CHAPTER I

INTRODUCTION

1.1 Background of the Study

Financial performance is a subjective measure of how well a firm can use assets from its primary mode of business and generate revenues. This term is also used as a general measure of a firm's overall financial health over a given period of time, and can be used to compare similar firms across the same industry or to compare industries or sectors in aggregation.

Financial performance is the broad sense refers to the degree to which financial objectives being or has been accomplished and is an important aspect of financial risk management. It is the process of measuring the results of an organization policies and operations in terms of monetary value. Evaluating the financial performance will assist the decision maker to judge the result of business strategies and activities in the objective monetary terms. Financial performance analysis is a study of a relationship among the various financial factors in business as disclosed by the single set of statement and study of the trend of this fact as shown in the series of statements. (Ahuja, 1998).

Financial analysis is the process of identifying the financial strengths and weakness of the firm by properly establishing relationship between the items of the balance sheet and the profit and loss account. Management of the firm can undertake it or by parties outside of the firm." The focus of the financial analysis is on the key figure contained in the financial statement and significant relationship existed. Management of the firm is generally interested in every aspect of the financial analysis; they are responsible for the overall efficient and effective utilization of the available resources and financial position of the firm. (M.Pandey)

Financial performance analysis includes analysis and interpretation of financial statements in such a way that it undertakes full diagnosis of the profitability and financial soundness of the business. The financial analyst program provides vital methodologies of the financial analysis. Financial analysis is structural and logical way to present overall financial performance of a financial institution. It also helps to evaluate and decision making for business operation. Several Studies (Mc.Knnon, 1973; Levine, 1997) have reported that the efficacy of the financial system to reduce information and transaction cost plays an important role in determining the rate of savings, investment decisions, technological innovation and hence the rate of economy growth.

Performance evaluation is the important approach for enterprises to give incentive and restraint to their operators and it is important channel for enterprises stakeholders to get the performance information. (Sun, 2011). The financial performance analysis identifies the financial strengths and weaknesses of the firm by properly establishing relationships between the items of the balance sheet and profit and loss account. The first task is to select the information relevant to the decision under consideration from the total information contained in the financial statements. The second is to arrange the information in a way to highlight significant relationships. The final is interpretation and drawing of inferences and conclusions. In short, "financial performance analysis is the process of selection, relation, and evaluation.

Financial statement analysis is the process of examining relationships among financial statement accounts and making comparisons with relevant information. It is a valuable tool used by investors and creditors, financial analysts, and others in their decision making processes related to stocks, bonds, and other financial instruments. The goal in analyzing financial statements is to assess past performance and current financial position and to make predictions about the future performance of a company's profitability and their prospects for earning a return on their investment by receiving dividends and/or increasing the market value of their stock holdings. Creditors and investors who buy debt securities, such as bonds, are more interested in liquidity and solvency; the company's short and long run ability to pay its debts.

The objective of financial statements is to provide information about the financial position, performance and changes in financial position of an enterprise that is useful to a wide range of users in making economic decisions. Owners and managers require financial statements to make important business decisions that affect its continued operations. Financial analysis which measure financial performance is then performed on these statements to provide management with a more detailed understanding of the figures. Furthermore, the rationale of financial analysis is to diagnose the information contained in financial statement so as to judge the future earning, ability to pay interest, debt maturities, profitability and sound dividend policy.

Banking system occupies an important role in the economic development of a country. A banking institution is indispensable in a modern society. It plays a pivotal role in the economic development of a country and focus the core of the money market in an advance country. The banking activities are getting very much dynamic as well as complex. Because of the higher return on investment, entrepreneurs were interested in setting of new bank including branches of foreign banks. However, current political and economic scenario of the country coupled with new prudential norms of Nepal Rastra Bank and stiff competition may make the entrepreneurs give a second thought to the idea of establishing banks

Banking has become an important feature, which renders service to the people in financial matters and its magnitude of action is extending day by days. It is a major financial institutional system in Nepal, which accounted for more than 70% of the total assets of all the financial institution. (Poudel, 2005). A profitable and sound banking sector is at a better point to endure adverse upsets and adds performance in the financial system. (Athanasoglu et al ; 2008)

A competitive banking system promotes the efficiency and therefore important for growth but market power is necessary for stability in the banking system. (Norhcott, 2004). Commercial bank holds a large share of economic activities of a country. The function of the commercial banks has been enhancing in Nepal to sustain the increasing need of services sector and the economy in general.

Performance evaluation of a commercial bank is usually related to how well the bank can use its assets, shareholders equities and liabilities, revenue and expenses. The performance evaluation of the bank is important for all parties including depositors, investors, bank managers and regulators. The evaluation of the firms' performance usually employs the financial ratio method it provides a simple description about the firm’s financial performance in comparison with previous periods and helps to improve is performance of management. (Lin et al ; 2005)

This study research focuses only on the comparative financial performance between HBL and KBL. This comparative financial performance analysis gives insight into the relative financial condition and performance of these banks. This will provide guideline for improving its performance to achieve the banks overall objectives. Similarly, this study helps the banks to identify its hidden weakness regarding financial administration. This study explains the shareholders about the financial performance of their respective banks. The study also compels the management of respective banks for self-assessment ofwhat they have done in the past and guides them in their future plan and programs.

1.2 Statement of the Problem

Like most of developing countries around the world the financial sector in Nepal is still under developed and requires a huge attention. The development of the banking industry (which is part of the financial institution) is at a slower pace when considering the years of the banking industry. Most of the industries in developing countries are characterized by weak administration, weak resources mobilization capacity and are also faced with other social and economic problems. Even though the banking industry is characterized by being underutilized it still has a huge impact in the overall development of the country as a whole. Hence understanding and examining the financial strength of these industries is not only critical for the banks themselves but would also affect the economy of a country.

The era of globalization modern free market economy introduce a window of banking acidity that has huge impact on any countries trade and overall development. To complete the process of banking or trading financial intermediaries and institution act like as safe gateway between two sides. As an institution, bank has been contributing towards the development of any economy for a long time and at the moment it is treated as an important banking industry in modern world. Nowadays the functioning area of bank not limited within same geographical limit of any country. Therefore bank has to manage large volume transaction, industry related stakeholder need to know about the financial performance of the bank. To analyze the financial performance ratio analysis is the most logical way to show the bank financial position.

The present study basically focused on the financial performance of HBL and KBL. In Nepal many banks and financial companies have opened up within a span of few years. Although joint venture banks have managed to perform better than other local commercial banks within the short period of time they have been facing a neck competition against one another. Therefore, it is necessary to analyze the profitability position of HBL and KBL. Thus the present studies seek to explore the efficiency and comparative financial performance of HBL and KBL.

In Nepal, the profitability rate, operating expenses and dividend distribution rate among the shareholders has been found different in the financial performance of the two commercial banks in different period of time. The problem of the study will ultimately find out the reasons about difference in financial performance. A comparative analysis of financial performance of the banks would be highly beneficial for pointing out their strength and weakness. Although commercial banks are considered efficient, but how far are they efficient? This question does emerge in banking sector. At present we have twenty eight commercial banks. In spite of rapid growth, some indicators show performance is not much encouraging towards the service coverage.

Mr.Adhikari(2008) thesis conclude that EBL is found superior regarding the liquidity, quality assets they possessed and capital adequacy overall capital structure of NSBIBL appears more levered than that on EBL. But NSBIBL is found superior in terms of profitability and turnover comparatively interest remained more dominant in the total income and expenses of NSBIBL than that of EBL. Regarding the test of hypothesis is (at 5% level of significance) the performance of the sampled banks significantly different with respect to the ratios, loans and advances to saving deposits. Loan loss provision to total deposit interest earned to total assets and tax per share correlation analysis signifies that EBL is successful to utilize its resources more efficiently than NSBIBL. The research can help the people who wanted to know about the overall financial performance of joint venture bank in Nepal.

Joshi, (2008) conducted a study where analysis of liquidity of these commercial banks shows different position here the average current ratio of NSBI is greater than that of NBBL. Therefore, the liquidity position of SBI is in normal position. The turnover of the commercial banks is the main indication of income generating activities. These ratios are used to judge how efficiently the firm is using its resources. From the analysis of turnover of these banks, NBBL has better turnover than NSBI in terms of loans and advances to total deposit ratio. Thus, NBBL has better utilization of resources income generating activities than NSBI bank which definitely lead to increase in income and this making an increment profit for the organization. Despite the fluctuating trend in the ratio of cash and bank balance to total deposit NSBI bank is more efficient than NBBL in cash management i.e. it is more able to keep more cash balance against its various deposits.

The analysis of profitability of these two commercial banks is also different. The overall Calculation seems to be better for NBBL though certain ratios like dividend per share, dividend payout ratios etc are better for NSBI bank. From the calculation, NBBL seems to tackle their investors more efficiently. Going through net profit to total deposit ratio, it can be said that NBBL seems to be more successful in mobilizing its customers saving in much more productive sectors. NBBL has slightly riskier debt financing position in comparison to NSBI bank.

This study tries to analyze the present performance of banks, the research is sought to answer the following queries

1. How is the trend of different financial ratio?

2. What is the financial position of HBL and KBL?

1.3 Objective of the Study

The main objectives of the study is to evaluate and analysis the financial performance of these two commercial banks i.e. HBL and KBL and to recommend the suitable suggestion for improvement. Furthermore the study aims to achieve the following specific objectives.

1. To analyze the trends of different financial ratios.

2. To evaluate the financial position of HBL and KBL.

1.4 Significance of the study

A Research conduct by Shakya, (2010) analyzed different ratio of NSBIBL and EBL for the period of five years till fiscal year 2008. Here, in some cases the liquidity position of EBL is slightly stronger where as in some cases the ratio of NSBIBL is higher. It concludes that liquidity position of these two banks is sound. NBBL has better utilization of resource in income generating activity than EBL. They are on decreasing trends while Interest earned to total assets and return or net worth ratio of EBL is better than NSBIBL. It seems overall profitability position of EBL is better than NSBIBL and both banks are highly leveraged." Similarly a research conducted by Regmi (2007) suggested NBBL to increase its current assets because the bank is not maintaining adequate liquidity position in comparison with HBL. As capital structures of both the bank are highly levered both the banks are recommended to maintain and improve mix at debt and owner's equity by increasing equity share. He further suggests to HBL to improve the efficiency in utilizing the deposits in loan and advance for generating the profit NBBL should try to maintain present position on this regards. Profitability position of HBL is comparatively better than the same of NBBL. So, NBBL is recommended to utilize its resources more efficiently for generating more profit margins. If resources held idle, bank faces high cost and causes the low profit margin. And ideal dividend payout ratio is based upon shareholders expectations and the growth requirement of the banks. NBBL is suggested to increase its dividend payout ratio. (Regmi, 2001,)

The two banks should extend their resources to rural areas and promote the development of poor and disadvantaged group. In order to do so banks should open their branches in the remote areas with objectives of providing cheaper banking services especially HBL should initiate this regard because it has few branches in comparison to NBBL .Because of the start competition between banking, sectors both the banks are suggest to formulate and implement some sound and effective financial and non-financial strategies to minimize operational expenses to meet required level of profitability. The banks are further suggested to adopt modern banking technologies to enhance their better and wide market.

