CHAPTER - I
INTRODUCTION

1.1 Background of the Study

Nepal's majority of the population is still under the line of poverty. The agro-dominated economy is further deteriorated by the complex geographical situation. Various factors e.g. landlocked situation, poor resource mobilization, lack of expertise knowledge, lack of institutional commitment, inconsistent government policy, political instability etc are responsible for the slow pace of development of Nepal.

The idea of planned economic development in Nepal initiated in 1956A.D.In the mid of 1980, government initiated some corrective measures to stabilize the economy with the assistance of International Monetary Fund (IMF) .In FY 1985 it subsequently embarked upon the structural adjustment program encompassing measures to increase domestic recourse mobilization strength financial sectors liberalize industrial and trade policies (World Bank, 1998)

Since FY 1987/88 a significant step towards financial liberalization has been undertaken by Nepal Government with the view to accelerate the pace of economic development under structural adjustment program. This gave birth to the liberalization in interest rate, strengthening of banking operation and shift to direct monetary control instruments.

As a result of liberalization policy of Nepal Government, foreign investors were attracted to invest in Nepal in joint venture especially in banking business. This initiated the establishment of Nepal Arab Bank Limited (NABIL) in 1984A.D. as joint venture with Dubai Bank Limited. Following this, other banks in the same year were established.

The increase in opening of the joint venture banks caught a dramatic way after the liberalization and market oriented economic policy. Though, JVBs are enjoying liberalization, Nepal Rastra Bank (NRB) has managed check and balance through its directives.

Since the JVBs basically hold upon management, they enjoy competitive advantageous factors like highly skilled personnel, modern and advanced banking technology, customer oriented modern banking services management skill, and global banking network, Hence in comparisons to domestic commercial banks JVBs have come far better regarding the liquidity and profitability management, investment and recovery of loans, and almost in each and every aspects.

1.2 Focus of the study

Banking business plays decisive role for economic development of the country. Nepal bank limited the pioneer commercial bank, start functioned in 1994B S. After the establishment of NBB another commercial bank Rastriya Banijay Bank (RBB) owned by the Government was established in 2022 B.S.

Commercial banks are institutions that deal with money by accepting deposits from public, government establishments, business unit, corporate bodies and private organizations as well. They make fund available through their lending and investing activities to borrowers – Individuals, business firms, government establishments, etc. But in modern era such bank not only deliver those services but also provide extensive service facilities like bank guarantee: letter of credit, issuance of both debit and credit card, ATM, telebanking, etc. These banks support for extensive both the flow of goods and services from the producer to consumers and the financial activities of the government.

The more advanced financial system of the world basically falls into three parts: The central bank, the commercial bank and other financial institutions as known as financial intermediaries.

After entering into the liberal economic policy a number of commercial banks and joint venture banks begun to start business in Nepal. In Nepal, the concept of joint venture bank entered with the view to accelerate the pace of the economic development of the Nation.

1.3 Concept of Joint Venture bank

In global prospective, join venture banks are the mode of trading through partnership among nations and also a form of negotiations between various group of industries and traders to achieve mutual exchange of goods and services for sharing comparative advantages.

Joint ventures are the joining of two forces between two or more enterprises in order to carry out a specific operation. The main purpose of joint venture is to join economic forces to achieve some results, which each alone could not do so.

In Nepal three major financial reforms were carried out in 1980s. They were allowing the foreign banks to operate as a joint venture, lifting of control on interest rate and introduction of auctioning of government securities.

Government's policy of granting permission to JVBs to carryout business facilitated to encourage traditionally run commercial banks to enhance their banking capacity through competition, efficiency, modernization, mechanization via computerization and prompt customer service.

In Nepal the practice of foreign commercials banks with full fledge functions, started under the Company Act.2021B.S. After the path of liberalization several joint venture have been started in Nepal.

The very first joint venture bank established in the country was Nepal Arab Bank limited (NABIL) in 1984.

Similarly the second joint venture banking the country is Indosuez Bank limited (NIBL), established in 1986. Likewise Standard Chartered Bank, Himalayan Bank, Nepal Bangladesh Bank is the well-known names of joint venture banks.

1.4 Functions and Priorities of JVBs

In Nepal, Government economic liberalization policy and reforms in the commercial Bank Act too attracted foreign investors. Eventually, JVBs are developed and promoted with the aim of foreign investment and participation of local financial institutions and public.

JVBs also execute its function in various ways some of these are as follow;

- **Creation of money:** Under the directives of the central bank, JVBs are performing these tasks to meet the national objectives of making stable prices, economic growth and high level of employment opportunities.

- **Foreign trade financing facilities:** It includes foreign exchange facilities, the letter of credit, traveler's checks, etc.
- **Payment:** It include the transfer of fund by means of checks, credit cards, ATM, etc.
- **Pooling of savings:** They are performing making them available for economically and social desirable purposes.
- **Credit extension:** Banks extending credits to the worthy borrowers. By banking credit available, these banks are rendering great social services; through the action production would increase, capital investments are expanded.

1.5 A Glimpse of Nepal Bangladesh Bank and Nepal Arab Bank Limited

Nepal Bangladesh bank limited (NBBL)

Nepal Bangladesh Bank Limited is joint venture commercial Bank jointly established by International Finance Investment and Commercial Bank Limited Bangladesh. It was established in 1993 under the company Act 1964. NBBL started its operation on June 6,1994 with 50% equity participation by IFIC 20% by Nepalese promoters and 30% by general public .The bank is managed by IFIC bank limited Bangladesh in accordance with the joint venture and technical services agreement between it and Nepali promoters. The main objective of bank is to carryout commercial banking activities under Commercial Bank Act 1974.

Nepal Arab Bank Limited (NABIL)

Established in July 1984 with Emirates Bank International Limited Dubai. The promoters of share holdings pattern of NABIL as follow.

Emirate Bank International	50%
Nepal Industrial development Cooperation	10%
Rastrya Beema Sastan	9.6%
Security exchange Limited	0.4%
General Public	30%

NABIL's governing board constitutes nine members.

1.6 Statement Of Problem

In spite of better performance of these two banks, there are still problems, which need to address.

The liquidity is to be making more effective than what is at present. For this, Cash management of the bank needs greater rethinking.

A well functioning banking operation system is an essential element for economic growth sound banking system is supposed to mobilize savings from households and businesses in low cost of financing activities and would channel funds promptly to cope in the productive investment opportunities.

As a consequence of the economic liberalization policy of Government of Nepal, Joint venture commercials bank mushroomed in a very short period of time. They are mainly concentrated in the capital city and in major urban areas. But due to agriculture predominance, the banking services are specially, the joint ventures are reluctant to expand their operation in those areas where they are really needed. NRB’s policy of penalizes the JVB’s are happy to pay penalty rather than opening branches in the rural areas. The branches of the commercial banks opened in rural areas of Nepal do not seem to have activated their role effectively in deposit mobilizations and loan distribution.

These banks are not making profit as expected .A big share of their profit is derived from the foreign currency fluctuation gain, which may have adverse affect on future profitability. They are concentrating their banking business in urban or sub urban areas and their expertise in rural banking is needed to be strengthening.

Though the flow of credit to priority and productivity sectors is increasing, the major challenge to be faced by commercial is too contributed in the up liftman on priority and productivity sector to the highest extend possible. The credit to deposits ratios for the same period declined, which may be the results of the decreasing investments opportunities, the total deposit holding of commercial bank have significantly increased .The search for new horizon for investment has been the most challenging job for commercials banks.

Stiff competition among the commercials banks, financial companies, Rural development Banks and cooperative societies, in short span of time has put a question mark to survival of JVB’s including NBBL and NABIL. The both banks need to take it seriously for betterment in performance and improvement in their productivity and better customer orientation.

The main problem into where the research is concentrated is to make an inquiry in the cases of weakness and inefficiency regarding their liquidity, earning, capital adequacy and growth of NBBL and NABIL and to make a comparative analysis of the financial statement of these two banks.

1.7 Objectives of the Study

The primary objective of the study is to make a comprehensive study of the analyze the financial performance of NBBL and NABIL .In addition to a comparative analysis on the performance of these banks on the basis of financial criteria will be made covering a period of 1999/00 to 2003/04 years. More specifically, the present study proposes to attain following objectives.

- To high light the function and priorities of joint venture banks.
- To evaluate the comparative financial performance of NBBL and NABIL in terms of liquidity, activity, profitability, earning per share dividend per share, market value per share, book value per share tax per share, dividend pay out ratio and price earning ratio.
- To ascertain the relationship between variables in term of net profit to debt of NBBL and NABIL.

1.8 Significance of the study

The significance of the proposed study may be logically justified on following grounds

Its significance to management: This is helpful to depth analysis into those matters as to why the performance of their bank is better then the competitor.

- Its significance to shareholders: The findings of the research will be of worth to the shareholders to see the financial health of two banks in comparison this is justifies the rational of their investment decision.
- Its significance to stakeholders: Among stakeholders, mainly, the customers, financing agencies, stock exchanges and stock traders are interested in the

performance of banks and the customers can identify to which bank they should go .The financial agencies can understand where their fund is more secured and stock exchanges, stock brokers and stock traders can find the relative worth of the stocks of each bank.

- Its significance to policy makers: It points the problem to be taken care of, which in practice, the policy makers can take a lots of benefits that they can easily review the policies that gone well and that have gone wrong in this way this information enables them the wrong policies and reinforce the better one.

1.9 Limitations of study

To make the research more specific, the study has been conducted with certain limitations .These are the following limitations of the study:

- The study carried out mostly on the basis of the published financial documents like balance sheet, profit and loss account, and other related journals, magazines and books, etc, these published documents have their own limitations, which are the limitations of this study too.
- This study is based on secondary data, which are derived from financial statements and other available records.
- The lack of sufficient recourses and time also the limitations of this study, this study is to fulfill the partial requirement of the MBS programmed, and has to be conducted and submitted with in prescribed period.
- The in given the quantitative aspects of the two banks, qualitative factor are not studied.
- The standard of ratio analysis is considered as prescribed by financial management experts, which may or may not be applicable for the enterprises under the entire situation.

1.10 Structure of study

In the beginning, some preliminary pages have incorporated which contains Tables, lists of diagrams and List of the Abbreviations. The body of the report has been broadly divided into five chapters.

CHAPTER II
LITERATURE REVIEW

Various studies in the field of banking have already been carried out by learners, teachers, and others for different purposes, in books, booklet, magazines and dissertations .In this section we highlights upon the literature that is available in this particular topic. This chapter divided into three subchapters. In first sub-chapter, the theoretical outlines given by the authorities in this area are presented. Secondly, the conclusions drawn by the students out of their thesis works are presented and third sub-chapter, general opinions of people concerned with banking are presented.

2.1 Theoretical Review

2.1.1 Concept of Bank

According to Commercial Bank act.2031B.S. of Nepal "A commercial bank is one which exchange money, deposits money, accepts deposits, grants loans and performs commercial banking services and which is not a bank meant for cooperative agriculture, industries or for such specific purposes."

Commercial bank also provides short-term debts necessary for trade and commerce. They take purchase and discount bills for exchange, promissory on the behalf of their currency. They discharge various functions on the behalf of their customers provided that they are paid for their services.

In past, bank generally used just accept deposits from the savers of money also known as surplus unit of society, and granted loan to the uses of money, deficit unit of society, savers of money are those units whose earning exceeds expenditure on real assets and user on real assets exceed their earnings. In such a situation deficit sell their securities to surplus units. These securities are financial assets. If entire income of a unit matches with investment on real assets no financial assets are created .The evolution of banking can be traced back to the era when the use of metallic coins as the media of exchange of goods services began. Shortage of metallic coins was a serious problem for the common people because of danger of theft and robbery. People started leaving gold and silver and metallic coins aim the custodian of some reputed person a wealth merchant or a money change .The custodian had a strong box and other means of safe keeping. They offered this services as a favor for his friends or made a charge for it. The depositor had to go personally to custodian for the withdrawal of his money. But this practice was found to be inconvenient. How did the use of word Bancus become more popular? Then origin of “Bank “is traced to a Latin work “Bancus which means a bench. European moneylender and moneychanger used to transact their business at bench at benches or table. They follow of receiving gold and other metals as deposits and issuing of the business of Banking or dealing in money .the success or failure in trading was association with this bench. When a banker failed, this bench used to be destroyed by the people.

Now it is obvious that when did the first bank appearing this case the science of language and suggest an interesting story about baking’s origins both the old French word banque and the Italian word Banca were used centuries ago to mean a “bench” or “money changer’s table”. This describe quite well what than 2000 years ago. They were money changer, situated usually at a table or in a small shop in the commercial district, aiding travelers who came to town by exchanging foreign coins for local money or discounting notes for a fee in order to supply merchants with working capital.

In this way the first banker used their own capital to fund activities, but if wasn’t long before the idea of attracting deposits and securing temporary loans from wealthy customers become an important source of and funding loans were then made to merchant, shippers and landowner at rates of interest as low to very high a month for the riskiest ventures. Most of the early banks of any size were Greek in origin.

The word bank has been derived from the Latin word Bancus or from Bancque which means a bench in English .The early bankers transact their business at benches in market place when a banker failed, his bench was broken up by the people. According to some derived from the German word bank meaning a join stock fund which was Italianated into Banco when the Germans were masters of a great parts of Italy .In Indian the Hilton young commission recommendation that a word bank or banker should be interpreted as meaning every person, from or company accepting deposits of money subject to withdrawal by cheque draft or order. (Banking Theory & Practice, Dr P. K. Srivastava –1980,122)

In view of American Institute of Banking “Commercial bank is a corporation which accepts demand deposits subject to check and makes short term loans to business enterprises, regardless of the scope of its other services". The institution also laid down the four functions of commercial bank and handlings deposits, handling payees of money, making loan and investments, creating money by extension of credit.

In this way the commercial bank, however, the pool together the saving of the community, which means they help in the capital formation. Such savings are distributed to public in the form of credit for productive use. Generally, commercial banks finance short-term needs of trade, to industry and even to agriculture. Commercial banks of developing country finance small and cottage industries under priority sector investment scheme .The main purpose of this scheme are to uplift the backward sector of the economy.

Commercial bank are controlled and regulated by central bank .In Nepal, Nepal Rastra Bank is the central bank that controls and regulate the commercial bank.

2.1.2 Functions Of Commercial Bank

Commercial Bank has various functions to perform which plays key role in growth of economy of nation. D.R. Bhandari (2003,38) describe the commercial banks have the following functions

- The credit (loan) function
- The payments (transaction) function
- The insurance (risk management)
- The security banking (security underwriting) function
- The merchant banking (temporary stock investment) function
- The thrift (saving) functions
- The investment financial planning function
- The real estate and community development function
- The cash management functions

The commercial bank has also some other functions, which are describe by Shakespeare Vaidya (1999,22). The other functions of commercial banks are as follow:

Agency services

In order to provide more and more facilities to the clients, they collect and make payment of rent, dividend interest buy brand sell shares on behalf of their clients .For this they charge nominal fees.

ii. Accepting Deposits and Advancing Loan

As a primary function, commercial banks accept deposits from saving Societies. Collection that made lent to those who need it. Commercial banks accepts deposits and provide loan primary to business firms, thereby facilitating transfer of funds in the economy Promoting Foreign Trade Commercial banks manage for foreign currencies needed by business originations in foreign trade. Under the direction of Nepal Rastra Bank commercial bank provides business man different facilities like accepting and collecting foreign bills avails them foreign currency in exchange of Nepalese currencies under the prevailing rules and regulations issues letter of credit which has been one of the pivot elements in modern international trade.

iii. Creation of Credit

Liquidity position of commercial banks is to sound. There debt equity ratio is high, which doubt on solvency. Debt to equity ratio of local commercial banks is higher than JVBs.Conservative credit policy is followed by commercial banks for assets utilization that more investment is done on loans and advances and overall profitability position of would be better.

iv. Safeguarding Valuables

Commercial banks also safeguard the valuable materials of their customer, for this purpose, they provide safe deposit value for keeping the valuable materials in it .It is one of the most conventional services being rendered by commercial banks.

2.1.3 Role of JVBs in Nepal

Before the introduction of liberalization policy to set up joint venture bank in fiscal year 1984/85, there are only two JVBs were operating in Nepal. HMGs budget underlined the need of JVBs in fiscal year 1984/85 which was like this: The finance intuitions, at present in our country have never been effortful to mobilize to resources. However, the major part of their commercial loans are concerted among a few individuals whereas the small traders and entrepreneurs are facing the difficulties to receive the loans therefore the only solution to this problem is to encourage competition in the banking sector .The policy of allowing new commercial banks under joint venture with foreign collaboration has been adopted. This will promote competition among banks whereby the clients will get improved facility .In addition, the shares of these new banks will also be sold to the public and in distributing the shares: it will be ensured that the ownership is spread out to the maximum extent, possible.

