CREDIT MANAGEMENT OF COMMERCIAL BANKS
(With Special Reference to Nepal Investment Bank Ltd. and Nepal SBI Bank Ltd.)

By

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T.U. Regd. No.: 7-1-241-51-97

2nd Year Exam Symbol No. : 4692

A Thesis Submitted to:

Office of the Dean

Faculty of Management

Tribhuvan University

In partial fulfillment of the requirement for the Degree of Master's in Business Studies (M.B.S)

Kathmandu, Nepal

March, 2011

RECOMMENDATION

This is to certify that the Thesis

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Entitled:

CREDIT MANAGEMENT OF COMMERCIAL BANKS
(With Special Reference to Nepal Investment Bank Ltd. and Nepal SBI Bank Ltd.)

has been prepared as approved by this Department in the prescribed format of the Faculty of Management. This thesis is forwarded for examination.

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VIVA-VOCE SHEET

We have conducted the viva –voce of the thesis presented

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And found the thesis to be the original work of the student and written according to the prescribed format. We recommend the thesis to be accepted as partial fulfillment of the requirement for the

Degree of Master's in Business Studies (M.B.S.)

Viva-Voce Committee

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Member (Thesis Supervisor) …..………………………..

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TRIBHUVAN UNIVERSITY

Faculty of Management

Shanker Dev Campus

DECLARATION

I hereby declare that the work reported in this thesis entitled **"Credit Management of Commercial Banks (With Special reference to Nepal Investment Bank Ltd. and Nepal SBI Bank Ltd."** submitted to Office of the Dean, Faculty of Management, Tribhuvan University, is my original work done in the form of partial fulfillment of the requirement for the Master's Degree in Business Study (M.B.S.) under the supervision of **Dr. Shilu Manandhar Bajracharya** of Shanker Dev Campus.

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CHAPTER I
INTRODUCTION

1.1 Background of the Study

Nepal is a land-locked country surrounded to the east, west and south by the India and to the north, by the People's Republic of China, is one of the least developed countries in the world, which is directing her efforts in accelerating the pace to her economic development. Geographically, the country is at disadvantage in that, it is a land-locked country and the nearest sea-port is located at Bay of Bangal, Calcutta in India, 1126 km to the south-east of the country, which has greatly hindered it's foreign trade situation.

Nepal has an agro-based economy; most of the people are engaged in agriculture. The contribution of agricultural sector to GDP stood at 38.9% where as that of non-agriculture sector to the same stood at 61.1%. (Source: NRB Mid-Jan 2007).

The main reason for its agro-based economy is attributed to its geographical structure, where a major portion of the country is composed of hills and terai (plain lands) very suitable for agriculture. The other reason is due to its low literacy rate, which has restricted the people to primitive and traditional form of occupation.

The source of finance is the most essential element for the establishment and operation of any profit and not profits institutions. Profit oriented institutions usually contain these sources through ownership capital. Public capital through the issues of Shares and through financial institutions such as banks, in the form of credits, overdrafts etc. It is during these stages for the establishment and operations of any organization, the role of banks come into effect in providing these sources, in the form of credit, overdrafts and other related services.

Bank is considered as the backbone in the development of the national economy. It is a financial institution, which act as a transaction of money by accepting various types of deposit, disbursing loans and rendering other financial services. So, among the various function, to provide loan to the investors is the major function. Through the loan, there will be increase in the environment of the investment and the bank has the major role in creating such an environment.

Bank plays a vital role in the economic development of a country. In fact, in the modern industrialized and service oriented era, the availability of banks with competitive services is the measure of economic development of a country. While many people believe that banks play only a narrow role in the economy taking deposit and making loans the modern banking has had to adopt new roles in order to responsive to public needs. The principal role that a bank today play are:

The Intermediation role:
Transferring the saving received primarily from the households into credit (loans) for business firms and other, in order to make investments in the new buildings, equipment and other capital goods.

The payment role:
Carrying out payment for goods and services on behalf of their customer (such as by issuing and clearing cheque and dispersing currency and coins.)

The Guarantor role:
Standing behind the customers to pay off the customers debt when those customers are unable to pay (such as by issuing letters of credit). Some of guarantees are big bond, performance bond etc.

The Agency role
Acting on behalf of the customers to manage and protect their property or issue and redeem their securities.

The Policy Role
Serving as a conduct for government policy in attempting to regulate the growth of the economy and pursue social goal. Some of the vital functions performed by a full banking service institution today are summarized in the figure below.

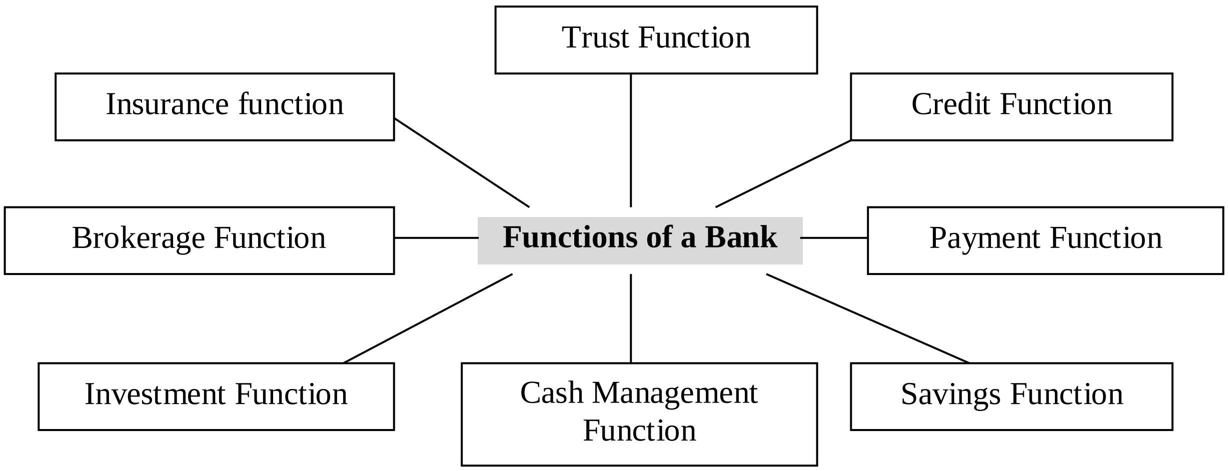


Figure 1: Functions of a Bank

(Source: Vaidya 1999).

When studying at the origin of modern banking, we come to know that bank of Venice was established as the first commercial bank of the world in 1157 A.D. And in Nepal, Nepal Bank Limited was established, as the first commercial bank in B.S. 1994. Nepal Rastra Bank, the central bank of Nepal was established in 1996 (B.S. 2014). In 1965 (B.S. 2024) Rastriya Banijya Bank was established as commercial bank of Nepal. Before 1974 (B.S. 2031), there was no any existence of joint venture banks in the country, then were no provisions made in the old commercial Bank Act, which facilitated to the establishment of joint venture banks in Nepal. The new commercial bank Act 1974 has, however made provisions to permit foreign banks to operate in the country by obtaining the approval of Nepal Rastra Bank.

The inception of Nepal Arab Bank Limited (renamed as NABIL bank Limited since 1st January 2002) in 1984 is a first joint venture bank proved to be a milestone in the history of banking. After this Nepal investment Bank limited in B.S. 2042/10/16 and standard chartered Bank Limited in B.S. 2043/10/16 were established. After democratically elected government adopted the liberal and market oriented economic policy the number of joint venture bank has increased dramatically. Joint venture banks are established by joining different forces and ability to active a common goal with each of the partners. They are efficient and effective monetary financial institutions in modern banking bank provide the excess amount of funds to fulfill the demand of the investors and better allocation of financial resource and to encourage economic growth in the economy. For this loan should be efficiently managed and controlled. If loan is not efficiently managed, it can cause inflation or deflation recession and unemployment in the economy. Misleading of loan management can lead to misallocation of the investible resources and the economic poor concentrated the certain persons and against the social objective.

The banks take utmost care in analyzing the creditworthiness of the borrowing customer to ensure that the interest and the principal amount on loans are timely recovered without much trouble and legal process for the recovery. A sound lending policy is essential for the good performances of the bank are further to attain economic objectives directed towards acceleration of the development. Lending policy should be carefully analyzed and the banks should be careful while performing its credit creation effectively and to minimize the risk factor.

Though loan management is not satisfactory and it becoming a national issue in Nepal.The study aims to focus on the comparative credit management of the banks namely, Nepal Investment bank Limited and Nepal SBI Bank Limited.

1.2 A Brief Profile of the Banks

Nepal SBI Bank Ltd.

Nepal SBI Bank Ltd. was incorporated on 07.07.1993 as a joint venture Bank of state Bank of India (SBI), India.SBI holds 50% shareholding. The local promoters are Employees Provident Fund and Agricultural Development Bank/Nepal. The management team and the Managing Director who is also the CEO of the Bank are deputed by SBI .SBI also provides management support as per the Technical Services Agreement. Fifty percent of the bank, set up in 1993, is held by the State Bank of India, 15 percent by the Employees Provident Fund, five percent by the Agricultural Development Bank Nepal and 30 percent by the general public. Nepal SBI bank's Paid-up Capital is Rs 64.02 crore. The bank says it has Rs 1100 crore in Deposits, Rs 824 crore Loans and Advances and Rs 361 crore Investments.

The shareholding structure comprises of:

i.	SBI Bank (India)	50%
ii.	Employee Provident Fund	15%
iii.	ADB Nepal	5%
iv.	General Public	30%

(Source: SBI Bank 2006).

<u>Nepal Investment Bank Limited</u>

Nepal Investment Bank Ltd. (NIBL), previously Nepal Indosuez Bank ltd., was established in 1986 as a joint venture between Nepalese and French partners. The French partner (holding 50% of the capital) was Credit Agricole Indosuez, a subsidiary of one the largest banking groups in the world. With the decision of Credit Agricole Indosuez to divest, a group of companies comprising of bankers, professionals, industrialists and businessmen, in April 2002, acquired 50% of the holdings of Credit Agricole Indosuez in Nepal Indosuez Bank. The name of the bank was changed to Nepal Investment Bank ltd. upon approval of the Bank's Annual General Meeting, Nepal Rastra Bank and Company Registrar's office.

The shareholding structure comprises of:

i.	A group of companies	50%
ii.	Rastriya Banijya Bank	15%
iii.	Rastriya Beema Sansthan	15%
iv.	The general public	20%

(Source: NIBL 2006).

1.3 Statement of the Problem

Credit management is the essence of commercial banking; consequently the formulation and implementation of second credit policies are among the most important responsibilities of directors and management. Well conceived credit policies and careful credit practices are essential if a bank is to perform its credit. Credit management effects on the company's profitability and liquidity so, it is one of the crucial decisions for the commercial banks.

The need of financial resources in a developing country like Nepal is essential for the economic development of country. All the sectors from industrial and commercial to agriculture and infrastructure are in need of funding. Although the growth of industrial credit has not been encouraging in the recent years, there is sizable growth in the commercial and other short-term credits. Commercial banks are focusing credits on consumer credits like housing, vehicle, education credit etc. It is encouraging to explore new sector for credit management but it should also be considered that industrial credit should be gives prime importance as the economy largely depends on this sector.

Credit policies are not systematic and have no clear cut vision available on lending aspect. In Nepal, it has been found that on approval and lending decisions are made flexible to favor to personnel networks also. A new customer finds that credit providing process being very complicated and sometimes the documents submitted for credit sanctioning being fraudulent and for formality purpose only.

The problems faced by the banks can be pointed out as follows:

1. What is the Situation of Credit Policy?
2. What is the Basis for Measurement of Profitability Performance?
3. What are the Trend of Deposit and Credit of Commercial Banks?
4. How to Manage the Credit Recovery System?
5. What is the Situation of Liquidity of Commercial Banks?

1.4 Objectives of the Study

The main objective of the study is to analyze the credit management adopted by the sample bank with a view to provide workable suggestion which may be helpful to the formulation of credit policy. However, the specific objectives are as follow:

i. To analyze the effectiveness of credit policy of the Commercial Banks.
ii. To measure the performance in quality, efficiency and contribution of profitability.
iii. To examine the trend of deposit and credit of commercial bank.
iv. To study of liquidity position to find out the impact on deposit and its effect on credit performance.
v. To analyze the recovery status of the credit disbursed.
vi. To provide suggestions and recommendations for the proper credit system.

1.5 Significance & Focus of the Study

There are few researches done in credit management of commercial banks. Credit management is one of most important aspect of a bank. This study no doubt will have importance to various groups but it is particularly directed to a certain groups/organizations, which are:

i. To share holders.
ii. To the management bodies of these banks for the evaluation of the performance of their own bank, and in comparison with other banks.
iii. To "outsiders" which are mainly customers, financing agencies, customers (depositors as well as credit taker), personnel of the bank and other stakeholders.

iv. To government bodies or the policy makers such as the central bank.
v. To interested outside parties such as- investors, competitors, stockbrokers, dealers and market makers.

So, this study helps these banks to identify its hidden weakness and regarding financial cum credit administration and necessity of the present study is justified.

This study focuses in the qualitative measurement of the selected bank. Similarly, the finding of the study will equally important to others, who are interest in knowing about these particular banks. The present study analytically discloses the strength and weaknesses of commercial banks in relation to credit disbursement and their recovery. Last but not least, it will provide relevant and pertinent literature for future research on the area of credit management of banks.

1.6 Limitations of the Study

Since, the study is focusing to fulfill the partial requirement course of M.B.S. of T.U. It will have some limitation. We have limited resources and it may be difficult to explore researcher to find out new aspect. Reliability of statistical tools used and lack of research experience are the major limitation and some other limitations can be enlisted as follows:

i. This research study largely depends on published documents such as Balance Sheet, Profit and loss Account Statement, which are circulated at the close of the fiscal year.
ii. The study is associated only to the financial performance of Nepal Investment Bank Ltd. and Nepal SBI Bank Ltd.
iii. In this study only selected financial and statistical tools and techniques are used.
iv. The other limitation is the lack of sufficient time and resource because the purpose of this thesis is only fulfillment the partial requirement for the Master's Degree in Business Study (MBS) of the management faculty, Tribhuvan University.
v. The study based on only the past five year periods since 2004/05 to 2008/09.
vi. The secondary data are used to analyze for result interpretations, so the accuracy of the finding depends on the reliability of available information.
vii. In some extent, the data published on the website of related banks was taken.
viii. Due to time and resource factor only two commercial banks are taken for the study.

There could be many factors affecting credit management decision. However only those factors related with credit policy will be considered in this study.

1.7 Chapter Scheme

This study has been organized into five chapters, each devoted to some aspects of study on credit management of commercial bank. The titles of these chapters are summarized bellow and the contents of each of these chapters are briefly mentioned here:

Chapter-I:	Introduction
Chapter-II:	Review of Literature
Chapter-III:	Research Methodology
Chapter-IV:	Data Presentation and Analysis
Chapter-V:	Summary, Conclusion and Recommendations.

This first chapter deals with the subject matter consisting introduction, a brief profit of the banks, focus of the study, statement of the problem, objective of the study, significance of study, limitations of the study and chapter scheme of the study.

The second chapter is mainly focused with literature review that includes a discussion on the conceptual framework on loan management and review of major-studies relating with leading decision.

The third chapter describes the research methodology used to conduct the present research. It deals with research design, sources of data, data processing procedures, population and sample, period of the study, method of analysis and financial and statistical tools.

The fourth chapter is concerned with analytical framework. It includes the analysis of financial indicators, analysis of financial indicators, analysis of mean, correlation coefficient, regression analysis, trend analysis and financial analysis.

The fifth chapter includes the major findings and conclusion of the study which deals about the main theme of study and comparison of lending policy of the banks with recommended for improvement of loan management of the selected banks.

The bibliography and annexes are also incorporated at the end of the study.

CHAPTER II
REVIEW OF LITERATURE

2.1 Conceptual Framework

Many researchers have conducted their research on the field of commercial banks especially on their financial performance, and fund mobilization policy, compliance with NRB directive etc. Besides this, there are some books articles dissertations and other relevant study concerned with the Credit Management. Some of the relevant studies, their objectives, findings and conclusions and other literature relating to the topic have review below.

2.2 CONCEPTIAL FRAME WORK

2.2.1 Concept of Credit

Credit is the amount of money lent by the creditor (bank) to the borrower (Customers) either on the basis of security of without security.

Sum of the money lent by bank, etc Credit and advance is an important item on the asset side of the balance sheet of a commercial bank. "Bank earns interest on credits and advances, which is one of the major sources of income of income for banks. Bank prepares credit portfolio , otherwise it will not only add bad debts but also affect profitability adversely.

The Credit Policy of a firm provides the framework to determine heather or not to extend credit and how much credit to extend. The credit decision of a bank has two broad dimensions: Credit Standards and Credit Analysis. A bank has to establish and use standards in making credit decision develop appropriate sources of credit information and methods of credit analysis . credit management strongly recommends analyzing and managing the credit risk . credit risk is defined as the possibility that a borrower will fail to meet its obligations in accordance with the agreed terms and conditions. Credit risk is not restricted to lending activities only but includes off balance sheet and inter-bank exposures. The goal of credit risk management is to maximize a bank risk adjusted rate of return by maintaining the credit risk exposure within acceptable parameters. for most banks, loan are the largest and most obvious source of credit risk , however, other sources of credit risk exist through out the activities of a bank, including in the banking book, and in the trading book, and both on and off balance sheet. Banks are increasingly facing credit risk (or counter party risk) in various financial instruments other than land including acceptances, inter- bank transactions, trade financing, foreign exchange transaction and guarantees and the settlement of transactions

Credit risk is a major subject matter on BASEL-I. bank and financial institutions have to maintain optimum level of capital considering a kind of credit risk they are exposed to. In order to save the inertest of depositors. The concept has already been employed by NRB in Nepal . however NRB are in process of employing a concept of BASEL_II where the concern has been broadened by including factors like operational risk & market risk to determine optimum level of capital. Since it's hard to quantify operational risk and market risk, a ,a major concern still for us is to control credit risk in Nepal's banking scenario.

2.3.1Types of Credit

Overdraft

It connotes the excess amount withdrawn over their deposits.

Cash Credit

The credit is not giben directly in cash but deposit account is being opened in the name of credit taker and the amount credited to the account. In this way, ever credit creates deposit.

Term Credit

It refers to money ient in lump sup to the borrowers. It is principal form of medium term debt financing having maturities of 1 to 8 years.

Barely and Myers urges that bank credits with maturities exceeding 1 year are called term credits. The firm agrees to pay inrerest based on the bank's prime rate and to repay principa; in the regular installments. Special patterns of principal payments over time can be negotiated to meet the firm's special needs. (Richard, 1996:80)

Working Capital Credit

Working capital denotes the difference between current assets and current liabilities, it is granted to the customers to meet their working capital gap cor supporting production process. A natural process develops where funds moving through the cycle are generated to repay a working capital credit.

Hire Purchase Financing (Installment Credit)

Hire-purchase credit are characterized by periodic repayment of principal and interest over the maturity of the credit. Hire aggress to rake the goods on hire at a stared rental including their repayment of principal as well as interest with and option to purchase.

Housing Credit (Real Estate Credit)

Financial institutions also extend housing credit to their customers . it is of different types such as; residential building, commercial complex, construction of warehouse etc. It us given to those who have regular income or can earn revenue from housing project itself.

