CHAPTER-1

INTRODUCTION

1.1Background of the Study:

Banks are among the most important financial institution in the economy and essential business as it serves in thousands of local towns and cities. It plays an importance role in the development of the economic position of country. Bank is essential to make the financial position strong of all the financial institution. It also plays vital role to develop the trading, commercial and industrial infrastructure of the country.

The word "Bank" is derived from the *Latin* word "Bancus" French word "Banque" and Italian word "Banca" which refers to bench for keeping lending and exchanging money or coins in the market place by money lenders and money exchangers.

Nepal is a small land locked country with a per capita income of less than $650. There are so many Nepalese people illiterate only few people know the significance of bank and banking activities. Bank makes a better use of money and mobilizes the people's saving in productive sector. It helps in every aspects of government.

Different scholars have defined Bank.

According to Geoffery Crowther, "A banker is a dealer in debt in his own and other people the banks business in them to take the debt of other people to offer his own in exchange and these by to create money."(An outline of money P.417)

Industrialization is an important factor to achieving the basic objective of country economic and social progress. Industrialization not only provides necessary products and services to the community but also create employment opportunities. If facilitates an effective mobilization of resources of capital and skill, which might otherwise remain unutilized. It also acts as vehicle for fostering innovation and technological improvement. Industrial development thus has a multiplier effect on the economy.

In ordered to collect the saving and put them into productive channels, financial institutions like banks are a necessity. In the absence of such institutions, the saving

will not be safely and profitably utilized within the economy and will either be diverted abroad or used for unproductive consumption or speculative activities. Commercial banks can play a vital role in giving a direction to economic development by financing the requirement of trade and industries in the country. They draw the community saving into organized sector that can then be allocated among the different economic activities according to the priorities laid down by planning authorities in the country. At present, there are altogether thirty commercial banks operating in the country among which NBL and RBB has occupied wide range of business due to access to most of the corner of the country. Slowly most of the private banks are also initiating to move toward every corner of country. But due to prevailing political crisis they are not being able to meet their objectives to reach to every corner of the country. Due to increasing competition banks are forced to innovate new products to their customer and they are also shifting from traditional service procedure to various sophisticated services like Automatic Teller Machine (ATM) card , debit card , housing loan ,educational loan, vehicle financing.

To depict the performance of any firm financial analysis is essential. Past performance is often a good indicator of future performance. Therefore, all parties are interested to know the trend of past variable, such as sales, expenses, net income, cash flow and return on investment and so on. Financial analysis is the process of critical judgment of detail accounting information given in the financial statements.

Financial analysis is the process of determining the significant operation and financial characteristics of a firm from accounting data .It shows the relationship between the various components, which can be finding in the balance sheet, and profit &loss statement. The analyze statement contain those information which is useful for management, shareholder, creditors, investors, depositors etc.

1.2 Concept of Commercial Bank.

Commercial bank is a financial institution, which transfers monetary sources to users. In the process of such intermediation, commercial bank deploys funds raised from different sources into different assets with a prime objective of profit generation an

administrative assistance. **According to Commercial Bank Act 2031,** "Commercial banks are those banks which are established under this act to perform commercial function." The commercial banks pool together the savings of the community and arrange for their productive uses. They supply financial needs of modern business.

According to Grywinski Ronald, "The commercial bank has its own role and contribution in the economic development. It is a resource for the economic development; it maintains economic confidence of various segments and extends credit to people."(**"The new Fashioned Banking"**, London Howard Business Review, 1991, P-87)

These banks are established to improve people's economic welfare and facility, to provide loan to the agriculture, industry and commerce and to offer banking services to the people and the country. It provides internal resources for developing countries economy. It collects diversified capital from different parts of country through its own branches.

1.2.1 Function of Commercial Bank.

Receiving deposits and giving loans are the two main functions of commercial bank. Commercial Banks generally perform following functions:

a)Accepting deposit:

Accepting deposits by banks is the basic and most important function. A bank accept deposits in three forms namely savings, current and fixed deposits. The bank is free to make use of fixed deposits for granting loans and advances, as it is aware of the repayment of such fixed deposits.

b) Advancing loans:

After collecting money by way of deposits, a bank invests it or lends it out. Money is lent to businesspersons and traders usually for   short periods only. This is so because the bank must keep it-self ready to meet the demand of depositors, who have

deposited money for short period. Money is advancing by the banks in the form of allowing on overdrafts creating a deposit of cash credit and discounting bills.

c) Extension of Credits:

They are extending credits to the worthy borrowers. Bank lending contributes a lot to the economy in terms of financing agriculture, commercial and industrial activities of the nation.

d) Facilities for financing of foreign trade:

The commercial banks arrange for foreign exchanges required by the business organizations and travellers, moreover, foreign trade transaction have been facilitating by the insurance of the commercial letter of credit.

e) Creating Money:

As per the directive of the central bank, commercial bank should have ability to create and dispose money. The power of the commercial banking system to create money is of great economic significance as it helps to create and elastic credit system that is necessary for the economic progress.

f) Payment Mechanism:

Commercial banks perform this function to transfer fund by means of checks and credit cards facilities and efficient transaction.

g) Safe Custody:

Banks arrange for the safekeeping of ornaments, jeweler, and securities important documents etc. of its customers in secure vaults.

h) Reference:

They provide references about the financial position of their customers when required. They supply this information confidentially. This is done when their customer wants

to establish business connections with some new firms within or outside of the country.

i) Agency function:

The bank works as an agent of their constituents. They receive payments on their behalf. They collect rents and dividends on the share etc. they pay insurance premium and make other payments as instructed by the depositors. They accept bills of exchange on behalf of their customers. They pass bill of lading or railway receipts to the purchases of goods when they pay for them. This amount is passed on to suppliers of goods.

Besides all this facilities, in case of commercial banks, they issue credit cards and arrangement for issue Visa International Card. Some of them have priority to lent educated and unemployed youth for small projects.

1.2.2 Private Commercial Banks in Nepal:

Nepal Arab Bank Ltd. (NABIL Bank Ltd.) was the 1st joint venture bank established in 1984 AD, joint ventured with United Arab Emirates Bank. Then two other banks, Nepal Indosuez Bank Ltd. (Nepal Investment Bank Ltd.) with Indosuez Bank of Finance and Nepal Grindlays Bank of London were established in 1986 AD. Himalayan Bank Ltd. joint ventured with Habib Bank of Pakistan and SBI Bank Ltd. with State Bank of India was established in 1993 AD. Everest Bank Ltd. joint ventured with Punjab National Bank, India (early it was joint ventured with United Bank of India, Calcutta) and Nepal Bangladesh Bank Ltd. with IFICBank of Bangladesh were established in 1991 AD., Bank of Kathmandu joint ventured with SIAM commercial Bank Public Co., Thailand was established in 1995 AD. And Nepal Bank of Ceylon joint ventured with Ceylon Bank of Sri-Lanka was established in 1997 AD. Besides this, Lumbini Bank Ltd., and NIC Bank Ltd. are also operating from 1997 AD and Kumari Bank Ltd. & Siddhartha Bank Ltd. served as a new commercial bank of Nepali financial market.

All of these banks barely follow the directive and policies of Nepal Rastra Bank (NRB). NRB functions as the central Bank of Nepal. NRB formulates financial and monetary policies under which, commercial banks, financial institutions are functioning.

Nowadays there are 32 commercial banks operating in Nepali financial market along with 9 joint venture with foreign investors. Lists of licensed commercial banks are presented below:

1. Nepal Bank Ltd.
2. RastriyaBanijya Bank Ltd.
3. NABIL Bank Ltd.
4. Nepal Investment Bank Ltd.
5. Standard Chartered Bank Nepal Ltd.
6. Himalayan Bank Ltd.
7. Nepal SBI Bank Ltd.
8. Nepal Bangladesh Bank Ltd.
9. Everest Bank Ltd.
10. Bank of Kathmandu Ltd.
11. Nepal Credit & Commerce Bank Ltd.
12. Lumbini Bank Ltd.
13. Nepal industrial & commercial Bank Ltd.
14. Machhapuchhre Bank Ltd.
15. Kumari Bank Ltd.
16. Laxmi Bank Ltd.
17. Siddhartha Bank Ltd.
18. Agriculture Development Bank Ltd.
19. Global Bank Ltd.
20. Citizen Bank International Ltd.
21. Prime Commercial Bank Ltd.
22. Bank of Asia Nepal Ltd.
23. Sunrise Bank Ltd.

24. Grand Bank Nepal Ltd.
25. NMB Bank Ltd.
26. KIST Bank Ltd.
27. Janata Bank Nepal Ltd.
28. Civil Bank Ltd.
29. Commerz& Trust Bank Ltd.
30. Mega Bank Ltd.
31. Century Bank Ltd.
32. Sanima Bank Ltd.

1.2.3 Brief introduction of Standard Charted Bank Nepal Ltd., Everest Bank Ltd., NABIL Bank Ltd.& Nepal Investment Bank Ltd.

- **Standard chartered bank Nepal Ltd. (SCBNL)**

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. SCBNL has following capital structure:

- Authorized share capital   : Rs 2 billion.
- Issued capital   : Rs 1.61billion.
- Paid up capital   : Rs 1.61billion

SCBNL 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 corporation, 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 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.

- **Everest Bank Ltd.(EBL)**

Everest Bank Limited (EBL) is established in Nepal with the Joint venture of Punjab National Bank, India having 20% equity. Everest Bank Limited (EBL) started its operations in 1994 with a view and objective of extending professionalized and efficient banking services to various segments of the society. The bank is providing customer-friendly services through its Branch Network. All the branches of the bank are connected through Anywhere Branch Banking System (ABBS), which enables customers for operational transactions from any branches.

With an aim to help Nepalese citizens working abroad, the bank has entered into arrangements with banks and finance companies in different countries, which enable quick remittance of funds by the Nepalese citizens in countries like UAE, Kuwait, Bahrain, Qatar, Saudi Arabia, Malaysia, Singapore, and UK.

Recognizing the value of offerings a complete range of services, EBL pioneered in extending carious customer friendly products such as Home Loan, Education Loan, EBL Flexi Loan, EBL property, plus (Future Lease Rental), Home Equity Loan, Vehicle Loan, Loan against Share, Loan against Life Insurance policy and loan for professionals.

EBL was one of the first banks to introduce Any Branch Banking System (ABBS) in Nepal. EBL has introduced branchless banking system first time in Nepal to cover unbanked sector of Nepalese society.

EBL has following capital structure:
- Authorized share capital: Rs.1.25billion.
- Issued capital   :Rs.1.05 billion
- Paid up capital   :Rs 1.28 billion

Among the private commercial banks, SCBNL, NABIL, NIBL & EBL have achieved tremendous success in terms of market share and profitability due to their strength on service and professionalism. It has been distributing constantly bonus to their shareholders despite of bad economic condition and unstable social environment in Nepal. However, it cannot always predict that these banks will continue to maintain profitability and stability of earnings. Thus, the management of these banks acquires rational evaluation of the financial performance of the banks to prepare sound financial policies.

- **<u>NABIL Bank Ltd.</u>**

NABIL Bank commenced operations 25 years ago, on 12th of July 1984 through Joint venture with Dubai Bank Ltd. marking a turning point in the banking history of Nepal. Banking has been redefined and service remolded. Since then Banking sector suffered setbacks and the commencement of NABIL Bank Ltd. introduced new philosophies and best practices to the industry. This in essence opened up a plethora of opportunities for all: entrepreneurs, industries, individuals for better future. Commencing with a team of about 50 staff and 28 millions as capital professional banking evolved thru NABIL in Nepal. NABIL has following capital structure:

- Authorized share capital   : Rs 2.1 billion.
- Issued capital   : Rs 2.03 billion.
- Paid-up capital   : Rs 2.03 billion.

The Bank that started its operations from a small office at Durbarmarg has now spread from Mechi to Mahakali, Hill to Terai serving customers of all strata of society. Looking back It has great many achievements to take pride in and looking forward there are even bigger challenges and opportunities. Past experience and present performance has made it confident of taking bigger strides forward to continue to leave its mark in the banking industry.

- **Nepal Investment Bank Ltd. (NIBL)**

Nepal Investment Bank Ltd(NIBL), previously Nepal Indosuez Bank Ltd. was established as a third joint venture bank between Nepalese and French partners in 21st January 1986 under the Company Act 1964. The French partner (hold capital of NIBL) was credit Agricole Indosuez, a subsidiary of one of the largest banking world, 50% of the shares of Nepal Indosuez Bank Ltd. held by credit Agricole. Indosuez was sold to the Nepalese promoters on April 25, 2002 as per the transaction report of NEPSE. After the investment of shares by Nepalese owners, the name of the company was changed to Nepal Investment Bank Limited its 15th Annual General Meeting (A.G.M.) held on May 31, 2002. NIBL has following capital structure:

- Authorized share capital   : Rs 4 billion.
- Issued capital   : Rs 2.4 billion.
- Paid-up capital   : Rs 2.4 billion.

Out of total equity shares of NIBL, 15% shares hold by a group of company, 50% shares by commercial banks, another 15% by financial institutions and remaining 20% hold by general public.

1.3 Focus of the study

The study is focused on the comparative study on financial performance of SCBNL, EBL, NABIL & NIBL. Financial analysis tries to analyze profitability and source and use of funds of these institutions. Financial ratios are evaluated with the help of accounting data and financial statements like B\S & P\L a\c with the help of these tools we can measure the liquidity, leverage, activity & profitability in rational way. Financial analysis is the process of determining the significant operating &financial characteristics of a firm from accounting data and financial statement.

A ratio helps the analyst to make a qualitative judgment about the banks financial position and performance. Therefore, the comparative judgment and financial position between four banks help to analyze strengths and weakness of the banks.

1.4 Statement of the problem

Nepal is a developing country and its economy is much depends on the agriculture. Most of the industries are based on the agriculture, which provide employment opportunities and assist in improving national economy. Poverty has been a main problem in the country. Therefore, public enterprises are established but most of the public enterprises are not able to run in profit. Even though the government has given the subsidy to run public enterprises, they are not able to contribute to society at desirable rate.

This research will highlight the problems relating with banking sector with respect to four sample commercial banks they are SCBNL, EBL, NABIL & NIBL.

Commercial banks are recently set up in Nepal but in short span of time number of commercial banks are increase rapidly. The first commercial bank in Nepal is Nepal Bank Limited (established in 1994 B.S.). However, the available banking business is not increased to that extent. But there are aggressive competition between the commercial Banks in terms of service, interest etc.

The sample banks, which are chosen for the studies, have achieved success in terms of market share and profitability. However it cannot always predict that these banks will continue, maintain profitability and stability of earnings. Thus, the management of bank should evaluate financial performance of the banks to prepare the sound financial policies.

Ratio analysis is an analytical tool for evaluating the financial performance. It is also a process of determining and interpreting numerical relationship with the help of financial statement. Management use effective strategies through financial tools and analysis for achieving optimal goal. Financial analysis satisfies the interest of common stock holders, equity investors, creditor and management of the banks.

As every business is established with a view to maximize earnings/profits. In the present competitive environment in banking and every sector it is very difficult to obtain expected earnings/profits. Every commercial bank has to follow by the

regulations and provision made by Nepal Rastra Bank. They have to maintain specific capital structure, infrastructure, cash reserve ratio, credit creation limitation, liquidity ratio etc. The major problems in Nepalese banking sector are as follows:

1. What level of ratios has to maintain by bank?
2. What type of role a bank has to play for emerging new business?
3. Whether or not banking sector is able to maintain different ratios?
4. Do financial ratios indicate any strength and weakness of the banks?

1.5 Objectives of the study

Commercial banks are established with intention of earning profit so that the wealth their shareholder is maximized and earning depends upon efficient the mobilization of resources. Financial analysis is tools for measuring the successes of any business performance. All the detail financial information or bank is shown by the financial analysis. Therefore, the main objectives of this study are to analyze, examine, and interpret the financial position of SCBNL, EBL, NABIL & NIBL with the help of ratio analysis and other tools. In addition, the study tries to evaluate the efficiency and progress of the sample banks comparatively. The specific objectives of the study can be pointed out as follow:

1. To study and compare the financial performance of SCBNL, EBL, NABIL & NIBLby using various techniques of financial analysis.
2. To evaluate the liquidity, assets management efficiency, profitability and risk position of SCBNL, EBL, NABIL & NIBL.
3. To determine the growth rate of the sample banks in terms of deposit, loan &advances, investment & profitability.
4. To analyze the financial strengths & weakness of the sample Banks.

1.6 Significance of the study

The banking sector is one of the major sectors of the country. It helps to emerge new business in industries by providing different facilities to businessmen. It provides

different facilities so that businessmen can run their business smoothly. At present context, it offers wide range of facility such as any branch banking facility, Internet banking & SMS banking, ATMs and Tele-banking, small business enterprises loan, pre-paid Visa card, L/C, Bank guarantee etc. These all facility including other temporary facility has made people life very convenience and easy.

This study has much significance, which are follows:

a. Significance to the shareholders:

The study will helpful to aware the shareholders regarding the financial performance of their banks. The comparison will help them to identify the productivity of their funds in each of those two banks.

b. Significance to the outsiders:

The customers (depositors & debtors) financing agencies, stock exchanges and stockbrokers are interested in the performance of banks. The financial agencies can identify to which bank they should go and stockbrokers and stock exchanges can find out the relative worth of the stocks of each bank.

c. Significance to the management:

The study will helpful to analyze success and failure of these banks comparison to competitors.

d. Significance to policy makers:

Policy makers at the macro level that is government and Nepal Rastriya Bank (NRB) will also benefit regarding the formulation of further policies in regard to economic development through banking institutions.

1.7 Limitation of the study

The study will have some limitations; basically the study is done for the partial fulfilment of Masters of Business Studies. The study is completely based on the secondary data. Some limitations of the study are as follows;

1. The study is mainly based on the secondary data, which is derived from website.
2. The study compares only four commercial banks.
3. The study covers only five fiscal historical data of SCBNL, NABIL, NIBL& EBL.
4. Statistical tools & financial ratio analysis have only been used to analyze quantitatively.
5. Time & resources lack are the main limitation of the study.

1.8 Organization of the study

The study is divided into five chapters. They are as follows:

a. The first chapter is concern with the **introduction of the study**, which covers the general background, focus of the study, statement of the problem, objectives of the study, significance of the study, limitation of the study and organization of the study.

b. The second chapter is **review of literature**. This part deals with different article, books and relevant thesis related to financial performance are also study.

c. The third chapter deals with the **research methodology** where process of research is mention. This part is concern with research question, research design, sources of data, population and sample, data collection procedure & method of data analysis. In method of data analysis, there are two parts. One is financial analysis where different ratio analysis concern with financial performance is study. Another is statistical analysis where different statistical tool like Arithmetic mean, Standard Deviation, coefficient of variation, trend analysis, correlation analysis, and simple regression analysis are mention.

d. The fourth chapter is **financial analysis and interpretation of data** where different part of ratio analysis is analyzed like liquidity ratio, profitability ratio, assets mgmt ratio & growth ratio. Statistical analysis and interpretation of data where study analyze the trend analysis, correlation analysis between different variable terms like total deposit, investment net profit, and loan & advance.

e. The last chapter is deal with **summary, conclusion and recommendation**. In this chapter summary of whole chapter & different results find in data analysis and recommendation to bank for nation development are included.

CHAPTER-2
REVIEW OF LITERATURE

Review of literature is an essential part of all studies. It means the study of relevant topics in the related field of research or reviewing related research studies and findings such that all past studies, their conclusion, and deficiencies may be known and further research are able to be done. It helps to check the chance of duplication of study in present and thus the gap between the previous research and current research can be filled. Scientific research must be based on past knowledge. The previous studies cannot 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 research studies.

The chapter is categorized under three main heading. Conceptual framework is concern with fundamental of supportive text that will ensure the interpretation whether it is under the principles and related theory to the topic. Review of related studies is about the studies of previous thesis, related books, and previous researches in similar topics. The last is research gap, which will describe the difference between the previous thesis and current thesis.

2.1. Theoretical Review
2.1.1. Meaning of financial Analysis

Financial Analysis is an evaluation of both a firm's past financial performance and its prospectus for the future. Financial statement analysis involves the calculation of various ratios. In mathematics, a ratio is the relationship between two quantitative figures. The ratio analysis is the financial tool by which the financial strength and weakness are measured by relating two accounting data. Financial statement analysis is helpful to the decision maker for finding out favorable or unfavorable situation of a business concern. Therefore, financial analysis reflects the financial position of a firm, which is the process of determinethe operational and financial characteristics of a

firm. Different types of financial statement analysis can be used on the basis of our objectives.

According to J.N. Myer, financial statement analysis is largely a study of relationship among the various financial factors in a business as disclosed by the single set of statement and a study of the trend of these factors as shown in a series of statement **(Myer 1961, P.4).**

It is the process of determining the significant operating and financial statements. The goal of such analysis is to determine the efficiency and performance of the firm's mgmt, as reflected in the financial records and reports **(Hampton 1998, P.98).**

The main function of financial analysis is the pinpointing of the strengths and weaknesses of a business undertaking by regrouping and analysis of figures contained in financial statements, by making comparison of various components and by examining their content. This can be used by financial managers as the basis to plan future financial requirements by means of forecasting and budgeting procedures **(Goyal &Mona Mohan 1997, P.356).**

Financial analysis is process of identifying the financial strength & weakness of the firm by properly establishing relationship between the items of the B/S, which represents analysis snapshot of the firm's financial position analysis at analysis moment in time and next income statement, that depots analysis summary of the firm's profitability overtime.**(Vanhorn & Watchowtch, 1997, P.120).**

Weston, Besley & Brigham have stated that financial statement analysis involves a comparison of a firm's performance with that of other firms in the same line of business, which often is identified by the firm's industry classification generally speaking, the analysis is used to determine the firm's financial position in order to identify its current strengths & weaknesses and to suggest actions that might enable

the firm to take advantage of the strengths and correct it's weaknesses**. (Weaston & Brigham, 1996,P.193).**

Thus, financial analysis stands for the process of determining and presenting the relationship of items and groups of items in the financial statement it is a way by which financial stability & health of a concern can be judged.

2.1.2. Significance of financial analysis

Significance of analysis lies on the objectives of financial analysis of any firm. Different group associated with the concern perceive the facts discovered by the analysis differently. The facts and the relationships concerning managerial performance, corporate efficiency, financial strengths & weaknesses and credit worthiness are interpreted based on objective in the hand. Such an analysis leads mgmt of an enterprise to take crucial decisions regarding operative policies, investment value of the firm inter-financial control system & bargaining strategy for funds from external sources **(Agrawal, 1993.P.582).**

The parties that are benefited by the results or conclusion drown from the analysis of financial performance can be enumerated as:

- Top management
- Creditors
- Shareholders
- Economist
- Labor union

I. **Top management :**

The responsibility of the top mgmt is to evaluate

- Are the resources of the firm used effectively and efficiently?
- Is the financial condition of the firm sound enough?

Based on past facts firms can anticipate their future. Hence, top mgmt can measure the success or otherwise of a company's operations, determine the relative efficiency of various departments; process and products appraise the individual's performance and evaluate the system of internal audit.

II. Creditors:

The creditors can find out the financial strengths and capacity of the borrower to meet their claims. Trade creditors are interested in the firm's ability to meet their claims over a short span of time, the suppliers of long-term debt focus up on the firm's long-term solvency and survival. A lending bank through and analysis of these statements can decide whether the borrower retains the capacity or refunding the principle and paying interest in time or not.

III. Shareholders:

The shareholders, who have invested their money in the firm's shares, are most concerned about the firms earning. They evaluate the efficiency of the mgmt and determine about the necessity for the change. In large company, the shareholders interest is to decide whether to buy, sell, or hold the shares. They wish to buy the shares in case of sound performance of the firm where as they simply intend to hold the shares in the condition of satisfactory performance. However, they are hurries to sell the shares in case of poor performance.

IV. Economist:

To diagnose the prevailing status of business and economy, economists analyze the financial statements of any firm. The government agencies analyze them for the purpose of price regulation; rate setting and similar other purpose.

V. Labor union:

Productivity is the synonym of well-motivated labour. Labor unions are interested in rights and benefits of labour to enhance the moral of labors. To motivate the labors they expect increase in wages, fringe benefits and so on. These benefits are affected

by the company's profitability condition. Therefore, the union assesses the financial condition of the firm to determine whether the firm is in the situation or not to make such facilities available **(Srivastav R.M.1993)**

2.1.3. Financial Performance Analysis of Bank:

The users of financial statements of a bank require relevant, reliable, and comparative information to evaluate the financial performance and position and hence make economic decision regarding the bank.

According to N.P. Poudel, traditionally, banks act as financial intermediaries to channel fund from surplus units to deficit units. Unlike other non-banking financial companies, commercial banks do not produce any physical goods. They produce loans and financial innovations to facilitate trade transactions. Because of special role, they play in the economy, concerned authorities heavily regulate them. Analysis of banks financial statement is different from threat of other companies due to the special nature of assets and liabilities **(Poudel, 2053.P.66)**

B/S, P/L and the accompanying notes are the most widely aspects of financial statements of the bank. The bank's B/S includes financial claims as liabilities in the form of deposit and as assets in the form of loans. Fixed assets appear in small portion out of the total assets. Financial innovations, which are generally contingent in nature, are considered as off B/S items. Interest received on loans, advances & investment and paid on deposit liabilities are major components of P&L a/c. The other sources of income are fee, commission and discounts, foreign exchange income, dividend on investment, other service charge etc.

Following factors affect the evaluation of bank's overall performance.

- The structure of B/S & P/L a/c.
- Operating efficiency and internal mgmt system.
- Environmental changes such as changes in technology, government, competition, and economy etc.

- Managerial decisions taken by the top mgmt regarding interest rate lending policy, exchange rates etc.

2.1.4. Technique of Financial Analysis:

The fundamental of the analytical technique is to simplify or reduce the data under review to the understandable terms. There are various tools and technique of financial statement analysis, each of which is used according to purpose for which the analysis is carried out. The widely technique used is as follows:

- Ratio analysis.

- Statement of changes in financial position.

- Cash flow statement.

- Among them ratio analysis is used by most companies. Therefore, in this study we discuss only about ratio analysis.

2.1.5. Types of Ratio Analysis:

A powerful and the most widely used tool of analysis is ratio analysis.

A financial ratio is the relationship between two accounting figures, expressed mathematically or the term ratio refers to the numerical or quantitative ratio refers to the numerical or quantitative relationship between two variables. This type of relationship can be expressed as percentage, fraction and proportion of numbers. Financial ratios help us to find the symptoms of problems. The cause of any problem may be determined only after locating the symptoms. The operational and financial problems of a corporation can be ascertained by examining the behaviour of these ratios. So the ratios are regarded the best indicators of their performance.

Ratio analysis is the systematic use of ratio to interpret the financial statements so that the strengths and weaknesses of firm as well as its historical performance and current financial condition can be determined. A comparative study can be made between different statistic concerning varied facts of a business unit with the help of ratio analysis. Besides, just as the blood pressure, pulse and temperatures are the measure of the health of an individual, so does ratio analysis measures. The financial

performance of a firm can be fully x-rayed through ratio analysis **(Kothari, 1990.P.487).**

Financial ratio is the mathematical relationship between two accounting figures. "Ratio analysis is a part of the whole process of analysis of financial statements of any business or industrial concern especially to take output and credit decision" **(Kothari K.C. 1984)**. Thus, ratio analysis is used to compare a firm's financial performance and status to that of other firms of to it overtime. The qualitative judgment regarding financial performance of a firm can be done with the help of ratio analysis.

Ratio analysis is an important way to state meaningful relationships between components of financial statement. Ratios are guided or shortcuts that one useful in evaluation the financial position and operations of a company and in comparing then to previous year or two other business concerns. The term ratio refers to the numerical or quantitative relationship between two variables. The rational of ratio analysis lies in the fact that it makes related information comparable.**(Khan and Jain1996, P.80)**.

Even though, there are many ratios, only those ratios have been covered in this study, which are related to the performance of the bank. "Ratio analysis is one of the most frequently used tools to evaluate the financial health, operating result and growth. Financial ratios by themselves do not indicate position of the institution. A standard or norms is defined as the indicated quotient of two mathematical expressions and as relationship between two or more things" **(Wasters Dictionary 1975)**.

Among the large number of financial ratio existing they have been categorized into following group:

- Liquidity Ratio.
- Activity ratio / Assets and investment mgmt.
- Profitability ratio.
- Leverage ratio.

a. Liquidity Ratios:

Liquidity ratios measure the ability of the firm to meet its current obligations. In fact, analysis of liquidity needs the preparation of cash budgets and cash &fund flow statement; but liquidity ratios, by establishing a relationship between cash and other current assets to current obligations, provides a quick measure of liquidity. (Pandey, 1979:145) So, liquidity ratio are used to measure the ability of a firm to meet its short-term obligations and from them the present cash solvency as well as ability to remain solvent in the event of adversities of the same can be examined. It is used to detect the short-term solvency position of a firm. It provides information regarding the ability of a firm to meet its short-term obligations that arise in its course of transaction. There must be a proper balance between liquidity and lack of liquidity because the failure of company meet its obligations, due to lack of liquidity because the result in bad credit image, loss of creditor's confidence of even in law suits means resources of a firm is unnecessarily being tied up as idle assets in current assets, which is earning nothing.

Banks can experience lack of liquidity when cash outflows (due to deposit withdraws, loans etc.) exceed cash inflows (new deposits loan repayments etc). They can resolve any cash deficiency either by creating additional liabilities or by selling assets (Madhura, 1989).

To analyze the ability of banks, the following ratios are calculated:

- Current ratio
- Cash & bank balance to total deposit ratio
- Cash & bank balance to current assets ratio
- Loan & advance to current assets ratio
- Investment on government securities to current assets
- Fixed deposit to total deposit ratio

b. Activity Ratio:

Activity ratio is concerned with measuring the efficiency in assets mgmt and used to judge how effectively the firm is using its resources. In this sense, these ratios

are also called efficiency ratio or assets utilization/mgmt ratios. Besides, such ratios are called turnover because they indicate the speed with which assets are being converted or turned over in to sales. Greater the rate of turnover or conversion, the more efficient the utilization/mgmt is, other things being equal. **(Khan, 1942:140)**

It shows how effectively the different forms of assets have been utilized to increase or generate sales in an accounting period. Therefore, most of these ratios are calculated on the basis of annual sales.

Now a day these relations are also known as asset and investment mgmt. Activity or turnover ratios employed to evaluate the efficiency with which the firm manages and utilized its assets. Thus, these ratios are used to measure the bank's ability to utilize their available resources. Various activity ratios are used to predict the effectiveness of asset utilization. Some selected ratios for this research can be illustrated as follows:

- Loan & advances to total deposit ratio.
- Loan & advances to fixed deposit ratio.
- Loan & advances to total working fund ratio.
- Total investment to total deposit ratio.
- NPA to Total Loan ratio.

c. **Profitability Ratio:**

Profit simply means the reward. Profit is the difference between total revenue & total expenses. Return on investment is a very crucial part of the firm because it determines the survival, growth, expansion, or withdrawal. The profit earned by firm must be sufficient to meet all the obligations & future contingencies. Thus, profitability ratio is a good measure and indicator of all the operating performances of the firm. It is a measure of operating efficiency that can be measured by profitability ratio. The financial manager continuously evaluates the efficiency of

the banks in terms of profits. The profitability ratios in this study are calculated to measure the operating efficiency and performance of two banks comparatively. These ratios are composed of "a group of ratio showing the combined effects of liquidity, assets mgmt and debt mgmt on operating result". (Weston, 8th edition: 145). Some major profitability identifying ratios used in this study ate as follows:

- Net profit to total assets ratio
- Net profit to total deposit ratio
- Net profit to Net worth ratio
- Total Interest earned to total working fund ratio
- Total Interest paid to total working fund ratio

d. **Leverage ratio:**

The use of finance is refers by financial leverage. These ratios are also called solvency ratios or capital structure ratio. To judge the long-term financial position of the firm, these ratios help to measure the financial contribution of owners and creditor comparatively. These ratios indicate the situation of the capital structure, which is calculated to measure the company's ability of using debt for the benefit of shareholders. The leverage ratios show how much of an enterprise fund are financed by debt & equity and examine the prospects for the future financing. Also, leverage ratios are used to measure the firm's ability to meet long-term obligation generally, assets of the firm age financed by both equity & debt.

In practice, leverage is approached in two ways. One approach examines balance sheet ratios and determines the extent to which borrowed funds have been used to finance the firm. The other approach measures the risks of debt by income statement ratios designed to determine the number of times fixed charges are covered by operating profit. These sets of ratio are complementary, and most analysts examine both. **(Weston & Copland, 9th edition: 203)**

Following are ratios, which are used in this study:

- Debt Asset Ratio
- Debt Equity Ratio

- Coverage Ratio
- Capital Adequacy Ratio

2.2 Review of Book

In this section effort has been has been made to examine and review of some related books. Various studies have been conducted on the financial performance of commercial bank and few are in joint venture banks.

Premila Jain has said that financial appraisal is a scientific evaluation of profitability and financial strength of any business concern. Financial appraisal is the process of scientifically making a proper critical and comparative evaluation of the profitability and financial health of a given concern through the application of the techniques of financial statements analysis. A complete financial analysis & interpretation of financial statements involves the assessment of past business performance, an evaluation of the present condition of the business and the predictions about the future potential for achieving expected or desired results. **(Jain 1996, P.36-37)**

According to Surendra Pradhan, in his book entitled " Basic of financial management" financial analysis is to analyzed the achieved statements to see if the results meet the objectives to identify the problems, if any in the past or present and likely to be in the future, and to provide recommendation to solve the problems **(Pradhan,2000,SP.120).**

I.M. Pandey has stated in his book entitled "Financial management", financial analysis is the process of determining financial strength & weaknesses, of a company by establishing strategic relationship between the components of a B/S & other operative data." **(Pandey, 1994, P. 500)**

E.A. Helfert has stated in his book "Technique of financial Analysis" that, it is both an analytical & judgmental process that helps answer questions that have been posed. Therefore, it is means to end, a part from the specific analytical answer, the solutions to financial problems and issues depend significantly on the views of the parties

involved in the related importance of the issue and on the nature & reliability of the information available **(Helfert, 1992, P.2)**.

2.3. Review of Journals & Articles

Narayan Prasad Poudel has said that, the users of the financial statements of bank need relevant, reliable comparable information, which assists them in evaluating the financial position, and performance of the bank and which is useful to them in making economic decisions. Bank regulating bodies, Stock analysis banks, shareholders, directors, and government have needs of different users of financial statements. The purpose of the analysis of financial statements depends on the needs of the user. The bank regulators seek to analyze the financial statements from safety and stability point of view and thereby protecting the economic interest of depositors and public where as the bank analyses from shareholders point of view **(Poudel Narayan Prasad, 2053)**.

Manohar Krishana Shrestha, in his article, "commercial banks comparative performance evaluation" concludes that JVBs are new, operationally more efficient, having superior performance comprisals with local banks. Better performance of JVBs is due to their sophisticated technology, modern banking method, and skill. Their better performance is also; due to the government's branching policy are rural areas & financing pees. Local banks are efficient in rural sector. Despite having number of deficiencies, local banks have to face growing constraints of socio economic political system on the bank spectrum and that of issues and challenges of JVBs commanding significant banking business of other spectrum **(Shrestha M.K.2047).**

B.N Rimal stated in his article entitles "Building effective financial system" poor mgmt has contributed to banks difficulties. Excessive branching & staffing poor asset and liability management & inexact accounting and management account systems have all been a source of weakness. Financial institution on developing countries is plagued by portfolio problem, which in many cases was the result of the poor mgmt, lending to insider excessive concentration of lending in one geographic area, or in industry have been important sources of trouble. **(Rimal B.N.2053)**

Poudel (2053) in the article, present condition of financial companies has presented with compared to the commercial bank the interest rate is relatively high that is provided and accepted by finance companies. The financial companies should not be confined only in the valley. They should extend their services to the rural sectors of hill and terai to reduce regional imbalance. The collection of deposit and loan investment done by the commercial banks also to sustain themselves in the environment of competitions, they should introduce novel technology and equipments' to collect deposits and investment. They should learn from the drawbacks, failure, and success of commercial banks to maintain effectively as alternative status.

2.4 Review of Thesis:

A study has conducted by Sangita Shakya entitled comparative analysis of financial performance of selected JVBs, a case study of NGBLs and HBL. For the period from year 1993/94 to 1998/99 the finding drawn from the study are HBL is more efficient in case of liquidity as well as it is more levered than NGBL where as HBL is in condition from the aspect of capital adequacy, activity and profitability ratios. Study showed positive correlation between loans and advances to total debts of both banks. According to the trend analysis, profit before tax of NGBL has been increasing at the higher rate than that of HBL (Shakya Sangita, 2002).