The significance of the study lies mainly in identifying and comparing the financial health of banks. The study deals with financial performance and its indicator as well as financial viability of the banks. This study provides necessary information on performance capability of banks to the banks' management. It provides the real picture of performance which is beneficial to potential as well as existing shareholders. The study is also useful for depositors, merchant bankers as well as other stakeholders; they can identify the overall performance of the bank. It is also helpful to those who want to conduct further study in this field.

1.5 Limitations of the Study

The following are the limitation of the present study: -

1. This study is limited to the comparative study of financial performance of two joint venture banks HBL and KBL.
2. This study is based on only five years data of bank's annual report from 2068/69 to 2072/73.
3. In this study, only selected financial and statistical tools and techniques are used.
4. The result obtained by this study is based on only two commercial banks thus this study will not be applicable to all commercial banks.
5. This study is based on secondary data therefore the accuracy of the result depends on the accuracy of the data provided in the annual reports of the banks.

1.6 Chapter Plan

This study has been organized into the following five chapters:

Chapter – I: Introduction

This chapter includes background of the study, focus of the study, statement of the problems, objectives of the study, significance of the study and limitations of the study.

Chapter - II: Review of Literature

This chapter reviews the existing literature on the concept of financial performance analysis. It also contains reviews of journals and articles.

Chapter - III: Research Methodology

This chapter expresses the way and technique of the study applied in the research process. It includes research design, population and sample, data collection procedure and processing, tools and method of analysis.

Chapter - IV: Analysis and Interpretation of Data

In this chapter collected and processed data are presented, analyzed and interpreted with using financial tools as well as statistical tools.

Chapter - V: Summary, Conclusion and Recommendations

In this chapter, summary of whole study, conclusions and recommendations are made.

CHAPTER II

LITERATURE REVIEW

In this chapter the review of various books, research works and articles have been reviewed to make clear concept about the topic as well as to recall the previous studies made by the various researcher in this topic Financial Performance analysis of commercial banks in Nepal.

This chapter is divided into two sections where on section covered definition of key concept and clarification of theories related with the studies topic called theoretical literature review while the other section covered the idea of other researcher presented in their research report, journal, and books related to these study called empirical literature review.

2.1 Conceptual Review

2.1.1 Concept of Financial Performance

The modern financial evaluation has greatly affected the role and importance of financial performance. Nowadays, finance is best characterized as ever changing with new ideas and techniques. Only efficient manager of the company can achieve the set up goals. Financial performance can be defined as a heart of financial decision. The growth and development of the enterprise is fully affected by financial performance and financial performance of the enterprise is correct when true facts and figures are sort out.

Financial performance is a subjective measure of how well a firm can use assets from its primary mode of business and generate revenues. Financial performance refers to the act of performing financial activity. In broader sense, financial performance refers to the degree to which financial objectives being or has been accomplished. It is the process of measuring the results of a firm's policies and operations in monetary terms. It is used to measure firm's overall financial health over a given period of time and can also be used to compare similar firms across the same industry or to compare industries or sectors in aggregation. (Lundberg, 1982)

Financial performance is the process of measuring the results of an organization policies and operations in terms of monetary value. These results are reflected in the firm's profitability, liquidity or leverage. The function or the performance of finance can be broken down into three major decisions i.e. the investment decision, the financing decision, and the dividend decisions. Evaluating the financial performance of the business allows the decision makers to judge the results of business strategies and activities in objectives monetary terms. Normally the ratios are used to determine the financial performance of an organization. A well designed and implemented financial management is expected to contribute positively to the creation of firm's value. (Padachi, 2006)

Financial performance evaluation is traditionally based on the analysis of financial ratios such as return on equity, return on assets, net interest margin, capital assets ratio, growth rate of total revenue, cost/income ratio. However, regardless of how many ratios being used, a model that would fully satisfy the analysis of needs and bank operations efficiency evaluation has not been developed yet. For this reason, the financial ratio analysis is complemented with different quality evaluations, with feature such as management quality, equity structure, competitive position and others to be included into the financial evaluation. (Tihomir, 2001)

The financial performance analysis identifies the financial strengths and weaknesses of the firm by properly establishing relationships between the items of the balance sheet and profit and loss account. The first task is to select the information relevant to the decision under consideration from the total information contained in the financial statements. The second is to arrange the information in a way to highlight significant relationships. The final is interpretation and drawing of inferences and conclusions. In short, "financial performance analysis is the process of selection, relation, and evaluation. (Meigs et.al, 1978)

The firm as well as various interested groups such as managers, shareholders, creditors, tax authorities, and others seeks answers to the important questions like what is the financial position of the firm at the given point and how is the financial performance of the firm over given period of time ? These questions can be answered with the help of financial analysis of a firm. Financial analysis involves the use of financial statements. A financial statement is an organized collection of data according to logical and consistent accounting procedures. Its purpose is to convey an understanding of some financial aspects of a business firm. It may show a position at a moment of time as in the case of a Balance Sheet, or may reveal a series of activities over a given period of time, as in the case of an Income Statement. Thus, the term 'financial statements' generally refers to two basic statements: the Balance Sheet and the Income Statement.

Financial performance analysis is the process of evaluating the relationship between components parts of the financial statements to obtain a better understanding of a firm's position and performance. (Metcalf & Tatar, 1996)

2.1.2 Areas of Financial Performance Analysis

Financial analysts often assess firm's production and productivity performance, profitability performance, liquidity performance, working capital performance, fixed assets performance fund flow performance and social performance. Various financial ratio analyses includes-

1. Working capital Analysis
2. Financial structure Analysis
3. Activity Analysis
4. Profitability Analysis

2.1.3 Objectives of Financial Performance Analysis

1. To help the management in exercising organizational control.
2. To diagnose the strengths and weaknesses of the business.
3. To prove reliable financial information about economic resources and obligations of a business enterprise.
4. To provide reliable information about in net resources of an enterprise that results from its activities.

5. To prove financial information that assist in estimating the earning potentials of a business.
6. To provide other needed information about changes in economic resources of obligation.
7. To disclose, to the extent possible, other information related to the financial statements that is relevant to the needs of the users of these statements.

2.1.4 Importance of Financial Performance Analysis

The significance and requirement of performance appraisal ascend from the viewpoint of all live participants who are interested in the routine of the unit. These are as under

2.1.4.1 Management Point of View

Performance appraisal plays a vital role in providing such information to the management, which is required for planning, decision-making and control e.g. operational analysis provides gross margin, operating expense analysis and profit margin. Asset management outlines asset turnover, working capital under inventory turnover, accounts receivable and payable. Profitability position shows return on assets, Earning before Interest and Tax (EBIT) and return on assets. Gresternberg stated that, "Management can measure the effectiveness of its own policies and decisions, determine the advisability of adopting new policies and procedures and documents to owners as a result of their managerial efforts." Thus, management should examine a great deal of information in the context of various resources placed at the disposal of an undertaking.

2.1.4.2 Potential Investors Point of View

According Erich A. to Helfert, "Importance of Performance lies for owners / potential investors should know easily. The financial position of a company by return on net worth, return on common equity, earnings per share, cash flow per share, dividends per share, dividend yield, dividend coverage, price earnings ratio, market to book value, pay out / retention." The potential investors of the business organization in turn are interested in the current features.

2.1.4.3 Creditors Point of View

Creditors doing business with company simply appraise its performance by current ratio, acid test ratio, debt to assets ratio, equity and capitalization, interest coverage and principal coverage before lending the finance. Performance appraisal describes real features of business organization to the creditors.

2.1.4.4 Government Point of View

Government has significance of performance appraisal of an individual organization or industry as a whole by the means of various taxes, revenues, financial assistance, sanctioning subsidy to a unit or industry as well as price fixing policies frame outlines. The key role of performance appraisal for the government lies in planning, decision-making and control process.

2.1.4.5 Employees and Trade Unions Point of View

Employees are resources of the company and are interested to know the financial position and profits of the company. Generally, they are analyzed by making the comparison between past and present performance, profit margin and cash flow of the company. Trade unions are interested to know the data of financial performance pertaining to their demands for increase in wages, salaries, facilities and social welfare.

2.1.4.6 Society and Others Point of View

Society and Others are included in external environment of the company and every business organization has a greater responsibility towards society. In this context, performance appraisal should be appraised through various types of elements such as customers, investors, media, credit institutions, labor bureaus, taxation authorities; economists are interested for the appraisal of a business organization. The society as a whole also looks forward to know about the social performance i.e. environmental obligations, social welfare, etc.

2.1.5 Significance of Financial Performance Analysis

The interest of the various related groups is affected by the financial performance of the firm. The type of analysis varies according to the specific interest of the parties involved.

Trade creditors: interested in the liquidity of the firm (appraisal of firm's liquidity)

Bond holders: interested in the cash-flow ability of the firm (appraisal of firm's capital structure, the major sources and uses of funds, profitability over time, and projection of future profitability)

Investors: interested in present and expected future earnings as well as stability of these earnings (appraisal of firm's profitability and financial condition)

Management: interested in internal control, better financial condition and better performance (appraisal of firm's present financial condition, evaluation of opportunities in relation to this current position, return on investment provided by various assets of the company etc). (Eshna, 2012)

2.2 Review of Journal and Articles (Empirical Review)

Several empirical studies around the world have been conducted to measure financial performance analysis of different commercial banks. Following are some of the reviews done by various scholars and researcher.

Pathak (2003), while comparing the financial performance of private sector banks since 1994-95, explained that the private sector banks have delivered a new banking experience. Looking to the growing popularity of services provided by them, their public sector counterparts have started emulating them. He studied the performance of these banks in terms of financial parameters like deposits, advances, profits, return on assets and productivity. In this paper, the author made an attempt to have an insight into the financial operation of these institutions. A sample of 5 banks has been taken for financial analysis. Financial track record of all these banks was evaluated, and their financial performance was compared. The working of all the constituents was satisfactory but the HDFC Bank emerged as a top performer among them followed closely by the ICICI Bank.

Ram Mohan and Ray (2004), in their article made a comparison of performance among three categories of banks - public, private and foreign banks - using physical quantities of input and outputs and comparing the revenue maximization efficiency of banks during 1992-00. The findings of the study showed that public sector banks performed significantly better than the private sector banks but in no way different from foreign banks.

