAPTER- I

INTRODUCTION

1.1Background of the Study

Profit planning is the vital tool which directs the organization towards achieving profit. Profit is the very basic primary short term and long term objectives of every business organization. Even increasing ratio of profit is a good symbol of organization. By nature profit is a yard stick judging of managerial efficiency in terms of a means of measurement for the success. The profit planning tool is a newly developed concept as a crucial way in the business organization. The concept of profit planning has not even familiarized in the most of the business concern. By proper profit planning a business can be managed more effectively and efficiently (Bhandari, 2001).

Profit planning is the process of developing a plan of operation that makes it possible to determine how to arrange the operational budget so that the maximum amount of profit can be generated. There are several common uses for this process, with many of them focusing on the wise use of available resources. Along with the many benefits of this type of planning process, there are also a few limitations. The actual process of profit planning involves looking at several key factors relevant to operational expenses. Putting together effective profit plans or budgets requires looking closely at such expenses as labor, raw materials, facilities maintenance and upkeep, and the cost of sales and marketing efforts. By looking closely at each of these areas, it is possible to determine what is required to perform the tasks efficiently, generate the most units for sale, and thus increase the chances of earning decent profits during the period under consideration. Understanding the costs related to production and sales generation also makes it possible to assess current market conditions and design a price model that allows the products to be competitive in the marketplace, but still earn an equitable amount of profit on each unit sold (Wayne & William1983).

Bank plays a vital role in the development of national economy. Before the entry of bank people used to borrow the loan from landlord, merchants, goldsmith etc. But due to the implementation of bank, the people need not to knock the door of merchant, goldsmith, and landlord. Commercial banks comprise the largest group of depository institutions in size. They perform functions similar to those of saving institutions and credit unions. They accept deposits and make loans. However they differ in their composition of assets and liabilities, which are much more varied. Commercial banks are established to improved peoples economy welfare and facility to provide loan to agriculture, industrial, commercial and etc. commercial bank has been playing a great role for economic development of the nation directly or indirectly. For the development of a country, 1st of all every economic and non economic financial sector should be developed, for this it needs huge amount of money and other services which they cannot afford by own properties. They need relevant sources to get money. For this purpose, entry of bank plays a very important role to the credit needs of various sectors. The different field may be trade, agriculture, industrial, business house and commercial or social service sectors (Ghimire, 2014).

Commercial banks are those financial institutions which perform sides range of economics and financial function of any business firm in the economy more over they also provide technical help and suggestion relating to administration suggestion and safe keeping of valuables. Collection of bill, cheques, over draft facilities and provide modern banking facilities to industries and commerce are also carried out by these banks. In global perspective joint ventures are made up of trading through partnership and with negotiation between countries industries enterprises traders and mercantile to achieve mutual exchange of goods services and modern technology for sharing comparative advantages and benefit. A joint venture bank is going of forces between two and more enterprises for the purpose of carrying out specific operation (Industrial and Commercial Investment for production or trade). Nepal Government deliberate policy of allowing joint venture banks to operate in Nepal is basically targeted to encourage local traditionally run commercial banks to exchange their bankable capacity through competition, efficiency, modernization and mechanization via computerization and prompt customer service (http//www.google.com).

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Profit planning system is widely practiced in manufacturing firms, but it is relatively new in non-manufacturing and service firms (http: //www. quinnbiz.co.nz.htm). Profit planning can be defined as the set of steps that are taken by firms to achieve the desired level of profit (www.cambridgepub.edu.). However the concept of profit planning is equally applicable to all firms irrespective of their nature for the proper utilization of scarce resources and achieving their goals. Profit planning is viewed as a process designed to help management to effectively and efficiently perform its activities. Since profit is a signal for the allocation of resources and yardstick for judging managerial efficiency. The fundamental concept of profit planning includes the underlying activities or task that must generally carry out to attain maximum usefulness from profit planning. The mechanics of profit planning involve such activities related to profit planning and performance. Before one makes an intelligent approach to managerial process of planning, it is important that one understands the management concept, planning and budgets. Planning is the process of developing enterprises, objectives and selecting future courses of action to accomplish them. In other words, planning is the essence of management and all other functions are performed within the framework of planning. Planning means deciding in advance what is to be done in the future. Planning starts with forecasting and anticipating future events (Bajgain,2015).

Brief Introduction of Everest Bank Limited

Punjab National Bank (PNB), our joint venture partner (holding 20% equity) is the largest nationalized bank in India having presence virtually in all important centers. Owing to its performance during the year 2012-13, the Bank earned many laurels & accolades in recognition to its service & overall performance. Recently, PNB was awarded with "IDRBT Banking Technology Excellence Award" under Customer Management & Intelligence Initiatives. The Bank also bagged "Golden Peacock Business Excellence Award 2013" by Institute of Directors. Similarly, the Bank was recognized as 'Best Public Sector Bank' by CNBC TV 18. The bank has now more than 6,000 branches and 7000 ATMs spread all across the India. As a joint-venture partner, PNB has been providing top management support to EBL under Technical Service Agreement.

Everest bank limited was established in 1994 in joint venture with pan jab national bank limited of India. Despite the cut-throat competition in the Nepalese banking sectors, Everest bank has been able to maintain a lead in the primary banking activities loans and deposits. Legacy of Everest lives on in an institution that is known throughout Nepal for its innovative approaches to merchandising and customer services. Products such as premium saving account, EBL proprietary card and millionaire deposit scheme besides services such as ATMs and Tele banking were first introduced by EBL. Therefore, the banks stand for the innovations that we bring about in this country to help our customers besides modernizing the banking sector (Annual Report of Everest Bank Ltd.)

Introduction of Machhapuchchhre Bank Limited

Machhapuchchhre Bank Ltd is managed by Chief exclusive officer (CEO) under the supervision and control of Board of Directors. Board of directors appoints the chief executive officer. The board of directors of Machhapuchchhre Bank Ltd. is constituted by the body of seven (7) member altogether. Two directors are appointed from General public & five directors are appointed from promoters. The vision of the Bank has been status as "bankers with state of the art technology strive for growth with profitability professionalism and excellence". It is mentioned that profitability is the core vision that shall be achieved with professionalism and excellence. Machhapuchchhre Bank limited (MACH Bank Ltd) strives to facilitate its customer needs by delivering the best of services in combination with the latest technologies and the best international practices. The drown of the new millennium has heralded widespread changes in the way of financial services are delivered and financial market operate. In lights of this fact, Machhapuchchhre Bank limited seeks to infinity and exploit the financial opportunities through proper challenging of technology in to services and product it offers to the benefit of its customer the community and the country at large.

The mission of the bank states as with the slogan, **"service with a person touch"**. We at MBL our goal is to aim and achieve the highest standard of professionalism and service to client by providing customized financial products and services through proactive management. It further states our team of innovative and dynamic master-minds march across the geographical and cultural boundaries with contemporary competitively designed and differentiated quality financial products and services to achieve strategic advantages in a dynamic environment (Annual Report of MBL).

Introduction of Agricultural Development Bank Limited

The Bank which is established for the development of agricultural sector is known as Agricultural Development Bank. There are many agricultural countries in the world. Nepal is also one of them. We can get loan for the development of agriculture from Development bank also but its interest rate is high and loan-borrowing process is complex also so ADBL is established; to increase the agricultural products qualitatively and qualitatively, big plants, cold stores should be built for this, long term loan as well as related technical suggestions and information are needed. For the solution of these problems ADBL is established at 7^{th} Magh, 2024 B.S. under Agricultural Development Bank Act 2024 in Nepal.

At the time of establishment its authorized capital was five core. Now it’s about two Arab authorized capital. It has been working under government directions since the time of its has 276 branch offices in all 75 districts in rural as well as in far rural areas and about five thousands staffs are working in this institution.

1.2 Statement of the Problem

Bank should have ready access to immediately expendable funds at reasonable cost precisely at the time those funds are needed. Lack of adequate liquidity is often one of the first signs that a bank is in serious financial trouble (Rose, 1999). Bank should have adequate liquidity to minimize both asset side liquidity risk and liability side liquidity risk of a commercial bank. Both the liquidity deficit and more liquidity surplus indicate the problem in the financial health of a commercial bank. More liquidity surplus hurts the profitability of the commercial bank as it reduces the return on assets. Similarly, liquid deficit also costs much to the commercial banks in term of the higher purchasing price of liquidity and affects the reputation of the banks. Therefore, the commercial banks should strike the trade-off between the profitability and liquidity risk

The commercial banks are a major player in Nepalese banking sector and financial services industry. Government-owned banks, Nepal Bank Ltd and Rastriya Banijya Bank, are in operation for several decades, foreign joint venture and private banks also started operating since 1984 after the establishment of Nepal Arab Bank Ltd., currently NABIL Bank (Sthapit, 2009). However, previous studies regarding their profitability and liquidity positions are the area in which researchers, scholars, policy-makers and managers would be interested. Deposit utilization rate of the commercial banks in Nepal is not stable. The growing competition among financial institutions and recent increase in transaction of security and capital markets as well as the taxation laid on higher deposits in banks is adversely affecting the bank's profitability.

The commercial banks in Nepal have not succeeded much in mobilizing their capital in productive sectors. A proper effective, efficient and economic media for collecting resources has not been designed to collect the funds in Nepal. So, the banks are attracting the depositors through mass-media with different plans to attract depositors to the maximum possible extent. Inefficiency and weaknesses relating to the analysis of financial statements affect the banks' financial performance. For instance, these banks' cash and bank balance and NRB balance have been in fluctuating and declining trend while various deposits have been increasing; it reflects inefficiency in liquidity management of the banks

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1) What are the revenue, cost and profit positions of selected banks?
2) What is the financial performance of selected banks?
3) What is the cash flow of the selected banks?

1.3 Objectives of the Study

The basic objectives of the study are to analysis the profit planning policy of commercial banks with reference to MBL, ADBL and EBL. The specific objectives of the study are:

1) To assess the revenue, cost and profit positions of selected banks.
2) To analyze the financial performance of selected banks.
3) To examine the cash flow of selected banks.

1.4 Significance of the Study

Profit is the life blood of the any organization because the continuity or survival of the each and every organization is depends upon the earning capacity of that organization. This study is concerned with the profit planning in the commercial bank. It attempts to examine and analyze the applicability of profit planning system in the bank. Profit planning process significantly contributes to improve the profitability as well as the overall financial performance of an organization with the help of the best utilization of resources.

Profit planning is a part of an overall process and is an area in which finance function plays major role. It is now an important responsibility of financial manager while activities of those require an accounting background. It's also need knowledge of business principles, economic statistics and mathematics. Hence profit planning represents on overall plan of preparation for a definite period of time.

Profit planning is crucial for management. Profit is the most important indicators for judging managerial efficiency and does not just happened for this every organization has to manage. Various functional budgets are the basic tools for proper planning of profit and control. Therefore, this study will be useful for those who want to know the profit-planning tool and also for next researcher as a reference.

1.5 Limitations of the Study

The study confines only profit planning aspect of selected banks. So, the limitations of this study are:

i. This study has been conducted in only three commercial banks they are Everest Bank Limited, Agricultural Development Bank and Machhapuchchhre bank limited, So, results of analysis cannot be generalized.

ii. This study covers the related data of the banks from FY 2012/13 to 2016/17 Only.

iii. The study is based on secondary data.

iv. The study focuses on revenue, cost, profit, financial performance, cash flow statement are used in this study.

CHAPTER- II

LITERATURE REVIEW

Review of Literature means reviewing research studies or other pertinent propositions in the related area of the study so that, all the past studies their conclusions and deficiencies maybe known and further research can be conducted. A literature review is a critical and in depth evaluation of previous research. It is a summary and synopsis of a particular area of research, allowing anybody reading the paper to establish why we are pursuing this particular research program. This chapter deals with the conceptual review regarding financial performance analysis. Past studies carried out on financial performance analysis are also incorporated here.

2.1 Conceptual Review

2.1.1 Concept of Profit Planning

We can define profit plan from above definitions of profit and planning. It refers the planning of profit where profit is the benefit or surplus on selling of goods and services by the business organization. Simply, it is the predetermination of revenues and expenses that estimate how much income will be generated and how it should be spent in order to meet the investment and profit requirement.

Profit planning can be defined as the set of steps that are taken by firms to achieve the desired level of profit. Planning is accomplished through the preparation of a number of budgets, which, when brought through, from an integrated business plan known as master budget. The master budget is an essential management tool that communicates management's plan throughout the organization, allocates resources, and coordinates activities (http://www.accounting for management.com).

Profit plan refers to the planning of revenue and planning of cost. Comprehensive profit planning and control is a new term in the literature of business. Though it is a new term, it is not a new concept in management. The other terms, which can be used in same context, are comprehensive budgeting, managerial budgeting and simply budgeting. The profit planning and control can be defined as process of management that enhances the efficiency of management (Goet, Bhattarai and Gautam, 2062). Profit plan is a short term financial plan. It is an action plan to guide managers in achieving objectives of a firm. It is a comprehensive and coordinated plan, expressed in financial terms for the operations and resources of an enterprise for some specific period in the future (Pandey, 1999).

In business, profit does not just happen. It should be managed or planned. When management makes plan to earn profit for a certain period of time it is called profit planning. It is most important aspect for any business enterprises.

The concept of profit planning set firmly upon the planning theory the primary success factor in an enterprise is the competence of management to plan and to control enterprise activities. Profit planning system especially familiar to business organization but the practicability of this concept depends on the size of the business. The most vital factor on profit planning procedures is right information at the right time presented and formulated in a way that, it is easily compared and followed. Profit planning is an overall part of process of an organization and it’s an area in which the finance function plays prior role. It covers definite period of times and formulate the planning decision management. It considers all activities and operation of an organization.

2.1.2 Uses of Profit Planning

The uses of profit planning are as follows:

i. Evaluating operations

Each time you prepare an income statement, actual sales and costs are compared with those you projected in your original profit plan. This permits detection of areas of unsatisfactory performance so that corrective action can be taken.

ii. Determining the need for additional resources such as facilities or personnel

For example, the profit plan may show that a sharp increase in expected sales will overload the company's billing personnel. A decision can then be made to add additional invoicing personnel, to retain an EDP service, or to pursue some other alternative.

iii. Planning purchasing requirements

The volume of expected sales may be more than the business' usual suppliers can handle or expected sales may be sufficient to permit taking advantage of quantity discounts. In either case, advance knowledge of purchasing requirements will permit taking advantage of cost savings and ensure that purchased goods are readily available when needed.

With planning, the search for needed funds can begin as early as possible. In this way, financial crises are avoided and financing can be arranged on more favorable terms (http://www.villagemall.com).

2.1.3 Process of Profit Planning

A profit planning and control includes more than the traditional idea of a periodic or master budget. The planning process should involve periodic, consistent and in-depth re-planning so that all aspect of operations is carefully re-examined and revaluated. The following are some steps of profit planning:

1. Identification and Evaluation of External Variables

The most important step on the profit planning and control process is to identify the relevant variables. Relevant variables mean those variables, which will have direct and significant impact on an enterprise. Different variables have different impact according to their nature and nature of the product, matter, socio-economic and geo-political environment of enterprises. These variables can be divided as controllable and uncontrollable variables. This phase of planning focuses on identifying and evaluating the effects of external variables. So the management planning must focus on how to manipulate the controllable variables and how to work with the non controllable variables. In this phase identification involves on separation of variables as controllable and non controllable where as evaluation also includes an evaluation of present strength and weakness of the enterprise.

2. Development of Broad Objective of Enterprise

It is a responsibility of executive management. Based on a realistic evaluation of the relevant variables and an assessment of the strength and weakness of the organization executive management can specify or restate this phase. The statement of broad objectives should express the mission, vision and ethical character of the enterprise the statement of broad objectives normally should not specify quantitative goals rather it should be narrative expression of purpose objective and philosophical character of business. It should represent the basic foundation to develop and positively reinforce pride in the company by management, employees' owner, customer and other enterprises that have commercial contact with it. It should be designed for wide dissemination and should be believable, which means that in the long run the company's action must be in harmony with statement.

3. Development of Specific Goal

Development of specific goals is to bring the statement of broad objectives into sharper focus and to move from the realm of general information to more specific planning information. It provides both narrative and quantitative goals that are definite and measurable. These goals should be developed by executive management as the second component of the substantive plan for the upcoming year. Executive management should act as leadership while developing such goals to formulate realistic and clearly articulated framework within which operations will be conducted toward common goals. It also provides a basis for performance measurement. Such specific goals must be developed for both the strategic long range and tactical short range plans. These specific goals in large measure are qualified and specified for each major sub-division of the entrepreneur. They must realistic goals as opposed to more hopes or guesses.

4. Development and Evaluation of Company Strategies

Companies' strategies are trust, ways and tactics that will be used to attain planed objective and goals. Purpose of developing and disseminating enterprises strategies is to find the best alternatives for attaining the planned broad objectives and specific goals. While developing basic strategies executive management must focus on identifying of the critical areas that influence the long range success of enterprise. Strategy formulation is continual concern to executive management, better managed companies have found that periodic reassessment of the strategies is essential in light of a careful analysis of all relevant variables and their probable future impact on the enterprise.

5. Executive Management Planning

This planning must be communicated all level of management to participate equally in the development of strategic and tactical profit plan for the upcoming year. Executive leadership is necessary in developing and articulating this planning foundation and formulation of relevant strategies. At this phase in profit planning process, the formulation has been established to articulate the broad and specific objectives of the enterprise and the strategies that facilitate their attainment.

6. Preparation and Evaluation of Project Plan

Project plans encompass such items as plan for improvement of present products new and expanded physical facilities, entrance into new industries, exist from products and industries, new technology and other major activities that can be separately identified for purpose of planning. The project plan encompasses variable time horizons because each project has a unique time dimension.

In planning for a project the time span considered must normally be the anticipated life span of the project. During the formal planning cycle, management must evaluate and decide upon the plan status of each project in process and select any new project to be initiated during time dimension covered by upcoming strategic and tactical project plan.

Preparation and evaluation of current and future project plans are essential on a formal basis as one of the profit planning phase.

7. Development of Strategic and Tactical Profit Plan

When the managers of various responsibility centers in the enterprise receive the executive management planning instructions and project plan they can begin intensive activities to develop their respective strategic and tactical project plans. The executive management or chief financial executive will develop the strategic and tactical profit plans. Assuming participatory planning and receipt of the executive management instructions, the manager of each responsibility center will immediately initiative activities within his or her responsibility center to develop strategic long range profit plan and a tactical short range profit plan, certain format and procedural instructions should be provided by centralized source, normally the financial function, to establish the general format, the amount of detail and other relevant procedural and format requirement essential for aggregative of the plans of responsibility centers in conformity with the organization structure.

As the two profit plans are being completed the approval process must be initialized. This process involves approval, disapproval or revision based on action by executive management or presentation and justification by the managers or responsibility centers. Each member of the executive management group would have been provided a copy of the center's plans to study before the final presentation. Then the manager of each major responsibility center should be given the opportunity to make a complete presentation of the plans. After the presentation, in-depth discussion on these plans accrues involving the members of the executive group and manager of the responsibility center. After a participatory approval process is completed for each major responsibility center and programs form the major responsibility centers are combined into the overall strategic and tactical profit plan for the enterprise as a whole.

8. Implementation of Profit Plans

Implementation of management profit plans that have been developed and approved in planning process involves the management functions of leading subordinates in attaining enterprise objectives and goals. Effective management at all levels requires that enterprise objectives, goals, strategies and policies be communicated and understood by subordinates. A comprehensive profit planning and control program may aid substantially in performing this function. Plans strategies and policy developed through significant participation establish the foundation for effective communication. The objective and goal of an enterprise should be realistic and attainable; they should present a real challenge to overall enterprise and to each responsibility center. The plans should have been developed with the managerial conviction that they are going to be met. If the plans are effective in developing process the various executives and supervisors would have a clear and understanding of their responsibilities and the expected level of performance.

9. Use of Periodic Performance Plan

As profit plans are implemented during the period of the time specified in the tactical plan. Periodic performance reports are needful, which are prepared by the accounting department on a monthly basis. These performance reports compare actual performance with planned and show each difference as favorable or unfavorable performance variation. The periodic performance report focused on dynamic and continuous control tailored to assign managerial responsibilities. Actual performance statistics alone do not indicate high or low performance, it must be compared with realistic goals or standards in order to evaluate performance; so this periodic performance should be prepared to compare.

10.Implementation to follow up

Follow up is an important part of effective control because performance reports are based on assigned responsibilities. They are the basis for effective follow up actions. It is important to distinguish between cause and effect. The identification of causes is primarily a responsibility of line management. Analysis to determine the underlying causes of both favorable, unfavorable variance should be given immediate priority. In case of unfavorable performance variance, after identifying the basic cause, an alternative and corrective action must be selected. Then the corrective must be implemented. In case of favorable performance variance, the underlying causes should be given identified. The underlying causes of favorable variance often provide reinforcements to the less successful operations and employees.

2.1.4 Application of Profit Planning in Banking Sector

Traditionally comprehensive profit planning and control was applicable only to large manufacturing and complex organization. But in the modern concept the profit planning and control is applicable non-manufacturing enterprises too, like service companies, financial institutions, hospitals, retail business, construction companies etc. The fact is that a company has peculiar circumstances or critical problem is frequently a good reason for the adoption of certain profit planning and control procedures. In respect to size, when operations are extensive enough to require more than one or two supervisory personnel, there may be a need for profit planning and control application. Nowadays banking sector is also curious about preparing profit plan budget. Functional budget only gives their operational plan where as PPC gives idea about profit maximization (Khatiwada, 2010, p. 57).

2.1.5 Benefits of Profit Planning

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

1) Performance evaluation

The profit plan provides a continuing standard against which sales performance and cost control can quickly be evaluated.

2) Awareness of responsibilities

With the profit plan, personnel are readily aware of their responsibilities for meeting sales objectives, controlling costs, and the like.

3) Cost consciousness

Since cost excesses can quickly be identified and planned, expenditures can be compared with budgets even before they are incurred, cost consciousness is increased, reducing unnecessary costs and overspending.

4) Disciplined approach to problem-solving

The profit plan permits early detection of potential problems so that their nature and extent are known. With this information, alternate corrective actions can be more easily and accurately evaluated.

5) Thinking about the future

Too often, small businesses neglect to plan ahead: thinking about where they are today, where they will be next year, or the year after. As a result, opportunities are overlooked and crises occur that could have been avoided. Development of the profit plan requires thinking about the future so that many problems can be avoided before they arise.

6) Financial planning

The profit plan serves as a basis for financial planning. With the information developed from the profit plan, you can anticipate the need for increased investment in receivables, inventory, or facilities as well as any need for additional capital.

7) Confidence of lenders and investors

A realistic profit plan, supported by a description of specific steps proposed to achieve sales and profit objectives, will inspire the confidence of potential lenders and investors. This confidence will not only influence their judgment of you as a business manager, but also the prospects of your business' success and its worthiness for a loan or an investment (http://www.villagemall.com, n. d.).

2.1.6 Limitation of Profit Planning

Profit plans are based upon estimates. Inevitably, many conditions you expected when the plan was prepared will change. Crystal balls are often cloudy. The further down the road one attempts to forecast, the cloudier they become. In a year, any number of factors can change, many of them beyond the control of the company. Customers' economic fortunes may decline, suppliers' prices may increase, or suppliers' inability to deliver may disrupt your plan. The profit plan requires the support of all responsible parties. Sales quotas must be agreed upon with those responsible for meeting them. Expense budgets must be agreed upon with the people who must live with them. Without mutual agreement on objectives and budgets, they will quickly be ignored and serve no useful purpose. Finally, profit plans must be changed from time to time to meet changing conditions. There is no point in trying to operate a business according to a plan that is no longer realistic because conditions have changed (http://www.villagemall.com, n.d.).

2.2 Reviews of Articles

Various studied has been conducted for the behaviour of Profit planning. Regarding this various empirical studies have been conducting related area of profit planning. There are many researchers carried out by different research in this topic.

A critical review of journal article is an evaluation of an article’s strengths, weakness and validity. It is used to inform readers of an article’s value through explanation, information, interpretation and analysis. The reviewer must present information that will allow the reader to make a value judgment about the article.

The various journal and articles are given below;

Thapa (1994) expresses his views in his research paper Profit planning of Nepalese bank that the commercial banks including foreign joint venture banks seem to be doing pretty well in mobilizing deposits. Likewise, loans and advances of these banks are also increasing. But compared to high credit needs particularly by newly emerging industries, the bank still seems to lack adequate funds. The banks are increasing their lending to non –traditional sectors along with the traditional sectors. Out of all commercial banks (excluding two recently opened regional commercial banks), Nepal Bank Ltd. and Agricultural Development Bank are operating with a nominal profit, the later turning towards negative from time to time. Because of growing competition and limitation of investment sectors, the spread between interest income and interest expenses is declining. These banks have not been able to increase their income from commission and discount. On the contrary, they have got heavy burden of personal and administrative overheads. Similarly, due to accumulated overdue and defaulting loans, profit position of these banks has been seriously affected. On the other hand, the foreign joint venture banks have been functioning in an efficient way. They are making profit year after year and have been distributing bonus to their employees and dividends to their shareholders.

Paudel (2006) on Banking Challenges ahead focused in the potential areas where banks should invest to fight the prevailing economic recession. Currently growth in the profitability of JVBs has been mainly due to external factors such as the foreign exchange rate but not to the growth in the real sector of the economy. Therefore, to sustain the current financial position in the long run, banks should enter raw areas by marketing their credit in important sub sectors such as hydro electricity, tourism, irrigation etc.

Khatiwada (2012), has published an article "Financial Sector Reforms and Corporate Governance in Nepal" where he concluded that good governance has become a major challenge to attain desired objectives of development plans and programmers; it has hindered the effective delivery of public goods; it has marred the health of financial institutions; and it has prevented the creation of a competitive market economy. That is, governance has become a problem in every spectrum of the economic and business activity. Good governance comes, among others, from rule of law, transparency and accountability, democratic institutions, devolution of power and authority, people's participation, and social mobilization. Not all of these elements are extremely necessary to ensure good corporate governance in the financial sector. An autonomous and able central bank with adequate legislative and regulatory mechanism, effective supervision, compliance to prudential norms, and adherence to the code of conduct and standards are sufficient to ensure it. The corporate governance measures, which are initiated in the process of banking and financial sector reform, are sufficient to ensure a healthy functioning of the financial system and providing efficient financial services. However, enforcement of the laws, regulations, and norms remains a challenge at the present state of business activities.