Since the fiscal year1987/ 88-finincal liberalization came into effect with a purpose to enhance the economic development process under the structural adjustment program that resulted in the liberalization of interest rates, strengthening of banking operation and sift from direct to indirect monetary control instruments.

A substantial increase in the number and the size of the join venture banks took place due to liberalization policy of HMG after the forties then many join venture banks with maximum 50%share capital holding, are running. They are mainly concentrated in Katmandu valley. But according to policy the policy of NRB, they are compelled to established branches in rural areas too. Though the commercial bank grow significantly in size and number, they can’t meet the credit need in the country .For this reason, the setting of finance companies are allow after making necessary adjustments targeting the areas where the commercial banks do not prefer to finance .As a consequence, more than six dozen finance companies are registered and running under the direction of Nepal Rastra Bank.

The establishment of securities Exchange Center in 1976 was a significant step in the development of financial institution .It was aimed at doing of brokering, underwriting, and public issue management making markets for government bonds, etc. Later in 1993,it was it was converting into Nepal Stock Exchange provides marketability and liquidity to the government and corporate securities by facilitating through market intermediaries such as market maker broker, etc.

It obvious that the introduction of JVBs in foreign collaborating as a part of financial liberization in interest rate. This is noted that achievement in the financial development, the opening of new JVBs avail the atmosphere that brings in the country the technical talent marginal skills and foreign investment in a healthy competitive environment

The role played by JVBs is mainly divided into three categories

- **Attraction to foreign investment**

The liberalization policy of HMG has contribute a lot in attracting the foreign investors into the country by availing a sound environment .The various multinational companies are eager to set up in joint venture. Further JVB make international financial institution familiar to the Nepalese rules and regulations and avoid their confusions and dilemma through their publications, reports, etc. This is the significant contribution of JVBs in the nation.

- **Introduction of new and advance banking techniques**

The JVBs are created for introducing new modern and advanced technology in banking sector such as computerization in banking system, hypothecation and syndicating under the directives of NRB, consortium finance, merchant banking, introduction of ATM card and debit cards, inter banking for money and securities arrangements of loans in foreign currencies, etc. The JVBs have added the new dimension through the introduction and practice of the above mention banking techniques.

- **Healthy competition**

The introduction of JVBs has broken up the monopoly by the domestic commercial .It ahs encourage the healthy competition among the commercial banks. Healthy competitions results in better and cheaper consumer services. Bank improves their productivity in order to survive in the competition on one hand, while in other hand; the real beneficiaries are the customers and economy as the whole. This also encourage the domestic banks to extends their services in the other countries .It also forces the existing banks to improve their quality and extend services by training and motivating their staff against the new challenges.

2.2 Review of Policy Documents and Directives

The commercials banks including joint venture banks, are established in Nepal according to the Company act.2021 (amended to company Act.2053) .The main purpose of JVBs is providing banking facilities to the people by facilitating tele banking services to the businessman, industrialists and other professionals and to grant loans and advances on agriculture, commerce and industrialists sectors as prescribed in the commercial bank act.2031.Nepal Rastra Bank Act, 2012, Foreign Exchange Regulation Act.2019 along with Nepalese Law.

2.2.1 Regulatory Issues for Operation of Commercial Banks

Banks are required to establish one ‘rural’ branch for every urban branch opened ‘Rural ‘indicates the very small communities. These issues compel the banks to operate in areas with limited profit potential.

Hence, banks are required to lend 9.5%to priority sector and 2.5%to deprived sectors .The Nepalese currency in not freely convertibles and the central must approved the repatriation of the hard currency including dividend and the financial services fees to the reimbursed holdings companies.

Nepal Rastra Bank is committed to reduce the number of expatriates in the joint venture bank in order to create opportunities for Nepalese Citizens.

Nepal Rastra Bank has restricted the commercial bank to vary the rate of interest on loans deposits more than 1%. Although they can set their own interest rates on loans and deposits, they are required to publish schedules of interest rate for information. (NRB Regulatory issue Published through various circulars)

2.2.2 Commercial Act. 2021 (Amended to Company Act.2053)

Commercial bank act 2031 covers few important clauses for establishment of new banks provision of foreign banks branches.

a) Establishment of Banks

- The NRB may prescribed necessary conditions while recommending the establishment of a bank under sub section (ii), and it shall be the duty of the concerned bank to fulfilled the conditions so prescribed.
- The location of the head office of banks is determined with the approval of Nepal Rastra Bank.
- The bank shall be an autonomous corporate body with the perpetual secession.
- Subject to this Act. And other current Nepal Law, the bank may acquires, use and sell movable properties
- A bank shall be established under the Company Act with the recommendation of Nepal Rastra Bank. For getting recommendation, an application shall be field, along with the particulars prescribed by Rastra Bank. Only after getting recommendation from Nepal Rastra Bank such banks shall be registered according to the Company Act for working under Act.
- Any bank may open or shift the location of or close branches deposits or other offices with the approval of Nepal Rastra Bank.

b) Establishment of Branches

- In case of any foreign commercial bank desires to open a branch, representative office in the Kingdom of Nepal, it may register such branches under the Company Act. Shall apply to foreign bank.
- The NRB shall obtained the under subsection (i) the NRB prescribed terms and conditions according to the need. And the foreign bank shall obey with the conditions thus prescribed by the NRB.

2.2.3 Company Act. , 2021 (Amended to Company Act, 2053)

Commercial banks including JVBs in Nepal can be established only as a company with a limited liability under the 2021 Company Act .On the recommendations of Nepal Rastra Bank .The provisions mentioned in the Act. Strictly regulate the commercial banks in all the aspects, starting from the incorporating to the winding up of the banks. (The Company Act.,2053).

2.2.4 Nepal Rastra Bank ACT, 2012 (Amended to NRB Act, 2049)

As per the provision of NRB Act, 2012,Rastra Bank may issue directives from time to time to commercial banks regarding to the banking currency and credit .It shall be duty of commercial banks to comply with the followings directives. (Nepal Rastra Bank Act, 2012)

- Development of Banking system and supply for credits to Commercial Banks

  a) NRB shall possible efforts to develop and regulate the banking system in the kingdom in Nepal
  b) With the consideration to the monetary situation, the NRB may provide loans and refinancing facilities on the conditioned prescribed by it against guarantee, to any commercial bank, which applies agriculture or industrial credit.

Commercial banks must obtain the permission to accept deposits, supply loans or issue debentures.

- **Determination of Rate of Interests**

NRB can determine the rate of interest to be charged or paid by the commercial banks on loans and deposits.

- **Provision of Capital Reserve and Ratio**

On the basis of the total Weighted Risk Assets and off balance sheet operating of the closing of Ashad each year minimum 8%(including minimum 4% core capital) must be maintained by the first half of the next fiscal year.

- **Definition of Capital Fund**

Capital Reserve refer to the core capital and supplementary capital. Core capital includes Paid up Capital General reserve Share Premium Undistributed profit and Non redeemable Preference Share. Supplementary capital includes Redeemable Preference Share, Risk Bearing Fund; the cumulative loss up to the end of the previous fiscal year should be deducted from Core Capital.

Duration of Marinating the Deficit Capital Fund

According to the commercial banks Act 2031(6TH –amendment 2049), the bank cannot declare or distribute dividend unless the bank concerned maintains the deficit in Capital Fund by transferring its net profit in reverse Fund or by issuing shares.

- **Minimum Margin of Paid of Capital**

In order to increase the liquidity positions of the banks, to ensure depositors interest and help resource mobilization in large projects from within the banking system of the country, each commercial bank must increase its paid-up capital to Rs. 50 Crore by the end of fiscal year 2061-2062.

- **Schedule of the Types of Account and Rates of Interests**

The commercial banks must produce the details of the types of deposits, they accept, the rate of interest they give on deposits and the rates of interest they charge on loans of every type and purpose.

- **Restriction of the Various Between the Rates of Interest Given and Charged**

The rate of interest given to depositors on deposits and charged on the loans must not vary above 0.5% on the basis of arbitrations with the customers.

- **Management of Liquidation**

Commercial banks and financial intuitions liquid assets in such proportion to their deposits liabilities as the bank may prescribed .The following directives regarding the provision of Compulsory Cash Reserve have been issued by Nepal Rastra Bank Operation Department to all commercial banks and Agriculture Development Bank, under the Nepal Rastra Bank Act-2012, Section 22(b) and 22(c). (Banking Directives: NRB, 5th issue)

a) The fund to be maintained in Nepal Rastra Bank: 8%of the current and savings deposit; and 6%of the fixed deposit liabilities.
b) The fund to be maintained with the Bank: 3%of the total deposits liabilities Banking Directives (2055) has given the following policy directives regarding branch extension by Nepal Rastra Bank to all commercial banks.

) **Extension of Branches**

c) While opening one branch in Katmandu, Biratnagar, Lalitpur, Pokhara, Bhaktapur Municipalities, two branches in sub urban (bordered with municipalities) areas, or one branch in rural (not bordered with municipalities) areas must be opened.
d) Rural or sub urban branches should be opened first, only then the urban branches may be opened.
e) In case of approval obtained regarding to the opening of new branches prior to this provision, the previous provision would be effective.

2.3 Review of Previous Researches

View expressed by different persons regarding commercial bank and their activities, on Journals, booklets, magazines etc are presented here.

Thapa G.B. (2051 B.S.) concludes that since these banks were new, urban based and run by foreign management they started their operation with automated system which could easily attract the elite group of business community and expatriates due to their prompts run the bank at least coat but with the same interest spread of 10-12 present between deposit and lending rates prevailing then in two major state owned bank .It had been possible for them on account of the fact that these two banks share in total deposits and lending of the whole banking system of the country was as large as 85-90% .Even such a large spread of interest rates was not enough for the two banks to meet their operating cast and hence ,had been incurring losses year after year while the joint venture bank could earn enormous profits with the same interest speed .

K. D. Joshi (1992) concludes that these banks have maintained low liquidity position than required. There is gradual increase in the amount of funded debt and capital structure seems to be highly geared. Return on assets is far from satisfactory .The research suggests that the bank should invest its resource in more productive sectors and equity finance should be emphasized.

Shrestha M.K. (2051 B.S.) concludes that government owned commercial banks often remained over –liquid with huge losses, sluggish growth of credit with high defaults and marked deterioration in their finical availability, poor repayment rates culminated into large portfolio of non performing credits and risk assets. This sustainability dominated their resource base; markedly increased the effective lending cost of credit due to the high transaction cost ultimately depressed their profitability.

Shera (2047 B.S.) concludes that five commercial banks are improving their services due to the pressure of the competition for public benefit .

Joshi (1982) concludes that it is well known that commercial bank collect many resources from people but they are far behind in their utilization. Commercial banks in Nepal are still lazy to play active role to utilize their resources collected from different sectors in accordance with the need of the economy.

Poudel (1997) opined that Join Venture Bank concentrated only in the urban areas. Most of people of the country, living in rural and sub-urban areas, but Nepal standard Chartered bank are neglecting the need of small communities and borrowers of outside the urban areas .The bank cerates desired level of branch network for the development of the country and contribute to fulfill the government's objective of the people's participation in the economic development. Since, banks are the effective mechanism of resource mobilization in the national context, NSCBL should come forward to expand its branches in these areas by analysis of the cost effectiveness .By expansion on branch network, more resource will be mobilize, more will be deposit collection and bank will earn higher profit.

Shrestha (2047 B.S.) in his article "Commercial Banks Comparative Performance Evaluation' concludes that JVBs are new operationally more efficient, having superior performances of JVBs is due to their sophisticated technology, modern banking method and skill. Their better performance is also due to the government's branching policy in rural areas and financing PEs. Local banks are efficient and expertise in rural sectors. But having number of deficiencies .So, local bank have to face growing constraints of socio-economic, political system on one hand spectrum and that of issues and challenges of JVBs commanding significant banking business on other spectrum.

Bista (2048B.S.) focuses some important indicators, which have contributed the efficiency and performance of JVBs in the field of commercial banking. Bista concludes that the establishment of JVBs a decade ago marks beginning of modern banking era in Nepal. The JVBs have brought in many banking techniques such computerization, hypothecation consortium finance and modern fee based activities into the economy.

Chopra (2056 B.S.) opines that JVBs are already playing an increasing dynamic and vital role in the economic development of the country. These will undoubtly increase with time.

Sharma (1988) in his article “JVBs in Nepal: Co-existing or Crowing Out” pointed out that it would be definitely unwise for Nepal not to let the JVBs to operate in the country and not to take advantage of them as additional means of resources mobilization as well as harbinger of new era in banking. But it will certainly be unfortunate for the country to develop the JVBs at least from the government’s treatment has been extended to the domestic and the JVBs at least from the government side, which is condemnable .If the government keeps on the stance of treating the domestic and JVBs equally despite the letter’s bargaining strengths and JVBs also show their alacrity to come forward to share the trials and tribulation of the poor country, both types of banks will coalesce and co-exit, complementing each other had contributing to the nation’s accelerated development .On the country if the JVBs use their strength against treading into the cumbersome path of development along with the domestic banks and the government .They will eventually crowd out the domestic banks from the more profitable urban areas and sectors unless reined in by the determination of the government .

Sunil Chopra (2046 B.S.) in his article, “ Role of Foreign Banks in Nepal”, concludes that:

JVBs are already playing an increasing dynamic and vital role in the economic development of the country. This wills undoubtly increase with time.

Bodi B. Bajracharya (2047 B.S.) in his article “Monetary Policy and Deposit Mobilization in Nepal”, concludes that:

Mobilization of the domestic saving is one of the prime objectives of the monetary policy in Nepal and commercial banks are the most active financial intermediary for generating resources in the form of the private sector and providing credit to the investors in different sectors of the economy.

Though various research has been conducted and articles has been published about commercial banks performance but there is lack of broad study that can throw light upon the financial performance of emerging joint venture banks, so this topic has been chosen to support and supplement the existing literature.

2.4 Review of Previous Thesis

Prior to this thesis, various students in the different areas of banking have carried out several thesis works. Some of them are relevant for this study purpose which are presented below;

Kesab Raj Joshi in his thesis paper “A study on Financial performance of Commercial Banks’’(1989). Concludes that

Liquidity position of commercial banks is sound. Their debt to equity ratio is high, which doubt on solvency. Debt to equity ratio of local commercial banks is higher than JVBs. Conservative credit policy is followed by commercial banks for assets utilization that’s why more investment is done on loans and advances. Assets utilization for earning purpose is two third of the total assets .The main source of income for these banks is interest from loans and advances and overall profitability position of NABIL is better than others.

Pramesh K.C. in his thesis paper (1991) about the dividend policy of joint venture Banks in Nepal that JVBs in Nepal are growth bank. Their market value per share are significantly fluctuated and traded on high price. They are less risky. DPS of these banks is correlated with their EPS. Retained earning ratios of these banks are fluctuated in smaller proportion .EPS of these banks is raised at the satisfactory level. Price earning ratio and earning yield ratios are inconsistent. These banks are declaring higher dividend return on paid –up capital.

Rajendra Lamsal (1995) in his thesis paper, A Comparative Financial Statement Analysis of Himalayan Bank Limited .has conclude That liquidity ratios of both the banks fluctuating and are not satisfactory so the banks are suggested to keep the reasonable amount of liquidity so, the banks maintain their short term solvency position. HBL is not unable to maintain proper capital adequacy position .HBL is suggested to involve social activities NIBL has been involved for social activities. Both banks should open their branches in the remote areas the objective of providing cheaper banking services.

U. R. Pant (2032) in his thesis paper “A Study of Commercial Banks Deposit and its Utilization’’ concludes that:

The percentage of total credit supplied by CB in his study period is more or less same, while the collection of deposits has increased too much. Thus, the increasing gap between collection and utilization shows a dim picture of resources utilization position.