Jain (2006), in his article discussed various ratios relating to profitability of the banks. The author classified the various ratios under three categories, viz. Costing Ratio, Returns / Yield Ratio and Spread Ratios. Such ratios can be used to understand a bank's financial condition, its operation and attractiveness as an investment. He explained that such ratio analysis can be used to make an inter-branch comparison for investigating the strengths and weaknesses of individual bank's and to enable them to take strategic decisions and initiate necessary corrective actions

Gopal and Dev (2006), in their research paper, empirically analyzed the productivity and profitability of selected public and private sector banks in India. They evaluated the effect of globalization and liberalization on the productivity and profitability of Indian banks during the period 1996-97 to 2003-04. The author observed that emergence of new private sector banks as well as entry of new foreign banks in this era has thrown tremendous challenges in the form of tough competition among the Indian banks. The spirit of competition and emphasis on profitability are also forcing the PSBs towards greater profit orientation. For the purpose of their study, they selected five large banks each on the basis of highest quantum of deposit mobilization from both the public and private sectors during the period under study. It was found that the process of globalization and liberalization has exerted its huge influence on the Indian banking sector. The ongoing reforms in the banking sector, with a thrust on transparency and efficiency have forced the Indian banking sector to adopt suitable strategies which focus on productivity and sustainability. The study reveals that except few cases, the productivity index is found to be greater than one in the selected banks. As far as the matter of achieving the target profitability is concerned, SBI and PNB were most successful followed by HDFC Bank and ICICI Bank but the performance of J& K Bank, Canara Bank and Bank of India was poor in terms of achievements. Interest spread emerged as the only strong factor influencing the profitability. A high degree of positive association between productivity and profitability during the study period speaks about the efficiency of the banks in utilizing their resources

Brinda and Dubey (2007) made an econometric analysis on the performance of public sector banks in India. They studied the performance of PSBs vis-à-vis other bank groups, i.e., private sector banks and foreign banks present in India. They tested the performance of different bank groups on different profitability and efficiency parameters and through econometric model. In their paper, they tested the hypothesis that government ownership per se makes public enterprises inefficient. For evaluating a bank's performance, they have used the two profitability measures, i.e., return on assets (ROA) and operating profit ratio (OPR). Two banks with identical OPR can differ in terms of ROA; one, to difference in the risk of their loan portfolio; and two, efficiency measures used in their analysis are net interest margin (NIM) and operating expense Ratio (OER). They applied the statistical techniques like ordinary least square method and bounded influence to analyze the data. They concluded that private sector banks and foreign banks are not found to be superior to the PSBs in any of the performance indicators, namely, ROA, OPR and OER given the present regulation environment. They also found that PSBs scored well against benchmarks as well as against other bank groups in India in the area of profitability (ROA), Non-Performing Loans (gross) (NPL) and operating costs as a proportion of total Assets, Capital adequacy requirement, etc. The above observations support the econometric findings of their study that PSBs are not inherently less efficient than private sector banks and foreign banks, given the regulatory environment. While the boom in the economy has helped greater operational flexibility, and improved corporate governance has contributed to improved performance. Going forward with the given performance of PSBs they are confident that with greater deregulation and financial sector reforms gaining further momentum, PSBs can meet the challenges of 2009, when RBI proposes to open up the sector in a bigger way to foreign players.

Arora and Kaur (2006) made an attempt to review the performance of banking sector in India during the post-reforms period. Banking sector being an integral part of Indian financial system has undergone dramatic changes reflecting the ongoing economic and financial sector reforms. The main objective of these reforms has been to strengthen the banking system amongst international best practices and standards, which will have lasting effect on the entire fabric of Indian financial system. These financial sector reforms have stimulated greater competition convergence and consolidation in Indian banking sector. For the purpose of analysis, banks have been broadly categorized into four categories, i.e., private sector, foreign banks, nationalized banks, and SBI and its associates. They made a comparative appraisal of banks on the basis of seven key performance measures such as returns on assets (ROA), capital asset, risk weighted ratio, NPA to net advances, business per employee, net profitability ratio, NPA level and off-balance-sheet operations of commercial banks for a time period of 9 years, i.e., 1996-2005. The researchers deliberated the latest trends and developments in the banking sector. The analysis reveals that there is phenomenal development in the banking sector particularly in PSBs. Their performance is comparable with banks in other sectors, yet they are lagging behind in thrust areas, such as asset quality, business per employee, capital adequacy requirements and profitability. The study concluded with some suggestions for improvement in performance of PSB like operating cost, rationalization of staff Literature cost, HRD, NPA reduction, deployment of funds in quality assets, technology up gradation, risk management techniques, market-driven approach, instance relationship management and credit delivery mechanism etc. With India getting increasingly integrated with the global financial world, the Indian banking sector has still a long way to go to catch up and compete with their counterparts in the west.

Singla (2008), in his research examined how financial management plays a crucial role in the growth of banking. During 2005-06, bank credits witnessed a strong expansion and a steady growth in deposits Literature 37 was also observed. Currently, banking in India is considered as fairly mature in terms of supply, product range and reach. In terms of quality of supply, assets and capital adequacy, Indian banks are considered to have strong and transparent position. As Indian economy is constantly growing especially the service sector, the demand for banking services is also expected to be stronger. Indian banking stands at a threshold of a mega change in the next 3-5 years. Many new situations are predicted to emerge. The study is conducted by examining the profitability of the selected sixteen banks (BANKEX-based) for the period of six years (2000-01 to 2006-07). For this purpose, the researcher computed various (Nine) ratios, which throw light on the various dimensions of the business. The study revealed that the profitability position was reasonable during the period of study when compared with previous years. Return on investment (ROI) proved that the overall profitability and the position of the selected banks were sustained at a moderate rate. With respect to debt-equity position, it was evident that the banks were maintaining 1:1 ratio, though at one point of time it was quite high. Interest coverage ratio was continuously increasing. Capital adequacy ratio was constant over a period of time. It was also observed that return on net worth had a negative correlation with debt-equity ratio. Interest income to working funds also had a negative association with interest coverage ratio and NPA to net advances was negatively correlated with interest coverage ratio. Finally, the researcher predicted that with the increasing level of globalization of Indian banking industry and the evolution of universal banks, competition in the banking industry would intensify further. Though the potential and ability exist, Indian banks have to be faster now to sustain the growth. On the basis of this study, it can be concluded that financial position of banks is reasonable. Debt-Equity ratio is maintaining an adequate level throughout and NPA also witnessed a decline. The ROI remains at a very low position, which is a worrying factor. The banking sector system, which is going through major reforms is one of the emerging sector and will grow at a sustained rate over a period of time

Waheed Akhter (2011), the purpose of this study is to analyze to efficiency and performance of Islamic Bank as compare to two types of conventional banks i.e. public and private sector banks in the case of Pakistan. The literature review shows that no such type of method has been used for Islamic Banking in Pakistan before this study. Therefore this study is being conducted first time in Pakistan. It will give clear understanding of the efficiency and performance of Islamic banking to decision makers. The nine financial ratios are used under (i) profitability (ii) Liquidity Risk and (iii) Credit Risk to measure the efficiency and performance. These ratios are applied on financial statements of these Islamic and conventional banks. The financial statements are used for the financial year 2006-2010. Trend analysis tool is also used to check the trends of balance sheet and income statement. The purpose of this study is to get results of efficiency and performance of interest free banking. The findings of this study will reflect the true picture of the Islamic Banking which will be helpful for policy makers. The study concludes that no significant difference is observed in interest free and interest based banking in respect of profitability. While this paper discovers the divergence in liquidity and credit performance. The trend analysis reveals the good trend of balance sheet of Islamic bank while in income statements there is no meaningful difference.

Adhikari (2008) thesis conclude that EBL is found superior regarding the liquidity, quality assets they possessed and capital adequacy overall capital structure of NSBIBL appears more levered than that on EBL. But NSBIBL is found superior in terms of profitability and turnover comparatively interest remained more dominant in the total income and expenses of NSBIBL than that of EBL. Regarding the test of hypothesis is (at 5% level of significance) the performance of the sampled banks significantly different with respect to the ratios, loans and advances to saving deposits. Loan loss provision to total deposit interest earned to total assets and tax per share correlation analysis signifies that EBL is successful to utilize its resources more efficiently than NSBIBL. The research can help the people who wanted to know about the overall financial performance of joint venture bank in Nepal.

Joshi, (2008) conducted a study where analysis of liquidity of these commercial banks shows different position here the average current ratio of SBI is greater than that of NBBL. Therefore, the liquidity position of SBI is in normal position. The turnover of the commercial banks is the main indication of income generating activities. These ratios are used to judge how efficiently the firm is using its resources. From the analysis of turnover of these banks, NBBL has better turnover than NSBI in terms of loans and advances to total deposit ratio. Thus, NBBL has better utilization of resources income generating activities than NSBI bank which definitely lead to increase in income and this making an increment profit for the organization. Despite the fluctuating trend in the ratio of cash and bank balance to total deposit NSBI bank is more efficient than NBBL in cash management ie it is more able to keep more cash balance against its various deposits.

The analysis of profitability of these two commercial banks is also different. The overall Calculation seems to be better for NBBL though certain ratios like dividend per share, dividend payout ratios etc are better for NSBI bank. From the calculation, NBBL seems to tackle their investors more efficiently. Going through net profit to total deposit ratio, it can be said that NBBL seems to be more successful in mobilizing its customers saving in much more productive sectors. NBBL has slightly riskier debt financing position in comparison to NSBI bank.

A Research conduct by Shakya, (2010) analyzed different ratio of NSBIBL and EBL for the period of five years till fiscal year 2008. Here, in some cases the liquidity position of EBL is slightly stronger where as in some cases the ratio of NSBIBL is higher. It concludes that liquidity position of these two banks is sound. NBBL has better utilization of resource in income generating activity than EBL. They are on decreasing trends while Interest earned to total assets and return or net worth ratio of EBL is better than NSBIBL. It seems overall profitability position of EBL is better than NSBIBL and both banks are highly leveraged.

Research conducted by Regmi (2007) suggested NBBL to increase its current assets because the bank is not maintaining adequate liquidity position in comparison with HBL. As capital structures of both the bank are highly levered both the banks are recommended to maintain and improve mix at debt and owner's equity by increasing equity share. He further suggests to HBL to improve the efficiency in utilizing the deposits in loan and advance for generating the profit NBBL should try to maintain present position on this regards. Profitability position of HBL is comparatively better than the same of NBBL. So, NBBL is recommended to utilize its resources more efficiently for generating more profit margins. If resources held idle, bank faces high cost and causes the low profit margin. And ideal dividend payout ratio is based upon shareholders expectations and the growth requirement of the banks. NBBL is suggested to increase its dividend payout ratio.

