CHAPTER -I

INTRODUCTION

1.1 Background of the Study

Banking sector plays an important role in the economic development of the country. Commercial Banks (CB) are one of the vital aspects of this sector, which deals in the process of mobilizing the available resources in the needed sector. It is the intermediary between the deficit and surplus of financial institutions and non-depository financial institutions. Commercial Banks and Finance Companies (in Nepalese context) are the examples of depository financial institutions whereas Employee Provident Fund, Development Banks, Insurance Companies etc. are the examples of non-depository financial institutions. All the economic activities are directly or indirectly channeled through these banks. People keep their surplus money as deposits in the banks and hence banks can provide such funds to finance the industrial activities in the form of loans and advances.

Financial institutions play a major role in the proper functioning of an economy. These institutions act as an intermediary between the individuals who lend and who borrow. These institutions accept deposits and in turn lend it to people who are in need of financial resources. These institutions make the flow of investment easier. So we cannot deny the role a bank plays in developing an economy. It pools the funds scattered in the economy and mobilizes them to the productive sector. But these institutions inherent a large amount of risk, which cannot be, denied either. If a bank behaves irresponsibility, the costs borne by the economy are enormous. A larger amount of depositors' money is at stake.

Bank came into existence mainly with the objectives of collecting the idle funds, mobilizing them into productive sector and causing an overall economic development. The bankers have the responsibility of safeguarding the interest of the depositors, the shareholders and the society they are serving.

Commercial Banks are directly related with the people and institution so it is an important bank whose functions are very attractive for people. Although these banks are truly inspired with the objectives of gaining profit, these commercial banks are established to accelerate common people's economic welfare and facilities, to make available loan to the agriculture, industry and commerce and to provide the banking services to the public and the state. Commercial bank, primarily being profit making organization try to use every rupee they own in such a way that it yields something which is sufficient to meet the entire expenses and some profit from. However, at the same time due to some statutory as social obligations, they are bound to maintain a certain level of liquidity and to extend certain amount of unproductive credit yielding come returns indeed. CBs are directly related with the people and institutions, which is to improve the economic condition of the country.

To meet the objectives, the overall performance of the bank should be soundly adjusted with each other. Only the well-combined factors assist in well performance. When performance will be well, the output will generally be sound. It helps bank to proceeds in its track.

As there has been number of commercial banks established the present aims to analyze the financial performance of Nepal Credit and Commerce Bank Ltd. just to be assured whether they can put equal contribution in the economic growth of the country or not.

According to the NRB directive, commercial banks need to extend at least 3 percent of their total loan outstanding to the deprived sector. Commercial banks are extending the 3 percent fund in equity and also providing wholesale loans to MFI. At present, 18 commercial banks (Including Agricultural Development Bank) are extending credit to the deprived sector.

Although bank can be categorized into different types on the basis of its functions, objectives etc. the World Bank will always be synonymous with the commercial banks with its function. Basically, the functions of commercial bank all over the world are same. As per our context the operation of commercial bank has a very short history but many years ago the traditional banking activities has been operating. Later it feel inconvenient so as first stage of banking it was 30th Kartik,1994 B.S. when a first commercial bank i.e. Nepal Bank Limited started its operation, in 2012 B.S. Nepal Rastra Bank, in 2022 B.S. Nepal Rastriya Banijaya Bank as the fourth stage of modern banks were established. Since then till mid July 2007 there are only Twenty (20) commercial banks (Including Agricultural Development Bank) operating in Nepal with their main concentration in different parts of the Kathmandu Valley.

After the introduction of liberal economic policy of Nepal it has provide an opportunity for the banking institution to grow rapidly. As a result different joint venture bank and financial institutions were established rapidly and “now there are licensed 20 commercial banks in the country as of mid July 2007. The number of commercial banks branches (included Agricultural Development Bank’s branches performing commercial banking activities) reached 552.

The size of total assets of commercial banks increased continuously over the last few years. The total asset which was Rs.251482.6 million in mid July 2001 expanded to Rs.428698.6 million in mid July 2006 and to Rs. 490620.6 million in mid-July 2007. It expended on an average 15.12% per annum during 2001-06 and increased by 6.7% in mid July 2007 as compared to the figure of mid July 2006 (NRB Report; 2007).

Deposit liabilities held almost two third of total liabilities over the period 2001-07. Deposit reached to Rs.337486.5 million in mid July 2007 from Rs. 291254.5 million in mid July 2006 with an increased of 13.70%. However, deposits as a percent of total liabilities upgraded in recent years. It came down to 68.79% in mid July 2007 whereas this figure stood at 67.93% in mid July 2006 and 72.27% in mid July 2001.

Borrowings accounted only 2.60% of total liabilities in mid July 2007. With an increase of 39.11%, it reached to Rs.12751.00 million in mid July 2007 from Rs. 9520.18 million in mid July 2006. It expanded with a annual growth rate of 16.9% over the past five years. This growth rate is lower than the average growth rates of deposit and total liabilities of the same periods.

Liquid funds increased by 1.13% and reached to Rs. 44088.11 million in mid July 2007 from Rs. 38842 million in mid July 2006. Liquid fund was Rs. 55599.35 million in mid July 2001.On an average it declined at the rate of 4.48% per annum during 2001-06. On the other hand, investments increased by 13.83% and reached to Rs. 93533.35 million in mid July 2007 from Rs. 82171.95 million in mid July 2006.

1.2 Historical Development of Banking Industries

Banking has crossed various phases to come to the modern form. Some sort of banking activities had been carried out since the time immemorial. Traditional forms of banking were traced during the civilization of Greek, Rome and Mesopotamia.

The evolution of banking industry had started a long time back, during ancient times. There was reference to the activities of moneychangers in the temple of Jerusalem in the New Testament. According to Alfred Marshall-"In Greece, the temples of Delphi and other safer places acted as store houses for the precious metals before the days of coinage and in later times, they lent out money for public and private purposes at interest through they paid none themselves. Private money changers began with the task of reducing many metallic currencies more or less exactly to a common unit of value and went on to accept money on deposit at interest and to lend it out at higher interest permitting meanwhile drafts to be drawn on them." Indeed the traces of "rudimentary banking" were found in the Chaldean, Egyptian and Phoenician history. The development of banking in ancient Rome roughly followed the Greek pattern. Banking suffered oblivion after the fall of the Roman Empire after the death of Emperor Justinian in 565 A.D, and it was not until the revival of trade and commerce in the Middle Ages that the lessons of finance were learnt anew from the beginning. Money lending in the middle Ages was, however, largely confined to the Jews since the Christians were forbidden by the canon law to indulge in the sinful act of lending money to others on interest. However, as the hold of the Church loosened with the development of trade and commerce about the thirteenth century Christians also took to the lucrative business of money – lending, thereby entering into keen competition with the Jews who had hitherto monopolized the business.

As a public enterprise, modern banking sowed its seed in the middle of the twelfth century in the medieval Italy. Bank of Venice, set up in 1157 in Venice, Italy is regarded as the first modern bank. Subsequently, Bank of Barcelona and Bank of

Genoa were established in 1401 and 1407 respectively. The Bank of Barcelona and Bank of Genoa continued to operate until the end of the eighteenth century. The Lambards migrated to England and other parts of Europe from Italy are regarded for their role in the development and expansion of the modern banking. With the expansion of commercial activities in Northern Europe there sprang up a number of private banking houses in Europe and slowly it spread throughout the world. Bank of Amsterdam set up in 1609 was very popular then. Then Hindustan established in 1770 is regarded as the first bank in India. In Nepal, modern banking started from the establishment of Nepal bank Limited (NBL) in 1994 B.S.

These modern banks gradually replaced goldsmiths and money lenders. Merchants, goldsmiths and money lenders are said to be the ancestors of modern banking.

1.2.1 Development of Banking Industry in Nepal

In the country, the development of banking is relatively recent. The record of banking system in Nepal gives detail account of mixture of slow and steady evolution in the financial and global economy of Nepalese life. Involvement of landlords, rich merchants, shopkeepers and other individual money lenders has acted as fence to institutional credit in presence of unorganized money market.

Though establishment of banking industry was very recent, some crude bank operations were in practice even in the ancient times. In Nepalese Chronicle, it was recorded that the new era known as Nepal Sambat was introduced by Shakhadhar, a Sudra merchant of Kantipur in 879 or 880 A.D. after having paid all the outstanding debts in the country. This shows the basic of money lending practice in ancient Nepal. Towards the End of 8th century, Gunkam Dev had borrowed money to rebuild the Kathmandu valley. In 11th century, during Malla regime there was an evidence of professional moneylenders and bankers. It is further believed that money lending business, particularly for financing the foreign trade with Tibet, became quite popular during regime of Mallas. However, in the absence of any regulatory measures, the unscrupulous moneylenders were known to have charged exorbitant rates of interest and other extra dues on loans advanced.

Like other countries goldsmith, merchants and money lenders were the ancient bankers of Nepal. Tejrath Adda established during the tenure of the then Prime Minister Ranoddip Singh during the year 1877 A.D. (1933 B.S.) was the first step towards the institutional development of banking in Nepal. Tejrath Adda did not collect deposits from the public but gave loans to employees and public against the bullion. Tejrath Adda was fully subscribed by the Government of Kathmandu valley, which played a vital role in the banking system. This establishment helped the general public to provide credit facilities at a very low rate of 5 percent. The Tejrath Adda distributed credit facilities to the public especially on the collateral of gold and silver. Several branches were opened in different part of the country. Hence the establishment of Tejrath Adda could be regarded as pioneer foundation of banking in Nepal. “Tejrath Adda” was running smoothly for flow decades.

The main defects of this institutions soughed as there was no other financial institution set-up and there was not effort to expand the services. Above all of the defects, this institution did not accept any deposits from the public. In the absence of saving mobilization the “Adda” faced financial problems making it impossible to Carter to the credit and service need of the general population throughout the country. After that again, for a long time, several unorganized bankers and indigenous moneylender continued to flourish as the sole provider of the credit and services to the general public.

At the same time, the government started trade with India and Tibet. And the various indigenous bankers handled even the trade, because transfer of the money could be safely made only through these bankers in the absence of modern banking institutions. Hence, the need of banking intuition was realized. This was even strongly supported by the situation caused during 1934 AD' earthquake where there was a need of finance for the reconstruction of works.

Reviewing these situations the "Udyog Parishad" (Industrial Development Board) was constituted in 1936 A.D. One year after its formulation, it formulated the "Company Act "and "Nepal Bank Act "in 1937 A.D.

Banking in modern sense started with the inception of Nepal bank Limited (NBL) on B.S. 1994. Nepal Bank Limited had a Herculean responsibility of attracting people toward banking sector from pre-dominant money lenders' net and of expanding banking services. Being a commercial bank, it was natural that NBL paid more attention to profit generating business and preferred opening branches at urban centers.

Government however had onus of stretching banking services to the nook and corner of the country and also managing financial system in a proper way. Thus, Nepal Rastra Bank (NRB) was set up on B.S. 2013.01.14 as a Central Bank under functioning as the Government's bank and has contributed to the growth of financial sector. The major challenge before NRB today is to ensure the robust health of financial institutions. Accordingly, NRB has been trying to change them and has introduced a host of prudential measures to safeguard the interest of the public. NRB is yet to do a lot to prove them an efficient supervisor. NRB really requires strengthening their policy making, supervision and inspection mechanism.

Integrated and speedy development of the country is possible only when competitive banking service reaches nooks and corners of the country. Keeping this in mind, government set up Rastriya Banijya Bank (RBB) in B.S. 2022.10.10 as a fully government owned commercial bank.

As the name suggest, commercial banks are to carry out commercial transaction only. But commercial banks had to carry out the functions of all types of financial institutions. Hence, Industrial Development Centre (IDC) was set up in 2013 for industrial development. In 2016, IDC was converted to Nepal Industrial Development Corporation (NIDC). Similarly, Agriculture Development Bank (ADB) was established in B.S. 2024.10.07 to provide finance for agricultural produces so that agricultural productivity could be enhance by introducing modern agricultural techniques. Moreover, Security Exchange Centre was established in 1976 to enhance capital market activities. Securities Exchange Centre was renamed Nepal Stock Exchange (NEPSE) in 1993. NEPSE opened its trading floor on 13 January 1994.

With the establishment of RBB and ADB, banking service spread to both the urban and rural areas. NRB also gave incentive to NBL to expand their branches to rural areas. This helped the common people reduce their burden of paying higher rate of interest to money lenders and absolved them from kowtowing before money lenders. It is natural expectations of customers keep on increasing. Once they got banking services they were expecting improvement and efficiency. However, excess political and bureaucratic interference and absence of modern managerial concept in these institutions was hurdle in this regard. Banking service to the satisfaction of customers was a far cry. The inception of Nepal Arab Bank Limited (renamed as Nabil Bank Limited since 1st January 2002) in B.S. 2041.03.29 (12 July 1984) as a first joint venture bank proved to be a milestone in the history of banking. Nabil Bank gave a new ray of hope to the sluggish financial sector. Then whole lot of commercial banks was opened in Nepal.

Table No 1.1
Commercial Banks in Nepal

S.No.	Names	Operation Date (A.D.)	Head Office
1	Nepal Bank Ltd.	1937/11/15	Kathmandu
2	Rastriya Banijya Bank	1966/01/23	Kathmandu
3	Agriculture Development Bank Ltd.	1968/01/02	Kathmandu
4	NABIL Bank Ltd.	1984/07/16	Kathmandu
5	Nepal Investment Bank Ltd.	1986/02/27	Kathmandu
6	Standard Chartered Bank Nepal Ltd.	1987/01/30	Kathmandu
7	Himalayan Bank Ltd.	1993/01/18	Kathmandu
8	Nepal SBI Bank Ltd.	1993/07/07	Kathmandu
9	Nepal Bangladesh Bank Ltd.	1993/06/05	Kathmandu
10	Everest Bank Ltd.	1994/10/18	Kathmandu
11	Bank of Kathmandu Ltd.	1995/03/12	Kathmandu
12	Nepal Credit and Commerce Bank Ltd.	1996/10/14	Siddharthanagar
13	Lumbini Bank Ltd.	1998/07/17	Narayangadh
14	Nepal Industrial & Commercial Bank Ltd.	1998/07/21	Biaratnagar
15	Machhapuchhre Bank Ltd.	2000/10/03	Pokhara, Kaski
16	Kumari Bank Ltd.	2001/04/03	Kathmandu
17	Laxmi Bank Ltd.	2002/04/03	Birgunj, Parsa
18	Siddhartha Bank Ltd.	2002/12/24	Kathmandu
19	Global Bank Ltd.	2007/01/02	Birgunj, Parsa
20	Citizens Bank International Ltd.	2007/6/21	Kathmandu
21	Prime Bank Ltd	2007/9/24	Kathmandu
22	Sunrise Bank Ltd.	2007/10/12	Kathmandu
23	Bank of Asia Nepal Ltd.	2007/10/12	Kathmandu
24	Nepal Development Bank Ltd.	2008	Kathmandu
25	NMB Bank Ltd.	2008	Kathmandu

(Source: Banking and Financial Statistics, Mid July 2008, Nepal Rastra Bank.)

The samples to be selected are as follows:

I) NCC Bank Limited

1.3 Statement of the Problem

Though joint venture banks have been successfully operating and contributed significantly to the overall economic development of the country. NCC Bank established 14th October 1996 as a joint venture with Bank of Ceylon Sri Lanka as a name of Nepal Bank of Ceylon. The name of the bank has been changed to Nepal Credit and Commerce Bank Ltd. on 10th September 2002. This changed was affected due to the transfer of shares and management from Sri Lankan co-venture to Nepalese promoter. Yet they are not free from problems that need to be resolved for improving their performance. There are many problems in the Banks.

NCC bank has been operating well from its very establishment. Its experience on international banking, prompt and computerized services, professionalism; reliability attitude seems to be the factors for their rapid success. NCC Bank has achieved a remarkable success in banking sector in terms of market share and profitability compared to other joint venture banks because of its reliable and professional services. Since NCC Bank has been able to maintain its well position as one of the market leaders in the banking industry, it cannot be predicted that the bank would continue to maintain profitability and stability of earning because of the top pest competition in this sector.

While assessing the financial health of the company answers to the questions relating to the company’s profitability, assets utilization, liquidity financing capabilities may be sought. A number of questions go beyond the scope of ratio analysis. They however need to be answered while assessing the financial health of the company.

The following issues are to deal for the purpose of this study:

- How far has NCC Bank been able to accumulate deposits and utilize deposits so accumulated?
- What is the profitability position of NCC Bank?

- What is the liquidity position of NCC Bank?
- What is the bank image in relation to financial statement?

1.4 Objective of the Study

The main objectives of the study are as follows:

- To evaluate the financial statement of the bank.
- To analyze liquidity, turnover and profitability ratio of the bank.
- To analyze the financial position of the bank.
- To provide package of suggestions and possible guidelines to improve the performance of NCC Bank based on the findings of the analysis.

1.5 Significance/Importance of the Study

Financial analysis is the process of identifying the financial strength and weaknesses of the firm by properly establishing relationships between the items of the financial statements. The goal of such analysis is to determine the efficiency and performance of the firm's management, as reflected in the financial records and reports. The analyst is attempting to measure the firm's liquidity, profitability, and other indications that business is conducted in a rational and orderly way.

Every study has its own importance and significance. Therefore, this study has also some multidimensional significance to the concerned parties for decision - making. This study can be of great significance to the external parties of the bank. Trade creditors can examine the firm's liquidity position. They are interested in bank's ability to meet their claims over a very short period of time. Suppliers of long-term debt are concerned with the bank's long-term solvency and survival. They can analyze the profitability of the bank. Investors, who have invested their money in the bank's shares, are most concerned about the firm's earnings. So this study can provide them with the bank's earnings ability. It will be helpful to the management to analyze its strength and weaknesses. It is their overall responsibility to see that the resources of the bank are used most effectively and efficiently, and that the bank's financial condition is sound. Apart from them; it will be helpful to government, stockbrokers, academicians, general public, policy formulators, labor leaders etc.

1.6 Limitation of the Study

Every study has its own limitations. This study is conducted for the partial fulfillment of MBS degree. It attempts to evaluate the financial performance of NCC bank. The limitation of this study will be:

The study was done mostly on the basis of secondary data collected and provided by the organization.

The study period only cover six fiscal years beginning from 2058-059 to 2063-2064.

The study was conducted for the partial fulfillment of MBS degree and has to be conducted and submitted within the prescribed time.

Among various commercial banks, this study was confined to evaluate financial performance of NCC Bank only.

1.7 Organization of Study

In this study only five chapters are included which are as follows:

Chapter 1: Introduction

Chapter 2: Review of Literature

Chapter 3: Research Methodology

Chapter 4: Data Presentation and Analysis

Chapter 5: Summary, Conclusion, Recommendation and Findings.

First Chapter deals with the introduction that includes Background of the study, Evolution of Banking Industry, Development of Banking Industry in Nepal, Growth of Commercial Banks in Nepal, Statement of the Problem, Objectives of the study, Limitation of the study, Significance of the study, Brief Profile of NCC Bank.

Second Chapter deals with the available literature review. It includes review of books, review of legislations related to commercial banks, review of other relevant journals and reports, and review of previous thesis.

Third chapter explains the research methodology used in the study, which includes research designs, population and samples, data collection procedure, method of data analysis and method of data presentation.

Fourth Chapter is the heart of the study. This chapter includes presentation and analysis of data using financial tools such as ratio analysis and statistical tools i.e. coefficient of correlation of different variables and trend lines.

Fifth and last chapter revolves with suggestions, which include the summary of main findings, recommendations and suggestions for further improvement and conclusions of the study.

The Bibliography and appendixes are given thereafter.

CHAPTER – II

REVIEW OF LITERATURE

The present research aims to analyze the Financial Performance of Nepal Credit and Commerce Bank Limited. For this purpose, it needs to review related literatures in this concerned area which will help me to get clear ideas, opinions and other concepts. 'What other has said? What other has done? And what other have written? these all and other related questions are reviewed which has provided useful inputs in this research work. This chapter emphasizes about the literatures which were concerned in this connections. Therefore, in this chapter conceptual frameworks given by different authors and intellectuals of this area, books, journals, research works, and previous thesis related to financial performance are reviewed. Moreover, rules regarding to financial performance are reviewed and an attempt has been made to present them properly.

2.1 Conceptual Framework

2.1.1 Profit and Profitability

By profit we refer the balance of earnings expected to available with the firm. This is obtained after deducting entire expenses, costs and provision to total earnings of a point of times. Profit is the resource left to the firm for future growth and expansion or reward to be distributed to the shareholders in the form of dividend as both the purposes.

Although there may be arguments in favor and against of profit generating, almost all firms require to earn it. Their rates of earnings may differ firm-to-firm and time-to-time. This study is primarily related to it size the area of commercial Bank (Joint Venture Banks) of which surplus generating is one of the major objectives.

Moreover the topic of this study is profitability evaluation of selected joint venture Banks.

Profit is essential developing countries like Nepal for the industrial development of the country and for the expansion, diversification and growth of the Bank. There is low income, low saving and low investments in our country and the Banks have not good opportunity to grab long-term financial resources. In this situation, the Banks may segregate some portion of profit as reserve as retained earnings which can be used in Banks.

Further, to attract foreign investment there must be some extent of profit in their project. This is the same case to encourage local investor. The principal of generating surplus has significantly welcomed the foreign parents Bank, local promoters and general public, similarly the huge revenue to Government in the form of tax is a source country. Creating credit very effectively rather than charging higher interest on L&A should generate the profit.

Thus profit is essential in most cases, which depends the sector and nature. Service sector like hospital, security sector like police and army may not tend to earn profit. So far this study related to commercial Bank, the profit is key factor in planning and decision-making, which gives strength to compete. However, the Banks must not avoid any major public expansion breach the rules and regulations and ignore the directives and guidelines of acts underwrite the Banks have been incorporated.

Though profitability is relative term of profit, both are viewed interchangeable to each other. Profitability includes the ability of management in utilizing the financial resources and assets in earning point of view. There are different types of assets and expenses and management has to consider them well. Organization obtains financial resources from different sources that cost in different rates. The surplus between earning and cost is profit. These all activities can be evaluated the profit in relation to assets and liabilities.

Hence, it can be concluded that profitability basically depends upon two factor i.e. grow income and treatment of various costs. The profitability would be sound if the grow income proportionately higher than cost. However, profitability shows the efficiency of the Bank in deploying in profit earning sector. Profitability measures the ability to use its financial resources through different ratios associated to it.

There are almost all parties who are interested in the financial soundness of the firm (Bank). The management of the firm is curious in the operating efficiency; owner and investor expect reasonable return. It is worth mentioning that the operating efficiency of the firma and its ability to insure sufficient returns to its shareholders ultimately rely on the profit. Hence the crucial importance of surplus cannot be over stressed profitability is measure of efficiency and search for it. Profitability also indicates whether the public are accepting its goods products and services and how well the firm is serving in comparative profitability ratios seeks to explain the following queries.

