CHAPTER-I

INTRODUCTION

1.1Introduction

Banks plays a vital role in developing the economy of any country. Before 1848 B.S. the Goldsmiths used to store people's gold and other valuable goods and charge nominal charges against the deposit. That time people deposited their gold and valuable goods for the sake of security rather than earning interest. The term Bank emerged in USA in 1848 B.S.

Bank is a resource mobilization institution, which accepts deposit from various sources, and invest such accumulated resources in the fields of agriculture, trade, commerce, industry, tourism etc.

The commercial bank has its own role and contribution in the economic development. It is a source for economic development; it maintains economic confidence of various segments and extends credit t people. (Grywinshki, R. "The New Fanshioned Banking", Garvard Businesss Review, May-Jun. 1991, P.87.)

In Nepal banking activities were done after the establishment of Nepal Bank Limited (NBL) in 1937. The programmers were first initiated by NBL. In 1955, the first central Bank named as the "Nepal Rastriya Bank" (NRB) was established with an objective of supervising, protecting and directing the function of commercial banking activities. Commercial Bank fully owned by government named as Rastriya Banijya Bank was established in 1966.

Financial institution plays vital role in the economic growth of the country. Financial infrastructure of an economy consists of financial intermediation, financial institution and financial markets. Financial institutions mainly facilitate the development of Nepalese trade, industry and commerce.

Nepal has adopted mixed economy system, which is known to be combination of good aspects of socialistic and capitalistic economic system, in this economic system both government and private sector are active for the industries since 1990, Nepal has adopted more liberal and open economic system with high emphasis on private sector led growth in the early years of development the government had taken the leadership for industrial development by establishing industries under its ownership.

Bank is one of the financial institutional which provides to public borrowing and lending. Now a day the banking sector reached to the most remote areas of the country and has gain a good experiences in the growth of the economy. The present structure of the financial institution is based on commercial banks. The banking sector is largely responsible for collecting household saving in terms of different types of deposits and regulating them in the society by lending in different sectors of economy. In developing country commercial banks are very important of the financial approach. They always concern about how to make funds and how they lending and investing to their borrowers.

The present structure of the financial institution is based in the foundation laid by commercial banks. Historical evidence shows that commercial banks serve as primary means of intermediation.

Nepal's reform efforts in the financial sectors begun in 1980 when NRB eased entry restrictions with as amendment to the commercial bank act 1978. As a result, three banks namely Nepal Arab Bank Limited (NABIL), Nepal Indo-Suez Bank (NIBS) and standard Chatered Nepal Bank Limited (SCBNL) came into operation prior to 1990s. However, it was only in 1992, after NRB adopted a liberal attitude in permitting commercial bank to open.

Financial liberalization really took place. Six new banks, all in joint venture of foreign banks, have come into operation making the total number of the commercial banks to eleven. In addition, letter of intent has been given to three more commercial banks to operate on regional basis. (Shrestha ,S.P. "Banking and Foreign Exchange Policies and Opportunities for Foreign Direct Investment in Nepal" NRB Samachar, 2055 B.S. p.1)

1.2 Focus of the study

The establishment of the joint venture bank has given a new horizon to the financial sector of Nepal. The study courses on the financial performance of two joint venture banks namely Himalayan Bank Limited (HBL) standard chartered Nepal Bank Limited (SCBNL).

HBL is a joint venture bank with Habib Bank Limited of Pakistan was established in 1992 under the company act 1964. This is the first joint venture bank with maximum share holding by the Nepalese private sector which managed by Nepali chief executive. The operation of the bank started from February 1993. An

authorized capital of the bank has been Rs. 240 million, issued Rs. 120 million and paid up capital Rs. 120 million. It's ownership is composed of founder share holder (a class) 51%, Habib Bank of Pakistan 20% Karmachari Sanchaya Kosh 14% and public 15%.

SCBNL was established in 1985 as a second joint venture bank under the company act 1964. It is executed under the direction of Australian and Newzeland Banking Group Limited (ANZ). The authorized capital of the bank has been Rs 300 million, issued Rs 150 million and paid up capital Rs 150 million. Its ownership is composed of ANZ Grind lays bank 50% Nepal Bank Limited 33.34% and public 16.66%.

The main objective of both the banks is to provide modern banking facility and loan to agriculture, commerce and industrial sectors.

1.3 Statement of the Problem

No doubt bank is a monetary institution vehicle for domestic resource mobilization of the country. HMG allowed such new types commercial banks as joint venture banks to operate in the country for national development. They have capacity to make such as dividend policy, considering the wealth maximization of shareholders and growth of the company through their advance management techniques, technology and proper market schemes. But they aresuffering from many barriers such as legal obstacles, national constraints and erratic government intervention. Some major problems are identified which are as follows.

1) What are the liquidity, profitability and market position of HBL and SCBNL?
2) What are the growth ratios levels of joint venture banks in terms of net income, earning per share and dividend per share and comparing them?
3) What are the relationship between variables debt and return of joint venture banks?
4) What is the trend projection of joint venture banks in terms of deposit and net profit?
5) What are the relationship between variables deposited and investment of joint venture banks?

1.4. Objectives of the study

The aim of the study is basically to discuss, examine and evaluate the financial operation and position of the concerned financial institutions (i.e. the banks).

The main objectives of the study are.

1) To analyze the liquidity, profitability and market position of HBL and SCBNL.
2) To study the growth ratios of joint venture banks in terms of net income, earning per share and dividend per share and comparing them.
3) To know the relationship between variables debt and return of joint venture banks?
4) To suggest measures for their effective and efficient financial performance.

1.5 Hypothesis of the Study

A hypothesis is a conjectural statement of the relationship between two on more variables. Every researcher has to start with certain assumptions and presumption through which subsequent study might prove and disapprove. The effectiveness of the research is not possible without hypothesis. Hypothesis helps in or agonizing the collected data in a very systematic way and in fact it stands at the mid paint of research directing towards particular way and in fact it stands at the mid point of research directing towards particular way of finding tentative solution to the question of how and Why.

Since the samples are more than two, f-test is done to find out the uniformity of total investment to total deposit non-banking assets to total assets, current ratio, dividend payout ratio and return on shareholders equity.

Hypothesis I

Total investment to total deposit Ratio:

Null Hypothesis (H_0) $\mu_1 \neq \mu_2$ i.e. There is significant difference between the mean ratios of total investment to total deposit.

Alternate Hypothesis (H_1) $\mu_1 = \mu_2$ i.e. There is no significant difference between the mean ratio of total investment to total deposit.

Hypothesis II

Return on shareholders equity (net worth) ratio.

(H_0) $\mu_1 \neq \mu_2$ i.e. There is significant difference between the mean ratio of return and shareholders equity.

(H_1) $\mu_1 = \mu_2$ i.e. There is no significant difference between the mean ratio of return on shareholders equity.

Hypothesis III

Non Banking to total Assets Ratio.

(H_1) $\mu_1 \neq \mu_2$ i.e. There is significant difference between the mean ratio of return an assets to total Assets.

(H_1) $\mu_1 = \mu_2$ i.e. There is no significant difference between the mean ratios of return an assets to total Assets.

Hypothesis IV

Current Ratio:

(H_0) $\mu_1 \neq \mu_2$ i.e. There is significant difference between the mean current Ratio.

(H_1) $\mu_1 = \mu_2$ i.e. There is no significant difference between the mean current Ratio.

Hypothesis V

Dividend payout Ratio:

(H_0) $\mu_1 \neq \mu_2$ i.e. There is significant difference between the mean Dividend payout ratio.

(H_1) $\mu_1 = \mu_2$ i.e. There is no significant difference between the mean Dividend pay out ratios.

(note: I think null and alternative hypothesis has been reversed, please confirm from statistics book)

1.6 Limitation of the study

The study is very much challenging number of limitation should face during the stuffy period .Due to limitation of time and resource, this study has been confined by the following factors.

1) The study is fully dependent on the secondary data published from the concerted banks. Moreover, the up–to –data and complete data may not be

achieved fully due to inability or providing the required data by concerned authorities.

2) Among various joint ventures banks the study is consented only on two joint venture banks namely HBL and SCBNL.
3) The study is only for practical fulfillment of master's degree programmer of MBS.

1.7 Organization of the study

The whole study will be divided into five chapters. Every chapter are parallel important to some aspect of the study.

Chapter I

Introduction

1.1 Historical Background

1.2 Focus of Study

1.3 Statement of the Problem

1.4 Objectives of the Study

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Chapter II

Review of Literature

2.1 Concept of Banking

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- 2.2.1 Review of Books Relating to Commercial Banks
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Chapter III

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CHAPTER – II
REVIEW OF LITERATURE

The chapter highlights upon the literature that have already been conducted by some thesis researchers in this particular topic of joint venture banks. This has been grouped under the concept of banking, historical development of banking system in Nepal, concept of OFF-BALANCE SHEET (OFB) operations, financial performance, definition of variables, review of related thesis works and background of HBL and SCBNL.

2.1. Concept of Banking

Bank is a financial institution, which plays a significant role in the development of the country. It facilitates the growth of trade and industry and other sector of the national economy. It is a resource for economic development, which maintained the self- confidence of segments of society and extends credit to the people.

A bank is a business organization that receives and holds deposits of funds from others makes loans or extends credits and transfers funds by written orders of depositors. (Encyclopedia, the Word Book, America: Grolier Incorporated, Vol. 3, 1981).

The more development financial system of the world characteristically falls in to three parts. The Central Bank, the Commercial banks and other financial institutions. They are also known as financial intermediaries. (R.S. sayer, Modren Banking, India: oxford Clerender Per, India, 1976).

In the Nepalese context, nowadays, three types of banks are being operated by performing their activities in different sectors, such as central bank (Nepal Rastra Bank) commercial banks and Development Bank Commercial banking are either operated fully in the public sector or the joint sector or being operated under joint venture with foreign banks with private participation.

2.2 Review of the Books

2.2.1 Review of Books Relating to Commercial Banks

Various books are written on commercial banks and we will be reviewing few of them.

The book written by Sayers (1976) in his modern Banking highlights in the economic importance of commercial banks and the function of 'creation of money' by Bank. According to Sayers, The special interest of economists in the activities of the deposit liabilities of the banks. Their lies the communities interest in the bank because by their operations they can effect the monetary situation in sense of the availability of the purchasing power. When a banks makes an advance by allowing customers to overdraw his accounts, the bank in effect exchanges its own promise to pay immediately against the customers promise to pay off the advance later on the economic importance of this exchange is that the bank's promise to pay immediately is absolutely effective purchasing power, which plays instrumental role in increasing the total demand of the goods and services. Here people use banks for the purpose of making payments and as sources of loans; the latter involves different uses of the resources that can be devoted to adding to the real capital of nature.

David Cox (1988) in his named success in Elements of Banking stresses in three major functions to performed by the commercial banks.

- To accept and safeguard deposit of money from customers.
- To permit money to be withdrawn or transferred from one account to another.
- To lend the surplus of deposit money to suitable customers who to borrow.

David Cox believes that the word 'money' is common to all the basic functions of the bank. Money according to him can be defined as anything, which is generally acceptable in the settlement of the debt and passes freely from hand to hand.

2.2.2 General Views or General Opinions

Views expressed by different persons regarding commercial bank and their activities on magazine journals are presented below.

Sharma (1988) in his article "joint venture banks in Nepal coexisting or crowding out" pointed out that.

It would be definitely un wise for Nepal not to let JVBs to operate in the country and not to take advantage of them as additions means of resources

mobilization. But it will certainly be unfortunate for the country to develop the JVBs at the cost of the domestic banks. So far, one should say frankly that no differential treatment has been extended to the domestic and JVBs equally despite the JVBs bargaining strength and if the JVBs equally show their eagerness to come forward to share the trails and tribulations of this country then both types of banks will co-exist complementing each other and contributing to the nation. On the contrary, if the JVBs use their strength against domestic banks and the government then they will eventually crowd out the domestic banks from the country.

An article on 'Financial statement Analysis' written by Narayan Pd. Poudel (2053) published in Nepal Rastra Bank Samachar in 2053 highlights on the importance of Balance Sheet, profit and loss Account. The bank's balance sheet is composed of financial claims as liabilities in the from of deposit and as assets in the form of loans. Interest received on loans advances and investment are the major components of profit and loss Account fees commissions, discounts and services charges are other sources of income.

According to Poudel the principal objectives of analyzing financial statement are to identify liquidity, profitability and solvency of a bank the other factors to be considered in analyzing the financial statements of banks are to assess the capital adequacy ratio and liquidity position.

2.3 Review of Thesis

In this topic we review the important and relevant aspect of banking which have been conducted by some thesis researchers and some of students in this particular topic.

Bodhi B. Bajracharya, in his article "Monetary policy and deposit mobilization in Nepal" has concluded that mobilization of the domestic saving is one of the prime objectives of the monetary policy in Nepal and commercial banks are the most active financial intermediary for generating resource in the form of deposit of private sector and providing credit to investors in different sectors of the economy.

Manotar Krishna Shrestha in his article "Commercial Banks comparative performance, Evaluation", concludes that JVBs are new, operatically more efficient, having superior performance comparison 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 in rural areas and 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 one hand spectrum and that of issues and challenges of JVBs commanding significant banking business on other spectrum.

Sunil Chopra in his article, "Role of foreign Banks in Nepal" concludes that: JVBs are already playing an increasing dynamic and vital role in the economic development of the country. This will undoubtedly increase of the government.

Another dissertation performed by Mahendra Mandal in his thesis "A comparative financial analysis of NIBL, NABL and NGBL" has found that the situation of the banks is quite different than that of general business enterprises. More ever, from the point of view of

working capital policy NABL and NGBL have followed aggressive working capital policy than but from the point of view of liquidity position, NIBL is better than that of two banks.

Further, net profit to total assets ratios in the case of NIBL has registered better performance by utilizing its overall resources for earning more profit than other two banks (NABL and NGBL).

He also has found the JVBs are basically not concentrate to mobilize their deposit funds in productive sector. So, they suggested to come forward to meet government obligation by financing in the priority sector development programs such as poverty alleviation programs women development programs, income generating programs, generating new service ideas etc.

Another article entitled "lending operation of commercial banks of Nepal and it's impact on GDP" Dr. Sunity Shrestha has found that all the dependent variables (i.e. agriculture, industrial, commercial, general and social sectors), except service sector, She found correlation between GDP and lending of commercial banks in various sector of economy except though service investment.

Gilles Sarra in his article, "Role of foreign Banks in Nepal contest" concludes the five commercial banks are improving their services, due to the pressure of compassion for the public benefit.

Ratna Raj Bajracharya in his article, "Rastriya Banijya Bank, A comparative performance study" concludes that deposit growth of commercial Banks in not consistent indigenous banks and better in mobilize, but they are not much efficient in

credit expansion. Credit deposit ration is better in JVBs. Non performing loan is greater in designers banks but profit ability is greater in JVBs. Local banks are forced to open and continue their branches at the rural areas but JVBs are reluctant but ready to pay fines for not doing so.

A thesis submitted by Dinesh Raj Shakya on 'Financial Analysis of JVBs in Nepal. He found that higher debt equity ratio, inadequate investment on priority sector. Highly invested on government security and debenture, bonds, lower profit margin due to higher operating cost and higher interest expense in both banks (NABL and NGBL). On the other EPS, DPS are increasing each year. Liquidity position of the bank (NGBL and NABL) is satisfactory. Return ratios are in fluctuating trend where ROA, ROE of NABL is higher than that of NGBL; NGBL's profit ability is more satisfactory than that of NABL.

Shakya recommends utilizing its risky assets. SHS funds and total assets are more efficiently for generating more profit margins. Both Banks should reduce their expense for being more profitable. They should be more active to earn operating income rather non operating income i.e. foreign fluctuation again.

The article by B.N. Rimal entitled "Policy issues and Development in Nepalese Banking System" Concludes that the Central bank should instead drive for an approach towards indirect monetary control rather than loan on quantitative individual bank ceiling. Indirect monetary policy through open market operation e.g. recent treasury bill auctions and opining up inter bank market and targeting broad financial variables like net foreign assets or for that matter net domestic assets should even out small instants in the banking system.

Deepak Joshi conducted a study entitled "A study on commercial Banks of Nepal with special reference to financial analysis of Rastriya Banijya Bank" He concludes that the bank has lower liquidity position than necessity, capital structure is highly geared and there is a gradual increase in the amount of funded debt. The return on assets is not satisfactory. He suggest that the bank should invest its resources in more productive sectors and equity financing should be emphasized.

The thesis submitted by Kamal Raj Pathak on "a comparative case study between Nepal Indosuez Bank Ltd. And Nepal Grindlays Bank Limited relating to capital structure and profitability" has found of both banks (NIB Ltd. and NGB Ltd.) capital should be decided keeping in mind the effects of tax advantage and financial

distress. The bank when it is difficult to pay interest and principal, ultimately lead to liquidation or bankruptcy.

Since there is no significant relationship between debt equity ratio in term of fixed deposits to net worth and overall capitalization rate of both the banks, the capital structure position is not better. ROE function is found to be influenced by dividend pay out ratio and interest margin in case of NIB Ltd. keeping this facts in mind both the banks are required to maintain improved capital structure by increasing equity base i.e. issuing more capital expanding general reserve and retaining more earning with this improved capital structure of the banks, it will compromise among the conflicting factors of cost an risk.

Mr. Pathak further recommends that the banks are suggested to collect the funds through issuing share. Return on debt and return on assets ratios are not satisfactory in the both banks. Having geared up capital structure position and insufficient return represent the weak aspect o these two banks. Both the banks are suggested to use the resources in to the most profitable sector.