Jha and Hui (2012) has analyzed to compare the financial performance of different ownership structured commercial banks in Nepal based on their financial characteristics and identify the determinants of performance exposed by the financial ratios, which were based on CAMEL Model. Eighteen commercial banks for the period 2005 to 2010 were financially analyzed. In addition, econometric model (multivariate regression analysis) by formulating two regression models was used to estimate the impact of capital adequacy ratio, non-performing loan ratio, interest expenses to total loan, net interest margin ratio and credit to deposit ratio on the financial profitability namely return on assets and return on equity of these banks. The results show that public sector banks are significantly less efficient to foreign-owned (joint-venture) banks. Furthermore, the estimation results reveal that return on assets was significantly influenced by capital adequacy ratio, interest expenses to total loan and net interest margin, while capital adequacy ratio, interest expenses to total loan and net interest margin, while capital adequacy ratio had considerable effect on return on equity.

Singh and Tandon (2012) has analyzed banking sector plays an important role in economic development of a country. The banking system of India is featured by a large network of bank branches, serving many kinds of financial services of the people. The State Bank of India, popularly known as SBI is one of the leading bank of public sector in India. SBI has 14 Local Head Offices and 57 Zonal Offices located at important cities throughout the country. ICICI Bank is second largest and leading bank of private sector in India. The bank has 2533 branches and 6800 ATMs in India. The purpose of the study is to examine the financial performance of SBI and ICICI Bank, public sector and private respectively. The research is descriptive and analytical in nature. The data used for the study was entirely secondary in nature. The present study is conducted to compare the financial performance of SBI and ICICI bank on the basis of ratios such as credit deposit, net profit margin etc. The period of study taken is from the year 2007-08 to 2011-12. The study found that SBI is performing well and financially sound than ICICI Bank but in context of deposits and expenditure ICICI bank has better managing efficiency than SBI.

Ongore and Kusa (2013) has studied on moderating effect of ownership structure on bank performance are scanty. To fill this glaring gap in this vital area of study, the authors used linear multiple regression model and Generalized Least Square own panel data to estimate the parameters. The finding showed that bank specific factors significantly affect the performance of commercial banks in Kenya, except for liquidity variable. But the overall effect of macroeconomic variables was in conclusive at 5% significance level. The moderating role of ownership identity on the financial performance of commercial banks was insignificant. Thus, it can be concluded that the financial performance of commercial banks in Kenya is driven mainly by board and management decisions, while macro economic factors have insignificant contribution.

Pradhan(2013) has analyzed the efficiency in mobilization of resources. In the utilization side, he finds enough possibility of increasing current utilization of resources. He concludes the level of resources mobilization and utilization of bank was not satisfactorily maintained. Finally he suggest that in order to contribute in nation economic development the bank needs to extend its credit policy for the long term period also, pay more attention on priority investment, expand branch, pay attention on publicity encourages customers etc.

Bobakova (2003) researched the Slovakian banking industry and discovered that the profitability of banks is influenced by its interest rate policy. The author further argued that enhancement of bank's profitability critically depends on the institution's ability to set such an interest rate for asset deals that meets costs of funds, operating costs, as well as the required rate of profitability

(Elizabeth & Greg, 2004) showed that all financial performance measures as interest margins, return on assets, and capital adequacy are positively correlated with customer service quality scores.

Alam (2013), this study aims at measuring the performance of selected private sector banks (five) in Bangladesh through extensive use of financial ratios that mainly indicate the adequacy of the risk based capital, credit growth, credit concentration, non-performing loan position, liquidity gap analysis, liquidity ratio, return on assets

(ROA), return on equity (ROE), net interest margin (NIM), etc. Financial ratio analysis allows analysts to scrutinize a firm's financial performance.

Poudyal(2012) analyzed the composition trend and enter relation between capital and assets. During his study period of ten years (2002-2011), he found total assets and liabilities increased by 5.2 times total deposit during the period by 5.32 times and total investment (including loan and advance) increased by 5.42 times. He also concluded that the loan / Deposit ratio of the bank fluctuated year by year. He found the ratio of loan/deposit, net profit/total assets, net worth/total deposit and liabilities decreased during the study period. He recommended that the net worth of the bank must be increased in order to reduce the fluctuation on net profit. He has further suggested that the bank needs to have productive uses of its fund either by increasing net worth or by reducing its other unproductive assets. Also he has suggested that branch opening expenses must be minimized to level of the profit margin.

Pradhan(2014), the purpose of the study was designed to show the relationship of deposits of Nepal Bank Limited with their lending activities. The study covered a period of six years (2007-2011 B.S.) He found that increase in deposit of the bank lead to increase in the loan and advance but it is not in proportionate manner. He also found that immense increase in the deposit could not proportionately increase the investment. He further stated that the main reason for decrease in loan and advances was due to the increase in interest rate.

Medhat (2006) evaluated the financial performance of Omani Commercial banks used multiple regression analysis and correlations by employing ROA and interest income as performance proxies which represented as the dependent variables, and bank size, asset management and operational efficiency as independent variables. Found that, there is strong positive correlation between financial performance and operational efficiency and a moderate correlation between ROA and bank size, while, ANOVA analysis; results indicated that, there exists an impact of those independent variables on financial performance as the F-stat was significant and below the 5%. Ahmed (2011) investigated the financial performance of seven Jordanian commercial banks; the study used ROA as a measure of banks' financial performance and the bank size, asset management and operational efficiency as three independent variables affecting the financial performance. The results of the study showed a strong negative correlation between ROA and banks' size, a strong positive correlation between ROA and asset management ratio, and a negative weak correlation between ROA and operational efficiency. Khizer at e.l (2011) study about banks' profitability in Pakistan, they found a significant relation between asset management ratios, capital and economic growth and with ROA, the operating efficiency, asset management and economic growth are significant with the ROE. On the other hand, domestic banks are determined to have a lesser capital adequacy ratio than foreign banks. Chiaku at el (2006) examined the comparative performance of small U.S. commercial banks, medium size commercial banks and large commercial banks for the period of 1997-2002 by employing profit efficiency (PROFEFF), return-on-assets (ROA), interest income, noninterest income and loan loss reserve as criteria for the comparison. The results showed that between 1997 and 1999, small banks were more profit efficient (PROFEFF) than large banks but less than medium- size banks. Abdus at el (2006) evaluated the inter-temporal performance of commercial banks; the study was based on three categories of bank size, large, medium and small banks in the State of Utah for the period of 5 years from 2000 to 2004, by using two measures of performance – profits and quality of loans. T-tests and Kruskal-Wallis tests were applied to a variety of standard bank operations measures to determine whether there are significant differences in performance among the three categories of banks. The performance measures used were return on assets (ROA), return on equity (ROE), loan loss reserve ratio, and loans past due 30-89 days as a percentage of total loans. The study results showed that, no significant difference in performance between small and large banks between the years 2000 and 2004. However, there was a significant difference between small and medium, and medium and large banks in their ROA; the ROA of medium banks is significantly higher than that of small and large banks. Sanaullah (2009) compared the financial performance of Islamic and Conventional banks in Pakistan from 2006 to 2009 by employing Independent sample t-test and ANOVA to determine the significance of mean differences of financial ratios between and among banks, eighteen financial ratios were estimated to measure the performances in term of profitability, liquidity, risk and solvency, capital adequacy, deployment and operational efficiency. The results of the study indicated that, Islamic banks proved to be more liquid, less risky and operationally efficient than conventional banks.

Ho & Zhu (2004), reported that the evaluation of a company's performance has been focusing the operational effectiveness and efficiency, which might influence the company's survival directly. The empirical results of the researches (Raza et al., 2011; Tarawneh, 2006) explained that a company, which has better efficiency, it does not mean that always it will show the better effectiveness.

2.3 Research Gap

In this study, the major areas are to disclose the financial performance relates to Nepalese Commercial banks. This type of research was done rarely. This study shows that the unique feature of findings. Previous researches on the basis of financial performance of commercial banks in Nepal. But this research is about financial performance of commercial bank of Nepal with sample of Himalayan Bank Limited and Kumari Bank Limited. In the previous research, there is no clear-cut accounting and financial performance of commercial banks. The research can help the people who wanted to know about the overall financial standard and accounting procedure of joint venture bank in Nepal. There are two-selected banks to find out the problem and prospects of study. Therefore, this topic may be new as well as the researches efforts may be appreciable.

Many researchers who tested the financial performance analysis came up with contradictory result because of this controversial result, researcher gets the chance to do further study on this topics. Also in Nepal there are few research held on this topics so it has high time to analyze to compare the results.

CHAPTER III

RESEARCH METHODOLOGY

This chapter presents the methodology for the study in details. The chapter has been divided into sub section which provides a brief description about the research design, population and sample, sources of data, data collection and processing procedures. It also contains the analytical tools and model use for the study.

3.1 Research Design

This study is based on descriptive research design. Descriptive research is used to describe characteristics of a population or phenomenon being studied. It addresses the "what" question. The process of accumulating facts by identifying different variables, analyzing their behaviors and characteristics is included in descriptive method.

3.2 Population and Sample

The population of this study comprises all the license commercial banks of the country. Two banks are selected as a sample as a convenience sampling method. A list of commercial bank was obtained from NRB. There are altogether 28 commercials banks in Nepal. Out of them, 18 banks have cross 5years annual general meeting. They are

1. Himalayan Bank Limited

2. Kumari Bank Limited

3.3 Nature and Sources of Data

This study is related to financial performance analysis of selected commercial banks, so this study will rely on accounting and financial report, hence this study will be based on secondary data. The secondary data are modified to some extent for the study purpose. Data has been obtained from the bank’s annual report.

3.4 Data Collection Procedure

Annual reports are collected by visiting the respective banks located within the valley. The official website is also used to gather information about the bank. The various related journals, magazines, newspaper articles and others were used for data collection.

3.5 Data Processing

Data obtained from the various sources cannot be directly used in their original form further they need to be verified and simplified for the purpose of analysis. Data information, figure and facts so obtained need to be checked, rechecked edited and tabulated for computation. Using financial and statistical tools data are analyzed and interpreted.

3.6 Data Analysis Tools and Technique

The main purpose of analyzing the data is to make clear understand of the unprocessed data in order to draw the conclusion from them. The analysis is done according to the pattern and usefulness of the data. The methods of analysis employed in this study are as follows.

3.6.1 Return on Assets

Return on Assets shows how effective the company is at using those assets to generate profit. The higher the ROA, the better the utilization.

3.6.2 Return on Equity

Return on Equity reveals how much profit a company earned in comparison to the total amount of shareholder equity found on the balance sheet. It majors how profitable a company is for all the owner of the investment and how profitably a company employs its equity.

3.6.3 Credit Deposit Ratio

Credit deposit ratio helps in accessing a banks liquidity and indicates its health. If the ratio is to low, banks may not be earning as much as they could be. If the ratio is too high, its means that banks might not have enough liquidity to cover any unforseen fund requirements. It may affect capital adequacy and asset liability mismatch. A very high ratio could have implication at the systematic level.

