

CHAPTER 1

INTRODUCTION

1.1 Background of the Study

The growth of banking sector in Nepal is not so long ago as compared with other banks of the world. In comparison with other developing country the institutional development in banking system is far behind. Nepal had to wait for the period to enter the present banking position. The origin and growth of bank in Nepal is controversial. At present there are altogether 30 commercial banks operating in the country. Commercial banks are major financial institution, which occupied quite important place in the framework of every economy because they provide capital for the development of industry, and business and other resources, deficit sector by investing the saving collected as deposit. The role of commercial bank in economy is prime requisite in the formulation of Bank Policy. The key factor in the development of country is the mobilization of domestic resources and their investment for productive use to the various sectors. Although commercial banks are truly inspired with the objective of gaining profit, they provide welfare and facility to make available loan to the agriculture, Industry and commerce and provide the banking services to the public and the state. In the present situation, Nepal banking system is evaluating itself as a powerful instrument of planning and economic growth of all the developed and underdeveloped countries. The encouragement by Nepalese government for joint venture operations made possible for different joint venture commercial banks establishment. We know, In Nepal, different joint Ventures Banks are established but we cannot say which bank is best among them, without doing any financial analysis. With the help of financial analysis, we know the firm's strength and weaknesses.

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

depositors etc. It refers to an assessment of the viability, stability and profitability of a business, sub-business or project. It is performed by professionals who prepare reports using ratios that make use of information taken from financial statements and other reports. These reports are usually presented to top management as one of their bases in making business decisions. It also refers to the assessment of a business to deal with the planning, budgeting, monitoring, forecasting, and improving of all financial. Another important aspect of analyzing a case study and writing a case study analysis is the role and use of financial information. For financial performance analysis ratio analysis is the most widely used technique. The systematic use of the ratio interprets the financial statements so that the strengths and weaknesses of the firm as well as its historical performance and current financial condition can be determined.

As there has been number of commercial banks established, the present aims are to analyze the financial performance of Nabil Bank Limited, Nepal Investment Bank Limited (NIBL) and Himalayan Bank Ltd (HBL).

1.2 Profile of Sample Banks

1.2.1 Nabil Bank Limited (NBL)

NABIL Bank, previously known, as Nepal Arab Bank Limited, is Nepal's first private commercial bank and major joint venture Bank commenced operation on July 12, 1984 A.D. under the technical service agreement approved by Nepal Rastra Bank. Joint venture operation in Nepal was started by NABIL Bank after Nepal encouraged foreign investment and joint venture operation with Nepalese investors or in certain circumstances as fully owned subsidiary. NABIL Bank has Head office in Kamaladi, Kathmandu. It has 43 branches, including its head office, in Nepal.

The mission of Nabil bank is to be the "Bank of the 1st Choice". The slogan of NABIL Bank is "Your Bank at Your Service". The value of NABIL Bank is CRISP.

C = Customer Focus

I = Innovation

P = Professional

R = Result Oriented

S = Synergistic

Its share capital distribution is as follows:

Authorized Capital	(16,000,000 shares of Rs. 100)	Rs. 1,600,000,000
Issued Capital	(6,892,160 shares of Rs. 100)	Rs. 689,216,000
Paid up Capital	(6,892,160 shares of Rs. 100)	Rs. 689,216,000

Today Nabil stands in a position to claim that it is the "Bank of 1st Choice" to all its stakeholders. In the span of 26 years, it has already distributed Rs. 2.86 billion cash dividend and the wealth of the shareholders of the Bank grew to Rs. 24.8 billion as at mid December 2009. Spectacular return on assets and return on equity even during a turbulent and competitive time highlight the inherent strength of the Bank.

The Bank provides a complete range of consumer, retail, SME and corporate banking services through its offices spread across the country. Nabil is the sole banker to a multitude of large corporate, international aid agencies, NGOs and embassies. It is the largest private bank in the country in terms of branch and ATM network. All its branches are interconnected on real time basis. On the technological front, the Bank has earned a reputation in providing an array of card products and Internet / Tele banking facilities besides ATMs and Any Branch Banking Service.

The statement 'Your Bank at Your Service' that the Bank holds on firmly is a resemblance that the Bank's stakeholders are at the core of everything it does. As for the culture embraced by the entire Nabil team, a set of Values, referred to as 'C.R.I.S.P.' in short, represents the fact that the bank uninterruptedly strives to be Customer Focused, Result Oriented, Innovative, Synergistic and Professional. By living these Values, individually as professionals and collectively as a Team, Nabil Bank is committed to Surge Ahead to continue to be the Bank of 1st Choice in Nepal.

The bank is providing customer-friendly services through its Branch Network. All the branches of the bank are connected through Any Branch Banking System (ABBS), which enables customers for operational transactions from any branches. With an aim to help Nepalese citizens working abroad, the

bank has entered into arrangements with banks and finance companies in different countries, which enable quick remittance of funds by the Nepalese citizens in countries like UAE, Kuwait, Bahrain, Qatar, Saudi Arabia, Malaysia, Singapore and U K. Bank has set up its representative offices at New Delhi (India) to support Nepalese citizen remitting money and advising banking related services.

Board of Directors of NABIL

Mr. Shambhu Prasad Poudyal	Board Chairman	Represents Group 'C' shareholders
Mr. DayaramGopalAgrawal	Board member	Represents Group 'C' shareholders
Mr. Krishna Prasad Acharya	Board member	Represents Group 'B' shareholders
Mr. Nirvana Chaudhary	Board member	Represents Group 'A' shareholders
Mr. Krishna BahadurManandhar	Board member	Represents Group 'A' shareholders
Mr. Binaya Regmi	Company Secretary	

1.2.2 Nepal Investment Bank Limited (NIBL)

Nepal Investment Bank Limited (NIBL), previously Nepal Indosuez Bank Ltd., was established in 1980 as a joint venture between Nepalese and French partners which was the second private commercial bank of Nepal. The French partners (holding 50 % of the capital of NIBL) were Credit Agricole Indosuez, a subsidiary of one of the largest banking group in the world. NIBL has Head office in Durbar Marg, Kathmandu and has 30 branches in Nepal. NIBL, which is managed by a group of experienced bankers and professionals having proven track record, are offering customers what they are looking for.

The mission of Nepal Investment bank is to be the leading Nepali Bank, delivering world class service through the blending of state of the art technology and visionary management in partnership with competent and

committed staff, to achieve sound financial health with sustainable value addition to all our stakeholders. The main focus of NIBL is to become most preferred provision of financial services. It is operating with a motto: “Truly a Nepali Bank”.

Nepal Investment Bank at present has forty branches namely Durbar Marg Kathmandu(Headoffice),SeepadoleBranch,BirgungBranch,PulchowkBranch,Banepa Branch, Jeetpur Branch, Newroad Branch, BiratnagarBranch,Butwal Branch, BhairahawaBranch,Pokhara Branch, PutalisadakBranch,Narayangarh Branch, Janakpur Branch, Nepalgunj Branch, Thamel Branch, Kalimati Branch, Birtanod Branch, Battispatali Branch, Dhangadi Branch, Gongabu Branch, SurkhetBranch,Jumla Branch, Boudha Branch , Hetauda Branch, PalpaBranch,LuklaBranch,DhumbarahiBranch,NayaBaneshworBranch,BhotahitiBranch,TulsipurBranch,TripureshworBranch,DamauliBranch,Krishnanagar Branch,Gaighat Branch, LazimpatBranch,ParsaBranch,Maharajung Branch&Lalbandhi Branch .

Its share capital distribution is as follows:

Authorized Capital (10000000 shares @ Rs 100) Rs 1,000,000,000

Issued Capital (8,013,526 shares@ Rs 100) Rs 801,352,600

Paid up Capital (8,013,526 shares @ Rs 100) Rs 801,352,600

Table no. a
Share subscription and Capital Structure of NIBL

Subscription	% Holding
A group of companies	50
RastriyaBanijya Bank	15
RastriyaBeemaSansthan	15
The general public	20
Total	100

Strategic Objectives

- To develop a customer oriented services culture with special emphasis on customer care and convenience.
- To increase market share by following a disciplined growth strategy.
- To leverage our technology platform and open scalable systems to achieves cost effective operations efficient MIS, improved delivery capability and high services standards.
- To develop innovate products and services that attract our targeted customers and market segments.
- To continue to develop products and services that reduces our cost of funds.
- To maintain a high quality asset portfolio to achieve strong and sustainable returns and to continuously build shareholder's value.
- To explore new avenues for growth and profitability.

Board of Directors of NIBL

Mr.Prithivi B Pande	Chairman and Chief Executive Director
Mr.PrajanyaRajbhandari	Director
Mr.Deepak Man Sherchan	Director
Mr.SurendraBahadur Singh	Director
Mr.MohanMadanBudhathoki	Director
Mr.JanardanDev Pant	Director
Mr.OmkarNidhiTiwari	Director

1.2.3 Himalayan Bank Limited (HBL)

Himalayan Bank was established in 1993 in joint venture with Habib Bank Limited of Pakistan. Despite the cut-throat competition in the Nepalese Banking sector, Himalayan Bank has been able to maintain a lead in the primary banking activities- Loans and Deposits. It is the first commercial bank of Nepal with maximum shareholding by the Nepalese private sector. Besides commercial activities, the Bank also offers industrial and merchant banking.

Himalayan Bank at present has total of thirty-three branch scattered all over the Nepal. The bank is also operating a counter in the premise of the Royal Palace. The Bank has a very aggressive plan of establishing more branches in different parts of the Kingdom in near future. The bank is also operating a counter in the premise of the Royal Palace. The Bank has a very aggressive plan of establishing more branches in different parts of the Kingdom in near future.

Its share capital distribution is as follows:

Authorized Capital (20,000,000 shares @ Rs 100) Rs 2000,000,000

Issued Capital (10,135,125 shares @ Rs 100) Rs 1,013,512,500

Paid up Capital (10,135,125 shares @ Rs 100) Rs 1,013,512,500

Table no. b
Share subscription and Capital Structure of HBL

Subscription	% Holding
Promoter Share Holder	51
Habib Bank Ltd, Pakistan	20
Financial Institution(Employees Provident Fund)	14
Nepalese Public Share holder	15
Total	100

Himalayan Bank's policy is to extend quality and personalized service to its customers as promptly as possible. All customers are treated with utmost courtesy as valued clients. The Bank, as far as possible, offers tailor made facilities to its clients, based on the unique needs and requirements. To extend more efficient services to its customers, Himalayan Bank has been adopting innovative and latest banking technology. This has not only helped the Bank to constantly improve its service level but has also kept it prepared for future adaptation of new technology.

Himalayan Bank is committed to be a "BANKING WITH A DIFFER

Board of Directors of Himalayan Bank Limited

Mr. Manoj B. Shrestha	Chairman
Mr. Ashraf M. Wathra	First Vice Chairman
Mr. Prem P. Khetan	Second Vice Chairman
Mr. Prachanda B. Shrestha	Director
Mr. Bijaya B. Shrestha	Director
Mr. Ramesh K. Bhattarai	Director
Mr. Amar S. Rana	Director
Mr. Upendra Keshari Poudyal	Professional Director
Mr. Himalayan S. Rana	Chief Advisor to the Board
Mrs. Ranjana Shrestha	Alternate Director
Mr. Surendra Silwal	Alternate Director
Ms. Menuka Shrestha	Alternate Director
Mr. Sushil Bikram Thapa	Alternate Director
Mr. Rajendra Kafle	Alternate Director
Mr. Bipin Hada	Alternate Director

1.3 Statement of the Problem

As we know Nepal is a developing country and its economy is much more dependent on agriculture. Most of the industries are based on agriculture, which provides employment opportunities and assists in improving the national economy. Poverty and unemployment have been a major problem in the country. Therefore, public enterprises are established, but most of the public enterprises are not able to run in profit. Even though the government has given subsidies to run public enterprises, they are still not able to contribute to society at a desirable rate.

This research will highlight the problems relating to the banking sector with respect to three sample commercial banks. They are Nabil Bank Limited, Nepal Investment Bank Limited, and Himalayan Bank Limited. The sample banks chosen for the study have achieved success in terms of market share and profitability. However, it cannot always be predicted that these

banks will continue to maintain profitability and stability of earning. Thus the management of bank should evaluate financial performance of the banks to prepare the sound financial policies.

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

Although all sample banks are able to earn profit and dividend to shareholders, they are facing throat cut competition between them or with other commercial banks. Therefore some question of problem arises in these sample banks, which are as follows:

- a) What is the liquidity, profitability, leverage, efficiency of capital adequacy position of NBL, NIBL & HBL ?
- b) what is the comparative financial position of these three banks?
- c) What is the trend of financial performance of three banks?
- d) What is the relationship between financial performance of three commercial banks ?

1.4 Objectives of the Study

The general objectives of this study are to analysis, examine and interpret the financial position of NBL, NIBL and HBL with the help of different ratios. The specific objective of the study will be pointed out as follows:

- ❖ To analyze the liquidity, profitability, leverage, efficiency of capital adequacy position of NBL, NIBL&HBL.
- ❖ To examine the comparative financial position of these three banks.
- ❖ To point out the trend of financial performance of three banks.
- ❖ To assess the relationship between financial performance of three commercial banks.

1.5 Significance of the Study

In banking world, Nepal is still in its infant stage although the numbers of financial institution have been increasing. Many commercial banks, finance and insurance companies have opened up within a few years. The competition in the financial sector in banking industry is ever increasing. However, there have been few commercial banks creating to banking need of the country. The success and failure of such financial institutions would be responsible for disparity of the economy.

Financial analysis play vital role in the management decision. Every organization has to analyze its financial performance. In this way this study is very useable and valuable to major parties interested in the reference to the policy making bodies. This study is important for the following groups and individuals.

- ❖ Further researcher
- ❖ University students who are new generation
- ❖ Financial managers
- ❖ Government
- ❖ NGO's and INGO's
- ❖ Shareholders and creditors
- ❖ Stockbrokers

1.6 Limitations of the Study

This study is simply for partial fulfillment for the requirement of Master in Business Studies (MBS). The research will deal with the comparative financial analysis among three sample banks but due to the time constraints, financial constraints and other, the study is bound within the limited area.

This study will be limited by following factors:

- a) The study concerns only a periods of 5 years i.e. from 2007/08 to 2011/12 .
- b) The study deals with only three banks but it may not be applicable to other banks.

- c) The study is mainly based on the published secondary data. Therefore the conclusion is concern with only above period.
- d) Time and budget limitation.
- e) This study has been conducted to fulfill the requirement of the MBS programs T.U. for a prescribed time not for the generalization purpose.

1.7 Organization of the Study

The study has been divided into five sequential chapters and at the end bibliography and appendices have been maintained. Chapter one covers background of the study, introduction of NABIL, NIBL and HBL, statement of the problem, Focus of the study, Objectives of the study, Significance of the study and limitations of the study. Second chapter includes the theoretical analysis and brief review to related literature available. It includes a discussion of the conceptual framework and review of the major studies. The third chapter is concern with research question, research design, sources of data, population and sampling, data collection procedures and data analysis procedures. In data analysis there are two parts. One is financial analysis where different ratio analysis concern with financial performance is study. Another is statistical analysis where different statistical tools like trend line analysis, correlation analysis and simple regression analysis are mention. The fourth chapter deals with presentation and analysis of data through definite course of research methodology. The main working of this chapter is to analyze different financial ratios related to the financial performance and fund mobilization of three banks. Also different part of ratio analysis like liquidity ratio, profitability ratio, assets management ratio and growth ratio are analyzed. Statistical analysis and interpretations of data through the help of the trend analysis, correlation analysis between different variable terms like total deposit, investment, net profit and loan & advances, study analyzed. Finally, the fifth chapter consists the summary of whole chapter and different results found in data analysis and recommendations to bank for national development. It also provides suggestions for further improvement. Beside these, bibliography and appendices are also included.

CHAPTER 2

REVIEW OF LITERATURE

A literature review is a body of text that aims to review the critical points of current knowledge including substantive findings as well as theoretical and methodological contributions to a particular topic. Literature reviews are secondary sources, and as such, do not report any new or original experimental work. Review of literature broadly means reviewing research studies or other relevant proposition in the related area of the study so that the past studies, their conclusion and deficiencies may be known and further research can be conducted. This chapter will help to check the chances of duplication in the present study. Thus the gap and the deviation between the previous research and current research can fill out. A literature review usually precedes a research proposal and results section. Its ultimate goal is to bring the reader up to date with current literature on a topic and forms the basis for another goal, such as future research that may be needed in the area

2.1 Conceptual Review of the Study

2.1.1 Concept of Banking

Banking from investors prospective has been defined as engaging in the business of keeping money for savings and checking accounts or for exchange or for issuing loans and credit, etc. However, from finance perspective, it is defined as 'the management of money and credit & banking and investments. From rights of offset perspective, Investor word sees banking as the legal right of a bank of seize deposited fund to cover a loan that is in default. Banking is generally a highly regulated industry, and government restrictions on financial activities by banks have varied over time and location. The current set of global bank capital standards is called Basel II. In some countries such as Germany, banks have historically owned major stakes in industrial corporations while in other countries such as the United States banks are prohibited from owning non-financial companies. In Japan,

banks are usually the nexus of a cross-shareholding entity known as the keiretsu. In Iceland banks had very light regulation prior to collapse.

Bank is the financial institution, which plays a significant role in the development of the country. It is also considered as the backbone of the development of the national economy which facilitates the growth of trade and industry and other sectors of the n economy. However, bank is the resource for economic development, which maintains the self-confidence of various segments of society and extends credit to the people. In common sense, an institution that is involved in monetary transaction is called as Bank. An establishment for the custody, loan, exchange, or issue, of money, and for facilitating the transmission of funds by drafts or bills of exchange an institution incorporated for performing one or more of such functions, or the stockholders (or their representatives, the directors), acting in their corporate capacity is also known as the bank . On the other hand we can also define the bank as an organization, usually a corporation, chartered by a state or federal government , which does most or all of the following: receives demand deposits and time deposits, honors instruments drawn on them, and pays interest on them; discounts notes , makes loans, and invests in securities; collects checks, drafts, and notes; certifies depositor's checks; and issues drafts and cashier's checks.

The bank plays an important role in financial markets and offer services such as investment funds and loans. It is a business organization that receives and holds deposits of funds from others makes loans or extends credits and transfers funds by written orders of depositors. So, among the various function to provide loan to the investors in the major function- through the loan, there will be increased in the environment of the investment and the bank has the major role in creating such an environment. Bankers play very important role in the economic life of the nation. The health of the economy is closely related to the soundness of its banking system. Although banks create no new wealth but their borrowing, lending and related activities facilitate the process of production, distribution, exchange and consumption of wealth. In this way they become very effective partners in the process of economic

development. Today modern banks are very useful for the utilization of the resources of the country. The banks are mobilizing the savings of the people for the investment purposes. If there would be no banks then a great portion of a capital of the country would remain idle. A bank as a matter of fact is just like a heart in the economic structure and the Capital provided by it is like blood in it.

A bank is a financial institution, which can play a significant role in the upliftment of the economic situation of the developing country like Nepal. Bank plays a vital role to encourage thrift and discourage hoarding by mobilizing the resources and removing the habit of hoarding. They pursue economic growth rapidly, developing the banking habit among the people by collecting the small scattered resources by one bulk, using them in the further productive purposes, and rendering other valuable service to the country. Thus, this gives the individual an opportunity to borrow funds against future income, which may improve the economic well-being of the borrower. A bank deal with the offer of collected deposited and provides the loan for commercial purpose.