Likewise, Hiralal Pradhan (1999) in his thesis paper “A Comparative Study on the Financial Performance of Nepal Indosuez Bank Ltd and Nepal Grandlays Bank Ltd” concludes that: NGBL has been able to gain a higher market share in case of deposits or compare to NIBBL. The liquidity of position is to higher than NIBBL. NIBBLhas better utilization of resources. NIBBL has maintained the ratio of cash and bank balance to total deposits, considerably higher than that IGBL.NIBBL and NISBL are seen to be successful in aspect of foreign investment in Nepal by means of their wide international banking networks. NGBL is maintaining more amount as money at call or at short notice than that of NIBBL. So NIBBL should utilize its risky assets and shareholders fund to gain highest profit margin and reduce its expenses for being more profitable.

Keshab Raj Joshi (1978) in his thesis “A study of Financial Performance of Commercial Banks” concludes that the statically liquidity position of the commercial banks satisfaction than the local joint venture banks. Loans and advances have been the main form of the investment Two thirds of the assets have been used for earning purpose profitability position of NABIL is stronger than that of other commercial banks.

Similarly, N.B. Amatya (1995) in his thesis titles “An appraisal of Financial Position of Nepal Bank Ltd. concludes that Nepal Bank Ltd. In better position in liquidity management that the bank has been successful in mobilizing deposits from the very beginning .The total deposits of the bank on an average increased by 17.9% during the period 1980-81,1989-90.Trade and commercial advances have been playing major role in the credit composition of the bank. Through the reserve of the bank has been increasing gradually, the reserve plays nominal role in the credit expansion control .The volume of transaction is high in all respects but the bank does not show higher ratio of profit. Actually, it shows a decreasing trend of profit.

The main objectives of this research is to comparative study of Nepal Bangladesh Bank Ltd.and Nepal Arab Bank Ltd. Review of literature is mandatory for every aspects of research works that's why researcher study the earlier research and, of course, thesis. By the study of researches and thesis the researcher found that, the main income source of commercial banks is interest. Loan and advances have been the main form of the investment. These commercial banks are found to have been declaring higher dividend on profits causing the market value of their share well above the face value. Commercial banks of Nepal are concentrated in the urban areas. There are many researches about comparative analysis between different commercial banks. But the researcher found that there is not specially comparison between financial performance of Nepal Bangladesh Bank Ltd and Nepal Arab Bank Ltd. So, the researcher study these two banks namely NABIL and NBBL .So this study is different than other study.

CHAPTER III
RESEARCH METHODOLOGY

This chapter highlights the research methodology used in this study the main aim is to analysis the financial performance of two joint venture banks - Nepal Bangladesh Bank Ltd. and Nepal Arab Bank Ltd. operating in Nepal.

In order to analyze and interpret the findings, a suitable research methodology must be applied. This chapter contains a brief description of the research design, the population and the sample, sampling procedure the data collecting procedure and the method of data analysis.

3.1 Research Design

The study aims at portraying accurately upon the financial position of these two banks. So, in order to conduct the study, descriptive –cum-analytical research design is followed.

3.2 Populations and Sample

The two joint venture banks viz. NABIL and NBBL are selected as samples for the research purpose out of the total population of half dozen of commercial banks including domestic and joint venture bank operating throughout the country.

3.3 Sources of Data

Mainly the study is conducted on the basis of secondary and primary data. The data relating to the financial performance are directly obtained from the concerned joint venture banks .The supplementary data and information is obtained from unpublished official records of concerned banks.

Raising few questions with the top-level employee and some of their customers who came to bank counter to rendering services of the concerned banks collects supplementary information regarding the financial performance of these concerned banks. Some of the opinions have been incorporated as well.

The main sources of data are as follow:

- Published financial statements of NABIL and NBBL
- Published and unpublished reports of the banks
- Book magazines newspaper and journals
- Annual and periodical publications of Nepal Rastra Bank
- Banking directives issued from time to time by Nepal Rastra Bank
- Economic surveys
- Previous study and report

3.4 Data Collection Procedure

Besides the above mention sources, the researcher has conducted a detailed review of the relevant literature in order to acquire the in-depth information and data .For the review purpose, the relevant literature is collected from library.

Editing processes these data and information, tabulating and calculating before the analysis and interpretation .The data are presented in the form of average, and graph with the view to facilitate the analysis and interpretation.

3.5 Method of Data Analysis

The data are analyzed by using financial tools along with statistical tools.

Financial tools

The financial tools used in this study are as follows:

3.5.1 Ratio Analysis

Financial analysis is the process of identifying the financial strengths and weakness of the firm by properly establishing relationship between the items of the balance sheet and the profit and loss account. Ratio analysis is a powerful tool of the financial analysis. Financial ratios are most frequently and widely used in practice to assess a firm’s financial performance and condition.

Various study have used ratios to analyze the financial performance .For this study, ratios fall under five major headings.

3.5.1.1 Liquidity Ratio

Liquidity ratios are used to judge a firms ability to meet short-term obligations. These ratios given insight into the present cash solvency of the firm and its ability to remain solvent in the event of the advertisements .It is the comparisons between the short-term obligations and the short-term resources available to meet these obligations

To find out the ability of banks to meet their short-term obligations, which are likely to mature in the short-term period, these ratios are calculated to identify the liquidity position.

1.Current Ratio

This ratio indicates the current short term and solvency. Higher current ratio indicates better liquidity position .It can be calculated as follows:

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

Current assets refer to those assets that are cash or can be converted into cash within a year such as Cash and Bank Balance, Investment in Treasury Bill, Money at Short Call or Placements, Loans and Advances, Bills Purchased, Discount Order, Other Short Term Loans, Over Drafts, Foreign Currency Loans, Bills for Collection, Customer Acceptance Liability and Other Receivables and Prepaid Expenses.

Current liabilities refer to the obligations maturing with in a year. This includes Current Margin, Call, others and Saving Deposits, Intra Bank Reconciliation, Bills payable, Bank overdrafts, Provisions, Accrued Expenses, Bills for collection and Customers Acceptance Outstanding etc.

2.Cash and Bank Balance to Current Deposit Ratio. (Excluding Fixed Deposits)

This ratio shows the ability of banks immediate funds to cover their (current, margin, call, others, and saving) deposits. Dividing cash and Bank balances can calculate it by deposits (excluding fixed deposits). The ratio is as under;

$$= \frac{\text{Cash and Bank Balance}}{\text{Deposit (Excluding Fixed)}}$$

3.Cash and Bank Balance to Current Deposit ratio (Excluding saving and fixed deposits).

This ratio shows the capacity of banks to meet unanticipated calls an current deposits .It can be calculated by dividing cash and bank balance by deposits (Excluding saving and fixed deposits) the ratio is given as under:

$$= \frac{\text{Cash and Bank Balance}}{\text{Deposits (Excluding Saving and Fixed)}}$$

4.Cash and Bank Balance to Current Assets Ratio

The cash and bank balance is almost liquid form of the current assets. This ratio shows the percentage of readily available fund within the banks .It can be calculated by dividing cash and bank balance by current assets, which is as follow:

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

5.Investment on Government Securities to current Assets Ratio

Investment on treasury bills is current assets, so this is calculated in order to find out the percentage of current assets invested in government securities, i.e. treasury bills .It can also be calculated by dividing investment on government securities by current assets as follow:

$$= \frac{\text{Investment on Treasury bill}}{\text{Current Assets}}$$

6. Loans and Advances to Current Assets Ratio

Loan and advances includes bill purchased and discounted, overdraft, other short-term loans, etc. Banks loans advances is the biggest assets used for income generation purpose. This ratio is calculated to find out the proportion of current assets invested in loans and advances. It can be calculated by dividing loans and advances by Current assets as follows.

$$= \frac{\text{Loans and Advance}}{\text{Current Assets}}$$

7. Fixed Deposit to Total Deposit Ratio

Fixed deposit is long term and high interest charge bearing deposited. Though it is high interest charge bearing deposit, but increased fixed deposit may be an advantage so far it permits the banks to deploy funds in long-term credit. This ratio is calculated in order to find out the proportion of total deposit, which is long term and high interest charge bearing. The greater the proportion of fixed assets o r long term deposit, the lesser will be the proportion of current or the short term deposit in total deposit .It can be calculated by dividing the amount of fixed deposit by the amount of total deposits .The basic is given below:

$$\text{X} \frac{\text{Fixed Deposit}}{\text{Total Deposit}}$$

8. Saving Deposit to Total Deposit Ratio

Saving deposit is interest bearing short-term deposit. This ratio is calculated in order to find out the proportion of total deposit which is interest bearing short-term .It can be calculated by dividing the amount of saving deposits by the amount of total deposit, which is given below:

$$= \frac{\text{Saving deposit}}{\text{Total Deposit}}$$

3.5.1.2 Activity or Turnover Ratio

Activity ratio is employed to evaluate the efficiency with which the firm manages and utilizes its assets. These ratios are also called ‘Turnover Ratio” because they indicate the speed with which assets are being converted or turned over These ratios are used to measure the bank's ability to utilize their available resources. Under this group, the following ratios are calculated:

1. Loans and Advance to Total Deposit Ratio

This ratio measures the extent to which the banks are successful to utilize the outsider's fund (total deposits) for the profit generating purpose on the loans and advances. It can be calculated by dividing the amount of total deposits the formula to calculate this ratio is given below:

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

2. Loan and Advances to Fixed Deposit Ratio

This ratio measures how many times the amount is used in loans and advances in comparison to fixed deposits. Fixed deposits are interest bearing long-term obligation where loans and advances are the major sources of investment to generate income for the commercial banks. This ratio can be calculated by dividing the amount of loans and advances by fixed deposits .The formula used is given below:

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

This ratio measures the extent to which the high interest bearing deposits are utilized for the income generating purpose.

3. Loans and Advance to saving Deposits Ratio

This ratio measures, how many times loans and advances are compared to the saving deposits. Saving deposits are interest bearing short-term obligation where as long and advances are the major sources of investment to generate income for the commercial banks. This ratio indicates how much time the short term interest-bearing deposit is utilized for income generating purpose. This ratio can be calculated by dividing the amount of saving deposits. The ratio used is as follow:

$$= \frac{\text{Loan and Advance}}{\text{Saving Deposits}}$$

3.5.1.3 Credit ratio

This ratio is used to measure the credit creation capacity of the banks .In other words, this ratio indicates how far the banks are able to create credit from the deposit liabilities. Under this ratio, the following ratios are used.

1.Cash and Bank Balance to Total Deposit Ratio

This ratio also known as primary ratio measures the capacity of the banks to meet immediate obligations as they became due. This ratio is calculated by dividing the total held cash and bank balance by total accepted deposits.

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

2. Investment on Government Securities to Total Deposits Ratio

This ratio is designed to see the investment on government securities made by commercial banks and vice versa the total deposits accepted .It is computed by findings the investment on government securities by total deposits

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

3.Total Investment to Total Deposit Ratio

This ratio is designed to see the investment efficiency with regard to total deposits accepted by commercials banks .It shows the portion of the total deposits invested in government securities, shares and debentures for income generating purpose for the long run. Higher ratio indicates the better credit creations and vice versa .It is calculated by dividing total investment by total deposits.

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

3.5.1.4 Leverage Ratios (Capital Structure Ratios)

A firm should have a strong short-term liquidity as well as long term financial position .The long term financial position of the firm is judge by the leverage or capital structure ratios .The leverage ratios are calculated to measures the financial risk and the firm's ability of using debt for the benefit of the shareholders.

These ratios measure the proportion of outsiders fund and owners' capital used in the banks. Under this group the following ratios are calculated.

1.Total Debt to net Worth Ratio

This ratio show the proportion of outsiders and owners fund used in financing of the total assets, or the clam of outsiders and insiders on the total assets of the bank. This ratio is calculated by dividing the total debts of the bank by their net worth. Following formula is used:

$$= \frac{\text{Total Debt}}{\text{Net worth}}$$

3.5.1.5 Profitability Ratios

Profit is essential for a firm to grow and to survive over long period of time. A profitability ratio measures the operating efficiency of the banks. Following are the major profitability ratios calculated in the study.

1.Interest Earned to working Fund Ratio

This ratio is calculated to find out percentage of the interest earned to working funds .It is calculated by dividing the amount of interest earned by the working funds of the banks .The formula employed is given below:

$$= \frac{\text{Interest Earned}}{\text{Working Funds}}$$

2. Net Profit (Loss) to Total Assets Ratio

The ratio is a useful measure of the profitability of all financial resources invested in the bank's assets .The return on assets or profit to assets ratio is calculated by dividing the amount of net profit (loss) by the amount of total assets .The following formula is used:

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

3. Net Profit to total Deposit Ratio

Deposits are mobilized for investment and loan to get profit. This ratio measures percentage of the profit earned from the use the total deposit It is calculated by dividing by the amount of net profit (loss) by the amount of total deposits .The ratio employed is like this:

$$= \frac{\text{Net Profit (loss)}}{\text{Total Deposit}}$$

4.Return on Net Growth

Net worth refer to the owners clam in the assets of a bank .It can be found by subtracting total liabilities from total assets (excluding intangible assets and accumulated losses). This ratio indicates how well the banks have used the resources of the owners. It is calculated by dividing net profit after taxes by net worth. The formula used is as follows:

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

3.5.1.6 Other Indicators

Earning per share (EPS), dividend per share (DPS), Tax per share (TPS), Dividend payout Ratio, Profit Earning Ratio and MVPS to BVPS Ratios are the other indicators of the financial performance of these two banks.

1.Earning Per Share (EPS)

EPS calculations made over the years indicate whether the banks earning power on per share basis have changed over the period or not .

EPS is calculated by dividing the net profit after taxes by the total number of common shares outstanding. Or,

$$\text{EPS} = \frac{\text{Net Profit After Taxes}}{\text{No. of Common Shares Outstanding}}$$

2. Dividend Per Share (DPS)

It indicates the part of earning distributes to the shareholders on per share basis .It is calculated by dividing the earning paid to common shareholders by the total no. Of common share outstanding.

$$\text{Or, DPS} = \frac{\text{Earning Paid to Shareholders}}{\text{No. of Common Share Outstanding}}$$

3. Dividend Payout Ratio

This ratio reflects what percentage of the profit is distributed as dividend and what percentage is retained as reserve and surplus for growth of the banks .It is calculated by dividing DPS by EPS .The formula used is like this:

$$= \frac{\text{DPS}}{\text{EPS}}$$

4.Price earning ratio

This ratio reflects the price currently paid by the market for each rupee of currently reported EPS .It is calculated by dividing the market value per share (MPVS) by EPS.

$$\text{P/E Ratio} = \frac{\text{Market value Per Share}}{\text{Earning Per Share (EPS)}}$$

5. Market Value Per Share to Book Value Per Share Ratio

This ratio indicates the price, the market is paying for the price is reported from the net worth of banks, or in other words, it is the price the outsides are paying for each rupees reported by the balance sheet of the banks. It is calculated by dividing the market value per share by the book value per share:

$$= \frac{\text{Market Value Per Share}}{\text{Book value Per Share.}}$$

1.5.1.7 Income and Expenditure Analysis

From the available profit and loss account, percentage of the operating income, operating expenses and calculated in order to find out how the operating income and operating expenditure are done in the these two banks.

1.5.2 Statistical Tools

Statistical tools used for this study is the trend analysis –The method of least square.

The methods of least square

This method is widely used in practice .It is a mathematical methods and its help a trend line is fitted to the data in a manner that the following two conditions are satisfied:

1. $(Y-\overline{Y}) = 0$

i.e. the sum of deviations of the actual values of and the computed values of Y is zero,

2. $(Y-\overline{Y})^2 = 0$ is least

i.e. the sum of the squares of the deviations of the actual and computed values is least from this line and hence the name of method of least squares. The line obtained by this method is the line of the best fit.

The method of least squares may be used either to fit a straight-line trend or parabolic trend.

The straight-line trend is represented by the equation

$$Y= a + bx$$

Where Y is used to designate the trend values to distinguish them from the actual Y values, 'a'

Is the Y intercept or the computed trend figure of the Y variable when X= 0. 'b' represents the slope of the trend line or the amount of change in Y variable that is associated with a change of one unit in x variable in trend analysis represents time.

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

$\sum Y = Na + b\sum$…………(i)

$\sum xy = a\sum x + b\sum x^2$………….(ii)

Where N represents number of years.

We can measure the variable x from any point time in origin such as the first year. But the calculations are very much simplified when the mid point in time is taken as the origin because in that case the negative values in the first half of the series balances out the positive values in the second half so that $\sum x = 0$.In other words, the time variables is measured as a deviation from its mean. Since $\sum x = 0$ the above two normal equations would take the form.