- Is the profit generated by firm optimum?
- What is the EPS?

Profits of commercial Banks are obtained as follows.

Total revenue	xxxxxxx
Add: Operating income	xxxxxxx
Less: Total Operating expenses	xxxxxxx
Add: Non operating income	xxxxxxx
Less: non-operating expenses (loss on sale)	xxxxxxx
Less: Provision for staff bonus, tax and loss	xxxxxxx
NET PROFIT AFTER TAX (NPAT)	xxxxxxx

The total revenue includes interest common and discount, foreign exchange gain the total operating return, the expenses incurred to obtain the total revenue i.e. internal, personnel administrative operating, and exchange loss. The positive differences (+) those are operating profit, which judges the overall efficiency of Bank.

Bank may have non-operative like gain on sale of investment and assets and sale of earning from non-banking assets, which are added to operating profit.

The total profit cannot be real profit since it cannot be entirely distributed. There should be further deducted the provision.

2.1.2 Profitability Vs Liquidity

Although present study chiefly focuses on profitability of the firm, i.e. Bank, the liquidity, will be an integral part of this study. The profitability is much closely related to the liquidity of a Bank. The possibility of earning profits at all largely depends on the public's acceptance of Bank's debts. The public and customers must have some extent of confidence in the Bank. The public accepts the Bank should always satisfy and convince them. The Bank must be able to exchange deposits for cash in exchange for deposits asset the Bank, which helps obtaining long term debt.

Liquidity refers the position of liquid assets against the deposits, which have to be paid Bank Liquid asset refers to the money and certain assets which are promptly convertible in to cash. Here promptly indicates a stipulated time and this may differ from the firm regarding liquid. The term liquid asset refers assets that are readily convertible in to money. Hence liquidity refers the ability of firm (Bank) to convert assets (Van Horne; 2000:198-205) illustrated to describe as follows, "An asset to cash with minimum delay and minimum loss since all assets of some degree of liquidity including real from the definition, money itself is the most liquid assets while other assets take some time to convert into money. The time to be taken to convert the other assets into money represents the degree of liquidity. Really speaking almost all assets have a degree of liquidity and can be considered liquid assets. However, the time required convert the asset into money and the loss associated to convert and the basis to classify them (except cash which itself is money). Bank balances and marketable securities can be considered most liquid assets.

Generally, liquid assets don not generate any income and it reduces profitability ratio. But at the same time, inadequate liquidity position of the bank tends to lose its power after cash in exchange for deposits. Consequently, public reduce their transactions with the Bank which generates low profit due to low mobilization of resources. This is the remarkable transaction cycle, which depicts the relationship between profitability and liquidity. Although liquid asset like cash is idle this serves a Banks for earning profit since proper liquidity at Bank enhances the transaction. Hence, only profitability of assets. The fixed assets like land and building, vehicle and office equipment of Bank have some degree of liquidity but not much. If it wants to sell them it takes long time if quickly and has to compromise the price which is considerably low incurring loss. A Bank is not sufficient but else the liquidity, position evaluation is equally significant. As already explained profit is only possible if a Bank gain confidence of public. To maintain confidence it must manage a satisfactory level of liquidity in its total assets. Our study is to measure the management of liquid assets. In this regard, it is necessary to study whether the Banks will be capable to satisfy demands for cash in exchange for deposits. This study is essential since the Bank must be able to convert its assets into cash quickly to satisfy the depositors for which the Bank should hold such assets.

Liquid assets involve quick convertible assets including cash. The quick convertible assets may be referred to marketable securities from the above explanation, one can illustrate that liquidity is a pre-requisite for the survival of a firm since it enhance the profitability. The short-term creditors are especially interested in the short-term solvency. This is the indicator of solvency in short period which is often known as liquidity. It is not worthy that the funds in term of liquid assets are idle or earn very little and the proper balance between the two contradict, i.e. liquidity and profitability is essential for efficient management. The analysis of liquidity ratio indicates the short-term financial strength/ solvency measure the ability to serve short-term obligations.

2.1.3 Trade of between Profitability and Liquidity

The importance of liquidity and profitability in a bank is paramount. They are recognized as two wheels of a cart because in the absence of any of them, the bank cannot forge ahead. However, there is a practice of treating them as antagonistic to each other because liquidity is maintained at the cost of profitability and vice versa.

The biggest trust a bank has earned in the society is that the people put their money in the bank without obtaining security. In other words, the people are confident that the bank keeps their money safely and repays on demand or on agreed date, together with interest where applicable. In order to strengthen the public confidence, banks maintain liquidity – bank's ability to pay cash in exchange of deposits. This is why the people treat bank deposits as good as cash and show bank deposits in the first line of assets as "cash and bank balance". The moment people feel that the bank is not safe or the bank cannot repay money on demand, there will be "runs" in the bank. This may lead to the closure of any bank because the proportion of liability of any bank payable on demand is normally so high that it cannot be compared with any other organizations.

Similarly, a bank always puts in efforts to maximize its profitability. This is so because its shareholders expect a fair rate of return, depositors expect better rate of interest and employees expect handsome salary, perks and bonus. If the bank can not satisfy either of these parties, the success of the bank is always questioned. The profit is excess of incomes over expenses. To maximize profit, incomes should be reasonably excess over from loans and investments and fee based income.

The income of a bank is utilized to meet following obligations:

- Interest on deposits and borrowings
- Personnel expenses
- Operating expenses
- Provision for possible losses
- Various reserves
- Dividend

After above discussion, a natural question that comes to anyone's mind is "Can a bank meet aforesaid obligations by keeping all the deposits in the form of liquidity?" the answer obviously is negative. This means the bank has to invest these deposits in the form of loans and advances which have higher rate of return. This helps maximize profitability. Then the question that comes to one's mind is "Are loans and advances repaid on demand so that the bank can repay customer's deposits on demand?" Answer in this case is also not positive because borrowers utilize these funds in the sectors which generate cash flow in near future or remote future or after a certain time. If the bank cannot repay depositors' money on demand, do the people put money in the bank? Does the bank survive without the public deposit? Answer indeed is negative.

Underlying purpose of a forgiven scenario stresses that liquidity and profitability are conflicting considerations. One is achieved only at the cost of the other.
At the same time, they are like two wheels of the cart. In the absence of any of them, the bank cannot run.
A bank is an institution which acts as the bridge between the depositors and the borrowers and puts in efforts to maximize the earnings mainly through interest spread. If depositors lose their confidence in the bank, no deposit is placed in the bank endangering even the existence of the bank. In other words, the absence of adequate liquidity forfeits depositors' confidence in the bank. Presence of high liquidity but not adequate high earning assets like loans and advances make banks run at loss sounding the death-knell. Even the depositors desire a certain level of profit because a loss making bank cannot assure repayment of principal and interest to depositors.

It is an established fact that all the deposits are not withdrawn at a time. Moreover, everyday people come to deposit and loans are also regularly repaid. Thus, the demand of liquidity is normally offset by their supply. This puts bank in a comfortable position because it can meet depositors' demand by keeping some proportion in liquid assets and can maximize the profitability by investing the rest in the assets earning high rate of return. In order to trade off between liquidity and profitability, there should be judicious distribution of available resources which earn income without putting liquidity in jeopardy. So, the bank is required to make prediction of liquidity needs based on various factors including the maturity profile of asset and liability. The prediction should reveal the amount of liquidity need in the form of:

- Cash and Bank balance
- Money at call or short notice
- Investment in gilt edged securities

The first line of liquidity/defense is cash and bank balance which normally does not fetch any income to the bank but is readily available to meet liquidity demand. The second line of liquidity/defense is money at call or short notice which yields some interest to the bank but require some time to be available to meet liquidity demand. The third line of liquidity/defense is investment is gilt edged securities which normally fetch good amount of interest but requires some time to be available to meet liquidity demand and its exposed to the risk of reduction in principal.

This helps the bank to earn some interest by way of placements and investments at the same time discharging the function of liquidity. The remaining amount should be invested in the earning assets – short term and long term loans and advances and investment portfolio depending on the maturity profiles of liabilities. Regular amortizing and self-liquidating loans contribute to profitability without impairing liquidity. If the bank is making handsome profit and its assets quality is good, the bank can borrow money from the money market to cover liquidity shortfall. Similarly, investment portfolio with high resale market also provided liquidity in need.

Though liquidity and profitability seem to be antagonistic to each other, they, in fact, complement each other because only liquid banks can attract more low cost deposits. This helps bank reduce interest expense and give loan to good customers at lower rate which results in requirement of less provision and high net profit.

Similarly, only profit making bank can assure the society that it can meet their liquidity need in time. Trade-off between liquidity and profitability is thus a crucial task for any bank. Satisfactory trade off is possible through correct prediction of liquidity needs and judicious distribution of resources in various forms of liquid and high earning assets.

2.1.4 Financial Statement Analysis

Financial statements are the basis of analysis, which include Income Statement, Balance Sheet and additional inertia. This contains summary of the firm's financial affairs the top management undertakes the financial statements. The investors and financial analysts are the major interested party to ensure the firm's performance through the statement. This analysis is significant in making investment decisions. These statements are published in company's annual report. The annual report is specially prepared for the shareholders, which includes the chairman's speech, the director's report and auditor's report with accounting policies.

Though the financial statements are prepared for the external reporting the speech, report and policies are useful in internal management. The present study focus the financial statements of the annual report which is the combination of

Balance Sheet (or statement of financial position)

Profit and Loss account (or income statement)

I.) Balance Sheet

Balance Sheet is one dimension of statement, which assists in measuring the assets, liabilities and capital of a firm at a moment of time. It informs the financial condition of affairs of a firm (Bank) at an accounting period. It depicts the information about resources and obligations of a business entity. The assets, liabilities and capital fall in it. The assets are measured in monetary terms, which are the future benefits. They are the valuable possessions owned by the firm cash, stock, receivable and other tangible and intangible items. Such assets represents stored purchasing power, money claims. Broadly speaking, assets can be classified in two category current assets and long – term assets. The other column of the balance sheet contains liabilities and capital (equity) liabilities are the economic obligations to pay cash or provide goods and services in future. The credit bills payable and other dues are the examples of liabilities. While the equity capital is claims of owners. The profit (or losses) doesn't after the amount of liabilities while there will be positive impact of earning (or losses) to owner's equity.

II.) Profit and Loss Account

It depicts information regarding income and expenses of the firm. Previously, statement analysis was basically related the Balance Sheet since profit and loss accounts were not available readily at that time. The profit and loss account was considered as a supplement to the balance sheet in rendering information. But, in those days P /L account are compulsorily prepared and publicly published in annual report. They are regarded as primary function of accounting and these are related to be complementary to balance sheet.

The major income items of Banks include interest income, foreign exchange income and commission. On the other hand, interest expenses, staff bonus and personnel expenses form major of a Bank.

More financial instruments are static but they are only store of information but not flow of information. The analysis of financial statement is essential but it is worth mentioning the extent of requirement. They should not be considered the concluded reports but they should be further processed and analyzed to obtain more lucid picture of the Bank (firm). (Hingorni and Grewal; 1977:220). They have classified accounting process in three stages recording classifying and summarizing business transaction and financial statement involves in third state i.e. summarizing the income and expenses figure and financial performance.

2.1.5 Financial (Ratio) Analysis

Financial Analysis is the process of determining the significant operating and financial characteristics of a firm from accounting data and financial statements. In other words, financial analysis is the process of identifying the financial strength and weaknesses of the firm by properly establishing relationships between the items of the balance sheet and the profit and loss account. Ratio analysis is a very useful tool to raise relevant questions on a number of investigates those issues in detail. However caution needs to be applied while interpreting ratios as they are calculated from the accounting numbers. Accounting numbers suffer from accounting policy changes, arbitrary allocation procedures and inflation.

The focus of financial analysis is on key figures in the financial statements and the significant relationships that exist between them. The analysis of financial statement is a process of evaluating relationships between component parts of financial statements to obtain a better understanding of the firm's position and performance. The first task of the financial analyst is to select the information relevant to the decision under consideration from the total information contained in the financial statement. The second step involved in financial analysis is to arrange the information in a way to highlight significant relationships. The final step is interpretation and drawing of inferences and conclusions. In brief, financial analysis is the process of selection, relation and evaluation.

Financial analysis can be undertaken by management of the firm or by parties outside the firm, owners, creditors, investor and others. The nature of analysis will differ depending on the purpose of the analyst. Ratio analysis should be developed the primary tool for examining the firm's financial position and performance. Two viewpoints in receiving and evaluating financial data are recognized. They are:

1) External Analysis: This is performed by outsiders to the firm, such as creditors, stockholders, or investment analysis. It makes use of existing financial statement and involves limited access to confidential information on a firm.

a. Trade creditors are interested in firm's ability to meet their claims over a very short period of time. In the short-run, the amount of liquid assets determines the ability to pay off liabilities. Their analysis will therefore, confine to the evaluation of the firm's liquidity position.

b. Suppliers of long-term debt, on the other hand are concerned with the firm's long term solvency and survival. These persons hold bonds or mortgages against the firm and are interested in current payments of interest and eventual repayment of principal. They analyze the firm's profitability over time, its ability to generate cash to be able to pay interest and repay principal and the relationship between various sources of funds (capital structure relationships). Long-term creditors do analyze the historical financial statements, but they place more emphasis on the firm's projected or pro forma, financial statements to make analysis about its future solvency and profitability. The firm must be sufficiently liquid in the short-term and have adequate profits for the long-term.

c. Investors, who have invested their money in the firm's shares, are most concerned about the firm's earnings. They restore more confidence in those firms that show steady growth in earnings. As such, they concentrate on the analysis of the firm's present and future profitability. They are also interested in the firm's financial structure to the extent it influences the firm's earnings ability and risk.

d. Bankers, who provide the loan to the firm must concern about the firm's liquidity position, profitability position, borrowing position and depository condition of the assets.

2) Internal Analysis: This is performed by the corporate finance and accounting departments and is more detailed than external analysis. These departments have available more detailed and current information than is available to outsiders.

They are able to prepare pro forma, or future, statements and are able to produce a more accurate and timely analysis of the firm’s strengths and weaknesses. Management of the firm would be interested in every aspect of the financial analysis. So firm's internal analysts analyze all over the financial condition of the firm. It is their overall responsibility to see that the resources of the firm are used most effectively and efficiently and that the firm’s financial condition is sound.

Diagnostic role of ratios

The essence of the financial soundness of a company lies in balancing its goals, commercial strategy, product – market choices and resultant financial needs. The company should have financial capability and flexibility to pursue its commercial strategy. Ratio analysis is a very useful analytical technique to raise pertinent questions on a number of managerial issues. It provides bases or clues to investigate such issues in detail. While assessing the financial health of the company with the help of ratio analysis, answers to the following questions relating to the company’s profitability, assets utilization, liquidity, financing etc may be sought:

Profitability Analysis

1. How profitable is the company? What accounting policies and practices are followed by the company? Are they stable?
2. Is the profitability (RONA) of the company high/low/average? Is it due to?
    - Profit margin
    - Assets utilization
    - Non-operating income
    - Window dressing
    - Change in accounting policy
    - Inflationary conditions?

3. Is the return on equity (ROE) high/low/average? Is it due to,
   - Return on investment
   - Financing mix
   - Capitalization of reserves
4. What is the trend in profitability? Is it improving because of better utilization of resources or curtailment of expenses of strategic importance? What is the impact of cyclical factors on profitability trend?
5. Can the company sustain its impressive profitability given the competitive and other environmental situations?

Assets Utilization

1. How effectively does a company utilize its assets in generating sales?
2. Are the levels of debtors and inventories relative to sales reasonable, given the firm's competitive and operating characteristics?
3. What are the trends in collection period, inventory turnover and fixed assets turnover?
4. Is the improvement in the fixed assets turnover due to Depreciated book-value of fixed assets? Sale of some fixed assets?

Liquidity Analysis

1. What is the level of current assets relative to current liabilities? Is it reasonable given the nature of the company's business?
2. What is the mix of current assets? Is the proportion of slow moving inventories high?
3. How promptly does the company pay its creditor?
4. How far can it stretch payment to creditors without jeopardizing its relations with them?
5. How efficiently and frequently does the company convert its current assets into cash?

6. Given the company's risk ness and future financial needs, how soundly is it financed?
   - What is the mix of debt and equity?
   - What is the maturity structure of debt? Is the company faced with large debt repayments in the near future?
   - Does the company generate enough cash flows to service debt adequately?
   - Is the company close to its borrowing limits of restrictive covenants?
7. Does the company have lease commitment not disclose in the balance sheet?
8. Does it have large contingent liabilities?
9. What potential does the company have to raise debt on acceptable terms? From whom? On what conditions? How quickly?
10. Can the company raise equity funds? Would market respond favorably? To whom and at what price shares would be sold? Is management willing for dilutions of control of shares are issued?

A number of questions go beyond the scope of ratio analysis. They however need to be answered while assessing the financial health of the company. These questions are:

1. What are the goals and objectives of the company?
2. How successfully has the company pursued its goals?
3. Are the company's goals, product-market choices, and investment requirements, financing needs, and financing capabilities in balance?
4. What would happen to the above referred balance if the company will have to face an adversity?
5. If the company is struck by adversity:
   - What kinds of competitive, operating and environmental risks would occur?
   - How would management respond in operating terms?
   - What kinds of financial pressures would be faced?
   - Would it be able to raise necessary funds on acceptable terms?
   - Would the company be able to use its reserve resources? In what sequence would these resources be used

2.2 Review of Related Studies

2.2.1 Review of Legislative Provision Related to Commercial Bank

NRB Directives No: 8/062/63

NRB Rules regarding fund mobilization of commercial bank.

To mobilize bank's deposit in different sectors of the different part of the nation to prevent them from the financial problems, central bank may establish a legal framework by formulating various rules and regulation. These directives must have direct or indirect impact while making decision to discuss those rules and regulation which are formulated by NRB in terms of investment and credit to priority sector, deprived sector, other institution, single borrower limit, CRR loan loss provision, capital adequacy, ration, interest spread and productive sector investment. A commercial bank is directly related to the fact that how much fund must be collected as paid up capital while being established at certain place of the nation, how much fund is needed to expand the branch and counters, how much flexible and helpful the NRB rules are also important, But we discuss only those, whose are related to investment function of commercial banks. The main provisions established by NRB in the form of prudential norms in above relevant area are briefly discussed here under.

NRB Directives No. : 2/062/63

Loan classification and loss provisions:

Any loan and advance classified as sub-standard, doubtful, and loss assets are considered as non-performing assets in Nepal. As per the directives of Nepal Rastra Bank, banks and other financial institutions classify their loans and advance into these classifications.

Furthermore, NRB has directed commercial banks to maintain certain reserves as loan loss provision. The existing loan loss provisioning is as follows:

Loan Loss Provision (LLP)

Loan Classification	Loan Loss Provisioning
Pass	1%
Sub Standard	25%
Doubtful	50%
Loss	100%

NRB Directives No. : 3/062/63

Provision of credit to the priority sector

NRB requires commercial banks to extend loan and advance, amounting at least to 12% of their total outstanding credit to the priority sector. Commercial banks credit the deprived sector is also a part of priority sector credit. Under priority sector credit to agriculture, credit to the cottage and small industries and credit. Under priority sector, credit to service is continued commercial bank loan to the co-operatives licensed by the NRB is also being computed as the priority sector from the fiscal year 1995/96 onwards.

2.2.2 Review of Journals and articles

Shrestha, M.K. (1990), in his article "Commercial banks Comparative Performance Evaluation" views that JVBs are new, operationally more efficient, having superior performance comparing with local banks. Better performance of JVBs is due to their sophisticated technology, modern banking methods and skills. Their better performance is also due to the governments' banking policy in rural areas and financing policy that is imposed to local banks. Local banks are efficient in rural sector. Despite having number of deficiencies, local banks have to face growing constraints of socio-economic-political system on one had spectrum and that of issues and challenges of JVBs commanding, significant banking on other spectrum.

Bajaracharya B.B. (1991), in his article "Monetary and Deposit Mobilization in Nepal" concluded that, mobilization of the domestic saving is one of the prime objectives of the monetary policy in Nepal. And commercial banks are the most active financial mediator for generating resource in the form of deposit of private sector and providing credit to the investor in different sectors of the economy.

2.2.3 Review of Previous Theses

Luintel(2003), in his study entitled "A Study on Financial Performance of Nepal Bank Limited"**-** An unpublished dissertation, SDC, conducted this thesis to study on financial performance of NBL with the main objectives to evaluate the bank's efficiency to face the challenges and measure the comparative financial strengths and weakness and analyze the banks performance under priority sectors of government. To analyze income and expenditure and to provide suggestions and recommendations to the bank. These are the primary objectives of the study.

With the above objectives the researcher concluded that, the NBL has not maintained a balanced ratio among its deposit liabilities during the last five years period. The bank is seemed to be unable to utilize its high cost resources in high yielding investment portfolio. Operating profit for some years has gone negative. The study period at an average shows negative net profit. The only positive aspect is, if risk can be managed, percent of loan and advances on total deposit has increased. But due to the bank's failure in collecting earned interest and matured loan, it has suffered continuous loss. The net worth for some years is negative due to the heavy loss during the years. Long –term debts, total debts and total deposit ratios have gradually decreased. It indicates that bank has not followed any policy regarding these items. The bank has experienced negative EPS and P/E ratios have also heavily fluctuated during the study periods. Thus, it can be said that the financial position of the NBL is worse due to its failure to utilize its resources efficiently and due to its inefficiency in risk management.

The main recommendations to the bank by the researcher are:
Books of accounts should be making up to date. It helps the bank to reduce the manipulation of accounts, gain the trust of customers and so on. For this computerized accounting system should be introduced in the technically favored branches.

While making any type of investment of loan should be seriously studied and the most important factor is securities against which loan is going to be provided should be valued fairly and properly.

The inspection and supervision aspects of the bank should be effective and functional.
The loan and advances department and the loan recovery department should also be target-oriented, i.e. after advancing loan, there should be regular supervision and follow up for the proper utilization of loan.

Due to the NBL being very large organization, there may be irregularities in various aspects on the side of staff. Hence, for effective performance, there should be provision of punishment and rewards among them which will certainly lead the bank towards better performance.

Joshi S. (2003), in her study – "A study of Financial Analysis of Nepal Investment Bank Ltd." – An unpublished dissertation, SDC, conducted this study to evaluate financial performance of Nepal Investment Bank Ltd. with the major objectives as: (i) to evaluate the overall financial position of NIB Ltd. (ii) To examine liquidity ratio, profitability ratio and ownership ratio (iii) To study the income and expenditure statements of the bank.