Upreti (2015/16) on title A comparative study of capital structure and profitability between Himalayan bank and NABIL bank ltd (Nepal commerce campus, 2013/14) concludes, most of ratios are equally of both banks excepts HBL has higher position than NABIL in strength in share in market, growth rate of fixed deposits and average overall capitalization rate and NABIL has higher position in long term burrowed fund, financial leverage debt service capacity and almost all profitability ratios. Excepts these compare, he concludes some negative position of both banks such that cannot be ascertained to established the relationship that the capital structure decision strongly, increasing value of the firm is not sufficient to determine the overall capitalization rate.

2.3 Review of Previous Thesis

Thapa (2006) has study on Profit planning in merchandising company: A case study of National Trading Limited his objectives are to examine the practical and effectiveness of profit planning in National Trading Limited and to analyze the various functional budgets adopted by National Trading Limited. In this study secondary sources were used in this study. NTL does not take in account its weakness and strength to support planned activities. NTL fails to maintain its periodic performance report for the evaluation of performance to find the underlying causes of poor achievements. It seems that budgeted sales are higher than actual sales. Financial position of NTL is not satisfactory. There is low degree of positive correlation between sales and profit and negative correlation between profit and assets.

Rimal (2008) has conducted a research on Profit Planning and control of Nepal Bangladesh Bank. The specific objective analyze the trend of profit of the fiscal year 2057/58 to 2063/64 of Nepal Bangladesh Bank NB bank has incurred higher cost towards deposit mobilizations which was found to be considerably growing every year. The target set for deposit mobilization was well met every year. Major portion of the resources were deployed in LDO. The data analysis of Deposit and LDO with the help of coefficient of variation showed that LDO was less variable than Deposit. Outstanding Letter of Credit liability was not constant similarly Outstanding Guarantee liability was in increasing trend every year. Interest expenses were the highest among the total expenses items which was found decreasing every year corresponding to the increasing in deposit. Interest income was the highest among other income items in the total revenue which was increased every year corresponding to increase in LDO. The interest spread was also found increasing every year. The average current ratio shows the satisfactory liquidity position. Debt equity ratio was higher. It was found that the Return on Capital was negative and this trend followed the same over the study period.

Kunwar (2009) has conducted a research on Profit Planning of Nabil Bank Ltd. To find out the relationships between total investment loan and advances, deposit, net profit and outside assets. The bank is able to maintain good liquidity and financial position. Credit and advance to fixed deposit ratio, total deposit ratio, total assets is in fluctuating, little fluctuating and not fluctuating trend which indicates the high contribution made by lending and investing activities. The Debt to equity ratio indicates that the bank is highly leveraged because the claim of the outsiders exceeds than those of the owners over the bank assets. The Debt to assets ratio of the bank is high. On an average 92% of assets are financed through debt capital which implies that the bank has riskier debt financing position. Total assets to net worth of bank are increasing trend which is good for the bank. Net profit to gross income ratio of the bank is in increasing and decreasing trend, it was highest in the year2006. Interest income play dominant role in total income. The bank has the better profitability position. Return on loan advances ratio indicates contribution in return is decreasing by loan and advance. It has normal earning capacity in loan and advance and assets utilization. The research shows the better profitability in the coming last years. It represents high expectation of company in market and high demand of shares.

Khatiwada (2010) has conducted a research on “Profit Planning in Commercial Bank: A Case Study of Himalayan Bank Ltd.” The objectives of his research were: To focus the current profit planning adopted and its effectiveness in Himalayan Bank Limited (HBL). And o study the variance of budgeted and actual achievements. The bank has 89% average contribution of customer deposit in the resources mobilization as per the data F/Y 2060/61 to 2069/070 and uses the other resources of 11 % in average. HBL is well performing in the deposit collection sector. Actual deposit is higher than the budgeted figure. It is found (r) is 0.9770 and PE is 0.0137. The figure of “r” shows that there is positive perfect correlation between budgeted deposit and actual deposit. The relation of PE with r is r>6PE, it is significant so the actual deposit going on same direction. The relationship between budgeted and actual amount deposit remains same the amount of deposit in F/Y 2070/071 will be RS 33735532 thousand stated by the regression line. The researcher find that the 100 % of achievement of targets in deployment of resources other than LDO i.e. NLDO. The relationship between actual deposit and actual O/S LDO is in increasing trend over the period. The interest holds highest percentage of expenses amount as deposit is the major resources of the bank. The COD of HBL is in the range of 2.23% to 2.58% it means the bank pays the interest 2.41 % in average over the period. The yearly interest income is in fluctuating trend in amount where the O/S LDO is increasing. In the term of average rate of return is fluctuating trend it is ranges of 7.15% to10.75 %.The average rate of return over the study period is 9.12%.

The amount of interest margin of HBL is in fluctuating trend where the increment percentage is also in fluctuating trend over the study period. The current ratio of HBL has almost met the standard of 2:1. Debt-Equity ratio shows that the HBL's financial strength is very strong because it has more internal fund to repay the borrowing capital. The interest coverage ratio of HBL ranges between 1.85 to 2.15Times. The range of return on total assets is 1.02 to 1.72 % and range of return of total capital fund is 11.47to 19.89 % over the period. The cash flow analysis of the HBL shows that there is sufficient fund to repay the short term obligation and it has maintained the liquidity position as per the NRB direction.

Joshi (2012) conducted her master's thesis on "A Study of Financial Analysis of Investment Bank Limited " had a main objective to evaluated the overall financial position of the bank. The current ratio of the bank over the study period is 1.09% times. The cash and bank balance proportion with respected to the current is moderate since the average ratio is 10.17%. The cash reserve as bank is more than required.

Liquidity position of the bank is enough to meet the short term obligation. The debt equity ratio of the bank is high. New profit earned in comparison to the total deposit is relatively low. Profit earning and the shareholder's equity of IBL is better. Bank had mobilized its total deposit in loans and advance satisfactory.The EPS of the bank is quite good because through the EPS had fluctuate its average stands 54.16% during the study period. The proportion of earning distributed to the shareholder per share is very low and they are being compensated very slowly. DPR of the bank is decreasing and very low.

Maharjan (2013) conducted a study on the topic 'Profit Planning in a Commercial Bank (A case study of Nepal Investment Bank)'. To highlight the current profit-planning premises adopted and its effectiveness. in Nepal Investment Bank. and to observe Nepal Investment Bank's Profit Planning on the basis of overall managerial Budgets developed by Bank. The decision making process is highly centralized however, management takes the feed forwards for annual planning and strategy building through manager conferences and strategy building through manager conferences and strategic meeting organized twice in every year at the head office. Interest expenses amount is the highest among total expense items of the bank year. The total deposit of the bank is found increasing every year corresponding to the increase in interest expenses the total deposit is perfectly and positively correlated with total interest expenses. The Profitability ratio shows that it is a useful measurement for all financial researchers invested in the assets. As Return on assets is high during 2005/06 2.55% and return on equity is high in same fiscal year with

37.55%. This shows that overall efficiency of the EBL and better utilization of total resources available is higher and strong.

Bhagain (2015) conducted a study on the topic Profit Planning in Commercial Bank of Nepal: A Study of Nepal Investment Bank Limited. The basic objectives of the study are to analysis the profit planning policy of commercial banks with reference to NIBL. The status of budgeted and actual deposit collection of the bank. In the first year, the bank has collected deposit by 108.15%, in second year it is 112.24%. In third year the actual deposit is collected by 109.71 percent, in fourth year it is collected by 115.85 percent and in the fifth year it is collected by 106.32 percent. In this scenario, the bank shows the good performance in deposit collection from the various customers.The trend of deposit collection by the bank during the research period. It is easily understood that the deposit of the bank is in increasing trend. The bank has really a good performance in this mission. Deposit collection amount of the bank is in increasing trend. In f/y 2066/067 the actual deposit amount is 50,094.73 million; in f/y 2067/068 the bank has achieved its 43.39 percentage of growth, likewise in F/Y 2068/069 deposit is 57,010.60, it again increased by 13.71 percentage, in F/Y 2069/070 deposit amount is 62,428.85, it is increased by 9.50 percentage and in F/Y 2070/071deposit amount is 73,831.38 , it is increased by 18.26 percentage of growth.

The amount of L/C is increasing and decreasing trend. The growth of L/C is -8.11% in F/Y 2067/068 , 19.14% in 2068/069 , 2.79% in 2069/070 and great growth percent i.e. 116.68% in last F/Y 2070/071. In the first three year the L/C business is in increasing trend but in the fourth fiscal year it decreased very lower point i.e. -8.11% and again in the fifth fiscal year it is increased by 116.68%.

Dhami, (2016) has study on "Profit Planning In Commercial Bank Of Nepal: A Study Of Himalayan Bank Ltd". The basic objective of this study is to Himalayan Bank Ltd. Appropriately for the application of comprehensive PPC system The total interest income to total income ratio of HBL is in fluctuating trend. The highest ratio is 0.86 times in year 2012/13 and lowest ratio 0.79 times in year 2015/16. The mean ratio is 0.83 times in the study period. The operating profit to loan and advances ratio of HBL is in fluctuating trend. The highest ratio is 8.87 % in the year 2014/15 and lowest ratio 7.71 % in the year 2066/67.The mean ratio over the period is 8.31%. Return on loan and advances ratio of HBL is in fluctuating trend. The highest ratio is 2.83% in the year 2012/13 and lowest ratio 1.82% in the year 2066/67. The mean ratio is 2.37% This shows the normal earning capacity of HBL in loan and advances. The Net profit to total assets ratio of HBL is in fluctuating trend. The highest ratio is 1.91% years 2012/13, The lowest ratio 1.19% in the year 2066/67. The mean ratio is 1.53%. This shows the normal earning capacity of HBL. In above the five year research period net profit and total assets both are increasing trend. Earnings per share of HBL are in increasing trend. The highest EPS is RS 37.21 in year 2015/16 and lowest EPS Rs.25.44 in year 2066/67. The mean EPS of the HBL is Rs.31.84 in the study period. This shows the better profitability in the coming last years. Earning per shares are Rs.34.73, Rs.32.56 and Rs.28.78 in year 2013/14, 2014/15 and 2015/16 respectively; these mean that the better profitability in the coming last years.

2.4 Research Gap

Most of the past research studies about profit planning system are basically related to profit planning system of manufacturing sectors or production oriented activities. The researcher could find only one study so far that has been related to profit planning system of a commercial bank. All the research have pointed out that there is no proper profit planning system and recommend for the effective implementation of profit planning system in the concerned institutions.

The review of above relevant literature has contributed to enhance the fundamental understanding and knowledge, which is required to make this study meaningful and purposeful. There are various researchers conduct on lending practice, inventory management, financial performance and cash management of various commercial banks. In order to perform those analysis researchers have used various ratio analysis. The past researches in measuring profit planning of bank have focused on the limit ratios, which are incapable of solving the problems. Actually, credit management is determined by various factors. In this research various ratio are systematically analyzed and generalized. Past Researchers are not properly analyzed about lending and its impact on the profitability.

In this study profit planning of Everest Bank, Machhapuchchhre Bank, Agricultural Development Limited is measuring by various statistical tools and financial tools like ratio analysis and cash flow are used for analyzing survey data. Since the researcher have used data only five fiscal year but all the data are current and fact. Many researches are prepared by using the past data so forecasting about future by using the past does not reflect the relevancy for future. So every individual should be able to adjust the respective possibilities of changes for decision making.

CHAPTER- III

RESEARCH METHODOLOGY

For the purpose of achieving the objectives of study, the applied methodology was used. The research methodology has primarily sought the profit planning of the EBL. The research methodology adopted in this chapter follows some limited but crucial steps aimed to achieve the objectives of the research.

3.1 Research Design

This study is an examination and evaluation of profit planning program of Everest Bank, Machhapuchchhre bank and Agricultural Development bank, Various related accounting information's and statement of bank are the materials to analyze and evaluate the profit planning system of selected Bank. Descriptive as well as analytical research designs have been adopted in this research.

3.2 Population and Sample

A sample is a collection of items or elements from a population or universe. It comprises some observations selected from the population. Here, EBL, MBL and ADBL has been selected as sample for the present study among the 28 commercial banks.

Table No. 3.1

S.N.	Banks	Population	Sample
1.	Commercial	28	3

3.3 Sources of Data

Only secondary data has been used in this search.

a) Secondary Source:

This refers to data that are already used and gathered by others. Secondary data are mostly used for this research purpose. So the major sources of secondary data are as follows :

- Economy survey of NG, Ministry of finance.
- Annual general report of EBL, ADBL and MBL from 2012/13 to 2016/17
- National newspaper, journals, magazine, concerned books and reports for Central Library of T. U.,
- Internet and various website
- NRB directives.

3.4 Research Variables

Since profit planning is a wide term there are many variables in this area like financial statement of the bank such as customer deposits, loans advances and bill purchase, interest income and expenses, staff expenses and operating expenses was analyzed to address the research questions of this study.

3.5 Tools for Data Analysis

Data in the research was analyzed by using tables, pie chart and line charts. Also some financial tools like ratio analysis, and cash flow analysis was used in this research.

3.5.1 Ratio Analysis

An arithmetical relationship between two figures is known as ratio. It is computed by dividing one item of relationship with the other. Ratio simply means one number expressed in terms of another.

Profitability Ratio

Profitability ratios are used to indicate and measure the overall efficiency of a firm in term of profit and financial position and performance of any institution. For better financial performance, profitability ratios of firm should be higher. Profitability position of the firms can be presented in the following ways:

I. Return on Loans and Advances

Return on loan and advances ratio shows how efficiently the banks and the finance companies have utilized their resources to earn good return from provided loan and advances. This ratio is computed by dividing net profit (loss) by the total amount of loan and advances.

Return on Loans and Advances = $\frac{Net\ Profit}{Loans\ and\ Advances}$

II. Return on Total Assets (Total Working Fund)

Return on assets ratio measures the profitability position of the selected banks and finance companies in comparison with total assets of those selected firms. It is calculated by dividing return or net profit (loss) by total working fund.

Return on Total Assets $\frac{Net\ Profit}{Total\ Assets}$

III. Total Interest Earned to Total Assets Ratio

Total interest earned to total assets ratio is calculated to find the percentage of interest earned to total assets. Higher ratio indicates the better performance of financial institutions in the form of interest earning on its assets. This ratio is calculated dividing total interest earned from investment by total assets.

Total Interest Earned to Total Assets Ratio = $\frac{Total\ Interest\ Earned}{Total\ Assets}$

IV. Total Interest Earned to Total Operating Income Ratio

Interest earned to total operating income ratio is calculated to find out the ratio of interest income with operating income of financial institution. This ratio indicates how efficiently the selected banks and finance companies have mobilized their resources to bear the interest on total operating income.

Total Interest Earned to Total Operating Income Ratio

$$= \frac{Total\ Interest\ Earned}{Total\ Operating\ Income}$$

V. Total Interest Paid to Total Assets Ratio

This ratio measures the percentage of total interest expenses against total assets. A high ratio indicates higher interest expenses on total working fund and vice-versa. This ratio is calculated by dividing total interest paid by total assets.

Total Interest Paid to Total Assets Ratio = $\frac{Total\ Interest\ Paid}{Total\ Assets}$

3.5.2 Cash Flow Analysis

A cash flow statement analyses changes in non-current account (other than cash) to determine the flow of cash. We can find out the net change in the cash position from the income statement and comparative balance sheets by making the adjustments for non cash items e.g. cash from operations can be found out by adding depreciation to net profit. Similarly, gain on sale of noncurrent assets should be deducted while loss should be added to net profit.

3.5.3 The Mean

The most popular and widely used measure of representing the entire data by one value is what most laymen can an average and what the statisticians call the arithmetic mean. Is value is obtained by adding together all the items and by dividing this total by the number of items.

CHAPTER- IV

DATA PRESENTATION AND ANALYSIS

This is analytical chapter where the researcher has analyzed and evaluated major financial items, which mainly effect the profit planning of EBL, MBL and ADBL. There are many types of financial ratios, calculated and analyzed which are very important to evaluate fund mobilization of commercial bank.

4.1 Everest Bank Limited (EBL)

4.1.1 Total Revenue of EBL

Everest Bank Ltd. is generating revenue from different sources. Interest income is the major sources of revenue. In addition commission and discount and other income, income on FOREX. & non operating incomes are also sources of income. Situation of revenue 2012/13 to 2016/17).

Table 4.1 : Total Revenue of EBL

(Amount in Rs. 00,000')

Income Revenue	2012/13	2013/14	2014/15	2015/16	2016/17
Interest on loan and Advance	49599	49369	51775	49964	43310
Commission & Discount	2335	2668	2548	3036	2034
Operating Income	1798	2493	3094	3890	1480
Other Non Operating Income	251	83	99	124	14
Income on FOREX	1165	920	620	959	428
Other Income	1738	1072	1549	1985	479
Total	**56886**	**56605**	**59085**	**59959**	**47745**

Source: Annual Reports of EBL from the F/Y 2012/13 to 2016/17

Figure : 4.1 Total Revenue of EBL

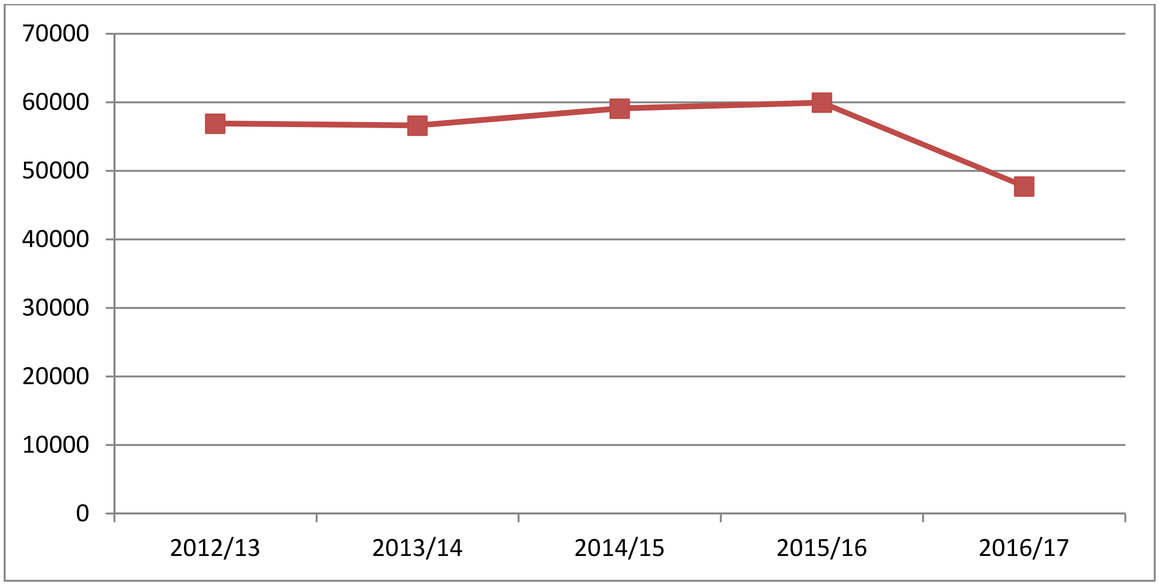


Table 4.1 and figure 4.1 show that income trend of the bank from 2012/13 to 2015/16. It proves that income of the bank is in increasing trend. Interest income, operating income and other income are also rising trend but non operating income and income form FOREX is fluctuation. However, commission and discount is increasing trend up to 2013/14 and it is decreased in FY 2014/15 than after increased to compare with the same previous year.

a) Interest Income from Loans Advance Including Government Security & Other Interest

EBL 's main sources of income in interest on its investment in different sectors like interest income from loans and advances interest on Govt. Security, other interest etc. as follow.

Table : 4.2 : Interest on Loans & Advance.

(Amount in Rs. 00,000')

F/Y	Interest on Loans and Advance	Change in amount	Growth %
2012/13	49599	6289	14.52
2013/14	49369	(230)	(0.46)
2014/15	51775	1806	3.66
2015/16	49964	(1211)	(2.37)
2016/17	43310	1286	39.7

Source: Annual Reports of EBL from the F/Y 2012/13 to 2016/17

Figure : 4.2 : Interest on Loans & Advance

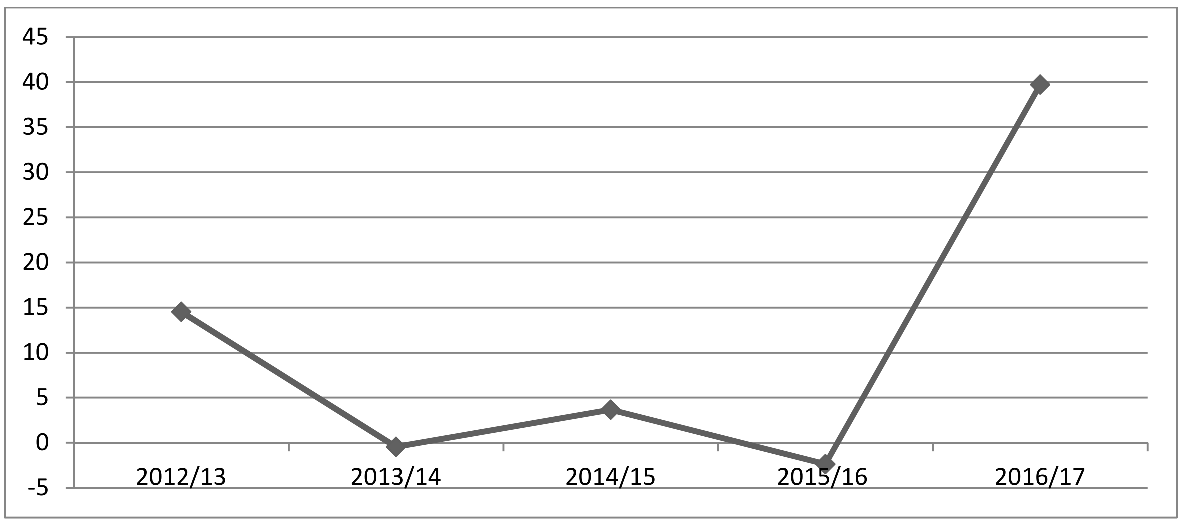


Table 4.2 and figure 4.2 show that the interest income of the bank. The growth in first year is 19.9 percent and 41.87 percent in second year. It was increased up to second year but the growth percent was decreased from FY 2016/17. Interest income of bank is in increasing trend up to FY 2014/15 but it was decreased in FY 2015/16 . It shows that bank has got success in interest collection mission.

b) Revenue from Commission and Discount

Revenue from commission and discount is non fund based revenue sources of EBL. These revenue earns from letter of credit, bank guarantee and double cheque issue etc.

Table : 4.3 : Revenue from Commission and Discount

(Amount in Rs. 00,000')

Year	Revenue from Commission a Discount	Change in Amount	Growth %
2012/13	2335	301	12.9
2013/14	2668	333	14.26
2014/15	2548	(120)	(4.5)
2015/16	3036	488	19.2
2016/17	6034	457	22.26

Source: Annual Reports of EBL from the F/Y 2012/13 to 2016/17

Figure : 4.3 : Revenue growth percentage from Commission and Discount

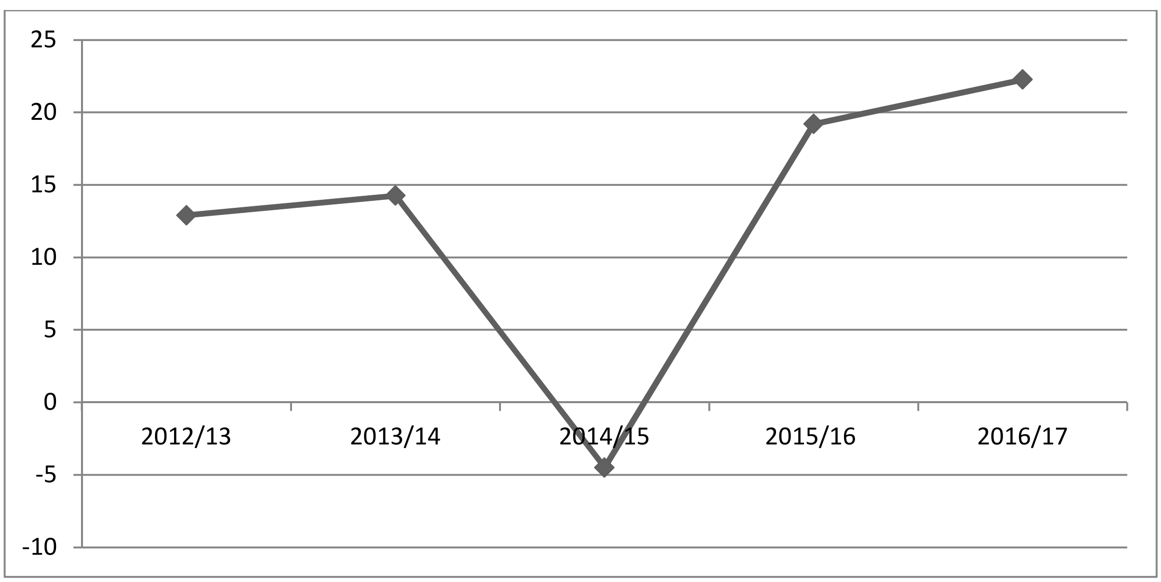


Table 4.3 and figure 4.3 show that revenue from commission & discount. It was increased up to FY 2013/14. In FY 2014/15 revenue from commission and discount was decreased and again increase in FY 2015/16 . So, it was fluctuation. In FY 2015/16 it is increased very high in comparing with the previous year increased percentage is 19.2 and generate revenue Rs 30.36 million from commission and discount.

c) Revenue from other Income

Revenue from other income is non fund based revenue sources EBL earn revenue from different sources like safe deposit value, telex charge, ATM card, renew charge, service charge etc.

