

Chapter- I

INTRODUCTION

1.1 Background of the Study

Development and expansion of capital market are essential for the rapid economic growth and development of the country by mobilizing long-term capital needed for productive sector. capital market is an indication of national economy and It's smooth operation leads to economic growth of a country. So capital market is the backbone of national economy. Financial intermediaries play vital role in such fund movement i.e. from the surplus holders to the needy. In this regard , financial institutions are the formal medium for contributing effective utilization of the available resources in the economy likewise , financial market in another prosaic contributor for effective, financial /capital transaction .

Money market means financial market that facilities the flow of short-term funds is less than one year, whereas capital market facilitate the flow of long-term funds .Likewise, there are two types of securities. Securities having life less than one year are called money market securities and securities having long life, generally of more than a year are called capital market securities. Money market securities stand for higher liquidity whereas capital market securities provide higher return. Transactions of securities are conducted on the open auction principle on the trading floor.

Financial market is the place where the financial instruments like shares, bonds and debentures are traded. "A financial market is a market for creation and exchange of financial assets if you buy or sell. Financial assets, you will participate in financial market in some way or other." (Pradhan, 2002;24). There are different types of financial markets. Each market serves a different set of customers or deal with different types of security. Transfer of capital between savers and those who need capital take place in different way like

direct transfer through investment banks and indirect transfer through financial intermediaries.

Capital markets are also classified as primary and secondary markets. Primary markets involved when securities are issued for the first time in the market. Secondary markets are markets in which existing/outstanding securities are traded among by the Security Exchange Board of Nepal (SEBON) and the other services such as managers, underwriting and listing of corporate stocks are provides by licenses company/bodies. Nepal Stock Exchange (NEPSE) is the only one organized stocks market which provides floor for the trading(buy and sell)of securities already issues.

This research is the effort for the study and analyzing the comparative analysis on financial performance of two joint venture banks named Standard chartered bank ltd. and Everest bank ltd. Bank is an establishment for depositing, withdrawing and borrowing money. Commercial banks are the institutions who pool to gather the scatter saving of the people and arrange for its productive use. In other words, they accept the surplus fund of people as deposit and supply it to made the financial needs of modern business by various means. For example bank provides high rate of interest on long term deposit. It allows some interest on deposit and charges interest on loan. Interest on loan is comparatively highness then on deposits. The difference in interest of earnings for bank.

Banking plays the significant role to the development of the economy. It provides an effective payment and credit system, which facilitate the channel of the fund from the surplus spending units (savers) to the deficits spending units (investors) in the economy.

Banking plays an important role in the economic development of the country. Economic development consists of trade, commerce, industries, etc. To invest on those sectors, investors need money in large scale which can't be managed by single person. So to finance in a large scale organization investors approach bank for long term finance and short finance.

Bank is a financial intermediary which links those who save money and those need it. Generally saving is made in small scale as well as it is scattered. Bank collects such saving, such saving are needed by investors likes business firm etc, who themselves can't approach to the savers , so due to convenience the approach banks who had already collected the savings thus bank modified this resources by granting as a loan to different investors which would be ideal in absence of bank.

Commercial banks play vital role in the economy development of the country. Banking sector is going to be very competitive than ever. Besides the existing numbers of banks, some other banks are in the process of opening on operation. So, the competition in the banking sector is going to be higher than even before. To exist in the competitive market banks are trying to introduce different schemes and advantages to the customers so that to hold greater share. Whether the banks are well moving or not will be reflected through their performance. Especially, for banks are profitability position, liquidity position, turnover, position of reserve, capital structure policy should be effective and sound. To meet the objective, the overall performance of the bank should be soundly adjusted with each other. Only the well combined factors assist in well performance. When performance will be well, the output will generally be sound. It helps bank to proceeds in its track. As there has been number of commercial banks established the present aims to analyze financial performance of Standard Chartered Bank Ltd. and Everest bank Ltd. just to be assured whether they can make positive or negative impact on banking business.

1.1.1 History of Commercial Bank in Nepal

In the context of Nepal, like as in other country the goldsmiths and landlord was the ancient banker. The Nepali people were highly exploited by Shahu Mahajan by charging higher interest rate i.e. compound interest rate and even by manipulating the principle amount .

The history of banking in Nepal is believed to be started from the time of prime minister Ranodip Singh in kathmandu established an office called TEJARATHA ADDA in 1933 B.S. . From this office the government distributed

salary to employees and provided loans to government employment @ 5% of interest against the security of gold silver etc.

TEJARATHA ADDA didn't accept deposits, the foremost task of saving in the part of people was lacking and they couldn't perform the task of mobilizing idle resources in productive sectors.

Because of the development of economic activities in Nepal the above institution couldn't be fulfilled the need of people. So in kartik 30, 1994 B.S. Nepal bank limited was established as one of the semi- government commercial bank which was founded by Judda Samsher. The authorized capital was contributed by government 51% and remaining by people 49% . Nepal bank limited was the first commercial bank in Nepal. It has done the pioneering function in spreading the banking habits among the people. Having felt a need of central bank to control and direct the commercial bank and help the government for making monetary policies Nepal Rastra Bank was set up in 14 Baisakh 2013 B.S. as the form of central bank which was a significant plus dimension in the development of banking sector.

To fulfill the growing credit requirement of the country, the commercial bank i.e. Rastriya Banijya bank was established 2022 Magh 10. This bank also provides facilities for the economic welfare of general public. In addition to this ; Nepal industrial development corporation was setup in 2016 ashad. Agriculture development bank was established on 2024 B.S. and security exchange center (SEC) was also established. However, with the coming up these financial institution the banking and financial activities spread to both Urban and Rural areas.

The initiation of the financial sector; Liberalization policy by Nepal Rastra bank, a board of Joint venture banks entered with the view to accelerate the rate of development of nation. At present, there are many joint venture banks which are running successfully in a competitive environment. His Majesty government deliberates policy of allowing foreign joint venture banks to operates in Nepal basically targeted, to encourage local tradition commercial banks to enhance their capacity through competitors efficiency mechanization modernization and prompt customer service. Nepal Arab bank ltd was established in 2041 as a first joint venture bank.

In this way the history of banking system is not so old. At the end of Ashad 31 2069 in our country 32 commercial bank, 88 development bank, 70 finance companies and 23 microfinance developments are held, in total 219 .

An organized banking system is relatively a recent phenomena .The establishment of "Nepal bank limited " a commercial bank in 1994 B.S. started the process. After a longtime in order to uplift the national economy Government of Nepal permitted to establish joint venture bank under commercial bank act 2063. So far 32 commercial bank have been operating to facilitate more and more banking services. For the purpose of the study, the research includes two joint venture banks namely standard chartered bank ltd. and Everest bank ltd. from the view point of establishment, SCBNL is oldest one among these two . A brief description of two samples bank is follows.

1.1.2 Profile of Selected Banks

1.1.2.1. Introduction of the Standard Charter Bank Ltd. (SCBNL)

Standard chartered bank Nepal limited formally known as NEPAL Grindlays bank ltd. Which take license 6th feb 1986 (2042/10/24). It was established and operated in Jan 30th 1987 (2043/10/16) with authorized capital, issued capital and paid up capital of Rs 100 million, Rs 50 million and 30 million respectively.

At the end of 16 july 2011 (32 ashad 2068) the bank have authorized capital, issued capital and paid up capital of Rs 2000000000, Rs 1610168000 and Rs 1610168000 respectively. The third joint venture bank was standard chartered bank Nepal ltd. capital structure of this in the time of operating ; 50% by Chartered Grindlays banks, 33%by Nepal bank ltd. the country's oldest and largest financial institutions and 17% by the Nepali public.

Today the bank is an integral part of standard chartered group having an ownership of 75% in the company with 25% shares owned by the Nepalese public. Standard chartered bank ltd. has a history of over 150 year in banking and operates in many of the world's fastest market's in over 70 country with standard chartered employees almost 80000 staff, representing over 115

nationalities worldwide. This diversity lies at the heart of the bank's value and support's the bank's growth as world increasingly become one market. An integral part of the only international bank's group currently operating in Nepal, the bank enjoys an impeccable reputation of a leading financial institution in the country with 19 point's of representation included (15 branches) and four extension counters, 24 ATMS a crossed the country and more than 429 employees (At the end 16 july 2011).

SCBNL is in a position to serve its customers through and an extensive domestic network. In addition the global network of standard chartered group gives the bank a unique opportunity to provide truly international banking services in Nepal.

SCBNL offers a full range of banking products and services in wholesale and consumer banking catering to wide range of customers from individual to mid market, local corporate to multinational and larger public sectors companies well as embassies. Aid agencies, airlines, hotels and Government corporation. The bank has been the pioneer in introducing " customer focused " products and services in the country and aspires to continue to be a leader in introducing new products in delivering unique services. It is the first bank in Nepal that has implemented the anti-money laundering policy and applies the " Know your customer " procedure on all the customer accounts. It is also concentrated on project that assist children, particularly in the areas of health and education. Environmental projects are also occasionally considered and it has been initiatives to benefit the community. SCBL launched two major initiatives in the care of health " Living with HIV/AIDS " and " Seeing is believing " since 2003.

1.1.2.2. Introduction of Everest Bank Limited

Everest Bank was established in 2051 B.S. It started its operation on 1st kartik 2051. In the beginning it has shared with united bank of India limited. But in 2053 B.S. united bank handed over its proportion of equity to Punjab National bank regarding the composition of equity capital, Nepalese promoters, General public and Punjab National bank share 50%, 30%

and 20% respectively, the technical service agreement signed between two banks.

At the end of 32 Ashad 2068 the bank have authorized capital, issued capital and paid up capital of RS 2000000000, RS 1281406500 and RS 1279609490. The bank has 44 branches, 55 ATM counters and 21 revenue collection counters across the country and more than 583 staff making it a very efficient and accessible bank for its customers, anytime, anywhere. The head office of EBL is in Lazimpat, Kathmandu and Regional office is in new road Pokhara.

As per audited accounts of fiscal year 2010/11, the bank's operating profit was RS 15167 Lakhs which is 12.42% more than previous year and has been able to a after tax net profit of RS 931303628 which is 11.96% higher than last year.

Everest bank provides many types of facilities to the public sector. It has come in public sector with this transaction and slogans. Housing loan creating a base for life, Education loan helping you to learn caring for your growth, Home equity loan EBL plus loan against mortgage reinvesting your investment . professional loan more up in life, vehicle loan easy hassle free financing .It has expanded another facilities to the public people that is EBL debit card. This is real cash in the form of card , designed to meet immediate cash demand anytime anywhere . To provide more facilities, the bank is operating anywhere branch banking system (ABBS) , 365 days banks services, extended banking facilities and ATM facilities and has been providing need based loans without hassles and delays.

1.1.3 Role of Commercial Banks in Nepal

Introduction of joint venture bank in Nepal had change the scenario of banking sector in Nepal. The joint venture banks have invited a new era of banking in this one of the least developed country by introduction of high and efficient methods in the banking sectors. The banking facilities are access to only few finger counted people in the country. This sector basically helps to promote other in restructure of the country, on which the base of the development can be set.

Other areas of expertise are forward cover for foreign exchange transaction by importers and exporter, merchant banking, inter banking market for money and securities, arranging foreign currency loans etc.

Joint venture banks are important for the economic development to mixed economy follower like Nepal. Nepalese economic situation and investment necessity experiences short of such institutions which can see such problems (Pandey: 1997:341)

The role of joint venture banks can be presented as follows,

Providing More Resource for Investment

The joint venture banks have played a significant in canalizing the additional resources for invest rent for the development of the country. Although it is argued by many that resources raised to locally in the prevailing market those resources would have been mobilized by any other domestic institution, it is assumed that the jvbs have mobilized net additional resources if they tap untapped resources in the local market.

Creation of Competitive Environment

Clients are beneficial either by the higher rat of interests in their deposition or by lower rate of interest on credit. It is possible only under competitive environment. After the arrival of JVB, Old banks are also been competitive. Fair competition among banks not only beneficial for bank themselves and economy too. Fair personnel management efficient financial performance quality services and research oriented development is possible only in the competitive environment.

Contribution to National Economy

JVBs, comparatively are adopting new banking systems. They are already established in financial, garments, agricultural, electrical, project and housing needs and playing a significant role to contribute in national economy form own sector.

Thus, through such banks managerial and banking techniques, new ideas and philosophy, foreign investment and capital, healthy, competitive atmosphere and diversified market concepts transfer to other companies.

But here is a remarkable point that joint investments should be directed by economic need and not by political interest. Financial and legal rules, regulations and Practices should be clear and convenient to foreign investor.

Introducing New Method Technology in Banking Services

Modern managerial principles and practices in banking sector have been introducing by JVBs in Nepal. New banking techniques such as hypothecation and syndication are also introduced under NRB guidance. Various techniques follow by international banks in deposition, lending, exchange and they have been introducing by these banks in Nepal.

After the establishment of these banks, other new and old banks began to computerize the banking system. Some new banks have adopted new techniques such as tele-banking, credit, debit card system, twenty four hour services, ATM services. These banks are seeking to follow up some developing techniques in international banking sectors.

Information of Foreign Investors

The role of JVBs is significant for the collection of funds for mega projects. The various type of publications to be acquainted with Nepalese rules, regulations and practical of concurring sector. Before the establishment of JVBs, some large projects should be established through two or three local banks but mega projects could not be established.

Because of the political instability, after the restoration of multiparty democracy also the foreign investors have still been hesitating to invest in Nepal. In such a situation, the publication of JVBs has been playing a vital role to introduce the Nepalese financial rules, regulation, policies and procedures to the foreign investors.

1.2 Statement of Problem

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

The major problem of underdevelopment countries like Nepal is that of capital formulation and proper utilization. This state of affairs cannot contribute much to the socio economic development of the country where 83% of the population lives in rural areas and more than 70% of that population depends upon agriculture. In such conditions joint venture banks are reluctant to extent their operation in rural areas. In rural areas remittance is the main sources of income, people are spending money in unproductive sectors and unnecessary usage. So to use that money in productive sectors bank plays important role by their activities. It is the need of present.

The open and liberal economic policy towards the banking sectors of government of Nepal initiated many joint venture banks and finance company rural banks and cooperatives societies in Nepal. The rapid growth of financial institutions has led a sharp competition among each other. Which on one side shows a good sign of the economy but on other side due to such growth in numbers of banks and financial companies in a small economy there might be an unhealthy competition between them although financial institution have been managing for better performance within short span of time.

At the end of ashad 31st 2069 in our country 32 commercial, 88 developing banks, 70 finance companies and 23 micro finance development are held in total 219. Small countries like Nepal this number of financial companies shows good sign of economy. To increase the economic activities, joint venture banks play vital role. But all the joint venture banks and financial institutions are centered in few towns of Nepal so they have been facing cut throat competition among each other and are taking advantage of weakness and inefficient of their competitors.

Now political instability, fast changing policy, lack of good governance are the characteristics of Nepal so these factors also influence the growth of joint venture bank and financial companies. Standard Chartered Bank Ltd. and Everest Bank Ltd. are also facing these kind of problem even though they have been able to make profit. In fact efficient financial performance is a mirror of weakness and strength of the bank. a strong joint venture banks can contributes to national economy and also attracts further foreign investors in these sectors. Therefore financial statement should to fully observe to find out whether the banks are economically and financially strong or not.

It is necessary to examine the profitability position of SCBNL as compare to EBL and other aspects related with finance. A comparative analysis of financial performance of the bank will be highly beneficial for pointing out their strength and weakness.

So these studies will seek the answer to the following question.

-) How far have they able to keep the sound status in terms of financial performance?
-) What does their financial performance indicate? Are they able to meet the financial obligation?
-) What are comparative liquidity, the profitability, capital structures activities and growth position of these to banks?
-) Whether financial plans process has been followed properly or not in SCBL and EBL? What are the major problems faced by the banks in developing financial planning?

1.3 Objectives of the Study

Every part of activities has its own objective. All the studies has some objective and the studies without any objective cannot be imagined. The main objective of the studies is to analyze the financial performance of SCBNL and EBL. It helps to examine the financial strength and weakness of the banks and to provide the suggestion to replace the weakness factors with strength factors and to make the financial performance effectively and efficiently. The main objectives are specified as below.

-) To evaluate the liquidity, profitability, capital structure, assessment and other activities of the SCBNL and EBL.
-) To study present financial position of two banks.

-) To compare the financial position among two banks.
-) To analyze the trends in deposits and loans and advance and other variables of the selected banks.
-) To provide suitable suggestion and possible guidelines to improve financial performance of SCBNL and EBL.

1.4 Significance of the Study

The people's participation in security investment and stock trading is increasing unexpectedly. The recent trend and people's attitudes towards common stocks investment show that there is a high potentiality in stocks investment. It is important to increase financial and economic activities of the nations. The analysis of financial performance of the joint venture commercial bank is significant managerial decision from the view point of investors.

After January 1, 2010 branches of foreign companies will be allowed insurance services and wholesale banking. At this situation the commercial bank should be more competitive. They should become financially strength/ healthy must have growth potentially. And they have to shape their plans and strategies accordingly. In such situation, this study tries to analyze and indicate the overall financial health using financial analysis whether they are capable to the challenges and grab the opportunities or not.

The study will be significant to the shareholders, depositors and other creditors to identify the productivity of their funds and to measure the risk associated with liquidity in the sample banks. Likewise other financial agencies, example: stock exchange and stock brokers are also interested in the liquidity and profitability management of the bank, as it has been listed in the stock exchange market.

The study will also help the management of the banks to synchronize the liquidity with the profitability and to make policy and plan that can tussle the competitors and to operate effective banking system.

This study helps and justify for finding out the financial performance of concern selected commercial bank and the government of NEPAL to make

plan and policies. It is important to the central bank to reformulated the new policy, as there are certain loopholes. As a result the chance of bankruptcy has been regard as the main problem of financial institution in these days.

Apart from above, this study will be a matter of interest for academicians, students and practitioners.

1.5 Limitations of Study

Every field of activity has their own limitation. No one can perform their activity by ignoring this limitation. The study is done for the partial fulfillment of masters of business studies. Time constraints, financial problem and lack of research experience will be the primary limitation and other limitations are as follows.

-) The study used five year data of each bank which may not sufficient for the study of this topic.
-) This study examines only the financial aspects of these banks.
-) The study has been conducted using secondary data only, thus it excludes analysis primary data. Further, the validity of secondary data totally depends upon the reliability of the annual reports of the bank.
-) This study is based on only two commercial joint venture bank as a sample study, which may not represent the accurate picture of banking sectors.
-) Because of the past data, it can't forecast for the correct financial position of future period.
-) In this study fiscal year 063/64 is assumed as base year.
-) The data used in this study are rounding figure to avoid the errors.
-) Being almost impossible to draw the final product errors is also a major limitation of the study.

1.6 Organization of the Study

This study has been organized over altogether five chapters starting from introduction, Review of literature, Research methodology, Presentation and Analysis of data and summary to conclusion and Recommendation as get of the entire study. A brief outline of this chapter has been outline as under.

The first chapter entitled " introduction " introduces the subject; background of the study, history of commercial bank in Nepal, brief introduction of SCBNL and EBL, statement of the problem, objective of the study, significance of the study and limitations of the study.

The second chapter entitled "Review of literature" Which includes reviewing the existing literature in the relevant areas and review of earlier studies.

The third chapter deals with " Research methodology " which includes research design, nature and source of data, data gathering method, population and sample of data , data processing and presentation procedure and method of analysis data.

The fourth chapter deals with "Presentation and analysis" of relevant data and information, various financial tools and techniques that have been used to analyze and interpret the results. It means finding of the study.

The last chapter i.e. "summary , conclusion and recommendations" of the study. Which is followed by the basic conclusion of the study based in the fourth chapter on the basic of these conclusion and recommendation has also been presented for consideration.

CHAPTER – II

REVIEW OF LITERATURE

2.1 Introduction

This chapter's covers the review of literature to obtain the basic knowledge for the study, review of literature means, reviewing research studies and other relevant propositions in the related area of the study so that past studies , their conclusion's may be known and further research can be conducted. 'A literature review is a critical and in-depth evaluation of previous research, it is a summary and synopsis of a particular area of research, allowing anybody reading the paper to establish why you are pursuing this particular research program .

"A literature review is a summary analysis of current knowledge about a particular topic or area of enquiry ." Walkman

"A literature review is a self-contained unit in a study which analyzed critically a segment of a published body of knowledge through summary , classification and comparison of prior research studies and theoretical articles ." cardesco and gatner

Review of literature is basic stocktaking of available literature in the field of research . The textual constraint's would help the researcher to support the area of research in-order to explore the relevant and true facts for the reporting purpose while conducting the research study , previous studies can't be ignore as that information would help to check the chances of duplication in the present study . Thus one can find what research study has been conduct and what remains to go with .

"The purpose of reviewing the literature is to develop some expertise in one's are to see what new contributions can be made and to receive some ideas for developing research design." (IBID)

All those studies related to this thesis work are categorized into two parts : first conceptual frame work which covers the area of the research work and theoretical concepts developed by various scholars writers. The second part refers review of relates studies. It includes

review of empirical studies, review of articles and review of thesis . All the reviewed literatures have been presented orderly as follows .

2.2 Conceptual Review

2.2.1 Investment

Investment simply means sacrifice of resource in present to get benefit either in short- term or long-term. In general sense; investment means to pay out money to get more. But in the broadest sense, investment means the sacrifice of current money for future money.

We define investment as the commitment of a given present sum of money to an alternative with the exception of realizing additional sum of money in the future.

Following point help us to know about investment

Expenditure made for income producing assets.

Money committed or property acquired for future income.

Property acquired for the purpose of producing income for its owner.

Just as plants and equipment are investments for manufactures, stock and bonds are investments for individuals.

Investment refers to purchase of financial assets. While investment goods are those goods which are used for further production.

The act of placing capital into a project or business with the intent of making a profit on the initial placing of capital. An investment may involve the extension of a loan or line of credit, which entitles one to repayment with interest or it may involve buying an ownership stake in a business, with the hope that the business will become profitable. Investing may also involve buying a particular asset with the intent to resell it later for a higher price.

Investment generally involves real assets and financial assets. Real assets investment involves some kinds of tangible assets such as building, land, machinery, factory etc and financial assets investment are pieces of paper representing an indirect claim to real assets held by someone else. Real assets are generally less liquid than financial assets.

In-order to have a clear understanding about the concept of investment, it will be use-full to study definitions given by some prominent writers, scholars and institutes.

"The creation of more money through the use of capital."

CAMPBELL R. HARVEY

" Investment may be define as the purchase by an individual or institutional investor of a financial or real assets that produces a return proportional to the risk assumed over some future investment period," (f.AMLING)

" Investment is any vehicle into which funds can be placed with the expectation that will preserve or increase in value and generated positive returns."
(Gitman and Joehnk;2000:256)

"Investment is the current commitment of funds for a period of time to derive a future flow of funds that will compensate the investing unit for the time funds are committed, for the expected rate of inflation and also for uncertainty involved in the future flow of the funds,"(frank and Reilly 1992:1)

According to Sharpe, Alexander and Bailey,

"Investment, in its broadest sense, means the sacrifice of current dollars for future dollars. Two different attributes are generally involved : time and risk. The sacrifice takes place in the present and in certain. The reward comes later, if at all, and the magnitude is generally uncertain."

2.2.2 Financial Performance

Financial performance is a subjective measure of how well a firm can use assets from its primary mode of business and generate revenues. This term is also used as a general measure of a firms overall financial health over a given period o f time and can be used to compare similarly firms.

Financial performance means financial activity performs by commercial bank or financial sectors. Financial performance analysis can be considered as a heart of the financial decision. Financial performance analysis is to highlight

strength and weakness so that management can take appropriate action. To strengthen the weak and maintain performance in the strong area.

"Financial analysis is the process of identifying the financial strength and weakness of a firm by properly establishing relationships between the items of the balance sheet and profit and loss account." (Panday, 2046:1)

The growth and development of any enterprises is directly influenced by the financial policies. Rational evaluation of the financial performance of the financial management in public enterprise is too much involved in recordkeeping, raising necessary funds and maintaining relationship with the bank or other financial institutions. But financial aspect is one of the most neglected aspects of public enterprise in Nepal. However joint venture banks have analyzed financial performance for their corrective actions. But their analysis is limited with in the banks themselves. Financial performance as a part of the financial management is the main indicator of the success or failure of the firm.

There are different persons /institutions that affect or are affected by the decision of the firm. Financial condition of business firm should be sound from the point of view of shareholder, debenture holders, financial institution and nation as whole.

Though, the type of analysis varies according to the specific interest of the party involved, shareholders of the firm are concerned principally with the present and expected future- earning . The stability of the earnings as well as their variations with the earnings of the enterprises. This indicates that they concentrate these analysis on the profitability of the firm. Management of the firm is interest in all aspects of financial analysis to adopt a good financial management system for the internal control of the enterprise.

Similarly, trade creditors are primarily interest in the liquidity position of the firm. An accounting figure conveys meaning, when it is related to some other relevant information. A qualitative judgement about the firm's financial position and performance should be made from the point view of the firm.

Thus, financial analysis is the main qualitative judgement process of identifying the financial strengths and weakness of the firm by properly establishing the relationship between the items of the balance sheet and profit and loss account.

A powerful and the most tested tool of financial analysis is the ratio analysis. Ratio analysis is a mathematical expression of a quantitative relationship between two items or group of items having mutual caused and effect relationship taken from income statement or balance sheet or both, which the analyst may use to make a qualitative judgment about the various aspects of the financial position and performance of a concern.

"It is defined as the systematic use of ratio to interpret the financial statement. so that the strengths and weakness of a firm as well as its historical performance and current financial condition can be determined." (Khan and Jain 1999; 5.13)

Financial ratios are the tools to analyze the financial conditions and performance. We calculate ratio because in this way we get a comparison that may prove more useful than the raw numbers by themselves. (Van horn, j.c.1998; 96)

In financial analysis, a ratio is used as benchmark for evaluating the financial position and performance of a firm. In the financial world, a bank's performance has mainly focused on financial performance decision. A commercial bank's performance is to be examined for various reasons. Bank regulators identify bank's that are experiencing serve problems so that they can given remedy so then. Joint venture bank in Nepal are profit making business institutions. So, the profit earned by a joint venture commercial bank in Nepal is the main financial performance indicator of the bank. However, it cannot solely predict the performance of the bank analyzing the profitability status only. Every aspect of the financial analysis is to be considered for financial performance of the bank. An analysis of income and expenditure of the bank is also the important indicator of the banks performance.

2.2.3 Financial Statement

Financial statement is to provide information about the financial position, performance and changed in financial position of an entity that is useful to a wide range of an users in making economic decision.

Financial statement prepared for this purpose to meet the common needs of most users .However ,financial statement do not provide all the information that users may need to make economic decisions ,since they largely portray the financial effects of past events and don't necessarily provide non financial information.

A bank and other company communicate data and information regarding its financial conditions through financial statements. Financial statements reflect,"A combination of recorded facts, accounting commotions and personal judgments and the judgments applied affect them materially." (AMERICAN INSTITUTE OF CERTIFIED PUBLIC AND ACCOUNTS, cited in R.S.N pillai and bhagavathi advanced accountancy, konark publishers pvt. ltd. new delhi 1994 pg no. 1328)

Financial statement is summary reports that shows how a firm has used the funds entrusted to by it shareholder's and lenders and what is its current position. The three basic financial statement are balance sheet which show firm's assets, liabilities and net worth on a stated date. second, income statement (p/l a/c) which shows how the net income of the firm is arrived at over a stated period and cash flow statement which shows the inflow and outflows of cash caused by the firms activities during a stated period.

Financial statement reports the result of past activities and are expressed in monetary terms to indicate the financial position therefore they are also called as the historical records of the company.

A complete set of financial statement includes following components.

- A balance sheet

- An income statement

- A statement of changes in equity shows either

All the changes in equity or
Changes in equity other than those arising from transactions with
equity holders activities in their capacity as equity holders.
A cash flow statements and
Notes, comprising a summary of significant accounting policies and
other explanatory notes.

But the major financial statements are balance sheet, profit and loss account,
profit and loss appropriation account and cash flow statement.

A balance sheet is a statement of a company's financial position at a
particular moment in time. This financial reports shows the two side of
company's financial situations. what it owns and what it owes.

What the company owns, called it assets, it always equal to the combined
value what the company owes, called it's liabilities and the value of its
shareholders equity on a particular date. Express as an equation, a company
balance sheets shows,

Assets = liabilities + shareholders value.

So it is called the fundamental account report.

"Balance sheet contains, information about resource and obligation of a
business entity and about its owner's interest in the business at particulars
point of time."(Ralph D. Kenneely and Stewart y. mc. mullers op. cit p1)

It is prepaid by an independents auditor, the balance sheet is very useful to
give a clear and accurate picture of firms financial position. When used in
conjunction with an income statement and other financial data, the balance
sheet provides valuable information of the firm. Financial ratios can be
developed to gain an insight into the liquidity, solvency and profitability
aspects of the business. This is particular true because most balance sheets
are comparative. A comparative balance sheets display the current balances
and the prior year's balance of each account in four columns. This allows the

analyst to compare the begin and end of year's position and to measure the changes in each amt during the course of the year.

Hence balance sheet is a quantitative summary of a company's financial condition at a specific point of time, including assets, liabilities and net worth. The first part of balance sheet shows all the productive assets a company owns and the second part shows all the financing methods (such as liabilities and shareholder equity). Also call statement of condition.

Another major financial statement is profit and loss statement, which is also known as income statement. It is a statement showing the revenue, expenses and income (The difference between revenues and expenses) of a corporation over some period of time. Profit and loss account is the account where by a trader determines the net results of his business transaction. It is the account which reveals the net profit or net loss of the trader.

The profit and loss account is opened with gross profit transfer from the trading account (Or with gross loss which will be debited to profit and loss account). After this all expenses and losses (which have not been dealt in the trading account) are transferred to the debit side of profit and loss account. If there are any incomes or gains, these will be credited to the profit and loss account. The excess of the gain over the losses is called the net profit and that of the loss over gain is called the net loss. The account is closed by transferring the net profit or loss to capital account of the trader.

It is a financial statement that summarized the revenue, cost and expenses incurred during a specific period of time – usually a fiscal quarter or year. These records provide information that shows the ability of a company to generate profit by increasing revenue and reducing cost. It is also known as income statement or income and expense statement.

"The profit and loss account is condensed and classified record, prepared from various subsidiary and nominal account of the gains as losses to the business for a period of time."(S.B.chaudhary, 1978 ; 21)

It is a report of the firm's activities during a given period (Normally one year). It shows the revenue and expenses of the firm, the effect of interest and taxes and the net profit for the period. It reflects the earning capacity and potentials of the firm. Profit and loss appropriation account is prepared after the preparation of profit and loss account. It shows the distribution of net profit amongst the shareholders in the form of dividend, transfer of profit to various reserves and issue of bonus share.

It shows the distribution of net profit obtained from profit and loss account in order to strength its financial position. Some amt is distributing among shareholders as dividend and it keep certain amt, which is known as general reserve.

The cash flow statement meant the statement of changes in cash and cash equivalents. Cash flow statement concentrates on transactions that have direct impact on cash.

"Cash flow means inflow and outflows of cash during accounting period. From the beginning of the year up to end of the year cash is received from various sources and spent on various heads. Incoming and outgoing of cash is termed as cash flow." (Pilli and Bagavati, op cit p 1437)

It is the summary of the actual anticipated incoming and outgoing of cash in a firm over an accounting period (month, quarter, and year). It answers the questions where the money came (will come) from? and where it went (will go)? Cash flow statement assesses the amount, timing and predictability of cash inflows and cash outflows and is used as the basic for budgeting and business planning. The accounting data is presented usually in three main sections.

Operating activities: operating activities are the principle revenue producing activities of the entity and other activities that are not investing or financing activities.

Investing activities: investing activities are the acquisition and disposal of long-term assets and other investment not included in cash equivalents. It is

ascertained by analyzing the changes in fix assets and long term investment in the beginning and at the end of year.

Financing activities: financing activities are activities that result in change in the size and composition of the contributed equity and borrowing of the equity.