Bhushal Manisha (2004) a thesis entitled "comparative analysis of financial status and performance evaluation of HBL and NABIL bank."

Objectives

1. To analyze capital adequacy and liquidity position of the banks
2. To analyze quality of assets and evaluate risk weighted assets
3. To evaluate the level, trend and stability of HBL and NABIL

Major findings and recommendations:

1. The total capital adequacy ratio is fluctuating
2. Assets composition remained largely in the loan and investment

3. The both banks managerial and operating efficiency since the total expenses to total revenue ratio are in decreasing trend

Shrestha Anita (2007) a thesis entitled "Financial performance analysis of commercial banks of NIBL and NABIL".

Objectives:

1. To conduct cash flow analysis and measures the operating efficiency stability and profitability
2. To point out the weak and strong areas of the business performance
3. To measure the ability to meet the short term and long term obligations
4. To analyze financial strength and weakness

Major Findings:

1. Liquidity ratios shows that the liquidity position of NIBL is better than NABIL
2. NABIL has utilized debt more than NIBL
3. Total deposit and total assets are higher in NIBL than that of NABIL

Recommendation:

1. Banks are suffered from liquidity position
2. Bank can earn more by adding debt in its capital structure
3. Profitability position of NIBL is much weaker than NABIL
4. Managerial efficiency and assets utilization position of the sampled banks seem unsatisfactory
5. Banks are suggested to not limit their activities within the urban area only

Ghimire Pratikshya (2008) a thesis entitled "Financial performance of JVBs (with special reference to SCBNL and NABIL bank)

Objectives:

1. To find out operational efficiency of SCBNL and NABIL
2. To analyze the different types of risk associated with the banks

3. To find out the compliance of NRB directives

4. To provide suggestions and recommendations on the basis of study

Major Findings/Recommendations:

1. Unable to earn a satisfactory level of profit

2. Leverage ratio to increase so increasing dept

3. Unsatisfactory liquidity level

4. EPS and DPS should increase by increasing MPS

5. Operating income level is not satisfactory. So increase operating efficiency

6. CRR are below the standard of NRB directives

2.5 Research Gap:

Commercial bank invests its deposit in different profitable sector according to the directives and circulars of NRB and guidelines and policy of their own bank. Financial analysis statement has to prepare according to the directions of NRB. NRB's policy and guidelines are changing time to time. This study covers the more recent financial data and analysis is done within the latest guidelines and curriculum of NRB.

Some researcher has done the comparative studies of commercial banks. But no research has been undertaken regarding the comparative analysis of financial performance between the SCBNL, EBL, NABIL & NIBL. Financial analysis is the major function of every commercial bank for evaluating the financial performance.

This study put its effort to analyze the main indicators of financial performance with financial and statistical tools for banks. Financial performance is the major concern of stakeholders to know the financial situation of the bank.

SCBNL, EBL, NABIL & NIBL are the leading commercial banks of the country having the huge market share and its investment activities and these banks have significant impact on developing the economy of the country. Hence this study fulfills the prevailing research gap about the in depth analysis of the financial performance which is the major concern of the shareholders and stakeholders.

CHAPTER-3

RESEARCH METHODOLOGY

Introduction:

"Research Methodology is a way to systematically solve the research problem. It may be understood as a science of studying how research is done scientifically." (Kothari, 2000:10). "Research methodology refers to the various sequential steps to be adopted by researcher in studying a problem with certain object/ objects in view."(Kothari, 1994: 19)

Researchers not only need to know how to develop certain tests, how to calculate the mean, mode, median, standard deviation, but they also need to know which of these methods or techniques are relevant and indicate & why research mythology basically describes the methods, processes tools & techniques applied in the entire process of scientific research.

This study will seek the conclusion to the point that what position SCBNL, EBL, NABIL & NIBL have got in the whole commercial banks of Nepal and recommended the useful & meaningful points so that all concerned can achieve something from this study. To achieve the basic objectives of the study, the following methodology has been adopted which includes research design, mature & sources of data, population & sample, data collection procedure and methods of data analysis & so no.

3.1. Research Design

"Research design is the plan, structure, and strategy of investigation conceived so on to obtain answers to research questions & to control variance**. (Karlinger, 1986:59)**

Similarly, "A research design is the arrangement of condition for collection and analysis of data in a manner that aims to combine relevance to the research process with economy in procedure". **(Cellith, &Jahoda, 1995:50)**

Some financial & statistical tools have also been applied to examine facts and descriptive techniques have been adopted to evaluate financial performance of banks. To achieve the objective of this study, descriptive and analytical research design has been used.

3.2. Nature and Sources of Data

The study is mainly based on the secondary data. The data required for analysis are directly obtained from the B/S & P/L account of concerned banks annual reports. Supplementary information is collected from library of Post Graduate College and internet. The website of NRB, SCBNL, EBL, NABIL, NIBL, Nepal stock exchange & other bank related sites were the source of reliable information.

Similarly, various data and information are collected from the periodicals, economic journals, managerial magazines and other published & unpublished reports & documents from various sources and website.

3.3. Population & sample

The large group about which the generalization is made is called the population under study or the universe and small portion on which the study is made is called the sample of the study. There are altogether 32 commercial banks in Nepal. In this study, the focus will be on the analytical & comparative study of financial performance of SCBNL, EBL, NABIL& NIBL. There are so many commercial banks in the market but it is impossible to study all of them so four commercials bank has been selected for the analysis among them on the basis of reputation of banks and to limit on organization. So the study is based on sample basis not on the population.

It is not possible to study all the data related with all bank of Nepal. There are altogether thirty two listed commercial banks in the country and their stocks are traded actively in stock market. So the financial analysis of listed four banks is being compared with that average of the same, which are selected from population. From the above listed commercial banks are considered as population. SCBNL, EBL, NABIL & NIBLare selected sample banks.

3.4. Data collection procedure

As explained in previous chapters, the main sources of secondary data are the reports of banks published in their respective annual general meetings and website of relevant bank. In addition to that, some of the relevant data are also collected from the non-bank financial statistics published by the non-bank regulation department or NRB.

3.5. Method of data analysis

Various financial & statistical tools have been used to meet the objective of the research. The data analysis is mainly based on pattern & nature of available data. Due to limited time & resources, simply analytical statistical tools such as percentage, graph, and Karl Person's coefficient of correlation are used in this study. Likewise, some financial tools such as ratio analysis & trend analysis have also been used for financial analysis. The various calculated results obtained through financial & statistical tools are tabulated under the different heading. Then they are compared with each other to interpret the results.

3.5.1. Financial Tools

There are various financial tools to measure the performance of an organization. The following financial tools have been used for the analysis:

3.5.1.1. Ratio Analysis

The relationship between two accounting figures expressed mathematically is known as a financial ratio "Ratio analysis is used to compare a firm's financial performance and status to that of other firms or to itself overtime." From the help of ratio analysis, the qualitative judgment can be done regarding financial performance of a firm. In this study, following ratios are calculated & analyzed.

3.5.1.1.1. Liquidity Ratio

A name denotes the liquidity refers to the ratio between liquid assets and liability. The ability of firm to meet its obligation in the short term is known as liquidity. It reflects the short-term strength of the business. In order to ensure shout-term solvency, the

company maintain adequate liquidity. But liquidity ratio must be optimum. If the company maintain unnecessary high liquidity ratio then it may adversely effect in the profitability of the company will invest all its assets in safe liquid assets, which can lose the opportunity to earn high profit. Means everybody knows that investing all assets in safe liquid assets does not have a good return. As well as, high liquidity may unnecessary tie up in the current assets. In the other band if a company does not maintain adequate liquidity then it will result in bad credit ratings, less creditors, confidence, eventually may lead to bankruptcy. Thus, the company should endeavor to maintain proper balance between inadequate liquidity & unnecessary liquidity for the survival and for avoiding risk.

1. Current Ratio:

The current ratio is the ration of total current assets to total current liabilities. It is calculated by dividing current assets by current liabilities, which is presented as follows:

$$\text{Current Ratio} = \frac{\text{Current assets}}{\text{Current liabilities}}$$

Current assets those assets which can be converted in to cash & bank balance within analysis accounting period such as cash & bank balance, investment in treasury bill, money at call or placement, loans & advances, bills purchased &discount, inter branch account, other short term loans, receivable & prepaid expenses etc.

Current liabilities refer to the short term maturing obligations. This includes all deposit liabilities, interbank reconciliation a/c, bills payable, tax provision, staff bonus, dividend payable, bank overdrafts, provisions, & accrued expensesas follows:

$$\text{Cash \& bank balance to total deposit ratio} = \frac{\text{Cash \& } bank\ balance}{\text{Total deposit}}$$

Cash & bank balance includes cash on hand, foreign cash on hand, cheques and other cash items, balance with domestic banks, balance held in foreign banks & other financial institutions. The total deposits encompass current deposits, fixed deposits,

investment in other financial institution, money at call & short deposit & other deposits. A high ratio indicates the greater ability to meet their deposits liability & vice versa. Moreover, too high ratio is unfit, as capital will be tied-up & opportunity cost will be higher.

2. Cash & bank balances to current assets:

Since cash & bank balances are the mist liquid assets, a financial analyst may examine the ratio of cash & bank balance to current assets. This ratio shows the percentage of readily available fund within the banks. It is calculated by dividing cash & bank balances by current assets, which is as follows:

$$\text{Cash \& bank balances to current assets} = \frac{\text{Cash and bank balance}}{\text{Current assets}}$$

A high ratio indicates the sound ability to meet their daily cash requirements of their customer deposits & vice versa. Both higher & lower ratio is not desirable. The reason is that if a bank maintain higher ratio of cash, it has to pay interest on deposits but could not invest its cash or current assets in a profitable area so it may lost opportunity to earn something. In the opposites, if a bank maintain low ratio of cash, it may fail to maintain low ratio of cash, it may fail to make the payment for presented cheques by its customer. So, sufficient and appropriate cash reserve should be maintained properly.

3. Loan & advance to current assets:

Loan & advances refer to bill purchased & discounted local and foreign currencies, loan, advances, and overdraft. Bank loans & advances are the main assets used for income generating purpose in commercial banks. This ratio is calculated to find out the percentage of current assets, invested in loans & advances by following formula:

$$\text{Loan \& advance to current assets} = \frac{\text{Loan \& } advances}{\text{Current assets}}$$

4. Investment on government securities to current assets:

The ratio is calculated in order to find out the percentage of current assets invested in government securities i.e. Treasury bill. It can be calculated by dividing investment on government securities by current assets as follows:

Investment on government securities to current assets $= \dfrac{\text{Investment on government security}}{\text{Current assets}}$

5. Fixed deposit to total deposit:

Fixed deposit is the high interest charge bearing deposit and can be withdrawn only after the expiry of the period for which these deposits have been made. This ratio is calculated in order to find out the proportion of total deposit in fixed deposit. It is calculated by dividing the amount of fixed deposits by the amount of total deposits which is given below:

Fixed deposit to total deposit $= \dfrac{\text{Fixed deposits}}{\text{Total deposits}}$

3.5.1.1.2. Activity Ratio (Assets & Investment management):

Activity ratio evaluates the efficiency with which the firm manages & utilizes its assets. This ratio is also known as turnover ratio. It measures how effectively the company employees the resources at its command. Funds are creates by the collection of share as debt from the owner, creditors and outside parties. Thus, these ratios are used to measure the bank's ability to utilize their available resources. Various activity ratios are used to predict the effectiveness of assets utilization. Some selected ratio for this research can be illustrated as follows:

1. Loan & advances to total deposit ratio:

This ratio measures the extent to which the banks are successful to utilize the outsider's fund (total deposit) for the profit generating purpose on the loan & advance. Generally, a high ratio reflects higher efficiency to the utilization of fund and vice-versa. It can be calculated by dividing the amount of loans and advances by the amount of total deposits, which is given as below:

Loan & advances to total deposit ratio $= \dfrac{\text{Loan \& } advances}{\text{Total deposit}}$

Here, loans and advances refers to total of loan, advances and over draft (i.e. in local currency plus convertible foreign currency) and total deposits refer to total of all kind of deposits.

2. Loans and advances to fixed deposit ratio:

This ratio indicates how many times the amount is used in loans and advances in comparison to fixed deposits. Fixed deposits are the main sources of deposits of bank and high interest bearing obligation whereas loans and advances are the major sources of investment to generate income for the commercial banks. This ratio is calculated by dividing the amount of loans and advances by fixed deposits that are given below

Loans and advances to fixed deposit ratio $= \dfrac{\text{Loans and advances}}{\text{Fixed deposit}}$

3. Loans and advances to total working fund ratio:

Loans and advances is the major components in the total working fund, which indicates the ability of bank, are successful in mobilizing their loan and advances on the working fund ratio for the purpose of income generation. This ratio is computed by dividing loan and advances by total working fund. This is given as below:

Loans and advances to total working fund ratio $= \dfrac{\text{Loan and advances}}{\text{Total working fund}}$

Here total working fund includes all assets of on balance sheet items. It other words, this include C.A., net F.A, investment for development bonds and other investment in share, debenture and other etc. A high ratio includes a better mobilization of fund as loan and advances and vice-versa.

4. Total investment to total deposit ratio:

Investment is one of the major forms of credit created to earn income. This implies the utilization of firm's deposit of investment in government securities and share,

debenture of the other companies and banks. This ratio measure the event to which the bank are successful in mobilizing total investment on the total deposits, the amount of deposits should be soundly invest as the bank has to only provide interest on its deposits but also has to declare a handsome dividend to its owners and shareholders. This ratio can be calculated by dividing total investment by total deposit. This ratio is mention as below:

$$\text{Total investment to total deposit ratio} = \frac{\text{Total investment}}{\text{Total deposit}}$$

Investment consists of investment of government securities, investment on debenture and bonds, shares in subsidiary companies, share in other companies and other investment. A high ratio indicates the Bank's efficiency is more investing on its deposit and low indicates inability to put its deposits for the lending activities.

5. NPA to Total Loan Ratio :

This ratio measures the portion of non performing loan in total loan. Non performing loan consist of Sub-standard, Doubtful and Bad loans. Higher the portion of NPA, the riskiness of assets will also be high. High amount of non performing loans also increase the amount of loan loss provisions which negatively affects the profitability too. This ratio measures the overall performance of Banks related to credit administration and monitoring.

$$\text{NPA to Total Loan} = \frac{\text{Total NPA}}{\text{Total Loan}}$$

3.5.1.1.3. Profitability Ratio:

Profit is different between total revenues and total expenses over a period. Profit is the ultimate output of a commercial bank and it will have no future if it fails to make sufficient profits. Therefore, the financial manager continuously evaluates the efficiency of the banks in terms of profits. The profitability ratios in this study are calculated to measure the operating efficiency and performance of two banks

comparatively. Higher the profitability ratio, better the financial performance of the bank and vice-versa. Profitability ratio can be calculated by following different ratio.

1. Net profit to total deposit ratio:

Net profit to total deposit ratio evaluates whether management has been capable to mobilize and utilize the deposit. It also helps to know the overall performance and generation of profit of bank. This ratio is most important to identify whether the organization is well efficient or not in mobilizing its total deposits so that corrective action could be taken. Higher ratio indicates better utilization of deposit and vice-versa. Here, NP is profit after taxes and total deposit means total amount of deposit in various account i.e. saving, current, fixed and others. The return on total deposits ratio can be computed by diving net profit by total deposit. This can be expresses as follows:

$$\text{Net profit to total deposit ratio} = \frac{\text{Net profit}}{\text{Total deposit}}$$

2. Net profit to total assets:

Net profit refers the profit after interest and taxes. It is also known as return on total assets (ROA). This ratio evaluates the efficiency of company in utilizing and mobilizing of assets and its survival. It is useful for measurement of the profitability of all financial resources invested in the bank assets. It also provides the necessary foundation for the company to deliver a good return on equity. Higher ROA indicates higher efficiency in utilization of total assets and vice-versa. ROA is calculated by dividing the mount of NP by total assets.

$$\text{Net profit to total assets} = \frac{\text{Net profit}}{\text{Total assets}}$$

3. Net profit to net worth ratio:

Net worth or shareholders equity refers to the owners claim on the assets of the bank. It can be found by deducting total liabilities from total assets (excluding intangible assets and accumulated losses). This ratio measures the profit earned by the

commercial banks by utilizing owner's equity and there by generating return on satisfy the owners. This ratio indicates how well the banks have used the resources of the owners. Higher the ratio indicates sound management, efficiency, and wealth maximization of the banks, which in turn is the wealth maximization of the banks. It is calculated by dividing net profit by net worth. This is expressed as follows.

$$\text{Net profit to net worth ratio} = \frac{\text{Net profit}}{\text{Net worth}}$$

4. Total interest earned to total working fund ratio:

The ratio shows the earning capacity of a bank on to total assets (working fund). This ratio exhibits the extent on which banks are successful in mobilizing their working funds to generate income as much as possible. The higher ratio will indicate the high earning power of the banks on its total assets. Total interest earned is calculated by adding the total income from loans, advances, cash, credit, overdraft, and government securities etc. This ratio is calculated by dividing total interest earned by total working fund.

$$\text{Total interest earned to total working fund ratio} = \frac{\text{Total interest earned}}{\text{Total working fund}}$$

5. Total interest paid to total working fund ratio:

The ratio is used to measure the percentage of total interest expenses against the total assets. Higher the ratio, higher will be the indication of interest expenses on total assets and vice-versa. Total interest expenses consists the expenses on total deposits, loans and advances, borrowing and other deposits. The ratio is calculated as follows:

$$\text{Total interest paid to total working fund ratio} = \frac{\text{Total interest paid}}{\text{Total working fund}}$$

3.5.1.1.4 Leverage Ratio:

This ratio is also called solvency ratio or capital structure ratio. A firm should have strong short-term as well as long-term financial position. To judge the long term financial position of the firm, these ratios help to measure the financial contribution of

owners and creditors comparatively. These ratios indicate the situation of the capital structure, which is calculated to measure the company's ability of using debt for benefit of shareholders.

Long-term creditors like debenture holders, financial institutions etc. are more interested to the firm's long-term financial wealth, debt servicing capacity and strength & weakness of the concerns. This ratio may be calculated from the balance sheet items to determine the proportion of debt in total financing. In summary debt, ratios tell us the relative proportions of capital contribution by creditors and owners.

1. Debt-Assets Ratio:

This ratio exhibits the relationship between creditors fund and owners capital. This ratio shows the proportion of outside fund used in financing total assets. It also provides security/ financial safety to the outsider's that is potential shareholder, depositors or investors. Higher debt ratio indicates higher financial risk as well as increasing claims of outsiders in total assets and lower ratio indicates lower financial risk as well as decreasing claims of outsider over the total asset of the firm. Generally, 1:2 ratios are considered good however, no hard and fast rule is prescribed. This ratio implies a finance company success in exploiting debt to more profitable areas. This ratio can be represented as follows:

$$\text{Debt-Assets Ratio} = \frac{\text{Total debt}}{\text{Total assets}}$$

2. Debt Equity Ratio:

Debt equity ratio examines the relative claims of creditors and owners against the firm assets. Alternatively, the debt equity ratio indicates the combinations of debt capital and equity capital fund to the total investment. The ratio is computed by using following formula:

$$\text{Debt Equity Ratio} = \frac{\text{Total debt}}{\text{Total equity}}$$

2. Capital Adequacy Ratio:

Capital adequacy ratio measures the ratio between capital funds and risk weighted assets. Capital fund refers the core capital and supplementary capital. Core capital includes paid-up capital, share premium, non-redeemable preference share, general reserve fund, cumulative profit/loss, capital redemption reserve, capital adjustment fund, and other free reserves, less goodwill, investment in excess of prescribed limit, fictitious assets, and investment in securities of companies with financial interest. Supplementary capital includes loan loss provision on pass loan, assets revaluation reserve, hybrid capital instruments, unsecured subordinated term debt, exchange equalization fund, additional loan loss provision, investment adjustment reserve, and provision for loss on investment.

Similarly risk weighted assets refers to on balance sheet assets and off balance sheet items which includes balance in domestic and financial institution, balance in foreign banks, money at call, loan on the guarantee of international rated bank, investment in share debenture and bond, other investments, loan and advances, fixed assets, letter of credit, bid bond, advance payment guarantee and contingent liabilities.

According to NRB's directives, commercial banks are required to maintain the certain level of capital fund against the risk-weighted assets.

To measure the capital adequacy ratio (CAR) following formula is used:

$$\text{Capital Adequacy Ratio} = \frac{\text{Capital fund}}{\text{Total risk weighted assets}}$$

4. Coverage ratio:

Coverage ratio is designed to relate the financial charge of a firm to its ability to service them. It measures the relationship between what is normally available from operation of the banks and the claim of the outsiders. Under this, following ratios are calculated.

*Provision for possible losses to loans and advances ratio:

Always loan and advances consist of risk. To minimize the risk to some extent commercial banks are required to put some percentage of amounts for loan loss provision against loans and advances.

$$\text{Provision for possible losses to loans and advances ratio} = \frac{\text{Provision for possible loan losses}}{\text{Loans and advances}}$$

3.5.1.1.5. Growth (Market) Ratio:

This ratio has been measured to know how well the firm is maintaining its economic and financial position as compared to comparable bank. Under this growth ratio of operating profit, NPAT, EPs, DPs, BVs and MVPs have been tested for the most recent five years period.

Valuation ratios are the most comprehensive measures of performance for the firm is that they reflect the combined influence of return and risk ratio. Most important ratios are as follows.

- Market to book ratio
- Dividend yield ratio
- Price earning ratio

1. Market to book ratio (M/B):

To find out M/B ratio, MVPs is divided by book value per share

$$\text{Market to book ratio} = \frac{\text{Market value per share}}{\text{Book value per share}}$$

For the calculation of market to book ratio (M/B), BVPs is derived by dividing shareholders equity by the number of shares outstanding. The M/B ratio is relative measure of how the growth option (for company is being valued) is physical assets.

The greater the expected growth and value place on such, the higher this ratio M/B ratio for established companies range from as little as to 0.5 to as high as 8.01.

2. Dividend yield ratio:

To find out M/B ratio, MVPs is divided by BVPs. This ratio evaluates the shareholders return in relation to the market value of the share. So relationship so annual dividend to share price denotes the ratio of dividend yield that is as follows:

$$\text{Dividend yield ratio} = \frac{\text{DPS}}{\text{MVPs}}$$

3. Price earning ratio (P/E)

This ratio of a company is simply obtained by dividing the market value price per share by EPS. "As the name indicates, this ratio established the number of times the price of a stock exceeds the EPS (Schwartzman sylvan D. 1984)."

$$\text{P/E Ratio} = \frac{\text{MVPs}}{\text{EPs}}$$

This ratio is widely used by the security analysis to evaluate the firm's performance as accepted by investors. It indicates investor's judgment for expectations about the firm's performance. This ratio reflects investor's expectation about the growth in the firm's earning.

3.5.2. Statistical Tools:

Various statistical tools to this study will be drawn out to make the conclusion more reliable according to the available financial data. For this, following statistical tools are used.

1. Arithmetic Mean (Average):

Average is statistical constants, which enable us to comprehend in a single effort of the whole. It represents the entire data by a single value. It provides the gist and gives eagle view to the huge mass of unwieldy numerical data (Gupta, 2001:357). It is calculated as:

$$\overline{X} = \frac{\Sigma x}{n}$$

Where,

$\overline{X}$= Arithmetic Average

$\sum x$= Summation for total values of the variable/observation

N= Number of items

2. Standard deviation (S.D)

S.D is defined as the positive square root of the mean of the square of the deviations taken from the arithmetic mean. It is denoted by 'sigma.'

$$S.D\ (\sigma)=\sqrt{\frac{\sum(X-\overline{X})^2}{N-1}}$$

where,

$\overline{X}$= mean

n= number of item

3. Coefficent of variation (C.V)

C.V is an independent unit. Two distribution can be betterly compared with the help of C.V for their variability. The series for which the co-efficient of variation is greater is said to be more variable or conversely, less consistent, less uniform, less stable, or less homogeneous. On the other hand, the series for which co-efficient of variation is less is said to be less variable or more consistent, more uniform, more stable or more homogeneous.

$$C.V=\frac{\delta}{\overline{X}}*100$$

where,

C.V= coefficient of variation

σ = Standard deviation

$\overline{X}$= mean

4. Correlation Coefficient (r):

Correlation may be defined as the degree of linear relationship existing between two or more variables. Variables are said correlated when the change in value of one variable results change in another variable. Simple partial and multiple are type of correlation. Correlation may be positive, negative or zero. Among the various methods of finding out coefficient of correlation, karl person's method is applied in the study. The result of coefficient of correlation is always between +1 and -1.

When,

r =+1; It means there is perfect positive relationship between two variables.

r = 0; it means there is no relationship between two variables.

r=-1; It means there is perfect negative relationship between two variables.

The Person's formula is:

$$r = \frac{(N \sum xy - \sum x \sum y)}{\sqrt{N \sum x^2 - (\sum x)^2} * \sqrt{N \sum y^2 - (\sum y)^2}}$$

where,

r= coefficient of correlation

x= independent variable

y= dependent variable

N= number of period

5. Probable Error of the co-efficient of correlation:

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

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

where,

P.E.r= probable error of co-efficient of correlation.

N= number of pair observation

In order to conculde whether the co-efficient of correlation is significant or not the following points should be kept in mind.

- If r< P.E, It is not at all significant.
- If r> 6*P.E, It is definitely significant.
- If the P.E is not much and if the 'r' is 0.5 or more it is generally to be significant.

6. Coefficient of Determination:

The coefficient of determination is the measure of the degree of linear association or correlation between two variables, one of which happens to be independent and other beng dependent variable. In other words, coefficient of determination measures the percentage of total variation in dependent variable. The co-efficient of determination can have value ranging from zero to one. Coefficient of determination is the square of the co-efficient of correlation.

Symbolically,

$R^2 = r^2$

where,

R^2= coefficient of Determination

R= coeffecient of Correlation

7. Trend analysis:

Trend analysis describes the average relationship between series where the one series related to time and other series to the value of the variable. It generally shows that the line of the best-fit or straight line is obtained or not. The line of the best fit describes the changes in a given accompanying a unit change in time. Another word, it gives thebest possible mean values of dependent variable for a given value of independent variable. For calculation of the line of the best fit following equation should be kept in mind.

$Y_c = a + bx$

where,

y_c= the estimated value of y for given value of x obtained from the line of regression of y on x.

a=intercept

y=mean of y value

b=slope of line/rate of change

x= the variable in time series analysis represent time.

The term best fit is interpreted in accordance with the principle of least squares, which consists in minimizing the sum of squares of the residual or the errors of estimates i.e. the deviation between the given observed value of the variable and their corresponding estimated values as given by the line of best fit.

This topic will be used to forecast the ratios between net profit and deposit, net profit and investment, net profit and loan and advances of the banks for next five year on the base of past five years. The analysis is done under limited factors, which are as follows.

- The company will remain unchanged as of present the stage.
- Banks will run as of present position.
- The guidelines by NRB for Banks will remain unchanged.
- The forecast will be true only when the limitations of least square method are carried out.
- The main assumption is that other factors are constant.

CHAPTER – 4

DATA PRESENTATION AND ANALYSIS

In this chapter, data of sample banks are presented and analysed according to the objectives set in the introduction chapter. To make a data more realistic and complete qualitative analysis is done through different financial ratio & statistical analysis. However, there are many ratios but due to some shortcoming &constraint, only selected ratios have been taken for analyzing the strength& weakness of the sample banks.

This chapter also helps for presenting a major finding, proper recommendation for researcher, which needs to define in next chapter. In this way analysis, effort is made to make proper linkage of every chapter.

In order to find out the strengths & weakness & financial performance of the sample banks carious ratios & variable have been calculated that are as follows:

4.1. COMPARATIVE FINANCIAL STATEMENTS ANALYSIS:

4.1.1. five year comparative balance sheet of SCBNL

Table No: 4.1

Standard Chartered Bank

Five-year Comparative balance sheet

(NPR In millions)

Particular	Fiscal year				
	2006/07	2007/08	2008/09	2009/10	2010/11
Capital & Liabilities					
• Shareholder capital/Net worth:					
Share capital (paid up capital @100 each)	413.25	620.78	931.97	1608.26	1610.17 2067.61
Reserve fund	1703.10	1871.76	2120.50	1761.45	
A. Total	2116.35	2492.56	3052.47	3369.71	3677.78
• Current liabilities:					
Deposit (Except fixed)	21450.53	26442.98	28770.02	26007.65	27863.00
Other liability	1049.80	503.43	809.78	802.50	912.45
Bills Payable	36.17	87.40	72.94	89.22	65.96

Proposed and Dividend Payable	341.74	506.37	476.30	769.17	805.08
Income tax liability	5.60	2.05	4.26	-	-
B. Total Current Liability	22883.84	27542.23	30133.30	27668.54	29646.49
• Long Term Debt: Fixed Deposit Borrowing Debenture and Bond	 3196.50 400 -	 3301.01 - -	 7101.70 300 -	 9175.08 - -	 10136.24 350 -
C. Total	3596.50	3301.01	7401.70	9175.08	10486.24
Total Liability(A+B+C)	28596.69	33335.80	40587.47	40213.33	43810.51
Assets • Current Assets: Cash balance Bank balance Money at call & short notice Loan,advances& Bills purchase Investment(short term) other Assets	 378.42 1642.60 1761.15 10502.64 13553.23 633.06	 414.88 1635.37 2197.54 13718.60 13894.33 1349.32	 463.35 2673.82 2055.55 13679.76 20227.63 1341.58	 509.03 1420.28 1669.46 15956.96 19839.02 691.55	 610.69 2365.11 4280.89 18427.27 17250.19 761.81
A. Total current assets	28471.10	33210.04	40441.69	40086.30	43695.95
• Fixed Assets: Fixed assets Investment (long term) Non Banking Assets	 125.59 - -	 117.27 8.49 -	 137.29 8.49 -	 118.84 8.49 -	 106.07 8.49 -
B. Total	125.59	125.76	145.78	127.03	114.56
Total (A+B)	28596.69	33335.80	40587.47	40213.33	43810.51

Source: Annual Report of the bank

SCBNL'S paid up capital was Rs. 413.25 in 2006/07. It is in increasing steady through out of study period f/y 2010/11. On the other hand component of shareholder capital i.e. reserve funds increased sharply during the study period except in f/y 2009/10. In f/y 2006/07 reserve fund was Rs 1703.10 million, Rs.1871.76 million in f/y 2007/08 & Rs.2120.50 million in f/y 2008/09. Then it was sharply decreased to Rs.1761.45 million in f/y Rs 2009/10 and again increased to Rs 2067.61million in f/y 2010/11. So the net worth (Total shareholder's capital) also fluctuated in the study period mainly depicted in f/y Rs 2008/09 & f/y 2009/10.

Current liability has increased throughout the study period except in f/y 2009/10. It increased from Rs 22883.84 million in f/y 2006/07 to Rs 30133.30 million in f/y 2008/09. Current liability decreased to Rs 27668.54 million in f/y 2009/10 and again increased to Rs 29646.49 million in f/y 2010/11. Long-term debt was fluctuating; it was Rs 3596.50 million in f/y 2006/07 and Rs 3301.01 million in f/y 2007/08.After

then it was increased to Rs7401.70 million, Rs 9175.08million& Rs 10486.24 million f/y 2008/09, f/y 2009/10 & f/y 2010/11 respectively. With the effect of shareholder's capital deposits &long term debt, total liabilities was Rs 28596.69 million in f/y 2006/07 and increased to Rs 40587.47 million in f/y 2008/09. However, it decreased to Rs 40213.33 million in f/y 2009/10 and again increased to Rs 43810.51 million in f/y 2010/11.

Total current assets of SCBNL highly affected by the loan, advances & bills purchased in the study period. Total current assets increased from Rs 28471.10million in f/y 2006/07 to Rs 40441.69 million in f/y 2008/09 and decreased by Rs355.39millions to reach Rs.40086.30 in f/y 2009/10 and again increased by Rs 3609.65 million to reach Rs 43695.95 million in 2010/11. Fixed assets were in increasing steady, throughout the study period except in f/y 2009/10& 2010/11. It was Rs 125.59 million in f/y 2006/07, Rs 125.76 million&Rs145.78 in f/y 2007/08 & f/y 2008/09 respectively. It was decreased by Rs 31.22 million to reach Rs 114.56 million in f/y 2010/11.

4.1.2. Five year comparative Balance sheet of EBL

Table No: 4.2

Everest Bank Ltd.

Five-year Comparative balance sheet

(NPR in millions)

particular	Fiscal year				
	2006/07	2007/08	2008/09	2009/10	2010/11
<u>Capital & Liabilities</u> • Shareholder capital/Net worth:					
Share capital (paid up capital @100 each)	518	831.40	838.82	1279.61	1391.57 1721.98
Reserve fund	683.52	1089.84	1364.80	1479.53	
A. Total	1201.52	1921.24	2203.62	2759.14	3113.55
• Current liabilities: Deposit (Except fixed)	12559.59	17530.13	26273.48	26492.03	26065.97
Other liability	1634.60	720.44	378.57	566.08	559.24
Bills Payable	26.78	49.43	148.66	145.51	49.72
Proposed and Dividend Payable	68.15	140.79	230.52	276.25	576.90
Income tax liability	15.28	41.14	20.52	(1014)	26.90

B. Total Current Liability	14304.40	18481.93	27051.75	27478.73	27278.73
• Long Term Debt: Fixed Deposit Borrowing Debenture and Bond	5626.66 - 300	6446.18 - 300	7049.98 312 300	10440.28 404.61 300	15061.93 482 300
C. Total	5926.66	6746.18	7661.98	11144.89	15843.93
Total Liability(A+B+C)	21432.58	27149.35	36917.35	31382.76	46236.21
Assets • Current Assets: Cash balance Bank balance Money at call & short notice Loan,advances& Bills purchase Investment(short term) other Assets	 534.10 1857.33 - 13664.99 4984.31 222.66	 822.99 1844.98 346.00 18339.09 4974.63 376.22	 944.70 5219.67 - 23884.67 5863.55 492.67	 1091.50 6727.31 - 27556.36 4923.38 536.19	 1049.00 5073.86 - 31057.69 7659.00 851.47
A. Total current assets	21262.48	26703.91	36405.26	40834.74	45691.02
• Fixed Assets: Fixed assets Investment (long term) Non Banking Assets	 170.10 - -	 360.51 84.93 -	 427.16 84.93 -	 463.09 84.93 -	 460.26 84.93 -
B. Total	170.10	445.44	512.09	548.02	545.19
Total (A+B)	21432.58	27149.35	36917.35	41382.76	46236.21

Sources: Annual report of the bank

EBL's paid up capital was Rs 518 million in f/y 2006/07. But it was increased by almost 100% in fy 2007/08 due to issue of 1:1 right shares &again in f/y 2009/10& f/y 2010/11increased to Rs 1279.61 million& 1391.57 million respectively. Reserve funds, however increased throughout the study period increased from Rs.683.52 million in f/y 2006/07 to Rs 1721.98 million in f/y 2010/11, which resulted increasing/trend in shareholder's capital. It increased from Rs 1201.52 million in f/y 2006/07 toRs3113.55in f/y 2010/11.

Current liability was increased steady throughout the study period. It was Rs 14304.40 million in f/y 2006/07, Rs 18481.93 million in f/y 2007/08,Rs 27051.75 million in f/y 2008/09 and Rs 27478.73 million in 2009/10. It was decreased by Rs.200 million to Rs.27278.73 million in 2010/11. Whereas long-term debt also increased steady throughout the period increased from Rs 5926.66 million in f/y 2006/07 to Rs15843.93 million in f/y 2010/11.

Total current assets consist of cash balance, bank balance, money at call & short notice, loan, advances & bills purchased and other assets. However, around 65% of total current assets covered by amount of loan, advances & bill purchased. Total current assets was Rs 21262.48 million, Rs 26703.91 million, Rs 36405.26 million, Rs 40834.74 million & Rs 45691.02 million during f/y/2006/07, f/y2007/08, f/y 2008/09, f/y 2009/2010 & f/y 2010/11 respectively. Total current assets increased steadily during the period.

Total fixed assets increased from Rs170.10 million in f/y 2006/07 to Rs.545.19 million in f/y 2010/11. It was increased by Rs 375.09 million to reach Rs 545.19 million in f/y2010/11. Total assets for the study period increased from Rs.21432.58 million in f/y 2006/07 to Rs.46236.21 million in f/y 2010/11.

