

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study:

Banking refers one of the important financial activities, which plays vital role in the development of the country. Banking is the major aspect of national economy of the country. The function of banking are not only accepting deposits and granting loans but also, including wide range of services to the different strata of society, to facilitate the growth of trade, commerce, industry and agriculture of the national economy. In the absence and insufficiency of banking and financial facilities, the growth of the economic development becomes slow, it is not possible or it is very hard to get success in economic development without banking and financial facilities.

Commercial banks are the financial institutions which deal in accepting deposits from persons and institutions, provide interest formulate capitals and grant loans against securities that help to remove the deficiency of capital. They contribute significantly in the

formulation and mobilization of internal capital and developmental effort.

The commercial bank has its own role and contribution in the economic development. It is a source for economic development; it maintains economic confidence of various segments and extends credit to people. To meet the objectives, the overall performance of the bank should be soundly adjusted with each other. Only the well combined factors assist in well performance. When performance will be well, the output will generally be sound. It helps bank to proceed in its track. The main game of the bank is to play with money in order to generate profit. The banking sector has now reached even to the most of the remote areas of the country and has contributed a good deal to the growth of the economy. By lending their resources in small scale industries under intensive banking programmes, bank has contributed to the economic growth of the country.

The capital formulation leads to increase in the size of national output, income, employment and solving the problem of inflation and balance of payment by making the economy free from the

burden of foreign debts. Banking sectors plays vital role in the economic development of a country and formulating core of the money market in an advance country. Capital formulation is one of the most important factors in the economic development. The analysis of the performance is designed to make a careful study of the recent financial records of the financial companies. In order to evaluate its performance evaluation must not be focused exclusively up to the criteria of short term profitability or any other signals standards which may cause managers to act contrary to the long range interest of the company as whole. The proper analysis and interpretation of financial statement are felt necessary in corporate banks, private enterprises and similarly other organizations to find out what information are indicated from their balance sheet and income statement as well as other necessary accounting information. On the basis of these information, it becomes easy to check out the problem faced by the corporations. A capable financial manager must select best analytical tools (such as Ratio Analysis) to determine the liquidity, profitability, turnover and capital structure of the corporation.

The financial analysis is used to diagnose the strengths and weakness in the corporation's performance. It provides a framework for the financial planning and control. As there has been number of joint ventures banks in Nepal, the present aim is to analyze the financial performance analysis of the Standard Chartered Bank just to be assured whether they can put equal contribution in the economic growth of the country or not. The financial performance analysis is a quantitative analysis of organization's efficiency. The company's financial plans and policies prepared and implemented by the management should be judged on the basis of its financial performances.

The introduction of liberal economic policy adopted by Nepal Rastra Bank has provided an opportunity for the banking institutions to grow rapidly in Nepal. As a result, different joint venture banks and financial institutions were established result and how there are licensed 31 commercial banks in the country.

1. 1. 1. Development of Banking System

The History of Banking began at about 2000 BC of the ancient world when merchants made grain loans to farmers and traders started carrying goods between cities within the areas of Assyria and Babylonia. The Code of Hammurabi, dating back to about 1772 BC, is one of the oldest deciphered writings of significant length in the world that deals with matters of contract and set the terms of a transaction. This code also included standardized procedures for handling loans, interest, and guarantees.

Later on, in ancient Greece and during the Roman Empire, lenders based in temples made loans and started accepting of deposits.

Banking, in the modern sense of the word, can be traced to medieval and early Renaissance Italy, to the rich cities in the north such as Florence, Venice and Genoa. The development of banking spread through Europe and a number of important innovations took place in Amsterdam during the Dutch Republic in the 16th century and in London in the 17th century.

By the way the technological advances during the decade shifted the way banks operate from traditional branch banking to internet and e-banking.

1. 1. 2. Brief History of Banking in Nepal

The history of banking in Nepal is believed to be started from the time of Prime Minister Ranoddip Singh in 1877 A.D. The Tejarath Adda disbursed credit to the people on the basis of collateral of gold and silver. All employees of government were also eligible for this type of loan, which was settled by deducting from their salary. But the real banking started with the establishment of Nepal bank limited in 1994 B.S which was founded by Judda Samsher. It was the first bank of Nepal. The inception of Nepal Arab Bank Limited (renamed as NABIL Bank Limited since 1st January 2002) In B.S. 2041/03/29 as a first joint venture bank proved to be a milestone in the history of banking. Being attracted by the success of NABIL bank and liberal economic policy adopted by the government after the restoration of multiparty Democracy System in 2046 B.S. Then after, several commercial banks have been established in the recent

years. In these days several commercial banks are in operation. Which are given in chapter two.

1. 1. 3. Introduction of Standard Chartered Bank Nepal

The bank, SCBNL was originally established as a joint venture of Grindlays Bank PLC and Nepal Bank Limited in 1986. Standard Chartered Bank Nepal Limited has been in operation in Nepal since 1987 when it was initially registered as a joint-venture operation. Today the Bank is an integral part of Standard Chartered Group having an ownership of 75% in the company with 25% shares owned by the Nepalese public.

According to the annual report of 2011/12, it has made 1169 million NPR as profit after tax which is 4.4% increased as compared to previous year. It has made a good income to the government also by paying a high corporate tax. These days, Standard Chartered Bank is in operation with several branches and extension counters which names are given in chapter two. The bank is in operation with the following vision mission and goal.

Vision of Bank

Standard Chartered Bank Limited holds a vision to become a leading bank of the country by providing premium products and services to the customers, thus ensuring attractive and substantial returns to the stakeholders of the bank.

Mission of Bank

Through the application of using core skills, service and talent, Standard Chartered Bank wants to make positive contribution to the society. The strategy of Standard Chartered Bank is to sustain in the rapidly changing world and increasing the stakeholder's needs. The Standard Chartered Bank wants to be a Market Leader.

Goal of Bank

To become the bank of first choice is the main objective of the Standard Chartered Bank with a vision of becoming a Leading Bank of the Country by providing premium products and services to the customers, thus ensuring attractive and substantial returns to the stakeholders of the bank.

- The bank strives to provide modern and efficient and personalized banking facilities within the country of its customers.
- The bank also aspires to develop new and modern banking system and technology to provide market oriented facilities and services to its valued customers.

The management and staffs of the bank are committed to innovate and introduce new products in the market in order to provide maximum benefits to its valued customers.

1. 2. Statement of Problem

Finance is one of the most important functional areas of a business. It is concerned with the overall management of any enterprise, ensuring financial strength through adequate cash flow, liquidity and better utilization of assets. Commercial joint venture banks set up in Nepal seem to need greater funds in terms of financing to the expansion of their assets because of growing number of new establishment of joint venture bank in country. These bank deals with other people's deposits, most of which are payable on demand. There is no doubt that the survival of the

existing commercial banks and other financial institutions depend upon how they manage their assets and liabilities to maximize their profits with the minimum exposure of assets to risk, and are guided by three important conflicting criteria of solvency, liquidity and profitability. Therefore, financial management is the main indicator of the success or failure of any business firm. Financial condition of the business firm should be sound from the point of view of shareholders, debenture holders, financial institution and nation as a whole.

SCBNL has achieved a remarkable success in banking sector in terms of market share and profitability compared to other joint venture banks because of its reliable and professional services. Since, SCBNL has been able to maintain its position as one of the market leaders in the banking industries, it cannot be predicted that the bank would continue to maintain its profitability and stability of earning because of the tough competition in this sector. In the context of open market economy, the bank is prone to both external and internal threats. The economy of the country cannot be termed as bright in recent past years. Financial sector has really

suffered because of the continuous decline owing to the poor performance of industrial, trading, tourism and other fronts of the economy. The vicious circle of low income, low saving and low investment, which is the key factor responsible for low growth rate of the country, enhanced the need for vigorous efforts to increase the level of saving. Saving mobilization and effective credit management system is must for economic development especially for a country like Nepal where the economic growth rate is very low. It is because, among the various reasons, the government rules and regulations, ownership patterns, attitudes of management, forms of management may be the partial causes of such a situation. In this regard, the good banking system can play a vital role in acceleration the pace of economic development through the mobilization of scattered saving and channelling it in the productive sector of the economy. The adaptation of open market economic and financial policies is believed to generated more saving as well as improve investment opportunities.

The problem towards which this study is directed is to evaluate the financial performance of the bank. Besides this the study attempts to seek answers of the following questions.

1. What financial ratios best describe the performance of SCBNL?
2. What are the financial performance trends of the bank during the study period?
3. What level of satisfaction is provided to the stakeholders by SCBNL?
4. What are the main Strengthens and weakness of the Bank?

Financial analysis may not provide the exact answer to these questions but it indicates what we can expect from this Bank in the future.

1.3. Focus of the Study

Financial performance covers the financial analysis and other portfolios of SCBNL. Financial analysis is the process of determining the significant operating and financial characteristics of

a firm from accounting data financial statements. The goal of financial analysis is to determine the efficiency and the performance of the firm's management as reflected in the financial records and reports. Besides the financial analysis, the study was also focused on income and expenditure analysis and Bankruptcy Score analysis.

Financial ratio analysis has helped the researcher to make a qualitative analysis about the financial performance of the bank. The income and expenditure analysis is the percentage in relation to total assets or total sales, which has helped the researcher to study trends in financial statements over time. Bankruptcy Score is the statistical tool to predict the financial status of the firm with the help of financial ratio.

1.4. Objectives of the Study

The study basically aims to evaluate the financial position as well as performance of Standard Chartered Bank Nepal Limited and to suggest recommendation based upon it. The specific objectives of the study will be:

1. To analyze the financial performance of SCBNL and draw the conclusions through financial analysis taking relevant variables.
2. To evaluate major strength and weakness of SCBNL .
3. To provide necessary suggestions or recommendations on the basis of study findings.

1.5. Limitations of the Study

Every field of activity has its own limitations. The main limitation of the study is that, this study is mainly based on secondary data, published books, unpublished reports and annual reports of the selected Organization and so on. Errors are inevitable but we have to give full effort to minimize them. We have to do many things staying within many types of limitations and boundaries. The study has been subject to the following limitations.

1. The study is based on data and information provided by SCBNL and its annual reports.
2. The research is based on data and information of only five (2064/65 to 2068/69) fiscal years.

3. This study is focused on the format of only M B S thesis reports.

4. Time and resource constraint also limited the study.

1. 6. Organization of the study:

The research work has been divided in to five chapters.

Chapter I: Introduction

This chapter deals with various aspects of the study like general background, introduction of Standard Chartered Bank Nepal Limited, statement of the problem, objectives of the study, focus of the study, limitation of the study and organization of the study.

Chapter II: Review of literature

The second chapter incorporates review of theoretical and related literature regarding the subject matter.

Chapter III: Research Methodology

The third chapter will explain the research methodology used in the study, which includes research design, source of data, method of data analysis with different statistical and financial tools as ratio

analysis, trend analysis is used in the study. It provides guidelines and gives a roadmap to analyze the collected data.

Chapter IV: Data Presentation and Analysis

This chapter covers analysis, presentation and interpretation of the acquired data, which was collected through the designed methodology. Data are presented in tabular, graphic or in an equation form to achieve the objective of the study.

Chapter V: Summary, Conclusion and Recommendations

The fifth or final chapter deals with summary and conclusion of the research and recommendation given to the concerned organization.

CHAPTER TWO

REVIEW OF LITERATURE

2.1. Conceptual/Theoretical Review

The review of literature is a fundamental part of planning of the study. The main purpose of the literature review is to find out what works have been done in the area of the research problem and what have to be done in the field of the research study being undertaken. Every research requires a clear cut idea on the problem of study and its solution, which emerges from the review of literature. The review of various books, research studies have been made to make clear about the concept of performance analysis as well as to recall the theories and previous studies made by various researchers. Many important literatures are available in this field of banking and financial and its evaluation. This chapter reviews the available literature relating to performance evaluation of banking financial sector and views expressed by various scholars and researchers on the financial performance of banking institutions.

2. 2. Review of Related Books

2. 2. 1. Concept of Financial Performance Analysis

Financial performance analysis is a study of relationship among the various financial factors to pinpoint the strengths and weaknesses of a firm in order to forecast the prospects for future earnings. In the recent time, financial performance analysis has played an increasing important role as a tool for examining the real worth of a going concern which is one of the important Fundamental Accounting Assumptions.

Financial performance analysis determines the solvency of a business concern and the measure of efficiency of operation as compared to similar concerns. The analysis reveals how far the dream and ambition of the top management have been converted into reality during each financial year. The analysis being the techniques of X - raying the financial position as well as the progress of a concern enables managers and investors to take decision that will affect the company's future.

"Financial performance decision plays a vital role to increase the profitability by analyzing the past performance and efficiency of a

firm from accounting data and financial statements. The profit earned by the firm is the main financial indicator of business enterprises. Profit is essential for an enterprises to survive, grow and to maintain capital adequacy through profit retention. The profit can't solely predict the financial performance of the firm. Thus, financial performance is the starting point for making plans deforming using any sophisticated forecasting and budgeting procedures" (Panday; 1995:189)

Financial performance as a part of the financial management is the main indicator of the success or failure of the firm. There are different person/institutions that affected or are affected by the decision of the firm. Financial condition of business firm should be sound from the point of view of shareholder, debenture holders, financial institution and nation as whole.

Financial analysis is designed to determine the relative strengths and weakness of a organization/firm, whether the company is financially sound and profitability relative to other organization/firm in its industries and whether its position is improving or deteriorating over time. All the stakeholder of the company needs such

information in order to evaluate the riskiness of its cash flow and to be aware of their companies' financial positions.

"Financial analysis is the key tool for financial decision and starting point for making plan before using sophisticated forecasting and budgeting procedures. The value of this approach is the quantitative relation that can be used to detect strengths and weakness in a company's performance. Financial performance is the main indicator of the success or failure of a company. The focus of financial analysis is on the figures in the financial statements and the significant relationship that exists between them" (Khan and Jain, 1999)

"The financial performance analysis involves the use of various financial statements. The financial statements contain summarized information of a company's financial affairs, organized systematically by the top management. These statements are used by investors to examine the company's performance in order to make investment decision" Pandey 1999)

2. 2. 2. Financial Statements

"The financial statements contain summarized information of a company's financial affairs, organized systematically by the top

management. These statements are useful to investors, management, government, creditors and many stakeholders to examine the company's performance in order to fulfil their various purposes. Financial statement discloses financial information relating to any business concern during a financial year, which is presented in the form of income statement and balance sheet usually prepared at the end of each financial year. Financial statements are prepared from the accounting records maintained by the firm with taking to assist in decision making as basic objective.

Income statement

The income statement presents a summary of revenue and expenses of a firm for the specific period. The income statement or operating statement is commonly called by profit and loss account.

Balance sheet

The balance sheet or statement of financial position portrays the financial structure of the company in terms of its economic resource and respective interests. The source of fund and the utilization of these funds properly classified and arranged in a specific manner. It communicates information about the assets and liabilities.

2. 2. 3. Objectives of Financial Statement Analysis

Financial statement analysis, being an information processing system designed to provide data for decision making, thus involves a study of relationship among various financial factors in a company as disclosed by a single set of statement and a study of trends of these factors as shown in series of statement condition of a company (Moer, 1961, p.4.)

However, objectives of financial statement analysis differ as per the need of different parties involved in a company. In broad sense, there could be two major possible objectives of financial statement analysis (Needles, 1989, 63-64)

Assessment of Past Performance and Current Position

Past performance is often good indicator of future performance. Therefore, an investor or creditor is interested in the past sales, expenses, net income, cash flow and return on investment. In addition, an analysis of current position tells what assets the company owns and what liabilities must be paid. Besides, it provides the information about various facts in relation to the company such as:

- Earning capacity or the profitability of the company.

- Operational efficiency of the company as a whole of its various departments.
- Long-term and short-term solvency of the company for the benefit of debenture holders.
- Real meaning and significance of financial data.

Assessment of Potential and Related Risk

Investors judge the potential earning capacity of a company because that affects the value of the investment of share, and the amount of dividend that the company pays. The risk of an investment or loan also rests on whether the future profitability and liquidity of the company is promising or not. Therefore, the creditors judge the potential debt paying ability of the company, and managers are interested in various information concerning different potentials, such as:

- Possibility of development in the near future forecast and budget allocation.
- Financial stability of the business.

- Reform needed in the present policies and procedures that help to reduce weaknesses and strengthen performance.

2.2.4. Significance of Financial Statement Analysis

Financial statements report on both firm's position at a point of time and on its operations over some past period. However, their real value lies in the fact that can be used to help predict the firm's future earnings and dividends. From an investor's standpoint, predicting the future is what financial statement analysis is all about, while from management's standpoint, financial statement analysis is useful both as a way to anticipate future conditions and more important as a starting point for planning actions that will influence the future course of events (Weston and Brigham, 1987: 240)

Parties those benefited by the analysis of financial performance can be enumerated as (Srivastava, 1993: 58-59):

Significance to Top Management

Top management, being responsible of ensuring the resources are used most efficiently and that the company's financial position is

sound, must analyze financial statements to measure whether stated objectives have been met or not and to formulate operating strategies and policies so as to enhance overall performance of the company.

Significance to Creditors

While trade creditors are interested in a company to meet their claim over a short period of time, the lenders of long-term debt are interested with a company's long term solvency and survival. The lenders can decide whether the borrower retains the capacity of refunding the principal and paying interested in time or not through as analysis of financial statements

Significance to shareholders

The investors, who have invested their fund in a company's share, are most concerned about the company's earning. Normally, if the performance of the company is excellent, the shareholders wish to buy the shares whereas, they simply intend to hold the shares in case of satisfactory profit. And they rush to sell their shares in case of poor performance of the company. So, the analysis of

financial statements helps shareholders to decide whether to buy, sell. Or hold the shares.

2.2.5. Selection of Appropriate Tool

There are different tools of analysis available to an analyst. The tool be used in a particular situation depend on skill, training, intelligence and expertise of the analyst. If inappropriate tool is used, it may lead to faulty conclusions.

2.2.6. Techniques of Financial Statement Analysis

Analysis and interpretation of financial statement can be done through various techniques as comparative financial statement, fund flow; ratio analysis and test of hypothesis are widely used.

A. Common-size Statements/Vertical Analysis

The analysis of common size statement is also called as vertical analysis. Common size statements express all items in the statement as a percentage of a selected item (the base) in the statement. Analysts also use vertical analysis of a single financial statement, such as an income statement. Vertical analysis consists of the study of a single financial statement in which each item is expressed as a percentage of a significant total. Vertical analysis is

especially helpful in analyzing income statement data such as the percentage of the cost of goods sold to sales. Financial statements that show only percentages and no absolute amount amounts are common size statements. All percentage figures in a common size balance sheet are percentage of total assets while all the items in the common size income statement are percentage of net sales. The use of common size statements facilitates the vertical analysis of a company's financial statements.

The purpose of common size statements is (1) to identify important economic characteristics, any differences stemming from reporting choice and operating, investing and financing decisions made by the management and competitive strengths or drawbacks of a firm or comparable firm, and (2) to highlight factors that require further analysis. This is the first step in a comprehensive ratio analysis. Common size statement basically used to compare the items of financial statement between operation years or comparable firms as follows

B. Horizontal Analysis/Trend Analysis

Horizontal analysis is the analysis statements over a series of years. Comparative financial statements present the same

company's financial statements for one or two successive periods in side by side columns. This method is helpful for the horizontal study of the data of comparative financial statement of several years. This method of analysis involves the comparison of percentage relationships that each statement item bears to the same item in the base year. The base year may be the earliest year, latest year or any intervening year under the study. It shows the direction to which the company is proceeding.

Trend analysis is an analysis of a company's financial ratio over time is made in order to determine the improvement or deteriorating of its financial situation. But trend ratio are generally not computed for all of the items in the statement, as the fundamental objective is to make comparison among items having same logical relationship to one another.

Trend analysis reveals whether the current financial position of the company has improved over the past years or not. It shows which of the items have moved in a favourable direction and which of them in unfavourable direction.

Though it's important for measuring financial performance it is not out of following limitation.

- Trend for a single balance sheet or income statement is seldom very informative.
- It does not give accurate results if accounting principles followed by the accountant are not considered over the period of study.
- Price level changes adversely affect the comparison.
- Selected based year for some of the items in the statement may not be typical.

C. Cash Flow Analysis

The analysis relates to the movement of cash rather than inflow and outflow of working capital is known as cash flow analysis. The statement is prepared to know clearly the various items of inflow and outflow of cash. It summarizes the causes of change in cash position between dates of two balance sheets. While preparing cash flow statement, only cash receipt from debtor against credit sales are recognized as the source of cash. Similarly, cash expenses, cash purchase and cash payments to suppliers for credit purchase are regarded as the use of cash. Incomes and expenses

outstanding and prepaid expenses are not considered under this analysis.

This type of analysis is useful for short term planning of a company. The company needs sufficient cash to pay debt maturing in near future, to pay interest and other expenses and to pay dividends to shareholders. The projection of cash flows for near future thus, ensures the availability of sufficient cash to match the need of a company during the period and accordingly, facilitate arrangement to meet the deficit or invest the surplus cash temporarily (Pandey, 1999:75).

It's some drawback are as follows:

- It is not perfect as it depends on conventional statements.
- It is historical in nature.
- It does not reflect the structural and policy change.

D. Ratio Analysis

Ratio analysis is the numerical relationship between any two variables of financial statements, which should serve some meaningful purpose. Ratios are expressions of logical relationships between items in the financial statements of single period. Analysis

can compute any ratios from the same set of financial statements. A ratio can show a relationship between two items on the same financial statement or between two items on different financial statements (e.g; balance sheet and income statement). The only limiting factor in choosing ratio is the requirement that the item used to construct a ratio have a logical relationship to one another. Financial statement including the income statements, statement of retained earnings, balance sheet and the cash flow statement reflect the overall financial position of an enterprise, which is the health of the entity. These statements provide information to insiders and outsiders both.