Together these sections show the overall (net) change in the firm's cash flows for the period the statement is prepared.

2.2.4 Financial Statements Analysis

Financial statement analysis is the process of identifying the financial strength and weakness of the firm by properly establishing relation between the terms of balance sheet and the profit and loss account (Pandey, 1989 p104)

Financial statement analysis is a major tool to analyze the firm's financial performance and its position. "The analysis of financial statement is a process of evaluating relationship between component part of financial statement to obtain a better understanding of firm's positions and performance." [R.W. metcalf and P.I. titard, principal of accounting (philadelphia),W.B saunders,1976,p197]

financial statements analysis is an analysis that highlights the important relationship in the financial statements. It focused on evaluating a past performance of the business firm in the terms of profitability, liquidity, solvency, operational efficiency and growth potentiality. Financial statements analysis includes the methods used in assessing and interpreting the result of past performance and current financial positions as they relate to particular factors of interest in investment decision. Thus it is an important means of assessing past performance and in forecasting and planning future performance.

Financial analysis can be undertaken by management of the firm or by parties outside the firm via owners, creditors, visitors and others. The nature analysis will differ depending on the purpose of the analyst. For example, trade creditors are interested in the fact that the firm should be able to meet their claims over a very short period of time. The suppliers in the firm are interested in long term solvency and survival. So financial analysis is undertaken by

outsiders, creditors, investors and also by the firm itself. Thus the various parties according to the particular interest of the analyst undertake the type of financial analysis.

There are various methods and techniques that are use in analyzing financial statement such as schedule of change in working capital, trend analysis and ratio analysis. Ratio analysis is a power full tool of financing analysis. A ratio is defined as the indicated quotient of two mathematical expressions and as the relationship between two or more things. In financial analysis, a ratio is used as an index or yardstick for evaluating the yardstick frequently used is a ratio or index relating two pieces of financial data to each other. Analysis and interpretation of various ratios should give an experienced skilled analyst a better understanding of a financial condition and performance of the firm than the individual would obtain from analysis of the financial data alone. So, financial analysis depends to a very large extent on the use of ratios though there are other equally important tools of such analysis.

Thus a direct examination of the magnitude of two related items is somehow informative but the comparison great facilitated by expressing the relationship as a ratio. Ratio is simply one number expressed in terms of another, it is an expression or relationship spelt out by dividing one figure into the other. The relationship between two accounting figures expressed mathematically is known as a ratio. A ratio helps the analyst to make qualitative judgment above the firm's financial position and performance. However, quantitative relations of the kind represented by a ratio analysis, are not an end in than but are means to understanding a financial position. Quantitative ratio analysis is not capable for providing precise answers to all the problems faced by the financial manager or a potential fund supplier unless several ratios of related to one another are computed. And then the ratio analysis acquires some significance from the point of view of its users. So, a financial analysis through ratio assists in identifying the major strength and weakness of the bank. It indicates whether the banks has enough cash to meet its obligations and ability to utilize their available resources properly. Whether the bank has a dequate capital structure to tackle financial risk and overall efficiency of the bank in terms of profit, All of which are necessary if the firm is to achieve the

goal of maximizing shareholder's wealth. Financial analysis can also be used to assess the bank's viability, as an ongoing enterprise and determine whether a satisfactory return is being earned for the risk taken.

2.2.5 Users of Financial Ratio

The ratio analysis is the most important tool of the financial analysis. The various group of people having different interests are interested in analyzing the financial information. These groups use the ratio analysis to determine a particular financial characteristic of the firm in which they are interested. Mainly, short term creditors and depositor, long-term creditors, equity investors, central bank and management of the firm are the users of financial tool. This section briefly examines the different users and their motto.

Short term Creditors and Depositors

Creditors and depositors are interested primarily in the liquidity of a firm. In other words, they are concern with firm's ability to pay its bill promptly. They can determine the firm's ability to meet its current obligations with the help of liquidity ratio such as current ratio and quick ratio.

Long term Creditors

Long term creditors hold bonds or mortgage against the firm who are mainly interested in the cashflow ability of the firm to serve debt over the long run. They may evaluate the ability by analyzing the capital structure of the firm. They can determine firm's long term financial strength and survival with the help of leverage or capital structure ratio such as debt equity ratio. In the case of commercial banks, the central bank and other foreign banks are more concerned in capital structure of the banks.

Equity Creditors

Equity investors are popularly known as stocks holders. They are concerned principally with present and expected future earning and stability of their earnings. Shareholders can determine the magnitude and directions of the movements in firm's earning with the help of profit ability ratio such as firm's earning per share, dividend per share etc. After analysis the relevant ratios,

the shareholders can decide whether to hold, sell or purchase the share and prospective investor can decide whether or not to buy the share.

Central Bank

The central bank of Nepal is more concerned on liquidity management and capital adequacy fund of the banks. It has made some statutory prescription that must be followed by the commercial bank.

Management of the Firm

Management of the firm is interested in overall ratios, not particular in one or two because the firm's purpose is not only to have internal control but also better understanding of what capital suppliers seek in financial condition and the performance from it. The management can determine the operating efficiency with which the firm is utilizing its various assets in generating sales revenue with the help of activity ratios such as capital turnover ratio, stock turnover ratio etc. Besides this, the management can use the ratio for forecasting purpose also.

2.2.6 Securities

A security is generally a fungible, negotiable financial instrument representing financial value. Security, in general is a piece of paper representing the investor's right to certain prospects or property and the conditions under which he/she may exercise these rights. The piece of paper serving as an evidence of property rights is called a security. These pieces of paper represent share certificate, preferred stock, bond, commercial paper, treasury bill, convertibles, warrants, option, right futures etc. It may be transferred to another investor and with it, will go all its rights and conditions. Moreover, security is a legal representation of the right to receive prospective future benefits under stated conditions.

Debt security may be called debenture, bond, deposits, notes or commercial paper on their maturity and certain other characters. The holder of a debt security is typically entitled to the payment of principal and interest. Ownership securities include common stock. Preferred stock is a hybrid security that entails combine some of the characteristics of the both debt and equity securities. It is highly liquid debt securities that have short term until

they mature and involve little or no risk of default are called money market securities.

Many parties are involved in securities market in Nepal like government, SEBO/N, NEPSE, financial intermediaries, market makers, investors, brokers and the office of the company registrar.

2.2.7 Securities Markets

Securities, as we have already explained, are financial assets. Securities markets are mechanisms created to facilitate the exchange of financial assets. Therefore the market exists in-order to bring together the buyers and sellers of securities. We can also say that securities markets is a system inter connection between all participant (professional and non professional) that provides effective conditions; to buy and sell securities and also

- To attract new capital by means of issuance new security.

- To transfer real assets into financial assets.

- To invest money for short or long term provides with the aim of deriving profit.

The security markets are classified into:

- primary market and secondary market

- money market and capital market

Primary Market

Primary market is that part of the capital market that deals with the issue of new securities. The primary market is the market where the securities are sold for the first time. Market in which corporation raised a new capital are known as primary market. For example : Everest bank Ltd a few month ago, issued shares to raised fund, which was primary transaction. Primary markets, thus are basically concern with the accumulation of fund.

Secondary Market

Markets in which the existing , already outstanding securities are traded among investor are called secondary market. In other words a security markets is the place where already issued securities are traded. For example,

If Mr. Sanju decides to buy 100 shares of SCBL, this would occur in the secondary market. Nepal Stock Exchange (NEPSE) is an example of a secondary market.

The secondary market is also known as the aftermarket where previously issued securities and financial instruments such as stock, bonds, options and futures are bought and sold.

Money Market

It is the type of market which is meant for a short term and for highly liquid debt security. A money market typically involves financial assets that have a life span of one year or less. Money market instruments include short term marketable, liquid and low risk securities. Money market instruments are also called equivalents or just cash.

Capital Market

Capital markets are the markets meant for long term securities by the government or a corporation. Capital markets typically involve financial assets that have life spans of greater than one year. For example, the shares issued by EBL are traded in the capital market, whereas the treasury bills issued by Nepal Rastriya Bank are traded in the money market.

2.2.8 Expected Rate of Return

We invest today in an expectation of earning in the future, i.e. investment decisions that we make today are based on the expectation of return in the future. The expected rate of return for any asset is the weighted average rate of return, using the probability of each rate of return as the weight. If an investment is to be made, the expected rate of return or the expected holding period return should be equal to or greater than the required rate of return for that investment. The expected rate of return is based upon the expected cash receipt over the holding period and the expected ending or selling price. The expected rate of return is an ex-ante or unknown future return (Cheney and Moses; 1993:34)

The expected rate of return is calculated by summing the products of the rates of return and their respective probabilities.

Expected rate of return $E(r) = \sum_{t=1}^n p_t r_t$

where,

P_t = Probability distribution of rate of return

r_t = Rate of return

$E(r)$ = Expected rate of return.

When historical returns are used, the following formula is used to calculate average rate of return.

Expected rate of return $E(r) = \frac{\sum_{t=1}^n r_t}{n}$

where

$E(r)$ = average rate of return

n = numbers of observed returns

2.2.9 Working Capital

Working capital refers to funds required to be invested in the business for a short period usually up to one year. It is also known as short term capital or circulating capital. In other words working capital is the excess amount of current assets over current liabilities. In conclusion working capital measures what is left over once you subtract your current liabilities from your current assets.

The objective of working capital management is to avoid the situation of excessive and inadequate working capital to determine and maintain the optimum level of working capital after achieving a tradeoff between the profitability and liquidity so as to maximize the wealth of share holders as a whole. The management of working capital involves managing inventories, account receivable and payable and cash. In other words, it is the management of current assets and current liabilities of a firm. Current assets are the most liquid of firm's assets meaning they are cash or can be quickly converted into cash within one year. For example cash, marketable securities, receivable, inventories and sundry debtors. Current liabilities are any

obligations due within one year. Bank overdraft, sundry creditors, and bill payable are the example of current liabilities.

Working capital is among the many important things that contribute to the success of a business. Without it a business may cease to function properly or at all. Not only a lack of working capital render a company unable to build or grow. But it may also leave a company with too little cash to pay its short term obligations. Simply but a company with a very low amount of working capital may be a risk of running out of money. When a company has too little working capital it can face financial difficulties and may even be forced toward bankruptcy. This is true of both very companies and billion dollar organizations. A company with this problem may pay creditors late or even skip payments. It may borrow money in an attempt to remain a float. If late payments have affected the company's credit rating, it may have difficulty obtain a loan at an affordable interest rate.

In some type of business, it is not as much of a problem to have a lower amount of working capital. Companies that are operated on as cash basis, have fast inventory turnover and cash generate cash quickly don't necessarily need as much working capital. For example, a grocery store might meet these requirements and do well with working capital.

Working capital management is a process of short term decisions making regarding the current assets and affecting the long-term operation of an origination. It is a process of planning and controlling the level and mix of current assets of the firm as well as financing their assets. It includes decisions regarding inventories and current liabilities with an objective of maximizing the value of firm.

Every firm wants maximize wealth of its share holders. In order to get mission it has to perform much function for this, the firm has to determine the suitable current assets investment policy. Maintain proper relation of current assets with fixed and total assets and finance the currents with short term as well as long term sources. Thus the better performance of current assets is the integral part of working capital management.

There are two concepts of working of working capital namely, gross concept and net concept.

Gross Working Capital Concept

It refers to the firm's investment in current assets. Current assets refer to the assets which are held for their conversion into cash with in an operating cycle i.e. time duration between the conversion of cash into inventory item (raw material in case of a manufacturing firm and finished goods in case of a trading firm) and receivables and their conversion into cash. Total current assets consist of cash, bank balance, inventory, debtor, bill receivable, short term investment, prepaid expenses and marketable securities etc. In the form of an equation gross working capital can be shown below.

$$\text{Gross working capital} = \text{Total current assets}$$

Net Working Capital

It refers to the difference between current assets and current liability. Current liabilities refer to claims of outsiders which are expected to mature of payment with in an operating cycle and include creditors, bills payable, outstanding expenses, bank overdraft. It can be positive or negative. A positive net working capital occurs when current assets exceed current liabilities and a negative net working capital occurs when current liabilities exceed current assets. In the form of an equation net working capital can be shown below.

$$\text{Net working capital} = \text{current assets} - \text{current liabilities}$$

2.2.10 Cash Management

There are various source of working capital management. Generally there are three sources of working capital, cash, receivables and inventory.

The terms 'cash' is define in various ways as per context. For instance from an economists point of view, cash is the means to satisfy human wants, where as a lawyer states that is the legal tender of money issued by the government of the state. On the contrary, when it comes to the financial literature, cash is defined in yet another fashion from earlier definitions.

Cash is the most important liquid assets for any individual and corporate firms for day to day operations. It is the money, which the firm can disburse immediately without any restriction. The term cash with references to cash management is used in two senses. In a narrow sense; it is used to cash currently and generally accepted equivalents of cash such as cheque drafts and demands deposits in the bank. The broader view of cash also includes near cash assets, such as marketable securities and time deposits in bank.

Cash is the oil that lubricants the wheels of business. Without adequate oil, machines grind to a halt, and a business with inadequate cash will do likewise. However carrying cash is expensive because cash is none carrying assets, a firm that holds cash beyond its minimum requirements lowers its earning potential. Thus, the firm should keep adequate cash, neither too more nor too less. Cash shortage will disrupt the firm's daily operation while excess cash will simply remain idle without contributing anything toward the firm's profitability. Therefore cash should be managed properly. Cash management is concerned with this purpose.

Cash management is the corporate process of collecting, managing and investing (short term) cash. It is the strategy by which a company administers and invests its cash and the control of cash collections.

The term cash management is concerned with the management of current assets and current liabilities of the business, which is necessary for day to day operation. Cash management is concerned with the decision regarding the short term funds influencing overall profitability and risk involving in the firm. The management of cash has been regarded as one of the conditioning factor in the decision making issue (saksena 1974 ;31).

It is no doubt, very difficult to point as to how much cash is needed by a particular company, but it is very essential to analyze and find out the solution to make an efficient use of funds for maximizing the risk of loss to attain profit objective.

Cash is both the beginning and end of the working capital cycle cash, inventories, receivables and cash. Its effective management is the key determinant of efficient working capital management. Cash like the blood stream in the human body gives vitality and strength to a business enterprise. The steady and healthy circulation of cash throughout the entire business operation is the business solvency. It is cash, which keeps a business going. Hence, every enterprise has to hold necessary cash for its existence. In a business firm ultimately, a transaction results in either an inflow or an outflow of cash. In an efficient managed business static cash balance situation generally does not exist.

Adequate supply of cash is necessary to meet the requirement of the business. Its shortage may stop the requirement of the business. Its shortage may stop the business operations and may degenerate a firm into a state of technical insolvency and even of liquidation. Through idle cash is sterile; its retention is not without cost. Holding of cash balance has an implicit cost in the form of its opportunity costs.

If cash holding is bad for in-efficient corporations, cash shortage is dangerous for efficient corporations. As for inefficient corporations it doesn't matter whether cash increase or decrease if they are not in a position to utilize them. But efficient corporations due to undertaking of more operations need more cash besides having profit. Therefore, for its smooth running and maximum profitability, proper and effective cost management in a business is of paramount importance. (kent 1964;123)

2.2.11 Inventory Management

The literary meaning of the word inventory is stock of goods, or a list of goods. Inventory can be defined as a stock of any kind of items reserved in a store for a certain period. In others words, anything that a firm kept meeting in future requirement of production and sale is called inventory.

"Inventory refers to the physical stock of goods, which though remain idle in the store is essential for smooth selling of the company and hence has economic value."(kothari 1990: 39)

The various forms in which inventories exist a manufacturing company are raw materials, work in progress and finished good. Raw materials are those basic inputs that are converted into finished product through the manufacturing process. Raw materials inventories are those units, which have been purchased and store for future production. WIP inventories are semi-manufactured product. They represent product that need more work before they become finished product for sale. Finished goods inventories are those completely manufactured products, which are ready for sale, stock of raw materials and work in progress facilitate production, while stock of finished goods is required for smooth marketing *operation*.

Thus inventories serves as a link between the production and consumers of goods.

The basic reason for holding inventory is to keep up the production activities unhampered. It is neither physical possible nor economically suitable to wait for the stocks to arrive at when they are actually required. Inventory is one of the most liquid assets to many business concerns. It is also equally important to both governmental as well as nongovernmental sections, by nature a circulating capital and exhausts frequently either consumption or sale or by fire or other natural calamities.

Inventory is one of the most important assets to most of the originations. Larger percentage of total capital is invested in inventory. Inventory is vital element of the firms in the efforts to achieve desire sale level. So it is necessary for every organization to give proper attention to inventory management. Inventory management is a proper planning of purchasing, handling, storing and accounting of inventory in a systematic way. Inventory management involves the control of the inventories that are used in the production process or produced to be sold in the normal course of the firms operation. An efficient inventory management helps to determine what to purchase, how to purchase, from where to purchase and where to stock etc. In an organization, overstocking will mean a reduction of liquidity and high handling costs. Under stocking, on the other hand, will result in stoppage of work due to lack of inventories. So the investment in inventory should be kept in reasonable limit.

Many authors gave their opinion about inventory management which are as follows.

"Inventory management involves planning of the optimum level of inventory and control of inventory cost supported by an appropriate organization structure, which is staffed by trained persons and directed by top management . It involves both financials dimensions are interrelated and cannot be looked in isolation." (Agrawal 2000:238)

"Inventory management is determining how much inventory there should be on hand to serve, the purpose of the business most economically." (Bhandari 1971;115)

Thus the management should pay adequate attention to the inventory management to reduce the cost of production. Inventory should be maintained in appropriate quantity. So as to avoid both under stock and over stock, the aim of inventory management is to maintain optimum level of inventory for the smooth production and sales. Therefore inventory management is primarily concerned with minimizing total cost of inventory. Both the physical as well as financial dimension of the inventory should be efficiently managed. Thus, the real task of top management lies in formulating the plan and policy that will lead to optimal inventory investment for the attainment of desire objective.

2.2.12 Investment strategies

Investment simply means sacrifice of resource in present to get benefit either in short-term or long- term. In general sense; investment means to pay out money to get more. But in the broadest sense, investment means the sacrifice of current money for future money.

We define investment as the commitment of a given present sum of money to an alternative with the expectation of realizing additional sum of money in the future.

Strategy means sector rotation as an investment strategy by the investor for movement of money from one sector to another sector to beat the market

fluctuations to avoid the loss of investment and for returns as per market momentum.

In an extremely competitive market, exceptional performance of one investor comes at the expense of other investors. In a competitive market security price are likely to accurately reflect available information that responses very rapidly to available information, as degree of efficiency is the crucial matter of concern, which has to be addressed while going for an investment strategy. If the market is less perfectly efficient some strategies may result in risk adjusted excess return.

The degree of market efficiency has been the subject of considerable debate. The debate has been result into two strategies.

-) Passive strategy
-) Active strategy

A passive strategy leads to earn what just the market determined, it does not try to outperform the market or earn risk adjusted excess return. Investors select stocks for investment randomly since in a perfectly efficient market the selected stock would be correctly valued. Portfolio investment could be done to reduce any uncertain risk. Investment horizon would be long-term. Passive investment strategy incurred low transactional cost. The cost of trading or for acquiring and analyzing information is avoided.

An active investment strategy is pursued on the ground that market in-efficiency exists. It assumes that some investors have an advantage over other. Following three advantages are possible.

Timing: Use of accurate time is the basic to gain extra return. Investors who can accurately predict movement in individual security or the market can achieve superior return.

Selection: In efficiency leads to the existence of undervalued and overvalued stocks in the market.

Investment philosophy: Investment philosophy required a commitment to a specific area of investment approach.

An individual has a large advantage over institution and professional investors including the following.

-) Individual have the flexibility to invest in small company.
-) If they wish individual investors can put all or most of their eggs in one basket.
-) Individual have the flexibility to use short sale and margin trading.
-) Individual investors engage in small trades that can be executed quickly.

2.3 Review of Thesis

Shambu Rathi (2009), made research entitled "Liquidity and Profitability Position of Commercial Banks of Nepal" and his/her research objectives were as follows.

-) To know banks deposit mobilization on loan and advance.
-) To know commercial bank trends in deposits and loans.
-) To know banks deposit mobilization on total investment.
-) To know the growth of the fund mobilization and investment.

In his/ her research work, he/she has made ratio analysis, return to investors analysis and simple stastical analysis. His/her important finding was as follows:

-) HBL bank is strong enough to maintain liquidity position to meet the cash requirement of clients and to meets its daily cash requirements as compare to SCBNL.
-) HBL has ability to mobilize it current assets and it is also capable enough to meet its current obligations.
-) Assets management ratio of both bank shows they have successful managed their assets towards different income generation activities.

-) The trend value of deposits, loan and advance, investment and net profit of both bank are in an increasing trend. It shows the operating efficiency of the bank is increasing every year.
-) The growth rate of total loan and advance, total investment and net profit of both banks have in increasing trend.
-) The correlation co-efficient of deposit and total investment, total deposit and loan and advance and total outside assets and net profit is found to be positive indicating the positive relationship between the respective variables.

Sudip Adhikari (2011), made research entitled "comparative analysis on financial performance of Nabil bank ltd, Everest bank ltd and Himalayan bank ltd and his main research objectives were as follows.

-) To analyze and compare the financial strength and weakness of the sample banks.
-) To determine financial performance through the use of appropriate financial and stastical position.
-) To evaluate banks financial position.
-) To suggest the financial performance and to provide the recommendation on Nabil, Everest and Himalayan bank ltd.

In his research work, he has made ratio analysis, return to investors and simple stastical analysis. His important research findings were as follows.

-) Everest banks solvency position is better than Nabil bank and Himalayan bank.
-) The cash and bank balance of Everest with respect to total deposit is more liquidity than other bank. It indicates that Everest bank is able to make immediate cash requirement of clients as compare to others banks.
-) In case of all three banks, debt financing has always almost exceeded 89% of the total assets over the review period.

Which indicates the excessively use of debt finance to total assets.

-) Low market price of share and less earning per share of commercial banks indicates the poor performance in the market similarly low d/p ratio also discourage the shareholders. Reviewing the study, Nabil bank and Everest bank have higher MPS, EPS and D/P ratio than Himalayan bank.
-) Himalayan bank has high debt to total assets ratio represent a greater risk to creditors and shareholders as compare to other bank.
-) Everest bank has better utilization of deposits as compare to other banks.
-) Nabil bank has higher D/P ratio (84.87)% which provides maximum amount of dividend to its shareholders over the entire study period.

Sunil maharjan (2006), made research entitled "A comparative study of financial performance of commercial bank" and his main objective were as follows.

-) To analyze the financial performance of sample banks in terms of liquidity, profitability, growth, leverage and capital adequacy.
-) To analyze the trend of total deposit, loans and advances, total investment, net profit of the selected banks.
-) To identify relationship between net profit with respect to deposit, loan and advances and investment.

In his research work, he has made ratio analysis, trend analysis and simple regression analysis. His important research findings were as follows.

-) Among sample bank the current ratio of EBL dominates the respective current liabilities which indicate that EBL is capable in paying the current obligation than two banks.

-) EBL found to be in better to maintain the cash and bank balance ratio among the sample banks. It actually means that it can meet the daily cash requirement to make payments of the customer.
-) HBL has lowest mean ratio which mean it may invest more fund in the productive sector. All the banks has a highly fluctuation ratio during study period. In conclusion liquidity position of EBL found to be comparatively better than other two banks.
-) Assets management ratio of all the banks shows they have successful managed their assets towards different income generation activities. Among them EBL found a best in mobilizing the assets to the profitable sector.
-) EBL has a consistency in earning the profit and expenses on interest and NABIL are successful in earning the higher profit with lower interest expenses, where as HBL is average of other comparative bank.
-) The capital adequacy ratio of the NABIL is highest among the sample banks, HBL has achieve a lowest ratio. But they both are failed to maintain the variability in comparison to the EBL.
-) NABIL has achieved the highest share holders fund to total assets ratio, which means that they have more assets out of the shareholders fund. EBL is able to maintain the variability.
-) The growth rate of net profit of all bank is positive among them EBL have highest growth rate.
-) EPS of the EBL found strongest among the sample bank.
-) EBL have positive growth rate in dividend per share. It shows EBL is better than other.
-) The past trend of net profit, loan and advance and investment are in increasing trend.
-) The entire sample bank has positive regression co-efficient between net profit and loan and advance, net profit and total deposit, net profit and investment and they are highly correlated.
-) All the banks have positive correlation between the deposit and loan and advances, deposit and investment, investment and net profit, loan and advance and net profit.

It means banks have successful in mobilizing the deposit as loans and advances, deposit on investment and net profit by mobilizing the loan and advance.

Reena shreshtha (2006), made research entitled "A study on financial performance analysis of NABIL bank ltd" and her research objectives were as follows.

-) To analyze the liquidity, profitability, capital structure and ownership ratios of NABIL bank.
-) To provide information and major points will help management to improve performance of the bank.
-) To measure the ability of bank to meet its short term obligation and draw the problem of financial management.
-) To evaluate the soundness of profitability and operating efficiency of NABIL bank ltd.

In her research work, she has made ratio analysis, return to investors analysis and simple stastical analysis. Her important research findings were as follows.

-) The liquidity position of Nabil bank is strong and the basic earning power of bank is also good.It had utilized its deposit properly with increment in net income every year and on the basic of EPS also profit is increasing in every year.
-) It is able to meet short term obligation and maintain the cash reserve ratio. The bank has high debt ratio indicating more investment of the creditors and the role of creditors is higher than investors.
-) DPS of the bank is lower and dividend payout ratio is irregular also. Shareholders are being compensated slowly.

Santosh kumar acharya (2010), made research entitled "financial performance of joint venture banks in Nepal (a case study of Everest bank and Nepal sbi bank ltd) and his main objectives were as follows.

-) To examine and comparative the financial position of selected joint venture banks.

-) To evaluate liquidity, leverage, capital adequate turn over and profitability position of Nepal sbi bank and EBL.
-) To find the future trend of total deposit, total investment, loan and advance, net worth, net profit, eps and mps of these banks for coming five years.
-) Lastly, to identify the financial strength and weakness of the concerned banks and offer suggestion for the improvement in performance.

In his research work, he has made ratio analysis, return to investor analysis and simple stastical analysis. His important research findings were as follows.

-) EBL is strong enough to maintain liquidity position to meet its current liabilities, cash requirement of clients and to meets its daily cash requirements as compare to Nepal sbi bank ltd.
-) Total deposit, loan and advances, investment, net worth, net profit, eps and mps showed the increasing trend in both of the banks.
-) Capital adequacy position of EBL appears stronger than Nepal sbi bank but sbi is successful to utilize its deposit in profitable sector.
-) Both of the banks used higher proportion of debt in their capital structure.
-) Turnover of deposits, debt and assets in performing assets seems better in SBI than EBL.
-) Analyzing of assets owned by the EBL is found superior because assets possessed by EBL are less risky than Nepal sbi bank.
-) Net worth to total assets ratio was greater in EBL than Nepal sbi bank. It means that EBL is more successful to build up confidence among creditors.
-) Correlation analysis reveals that the co-efficient of correlation between total deposit and net profit, performing assets and net profit, net worth and net profit, total deposits and investment,

total deposits and loans and advance remained highly significant in EBL. It means EBL is successful to utilize its resources more efficiently than Nepal sbi bank.

-) Total deposit and net profit, performing assets and net profit, net worth and net profit, total deposits and investment, total deposit and loan and advance, DPS and EPS seemed positively correlated at significant level but there didn't appear at significant relation between net worth and net profit and dpr and mvps in Nepal sbi bank.

2.4 Research Gap

This research "financial performance analysis of joint venture bank in Nepal" is done by measuring various ratios analysis, trend analysis and various financial tool as well as statistical tools. In this research various ratio are systematically analyzed and generalized. The ratios are categorized according to nature. Here in this research all ratios are categorized according to their area and nature. In this research data are used only five fiscal year but all the data are current and fact. This study tries to show financial tools by applying and analyzing various financial tools like liquidity ratio, assets management ratio, profitability ratio, risk ratio and other ratio as well as different statistical tools like average mean, standard deviation, co-efficient of variation, co-efficient of co-relation and trend analysis. Probably this will be the appropriate research in the area of financial performance analysis of bank and finance.

CHAPTER – III

RESEARCH METHODOLOGY

3.1 Introduction

Research methodology is composed of two words; Research and methodology. Research is the systematic and organized effort to investigate a specific problem that needs a solution. This process of investigation involves a series of well thought out activities of gathering, recording, analyzing and interpreting the data with the purpose of finding answer to problem. Thus, the entire process by which we answer to problem is called research, while methodology is the research method used to test hypothesis. A sound and systematic methodology is required to carry out any study, if it is to be worthwhile.

Research refers to the search for knowledge. The Webster international dictionary gives a very inclusive definition of research as "A careful critical inquiry or examination in seeking facts and principle diligent investigation in order to ascertain something." (Saravanavel, 1990)

Research methodology is a way to systematically solve the research problem. It may be understood as a science of studying how research is done scientifically. In it we study the various steps that we generally adopted by a researcher, studying his/her research problem among with logic behind them. The main objectives of the study is to analyze, examine and interpret comparative analysis on financial performance of selected joint venture banks, (i.e. Everest bank and SCBL) analyzing the financial statements. This chapter contains these methods that make convenience for comparison of the performance made, so far by these banks by analyzing the strength and weakness of the financial performance of these two banks.

"Research methodology refers to the various sequential steps to be adopted by a researcher in studying a problem with certain objectives in view."(Kothari 1994:19)

A research methodology helps us to find out accuracy, validity and suitability. The justification on the present study, the applied methodology will be used. The research methodology used in the present study is briefly mentioned below.

3.2 Research Design

Research design is the plan structure and strategy of investigations conceived so as to obtain answers to research questions and to control variance. In other words a research design is the logical and systematic planning and direction of a piece of research. It is the frame work for a study that helps the analysis of data related to study topic.

"A research design is the arrangement of conditions, for collecting and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure." Chaire, Selliz and Others (1967:261)

Research design is very important for scientific investigation. Research design gives the investigator a systematic direction to research work. Actually, research design is a plan for data collection and analysis. It presents a series of guideposts to enable the researcher to proceed in the right direction in order to achieve the goal. A research design is the specification of methods and procedures for acquiring the information needed. It is the overall operational pattern or framework of the project that stipulates what information to be collected from which sources by what procedures.

There are various approaches of research design, for our convenience, in this thesis, comparative analysis on financial performance of two banks based on descriptive and analytical research design was used.

3.3 Nature and Sources of Data

The primary thing for any research is that the collected data should be reliable. So it is very important for a researcher to know how the data are collected and how much is the reliability of the data. There are two types of data collection technique, primary and secondary. The primary data are those which are collected a fresh and for the first time and thus happen to be original in character. The secondary data, on the other hand are those, which have already been collected by someone else and already been passed through the statistical process. In this research only one type of data collection technique is used i.e. secondary data. So the major sources of secondary data for this study are as follows.

-) Annual reports of the concern banks (from 2005-2006 to 2010-2011)
-) annual reports of NRB
-) Previous studies and reports
-) Various internet websites
-) Various text books
-) Economic survey, ministry of finance
-) Different library

3.4 Population and Sample

At present 32 commercial banks are under operation in Nepal. These constitute the population of the present study. However, due to resource and time constants only two bank SCBNL and EBL are selected as samples for the present study. Similarly financial statements of these banks for five years from 2063/64 to 2067/68 have been taken as sample for the same purpose.

3.5 Methods of Data Analysis

The data analysis is mainly based on pattern and nature of available data. In this study, only financial and statistical tools are used for the analysis of data. Mainly financial methods are applied for the purpose of this study. Appropriate statistical tools are also uses. To make the study more specific and reliable, the researcher uses two types of tool for analysis.

-) Financial tools
-) statistical tools

3.5.1 Financial Tools

Financial tools are basically used to find out the strength and weakness of banks. Financial tools like ratio analysis and financial statement analysis have been used in this research.

3.5.1.1 Ratio Analysis

The term ratio refers to the numerical or quantitative relationship between two variables. In other words, ratio means mathematical relationship between two quantitative figures. It is the relationship of two accounting figures.