On the basis of various analyses, the researcher came out with the following conclusions:

The CR of the bank over the study period is 1.09 times on an average. Therefore the liquidity position of NIBL is in normal standard. The cash and bank balance proportion with respect to the current asset is moderate since the average ratio is 10.17%. The result of the analysis indicates that the share of fixed deposit is high in the total deposit. Saving deposits stand midway between current and fixed deposits. The analysis indicates that the cash reserve at bank is more than required. Hence, in general the liquidity position of the bank is good enough to meet the short-term obligation. The debt –equity ratio of the bank is high, which means the creditors have invested more in the bank than the owners.

Interest earned in comparison to the assets is inadequate. Net profit earned in comparison to the total deposit is relatively low. The result of the analysis indicates that the net profit earned in comparison to the total assets is fluctuating. The profit earning in relation with the shareholder's equity of NIBL is better. In general the profitability ratios of the bank indicate that the overall performance of the bank is effective in maximizing the wealth. The researcher also found that the turnover ratio of the bank indicate that it had utilized its resources in the best possible way to maximize its wealth. Because the bank had succeed to utilize total deposit in profit generating purpose and the bank had mobilized its total deposit in loans and advances satisfactorily.

The researcher found that the EPS of the bank is quite good because though the EPS had fluctuated its average stands 54.16 during the study period. The researcher that the proportion of the earnings distributed to the shareholder per share is very low and they are being compensated very slowly. DPR of the bank is decreasing and very low. Overall she had found that the ownership ratio of the bank is not encouraging as it is in a decreasing trend.

Gupta B.P. (2003), in his study entitled " Financial Performance Analysis of Everest Bank Limited", concluded this study with the basic objective of examining the financial statement of the bank and analyzed them to see the financial soundness of the bank. Other objectives are (i) to observe the return over the equity. (ii) to highlight the relationship between different variables (iii) to provide suggestions from findings. Based on the analysis of data his major findings are:

Liquidity ratio: It is found that the bank is able to maintain liquidity position to meet the daily cash requirement. It had made enough investment on government securities but less in risky assets i.e., L & A overall it has indicated the unstable liquidity position as the data shown lower consistency.

Activity ratio: It is found that the bank has strong position regarding the mobilization of the total deposit on loans & advances but decreasing trend regarding the mobilization off total deposit as investment. The bank has average position towards the utilization of working fund on loans and advances.

Profitability ratio: The researcher concluded that return on equity is found unsatisfactory as it has not efficiently utilized its equity capital.

The ratio of total interest paid to working fund is satisfactory as it is decreasing of interest earned every year.

The ratio of total interest paid to working fund is satisfactory position, as it seems to be successful to collect its working fund from less expensive source.

The bank seems to be successful to mobilize its interest bearing assets such as loans, advances and investment.

It is found analyzing return on total working fund ratio, the profitability with respect to financial resources investment of the bank assets is unsatisfactory as well as unstable.

Analyzing return on loan and advances ratio it is found that the bank is not able to earn satisfactory income on loan and advances.

EPS revealed that the bank has very good increasing trend regarding EPS even though first two years shows the static figure.

The researcher found that the trend analysis of deposits, net profit and loan & advances and EPS shows the increasing trend throughout the study period and the forecasting for next five years has also shown the increasing trend.

Darshandhari A. (2004), in his study entitled "Financial Performance Analysis of EBL" On Published Dissertation", concluded this study to evaluate financial performance of Everest Bank Limited with the major objectives**-**

(1) To examine the financial statement of the bank (2) To analyze liquidity, turnover and profitability ratio of the bank (3)To evaluate the earning generating capacity ratio of the bank. On the basis of analysis the researcher came out with the following conclusions. The CR of the bank over the five years is 1.03 times on an average. It indicates that the margin for safety for customers has not been maintained satisfactorily. The average of the cash and Bank balance to current assets ratio is 14.26 percent which indicates that the cash and bank balance proportion with respect to the current assets is moderate. The ratios for loan and advance to current assets revealed that more than 50 percent of current assets have been lent to the customers as loan and advances. The result of the analysis indicates that the share of fixed deposit is high in the total deposit which may be termed as favorable one from viewpoint of liquidity. Cash and bank balance has been maintained properly against anticipated calls of its depositors. Hence, in

general the liquidity position of the bank is good enough to meet the short-term obligations.

Large amount of loans and advances are given out of total deposits. The fund mobilization of the bank has increased by but it may fail to recover the mobilized funds which as consequences push back the bank towards negative profit. The bank has not been able to invest a large amount of its deposit on various securities and projects averaging to 18.7 percent only as these investments bears less risk as compared to loans and advances. The average of loan and advance to fixed deposit ratio is141.9 percent.

The researcher found that the operating efficiency of the bank is fair enough. Interest earned in comparison to total assets is not fair enough; this might be the reason that the bank has average operating profit. Interest paid to total assets is relatively low which is good from viewpoint of profitability. Net profit earned in comparison to the total assets and total deposit is relatively low. The bank has been earning 1.22 percent on its total assets during the study period. The researcher found that the EPS of the Bank is quite good as its average stands at 30.1 during the study period.

Sangat (Dangol) R. (2004), in her study entitled “Financial Performance Analysis Of NCC Bank Ltd. On Published Dissertation”, conducted this study to evaluate financial performance of NCCB Ltd. With the major objectives as follows which is related only five years trend from 1998/99 to 2003/04.

(1) To assess the financial performance of NCCB.

(2) To measure liquidity position and investment portfolio.

(3) To study the relationship between deposit, credit on financial strength and net profit.

On the basis of various analyses the researcher came out with the following conclusion.

The financial position of the NCCB from the year 1999 to year 2003 the collection of deposits and loan investment are increasing satisfactory and there be also improvement in the operating profit but there is heavy fluctuation in the financial position of the bank. It is due to the provision of the various rules of Nepal Rastra Bank and due to change in the management in the short period for the many times.

From the overall analysis the liquidity position of the NCCB in the five year period is satisfactory, collection of deposit, investment in loan and advance is also satisfactory. Due to systematic credit policy interest earned from loan and advance is good but bank is not able to invest in profitable sector other than loan and advance. Financial resource investment of the bank assets is not satisfactory and net profit of the bank is not satisfactory though there is improvement in the profit earning than year 2002 in which the profit is negative of Rs.(397.1)million the negative profit shows that the bank has just done the job of paying interest and has not mobilized the deposit.

Amatya S. (2005), in his study entitled, "A Study Of Financial Performance Of Standard Chartered Bank Ltd.", concluded this study with the basic objectives of the examining the financial performance of SCBNL as

(1) To analyze liquidity, leverage, activity, profitability and ownership ratios of the bank.

(2) To study the income and expenditure statement of bank.

(3) To analyze the bankruptcy score of the bank.

Based on the analysis of data his major findings are-

Liquidity Ratio: The current ratio of the bank over the ten years period is 1.13 on an average. The liquidity position in terms of current ratio of SCBNL is in normal standard .The loan and advance disbursement with respect to the current assets is satisfactory. The bank is maintaining its cash reserve as per the central bank directives. The bank investment of the fund is high. Overall the liquidity position of SCBNL is good and bank is able to meet its short term obligations.

Activity ratio: The bank is mobilizing its total deposit in loans and advances satisfactorily for income generating purpose .The activity ratio of the SCBNL indicates that the bank has utilized its resources in a best way to maximum its wealth.

Leverage ratio: The bank has high debt-equity ratio, which means the creditors have invested more in bank than owners . Shareholder's equity to total assets ratio indicates the proportion of the assets, which is financed from ownership capital of the bank. The result of the analysis indicates that 7.26% of the total assets of the bank are financed through equity capital and remaining from debt capital. The creditors have dominated in the bank's financial mix.

Profitability ratio: The result of the analysis indicates that the interest earned in comparison to the assets is quite low. The net profit earned in comparison to the total deposit is fluctuating trend. The net profit earned in comparison to total assets is quite low. The profit earning in relation with the shareholders equity of SCBNL is in better position, which exhibits the better utilization of shareholders' resources. The profitability ratio analysis of SCBNL the overall performance of the bank is effective in generating the profit and hence maximizing its wealth.

Ownership ratio: The earning per-share of SCBNL is quite good .The dividend per-share of SCBNL is satisfactory and the shareholders are being compensated with good return and the bank's dividend payout ratio is high.

Income and expenditure: The bank is generating maximum profit from the interest earning and foreign exchange. The bank is earning profit from commission and discount by providing efficient and effective services to its clients. The bank's expenditure heads are interest paid, personnel and other operating and non operating expenses. The high rate of expenditure in interest indicates the bank had collected more deposits.

Bankruptcy score: The bankruptcy score of the bank concludes that the bank has crossed the limit of bankruptcy score of 2.99 and it can be predicted that it is very remote chance of failure of bank.

2.3 Research Gap

The purpose of this research is to develop some expertise in one's area, to see what new contribution can be made and to receive some ideas, knowledge and suggestions in relation to financial performance of NCC bank. Thus, the previous studies can be ignored because they provide the foundation to the present study. In other words, there has to be continuity in research. This continuity is research is ensured by linking the present study with the past research studies. Here, it is clear that the new research cannot be found on that exact topic, i.e. financial performance: A study on NCC Bank Limited. Therefore to fulfill this gap, this research is selected. To complete this research work: many books, journals, articles and various published and unpublished dissertation are followed as guideline to make the research easier and smooth. In this regard, here we are going to analyze the different procedure of financial performance, which is considered only on NCC bank. Our main research problem is to analyze whether the NCC bank has right level of profitability and liquidity as well as is able to utilize resources effectively or not. To achieve this main objective, various financial and statistical tools are used. Therefore, this study is expected to be useful to the concerned banks as well as different persons; such as shareholders, investors, policy makers, stockbrokers, state of government etc.

CHAPTER - III

RESEARCH METHODOLOGY

3.1 Introduction

The main objectives of this study are to examine the major components of the portfolio of the balance sheet of NCCB as well as to evaluate financial performance of the bank. To achieve these objectives, the study requires an appropriate research methodology. Therefore, this chapter highlights about the methodology adopted in the process of present study.

Research means to research the problems again and again to find out something more about the problem (Fortheri,1999:10). Methodology refers the various steps that are generally adopted by a researcher in studying his research problem along with the logic behind it. Thus, research methodology is a way to systematically so we the research problem (Wolf and Pant; 1975:72).

An appropriate choice of research methodology is a difficult task, which is, must necessary to support the study in realistic term with sound empirical analysis. So that , the study uses the following research methodology like research design, population and sample, data collection procedure, methods of data analysis, methods of presentation, etc. Detail explanations of the above points are given which seems appropriate to understand methodology in detail.

3.2 Research Design

Research design is the main part of the thesis or any research work. “Research design is the plan, structure and strategy of investments conceived so as to obtain answers to research questions and to control variances”(Wolf and Pant; 1975:75).

It tends to collect the right quantum of accurate information." A research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure (Seltiz and Other; 1962:5).

The research design refers to the conceptual structure within which the research is conducted. A research design will always help in knowing successive stages. It will be a logically sequence and one after the other stages will scientifically the importance of each step in the whole scheme of things.

Research design decides the fate of the proposal and its outcome. If the design is the whole outcome and report will be faulty and undependable. Therefore, the research design is methodologically prepared. The study has used two types of research design such as Analytical research design and Descriptive research design.

An analytical research design is used to analyze the presented data and facts to be specific. In the context of NCCB, the different types of financial and statistical tools and techniques are to be used.

The descriptive research design is used to show the causes of increasing or decreasing the financial variations.

3.3 Population and Sample

Commercial banks are operating in Nepal. All the commercial bank that are operating in Nepal is considered as the population. It is not possible to study all the data related with all Joint venture banks because of the limited time period and should also taken into consideration of the partial fulfillment of the Masters degree. Thus one joint venture bank i.e. NCCB has been selected as sample for the present study from the whole population.

Population

S.No.	Names	Operation	Head Office
1	Nepal Bank Ltd.	1937/11/15	Kathmandu
2	Rastriya Banijya Bank	1966/01/23	Kathmandu
3	Agriculture Development Bank Ltd.	1968/01/02	Kathmandu
4	NABIL Bank Ltd.	1984/07/16	Kathmandu
5	Nepal Investment Bank Ltd.	1986/02/27	Kathmandu
6	Standard Chartered Bank Nepal Ltd.	1987/01/30	Kathmandu
7	Himalayan Bank Ltd.	1993/01/18	Kathmandu
8	Nepal SBI Bank Ltd.	1993/07/07	Kathmandu
9	Nepal Bangladesh Bank Ltd.	1993/06/05	Kathmandu
10	Everest Bank Ltd.	1994/10/18	Kathmandu
11	Bank of Kathmandu Ltd.	1995/03/12	Kathmandu
12	Nepal Credit and Commerce Bank Ltd.	1996/10/14	Siddharthanagar,
13	Lumbini Bank Ltd.	1998/07/17	Narayangadh,
14	Nepal Industrial & Commercial Bank Ltd.	1998/07/21	Biaratnagar,
15	Machhapuchhre Bank Ltd.	2000/10/03	Pokhara, Kaski
16	Kumari Bank Ltd.	2001/04/03	Kathmandu
17	Laxmi Bank Ltd.	2002/04/03	Birgunj, Parsa
18	Siddhartha Bank Ltd.	2002/12/24	Kathmandu
19	Global Bank Ltd.	2007/01/02	Birgunj, Parsa
20	Citizens Bank International Ltd.	2007/6/21	Kathmandu
21	Prime Bank Ltd	2007/9/24	Kathmandu
22	Sunrise Bank Ltd.	2007/10/12	Kathmandu
23	Bank of Asia Nepal Ltd.	2007/10/12	Kathmandu
24	Nepal Development Bank Ltd.	2008	Kathmandu
25	NMB Bank Ltd.	2008	Kathmandu

(Source: Banking and Financial Statistics, Mid July 2008, Nepal Rastra Bank.)

Sample

Nepal Credit and Commerce Bank Limited. (NCC Bank)

3.4 Data Collection Procedure

As the present study is being undertaken to evaluate the performance of the bank, the secondary sources of data are used in the study. The supplementary data and information are obtained from various sources like annual reports and financial statements of the bank official records, monthly bulletins of bank, various published and unpublished periodicals, magazines and dissertations, and all available reports and materials of Nepal Rastra Bank (NRB) on commercial banks. Besides bank officials of various departments were directly approached to gain required relevant information.

3.5 Method of Data Analysis

Now day's different kinds of statistical tools and financial tools are available to meet the purposes of any study or to check and analyze the facts and data. These tools may be very simple average to highly sophisticated one. In order to carry out this study, data collected from various sources have been classified and tabulated. Ratios averages and changes have been calculated to reveal the true picture of the bank's financial performance. Based on the summary and conclusions derived there from, some useful recommendations have been put forward.

For this propose collected data's are analyzed using financial tools and statistical tools.

3.5.1 Financial Tools

To evaluate the financial condition and performance of the company, the financial analyst needs data. The data frequently used is a ratio of index relating two pieces of financial data to each other. Analysis and interpretation of various ratios should give experienced and skilled analysis a better understanding of the financial condition and performances of the firm than obtained from the analysis of the financial data alone.

Ratio Analysis

Ratio analysis is the numerical relationship between any two variables of financial statements, which should serve some meaningful purpose. Ratios are expressions of logical relationships between items of the financial statements of a single period. A ratio can show a relationship between two items of the same financial statement or between the two items of the different financial statements. Ratio analysis is a tool of scanning the financial statement of the firm. They can be used to standardize reporting methods, financial statements, and other relevant variables, allowing for comparisons over time and cross sectional between firms.

1. Liquidity Ratio.

Liquidity ratios are used to judge a firm's ability to meet its short term obligations. Banking industry has its survival in its ability to create credit and its credit creation ability is dependent upon its liquidity ratio. The liquidity ratio of banking industry depends upon the banking habit of people. Where the banking practice is more prevalent, the low current ratio does not necessarily increase its liquidity risk. Therefore, it is necessary to have a proper balance between high liquidity and lack of liquidity. The ratios used in short term liquidity analysis evaluate the adequacy of the firm's cash resources relative to cash obligations.

As financial tools following five ratios have been used to find out the liquidity position of NCC Bank.

- Current Asset to Current Liabilities ratio (Current Ratio)
- Cash and Bank Balance to Current Assets
- Loan and Advance to Current Assets
- Fixed Deposit to Total Deposit
- Cash & Bank Balance to Total Deposit

2. Turnover Ratio

Turnover ratio measures the performance efficiency of an organization that whether it is using its resources properly or not. To carry out operations, a firm needs to invest in both short term and long term.

Activity ratios describe the relationship between the firm's level of operations and the assets needed to sustain the activity. Turnover ratio can also be used to forecast a firm's capital requirement. The turnover ratio analyzed in the study is:

- Loan and Advance to Total Deposit
- Total Investment to Total Deposit
- Loan and Advance to Fixed Deposit

3. Profitability Ratio

Profit is the difference between the revenues and the expenditure over a period. Profitability ratios measure the efficiency of a business enterprise. Profit is the main element that makes an organization to survive for long term. The profit measures the management ability regarding how well they have utilized their funds to generate surplus, for this following ratio has been analyzed:

- Interest Earned to Total Assets
- Interest Paid to Total Assets
- Net Profit to Total Assets
- Net profit to Total Deposit
- Earnings Per Share

3.5.2 Statistical Tools

The main statistical tools used in analyzing the data obtained are:

Measures of central tendency like mean, measures of dispersion like standard deviation, Karl Pearson's coefficient of correlation between different variables, straight line trend analysis of important variables. The Karl Pearson's coefficient of correlation is given by the following formula-

$$r = \frac{\rho\, \phi\varepsilon\, \psi\, Z\phi\varepsilon\, .\phi\psi}{\sqrt{\rho\, \phi\varepsilon^{2}\, Z(\phi\varepsilon)^{2}}\sqrt{\rho\, \phi\psi^{2}\, Z(\phi\psi)^{2}}}$$

Where,

r = The coefficient of correlation

$\phi\varepsilon\,\psi$	=	The total production of items in two series
$\phi\varepsilon$	=	The total of X series
$\phi\psi$	=	The total of Y series
$\phi\varepsilon^{2}$	=	The total of the square of items in X series
$\phi\psi^{2}$	=	The total of the square of items in Y series
N	=	The number of items.

3.6 Method of Data Presentation

The researcher has accumulated all the necessary data and financial information. Collected data for six-year period (i.e. from FY 2058/59 to FY 2063/64) are presented in tabular form. Tables are prepared to show various financial ratios of the same period. These tables are accompanied y corresponding changes, averages and standard deviations.

Some important graphical presentation is included as and when necessary. In appendix also the ratio analysis and bar diagram are stated. The appendix also included the computation table of master list of specific value chart for coefficient of correlation, averages and standard deviation. All the financial and statistical values are computed manually. Similarly, all the financial numerical values are determined under million of Nepalese rupees and expressed in a round figure. From the analysis of the financial statement, we find the financial performance and financial position of the firm.

CHAPTER - IV

PRESENTATION AND ANALYSIS OF DATA

4.1 Financial Position Analysis

It is the process of identifying the financial strength and weaknesses of a firm by properly establishing the relationship between the items of balance sheet and income statement. Parties interested in financial position analysis of a firm may be a management; creditors, shareholders and their interest may be from different angles.

4.2 Ratio Analysis

A ratio analysis is a mathematical relationship between two related items expressed in quantitative form. A ratio may be expressed in proportion, in rate or items, or in percentage. Hence, analysis of financial statement with the help of ratio may be termed as ratio analysis. It implies the process of computing, determining and presenting the relationship of items or groups of items of financial statements (i.e. income statement and balance sheep). The ratio analysis also involves the comparison and interpretation of these ratios and the use of them for future projection.

“Ratio Analysis is used to compare a firm’s financial performance and status to that of other firms or to itself overtime”(Lawrence; 1985:210-220). Ratio analysis is one of the important tools broadly used in financial position analysis of a firm. For this research study also, the ratio analysis has been taken as an important tool. Hence, various types of ratios have been calculated for the financial position analysis. The ratios which can be used for financial position analysis of a bank have been mentioned in brief bellow.

4.2.1 Liquidity Ratio

Liquidity is a pre-requisite for the very survival of a firm. The short-term creditors of the firm are interested in the short-term solvency or liquidity of a firm. But liquidity implies, from the viewpoint of utilization of the funds of the firm that funds are idle or they earn very little. A proper balance between the two contradictory requirements, i.e. liquidity ratios measures the ability of a firm to meet its short-term obligations and reflect the short-term financial strength or solvency of a firm. According to the nature of the business of the firm, various ratios may be calculated to indicate their liquidity position. Below here have been calculated some liquidity ratios which have been thought to be important to indicate the liquidity position of a bank and have been used to analyze the financial position of NCC bank Limited in terms of its liquidity.

I. Current Ratio (CR)

It is the ratio of total current assets to total current liabilities and calculated by dividing total current assets by total current liabilities. The current assets of a firm represent those assets that can, in the ordinary course of business, be converted into cash within a short period of time, normally not exceeding one year. The current assets of a bank include cash and bank balances, money at call and short notice, bills discounted and purchased, short term investment, interest receivable etc. simultaneously, the current, liabilities of a firm represent those liabilities that have short-term maturing obligations to be met, as originally contemplated, within a year. The current liabilities of a bank may include deposit under various account, bills payable, tax payable, dividend and bonus payable, interest payable, short-term loan etc.

Following table shows the current ratios of NCC Bank from

Table No. 4.1

Current Assets to Current Liabilities Ratio

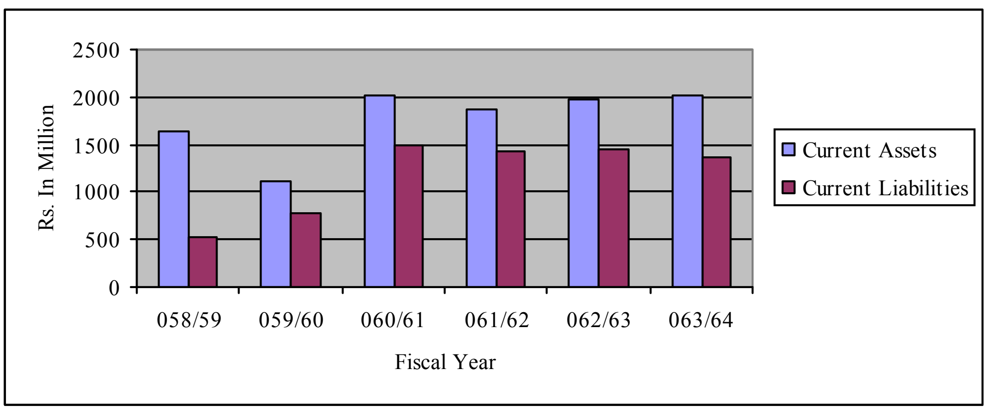
(In millions)

Fiscal Year	Current Assets	Current Liabilities	Ratio
058/59	1640.13	525.41	3.12
059/60	1115.45	775.05	1.44
060/61	2016.58	1488.98	1.35
061/62	1870.89	1420.42	1.32
062/63	1975.34	1450.24	1.36
063/64	2009.85	1368.75	1.47
Average (X)			**1.68**
Standard Deviation (σ)			**0.714**

Source: See appendix - 1

Figure 4.1

Current Assets to Current Liabilities Ratio



Above table 4.1 and figure 4.1 shows the current ratios of the NCC Bank for the period of six years, i.e. from FY 058/59 to 2063/64. The current ratio in FY 058/59 is 3.12. In FY 059/60, it has increased to 4.44, which is the highest ratio of the six years period. It has decreased to 1.35 in FY 060/61, in FY 061/62it is 1.32, in FY062/63 it is 1.36 and in FY 063/64 it is 1.47 which shows slight increment.