Ratio analysis is a tool of scanning the financial statements of the firm. Through this one comes to know position of the operation in which areas of the operation the organization is strong and in which areas is weak.

It is defined as the systematic use of ratio to interpret the financial statement so that the strength and weakness of a firm as well as its historical performance and current financial condition can be determined. The term ratio refers to the numerical or quantitative relationship between two items/variables (Khan and Jain, 1999:4.1).

Ratio analysis is carried out to develop meaningful relationship among individual items or groups of items usually shown in the periodical financial statements. An accounting ratio shows the relationship between two interrelated accounting figures. Ratio guides or shortcuts those are useful in evaluating the financial position and operation of a company. When the relationship between two figures in the balance sheet is established, the ratio so calculated is called "Balance Sheet Ratio". Ratio may be expressed in the form of quotient percentage or proportion.

Ratio analysis involves two types of comparison for the useful interpretation of financial statements. A ratio itself does not indicate the favourable or unfavourable position. Most commonly used standards to evaluate the ratio are:

- a. Comparison of present ratio with past and expected future ratio.
- b. Comparison of ratio of the company with those of similar companies over the period or with industry average at the same point of time.

One can judge financial performance of a company over a period of time and against the industry average with taking the help of the ratio. It helps analyst to form the judgment whether the performance of the company is good, questionable or poor. Management of the company can take strategic decision based on the position revealed by ratios. Investors can decide about the future of their investment. Creditors can judge whether the company is anymore creditworthy or not.

Source: Managerial Accounting, Nepalese perspectives (second edition) Asmita's Book Publisher & distributors P (Ltd).

All these judgments are taken by different types of ratios. For example,

A. Liquidity ratio

Liquidity ratio measure the ability of a company to meet its current or short term obligations. From them, much insight can be obtained in to the present cash solvency of a company and its ability to remain solvent. Essentially, we wish to compare short term

obligations with the short term resources available to meet these obligations. (Van Horne, 2004:351)

Leverage ratios evaluate the long term financial position of a company. Finally, profitability ratio measures the operating efficiency of a company. A high degree of liquidity means resources of a firm is unnecessary being tied up as idle assets in current assets, which is earning nothing. The important liquidity ratios are:

- i. Current ratio
- ii. Cash at Bank Balance to Current Assets Ratio
- iii. Loan and Advance to Current Assets Ratio
- iv. Fixed Deposit to Total Deposit Ratio
- v. Cash and Bank Balance to Total Deposit Ratio (Cash Reserve Ratio)

B. Activity Ratio

Activity is concerned with measuring the efficiency in assets management and used to judge how effectively the firm is using its resource. In this sense, these ratios are also called efficiency ratios or assets utilization/management ratios. Besides such ratio are

called turnover ratios because they indicate the speed with which assets are being converted or turned over into sales. The greater the rate of turnover or conversion, the more efficient the utilization/management if other things equal. (Khan and Jain, 2003:140)

The important activity ratios are:

- i. Loan and Advance to Total Deposit Ratio
- ii. Loan and Advance to Saving Deposit Ratio
- iii. Loan and Advance to Fixed Deposit Ratio

C. Leverage Ratio/Capital Structure Ratio

The leverage or capital structure ratios may be defined as financial ratios which throw light on the long term solvency of a firm as reflected in its ability to assure the long term endives with regard to (i) periodic payment of interest during the period of the loan and (ii) repayment of principal at maturity or in predetermined instalments at due dates. (Khan and Jain, 1999:4.10)

Leverage ratios are calculated to measure long term financial position/ solvency of firm.

The important leverage ratios are follows:

- i. Debt to Equity Ratio
- ii. Debt to Total Capital Ratio
- iii. Coverage ratio

D. Profitability Ratio

Profitability is a measure of operating efficiency that can be measured by profitability ratio. It indicates degree of success in achieving desired profit levels, measure management's overall effectiveness as shown by the return generated on sales and investment. These ratios are composed of "A group of ratio showing the combined effects of liquidity, assets management and debt management on operating result" (Weston and Brigham, 1987:145)

So such ratios are regarded as a central measure of the earning power and operating efficiency of a firm. These groups of ratios consist of many ratios. They are as follows:

- Net Profit to Total Deposit Ratio
- Net Profit to Total Assets Ratio

➤ Interest Earned to Total Assets Ratio

Even the tool of financial evaluation as Ratio analysis is very important but it is not out of following drawbacks as follows:

- It is difficult to decide the proper basis of comparison.
- It calls interpretation to certain aspects of the business, which needs details investigation before arriving at any financial conclusion.
- Unless there is a consistency in adaptation of accounting methods, ratios may not prove of grater use in case of inter-company comparison.
- The price level changes make the interpretation of ratios invalid.
- The ratios are generally calculated from past financial statement and thus, are no indicators of future.

2. 3 Highlights on the History of Banking and its Development:

Development of Banking System

Banking in the modern sense of the word can be traced to medieval and early Renaissance Italy, to the rich cities in the north like Florence, Venice and Genoa. The word bank was borrowed in Middle English from Middle French banque, from Old Italian banca, from Old High German banc, bank "bench, counter". Benches were used as desks or exchange counters during the Renaissance by Florentine bankers, who used to make their transactions atop desks covered by green tablecloths.

The History of Banking began at about 2000 BC of the ancient world when merchants made grain loans to farmers and traders started carrying goods between cities within the areas of Assyria and Babylonia. The Code of Hammurabi, dating back to about 1772 BC, is one of the oldest deciphered writings of significant length in the world that deals with matters of contract and set the terms of a

transaction. This code also included standardized procedures for handling loans, interest, and guarantees.

Later on, in ancient Greece and during the Roman Empire, lenders based in temples made loans and started accepting of deposits. Banking activities in Greece are more varied and sophisticated than in any previous society. They took deposits, made loans, changed money from one currency to another and tested coins for weight and purity. They even engaged in book transactions. Moneylenders can be found who will accept payment in one Greek city and arrange for credit in another, avoiding the need for the customer to transport or transfer large numbers of coins.

Banking, in the modern sense of the word, can be traced to medieval and early Renaissance Italy, to the rich cities in the north such as Florence, Venice and Genoa. The development of banking spread through Europe and a number of important innovations took place in Amsterdam during the Dutch Republic in the 16th century and in London in the 17th century. Some of the earlier systems that facilitated trading/exchange of goods were barter system and gift economies.

The process of financial innovation advanced enormously in the first decade of the 21 century, and banks explored other profitable financial instruments, diversifying banks' business and this had a positive impact on the economic wellness of the banking industry. This decade marked the beginning of the era in which the distinction between different financial institutions, banking and non-banking is gradually vanishing. Technological advances during the decade shifted the way banks operate from traditional branch banking to internet and e-banking.

Brief History of Banking in Nepal

The history of banking in Nepal is believed to be started from the time of Prime Minister Ranoddip Singh in 1877 A.D. He introduced many financial and economic reforms. The Tejaratha Adda was established at that time and its basic purpose was to provide credit facilities to the general public at a very concessional interest rate. The Tejarath Adda disbursed credit to the people on the basis of collateral of gold and silver. All employees of government were also eligible for this type of loan, which was settled by deducting

from their salary. Tejaratha Adda extended credit only; it did not accept deposits from the public.

But the real banking started with the establishment of Nepal bank limited in 1994 B.S which was founded by Judda Samsheer. It was the first bank of Nepal. Its main function was to provide loans and accept deposits. Later Nepal Rastra Bank was established as a central bank in 2013 B.S. The bank was completely government ownership bank and it also started to issue notes since 2016 B.S.

With the establishment of Rastriya Banijya Bank and Agriculture Development Bank, banking service spread to both the urban and rural areas. Nepal Rastra Bank also gave incentives to Nepal Bank Limited to expand their branches to rural areas. This helped the common people to reduce their burden of paying higher rate of interest to money lenders. It is natural expectations of customers keep on increasing. Once they got banking services they were expecting improvement and efficiency. However, excess political and bureaucratic interference and absence of modern managerial concept in these institutions was hurdle in this regard. Banking services to the satisfaction of the customers were a far cry. The

inception of Nepal Arab Bank Limited (renamed as NABIL Bank Limited since 1st January 2002) In B.S. 2041/03/29 as a first joint venture bank proved to be a milestone in the history of banking. Being attracted by the success of NABIL bank and liberal economic policy adopted by the government after the restoration of multiparty Democracy System in 2046 B.S. a number of commercial banks, came into Nepalese financial Market. The banking sector in Nepal started with the establishment of Nepal Bank Limited.

Then after, several commercial banks have been established in the recent years. In these days following named banks are in operation.

Table No. 1.1

Commercial Banks in Nepal

S.N.	Name of Commercial Bank	Year of establis hment	Head office	Links to Related bank
1	Nepal Bank Limited	1957	Kathmandu	www.nepalbank.com.np

2	Rastriya Banijya Bank Limited	1966	Kathmandu	www.rbb.com.np
3	Agriculture Development Bank Limited	1968	Kathmandu	adbl.gov.np
4	Nabil Bank Limited	1984	Kathmandu	www.nabilbank.com
5	Nepal Investment Bank Limited(Previously Nepal Indosuez Bank)	1986	Kathmandu	www.nibl.com.np
6	Standard Chartered Bank Limited(Previously Nepal Grindlays Bank Limited)	1987	Kathmandu	www.standardchartered.com.np
7	Himalayan Bank Limited	1993	Kathmandu	www.himalayanbank.com
8	Nepal SBI Bank Limited	1993	Kathmandu	nsblco@nsbl.com.np
9	Nepal Bangladesh Bank Limited	1993	Kathmandu	www.nbbl.com.np

10	Everest Bank Limited	1994	Kathmandu	www.everestbankltd.com
11	Bank of Kathmandu Limited	1995	Kathmandu	www.bokltd.com
12	Nepal Credit and Commerce Bank Limited(Previously Nepal Bank of Ceylon Limited)	1996	Bhairawa	Nccbank.com.np
13	Lumbini Bank Limited	1998	Narayangra h	www.lumbanibank.com
14	Machhapuchre Bank Limited	2000	Phokara	Machbank.com
15	Kumari Bank Limited	2001	Kathmandu	www.kumaribank.com
16	Laxmi Bank Limited	2002	Birjung	www.laxmibank.com
17	Siddharth Bank Limited	2002	Kathmandu	www.siddharthabank.com
	Global IME Bank Limited	2012	Birjung	Globalbanknepal.com
18	Citizens Bank International	2007	Kathmandu	Ctznbank.com

	Limited			
19	Prime Commercial Bank Limited	2007	Kathmandu	Eprimebank.com
20	Grand Bank Nepal limited	2008	Kathmandu	www.dcbl.com.np
21	NMB Bank Limited	2009	Kathmandu	Nmb.com.np
22	Kist Bank Limited	2009	Kathmandu	Kistbank.com
23	Sunrise bank limited	2009	Kathmandu	Sunrisebank.com.np
24	Janata Bank limited	2009	Kathmandu	Janatabank.com.np
25	Mega Bank Limited	2009	Kathmandu	Megabanknepal.com
26	Commerz and Trust bank limited	2010	Kathmandu	Ctbanknepal.com
27	Civil Bank limited	2010	Kathmandu	Civilbank.com.np
28	Century commercial bank limited	2011	Kathmandu	Centurybank.com.np
29	Sanima Bank limited	2011	Kathmandu	Sanimabank.com

31	NIC Asia Nepal Limited	2013	Kathmandu	Boanepal.com
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Growth of financial institution in Nepal over the last 27 years are given as annex 1 for information.

Brief Introduction of Standard Chartered Bank Nepal

The bank was originally established as a joint venture of Grindlays Bank PLC and Nepal Bank Limited in 1986 with the shareholding ratio of ANG Grindlays Bank Limited 50%, Nepal Bank Limited 33.34 % and General Public 16.6 %. along with the change of ownership to Standard Chartered Bank Nepal Limited, the banking area of SCBNL saw the rise of a new dawn changing the general image of the bank. With the acquisition, SCBNL now owns 50% shares of Nepal Grindlays Bank Limited. In fiscal year 2003/04 one of the big shareholding organizations, Nepal bank limited, has sold its whole shares of 33.34% to the general public (8.34%) and to the Standard Chartered Bank of UK (25%). Standard Chartered Bank Nepal Limited has been in operation in Nepal since 1987 when it was initially registered as a joint-venture operation. Today the Bank is an integral part of Standard Chartered Group having an

ownership of 75% in the company with 25% shares owned by the Nepalese public. The Bank enjoys the status of the largest international bank currently operating in Nepal.

Standard Chartered has a history of over 150 years in banking and operates in many of the world's fastest-growing markets with an extensive global network of over 1750 branches (including subsidiaries, associates and joint ventures) in over 70 countries in the Asia Pacific Region, South Asia, the Middle East, Africa, the United Kingdom and the Americas. As one of the world's most international banks, Standard Chartered employs almost 75,000 people, representing over 115 nationalities, worldwide. This diversity lies at the heart of the Bank's values and supports the Bank's growth as the world increasingly becomes one market.

With 19 points of representation, 23 ATMs across the country and with more than 425 local staff, Standard Chartered Bank Nepal Ltd. is in a position to serve its customers through an extensive domestic network. In addition, the global network of Standard Chartered Group gives the Bank a unique opportunity to provide truly international banking services in Nepal.

Standard Chartered Bank Nepal Limited offers a full range of banking products and services in Consumer banking, Wholesale and SME Banking catering to a wide range of customers encompassing individuals, mid-market local corporate, multinationals, large public sector companies, government corporations, airlines, hotels as well as the DO segment comprising of embassies, aid agencies, NGOs and INGOs.

The Bank has been the pioneer in introducing 'customer focused' products and services in the country and aspires to continue to be a leader in introducing new products in delivering superior services. It is the first Bank in Nepal that has implemented the Anti-Money Laundering policy and applied the 'Know Your Customer' procedure on all the customer accounts.

Corporate Social Responsibility is an integral part of Standard Chartered's ambition to become the world's best international bank and is the mainstay of the Bank's values. The Bank believes in delivering shareholder value in a socially, ethically and environmentally responsible manner. Standard Chartered throughout its long history has played an active role in supporting those

communities in which its customers and staff live. It concentrates on projects that assist children, particularly in the areas of health and education. Environmental projects are also occasionally considered. It supports non-governmental organizations involving charitable community activities. The Group launched two major initiatives in 2003 under its 'Believing in Life' campaign - 'Living with HIV/AIDS' and 'Seeing is Believing'.

According to the annual report of 2011/12, it has made 1169 million NPR as profit after tax which is 4.4% increased as compared to previous year. It has made a good income to the government also by paying a high corporate tax. These days, Standard Chartered Bank is in operation with following branches and extension counter.

Table No. 1.2

Branches and Extension Counter

SN	Branch	Location
1	Bhairahawa Branch	Buddha Chowk Colony, Burmeli Tole, Bhairahawa
2	Biratnagar	Main Road, Biratnagar

	Branch	
3	Birgunj Branch	Adarsha Nagar-13, Birgunj
4	Butwal Branch	Milan Chowk, Butwal, Municipality - 11, Rupandehi
5	Dharan Branch	Buddha Marga, Dharan
6	Hetauda Branch	Bank Road,Hetauda - 4,Makwanpur
7	Lalitpur Branch	Jawalakhel, Lalitpur
8	Lazimpat Branch	Lazimpat, Kathmandu
9	Lakeside Branch	Lakeside Baidam, Pokhara
10	New Road Branch	New Road, Pokhara
11	Narayangarh Branch	Bharatpur Height, Narayangarh
12	Naya Baneshwore Branch	New Baneshwar, Kathmandu

13	Nepalgunj Branch	Surkhet Road, Nepalgunj Banke
14	New Road Branch	People's Plaza (Pako Wing) Pako, New road Kathmandu
15	Teku Branch	Hospital Marg Teku, Kathmandu
Extension Counter		
16	UN Counter	UN Building, Lalitpur
17	B.P.Koirala Institute of Health Sciences, Dharan	Dharan
18	British Gurkhas, PPO Pokhara	Pokhara
19	Manipal Counter	Manipal Hospital, Fulbari

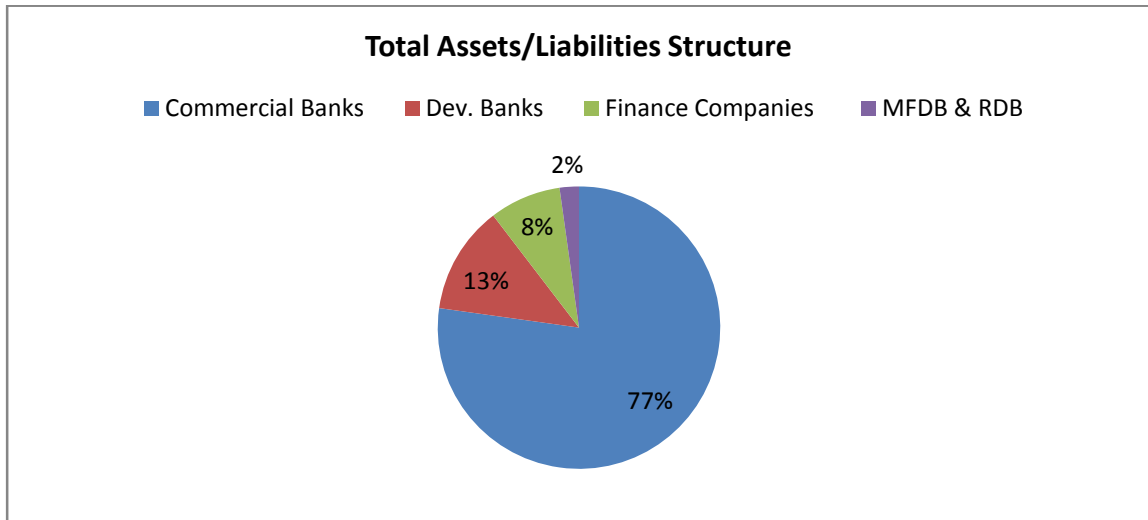
Highlights on Performance of Banks and Non-Bank Financial Institutions in Financial Sector in Nepal

The history of financial system of Nepal was begun in 1937 with the establishment of the Nepal Bank Ltd. as the first commercial bank of Nepal with the joint ownership of government and general public. Nepal Rastra Bank was established after 19 years since the establishment of the first commercial bank. A decade after the establishment of NRB, Rastriya Banijya Bank, a commercial bank under the ownership of Government Nepal was established. In the context of banking development, the 1980s saw a major structural change in financial sector policies, regulations and institutional developments. Government emphasized the role of the private sector for the investment in the financial sector. With the adoption of the financial sector liberalization by the government in 80's opened the door for foreign Banks to open Joint venture Banks in Nepal. As a result, various banking and non-banking financial institutions have come into existence. Nabil Bank Limited, the first foreign joint venture bank of Nepal, started operations in July 1984. During two decades, Nepal witnessed tremendous increment in

number of financial institutions. Nepalese banking system has now a wide geographic reach and institutional diversification. Consequently, by the end of mid - July 2012, altogether 265 banks and non- bank financial institutions licensed by NRB are in operation. Out of them, 32 are “A” class commercial banks, 88 “B” class development banks, 69 “C” class finance companies, 24 “D” class micro-credit development banks, 16 saving and credit co-operatives and 36 NGOs. In mid- July 2011, the commercial banks branches reached to 1425 with the population of nineteen thousand per branch. Present development of financial institution in Nepal is reflected in Annex 1.

As of Mid - July 2012, Commercial Bank group occupied 77.3 percent of total assets/liabilities followed by Development Banks 12.4 percent, Finance Companies 8.2 percent and Micro-finance Development Bank 2.2 percent. In Mid - July 2011, the respective shares were 75.3, 12.0, 10.9 and 1.8 percent respectively as presented as follows

Figure 2.A



The composition of the total liabilities shows as usual, deposit held dominant share of 78.0 percent followed by other Liabilities 11.0 percent Capital fund by 8.5 percent and borrowings by 2.5 percent respectively in Mid - July 2012. Likewise in the assets side, loan and advances accounted the largest share of 58.5 percent followed by investments 15.2 percent, liquid fund 17.5 percent and others 8.8 percent in the same period as shown in figure below.