Ratio analysis is a widely used tool of financial analysis. It is defined as the systematic use of ratio to interpret the financial statements so that the strength and weakness of a firm as well as its historical performance and current financial condition can be determined.

It helps in evaluating the firm's performance. With the help of ratio analysis, a conclusion can be drawn regarding several aspects such as financial health, profitability and operational efficiency of the firm, i.e. whether the management has utilized the firm's assets correctly, to increase the investor's wealth. It ensures a fair return to its owners and secures optimum utilization of the firm's assets.

Ratio analysis is a part of the whole process of analysis of financial statements of any business or industrial concern, especially to take output and credit decisions. Thus, ratio analysis is used to compare a firm's financial performance and status to that of other firms over time. Thus, ratio analysis provides a strong foundation for qualitative judgment regarding financial performance of a firm. There are different financial ratios which can be described as follows.

A. Liquidity Ratio

Liquidity ratios are used to judge the ability of a bank to meet its short-term liabilities that are likely to mature in the short period. By this, much insight can

be obtained into present cash solvency of the bank and its ability to remain solvent in the event of adversities. In simple sentence liquidity position of the banks how fast banks assets can be converted into cash to meet deposit withdrawal and other current obligations." Liquidity is the ability to meet anticipated and contingent cash needs. Cash needs are met by increase in deposit and borrowing, loan repayment, investment maturity and the sale of assets." Commercial banks need liquidity to meet loan demand and deposit withdrawals. Liquidity is needed also for the purpose of meeting cash reserve ratio and statutory liquidity ratio requirement prescribed by the central bank. To analyze the ability of banks, the following selected ratios are calculated.

a. Current Ratio

The current ratio is the ratio of total current assets to total current liabilities. It is calculated by dividing current assets by current liabilities. Current ratio measures the short term solvency, i.e. bank ability to meet short term obligations or as a measure of creditors versus current assets. This is expressed as follows.

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

Higher ratio indicates the strong short term solvency position and vice versa. Current assets refer to those assets which can be converted into cash normally within a year. Such as cash and bank balance, loan and advance, investment in treasury bills, money at call or placement, bills purchased and discount receivables, prepaid expenses, stock of finished goods, advance payment of tax and inter branch accounts etc. Current liabilities refer to the short term maturing obligations normally within a year. This includes bills payable, provision for tax, staff bonus, dividend payable, bank overdraft, provision and accrued expenses and income received in advance etc.

b. Cash and Bank Balance to Total Deposit Ratio

This ratio measures the percentage of most liquid fund with the bank to make immediate payment to the depositors. This ratio can be computed by dividing cash and bank balanced by total deposit and can be presented as follows.

$$\text{Cash and Bank Balance to Total Deposit} = \frac{\text{Cash and Bank Balance}}{\text{Total Deposit}}$$

Cash and bank balance includes, cash in hand, foreign cash in hand, cheques and other cash items, balance with domestic and foreign banks. The total deposit includes deposits made by customers though different accounts like current a/c, saving, fix deposit and other deposits accounts.

c. Cash and Bank Balance to Currents Assets Ratio

This is the ratio of most liquid assets, cash and bank balance with the current assets. Higher the ratio means the firm has good capacity of fulfilling the cash demand. The ratio is computed by dividing cash and bank balance by current assets, presented as under.

$$\text{Cash and Bank Balance to Current Assets Ratio} = \frac{\text{Cash and Bank Balance}}{\text{Current Assets}}$$

d. Loan and Advance to Current Assets Ratio

Loans and advances are also considered as current assets as most of them are maturing within a year. This ratio shows how much amount of current assets is allocated in loan and advance, which is calculated by dividing the loan and advance by current assets.

$$\text{Loan and Advances to Current Assets Ratio} = \frac{\text{Total Loan and Advance (Excluding Bill and Purchase)}}{\text{Current Assets}}$$

e. Investment on Government Securities to Current Assets Ratio

This ratio shows the percentage of current assets invested on government security like treasury bills, bonds etc. This ratio is calculated dividing the amount of investment on government securities by the total amount of current assets.

$$\text{Investment of Government Securities to Current Assets Ratio} = \frac{\text{Investment on Government Securities}}{\text{Current Assets}}$$

f. Cash and Bank Balance to Total Deposit (CRR)

Cash reserve ratio means the control by central bank to all commercial bank. Those countries where capital market is not well development, the cash reserve requirement can be used not only to control the commercial bank credit but also to influence the investment portfolio of the commercials banks, The CRR ratio as per the NRB should be 5% in the fiscal year 2010/11 and 5.5 % in 2011/12. The cash reserve ratio is calculated by using the following formula.

$$\text{Cash Reserve Ratio} = \frac{\text{Cash and Bank Balance}}{\text{Total Deposit}}$$

B. Profitability Ratio

Profit is the ultimate output of a bank and its existence is not justified if it fails to make sufficient profit. So the bank should continuously evaluate the efficiency of the bank in terms of profit. Profitability ratios are used to indicate and measure the overall efficiency and performance of the bank. It provides an incentive to achieve efficiency. For better performance, profitability ratios of bank should be higher.

Following are the major profitability ratios calculated in this study.

a. Return on Loan and Advances Ratio

This ratio indicates how efficiently the bank utilized its resources in the form loan and advanced. This ratio also measures the earning capacity of its loan and advances. This ratio is computed by dividing net profit (loss) by loan and advances. This can be expressed as:

$$\text{Return on Loan and Advance Ratio} = \frac{\text{Net Profit}}{\text{Loan and Advance}}$$

b. Return on Total Assets Ratio (ROA)

Return on total assets explains the contribution of assets to generating net profit. This ratio indicates efficiency towards of assets mobilization. In other words, return on total assets ratio is an overall profitability rate, which measures earning power and over all operation efficiency of a bank. This ratio is calculated by dividing net profit after tax by total assets (total working fund).

$$\text{Return on Total Assets Ratio} = \frac{\text{NPAT}}{\text{Total Assets}}$$

c. Return on Equity (ROE)

Net worth or share holders equity refers to the owner's claim of the bank. The ROE measures the earned on the owner's investment. This ratio measures how efficiently the banks have used the funds of the owner's. Return on equity can be computed as follows.

$$\text{Return on Equity} = \frac{\text{NPAT}}{\text{Shareholders Equity}}$$

d. Total Interest Earned to Total Assets Ratio

There are different sources of earnings, interest earnings is the major source of commercial bank. Interest earned to total assets ratio shows how much

interest has been generated by mobilizing the assets in the bank. Higher ratio indicates higher efficiency in the mobilization of resources and ability of interest earning and vice versa. This ratio can be computed as follows.

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

e. Return on Total Deposit Ratio

The collected deposits are mobilized in investment and loans to get profit. This ratio indicates the percentage of profit earned by using the total deposit. This ratio explains the ability of management in efficient utilization of deposits. This ratio can be calculated by using the following formula.

$$\text{Return on Total Deposits Ratio} = \frac{\text{NPAT}}{\text{Total Deposits}}$$

f. Earning Power Ratio

Earning power ratio is a measure of bank performance which is not affected by interest and tax. It is a ratio between earnings before interest and tax and total assets. Earning power ratio can be computed as follows.

$$\text{Earning Power Ratio} = \frac{\text{EBIT}}{\text{Total Assets}}$$

A higher ratio is the sign of efficient management and it is preferable.

C. Assets Management Ratio (Activity Ratio)

The bank or any business firm has to manage the resource in a good way otherwise it's very difficult to run. Assets management ratio measures how efficiently the banks manage the resources at its command. These ratios focus on optimum utilization of relating to determine the efficiency of the subjected bank in managing its assets and in portfolio management.

a. Loan and Advance to Total Deposit Ratio

This ratio is calculated to find out how successfully the bank is able to utilize its total deposit on loan and advances for optimization of profit. Greater ratio implies better utilization of total deposits. It can be calculated by dividing the amount of loan and advances by the amount of total deposits, which is given below.

$$\text{Loan and Advance to Total Deposits Ratio} = \frac{\text{Total Loan and Advance}}{\text{Total Deposit}}$$

b. Total Investment to Total Deposit Ratio

Investment is one of the most important factors to earn income. This ratio indicates how properly banks deposits have been invested on government security and share and debenture of other company and bank and other investment. It is calculated by dividing total amount of investment by total amount of deposit. Mathematically,

$$\text{Total Investment to Total Deposit Ratio} = \frac{\text{Total Investment}}{\text{Total Deposit}}$$

c. Loan and Advance to Total Working Fund (Total Assets Ratio)

Loan and advances is the major component in the total working fund. This indicates the ability of bank in terms of earning high profit from loan and advances. This ratio is computed by dividing loan and advance by total working fund.

$$\text{Loan and Advance to Total Working Fund Ratio} = \frac{\text{Total Loan and Advance}}{\text{Total Working Fund}}$$

Where, Total working fund refers to current asset, net fix assets, total loans for development banks and other sundry assets except off balance sheet items, i.e. letter of credit, letter of guarantee etc.

d. Investment on Government Securities to Total Working Fund Ratio

Investment on Government securities to working fund ratio indicates how much amount of total investment is on Government securities. The ratio can be computed by the following way.

$$\text{Investment on Government Securities to Total Working Fund Ratio} = \frac{\text{Investment on Government Securities}}{\text{Total Working Fund}}$$

e. Investment on Share and Debenture to Total Working Fund Ratio

This ratio indicates the investment of banks and financed companies on the share and debenture and calculated by dividing share and debenture by total working fund.

$$\text{Investment on Share and Debenture to Total Working Fund Ratio} = \frac{\text{Investment on Share and Debenture}}{\text{Total Working Fund}}$$

f. Loan and Advance to Saving Deposit Ratio

Loan and advance are also included in the current assets of commercial bank and other firms. This ratio measures how many times the amount is used in loan and advance in comparison to saving deposit. Saving deposit are the second high interest bearing obligation. Deposit is utilizing for income generating purpose in loan and advances. This ratio can be calculated by dividing the amount of loan and advances by the amount of saving deposit.

$$\text{Loan and Advances to Saving Deposit} = \frac{\text{Loan and Advances}}{\text{Saving Deposit}}$$

g. Loan and Advance to Fix Deposit Ratio

Each commercial bank fixed deposit should play vital role on profit generating through fund mobilizing its total deposits on fixed and advance in appropriate levels. This ratio measures the extent to which commercial banks are success in mobilizing fix deposit on loan and advances for the purpose of income generating. A higher ratio preferable as it includes better utilization of and a loan and advances and vice versa. This can be computed in this way.

$$\text{Loan and Advance to Fixed Deposit} = \frac{\text{Loan and Advance}}{\text{Total Fix Deposit}}$$

D. Leverage or Capital Structure Ratio

The capital structure/leverage ratio may be defined as those financials ratio which measure the long term stability, financial position and structure of the firms. These ratios indicate the mix of funds provides by owners and lenders. This ratio measures of outsider's capital in financing the firm's assets and are calculated by establishing relationships between borrowed capital and equity capital. High leverage ratio indicates larger amount borrowed funds used by the firm to finance its assets and it also indicated increasing obligations and knows as risky firms. A firm must have sufficient margin of equity to pay the fix charges and refund the borrowed funds in the maturity date.

Under this following ratios are calculated to test the optimum capital structure.

-) Debt Equity Ratio
-) Debt Assets Ratio
-) Debt to Total Capital Ratio
-) Interest Coverage Ratio

a. Debt Equity Ratio

The debt equity ratio is the measure of the relative claims of creditor and owners against the firm's assets. It is calculate by dividing total liability by shareholders equity. Typically only interest bearing ltd is used as the liabilities in this calculation. However, analysts may make adjustment to include or exclude certain items. The ratio indicates what proportion of equity and debt a

company uses to finance its assets. A high ratio shows that the claims of creditor are greater than those of owners. A very high ratio is un- favourable from the firm's point of view. It is calculated as follows.

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

b. Debt Assets Ratio

This ratio is to be used to analyze the long term solvency of the firms. This ratio measures to the extent to which borrowed fund support the assets of the firm. It means the contribution of creditors in financing the assets of the bank. High ratio indicates that the greater portion of the banks has been finance through outsider fund.

It can be calculated by total debt divided by total assets. It expressed as follows.

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

Where,

Total debt = long term debt + current liabilities

Ltd = debenture, bonds, long term bank loan, mortgage loan

c. Debt to Total Capital Ratio

The ratio is obtained by dividing total debt by total capital of the firm. As expressed as follows.

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

This ratio measures the portions of firms assets financed by creditors. High ratio represents a greater risk to creditors and also to shareholders under adverse business conditions. A low ratio represents security to creditors in

extending credit. A very low ratio can worry shareholders as the company is not using debt to their best advantage. The ratio should not be too high or too low.

d. Time Interest Earned or Interest Coverage Ratio (TIE Ratio)

The interest charge ratio or the time interest earned is one of most conventional coverage ratio to test the firm's debt servicing capacity. The interest coverage ratio is the sum of net profit before interest and tax dividing by interest charges. i.e.

$$\text{TIE Ratio} = \frac{\text{Earning Before Interest and Tax}}{\text{Interest}}$$

This ratio shows how many times the interest charges are covered by the funds that are ordinary available to pay the interest charges.

E. Ownerships Ratio

The true owners of the firms are the common stockholders, who invest their money in the firms because of their expectation of future returns. The common stockholders are referred as a residual owner, who receives what is left after all other claims on the firm's income and assets have been satisfied. As a result of this generally uncertain position, the common stockholders expects to be compensated with adequate dividend and ultimately, capital gains from the point of view of the shareholders, the following financial ratios indicate the financial performance of the firm in a given period of time.

-) Earnings Per Share(EPS)
-) Dividend Per Share(DPS)
-) Dividend Payout Ratio(DPR)

The above financial ratio has been included in this study to make the research effective and conclusive.

a. Earnings per Share (EPS)

EPS is the portion of a company's profit allocated to each outstanding share of common stock. Earnings per share serve as an indicator of a company's profitability. EPS is one of many things that can be used as a basis for determine an intrinsic value for a stock. Higher EPS means the better earning capacity of the company. The EPS is thus a good measure of performance of companies. EPS is calculated as follows:

$$\text{EPS} = \frac{\text{Net Profit after Tax}}{\text{No. of Share Outstanding}}$$

b. Dividend per Share (DPS)

Dividend per share is the sum of declared dividend for every ordinary share issue. Dividend per share (DPS) is the total dividend paid out over an entire year. It can be calculated as follows:

$$\text{DPS} = \text{Dividend Paid to Equity Shareholders} / \text{Numbers of Equity Share}$$

c. Dividend Payout Ratio

Dividend payout ratio is the percentage of earnings paid to shareholders in dividends. This ratio tells the ability of a company to pay dividend to its shareholders and its ability in the future in continuing to do so. It is determined by dividing dividend per share by earning per share (EPS) as expressed below.

$$\text{Dividend Payout Ratio} = \frac{\text{DPS}}{\text{EPS}}$$

Price Earning Ratio

The reciprocal of the earnings yield or the earnings price ratio is called the price earning ratio. It is calculated as:

$$\text{P/E Ratio} = \frac{\text{MPS}}{\text{EPS}}$$

The price earnings ratio (P/E ratio) is widely used by the security analysts to evaluate the firm performance as expected by the investors. It indicates investor's judgments or exception about the firm's performance. Management is also interested in this market appraisal of the firm performance and will like to find the cause if the P/E ratio declines. It reflects investor's expectations about the growth in the firm's earnings.

3.5.2 Statistical Tools

Statistical tool is the tool which study of the collection, organized, analysis, interpretation and presentation of data, it deals with the aspects of this, including the planning of data collection in terms of the design of surveys and experiments. Statistical tool are used in standardized testing assessment.

Statistical tools help to find out the trends of financial position of the bank. It also analyzes the relationship between variables and helps banks to make appropriate investment policy. To draw the conclusions by analyzing the collecting data simple statistical tool like arithmetic mean, S.D., co-efficient of variation, Karl Pearson's co-efficient of correlation and trend analysis are used to implicit the comparative result.

a. Arithmetic Mean

Arithmetic mean is the most popular and widely used measured of representing the entire date by one value is what most layman call on average and what the statisticians all the arithmetic mean. Its value is obtained by adding to gather all the items and by dividing this total by the number of items.

$$X = \frac{X_1 + X_2 + \dots + X_n}{n} = \frac{X}{n}$$

Where,

X = arithmetic mean

$X_1 + X_2 + \dots + X_n$ = value of endive data

x = sum of value of variable X

n= numbers of items.

b. Standard Deviation

The most common statistical indicator of an asset's risk is the S.D. It means measure of the tightness or variability of a set of outcomes. In simple word, it is an absolute measure of dispersion that express variation in the same unit as the original data. It measure the total risk of an single assets. High s.d. means high degree of risk. The S.D. usually denoted by the letter (). The S.D. can be expressed by the following formula.

$$\text{S.D. ()} = \sqrt{\frac{\sum x^2}{N} - \left(\frac{\sum x}{N}\right)^2}$$

Where,

N= no. of observation

$\sum x^2$ = sum of square observation in series x

$\sum x$ = sum of observation in series x

c. Co- Efficient of Variation (C.V.)

A relative measure of risk is the co-efficient of variation. It is defined as the S.D. of the probability distribution divided by its expected value. The C.V. is a useful measure of risk when we are comparing the two or more projects. C.V. measure per unit risk. Per unit risk means for 1% of return how much risk is taken. Higher the C.V. higher the risk and Lower the C.V. lower the risk. C.V. is defined as the ratio of the S.D. to the mean expressed in present symbolically.

$$\text{C. V.} = \frac{\sigma}{\bar{x}} \times 100 \%$$

Where,

σ = Standard deviation

\bar{x} = mean value of variables

d. Co-Efficient of Correlation

The degree of relationship between two variables at a time is called correlation. In other words, two variables are correlated in such way that if one variable changes than other variable also changes subsequently.

"The co-efficient of correlation is a number which indicates to what extent two things (variable) are related to what extent variations in one go with the variations in the other"(Levin and david 1994:613)

Correlation co-efficient shows the direction of change of rate of return of two stock. Correlation explains in which direction the rate of return of two stock move. It doesn't show's the Amt of change. The direction may be positive change or negative change or no change.

The value of correlation must not exceed +1 and it never be less than -1. The positive correlation explains that if the rate of return of one stock increases, the rate of return of another stock also increase and vice versa. If the correlation is +1 it means that there is perfect positive correlation between two stock. If there is opposite relationship between the ratio of two stocks the correlation must in negative. The perfect negative correlation explains that if the rate of return of one stock increase, the rate of return of another stock is decrease and vice versa. The changing rate of return of one stock has no effect in the rate of return of another, the correlation is zero. Zero correlation means no relation exist between rate of return of two stock.

The degree of association between the two variable, say X and Y is defined by correlation co-efficient (r).

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

Where,

- N = The no. of pair of observation
- X = Dependent variable
- Y = Independent variable

e. Trend Analysis

An aspect of technical analysis that tries to predict the future movement of a variable based on past data. Trend analysis is based on the idea that what has happened in the past gives traders an idea of what will happen in the future.

The least square method has been used in measuring the trend analysis. This method is widely used in practice. This straight line trend of a series of date is represented by the following formula.

$$Y = a + b x$$

Where,

- y = The value of dependent variable
- a = Y-intercept
- b = Slope of the trend line
- x = Value of the independent variable.

Chapter- IV

Presentation and Analysis of data

4.1 Introduction

Present and analysis of data is the main body of the study. The main aim of this chapter is presentation and analyzing data according to research methodology to attain the objective of this study. In this chapter, an attempt has been made to comparative analysis on financial performance of SCBNL and EBL for its operational period of five years that is 2006/7 to 2010/11. The data for this study are presented in tabular form and are analyzed with the help of financial tools uiz. Ratio analysis and statistical tool such as arithmetic mean, co-efficient of variation, standard deviation as described in chapter III.

4.2 Financial Tool

In this study financial tools have been grouped into liquidity ratio, profitability ratio, assets management ratio, leverage ratio and ownership ratio etc. The basic input of ratio analysis is the firm's P/L a/c, balance sheet, cash flow statement for the period to be examined.

4.2.1 Analysis of Liquidity Ratios

Liquidity ratios are used to judge the ability of a bank to meet its short term liability that are likely to mature in the short period. By this, much insight can be obtained into present cash solvency of the bank and its ability to remain solvent in the event of advertises. In simple sentence, liquidity position of the banks refers how fast banks assets can be converted into cash a meet deposit with draw and other current obligations liquidity is the ability to meet anticipated and contingent cash needs. Cash needs are meet by increase in deposit and borrowing, Loan repayment investment maturity and the sale of assets, commercial banks need liquidity to meet loan demand and deposit with draw and liquidity is needed also for the purpose of meeting cash reserve ratio and statutory liquidity ratio requirement prescribed by the central banks.

The following ratios are used to measure the liquidity position of SCBNL and EBL.

a. Current Ratio

Current ratio measure the short tem solvency i.e. bank ability to meet short term obligation or as a measure of creditors versus current assets. Which is written as.

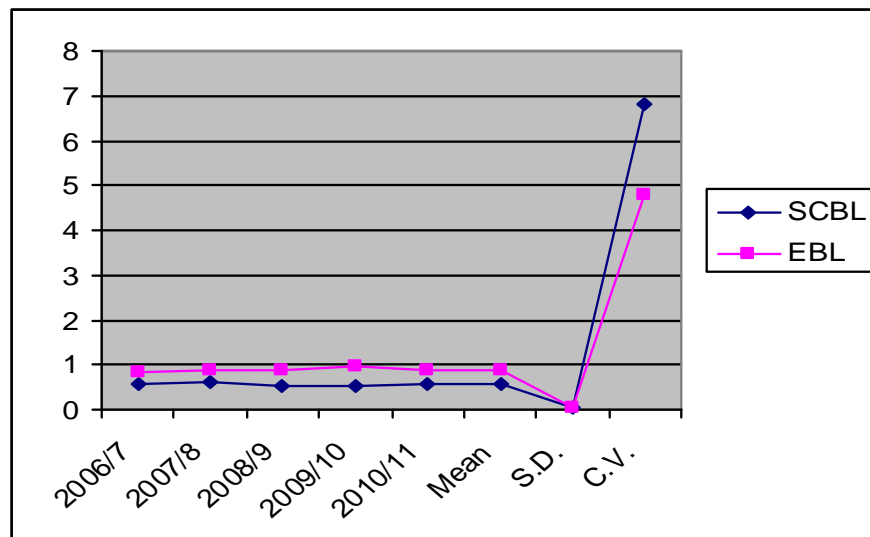
$$\text{Current Ratio (C.R.)} = \frac{\text{Total Current Assets}}{\text{Total Current Liabilities}}$$

Table.4.1
Current Ratio (in times)

Fiscal Year	SCBNL	EBL
2006/7	0.572	0.817
2007/8	0.626	0.872
2008/9	0.543	0.896
2009/10	0.509	0.947
2010/11	0.564	0.898
Mean	0.5628	0.886
S.D.	0.03838	0.042478
C.V.	6.82%	4.7943%

Source: Appendix No. I a.(i)

Figure 4.1
Current Ratio of SCBNL and EBL



The Table 4.1 and Figure 4.1 show the current ratio of two banks from 2006/7 to 2010/11. The standard current ratio is 2:1. Current ratio of both banks are fluctuating trends in case of SCBNL highest ratio in fiscal year 2007/8 and lower in 2009/10, i.e. 0.626 and 0.509. In average SCBNL maintained 0.5628 times as the current ratio to meet. obligation .similarly current ratio of EBL in highest in fiscal year 2009,10and lowest in 2006/7. i.e. 0.947 and 0.817. In average EBL maintain 0.886 ad the current ratio to meet the obligation.

Comparatively

In average liquidity position of EBL is greater than SCBNL i.e.0.886>0.5628.so which indicates the sound liquidity position of EBL in comparison to SCBNL.

Likewise the co-efficient of variation (c.v) of EBL is less than SCBNL i.e. 4.7983 < 6.82. it in indicates that current ratio of EBL is more consistent and less variable.

Finally it can be concluded that EBL in capable to pay their current obligations in comparison to SCBNL.

b. Cash and Bank Balance to Total Deposit Ratio

This ratio measures the percentage of most liquid fund with the bank to make immediate payment to the depositors and others. Both higher and lower ratios are not desirable. This ratio can be computed by the following formula.

Cash and Bank Balance to Total Deposit :-

$$\frac{\text{Cash and Bank Balance}}{\text{Total Deposit}}$$

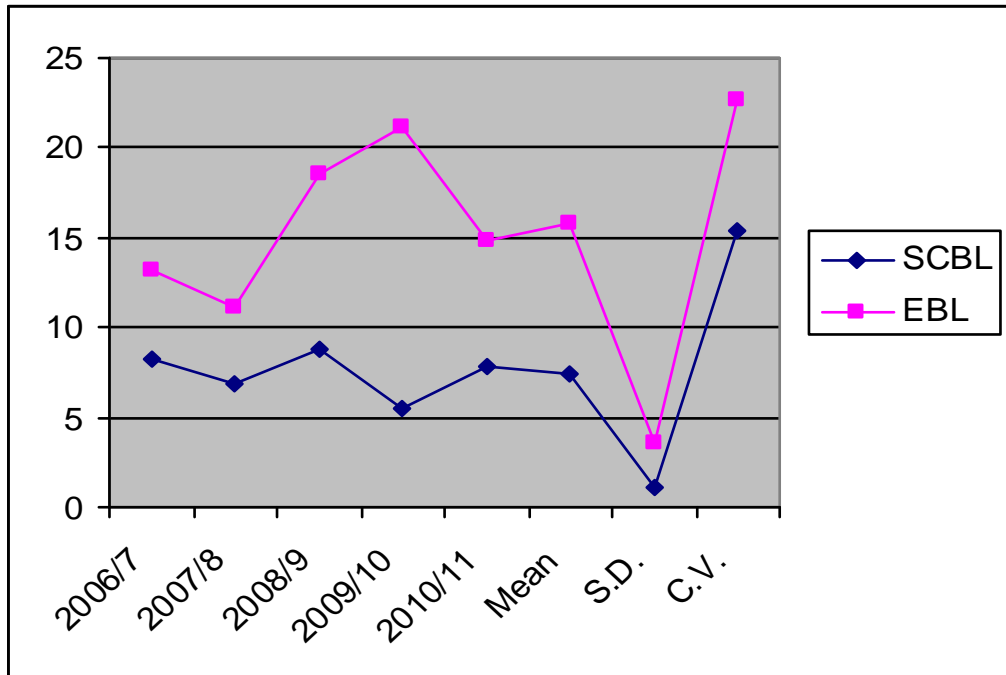
Table 4.2

Cash and Bank Balance to Total Deposit Ratio (in %)

Fiscal Year	SCBNL	EBL
2006/7	8.20	13.15
2007/8	6.89	11.13
2008/9	8.75	18.50
2009/10	5.48	21.17
2010/11	7.83	14.89
Mean	7.43	15.768
S.D.	1.1480	3.5716
C.V.	15.45%	22.65%

Source: Appendix No. I a (ii)

Figure 4.2
Cash and Bank Balance to Total Deposit Ratio.



The Table 4.2 and Figure 4.2 show that the cash and bank balance to total deposit ratio of SCBNL and EBL re fluctuating trend during the study period. The ratio of SCBNL was 8.20%, 6.89%, 8.75%, 5.48%, and 7.83% in the fiscal year 2006/7, 2007/8, 2008/9, 2009/10 and 2010/11 respectively. In average, SCBNL kept 7.43% of total deposit at cash and bank balance to meet the cash requirement.

Similarly the ratio of EBL was 13.15%, 11.13%, 18.50%, 21.17% and 14.89%. in the fiscal year 2006/7, 2007/8, 2008/9, 2009/10 and 2010/11 respectively. In average EBL kept 15.768% of total deposit at cash and bank balance to meet the cash requirement.

The S.D. of banks are 1.148% and 3.5716% Similarly c.v. of SCBNL and EBL are 15.45% and 22.65 respectively.

The average mean ratio of EBL has higher than SCBNL i.e. $15.768 > 7.43$. it indicates that EBL retain more its total deposits as cash and bank balance. The higher ratio signifies that sound liquid fund to make immediate payment to the customers but excess liquidity represents low lending and investment opportunity.

The C.V. and S.D of SCBNL has lower than EBL i.e. $15.45 < 22.65$ and $1.1480 < 3.5716$. This indicated low risk and constantly in its ratio higher c. v. of EBL indicates that high volatile in its ratio.

c. cash and Bank Balance to Current Assets Ratio

This is the ratio of most liquid assets, cash and bank balance with the current assets. Higher ratio indicates the firm has good capacity to meet their daily cash requirement of their customer and other. Which is expressed as.

Cash and Bank Balance to Current Assts Ratio:-

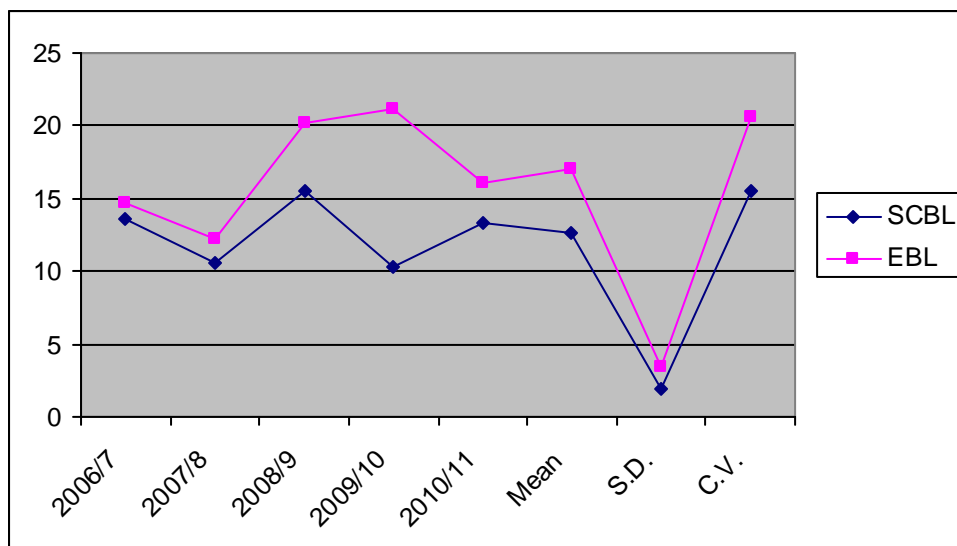
$$\frac{\text{Cash and Bank Balance}}{\text{Current Assets}}$$

Table 4.3
Cash and Bank Balance to Current Assets Ratio (in %)

Fiscal Year	SCBNL	EBL
2006/7	13.55	14.69
2007/8	10.61	12.28
2008/9	15.52	20.18
2009/10	10.29	21.17
2010/11	13.26	16.10
Mean	12.646	17.004
S.D.	1.9570	3.5011
C.V.	15.475%	20.59%

Source: Appendix No. I a (iii)

Figure 4.3
Cash and Bank Balance to Current Assets Ratio.



The Table 4.3 and Figure 4.3 show that the cash and bank balance to current assets ratio of SCBNL and EBL. The ratio of both banks have fluctuating trend.

SCBNL has maintain a high ratio of 15.52% in fiscal year 2008/9, and a low ratio of 10.29% in 2009/10. similarly, EBL has highest ratio of 21.77% in fiscal year 2009/10 and a low ratio of 12.28% in fiscal year 2007/8. The s.d. and c.v. of SCBNL are 1.9570% and 15.475% and EBL is 3.5011% and 20.59% respectively.

The average cash and bank balance to correct assets ratio of SCBNL and EBL are 12.646% and 17.004% respectively.

The average ratio of EBL is greater than SCBNL i.e. 17.004% > 12.646%. It indicates that EBL has high portion cash and bank balance from its current assets. It means EBL is sound liquidity position than SCBNL. SCBNL lower ratio indicates less liquidity position.