3.6.4 Interest Income to Total Income

Higher the ratio the better indicating the bank is earning high interest rate or the proportion of interest assets (loans) to total assets is high.

3.6.5 Interest Expenses to Total Expenses

Interest expenses to total expenses should be done but the result should not be very high or more than average (50%).

3.6.6 Net worth

Net worth shows the difference between what you own and what you owe. If the assets exceed the liabilities, there will be positive net worth conversely if the liabilities are greater than the assets, there will be negative net worth it will help to provide a snap shot of financial situation**.**

3.6.7 Trend Analysis

Trend analysis is a very useful and commonly applied tool to forecast the future event in quantitative term, based on the tendencies in the dependent variable in the past period.

The straight-line trend implies that irrespective of the seasonal and cyclic as well as irregular fluctuation, the trend value increases or decreases by absolute amount per unit of time. The linear trend values mathematically,

$Yt = a + bx$

Where, Y= the Value of Dependent Variable

a = Y- Intercept

b = Slope of the Trend Line

x = Value of The Independent Variable i.e.

time = Year- 2068/69 to 2072/73

CHAPTER IV

RESULTS

4.1 Presentation and Analysis of Data

The purpose of this chapter is to present and analyze the data and information and drawing the findings. The objectives of this study were to examine the financial performance of HBL and KBL through the use of financial tools such as ROA, ROE, Credit Deposit Ratio, and Interest Income to Total Income, interest Expenses to Total Expenses and Net Worth, to compare the past and present financial performance of these banks.

4.2 Analysis of financial position of Listed HBL and KBL

4.2.1 Return on Asset

Higher ratio is favorable to investors because it shows that the company is more effectively managing its assets to produce greater amounts of net income. A positive ROA ratio usually indicated an upward profit trend.

Table 4.1Return on Asset

Companies	2068-69	2069-70	2070-71	2071-72	2072-73	Average	S.D.
HBL	0.02	0.02	0.01	0.01	0.02	0.02	0.0054
KBL	0.017	0.017	0.015	0.011	0.018	0.016	0.0027

Source: Annual Report

The table indicates the Return on Assets of HBL and KBL. Data are quoted in ratio. HBL have been experiencing the falls in the use of ROA from 0.02 in 2069 to 0.01 in 2070 and remained same in 2071 but it again increased the ratio of 0.02 in 2072.

KBL experiencing the use of ROA decreased from 0.017 in 2069 to 0.015 in 2070 with the expectations of slightly fall in the year 2071. ROA was the highest in 2072 which indicate 0.018The average ratio of HBL is 0.02 and of KBL is 0.016. Similarly, the standard deviation of HBL and KBL is 0.00548 and 0.00279 respectively.

Overall both the banks has almost equal return on assets which shows that both bank has maintain satisfactory level of assets utilization for the income generation.

4.2.2 Return on Equity

The return on equity ratio or ROE is a profitability ratio that measures the ability of a firm to generate profits from its shareholders investments in the company. In other words, the return on equity ratio shows how much profit each dollar of common stockholders' equity generates.

Table 4.2 Return on Equity

Companies	2068-69	2069-70	2070-71	2071-72	2072-73	Average	S.D.
HBL	0.21	0.18	0.16	0.16	0.22	0.754	0.0279
KBL	0.15	0.17	0.15	0.12	0.18	0.154	0.0230

Source: Annual Report

According to the above data table 4.2.2, ROE is increased from 0.21 to 0.18 and again decreased to 0.16 in the year 2068, 2069 and 2070 respectively in HBL and remained as it is in 2071. And the ratio is highest in the year 2072 with the ratio 0.22.

Similarly, KBL is not able to meet good ratio as HBL. The ratios have different changes in different years. ROE rises from 0.15 to 0.17 from year 2068 to 2069. Next two years, KBL have been experiencing the fall in the ratio of 0.15 and 0.12. The ratio was highest in final year i.e. 0.18.

HBL has higher return on equity than KBL which denotes that a company is increasing its ability to generate profit without needing as much capital. Similarly higher the ROE, more better the bank is.

4.2.3 Credit Deposit Ratio

Credit deposit ratio is the ratio of how much a bank lends out of the deposit it has mobilized. Credit deposit ratio helps in assessing banks liquidity and indicated its health. If the ratio is too low, banks may not earn as much as they could. If the ratio is too high it means that bank might not have enough liquidity to cover any unforeseen fund requirements.

Table 4.3 Credit Deposit Ratio

Companies	2068-69	2069-70	2070-71	2071-72	2072-73	Average	S.D.
HBL	0.75	0.77	0.72	0.75	0.79	0.76	0.0260
KBL	0.80	0.77	0.79	0.79	0.78	0.79	0.0114

Source: Annual Report

The above mentioned table illustrates credit deposit ratio of HBL and KBL. The ratio for initial year is 0.75 and 0.80 of HBL and KBL respectively. The ratio increased next year to 0.77 in HBL. However, it decreased in KBL with same ratio. The ratio fluctuated both in increasing and decreasing trend over every year. The average ratio of HBL is 0.76 where as it is 0.79 for KBL. There is no greater variation between these ratios over the study period. KBL is slightly better in utilizing its resources than HBL.

4.2.4 Interest Income to Total Income

Net interest income is the difference between the revenue that is generated from a bank's assets and the expenses associated with paying out its liabilities. A typical bank's assets consist of all forms of personal and commercial loans, mortgages and securities. The liabilities are the customer deposits. Net interest income is the excess revenue that is generated from the interest earned on assets over the interest paid out on deposits.

Table 4.4 Interest Income to Total Income

Companies	2068-69	2069-70	2070-71	2071-72	2072-73	Average	S.D.
HBL	0.62	0.57	0.56	0.55	0.51	0.56	0.0396
KBL	0.90	0.89	0.88	0.86	0.79	0.86	0.0439

Source: Annual Report

Table 4.3.2 shows the overall ratio of interest income to total income. The ratios have been in decreasing trend from the starting year to end year in both banks during the study period. The average ratio maintained by KBL is 0.86 and is greater than that of HBL with 0.56. Similarly, standard deviation of HBL is 0.03962 and of KBL is 0.04393.

HBL revealed that the income from interest above the average and interest income of KBL highly motivated indicated as fluent operation of the bank.

4.2.5 Interest Expenses to Total expenses

Interest expense is a non-operating expense shown on the income statement. It represents interest payable on any borrowings – bonds, loans, convertible debt or lines of credit. It is essentially calculated as the interest rate times the outstanding principal amount of the debt.

Table 4.5Interest Expenses to Total expenses

Companies	2068-69	2069-70	2070-71	2071-72	2072-73	Average	S.D.
HBL	0.65	0.44	0.51	0.45	0.44	0.50	0.0898
KBL	0.80	0.77	0.77	0.74	0.72	0.76	0.0308

Source: Annual Report

Table 4.3.3 illustrates the data of interest expenses to total expenses of HBL and KBL. Minimum ratio in fiscal year 2069-70 and 2072-73 is 0.44 and maximum ratio of HBL which is 0.65.

Similarly, KBL has the highest ratio in the year 2069-70 i.e. 0.80 and lowest in year 2072-73 i.e. 0.72. The average ratio of HBL is 0.50 and KBL is 0.76 and standard deviation is 0.08983 in HBL and 0.03082 in KBL.

Interest expenses of the HBL has invested at average for the interest income generation on the other hand KBL invested low in interest expenses which result increase in the interest income.

4.2.6 Net Worth

Net worth is the amount by which assets exceed liabilities. Another way to say this is, it's the value of everything you own, minus all your debts. Net worth is a concept that can be applied to both individuals and businesses, as a measure of how much they are really worth.

Table 4.6 Net Worth

Companies	2068-69	2069-70	2070-71	2071-72	2072-73	Average	S.D.
HBL	0.15	0.17	0.19	0.22	0.28	0.20	0.0507

KBL	0.18	0.17	0.19	0.21	0.26	0.20	0.0356

Table 4.3.4 indicates the net worth of HBL and KBL. The ratio of both banks is in increasing trend. The ratio in the initial year was 0.15 increased to 0.28 until final year in HLB. Similarly, KBL maintained ratio from 0.18 to 0.26 in the study period. The average ratio of both HBL and KBL is 0.20. Similarly, the standard deviation of HBL was 0.05070 and KBL was 0.03564.

Finding indicates that the earning with respect to the shareholder's fund is appreciably high in both the banks.

4.3 Trend Analysis

Trend analysis helps to evaluate linear and non-linear relationship between two quantitative variables. It is important when examining financial statement of the bank because it shows how bank assets have grown over the time. By evaluating trend analysis, we can also know whether bank is managing its money wisely.

Table 4.7 Income Trend Analysis of HBL

Year	Income (Y)	X-2071	XY	X^2
2069	7644105000	-2	-15288210000	4
2070	8157297000	-1	-8157297000	1
2071	8503854400	0	0	0
2072	8476229000	1	8476229000	1
2073	9795803000	2	19591606000	4
Total	42577288400	0	4622328000	10

Yt= a+bx

∑y = Na +b∑x

42577288400= 5a +b

∑xy = a∑x + b∑x2

4622328000 = 0 +10b

b = 462232800

a = 8423011120

Year	Income y= a+bx	
2074	8423011120+3*4622328000	22289995120
2076	8423011120+5*4622328000	31534651120
2078	8423011120+7*4622328000	40779307120

Table 4.8 Income Trend Analysis of KBL

Year	Income (Y)	X-2071	XY	X^2
2069	2717084896	-2	-5434169792	4
2070	2755755341	-1	-2755755341	1
2071	2752439365	0	0	0
2072	2827919296	1	2827919296	1
2073	3408553465	2	6817106930	4
Total	14461752363	0	1455101093	10