2.1.2 Concept of Commercial Bank

As per Commercial Bank Act 2031 B.S, "A commercial Bank means the bank which deals in exchanging currency, accepting deposits, giving loans and doing commercial transactions." A commercial bank is a financial intermediary which collects credit from lenders in the form of deposits and lends in the form of loans. A commercial bank holds deposits for individuals and businesses in the form of checking and savings accounts and certificates of deposit of varying maturities while a commercial bank issues loans in the form of personal and business loans as well as mortgages. The term commercial bank came about as a way to distinguish it from an "investment bank." The primary difference between a commercial bank and its counterpart is that a commercial bank earns revenue by issuing primary loans from its pool of deposits while an investment bank brings debt and equity offerings to market for a fee. Among its assets, including loans, a commercial bank holds a

portfolio of other securities to generate proprietary income. Commercial bank is one, which exchange money deposits money, accept deposits grants loans and performs commercial banking functions and which is not a bank meant for co-operation, agriculture and industries or for such specific purpose.

The American Institute of the Banking has down the four major functions of Commercial Bank such as receiving and handling deposits, handling payments for its clients making loan and investments and creating money by extension of credit.

Commercial banks are the important type of financial institution for the nation in terms of the aggregate assets. The business of banking is very broad in modern business age. The number and variety of services provided by commercial bank will probably expand. Recent innovation in banking includes the introduction of credit cards, accounting services for business firms, factoring, leasing participation in the Eurodollar market and lock-box banking.

The major functions of the commercial banks are explained in brief below:

- a. Creating Money
- b. Payment Mechanism
- c. Pooling of the Nation is Saving
- d. Extension of credit
- e. Facilities for the financing of foreign Trade
- f. Trust Service
- g. Safekeeping of Valuables

2.1.3 Concept of Joint Venture Banks in Nepal

An agreement between two or more parties to invest in a specific single business or property to achieve a single objective is known as the Joint Venture. The first joint venture bank in Nepal is Nabil Bank Ltd. (Nepal Arab bank Ltd.). It was established on July 12, 1984 (2041B.S.) under the technical services agreement with Dubai Bank Limited. Joint Venture Bank in Nepal is in better position than local commercial banks in terms of profit make and service providing. These banks plays vital role in attracting foreign investment by familiarizing the foreign investors.

HMG adopted liberalization Policy and started allowing the setting of Joint Venture Banks in F.Y.1984/1985. Government, through these policies allowed private sectors both domestic and foreign to enter in the banking business in order to bring healthy competition among banks and increase foreign investment in Nepal. As the result of the first joint venture bank Nepal Arab Bank Ltd. Was established in 2041 B.S.It's joint venture partner was Emirates Bank International Ltd., Deirm, Dubai.

Government decided to establish banks with joint ventures, two benefits were expected which are as follows:

- ❖ The competition would force domestic banks: Nabil Bank Ltd. & Rastriya Banizya Bank to improve their services and efficiencies.
- ❖ The introduction of new banking procedures, methods and technology would occur.

The existence of foreign joint venture banks has presented an environment of healthy competition among the existing commercial banks. The main beneficiary of this is the bank's client. The increased competition among the banks leads to increment in the quality and services to the bank.

2.1.4 General Concept of Financial Analysis

Research into data relating to the stability and profitability of businesses, especially to guide one's investing practices is broadly called as the Financial Analysis. At its most basic, financial analysis involves looking at financial statements to determine if a company is healthy. Balance sheets are important to financial analysis as they provide a ready-made means of investigating performance. However, it is important to note that quantitative financial analysis has limits: the accounting methods a particular business employs, for example, may make it look more or less healthy than it really is.

Profit is one of the indicators of sound performance, which indicates the result of sound business management. "Profit earned by the firm is the main financial performance indicators of the business enterprise". So, every business organization is established with view of earning profit. Bank is also

established with the objectives of maximizing the profit. Profit is necessary of long term existing of business. An Investor always invests in that area where profit is maximum. Financial statement is the indicator of business performance that whether business is profitable or not.

Financial statement analysis is helpful to the decision maker for finding out favorable or unfavorable situation of a business concern. Financial statement analysis is important not only for the firm's managers but also for the firm's investors and creditors. Internally, financial managers use the information provided by financial analysis to help make financing and investments decisions to maximize the firm's value. Externally, stockholders and creditors use financial statement analysis to evaluate the attractive of the firm as an investment by examining its ability to meet its current and expected financial obligations. Financial analysis reflects the financial position of a firm, which is the process of determining the operational and financial characteristics of a firm. Financial analysis also includes consideration of the strategies and economic development. Financial analysis is the main indicator of success or failure of the company. The main function of financial analysis is the pinpointing of the strengths and weakness of a business undertaking by regrouping and analysis of figures contained in financial statements, by making comparison of various components and by examining their content. This can be used by financial managers as the basis to plan future financial requirement by means of forecasting and budgeting procedures.

According to the Weston, Besley and Brigham E.F (1996) have stated," Financial statement analysis involves a comparison of analysis firm's performance with that of other firms in the same line of business which often is identified by the firm's industry classification. Generally speaking, the analysis is used to determine the firm's financial position in order to identify its current strength and weakness and to suggest actions that might enable the firm to take advantage of the strength and correct its weakness.

2.1.5 Objectives of Financial Analysis

Financial analysis enables us to explore various facts related to the past performance of business and predict about the potential for achieving expected results. Major objective of analysis of financial statement is to assess various factors in relation to the business firm.

- a. To make comparative study regarding to one firm with another firm.
- b. To analysis the present and future earning capacity or profitability of the concern.
- c. To find out the operational efficiency of the concern as a whole and of its various parts or department.
- d. To find short term and long term solvency of the concern.
- e. To evaluate possibility of developments in the future making, future forecasts and preparing budgets.
- f. To analysis financial stability of business concerns the real meaning and significance of financial data.
- g. To find long term liquidity of its fund.

On the other hand we can summarize the objective of the Financial Statement Analysis as:

❖ **Equity Investment**

Here look at risk vs. return, take into account inflation, recessions, etc

❖ **Credit Extension**

Look at financial statements to determine the short term cash generating ability.

❖ **Corporate bond Investment**

Here look at the long-run viability of the firm - based on financial statements and the economic factors.

❖ **Supplier/Customer health**

Use financial statements to assess the health of key suppliers or customers to whom you extend credit.

❖ **Competitor analysis**

Analyze financial statements to determine market share, pricing, product mix, etc.

2.1.6 Need of Financial Analysis

Financial statement analysis is used to identify the trends and relationships between financial statement items. Both internal management and external users (such as analysts, creditors, and investors) of the financial statements need to evaluate a company's profitability, liquidity, and solvency. The most common methods used for financial statement analysis are trend analysis, common-size statements, and ratio analysis. These methods include calculations and comparisons of the results to historical company data, competitors, or industry averages to determine the relative strength and performance of the company being analyzed.

The need for the analysis of financial statement arises in order to address the following question:

- a. How was the firm doing in past? Was there any problem? If so in what areas?
- b. How it is doing at present? Is it doing better compared to the past performance, competitors and industry average? Is there any problem at present? If so, in what areas?
- c. What about the future? Is there any likely problem on the way in the future? What will its position be in the future?
- d. What are the expected results of recommendations? Are there improvements?

2.1.7 Limitations of Financial Analysis

Financial Analysis is of great significance for investor, creditors, management, economist and other parties having interest in business. It helps managements to evaluate its efficiency in past performance and take

decisions relating to the future. However, it is not free from drawbacks. Its limitations are listed as:

a. Historical nature:

The basic nature of financial analysis is historical. Past can never be a precise and infallible index of the future and can never be perfectly helpful for the future forecast and planning.

b. No substitute for judgment:

Analysis of financial analysis is a tool to be used by expert analyst to evaluate the financial performance of a firm. That's why it may lead to faulty conclusion if used by unskilled analyst.

c. Reliability of figures:

Reliability of analysis depends on reliability of the figures of the financial statements under inspection. The entire working of analysis will be vitiated by manipulation in the income statement, window dressing in the balance sheet, questionable procedures adopted by the accountant for the valuation of fixed assets and such other facts.

d. Result may have different interpretation:

Different users may differently interpret the result derived from the analysis. For example, a high current ratio may suit the banker but it may be the index of insufficiency of the management due to under- utilization of fund.

e. Change in accounting methods

Analysis will be effective if the figures derived from the financial statements are comparable. Due to change in accounting methods, the figures of current period may have no comparable base and then the whole exercise of analysis will be useless.

f. Selection of appropriate tool

There are different tool of analysis available to the analysis. The tools to be used in a particular situation depend on skill, training, intelligence and expertise of the analyst. If wrong tools used, it may give misleading results

and may lead to wrong conclusion, which may be harmful to the interest of business.

2.1.8 Technique of Financial Analysis

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

- Ratio Analysis
- Statement of changes in financial position
- Cash flow statement

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

2.1.9 Ratio analysis

Ratio analysis is one of the important and mostly used financial analysis tools. Ratio analysis is analysis of numerical relationship between financial factors of financial statements Ratios express a logical relationship between financial elements. It is computed by dividing one element/item/variable by another. Financial ratio analysis is designed to determine the relative strengths and weakness of business operations. It also provides framework for financial planning and control. Financial managers need the information provided by analysis both to evaluate the firm's past performance and to map future plans. Ratio analysis is widely used but no one ratio gives exact picture.

A ratio is an expression of the quantitative relationship between two numbers.

[Wixon, Kell and Bedford,1970]

Ratio analysis is a powerful tool of financial analysis, which helps in identifying strength and weakness of business concerns. It is a important way to state meaningful relationships between components of financial statements. The

primary purpose of ratio is to point out area for further investigation. Ratio analysis has been a major tools used in the interpretation and evaluation of financial statements since late 1800.

Ratio analysis involves basic understands of comparison to a useful interpretation of the financial statements. A single ratio by itself does not indicate favorable or unfavorable condition of a firm unless it is compared to some appropriate standard. Selection of a proper standard of comparison is a most important element of the ratio analysis. Ratio analysis provides guides specially in spotting trends toward better or poor performance and in finding out significant deviation from any average or relatively applicable standard.

Ratio analysis is widely used but no one ratio gives exact picture. In other hand ratio by them is not conclusion, as they are only means and not and end. Ratio analysis is in conceivable that accounting into ratio.

A single ratio itself does not indicate favorable or unfavorable condition. It should be compared with some standard. As

-) Time serious analysis
-) Cross- sectional analysis
-) Industry analysis
-) Perform analysis

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

- ❖ Liquidity Ratio
 - Current Ratio
 - Cash and Bank Balance to Total Deposit Ratio
 - Cash and Bank Balance to Current Assets Ratio

❖ Activity Ratio

- Loan and Advances to Total Deposit Ratio
- Loan and Advances to Fixed Deposit Ratio
- Loan and Advances to Total Working Fund Ratio
- Investment on Government Securities to Total Working Fund Ratio
- Investment on Government Securities to Total Working Fund Ratio

❖ Profitability Ratio

- Net Profit to Total Assets Ratio
- Net Profit to Total Deposit Ratio
- Net Profit to Net Worth Ratio
- Total Interest Earned to Total Working Fund Ratio
- Total Interest Paid to Total Working Fund Ratio

❖ Leverage Ratio

- Debt-Asset Ratio
- Debt-Equity Ratio

❖ Capital Adequacy Ratio

- Shareholders Fund to Total Deposit Ratio
- Shareholders Fund to Total Assets Ratio

2.2 Review of Related Studies

The review of journal and books are necessary for analyzing deeply on the related subject matter. The bank are such types of institution, which deal in money and substitute for money. They deal with credit and credit instruments. Good circulation of credit is very much important for the Bank. Unsteady and unevenly flow of credit with ad-hoc decisions harm the economy and the bank as well. Thus, to collect fund and utilize it in a good investment, is not a joke

for such organization. An investment of the fund may be the question of life and death for the bank.

In the words of **Gitman&Joehnk** (1990), Investment is any vehicle into which fund can be placed with the expectation that will preserve or increase in value and generate positive returns.”

Shrestha,(2047) in the journal entitled, “Commercial Bank’s Comparative Performance Evaluation”, which was published in ‘Karmachari Sanchay Kosh Publicaiton’ , is review as follows:

The journal stresses on a proper risk management with appropriate classification of loans under performing and non performing category. Researcher further clarify that adequate provisioning is the surest way to get relief from sinking loan after careful consideration of portfolio risk. A clear out criteria is necessary to treat interest suspense account and it is advisable that all interest unpaid for more than six month need to be treated as unearned income. Regarding risk management of banks Dr. Shrestha’s other suggestion are as follows:

- Any customer having overdue loan of two years or more in his account should not be given other loan facilities.
- Strong provisioning or reservation is required in restructuring portfolio relating to overdue loans.
- All credits including overdrafts should be given a maturity date and should be subjected to revision at that date and consequently categorize as good, substandard or doubtful loans.
- Financial credit worthiness of the borrower must be evaluated properly before granting the loans.

Shrestha’s suggestions are focused towards proper risk management. Whatsoever , aspects of the bank the above journals target, they all have to

be combinable assessed and kept in strict consideration for effective and efficient financial performance of the banks in the Nepalese economy.

Fama's study (1965), on the random walk model was one of the best definitive and comprehensive every study conducted. He observed the daily proportionate crises of 30 individual stocks of the Dow Jones industrial average index (DJIAI) for the period 1957-1962. He employed the statistical tools such as serial correlation and runs test to draw inference to about depend of the price series. He calculated auto – correlation, coefficient for daily changes in log prices for lag from 1-30 and found that the coefficient where most close to zero in overall. The correlation coefficient for daily changes in average was +0.03, which is near to 0. But on the daily price changes, 11 out of 30 stocks had correlation coefficient more than twice their computed standard errors. The coefficient ranged from smallest 0.06 to largest 0.123. However, Fama concluded, "Dependence as such a small order of magnitude is, from a particle point of view, probably unimproved for both the statistician and the investor." Fama also concluded serial correlation for lag from 1 to 10 for no- overlapping differencing intervals of four, nine and sixteen days to examine the possibility if price change across longer interval shows dependence. All the results are again not significantly different from 0.

Chandler (1973) says in this regard, "A banker seeks optimum combination of earning, liquidity and safety, while formulating investing policy."

Emphasizing the importance of investment policy, **H.D. Cross** puts in this way, "Lending is the essence of Commercial banking, and consequently the formulation and implementation of sound policies are among the most important responsibilities of bank directors and management.

Reilly defines investment in this words, "An investment may be defined as 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 the uncertainty involved in the future flow of the funds.”

2.2.1 Review of Article

In this section, effort has been made to examine and review of some related articles in different economic journals, magazines, newspapers and other related books.

Thapa,(2010) in his article, “Finance & the Money” published in “The Himalayan Times” concluded that during difficult financial times, it is important to create a sense of security when it comes to our financial health. This means attempting to put away a "Cushion of Cash" in case times get rough. One way to do this is to pay yourself first. When you pay yourself first, you take money off the top of whatever your earnings and make yourself a "bill" that needs to be paid.

Wales, in his article, “Financial Analysis: Technical Analysis Alerts” (<http://www.articlesbase.com/leadership-articles>) before focus that starting on the financial analysis, there are things that must be prepared beforehand. This is a checklist of the factors that need to be identified specifically for this task:

-) What is the precise nature and range of the issue that needs analysis? Will this have a relative significance in the overall context of the business?
-) What specific trends, relationships and variables can help the analysis of this issue?
-) Is there any possible way to derive to an estimate of the probable result?
-) How reliable and exact are the available data? How can this data have an immediate effect on the range of results of the analysis?

The above are only a few of the things that need clarification before conducting an analysis. There is still some immediate information that can have a direct and indirect effect on the stature of the business.

But as always, a financial analysis is being conducted in order to assess the outflow of the business. More so, the analysis can also increase the business' productivity and help identify waste. As such, there are really a number of business owners who conduct this analysis at the end of their fiscal year. Yet, there are some business owners who conduct the analysis several times throughout the year. This is so they can achieve the optimum performance evaluation of their business.

2.2.2 Review of Related Thesis

Prior to this thesis, the students have concluded several works .They have prepared various aspects of commercial banks such as lending policy, financial performance, investment policy, interest rate structure, resources mobilization and capital structure have been conducted several thesis works. Some of them are supposed to be relevant for the studies which are present below:

Kishi ,(1996) in his article ,”The changing face of the banking sector and the HMG/N recent budgetary policy” concludes that following an introduction of the reform in the banking sectors as an integrate part of the liberal economic policy, more banks and finance companies have come up as a welcome measure of competition. Slowly and steadily, the two governments controlled banks.

Poudel(2005) gives more emphasis on financial performance of financial companies in his article “An Overview Financial Companies of Nepal”. He had written that at the time 1996, the ratio of capital funds to deposits has been increasing over the time but on top of this , it is substantially below than the authorize level of deposit mobilization, which is ten times of the capital base. Never the less, some of the finance companies have even mobilized the deposits by more than ten times of their capital base by violating the

regulatory norms issued by NRB. The credit/ deposit ratio has remained quite high leaving the room for doubt about the quantity of loan especially in the absence of repayment schedule. The loan diversification has been improved however, during a short span of time. As such, the hire purchase housing and term loans are the major sectors, which all together received more than 95% of the total loan and advances in mid July 1996. Because of the mushrooming growth of the number of finance companies, the average sources of funds for each company are natural to decline. Since the varying factor, it is too early to evaluate the performance of financial companies in Nepal but equally important factor is that the regulatory and supervisory authority should keep close eyes to monitor their activities.

Maharjan(2008), on his thesis entitled, "Financial performance of commercial banks in Nepal: A Comparative Study of Nepal Bank Ltd. and Nabil Bank Ltd". The result of analysis of activity ratio shows that Nabil is efficiently utilizing its outsider funds by extending loans & advances and investment to generate profit, whereas NBL cannot utilize totally its outsider fund but holding the fund. It shows NBL is discouraging the investment of its resources. Nabil is utilizing its assets on generating satisfactory profit but NBL cannot generate satisfactory profit because of not utilizing its assets on loan & advances and investment. While analyzing of valuation ratio of this two banks, it is concluded that the NABIL has higher ratio than NBL. So, the market judges Nabil bank's performance and prospect is better than those banks.

Maharjan(2008), on her thesis entitled," A Comparative Study of The Financial Performance of Everest Bank Ltd.(NBL) & Himalayan Bank Ltd.(HBL)". It was found that the performance of HBL seems to be better than NBL with respect total investment to total deposit ratio. Both banks are highly leveraged. PE ratio of NBL was found to be raising trend which increase the confidence of investors towards the bank. It is concluded that NBL is more successful to earn high profit through the efficient utilization of its owned capital. Securities to total deposit and cash and bank balance to total deposit

ratio of NBL as higher in composition to HBL. The overall financial performance of NBL is slightly better than the comparison of HBL.

Shakya(2008), on her thesis entitled, "A Comparative Study of The Financial Performance of all Commercial Banks (with reference to Nabil Bank Limited, Nepal Investment Bank Limited and Himalayan Bank Limited)". NBL has lowest mean ratio which mean it may invest the more fund in the productive sector. NBL has a highest liquidity ratio among sample banks. The loan and advances to total deposit ratio of all banks found to be at satisfactory level and maintain the good consistency in ratio, however NIBL has a highest mean ratio which it shows that NIBL's liquidity position with respect to this ratio is more satisfactory than other sample banks. Among sample banks NBL is successful in mobilizing the deposit in invest on government securities, since it has a higher mean ratio. But NIBL has a lower mean ratio; they are less successful to utilize the deposit in investment on government securities in compare with sample banks. Similarly, HBL is also successful in mobilizing the deposit in investment on Government securities. We can conclude that NBL has loans and advances appeared satisfactory. Trend of deposit collection showed that the bank was in a higher risk with respect to saving deposit as against the fixed deposit.