The C.V. of SCBNL is lower than EBL i.e. 15.475 < 20.59. Which indicates consistently in balance and high C.V. of EBL indicates high volatile in its cash and banks balance to current assets ratio.

d. Loan and Advance to Current Assets Ratio

This ratio shows how much amount of current assets is allocated in loan and advance, which is calculated by dividing the loan and advance (excluding bill purchase and discount) by current assets. i.e.

Loan and Advance to Current Assets:-

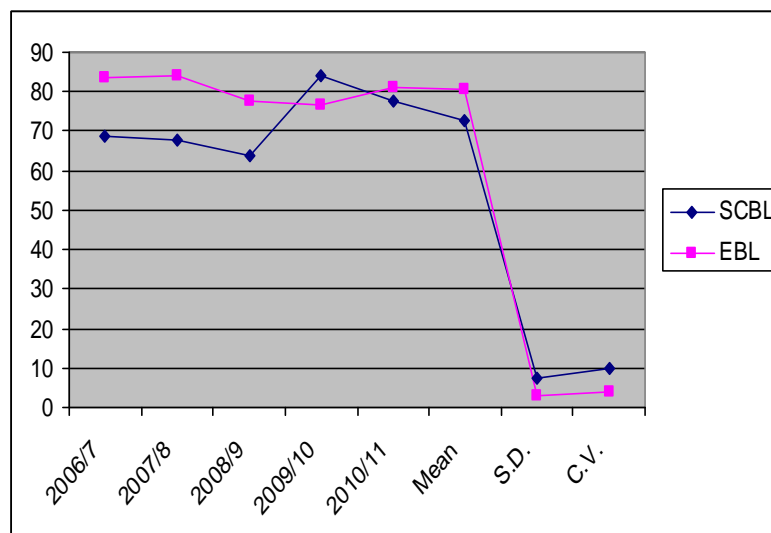
$$\frac{\text{Total Loan and Advance (Excluding Bill Purchase and Discounted)}}{\text{Current Assets}}$$

Table 4.4
Loan and Advance to Current Assets Ratio (in %)

Fiscal Year	SCBNL	EBL
2006/7	68.73	83.69
2007/8	67.90	84.30
2008/9	63.94	77.87
2009/10	83.84	76.66
2010/11	77.84	81.33
Mean	72.45	80.77
S.D.	7.2923	3.05296
C.V.	10.06%	3.77%

Source: Appendix No. I a (iv)

Figure 4.4
Loan and Advance to Current Assets Ratio.



The Table 4.4 and Figure 4.4 show the loan and advance to current assets ratio of SCBNL and EBL from 2006/7 to 2010/11. The ratio of both bank have fluctuating trend.

SCBNL has a high ratio of 83.84% in fiscal year 2009/10 and a low ratio of 63.94% in fiscal year 2008/9. Similarly, EBL has a high ratio of 84.30% in fiscal year 2007/8 and a low ratio of 76.66% in fiscal year 2009.10. The s.d. and c.v. of SCBNL are 7.2923% and 10.063% and EBL is 3.05296% and 3.77% respectively.

The average ratio of EBL is greater than SCBNL i.e. 80.77% > 72.45%. It indicates than EBL has greater capability to invest its current assets in loan and advance in comparison to SCBNL.

According to c. v. ratio, SCBNL is higher than EBL i.e. 10.063% > 3.77. It indicates than SCBNL has high degree of variability or is inconsistent in holding loan and advances to current assets over the study period. EBL has low degree of variability or is consistent in loans and advances to current assets over the study period.

e. Investment on Government Securities to Current Assets Ratio

This ratio shows the percentage of current assets invested on government security like treasury bills, bonds etc.

Investment of Government Securities to Current Asset Ratio:-

$$\frac{\text{Investment of Govern Security}}{\text{Current Assets}}$$

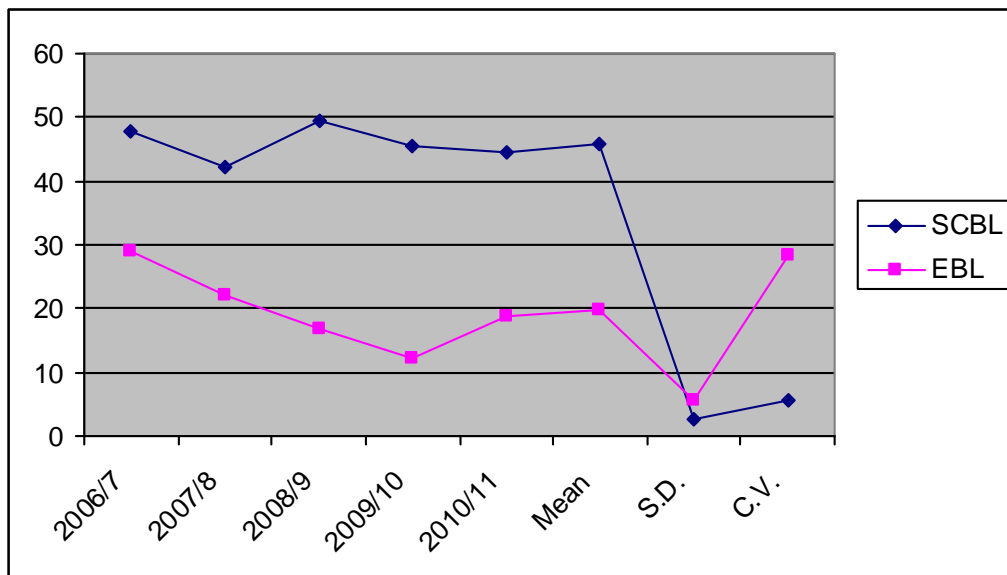
Table 4.5

Investment on Government Securities to Current Assets Ratio (In %)

Fiscal Year	SCBNL	EBL
2006/7	47.65	28.90
2007/8	42.13	22.19
2008/9	49.46	16.85
2009/10	45.55	12.13
2010/11	44.36	18.79
Mean	45.83	19.772
S.D.	2.546	5.6059
C.V.	5.56%	28.347%

Source: Appendix No. I a (v)

Figure 4.5
Investment on Government Securities to Current Assets Ratio.



The Table 4.5 and Figure 4.5 show the investment on government securities to current assets ratio of SCBNL and EBL. The ratio of both banks is in fluctuating trend. The highest ratio of SCBNL is 49.46% in fiscal years 2008/9 and lowest is 42.13% in fiscal year 2007/8. Similarly highest ratio of EBL in 28.90% in fiscal year 2006/7 and lowest is 12.13% in fiscal year 2009/10

In overall, the mean ratio of investment on government securities to current ratio of SCBNL is higher than EBL, i.e. 45.83% > 19.772%. It means SCBNL had invested in higher portions of current assets on government securities than EBL. On the other hand, C.V. ratio of EBL is greater than SCBNL, i.e. 28.347% > 5.56%. It indicates that the variability's of ratios of EBL is less consistent than SCBNL.

f. Cash Reserve Ratio

Cash reserve ratio means the control by the central bank to all commercial bank.

Cash reserve ratio is calculated by using the following formula.

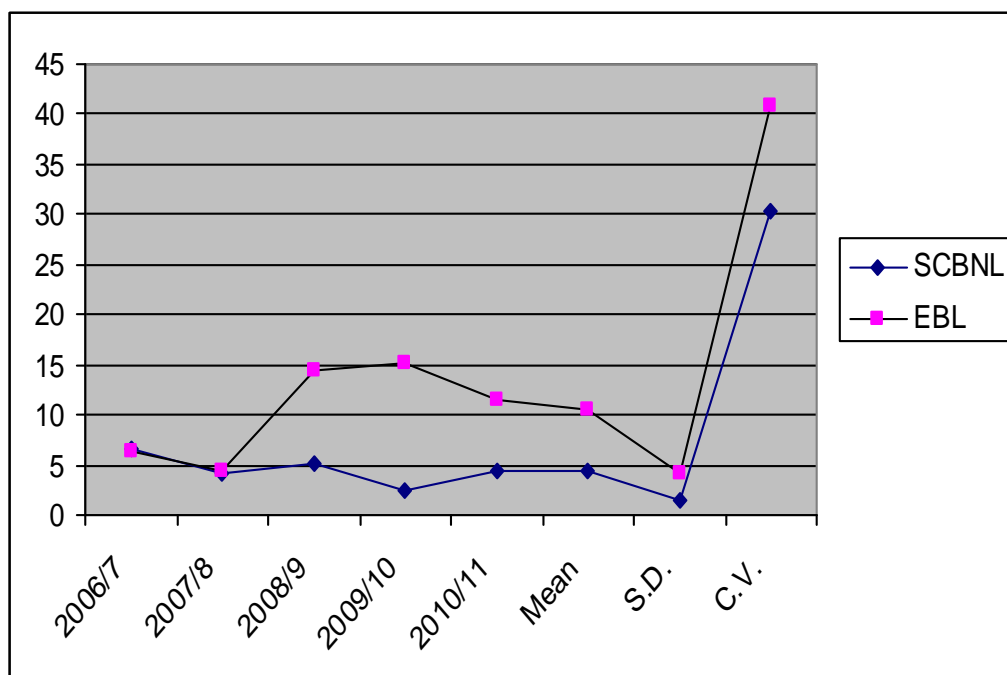
$$\text{Cash Reserve Ratio: - } \frac{\text{Cash and Bank Balance In NRB}}{\text{Total Deposit}}$$

Table 4.6
Cash Reserve Ratio (In %)

Fiscal Year	SCBNL	EBL
2006/7	6.55	6.48
2007/8	4.26	4.51
2008/9	5.16	14.37
2009/10	2.33	15.23
2010/11	4.31	11.44
Mean	4.522	10.406
S.D.	1.3739	4.2480
C.V.	30.38%	40.82%

Source: Appendix No. I a (vi)

Figure 4.6
Cash Reserve Ratio



The Table 4.6 and Figure 4.6 show that the cash reserve ratio of SCBNL and EBL. The table showed that the CRR maintained by SCBNL was fluctuating trend over the study period, i.e. 6.55% in fiscal year 2006/7, 4.26% in fiscal year 2007/8, 5.16% in fiscal year 2008/9, 2.31% in fiscal year 2009/10 and 4.31% in fiscal year 2010/11. In fiscal year 2007/8, 2008/9, 2009/10 and 2010/11 SCBNL was failed to maintained the ratio diverted by NRB.

Similarly, the CRR maintained by EBL was fluctuating trend over the study period, i.e. 6.48% in fiscal year 2006/7, 4.5% in fiscal year 2007/8, 14.37% in fiscal year 2008/9, 15.23% in fiscal year 2009/10 and 11.44% in fiscal year 2010/11.

In fiscal year 2007/8 EBL was failed to maintained the ratio divested by NRB. In average EBL have been greater cash reserve ratio than SCBNL i.e. 10.406% > 4.522%. It indicates the cash reserve ratio of EBL was good but the cash reserve ratio of SCBNL was most terrible so SCBNL must increase the cash reserve ratio directed by the NRB.

4.2.2 Analysis of Assets Management Ratio

Assets management ratio measures the efficiency of the banks to manage its assets in profitable and satisfactory manner.

a. Loan and Advance to Total Deposits Ratio

This ratio is calculated to find out how successfully the bank is able to utilize its total deposit on loan and advances for optimization of profit.

This ratio is calculated as follows.

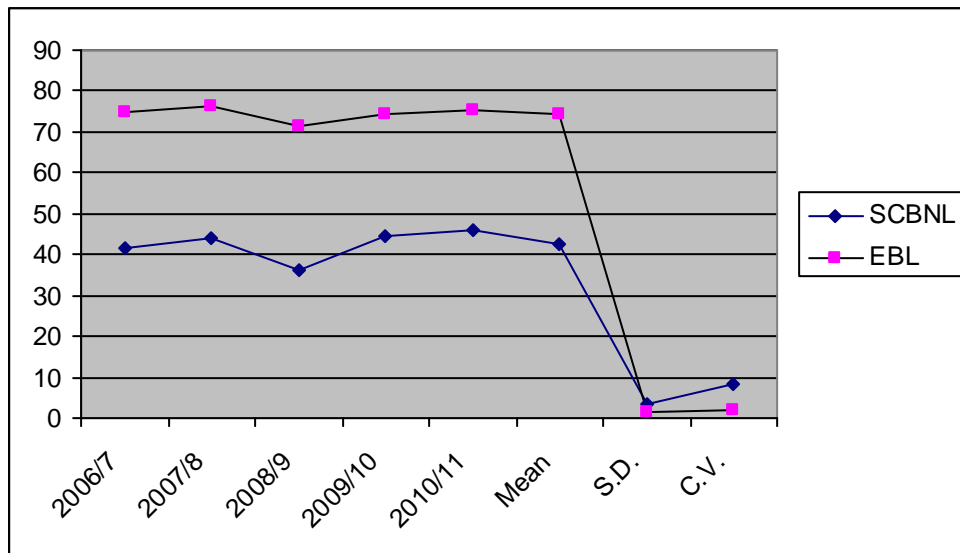
Loan and Advances To Total Deposit Ratio:-
$$\frac{\text{Loan and Advances}}{\text{Total Deposit}}$$

Table 4.7
Loan and Advances to Total Deposit Ratio (In %)

Fiscal Year	SCBNL	EBL
2006/7	41.60	74.91
2007/8	44.09	76.40
2008/9	36.03	71.37
2009/10	44.67	74.54
2010/11	45.98	75.21
Mean	42.47	74.49
S.D.	3.57	1.46
C.V.	8.41%	2%

Source: Appendix No. I b (i)

Figure 4.7
Loan and Advance to Total Deposit Ratio.



The Table 4.7 and Figure 4.7 show the loan and advances to total deposit ratio of SCBNL and EBL. The ratio of both banks are in fluctuating trend. the highest ratio of SCBNL is 45.98% in fiscal year 2010.11 and lowest is 36.03% in fiscal year 2008/9. similarly highest ratio of EBL is 76.40% in fiscal year 2007/8 and lowest is 71.37% in fiscal year 2008/9.

In average mean ratio of loan and advance to total deposit of EBL is higher than SCBNL i.e. 74.49% > 42.47%. In case of co-efficient of variation, EBL has 2% which is comparatively lower than SCBNL i.e. 2% < 8.41%.

It indicates that EBL has strong position to mobilization of total deposit on loan and advances and acquiring higher profit with compare to SCBNL.

b. Total Investment to Total Deposits Ratio

This ratio indicates properly banks deposit have been invested on various sector i.e. government securities, share and debenture of other company and banks and other investment. It is calculated by dividing total amount of investment by total amount of deposit. mathematically.

$$\text{Total Investment To Total Deposit Ratio: - } \frac{\text{Total Investment}}{\text{Total Deposit}}$$

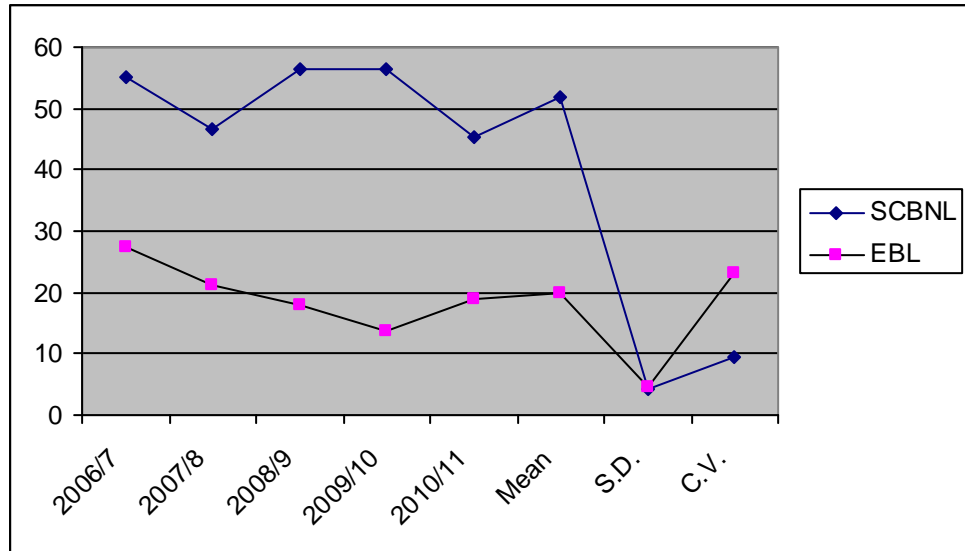
Table 4.8

Total Investment to Total Deposit Ratio (In %)

Fiscal Year	SCBNL	EBL
2006/7	54.99	27.41
2007/8	46.74	21.10
2008/9	56.41	17.85
2009/10	56.41	13.56
2010/11	45.42	18.83
Mean	51.99	19.75
S.D.	4.22	4.55
C.V.	9.46%	23.04%

Source: Appendix No. I b (ii)

Figure 4.8
Total Investment to Total Deposit Ratio.



The Table 4.8 and Figure 4.8 show the total investment to total deposit ratio of SCBNL and EBL. The ratio of both banks are in fluctuating trend. the highest ratio of SCBNL is 56.41% in two fiscal year 2008/9 and 2009/10 and lowest is 45.42% in fiscal year 2010/11. Similarly highest ratio of EBL is 27.41% in fiscal year 2006/7 and lowest is 13.56% in fiscal year 2009/10.

The average total investment to total deposit ratio of SCBNL is higher than EBL i.e. 51.99 % > 19.75%. It indicates higher investment from total deposit than EBL. the c.v. of SCBNL is lower than EBL i.e. 9.46% < 23.04% indicating more stability than EBL.

c. Loan and Advances to Total Working Fund (Total Assets Ratio)

This ratio indicates the ability of bank in terms of earning high from loan and advances. This ratio is expresses as follows.

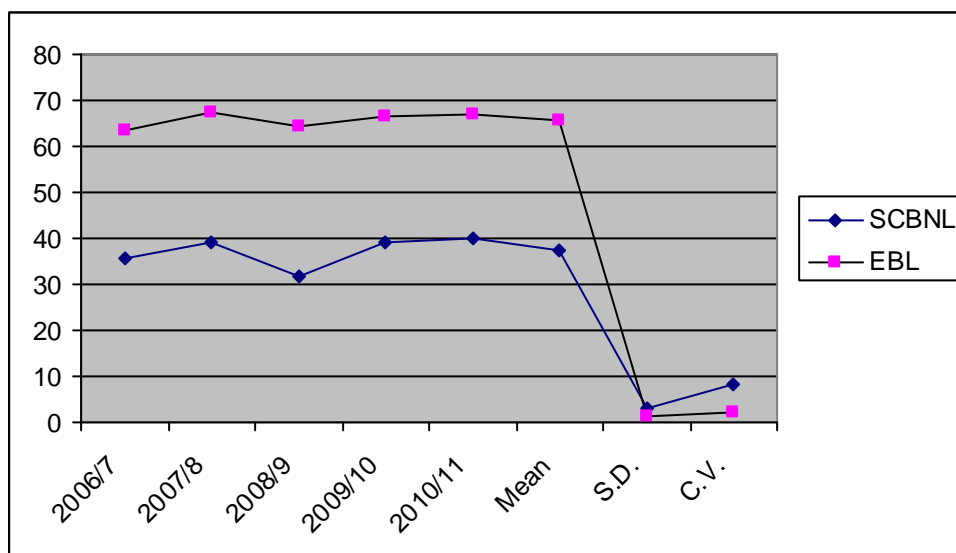
$$\text{Loan and Advances to Total Working Fund: - } \frac{\text{Total Loan and Advance}}{\text{Total Working Fund}}$$

Table 4.9
Loan and Advances to Total Working Fund Ratio (In %)

Fiscal Year	SCBNL	EBL
2006/7	35.85	63.57
2007/8	39.34	67.47
2008/9	31.85	64.42
2009/10	39.08	66.53
2010/11	39.88	66.90
Mean	37.2	65.78
S.D.	3.03	1.42
C.V.	8.15%	2.16%

Source: Appendix No. I b (iii)

Figure 4.9
Loan and Advance to Total Working Fund Ratio.



The Table 4.9 and Figure 4.9 show the loan and advances to total working fund ratio of SCBNL and EBL. The ratio of both banks are in fluctuating trend. The highest ratio of SCBNL is 39.88% in fiscal year 2010/11 and lowest is 31.85% in fiscal year 2008/9. Similarly, highest ratio of EBL is 67.47% in fiscal year 2007/8 and lowest is 63.57% in fiscal year 2006/7.

The average mean ratio of EBL is higher than SCBNL i.e. 65.78% > 37.2 % . It indicates that EBL provides higher loan and advance from working fund. EBL is better at mobilizing its total working fund as loan and advances. lower C.V. of EBL signifies more consistency in ratio. The higher C.V. of SCBNL signifies more fluctuation in its ratio.

d. Investment of Government Securities to Total Working Found Ratio

This ratio indicates how much amount of total investment is on government securities. This ratio can be computed as follows.

$$\text{Investment On Government Securities To Total Working Found Ratio:-} \\ \frac{\text{Investment On Government Securities}}{\text{Total Working Found}}$$

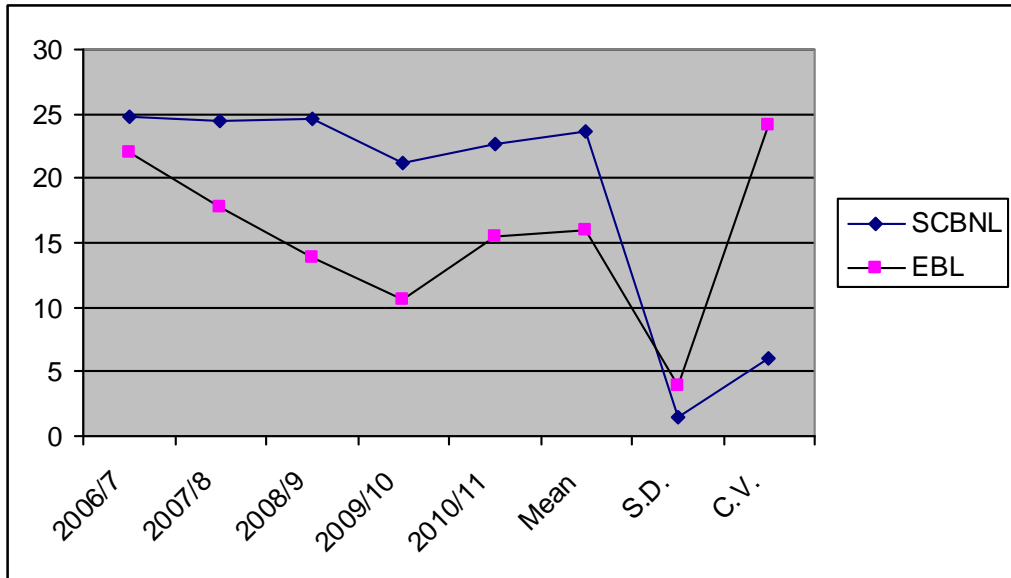
Table 4.10
Investment on Government Securities Total Working Fund Ratio (In %)

Fiscal Year	SCBNL	EBL
2006/7	24.86	21.95
2007/8	24.41	17.76
2008/9	24.64	13.94
2009/10	21.22	10.52
2010/11	22.73	15.45
Mean	23.57	15.92
S.D.	1.43	3.84
C.V.	6.07%	24.12%

Source: Appendix No. I b (iv)

Figure 4.10.

Investment on Government Securities Tot Total Working Fund Ratio



The Table 4.10 and Figure 4.10 show the investment on government securities to total working fund ratio of SCBNL and EBL. The ratio of both banks is in fluctuating trend. The highest ratio of SCBNL is 24.86% in fiscal year 2006/7 and lowest is 21.22% in fiscal year 2009/10. Similarly highest ratio of EBL is 21.95% in fiscal year 2006/7 and lower is 10.52% in fiscal year 209/10.

The average investment on government securities to total working fund ratio of SCBNL is higher than EBL i.e. $23.57 > 15.92\%$. It indicates that investment of SCBNL is high in government securities. It means investment of SCBNL is in more risk free assets than EBL. The C.V. and S.D. of SCBNL has also lower than EBL. It indicates low risky and consistently in its ratio.

- e. **Investment on Share and Debenture to Total Working Found Ratio**
 This ratio indicates the investment of banks on the share and debenture. Which is expressed as follows.

$$\text{Investment on Share and Debenture To Total Working Found Ratio:-} \\ \frac{\text{Investment on Share and Debenture}}{\text{Total Working Found}}$$

Table 4.11

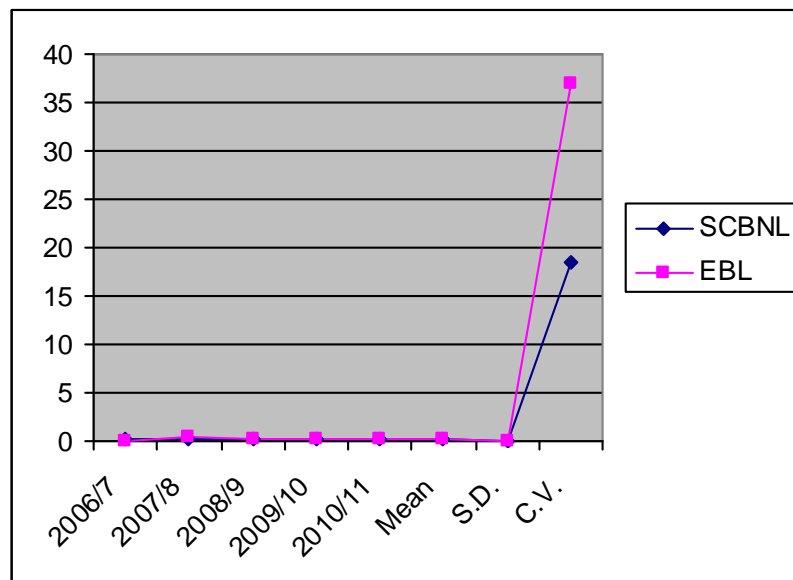
Investment on Share and Debenture to Total Working Fund Ratio (In %)

Fiscal Year	SCBNL	EBL
2006/7	0.1467	0.0890
2007/8	0.2705	0.3667
2008/9	0.2243	0.2721
2009/10	0.2264	0.2427
2010/11	0.2135	0.2335
Mean	0.2163	0.2408
S.D.	0.04	0.089
C.V.	18.49%	36.96%

Source: Appendix No. I b (v)

Figure 4.11

Investment on Share and Debenture to Total Working Fund Ratio:



The Table 4.11 and Figure 4.11 show that the ratio of SCBNL is fluctuating trend. But the ratio of EBL is dressing trend after fiscal year 2007/8 to 2010/11. The highest ratio of SCBNL is 0.2705% in fiscal year 2007/8 and lowest is 0.1467% in fiscal year 2006/7.

Similarly, the highest ratio of EBL is 0.3667% in fiscal year 2007/8 and lowest is 0.0890% in fiscal year 2006/7.

The average investment on share and debenture to total working fund ratio of EBL is greater than SCBNL i.e. 0.2408% > 0.2135.

In conclusion EBL has invested more portion of its total working fund on share and debenture than SCBNL.

f. Loan and Advances to Saving Deposit Ratio

Loan and advances to saving deposit ratio measures how many times the amount is used in loan and advances in comparison to saving deposit. This ratio is expressed as follows.

Loan and Advances To Saving Deposit Ratio:-

$$\frac{\text{Loan and Advances (Excluding Bill Purchase and Discounted)}}{\text{Saving Deposit}}$$

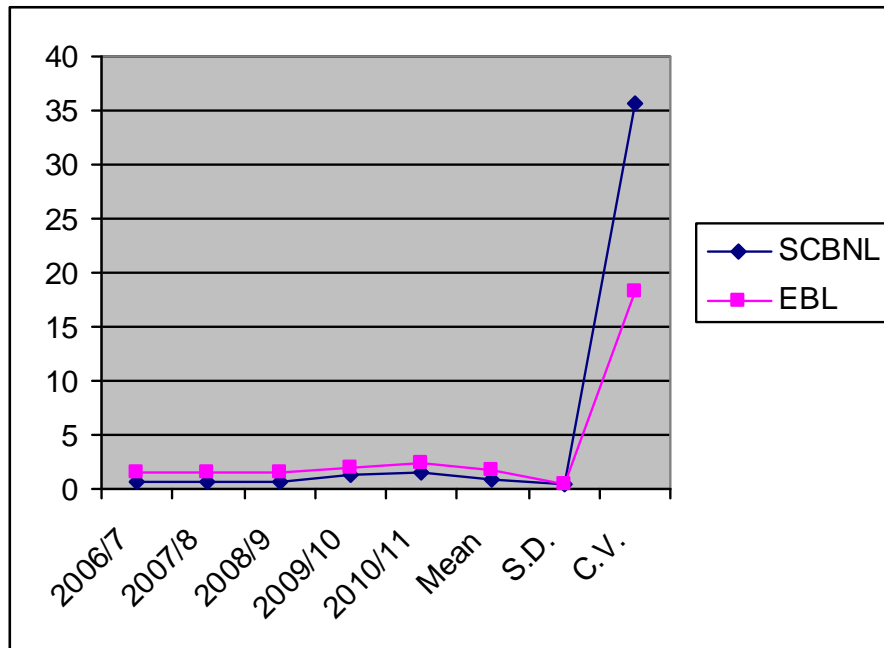
Table 4.12

Loan and Advances to Saving Deposit Ratio (In Times)

Fiscal Year	SCBNL	EBL
2006/7	0.673	1.509
2007/8	0.735	1.541
2008/9	0.674	1.609
2009/10	1.264	2.061
2010/11	1.504	2.372
Mean	0.97	1.82
S.D.	0.3464	0.3324
C.V.	35.71%	18.26%

Source: Appendix No. I b (vi)

Figure 4.12
Loan and Advances to Saving Deposit Ratio:



The Table 4.12 and Figure 4.12 show the loan and advances to saving deposit ratio of SCBNL and EBL. The ratio of SCBNL is increasing trend in first two year and decreasing in third year and again increasing in last two year. The ratio of EBL is increasing trend. The highest ratio of SCBNL is 1.504 times in fiscal year 2010/11 and lowest is 0.673 times in fiscal year 2006/7. Similarly highest ratio of EBL is 2.372 times in fiscal year 2010/11 and lowest is 1.509 times in fiscal year 2006/7.

In average basis ratio of loan and advances to saving deposit of EBL is higher than SCBNL i.e. $1.82 > 0.97$. It implies that EBL has been successful in using the depositors saving properly in loan and advance in comparison to SCBNL.

From S. D. point of view, SCBNL is higher than EBL i.e. $0.346 > 0.3324$. It implies that SCBNL has fluctuation in utilizing the saving deposit in loan and advances in comparison to EBL.

From C. V. point of view, SCBNL is higher than EBL i.e. 35.71 > 18.26. It indicates SCBNL is inconsistent or has not been able to utilize the depositors' fund properly in loan and advances.

g. Loan and Advances to Fixed Deposit Ratio

Loan and advances to fixed deposit ratio measures the extent to which banks are successful in mobilizing fixed deposits on loan and advances for the purpose of income generating. This ratio is computed as follows.

Loan and Advances to Fixed Deposit Ratio: - $\frac{\text{Loan and Advances}}{\text{Fixed Deposit}}$

Table 4.13

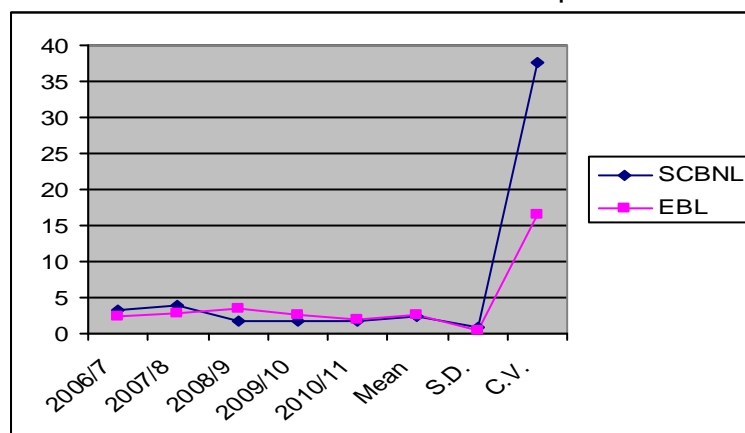
Loan and Advances to Fixed Deposit Ratio (In Times)

Fiscal Year	SCBNL	EBL
2006/7	3.2074	2.4213
2007/8	3.9731	2.8416
2008/9	1.8200	3.3734
2009/10	1.7128	2.6369
2010/11	1.7238	2.0536
Mean	2.4874	2.6654
S.D.	0.9332	0.4394
C.V.	37.52%	16.49%

Source: Appendix No. I b (vii)

Figure 4.13

Loan and Advances to Fixed Deposit Ratio:



The Table 4.13 and Figure 4.13 show the loan and advances to fixed deposit ratio of SCBNL and EBL. The ratio of SCBNL is decreasing trend after 2007/8 to 2009/10 and again increase in fiscal year 2010/11. The ratio of EBL is increasing trend in first three year i.e. 2006/7 to 2008/9 and decreasing thereafter.