About various study of financial study of commercial banks have been given more emphasis on liquidity position, profitability and capital structure of the banks. The study is only macro level study. Now in present study various financial and statistical tools have been used for the financial study of SCBNL and HBL.

Review of Current Thesis

Several studies carried out earlier have been perused before the analysis of financial performance of SCBNL and HBL . Some of them have been discussed in this topic.

Adhikari (1993) conducted in his study "Evaluating the Financial Performance of Nepal Bank Ltd". He had concluded that the investment portfolio of the banks had not been managed so efficient to maximize the returns. Therefore, the banks have suffered form series of operational efficiency, which was not satisfactory. Like wise allocation of loans and advanced by bank was not so meaningful as the productive sector has little share in the loan portfolio. Similarly, lower return on investment and lower market value of the bank's share as against the book value was reflection of the weaker financial performance of the bank. Nothing was satisfactory except liquidity position of Nepal Bank Ltd. (Adhikari, 1993)

Poudel (2005) has confined his study to the examination and evaluation of financial position and performance of Nepal SBI Bank Ltd and Nepal Grindlays Bank Ltd. He has assessed their strengths, weaknesses and opportunities and attempted to find out reasons of changes on profitability and liquidity trend of the both banks. (Poudel, 2000)

While going through the thesis titled "An Evaluation of Financial Performance of the Himalayan Bank Limited" carried out by Amogh Siddhi Shakya for the years 1995/96 to 1999/2000, the researcher had concern about the fluctuating trends of the banking variables of the sample bank. The variables included net profit, loans and advances, investment, cash and bank balance, etc. The objectives of the study was over the matters such as the structure and trend of income and expenditure of the bank, to analyze the financial indicators 9liquidity ratio, leverage ratio, etc.) of the bank and to provide suggestions for the improvement of the bank on the basis of the findings. (Shadky, 2002)

Accomplishing the study the researcher found the sound liquidity position of the bank but with fluctuating trends. The researcher also found the fixed deposit to total deposits ratio, total investment to the total deposits ratio fluctuating over the study period. Loans and advances to fixed deposit ratio showed increasing trend. The researcher found the return on risky assets decreasing where as total interest earned to total outside assets ratio in almost increasing trend. I was also concluded that the bank followed high debt financing. Further the researcher concluded the poor performance of the bank in getting return from total investment. Taking the findings as a whole the rearcher recommended Himalayan Bank Ltd. to hold different assets with varying maturity period to utilize the bank assets in productive sectors, to retain the assets more to reduce the risk of debt financing and so on. (Ibid, 76-81)

Next thesis reviewed titled "A Study of Financial Performance of NABIL Bank Lte." for the year 1991/92 to 2000/01 by Kalyan Bista concerned over the profitability and stability of the sample bank simply because of the tough competition. The researcher stated that the financial management is the main indicator of the success of failure of any business firm and the financial condition of the business firm should be sound from the point of view of shareholders, debentures holders, financial institution and nation as a world. So, the objectives of that particular study focused to analyze the liquidity, leverage, activity and profitability and ownership ratios of the bank, to study the income and expenditure statements of the bank and to analyze the

bankruptcy score of the bank for the period of five financial years from 1996/97 to 2000/01. (Bista: 2002:6)

In this regard, the researcher found the fluctuating trend in loans and advances to fixed deposit ratio, total debt to total assets ratio, cash reserve ratio, debt to equity ratio and total debt to total assets ratio. The net operating profit to total assets ratio remained highest in the year 1991/92 which was 4.48% and lowest in 1992/93 which was 3.44% . Over the study period the researcher found that the interest earned shared 80.43% share in operating income. Likewise interest expenses shared 65.48% share in total operating expenditure. (Ibid, 91-97)

Another study reviewed carried out by Nabin Kishore Luintel titled "A study of financial performance of Nepal Bank Ltd." for the years between 2047/48 and 2056/57 focused in the matter that the opening of the joint venture banks had treat upon the semi government owning bank, Nepal Bank Limited. So, the researcher aimed to anlyze the financial performance of Nepal Bank Ltd. to evaluate the bank's efficiency to face the growing challenges, to analyze income and expenses, to provide suggestions to improve the banking of the sample bank and so on. (Lunintel, 2003:15)

During the study period, the researcher came to know that the last five years, the bank seemed unable to utilize its high cost resources in high yielding investment portfolio. The net worth of the bank for the last two years of the study period witnessed negative due to the heavy loss during the years. The ratios of the long term liabilities as well as of total liabilities to net worth during the midst of the study period decreased. On the other hand the liquidity position remained sound throughout the study period. Long term debt, total debts and total deposits ratios gradually decreased. As a whole researcher concluded that financial position of the Nepal Bank Ltd. as worse during the last five years due to its failure to utilize its resources efficiently and due to its inefficiency at risk management. The overall financial position of the bank remained unsatisfactory over the study period. Moreover, it was worse in the final years. (Ibid, 115-116)

Similarly, another study conducted by Dependra Lamichhane on the topic "Financial performance Analysis of Friendship and Economic Community Saving and Loan Co-operative Society ltd" has concluded that the liquidity position of Co-operative Society Ltd is gradually improving but the current ratios of the society for the year 053/54 to 055/56 are too low as compared to theoretical norm of 2:1 . The capital structure of the co-operative society is not so sound means they are not able to

maintain proper limit of debt as compared to equity. It pays heavy interest on loan, therefore, the owners of the society have not been receiving sufficient amount of dividend. The firm is not able to invest or mobilize the public deposits in the profitable area/sector. Control over the expenses is essentially made by the management of the firm. (Lamichhane, 2004)

Ghimire, J.N (2006), "Comparatively study on financial performance of Nepal SBI bank Ltd and Himalayan bank Ltd." drown major finding as follows: A study conducted by Ghimire 92004) has concluded that the liquidity positions of both the banks are poor. The profitability position of HBL is comparatively high, the total fund of HBL has more deposits than net worth compared to NSBL. (Ghimire, 2004)

Shrestha's (2006), "Financial performance analysis of Everest Bank Ltd" had concluded that the all profitability ratios seem that the EBL has not fully successful to achieve desired profit. The return on equity ratio is fluctuating during the study period. Interest earned to working fund ratio of EBL shows the food position in the mid period, after this the rate is decreased slowly. But the ratio of interest paid to working fund is said to be better because it has paid lower interest expenses. The interest earned to operating income is satisfactory. Likewise, return on total working fund, return on loan and advances is not satisfactory. EPS of EBL have increasing even though there is negative return in the beginning. (Shrestha, 2004)

Thapa (2008) had conducted his thesis on the topic of "A Comparative Financial Statement Analysis of Himalayan Bank Limited and Standard Chartered Bank Nepal Limited" with the main objectives of :

To study the liquidity, profitability, activity, capital structure and invest ability position of both SCBNL and HBL to examine the trend of deposit and loan and advances and to suggest and recommended some measures by evaluating and finding financial performance of both JVBs. The major findings he had presented were as follows:

The current ratios of both the banks are always below the normal standard 2:1 which is the indication of unsatisfactory liquidity position, though SCBNL is found slightly better as compared to HBL in this regard. HBL has been found utilizing their total deposits successfully in the form of extending loan and advances for profit

generating purpose as compared to SCBNL. Return on investment of SCBNL has always found higher in all fiscal years of study as compared to HBL (i.e. 4.3% >2.11%) . EPS of both the banks were found in fluctuating trend though dividend pre share of HBL has found always lower in all fiscal years. Both the banks were suggested to reduce the operating expenses to maximize the profit. (Thapa, 2005)

Pali (February 2009), in his thesis paper entitled, "Financial evaluation and Analysis of Nepal Investment Bank Ltd and Nepal Standard Chartered Bank Ltd.", has made an attempt to highlight the strengths and weaknesses of above two mentioned banks. He concluded that they should search the new areas of lending and move to rural areas in search of new lending areas as well. (Pali, 2006)

Rana (2009), "A comparative financial performance analysis of NABIL bank Ltd and Himalayan bank Ltd" drown major finding as follows:
A study conducted by Rana 92007) has concluded that both banks had utilized its deposits very efficiently on loan and advances but its return on investment of both the banks is not satisfactory. It found that both banks are using more debt in the capital structure. Both banks are able to earn high return on shareholder's equity. (Rana, 2007).

Dharma Ratna Maharjan (2001) made "*A comparative analysis of financial performance of Nepal Bangaladesh Bank Ltd and Nepal Grindlays Bank Ltd*". His main objective was to analyze and evaluate the financial position of Nepal Bangaladesh Bank Ltd and Nepal Grindlays Bank Ltd in order to benefit the management, shareholders, stock traders, customers, depositors and debtors by his findings. He used financial tools like ratio analysis and some statistical tools like average, CV, trend analysis, Hypothesis tests. He used the data of five years till the year 2000. At liquidity position NGBL don't meet the required standard but it is consistent. At fund utilization NBBL is better. NBBL is more aggressive at fund mobilization bearing higher risk. At profitability NBBL has increasing trend till 1997. NGBL has higher fluctuation at profitability. Overall capital position is better at NGBL.

Raghubir Kapali (2002) made "*A comparative study of financial performance of NABIL and SCBNL*". His main objective was to make comparative study of financial performance of the above mentioned banks. He had an intention to benefit the management, shareholders, stock traders, customers, depositors from his findings. He

used financial tools like ratio analysis and statistical tools like average, CV, SD, trend analysis, coefficient correlation, probable error, hypothesis tests in his study. He used the data from 1994 to 2000 and used most of the ratios and extensively used statistical tools. And he concluded that both have lower liquidity position, both are highly leveraged, performing assets to total assets ratio satisfactory in both ,unsatisfactory profitability in both , threat of solvency being high, recommends to increase equity base, improve operational profit ,and to decrease operating expenses, expand services to rural areas.

Indra Bahadur Dahal (2004) made "*A comparative study of financial performance of HBL and NBBL"*. His main objective was to make comparative study of financial performance of the above mentioned banks. He had an intention to benefit the management, shareholders, stock traders, customers, depositors and debtors by his findings. He used financial tools like ratio analysis and statistical tools like average, CV, SD, hypothesis tests (F test) in his study. And he concludes that NBBL maintains above the standard liquidity ratio, NBBL is better at mobilizing the deposits, at mobilizing fixed deposits HBL is better, HBL is more leveraged and riskier, NBBL has been found better performed at utilizing overall resources, where as net profit to total deposit ratio is higher with HBL, HBL in better at mobilizing the equity. NBBL has higher fluctuation at net profit margin so it has high risk of solvency, NBBL is better at commission and discount whereas HBL is better at interest income, operational cost of HBL is higher.

Bhogendra Dangi (2004) made "*A comparative study of financial performance of SCBNL, NABIL and HBL*". His main objective to make comparative study of financial performance of the above mentioned banks. He had an intention to benefit the management, shareholders, stock traders, customers, depositors and debtors by his findings. He used financial tools excessively but did not use any statistical tools in his study. And he concludes all have unsatisfactory liquidity position, all are highly leveraged, all have low coverage ratio due to excessive use of debts, SCBNL is better at mobilizing assets, SCBNL is better at EPS suggesting effective utilization of owners' equity. DPR higher with SCBNL, HBL is better at lending and SCBL better at service giving, SCBNL has higher expenditure at staff, HBL at interest payment, NABIL at general expenditure, all borrowed but SCBNL is continuously borrowing throughout the period, suggests to improve quality of current assets structure, to increase equity base, and EBT.

CHAPTER – III

RESEARCH METHODOLOGY

The prime objectives of this study is to evaluate and assess the financial performance between the two JVBs, i.e. Himalayan Bank Limited and Standard Chartered Bank Nepal Limited. This chapter contains those methods that make convenience for comparison of the performance made, so far by these banks boy analyzing the strength and weaknesses of the financial performance of these two JVBs.

Research methodology refers to the various sequential steps (along with a rational, of each such steps) to be adopted by a researcher in studying a problem with certain objectives in view. It would be appropriate to mention here that research projects are not meaningful to one unless they are in sequential order, which will be determined by the particular problem at hand.

3.1 Research Design

The research design followed is basically the comparative evaluation of financial performance of HBL and SCBNL. Analytical as well as descriptive approaches are used to evaluate the financial performance of these banks. Analysis is basically on the basis of secondary data through personal interviews are taken to support and confirm with key personnel.

3.2 Sources of Data

This study is mainly based on secondary data. Secondary data are collected from their respective annual report especially from profit and loss account, balance sheet and other publications made by the banks. Various information from "Nepal Stock Exchange Ltd." Kathmandu, Bulletin and report of NRB.

3.3 Population and Sample

The two joint venture banks i.e. Himalayan Bank limited and Standard Chatered Bank Nepal Limited have been selected as sample for the present study.

3.4 Method of Data Analysis

For the purpose of analysis, financial statement of concerned institutions the profit and loss account and balance sheet of the bank have been analyzed for analysis the following financial as well as statistical tools have been used.

3.4.1 Financial Tools

In this research study various financial tools are employed for the analysis. There are more than 200 ratios existing today, but in this study some selected ratios are used.

3.4.1.1 Liquidity Ratio

Liquidity ratio is employed to measure the company's ability to meet short-term obligations. These ratios provide in sight in to the present cash solvency in the event of adverse financial condition. This ratio is used to measure the company's short terms obligations with short-term resources available at a give point of time.

To find out the ability of banks to meet their short- term obligations which are likely to mature in the short duration? The following ratios are computed to find out the short-term solvency.

a. Current Ratio

This ratio measures the short term solvency i.e. it's ability to meet short term obligations. As a measure of creditors reuses current assets, it indicated each rupee of CAs available for each rupee of current liability. It is computed by dividing current assets by current liabilities.

$$\text{Current} = \frac{Current\ Assets}{Current\ Libility}$$

CAs normally comprised with cash and bank balance. In treasuring bills discount, overdraft other short term loans, foreign currency loans, bills for collection, customer acceptance liability and other receivable and pre-paid expenses.

The current liabilities include those obligations which mature with in one year from the date of their financial statement. They are current payment, cash margin, current saving deposit, inter bank reconciliation account, bills for collections and customer's acceptance out standing expenses etc.

b. Cash and Bank Balance to total Deposit Ratio (excluding fixed deposit)

This ratio is employed to measure whether bank and cash balance is sufficient to cover its current calls margin including deposits. It is calculated by dividing cash and balances in bank by saving and current deposits.

This ratio is calculated as $= \frac{Cash\ and\ bank\ balance}{deposit\ (\ fixed\ deposit)}$

c. Cash and Bank Balance to Current Assets Ratio

This ratio is calculated to find the ability of banks to pay total calls made on current deposit. It is computed dividing cash and bank balance by current assets as

Cash and Bank Balance to Current ration $= \frac{Cash\ and\ bank\ balance}{Current\ Asstes}$

It is hidden fact that the depositors would not withdraw the total deposit, in case at a time so the bank keeps a certain margin of cash. This ratio indicates that, if the ratio is higher, there is higher margin and if lower the bank is less liquid. These resources of the firm but also use of various components of total assets.

3.4.1.2 Activity/Turnover Ratio

Activity ratios are employed to evaluate the efficiency with which the firm manages and utilizes its assets. These ratios are also called turnover ratio because they indicate the speed with which assets are being converted of turned over in to profit generating assets.

a. Loans and Advances to Total Deposits Ratio

This ratio assesses to what extend the banks are able to utilize the deposits fund to earn profit by providing loans and advance. It is computed dividing the total amounts of loans and advances by total deposited funds. The formula used to compute this ratio is as.

Loans and Advances to Total Deposits Ratio $= \frac{Loans\ and\ Advance}{Total\ Deposits}$

High ratio is the symptom of higher/proper utilization of funds and ratio is the single of balance remained unutilized/idle.

b. Loans and Advances to Fixed Deposit Ratio

This ratio examines that how many times the funds is used in loans and advances against fixed deposits. For commercial banks, fixed deposits are long term

interest bearing obligations, where as investment in loans and advances are the main sources of earning. This ratio is computed dividing loans and advances by fixed deposit a high ratio dictates idle cash balance. It means total funds not properly utilized. This ratio is computed as:

This ratio examines to what extend the fixed deposits are utilized for income earning purpose.

c. Loans and Advances to Saving Deposits Ratio

This ratio assesses, how many times the funds is used to loans and advances against saving deposits. Saving deposits are interests bearing short-term obligation and the major sources of investment in loans and advances for income generating purpose. This ratio indicates how many times the short-terms interest bearing deposits are utilized for generating the income is calculated dividing the amount of loans and advances by total deposit in saving account. The following formula is used to calculate this ratio as-

$$\text{Loans and Advances to Saving Deposits Ratio} = \frac{Loans\ and\ advances}{Total\ saving\ deposit}$$

3.4.1.3. Profitability Ratios

Profitability is measure of efficiency and the search for it provides and incentive to achieve efficiency. Profitability also indicates public acceptance of the product and shows that the form can produce competitively. Moreover profits provide the money for repaying debt, incurred to finance the project the resources for the internal financing expiatio9n. The profitability of a form can be measures by its profitability ratio.(Khan M.Y. and P.K. i.e. “Financial Management”).

Here, profitability ratios can be determined on the basis of investment.