Poudel (2009) in the article, "Present Condition of Financial companies" has presented with compared to the commercial bank, the interest rate is relatively high that is provided and accepted by finance companies. The financial companies should not be confined only in the valley. They should extend their services to the rural sectors of Hill and Terai to reduce regional imbalance. The collection of deposit and loan investment done by the commercial banks also, to sustain themselves in the environment of competitions, they should introduce novel technology and equipment's to collect deposits and investments .They should learn from the drawbacks, failure and success of commercial banks to effectively maintain as alternative status.

Shakya (2009), on her thesis entitled, “A Comparative Study on the Financial Performance of Nepal Investment Bank Ltd (NIBL) & Laxmi Bank Ltd. (LXBL)” evaluates the financial performance of the selected banks. On the basis of the comparative analysis of the data of LXBL and NIBL, the study has focused on liquidity ratio, leverage or capital structure, Capital Adequacy, Management of assets, Profitability and other ratios. According to their analysis, I found that among the various profitability ratios, return on net worth ratio, return on capital employed ratio, return on total assets, return on total deposit ratio and interest earning to total assets ratio of NIBL are greater than that of LXBL. Liquidity position of LXBL and NIBL are lower, they are still able to meet their current obligation. According to capital Adequacy Ratio, NIBL's position is better than that of LXBL.

Thapa (2009), on her thesis entitles, “A Comparative analysis of financial performance of Standard Chartered Bank and Himalayan Bank Ltd.” In this analysis, the study reveals that the current ratio of HBL is greater than 1 and SCBNL current ratio is less than 1, which should be considered satisfactory for HBL but not satisfactory for SCBNL. The liquidity position of HBL is better than SCBNL. The cash and bank balance of HBL with respect to deposit is greater than SCBNL this puts, HBL in a better position with respect to meeting customer requirement than SCBNL. The cash and bank balance of HBL with respect to current assets is higher than SCBNL. This shows greater capacity of HBL to meet its customer's cash requirement but that doesn't mean SCBNL cannot meet its daily customer cash requirement. Both the banks have successfully managed their assets.

From the review of various books, articles, journals and thesis, this study is different from previous studies. In this study, researcher has taken three banks for financial analysis. They are NBL, NIBL&HBL. This study will be fruitful to those interested person, researchers, students, teacher, businessmen and government for academically as well as policy perspectives.

Dangol (2010), in his thesis entitled, “A Comparative Analysis of Investment Portfolio Management of Bank of Kathmandu (BOK) and NABIL Bank Limited”, focus has been made to the different investment portfolio of the concern banks. It seems that Bok has successfully utilized its deposit money but NABIL has gradually decreasing its deposit money in total investment. One of the vital reasons might be the terrible political circumstances going in the country. Due to this reason NABIL might have made such decision. On considering the ROTA values, the NABIL Bank is in better situation than BOK because of higher and uniform values. Whereas, the BOK has satisfactory values which indicates that there is consistent increase in ROTA throughout the review period. This means BOK and NABIL are efficiently utilizing their deposit resources.

2.3 Conclusion of the Review

All the sample bank are not strong in overall performance. Despite of cut throat competition commercial banks have managed to sustain themselves. Some are strong in liquidity and some are strong in profit making. Analysis of liquidity position of these commercial banks shows different position.

Banks are the backbone of economic development. Banks have to prove that they are the potential contributors to the national economy ensuring adequate rate of return on investment, efficient and viable agencies for mobilization of savings and its channels into productive sectors and strategically well planned to be competitive with competitors and other agencies and are trust worthy.

CHAPTER 3

RESEARCH METHODOLOGY

Research methodology is the process of arriving at the solution of the problem through planned and systematic dealing with the collection, analysis and interpretation of facts and figures. Research is a systematic method of finding right solutions for the problem whereas research methodology refers to the various sequential steps to adopt by a researcher in studying a problem with certain objectives in view. In other words research methodology refers to the various methods of practices applied by the researcher in the entire aspects of the study.

The basic objective of the study is to compare the financial performance of Nabil Bank Limited; Nepal Investment Bank Limited & Himalayan Bank Limited. The study will be successful in finding out the position of these sampled banks. The study will be able to make some useful and meaningful recommendation to the concern banks as well as to the others who find it reliable.

In order to accomplish this study, both the primary and secondary data will be used. The data will be analyzed by using various financial and statistical tools useful to study. For this purpose the financial data of the last five years from the fiscal year 2007/08 to 2011/12 have been examined to their financial performance study. For this purpose, the following research methods have been adopted:

3.1 Research Design

The study is mainly based on two types of research design i.e. descriptive and analytical. Descriptive research design describes the general pattern of the Nepalese investors, business structure, problem of portfolio management, etc. The analytical research design makes analysis of the gathered facts and information and makes a critical evaluation of it. "A research design is the arrangement of condition for collection and analysis of data in a manner that

aims to combine relevance to the research purpose with economy in procedure." Some statistical and accounting tools will be applied to evaluate financial performance of the three Banks.

3.2 Natures and Sources of Data

Mainly, the study is conducted on the basis of the secondary data. The data relating to investment, deposit, loan and advances and profit are directly obtained from the balance sheet and profit and loss account of the concerned bank's annual reports published in their respective annual general meetings and website www.nrb.org.np and relevant bank's website. In addition to that some of the relevant data will also collect from the non bank financial statistics published by the non bank regulation department of Nepal Rastra Bank.

All the secondary data are compiled, processed and tabulated in the time series as per the need and objectives. Formal and informal talks with the concerned authorities of the bank were also helpful to obtain the additional information of the related problem.

Likewise, various data and information are collected from the economic journals, periodicals, bulletins, magazines and other published and unpublished reports and documents from various sources.

3.3 Population and Sampling Design

There are many commercial and joint venture banks are operating in the country and their stocks are traded actively in stock market. The number is increasing by day. So, among them as a sample three major banks has been taken in consideration as it is not possible to study all the data related with all bank of Nepal. Due to the limitation of time and unavailable of the relevant data has forced to take research on the few commercial banks. So the financial analysis of listed three banks is being compared with that average of the same, which are selected from population. From the above listed commercial banks are considered as population.

The selected samples are as follows:

- a) Nabil Bank Limited (NABIL)
- b) Nepal Investment Bank Limited (NIBL)

c) Himalayan Bank Limited (HBL)

3.4 Data Analysis Procedure

In this study, various accounting, statistical and financial tools have been used to achieve the objective of the study. The analysis of data is done according to pattern of data available. With the available tools and resources statistical tools such as Karl Pearson's coefficient of correlation, simple and multiple regressions analysis as well as corresponding hypothesis etc. is use in the study. Similarly some strong accounting and financial tools such as ratio analysis and trend line analysis are also apply in this study.

The various calculated results obtained through financial and statistical tools are tabulated under different headings. Then they are compared with each other to interpret the results.

3.4.1 Financial Tools

There are various financial tools and technique each of which is used according to their purpose carried out. Among them ratio analysis is used by most companies.

Therefore in this study we discuss about ratio analysis.

3.4.2 Ratio Analysis

Financial ratio is the mathematical relation between two accounting figures. Ratio analysis is the part of the whole process of analysis of financial statements of any business or industrial concern especially to take output and credit decisions. It is the powerful tool of financial analysis, which helps in identifying financial strengths and weakness of business concerns, compare a firm's financial performance and status. The qualitative judgment regarding financial performance of a firm can be done with the help of ratio analysis.

3.4.2.1 Liquidity Ratios

Liquidity ratios are used to judge the ability of banks to meet its short-term liabilities that are likely to mature in the short period. From them, much insight can be obtained into present cash solvency of the bank and its ability to

remain solvent in the event of adversities. It is measurement of speed with which a bank's assets can be converted into cash to meet deposit withdrawal and other current obligations.

i. Current Ratio

The current ratio is the ratio of total current assets to total current liabilities. It shows the relationship between current assets and current liabilities, which is presented as follows:

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

Where,

Current assets include cash and bank balance within analysis accounting period such as cash bank balance, investment in Treasury bill, money at call or placement, loans, receivable and prepaid expenses etc.

Current Liabilities refers to the short- term maturing obligations. This includes all deposit liabilities, intra bank reconciliations account, bills payable, tax provision, staff bonus, dividend payable overdrafts, provisions and accrued expenses.

ii. Cash and Bank Balance to Total Deposit Ratio

Cash and bank balance are the most liquid current assets. This ratio measures the percentage of liquid fund with the bank to make immediate payment to the depositors. This ratio is computed by dividing cash and bank balances by total deposit. This can be presented as follows:

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

Where,

Total deposits consist of deposits on current account, saving account, fixed account, money at call and other deposits.

iii. Cash and Bank Balance to Current Assets Ratio

This ratio shows the percentage of liquid assets i.e. cash and bank balance among the current assets of the firm. Higher ratio shows the higher capacity of firms to meet the cash demand. The formula is as follows:

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

Hence, cash and banks balance includes cash in hand, foreign cash and foreign banks.

iv. Investment on Government Securities to Current Assets Ratio

This ratio is used to find the percentage of the current assets invested on government securities, treasury bills and development bonds. This ratio can be calculated dividing the amount of investment on government securities by the total amount of current assets and can be stated as follows:

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

v. Loan and Advances to current Assets Ratio

Banks measured earning source is loan. Loan are also taken as currents assets as most of them are maturing within the period of one year and represents short term disbursement .A bank should not allocate all funds in loan and advance so, it must maintain in an appropriate level. In other to calculate the proportion of loan and advance to total current assets, the ratio is obtained by dividing loan and advance by current assets.

$$\text{Loan and Advance to Current assets ratio} = \frac{\text{Total loan \& Advance}}{\text{Current Asset}}$$

3.4.2.2 Assets Management Ratios (Activity Ratios)

Assets management ratio is used to measure how effectively the firm utilized the investments and the economic resources at its command. Investments are

made in order to produce profitable sales. Achieving profitable sales, therefore involves making sound investments. At the practical level, this involves comparisons between the sales and the investment in various assets accounts. The methodology postulates an optimal relationship between sales and the various types of asset investment.

The following financial ratios related to investment policy are calculated under asset management ratio and interpretations are made by these calculations.

i. Loan and Advances to Total Deposit Ratio

This ratio is calculated to find out how successfully the selected banks and finance companies are utilizing their total collections/deposits on loan and advances for the purpose of earning profit. It can be calculated by dividing the amount of loans and advances by the amount of total deposits, which is given below:

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

Where,

Loan and advances refers to total of loan, advances and overdraft and total deposits refer to total of all kinds of deposits.

ii. Loan and Advances to Fixed Deposit Ratio

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

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

iii. Loan and Advances to Total Working Fund Ratio

Loan and advances is the major components in the total working fund, which indicates the ability of banks are successful in mobilizing their loan and advances on the working fund ratio for the purpose of the income generation.

This ratio is computed by dividing loans and advances by total working fund .This are stated as below:

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

Here Total working fund includes all assets of on balance sheet items. In other words, this includes current assets, net fixed assets, loans for development bonds and other investment in share, debenture and other etc. A high ratio indicates a better mobilization of fund as loan and advances and vice - versa.

iv. Investment on Government Securities to Total Deposit Ratio

Investment is one of the major forms of credit created to earn income. This implies the utilization of firm's deposit on investment in government securities and share, debenture of the other companies and banks. This ratio measure the extent to which the bank are successful in mobilizing total investment on the total deposits, the amount of deposits should be soundly investment in the bank has to put only provide interest on its deposits but also has to declared a handsome dividend to its owners and share holders. This ratio can be calculated by dividing total investment by total deposit. This ratio is mention as below:

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

Investment consists of investment of government securities, investment on debenture and bonds, share in subsidiary companies, share in other

companies and other investment. A high ratio that the bank's efficiency is more investing on its deposit and low indicates in ability to put its deposits for the lending activities.

v. Investment on Government Securities to Total Working Fund Ratio

Investment on government securities to working fund ratio shows how much part of investment is there on government securities in percentage. It can be obtained by;

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

vi. Investment on Shares and debentures to Total Working Fund Ratio

Investment on Shares and debentures to total working fund ratio shows the investment of banks and finance companies on the shares and debentures of obtained dividing on shares and debentures by total working fund. It can be obtained by;

$$\text{Investment on Shares and debentures to Total Working Fund Ratio} = \frac{\text{Investment on share \& debenture}}{\text{Total Working Fund}}$$

3.4.2.3 Profitability Ratios

Profit is the different between total revenue and total expenses over a period of time. Profit is the ultimate out put of a commercial bank and it will have no future if it fails to make sufficient profits. Therefore, the financial manager continuously evaluates the efficiency of the banks in terms of profits. Profitability shows the overall efficiency of the business concerns. The relation of the return of the firm to either its sales or equity of its assets is known as profitability ratio. Profit is necessary to survive in any business field for its successful operation and further expansion. It measures management's overall effectiveness as shown by the return generated on sales and investment. Higher the profitability ratio, better the financial performance of

the banks and vice- versa. Profitability ratio can be calculated by following different ratio:

i. Net Profit to Total Assets

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

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

ii. Net Profit to Total Deposit Ratio

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

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

iii. Net Profit to Net worth Ratio

Net worth or shareholders equity refers to the owners claim on the assets of the bank. It can be found by deducting total liabilities from total assets

(excluding intangible assets and accumulated losses.) This ratio measures the profit earned by the commercial banks by utilizing owner's equity and there by generating return to satisfy the owners. This ratio indicates sound management and efficiency and wealth maximization of the banks, which in turn is the wealth maximization of the banks. It is calculated by dividing net profit by net worth, which is express as follows.

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

iv. Total Interest Earned to Total Working Fund Ratio

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

$$\text{Total Interest Earned to Total Working Fund Ratio} = \frac{\text{Total Interest Earned}}{\text{Total Working Fund}}$$

v. Total Interest Paid to Total Working Fund Ratio

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

$$\text{Total Interest Paid To Total Working Fund Ratio} = \frac{\text{Total Interest Paid}}{\text{Total Working Fund}}$$

3.4.2.4 Leverage Ratios

Leverage ratios have a number of implications. First, creditors look at equity, or owner supplied funds, as a cushion or base for the use of debt. If owners provide only a small proportion of total financing, the risk of the enterprise are borne mainly by the creditors. Second, by raising funds through debt the owners gain the benefits of achieving control of the firm with a limited commitment. Third, the use of debt with a fixed interest rate magnifies both the gains and losses to the owners. Fourth, the uses of debt with a fixed interest cost and with a specified maturity increase the risk that the firm may both be able to meet its obligations.

In practice, leverage is approached in two ways. One approach examines balance sheet ratios and determines the extent to which borrowed funds have been used to finance the firm. The other approach measures the risks of debt by income statement ratios designed to determine the number of times fixed charges are covered by operating profits. These sets of ratios are complementary, and most analysts examine both.

This ratio is also called solvency ratio or capital structure ratio. A firm should have strong short- term as well as long -term financial position. To judge the term financial position of the firm, these ratios helps to measures the financial contribution of owners and creditors comparatively. These ratios indicate the situation of the capital structure, which is calculated to measure the company's ability of using debt for benefit of shareholders. Long- term creditors like debenture holders, financial institutions etc. are more interested to the firm's long term financial health, debt serving capacity and strength and weakness of the concerns. This ratio may be calculated from the balance sheet items to determine the proportion of debt in total financing. In summary debt ratio tell us the relative proportions of capital of contribution by creditors and by owners.

i. Debt Assets Ratio

This ratio exhibits the relationships between creditors fund and owners capital. This ratio shows the proportion of outside fund used in financial total

assets. It also provides security / financial safety to the outsider's i.e. potential shareholders, depositor or investors. Higher debt ratio indicates higher financial risk as well as increasing claims of outsiders in total assets and lower ratio indicates lower financial risk as well as decreasing claims of outsiders over the total assets of the firm. Generally 1:2 ratios are considered good but however no hard and fast rule is prescribed. This implies a finance company success in exploiting debt to more profitable areas. This ratio is represents as follows:

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

ii. Debt Equity Ratio

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

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

3.4.2.5 Capital Adequacy Ratios

The capital adequacy ratio is used to measure the strength of the capital adequacy of the available capital .It is measured by the capital (Paid up capital + free reserves) to the total assets explain the strength of the capital base of commercial banks. A high or low capital adequacy ratio is undesirable items of lower return or lowered solvency respectively. Therefore appropriate capital adequacy is needed but it is a controversial matter. According to NRB's prescription bank has to keep capital adequacy ratio. NRB's standard of capital adequacy ratio is changing over the time period. The capital adequacy is measured by analyzing following ratio:

i. Shareholder's Fund to Total Deposit Ratio

Shareholder's fund to total deposit ratio shows how well bank are maintain sufficient amount as shareholder's fund is comparison to the amount of the total deposit. This ratio is calculated by shareholder's fund divided by total deposit, which is presented as follows:

$$\text{Shareholder's Fund to Total Deposit Ratio} = \frac{\text{Shareholder's Fund}}{\text{Total Deposit}}$$

ii. Shareholder's Fund to Total Assets Ratio

This ratio is concerned with the sufficiency of shareholders fund against the total assets. It is very essential for every financial institution to have a balance of required percentage of total assets at shareholders fund, i.e. capital fund. Generally this ratio measures the relative claims of owners of the bank over its assets. .A high ratio indicates that out of total assets shareholders have more controlled, owner command and vice -versa. This ratio is calculated by dividing shareholder's fund by total assets which is presented as follows:

$$\text{Shareholders Fund to Total Assets Ratio} = \frac{\text{Shareholder's Fund}}{\text{Total Assets}}$$

3.4.2.6 Market Value Ratio / Growth Ratio

Market value ratio represents how well the banks are maintaining their economic and financial position. The ratios can be calculated by dividing the last period divided by the first period divided, then by referring to the computed interest tables. Alternatively, it is calculated by using the following formula,

$$FV = PV (1 + r)^n$$

Where,

FV = Future Value

PV= Present Value

r = rate interest

n= no. of year A high ratio generally indicates better performance and vice-versa. To examine and analyzed the expansion analysis growth of company. Following growth ratio are calculated in this study.

i. Net Profit

Net Profit is the main indicator of financial position of any business organization. Net profit is essential for its survival and growth and to maintain capital adequacy through profit retention. This indicator is computed by subtracting total expenditure including tax from operating income and interest. It is also called net profit after tax and interest.

$$\text{Net Profit.} = \text{Operating Income} - (\text{Total Expenditure} + \text{Interest Paid} + \text{Taxes})$$

ii. Earning Per Share (EPS)

It is calculated by dividing the net profit after tax less preference dividend by the total no. of common shares It is calculated by using following formula.

$$\text{Earning Per Share} = \frac{\text{Net Profit after Interest and Taxes-Preference Dividend}}{\text{Number of Equity Shares}}$$

iii. Dividend Per Share (DPS)

Bank pay certain amount of net profit as dividend to its shareholders under its' policy. The term dividend refers to distributed earning to the shareholders of the bank in return to their investment. Generally, dividend implies that portion of net profit, which is allocated to shareholders as their return in term of cash or share. The difference fund between EPS and DPS is retaining in the company as retain earning. It is calculated total dividend by number of share.

$$\text{Dividend per share} = \frac{\text{Total Distributed Dividend}}{\text{Number of Common Share Outstanding}}$$

3.5 Statistical Tools

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

i. Arithmetic Mean or Average

The average value is a single value with in the range of the data that is used to represent all of the values in the series. Since an average is somewhere with in the range of that data, it is also called a measure of central value. Since average represents the entire data, its value lies somewhere in between the two average. Among them is use the arithmetic mean which is more popular to denote particular type of average. It is obtain dividing sum of obtain observations by the number of items which is presented as follows.

$$\begin{aligned} \text{Where, } \bar{X} &= \text{Arithmetic Mean} \\ x &= \text{Summation for Total Values of the Variable / Observation} \\ N &= \text{Number of Items} \end{aligned}$$

ii. Standard Deviation

The standard deviation is the most important and widely used measure of studying dispersion. It is also known as root mean square deviation for the reason that the square root of the mean of the standard deviation from the arithmetic mean. It is also denoted by the small Greek letter σ (Sigma). The standard deviation measures the absolute dispersion or variability of a distribution. A small standard deviation means a high degree of uniformity of the observation as well as homogeneity of a serious, a large standard deviation means just the opposite. Hence, standard deviation is extremely useful in judging the representative of the mean.