Project Credit

Project Credit is granted ti the customers as per project viability. The borrowers have to invest certain proportion to the project from their equity and the rest will be financed as project credit. “Construction Credit are short-term credits made to developers for the purpose of completing proposed projects. Maturities on construction credits range from 12 months to as long as 4 to 5 years, depending on the size of the specific project”. Hence, what percent of the credit will be disbursed at which stage of completion must be spelled in disbursement policy, Term credit working capital credit needed for project fall under it.

Consortium Credit

No single financial institution grant credit tote project due to borrower limit of other reason and two or more such institutions may consent to grant credit facility to the project of which is baptized as consortium credit. It reduces the risk of project amount them. Financiers bank equal (or likely) change on the project’s assets.

Credit card and Revolving Lines or Credit

Bank are increasingly utilizing charge cards and revolving lines of credit to make unsecured consumer credit. Revolving credit line lowers the cost of making credit since operating and processing cost are reduced. Due to standardization, centralized department processes revolving credits resulting reduction on administrative cost. Continued borrowing arrangement enhances cost advantages. Once the credit line is established, the customer can borrow and repay according to his needs and the bank can provide the fund of the customer at lower cost.

Charge card and credit lines tied to demand deposit account are the two most common revolving credit agreements. It can be further divided into credit cards, automatic overdrafts lines and large credit line.

Off-Balance Sheet Transaction

In fact, Bank guarantee and letter of credit refers to off Balance Sheet transactions of financial institution. It is also known as contingent liability. Contingent liability pinpoints the liability, which may or may not arise during the happening of certain event. Footnotes are kept as reference to them instead of recording in the books of accounts.

It is not funded based remunerative facilities but more risk than the funded until adequate collateral are taken. Lets its two varieties be described separately.

Bank Guarantee:

It is used for the sake of customers in favor of the other party (beneficiary) up to the approved limit. Generally a certain percent amount is taken as margin from the customer and the customer's margin account is credited.

Letter of Credit (L/C)

It is issued in behalf of the customer (Buyer/importer) in favor of the exporter (seller) for the import of goods and service sating to pay certain sum of money on the submission of certain documents complying the stipulated terms and conditions as per the agreement of L/C.

It is also known as importers letter of credit since the bank of importer do not open separate L/C for the trade of same commodities.

2.4 List of Bank and Non-Banking Financial Institution.

List of Banks and Non-bank Financial Institutions

Class A: Commercial Banks

Class B: Development Banks

Class C: Finance Companies

Class D: Micro Credit Development Banks

Savinge and Credit Co-operatives(Limited Banking) (Licensed by NRB)

Non-Government Organizations (NGOs) (Licensed by NRB)

Class A: Commercial Banks				
S.No.	**Names**	**Operation Date (A.D.)**	**Head Office**	**Paid up Capital** *(Rs. In Million)*
1	Nepal Bank Limited	15/11/1937	Kathmandu	380.4
2	Rastriya Banijya Bank	23/01/1966	Kathmandu	1172.3
3	Agriculture Development Bank Ltd.	02/01/1968	Kathmandu	10777.5
4	Nabil Bank Limited	16/07/1984	Kathmandu	1449.1
5	Nepal Investment Bank Limited	27/02/1986	Kathmandu	2409.1
6	Standard Chartered Bank Nepal Limited.	30/01/1987	Kathmandu	1398.5
7	Himalayan Bank Limited	18/01/1993	Kathmandu	1600
8	Nepal SBI Bank Limited	07/07/1993	Kathmandu	1653.6
9	Nepal Bangladesh Bank Limited	05/06/1994	Kathmandu	1860.3
10	Everest Bank Limited	18/10/1994	Kathmandu	1030.5
11	Bank of Kathmandu Limited	12/03/1995	Kathmandu	1182.2

12	Nepal Credit and Commerce Bank Limited	14/10/1996	Siddharthanagar, Rupandehi	1399.6
13	Lumbini Bank Limited	17/07/1998	Narayangadh,Chitawan	1294.5
14	Nepal Industrial & Commercial Bank Limited	21/07/1998	Biaratnagar,Morang	1311.5
15	Machhapuchhre Bank Limited	03/10/2000	Pokhara, Kaski	1479.1
16	Kumari Bank Limited	03/04/2001	Kathmandu	1304.9
17	Laxmi Bank Limited	03/04/2002	Birgunj, Parsa	1613.5
18	Siddhartha Bank Limited	24/12/2002	Kathmandu	1230
19	Global Bank Ltd.	02/01/2007	Birgunj, Parsa	1325.1
20	Citizens Bank International Ltd.	21/06/2007	Kathmandu	1196
21	Prime Commercial Bank Ltd	24/09/2007	Kathmandu	1263.7
22	Sunrise Bank Ltd.	12/10/2007	Kathmandu	1419.7
23	Bank of Asia Nepal Ltd.	12/10/2007	Kathmandu	1105.3
24	DCBL Bank Ltd.	25/05/2008	Kamaladi, Kathmandu	1740.4
25	NMB Bank Ltd.	05/06/2008	Babarmahal, Kathmandu	1430
26	Kist Bank Ltd.	07/05/2009	Anamnagar, Kathmandu	2000
27	Janata Bank Nepal Ltd.	05/04/2010	New Baneshwor, Kathmandu	1400
28	Mega Bank Nepal Ltd			
29	Commerz and Trust Bank Nepal Ltd.			
30	Civil Bank Ltd.			

Class B: Development Banks				
S.No.	**Names**	**Operation Date (A.D.)**	**Head Office**	**Paid up Capital** (Rs. In Million)
1	Nepal Industrial Development Corporation	15/06/1959	Durbar Marg, Kathmandu	415.8
2	Nepal Development Bank Ltd.	31/01/1999	Kamaladi, Kathmandu	320
3	Uddyam Development Bank Ltd.	11/11/1999	Tandi, Chitawan	50
4	Malika Development Bank Ltd.	19/12/1998	Dhangadhi, Kailali	204.2
5	Siddhartha Development Bank Ltd.	20/08/1998	Butawal-11, Rupandehi	645
6	United Development Bank Ltd.	16/03/2002	Jeetpur, Bara	80.2
7	Manakamana Development Bank Ltd.	19/06/2001	Durbar Marg, Kathmandu	700
8	Narayani Development Bank Ltd.	17/10/2001	Ratna Nagar-1, Chitawan	35
9	Pashimanchal Development Bank Ltd.	02/03/2003	Butawal-8, Rupandehi	324.1
10	Sahayogi Bikas Bank Ltd.	21/10/2003	Janakpurdham,Dhanusha	45

11	Pashupati Development Bank Ltd.	01/01/2004	Banepa, Kavre	200
12	Karnali Bikash Bank Ltd.	14/02/2004	Nepalgunj, Banke	40.8
13	Triveni Development Bank Limited	26/07/2004	Bharatpur, Chitawan	58.5
14	Annapurna Development Bank Limited	23/08/2004	Banepa, Kavre	210
15	Bhrikuti Bikas Bank Limited	19/08/2004	Butawal, Rupandehi	232.6
16	Shubhechchha Bikas Bank Limited	14/09/2004	Narayangadh, Chitawan	54.8
17	Bageshowri Development Bank Limited	19/10/2004	Nepalgunj, Banke	49.5
18	Sanima Bikas Bank Limited	26/11/2004	Nagpokhari, Kathmandu	806.4
19	Gaurishankar Development Bank Ltd.	29/11/2004	Kawasoti, Nawalparasi	140
20	Gorkha Bikas Bank Limited	01/12/2004	Putalisadak, Kathmandu	600
21	Gandaki Bikas Bank Ltd.	19/01/2005	Pokhara, Kaski	100
22	Infrastructure Development Bank Ltd.	29/04/2005	Banepa, Kavre	320
23	Business Development Bank Ltd.	10/05/2005	Pokhara, Kaski	210
24	Biratlaxmi Bikas Bank Limited	11/05/2005	Biratnagar, Morang	55
25	Excel Development Bank Ltd.	21/07/2005	Anarmani,Jhapa	80
26	Western Development Bank Ltd.	15/09/2005	Dang	31.9
27	Himchuli Bikas Bank Limited	07/11/2005	Pokhara, Kaski	168.3
28	Arniko Development Bank Ltd.	06/07/2006	Dhulekhel, Kavre	102
29	NDEP Development Bank Ltd.	17/07/2006	Kamaladi, Kathmandu	512
30	Clean Energy Development Bank Ltd.	06/09/2006	Sitapaila, Kathmandu	384.1
31	Miteri Development Bank Ltd.	13/10/2006	Mahendrapath-5, Dharan	45.1
32	Tinau Bikas Bank Ltd.	13/10/2006	Sangampath, Butwal	62.6
33	Rising Development Bank Ltd.	18/12/2006	Navalparasi, Gaindakot	33.1
34	Muktinath Bikas Bank Ltd.	18/12/2006	Pokhara, Kaski	65
35	Sewa Bikas Bank Ltd.	25/02/2007	Butawal, Rupandehi	60
36	Kankai Bikas Bank Ltd.	04/05/2007	Damak , Jhapa	28
37	Public Development Bank Ltd.	07/06/2007	Birjunj , Parsa	150
38	Ace Development Bank Ltd.	15/08/2007	Narayanchaur, Kathmandu	750.5
39	Mahakali Bikas Bank Ltd.	18/08/2007	Mahendranagar, Kanchanpur	20
40	Sangrila Bikas Bank Ltd.	26/08/2007	Pokhara, Kaski	130
41	Bhargab Bikas Bank Ltd.	30/08/2007	Nepalgunj, Banke	12
42	Vibor Bikas Bank Ltd.	04/10/2007	Tripureshwor, Kathmadu	680
43	Resunga Bikas Bank Ltd.	26/09/2007	Tamghas, Gulmi	30.6
44	Rara Bikas Bank Ltd.	30/09/2007	Birendranagar, Surkhet	21.8

45	Diyalo Bikas Bank Ltd.	01/10/2007	Banepa, Kavre	65
46	Country Development Bank Ltd.	04/10/2007	Banepa, Kavre	224
47	Kasthamandap Development Bank Ltd.	25/10/2007	New Road, Kathmandu	320
48	Alpine Development Bank Ltd.	05/10/2007	Hetauda, Makawanpur	67
49	Nilgiri Bikas Bank Ltd.	12/10/2007	Beni, Myagdi	35
50	Corporate Development Bank Ltd.	25/10/2007	Birjung, Parsa	104.2
51	Kamana Bikas Bank Ltd.	29/09/2007	Lekhnath, Kaski	65
52	City Development Bank Ltd.	19/10/2007	Pokhara, Kaski	200
53	Garima Bikas Bank Ltd.	23/11/2007	Sangja	106
54	Biswo Bikas Bank Ltd.	21/11/2007	Pokhara, Kaski	146.4
55	Pathibhara Bikas Bank Ltd.	21/11/2007	Urlabari, Morang	50
56	Professional Bikas Bank Ltd.	17/10/2007	Banepa, Kavre	35
57	Kabeli Bikas Bank Ltd.	15/11/2007	Dhankuta	12
58	Purnima Bikas Bank Ltd.	20/05/2008	Sidhardhanagar, Rupandehi	64
59	Jyoti Development Bank Ltd.	25/08/2008	Kamalpokhari, Kathmandu	448
60	Shine Development Bank Ltd.	22/02/2009	Butawal, Rupandehi	60
61	Bagmati Development Bank Ltd.	23/03/2009	Hariwon,Sarlahi	14
62	Hamro Bikas Bank Ltd.	19/04/2009	Nuwakot	21
63	Kakre Bihar Bikas Bank Ltd.	15/05/2009	Surkhet	12
64	Pacific Development Bank Ltd.	26/07/2009	Beshishahar, Lamjung	19.5
55	Civic Development Bank Ltd.	13/08/2009	Dhadingbesi, Dhading	14
66	International Development Bank Ltd.	04/09/2009	Taku, Kathmandu	448
67	Kanchan Development Bank Ltd.	19/09/2009	Mahendranagar, Kanchanpur	70
68	Gulmi Bikas Bank Ltd.	24/09/2009	Tamghas, Gulmi	14
69	Bright Development Bank Ltd.	08/10/2009	Panouti, Kavre	98
70	Matribhumi Bikas Bank Ltd.	09/10/2009	Sindhulimadi, Sindhuli	15.4
71	Innovative Development Bank Ltd.	13/11/2009	Sidhardhanagar, Rupandehi	66.4
72	Jhimruk Bikas Bank Ltd.	14/12/2009	Pyuthan	15.4
73	Metro Development Bank Ltd.	16/12/2009	Pokhara, Kaski	70
74	Raptibheri Bikas Bank Ltd.	15/01/2010	Nepalgunj, Banke	60
75	Gaumukhi Bikas Bank Ltd.	25/01/2010	Bijawar-6, Pyuthan	14
76	Nepal Consumer Development Bank Ltd	05/02/2010	Pokhara, Kaski	140
77	Khandbari Development Bank Ltd.	05/03/2010	Khandbari, Sankhuwasava	17.5
78	Tourism Development Bank Ltd.	18/03/2010	Thamel, Kathmandu	400
79	Mission Development Bank Ltd		Butwal	
80	Surya Development Bank Ltd		Bhimeswor	

81	Mount Makalu Development Bank Ltd		Basantapur 4	
82	Sindhu Bikash Bank Ltd		Barhabishe	
83	Sahara Bikash Bank Ltd.		Sarlahi	
84	Social Development Bank Ltd.		Naxal	
85	Community Development Bank		Butwal,	
86	Cosmos Development Bank		Gorkha-3	

Class C: Finance Companies				
S.No.	**Names**	**Operation Date (A.D.)**	**Head Office**	**Paid up Capital** (Rs. In Million)
1	Nepal Housing Development Finance Co.Ltd.	08/03/1992	Naya Baneshwor, Kathmandu	159.6
2	Nepal Finance Ltd.	06/01/1993	Kamaladi,Kathmandu	87.7
3	NIDC Capital Markets Ltd.	11/03/1993	Kamalpokhari, Kathmandu	171
4	Annapurna Finance Co.Ltd.	30/09/1993	Chipledhunga, Pokhara	704.3
5	Nepal Share Markets and Finance Ltd.	19/10/1993	Ramshahapath, Kathmandu	2036.8
6	Peoples Finance Ltd.	15/04/1993	Tripureshwor, Kathmandu	268.8
7	Mercantile Finance Co. Ltd.	10/11/1994	Birgunj, Parsa	18
8	Kathmandu Finance Ltd.	10/11/1994	Dillibazar, Kathmandu	75.9
9	Himalaya Finance Ltd.	11/11/1993	Sundhara, Kathmandu	48
10	Union Finance Ltd.	12/12/1995	Kamaladi,Kathmandu	159.9
11	Gorkha Finance Ltd.	12/03/1995	Hattisar, Kathmandu	60
12	Paschhimanchal Finance Co.Ltd.	09/04/1995	Butawal, Rupandehi	100
13	Nepal Housing & Merchant Finance Ltd.	11/04/1995	Dillibazar, Kathmandu	184.9
14	Universal Finance Ltd.	27/04/1995	Kantipath, Kathmandu	144.5
15	Samjhana Finance Co. Ltd.	03/05/1995	Banepa, Kavre	72.7
16	Goodwill Finance Ltd.	16/05/1995	Dillibazar, Kathmandu	294.7
17	Siddhartha Finance Ltd.	25/05/1995	Siddarthanagar, Rupandehi	86.9
18	Shree Investment & Finance Co. Ltd.	01/06/1995	Dillibazar, Kathmandu	120.9
19	Lumbini Finance & Leasing Co. Ltd.	26/06/1995	Thamel, Kathmandu	165
20	Inbesta Finance Ltd.	17/07/1995	Birgunj, Parsa	24

21	Yeti Finance Ltd.	23/07/1995	Hetauda, Makawanpur	81.3
22	Standard Finance Ltd.	23/07/1995	Narayanchaur, Kathmandu	1001.9
23	International Leasing & Finance Co. Ltd.	31/10/1995	Naya Baneshwor, Kathmandu	2003.2
24	Mahalaxmi Finance Ltd.	26/11/1995	Putalisadak, Kathmandu	420
25	Lalitpur Finance Co. Ltd.	12/12/1995	Lalitpur	170.9
26	Bhajuratna Finance & Saving Co. Ltd.	09/01/1996	Kantipath, Kathmandu	38.5
27	United Finance Co. Ltd.	25/01/1996	Kamaladi, Kathmandu	185.6
28	General Finance Ltd.	02/02/1996	Chabahil, Kathmandu	59.5
29	Nepal Shreelanka Merchant Banking & Finance Ltd.	04/02/1996	Kamaladi, Kathmandu	300
30	Merchant Finance Co. Ltd.	02/01/1996	Kathmandu	30
31	Alpic Everest Finance Ltd.	16/07/1996	Baghbazar, Kathmandu	78
32	Nava Durga Finance Co.Ltd.	09/02/1997	Itachhe, Bhaktapur	100
33	Janaki Finance Co. Ltd.	07/03/1997	Janakpurdham, Dhanusha	65
34	Pokhara Finance Ltd.	16/03/1997	Pokhara, Kaski	312
35	Central Finance Ltd.	14/04/1997	Kupondole, Lalitpur	146
36	Premier Finance Co. Ltd.	08/05/1997	Manbhavan, Lalitpur	104.8
37	Arun Finance & Saving Co. Ltd.	17/08/1997	Dharan, Sunsari	75
38	Multipurpose Finance Co. Ltd	25/03/1998	RajbiRaj, Saptari	14
39	Butwal Finance Ltd.	21/06/1998	Butawal, Rupandehi	97.7
40	Shrijana Finance Ltd.	14/12/1999	RajbiRaj, Saptari	28
41	Om Finance Ltd.	17/09/2000	Pokhara, Kaski	105
42	CMB Finance Ltd.	20/11/2000	Jamal, Kathmandu	98.9
43	World Merchant Banking & Finance Ltd.	10/08/2001	Hetauda, Makawanpur	182
44	Capital Merchant Banking & Finance Co. Ltd.	01/02/2002	Battisputali, Kathmandu	374
45	Crystal Finance Ltd.	13/02/2002	Bag Durbar, Kathmandu	70
46	Royal Merchant Banking & Finance Ltd.	14/02/2002	Durbarmarg, Kathmandu	169
47	Guheshworil Merchant Banking & Finance Ltd.	13/06/2002	Jawalakel, Lalitpur	120.8
48	Patan Finance Co. Ltd.	23/06/2002	Man Bhawan, Lalitpur	100
49	Fewa Finance Ltd.	30/04/2003	Pokhara, Kaski	273
50	Everest Finance Ltd.	02/07/2003	Bhairahawa, Rupandehi	40
51	Birgunj Finance Ltd.	28/09/2003	Birgunj, Parsa	420