$\sum y = Na$………(i)

$\sum xy = b\sum x^2$…. (ii)

The value of 'a 'and 'b' can now be determine easily

Since $\sum Y = Na$ $\quad$ $a = \sum Y / N$ or Y

Since $\sum xy = b\sum x^2$ $\quad$ $b = \sum xy / \sum x^2$

The constant 'a' is simply equal to the mean of y values and consent 'b' gives the rate of change.

Above mentioned method of least square is used to calculate, loan and advance trend and Total deposit trend.

2. Coefficient of correlation

The coefficients of correlation is an importation measures to describe how efficiently one variable is explained by another. It measures the degree of relationship between the two casually related variables X & Y is usually denoted by ‘r’, which are the numerical measures of linear association between variables.

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

N = No .of observation of X & Y

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

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

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

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

$\sum XY$= Sum of the product of the observation in series X & Y.

3. Probable Error

The probable of coefficient of correlation helps in interpreting the value and measuring the reliability of the coefficient of the correlation. Probable error of correlation coefficient usually denoted by P.E. is a measure of the testing the reliability of an observed value of correlation coefficient in so far it depends upon the condition of random sampling .It worked out as

$$PEr = 0.0674\ \frac{1 - r^2}{\sqrt{N}}$$

Where, r = Correlation coefficient and N = Number of pairs of observation.

4.Position, Customer Attitude, Customer Services

This section entirely based upon primary data, to know banks position in customers mind and customer’s perception about the banks services and also trying to analyzed customer attitude towards the banks and lastly how the banks delivered services to their customers with their staffs. To carry out this part of research we took 25 customers as sample and posed few questions to them, on the basis to their reply we get able to prepare this part research.

CHAPTER IV

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

This chapter deals with the presentation, analysis and interpretation of statistics, evidence and facts; to clarify the research works. Here the study presents the collection data for various purposes of analysis .The data are analyzed using financial and statistical tools to get values of different variables .The analyzed data and results are presented clearly and simultaneously using tables and graph. Lastly, each of the results is interpreted in topics and sub topics.

- Financial Ratio Analysis

"Ratio analysis has been accepted as the most dominant financial tools to analyze and interpret the financial statements since late 1800's. (Lev, 1974,11)

"Alexander wall is the pioneer of ratio analysis .He presented, after a serious thinking, a detailed system of ratio analysis of 1990.He explained the work of interpretation can be made easier by establishing quantitative relationship between the facts given in the financial statements." (Gupta, 1974, 50)

"In financial analysis, a ratio is used as index or yardstick for evaluating the financial position of firm." (Panday, 1993).

"Ratio analysis is such a powerful tool of financial analysis the through it, economic and financial position of a business unit can be fully X-rayed". (Kothari, 1998)

Webster's dictionary (1975) defines ratio as the indicate quotient of two mathematical expression, and as the relationship between two or more things.

4.1 Liquidity Ratios

Liquidity ratio measures ability of the firm to meet its short-term obligations. This also known as solvency ratio or working capital ratio is the relative proportion of current assets to current liabilities .It is most commonly taken as the yardstick of measuring the short-term solvency of concern. A firm should ensure that it does not suffer from lack of liquidity and that it is not too much highly liquid .The failure to meet the obligations as they become due damage the company's reputation resulting in lower profitability. Both the conditions are unfavorable for the company. Therefore, it is necessary to strike a proper balance between liquidity and lack of liquidity (Pandey, 1993)

Under liquidity ratios, the following ratios are examined.

4.1.1 Current Ratio

Table 1

Current Ratio

Banks	Ratio	Fiscal Years					Average
		2005/06	2006/07	2007/08	2008/09	2009/10	
NBBL	Times	1.01	1.0297	1.0274	1.0099	1.0126	1.1036
NABIL	Times	1.0580	0.7640	0.8125	0.9162	0.9400	0.8981

This ratio refers to meet their short term obligations .CR of NBBL is slightly fluctuating each year where as the same of the NABIL is also increasing except the fiscal year 2006/07. Yearly CR of NBBL is always higher than CR of NABIL and average of CR of NABIL (0.898 times) is lesser than the average of the CR of NBBL (1.0126 times).

So, above analysis helps to conclude that liquidity position of NBBL is shorter than NABIL. From the point of view of working capital policy NABIL is following aggressive working capital policy than NBBL. From the point of view of the utilization of current funds, NABIL is utilizing it better then NBBL.

4.1.2 Cash and Bank Balance to current Deposits Ratio (Excluding fixed deposits)

Table 2

Cash and Bank Balance to Current Deposits Ratio (Excluding fixed Deposits)

Banks	Ratio	Fiscal Years					Average
		2005/06	2006/07	2007/08	2008/09	2009/10	
NBBL	Times	0.3055	0.3049	0.4332	0.1621	0.1811	0.2773
NABIL	Times	0.1451	0.0994	0.0805	0.1022	0.0821	0.1018

Table 2 depicts that cash and bank balance position with respects to deposits (excluding fixed deposit) fluctuating in NBBL, the ratio is lowest in 2008/09 and highest in 2007/08.Where as in the case of NABIL the ratios are also fluctuating, the ratio is highest in 2005/06 and lowest in 2007/08.

The yearly ratios of NBBL are higher than NABIL .The average of the ratios of NBBL (0.2773 times) is higher than the same of NABIL (0.1018) for the same period.

So, above analysis helps to conclude that cash and bank balance position with respect to deposits (Excluding fixed deposit) is better in case of NBBL than NABIL, which is the indicator of better liquidity position or the readiness of bank to serve the customers. But it also indicates the NBBL's more investment from deposits (excluding fixed) in non earning asset like cash to maintain liquidity than NABIL which may have other use, as, investment on short term marketable securities or treasury bills, which will maintain the liquidity and will give returns too.

4.1.3 Cash and Bank Balance to Deposits ratio (Excluding Fixed and Saving deposits)

Table 3

Cash and Bank Balance to Deposits Ratio (Excluding Fixed and Saving Deposits)

Banks	Ratio	Fiscal Years					Average
		2005/06	2006/07	2007/08	2008/09	2009/10	
NBBL	Times	0.6468	0.6227	0.8912	0.3438	0.3896	0.5788
NABIL	Times	0.3248	0.2497	0.1300	0.1919	0.1669	0.2126

Table no 4.3 depict that the cash and bank balance position with respect to current, call &short deposit and other are fluctuating in both the banks. The ratio is highest for NBBL in 2007/08 and lowest in 2008/09,where as the same ratio is highest for NABIL in 2005/06 and lowest in 2007/08.The yearly ratios of NBBL exceed all five year. The average of ratios for the last five years of NBBL (0.5788 times) is higher than NABIL (0.2126 times) for the same period.

So, above analysis helps to conclude that cash and bank balance position (excluding saving and fixed deposits) is better in NBBL than NABIL, which is the indicator of the better liquidity position of NBBL than NABIL. This ratio supports the conclusion made at table no 4.2, i.e. the better liquidity position NBBL but it also indicates that NBBL is employing costly deposits in non-earning assets like cash to increase its liquidity.

4.1.4 Cash and Bank Balance to Current Assets Ratio

Cash and bank balance are the most liquid form of the current assets. The following table shows the cash and bank balance to current assets position of both the banks.

Table 4

Cash and Bank Balance to Current Assets Ratio

Banks	Ratio	Fiscal Years					Average
		2005/06	2006/07	2007/08	2008/09	2009/10	
NBBL	%	9.18	10.64	16.40	7.93	10.44	10.91
NABIL	%	7.36	6.18	7.90	8.25	6.81	7.3

Table 4 depicts that cash and bank balance position with respect to current assets for both banks are fluctuating. The fluctuating is greater in NBBL than NABIL for NABIL the ratio is highest in 2007/08 where as for NBBL it is highest in 2007/08 and lowest in 2008/09.The yearly ratio of NBBL is always greater than NABIL except the year 2008/09.The average of the ratios of NABIL (7.3 times) lower than the same of NBBL (10.918 times).

So above analysis contribute to conclude that cash and bank balance position with respect to current assets is better in NBBL than NABIL, which is indicator of the better or sound liquidity position NBBL. This conclusions is supported by the conclusions made at table 2 and 3 i.e. the better liquidity position of NBBL than NABIL but also indicates that in order to increase liquidity NBBL is portion of its current assets as non-earning cash and bank balance, which may have profitable alternative use otherwise.

4.1.5 Investment on Government Securities to Total Deposit Ratio

The following table shows the Investment on Government Securities i.e. Treasury bill to current deposits position of these two banks.

Table 5

Investment on Government Securities to Current Assets Ratio

Banks	Ratio	Fiscal Years					Average
		2005/06	2006/07	2007/08	2008/09	2009/10	
NBBL	%	6.31	2.72	8.31	17.98	18.74	10.81
NABIL	%	8.34	20.76	30.95	25.88	25.78	22.34

Table No 5 depicts that investment on treasury bills to Current Assets ratio of both the banks are fluctuating. For NBBL the ratio is highest in 2008/09 and lowest in 2006/07,where as the same ratio for NABIL is highest in 2007/08 and lowest in 2006/07.The yearly ratio of NABIL are exceeding NBBL. The average ratio of NBBL (10.81 %) is lower than the same of NABIL (22.34 %).

So above analysis helps to conclude that investment on treasury bill with respect to current assets is better in NABIL, which is the indicator of the better liquidity of NABIL. The better liquidity position of NABIL than NBBL, but, if there were better investment alternatives, it may regard as the loss of getting more return than the bank is getting from the T-bills.

4.1.6 Loans and Advances to Current Assets Ratio

The following table shows the position of NBBL and NABIL regarding the loans and advances to current assets.

Table 6

Loan and Advances to Current Assets Ratio

Banks	Ratio	Fiscal Years					Average
		2005/06	2006/07	2007/08	2008/09	2009/10	
NBBL	Times	65.63	76.36	71.15	63.88	62.86	67.97
NABIL	Times	49.60	63.25	55.87	55.93	57.50	56.43

Table 6 depicts that loans and advances position with respect to current assets is fluctuating in NBBL and NABIL. For NBBL it is highest in 2006/07 and lowest in 2009/10 where as for NABIL it is highest in 2006/07 and lowest in 2006/07.The average ratio NBBL (67.97 times) is greater than the same of NABIL (56.43 times).

4.1.7 Fixed Deposit to Total Deposits Ratio

The following table shows the proportion of fixed deposit in the total deposits of these banks

Table 7

Fixed Deposit to Total Deposit Ratio

Banks	Ratio	Fiscal Years					Average
		2005/06	2006/07	2007/08	2008/09	2009/10	
NBBL	%	67.36	60.89	57.32	47.55	38.07	54.23
NABIL	%	41.30	48.41	15.78	16.75	16.36	27.72

Table 7 depicts that fixed deposit to total deposits ratios of both the banks are fluctuating or even declining in both banks except the year of 2006/07 of NABIL .For NBBL, the ratios highest in 2005/06 and lowest in 2009/10 whereas the same ratio for NABIL is highest in 2006/07 and lowest in 2007/08.

So, above analysis helps to conclude that the fixed deposit to total deposit ratio is higher in NBBL than NABIL, which indicates that the liquidity position of NBBL is better than NABIL. This conclusion is supported by the conclusion made at table 1 i.e., the better performance of NBBL than NABIL also indicates that, the return from investment on fixed assets is greater than the cost of fixed deposits in NIBIL than NBBL. Since, JVBs are not compelled to accept fixed deposits, like local banks, if they have to better profitable use of the fixed deposits.

4.1.8 Saving Deposit to Total Deposits Ratio

The following table shows the proportion of saving deposits in total deposits of these banks.

Table 8

Saving Deposit to Total Deposits Ratio

Banks	Ratio	Fiscal Years					Average
		2005/06	2006/07	2007/08	2008/09	2009/10	
NBBL	%	17.22	19.96	21.93	27.72	33.15	23.99
NABIL	%	32.48	31.04	32.06	38.89	42.45	35.38

Table 8 depicts that saving deposit to total deposit ratio of NBBL is increasing each year, where as the same ratio of NABIL is fluctuating, the ratio is highest in 2009/10 and lowest in 2006/07,were as the same ratio for NABIL is highest in 2009/10 and lowest in 2006/07 .The yearly ratios are higher of NABIL than NBBL. The average ratio of NABIL (23.99 times) is higher than the same of NBBL (23.99times).

So above analysis helps to conclude that saving deposit proportion with respect to total deposit is higher in NABIL than NBBL. Since saving deposit is the short-term obligation, it means the liquidity of NABIL is lower than NBBL. Above 7 and 8 help to conclude that NBBL is using higher fixed cost-bearing deposit more than NABIL to increase its liquidity.

4.2 Activity Ratios

“An Activity ratio reflects the firm’s efficiency it utilizing its assets. Activity ratios measure the effectiveness of the employment of the resources in a business concern”. (Kothari, 1989)

“In order to examine the efficiency and profitability in making use of resources as well as wisdom and far-sightedness in observing the financial positions lay down in this regard, certain ratios are used and they are collectively called as Activity Ratios”. (Gupta S.P.1994)

To find out efficiency on utilizing of the banks the following ratios are calculated.

4.2.1 Loan and Advances to Total Deposits Ratio

The following table shows the ratios of loans and advances to the total deposits.

Table 9

Loan and Advances to Total Deposits Ratio

Banks	Ratio	Fiscal Years					Average
		2005/06	2006/07	2007/08	2008/09	2009/10	
NBBL	Times	0.71	0.86	0.80	0.69	0.68	0.748
NABIL	Times	0.57	0.53	0.48	0.58	0.58	0.548

Table 9 depicts that loans and advances to total deposits are fluctuating for both the banks .The fluctuation is higher in NBBL. For NBBL, the ratio is highest in 2006/07 and lowest in 2009/10.For NABIL, the ratio is highest in 2008/09 and 2009/10 as well and lowest in 2007/08.Yearly ratios of NBBL are always higher than the same of NABIL.The average ratio of NBBL (0.748 times) in higher than the same of NABIL (0.548 times).

Therefore, above analysis helps to conclude that loans and advances to total deposits ratio is better in NBBL than NABIL, which is the indicator of better performances of NBBL.This again indicate that NBBL is employing the outsiders fund more efficiently for the profit generating purpose on loan and advances than NABIL.

4.2.2 Loan and Advances to Fixed Deposits Ratio.

The following table shows the ratio of loans and advances to fixed deposits ratio.

Table 10

Loan and Advances to Fixed Deposits Ratio

Banks	Ratio	Fiscal Years					Average
		2005/06	2006/07	2007/08	2008/09	2009/10	
NBBL	Times	1.06	1.41	1.40	1.44	1.77	1.41
NABIL	Times	1.39	1.09	3.04	3.44	3.54	2.5

Table 10 depicts that loan and advances to fixed deposit ratios are increasing in NBBL & NABIL also except the year 2000/01.For NBBL ,the ratio is highest in 2009/10 and lowest in 2005/06.Were as for NABIL ,the same ratio is highest in 2009/10 and lowest in 2006/07.Yearly ratios of NABIL are higher than NBBL all the years except the year

2006/07.The average ratio of NABIL (2.5 times) higher than the same of NBBL (1.41 times).

So, above analysis help to conclude that turnover position of loans and advances with respect to fixed deposits is better in the case of NABIL than NBBL, which implies that NABIL is utilizing fixed deposits in loans and advances more efficiently than NBBL. This also implies that cost coverage of fixed deposit in NABIL is better than NBBL.

4.2.3 Loan and Advances to Saving Deposit Ratio

This ratio revels how many times saving deposit is used on loans and advances .The following table shows the ratio of loans and advances to saving deposits.

Table 11

Loan and Advances to Saving Deposit Ratio

Banks	Ratio	Fiscal Years					Average
		2005/06	2006/07	2007/08	2008/09	2009/10	
NBBL	Times	4.15	4.29	3.66	2.47	2.04	3.332
NABIL	Times	1.77	1.69	1.50	1.48	1.37	1.562

Table 11 depicts that the ratio of loan and advances to saving deposits is fluctuating in both the cases. For NBBL, the ratio is highest in the year 2006/07 lowest in the 2007/08.For NABIL, the same ratio is highest in the year 2006/07 and lowest in the year 2009/10.The yearly ratio of NBBL is always than NABIL. The average ratio of NBBL (3.332 times) is higher than the average ratio of NABIL (1.562 times) for the same period.

4.3 Credit Ratios

Credit ratios are used to measure the credit of financial institutions. This ratio shows that portion of deposits used for credit creation and remaining balance used for immediate payments.