Symbolically,

$$\sigma = \sqrt{\frac{\sum d^2}{n}}$$

Where,

\dagger = Standard Deviation

d^2 = Sum of Squares of the Deviation Measured from the Arithmetic Average

n = Numbers of Item

iii. Co-efficient of Variation (C.V)

The co-efficient of variation is the corresponding relative measure of dispersion, comparable across distribution, which is defined as the ratio of the standard deviation to the mean expressed in percentage. It is used in such problems where we want to compare the variability of two or more than two series. The series for which the co-efficient of variation is greater is said to be more variable or conversely less consistent, less uniform, less stable or less homogeneous. On the other hand, the series for which co-efficient of variation is less is said to be less variable or more consistent, more uniform, more stable or more homogeneous. We can denote this by following formula

$$CV = \frac{\dagger}{x} \times 100$$

Where,

CV = Co-efficient of Variation

= Standard Deviation

= Mean / Average

iv. Co-efficient of Correlation (r)

Correlation is the statistical tool that we can use to describe the degree to which one variable is linearly related to another. The coefficient of correlation measures the degree of relationship between two sets of figures. Among the various methods of finding out coefficient of correlation, Karl Pearson's method is applied in the study. The result of coefficient of correlation is always between +1 and -1. When $r = +1$, it means there is perfect relationship between two variables and vice-versa. When $r = 0$, it means there is no relationship between two variables. The Pearson's 1 formula is

as follows:

Where, r = Co-efficient of Correlation
 x = Independent Variable
 y = Dependent Variable
 N = Number of Periods

v. Probable Error of the Co-efficient of Correlation

After the calculation of co-efficient of correlation the next thing is to find out extent to which it is dependable. For this purpose the probable error of the coefficient of correlation is calculated. If the probable error is added to and subtracted from the co-efficient of correlation it would give two such limits within which we can reasonably accept the value of co-efficient of correlation to vary. The formula for finding out the probable error of the Karl Pearson's co-efficient of correlation is:

Where, P.E.r = Probable Error of Co-efficient of Correlation
 r = Co-efficient of Correlation
 n = Number of Pairs of Observations

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

-) If the co-efficient of correlations is less than its probable error, it is not at all significant.
-) If the co-efficient of correlations is more than six times of probable error, it is definitely significant.
-) If the probable error is not much and if the coefficient of correlation is 0.5 or more it is generally to be significant.

vi. Co-efficient of Determination (R^2)

The Co-efficient of determination is the measure of the degree of linear association or correlation between two variables, one of which happens to be independent and other being dependent variable. In other words, co-efficient

of determination measures the percentage of total variation in dependent variable explained by independent variable. The co-efficient of determination can have value ranging from zero which simply means that all the data points in the scatter diagram fall exactly on the regression line. Co-efficient of determination is the square of the co-efficient of correlation.

Symbolically,

$$R^2 = (r)^2$$

where,

R^2 = Co-efficient of Determination

r = Co-efficient of Correlation

vii. Trend Line Analysis

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

For calculation of the "Line of the best fit ", following equation should be kept in mind.

$$Y_c = a + bx$$

Where, Y_c = the estimated value of Y for given value of x obtained from the line of regression of Y on X

a = "Y- intercept " / mean of Y value

b = "slope of line " / rate of change

x = the variable in time series analysis represent time

In order to determine the value of the constants a and b the following two normal equations are to be solved.

$$\sum Y = Na + b \sum X \quad \text{and} \quad \sum XY = a \sum X + b \sum X^2$$

Where;

N = Number of Years for with the data are given

Here, X stands for the time variations and Y for the variables related to time. Naturally, if we take the middle year or the mid – point of the two years as the starting point, X will be equal to 0 and the two equations will then be

$$Y = N a \quad \text{and} \quad XY = b x^2$$

By transformation, we can write

$$a = \frac{Y}{N} \quad \text{and} \quad b = \frac{XY}{X^2}$$

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

This topic will be used to forecast the ratios of Total deposit, Total Loan and Advances, Total Investment and Net Profit of the banks for next five years on the base of past five years. The analysis is done under limited factors which are as follows:

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

3.5.1 Limitation of the Methodology

In the Nepalese context, data gathering is taken as the major problem for the study. There is a considerable place to argue regarding its accuracy and reliability. There are many limitations, which weaken the generalization e.g. inadequate coverage of the financial sector, time period taken and other variables.

3.5.2 Review of Related Studies:

During the study period, more and more books, various types of journals and thesis was studied for the knowledge. Previous research work was the backbone of the present research work.

CHAPTER 4

PRESENTATION AND ANALYSIS OF DATA

In this chapter data, facts figures relating to three banks NABIL, NIBL & HBL are presented according to the objectives set in the introduction chapter. These data are translated, analyzed and interpreted so that financial forecast of banks can be done easily. To make a data more realistic and complete qualitative and quantitative analysis is done through different financial ratio and statistical analysis. However there are many ratios but due to some sort coming and constraints, only selected ratios have been taken for analyzing the strength and weakness of the sample banks.

In other to find out the strength and weakness and financial performance of the sample banks various ratios and variable have been calculated that are as follows:

4.1 Presentation and Analysis of Data

4.1.1 Ratios Analysis

Ratio analysis is a powerful tool of financial analysis, which helps in identifying strength and weakness of business concerns. The term ratio refers to the numerical or quantities relationships between two variables. Important ratios can be calculated from the balance sheet and profit & loss account and thus calculated financial ratios can be useful for analyzing and assessing the performance and position of the bank, which reflect the relative strength and weakness of any particular bank over others. Ratio analysis has been a major tools used in the interpretation and evaluation of financial statements.

There are various types of financial ratio which are used by different field for different purpose, such as creditors, investors, financial institutions and management of the firm. In this analysis following ratio are analysis and interpret for the past five year 2007\08 to 2011\12 for different banks.

4.1.1.1 Liquidity Ratios

As name denotes the liquidity refers to the ratio between liquid assets and liability. Liquidity ratio measures the ability of firm to meet its current obligations Banks should maintain its satisfactory liquidity position to satisfy the short-term credit needs of the community , to meet demands for deposits, withdraws, pay maturity obligation in time an convert non cash assets into cash to satisfy immediate needs without loss to bank consequent impact in long run profit. Liquidity ratio measures the short-run solvency of the firm.

The liquidity positions of the banks are comparatively studied through following ratios:

4.1.1.1.1 Current Ratio

Current ratio indicates the ability of the company to meet its current obligation. This is the board measure of liquidity position of the banks. In another words, it is measures the availability for current assets for meeting current liabilities. This ratio is also known as working capital. Following table shows the comparative current ratio for five years.

Table 1: Current Ratio

(Rs. in millions)

Fiscal Year	Banks								
	Nabil Bank Limited			Nepal Investment Bank Limited			Himalayan Bank Limited		
	Current Assets	Current Liabilities	Ratio (in times)	Current Assets	Current Liabilities	Ratio (in times)	Current Assets	Current Liabilities	Ratio (in times)
2007/08	4,623.50	33,513.47	0.138	3,754.94	34,530.56	0.109	1,966.67	32,028.64	0.061
2008/09	3,925.40	39,492.70	0.099	7,918.00	46,819.24	0.169	4,219.32	34,794.85	0.121
2009/10	4,518.24	46,911.05	0.096	6,815.89	50,170.18	0.136	4,175.33	37,827.36	0.110
2010/11	4,889.06	51,762.48	0.094	8,290.37	50,427.14	0.164	3,698.65	40,962.28	0.090
2011/12	5,102.26	55,513.92	0.092	12,009.11	57,581.16	0.209	6,626.90	47,750.00	0.139
Mean			0.104			0.157			0.104
S.D.			0.019			0.038			0.030
C.V.(%)			18.437			23.856			28.529

[Sources: Annual Report of Concerned Bank, Refer Appendix -1]

Table 1 indicates the current ratios of the sampled banks. Among sampled banks, NIBL has highest average mean value of current ratio whereas NABIL

and HBL has the equal lowest ratio. The ratio of Nabil is not so much in fluctuating order. The highest ratio for NABIL is registered in 2007/08 which is 0.138 and lowest ratio is registered in 2011/12 which is 0.092. Similarly, the highest ratio of NIBL is 0.209 in fiscal year 2011/12 and lowest ratio is registered in 2009/2010 which is 1.368. In the same way, HBL's ratio is in increasing order. In 2007/08 it has lowest ratio 0.061 and in 2011/12 it has highest ratio 0.139. Since mean ratios of NIBL found to be highest than Nabil and HBL, we can conclude that NIBL is successful to meet their current obligation. Even though Nabil and HBL have failed to maintain the current obligation they are not failed in earning the profit. From point of view of working policy they have taken the aggressive policy.

As far as the liquidity and consistency is concern Nabil Bank seems to be in better position than NIBL&HBL as it has lower C.V. (18.44%) than other two sample banks NIBL and HBL. NIBL and HBL are failed to maintain the consistency in the liquidity.

4.1.1.1.2 Cash and Bank Balance to Total Deposit Ratio.

This ratio measures the percentage of liquid fund with the bank to make immediate payment to the depositors. The main purpose of this ratio is to examine the bank's liquidity capacity on the basis of cash and bank balance. The following table shows the cash and bank balance to total deposit ratio of selected sample banks.

Table 2 : Cash and Bank Balance to Total Deposit Ratio

(Rs. in millions)

Banks									
Fiscal Year	Nabil Bank Limited			Nepal Investment Bank Ltd.			Himalayan Bank Limited		
	Cash & Bank Bal.	Total Deposit	Ratio (in times)	Cash & Bank Bal.	Total Deposit	Ratio (in times)	Cash & Bank Bal.	Total Deposit	Ratio (in times)
2007/08	2,671.14	31,915.05	0.084	3,754.94	34,451.73	0.109	1,448.14	31,842.79	0.045
2008/09	3,372.51	37,348.26	0.090	7,918.00	46,698.10	0.170	3,048.53	34,681.35	0.088
2009/10	1,400.10	46,410.70	0.030	6,815.89	50,094.73	0.136	3,866.49	37,611.20	0.103
2010/11	2,436.55	49,696.11	0.049	8,140.37	50,138.12	0.162	2,964.65	40,920.63	0.072
2011/12	4,275.82	55,023.70	0.078	11,803.75	57,010.60	0.207	6,362.30	47,730.99	0.133
Mean			0.066			0.157			0.088
S.D.			0.026			0.037			0.033
C.V. (%)			38.616			23.506			37.182

[Sources: Annual Report of Concerned Bank, Refer Appendix -2]

Table 2 shows cash and bank balance to total deposit ratio of Nabil Bank, Nepal Investment Bank and Himalayan Bank. During the study period of five years, the ratio of Nabil has highest in 2008/09 which is 0.090 and lowest in 2009/10 which is 0.030. Similarly NIBL has highest ratio in 2011/12 and lowest in 2007/08 which are 0.207 and 0.109 respectively. On the other hand HBL has highest ratio in 2011/12 which is 0.133 and lowest in 2007/08 which is 0.045. It is found that NIBL has maintained the highest mean ratio which is 0.157 than Nabil and HBL which shows that NIBL is successful in maintaining the higher cash and bank balance to total deposit ratio. But it does not mean that it has invested in profitable sector. It actually means that NIBL are successful in meeting the daily cash requirement.

NIBL has maintained the higher cash and bank balance to total deposit ratio as well as has better position in consistency which is shown by lowest C.V. (23.51%). It has a consistency in utilizing the cash balance among the other sample banks. Holding cash and bank balance can have a negative impact on the goodwill and reputation of the bank to fulfill the demand of the profit holder and lower cash balance can have a negative impact on the customer. Therefore banks should maintain the enough liquidity.

4.1.1.1.3 Cash and Bank Balance to Current Assets Ratio.

Cash and bank balance to total deposit ratio shows the percent of readily available fund within the banks. A high ratio indicates the sound ability to meet their daily cash requirements of their customer deposits and vice versa.

Table 3 : Cash and Bank Balance to Current Ratio

(Rs. in millions)

Fiscal Year	Banks								
	Nabil Bank Limited			Nepal Investment Bank Ltd.			Himalayan Bank Limited		
	Cash & Bank Balance	Current Assest	Ratios (in times)	Cash & Bank Balance	Current Assest	Ratios (in times)	Cash & Bank Balance	Current Assest	Ratios (in times)
2007/08	2,671.14	4,623.50	0.58	3,754.94	3,754.94	1.00	1,448.14	1,966.67	0.74
2008/09	3,372.51	3,925.40	0.86	7,918.00	7,918.00	1.00	3,048.53	4,219.32	0.72
2009/10	1,400.10	4,518.24	0.31	6,815.89	6,815.89	1.00	3,866.49	4,175.33	0.93
2010/11	2,436.55	4,889.06	0.50	8,140.37	8,290.37	0.98	2,964.65	3,698.65	0.80
2011/12	4,275.82	5,102.26	0.84	11,803.75	12,009.11	0.98	6,362.30	6,626.90	0.96
Mean			0.617			0.993			0.829
S.D.			0.233			0.010			0.109
C.V. (%)			37.810			0.971			13.109

[Sources: Annual Report of Concerned Bank, Refer Appendix - 3]

Table 3 shows the ratio of Cash and Bank Balance to Current Ratio of Nabil Bank, Nepal Investment Bank and Himalayan Bank. The ratio of Nabil Bank is ranged between 0.31 in 2009/10 and 0.86 in 2008/09 with mean ratio of 0.617 and CV of 37.81 %. NIBL's ratio is ranged between the 0.982 in 2011/12 and 1.00 in 2007/08 with mean ratio of 0.993 and CV of 0.97 %. On the other hand, HBL is ranged between 0.722 in 2008/09 and 0.96 in 2011/12 with mean ratio of 0.829 and C.V of 13.11 %. Since, the mean ratio of NIBL is higher than the average of all sample banks, it supports the conclusion that the NIBL has been successful in maintaining its higher cash and bank balance to current assets ratio, but it doesn't mean that it has mobilized its more funds in profitable sectors. It actually means that NIBL can meet its daily cash requirement. In contrast NABIL has a lowest mean ratio because it may have invested their fund in more productive sectors. NIBL has lowest C.V. which is (0.97%) which means they are successful in maintaining a stability of cash and bank balance in comparison to other sampled banks.

4.1.1. 2 Activity Ratio/ Assets Management Ratios

Activity Ratio/ Assets Management Ratios indicate the speed with which assets are being converted or turned over. Thus these ratios are used to measure the banks' ability to utilize their available resources. Asset management ratio predicts how efficiently banks manage the resources at its command. The following asset management ratios are used in this study for comparison of the banks.

4.1.1.2.1 Loan and Advance to Total Deposit Ratio

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

Table 4 : Loan and Advances to Total Deposit Ratio

(Rs. in millions)

Banks									
Fiscal Year	Nabil Bank Limited			Nepal Investment Bank Ltd.			Himalayan Bank Limited		
	Loan &	Total	Ratio	Loan &	Total	Ratio	Loan &	Total	Ratio
	Advance	Deposit	(in times)	Advance	Deposit	(in times)	Advance	Deposit	(in times)
2007/08	21,365.05	31,915.05	0.669	26,996.63	34,451.73	0.784	19,497.52	31,842.79	0.612
2008/09	27,589.93	37,348.26	0.739	36,241.21	46,698.10	0.776	24,793.16	34,681.35	0.715
2009/10	32,268.87	46,410.70	0.695	40,318.31	50,094.73	0.805	27,980.63	37,611.20	0.744
2010/11	38,034.10	49,696.11	0.765	41,095.51	50,138.12	0.820	31,566.98	40,920.63	0.771
2011/12	41,605.68	55,023.70	0.756	41,637.00	57,010.60	0.730	34,965.43	47,730.99	0.733
Mean			0.725			0.783			0.715
S.D.			0.041			0.034			0.061
C.V. (%)			5.668			4.351			8.529

[Sources: Annual Report of Concerned Bank, Refer Appendix - 4]

Table 4 shows the ratio during the study period of five years of three banks. In fiscal year 2007/08 and 2010/11 NABIL has registered the lowest ratio (0.669) and highest ratio (0.765) respectively with mean ratio of 0.725. Similarly, NIBL has registered the highest ratio (0.820) in year (2010/11) and lowest ratio (0.730) in year 2011/12 with mean ratio of 0.783. Also, HBL has registered the lowest (0.612) and highest (0.771) ratio in fiscal year 2007/08 and 2011/12 respectively with lowest mean ratio of 0.715 among the other two banks.

As concerned with the consistency, NIBL is successful to maintain the consistency in comparison to Nabil and HBL. HBL has a highest C.V. of 7.63 %. In case of NABIL it has C.V. of 5.67% which shows that they are not able to maintain the stability in investing through loan and advance to some extent.

4.1.1.2.2 Investment on Government Securities to Total Deposit Ratio

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

Table 5 : Investment on Government Securities to Total Deposit

(Rs. in millions)

Fiscal Year	Banks								
	Nabil Bank Limited			Nepal Investment Bank Ltd.			Himalayan Bank Limited		
	Invest. On Govt. Sec.	Total Deposit	Ratio (in times)	Invest. On Govt. Sec.	Total Deposit	Ratio (in times)	Invest. On Govt. Sec.	Total Deposit	Ratio (in times)
2007/08	9,939.77	31,915.05	0.311	6,874.02	34,451.73	0.200	13,340.18	31,842.79	0.419
2008/09	10,826.38	37,348.26	0.290	7,399.81	46,698.10	0.158	8,710.69	34,681.35	0.251
2009/10	13,703.02	46,410.70	0.295	8,635.53	50,094.73	0.172	8,444.91	37,611.20	0.225
2010/11	13,081.21	49,696.11	0.263	7,423.11	50,138.12	0.148	8,769.94	40,920.63	0.214
2011/12	14,055.85	55,023.70	0.255	10,438.49	57,010.60	0.183	10,031.58	47,730.99	0.210
Mean			0.283			0.172			0.264

[Sources: Annual Report of Concerned Bank, Refer Appendix - 5]

Table 5 reflects that the ratio of NABIL is fluctuating in between the range of 0.290 in 2008/09 and 0.311 in 2007/08 with average being 0.283. Similarly, the ratio of NIBL is in decreasing trend. Highest ratio 0.200 registered by NIBL is in 2007/08 and lowest ratio 0.148 is in 2010//11 with mean ratio of 0.172 which is lowest among other sample banks. The ratio of HBL is in fluctuating order which is ranged from 0.210 in fiscal year 2011/12 and 0.491 in year 2007/08 with mean of 0.264. Among sampled banks Nabil Bank is successful in mobilizing the deposit, since it has a higher mean ratio. But NIBL has a lower mean ratio; they are less successful to utilize the deposit in investment on government securities in compare with sample banks. Similarly, HBL is

also successful in mobilizing the deposit in investment on government securities.