The following are the major profitability ratios used in this study.

a. Net Profit to Total Assets Ratio

The ratio is very much crucial for measuring the profitability of funds invested in the bank's as sets. It measures the return on assets. It is computed it dividing the net profit after tax by total assets. The formula is used for computing this is as

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

b. Net Profit to Total Deposits Ratio

This ratio is used for measuring the internal rate of return from deposits. It is computed dividing the net profit by total deposits. The following formula is used as,

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

Higher ratio indicates the return from investment on loans and advances are desirable and lower ratio indicates the funds are not properly mobilizing.

c. Return on Investment

Return on investment measures the company's return form investment, return means net profit after tax, investment covered owner's equity as well as loans and different titles long term and short-term investment.

$$\text{Return on investment (ROI)} = \frac{Net\ profit\ after\ tax}{Total\ investment}$$

3.4.1.4. Capital Structure Ratio or Leverage Ratio

The long-term financial position of the firm is judged by capital structure or leverage ratio. The capital structures ratio are calculated to measure the financial risk and firms ability to using debt on the benefit of the shareholder. These ratios measures the proportion of outsider's fund and owner's fund and owner's capital used in the bank. The following ratios are used.

a. Total Debt to Shareholder's Equity Ratio

This ratio is assessed as borrowing funds and owner's capital that is a popularly measure the long-term financing solvency of firm, it is reflected to relative claims creditors and shareholders against the assets of it. The following formula is used to calculate this ratio.

$$\text{Total Debt to Shareholder's Equity Ratio} = \frac{TotalDebt}{Totalshareholder's\ equity}$$

b. Total Debt to Assets Ratio

Debt to asset ratio or simply debt ratio reflects the financial contribution at outsiders at outsiders and owners on total assets of the firm. It also measures the financial security to the outsiders. Generally creditors prefer high debt order to magnify their earnings on the one hand and to maintain their concentrated control

over the firm on the other. Conventionally a ratio of 1:2 is considered to be satisfactory, although no hard and fast rules exist.

$$\text{Debt ratio} = \frac{Total\ debt}{Total\ assets}$$

In this study, total debt includes short term loans, and all kinds of deposits, similarly total assets include all kinds of deposits, similarly total assets include all the assets shown on the right hand side of the balance sheet.

c. Return on Capital Employed Ratio

Profit is related to the total capital employed, i.e. total long terms funds supplied by the creditors and owners of the concern. It could be computed with the help of the following financial tools.

$$\text{Return on Capital Employed Ratio} = \frac{Net\ prifit\ after\ tax}{Total\ capital\ employed}$$

d. Long term Debt to Total Assets Ratio

Long – term debt to total assets ratio reflects the percentage to total assets that has been finance by long-term debt.

If the firm used more long-term debt it is said to have adopted not creative financing policy and it has less risk of facing the problem of shortage of funds.

Similarly, if the firm uses less long-term debt it is said to have adopted aggressive financing policy. An aggressive financing policy makes the firm more risky.

$$\text{Long term Debt to Total Assets Ratio} = \frac{Long-term\,debt}{Total\ assets}$$

c. Return on Shareholder Equity (ROSE)

Return on shareholder's equity is the most vital tools to judge whether a concern has earned a satisfactory return to its owners or not. This ratio is able to judge by comparing it with the records of the same nature of concerns inter-firm comparison and comparing with the overall industry average. The rate of return ordinary shareholders of a concern. The following tool.

$$\text{Return on Shareholder Equity (ROSE)} = \frac{Net\ profit\ after\ tax}{Shareholdres\,equity}$$

3.4.1.5. Invisibility Ratios

Investors contemplating to invest share in company would be keen to know. The investment potentiality of company before taking final decisions. Analysis of invisibility ratios helps the investors to know the invisibility of the company.

a. Earning Per Share (EPS)

The ratio is computed by dividing earning available to the common stock holders by the total number of common shares outstanding.

$$EPS = \frac{Net\ protit\ tax}{No.of\ shares}$$

b. Dividend Per Share (DPS)

DPS is basically displayed that portion of earning which is allocated to it's share holders on the basis of each share. It is calculated by dividing the earning paid to common shareholders by the total numbers of common shares issued. DPS in computed by the following formula.

$$\text{Dividend Per Share (DPS)} = \frac{Earning\ paid\ to\ owner's}{No.of\ common\ share}$$

e. Dividend Pay out Ratio

This ratio reflects at what percentage of the net profit is to be distributed in terms of dividend and what percentage is to be retained in firm as retained earnings that earning in needed for business to growth and expand. This ratio is calculated with the help o dividing dividend per share by earning per share for it, we can employ the follows formula.

$$\text{Dividend Pay out Ratio} = \frac{Devidend\ pre\ share}{Earning\ per\ share}$$

3.4.1.6. Income and Expenditure Analysis

In profit and loss account of a company there are so many items in debt and credit side. In this analysis, here we specifically concerned within what percentage of operating income profit and operating expenses that are computed to find out how much percentage of operating income and expenditure are made in these two joint venture banks Himalayan Bank Limited and Standard Chartered Bank Nepal Limited.

3.4.2. Statistical Tools

The statistical tools selected for the comparative study of HBL and SCBL are as follows.

a. Arithmetic Mean

Arithmetic mean of a give set of observations is their sum dividend by the number of observations. In general, X_1, X_2 ..... X_n are the given observations then their arithmetic mean, usually denoted by $\bar{x}$ is given by:

$$\bar{x} = \frac{x_1 + x_2 + \ldots\ldots\ldots + x_n}{n}$$

b. Correlation Analysis

Other general mathematical of measuring correlation, the Karl person's method, popularly known as person coefficient of correlation, is most widely used in practice. The formula for computing Karl person's coefficient of correlation ® using direct method is as follows.

$$r = \frac{N\sum xy - \left(\sum x\right)\left(\sum y\right)}{\sqrt{\left[N\sum x^2 - \left(\sum x\right)^2\right]}\sqrt{\left[N\sum y^2 - \left(\sum y\right)^2\right]}}$$

Hear,

N= Number of Pairs of X and Y absorbed.

X= Values of loans and advances

Y= Values of total deposits

R= Karl person's coefficient of correlation

$$\sum XY = Sum\,of\ \ product\,of\ \text{variable}\ X\ and\ Y$$

In the present study, correlation coefficient is calculated to measure the relationship between return and net worth of HBL and SCBNL or in other words. It is calculated to justify whether the net worth is significant. The values of the coefficient of correlation shall always between + 1 to – 1. Where r = +1 it means there is perfect positive correlation between the variables where r=-1 it means there is perfect negative correlation between the variables. Where r=0 it means there is no

relationship between the two variable, however in practice such values or r as +1,-1 and are rate.

b. Probable Error

The probable error the coefficient of correlation helps in interpreting it values. It is obtain using the following formula.

$$PE_r = 0/6745\frac{1-r^2}{\sqrt{n}}$$

If the value of r is less that PE, there is no evidence of correlation i.e., value of r is not at all the significant. Thus, if the values of r is more than six times, the probable error the coefficient of correlation is practically certain i.e., the value of r is significant.

CHAPTER IV

PRESENTATION AND ANALYSIS OF DATA

In this chapter the data collected have been analyzed and interpreted through financial and statistical tools viz; Ratio Analysis Karl person's correlation coefficient etc.

4.1. Financial Tools

4.1.1. Liquidity Ratio

For analyzing the financial performance of the firm, liquidity ratio is one of the powerful tools, whether the company is able to meet its current obligation is judged by liquidity ratio. A high liquidity ratio shows the financial strengthens of the firm.

a) Current Ratio

Current ratio measures the short-term solvency of the firm. It is computed as

dividing current Assets by current liabilities.

i.e. Current Radio $= \frac{Current \quad Assets}{Current \quad Liabilitites}$

Current assets represent the amount of liquid, i.e. cash and near cash assets available to the business, which can be converted into cash with in a year.

Current liability an indication of the up coming cash requirements there are payable with in a year from current assets.

In this study current assets refer to cash and bank balance, investment money at all bills for collection. Loan and advances, customer's acceptance and discount purchased bills and other assets.

The following table shows the current assets in different headings of Himalayan Bank Limited over the study period.

Table No. 4.1

Current Assets in Different Heading of Himalayan Banks

Current Assets in different headings	2005/06	2006/07	2007/08	2008/09	2009/10	Average
Cash & bank balance	575.82	1001.73	1029.11	729.99	901.91	847.71
Money at call and short notice	694.03	855.11	2146.91	4125.85	4682.76	2500.94
Loans & Advances for commercial bank	2863.32	3321.42	4223.06	5311.66	7224.73	4588.84
1. Loans, cash Cr. and overdrafts.	2767.37	3209.37	403119	5210.16	6891.27	4421.87
II. Bill Discounted & purchase	95.95	112.05	191.87	101.50	333.46	166.97
Investment	690.55	1349.18	970.88	4959.45	2206.92	1135.40
I Govt. securities II. Other	593.61 96.94	1349.18 0.00	970.88 0.00	459.45 0.00	2112.88 94.04	1097.20 38.20
Interest Receivable	27.81	83.37	124.71	173.26	386.56	159.14
Misc. Current assets	63.08	75.84	126.15	190.84	202.54	131.69
Total current assets	4914.61	6686.65	8620.84	10988.05	15605.42	9563.11

The following table shows the current assets on different headings of Standard Chartered Bank Limited over the study period.

Table No. 4.2

Current Assets on Different Heading of Standard Chartered Bank Limited

Rs. in million

Current Assets in different headings	2005/06	2006/07	2007/08	2008/09	2009/10	Average
Cash & bank balance	701.76	971.22	740.34	826.15	1020.46	851.99
Money at call and short notice	2151.59	2672.64	3945.95	5175.93	7243.16	4237.85
Loans & Advances for commercial banks	3030.78	3571.65	4253.58	4071.63	4857.17	3956.96
i. Loans, cash Cr. and overdrafts.	2798.73	3262.83	4027.98	3970.65	4658.17	5121.93
ii. Bill Discount & purchase	232.05	308.82	225.60	100.98	199.00	213.29
Investment	1825.05	2282.93	1025.50	2669.8	3338.67	2228.40
i. Govt. Securities	1825.05	2282.93	1025.50	2669.8	3338.67	2228.40
ii. Other	0.00	0.00	0.00	0.00	0.00	0.00
Interest Receivable	50.55	89.22	95.61	97.69	154.69	97.55
Misc. Current assets	116.05	185.11	27.63	20.94	36.17	77.17
Total current assets	7875.78	9772.77	10088.61	12862.22	16650.32	11449.94

Similarly current liabilities refer to borrowing deposit liability (except fixed deposit), short term loan bills payable, tax provision, Staff bonus, dividend payables and other liabilities.

The following table shows the current liabilities in different headings of Himalayan Bank limited over study period.

Table No. 4.3

Current Liabilities in Different Headings of Himalayan Bank Limited

Rs. in million

Current Liabilities in headings	2005/06	2006/07	2007/08	2008/09	2009/10	Average
Deposit and other A/C's	4518.01	5839.05	7713.60	9779.72	14043.10	8778.70
i. Saving	1501.50	2373.32	3183.38	5096.65	6833.16	3797.60
ii. Fixed	1615.02	1894.20	2225.59	2190.38	3917.14	2368.47
iii. Current	745.06	793.54	1155.38	1266.66	1743.98	1140.92
iv. Call and shot deposit	502.12	608.70	928.85	929.00	1192.28	832.19
v. Other	154.31	169.29	220.40	297.03	356.54	912.33
Short term loan	0.00	264.77	0.00	232.65	128.65	125.21
Bills payable	1.43	6.31	9.32	11.44	65.80	18.86
Tax provision	54.31	65.08	81.13	16.35	115.25	80.42
Staff bonus	19.81	22.57	24.11	27.94	34.86	25.87
Dividend payables	1.46	3.48	19.37	24.51	5.06	11.58
Misc. current liabilities	169.42	269.12	488.04	356.14	914.32	475.41
Total current liability	4764.44	6470.38	8335.57	10698.75	15311.0	9116.04

The following table shows the current liabilities in different headings of Standard Chartered Bank Limited over study period.

Table No. 4.4

Current Liabilities on Different Heading of Standard Chartered Bank Limited

Rs. in million

Current Liabilities in different headings	2005/06	2006/07	2007/08	2008/09	2009/10	Average
Deposit and other A/C's	6047.77	7623.16	8530.03	11165.16	12568.49	9186.92
i. Saving	2866.71	3204.32	4079.51	5471.68	6632.70	4450.98
ii. Fixed	857.16	1107.37	1843.33	2868.91	2651.70	1865.68888
iii. Current	1535.64	2039.57	1969.64	2334.27	2417.09	2059.24
iv. Call and short deposit	636.46	972.70	305.55	235.78	274.59	485.02
v. Other	151.80	299.20	332.00	254.52	592.46	326.00
Short term loan	861.94	997.63	344.55	190.08	2430.21	962.89
Bills payable	8.44	15.84	21.77	41.60	25.99	22.73
Tax provision	29.19	11.81	0.00	21.16	0.00	12.43
Staff bonus	39.79	45.12	51.21	59.27	72.78	53.63
Dividend Payables	1.97	3.43	5.57	4.28	5.30	4.11
Misc. current liabilities	332.65	398.78	273.50	422.17	678.42	421.10
Total current liability	73221.75	9095.77	9226.63	11903.72	15781.19	10665.81

The proportion of current ratio of 2:1 is considered satisfactory. This, the conventional rule is based on the assumption that even if the current assets is decreased by half the firm can meets it's obligations. It is not any hard and fast

assumption that current ratio must be equal to 2:1. So many firms below this standard are also seen sound and meeting the obligations efficiently. it is the trend over time rather than the absolute value gives the most valuable information.

In the following table data have been presented relating to ratio of HBL and NGBL banks.

Table no. 4.5

Current ratio (in times)

Rs. in million

Fiscal Year	HBL		Ratio%	SCBNL		Ratio%
	CA	CL		CA	CL	
2005/06	4914.61	4764.44	1.031	7875.78	7321.75	1.076
2006/07	6686.65	6470.38	1.033	9772.77	9095.77	1.074
2007/08	8620.84	8335.57	1.034	10088.61	9226.63	1.093
2008/09	10988.05	10698.75	1.027	12862.22	11903.72	1.080
2009/10	15605.42	15311.04	1.019	16650.32	15781.19	1.055
	Yearly Average		1.029	Yearly Average		1.076

The above table shows clearly liquidity position of the Banks namely HBL and SCBNL in terms of current assets to current liabilities ratio. The table indicates that the ratios of both the banks are always below than normal standard 2:1.

In general CR is better when it is in 2:1 but here both the bands do not meet those norms.

The higher ratio of HBL is 1.034 and lower ratio is 1.019 an average is 1.029 times. However the higher ratio of SCBNL is 1.093 and lower ratio is 1.055 an average is 1.076 which is the higher than HBL.

We have found form the above analysis that both banks have poor liquidity position because CR is under the standard is 2:1 is not maintained considering the average ratio, SCBNL is found slightly better liquidity position than HBL on an average.

b) Cash and Bank Balance to Total Deposit Ratio (Excluding Fixed Deposit)

This ratio measure the capital of bank to meet unexpected demand made by depositors i.e. current account holders, saving account holders others and margin holders.

The following table represents the deposit ratio (excluded fixed deposits).

This ratio is computed dividing total cash (including money at call) available by total deposits in saving and current account. This ratio is computed by using following formula.

$$\text{Total cash to total Deposit Ratio} = \frac{Total\ \ Cost}{Total\ \ Deposit\ \ (Excluding\ \ Fixed\ \ Deposit}$$

A higher ratio indicates the greater ability to meet their all type's deposits. Too high ratio of cash and harmful because it affects their profitability position. To low ratio is unfavorable as capital will be tied up and opportunity cost will be higher.

Table 4.6

Cash and Bank balance To Total Deposit Ratio.

Rs. in million

Fiscal Year	HBL		Ratio%	SCBNL		Ratio%
	Cash and Bank Balance	Total Deposit		Cash and Bank balance	Total Deposit	
2005/06	575.82	4518.01	19.084	701.76	6047.77	13.52
2006/07	1001.73	5839.05	25.39	971.22	7623.16	14.91
2007/08	1029.11	7713.60	18075	740.34	8530.03	11.07
2008/09	729.99	9779.72	9.58	826.15	11165.16	9.96
2009/10	901.91	14043.10	8.91	1020.46	12568.349	10.29
Yearly Average			16.49	Yearly Average		11.95

Considering the yearly ratio HBL is better short terms solvency position as compared with SCBNL due to the increasing trend over review period.

C. Cash and Bank Balance to Current Assets Ratio

Cash and bank balance to current assets ratio reflects the portions of cash and bank balance in total of current assets.

Cash and bank balance are highly, liquid assets than other in current assets proportions so this ratio visualize higher liquidity position ratio.

In the present study cash and bank balance represent total of local currency foreign currencies, chouse in hand various bank balances in local as well as foreign banks and money at call.

Cash and bank balance to current assets.

$$= \frac{Total\ \ of\ \ Cash\ \ and\ \ Bank\ \ Balance}{Total\ \ of\ \ Current\ \ Assets}$$

Table 4.7

Cash and Bank Balance to Current Assets Ratio

Rs. in million

fiscal Year	HBL		Ratio%	SCBNL		Ratio%
	Cash and Bank Balance	Current Assets		Cash and Bank balance	current assets	
2005/06	575.82	4918.16	11.72	701.76	7875.78	8.91
2006/07	1001.73	6686.65	14.98	971.22	9772.77	9.94
2007/08	1029.11	8620.84	11.94	740.34	10088.61	7.34
2008/09	726.99	10988.05	6.62	826.15	12862.22	6.42
2009/10	901.91	15605.42	5.78	1020.46	16650.32	6.13
Yearly Average			10.21	Yearly Average		7.75

The above table show that the cash and bank balance to current assets ratio of HBL has ranged between 5.78% to 14.98% on an average 10.21% in 1997 the ratio is higher and than it is decreasing trend.