4.1.3. Five year comparative Balance sheet of NABIL

Table No: 4.3

NABIL Bank Ltd.

Five-year Comparative balance sheet

(NRP In millions)

particular	Fiscal year				
	2006/07	2007/08	2008/09	2009/10	2010/11
Capital & Liabilities					
• Shareholder capital/Net worth:					
Share capital (paid up capital @100 each)	491.65	689.22	965.75	2028.77	2029.77
Reserve fund	1565.39	1747.98	2164.49	1807.93	2536.75
A. Total	2057.04	2437.2	3130.24	3836.7	4566.52
• Current liabilities:					
Deposit (Except fixed)	18910.93	23450.96	29037.55	31699.54	32855.28
Other liability	378.45	465.94	502.90	644.29	859.41
Bills Payable	83.52	238.42	463.14	425.44	415.77
Proposed and Dividend Payable	509.42	437.37	361.32	434.74	608.93
Income tax liability	-	38.77	80.23	24.90	44.10
B. Total Current Liability	19882.32	24631.46	30445.14	33228.91	34783.49
• Long Term Debt:					
Fixed Deposit	4431.46	8464.09	8310.71	14711.16	16840.83
Borrowing	882.57	1360	1681.31	74.9	1650.60
Debenture and Bond	-	240	300	300	300
C. Total	5314.03	10064.09	10292.02	15086.06	18791.43
Total Liability(A+B+C)	27253.39	37132.75	43867.40	52151.67	58141.44

Assets					
• Current Assets:					
Cash balance	270.41	511.43	674.40	635.99	744.59
Bank balance	1129.42	2159.72	2698.12	764.11	1691.96
Money at call & short notice	563.53	1952.36	552.89	3118.14	2452.51
Loan,advances& Bills purchase	15545.78	21365.05	27589.93	32268.87	38034.10
Investment(short term)	8945.31	9939.76	10826.38	13703.02	13081.21
other Assets	512.05	606.39	864.69	882	1201.98
A. Total current assets	26966.50	36534.71	43206.41	51372.13	57206.35
• Fixed Assets:					
Fixed assets	286.89	598.04	660.99	779.54	935.09
Investment (long term)	-	-	-	-	-
Non Banking Assets	-	-	-	-	-
B. Total	286.89	598.04	660.99	779.54	935.09
Total (A+B)	27253.39	37132.75	43867.40	52151.67	58141.44

Sources: Annual report of the bank

NABIL'S paid up capital was Rs. 491.65 in 2006/07. It is in increasing steady through out of study period f/y 2010/11. On the other hand component of shareholder capital i.e. reserve funds increased sharply during the study period except in f/y 2009/10. In f/y 2006/07 reserve fund was Rs 1565.39 million, Rs 1747.98million in f/y 2007/08 & Rs 2164.49million in f/y 2008/09. Then it was sharply decreased to Rs 1807.93million in f/y Rs 2009/10 and again increased to Rs 2536.75million in f/y 2010/11. But the net worth (Total shareholder's capital) is in increasing trend throughout the study period.

Current liability has increased throughout the study period. It increased from Rs 19882.32 million in f/y 2006/07 to Rs 34783.49 million in f/y 2010/11. Long-term debt also seems increasing ; it was Rs 5314.03 million in f/y 2006/07 and increased by Rs 4750.06 million to reach Rs 10064.09million in f/y 2007/08. After then it was increased to Rs10292.02million, Rs 15086.06million & Rs 18791.43 million in f/y 2008/09, f/y 2009/10 & f/y 2010/11 respectively. With the effect of shareholder's capital deposits & long term debt, total liabilities was Rs 27253.39 million in f/y 2006/07 and increased gradually to reach Rs 37132.75 million, Rs 43867.40 million, Rs 52151.67 million and Rs 58141.44 million in f/y 2007/08, f/y 2008/09, f/y 2009/10 and f/y 2010/11 respectively.

Total current assets of NABIL highly affected by the loan, advances & bills purchased in the study period. Total current assets increased progressively from Rs

26966.50million in f/y 2006/07 to Rs57206.35million in f/y 2010/11. Fixed assets were also in increasing steady, throughout the study period. It was Rs 286.89million in f/y 2006/07, Rs 598.04million, Rs 660.99 million, Rs 779.54million & Rs 935.09 million in f/y 2007/08, f/y 2008/09, f/y 2009/10 & f/y 2010/11 respectively.

4.1.4. Five year comparative Balance sheet of NIBL

Table No: 4.4

Nepal Investment Bank Ltd.

Five-year Comparative balance sheet

(NPR In millions)

particular	Fiscal year				
	2006/07	2007/08	2008/09	2009/10	2010/11
Capital & Liabilities					
• Shareholder capital/Net worth:					
Share capital (paid up capital @100 each)	801.35	1203.92	2407.07	2409.10	3011.37
Reserve fund	1076.77	1482.87	1500.77	2176.29	2148.39
A. Total	1878.12	2686.79	3907.84	4585.39	5159.76
• Current liabilities:					
Deposit (Except fixed)	16972.17	26507.5	35064.72	33269.58	31759.82
Other liability	347.52	488.40	709.98	860.37	1117.66
Bills Payable	32.40	78.84	82.34	38.14	8.25
Proposed and Dividend Payable	43.65	93.47	485.45	602.27	602.27
Income tax liability	0.30	24.08	38.30	37.20	-
B. Total Current Liability	17396.04	27192.29	36380.79	34807.56	33488
• Long Term Debt:					
Fixed Deposit	7516.69	7944.23	11633.37	16825.15	18378.31
Borrowing	-	-	38.80	37.31	280.76
Debenture and Bond	800	1050	1050	1050	1050
C. Total	8316.69	8994.23	12722.17	17912.46	19709.07
Total Liability(A+B+C)	27590.85	38873.31	53010.80	57305.41	58356.83
Assets					
• Current Assets:					
Cash balance	763.98	1464.48	1833.46	1525.44	1718.67
Bank balance	1677.53	2290.46	6084.54	5090.45	6421.70
Money at call & short notice	362.97	-	-	-	150
Loan,advances& Bills purchase	17286.43	26996.65	36241.21	40318.31	41095.51
Investment(short term)	6505.68	6874.02	7399.81	8635.53	7423.11
other Assets	233.67	276.85	390.65	399.43	439.39
A. Total current assets	26830.26	37902.46	51949.67	55969.16	57248.38
• Fixed Assets:					
Fixed assets	759.46	970.10	1060.75	1136.25	1108.45
Investment (long term)	-	-	-	-	-

Non Banking Assets	1.13	0.75	0.38	-	-
B. Total	760.59	970.85	1061.13	1136.25	1108.45
Total (A+B)	27590.85	38873.31	53010.80	57105.41	58356.83

Sources: Annual report of the bank

NIBL's paid up capital was Rs 801.35million in f/y 2006/07. It was increased by Rs 2210.02 in the study period to reach Rs 3011.37 million in f/y 2010/11.Reserve funds, however increased throughout the study period increased from Rs 1076.77 million in f/y 2006/07 to Rs 2148.39 million in f/y 2010/11, which resulted increasing trend in shareholder's capital. It increased from Rs 1878.12 million in f/y 2006/07 to Rs5159.76 in f/y 2010/11.

Current liability was increased steady in the first three years of the study period and seems decreasing in last two years of the study period. It was Rs 17396.04 million in f/y 2006/07, Rs27192.29 million in f/y 2007/08, Rs36380.79 million in f/y 2008/09 and it was decreased by Rs 1573.23 million and Rs 1319.56 million to reach Rs 34807.56 million and Rs 33488 million in f/y 2009/10 and 2010/11 respectively. Whereas long-term debt also increased steady throughout the period increased from Rs 27590.85 million in f/y 2006/07 to Rs58356.83 million in f/y 2010/11.

Total current assets consist of cash balance, bank balance, money at call & short notice, loan, advances & bills purchased and other assets. However, more than 70% of total current assets covered by amount of loan, advances & bill purchased. Total current assets was Rs 26830.26 million, Rs 37902.46 million, Rs 51949.67 million, Rs 55969.16 million & Rs 57248.38 million during f/y 2006/07,f/y2007/08,f/y 2008/09,f/y 2009/2010 & f/y 2010/11 respectively. Total current assets increased steadily during the period.

Total fixed assets increased from Rs 760.59 million in f/y 2006/07 to Rs1108.45 million in f/y 2010/11. It was increased by Rs 347.86 million to reach Rs1108.45million in f/y 2010/11. Total assets for the study period increased from Rs 27590.85 million in f/y 2006/07 to Rs.58356.83 million in f/y 2010/11.

4.1.5 Five year comparative profit & loss a/c of SCBNL

Table No. 4.5

Standard chartered bank ltd.

Five-year Comparative profit & loss account

(Rs in millions)

Particular	Fiscal year				
	2006/07	2007/08	2008/09	2009/10	2010/11
Income:					
Interest income	1411.98	1591.20	1887.22	2042.11	2718.70
Commission & discount	221.22	276.43	235.47	338.30	321.77
Other operating income	28.78	32.59	33.19	34.48	36.75
Exchange gain	309.09	345.65	480.03	458.56	387.13
Other income	29.65	92.33	123.18	94.55	73.60
A. total income	2000.72	2338.20	2759.09	2968.00	3537.95
Expenses:					
B. interest expenses	413.06	471.73	543.79	575.74	1003.10
C. gross profit (A-B)	1587.66	1866.47	2215.30	2392.26	2534.85
Less: other operation expenses:					
Staff expenses	199.78	225.26	253.06	312.96	365.99
Office /other operation expenses	228.45	230.57	276.33	295.30	305.21
D. total other operating expenses	428.23	455.83	529.39	608.26	671.20
E. operating profit (C-D)	1159.43	1410.64	1685.91	1784.00	1863.65
Less: non operating expenses:					
Loss from extra ordinary activity	4.91	28.04	15.36	17.02	22.76
Exchange loss	-	-	-	-	-
Bad debt written off	-	-	-	-	-
Provision for possible losses	36.81	69.89	56.63	76.97	82.74
Provision for staff bonus	101.61	119.34	146.72	153.64	159.83
Provision for income tax	324.43	374.45	442.09	450.50	479.15
Provision for non banking assets	-	-	-	-	-
F. Total non operating expenses	467.76	591.72	660.80	698.13	744.48
Net profit after tax(E-F)	691.67	818.92	1025.11	1085.87	1119.17

Sources: Annual report of the bank

Income consists of interest income, commission& discount, other operating income, exchange gain & other income, interest income affects the major part of the income. SCBNL earned Rs 2000.72 million in f/y 2006/07, Rs 2338.20 million in f/y 2007/08, Rs 2759.09 million in f/y 2008/09, Rs 2968 million in f/y 2009/10 and Rs 3537.95 million of total income in f/y 2010/11. It was increased throughout of study period. Major part of expenses is interest expenses. It was Rs 413.06 million, Rs 471.73

million, Rs 543.79 million, Rs 575.74 million and Rs 1003.10 million in f/y 2006/07, 2007/08, 2008/09, 2009/10 and 2010/11 respectively.

After deducting staff expenses & office expenses on gross profit, operating income realized. It increased steady throughout the study period increased from Rs1159.43 million in f/y 2006/07 to Rs1863.65in f/y 2010/11. Net profit after tax realized after deducting non-operating expenses, which consists exchange loss, bad debt written off, provision for possible losses, provision for staff bonus, provision for income tax etc. It was Rs 691.67 million, Rs 818.92 million, Rs 1025.11 million, Rs 1085.87 million & Rs 1119.17 million in f/y 2006/07, 2007/08 ,2008/09, 2009/10 & 2010/11 respectively.

4.1.4 Five year comparative profit & loss a/c of EBL

Table No. 4.6

Everest bank limited

Five-year Comparative profit & loss account

(Rs in millions)

Particular	Fiscal year				
	2006/07	2007/08	2008/09	2009/10	2010/11
Income:					
Interest income	1144.41	1548.66	2186.81	3102.45	4331.03
Commission & discount	117.72	150.26	202.09	208.12	203.47
Other operating income	67.97	79.14	106.40	142.32	148.06
Exchange gain	28.40	64.45	62.53	47.88	46.26
Other income	13.2	24.73	13.05	95.89	57.77
A. total income	1371.52	1867.24	2570.88	3596.66	4786.59
Expenses:					
B. interest expenses	517.17	632.61	1012.87	1572.79	2535.88
C. gross profit (A-B)	854.35	1234.63	1558.01	2023.87	2250.71
Less: other operation expenses:					
Staff expenses	86.12	157.96	186.92	226.36	293.13
Office /other operating expenses	177.55	233.77	292.01	352.51	383.11
D. total other operating expenses	263.67	391.73	478.93	578.87	676.24
E. operating profit (C-D)	590.68	842.90	1079.08	1445.00	1574.47
Less: non operating expenses:					
Loss from extra ordinary activity	0.80	19.00	5.55	61.19	12.05
Exchange loss	-	-	-	-	-
Bad debt written off	-	-	-	-	-
Provision for possible losses	89.70	99.34	93.08	77.01	98.30
Provision for staff bonus	45.47	65.87	89.13	118.80	133.10

Provision for income tax	158.30	207.47	252.59	356.23	399.71
Provision for non banking assets	-	-	-	-	-
F. Total non operating expenses	294.27	391.68	440.35	613.23	643.16
Net profit after tax(E-F)	296.41	451.22	638.73	831.77	931.31

Sources: Annual report of the bank

EBL earned Rs 1371.52 million in f/y 2006/07, Rs 1867.24 million in f/y 2007/08,Rs 2570.80 million in f/y 2008/09,Rs 3596.66 million in f/y 2009/10 and Rs 4786.59 million of total income in f/y 2010/11 . It was increased throughout the study period. Major part of the expenses is interest expenses. It increased from Rs517.17million in f/y 2006/07 to Rs.2535.88million in f/y 2010/11.

After deducting staff expenses & office expenses on gross profit, operating income realized. Operating income, increased steady throughout the study period increased from Rs.590.68 million in f/y 2006/07 to Rs.1574.47million in f/y 2010/11. Gross profit was Rs.854.35in f/y 2006/07 and it was increased throughout the period. NPAT realized after deducting non- operating expenses, which consists exchange loss, bad debt written off, provision for possible losses, provision for staff bonus, provision for income tax etc. It was Rs 296.41 million in f/y 2006/07, Rs 451.22 million in f/y 2007/08,Rs.638.73 million in f/y 2008/09, Rs 831.77 million in f/y 2009/10 and Rs.931.31 million in f/y 2010/11. However, total income increased steady & sharply during the period, its effect has not seen in the NPAT. NPAT in EBL increased gradually during the study period.

4.1.7Five year comparative profit & loss a/c of NABIL

Table No. 4.7

NABIL bank ltd.

Five-year Comparative profit & loss account

(Rs in millions)

Particular	Fiscal year				
	2006/07	2007/08	2008/09	2009/10	2010/11
Income:					
Interest income	1587.76	1978.70	2798.49	4049.71	5254.03
Commission & discount	150.61	159.32	179.69	215.48	290.86
Other operating income	87.57	94.36	144.16	184.02	183.44
Exchange gain	209.93	196.49	251.92	276.96	276.10
Other income	56.95	75.17	56.33	80.54	17.23

A. total income	2092.82	2504.04	3430.59	4806.71	6021.66
Expenses: B. interest expenses	555.71	758.44	1153.28	1960.11	2955.43
C. gross profit (A-B)	1537.11	1745.60	2277.31	2846.60	3066.23
Less: other operation expenses: Staff expenses Office /other operation expenses	240.16 188.18	262.91 220.75	339.90 265.16	366.94 334.19	454.04 401.43
D. total other operating expenses	428.34	483.66	605.06	701.13	855.47
E. operating profit (C-D)	1108.77	1261.94	1672.25	2145.47	2210.76
Less: non operating expenses: Loss from extra ordinary activity Exchange loss Bad debt written off Provision for possible losses Provision for staff bonus Provision for income tax Provision for non banking assets	- - - 14.21 99.51 321.09 -	- - - 64.06 108.90 342.52 -	- - - 45.72 147.87 447.62 -	- - - 355.83 162.52 486.08 -	- - - 109.47 190.94 569.73 -
F. Total non operating expenses	434.81	515.48	641.21	1004.43	870.14
Net profit after tax(E-F)	673.96	746.46	1031.04	1141.04	1340.62

Sources: Annual report of the bank

NABIL earned Rs 2092.82 million in f/y 2006/07, Rs2504.04 million in f/y 2007/08, Rs3430.59 million in f/y 2008/09,Rs.4806.71 million in f/y 2009/10 and Rs 6021.66 million of total income in f/y 2010/11. It was increased throughout of study period. Major part of expenses is interest expenses. It was Rs 555.71million, Rs 758.44 million, Rs 1153.28 million, Rs 1960.11 million, and Rs 2955.43 million in 2006/07, 2007/08, 2008/09, 2009/10 and 2010/11 respectively.

After deducting staff expenses & office expenses on gross profit, operating income realized. It increased steady throughout the study period increased from Rs 1108.77 million in f/y 2006/07 to Rs 2210.76 million in f/y 2010/11. Net profit after tax realized after deducting non-operating expenses, which consists exchange loss, bad debt written off, provision for possible losses, provision for staff bonus, provision for income tax etc. It was Rs 673.96 million, Rs 746.46 million, Rs 1031.04 million, Rs 1141.04 million & Rs 1340.62 million in f/y 2006/07, 2007/08 ,2008/09, 2009/10& 2010/11 respectively.

4.1.4 Five year comparative profit & loss a/c of NIBL

Table No. 4.8

Nepal Investment bank limited

Five-year Comparative profit & loss account

(Rs in millions)

Particular	Fiscal year				
	2006/07	2007/08	2008/09	2009/10	2010/11
Income:					
Interest income	1584.99	2194.28	3267.94	4653.52	5803.44
Commission & discount	163.90	215.29	262.79	242.89	269.43
Other operating income	47.32	66.38	87.57	168.31	152.98
Exchange gain	135.36	165.84	185.33	224.06	228.08
Other income	68.20	108.62	117.61	60.61	115.03
A. total income	1999.77	2750.41	3921.24	5349.39	6568.96
Expenses:					
B. interest expenses	685.53	992.16	1686.97	2553.85	3620.34
C. gross profit (A-B)	1314.24	1758.25	2234.27	2795.54	2948.62
Less: other operation expenses:					
Staff expenses	145.37	187.15	225.72	279.85	326.54
Office /other operating expenses	243.43	313.15	413.88	433.60	456.06
D. total other operating expenses	388.8	500.30	639.60	713.45	782.60
E. operating profit (C-D)	925.44	1257.95	1594.67	2082.09	2166.02
Less: non operating expenses:					
Loss from extra ordinary activity	-	-	-	-	52.86
Exchange loss	-	-	-	-	-
Bad debt written off	-	-	-	-	-
Provision for possible losses	129.72	135.99	166.20	93.06	267.33
Provision for staff bonus	72.34	102	129.86	180.82	167.80
Provision for income tax	221.98	323.23	397.98	542.26	501.39
Provision for non banking assets	-	-	-	-	-
F. Total non operating expenses	424.04	561.22	694.04	816.14	989.38
Net profit after tax(E-F)	501.40	696.73	900.63	1265.95	1176.64

Sources: Annual report of the bank

NIBL earned Rs 1999.77 million total income in f/y 2006/07, Rs2750.41 million in f/y 2007/08,Rs3921.24 million in f/y 2008/09,Rs5349.39 million in f/y 2009/10 and Rs.6568.96 million of total income in f/y 2010/11 . It was increased throughout the study period. Major part of the expenses is interest expenses. It increased from Rs 685.53 million in f/y 2006/07 to Rs.3620.34 million in f/y 2010/11.

After deducting staff expenses & office expenses on gross profit, operating income realized. Operating income, increased steady throughout the study period increased

from Rs 925.44 million in f/y 2006/07 to Rs.2166.02 million in f/y 2010/11. Gross profit was Rs.1314.24 in f/y 2006/07 and it was increased throughout the period. NPAT realized after deducting non- operating expenses, which consists exchange loss, bad debt written off, provision for possible losses, provision for staff bonus, provision for income tax etc. It was Rs 501.40 million in fy2006/07, Rs696.73 million in f/y 2007/08, Rs900.63 million in f/y 2008/09,Rs1265.95 million in f/y 2009/10 and slightly decreased to Rs 1176.64 million in f/y 2010/11 . However, total income increased steady & sharply during the period. NPAT in NIBL increased gradually during the study period except in f/y 2010/11.

4.2 Ratio Analysis

Ratio analysis is the expression of the relationship between the mutually independent figures. It shows the quantitative relation between two variables. Simply it is calculated as dividing one variable by another variable. There are various types of financial ratio which are used by different field for different purpose; Such as creditors, investor, financial institutions, & management of the firm. In this analysis following ratio are analyze & interpret for the past five year for the sample banks.

4.2.1 Liquidity Ratio

A bank should maintain its satisfactory liquidity position to satisfy the shout-term credit needs of the community, to meet demands for deposits, withdraws, pay maturity obligation in time and convert non-cash assets into cash to satisfy immediate needs without loss to bank & consequent impact in long run profit. Liquidity ratio measures the shout-run solvency of the firm.

1. Current Ratio:

Current ratio indicates the ability of the company to meet its current obligation. This is the broad measurement of liquidity position of the Banks. In other words, it measures the availability for current assets for meeting current liability. This ratio is also known as working capital.Following table shows the comparative current ratio for five years.

$$\text{Current Ratio} = \frac{\text{current assets}}{\text{current liability}}$$

Table No:4.9

Current Ratio

Year\Banks	SCBNL	EBL	NABIL	NIBL
2006/07	1.244	1.486	1.356	1.542
2007/08	1.206	1.445	1.483	1.394
2008/09	1.342	1.346	1.419	1.428
2009/10	1.449	1.486	1.546	1.608
2010/11	1.474	1.675	1.645	1.710
Mean	1.343	1.488	1.490	1.536
S.D.	0.118	0.119	0.112	0.130
CV (%)	8.80	8.03	7.50	8.44

(Refer Annex A-1)

The comparative numerical value of four commercial banks in terms of current ratio, mean, standard deviation and co-efficient of variation have been presented in the above table. The mean current ratio of SCBNL is 1.343, which is lowest than that of other banks whereas NIBL has the highest current ratio i.e. 1.536 in average. It indicates that NIBL is in strong position to meet the short-term obligation of the stakeholders. Whereas NABIL has the lower standard deviation and C.V than others; which shows that NABIL is more consistent in comparison to other banks for maintaining the current ratio. Though SCBNL and NIBLare in better liquidity position;they are inconsistent for maintaining the current ratio as they have higher Standard Deviation and C.V. The clear outlook of same can be presented in the diagram as below:

Figure: 4.1

Current Ratio
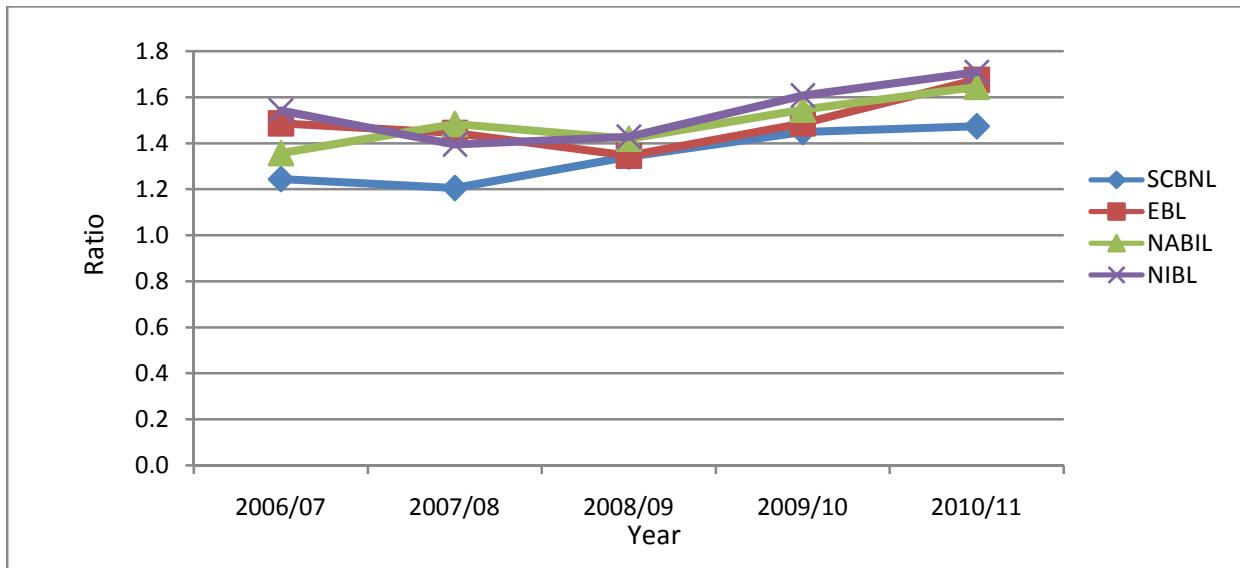
2. Cash and bank balance to total deposit ratio:

The main purpose of this ratio is to examine the bank's liquidity capacity on the basis of cash & bank balance. The following table shows the cash& bank balance to total deposit ratio of selected sample banks.

$$\text{Cash and bank balance to total deposit} = \frac{\text{Cash and bank balance}}{\text{Total deposits}}$$

Table No:4.10

Cash and bank balance to total deposit ratio

Year\Banks	SCBNL	EBL	NABIL	NIBL
2006/07	0.082	0.131	0.060	0.100
2007/08	0.069	0.111	0.084	0.109
2008/09	0.087	0.185	0.090	0.170
2009/10	0.055	0.212	0.030	0.132
2010/11	0.078	0.149	0.049	0.162
Mean	0.074	0.158	0.063	0.135
S.D.	0.013	0.041	0.025	0.031
CV (%)	17.24	25.73	39.56	23.13

(Refer Annex A-2)

This table shows the fluctuating cash & bank balance to total deposit ratio of sample banks. The mean cash & bank balance to total deposit ratio of EBL is 0.158 which is the highest among other banks whereas NABIL has the lowest mean cash & bank balance to total deposit ratio among other banks i.e. 0.063. SCBNL has the lowest S.D. & C.V. (i.e. 17.24% and 0.013 respectively)than others which shows it is more consistent for maintaining cash & bank balance requirements. NABIL has higher C.V. among others which indicates the inconsistency of NABIL for maintaining cash and bank balance in comparison to other banks.

The below diagram shows the position of cash & bank balance maintained by sample banks in comparison to total deposits.

Figure:4.2

Cash and bank balance to total deposit ratio
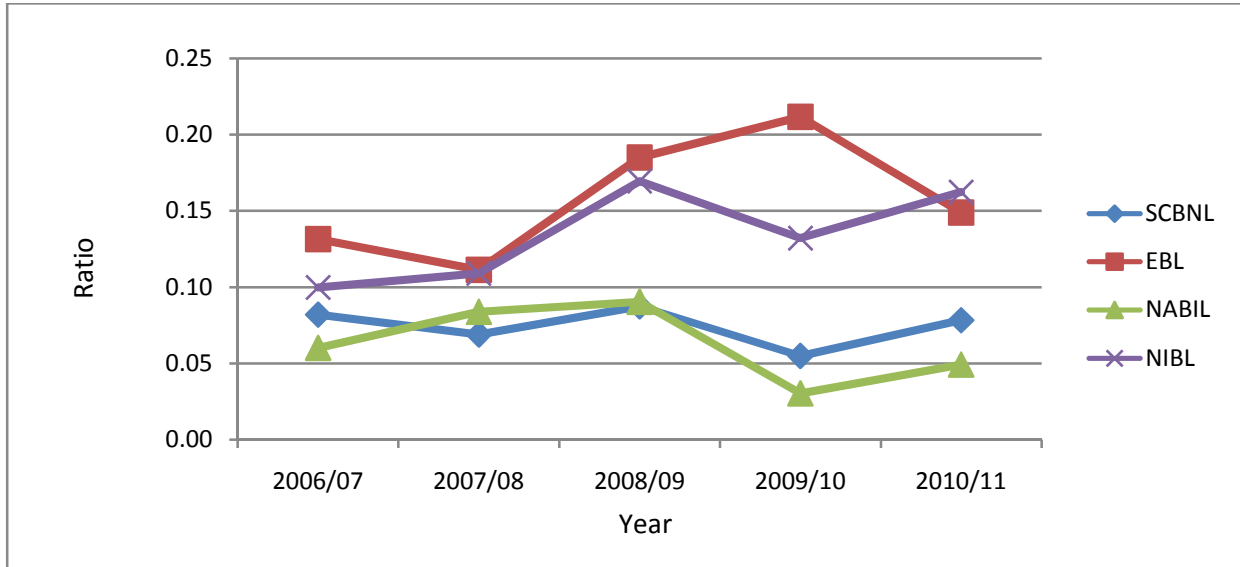
3. Cash and bank balance to current assets ratio:

This ratio measures at what level of cash &bank balance they have out of total current assets.The cash & bank balance are the most liquid assets in terms of other current assets. It also shows that the bank ability to pay to the depositors.

Cash & bank balance to current assets ratio= $\dfrac{\text{Cash \& } bank\ balance}{\text{Current assets}}$

Table No:4.11

Cash and bank balance to current assets ratio

Year\Banks	SCBNL	EBL	NABIL	NIBL
2006/07	0.071	0.112	0.052	0.091
2007/08	0.062	0.100	0.073	0.099
2008/09	0.078	0.169	0.078	0.152
2009/10	0.048	0.191	0.027	0.118
2010/11	0.068	0.134	0.043	0.142
Mean	0.065	0.141	0.055	0.121
S.D.	0.011	0.038	0.021	0.027
CV (%)	17.09	27.15	38.78	22.04

(Refer Annex A-3)

The mean cash & bank balance to current assets ratio for SCBNL, EBL, NABIL& NIBL are 0.065, 0.141, 0.055 & 0.121 respectively. EBL has the highest mean ratio among others. The standard deviation & C.V. of SCBNL (i.e. 0.011 & 17.09 respectively) is lowest among the other banks which shows SCBNL is most consistent for maintaining cash balance in comparison to current assets. The clear outlook of same can be presented in diagram below:

Figure: 4.3

Cash and bank balance to current assets ratio
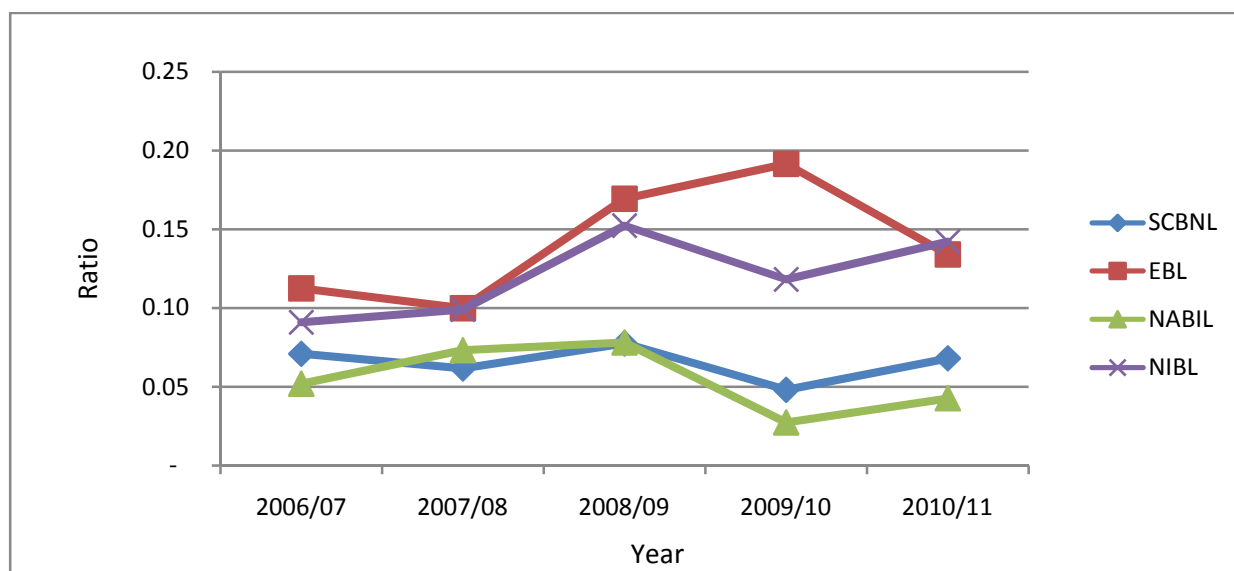
4. Loan and advances to current assets ratio:

This ratio measures the amount of investment in loan & advance out of total current assets. This ratio shows the liquidity position of the banks in loans & advance are also liquid assets. If it were invested, in higher return area then it would be profitable for the banks.

Loan & advances to current assets ratio= $\dfrac{\text{Loan \& } advances}{\text{Current assets}}$

Table No:4.12

Loan & advance to current assets ratio

Year\Banks	SCBNL	EBL	NABIL	NIBL
2006/07	0.369	0.643	0.576	0.644
2007/08	0.413	0.687	0.585	0.712
2008/09	0.338	0.656	0.639	0.698
2009/10	0.398	0.675	0.628	0.720
2010/11	0.422	0.680	0.665	0.718
Mean	0.388	0.668	0.619	0.698
S.D.	0.034	0.018	0.037	0.032
CV (%)	8.84	2.72	6.02	4.52

(Refer Annex A-4)

The above table shows that the average of the loan & advances to current assets ratio for SCBNL, EBL, NABIL& NIBL are 0.388, 0.668, 0.619 & 0.698 respectively and that indicates NIBL has highest & SCBNL has lowest mean ratio. EBL has the lowest S.D. of 0.018 & lowest C.V. of 2.72, which shows EBL, is more consistent among other banks in utilizing its current assets. The above data can also be presented in the diagram below:

Figure: 4.4

Loan & advance to current assets ratio
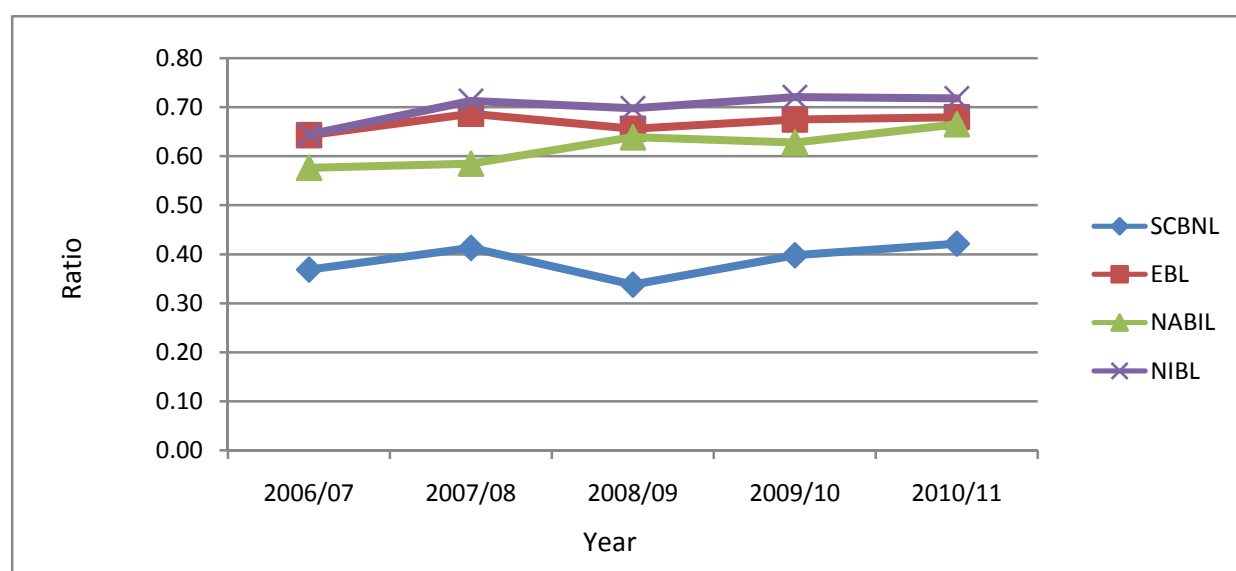
5. Short term investment to current assets:

This ratio measures the portion of short term investment in current assets. Banks have to maintain a good investment mix to manage their liquidity position.

$$\text{Short term investment to current assets} = \frac{\text{Short term Investment}}{\text{Current assets}}$$

Table No:4.13

Short term Investment to current assets ratio

Year\Banks	SCBNL	EBL	NABIL	NIBL
2006/07	0.476	0.234	0.332	0.242
2007/08	0.418	0.186	0.272	0.181
2008/09	0.500	0.161	0.251	0.142
2009/10	0.495	0.121	0.267	0.154
2010/11	0.395	0.168	0.229	0.130
Mean	0.457	0.174	0.270	0.170
S.D.	0.048	0.041	0.038	0.045
CV (%)	10.40	23.81	14.24	26.32

(Refer Annex A-5)

The above table shows the ratio of short term investment to current assets of the four banks for the 4 year period. It shows the mean ratio of SCBNL is highest and mean ratio of NIBL is lowest in comparison to others. The highest mean ratio of SCBNL 0.457 suggests that SCBNL has invested more in short term securities in comparison to other three banks. The lowest C.V. of SCBNL i.e. 10.40 also shows the more consistency ofSCBNL than other banks in comparison of short-term investment to current assets ratio.