Table : 4.4 : Revenue from Other Income

(Amount in Rs. 00,000')

Year	Revenue from Other Income	Change in Amount	Change in %
2012/13	1738	1259	262.80
2013/14	1072	(666)	(38.32)
2014/15	1549	477	44.5
2015/16	1985	436	28.14
2016/17	479	320	217.2

Source: Annual Reports of EBL from the F/Y 2012/13 to 2016/17

Figure : 4.4 Percentage in Revenue from Other Income

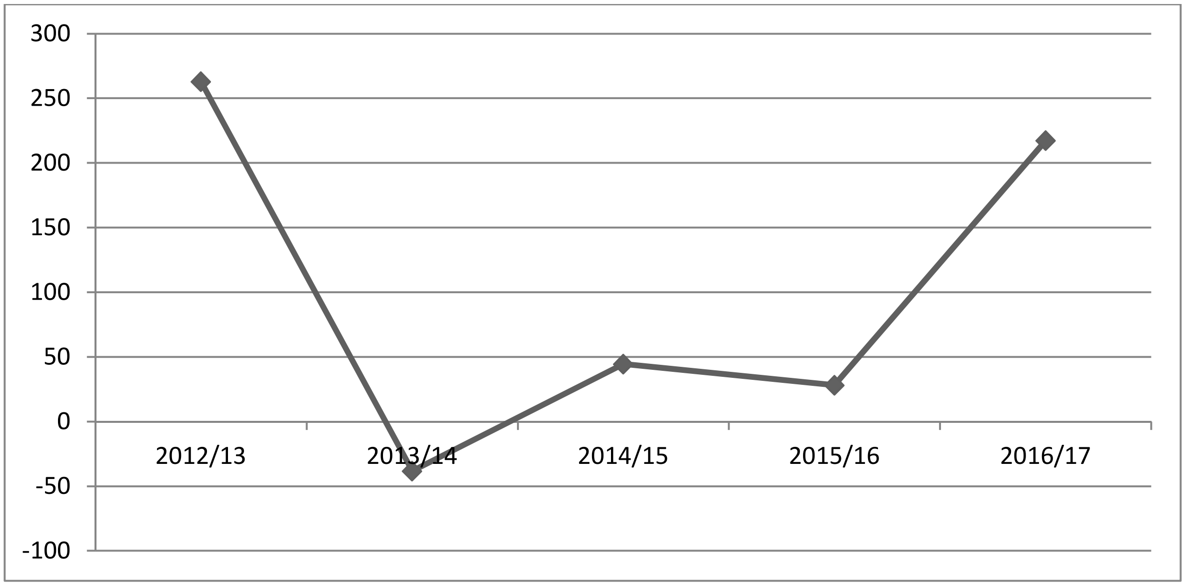


Table 4.4 and figure 4.4 show that the revenue from other income. It is increasing trend upto FY 2012/13 and in FY 2013/14 revenue from other income of bank is decreased but in FY 2014/15 and 2015/16 it was increased and generate Rs 19.85 million. According to the line graph, though the growth of other income in amount is seen increasing but it is fluctuation in the growth percentage. Growth percentage is in increasing trend till FY 2012/13 where as decreased in FY 2013/14.

d) Revenue from Income on Foreign Currency Exchange

Among different kind of revenue in income on FOREX is one of the important sources. It is non fund based income of EBL in the first four year period on FOREX is under this situation.

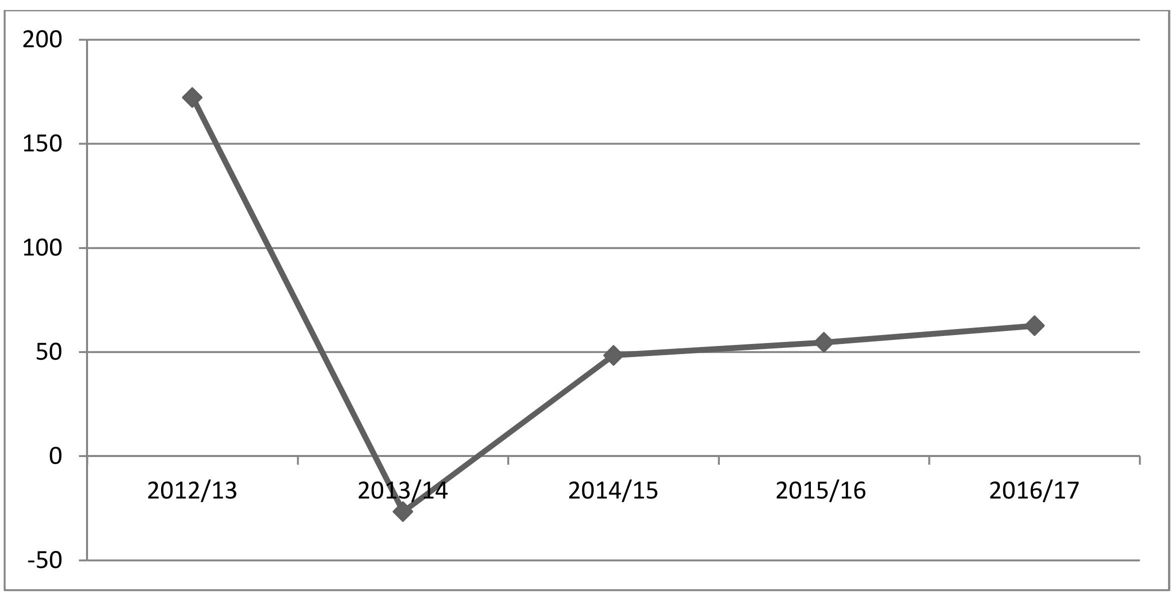
Table : 4.5 : Revenue from income on Foreign Currency Exchange

(Amount in Rs. 00,000')

Year	Foreign Currency Exchange	Change in Amount	Change in %
2012/13	1165	737	172.2
2013/14	920	(245)	(26.63)
2014/15	620	300	48.4
2015/16	959	339	54.66
2016/17	1028	425	62.6

Source: Annual Reports of EBL from the F/Y 2012/13 to 2016/17

Figure : 4.5 : Percentage changfe in Income on Foreign Exchange



The table 4.5 and figure 4.5 show that FOREX amount of the bank. The amount of foreig exchange is decreasing ternd upto FY 2013/14. In FY 2014/15 the bank has achieved 172.2 percent of growth likewise, In FY 2015/16 it again increased by 54.66 percent but in FY 2013/14 and 2014/15 the amout is decresed.

e) Total Expenditure of EBL

EBL's interest expenses are playing major role in expenses. The bank is generating expenditure from different sources. Interest is major sources in addition, employee's expenses, operating expenses, staff bonus, providing for losses and income tax. Full five year of total expenditure of EBL from 2012/13 to 2016/17 .

Table : 4.6 : Situation of Total Expenditure of EBL

(Amount in Rs. 00,000')

Expenditure	2012/13	2013/14	2014/15	2015/16	2016/17
Interest on Deposit Includin Interest on Loan	28733	21791	22587	21169	25358
Staff Expenses	3520	4618	5118	6875	2931
Operating Expenses	4672	5094	5442	5552	3831
Other Expenses	4443	3966	4190	5608	2850
Total Expenditure	**41005**	**34594**	**36924**	**37481**	**34435**

Source: Annual Reports of EBL from the F/Y 2012/13 to 2016/17

Figure 4.6 : Situation of Total Expenditure of EBL

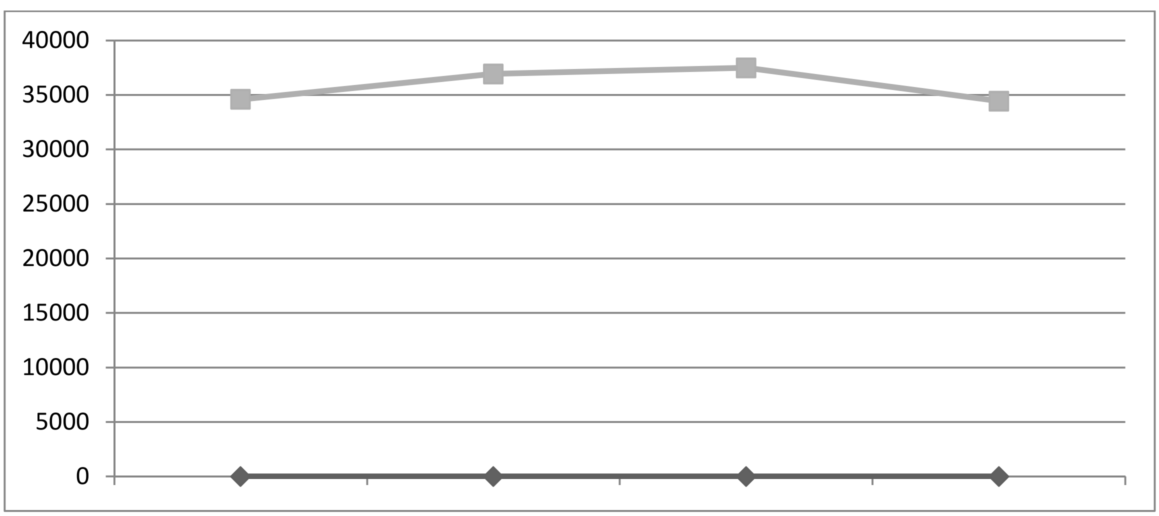


Table 4.6 and figure 4.6 show that interest on deposit including interest on loan and borrowing, Employee expenses and operating expenses is the major expenses interest on deposit is in increasing trend from first to fiscal year 2012/13 and bank has to bear interest expenses on Rs. 2873.3 million and F/Y year 2015/16 is reached to 2258.7 million. An employee expense is in increasing trend in all fiscal year. In fiscal year 2009/10 it is Rs.18.69 million and increased year by year and in fiscal year 2015/16 it is reached to Rs.68.75 million. Operating expenses is second major expenses of the bank and it is also in increasing trend. In fiscal year 2009/10 it is Rs.29.20 million and in fiscal year 2015/16 it is reached to 55.52 million. Other expenses of the bank also are increasing trend. The total expenditure of the bank is increasing trend it was Rs 167.40 million in FY 2009/10 and Rs 374.81 million in FY 2015/16 .

F) Interest Expenses of EBL

Interest expenses refer to the payment of interest on the customers' deposits. Interest expenses are the expenditure incurred for making payment of interest to the deposit mobilized by the bank. As the customer deposit holds a major share on total resources of the bank, interest expenses is also highest among other total expenses of the bank.

Table : 4.7 : Interest Expenses

(Amount in Rs. 00,000')

Year	Interest Expenses	Change in Amount	% Change
2012/13	28733	3374	13.30
2013/14	21791	(6941)	(24.16)
2014/15	22587	795	3.64
2015/16	21169	(1418)	(6.28)
2016/17	25358	9631	61.23

Source: Annual Reports of EBL from the F/Y 2012/13 to 2016/17

Figure : 4.7 : Percentage Change in Interest Expenses

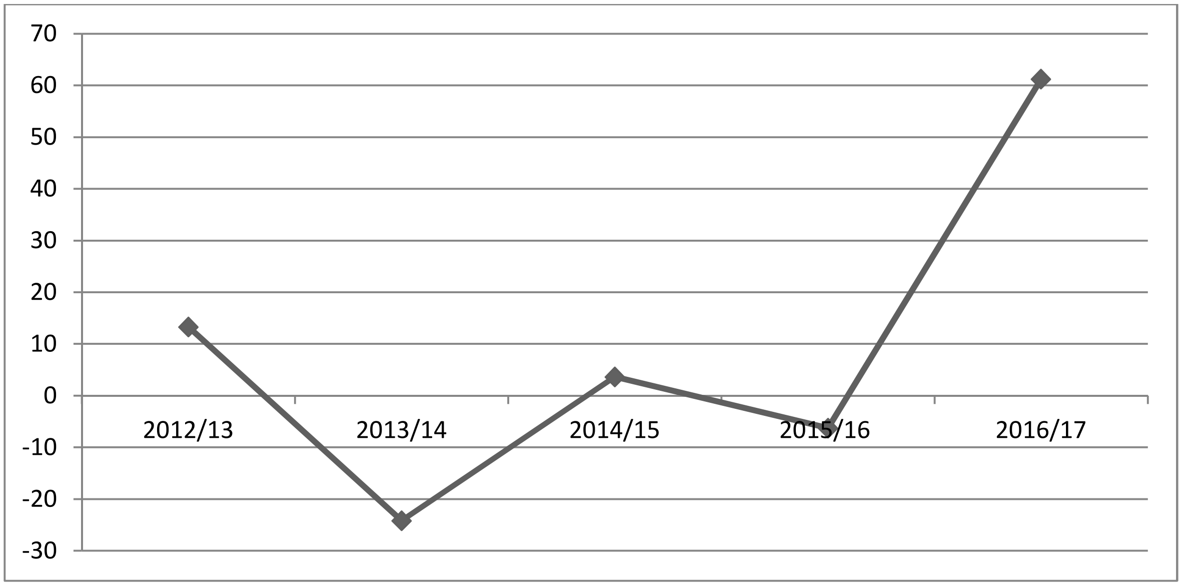


Table 4.7 and figure 4.7 show that interest expenses is in increasing trend and up to FY 2012/13 and increase percent is 13.3 percent but from FY 2013/14 again it is decreased in FY 2014/15 it was increased i.e. 3.64 percent comparing than previous year and in last year i.e. FY year 2015/16 it was again decreased. In Fiscal Year 2009/10 it is Rs.10128 million and in FY 2012/13 it is increased to 287.33 million. In Fiscal Year 2013/14 interest expenses reached to Rs.217.91 million, in 2014/15 it is. 225.87 million.

G) Staff Expenses

The main expenditure source is employee expenses. EBL have more employees. A most important expenditure source is employee expenses in salary, allowance, dress etc.

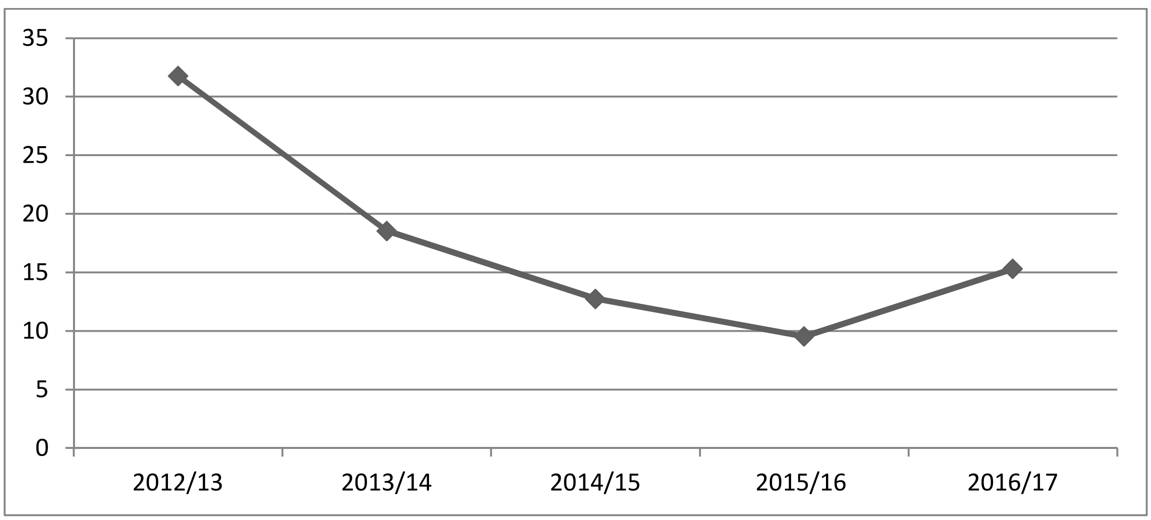
Table : 4.8 : Staff Expenses

(Amount in Rs. 00,000)

Year	Staff Expenses	Change in Amount	% Change
2012/13	3156	461	31.77
2013/14	3741	485	18.54
2014/15	4704	963	12.75
2015/16	5152	448	9.53
2016/17	2395	318	15.31

Source: Annual Reports of EBL from the F/Y 2012/13 to 2016/17

Figure : 4.8 : Percentage Change in Staff Expenses



Tables 4.8 and figure 4.8 show that In 2013/14 total employee expenditure is Rs. 37.4 million which is 18.5 percent with comparing to previous year. Then in Fiscal Year 2014/15 it is Rs.47.04 million which is 25.75 percent with comparing previous year and in the 2015/16 reached Rs.51.52 million which increased by 9.53 percent with comparing previous year. According to the line graph, though the growth of staff expenses in amount is seen increasing trend but it is fluctuating in growth percentage.

H) Analysis of Cost and Income

Cost is the means of achieving revenue proper utilization of cost result is greater volume of revenue otherwise its result is hardened. Interests expenses are playing a major role in cost, office operating cost and staff cost are other important cost that EBL facing. EBL generating revenue from different foreign exchange interest income is the major source of revenue in addition commission and discounts on exchange, income on FOREX are also important source of income, interest income is fund based income while other are non fund based incomes.

Profit is different between revenue and cost. Higher is the difference greater will be profit, such difference may happen in the following condition.

- Increasing in income, cost remaining the same.
- Decrease in cost, income remaining the same.
- Increase in income, increase in cost.
- Higher increase in income than increase in cost.
- Higher decrease in cost than decrease in income.

Out of these five conditions EBL are following third condition now a day. Its increasing ratio is higher same.

I) Revenue, Cost and Net Profit of EBL

Revenue refers to all the money generated through the sale of the company's product or services .Cost is all expenses incurred to generate these revenue and pay for administrative overhead and other expenses such as interest cost and taxes.Net Profit is the amount left over after all the expenses are paid.

Table : 4.9 : Revenue, Cost and Net Profit of EBL

(Amount in Rs. 00,000')

Year	Revenue	Cost (Excluding Tax)	NPBT
2012/13	56586	41005	15581
2013/14	55605	34594	21010
2014/15	59085	36924	22161
2015/16	59959	37481	22474
2016/17	47475	34435	13310

Source: Annual Reports of EBL from the F/Y 2012/13 to 2016/17

Figure : 4.9 : Revenue, Cost & Net Profit

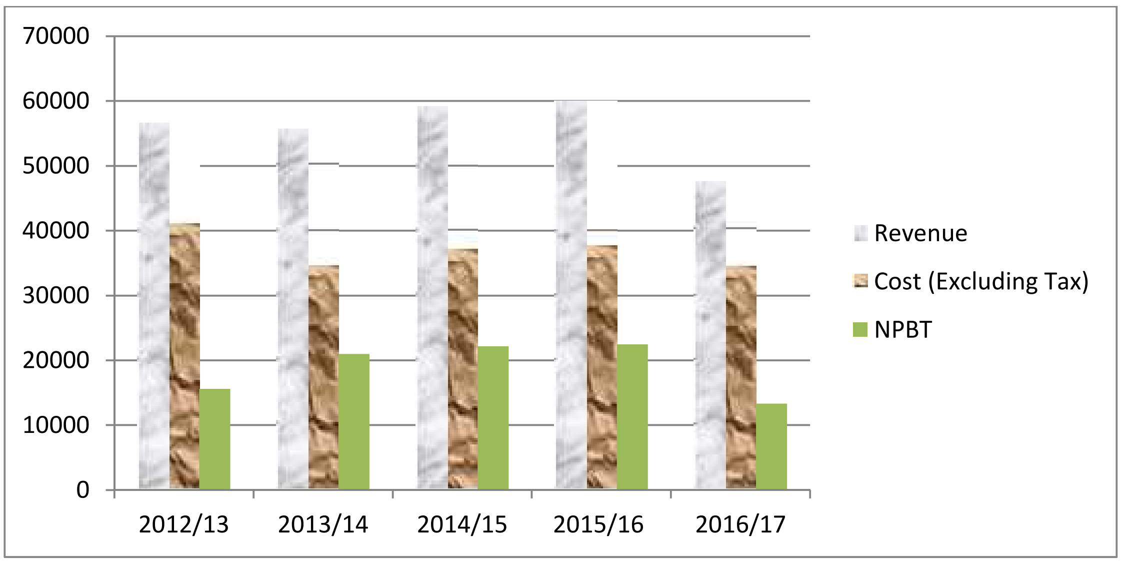


Table 4.9 and figure 4.9 show that the total size of revenue, cost and net profit before tax. The analysis of revenue, cost and profit is the first important thing of any commercial bank. The trend of revenue, cost and profit is increasing trend every year. Similarly, the bank has able to maintain the profit is in increasing trend. likewise, the trend of revenue and cost is also increasing. FY 2015/16 the revenue amount is reached Rs. 590.85 million and cost is Rs. 36.924 million and earned profit Rs. 221.61 million. During this

study period i.e., FY 2012/13 to 2015/16 , the bank has got success to meet its target even in the competitive market.

J) Analysis of Deposit Liabilities and Interest Expenses

EBL has accepted mainly in current account, Royal saving account, Normal saving account and fixed account. There are call deposit and margin deposit account also. The Bank pays interest on saving, call deposit and fixed deposit. Interest ratio on fixed deposit account, differs according to time range and the bank pays interest on Royal saving Account on daily basis and on Normal saving monthly basis. As interest ratio of different account is different and in various within the fixed deposit too. So the analysis is made computing the simple average ratio interest dividing total deposit by total interest dividing total deposit and its effect on interest expenses is also analysis. The following is the total deposit, total interest expenses and interest ratio of expenses of EBL.

Table : 4.10 : Analysis of Deposit Liabilities and Interest Expenses

(Amount in Rs. 00,000')

Year	Total Deposit	Interest Expenses	Increase in Interest	% Increase in Interest
2012/13	500061	28733	3374	13.30
2013/14	577204	21791	(6941)	(24.16)
2014/15	621081	22587	795	3.64
2015/16	830937	21169	(1418)	(6.28)
2016/17	411279	25358	9631	61.23

Source: Annual Reports of EBL from the F/Y 2012/13 to 2016/17

Figure : 4.10 Percentage Change in Interest Expenses to total Deposit

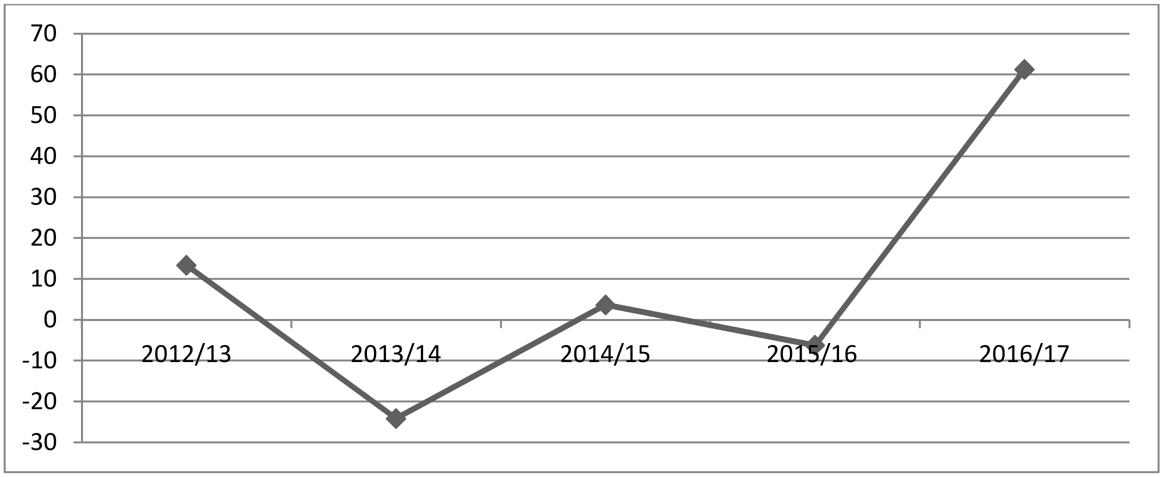


Table 4.10 and figure 4.10 show that total deposit, total interest expenses, increase in interest expenses and percentage of interest expenses. In fiscal year 2009/10 in total deposit only Rs.333229 million which is generating expenses of Rs. 10128 million which 258.55% of total deposit in other fiscal year. Total deposit is increasing rapidly and reached Rs. 621081 million and Rs 830937 million in fiscal year to 2014/15 and 2015/16 respectively. Interest expenses are also in increasing trend. In fiscal year 2013/14 total interest expenses is Rs. 217.91 million and percentage of interest expenses is fluctuation where as in fiscal year 2014/15 is 3.64% and 2014/15 it is was decreased. After analysis the data EBL's total deposit collection is highly satisfactory.

A question may arise whether collection of only deposit has been fruitful to EBL deposit in itself produces so higher deposit needs higher cost it is possible only when it is invested.

K) Analysis of Spread and Burden

Spread is the difference between interest income and interest expenses, higher positive difference in interest income and interest expenses generates higher profit. So every bank is conscious for spread.

Burden is the difference between non-interest expenses and non-interest incomes. Normally commercial banks have higher non-interest expenses than non-interest income.

Higher non-interest expenses in fact are the burden to commercial banks. Competition of spread and burden of EBL for the last full seven years,

Table : 4.11 : Analysis of Spread and Burden

(Amount in Rs. 00,000')

	Ref.	2012/13	2013/14	2014/15	2015/16	2016/17
Interest Income	A	49599	49369	51175	49964	43310
Interest expenses	B	28733	21792	22587	21169	25359
Spread	C = (A-B)	20866	27577	28588	28795	17951
Non-interest expenses	D	12272	12802	14337	16312	9076
Non-interest income	E	7287	7236	8910	9995	4435
Burden	F=(D-E)	4985	5566	6427	6317	4641
Net profit before Tax	C-F	15581	21010	22161	22464	33310

Source: Annual Reports of EBL from the F/Y 2012/13 to 2016/17

Figure : 4.11 : Situation of Spread and Burden of EBL

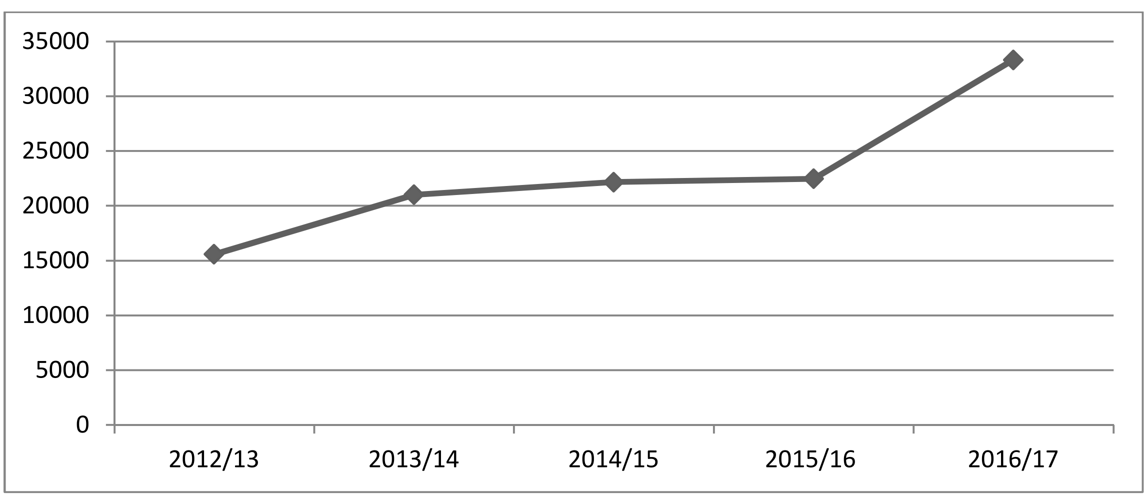


Table 4.11 and figure 4.11 show that total Interest Income, Interest expenses, Spread, non-interest expenses, non-interest expenses and Burden. In the above table we can see that the spread rate of the interest is in increasing trend. Here, we can easily understand that the interest income is higher than interest expenses. Interest income area high and interest expenses are low so spread is also high in FY 2013/14 to 2015/16 . In this situation the bank has meet its target to earn profit. Similarly, the trend of burden of bank is also increasing. The burden of the bank is found 28.6 million in first year, 34.16 million in second years and 63.17 million in last year i.e. 2015/16 . After this all fiscal year bank interest income increase and spread is also increased but, burden is low than spread and bank generate profit. Nor the bank is running in good condition.