4.1.1.3 Profitability Ratios

The main objective of a bank is to make profit providing different types of services to its customers. Profit is the different between total revenue and total expenses over a period of time. Profit is necessary to survive in any business field for its successful operation and further expansion. Profit is the ultimate output of a commercial bank and it will have no future if it fails to make sufficient profits. Therefore, the financial manager continuously evaluates the efficiency of the banks in terms of profits. Profitability shows the overall efficiency of the business concerns. To meet those objectives likewise a good liquidity position, meet fixed interest obligation, overcome the future contingencies, grab the investment opportunities, business expansions etc., they must earn sufficient profit. It is an obvious that profitability ratios are the best indicators of overall efficiency. In this study, mainly those ratios are presented which are related with profit as well as fund mobilization.

Profit measures management's overall effectiveness as shown by the return generated on sales and investment. The relation of the return of the firm to either its sales or equity of its assets is known as profitability ratio. Higher the profitability ratio betters the financial performance of the banks and vice-versa. The following are profitability ratios those are relevant in this study.

4.1.1.3.1 Net Profit to Total Assets Ratio

This ratio is also known as return on total assets (ROA). This ratio is a measuring tool of profitability with respect to each financial resources investment of the assets. If Bank's working fund (total assets) is well managed and utilized efficiently, return on such assets will be higher and vice versa. The following comparative table shows the return on total assets ratio of different Banks recorded over the study period.

Table 6 : Net Profit to Total Assets Ratio									
(Rs. in millions)									
Banks									
Fiscal Year	Nabil Bank Limited			Nepal Investment Bank Ltd.			Himalayan Bank Limited		
	Net	Total	Ratio	Net	Total	Ratio	Net	Total	Ratio
	Profit	Assets	(in times)	Profit	Assets	(in times)	Profit	Assets	(in times)
2007/08	746.47	37,132.76	0.020	698.67	38,873.28	0.018	635.88	36,175.53	0.018
2008/09	1,031.05	43,867.40	0.024	916.50	53,010.80	0.017	752.83	39,320.32	0.019
2009/10	1,139.10	52,151.69	0.022	1,265.95	57,305.41	0.022	508.80	42,717.12	0.012
2010/11	1,337.74	58,141.44	0.023	1,176.64	58,356.83	0.020	893.12	46,736.20	0.019
2011/12	1,696.28	63,200.30	0.027	1,039.28	65,756.23	0.016	958.64	54,364.43	0.018
Mean			0.023			0.019			0.017
S.D.			0.002			0.002			0.003
C.V. (%)			10.780			13.270			17.486
<i>[Sources: Annual Report of Concerned Bank, Refer Appendix - 6]</i>									

Table 6 shows that all banks have fluctuating ratio. The ratio of NABIL is ranged between 0.020 and 0.027 in year 2007/08 and 2011/12 respectively with the highest mean ratio 0.023. It is more successful in utilizing the total assets for earning the net profit in compare to other sample banks. Similarly NIBL has recorded a highest ratio in 2009/10 which is 0.022 and lowest ratio is 0.016 in year 2011/12 with a mean ratio with 0.019 which determined that NIBL is some extent successful in earning the net profit with efficient utilization of total assets with compare to HBL. Lastly, HBL has mean ratio 0.017 with ranged between 0.012 to 0.019 in 2009/10 and 2010/11.

But as concern with consistency, NABIL are able to maintain the consistency in profit which is shown by lowest CV 10.78 % among the sample banks. NIBL and HBL have a greater variation in earning the profit on total working fund. The CV of these banks is 13.27% and 17.49%.

4.1.1.3.2 Net profit to Total Deposit Ratio.

This ratio is the mirror for banks overall financial performance as well as its success in profit generating, the reason being that the deposits made by its customer's is the major sources of earning of the joint venture banks as the

earning is made by the efficiency and effective utilization of these deposits. The following table reveals the percentage of net profit to total deposit of sample banks.

Table 7 : Net Profit to Total Deposit Ratio

(Rs. in millions)

Banks									
Fiscal Year	Nabil Bank Limited			Nepal Investment Bank Ltd.			Himalayan Bank Limited		
	Net Profit	Total Deposit	Ratio (in times)	Net Profit	Total Deposit	Ratio (in times)	Net Profit	Total Deposit	Ratio (in times)
2007/08	746.47	31,915.05	0.023	698.67	34,451.73	0.020	635.88	31,842.79	0.020
2008/09	1,031.05	37,348.26	0.028	916.50	46,698.10	0.020	752.83	34,681.35	0.022
2009/10	1,139.10	46,410.70	0.025	1,265.95	50,094.73	0.025	508.80	37,611.20	0.014
2010/11	1,337.74	49,696.11	0.027	1,176.64	50,138.12	0.023	893.12	40,920.63	0.022
2011/12	1,696.28	55,023.70	0.031	1,039.28	57,010.60	0.018	958.64	47,730.99	0.020
Mean			0.027			0.021			0.019
S.D.			0.003			0.003			0.003
C.V. (%)			10.858			13.582			17.550

[Sources: Annual Report of Concerned Bank, Refer Appendix - 7]

Table 7 reveals the net profit to total deposit ratio is in fluctuating situation of all sample banks. The ratio of NABIL has ranged between 0.23 in 2007/08 to 0.031 in 2011/12 with mean ratio of 0.027 which is highest mean ratio among the sample banks. The highest and lowest ratios recorded by NIBL are 0.025 and 0.018 in year 2009/10 and 2011/12 respectively with mean ratio which of ratio 0.021. Similarly, HBL has recorded highest in year 2010/11 (0.022) and lowest ratio in year 2009/10 (0.014) with mean ratio of 0.019. Which is the lowest among the sampled banks. The above statement indicates that NABIL has better performance in utilizing of total deposit to earn a higher profit than other sample banks. Similarly, HBL has not better performance in comparison to NABIL and NIBL since is has low mean ratio 0.019.

As far as consistency level NABIL is successful in maintaining consistency in mobilizing total deposit to earn the profit. This is shown by lowest CV of NABIL i.e. 10.89 % than NIBL (13.59%) and HBL (17.55%).

4.1.1.3.3 Total Interest Earned to Total Working Fund Ratio

The ratio shows the earning capacity of a Bank on its total assets (working fund). This ratio exhibits the extent on which banks are successful in

mobilizing their working funds to generate income as much as possible. The higher ratio will indicate the high earning power of the banks on its total assets and lower ratio will indicate the low earning power of the banks. The following table shows the comparative ratios of Banks for the different periods.

Table 8 : Total Interest Earned to Total Working Fund Ratio

(Rs. in millions)

Fiscal Year	Banks								
	Nabil Bank Limited			Nepal Investment Bank Ltd.			Himalayan Bank Limited		
	Interest	Working	Ratio	Interest	Working	Ratio	Interest	Working	Ratio
	Earned	Fund	(in times)	Earned	Fund	(in times)	Earned	Fund	(in times)
2007/08	1,978.70	33,275.05	0.059	2,194.28	34,451.73	0.064	1,963.64	31,925.97	0.062
2008/09	2,798.49	39,029.56	0.072	3,267.94	46,736.90	0.070	2,342.19	34,681.35	0.068
2009/10	4,047.73	46,485.60	0.087	4,653.52	50,132.04	0.093	3,148.61	37,611.20	0.084
2010/11	5,254.03	51,346.71	0.102	5,803.44	50,418.89	0.115	4,326.14	40,930.63	0.106
2011/12	6,133.74	55,334.78	0.111	5,982.64	57,578.18	0.104	4,724.89	47,730.99	0.099
Mean			0.086			0.0891			0.0835
S.D.			0.021			0.022			0.019
C.V. (%)			24.539			24.609			22.971

[Sources: Annual Report of Concerned Bank, Refer Appendix - 8]

Table 8 reveals the total interest earned to total working fund ratio. The mean ratio of NABIL is 0.086. The ratio of NABIL has ranged between 0.059 in year 2007/08 to 0.111 in year 2011/12. Similarly, NIBL has a fluctuating trend as the ratio is ranged between 0.064 to 0.115 in year 2007/08 to 2011/12 respectively with the highest mean ratio of 0.0891. The ratio of HBL has ranged between 0.062 in year 2007/08 to 0.106 in year 2010/11.

The mean ratio shows that all sample banks are successful in earning the interest on total working fund. Among them NIBL found to be a leader in earning a interest with compare to NABIL and HBL. Since HBL has a lowest C.V. (22.97%) they have a consistency in earning interest by mobilizing a total working fund effectively. The highest C.V. is found in NIBL with 24.61% which shows a greater variability in earning an interest.

4.1.1.3.4 Total Interest Paid to Total Working Fund Ratio

Interest earning is the major source of a commercial bank. The ratio is used to measure the percentage of total interest expenses against the total assets.

The following are the comparative ratio figures of Banks recorded in different periods.

Table 9 : Total Interest Paid to Total Working Fund Ratio

(Rs. in millions)

Fiscal Year	Banks								
	Nabil Bank Limited			Nepal Investment Bank Ltd.			Himalayan Bank Limited		
	Interest	Working	Ratio	Interest	Working	Ratio	Interest	Working	Ratio
	Paid	Fund	(in times)	Paid	Fund	(in times)	Paid	Fund	(in times)
2007/08	758.44	33,275.05	0.023	992.16	34,451.73	0.029	823.74	31,925.97	0.026
2008/09	1,153.28	39,029.56	0.030	1,686.97	46,736.90	0.036	934.77	34,681.35	0.027
2009/10	1,960.11	46,485.60	0.042	2,553.85	50,132.04	0.051	1,553.53	37,611.20	0.041
2010/11	2,955.43	51,346.71	0.058	3,620.34	50,418.89	0.072	2,414.81	40,930.63	0.059
2011/12	3,155.49	55,334.78	0.057	3,814.41	57,578.18	0.066	2,816.44	47,730.99	0.059
Mean			0.042			0.051			0.042
S.D.			0.016			0.019			0.016
C.V. (%)			37.651			36.581			38.501

[Sources: Annual Report of Concerned Bank, Refer Appendix - 9]

Table 9 shows the comparative analysis of total interest paid to total working fund. All the ratios of NABIL, HBL and NIBL are in increasing trend. The highest and lowest ratio of NABIL are 0.058 and 0.023 in fiscal year 2010/11 and 2007/08 respectively with mean ratio of 0.042 which is low mean ratio as compared to NIBL. The highest and lowest ratios of NIBL are 0.066 and 0.029 with mean ratio of 0.051. Similarly, HBL has a ratio which is ranged between 0.059 in the year 2011/2012 and 0.026 in the year 2007/08 with the mean ratio of 0.042. The above definition determined that NIBL has paid a higher interest on working fund in compare to NABIL and HBL which is shown by highest mean ratio. NIBL has consistency in interest paid because C.V of NIBL is lowest among sample banks which is 36.58%.

4.1.1.4 Leverage Ratios

A firm should have strong short- term as well as long –term financial position. Like other ratios, leverage ratio is also very necessarily important tool in measuring financial performance of any institution. This ratio reveals the proportion of funds used by the institution either from the creditor's side or form owner side. In order to maintain healthy financial position any institutions need to maintain proper proportion of debt & equity. These ratios indicate the situation of the capital structure, which is calculated to measure the

company's ability of using debt for benefit of shareholders. Long- term creditors like debenture holders, financial institutions etc. are more interested to the firm's long term financial health, debt serving capacity and strength and weakness of the concerns. This ratio may be calculated from the balance sheet items to determine the proportion of debt in total financing. In summary debt ratio tell us the relative proportions of capital of contribution by creditors and by owners. Leverage ratio is also called solvency ratio or capital structure ratio. There are various tools in order to measure leverage of the institution among them. Debt Asset ratio & Debt Equity ratio has been used.

4.1.1.4.1 Debt-Asset Ratio

It measures proportion of the creditor's funds used by the institution to acquire the assets. The increased proportion of debt indicated the risky ness or burden to the institution. The debt is considering more risky and cheap source of financing. Risky in the sense that the debt financing needs regular payment of interest in any condition of economic. The debt asset ratios of sample banks are as below:

Table 10: Debt Asset Ratio

(Rs. in millions)

Fiscal Year	Banks								
	Nabil Bank Limited			Nepal Investment Bank Ltd.			Himalayan Bank Limited		
	Total Debt	Total Assets	Ratio (in times)	Total Debt	Total Assets	Ratio (in times)	Total Debt	Total Assets	Ratio (in times)
2007/08	1,838.42	37,132.76	0.050	1,128.84	38,873.28	0.029	1,045.85	36,175.53	0.029
2008/09	2,444.44	43,867.40	0.056	1,171.14	53,010.80	0.022	613.51	39,320.32	0.016
2009/10	800.34	52,151.69	0.015	1,125.46	57,305.41	0.020	716.16	42,717.12	0.017
2010/11	2,366.37	58,141.44	0.041	1,339.01	58,356.83	0.023	541.66	46,736.20	0.012
2011/12	790.22	63,200.30	0.013	1,620.56	65,756.23	0.025	519.00	54,364.43	0.010
Mean			0.035			0.024			0.016
S.D.			0.020			0.004			0.008
C.V. (%)			56.902			14.790			45.739

[Sources: Annual Report of Concerned Bank, Refer Appendix - 10]

Table 10 shows that debt financing ratio of all sample banks are in fluctuating trend. The highest ratio of NABIL is 0.056 in 2008/09 and lowest is 0.013 in 2011/12 with the highest mean ratio of 0.035. The ratio of NIBL is ranged between 0.020 and 0.029 in year 2009/10 and 2007/08 a mean ratio 0.024 respectively. Similarly, HBL have highest ratio 0.029 in year 2007/08 and

lowest ratio of 0.010 in year 2011/12 with the lowest mean ratio of 0.016 which is the lowest ratio among all sample banks. Therefore, NABIL is utilizing a highest debt among the sample Banks. NIBL is successful in maintaining a consistency which is shown by lowest C.V. (14.79%) among sample banks.

4.1.1.4.2 Debt-Equity Ratio

The Debt Equity ratio implies the debt equity proportion used by the institution. High Debt Equity ratio indicated more use of money from creditor's side and vice versa. High Debt Equity ratio considered good if the institution is able have higher return than the cost paid on debt.

Table 11 : Debt - Equity Ratio

(Rs. in millions)

Banks									
Fiscal Year	Nabil Bank Limited			Nepal Investment Bank Ltd.			Himalayan Bank Limited		
	Total	Total	Ratio	Total	Total	Ratio	Total	Total	Ratio
	Debt	Equity	(in times)	Debt	Equity	(in times)	Debt	Equity	(in times)
2007/08	1,838.42	2,437.20	0.754	1,128.84	2,686.79	0.420	1,045.85	2,512.99	0.416
2008/09	2,444.44	3,130.24	0.781	1,171.14	3,907.84	0.300	613.51	3,119.88	0.197
2009/10	800.34	3,836.71	0.209	1,125.46	4,585.39	0.245	716.16	3,439.21	0.208
2010/11	2,366.37	4,566.52	0.518	1,339.01	5,159.76	0.260	541.66	3,995.48	0.136
2011/12	790.22	5,450.89	0.145	1,620.56	6,049.94	0.268	519.00	4,632.01	0.112
Mean			0.481			0.299			0.214
S.D.			0.297			0.071			0.120
C.V. (%)			61.722			23.729			56.220

[Sources: Annual Report of Concerned Bank, Refer Appendix - 11]

Table 11 shows that debt -equity ratio of all sample banks are in fluctuating trend. The highest ratio of NABIL is recorded in year 2008/09 (0.781) and lowest ratio is recorded in year 2011/12 (0.145) with mean ratio of 0.481 which is highest among the sample banks. In the same way the ratio of NIBL is also in fluctuating trend. It has ratio ranged between 0.245 in 2009/10 to 0.420 2007/08 with mean ratio of 0.299. The ratio of HBL is in fluctuating trend. The ratio is ranged between 0.112 in year 2011/12 whereas it was 0.416 in year 2007/08 with mean ratio 0.214. Since highest mean ratio is recorded by NABIL, they have more investment from debt than equity fund which cost a higher than equity. Higher debt investment brings a higher cost to the banks.

The C.V. of NABIL, NIBL and HBL are 61.72 %, 23.73% and 56.22%. Therefore NIBL has lowest C.V which defined that NIBL has consistency in debt-equity ratio.

4.1.2 Statistical Analysis

This chapter includes some statistical analysis such as Karl Pearson's coefficient of correlation, simple regression analysis and trend line analysis, which are used to analyze the data to achieve the objective of the study.

4.1.2.1 Coefficient of Correlation Analysis (r)

This tool is used to predict the relationship between deposits and loans & advances, net profit and outside assets and deposits and total investment. Under this study, Karl Pearson's coefficient of correlation is being used.

4.1.2.1.1 Coefficient of Correlation between deposits and loans & advances

Deposit is the main tool for developing the banking performance of the banks. Likewise loans and advances are the key part to mobilize the collected deposits. The coefficient of correlation between deposits and loans & advances measures the degree of relationship between these two variables. For this study, deposit is taken as independent variable (x) and loans & advances are dependent variables (y). The purpose of computing 'r' between these two variables is to justify whether deposits are significantly used as loans and advances in proper way or not.

Table 12: Coefficient of Correlation between Deposits and Loan & Advance

Fiscal Year	Banks					
	NABIL		NIBL		HBL	
	T. Deposit (x)	Loan & Advances (y)	T. Deposit (x)	Loan & Advances (y)	T. Deposit (x)	Loan & Advances (y)
2007/08	31,915.05	21,365.05	34,451.73	26,996.63	31,842.79	19,497.52
2008/09	37,348.26	27,589.93	46,698.10	36,241.21	34,681.35	24,793.16
2009/10	46,410.70	32,268.87	50,094.73	40,318.31	37,611.20	27,980.63
2010/11	49,696.11	38,034.10	50,138.12	41,095.51	40,920.63	31,566.98
2011/12	55,023.70	41,605.68	57,010.60	41,637.00	47,730.99	34,965.43
r	0.988		0.959		0.964	
r ²	0.976		0.919		0.930	
$PE = 0.6745 * \frac{1-r^2}{\sqrt{n}}$	0.007		0.024		0.021	
6*Per	0.043		0.146		0.126	
Level of Significant	Significant		Significant		Significant	

[Sources: Annual Report of Concerned Bank]

The coefficient of correlation (r) for all the sampled banks found to be almost '1' which indicates there is proportion relationship between the deposits & loan & advance for all the banks. While testing 6P.E.r for all sample banks found to be significant as the r value for all the banks are greater than 6Per, which implies that there found to be perfect correlation between the deposits and loan & advances. It shows that the loan and advances is depends upon the deposit and all sample banks are successful in mobilizing the deposit to loan and advances efficiently.

4.1.2.1.2 Coefficient of Correlation between Deposits and Investment

Investment is also a measures part of banks to mobilize the collected deposit. By investing in different profitable area like shares and debenture, government securities banks maximize the profit. Therefore it is important to study the relation between the deposit and investment. For this analysis deposit is taken as independent variable (x) and investment (y) is taken as dependent variable. This analysis measures the degree of relationship between these two variables. Besides this, it will justify whether the deposits are significantly used in proper way or not and whether there is any relationship in between these two components. The following table exhibits

the coefficient of correlation (r) between deposits and total investment, coefficient of determination (r²), probable error PE_r.