The clear outlook of same can be presented below:

Figure: 4.5

Short term investment to current assets ratio
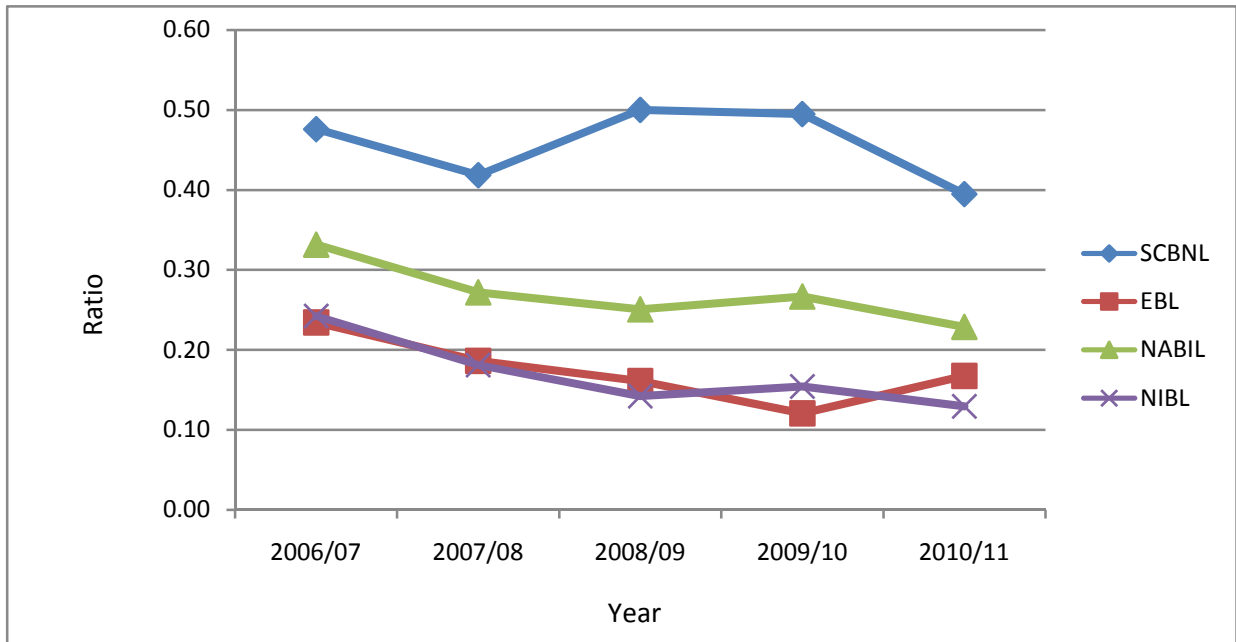
6. Fixed deposit to total deposit ratio :

This ratio measures the proportion of fixed deposit out of total deposit a bank has collected. This analysis is useful to bank for long-term investment strategy. If a bank is able to know this ratio, it may invest the fixed deposit amount proportion in long-term investment sector for higher return.

$$\text{Fixed deposit to total deposit ratio} = \frac{\text{Fixed deposit}}{\text{Total deposit}}$$

Table No:4.14

Fixed deposit to total deposit

Year\Banks	SCBNL	EBL	NABIL	NIBL
2006/07	0.130	0.309	0.190	0.307
2007/08	0.111	0.269	0.265	0.231
2008/09	0.198	0.212	0.223	0.249
2009/10	0.261	0.283	0.317	0.336
2010/11	0.267	0.366	0.339	0.367
Mean	0.193	0.288	0.267	0.298
S.D.	0.072	0.057	0.062	0.057
CV (%)	37.31	19.67	23.42	19.25

(Refer Annex-A6)

The above table shows the ratio of fixed deposit to total deposit for the sample banks over the 4 year period. Mean ratio of SCBNL is lowest and that of NIBL is highest among all other banks, which suggest that NIBL has maintained higher portion of fixed deposit in comparison to other banks. The S.D. and C.V. of SCBNL is highest (i.e. 0.072 & 37.31 respectively) and that of NIBL is lowest (i.e. 0.057 & 19.25 respectively) among other banks which shows SCBNL is most inconsistent in maintaining the portion of fixed deposit in total deposit and NIBL is most consistent in doing so.

The above data can also be presented in the diagram below:

Figure: 4.6

Fixed deposit to total deposit
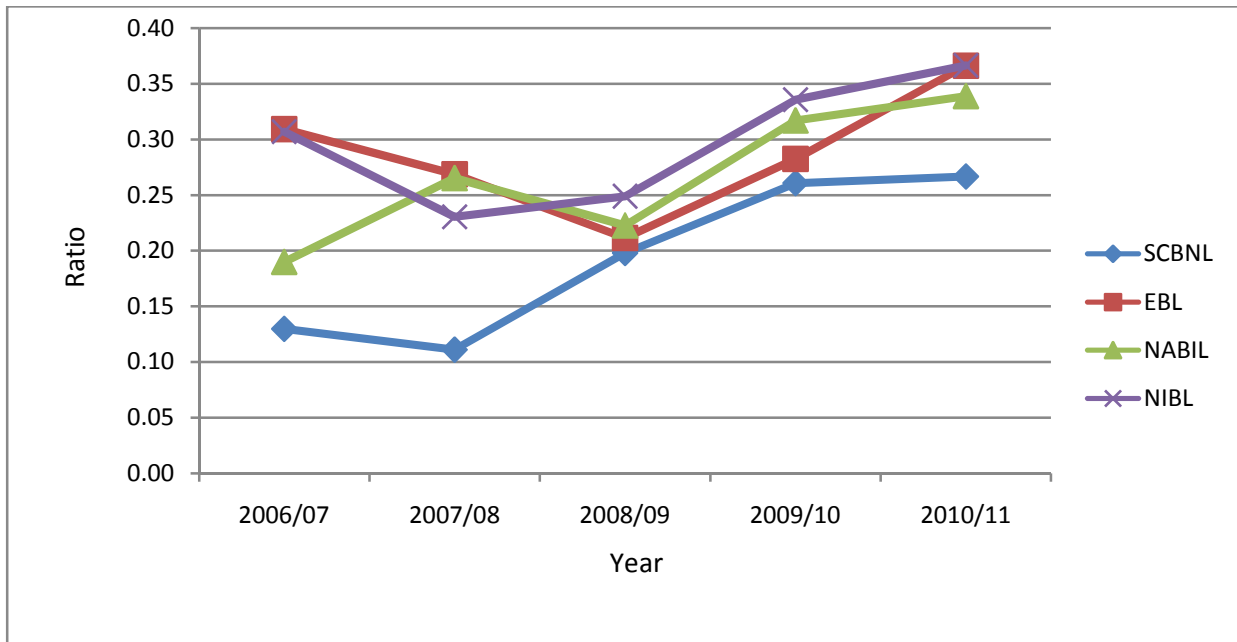
4.2.2 Activity Ratios or Assets and Investment Management Ratio:

Banks must be able to manage its assets very well to earn high return to satisfy customers and for its own existence. Assets mgmt. ratio predicts how efficiently banks manage the resources at its command. The following assets management ratios are used in this study for comparison of the bank.

1. Loan and advances to total deposit ratio:

This ratio measures the extent to which the banks are successful to mobilize the total deposits on loans and advances for the purposes of income generation. The following table exhibits the ratio of loan& advances to total deposits of the banks throughout the study period.

Loan and advances to total deposit ratio=$\dfrac{\text{Loan and advances}}{\text{Total deposit}}$

Table No:4.15

Loan and advances to total deposit

Year\Banks	SCBNL	EBL	NABIL	NIBL
2006/07	0.43	0.75	0.67	0.71
2007/08	0.46	0.76	0.67	0.78
2008/09	0.38	0.72	0.74	0.78
2009/10	0.45	0.75	0.70	0.80
2010/11	0.48	0.76	0.77	0.82
Mean	0.441	0.747	0.707	0.778
S.D.	0.040	0.018	0.044	0.044
CV (%)	8.97	2.43	6.18	5.64

(Refer Annex A-7)

From above comparative table, we can see the average or mean of the ratio, Loan and Advances to Total Deposit, SCBNL 0.441, EBL 0.747, NABIL 0.707 & NIBL 0.778 and that indicate comparatively SCBNL has the lowest and NIBL has highest on average. Comparatively it shows the fund utilization of NIBL is more and SCBNL is less than other banks. It also says NIBL is more focused on utilizing the fund. In the same table we can see Standard Deviation of ratio of the banks, SCBNL 0.040, EBL 0.018, NABIL 0.044 and NIBL 0.044.It is the average fluctuation in ratio over the period of five years as in the table. The clear outlook of same can be presented in diagram as below:

Figure: 4.7

Loan and advances to total deposit
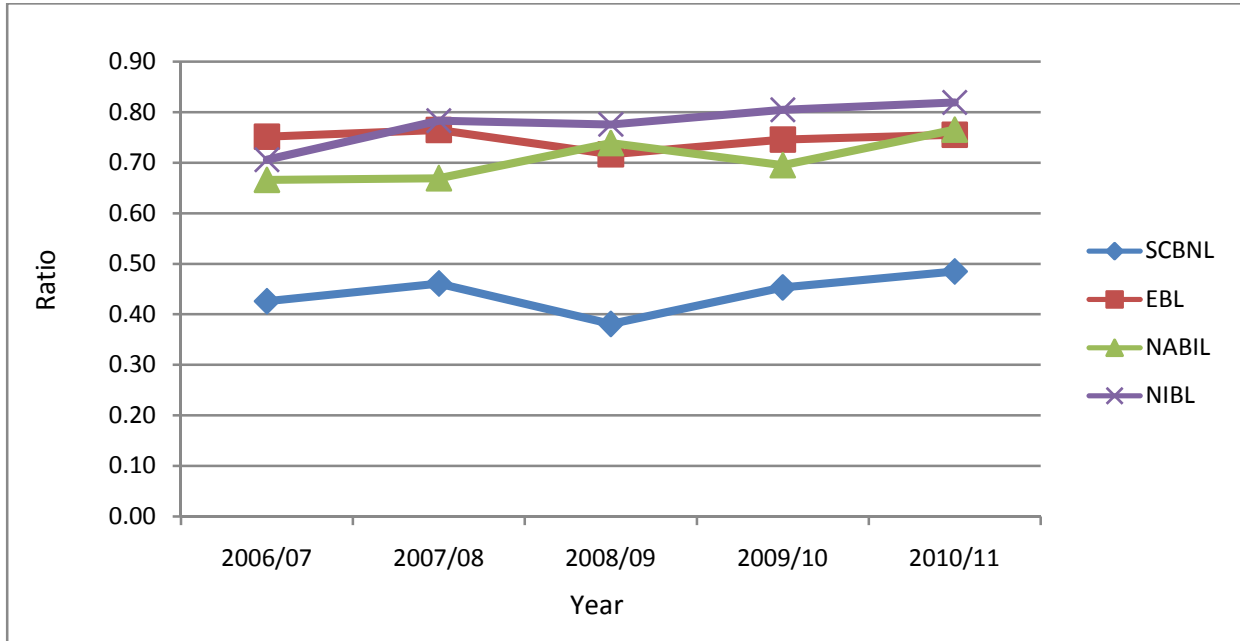
2. Loan and advances to fixed deposit ratio:

This ratio measures the effectiveness of mobilizing loan & advance in respect with fixed deposit. Fixed deposits are high interest bearing obligation whereas loan & advance are the major sources of investment to generateincome for the commercial banks. The following table displays the ratio of loan &advances to fixed deposit ratio of sample banks.

Loan and advances to fixed deposit ratio=$\dfrac{\text{Loan and advances}}{\text{Fixed deposit}}$

Table No:4.16

Loan and advances to Fixed deposit

Year\Banks	SCBNL	EBL	NABIL	NIBL
2006/07	3.29	2.43	3.51	2.30
2007/08	4.16	2.84	2.52	3.40
2008/09	1.93	3.39	3.32	3.12
2009/10	1.74	2.64	2.19	2.40
2010/11	1.82	2.06	2.26	2.24
Mean	2.585	2.673	2.761	2.689
S.D.	1.084	0.494	0.613	0.531
CV (%)	41.92	18.47	22.19	19.74

(Refer Annex A-8)

The above table shows the mean ratio of NABIL is highest and SCBNL is lowest than that of other banks. Highest S.D. & C.V. of SCBNL (i.e. 1.084 & 41.90 respectively) indicates the inconsistency of SCBNL among others, whereas lowest S.D. & C.V. of EBL (i.e. 0.494 & 18.47 respectively) indicates the consistency of EBL in comparison to others. The clear outlook of same can be presented in diagram as below:

Figure: 4.8

Loan and advances to Fixed deposit
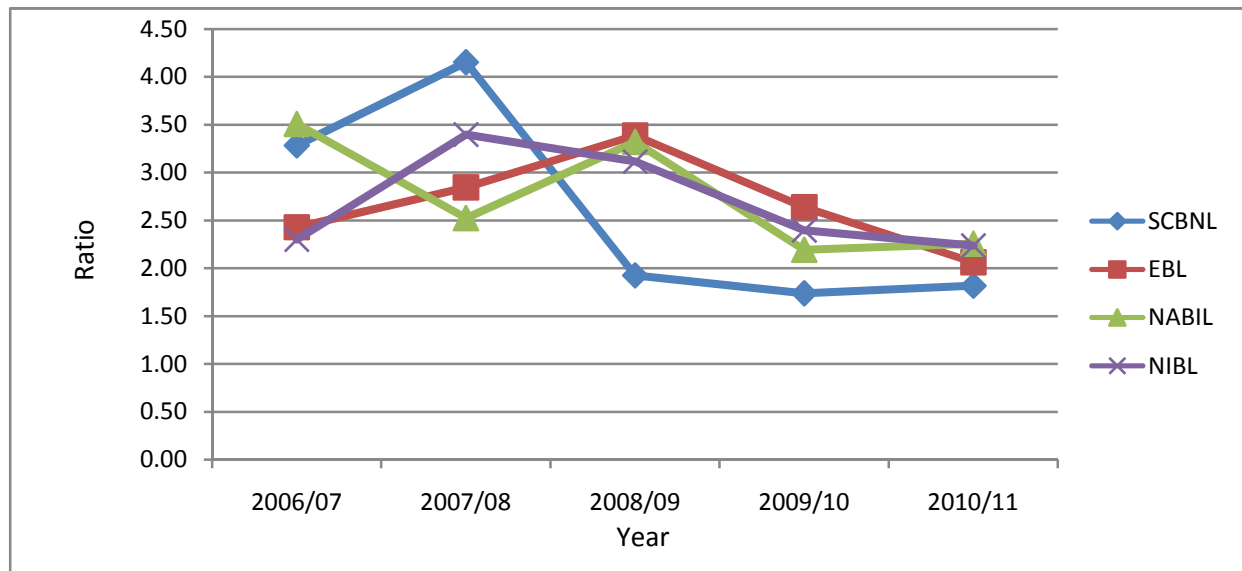
3. Loan and advances to total assets ratio:

This ratio measures the proportion of investment in loan & advance out of total assets. Total assets of any organization are very important for different purpose & so far how

the total assets formation is important. Loan & advances is current assets investment of an organization, which is utilized for short-term obligation.

Loan and advances to total assets ratio$=\dfrac{\text{Loan and advances}}{\text{Total assets}}$

Table No: 4.17

Loan and advances to Total Assets

Year\Banks	SCBNL	EBL	NABIL	NIBL
2006/07	0.37	0.64	0.57	0.63
2007/08	0.41	0.68	0.58	0.69
2008/09	0.34	0.65	0.63	0.68
2009/10	0.40	0.67	0.62	0.71
2010/11	0.42	0.67	0.65	0.70
Mean	0.387	0.660	0.610	0.683
S.D.	0.034	0.016	0.036	0.033
CV (%)	8.88	2.49	5.89	4.80

(Refer Annex A-9)

The above table shows loan & advances to total assets ratio. The mean ratio of SCBNL, EBL, NABIL & NIBL are 0.387, 0.660, 0.610 & 0.683 respectively, which indicates NIBL has highest and SCBNL has lowest mean ratio among others.This indicates, NIBL has invested more in loan and advances than other banks with respect to total assets. The S.D. and C.V. of EBL is lowest (i.e. 0.016 & 2.49 respectively) among other banks which shows that EBL is more consistent in terms of investing in loan & advances in comparison to other banks.

The complete picture of loan & advances to total assets ratio can be presented in the diagram below:

Figure: 4.9

Loan and advances to Total Assets
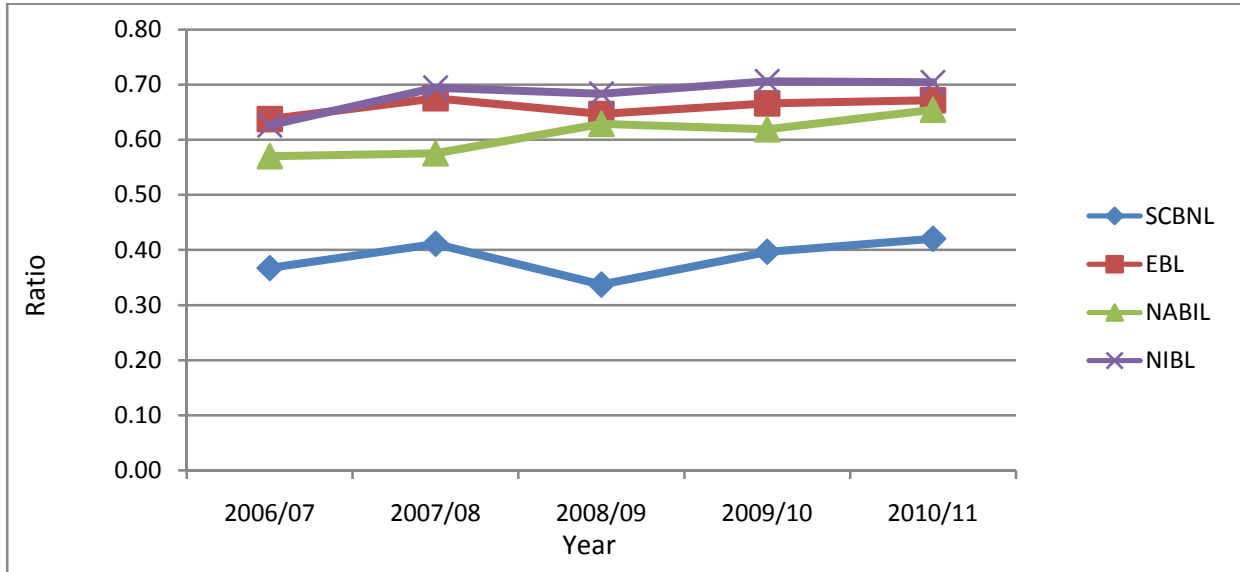
4. Total investment to total deposit

The main purpose of this ratio is to measure successfulness in mobilizing the deposit in investment. The investment to total deposit ratio of different banks in the study period are mentioned in the following table.

$$\text{Total investment to total deposit} = \frac{\text{Total investment}}{\text{Total deposit}}$$

Table No:4.18

Total investment to total deposit

Year\Banks	SCBNL	EBL	NABIL	NIBL
2006/07	0.55	0.27	0.38	0.27
2007/08	0.47	0.21	0.31	0.20
2008/09	0.56	0.18	0.29	0.16
2009/10	0.56	0.14	0.30	0.17
2010/11	0.45	0.19	0.26	0.15
Mean	0.520	0.197	0.309	0.189
S.D.	0.055	0.051	0.045	0.047
CV (%)	10.48	25.72	14.64	24.94

(Refer Annex A-10)

Above table shows the ratio of total investment in comparison to total deposit. The mean ratio of SCBNL is 0.520 which is highest than that of other banks, that indicates the fund utilisation of SCBNL in respect to total investment is highest in comparison other banks. Similarly, SCBNL has lowest C.V. (i.e. 10.48) and EBL has highest C.V. (i.e. 25.72) which shows that SCBNL is more consistently using the fund in investment and EBL is more inconsistent in doing so with comparison to other banks.The clear outlook of same can be presented in diagram as below:

Figure: 4.10

Total investment to total deposit
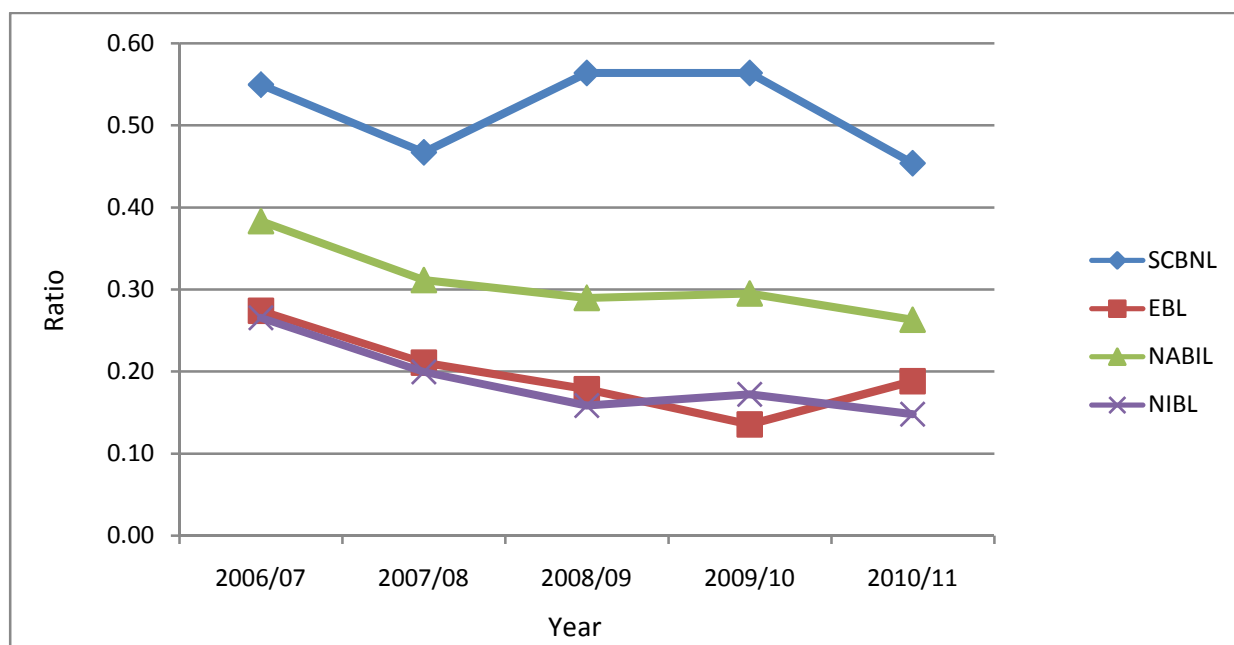
5. **NPA to Total Loan**

This ratio measures the portion of non performing loans in total loans. Non performing loan consist of Substandard, Doubtful and Bad loans. Substandard, Doubtful and Bad loans are to be categorized as per the overdue maturity period of loan and advances, and certain percentage of loan loss provisions to be maintained in each category as per the NRB directives. The NPA to Total Loan should be less than or equal to 5% .

$$\text{NPA to Total Loan} = \frac{\text{Total NPA}}{\text{Total Loan}}$$

Table No.4.19

NPA to total Loan

Year\Banks	SCBNL	EBL	NABIL	NIBL
2006/07	1.83	0.80	1.15	2.44
2007/08	0.92	0.68	0.75	1.15
2008/09	0.66	0.48	0.81	0.59
2009/10	0.62	0.46	1.51	0.68
2010/11	0.63	0.35	1.81	0.96
Mean	0.931	0.553	1.208	1.164
S.D.	0.518	0.183	0.454	0.748
CV (%)	55.65	33.02	37.55	64.22

(Refer Annex A-11)

From above table mean NPA to Total Loan ratio of SCBNL, EBL, NABIL& NIBL is 0.931, 0.553, 1.208 &1.164 respectively. Highest mean ratio of NIBL shows that non performing loan of NIBL is higher than other banks, whereas lowest mean ratio of EBL shows that non performing loan of EBL is lower than others. Likewise Highest S.D. & C.V. of NIBL (i.e. 0.748 & 64.22 respectively) and lowest S.D. and C.V. of EBL (i.e.0.183 & 33.02) indicates the more inconsistency of NIBL & more consistency of EBL in maintaining the portion of NPA with comparison to other banks.

The above data can also be presented in the diagram below:

Figure: 4.11

NPA to total loan
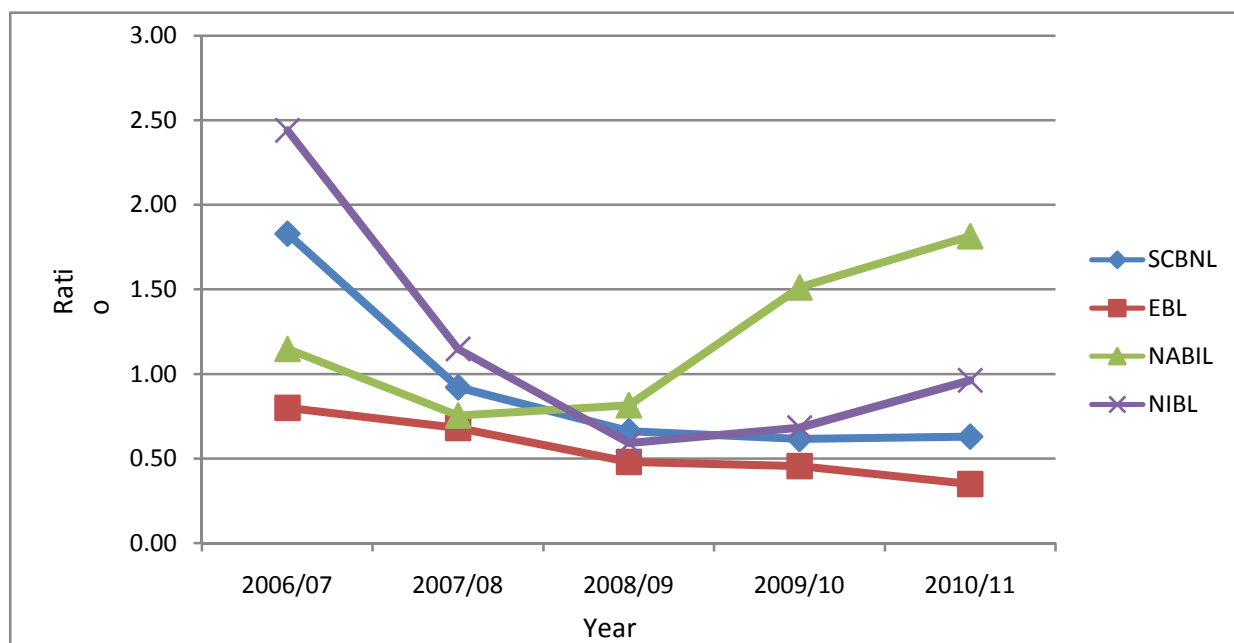
4.2.3 Profitability ratio:

The main objective of a bank is to make profit providing different types of services to its customers. To meet those objectives likewise a good liquidity position meet fixed interest obligation, overcome the future contingencies, grab the investment opportunities, business expansion etc. they must earn sufficient profit. Profitability ratios are the best indicators of overall efficiency. In this study, mainly those ratios are presented which are related with profit as well as fund mobilization. The following are profitability ratios those are relevant in this study.

1. **Net profit to Total Deposit Ratio**

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

Table No:4.20

Net profit to Total Deposit Ratio

Year\Banks	SCBNL	EBL	NABIL	NIBL
2006/07	2.81	1.63	2.89	2.05
2007/08	2.75	1.88	2.34	2.02
2008/09	2.86	1.92	2.76	1.93
2009/10	3.09	2.25	2.46	2.53
2010/11	2.95	2.26	2.70	2.35
Mean	2.890	1.989	2.629	2.174
S.D.	0.131	0.270	0.225	0.252
CV (%)	4.52	13.56	8.55	11.58

(Refer Annex A-12)

Above table shows the net profit to total deposit ratio of four banks for five years period. The mean ratio of SCBNL is 2.890, which is highest among other banks, which indicates that SCBNL has better performance in utilizing deposits to earn a higher profit than other banks. Likewise, EBL has lowest mean ratio of 1.989, which indicates that earning of EBL is lower than other banks in comparison to total deposits. SCBNL is also maintaining more consistency in net profit to total deposit ratio than other banks, which is indicated by lowest S.D. & C.V. of bank (i.e. 0.131 & 4.52 respectively).The above data can also be presented in the diagram below:

Net profit to Total Deposit Ratio
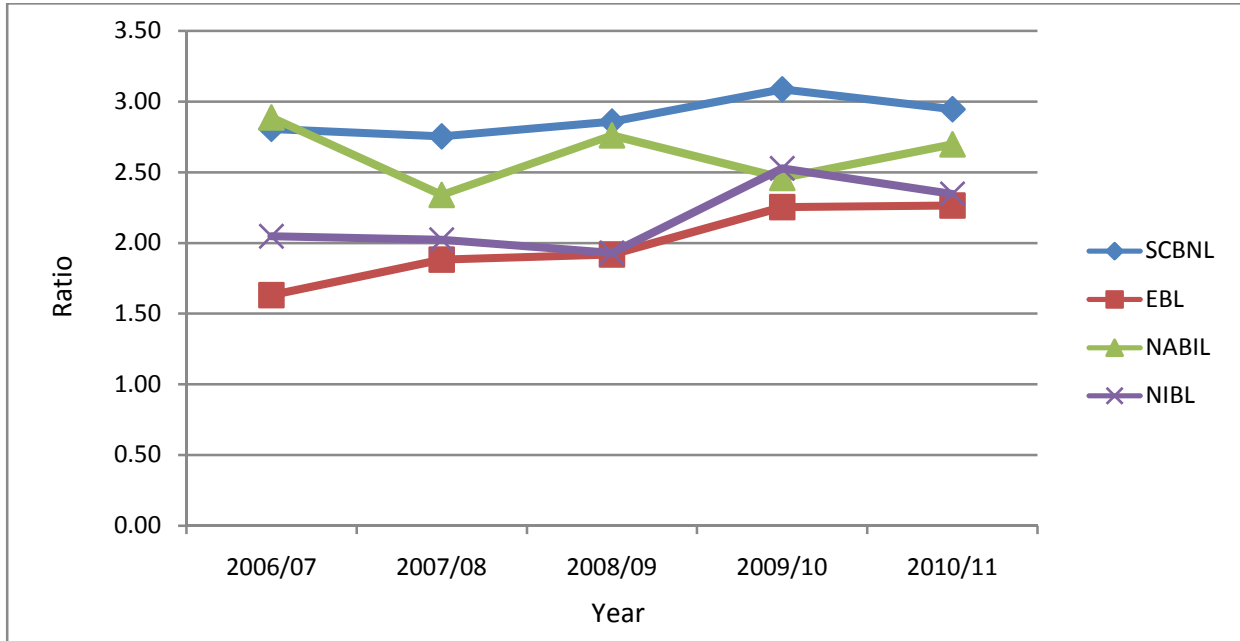
2. Net profit to Total Assets Ratio

This ratio is a measuring tool of profitability with respect to each financial resources investment of the assets. The following comparative table shows the return on total assets ratio of different banks recorded over a study period.

$$\text{Net profit to Total Assets Ratio} = \frac{\text{Net Profit}}{\text{Total Assets}}$$

Table No:4.21

Net profit to Total Assets Ratio

Year\Banks	SCBNL	EBL	NABIL	NIBL
2006/07	2.42	1.38	2.47	1.82
2007/08	2.46	1.66	2.01	1.79
2008/09	2.53	1.73	2.35	1.70
2009/10	2.70	2.01	2.19	2.22
2010/11	2.55	2.01	2.31	2.02
Mean	2.531	1.760	2.265	1.908
S.D.	0.109	0.264	0.175	0.208
CV (%)	4.30	15.03	7.74	10.88

(Refer Annex A-13)

The above table shows that all banks have fluctuated ratio throughout the study period. Average ratio of SCBNL, EBL, NABIL& NIBL are 2.531, 1.760, 2.265 & 1.908 respectively. SCBNL has the highest and EBL has the lowest mean ratio. From the above statement it can be concluded that the all banks profit have been increasing in comparison to previous year, except of NIBL in 2010/11. Since, SCBNL has a highest mean ratio, which determined that SCBNL is successful in earning the net profit with efficient utilization of total assets with comparison to other banks. In addition, SCBNL is also successful to maintain the consistency profit, which is shown by lower S.D. &C.V. (i.e. 0.109 &4.30 respectively).