Figure 2. B

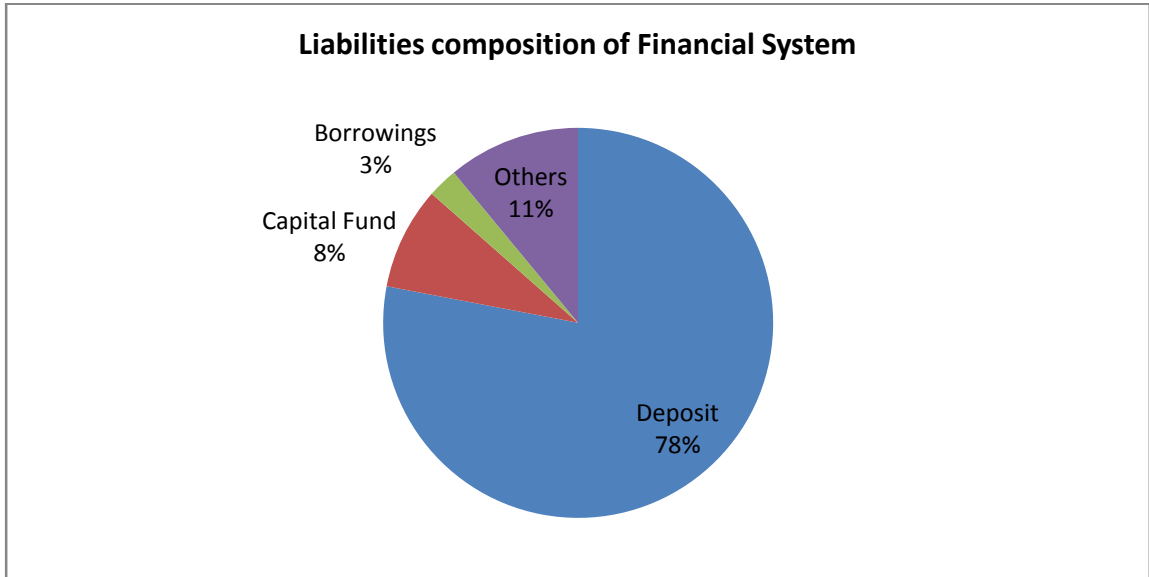
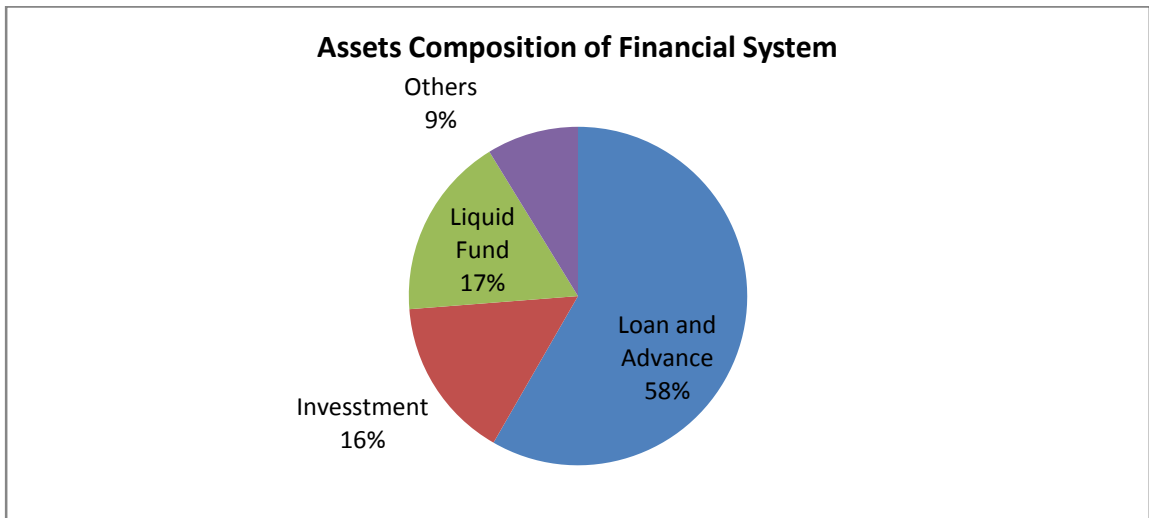


Figure 2.C



Commercial Banks held dominant share on the major balance sheet components of financial system. Of the total deposits Rs. 1076,629 million in Mid - July 2012, the commercial banks occupied 80.6 percent. Similarly, development banks held 11.8 percent, finance companies 7.1 percent and micro finance development banks 0.5

percent. Likewise, on the loans and advances the share of commercial banks stood at 77.1 percent, development banks 12.5 percent, finance companies 8.3 percent and micro finance development banks 2.2 percent in Mid - July 2012. In the same year the share of commercial banks in the borrowings, liquid funds and investments constitute 45.1 percent, 66.9 percent and 86.3 percent respectively. The capital fund, one of the components of liabilities, witnessed growth of 11.4 percent and reached to Rs. 117,980 million in Mid - July 2012 from Rs. 105,816 million in mid July 2011. The borrowings decreased significantly by 26.9 percent while deposit and other liabilities increased by 23.2 percent, 16.7 percent respectively compared to Mid - July 2011. Similarly loans and advances, the major component of assets increased by 12.3 percent and reached to Rs. 807,579 million in Mid - July 2012 from Rs. 718,674 million in mid July 2011. Likewise investment increased by 28.9 percent while liquid fund witnessed significant growth of 59.9 percent in Mid - July 2012 compared to the previous period.

The number of commercial bank branches operating in the country increased to 1425 in Mid - July 2012 from 1245 in mid July 2011.

Among the total bank branches, 49.7 percent bank branches are

concentrated in the central region followed by Western 17.9 percent, Eastern 17.8 Mid Western 8.4 percent and Far Western 5.9 percent respectively as presented in Table 44. The total assets of commercial banks increased by 21.5 percent compared to increment of 11.6 percent in the previous year. By the end of this fiscal year, the total assets of commercial banking sector reached to Rs. 1067,096 million from Rs 878,364 million in the last period. The share of loans and advances to total assets remained 58.3 percent in Mid - July 2012. Similarly, share of investment and liquid funds to total assets registered 17.0 percent and 15.2 percent respectively. The composition of liabilities of commercial banks shows that, the deposit has occupied the dominant share of 81.3 percent followed by others 10.0 percent capital fund 7.2 percent and Borrowings 1.5 percent in the Mid - July 2012. In the Mid - July 2012, the loans and advances increased by 17.9 percent compare to 12.4 percent in Mid - July 2011. By the end of Mid - July 2012, the total outstanding amount of loans and advances including Bills Purchase and Loan against Collected Bills of commercial banks reached to Rs. 622,575 million. It was Rs. 528,023 million in Mid - July 2011. The total investment including

share & other investment of commercial banks in Mid - July 2012 increased by 21.2 percent and reached to Rs. 181,273 million from Rs.149,557 million in Mid - July 2011. Similarly liquid fund increased significantly by 65.0 percent and amounted to Rs. 161,785 million in Mid - July 2012. 14. In the Mid - July 2012, total deposit of commercial bank increased by 26.2 percent compare to 9.0 percent growth in the Mid - July 2011. As of Mid - July 2012, it reached to Rs.867,978 million from Rs 687,588 million in the Mid - July 2011. Among the component of deposit, current deposit increased by 18.1 percent compared to 2 percent of decrement in last year. Similarly, saving & fixed deposit increased by 31.8 percent and 17.8 percent.

15. The Saving deposit comprises the major share in total deposit followed by fixed deposit, call deposit and current deposit. As of Mid - July 2012, the proportion of saving, fixed and calls & current deposits are 35.1 percent, 34.4 percent, 18.6 and 10.7 percent respectively.

Figure 2.D

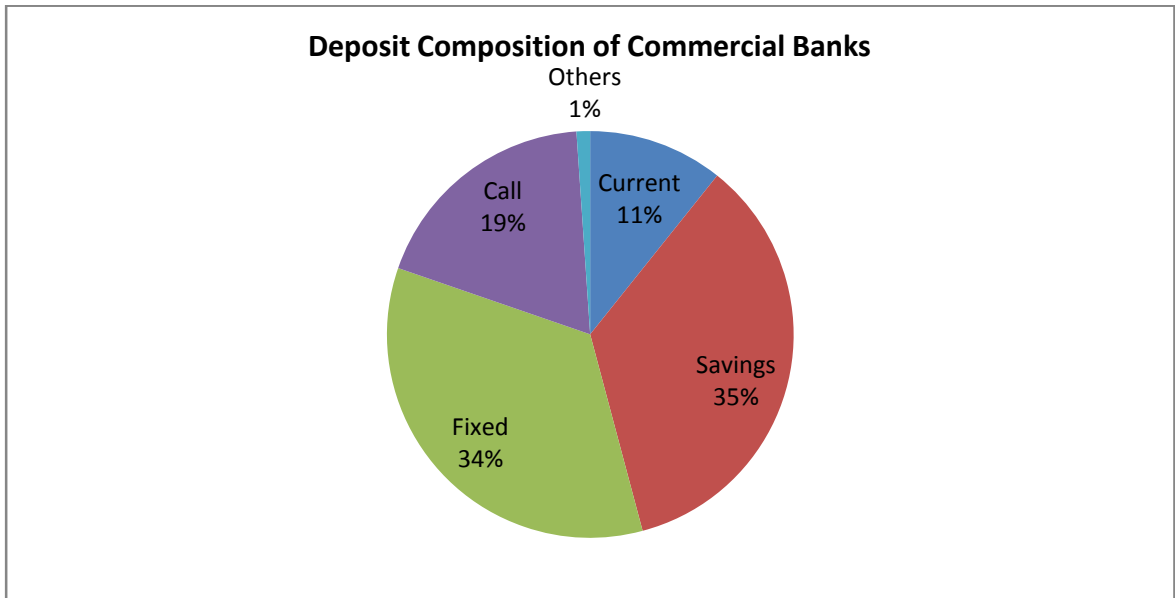


Figure 2 E

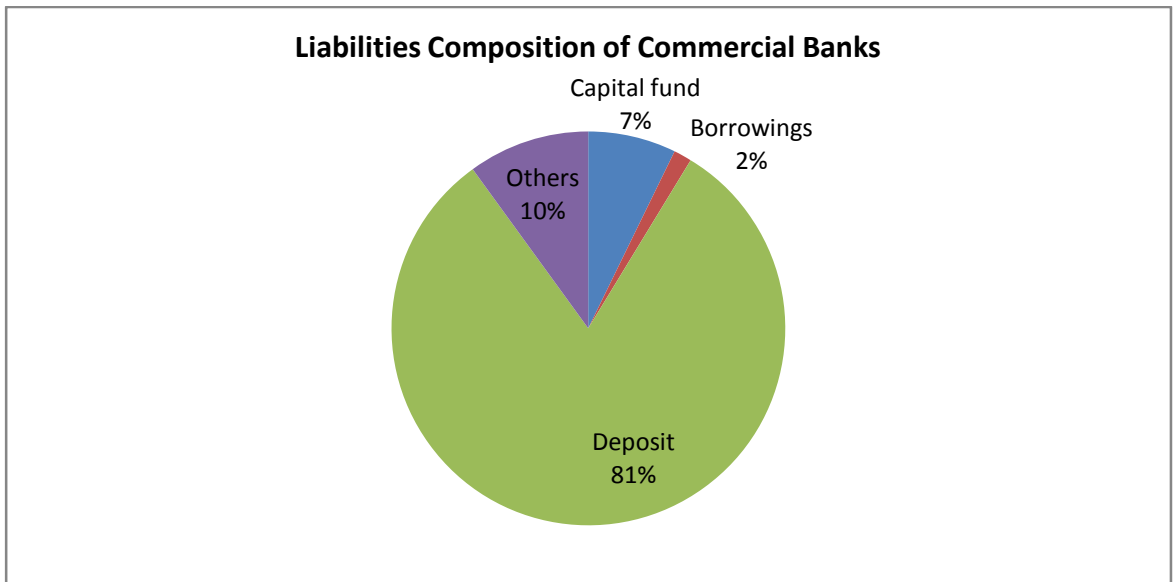
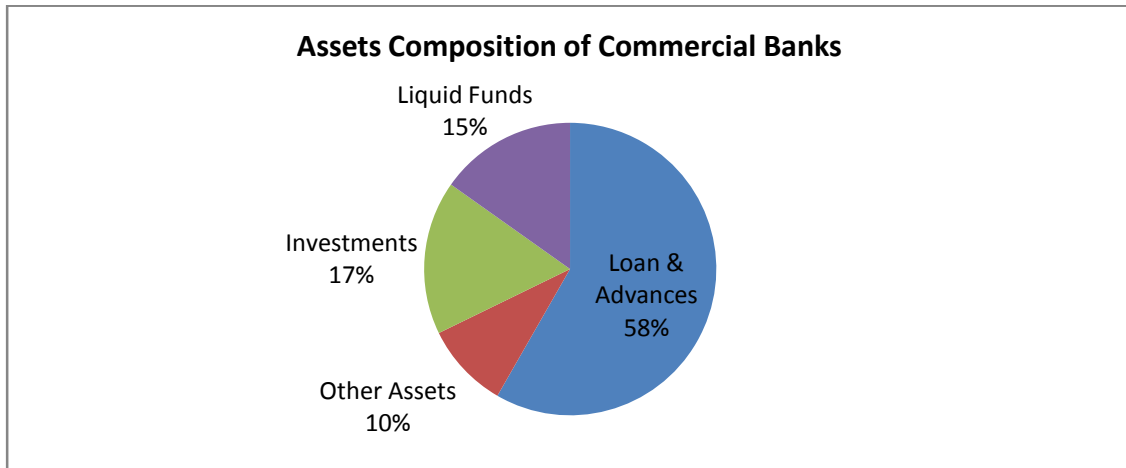


Figure 2 F



In the Mid - July 2012, the borrowing decreased by 37.6 percent compared to increment of 25.6 percent in the previous year. By the end of Mid - July 2012, it reached to Rs.15, 507 million from Rs. 24,853 million in the Mid - July 2011.

Capital fund of commercial banks increased by 30.6 percent compared to previous year and reached to Rs. 77,143 million in Mid - July 2012. It was Rs. 59,064 million in Mid - July 2011 as presented in Table 3.18. Out of the Rs. 622,575 million outstanding sector wise credits in Mid - July 2012, the largest proportion of the loans and advances is occupied by manufacturing sector. The share of this sector is 23.1 percent followed by wholesale & retailers 20.5 percent, other sector 11.1 percent, finance, insurance & real estate by 10.0 percent and construction 9.8 percent. Similarly,

transportation, communication & public services comprise 4.0 percent, consumable loan by 6.1 percent, other service industries by 4.9 percent and agriculture by 3.7 percent in the same period as represented in Table 40.

The outstanding of deprived sector credit of commercial banks in the Mid - July 2012 by the end of Mid - July reached to Rs. 24,150 million as presented in Table 42. The ratio of deprived sector credit to total outstanding of product wise loans and advances stood at 3.8 percent in the current period. Last year it was 3.6 percent. In Mid - July 2012, the credit to deposit ratio of the commercial banks reached to 71.7 percent compared to 76.8 percent in Mid - July 2010.

Sources: Nepal Rastra Bank/Banking and Financial Statics

2.4. Review of related journal and articles

Banking and financing has always been vital issues for lots of Nepalese as well as Foreign articles and journals. This section is devoted to the review of some major articles published in journals, reports, newspaper articles concerning state and problems of

Banking and financial aspect in the country and financial performance of banking institutes.

Dr. Manohar Krishna Shreshtha, in his articles entitled "Capital adequacy of Bank - the Nepalese Context: has argued the bank that deal in highly risky transaction to maintain strong capital base. He concludes that the capital base should neither be too much leading to inefficient allocation of scarce resource nor so weak so as to expose to extreme risk. The study accepts that the operations of banks and the degree of risk associated with them are subject to changes country wise, bank wise and time period wise.

Bhatrai, Dr. Ramchandra. in his article "Role of Financial Intermediaries in Developing Country and its Present Status in Nepal" (Sopan Masik 2070 Jeth); has mainly deal about the role of financial intermediaries in developing countries and its current status in Nepal. He has focus on the Nepalese financial system and role of financial institution in this system. He deals the history of banking system since the establishment of Nepal Bank Limited on 1994 B.S. to since the global networked banking system.

He writes that end of July 2012 altogether 265 banks and non bank financial institutions licensed by NRB are in operation. Out of

them, 32 are "A" class commercial banks, 88 "B" class development banks 69 "C" class finance companies, 24 "D" class micro credit development banks, 16 saving and credit cooperative and 36 NGOs (NRB, 2012). Commercial bank group occupied 77.3 percent of total assets /liabilities followed by development banks 12.4 percent, Financial Companies 8.2 percent and micro finance development bank 2.2 percent. Likewise, on the loans and advance the share of commercial banks stood as 77.1 percent, development bank 12.5 percent, finance companies 8.3 percent, and micro finance development bank 2.2 percent. Commercial banks held dominant share on the major balance sheet components of financial system. Of the total deposits Rs. 1076,629 million in mid July 2012 the commercial banks occupied 80.3 percent. Similarly development banks held 11.8 percent, finance companies 7.1 percent and micro finance development bank 0.5 percent. July 2011, the commercial banks branches reaches, 1425 with the population of nineteen thousand per branch. However, if we consider the branches of all the financial institution the number of people served by each branch comes to the 8700. Among the total bank branches, 49.7 percent bank branches are concentrated in the central region followed by

western region 17.9 percent, Eastern region 17.8 percent, Mid western region 8.4 percent and Far western region 5.9 percent respectively. This indicated that still there is need of financial institutions in the remote area of the country for providing financial services to the needy people. By the end of the fiscal year 2011/12, the total assets of commercial banking sector reached to Rs. 1067096 million. The share of loans and advances to total assets remained 58.3 percent. similarly share of investment and liquid funds total assets registered 17.0 percent and 15.2 percent respectively. The composition of liabilities of commercial banks shows that, the deposit has occupied the dominant share of 81.3 percent followed by others 10 percent capital fund 7.2 percent and borrowings 1.5 percent in the mid July 2012 (NRB 2012).

Sunil Chopra, in his article entitled "Role of foreign banks in Nepal" undoubtedly conduced that the Joint venture Banks are playing an increasingly dynamic and vital role in the economic development of the country.

Bodhi B. Bajracharya, in his article entitled " Monetary policy and Deposit mobilization in Nepal" concludes that the mobilization of domestic saving is one of the prime objective of the monetary

policy in Nepal and for this purpose commercial banks are the vital active financial intermediary for generating resources in the form of deposit of the private sector and providing credit to the investors in different sectors of the country.

Dr. Manohar Kumar Shreshtha, in his articles entitled "Commercial Banks comparative performance evaluation" clarifies that joint venture in Nepal are new and comparatively more efficient in operation and having superior performance amongst local banks. Due to their sophisticated technology, modern banking and skill, joint venture banks are performing better in comparison to local banks. Their better performance is also due to the burden of local banks, which are facing enterprises. Local banks are efficient and expertise in rural sector. But having number of deficiencies, they have to face growing constrains of socio-economic political system on one hand spectrum that of issue and challenges of joint venture banks commanding significant banking in other hard spectrum.

K. Pradhan, in his articles entitled " Nepal ma Baniya Banking : Upalabdhi tatha Chunauti" pointed our some major issues in our local commercial banks against recently established foreign joint venture banks. The study deals on the whole commercial banking

system of Nepal in respect of their performance and profitability. His major finding may be relevant to our study. Some of the major findings are listed below:

- The deposit collection rate of local bank is very poor in comparison to foreign banks.
- The pattern of deposit is also different between these banks. The ratio of current deposit in local banks is 19.34% only whereas the same in the foreign banks is 52.5%. But the fixed deposit ratio is very high in local banks.
- The joint venture banks are in better position than the local banks in profit making.

2.5. Review of Previous Thesis

Various thesis works have been done in different aspects of commercial banks such as lending policy, investment policy, financial performance analysis, resources mobilization and capital structure. The review of some previous study, which is relating to the Nepalese Banking sector, is the most relevant sources and assistant for this research.

Darshandhari A (2004), a study entitled "Financial Performance Analysis of Everest Bank Limited" evaluated the financial performance of the bank with the major objectives as:

- To examine the financial statement of the bank.
- To analyze liquidity, turnover and profitability ratios of the bank.
- To evaluate the earning generating capacity of the bank.

On the basis of analysis, the researcher came out with the following conclusions:

The CR of the bank over the five years is 1.03 times on an average. It indicates that the margin for safety for customers has not been maintained satisfactorily. The average of the cash and bank balance to assets ratio is 14.26 percentages which indicates that the cash and bank balance proportion with respect to the current assets revealed that more than 50 percent of current assets have been lent to the customers as loan and advances. The result of the analysis indicates that the share of fixed deposit is high in the total deposit which may be termed as favourable one from viewpoint of liquidity. Cash and bank balance has been maintained properly against anticipated calls of its depositors. Hence, in

general the liquidity position of the bank is good enough to meet the short term obligations.

The researcher found that the operating efficiency of the bank is fair enough. Interest earned in comparison to total assets is not fair enough; this might be the reason that the bank has average operating profit. Interest paid to total assets is relatively low which is good from viewpoint of profitability. Net Profit earned in comparison to the total assets and total deposit is relatively low. The bank has been earning 1.22 percent on its total assets during the study period. The researcher found that the EPS of the bank is quite good as its average stands at 30.1 during the study period.

Thakuri, Madan (2009), a study entitled "Financial Performance of Standard Chartered Bank Nepal Limited" is conducted with the following objectives:

- To study about the present position of the Standard Chartered Bank.
- To analyze the financial strengths and weakness of Standard Chartered Bank.
- To analyze the financial performance of Standard Chartered Bank.

The major findings of the study are:

- Margin of safety for customer has been maintained satisfactory position with seeing the current ratio of 0.978
- The bank's fund mobilization position is more satisfactory due to remaining the average ratio for loan & advance to current assets 0.385
- The bank has been success to maintain the cash reserve ratio with seeing the 7% as cash and bank balance to total deposit ratio.
- The bank has been success to maintain the financial risk due to remaining average ratio of loan and advance to total deposit 36.8% and investment to total deposit ratio 53%

Kadel (2001), a study entitled "A Comparative Study on the Financial Performance of Nepal Grindlays Bank Limited and Himalayan Bank Limited" is conducted with the following objectives:

- To analyze the financial strength and weakness of these two joint venture banks namely Nepal Grindlays Bank Limited and Himalayan Bank Limited.
- To examine the financial performance.

- To study the comparative financial position of the two joint ventures banks.
- To provide a package of suggestions and possible guidelines to improve the banking business based on the findings of the study.