The highest ratio of SCBNL is 3.9731 times in fiscal year 2006/7 and lowest is 1.7128 times in fiscal year 2009/10. Similarly, highest ratio of EBL is 3.3734 times in fiscal year 2008/9 and lowest is 2.0536 times in fiscal year 2010/11.

In average basis, ratio of EBL is higher than SCBNL i.e. $2.6654 > 2.4874$. It indicates that EBL has proper utilization fixed deposit in comparison to SCBNL.

From S.D. Point of view, SCBNL is higher than EBL i.e. $0.9332 > 0.4394$. It implies that SCBNL has high fluctuation in utilizing the fixed deposit in loan and advances in comparison to EBL.

From C. V. point of view, SCBNL is higher than EBL, i.e. $37.52\% > 16.49\%$. It indicates SCBNL is inconsistent or has not been able to utilize the depositors fund properly in loan and advances.

Where as EBL with lowest C.V. of 16.49% is consistent or has been successful in using depositors fund properly in loan and advances.

4.2.3 Analysis of Profit Ability Ratios

Profitability ratios are used to indicate and measure the overall efficiency performance of the banks.

a. Return on Loan and Advances Ratio

Return on loan and advances ratio measure the earning capacity of the banks by utilizing its resources based on loan and advances. This ratio is calculated as follows.

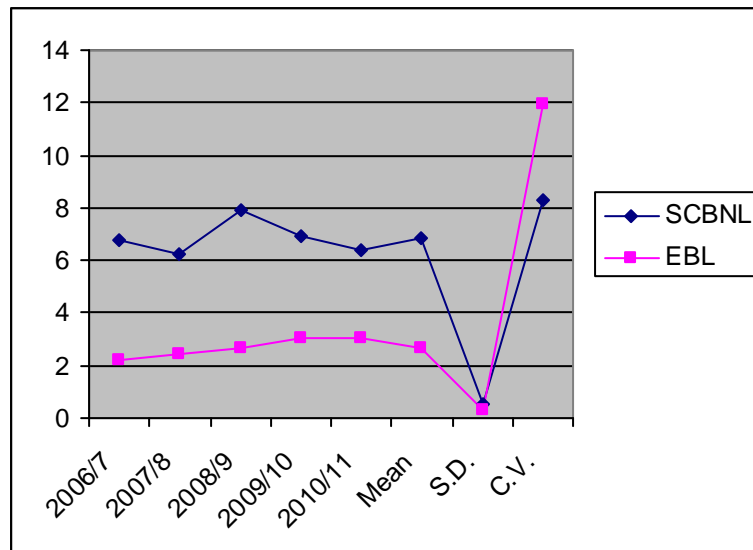
$$\text{Return On Loan and Advances Ratio:-} \quad \frac{\text{Net Profit After Tax}}{\text{Loan and Advances}}$$

Table 4.14
Return on Loan and Advances Ratio (In %)

Fiscal Year	SCBNL	EBL
2006/7	6.75	2.18
2007/8	6.24	2.46
2008/9	7.93	2.69
2009/10	6.91	3.02
2010/11	6.41	3.01
Mean	6.85	2.67
S.D.	0.57	0.32
C.V.	8.32%	11.98%

Source: Appendix No. I c (i)

Figure 4.14
Return on Loan and Advances Ratio



The Table 4.14 and Figure 4.14 show the return on loan and advances of SCBNL and EBL. Ratio of both bank are in fluctuating trend. The highest ratio of SCBNL is 7.93% in fiscal year 2008/9 and lowest is 6.24% in fiscal year 2007/8. Similarly, highest ratio of EBL is 3.02% in fiscal year 2009/10 and lowest is 2.18 in fiscal year 2006/7. The S.D. and C.V. of SCBNL are 0.57 and 8.32%, EBL are 0.32 and 11.98%.

The average return on loan and advance ratio of SCBNL is higher than EBL, i.e. $6.85 > 2.67$. It indicates SCBNL has been more successful in maintaining higher return on loan and advances than EBL.

C.V. of SCBNL is lower than EBL i.e. $8.32 < 11.98$. It proves that EBL has higher variability of ratio than SCBNL.

b. Return on Total Assets Ratio

Return on total assets ratio explains the contribution of assets to generating net profit. This ratio indicates efficiency towards of assets mobilization. This ratio is expressed as follows.

$$\text{Return On Total Assets: - } \frac{\text{Net Profit After Tax}}{\text{Total Assets}}$$

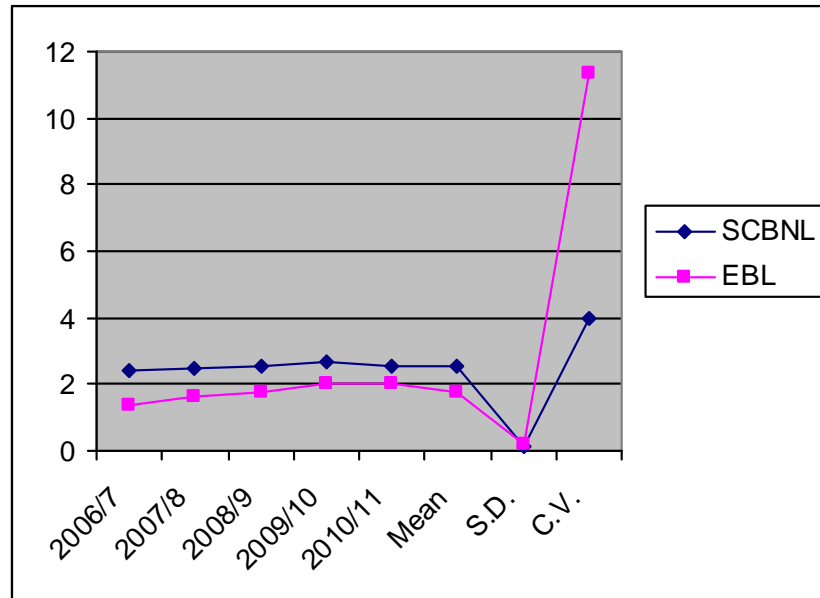
Table 4.15

Return on Total Assets Ratio (In %)

Fiscal Year	SCBNL	EBL
2006/7	2.42	1.38
2007/8	2.46	1.66
2008/9	2.53	1.73
2009/10	2.70	2
2010/11	2.55	2.01
Mean	2.53	1.76
S.D.	0.1	0.2
C.V.	3.95%	11.36%

Source: Appendix No. I c (ii)

Figure 4.15
Return on Total Assets Ratio.



The Table 4.15 and Figure 4.15 shows the return on total assets of SCBNL and EBL. The ratio of SCBNL is increasing trend in 2006/7 to 2009/10 and decreasing in fiscal year 2010/11. The ratio of EBL is increasing trend. The highest ratio of SCBNL is 2.70 in fiscal year 2009/10 and lowest is 2.42% in fiscal year 2006/7. Similarly, the highest ratio of EBL is 2.01% in fiscal year 2010/11 and lowest is 1.38% in fiscal year 2006/7. The S. D. > and C. V. of SCBNL are 0.1 and 3.95% and EBL are 0.20 and 11.36%.

On the basis of mean ratios, SCBNL is higher than EBL, i.e. 2.53% > 1.76%. It reveals that SCBNL has been able to earn high profit on total assets in comparison to EBL.

From C.V. point of view, EBL is higher than SCBNL, i.e. 11.36 > 3.95. It implies that EBL has higher degree of variability or is inconsistent in generating net profit using total assets in a systematic way.

c. Return on Equity (RoE)

The RoE measures the profit ability of a bank. It reflects extend to which bank has been successful to mobilize or utilize its equity capital. RoE can be computed as follows.

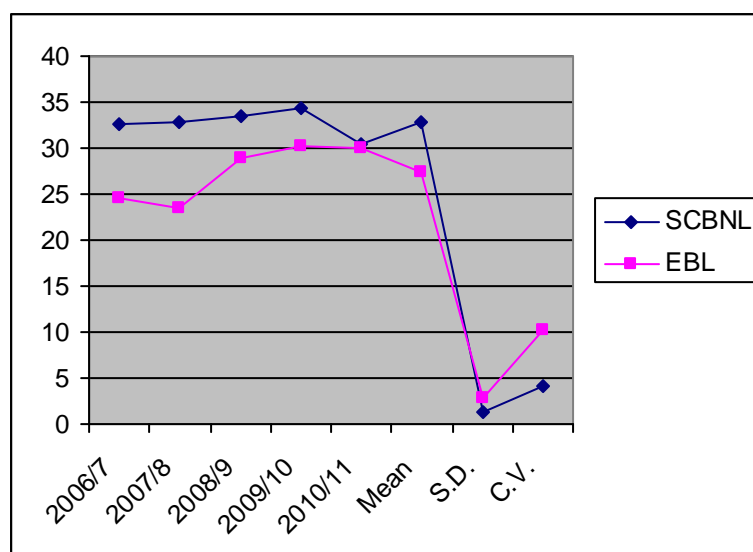
$$\text{Return on Equity (RoE)} \quad :- \quad \frac{\text{Net Profit After Tax}}{\text{Share Holder's Equity}}$$

Table 4.16
Return on Equity (RoE) (%)

Fiscal Year	SCBNL	EBL
2006/7	32.68	24.67
2007/8	32.85	23.49
2008/9	33.58	28.99
2009/10	34.45	30.15
2010/11	30.43	29.91
Mean	32.80	27.44
S.D.	1.34	2.81
C.V.	4.09	10.24

Source: Appendix No. I c (iii)

Figure 4.16
Return on Equity (RoE)



The Table 4.16 and Figure 4.16 show the return on equity of SCBNL and EBL. The ratio of SCBNL is increasing trend in fiscal year 2006/7 to 2009/10 then decrease in year 2010/11. The ratio of EBL is fluctuating trend.

The highest ratio of SCBNL is 34.45% in fiscal year 2009/10 and lowest is 30.43% in fiscal year 2010/11. Similarly, the highest ratio of EBL is 30.15 % in fiscal year 2009/10 and lowest is 23.49% in fiscal year 2007/8. The S.D. and C.V. of SCBNL are 1.34 and 4.09, EBL are 2.81 and 10.24 respectively.

The average ratio of SCBNL is higher than EBL, i.e. 32.80% > 27.44%. It indicates SCBNL was most effective in optimally mobilizing the share holders equity.

d. Total Interest Earned to Total Assets Ratio

This ratio shows how much interest has been generated by mobilizing the assets in the bank. Higher ratio indicates high earning power of the bank on its total assets and vice versa. This ratio can be computed as follows.

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

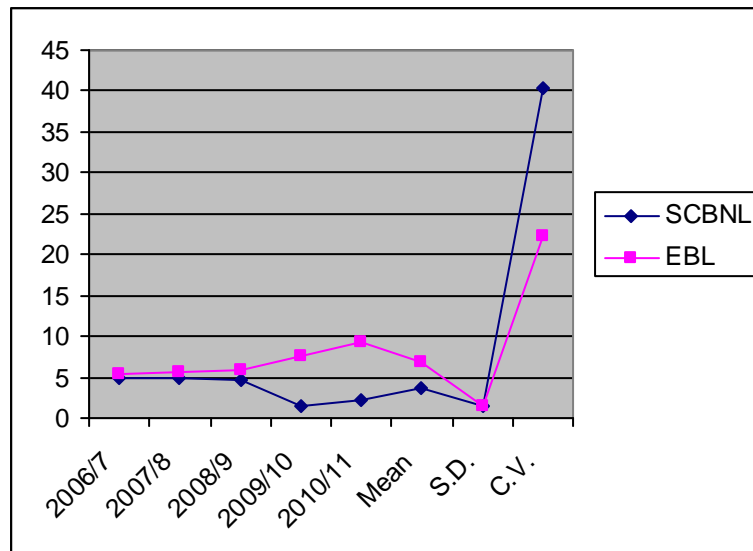
Table 4.17

Total Interest Earned to Total Assets Ratio (In %)

Fiscal Year	SCBNL	EBL
2006/7	4.94	5.34
2007/8	4.77	5.70
2008/9	4.65	5.92
2009/10	1.43	7.50
2010/11	2.29	9.37
Mean	3.62	6.766
S.D.	1.46	1.50
C.V.	40.33%	22.17%

Source: Appendix No. I c (iv)

Figure 4.17
Total Interest Earned to Total Assets Ratio



The Table 4.17 and Figure 4.17 show the interest earned to total asset ratio of SCBNL and EBL. The ratio of SCBNL is decreasing trend in fiscal year 2006/7 to 2009/10 and increasing in fiscal year 2010/11. The ratio of EBL is increasing trend. The highest ratio of SCBNL is 4.94% in fiscal year 2006/7 and lowest is 1.43% in 2009/10. Similarly, the highest ratio of EBL is 9.37% in fiscal 2010/11 and lowest is 5.34% in fiscal year 2006/7. The S.D. and C.V. of SCBNL are 1.46 and 40.33%, EBL are 1.50 and 22.17%.

The mean ratio of EBL is higher than SCBNL, i.e. 6.766% > 3.62%. We can say that EBL is in strong position to generate interest income from the total assets than SCBNL. On the other hand C.V. of EBL is lower than SCBNL i.e. 22.17 < 40.33. It means more consistency than SCBNL.

e. Return on Total Deposit Ratio

This ratio indicates the percentage of profit earned by using the total deposit. This ratio explains the ability of management in efficient utilization of deposits. This ratio is expressed as follows.

$$\text{Return on Total Deposit: - } \frac{\text{Net Profit After Tax}}{\text{Total Deposits}}$$

Table 4.18

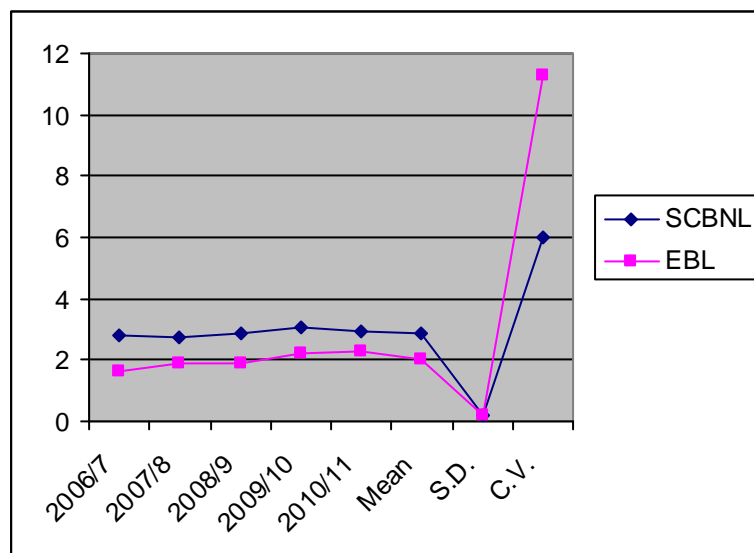
Return on Total Deposits Ratio (In %)

Fiscal Year	SCBNL	EBL
2006/7	2.81	1.63
2007/8	2.75	1.88
2008/9	2.86	1.92
2009/10	3.09	2.25
2010/11	2.95	2.26
Mean	2.89	1.99
S.D.	0.173	0.224
C.V.	5.99%	11.26%

Source: Appendix No. I c (v)

Figure 4.18

Return on Total Deposit Ratio



The Table 4.18 and Figure 4.18 show the return on total deposit ratio of SCBNL and EBL. The ratio of SCBNL are in fluctuating trend. But the ratio of EBL are in increasing trend. The highest ratio of SCBNL is 3.09% in fiscal year 2009/10 and lowest is 2.75% in fiscal year 2007/8. Similarly, the highest ratio of EBL is 2.26% in fiscal year 2010/11 and lowest is 1.63% in fiscal year

2006/7. The S.D. and C.V. of SCBNL are 0.173 and 5.99, EBL are 0.224 and 11.26.

On the basis of mean ratio, SCBNL is higher than EBL, i.e. 2.89% > 1.99%. It indicates SCBNL was more efficient in mobilizing the deposit in productive sector. in comparison to EBL.

From the C.V. point of view, EBL is higher than SCBNL, i.e. 0.224 > 0.173. It indicates that EBL has higher degree of variability or is inconsistent in generating net profit using total deposit in comparison to SCBNL.

f. Earning Power Ratio

This ratio is useful to measure the profitability ratio before interest and taxes to all financial resources invested in the banks. This ratio is expressed as follows.

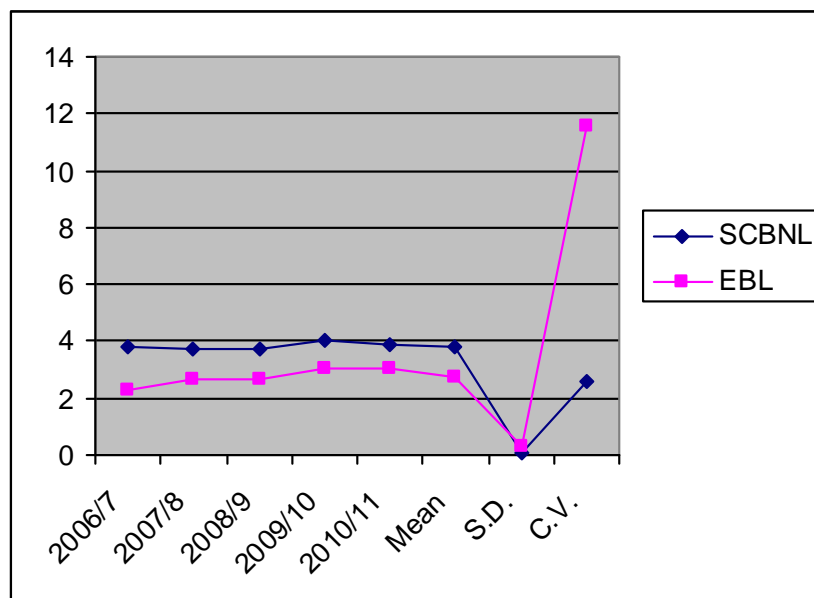
$$\text{Earning Power Ratio} :- \frac{\text{EBIT (Net Operating Profit)}}{\text{Total Assets}}$$

Table 4.19
Earning Power Ratio (In %)

Fiscal Year	SCBNL	EBL
2006/7	3.82	2.28
2007/8	3.75	2.65
2008/9	3.71	2.64
2009/10	4.01	3.07
2010/11	3.90	3.07
Mean	3.84	2.74
S.D.	0.10	0.316
C.V.	2.60%	11.53%

Source: Appendix No. I c (vi)

Figure 4.19
Earning Power Ratio



The Table 4.19 and Figure 4.19 show that the Earning power ratio of SCBNL and EBL. The ratio of both bank were in fluctuating trend. The highest ratio of SCBNL is 4.01% in fiscal year 2009/10 and lowest is 3.71% in fiscal year 2008/9. Similarly, The highest ratio of EBL is 3.07% in fiscal year 2009/10 and 2010/11 and lowest is 2.28% in fiscal year 2006/7. The S.D. and C.V. of SCBNL, are 0.10 and 2.60, EBL are 0.316 and 11.53.

On the basis of mean ratio, SCBNL is higher than EBL, i.e. 3.84% > 2.74%. It implies that SCBNL has been successful in more efficiently in generating more profit in comparison to EBL.

According to S.D., EBL is greater than SCBNL, i.e. 0.316 > 0.10. It implies that EBL has high fluctuation in generating operating profit by using total assets.

From the view point of C.V., EBL is greater than SCBNL, i.e. 11.53% > 2.60% over the study period. It implies that EBL has high degree of variability or is in consistent in generating operating profit than SCBNL.

4.2.4 Analysis of Leverage or Capital Structure Ratio

Capital structure ratio or leverage ratio measures the proportion of outsider capital in financing the firm's assets and are calculated by establishing relationship between borrowed capital and equity capital. High leverage ratio indicates larger amount borrowed funds used by the firm to finance its assets and it also indicated increasing obligations and risk.

The following ratios are used to test the optimum capital structure.

- Debt Equity Ratio
- Debt Assets Ratio
- Debt to Total Capital Ratio
- Interest Coverage Ratio.

a. Debt Equity Ratio

The debt equity ratio is the measure of the relative claims of creditor and owner's against the firm's assets. The total debt refers to the total current liabilities plus long term debt. High ratio shows that the claims of creditor are greater than owners. This ratio is expressed as follows.

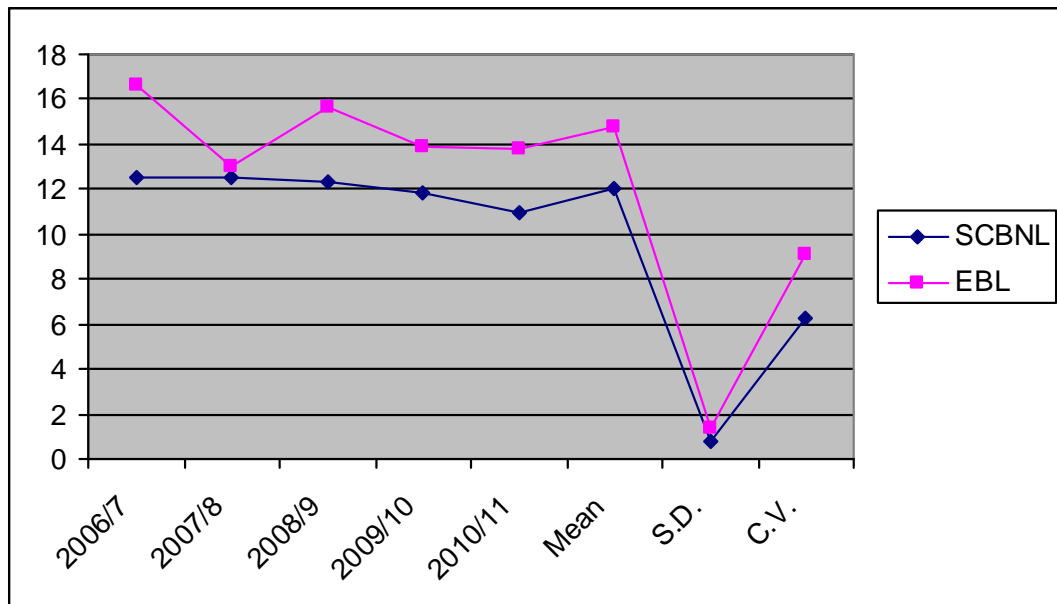
$$\text{Debt Equity Ratio:-} \quad \frac{\text{Total Debt}}{\text{Share Holder Equity}}$$

Table 4.20
Debt Equity Ratio (In Times)

Fiscal Year	SCBNL	EBL
2006/7	12.51	16.59
2007/8	12.53	12.98
2008/9	12.30	15.62
2009/10	11.79	13.89
2010/11	10.91	13.75
Mean	12	14.75
S.D.	0.7509	1.3289
C.V.	6.2575%	9.1208%

Source: Appendix No. i d (i)

Figure 4.20
Debt Equity Ratio



The Table 4.20 and Figure 4.20 show the debt equity ratio of SCBNL and EBL. Debt equity ratio of both banks is in fluctuating trend. The mean ratio of EBL is higher than SCBNL, i.e. 14.57% > 12.

It indicates EBL has highly leveraged 14.75 times means. Debt capital financing is more than 14.75 times of its share holders equity/ EBL was used more debt in comparison to SCBNL.

From S.D. point of view, EBL is higher than SCBNL, i.e. 1.3289 > 0.7509. It implies that EBL have high fluctuation (less homogeneity) with respect to total debt to share holder equity than SCBNL over the study period.

From the C.V. point of view, EBL is higher than SCBNL, i.e. 9.1208% > 6.2575%. It means EBL have high degree of variability or is inconsistent in maintaining total debt to total equity than SCBNL over the study period.

b. Debt Assets Ratio

This ratio shows the proportion of outside's fund used in financing the total assets of the bank. High ratio indicates that the greater portion of the banks has been finance through outsider fund.

Which is presented below.

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

Table 4.21

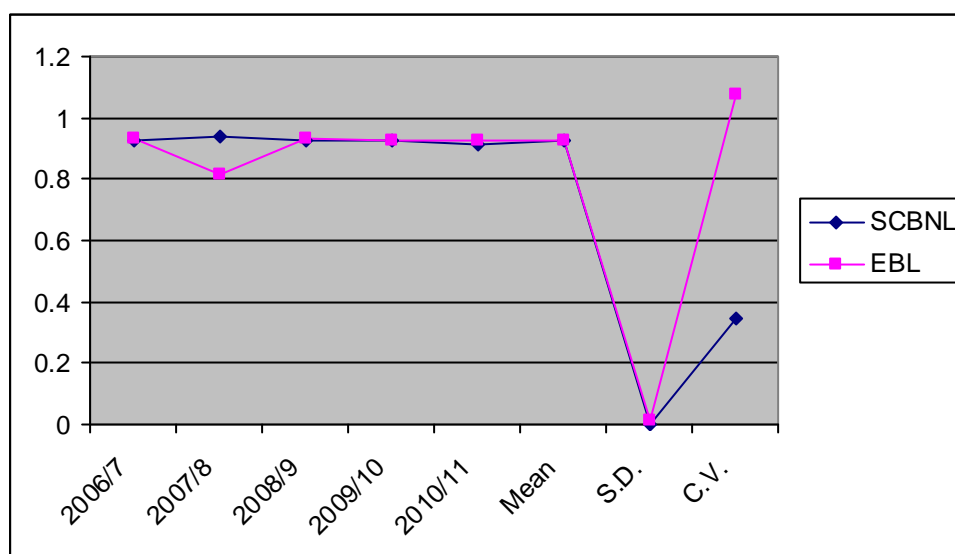
Debt Assets Ratio (In %)

Fiscal Year	SCBNL	EBL
2006/7	92.60	92.99
2007/8	93.72	81.82
2008/9	92.48	93.22
2009/10	92.38	92.61
2010/11	91.61	92.62
Mean	92.56	92.65
S.D.	0.32	0.1
C.V.	0.3457	1.0793

Source: Appendix No. I d (ii)

Figure 4.21

Debt Assets Ratio.



The Table 4.21 and Figure 4.21 show that debt assets ratio of SCBNL and EBL. The ratio of both banks are in fluctuating trend. The average ratio of EBL is slightly higher than SCBNL, i.e. 0.9265% > 0.9256%. It indicates EBL was used more debt in comparison to SCBNL.

From the S.D. point of view, EBL is greater than SCBNL, i.e. 0.01 > 0.0032. It implies that EBL has high fluctuation (less homogeneity) with respect to total debt assets ratio in comparison to SCBNL over the study period.

From the C.V. point of view, EBL is higher than SCBNL, i.e. 1.0793% > 0.3457. It means EBL has high degree of variability or is inconsistent in maintaining total debt to total assets over the study period.

c. Debt to Total Capital Ratio

This ratio measures the portions of bank assets financed by the creditors. It is calculated as follows.

$$\text{Debt To Total Capital Ratio} \quad :- \quad \frac{\text{Total Debt}}{\text{Total Capital}}$$

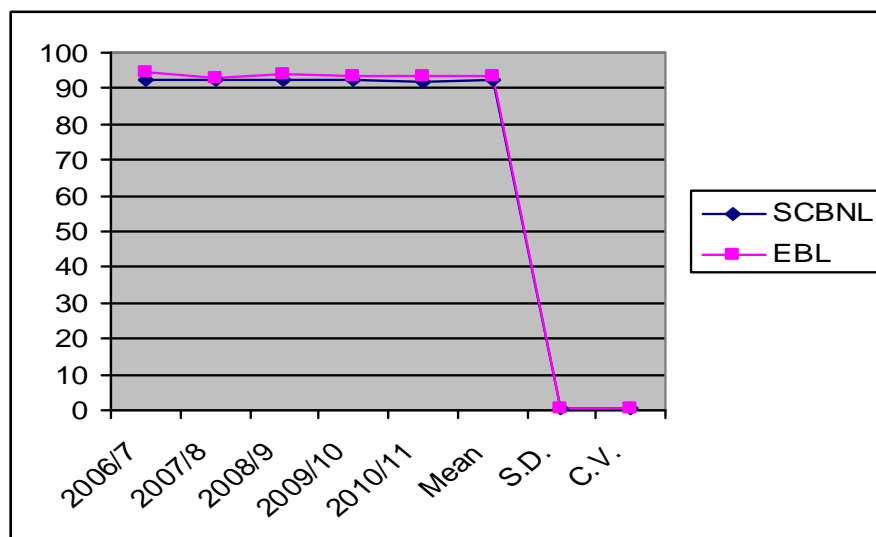
Table 4.22

Debt to Total Capital Ratio (In %)

Fiscal Year	SCBNL	EBL
2006/7	92.60	94.31
2007/8	92.61	92.84
2008/9	92.48	93.98
2009/10	92.18	93.28
2010/11	91.61	93.22
Mean	92.30	93.53
S.D.	0.3742	0.5358
C.V.	0.4054%	0.5758%

Source: Appendix No. I d (iii)

Figure 4.22
Debt to Total Capital Ratio



The Table 4.22 and Figure 4.22 show that the debt to total capital ratio of SCBNL and EBL. The ratio of SCBNL are increasing trend in 2006/7 to 2007/8 then decreasing. The highest ratio is 92.61% in fiscal year 2007/8 and lowest is 91.61% in fiscal year 2010/11. The S.D. and C.V. are 0.3742 and 0.4054 respectively. Similar, the ratio of EBL are in fluctuating trend. The highest ratio 92.84% in fiscal year 2007/8. The S.D. and C.V. are 0.5385 and 0.5758.

The average ratio of EBL is slightly greater than SCBNL, i.e. 93.53% > 92.30%. It indicates portions of EBL assets financed by creditors is higher than SCBNL. It means in total capital debt is used 93.53% and remaining 6.47% is from share holders equity. Similarly in SCBNL, 92.30% assets financed by creditors and remaining 7.7% is from share holder equity.

From S.D. point of view EBL is greater than SCBNL i.e, 0.5385 > 0.3742. It implied that EBL has high fluctuation in used debt in comparison to SCBNL over the study period.

From C.V. point of view, EBL is greater than SCBNL, i.e. 0.5758 > 0.4054. It indicated that EBL has high degree of variability in comparison to SCBNL over the study period.

d. Interest Coverage Ratio

Interest coverage ratio measures the capacity to pay interest expensed. This ratio is calculated by dividing net profit before interest and tax (EBIT) by interest expenses.

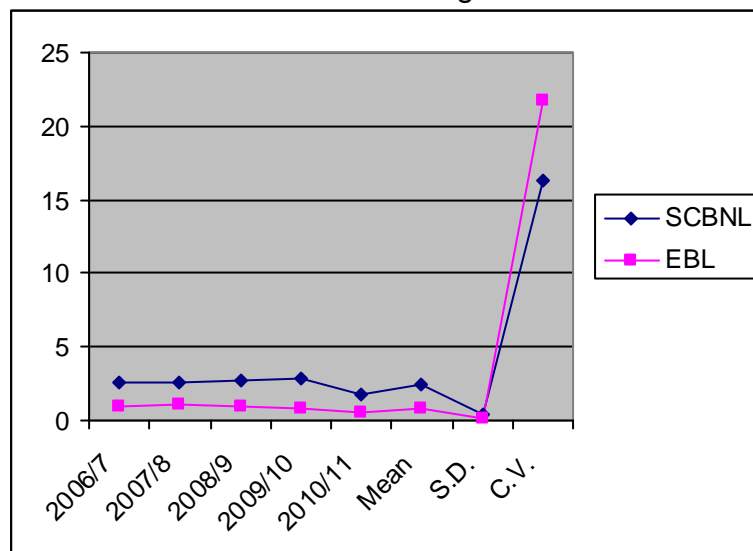
$$\text{Interest Coverage Ratio: - } \frac{\text{EBIT}}{\text{Interest Expenses}}$$

Table 4.23
Interest Coverage Ratio (In Times)

Fiscal Year	SCBNL	EBL
2006/7	2.646	0.9436
2007/8	2.646	1.1363
2008/9	2.770	0.9606
2009/10	2.801	0.8088
2010/11	1.702	0.5593
Mean	2.513	0.8817
S.D.	0.4104	0.1920
C.V.	16.33%	21.78%

Source: Appendix No. I d (iv)

Figure 4.23
Interest Coverage Ratio.