The CR in FY 2058/59 shows that the bank has current assets of Rs 312 to discharge the current liabilities of Rs. 100 for the year. As a conventional rule, a current ratio of 2:1 or more is considered satisfactory. This rule is based on the logic that in a worse situation, even if the value of current assets becomes half, the firm will be able to meet its obligations. If we compare above ratio with some other commercial bank i.e. Bank of Kathmandu (BOK) and NABIL, we found that in the same study period average ratio BOK is 1.05& NABIL has 0.926. Thus it can be said that CR of NCC bank is more convincing then the BOK &NABIL. Similarly if we compared standard deviation NCC bank to BOK&NABIL it is more fluctuating than BOK& NABIL because SD of NCC is 0.714 where BOK has only 0.026 & NABIL has 0.0229.

The CR represents a margin of safety for creditors. This indicates that the bank has been maintaining liquidity properly. The CR of FY 059/60 was found to be more satisfactory because the ratios are higher than its standard. In FY 060/61, 061/62, 062/63 and 063/64 the current assets exceed current liabilities, but it cannot be said as satisfactory one. This indicates that the bank has not been maintaining liquidity properly in these years.

The table4.1 shows the average of current ratios for the period to be 1.68 times. Fiscal year 2058/59,059/60 have the ratio over the average and remaining four years have below the average. The standard deviation, which is 0.714% for the period shows that there is fluctuation in current ratios for the study period.

From the table 4.1 and figure 4.1 we conclude that first two years liquidity position of the NCC bank is better than last four years. The liquidity position of the NCC Bank at the last four years is not bad but not a good position.

II. Cash and Bank Balance to Current Assets Ratio

It is the ratio of total cash and bank balance to total of current assets. Cash and bank balance are two major components of current assets. These are ready cash, which can be used anytime and anywhere according to the need of a firm. By nature, almost all the current assets of a firm remain idle or earn very little. So, there is no chance of earning from cash balance held in the business and bank balance refers to that balance which can be converted into cash at any needed time and it also generally remains idle. Hence, the cash and bank balance to current assets ratio shows what portion of total of current assets represents cash or how much from total current assets can be used as ready cash to discharge short term obligations of the bank.

Table No. 4.2
Cash and Bank Balance to Current Asset Ratio (%)

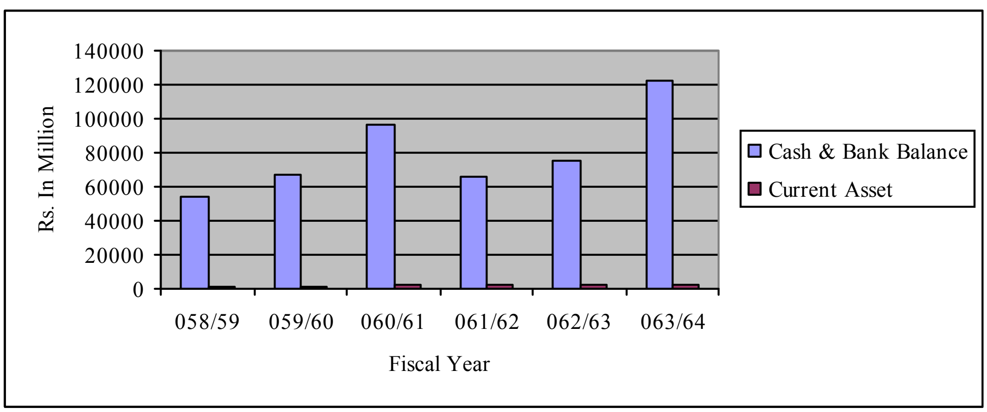
(In millions)

Fiscal Year	Cash & Bank Balance	Current Asset	Ratio
058/59	54616.33	1640.13	33.30
059/60	67027.39	1115.45	60.09
060/61	97037.83	2016.58	48.12
061/62	66266.92	1870.89	35.42
062/63	75190.40	1975.37	38.06
063/64	122239.08	2009.85	60.82
Average (X)			**45.97**
Standard Deviation (σ)			**11.24**

Source: See appendix - 2

Figure 4.2

Cash and Bank Balance to Current Asset Ratio (%)



The table 4.2 and figure 4.2 shows that out of total current assets, cash and bank balance represents 33.30 percent in FY 2058/59, which is the lowest of all during the study period. In FY 2059/60, it has increased to 60.09 percent. It has then decreased to 41.12 percent in the FY 2060/61. Followed by 35.42 percent in the year 061/62 which is the lowest during the study period. Then it shows slight increment to 38.06 in FY 062/63 and it increased to 60.82 percent in the year 063/64 which is the highest during study period.

The average of the cash and bank balance to current assets ratio is 45.97 percent. It can be said that at an average of 45.97 percent the bank is holding cash and bank balance .To keep more than 45.97 percent as cash is a positive aspect from viewpoint of liquidity but negative aspect from viewpoint of profitability. The ratio has fluctuated dramatically. The study period shows the standard deviation of 11.24 %. The average of the ratios is 45.97percent shows that the bank cash and bank balance to current assets of NCC Bank seems satisfactory. . During the same study period BOK &NABIL has the average ratio of 5.68% &8.45% respectively. These two banks seem more concerned with profitability rather than liquidity. However the SD of cash & bank balance to current asset ratio of BOK & NABIL are 14.95% and 32.21% which are less as compared to that of NCC bank.

It has shown that the bank’s performance is not consistent with the directives of the Nepal Rastra Bank regarding cash reserve ratio (CRR) i.e., 5.5% in the past years but currently it has maintained to the limit as directed (NRB Directives:2008).

III. Loan and Advances to Current Assets Ratio

It is the ratio of total of loans and advances to total of current assets. The main business of a bank is mobilization of resources. The resources/fund collected from different sources is mobilized in terms of loan and advances and by investing on various types of securities and projects. The major part of the collected fund is invested in the form of loan and advances, i.e. loan is granted to needy persons or needy sectors of the economy which is also a main business of any commercial bank. Unlike cash and bank balance, loans and advances cannot be converted into cash on the desires of the investors. Loans and advances pay interest at a certain rate. But, it's not always sure that the principal and interest of the loan and advances will be recovered in the stated time. Hence, this ratio indicates the percentage of total current asset which have been lent to the customers with a promise to be paid interest at a certain rate.

Table No. 4.3

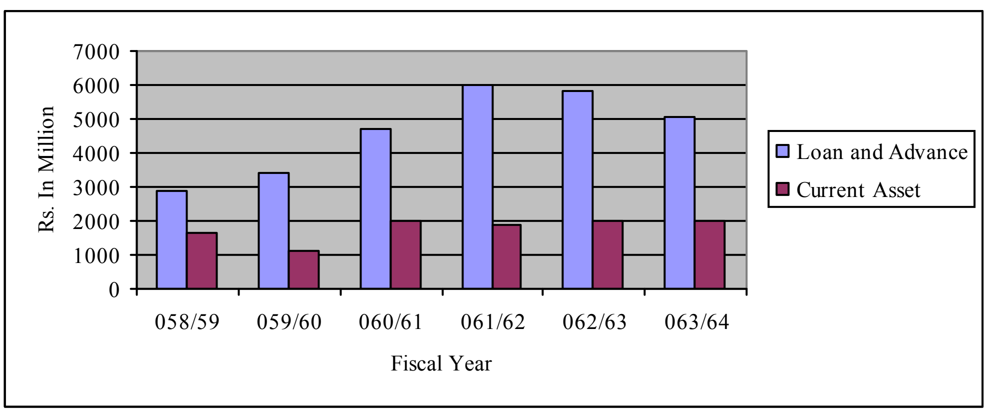
Loan and Advance to Current Asset Ratio

Fiscal Year	**Loan and Advance**	**Current Asset**	**Ratio**
058/59	2878.29	1640.13	1.75
059/60	3396.41	1115.45	3.04
060/61	4717.3	2016.58	2.34
061/62	6011.9	1870.89	3.21
062/63	5836.6	1975.37	2.95
063/64	5083.9	2009.85	2.53
Average (X)			**2.64**
Standard Deviation (σ)			**0.434**

Source: See appendix -3

Figure 4.3

Loan and Advance to Current Asset Ratio



It is clear from the table that the ratio of Loan and Advance to Current Asset has fluctuated in the six year periods. The highest of this ratio for the period is 3.04 times in FY 2059/60 and the lowest being 1.75 times in FY 2058/59. In FY

2060/61, the ratio is 2.34 times, it is 2.31,2.96 and 2.53 times in FY 2061/62, 2062/63and 2063/64 respectively. In an average, loan & advance to current asset ratio of NCC bank is 2.64times. During the study period BOK & NABIL has loan and advance to current asset ratio of 0.643 &0.647 respectively.

As already stated, loan and advances earn returns at a certain rate and to invest more amounts of resources in the portfolio yielding return at a fixed rate is always a positive aspect from view point of maximizing profit if there is no risk of recovering principal and interest from them. But, the recent trends of recovering loan have shown that a very large amount of loan has been facing difficulties to be recovered. Failure in recovering the loan has been the main reason for slow trend of profitability for the bank. From the above table and figure, it is also clear that the NCC Bank is investing higher amount in loan and advance from the funds collected in other sectors as well as from the current assets. The loan and advance is more than current assets, so we can it to be said that NCC Bank liquidity with regard to current assets is more satisfactory.

IV. Fixed Deposit to Total Deposit Ratio

It is the ratio which shows the percentage of fixed deposit on total deposit. Fixed deposit is one of the major sources of fund which bears cost at a certain rate and has certain maturity. Though termed as current liabilities, it should not be paid back before maturity. But, a serious drawback of this type of deposit is, paying of interest on this type of deposit will be an extra burden for the bank till its maturity. Hence, this ratio shows the percentage of total deposit which bears cost at a fixed rate and calculated by dividing fixed deposit by total deposit ratio for the entire period of the study.

Table No. 4.4
Fixed Deposit to Total Deposit Ratio

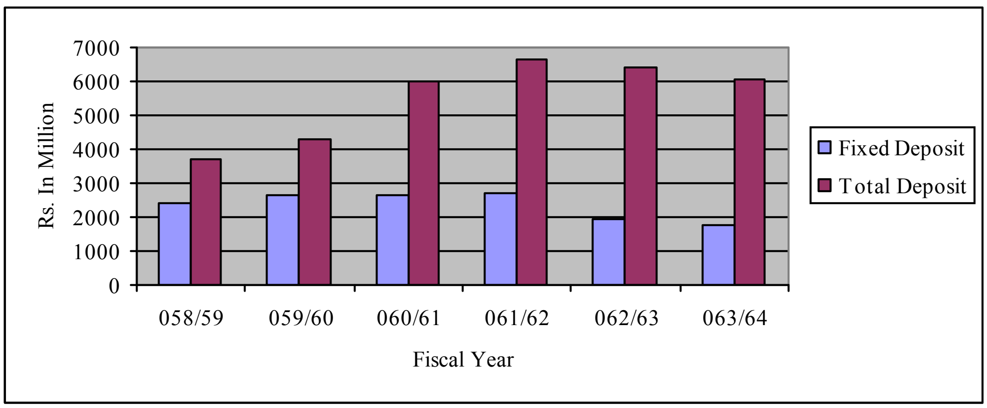
(In millions)

Fiscal Year	Fixed Deposit	Total Deposit	Ratio
058/59	2421.50	3708.97	65.29%
059/60	2622.98	4294.10	61.08%
060/61	2661.54	5987.70	44.45%
061/62	2676.49	6630.94	40.36%
062/63	1922.91	6427.70	29.92%
063/64	1736.60	6036.68	28.77%
Average (X)			**44.98%**
Standard Deviation (σ)			**14.02%**

Source: See appendix -4

Figure 4.4

Fixed Deposit to Total Deposit Ratio



The above table indicated NCC Bank's fixed deposit ratios calculated for six years i.e. from FY 2058/59 to 2063/64. During the FY 2058/59, it has accumulated Rs. 2421.50 million under fixed deposit account. It is 65.29 percent of total deposit of Rs. 3708.97 million. Similarly, in FY 2059/60 fixed deposit is 61.08 percent (2622.98 million) of total deposit Rs.4294.10 million. In these two years, the ratios are more than 60% therefore it reveals that more than sixty percent of its total deposit bears fixed charge and to hold large amount of fund bearing fixed charge is not a positive aspect from viewpoint of profitability, i.e. large amount of earning should be utilized in paying interest. In FY 2060/61 and 2061/62,062/63 and 063/64 the ratios are 44.45 ,40.36,30 and 28.9percent respectively which is below than 50%. Average of this ratio for the period is 45.01 percent and SD is 14.002

percent .The deposits accepted under account other than fixed deposit are termed as more current liabilities, i.e. they normally have no maturity and should be paid off any time or on the demand of customers. Hence, from viewpoint of liquidity greater portion of fixed deposit may be termed as favorable one.

When we compare the ratio with that BOK & NABIL, we find that fixed deposit ratio of NCC bank is higher. In an average BOK & NABIL has fixed deposit to total deposit ratio was 30.60% &17.40% respectively during the same study period. This shows BOK & NABIL are concerned more with profitability rather than liquidity.

V. Cash and Bank Balance to Total Deposit

This ratio shows the percentage of total deposit which can be immediately discharged by the bank from its ready cash. Total of the deposits is the most important source of a bank's fund. This fund should be utilized into various sectors in a profitable manner and cash and bank balances is that part of bank's fund which has not been invested anywhere with a view to generating income. Excess cash and bank balance, from viewpoint of liquidity, shows a firm's strong position and it is always harmful from viewpoint of profitability to maintain excess cash and bank balance.

Following table shows the cash and bank balance to total deposit ratio of the bank for the period of study.

Table No. 4.5

Cash and Bank Balance to Total Deposit Ratio

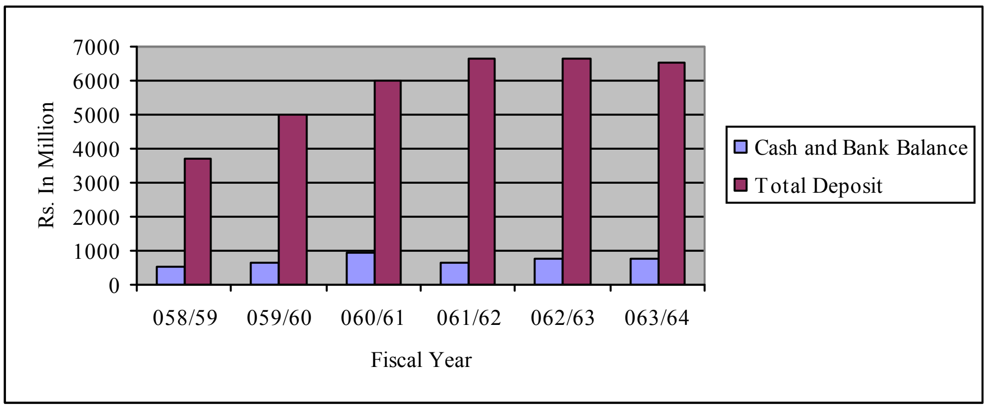
(In millions)

Fiscal Year	Cash and Bank Balance	Total Deposit	Ratio
058/59	546.09	3708.79	14.72%
059/60	670.26	4994.10	13.42%
060/61	970.38	5987.70	16.21%
061/62	662.70	6630.94	9.99%
062/63	784.00	6619.50	11.84%
063/64	756.70	6500.30	11.64%
Average (X)			**12.97%**
Standard Deviation (σ)			**2.30%**

Source: See appendix -5

Figure 4.5

Cash and Bank Balance to Total Deposit Ratio



Above table and figure shows a cash and bank balance to total deposit ratios of the bank for 6 years each. During the whole period of study FY 2060/61 shows the highest ratio. For the year, this ratio is 16.21%, which implied that 16.21% of bank's deposits are idle, or they earn very little. In FY 2058/59, this ratio is 14.72%,it has increased to 15.61% during FY 2059/60. During FY 2061/062 ratios has decreased to 9.99%, which is the lowest ratio. Then the ratio has increased to 11.8% in the year 062/63 and remained 11.6% in the fiscal year 063/64.The average ratio is 12.97% and the SD is 2.30%.During the same study period of BOK has an average cash and bank balance to total deposit ratio of 9.44% and SD 7.67%. Likewise NABIL has an average cash and bank balance to total deposit ratio of 5.69%& SD1.94%.

As stated earlier the amount of cash held in the office earns nothing and bank balance also remains idle or earns very little. Hence, remaining other things constant, less amount of cash and bank balance shows banks efficiency in mobilizing its resources and vice versa.

NCC bank's mean ratio of 12.97%with SD 2.30%shows better position of cash and bank balance in terms of liquidity but in terms of profitability in an average 12.97%cash balance has remained idle. But average figure of BOK and NABIL are 9.44% and 5.69% respectively, which shows their more concern towards profitability rather than liquidity by keeping very less amount of cash and bank balance idle.

4.2.2 Turnover Ratio

I. Loan and Advances to Total Deposit

Loan and advances is the main item of utilization of a bank's collected fund. Accepting deposits and granting of loans are the main business of any commercial and other type of bank. This ratio shows the percentage of total deposit that has been utilized on loan and advances. The collected fund must be mobilized somewhere else in the form of loans and advances or investment or in any other forms to generate income. The utilization of fund in the form of loan and advances generates income in terms of interest at a fixed rate. Mobilization of fund in the sector with a fixed rate of interest is always a positive aspect from viewpoint of profitability if there is no risk while recovering them.

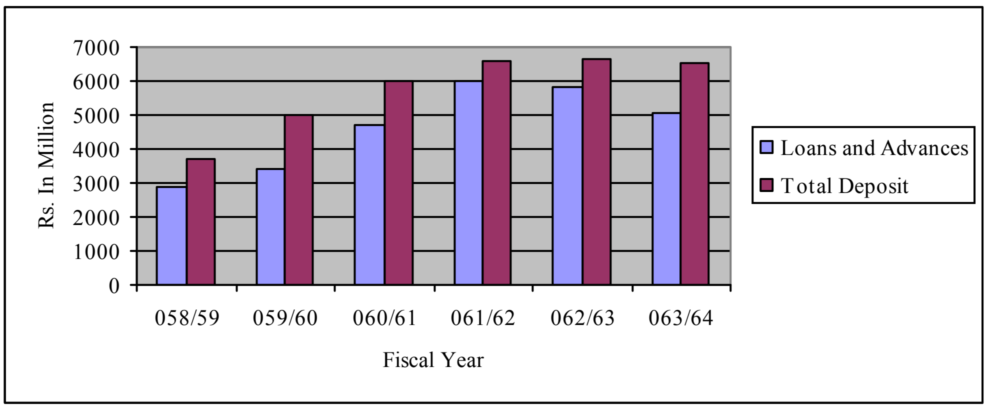
Table No. 4.6
Loans and Advances to Total Deposit

(In millions)

Fiscal Year	Loans and Advances	Total Deposit	Ratios
058/59	2878.29	3708.79	77.61%
059/60	3396.41	4994.10	68.01%
060/61	4717.30	5987.70	78.78%
061/62	6011.90	6600.94	91.08%
062/63	5836.60	6619.50	88.17%
063/64	5083.90	6500.30	78.21%
Average (X)			**80.31%**
Standard Deviation (σ)			**5.25%**

Source: See appendix -6

Figure 4.6
Loans and Advances to Total Deposit



Above table 4.6 and figure 4.6 shows the loans and advances to total deposit ratios for 6 years (2058/59 to 2063/64). There is a bit fluctuation in ratios. The ratio in FY 2058/59 is 77.60%. This is lowest ratio during the period. It is clear that loans and advances have increased every year by certain percentage in FY 059/60,which is 79.09%.in FY 061/62 the ratio between the loan and advance to total deposit ratio is 90.66% which is the highest during the study period. The loan and advance to total deposit ratio shows that the fund mobilization ratio of the bank. The average of the ratio is 82.02 percent; it means the NCC Bank mobilization of its fund 82.02 % of its total fund. The standard deviation is 5.25%.

Fund mobilization of NCC bank is more satisfactory than BOK and NABIL because it has the ratio of 80.31% where BOK has 71.55% &NABIL has only 33%. But the factor to be analyzed is that the area of investment. In the study period SD of BOK is only 3.46%and NABIL has 5.72%.

Accounting records of recent years of NCC Bank shows that large amount of loan and advances are given out. There is doubt in collecting the amount of loans and advances from the customers. It implies that fund mobilization efficiency of the bank has increased by but it may fail to recover the mobilized funds which as a consequence push back the bank towards negative profit. Along with the increased trend of percentage of loans and advances, the profitability of the bank may decrease or negatively affected.

II. Total Investment to Total Deposit Ratio

As stated earlier total deposit is the main source of a bank's fund which is the amount accepted by the bank from its customers under various accounts. The fund so collected should be utilized properly into different sectors of the economy with a view to achieve the objectives of the bank. A wise utilization of such fund results in maximization of profit. By nature, major part of the total deposit of bank's fund, which is invested on the securities, issued by governmental and non-governmental organization and on other various projects. Utilization of fund on investment has possibility of capital gain along with regular risk of not recovering investment from these sectors.