The major findings of the study are:

- Short term solvency position of the banks is found below than normal through the study period. In the fiscal year 1998/1999, short term solvency position is seems better in NGBL than in HBL.
- NGBL has better position is utilizing its proprieties of deposits as compared with HBL. Debt to total assets ratio of HBL is better than that of NGBL. NGBL is successful to generate more return on its shareholders fund than that of HBL.
- Both the banks have been to generate profit from deposits. But the rate of profitability is unsatisfactory.
- It is better from investor's point of view in NGBL. Both the banks EPS is found in decreasing trend after 1996/97. NGBL seems much better in term of offering dividends to its shareholders as compared with HBL.

- There are higher percentage earnings in HBL as compared to BGBL. Also operating and non operating income of NGBL is higher than HBL.
- Dividend payout ratio of NGBL is more than HBL from the view of shareholders. NGBL has reflected better scenarios although it has also retained a higher position of earnings on an average.

Rana, Khagendra (2012), a study entitled "Profit Planning and Control of Standard Chartered Bank Nepal Limited" is conducted with the following objectives:

- To examine the profit planning adopted by SCBNL.
- To assess the financial position of SCBNL.
- To examine the resource mobilization and achievement of SCBNL.

The major findings of the study are:

- Deposit collection of the bank is satisfactorily good but mobilization of resource other than deposit is not good.
- Cost of deposit and other expenses other than operating expenses is in increasing trend.

- The bank is able to maintain proper coordination between goal, objectives and strategies. There is proper application of PPC system.

2. 6. Research Gap

The purpose of this research is to develop some expertise in one's area, to see what new contributions can be made and to receive some ideas, knowledge and suggestion in relation to financial performance of Standard Chartered Bank Nepal Limited. Thus, the previous studies can not be ignored because they provide the foundation to the present study. In other words, there has to be continuity in research. This continuity in research is ensured by linking the present study with the past studies. This is how research gap will be fulfilled. To complete this research work: many books, journals, articles and various published and unpublished dissertation are followed as guidelines to make the research easier and smooth. In this regard, here we are going to analyze the different procedures of financial performance, which is considered only on Standard Chartered Bank Nepal Limited. Our main research problem is to analyze whether the Standard Chartered Bank Nepal Limited has the right level of profitability and liquidity as well as it

is able to utilize its resources effectively or not. To achieve this main objective, various financial and statistical tools are used. Therefore, this study is expected to be useful to the concerned banks as well as to the different person; such as shareholders, investors, policy makers, stockbrokers, state of government, etc.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

Research is a systematic and organized effort to investigate a specific problem that needs a solution. This process of investigation involves a series of well thought out activities of gathering, recording, analyzing and interpreting the data with the purpose of finding answers to the problem. Thus the entire process by which we attempt to solve problems or search the answer to questions is called research.

A suitable and simple research methodology is followed in order to achieve the stated objectives of the study as to make it easier in visualizing the total study clearly. This chapter includes research design, sources and types of data.

3.2 Research Design

Research design is the plan, structure and strategy of investigation conceived so as to obtain answer to research question and to control variable. The plan is the overall scheme or program of the research. It includes an outline of what the investigator will do from

writing the hypothesis and their operational implications to the final analysis of data. The structure of the research is more specific. It is the outline, the scheme, the paradigm of the operation of the variables. Research design is the plan of attack: what approach to the problem will be taken? What methods will be used? And what strategies will be most effective.

The financial performance evaluation of SCBNL, **descriptive and analytical approach** were used to evaluate the financial performance of the bank. Descriptive approach is utilized for conceptualization, problem identification, conclusion and suggestion of the study where as analytical approach will be followed by the presentation and analysis of data. The data have been analyzed on the basis of standard financial formulas used in the books of financial management.

3.3 Population and Sample

The numbers of private-public companies which are in the banking sectors of Nepal are considered as population. In current scenario there are about 32 commercial banks, 88 development banks, 69 finance companies, 24 micro credit development banks, 16 saving

and credit cooperative and 36 NGOs in operation. Among them only one commercial bank, SCBNL is selected for this study.

3.4 Sources of Data

The main sources of data for the purpose of this study are the published financial statements of SCBNL. The study is thus mainly based on the secondary data. It constitutes mostly the annual reports which comprises of it balance sheet and profit and loss account statement. Information has also been from various publications journals and articles.

3.5. Data Collection Procedure Techniques

Though the study basically covers the secondary data, however, in some cases primary data were also obtained through conversation with the banking staff and managerial officials of related organization. All other available published and unpublished materials concerning the study as well as some journal abstracts have also been used. In addition to that, a number of relevant websites were visited to ensure the availability of information across boarder regarding.

3.6. Data Processing

Data obtained from 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, figures and facts obtained are needed to be checked, rechecked, edited and tabulated for computation. According to the nature of data, they have been inserted in meaningful tables. Homogenous data have been sorted in understandable manner odd data excluded from table. Using financial and statistical tools, data have been analyzed and interpreted.

3.7. Data Analysis Tools

Financial tools are those, which are used for the analysis and interpretation of financial data. They attempt to explore the financial state of a business and convey the strengths and weakness of its policies and strategies. Ratio analysis is used as the basic tool for this study in order to summarize the quantitative judgments about the companies' financial performance. The Importance of ratio analysis lies in the fact that it presents facts on a comparative

basis and enables the drawing of inference regarding the performance of a company (Khan and Jain, 1999:4:33)

The following ratios are used for evaluating the financial performance of selected companies:

A. Liquidity Ratios

Liquidity Ratios are used to judge the companies' ability to meet the short-term obligations. Short-term liquidity ratio involves the relationship between current assets and current liabilities. Two ratios are mainly used to measure the liquidity position (Weston and Brigham; 1897:351)

This ratio measures the firm's ability to satisfy its short term commitments out of current or liquid assets. These ratios focus on current assets and liabilities and were used to ascertain the short term solvency position of a firm. The tests of liquidity are:

- a. Current ratio
- b. Cash at Bank Balance to Current Assets Ratio
- c. Loan and Advance to Current Assets Ratio
- d. Fixed Deposit to Total Deposit Ratio

e. Cash and Bank Balance to Total Deposit Ratio (Cash Reserve Ratio)

➤ **Current ratio (CR)**

A current ratio (CR) is the quantitative relationship between current assets (CA) and current liabilities (CL). So this ratio is calculated by dividing current assets by current liability.

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

Current assets include cash and those assets that can be converted into cash within a year. This study accumulates stock, current work in progress, debtors and receivable cash and advance and deposit to produce the current assets. Similarly creditors and payables, provisions, advances and deposit have been pulled together to produce current liabilities.

If current ratio is smaller than 2:1 (The Company is not good in solvency)

If current ratio is greater than 2:1 (The Company may have an excessive investment in current assets)

If current ratio is equal to 2:1 (The Company is in adequate condition in solvency)

➤ **Cash at Bank Balance to Current Assets Ratio**

Cash and bank balance is the most liquid form of the current assets. The cash and bank balance ratio indicates the percentage of readily available funds within the bank. The cash and bank balance to current assets ratio is calculated by using the following formula:

**Cash and bank
balance**

Cash and bank balance to current assets Ratio = _____

Current Assets

➤ **Loan and Advance to Current Assets Ratio**

Bank loan advances are the main assets used as a source of income in the commercial banks. This ratio shows the proportion of current assets, which are invested as loans and advances to generate the income. It is expressed as:

Loan and

advance

$$\text{Loan and advance to current assets Ratio} = \frac{\text{Loan and advance}}{\text{Current Assets}}$$

Assets

➤ **Fixed Deposit to Total Deposit**

Fixed Deposit is the high interest bearing deposit, which can be withdrawn only after its maturity. It is calculated by dividing the amount of fixed deposits by the amount of total deposit, which is given below:

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

➤ **Cash and Bank Balance to Total Deposit Ratio (Cash Reserve Ratio)**

Cash reserve ratio means the control by central bank to all commercial bank. Those countries where capital market is not well developed, the cash reserve requirement can be used not only to

control the commercial bank credit but also to influence the investment portfolio of the commercial bank.

Regarding cash reserve, Nepal Rastra Bank has guided all the commercial banks to maintain at least 12% of total deposit liabilities as cash form including 5% in vault cash through monetary policy of fiscal year 2070/71.

B. Activity / Efficiency / Assets Management Ratios

Activity Ratios also called Efficiency or Assets Management Ratios indicate the speed with which assets are being converted or turned over into sales. Activity ratios involve comparison between the level of sales and investment of various assets. Funds of creditors and owners are invested on various assets to generate sales and profit. The better is the management of assets; the larger is the amount of sales. The activity ratios are employed to evaluate the efficiency with which company manages and utilizes its assets. A proper balance between sales and assets generally reflects that assets are managed well (Pandey 1999, 123)

It is basically calculated to determine the degree of utilization of available resources.

a. Loans and Advance to Total Deposit Ratio

b. Loans and Advance to Saving Deposit Ratio

c. Loans and Advance to Fixed Deposit Ratio

➤ **Loans and Advance to Total Deposit Ratio**

Loan and advances to total deposit ratio measures the extent to which the banks are successful to utilize the outsiders' fund (total deposits) for the profit generating purpose on the loans and advance. It can be calculated as follows:

$$\frac{\text{Loan and Advance}}{\text{Total Deposits}}$$

➤ **Loan and Advance to Saving Deposit Ratio**

This ratio measures how many times the amount is used in loans and advances in comparison to saving deposits. Saving deposit are the second high interest bearing obligation. Deposit is utilizing for income generating purpose in loan and advance. This ratio can be calculated as follows:

$$\frac{\text{Loan and Advance}}{\text{Loan Advance to Saving Deposit}}$$

Saving Deposits

➤ **Loans and Advance to Fixed Deposit Ratio**

Loan and advance to fixed deposit ratio measures how many times the amount is used in loan and advance in comparison to fixed deposits. Fixed deposits are high interest bearing obligation whereas loans and advance are the major sources of investment to generate income for the commercial banks. This ratio is calculated as follows:

$$\text{Loan advance to Fixed Deposit} = \frac{\text{Loan and Advance}}{\text{Fixed Deposits}}$$

C. Leverage / Capital Structure Ratio

The Leverage or Capital Structure Ratio may be defined as financial ratios which throw light on the long term solvency of a firm as reflected in its ability to assure the long term creditors with regard to: i) periodic payment of interest during the period of the loan and ii) repayment of principle on maturity or in predetermined instalments at the due dates. This ratio indicates the mix of fund provided by owners and lenders. As a general rule there should be

an appropriate mix of debt and equity in financial mix of the companies' assets (Khan and Jain; 1999:4.10)

Simply, capital structure ratios are measures as following named ratios and calculated:

➤ **Debt - Equity Ratio (D/E Ratio)**

Debt to Equity Ratio measures the relationship between debt capital and equity capital. It is calculated as follows. Higher debt equity ratio shows the higher risk and lower shows the lower risk and financial stronger.

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

This study accumulates equity and reserve and surplus to produce shareholders equity.

➤ **Debt to Total Assets Ratio (DTAR)**

Debt to Total Assets Ratio measures the relationship between debt capital and total assets. It is calculated as dividing total debts by total assets.

$$\text{Debt to Total Assets Ratio} = \frac{\text{Total Debt}}{\text{Total Assets}}$$

The manner in which assets are financed has a number of implications. Debt is considered to be more risky in compare to equity. The company has a legal obligation to pay interest to debt holders, irrespective of the profits made of losses incurred by the company. If the company fails to pay the debt holders in time, they can take legal action against to get the payments and in extreme case can force the company into liquidation. On the other hand, employment of debt is advantageous for shareholders in two ways; they can retain control of the company with a limited stake and secondly their earning will be magnified when the company earns a rate of return on the total capital employed.

D. Profitability Ratio

Profitability Ratios are a group of ratios showing the combined effects of liquidity, asset management, and debt management on operation results. They are the measures of a company's earning capacity and operation efficiency. Profitability ratios of the company can be calculated in relation to sales and in relation to investment.

It is true that higher the profitability ratios better the financial position and vice versa (Weston and Brigham; 1987: 249)

A company must earn sufficient amount of amount of profit its operation to survive and sustain in the future. Without profit no company can exist and the future of the company will be endangered. Therefore, profit is the ultimate outcome of any company. The following profitability ratios are used in this study.

- a. Net Profit to Total Deposit Ratio
- b. Net Profit to Total Assets Ratio
- c. Interest Earned to Total Assets Ratio

➤ **Net Profit to Total Deposit Ratio**

The collected deposits are mobilized in investment and loans to get profit. This ratio indicates the percentage of profit earned by using the total deposit. It is calculated as follows:

$$\text{Net Profit to Total Deposit} = \frac{\text{Net Profit}}{\text{Total Deposit}}$$

➤ **Interest Earned to Total Assets Ratio**

There are different sources of earning; interest earning is the major source of a commercial bank. This ratio is calculated to find out percentage of the interest earned in comparison to total assets. The ratio can be calculated as follows:

$$\text{Interest Earned to Total Deposit} = \frac{\text{Interest Earned}}{\text{Total Deposits}}$$

➤ **Net Profit to Total Assets Ratio**

Net profit to Total Assets ratio is a useful measurement of the profitability of all financial resources invested in the bank's assets. Net Profit to Total Assets Ratio is simply called as Return on Assets (ROA), is calculated as follows:

$$\text{Net Profit to Total Assets (ROA)} = \frac{\text{Net Profit}}{\text{Total Assets}}$$

E. Invisibility Ratio

An analysis of invisibility Ratio helps the investors to know the performance of the companies. These ratios give management as

indication of what investors think of the companies' past performance and future prospects. If the companies' liquidity, profitability, leverage, and utilization ratios are good, its market value ratios will be high and its stock price will probably be as high as can be expected. The ratio, Invisibility is also known as **Ownership ratio**. The following invisibility ratio is used to test earning capacity of selected organization.

An analysis of invisibility ratio helps the investors to know about the performance of the company. Therefore, following ratios have been calculated to measure the earning capacity.

- a. Earning per Share
- b. Dividend per Share
- c. Dividend Payout Ratio

➤ **Earnings Per Share (EPS)**

EPS shows the amount earning attributes to each share. In other word, the profitability of a company from the point of view of ordinary shareholders is the earning per share. EPS calculation made over years indicates whether or not the company's earnings power on per share has changed over that period. If earning per share is high market price of the share may be increased in the

market and vice versa. High ratio shows the sound profitability position of the components.

$$\text{Earning Per Share} = \frac{\text{Net profit after tax}}{\text{Number of shares outstanding}}$$

➤ **Dividend Per Share (DPS)**

DPS shows the amount of dividend earning attributes to each share. In other words, the profitability of a company from the point of view of ordinary shareholders is the earning per share. This ratio shows the rupee earning actually distributed to common stock holders per share held by them. High ratio is favourable for ordinary stock holders.

$$\text{Dividend per share} = \frac{\text{Total dividend distributed}}{\text{Number of shares outstanding}}$$

➤ **Dividend Payout Ratio (DPR)**

DPR is the ratio can be obtained dividing dividend per share by earning per share. It determines the position of per share dividend paid out of per share earnings. The higher ratio is better to the shareholders. It builds faithfulness of the investors towards the companies.

$$\text{Dividend Payout Ratio} = \frac{\text{Dividend per Share}}{\text{Earning Per Share}}$$

3. 8. Statistical Tools

Statistical tools present the relationship among certain variables based on past and help to predict future values of one or more variable given the change in other associated variables. These tools are used in this study for evaluating the performance of selected companies.

➤ **Arithmetic Mean (AM)**

Arithmetic Mean (AM) is the most commonly used of all the average. This is due to the simplicity of its calculation and other advantage. It is used to calculate the average value of quantitative data closed end class intervals and when the distribution does not have very large and very small items. It is also used to obtained average value of distribution having closed ended class intervals and having non extreme items.

Arithmetic Mean of given set of observation is their sum divided by the number of observations. In general, $X_1, X_2, X_3, \dots, X_n$ are the given observations and N being number of observation, then arithmetic mean usually denoted by

$$\bar{X} = \frac{X_1 + X_2 + X_3 + \dots + X_n}{N} = \frac{\sum X}{N}$$

➤ **Coefficient of Variation**

It is the method which calculates risk. It is the standardized measurement of the risk per unit of return. It is the percentage variance in the mean standard deviation being considered as the total variation in the mean. It is one of the relative measures of dispersion that is useful in comparing the amount of variation in data group with different mean. Coefficient of variation, denoted by CV is given by:

Coefficient of Variation = _____ x 100%

Where, $C = \frac{\sqrt{\frac{\sum X^2}{\sum} - \left(\frac{\sum X}{\sum}\right)^2}}{\frac{\sum X}{\sum}} \times 100\%$

Comparing the variability of two distributions we compute the coefficient of variation for each distribution. A distribution with smaller CV is said to be more homogenous or uniform or less variable or less risky than other.

➤ **Co-efficient of Correlation (r)**

It is a statistical tool for measuring the intensity of the magnitude of linear relationship between two series. Karl Person's Correlation between two variables/series X and Y is usually denoted by r and can be obtained by following formula:

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

Where, N = Number of Observation

$\sum X$ = Sum of observation in series X

$\sum Y$ = Sum of observation in series Y

$\sum X^2$ = Sum of squared observation in series X

$\sum Y^2$ = Sum of squared observation in series Y

$\sum XY$ = Sum of the product on observation in series X and Y

Value of 'r' lies between -1 and +1, r = - 1 implies that there is perfect correlation between the variables. the variables are said to be perfectly negative correlated if r = -1 and perfectly positive correlated if r = + 1. If r = 0, the variables are not correlated at all except other than in form of logarithm, quadratic or exponential.

➤ **Probable Error of Correlation Coefficient (PE)**

Probable Error of Correlation Coefficient is an old measure of testing the reliability of an observed value of correlation coefficient. It is calculated to find the extent to which correlation coefficient depends upon the condition of random sample. Probable error of correlation coefficient denoted by PE(r) is obtained by:

$$PE = 0.6745 \times \frac{\sqrt{1-r^2}}{\sqrt{N}}$$

$$1-r^2$$

Where, $\frac{\sqrt{1-r^2}}{\sqrt{N}}$ = Standard Error

Reason for taking 0.6745 is that in a normal distribution, 50% of observations lie in the range $p = \pm 0.6745$.

PE is used to test if an observed value of sample correlation coefficient is significant of any correlation in the population. If $r > 6$ PE, Correlation will be in significant level otherwise not.

➤ **Least Square Linear Trend Analysis**

Trend analysis is a very useful commonly applied tool to forecast the future event in quantitative term, on the basis of the tendencies in the dependent variable in the past period. The straight line trend implies that irrespective of the seasonal and cyclical as well as irregular fluctuation, the trend value increase by absolute amount per unit of time. The linear trend values from a series in arithmetic progression. Mathematically following formulae are used:

$$Y = a + bx$$

Where

Y = value of the dependent variable

a = Y - intercept

b = Slope of the trend line

X = Value of the independent variable

Normal equations fitting above equation are :

$$\sum Y = Na + b\sum X$$

$$\sum XY = a\sum X + b\sum X^2$$

Since, $\sum X = 0$, $a = \frac{\sum Y}{N}$ and $b = \frac{\sum XY}{\sum X^2}$

CHAPTER FOUR

PRESENTATION AND ANALYSIS OF DATA

In this chapter, the data have been analyzed and interpreted using financial and statistical tools following the research methodology dealt in third chapter. This chapter is divided into two sub heads as presentation of data and major findings of the study.

4.1 Presentation of Data

This section includes the data related with the study from secondary sources. Secondary sources mean the data of the selected bank derived from their annual reports; web pages and other already published sources. The presentation and analysis of these numerical data include Ratio analysis, Trend analysis and Correlation analysis.

4.1.1 Liquidity Ratio

Liquidity ratios are basically used to measure the banks' ability to meet the short-term obligations. These ratios involve the relationship between current assets and current liabilities and are measure by current ratio, cash to current ratio, fixed deposit to total deposit ratio, loan and advance to current asset and cash reserve ratio.

Current Ratios (CR)

Current Ratio measures the liquidity position of the bank. The standard current ratio should be 2:1 and it is also defined by the nature of the company. The current ratio of different sampled years has been presented as follows:

Table 4.1

Calculation of Current Ratios

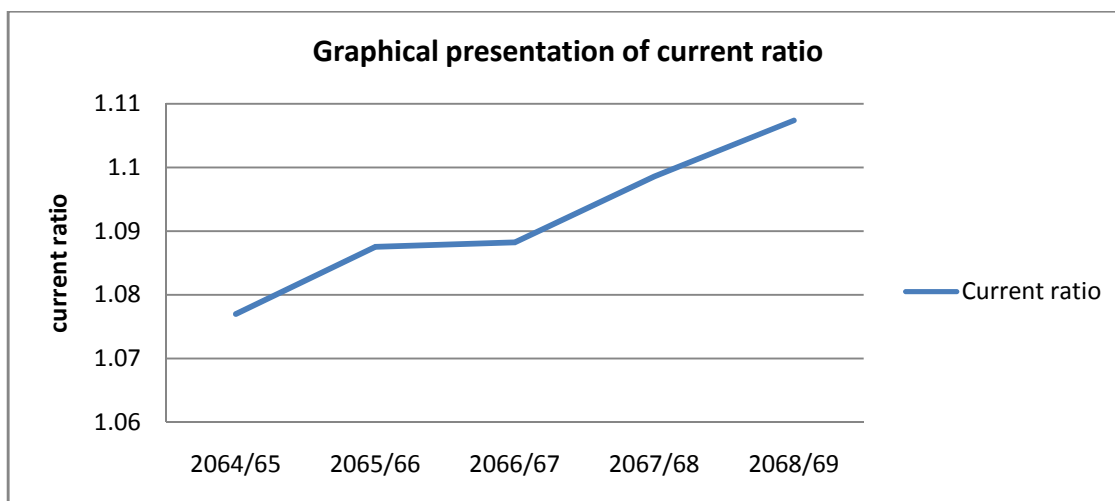
(Rs.in 000)

Fiscal Year	Current Asset	Current Liabilities	Ratio times
2064/65	33,218,516	30,843,241	1.0770112

2065/66	39,929,277	36,714,101	1.087573328
2066/67	40,094,780	36,843,610	1.088242439
2067/68	43,704,449	39,782,743	1.098578069
2068/69	41,587,419	37,554,883	1.107377142
Mean			1.091756436
Standard Deviation			0.001
Coefficient of Variation			0.01

From the above trend of current ratios of SCBNL over 5 years, it can be observed that the Bank's current ratio has not remained satisfactory. The above table shows that bank has been failing to maintain the standard limit of 2 : 1 ratio. But bank has been success to maintain the consistency in current ratio which indicates the less risk in liquidity position from the low coefficient of variation. CV also shows the less variability.