Yt= a+bx

∑y = Na +b∑

14461752363= 5a +b

∑xy = a∑x + b∑x2

1455101093 = 0 +10b

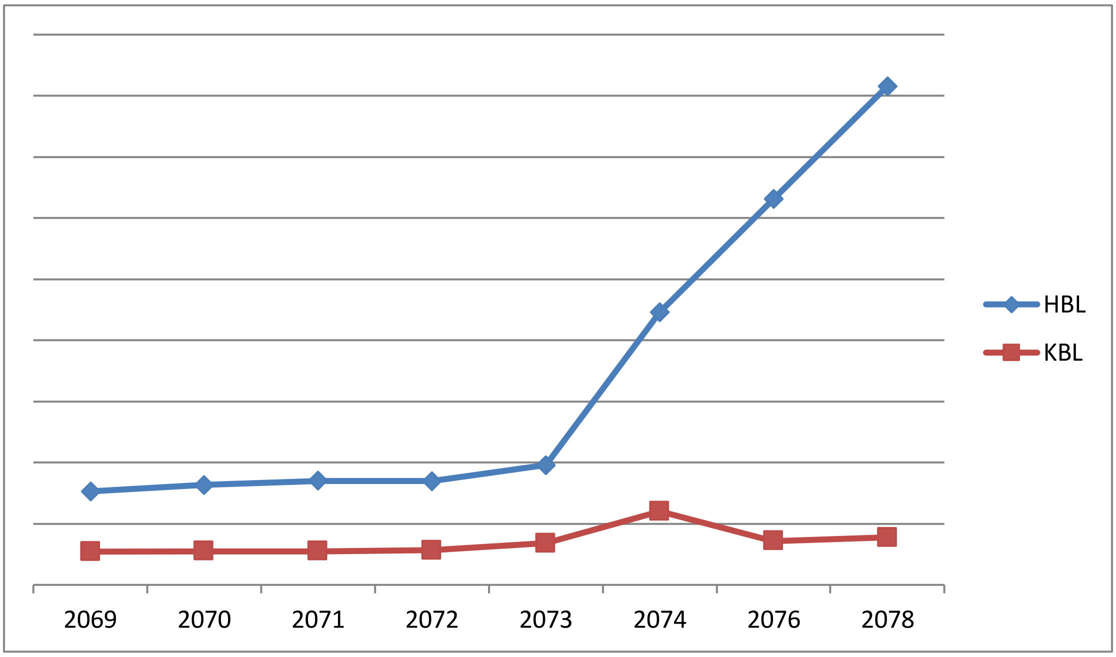
b = 145510109.3

a = 2863248450.74

Income in Future

Year	Income y= a+bx	
2074	2863248450.74+3*145510109.3	6008758560.04
2076	2863248450.74+5*145510109.3	3590798997.24
2078	2863248450.74+7*145510109.3	3881819215.84

Fig. 4.1 Income Trend Chart



From the above figure, trend of income for HBL has remain almost stable for the first four year however, after 2072, it has increased slowly in 2073 and afterward it has increased dramatically and forecasted to reach the peak in 2078. Whereas the income trend of KBL is low from the beginning in comparison to HBL. The income trend of KBL is also stable for almost five years however after that it has significantly increased and has again forecasted to decrease in 2078. To sum up, HBL has better income trend than KBL.

Table 4.9 Income Interest Trend Analysis of HBL

Year	Interest Income (Y)	X-2071	XY	X^2
2069	4724887000	-2	-9449774000	4
2070	4627335000	-1	-4627335000	1
2071	4742975000	0	0	0
2072	4627751000	1	4627751000	1
2073	5015844000	2	10031688000	4
Total	23738792000	0	582330000	10

Yt= a+bx

∑y = Na +b∑x

23738792000= 5a +b

∑xy = a∑x + b∑x2

582330000 = 0 +10b

b = 58233000

a = 4736111800

Interest Income in Future of HBL

Year	Interest Income y= a+bx	
2074	4736111800+3*58233000	4910810800
2076	4736111800+5*58233000	5027276800
2078	4736111800+7*58233000	5143742800

Table 4.10 Income Interest Trend Analysis of KBL

Year	Interest Income (Y)	X-2071	XY	X^2
2069	2441580226	-2	-4883160452	4

2070	2464306976	-1	-2464306976	1
2071	2410784399	0	0	0
2072	2433130920	1	2433130920	1
2073	2692488819	2	5384977638	4
Total	12442291340	0	470641130	10

Yt= a+bx

∑y = Na +b∑x

12442291340= 5a +b

∑xy = a∑x + b∑x2

470641130 = 0 +10b

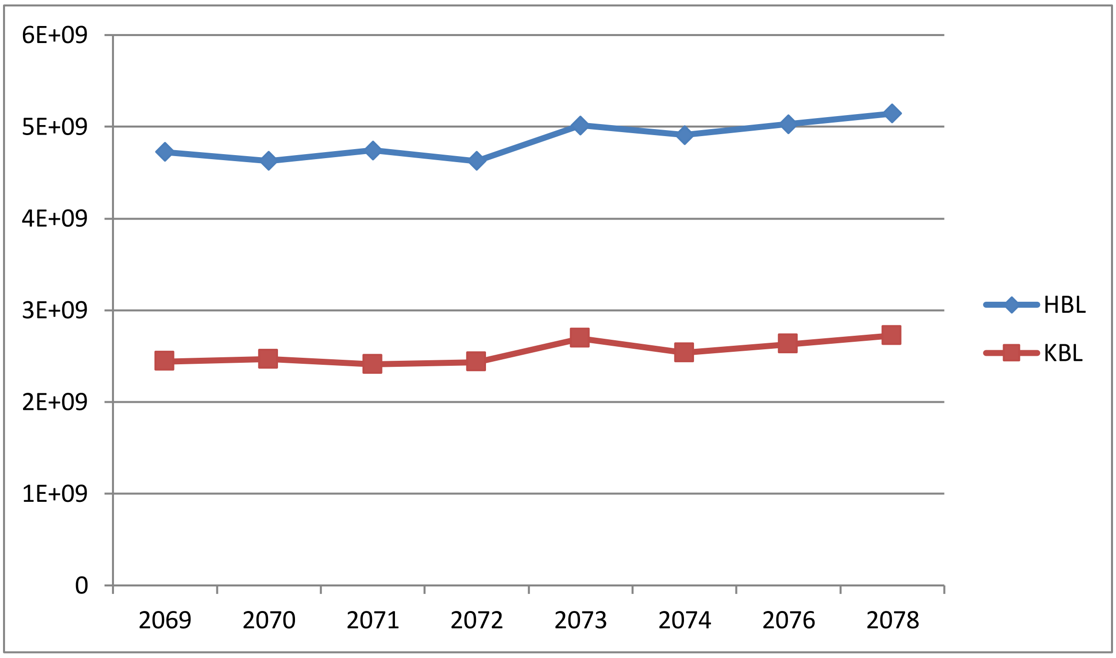
b = 47064113

a = 2394330042

Interest Income in Future of KBL

Year	**Interest Income y= a+bx**	
2074	2394330042+3*47064113	2535522381
2076	2394330042+5*47064113	2629650607
2078	2394330042+7*47064113	2723778833

Fig. 4.2 Interest Income Trend Chart of HBL and KBL



From the above trend, we can notice that HBL has higher interest income than KBL. For the first three years, it has almost same trend but in the year 2072, it has slightly decreases again in following year it has significantly increases with the minor fluctuation it is forecasted to be surged up in the year 2078. Similarly, in the case of KBL too, the interest income trend has remain almost stable for the first four year whereas in the year 2072 it has slightly raised up and again decreases and predicted to be increased in 2078.

Table 4.11 Interest Expenses Trend of HBL

Year	Interest expenses(y)	X-2071	XY	X^2
2069	2816441000	-2	-5632882000	4
2070	2119062000	-1	-2119062000	1
2071	2248798000	0	0	0
2072	1954263000	1	1954263000	1
2073	1565896000	2	3131792000	4
Total	10704460000	0	-2665889000	10

Yt= a+bx

∑y = Na +b∑x

10704460000= 5a +b

∑xy = a∑x + b∑x2

-2665889000 = 0 +10b

b = -266588900

a = 2194209780

Interest Expenses in Future of HBL

Year	**Interest Income y= a+bx**	
2074	2194209780+3*(-266588900)	1394443080
2076	2194209780+5*(-266588900)	861265280
2078	2194209780+7*(-266588900)	328087480

Table 4.12 Interest Expenses Trend of KBL

Year	**Interest expenses(y)**	**X-2071**	**XY**	**X^2**
2069	1622491760	-2	-3244983520	4
2070	1486281639	-1	-1486281639	1
2071	1575311889	0	0	0
2072	1507364997	1	1507364997	1
2073	1517056114	2	3034112228	4
Total	7708506399	0	-189787934	10

Yt= a+bx

∑y = Na +b∑x

7708506399= 5a +b

∑xy = a∑x + b∑x2

-189787934= 0 +10b

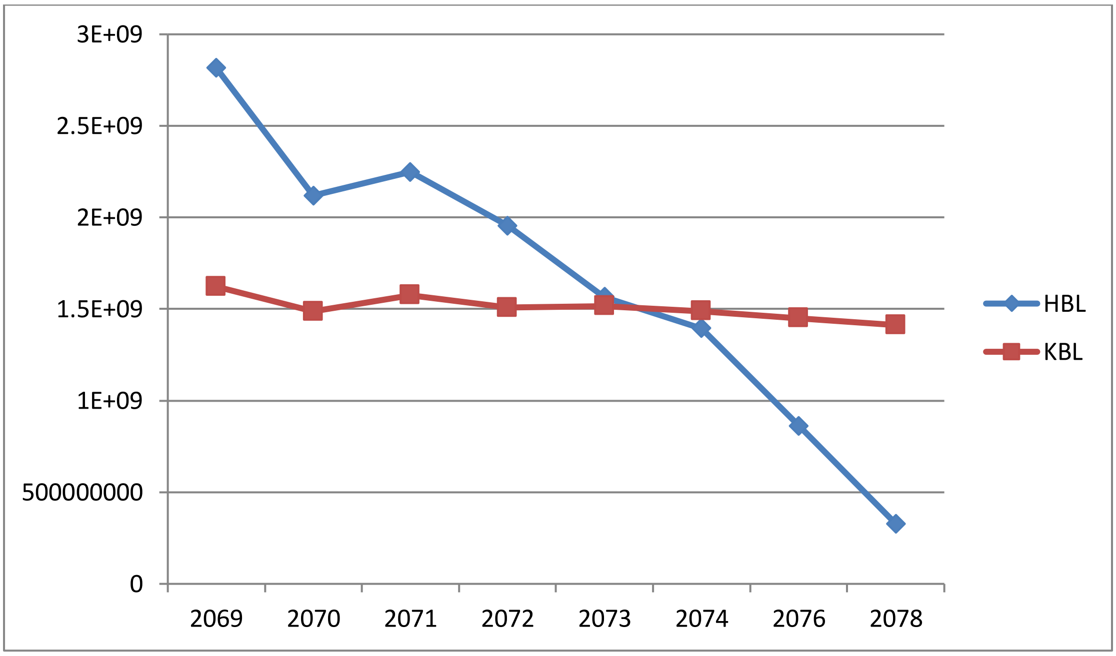
b = -18978793.4

a = 1545497038

Interest Expenses in Future of KBL

Year	Interest Income y= a+bx	
2074	1545497038+3*(-18978793.4)	1488560658
2076	1545497038+5*(-18978793.4)	1450603071
2078	1545497038+7*(-18978793.4)	1412645484

Fig. 4.3 Interest Expenses Trend Chart of HBL and KBL



From the above trend, we can notice that at first HBL has highest interest expenses in year 2069 but in 2072 it has decreases dramatically again in 2071 it has slightly raised up then again it has dip down drastically and estimated to be in the declining trend in year 2078 too. Turning to the case of KBL, interest expenses trend is almost same form beginning to the estimated final year 2078. It has some minor fluctuation. Interest expenses trend of KBL is lower than HBL.