4.3.1 Cash and Bank Balance to Total Deposits Ratio

The following table shows the cash and bank balance to total deposit ratio

Table 12

Cash and Bank Balance to Total Deposit Ratio

Banks	Ratio	Fiscal Years					Average
		2005/06	2006/07	2007/08	2008/09	2009/10	
NBBL	%	9.99	11.93	18.49	8.50	11.22	12.02
NABIL	%	8.52	5.13	6.78	8.51	6.87	7.16

Table 12 depicts that cash and bank balance to total deposit is fluctuating .The yearly ratios of NBBL are higher in all fiscal year than the ratio of NABIL. The average ratio of cash and bank balance to total deposit of NBBL (12.02times) was higher than that of NABIL (7.16 times).

Thus, the above analysis helps to conclude that cash management aspect of NBBL is less risky as compared to NABIL but at the same time higher liquidity is symptom of weaker credit creation capacity.

4.3.2 Investment on Government Securities to Total Deposits Ratios

The following table shows the investment on government securities to total deposit

Table 13

Investments on Government Securities to Total Deposits Ratio

Banks	Ratio	Fiscal Years					Average
		2005/06	2006/07	2007/08	2008/09	2009/10	
NBBL	%	6.68	3.05	9.37	19.28	20.14	11.70
NABIL	%	9.65	17.25	26.57	29.69	26.01	21.83

Table 13 revels that the ratios of investment on government securities to total deposits ratio of both banks had been fluctuating year to year with high difference specially in the case of NABIL.The average ratio of NABIL is (21.83%) is higher than the NBBL (11.70%) for the same period.

Hence, the above analysis helps to conclude that NABIL had more3 efficiently utilize its deposits on government securities than NBBL. It also seem to that the investment on government was made more consistent in comparison to that of NBBL.

4.3.3 Total Investment to Total Deposit Ratio

The following table shows Total Investment to Total Deposit Ratio

Table 14

Total Investment to total Deposit Ratio

Banks	Ratio	Fiscal Years					Average
		2005/06	2006/07	2007/08	2008/09	2009/10	
NBBL	%	7.79	8.04	10.60	20.50	21.08	13.60
NABIL	%	9.79	48.64	52.88	44.85	41.33	39.48

The ratio depicts that the ratio of the total deposits of the banks throughout the review period .The ratio of NBBL has seen to be increasing but the same of NABIL was seen to be fluctuating .The average ratio of NABIL (39.48%) is higher than NBBL (13.60%)

So, above analysis helps to conclude that NABIL has better regarding the utilization of deposits in investment for income generating purposes.

4.4 Leverage ratios

In order to find out the long-term liquidity of these banks (their ability to meet long-term obligations), several debt ratios are calculated. These ratios help to calculate the proportion of outsiders and owners in these banks .For the sake of analysis the financial performance of these banks the following ratio is calculated.

4.4.1 Total Debts (Liabilities) to Net Worth Ratio

The following table shows the proportion of debts and network in these two banks.

Table 15

Total Debts to Net Worth Ratio

Banks	Ratio	Fiscal Years					Average
		2005/06	2006/07	2007/08	2008/09	2009/10	
NBBL	%	1752.60	1574.06	1672.13	1644.74	2071.58	1742.02
NABIL	%	1426.74	1628.14	1437.77	1160.30	1030.18	1336.62

Above table depicts that the proportion of debts in comparison to Net worth is high in both banks .The average of NBBL is 1742.02 which is the higher than the same of NABIL (1336.62). The yearly ratio of NBBL is always higher than the NABIL except the year 2007/08.

So, the above analysis indicates that both of these banks are risky, and relatively NABIL is more risky than NBBL.

4.5 Profitability Ratio

To find out the operating efficiency of these banks, the following profitability ratios are calculated.

4.5.1 Interest Earned to Working Fund Ratio

The following table shows the interest earned to working fund ratios of these two banks

Table 16

Interest Earned to Working Fund

Banks	Ratio	Fiscal Years					Average
		2005/06	2006/07	2007/08	2008/09	2009/10	
NBBL	%	8.29	8.13	7.66	8.50	7.68	8.05
NABIL	%	6.97	6.90	6.35	6.15	5.98	6.47

Interest earned to working funds ratio is fluctuating in both of these banks over study period. For NBBL the ratio is highest in the year 2008/09 (8.50%) and lowest in 2007/08 (7.66%) like in the case of NABIL the ratio is highest in 2006/07 (6.90) and lowest in

2009/10 (5.98%). The yearly ratio of NBBL is always higher than the same of NABIL over the study period.

So, above analysis depicts that percentage of interest earned in comparison to its working fund is higher in NBBL than NABIL, which indicates the better performance of NBBL.There is more interest income from working fund in NBBL than NABIL.

4.5.2 Net Profit (Loss) to Total Assets Ratio

The following table shows the percentage of net profit (loss) to the total assets of these two banks.

Table 17

Net Profit (Loss) To total Assets Ratio

Banks	Ratio	Fiscal Years					Average
		2005/06	2006/07	2007/08	2008/09	2009/10	
NBBL	%	1.89	1.99	0.59	0.59	0.01	1.01
NABIL	%	2.19	1.58	1.54	2.51	2.76	2.11

Table 17 depicts that the net profit (Loss) to total assets ratio of both banks are fluctuating .The yearly ratios of NABIL are higher than NBBL over the study period. The average of the ratios for NBBL for last five years (1.01%) is lower than the same ratio of NABIL (2.11%).

The above analysis help to conclude that, regarding this ratio, the position of NABIL is better than, but fluctuating ratios of these banks may have adverse effect in coming years.

4.5.3 Net Profit to Total Deposit Ratio

The following table shows the percentage of net profit (Loss) to the total deposits of these two banks.

Table 18

Net Profits to Total Deposit Ratio

Banks	Ratio	Fiscal Years					Average
		2005/06	2006/07	2007/08	2008/09	2009/10	
NBBL	%	2.16	2.31	0.69	0.68	0.02	1.17
NABIL	%	2.58	1.84	1.75	3.10	3.22	2.50

Table 18 depicts that the ratios are increasing till 2006/07 and then decreasing .The same ratios are increasing in last years for NABIL.The yearly ratios of NABIL are higher in all five years. The average ratio of NABIL for last five years (2.50%) is higher than the same of NBBL for the same period (1.17%).

Mobilization of deposits is an important way to earn profit for the commercial banks .The above analysis help to conclude that net profit to total deposits ratios of NABIL are better than NBBL, it is the indicator of better performance of NABIL than NBBL.

4.5.4 Return on Net Worth

The following table shows the return on net worth of both these banks.

Table 19

Returns on Net Worth

Banks	Ratio	Fiscal Years					Average
		2005/06	2006/07	2007/08	2008/09	2009/10	
NBBL	%	35.18	33.39	10.50	10.49	0.40	17.99
NABIL	%	33.44	27.48	23.69	31.67	32.09	29.67

Table 19 depicts that the net profit to owner’s equity ratios are fluctuating in both these banks. The ratios of NABIL are higher in last three years. The average of yearly ratios of NABIL (29.99%) is higher than that of NBBL (17.99%).

So, above analysis helps to conclude that return on net worth is better in the case of NABIL than NBBL.This ratio is calculated to see the effectiveness of the owners investment, which indicates how well the firm has used the resources of the owners. Earning of a satisfactory return is the objectives of each business, and this helps to reflect the extent to which this objective has been accomplished. It is an important ratio which helps to maximize the shareholders welfare and is an important indicator of financial performance.

4.6 Other Indicator of the Financial Performance

Apart from the above calculated ratios, Earning per share, Cash dividend per share, Dividend payout ratio, Price earning ratio, Market value per share to book value per share ratio, are the other indicators of the financial performance.

4.6.1 Earning Per Share

The following table shows the earning available to each share for the investment in these banks.

Table 20

Earning Per Share

Banks	Ratio	Fiscal Years					Average
		2005/06	2006/07	2007/08	2008/09	2009/10	
NBBL	Rs.	118.48	83.45	18.41	19.87	0.74	48.19
NABIL	Rs.	83.79	59.26	55.25	84.66	92.61	75.11

Table 20 depicts that EPS of both these banks are fluctuating each year. EPS of NABIL is superior over NBBL except the first two years .The average of the yearly EPS of NABIL (Rs.75.11) than the same of NBBL (Rs.48.19). The highest EPS of NBBL is (Rs.118.48) in 1999/00 and lowest (Rs.0.74) in 2009/10.The highest EPS of NABIL is (Rs.92.61) in 2009/10 and lowest is (Rs.55.25) in 2007/08.

So, above analysis helps to conclude that the average EPS of NABIL is better than NBBL, and increment is also gradual in NABIL as well.

4.6.2 Cash Dividend Per Share (CDPS)

The following table shows the CDPS declare by these banks

Table 21

Cash Dividend Per Share.

Banks	Ratio	Fiscal Years					Average
		2005/06	2006/07	2007/08	2008/09	2009/10	
NBBL	Rs.	-	5.04	-	-	-	1.00
NABIL	Rs.	55	40	30	50	65	48

Though earning profit, NBBL did not declare dividend for four years. In The rest one year, 2006/07,the the CDPS paid by NBBL is 5.04 .In the case of NABIL it provides dividend all the five years and higher is (Rs.65) in 2009/10 and lowest is (Rs.30) in 2001/02.

Higher DPS create positive attitude of the shareholders toward the enterprise that consequently helps to increase the market value of the shares, so it is the indicator of the better performance of an enterprise .In this regard, NABIL is better than NBBL.

4.6.3 Dividend Payout Ratio

The dividend payout ratios of these two banks are as follow

Table 22

Dividend Payout Ratios

Banks	Ratio	Fiscal Years					Average
		2005/06	2006/07	2007/08	2008/09	2009/10	
NBBL	Times	-	6.04	-	-	-	1.21
NABIL	Times	65.64	67.49	54.30	59.06	70.19	63.34

The above table depicts that the average yearly dividend payout ratio is higher in NABIL (63.34 times) than the same of NBBL (1.21 times). Highest percentage of dividend payout by NABIL is 70.19% in 2009/10 NBBL is not paying the dividend all the year except the year 2006/07.

So above analysis concludes that NABIL is paying higher of its earning as dividend in comparison to NBBL, which consequently means that NABIL is retaining lesser proportion of its earning in the banks as retained earning than NBBL. Since retained earning is the most significant internal source of financing the growth of the firm and dividends are described from shareholders point of view .as its tend to increase their current wealth, thus the two objectives of dividend policy distribution of dividend and retention of earning for growth ,though desirable ,are in conflict .But above analysis also helps to conclude that average dividend payout ratio is not justifiable from the shareholders point of view, because these two banks are distributing bonus to their employees .

4.6.4 Price Earning Ratio (P/E Multiple)

P/E ratio of these two banks for last three years, starting from fiscal year 1999/00 to 2003/04 is as follow.

Table 23

Price Earning Ratio (Times)

Banks	Ratio	Fiscal Years					Average
		2005/06	2006/07	2007/08	2008/09	2009/10	
NBBL	Times	12.68	13.18	27.70	18.12	393.87	82.40
NABIL	Times	16.71	25.31	13.30	8.68	10.80	12.80

Table 23 depicts that the P/E ratio of both banks are fluctuating P/E ratio of NBBL is higher in first two years, likewise, P/E ratio of NABIL is higher in remaining three years. The average P/E ratio of NBBL (82.40 times) is higher than the same of NABIL (12.80 times).

So, above analysis helps to conclude the investors about the banks performance .It is also the market appraisal of the bank's performance .The higher the P/E ratio, the better it is for the owners, so in this regard the performance of NBBL for first two years (starting from 2005/06 to 2009/10) is better than that of NABIL.

Since there is higher market price of the securities and greater earning, which consequently means that the wealth of the shareholders belonging to both of these banks is maximized Comparatively it is maximized more in NBBL than NABIL.

4.6.5 Market Value Per Share to Book Value Per Share Ratio

The market values per share to book value per share ratios of both of these banks for last five years are as follow.

Table 24

Market Value Per Share to Book Value Per Share Ratio

Banks	Ratio	Fiscal Years					Average
		2005/06	2006/07	2007/08	2008/09	2009/10	
NBBL	Times	4.46	4.40	2.91	1.89	1.59	3.05
NABIL	Times	5.59	6.94	3.15	2.75	3.32	4.35

Table 24 depicts that the yearly ratios of NABIL are greater than that of NBBL.In each bank the ratio are fluctuating over the year .In NABIL the highest in the year 2006/07,6.94 times, and lowest in the year 2008/09, 2.75 times. In case of NBBL, lowest among these banks the highest in the year 2005/06, 4.46 times, and lowest in the year 2009/10, 1.59 times.

So, above analysis help to conclude that in terms of market value per share to book value per share ratio, NABIL's performance is better than NBBL.

4.7 Incomes and Expenditure Analysis

Income and expenditure are the most important indicators of the financial performance, so their analysis is important to come to a conclusion.

4.7.1 Operating Income

The main sources of income of commercial banks are interest received from loans and advances, interest received from government securities, commissions and discounts, exchange fluctuation income net and other miscellaneous income. The income generated by these different sources and their percentage on the total operating income is shown below.

Table 25

Operating Income of NBBL (In Percentage)

Item	2005/06	2006/07	2007/08	2008/09	2009/10	Average
1. Interest (earned)	75.86	75.41	79.98	81.50	83	78.95
2. Commission&Dis	15.10	13.36	11.55	8.77	7.96	8.328
3.Exchange Income	7.71	9.50	6.47	4.52	4.25	6.43
4.Dividend	0	0	0	0	0.0053	0.001
5. Other	1.32	1.71	2.99	5.20	4.78	3.2
6.Total	100	100	100	100	100	

Table 26

Operating Income of NABIL (In Percentage)

Item	2005/06	2006/07	2007/08	2008/09	2009/10	Average
1. Interest (earned)	79.98	80.51	68.34	75.93	75.10	75.972
2. Commission & Disc.	10.66	9.33	6.97	10.77	10.19	9.584
3.Exchange Income	9.33	29.20	9.40	10.74	11.80	14.094
4.Dividend	0.02	0.0165	0	0	0	0.018
5. Other	0	0	15.27	2.55	2.90	4.144
6.Total	100	100	100	100	100	

Interest Earned: It is a most important component of earning for the commercial banks. Interest income consists of income from loans, overdrafts, and advances, treasury bills, foreign currency placements and others. The important component of interest income for the commercial banks is interest received from loans and advances.

Table 25 and 26 depicts that net income of bank largely depends upon the interest received. It constitute on an average 78.95 percentage of total operating for NBBL and 75.97 percentages for NABIL.

Interest income from the different sources is increasing in NBBL over the five years period. Highest amount of interest income for NBBL is 83 % in the year 2009/10.

Above analysis help to conclude that income from interest is higher in NBBL than NABIL. Higher interest may refer to the better operational efficiency or high level of risk in NBBL than NABIL, it will also help to increase the operating income of NBBL faster than NABIL, which will have better effect on the NBBL's operating profit, but may also be subjecting the bank to large potential loss.

Commissions and Discount: It consists of commission and discount received from letter of credit, letter of guarantee, collecting fees, and remittance fees and other fees and commission.

Table 25 and 26 depicts that commission and discount receives is another important source of operating income for these two JVB's.

Income from commissions and discount is fluctuating in both the cases, the fluctuating is higher in NABIL than NBBL. For NBBL it is highest (13.36 %) in the year 2006/07,and lowest (4.25 %) in the year 2009/10 were as for NABIL it is highest (10.66 %) in the year 2005/06 and lowest (6.97%) in the year 2007/08.

Above analysis help to conclude that income from commission and discounts is higher in NBBL than NABIL. This means NBBL is extending more services to its customers than NABIL.

Exchange Income: It consists of gain on sale of foreign exchange and reevaluation gain. It is revealed in table 25&26,this heading of operating income is the third biggest, sometime even exceeded the commission &discount, for these two joint venture banks.

Foreign exchange fluctuation gain income is fluctuating in both the cases .For NBBL the highest and lowest is (15.10 %) in the year 2005/06 and (7.96 %) in the year 2009/10 respectively. Highest and lowest income from this heading for NABIL is (29.20 %) for the year 2006/07 and (9.33 %) for the year 2005/06. Above analysis help to conclude that income from foreign exchange is fluctuating in both banks.

Other income: This particular heading is not maintained in NABIL for first two years, after that the highest (15.27 %) for the year 2007/08 and lowest (2.90 %) for the year 2008/09.For NBBL the highest (5.20 %) for the year 2008/09 and lowest (1.32 %) for the year 2005/06. The average of other income of NABIL is (4.14 %) which is higher than the same of NBBL (3.2 %).