52	Prudential Bittiya Sanstha Ltd	06/06/2003	Dillibazar, Kathmandu	188.9
53	ICFC Bittiya Shanstha Ltd.	15/06/2003	Bhatbhateni, Kathmandu	329.4
54	IME Financial Institution Ltd.	01/08/2005	Panipokhari, Kathmandu	299.9
55	Sagarmatha Merchant Banking and Finance Ltd	29/08/2005	Maanvawan,Lali tpur	125
56	Shikhar Bittiya Sanstha Ltd.	15/09/2005	Thapathali,Kath mandu	50
57	Civil Merchant Bittiya Sanstha Ltd.	18/09/2005	Kuleshwor,Kath mandu	100
58	Prabhu Finance Co. Ltd.	16/02/2006	Lainchur,Kathm andu	240
59	Imperial Finance Ltd.	08/03/2006	Thapathali,Kath mandu	89.9
60	Kuber Merchant Bittiya sanstha Ltd.	24/03/2006	Putalisadak,Kath mandu	150
61	Nepal Express Finance Ltd.	04/05/2006	Sundhara, Kathmandu	104
62	Valley Finance Ltd.	11/05/2006	Maharajgunj,Kat hmandu	89.6
63	Seti Bittiya Sanstha Ltd.	07/06/2006	Tikapur, Kailali	20.4
64	Hama Merchant & Finance Ltd.	16/06/2006	Tripureshwor, Kathmandu	63
65	Reliable Finance Ltd.	06/09/2006	Sundhara, Kathmandu	99
66	Loard Buddha Finance Ltd.	19/11/2006	Newroad, Kathmandu	112.5
67	Api Finance Ltd.	25/04/2007	Lekhanath Chock, Kaski	60
68	Nameste Bitiya Sanstha Limited.	07/07/2007	Ghorai, Dang	10.1
69	Kaski Finance Limited	30/07/2007	Pokhara, Kaski	150
70	Suryadarshan Finance Co. Ltd.	30/07/2007	New Baneshor, Kathmandu	60
71	Zenith Finance Ltd.	08/10/2007	Newroad, Kathmandu	71.4
72	Unique Financial Institution Ltd.	12/10/2007	Putalisadak, Kathmandu	60
73	Manjushree Financial Institution Ltd.	15/10/2007	New Baneshor, Kathmandu	89.1
74	Swostik Merchant Finance Company Ltd.	16/10/2007	Kichapokhari, Kathmandu	70
75	Subhalaxmi Finance Ltd.	11/11/2007	Naxal, Kathmandu	14
76	Jebil`s Finance Ltd.	28/10/2009	New Road, Kathmandu	102
77	Narayani National Finance Ltd.	01/11/2009	Kalikasthan, Kathmandu	435.1
78	Reliance Finance Ltd.	03/12/2009	Pradarsani Marg, Kathmandu	140
79	Lotus Investment Finance Ltd.	11/04/2010	Newroad, Kathmandu	120

Class D: Micro Credit Development Banks				
S.No.	**Names**	**Operation Date (A.D.)**	**Head Office**	**Paid up Capital** (Rs. In Million)
1	Purbanchal Grameen Bikas Bank Ltd.	28/03/1993	Biratnagar, Morang	60
2	Sudur Pashimanchall Grameen Bikas Bank Ltd.	28/03/1993	Dhangadhi, Kailali	58.5
3	Pashimanchall Grameen Bikas Bank Ltd.	01/04/1995	Butawal-8, Rupandehi	66
4	Madhya Pashimanchal Grameen Bikas Bank Ltd.	01/04/1995	Nepalgunj, Banke	60.5
5	Madhymanchall Grameen Bikas Bank Ltd.	08/07/1996	Janakpur, Dhanusha	60
6	Nirdhan Utthan Bank Ltd.	13/04/1999	Bhairahawa, Rupandehi	110
7	Rural Microfinance Development Centre Ltd.	06/12/1996	Putalisadak, Kathmandu	320
8	Deprosc Development Bank Ltd.	03/07/2001	Ratnanagar, Chitwan	42.5
9	Chhimek Development Banks Ltd.	10/12/2001	Hetauda - 4,Makawanpur	63
10	Shawalamban Laghu Bitta Bikas Banks Ltd	22/02/2002	Janakpur, Dhanusha	63.5
11	Sana Kisan Vikas Bank Ltd.	11/03/2002	Bijulibazar, Kathmandu	123.1
12	Nerude Laghu Bitta Bikas Bank Ltd.	07/06/2007	Biratnagar, Morang	20
13	Naya Nepal Laghu Bitta Bikas Bank Ltd.	20/03/2009	Dhulekhel, Kavrepalanchock	14
14	Mithila Laghu Bitta Bikas Banks Ltd	29/04/2009	Dhanusha	16.5
15	Summit Microfinance Development Bank Ltd	20/05/2009	Jhapa	14
16	Sworojagar Laghu Bitta Bika Bank Ltd	01/12/2009	Banepa, Kavre	11
17	First Microfinance Development Bank Ltd	28/12/2009	Kathmandu	70
18	Nagbeli Microfinance Development Bank Ltd	04/02/2010	Jhapa	11

Savinge and Credit Co-operatives (Limited Banking) (Licensed by NRB)				
S.No.	**Names**	**Operation** Date (A.D)	**Head Office**	**Paid up Capital** *(Rs. In Million)*
1	Shree Nabajivan Co-operative Ltd.	15/12/1993	Dhangadi, Kailali	52.8
2	Sagun Co-operative Society Ltd.	09/10/1994	Kathamandu	11.8
3	Nepal Co-operative Society Ltd.	30/12/1994	Kathamandu	43
4	The Sahara Loan,Savings & Investment Co-op.Soc. Ltd.	15/04/1995	Sarlahi	46.4
5	Bindabasini Saving & Credit Co-operative Society Ltd.	21/06/1995	Khopasi, Kavre	37.1
6	Mahila Co-operative Society Ltd.	27/09/1995	Kathmandu	17.3
7	Bahooddeshya Saving & Loan Co-op.Society Ltd.	25/12/1995	Jhapa	37.3
8	Rajshree Saving & Invest.Co-op Society Ltd	19/02/1996	Sarlahi	35.8
9	Sahakari Bittiya Sanstha Ltd.	1696/6/16	Nepalgunj, Banke	13.4
10	Shree Manakamanal Sahakari Sanstha Ltd.	18/02/1997	Banepa, Kavre	11.8
11	Very Co-operative Sanstha Ltd.	25/12/1997	Kathmandu	8.5
12	Viccu Saving & Loan Co-operative Sanstha Ltd.	18/02/1997	Banepa, Kavre	16.5
13	Kisan Bahoo-uddesyiya Co-op. Sanstha Ltd.	11/08/1997	Lamki,Kailali	9.4
14	Himalaya Co-operative Ltd.	29/12/1998	Old Baneshowar, Ktm	49.5
15	Star Bahoo-Uddesyiya Saving & Credit Co-op Ltd.	13/02/1998	Biratnagar, Morang	7.3
16	Upakar Savings & Credit Co-operative So. Ltd.	14/04/1998	Walling, Sanja	24.2

Non-Government Organizations (NGOs) (Licensed by NRB)				
S.No.	**Names**	**Operation** Date (A.D)	**Head Office**	**Fund & Reserves** *(Rs.In Thousand)*
1	Nepal Grameen Bikas Sanstha	05/06/2000	Kathmandu	-
2	Nepal Sikara Grameen Bikas Karyakram	05/06/2000	Chitwan	756
3	Chartare yuba Club	05/06/2000	Baglung	110
4	Mahuli Samudyik Bikas Kendra	12/06/2000	Saptari	7145
5	United Youth Community (UNYC NEPAL)	29/06/2000	Bardiya	-
6	Samudayik Mahila Bikas Kendra	14/07/2000	Saptari	980
7	Grameen Samudayako Lagi yojana Pratavuti, Nepal	23/08/2000	Dhankuta	-
8	Grameen Jagaran Manch (Programm Co-ordination Office)	11/09/2000	Baglung	156
9	Sarbodaya Grameen Bikas Sangh	26/09/2000	Saptari	-

10	Jan Jagaran Manch	26/10/2000	Rasuwa	111
11	Rastriya Shaichhik Tatha Samajik Bikas Sanstha	01/10/2000	Parbat	-
12	Dhaulagiri Community Researh Dev. Centre	21/10/2000	Baglung	-
13	Nepal Enviroment & Pollution Eradication UNESCO Nepal	05/07/2001	Gangabu	127
14	Society of Local Volunteers Efforts Nepal (Solve)	10/07/2001	Dhankuta	833
15	Women Enterprises Association of Nepal	24/09/2001	Kathmandu	1146
16	Center for Women's Right and Development	30/04/2002	Kathmandu	-
17	MANUSHI	03/05/2002	Kathmandu	6029
18	Life Development Society	18/06/2002	Morang	-
19	Women Development and Child Care Foundation	02/07/2002	Saptari	-
20	Mahila Adarsha Sewa Kendra	02/07/2002	Kthmandu	620
21	Patan Buisiness and Professional Women	02/07/2002	Lalitpur	-
22	Women Development Centre	02/07/2002	Chitwan	-
23	Womens Self -Relient Society	14/07/2002	Chitwan	-
24	Women Development Centre of Nepal	12/07/2002	Lalitpur	3236
25	Bhagawan Youth Club	23/07/2002	Kathmandu	35
26	Creative Women Environment Development Association.	24/07/2002	Kathmandu	730
27	Srijana Community Development Center	25/07/2002	Siraha	-
28	Shreejana Development Center	22/08/2002	Kaski	2090
29	Cottage & Small Industries Organization	02/09/2002	Kathmandu	-
30	Rural Area Dev. & Research Programme	03/09/2002	Parbat	-
31	Adarsha Yuba Club	06/09/2002	Bhaktapur	-
32	Society Welfare Action Nepal (SWAN)	25/10/2002	Dang	-
33	Social Upgrade in Progress of Education Region (SUPER)	29/10/2002	Dang	-
34	Nepal Women Community Service Center	30/10/2002	Dang	-
35	Forum for Rural Women Ardency Development,(FORWARD)	30/12/2002	Sunsari	-
36	Gramin Mahila Bikash Sanstha	23/04/2003	Dang	-
37	Ama Samaj Shangh	29/04/2003	Chitwan	15
38	Gramin Mahila Utthan Kendra	18/06/2003	Dang	-
39	Khurkot Youba Club	14/09/2003	Parbat	-
40	Gramin Sewa Nepal	18/09/2003	Kailali	253
41	Nari Avudya Kendra	24/10/2003	Chitwan	-
42	Mahila Upakar Manch	29/10/2003	Banke	2131
43	Sawabalamban Bikash Kendra	01/11/2004	Kathmandu	57390
44	Bikash Aayojana Sewa Kendra	01/11/2004	Kathmandu	72500
45	Gramin Swayam Sewak Samaj	20/11/2005	Hariwon,Sarlahi	1955

2.3 NPLS in the Nepal and the Other Countries

Non- performing loan was the serious problem not only in national banking but also in the international banking. Non-performing differs in the various countries such as in 2003, the non-performing loans was 2.3% in U.K., 8.8% in India, 22% in China, 15.5% in Thailand and 2% in Japan.

The non-performing loan was very high because the two public banks (Nepal Bank limited and Rastriya Banijya Bank) have very huge amount of non-performing loans. Few years ago, the published showed that the Nepal bank Limited has 62% of the non-performing and Rastriya Banijya bank has 52 percent of non performing was and these two banks have around 35 Arab rupee non performing loans and responsibility of non performing loans per Nepali has one thousand six hundred and fifteen rupees and it occupies 8% more than the per capital income of the year. (NRB 2063).

2.4 Sources of Major Problem in Credit Risk Management

Effective credit risk management allows a bank to reduce risks and potential NPLs. It also offers other benefit. Once banks understand their risk and their costs, they will be able to determine their most profitable business and thus, credit-risk strategy supported by organizational changes, risk measurement technique and fresh credit process and systems. In the context of Nepal, the sources of major problems in credit risk management are as follows:

Financial statement (including audited) do not reflected a "true and fair view" of the business entity due to creative accounting. The audited financial statement as submitted by the customers do not reflect details relating to

- Encumbrances changes on the company's current/fixed assets plus to whom they are changed.
- Details of group company lending/ borrowings
- Status of income assessment etc.
- Contingent liabilities.
- Accounting policies.
- Delegation of finding authority is based on seriously and not an complexes of the concerned officials
- No exchange of credit information/ lack of transparency among the competitive banks giving rise to multiple banking (some customers having facilities with different base) complicating to excessive financing, double financing, division of funds, flight of capital coverage shortfall etc.

- Absence of:
    - Risk based pricing methodologies
    - Customer risk rating methods
    - Facility risk rating models
- Pronounced name lending.
- Collateral based lending instead o need based/ cash flow base lending.
- Over banked center contributing for severe competition and price-cutting.
- Lack of corporate governance
- Permissive banking practice including names, lending, multiple banking etc.
- Macro level scenario of political in ability slow growing economy, small domestic market.
- Ineffective judiciary
- Cross border risk disappearance of promoters
- Inadequacy of low to dial with crime like cheating, misfeasance.

(Ramamurthy, 2004: p. 3-5)

2.5 Review of the related studies

A bank is a government regulated, profit making business that operates in competition with other banks and financial institutions to serve the saving and credit needs of its customers. The primary business of banks is accepting deposit and leading money. Banks accepts deposit for customers who want the safety and convenience of deposit service and the opportunity to earn interest on their excess funds. (Sapkota, 2001).

A banker and bank is a person or company carrying on the business of receiving on money, and collecting drafts, for customers subject to the obligation of honoring cheques drawn upon them from time to time by the customers to the extent of the amount available on their customer. (Shanker and Shanker 1999).

Hrrishikes Bhattacharya in his book "Banking Strategy, Credit Appraisal and Lending Decision", has put the recommendation of Tandon committee. This committee has prepared this report in 1975, however these recommendation stills deserve great significance in the sector of credit appraisal. The system proposed by the committee enjoyed upon the banker.

a. To assess the need based credit of the borrower on a rational basis.
b. To ensure proper and use of bank credit by keeping a closer watch on the borrower business and thus ensure safety of the banks funds.

c. To improve the financial discipline of the borrower and

d. To develop healthy banker borrower relationship

The committee examined the existing system of lending and recommended the following broad changes in lending system.

a. The credit needs of borrowers are assessed on the basis of their business plans.

b. Bank credit only be supplementary to the borrowers resources and not in replacement of them, i.e. banks not to finance one hundred percent of borrowers, requirement,

c. Borrowers are required to old inventory and receivables according to norms prescribed by the reserve bank of India from time to time.

d. Credit be made available in different components only, depending upon the nature of holding of various current's assets.

e. In order to facilitate a close watch on the operations of borrowers, they are required to summit, at regular intervals, data regarding their business and financial operations, both for the past and future period.

The committee including stores and other items uses in the manufacturing process are:

a. Raw material

b. Stock in process

c. Finished goods

d. Receivable

e. Spares

(Bhattacharya, 1998: 309)

"Bank growth and profitability are the result of carefully forecasting funding needs, competitively attracting funds, efficiently borrowing funds and effectively investing, funds in safe but profitable earning assets. Depending on a bank's size and location and on local and national economic conditions, a bank may have adequate, relatively stable sources of low cost funds, or it may have to compete regularly and aggressively for funds at high market prices for an increasing number of banks, the second situation is becoming the norm as more, the second situation is becoming the norm as more and more banks face increasing pressure to attract adequate funds at reasonable costs.

In the word of S.P. Singh and S. Singh, "credit policies of banks are condition to great extent by the national policy framework, every banker has to apply his own judgment for arriving at a credit decision, keeping of course, bankers and credit policy also in mind" (Singh and Singh, 1983).

H.D. Gross stated, "Lending is the essence of commercial banking; consequently the formulation and implementation of sound lending policies are among the most important responsibilities of bank directors and management. Dell conceived lending policies are essential in a bank to perform its credit creating function effectively and minimize the risk interest in any intention of credit." (Gross, 1963)

Sunity Shrestha said that the commercial banks should not concentrated on the specific sector but should fulfill the credit need of various sector of the economy including agriculture, industry, commercial and social sector of the economy service sector. The commercial banks should very effective while providing loans. While providing loans, the bank should think on the maximizing the economic growth of the country as well as the profit from providing the loan for the operation of the country (Shrestha, 1995).

Among the various review of journals pertaining to the study, the major mostly contributing to the study has been outlined below.

"The banking sector is severally affected by the Non-performing loans problem. It is estimated that the NPL of the Nepalese Baking system is around 16 percent. Therefore, there is not doubt that it has a serious implication on economic performance of the country." (Dhungana, 2058: 127).

F. Morris in his discussion paper has concluded that "most of the banks concentrated a compliance with central bank rules on reserve requirements, credit allocation and interest rate. While analyzing loan portfolio, quality operation, efficiency and soundness of bank investment management has largely been overlooked. The huge loosed now found in the banks portfolio in many developing countries are testimony to the poor quality of this oversight investment function.

He further adds that mismanagement in financial institutions has involved inadequate and over optimistic loan appraisal, tax loan recovery, high risk diversification of landing and investment high risk concentration, concocted and insider landing, loans mismatching. This has led many banks of developing countries the failure of 1980s" (Morris, 1990: 81).

Dr. Sunity Shrestha has presented with the objective to make analysis of commercial banks lending to the Gross Domestic product (GDP) of Nepal. She has set hypothesis that there has been positive impact of landing of the commercial banks to the GDP. In research methodology she has considered GDP as the dependent variable and various sectors of lending dependent variable and various sectors of lending viz. agriculture, industrial, commercial service and social sectors as independent variables. A multiple regression techniques have been applied to analyze the contribution.

The multiple analyzes have shown that all the variables except service sector lending has positive impact on GDP. Thus in conclusion, she has accepted the hypothesis i.e. there has been positive impact by the lending of commercial in various sectors of economy, expect service sector investment (Shrestha, 1995).

"A study on deposit and credit of commercial banks in Nepal concluded that the credit deposit ratio would to 51.30%, other things remaining the same. In Nepal that was the lowest under the period of review. Therefore, he had strongly recommended that the joint venture banks should to give more credit entering new fields as far as possible, otherwise, they might not be able to absorb even the total expenses (Shrestha, 1998: 15).

In the same way, Mr. Dev Lal Kishi, in his article states "The changing face of the banking sector and the HMG/N recent budgetary policy "concludes the following an introduction of the reform in the banking sector as an integrate part of the liberal economic policy, more banks and fiancé companies have come up as a welcome measure of completion. However because of poor investment policies and lack of internal control the, two government controlled banks, Nepal Bank Ltd and Rastriya Banijya Bank's non-performing assets have increased substantially. Now, Nepal Rastra Bank has awarded the management contact to foreign companies to improve the condition of non performing assets. The policy of giving management is professional consultant is a part of the financial sector reform policy of NRB (Kishi, 1996: 27-32).

Rewat Bahadur Karki has summarizes some of the challenge through his article "The financial sector is facing major challenges of high NPL of the banking sector, which comes around 18% of the total loan but it the loan classification is made according to least international practice, it is assumed to exceed 30% credit demand is being met largely by non-institutional source i.e. private money lender, merchant trade, individual and land lord at very high rate of interest, which is 2-3 times higher then of institutional source, this shows that the unorganized financial sector is playing a major role in Nepalese economy. The liquidity has major role in Nepalese economy. The liquidity position of the banking sector is rated as high as 24%, but the productive sector of the economy is starved by credit crunch. This has created a paradoxical situation in banking sector.

He has given some suggestions to improve the Nepalese financial sector:

- The financial institutions especially CBs have to identity new area of investment to increase loans and advances in reducing the liquidity position.
- With the rapid growth in the number of banks and financial institution, deposit insurance scheme is a must. The principle reasons for introducing such deposit insurance should be one of the social justice rather than economic justification in order to protect the interest of the small depositors. In this condition, this scheme should be expedited to implement (Karki, 2000: 26-30).