The above data can also be presented in the diagram below:

Figure: 4.13

Net profit to Total Assets Ratio
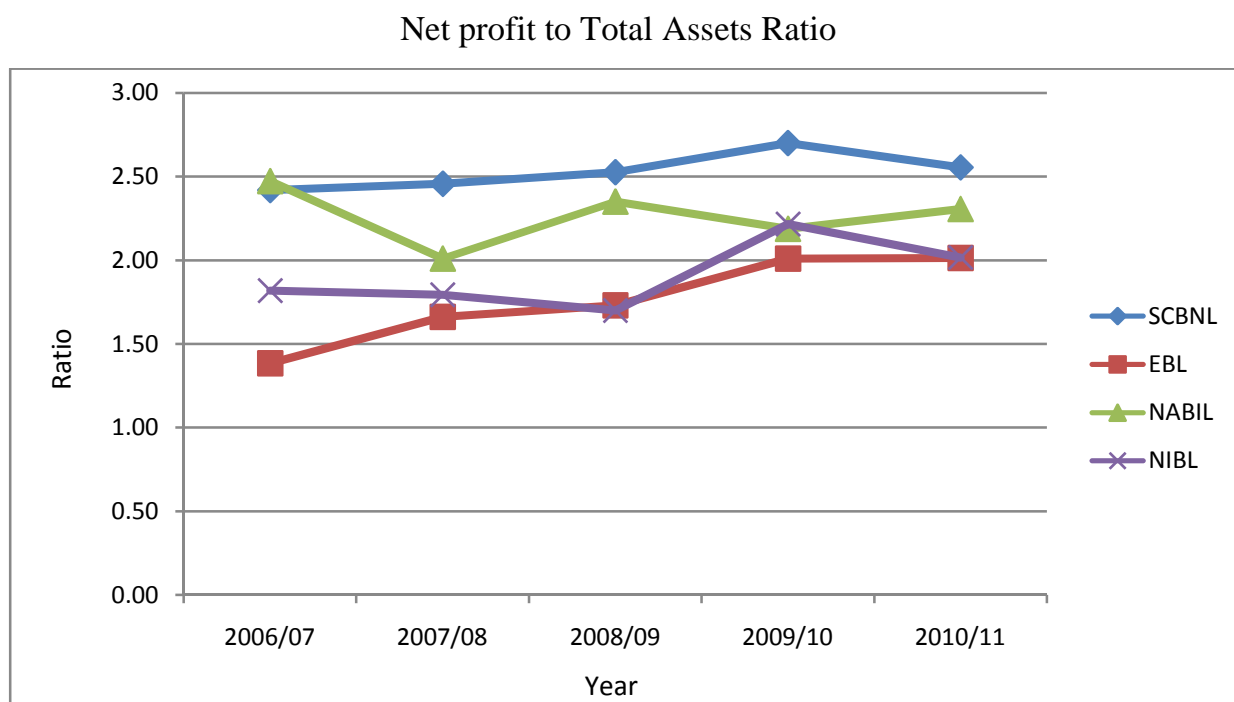
3. Net profit to Net Worth

This ratio is used to measure the successfulness of earning the profit with respect to the shareholder's equity. The following table presents the net profit to net worth ratio of sample banks.

$$\text{Net profit to Net Worth} = \frac{\text{Net Profit}}{\text{Net Worth}}$$

Table No:4.22

Net profit to net worth

Year\Banks	SCBNL	EBL	NABIL	NIBL
2006/07	32.68	24.67	32.76	26.70
2007/08	32.85	23.49	30.63	25.93
2008/09	33.58	28.99	32.94	23.05
2009/10	32.22	30.15	29.74	27.61
2010/11	30.43	29.91	29.36	22.80
Mean	32.355	27.440	31.085	25.218
S.D.	1.182	3.128	1.677	2.177
CV (%)	3.65	11.40	5.40	8.63

(Refer Annex A-14)

From the above table again SCBNL has highest mean ratio (i.e. 32.355) than that of other banks, which defines that SCBNL has a better achievement on increasing net profit by mobilizing on resources of shareholder's equity. SCBNL has more consistency than other banks too, though it has lowest S.D. & C.V. (i.e. 1.182 & 3.65 respectively) among other sample banks. The above data can also be presented in the diagram below:

Figure: 4.14

Net profit to Net Worth
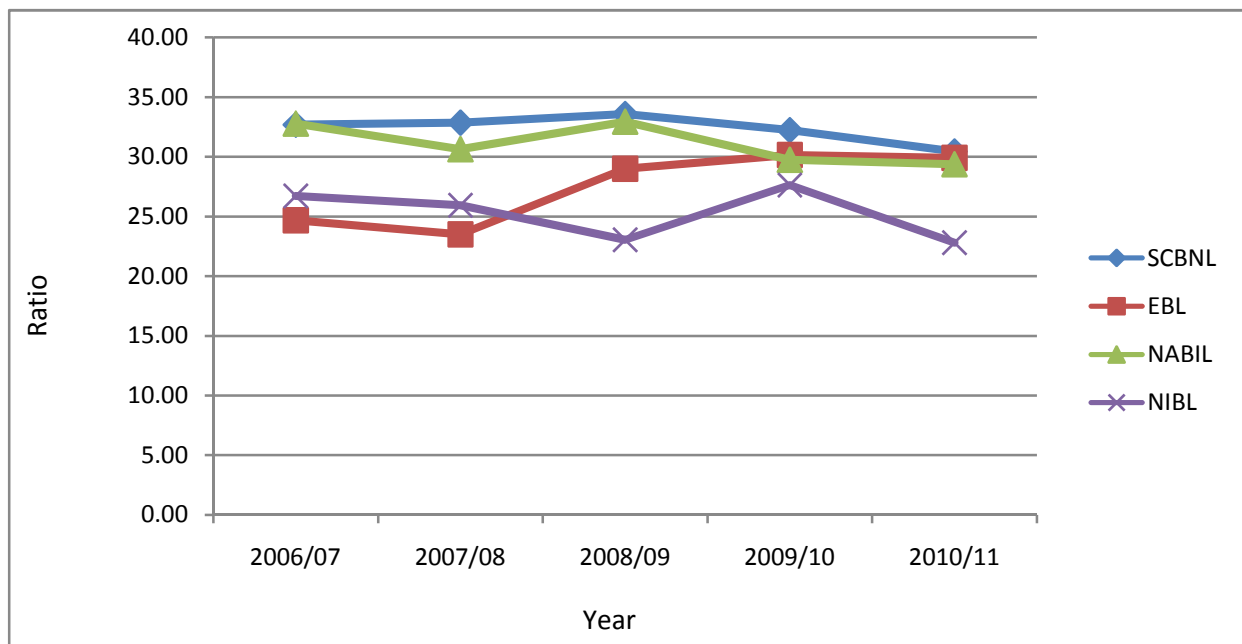
4. Total Interest earned to Total Assets ratio:

The ratio shows the earning capacity of a bank on its total assets. This ratio exhibits the extent on which banks are successful in mobilizing their working funds to generate income as much as possible. The following table shows the comparative ratios of banks for the different periods.

$$\text{Total Interest earn to Total Assets ratio} = \frac{\text{Interest Earned}}{\text{Total Assets}}$$

Table No:4.23

Total Interest earned to Total Assets ratio

Year\Banks	SCBNL	EBL	NABIL	NIBL
2006/07	4.94	5.34	5.83	5.74
2007/08	4.77	5.70	5.33	5.64
2008/09	4.65	5.92	6.38	6.16
2009/10	5.08	7.50	7.77	8.15
2010/11	6.21	9.37	9.04	9.94
Mean	5.129	6.766	6.867	7.130
S.D.	0.623	1.671	1.517	1.872
CV (%)	12.15	24.70	22.09	26.26

(Refer Annex A-15)

From the above table reveals, the total interest earned to total assets ratio. The mean ratio of SCBNL is lowest (i.e. 5.129) & that of NIBL is highest (i.e. 7.130) among all banks, which indicates that on an average NIBL has earned more interest and SCBNL has earned less interest in comparison. Since the S.D. &C.V. of SCBNL (i.e. 0.623 & 12.15 respectively) is significantly lower than that of EBL, NABIL & NIBL which shows the good or more consistency in earning interest by mobilizing total assets effectively. The clear picture of same can also be presented in the diagram below:

Figure: 4.15

Total Interest earned to Total Assets ratio
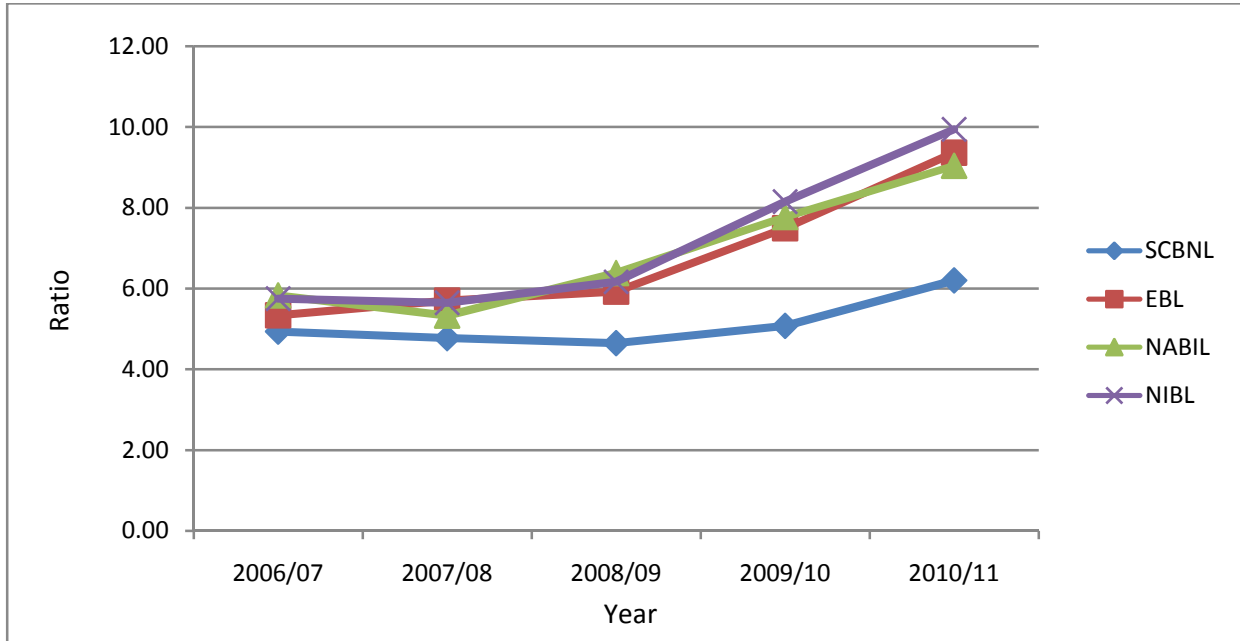
5. Total Interest Paid to Total Assets Ratio:

The ratio is used to measure the percentage of total interest expenses against the total assets. The following are the comparative ratio figures of the banks recorded in different periods.

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

Table No:4.24

Total Interest Paid to Total Assets Ratio

Year\Banks	SCBNL	EBL	NABIL	NIBL
2006/07	1.44	2.41	2.04	2.48
2007/08	1.42	2.33	2.04	2.55
2008/09	1.34	2.74	2.63	3.18
2009/10	1.43	3.80	3.76	4.47
2010/11	2.29	5.48	5.08	6.20
Mean	1.584	3.354	3.110	3.779
S.D.	0.396	1.327	1.307	1.573
CV (%)	25.03	39.56	42.02	41.62

(Refer Annex A-16)

The above table shows the comparative analysis of total interest paid to total assets. The table reflects that NIBL has higher mean ratio of 3.779, which indicates that it has paid larger interest than other banks. But measuring the consistency, SCBNL has successfully maintained more consistency level, which is indicated by its lower S.D. &C.V. of 0.396 & 25.03 respectively.The above data can also be presented in the diagram below:

Figure: 4.16

Total Interest Paid to Total Assets Ratio
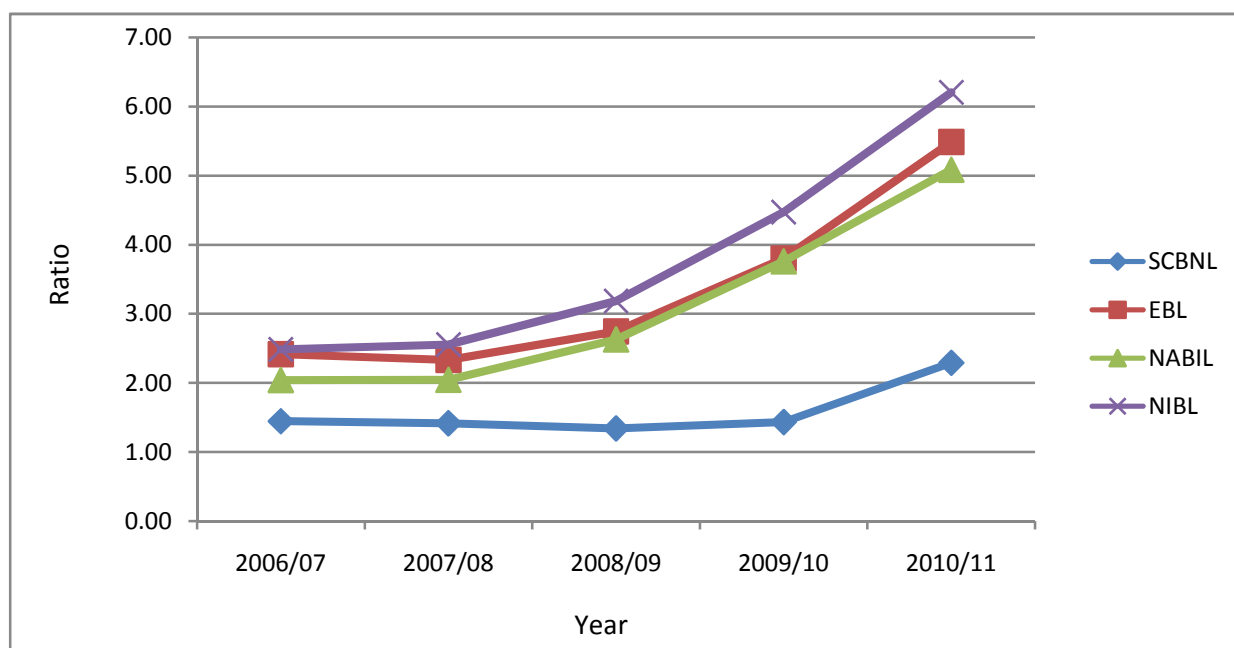
4.2.4. Leverage Ratio or Capital Structure Ratio:

Leverage ratio is also one of the major ratios to know about the financial performance of any institution. This ratio reveals the proportion of funds used by the institution either from the creditor side or from owner side. In order to maintain healthy financial position, any institutions need to maintain proper proportion of debt and equity capital. A capital structure of an institution is very important in terms of sustainability liquidity and profitability.

1. Debt- equity Ratio:

High debt equity ratio indicates more use of money from creditor's side and vice versa.

$$\text{Debt-equity Ratio} = \frac{\text{Total Debt}}{\text{Total Equity}}$$

Table No:4.25

Debt- equity Ratio

Year\Banks	SCBNL	EBL	NABIL	NIBL
2006/07	12.51	16.84	12.25	13.69
2007/08	12.37	13.13	14.24	13.47
2008/09	12.30	15.75	13.01	12.57
2009/10	10.93	14.00	12.59	11.50
2010/11	10.91	13.85	11.73	10.31
Mean	11.806	14.714	12.765	12.306
S.D.	0.810	1.529	0.947	1.412
CV (%)	6.86	10.39	7.42	11.47

(Refer Annex A-17)

From above comparative table, we can see the average or mean of the Debt-Equity ratio, SCBNL 11.806, EBL 14.714, NABIL 12.765 & NIBL 12.306 and that indicate comparatively SCBNL has the lowest and EBL has highest on average. Comparatively it shows that fund raised by debt for EBL is more and SCBNL is less than other banks. It also says EBL has higher debt cost and lower investment from equity fund. The lower debt brings a lower cost of the banks. In the same table we can see C.V. of ratio of the banks, SCBNL 6.86, EBL 10.39, NABIL7.42 and NIBL 11.47. SCBNL has lowest & NIBL has highest C.V. which indicates, SCBNL is more consistent on maintaining debt-equity ratio.

The clear outlook of same can be presented in diagram as below:

Figure: 4.17

Debt- equity Ratio
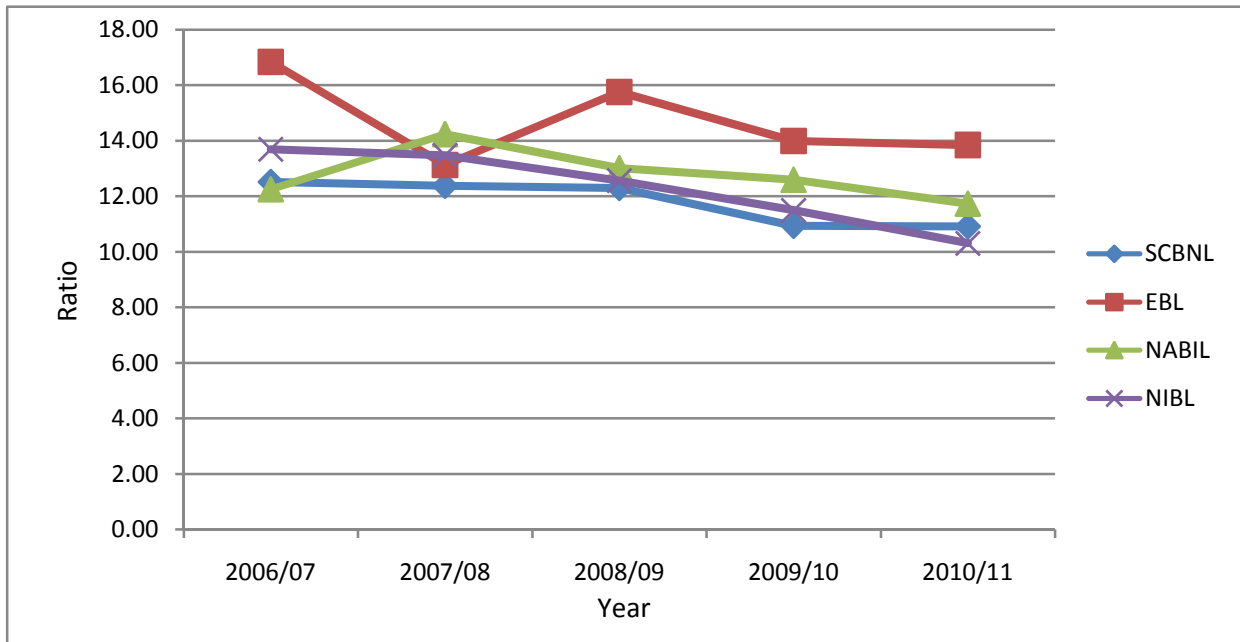
2. Debt-Assets Ratio:

It measures proportion of the creditors' funds used by the institution to acquire the assets. The increased proportion of debt indicated the high level of risk. The high level of riskin the sense, that the debt financing needs regular payment of interest in any condition of institution financial status and economic. The debt-assets ratios are as follows:-

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

<div align="center">

Table No:4.26

Debt-Assets Ratio

</div>

Year\Banks	SCBNL	EBL	NABIL	NIBL
2006/07	0.93	0.94	0.92	0.93
2007/08	0.93	0.93	0.93	0.93
2008/09	0.92	0.94	0.93	0.93
2009/10	0.92	0.93	0.93	0.92
2010/11	0.92	0.93	0.92	0.91
Mean	0.922	0.936	0.927	0.925
S.D.	0.005	0.006	0.005	0.008
CV (%)	0.55	0.64	0.52	0.88

(Refer Annex A-18)

The above table shows that the ratio of allbanks are not much fluctuated. EBL has highest mean ratio of 0.936, so as SCBNL has lowest mean ratio of 0.922 and NABIL & NIBL have 0.927 & 0.925 respectively. The highest mean ratio indicates, the debt financing of EBL is higher than that of other banks. However, measuring the consistency NABIL is more successful in maintaining consistency with the lowest C.V. of 0.52.

The clear outlook of same can be presented in diagram as below:

Debt-Assets Ratio
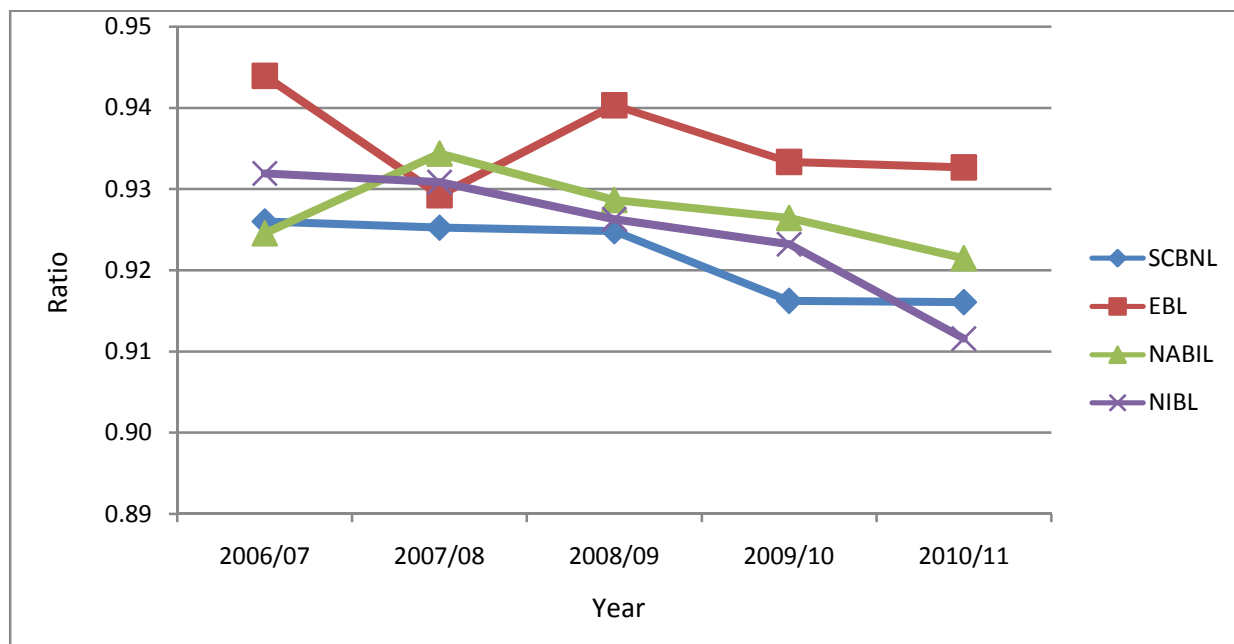
3. Coverage Ratio:

This ratio measures the proportion of possible loan losses out of the total loans and advance invested.

Loan loss provision to Total loan & advances $=\dfrac{\text{Provision for possible loan losses}}{\text{Total loan \&advances}}$

Table No:4.27

Provision for loan losses to loan and advances

Year\Banks	SCBNL	EBL	NABIL	NIBL
2006/07	0.03	0.03	0.02	0.03
2007/08	0.02	0.03	0.02	0.02
2008/09	0.01	0.02	0.01	0.02
2009/10	0.01	0.02	0.02	0.02
2010/11	0.01	0.02	0.02	0.02
Mean	0.017	0.025	0.021	0.020
S.D.	0.006	0.004	0.004	0.005
CV (%)	34.42	17.79	18.52	24.92

(Refer Annex A-19)

From the above comparative table the ratios of all banks are fluctuating. The mean ratio of EBL is higher than other banks, which is not good for the bank. The higher ratio indicates the larger amount of losses for the bank out of loan & advances invested. EBL has more consistency due to its lower C.V. of 17.79% than other banks. The clear outlook of same can be presented in diagram as below:

Figure: 4.19

Provision for loan losses to loan and advances
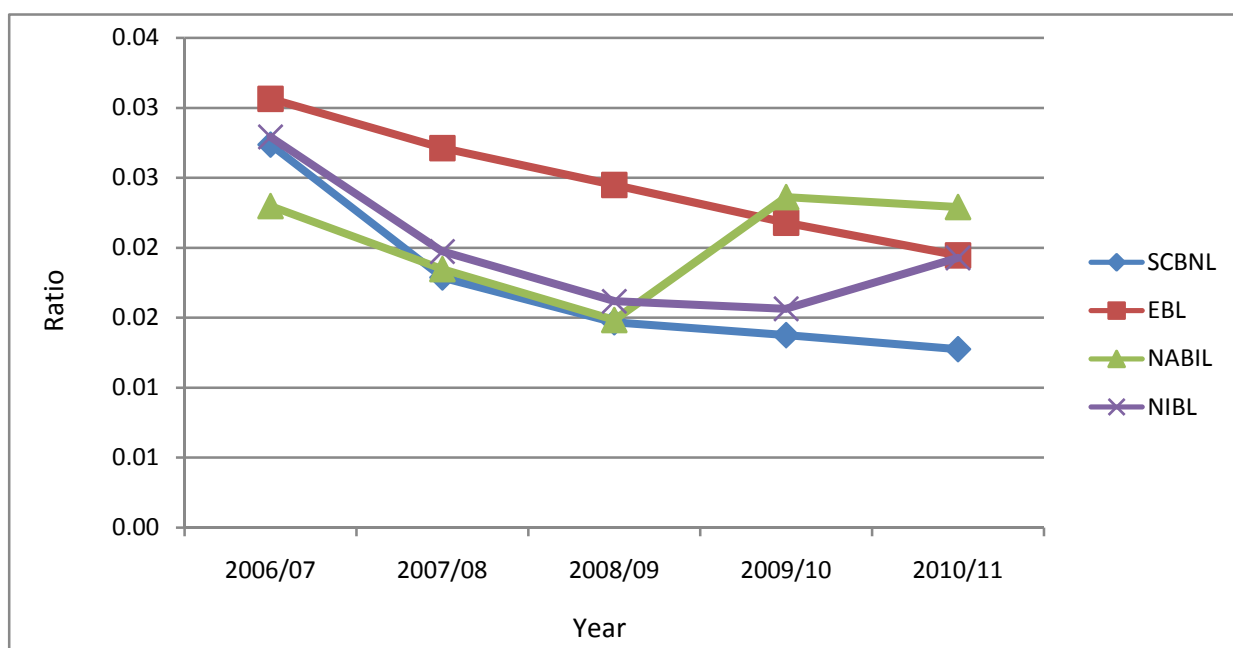
4. Capital adequacy ratio:

Capital adequacy ratio indicates strength of capital base of the institution. The capital adequacy ratios of the sampled banks are as follows:

$$\text{Capital adequacy ratio} = \frac{\text{Capital Fund}}{\text{Total Risk Weighted Assets}}$$

Table No:4.28

Capital adequacy ratio

Year\Banks	SCBNL	EBL	NABIL	NIBL
2006/07	15.71	11.19	12.04	12.17
2007/08	14.00	11.44	11.10	10.18
2008/09	14.70	11.34	10.70	11.24
2009/10	14.51	10.77	10.50	10.55
2010/11	14.22	10.43	10.58	10.91
Mean	14.627	11.033	10.985	11.009
S.D.	0.660	0.424	0.633	0.760
CV (%)	4.51	3.84	5.77	6.90

(Refer Annex A-20)

The above comparative table shows the capital adequacy ratio of sample banks for the five-year period. The mean ratio of SCBNL (i.e. 14.627) is highest among other banks, which shows the bank is in more comfortable position in maintaining capital adequacy. However, all the banks are successful to maintain sufficient capital adequacy ratio of more than 10%, the minimum requirement set by Nepal Rastra Bank for commercial banks. Measuring the consistency, EBL seems more consistent in maintaining capital adequacy ratio with lowest S.D. & C.V. of 0.424 & 3.84 respectively. The clear outlook of same can be presented in diagram as below:

Figure: 4.20

Capital adequacy ratio
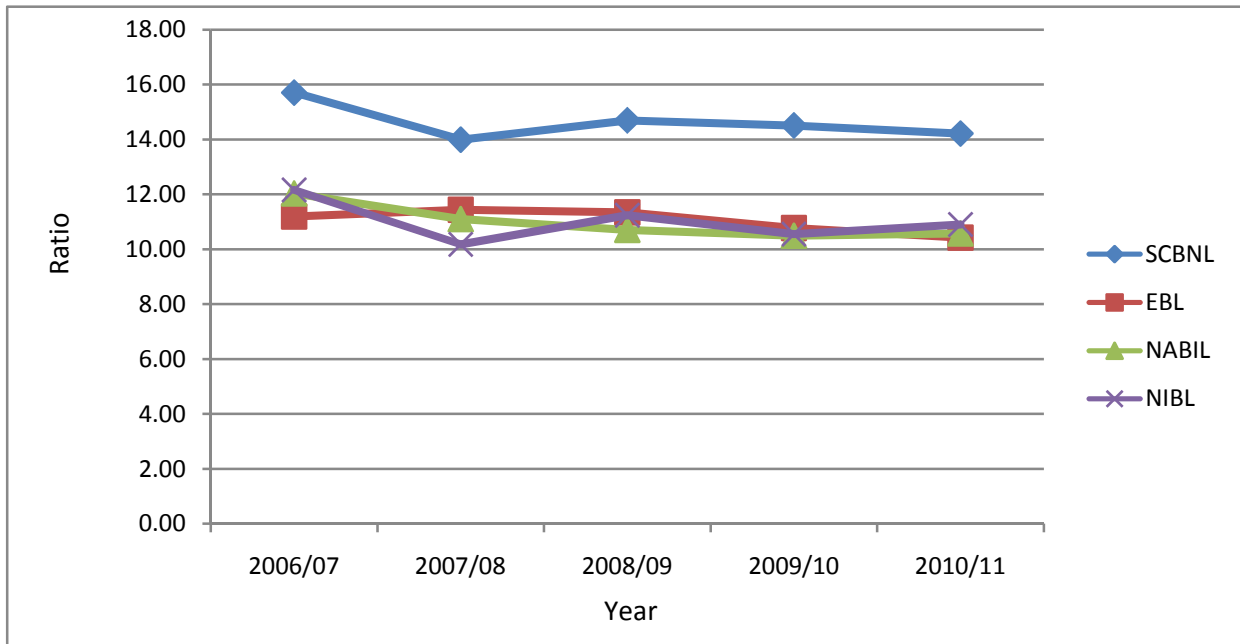
4.2.4.Growth ratio

1. Price Earnings Ratio:

$$\text{P/E Ratio} = \frac{\text{Market Value Per Share}}{\text{Earning Per Share}}$$

Table No:4.29
P/E RATIO

Year\Banks	SCBNL	EBL	NABIL	NIBL
2006/07	35.25	30.99	36.84	27.63
2007/08	51.77	34.11	45.53	42.34
2008/09	54.64	24.55	43.19	37.09
2009/10	42.23	16.27	28.45	13.42
2010/11	25.90	13.15	17.72	10.54
Mean	41.958	23.815	34.343	26.204
S.D.	11.835	9.063	11.410	14.050
CV (%)	28.21	38.05	33.22	53.62

(Refer Annex A-21)

The above table shows average P/E ratio of four banks, SCBNL 41.958, EBL 23.815, NABIL 34.343 & NIBL 26.204, SCBNL has highest and EBL has lowest ratio on average. The highest ratio of SCBNL suggest that it has higher market value per share than other banks, whereas NABIL, NIBL & EBL are in the second, third and fourth position respectively. Measuring the consistency, SCBNL is more consistent with lowest C.V. of 28.21 and NIBL seems to be more inconsistent with highest C.V. of 53.62.The clear outlook of same can be presented in diagram as below:

Figure: 4.21

P/E RATIO
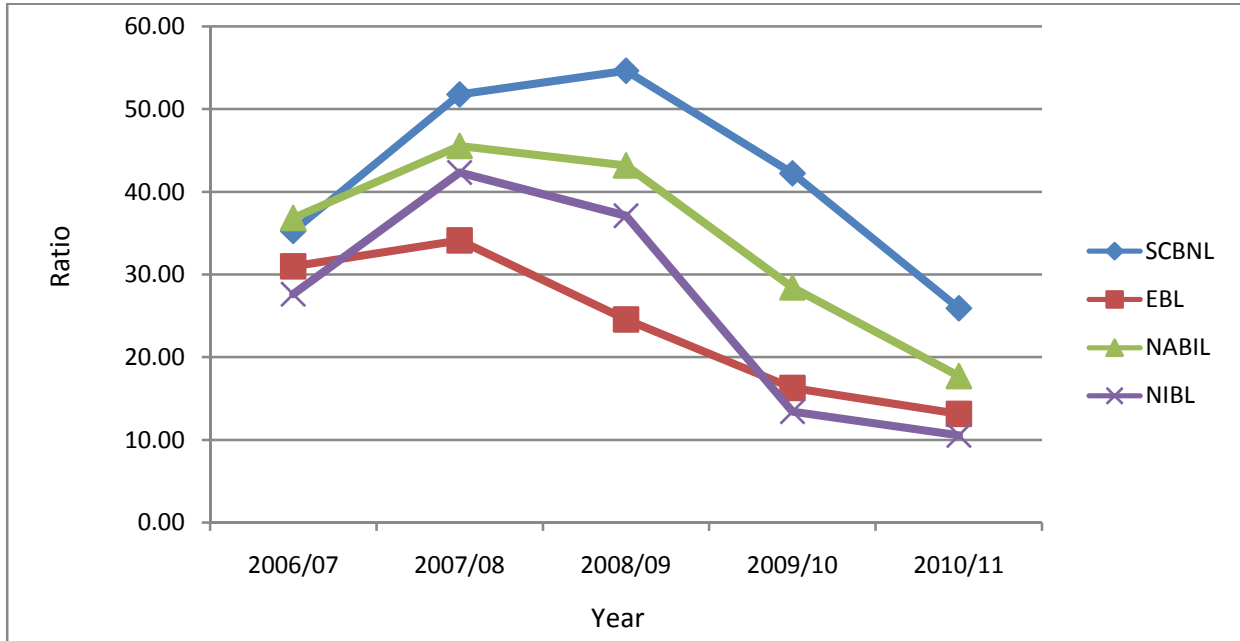
2.Market to Book Ratio:

Market to Book Ratio$= \dfrac{\text{Market Value Per Share}}{\text{Book Value Per Share}}$

Table No:4.30

Market to Book Ratio

Year\Banks	SCBNL	EBL	NABIL	NIBL
2006/07	11.52	8.65	12.08	7.39
2007/08	17.01	9.73	14.90	10.99
2008/09	18.35	7.11	15.12	8.57
2009/10	13.61	4.91	9.00	3.71
2010/11	7.88	3.94	5.56	3.01
Mean	13.674	6.869	11.333	6.733
S.D.	4.219	2.444	4.073	3.349
CV (%)	30.85	35.58	35.94	49.74

(Refer Annex A-22)

The above table shows that this ratio of SCBNL 13.674, is highest among other banks, whereas NIBL has the lowest ratio 6.733. Higher ratio of SCBNL suggests that the bank's growth rate in terms of share value is higher than other banks and lower ratio of

NIBL suggests that the bank's growth rate in terms of share value is less than other banks in comparison. Similarly, SCBNL has more consistency than other banks which can be measured by the lowest C.V. i.e. 30.85%.

Figure: 4.22

Market to Book Ratio
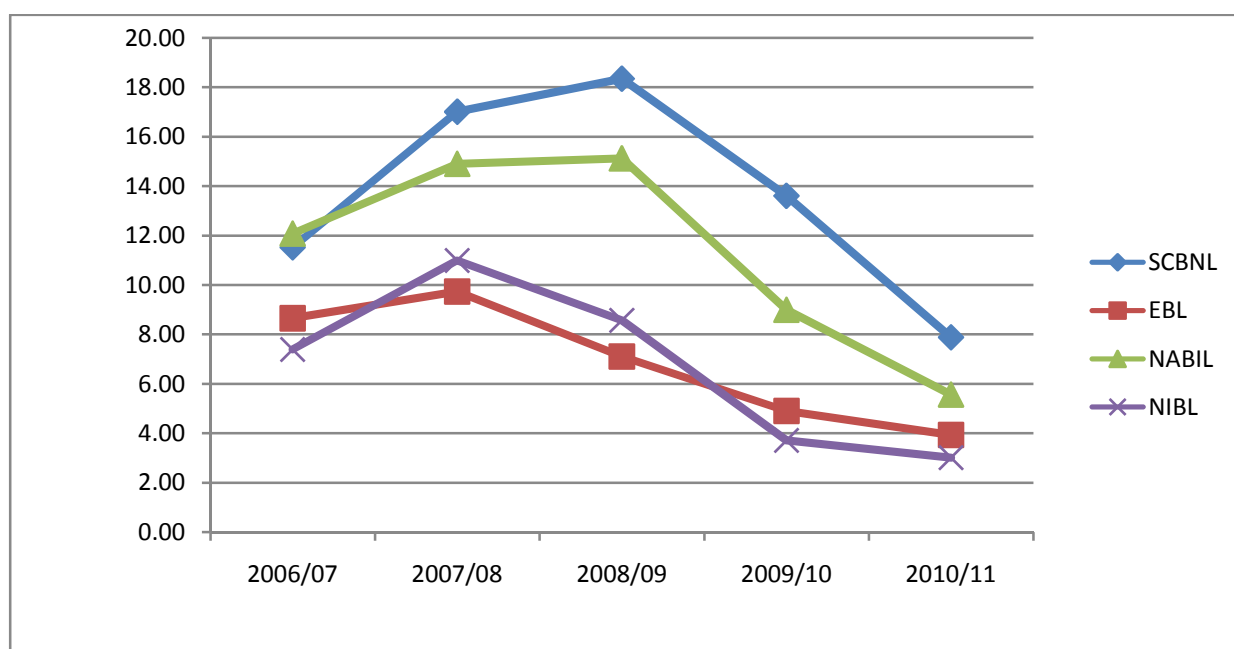
3. Dividend Yield Ratio:

Dividend Yield Ratio= $\dfrac{\text{Dividend Per Share}}{\text{Market Value Per Share}}$

Table No:4.31

Dividend Yield Ratio

Year\Banks	SCBNL	EBL	NABIL	NIBL
2006/07	2.20	1.23	2.77	1.74
2007/08	1.90	0.96	1.90	1.67
2008/09	1.66	1.22	1.74	1.44
2009/10	2.13	1.84	2.94	3.55
2010/11	2.78	0.91	2.40	9.71
Mean	2.137	1.234	2.347	3.619
S.D.	0.416	0.370	0.526	3.507
CV (%)	19.49	29.96	22.43	96.89

(Refer Annex A-23)

From above table the mean dividend yield ratio of SCBNL, EBL, NABIL & NIBL are 2.137, 1.234, 2.347& 3.619 respectively. NIBL has the highest dividend yield ratio and EBL has the lowest of it. Higher ratio of NIBL indicates that it is providing higher dividend with respect to its market value per share. Measuring the consistency, SCBNL is maintaining more consistency with lowest C.V. of 19.49 and NIBL seems to be more inconsistent than other banks, since it has highest S.D. & C.V. of 3.507 & 96.89 respectively.