Following table shows the total investment to total deposit ratio of the bank for various years of study:

Table No. 4.7

Total Investment to Total Deposit Ratio

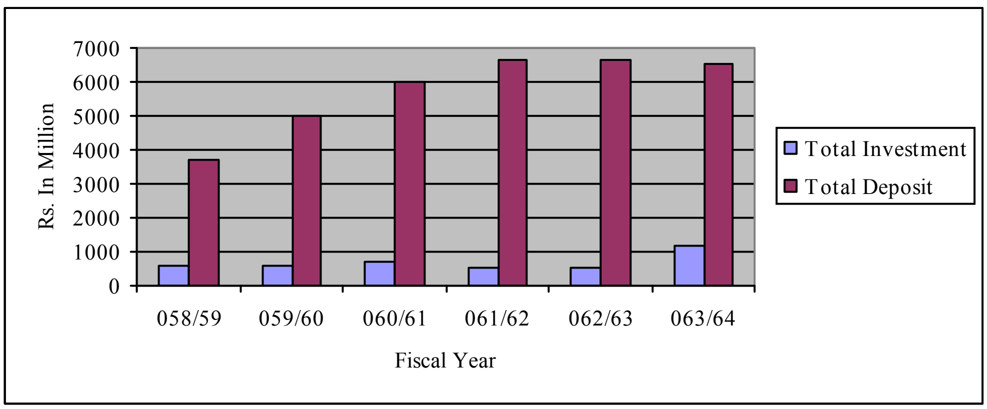
(In millions)

Fiscal Year	Total Investment	Total Deposit	Ratios
058/59	589.45	3708.79	15.89%
059/60	579.33	4994.10	11.60%
060/61	717.45	5987.70	11.98%
061/62	539.10	6630.94	8.13%
062/63	521.60	6619.50	7.88%
063/64	1155.30	6500.30	17.77%
Average (X)			**12.21%**
Standard Deviation (σ)			**3.73%**

Source: See appendix - 7

Figure 4.7

Total Investment to Total Deposit Ratio



It is noticeable in the above table and figure 4.7 that TD for the six years has increased gradually except FY 2063/64 as a result total investment has also increased. But total investment has declined continuously from FY 2058/59 to 2059/60 but increased to 717.45million in the FY060/61.In FY 063/64 total investment increased to 1155.3million which is 18% of the total deposit 6500.3 million. Though total deposit decreased in the year 063/64, total investment has increased. the ratio has become constant for the year 060/61 and 061/62.though there is change in both total investment and total deposit as well as between two FY’s 061/62 and 062/63.

This clearly reveals that the bank has not been able to invest a large amount of its deposit on various securities and projects averaging to 12.21% only. But as mentioned already, these investments bear less risk as compared to loan and advances. To decrease the ratio of investment ultimately refers to increase the ratio of loan and advances. Hence, the bank does not seem to be successful in making investment on profitable sectors other than loan and advances. Due to the recovery problems of loan and advances and year -by -year decreasing ratios of investment the profitability of the bank may be negatively affected. The investment position of the bank is not quite satisfactory during FY 2061/62 and 062/63. During FY 2058/59 and 2063/64 it may be considered good as it is more than average i.e. 12.21%.

During the same period of study, BOK and NABIL has total investment to total deposit ratio of 29.38% and 37.02% respectively, which are more higher than NCC bank. These banks have invested in more income generating projects rather than just granting loan and advance.

III. Loan and Advance to Fixed Deposit Ratio

Loan and advances is that part of bank’s investment, which generates income at a certain rate, and fixed deposit is that part of bank’s fund that bears cost at a certain rat. Hence, it is the ratio, which indicates the relationship between the investment of bank earning interest at a fixed rate and the liabilities of bank bearing interest at a certain rate. In other words, it shows the ratios of fixed returns generating investment and fixed cost bearing liabilities. The table shows the loan and advances to fixed deposit ratio of the bank from FY2058/59 to 2063/64.

Table No. 4.8

Loan and Advances to Fixed Deposit Ratio (%)

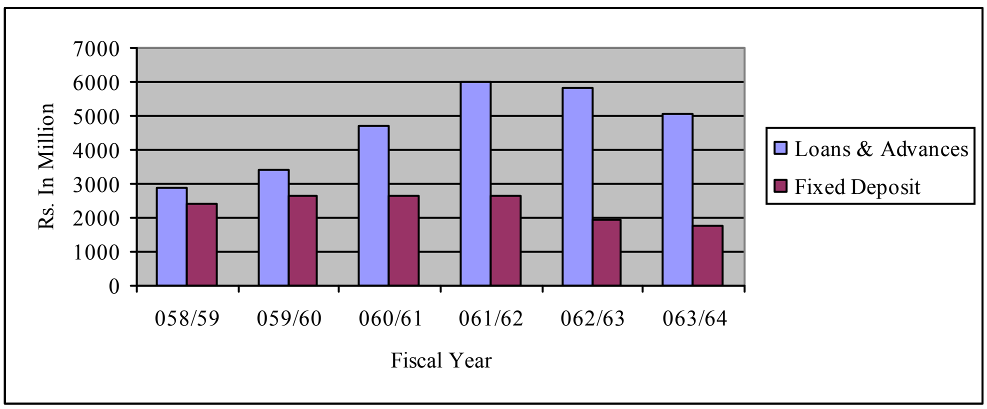
(In millions)

Fiscal Year	Loans & Advances	Fixed Deposit	Ratio
058/59	2878.29	2421.50	118.86%
059/60	3396.41	2622.96	129.49%
060/61	4717.30	2661.54	177.24%
061/62	6011.90	2671.49	225.04%
062/63	5836.60	1922.90	303.53%
063/64	5083.90	1736.60	292.75%
Average (X)			**207.82%**
Standard Deviation (σ)			**72.76%**

Source: See appendix -8

Figure 4.8

Loan and Advances to Fixed Deposit Ratio (%)



Above table and figure 4.8 shows the loans and advances to fixed deposit ratios of the bank for 6 years. The ratio has increased from year 058/59 to 062/63 and decreased in the year 063/64. The ratio in FY 2058/59, 059/60, 061/61, 061/62, 062/63 and 063/64 are 118.89, 129.49, 177.24, 224.62,304 and 293 respectably.

The average of the ratios for the study period 207.87 percent i.e. bank has invested Rs. 207.87 which generates interest at a fixed rate for the liabilities of Rs. 100

bearing cost at a fixed rate. The fluctuation in the ratios of the period has been revealed by its standard deviation 72.76 %.

If we see average loan and advance to fix deposit ratio of BOK we can find that the bank has invested Rs.261.55 which generates interest at a fixed rate for liabilities of Rs.100 bearing cost at a fixed rate. Likewise loan and advanced to fixed deposit ratio of NABIL is 369.27, which means NABIL has invested Rs 369.27 which generates interest at a fixed rate for liabilities of Rs.100 bearing cost at a fixed rate, the standard deviation of BOK and NABIL are 35.07 and 89.55 respectively.

4.2.3 Profitability Ratio

A firm should earn profits to survive and grow over a long period of time. Profits are indispensable but it would be wrong to assume that every action initiated by management of a firm should be aimed at maximizing profits, irrespective of social magnitude and responsibilities. Even then, profit plays a fundamental role to make a firm stand strong to meet its social responsibilities. Profit is the difference between revenues and expenses over a period of time. Profit is the ultimate output of a firm, and it will have no future if it fails to make sufficient profit. The profitability ratios are calculated to measure the operating efficiency of the firm. Besides the management of the firm, creditors and owners are also interested in the profitability of the firm. “Profit must be earned to sustain the operations of the business to be able to obtain funds from investors for expansion and growth and to contribute towards the social overheads for the welfare of the society" (Drucker,1966: 99-100). To measure the profitability of the NCC Bank, a number of ratios have been calculated and analyzed underneath.

I. Interest Earned to Loan & Advances

Interest is the main source of income of a Bank. Interest is earned on the loan, advances and investment made by the bank. The difference between the amount of interest earned and interest paid will be operating margin of the bank. On the other side, total assets refers to the total working fund or total utilization of fund by the bank, which is collected from various sources. Interest earned and loan and advance have a deep relationship. Table no. 4.9 shows the interest earned to the Loan & Advance of the NCC Bank for various years of the study.

Table No. 4.9

Interest Earned to Loan & Advance

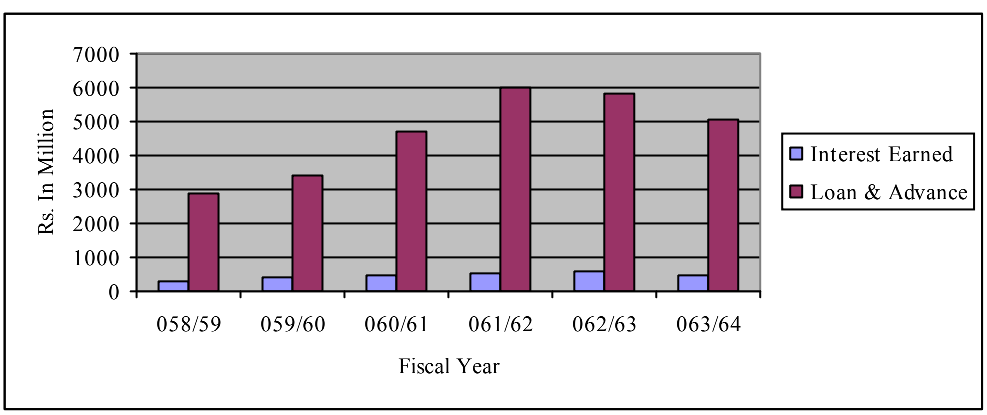
(In millions)

Fiscal Year	Interest Earned	Loan & Advance	Ratio
058/59	307.71	2878.29	10.69%
059/60	437.20	3396.41	12.87%
060/61	486.83	4717.3	10.32%
061/62	541.85	6011.9	9.02%
062/63	562.78	5836.6	9.65%
063/64	474.41	5083.9	9.33%
Average (X)			**10.31%**
Standard Deviation (σ)			**1.27%**

Source: See appendix -9

Figure 4.9

Interest Earned to Loan & Advance



Above table shows that interest on loan and advance ratio is 10.69% in FY 2058/59. It increased to 12.87% in 2059/60, which is highest among 6 years study period. Likewise in 2060/61, the ratio decreased to 10.32%. In FY 2061/62, FYs 2062/63 and FY 2063/64, the ratios are 9.02%, 9.65% and 9.33% respectively. The average of the ratio is 10.31% and SD is 1.27%. It shows that interest earning of the bank is not very good. It seems just satisfactory if we see the figures of interest paid.

As interest is the main source of income of bank, the profitability of the bank largely depends on its interest earning capacity. As already said, making loan and advances at an attractive rate of interest is not only the rationale to improve profitability. To increase and improve the profit margin, the bank should be able to earn (collect) the interest from loan, advances and investment in time. Higher interest earned to loan & advance ratio shows bank's better position. Hence, on the basis of this ratio it can be said that in FY 2059/60 the bank has earned more interest on loan & advance.

II. Interest Paid to Total Assets Ratio

If interest earned is the main source of income of a bank, interest paid is its main head of expenditures. Large amount of banks earning is utilized in paying interest to the deposits accepted by the bank under various accounts. Like interest earned, Bank's profitability also depends on interest paid. This is that type of cost of a bank, which can never be avoided. After accepting deposits, the bank must pay interest on deposits according to the existing rules and bank's commitment made at the time of accepting deposits. Instead of trying to avoid this cost, the bank should try to lessen it. The lesser interest paid to total assets ratio shows bank's better profitability position.

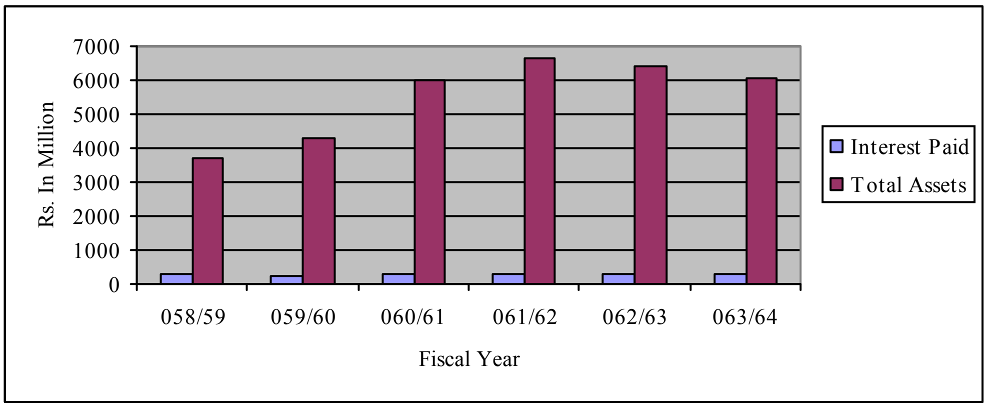
Table No. 4.10
Interest Paid to Total Asset Ratio

(In millions)

Fiscal Year	Interest Paid	Total Assets	Ratio
058/59	275.86	3708.97	7.44%
059/60	255.9	4294.1	5.96%
060/61	314.27	5987.7	5.25%
061/62	315.8	6630.94	4.76%
062/63	315.99	6427.7	4.92%
063/64	283.06	6036.68	4.69%
Average (X)			**5.50%**
Standard Deviation (σ)			**0.95%**

Source: See appendix - 10

Figure 4.10
Interest Paid to Total Asset Ratio



Above table 4.10 points out the average of the interest paid to total assets ratios for the period of six years i.e. FY 2058/59 to 2063/64 to be 5.5 percent and standard deviation to be 0.95 %. The highest ratio for the period has been observed in the FY 2058/59 when it is 7.4 percent and the lowest in the FY 2063/64 when it is 4.7 percent. During the period the ratio has decreased slowly each year except in the FY 2062/63 than previous years. There is not such a great fluctuation in the ratios, which is proved by its small standard deviation. Furthermore, the ratios of various years are not so far from their average for the period.

III. Net Profit to Total Assets Ratio

Net profit is the after tax profit of a firm, which can be utilized by the firm for its own purpose or for the benefit of owners. Total assets also termed, as working fund is the total utilization of a firm's fund. Net profit stated other way, is the reward to a firm for efficient utilization of its various assets. The net profit to total assets ratio, therefore, points out how successfully a firm has utilized its total assets. It indicates profit-earning capacity of the assets. A superior net profit to total assets ratio shows firm's better position and wise to maximize this ratio. Following table shows the net profit to total assets ratio of the bank for the period of study.

Table No. 4.11

Net Profit to Total Asset Ratio (%)

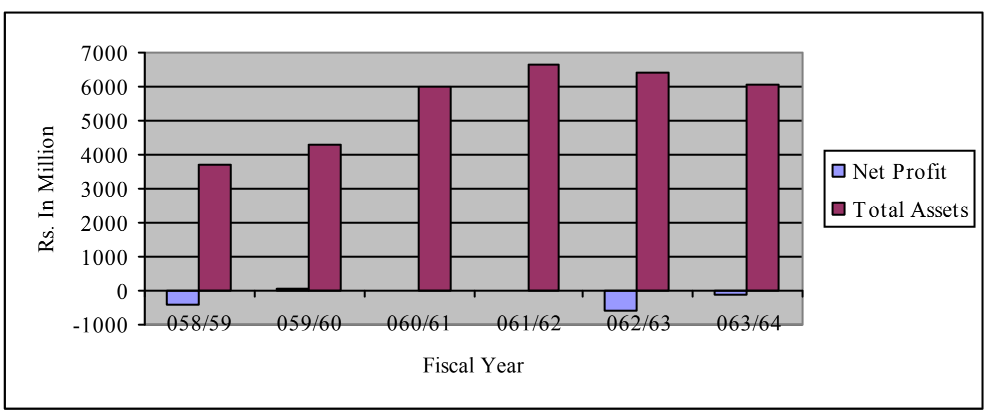
(In millions)

Fiscal Year	Net Profit	Total Assets	Ratios
058/59	-397.18	3708.97	-10.71%
059/60	81.80	4294.10	1.90%
060/61	3.41	5987.70	0.06%
061/62	-5.16	6630.94	-0.08%
062/63	-569.75	6427.70	-8.86%
063/64	-115.93	6036.68	-1.92%
Average (X)			**-3.27%**
Standard Deviation (σ)			**4.812%**

Source: See appendix - 11

Figure 4.11

Net Profit to Total Asset Ratio (%)



Above table 4.11 and figure 4.11 shows the profitability of NCC Bank throughout the period of study. The highest net profit to total assets ratio for the whole period is 1.9percent in FY2059/60. It means the bank has earned maximum of only 1.90 percent on its total assets during the period of study. The least of this ratio throughout the study period is negative 10.7 percent in FY 2058/59. There has also been negative ratio in FY 2061/62,062/63,063/64. Here, simply we can say that return to owner and utilizing of fund of NCC bank is negative where BOK and NABIL has positive ratio of 2.402, 5.014 respectively. In comparison three of the bank NCC, BOK and NABIL return to owner or share holder NABIL bank has high ratio. it shows that NABIL bank distributes more return to their share holders

The study points out average of the ratios to be negative 3.27 percent i.e. at an average; the bank has been earning negative profit 3.27 percent on its total working fund or total assets during the study period. The standard deviation is 4.817 %. Therefore the bank's profitability ratio with the total assets is bad position.

IV. Net Profit to Total Deposit Ratio

The sum of deposits accepted by the bank under various accounts is termed as total deposit. According to the terms and condition of the deposit, the bank should pay interest on these deposits. The deposits so accepted are mobilized by the bank into various sectors in the form of investment, loan and advances from which it generates earnings in the form of interest or other. The difference between the interest received and paid by the bank is its profit. Hence, if defined in other ways, net profit is a reward to the bank for efficient mobilization of its total deposit. So, it would also be reasonable, meaningful and important from every angle to show the relationship between the net profit and total deposit for which the net profit to total deposit ratio has been calculated in the following table.

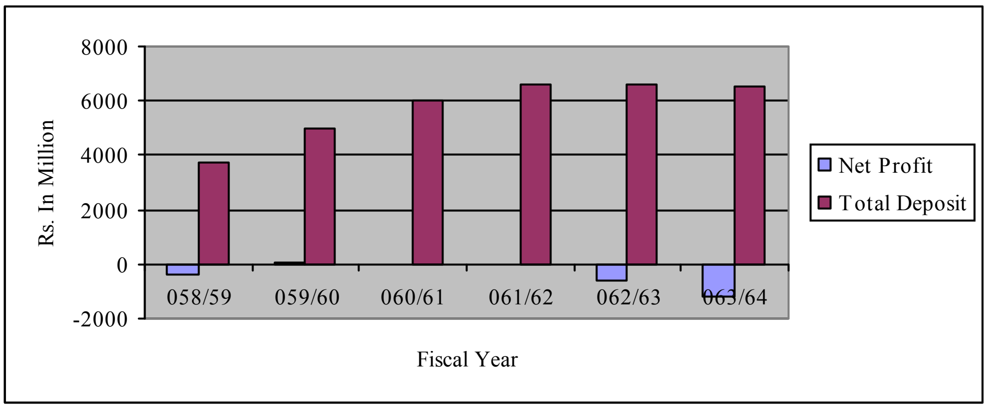
Table No.4.12
Net Profit to Total Deposit Ratio

(In millions)

Fiscal Year	Net Profit	Total Deposit	Ratios
058/59	-397.18	3708.79	-10.71%
059/60	81.80	4994.10	1.64%
060/61	3.41	5987.70	0.06%
061/62	-5.16	6630.94	-0.08%
062/63	-569.75	6619.50	-8.61%
063/64	-1159.28	6500.30	-17.83%
Average (X)			**-5.92%**
Standard Deviation (σ)			**6.48%**

Source: See appendix - 12

Figure 4.12
Net Profit to Total Deposit Ratio



The above table and figure 4.12 indicates Net Profit to total deposit ratio for six years. As it is clear that there are high fluctuations in ratios. There are negative ratios of 10.709%, 0.078%, 8.6% and 17.8% in FY 2058/59, FY 2061/62,062/63 and 063/64 respectively. The highest ratio is 1.905% in FY 2059/60 followed by 0.057% in the year 060/61. In FY 2058/59,061/62,062/63 and FY 2063/64 the bank has not been able to mobilize the deposits. It has just been just paying interest to the deposited amount except the FY 2059/60and 2060/61. The average ratio for the 6 years period is negative 5.871% and standard deviation is 6.48%.

The net profit increased and decreased in during the period differently. But the total deposits are continuously increased from FY 2062/63 and 063/64. Therefore we are saying that the bank has not able to mobilize the increasing deposit for income generating position. It's due to increase in the cost of the fund as there has been interest paid to more than 90% total deposits.(NRB Directives:2063).

V. Total Deposit to Net worth Ratio

Total deposit of a bank represents total of deposits accepted by the bank under various accounts and net worth is the claim of shareholders on total assets of the bank or it is that part of total sources of fund which have been invested by owners in the bank. Hence, this ratio indicates the proportion of total deposit and shareholders' fund in the total sources of fund of the bank. There is no doubt that in addition to share capital, deposit collected from customers is the main sources of fund of any commercial bank which also represent the largest portion of total sources. So, they said ratio shows the percentage of total deposit accepted by the bank on total of net worth. Table No. 15 below shows the total deposit to net worth ratios of NCC Bank for the whole period of study.

Table No. 4.13
Total Deposit to Net worth Ratio (%)

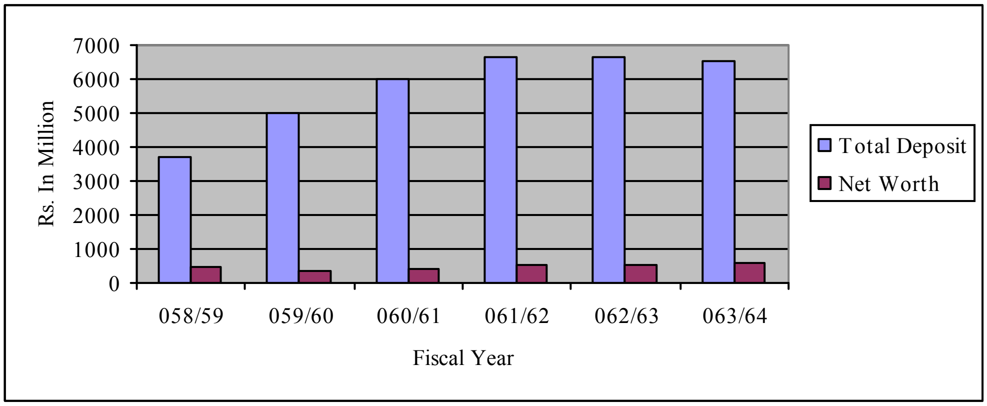
(In millions)

Fiscal Year	Total Deposit	Net Worth	Ratios
058/59	3708.79	493.03	752%
059/60	4994.16	331.13	1508%
060/61	5987.70	401.16	1493%
061/62	6630.94	506.53	1309%
062/63	6619.50	545.84	1213%
063/64	6500.30	578.48	1124%
Average (X)			**1233.09%**
Standard Deviation (σ)			**231.37%**

Source: See appendix - 13

Figure 4.13

Total Deposit to Net worth Ratio (%)



The above table and figure 4.13 shows the total deposit to net worth ratio, their average and standard deviation. The average of the ratios for the period is 1233.08% which means during the period the bank has accepted, at an average, 1233.08% of total net worth as deposit. In other words, for each Rs. 1 of net worth the bank has Rs.12.3308 in the form of deposit i.e. in the net worth is Rs.1. Generally, a high total deposit to net worth ratio is not considered to be the good one. A high ratio of this type shows higher claim of outsider on the assets of the firm. But if the deposit is mobilized productively, a high ratio can also be said as good one. The standard deviation of 231.37 % indicates that, at an average there is a deviation of 231.37 % each year in the ratios.