4.1.2 Profitability Ratio

Profitability is a relative term. It is hard to say “what % of profits” represents a profitable firm as the profits will depend on the product life cycle, competitive conditions in the market, borrowing costs, expenses management etc. Profits can also be analyzed using the framework of CVP. For decision making managers are concerned only with the present value of expected future profits. Past or current profits are important only as they help us to identify likely future profits, by identifying historical and forecasted trends of profits and sales. The profitability ratios of the bank are calculated to measure the operating efficiency and performance of the bank.

Table : 4.12 : Calculation of Profitability Ratio

(Amount in Rs. 00,000')

Fiscal Year	Net Profit	Total Assets	ROA (%)	Total Deposit	ROD (%)	Net Worth	NW to NP (%)
2012/13	10906	558131	1.96	500061	2.18	41772	26.10
2013/14	14711	657411	2.24	577204	2.55	48278	30.50
2014/15	15497	704450	2.20	621081	2.50	54570	28.40
2015/16	157743	991528	1.59	830937	1.90	68903	22.85
2016/17	9313	462362	2.02	411279	2.26	31134	30

Source: Annual Reports of EBL from the F/Y 2012/13 to 2016/17

Figure : 4.12 : Calculation of Profitability Ratio

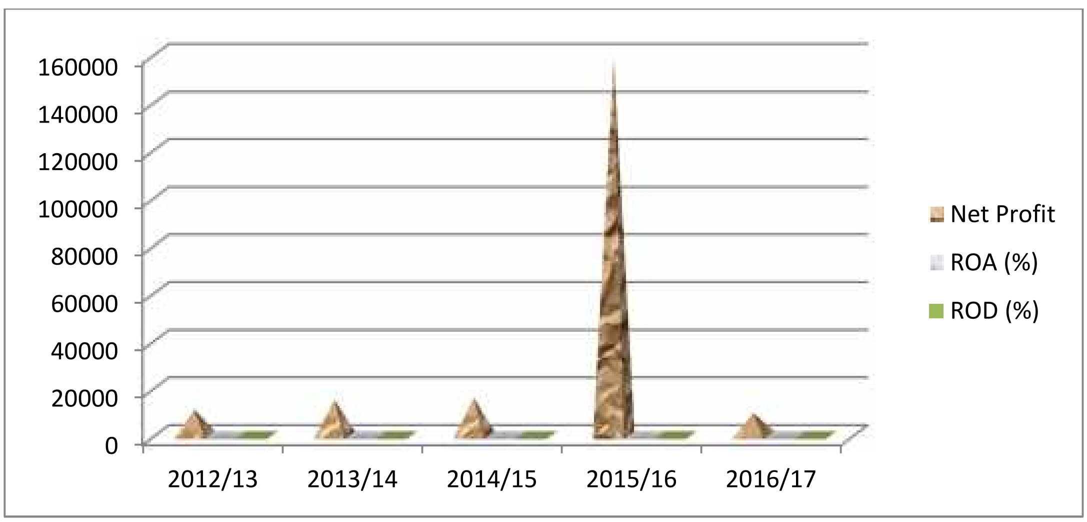


Table 4.12 and figure 4.12 shows that profitability ratio of the bank in terms of return on assets, return on total deposit and net worth of the bank. Return on assets shows the relation between net profit with the total assets. The rate of return is changeable trend. It is ranged between 1.90% to 2.255% through out of the seven years period. Likewise, return on deposit ratio representing the relation of net profit with total deposit. The range

of the return on deposit is also 1.92% to 2.255%, it is in fluctuating trend through seven years of study period. Similarly, net worth to net profit ratio represent the relation of net profit with net worth. The range of net worth to net profit is between 22.85% to 30.50%. Profitability position of the bank are sound and strong. Its profit ratio indicate of the higher overall efficiency of the EBL and better utilization of the resources.

4.1. 3 Cash Flow Statement of Everest Bank Limited

The statement of cash flow is one of the financial statement issued by a business, and describe the cash flows into and out of the organization . Its particulars focus is on the types of activities that create and use cash ,which are operations, investing ,and financing . Though the statement of cash flows is generally considered less critical than the income statement and balance sheet, it can be used to discern trends in business performance that are not readily apparent in the rest of financial statements.

Table : 4.13 : Cash Flow Summary of Everest Bank Limited

	2012/13	2013/14	2014/15	2015/16	2016/17
3695545034	7056520844	665401618	3272270955	14869439871	(1077403305)
(240569259)	(1434188279)	(244198304)	(491855660)	(2576947125)	(399255134)
C. Cash Flow From Financing Activities	(1375052864)	424471486	(828367324)	(340096197)	(222724177)
D. Income/Expenses from changes in exchange rate on Cash and Bank Balances	(6836346)	6812856	4940933	(8697356)	3430563
E. Net Cash Flow For The Year from all activities (A+B+C+D)	4240443355	852487656	1956988903	11943699193	(1695952051)
F. Opening Cash and Bank Balance	6122862952	10363306307	11215793963	13172782867	7818815003
G. Closing Cash and Bank Balance	10363306307	11215793963	13172782867	25116482060	6122862952

Sources: Annual Reports of EBL from the F/Y 2012/13 to 2016/17

i) Cash Flow from Operating Activities

Operating cash flow is the net amount of cash that an organization generates from its operating activities. This information is used to determine the viability of the core operations of a business. Operating cash flow can be a more reliable indicator of financial health than the reported net income of a business, since net income can be altered by non-cash revenue and expenses transactions.

Table : 4.14 Cash Flow from Operating Activities

Fiscal Year	Cash Flow From Operations Activities	% Change
2012/13	7056520844	-754.95
2013/14	665401618	-90.57
2014/15	3272270955	391.77
2015/16	14869439871	354.40
2016/17	-1077403305	-165.18

Sources: Annual Reports of EBL from the F/Y 2012/13 to 2016/17

Figure : 4.13 Cash Flow from Operating Activities

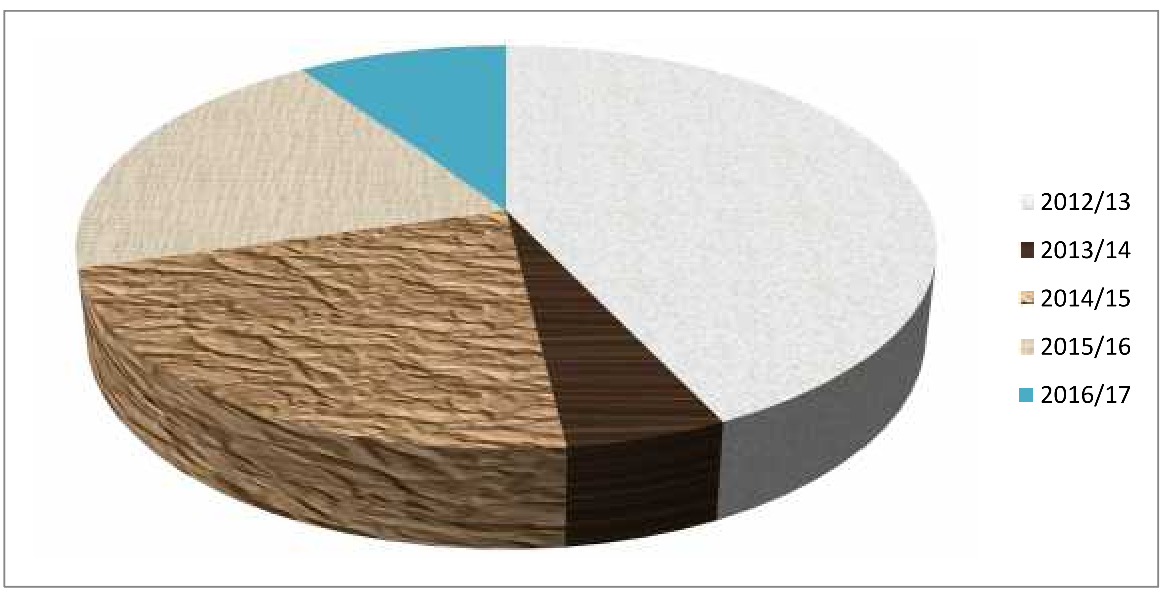


Table 4.14 & figure 4.14 show that the cash flow from operating activities of EBL during the fiscal year 2009/10 to 2015/16.In overall view the operating cash flow of bank is fluctuating trend but the bank is able to maintain positive cash flow and we can say that bank is strong about this activity.

ii) Cash Flow from Investing Activities

Cash flow from investing activities is a line item in the statement of cash flows, which is one of the documents comprising a company's financial statements. This line item contains the sum total of the changes that a company experienced during a designed reporting period in investment gains or losses, as well as from any new investments in or sales of fixed assets.

Table : 4.15 : Cash Flow from Investing Activities

Fiscal Year	Cash Flow From Investing Activities	% Change
2012/13	-1434188279	259.21
2013/14	-244198304	-82.97
2014/15	-491855660	101.41
2015/16	-2576947125	423.92
2016/17	-399255134	336.70

Sources: Annual Reports of the EBL from the F/Y 2012/13 to 2016/17

Figure : 4.14 Cash Flow from Investing Activities

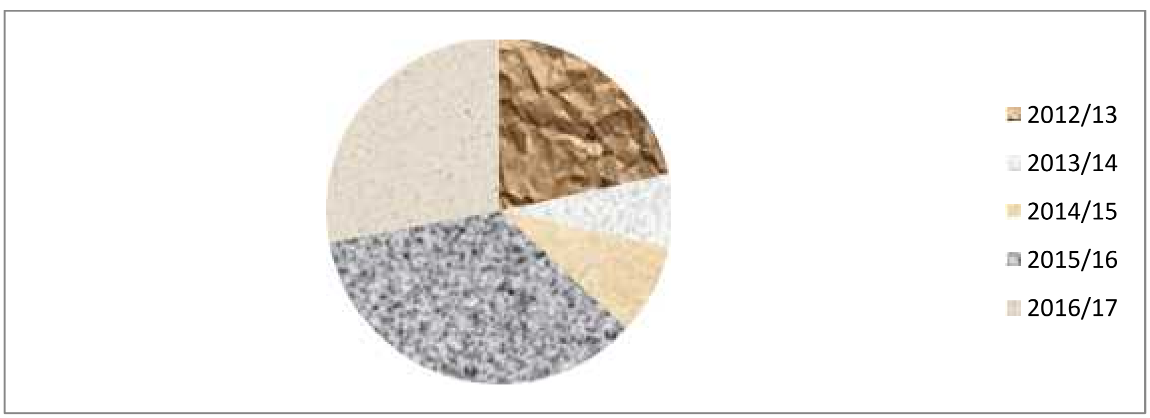


Table 4.15 & figure 4.15 show that the cash flow from investing activities of EBL during the fiscal year 2012/13 to 2016/17 Cash flow from investing activities is in volatile trend which shows that investment is in decreasing and increasing trend. Due to the increase in investment interest income is also increased to the some extent. On the year 2012/13, 2013/14, 2014/15. Cash flow from investing activities is decreasing in a high rate with comparing previous years. In other words the bank is being unable to invest sufficient amount of cash in investment sectors.

4.3.3 Cash Flow from Financing Activities

Cash flows from financing activities represent the funds that an entity took in or paid out to finance its activities. Financing activities include obtai9ning financial resources from and returning the financial resources to the owners or shareholders of the organization. This class of cash flows also includes the financial resources obtained from lenders through borrowing (short term or long term) repayments of the principal amounts of loans.

Table : 4.16 : Cash Flow from Financing Activities

Fiscal Year	Cash Flow From Financing Activities	% Change
2012/13	-1375052864	517.37
2013/14	424471486	-130.86
2014/15	-828367324	-295.15
2015/16	-340096197	-58.94
2016/17	-222724177	37.48

Source: Annual Reports of EBL from the F/Y 2012/13 to 2016/17

Figure : 4.15 Cash Flow from Financing Activities

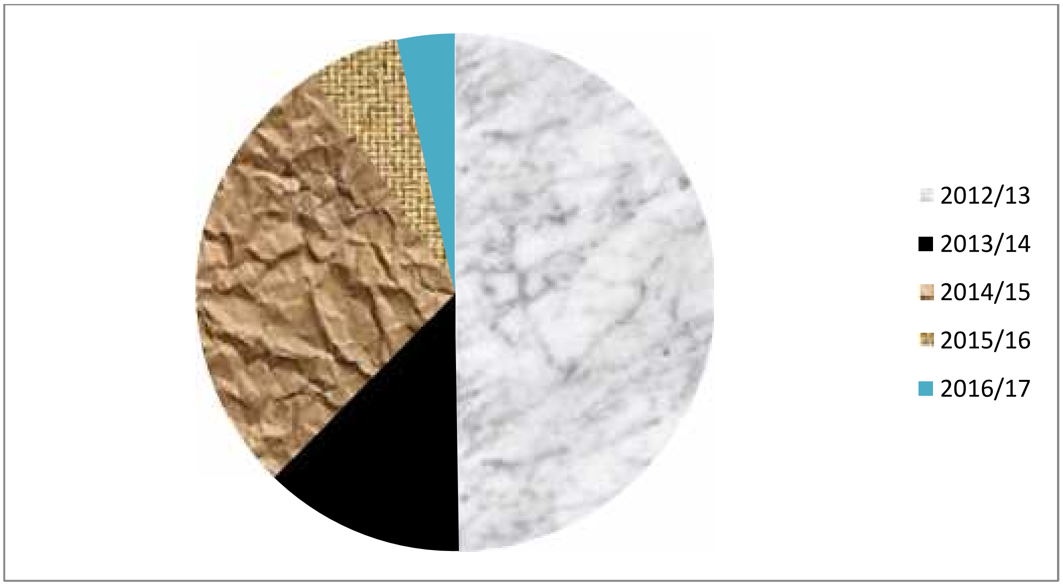


Table 4.16 & figure 4.16 show that the cash flow from financing activities of EBL during the fiscal year 2012/13 to 2016/17. Everest Bank Limited is truly during the review period it was in infant stage and at the same time it is also seen that interest offered by the bank is in decreasing rate.

4.3.4 Net Cash Flow for the Year

Net cash flow is the amount of cash generated or lost over a specific period of time, usually over one or more reporting periods. This concept is used to discern the short-term financial viability of business, which is considered to be its ability to generate cash. If a company is consistently generating positive net cash flow over a long period of time, this is best indicators of its viability. Conversely, continuing negative net cash is the prime indicator of any number of operational or financial problems.

Table : 4.17 Net Cash Flow for the Year

Fiscal Year	Net Cash Flow for the Year	% Change
2012/13	4240443355	-350.033
2013/14	852487656	-79.89
2014/15	1956988903	129.56
2015/16	11943699193	510.31
2016/17	-1695952051	-202.50

Source: Annual Reports of EBL from the F/Y 2012/13 to 2016/17

Figure : 4.16 : Net Cash Flow for the Year

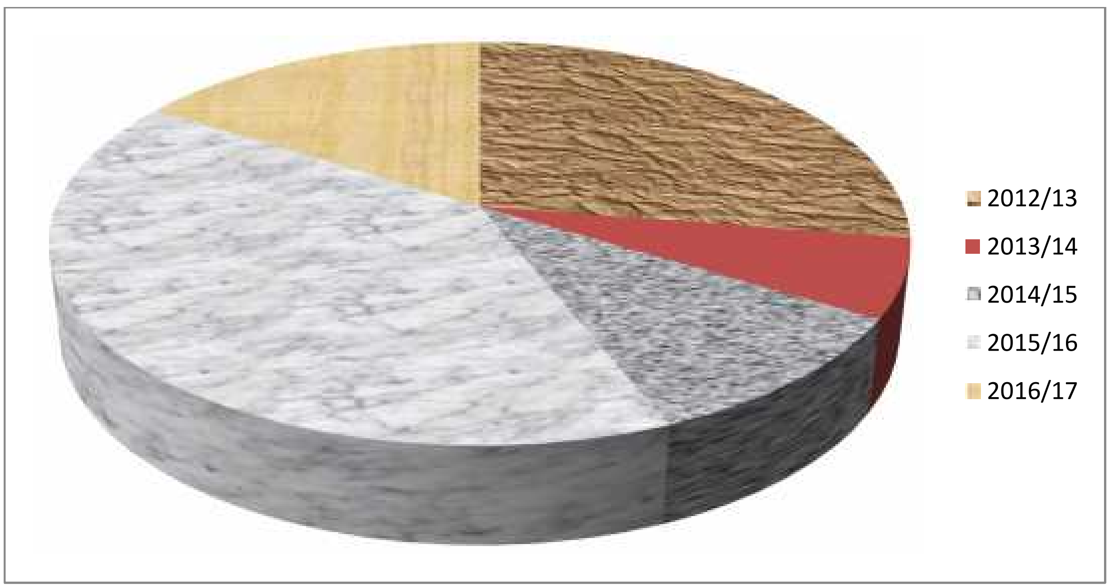


Table 4.1& figure 4.16 show that net cash flow for the year of EBL during the fiscal year 2016/17 to 2015/16.It is found positive overall cash flow during the relevant seven year. Meantime net cash flow highly decreases in F/Y 2016/17 and 2013/14. It is mainly due to decreases in cash flow of the investing and financing activities of that particular year.

4.2 Machhapuchchhre Bank Ltd. (MBL)

4.2.1 Total Revenue of MBL

Machhapuchchhre Bank Ltd. is generating revenue from different sources. Interest income is the major sources of revenue. In addition commission and discount and other income, income on FOREX . & non operating incomes are also sources of income. Situation of revenue (2012/13) to 2016/17).

Table No. 4.18 Total Revenue of MBL

in '000'

Income Revenue	2012/13	2013/14	2014/15	2015/16	2016/17
Interest on loan of Advance Including Interest on Govt. Security	31174	70088	139040	215206	323806
Commission & Discount	2751	3113	5653	14840	21020
Other income	248	267	504	1001	2825
Non operating income	(16)	-	-	(2)	-
Income on Forex	1011	3717	5945	12621	18369
Total	**35168**	**77185**	**151142**	**243666**	**366020**

Source: Annual Reports of MBL from the F/Y (2012/13 to 2016/17)

Figure No. 4.17 : Total Revenue of MBL

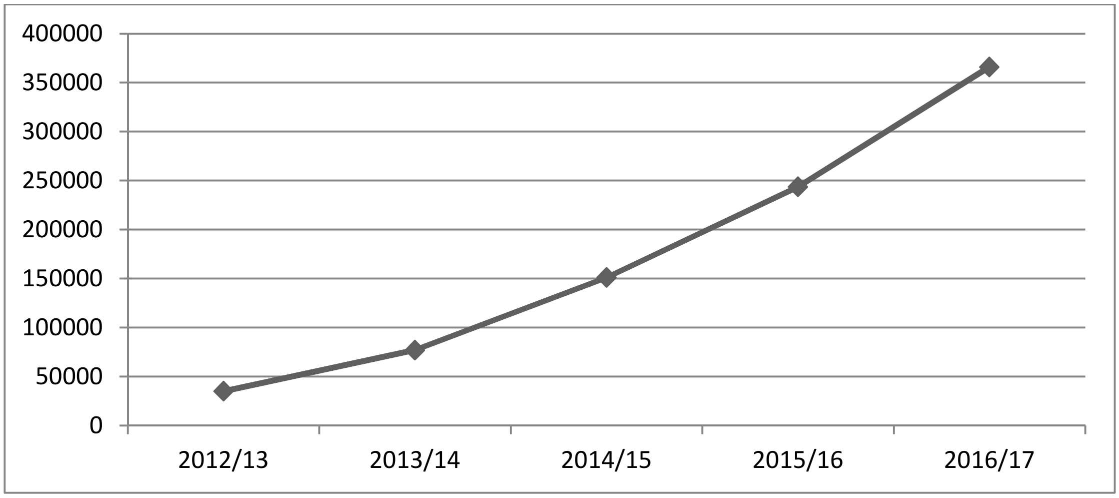


Table 4.18 and figure 4.17 show that total income is increasing trend interest income and is in raising trend from 2012/13 to 2016/17. Commission and discount is increasing 2012/13 to 2016/17 and other income and income on foreign exchange are also increasing trend but Non-operating income is decreasing in Fiscal Year 2012/13 to 2016/17 and total income of 2016/17 is highly increased to compare with the same previous year.

a) Interest Income from Loans & Advance Including Government Security & Other Interest.

MBL's main sources of income in interest on its investment in different sectors like interest income from loans and advances interest on Govt. Security, other interest etc. as follow.

Table No. 4.19 Interest on Loans & Advance.

in '000'

F/Y	Interest on Loans and Advance	in '000' change & amount	Percent
2012/13	31174	-	-
2013/14	70088	38914	124.83%
2014/15	139040	68952	98.38%
2015/16	215206	76166	54.78%
2016/17	323806	108600	50.46%

Source: Annual Reports of MBL from the F/Y (2012/13 to 2016/17)

Figure No. 4.18 Interest on Loans & Advance

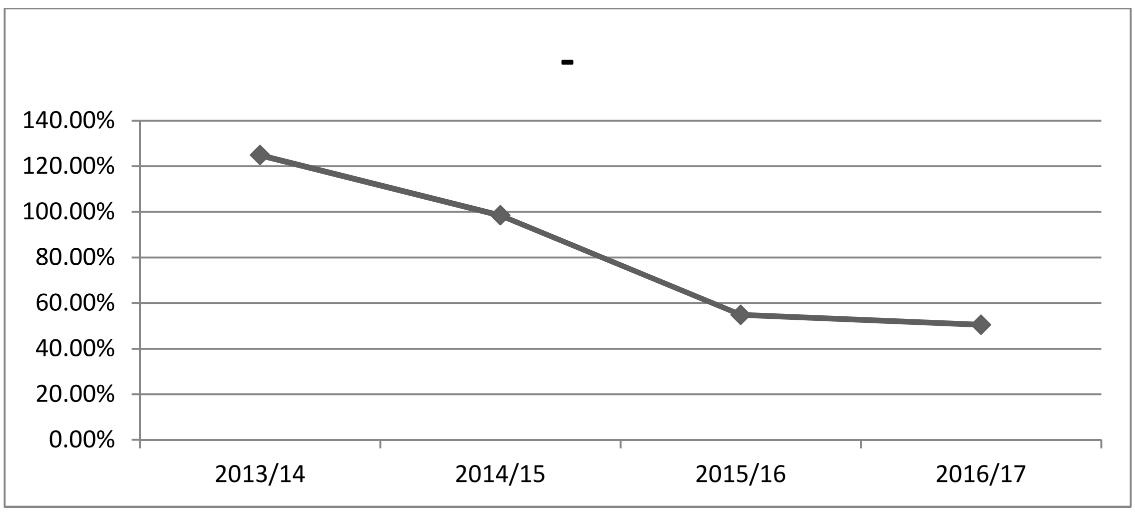


Table 4.19 & figure 4.18 show that interest income is increasing year by all fiscal year 2012/13 to 2016/17 the interest income increased 124.83 %, 98.38%, 54.78 % and 50.46% respectively in the fiscal year.

b) Revenue from Commission and Discount

Revenue from commission and discount is non fund based revenue sources of MBL. Earns revenue from L/C, bank guarantee double cheque issue etc.

Table No. 4.20 Revenue from Commission a Discount

Year	Revenue from Commission a Discount	Change in Amount	% Change
2012/13	2751	-	-
2013/14	3113	362	13.16
2014/15	5653	2540	81.59
2015/16	14840	9187	162.52
2016/17	121020	16180	129.40

Source: Annual Reports of MBL from the F/Y (2012/13 to 2016/17)

Figure No. 4.19 Revenue from Commission a Discount

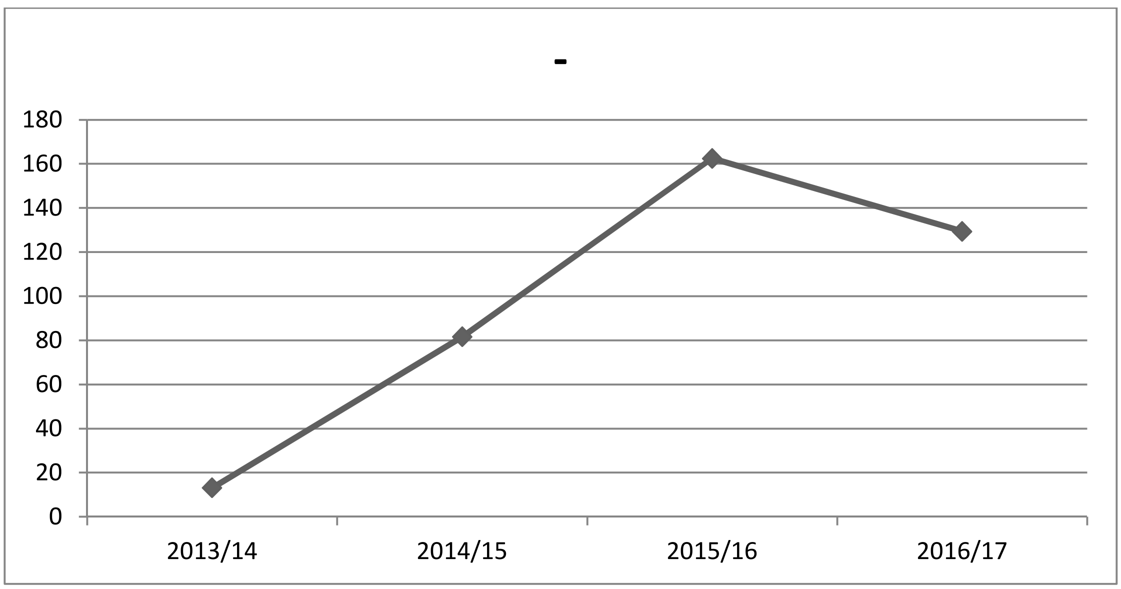


Table 4.20 and figure 4.19 show that revenue from commission & discount is increasing trend in all fiscal year. In fiscal year 2015/16 it is increased very high in comparing with the previous year increased percentage is 162.52%. In 2012/13 bank generated Rs.2751 thousand from commission and discount but in F/Y 2016/17 bank got high income in comparing with other fiscal year and reached Rs.14840 thousand and Rs.21020 thousand respectively.

c) Revenue from other Income

Revenue from other income is non fund based revenue sources MBL earn revenue from different sources like safe deposit value, telex charge, ATM card, renew charge, service charge etc.