4.4 Major Findings

1. The mean ratio of return on assets of HBL and KBL is 0.02 each and the standard deviation is 0.00548 and 0.00279. Return on Assets of both the banks was same, as study reveals no statistically significant difference in Return on Assets ratio of HBL and KBL. It shows that both the banks are much efficient in utilizing their funds i.e. bank has maintain satisfactory level of assets utilization for the income generation.
2. The mean ratio of return on equity of HBL and KBL is 0.754 and 0.154 respectively. HBL has highest ROE. Similarly, standard deviation of HBL is 0.027 and KBL is 0.023. HBL has higher return on equity than KBL which denotes that a company is increasing its ability to generate profit without needing as much capital. Similarly higher the ROE, more better the bank is.
3. The average of credit deposit ratio of HBL is 0.76 which is slightly more in KBL i.e. 0.79. The study reveals that there in statistically significant difference in C-D Ratio. C-D Ratio one of the parameter to assess the performance of a bank. It shows that management efficiency of KBL is better than that of HBL. The difference if any exist may attributable to the quality of the management of the banks. Likewise, standard deviation of HBL is 0.026 and that of KBL is 0.011.
4. The average of the interest income to the total income of HBL is 0.56 and KBL is 0.86 whereas standard deviation of HBL and KBL is 0.039 and 0.043 respectively. HBL revealed that the income from interest above the average and interest income of KBL highly motivated indicated as fluent operation of the bank.
5. The mean ratio of interest expenses to total expenses of HBL is 0.50 and KBL is 0.030. Interest expenses of the HBL has invested at average for the interest income generation on the other hand KBL invested low in interest expenses which result increase in the interest income.
6. Average net worth of HBL and KBL is 0.20 each and standard deviation is 0.050 and 0.035 respectively. Finding indicates that the earning with respect to the shareholder's fund is appreciably high in both the banks

7. ROA of HBL for the first two year is stable and in the third and fourth year it has decline and again increased in the final year.
8. ROA of KBL for the two initial years is stable and is decreased in the third and fourth year and again increased in the last year.
9. The ROE ratio is in fluctuating trend in HBL and KBL. In HBL, the ratio is decreasing until the fourth year and climbed up in last year.
10. In the case of KBL, ROE is declined in second year and fourth year whereas increased in third and fifth year.
11. Credit deposit ratio is in increasing trend except in the third year in HBL.
12. However, the ratio is fluctuating in KBL. It is decreased in second year whereas increased in third year and is stable in fourth year and again slightly decreased.
13. The ratio of interest income to total income has dwindled in every year in HBL. It shows that ratios are in decreasing trend. Similarly, in the case of KBL also the ratios are in decreasing trend.
14. Form the trend analysis, it is concluded that HBL has better income trend than KBL. Similarly HBL has higher interest income however interest expenses trend of KBL is lower than HBL.

CHAPTER V

CONCLUSIOS

This is the last chapter of this study. In this chapter an attempt has been made to make a brief summary about the study, its conclusion and lastly recommendation which are useful to take corrective actions.

5.1 SUMMARY

This story is based on the financial performance of commercial banks. This study covered two commercial banks. They are Himalayan bank limited and Kumari bank limited and data were collected for the five year period i.e. from 2086/69 to 2072/73. This study "Financial Performance analysis of Commercial banks" has been prepared to fulfill the requirements of masters of business studies.

As per the objectives of this study, it tries to analyze the trends of different financial ratios and evaluate the financial position of HBL and KBL. This study is based on descriptive research design. The population for this study consists of all the commercial banks and out of them two commercial bank has been selected as a sample. And this study use convenience sampling method. This study is completely based on secondary method of data collection and data has been obtained from banks annual report. And further data analysis, it has used financial ratios.

Through the analysis it is found that the mean ratio of return on assets of HBL and KBL is 0.02 each and the standard deviation is 0.00548 and 0.00279.The mean ratio of return on equity of HBL and KBL is 0.754 and 0.154 respectively. HBL has highest ROE. Similarly, standard deviation of HBL is 0.027 and KBL is 0.023.The average of credit deposit ratio of HBL is 0.76 which is slightly more in KBL i.e. 0.79. Likewise, standard deviation of HBL is 0.026 and that of KBL is 0.011. The average of the interest income to the total income of HBL is 0.56 and KBL is 0.86 whereas standard deviation of HBL and KBL is 0.039 and 0.043 respectively. The mean ratio of interest expenses to total expenses of HBL is 0.50 and KBL is 0.030. Average net worth of HBL and KBL is 0.20 each and standard deviation is 0.050 and 0.035

respectively. ROA of HBL for the first two year is stable and in the third and fourth year it has decline and again increased in the final year.ROA of KBL for the two initial years is stable and is decreased in the third and fourth year and again increased in the last year. The ROE ratio is in fluctuating trend in HBL and KBL. In HBL, the ratio is decreasing until the fourth year and climbed up in last year. In the case of KBL, ROE is declined in second year and fourth year whereas increased in third and fifth year. Credit deposit ratio is in increasing trend except in the third year in HBL. However, the ratio is fluctuating in KBL. It is decreased in second year whereas increased in third year and is stable in fourth year and again slightly decreased. The ratio of interest income to total income has dwindled in every year in HBL. It shows that ratios are in decreasing trend. Similarly, in the case of KBL also the ratios are in decreasing trend.

5.2 CONCLUSION

This paper examines financial performance analysis of two commercial banks for the period of five years that is from 2068/69 to 2072/73. Researcher’s analysis the performance of two commercial bank using financial ratios.

From this study it is concluded that the standard deviation of HBL and KBL is 0.00548 and 0.00279 respectively and mean ratio of return on assets is 0.02 each. Similarly, the mean ratio of return on equity of HBL is 0.754 and KBL is 0.154. Hence, HBL has highest ROE. Moreover, standard deviation of HBL is 0.027 and KBL is 0.023.The average of credit deposit ratio of HBL is 0.76 which is slightly more in KBL i.e. 0.79. Likewise, HBL has 0.026 standard deviations and KBL has 0.011.

The average of the interest income to the total income of HBL is 0.56 and KBL is 0.86 whereas standard deviation of HBL and KBL is 0.039 and 0.043 respectively. The mean ratio of interest expenses to total expenses of HBL is 0.50 and KBL is 0.030.

Average net worth of HBL and KBL is 0.20 each and standard deviation is 0.050 and 0.035 respectively. ROA of HBL for the first two year is stable and in the third and fourth year it has decline and again increased in the final year. ROA of KBL for the two initial years is stable and is decreased in the third and fourth year and again increased in the last year.

The ROE ratio is in fluctuating trend in HBL and KBL. In HBL, the ratio is decreasing until the fourth year and climbed up in last year. In the case of KBL, ROE is declined in second year and fourth year whereas increased in third and fifth year. Credit deposit ratio is in increasing trend except in the third year in HBL.

However, the ratio is fluctuating in KBL. It is decreased in second year whereas increased in third year and is stable in fourth year and again slightly decreased. The ratio of interest income to total income has dwindled in every year in HBL. It shows that ratios are in decreasing trend. Similarly, in the case of KBL also the ratios are in decreasing trend.

5.3 Implications and Recommendations

Evaluating the financial performance will assist the decision maker to judge the result of business strategies and activities in the objective monetary terms. This study helps to analyze relationship among the various financial factors in business as disclosed by the single set of statement and study of the trend of this fact as shown in the series of statements.

Performance evaluation of a commercial bank is usually related to how well the bank can use its assets, shareholders equities and liabilities, revenue and expenses. The evaluation of the firms’ performance usually employs the financial ration method it provides a simple description about the firm’s financial performance in comparison with previous periods and helps to improve is performance of management..

Following recommendations are presented based on the major findings of the study of the selected companies.

Financial performance analysis deals with analysis and interpretation of financial statements in such a way that it undertakes full diagnosis of the profitability and financial soundness of the business. . It is the process of measuring the results of an organization policies and operations in terms of monetary value. Evaluating the financial performance will assist the decision maker to judge the result of business strategies and activities in the objective monetary terms. Financial performance analysis is a study of a relationship among the various financial factors in business as disclosed by the single set of statement and study of the trend of this fact as shown in the series of statements. (Ahuja, 1998).

1. Financial performance analysis deals with analysis and interpretation of financial statements in such a way that it undertakes full diagnosis of the profitability and financial soundness of the business. It is the process of measuring the results of an organization policies and operations in terms of monetary value.

2. Evaluating the financial performance of HBL and KBL will assist the decision maker to make business strategies and decisions regarding the objective of the company and related companies in Nepal.

3. Most of the companies should have to maintain their income to equity ratio as it is means the ROE of both HBL and KBL should have to maintain as the trend.

4. The income to its asset of selected firms indicated in increasing trend, it is profit of the companies so that companies should be maintaining income to asset ratio.

5. This study revealed that credit deposit ratio of the companies is in mixed terms, companies should be concern regarding the credit deposit from the customers.

6. Interest income to total income of the companies indicated very good performance regarding total income which recommends the deposit of the companies is utilized efficiently.

5.4 Scope for the Future Study

A study should be taken to analyze the financial performance of other companies, especially financial companies. In addition, future studies could be done to analyze the determinants of financial analysis in others Nepalese companies. Moreover, study on financial performance of the Nepalese companies and companies of other nations should be done.

REFERENCE

Abdus, S., Lowell, M., & Fazlul, M. (2006). Inter-Temporal performance: Does bank-size matter? *An analysis of UTAH banks. Banks and Banks Systems,* 1(2), 137-143.

Ahmed, H. A. (2011). Factors influencing the profiability of Islamic banks of pakistan. *International Research Journal of Finance and Economics,* 1(2), 128-131.

Ahuja, G., & Majumdar, S. (1998). An assessment of the performance of Indian state-owned enterprise. . *Journal of Productivity Analysis,* 2(2), 113-132.

Akhter, W. R. (2011). Financial performance of Pakistan isurance industry in global scenario. *Far East Journal of Psychology and Business,* 3(1), 1-14.

Alam, T. K. (2013). An evaluation of financial performance of private commercial banks in Bangladesh. *Journal of Business Studies Quarterly,* 5(2), 66-77.

Ansari, S. (2009). Financial performance of Indian and Conventional Banks in Pakistan:. *A Comparative Study, 8th International Conference on Islamic Economics and Finances.*

Arora, S. K. (2006). Financial performance of Indian banking sector in post reforms era. *The Indian Journal of Commerce,* 59(1), 96-105.