It is clear that the ratio for FY 2058/59 was 752.20%. It has decreased to 1508.2% in FY 2059/60.then it decreased to 1492.60 in the year 060/61.it gradually decreased to 1309.1 in the year 061/62, to 1212.7 in the year 062/63 and 1123.7 in the FY 063/64. The highest ratio is 1508.2% in FY 2059/60 during the period and lowest ratio is 752.20% in FY 2058/59.

4.3 Statistical Tools

Under this heading some statistical tools such as coefficient of correlation analysis between different variables, trend analysis of deposit, loan and advances, net profit and EPS are used to achieve the objective of the study.

Coefficient of correlation Analysis:

Correlation analysis is the statistical tools generally used to describe the degree to which one variable is related to another. In other words correlation is defined as the relationship between the one dependent variable and one or more independent variables. But it does not tell anything about cause and effect relationship it only shows the relationship between two variables is may be positive or negative. If both variable and increase or decrease in the other variables in the same direction, then the two variables is positive correlated otherwise negative. Under this chapter Karl Pearson's Coefficient of Correlation is used to find out the relationship between (i) Deposits and Loan & Advance (ii) Deposit and Total Investment and (iii) Net Profit and Total Deposit and also the determination of coefficient which is square of correlation coefficient. Similarly, probability error of the correlation coefficient is applicable for the measurement of reliability of the computed value of the correlation coefficient, 'r'. The probability error (P.E.) is defined by,

$$\text{P.E.} X 0.6745 \mid \frac{1 - r^2}{\sqrt{n}}$$

Where,

r^2 = determination of coefficient

n = Number of observation

I. Coefficient of correlation between total deposit and Loan & advances.

Deposits have played a very important role in performance of a commercial bank and similarly loan and advances are important to mobile the collected deposits.

Coefficient of correlation between deposit and loan and advances measures the degree of relationship between their two variables.

In this analysis, deposit is independent variable (X) and Loan & advances is dependent variables (Y). The main objective of computing ‘r’ between these two variables is to justify whether deposits are significantly used on loan & advances in a proper way or not. The following table shows the value of ‘r’, r2 probable Error (P.E.) and 6 P.E. Between deposit and loan & advances for the study period FY 2058/59 to 2063/64.

Table No. 4.14

Correlation between Total Deposit and Loan & advances

	Evaluation Criterions		
r	r^2	P.E.	6 P.E.
0.30249	0.0915	0.2501	1.501

(The detail of calculation is in appendix -14)

The above table 4.14 shows that coefficient of correlation between deposit and loan & advances is 0.30249, which shows low degree of positive correlation between these two variables. Similarly the value of coefficient of determination (r^2) is to be found 0.0915, which shows that 9.15% in the dependent variable has been explained by the independent variable. More over by application of P.E. i.e. 0.0521, which means the relation between deposit and loans & advances is insignificant. In other words NCC Bank is successful to mobilize its fund in proper way in loan & advances. Similarly considering the value of (r) i.e. 0.30249 and comparing it with 6 P.E., i.e. 1.501%, we can say that the value of r is less than 6 P.E., which reveals that there is insignificant relationship between deposit and loan and advances. The correlation ‘r’ between deposit and loan and advances of BOK Ltd is 0.9793 which is highly correlated. The coefficient of determination r^2 is

0.9590 and it means 95.90% of variation in the dependent variable. The value of P.Er is 0.0124 and 6P.Er is 0.0744. The value of r is greater than 6P.Er. It means that there is significant relationship between deposit and loan and advances.

In case of NABIL, the coefficient ‘r’ between deposit and loan and advances is 0.9672 which indicates high degree of positive correlation between the two variables. The coefficient of determination ‘r^2’ is 0.9355, which shows 93.55% variation in dependent variable. The value of P.Er is 0.0195 and 6P.Er is 0.117. The value of r is greater than the value of P.Er. So there is significant relationship between total deposit and loan and advances of NABIL.BOK and NABIL are more successful to mobilize their deposit on loan and advance, because ‘r’ of BOK and NABIL are higher than that of NCC bank.

II. Coefficient of correlation between total deposit and total investment.

Coefficient of correlation ‘r’ between Total deposit and total investment measure the degree of relation between these two variables. Here deposit is independent variable (X) and total investment is dependent variable (Y) the purpose of computing co-efficient of correlations between deposit and total investments to find whether deposit is significant used as the investment or not.

The following table shows the variable of r, (r^2), P.E. and 6 P.E. Between deposit and total investment for the study period FY 2058/59 to 2063/64.

Table No. 4.15

Correlation between Total Deposit and Total Investment.

	Evaluation Criterions		
r	r^2	P.E.	6 P.E.
0.0483	0.00233	0.2747	1.6483

(The detail of calculation is in appendix- 15)

From the above table 4.15, we find that coefficient of correlation between deposits (independent) and total investment (dependent) value of r is 0.0483. It shows positive relationship between two variables however by application of coefficient of determination the value of (r^2) is 0.00233, which indicates that less than 1% of the variation of the dependent variable (total investment) has been explained by the independent variable (deposits). It is not only less explained but can be said insignificant relation between the two. Moreover by considering the probable error since the value of 'r', i.e. 0.0483 is less than six times of P.E., i.e. 1.6483. So we can say that there is insignificant relationship between total deposit and total investments. Lastly it can be said that the bank has not followed the policy of maximizing the investment of their deposits. In case of BOK the value of 'r' is 0.8524; which means it has high degree of positive correlation between deposit and total investment. The coefficient of determination 'r^2' is 0.7266 that is 72.66%, the variation of dependent variable. The P.Er and 6P.Er are 0.825 and 0.4948 respectively. The coefficient of correlation is higher than 6 times probable error. This shows that the value of r is significant. NCC doesn't seem successful to utilize their deposit in total investment as compared to BOK and NABIL.

III. Coefficient of correlation between Net profit and total assets

Net profit play important role in any organization for its survival for long period of time. Profit can be earned by investing the total deposit in the productive sectors. So total deposit is the main sources of fund collected of the bank when there is increase in the total deposit, there is increase in the current assets of the banks. Coefficient of correlation relationship between net profit and total assets measure the degree of two variables. In this analysis Net profit is independent variable (X) and total assets is dependent variable (Y). The main objective of this analysis is to find out whether the total assets are invested in proper way to earn profit or not.

The table 4.15 shows the variable of r, r^2, P.E. and 6P.E. between net profit and total assets for the study period FY 2058/59 to 2063/64.

Table No. 4.16

Correlation between Net profit and total assets

Evaluation criterions			
r	r^2	P.E.	6P.E.
0.2037	0.0414	0.2640	1.5840

(The detail of calculation in appendix-16)

From the above table 4.16, we find the coefficient of correlation between net profit (independent) and total assets (dependent) value of (r) is 0.2037.It shows positive relationship between two variables, however by application of coefficient of determination of value of r^2 is 0.0414, which indicates that the 4.14 percent of the variation of the dependent variable (total assets) has been explained by the independent variable (Net profit). Moreover by considering the probable error since the value of (r) i.e. 0.2037 is less than six times of P.E. i.e.1.5840. So we can say that there is no significant relationship between Net profit and total assets. Lastly it can be said that the bank has not invested the total assets in profitable sectors.

Trend Analysis and projection for next five years.

The measurement used in financial management analysis may be classified into two groups those who measure in the relation among the items. Insight set of statements, and those who measure the analysis in these items in successive statement. The first is a static analysis measuring position at a point of time of for a period and the second is a dynamic analysis, measuring changes of position. Both types of analysis are necessary for a comprehensive interpretation, since it is important to know not only the proportion as one certain date but also the trends on the enterprise.

Trend analysis is a set of observations taken at specified times usually at equal intervals. Some of the utilities are as follows:

- It helps in understanding the past behavior of the variable (or data). By observing past behavior data, one can easily observe in his sales or prices what changes had taken place in the past and what were their causes.
- It helps to predict or estimate (or forecast) the behavior of the data in future which is very essential for business planning.
- It helps to compare changes in the values of different phenomenon at different times or places etc.
- It helps to compare the actual current performance of accomplishment with expected ones (on the basis of the past performances) and analysis the causes of such variations.

The segregation and study of various components is of paramount importance to a businessman in the planning of future operation and in the formation of executive and policy decisions.

Here, in this study the trend analysis of the financial condition are presented which is objected to provide the insight of the bank position.
In this study, the method of lease square is used for the analysis of the NCC Bank bank's total deposit trend, net profit trend, loan & advances and EPS trend.

- The projections are based on the following assumptions:
- The main assumption is that other things being will remain constant.
- The bank will run in the present position.
- The economy will remain in the present stage.
- The forecast will be true only when the limitation of lease square method is carried out.
- NRB will not change its guidelines to commercial banks.

I. Trend Analysis of Total Deposit.

Under this topic, an effort has been made to calculate the trend value of deposit for six years from FY 2058/59 and forecast for next five years till next FY 2068/069. The following Table shows the trend value of 11 years from 2058/59 to2068/69.

Table No. 4.17
Trend Value of Total Deposit

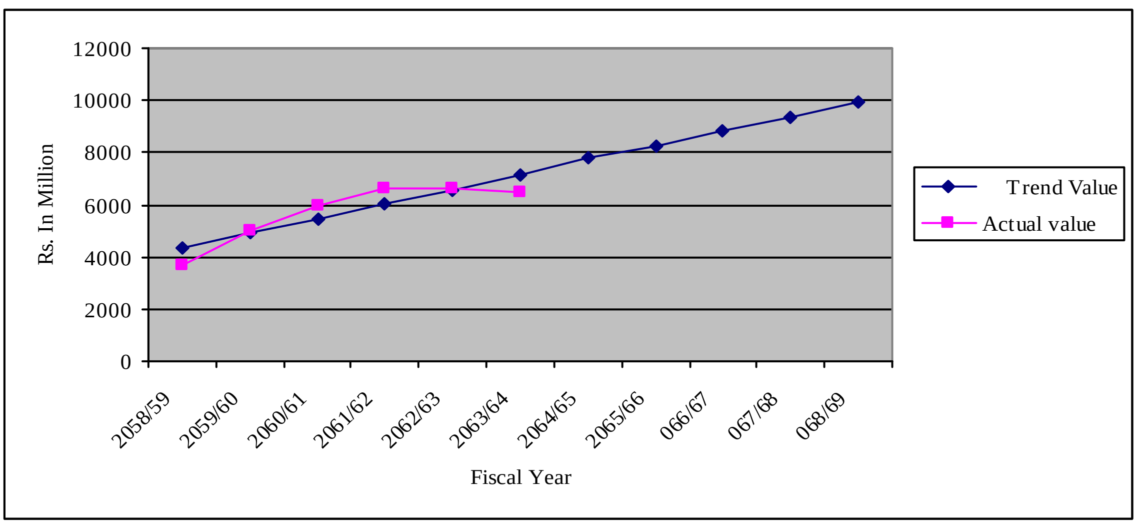
(Rs. In millions)

Fiscal Year	Trend Value	Actual value
2058/59	4349.29	3708.97
2059/60	4905.69	4994.10
2060/61	5462.09	5987.70
2061/62	6018.49	6630.94
2062/63	6574.89	6619.50
2063/64	7131.29	6500.30
2064/65	7787.86	
2065/66	8244.31	
066/67	8800.77	
067/68	9357.22	
068/69	9913.66	

(The details for the calculation are given in appendix- 17)

Figure 4.14

Trend Value of Total Deposit



(A.V. = Actual Value, T.V. = Trend Value)

From the above tables and figure 4.14 we can calculate that the total deposit of NCC Bank has been increasing by 556.45 million every year. But deposit increasing percent is decreased every year. According to the above trend analysis and from growth rate it can be calculated that the NCC Bank's deposit collection position is good. If the bank utilized its increasing deposit its financial position will be better.

II. Trend Analysis of Net Profit

Under this topic the trend values of net profit have been calculated for six years from FY 2058/59 to 2063/64 and the forecast for next five years up to 2064/65 to 2068/69.

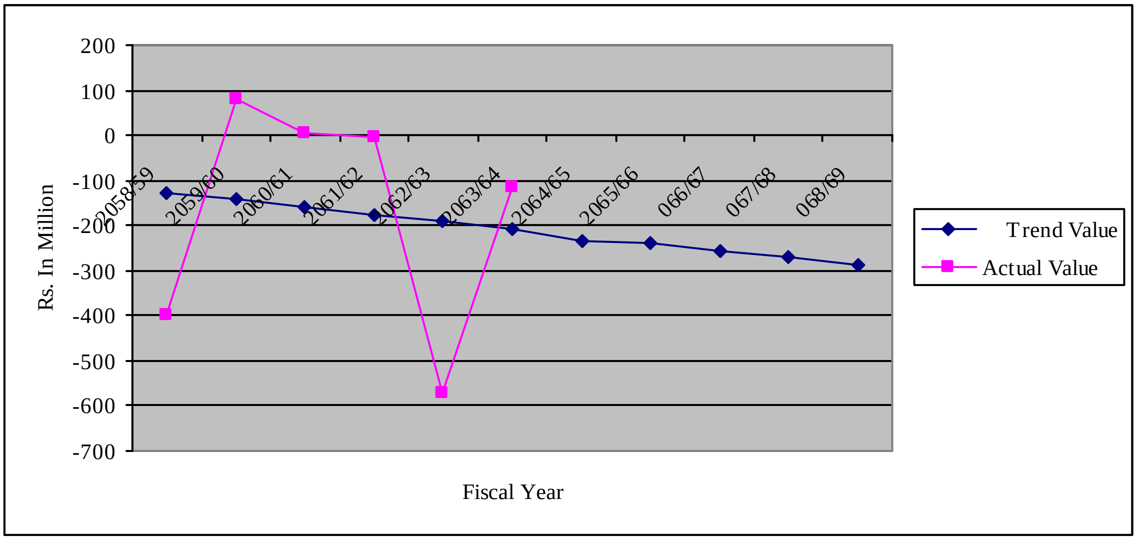
Table No. 4.18
Trend value of Net Profit

(Rs. In millions)

Fiscal Year	Trend Value	Actual Value
2058/59	-127.33	-397.18
2059/60	-143.25	81.80
2060/61	-159.17	3.14
2061/62	-175.09	-5.16
2062/63	-191.01	-569.75
2063/64	-206.93	-115.92
2064/65	-235.72	
2065/66	-238.77	
066/67	-254.69	
067/68	-270.61	
068/69	-286.53	

(The details for the calculation are given in appendix- 18)

Figure 4.15
Trend value of Net Profit



(A.V. = Actual Value, T.V. = Trend Value)

From the above tables and figure 4.15 we can calculate that the Net profit of NCC Bank has been negative profit from the FY 2058/59 to 2068/69. From FY 2058/059 the Net profit is decreasing by 15.92 million. According to the above trend analysis and from growth rate it can be calculated that the bank's Net profit position is not seem to be satisfactory.

III. Trend Analysis of Loan & Advance

Under this topic the trend values of Loan & advances have been calculated for six years from FY 2058/59 to 2063/64 and the forecast for next five years up to 2064/65 to 2068/69.

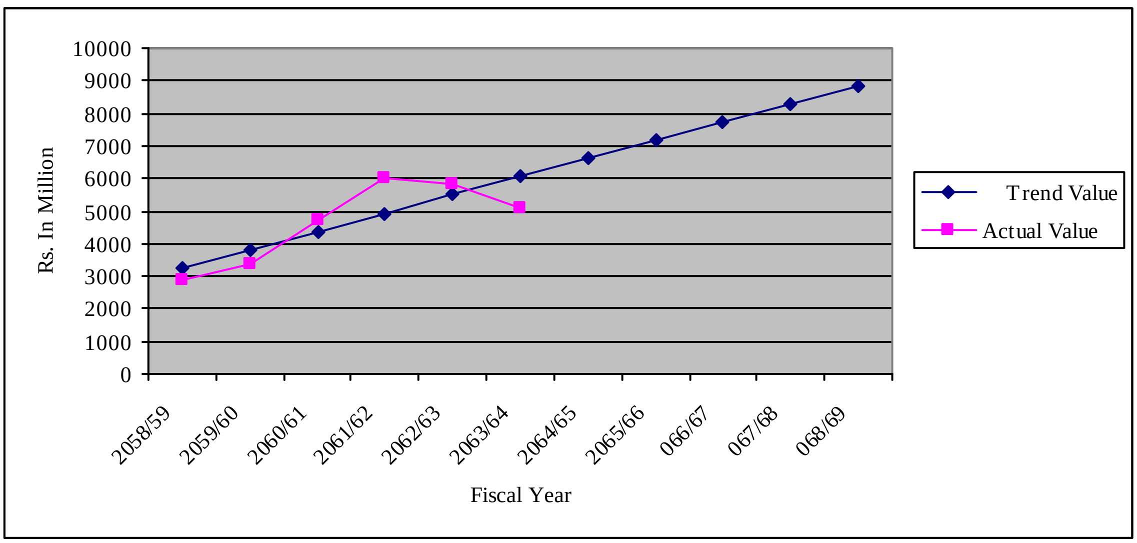
Table No. 4.19
Trend value of Loan & Advance

(Rs. In millions)

Fiscal Year	Trend Value	Actual Value
2058/59	3250.98	2878.29
2059/60	3812.22	3396.41
2060/61	4373.45	4717.30
2061/62	4934.68	6011.90
2062/63	5495.92	5836.60
2063/64	6057.16	5083.90
2064/65	6618.39	
2065/66	7179.62	
066/67	7740.85	
067/68	8302.09	
068/69	8863.26	

(The details for the calculation are given in appendix- 19)

Figure 4.16
Trend value of Loan & Advance



(A.V. = Actual Value, T.V. = Trend Value)

From the above tables and figure 4.16 we can calculate that the loan & advance of NCC Bank has been increasing by 561.234 million every year. According to above trend analysis and from growth rate it can be said that the bank's loan & advance position is to be satisfactory.

IV. Trend Analysis of Earning per Share

Under this topic the trend values of Earning per Share have been calculated for six years from FY 2058/59 to 2063/64 and the forecast for next five years up to 2064/65 to 2068/69.

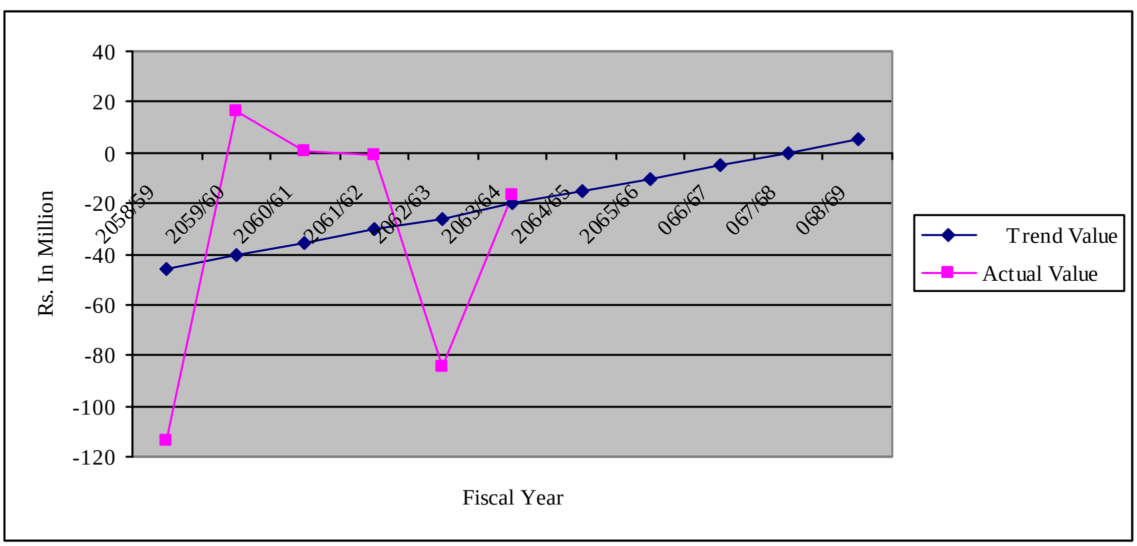
Table No. 4.20
Trend Value of Earning per Share

(Rs. In millions)

Fiscal Year	Trend Value	Actual Value
2058/59	-45.85	-113.48
2059/60	-40.73	16.69
2060/61	-35.62	0.49
2061/62	-30.51	-0.74
2062/63	-25.93	-84.77
2063/64	-20.28	-16.56
2064/65	-15.16	
2065/66	-10.05	
066/67	-4.94	
067/68	0.18	
068/69	5.29	

(The details for the calculation are given in appendix- 20)

Figure 4.17
Trend Value of Earning per Share



(A.V. = Actual Value, T.V. = Trend Value)

From the above tables and figure 4.17 we can calculate that the earning per share of the NCC Bank has been -45.847 in FY 2058/59 and it is decreasing every year by 5.144 million to-4.935 in FY 066/67. From the FY 2067/068 the EPS is increasing positively. According to the above trend analysis and from growth rate the bank's EPS position is not satisfactory.

4.4 Major Findings of the Study

From the above data analysis based the researcher found that the main findings areas are as follows:

Liquidity Ratio: It is found that the bank is able to maintain liquidity position to meet the daily cash requirement or meet its short-term obligations.

Turnover Ratio: The researcher found that bank has strong position regarding the mobilization of total deposit as loan and advances. The bank has not been able to make investment on various securities and profitable projects sectors as this investment bear less risk as compared to loan and advance. Hence, the bank does not seem to be successful in making investment in profitable sectors other than loan and advances.

Profitability Ratio: Regarding the profitability of the bank, the researcher found that

Operating efficiency of the bank is not fair enough.

- The bank has utilized its assets fully to generate more interest earning. But the decreasing trend of interest earned to total assets ratio revealed that the bank is unable to collect more interest from loan & advances and other investments.
- Interest earned to total assets ratio is higher than interest paid to total assets ratio .The net earnings of the bank from the interest is 2.64%. This position shows that it cannot be considered good. The bank must have adequate

deposit for loan and advance or make investment. These investment bears less risk but is not profitable

- From the analysis of net profit to total assets, it is found that the bank is not able to earn satisfactory income from the utilizing its assets. Improvement is very necessary in the bank.
- The bank has been paying interest to the deposited amount and has not been able to mobilize the deposits to its fullest to generate more income.
- The share of fixed deposit is high in the total deposit which means that the bank spend highest amount from its income to the interest.
- Market value per share is main indicator of measured the firm's profitability position. In the FY 2061/62 the bank's market value per share was Rs. 120 and P/E ratio is 162.16. But the market value per share is decreased to Rs. 94 in Ashad 32, 2063. The market price per share of the NCC Bank is not fair enough.
- The image of a firm is its outlook or appearance seen by others. In other words it can be said as a good-will of the firm. The image of the bank is measured with profitability ratio, net profit earning position, earning per share and market value of the share. From these facts and figure one can find out that the profitability ratio, net profit earning, EPS and market value of the share indicate the firm's unsatisfactory situation.