Figure: 4.23

Dividend Yield Ratio
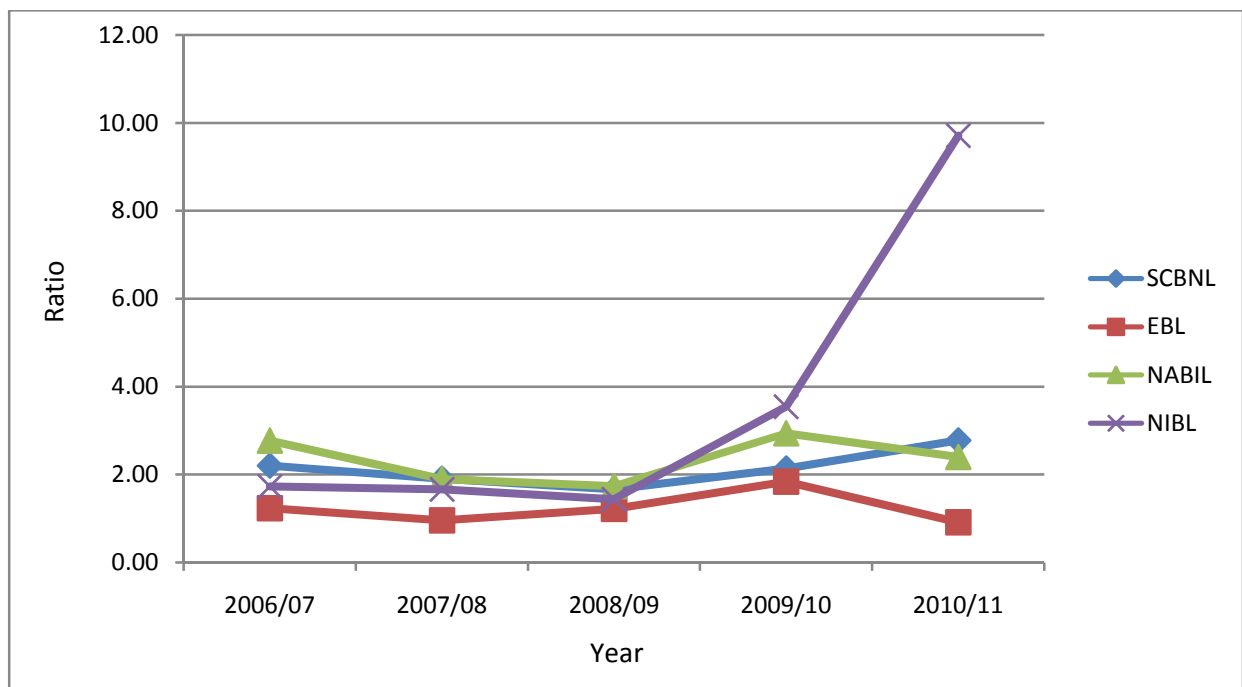
4.3. Statistical Analysis:

4.3.1 Coefficient of Correlation Analysis:

The analysis has been made to measure the degree of linear relationship between two variables in the bank. The tool is used to predict the relationship between deposits and loan and advances, deposits and investment, investment and net profit and net profit to loan and advance. Under this study, Karl's Person's coefficient of correlation is being used. The result of coefficient of correlation is always between +1 and -1, when r=+1, it

means there is perfect relationship between two variables and vice versa. When r=0, it means there is no relationship between two variables.

4.3.1.1 Correlation between Total Deposits and Loan Advances:

The coefficient of correlation between deposits and loans and advances measures the degree of relationship between these two variables. Deposit is the main tool for developing the banking performance of the banks. Likewise, the loan and advances are the key part to mobilize the collected deposits. For this study, deposit is taken as independent variable (x) and loan and advances are taken as dependent variables (y). Following table shows the r, r², P.E (r) between depositsand loan& advances of the sample banks.

Table No:4.32

Correlation between Total Deposits and Loan Advances

Evaluation Crieteria	SCBNL	EBL	NABIL	NIBL
r	0.8794	0.9967	0.9894	0.9975
r²	0.7733	0.9934	0.9790	0.9949
P.E (r)	0.0684	0.0020	0.0063	0.0015
6* P.E (r)	0.4103	0.0119	0.0381	0.0091
Level of Significance	Significant	Significant	Significant	Significant

(Refer Annex A-24, A-25, A-26 & A-27)

The coefficient of correlation for SCBNL, EBL, NABIL & NIBL banks are 0.8794, 0.9967, 0.9894 and 0.9975 respectively. The correlation coefficient for EBL & NIBL are almost +1, which indicates there is perfectly positive correlation between the total deposits and loan and advances for these two banks. While testing 6* P.E(r) for all four banks found to be significant as the value of 'r' is greater than value of 6*P.E. (r) which implies that there found to be perfect correlation between the total deposits and loan and advances. It shows that all four sample banks are capable in loan and advances mobilizing its total deposits efficiently.

4.3.1.2 Correlation between Total Deposits (x) and Investment:

Investment is also a major part of banks to mobilize the collected deposits to maximize the profit of banks investing in different profitable areas like shares and debenture, bond, government securities and other investment. Therefore, it is important to study the relation between the total deposits and investment. For this analysis, deposit is taken as independent variable (x) and investment (y) is taken as dependent variable. The following table shows the coefficient of correlation between deposits and investment, r², P.E (r) and 6*P.E (r).

Table No: 4.33

Correlation between Total Deposits and Investment

Evaluation Criteria	SCBNL	EBL	NABIL	NIBL
r	0.8087	0.6904	0.9644	0.8123
r²	0.6540	0.4766	0.9301	0.6598
P.E (r)	0.1044	0.1579	0.0211	0.1026
6* P.E (r)	0.6261	0.9472	0.1265	0.6157
Level of Significance	Significant	Insignificant	Significant	Significant

(Refer Annex A-28, A-29, A-30 & A-31)

The coefficient of correlation of SCBNL, EBL, NABIL & NIBL are 0.8087, 0.6904, 0.9644 & 0.8123 respectively. NABIL has higher degree of correlation between total deposits and investment. While testing 6*P.E(r) SCBNL, NABIL & NIBL all three banks found to be significant as the value of 'r' is greater than value of 6*P.E(r) and EBL found to be insignificant as the value of 'r' is less than 6*P.E(r). It shows that SCBNL, NABIL & NIBL are capable to mobilize their deposits in investment but EBL is not capable to do so.

4.3.1.3 Correlation between Investment and Net profit:

Without profit, banks cannot sustain in the market. To maximize the profit investment is done in different profitable area. Net profit is the key to survival of the banks. Therefore, it is necessary to measure the degree or relationship between these two

variables. For this study, investment (x) is taken as independent variable and net profit (y) is taken as dependent variable. Following table shows the relationship between two variables.

Table No:4.34

Correlation between Investment and Net profit

Evaluation Crieteria	SCBNL	EBL	NABIL	NIBL
r	0.8414	0.6688	0.9068	0.8942
r²	0.7080	0.4473	0.8222	0.7996
P.E (r)	0.0881	0.1667	0.0536	0.0605
6* P.E (r)	0.5285	1.0004	0.3218	0.3628
Level of Significance	Significant	Insignificant	Significant	Significant

(Refer Annex A-32, A-33, A-34 & A-35)

The coefficient of correlation of SCBNL, EBL, NABIL and NIBL are 0.8414, 0.6688, 0.9068 & 0.8942 respectively. The higher value of correlation coefficient for NABIL indicates the higher degree of correlation between its net profit & investment, while lower value of correlation coefficient for EBL indicates the lower degree of correlation between its net profit & investment. While testing 6*P.E (r) of SCBNL, NABIL & NIBL found to be significant as the value of 'r' is higher than 6*P.E (r) for these banks whereas EBL is found to be insignificant as the value of 'r' is lower than the value of 6*P.E (r). EBL is found to be weak in earning the net profit through the investment where as other three banks found successful to earn net profit by mobilizing fund in investment.

4.3.1.4 Correlation between Loan & Advances and Net profit:

Loan and Advances helps in earning the profit. Bank earns the profit by mobilizing the deposits in Loan & Advances. Therefore, it is necessary to study the relation between these two variables. For this study loan & advances (x) is taken as independent variable and net profit (y) is taken as dependent variable. The following table shows r², P.E (r) and 6*P.E (r) between loan & advances and net profit.

Table No: 4.35

Correlation between Loan & Advances and Net profit

Evaluation Crieteria	SCBNL	EBL	NABIL	NIBL
r	0.8876	0.9968	0.9885	0.9575
r²	0.7879	0.9935	0.9772	0.9167
P.E (r)	0.0640	0.0019	0.0069	0.0251
6* P.E (r)	0.3839	0.0117	0.0412	0.1507
Level of Significance	Significant	Significant	Significant	Significant

(Refer Annex A-36, A-37, A-38 & A-39)

The coefficient of correlation for the sample banks found to be almost '1', which indicates there is proportion relationship between the loan &advances and net profit for all four banks. While testing 6*P.E (r) for SCBNL, EBL, NABIL & NIBL, found to be significant as the value of 'r' for these banks is greater than 6*P.E (r), which implies that there found to be perfect correlation between the loan & advances and net profit. It shows that all four banks are successful in mobilizing their fund in loan and advances.

4.3.2 Trend Analysis:

The main objective of this part is to analyze the trend of prospective net profit in future by analyzing the trend of past net profit of the banks. Banks utilize the deposit by releasing investment in loan and advances in different profitable areas for maximizing the profit. A bank can invest in share and debenture bond, government securities and provide the loan and advances in different scheme.

This topic will be used to forecast the ratios between net profit and deposit, net profit and investment, net profit and loan & advances of the banks for the next five years.

4.3.2.1 Trend Analysis of Total Deposit:

This analysis will analyze total deposit of banks for five years from 2006/07 to 2010/11 and projection for five years i.e. 2011/12 to 2015/16. The following table shows the trend values of net profit to net deposit of banks for ten years.

Table No: 4.36

Trend Analysis of Total Deposit

Year	Banks			
	SCBNL (total deposits)	EBL (total deposits)	NABIL (total deposits)	NIBL (total deposits)
2006/07	24,647.03	18,186.25	23,342.39	24,488.86
2007/08	29,743.99	23,976.31	31,915.05	34,451.73
2008/09	35,871.72	33,323.46	37,348.26	46,698.09
2009/10	35,182.73	36,932.31	46,410.70	50,094.73
2010/11	37,999.24	41,127.90	49,696.11	50,138.13
2011/12	42,331.89	48,361.04	57,903.43	61,256.77
2012/13	45,546.21	54,244.97	64,623.74	67,950.92
2013/14	48,760.52	60,128.90	71,344.05	74,645.08
2014/15	51,974.84	66,012.83	78,064.36	81,339.23
2015/16	55,189.15	71,896.76	84,784.67	88,033.39

(Refer Annex A-40, A-41, A-42 & A-43)

The above table shows that trend values of all four banks are in increasing trend. The projection of NIBL is highest among other banks while NABIL, EBL & SCBNL are in second, third and fourth position respectively. The above data can be presented in the diagram below:

Figure: 4.24

Trend Analysis of Total Deposit

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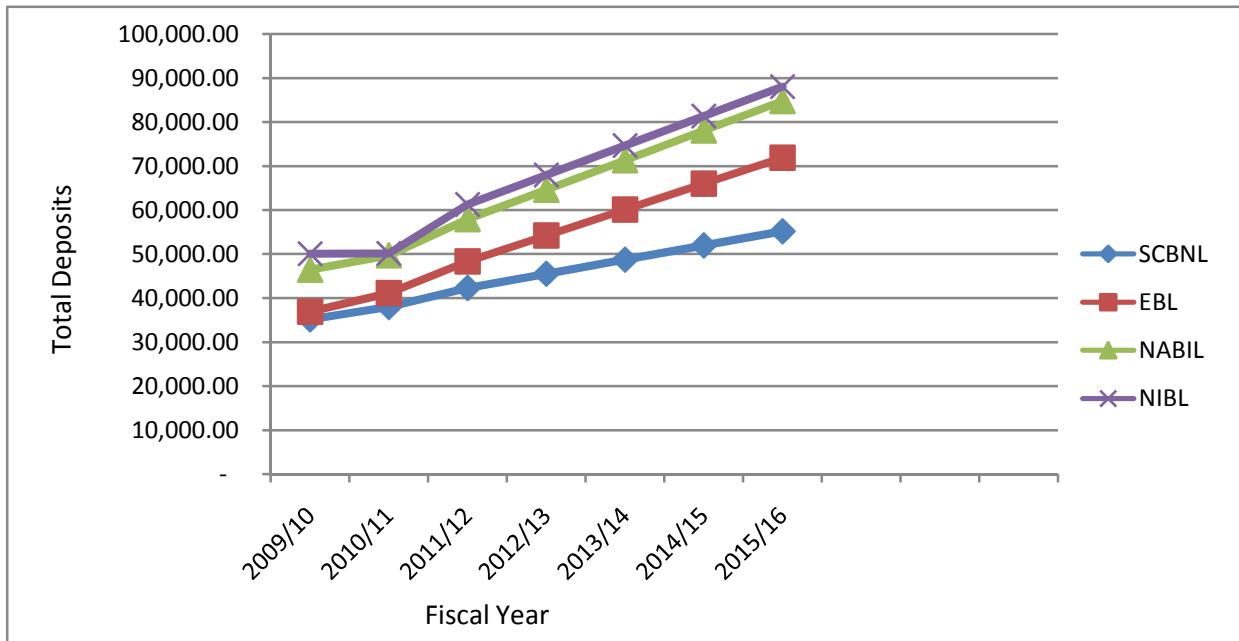
4.3.2.2 Trend Analysis of Loan and Advances:

This analysis will show the trend values of loan and advances of banks for the study period and then forecast for the following five years. The trend values of loan & advances of the banks are presented in the following table.

Table No:4.37

Trend Analysis of Loan and Advances

Year	Banks			
	SCBNL (Loan & Advances)	EBL (Loan & Advances)	NABIL (Loan & Advances)	NIBL (Loan & Advances)
2006/07	10,502.64	13,664.99	15,545.78	17,286.43
2007/08	13,718.60	18,339.09	21,365.05	26,996.65
2008/09	13,679.76	23,884.67	27,589.93	36,241.21
2009/10	15,956.96	27,556.36	32,268.87	40,318.31
2010/11	18,427.27	31,057.69	38,034.10	41,095.51
2011/12	19,883.33	36,101.36	43,724.88	50,669.57
2012/13	21,692.09	40,501.63	49,312.93	56,763.55
2013/14	23,500.86	44,901.90	54,900.98	62,857.53
2014/15	25,309.62	49,302.16	60,489.02	68,951.51
2015/16	27,118.38	53,702.43	66,077.07	75,045.50

(Refer Annex A-44, A-45, A-46 & A-47)

The comparative table shows that forecast value of all four banks are in increasing trend of loan and advances. Among them EBL has highest trend value and SCBNL has lowest trend value of loan and advances.

Figure: 4.25

Trend Analysis of Loan and Advances
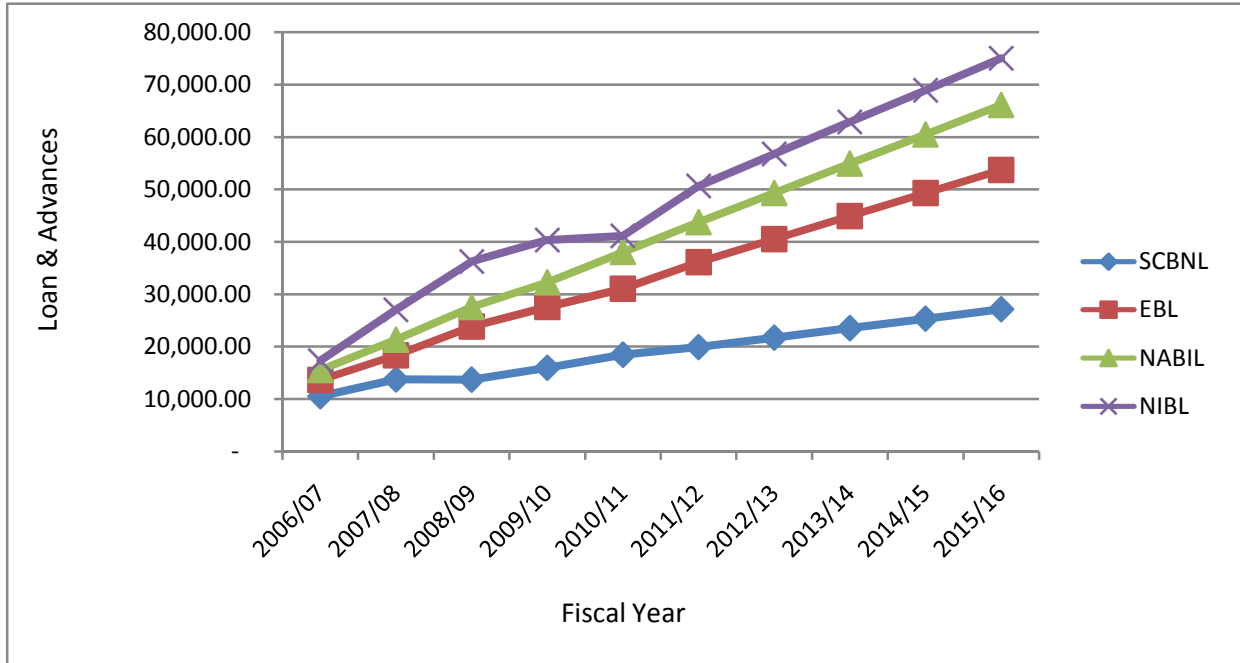
4.3.2.3 Trend Analysis of Investment:

The following table is the analysis for trend values of investment for next five year according to past five year's analysis.

Table No:4.38

Trend Analysis of Investment

Year	Banks			
	SCBNL (Investment)	EBL (Investment)	NABIL (Investment)	NIBL (Investment)
2006/07	13,553.23	4,984.31	8,945.31	6,505.68
2007/08	13,902.82	5,059.56	9,939.76	6,874.02
2008/09	20,236.12	5,948.48	10,826.38	7,399.81
2009/10	19,847.51	5,008.31	13,703.02	8,635.53
2010/11	17,258.68	7,743.93	13,081.21	7,423.11
2011/12	20,966.35	7,389.32	14,909.65	8,446.54
2012/13	22,301.91	7,936.11	16,113.16	8,806.18
2013/14	23,637.47	8,482.91	17,316.67	9,165.82
2014/15	24,973.03	9,029.71	18,520.17	9,525.45
2015/16	26,308.59	9,576.51	19,723.68	9,885.09

(Refer Annex A-48, A-49, A-50 & A-51)

The above comparative table shows the trend values of investment from year 2006/07 to 2010/11 actual data and next five year forecast. It shows the effect of investment to the net profit.

Figure: 4.26

Trend Analysis of Investment
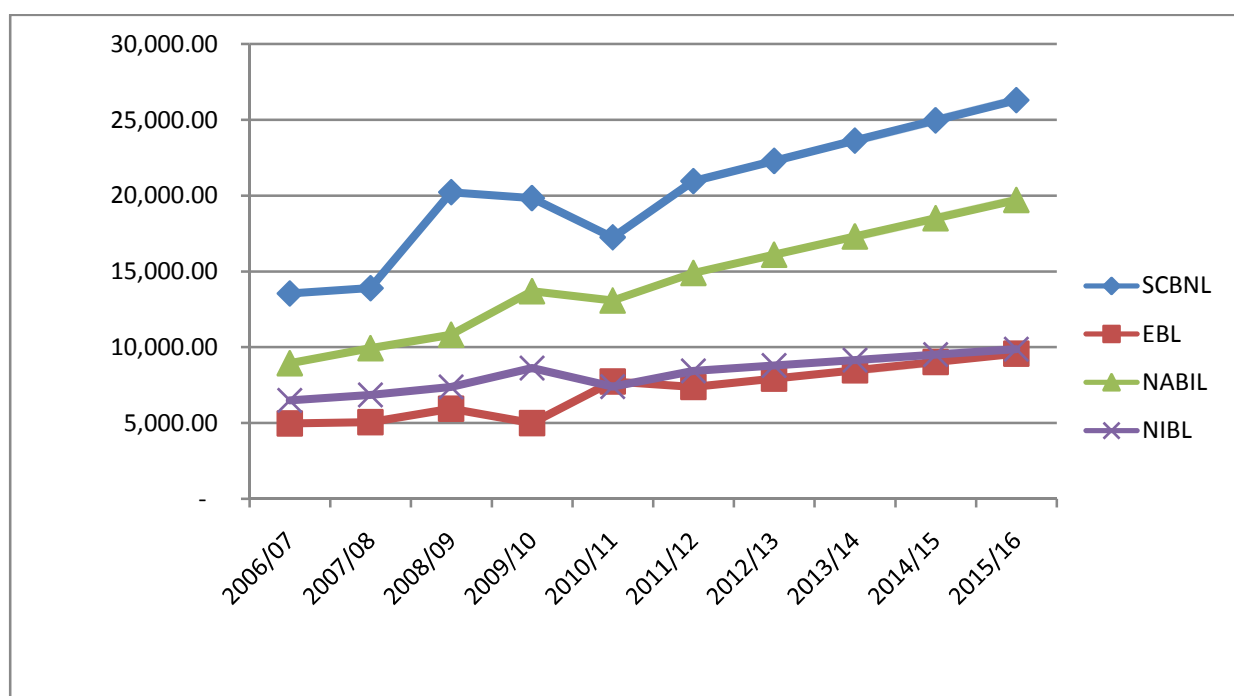
4.4 Major Findings of the Study

The major findings of the study are derived on the basis analysis of selected commercial banks, which are given below.

4.4.1 Liquidity Ratio

The liquidity position of selected commercial banks reveals that:

1. The average current ratio of all banks are almost same i.e. SCBNL 1.343, EBL 1.488, NABIL 1.490 & NIBL 1.536. It shows that all four banks have maintained good current ratio. In comparison, NIBL is in good liquidity position than others with higher mean ratio, while NABIL seems to be more consistent because of maintaining lower C.V. and Standard Deviation than others.

2. The average ratio of cash and bank balance to total deposit of SCBNL, EBL, NABIL& NIBL are 0.074, 0.158, 0.063& 0.135 respectively. It reveals that on an average basis EBL has more liquid to serve its depositors in time with enough cash in hand. NABILis found to be holding less cash in hand than other banks.

3. The average ratio of cash and bank balance to current assets of NABIL is lesser than that of other banks. It indicates that NABIL has maintained comparatively lower portion of cash & bank balance with respect to current assets. However, SCBNL has maintained more consistency than other banks, because SCBNL has lower Standard Deviation & C.V. than other banks.

4. The loan and advance to total current assets of sample banks SCBNL, EBL, NABIL & NIBL are 0.388, 0.668, 0.619& 0.698 respectively. Mean ratio of NIBL is higher than other banks, which indicates NIBL has provided more loan & advances than other banks. SCBNL has lowest average ratio, which suggest SCBNL use to provide rationally less loan & advances than that of other banks.EBL has more consistency in maintaining this ratio than other banks because it has lowest Standard Deviation & C.V.

5. The mean ratio of short term investment to current assets of SCBNL 0.457 is higher than that of other banks. It states that SCBNL has higher portion of short term investment than other banks and SCBNL also has maintained more consistency than others with lower C.V. of 10.40%.

6. The mean ratio of fixed deposit to total deposit ratio of SCBNL, EBL, NABIL& NIBL are 0.193, 0.288, 0.267& 0.298 respectively. In comparison the mean ratio of EBL, NABIL & NIBL are almost same while SCBNL has lowest mean ratio. Which indicates EBL, NABIL & NIBL has maintained more fixed deposits in total deposit mix, that gives these banks more opportunity to invest their deposit in long term investment sector than SCBNL.

4.4.2 Activity Ratio:

The activity ratio of selected commercial banks reveals that:

1. In comparison, NIBL has highest and SCBNL has lowest mean ratio of loan & advances to total deposit. It implies that NIBL has used higher percentage of

total deposit into loan and advances than other banks over the study period. Similarly, SCBNL has used lower percentage of total deposit into loan and advances over the study period than other banks. EBL is more consistent with lower S.D. & C.V.

2. The mean ratio of loan & advances to fixed deposit of all the banks are almost same. EBL has maintained more consistency in mobilizing loan & advances effectively with respect to fixed deposit because it has lower S.D. & C.V. (i.e. 0.494 & 18.47% respectively).

3. The average ratio of loan & advances to total assets of SCBNL, EBL, NABIL& NIBL are 0.387, 0.660, 0.610& 0.683 respectively. It indicates that EBL, NABIL & NIBL have used higher percentage of total assets in loan & advances than SCBNL over the study period. Likewise, SCBNL has used lower percentage of total assets into loan & advances than other banks.

4. The average ratio of total investment to total deposit of SCBNL, EBL, NABIL& NIBL are 0.520, 0.197, 0.309& 0.189 respectively. It implies that on an average SCBNL has used 52% of total deposit into investment, which is higher than that of other banks. Similarly, on an average EBL has used 18.9% of total deposit into investment, which is lowest among other banks.

5. The mean ratio of NPA to Total Loan of SCBNL, EBL, NABIL & NIBL are 0.931%, 0.553%, 1.208% & 1.164 % respectively. It shows that NIBL has higher portion of non- performing loan than other banks, which means the credit administration, credit monitoring, credit evaluation and credit recovery system of NIBL is not so good among other banks. Whereas, EBL has shown good credit administration, credit monitoring, credit evaluation and credit recovery system than other banks with lowest mean ratio. However, the NPA to Total Loan of all sample banks is below 5%, which is an indication of good credit administration as per the NRB directives.

4.4.3 Profitability Ratio:

1. The average ratio of net profit to total deposit of SCBNL, EBL, NABIL & NIBLare2.890%, 1.989%, 2.629%&2.174% respectively. It implies that, on an

average basis, SCBNL has earned the highest percentage (i.e.2.890%) of net profit by utilizing its total deposit than other banks. Likewise, EBL has earned the lowest percentage (i.e. 1.989%) of net profit by utilizing its total deposit over the entire study period. Measuring the consistency, SCBNL has maintained more consistency than other banks to make more profit because it has lowest S.D. & C.V. than that of other banks.

2. The average ratio of net profit to total assets of SCBNL, EBL, NABIL & NIBL are 2.53%, 1.76%, 2.27%& 1.91% respectively. It reveals that, on an average basis, SCBNL has earned higher percentage (i.e. 2.53%) of net profit by utilizing its total assets than other banks. Similarly, on an average basis, EBL has earned lowest 1.76% of net profit against the use of total assets over the entire study period. The above ratio shows how efficiently the sample banks have utilized their available assets over the study period. Among the four sample banks, EBL has the lowest ratio i.e. 1.76%. It means that EBL has not mobilized its assets into profit generating projects than other banks.

3. SCBNL has the highest & NIBL has the lowest average ratio of net profit on net worth (i.e.32.35% & 25.22% respectively). It implies that, on an average basis, SCBNL has provided the higher percentage (i.e. 33.78%) of return to its shareholder by utilizing the shareholders fund among the four sample banks. The above ratio shows how much the sample banks have utilized the available fund of shareholders into profit generation over the study period. Among the sample banks, EBL has the lower ratio.

4. The average ratio of total interest earned to total assets of SCBNL, EBL, NABIL & NIBL are5.13%, 6.77%, 6.87%&7.13% respectively. It implies that, on an average basis NIBL has earned the higher percentage (i.e. 7.13%) of net interest by utilizing its total assets in to interest generating projects. Among the four sample banks, SCBNL has the lowest ratio (i.e. 5.13%). It means that SCBNL has not mobilized its assets into interest generating projects.

5. The average ratio of total interest paid to total assets of SCBNL, EBL, NABIL & NIBL are 1.58%, 3.35%, 3.11% & 3.78%respectively. The ratio of EBL, NABIL & NIBL are almost similar, which indicates these three banks have paid

interest in a similar ratio, whereas SCBNL has lowest ratio than other banks, which indicates SCBNL has paid lower interest on total assets in comparison to others.

4.4.4 Leverage Ratio:

1. EBL has the highest average debt-equity ratio of 14.71 times among four sample banks. It implies that EBL has highly leverage which means debt capital financing is more than 14.71 times of its shareholder equity over the study period, whereas SCBNL, NABIL & NIBL have lower than that of EBL i.e. 11.81 times, 12.77 times & 12.31 times respectively .

2. The average ratio of total debt to total assets for all four sample banks are almost same. It means all four banks have similar portion of debt into total assets. While measuring the consistency, NABIL has maintained more consistency because it has lowest Standard Deviation & C.V. than that of other banks.

3. The coverage ratio for EBL is higher than that of other banks, which indicates larger amount of possible losses for the bank. A bank has to be careful in lending to minimize its possible losses. SCBNL has lowest coverage mean ratio than other banks that indicates the lower amount of possible losses. Moreover, EBL is maintaining its consistency, which is indicated by its lower c.v.

4. The mean capital adequacy ratio of SCBNL, EBL, NABIL & NIBL are 14.63%, 11.03%, 10.99% & 11% respectively. It indicates that the capital adequacy ratio of all sample banks are above the standard set by the NRB directives i.e. minimum of 10% for commercial banks. EBL is more consistent in maintaining its capital adequacy in comparison to other banks because it has lowest Standard Deviation & C.V. (i.e. 0.424 & 3.84% respectively).

4.4.5 Growth Ratio:

1. The average price-earning ratio of SCBNL, EBL, NABIL& NIBL are 41.96, 23.82, 34.34 & 26.20. It implies that SCBNL has higher price-earning ratio than that of other banks. It also means that SCBNL's market price per share is 41.96 times greater than its earning per share.

2. The average market to book value ratio of SCBNL, EBL, NABIL & NIBL are 13.67, 6.87, 11.33 & 6.73 respectively. SCBNL has the highest mean ratio, which indicates that SCBNL's market value per share is higher than that of all other sample banks in comparison to book value per share.

3. NIBL has the highest and EBL has the lowest dividend yield ratio than that of other banks. It means NIBL has provided dividend to its shareholders in a higher ratio, whereas EBL has provided dividend in a lower ratio in comparison to other banks. Likewise, SCBNL is more consistent in distributing dividend to its shareholders because it has maintained a lowest C.V. of 19.49% among other banks.

4.4.6 Correlation coefficient

- The positive correlation between deposit and loan & advances are found of all four banks. The correlation between the deposit and loan & advances are perfect as there is significance between them. It means that all sample banks have provided the loans & advances from its deposit. Banks are successful in mobilizing the deposit in loan& advances.

- There is positive correlation between the deposit and investment of all four sample banks. It shows that SCBNL, NABIL & NIBL have effectively mobilized its deposit on investment.But EBL has not effectively mobilized its deposit on investment since the correlation between the deposit and investment is not insignificant.

- SCBNL, NABIL & NIBL are successful in earning the net profit from its investment, which means that there is a positive correlation between the investment and net profit in these three banks. EBL is failed to earn the net profit from its investment since the correlation between the investment and net profit is not significant.

- All the sample banks are successful in earning the net profit by mobilizing the loan & advances. The correlation between the loan & advances and net profit are found to be perfectly positive.

4.4.7 Trend analysis:

Loan & advances, investment and total deposit of each bank have increasing trend at the end of fiscal year 20011/12 to 20015/16. On the other hand, average growth of deposits and loan advances for NIBL is higher among other banks; likewise, average growth of investment for SCBNL is higher among other banks.

CHAPTER – 5

SUMMARY, CONCLUSION AND RECOMMENDATION

This chapter is the most important for the research because this chapter is the extract of all the previously discussed chapters. This chapter consists of mainly three parts: summary, conclusion, and recommendations. In summary part, revision or summary of all four chapters is made. In conclusion, the result from the research is summed up and the recommendation is made based on the result and experience of thesis. Recommendation is made for improving the present situation to the concerned parties as well as further research.

5.1 Summary:

The economic development of a country cannot be imagined without the development of commerce and industry. The role of commercial banks in the economic growth of nation can be estimated to be prominent. The very challenging job of commercial banks is to collect the scattered idle resources from the small savers. Actually, commercial banks pool the fund in the sizable volume in order to feed the fund requirement of productive sector promote trade and industrialization in the country there by raising the employment opportunity and earned to the labors and materials suppliers to such industries and traders.

Commercials banks of course contribute a lot to the development of the economy of the country. Thus, to remain in the front line of the great contributor of the economy, the banks have sustainable existence and growth themselves. For the sustainable existence and growth of a bank, it must have reasonable profitability.

Under this study, the researcher has tried to cover the various aspects of selected commercial banks covering the period of five years from 2006/07 to 2010/11. In the first introduction chapter, the study report has tried to give history & introduction of banking and its relation to the economy, brief profile of the concerned banks, general concepts of financial statement and the statement of problem, objectives of the study and its limitation. During the research work, extensive review of various literature

books, past thesis, journals have been studied and consulted. In addition, as per requirement, internet materials from relevant websites are searched. These works are complied in the second chapter titled "Review of Literature" of this report.

For this study, the researcher has gathered the required data from annual reports published by the concerned joint venture banks for the last five years. In addition, internet website of Nepal Stock Exchange is used for necessary data. The study is totally based on the secondary sources of data and required have been collected by using various published sources.

In the third chapter titled Research methodology, various financial and statistical tools have been taken into consideration. In financial tools various ratios are used and similarly in statistical tools such as mean, standard deviation, coefficient of variation, correlation coefficient, coefficient of determination, probable error are used to analyze the data.

Data relating to activities of the banks have been collected and presented in figures and tabular form as far as possible are tried to e interpreted in the study report in logical ways. Data are then analyzed applying various financial and statistical tools and findings of the study have been listed in a systematic manner. All these works are complied in the fourth chapter titled "Data Presentation and Analysis" of the study.

Finally, the summary, conclusion, and recommendation made by the research are presented in the current chapter titled "summary, conclusion,& recommendations".

5.2 Conclusions:

This study reveals that the liquidity position of EBL is comparatively better than other banks. EBL has maintained higher cash & bank balance to total deposits; cash & bank balance to current assets ratio and good current ratio. SCBNL also has maintained good liquidity position with lowest investment in loan & advances and highest short term investment. NABIL has maintained lowest cash & bank balance and short term investment is also in a lower side therefore, liquidity position of NABIL found not so

good in comparison to other banks. NIBL has more deposit collection than other banks and it has made less fund utilisation in short term investment.

Analyzing the activity ratio it can be concluded that SCBNL & NIBL has successfully managed their assets towards profit generating activities. NIBL has higher ratio of loan & advances to total deposits; loan & advances to fixed deposits and loan & advances to total assets than other banks, whereas SCBNL has maintained higher total investment to total deposits ratio than other banks. NIBL has utilized its fund by providing more loan & advances, likewise SCBNL has utilized its fund by making more investments. EBL has shown good credit administration system with lower NPA to Total Loan ratio and also has maintained more consistency in utilizing its fund in loan & advances by maintaining lower C.V. and Standard Deviation.

In terms of profitability, SCBNL has earned more profit than other banks. SCBNL has higher ratio of net profit to total deposits; net profit to total assets; net profit to net worth and lower ratio of total interest paid to total assets. SCBNL has mainly focused on profit from investment rather than from loan and advances so that it has maintained more profitability despite of lowest interest income. NIBL has higher ratio of interest earned and interest paid which indicates that it has collected more deposits and disbursed more loan and advances in comparison to other banks.

From leverage ratio it is found that, EBL has higher debt-equity ratio; debt to total assets ratio & loan loss provision to total loan ratio.EBL has utilized more debt in its capital structure in comparison to total equity. Higher ratio of loan loss provision for EBL indicates higher amount of possible losses than other banks. All four sample banks have maintained a good capital adequacy ratio as they have maintained ratio more than 10% i.e. a minimum standard set by NRB for commercial banks through capital adequacy framework.

Analyzing growth ratio, SCBNL has higher P/E ratio and market to book value ratio, which means the bank has maintained a better growth to maximize its shareholders wealth. However, NIBL has provided more dividends to its shareholders with respect to its market value per share.

There is higher degree of significance between total deposits & loan, total deposits & investments, loan & net profit and investment & net profit of SCBNL, NABIL and NIBL in comparison to EBL. EBL has successfully utilized its total deposits in loan & advances but it has failed to generate more profit from investment in comparison to other banks.

Making projection for next five years, based on the data of last five years, it is found that total deposits, loan & advances and investments of all banks are in increasing trend. In comparison, increasing trend of total deposits and total loans for NIBL is higher than that of other banks and SCBNL has higher increasing trend of total investments among others.

5.3. Recommendation:

Based on the analysis interpretations and conclusions some of the major recommendations related to financial performance of sample banks are mentioned as follows:

➢ On the basis of liquidity ratio analysis it is found that sample commercial banks do not have standard current ratio i.e.2:1. Nevertheless, it is not considered so bad from the point of view of working capital side. EBL seems to have held more cash and bank balance than other banks, whereas SCBNL has made more short-term investment than other banks. To maintain liquidity in perfect condition commercial banks should invest the ideal deposit in short term investments and have to maintain enough cash balance to meet current requirement.

➢ On the basis of activity ratio analysis it is found the banks have emphasized on issuing loan & advances. EBL, NABIL and NIBL have mobilized their fund more as loan & advances but on the other hand SCBNL has utilized its fund more as total investments. Being profit earning institution banks have to mobilize their funds in to more profit generating areas with proper diversification of assets and effective risk management.