The Table 4.23 and Figure 4.23 show that the interest coverage ratio of SCBNL and EBL. The ratio of SCBNL is 2.646 in 2006/7 to 2007/8 then 2.77, 2.801, and 1.702 there after. Similarly, ratio of EBL is increasing in first two year than decreasing trend. i.e 0.9436, 1.1363, 0.9606, 0.8088 and 0.5593 respective the average ratio of SCBNL is 2.513 times this means SCBNL EBIT is 2.513 times more than interest expenses. Similarly, the ratio of EBL is 0.8817 times this means EBIT is less than interest expenses.

The average ratio of SCBNL is greater than EBL i.e $2.513 > 0.8817$. It indicates that SCBNL has higher capacity to pay interest expenses in comparison to EBL.

From S.D. point of view, SCBNL is higher than EBL i.e. $0.4104 > 0.1920$. It implies that SCBNL has high fluctuation with respect to interest coverage than EBL.

From C.V. point of view, EBL is higher than SCBNL i.e. $21.78\% > 16.33\%$. It means EBL has high degree of variability or is inconsistent in maintain interest expenses than SCBNL.

4.2.5 Analysis of Ownership Ratio

From the point of view of the share holders the following financial ratio indicates the financial performance of the given period of time.

- Earning Per Share (EPS)
- Dividend Per Share (DPS)
- Dividend Payout Ratio (DPR)

a. Earning Per Share

Earning per share is the amount available to the holders of each share. Higher EPS means the better earning capacity of the company. Thus EPS is a good measure of performance of the bank. EPS is calculated as follows:-

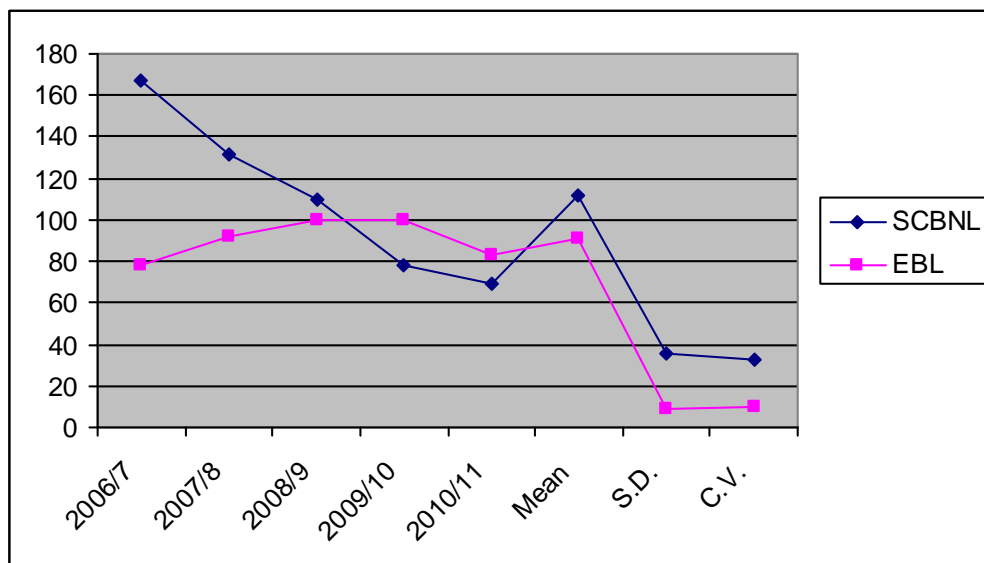
EPS :- $\frac{\text{Net Profit After Tax}}{\text{No. of Share out Standing}}$

Table 4.24
Earning Per Share (In Rs.)

Fiscal Year	SCBNL	EBL
2006/7	167.37	78.42
2007/8	131.92	91.82
2008/9	109.99	99.99
2009/10	77.65	100.16
2010/11	69.51	83.18
Mean	111.288	90.714
S.D.	35.91	8.768
C.V.	32.27%	9.67%

Source: Appendix No. I e (i)

Figure 4.24
Earning Per Share (Rs.)



The Table 4.24 and Figure 4.24 show that the earning per share (Rs.) of SCBNL and EBL. The earning per share of SCBNL is decreasing trend. The earning per share of EBL is increasing trend in 2006/7 to 2009/10 then decrease in 2010/11. SCBNL has highest EPS in fiscal year 2006/7 i.e. 167.37 and lowest is 69.51 in fiscal year 2010/11. Similarly, EBL has highest EPS Rs. 100.16 in fiscal year 2009/10 and lowest is rs 78.42 in fiscal years 2006/7.

The average earning per share of SCBNL is higher than EBL, i.e. Rs 111.288 > Rs . 90.714. It means SCBNL has been able to provide maximum profit to equity holder on a per share basis.

From the S.D. point of view, SCBNL is greater than EBL, i.e. 35.91 > 8.768. It implied that SCBNL has high fluctuated in EPS over the study period in comparison to EBL.

Form C.V. point of view, the C.V. of SCBNL 32.27 indicates that there is a fluctuation of 32.27% in the earning per share of SCBNL. Similarly, the C.V> of EBL 9.67% indicates that there is a fluctuation of 9.67% in the earning per share of EBL. C.V. of SCBNL is greater than EBL i.e. 32.27% > 9.67. It implies that SCBNL has high degree of variability or is inconsistent in earning per share amount than EBL over the study period.

b. Dividend per Share

Dividend per share is the regular amount availed to the holders of each common stock by the bank. Dividend per shows the banks earning and dividend paying capacity. It is calculated as follows.

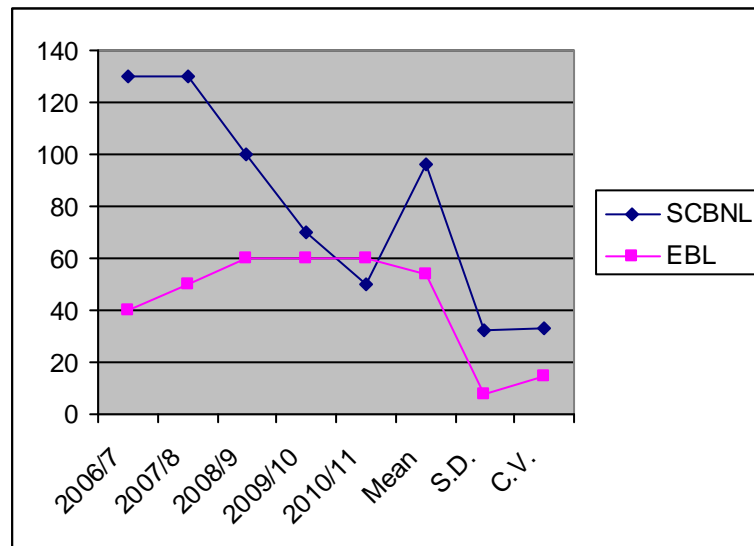
$$\text{Dividend Per Share (DPS)} \text{ :- } \frac{\text{Dividend Paid to Equity Holders}}{\text{No. of Equity Share}}$$

Table 4.25
Dividend Per Share (In Rs.)

Fiscal Year	SCBNL	EBL
2006/7	130	40
2007/8	130	50
2008/9	100	60
2009/10	70	60
2010/11	50	60
Mean	96	54
S.D.	32	8
C.V.	33.33%	14.8%

Source: Appendix No. I e (ii)

Figure 4.25
Dividend per Share (in Rs.)



The Table 4.25 and Figure 4.25 show that the dividend per share of SCBNL and EBL. DPS of SCBNL is increasing trend. DPS of EBL is increasing trend in 2006/7 to 2008/9 then constant. The highest DPS of SCBNL is Rs. 130 in fiscal year 2006/7 to 2007/8 and lowest is Rs. 50 in fiscal year 2010/11. The highest DPS of EBL Rs. 60 in fiscal year 2008-9 to 2010/11 and lowest is Rs. 40 in fiscal year 2006/7. The average DPS of SCBNL is higher than EBL, i.e.

Rs 96 > Rs. 54. It means that SCBNL has been able to provide maximum profit to equity holders on a dividend basis.

From the S.D. point of view, SCBNL is greater than EBL i.e. 32 > 8. It implies that SCBNL has high fluctuated (less homogeneity) in DPS then EBL over the study period.

From the C.V. point of view, SCBNL is greater than EBL, i.e. 33.33% > 14.81%. It implies that SCBNL has high degree of variability or is inconsistent in DPS than EBL over the study period.

c. Dividend Payout Ratio (DPR)

Dividend payout ratio is the percentage of earnings paid to share holders in dividend. It is expressed as follows.

$$\text{Dividend Payout Ratio (DPR)} \quad :- \quad \frac{\text{Dividend Per Share}}{\text{Earning Per Share}}$$

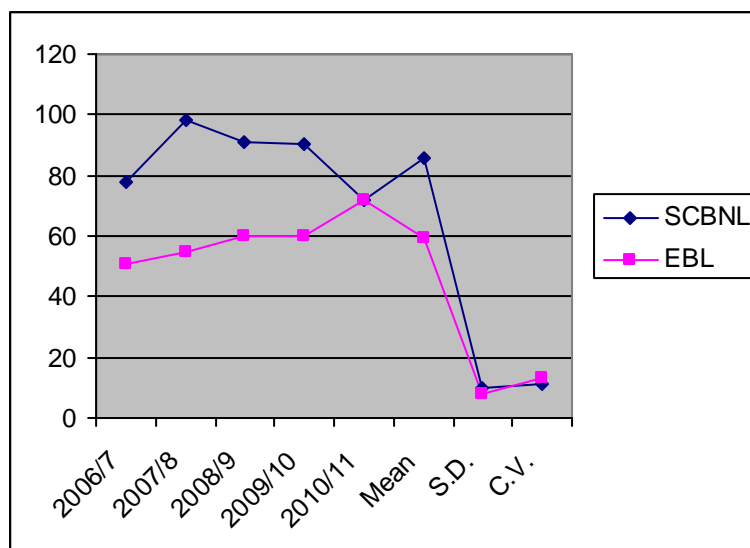
Table 4.26

Dividend Payout Ratio (%)

Fiscal Year	SCBNL	EBL
2006/7	77.67	51
2007/8	98.54	54.45
2008/9	90.92	60
2009/10	90.15	59.90
2010/11	71.93	72.13
Mean	85.84	59.43
S.D.	9.6706	7.7065
C.V.	11.26%	12.97%

Source: Appendix No. I e (iii)

Figure 4.26
Dividend Payout Ratio (%)



The Table 4.26 and Figure 4.26 show that the dividend payout ratio of SCBNL and EBL. The ratio of both banks is in fluctuating trend. The highest ratio of SCBNL is 98.54% in fiscal year 2007/8 and lowest is 71.93% in fiscal year 2010/11.

Similarly, the highest ratio of EBL is 72.13% in fiscal year 2010/11 and lowest is 51% in fiscal year 2006/7.

The average dividend payout ratio of SCBNL is higher than EBL i.e. 85.84% > 59.43%. It indicates earning paid to share holders in dividend by SCBNL is higher than EBL.

From S.D. point of view, SCBNL is higher than EBL, i.e. 9.6706 > 7.7065. It implies that SCBNL has high fluctuation in providing dividend in comparison to EBL over the study period.

From C.V. point of view, EBL is greater than SCBNL i.e. 12.97% > 11.26%. It indicates that EBL has high degree of variability in comparison to SCBNL over the study period.

4.2.6 Analysis of Price Earnings Ratio

This ratio shows the relationship between earning per share and market value per share. This ratio measures the profitability of the firm. Higher ratio shows the higher efficiency of the management and vice versa. This ratio is expressed as follows :-

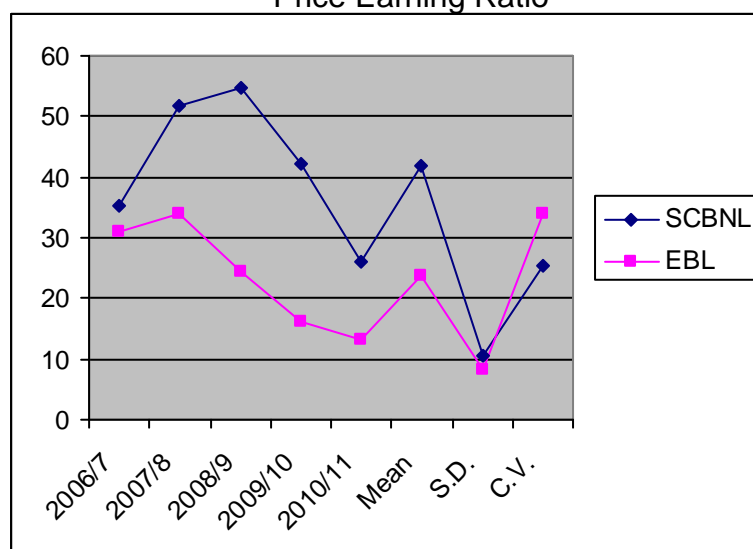
$$\text{Price Earning Ratio (P/E Ratio) :- } \frac{\text{Market Value Per Share}}{\text{Earning Per Share}}$$

Table 4.27
Price Earning Ratio (In Times)

Fiscal Year	SCBNL	EBL
2006/7	35.25	30.99
2007/8	51.77	34.11
2008/9	54.64	24.55
2009/10	42.23	16.27
2010/11	25.90	13.15
Mean	41.958	23.814
S.D.	10.59	8.11
C.V.	25.24%	34.06%

Source: Appendix No. I(i)

Figure 4.27
Price Earning Ratio



The Table 4.27 and Figure 4.27 show the price earning ratio of SCBNL and EBL. The ratio of SCBNL is increasing trend in 2006/7 to 2008/9 then decreasing. The ratio of EBL is increasing trend in 2006/7 to 2007/8 then decreasing. The highest ratio of SCBNL is 54.64 times in fiscal year 2008/9 and lowest is 25.90 in fiscal year 2010/11. Similarly, the highest ratio of EBL is 34.11 in fiscal year 2007/8 and lowest is 13.15 in fiscal year 2010/11.

The average mean ratio of SCBNL and EBL are 41.958 and 23.814 times. It indicates that for getting Rs. 1 as earning one should invest Rs. 41.958 in SCBNL and Rs. 23.814 in EBL. The higher P/E ratio signify that price of SCBNL is traded in market higher in aspect of its earning than EBL.

From S.D. point of view, SCBNL is greater than EBL, i.e. $10.59 > 8.11$. It implies that SCBNL has high fluctuation in price earning in comparison to EBL over the study period.

From C.V. point of view, EBL is greater than SCBNL i.e. $34.06 \% > 25.24\%$. It indicates that EBL has high degree of variability in price earning capacity than SCBNL over the study period.

4.3 Statistical Tools

In this section some statistical tool such as co-efficient of correlation analysis between different variables and trend analysis of different variables are used to achieve the objective of the study.

4.3.1 Co-Efficient of Correlation

The degree of relationship between two variable at a time is called correlation. In other words, two variables are correlated in such way that if one variable change, than other variable also changes subsequently. Under this topic, karl pearson's co-efficient of correlation is used to find out the relationship between total deposit and investment, deposit and loan and advances, net profit and investment, loan and advance and net profit deposit and net profit.

a) Co-Efficient of Correlation between Total Deposit and Investment.

Co-efficient of correlation between total deposit and investment measure the degree of relationship between two variable. In this analysis, deposit is independent variables (x) and investment is dependent variable (y). The main objective of computing "r" between these two variable is to justify whether deposits are effectively used as investment in a proper way or not. The table shows the value of "r" and "r²" between deposit and investment of SCBNL and EBL.

Table 4.28

Co-Efficient of Correlation between Deposit and Investment

Name of Bank	r	r²	Relationship
SCBNL	0.8087	0.6540	+ve
EBL	0.6904	0.4767	+ve

Source: Appendix No. II (i)

The Table 4.28 show that co-efficient of correlation between total deposit and investment of SBNL and EBL. The co-efficient of correlation between total deposits and investment of SCBNL is 0.8087 which indicate a positive correlation between deposit and total investment. Co-efficient of determination (r²) is 0.6540. This means 65.40% of variation of the dependent variable has been explained by independent variable.

The co-efficient of correlation (r) between deposit and investment of EBL is 0.6904, which indicates a positive relationship between the two variables. The co-efficient of determination r^2 is 0.4767. This indicates that 47.67% of the variation of the dependent variable has been explained by independent variable.

In conclusion, it can be said that both banks show positive relationship between total deposits and total investments.

b) Co-Efficient of Correlation between Deposit and Loan and Advances.

Co-efficient of correlation between deposit and loan and advances measure the degree of relationship between two variables. In this analysis, deposit is independent variables (x) and loan and advance is dependent variable (y). The main objective of calculating "r" between these two variables is to justify whether deposits are effectively used as loan and advance or not. The below table shows the value of "r" and " r^2 " between deposit and loan and advances of SCBNL and EBL.

Table 4.29

Co-Efficient of Correlation between Deposit and Loan and Advance

Name of Bank	r	r^2	Relationship
SCBNL	0.8618	0.7427	+ve
EBL	0.9965	0.9930	+ve

Source: Appendix No. II (ii)

The co-efficient of correlation between deposit and loan and advance of SCBNL is 0.8618. Which indicates a positive relationship between deposits and loan and advances. Co-efficient of determination r^2 is 0.7427. This means 74.27% of variation of the dependent variable (loan and advance) has been explained by independent variable (deposits)

The co-efficient of correlation between deposit and loan and advances of EBL is 0.9965, which indicates a higher positive correlation between them. The value of co-efficient of determination r^2 is found to be 0.9930. This shows that 99.30% variation of dependent variable (loan and advance) has been explained by the variables (deposits)

In conclusion, it can be said that both banks show positive relationship between total deposits and loan and advances.

c) Co-Efficient of Correlation between Net Profit and Investment

Co-efficient of correlation between net profit and investment measure the degree of relationship between two variable. In this analysis, investment is independent variables (x) and net profit is dependent variable (y). The main purpose of calculating between these two variable is to justify weather net profit is correlated with total investment or not. The below table show the value of "r" and "r²" between net profit and investment of SCBNL and EBL.

Table 4.30
Co-Efficient Of Correlation between Net Profit and Investment

Name of Bank	r	r²	Relationship
SCBNL	0.8415	0.7081	+ve
EBL	0.6692	0.4478	+ve

Source: Appendix No. II (iii)

The Table 4.30 show that co-efficient of correlation between net profit and investment of SCBNL and EBL. The co-efficient of correlation between net profit and investment of SCBNL is 0.8415 which indicate a positive correlation between net profit and investment. Co-efficient of determination (r²) is 0.7081. This means 70.81% of variation of the dependent variable (net profit) has been explained by independent variable (investment).

The co-efficient of correlation (r) between net profit and investment of EBL is 0.6692, which indicates a positive correlation between net profit and investment. Co-efficient of determination r² is 0.4478. This means 44.78% of variation of dependent variable (net profit) has been explained by independent variable (investment).

In conclusion, it can be said that both banks show positive relationship between net profit and investment.

d) Co-Efficient of Correlation between Loan and Advance and Net Profit

Co-efficient of correlation between loan and advance and net profit measure the degree of relationship between two variables. In this analysis, loan and advance are independent variables (x) and net profit is dependent variable (y). The main objective of computing "r" between these two variable is to justify whether net profit is closely correlated with respective loan and advance or net profit.

Table 4.31

Co-efficient of correlation between loan and advance and net profit

Name of Bank	r	r²	Relationship
SCBNL	0.8864	0.7857	+ve
EBL	0.9971	0.9942	+ve

Source: Appendix No. II(iv)

The Table 4.31 show that co-efficient of correlation between loan and advance and net profit of the sample banks. The co-efficient of correlation between loan and advance and net profit of SCBNL and EBL are 0.8864 and 0.9971. Both banks have the positive relationship between two variables. It refers that net profit and loan and advance move same way. The co-efficient of determination (r^2) of SCBNL is 0.7857. This means 78.57% of variation of dependent variable (net profit) has been explained by independent variable (loan and advance) similarly, The co-efficient of determination (r^2) of EBL is 0.9942, This means 99.42% of variation of dependent variable (net profit) has been explain by the independent variable (loan and advance)

In conclusion, it can be said that both banks show positive relationship between net profit and loan and advance.

e) Co-Efficient of Correlation between Deposit and Net Profit

Co-efficient of correlation between total deposit and net profit measures the degree of relationship between two variables. In this analysis, deposit is independent variables (x) and net profit is dependent variable (y). The main objective of calculating "r" between these two variable is to justify whether deposits are effectively used to get proper net profit or not.

Table 4.32
Co-efficient of correlation between deposit and net profit

Name of Bank	r	r²	Relationship
SCBNL	0.9819	0.9641	+ve
EBL	0.9903	0.9807	+ve

Source: Appendix No. II(v)

Above table shows that co-efficient of correlation between total deposit and net profit of the sample banks. The co-efficient of correlation between deposit and net profit of SCBNL is 0.9819 and 0.9903 respectively. Both banks have positive relationship between these two variables. It indicates that deposit and net profit of both banks move than together. EBL has high relationship which indicates that is in better condition for mobilizing the collected deposit to generate more profit in comparison to SCBNL. The co-efficient of determination (r^2) of SCBNL is 0.9641. This means 96.41% of variation of dependent variable net profit has been explained by the independent variable (total deposit). Similarly, the co-efficient of determination (r^2) of EBL is 0.9807. This means 98.07% of variation of dependent variable (net profit) has been explained by the independent variable (total deposit)

In conclusion, it can be said that both banks show positive relationship between total net profit and total deposit.

4.3.2 Trend Analysis (Time Series Analysis)

Trend analysis plays an important role in the analysis and interpretation of financial statement. Trend signifies a tendency. It helps in forecasting and planning future operation. Trend analysis is a statistical tools, which is used to see the movement of upward or downward by the help of given numerical values of some specified period of time. That time period may be five years or ten years.

Here, trend analysis of total deposit, investment, loan and advance, net profit and current assets are done.

a) Trend Analysis of Total Deposit

Deposits are the important part in banking sector hence its trend for next five years will be forecasted for future analysis. Under this topic an effort has been made to calculate the trend value of total deposit of SCBNL and EBL.

The straight line trend of series of data is represented by the following formula

$$y = Xa + b$$

Where

y = the value of dependent variable

a = y-intercept

b = slope of trend line.

x = value of the independent variable.

let trend line be

$$y = Xa + b \quad (i)$$

Where x = x-middle year

$Y_c = 32688940888 + 3214316577 X$ of SCBNL

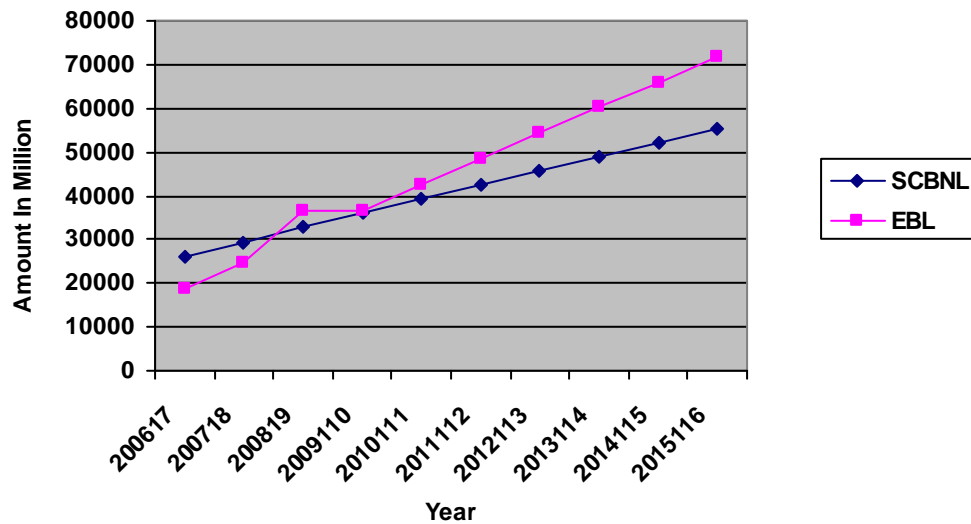
$Y_c = 30709144533.8 + 5883933306.9 X$ of EBL

Table 4.33

Trend Analysis of Total Deposit		
Year	SCBNL (In Million)	EBL (In Million)
200617	26260	18941
200718	29474	24825
200819	32688	36709
2009110	35903	36593
2010111	39117	42477
2011112	42331	48360
2012113	45546	54244
2013114	48760	60128
2014115	51974	66012
2015116	55189	71896

Source: Appendix No. III (i)

Figure 4.28
Trend Line of Total Deposit



The Table 4.33 and Figure 4.28 show that the trend of total deposit of SCBNL and EBL. The total deposit of both banks forecasted increasing trend. The rate of increment trend of EBL is higher and aggressive than SCBNL. It indicates EBL trend of in total deposit is proportionately much better than SCBNL.

b) Trend Analysis of Investment.

Investment is main source of profit earning of commercial bank. Here we analyze trend analysis of total investment of SCBNL and EBL.

The straight line trend of series of data is represented by the following formula.

$$y = Xa + b$$

Where

- y = The value of dependent variable
- a = y-intercept
- b = slope of trend line.
- x = value of the independent variable.

Let trend line be

$$y = a + bx \quad (i)$$

Where $x = x$ -middle year

$$Y_c = 1695967340.8 + 1335559003 X \text{ of SCBNL}$$

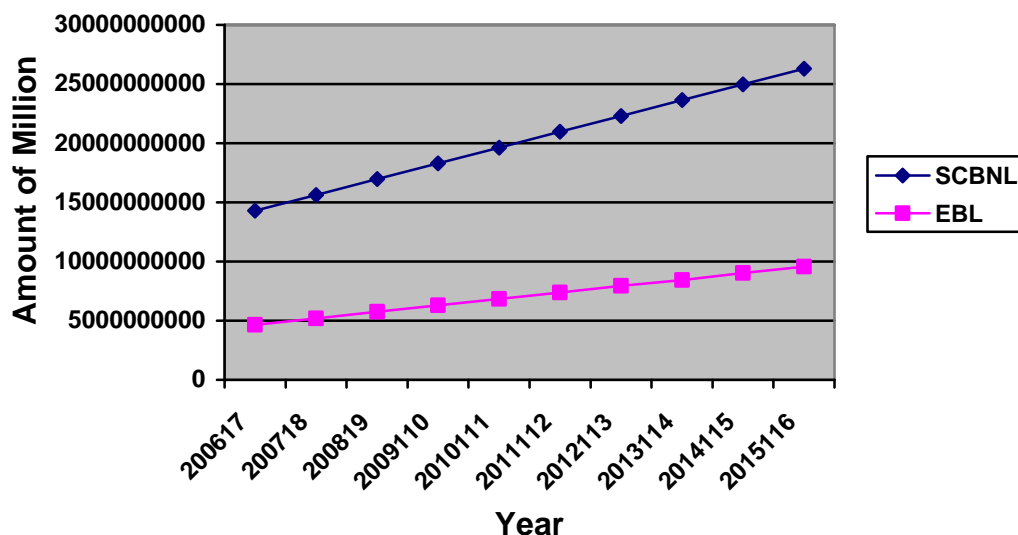
$$Y_c = 5748917662.6 + 546797751.5 X \text{ of EBL}$$

Table 4.34

Trend Analysis of Total Investment		
Year	SCBNL	EBL
200617	14288555404.8	4655322159.6
200718	15624114407.8	5202119911.1
200819	16959673410.8	5748917662.6
2009110	18295232413.8	6295715414.1
2010111	19630791416.8	6842513165.6
2011112	20966350419.8	7389310917.1
2012113	22301909422.8	7936108668.6
2013114	23637468525.8	8442906420.1
2014115	24973027428.8	9029704171.6
2015116	26308586431.8	9576501923.1

Source: Appendix No. III (ii)

Figure 4.29
Trend Line of Investment



The Table 4.34 and Figure 4.29 show that the trend line of total investment of SCBNL and EBL. The total investment of both banks forecasted increasing trend. The rate of increment of total investment of SCBNL seems to be higher and aggressive than EBL. Which indicate SCBNL make investment higher than EBL.

c) Trend Analysis of Loan and Advance.

Here, we calculate the trend value of loan and advances of SCBNL and EBL for further five year.

The straight line trend of series of data is represented by the following formula.

$$y = Xa + b$$

Where

- y = The value of dependent variable
- a = y-intercept
- b = Slope of trend line
- x = value of the independent variable.

Let trend line be

$$y = a + bx \quad (i)$$

Where $x = x$ -middle year

$$Y_c = 13896135869.8 + 1704011296.7 X \text{ of SCBNL}$$

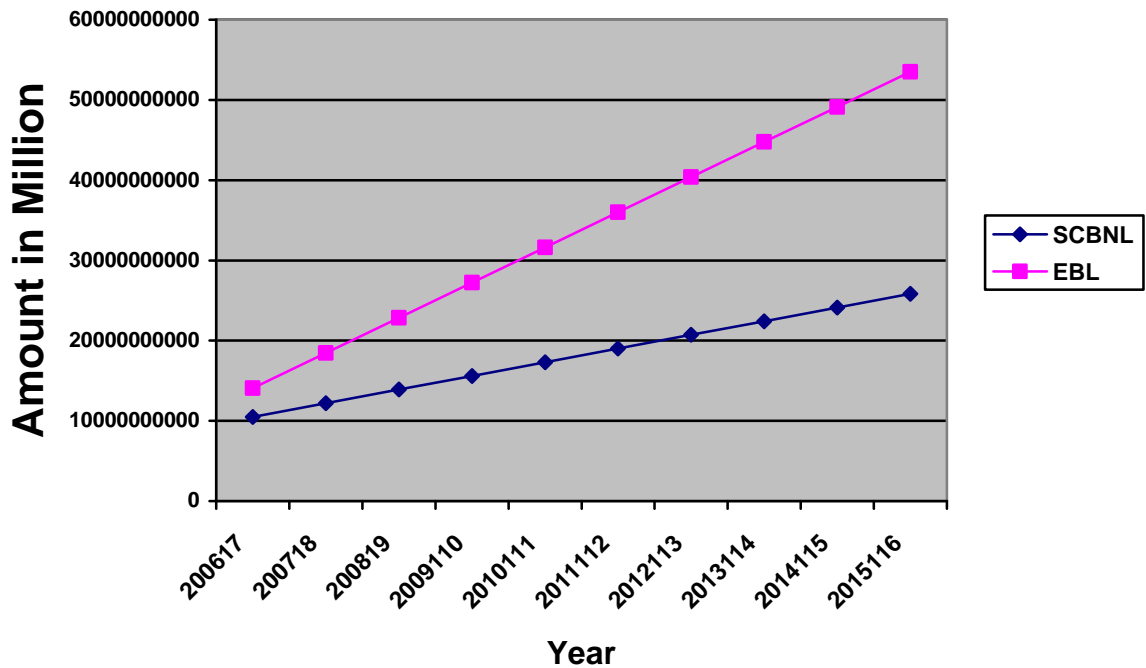
$$Y_c = 22836986386.8 + 4382900198.5 X \text{ of EBL}$$

Table 4.35

Trend Analysis Of Loan and Advances		
Year	SCBNL	EBL
200617	10488113276.4	14071185989.8
200718	12192124573.1	18454086188.3
200819	13896135869.8	22836986386.8
2009110	15600147166.5	27219886585.3
2010111	17304158463.2	31602786783.8
2011112	19008169759.9	35985686982.3
2012113	20712181056.6	40368587180.8
2013114	22416192353.3	44751487379.3
2014115	24120203650	49134387577.8
2015116	25824214946.7	53517287776.3

Source: Appendix No.III (iii)

Figure 4.30
Trend Line of Total Loan and Advance



The Table 4.35 and Figure 4.30 show that the trend line of total loan and advance of SCBNL and EBL. The loan and advance of both banks forecasted increasing trend. The rate of increment of loan advance of EBL is higher than SCBNL. Which indicate EBL seems aggressive in providing loan and advances than SCBNL.

d) Trend Analysis of Net Profit

The main objective of bank is to earn maximum profit. Here, we calculate the trend value of net profit of SCBNL and EBL for further five year.