CHAPTER - V

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Summary

Commercial Banks are established to improve people's economic welfare and facility, to provide loan to the agriculture, industry and commerce and to offer banking services to the people and the country. The modern banking system that we have today has passed the several stages before reaching the present stage. Because of the liberal economic policy adopted by the Nepalese Government a number of commercial banks are operating today in Nepal. There are altogether 18 commercial Banks licensed and their branches including agricultural bank doing the commercial functions are 437 banks operating in Nepal. Among various commercial banks established in Nepal, Nepal Credit and Commerce Bank Limited is one of them.

Nepal Credit and Commerce Bank Limited which started operating from 14th October 1996 has been established with the objective of extending professionalized banking services to various sections of the society in the kingdom of Nepal and thereby contributes to the economic development of the country. NCC Bank has been promoted by well established business/industrial house of Nepal as a joint venture with Bank of Ceylon Sri Lank as a name of Nepal Bank of Ceylon. The name of the bank has been changed to Nepal Credit and Commerce Bank Limited on 10th September 2002.

In the past financial performance of the bank is remarkably good but in present due to various reasons and factors affecting the bank so it is not able to utilize and mobilize its funds properly. The thesis covers the financial performance analysis of NCC Bank and is prepared with the objective of finding out whether NCC Bank is able to maintain its liquidity position and profitability or not. To fulfill the objective of the research basically secondary data are used in which includes annual report, balance sheet, income statement, NRB report, and articles etc, in the primary data personal meeting with the staff of the NCC Bank has been conducted. To have the study regarding NCC Bank, data have been basically obtained from secondary sources. The main sources are annual report, articles, newspapers, and so on. Only limited primary data were used.

For the procedure of analysis ratio, average and standard deviation of the ratios for the six year period is used in which bar diagrams, tables and graphs were used to obtain a clear performance of the bank, the ratios are expressed in percentage and summary are given below.

The average current Ratio of NCC Bank is below the standard. The CR is over the standard in FY 2058/59 to FY 2059/60 and it is below next three years. The average CR is 1.68 times which shows that the bank has current assets of Rs. 168 to discharge the current liabilities of Rs.100 for the study period. The standard of CR is 2:1, current assets to current liabilities. This indicates that the bank has not been maintaining liquidity properly one. The average of the ratio is 1.68; this indicates that the bank has not been maintaining liquidity properly.

Cash and Bank balance to Current Asset Ratio has fluctuation. The highest ratio of all during the study period is 60.82 percent in FY 2063/064 and lowest is 33.30 percent in FY 2058/59. The average of the ratio is 11.24 percent. It can be said that at an average of 11.24 percent the bank is holding cash and bank balance.

Loans and Advance to current assets ratio has a bit fluctuation. The average of the ratio is 149.3 percent and the highest ratio is 304percent in FY 2059/060. All the study period years the loan & advance to current assets are more than 100 percent. So it indicates that the bank's fund mobilization position is more satisfactory. But due to the investment ratio of government securities is high, so there is low earning profit due to less risk and low interest.

Fixed Deposit to Total Deposit ratio is in decreasing trend. The highest of all is 65.29 percent in FY 2058/59 and the lowest of all is 28.9 percent in FY 2063/064. In the first two years, the ratios are more than 50 percent, therefore it reveals that more than half of its total deposit bears fixed charge and to hold large amount of fund bearing fixed charge is not a positive aspect from viewpoint of profitability but it is favorable one from viewpoint of liquidity.

During the whole period of study the average of the cash and bank balance to total deposit is 13.32percent, it indicates that bank's 13. 32 percent deposits are idle in the study period. The highest ratio in FY 2060/61 is 16.21 percent and lowest ratio in FY 2061/62 is 9.99 percent. There is relatively fluctuation in ratios.

Loans and Advances to total deposit ratio for the six year period have remain similar. The average ratio of the study period is 82.02 percent. The highest ratio in FY 2061/62 is 90.66 percent and lowest ratio in FY 2058/59 is 77.60 percents. The ratios are increasing than previous years except the FY 2062/063 and 2063/64. This means fund mobilization of the bank during this period is increasing.

Total Investment to Total Deposit ratio has decreasing trend from FY 2058/59 to 2062/063. The average ratio of during the period is 12.33. The highest ratio in FY 2063/064 is 18.00 % and lowest ratio in FY 2061/62 and 2062/063 is 8.00 %. This means that the investment position of the bank is not satisfactory. This clearly reveals that the bank has not been able to invest a large of its deposit on various securities and projects.

The Loan and Advance to Fixed Deposit ratio has increased every year. The ratio in FY 2058/59 is 118.89 % and the ratio in FY 2062/063 is 304.00% which are lowest and highest ratios during the period respectively. The average ratio is 207.87%. So it can be said that the loan & advance to fixed deposit ratio during the period is satisfactory.

Profitability of the NCC Bank is not satisfactory in the six years period. Net Profit to total Deposit ratio is less than 1.00% and negative position except FY 2059/60 and 2060/061. The highest ratio in FY 2059/60 is 1.64%. The average ratio is -5.92% during the period. The average of total deposit to Net Worth is 1233.09, this means for each Re. 1 of Net Worth the bank has Rs. 12.33 in the form of total deposit. The average of interest earned to total assets is 8.57%, it reveals that the interest earning of the bank is not satisfactory. Average interest paid to total assets ratio is 5.50%. The bank has been net earnings is negative. Its average earning is -3.27% on its total assets or total working fund during the study period. It seems that the bank needs to improve more to earn total profit from the total assets.

5.2 Conclusions

From the analysis of the financial position of the NCC Bank from the fiscal year 2058/59 to the fiscal year 2063/064 the collection of deposits and loan investment are increasing satisfactorily and there are also slightly improvement in the operating profit.

The CR of the bank over the six years is 1.68 times on an average. It indicates that the margin for safety for customers has not been maintained properly. But the average ratio is reached nearly at the standard, so it is in satisfactory position. The average of the cash and bank balance to current assets ratio is 45.97% which indicates that the cash and bank balance proportion with respect to the current assets is high position. It indicates that the bank is holding 45.97% cash and bank balance to idle. The average ratio for loan & advance to current assets ratio revealed that 249.00% of current assets have been lent to the customers as loan & advances. It indicates that the bank's fund mobilization position is more satisfactory. The result of the analysis indicates that the share of fixed deposit is high in the total deposit which may be termed as favorable one from viewpoint of liquidity. The average ratio of cash and bank balance to total deposit is 45.01%, which indicates that cash and bank balance has been maintaining properly against anticipated calls of its depositors. Hence in general the liquidity position of the bank is good enough to meet the short term obligations.

Large amount of loans and advances are given out of total deposits. The fund mobilization of the bank has increased by but it may fail to recover the negative profit from mobilized funds. The bank has not been able to invest a large amount of its deposit on various securities and profitable projects sectors. The average ratio of the total investment to total deposit is 13.32% only, as this investment bears less risk as compared to loans and advances. The average of loan and advance to fixed deposit ratio is 82.02 percent. This means that fund mobilization of the bank has been increased during the period.

Interest earned in comparison to total assets is not fair enough; this might be the reason that the bank has normal operating profit. Interest paid to total assets comparison low with interest paid to total assets .It is the favorable one from viewpoint of profitability, but it is not fair enough.Net profit earned in comparison to the total assets and total deposit is low. These two types of ratios average are negative. The bank has earned only 2.64% net on its total working fund or total assets fund during the study period.

5.3 Recommendation

Every organization needs profit to survive for long period which is the fact. So NCC Bank is also one of them, it also needs profit for different purposes which is only possible when there is effective and efficient management as well as the total team commitment, it would be better for the bank if there is excellent management and the excellent services, cooperation with all the clients of the bank and excellent team work within the organization which is the key elements for the survival of the bank and as well as for its own goodwill. Besides these there are various factors which NCC Bank needs to be improved. They are mentioned below:

The services provided by NCC Bank are similar to those provided by other Commercial Banks. Therefore, it is recommended to NCC Bank to formulate new schemes and techniques in order to attract more and more people towards the bank. The bank needs to provide more facilities like, easy to withdraw, easy to deposit, fast services, cooperation, friendly towards customers.

- The credit worthiness of debtors must be evaluated before granting them loans.
- The Bank should diversify the sectors of deposit mobilization.
- Though NCC Bank has been able to gain the confidence of the people living in urban areas, it should also start its services in rural areas.
- The Bank should try to collect more non-interest bearing deposits.

NCC Bank has invested a maximum amount of its funds on risky assets i.e. loan, thus, the bank is always threatened by the fear of default. It will be better if the bank diverts some amount of its funds from lending and invest it in less risky investment alternatives which help the bank diversify the risk. NCC Bank should provide the facility to interest rate rebate to borrower who repays the loan before stipulated time; this may help to increase the number of early payers that will reduce default risk.

Loan and Advance is the main source of investment of total deposit from which more profit can be earned and it is also risky to cover in time. So, while granting loan and advance to the customers bank must do detail study of purposes of taking loans, sources of payments of loan and fixing the duration of paying loan etc. Before granting loan bank also needs to take sufficient collateral so that there will be no problem of collecting loan. To take benefit from the interest earned from loan and advance bank should take care of above points and many more to survive in the competitive market for long time.

Net profit of NCC Bank is very low and also negative, which is very much risky for the bank to survive. So the bank should increase its investment in productive and profitable sectors.

The bank has to try its best to build its good image in its customers. Professionalism and market oriented services should be enhanced in future.

Expansion of more branches is necessary to collect more deposit. If the services are expanded in most part of the nation, it can collect deposits from different area and can invest the funds in productive sector for generating income. So NCC Bank should also expand its branches in rural and urban areas as it is doing so that it can provide its services to the people of the different part of the country as well as it is benefit for the bank also.

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APPENDIX -1

Calculation of mean and standard deviation of CA to CL ratios.

Fiscal year	Ratio(X)	$(x-\bar{x})^2$
058/59	3.12	2.07
059/60	1.44	0.06
060/61	1.35	0.64
061/62	1.32	0.13
062/63	1.36	0.10
063/64	1.47	0.04
	$\Sigma X = 10.08$	$\Sigma(x-\bar{x})^2 = 3.04$

We know,

Mean $(\bar{X}) = \frac{\Sigma X}{n} = \frac{10.08}{6} = 1.68$

…The average current assets to current liabilities ratio=1.68 times

Where,

X=current assets to current liabilities ratios

N=number of the years

X= Current liabilities in a year

Standard deviation **(σ)** = $\sqrt{\frac{\Sigma(x-\bar{x})^2}{n}}$

$= \sqrt{\frac{3.04}{6}}$ =0.714%

… **Standard deviation (σ) = 0.714 %**

APPENDIX - 2

Calculation of mean and standard deviation of cash and bank balance to current assets ratios

Fiscal year	**Ratio (X)**	**$(x-\bar{x})^2$**
058/59	33.30	160.53
059/60	60.09	199.37
060/61	48.12	4.62
061/62	35.42	111.30
062/63	38.06	62.57
063/64	60.82	220.52
	$\sum x = 275.81$	$\sum (x-\bar{x})^2 = 758.91$

We know,

$$\text{Mean } (\bar{X}) = \frac{\sum x}{n}$$

$$= \frac{275.81}{6} = 45.97\%$$

∴ The average of cash and bank balance to CA= 45.97%

Where,

X=Cash and bank balance to current assets ratio

N= Number of the years

$$\text{Standard deviation } (\sigma) = \sqrt{\frac{\sum (x-\bar{x})^2}{n}}$$

$$= \sqrt{\frac{758.91}{6}}$$

∴**Standard deviation (σ) = 11.24 %**

APPENDIX -3

Calculation of mean and standard deviation of loan and advance to current assets ratios

Fiscal year	**Ratio(X)**	$(\mathbf{x}-\bar{x})^2$
058/59	1.75	0.55
059/60	3.04	0.30
060/61	2.34	0.023
061/62	3.21	0.032
062/63	2.96	0.221
063/64	2.53	0.002
	ϕ X= 15.84	$\phi\ (x-\bar{x})^2 = 1.128$

We know

Mean ($\bar{X}$)= $\frac{\phi\varepsilon}{\rho}$ = $\frac{14.93}{6}$ = 2.64 times

…**The average loan and advance to current assets ratio = 2.49 times**

Where,

X= Loan and advance to current assets ratio

N= number of the years

Standard deviation **(σ)** = $\sqrt{\frac{\phi f x Z \bar{x} Å^2}{n}}$

$= \sqrt{\frac{1.128}{6}}$

= 0.434

…**Standard deviation (σ) = 0.434**

APPENDIX - 4

Calculation of mean standard deviation of fixed deposit to total deposits.

Fiscal year	**Ratio(X)**	**$(x-\bar{x})^2$**
058/59	65.29	411.28
059/60	61.08	258.25
060/61	44.45	0.314
061/62	40.36	21.63
062/63	29.92	225.30
063/64	28.77	259.53
	ϕ X= 270.08	$\phi\,(x - \bar{x})^2$= 1176.306

We know,

Mean ($\bar{X}$)= $\frac{\phi\varepsilon}{\rho}$ $=\frac{270.08}{6}$ =45.01%

…**Average fixed deposit to total assets ratio= 45.01%**

Where,

X= Fixed deposit to total assets ratio

N= Number of the years

Standard deviation **(σ) =** $\sqrt{\frac{\phi f X \; Z \bar{X} \mathring{A}}{N}}$

$$= \sqrt{\frac{1176.306}{6}}$$

= 14.02%

…**Standard deviation (σ) = 14.02%**

APPENDIX -5

Calculation of mean and standard deviation of Cash and bank balance to total deposit ratios

Fiscal year	**Ratio(X)**	**$(x-\bar{x})^2$**
058/59	14.72	1.96
059/60	13.42	5.24
060/61	16.21	8.35
061/62	9.99	10.98
062/63	11.8	2.31
063/64	11.6	2.96
	ϕ (X) = 77.74	$\phi (x - \bar{x})^2 = 31.80$

We know

Mean ($\bar{X}$)= $\frac{\phi\varepsilon}{\rho} = \frac{77.74}{6} = 12.97\%$

…**The average of cash and bank balance to total deposit ratio= 12.97%**

Where,

X= Cash and bank balance to total deposit ratio

N= number of the years

Standard deviation **(σ)** = $\sqrt{\frac{\phi ƒx \, Z \bar{x} Å^2}{n}} = \sqrt{\frac{31.80}{6}}$

=2.30

…**Standard deviation (σ) = 2.30%**

APPENDIX - 6

Calculation of mean and standard deviation of Loan and advance to total deposit ratio

Fiscal year	**Ratio(X)**	$(\mathbf{x}-\bar{x})^2$
058/59	77.60	19.54
059/60	68.01	8.58
060/61	78.78	10.50
061/62	91.08	74.65
062/63	88.17	35.76
063/64	78.21	16.16
	ϕ (X) = 481.85	$\phi\ (x-\bar{x})^2$= 165.19

We know

Mean ($\bar{X}$) = $\frac{\phi\varepsilon}{\rho} = \frac{481.85}{6}$ = 80.31%

…**The average of loan and advance to total deposit ratio = 80.31%**

Where,

X= Loan and advance to total deposit ratio

N= number of the years

Standard deviation **(σ)** = $\sqrt{\frac{\phi ƒx\ Z\bar{x}Å}{n}}$

$= \sqrt{\frac{165.19}{6}}$

=5.24%

…**Standard deviation (σ) = 5.24%**

APPENDIX -7

Calculation of mean and standard deviation of total investment to total deposit ratio

Fiscal year	**Ratio(X)**	**$(x-\bar{x})^2$**
058/59	15.89	13.47
059/60	11.60	0.11
060/61	11.98	0.11
061/62	8.31	18.75
062/63	7.88	18.75
063/64	17.77	32.15
	ϕ (X) = 73.43	$\phi\,(x-\bar{x})^2 = 83.34$

We know,

Mean ($\bar{X}$) = $\frac{\phi\varepsilon}{\rho} = \frac{73.43}{6}$ = 12.21%

…**The average of total investment to total deposit ratio= 12.21%**

Where,

X= Total investment to total deposit ratio

N= number of the years

X= Standard deviation **(σ)** = $\sqrt{\frac{\phi\, ƒx\, Z\, \bar{x} Å^2}{n}}$

$= \sqrt{\frac{83.34}{6}}$

= 3.73%

…**Standard deviation (σ) = 3.73%**

APPENDIX -8

Calculation of mean and standard deviation of loan and advance to fixed deposit ratio

Fiscal year	Ratio(X)	$(x - \bar{x})^2$
058/59	118.86	7917.40
059/60	129.49	6143.42
060/61	177.24	938.20
061/62	225.04	280.56
062/63	303.53	9240.98
063/64	292.75	7247.18
	ϕ (X) = 1246.91	$\phi\ (x - \bar{x})^2 = 31767.68$

We know,

Mean ($\bar{X}$) = $\frac{\phi\varepsilon}{\rho} = \frac{1246.91}{6} = 207.82\%$

…**The average of loan and advance to total fixed deposit ratio = 207.82%**

Where,

X=Total loan and advance to total fixed deposit ratio

N= number of the years

Standard deviation **(σ)** = $\sqrt{\frac{\phi ƒx\, Z\bar{x}Å^{2}}{n}}$

$= \sqrt{\frac{31767.68}{6}}$

=72.76

…**Standard deviation (σ) = 72.76%**

APPENDIX -9

Calculation of mean and standard deviation of interest earned to loan and advance.

Fiscal year	**Ratio(X)**	$(\mathbf{x}-\bar{x})^2$
058/59	10.69	0.14
059/60	12.87	6.55
060/61	10.32	0.0001
061/62	9.02	1.66
062/63	9.65	0.44
063/64	9.33	0.96
	ϕ (X) = 61.88	$\phi\ (x-\bar{x})^2$=9.7501

We know,

Mean ($\bar{X}$) = $\frac{\phi\varepsilon}{\rho}$ = $\frac{61.88}{6}$ = 10.31%

…**The average of Interest earned to Loan & advance= 10.31%**

Where,

X= Interest earned to Loan & advance

N= number of the years

Standard deviation **(σ)** = $\sqrt{\frac{\phi f x Z \bar{x} Å}{n}}$

$= \sqrt{\frac{9.7501}{6}}$

= 1.27%

…**Standard deviation (σ) = 1.27%**

APPENDIX -10

Calculation of mean and standard deviation of interest paid to total assets ratio

Fiscal year	Ratio(X)	$(x-\bar{x})^2$
058/59	7.44	3.76
059/60	5.96	0.2116
060/61	5.25	0.0625
061/62	4.76	0.5476
062/63	4.92	0.3364
063/64	4.69	0.6561
	ϕ (X) = 33.02	$\phi\,(x - \bar{x})^2 = 5.5742$

We know,

Mean ($\bar{X}$)= $\frac{\phi\varepsilon}{\rho} = \frac{33.02}{6} = 5.50\%$

…**The average of interest paid to total Asset ($\bar{X}$) = 5.50%**

Where,

X=Interest paid to Total Asset

N= number of the years

Standard deviation **(σ)** = $\sqrt{\frac{\phi \int x\, Z \bar{x} Å^2}{n}}$

$$= \sqrt{\frac{5.5742}{6}}$$

$= 0.95$

…**Standard deviation (σ) = 0.95%**

APPENDIX -11

Calculation of mean and standard deviation of net profit to total assets ratio

Fiscal year	**Ratio(X)**	$(\mathbf{x} - \bar{x})^2$
058/59	-10.7	55.20
059/60	1.90	26.72
060/61	0.06	11.35
061/62	-0.08	10.04
062/63	-8.86	31.69
063/64	-1.92	3.92
	ϕ (X) = -19.62	$\phi\ (x - \bar{x})^2 = 138.920$

We know,

$$\text{Mean } (\bar{X}) = \frac{\phi\varepsilon}{\rho} = \frac{-19.62}{6} = -3.27\%$$

…**The average of net profit to total assets ratio ($\bar{X}$) = -**3.27

Where,

X=Net profit to total assets ratio

N= number of the years

Standard deviation **(σ)** = $\sqrt{\frac{\sum f(x-\bar{x})^2}{n}}$

$$= \sqrt{\frac{138.920}{6}}$$

$$= 4.8117\%$$

…**Standard deviation (σ) =4.8117%**

APPENDIX -12

Calculation of mean and standard deviation of net profit to total deposit ratio

Fiscal year	**Ratio(X)**	$(\mathbf{x} - \bar{x})^2$
058/59	-10.709	87.647
059/60	1.64	10.576
060/61	0.057	1.971
061/62	-0.078	1.610
062/63	-8.60	7.447
063/64	-17.8	142.301
	φ (X) = -35.49	φ (x $-\bar{x}$)2= 251.551

We know,

Mean ($\bar{X}$)= $\frac{\phi\varepsilon}{\rho}$ = $\frac{-35.49}{6}$ = -5.92%

… **The average of net profit to total deposit ratio** ($\bar{X}$) = -5.92%

Where,

X=Net profit to total deposit ratio

N= number of the years

Standard deviation **(σ)** = $\sqrt{\frac{\phi \mathit{f} x \, Z \bar{x} Å^{2}}{n}}$

$= \sqrt{\frac{251.551}{6}}$

= 6.48%

…**Standard deviation (σ) =6.48%**

APPENDIX -13

Calculation of mean and standard deviation of *total deposit to net worth* ratio

Fiscal year	Ratio (X)	$(x-\bar{x})^2$
058/59	752	191283.70
059/60	1508	11483.266
060/61	1493	91784.762
061/62	1309	14268.303
062/63	1213	415.34
063/64	1124	11963.99
	ϕ (X) = 7399	$\phi\ (x - \bar{x})^2$=321199.355

We know,

Mean ($\bar{X}$) = $\frac{\phi\varepsilon}{\rho} = \frac{7399}{6}$ = 1233.09%

…**The average of total deposit to net worth ($\bar{X}$) = 1233.08%**

Where,

X=Total deposit to net worth ratio

N= number of the years

Standard deviation **(σ)** = $\sqrt{\frac{\phi ƒx\ Z\bar{x}Å^2}{n}}$

$= \sqrt{\frac{321199.355}{6}}$

= 231.37%

…**Standard deviation (σ) =231.37%**

APPENDIX-14

Calculation of correlation coefficient between total deposit and loan & advance.