4.7.2 Operating Expenses

The main heading of expenditure of commercial banks is interest expenses, provision for bonus and other operating expenses such as salaries and allowances, printing and stationary, books and periodicals, advertisement, legal expenses, donation, vehicle repair and fuel, computer maintenance, management expenses, and miscellaneous expenses and all other that are directly related with operation of the bank. Expenses as loss on sale of assets, write off expenses, losses shortage written off, provision for income are non-operational.

Table 27

Operating Expenses of NBBL (In Percentage)

Item	2005/06	2006/07	2007/08	2008/09	2009/10	Average
1. Interest Paid	70.18	65.73	57.14	57.77	51.50	60.46
2. Salaries &Allowances	5.97	6.47	6.37	6.79	6.35	6.39
3.Provision For Bonus	3.83	4.02	1.16	2.06	0.91	2.396
4.Other Ger.Expn.	20.01	23.78	35.32	33.37	41.22	30.74
5. Total	100	100	100	100	100	

Table 28

Operating Expenses of NABIL (In Percentage)

Item	‘05/06	06/07	07/08	08/09	09/10	Average
1. Interest Paid	54.82	53.88	38.83	40.84	39.12	45.49
2. Salaries &Allowances	12.40	13.58	12.17	27.10	25.00	18.05
3.Provision For Bonus	6.96	4.90	3.70	8.54	9.95	6.81
4.Other Ger.Expn.	25.80	27.81	45.28	23.51	25.91	29.66
5. Total	100	100	100	100	100	

Interest Paid: It is the biggest heading for the operating expenses of these two banks .It refer to the interest paid on deposits, loans and advances, borrowing, and fees and commissions paid.

Table 27 and 28 depicts that it is the biggest heading of expenditure for these two banks .The yearly interest paid are moderately fluctuating in both banks.

So, above analysis helps to conclude that both banks expenses on this heading are moderately fluctuating. Since, JVB's are not compelled to accept the costly deposits, therefore, the bank is accepting more deposits and loans for utilizing them on the profitable alternatives.

Other General Operating Expenses: It is second major heading for expenditure in both these banks .The expenses that are general and operating, refer to the total operating minus staff expenses, provision for bonus and interest and commission paid.

Table 27 and 28 depicts that expenses are increasing heavily in the case of NBBL, likewise, in the case of NABIL the expenditure reaches in peak in the year of 2001/02(45.28%) and then came down to the pace for the rest of the two years.

Salary, Allowance and Provident Fund Contribution: It is the very important heading for the operating expenses of these banks. Average staff expenses of NABIL (18.05 %) are higher than NBBL (6.39 %). The yearly staff expenses of NBBL are highest in 2002/03 (6.79 %) and lowest in 2005/06 (5.97 %). The same expenses of NABIL are highest in 2008/09 (27.10 %) and lowest in 2007/08 (12.17 %).

Thus, above analysis helps to conclude that NABIL is spending higher portion of operating income for her staff than NBBL. Though, NBBL is successful to perform its operating through the lesser branch offices and creating lesser employment opportunities which will have not better impact upon the national economy otherwise.

Provision for Bonus: Bonus refers to the extra incentives paid their efficient services. When firms earn profit they distributes bonus to their employees for making them prompt and efficient for the next operation .It helps to uplift the moral of the worker at the work.

Table 27&28 depicts that NBBL & NABIL are making provision for bonus each year. The average of bonus for is (6.81 %) of NABIL, which is higher than the same of NBBL (2.39 %).

So above analysis helps to conclude that these JVB's are paying higher bonus to their staffs. The higher bonus payment to the staff and lower dividend payment to the shareholders is a burning conflicting issue in these banks .New reforms on the bonus act, not to allow giving bonus more than four months basic salary, will improve the condition in the coming future.

4.8 Statistical Tools

Trend analysis is a statistical tools which will highlight the previous trend of financial performance and help in forecasting the future financial results .In this section, the trend analysis describes the average relationship between two series relates to time and others series to the value of variable. It generally shows that the line of best fit straight line in obtained or not .The line of the best fit describe the changes in given series accompanying a unit change in time. Under loan and advances and total deposit are forecasted for next four years. Distinct assumption followed for projection of trend values for the fiscal year 2005/06 to 2013/14. If all other things remain unchanged, the economy will exist in present stage, Nepal Rastra Bank will not change it's guidelines to commercial banks. Daily operation of bank should run in present situation, the forecast will be true only when limitations of least square method carried out.

4.8.1 Trend Value of Loan &Advances

In this section we have to calculate, analyze and interpreted of the trend values of loan & advances of two joint venture banks for five years from 2005/06 to 2009/10 and forecast for next four years till 2013/2014 has also been made. The following table shows that trend values of nine years fiscal year 2005/06 to 2013/14 of two joint venture banks.

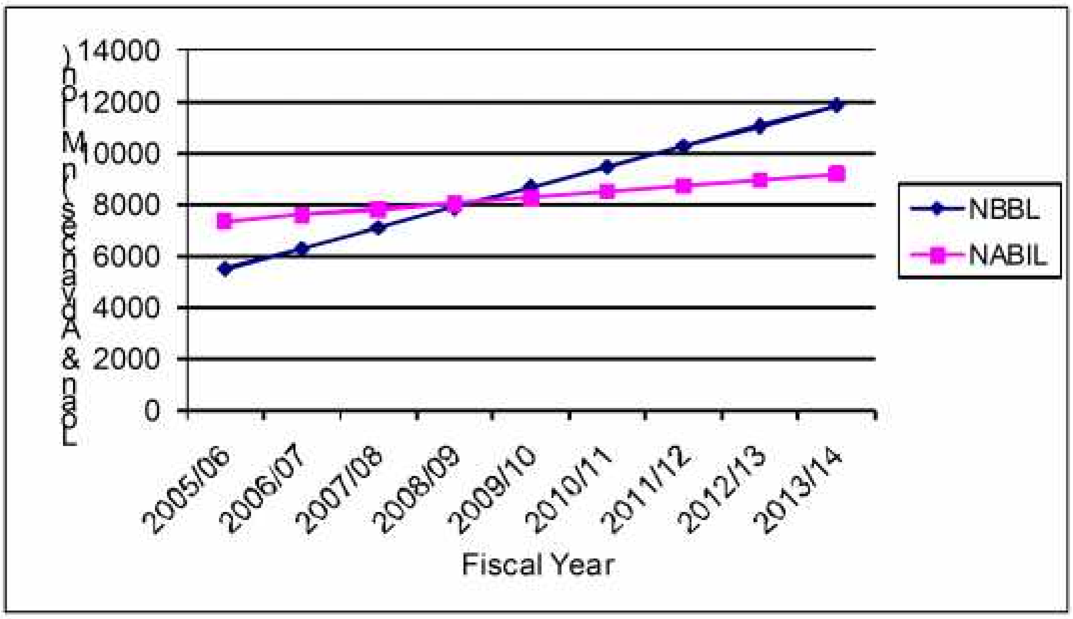
Table 29
Trends of Loan & Advances of NBBL & NABIL

Rs. in Million

Fiscal Years	NBBL	NABIL
2005/06	5510.54	7351.53
2006/07	6305.76	7580.22
2007/08	7100.98	7808.61
2008/09	7896.2	8037
2009/10	8691.42	8265.39
2010/11	9486.64	8493.78
2011/12	10281.86	8722.17
2012/13	11077.08	8950.17
2013/14	11872.3	9178.95
Constant ‘a’ value	7100.98	7808.61
Constant ‘b’ rate of change	795.22	228.39

Table 29 depicts that loan and advances of both banks are in increasing trend .The higher trend value is of NBBL than the same of NABIL. Other thing remaining the same, total loan and advances of two banks in fiscal year 11872.3 and 9178.95 million of NBBL & NABIL respectively. It also clears that loan and advances of NABIL will be high than the same of NBBL, though the increasing rate of loan and advances is high in NBBL. Loan and advances of NABIL in fiscal year will be high than the NBBL under the study period comparatively loan and advances of NABIL position is very high than NBBL.

Figure 1Trends of Loan & Advances of NBBL& NABIL



4.8.2 Trend Value of Total Deposits

In this section we calculate, analyze and interpreted of the trend values of total deposits of two joints venture banks for five years from 1999/00 to 200/03 and forecast till 2007/08 has also been made .The following table show that trend values of nine years from fiscal year 1999/00 to 2007/08 of these two banks.

Table 30

Trend of Total Deposit of NBBL & NABIL

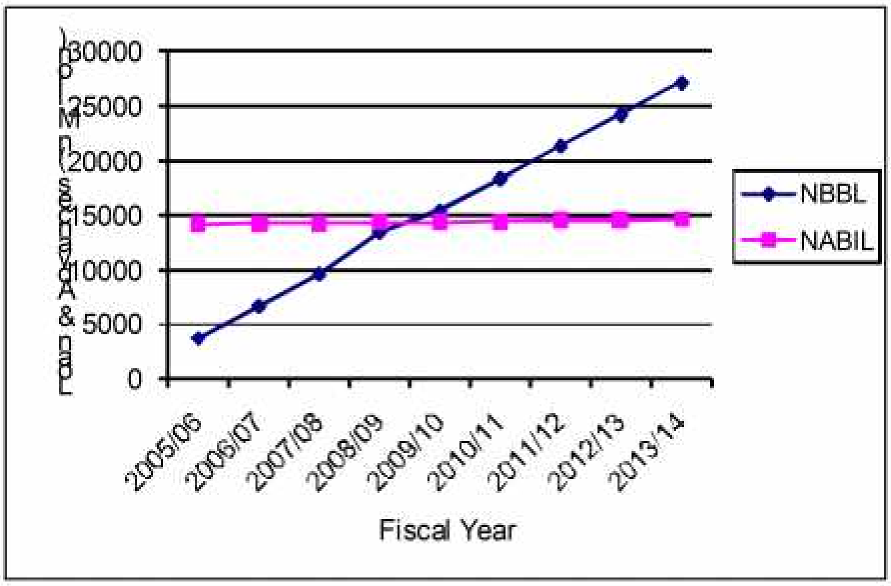
Rs. in Million

Fiscal Years	NBBL	NABIL
2005/06	3730	14223.27
2006/07	6662.05	14280.8
2007/08	9594.09	14338.33
2008/09	13512.69	14395.86
2009/10	15458.17	14453.39
2010/11	18390.21	14510.92
2011/12	21322.25	14568.45
2012/13	24254.29	14624.98
2013/14	27186.33	14683.51
Constant ‘a’ value	9594.09	14338.33
Constant ‘b’ rate of change	2932.04	57.53

Table 30 depicts that total deposits of both banks are in increasing trend .The higher increasing trend value is of NBBL. Other thing remaining same, total deposits of two banks in fiscal year 2013/14 will be Rs. 27186.33 and 14683.51 of NBBL and NABIL respectively .It clear that total deposit of NBBL is in fiscal year 2013/14 will be very high than NABIL under the study period comparatively total deposit of NBBL position is very high than NABIL. NBBL has success to collect more deposits where as NABIL has very least composite averages deposits, over the study periods.

Figure 2

Trend of Total Deposit of NBBL & NABIL



4.9 Karl Pearsons' Coefficient of Correlation

It is most widely used statistical tools, which measures the significance of the relationship between two variables during the study period. Correlation of coefficient calculates to measure the relationship between total dept and net profit of these two banks. The value of coefficient of correlation shall always be between +,- 1 where r =1.It means perfect positive correlation between variables and r = -1 it means there is perfect negative correlation between variables .When r = 0 it means there is no relationship between two variables.

The formula for computing Karl Pearson's coefficient of correlation is as follow.

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

Here, N = No of pairs of X and Y absorbed

X = Value of Net Profit (After Tax)

Y = Value of Total Debt,

r = Karl Pearson's Coefficient Correlation

∑xy = Sum of Product of Variable X and Y

4.9.1 Correlation Coefficient between net profit (Dependent) and Total Debt (Independent) of NBBL

Let, net profit = X

Total Debt =Y

Table 31

Fiscal Year	X	Y	X^2	Y^2	XY
2005/06	1.3953	69.5062	1.9468	4831.11	96.9820
2006/07	1.9875	93.6757	3.9501	8775.13	186.1804
2007/08	0.6578	104.7574	0.4327	10974.11	68.9094
2008/09	0.7151	112.4869	0.5113	12653.30	80.9094
2009/10	0.0265	128.0737	0.0007	16402.87	0.000018
	∑X =4.7822	∑Y =508.499	∑ X2=6.841	∑ Y2=53636.52	∑XY =432.5048

Here, N= 5 Years

∑x =4.7822

∑Y = 508.499

∑X2= 6.841

∑Y2 = 53636.52

∑XY = 432.5048

We have,

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

$$X\frac{5\,|\,432.5048\,Z47822\,|\,508.4999}{\sqrt{5\,|\,6.8416\,Z22.86}\sqrt{5\,|\,53636.52\,Z258572.14}}$$

$$X\frac{2162.524\,Z24306295}{3.36\,|\,98.03}$$

$$X\frac{Z268}{3.36\,|\,98.03}$$

$$X\frac{Z268.1055}{294.09}$$

r = -0.9116

Above calculation of coefficient of correlation between Net profit and Total debt to NBBL is –0.9116. This analysis indicates there is a negative correlation between Net profit and Total debt.

Therefore, Total debt and no relation do not affect Net profit.

4.9.2 Correlation Coefficient between net profit (Dependent) and Total Debt (Independent) of NABIL

Let Net profit = X

Total debt = Y

Table 32

Fiscal Year	X	Y	X^2	Y^2	XY
2005/06	3.2912	140.401	10.8306	19712.44	462.09
2006/07	2.913	173.043	8.4855	29943.88	504.08
2007/08	2.716	164.828	7.3766	27168.26	447.67
2008/09	4.162	152.484	17.3222	23251.37	634.64
2009/10	4.553	152.639	20.7298	23298.66	694.96
	∑X =17.6352	∑Y =783.395	∑ X2=64.7447	∑ Y2=123374.61	∑XY =2743.44

Here, N= 5 Years

∑x =17.6352

∑Y = 783.395

∑X2= 64.74

∑Y2 = 123374.61

∑XY = 2743.44

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

$$= \frac{5 \times 2743.44 - 17.6352 \times 783.395}{\sqrt{5 \times 64.7447 - (17.6352)^2}\sqrt{5 \times 123374.61 - (783.395)^2}}$$

$$= \frac{13717.2 - 13815.32}{\sqrt{323.72 - 311} \times \sqrt{626873.05 - 613707}}$$

$$= \frac{-98.12}{3.57 \times 56.27}$$

$$= \frac{-98.12}{200.88}$$

r = -0.4884

Above calculation of coefficient of correlation between Net profit and total debt to NABIL is -0.4884. This analysis indicates there is a negative correlation between Net profit and Total debt. Therefore, Net profit is not affected by Total debt.

4.10 Probable Error

The probable error of the coefficient helps in interpreting it's value .It helps to determine the reliability of the value of the coefficient .The probable error of the coefficient is as follow.

$$PEr = 0.6745 \times \frac{1 - r^2}{\sqrt{n}}$$

Where, r = coefficient of correlation

N = Numbers of pairs of observation

I. If the value of r is less than the probable error is no proof correlation, i.e. the value of r is not at all significant.

II. If the value of r is more than six times the probable error the coefficient is practically certain, i.e. the values of r is significant.

III. Coefficient of correlation is expected to lie within the range of +, - PEr.

Symbolically, limit of population correlation = r +, - PE.

4.10.1 Computation of Probable Error of NBBL

$$PEr = 0.6745 \times \frac{1-r^2}{\sqrt{n}}$$

$$= 0.6745 \times \frac{1-(-.9116)^2}{\sqrt{5}}$$

$$= 0.6745 \times \frac{1-1689}{2.24}$$

$$= 0.6745 \times .3710$$

$$= 0.13$$

Here, 6 x 0.13> -0.9116

Since the value of ‘r’ is less than six times of probable error the value of ‘r’ is not significant.

4.10.2 Computation of Probable Error of NABIL

$$PEr = 0.6745 \times \frac{1-r^2}{\sqrt{n}}$$

$$= 0.6745 \times \frac{1-(-.4884)^2}{\sqrt{5}}$$

$$= 0.6745 \times \frac{1-0.2385}{2.24}$$

$$= 0.2297$$

Here, 6 x.2297 > -0.4884

Since the value of ‘r’ is less than six times of probable error the value of ‘r’is not significant.