In the case of SCBNL the ratio has ranged between 6.13% to 9.94% it has been increased to 1997 and then it is decreasing trend and on an average 7.75%.

Cash and bank balance to current assets ratio of HBL is higher than that of SCBNL in each year and on an average so it's liquidity position may better. But less percentage of SCBNL it has utilized it's fund more efficiently.

4.1.2. Activity/ Turnover Ratio

Activity ratios are the indicators of a concern with regard to its efficiency in assets management. Hence, they are often referred to as efficiency ratio.

a. Loans and Advances (Including Bill Purchased and Discounted) Total Deposits Ratio

This ratio measures the extent to which the banks the banks ate successful in utilizing outsides fund (i.e. Total deposits) in the form of extending loans and advances.

A high ratio represents the banks ability to utilize this deposit. This ratio is calculated as dividing loans and advances by total deposits.

Loan advances to total Deposits Ratio

$$= \frac{Loan \quad and \quad Advance}{Total \quad Deposit \quad (Including \quad Fixed \quad Deposit)}$$

Table 4.8

Loan and advances (including bill purchased and discount) to total deposit Ratio.

Year	HBL Ratio%	SCBNL Ratio%
2005/06	63.37	50.11
2006/07	56.88	46.85
2007/08	54.75	49.87
2008/09	54.31	36.47
2009/10	51.45	38.66
Mean	56.15	44.39

The table shows that loans and advances to total deposits ratio of HBL has ranged between 51.45% to 63.37% on an average 56.15%. It has decreasing trend.

In the case of SCBNL the ratio has ranged between 36.47% to 5.11% on an average 44.39%. It has fluctuating HBL's ratio in all the years is greater than the

SCBNL in corresponding years. The average ratio of HBL is higher than that of SCBMNL.

This analysis indicates that HBL has better efficiency in utilizing the outsider's fund as main income generating assets, i.e. loans and advances than SCBNL.

b. Loans and Advances to Fixed Deposit Ratio

This ratio indicates, how much of loans and advances is granted against fixed deposit. Fixed deposit is the higher interest rate payable deposit. Hence, banks must utilize the fixed deposit properly. Loans and advances to fixed deposit ratio indicate how properly the fixed deposit is utilize. The following tool will help to calculate this ratio, i.e.

Loans and Advances to Fixed Deposits Ratio

$$= \frac{\text{Loans and Advances}}{\text{Foxed Deposit}}$$

The following table displays the ratio of loans and advances to fixed deposit.

Table 4.9

Loan and Advances to Fixed Deposit Ratio

Year	HBL Ratio%	SCBNL Ratio%
2005/06	177.29	353.58
2006/07	175.35	322.53
2007/08	189.75	230.76
2008/09	242.50	141.92
2009/10	184.44	183.18
Mean	193.87	246.39

Table 4.5 is observed that this ratio is fluctuating over the study period in both the banks. In case of HBL this ratio has fluctuated slightly, and ranges form 175.35 to 242.50 percentages on average 193.87 percent.

In case of SCBNL this ratio has fluctuated highly and ranges from 141.92 to 353.58% on an average 246.39%. SCBNL is utilizing fixed deposits in loans and advances more efficiently than HBL.

c. Loans and Advances to Saving Deposits Ratio

Loans and advances to saving deposit ratio indicates about what proportion of total saving deposit is employed in loans and advances saving deposit is also an interest payable funds. So the banks must earn so much interest form investment as required to pay the interest on such deposit. Loans and advances to saving deposit ratio measures what proportion of saving deposit is utilized to invest in loans and advances. It is calculating with the help of the following formula.

i.e. Loans and advances to advances to saving Deposit ratio

$$= \frac{\text{Loans and advances}}{\text{Saving Deposit}}$$

The following table displays the ratio of loans Advances to saving deposit.

Table 4.10

Loans and advances to saving deposit ratio.

Year	HBL Ratio%	SCBNL Ratio%
2005/06	190.7	105.72
2006/07	139.94	111.46
2007/08	132.66	104.27
2008/09	104.22	74.41
2009/10	105.73	73.23
Mean	134.65	93.82

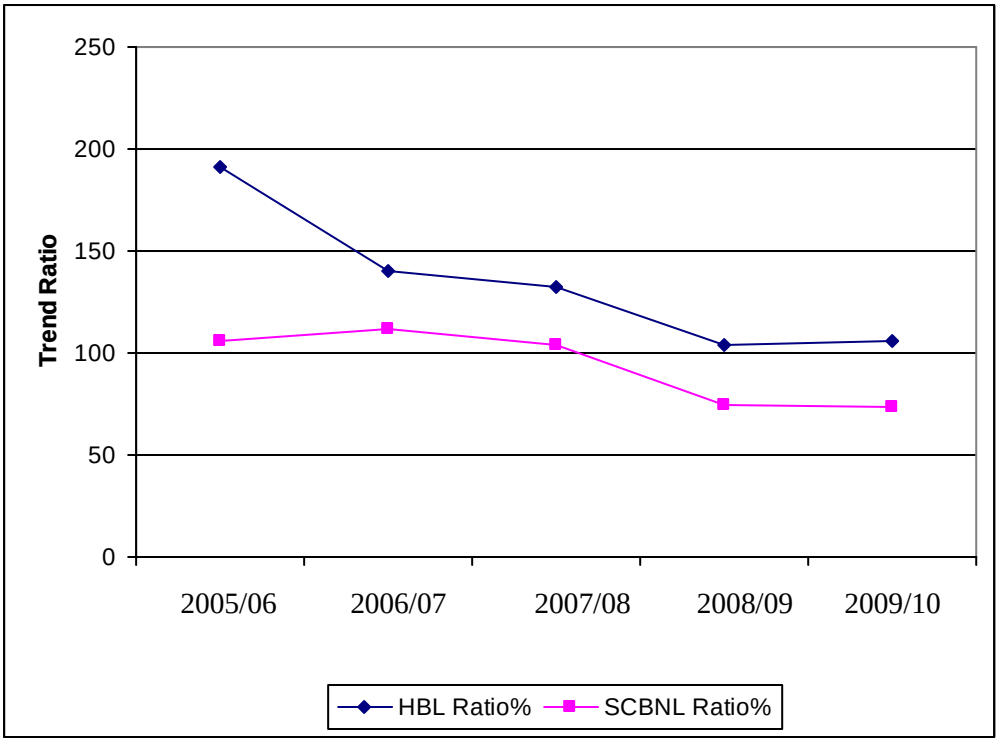
The above table depicts the loans and advances to saving deposit ratio are expressed of two banks. This ratio showed fluctuating over the study period in both the banks. As compared to HBL, SCBNL has reduced this ratio may be either this bank do not accept more deposit in saving account or it desired not to trade on equity. The average ratio of HBL is 134.65 and same ratio of SCBNL is 93.82.

In brief, the loans and advances to saving deposit ratio appear better in HBL than that of SCBNL. That is HBL employing its saving deposit properly in terms of loans and advances than that of SCBNL. HBL also has reduced its investment from saving deposit. The reason may be to meet the unexpected demand made by depositors.

Considering the Activity Ratio it consists of loans and advances to three different types of deposits that have been found conflicting result that result of ratios are as follows.

Fig. no. 4.1

Trend Ratio of Loan and Advance to Saving Deposit



I. The deposits in Loans and Advances

This ratio in better in the HBL. In an average figure 56.15 Percent of HBL compared with 44.39 percent of SNBL i.e. 11.76 percentages is exceeded than that of SCBNL. It is affected by total volume of deposits and blanks capacity to grant in terms of loans and advances total deposit is effectively unitized and mobilizing by HBL.

II. Fixed deposits in loans and advances

This ratio is appeared better in SCBNL. The normal figure of SCBNL has 246.39 percent as compared to HBL 193.87 percent which is exceeded by 52.52 percent. It indicates that SCBNL has efficiently utilized and mobilized figured deposit because the lowest proportion of fixed deposit appears in SCBNL as compared to total deposits.

III. Saving deposits in loans and advances

This ratio is in better in the HBL. The average figure of HBL is 134.65 percentages compare to 93.82 percentage of SCBNL that exceeded by40.83 percentages. In this ratio, HBL has efficiently utilized and invested its saving deposits. Because of such happening SCBNL has increased proportion in saving deposit but HBL least deposits as compared to fixed deposits.

In an aggregate, HBL has better leading and financing policy than SCBNL. HBL should seriously think regarding their own lending system. According to Nepal Rastra Bank's circular that implied commercial banks must be kept 12 percentage of their deposit in NRB as liquid funds. Because of that to maintain more liquidity immediately withdraw their deposit.

4.1.3 Profitability Ratios

Profit is the differences between revenues and expenses over a period of time. A company should earn profits to survive and grow over a long period of time. So profits are essential but profit earning is not to the ultimate aim of company and it should never be earned at the cost of employees, customers and society profitability ratio are of two types these showing profitability in relation to sales and those showing profitability in relation to investment together these ratios indicate the firm's efficiency of operations.

a. Net profit to Total Assets Ratio (Return on Total Assets)

Net profit refers profit after interest and a taxes total asset comprises those assets, which appear on the assets side of the balance sheet. Net profit to total assets ratio is computed with the following formula.

i.e. Net profit to total assets

$$= \frac{\text{Net Profit}}{\text{Total Assets}}$$

Table 4.11

Net profit to total Assets Ratio

Year	HBL Ratio%	SCBNL Ratio%
2005/2006	2.48	2.99
2006/2007	2.03	2.50
2007/2008	1.56	2.85
2008/2009	1048	2.76
2009/2010	1.26	2.33
Mean	1.76	2.68

Table 4.7 is observed that this ratio is fluctuating over the study period in both the blanks. In case of HBL it is ranges from 1.26 to 2.48 percent on an average 1.76 percent.

In case of SCBNL it is ranges from 2.33 to 2.99 percent on an average 2.68 percent.

In brief, the net profit to total assets ratio of SCBNL has appeared better position than HBL.

b. Net profit to Total Deposits Ratio (Return on Total Deposit Ratio)

This ratio measures the degree of NPAT earned by using total deposits. In other words, it reveals the relationship between net profit after tax and total deposits with an explanation of the ability of management in efficiency utilization of deposits. This ratio is a mirror of banks overall financial performance as well as it's success in profit generation. The reason is that deposits and earning by utilizing these are the main aspects of joint venture commercial banks.

Net profit to total deposit ratio

$$= \frac{\text{Net Profit}}{\text{Total deposit}}$$

Table 4.12

Net profit to total Deposit Ratio

Year	HBL Ratio%	SCBNL Ratio%
2005/2006	2.75	3.96
2006/2007	2.37	3.25
2007/2008	1.76	3.43
2008/2009	1.69	3.22
2009/2010	1.42	3.21
Mean	1.99	3.39

The tale shows that this ratio is fluctuating over the study period in both the banks. In case of HBL it is ranges between 1.42 to 2.75 percent on an average 3.39 percent.

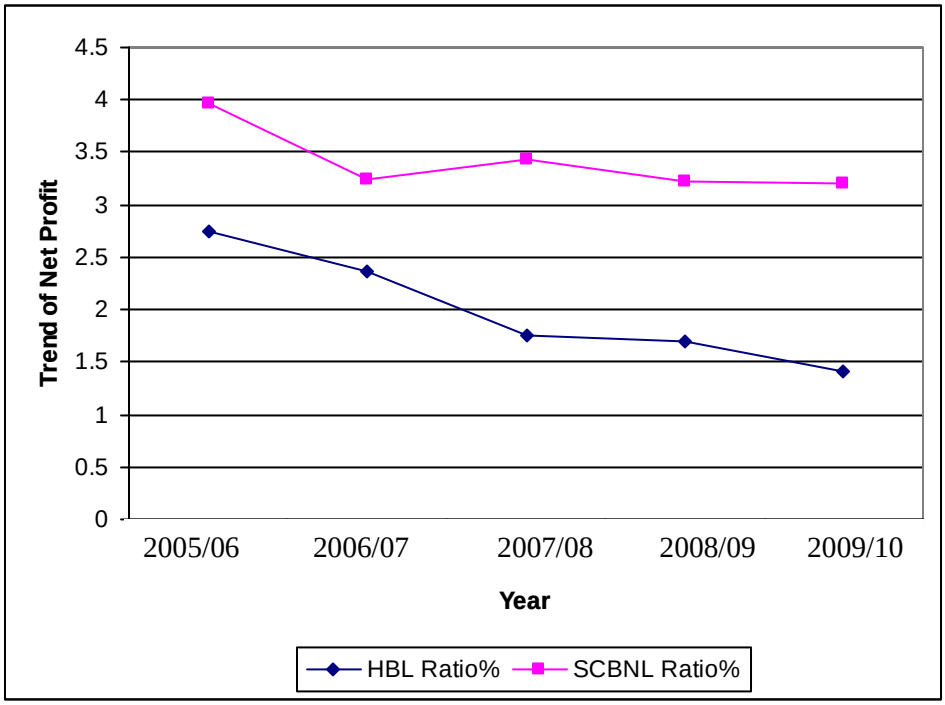
Similarly the ratio of SCBNL has ranges between three 3.12 percent to 3.96 percent on an average 3.39 percent.

Thus the table reveals the both the banks have been able to generate profitability from deposits. The rate of profitability is not satisfied from lower rate of return.

In comparatively on an average SCBNL is better than HBL.

Fig. no. 4.2

Trend Ratio of Net Profit to Total Deposit



c. Return on Investment

Basically return on investment measures the company's return from investment, cover the investments. Both owners' equity as well as loans an different titles along term and short-term investment.

Return on Investment

$$= \frac{\text{Net Profit}}{\text{Total Investment}}$$

Table 4.13

Net profit to total Investment Ratio (Return on Investment)

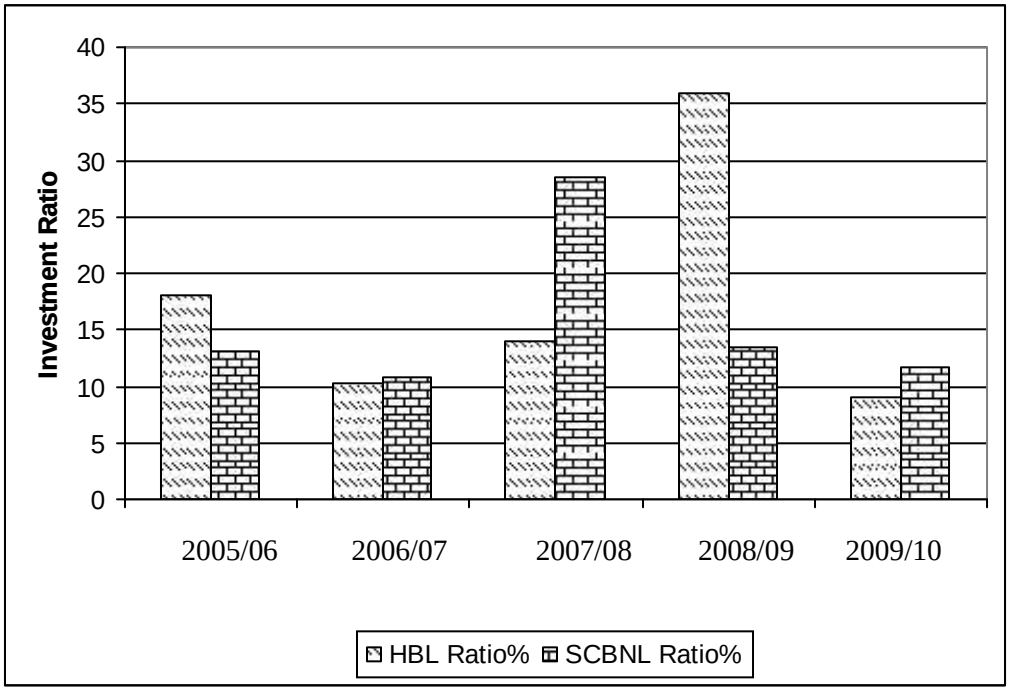
Year	HBL Ratio%	SCBNL Ratio%
2005/2006	17.97	13.10
2006/2007	10.23	10.86
2007/2008	14.00	28.51
2008/2009	35.91	13.46
2009/2010	9.03	11.75
Mean	17.43	15.54

Table present return on investment of two joint venture banks. Individually the ROI of these two banks shows a fluctuating ratio. In HBL the ROL lies between 9.03 to 35.91 percent. Where SCBNL ROI lies between 10.86 to 28.51 percent.

ROI measures the capacity of bank to generate Profit on its investment. The reason for declining the return may be due to idle deposit. As compared to HBL the idle deposit is more in SCBNL therefore ROI appears better in HBL than SCBNL.

Fig. no. 4.3

Net Profit to Total Investment Ratio



4.1.4 Capital Structure Ratio or Leverage Ratio

Financial leverage or capital structure ratio are calculated to judge the long – term financial position of the firm. There ratios indicate mix of funds provided by owners and leaders. As a general rule there should be an appropriate mix of debt and owners equity in financing the firm's assets. Administration of capital can smoothly by carry on with the help of such ratio.

a. Total Debt to Share Holders Equity Ratio

An accounting ratio obtained by dividing total debt to total equity of fund balances debt to equity ratio. This ratio related to all external liabilities to owners recorded claims. It is also known as external internal equity ratio. It is determined to measure the firms' obligations to creditors in relation to the funds invested by owners. So it is the great test of the financial strength of the company.

Generally very high debt to equity ratio is unfavorable to the business because the debt gives third parties legal claims on the company. These are for interest payment at regular integrals.