Figure No. 4.A



Cash and Bank Balance to Current Assets

Cash and bank balance are the most liquid form of the current assets. The cash and bank balance ratio indicates the percentage of readily available funds within the bank to discharge the short term obligation. The most liquid formed assets as cash and bank balance's availability of the different sampled year of bank are as given below.

Table No. 4.2

Calculation of Cash and Bank Balance to Current Assets

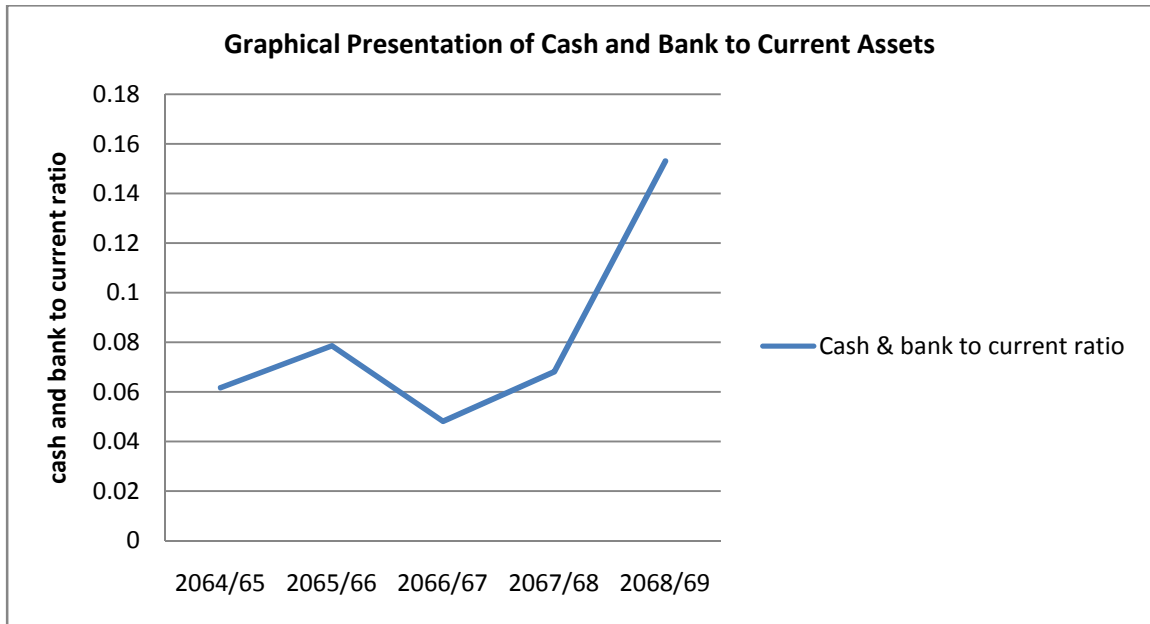
(Rs.in 000)

Fiscal Year	Cash and bank balance	Current Asset	Ratio times

2064/65	2,050,243	33,218,516	0.061719885
2065/66	3,137,164	39,929,277	0.078568014
2066/67	1,929,307	40,094,780	0.048118658
2067/68	2,975,795	43,704,449	0.068089063
2068/69	6,366,233	41,587,419	0.153080743
Mean			0.081915273
Standard Deviation			0.0369
Coefficient of Variation			0.45

From the above table, shows that the bank has been maintaining its liquidity position with such small portion of fund within the study period. Due to such a less value of CV shows that the composition between cash and current assets is running in the way of consistency. It indicates the bank has been able to be remained in low risk in liquidity position.

Figure No. 4. B



Loan and Advance to Current Assets Ratio

It is the ratio of total of loans and advance to total of current assets. The main business of a bank is mobilization of resources. The resource/fund collected from different sources is mobilized in terms of loan and advances and by investing on various type of securities and projects. The major part of the collected fund is invested in the form of loan and advance, i. e. loan is granted to needy persons or needy sectors of the economy which is also a main business of any commercial bank. Unlike cash and bank balance, loans and advance cannot be converted into cash on the desires of the investors. Loans and advances pay interest at a certain rate. But, it's not always sure that the principal and interest

of the loan and advance will be recovered in the stated time. Hence this ratio indicates the percentage of total current asset which have been lent to the customers with a promise to be paid interest at a certain rate.

Table No. 4.3

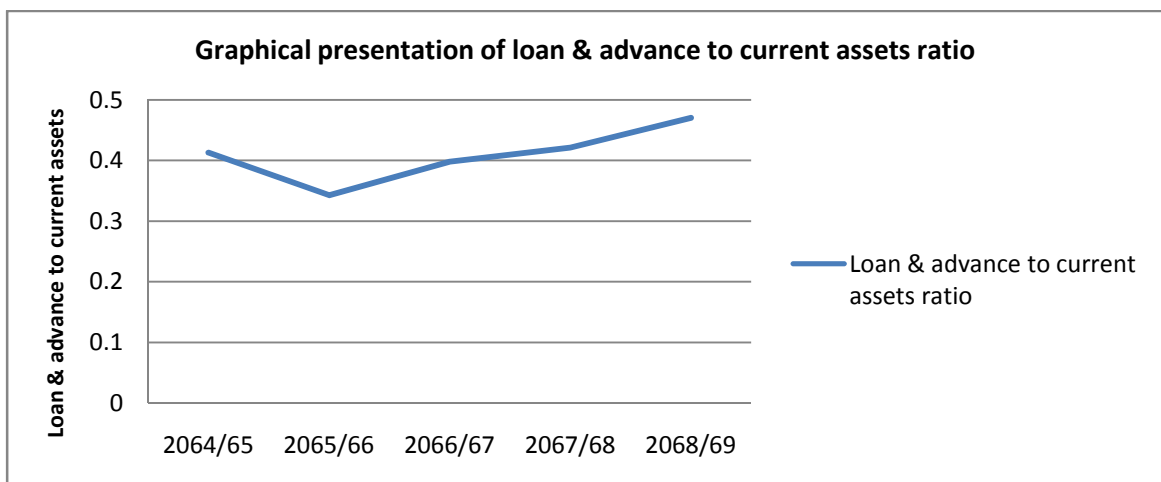
Calculation of loan and advance to current assets

in Rs. (000)

Fiscal Year	Loan and Advance	Current Asset	Ratio times
2064/65	13,718,597	33,218,516	0.412980429
2065/66	13,679,757	39,929,277	0.342599667
2066/67	15,956,955	40,094,780	0.397980859
2067/68	18,427,270	43,704,449	0.421633733
2068/69	19,575,968	41,587,419	0.470718512
Mean			0.40918264
Standard Deviation			0.041
Coefficient of Variation			0.1

From the above table we can say that SCBNL has been mobilizing its almost constant portion of current assets due to likely to similar ratio over the study period. With seeing the 0.4 as the mean ratio, we can conclude that SCBNL is able to mobilize the 40% of current assets to generate income. Is is satisfied performance for the bank.

Figure No. 4.C



Fixed Deposit to Total Deposit Ratio

Fixed deposit gives higher interest than other deposit in every commercial bank and can be withdrawn only after its maturity. This ratio indicates the profitability and availability of long term sourced fund to the bank. Higher ratio indicates higher availability of capital to be invested but the cost of fund would be increased. So the

bank should manage the certain ratio of deposit as fixed. This ratio is calculated in order to find out the proportion of fixed deposit with respect to the total deposit. The fixed deposit to total deposit of SCBNL for the period of study is given below:

Table 4.4

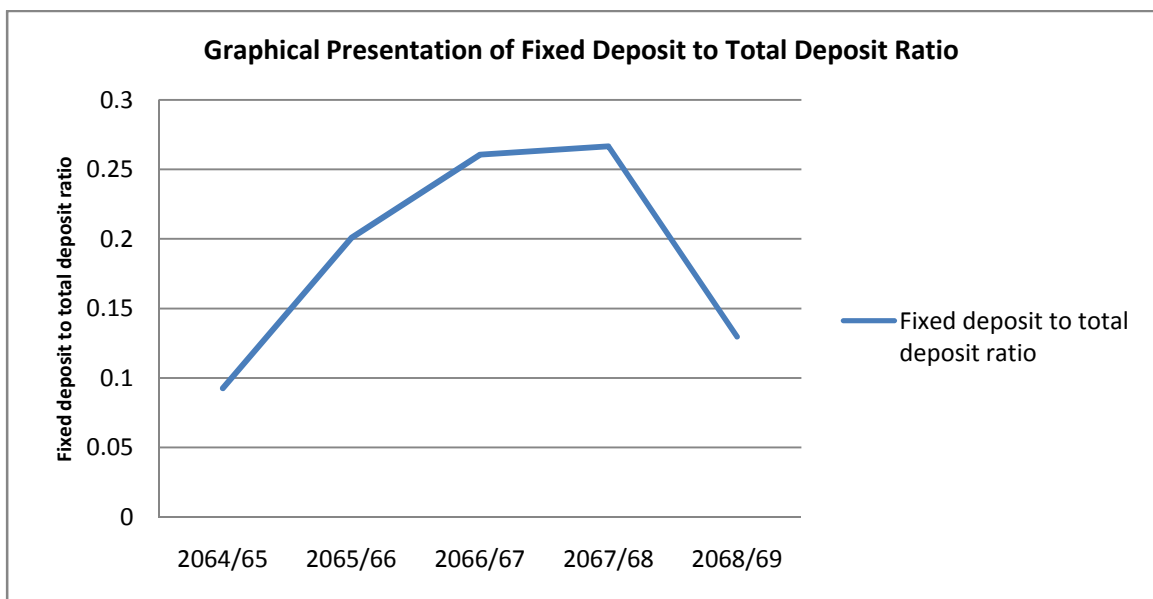
Calculation of fixed deposit to total deposit ratio

Fiscal Year	Fixed Deposit	Total Deposit	Ratio times
2064/65	2,136,307	23,061,032	0.092637094
2065/66	7,101,698	35,350,823	0.200892013
2066/67	9,175,070	35,182,721	0.260783411
2067/68	10,136,244	37,999,242	0.266748584
2068/69	4,661,261	35,965,630	0.129603207
Mean			0.190132862
Standard Deviation			0.069
Coefficient of Variation			0.3629

From the above table, we can say that bank has been maintaining 10 to 30 percent of total deposit as fixed deposit. With seeing the 19% mean ratio indicates that, over the study period bank has

maintained that 19% of total deposit as fixed. It would depend upon the banks' strategy that how much deposits should be maintained as fixed. But normally, 10% to 20% is taking as good for banks' financial performance. In this context the bank is running in satisfied condition and 2.75 of CV indicate somehow fluctuations in case of maintaining this ratio.

Figure No 4.D



Cash and Bank Balance to Total Deposit Ratio (Cash Reserve Ratio)

This ratio shows the percentage of total deposit which can be immediately discharged by the bank from its ready cash. Total of

the deposits is the most important source of a bank's fund. This fund should be utilized into various sectors in a profitable manner and cash and bank balance is that part of bank's fund which has not been invested anywhere with a view to generating income. Excess cash and bank balance, from viewpoint of liquidity, show a firm's strong position and it is also harmful from the viewpoint of profitability to maintain the excess cash. So to utilize the fund in optimum level, these both situations should not be occurred that as excess/idle cash and weak liquidity position. Cash reserve ratio means the control by central bank to all commercial bank. Those countries where capital market is not well developed, the cash reserve requirement can be used not only to control the commercial bank credit but also to influence the investment portfolio of the commercial bank.

Regarding cash reserve, Nepal Rastra Bank has guided all the commercial banks to maintain at least 12% of total deposit liabilities as cash form including 5% as compulsory reserve ratio through monetary policy of fiscal year 2070/71.

The ratio, Cash and bank to total deposit (cash reserve ratio) maintained over the study period are give below:

Table 4.5**Calculation of Cash & bank balance to Total deposit ratio**

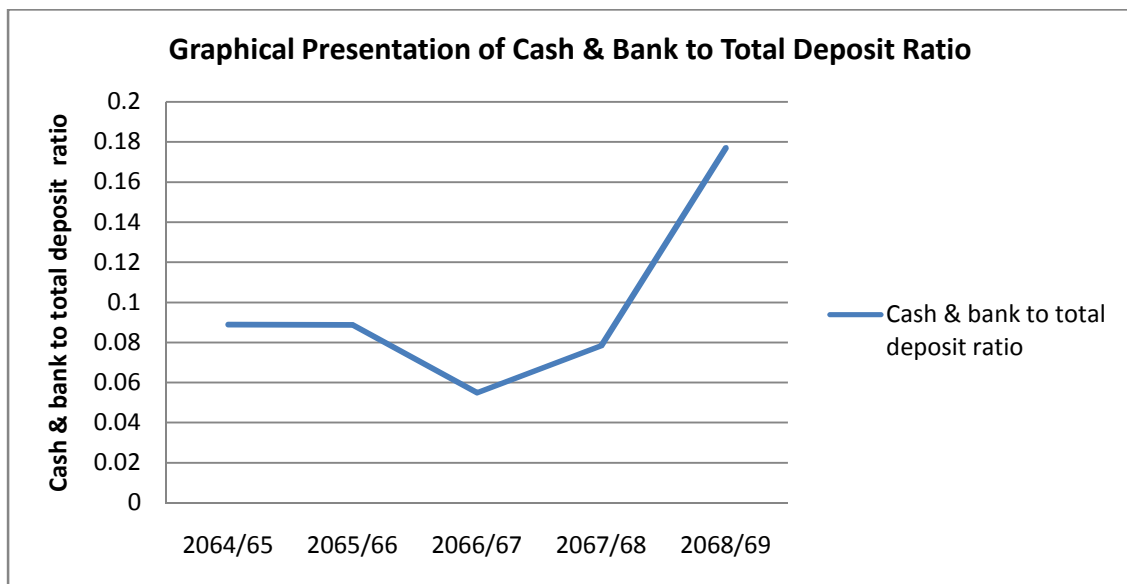
in Rs. (000)

Fiscal Year	Cash & Bank balance	Total Deposit	Ratio times
2064/65	2,050,243	23,061,032	0.088905085
2065/66	3,137,164	35,350,823	0.088743733
2066/67	1,929,309	35,182,721	0.054836833
2067/68	2,975,795	37,999,242	0.078311957
2068/69	6,366,233	35,965,630	0.1770088
Mean			0.097561281
Standard Deviation			0.042
Coefficient of Variation			0.43

From the above table the bank been maintaining the cash reserve ratio more than 8% except fiscal year 2066/67, in the context of year 2068/69 it has maintained 17%, it such high portion of total deposit reserved as cash. With seeing above tabulated situation, we can say that bank has maintained more portion of deposit as cash, which can be good for liquidity position but in cant be good for

profitability. In this fiscal year the Nepal Rastra Bank regulated margin, that should be maintained as 12%. In this regulation bank has succeed to manage it. In overall context of managing the fund as cash and bank, the bank is in strong position.

Figure No. 4. E



4.1.2. Activity / Efficiency / Assets Management Ratios

This ratio is used to measure the speed with which various accounts are converted into sales or cash. Therefore, the activity ratios are used to measure the ability of the bank in utilizing its

available sources. The following activity ratio are calculated and analyzed to determine the degree of utilization of available resources of bank.

Loans and Advance to Total Deposit Ratio

Loan and advance to total deposit ratio measures the extent to which the banks are successful to utilize the outsider fund for the profit generating purpose on the loan and advance. Higher the ratio indicates more utilization and lower more liquidity, so to utilize the outsider fund (deposit) in efficient manner, bank should manage the certain level. Normally it is taking good to maintaining 75% to 80% of total deposit as credit. Through the monetary policy of the fiscal year 2070/71 has urged to maintain the 80% of total deposit as loan and advance for the commercial bank. The positions of Credit deposit ratio maintained by the SCBNL over the study period are given below:

Table No. 4.6

Calculation of loan & advance to total deposit

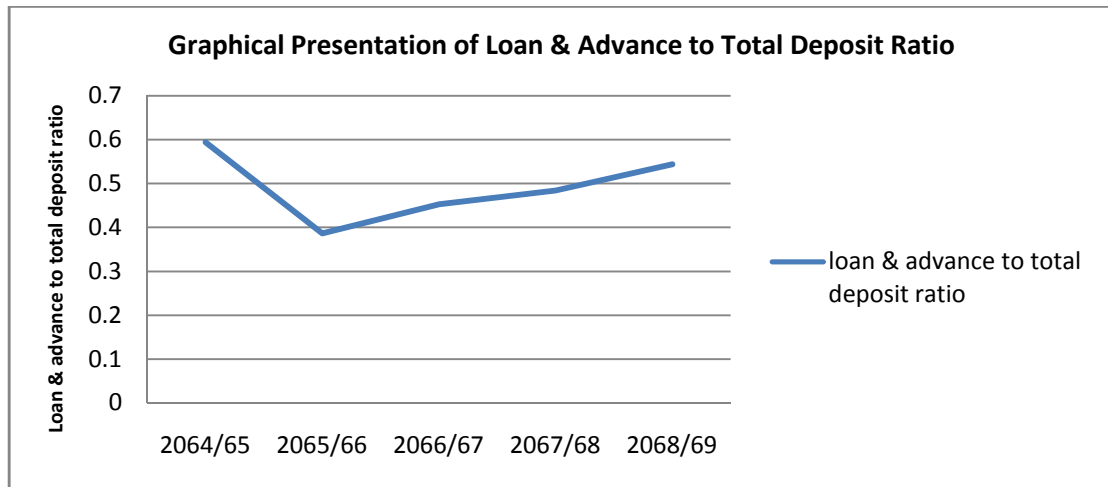
in Rs. (000)

Fiscal Year	Loan & advance	Total Deposit	Ratio times
2064/65	13,718,597	23,061,032	0.59488218
2065/66	13,679,757	35,350,827	0.38697138
2066/67	15,956,955	35,182,721	0.45354522
2067/68	18,427,270	37,999,242	0.48493783
2068/69	19,575,968	35,965,630	0.54429654
Mean			0.49292663 2
Standard Deviation			0.072
Coefficient of Variation			0.14

From the above table the bank has been maintaining 40 to 60% of total deposit as loan and advance. With taking the current central bank's rules in mind, we can say that the bank have to plan to

invest more rather than reserving as cash only. CV also does not indicate more volatility.

Figure No. 4. F



Loan and Advance to Saving Deposit Ratio

This ratio measures how many times the amount is used in loans and advances in comparison to saving deposits. Saving deposits are the second highest interest-bearing obligation. Deposits are utilized for income-generating purposes in loans and advances. The position of loans and advances and saving deposits of SCBNL over the study period is as follows:

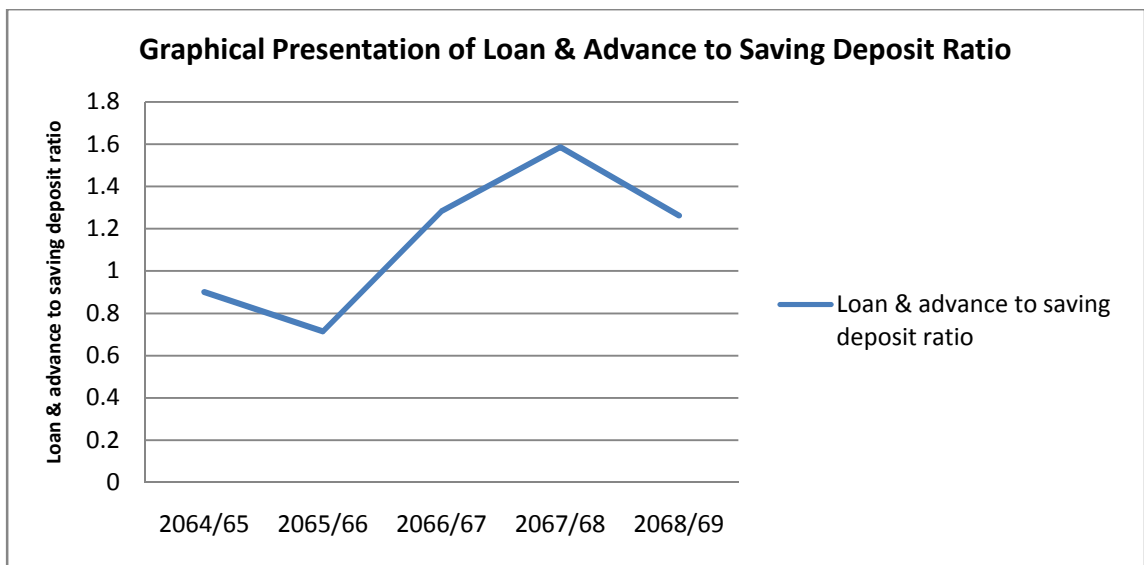
Table No. 4.7

Calculation of loan & advance to total saving deposit

Fiscal Year	Loan & advance	Total Saving Deposit	Ratio times
2064/65	13,718,597	15,244,384	0.89991153
2065/66	13,679,757	19,146,003	0.71449675
2066/67	15,956,955	12,430,009	1.28374444
2067/68	18,427,270	11,619,814	1.58584896
2068/69	19,575,968	15,502,306	1.26277781
Mean			1.1493559
Standard Deviation			0.307
Coefficient of Variation			0.2671

From the above table shows that the bank has been utilizing 70 to 160% of saving deposit as loan and advance over the study period. With seeing the 1.15 as mean ratio, we can say that, in average the bank is able to utilize 15% more than its saving deposit over the study period. From the less CV (3.74) indicates somehow consistency in managing the loan and saving deposit.