Table 13: Coefficient of Correlation between Deposits and Investment

(Rs. in millions)

Banks						
Fiscal Year	NABIL		NIBL		HBL	
	T. Deposit (x)	Investment (y)	T. Deposit (x)	Investment (y)	T. Deposit (x)	Investment (y)
2007/08	31,915.05	9,939.77	34,451.73	6,874.02	31,842.79	13,340.18
2008/09	37,348.26	10,826.38	46,698.10	7,399.81	34,681.35	8,710.69
2009/10	46,410.70	13,703.02	50,094.73	8,635.53	37,611.20	8,444.91
2010/11	49,696.11	13,081.21	50,138.12	7,423.11	40,920.63	8,769.94
2011/12	55,023.70	14,055.85	57,010.60	10,438.49	47,730.99	10,031.58
r	0.956		0.808		-0.371	
r ²	0.915		0.653		0.137	
$PE = 0.6745 * \frac{1-r^2}{\sqrt{n}}$	0.026		0.105		0.260	
6PE	0.154		0.628		1.561	
Level of Significant	Significant		Significant		InSignificant	

[Sources: Annual Report of Concerned Bank]

The coefficient of correlation of two sampled banks are found to be positive which indicates that there is positive and perfect relationship between the deposits & investments. Whereas coefficient of correlation of HBL is found to be negative which means there is negative relationship between deposits and investment. While testing 6P.E._r for all sample banks only two banks were found to be significant as the r value for all the banks are greater than 6P.E._r which implies that there found to be perfect correlation between the deposits and investment. However, HBL had failed to maintain perfect correlation between the deposit and investment. This shows that NABIL and NIBL are successful in investment with respect to deposit. These bank's investment is depends upon the deposit.

4.1.2.1.3 Coefficient of Correlation between Investment & Net profit

Following table shows the relation between the investment and net profit. As we say in above investment is done in different profitable area to maximize the profit. Net profit is the key to survive the banks. Without profit banks cannot sustain in the market. Therefore it is necessary to measures the degree of relationship between these two variable. For this study, Investment

(x) is taken as independent variable and net profit (y) is taken as dependent variable. The following table shows the coefficient of correlation between(r), coefficient of determinants (r^2) and probable error PE.r. on investment and net profit of banks.

Table 14 : Coefficient of Correlation between Investment and Net Profit

Banks						
Fiscal Year	NABIL		NIBL		HBL	
	Investment	Net Profit	Investment	Net Profit	Investment	Net Profit
	(x)	(y)	(x)	(y)	(x)	(y)
2007/08	9,939.77	746.47	6,874.02	698.67	13,340.18	635.88
2008/09	10,826.38	1,031.05	7,399.81	916.50	8,710.69	752.83
2009/10	13,703.02	1,139.10	8,635.53	1,265.95	8,444.91	508.80
2010/11	13,081.21	1,337.74	7,423.11	1,176.64	8,769.94	893.12
2011/12	14,055.85	1,696.28	10,438.49	1,039.28	10,031.58	958.64
r	0.853		0.420		0.119	
r^2	0.728		0.177		0.014	
$PE = 0.6745 * \frac{1-r^2}{\sqrt{n}}$	0.082		0.248		0.297	
6PEr	0.493		0.410		0.112	
Level of Significance	Significant		Significant		Significant	

[Sources: Annual Report of Concerned Bank]

The coefficient of correlation for all the sampled banks found to be almost '1' which indicates that there is proportion relationship between the investment & net profit for all the sample banks. While testing 6P.E.r for all sample banks found to be significant as the r value of these banks are greater than 6P.E.r which implies there is perfect correlation between the Investment and net profit. This shows that all sample banks are successful to earn net profit by mobilizing the deposit to the investment.

4.1.2.1.4 Coefficient of Correlation between Loan and advances & Net profit

Loan and advances also plays a vital role in earning the profit. By mobilizing the deposit in loan & advances banks earns the profit. So, it is necessary to study the relation between these two variable loan & advances and net profit. Following table shows the coefficient of correlation(r), coefficient of determinants (r^2) and probable error PE.r of loan & advances and net profit of

sample banks. For this study loan and advances (x) is taken as independent variable and net profit (y) is taken as dependent variable

Table 15 : Coefficient of Correlation between Loan & Advances and Net Profit

(Rs. in millions)

Banks						
Fiscal Year	NABIL		NIBL		HBL	
	Loan & Advances	Net Profit	Loan & Advances	Net Profit	Loan & Advances	Net Profit
	(x)	(y)	(x)	(y)	(x)	(y)
2007/08	21,365.05	746.47	26,996.63	698.67	19,497.52	635.88
2008/09	27,589.93	1,031.05	36,241.21	916.50	24,793.16	752.83
2009/10	32,268.87	1,139.10	40,318.31	1,265.95	27,980.63	508.80
2010/11	38,034.10	1,337.74	41,095.51	1,176.64	31,566.98	893.12
2011/12	41,605.68	1,696.28	41,637.00	1,039.28	34,965.43	958.64
r	0.974		0.886		0.665	
r ²	0.948		0.786		0.442	
PE = $0.6745 * \frac{1-r^2}{\sqrt{n}}$	0.016		0.065		0.168	
6PEr	0.093		0.388		0.310	
Level of Significant	Significant		Significant		Significant	

[Sources: Annual Report of Concerned Bank]

The coefficient of correlation for all sampled banks found to be almost '1' which indicates there is proportion relationship between the loan & advance and net profit for two banks. While testing 6P.E.r for all sample banks found to be significant as the r value for all the banks are greater than 6P.E.r which implies that there found to be perfect correlation between the Loan & advance and net profit. It shows that all sample banks are successful in earning the net profit by mobilizing the loan and advances.

4.1.2.2. Trend Line Analysis

Among the various methods of determining trend of time series, the most popular and mathematical method is the least square method. Using this method of least square in the study, it has been tried to analyze the trend of prospective net profit in future by analyzing the trend of past net profit of the banks. Banks utilized the deposit by releasing investment in loan and advances in different profitable area for maximizing the profit. A bank can invest in shares & debenture, government securities and provide the loan and advances under different scheme.

This topic will be used to forecast the ratios of Total deposit, Total Loan and Advances, Total Investment and Net Profit of the banks for next five years on the base of past five years. The analysis is done under limited factors which are as follows:

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

4.1.2.2.1 Trend Line Analysis of Total Deposit

The part of this analysis will analyze Total deposit of banks for five years from 2006 to 2010 and projection for next five years i.e. 2011 to 2015. The following table exhibits the trend values of Total deposit of sample banks for 10 years.

Table 16 : Trend Line Analysis of Total Deposit

(Rs. in millions)

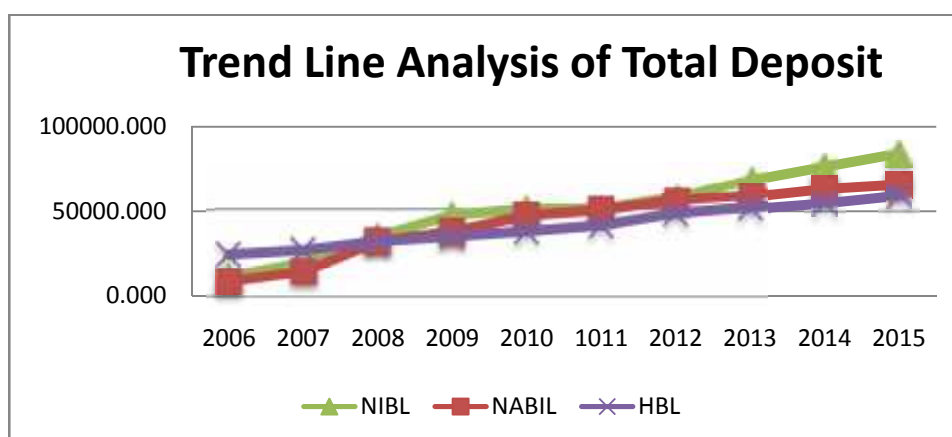
Trend values of Total Deposit			
Year	NABIL	NIBL	HBL
2006	8734.540	11681.780	24529.740
2007	14396.970	19722.890	27034.560
2008	31915.047	34451.726	31842.789
2009	37348.256	46698.100	34681.345
2010	46410.701	50094.725	37611.202
1011	49696.113	50138.122	40920.627
2012	55023.695	57010.604	47730.994
2013	58371.550	67969.550	51063.600
2014	63033.980	76010.660	54568.440
2015	65696.410	84051.770	59073.280

[Sources: Annual Report of Concerned Bank]

Table 16 exhibits that the trend values of all the sample banks are in increasing trend, which means futures of total deposit of all the sample banks

are good. Among the sample banks NIBL has a highest trend of total deposit. It means NIBL is successful in mobilizing the deposit. In fiscal year 2006 the trend values of NABIL, NIBL and HBL are 8734.54, 11681.78 and 24529.74 respectively. It can be forecasted to increase up to 65696.41, 84051.77 and 59073.28 for the forecast year 2015.

Figure – 1



4.1.2.2.2 Trend Line Analysis of Loan and Advances

The analysis will analyze Loan and Advances of banks for five years from 2006 to 2010 and forecast for following five years i.e. 2011 to 2015. The following table exhibits the trend values of Total deposit of sample banks for 10 years.

Table 17 : Trend Line Analysis of Loan & Advances

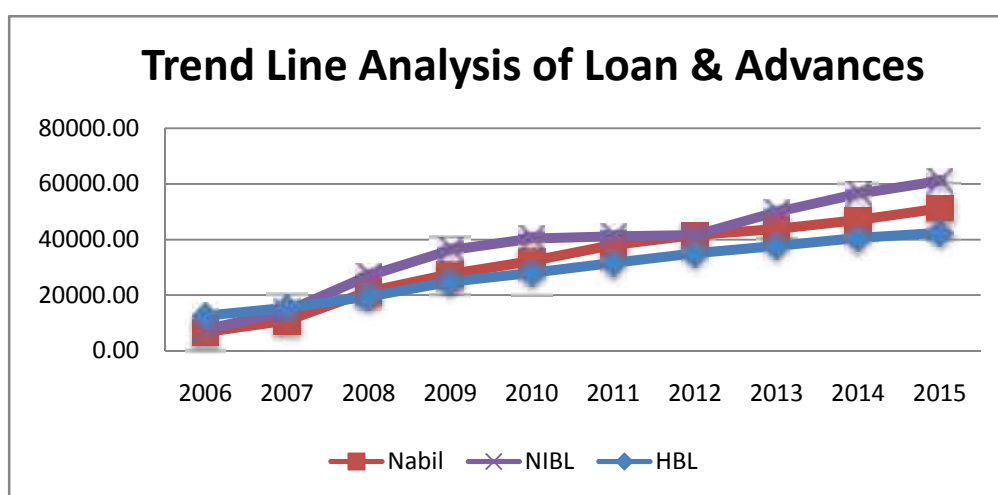
(Rs. in millions)

Trend values of Loan & Advance			
Year	NABIL	NIBL	HBL
2006	6736.92	7626.50	12629.26
2007	10896.29	14231.30	15485.63
2008	21365.05	26996.63	19497.52
2009	27589.93	36241.21	24793.16
2010	32268.87	40318.31	27980.63
2011	38034.10	41095.51	31566.98
2012	41605.68	41637.00	34965.43
2013	43852.51	49860.10	37623.85
2014	47011.88	56464.90	40480.22
2015	51171.25	61069.70	42336.59

[Sources: Annual Report of Concerned Bank]

Table 17 exhibits that the trend values of all the sample banks are in increasing trend, which means futures of total Loan and Advances of all the sample banks are good. Among the other sample bank, NIBL are in highest trend .All the sample banks are successful in mobilizing the Loan and Advances to different productive and profitable sector. In fiscal year 2006 the trend values of NABIL, NIBL and HBL are 6736.92, 7626.50 and 12629.26 respectively. It will increase to 51171.25, 61069.7 and 42336.59 for the forecast year 2015.

Figure No - 2



4.1.2.2.3 Trend Line Analysis of Investment

The following table analyzes the trend values of Investment of sample banks for five years and prediction for next five years.

Table 18 : Trend Line Analysis of Investment

(Rs. in millions)

Trend values of Investment			
Year	NABIL	NIBL	HBL
2006	4365.05	4223.74	10874.40
2007	8365.05	4603.37	11560.25
2008	9939.77	6874.02	13340.18
2009	10826.38	7399.81	8710.69
2010	13703.02	8635.53	8444.91
2011	13081.21	7423.11	8769.94
2012	14055.85	10438.49	10031.58
2013	16553.70	12581.15	10275.35
2014	18528.20	12760.78	12061.20
2015	20602.70	15940.41	13047.05

[Sources: Annual Report of Concerned Bank]

Figure No -3
Trend Line Analysis of Investment

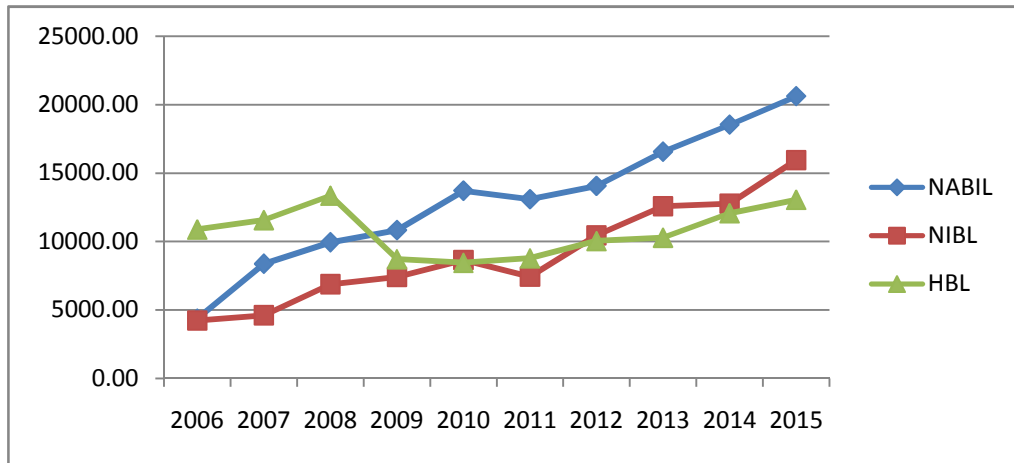


Table 18 exhibits that the trend values of NABIL and NIBL are in increasing trend, which means futures of total deposit of these banks are good. In fiscal year 2006 the trend values of NABIL, NIBL and HBL are 4365.05, 4223.74 and 10874.40 respectively. It is expected to increase up to 20602.7, 15940.41 and 13047.05 for the forecast year 2015.

4.1.2.2.4 Trend Line Analysis of Net Profit

The following table analyzes the trend values of Net Profit of sample banks for five years and prediction for next five years.

Table 19 : Trend Line Analysis of Net Profit

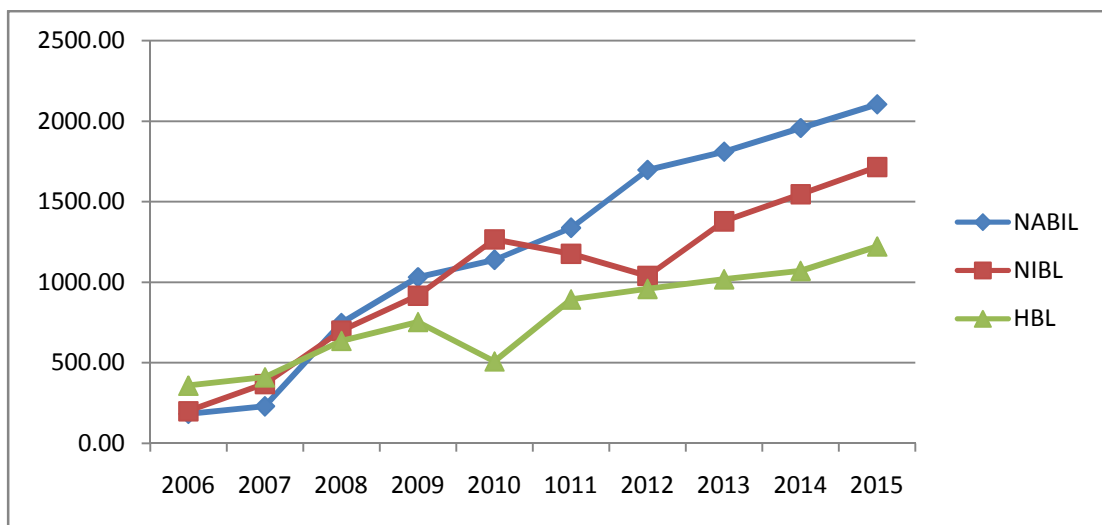
(Rs. in millions)

Trend values of Net Profit			
Year	NABIL	NIBL	HBL
2006	183.22	199.66	358.73
2007	229.92	367.97	410.14
2008	746.47	698.67	635.88
2009	1031.05	916.50	752.83
2010	1139.10	1265.95	508.80
2011	1337.74	1176.64	893.12
2012	1696.28	1039.28	958.64
2013	1810.12	1377.83	1018.60
2014	1956.82	1546.14	1070.01
2015	2103.52	1714.45	1221.42

[Sources: Annual Report of Concerned Bank]

Table 19 exhibits that the trend values of all the sample banks are in increasing trend, which means futures of Net Profit of all the sample banks are good. Among the sample banks NABIL has a highest trend of Net Profit. In fiscal year 2006 the trend values of NABIL, NIBL and HBL are 183.22, 199.66 and 358.73 respectively. It is expected to increase to 2103.52, 1714.45 and 1221.42 till the forecast year 2015.

Figure -4
Trend Line Analysis of Net Profit



4.2 Major Finding of the Study

The main findings of the study are carried out on the basis of the analysis of financial data of banks which are as follows:

4.2.1 Liquidity Ratio

) During the five years study period of three banks the current ratio found to be highly fluctuate. It is well known that the standard current ratio is 2:1. Among sample bank the current ratios of NABIL dominate the respective current liabilities which indicate that NABIL is capable in paying the current obligation. Therefore NABIL has a highest liquidity ratio among sample banks. NIBL and HBL have low current ratio, but it does not mean that they are failed to maintain the liquidity position. From point of view of working policy they are very much aggressive.

However average of all banks shows the satisfactory level of current ratio.

-) NABIL and NIBL are found to be in better position to maintain the cash and bank balance in total deposit ratio and cash and bank balance to current Assets ratio respectively among the sample banks. But it does not mean that it has mobilized its more funds in profitable sector. It actually means that it can meet the daily cash requirement to make payments of the customer. HBL has an average mean ratio. All the banks have a fluctuation ratio during study period.

From above results it can said that the liquidity position of NABIL found to be comparatively better than other sample banks. But NIBL and HBL also has a satisfactory level of liquidity position due to their aggressive working policy.

4.2.2 Assets Management Ratio

-) The loan and advances to total deposit ratio of all banks found to be at satisfactory level and maintain the good consistency in ratio. However NABIL has a highest mean ratio it shows that NIBL's liquidity position with respect to this ratio is more satisfactory than other sample banks. Apart from that it has a more consistency in ratio than other.
-) The mean ratio of loan and advances to total deposit ratio all the banks are found to be at satisfactory level. Since NABIL has a higher mean ratio, NABIL is able to proper utilization of loan and advance with respects to fixed deposit. NIBL and HBL have seemed to less effective in utilizing the loan and advances in compare to NABIL.
-) All the sample banks are successful to mobilize their funds as loan and advances with respect to total assets. But in comparative study for five years for three sample banks HBL has a higher mean ratio, so they are found to be best investor among sample banks. As concern to

consistency, almost all banks are failed to maintain the consistent. Among them HBL has maintain the consistency in loan and advances up to some extent.