On the other hand, a very low debt to equity ratio is also unfavorable for the shareholder's point of view of they want this ratio to be high so that they can have better return with smaller capital. Here, total debt includes scurrent liabilities and long –term debt. Shareholder equity consists of share capital and profit Retained.

$$Total\quad debt\quad to\quad equity\quad ratio = \frac{Total\quad debt}{Total\quad shareholders\quad equity}$$

Table 4.14

Total debt to shareholder's equity ratio

Year	HBL Ratio%	SCBNL Ratio%
2005/2006	23.79	17.34
2006/2007	25.59	20.81
2007/2008	36.83	15.53
2008/2009	32.65	18.42
2009/2010	41.58	30.86
Mean	32.08	20.59

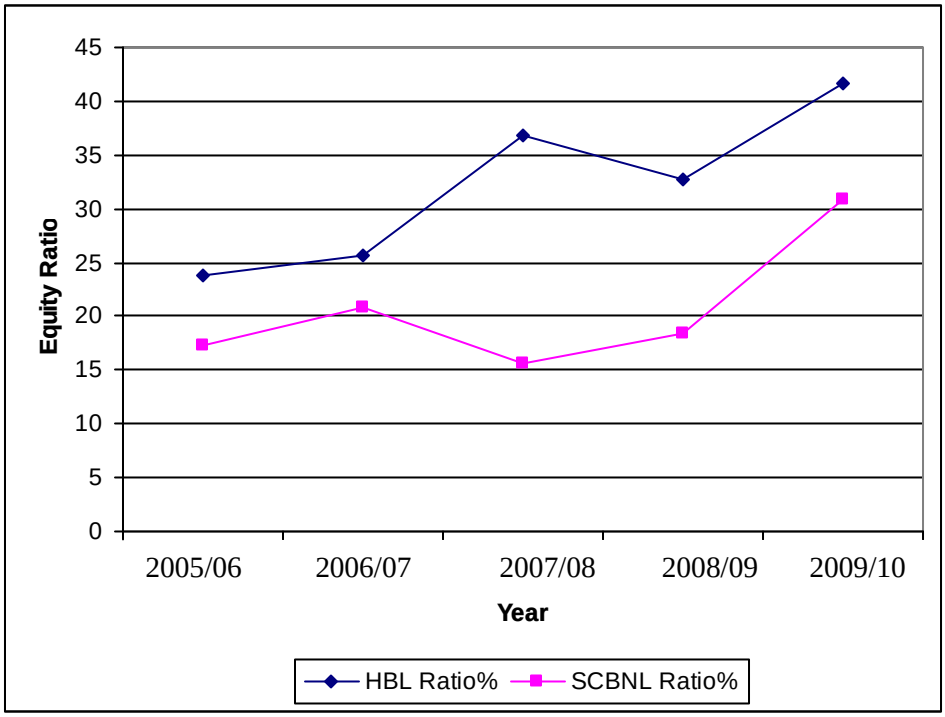
The above table shows clearly that the both banks are highly leveraged. The ratio of HBL has ranged between 23.79 to 41.58 times. The averaged debt equity 32.08 means that debt capital financing is more than 32 tines higher than the shareholder's equity win his the bank. The ratio of SCBNL has ranged between 15.53 to 30.86 times. The average ratio is 20.59.

The ratio of SCBNL is lower than the yearly average throughout the study period where the same ratio of HBL is higher than the yearly average.

From the above analysis it is concluded that both the joint venture bands are highly leveraged, though HBL seems relatively more. Thus, both the banks have lower ratio of shareholders equity over total claims of creditors.

Fig. no. 4.4

Total debt to shareholder's equity ratio



b. Total debt to total assets Ratio

This ratio signifies the extent of debt financing on the total assets and measures the financial security to the creditors.

Creditors prefer a low ratio because it represents security to creditors in extending credit. But very low ratio is not favorable to shareholders when a firm earns to rate higher than the I

Interest rate on the invested funds.

This ratio is calculated dividing total debt by total assets. Total debts include short term and long- term loans and total deposits. Similarly total assets include all the assets of right hand loan side of the balance sheet.

Total debt to total assets ratio

$$= \frac{\text{Total debt}}{\text{Total assets}}$$

Table 4.15

Total debt to total Assets ratio

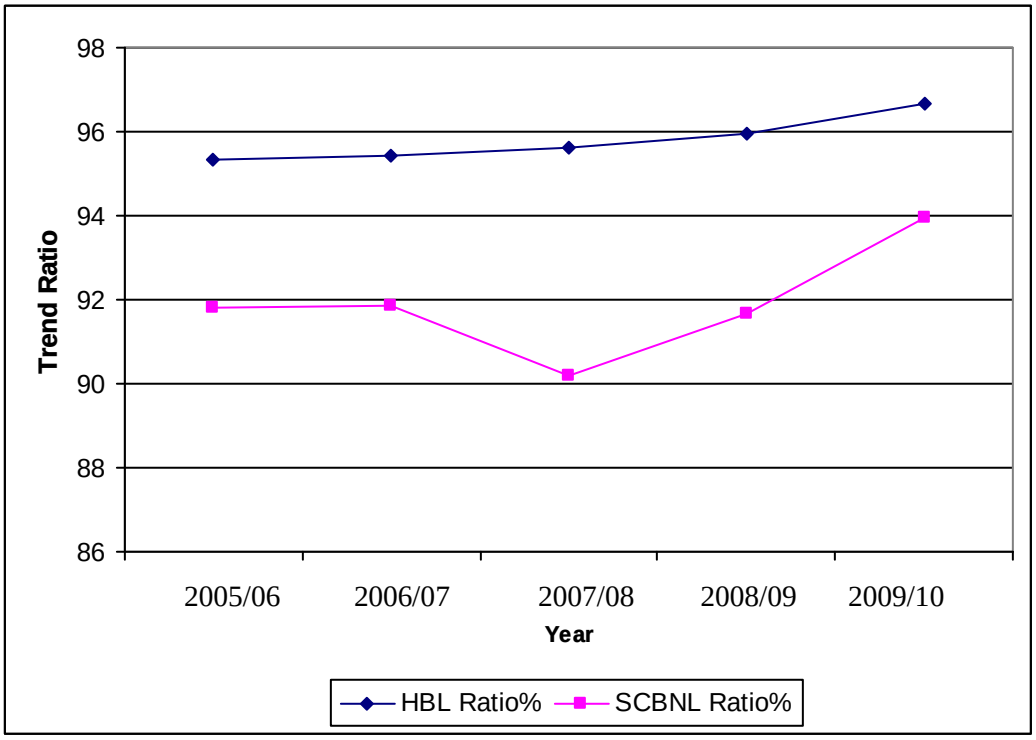
Year	HBL Ratio%	SCBNL Ratio%
2005/2006	95.31	91.83
2006/2007	95.42	91.85
2007/2008	95.60	90.20
2008/2009	95.96	91.69
2009/2010	96.68	93.97
Mean	95.79	91.91

Above table clearly shows that HBL ratio is in increasing trend, Average is 95.79 percent but SCBNL ratio is fluctuating trend over the study period. Average is 91.91 percent. Total debt to total assets ratio is more than 90% of the assets are financed by the outsiders' funds.

From the above analysis, it can be said that the proportion of debt financing in relatively to total assets is relatively to total assets is relatively more in HBL than in SCBNL, which implies that HBL has riskier debt financing positions as compared with SCBNL when the bank is incurred loss; this ratio is unfavorable to the bank.

Fig. no. 4.5

Total Debt to Total Assets Ratio



c. Return on capital Employed ratio

Profit depends upon the total capital employed in the business. Return on capital employed basically, assesses the profit related to the long-term sources of funds. Capital employed means the use of long terms funds supplied by creditors and owners of the firm. Here, return means NPAT and capital employed means total of paid up capital, reserve and surplus, undistributed profit, long term debt or capital employed consists long term debt and shareholders equity. ROCE is calculated with the following tool.

Returns on capital Employed

$$= \frac{\text{Net profit after tax}}{\text{Total capital employed}}$$

Table 4.16

Return on Capital Employed ratio

Year	HBL Ratio %	SCBNL Ratio %
2005/2006	60.23	55.24
2006/2007	52.64	54.43
2007/2008	56.27	47.06
2008/2009	47.59	52.80
2009/2010	50.40	71.53
Mean	53.43	56.21

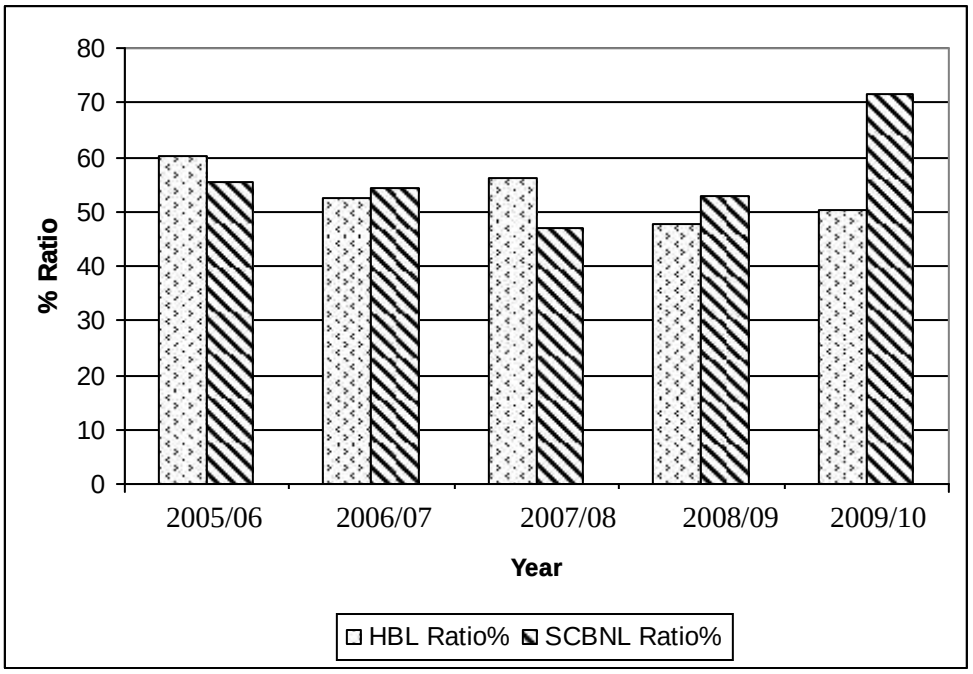
The table reveals that return on capital employed ratio of HBL has been fluctuating between 47.59% and 60.23%

Similarly, SCBNL's capital employed ratio also has been fluctuating between 47.06% and 71.53%.

The average ratio of SCBNL showed the higher efficiency in utilizing the long-term funds of owners and creditors than HB Comparatively standard chartered shows better performance. HBL is suggested utilize optimally the capital employed.

Fig. no. 4.6

Return on Capital Employed Ratio



d. Long Term Debt to Total Assets Ratio

Long-term debt to total assets ratio reflects the percentage of total assets that has been financed by long-term debts.

If she firm uses more long-term debt it is said to have adopted non-creative financing policy and it has less risk of facing the problems of shortage of funds.

Similarly, if the firm used less long –term debt and more. Short term debt it is said to have adopted aggressive financing policy. An Aggressive financing policy makes the firm more risky.

Long-term debt to total assets ratio

$$= \frac{\text{Long-term debt}}{\text{Total assets}}$$

Table 4.17

Long term debt to total assets ratio

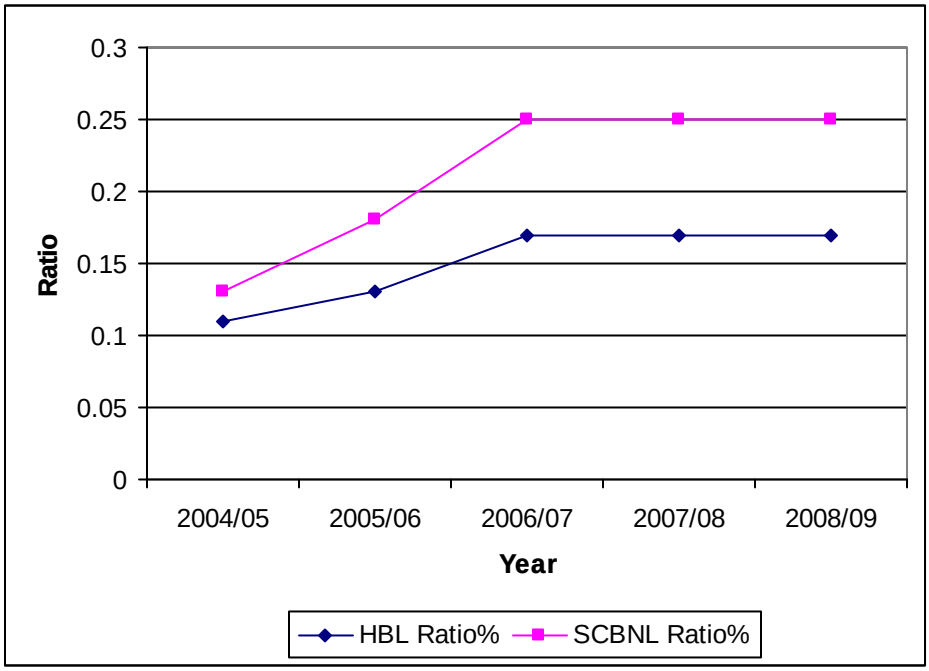
Year	HBL Ratio%	SCBNL Ratio%
2005/2006	0.11	0.13
2006/2007	0.13	0.18
2007/2008	0.17	0.25
2008/2009	0.17	0.25
2009/2010	0.17	0.25
Mean	0.15	0.21

The table shows that the long term debt assets ratio of both banks has been fluctuating on an average. SCBNL has the higher ratio of 0.21 than HBL of 0.15.

Above Analysis shows that SCBNL's proportion of long term debt to total assets is higher than HBL which implies that SCBNL has risk debt financings positions than HBL.

Fig. no. 4.7

Long Term Debt to Total Assets Ratio



e. Return on Shareholders Equity (ROSE)

ROSE basically, measures the company's returns towards the invested by owner of the company. Return means the funds after subtraction of all expenses including tax (NPAT) , which is, actually belongs to the owners, ROSE reveals how will the company use the resources of owners ROSE is computed as following formula.

Returns on shareholder's equity

$$= \frac{\text{Net profit after tax}}{\text{Shareholder's equity}}$$

Table 4.18

Return on shareholder's equity

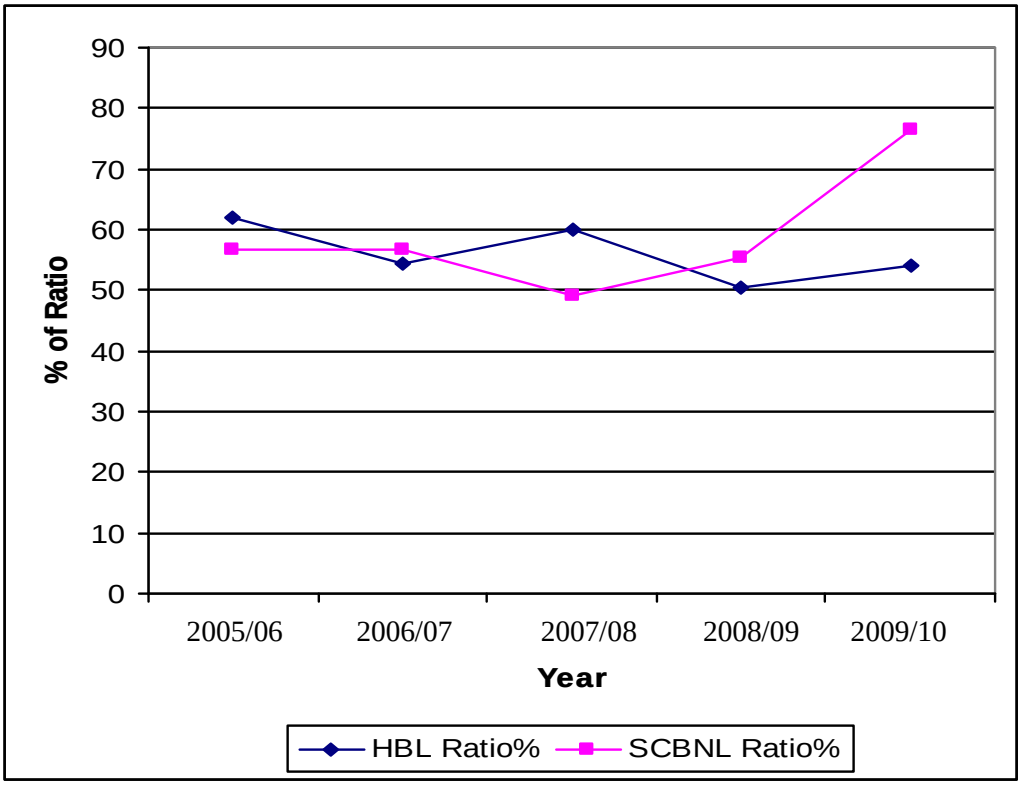
Year	HBL Ratio%	SCBNL Ratio%
2005/2006	61.90	56.59
2006/2007	54.54	56.65.
2007/2008	59.97	49.07
2008/2009	50.34	55.47
2009/2010	54.05	76.58
Mean	56.16	48.87

The table shows return on shareholders equity of both banks has been fluctuating trend.

HBL has registered that ranges between 50.34% to 61.90% It means that SCBNL has earned 49.07% to 76.58% amount in 5 years. Higher ratio means better capacity of utilizing of owner's fund. In conclusion on an average SCBNL have better positions than HBL in terms of returns on shareholder's equity.