2.6 Review of Thesis

A study conducted by Shrestha (2000) regarding the investment practices of joint venture banks in Nepal with special reference to Nabil Bank Limited, Standard Chartered Bank Nepal limited and Nepal SBI Bank limited has figured out the problem conclusion and recommendation as follows.

“Commercial Banks are more emphasized to be making loans on short term basis against movable merchandise. Commercial Banks have a lot of deposit but very little investment opportunity. They are even discouraging people by offering very low interest rate and minimum threshold balances”.

Commercial Banks invests their funds in limited areas to achieve higher amount of profit. This regarded as a very risky step, which may lead to lose in profit as well as principle. The credit extends by commercial Bank to agriculture and industrial sector is not satisfactory to meet the growing need of the present situation.

He has concluded that the liquidity position of Nabil and SCBNL have not found satisfactory, it is therefore, suggested them to improve cash and bank balance to meet current obligations. SCBNL’s loan and advance to total deposit ratio is lower at all, it is recommended to follow liberal lending policy for enhancement of fund mobilization. It is recommended to NSBIBL that is has to invest its fund in share and debentures of other companies. It is suggested to enhance off balance sheet transactions, diversifying their investments, own new branches, play merchant banking role and invest their risky assets and shareholders fund to gain higher risky assets and shareholder fund to gain higher profit margin. Nabil and SCBIL are recommended to increase cash balance to meet current obligations and loan demand.

This above study shows that Mr. Shrestha has concluded some conflicting statements, which are obviously not matching with his statement of problem. His recommendation ignores the industry average and also failed to figure out what is right in the industry like banking along the excess of investment or loans and advances. And he thinks liberal lending policies solve the problem to increase the level of loans and Advances.

But some where in his recommendation, he has warned commercial Banks to increase the level of loans and Advances and suggested them to increase the level of investment in government securities or in other safe instrument just to avoid the risk arising from lending. Form this, it can be concluded that Mr. Shrestha has made his entire conclusion absolutely and has not made any relative analysis of the pros and cons of the entire factor affecting his study.

Khadka (1998) in his thesis paper in "A study in the investment policy of Nepal Arab Bank Ltd. in comparison to other joint venture banks of Nepal has recommended, "The bank should utilize its deposit account as loans and advances to get success in competitive banking environment. Loans and advances are the profitable asset for the banks but ineffective management of the loans and advance's creates the serious. Problems to the banks and the major reason behind the bank liquidation and failure could be the weakness of the loan management. (Khadka, 1998)

Kafle (2005) has concluded his study entitled "Non-performing loans of Nepalese commercial banks." The researchers mean objective of the study was to know the problems of the non-performing loans and its effect in the ROA and ROE of the Nepalese commercial banks and to find out whether the Nepalese commercial banks are following the NRB directives regarding loan loss provision for non-performing loan or hot.

Through the research Mr. Kafle has found that the no bank has been following NRB's directives regarding the loan loss provision. He also conclude that the return on assets (ROA) and return on equity (ROE) of the bank deposed upon the NPLs. The high degree of negative correlation between NPL and ROA and the NPL and ROE clearly indicates that there is inverse relation between them. He has recommended that for the smooth operation of the commercial banks, the NPLs should be controlled for these banks should provide necessary training regarding loan management to the manpower's. In order to remove, the NPLs, banks should take enough collateral so that banks can recover its loan amount. For the loan loss provision as per the NRB directive and to reduce the NPL, the bank management should be effective and the NRB's monitoring and regulation is necessary. (Kafle, 2005)

A thesis conducted by Subedi (2002) on "A Comparative Study of Financial Performance between Himalayan Bank limited and Everest Bank Limited and Everest bank limited" of the period from 1996 to 2000 has outlined his major finding and conclusion as follow:

"The mean and total loans and Advances to total saving deposit ratio of EBL is greater than that of HBL and the coefficient of variation between the ratios of HBL is less than EBL. It means that the ratio of HBL is less than EBL is more uniform than EBL. According to analysis, it found that EBL is more employing its saving deposit in term of loans and advances than that of HBL. So, loans and advances to total saving deposit ratio appear better in EBL than HBL".

The mean total investment to total deposit ratio of EBL is significantly greater than that of HBL but, the coefficient of variation between the ratio of HBL but the EBL. It means that the variability of the ratios of HBL is more consistent than that of EBL. According to analysis, it if found that EBL is more successful in utilizing its resources an investment.

However, he failed to give his overall conclusion regarding the superiority of the financial performance of these two banks during the period of the study (1996-2000). He has also put several recommendations out of which few important recommendation are outlined here.

The liquidity of a bank many of affected by external as well as internal factors such as the interest ratio, supply and demand position of loans, saving to investment situation, central bank requirements and the growth or slackening tending policies management capability. HBL has maintained the ratio of cash and bank balance to total deposit considerably lower than that of EBL. So, EBL is recommended to increase cash and balance to meet loan demand (Subedi, 2002).

Subedi (2002) recommendation that HBL should increase its cash and bank balance to meet loan demand does not sound logical since no where in his study he has concluded that HBL has failed to meet its demand loans. Being the low level of cash and bank balance as compare to another specific bank dies not necessary conclude the necessity of increasing this asset.

A thesis study conducted by Ojha (2002) on “lending practices: A study on Nabil Bank Limited, standard chartered bank limited and Himalayan Bank Limited” has find found out that the measurement of lending strength in relative term has revealed that the total assets to total liability of SCBNL has the highest ratio. However the performance of other two banks has not deviated for from the mean ratio of SCBNL and the combined average. SCBNL tendency to invest in government securities have resulted with the lowest ratio of loans and advances to total assets ratio. The steady and high volume of loans and advances throughout the years has resulted Nabil ratio to be the highest. The ratio of loans and advances and investment to deposit ratio has measured the portion of total deposit that is used to increase the income of the banks irrespective of the profiles of its application. Nabil has deployed the highest proportion of its total deposit in earning activities and this ratio is significantly above the ratio of other two banks. The combined ratio is highly deviated from the mean ratio of Nabil and SCBNL. This is the indicative of that in fund mobilizing activities Nabil is significantly better than SCBNL.

Similarly the absolute measures of lending strength have revealed that the mean volume of net assets and deposit is highest in SCBNL with moderate variation. The volume of net assets of HBL is the least due to the low share capital, reserve and surplus in its capital mix. But the volume contributed by Nabil in the greatest in the study period. Nabil has the best contribution in productive as well as industrial sector in economy.

He has further concluded that the overall liquidity strength of SCBNL can be considered the best among the banks. However, the liquidity risk arising from interest rate in SCNNL is the most likely. Since, the market is highly sensitive towards the interest rate; SCBNL has generally been offering low interest rate as compare to other banks. The analysis of lending strength of HBL in loans and advances in the best however, loans and advances, investments to deposit ratio have upgraded the performance of Nabil. If HBL strength succeeded in collecting the less chapter source of strength fund of HBL would push the performance of Nabil and SCBNL for behind in the coming future. Also the contribution made by HBL in the productive sector of economy is highly appreciable and the best among these the commercial banks. The highest growth rate, proportionately high volume of loans and advances and the best contribution in agriculture and priority sector and the high level of deposit mobilization of HBL has put his level of deposit mobilization of HBL has put this bask in the top positive in the lending function as demand by national priority, national development. However the better activity ratio of SCBNL has proved this bank then best in managing the lending portfolio according to the demand of profit-oriented business. The high volume of lending activities and high volume of productive sector loan of Nabil has put this bank in the top position in absolute term.

On basis of the findings and conclusion he has recommended for the banks as the liquidity position of all these three banks is found to be high he has recommended the banks to look upon new area of lending and investment. The rural economy has always been realizing the credit needs and the dominance of non-organized moneylender in this area has been prevailing. To compromise between the liquidity and credit need of rural economy these banks are highly recommended to expand their credit in this area. SCBNL's contribution in loans and advances is the lowest and this has low degree of variation and low growth rate as compare to Nabil and HBL, SCBNL is recommended to give extra priority on productive and priority sector loan. The increasing provision as loan loss and high volume of non-performing assets in Nabil and HBL certainly attract the high attraction of any person interested with these banks. The high volume of NL non-performing assets may have caused due to the failure of industrial and agricultural sector. Nabil's increased non-performing, asset may have caused due to the accumulated bad debts that is kept behind the certain to show the efficiency of management.

He has used different statistical tools like standard deviation, correlation, trend analysis and financial tools for the data analysis and presentation. In his study he has also taken sector wise loan- priority sector, productive sector etc. the different sector wise loan classification are presented and analyzed only secondary data has been used for the study, the overview of theoretical aspect of the lending practices of the banks has not been analyzed. He has taken five years data from 1997 to 2001 for study of lending practices of NABIL, SCBNL and HBL (Ojha, 2002).

Shrestha (2003) in her thesis paper "Impact and implementation of NRB Guidelines (Directive of commercial Banks- A study of Nabil Bank limited and Nepal SBI Bank have been fully implement the NRB's directives. Capital adequacy Ratio of Nabil and Nepal SBI are 13.40% and 12.86% respectively, which are more than 9%. Banks are following the directives but in same cases such like supplementary capital and balance at NRB there is shortfall. The excurses amount of total deposit in balance of NRB there is shortfalls. The banks have categorized the loan amount into four diffident categories as per NRBs directives.

The increasing loan loss- providing amount decreased the profit of the banks. The charge in the single borrower limit has brought down the limits of the fund based and non-fund based loans which have resulted to reduced loan exposure to banks.

In her thesis she has recommended that both Nabil and SBI banks to increase it supplementary capital as it has shortfall in comparison wit NRB guidelines and to meet the supplementary capital adequacy ratio even though it can be compensated by the excess amount of core capital. The supplementary capital needs to be increased by Rs.122.74 million in Nabil Bank and Rs.125.57 million in Nepal SBI Bank. She says liquidity and profitability are like two wheels of one cart so banks cannot run in the absence of any one of them. One can be activated only at the cost of the other. Only liquid banks can attract loan core deposit, which helps in reducing interest expenses and give loan to good customer at lower rate, which results in requirement of less provision and high net profit. So banks should increase their primary reserve now to maintain the liquidity risk due to scrap out the secondary reserve. On the basis of findings, Nabil Bank has a shortfall of Rs.140.74 million thus Nabil has to increase its balance at NRB by such amount for better performance even after adding 1% excess amount of ash of total deposit.

Primary data has been used in order to get the view of banks on the directives issued by NRB. Question related to NRB directives 1.5 are used to collect for the study and implementation of directive by commercial bank. Secondary data are also used for the analysis of this study, the general directives issued in 2001 and 2002 are considered for the study. In issued directives of 2001 and 2002 there are 10 directives but only five directives i.e. (1-5) are highlighted and taken in the study.

2.7 Research Gap

The review of above relevant literature has contributed to enhance the fundamental understanding and knowledge, which is required to make study meaningful and purposive. There has been lots of article published related to investment policy loans and advances of commercial banks. There are various researches conducted on investment analysis and policy of commercial banks, impact and implementation of NRB guideline in commercial banks but there few research conducted on lending aspect of commercial banks. However, no one has done a study on “Credit management of Commercial Banks with reference to Nepal SBI Bank Limited and Nepal Investment Bank Limited”. Therefore, the research attempts to study in this area.

So, this study will be fruitful to those interested persons, scholars, professor, students, businessman and government for academically as well as policy perspective.

CHAPTER III
RESEARCH METHODOLOGY

Research methodology depends on the various aspects of the research project. The size of the project, the objective of the project, impact, importance of the project, time frame of the project, impact of the project in various aspects of the human life etc. are the project in various that determine the research methodology of the particular project.

This chapter includes the research design, total population and selected sample, source of the data, the data gathering procedures, research variables and the statistical procedures.

3.1 Research Design

Research design is planned structure and strategy of investigation conceived to obtain answer to research objective through analysis of data. The first step of the study is to collect necessary information and data concerning the study. Therefore, research design means the definite procedure and technique, which guides the study and propounds ways or doing research. In this way a descriptive and analytical survey will be done. The justification for the choice of these methods is preferred because it includes reliable data and information covering a long time and avoids means complex variables.

The research covers the three major joint venture commercial banks in Nepal particular in their loan management practice. The research has the basic objective to figure out the problem therein and provide them with some recommendation. The literature has been reviewed specially from the post thesis conducted and the same aspects of the commercial Banks. The data for the research are of secondary types. The research is designed to conduct approximately within 60 working days.

3.1.1 Sources of Data

The data presented in the study are secondary type. The annual reports of the concerned banks are the major sources of the data for the study. However, besides the annual reports of the subjected banks the following source of data shall also be used in the respective corner of the study.

1. NRB reports
2. Various publications dealing in the subject matter of the study
3. Various articles published in the News papers

Besides the above, any kind of other sources such as assertions, interviews, remarked by the specialist of those are capable improvising valuable data and conclusion, shall be considered in the study.

3.1.2 Data Collection Procedures

The Annual Report of concern bank was obtained from field visiting of these banks especially from their corporate office. NRB publication, such as Quarterly, Economic Bulletin, Banking and financial statistics, Economic Report, annual Report of NRB etc. has been collected from the personal visit of concerned department of NRB at Baluwatar. The data on some aspect of these banks was obtained from the website www.nepalstock.com.np. of Nepal stock exchange.

3.2 Selection of the Banks as the Sample from the total Population

There are 30 commercial banks operating in the country. Due to the time limitation, to study all the banks will take a long time. In our study 2 banks each from the public and joint venture are taken as sample.

3.2.1 Population

All the commercial banks in Nepal are the population of the study. The commercial banks are as follows.

Table 1: Lists of Commercial Banks in Nepal

Name of the Commercial banks		Date of establishment
1.	Rastriya Banijya Bank Ltd.	1937
2.	Nepal Bank Ltd.	1966
3.	Nabil Bank Ltd.	1984
4.	Nepal Investment Bank Ltd.	1986
5.	Standard Chartered Bank Ltd.	1987
6.	Himalayan Bank Ltd.	1993
7.	Nepal SBI Bank Ltd.	1993
8.	NB Bank Ltd.	1994
9.	Everest Bank Ltd.	1994
10.	Bank of Kathmandu Ltd.	1995
11.	NCC Bank Ltd.	1996
12.	Lumbini Bank Ltd.	1998

13.	NIC Bank Ltd.	1988
14.	Machapuchhre Bank Ltd.	2000
15.	Kumari bank Ltd.	2001
16.	Laxmi Bank Ltd.	2002
17.	Siddhartha Bank Ltd.	2002
18.	Agriculture Development Bank Ltd.	2006
19.	Global Bank Ltd.	2007
20.	Citizen Bank Limited	2007
21	Prime Commercial Bank Ltd	24/09/2007
22	Sunrise Bank Ltd.	12/10/2007
23	Bank of Asia Nepal Ltd.	12/10/2007
24	DCBL Bank Ltd.	25/05/2008
25	NMB Bank Ltd.	05/06/2008
26	Kist Bank Ltd.	07/05/2009
27	Janata Bank Nepal Ltd.	05/04/2010
28	Mega Bank Nepal Ltd	
29	Commerz and Trust Bank Nepal Ltd.	
30	Civil Bank Ltd.	

Source: Banking and Financial Statistics Mid-Jan 2009

The sample taken from the commercial banks are follows:

Total population	**Sample taken**
30 commercial banks	Nepal SBI Bank Ltd. Nepal Investment Bank Ltd.

Similarly, financial statements of these two banks for 5 years form 2003/04 to 2008/09 have been taken as samples for the same purpose.

3.3 Method of Data Analysis

To make the study more specific and reliable, the researcher uses two types of tool for analysis,

a) Financial Tools

b) Statistical Tools

3.3.1 Financial Tools

For the sake of analysis, various financial tools were used. The basis tools used were analysis. Beside it income and expenditure analysis and cash flow analysis have been used.

3.3.1.1 Ratio Analysis

Ratio analysis is a powerful and the most widely used tool of financial analysis. A ratio defined as "The indicated quotient of two mathematical expression "and as" the relation between two or more things" (Marrian, 1975).

A ratio is a figure or a percentage representing the comparison of one-dollar amount with some other dollar amount as a base (Roy A.F. 1974). Ratio analysis is a widely used tool of financial analysis. It is defined as the systematic use of ratio to interpret the financial statements so that the strength and weakness of a firm as well as its historical performance and current financial condition can be determined. In financial analysis a ratio is used as an index or yardstick for evaluating the financial position and performance of a fir. Ratio helps to summarize the large quantities of financial data and to make qualitative judgment about the firm's financial performance (Pandey 1999).

A large number of ratios can be generated from the components of profit and loss account and Balance sheet. They are sound reasons for selecting different kinds of ratios for different types of situations. For this research, ratios are categorized into the following major headings:

A. Liquidity Ratio:

Liquidity refers to the ability of a firm to meet its short-term or current obligations as and when they fall due for payment. So liquidity ratios are used to measure the ability of a firm to meet its short-term obligations and from them the present cash solvency as well as ability to remain solvent in the event of adversities of the same can be examined (Van Horne 1999).

Inadequate liquidity can lead to unexpected cash short falls that must be covered at inordinate costs, thus reducing profitability. In the worst case, inadequate liquidity can lead to the liquidity insolvency of the institution. On the other hand, excessive liquidity can lead to low asset yields and contribute to poor earnings performance (Scott 1992).