Table No. 4.21 Revenue from Other Income

Year	Revenue from Other Income	Change in Amount	Change in %
2012/13	248	-	-
2013/14	267	19	7.67%
2014/15	504	237	88.76%
2015/16	1001	497	98.61%
2016/17	2825	1824	182.22%

Source: Annual Reports of MBL from the F/Y (2012/13 to 2016/17)

Figure No. 4.20 Revenue from Other Income

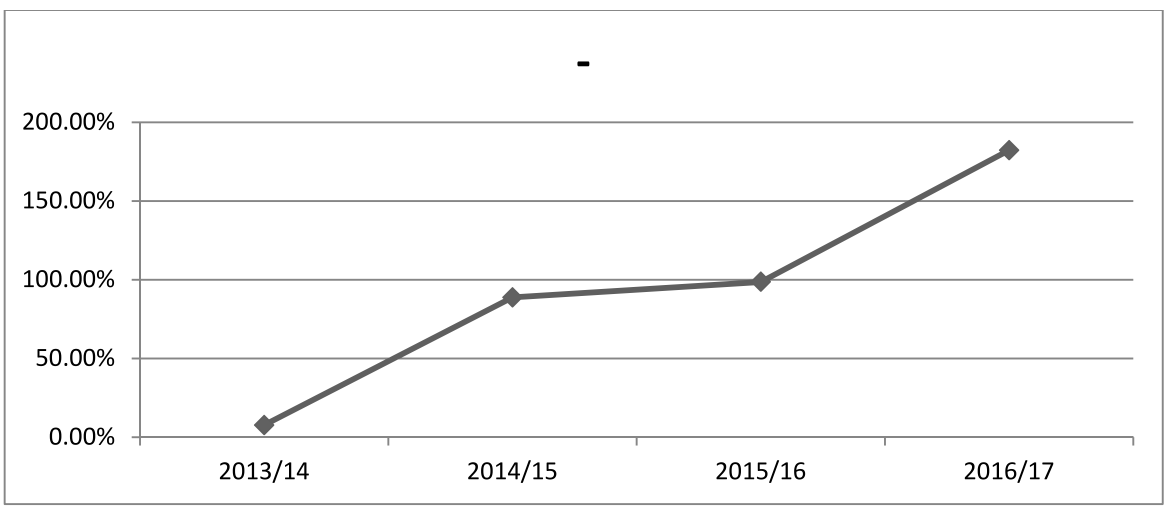


Table 4.21 & figure 4.20 shows the revenue from other income is increased trend all fiscal year. In fiscal year 2012/13 Bank generates only Rs.248 thousand as and revenue from other income and 2013/14 Rs.267 thousand, in 2014/15 Rs.504 thousand, in

2015/16 Rs. 1001 and F/Y 2016/17 bank generated highly income. It is comparing with the previous year increased percentage is 182.82% and revenue volume is Rs.2825 thousand.

D) Revenue from Income on Foreign Currency Exchange.

Among different kind of revenue in income on Forex is one of the important sources. It is non fund based income of MBL in the first four year period on Forex is under this situation.

Table No. 4.22 Revenue from income on Foreign Currency Exchange

Year	Foreign Currency Exchange	Change in Amount	Change in %
2012/13	1011	-	-
2013/14	3717	2706	267.66%
2014/15	5945	2228	59.94%
2015/16	12621	6676	112.30%
2016/17	108369	15748	145.54%

Source: Annual Reports of MBL from the F/Y (2012/13 to 2016/17)

Figure No. 4.21 Income on Foreign Exchange

Table 4.22 and figure 4.21 show that income on FOREX is increasing trend. In fiscal year 2012/13 bank gain only 1011 thousand as revenue on income on foreign exchange, in fiscal year 2013/14 Rs.3717 thousand, in fiscal year 2014/15 Rs.5945 thousand, in fiscal year 2015/16 Rs.12621 thousand and in the fiscal year 2016/17 Rs.18369 is highly increased than other fiscal years.

E) Total Expenditure of MBL

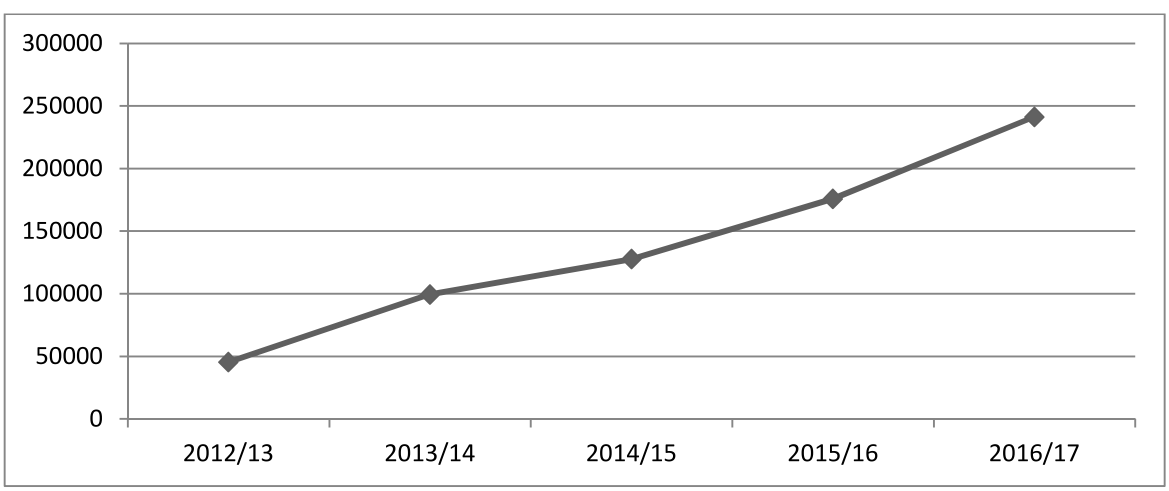
MBL's interest expenses are playing major role in expenses. The bank is generating expenditure from different sources. Interest is major sources in addition, employee's expenses, operating expenses, staff bonus, providing for losses and income tax. Full four year and 2nd quarter of current year period analysis of total expenditure of MBL from 2012/13 to 2016/17.

Table No. 4.23 Situation of Total Expenditure of MBL

Expenditure	2012/13	2013/14	2014/15	2015/16	2016/17
Interest on deposit in including interest on loan	24126	64480	76155	113579	160046
Employee expenses	7629	11808	17435	19872	29870
Operating expenses	13671	23181	34078	42357	51364
Total Expenditure	45426	99469	127668	175808	241280

Source: Annual Reports of MBL from the F/Y (2012/13 to 2016/17)

Figure No. 4.22 Situation of Total Expenditure



Above table and chart show that interest on deposit including interest on loan and borrowing, Employee expenses and operating expenses is the major expenses interest on deposit is in increasing trend from first to last year in fiscal year 2012/13 bank has to bear interest expenses on Rs.24126 thousand and F/Y year 2016/17 is reached to 160046 thousand. An employee expense is in increasing trend in all fiscal year. In fiscal year 2012/13 it is Rs.7629 thousand and increased year by year and in fiscal year 2016/17 it is reached to Rs.29872 thousand. Operating expenses is second major expenses of the bank and it is also in increasing trend. In fiscal year 2012/13 it is Rs.13671 thousand and in fiscal year 2016/17 it is reached to Rs.51364 thousand. Total expenditure of the bank is in increasing trend. In fiscal year 2012/13 it is Rs.45426 thousand and fiscal year 2016/17 it reached Rs.241280 thousand.

F) Interest Expenses of MBL.

Table No. 4.24 Interest Expenses

Year	Interest Expenses	Change in Amount	% Change
2012/13	24126		22.47
2013/14	64480	40354	67.26
2014/15	76155	11675	18.11
2015/16	113579	37047	48.65
2016/17	160046	46467	90.91

Source: Annual Reports of MBL from the F/Y (2012/13 to 2016/17)

Figure No. 4.23 Interest Expenses

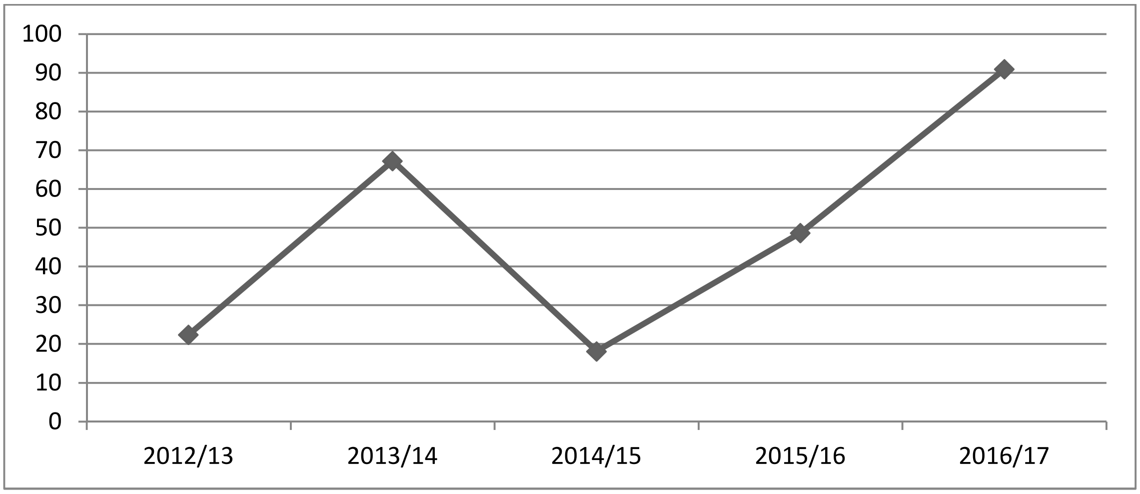


Table 4.24 and figure 4.23 show that interest expenses are in increasing trend. In Fiscal Year 2012/13 it is Rs.24126 thousand and in next year it is increased to Rs.64480 thousand means expenses is increased by 167.26% and volume of deposit also increased suddenly in the bank. In Fiscal Year 2014/15 interest expenses reached to Rs.76155 thousand, in 2015/16 it is 113579 thousand and 2016/17 reached Rs.160046 thousand. It is increased by 40.91% compare with previous year.

By the above data presentation, it can be said that deposit collection condition of the bank is strong year by year.

G) Expenditure of Employee Expenses.

The main expenditure source is employee expenses. MBL have more employees. A most important expenditure source is employee expenses in salary, allowance, dress etc.

Table No. 4.25 Expenditure of Employee Expenses

Year	Expenditure of Employee Expenses	Change in Amount	% Change
2012/13	7629	-	
2013/14	11808	4179	54.78
2014/15	17435	5627	47.65
2015/16	19872	2437	13.98
2016/17	29870	9998	50.31

Source: Annual Reports of MBL from the F/Y 2012/13 to 2016/17

Figure No. 4.24 Expenditure of Employee Expenses

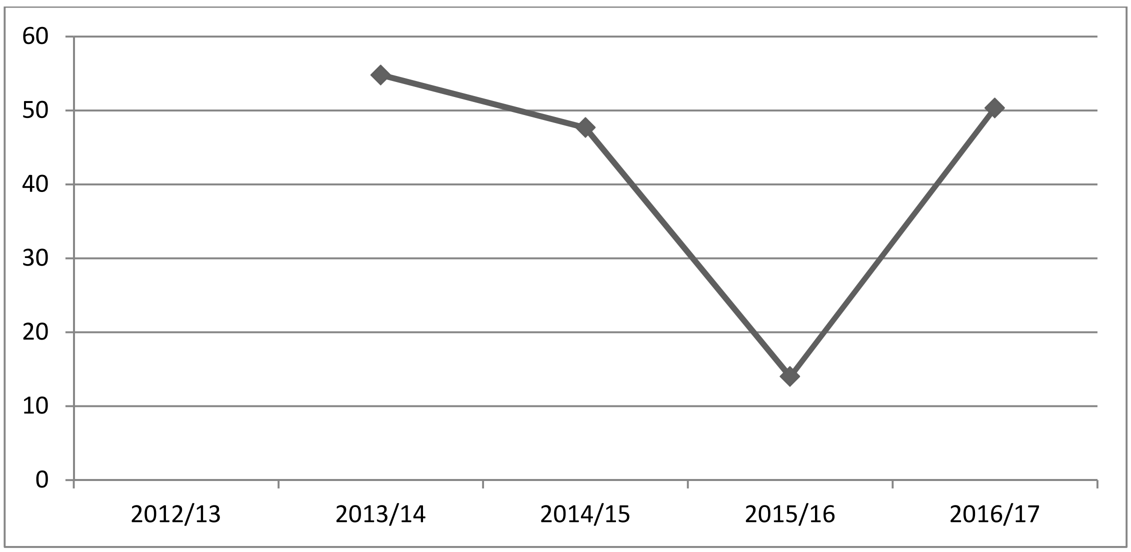


Table 4.25 and figure 4.24 show that employee expenditure of the bank is in increasing trend. In fiscal Year 2012/13 total employee expenditure is Rs.7629 thousand only and in 2013/14 it is increased by 54.78% and reached Rs.11808 thousand. In 2014/15 total employee expenditure is Rs.17435 thousand which is 47.65% with comparing to previous year. Then in Fiscal Year 2015/16 it is Rs.19872 thousand which is 13.98% with comparing previous year and in the 2016/17 reached Rs.29870 thousand which increased by 50.31% with comparing previous year.

H) Analysis of Cost and Income.

Cost is the means of achieving revenue proper utilization of cost result is greater volume of revenue otherwise its result is hardened. Interests expenses are playing a major role in cost, office operating cost and staff cost are other important cost that MBL facing. MBL generating revenue from different foreign exchange interest income is the major source of revenue in addition commission and discounts on exchange, income on forex are also important source of income, interest income is fund based income while other are non fund based incomes. Profit is different between revenue and cost. Higher is the difference greater will be profit, such difference may happen in the following condition.

a) Increasing in income, cost remaining the same.

b) Decrease in cost, income remaining the same.

c) Increase in income, increase in cost.

d) Higher increase in income than increase in cost.

e) Higher decrease in cost than decrease in income.

Out of these five conditions MBL are following third condition now a day. Its increasing ratio is higher same.

I) Revenue, Cost and Net Profit of MBL.

Table No. 4.26 Revenue, Cost and Net Profit of MBL

Year	Revenue	Cost(Excluding tax)	Net Profit
2012/13	35168	45426	-10258
2013/14	77185	99469	-22284
2014/15	151142	127668	23473
2015/16	243666	175808	67860
2016/17	366020	241280	124740

Source: Annual Reports of MBL from the F/Y (2012/13 to 2016/17)

Figure No. 4.25 Revenue, Cost & Net Profit

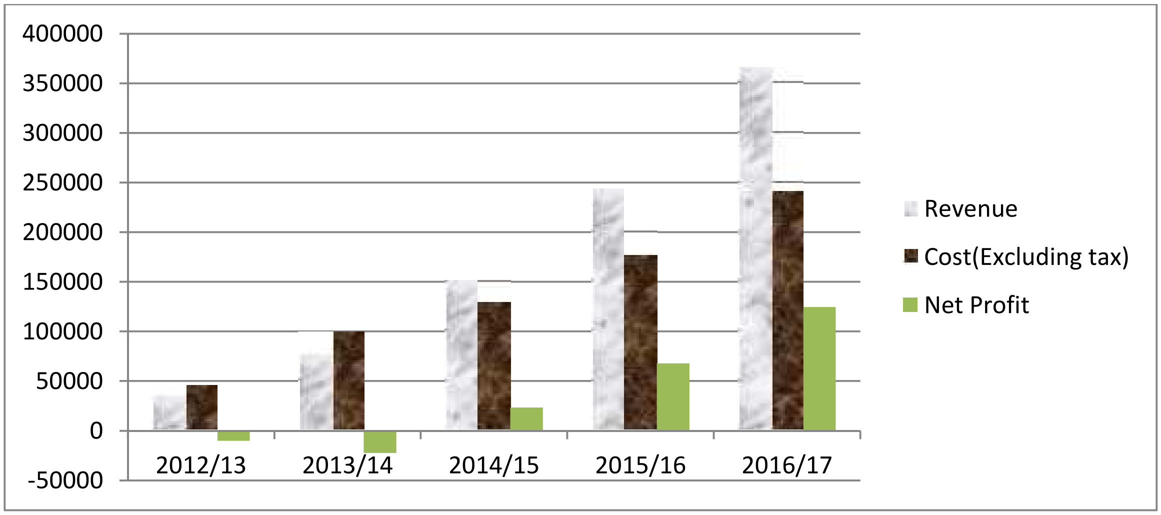


Table 4.26 and figure 4.25 show the total size of revenue, cost and net profit for five year operating profit of MBL. In fiscal year 2012/13 and 2013/14 the amount of revenue, cost and net profit is not good conditions. Both years bank has been suffered by loss. The analysis of revenue, cost and net profit is the first important things of any commercial bank. In first two fiscal year MBL's revenue and cost increased but cost increase ratio is higher than revenue that why net profit is negative Rs.10258 and 22284 thousand respectively. First two year bank has suffered by loss due to bank was establishing phase. It was first Commercial Bank and Regional Bank of natural beauty city Pokhara of Nepal. In the same time nobody knows the banking concept properly.

J) Analysis of Deposit Liabilities and Interest Expenses

MBL has accepted mainly in current account, Royal saving account, Normal saving account and fixed account. There are call deposit and margin deposit account also. The Bank pays interest on saving, call deposit and fixed deposit. Interest ratio on fixed deposit account, differs according to time range and the bank pays interest on Royal saving Account on daily basis and on Normal saving monthly basis.

As interest ratio of different account is different and in various within the fixed deposit too. So the analysis is made computing the simple average ratio interest dividing total deposit by total interest dividing total deposit and its effect on interest expenses is also analysis. The following is the total deposit, total interest expenses and interest ratio of expenses of MBL.

Table No. 4.27 Analysis of Deposit Liabilities and Interest Expenses

Year	Total Deposit '000	Interest Expenses '000	Increase in Interest '000	% of interest express.
2012/13	700080	24126	-	3.45
2013/14	994816	64480	40354	6.48
2014/15	1778786	76155	11675	4.28
2015/16	2754632	113579	37424	4.12
2016/17	3884211	160046	46467	4.12

Source: Annual Reports of MBL from the F/Y 2012/13 to 2016/17

Figure No. 4. 26 Total Deposit and Interest Expenses

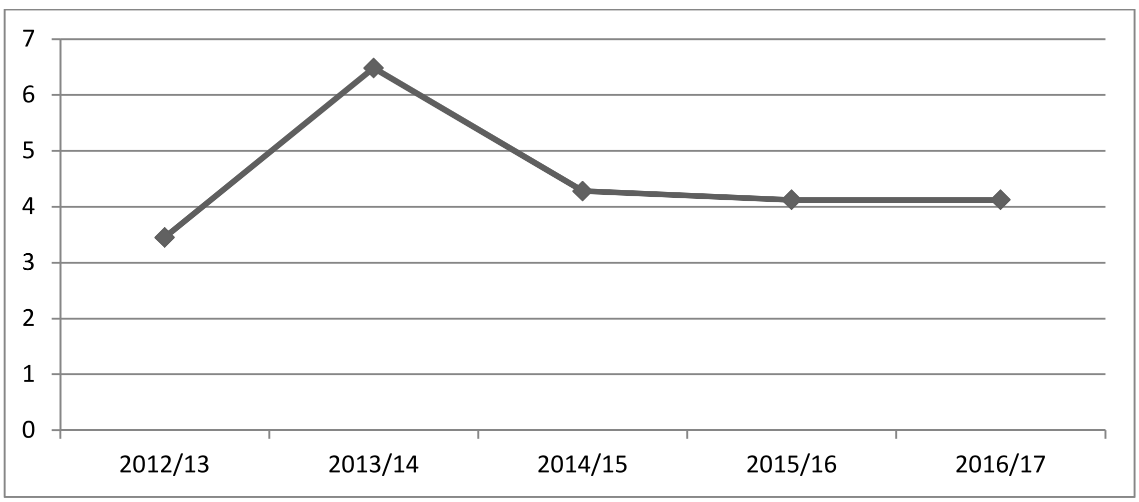


Table 4.27 & figure 4.26 represent total deposit, total interest expenses, increase in interest expenses and percentage of interest expenses in fiscal year 2012/13 in total deposit only Rs. 700080 thousand which is generating expenses of Rs. 24126 thousand which 3.45% of total deposit in other fiscal year. Total deposit is increasing rapidly and reached Rs. 2754632 thousand and Rs 3884211 thousand in fiscal year to 2015/16 and

2016/17 respectively. Interest expenses are also in increasing trend. In fiscal year 2015/16 total interest expenses is Rs. 113579 thousand. But percentage of interest expenses is fluctuation in fiscal year 2013/14 it 6.48% where as in fiscal year 2015/16 and 2016/17 it is 4.12%. After analysis the data MBL's total deposit collection is highly satisfactory.

A question may arise whether collection of only deposit has been fruitful to MBL deposit in itself produces so higher deposit needs higher cost it is possible only when it is invested.

K) Analysis of Spread and Burden:

Spread is the difference between interest income and interest expenses, higher positive difference in interest income and interest expenses generates higher profit. So every bank are conscious for spread.

Burden is the difference between non-interest expenses and non-interest incomes. Normally commercial banks have higher non-interest expenses than non-interest income. Higher non-interest expenses in fact are the burden to commercial banks.

Competition of spread and burden of MBL for the last full four years, and including 2nd quarter of this year 2061/62.

Table No. 4.28 Analysis of Spread and Burden

	Ref.	2012/13	2013/14	2014/15	2015/16	2016/17
Interest income	A	31174	70088	139040	215206	323806
Interest expenses	B	24126	64480	76155	113579	160046
Spread	C (A-B)	7048	5608	62885	101627	163760
Non-interest expenses	D	21300	34989	51513	62229	81234
Non-interest income	E	3994	7097	12102	28460	42214
Burden	F (D-E)	17306	27892	39429	33769	39020
Net profit before Tax	C-F	(10258)	(22284)	23456	67858	124740

Source: Annual Reports of MBL from the F/Y 2012/13 to 2016/17

Figure No. 4.27 Situation of Spread and Burden of MBL

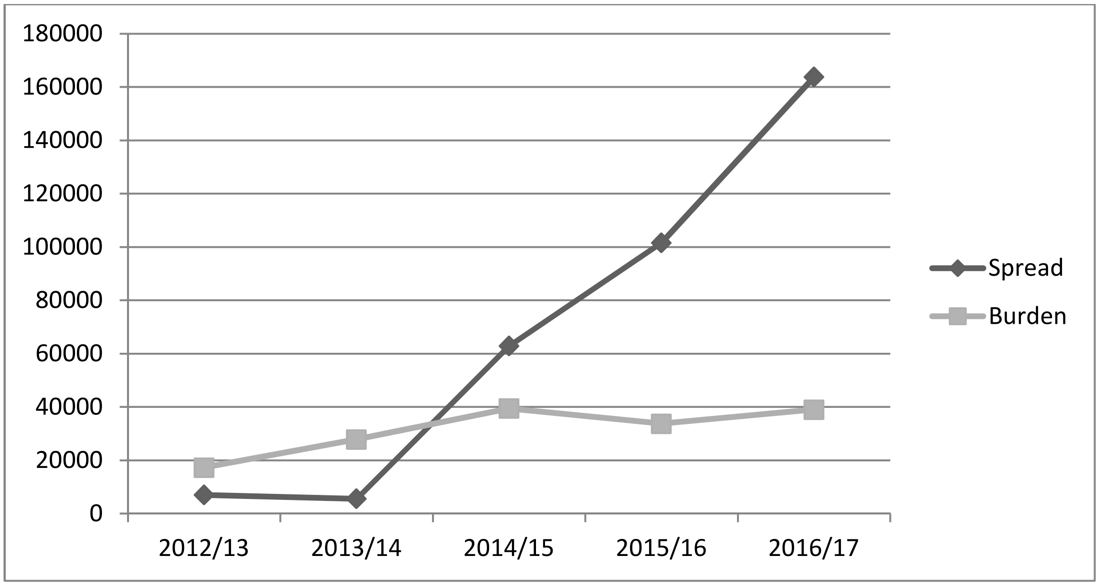


Table 4.28 and figure 4.27 show the total Interest Income, Interest expenses, Spread, Non-interest income non-interest expenses and Burden. In the fiscal year 2012/13 and 2013/14, an interest income and interest expense is low so spread also low. Deposit and investment increased but slowly. Non-interest expenses are high and non-interest income are low so burden also high in fiscal year 2014/15 interest income increased, interest expenses also increased. So spread also increased and non-interest expenses increased high but non-interest income decreased so the burden increased a very high and Bank suffered from loss in first two fiscal year 2012/13 and 2013/14. After this all fiscal years Bank's interest income increased and spread increased but burden decreased and Bank generates profit. Now Bank is running so good condition compare with previous year. Interest income is so highly increased with compare previous year same period.

4.2.2 Profitability Ratio of MBL

To evaluate the performance of an organization by creating the ratios from the figures of different account consisting in balance sheet and income statement is known as ratio analysis. Ratio can be classified for the purpose of exposition into four board group.

Profit is the difference between revenue and expenses over a period of time. A company should earn profit to service and grow over a long period of time. So profits are essential but profit earning is not the ultimate aim of the company and it should never be earned at the cost of employee, customers and society.

However profitability is a measure of efficiency and the search for it provides an incentive to achieve efficiency. The profitability of a firm can be measured by its profitability ratio and profitability are these ratios which indicates degree of success in achieving desired profit levels. Following some ratios related to profitability are calculated.

I. Return on net worth / Total equity ratio.

This ratio reveals how profitability the owners fund has been utilized by the bank.
Generally higher ratio is best.

$$\text{Return on net worth ratio} = \frac{\text{Net profit after tax}}{\text{Net worth}}$$

In this study net profit after tax (NPAT) refers net profit tax from profit and loss account and net worth refers to paid up capital reserve and surplus.

Table No. 4.29 Return on Net Worth / Total Equity Ratio.