Fig. no. 4.8

Return on Shareholder's Equity



4.1.5 Invisibility Ratios

a. Earning per share

Earning per share is one of the most widely quoted statistics when there is a discussion of a company's performance or share value, it is the profit after tax (NPAT) figure that is divided by the number of common shares to calculate the value of earning per share. This figure tells us what profit the common shareholders for every share held have earned. A company can decide whether to increase or reduce the number of shares or issues. This decision will automatically alter earning per share.

The profits available to the ordinary shareholders are represented by net profit after taxes and preference dividend. So earning per share (EPS) is calculated by using following formula.

$$\text{Earning per share} = \frac{\text{Net profit after tax}}{\text{No of shares}}$$

Table 4.19

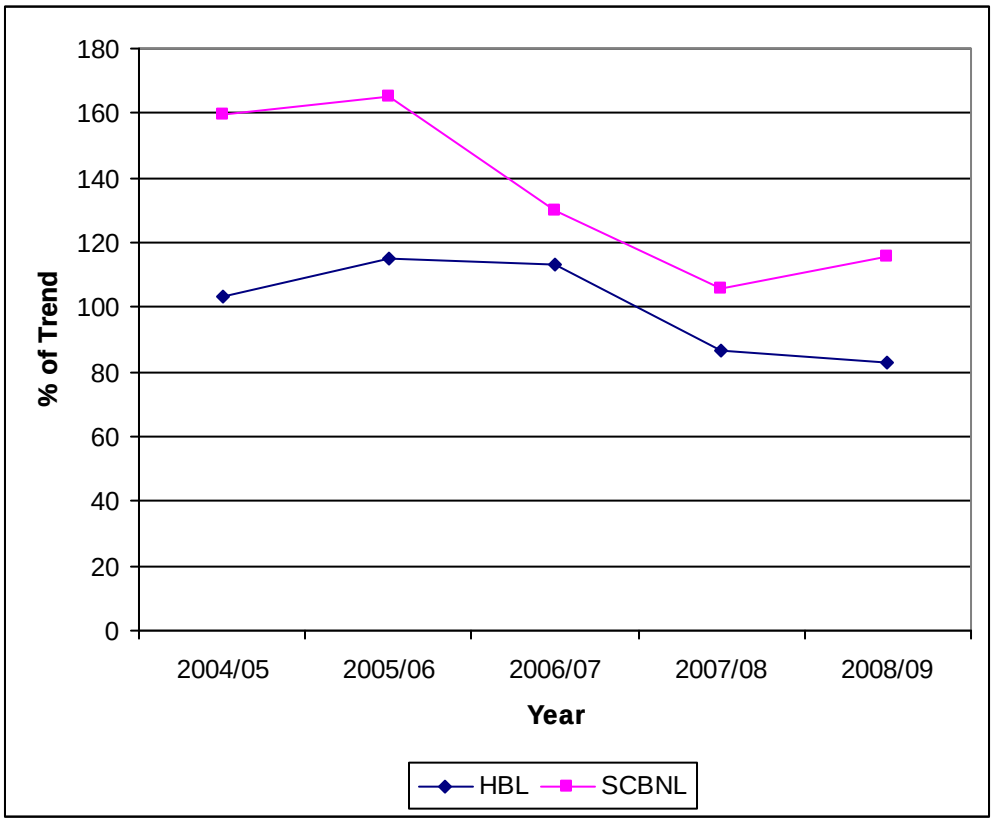
Earning per shares (EPS)

Year	HBL	SCBNL
2005/2006	103.43	159.50
2006/2007	115.08	165.40
2007/2008	113.32	129.62
2008/2009	86.7	105.86
2009/2010	83.06	115.62
Average	100.19	138.20

The table shows that EPS of both banks are fluctuating. EPS of HBL Ranges between 83.06 to 115.08 and EPS of SCBNL Ranges between 105.86 to 165.40 ESP of Standard Chartered Bank is higher than of Himalayan Bank Limited, which shows better signal from investor's point of view.

Fig. no. 4.9

Earning per shares (EPS)



b. Dividend Per Share (DPS)

The total returns to the shareholders over any given time consists of the dividend received. Many shareholders and potential investors pay very close attention to dividends. They look at the absolute divined per share and share and for a history of stable but growing payments. Usually share holders except a high percentage of dividends and an institution offering a high DPS is regarded as efficient in fulfilling their expectations. This also helps to increase the credibility of the institution.

$$\text{Dividend paid to share holders} = \frac{\text{Dividend per share}}{\text{No of shares out standing}}$$

Table 4.20

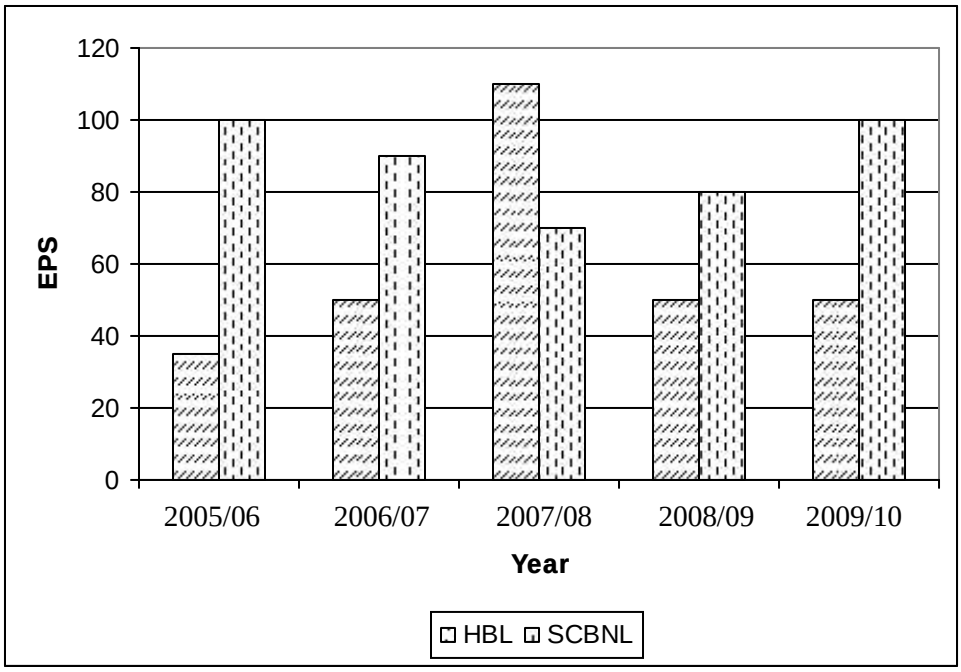
Dividend per share (DPS)

Year	HBL	SCBNL
2005/2006	35	100
2006/2007	50	90
2007/2008	110	70
2008/2009	50	80
2009/2010	50	100
Average	59	88

The table shows that DPS of both banks are fluctuating DPS of HBL ranges between 35t to 110 and average is 59. DPS of SCBNL ranges between 70 to 100 and average is 88. Dividend per share of SCBNL is higher than HBL except 1998 on the average DPS of SCBNL is higher than that of HBL, which show better signal from investors.

Fig. no. 4.10

Dividend per share (DPS)



c. Dividend Pay out Ratio

Dividend pay out ratio is also said payment ratio. DPR indicates how much of amount to be paid to shareholders out of EPS. It is calculating as dividend per share divided by the earning per share.

$$\text{Dividend payout Ratio} = \frac{\text{Dividend per share}}{\text{Earning per share}}$$

Table 4.21

Dividend pay out ratio (DPR)

Year	HBL	SCBNL
2005/2006	33.84	62.69
2006/2007	43.45	54.41
2007/2008	97.07	54.0
2008/2009	58.09	75.57
2009/2010	60.18	86.49
Average	58.53	66.63

The above table reflects that the DPR of both banks has fluctuated the average dividend pay out ratio of SCBNL is 66.63, which is greater than average dividend pay out ratio of HBL.

In brief DPR is more in SCBNL than HBL form the view of shareholders SCBNL has reflected a better scenario although it has also retained a higher proportion of earnings on an average.

In fact, there is no hard and fast rule regarding the ideal, dividend pay ratio and it is well. So the management should maintain a trade of between paying and retaining in order to achieve shareholders satisfaction and bank's sustainable growth.

4.1.6 Income and Expense Analysis

a. Income Analysis

It is an important indicator of financial performance of business firms. Income refers of the value created by the use of resources. Thus, the analysis is made as per proportionate major income to total income of the two major competitive joint venture banks namely HBL and SCBNL. The major income of he banks includes, interest earned, commission and discounts, earning from foreign exchange and other miscellaneous income.

Table 4.22

Income in Percentage of HBL

Income Sources	2005/06	2006/07	2007/08	2008/09	2009/10	Average
Interest received	82.51	87.73	83.18	83.32	83.18	83.98
Exchange earning	5.70	3.27	8.36	6.18	7.03	6.12
Commission and discount earning	11.49	8.24	7.90	9.86	8.87	9.27
Other operating earning	0.30	0.76	0.48	0.54	0.78	0.57
Non-operating earning	0.00	0.003	0.08	0.10	0.14	0.06
Total income	100	100	100	100	100	100

Table 4.23

Income in Percentage of SCBNL

Income Sources	2005/06	2006/07	2007/08	2008/09	2009/10	Average
Interest received	79.24	84.6.3	76.83	76.17	76.66	78.71
Exchange earning	12.44	8.30	13.03	11.82	11.44	11.41
Commission and discount earning	7.41	6.24	9.39	11.37	11.24	9.13
Other operating earning	0.12	0.13	0.17	0.27	0.23	0.18
Non-operating earning	0.79	0.70	0.58	0.37	0.43	0.57
Total income	100	100	100	100	100	100

i. Interest income

The table shows that interest income has taken more space on total income for both the joint venture banks. In above table interest income includes interest received from loan and advances, overdraft; inter bank loan, investment in government securities and investment in debenture etc.

Interest income has fluctuating for both the banks over the study period. the major income of the both banks is interest received. HBL has found higher percentage than that of SCBNL on an average income.

ii. Foreign Exchange Earning

Income from foreign exchange includes income through the sale of exchange currency and revaluation gain foreign exchange received by HBL 6.12 percentage on an average where of SCBNL 11.41 percentage.

According to above analysis concluded that SCBNL is higher than that of HBL throughout the study period. SCBNL has seceded to earn more from foreign exchange.

iii. Commission and Discount Earning

Commission and discount include income received as commission and discount from letter of credit, drafts, bank transfer, and guarantee, selling of shares, remittance charges other charges and commission are other prominent items of commission and discount.

The above concluded that commission and discount to total income is higher in HBL as compared to SCBNL. It means, HBL has extended better service to its customers than that of SCBNL.

iv. Other Operating Earning (Operating and Non-Operating income)

The table reveals that other income has a very nominal contribution in the total income for both the banks. The above analysis shows that the operating income of SCBNL is higher then HBL.

b. Expenses Analysis

The costs have been occurred in producing revenue are called expenses. This analysis shows the proportionate expenses under the different headings.

The total operating expenses in two JVBs include interest on deposit liabilities. Interest on loan and advances staff expenses, office operating expenses and provision for staff bonus.

Table 4.24

Expenses in Percentage of HBL

Expenses headings	2005/06	2006/07	2007/08	2008/09	2009/10	Average
Interest Expenses	70.78	74.10	75.10	74.21	72.30	73.38
office operating expenses	17.45	14.75	13.91	15.28	16.15	15.50
Staff expenses	6.47	6.09	7.17	6.61	7.30	6.72
Provision for staff bonus	5.60	4.62	3.82	3.89	4.25	4.40
Total expenses	100	100	100	100	100	100

Table 4.25

Expenses in Percentage of SCBNL

Expenses headings	2005/06	2006/07	2007/08	2008/09	2009/10	Average
Interest Expenses	59.52	59.38	55.53	62.13	56.85	58.68
office operating expenses	21.14	21.80	24.61	14.63	21.75	20.79
Staff expenses	10.60	11.28	11.69	13.67	11.69	11.78
Provision for staff bonus	8.84	7.54	8.17	9.57	9.71	8.75
Total expenses	100	100	100	100	100	100

I. Interest Expenses

Interest expenses are the major expenses of the banks. In the above table interest expenses has covered high expenses on total expenses.

In this study interest and commission paid denotes the interest paid on deposits. Borrowings, fees, loans and advances and commission paid.

The above table reveals that interest expenses of HBL has ranged between 70.78 to 75.10 percentages. It has fluctuating trend. The average expenses are 73.38. Similarly expenses of SCBNL have ranges between 55.53 to 62.13 percentages. It has also fluctuating trend the average expenses is 58.68.

It concludes that on an average HBL is paying more interest and commissions than SCBNL comparatively. It indicates that it has more outsiders' fund.

II. Office Operating Expenses

Office operating expenses includes, house rant, water and electricity charges telephone, fax, telex, insurance, traveling allowance, printing and stationary etc.

It is second major expenses of total expenses on both banks. The expenses of both banks are fluctuating trend, average expenses of HBL are 15.50 and SCBNL is 20.79.

III. Staff Expenses

Staff expenses refer salary and allowance provided and gratuity fund. Staff training expenses and other expenses related with staff.

The table reveals staff expenses of both banks have fluctuating trend average expenses of HBL is 6.72 and SCBNL is 11.78. Expenses of SCBNL is in all the year over study period is greater than that of HBL. In brief this study concludes that SCBNL spend more amounts in staff expenses than HBL.

IV. Provision for staff Bonus

Bonus is a result of earning enough profit. Both the banks have been distributing bonuses to the staffs. SCBNL has paid more amount as bonus than HBL in each year. It concluded is the reasonable.

Statistical Tools

I. Karl Pearson's Coefficient of Correlation

It is a most widely used statistical tools, which measures the significance of the relationship between two variables during the study period. Correlation's coefficient is calculated to measures the relationship between returns and Net Worth of standard Chartered Banks and Himalyan Bank. The values of coefficient of correlation shall always be between ±1 where r=+1 it means there is perfect positive correlation between the variables, where r=-1 it means there is perfect negative correlation between the variables. Where r=0 means no relationship between the two variable.

The formula for computing Karl Pearson's coefficient of correlation is as follows:

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

Here,

N= Number of pairs of X and Y absorbed

X= Values of Net profit After Tex

Y = Values of Share Holder's Equity

R= Karl Pearson's coefficient of correlation

∑X Y = Sum of product of Variable X and Y .

Coefficient of correlation of HBL

Here,

N=5

∑X= 76.29

$\sum X^2$= 1200.52

∑Y= 137.76

$\sum Y^2$= 3995.71

∑XY = 2185.07

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

$$= \frac{5\times 2185.07 - 76.29\times 137.76}{\sqrt{[5\times 1200.52(76.29)^2 \times [5\times 399.71 - (137.76)^2]}}$$

$$= \frac{10295.35 - 10509.71}{\sqrt{[6002.6 - (5820.16)^2]\times[19978.55 - 198977.82]}}$$

$$= \frac{415.64}{13.51\times 31.63}$$

$$= \frac{415.64}{427.32}$$

$\therefore r = 0.97$

We have,

Above calculation of the coefficient of correlation between returns and shareholders equity of HBL is 0.97. This analysis indicates there is a positive correlation between net profit after tax and shareholder's equity.

Coefficient of correlation of SCBNL

Here,

N=5

∑X= 153.19

$\sum X^2$= 4896.91

$\sum Y = 261.71$

$\sum Y^2 = 14081.15$

$\sum XY = 1882.23$

We have,

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

$$= \frac{5 \times 8182.23 - 153.19 \times 261.71}{\sqrt{[5 \times 14876.91 - (153.19)^2 \times [5 \times 14081.15 - (261.72)^2]}}$$

$$= \frac{40911.15 - 40091.35}{\sqrt{[23484.55 - 23467.18] \times [70405.75 - 68942.12.82]}}$$

$$= \frac{819.8}{30.29 \times 43.74} \qquad = 0.62 \quad \therefore r = 0.62$$

$$= \frac{819.8}{1324.88}$$

Above calculation of the coefficient of correlation between net profit after tax and shareholders equity of SCBNL is 0.62. This analysis indicates there is a positive correlation between Net Profit after Tax and Shareholders Equity.

b. Computation of Probabl Error.

Formula

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

$$PE_r = o.6745\frac{1-r^2}{\sqrt{N}}$$

If the value of r is less than PEr there is no evidence of correlation i.e. value of r is not at all the significant. Thus, if the values of 'r' is more than six time. The probable error the coefficient of correlation is practically certain i.e. the value of 'r' is significant.

Probable error of HBL

Here,

r=0.97

N=5

we have,

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

$$PE_r = 0.6745\ \frac{1-(0.97)^2}{\sqrt{5}}$$

$$= 0.6745\ \frac{1-0.97}{2.24}$$

$$= 0.6745\ \times \frac{0.061-0.97}{2.24}$$

$$= 0.0180$$

$$\therefore PE_r = 0.0180$$

Since the value of 'r' is more than 6 times of probable error (i.e. $(6\times 0.180 < 0.97)$. The reveals that deploying more worth in the capital structure seems to be benefited in terms of profitability for HBL.

Probable error of SCBNL

Here,

r=0.62

n=5

We have,

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

$$= 0.675\frac{1-(0.62)^2}{\sqrt{5}}$$

$$= 0.6745\times\frac{1-0.3844}{2.24}$$

$$= 0.6745\times 0.27$$

$$= 0.1$$

$$\therefore = 0.1$$

Since the value of 'r' is more than 6 times of probable error ($(i.e. 6\times 0.1 < 0.62)$ the value of 'r' is significant. It reveals that management cans preparation promotions planning of increasing the net worth to increase the return.