4.11 Position

In spite of this customers are asked many question about services of the bank. They cannot know the services. Most of the Nepalese customers are unknown about this. They only know the deposit acceptance, gaining loans and issuances of the bank draft. Even though they didn’t know about the letter of credit, bills, discount bank guarantee, safety lockers facility, traveler’s cheque, and inward and outward remittances. They don’t know about the interest rate, now the JVBs are providing less interest rate than that of public sectors banks. They don’t care about this, but they want only quick services.

4.11.1 Customer Attitudes

Customers’ satisfaction is the primary focus of most business today. The rapid growth in technology has also increased customer expectations in terms of product quality and service. In past the only point of contact for companies with their customers were available sales people, service personal, call centers, e mail, cell phones fax and internet while each of these units can function independently, the challenge faced by most companies today is how to integrate these various modes of communication e.g. customer who uses the internet to place on online order will expect the call center staff to know this order details when he contains the call center for order verification.

These are the theory and practice done by the join venture banks in Nepal. They established then properly for customer satisfaction .In the other hand in Nepalese context, less people are familiar with computerized banking system and auto letter machine. Therefore, these methods are so effective in Nepal .The pace of growth is slow and rests of people are suffered from traditional methods .In spite of its low rate of interest on deposit than the government /public sector banks the customers are satisfied, until they get any other alternative, with the quick service and home atmosphere provided by join venture banks.

4.11.2 Customers Services

There fifteen private commercials banks. More then 2000 persons are directly employed in these commercial bank providing services to its customers. There is one female staff for every three males working in the industry .The unskilled and the executives follow the highest Assistant level of persons. NABIL has the highest number of employees followed by NBBL. The total number of employees are more than 500 all over branches of NABIL and NBBL the number of employees are 450 .The total no of branches of NABIL all over the Nepal are 15 which is more than the NBBL.

Customer services of NABIL and NBBL are SWIFT transfer, western union, E-remittance, traveler's cheque, Bank draft, mail transfer, anywhere branch banking, Hire purchase, auto loan, credit card, debit card, tale banking, automobile teller machines, for 24-hour services to customers.

The NBBL and NABIL bank offer following types of deposits scheme to customers for example, current account, saving account, call deposit, fixed term deposit, fund transfer facilities, credit cards, LC services, and SMS facilities. NABIL and NBBL both bank have every/Sunday counter in their selected branches; NABIL and NBBL have separate counters for foreign exchange and credit card business. Thus selecting a bank depends on the person what services it requires from these banks. But it is sure that with growing competition in the banking industry customers will be greatly benefited, investors, however have to bit careful in the choosing the bank.

These are step taken by banks to ensure the customers services .In spite of this customers are satisfied or not, there attitude is positive or negative towards these banks main factors are to be examined in the study.

What is the Reason to Choose the Private Sector Bank?

On the field survey I have taken 25 customers as a sample and the following table shows the main reasons to choose the private sector banking area.

Table 33

Banks	Cause 1		Cause 2		Cause 3		Cause 4		Cause 5		Cause 6	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
NBBL	8	32	7	28	14	56	5	20	6	24	15	60
NABIL	7	28	13	52	8	32	10	40	6	24	5	20

Source: Field Survey

Index

Cause 1: Everybody cares about customers work is done or not.

Cause 2: They treat customers very politely.

Cause 3: Every employee takes their responsibility.

Cause 4: They always take short time to gives cash.

Cause 5: They follow the good customers services strategies and

Public relation strategies.

a. According to survey most of people choose the privates sectors banks by reason every employee take their responsibility very sincerely. Other reasons are also prevalent for choosing .In this section of the study main focus is on the customer of the both banks (NBBL & NABIL) what is the reason to choose the private sector bank.

What are the New Attractions of these Banks?

To know these reasons 25 customers are taken as the sample and the following table shown the reason.

Table 34

Banks	Cause 1		Cause 2		Cause 3		Cause 4	
	No.	%	No.	%	No.	%	No.	%
NBBL	20	80	15	60	21	84	0	0
NABIL	15	60	12	48	14	56	10	40

Source: Field Survey

Cause 1: Because of automatic transfer of money.

Cause 2: Because of credit card system.

Cause 4: Because of computerized and quick service.

Cause 5: Because of safety deposit.

According to the survey most of the people are affected by the computerized and quick service of this banks and foreign investment, In the last case few number of people know actual rate of their account.

What Behavior of the Banks Staffs does you like?

For this question 25 persons were taken as sample. And they said that many staffs are helpful and they welcomed them warmly, they provide service quickly, they were punctual, like these behavior they like. The following table shows clearer about this.

Table 35

Banks	They welcomed me warmly		They are punctual		They provide Service quickly		They treat me as a customer	
	No.	%	No.	%	No.	%	No.	%
NBBL	20	80	16	64	24	96	10	40
NABIL	15	60	10	40	25	100	8	32

Source: Field Survey.

According to the table most customers like their system of providing services to them and the staffs are welcomed them into the bank. They also like the personal behavior of the staffs of the bank. But some customers are not satisfied with their staffs because of their dominant attitude.

CHAPTER V
FINDINGS, REMARKS AND RECOMMENDATIONS

In the introduction chapter, the objectives, functions, policies, and strategies followed by these joint venture banks have been highlighted .The analysis of financial performance is discussed in analysis chapter. Hence, this concluding chapter focuses on some selected actionable conclusions and recommendations based on the findings of the analysis.

5.1 Main Findings

The main findings of the study are as follow:

a. Liquidity Ratios

The average Current ratio, Cash &bank balance to Current Deposit ratio (Excluding fixed), Cash & bank balance to Current deposit ratio (Excluding saving and fixed), Cash and bank balance to Current asset ratio, Loan and advance to Current asset ratio, Fixed deposits to Total deposit ratio of NBBL are higher where as Investment on Government securities to Current asset ratio and Saving deposit to Total deposit ratio are higher of NABIL than the same of NBBL. The current assets of these banks are adequate to discharge current liabilities .

b. Activity Ratios

Loan and advances to total deposit ratios, Loan and advance to saving deposit ratio of NBBL is higher than the same of NABIL where as Loan and advances to fixed deposit ratios is higher of NABIL than the same of NBBL. NBBL is utilizing deposits more efficiently on loan and advances than NABIL .Performing assets of NBBL are higher than the same of NABIL.

c. Credit Ratios

The average of Cash and bank balance to total deposit ratio of NBBL is higher than the same of NABIL Where as Investment on government securities to Total deposit ratio and Total investment to total deposit ratio of NABIL are higher than NBBL.

This indicates that credit creation capacity of NBBL is higher than NABIL.

d. Profitability Ratio

Interest earned to working fund ratio of NBBL is better than NABIL and Net profit to total asset ratio, Net profit to total deposit ratio, Return on net worth are better of NABIL than the same of NBBL Therefore, NBBL is adopting more aggressive lending where as NABIL seems aggressive in investment and borrowing policy.

e. Other Indicators

- **Earning per Share**

Higher EPS of NABIL than NBBL shows the effective use of NABIL’s owners’ equity than NBBL. But, the fluctuating EPS of EPS indicates the bank should be more serious to use its owner equity.

- **Cash Dividend per Share**

Higher CDPS of NABIL than NBBL indicates the better performance of NABIL. Dividend creates positive attitude of the shareholders towards the enterprise, which finally helps to increase the market value of shares.

- **Dividend Payout Ratio**

Joint Ventures Banks in Nepal are retaining higher proportion of earning and distributing lower dividend .So, dividend payout ratio needs to increase .In this regard, NABIL is performing well by higher payout ratio than the same of NBBL.

- **Price Earning Ratio**

P/E ratio is the market appraisal of the firm’s performance .The higher P/E ratio is better for the owners, so, in this regard NBBL performing well than NABIL.

- **Market Value per Share to Book Value per Share**

It generally refers to the price paid by the investors for rupees of share .The higher ratio of NBBL than NABIL refers the better performance of NBBL than NABIL.

f. Income and Expenditure Analysis

Interest income is main sources of both banks, the average interest income of NBBL (78.95 %), which is higher than NABIL (75.90 %). In comparatively NBBL has higher percentage than that of NABIL.

In the case of income received from commission and discount income of NABIL is higher than NBBL. Considering average percentage, NABIL is founded more commission and discount. It conclude higher percentage earning in NABIL as compared to NBBL which means NABIL has extended better service to its customer than that of NBBL.

In the case of foreign exchange both banks have fluctuating trend throughout the study period. NABIL has higher; even two times than the same of NBBL.It is concluded that NABIL has succeed to return more from foreign exchange.

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

The major expenses for both the banks are interest payment. NBBL is paying more interest than NABIL comparatively, which indicates that it has more outsiders' funds. Similarly office-operating expenses of NBBL is exceed by very slim margin than NABIL too. The staff expenses paid by NABIL are found higher throughout study period than NBBL.

g. Trend Analysis

Trend analysis of loan and advances revealed that the there is faster improvement or the higher positive rate of change in both of these banks, the increment in growth rate of NBBL is take the lead to the same of NABIL but the same time the actual figure of the loan and advances, NABIL figure of amount is higher than the same of NBBL.

Trend analysis of total deposit NBBL is higher than the NABIL The first two years of NABIL even show the negative trend but the rest of the years it was recovered and move towards positive trend also with improving growth rate .The trend value of total deposit of NBBL is also in satisfactory level.

h. Findings for Karl Pearson's Correlation Coefficient and Probable Error

When calculating Karl Pearson's Correlation Coefficient between net profit and total debt both bank have found negatively correlated with each other. Other tools of probable error in both the banks value of 'rs' is less than six times of probable error in both the banks value of 'r' is insignificant.

5.2 Recommendations

On the basis of above analyses following guidelines are highlighted to put forward for the further improvement of both the banks.

- The current ratio of both of these banks is not satisfactory .It is below the standard level of 2:1.both banks are suggested to improve current ratio.
- The two banks have improved increasing investment by total deposit ratio. They may not accept deposit when this is an idle fund.
- Profitability ratios of both banks such as net profit to total asset ratio, return on net worth are not satisfactory .If resources held idle, banks have to beard more cost and result would be lower profitable sector.
- Liquidity position of bank is influenced by various internal as well as external factors such as changes in policy of NRB, funds flow situation condition of financial market, deposits and lending policy of the banks etc. So both the banks should increase its liquidity position strength in order to meet the obligations due to the increase in its turnover.
- Higher debt capital is unfavorable to the bank. Both the bank are highly leveraged on shareholders' equity. When interest payable is higher than the rate of returns, the profit would decline .So both banks are suggested to use low debt capital.
- Profit is foundation for survival of commercial banks, they should be able to earn sufficient profit to build up the confidence among the shareholders, customers and its staffs, and so both banks are recommended to use its resources in high profit potential sectors. Further, it should keep the operating expenses at minimum level.
- Credit creation is one of the main functions of commercials banks .So; both banks have to focus towards credit creation by investing in government as well as other sector.

- Both the banks are suggested to involve in social responsibility by investing a part of profit.
- Both the banks are suggested to reduce the operating expenses to maximize the profit.
- Most the joint venture banks are established in the urban areas ignoring the social responsibilities. These banks are required to extend their banking facility even in rural areas providing special loans to deprive and priority sectors.
- Joint venture banks deal with big industries, corporate houses, multinational companies, large NGO and INGO. They neglect the small depositors .The minimum level bank balance needed to open account in these banks is very high .So both the joint ventures banks are suggested to set a more convenience minimum balance requirement to open an account. Joint venture banks should encourage the small depositors for promoting small investors.

5.3 Conclusions

Joint venture banks are also among the major commercial banks that are contributing to the economic development of the country derived from the comparative financial performance of two joint ventures banks Nepal Arab Bank Limited and Nepal Bangladesh Bank Limited. Revels that:

Both the banks are maintaining adequate liquidity to meet short-term obligations and NBBL is utilizing more deposits for the income generating purposes than NABIL The bank has invested more assets for the income generating purposes than NABIL.

NABIL is performing well in terms of earning per share, cash dividend per share, dividend payout ratio, price earning ratio, market value per share to book value per share. But NBBL performs well in cash and bank balance to total deposits, loan and advance to saving deposits. The average operating profit of NABIL is better than the same of NBBL.

The bank's performance cannot be judge solely in terms of the profit it has earned by maintaining adequate liquidity and safety, but it should also be evaluated on the ground of the contribution it has made to the community, to the government and to the national economy, or to the social and national priorities discharged by it. This means, the banks should come forward with the national priorities like more deposits mobilization and resource mobilization by more branch expansion, more employment generation, services to the more customers, developing skills and expertise in the local staffs, earning satisfactory profit and discharging their accountability towards the government in exchange of the autonomy provide by her .The accountability can be discharge by following her rules, regulations instructions, directions and priorities.

In the underdeveloped country like Nepal, the developed country's notion of earning maximum profit may not have favorable and fertile ground which means, these foreign banks should have a satisfactory profit goal, but not the maximizing one. In this country, they ought to working with satisfactory profit and with international prestige of having branch in an underdeveloped country.

Thus, the study comes to the conclusion that although Nepal Arab limited (NABIL) is more better to discharge its responsibility towards its shareholders than Nepal Bangladesh Bank Limited (NBBL) .The NABIL seems relatively more concerned to come forward and participate in the task of nation's developments by showing its liberal attitudes towards the government and being more responsive to the national priorities like branch network expansion, more employment generation and satisfactory profit earning .So ,from shareholders' point of view NABIL is performing well, but relatively by considering the national priorities and discharging its eligibility towards the shareholders both are doing well.

BIBLIOGRAPHY

Abrol, P.V. & Gupta, **O.P. Dictonary of Commerce**. New Delhi Abrol Publication.

Adhikari, D.P. (2002).**Banking & Insurance**, Taleju Prakashan.

American Institute of Banking (1972), Principles of Bank Operation’s USA.

Amatya, N. B. (1995). **An Appraisal of Financial Position of Nepal Bank Ltd.** An unpublished Master’s Degree Thesis, T. U., Kathmandu.

Bajracharya, B. **B.(2047). Rastriya Banijya Bank , Rajat Jayanti Smiraka ,** A comparative Performance Study.

Bhandari, Dilli Raj (2003). **Banking & Insurance**. Kathmandu Aayush Publication.

Bista, Bhagat (2048),**Nepalko Adunik Banking Byabastha.** Lalitpur ,Indu Chhapakhana.

Chopra, S. (2056). **Nepal Rastriya Bank Samachar**, Role of Foreign in Nepal.

Dr. P.K. Srivastava (1980). **Banking Theory & Practice.**

Gupta, S.P. (1974).**Management Accunting India**, Sahitya Bhawan, Agra.

Joshi , J. B. (1982). **Lending Policy of Commercial Banks in Nepal**. An unpublished Master’s Degree Dissertation, T. U. Kathmandu.

Joshi Kesab Raj (1989). **A Study of Financial Performance of Commercial Banks** , An unpublished Thesis T. U. Kritipur.

Joshi **, K. D.** (1992). **A Study on Commercial Banks of Nepal with Special Reference to Financial Analysis of Rastriya Banijya Bank.** T. U.

K .C. Pramesh (1991). **Dividend Policy of Joint Ventures Banks In Nepal**, Unpublished Master’s

Thesis, and T. U. Kathmandu.

Khan, M.Y. & P.K. Jain,(1990).**Financial Management** , Tata McGraw-Hill Publishing Company Limited, New Delhi.

Kothari ,C.R. **(1989) Quantitative Techniques (3rd)** India,Vikash Publication House.

Lamsal Rajandra (1995). A Comparative Financial Statement Analysis of Himalayan Bank Ltd. and Nepal Grindlays Bank Ltd. An unpublished Master's Degree Thesis.

Pant, U. R. (2032). "A Study of Commercial Banks Deposits and It's Utilization, unpublished Master's Thesis , T.U., Kathmandu.

Pradhan Hirala (1999).A Comparative Study of Financial Performance of Nepal Indosez Bank Ltd. and Nepal Grindlays Bank Ltd. An unpublished Thesis of Master Dergree,T.U.

Serra , G (2047). **Rasttiya Banijya Bank ,Rajat Jayanti Smarika** ,The role of Commercial Banks in Nepalese Context , Kathmandu.

Sharma, M. R. (1998). Join Ventures Banks in Nepal, Co-existing or Crowing out. Nepal Prakashan, HMG.