Fiscal Year	Net profit after tax	Net Worth	Ratio %
2012/13	(15425805)	68722600	(0.22)
2013/14	(42349782)	79544033	(0.53)
2014/15	15307485	501705898	0.03
2015/16	46689945	554221843	0.08
2016/17	70670000	601254902	0.12

Source: Annual Reports of MBL from the F/Y 2012/13 to 2016/17

Figure No. 4.28 : Total Equity Ratio

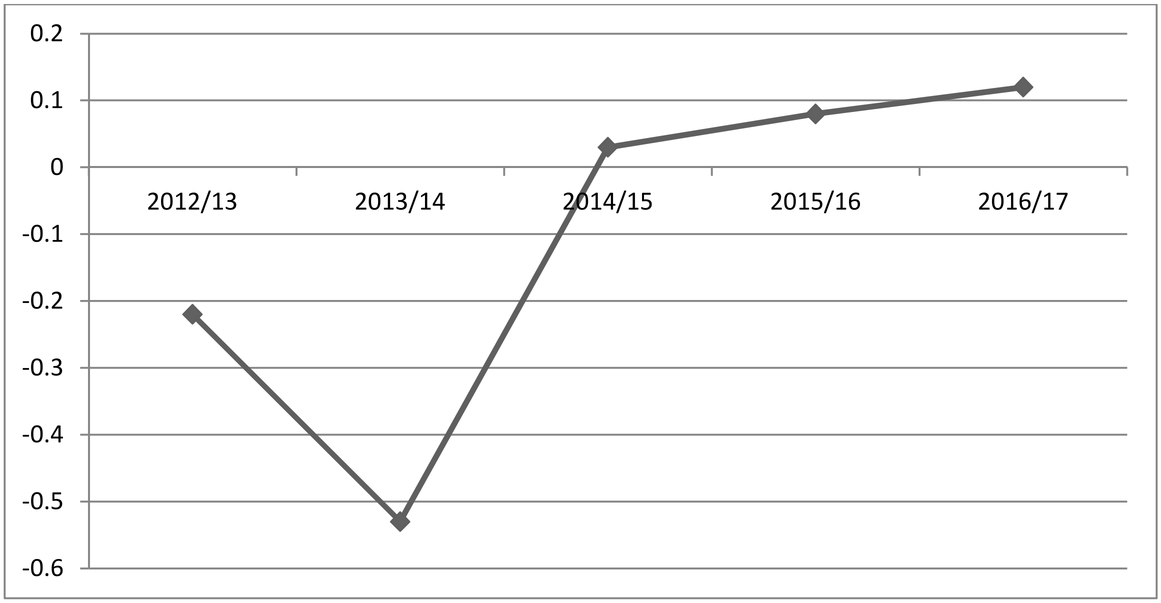


Table 4.29 and figure 4.28 show the details of net profit after tax to net worth ratio which is increased by year to year. In the fiscal year 2012/13 and 2013/14 it's ratios in negative. In fiscal year 2013/14 its negative ratio reaches 53% which is very high negative ratio. But fiscal year 2014/15 its NPAT ratio improved and it became positive and in 2016/17 also get positive return. If the trend continuous the MBL'S net profit after tax to net worth ratio in coming year will be positive & more efficiency.

In short we can say that MBL's has been increasing its profit since 2014/15 and there after till date. Average ratio is also satisfactory.

II. Return on total Deposit Ratio

This ratio provides a test for profitability related to the deposit of bank. It also reveals, how much the deposit collection in bank is efficiently utilized in the bank.

In present study, NPAT refers net profit after tax show in banks' profit and loss account. Total deposit refers all types' deposit of the bank.

Table No. 4.30 Return on total Deposit Ratio

F/Y	Net Profit after tax	Total Deposit	Ratio %
2012/13	(15425805)	700080033	(2.20)
2013/14	(42349782)	994816732	(4.26)
2014/15	15307485	177878689	0.86
2015/16	46689945	2754632089	1.69
2016/17	70670000	3884210947	1.82

Source: Annual Reports of MBL from the F/Y 2012/13 to 2016/17

Figure No. 4.29 : Return on total Deposit Ratio

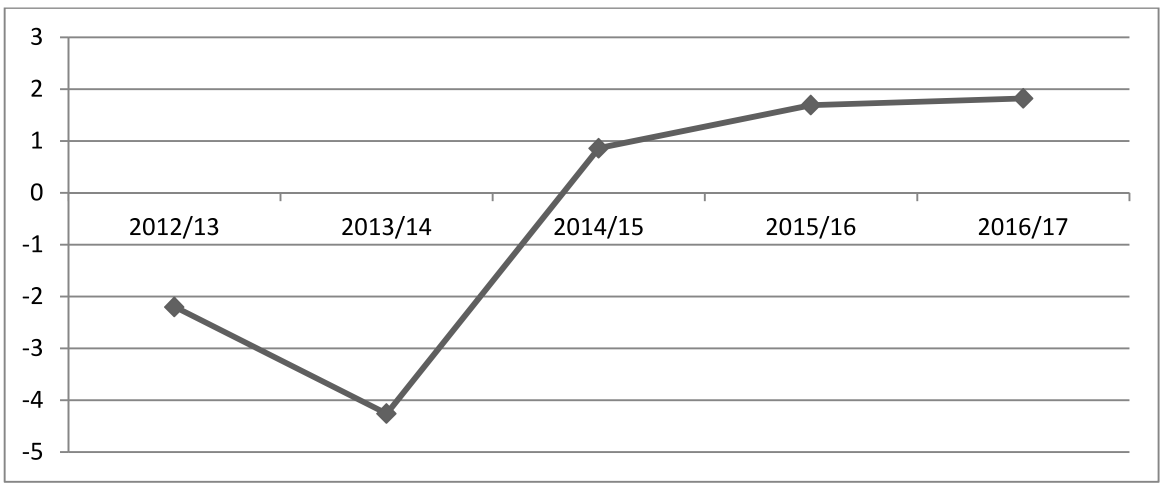


Table 4.30 and figure 4.29 show that MBL'S return on total deposit in different in year to year. In fiscal year 2012/13 & 2013/14 its ratio is negative. From fiscal year 2014/15 it improved its return on deposit ratio and it became positive trend. Average ratio is satisfactory.

III. Return on total Assets Ratio.

This ration provides a test for profitability related to assets or the firm.

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

In this study total assets return the all figure of balance sheet included in right side.

Table No. 4.31 : Return on total Assets Ratio

Fiscal Year	NPAT	Total Assets	Ratio %
2012/13	(15425805)	781535626	(1.97)
2013/14	(42349782)	1104377361	(3.83)
2014/15	15307485	2399857094	0.63
2015/16	46689945	3448634251	1.35
2016/17	70670000	4960755329	1.42

Source: Annual Reports of MBL from the F/Y 2012/13 to 2016/17

Figure No. 4.30 : Return on total Assets Ratio

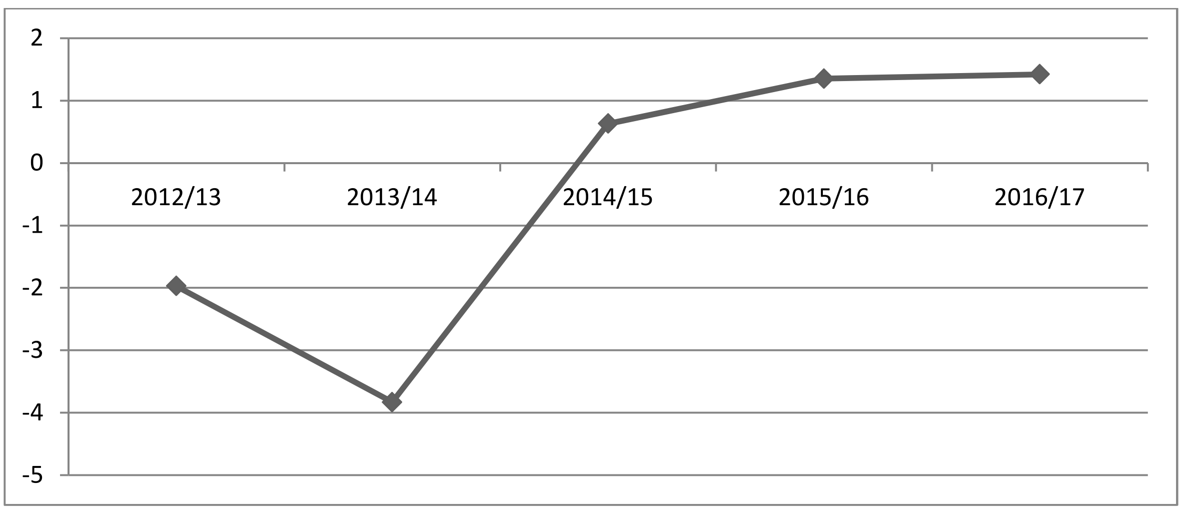


Table 4.31 and figure 4.30 show that return on total assets is flexible and some year it is negative. But since in fiscal Year 2014/15 its trend become positive and improving. In this way if its trend continues bank will improve its return on assets ratio in coming year. Average return of MBL is satisfactory.

IV. Interest Earned to Total Assets Ratio.

This ratio measures the interest income with the total assets of the firm.

$$\text{Interest earned to total assets ratio} = \frac{\text{Interest Earned}}{\text{Total Assets}}$$

Here, total interest earned refers the total interest shown in income side of profit and loss A/C. Total assets refers total of right side of balance sheet figure.

Table No. 4.32 Interest earned to Total Assets Ratio

Fiscal Year	Interest Term	Total Assets	Ratio %
2012/13	31174134	781535626	3.99
2013/14	70088630	1104377361	6.35
2014/15	139040042	2399857094	5.79
2015/16	215206843	3448634251	6.24
2016/17	323806558	4960755329	6.53

Source: Annual Reports of MBL from the F/Y 2012/13 to 2016/17

Table 4.32 shows that interest earned to total assets is homogenous in fiscal year 2016/17 its return is high among the other fiscal year and in fiscal year 2012/13 it is low.

4. 1.3 Cash Flow Statement of Machhapuchchhre Bank Limited

Table 4.33 Cash Flow of MBL

Particulars/Period	2012/13	2013/14	2014/15	2015/16	2016/17
(A) Cash Flow From Operations Activities	(298462492)	2,393,836,281	262,007,995	2524469318	2544298720
B. Cash Flows From Investing Activities	46445280	(21892617)	(652187844)	(1017419906)	(863309442)
C. Cash Flows from Financing Activities	-	851598000	-	-	159177744
D. Income/Expenses from changes in exchange rate on Cash and Bank Balances	(139401)	6133283	(2875285)	(5184296)	331352
E. Net Cash Flow For The Year from all activities (A+B +C+D)	(2521566139)	3229674947	(393055134)	1501865115	1840498374
F. Opening Cash and Bank Balance	2459717416	2207560804	5437235752	5044180618	6546045734
G. Closing Cash and Bank Balance	2207560804	5437235752	5044180618	6546045734	8386544108

Particulars/Period	2012/13	2013/14	2014/15	2015/16	2016/17
(A) Cash Flow From Operations Activities	(298462492)	2,393,836,281	262,007,995	2524469318	2544298720
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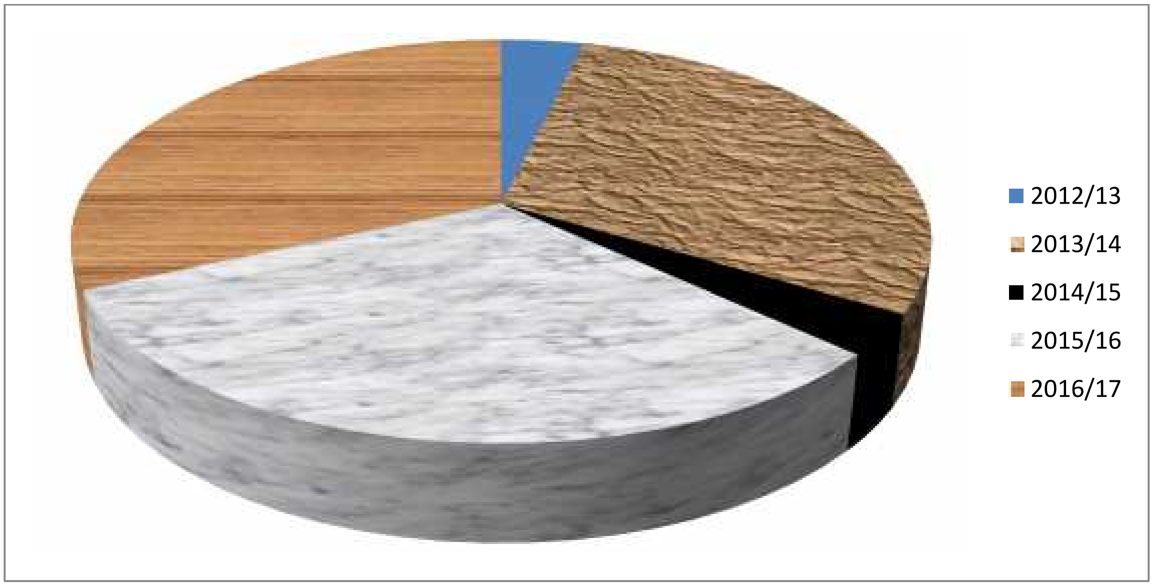
G. Closing Cash and Bank Balance	2207560804	5437235752	5044180618	6546045734	8386544108

Source: Annual Reports of MBL from the F/Y 2012/13 to 2016/17

4.2.4.1 Cash Flow from Operating Activities

Figure : 4.31: Operating Cash Flow of MBL

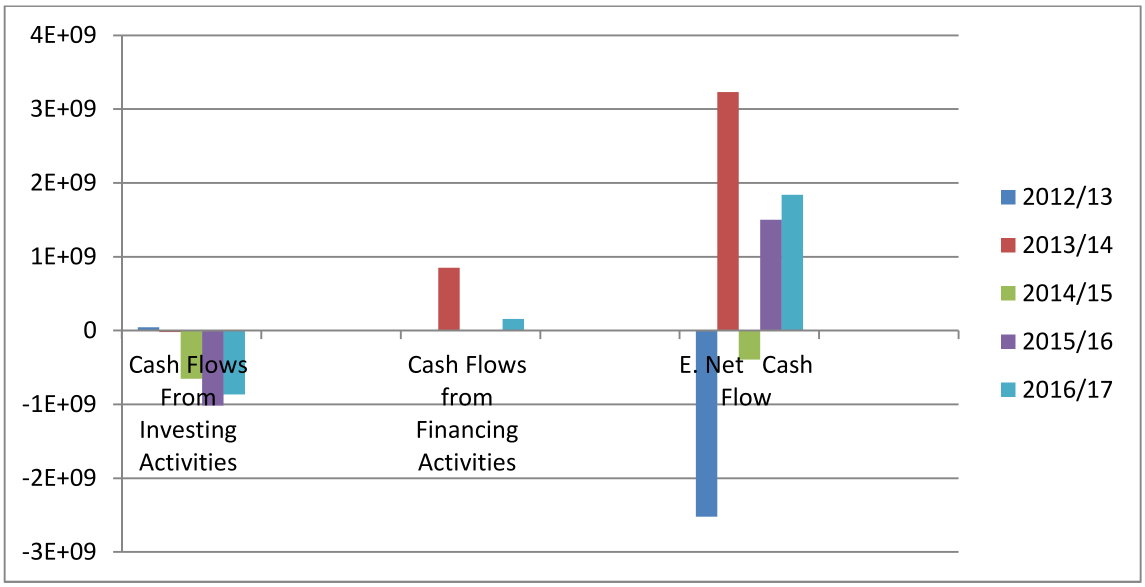


Above table 4.33 and figure 4.31 shows that CFOA of Machhapuchhre Bank Limited is Rs (2,98,462,492) Rs. 2,393,836,281 Rs**.** 2,62,007,995 Rs. 2,524,469,318 and Rs. 2,544,298,720 respectively from the year 2012/13 to 2016/17. All Cash from Operating Activities are positive except in F/Y 2012/13. It has increased higher rate in the year 2015/16. Cash receipts and payment from operation are Rs. 2,121,502,411 Rs. 2,082,377,023 Rs. 2,121,502,411 Rs. 2,627,084,743 Rs. 3,263,690,873 and Rs. 2,562,914,158 Rs. 1971286023 Rs. 2,562,914,158 Rs .2,069,291,166 Rs. 26,358,345,638 respectively from the year 2012/13 to 2016/17.

Non-operating expenses are Zero in five years period. Likewise exchange loss is totally zero in relevant five years period. But other expenses are operating very high ratio. Other expenses are Rs. 1,18,799,104 Rs.1,33,101,567 Rs.1,55,803,871 Rs.2,10,098,670 and 2,21,609,568 respectively in the five years which are taken into analysis. Other expenses plays second vital role to increase total cash payment under operating activities. Other expenses are 3.36%, 3.19%, 4.13%, 5.15% and 5.37% of total cash payment from the year 2012/13 to 2016/17 respectively.

4.2.4.2 Cash Flow From Investing, Financing and Net Cash Flow

Figure: 4.32 : Cash Flow From Investing, Financing and Net Cash Flow



Cash Flow from Investing Activities

CFIA of MBL is Rs. 46,445,280,Rs (21,892,617) Rs. (6,52,187,844) Rs.1,017,419,906 and Rs(8,63,309,442) respectively from the year 2012/13 to 2016/17. Cash flow from investing activities is in volatile trend which shows that investment is in decreasing and increasing trend. Due to the increase in investment interest income is also increased to the some extent year from 2013/14 to 2016/17. CFIA is increasing in a high rate with comparing previous years.

Cash Flow from Financing Activities

CFFA of Machhapuchchhre Bank Limited is Rs. 851,598,000 Rs. 1,59,177,744 For the year 2012/13 and 2016/17. It is found that cash flows from financing activities are nil on remaining three fiscal years. It is decreased in 2015/16 as compared to that of 2012/13.

Net Cash Flow for the Year

Net cash flow of Machhapuchchhre Bank Limited is Rs.(2,52,156,6139) Rs. 3,229,674,947,Rs.(3,93,055,134),Rs.1,501,865,115 and Rs. 1,84 0,498,374respectively from the year 2012/13 to 2016/17. Positive and negative cash flow the increase and decrease of overall cash flow. It is found positive overall cash flow during the relevant five year. Meantime net cash flow highly decreases in F/Y 2013/14 and 2016/17. It is mainly due to decreases in cash flow of the investing and financing activities of that particular year.

4.2.3.5 Calculation of Future Year Cash Flow Trend Analysis

We are not only examining past trend of the bank, we are also trying to predict future cash flow of the bank up to next 7 years. We can use formula y= a+bx to determine the future cash flow.

Calculation of future year's cash flow by using y=a+bx formula .we get net cash flow of the bank for next 7 fiscal year as follow:

Table: 4.34 : Cash flow trend of MBL

(in millions)

Years	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Cash Flow	-6677.79	318.52	7314.83	14311.14	21307.45	28303.75	35300.07

Source: Annual Reports of MBL from the F/Y 2012/13 to 2016/17

The future years net cash flow of the bank is expected to increase year by for next year. This is shown in above table and same is also present in simple trend line . It is in gradually increasing trend.

Figure: 4.33 : Cash flow trend of MBL

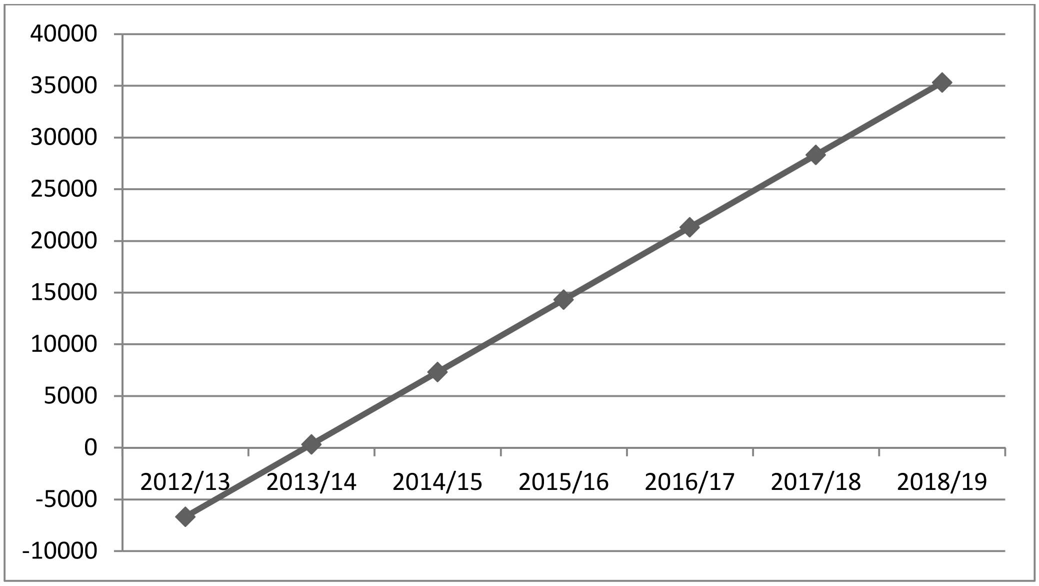


Table 4.34 and figure 4.35 the cash flow of the MLB will be gradually increasing trend .it's seems to have positive impact to the bank as well as to its investors.

4.3 Agricultural Development Bank Limited (ADBL)

4.1.1 Total revenue of ADBL

Agriculture Development Bank International Ltd. is generating revenue from different sources. Interest income is the major sources of revenue. In addition commission and discount and other income, income on FOREX. & non operating incomes are also sources of income. Situation of revenue (2012/13) to 2016/17).

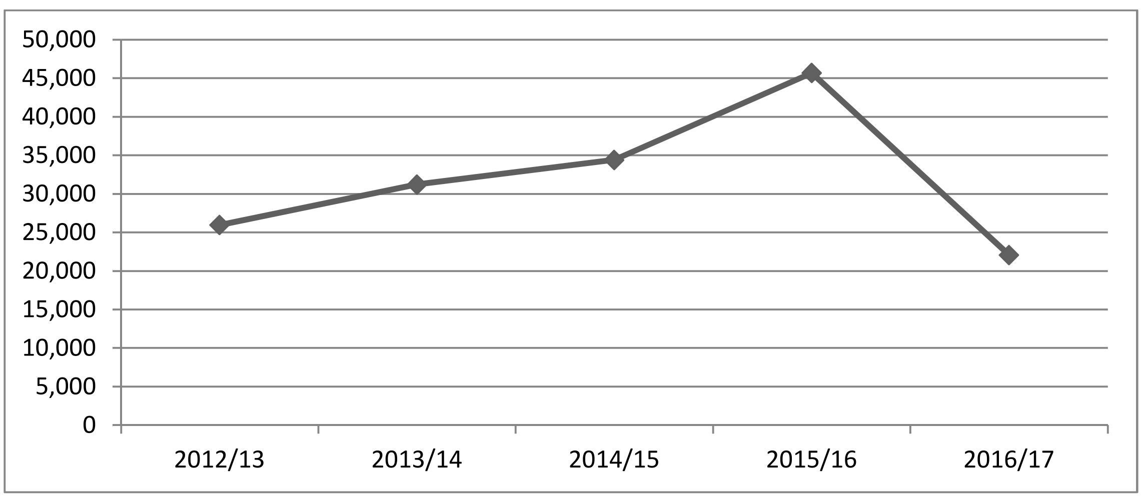
Table: 4.35 : Total Revenue of ADBL

(Amount in Rs. 00,000')

Income Revenue	2012/13	2013/14	2014/15	2015/16	2016/17
Interest on loan and Advance	22,120	24,558	27,669	34,452	19,803
Commission & Discount	536	559	625	977	404
Operating Income	1,344	2,050	1,812	2,921	719
Income on FOREX	551	800	987	1,433	231
Other Non Operating Income	103	2	459	1,435	105
Other Income	1,312	3,235	2,850	4,447	794
Total	**25,966**	**31,204**	**34,402**	**45,665**	**22,056**

Source: Annual Reports of ADBL from the F/Y 2012/13 to 2016/17

Figure: 4.33 Total Revenue of ADBL



The table 4.35 and figure 4.33 show that income trend of the bank from 2009/10 to 2015/16 is 34,542. It proves that income of the bank is in increasing trend except for the year 2013/14 is 24,558. Interest income shows increasing trend upto 2016/17 is 19,803 and it decreases till the FY 2014/15 is 27,669 and increases in FY 2015/16.Other

Operating income shows a decreasing trend up to FY 2016/17 and shows a increasing trend after year 2012/13.Commission and Discount shows a steady increasing trend. Income on FOREX decreases in the year 2016/17 and after that it is increasing steadily. Other income is fluctuating during the year under review.

Hence, the overall total revenue is increasing trends

a) Interest Income from Loans & Advance Including Government Security &Other Interest

ADBL 's main sources of income in interest on its investment in different sectors like interest income from loans and advances interest on Govt. Security, other interest etc. as follow.

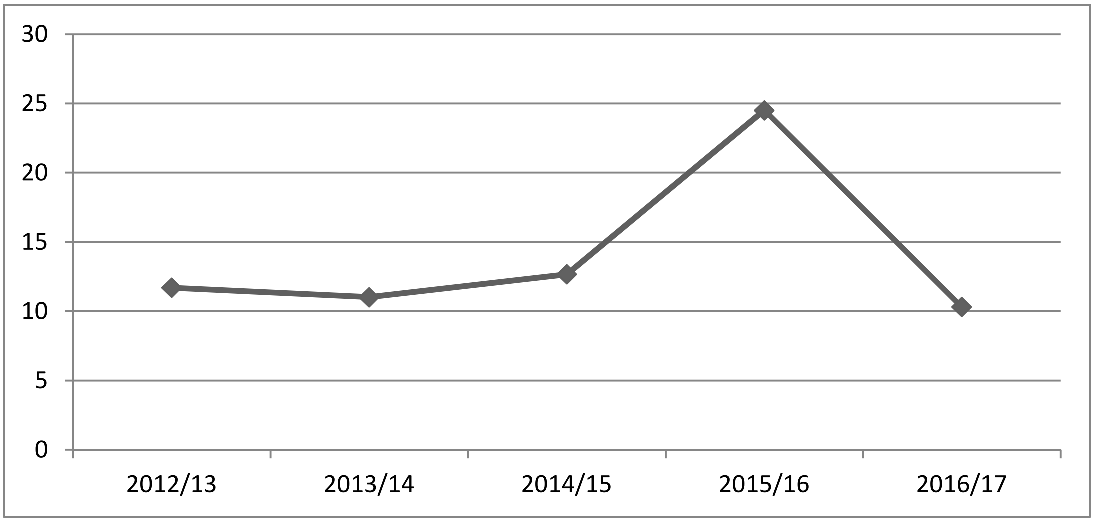
Table : 4.36 : Interest on Loans & Advance.