Figure No. 4. G



Loans and Advance to Fixed Deposit Ratio

Loan and advance to fixed deposit ratio measures how many times the amount is used in loan and advance in comparison to fixed deposits. Fixed deposits are high interest bearing obligation whereas loans and advance are the major sources of investment to generate income for the commercial banks. The positions of this ratio of SCBNL over the study period are as follows:

Table No. 4. 8

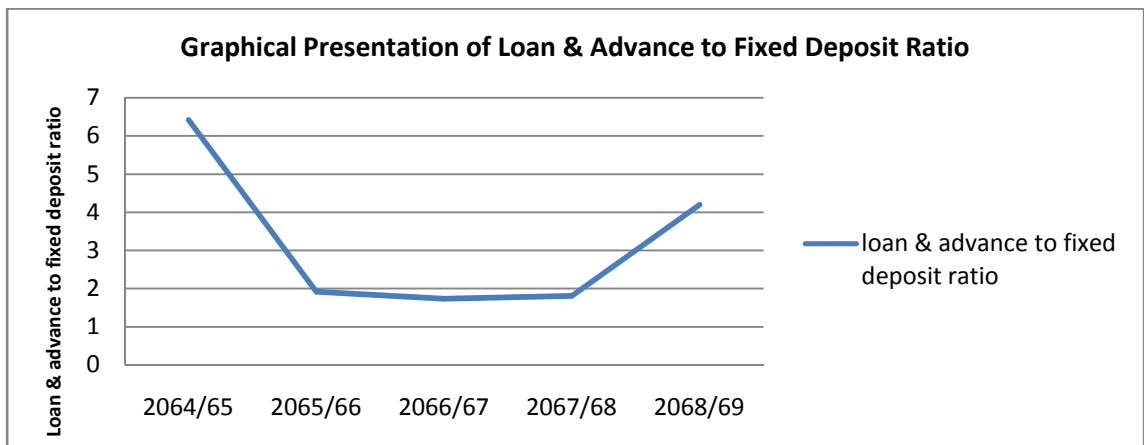
Calculation of Loan and Advance to Fixed Deposit Ratio

Fiscal Year	Loan & advance	Fixed Deposit	Ratio times
2064/65	13,718,597	2,136,307	6.421641178
2065/66	13,679,757	7,101,698	1.926265662
2066/67	15,956,955	9,175,070	1.739164388
2067/68	18,427,270	10,136,244	1.817958407
2068/69	19,575,968	4,661,261	4.199715056
Mean			3.220948938
Standard Deviation			1.846
Coefficient of Variation			0.57

From the above table, the loan and advance to fixed deposit ratio shows somehow fluctuation with 1.73 to 6.42 with 3.22 as mean ratio. Here, with seeing higher ratio, we can say that the bank has been success to utilize more the fixed to generate income. On the

other hand, it can be said that, the contribution of fixed assets is also remarkable for purpose of income generation.

Figure No. 4. H



4.1.3 Leverage / Capital Structure Ratio

Capital structure ratio or leverage ratio measures the proportion of outsider's capital in financing the firm's assets, and are calculated by establishing relationships between borrowed capital and equity capital. A firm should have a strong short-term liquidity as well as long term financial position. Higher leverage ratio indicates larger amount of borrowed funds used by the firm to finance its assets and it also indicates increasing obligations and known as risky firm. A firm must have sufficient margin of equity to pay the fixed charges and refund the borrowed funds in the maturing date. The

following ratios are used to measure the long-term solvency position of SCBNL with the help of past five year's financial data of the bank.

Debt - Equity Ratio (D/E Ratio)

Debt to Equity Ratio measures the relationship between debt capital and equity capital. It is calculated as follows. Higher debt equity ratio shows the higher risk and lower shows the lower risk and financial stronger. The composition of debt and equity of SCBNL over the study period are as given below.

Table No. 4.9

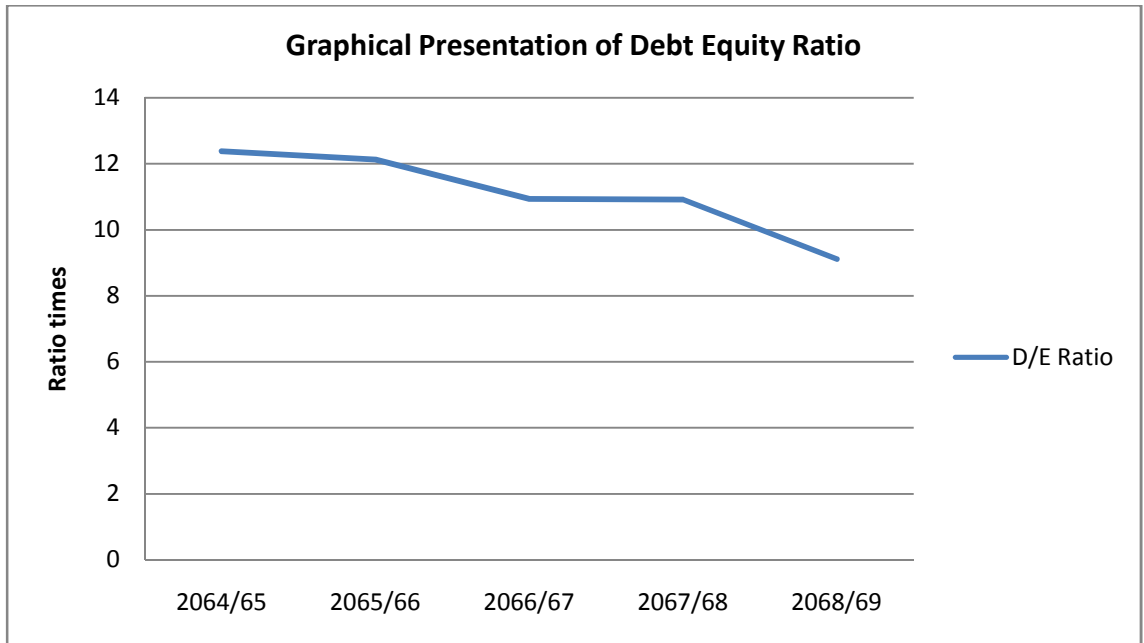
Calculation of Debt -Equity Ratio

Fiscal Year	Total debt	Shareholders fund	Ratio times
2064/65	30,843,241	2,492,547	12.37418632
2065/66	37,014,101	3,052,417	12.12616133
2066/67	36,843,610	3,369,709	10.93376609

2067/68	40,132,743	3,677,777	10.9122285
2068/69	37,554,883	4,122,169	9.110466601
Mean			11.09136177
Standard Deviation			1.16
Coefficient of Variation			0.10

From the above table, over the study period the debt equity ratio has been remained within 9 to 12 ratio times with 11 as mean ratio. Due to higher saving deposit the total liabilities has been increased or investment from outsider's investors are in strong position. The 9.56 CV indicates the composition of debt and shareholder's equity has somehow in fluctuation trend. It also indicates the somehow riskiness in the finance.

Figure No. I



Debt to Total Assets Ratio (DTAR)

Debt to Total Assets Ratio measures the relationship between debt capital and total assets. The manner in which assets are financed has a number of implications. Debt is considered to be more risky in compare to equity. The company has a legal obligation to pay interest to debt holders, irrespective of the profits made of losses incurred by the company. If the company fails to pay the debt holders in time, they can take legal action against to get the payments and in extreme case can force the company into liquidation. On the other hand, employment of debt is advantageous for shareholders in two ways; they can retain control of the company with a limited stake and secondly their earning will be

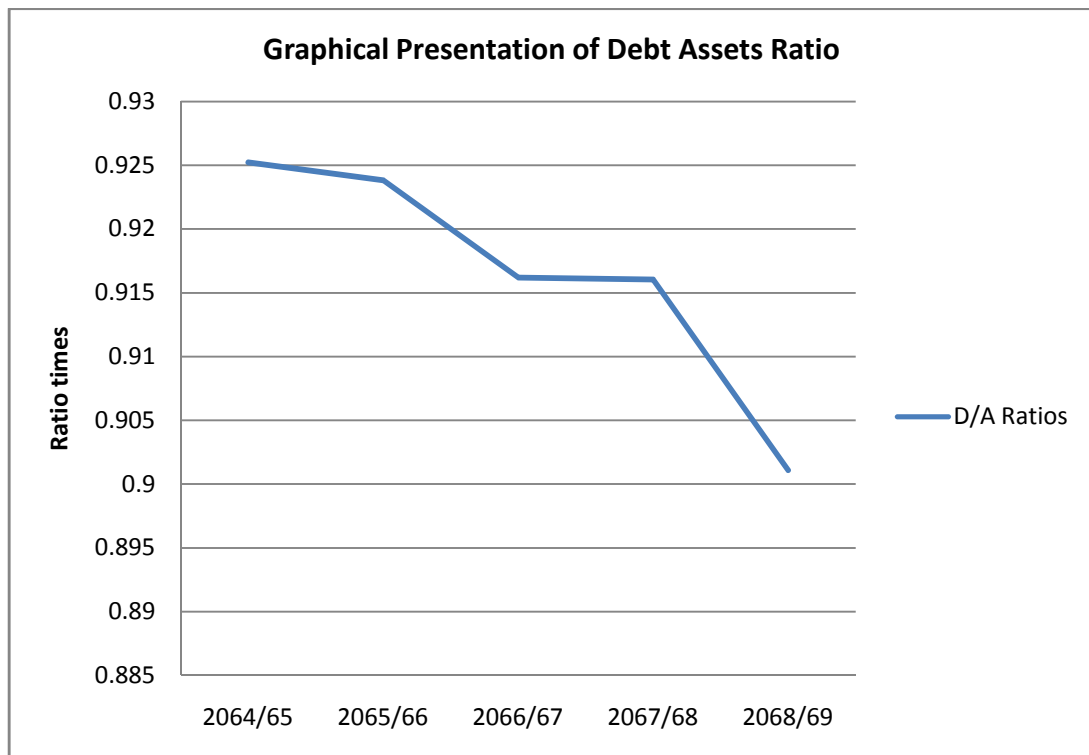
magnified when the company earns a rate of return on the total capital employed. The composition of Debt and Total Assets of SCBNL over the study period as follows:

Table No. 4.10
Calculation of Debt Assets Ratio

Fiscal Year	Total debt	Total assets	Ratio times
2064/65	30,843,241	33,335,788	0.9252291
2065/66	37,014,101	40,066,570	0.92381507
2066/67	36,843,610	40,213,320	0.91620413
2067/68	40,132,743	43,810,520	0.91605265
2068/69	37,554,883	41,677,052	0.9010926
Mean			0.91647871
Standard Deviation			0.009
Coefficient of Variation			0.009

From the above table, the Debt Assets ratios have been remained around the ratio of 0.90 and it indicates the good composition of debt and assets. The 101.83 CV shows the somehow volatility in the the composition.

Figure No. 4. J



4.1.4. Profitability Ratio

Profitability Ratios are a group of ratios showing the combined effects of liquidity, asset management, and debt management on operation results. They are the measures of a company's earning capacity and operation efficiency. Profitability ratios of the company

can be calculated in relation to sales and in relation to investment. It is true that higher the profitability ratios better the financial position and vice versa

Net Profit to Total Deposit Ratio

The collected deposits are mobilized in investment and loans to get profit. This ratio indicates the percentage of profit earned by using the total deposit. The position of Net profit generated by its deposit of SCBNL over the study period as follows:

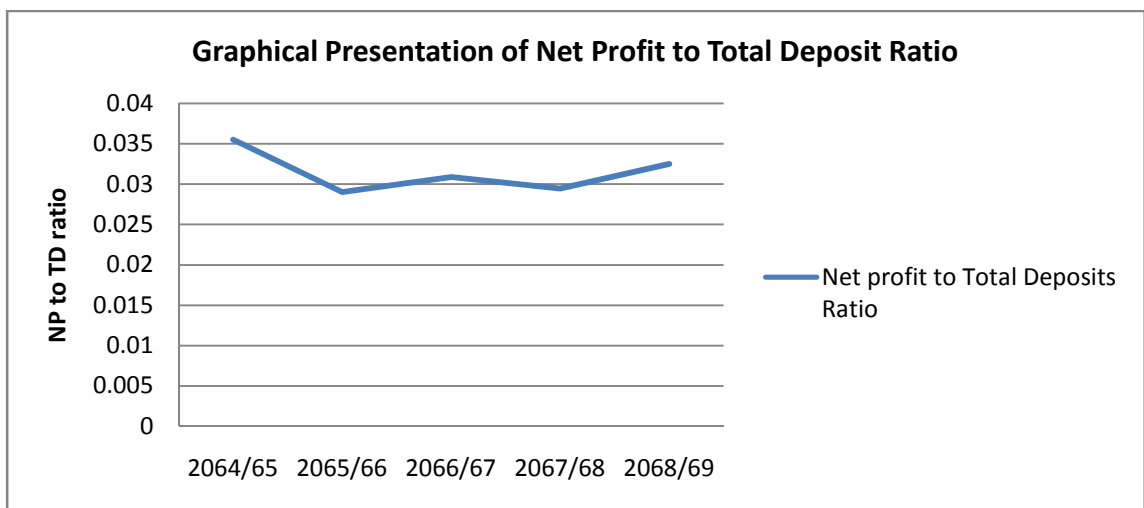
Table No. 4.11

Calculation of net profit to total deposit ratio

Fiscal Year	NPAT	Total Deposit	Ratio times
2064/65	818,921	23,061,032	0.03551103
2065/66	1,025,114	35,350,823	0.028998306
2066/67	1,085,872	35,182,721	0.030863787
2067/68	1,119,172	37,999,242	0.029452482
2068/69	1,168,967	35,965,630	0.032502336
Mean			0.031465588
Standard Deviation		0.002	
Coefficient of Variation		0.063	

From the above table, we see that net profit after tax and total deposit both are in increasing trend. The ratio, net profit to total deposit has remained within the 0.028 to 0.035. With seeing this trend, we can say that the bank has able to earn the profit according to the increment of total deposit. 15.73 as CV also show somehow fluctuation in this relationship.

Figure No. 4. K



Interest Earned to Total Assets

Interest earning is the major source of a commercial bank. This ratio is calculated to find out percentage of the interest earned in comparison to total assets. The Interest earned to total assets ratio over the study period of SCBNL are given as follows:

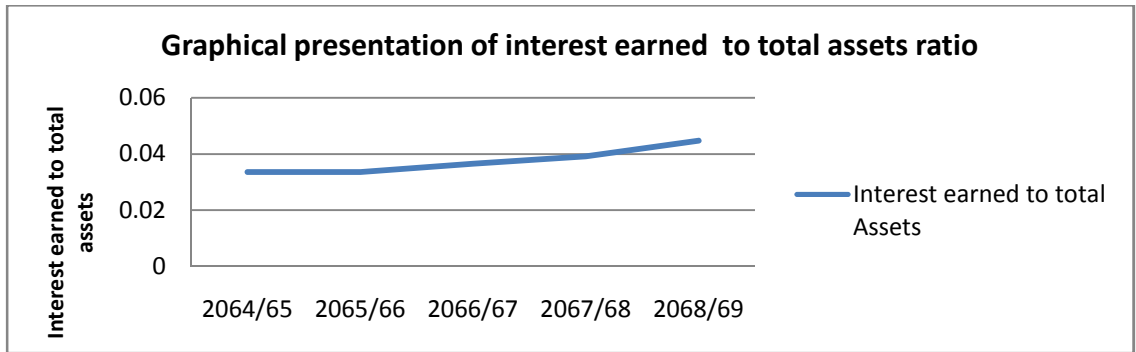
Table 4.12

Calculation of Interest Earned to Total Assets

Fiscal Year	Net Interest earned	Total assets	Ratio times
2064/65	1,119,466	33,335,788	0.033581507
2065/66	1,343,435	40,066,570	0.033530073
2066/67	1,466,369	40,213,320	0.036464758
2067/68	1,715,599	43,810,520	0.039159522
2068/69	1,863,772	41,677,052	0.044719382
Mean			0.037491048
Standard Deviation			0.004
Coefficient of Variation			0.1066

From the above table, interest earning capacity of the bank is in increasing trend. Here we can see that net interest have been increasing with remaining the total assets likely in same position. It can be called as strength of the bank.

Figure No. 4. L



Net Profit to Total Assets Ratio

Net profit to Total Assets ratio is a useful measurement of the profitability of all financial resources invested in the bank's assets.

Net Profit to Total Assets Ratio is simply called as Return on Assets (ROA), the position of ROA of the bank over the study period is given as follows:

Table No. 4.13

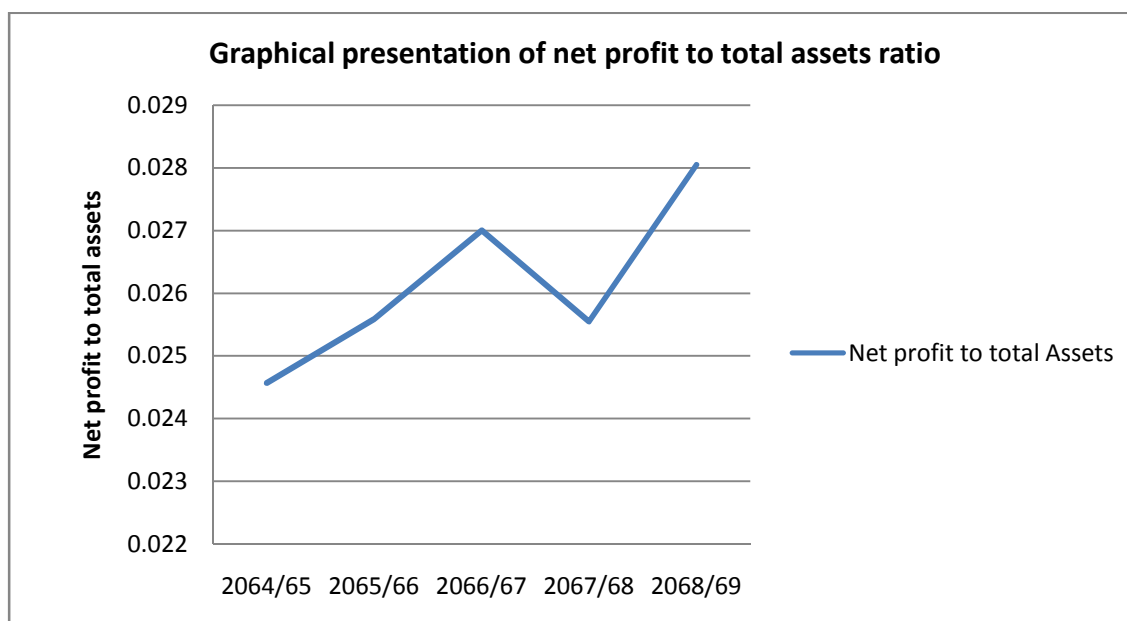
Calculation of Net Profit to Total Assets

Fiscal Year	NPAT	Total assets	Ratio times
2064/65	818,921	33,335,788	0.024565821
2065/66	1,025,114	40,066,570	0.02558527
2066/67	1,085,872	40,213,320	0.027002794
2067/68	1,119,172	43,810,520	0.025545737
2068/69	1,168,967	41,677,052	0.028048217

Mean	0.026149568	
Standard Deviation	0.001	
Coefficient of Variation	0.038	

From the above table, the net profit is in increasing trend in respect of total assets as likely in equal position. It indicates the strong profitability of the bank.

Figure No. 4. M



4. 1. 5. Invisibility Ratio (Ownership ratio)

An analysis of invisibility Ratio helps the investors to know the performance of the companies. These ratios give management as

indication of what investors think of the companies' past performance and future prospects. If the companies' liquidity, profitability, leverage, and utilization ratios are good, its market value ratios will be high and its stock price will probably be as high as can be expected.