-) Among sample banks NABIL is successful in mobilizing the deposit in invest on government securities, since it has a higher mean ratio. But NIBL has a lower mean ratio; they are less successful to utilize the deposit in investment on government securities in compare with sample banks. Similarly, HBL is also successful in mobilizing the deposit in investment on Government securities. NABIL are found to be best as concern with consistency. It has maintained the consistency level up to some extent.

From above finding, it shows that all the sample banks are successful in on-balance sheet utilization as well as off balance sheet operation. Among them NABIL found a best in mobilizing the assets to the profitable sector.

4.2.3 Profitability Ratio

-) All the sample banks are able to earn the profit on total assets. Among them, NIBL found to be best, since it has a higher mean ratio than average mean ratio. As concern to consistency NIBL also shows the consistency on earning the profit. In case of another two banks they have lowest earning on total assets and also have lowest consistency in earning the profit.
-) The mean ratio of net profit to total deposit ratio of NIBL is highest among the sample banks. NABIL and HBL has lower mean ratio and failed to maintain the consistency. Also NIBL is found to be best as concern with consistency. It has maintained the best consistency level among the sample banks. NABIL and HBL has lower mean ratio and failed to maintain the consistency.

) Even though all sample banks seem to earn the interest on total working fund, NIBL has successful in earning the higher interest where as HBL maintain the consistency in earning. NIBL and NABIL are failed to maintain the consistency in earning the interest than HBL.

) NABIL and HBL seem to be successful to collect its working fund from less expensive sources in comparison to NIBL. Even though NIBL has a higher interest expense they are successful in maintain the stability on expenses of interest.

From above finding, we can conclude that NIBL has a consistency in earning the profit and expenses on interest and NIBL are successful in earning the higher profit with lower interest expenses, whereas NABIL are average of other comparative banks.

4.2.4 Leverage Ratio

) Debt-assets ratio of the HBL is highest among the sample banks. Similarly, NIBL and NABIL has maintained the debt-assets ratio but less than that of HBL. Whereas HBL have more consistence in maintaining the ratio.

) NABIL is able to maintain the debt-equity ratio than other sample banks and also maintain the variability. In part of NIBL they are able to maintain the consistency than other banks but they also failed to use the equity fund to creditors. In case of HBL is unable to maintain the debt equity ratio as well as variability.

4.2.5 Coefficient of Correlation

) The Positive correlation between the deposit and loan and advances are found in all sample banks. The correlation between the deposit and loan and advances are perfect as there is significant between them. It means that the all banks provided the loans and advances from its deposit. Banks are successful in mobilizing the deposit as loans and advances.

-) There is the perfect positive correlation between the deposit and investment in all sample banks. In all three banks they have effectively mobilize its deposit on investment. In another word it can be said that Investment is depends upon the deposit.
-) All three sample banks are successful in earn the net profit from its investment which means that there is a positive correlation between the Investment and net profit.
-) All the sample banks are successful in earning the net profit by mobilizing the loan and advances. The correlation between the loan and advances and net profit are found to be positive.

4.2.6 Trend Line Analysis

Trend analysis is for past five years for projecting future results. The future trend analysis is done on some basic assumption that will continue in the future. The trend analysis results are as follows:

-) The trend line of total deposit for all sample banks is in increasing trend. In fiscal year 2006 the trend values of NABIL, NIBL and HBL are 8734.54, 11681.78 and 24529.74 respectively. It is increase to 59696.41, 84051.77 and 47073.28 for the forecast year 2015. Among the sample banks NIBL has a highest trend of total deposit. It means NIBL is successful in mobilizing the deposit.
-) All the sample banks have increasing trend of the loan and advances. Among them NIBL has highest increasing trend and NABIL has lowest increasing trend. All the sample banks are successful in mobilizing the Loan and Advances to different productive and profitable sector. In fiscal year 2006 the trend values of NABIL, NIBL and HBL are 6736.92, 7626.50 and 12629.26 respectively. It is increase to 44171.25, 67069.7 and 38336.59 for the forecast year 2015.

) The trend values of NABIL and NIBL are in increasing trend, which means futures of total deposit of these banks are good. But the sample banks HBL has a decreasing trend of Investment. It means HBL is not successful in mobilizing the Investment. In fiscal year 2006 the trend values of NABIL, NIBL and HBL are 3932.2, 2323.74 and 6074.40 respectively. It is increase to 4602.7, 3940.41 and 5047.05 and for the forecast year 2015.

) Although all sample banks has increasing trend of Net Profit NIBL has highest increasing trend. In fiscal year 2006 the trend values of NABIL, NIBL and HBL are 183.22, 199.66 and 358.73 respectively. It is increase to 2103.52, 1714.45 and 1221.42 for the forecast year 2015.

CHAPTER 5

SUMMARY, CONCLUSION AND RECOMMENDATIONS

The proceeding chapters have discussed and explored the facts and matters required for the various parts of the study, analytical part, which is the heart of the study, made a comparative analysis of various aspects of the financial performance of commercial banks by using some important financial as well as statistical tool. Having completed the basic analysis required for the study, the final and most important task of the researcher is to enlist, finding and give recommendation for further improvement this would be meaningful to the top management of the bank to initiate action and achieve the desired result. The objective of the researcher is not only to point out an errors and mistakes but also to correct them and give directions for further growth and improvement.

5.1 Summary

The development of any country largely depends upon its economic development. Banking industries been regarded as one of the component of economy. It transfers the scattered funds collected from saving of the public into various productive sectors. Economic activities remains halt in absence of banking industries as it plays the role of catalyst for economic development of the country in the developing country where there prevail unorganized transactions. It helps to enhance economic activities of the country by providing capital funds for the smooth operation of business activities, create employment opportunities, investing agriculture, industry. At present there are more than 25 commercial banks operating in the country among which NBL and RBB has occupied wide range of the business due to access to most of the corner of the country. Slowly private banks are also initiating to move toward every corner of the country but due to prevailing political crisis they are not being able to meet their objects to reach to every corner of the country. Due to increasing competition banks are forced to innovate new products to their customer and they are also shifting from traditional service procedure to various sophisticated services like ATM card, debit cards, credit card, housing loan, educational loans, vehicle financing.

Financial analysis is the process of determining the significant operation and financial characteristics of a firm from accounting data. It shows the relationship between the various component which can be found in balance sheet and profit and loss statement. The analyzed statement contains that information which is useful for management, shareholder, creditors, investors, depositors etc. As in other industries banking industries also need financial analysis, as it is crucial for evaluating and analyzing the performance of the particular company as compare to the other and also from the previous performance of the same company. So, this study almost concentrated in following problems of the sampled banks.

In this study regarding the financial performance of the three banks namely NABIL, NIBL and HBL has been conducted to highlight the hidden implications of figures portrayed in the balance sheet and profit loss account of the banks by interpreting their cause effect relationship with regard to their finance performance and to identify their contribution to the national economy. The objective of this study can also be identified as to come up with conclusion and findings of the financial performance of banks with regard to their key financial variables and based on the findings of the analysis; provide specific suggestion which will be beneficial for these banks as well as for the entire economy. The financial statement of five years 2007/2008 to 2011/2012 has been examined to fulfill the objective of the study.

5.2 Conclusions

The overall performance of sample banks found to be satisfactory. All sample banks are not strong in all performance. Some are strong in liquidity position and some are strong in profit making. The analysis of liquidity position of these commercial banks shows different positions. The current ratio measures only total rupees worth of current assets and total rupees of current liabilities, i.e. it indicates the availability of current assets in rupees for everyone rupee of current liability .Since mean ratios of NABIL found to be highest than NIBL and HBL from which we can conclude that NABIL is successful to meet their

current obligation. Even though NIBL and HBL have failed to maintain the current obligation they are not failed in earning the profit. From point of view of working policy they have taken the aggressive policy.

The turnover of the commercial banks is the main indication of income generating activity. These ratios are used to judge how efficiently the firm has been using its resources. From the analysis of turnover of banks all the sample banks are comparatively successful in assets management. Among sample banks NABIL found to be comparatively best in mobilizing its assets and deposits in profitable sectors in form of loan and advances and Investment in Government securities

The main objective of a bank is to make profit providing different types of services to its customers. Profit is necessary to survive in any business field for its successful operation and further expansion. Profitability shows the overall efficiency of the business concerns. From profitability point of view, NIBL found to be better among sample banks because they pay lower interest rate for debt fund and earn higher interest by mobilizing its deposit and assets to different productive and profitable sectors.

Leverage ratio is calculated to measure the long-term financial position of a firm. The analysis of leverage ratio shows that all the sample banks use a high equity fund rather than debt fund. Debt fund need to pay an interest until debt is hold by bank. Therefore debt fund is burden for the bank and it should decrease according to the necessity.

Deposits are the main tool for developing banking performance of the banks. And investment and loan and advances are keys to mobilize the deposit. All sample banks have a positive relation between the Deposit and Loan & Advances, Deposit and Investment, Investment and Net Profit and also Loan and Advances and Net Profit, which shows by the correlation between these variables. All the sample banks use their deposit use in proper way as Loan and Advances and Investment. Among them NIBL is best. NABIL is weak in earning the net profit through the loan and advances whereas NIBL and HBL

are successful to earn net profit by mobilizing the deposit to the investment. Coefficient of correlation between Loan and Advances and Net profit shows that all sample banks are successful in earning the net profit by mobilizing the loan and advances.

The Trend Line Analysis of Deposit, Loan and Advance and Net Profit shows increasing trend which indicates futures of those variables are bright. Also the Trend Line Analysis of Investment of NIBL and NABIL are in increasing trend but of HBL are in decreasing trend. Among them NIBL has highest increasing trend in Deposit, Loan and Advances and Net Profit whereas NABIL has Highest increasing trend in Investment. That indicates NIBL is successful in mobilizing the deposit, Loan and Advances and net profit whereas NABIL has successfully mobilize their Investment.

The overall sample banks is satisfactory however inflation in the current situation came as a major factor in narrowing the scope of operation of these banks. Therefore Nepal Rastra Bank has to play more active role to enhance the operation. The analysis of financial performance shows that all the banks have aggressive policies in investment and lending. Deposits are main tool of investing and all banks' deposit and net profit are in increasing trend.

Strengthening and the institutionalization of the banks are very important to have a meaningful relationship between financial institution and national development through shift of credit to the productive industrial sectors. At the same time the series of reforms such as consolidation of banks, good relationship between financial institution and commercial banks, directing attention to venture capital financing, appropriate risk return trade of by linking credit to timely repayment schedules, avoiding imperfections, allowing flexibility in lending, one window service from NRB, need of a strong supervision and monitoring from NRB, diversify scope of activities to fee based services, allow funds transfer, refinancing facilities for banks, professional culture within banks, etc. All these are necessary to ensure better future performance of banks that have already been established and growing in Nepal.

Banks have to prove that they are the potential contributors to the national economy ensuring adequate rate of return on investment, efficient and viable agencies for mobilization of savings and its channels into productive sectors and strategically well planned to be competitive with competitors and other agencies and are trust worthy.

5.3 Recommendations

From above finding and analysis it is clear that all banks are not strong in all fields. Some of them are stronger in profit making but failed to maintain the consistency, some are weaker in mobilizing their deposits; few of them have concentrated into very limited diversified investments etc. Therefore the following recommendations should be brought into highlight to overcome inefficiency, weakness and to develop present fund mobilization and investment policy of the banks:

-) Bank should maintain the liquidity ratio for daily cash transaction. Bank should not invest all the deposit as loan and advances. According to the policy of NRB some percentage should kept in the banks for fulfilling require demand of the customer. The Standard liquidity ratio is 2:1. The depositor may demand the money at time so; bank should be ready at any time. In this research none of sample bank has the standard ratio due to their aggressive working capital policy. Therefore all sample banks should modify their working capital policy to maintain the standard ratio. If sample banks cannot maintain the ratio they may failed to maintain the daily cash transaction.

-) The Company must apply different development scheme such as deposit, insurance scheme, workers saving scheme and women development scheme through which banks can attract more customers.

-) HBL have less mobilization of total deposit to loan and advances among sample banks. The purpose of loan and advances is to generate an income for the banks. So, HBL should increase a loan and advances to different productive or profitable sectors. HBL should maintain the consistency.

-) HBL are failed to maintain the average ratio which indicate that they are not very much successful in mobilizing the loan and advance with respect to the total assets. So, HBL should try to mobilize the Loan and Advance with respect to Total Assets.

-) Among sample banks, HBL is less successful in mobilizing its deposit by investing in different productive sectors. Investment is the key to earn a profit. Therefore, they should invest in different productive sectors by utilizing the different types of deposit. Since there consistency level is very high they should maintain stability in total investment.

-) The overall investment of the Bank should be concentrated on productive sector such as business and industrial loan rather than consumer product such as hire purchase and housing loan. Because industrial and business sector will create the employment opportunity which is necessary for capital formation and economic growth.

-) NIBL also should increase its investment toward government securities. And decrease a variation of investment on government securities. Even though Government Securities have low interest rate, they are risk free assets because government securities have marketability and can sell any time when needed.

-) Profit is a key of success of any business. The bank also cannot survive without the profit. So, they should keep in the mind for profit maximization. But in long term business bank also should be concern

with the shareholder's wealth maximization as they are investor of the bank.

-) NABIL is not successful as NIBL and HBL to earn a net profit by utilizing its assets and deposits. So, NABIL should invest its deposits and utilize its assets in different productive and profitable sectors on the basis of portfolio management. The portfolio management of assets basically means allocation of funds into different components of banking assets having different degrees of risk and varying rate of return in such a way that the conflicting goal of maximum yield and minimum risk. So, portfolio condition of each bank should carefully be examined from time to time and attention should be made to maintain equilibrium in the portfolio condition as far as possible keeping the statement in mind that all eggs should not be kept in the same basket. Even though NIBL has higher net profit with respect to total assets and deposit, they are failed to maintain stability. Therefore they should decrease a variation level. HBL also fail to maintain consistency. They should try to maintain consistency level.
-) NABIL should maintain stability in earning an interest since they have greater variation in earning an interest. Also NABIL have low interest earning among the sample banks they should increase an interest earning because it will directly effect to the net profit.
-) The economic liberalization has made the entire bank to determine the own interest rate. But nowadays dew to unhealthy competition the spread between the deposit and lending interest has being higher than Nepal Rastra's Banks policy. If the depositor interest rate is very low then depositor may not interest to deposit their saving. Therefore the spread should be fixed according to the NRB.
-) NIBL paid a higher interest among sample bank which mean that they used more creditors funds or paid higher interest rate in investment.

So, they need to use equity fund rather than debt or should pay a less interest rate. NABIL should maintain stability in paying the interest because their variation in interest rate is high.

-) The discrimination in lending interest should not be done by the bank because it will bring the dissatisfaction to the general public. This may lead to discourage toward deposit in the bank in long term business. The rate of interest should be fixed accordance to the situation of the country. There should not be unhealthy competition regarding the interest rate to attract customer.
-) All the sample banks have more creditors fund to acquire an assets & investment. This means they all have more debt financing in assets. Since debt financing need to pay an interest regularly, higher debt are burden to bank. Among sample banks highest debt is used by HBL. Therefore they should decrease a debt financing and increase an equity financing, which may help in increasing profit to some extent. Equity fund is invest by shareholder and banks should pay dividend which may be very low than interest. So, more financing should do from equity fund rather than debt fund.
-) Banks should evaluate its investment portfolio every year. Investment portfolio must be balanced in each sector according to the NRB rules and company's self-policy. It should calculate co-efficient of correlation and regression among deposit, investment and return of the company.
-) Nepal Rastra Bank should clearly define its role and strict monitoring for the efficient operations of Banks so that they can use the facilities as much as possible. Besides that, NRB should show open to all, flexible and strong supervision rather than imposing rules and regulations only.

-) The success rate of banking mainly depends upon the banking awareness by the general public. Unless they find a convincing reason about their savings as well as new approach of investment, it is almost impossible to make live for a bank. Therefore there should be the awareness program, regularly conducted in terms of seminars or workshops from well experienced personnel such as top executives from Banks and concerned regulating authorities. This will exchange the ideas and share the grass root problems. On the basis of this feed back information, regular changes or implementation of new rules and regulations can be easily carried out. Nepal Rastra Bank should also encourage frequent trainings to new entrants to provide orientations on the conceptual dimensions and practical aspects of operation of the Banks.

-) Today is an age of competition. Bank should be survived within these competitions. Therefore for attraction of the deposit, they should brought different attractive programmed , facilities , technology etc. like ATM, credit cards, 365days banking service, prompt service etc.

-) In the present situation, it is the utmost important to provide security and the reliability. So the bank should focus on the security concern in order to make the customer feel that they more secured in investing in the bank whether it may be NABIL, NIBL or HBL.

-) It is suggested to all the sample banks that they should use well-trained manpower. Well trained manpower will provide better services to the bank and customer. They will try to increase the operating efficiency of the bank, so the banks have to conduct "Training School" for their personal.

Banks play a vital role in development of economy of the country. However all the banks have satisfactory performance, there is situation of inflation which is a cause of narrow scope operation. Therefore NRB has to come

with strong supervision and monitoring with one window service in lending and investment activities. Banks have to prove that they are the potential contributors to the national economy ensuring adequate rate of return on investment, efficient and viable agencies for mobilization of savings and its channels into productive sectors and strategically well planned to be competitive with banks and other agencies and are trust worthy.