4.2 Major Findings

Financial Tools

a. Liquidity Position

The study reveals that the current ratio of HBL is 1.05 and SCBNL is 1.076 in average.

It reveals that the current ratio of both the banks are always below than normal standard 2:1 it is the indication of unsatisfactory liquidity positions. Comparatively HBL is found slightly better position than SCBNL on an average.

It can be concluded that short-term solvency position of both the banks are found below than normal standard through the study period.

Liquidity position in terms of cash and bank balance position with respect to total deposit ratio of SCBNL is found higher i.e. 16.49 than that of HBL i.e. 11.95 on an average, which depicts that SCBNL has sufficient cash and banks balance to cover it's total deposits in comparison to HBL.

In the case of cash and bank balance to current assets ratio of HBL is found higher than that of SCBNL on average. It indicates that SCBNL has not sufficient cash and bank balance with respect to total current assets of the bank in comparison to HBL.

It is concluded HBL seems relatively better than that of SCBNL although both the banks liquidity position is not satisfactory.

b. Utilization of Assets

The study reveals from the analysis of utilization ratio of these two banks in terms of loans and advances to total deposit ratio. The ratio of HBL i.e. 56.15 is found higher as compared with SCBNL i.e. 44.39.

It is concluded that the researcher has found from the analysis of these HBL has better efficiency than SCBNL. HBL has been successfully utilized their total deposits in the form of extending long and advance for profit generating purpose on compared to SCBNL.

When studying loan and advances to fixed deposit ratio is found SCBNL has higher ratio than HBL on an average. Loan and advances to saving deposit ratio is found HBL has higher than SCBNL on an average.

In conclusion both banks have been efficient in utilizing most part of their total assets in profit generating purpose but comparing both bank, HBL has better performance than SCBNL for utilizing assts.

c. Profitability Position

In the case of net profit to total assets (return as totals assets) ratio of SCBNL is found. 2.68, which is higher than HBL on an average.

It can be concluded that return on total assets ratio in case of SCBNL is found better performance by utilizing overall resources but the generated profit is found lower for the overall resources in both the joint venture banks.

Net profit to total deposit ratio of SCBNL is found higher than HBL. The yearly average ratio of SCBNL is also found higher 3.39 than the yearly average of HBL 1.09. This shows that SCBNL has been able to generate more profit with respect to total deposits than HBL.

The conclusion is that both the banks have been able to generate profit from deposits. But the rate profitability not satisfied form lower rate of return.

Another study of return on investment, rate of return of HBL is higher than SCBNL in an average.

In conclusion return on investment comparatively decided that SCBNL has idle deposit due to the lower return as compared with HBL.

d. Capital Structure Positions

From the analysis in the case of total deposit to shareholders equity, the researcher has found in HBL has ranged 13.2 to 17.22 times. Similarly, SCBNL is found between 13.92 to 15.58 times. Comparatively decided that HBL has higher ratio than SCBNL.

It is concluded that both the banks are highly leveraged. Comparatively HBL seems relatively more. Thus both the bank have lower ratio of shareholder's equity over total claims of creditors.

Total debt to total assets ratio of both the bank is found more than 90%, which, indicates that more 88% of the assets are financed by the outsider's funds. The average ratio of HBL is found higher than that of SCBNL.

It is concluded the proportions of debt financing in relatively to total assets is more HBL than SCBNL which implies that HBL has riskier debt financing position as

compared with SCBNL. When the rate of return is less than interest payable this ratio is unfavorable to the bank.

In terms of return on capital employed (ROSE). SCBNL has higher ratio 50.21 than HBL 53.43 on an average.

It is concluded that SCBNL has better position than HBL. SCBNL has utilized in efficient it's capital fund.

Return on shareholders equity ratio of SCBNL has higher 58.87 than HBL 56.16 on yearly average.

It can be concluded that both the banks have been able to earn profit on shareholder's equity but not satisfactory level. SCBNL is more successes to generate more return on it 's shareholder's funds than that of SCBNL .

The researcher has found in long-term debt to total assets ratio SCBNL 's proportion is higher than HBL which implies that SCBNL has risk debt financing position than HBL.

e. Invisibility Position

Earning per share in case of HBL has ranged between 83.06 to 115.08 and EPS of SCBNL is always higher than HBL. On the average also.

It shows better signal form investor point of view in SCBNL.

In the case of dividend per share, SBNL is higher than HBL, which shows better signal form investors. Higher dividend attracts the investor towards the bank, which ultimately helps to enhance the market value of shares.

In can be concluded that SCBNL seems much better in terms of offering dividend to it's shareholders as compared with HBL.

Another research of dividend pay out ratio SCBNL has more than HBL. From the view of shareholders SCBNL has reflected a better scenario although it has also retained higher portions of earning on an average.

f. Income and Expenses Analysis

Interest income is main sources of both banks. the average interest income of HBL (83.98) which is higher than SCBNL (78.79) . In comparatively HBL has higher percentage than that of SCBNL.

In the case of income received from commission and discount income of SCBNL is higher than HBL . Considering average percentage, SCBNL is founded more earning form commission and discount.

In is concluded that it is higher percentage earning in SCBNL as compared to HBL it means SCBNL has extended better service to its customer than that of HBL.

In the case of foreign exchange earning both banks have fluctuating trend throughout the study period. SCBNL has higher than that of HBL. It is concluded that SCBNL has succeed to return more from foreign exchange.

When research the other operating and non – operating earning it reveals it has a very nominal contribution in the total income for both banks.

The major expenses for both the banks are interest payment. HBL is paying more interest and commission then SCBNL comparatively. It indicates that it has more outsiders' funds. Similarly office-operating expenses of SCBNL are found higher than HBL. The staff expenses and provision for staff's bands paid by SCBNL is found also higher though out the study period than by HBL.

4.2.1 Finding for Karl Pearson's Correlation Coefficient and Probable Error

When calculating Karl Pearson's correlation coefficient between return and shareholders equity both banks have found positively correlated with each other. It proved the return on shareholder's equity of HBL increase the ratio of SCBNL is also increased and vice versa. Other tools of probable error the value of 'rs' is more than six times of probable error in both the banks value of 'r' significant. It reveals the capital structure to be benefited in terms of profitability.

CHAPTER-V

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

Nepal, which does not occupy significant place in world's economy, has not its long history of banking also. About a century ago barter system was prevailing in most of the parts of the country. Even now the remote areas are practicing the same. After the reunification of Nepal also there was turmoil prevailing in the country. Then as time passed, in 1903 B.S. Rana regime began in the country. At that time some sorts of offices namely Mulukikana, Tejarath Adda etc. were established in order to attract deposits for the lending purpose. Then not so big economic activities happened in the country besides some particular trading with Tibet and India.

Then over the time period the country felt the need of an institution to deposit their public's surplus money and grant the loans to the needed people. Consequently, Nepal Bank Ltd. was established in 1994 B.S. with authorized and paid up capital of Rs. 10 and Rs. 0.845 millions respectively which also performed the functions of central bank until the establishment of NRB in 2013 B.S. Then Rastriya banijya Bank was established in 2022 B.S. and ADB/N in 2024 B.S. to help the agriculture sector.

At the time, when the banking in Nepal was characterized by snail paced services and incompetence, in late 2030's B.S. HMG Nepal permitted for the establishment of new commercial banks under the joint venture with foreign collaboration with in the limits that foreign investment should not be more than 50% . then in 2041 B.S, the new regulation paved the way for the establishment of Nabil Bank Ltd. 9then Nepal Arab Bank Ltd.), in joint venture with Dubai Bank Ltd. Now, Nabil Bank Ltd. has joint venture with NB International Ltd., Ireland. Then one after another joint venture bans namely Nepal Indosuez Bank Ltd., Nepal Grindlays Bank Ltd., Himalayan Bank Ltd., Nepal SBI Bank Ltd., and so on were established. Now there are altogether twenty three commercial banks operating in Nepal.

In the today's situation these commercial banks have the key function for the mobilization of the funds and other services. So, SCBNL and HBL is one of these commercial banks to serve its customers and enhance the economic activities in the country since its establishment in 23rd Asadh 2050 B.S. As per the title, throughout the study it has been attempted to find out the inevitable ratios and other financial measures of the bank. Since the study has not been compared with other commercial

banks, mainly the findings of the analysis and interpretation have been compared with the study years themselves and in some places with widely accepted standards. To make the study significant, ratio analysis and probable error income and expense analysis, correlation analysis and regression analysis have been carried out regarding the major variables of the bank. Before the analyses of such financial and statistical tools the details of the same have been explained in the chapter namely literature review and for the mathematical calculations research methodology has been carried out. Moreover, the measures to avoid the possible duplications have also been taken into consideration.

5.2 Conclusion

The conclusions that have been drawn from the analysis and interpretation of the data have been listed below in order to have a glimpse of financial performance of the bank: By anlaysing profitability ratio of the five years the FY 2009 remained in favors of the ratios calculated under this ratio . In FY 2010 the net profit margin, return on risky assets , total assets, return on equity, return of total capital, interest on to total assets, is an increasing trend in SCBNL than HBL.

Similarly Analyzing market ratios price earning ratio remained high in FY 2009 but the market value per share was at peak in FY 2010. It is happened due to because of increasing ratio of EPS is highest in FY 2010 compare to FY 2009. Market to book value ratio remained highest in FY 2010 because of the high market value of share comparing to book value per share.

Asset management (activity) ratios show the efficiency with which the firm manages and utilizes its assets. A bank is a service oriented institution it doesn't produce any sort of good. So it doesn't have any raw material like other companies do. The main assets of banks are its deposits in the government bonds along with other national or international sectors. Here in the study also, the bank has utilized its deposits in order to create the income. There does not seem any significant change in the ratios regarding the lending pattern of the ban. Loans and advances to total deposits also showed fluctuation near about the same ratios.

Both the ratios, personnel expenses to total income and office operating expenses to total operating income seemed fluctuating trend over the years. The increment in such expenses should be balanced with increment in income. otherwise

adverse effect takes place. In the analysis personnel expenses and office operating expenses have increased in SCBNL in comparison to HBL. Where total income and operating income have been increased similarly.

In average during five financial years of bank's assets have been funded by debt. All the five financial years, remained equally levered with more than 90% leverage factor. Due to the nature of its business most of the assets have been funded by debt which includes the interest bearing deposits. In other hand interest coverage ratio remained high in the FY 2010 which states that in that particular year, the bank become more capable to cover the outsiders claim.

The current ratio of the bank over the five years is higher in SCBNL than HBL Although the current ratio of 2:1 is considered as standard, acceptability of the value depends on the industry. For the banks a current ratio of 1:1 or above would be considered acceptable. Therefore the liquidity position of SCBNL is normal from the view point of current ratio. Than HBL the cash and bank balance to total deposits ratio (less fixed deposit) is also sufficient to meet the short term obligation o the bank. An average cash and bank balance to total deposits ratio of SCBNL and HBl shows that the bank has enough liquidity.

While the income was analyed , it was found that interest occupied amount all the share in total income, which a apparently a harateristic of a commercial of commercial bank. However is share in total income seemed in increasing. trend in SCBNL than HBL.

As in the analysis of income ,in expense analysis also interest seemed dominating. Interest expenses and interest income are directly proportional in the case of a bank. This is due to the direct and positive relation between the interest rates in deposits and bank's lending rate. At the time when interest rates in deposits decreases, obviously lending rate also falls.

The analysis of correlation between the major banking variables showed all of them are correlated except total deposit and net profit. The correlation analysis between total deposits and net profit. The correlation analysis between total deposits and net profit is almost equal to zero i.e. 0.0021 which shows there is no relation between the two variables. By correlation analysis between performing assets and net profit and total deposit and investment it was proved that there was significant relation between the variables. In other words, they were correlated and the up and down in one variable had effect on other variable.

The correlation analysis between total deposits and loan & advances, EPS & MVPS and DPS & MVPS showed positive and significant relationship indicating that variable are depends on rise or fall of another variable. That means the variable move or change their direction in the same degree that other variable did.

5.3 Recommendations

According to various analyses the following guidelines (Points) are highlighted to put forward for the further improvement of both the banks.

- Since the current ratio of both the banks are not satisfactory. It is below the standard level 2:1 both the bands are not satisfactory. It is below the standard level of 2:1 both the banks are suggested to improve current ratio.
- The two banks have improved increasing investment by total deposit ratio. They may not accept deposit when this is an idle fund.
- Profitability ratios in both the bands such as return on investment, returns on total assets are not satisfactory. If resources held idle, banks have to beard more cast and result would be lower profit profitable sector.
- Higher debt capital is unfavorable to the bank. Both the bank is highly leveraged on shareholder's equity. When interest payable is higher than the rate of returns, the profit would decline. So both banks are suggested to use low debt capital.
- Both the banks are suggested to involve in social responsibility by investing a part of profit.
- Both the banks are suggested to reduce the operating expenses to maximize the profit.
- Most of the joint venture banks are established in the urban areas ignoring the social responsibilities. These banks are required to extend their banking facility even in the rural areas providing special loans to the deprived and priority sectors.
- Joint Venture banks deal with big industries, corporate houses, multinational companies, large NGO and INGO. They neglect the small depositors. The minimum level bank balance needed to open an account in these banks is very high. So both the joint venture banks are suggested to set a more convenient minimum balance requirement to open an account. JVBS should encourage the small depositors for promoting small investors.

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Appendix - I

The following table shows the current assets in different headings of Himalayan Bank Limited over the study period.

Rs .in million

Current Assets in different headings	2005/2006	2006/2007	2007/2008	2008/2009	2009/2010	Average
Cash and bank balance	575.82	1001.73	1029.11	729.99	901.91	847.71
Money at call and short notice	694.03	855.11	2146.93	4125.85	4682.76	2500.94
Loans and Advances for commercial banks	2863.32	3321.42	4223.06	5311.66	7224.73	4588.84
i. Loans, cash Cr. and over drafts. ii.Bill Discounted and purchase	2767.37 95.95	3209.37 112.05	403119 191.87	5210.16 101.50	6891.27 333.46	4421.87 166.97
Investment	690.55	1349.18	970.88	4959.45	2206.92	1135.400
1.Govt.securities 11.Other	593.61 96.94	1349.18 0.00	970.88 0.00	459.45 0.00	2112.88 94.04	1097.20 38.20
Interest Receivable	27.81	83.37	124.71	173.26	386.56	159.14
Misc. Current assets	63.08	75.84	126.15	190.84	202.54	131.69
Total current assets	4914.61	6686.65	8620.84	10988.05	15605.42	9563.11

Appendix -II

The following table shows the current assets in different headings of Standard Chartered Bank Nepal Limited over the study period.

Rs. in million

current Assets in different headings	2005/2006	2006/2007	2007/2008	2008/2009	2009/2010	Average
Cash and bank balance	701.76	971.22	740.34	826.15	1020.46	851.99
Money at call and short notice	2151.59	2672.64	3945.95	5175.93	7243.16	4237.85
Loans and Advances for commercial banks	3030.78	3571.65	4253.85	4071.63	4857.17	3956.96
i. Loans, cash Cr. and over drafts. ii .Bill Discounted and purchase	2798.73 232.05	3262.83 308.82	4027.98 225.60	3970.65 100.98	4658.17 199.00	5121.93 213.29
Investment	1825.05	2282.93	1025.50	2669.8	3338.67	2228.40
i.Govt.securities ii. Other	1825.05 0.00	2282.93 0.00	1025.50 0.00	2669.88 000	3338.67 0.00	2228.40 0.00
Interest Receivable	50.55	89.22	95.61	97.69	154.69	97.55
Misc. Current assets	116.05	185.11	27.63	20.94	36.17	77.18
Total current assets	7875.78	9772.77	10088.61	12862.22	16650.32	11449.94

Appendix –III

The following table shows the current liabilities in different heading of Himalayan Bank Limited over study period.