Earnings Per Share (EPS)

EPS shows the amount earning attributes to each share. In other word, the profitability of a company from the point of view of ordinary shareholders is the earning per share. EPS calculation made over years indicates whether or not the company's earnings power on per share has changed over that period. If earning per share is high market price of the share may be increased in the market and vice versa. High ratio shows the sound profitability position of the components. The positions of earning per share capacities of the SCBNL over the study period are as follows:

Table No. 4. 14

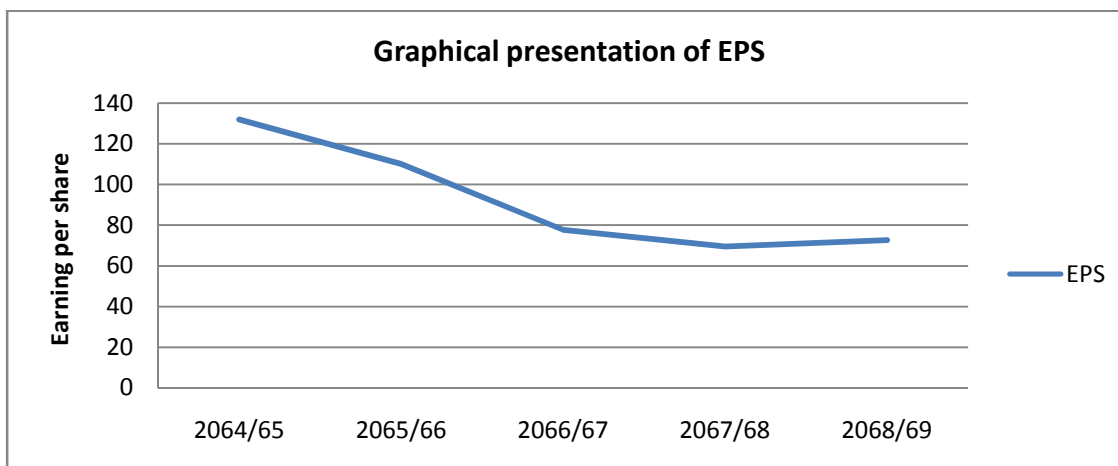
Calculation of EPS

Fiscal Year	NPAT	No of Shares	Ratio times
2064/65	818,921,000	6,207,840	131.9172208

2065/66	1,025,114,00 0	9,319,660	109.9947852
2066/67	1,085,872,00 0	13,984,840	77.64636564
2067/68	1,119,172,00 0	16,101,680	69.50653596
2068/69	1,168,967,00 0	16,101,680	72.59907041
Mean			92.33279561
Standard Deviation		24.51	
Coefficient of Variation		0.26	

From Above table, we can see that the increasing trend of NPAT as well as rapid growth of no of share. This EPS over the study period are in decreasing trend due to rapid growth of ordinary share. With seeing last two years performance shows the good sign to be increment of Earning per share. 3.76 CV is also does not indicates greater fluctuation.

Figure No. 4.N



Dividend Per Share (DPS)

DPS shows the amount of dividend earning attributes to each share. In other word, the profitability of a company from the point of view of ordinary shareholders is the earning per share. This ratio shows the rupee earning actually distributed to common stock holders per share held by them. High ratio is favourable for ordinary stock holders.

Table No. 4.15

Calculation of DPS

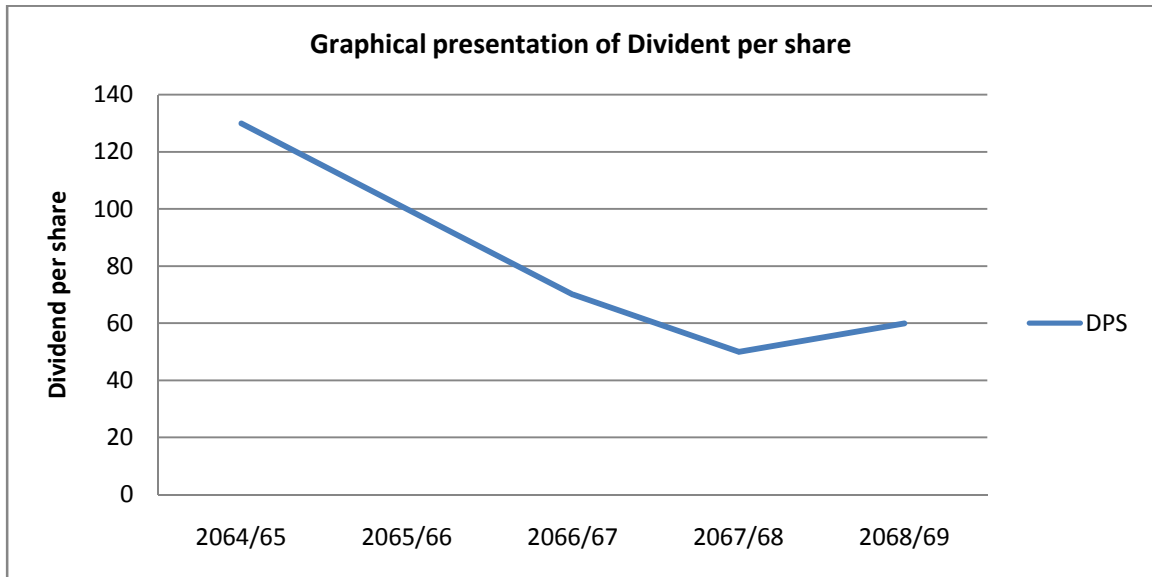
Fiscal Year	Dividend distributed *	No of Shares	Ratio times
2064/65	807,019,000	6,207,840	129.999968
2065/66	931,966,000	9,319,660	100

2066/67	978,939,000	13,984,840	70.0000143
2067/68	805,084,000	16,101,680	50
2068/69	966,101,000	16,101,680	60.0000124
Mean			81.9999989
Standard Deviation		24.51	
Coefficient of Variation		0.298	

*including cash and bonus share dividend

Above table shows that, the amount of dividend over the study period are in decreasing trend up to 2067/68 due to increment of large amount of share. With seeing the last two year it shows it's somehow increasing trend. Anyway 82 Rupees per share as average dividend over the study period indicates that the bank's strong profitability for the shareholders' point of view. It is also very good for the faithfulness in the view of shareholders' point.

Figure No. 4.O



Dividend Payout Ratio (DPR)

DPR is the ratio can be obtained by dividend per share out of earning per share. It determines the position of per share dividend paid out of per share earnings. The higher ratio is better to the shareholders. It builds faithfulness of the investors towards the companies.

Table No. 4.16

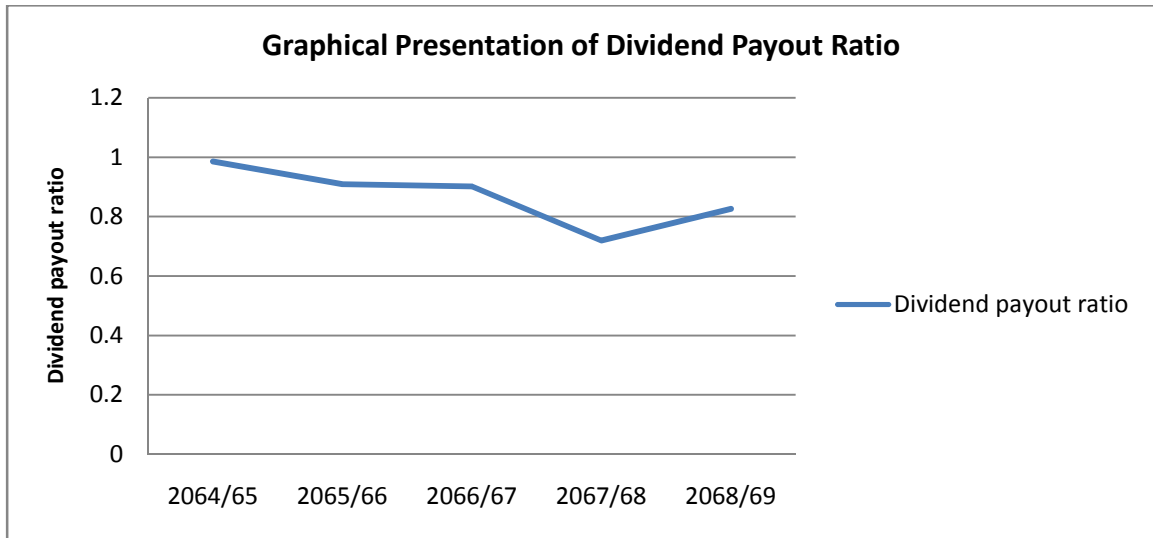
Calculation of Dividend payout ratio

Fiscal Year	DPS	EPS	Ratio times
2064/65	129.9999678	131.9172208	0.985466242
2065/66	100	109.9947852	0.909134009

2066/67	70.0000143	77.64636564	0.901523384
2067/68	50	69.50653596	0.71935681
2068/69	60.00001242	72.59907041	0.826457034
Mean			0.868387496
Standard Deviation		0.09	
Coefficient of Variation		0.10	

From the above table shows, that the bank has been able to distribute about 86 percent in of EPS as dividend to shareholders overt the study period. This position and the bank's strategy about the dividend help to make strong faithfulness. 9.64 CV also indicates, that less fluctuation and somehow consistency about Dividend paying strategy.

Figure No. 4. P



4. 1. 6. Correlation Analysis

Karperson's Coefficient of Correlation is most widely used in practice to measure the degree of relationship between two variables of the financial statement of company. Here it is used to measure the relationship between following variables of the financial statement of SCBNL.

A. Correlation between Total Loan and Net Profit after Tax.

The coefficient of correlation between Total Loan and net profit after tax of SCBNL for the different sampled years has been calculated in *appendix A*

Table No. 4.17

**Calculation of Coefficient of Correlation Between Total Loan and
Net profit After Tax.**

Factor	Value
Correlation (r)	0.25
Coefficient of Determination (r ²)	0.063
PE	0.28
6PE (6 x PE)	1.68
Remarks	$r < 6PE$
Conclusion	Insignificant relation

The above table describes the relationship between Total loan and Net profit after tax during the period of study. The coefficient (r) between total loan and NPAT is 0.25. This figure shows that low degree of positive correlated in insignificant level due to less (r) than its 6PE.

Correlation between Total Loan and Total Assets

The Coefficient of Correlation between Total Loan and Total Assets of SCBNL for the different sampled years has been calculated in *Appendix B*

Table No. 4.18

Calculation of Coefficient of Correlation Between Total Loan and Total Assets.

Factor	Value
Correlation (r)	0.72
Coefficient of Determination (r ²)	0.518
PE	0.144
6PE (6 x PE)	0.86
Remarks	$r < 6PE$
Conclusion	Insignificant relation

The above table describes the relationship between Total loan and Total Assets during the period of study. The coefficient (r) between total loan and total assets is 0.72. This figure shows that low

degree of positive correlated in insignificant level due to less (r) than its 6PE.

Correlation Between NPAT and Total Assets

The Coefficient of Correlation between NPAT and Total Assets of SCBNL for the different sampled years has been calculated in *Appendix B*

Table No. 4.19

Calculation of Coefficient of Correlation between Net profit after Tax and Total Assets.

Factor	Value
Correlation (r)	0.94
Coefficient of Determination (r ²)	0.884
PE	0.054
6PE (6 x PE)	0.324
Remarks	r > 6PE
Conclusion	significant relation

The above table describes the relationship between Net Profit after tax and Total Assets during the period of study. The coefficient (r) between Net profit after tax and total assets is 0.94. This figure shows that highly positive correlated in significant level due to greater(r) than its 6PE.

4. 1. 7. Least Square Linear Growth Trend Analysis.

Trend Analysis is a mathematical method which is widely used to find out future tendencies based on past findings and present assumption. Furthermore it is applied for finding out a trend line for those series which change periodically in absolute amount.

Least Square Trend Analysis of Total Assets Growth

Least Square Trend Analysis of Total Assets Growth of SCBNL for the different sampled years has been calculated in *Appendix D*

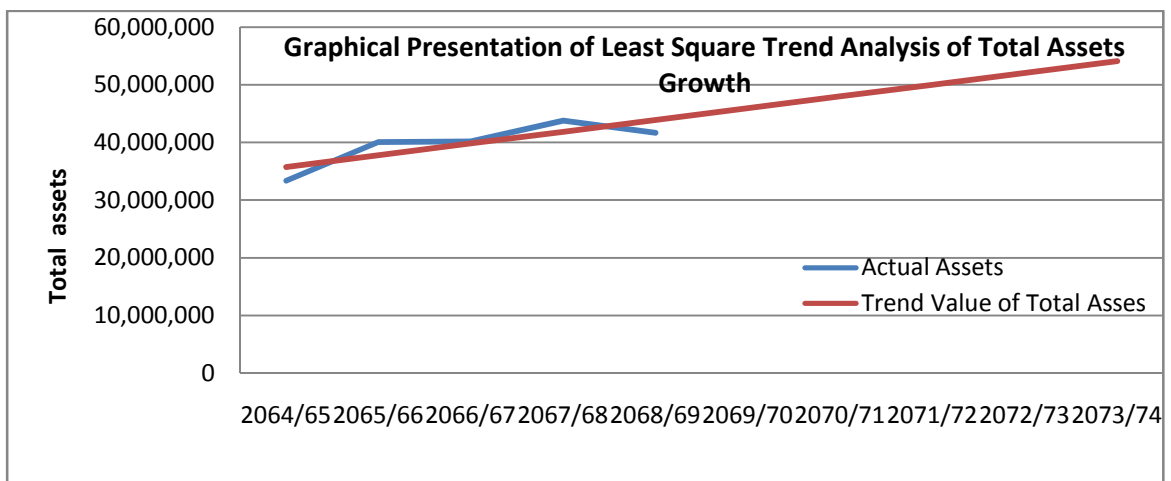
Table No. 4.20

Calculation of Least Square Trend Analysis of Total Assets Growth of SCBNL

Fiscal Year	Actual Assets	Trend Value of Total Asses
--------------------	----------------------	-----------------------------------

2064/65	33,335,788	35735354.4
2065/66	40,066,570	37778002.2
2066/67	40,213,320	39820650
2067/68	43,810,520	41863297.8
2068/69	41,677,052	43905945.6
2069/70		45948593.4
2070/71		47991241.2
2071/72		50033889
2072/73		52076536.8
2073/74		54119184.6

Figure No. 4. Q



The Y - intercept (a) and slope of the trend line (b) of total assets of SCBNL remained to be NRs. 39820650 and NRs. 2042647.8 respectively. During the study period, total sales of SCBNL exposed an increasing trend. The trend equation of total sales is given by: $Y = 39820650 + 2042647.8X$ for SCBNL.

According to above figure we can say that SCBNL is in highly increasing trend of Assets.

Least square trend analysis of total NPAT growth

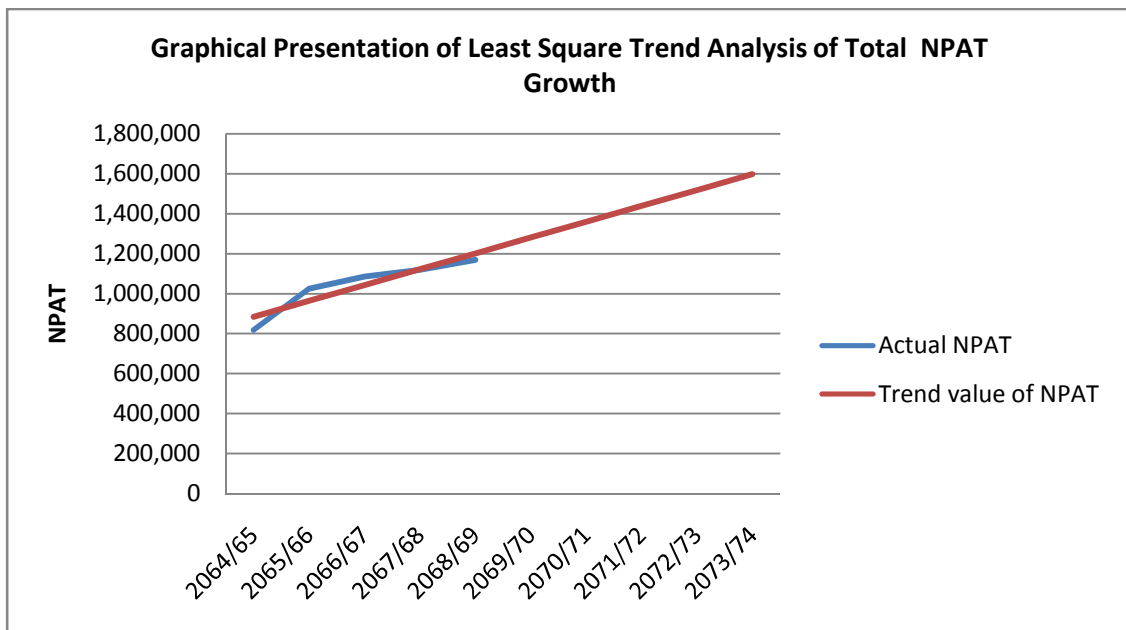
Least Square Trend Analysis of Net Profit Growth of SCBNL for the different sampled years has been calculated in *Appendix D*

Table No. 4.21

Fiscal Year	Actual NPAT	Trend value of NPAT
2064/65	818,921	884779
2065/66	1,025,114	964194
2066/67	1,085,872	1043609
2067/68	1,119,172	1123024
2068/69	1,168,967	1202439
2069/70		1281854

2070/71	1361269
2071/72	1440684
2072/73	1520099
2073/74	1599514

Figure No. 4.R



The Y - intercept (a) and slope of the trend line (b) of NPAT of SCBNL remained to be NRs. 1043609.2 and NRs. 79415 respectively. During the study period, NPAT of SCBNL exposed an increasing trend. The trend equation of total Net profit is given by:

$$Y = 1043609.2 + 79415X \text{ for SCBNL.}$$

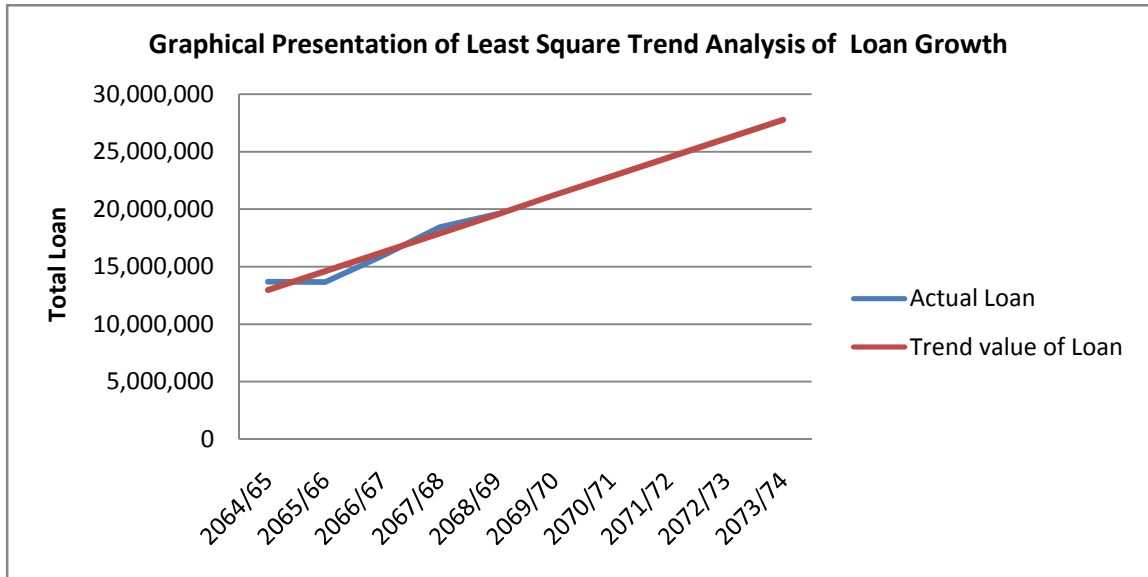
According to above figure we can say that SCBNL has highly increasing trend of Net profit. That's why we can come to decide the SCBNL has strong position in earning profit from the indication revealed from above figure.

Least square trend analysis of to net loan growth

Least Square Trend Analysis of Net Loan Growth of SCBNL for the different sampled years has been calculated in *Appendix D*

Fiscal Year	Actual Loan	Trend value of Loan
2064/65	13,718,597	12979258
2065/66	13,679,757	14625483.5
2066/67	15,956,955	16271709
2067/68	18,427,270	17917934.5
2068/69	19,575,968	19564160
2069/70		21210385.5
2070/71		22856611
2071/72		24502836.5
2072/73		26149062
2073/74		27795287.5

Figure No. 4. R



The Y - intercept (a) and slope of the trend line (b) of Loan of SCBNL remained to be NRs. 16271709 and NRs. 1646225.5 respectively. During the study period, loan of SCBNL exposed an increasing trend. The trend equation of total Loan is given by: $Y = 16271709 + 1646225.5X$ for SCBNL.

According to above figure we can say that SCBNL has highly increasing trend of Net Loan and bank is able to utilize its source in proper way.

4. 2. Major Findings From the Analysis of Data

From the above analysis and interpretation of data, the following findings have been drawn:

The current ratios of SCBNL remained 1.07, 1.08, 1.08, 1.09 and 1.1 with the mean and CV of current ratios came to be 1.091 and 1% respectively throughout the study period.

The Cash and bank balance to current ratios of SCBNL remained 0.06, 0.07, 0.048, 0.068 and 0.15 with mean and CV of ratios came to be 0.08 and 34% respectively throughout the study period.

The fixed Loan and Advance to current assets ratios of SCBNL remained 0.41, 0.34, 0.39, 0.42 and 0.47 with mean and CV of LACA came to be 0.41 and 10% respectively throughout the study period.

The Fixed Deposit to Total Deposit Ratios of SCBNL remained 0.09, 0.20, 0.26, 0.266 and 0.12 with mean and CV of FDTR came to be 0.19 and 36% respectively throughout the study period.

The Cash and Bank balance to Total deposit Ratios of SCBNL remained 0.088, 0.088, 0.054, 0.078 and 0.09 with the mean and

CV of Cash and bank balance to total deposit ratios came to be 0.09 and 43% respectively.

The Loan and advance to total deposit ratio of SCBNL remained in day 0.59, 0.38, 0.45, 0.48 and 0.54 with mean and CV of loan and advance to total deposit ratio came to be 0.49 and 14% respectively throughout the study period.

The loan and advance to total saving deposit ratio of SCBNL remained 0.89, 0.71, 1.2, 1.5, and 1.26 with mean and CV of LATSD came to be 1.15 and 26% throughout the study period.

The loan and advance to fixed deposit ratio of SCBNL remained 6.42, 1.9, 1.73, 1.81 and 4.1 with mean and CV of loan and advance to fixed deposit ratio of came to be 3.22 and 0.57 respectively throughout the study period.