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

i. Cash and Bank Balance to total Deposit Ratio:

This ratio shows the ability of banks immediate funds to cover their deposit. Higher the ratio shows higher liquidity position and ability to cover the deposits and vice versa. It can be calculated by dividing 'cash and bank balance" by deposit. This ratio can be calculated using the following formula:

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

ii. Cash and Bank Balance to Current Deposits Ratio:

This ratio computed to disclose the soundness of the financial company to pay total calls made of current deposits. It can be expressed as:

$$= \frac{Cash\ And\ Bank\ Balance}{Current\ Deposits}$$

B. Activity/Efficiency Ratio:

It is also known as turn over or efficiency ratio or assets management ratio; measures how efficiently the firm employs the assets. Turn over means the number of times and assets flow through a firm's operations and into sales (Kulkarni, P. V. 1994). Greater rate of turnover or conversion indicates more efficiency of a firm in managing and utilizing its assets, being other things equals. Various ratio are examined under this headings.

i. Credits and Advances to Total Deposits Ratio:

Commercial banks utilized the outside's fund for profit generation purpose. Credits and Advances to Total Deposit ratios shows whether the banks are successful to utilize the outsiders fund (i.e. total deposit) for the profit generating purpose on the credit and advances or not. Generally, a high ratio reflects higher efficiency to utilize outsider's fund and vice-versa. The ratio can be calculated by using following formula:

$$= \frac{Credits\ and\ Advances}{Total\ Deposits}$$

ii. Credit and Advances to Fixed Deposit Ratio:

Fixed deposits are the long-term interest bearing obligations and credits and advances are the major sources ot investment to generate the income by the commercial banks. This ratio measures how many times the amount is used in credits and advances in comparison to fixed deposit for the income generating purpose. The ratio is slightly differ with the former one, because it only includes the fixed deposits, where as the former on includes all the deposits. The following formula is used to obtain this ratio:

$$= \frac{Total\ Credits\ and\ Advances}{Fixed\ Deposits}$$

iii. Credit and Advances to Total Assets Ratio:

It measures the ability in mobilizing total assets into credits and advances for generating income. A higher ratio is considered as and adequate symbol for effective utilization of total assets of bank to credit and advances of which creates opportunity to earn more and more. It is calculated as :

Credit and Advances to Total Assets Ratio= $\frac{Total\ Creditsand\ Advances}{Total\ Assets}$

iv. Performing Assets to Total Assets Ratio:

It tells the present of performing assets on total assets. It is useful to know the fact that whether the good credit is increasing or not. We can generate more earning by increasing good credit and reducing bad and inferior credit. It teaches us to invest sources only on good credit (i.e. profitable venture). It is computed as:

Performing Assets to Total Assets Ratio = $\frac{Perfor\min g\ Assets}{Total\ Assets}$

v. Credit Loss Provision to Credit and Advances Ratio:

It measures the percentage of credit loss provision on credit and advances. Credit loss provision on credit is made to reduce risk of non-payment of released credit. As per directives to bank and finance companies by NRB (2058 B.S.), 1% of good credit should be provisioned as credit loss provision to reduce risk that may arise due to non-recovery of disbursed credit. It is computed as:

Credit Loss Provision to Credit and Advances Ratio =

$$\frac{Total\ Credit\ Loss\ \Pr ovision}{Total\ Credit\ and\ Advances}$$

C. Leverage Ratio:

The use of finance is refers by financial leverage. When a firm borrows money, it promise to make series of fixed payments, which creates financial leverage (Brealy, R. & Myers, S. 1991). These ratios are also called solvency ratios or capital structure ratio. These ratios indicate mix of funds provided by owners and lenders. As a general rule, there should be an appropriate mix of debt and owner's equity in financing the firm's assets. To judge the long-term financial position of the firm leverage ratios are calculated. This ratio highlights the long-term financial position of the firm leverage ratios are calculated. This ratio highlights the long term financial health, debt servicing capacity and strength and weaknesses of the firm. Following ratios are included under leverage ratios:

i. Long-term Debt to Net-worth Ratio:

Long-term debt to net-worth ratio measures the relative proportion of outsiders and owner's funds employed in the total capitalization. Here, long-term debt includes the amount of fixed deposits and credits of the bank and net worth includes paid up capital, reserve and surplus and undistributed profit. The formula used to determine the ratio is:

$$= \frac{Long\ Term\ Debt}{Net\ Worth}$$

ii. Total Debt to Net-worth ratio

This ratio is calculated to find out the proportion of the outsider's fund and owner's fund to finance for the total assets. It is also called proportion of outsider's claim and insider's claim on total assets of the bank. Generally, very high ratio is unfavorable to the business because the debt gives third partied legal claims on the company, these claims are for interest payment at regular intervals, plus repayment of the principal by the agreed time. On the other hand, very low ratio is also unfavorable from the shareholder's point of view. They want this ratio to be high so that they can have better returns with smaller capital. It is calculated as follows:

$$= \frac{TotalDebt}{Net - worth}$$

iii. Total Debt to Total Assets Ratio:

It examines the relationship between borrowed funds (i.e. total debt) and total assets. It shows the relative extent to which the firm is using borrowed money. A lower ratio is preferable since it reduces the distress of the creditors by using more amount of equity on total assets. It is computed as:

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

D. Profitability Ratios:

Profit is the difference between revenues and expenses over a period of time. A company should earn profit to survive and to grow over a long period of time. So profits are essential, but profit earning is not the ultimate aim of company and it should never be earned at the cost of employees, customers and society.

"Profitability ratios are the indicators of degree of managerial success in achieving firm's goals" (Pradhan, S. 1996).It shows the overall efficiency of the business concern.

The following ratios are calculated under the profitability ratios.

i. Net Profit/Loss to Total Assets Ratio:

The ratio is useful to measure how well management uses all the assets in the business to generate an operating surplus. Higher ratio indicate the higher efficiency in the utilization of total assets and vice-versa. The ratio is low due to low profit. In other words, it is low utilization of bank assets and over use of higher interest bearing amount of debt and vice-versa.

In this study, Net Profit/Loss to total assets ratio is examined to measure the profitability of all the financial resources in ban-assets and is calculated by applying the following formula:

$$= \frac{Net\ \mathrm{Pr}ofit / Loss}{Total\ Assets}$$

ii. Interest Income to Total Credit and Advances:

It tells the income as interest from total credit and advances. It is useful to know the fat that whether the credit has given good return or not. We can increase interest income by taking good issuing and recovery credit policy. High return shows the soundness of credit policy. It is calculated by using the following formula:

$$\text{Interest Income to Total Credit and Advances} = \frac{Interest\ Income}{Total\ Credit\ And\ Advances}$$

E. Other Ratios:

i. Earning Per Share (EPS) :

EPS is one of the most widely quoted statistics when there is a discussion of a company's performance or share value. It is the profit after tax figure that is divided by the number of common shares to calculate the value of earnings per share. This figure tells us what profit the common shareholders for every share held have earned. A company can decide whether to increase or reduce the number of shares on issue. This decision will automatically alter the earning per share. The profits available to the ordinary shareholders are represented by net profit after taxes and performance divided. Symbolic expression of EPS is given below:

$$= \frac{Net\ Incoma\ \ fter\ Tax}{Number\ of\ \ Common\ Stocks\ Outs\tan ding}$$

ii. Price Earning Ratio (P/E Ratio):

The P/E Ratio is widely used by the security analysts to value the firm's performance as expected by investors. It shows the piece currently paid by the market for each rupee of currently reported earning per share. It is also called multiplier. Here expression takes place as follows:

$$= \frac{Market\ \Pr ice\ Per\ Share}{Earning\ \ Per\ Share}$$

iii. Capital Fund Ratio:

It shows how much the bank is sound on the basis core capital fund and secondary capital fund. Bank should maintain the directives given by NRB on capital fund. It is calculated by the formula:

$$\text{Capital Fund Ratio} = \frac{\Pr imary\ Capital + Supplementary\ Capital}{Weighted\ \ Average\ Assets}$$

(Weighted Average Assets = Risk Weighted on Balance sheet Items + Risk weighted on off-balance items.)

Limitation of Ratio Analysis:

Ratio analysis is suffered from some inherent limitations that are direct inherited from financial statements. Some of the most common weakness of ratio analysis is as follows:

- Different firms in the industry although apparently comparable in respect to size, age, location, product mix and technology may not be really comparable if they are following different accounting methods.
- Financial statements record past transaction. They are, thus an index of what happened in the past. They do not show the current position of the business. Evidently ratio analysis is also primarily concerned with analyzing the past, which

may or may not be relevant today. It is thus a sort of 'POST-MORTEM' analysis rather than a guide for decision-making.

- In the context of persistent price level changes, intra firm trends analysis losses much of its operational significance.
- The differences in the definitions of items in the balance sheet and the income statement make the interpretation of ratios difficult.
- Some times ratio analysis may suffer from what is known as fallacy of misplaced concreteness

(Shingh 1999).

Although, various limitations of ratio analysis and doubt may arise about the valid measure of the financial performance but they are used widely to measure the financial performance of the firm.

3.3.2 Statistical Tools Used:

For supporting the study, Statistical tools such as Mean, Standard Deviation, Coefficient of Variation, Correlation, Trend Analysis, Hypothesis and Diagrammatic cum pictorial tool have been used under it.

A. Arithmetic Mean (Average):

" Average are statistical constants which enables us to comprehend in a single effort the significance of the whole (Bowley, A. I. 2000). It represents the entire data by a single value. It provides the gist and gives the bird's eye view of the huge mass of unwieldy numerical data. It is calculated as:

$$\overline{X} = \frac{\sum X}{N}$$

Where;

$\overline{X}$ = Arithmetic Mean

N = Number of observations

$\sum X$ = Sum of Observations

B. Standard Deviation (S.D.) :

"The standard deviation is the square root of mean squared deviations from the arithmetic mean and is denoted by S.D. or σ (Shrestha, K.N. 2048 B.S.). It is used as absolute measure of dispersion or variability. It is calculated:

$$\sigma = \sqrt{\frac{\sum X^2}{N} - \left(\frac{\sum X}{N}\right)^2}$$

Where,

σ = Standard Deviation

$\frac{\sum X^2}{N}$ = Sum of Squares of Mean

$\left(\frac{\sum X}{N}\right)^2$ = Sum of Squares of Mean

C. Coefficient of Variation (C. V.):

"The coefficient of variation (C.V.) is the relative measure based on the standard deviation and is defined as the ratio of the standard deviation to the mean expressed in percent (Shrestha, K. N. 2048 B.S.). It is independent of units. Hence it is a suitable measure for comparing variability of two series with same or different units. A series with smaller C.V. is said to be less variable or more consistent or more homogeneous or more uniform or more stable than the others and vice versa. It is calculated as:

$$\text{C.V.} = \frac{\sigma}{\overline{X}}$$

Where, $\overline{X}$ = Arithmetic Mean

σ = Standard Deviation C. V. = Coefficient of Variation

D. Correlation Coefficient (r):

Correlation may be defined as the degree of linear relationship existing between two or more variables. These variables are said to be correlated when the change in the value of one results change in another variable. Correlation is lf three types. They are Simple, Partial and Multiple correlations. Correlation may be positive, negative or zero. Correlation can be classified as linear on non-linear. Here we study simple correlation only. "In simple correlation the effect of others is not excluded rather these are taken as constant considering them to have no serious effect on the dependent variable"(Shrestha, K.N.2051). It is calculated as:

$$r_{x_1x_2} = \frac{N\sum X_1X_2 - \sum X_1 \sum X_2}{\sqrt{\left[N\sum X_1^2 - \left(\sum X_1\right)^2\right]}\sqrt{\left[N\sum X_2^2 - \left(\sum X_2\right)^2\right]}}$$

Where as,

$r_{x_1x_2}$ = Correlation Between x_1 *and* x_2

N$\sum X_1 X_2$ = Product of No. of observation and Sum of Product of x_1 *and* x_2

$\sum X_1 \sum X_2$ = Product of Sum of X_1 *and sum of* X_2

E. Coefficient of Determination (r^2):

It explains the variation percent derived in dependent variable due to the any one specified variable. It denotes the fact that the independent variable is good predictor of the behavior of the dependent variable. It is square of correlation coefficient.

F. Test of Hypothesis:

The test of hypothesis is a process of testing of significance regarding the parameter of the population on the basis of the sample drawn from the population. The computed value of the statistics may differ from the hypothetical value of the parameter due to sampling fluctuations. If the differences are small, we consider that it has arisen due to sampling fluctuation. Hence the difference is considered to be insignificant and the hypothesis is accepted. If difference is large we consider that it has mot arisen due to sampling fluctuation but it is due to some other reasons. Hence the difference is considered to be significant and the hypothesis is rejected (Shrestha, K.N.2051).

The procedure of testing hypothesis is as follows (Gupta, S.P. 1991):

i. Set up a hypothesis
ii. Set up a suitable significance level
iii. Setting a test criteria
iv. Doing computation
v. Making decisions

To test significance of different ratios between Nepal SBI Bank and NIBL, the researcher uses small sample 't' test 't' values were calculated and compared with table value of 't' with (n_1+n_2-2) degree of freedom. The following hypothesis was tested in this study.

i. H0: There is no significance difference in Credit and advances to total assets ratio between Nepal SBI Bank and NIBL

   H1: There is significance difference in Credit and advances to total assets ratio between Nepal SBI Bank and NIBL

ii. H0: There is no significance difference in performing assets ratio between Nepal SBI Bank and NIBL

H1: There is significance difference in performing assets ratio between Nepal SBI Bank and NIBL

iii. H0: There is no significance difference in Interest income to total credit and advances ratio between Nepal SBI Bank and NIBL
H1: There is significance difference in Interest income to total credit and advances ratio between Nepal SBI Bank and NIBL

iv. H0: There is no significance difference in Provision for credit loss ratio between Nepal SBI Bank and NIBL
H1: There is significance difference in Provision for credit loss ratio between Nepal SBI Bank and NIBL

The formula for 't' test for two independent samples:

$$t_{\text{Calculated}} = \frac{\overline{X}_1 - \overline{X}_2}{\sqrt{\left(\frac{1}{n_1} + \frac{1}{n_2}\right)}}$$

Where,

$$S^2 = \frac{\sum\left(X_1 - \overline{X}_1\right)^2 + \sum\left(X_2 - \overline{X}_2\right)^2}{n_1 + n_2 - 2}$$

S^2 is an unbiased estimate of σ^2 and it follows 't' distribution with n1+n2-2 degree of freedom(d.f.).

$\left(X_1 - \overline{X}_1\right)$ and $\left(X_2 - \overline{X}_2\right)$ = Deviation of Variables

X1 and X2 = Arithmetic Means Variables

(X1- X_1)^2 and (X1- X_2)^2 = Variance of Variable

Decision : If 't' value is greater than tabulated value the null hypothesis is rejected and if 't' value is less than tabulated value the null hypothesis is accepted.

3.4 Limitation of the Research Methodology:

- Only the selected financial and statistical tools have been used in this thesis.
- Researcher mainly depends on the secondary data i.e. Balance Sheet and Profit/Loss Account of the banks and data provided by the NRB.
- Sample taken by the researcher is only two.
- In the process of taking primary data from the bank, only yes and no questionnaires have been used by researcher. Only 10 customers and 10 employees of the banks has been chosen to take the view of theirs towards banks.
- Only five years data have been collected to analyze the credit management position of the banks.

CHAPTER-IV
PRESENTATION AND ANALYSIS OF DATA

4.1 Introduction

This chapter deals with the presentation, analysis and interpretation of relevant data of NSBIBL and Nepal Investment Bank in order to fulfill the objectives of this study. To obtain best result the data have been analyzed according to the research methodology as mentioned in third chapter. ”A report can be worthless if interpretation is faulty, even if valid and reliable data have been collected”. (Pant P.R.1998).

“The data after collection has to be processed and analyzed in accordance with the outline laid down for the purpose at the time of developing the research plan (Kothari C.R. 1990)”.The propose of this chapter is to introduce to the mechanics of data analysis and interpretation. Data analysis is the relationships or differences supporting or conflicting with original or new hypothesis should be subjected to statistical tests of significance to determine with what validity data can be served to indicate any conclusion.

With the help of this analysis, efforts have been made to highlight credit management of NSBIBL and Nepal Investment Bank as well as other cases of NSBIBL and Nepal Investment Bank can be visualized. For analysis, the researcher uses the different types of analytical methods and tools such as financial ratio analysis plus other statistical analysis.

4.2 Financial Statement Analysis

The concept of financial statement analysis has been already discussed in previous chapter. Here we study and analyze the data by using accounting tools.

4.2.1. Ratio Analysis:

Ratio analysis has been discussed in previous chapter. Here the researcher calculates different ratios of NSBIBL and Nepal Investment Bank and analyzes and interprets them.

A. **Liquidity Ratio*:***

i. Analysis of Cash and Bank Balance to Total Deposit Ratio:

Table No. 2 Analysis of Cash and Bank Balance to Total Deposit Ratio ‘000000

Year	NSBI Bank Ltd.			Nepal Investment Bank Ltd.			Combined Ratio (%)
	Cash and Bank Balance	**Total Deposit**	**Ratio (%)**	**Cash and Bank Balance**	**Total Deposit**	**Ratio (%)**	
2004/05	16200	55725	29.07	3385	41748	8.12	18.60
2005/06	13335	65228	20.44	9265	79228	11.69	16.07
2006/07	8644	71983	12.01	12269	115245	10.65	11.33
2007/08	7237	86547	8.36	13405	142546	9.40	8.88
2008/09	11182	110020	10.16	23355	189273	12.34	11.25
		Mean($\bar{x}$)	16.01		Mean($\bar{x}$)	10.44	13.23
		S.D.(σ)	7.73		S.D.(σ)	1.53	3.55
		C.V.	48.25		C.V.	14.66	26.80

Source: Annex VII

NSBIBL: Cash and bank balance to total deposits of this bank has been observed as 29.07%, 20.44%, 12.01%, 8.36%, 10.16% and 16.01% throughout the study period. From the table no. 2, it is clear that SBI Bank fluctuating trend throughout the study period. Liquidity position in term of cash and bank balance to total deposit ratio of SBI Bank is found 16.01% as average in the 5 years’ study period, from this it is obvious that the bank has enough cash and bank balance to cover its deposit demand. Standard deviation is 7.73% and coefficient of variation is 48.31%.It shows consistency of the ratio is almost 52%.

Nepal Investment Bank: The ratio of NIBL is fluctuating throughout the study period. The lowest ratio is 8.12% in the first year and the highest ratio is 12.34% in last year of the study period. The average ratio in the study period is 10.44%.This bank has sufficient cash and bank balance to meet the depositors demand. Standard deviation is 1.53% and C.V. is 14.66%.

Combined mean ratio is 13.23%, S.D. is 3.55% and the combined C.V. is 26.28%.It shows the consistency in the ratio of the commercial banks is almost 74%. It is very difficult to say what percentage would be sufficient to meet the demand of depositors but on the basis of banking experience and directives given by the NRB as a 6% required to keep as cash reserve ratio, the two bank’s calculated average percentage may be called sufficient.

ii. Analysis of Cash and Bank Balance to Current Deposits Ratio:

Table No. 3 Analysis of Cash and Bank Balance to Current Deposits Ratio: '000000

Year	NSBIBL			NIBL			Combined Ratio (times)
	Cash and Bank Balance	**Current Deposit (Rs.)**	**Ratio (times)**	**Cash and Bank Balance**	**Current Deposit (Rs.)**	**Ratio (times)**	
2004/05	16200	10867	1.49	3385	7854	0.43	0.96
2005/06	13335	13001	1.03	9265	9790	0.95	0.99
2006/07	8644	16727	0.52	12269	15001	0.82	0.67
2007/08	7237	17735	0.41	13405	15830	0.85	0.63
2008/09	11182	14083	0.79	23355	17057	1.37	1.08
		Mean($\bar{x}$)	0.848			Mean($\bar{x}$) 0.884	0.866
		S.D.(σ)	0.386			S.D.(σ) 0.301	0.181
		C.V.	45.52			C.V. 34.05	20.90

Source: Annex VIII.

SBI Bank: Cash and bank balance to current deposits ratio of NSBIBL is 1.49, 1.30, 0.52, 0.41 and 0.79 times respectively from the first year to last year of the research period. The average ratio is 0.8848 times, likewise S.D. and C.V. is 0.386% and 45.52% respectively, which means consistency in the ratio is 54.48% during the research period.

Cash and bank balance should be sufficient to meet the demand of current depositors; otherwise the bank would lose its image from the viewpoint of customers. In the case of SBI Bank the cash and bank balance is not enough to meet the demand of customers because the average ratio is 0.848 times.

NIBL: The ratios of this bank are 0.42, 0.95, 0.82, 0.85 and 1.37 times respectively in the research period from 2001/02 to 2005/6. The average ratio is 0.884 times. The S.D. is 0.301 and the consistency on the ratio is 65.95%. Only in last year cash and bank is greater than current deposit.

The combined ratio is 0.886 times. The combined standard deviation is 0.181 times and combined C.V. is 20.90%.