Rs. in million

Current Liabilities in Different Headings	2005/2006	2006/2007	2007/2008	2008/2009	2009/2010	Average
Deposit and other A/C'S	45148.01	5839.05	7713.60	9779.72	14043.10	8778.70
i. Saving	1501.50	2373.32	3183.38	5096.65	6833.16	3797.60
ii. Fixed	1615.02	1894.20	2225.59	2190.38	3917.14	2368.47
iii. Current	745.06	793.54	1155.38	1266.66	1743.98	1140.92
iv. Call and short deposit	502.12	608.70	928.85	929.00	1192.28	832.19
v. Other	154.31	169.29	220.40	297.03	356.54	912.33
Short term loan	0.00	264.77	0.00	232.65	128.65	125.21
Bills payable	1.43	6.31	9.32	11.44	65.80	18.86
Tax provision	54.31			86.35	115.25	80.42
Staff bonus	19.81	22.57	24.11	27.94	34.86	25.86
Dividend payables	1.46	3.48	19.37	24.51	9.06	11.58
Misc. current liabilities	169.42	269.12	488.04	365.14	914.32	475.41
Total current liability	4764.44	6470.38	8335.57	10698.75	15311.0	9116.04

Appendix -IV

The following table shows the current liabilities in different headings of Standard Chartered Bank Nepal Limited over study period.

current Liabilities in different headings	2005/2006	2006/2007	2007/2008	2008/2009	2009/2010	Average
Deposit and other A/C's	6047.77	7623.16	8530.03	11165.16	12568.49	9186.92
Saving	2866.71	3204.32	4079.51	5471.68	6632.70	4450.98
Fixed	857.16	1107.37	1843.33	2868.91	2651.70	1865.68
Current	1535.64	2039.57	1969.64	2334.27	2417.09	2059.24
Call and short deposit	636.46	972.70	305.55	235.78	274.59	485.02
Other	151.80	299.20	332.00	254.52	592.46	326.00
Short tern loan	861.94	997.63	344.55	190.08	2430.21	962.89
Bills payable				41.60	25.99	22.73
Tax provision	29.19	11.81	0.00	21.16	0.00	12.43
Staff bonus	39.79	45.12	51.21	59.27	72.78	53.63
Dividend payables	1.97	3.43	5.57	4.28	5.30	4.11
Misc. current liability	332.65	398.78	273.50	422.17	678.42	421.10
Total current liability	7321.75	9095.77	9226.63	11903.72	15781.19	10665.81

Appendix -V

Table 4.1 Current Ratio (in times)

Rs. in million

Fiscal Year	HBL		Ratio%	SCBNL		Ratio%
	CA	CL		CA	CL	
2005/2006	4914.61	4764.77	1.031	7875.78	7321.75	1.076
2006/2007	6686.65	6470.38	1.033	9772.77	9095.77	1.074
2007/2008	8620.84	8335.57	1.034	10088.61	9226.77	1.093
2008/2009	10988.05	10698.75	1.027	12862.22	11903.72	1.080
2009/2010	15605.42	15311.4	1.019	16650.32	15781.19	1.055
	Yearly average		14.029	Yearly average		1.076

Table 4.2 Cash and Bank Balance to total deposit ratio

Rs. in million

Fiscal Year	HBL		Ratio%	SCBNL		Ratio%
	Cash and Bank Balance	Total Deposit		Cash and Bank balance	Total Deposit	
2005/2006	575.82	4518.01	19084	701.76	6047.77	13.52
2006/2007	1001.73	5839.05	25.39	971.22	7623.16	14.91
2007/2008	1029.11	7713.60	18075	740.34	8530.03	11.07
2008/2009	726.99	9779.72	9.58	826.15	11165.16	9.96
2009/2010	901.91	14043.10	8.91	1020.46	12568.349	10.29
	Yearly average		16.49	Yearly average		11.15

Table 4.3 cash and Bank balance to current assets Ratio

Rs. in million

Fiscal Year	HBL		Ratio%	SCBNL		Ratio%
	Cash and Bank Balance	current Assets		Cash and Bank balance	current Assets	
2005/2006	575.82	4918.16	11.72	701.76	7875.789	8.91
2006/2007	1001.73	6686.65	14.98	971.22	9772.77	9.94
2007/2008	1029.11	8620.84	11.94	740.34	10088.61	7.34
2008/2009	726.99	10988.05	6.62	826.15	12862.22	6.42
2009/2010	901.91	15605.42	5.78	1020.46	16650.32	6.13
	Yearly average		10.21	Yearly average		7.75

Appendix -VI

ACTIVITY/TURNOVER RATIO

Table 4.4: Loan and advances to total deposit ratio

Rs. in million

Fiscal Year	HBL		Ratio%	SCBNL		Ratio%
	Loan and advances	Total deposit		Loan and advances	Total deposit	
2005/2006	2863.32	4518.01	63.37	3030.78	6047.77	50.11
2006/2007	3321.42	5839.05	56.88	3571.65	7623.16	46.85
2007/2008	4223.06	7713.60	54.75	4253.58	8530.03	49.87
2008/2009	5311.66	9779.72	54.31	4071.63	11165.16	36.47
2009/2010	7224.73	14043.10	51.45	4587.17	12568.49	38.66
	Yearly average		56.15	Yearly average		44.39

Table: 4.5. Loan and Advances to Fixed Deposit Ratio

Rs. in million

Fiscal Year	HBL		Ratio%	SCBNL		Ratio%
	Loan and advances	Fixed deposit		Loan and advances	Fixed deposit	
2005/2006	2863.32	1615.02	177.29	3030.78	857.16	353.58
2006/2007	3321.42	1994.20	175.35	3571.65	1107.37	322.53
2007/2008	4223.06	2225.59	189.75	4253.58	1843.33	230.76
2008/2009	5311.66	2190.38	242.50	4071.63	2868.91	141.92
2009/2010	7224.73	3917.14	184.44	4587.17	2551.65	183.18
	Yearly average		193.87	Yearly average		246.39

Table 4.6: Loan and advances to saving deposit ratio

Rs .in million

Fiscal Year	HBL		Ratio%	SCBNL		Ratio%
	Loan and advances	saving Deposit		Loan and advances	saving Deposit	
2005/2006	2863.32	1501.50	190.7	3030.78	2866.71	105.72
2006/2007	3321.42	2373.32	139.94	3571.65	3204.32	111.46
2007/2008	4223.06	3183.38	132.66	4253.58	4079.51	104.27
2008/2009	5311.66	5096.65	104.22	4071.63	5471.68	74.41
2009/2010	7224.73	6833.16	105.73	4587.17	6632.70	73.23
	Yearly average		134.65	Yearly average		93.82s

Appendix -VII

PROFITABILITY RATIO

Table 4.7:Net profit to total Assets Ratio

Rs. in million

al Year	HBL		Ratio%	SCBNL		Ratio%
	Net profit	Total Assets		Net profit	Total Assets	
2005/2006	124.12	5004.80	2.48	2139.25	7983.76	2.99
2006/2007	138.10	6790.41	2.30	248.10	9921.88	2.50
2007/2008	135.98	8734.54	1.56	292.38	10256.18	2.85
2008/2009	165.25	11168.87	1.48	359.46	13016.98	2.76
2009/2010	199.38	15863.74	1.26	392.5	16832.23	2.33
	Yearly average		1.76	Yearly average		2.68s

Table .4.8: Net profit to total deposit ratio

Rs.in million

Fiscal Year	HBL		Ratio%	SCBNL		Ratio%
	Net profit	Total		Net profit	Total	
2005/2006	124.12	4518.0	2.75	239.25	6047.77	3.96
2006/2007	138.10	5839.05	2.37	248.10	7623.16	3.25
2007/2008	135.98	7713.60	1.76	292.38	8530.03	3.42
2008/2009	165.25	9779.72	1.69	359.46	11165.16	3.22
2009/2010	199.38	14043.10	1.42	392.59	12568.49	3.12
	Yearly average		1.99	Yearly average		3.39

Table 4.9: Net profit to total investment ratio (Return on investment)

Rs.in million

iscal Year	HBL		Ratio%	SCBNL		Ratio%
	Net profit	Total Investment		Net profit	Total Investment	
2005/2006	124.12	124.12	17.97	239.25	1825.05	13.10
2006/2007	138.10	1349.18	10.23	248.10	2282.93	10.86
2007/2008	135.98	970.88	10.00	292.38	1025.50	28.51
2008/2009	165.25	459.45	35.91	359.46	2669.88	13.46
2009/2010	199.38	2206.92	9.03	392.59	3338.65	11.75
	Yearly average		17.43	Yearly average		15.54

Appendix -VIII

CAPITAL STRUCTURE RATIO\ LEVERAGE RATIO

Table 4.10 Total Debt to Shareholder's equity ratio

Rs. in million

Fiscal Year	HBL		Ratio%	SCBNL		Ratio%
	Total debt	shares older's equity		Total debt	Share holder's equity	
2005/2006	4770.01	200.49	23.79	7332.08	422.77	17.34
2006/2007	6479.53	253.19	25.59	9113.66	437.95	20.81
2007/2008	8350.48	226.74	36.83	9251.99	595.84	15.53
2008/2009	10717.69	328.29	32.65	11936.55	647.91	18.42
2009/2010	1533.69	368.91	41.58	15817.40	512.60	30.86
	Yearly average		32.08	Yearly average		20.589

Table 4.11.Total Debt to Total Assets Ratio

Fiscal Year	HBL		Ratio%	SCBNL		Ratio%
	Total debt	Shares lder's equity		Total debt	Share older's equity	
2005/2006	4770.01	50004.80	95.31	7332.08	7983.76	91.83
2006/2007	6479.53	6790.41	95.42	9113.66	9921.88	91.85
2007/2008	8350.48	8734.54	95.60	9251.99	10256.18	90.20
2008/2009	10717.69	11168.87	95.96	11936.55	13016.98	91.69
2009/2010	1533.69	15863.74	96.68	15817.40	16832.23	93.97
	Yearly average		53.43	Yearly average		56.21

Table 4.12 Returns on Capital Employed

RS. in million

Fiscal Year	HBL		Ratio%	SCBNL		Ratio%
	Net profit after tax	Capital employed		Net profit after tax	Capital employed	
2005/2006	121.12	206.06	60.23	239.25	133.10	55.24
2006/2007	138.10	262.34	52.64	248.10	155.84	54.43
2007/2008	135.98	241.65	56.27	292.38	621.84	47.06
2008/2009	165.25	347.23	47.59	359.46	680.74	52.08
2009/2010	199.38	395.56	50.40	392.59	548.81	71.53
	Yearly average		53.43	Yearly average		56.21

Table 4.13 Long-term Debts to Total Assets Ratio

Rs.in million

Fiscal Year	HBL		Ratio%	SCBNL		Ratio%
	Long term debt	Total assets		Long term debt	Total assets	
2005/2006	5.57	50004.80	0.11	10.33	7983.76	0.13
2006/2007	9.15	6790.41	0.13	17.89	9921.88	0.18
2007/2008	14.91	8734.54	0.17	25.36	10256.18	0.25
2008/2009	18.94	11168.87	0.17	32.83	13016.98	0.25
2009/2010	26.65	15863.74	0.17	36.21	16832.23	0.22
	Yearly average		0.15	Yearly average		0.21

Table 4.14 Return on Shareholder Equity (ROSE)

Rs .in million

Fiscal Year	HBL		Ratio%	SCBNL		Ratio%
	Net profit after tax	Share holder's equity		Net profit after tax	Share holder's equity	
2005/2006	124.12	200.49	61.90	239.25	422.77	56.59
2006/2007	138.10	253.19	54.54	248.10	437.95	56.65
2007/2008	135.98	226.74	59.97	292.38	395.84	49.07
2008/2009	165.25	328.79	50.34	359.46	647.91	55.47
2009/2010	199.38	368.91	54.05	392.59	412.60	76.58
	Yearly average		56.16	Yearly average		58.87

Appendix -IX

INVISILITY RATIO

Table 4.15 Earning per share(EPS)

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Fiscal Year	HBL		EPS	SCBNL		FPS
	Net profit after tax	No of share		Net profit after tax	No of share	
2005/2006	124.12	1.2	103.43	239.25	1.5	159.50
2006/2007	138.10	1.2	115.08	248.10	1.5	165.50
2007/2008	135.98	1.2	113.32	292.38	2.2557	129.62
2008/2009	165.25	1.92	86.07	359.46	3.3955	105.86
2009/2010	199.38	2.42	83.08	392.59	3.3955	115.62
	Yearly average		100.20	Yearly average		135.20

Table 4.16 Dividend per Share (DPS)

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Fiscal Year	HBL		EPS	SCBNL		FPS
	Dividend paid	No of share		Dividend paid	No of share	
2005/2006	42.00	1.2	35	239.25	1.5	100
2006/2007	60.00	1.2	50	248.10	1.5	90
2007/2008	132.00	1.2	110	292.38	2.2557	70
2008/2009	96.00	1.92	50	359.46	3.3955	80
2009/2010	120.00	2.40	50	392.59	3.3955	100
	Yearly average		100.20	Yearly average		88

Table 4.17 Dividend payout Ratio (DPR)

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Fiscal Year	HBL		DPR%	SCBNL		DPR%
	DPS	EPS		DPS	EPS	
2005/2006	35	103.43	733.84	100	159.50	62.70
2006/2007	50	115.08	43.45	90	165.40	54.41
2007/2008	110	113.32	97.07	70	129.62	54.00
2008/2009	50	86.07	58.09	80	105.86	75.57
2009/2010	50	83.08	60.18	100	115.62	86.49
	Yearly average		58.53	Yearly average		66.63

Appendix -X

INCOME ANALYSIS

Table 4.18 Income in Amount of HBL

Rs. in million

Income sources	2005/2006	2006/2007	2007/2008	2008/2009	2009/2010	Average
interest received	460.05	640.25	753.97	862.05	1033.66	750.0
Exchange earning commission	31.78	23.86	75.78	63.96	87.33	56.54
Discount earning	64.03	60.15	71.68	101.98	110.33	81.63
Other operating	1.68	5.55	4.39	5.62	9.69	5.39
Non operating earning	0	0.02	.63	1.06	1.70	0.68
Total income	557.54	729.83	906.45	1034.67	1242.71	894.2

Table 4.19: Income in percentage of HBL

Rs. in million

Income sources	2005/2006	2006/2007	2007/2008	2008/2009	2009/2010	Average
interest received	82.51	87.73	83.18	83.32	83.18	83.98
Exchange earning	5.70	3.27	8.36	6.18	7.03	6.12
Commission and discount earning	11.49	8.24	7.90	9.86	8.87	9.27
Other operating earning	0.30	0.76	0.48	0.54	0.78	0.57
Non operating earning	0	0.003	0.08	0.10	0.14	0.06
Total income	100	100	100	100	100	100

Table 4.20 Income in Amount of SCBNL

Rs. in million

Income sources	2005/2006	2006/2007	2007/2008	2008/2009	2009/2010	Average
Interest received	653.09	832.00	818.52	902.45	1052.36	851.68
Exchange earning omission	102.57	81.63	138.80	140.01	157.08	124.02
Discount earning	61.08	61.36	100.3	134.75	154.34	102.31
Other operating earning	0.98	1.23	1,78	3.22	154.34	2.07
Non operating earning	6.48	6.93	6.25	4.33	5.88	5.97
Total income	824.2	983.15	1065.39	1184.76	1372.8	1086.06

Table 4.21 Income in percentage of SCBNL

Rs. in million

Income sources	2005/2006	2006/2007	2007/2008	2008/2009	2009/2010	Average
interest received	79.24	84.63	76.83	76.17	76.66	78.71
Exchange earning commission	12.44	8.30	13.03	11.82	11.44	11.41
discount earning	7.41	6.24	9.39	11.37	11.24	9.13
Other operating earning	0.12	0.13	0.17	0.27	0.23	0.18
Non operating earning	0.79	0.70	0.58	0.37	0.43	0.57
Total income	100	100	100	100	100	100

Appendix -XI

EXPENSES ANALYSIS

Table 4.22 Expenses in Amount of HBL

Rs. in million

Expenses headings	2005/2006	2006/2007	2007/2008	2008/2009	2009/2010	Average
Interest	249.38	364.68	473.79	532.55	893.44	442.77
Office Operating expenses	61.75	72.15	87.74	109.74	132.55	92.79
Staff expenses	22.89	29.81	45.25	47.36	59.88	34.04
Provision for Staff Bonus	19.81	22.57	24.11	27.94	34.86	25.86
Total expenses	353.83	489.21	630.89	717.59	820.73	595.40

Table 4.23 Expenses in percentage of HBL.

RS in million

Expenses headings	2005/2006	2006/2007	2007/2008	2008/2009	2009/2010	Average
Interest	70.48	74.54	75.10	72.30	74.21	73.38
Office Operating expenses	17.45	14.74	13.91	16.15	15.29	15.50
Staff expenses	6.47	6.09	7.17	7.30	6.61	6.72
Provision for Staff Bonus	5.60	4.62	3.82	4.25	3.89	4.40
Total expenses	100	1000	100	1000	100	100

Total 4.24 Expenses in Amount of SCNBL

Rs in million

Expenses headings	2005/2006	2006/2007	2007/2008	2008/2009	2009/2010	Average
Interest	270.78	335.10	347.84	384.85	425.93	352.9
Office Operating expenses	96.18	130.35	154.17	90.64	162.93	126.85
Staff expenses	48.22	67.47	73.22	84.66	87.55	72.22
Provision for Staff Bonus	39.79	45.12	51.21	59.27	72.78	53.63
Total expenses	454.97	598.04	626.44	619.44	749.19	605.6

Total 4.25 Expenses in percentage of SCBNL

Rs in million

Expenses headings	2005/2006	2006/2007	2007/2008	2008/2009	2009/2010	Average
Interest	59.52	59.38	55.53	62.13	56.85	58.68
Office Operating expenses	21.14	21.80	24.61	40.63	21.75	20.79
Staff expenses	10.60	10.60	11.69	13.76	11.69	11.78
Provision for Staff Bonus	8.74	7.54	8.17	9.57	9.71	8.75
Total expenses	100	100	100	100	100	100

Appendix –XII

STATISTICAL TOOLS

Table 4.26 coefficient of correlation of HBL

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Fiscal. Year	X	X^2	Y	Y^2	XY
2005/2006	12.4	154.00	20.05	402.00	248.82
2006/2007	13.81	190.72	25.32	341.10	349.67
2007/2008	13.6	184.96	22.67	513.93	308.31
2008/2009	16.53	273.24	32.83	1077.81	542.68
2009/2010	19.94	397.60	36.89	1360.87	735.59
Total	76.29	1200.52	137.76	3995.71	2185.07

Table 4.27 Coefficient of correlation of SNBNL

Fiscal. Year	X	X^2	Y	Y^2	XY
2005/2006	23.93	572.64	42.28	1787.60	1011.76
2006/2007	24.81	615.54	43.80	1918.44	1086.68
2007/2008	29.24	854.98	59.85	3549.78	1742.12
2008/2009	35.95	1292.40	64.79	4197.74	2329.20
2009/2010	39.26	1541.35	51.26	2627.59	2012.47
Total	153.19	4876.91	261.71	14081.15	8182.23