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Appendix - 1
Current Ratio

Banks									
	Nabil Bank Limited			Nepal Investment Bank			Himalayan Bank Limited		
Fiscal Year	Ratio (in times) x	d = X - \bar{x}	d ²	Ratio (in times) x	d = X - \bar{x}	d ²	Ratio (in times) x	d = X - \bar{x}	d ²
2007/08	0.138	0.034	0.001	0.109	(0.049)	0.002	0.061	(0.043)	0.002
2008/09	0.099	(0.005)	0.000	0.169	0.012	0.000	0.121	0.017	0.000
2009/10	0.096	(0.008)	0.000	0.136	(0.021)	0.000	0.110	0.006	0.000
2010/11	0.094	(0.010)	0.000	0.164	0.007	0.000	0.090	(0.014)	0.000
2011/12	0.092	(0.012)	0.000	0.209	0.051	0.003	0.139	0.034	0.001
X	0.520			0.787			0.522		
Mean	0.104			0.157			0.104		
d ²			0.001			0.006			0.004
S.D.	0.0192			0.038			0.030		
C.V.(%)	18.44			23.86			28.53		

$$\text{Mean} = \frac{X}{N}$$

Nabil Bank

$$= \frac{0.520}{5}$$

$$= 0.104$$

Nepal Investment Bank

$$= \frac{0.787}{5}$$

$$= 0.157$$

Himalayan Bank

$$= \frac{0.522}{5}$$

$$= 0.104$$

$$\text{S.D.} = \sqrt{\frac{d^2}{N}}$$

Nabil Bank

$$= \sqrt{\frac{0.001}{5}}$$

$$= 0.0192$$

Nepal Investment Bank

$$= \sqrt{\frac{0.006}{5}}$$

$$= 0.038$$

Himalayan Bank

$$= \sqrt{\frac{0.004}{5}}$$

$$= 0.004$$

$$\text{Coefficient of Variations (C.V.)} = \frac{S.D.}{Mean} | 100$$

Nabil Bank

$$= \frac{0.0192}{0.520} * 100$$

= 18.44%

Nepal Investment Bank

$$= \frac{0.0283}{0.9347} | 100$$

= 3.0260 %

Himalayan Bank

$$= \frac{0.0806}{0.8444} | 100$$

= 9.5452 %

Appendix - 2

Cash balance and Total Deposit

Banks									
	Nabil Bank Limited			Nepal Investment Bank			Himalayan Bank Limited		
Fiscal Year	Ratio (in times) x	d = X-Mean	d ²	Ratio (in times) x	d = X-Mean	d ²	Ratio (in times) x	d = X-Mean	d ²
2007/08	0.084	0.018	0.000	0.109	(0.048)	0.002	0.045	(0.043)	0.002
2008/09	0.090	0.024	0.001	0.170	0.013	0.000	0.088	(0.000)	0.000
2009/10	0.030	(0.036)	0.001	0.136	(0.021)	0.000	0.103	0.014	0.000
2010/11	0.049	(0.017)	0.000	0.162	0.006	0.000	0.072	(0.016)	0.000
2011/12	0.078	0.012	0.000	0.207	0.050	0.003	0.133	0.045	0.002
X	0.331			0.784			0.442		
Mean	0.066			0.157			0.088		
d ²			0.003			0.005			0.004
S.D.	0.0256			0.037			0.033		
C.V.(%)	38.62			23.51			37.18		

Appendix - 3
Cash and bank balance to current ratio

Banks									
	Nabil Bank Limited			Nepal Investment Bank			Himalayan Bank Limited		
Fiscal Year	Ratio (in times) x	d = X-Mean	d ²	Ratio (in times) x	d = X-Mean	d ²	Ratio (in times) x	d = X-Mean	d ²
2007/08	0.578	(0.039)	0.002	1.000	0.007	0.000	0.736	(0.093)	0.009
2008/09	0.859	0.243	0.059	1.000	0.007	0.000	0.723	(0.107)	0.011
2009/10	0.310	(0.307)	0.094	1.000	0.007	0.000	0.926	0.097	0.009
2010/11	0.498	(0.118)	0.014	0.982	(0.011)	0.000	0.802	(0.028)	0.001
2011/12	0.838	0.221	0.049	0.983	(0.010)	0.000	0.960	0.131	0.017
X	3.083			4.965			4.147		
Mean	0.617			0.993			0.829		
d ²			0.217			0.000			0.047
S.D.	0.2331			0.010			0.109		
C.V.(%)	37.81			0.97			13.11		

Appendix - 4

Loan and Advances to total deposit ratio

Banks									
	Nabil Bank Limited			Nepal Investment Bank			Himalayan Bank Limited		
Fiscal Year	Ratio (in times) x	d = X-Mean	d ²	Ratio (in times) x	d = X-Mean	d ²	Ratio (in times) x	d = X-Mean	d ²
2007/08	0.578	(0.039)	0.002	0.784	0.001	0.000	0.612	(0.103)	0.011
2008/09	0.859	0.243	0.059	0.776	(0.007)	0.000	0.715	(0.000)	0.000
2009/10	0.310	(0.307)	0.094	0.805	0.022	0.000	0.744	0.029	0.001
2010/11	0.498	(0.118)	0.014	0.820	0.037	0.001	0.771	0.056	0.003
2011/12	0.838	0.221	0.049	0.730	(0.053)	0.003	0.733	0.018	0.000
X	3.083			3.915			3.575		
Mean	0.617			0.783			0.715		
d ²			0.217			0.005			0.015
S.D.	0.2331			0.034			0.061		
C.V.(%)	37.81			4.35			8.53		

Appendix - 5

Investment on government Securities to Total Deposit

Banks									
	Nabil Bank Limited			Nepal Investment Bank			Himalayan Bank Limited		
Fiscal Year	Ratio (in times) x	d = X-Mean	d ²	Ratio (in times) x	d = X-Mean	d ²	Ratio (in times) x	d = X-Mean	d ²
2007/08	0.311	0.028	0.001	0.200	0.027	0.001	0.419	0.155	0.024
2008/09	0.290	0.007	0.000	0.158	(0.014)	0.000	0.251	(0.013)	0.000
2009/10	0.295	0.012	0.000	0.172	0.000	0.000	0.225	(0.039)	0.002
2010/11	0.263	(0.020)	0.000	0.148	(0.024)	0.001	0.214	(0.050)	0.002
2011/12	0.255	(0.028)	0.001	0.183	0.011	0.000	0.210	(0.054)	0.003
X	1.415			0.862			1.319		
Mean	0.283			0.172			0.264		
d ²			0.002			0.002			0.031
S.D.	0.0232			0.020			0.088		
C.V.(%)	8.20			11.74			33.42		

Appendix - 6
Net Profit to Total Assets Ratio

Banks									
	Nabil Bank Limited			Nepal Investment Bank			Himalayan Bank Limited		
Fiscal Year	Ratio (in times) x	d = X-Mean	d ²	Ratio (in times) x	d = X-Mean	d ²	Ratio (in times) x	d = X-Mean	d ²
2007/08	0.020	(0.003)	0.000	0.018	(0.001)	0.000	0.018	0.001	0.000
2008/09	0.024	0.000	0.000	0.017	(0.001)	0.000	0.019	0.002	0.000
2009/10	0.022	(0.001)	0.000	0.022	0.003	0.000	0.012	(0.005)	0.000
2010/11	0.023	(0.000)	0.000	0.020	0.001	0.000	0.019	0.002	0.000
2011/12	0.027	0.004	0.000	0.016	(0.003)	0.000	0.018	0.001	0.000
X	0.115			0.093			0.085		
Mean	0.023			0.019			0.017		
d ²			0.000			0.000			0.000
S.D.	0.0025			0.002			0.003		
C.V.(%)	10.78			13.27			17.49		

Appendix - 7
Net Profit to Total Deposit Ratio

Banks									
	Nabil Bank Limited			Nepal Investment Bank			Himalayan Bank Limited		
Fiscal Year	Ratio (in times) x	d = X-Mean	d ²	Ratio (in times) x	d = X-Mean	d ²	Ratio (in times) x	d = X-Mean	d ²
2007/08	0.023	(0.003)	0.000	0.020	(0.001)	0.000	0.020	0.001	0.000
2008/09	0.028	0.001	0.000	0.020	(0.002)	0.000	0.022	0.002	0.000
2009/10	0.025	(0.002)	0.000	0.025	0.004	0.000	0.014	(0.006)	0.000
2010/11	0.027	0.000	0.000	0.023	0.002	0.000	0.022	0.002	0.000
2011/12	0.031	0.004	0.000	0.018	(0.003)	0.000	0.020	0.001	0.000
X	0.133			0.107			0.097		
Mean	0.027			0.021			0.019		
d ²			0.000			0.000			0.000
S.D.	0.0029			0.003			0.003		
C.V.(%)	10.86			13.58			17.55		

Appendix - 8
Total Interest Earned to Total Working Fund Ratio

Banks									
	Nabil Bank Limited			Nepal Investment Bank			Himalayan Bank Limited		
Fiscal Year	Ratio (in times) x	d = X-Mean	d ²	Ratio (in times) x	d = X-Mean	d ²	Ratio (in times) x	d = X-Mean	d ²
2007/08	0.059	(0.027)	0.001	0.064	(0.025)	0.001	0.062	(0.022)	0.000
2008/09	0.072	(0.015)	0.000	0.070	(0.019)	0.000	0.068	(0.016)	0.000
2009/10	0.087	0.001	0.000	0.093	0.004	0.000	0.084	0.000	0.000
2010/11	0.102	0.016	0.000	0.115	0.026	0.001	0.106	0.022	0.000
2011/12	0.111	0.025	0.001	0.104	0.015	0.000	0.099	0.016	0.000
X	0.431			0.445			0.417		
Mean	0.086			0.089			0.083		
d ²			0.002			0.002			0.001
S.D.	0.0212			0.022			0.019		
C.V.(%)	24.54			24.61			22.97		

Appendix - 9
Total Interest Paid to Total Working Fund Ratio

Banks									
	Nabil Bank Limited			Nepal Investment Bank			Himalayan Bank Limited		
Fiscal Year	Ratio (in times) x	d = X-Mean	d ²	Ratio (in times) x	d = X-Mean	d ²	Ratio (in times) x	d = X-Mean	d ²
2007/08	0.023	(0.019)	0.000	0.029	(0.022)	0.000	0.026	(0.017)	0.000
2008/09	0.030	(0.012)	0.000	0.036	(0.015)	0.000	0.027	(0.015)	0.000
2009/10	0.042	0.000	0.000	0.051	0.000	0.000	0.041	(0.001)	0.000
2010/11	0.058	0.016	0.000	0.072	0.021	0.000	0.059	0.017	0.000
2011/12	0.057	0.015	0.000	0.066	0.015	0.000	0.059	0.017	0.000
X	0.209			0.254			0.212		
Mean	0.042			0.051			0.042		
d ²			0.001			0.001			0.001
S.D.	0.0157			0.019			0.016		
C.V.(%)	37.65			36.58			38.50		

Appendix - 10
Debt Assets Ratio Ratio

Banks									
	Nabil Bank Limited			Nepal Investment Bank			Himalayan Bank Limited		
Fiscal Year	Ratio (in times) x	d = X-Mean	d ²	Ratio (in times) x	d = X-Mean	d ²	Ratio (in times) x	d = X-Mean	d ²
2007/08	0.050	0.015	0.000	0.029	0.005	0.000	0.029	0.012	0.000
2008/09	0.056	0.021	0.000	0.022	(0.002)	0.000	0.016	(0.001)	0.000
2009/10	0.015	(0.019)	0.000	0.020	(0.004)	0.000	0.017	0.000	0.000
2010/11	0.041	0.006	0.000	0.023	(0.001)	0.000	0.012	(0.005)	0.000
2011/12	0.013	(0.022)	0.000	0.025	0.001	0.000	0.010	(0.007)	0.000
X	0.174			0.118			0.082		
Mean	0.035			0.024			0.016		
d ²			0.002			0.000			0.000
S.D.	0.0198			0.004			0.008		
C.V.(%)	56.90			14.79			45.74		

Appendix - 11
Debt- Equity Ratio

Banks									
	Nabil Bank Limited			Nepal Investment Bank			Himalayan Bank Limited		
Fiscal Year	Ratio (in times) x	d = X-Mean	d ²	Ratio (in times) x	d = X-Mean	d ²	Ratio (in times) x	d = X-Mean	d ²
2007/08	0.754	0.273	0.074	0.420	0.122	0.015	0.416	0.202	0.041
2008/09	0.781	0.300	0.090	0.300	0.001	0.000	0.197	(0.017)	0.000
2009/10	0.209	(0.273)	0.074	0.245	(0.053)	0.003	0.208	(0.006)	0.000
2010/11	0.518	0.037	0.001	0.260	(0.039)	0.002	0.136	(0.078)	0.006
2011/12	0.145	(0.336)	0.113	0.268	(0.031)	0.001	0.112	(0.102)	0.010
X	2.407			1.493			1.069		
Mean	0.481			0.299			0.214		
d ²			0.353			0.020			0.058
S.D.	0.2971			0.071			0.120		
C.V.(%)	61.72			23.73			56.22		

APPENDIX - 12

Trend Line Analysis of Deposits

$$y = a + bx$$

Nabil Bank Limited

Calculation of Trend Values of Deposit

year (t)	Deposit (y)	x = t - 2008	xy	x ²	yc= 20059.4 + 5662.43 x
2006	10097.69	-2	-20195.4	4	8734.54
2007	13802.44	-1	-13802.4	1	14396.97
2008	19097.7	0	0	0	20059.4
2009	23976.3	1	23976.3	1	25721.83
2010	33322.9	2	66645.8	4	31384.26
	100297	0	56624.28	10	

Future Projection of Next Five Year

year	x = t - 2008	yc= 20059.4 + 5662.43 x
2011	3	37046.69
2012	4	42709.12
2013	5	48371.55
2014	6	54033.98
2015	7	59696.41

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

Nepal Investment Bank Limited

Calculation of Trend Values of Deposit

year (t)	Deposit (y)	x = t - 2008	xy	x ²	yc=27764.0 + 8041.11 x
2006	14254.57	-2	-28509.1	4	11681.78
2007	18927.31	-1	-18927.3	1	19722.89
2008	24488.84	0	0	0	27764.00
2009	34451.8	1	34451.8	1	35805.11
2010	46697.9	2	93395.8	4	43846.22
	138820.4	0	80411.15	10	

Future Projection of Next Five Year

year	x = t - 2008	yc= 27764.0 + 8041.11 x
2011	3	51887.33
2012	4	59928.44
2013	5	67969.55
2014	6	76010.66
2015	7	84051.77

Himalayan Bank Limited

Calculation of Trend Values of Deposit

year (t)	Deposit (y)	x = t - 2008	xy	x ²	yc= 29539.4 + 2504.84 x
2006	24814.01	-2	-49628.0	4	24529.74
2007	26490.85	-1	-26490.9	1	27034.56
2008	29905.8	0	0	0	29539.4
2009	31805.8	1	31805.3	1	32044.24
2010	34681.0	2	69362.0	4	34549.08
		0	25048.43	10	

Future Projection of Next Five Year

year	x = t - 2008	yc= 29539.4 + 2504.84 x
2011	3	37053.92
2012	4	39558.76
2013	5	42063.6
2014	6	44568.44
2015	7	47073.28

APPENDIX – 13

Trend Line Analysis of Loan and Advances

$$y = a + bx$$

Nabil Bank Limited

Calculation of Trend Values of Loan and Advances

year (t)	Loan & Advances (y)	x = t-2008	xy	x ²	yc= 15055.66+4159.37x
2006	7914.4	-2	-15828.8	4	6736.92
2007	10124.2	-1	-10124.2	1	10896.29
2008	14059.2	0	0	0	15055.66
2009	18814.3	1	18814.3	1	19215.03
2010	24366.2	2	48732.4	4	23374.4
	75278.3	0	41593.7	10	

Future Projection of Next Five Year

year	x = t -2008	yc=15055.66+4159.37x
2011	3	27533.77
2012	4	31693.14
2013	5	35852.51
2014	6	40011.88
2015	7	44171.25

Nepal Investment Bank Limited

Calculation of Trend Values of Loan and Advances

year (t)	Loan & Advances (y)	x = t-2008	xy	x ²	yc=20836.1+6604.83 x
2006	10295.4	-2	-20590.8	4	7626.5
2007	13007.2	-1	-13007.2	1	14231.3
2008	17482	0	0	0	20836.1
2009	27145.5	1	27145.5	1	27440.9
2010	36250.4	2	72500.8	4	34045.7
	104180.5	0	66048.3	10	

Future Projection of Next Five Year

year	x = t -2008	yc=20836.1+6604.83 x
2011	3	40650.5
2012	4	47255.3
2013	5	53860.1
2014	6	60464.9
2015	7	67069.7

Himalayan Bank Limited

Calculation of Trend Values of Loan and Advances

year (t)	Loan & Advances (y)	x = t-2008	xy	x ²	yc=18342+2856.37 x
2006	13245	-2	-26490	4	12629.26
2007	15515.7	-1	-15515.7	1	15485.63
2008	17672	0	0	0	18342
2009	19985.2	1	19985.2	1	21198.37
2010	25292.1	2	50584.2	4	24054.74
	91710	0	28563.7	10	

Future Projection of Next Five Year

year	x = t -2008	yc= 18342+2856.37 x
2011	3	26911.11
2012	4	29767.48
2013	5	32623.85
2014	6	35480.22
2015	7	38336.59

APPENDIX - 14

Trend Line Analysis of Investments

$$y = a + bx$$

Nabil Bank Limited

Calculation of Trend Values of Investment

year (t)	Investment (y)	x = t - 2008	xy	x ²	yc=4081.2 + 74.5 x
2006	2100.3	-2	-4200.6	4	3932.2
2007	3548.6	-1	-3548.6	1	4006.7
2008	4704.6	0	0	0	4081.2
2009	4906.5	1	4906.5	1	4155.7
2010	5146	2	10292	4	4230.2
	20406	0	7449.3	10	

Future Projection of Next Five Year

year	x = t - 2008	yc=4081.2 + 74.5 x
2011	3	4304.7
2012	4	4379.2
2013	5	4453.7
2014	6	4528.2
2015	7	4602.7

Nepal Investment Bank Limited

Calculation of Trend Values of Investments

year (t)	Investment (y)	x = t - 2008	xy	x ²	yc=2683.0 + 179.63 x
2006	1949.5	-2	-3899	4	2323.74
2007	2522.3	-1	-2522.3	1	2503.37
2008	3256.4	0	0	0	2683
2009	3155	1	3155	1	2862.63
2010	2531.3	2	5062.6	4	3042.26
	13414.5	0	1796.3	10	

Future Projection of Next Five Year

year	x = t - 2008	yc=2683.0 + 179.63 x
2011	3	3221.89
2012	4	3401.52
2013	5	3581.15
2014	6	3760.78
2015	7	3940.41

Himalayan Bank Limited

Calculation of Trend Values of Investments

year (t)	Investment (y)	x = t - 2008	xy	x ²	yc=5846.1+(-114.15) x
2006	5946.7	-2	11893.4	4	6074.4
2007	5144.4	-1	-5144.4	1	5960.25
2008	6454.8	0	0	0	5846.1
2009	7471.7	1	7471.7	1	5731.95
2010	4212.3	2	8424.6	4	5617.8
	29229.9	0	-1141.5	10	

Future Projection of Next Five Year

year	x = t - 2008	yc= 5846.1+(-114.15) x
2011	3	5503.65
2012	4	5389.5
2013	5	5275.35
2014	6	5161.2
2015	7	5047.05

APPENDIX - 15

Trend Line Analysis of Net Profit

$$y = a + bx$$

Nabil Bank Limited

Calculation of Trend Values of Net Profit

year (t)	Net Profit (y)	x = t-2008	xy	x ²	yc=276.62+46.69 x
2006	170.8	-2	-341.6	4	183.22
2007	237.3	-1	-237.3	1	229.92
2008	296.4	0	0	0	276.62
2009	311.4	1	311.4	1	323.32
2010	367.2	2	734.4	4	370.02
	1383.1	0	466.9	10	

Future Projection of Next Five Year

year	x = t-2008	yc= 276.62+46.69 x
2011	3	416.72
2012	4	463.42
2013	5	510.12
2014	6	556.82
2015	7	603.52

Nepal Investment Bank Limited

Calculation of Trend Values of Net Profit

year (t)	Net Profit (y)	x = t-2008	xy	x ²	yc=536.28+168.31x
2006	232.15	-2	-464.3	4	199.66
2007	350.54	-1	-350.54	1	367.97
2008	501.39	0	0	0	536.28
2009	696.73	1	696.73	1	704.59
2010	900.62	2	1801.24	4	872.9
	2681.43	0	1683.13	10	

Future Projection of Next Five Year

year	x = t-2008	yc=536.28+168.31x
2011	3	1041.21
2012	4	1209.52
2013	5	1377.83
2014	6	1546.14
2015	7	1714.45

Himalayan Bank Limited

Calculation of Trend Values of Net Profit

year (t)	Net Profit (y)	x = t-2008	xy	x ²	yc=461.54+51.41 x
2006	308.28	-2	-616.56	4	358.73
2007	457.46	-1	-457.46	1	410.14
2008	491.82	0	0	0	461.55
2009	512.23	1	512.23	1	512.96
2010	537.95	2	1075.9	4	564.37
	2307.74	0	514.11	10	

Future Projection of Next Five Year

year	x = t-2008	yc= 461.54+51.41 x
2011	3	615.78
2012	4	667.19
2013	5	718.6
2014	6	770.01
2015	7	821.42