(Amount in Rs. 00,000')

F/Y	Interest on Loans and Advance	Change in amount	Growth %
2012/13	22,120	2,317	11.70
2013/14	24,558	2,438	11.02
2014/15	27,669	3,112	12.67
2015/16	34,452	6,783	24.51
2016/17	19,803	1,851	10.31

Source: Annual Reports of ADBL from the F/Y 2012/13 to 2016/17

Figure : 4.34 : Interest on Loans & Advance Growth Ratio



The table 4.36 and figure 4.34 show that the interest income of the bank. The growth in first year is 10.31 percent and 11.70 percent in second year. It was increased up to second year but the growth percent was decreased from FY 2016/17. Any way interest income of bank is in increasing trend up to FY 2014/15 but it was decreased in FY 2015/16. It shows that bank has got success in interest collection mission.

b)Revenue from Commission and Discount

Revenue from commission and discount is non fund based revenue sources of ADBL . These revenue earns from letter of credit, bank guarantee and double cheque issue etc.

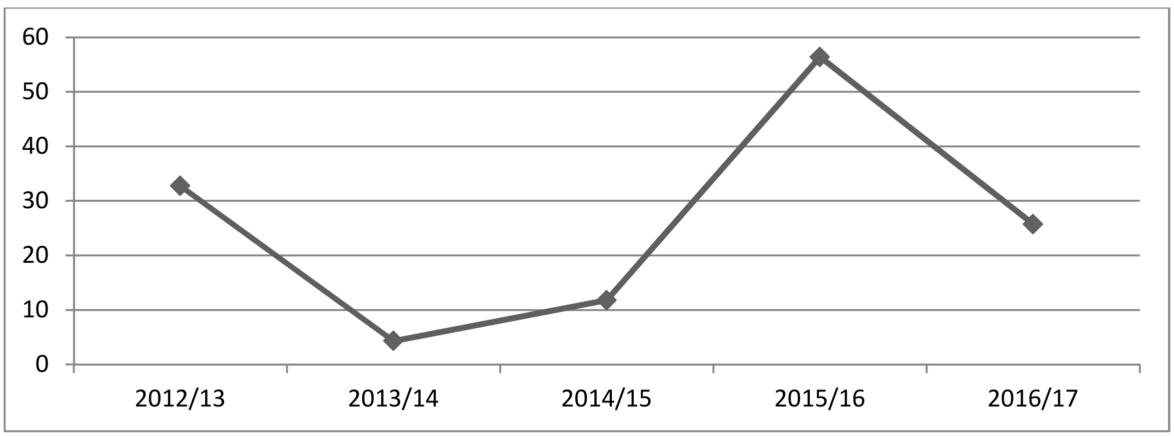
Table : 4.37 : Revenue from Commission and Discount

(Amount in Rs. 00,000')

Year	Revenue from Commission and Discount	Change in Amount	Growth %
2012/13	536	132	32.72
2013/14	559	23	4.31
2014/15	625	66	11.78
2015/16	977	352	56.38
2016/17	404	83	25.74

Source: Annual Reports of ADBL from the F/Y 2012/13 to 2016/17

Figure : 4.35 : Revenue growth percentage from Commission and Discount



The table 4.37 and figure 4.35 show that revenue from commission & discount. it was decreased in FY 2013/14 than after increased up to FY 2014/15 and 2015/16. So, it was fluctuation. In FY 2015/16. It is increased very high in comparing with the last year 56.38 and generate revenue Rs 30.36 million from commission and discount.

c) **Revenue from other Income**

Revenue from other income is non fund based revenue sources ADBL earn revenue from different sources like safe deposit value, telex charge, ATM card, renew charge, service charge etc.

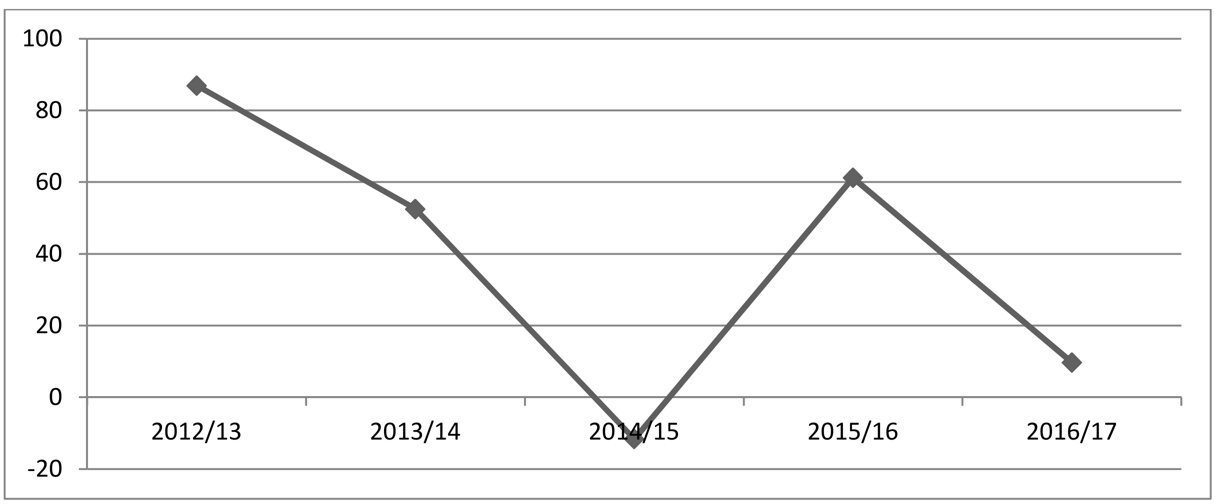
Table: 4.38 : Revenue from Other Income

(Amount in Rs. 00,000')

Year	Revenue from Other Income	Change in Amount	Change in %
2012/13	1,344	625	86.91
2013/14	2,050	706	52.51
2014/15	1,812	(238)	(11.62)
2015/16	2,921	1,109	61.19
2016/17	719	64	9.72

Source: Annual Reports of ADBL from the F/Y 2012/13 to 2016/17

Figure : 4.36: Percentage change in Revenue from Other Income



The table 3.38 and figure 4.36 show that the revenue from other income. The trend of FY 2012/13 was 9.72%, FY 2013/14 was 86.91, FY 2012/14 was 52.51,2014/15 (11.62) and 2015/16 was 61.19.

d) Revenue from Income on Foreign Currency Exchange

Among different kind of revenue in income on FOREX is one of the important sources. It is non fund based income of ADBL in the first four year period on FOREX is under this situation.

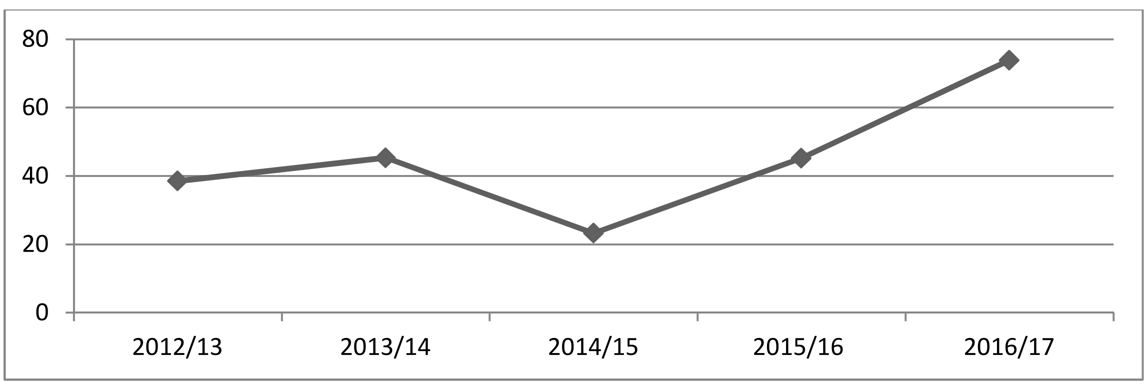
Table: 4.39: Revenue from income on Foreign Currency Exchange

(Amount in Rs. 00,000')

Year	Foreign Currency Exchange	Change in Amount	Change in %
2012/13	550.80	319.88	38.52
2013/14	800.29	249.49	45.30
2014/15	986.68	186.39	23.29
2015/16	1,432.94	446.26	45.23
2016/17	230.92	98.09	73.85

Source: Annual Reports of ADBL from the F/Y 2012/13 to 2016/17

Figure : 4.37 : Percentage change in Income on Foreign Exchange



The table 4.39 and figure 4.37 show that FOREX amount of the bank. In FY 2016/17 the actual amount is Rs 73.85 million thenafter the amount of foreign exchange is decreasing ternd upto FY 2014/15 . In FY 2014/15 the bank has achieved percent of 23.29% growth likewise, In FY 2015/16 it again increased by 45.23 percent.

E) Total Expenditure of ADBL

ADBL 's interest expenses are playing major role in expenses. The bank is generating expenditure from different sources. Interest is major sources in addition, employee's expenses, operating expenses, staff bonus, providing for losses and income tax. Full seven year of total expenditure of ADBL from 2012/13 to 2015/16 .

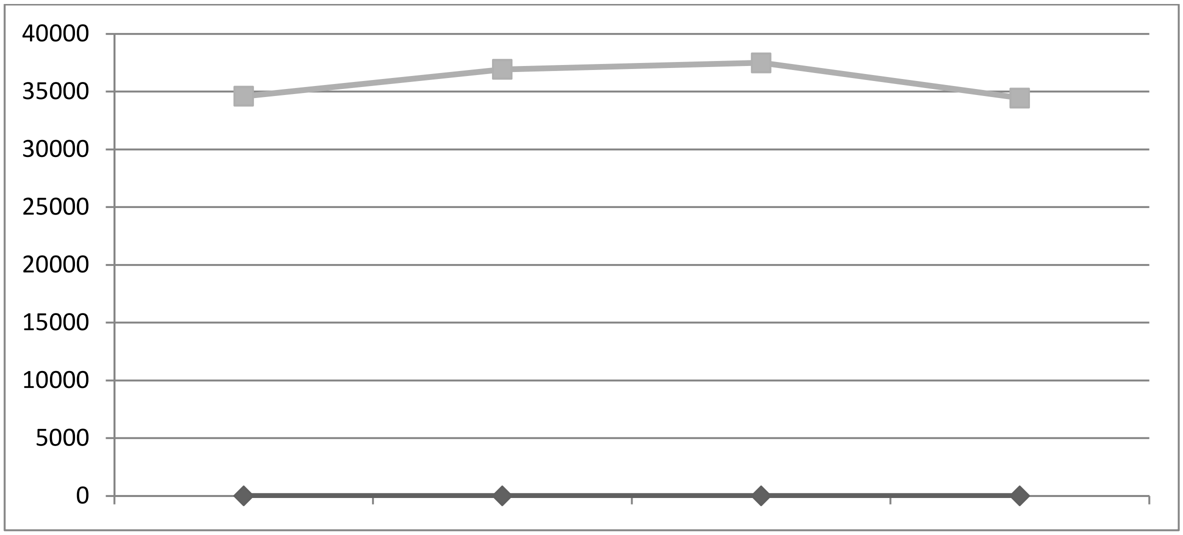
Table : 4.40: Situation of Total Expenditure of ADBL

(Amount in Rs. 00,000')

Expenditure	**2012/13**	**2013/14**	**2014/15**	**2015/16**	**2016/17**
Interest on Deposit Including Interest on Loan	11769	13826	14985	18237	14059
Staff Expenses	1444	1656	2479	2967	1088
Operating Expenses	2453	2689	3345	3767	2127
Other Expenses	1099	42	0	0	0
Total Expenditure	**41005**	**34594**	**36924**	**37481**	**34435**

Source :Annual Reports of ADBL from the F/Y 2012/13 to 2016/17

Figure : 4.38 : Situation of Total Expenditure of ADBL



The table 4.40 and figure 4.38 show that interest on deposit including interest on loan and borrowing, Employee expenses and operating expenses is the major expenses interest on deposit is in increasing trend from first to fiscal year 2012/13 and bank has to bear interest expenses on Rs. 1444 million and F/Y year 2015/16 reached to 2967 million.. Operating expenses is second major expenses of the bank and it is also in increasing trend. In fiscal year 2015/16 it is reached to 3767 million. The total expenditure of the bank is increasing trend in fiscal year 2012/13 is 1099.

F) Interest Expenses of ADBL

Expenses are the expenditure incurred for making payment of interest to the deposit mobilized by the bank. As the customer deposit holds a major share on total resources of the bank, interest expenses is also highest among other total expenses of the bank.

Table : 4.41 : Interest Expenses

(Amount in Rs. 00,000')

Year	Interest Expenses	Change in Amount	% Change
2012/13	11769	(2,289.49)	(16.29)
2013/14	13826	2,057.16	17.48
2014/15	14985	1,158.91	8.38
2015/16	18237	3,251.66	21.70
2016/17	14059	1,695.37	13.71

Source: Annual Reports of ADBL from the F/Y 2012/13 to 2016/17

Figure : 4.39 Percentage Change in Interest Expenses

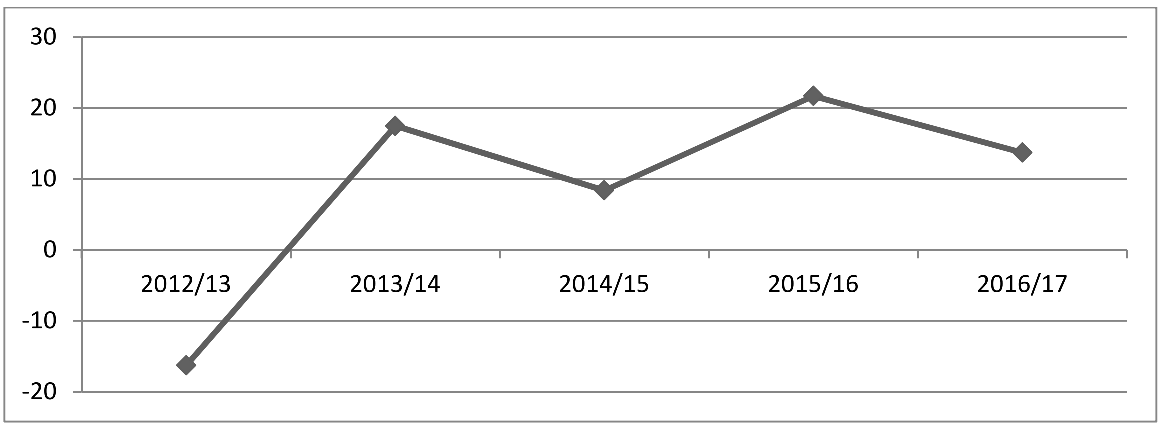


Table 4.41 and figure 4.39 show that interest expenses is in increasing trend and up to FY 2012/13 and increase percent is 13.71 percent but from FY 2013/14 again it is decreased in FY 2014/15 it was increased i.e. 8.38 percent comparing than previous year and in last year i.e. FY year 2015/16 it was again decreased. It is increased to 287.33 million. In Fiscal Year 2013/14 interest expenses reached to Rs.217.91 million, in 2014/15 it is. 225.87 million.

H) Staff Expenses

The main expenditure source is employee expenses. ADBL have more employees. A most important expenditure source is employee expenses in salary, allowance, dress etc.

Table : 4.42 : Staff Expenses

(Amount in Rs. 00,000)

Year	Staff Expenses	Change in Amount	% Change
2012/13	1444	356.21	32.74
2013/14	1656	211.34	14.63
2014/15	2479	823.11	49.71
2015/16	2967	488.16	19.69
2016/17	1088	250.56	29.91

Source: Annual Reports of ADBL from the F/Y 2012/13 to 2016/17

Figure: 4.40 Percentage Change in Staff Expenses

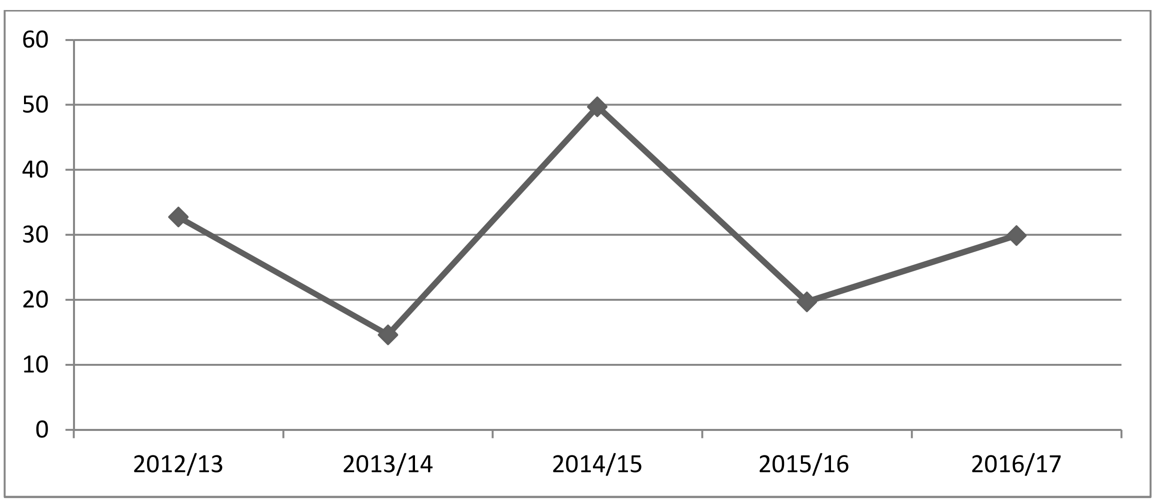


Table 4.42 and figure 4.40 show that the employee expenditure of the bank is in increasing trend. In 2012/13 it is increased by 32.74 percent and reached Rs.31.56 million. In 2013/14 total employee expenditure is Rs. 37.4 million which is 14.63 percent with comparing to previous year. Then in Fiscal Year 2014/15 it is Rs.47.04 million

which is 49.71 percent with comparing previous year and in the 2015/16 reached Rs.51.52 million which increased by 19.69 percent with comparing previous year. According to the line graph, though the growth of staff expenses in amount is seen increasing trend but it is fluctuating in growth percentage.

I) Analysis of Cost and Income

Cost is the means of achieving revenue proper utilization of cost result is greater volume of revenue otherwise its result is hardened. Interests expenses are playing a major role in cost, office operating cost and staff cost are other important cost that ADBL facing. ADBL generating revenue from different foreign exchange interest income is the major source of revenue in addition commission and discounts on exchange, income on FOREX are also important source of income, interest income is fund based income while other are non fund based incomes. Profit is different between revenue and cost. Higher is the difference greater will be profit, such difference may happen in the following condition.

- Increasing in income, cost remaining the same.
- Decrease in cost, income remaining the same.
- Increase in income, increase in cost.
- Higher increase in income than increase in cost.
- Higher decrease in cost than decrease in income.

Out of these five conditions ADBL are following third condition now a day. Its increasing ratio is higher same.

J) Revenue, Cost and Net Profit of ADBL

Revenue refers to all the money generated through the sale of the company's product or services .Cost is all expenses incurred to generate these revenue and pay for administrative overhead and other expenses such as interest cost and taxes.Net Profit is the amount left over after all the expenses are paid.

Table : 4.43 : Revenue, Cost and Net Profit of ADBL

(Amount in Rs. 00,000')

Year	Revenue	Cost (Excluding Tax)	NPBT
2012/13	25,966	16766	9200.1
2013/14	31,204	18212	12991.8
2014/15	34,402	20809	13593.3
2015/16	45,665	24971	20694.5
2016/17	22,056	17274	4782.1

Source: Annual Reports of ADBL from the F/Y 2012/13 to 2016/17

Figure : 4.41 : Net Profit

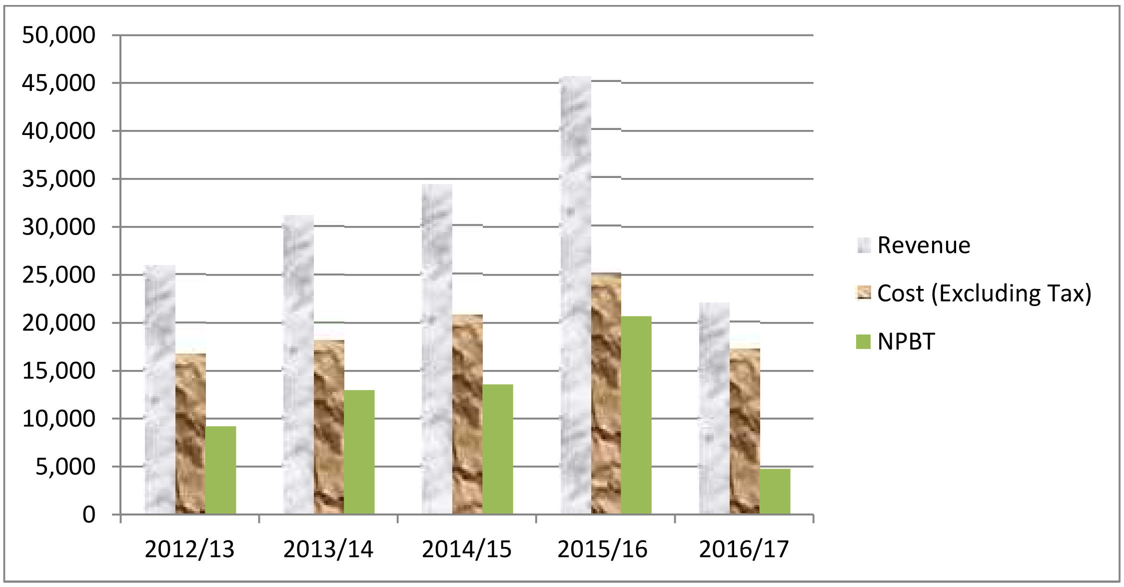


Table 4.43 and figure 4.41 show that the total size of revenue, cost and net profit before tax. The analysis of revenue, cost and profit is the first important thing of any commercial bank. The trend of revenue, cost and profit is increasing trend every year. Similarly, the bank has able to maintain the profit is in increasing trend.

Revenue is increasing trends from the 2012/13 to 2015/16. In fiscal year 2016/17, 2012/13, 2013/14, 2014/15 and 2015/16 is 22.056, 25,966, 31.204, 34,402 and 45,665 respectively. Cost is increasing trends from the 20112/13 from to 2015/16. In fiscal year 2012/13, 2013/14, 2014/15 and 2015/16 is 16,766, 18,212, 20,809, and 24, 971respectively.

Profit is also increasing trends from the 2016/17 from to 2015/16. In fiscal year 2016/17, 2012/13, 2013/14, 2014/15 and 2015/16 profit is 4782.1, 9200.1, 12991.8, 13593.3 and 20694.5 respectively.

K) Analysis of Deposit Liabilities and Interest Expenses

ADBL has accepted mainly in current account, Royal saving account, Normal saving account and fixed account. There are call deposit and margin deposit account also. The Bank pays interest on saving, call deposit and fixed deposit. Interest ratio on fixed deposit account, differs according to time range and the bank pays interest on Royal saving Account on daily basis and on Normal saving monthly basis. As interest ratio of different account is different and in various within the fixed deposit too. So the analysis is made computing the simple average ratio interest dividing total deposit by total interest dividing total deposit and its effect on interest expenses is also analysis. The following is the total deposit, total interest expenses and interest ratio of expenses of ADBL .

Table : 4. 44 : Analysis of Deposit Liabilities and Interest Expenses

(Amount in Rs. 00,000')

Year	Total Deposit	Interest Expenses	Increase in Interest	% Increase in Interest
2012/13	1,73,545	11,769	(2,289.49)	(16.29)
2013/14	1,73,545	13,826	2,057.16	17.48
2014/15	1,73,545	14,985	1,158.91	8.38
2015/16	1,73,545	18,237	3,251.66	21.70
2016/17	1,73,545	14,059	4,695.37	43.71

Source: Annual Reports of ADBL from the F/Y 2012/13 to 2016/17

Figure : 4.42 : Percentage Change in Interest Expenses to total Deposit

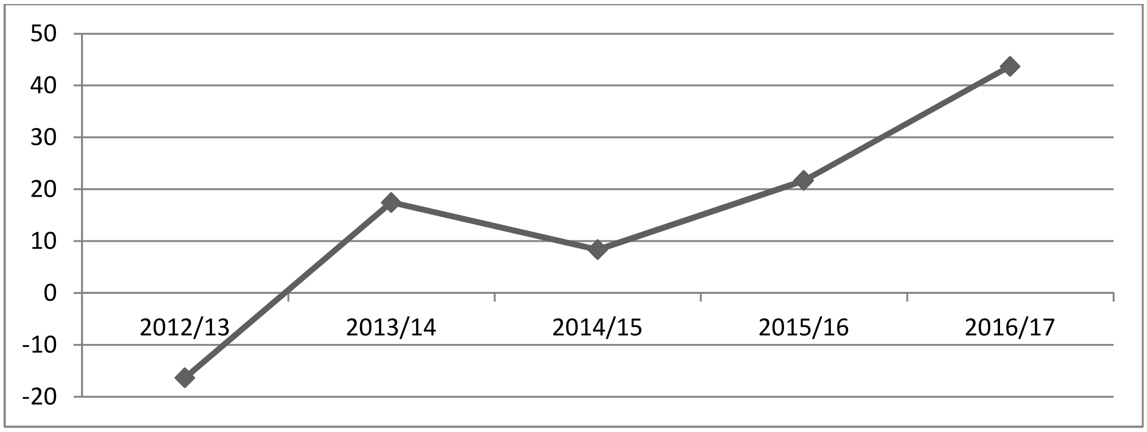


Table 4.44 and figure 4.42 show that total deposit, total interest expenses, increase in interest expenses and percentage of interest expenses. Total deposit is increasing rapidly and reached Rs. 621081 million and Rs 830937 million in fiscal year to 2014/15 and 2015/16 respectively. Interest expenses are also in increasing trend. In fiscal year 2013/14 total interest expenses is Rs. 217.91 million and percentage of interest expenses is fluctuation where as in fiscal year 2014/15 is 8.38% and 2014/15 it is was decreased. After analysis the data ADBL 's total deposit collection is highly satisfactory.

A question may arise whether collection of only deposit has been fruitful to ADBL deposit in itself produces so higher deposit needs higher cost it is possible only when it is invested.