Although enough cash and bank balance is more important from the viewpoint of liquidity. But if such kink of liquidity is higher than standard, the chance of profit making by utilizing the cash may be lost. Therefore, cash and bank balance should be maintained at that level that is necessary. Both of the sample banks should increase its efficiency to meet the demand of depositors by keeping low cash and bank balance, although they don't have enough cash and bank balance to meet the current deposit from customers.

B. Activity/Efficiency Ratio:

i. Analysis of Credit and Advance to Total Deposit Ratio:

Table No 4: Analysis of Credit and Advance to Total Deposit Ratio 	'00000

Year	NSBIBL			NIBL			Combined Ratio (times)
	Total Credit And Advance	**Total Deposit**	**Ratio (times)**	**Total Credit and Advance**	**Total Deposit**	**Ratio (times)**	
2004/05	42993	55725	0.77	25644	41748	0.60	0.69
2005/06	44687	65228	0.69	57721	79228	0.73	0.71
2006/07	51437	71983	0.71	71301	115245	0.62	0.67
2007/08	62139	86547	0.72	101260	142546	0.71	0.72
2008/09	76267	110020	0.69	127762	189273	0.68	0.69
		Mean($\bar{x}$)	0.72		Mean($\bar{x}$)	0.67	0.70
		S.D.(σ)	0.03		S.D.(σ)	0.05	0.053
		C.V.	4.20%		C.V.	7.46%	7.61%

Source: Annex IX.

NSBIBL: From the above table no. 4, the average ratio of credit and advance to total deposit is 0.72 times. The fluctuation in the ratio is not too high. Under the study period the ratio goes from 0.77, 0.69, 0.71, 0.69 and 0.69 times in the last year. Standard deviation and coefficient of variance is small i.e. 0.03 and 4.20% respectively. It means the ratio is very consistent.

NIBL: The average ratio is 0.67 for the research period. The lowest ratio is 0.60 in first year and the highest ratio is 0.72 in fourth year of the research period. The deviation of the ratio is 0.05 and the consistency is almost 93%.

It is clear from above table that the ratio of the commercial banks is around 0.70. Total deposits are the main sources of bank to provide credit and advances. Large percentage, around 70% of total deposits goes as credit and advances to the customers. Therefore it is seemed, banks are heavily depends on total deposit to make profit form investment.

Table No 4 shows that credit and advance increases with increase in total deposit and Vice Versa. Therefore it indicates that there is strong relationship between total deposit and credit and advances, which is shown in following table with the help of coefficient of correlation.

Table No 5: Correlation between Total Deposit and Credit and Advances

Particulars	NSBIBL	NIBL
R	0.933	0.933
S.E.(r)	0.0666	0.00626
P.E.(r)	0.00504	0.004223
6 P.E.	0.03024	0.0253
r^2	0.986	0.986

Source: AnnexX & XI.

There is high degree of relationship between total deposit and credit and advance of both banks. NSBIBL has0.992 and NIBL has 0.993. Correlation between them is highly significant as the correlation (r) of both banks is greater than 6 P.E. as shown in above table. Correlation of determination between them (total deposit and credit and advances) is 0.986 for both of the banks. Which tells 98.6% changes in credit and advances is affected by total deposit of the both banks.

Figure 2 Relationships between credit and advances to total deposit of NSBIBL

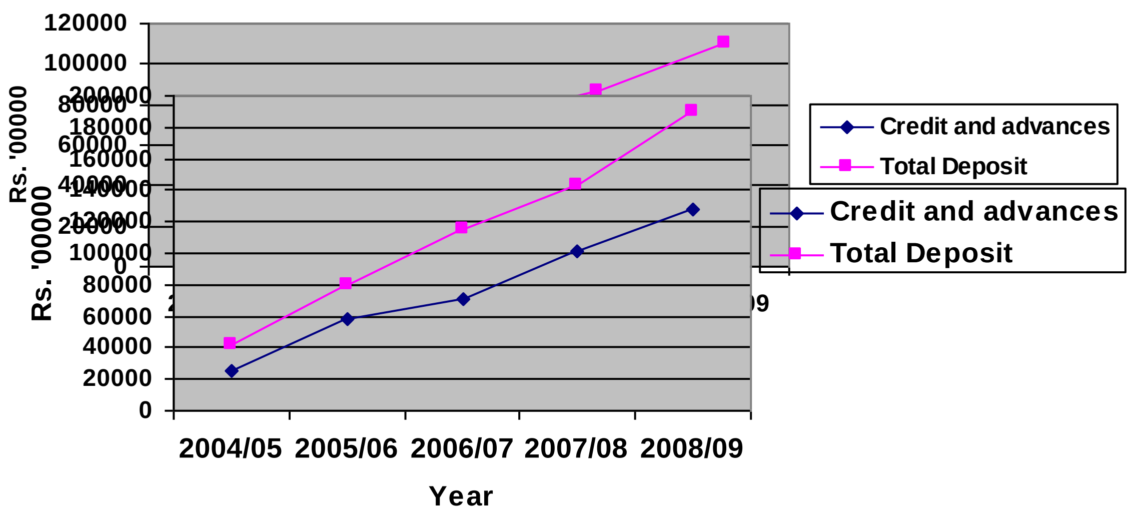


Figure 3 relationships between credit and advances to total deposit of NIBL

ii. Analysis of Credit and Advance to Fixed Deposits Ratio:

Table No 6: Analysis of Credit and Advance to Fixed Deposits Ratio ‘00000

Year	NSBIBL Ltd.			Nepal Investment Bank Ltd.			Combined Ratio (%)
	Total Credit And Advance	**Fixed Deposit**	**Ratio (%)**	**Total Credit And Advance**	**Fixed Deposit**	**Ratio (%)**	
2004/05	42993	31327	137.24	25644	9459	271.10	204.17
2005/06	44687	33376	133.90	57721	16728	345.06	239.48
2006/07	51437	33523	153.44	71301	22947	310.70	232.07
2007/08	62139	40864	152.06	101260	32123	315.23	233.65
2008/09	76267	61162	124.70	127762	54130	236.03	180.50
		Mean($\bar{x}$)	140.27		Mean($\bar{x}$)	295.62	217.95
		S.D.(σ)	10.99		S.D.(σ)	37.97	22.19
		C.V.	7.83		C.V.	9.60	10.18

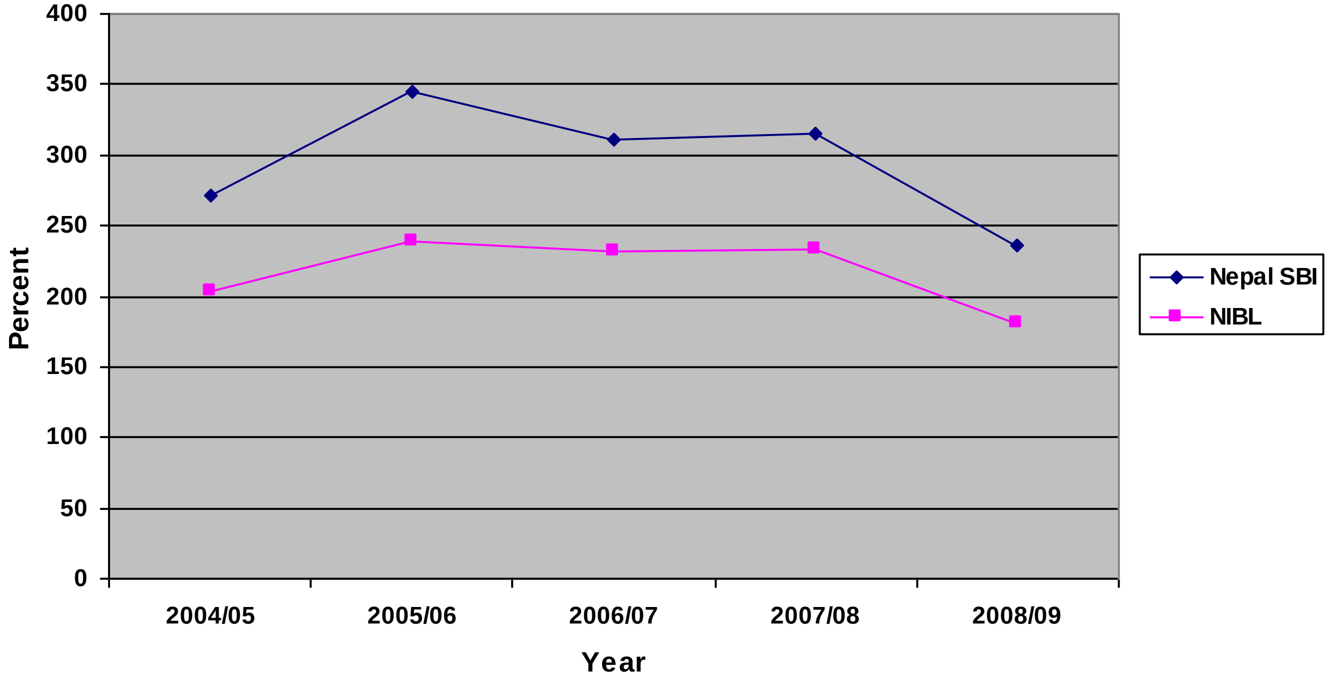
Source: Annex XII.

NSBIBL: from the above table No. 6 it is visualized that credit and advances to fixed deposits ratio are fluctuating. The ratios are 137.24, 133.90, 153.06, 152.06 and 124.70% respectively for the five years of research period. The average ratio is 140.27%, S.D. i9s 10.99%, and consistency in utilizing Fixed Deposits into Credit and Advance is 92.17%.

NIBL: The ratio (Credit and advance to fixed deposit) is volatile in the research period. The ratio is 271.10 % in first year and 345.06 %, 310.70, 315.23 and 180.50% respectively in remaining four years. Due to volatility, standard deviation is slightly high that is 37.97%. The mean ratio is 295.62% and the consistency is satisfactory at 89.82%.

The combined mean ratio of the two banks is 217.95%. The standard deviation is 22.19% and the coefficient of variance is 10.18%.

Figure 4: Relationship of Credit and Advance to Fixed Deposit Ratio of NSBIBL and NIBL



400
350
300
250
200
150
100
50
0
Percent
2004/05
2005/06
2006/07
2007/08
2008/09
Year
Nepal SBI
NIBL

iv. Analysis of Credit and Advances to Total Assets Ratio:

Table No 7: Analysis of Credit and Advances to Total Assets Ratio, 00000

Year	**NSBIBL Ltd.**			**Nepal Investment Bank Ltd.**			**Combined Ratio (%)**
	Total Credit And Advance	**Total Assets**	**Ratio (%)**	**Total Credit And Advance**	**Total Assets**	**Ratio (%)**	
2004/05	42993	70211	61.23	25644	49739	51.56	56.40
2005/06	44687	75663	59.06	57721	90142	64.03	61.55
2006/07	51437	84404	60.94	71301	132555	53.79	57.36
2007/08	62139	99630	62.37	101260	160635	63.04	62.71
2008/09	76267	130358	58.51	127762	213301	60	59.05
		Mean($\bar{x}$)	60.42		Mean($\bar{x}$)	58.48	59.45
		S.D.(σ)	2.01		S.D.(σ)	3.92	2.40
		C.V.	3.31		C.V.	6.70	4.04

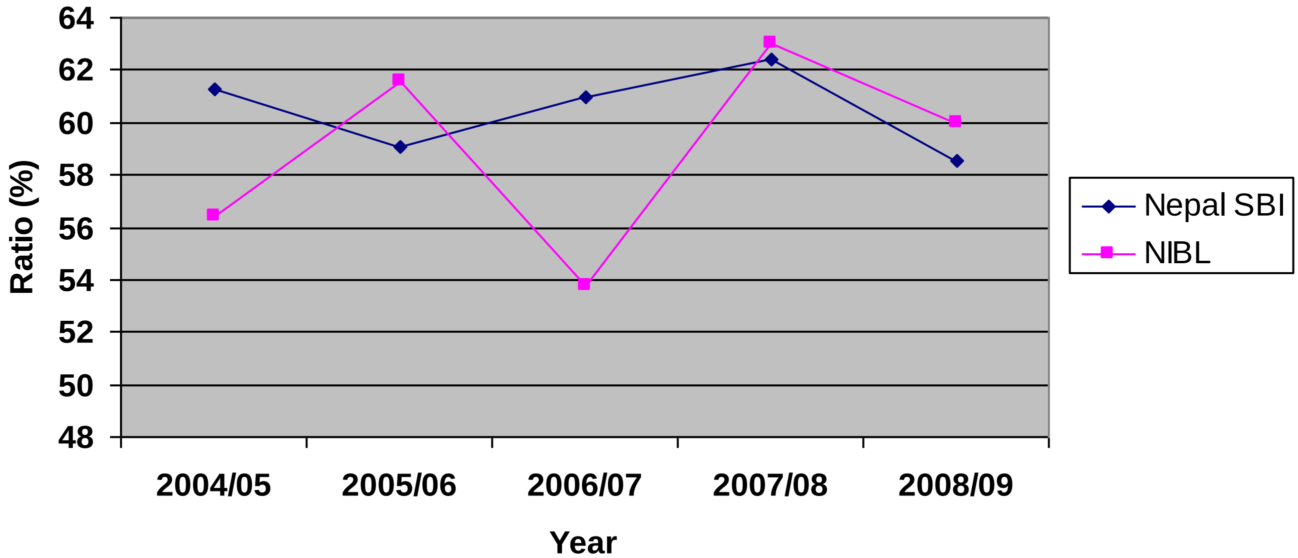
Source: Annex XIII.

The combined mean ration of the two sample banks is 59.45%. Standard deviation is 2.40% and C.V. is 4.40%, it means almost 96% consistencies in the above ratios.

NSBIBL : It is clear from above table no. 7 that the NSBIBL has generally mixed trends under the research period. The highest ratio is 62.37% (2007/08) and the lowest ratio is 58.51% in last year of research period. The average ratio is 60.42%, it shows the bank has capability on utilizing total assets in the form of credit and advances. Fluctuation in the ratio is minimum, which is supported by standard deviation i.e. 2.01% only.

NIBL: The ratio 'Credit and advances to total assets ratio' is in fluctuating tends in the research period. The ratio is highest in the year 2005/06 i.e. 64.03% and lowest in the year 2004/05 i.e. 51.56%. It indicates that there is no more fluctuation, which is supported by standard deviation i.e. 3.92% only. The mean ratio is 58.48%, it shows that the bank has capability to utilize its assets to gain income. Consistency in the utilization of assets in the form of credit and advances is satisfactory.

Figure 5: Relationship of Credit and Advance to Total Assets Ratio of Nepal SBI and NIB



v. Analysis of Performing Assets to Total Assets Ratio

Table No 8: Analysis of Performing Assets to Total Assets Ratio ’00000

Year	NSBIBL Ltd.			Nepal Investment Bank Ltd.			Combined Ratio (%)
	Performing Assets	Total Assets	Ratio (%)	Performing Assets	Total Assets	Ratio (%)	
2004/05	42946	70211	61.17	25832	49739	51.94	56.56
2005/06	43689	75663	57.74	58047	90142	64.40	61.07
2006/07	51860	84404	61.44	71571	132555	54	57.72
2007/08	62983	99630	63.22	101723	160635	63.33	63.28
2008/09	77361	130358	59.35		213301	60.50	59.93
		Mean($\bar{x}$)	60.58		Mean($\bar{x}$)	58.83	59.71
		S.D.(σ)	1.75		S.D.(σ)	5.001	2.40
		C.V.	2.89		C.V.	8.50	4.02

Source: Annex XIV.

NSBIBL: Performing assets to total assets ratio of the NSBIBL is 61.17, 57.74, 61.44, 63.22 and 59.33% respectively from first year to last year of the research period. The average ratio is 60.58%. It shows the performing assets are fluctuating for the research period, which is not favorable condition from the viewpoint of both bank and shareholders. The average ratio is

60.58%, which means 39.42% of total assets, is non-performing assets in the research period. The standard deviation is 1.75% and the coefficient of variation is 2.89%.

NIBL: The ratio ‘Performing assets to total assets’ is volatile. The ratios are 51.94, 64.40, 54, 63.33 and 60.56% respectively from the first to last year of the research period. Average ratio is 58.83%, which shows indicates that non-performing assets is almost 42%. Consistency in the ratio is high as it is almost 92%. It is necessary to decrease non-performing assets otherwise bank may to liquidation.

The mean combined ratio also shows that the performing assets ratio is 59.72%, which shows that banks increase there efforts to increase performing assets ratio.

Figure 6(i): Status of Performing Assets as Comparison to Total Assets of Nepal SBI Bank

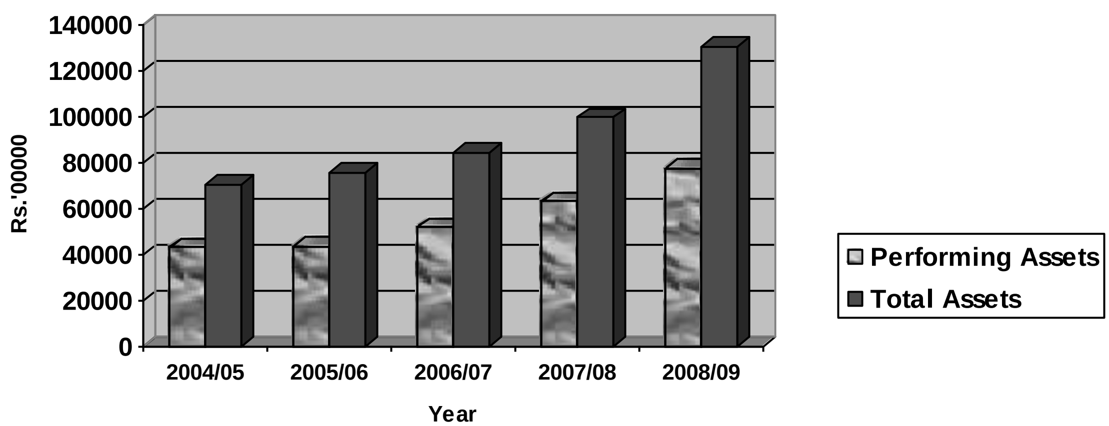


Figure 6(ii): Status of Performing Assets as Comparison to Total Assets of NIBL

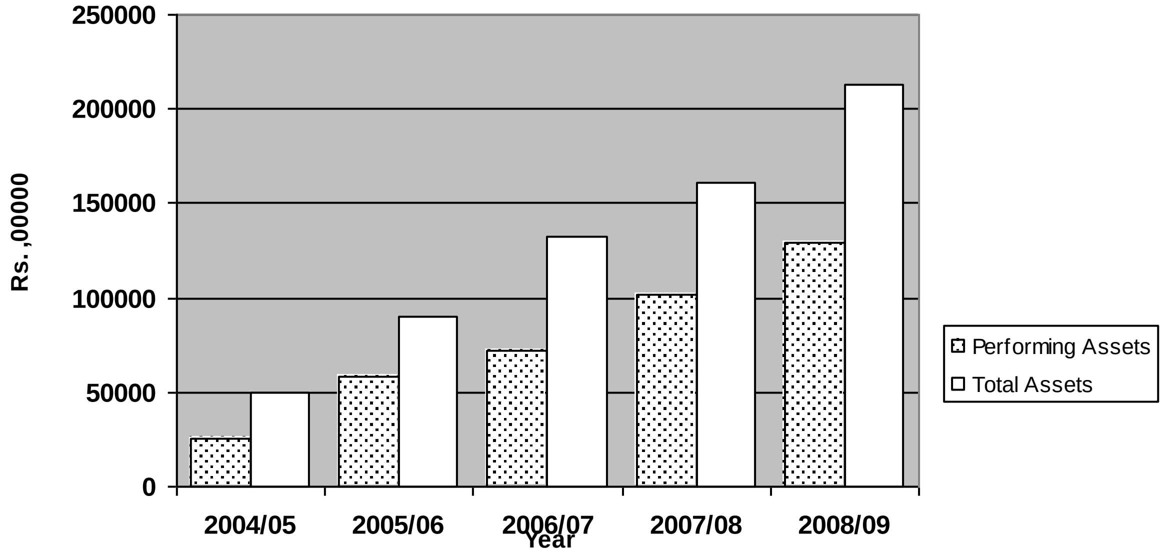


Table No 9: Correlation between Performing Assets to Total Assets

Particulars	NSBIBL	NIBL
r	.991	0.991
S.E.(r)	0.00787	0.00805
P.E.(r)	0.00531	0.00543
6 P.E.	0.032	0.0326
r^2	0.9824	0.9824

Source: Annex XV & XVI.