Athanasoglou, P. B. (2008). Bank-specific, industry-specific and macroeconomic determinants of Bank profitability. *Journal of International Financial Markets, Institutious and Money,* 18(2), 121-136.

Bobakova, I. V. (2003). Raising the Profitability of Commercial Banks. BIATEC,11:21-25.

Brinda, J.,& Dubey, A.K. (2007). Performance of public sector banks: An economic analysis. *The Indian Banker,* 2(12),26-34.

Chiaku, C. & Wetmore J., (2006). Is the urvival of small commercial banks threatened? . A comparative performance evaluation of U.S. commercial banks. *Banks and Bank Systems,*, 1(2), 123-136.

Duncan, E.& Elliot.G., (2004). Efficiency, customer service and financial performnce among Australian finanacial institutions. . *International Journal of Bank Marketing*, 22(5): 319-342.

Gopal, M. & Dev, S. (2006). Productivity and profitability of select public sector and private sector banks in India: An empirical analysis. *The ICFAI Journal of Bank Management*, 5(4), 59-67.

Helfert, E. A (1994). *Techniques of Financial Analysis: A Practical Guide to Managing and Measuring Business Performance(8th ed.)*. Chicago, Irwin Professional Publication.

Ho, C. & Zhu, D. S. (2004). Performance measurement of Taiwan commercial banks. *International Journal Productivity and Performance Management*, 53(5), 425-434.

Jain, V. (2006, November), Ratio analysis: An effective tool of performance analysis in banks. *PNB monthly Review*, 27-29.

Jha, S. & Hui. X. (2012). A comparison of financial performance of commercial banks: A case study of Nepal. *African Journal of Business Management*, 6(25, 7601-7611.

Joshi, A. (2008). *A Comparative Study of Financial Performance SBI and NBBL*. An unpublished thesis submitted to Shanker Dev Campus.

Levine, R. (1997). Financial developement and economic growth: views and agenda. *Journal of Economic Literature*, 35(2), 688-726.

Lin, W. C., Lui, C. F., & Chu, C. W. (2005). Performance effeciency evaluaton of the Taiwan's shipping industry: an application of data envelopement analysis. *Eastern Asia Society for Transportation Studies.*, 5, 467-476.

Mohan, T. T. & Ray, S. C. (2004). Comparing performance of public and private sector banks-A revenue maximizig approach,. *Efficiency Political Weekly*, 1271-1276.

Ongore, V. O., & Kusa, G. B. (2013). Determinants of financial performance of commercial banks in Kenya. *International Journal of Economics and Financial Issues*, 3(1), 237-252.

Padachi, K. (2006). Trends in working capital management and its impact on firm's performance: An analysis of mauritian small manufacturing firms . *International revew of Business Resarch Paper*, 2(2), 45-58.

Pathak, B. (2003). A comparison of the financial performance of private sectr banks. *Finance India*, 17(4), 1345-1356.

Paudel, N. P. (2005). Financial System and Economic Developement. In NRB. *Nepal Ratra Bank in Fifty Years. Kathmandu: NRB*, 176-201.

Raza, A., Farhan, M., & Akram, M. (2011). A comparison of financial performance in investment banking sector in Pakistan. *International Journal of Business and Social science*, 2(9), 72-81.

Regmi, P. (2007). *A Comparative Study of the Financial Performance of HBL and NBBL*. An unpublished thesis submitted to Shanker Dev Campus.

Shakya, S. (2010). *Financial Performance of Nepal Bank Limited and Everest Bank Limited*. An Unpublished thesis submitted to Patan Multiple Campus.

Singh, A. B., & Tandon, P. (2012). A study of finanancial performance: A comparative analysis of SBI and ICICI bank. *International Journal of Marketing, Financial Services & Management Research*, , 1(11), 56-71.

Sun, C. C. (2011). Assessing Taiwan financial holdings companies' performance using window analysis and Malmquist productivity index. *African Journal Business Management*, 5 (26), 10508-10523.

Singla, H. K. (2008). Financial performance of banks in India. *The ICFAI Journal of Bank Management*, 7(1), 50-62.

Tarawneh, M. (2006). A comparison of financial performance in the banking sector: some evidence from Omani commercial banks. *International Research Journal Finance and Economics,* 3, 101-112.

Verma, E. (2012, January 25). Financial Performance - Understanding its Concepts and Importance. *Retrieved from Simple Learn:*.

APPENDIX

Himalayan Bank Limited

1. **Return on Assets (ROA)**

Years	Net Profit	Total Assets	ROA
2068/69	958638000	55367467000	0.02
2069/70	943698000	62486557000	0.02
2070/71	959107000	74718816000	0.01
2071/72	1112286000	84753328000	0.01
2072/73	1935908000	3870160000	0.02

Return on Asset = $\frac{Net\ profit}{Total\ Asset} = \frac{958638000}{255367467000}$ = 0.02

2. **Return on Equity (ROE)**

Years	Net Profit	Total Equity	ROE
2068/69	958638000	4632010000	0.21
2069/70	943698000	5299708000	0.18
2070/71	959107000	6083411000	0.16
2071/72	1112286000	6958900000	0.16
2072/73	1935908000	8823769000	0.22

Return on equity = $\frac{Net\ profit}{Total\ Shareholders\ Equity} = \frac{958638000}{4632010000}$ = 0.21

3. Credit Deposit Ratio (CDR)

Years	Total Credit	Total Deposit	Credit Deposit Ratio
2068/69	35968473	47730994	0.75
2069/70	41057398	53072319	0.77
2070/71	46449329	64674848	0.72
2071/72	55428007	73538200	0.75
2072/73	69100889	87335786	0.79

Credit deposit ratio = $\frac{Total\ Credit}{Total\ Deposit} = \frac{35968473}{47730994} = 0.75$

4. Interest Income to Total Income Ratio

Years	Interest Income	Total Income	Interest Income to Total Income
2068/69	4724887000	7644105000	0.62
2069/70	4627335000	8157297000	0.57
2070/71	4742975000	8503854400	0.56
2071/72	4627751000	8476229000	0.55
2072/73	5015844000	9795803000	0.51

Interest Income to Total Income ratio = $\frac{Interest\ Income}{Total\ Income} = \frac{4724887000}{7644105000} = 0.62$

5. Interest Expenses to Total Expenses Ratio

Years	Interest Expenses	Total Expenses	Interest expenses to Total Expenses
2068/69	2816441000	4346568000	0.65
2069/70	2119062000	4772331000	0.44
2070/71	2248798000	4388516000	0.51
2071/72	1954263000	4347858000	0.45
2072/73	1565896000	3597032000	0.44

Interest Expenses to Total Expenses ratio = $\frac{Interest\ Expenses}{Total\ Expenses}$ = $\frac{32816441000}{4346568000}$ = 0.65

Kumari Bank Limited

1. **Return on asset (ROA)**

Years	Net profit	Total asset	ROA
2068/069	429089163	25131400971	0.017
2069/070	466186417	28222569756	0.017
2070/071	468164542	31020602045	0.015
2071/072	400748226	37374510826	0.011
2072/073	754907930	42416507350	0.018

Return on Asset = $\frac{Net\ profit}{Total\ Asset}$ = $\frac{429089163}{25131400971}$ = 0.0.17

2. **Return on equity (ROE)**

Years	Net Profit	Total Equity	ROE
2068/069	429089163	2777075338	0.15
2069/070	466186417	2656706231	0.17
2070/071	468164542	2966605956	0.15
2071/072	400748226	3347316176	0.12
2072/073	754907930	4033593878	0.18

Return on equity = $\frac{Net\ profit}{Total\ Shareholders\ Equity}$ = $\frac{429089163}{2777075338}$ = 0.15

3. **Credit Deposit Ratio**

Years	Total Credit	Total Deposit	Credit Deposit Ratio
2068/069	17614348989	21985198276	0.80
2069/070	19369317883	25318568802	0.77
2070/071	21898115132	27578376145	0.79
2071/072	26246038476	33421910946	0.79
2072/073	29486505624	37950525144	0.78

Credit deposit ratio = $\frac{Total\ Credit}{Total\ Deposit}$ = $\frac{17614348989}{21985198276}$ = 0.80

4. **Interest Income to Total Income Ratio**

Years	Interest Income	Total Income	Interest Income to Total Income
2068/069	2441580226	2717084896	0.90
2069/070	2464306976	2755755341	0.89
2070/071	2410784399	2752439365	0.88
2071/072	2433130920	2827919296	0.86
2072/073	2692488819	3408553465	0.79

Interest Income to Total Income Ratio = $\frac{Interest\ Income}{Total\ Income}$ = = 0.90

4. Interest Expenses to Total Expenses Ratio

Years	Interest Expenses	Total Expenses	Interest Expenses to Total Expenses
2068/69	1622491760	2028815843	0.80
2069/70	1486281639	1920556525	0.77
2070/71	1575311889	2037133704	0.77
2071/72	1507364997	2045445316	0.74
2072/73	1517056114	2098165568	0.72

Interest Expenses to Total Expenses ratio = $\frac{Interest\ Expenses}{Total\ Expenses}$ = $\frac{1622491760}{2028815843}$ = 0.80

Mean and S.D. of HBL

1. ROA

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Return on Asset	5	.01	.02	.0160	.00548
Valid N (listwise)	5				

2. ROE

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Return on Equity	5	.16	.22	.1860	.02793
Valid N (listwise)	5				

3. Credit Deposit Ratio

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Credit Deposit ratio	5	.72	.79	.7560	.02608
Valid N (listwise)	5				

4. Interest Income to Total Income Ratio

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Interest Income to Total Income Ratio	5	.51	.62	.5620	.03962
Valid N (listwise)	5				

5. Interest Expenses To Total Expenses Ratio

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Interest Expenses to Total Expenses	5	.44	.65	.4980	.08983
Valid N (listwise)	5				

6. Net worth

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Net Worth	5	.15	.28	.2020	.05070
Valid N (listwise)	5				

Mean and S.D. of KBL

1. ROA

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Return on Asset	5	.01	.02	.0156	.00279
Valid N (listwise)	5				

2. ROE

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Return on Equity	5	.12	.18	.1540	.02302
Valid N (listwise)	5				

3. Credit Deposit Ratio

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Credit Deposit ratio	5	.77	.80	.7860	.01140
Valid N (listwise)	5				

4. Interest Income to Total Income

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Interest Income to Total Income Ratio	5	.79	.90	.8640	.04393
Valid N (listwise)	5				

5. Interest expenses to Total Expenses

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Interest Expenses to Total Expenses	5	.72	.80	.7600	.03082
Valid N (listwise)	5				

6. Net Worth

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Net Worth	5	.17	.26	.2020	.03564
Valid N (listwise)	5				