Shrestha, M.K. (2047). **Commercial Banks Comparative Performance Evaluation.** Karmachari Sanchaya Kosh, Kathmandu.

Shrestha, S. P. (2051). **Nepal Rastra Bank Samachar,** Financial Liberalization in Nepal, Paradoxes, Problems and Prospects.

Thapa, G. B. (1994). **Financial System of Nepal** ,

Development Vision, Lalitpur , Patan Multiple Campus.

Webster's New Collegiate Dictionary (8th ed. 1975)

Springfield, Mass G & C, Marriam.

APPENDIX I

The following Table shows the current assets in different headings of NBBL over the study period.

Current Assets In different headings	Fiscal Years				
	2005/06	2006/07	2007/08	2008/09	2009/10
1.Cash &Bank Balance	645.75	1025.82	1759.31	899.51	1436.48
2.Money at Call &Short notice	1221.01	397.63	100.00	100.00	0.00
3.Loan and Advances for Comm. Banks					
i. Loan, Cash Cr &Overdrafts	4397.21	6982.06	7312.12	7108.16	8321
ii. Bills Discounted & Purchase	219.98	376.78	320.30	139.82	327
4.Investment					
i. Govt Securities	443.55	262.56	891.04	2040.45	2578.
ii. Other	0.00	413.52	79.19	90.06	81.89
5.Interest Receivable	73.81	75.09	121.13	642.03	713.38
6.Misc. Current Assets	33.29	103.48	144.74	325.49	298.70
Total Current Assets	7034.51	9636.94	10727.83	11345.52	13758.05

APPENDIX II

The following Table shows the current assets in different headings of NABIL over the study period.

Current Assets In different headings	Fiscal Years				
	2005/06	2006/07	2007/08	2008/09	2009/10
1.Cash &Bank Balance	1088.75	812.90	1051.82	1144.77	970.49
2.Money at Call &Short notice	4631.83	522.55	31.37	670.20	918.73
3.Loan and Advances for Comm. Banks					
iii. Loan, Cash Cr &Overdrafts	6902.19	7993.28	7135.54	7454.26	7953.76
iv. Bills Discounted & Purchase	432.57	331.16	302.36	301.69	236.23
4.Investment					
iii. Govt Securities	1233.82	2732.96	4120.29	3588.77	3672
iv. Other	1.00	1.00	1.00	0.00	.0.00
5.Interest Receivable	373.01	372.35	171.09	177.60	174.49
6.Misc. Current Assets	125.74	395.48	499.93	531.01	317.71
Total Current Assets	14788.91	13161.68	13313.40	13868.30	14244.04

APPENDIX III

The following table shows current liabilities of different heading of NBBL

Current Liabilities in different heading	2005/06	2006/07	2007/08	2008/09	2009/10
1.Deposits & Other A/C'S					
i. Saving	1113.44	1716.84	2086.89	2933.35	4245.34
ii. Fixed	4356.58	5236.79	5453.63	5031.58	4875.73
iii. Current	478.08	632.47	864.49	884.24	1138.58
iv. Call & Short Deposit	295.23	682.16	766.05	1452.72	2256.36
v. Other	223.86	322.55	343.41	278.76	291.36
2. Short Term Loan	25	0.00	287.50	68.32	67.22
3.Bills Payable	2.54	9.63	42.73	63.93	150.92
4.Tax Provision	14.14	0.00	0.00	0.00	0.00
5.Staff Bonus	22.63	31.55	11.20	21.28	11.07
6.Dividend Payable	15.99	4.47	13.91	1.76	1.70

7.Misc. Curr. Liabilities	398.15	711.82	571.23	497.76	548.12
Total	6945.64	9358.28	10441.04	11233.70	13586.40
Current Liabilities in different heading	1999/00	2000/01	2001/02	2002/03	2003/04
1.Deposits & Other A/C'S vi. Saving vii. Fixed viii. Current ix. Call & Short Deposit x. Other	4150.19 5278.27 288.65 0.00 470.40	4917.14 7667.85 2703.82 4944.96 403.36	4972.06 2446.85 2703.82 4944.96 438.75	5229.72 2252.54 3034.00 2540.70 390.69	5994.12 2310.57 2688.97 2801.41 323.96
2. Short Term Loan	285.20	0.00	417.30	961.46	229.66
3.Bills Payable	38.07	69.70	67.75	108.94	173.50
4.Tax Provision	0.00	0.00	0.00	0.00	0.00
5.Staff Bonus	54.97	52.60	44.12	66.36	71.94

6.Dividend Payable	12.32	143.52	11.80	94.14	36.88
7.Misc.Curr. Liabilities	807.22	1121.38	337.32	456.87	522.12
Total	13977.29	17226.21	16384.73	15135.42	15153.13

Fiscal Year	NBBL		Ratio	NABIL		Ratio
	C A.	C.L.	%	C.A	C.L.	%
2005/06	7034.51	6945.64	1.01	14788.91	13977.29	1.05
2006/07	9636.94	9358.28	1.02	13161.68	17226.21	0.76
2007/08	10727.83	10441.04	1.02	13313.40	16384.73	0.81
2008/09	11345.52	11233.70	1.00	13868.30	15135.42	0.91
2009/10	13758.05	13586.40	1.01	14244.04	15153.13	0.94
Average						

APPENDIX IV

CASH AND BANK BALANCE TO CURRENT DEPOSIT RATIO (EXCLUDING FIXED DEPOSITS)

Fiscal Year	NBBL		Ratio Times	NABIL		Ratio Times
	Cash &bank Bal.	Total Deposit (ex cludeFixed)		Cash &bank Bal.	Total Deposit(ex cl. (Fixed)	
2005/06	645.75	2110.61	0.30	1088.75	7501.24	0.14
2006/07	1025.82	3364.02	0.30	812.90	8171.47	0.09
2007/08	1759.31	4060.84	0.43	1051.82	13059.59	0.08
2008/09	899.51	5549.07	0.16	1144.77	11195.11	0.10
2009/10	1436.48	7931.64	0.18	970.49	11808.46	0.08
Average			0.27			0.09

CASH AND BANK BALANCE TO DEPOSITS RATIO (EXCLUDING FIXED AND SAVING)

Fiscal	NBBL	Ratio	NABIL	Ratio

Year	Cash &bank Bal.	Total Deposit (Ex. fixed & saving)	Times	Cash &bank Bal.	Total Deposit (Ex. fixed & saving)	Times
2005/06	645.75	997.17	0.65	1088.75	3351.51	0.32
2006/07	1025.82	1647.18	0.62	812.90	3254.87	0.24
2007/08	1759.31	1973.95	0.89	1051.82	8087053	0.13
2008/09	899.51	2615.72	0.34	1144.77	5965.53	0.19
2009/10	1436.48	3686.3	0.39	970.49	5814.34	0.16
Average			0.58			0.20

APPENDIX V

Cash and Bank Balance to Current Assets Ratio

Names of Banks	2005/06	2006/07	2007/08	2008/09	2009/10
1. NBBL	9.18	10.64	16.40	7.93	10.44
2. NABIL	7.36	6.18	7.90	8.25	6.81

Source: www.nepalstock.com

INVESTMENT ON GOVERNMENT SECURITIES TO CURRENT ASSETS RATIO

Names of Banks	2005/06	2006/07	2007/08	2008/09	2009/10
1. NBBL	6.31	2.72	8.31	17.98	18.74
2. NABIL	8.34	20.76	30.95	25.88	25.78

Source: www.nepalstock.com

LOAN AND ADVANCES TO CURRENT ASSETS RATIO

Names of Banks	2005/06	2006/07	2007/08	2008/09	2009/10
1. NBBL	65.63	76.36	71.15	63.88	62.86
2. NABIL	49.60	63.25	55.87	55.93	57.50

Source: www.nepalstock.com

Fixed Deposit to Total Deposit Ratio

Names of Banks	2005/06	2006/07	2007/08	2008/09	2009/10
1. NBBL	67.36	60.89	57.32	47.55	38.07

2. NABIL	41.30	48.41	15.78	16.75	16.36

Source: www.nepalstock.com

SAVING DEPOSIT TO TOTAL DEPOSITS RATIO

Names of Banks	2005/06	2006/07	2007/08	2008/09	2009/10
1. NBBL	17.22	19.96	21.93	27.72	33.15
2. NABIL	32.48	31.04	32.06	38.89	42.45

Source: www.nepalstock.com

Loan and Advances to Total Deposits Ratio

Names of Banks	2005/06	2006/07	2007/08	2008/09	2009/10
1. NBBL	0.71	0.86	0.80	0.69	0.68
2. NABIL	0.57	0.53	0.48	0.58	0.58

Source: www.nepalstock.com

Loan and Advances to Fixed Deposits Ratio

Names of Banks	2005/06	2006/07	2007/08	2008/09	2009/10
1. NBBL	1.06	1.41	1.40	1.44	1.77
2. NABIL	1.39	1.09	3.04	3.44	3.54

Source: www.nepalstock.com

LOAN AND ADVANCES TO SAVING DEPOSIT RATIO

Names of Banks	2005/06	2006/07	2007/08	2008/09	2009/10
1. NBBL	4.15	4.29	3.66	2.47	2.04
2. NABIL	1.77	1.69	1.50	1.48	1.37

Source: www.nepalstock.com

Cash and Bank Balance to Total Deposit Ratio

Names of Banks	2005/06	2006/07	2007/08	2008/09	2009/10
1. NBBL	9.99	11.93	18.49	8.50	11.22
2. NABIL	8.52	5.13	6.78	8.51	6.87

Source: www.nepalstock.com

Investment on Government Securities to Total Deposits ratios

Names of Banks	2005/06	2006/07	2007/08	2008/09	2009/10
1. NBBL	6.68	3.05	9.37	19.28	20.14
2. NABIL	9.65	17.25	26.57	29.69	26.01

Source: www.nepalstock.com

Total Investment to Total Deposit Ratio

Names of Banks	2005/06	2006/07	2007/08	2008/09	2009/10
1. NBBL	7.79	8.04	10.60	20.50	21.08
2. NABIL	9.79	48.64	52.88	44.85	41.33

Source: www.nepalstock.com

Total Debts (Liabilities) to Net Worth Ratio

Names of Banks	2005/06	2006/07	2007/08	2008/09	2009/10
1. NBBL	1752.60	1574.06	1672.13	1644.74	2071.58
2. NABIL	1426.74	1628.14	1437.77	1160.30	1030.18

Source: www.nepalstock.com

Interest Earned to Working Fund Ratio

Names of Banks	2005/06	2006/07	2007/08	2008/09	2009/10
1. NBBL	8.29	8.13	7.66	8.50	7.68
2. NABIL	6.97	6.90	6.35	6.15	5.98

Source: www.nepalstock.com

APPENDIX VI

Net Profit (Loss) to Total Assets Ratio

Fiscal Year	NBBL		Ratio	NABIL		Ratio
	Net Profit	Total Assets	%	Net Profit	Total Assets	%
2005/06	139.53	7347.23	1.89	329.12	15024.20	2.19
2006/07	198.75	9962.69	1.99	291.37	18367.15	1.58
2007/08	65.78	11102.24	0.59	271.63	17629.25	1.54
2008/09	71.51	11932.60	0.59	416.25	16562.61	2.51
2009/10	2.65	14257.97	0.01	455.32	16745.61	2.76
Average			1.01			2.11

APPENDIX VII

Net Profit to Total Deposit Ratio

Names of Banks	2005/06	2006/07	2007/08	2008/09	2009/10
1. NBBL	2.16	2.31	0.69	0.68	0.02
2. NABIL	2.58	1.84	1.75	3.10	3.22

Source: www.nepalstock.com

Return on Net Worth

Fiscal Year	NBBL		Ratio	NABIL		Ratio
	Net Profit	Net Worth	%	Net Profit	Net Worth	%
2005/06	139.53	396.59	35.18	329.12	984.07	33.44

2006/07	198.75	595.12	33.39	291.37	1062.83	27.48
2007/08	65.78	626.49	10.50	271.63	1146.42	23.69
2008/09	71.78	683.92	10.49	416.25	1314.18	31.67
2009/10	2.65	656.57	0.40	455.32	1481.78	32.09
Average			17.99			29.67

Earning Per Share

Names of Banks	2005/06	2006/07	2007/08	2008/09	2009/10
1. NBBL	118.48	83.45	18.41	19.87	0.74
2. NABIL	83.79	59.26	55.25	84.66	92.61

Source: www.nepalstock.com

Cash Dividend Per Share

Names of Banks	2005/06	2006/07	2007/08	2008/09	2009/10
1. NBBL	-	5.04	-	-	-
2. NABIL	55	40	30	50	65

Source: www.nepalstock.com

Dividend Payout Ratio

Names of Banks	2005/06	2006/07	2007/08	2008/09	2009/10
1. NBBL	-	6.04	-	-	-
2. NABIL	65.64	67.49	54.30	59.06	70.19

Source: www.nepalstock.com

Price Earning Ratio (P/E Multiple)

Names of Banks	2005/06	2006/07	2007/08	2008/09	2009/10
1. NBBL	12.68	13.18	27.70	18.12	393.87
2. NABIL	16.71	25.31	13.30	8.68	10.80

Source: www.nepalstock.com

Market Value Per Share to Book Value Per Share Ratio

Names of Banks	2005/06	2006/07	2007/08	2008/09	2009/10
1. NBBL	4.46	4.40	2.91	1.89	1.59
2. NABIL	5.59	6.94	3.15	2.75	3.32

Source: www.nepalstock.com

APPENDIX VIII

Trend Value of Loan and Advances of NBBL Rs. in Million

Year	Loan & Advances (y)	Deviation (x)	X2	XY	Y =a + bx
2005/06	4617.10	-2	4	-9234.2	5510.54
2006/07	7358.84	-1	1	-7358.84	6305.76
2007/08	7632.42	0	0	0	7100.98
2008/09	7247.78	1	1	7247.78	7896.2
2009/10	8648.74	2	4	17297.48	8691.42
	∑Y = 35504.88	∑x = 0	∑ X2 = 10	∑xy =7952.22	

,a = 7100.98

b = 7952.22

Trend Value for next four year

Year	X (t=2001/02)	Y = a + bx
2010/11	3	9486.64
2011/12	4	10281.86
2012/13	5	11077.08
2013/14	6	11872.3

Trend Value of Loan and Advances of NABIL

Year	Loan & Advances (y)	Deviation	X2	XY	Y =a + bx

		(x)			
2005/06	7334.76	-2	4	-14669.52	7351.83
2006/07	8324.44	-1	1	-8324.44	7580.22
2007/08	7437.90	0	0	0	7808.61
2008/09	7755.95	1	1	7755.95	8037
2009/10	8189.99	2	4	16379.98	8265.39
	∑y = 39043.04	∑x = 0	∑ X2 = 10	∑XY=1141.97	

, a = 7808.61

b = 1141.97

Trend Value for next four years

Year	X (t=2001/02)	Y = a + bx
2010/11	3	8493.78
2011/12	4	8722.17
2012/13	5	8950.56
2013/14	6	9178.95

Trend Value of Total Deposit of NBBL

Year	Total Deposit (y)	Deviation (x)	X2	XY	Y =a + bx
2005/06	6467.19	-2	4	-12934.38	3730
2006/07	8600.81	-1	1	-8600.81	6662.05
2007/08	9514.47	0	0	0	9594.09
2008/09	10580.65	1	1	10580	13512.69

2009/10	12807.37	2	4	25614.74	15458.17
	∑ y = 47970.49	∑ x = 0	∑ X2 =10	∑ xy = 14660.2	

, **a** =9594.09

b =14660.2

Trend Value for Next Four Years

Year	X (t=2001/02)	Y = a + bx
2010/11	3	18390.21
2011/12	4	21322.25
2012/13	5	24254.29
2013/14	6	27186.33

Trend Value of Total Deposit of NABIL

Year	total Deposit= (y)	Deviation (x)	X2	XY	Y =a + bx

2005/06	12779.51	-2	4	-2559.02	14223.27
2006/07	15839.01	-1	1	-15839.01	14280.80
2007/08	15506.44	0	0	0	14338.33
2008/09	13447.65	1	1	13447.65	14395.86
2009/10	14119.03	2	4	28232.06	14453.39
	∑Y = 71691.64	∑x = 0	∑ X2 = 10	∑XY = 287.68	

, **a=**14338.33

b=287.68

Trend Value for next four years

Year	X (t=2001/02)	Y = a + bx
2010/11	3	14510.92
2011/12	4	14568.45
2012/13	5	14624.98
2013/14	6	14683.51