The straight line trend of series of data is represented by the following formula.

$$y = Xa + b$$

Where

- y = The value of dependent variable
- a = y-intercept
- b = Slope of trend line
- x = value of the independent variable.

Let trend line be

$$y = a + bx \quad (i)$$

Where $x = x$ -middle year

$$Y_c = 948153317.6 + 112191713 X \text{ of SCBNL}$$

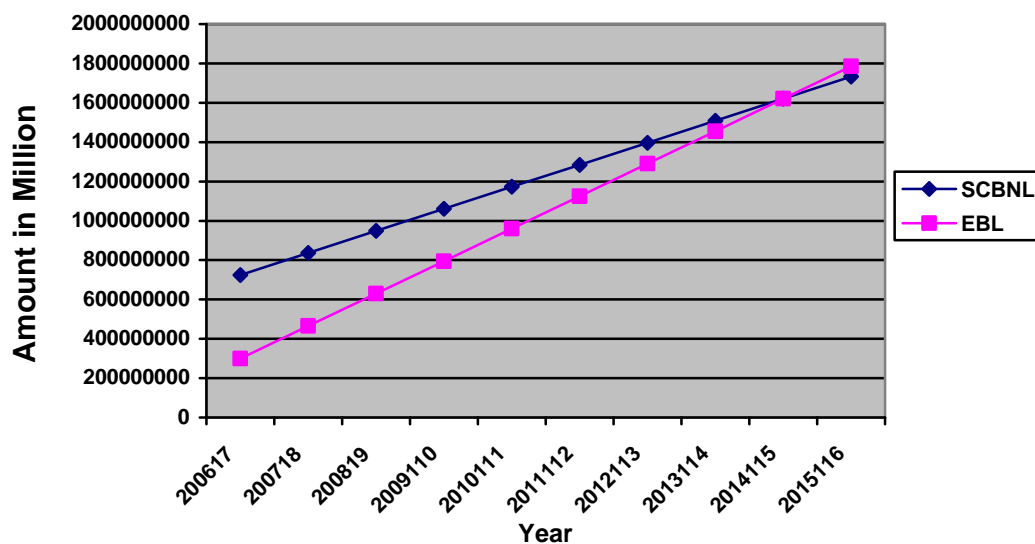
$$Y_c = 629885982.2 + 165033571.3 X \text{ of EBL}$$

Table 4.36

Trend Analysis Of Net Profit		
Year	SCBNL	EBL
200617	723769891.6	299818839.6
200718	835961604.6	464852410.9
200819	948153317.6	629885982.2
2009110	1060345030.6	794919553.5
2010111	1172536743.6	959953124.8
2011112	1284728456.6	1124986696.1
2012113	1396920169.6	1290020267.4
2013114	1509111882.6	1455053838.7
2014115	1621303595.6	1620087410
2015116	1733495308.6	1785120981.3

Source: Appendix No.III (iv)

Figure 4.31
Trend Line of Net Profit



The Table 4.36 and Figure 4.31 show that the trend value of net profit of SCBNL and EBL. The net profit of both banks forecasted increasing trend. The rate of increment of net profit for EBL seems higher than SCBNL. The trend show increment of net profit of EBL is aggressive than SCBNL. In conclusion EBL is doing better in order to generate net profit during the projected study period but increment of SCBNL is little lower than EBL.

e) Trend Analysis of Current Assets

Current assets refer to those assets which can be converted into cash normally with in a year. Such as cash and bank balance, loan and advance, investment in treasury bulls, money at call or placement, bill purchased and discount receivables, prepaid expenses, stock of finished goods, advance payment of tax and inter branch accounts etc.

The straight line trend of series of data is represented by the following formula.

$$y = a + bx$$

Where

- y = The value of dependent variable
- a = y-intercept
- b = Slope of trend line
- x = value of the independent variable.

Let trend line be

$$y = a + bx \quad (i)$$

Where $x = x$ -middle year

$$Y_c = 19127626278 + 1448485387.2 X \text{ of SCBNL}$$

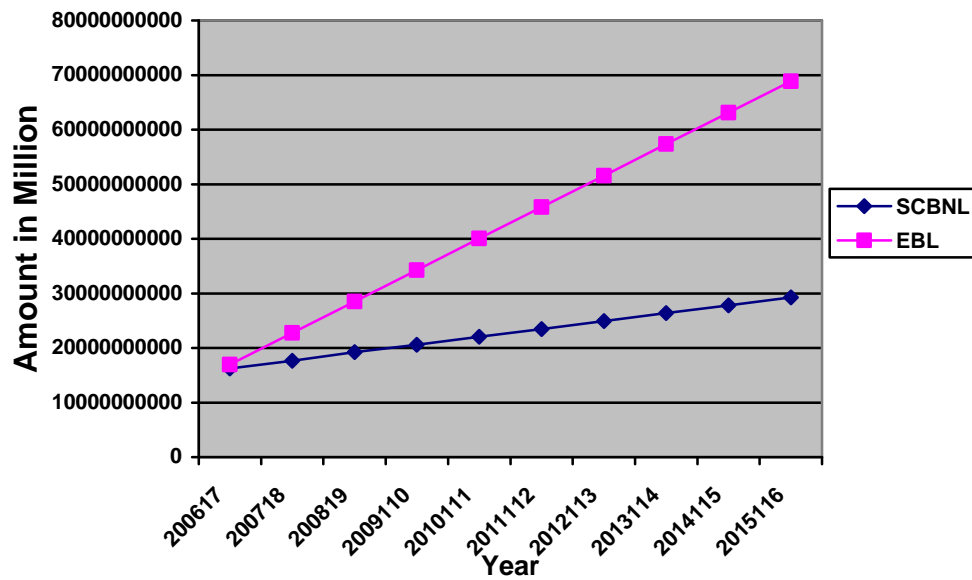
$$Y_c = 28498405997.8 + 5768981175.9 X \text{ of EBL}$$

Table 4.37

Trend Analysis of Current Assets		
Year	SCBNL	EBL
200617	16230655503.3	16960443646
200718	17679140890.8	22729424821.9
200819	19227626278	28498405997.8
2009110	20576111665.2	34267387173.7
2010111	22024597052.4	40036368349.6
2011112	23473082439.6	45805349525.5
2012113	24921567826.8	51574330701.4
2013114	26370053214	57343311877.3
2014115	27818538601.2	63112293053.2
2015116	29267023988.4	68881274229.1

Source: Appendix No.III (v)

Figure 4.32
Trend Line of Net Profit



The Table 4.37 and Figure 4.32 show that the trend value of current assets of SCBNL and EBL. The current assets both banks forecasted increasing trend. The rate of increment trend of EBL is higher than SCBNL. It indicates EBL trend of current assets in proportionately much better than SCBNL.

4.4 Major Finding of the Study

The major findings of the study derived from the analysis financial data of SCBNL and EBL are given below

4.4.1 Major Findings of Financial Analysis

Liquidity Ratio

The liquidity position of SCBNL and EBL reveals that: The average current ratio of both banks i.e. SCBNL and EBL is 0.5628 and 0.886 in times respectively. It shows that the current ratio of both banks is below the standard ratio 2:1. The average ratio of EBL is higher than SCBNL, i.e. $0.886 > 0.5628$. It means the sound liquidity position of EBL in comparison to SCBNL.

The mean ratio of cash and bank balance to total deposit of EBL is higher than SCBNL, i.e. $15.768 > 7.43\%$ EBL has better liquidity position than SCBNL because of high percentage of liquid found. This shows EBL readiness to meet its customer requirement. The C.V. and S.D. of SCBNL has lower than EBL, i.e. $15.45 < 22.65$ and $1.1480 < 3.5716$. This indicate low risk and more consistent than EBL.

The mean ratio of cash and bank balance to current assets ratio of EBL is higher than SCBNL, i.e. $17.004\% > 12.64\%$. It means greater capacity to meet its customer's daily cash requirement than SCBNL. Lower ratio indicates less liquidity position. It states that the liquidity position of SCBNL is poorer than EBL.

The mean ratio of loan advance to current assets of EBL is higher than SCBNL i.e. $80.77\% > 72.45\%$. It means EBL has greater capability to invest its current assets in loan and advance in comparison to SCBNL.

The mean ratio of investment on government security to current assets of SCBNL is greater than EBL, i.e. $45.83\% > 19.77\%$. It means SCBNL had invested its higher portions of current assets on Government security than EBL. It means SCBNL conscious in invest in risk free asset than EBL. The C.V. and S.D. of SCBNL has also lower than EBL. This indicate low risky and consistently than EBL.

In term of CRR, the average ratio of EBL is higher than SCBNL, i.e. $10.406\% > 4.522\%$. It means the position of EBL is satisfactory than SCBNL. SCBNL is in terrible condition.

The above results show that the liquidity position of EBL and SCBNL are satisfactory. But we can conclude that the liquidity position of EBL is comparatively better than SCBNL. It has the highest current ratio, cash and bank balance to total deposit, cash and bank balance to current asset, loan and advance to current assets and cash reserve ratio. EBL is in a better position to meet its daily cash requirement and customer cash requirement. EBL has a higher current ratio which signifies that it is also capable enough to meet its current obligations. Cash reserve ratio of EBL is higher than SCBNL. It means the position of EBL is satisfactory than SCBNL. SCBNL average ratio of investment on government security to deposits it better than EBL.

Assets Management Ratio

The assets management ratio of SCBNL and EBL reveals that:

The mean ratio of loan and advance to total deposit of EBL is higher than SCBNL i.e. $74.49\% > 45.98\%$. It means that EBL has strong position to mobilization of total deposit on loan and advance and acquiring higher profit with compare to SCBNL. The C.V. of EBL is lower than SCBNL which indicates consistently in ratio.

The mean ratio of total investment to total deposit of SCBNL is higher than EBL, i.e. $51.99\% > 19.75\%$. The higher ratio of SCBNL indicates higher investment from total deposit than EBL. The C.V. of SCBNL is lower than EBL, i.e. $9.46\% < 23.04\%$ indicating more stability than EBL.

The mean ration of loan and advances to total working fund of EBL is higher than SCBNL, i.e. $65.75\% > 39.88\%$. it indicates that EBL provides higher loan and advance from working fund. EBL is better at mobilizing its total working fund as loan and advance. The lower C.V. of EBL signifies more consistency in ratio. The higher C.V. of SCBNL signifies more fluctuation in its ratio.

The mean ratio of investment on Government securities to total working fund of SCBNL is higher than EBL, i.e. $23.5\% > 15.92\%$. It means investment of

SCBNL is more risk free assets than EBL. The C.V. and S.D. of SCBNL has also lower than EBL. It indicates low risky and consistently in its ratio.

The main ratio of investment on share and debenture to total working fund of EBL is slightly higher than SCBNL i.e. $0.2408\% > 0.2135\%$. It indicates EBL has invested more portion of its total working fund on share and debenture than SCBNL.

The mean ratio of loan and advances to saving deposit of EBL is higher than SCBNL, i.e. $1.82\% > 0.97\%$. It indicates that EBL has been successful in using the depositors saving properly in loan and advance in comparison to SCBNL. The S.D. of SCBNL is higher than EBL. It means SCBNL has fluctuation in utilization the saving deposit in loan and advances in comparison to EBL.

From the above finding we can conclude that EBL has been more successful to mobilization of total deposit as loan and advance, total working as loan and advance, saving deposit as loan and advances. SCBNL appears to be stringer in mobilization of total deposit as investment. Both banks have successfully managed their assets towards different income generation activities.

Profitability Ratio

The profitability ratio of SCBNL and EBL reveals that:

The mean ratio of return on loan and advance of SCNL is higher than EBL, i.e. $6.85\% > 2.67\%$. It means SCBNL has been more successful in maintaining higher return on loan and advance than EBL. Lower C.V. of SCBNL signifies less variable and more consistent than EBL.

The mean ratio of return on total assets of SCBNL is higher than EBL, i.e. $2.53\% > 1.76\%$. It reveals that SCBNL has been able to earn high profit on total assets in comparison to EBL. The lower C.V. of SCBNL signifies more consistently in ratio.

The mean ratio of return on equity of SCBNL is higher than EBL, i.e. $32.80\% > 27.44\%$. It indicates SCBNL has been most effective in optimally

mobilizing the share holder's equity to making profit. It signifies that the share holders of SCBNL are getting higher return than EBL. The lower C.V. of SCBNL signifies more consistency in ratio.

The mean ratio of total interest earned to total assets of EBL is higher than SCBNL, i.e. $6.788\% > 3.62\%$. It indicates EBL is in strong position to generate interest income from the total assets in comparison to SCBNL. EBL ratio are more stable and less variable than SCBNL.

The mean ratio of return on total deposit of SCBNL is higher than EBL, i.e. $2.89\% > 1.99\%$. It indicates SCBNL has been more efficient in mobilizing the deposit in productive sector in comparison to EBL.

The mean ratio of Earning power of SCBNL is higher than EBL, i.e. $3.84\% > 2.74\%$. It indicates SCBNL has been successful in more efficiently in generating more profit in comparison to EBL.

On the basis of above, we can conclude that SCBNL has been more successful in maintain it's higher return on loan and advance and total assets similarly, return on equity and return on total deposit. The earning power of SCBNL is higher than EBL. The total interest earned to total assets of EBL is higher than SCBNL, i.e. $6.7667\% > 3.62\%$. It indicates EBL is in strong position to generate interest income from the total assets in comparison to SCBNL.

Leverage or Capital Structure Ratio

The leverage or capital structure ratio of SCBNL and EBL reveals that:

The mean ratio of debt equity of EBL is 14.75 times and SCBNL is 12 times. It indicates EBL has highly leveraged 14.75 time means; debt capital financing is more than 14.75 times of its share holder's equity. Debt equity ratio of SCBNL is 12 times, it indicates debt capital financing is more than 12 times of its shareholders equity. Less C.V. of SCBNL indicates, less variability or is in consistent in maintain total debt to total equity over the study period.

The mean ratio of debt assets ratio of EBL is slightly higher than SCBNL, i.e. $92.65\% > 92.56\%$. It indicates EBL used more debt in comparison to SCBNL.

The mean ratio of debt to total capital of EBL is slightly higher than SCBNL, i.e. 93.53% > 92.30%. It indicates portions of EBL assets financed by creditors is higher than SCBNL. It means in total capital debt is used 93.53% and remaining 6.47% is from shareholder equity. Similarly in SCBNL 92.30% assets financed by creditors and remaining 7.7% are from shareholders equity.

The mean ratio of interest coverage of SCBNL is higher than EBL, i.e. 2.513 times > 0.8817 times. It indicates that SCBNL has higher capacity to pay interest expenses in comparison to EBL. C.V. of EBL is higher than SCBNL i.e. 21.78% > 16.33%. It means EBL has high degree of variability or is inconsistent in maintaining interest expenses than SCBNL.

From the above finding we can conclude that EBL used more debt capital than shareholders equity in comparison to SCBNL. Similarly, EBL used more debt in total assets in comparison to SCBNL. EBL used more debt in total capital in comparison to SCBNL. The mean ratio of interest coverage of SCBNL is higher than EBL, i.e. 2.513 times > 0.8817 times. It indicates that SCBNL has higher capacity to pay interest expenses in comparison to EBL.

Ownership Ratio

The ownership ratio of SCBNL and EBL reveals that:

The average earning per share of SCBNL is higher than EBL, i.e. Rs. 111.2887 > Rs. 90.714. It means SCBNL has been able to provide maximum profit to equity holder on a per share basis.

The average dividend per share of SCBNL is higher than EBL, i.e. Rs. 96 > Rs. 54. It means that SCBNL has been able to provide maximum profit to equity holders on a dividend basis.

The average dividend payout ratio of SCBNL is higher than EBL, i.e. 85.84 > 59.43. It indicates earning paid to shareholders in dividend by SCBNL is higher than EBL.

From the above finding we can conclude that SCBNL has been able to provide maximum profit to equity holder on a per share basis and on a dividend basis. Similarly, Dividend payout ratio of SCBNL is higher than EBL. It means earnings paid to share holders in dividend by SCBNL are higher than EBL.

Price Earning Ratio

The average price earning ratio of SCBNL is greater than EBL, i.e. 41.958 times >23.814 times. It indicates that for getting Rs. 1 as earning one should invest Rs. 41.958 in SCBNL and Rs. 23.814 in EBL. The higher P/E ratio signify that price of SCBNL is traded in market higher in aspect of its earning than EBL. From S.D. point of view SCBNL is greater than EBL. i.e. 10.59>8.11. It implies that SCBNL has high fluctuation in price earning in comparison to EBL.

From C.V. point of view, EBL is greater than SCBNL, i.e. 34.06%>25.24%. It indicates that EBL has high degree of variability in price earning capacity than SCBNL over the study period.

From the above finding we can conclude that price earning capacity of SCBNL is higher than EBL.

4.4.2 Major Findings of Statistical Analysis

Co-Efficient of Correlation Analysis

Co-efficient of correlation analysis between different variables of SCBNL and EBL reveals that:

The co-efficient of correlation between deposit and investment of SCBNL and EBL are 0.8087 and 0.6904 respectively. There is positive relationship between these two variables but EBL has lower positive correlated than SCBNL. The co-efficient of determination of SCBNL and EBL are 0.6540 and 0.4767 respectively. It means 65.40% of SCBNL and 47.67% of

EBL of variation in investment have been explained by deposit. Least are determine by other factor.

The co-efficient of correlation between deposit and advance of SCBNL and are 0.8618 and 0.9965 respectively. There is positive relationship between two variables but EBL has higher positive correlated than SCBNL. The co-efficient of determination of SCBNL and EBL are 0.7427 and 0.9930 respectively. It means 74.27% of variation of the loan and advance of SCBNL, 99.30% of variation in loan and advance of EBL has been explained by the total deposit.

The co-efficient of correlation between net profit and investment of SCBNL and EBL are 0.8415 and 0.6692 respectively. There are positive relationship between two variable but EBL has lower positive correlated than SCBNL. The co-efficient of determination of SCBNL and EBL are 0.7081 and 0.4478 respectively. It means 70.81% of variation of the net profit of SCBNL, 44.78% of variation of the net profit of EBL has been explained by the investment.

The co-efficient of correlation between net profit and loan and advance of SCBNL and EBL are 0.8864 and 0.9971 respectively. There is positive relationship between two variable but EBL has higher positive correlated than SCBNL. The co-efficient of determination of SCBNL and EBL are 0.7857 and 0.9942 respectively. It means 78.57% of variation of the net profit of SCBNL and 99.42% of variation of the net profit of EBL has been explained by the loan and advances.

The co-efficient of correlation between net profit and deposits of SCBNL and EBL are 0.9819 and 0.9903 respectively. It refers that net profit and deposits of both banks move together very closely but net proportionately. There is positive relationship between two variable EBL has high relationship indicate that is in better condition for mobilizing the collected deposit to generate more profit in comparison to SCBNL. The co-efficient of determination of SCBNL and EBL are 0.9641 and 0.9807. It means 96.41% of variation of the net profit of EBL has been explained by deposit.

Major Finding of Trend Analysis and Protection for Next Five Year.

The trend analysis of deposit, investment, loan and advances, net profit and current assets and its protection for next five year of SCBNL and EBL reveals that:

The deposits of both banks have in creasing trend. The rate of increment trend of EBL is higher and aggressive than SCBNL. It indicates EBL trend of collecting total deposit is proportionately much better than SCBNL.

The total investment of both banks have in increasing trend. The rate of increment of total investment of SCBNL seems to be higher and aggressive than EBL. It indicates SCBNL make investment higher than EBL.

The loan and advance of both banks have in increasing trend. The rate of increment trend of loan and advance of EBL is higher than SCBNL. It indicate EBL seems aggressive in providing loan and advance than SCBNL.

The net profit of both banks has in increasing trend. The rate of increment of net profit of EBL seems higher than SCBNL. The trend show increment of net profit of EBL is aggressive than SCBNL. In conclusion, EBL is doing better in order to generate net profit during the protected period but increment of SCBNL is little lower than EBL.

The current assets of both banks have in increasing trend. The rate of increment of current assets of EBL is higher than SCBNL. It indicates EBL trend of current assets is proportionately much better than SCBNL.

Chapter-V

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter includes two aspects of the study. The first aspects are to focus on summarizing the fact finding of the study and making conclusion remarks upon them. While second aspects of the study focuses on making some useful suggestion and recommendation based on findings of the study for further improvement of the banks.

5.2 Summary

The development of any country largely depends upon its economic development economic development demands transformation of savings or invertible resources into the actual investment formation is the prerequisite in setting the overall place of the development of a country. It is the financial institutions that transfer funds from surplus spending units to deficit units.

Banking sector plays an important role in the economic development of the country. Commercial banks are one of the vital aspects of this sector which deals in the process of channeling the available resources in the needed sector. It plays the role of agent between the deficit and surplus of financial resources. Financial institution like banks are a necessity to collect scattered saving and put them into productive channels. In the absence of such institution. It is possible the saving will now be safety and profitable utilized with in the economy. It will be diverted aboard into unproductive sectors.

The main objective of this study is to analyze the financial performance of the commercial banks in Nepal. However, the study of all the commercial banks was almost impossible and thus only two banks namely standard chartered banks and Everest bank Ltd. Were taken as sample. To achieve the objective we analyze the overall performance of SCBNL and EBL in terms of liquidity,

profitability, activity, leverage and other ratio to study the achievement of SCBENL and EBL.

The study is about the financial performance of the SCBNL and EBL based on its financial data of five years by using financial and statistical tools. The overall financial performance of the bank has tried to analyze. The various ratios have revealed the financial condition of the bank over the five years. Correlation analysis helps to establish the relationship between two variable which can be useful to know how one variable affects the another variable. Like wise trend analysis is used to find out the trend of some very important elements like total deposit, loan and advance, net profit, investment and current assets on the basis of the past data of the bank. This can be used in predicting the value of these elements.

This study has been mainly divided in five main chapters: First dealt with introduction, second dealt with the review of literature, third presented research methodology, fourth presented presentation and analysis of data and fifth ended with summary, conclusions and recommendations.

5.3 Conclusions

This study reveals that the current ratio of both banks are below the standard ratio, ie. 2:1. But the average ratio of EBL is higher than SCBNL. Which signifies that EBL is capable enough to meet its current obligations? The cash and bank balance of EBL with respect to deposits is greater than SCBNL. In this situation, EBL is better position with respect to meeting customer requirement than SCBNL.

The cash and bank balance to EBL with respect to current assets is higher than SCBNL. This shows greater capacity of EBL to meet its customers cash requirements but that does not mean SCBNL cannot meet it's daily cash requirement of customer. EBL needs to invest it's funds in more productive sectors. SCBNL mean investment on government security to current assets ratio is better than EBL during the period shows that lack of concrete policy of the bank in this regard. The cash reserve ratio indicated that liquidity position of EBL was most satisfactory than SCBNL, since the average cash reserve ration maintained by the EBL was highest and the liquidity position of SCBNL

was most terrible. The above results show that the liquidity position of EBL and SCBNL is satisfactory. But we can conclude that liquidity position of EBL is comparatively better than SCBNL.

When use analyze the assets management ratio, we can conclude that EBL has been more successful to mobilization of total deposit as loan and advance total working fund as loan and advance, saving deposit as loan and advance. SCBNL appears to be stronger in mobilization of total deposit as investment. Both banks have successfully managed their assets towards different income generation activities.

On the basis of profitability analysis we can concludes that SCBNL has been more successful in maintain its higher returns on loan and advance, and total assets similarly returns on equity and return on total deposits. The earning power of SCBNL is higher than EBL. The total interest earned to total assets of EBL is higher than SCBNL, indicates EBL is in strong position to generate interest income from the total assets in competition to SCBNL.

On the basis of capital structure we can conclude that EBL used more debt capital than share holder equity in compression to SCBNL. Similarly EBL used more debt in total assets in comparison to SCBNL. EBL was used more debt in total capital in comparison to SCBNL. The means ratio of interest coverage of SCBNL is higher than EBL, indicates that SCBNL has higher capacity to pay interest expenses in comparison to EBL.

On the basis of ownership ratio we can conclude that SCBNL has been able to provide maximum profit to equity holder on a per share basis and on a dividend basis. Similarly dividend payout ratio of SCBNL is higher than EBL, indicates earning paid to shareholders in dividend by SCBNL is higher than EBL.

The average price earning ratio of SCBNL is greater than EBL indicates price of SCBNL is traded in market higher in aspect of its earning than EBL.

The statistical analysis led to conclude that there is positive relationship between deposit and investment, deposit and loan and advance, net profit and investment, net profit and loan and advance, and net profit and deposit of SCBNL and EBL.

The trend value of deposit, investment, loan and advance, net profit and current assets of SCBNL and EBL are in increasing trend. The value of deposit of EBL is higher and aggressive than SCBNL, indicates EBL trend of collecting total deposit is proportionately much better than SCBNL. The rate of increment of total investment of SCBNL seems to be higher and aggressive than EBL, indicates SCBNL makes investment higher than EBL. The rate of increment trend of loan and advance of EBL is higher than SCBNL, indicates EBL seems aggressive in providing loan and advance. The rate of increment of net profit of EBL is aggressive than SCBNL, indicates EBL is doing better in order to generate net profit during the protected period. The rate of increment of current assets of EBL is higher than SCBNL, indicates EBL trend of current assets is proportionately much better than SCBNL.

5.4 Recommendations

Based on the analysis, interpretation and conclusions, some of the major recommendations are mentioned as below.

- Current ratio of the banks is found below the standard. So, it is recommended that the bank should increase the current assets to meet short term obligation of the bank. Otherwise there may arise question to the credit worthiness' of the bank at any point of view.

- Cash and bank balance to total deposit ratio of both banks were fluctuation order. Since it is the most liquid assets some provision regarding on this should be made have consistency. It is recommended to have moderate level of cash and bank balance to meet unanticipated calls on current saving call and other deposits.

- SCBNL invest maximum amt in government security during the period so, that make a concrete policy of the bank in this regard and diversify the current assets in different income generating sector.
- The main source of commercial banks is collecting deposit from public who don't need fund recently. So, it is recommended to collect more amount as deposits through large variety of deposits schemes and facilities, like cumulative deposit scheme, prize bonds scheme, gift cheque scheme, opening a/c in zero balance, life insurance, monthly interest scheme, house building scheme, education loan scheme and many others.
- The banks should be very careful in increasing profit in a real sense to maintain the confidence of shareholders, depositors and it's all customers. EBL is strongly recommend to gain highest profit margin also it should reduce its expenses. Profitability position of SCBNL is satisfactory and should try to maximize it.
- Although SCBNL earned more profit with in study period but total interest earned to total assets of SCBNL is lower than EBL. Thus SCBNL should seek the high interest earning grant.
- In case of both banks debt financing has averagely exceeded 90% of total assets and total capital over the study period. Which indicates the excessively use of debt finance to total assets and total capital. Never the less, extensive use of debts capital with the failure in advancing good loan and can jeopardize the solvency position of both bank. Therefore, it is suggested to the banks to assess the risk assets portfolio consciously before accepting higher volume of deposits.

- EBL interest paying capacity is lower than SCBNL. So, EBL should invest his collecting deposit and debt in profit generating sector and use the deposit and debt carefully.
- Shareholders are the real owners of the organization. But they not seem to be happy with the rate of return on equity provided by the banks. SCBNL has been successful in providing a better return on equity on a per share basis and dividend basis. Thus it is suggested that the management team of EBL should put emphasis on the maximizing the wealth of the shareholder. Low market price of share and less earning per share of commercial bank indicated the poor performance in the market. Similarly, low dividend payout ratio also discourages the shareholders. Reviewing the study, SCBNL has higher MPS, EPS and dividend payout ratio than EBL. So it is suggested to management team of EBL to improve their performance.
- It is recommended to adopt innovation approach to marketing. In the light of growing competition in the banking sector, the business of the bank should be customer oriented. It should strength and activates its marketing function as it is an effectively tools to attract and retain the customers for the purpose, the bank should develop as innovative approach to bank marketing and formulate new strategies of serving customers in a more convenient and satisfactory way be optimally utilizing the modern technology and offering new facilities to the customers at competitive prices. The banks is also required to explore the new market areas for this purpose, it is recommended to form a strong marketing department in its central level, which deals with the banking products, places, price and promotion.
- Integrated and speedy development of the country is possible only when competitive banking services reaches nooks and

corners of the country. SCBNL and EBL have should not more interest to expanding their branches in rural areas. Both banks are recommended to expand their branches and banking services and facilities in rural areas and communizing to accelerate their economic development.

- SCBNL and EBL are facing competition from recently established commercial bank, financial companies, development bank, micro credit development bank, co-operative and NGOs. So, giving emphasis on technology development. SCBNL and EBL should be more market oriented/services oriented, step forward on net business activities develop efficiency of man power , offer a complete range of financial services.
- Recently, garments and tourism industries of Nepal are bearing negative impact from reduction in worldwide economic activities SCBNL and EBL have invested in these industries. Similarly they should invest in wide range of profitable sectors like agriculture and electricity.