- Profit is a key element for success of any business. The bank also cannot sustain without profit. So they should keep in the mind for profit maximization but in long term business, commercial banks also should be concerned with the shareholders wealth maximization. NIBL has earned more interest income and bear more interest expenses in comparison to other banks because it has collected more deposits and provided more loan & advances than other banks. But SCBNL has maintained better profitability ratio in comparison to others. Despite of having lower interest income SCBNL has earned more profit by mobilizing funds more as investment. Banks are suggested to apply effective portfolio diversification to minimize risk and maximize profit.

- All sample banks have maintained higher debt-equity ratio and higher debt to total assets ratio. The higher portion of debt in the capital structure is not good for the banks. Therefore, banks are suggested to decrease the debt financing to maintain a healthy capital structure. However, all the banks have maintained good capital adequacy ratio. They have maintained the capital requirement as per the capital adequacy framework set by NRB.

- Portfolio management is very important for every investor. In each investment, risk is involved. Risk is the chance of loss or the variability of the returns of a period. The greater the variability of the returns project will be riskier. So it is kept in mind while investing in the project which would be lower risk and higher return. Portfolio management plays vital role with dividing total investment in different areas. Portfolio management of the bank assets means allocation of funds in different components of banking assets having different degrees of risk and varying rate of return in such a way that the conflicting goal of maximum yield and minimum risk can be achieved. So, portfolio conditions of SCBNL, EBL, NABIL and NIBL should be examine carefully from time to time and alteration should be made to maintain equilibrium in the portfolio condition as far as possible. So, it can be said "all eggs should not be kept in the same basket". The bank should make continuous efforts to explore new, competitive

and high yielding investment opportunities to optimize their investment portfolio.

➢ Banks are suggested to manage their assets effectively to minimize the possible losses. Effective project appraisal, credit administration, credit monitoring & evaluation and credit recovery system are the methods for minimizing and controlling credit risk. In comparison all the banks are in comfortable position by maintaining lower ratio of loan loss provision throughout the study period.

➢ SCBNL has maintained a higher growth in comparison to other banks by maintaining higher P/E ratio and higher Market to Book value ratio. The market value per share of SCBNL is higher among other banks throughout the study period, which suggests that bank is more successful in maximizing its shareholders wealth. By proper utilisation of funds and effective assets-liabilities management a bank can maintain consistent profitability and maximize shareholders wealth.

➢ By the help of dividend yield ratio investors take decisions to invest or not in a particular company's share. Higher dividend yield ratio is preferable. High dividend yield ratio encourages the investors to invest. Similarly low dividend yield ratio discourages. NIBL has maintained higher dividend yield ratio than that of other banks despite of having lower earning per share.

➢ Most of the private commercial banks have mainly focused their services to prime customers such as multinational companies, big corporate houses, institutional depositors, large-scale industries, manufacturers and exporters. Small depositors and lenders are far from reach of the banking facilities from private commercial banks. Therefore, all banks should target small depositors and small entrepreneur also for promoting and mobilizing small investor's funds and to develop small-scale businesses.

- In the light of growing competition in the banking sector, the business of the bank should be customer oriented. It should strengthen and activate its marketing function, as it is an effective tool of attracting and retaining customers. For this purpose, the banks should develop an "Innovative approach to Bank Marketing" and formulate new strategies of serving customers in a more convenient and satisfactory way.

- Although all banks taken in the study have expanded their branches over the country but all of these banks do not have branches in the rural areas of the country. Their branches are limited to the urban or sub-urban areas only. Therefore, banks are recommended to open branches in rural areas too to help in economic development of the country.

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Annexure-1

Current Ratio

(Rs. In million)

Year	SCBNL			EBL			NABIL			NIBL		
	CA	CL	Ratio	CA	CL	Ratio	CA	CL	Ratio	CA	CL	Ratio
2006/07	28,471.10	22,883.84	1.244	21,262.48	14,304.40	1.486	26,966.50	19,882.32	1.356	26,830.26	17,396.04	1.542
2007/08	33,210.04	27,542.23	1.206	26,703.91	18,481.93	1.445	36,534.71	24,631.46	1.483	37,902.46	27,192.29	1.394
2008/09	40,441.69	30,133.30	1.342	36,405.26	27,051.75	1.346	43,206.41	30,445.14	1.419	51,949.67	36,380.79	1.428
2009/10	40,086.30	27,668.54	1.449	40,834.74	27,478.73	1.486	51,372.13	33,228.91	1.546	55,969.16	34,807.56	1.608
2010/11	43,695.95	29,646.49	1.474	45,691.02	27,278.73	1.675	57,206.35	34,783.49	1.645	57,248.38	33,488.00	1.710
Mean			1.343			1.488			1.490			1.536
S.D.			0.118			0.119			0.112			0.130
CV (%)			8.80			8.03			7.50			8.44

Source: Annual Reports of Standard Chartered Bank Nepal Ltd., Everest Bank Ltd., NABIL Bank Ltd. & Nepal Investment Bank Ltd.

Calculation of ratio as per formula below:

$$\text{Current Ratio (CR)} = \frac{\text{Current Assets (CA)}}{\text{Current Liability(CL)}}$$

Annexure-2
Cash & Bank Balance to Total Deposit Ratio

(Rs. In million)

Year	SCBNL			EBL			NABIL			NIBL		
	Cash & Bank Balance	Total Deposit	Ratio	Cash & Bank Balance	Total Deposit	Ratio	Cash & Bank Balance	Total Deposit	Ratio	Cash & Bank Balance	Total Deposit	Ratio
2006/07	2,021.02	24,647.03	0.082	2,391.43	18,186.25	0.131	1,399.83	23,342.39	0.060	2,441.51	24,488.86	0.100
2007/08	2,050.25	29,743.99	0.069	2,667.97	23,976.31	0.111	2,671.15	31,915.05	0.084	3,754.94	34,451.73	0.109
2008/09	3,137.17	35,871.72	0.087	6,164.37	33,323.46	0.185	3,372.52	37,348.26	0.090	7,918.00	46,698.09	0.170
2009/10	1,929.31	35,182.73	0.055	7,818.81	36,932.31	0.212	1,400.10	46,410.70	0.030	6,615.89	50,094.73	0.132
2010/11	2,975.80	37,999.24	0.078	6,122.86	41,127.90	0.149	2,436.55	49,696.11	0.049	8,140.37	50,138.13	0.162
Mean			0.074			0.158			0.063			0.135
S.D.			0.013			0.041			0.025			0.031
CV (%)			17.24			25.73			39.56			23.13

Source: Annual Reports of Standard Chartered Bank Nepal Ltd., Everest Bank Ltd., NABIL Bank Ltd. & Nepal Investment Bank Ltd.

Calculation of ratio as per formula below:

$$\text{Cash and bank balance to total deposit} = \frac{\text{Cash and bank balance}}{\text{Total deposits}}$$

Annexure-3

Cash & Bank Balance to Current Assets Ratio

(Rs. In million)

Year	SCBNL			EBL			NABIL			NIBL		
	Cash & Bank Balance	Current Assets	Ratio	Cash & Bank Balance	Current Assets	Ratio	Cash & Bank Balance	Current Assets	Ratio	Cash & Bank Balance	Current Assets	Ratio
2006/07	2,021.02	28,471.10	0.071	2,391.43	21,262.48	0.112	1,399.83	26,966.50	0.052	2,441.51	26,830.26	0.091
2007/08	2,050.25	33,210.04	0.062	2,667.97	26,703.91	0.100	2,671.15	36,534.71	0.073	3,754.94	37,902.46	0.099
2008/09	3,137.17	40,441.69	0.078	6,164.37	36,405.26	0.169	3,372.52	43,206.41	0.078	7,918.00	51,949.67	0.152
2009/10	1,929.31	40,086.30	0.048	7,818.81	40,834.74	0.191	1,400.10	51,372.13	0.027	6,615.89	55,969.16	0.118
2010/11	2,975.80	43,695.95	0.068	6,122.86	45,691.02	0.134	2,436.55	57,206.35	0.043	8,140.37	57,248.38	0.142
Mean			0.065			0.141			0.055			0.121
S.D.			0.011			0.038			0.021			0.027
CV (%)			17.09			27.15			38.78			22.04

Source: Annual Reports of Standard Chartered Bank Nepal Ltd., Everest Bank Ltd., NABIL Bank Ltd. & Nepal Investment Bank Ltd.

Calculation of ratio as per formula below:

$$\text{Cash \& bank balance to current assets ratio} = \frac{\text{Cash \& } bank\ balance}{\text{Current assets}}$$

Annexure-4

Loan & Advances to Current Assets Ratio

(Rs. In million)

Year	SCBNL			EBL			NABIL			NIBL		
	Loan & Advances	Current Assets	Ratio	Loan & Advances	Current Assets	Ratio	Loan & Advances	Current Assets	Ratio	Loan & Advances	Current Assets	Ratio
2006/07	10,502.64	28,471.10	0.369	13,664.99	21,262.48	0.643	15,545.78	26,966.50	0.576	17,286.43	26,830.26	0.644
2007/08	13,718.60	33,210.04	0.413	18,339.09	26,703.91	0.687	21,365.05	36,534.71	0.585	26,996.65	37,902.46	0.712
2008/09	13,679.76	40,441.69	0.338	23,884.67	36,405.26	0.656	27,589.93	43,206.41	0.639	36,241.21	51,949.67	0.698
2009/10	15,956.96	40,086.30	0.398	27,556.36	40,834.74	0.675	32,268.87	51,372.13	0.628	40,318.31	55,969.16	0.720
2010/11	18,427.27	43,695.95	0.422	31,057.69	45,691.02	0.680	38,034.10	57,206.35	0.665	41,095.51	57,248.38	0.718
Mean			0.388			0.668			0.619			0.698
S.D.			0.034			0.018			0.037			0.032
CV (%)			8.84			2.72			6.02			4.52

Source: Annual Reports of Standard Chartered Bank Nepal Ltd., Everest Bank Ltd., NABIL Bank Ltd. & Nepal Investment Bank Ltd.

Calculation of ratio as per formula below:

$$\text{Loan \& advances to current assets ratio} = \frac{\text{Loan \& } advances}{\text{Current assets}}$$

Annexure-5

Short term investment to Current Assets Ratio

(Rs. In million)

Year	Bank											
	SCBNL			EBL			NABIL			NIBL		
	Short term Investment	Current Assets	Ratio	Short term Investment	Current Assets	Ratio	Short term Investment	Current Assets	Ratio	Short term Investment	Current Assets	Ratio
2006/07	13,553.23	28,471.10	0.476	4,984.31	21,262.48	0.234	8,945.31	26,966.50	0.332	6,505.68	26,830.26	0.242
2007/08	13,894.33	33,210.04	0.418	4,974.63	26,703.91	0.186	9,939.76	36,534.71	0.272	6,874.02	37,902.46	0.181
2008/09	20,227.63	40,441.69	0.500	5,863.55	36,405.26	0.161	10,826.38	43,206.41	0.251	7,399.81	51,949.67	0.142
2009/10	19,839.02	40,086.30	0.495	4,923.38	40,834.74	0.121	13,703.02	51,372.13	0.267	8,635.53	55,969.16	0.154
2010/11	17,250.19	43,695.95	0.395	7,659.00	45,691.02	0.168	13,081.21	57,206.35	0.229	7,423.11	57,248.38	0.130
Mean			0.457			0.174			0.270			0.170
S.D.			0.048			0.041			0.038			0.045
CV (%)			10.40			23.81			14.24			26.32

Source: Annual Reports of Standard Chartered Bank Nepal Ltd., Everest Bank Ltd., NABIL Bank Ltd. & Nepal Investment Bank Ltd.

Calculation of ratio as per formula below:

$$\text{Short term investment to current assets} = \frac{\text{Short term Investment}}{\text{Current assets}}$$

Annexure-6

Fixed deposit to Total deposit Ratio

(Rs. In million)

Year	SCBNL			EBL			NABIL			NIBL		
	Fixed Deposit	Total Deposit	Ratio	Fixed Deposit	Total Deposit	Ratio	Fixed Deposit	Total Deposit	Ratio	Fixed Deposit	Total Deposit	Ratio
2006/07	3,196.50	24,647.03	0.130	5,626.66	18,186.25	0.309	4,431.46	23,342.39	0.190	7,516.69	24,488.86	0.307
2007/08	3,301.01	29,743.99	0.111	6,446.18	23,976.31	0.269	8,464.09	31,915.05	0.265	7,944.23	34,451.73	0.231
2008/09	7,101.70	35,871.72	0.198	7,049.98	33,323.46	0.212	8,310.71	37,348.26	0.223	11,633.37	46,698.09	0.249
2009/10	9,175.08	35,182.73	0.261	10,440.28	36,932.31	0.283	14,711.16	46,410.70	0.317	16,825.15	50,094.73	0.336
2010/11	10,136.24	37,999.24	0.267	15,061.93	41,127.90	0.366	16,840.83	49,696.11	0.339	18,378.31	50,138.13	0.367
Mean			0.193			0.288			0.267			0.298
S.D.			0.072			0.057			0.062			0.057
CV (%)			37.31			19.67			23.42			19.25

Source: Annual Reports of Standard Chartered Bank Nepal Ltd., Everest Bank Ltd., NABIL Bank Ltd. & Nepal Investment Bank Ltd.

Calculation of ratio as per formula below:

$$\text{Fixed deposit to total deposit ratio} = \frac{\text{Fixed deposit}}{\text{Total deposit}}$$

Annexure-7
Loan & Advances to Total deposit Ratio

(Rs. In million)

Year	SCBNL			EBL			NABIL			NIBL		
	Loan & Advances	Total Deposit	Ratio	Loan & Advances	Total Deposit	Ratio	Loan & Advances	Total Deposit	Ratio	Loan & Advances	Total Deposit	Ratio
2006/07	10,502.64	24,647.03	0.426	13,664.99	18,186.25	0.751	15,545.78	23,342.39	0.666	17,286.43	24,488.86	0.706
2007/08	13,718.60	29,743.99	0.461	18,339.09	23,976.31	0.765	21,365.05	31,915.05	0.669	26,996.65	34,451.73	0.784
2008/09	13,679.76	35,871.72	0.381	23,884.67	33,323.46	0.717	27,589.93	37,348.26	0.739	36,241.21	46,698.09	0.776
2009/10	15,956.96	35,182.73	0.454	27,556.36	36,932.31	0.746	32,268.87	46,410.70	0.695	40,318.31	50,094.73	0.805
2010/11	18,427.27	37,999.24	0.485	31,057.69	41,127.90	0.755	38,034.10	49,696.11	0.765	41,095.51	50,138.13	0.820
Mean			0.441			0.747			0.707			0.778
S.D.			0.040			0.018			0.044			0.044
CV (%)			8.97			2.43			6.18			5.64

Source: Annual Reports of Standard Chartered Bank Nepal Ltd., Everest Bank Ltd., NABIL Bank Ltd. & Nepal Investment Bank Ltd.

Calculation of ratio as per formula below:

$$\text{Loan and advances to total deposit ratio} = \frac{\text{Loan and advances}}{\text{Total deposit}}$$

Annexure-8

Loan & Advances to Fixed deposit Ratio

(Rs. In million)

Year	SCBNL			EBL			NABIL			NIBL		
	Loan & Advances	Fixed Deposit	Ratio	Loan & Advances	Fixed Deposit	Ratio	Loan & Advances	Fixed Deposit	Ratio	Loan & Advances	Fixed Deposit	Ratio
2006/07	10,502.64	3,196.50	3.286	13,664.99	5,626.66	2.429	15,545.78	4,431.46	3.508	17,286.43	7,516.69	2.300
2007/08	13,718.60	3,301.01	4.156	18,339.09	6,446.18	2.845	21,365.05	8,464.09	2.524	26,996.65	7,944.23	3.398
2008/09	13,679.76	7,101.70	1.926	23,884.67	7,049.98	3.388	27,589.93	8,310.71	3.320	36,241.21	11,633.37	3.115
2009/10	15,956.96	9,175.08	1.739	27,556.36	10,440.28	2.639	32,268.87	14,711.16	2.193	40,318.31	16,825.15	2.396
2010/11	18,427.27	10,136.24	1.818	31,057.69	15,061.93	2.062	38,034.10	16,840.83	2.258	41,095.51	18,378.31	2.236
Mean			2.585			2.673			2.761			2.689
S.D.			1.084			0.494			0.613			0.531
CV (%)			41.92			18.47			22.19			19.74

Source: Annual Reports of Standard Chartered Bank Nepal Ltd., Everest Bank Ltd., NABIL Bank Ltd. & Nepal Investment Bank Ltd.

Calculation of ratio as per formula below:

$$\text{Loan and advances to fixed deposit ratio} = \frac{\text{Loan and advances}}{\text{Fixed deposit}}$$

Annexure-9

Loan & Advances to Total Assets Ratio

(Rs. In million)

Year	Bank											
	SCBNL			EBL			NABIL			NIBL		
	Loan & Advances	Total Assets	Ratio	Loan & Advances	Total Assets	Ratio	Loan & Advances	Total Assets	Ratio	Loan & Advances	Total Assets	Ratio
2006/07	10,502.64	28,596.69	0.367	13,664.99	21,432.58	0.638	15,545.78	27,253.39	0.570	17,286.43	27,590.85	0.627
2007/08	13,718.60	33,335.80	0.412	18,339.09	27,149.35	0.675	21,365.05	37,132.75	0.575	26,996.65	38,873.31	0.694
2008/09	13,679.76	40,587.47	0.337	23,884.67	36,917.35	0.647	27,589.93	43,867.40	0.629	36,241.21	53,010.80	0.684
2009/10	15,956.96	40,213.33	0.397	27,556.36	41,382.76	0.666	32,268.87	52,151.67	0.619	40,318.31	57,105.41	0.706
2010/11	18,427.27	43,810.51	0.421	31,057.69	46,236.21	0.672	38,034.10	58,141.44	0.654	41,095.51	58,356.83	0.704
Mean			0.387			0.660			0.610			0.683
S.D.			0.034			0.016			0.036			0.033
CV (%)			8.88			2.49			5.89			4.80

Source: Annual Reports of Standard Chartered Bank Nepal Ltd., Everest Bank Ltd., NABIL Bank Ltd. & Nepal Investment Bank Ltd.

Calculation of ratio as per formula below:

$$\text{Loan and advances to total assets ratio} = \frac{\text{Loan and advances}}{\text{Total assets}}$$

Annexure-10

Total investment to Total deposit Ratio

(Rs. In million)

Year	Bank											
	SCBNL			EBL			NABIL			NIBL		
	Total Investment	Total Deposit	Ratio	Total Investment	Total Deposit	Ratio	Total Investment	Total Deposit	Ratio	Total Investment	Total Deposit	Ratio
2006/07	13,553.23	24,647.03	0.550	4,984.31	18,186.25	0.274	8,945.31	23,342.39	0.383	6,505.68	24,488.86	0.266
2007/08	13,902.82	29,743.99	0.467	5,059.56	23,976.31	0.211	9,939.76	31,915.05	0.311	6,874.02	34,451.73	0.200
2008/09	20,236.12	35,871.72	0.564	5,948.48	33,323.46	0.179	10,826.38	37,348.26	0.290	7,399.81	46,698.09	0.158
2009/10	19,847.51	35,182.73	0.564	5,008.31	36,932.31	0.136	13,703.02	46,410.70	0.295	8,635.53	50,094.73	0.172
2010/11	17,258.68	37,999.24	0.454	7,743.93	41,127.90	0.188	13,081.21	49,696.11	0.263	7,423.11	50,138.13	0.148
Mean			0.520			0.197			0.309			0.189
S.D.			0.055			0.051			0.045			0.047
CV (%)			10.48			25.72			14.64			24.94

Source: Annual Reports of Standard Chartered Bank Nepal Ltd., Everest Bank Ltd., NABIL Bank Ltd. & Nepal Investment Bank Ltd.

Calculation of ratio as per formula below:

$$\text{Total investment to total deposit} = \frac{\text{Total investment}}{\text{Total deposit}}$$

Annexure-11
NPA to Total Loan Ratio

(Rs. In million)

Year	Bank											
	SCBNL			EBL			NABIL			NIBL		
	NPA	Loan & advances	Ratio (%)	NPA	Loan & advances	Ratio (times)	NPA	Loan & advances	Ratio (times)	NPA	Loan & advances	Ratio (times)
2006/07	192.20	10,502.64	1.830	109.32	13,664.99	0.800	178.29	15,545.78	1.147	421.97	17,286.43	2.441
2007/08	126.21	13,718.60	0.920	124.71	18,339.09	0.680	161.09	21,365.05	0.754	309.47	26,996.65	1.146
2008/09	90.29	13,679.76	0.660	114.65	23,884.67	0.480	224.82	27,589.93	0.815	213.91	36,241.21	0.590
2009/10	98.14	15,956.96	0.615	125.56	27,556.36	0.456	487.54	32,268.87	1.511	274.33	40,318.31	0.680
2010/11	115.80	18,427.27	0.628	108.51	31,057.69	0.349	689.85	38,034.10	1.814	395.28	41,095.51	0.962
Mean			0.931			0.553			1.208			1.164
S.D.			0.518			0.183			0.454			0.748
CV (%)			55.65			33.02			37.55			64.22

Source: Annual Reports of Standard Chartered Bank Nepal Ltd., Everest Bank Ltd., NABIL Bank Ltd. & Nepal Investment Bank Ltd.

Calculation of ratio as per formula below:

$$\text{NPA to Total Loan} = \frac{\text{Total NPA}}{\text{Total Loan}}$$

Annexure-12

Net Profit to Total Deposit Ratio

(Rs. In million)

Year	SCBNL			EBL			NABIL			NIBL		
	Net Profit	Total Deposit	Ratio(%)	Net Profit	Total Deposit	Ratio(%)	Net Profit	Total Deposit	Ratio(%)	Net Profit	Total Deposit	Ratio(%)
2006/07	691.67	24,647.03	2.806	296.41	18,186.25	1.630	673.96	23,342.39	2.887	501.40	24,488.86	2.047
2007/08	818.92	29,743.99	2.753	451.22	23,976.31	1.882	746.46	31,915.05	2.339	696.73	34,451.73	2.022
2008/09	1,025.11	35,871.72	2.858	638.73	33,323.46	1.917	1,031.04	37,348.26	2.761	900.63	46,698.09	1.929
2009/10	1,085.87	35,182.73	3.086	831.77	36,932.31	2.252	1,141.04	46,410.70	2.459	1,265.95	50,094.73	2.527
2010/11	1,119.17	37,999.24	2.945	931.31	41,127.90	2.264	1,340.62	49,696.11	2.698	1,176.64	50,138.13	2.347
Mean			2.890			1.989			2.629			2.174
S.D.			0.131			0.270			0.225			0.252
CV (%)			4.52			13.56			8.55			11.58

Source: Annual Reports of Standard Chartered Bank Nepal Ltd., Everest Bank Ltd., NABIL Bank Ltd. & Nepal Investment Bank Ltd.

Calculation of ratio as per formula below:

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

Annexure-13

Net profit to Total assets Ratio

(Rs. In million)

Year	Bank											
	SCBNL			EBL			NABIL			NIBL		
	Net Profit	Total Assets	Ratio(%)	Net Profit	Total Assets	Ratio(%)	Net Profit	Total Assets	Ratio(%)	Net Profit	Total Assets	Ratio(%)
2006/07	691.67	28,596.69	2.419	296.41	21,432.58	1.383	673.96	27,253.39	2.473	501.40	27,590.85	1.817
2007/08	818.92	33,335.80	2.457	451.22	27,149.35	1.662	746.46	37,132.75	2.010	696.73	38,873.31	1.792
2008/09	1,025.11	40,587.47	2.526	638.73	36,917.35	1.730	1,031.04	43,867.40	2.350	900.63	53,010.80	1.699
2009/10	1,085.87	40,213.33	2.700	831.77	41,382.76	2.010	1,141.04	52,151.67	2.188	1,265.95	57,105.41	2.217
2010/11	1,119.17	43,810.51	2.555	931.31	46,236.21	2.014	1,340.62	58,141.44	2.306	1,176.64	58,356.83	2.016
Mean			2.531			1.760			2.265			1.908
S.D.			0.109			0.264			0.175			0.208
CV (%)			4.30			15.03			7.74			10.88

Source: Annual Reports of Standard Chartered Bank Nepal Ltd., Everest Bank Ltd., NABIL Bank Ltd. & Nepal Investment Bank Ltd.

Calculation of ratio as per formula below:

$$\text{Net profit to Total Assets Ratio} = \frac{\text{Net Profit}}{\text{Total Assets}}$$

Annexure-14
Net profit to Net worth Ratio

(Rs. In million)

Year	Bank											
	SCBNL			EBL			NABIL			NIBL		
	Net Profit	Net Worth	Ratio(%)	Net Profit	Net Worth	Ratio(%)	Net Profit	Net Worth	Ratio(%)	Net Profit	Net Worth	Ratio(%)
2006/07	691.67	2,116.35	32.682	296.41	1,201.52	24.670	673.96	2,057.04	32.764	501.40	1,878.12	26.697
2007/08	818.92	2,492.56	32.855	451.22	1,921.24	23.486	746.46	2,437.20	30.628	696.73	2,686.79	25.932
2008/09	1,025.11	3,052.47	33.583	638.73	2,203.62	28.985	1,031.04	3,130.24	32.938	900.63	3,907.84	23.047
2009/10	1,085.87	3,369.71	32.224	831.77	2,759.14	30.146	1,141.04	3,836.70	29.740	1,265.95	4,585.39	27.608
2010/11	1,119.17	3,677.78	30.431	931.31	3,113.55	29.912	1,340.62	4,566.52	29.358	1,176.64	5,159.76	22.804
Mean			32.355			27.440			31.085			25.218
S.D.			1.182			3.128			1.677			2.177
CV (%)			3.65			11.40			5.40			8.63

Source: Annual Reports of Standard Chartered Bank Nepal Ltd., Everest Bank Ltd., NABIL Bank Ltd. & Nepal Investment Bank Ltd.

Calculation of ratio as per formula below:

$$\text{Net profit to Net Worth} = \frac{\text{Net Profit}}{\text{Net Worth}}$$

Annexure-15

Total interest earned to Total assets Ratio

(Rs. In million)

Year	SCBNL			EBL			NABIL			NIBL		
	Total Interest Earned	Total Assets	Ratio(%)	Total Interest Earned	Total Assets	Ratio(%)	Total Interest Earned	Total Assets	Ratio(%)	Total Interest Earned	Total Assets	Ratio(%)
2006/07	1,411.98	28,596.69	4.938	1,144.41	21,432.58	5.340	1,587.76	27,253.39	5.826	1,584.99	27,590.85	5.745
2007/08	1,591.20	33,335.80	4.773	1,548.66	27,149.35	5.704	1,978.70	37,132.75	5.329	2,194.28	38,873.31	5.645
2008/09	1,887.22	40,587.47	4.650	2,186.81	36,917.35	5.924	2,798.49	43,867.40	6.379	3,267.94	53,010.80	6.165
2009/10	2,042.11	40,213.33	5.078	3,102.45	41,382.76	7.497	4,049.71	52,151.67	7.765	4,653.52	57,105.41	8.149
2010/11	2,718.70	43,810.51	6.206	4,331.03	46,236.21	9.367	5,254.03	58,141.44	9.037	5,803.44	58,356.83	9.945
Mean			5.129			6.766			6.867			7.130
S.D.			0.623			1.671			1.517			1.872
CV (%)			12.15			24.70			22.09			26.26

Source: Annual Reports of Standard Chartered Bank Nepal Ltd., Everest Bank Ltd., NABIL Bank Ltd. & Nepal Investment Bank Ltd.

Calculation of ratio as per formula below:

$$\text{Total Interest earn to Total Assets ratio} = \frac{\text{Total interest Earned}}{\text{Total Assets}}$$

Annexure-16

Total interest paid to Total assets Ratio

(Rs. In million)

Year	SCBNL			EBL			NABIL			NIBL		
	Total Interest Paid	Total Assets	Ratio(%)	Total Interest Paid	Total Assets	Ratio(%)	Total Interest Paid	Total Assets	Ratio(%)	Total Interest Paid	Total Assets	Ratio(%)
2006/07	413.06	28,596.69	1.444	517.17	21,432.58	2.413	555.71	27,253.39	2.039	685.53	27,590.85	2.485
2007/08	471.73	33,335.80	1.415	632.61	27,149.35	2.330	758.44	37,132.75	2.043	992.16	38,873.31	2.552
2008/09	543.79	40,587.47	1.340	1,012.87	36,917.35	2.744	1,153.28	43,867.40	2.629	1,686.97	53,010.80	3.182
2009/10	575.74	40,213.33	1.432	1,572.79	41,382.76	3.801	1,960.11	52,151.67	3.758	2,553.85	57,105.41	4.472
2010/11	1,003.10	43,810.51	2.290	2,535.88	46,236.21	5.485	2,955.43	58,141.44	5.083	3,620.34	58,356.83	6.204
Mean			1.584			3.354			3.110			3.779
S.D.			0.396			1.327			1.307			1.573
CV (%)			25.03			39.56			42.02			41.62

Source: Annual Reports of Standard Chartered Bank Nepal Ltd., Everest Bank Ltd., NABIL Bank Ltd. & Nepal Investment Bank Ltd.

Calculation of ratio as per formula below:

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

Annexure-17

Debt-Equity Ratio

(Rs. In million)

Year	Bank											
	SCBNL			EBL			NABIL			NIBL		
	Total debt	Total Equity	Ratio (times)	Total debt	Total Equity	Ratio (times)	Total debt	Total Equity	Ratio (times)	Total debt	Total Equity	Ratio (times)
2006/07	26,480.34	2,116.35	12.512	20,231.06	1,201.52	16.838	25,196.35	2,057.04	12.249	25,712.73	1,878.12	13.691
2007/08	30,843.24	2,492.56	12.374	25,228.11	1,921.24	13.131	34,695.55	2,437.20	14.236	36,186.52	2,686.79	13.468
2008/09	37,535.00	3,052.47	12.297	34,713.73	2,203.62	15.753	40,737.16	3,130.24	13.014	49,102.96	3,907.84	12.565
2009/10	36,843.62	3,369.71	10.934	38,623.62	2,759.14	13.998	48,314.97	3,836.70	12.593	52,720.02	4,585.39	11.497
2010/11	40,132.73	3,677.78	10.912	43,122.66	3,113.55	13.850	53,574.92	4,566.52	11.732	53,197.07	5,159.76	10.310
Mean			11.806			14.714			12.765			12.306
S.D.			0.810			1.529			0.947			1.412
CV (%)			6.86			10.39			7.42			11.47

Source: Annual Reports of Standard Chartered Bank Nepal Ltd., Everest Bank Ltd., NABIL Bank Ltd. & Nepal Investment Bank Ltd.

Calculation of ratio as per formula below:

$$\text{Debt-equity Ratio} = \frac{\text{Total Debt}}{\text{Total Equity}}$$

Annexure-18

Debt to Total Assets Ratio

(Rs. In million)

Year	Bank											
	SCBNL			EBL			NABIL			NIBL		
	Total debt	Total Assets	Ratio (times)	Total debt	Total Assets	Ratio (times)	Total debt	Total Assets	Ratio (times)	Total debt	Total Assets	Ratio (times)
2006/07	26,480.34	28,596.69	0.926	20,231.06	21,432.58	0.944	25,196.35	27,253.39	0.925	25,712.73	27,590.85	0.932
2007/08	30,843.24	33,335.80	0.925	25,228.11	27,149.35	0.929	34,695.55	37,132.75	0.934	36,186.52	38,873.31	0.931
2008/09	37,535.00	40,587.47	0.925	34,713.73	36,917.35	0.940	40,737.16	43,867.40	0.929	49,102.96	53,010.80	0.926
2009/10	36,843.62	40,213.33	0.916	38,623.62	41,382.76	0.933	48,314.97	52,151.67	0.926	52,720.02	57,105.41	0.923
2010/11	40,132.73	43,810.51	0.916	43,122.66	46,236.21	0.933	53,574.92	58,141.44	0.921	53,197.07	58,356.83	0.912
Mean			0.922			0.936			0.927			0.925
S.D.			0.005			0.006			0.005			0.008
CV (%)			0.55			0.64			0.52			0.88

Source: Annual Reports of Standard Chartered Bank Nepal Ltd., Everest Bank Ltd., NABIL Bank Ltd. & Nepal Investment Bank Ltd.

Calculation of ratio as per formula below:

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

Annexure-19

Loan loss provision to Total loan & advances Ratio

(Rs. In million)

Year	Bank											
	SCBNL			EBL			NABIL			NIBL		
	Provision for loan losses	Loan & advances	Ratio (times)	Provision for loan losses	Loan & advances	Ratio (times)	Provision for loan losses	Loan & advances	Ratio (times)	Provision for loan losses	Loan & advances	Ratio (times)
2006/07	287.51	10,502.64	0.027	418.60	13,664.99	0.031	357.25	15,545.78	0.023	482.67	17,286.43	0.028
2007/08	245.39	13,718.60	0.018	497.35	18,339.09	0.027	394.41	21,365.05	0.018	532.65	26,996.65	0.020
2008/09	200.95	13,679.76	0.015	584.88	23,884.67	0.024	409.08	27,589.93	0.015	585.95	36,241.21	0.016
2009/10	219.63	15,956.96	0.014	600.04	27,556.36	0.022	762.09	32,268.87	0.024	630.13	40,318.31	0.016
2010/11	235.21	18,427.27	0.013	604.15	31,057.69	0.019	871.39	38,034.10	0.023	792.18	41,095.51	0.019
Mean			0.017			0.025			0.021			0.020
S.D.			0.006			0.004			0.004			0.005
CV (%)			34.42			17.79			18.52			24.92

Source: Annual Reports of Standard Chartered Bank Nepal Ltd., Everest Bank Ltd., NABIL Bank Ltd. & Nepal Investment Bank Ltd.

Calculation of ratio as per formula below:

$$\text{Loan loss provision to Total loan \& advances} = \frac{\text{Provision for possible loan losses}}{\text{Total loan \& advances}}$$

Annexure-20

Capital Adequacy Ratio

(Rs. In million)

Year	Bank											
	SCBNL			EBL			NABIL			NIBL		
	Capital fund	Total RWA	Ratio (%)	Capital fund	Total RWA	Ratio (%)	Capital fund	Total RWA	Ratio (%)	Capital fund	Total RWA	Ratio (%)
2006/07	2,225.28	14,168.42	15.706	1,676.12	14,976.74	11.191	2,307.63	19,166.67	12.040	2,851.62	23,435.63	12.168
2007/08	2,655.28	18,969.85	13.997	2,406.06	21,039.88	11.436	2,998.73	27,010.56	11.102	3,891.24	38,236.77	10.177
2008/09	3,190.37	21,703.18	14.700	2,703.87	23,843.65	11.340	3,727.08	34,816.50	10.705	5,095.35	45,312.27	11.245
2009/10	3,498.97	24,106.65	14.515	3,257.14	30,242.71	10.770	4,390.23	41,822.66	10.497	5,651.05	53,553.87	10.552
2010/11	3,835.59	26,974.34	14.219	3,605.84	34,583.55	10.426	5,173.40	48,884.97	10.583	6,324.63	57,993.93	10.906
Mean			14.627			11.033			10.985			11.009
S.D.			0.660			0.424			0.633			0.760
CV (%)			4.51			3.84			5.77			6.90

Source: Annual Reports of Standard Chartered Bank Nepal Ltd., Everest Bank Ltd., NABIL Bank Ltd. & Nepal Investment Bank Ltd.

Calculation of ratio as per formula below:

$$\text{Capital adequacy ratio} = \frac{\text{Capital Fund}}{\text{Total Risk Weighted Assets}}$$

Annexure-21
Price-Earnings Ratio

(Rs. In million)

Year	Bank											
	SCBNL			EBL			NABIL			NIBL		
	MVPS	EPS	Ratio (times)	MVPS	EPS	Ratio (times)	MVPS	EPS	Ratio (times)	MVPS	EPS	Ratio (times)
2006/07	5,900.00	167.37	35.251	2,430.00	78.42	30.987	5,050.00	137.08	36.840	1,729.00	62.57	27.633
2007/08	6,830.00	131.92	51.774	3,132.00	91.82	34.110	5,275.00	115.86	45.529	2,450.00	57.87	42.336
2008/09	6,010.00	109.99	54.641	2,455.00	99.99	24.552	4,899.00	113.44	43.186	1,388.00	37.42	37.092
2009/10	3,279.00	77.65	42.228	1,630.00	100.16	16.274	2,384.00	83.81	28.445	705.00	52.55	13.416
2010/11	1,800.00	69.51	25.896	1,094.00	83.18	13.152	1,252.00	70.67	17.716	515.00	48.84	10.545
Mean			41.958			23.815			34.343			26.204
S.D.			11.835			9.063			11.410			14.050
CV (%)			28.21			38.05			33.22			53.62

Source: Annual Reports of Standard Chartered Bank Nepal Ltd., Everest Bank Ltd., NABIL Bank Ltd. & Nepal Investment Bank Ltd.