L) Analysis of Spread and Burden

Spread is the difference between interest income and interest expenses, higher positive difference in interest income and interest expenses generates higher profit. So every bank is conscious for spread. Burden is the difference between non-interest expenses and non-interest incomes. Normally commercial banks have higher non-interest expenses than non-interest income. Higher non-interest expenses in fact are the burden to commercial banks. Competition of spread and burden of ADBL for the last full seven years,

Table : 4.45 : Analysis of Spread and Burden

(Amount in Rs. 00,000')

	Ref.	2012/13	2013/14	2014/15	2015/16	2016/17
Interest Income	A	22,120	24,558	27,669	34,452	19,803
Interest expenses	B	11,769	13,826	14,985	18,237	14,059
Spread	C = (A-B)	10,351	10,731	12,684	16,215	5,745
Non-interest expenses	D	4,996	4,386	5,823	6,734	3,215
Non-interest income	E	3,846	6,647	6,733	11,213	2,253
Burden	F=(D-E)	1,151	(2,261)	(909)	(4,479)	963
Net profit before Tax	C-F	9,200	12,992	13,593	20,694	4,782

Source :Annual Reports of ADBL from the F/Y 2012/13 to 2016/17

Figure : 4.43 : Analysis of Spread and Burden

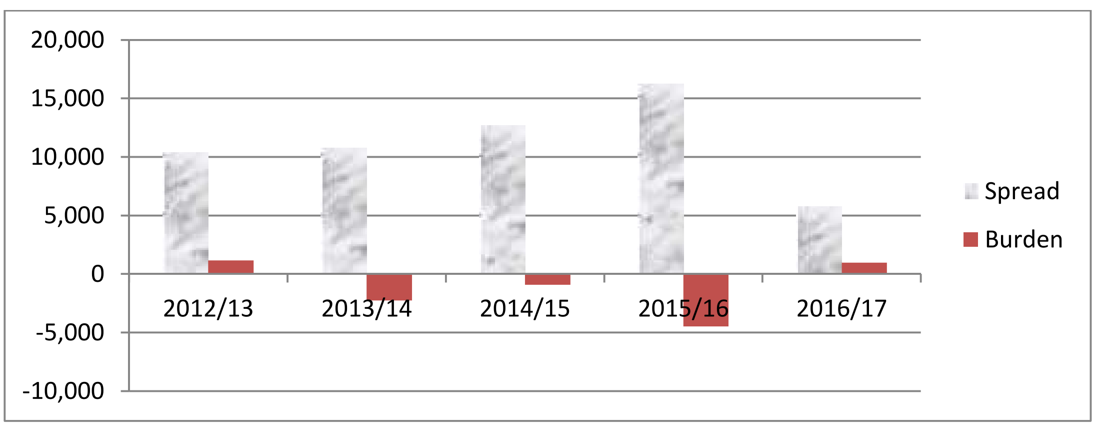


Table 4.45 and figure 4.43 show that total Interest Income, Interest expenses, Spread, non-interest expenses, non-interest expenses and Burden. In the above table we can see

that the spread rate of the interest is in increasing trend. Here, we can easily understand that the interest income is higher than interest expenses. Interest income area high and interest expenses are low so spread is also high in FY 2013/14 to 2015/16 . In this situation the bank has meet its target to earn profit. Similarly, the trend of burden of bank is also increasing. The burden of the bank is found 28.6 million in first year, 34.16 million in second years and 63.17 million in last year i.e. 2015/16 . After this all fiscal year bank interest income increase and spread is also increased but, burden is low than spread and bank generate profit. Nor the bank is running in good condition.

4.3.2 Ratio Analysis of ADBL

Profitability is a relative term. It is hard to say “what % of profits” represents a profitable firm as the profits will depend on the product life cycle, competitive conditions in the market, borrowing costs, expenses management etc. Profits can also be analyzed using the framework of CVP. For decision making managers are concerned only with the present value of expected future profits. Past or current profits are important only as they help us to identify likely future profits, by identifying historical and forecasted trends of profits and sales. The profitability ratios of the bank are calculated to measure the operating efficiency and performance of the bank.

Table : 4.46 : Calculation of Profitability Ratio

(Amount in Rs. 00,000')

Fiscal Year	Net Profit	Total Assets	ROA (%)	Total Deposit	ROD (%)	Net Worth	NW to NP (%)
2012/13	4132	259795	1.5907	227431	1.8170	41772	26.10
2013/14	4981	322216	1.5458	279635	1.7812	48278	30.50
2014/15	7203	414505	1.7378	357821	2.0130	54570	28.40
2015/16	10804	550620	1.9621	473935	2.2796	68903	22.85
2016/17	2248	200685	1.1201	173545	1.2953	31134	30

Source: Annual Reports of ADBL from the F/Y 2012/13 to 2016/17

The above table shows that profitability ratio of the bank in terms of return on assets, return on total deposit and net worth of the bank. Return on assets shows the relation between net profit with the total assets. The rate of return is changeable trend. It is ranged between 1.90% to 2.255% through out of the seven years period. Likewise, return on deposit ratio representing the relation of net profit with total deposit. The range of the return on deposit is also 1.92% to 2.255%, it is in fluctuating trend through seven years of study period. Similarly, net worth to net profit ratio represent the relation of net profit with net worth. The range of net worth to net profit is between 22.85% to 30.50%. Profitability position of the bank are sound and strong. Its profit ratio indicate of the higher overall efficiency of the ADBL and better utilization of the resources.

4.3.3 Cash Flow Statement of Agricultural Development Bank

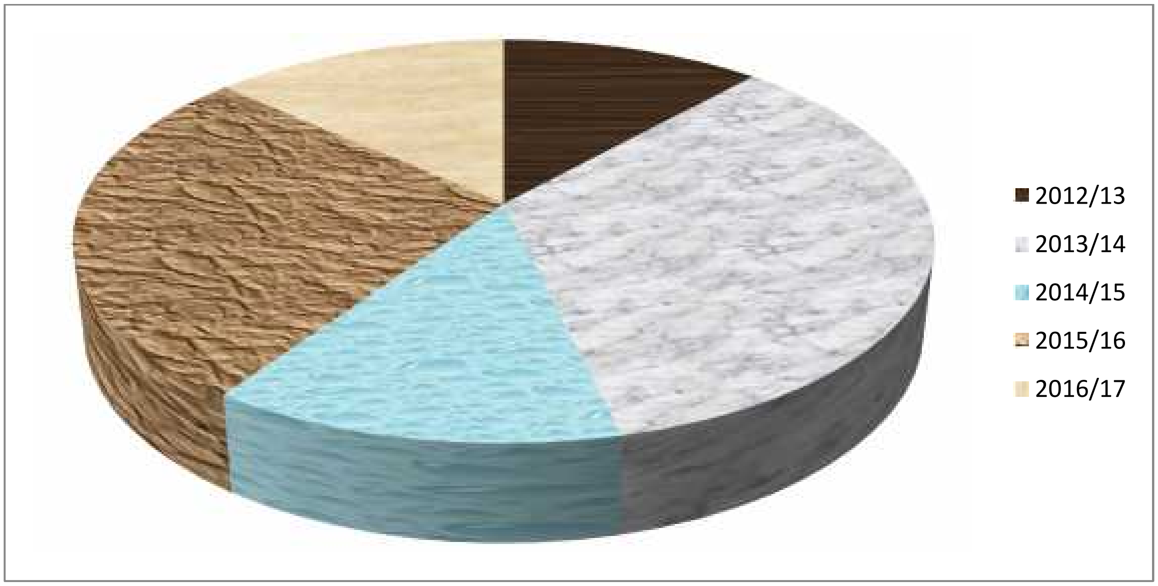
Table 4.47 : Cash Flow of ADBL

Particulars/Period	2012/13	2013/14	2014/15	2015/16	2016/17
(A) Cash Flow From Operations Activities	(3748262151.6)	11132832679.3	(4212893488.58)	8753850494.50	4267655661
B. Cash Flows From Investing Activities	774195255.97	(420450178.10)	2170236116.84	876391464.98	0
C. Cash Flows from Financing Activities	1123342848.15	3236980427.61	408298180.13	(26632417.50)	(268822350)
D.Income/Expenses from changes in exchange rate on Cash and Bank Balances	(94092184.40)	5678324.92	(133277361.61)	(62794073.55)	(602274425)
E. Net Cash Flow For The Year from all activities (A+B+C+D)	(1944816231.9)	13955041253.8	(1767636553.22)	9540815468.43	3663380188
F. Opening Cash and Bank Balance	8852119936.83	5965563770.98	16826452175.62	15058815622.40	8140370631
G. Closing Cash and Bank Balance	5965563770.98	16826452175.6	15058815622.40	8140370631	11803750819

Source: Annual Reports of ADBL from the F/Y 2012/13 to 2016/17

i) Cash Flow From Operating Activities

Figure : 4.44 : Cash flow from Operating Activities



CFOA of Agricultural Development Bank is Rs. (3,748,262,151.67), Rs. 11,132,832,679.37, Rs. (4,212,893,488.58), Rs. 8,753,850,494.50 and Rs. 4,267,655,661 respectively from the year 2012/13 to 2016/17. Some Cash from Operating Activities are positive while some are in negative. It has increased higher rate in the year 2015/16. Cash receipts and payment from operation are Rs. 5915978184.84, Rs. 6269730820.42, Rs.6641584918.28, Rs. 7229070660.76, Rs. 6,626,233,994 and Rs.4988799632.52, Rs. 5181348948.75, Rs. 5142428380.76, Rs 5,639,310,073.54, Rs.(5,002,889,971) respectively from the year 2012/13 to 2016/17.

Cash receipt includes various incomes in which interest income is paramount. Interest income is Rs.4,978,234,769.15,Rs.5,361,456,268.42,Rs.5,658,466,167.77,Rs. 6,170,373,508.66 and Rs. 5,937,224,447 respectively from the year 2012/13 to 2016/17. It is seen that interest income is increasing each year but the rate of interest income is in declining 2016/17. and in increasing rate in year rest of the year on the basis of based year 2012/13. The sources of interest income are loan, overdraft and investment. If the investment, overdraft of loan decreases then interest income also decreases and vice-versa. The interest income shows investment increasing investment trends and but the rate of interest on investment is declining in the subsequent year resulted lower rate of interest income.

Other important part of cash receipt from operation is commission and discount income. Commission and discount comes from bills purchase and discount, letter of credit, guarantee, collection fees, remittance fees and credit card. Cash flow from commission and discount are Rs. 448504055.02, Rs. 373276048.35, Rs. 442789345.23, Rs. 436142215.86 and Rs. 256,593,211 from the year 2012/13 to year 2016/17.

This is the income of agency and remittance business of the bank. Cash flow from commission and discount are mostly in decreasing trend than the based year 2012/13. It is the positive sign for bank or is the positive situation for bank.

Cash receipt from currency exchange gain is Rs. 66064405.96, Rs. 95141942.55, Rs. 59396327.68, Rs. 96656165.89 and Rs. 264166549 from the year 2012/13 to 2016/17 respectively. Cash flow is in decreasing and increasing trend in exchange gain. Exchange gain includes revaluation gain and trading gain including exchange fees. Non-operating incomes are the factor of operating cash receipt.

Out of the total cash payments Interest payment are Rs. 2424229275.51, Rs. 3022396980.46, Rs. 2462618536.66, Rs. 2222855264.29 and Rs. (3783567725) respectively in the relevant five years. Interest expenses are increasing but in decreasing rate trend. It reflects the decreasing trend of withdrawal of deposit or increased in non-interest bearing deposit and rate of the interest decreases even if the deposit of each year is in increasing trend.

II_ Cash Flow From Investing, Financing and Net Cash Flo

iii) Cash Flow from Investing Activities

CFIA of Agricultural Development Bank Limited is Rs. 7,74,195,255.97 Rs. (4,20,450,178.10) Rs. 2,170,236,116.84, Rs 8,76,391,464.98 and nil respectively from the year 2012/13 to 2016/17. Cash flow from investing activities is in volatile trend which shows that investment is in decreasing and increasing trend. Due to the increase in investment interest income is also increased to the some extent. On the year 2014/15, 2015/16 CFIA is decreasing in a high rate with comparing previous years. In other words the bank is being unable to invest sufficient amount of cash in investment sectors.

iv) Cash Flow from Financing Activities

CFFA of Agricultural Development Bank Limited is Rs. 1,123,342,848.15, Rs 3,236,980,427.61 Rs. 4,08,298,180.13, Rs. (26,632,417.50) and (268,822,350) respectively from the year 2012/13 to 2016/17. It is found that cash flows from financing activities are in decreasing and increasing trend. It is also increasing and decreasing trend.

v) Net Cash Flow for the year

Net cash flow of Agricultural Development Bank is Rs.(1,944,816,231.95), Rs. 13,955,041,253.80,Rs. 1,767,636,553.22, Rs. 9,540,815,468.43 and Rs. 3,663,380,188 respectively from the year 2012/13 to 2016/17. Positive and negative cash flow represents the increase and decrease of overall cash flow. It is found positive overall cash flow during the relevant five year. Meantime net cash flow highly decreases in F/Y 2013/14 and 2016/17. It is mainly due to decreases in cash flow of the investing and financing activities of that particular year.

Vi Calculation of future year cash flow trend analysis

We are not only examining past trend of the bank, we are also trying to predict future cash flow of the bank up to next 7 years. We can use formula y = a+bx to determine the future cash flow.

Calculation of future year’s cash flow by using y =a+bx formula .we get net cash flow of the bank for next 7 fiscal year as follow:

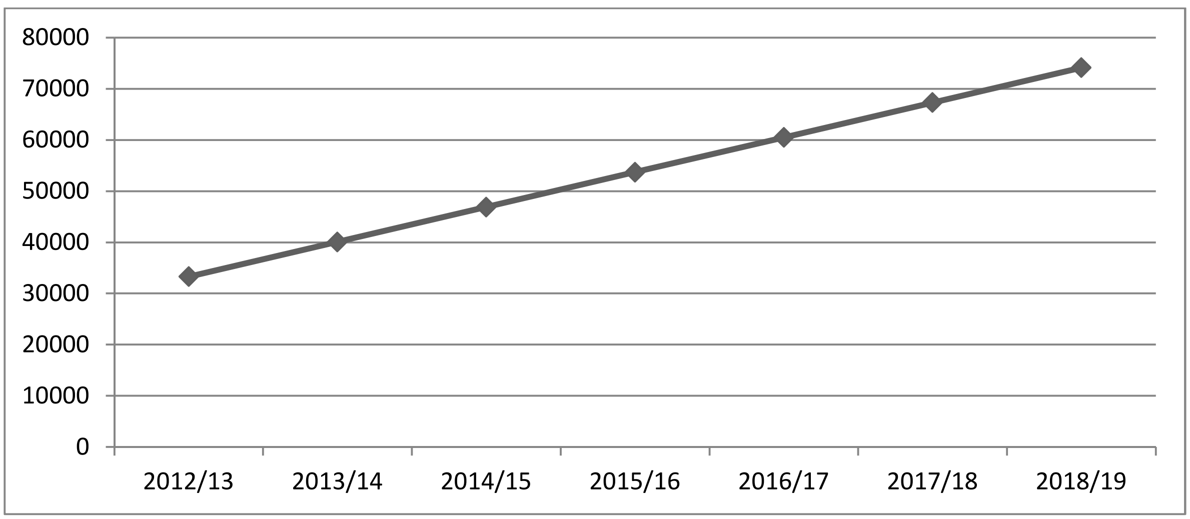
Table: 4.48 : Cash flow trend of ADBL

(in million)

Years	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Cash flow	33289.25	40091.41	46893.57	53695.73	60497.89	67300.05	74102.21

The future years net cash flow of the bank is expected to increase year by for next year. This is shown in above table and same is also present in simple trend line . It is in gradually increasing trend

Figure: 4.45 : Cash flow trend of Agricultural Development Bank



Figure, 4.45 cash flow trend is in increasing trend. It seems to have positive impact to the bank as well as to its investors. Cash flow trend of Agricultural Development is more consistency as it is increase.

4.4 Major Findings of the Study

The major finding of this research study on profit planning in commercial Bank, are as follows.

- Total income is increasing trend interest income and is in raising trend from 2012/13 to 2016/17. Commission and discount is increasing 2012/13 to 2016/17 and other income and income on foreign exchange are also increasing trend but Non-operating income is decreasing in Fiscal Year 2012/13 to 2016/17 and total income of 2016/17 is highly increased to compare with the same previous year.
- The revenue from other income is increased trend all fiscal year. In fiscal year 2012/13 Bank generates only Rs.248 thousand as and revenue from other income and 2013/14 Rs.267 thousand, in 2014/15 Rs.504 thousand, in 2015/16 Rs. 1001 and F/Y 2016/17 bank generated highly income. It is comparing with the previous year increased percentage is 182.82% and revenue volume is Rs.2825 thousand.
- An employee expense is in increasing trend in all fiscal year. In fiscal year 2012/13 it is Rs.7629 thousand and increased year by year and in fiscal year 2016/17 it is reached to Rs.29872 thousand. Operating expenses is second major expenses of the bank and it is also in increasing trend. In fiscal year 2012/13 it is Rs.13671 thousand and in fiscal year 2016/17 it is reached to Rs.51364 thousand. Total expenditure of the bank is in increasing trend. In fiscal year 2012/13 it is Rs.45426 thousand and fiscal year 2016/17 it reached Rs.241280 thousand.
- In Fiscal Year 2014/15 interest expenses reached to Rs.76155 thousand, in 2015/16 it is 113579 thousand and 2016/17 reached Rs.160046 thousand. It is increased by 40.91% compare with previous year.
- Fiscal Year 2015/16 it is Rs.19872 thousand which is 13.98% with comparing previous year and in the 2016/17 reached Rs.29870 thousand which increased by 50.31% with comparing previous year.
- The total size of revenue, cost and net profit for five year operating profit of MBL. In fiscal year 2012/13 and 2013/14 the amount of revenue, cost and net profit is not good conditions. Both years bank has been suffered by loss. The

analysis of revenue, cost and net profit is the first important things of any commercial bank. In first two fiscal year MBL's revenue and cost increased but cost increase ratio is higher than revenue that why net profit is negative Rs.10258 and 22284 thousand respectively. First two year bank has suffered by loss due to bank was establishing phase.

- Total deposit is increasing rapidly and reached Rs. 2754632 thousand and Rs 3884211 thousand in fiscal year to 2015/16 and 2016/17 respectively. Interest expenses are also in increasing trend. In fiscal year 2015/16 total interest expenses is Rs. 113579 thousand. But percentage of interest expenses is fluctuation in fiscal year 2013/14 it 6.48% where as in fiscal year 2015/16 and 2016/17 it is 4.12%. After analysis the data MBL's total deposit collection is highly satisfactory.
- Non-interest expenses are high and non-interest income are low so burden also high in fiscal year 2014/15 interest income increased, interest expenses also increased. So spread also increased and non-interest expenses increased high but non-interest income decreased so the burden increased a very high and Bank suffered from loss in first two fiscal year 2012/13 and 2013/14.
- The liquidity position of MBL is strong in average. In fiscal year 2012/13 its liquidity position is very strong. In fiscal year 2016/17 its liquidity position is less in comparison other fiscal year.
- Bank's cash and bank balance is below then deposit in all fiscal year except F/Y 2012/13. In fiscal year 2012/13 cash and bank balance is high then deposit.
- Fiscal year 2012/13 MBL's net fixed assets to net worth is high while in Fiscal Year 2015/16 its ratio is very low.
- In the fiscal year 2012/13 and 2013/14 it's ratios in negative. In fiscal year 2013/14 its negative ratio reaches 53% which is very high negative ratio. But fiscal year 2014/15 its NPAT ratio improved and it became positive and in 2016/17 also get positive return. If the trend continuous the MBL'S net profit after tax to net worth ratio in coming year will be positive & more efficiency

- Return on total assets is flexible and some year it is negative. But since in fiscal Year 2014/15 its trend become positive and improving.
- Interest earned to total assets is homogenous in fiscal year 2016/17 its return is high among the other fiscal year and in fiscal year 2012/13 it is low.
- The letter of credit outstanding is increasing each year (except fiscal year 2013/14). It had a record growth of 58 % in fiscal year 2013/14, in fiscal year 2014/15 increased by 1036.14%, in fiscal year 2015/16 increased by 232.23% and in fiscal year 2016/17 also increased 13.95%. The percentage of fiscal year 2016/17 is decreasing growth percentage but also greatest L/C amount in the background.
- That the Bank guarantee outstanding liabilities is increasing each year. It have a record growth of 17.01% in the year 2013/14 and 16.51% growth in the year 2016/17. The percentage of fiscal year 2016/17 is decreasing growth percentage but also greatest outstanding B/G amount in the background.
- Future plan for capital fund is to increase percentage authorized share. It has increased paid up capital 605000 thousand and it will be reached Rs.1000 million as per rules and regulation of NRB.

CHAPTER - V

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

This chapter presents the summary, conclusion and recommendation of the study, the researcher's conclusion of the study and way forward or some recommendations for the further study on the related topic. Quantitative research method and secondary data was used to explore the answers of such objectives. The annual reports of the bank and some data given by the bank managers were used.

5.1 Summary

Profit planning is the process of developing a plan of operation that makes it possible to determine how to arrange the operational budget so that the maximum amount of profit can be generated. The actual process of profit planning involves looking at several key factors relevant to operational expenses. Putting together effective profit plans or budgets requires looking closely at such expenses as labor, raw materials, facilities_maintenance and upkeep, and the cost of sales and marketing efforts. By looking closely at each of these areas, it is possible to determine what is required to perform the tasks efficiently, generate the most units for sale, and thus increase the chances of earning decent profits during the period under consideration.

The main objective of research is to identify the revenue, cost profit and cash flow of joint ventures bank with reference to Everest Bank, Machhapuchchhre Bank and Agricultural development Bank Ltd. The research analyzes the profit planning of commercial Banks in Nepal and provides valuable recommendation. To analyze the profit planning last five years data has been used.

The bank is in increasing trend. Interest income, operating income and other income are also rising trend but non operating income and income form FOREX is fluctuation.

However, commission and discount is increasing trend and it is decreased in FY 2014/15 than after increased to compare with the same previous year. It shows that bank has got success in interest collection mission. Interest on deposit including interest on loan and borrowing, staff expenses and operating expenses is the major expenses interest on deposit is in increasing trend from first to fiscal year 2012/13 and bank has to bear interest expenses on Rs. 2873.3 million and F/Y year 2015/16 is reached to 2258.7 million.

The total size of revenue, cost and net profit for seven year operating profit of EBL. Both years bank has been attained profit. The analysis of revenue, cost and net profit is the first important things of any commercial bank. After this all fiscal years Bank's interest income increased and spread increased but burden decreased and Bank generates profit. Now Bank is running so good condition compare with previous year.

Bank has capability in utilizing total assets in the form of loan and advances. Consistency in the utilization of assets in the form of loan and advance is satisfactory because the fluctuating in the ratio is minimum.. Credit management is in good position of the bank. According to the direction of NRB to the commercial banks, the ratio of non-performing assets to total assets should be about 5%. However, referring to this table, EBL is able to keep the level of non-performing assets at a satisfactory level, which is on mean 0.42%.

The profit up to third year is in increasing trend but it is decreased in fourth and fifth year. Although it has been decreased the decreasing ratio is not high it is slowly goes down. The researcher felt that it is an effect of financial crisis of the world. So up to this condition we can say the bank has higher efficiency and capacity to better utilization of resources. Everest Bank Limited is truly Nepali bank and during the review period it was in infant stage and at the same time it is also seen that interest offered by the bank is in decreasing rate. Bills payable of the bank exist both in Nepalese and foreign currency.

It is found positive overall cash flow during the relevant five year. Meantime net cash flow highly decreases in F/Y 2016/17 and 2012/13. It is mainly due to decreases in cash flow of the investing and financing activities of that particular year.

5.2 Conclusions

On the basis of above analysis and finding of the study ,the major conclusions are as follows:

- Interest income, operating income and other income are also rising trend but non operating income and income from foreign exchange is fluctuating.
- The bank has got success in interest collection mission.
- Commission and discount was sometimes decreased and sometimes increase in different fiscal year.
- Interest on deposit including interest on loan and borrowing, Staff expenses and operating expenses is in increasing trend.
- The analysis of revenue, cost and net profit is the first important things of any commercial bank. Both years bank has been attained profit.
- After analysis the data MBL total deposit collection is highly satisfactory.
- After this all fiscal years Bank's interest income increased and spread increased but burden decreased and Bank generates profit. Now Bank is running so good condition compare with previous year.
- Consistency in the utilization of assets in the form of loan and advance is satisfactory because the fluctuating in the ratio is minimum
- Credit management is in good position of the bank. According to the direction of NRB to the commercial banks, the ratio of non-performing assets to total assets should be about 5%. However, referring to this table, EBL is able to keep the level of non-performing assets at a satisfactory level, which is on mean 0.42%.
- This indicates it has lowest degree of investment in risk assets.
- Return on deposit is decreased in the last fiscal year but in previous year it has been increased. The researcher felt that it is an effect of financial crisis of the

world. So up to this condition we can say the bank has higher efficiency and capacity to better utilization of resources.

- Everest Bank Limited is truly Nepali bank and during the review period it was in infant stage and at the same time it is also seen that interest offered by the bank is in decreasing rate. Bills payable of the bank exist both in Nepalese and foreign currency.
- It is found positive overall cash flow during the relevant five year. Meantime net cash flow highly decreases in F/Y 2016/17 and 2012/13. It is mainly due to decreases in cash flow of the investing and financing activities of that particular year.

5.3 Recommendations

These findings may be useful for them who are concerned directly or indirectly with the credit policy of the bank. On the basis of above analysis and findings of the study, following suggestions and recommendations can be drawn out.

- The main expenditure source of the bank is staff expenses. This expenses of the bank is increasing trend. It should be minimized by increasing the efficiency of the staff..
- Main source of interest income is loan & advance so it should be keep it up by investing in productive sector.
- Profitability ratios of the bank i.e. ROA and ROD is not satisfactory. These ratios of the bank are fluctuating trend. So it is recommended to reduce assets costs, increasing revenues & reducing expenses.
- The bank most formulate strong deposit collection plan by using wide networking in the rural part of the country so that it can earn more profit.
- In order to improve cash flow from the activities, the bank should recommended to replacing it's high interest rate debt by a lower interest rate debt, reduction in dividend to converse cash and also formulate several strategies to improve cash flow.

- Net cash flow from financing activities are negative in every fiscal year. It shows that the financial condition of the bank is not satisfactory. Dividend and interest on borrowing are the main reasons to negative cash flow from financing activities. So we can suggest to the bank for long term growth, it issued common stock to raise capital.
- These banks need to focus on alternative ways delivering financial services, especially using technology as a delivery channel.

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