NSBIBL and NIBL: There is high degree of correlation (0.991) between performing assets and total assets of both banks. Correlation (r) is greater the 6 P.E. therefore it is valid. Change in total assets result 98.24% change in total performing assets.

Due to unavailability of enough data the calculation may go wrong. Anyway, t get the high correlation of coefficient between the good credit and total assets, banks should apply the policy of granting credit and advances continuously and collecting disbursed credit and advances more efficiently.

vi. Provision for Credit Loss to Total Credit and Advances Ratio:

Table No 10: Provision for Credit Loss to Total Credit and Advances Ratio ‘00000

Year	NSBIBL Ltd.			NIBL		
	Provision for Credit Loss (Rs.)	**Total Credit and Advance**	**Ratio (%)**	**Provision for Credit Loss(Rs.)**	**Total Credit and Advance**	**Ratio (%)**
2004/05	2851	42993	6.63	1491	25644	5.18
2005/06	3271	44687	7.32	1496	57721	2.59
2006/07	3882	51437	7.55	2084	71301	2.92
2007/08	5255	62139	8.46	3271	101260	3.23
2008/09	6147	76267	8.06	4019	127762	3.15

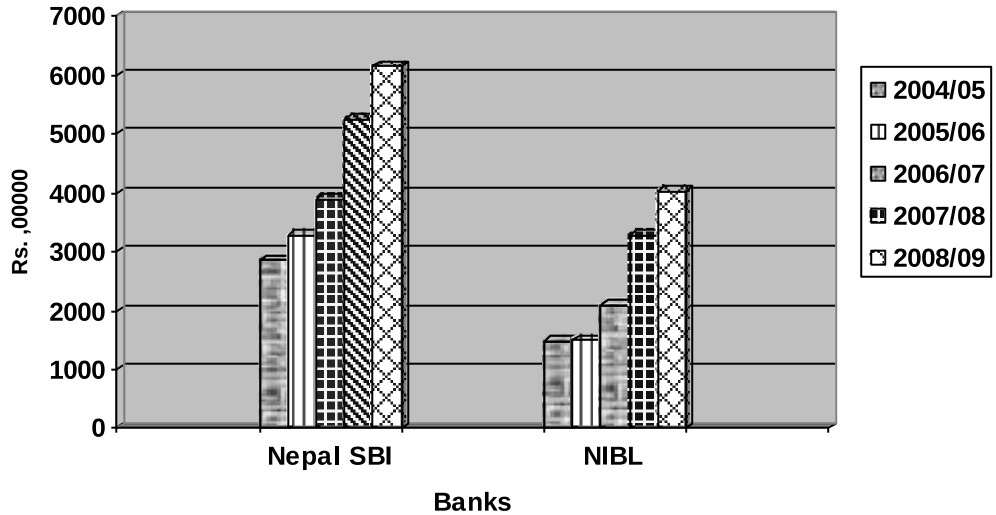
Source: NSBIBL & NIBL.

NSBIBL: Provision for credit and loss is increasing year by year except in the last year of the research period. In the first four year the ratio is 6.63, 7.32, 7.55 and 8.46% respectively. In the last year the ratio is decrease to 8.06%, 0.40% less than the ratio for the fourth year. The policy of the NRB for provision for credit loss has been changed for 2004/05. Time period for non-performing has been lowered therefore the ratio has moved upwards in the last two years.

SBI: This bank has the ratio around 5% in the first year and moved to around 3% in the next four years of research period, it be due to the impact of change in policy by NRB.

Now, banks should categorize all credits as non-performing credits, which pass three months from the expiration date. Therefore, before change in policy, those credits, which considered as performing credit, may fall under non-performing credit now, which has increased the percentage of ratio. Banks should try to keep non-performing credit as low as possible, which increases the profit of the bank and boost the image of the bank. Provision for credit loss should be strictly followed; otherwise the actual picture of assets of bank cannot be visualized.

Figure 7: Column Chart of Provision for Loss of NSBIBL and NIBL



vii. Tend analysis of Combined Ratios:

Table No 11: Tend Analysis of Combined Ratios

Particulars	2006/07	2007/08	2008/09	2009/10	2010/11
Trend values of Combined Credit and Advances to Total Deposit Ratio (Times)	0.699	0.700	0.701	0.702	0.703
Trend values of Combined Credit and Advances to Total Assets Ratio (%)	60.82	61.46	62.11	62.75	63.46
Trend values of Combined Performing Assets to Total Assets)	63.65	65.25	66.86	68.46	70.07

Source: Annex XXIV, XXV & XXVI.

The trend values of the combined credit and advances are increasing every year. The table no 11 shows that the trend values are 0.699 in the year 2006/07 and 0.700, 0.701, 0.702 and 0.703 times in the respective next five years.

The trend values of the combined credit and advances to total assets ratio is in increasing trend. It is 60.82% in the year 2006/07 and 63.46% in the year 2010/11.

The trend values of the combined performing assets to total assets for next five years are in increasing trend. Because of increase in performing assets over the research period

In overall the trend values indicates that in the research period the amount of credit and advances are increasing faster than total assets and total deposits. On the other hand performing assets are increasing with increase in total assets.

Figure 8(i): Trend values of Combined Credit and Advances to Total Deposit Ratio (Times)

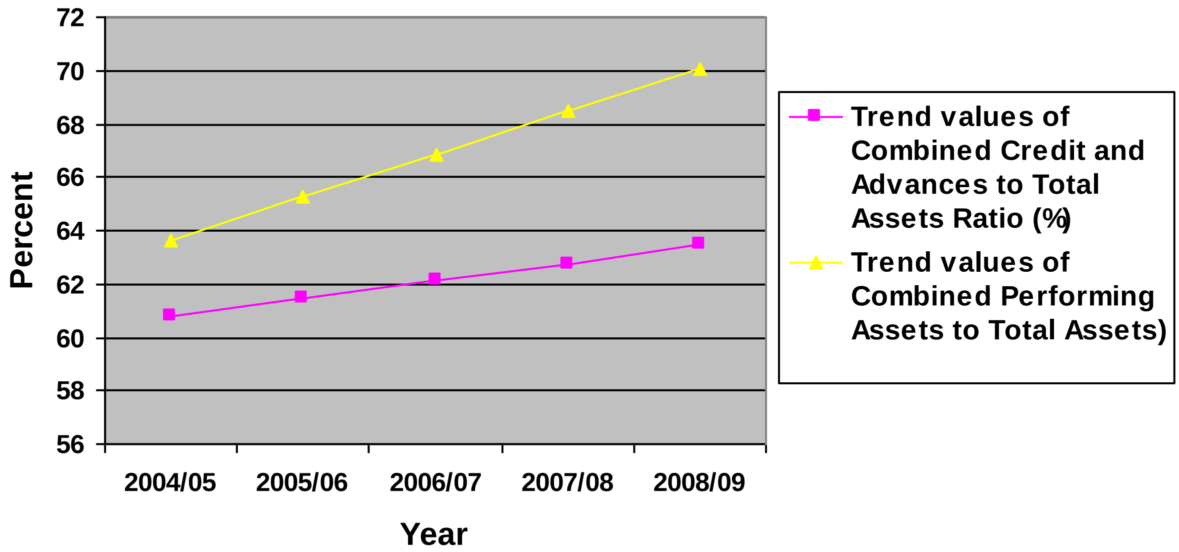
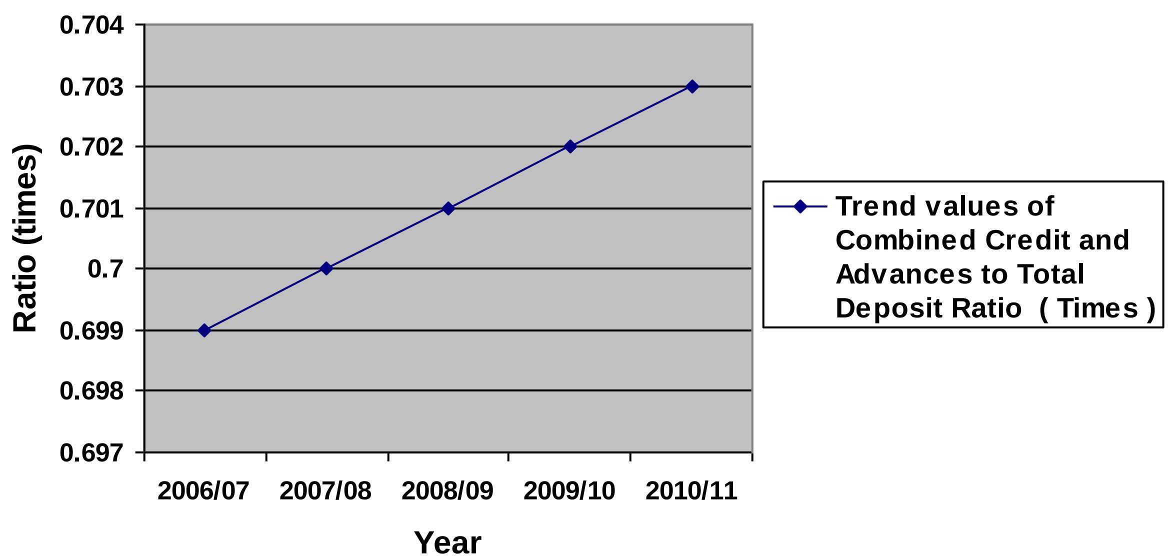


Figure 8(ii): Trend Values of Combined Ratio



C. Leverage Ratio:

i. Debt to Equity Ratio:

Table No 12: Debt to Equity Ratio , 00000

Year	NSBIBL			NIBL			Combined Ratio (Times)
	Total Debt (Rs.)	Equity (Net Worth) (Rs.)	Ratio (Times)	Total Debt (Rs.)	Equity (Net Worth) (Rs.)	Ratio (Times)	
2004/05	64608	5603	11.53	44504	5235	8.50	10.02
2005/06	69964	5699	12.28	83757	6385	13.12	12.70
2006/07	78138	6266	12.47	125264	7291	17.18	14.83
2007/08	92740	6890	13.46	148833	11802	12.61	13.04
2008/09	120641	9717	12.42	199147	14154	14.07	13.25
		Mean($\bar{x}$)	12.43		Mean($\bar{x}$)	13.10	12.77

Source: NSBIBL & NIBL.

NSBIBL: Debt to equity ratio is increasing continuously up to forth year from 11.53 to13.46 times and decreases to 12.42 times in the last year of the research period. It means the bank is seeking high gearing capital structure. The mean ratio is 12.43 times. Excess amount of debt capital structure results heavy burden in payment of interest. Risk if liquidation increases if the debt cannot be repaid in time. High gearing ratio may provide high return to equity shareholders if the bank makes excessive profit. So, it is analyzed that bank has taken the policy of maximizing shareholders wealth.

NIBL: The ratios are in mixed trend. But in overall, the ratios may be called as downward trend as we can see in the above table no 9. The ratio is 8.50., 13.12, 17.18, 12.61 and 14.07 times in the first to fifth year respectively. Due to high burden from the high capital-gearing ratio, bank bas slowly shifted toward low gearing capital structure in recent years. Low gearing structure keeps bank away from probable liquidation.

In the research period, the combined mean ratio is 12.77 times. The combined ratio is increases for the first three years and slightly decreases in remaining years for the research period. In the first year, it is 10.02 times and in the last year it is 13.25 times. In the third and fifth year it increases slightly. But at the time of increasing the ratio has increased heavily than at the time of decreasing. Therefore it can be concluded that banks are seeking high risky capital.

ii. Total Debt to Total assets Ratio:

Table no 13: Total Debt to Total Assets Ratio , 00000

Year	NSBIBL			NIBL		
	Total Debt (Rs.)	**Total Assets**	**Ratio (%)**	**Total Debt (Rs.)**	**Total Assets**	**Ratio (%)**
2004/05	64608	70211	92.02	44504	49739	89.48
2005/06	69964	75663	92.47	83757	90142	92.92
2006/07	78138	84404	92.58	125264	132555	94.50
2007/08	92740	99630	93.08	148833	160635	92.65
2008/09	120641	130358	92.55	199147	213301	93.36
		Mean($\bar{x}$)	92.54		Mean($\bar{x}$)	92.58

Source: NIBIBL & NIBL.

NSBIBL: The ratio is found as 92.02, 92.47, 92.58, 93.08 and 92.55% from the first year to fifth year of the research period respectively. The average ratio in five year is 92.54%. It means almost 93% of total assets are financed by outsider's funds. The above table shows that there is no great deviation in the ratio for the five years. It means no change was made regarding to this policy for last five years.

NIBL: Total debt to total assets ratio stood as 89.48, 92.92, 94.50, 92.65 and 93.36% from the first year to last year of the research period respectively. The average ratio is 92.58%. it shows that bank is heavily depends on outsider's fund to meet its financial need.

iii. Total Assets to Net worth Ratio:

Table no 14: Total Assets to Net worth Ratio , 00000

Year	NSBIBL Ltd.			Nepal Investment Bank Ltd.		
	Total Assets	**Equity (Net Worth) (Rs.)**	**Ratio (Times)**	**Total Assets**	**Equity (Net Worth) (Rs.)**	**Ratio (Times)**
2004/05	70211	5603	12.53	49739	5235	9.50
2005/06	75663	5699	13.28	90142	6385	14.12
2006/07	84404	6266	13.47	132555	7291	18.18
2007/08	99630	6890	14.46	160635	11802	13.61
2008/09	130358	9717	13.42	213301	14154	15.07
		Mean($\bar{x}$)	13.43		Mean($\bar{x}$)	14.10

Source: NSBIBL & NIBL.

NSBIBL: Total assets to net worth ratio of the bank are increasing for the first four years and decreased in the last year of the research period. It is 12.53 times in the first year and 13.42 times in the fifth and last year. The average ratio is 13.43 times. It shows that increase in total assets causes the increase in net worth of the bank.

NIBL: Although the mean ratio of the bank is more or less same as compared to NSBIBL as 14.10, the fluctuation in ratio is very high. The highest ratio is 18.18 times in the year 2006/07 and the lowest ratio is 9.50 times in the year 2004/05.

D. Profitability Ratio:

i. Analysis of Net Profit Ratio:

Table No 15: Analysis of Net Profit Ratio

Years	NSBIBL	NIBL	Combined Ratio (%)
	Net Profit Ratio (%)	Net Profit Ratio (%)	
2004/05	8.03	14.54	11.29
2005/06	8.61	20.12	14.37
2006/07	9.95	16.71	13.33
2007/08	7.98	20.26	14.12
2008/09	14.63	23.99	19.31
Mean($\bar{x}$)	9.84	19.12	14.48

(Source: Annex V &VI)

NSBIBL: The ratio is increasing in the first three years and decreases in the forth year and again increased in last year of research period. Although the average ratio is satisfactory, the profit ratio in the last year seems to be much better than past years.

NIBL: The profit ratio of the bank is fluctuating over the research period. This bank has higher mean ratio as compared to NSBIBL, which shows its better position but its consistency is too poor.

The combined net profit for the middle three years is satisfactory, but in first year is very low and in last year it seems to be high. The net profit in last year shows the better future for the commercial banks but the main problem is consistency.

ii. Net Profit to Credit and Advances Ratio:

This ratio is necessary to analyze the actual contribution of credit and advances to net profit.

Table No 16: Net Profit to Credit and Advances Ratio

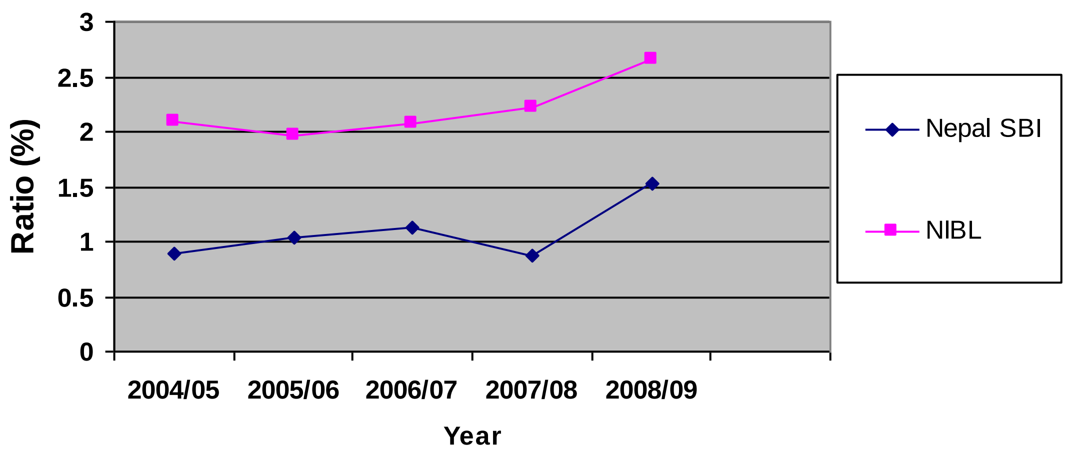
Years	NSBIBL Ratio (%)	NIBL Ratio (%)	Combined Ratio (%)
2004/05	0.90	2.10	1.5
2005/06	1.03	1.97	1.5
2006/07	1.12	2.08	1.6
2007/08	0.87	2.22	1.55
2008/09	1.53	2.66	2.10
Mean($\bar{x}$)	1.09	2.21	1.65

Source: Annex V &VI.

NSBIBL: Net profit to credit an advances ratio in the research period is 0.90, 1.03, 1.12, 0.87 and 1.53% from the first year to last year respectively. The average ratio is 1.09%.

NIBL: The ratio of the bank is 2.10% in the first year, 1.97% in the second year, 2.08%, 2.22% and 2.66% in the third, forth and fifth year respectively. The mean ratio in the research period is 2.21% and the combined ratio over the period is 1.65%.

Figure 9: Analysis of Net Profit to Credit and Advances Ratio



iii. Analysis of Interest to Total Credit and Advances Ratio:

Table No 17: Interest Income to Total Credit and Advances Ratio

Years	NSBIBL Ratio (%)	NIBL Ratio (%)	Combined Ratio (%)
2004/05	7.85	9.53	8.69
2005/06	8.72	7.80	8.26
2006/07	8.10	9.03	8.57
2007/08	7.72	7.36	7.54
2008/09	7.38	7.32	7.35
Mean($\bar{x}$)	7.95	8.21	8.10
S.D.(σ)	0.5158	0.889	0.5674
C.V.	6.50	10.83	7.01

Source: Annex V &VI.