Calculation of ratio as per formula below:

$$\text{P/E Ratio} = \frac{\text{Market Value Per Share}}{\text{Earning Per Share}}$$

Annexure-22

Market to Book Ratio

(Rs. In million)

Year	SCBNL			EBL			NABIL			NIBL		
	MVPS	BVPS	Ratio (times)	MVPS	BVPS	Ratio (times)	MVPS	BVPS	Ratio (times)	MVPS	BVPS	Ratio (times)
2006/07	5,900.00	512.12	11.521	2,430.00	280.82	8.653	5,050.00	418.00	12.081	1,729.00	234.00	7.389
2007/08	6,830.00	401.52	17.010	3,132.00	321.77	9.734	5,275.00	354.00	14.901	2,450.00	223.00	10.987
2008/09	6,010.00	327.53	18.349	2,455.00	345.23	7.111	4,899.00	324.00	15.120	1,388.00	162.00	8.568
2009/10	3,279.00	240.95	13.609	1,630.00	331.99	4.910	2,384.00	265.00	8.996	705.00	190.00	3.711
2010/11	1,800.00	228.41	7.881	1,094.00	277.91	3.937	1,252.00	225.00	5.564	515.00	171.00	3.012
Mean			13.674			6.869			11.333			6.733
S.D.			4.219			2.444			4.073			3.349
CV (%)			30.85			35.58			35.94			49.74

Source: Annual Reports of Standard Chartered Bank Nepal Ltd., Everest Bank Ltd., NABIL Bank Ltd. & Nepal Investment Bank Ltd.

Calculation of ratio as per formula below:

$$\text{Market to Book Ratio} = \frac{\text{Market Value Per Share}}{\text{Book Value Per Share}}$$

Annexure-23

Dividend yield Ratio

(Rs. In million)

| Year | Bank | | | | | | | | | | | |
| | SCBNL | | | EBL | | | NABIL | | | NIBL | | |
	DPS	MVPS	Ratio (%)	DPS	MVPS	Ratio (%)	DPS	MVPS	Ratio (%)	DPS	MVPS	Ratio (%)
2006/07	130.00	5,900.00	2.203	30.00	2,430.00	1.235	140.00	5,050.00	2.772	30.00	1,729.00	1.735
2007/08	130.00	6,830.00	1.903	30.00	3,132.00	0.958	100.00	5,275.00	1.896	40.83	2,450.00	1.667
2008/09	100.00	6,010.00	1.664	30.00	2,455.00	1.222	85.00	4,899.00	1.735	20.00	1,388.00	1.441
2009/10	70.00	3,279.00	2.135	30.00	1,630.00	1.840	70.00	2,384.00	2.936	25.00	705.00	3.546
2010/11	50.00	1,800.00	2.778	10.00	1,094.00	0.914	30.00	1,252.00	2.396	50.00	515.00	9.709
Mean			2.137			1.234			2.347			3.619
S.D.			0.416			0.370			0.526			3.507
CV (%)			19.49			29.96			22.43			96.89

Source: Annual Reports of Standard Chartered Bank Nepal Ltd., Everest Bank Ltd., NABIL Bank Ltd. & Nepal Investment Bank Ltd.

Calculation of ratio as per formula below:

$$\text{Dividend Yield Ratio} = \frac{\text{Dividend Per Share}}{\text{Market Value Per Share}}$$

Correlation between total deposits (X) & loan & advances (Y) of SCBNL

Fiscal Year	X	Y	X²	Y²	X*Y
2006/07	24,647.03	10,502.64	607,476,087.82	110,305,446.97	258,858,883.16
2007/08	29,743.99	13,718.60	884,704,941.12	188,199,985.96	408,045,901.21
2008/09	35,871.72	13,679.76	1,286,780,295.76	187,135,833.66	490,716,520.39
2009/10	35,182.73	15,956.96	1,237,824,490.25	254,624,572.44	561,409,415.30
2010/11	37,999.24	18,427.27	1,443,942,240.58	339,564,279.65	700,222,255.27
Total Sum	**163,444.71**	**72,285.23**	**5,460,728,055.53**	**1,079,830,118.68**	**2,419,252,975.34**

Correlation coefficient $(r_{xy}) = \dfrac{N\sum xy - \sum x \sum y}{\left(\sqrt{N\sum x^2 - (\sum x)^2}\right)\left(\sqrt{N\sum y^2 - (\sum y)^2}\right)} = 0.8794$ $r^2 = 0.7733$

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

$6*P.E._r = 0.4103$

Correlation between total deposits (X) & loan & advances (Y) of EBL

Fiscal Year	X	Y	X²	Y²	X*Y
2006/07	18,186.25	13,664.99	330,739,689.06	186,731,951.70	248,514,924.39
2007/08	23,976.31	18,339.09	574,863,441.22	336,322,222.03	439,703,706.96
2008/09	33,323.46	23,884.67	1,110,452,986.37	570,477,461.01	795,919,845.36
2009/10	36,932.31	27,556.36	1,363,995,521.94	759,352,976.45	1,017,720,029.99
2010/11	41,127.90	31,057.69	1,691,504,158.41	964,580,108.14	1,277,337,568.55
Total Sum	**153,546.23**	**114,502.80**	**5,071,555,797.00**	**2,817,464,719.32**	**3,779,196,075.25**

Correlation coefficient $(r_{xy}) = \dfrac{N\sum xy - \sum x \sum y}{\left(\sqrt{N\sum x^2 - (\sum x)^2}\right)\left(\sqrt{N\sum y^2 - (\sum y)^2}\right)} = 0.9967$ $r^2 = 0.9934$

$P.E._r = 0.6745 * \dfrac{1-r^2}{\sqrt{N}} = 0.0020$

$6*P.E._r = 0.0119$

Correlation between total deposits (X) & loan & advances (Y) of NABIL

Fiscal Year	X	Y	X²	Y²	X*Y
2006/07	23,342.39	15,545.78	544,867,170.91	241,671,275.81	362,875,659.61
2007/08	31,915.05	21,365.05	1,018,570,416.50	456,465,361.50	681,866,639.00
2008/09	37,348.26	27,589.93	1,394,892,525.03	761,204,237.40	1,030,435,879.02
2009/10	46,410.70	32,268.87	2,153,953,074.49	1,041,279,971.08	1,497,620,844.91
2010/11	49,696.11	38,034.10	2,469,703,349.13	1,446,592,762.81	1,890,146,817.35
Total Sum	**188,712.51**	**134,803.73**	**7,581,986,536.06**	**3,947,213,608.60**	**5,462,945,839.90**

Correlation coefficient $(r_{xy)} = \dfrac{N\sum xy - \sum x \sum y}{\left(\sqrt{N\sum x^2 - (\sum x)^2}\right)\left(\sqrt{N\sum y^2 - (\sum y)^2}\right)} = 0.9894$ $\qquad$ r²=0.9790

$P.E._r = 0.6745 * \dfrac{1-r^2}{\sqrt{N}} = 0.0063$

$6*P.E._r = 0.0381$

Correlation between total deposits (X) & loan & advances (Y) of NIBL

Fiscal Year	X	Y	X²	Y²	X*Y
2006/07	24,488.86	17,286.43	599,704,264.10	298,820,662.14	423,324,964.17
2007/08	34,451.73	26,996.65	1,186,921,699.99	728,819,111.22	930,081,296.70
2008/09	46,698.09	36,241.21	2,180,711,609.65	1,313,425,302.26	1,692,395,286.29
2009/10	50,094.73	40,318.31	2,509,481,973.77	1,625,566,121.26	2,019,734,853.51
2010/11	50,138.13	41,095.51	2,513,832,079.90	1,688,840,942.16	2,060,452,022.80
Total Sum	**205,871.54**	**161,938.11**	**8,990,651,627.41**	**5,655,472,139.05**	**7,125,988,423.47**

Correlation coefficient $(r_{xy)} = \dfrac{N\sum xy - \sum x \sum y}{\left(\sqrt{N\sum x^2 - (\sum x)^2}\right)\left(\sqrt{N\sum y^2 - (\sum y)^2}\right)} = 0.9975$ $\qquad$ r²=0.9949

$P.E._r = 0.6745 * \dfrac{1-r^2}{\sqrt{N}} = 0.0015$

$6*P.E._r = 0.0091$

Correlation between total deposits (X) & investments (Y) of SCBNL

Year	X	Y	X²	Y²	X*Y
2006/07	24,647.03	13,553.23	607,476,087.82	183,690,043.43	334,046,866.41
2007/08	29,743.99	13,902.82	884,704,941.12	193,288,403.95	413,525,339.05
2008/09	35,871.72	20,236.12	1,286,780,295.76	409,500,552.65	725,904,430.53
2009/10	35,182.73	19,847.51	1,237,824,490.25	393,923,653.20	698,289,585.50
2010/11	37,999.24	17,258.68	1,443,942,240.58	297,862,035.34	655,816,723.40
Total Sum	**163,444.71**	**84,798.36**	**5,460,728,055.53**	**1,478,264,688.58**	**2,827,582,944.89**

Correlation coefficient $(r_{xy)} = \dfrac{N\sum xy - \sum x \sum y}{\left(\sqrt{N\sum x^2 - (\sum x)^2}\right)\left(\sqrt{N\sum y^2 - (\sum y)^2}\right)} = 0.8087$ 　　　　$r^2 = 0.6540$

$P.E._r = 0.6745 * \dfrac{1-r^2}{\sqrt{N}} = 0.1044$

$6*P.E._r = 0.6261$

Correlation between total deposits (X) & investments (Y) of EBL

Year	X	Y	X²	Y²	X*Y
2006/07	18,186.25	4,984.31	330,739,689.06	24,843,346.18	90,645,907.74
2007/08	23,976.31	5,059.56	574,863,441.22	25,599,147.39	121,309,579.02
2008/09	33,323.46	5,948.48	1,110,452,986.37	35,384,414.31	198,223,935.34
2009/10	36,932.31	5,008.31	1,363,995,521.94	25,083,169.06	184,968,457.50
2010/11	41,127.90	7,743.93	1,691,504,158.41	59,968,451.84	318,491,578.65
Total Sum	**153,546.23**	**28,744.59**	**5,071,555,797.00**	**170,878,528.78**	**913,639,458.25**

Correlation coefficient $(r_{xy)} = \dfrac{N\sum xy - \sum x \sum y}{\left(\sqrt{N\sum x^2 - (\sum x)^2}\right)\left(\sqrt{N\sum y^2 - (\sum y)^2}\right)} = 0.6904$ 　　　　$r^2 = 0.4766$

$P.E._r = 0.6745 * \dfrac{1-r^2}{\sqrt{N}} = 0.1579$

$6*P.E._r = 0.9472$

Annexure: 30

Correlation between total deposits (X) & Investments (Y) of NABIL

Year	X	Y	X²	Y²	X*Y
2006/07	23,342.39	8,945.31	544,867,170.91	80,018,571.00	208,804,914.69
2007/08	31,915.05	9,939.76	1,018,570,416.50	98,798,828.86	317,227,937.39
2008/09	37,348.26	10,826.38	1,394,892,525.03	117,210,503.90	404,346,455.10
2009/10	46,410.70	13,703.02	2,153,953,074.49	187,772,757.12	635,966,750.31
2010/11	49,696.11	13,081.21	2,469,703,349.13	171,118,055.06	650,085,251.09
Total Sum	**188,712.51**	**56,495.68**	**7,581,986,536.06**	**654,918,715.94**	**2,216,431,308.58**

Correlation coefficient $(r_{xy)} = \dfrac{N\sum xy - \sum x \sum y}{\left(\sqrt{N\sum x^2 - (\sum x)^2}\right)\left(\sqrt{N\sum y^2 - (\sum y)^2}\right)} = 0.9644$ $r^2 = 0.9301$

$P.E._r = 0.6745 * \dfrac{1-r^2}{\sqrt{N}} = 0.0211$

$6*P.E._r = 0.1265$

Annexure: 31

Correlation between total deposits (X) & investments (Y) of NIBL

Year	X	Y	X²	Y²	X*Y
2006/07	24,488.86	6,505.68	599,704,264.10	42,323,872.26	159,316,686.72
2007/08	34,451.73	6,874.02	1,186,921,699.99	47,252,150.96	236,821,881.05
2008/09	46,698.09	7,399.81	2,180,711,609.65	54,757,188.04	345,556,993.36
2009/10	50,094.73	8,635.53	2,509,481,973.77	74,572,378.38	432,594,543.76
2010/11	50,138.13	7,423.11	2,513,832,079.90	55,102,562.07	372,180,854.18
Total Sum	**205,871.54**	**36,838.15**	**8,990,651,627.41**	**274,008,151.71**	**1,546,470,959.08**

Correlation coefficient $(r_{xy)} = \dfrac{N\sum xy - \sum x \sum y}{\left(\sqrt{N\sum x^2 - (\sum x)^2}\right)\left(\sqrt{N\sum y^2 - (\sum y)^2}\right)} = 0.8123$ $r^2 = 0.6598$

$P.E._r = 0.6745 * \dfrac{1-r^2}{\sqrt{N}} = 0.1026$

$6*P.E._r = 0.6157$

Annexure: 32

Correlation between investments (X) & net profit (Y) of SCBNL

Year	X	Y	X²	Y²	X*Y
2006/07	13,553.23	691.67	183,690,043.43	478,407.39	9,374,362.59
2007/08	13,902.82	818.92	193,288,403.95	670,629.97	11,385,297.35
2008/09	20,236.12	1,025.11	409,500,552.65	1,050,850.51	20,744,248.97
2009/10	19,847.51	1,085.87	393,923,653.20	1,179,113.66	21,551,815.68
2010/11	17,258.68	1,119.17	297,862,035.34	1,252,541.49	19,315,396.90
Total Sum	**84,798.36**	**4,740.74**	**1,478,264,688.58**	**4,631,543.01**	**82,371,121.50**

Correlation coefficient $(r_{xy}) = \dfrac{N\sum xy - \sum x \sum y}{\left(\sqrt{N\sum x^2 - (\sum x)^2}\right)\left(\sqrt{N\sum y^2 - (\sum y)^2}\right)} = 0.8414$ $\qquad r^2 = 0.7080$

$P.E._r = 0.6745 * \dfrac{1-r^2}{\sqrt{N}} = 0.0881$

$6*P.E._r = 0.5285$

Annexure: 33

Correlation between investments (X) & net profit (Y) of EBL

Year	X	Y	X²	Y²	X*Y
2006/07	4,984.31	296.41	24,843,346.18	87,858.89	1,477,399.33
2007/08	5,059.56	451.22	25,599,147.39	203,599.49	2,282,974.66
2008/09	5,948.48	638.73	35,384,414.31	407,976.01	3,799,472.63
2009/10	5,008.31	831.77	25,083,169.06	691,841.33	4,165,762.01
2010/11	7,743.93	931.31	59,968,451.84	867,338.32	7,211,999.45
Total Sum	**28,744.59**	**3,149.44**	**170,878,528.78**	**2,258,614.04**	**18,937,608.08**

Correlation coefficient $(r_{xy}) = \dfrac{N\sum xy - \sum x \sum y}{\left(\sqrt{N\sum x^2 - (\sum x)^2}\right)\left(\sqrt{N\sum y^2 - (\sum y)^2}\right)} = 0.6688$ $\qquad r^2 = 0.4473$

$P.E._r = 0.6745 * \dfrac{1-r^2}{\sqrt{N}} = 0.1667$

$6*P.E._r = 1.0004$

Correlation between investments (X) & net profit (Y) of NABIL

Year	X	Y	X²	Y²	X*Y
2006/07	8,945.31	673.96	80,018,571.00	454,222.08	6,028,781.13
2007/08	9,939.76	746.46	98,798,828.86	557,202.53	7,419,633.25
2008/09	10,826.38	1,031.04	117,210,503.90	1,063,043.48	11,162,430.84
2009/10	13,703.02	1,141.04	187,772,757.12	1,301,972.28	15,635,693.94
2010/11	13,081.21	1,340.62	171,118,055.06	1,797,261.98	17,536,931.75
Total Sum	56,495.68	4,933.12	654,918,715.94	5,173,702.36	57,783,470.90

Correlation coefficient $(r_{xy}) = \dfrac{N\sum xy - \sum x \sum y}{\left(\sqrt{N\sum x^2 - (\sum x)^2}\right)\left(\sqrt{N\sum y^2 - (\sum y)^2}\right)} = 0.9068$ 　　　　$r^2 = 0.8222$

$P.E._r = 0.6745 * \dfrac{1-r^2}{\sqrt{N}} = 0.0536$

$6*P.E._r = 0.3218$

Correlation between investments (X) & net profit (Y) of NIBL

Year	X	Y	X²	Y²	X*Y
2006/07	6,505.68	501.40	42,323,872.26	251,401.96	3,261,947.95
2007/08	6,874.02	696.73	47,252,150.96	485,432.69	4,789,335.95
2008/09	7,399.81	900.63	54,757,188.04	811,134.40	6,664,490.88
2009/10	8,635.53	1,265.95	74,572,378.38	1,602,629.40	10,932,149.20
2010/11	7,423.11	1,176.64	55,102,562.07	1,384,481.69	8,734,328.15
Total Sum	36,838.15	4,541.35	274,008,151.71	4,535,080.14	34,382,252.14

Correlation coefficient $(r_{xy}) = \dfrac{N\sum xy - \sum x \sum y}{\left(\sqrt{N\sum x^2 - (\sum x)^2}\right)\left(\sqrt{N\sum y^2 - (\sum y)^2}\right)} = 0.8942$ 　　　　$r^2 = 0.7996$

$P.E._r = 0.6745 * \dfrac{1-r^2}{\sqrt{N}} = 0.0605$

$6*P.E._r = 0.3628$

Correlation between loan & advances (X) & net profit (Y) of SCBNL

Year	X	Y	X²	Y²	X*Y
2006/07	10,502.64	691.67	110,305,446.97	478,407.39	7,264,361.01
2007/08	13,718.60	818.92	188,199,985.96	670,629.97	11,234,435.91
2008/09	13,679.76	1,025.11	187,135,833.66	1,050,850.51	14,023,258.77
2009/10	15,956.96	1,085.87	254,624,572.44	1,179,113.66	17,327,184.16
2010/11	18,427.27	1,119.17	339,564,279.65	1,252,541.49	20,623,247.77
Total Sum	72,285.23	4,740.74	1,079,830,118.68	4,631,543.01	70,472,487.62

Correlation coefficient $(r_{xy)} = \dfrac{N\sum xy - \sum x \sum y}{\left(\sqrt{N\sum x^2 - (\sum x)^2}\right)\left(\sqrt{N\sum y^2 - (\sum y)^2}\right)} = 0.8876$ $\qquad$ r²=0.7879

$P.E._r = 0.6745 * \dfrac{1-r^2}{\sqrt{N}} = 0.0640$

$6*P.E._r = 0.3839$

Correlation between loan & advances (X) & net profit (Y)of EBL

Year	X	Y	X²	Y²	X*Y
2006/07	13,664.99	296.41	186,731,951.70	87,858.89	4,050,439.69
2007/08	18,339.09	451.22	336,322,222.03	203,599.49	8,274,964.19
2008/09	23,884.67	638.73	570,477,461.01	407,976.01	15,255,855.27
2009/10	27,556.36	831.77	759,352,976.45	691,841.33	22,920,553.56
2010/11	31,057.69	931.31	964,580,108.14	867,338.32	28,924,337.27
Total Sum	114,502.80	3,149.44	2,817,464,719.32	2,258,614.04	79,426,149.98

Correlation coefficient $(r_{xy)} = \dfrac{N\sum xy - \sum x \sum y}{\left(\sqrt{N\sum x^2 - (\sum x)^2}\right)\left(\sqrt{N\sum y^2 - (\sum y)^2}\right)} = 0.9968$ $\qquad$ r²=0.9935

$P.E._r = 0.6745 * \dfrac{1-r^2}{\sqrt{N}} = 0.0019$

$6*P.E._r = 0.0117$

Annexure: 38

Correlation between loan & advances (X) & net profit (Y)of NABIL

Year	X	Y	X²	Y²	X*Y
2006/07	15,545.78	673.96	241,671,275.81	454,222.08	10,477,233.89
2007/08	21,365.05	746.46	456,465,361.50	557,202.53	15,948,155.22
2008/09	27,589.93	1,031.04	761,204,237.40	1,063,043.48	28,446,321.43
2009/10	32,268.87	1,141.04	1,041,279,971.08	1,301,972.28	36,820,071.42
2010/11	38,034.10	1,340.62	1,446,592,762.81	1,797,261.98	50,989,275.14
Total Sum	134,803.73	4,933.12	3,947,213,608.60	5,173,702.36	142,681,057.11

Correlation coefficient $(r_{xy}) = \dfrac{N\sum xy - \sum x \sum y}{\left(\sqrt{N\sum x^2 - (\sum x)^2}\right)\left(\sqrt{N\sum y^2 - (\sum y)^2}\right)} = 0.9885$ $\quad r^2 = 0.9772$

$P.E._r = 0.6745 * \dfrac{1-r^2}{\sqrt{N}} = 0.0069$

$6*P.E._r = 0.0412$

Annexure: 39

Correlation between loan & advances (X) & net profit (Y) of NIBL

Year	X	Y	X²	Y²	X*Y
2006/07	17,286.43	501.40	298,820,662.14	251,401.96	8,667,416.00
2007/08	26,996.65	696.73	728,819,111.22	485,432.69	18,809,375.95
2008/09	36,241.21	900.63	1,313,425,302.26	811,134.40	32,639,920.96
2009/10	40,318.31	1,265.95	1,625,566,121.26	1,602,629.40	51,040,964.54
2010/11	41,095.51	1,176.64	1,688,840,942.16	1,384,481.69	48,354,620.89
Total Sum	161,938.11	4,541.35	5,655,472,139.05	4,535,080.14	159,512,298.35

Correlation coefficient $(r_{xy}) = \dfrac{N\sum xy - \sum x \sum y}{\left(\sqrt{N\sum x^2 - (\sum x)^2}\right)\left(\sqrt{N\sum y^2 - (\sum y)^2}\right)} = 0.9575$ $\quad r^2 = 0.9167$

$P.E._r = 0.6745 * \dfrac{1-r^2}{\sqrt{N}} = 0.0251$

$6*P.E._r = 0.01507$

Annexure: 40
Trend Analysis of Total Deposits
For SCBNL

| Year | SCBNL | | | |
	Total Deposit(y)	x	x²	x*y
2006/07	24,647.03	(2.00)	4.00	(49,294.06)
2007/08	29,743.99	(1.00)	1.00	(29,743.99)
2008/09	35,871.72	-	-	-
2009/10	35,182.73	1.00	1.00	35,182.73
2010/11	37,999.24	2.00	4.00	75,998.48
Total	163,444.71	-	10.00	32,143.16

Where, $a = \dfrac{\sum y}{N} = 32,668.94$

$b = \dfrac{\sum xy}{\sum x^2} = 3,214.32$

Trend line(y_c) = a+bx = 32,668.94+3214.32 x

Total Deposits in year 2011/12 = 32,668.94+3214.32*3 = 42,331.89

Total Deposits in year 2012/13 = 32,668.94+3214.32*4 = 45546.21

Total Deposits in year 2013/14 = 32,668.94+3214.32*5 = 48,760.52

Total Deposits in year 2014/15 = 32,668.94+3214.32*6 = 51,974.84

Total Deposits in year 2015/16 = 32,668.94+3214.32*7 = 55,189.15

Annexure:41
Trend Analysis of Total Deposits
For EBL

| Year | EBL | | | |
	Total Deposit (y)	x	x²	x*y
2006/07	18,186.25	(2.00)	4.00	(36,372.50)
2007/08	23,976.31	(1.00)	1.00	(23,976.31)
2008/09	33,323.46	-	-	-
2009/10	36,932.31	1.00	1.00	36,932.31
2010/11	41,127.90	2.00	4.00	82,255.80
Total	153,546.23	-	10.00	58,839.30

Where, $a = \dfrac{\sum y}{N} = 30,709.25$

$b = \dfrac{\sum xy}{\sum x^2} = 5,883.93$

Trend line(y_c) = a+bx = 30,709.25+5,883.93 x

Total Deposits in year 2011/12 = 30,709.25+5,883.93*3 = 48,361.04

Total Deposits in year 2012/13 = 30,709.25+5,883.93*4 = 54,244.97

Total Deposits in year 2013/14 = 30,709.25+5,883.93*5 = 60,128.90

Total Deposits in year 2014/15 = 30,709.25+5,883.93*6 = 66,012.83

Total Deposits in year 2015/16 = 30,709.25+5,883.93*7 = 71,896.76

Annexure : 42
Trend Analysis of Total Deposits
For NABIL

| Year | NABIL | | | |
	Total Deposit (y)	x	x²	x*y
2006/07	23,342.39	(2.00)	4.00	(46,684.78)
2007/08	31,915.05	(1.00)	1.00	(31,915.05)
2008/09	37,348.26	-	-	-
2009/10	46,410.70	1.00	1.00	46,410.70
2010/11	49,696.11	2.00	4.00	99,392.22
Total	188,712.51	-	10.00	67,203.09

Where, a = $\frac{\sum y}{N}$ = 37,742.50

b = $\frac{\sum xy}{\sum x^2}$ = 6,720.31

Trend line(y_c) = a+bx=37,742.50+6,720.31 x

Total Deposits in year 2011/12=37,742.50+6,720.31*3 = 57,903.43

Total Deposits in year 2012/13=37,742.50+6,720.31*4 =64,623.74

Total Deposits in year 2013/14=37,742.50+6,720.31*5 = 71,344.05

Total Deposits in year 2014/15=37,742.50+6,720.31*6 = 78,064.36

Total Deposits in year 2015/16=37,742.50+6,720.31*7 = 84,784.67

Annexure:43
Trend Analysis of Total Deposits
For NIBL

| Year | NIBL | | | |
	Total Deposit (y)	x	x²	x*y
2006/07	24,488.86	(2.00)	4.00	(48,977.72)
2007/08	34,451.73	(1.00)	1.00	(34,451.73)
2008/09	46,698.09	-	-	-
2009/10	50,094.73	1.00	1.00	50,094.73
2010/11	50,138.13	2.00	4.00	100,276.26
Total	205,871.54	-	10.00	66,941.54

Where, a = $\frac{\sum y}{N}$ = 41,174.31

b = $\frac{\sum xy}{\sum x^2}$ = 6,694.15

Trend line(y_c) = a+bx=41,174.31+6,694.15 x

Total Deposits in year 2011/12=41,174.31+6,694.15*3 = 61,256.77

Total Deposits in year 2012/13=41,174.31+6,694.15*4 = 67,950.92

Total Deposits in year 2013/14=41,174.31+6,694.15*5= 74,645.08

Total Deposits in year 2014/15=41,174.31+6,694.15*6= 81,339.23

Total Deposits in year 2015/16=41,174.31+6,694.15*7= 88,033.39

Annexure : 44
Trend Analysis of Loan & Advances
For SCBNL

Year	SCBNL			
	Loan & Advances (y)	x	x²	x*y
2006/07	10,502.64	(2.00)	4.00	(21,005.28)
2007/08	13,718.60	(1.00)	1.00	(13,718.60)
2008/09	13,679.76	-	-	-
2009/10	15,956.96	1.00	1.00	15,956.96
2010/11	18,427.27	2.00	4.00	36,854.54
Total	72,285.23	-	10.00	18,087.62

Where, $a = \dfrac{\sum y}{N} = 14,457.05$

$b = \dfrac{\sum xy}{\sum x^2} = 1,808.76$

Trend line(y_c) = a+bx=14,457.05+1,808.76 x

Total Loan & Advances in year 2011/12=14,457.05+1,808.76*3 = 19,883.33

Total Loan & Advances in year 2012/13=14,457.05+1,808.76*4 =21,692.09

Total Loan & Advances in year 2013/14=14,457.05+1,808.76*5 = 23,500.86

Total Loan & Advances in year 2014/15=14,457.05+1,808.76*6 = 25,309.62

Total Loan & Advances in year 2015/16=14,457.05+1,808.76*7 = 27,118.38

Annexure:45
Trend Analysis of Loan & Advances
For EBL

Year	EBL			
	Loan & Advances (y)	x	x²	x*y
2006/07	13,664.99	(2.00)	4.00	(27,329.98)
2007/08	18,339.09	(1.00)	1.00	(18,339.09)
2008/09	23,884.67	-	-	-
2009/10	27,556.36	1.00	1.00	27,556.36
2010/11	31,057.69	2.00	4.00	62,115.38
Total	114,502.80	-	10.00	44,002.67

Where, $a = \dfrac{\sum y}{N} = 22,900.56$

$b = \dfrac{\sum xy}{\sum x^2} = 4,400.27$

Trend line(y_c) = a+bx=22,900.56+4,400.27 x

Total Loan & Advances in year 2011/12=22,900.56+4,400.27*3 = 36,101.36

Total Loan & Advances in year 2012/13=22,900.56+4,400.27*4 = 40,501.63

Total Loan & Advances in year 2013/14=22,900.56+4,400.27*5= 44,901.90

Total Loan & Advances in year 2014/15=22,900.56+4,400.27*6= 49,302.16

Total Loan & Advances in year 2015/16=22,900.56+4,400.27*7= 53,702.43

Annexure : 46
Trend Analysis of Loan & Advances
For NABIL

| Year | NABIL | | | |
	Loan & Advances (y)	x	x²	x*y
2006/07	15,545.78	(2.00)	4.00	(31,091.56)
2007/08	21,365.05	(1.00)	1.00	(21,365.05)
2008/09	27,589.93	-	-	-
2009/10	32,268.87	1.00	1.00	32,268.87
2010/11	38,034.10	2.00	4.00	76,068.20
Total	134,803.73	-	10.00	55,880.46

Where, $a = \dfrac{\sum y}{N} = 26,960.75$

$b = \dfrac{\sum xy}{\sum x^2} = 5,588.05$

Trend line(y_c) = a+bx=26,960.75+5,588.05 x

Total Loan & Advances in year 2011/12=26,960.75+5,588.05*3 = 43,724.88

Total Loan & Advances in year 2012/13=26,960.75+5,588.05*4 =49,312.93

Total Loan & Advances in year 2013/14=26,960.75+5,588.05*5 = 54,900.98

Total Loan & Advances in year 2014/15=26,960.75+5,588.05*6 = 60,489.02

Total Loan & Advances in year 2015/16=26,960.75+5,588.05*7 = 66,077.07

Annexure:47
Trend Analysis of Loan & Advances
For NIBL

| Year | NIBL | | | |
	Loan & Advances (y)	x	x²	x*y
2006/07	17,286.43	(2.00)	4.00	(34,572.86)
2007/08	26,996.65	(1.00)	1.00	(26,996.65)
2008/09	36,241.21	-	-	-
2009/10	40,318.31	1.00	1.00	40,318.31
2010/11	41,095.51	2.00	4.00	82,191.02
Total	161,938.11	-	10.00	60,939.82

Where, $a = \dfrac{\sum y}{N} = 32,387.62$

$b = \dfrac{\sum xy}{\sum x^2} = 6,093.98$

Trend line(y_c) = a+bx=32,387.62+6,093.98 x

Total Loan & Advances in year 2011/12=32,387.62+6,093.98*3 = 50,669.57

Total Loan & Advances in year 2012/13=32,387.62+6,093.98*4 = 56,763.55

Total Loan & Advances in year 2013/14=32,387.62+6,093.98*5= 62,857.53

Total Loan & Advances in year 2014/15=32,387.62+6,093.98*6= 68,951.51

Total Loan & Advances in year 2015/16=32,387.62+6,093.98*7= 75,045.50

Annexure : 48
Trend Analysis of Total Investments
For SCBNL

Year	SCBNL			
	Investment (y)	x	x^2	x*y
2006/07	13,553.23	(2.00)	4.00	(27,106.46)
2007/08	13,902.82	(1.00)	1.00	(13,902.82)
2008/09	20,236.12	-	-	-
2009/10	19,847.51	1.00	1.00	19,847.51
2010/11	17,258.68	2.00	4.00	34,517.36
Total	84,798.36	-	10.00	13,355.59

Where, $a = \dfrac{\sum y}{N} = 16,959.67$

$b = \dfrac{\sum xy}{\sum x^2} = 1,335.56$

Trend line(y_c) = a+bx=16,959.67+1,335.56 x

Total Investments in year 2011/12=16,959.67+1,335.56*3 = 20,966.35

Total Investments in year 2012/13=16,959.67+1,335.56*4 = 22,301.91

Total Investments in year 2013/14=16,959.67+1,335.56*5 = 23,637.47

Total Investments in year 2014/15=16,959.67+1,335.56*6 = 24,973.03

Total Investments in year 2015/16=16,959.67+1,335.56*7 = 26,308.59

Annexure:49
Trend Analysis of Total Investments
For EBL

Year	EBL			
	Investment (y)	x	x^2	x*y
2006/07	4,984.31	(2.00)	4.00	(9,968.62)
2007/08	5,059.56	(1.00)	1.00	(5,059.56)
2008/09	5,948.48	-	-	-
2009/10	5,008.31	1.00	1.00	5,008.31
2010/11	7,743.93	2.00	4.00	15,487.86
Total	28,744.59	-	10.00	5,467.99

Where, $a = \dfrac{\sum y}{N} = 5,748.92$

$b = \dfrac{\sum xy}{\sum x^2} = 546.79$

Trend line(y_c) = a+bx=5,748.92+546.79 x

Total Investments in year 2011/12=5,748.92+546.79*3 = 7,389.32

Total Investments in year 2012/13=5,748.92+546.79*4 = 7,936.11

Total Investments in year 2013/14=5,748.92+546.79*5= 8,482.91

Total Investments in year 2014/15=5,748.92+546.79*6= 9,029.71

Total Investments in year 2015/16=5,748.92+546.79*7= 9,576.51

Annexure : 50
Trend Analysis of Total Investments
For NABIL

| Year | NABIL | | | |
	Investment (y)	x	x²	x*y
2006/07	8,945.31	(2.00)	4.00	(17,890.62)
2007/08	9,939.76	(1.00)	1.00	(9,939.76)
2008/09	10,826.38	-	-	-
2009/10	13,703.02	1.00	1.00	13,703.02
2010/11	13,081.21	2.00	4.00	26,162.42
Total	56,495.68	-	10.00	12,035.06

Where, $a = \dfrac{\sum y}{N} = 11,299.14$

$b = \dfrac{\sum xy}{\sum x^2} = 1,203.51$

Trend line(y_c) = a+bx=11,299.14+1,203.51 x

Total Investments in year 2011/12=11,299.14+1,203.51*3 = 14,909.65

Total Investments in year 2012/13=11,299.14+1,203.51*4 = 16,113.16

Total Investments in year 2013/14=11,299.14+1,203.51*5 = 17,316.67

Total Investments in year 2014/15=11,299.14+1,203.51*6 = 18,520.17

Total Investments in year 2015/16=11,299.14+1,203.51*7 = 19,723.68

Annexure:51
Trend Analysis of Total Investments
For NIBL

| Year | NIBL | | | |
	Investment (y)	x	x²	x*y
2006/07	6,505.68	(2.00)	4.00	(13,011.36)
2007/08	6,874.02	(1.00)	1.00	(6,874.02)
2008/09	7,399.81	-	-	-
2009/10	8,635.53	1.00	1.00	8,635.53
2010/11	7,423.11	2.00	4.00	14,846.22
Total	36,838.15	-	10.00	3,596.37

Where, $a = \dfrac{\sum y}{N} = 7,367.63$

$b = \dfrac{\sum xy}{\sum x^2} = 359.64$

Trend line(y_c) = a+bx=7,367.63+359.64 x

Total Investments in year 2011/12=7,367.63+359.64*3 = 8,446.54

Total Investments in year 2012/13=7,367.63+359.64*4 = 8,806.18

Total Investments in year 2013/14=7,367.63+359.64*5= 9,165.82

Total Investments in year 2014/15=7,367.63+359.64*6= 9,525.45

Total Investments in year 2015/16=7,367.63+359.64*7= 9,885.09