The Debt equity ratio of SCBNL remained 12.37, 12.12, 10.93, 10.91 and 9.11 with mean and CV of D/E ratio came to be 11.09 and 10% respectively throughout the study period.

The Debt to total asset ratios of SCBNL remained 0.92, 0.92, 0.91, 0.91 and 0.90 with the mean and CV of D/A ratios came to be 0.91 and 0.009 respectively throughout the study period.

The net profit to total deposit ratios of SCBNL remained 0.03, 0.028, 0.03, 0.029 and 0.032 with mean and CV of net profit to total deposit ratios came to be 0.31 and 6% respectively throughout the study period.

The Interest earned to total assets ratios of SCBNL remained 0.033, 0.033, 0.036, 0.039 and 0.044 with mean and CV of interest earned to total assets ratios came to be 0.037 and 10% respectively throughout the study period.

The net profit to total assets ratios of SCBNL remained 0.024, 0.025, 0.027, 0.025 and 0.028 with mean and CV of net profit to total assets ratios came to be 0.026 and 3.8% respectively throughout the study period.

The earning per share of SCBNL remained NRs. 131, 109, 77, 69 and NRs. 72 with mean and CV of EPS came to be NRs. 92 and 26% respectively throughout the study period.

The dividend per share of SCBNL remained NRs. 130, 100, 70, 50 and 60 with mean and CV of dividend per share came to be NRs. 82 and 29% respectively throughout the study period.

The Dividend payout ratios of SCBNL remained 0.985, 0.90, 0.90, 0.71 and 0.82 with mean and CV of dividend payout ratios came to be 0.86 and 10% respectively throughout the study period.

The coefficient of correlation between loan and profit after tax of SCBNL came 0.25. This value of correlation indicates the positive relation between loan and net profit after tax. Considering the probable errors of SCBNL, since the value of r of SCBNL is less than 6PE. So, the correlation between these two variables of SCBNL are correlated insignificant level.

The coefficient of correlation between Total Loan and total assets of SCBNL came 0.72. This value of correlation indicates high degree of positive correlation. Since, the value of r is less than 6PE. So, correlation between total loan and total assets is in insignificant level.

The coefficient of correlation between Total assets and Net profit after tax of SCBNL came 0.94. The value of r indicates highly positive correlation. Since, the value of r of SCBNL is greater than its 6PE. So, the correlation between Total assets and net profit after of SCBNL is in significant level.

According to the trend equation, the forecasted values of total assets of SCBNL for coming five years would be NRs. 45948593.4, 47991241.2, 50033889, 52076536.8 and 54119184.6 thousand respectively.

According to the trend equation, the forecasted values of Net profit after tax of CHPCL for coming five years would be NRs. 1281854, 1361269, 1440684, 1520099 and 1599514 thousand respectively

According to the trend equation, the forecasted values net loan of SCBNL for coming five years would be NRs. 21210385.5, 22856611, 24502836.5, 26149062 and 27795287.5 respectively.

SWOT Analysis.

Table No. 5.1

Strengths	➤ Availability of funds
-----------	-------------------------

	<ul style="list-style-type: none"> ➤ No debt risk in financing, fully equity financing. ➤ High earning capacity and low operating expenses with efficient assets management. ➤ Wide and international networked business scope. ➤ Well equipped management and well trained human resource.
Weakness	<ul style="list-style-type: none"> ➤ Limited in urban area rather than focusing on development of rural area as well as bank is also only focused to the large investor/costumer.
Opportunities	<ul style="list-style-type: none"> ➤ Plenty of market available ➤ Wide and international networked business access.
Threats	<ul style="list-style-type: none"> ➤ Establishment of other large bank through the merger and acquisition. ➤ Increment of competition from national and international financial institutions. ➤ Tightening by NRB (central bank)

CHAPTER V

SUMMARY, CONCLUSION AND RECOMMENDATIONS

This chapter basically divided into three parts. First part deals with the summary of the study in which the results of calculations that is found in previous chapter is presented in short manner. Second part related with the conclusion of the study in which overall decision made under the study are presented. And third section of the study is for recommendation. This part shows the final report of the study.

5. 1. Summary

Financial sector is growing very fast and making very competitive sector also. In this time also bank has been able to maintain its position in the country as one of the leading joint venture commercial banks. moreover, competition in the financial sector is getting tougher day by day. Inspire of political instability, domestic unrest and threats, the bank is making all possible efforts to

consolidate its business portfolio and cut down the cost in all operating areas to maintain the profitability.

The principal activities of the bank in the past five years continued to be consumer and corporate banking, trade financing, credit card service and foreign exchange dealing. The bank has successfully installed and launched Automated Teller Machine(ATM). The number of cards issued by the bank is increasing and the bank now has critical mass in its account base. The capital base figure of the bank is more than adequate and exceeds both NRB's capital adequacy requirements (1000 million) and internationally recognized standards, enabling it to deal with unpredictable economic environment of the country.

As this study is related to the financial evaluation of SCBNL, a number of financial and statistical tools have been used to meet the prescribed objectives. Ratio analysis being the primary financial tools include all five categories namely, liquidity ratio, activity ratio, leverage ratio, profitability ratio and invisibility ratio. To further analyze the financial data, a number of statistical tools have been used such as arithmetic mean, standard deviation, coefficient of

variance, coefficient of correlation, probable error of correlation coefficient and least square trend line.

The liquidity ratio of the bank seems to be in constant trend of 1:1 throughout the study period. F The bank has failed to maintain conventional standard of liquidity position (2 : 1) throughout the study period. The mean and CV of current ratios of bank came to be 1.09:1 and 1% respectively. The mean and CV of Cash and bank balance current assets ratio is came to be 0.08 and 45%. The mean and CV of loan and advance to current assets ratio came to 0.4 and 10%. The mean and CV of fixed deposit to total deposit ratio came to be 0.19 and 36%. Cash and bank balance to total deposit ratio came to be 0.09 and 43% These all the indications shows the bank strengthen to maintain its minimum liquidity position in such constancy way.

All the activity ratios show the satisfactory result. LADR came to about 50, LADR shows about 1.15 and LAFDR shows 3.22. These indications show the banks' activity performance. From these indications we can say that, 50% of total deposit and more than 100% of saving and fixed deposit is mobilizing as loan for the purpose of generating income.

Leverage ratio of bank reveals outsourced financing trend is in increasing. This indication indicates that the bank is able to use more outsourced capital than its internal capital. This strategy is very good for bank's existing shareholder for increasing their reward (dividend). The bank has zero debt financing capital, so it is out of interest risk.

The profitability ratio indicates the bank's profitability. SCBNL has in increasing trend of Net profit. Net profit to total deposit ratio and remained within 0.03 throughout the study period. Interest earned to total deposit ratio is in slightly increasing trend throughout the study period. net profit to total assets ratio remained in increasing trend over the study period. From the all the indication indicates that the bank is able to maintain its profitability ratio in satisfied way in relation to total deposit, total assets, and interest earned.

Invisibility ratios indicate the profitability of the bank. Mean and CV of EPS of SCBNL is Rs, 92 and 26% respectively. Mean and CV of DPS of bank is Rs. 82 and 29% respectively. Mean and CV of DPR of bank is 0.87 and 10% respectively. The dividend paying

strategy clearly shows that the bank's faithfulness toward shareholders and its good profitability position.

The coefficient of correlation between loan and profit after tax of SCBNL came 0.25. This value of correlation indicates the positive relation between loan and net profit after tax. Considering the probable errors of SCBNL, since the value of r of SCBNL is less than 6PE. So, the correlation between these two variables of SCBNL are correlated insignificant level.

The coefficient of correlation between Total Loan and total assets of SCBNL came 0.72. This value of correlation indicates high degree of positive correlation. Since, the value of r is less than 6PE. So, correlation between total loan and total assets is in insignificant level.

The coefficient of correlation between Total assets and Net profit after tax of SCBNL came 0.94. The value of r indicates highly positive correlation. Since, the value of r of SCBNL is greater than its 6PE. So, the correlation between Total assets and net profit after of SCBNL is in significant level.

According to the trend equation, the forecasted values of total assets of SCBNL for coming five years would be NRs. 45948593.4, 47991241.2, 50033889, 52076536.8 and 54119184.6 thousand respectively. It shows slightly increasing trend of investment in the assets.

According to the trend equation, the forecasted values of Net profit after tax of CHPCL for coming five years would be NRs. 1281854, 1361269, 1440684, 1520099 and 1599514 thousand respectively. It shows the bank's increasing trend of profitability.

According to the trend equation, the forecasted values net loan of SCBNL for coming five years would be NRs. 21210385.5, 22856611, 24502836.5, 26149062 and 27795287.5 respectively. It shows the increasing ability of capital resources of bank.

5. 2. Conclusion

As per the analysis and interpretation of data the following have been derived:

A. Liquidity position.

Ratio	Minimum	Maximum	Average	Coefficient of variation
Current Ratio	1.07	1.1	1.09	1%
Cash and bank to current ratio	0.04	0.15	0.08	45%
Loan and advance to current assets	0.34	0.47	0.4	10%
Saving deposit to total deposit				
Fixed deposit to total deposit	0.09	0.266	0.19	36%
Cash and bank balance to total deposit	0.05	0.1	0.09	43%

The current ratio of the bank over the five years is 1.09 on average. The current ratio of 2:1 is regarded as acceptable, but acceptability of the value depends on the industry in which a firm operates. For the banks and the utility firms, current ratios of 1:1 or

above would be considered acceptable. Therefore, the liquidity position in terms of current ratio of the bank is in normal standard. The loan and advance are the main source of income in the commercial banks. The result of analysis indicates that the loans and advance disbursement with respect to the current assets is satisfactory. Minimum portion of fixed deposit in the total deposit indicates that the bank is able to minimize its cost of fund. The cash and bank balance to total deposit ratio shows that the bank is maintaining its cash reserve as per central bank directives. The result of the analysis indicates that the investment of the funds is high. Overall liquidity position of bank is good and able to meet its short term obligations.

B. Activity / Efficiency / Assets Management Position

Ratio	Minimum	Maximum	Average	Coefficient of variation
Loan & advance to total deposit ratio	0.38	0.59	0.49	14%
Loan & advance to saving deposit ratio	0.71	1.58	1.15	26%

Loan and advance to fixed deposit ratio	1.73	6.42	3.22	57%
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Loan and advance to total deposit ratio measures the extent to which the bank is successful to utilize the outsider's fund (total deposit) in profit generating purpose. The result indicates that the bank is mobilizing its total deposit in loan and advance is satisfied position. The has been able to utilize its saving deposit (low interest bearing liability) more than its fixed deposit (high interest bearing liability). In overall, the bank is success to manage its resource in best way to maximize its wealth.

C. Leverage / Capital Structure Ratio

Ratio	Minimum	Maximum	Average	Coefficient of variation
Debt equity ratio	10.9	12.37	11.09	10%
Debt assets	0.90	0.92	0.91	0.9%

ratio				
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The debt equity ratio indicates the relationship between the long term funds provided by creditors and those provided by the firm's owners. The result of the analysis indicates that the bank has the high debt-equity ratio, which means the creditor have invested more in bank than owners, total debt to total assets ratio shows the portion of outsiders' fund used in financing total assets is higher. The result of analysis indicates that 10% of total assets of the bank is financed through equity capital and remaining 90% from debt capital. This implies that the shareholder's stake in the bank is very low. The creditors have dominated in the bank's financial mix.

D. Profitability Ratio

Ratio	Minimum	Maximum	Average	Coefficient of variation
Net profit to total deposit ratio	0.028	0.035	0.031	6%
Interest earned to total assets	0.033	0.044	0.037	10%

ratio				
Net profit to total assets ratio	0.024	0.028	0.026	3.8%

Net profit to total deposit ratio indicates the percentages that the net profit earned by using the total deposit. The result of analysis indicates that the net profit earned in comparison to the total deposit is in fluctuation trend. The return on assets (ROA) or profit to assets of all financial resources invested in the assets. The result of analysis indicates that the net profit earned in comparison to the total assets is quite low. Interest earning is the major source of a commercial bank. Interest earned to total assets ratio reflects the proportion of interest earned by the bank, from the total income. The result of analysis indicates that the interest earned in comparison to the assets is also somehow low. Therefore overall indication indicates that the profitability ratio analysis of SCBNL indicates that the performance of bank is effective in generating profit with in consistency way.

E. Invisibility /Ownership ratio

Ratio	Minimum	Maximum	Average	Coefficient of variation
Earning per share	Rs. 67	Rs. 131	Rs. 92	26%
Dividend per share	Rs. 50	Rs. 130	Rs. 82	29%
Dividend payout ratio	0.72	0.98	0.86	10%

The EPS is the income earned on behalf of each outstanding share of common stock. The bank has been able to pay high amount of earning to the shareholders except 2066/67 and 2067/68 due to increment of the no of share in those fiscal year. The bank is able to pay such high ratio as dividend from the earnings. It is also very good for the banks' faithfulness toward the owners.

The coefficient of correlation between total loan and total assets of SCBNL show positive but insignificant relation.

The coefficient of correlation between loan and total assets of SCBNL is in positive but in weak position as well as insignificant level.

The coefficient of correlation between Total assets and net profit after tax of SCBNL is in strongly positive relation in significant level. This indication shows that the net profit after tax is more reactive.

The growth trend analysis of total loan, net profit after tax and total assets of SCBNL is in increasing trend even NPAT is in somehow greater increasing rate. From this result we can say that the bank is in optimistic favorable positions

5. 3. Recommendations

Based on the conclusions, some recommendations are given below.

Every organization needs profit and financial strengthens to survive for long period is the fact. So Standard Chartered Bank Nepal Limited is also one of them, it also needs profit for different purpose which is only possible when there is effective and efficient management and excellent services, cooperation with all the clients of the bank and excellent team work within the organization which is the key elements for the survive of the bank and as well as for its own goodwill.

➤ Cash and bank balance to total deposit doesn't meet the Central bank's minimum requirement. This can create risk to the bank. So, it is suggested that the bank should keep the minimum required cash

and bank balance. As the current ratio of the bank is also below normal standard the bank should ascertain its quality of current obligation.

➤ The net profit of the bank is not quite satisfied as it is increasing slowly. The bank should take the matter seriously. Profit is essential for the survival of the growth of the bank. Bank should focus on operating earnings.

➤ From the study it means that SCBNL has been focusing in the urban side of the country. So, it should focus on rural areas too for development of the nation.

➤ The bank should reduce its expenses (such as interest expenses, staff expenses, provision for doubtful debt). These expenses are increasing yearly which is not favorable.

➤ The bank should plan to exceed its paid up capital as well as to invest in research and development to compete with the upcoming large capitaled bank.

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Appendix A
 Computation of Correlation of Coefficient and Probable Error
 Correlation between Total Loan and Net Profit After Tax of SCBNL

Year	Total Loan (X)	NPAT (Y)	X ²	Y ²	X × Y
2064/65	13,718,597	818,921	188199903648409.00	670631604241.00	11234447173837.00
2065/66	13,679,757	1,025,114	187135751579049.00	1050858712996.00	14023310417298.00
2066/67	15,956,955	1,085,872	254624412872025.00	1179118000384.00	17327210639760.00
2067/68	18,427,270	1,119,172	339564279652900.00	1252545965584.00	20623284620440.00
2068/69	19,575,968	1,168,967	383218523137024.00	1366483847089.00	22883660585056.00
Total	81358547.00	5218046.00	1352742870889410.00	5519638130294.00	86091913436391.00

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

$$r = \frac{5 \times 86091913436391 - (81358547 \times 5218046)}{\sqrt{5 \times 1352742870889410 - (81358547)^2} \sqrt{5 \times 5519638130294 - (5218046)^2}}$$

$$r = \frac{5926926442793.00}{\sqrt{1445011844958265} \times \sqrt{370186593354.00}}$$

r = 0.25

$$PE = 0.6745 \times \frac{\sqrt{1 - r^2}}{\sqrt{N}} = 0.283$$

Appendix B
 Computation of Correlation of Coefficient and Probable Error
 Correlation between Total Loan and Total of SCBNL

Year	Total Loan (X)	Total assets(Y)	X ²	Y ²	X x Y
2064/65	13,718,597	33,335,788	188199903648409.00	1111274761580940.00	457320241249436.00
2065/66	13,679,757	40,066,570	187135751579049.00	1605330031564900.00	548100941423490.00
2066/67	15,956,955	40,213,320	254624412872025.00	1617111105422400.00	641682137640600.00
2067/68	18,427,270	43,810,520	339564279652900.00	1919361662670400.00	807308280880400.00
2068/69	19,575,968	41,677,052	383218523137024.00	1736976663410700.00	815868636286336.00
Total	81358547.00	199103250.00	1352742870889410.00	7990054224649350.00	3270280237480260.00

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

152650064423560.00

$$r = \frac{152650064423560.00}{\sqrt{144501184495826.00} \times \sqrt{308166962684240.00}}$$

r = 0.72

$$PE = 0.6745 \times \frac{\sqrt{1 - r^2}}{\sqrt{N}} = 0.144$$

Appendix C
 Computation of Correlation of Coefficient and Probable Error
 Correlation between Total NPAT and Total Assets of SCBNL

Year	NPAT (Y)	Total assets(Y)	X ²	Y ²	X x Y
2064/65	818,921	33,335,788	670631604241.00	1111274761580940.00	27299376844748.00
2065/66	1,025,114	40,066,570	1050858712996.00	1605330031564900.00	41072801838980.00
2066/67	1,085,872	40,213,320	1179118000384.00	1617111105422400.00	43666518215040.00
2067/68	1,119,172	43,810,520	1252545965584.00	1919361662670400.00	49031507289440.00
2068/69	1,168,967	41,677,052	1366483847089.00	1736976663410700.00	48719098445284.00
Total	5218046.00	199103250.00	5519638130294.00	7990054224649350.00	209789302633492.00

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

10016595917960.00

$$r = \frac{10016595917960.00}{\sqrt{370186593354.00} \times \sqrt{308166962684240.00}}$$

r = 0.94

$$PE = 0.6745 \times \frac{\sqrt{1 - r^2}}{\sqrt{N}} = 0.054$$

Appendix D
Computation of Trend Values

Least Square Trend Analysis of Total Assets Growth of SCBNL

Year	Time	X=time-3	Total assets (Y)	X ²	X x Y	Trend Value (Y=a+bX)
2064/65	1	-2	33,335,788	4	-66671576	35735354.4
2065/66	2	-1	40,066,570	1	-40066570	37778002.2
2066/67	3	0	40,213,320	0	0	39820650
2067/68	4	1	43,810,520	1	43810520	41863297.8
2068/69	5	2	41,677,052	4	83354104	43905945.6
Total	15	0	199103250	10	20426478	
		a=39820650	b=2042647.8			
2069/70	6	3				45948593.4
2070/71	7	4				47991241.2
2071/72	8	5				50033889
2072/73	9	6				52076536.8
2073/74	10	7				54119184.6

$$\sum Y = Na + b \sum X$$

$$\sum XY = a \sum X + b \sum X^2$$

$$199103250 = 5a + b0$$

$$20426478 = a0 + b10$$

Appendix E
Computation of Trend Values

Least Square Trend Analysis of NPAT Growth of SCBNL

Year	Time	X=time-3	Total NPAT (Y)	X ²	X x Y	Trend Value (Y=a+bX)
2064/65	1	-2	818,921	4	-1637842	884779
2065/66	2	-1	1,025,114	1	-1025114	964194
2066/67	3	0	1,085,872	0	0	1043609
2067/68	4	1	1,119,172	1	1119172	1123024
2068/69	5	2	1,168,967	4	2337934	1202439
Total	15	0	5218046	10	794150	
		a=1043609.2	b=79415			
2069/70	6	3				1281854
2070/71	7	4				1361269
2071/72	8	5				1440684
2072/73	9	6				1520099
2073/74	10	7				1599514

$$\sum Y = Na + b \sum X$$

$$\sum XY = a \sum X + b \sum X^2$$

$$5218046 = 5a + b0$$

$$794150 = a0 + b10$$

$$a = 1043609.2$$

$$b = 79415$$

Appendix F
Computation of Trend Values

Least Square Trend Analysis of Loan Growth of SCBNL

Year	Time	X=time-3	Loan (Y)	X ²	X x Y	Trend Value (Y=a+bX)
2064/65	1	-2	13,718,597	4	-27437194	12979258
2065/66	2	-1	13,679,757	1	-13679757	14625483.5
2066/67	3	0	15,956,955	0	0	16271709
2067/68	4	1	18,427,270	1	18427270	17917934.5
2068/69	5	2	19,575,968	4	39151936	19564160
Total	15	0	81358547	10	16462255	
a=16271709		b=1646225.5				
2069/70	6	3				21210385.5
2070/71	7	4				22856611
2071/72	8	5				24502836.5
2072/73	9	6				26149062
2073/74	10	7				27795287.5

$$\sum Y = Na + b \sum X$$

$$\sum XY = a \sum X + b \sum X^2$$

$$81358547 = 5a + b0$$

$$16462255 = a0 + b10$$

Annex 1

Growth of Financial Institutions

Types of Financial Institutions	Mid - July											
	1985	1990	1995	2000	2005	2006	2007	2008	2009	2010	2011	2012
Commercial Banks	3	5	10	13	17	18	20	25	26	27	31	32
Development Banks	2	2	3	7	26	28	38	58	63	79	87	88
Finance Companies			21	45	60	70	74	78	77	79	79	69
Micro-finance Development Banks			4	7	11	11		12	15	18	21	24
Saving & Credit Co-operatives Limited Banking Activities)			6	19	20	19	17	16	16	15	16	16
NGOs (Financial Intermediaries)				7	47	47	47	46	45	45	38	36
Total	5	7	44	98	181	193	208	235	242	263	272	265