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Appendix-I

a) Liquidity Ratio

(i) Current Ratio in Times

SCBNL	Fiscal Year				
	200617	200618	200819	2009110	2010111
Current Assets	14917865009	1315697057	20214054387	18744748927	224457766010
Current Liabilities	26080336080	30843240330	37234998278	36847873083	39782742602
Ratio	0.572	0.626	0.543	0.509	0.564

EBL	Fiscal Year				
	200617	200618	200819	2009110	2010111
Current Assets	16278162262	21729272860	30541210930	35911358731	38032025206
Current Liabilities	19931059034	24928105304	34101223599	37920159314	42340666206
Ratio	0.817	0.872	0.896	0.947	0.898

(ii) Cash and Bank Balance to Total Deposit Ratio (%)

SCBNL	Fiscal Year				
	200617	200618	200819	2009110	2010111
Cashand Bank Balance	2021021068	2050243224	3137163535	1929306520	2975795278
Total Deposit	24647020755	29743998794	35871721127	35182721454	37999242310
Ratio	8.2	6.89	8.75	5.48	7.83

EBL	Fiscal Year				
	200617	200618	200819	2009110	2010111
Cashand Bank Balance	2391420594	2667971830	6164371163	7818815003	6122862952

Total Deposit	18186253541	23976298535	33322946246	36932310008	41127914339
Ratio	13.15	11.13	18.5	21.17	14.89

(iii) Cash and Bank Balance to Current Assets Ratio (In %)

SCBNL	Fiscal Year				
	200617	200618	200819	2009110	2010111
Cash and Bank Balance	2021021068	2050243224	3137163535	1929306520	297595278
Current Assets	14917565009	19315697057	20214054387	18744748927	22445766010
Ratio	13.55	10.61	15.52	10.29	13.26

EBL	Fiscal Year				
	200617	200618	200819	2009110	2010111
Cash and Bank Balance	2391420594	2667971830	6164371163	7818815003	6122862952
Current Assets	16278162262	21729272860	30541210930	35911358731	38032025206
Ratio	14.69	12.28	20.18	21.17	16.1

(iv) Loan and Advance to Current Assets Ratio (In %)

SCBNL	Fiscal Year				
	200617	200618	200819	2009110	2010111
Loan and Advance	10252468839	13115285453	12925266615	15714980786	17472677656
Current Assets	14917865009	19315697057	20214054387	18744748927	22445766010
Ratio	68.73	67.9	63.94	83.84	77.84

EBL	Fiscal Year				
	200617	200618	200819	2009110	2010111
Loan and Advance	1362368324	18317167534	23782347428	27529907129	30931820519

Current Assets	16278162262	21729272860	30541210930	35911358731	38032025206
Ratio	83.69	84.3	77.87	76.66	81.33

(v) Investment of Government Securities to Current Assets Ratio (In %)

SCBNL	Fiscal Year				
	200617	200618	200819	2009110	2010111
Invest. on Gov. security	7107937303	8137615178	9998753558	8531519525	9957260572
Current Assets	14917865009	19315697057	20214054387	18744748927	22445766016
Ratio	47.65	42.13	49.46	45.55	44.36

EBL	Fiscal Year				
	200617	200618	200819	2009110	2010111
Invest. on Gov. security	4704632426	4821604744	5146045773	4354353089	7145017521
Current Assets	16278162262	21729272860	30541210930	35911358731	38032025206
Ratio	28.90	22.19	16.85	12.13	18.79

(vi) Cash Reserve Ratio (In %)

SCBNL	Fiscal Year				
	200617	200618	200819	2009110	2010111
Cash and bank balance in NRB	1613757788	1266273524	1851132637	819508706	1638276894
Total Deposit	24647020755	29743998794	35871721127	35182721454	37999242310
Ratio	6.55	4.26	5.16	2.33	4.31

EBL	Fiscal Year				
	200617	200618	200819	2009110	2010111
Cash and bank balance in NRB	1178198197	1080914554	4787163541	5625113849	4706320590
Total	18186253541	23976298535	33322946246	36932310008	41127914339

Deposit					
Ratio	6.48	4.51	14.37	15.23	11.44

b) Assets Management Ratio

(i) Loan and Advance to Total Deposit Ratio (In %)

SCBNL	Fiscal Year				
	200617	200618	200819	2009110	2010111
Loan and advance	10252468839	13115285453	12925266615	15714980786	17472677656
Total Deposit	24647020755	29743998794	35871721127	35182721454	37999242310
Ratio	41.6	44.09	36.03	44.67	45.98

EBL	Fiscal Year				
	200617	200618	200819	2009110	2010111
Loan and advance	13623689324	1831767534	237823428	27529907129	30931820519
Total Deposit	18186253541	23976298535	33322946246	36932310008	41127914339
Ratio	74.91	76.4	71.37	74.54	75.21

(ii) Total Investment to Total Deposits Ratio (In %)

SCBNL	Fiscal Year				
	200617	200618	200819	2009110	2010111
Total Investment	1353233464	13902819011	20236121082	19847511025	17258682472
Total Deposit	24647020755	29743998794	35871721127	35182721454	37999242310
Ratio	54.99	46.74	56.41	56.41	45.42

EBL	Fiscal Year				
	200617	200618	200819	2009110	2010111
Total Investment	4984314586	5059557544	5948480273	5008307589	7743928321
Total Deposit	18186253541	23976298535	33322946246	36932310008	41127914339
Ratio	27.41	21.1	17.85	13.56	18.83

(iii) Loan and Advance and Total Working Found Total Assets Ratio (In %)

SCBNL	Fiscal Year				
	200617	200618	200819	2009110	2010111
Loan and advance	10252468839	13115285453	12925266615	15714980786	17472677656
Total Working found	28596689451	33335788326	40587468009	40213319926	43810519664
Ratio	35.85	39.34	31.85	39.08	39.88

EBL	Fiscal Year				
	200617	200618	200819	2009110	2010111
Loan and advance	13623689324	18317267534	23782347428	27529907129	30931820519
Total Working fund	21432574300	27149342884	36916848654	41382760711	46236212262
Ratio	63.57	67.47	64.42	66.53	66.90

(iv) Investment on Government Securities to Total Working Found Ratio (In %)

SCBNL	Fiscal Year				
	200617	200618	200819	2009110	2010111
Inves. on Gov. security	7107937303	8137615178	9998753558	8531519525	9957260572
Total Working found	28596689451	33335788326	40587468009	40213319926	43810519664
Ratio	24.86	24.41	24.64	21.22	22.73

EBL	Fiscal Year				
	200617	200618	200819	2009110	2010111
Inves. on Gov. security	4704632426	4821604744	5146045773	4354353089	7145017521

Total Working found	21432574300	27149342884	36916848654	41382760711	46236212262
Ratio	21.95	17.76	13.94	10.52	15.45

(v) Investment on Shave and Debenture to Total Working Found Ratio (in %)

SCBNL	Fiscal Year				
	200617	200618	200819	2009110	2010111
Inves. on Shave and debenture	41943000	90161000	91043500	91043500	93543555
Total Working found	28596689451	33335788326	40587468009	40213319926	43810519664
Ratio	0.1467	0.2705	0.2243	0.2264	0.2135

EBL	Fiscal Year				
	200617	200618	200819	2009110	2010111
Inves. on Shave and debenture	19082160	99552000	100434500	100434500	107975800
Total Working found	21432574300	27149342884	36916848654	41382760711	46236212262
Ratio	0.089	0.3667	0.2721	0.2427	0.2335

(vi) Loan and Advances to Saving Deposit Ration (In Times)

SCBNL	Fiscal Year				
	200617	200618	200819	2009110	2010111
Loan and advance	10252468839	13115285453	12925266615	15714980786	17472677656
Saving deposit	15244384575	17856134474	19187636692	12430009193	11619814870
Ratio	0.673	0.735	0.674	1.264	1.504

EBL	Fiscal Year				
	200617	200618	200819	2009110	2010111
Loan and advance	13623689324	18317167534	23782347428	27529907129	30931820519
Saving deposit	9029225366	11883857171	14782330769	13360037013	13039108920
Ratio	1.509	1.541	1.609	2.061	2.372

(vii) Loan and Advances to Fix Deposit Ratio (In Times)

SCBNL	Fiscal Year				
	200617	200618	200819	2009110	2010111
Loan and advance	10252468839	13115285453	12925266615	15714980786	17472677656
Fix deposit	3196489845	3301013939	7101697629	9175070477	10136244465
Ratio	3.2074	3.9731	1.82	1.7124	1.7238

EBL	Fiscal Year				
	200617	200618	200819	2009110	2010111
Loan and advance	13623689324	18317167534	23782347428	27529907129	30931820519
Fix deposit	5626661717	6446181289	7049978230	10440278594	15061938201
Ratio	2.4213	2.8416	3.3734	2.6369	2.0536

c) Profitability Ratio

(i) Return on Loan and Advance Ratio (In %)

SCBNL	Fiscal Year				
	200617	200618	200819	2009110	2010111
Net profit after tax	691688064	818921008	1025114536	1085871694	1119171286
Loan and advance	10252468839	13115285453	12925266615	15714980786	17472677656
Ratio	6.75	6.24	7.93	6.91	6.41

EBL	Fiscal Year				
	200617	200618	200819	2009110	2010111
Net profit after tax	296409281	451218613	638732757	831765632	931303628

Loan and advance	13623689324	18317167534	23782347428	27529907129	30931820519
Ratio	2.18	2.46	2.69	3.02	3.01

(ii) Return on Total Assets Ratio (In %)

SCBNL	Fiscal Year				
	200617	200618	200819	2009110	2010111
Net profit after tax	691688064	818921008	1025114536	1085871694	1119171286
Total assets	28596689451	33335788326	40587468009	40213319926	43810519664
Ratio	2.42	2.46	2.53	2.7	2.55

EBL	Fiscal Year				
	200617	200618	200819	2009110	2010111
Net profit after tax	296409281	451218613	638732757	831765632	931303628
Total assets	21432574300	27149342884	36916848654	41382760711	46236212262
Ratio	1.38	1.66	1.73	2	2.02

(iii) Return on Equity ROE (In %)

SCBNL	Fiscal Year				
	200617	200618	200819	2009110	2010111
Net profit after tax	691688064	818921008	1025114536	1085871694	1119171286
Shave holders equity	2116353361	2492547996	3052469731	3152005376	3677777062
Ratio	32.68	32.85	33.58	34.45	30.43

EBL	Fiscal Year				
	200617	200618	200819	2009110	2010111
Net profit after tax	296409281	451218613	638732757	831765632	931303628
Shave holders equity	1201515266	1921237580	2203625055	2759137855	3113546056
Ratio	24.67	23.49	28.99	30.15	29.91

(iv) Total Interest Earned To Total Assets Ratio (In %)

SCBNL	Fiscal Year				
	200617	200618	200819	2009110	2010111
Total interest earn	1411981867	1591195526	1887221257	575740660	1003100293
Total Assets	28596689451	33335788326	40587468009	40213319926	43810519664
Ratio	4.94	4.77	4.65	1.43	2.29

EBL	Fiscal Year				
	200617	200618	200819	2009110	2010111
Total interest earn	1144408308	1548657132	2186814992	3102451484	4331026087
Total Assets	21432574300	27149342884	36916848654	41382760711	46236212262
Ratio	5.34	5.70	5.92	7.50	9.37

(v) Return on Total Deposit Ratio (In %)

SCBNL	Fiscal Year				
	200617	200618	200819	2009110	2010111
Net profit after tax	691688064	818921008	1025114536	1085871694	1119171286
Total Deposit	24647020755	29743998794	35871721127	3518721454	37999242310
Ratio	2.81	2.75	2.86	3.09	2.95

EBL	Fiscal Year				
	200617	200618	200819	2009110	2010111
Net profit after tax	296409281	451218613	638732757	831765632	931303628
Total Deposit	18186253541		33322946246	36932310008	411127914339
Ratio	1.63	1.88	1.92	2.25	2.26

(vi) Earning Power Ratio (In %)

SCBNL	Fiscal Year				
	200617	200618	200819	2009110	2010111

Net working profit	1092967790	1248432244	1506108858	162467214	1707316216
Total assets	28596689451	33335788326	40587468009	40213319926	43810519664
Ratio	3.82	3.15	3.71	4.01	3.90

EBL	Fiscal Year				
	200617	200618	200819	2009110	2010111
Net working profit	487972659	718833853	972950326	1272090189	1418397900
Total assets	21432574300	27149342884	36916848654	41382760711	4623612262
Ratio	2.28	2.65	2.64	3.07	3.07

d) Leverage or Capital Structure Ratio

(i) Debt Equity Ratio (In Times)

SCBNL	Fiscal Year				
	200617	200618	200819	2009110	2010111
Total Debt	26480336090	31243240330	37534998278	37147873083	40132742602
Share holder equity	2116353361	2492547996	3052469731	3152005376	3677777062
Ratio	12.51	12.53	12.30	11.79	10.91

EBL	Fiscal Year				
	200617	200618	200819	2009110	2010111
Total Debt	19931059034	24928105304	34413223599	38325895772	42822666206
Share holder equity	1201515266	1921237580	2203625055	2759137855	3113546056
Ratio	16.59	12.98	15.62	13.89	13.75

(ii) Debt Assets Ratio (In Times)

SCBNL	Fiscal Year				
	200617	200618	200819	2009110	2010111
Total Debt	26480336090	31243240330	37534998278	37147873083	40132742602
Total Assets	28596689451	33335788326	40587468009	40213319926	43810519664

Ratio	0.9260	0.9372	0.9246	0.9238	0.9161
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EBL	Fiscal Year				
	200617	200618	200819	2009110	2010111
Total Debt	19931059034	24928105304	34413223599	38325895772	42822666206
Total Assets	21432574300	27149342884	36916848654	41382760711	4236212262
Ratio	0.9299	0.8182	0.9322	0.9261	0.9262

(iii) Debt to Total Capital Ratio (In %)

SCBNL	Fiscal Year				
	200617	200618	200819	2009110	2010111
Total Debt	26480336090	31243240330	37534998278	37147873083	40132742608
Total Capital	2225284000	2655277000	3196367000	3530493000	3835592000
Ratio	92.60	92.61	92.48	92.18	91.61

EBL	Fiscal Year				
	200617	200618	200819	2009110	2010111
Total Debt	19931059034	24928105304	34413223599	38325895772	42822666206
Total Capital	166115000	2348390000	2703870000	3257142000	3605840000
Ratio	94.31	92.84	93.98	93.28	93.22

(iv) Interest Coverage Ratio (In %)

SCBNL	Fiscal Year				
	200617	200618	200819	2009110	2010111
EBIL	1092967790	1248432244	1506108858	1612467214	1707316216
Interest expenses	413055152	471729700	543786600	575740660	1003100293
Ratio	2.646	2.646	2.770	2.801	1.702

SCBNL	Fiscal Year				
	200617	200618	200819	2009110	2010111
EBIL	487972659	718833853	972950326	1272090189	1418397900
Interest	517166241	632609264	1012874353	1572790306	2535875552

expenses					
Ratio	0.9436	1.1363	0.96.6	0.8088	0.5593

(iv) Interest Coverage Ratio (In %)

SCBNL	Fiscal Year				
	200617	200618	200819	2009110	2010111
EBIL	1092967790	1248432244	1506108858	1612467214	1707316216
Interest expenses	413055152	471729700	543786600	575740660	1003100293
Ratio	2.646	2.646	2.770	2.801	1.702

SCBNL	Fiscal Year				
	200617	200618	200819	2009110	2010111
EBIL	487972659	718833853	972950326	1272090189	1418397900
Interest expenses	517166241	632609264	1012874353	1572790306	2535875552
Ratio	0.9436	1.1363	0.96.6	0.8088	0.5593

e) Ownership Ratio

(i) Earning Per Share

Fiscal year	SCBNL	EBL
200717	167.37	78.42
200718	131.92	91.82
200819	109.99	99.99
2009110	77/65	100.16
2010111	69.51	83.18
Mean	111.288	90.714
S.D.	35.91	8.768
C.V.	32.27%	9.67%

(ii) Dividend Per Share

Fiscal year	SCBNL	EBL
200717	130	40
200718	130	50
200819	100	60
2009110	70	60
2010111	50	60

Mean	96	54
S.D.	32	8
C.V.	33.33%	14.81%

(iii) Dividend Pay out Ratio

Fiscal year	SCBNL	EBL
200717	77.67	51.00
200718	98.54	54.45
200819	90.92	60.00
2009110	90.15	59.90
2010111	71.93	72.13
Mean	85.84	59.43
S.D.	9.6706	7.7065
C.V.	11.26	12.97

Price Earning Ratio (Times)

Fiscal year	SCBNL	EBL
200717	35.25	30.99
200718	51.77	34.11
200819	54.64	24.55
2009110	42.23	16.27
2010111	25.90	13.15
Mean	41.958	23.814
S.D.	10.59	8.11
C.V.	25.24%	34.06%

Appendix-II

(i) Correlation Co-Efficient Between Total Deposit and Investment Of SCBNL and EBL

EBL					
Year	Total deposit (x) Amount in million	Investment (y) Amount in Million	x^2	y^2	xy
200617	18186	4984	330730596	24840.256	90639024
200618	23976	5059	574848576	25593481	121294584
200819	33322	5948	1110355684	35378704	198199256
2009110	36932	5008	1363972624	25080064	184988456
2010111	41127	7743	1691430129	59954045	318446361
Total	$x=153543$	$y=28742$	$x^2=5071337609$	$y^2=170846554$	$xy=913534681$

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

$$r = 0.6904$$

$$r^2 = 0.4767$$

SCBNL					
Year	Total deposit (x) Amount in million	Investment (y) Amount in Million	x^2	y^2	xy
200617	24647	13553	607474609	183683809	334040791
200618	29743	13902	884646049	193265604	413487186
200819	35871	20236	1286728641	409495696	725885556
2009110	35182	19847	1237773124	393903409	698257154
2010111	37999	17258	1443924001	297838564	655786742
Total	$x=163442$	$y=84796$	$x^2=5460546424$	$y^2=1478187082$	$xy=2827457429$

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

$$r = 0.8087$$

$$r^2 = 0.6540$$

(ii) Correlation co-efficient between deposit and loan and advances of SCBNL and EBL

EBL					
Year	Total deposit (x) Amount in million	Investment (y) Amount in Million	x^2	y^2	xy
200617	18186	13623	330730596	185586129	247747878
200618	23976	18317	574848576	335512489	439168392
200819	33322	23782	1110355684	565583524	792463804
2009110	36932	27529	1363972624	757845841	1016701028
2010111	41127	30131	1691430129	956726761	1272099237
Total	$x=153543$	$y=114182$	$x^2=5071337609$	$y^2=2801254744$	$xy=3768180339$

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

$$r = 0.9965$$

$$r^2 = 0.9930$$

SCBNL					
Year	Total deposit (x) Amount in million	Investment (y) Amount in Million	x^2	y^2	xy
200617	24647	10252	607474609	105103504	252681044
200618	29743	13115	884646049	172003225	390079445
200819	35871	12925	1286728641	167055625	463632675
2009110	35182	15714	1237773124	246929796	552849948
2010111	37999	17472	1443924001	305270784	663918528
Total	$x=163442$	$y=69478$	$x^2=5460546424$	$y^2=996362934$	$xy=2323161640$

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

$$r = 0.8618$$

$$r^2 = 0.7427$$

(ii) Co-Efficient of Correlation between Net Profit and Investment of SCBNL and EBL

EBL					
Year	Investment (x) Amount in Million	Net profit (y) Amount in Million	x^2	y^2	xy
200617	4984	296	24840256	87616	1475264
200618	5059	451	25593481	203401	2281609
200819	5948	638	35378704	407044	3794824
2009110	5008	831	25080064	690561	4161648
2010111	7743	931	59954049	866761	7208733
Total	$x=28742$	$y=3147$	$x^2=170846554$	$y^2=2255383$	$xy=18922078$

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

$$r = 0.6692$$

$$r^2 = 0.4478$$

SCBNL					
Year	Total deposit (x) Amount in million	Investment (y) Amount in Million	x^2	y^2	xy
200617	13553	691	183683809	477481	9365123
200618	13902	818	193265604	669124	11371836
200819	20236	1025	409495696	1050625	20741900
2009110	19847	1085	393903409	1177225	21533995
2010111	17258	1119	297838564	1252161	19311702
Total	$x=84796$	$y=4738$	$x^2=1478187082$	$y^2=4626616$	$xy=82324556$

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

$$r = 0.8415$$

$$r^2 = 0.7081$$

(iii) Co-Efficient of Correlation between Loan and Advance and Net Profit of SCBNL and EBL

EBL					
Year	Loan and advance (x) Amount in million	Net profit (y) Amount in Million	x^2	y^2	xy
200617	13623	296	185586129	87616	4032408
200618	18317	451	335512489	203401	8260967
200819	23782	638	565583524	407044	15172916
2009110	27529	831	757845841	690561	22876599
2010111	30931	931	956726761	866761	28796761
Total	$x=114182$	$y=3147$	$x^2=2801254744$	$y^2=2255383$	$xy=79139651$

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

$$r = 0.9971$$

$$r^2 = 0.9942$$

SCBNL					
Year	Loan and advance (x) Amount in million	Investment (y) Amount in Million	x^2	y^2	xy
200617	10252	961	105103504	477481	7084132
200618	13115	818	172003225	669124	10728070
200819	12925	1025	167055625	1050625	13248125
2009110	15714	1085	246929796	1177225	17049690
2010111	17472	1119	305270784	1252161	19551168
Total	$x=69478$	$y=4738$	$x^2=996362934$	$y^2=4626616$	$xy=67661185$

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

$$r = 0.8864$$

$$r^2 = 0.7857$$

(iv) Co-Efficient of correlation between Total Deposit and Net Profit of SCBNL and EBL

EBL					
Year	Total Deposit (x) Amount in Million	Net profit (y) Amount in Million	x^2	y^2	xy
200617	18186	296	330730596	87616	5383056
200618	23976	451	574848576	203401	10813176
200819	33322	638	1110355684	407044	21259436
2009110	36932	831	1363972624	690561	30690492
2010111	41127	931	1691430129	866761	38289237
Total	$x=153543$	$y=3147$	$x^2=5071337609$	$y^2=2255383$	$xy=106435397$

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

$$r = 0.9903$$

$$r^2 = 0.9807$$

SCBNL					
Year	Total Deposit (x) Amount in Million	Net profit (y) Amount in Million	x^2	y^2	xy
200617	24647	961	607474609	477481	1731077
200618	29743	818	884646049	669124	24329774
200819	35871	1025	1286728641	1050625	36767775
2009110	35182	1085	1237773124	1177225	38172470
2010111	37999	1119	1443924001	1252161	42520881
Total	$x=163442$	$y=4738$	$x^2=5460546424$	$y^2=4626616$	$xy=158821977$

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

$$r = 0.9819$$

$$r^2 = 0.9641$$

Appendix-III

(i) Trend Value of Total Deposit of SCBNL

Year (x)	Total Deposit (y)	$x - x_0$	x^2	xy
200617	24647020755	-2	4	-79294041510
200718	29743998794	-1	1	-29743998794
200819	35871721127	0	0	0
2009110	35182721454	1	4	35182721454
2010111	3799924=310	2	1	75998484620
Total N=5	$\sum y = 163444704440$	$\sum x = 0$	$\sum x^2 = 10$	$\sum xy = 32143165770$

$$a = \frac{\sum y}{N} = \frac{163444704440}{5} = 32688940888$$

$$b = \frac{\sum xy}{\sum x^2} = \frac{32143165770}{10} = 3214316577$$

The equation the straight line trend is

$$Y_c = a + bx$$

$$Y_c = 3268894088 + 3214316577x$$

Year	$x = x - 200819$	Trend value $y_c = 3268940888 + 3214316577x$
200617	-2	26260307734
200718	-1	29474624311
200819	0	32688940888
2009110	1	35903257465
2010111	2	39117574042
2011112	3	42331890619
2012113	4	45546207196
2013114	5	48760523773
2014115	6	51974840350
2015116	7	55189156927

(i) Trend Value of Total Deposit of EBL

Year (x)	Total Deposit (y)	x X x Z 200819	x ²	xy
200617	18186253541	-2	4	-36372507082
200718	23976298535	-1	1	-23976298535
200819	33322946246	0	0	0
2009110	36932310008	1	1	36932310008
2010111	41127914339	2	4	42255828678
Total N=5	y X 15354722669	x X 0	x ² X 10	xy X 58839333069

$$a = \frac{y}{N} = \frac{15354722669}{5} = 3070944533.8$$

$$b = \frac{xy}{x^2} = \frac{58839333069}{10} = 5883933306.9$$

The equation the straight line trend is

$$Y_c = a + bx$$

$$Y_c = 3070944533.8 + 5883933306.9x$$

Year	x=x-200819	Trend value $yc=3070944533.8+5883933306.9x$
200617	-2	18941277920
200718	-1	248252112269
200819	0	3070944533.8
2009110	1	365930778407
2010111	2	42477011147.6
2011112	3	48360944454.5
2012113	4	54244877761.4
2013114	5	60128811068.3
2014115	6	66012744375.2
2015116	7	71896677682.1

(ii) Trend Value of Total Investment Of SCBNL

Year (x)	Total Investment(y)	x X x Z 200819	x ²	xy
200617	13553233464	-2	4	-27106466928
200718	1392819011	-1	1	-13902819011

200819	20236121082	0	0	0
2009110	19847511025	1	1	19847511025
2010111	17258682472	2	4	34517364944
Total N=5	$\sum y = 84798367054$	$\sum x = 0$	$\sum x^2 = 10$	$\sum xy = 13355590030$

$$a = \frac{\sum y}{N} = \frac{84798367054}{5} = 16959673410.8$$

$$b = \frac{\sum xy}{\sum x^2} = \frac{13355590030}{10} = 1335559003$$

The equation the straight line trend is

$$Y_c = a + bx$$

$$Y_c = 16959673410.8 + 1335559003x$$

Year	$x = x - 200819$	Trend value $y_c = 16959673410.8 + 1335559003x$
200617	-2	14288555404.8
200718	-1	15624114407.8
200819	0	16959673410.8
2009110	1	18295232413.8
2010111	2	19630791416.8
2011112	3	20966350419.8
2012113	4	22301909422.8
2013114	5	23637468425.8
2014115	6	24973027428.8
2015116	7	26308586431.8

(ii) Trend Value of Total Investment of EBL

Year (x)	Total Investment(y)	$x - 200819$	x^2	xy
200617	4984314586	-2	4	-9968629172
200718	5059557544	-1	1	-5059557544
200819	5948480273	0	0	0
2009110	5008307589	1	1	5008307589
2010111	7743928321	2	4	15487856642
Total N=5	$\sum y = 28744588313$	$\sum x = 0$	$\sum x^2 = 10$	$\sum xy = 5467977515$

$$a = \frac{\sum y}{N} = \frac{28744588313}{5} = 5748917662.6$$

$$b = \frac{\sum xy}{\sum x^2} = \frac{5467977515}{10} = 546797751.5$$

The equation the straight line trend is

$$Y_c = a + bx$$

$$Y_c = 5748917662.6 + 546797751.5x$$

Year	$x = x - 200819$	Trend value $yc = 5748917662.6 + 546797751.5x$
200617	-2	4655322159.6
200718	-1	5202119911.1
200819	0	5748917662.6
2009110	1	6295715414.1
2010111	2	6842513165.6
2011112	3	7389310917.7
2012113	4	7936108668.6
2013114	5	8482906420.1
2014115	6	9029704171.6
2015116	7	9576501923.1

(iii) Trend Value of Loan and Advance of SCBNL

Year (x)	Loan and Advance (y)	$x - x - 200819$	x^2	xy
200617	10252468839	-2	4	-20504937678
200718	13115285453	-1	1	-13115285453
200819	12925266615	0	0	0
2009110	15714980786	1	1	15714980786
2010111	17472677656	2	4	34945355312
Total N=5	$\sum y = 69480679349$	$\sum x = 0$	$\sum x^2 = 10$	$\sum xy = 17040112967$

$$a = \frac{\sum y}{N} = \frac{69480679349}{5} = 13896135869.8$$

$$b = \frac{\sum xy}{\sum x^2} = \frac{17040112967}{10} = 1704011296.7$$

The equation the straight line trend is

$$Y_c = a + bx$$

$$Y_c = 13896135869.8 + 1704011296.7x$$

Year	$x = x - 200819$	Trend value $y_c = 13896135869.8 + 1704011296.7x$
200617	-2	10188113276.4
200718	-1	12192124573.1
200819	0	13896135869.8
2009110	1	15600147166.5
2010111	2	17304158463.2
2011112	3	19008169759.9
2012113	4	20712181056.6
2013114	5	22416192353.3
2014115	6	24120203650
2015116	7	25824214946.7

(iii) Trend Value of Loan and Advance of EBL

Year (x)	Loan and Advance (y)	$x - x - 200819$	x^2	xy
200617	13623689324	-2	4	-27247378648
200718	18317167534	-1	1	-18317167534
200819	23782347428	0	0	0
2009110	27529907129	1	1	27529907129
2010111	30931820519	2	4	61863641038
Total N=5	$\sum y = 114184931934$	$\sum x = 0$	$\sum x^2 = 10$	$\sum xy = 43829001985$

$$a = \frac{\sum y}{N} = \frac{114184931934}{5} = 22836986386.8$$

$$b = \frac{\sum xy}{\sum x^2} = \frac{43829001985}{10} = 4382900198.5$$

The equation the straight line trend is

$$Y_c = a + bx$$

$$Y_c = 22836986386.8 + 4382900198.5x$$

Year	$x = x - 200819$	Trend value $y_c = 22836986386.8 + 4382900198.5x$
200617	-2	14071185989.8
200718	-1	18454086188.3
200819	0	22836986389.8
2009110	1	27219886585.3
2010111	2	31602786783.8
2011112	3	35985686982.3
2012113	4	40368587180.8
2013114	5	44751487379.3
2014115	6	49134387577.8
2015116	7	53517287776.3

(vi) Trend Value of Net Profit Of SCBNL

Year (x)	Net Profit (y)	$x - x - 200819$	x^2	xy
200617	691688064	-2	4	1383376128
200718	818921008	-1	1	-818921008
200819	1025114536	0	0	0
2009110	1085871694	1	1	1085871694
2010111	1119171286	2	4	2238342572
Total N=5	$\sum y = 4740766588$	$\sum x = 0$	$\sum x^2 = 10$	$\sum xy = 1121917130$

$$a = \frac{\sum y}{N} = \frac{4740766588}{5} = 948153317.6$$

$$b = \frac{\sum xy}{\sum x^2} = \frac{1121917130}{10} = 112191713$$

The equation the straight line trend is

$$Y_c = a + bx$$

$$Y_c = 948153317.6 + 112191713x$$

Year	$x = x - 200819$	Trend value $y_c = 948153317.6 + 112191713x$
200617	-2	723769891.6

200718	-1	835961604.6
200819	0	948153317.6
2009110	1	1060345030.6
2010111	2	1172536743.6
2011112	3	1284728456.6
2012113	4	1396920169.6
2013114	5	1509111882.6
2014115	6	1621303595.6
2015116	7	1733495308.6

iv) Trend Value of Net Profit of EBL

Year (x)	Net Profit (y)	x Xx Z200819	x ²	xy
200617	691688064	-2	4	-592818562
200718	451218613	-1	1	-451218613
200819	638732757	0	0	0
2009110	831765632	1	1	831765632
2010111	931303628	2	4	1862607256
Total N=5	y X3149429911	x X0	x ² X10	xy X1650335713

$$a = \frac{\sum y}{N} = \frac{3149429911}{5} = 6298875982.2$$

$$b = \frac{\sum xy}{\sum x^2} = \frac{1650335713}{10} = 165033571.3$$

The equation the straight line trend is

$$Y_c = a + bx$$

$$Y_c = 6298875982.2 + 165033571.3x$$

Year	x=x-200819	Trend value y _c = 6298875982.2+165033571.3x
200617	-2	299818839.6
200718	-1	464852410.9
200819	0	629885982.2
2009110	1	794919553.5
2010111	2	959953124.8

2011112	3	1124986696.1
2012113	4	1290020267.4
2013114	5	1455053838.7
2014115	6	1620087410
2015116	7	1785120981.3

(v) Trend Value of Current Assets of SCBNL

Year (x)	Current Assets (y)	x X x Z200819	x ²	xy
200617	14917865009	-2	4	-29835730018
200718	19315697057	-1	1	-19315697057
200819	20214054387	0	0	0
2009110	18744748927	1	1	18744748927
2010111	22445766010	2	4	44891532020
Total N=5	y X 95638131390	x X 0	x ² X 10	xy X 14484853872

$$a = \frac{\sum y}{N} = \frac{95638131390}{5} = 19127626278$$

$$b = \frac{\sum xy}{\sum x^2} = \frac{14484853872}{10} = 1448485387.2$$

The equation the straight line trend is

$$Y_c = a + bx$$

$$Y_c = 19127626278 + 1448485387.2x$$

Year	x=x-200819	Trend value y _c = 19127626278+1448485387.2x
200617	-2	16230655503.3
200718	-1	17679140890.8
200819	0	19127626278
2009110	1	20576111665.2
2010111	2	22024597052.4
2011112	3	23473082439.6
2012113	4	24921567826.8
2013114	5	26370053214
2014115	6	27818538601.2
2015116	7	29267023988.4

(v) Trend Value of Current Assets of EBL

Year (x)	Current Assets (y)	x Xx Z200819	x ²	xy
200617	16278162262	-2	4	-32556324524
200718	21729272860	-1	1	-21729272860
200819	30541210930	0	0	0
2009110	35911358731	1	1	35911358731
2010111	38032025206	2	4	76064050412
Total N=5	y X142492029989	x X0	x ² X10	xy X57689811759

$$a = \frac{y}{N} = \frac{142492029989}{5} = 28498405997.8$$

$$b = \frac{xy}{x^2} = \frac{57689811759}{10} = 5768981175.9$$

The equation the straight line trend is

$$Y_c = a + bx$$

$$Y_c = 28498405997.8 + 5768981175.9x$$

Year	x=x-200819	Trend value $yc = 28498405997.8 + 5768981175.9x$
200617	-2	16960443646
200718	-1	22729424821.9
200819	0	28498405997.8
2009110	1	28498405997.8
2010111	2	34267387173.7
2011112	3	40036368349.6
2012113	4	45805349525.5
2013114	5	51574330701.4
2014115	6	57343311877.3
2015116	7	63112293003.2