Deposit (X)	Loan & Advance (Y)	$(X)^2$	$(Y)^2$
3708.79	2878.29	13756458	8284553
4994.10	3396.41	18439295	11535601
5987.70	4714.30	35825551	22252910
6630.94	6011.90	43969365	36142942
6619.50	5836.60	43817780	34065899
6500.30	50838.9	42250000	25846039
$\phi\varepsilon$ =34441.33	$\phi\psi$ =73676.4	$\phi\varepsilon^{2}$=198058449	$\phi\psi^{2}$= 38127944

We know,

$$r = \frac{\rho\, \phi\varepsilon\, \psi\, Z\phi\varepsilon\, \phi\psi}{\sqrt{\rho\, \phi\varepsilon^{2}\, Z f\phi\varepsilon\, Á^{2}}\sqrt{\rho\, \phi\psi^{2}\, Z f\phi\psi Á^{2}}}$$

$$= \frac{990360378\, Z961722478}{\sqrt{1827482}\sqrt{49045811.70}} \qquad = \frac{2863790}{9437628} \qquad =\mathbf{0.30249}$$

r^2=0.0915

Where,

X = Total deposit in a year

Y = Total loan and advance in a year

N = Number of the years

P.E. = Probability error

… The correlation coefficient of total deposit and total loan & advance (r)=0.30249

r | 0 i.e. 0.30249 | 0 the relationship between two variables total deposit and loan & advance are positive correlated.

Calculation of probability error

P.E. = 0.6745* X

$$= 0.6745\ \mathrm{X}\frac{1\,\mathrm{Z}0.0915}{\sqrt{6}}$$

= 0.2501

…**The probability error is = 0.2501**

6P.E. = 6X0.2501 = 1.501

APPENDIX-15

Calculation of coefficient of correlation between total deposit and total investment.

Deposit (X)	Total Investment	$(X)^2$	$(Y)^2$
3708.79	589.45	13756458	347451.30
4994.10	579.33	18439295	335623.25
5987.70	717.45	35852551	514734.50
6630.94	539.10	43969365	290628.81
6619.5	521.6	43817780	272066.56
6500.3	1155.3	42250000	1334718.09
$\phi\varepsilon$ =34441.33	$\phi\psi$ = 4102.23	$\phi\varepsilon^2$ = 198085449	$\phi\psi^2$ = 3095222.51

We know,

r =

$$\frac{\rho\,\phi\varepsilon\,\psi\ \mathrm{Z}\phi\varepsilon\,\phi\psi}{\sqrt{\rho\,\phi\varepsilon^{2}\ \mathrm{Z}f\phi\varepsilon\,\mathrm{\AA}^{2}}\sqrt{\rho\,\phi\psi^{2}\ \mathrm{Z}f\phi\psi\,\mathrm{\AA}^{2}}}=\frac{143475126.8\,\mathrm{Z}141286257}{\sqrt{1188032694\,\mathrm{Z}11842752}\sqrt{18571335\,\mathrm{Z}16828290}}$$

$$=\frac{2188869.8}{45277778}$$ …**r = 0.0483**

r^2=0.00233

Where,

X = Total deposit in a year

Y = Total investment in a year

N = Number of the years

P.E.= Probability error

∴ The correlation coefficient of total deposit and total loan & advance (r) = 0.0483

r ∣ 0 i.e. 0.0483 ∣ 0 the relationship between two variables total deposit and loan & advance are negatively correlated.

Calculation of probability error

$$P.E. = 0.6745\ X \frac{1 Z r^2}{\sqrt{n}}$$

$$= 0.6745\ X \frac{1 Z 0.0023}{\sqrt{6}}$$

= 0.2747

…**The probability error is P.E. = 0.2747**

6P.E. = 6X0. 0.2747 = 1.6483

APPENDIX -16

Calculation of coefficient of correlation between Net profit and total assets.

Fiscal year	**Net profit (X)**	**Total assets(Y)**	**$(X)^2$**	**$(Y)^2$**	**XY**
058/59	-397.18	3708.97	157751.95	13756458.46	-1473128.705
059/60	81.80	4294.10	6691.24	18439294.81	3512573.8
060/61	3.41	5987.70	11.63	35852551.29	20418.057
061/62	-5.16	6630.94	26.62	43969365.28	-34215.65
062/63	-569.75	6427.70	234615	41315327.29	-3662182.07
063/64	-115.93	6036.68	13439.53	36441505.42	-699826.28
	φε = -1002.809	φψ =33085.49	$φε^2$ =502535.97	$φψ^2$ =189774502.60	φε ψ =-233630.849

We know,

$$\mathbf{r} = \frac{ρ\,φε\,ψ\ Zφε\,φψ}{\sqrt{ρ\,φε^2\ Z\,fφε\,A^2}\sqrt{ρ\,φψ^2\ Z\,fφψ\,A^2}}$$

$$= \frac{Z14018165\ .09\ Γ\ 33178427\ .14}{\sqrt{3015215\ .82\ Z1005625\ .89}\sqrt{1138647016\ \ Z1094649649}} = \frac{1916026.2}{9403013.098}$$

r = 0.2037

r^2= 0.0414

Where,

X = Total Net profit in a year

Y = Total assets in a year

N = Number of the years

P.E.= Probability error

∴ The correlation coefficient of Net profit and total assets (r)=0.1407

r | 0 i.e. 0.1407 | 0 the relationship between two variables Net profit and total assets are positive correlated.

Calculation of probability error

$$\text{P.E.} = 0.6745 \text{ X} \frac{1 Z r^2}{\sqrt{n}}$$

$$= 0.6745 \times \frac{1 Z 0.0414}{\sqrt{6}}$$

= 0.2640

∴**The probability error is P.E. =0.2640**

6P.E. = 6 × 0.2640 =1.5840

APPENDIX - 17

Trend analysis of total deposit for the period ending 2058/59 to 2063/64

Fiscal year	Time	X=(t-$\overline{T}$)	Total deposit(Y)	X^2	XY	yc=a+bX
058/59	1	-2.5	3708.97	6.25	-9272.425	4349.29
059/60	2	-1.5	4994.10	2.25	-7491.15	4905.69
060/61	3	-0.5	5987.70	0.25	-2993.85	5462.09
061/62	4	0.5	6630.94	0.25	3115.47	6018.49
062/63	5	1.5	6619.50	2.25	9929.25	6574.89
063/64	6	2.5	6500.30	6.25	16250.75	7131.29
N=6	ϕt = 21	ϕε =0	ϕψ X34441.51	ϕε ^{2}= 17.5	ϕε ψ X9538.045	

We have,

$$\overline{T} = \frac{ϕt}{ρ} = \frac{21}{6} =3.5$$

The equation of straight line trend is

yc = a+bX.......................................(i)

By solving following equations we get the value of (a) and (b),

ϕψ = Na + b ϕε ....(ii)

ϕε ψ = a ϕε + b ϕε ^{2}.......................(iii)

Putting the value of $\phi\varepsilon$, $\phi\psi$, $\phi\varepsilon^{2}$ and $\phi\varepsilon\,\psi$ in the equation no.(ii) and (iii) it will give the value of (a) and (b).

Since we have $\phi\varepsilon = 0$

So ,

$$(a) = \frac{\phi\psi}{\rho} = \frac{34441.75}{6} = 5740.29$$

$$(b) = \frac{\phi\varepsilon\,\psi}{\phi\varepsilon^{2}} = \frac{9738.045}{17.5} = 556.45$$

Trend values of total deposit for the period ending 2064/65 to 2068/69

Fiscal year	Time (t)	X= (t-$\overline{T}$)	yc = a + bX
2064/65	7	3.5	7787.86
2065/66	8	4.5	8244.31
2066/67	9	5.5	8800.77
2067/68	10	6.5	9357.22
2068/69	11	7.5	9913.66

APPENDIX - 18

Trend analysis of Net profit for the period ending 2058/59 to 2063/64

Fiscal year	**Time(t)**	**X=(t-$\overline{T}$)**	**Net profit(Y)**	**X^{2}**	**XY**	**yc=a+bX**
058/59	1	-2.5	-397.18	6.25	992.95	-127.33
059/60	2	-1.5	81.80	2.25	-122.70	-143.25
060/61	3	-0.5	3.41	0.25	-1.705	-159.17
061/62	4	0.5	-5.16	0.25	-2.58	-175.09
062/63	5	1.5	-569.75	2.25	-854.63	-191.01
063/64	6	2.5	-115.92	6.25	-289.80	-206.93
	ϕt =21	$\phi\varepsilon$ =0	$\phi\psi$ X-1002.8	$\phi\varepsilon^{2}$=17.5	$\phi\varepsilon\,\psi$ X-278.465	-235.72

We have,

$$\overline{T} = \frac{\phi t}{\rho} = \frac{21}{6} = 3.5$$

The equation of straight line trend is

yc = a+bX.......................................(i)

By solving following equations we get the value of (a) and (b),

$\phi\psi \;\; = Na + b\phi\varepsilon$ ....(ii)

$\phi\varepsilon\,\psi \; = a\phi\varepsilon \; + b\phi\varepsilon^{2}$.......................(iii)

Putting the value of $\phi\varepsilon$, $\phi\psi$, $\phi\varepsilon^{2}$ and $\phi\varepsilon\,\psi$ in the equation no.(ii) and (iii) it will give the value of (a) and (b).

Since we have $\phi\varepsilon = 0$

So, $\quad (a) = \dfrac{\phi\psi}{\rho} = \dfrac{Z1002.8}{6} = -\,167.13$

$(b) = \dfrac{\phi\varepsilon\,\psi}{\phi\varepsilon^{2}} = \dfrac{Z278.465}{17.5} = -15.91$

Trend values of Net profit for the period ending 2064/65 to 2068/69

Fiscal year	Time (t)	X= (t- $\overline{T}$)	yc = a + bX
2064/65	7	3.5	-235.72
2065/66	8	4.5	-238.77
2066/67	9	5.5	-254.69
2067/68	10	6.5	-270.61
2068/69	11	7.5	-286.53

APPENDIX - 19

Trend analysis of loan & advance for the period ending 2058/59 to 2061/62

Fiscal year	**Time(t)**	**X=(t- $\overline{T}$)**	**Loan & advance(Y)**	**X^2**	**XY**	**yc=a+bX**
058/59	1	-2.5	2878.29	6.25	-7195.725	3250.981
059/60	2	-1.5	3396.41	2.25	-5094.615	3812.215
060/61	3	-0.5	4717.30	0.25	-2358.65	4373.449
061/62	4	0.5	6011.90	0.25	3005.95	4934.683
062/63	5	1.5	5836.60	2.25	8754.90	5495.917
063/64	6	2.5	5083.90	6.25	12709.75	6057.151
	$\phi t = 21$	$\phi\varepsilon = 0$	$\phi\psi$ X27924.40	$\phi\varepsilon^{2} = 17.5$	$\phi\varepsilon\,\psi$ X9821.61	

We have,

$\overline{T} = \dfrac{\phi t}{\rho} = \dfrac{21}{6} = 3.5$

The equation of straight line trend is

yc = a+bX.......................................(i)

By solving following equations we get the value of (a) and (b),

$\phi\psi$ = Na + b $\phi\varepsilon$ ....(ii)

$\phi\varepsilon\ \psi$ = a $\phi\varepsilon$ + b $\phi\varepsilon^{2}$........................(iii)

Putting the value of $\phi\varepsilon$, $\phi\psi$, $\phi\varepsilon^{2}$ and $\phi\varepsilon\ \psi$ in the equation no.(ii) and (iii) it will give the value of (a) and (b).

Since we have $\phi\varepsilon = 0$

So ,

$$(a) = \frac{\phi\psi}{\rho} = \frac{27924.4}{6} = 4654.066$$

$$(b) = \frac{\phi\varepsilon\ \psi}{\phi\varepsilon^{2}} = \frac{9821.61}{17.5} = 561.234$$

Trend values of loan & advance for the period ending 2064/65 to 2068/69

Fiscal year	Time (t)	X= (t- $\overline{T}$)	yc=a+bX
2064/65	7	3.5	6618.384
2065/66	8	4.5	7179.619
2066/67	9	5.5	7740.853
2067/68	10	6.5	8302.087
2068/69	11	7.5	8863.255

APPENDIX - 20

Trend analysis of Earning per Share for the period ending 2058/59 to 2063/64

Fiscal year	Time(t)	X=(t-$\bar{T}$)	EPS (Y)	X^2	XY	yc=a+bX
058/59	1	-2.5	-113.48	6.25	283.7	-45.847
059/60	2	-1.5	16.69	2.25	-25.035	-40.733
060/61	3	-0.5	0.49	0.25	-0.245	-35.619
061/62	4	0.5	-0.74	0.25	-0.37	-30.505
062/63	5	1.5	-84.77	2.25	-127.155	-25.391
063/64	6	2.5	-16.56	6.25	-41.40	-20.277
N=6	ϕt =21	$\phi\varepsilon$ =0	$\phi\psi$ X-198.37	$\phi\varepsilon^{2}$=17.5	$\phi\varepsilon\,\psi$ X89.4	

We have,

$$\bar{T} = \frac{\phi t}{\rho} = \frac{21}{6} = 3.5$$

The equation of straight line trend is

yc = a+bX.......................................(i)

By solving following equations we get the value of (a) and (b),

$\phi\psi$ = Na + b$\phi\varepsilon$ ....(ii)

$\phi\varepsilon\,\psi$ = a$\phi\varepsilon$ + b$\phi\varepsilon^{2}$.......................(iii)

Putting the value of $\phi\varepsilon$, $\phi\psi$, $\phi\varepsilon^{2}$ and $\phi\varepsilon\,\psi$ in the equation no.(ii) and (iii) it will give the value of (a) and (b).

Since we have $\phi\varepsilon$ = 0

So, $$(a) = \frac{\phi\psi}{\rho} = \frac{Z198.37}{6} = -33.062$$

$$(b) = \frac{\phi\varepsilon\,\psi}{\phi\varepsilon^{2}} = \frac{89.495}{17.5} = 5.114$$

Trend values of total deposit for the period ending 2064/65 to 2068/69

Fiscal year	Time (t)	X= (t-$\bar{T}$)	yc=a+bX
2064/65	7	3.5	-15.163
2065/66	8	4.5	-10.049
2066/67	9	5.5	-4.935
2067/68	10	6.5	0.179
2068/69	11	7.5	5.293

APPENDIX - 21

PROFILE OF THE CONCERNED BANK

Nepal Credit and Commerce Bank Ltd. was established on 14th October 1996 as Nepal Bank of Ceylon Ltd.(NBOC) a joint venture commercial bank of Ceylon ,Sri Lanka the pioneer bank in Sri Lanka and Nepalese promoters, NB Group(Nepal) Pvt. Ltd. and Nepal Insurance Company Ltd. It enjoys the reputation of the first bank with largest authorized capital of Rs.1000 million. It also ventured to establish its head office outside the capital of the country at Siddharthanagar, Rupendehi, and the birth place of LORD BUDDHA (The light of Asia) for the first time in the Nepalese context.

NBOC started its operations from Siddharthanagar on October 14, 1996. Within nine months of its operation NBOC expanded its business through 4 branches, Siddhartha Nagar and Lumbini in Rupendehi, BagBazar in Kathmandu and Barahbise in Sindhupaichowk. The name of the bank has been changed to Nepal Credit and Commerce Bank Ltd. on 10th September 2002. This change was effected due to the transfer of shares and management from Sri Lankan co-venture to Nepalese promoters. At present NCC bank provides its financial facilities and services to rural and urban areas of the nation through its 17 branches.

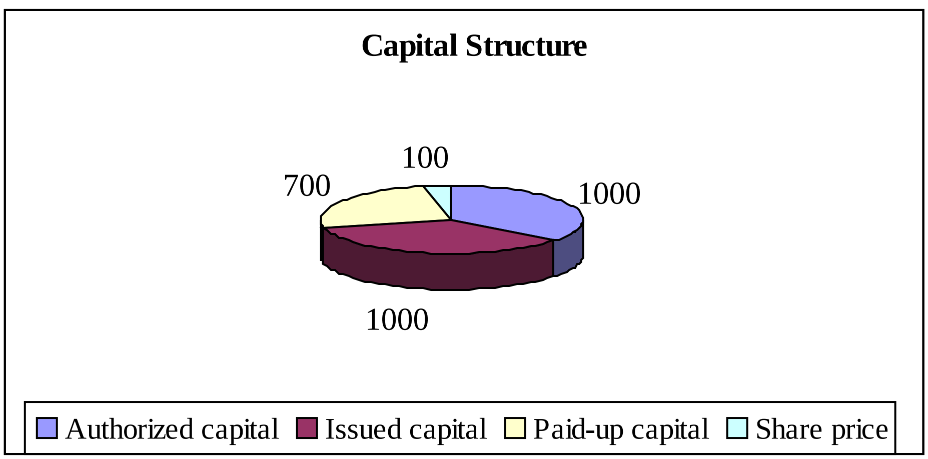
The name and establishment dates of the branches of NCC banks are as follows:-

(1) Siddhartha Nagar	October 14, 1996
(2) Lumbini	November 28, 1996
(3) BagBazar Kathmandu	January 27, 1996
(4) Barahbise	May 20, 1997
(5) Thankot	March 8, 2000
(6) Banepa	September 17, 2000
(7) New Road Kathmandu	April 2, 2001

(8)	Narayangadh	October 21, 2001
(9)	Biaratnagar	May 23, 2003
(10)	Mahindra Nagar	May 23, 2003
(11)	Birgunj	June 22, 2003
(12)	Kalaiya	June 6, 2004
(13)	Pokhara	June 15, 2004
(14)	Chabahil Kathmandu	June 18, 2004
(15)	Birtamod	Chaitra 18, 2061
(16)	Butwal	Baisakh 4, 2062
(17)	Lagankhel, Kathmandu	Baisakh 8, 2062

Capital structure and share composition

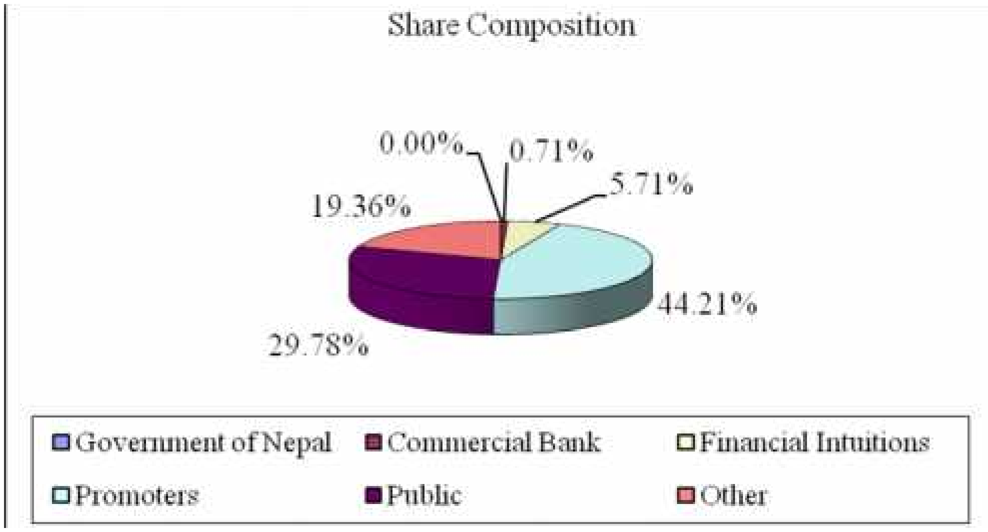
Authorized capital	Rs.1000 million
Issued capital	Rs.1000 million
Paid-up capital	Rs. 700 million
Share price	Rs. 100



Shares

Government of Nepal	0.0%
Commercial Bank	0.71%
Financial Intuitions	5.71%
Promoters	44.21%
Public	29.78%

Other 19.36%



At present NCC bank is providing its services through fully computerized system. The bank uses "Pumori Plus" banking software, which is developed by Nepalese software engineer and veteran bankers.

Services and facilities

Deposit: -

NCC bank provides various types of deposits including - Saving, Current, Fixed, and Call Deposits, Saving Plus, Bal Suraksha Khata, Mahila Suraksha Khata, and Jestha Nagarik Suraksha Khata.

Credit and trade finance

- Demand lone
- Hire purchase loan
- Bridge gap lone
- Trust receipt lone
- Bills purchase & discounting
- Vehicle lone
- Letter of credit

- Pledge lone
- Housing lone
- Consortium lone
- Guarantee
- Over draft
- Other loan
- Lone against gold
- Deprived sector lone
- Cash credit
- Personal lone
- Export credit
- Priority sector lone
- Term lone

<u>Other services</u>

- FCY TC purpose and sales.
- Remittance.
- Tele- Banking.
- Computer on line services.
- Anywhere banking with in Kathmandu.
- Evening counter facility from New Road and Narayangadh branch.
- Safe deposit lockers at Kathmandu main branch and Siddharthanagar.
- NCC debit card facility
- ATM facility.

<u>Investment Banking</u>

NCC Bank has recently established investment banking department in an effort to enter into universal banking and competitive edge. Investment banking functions carried out by the banks in the international scenario are-

- Financial advisory
- Fund management
- Under writing
- Corporate restructuring
- Project appraisal
- Managing IPO's
- Merger and acquisition
- Syndication of funds

Corporate Vision

Bankers with the quality services strive for expansion with profitability, professionalism and personalized banking services.

Corporate Mission

The goal of NCC bank is to provide a wide range of banking socio-economic environment within and outside the country maintaining high standards of integrity and efficiency with excellence.

Goals and Objectives of NCC Bank Limited is as follows:

- The bank strives to provide modern and efficient and personalized banking facilities within the country to its customers.
- The bank also aspires to develop new and modern banking system and technologies to provide market oriented facilities and services to its valued customers.

The management and staff of the bank are committed to innovate and introduce new products in the market in order to provide maximum benefits to its valued customers.

To develop life long relationship with clients and achieve profitability through customer oriented service and customer satisfaction.

Interest Rate Structure of NCC bank with effect from 1st Shrawan 2063

Deposit	Per Annum	
NCC Saving Plus	4.25%- 4.50%	
Saving	4.5%	
Mahila Suraksha Bachat Khata	5 %	
Bal Suraksha Bachat Khata	5 %	
Jestha Nagarik Suraksha Bachat Khata	5 %	
Call Deposits -7 days to 1 month -Exceeding one month	 3 % 3.5 %	
Special Time Deposit	4.5%	
Fixed Deposits	Fixed Rate	Floating Rate
-3 months	4%	-
-6 months	4.5%	-
-1 year	5%	4.9%
-2 years	5.5%	5.4%
-3 years	5.5%	5.9%
-4 years	5.5%	6.15%
-5 years	5.5%	6.4%

LOAN AND ADVANCES

	Prime p.a.	All others p.a.
Overdraft	13%	14%
Cash credit	12%	13%
Loan against NPR fixed deposit of NCC bank	plus1.5% to 2%	
Loan against FCY fixed deposits	plus 1.5% mini.7.5%	
Loan against govt. bonds/FDR of other banks	-	9%

Loan against financial bank guarantee			10.5%
Deprived sector	Institutional		7%
	Others		11%
Priority sector		12%	13%
Term loan		12.5%	13.5%
Personal loan /others		13.5%	14.5%
Personal housing loan		11%	12.5%
Hire purchase		11%	12.5%
Consortium loan		As per consortium decision	
Export credit		10%	11%
Trust receipt loan		10%	11%
Demand loan		12.5%	13.5%
Loan to prime corporate	Export credit/ Trust receipt	9%	
	Others	11%	