NSBIBL: The average ratio is 7.95 % and deviation in the ratio is very small i.e.0.5158%. On the other hand consistency is high enough i.e. more than 93%. Bank should balance between risky and safety loan. Risky loan provide good return and this type of loan carry more risk of default. On the other hand safety loan provide regular return. In conclusion the bank's interest income to credit and advances ratios is in satisfactory level.

NIBL: The average ratio is 11.27% and deviation is 0.889%. Coefficient of variation is 10.83%. The ratio can be said satisfactory. And the combined mean ratio is 8.10% and S.D. is 0.5674%. The consistency in the ratio is almost 90%.

Table No 18: Correlation between Interest Income and Total Credit and Advances

Particulars	NSBIBL	NIBL
r	0.9852	0.9817
S.E.	0.013	0.0162
P.E.(r)	0.0089	0.0109
6 P.E.	0.053	0.0655
r^2	0.9706	0.9638

Source: Annex XVII.

NSBIBL: Coefficient of correlation is 98.52%, which shows high positive correlation between interest income and total credit and advances. If credit and advances increases, interest income also increases and vice-versa. 6 P.E. is lesser than 'r', therefore the correlation of coefficient is significant. Coefficient of determination tells that, 97.06% of total change in the interest income is affected by changes in loan and advances.

NIBL: Coefficient of correlation is maximum i.e. 98.17%. 6 P.E. is less than 'r', so , correlation is significant. Change in total credit and advances will have impact on interest income by 96.38%, which is shown by coefficient of determination (r^2).

E. Other Ratios:

i. Earning Per Share

Table No 19: Earning Per Share

Years	NSBIBL	NIBL
2004/05	9.61	33.59
2005/06	11.47	39.56
2006/07	14.26	51.70
2007/08	13.29	39.50
2008/09	18.27	59.35
Mean($\bar{x}$)	13.38	44.74

Source: Annex V &VI.

The shareholders income per share of SBI bank is increasing except in the forth year of the research period. The average income is Rs. 13.38 which is not satisfactory, and the same average ratio of NIBL is Rs. 44.74. The combined mean is Rs. 29.06.

ii. Price Earning Ratio

Table No 20: Price Earning Ratio (%)

Years	2004/05	2005/06	2006/07	2007/08	2008/09
NSBIBL	41.72	22.24	21.54	25.21	33.49
NIBL	22.62	20.10	18.18	20.25	21.23

Source: Annex V &VI.

Price earning ratio of the NSBIBL is 41.72 times in the first year and 22.24, 21.54, 25.21 and 33.49 times in the following respective years. The ratio is high is first year and decreased by around 50% in second year than after it begins to increase. The price earning ratio of NIBL banks is fluctuating over the research period. It is 22.62 times in first year and 20.10, 18.18, 20.25 and 21.23 times respectively for the remaining years of research period.

iii. Weighted Average Interest Rate Spread:

Table No 21: Weighted Average Interest Rate Spread (%)

Years	NSBIBL	NIBL
2004/05	3.84	4.20
2005/06	3.23	4.80

2006/07	3.55	5.98
2007/08	3.68	4.30
2008/09	3.33	3.90
Mean($\bar{x}$)	3.53	4.64

Interest ratio affects the amount of deposit, which in turn affect the credit and advances. If the deposit interest rate decreases, bank minimizes the credit interest rate. On the other hand, the high liquidity, it causes reduction on interest rate.

The interest rate of NSBIBL has more consistencies. The average interest rate is 3.53%. NIBL's interest rate is fluctuating over the research period, which shows low consistencies in interest rate spread.

4.3 Test of Hypothesis

To test the significance of different ratio between NSBIBL and NIBL, here the bank researcher uses small 't' test.

Table No 22: Calculated Values of 't' Under Different Assumption

S.N.	Assumption of Null Hypothesis and Alternative Hypothesis	$t_{calculated}$	$t_{abulated}$ at 5%L.S. for 8 d.f.
1.	H0: There is no significance difference in Credit and advances to total assets ratio between NSBIBL and NIBL H1: There is significance difference in Credit and advances to total assets ratio between NSBIBL and NIBL	1.06	2.306
2.	H0: There is no significance difference in Performing assets to total assets ratio between NSBIBL and NIBL H1: There is significance difference in Performing assets to total assets ratio between NSBIBL and NIBL	0.927	2.306
3.	H0: There is no significance difference in Interest income to Credit and advances ratio between NSBIBL and NIBL H1: There is significance difference in Interest income to Credit and advances ratio between NSBIBL and NIBL	0.66	2.306
4.	H0: There is no significance difference in Provision for Credit loss to Credit and advances ratio between NSBIBL and NIBL H1: There is significance difference in Provision for Credit loss to Credit and advances ratio between NSBIBL and NIBL	8.734	2.306
Note: L.S. :- level of significance, d.f. :- Degree of Freedom.			

Source: Annex XX, XXI, XXII & XXIII.

Decision:

S.N.1: The calculated value is less than tabulated value. Calculated value 't' is 1.06 .and tabulated value is 2.306. It means H0 is accepted at 5% level of significance for 8 degree of freedom. H1 is rejected. There is no significance difference in Credit and advances to total assets ratio between NSBIBL and NIBL

S.N.2: The calculated value is less than tabulated value. Calculated value ‘t’ is 0.927 and tabulated value is 2.776. It means H0 is accepted at 5% level of significance for 6 degree of freedom. H1 is rejected. There is no significance difference in performing assets to total assets ratio between NSBIBL and NIBL

S.N.3: The calculated value is less than tabulated value. Calculated value ‘t’ is 0.66 and tabulated value is 2.306. It means H0 is accepted at 5% level of significance for 8 degree of freedom. H1 is rejected. There is no significance difference in Interest income to Credit and advances ratio between NSBIBL and NIBL

S.N.4: The calculated value is greater than tabulated value. Calculated value ‘t’ is 8.734 and tabulated value is 2.306. It means H0 is rejected at 5% level of significance for 8 degree of freedom. H1 is accepted. There is significance difference in Provision for Credit loss to Credit and advances ratio between NSBIBL and NIBL

4.4 Analysis of Responses by Credit Customers of the Banks:

Table No 23: Frequencies of Response from Credit customers of NSBIBL

Particulars	Yes		No		No Response		Total
	No.	%	No.	%	No.	%	
1. Are you satisfied with bank?	7	70	3	30	--	-	10
2. Does any bank officer visit your project site at the time of granting credit?	8	80	1	10	-	-	10
3. Do you know all information about bank policies?	5	50	5	50	-	-	10
4. Are you satisfied with the bank interest rate?	6	60	4	40	-	-	10
5. Do you want to take further credit from the Bank?	7	70	1	10	2	20	10
6. Have you received any notice before credit expiration date?	7	70	1	10	2	20	10
7. Do you feel that you have got full cooperation from the bank officer?	6	60	4	40	-	-	10
8. If the service charge taken by the bank satisfactory?	5	50	4	40	1	10	10
9. Have you utilized the entire credit to the same sector as specified at the time of taking credit?	9	90	-	-	1	10	10
10. Are you thinking to switch the bank in future?	7	70	1	10	2	20	10

- 70% of sample customer of the bank told that they were satisfied with the bank and the remaining percentage said no.
- 80% of the sample customer said bank offer visited their project site at the time of granting credit. 1 customer said 'no' and the remaining customer was unknown bout the bank officer visit, he said he was the representative of the credit taking group.
- Only the 50% of the customer said they were up to date with the banking policies.
- Eight customers out of ten were unsatisfied with the bank interest rate. Only two customers said, " we are more or less satisfied".

- Seven out of ten customers responded that they would take credit from the same bank in the near future, one said ‘no’ and remaining two customers didn’t responded clearly.
- 70% of the customers of the bank received information of repaying credit from the bank, 20% customer were uncooperative with the researcher, and remaining 10% said ‘no’, he said he would need credit no more.
- Five out of ten customers were satisfied with the bank officers’ cooperation, four customers were unsatisfied.
- Services charge taken at the time of issuing credit is high from the view point of 50% customers. 40% customers said they were more or less satisfied with the service charges. One customer was unaware of that service charge.
- 90% of the sample customers said they utilized the credit for the same sector s specified at the time of taking loan. One customer didn’t response clearly. Nobody said ‘no’.
- Only one out of ten responded clearly that they would change the bank next time. Two customers didn’t wanted t response the question. Seven customers said they would attach with the bank.

Table No. 24: Frequencies of Response from Credit customers of NIBL

Particulars	**Yes**		**No**		**No Response**		**Total**
	No.	**%**	**No.**	**%**	**No.**	**%**	
1. Are you satisfied with bank?	5	50	5	50	-	-	10
2. Does any bank officer visit your project site at the time of granting credit?	7	70	1	10	2	20	10
3. Do you know all information about bank policies?	7	70	3	30	-	-	10
4. Are you satisfied with the bank interest rate?	4	40	6	40	-	-	10
5. Do you want to take further credit from the Bank?	8	80	1	10	1	10	10
6. Have you received any notice before credit expiration date?	7	70	1	10	2	20	10
7. Do you feel that you have got full cooperation from the bank officer?	7	70	3	30	-	-	10
8. If the service charge taken by the bank satisfactory?	5	50	3	30	2	20	10
9. Have you utilized the entire credit to the same sector as specified at the time of taking credit?	8	80	1	10	1	10	10
10. Are you thinking to switch the bank in future?	1	10	9	90	-	-	10

- 50% of the sample customer of the bank told that they were satisfied with the bank and remaining said ‘no’.
- 70% of the sample customer said bank officer visited their project site at the time of granting credit. One customer said ‘no’ and the remaining two customers were unknown about the bank officer visit.
- Seven out of ten customers said they were up to date with the Banking policies.
- Six customers out of ten were unsatisfied with the bank interest rate. Four customers were satisfied with the bank interest rate.

- Eight out of ten customers responded that they would take credit from the same bank in the near future. One said ‘no’, and the remaining one customer did not responded clearly.
- Seventy percentages of the customers of the bank received notice of repaying credit from the bank and remaining customers said ‘this is our first time’.
- Seven out of ten customers were satisfied with the bank officers’ cooperation, three customers were unsatisfied.
- Service charge taken at the time of issuing credit is high from the view point of fifty percentage customers, 30% customers said they were more or less satisfied with the service charges. 20% customers were unaware of that service charge.
- 80% of the sample customers said they utilized the credit for the same sector as specified at the time of taking credit. One customer did not response clearly. One customer said he had not utilized all the credits as purposed.
- Only one out of ten responded clearly that he would change the bank next time. Nine customers said they would attach with the bank.

4.5 Analysis of Responses Employees of the Banks:

Table No.25: Frequencies of Response from Employees of Banks (No. of Respondent 10)

Particulars	NSBIBL		NIBL	
	Yes	No	Yes	NO
1. Are you satisfied with bank?	6	4	5	5
2. Is there customer related problem in the bank?	10	-	10	-
3. Is there NRB related problem in the banks there customer related problem in the bank?	7	3	9	1
4. Is there credit policy related problem in the bank?	10	-	10	-
5. Do you know about interest rate on credit?	5	5	6	4
6. Do you see any changes needed in the process of recovering loan?	8	2	8	2
7. Is your organization obeying ‘NRB Directives’ sincerely?	10	-	10	-
8. Are you satisfied with the incentive offered by the bank to employees?	6	4	7	3
9. If you get the opportunity, would you like to switch the bank for the same post?	10	-	10	-
10. Are you satisfied with the promotion policy of the bank?	3	7	5	5

NSBIBL:

- Six employee out of ten are satisfied with the bank where as 4 employees are dissatisfied. Regular payments of salary, working facilities are causes of their satisfaction. Main causes of dissatisfaction on respondents are ‘not getting promotion’ as well as the bonus scheme of the bank.
- All the employees of the bank said there was customer related problem. At the time of evaluation of project, at the time of recovering loan, bank should face problem. Lack of good customer is another major problem.
- 7 employees said there is NRB related problem whereas 3 employees said ‘no’. Frequently changes in rules, regulation, provisions and directives are main causes of problem.
- All the sample employees said there is credit related problem in the bank. No repayment of credit in time by customer, slow in the legal process, increasing amount of non-performing credit are the main causes of the credit related problems.
- 50% of the employees know the interest rate of credit in the bank, remain a50% (out of ten) employees do not know the interest rate of credit in the bank. Most of the employees who are working in the credit department said they were up to dated with the interest rate of the bank.
- 6 out of 10 say that they are satisfied with the incentive in the bank. 4 employees are dissatisfied with the incentive provided by the bank. They are satisfied as they compare to low incentives paying banks and dissatisfied when they compare their incentives with the high incentives paying bank.
- Three employees are satisfied with the bank promotion policy. The remaining seven out of ten are dissatisfied with the banks’ promotion policy. Main reason of dissatisfaction is nepotism, favoritism, open recruiting policy etc.

NIBL:

- Five employees are satisfied and five employees are dissatisfied with the working institution. Quality of work life, leave facilities, automation were the main causes of their satisfaction. Dissatisfied employee said the overload of eh work as the main cause of dissatisfaction.
- 10 out of 10 employees said they should face the customer related problem.
- 9 employees said there is NRB related problem whereas 1 employee said ‘no’. the reason is same as said by the NSBIBL i.e. frequently changes in rules, regulation, provisions and directives are main causes of problem.

- All of them said there is customer related problem in the bank. The causes of problem for this bank are also the same as faced by the NSBIBL.
- 60% (6 out of 10) employees know the interest rate of credit in the bank. Remaining 40% employees do not know the interest rate of the bank. There could be seen booklet of the interest rate structure of credit on the table of most employees in the credit department. So, the employees used the same while consulting with the customers.
- 7 employees out of 10 say that they are satisfied with the incentive in the bank. 3 employees are dissatisfied with the incentive provided by the bank. Newly appointed employees are more satisfied than the old one.
- Fifty percentages are satisfied and fifty percentages are dissatisfied with the banks' promotion policy.

Same Response from both banks' employees:

- 8 out of 10 employees of the both banks said there is necessary to change in the process of recovering loan. Lengthy and weak legal process of recovery is the main cause of the problem.
- All respondents of both banks are agreed about that their bank is obeying the 'NRB rules and directives' sincerely.
- Both of the banks' all sample employees answered that they will shift the bank, if and only if, they get the chance to go to high public image and more facilities providing bank. That kink of bank in their mind was Standard Chartered Bank Limited and NABIL

4.6 Major Findings:

- Both of the Nepal SBI Bank and NIBL offers as a full-fledged Commercial Bank, they provides services to clients such as : Credit and Advances, Consortium Finance, Working Capital Credit, Term Credit, Demand Credit, Trade Finance (Import/ Export), Hire Purchase, Credit and Letter of Credit, Bills Purchases, Bank Guarantee and others. Both of the banks major objectives are as to maximize the wealth of shareholders, to provide modern services to its customers, to help the monetary policy taken by the central bank 'NRB' and ultimately to help to reduce the poverty of the country.
- On average of 5 years of research period, cash and bank balance to total deposits ratio of Nepal SBI Bank and NIBL is 16.01% and 10.44% respectively. Likewise Nepal

SBI Bank has cash and bank balance 0.848 times of current deposits and NIBL has the cash and bank balance 0.884 times of the current deposit. It shows that cash and bank balances of both banks are high which is proved by combined ratio of cash and bank to total deposits and cash and bank balance to current deposits that are 13.13% and 0.886 times respectively in the same research period. So, both banks can meet the demand of depositors.

- Almost 70% of total deposit of both banks (Nepal SBI Bank and NIBL), is utilized in credit and advances. It shows banks' major sector of investment is granting credit to its customers. Correlation of coefficient of both banks shows that there is high degree of correlation between credit and advances and total deposits. For Nepal SBI Bank, correlation of coefficient is 99.30% and for NIBL it is 99.30%. As the total deposits increases, credit and advances also increases and vice versa. Fixed deposits are the main sources of granting credit. Of Nepal SBI Bank, total credit and advances is almost 140.27% of fixed deposits and the same for NIBL is almost 295.62%. The Nepal SBI Bank's fixed deposits have positive correlation impact on credit and advances. On average Nepal SBI Bank have almost 60% of total assets in the form of credit and advances and NIBL has almost 59% in the form of credit and advances.
- Performing assets to total assets ratio of both banks is Fluctuating regularly in the research period. It shows that there is no consistency in the level of performing assets on total assets over the research period. Correlation of coefficient is highly positive for both of the bank. It suggests that the increasing in total assets leads in increase in performing assets. The performing assets ratio suggests that banks should be more conscious to decrease the amount of non-performing assets. Credit and advances should be invested in more secured and the recovery process should be more effective.
- Provision for credit and losses also indicate that the non-performing credits are increasing. In another words, the recovery of the credit is not satisfactory. As the non-performing credit increases, bank should increase its provision for credit loss. Provision for credit loss for Nepal SBI bank has increased form 285.1 Million to 614.7 Million in the research period of 5 years. Likewise, provision for credit losses for NIBL has increased from 149.1 Million to 401.9 Million in the research period. Provision for credit loss ratio of NSBIBL is more as comparison to NIBL.
- Banks have invested huge money in granting credit and advances but the recovery process of the banks is slow. Efficiency in the management of credit is not satisfactory.

- The trend of the combined credit ratios shows that credit ratios of the commercial banks are increasing. With the increase in the ratio of credit, the non-performing assets have also increased; it means the performing assets of the commercial banks have been increasing regularly.
- As the total debt to equity ratio and other leverage shows that banks are slowly forwarding towards to low capital gearing ratio. The major reason for low gearing ratio is due to the policy changed by NRB. NRB has given directives to all banks to increase its Paid up Capital. To meet the directives of NRB, Bank has issued new shares. On the other hand, banks have taken the policy to take low risk in the time of economic crisis.
- The profit ratio of these banks is increasing slowly in the research period. This ratio of NSBIBL is lower with comparison with NIBL. But the combined mean ratio is at satisfactory level. Although the non-performing assets is increasing year by year in the research period, net profit ratio is in increasing regularly because of increasing in total assets is also high in the research period.
- As the income of the banks is increasing in the recent last years, its impact is directly on the shareholders' income that is also increasing in the last years of the research period. And the Price Earning Ratio of the banks are also increasing trends in the last years of the research period.
- Banks most of the credit is granted on the basis of assets guarantee. Assets include land, machinery, furniture etc., it covers almost 75% of the total credit. After assets credit are issued on the basis of bills guarantee. Due to liberalization, the non-government securities are increasing. Therefore banks' granting credit on non-government securities is higher than government securities.
- Test of hypothesis shows that there is no significance difference in credit management of the banks (NSBIBL and NIBL). But in case of provision for credit loss, there is significance difference between two banks.
- Most of the credit customers of the banks are satisfied wit the banks. Customers suggested that bank should decrease its credit interest rates. As they complain that bank has decreased the deposits interest rate heavily but the credit interest rate has not lowered so much. Therefore sometimes they go under difficulty to pay the interest amount in time. They also demand some extended payback period in the economic crisis period. Some of the customers said they have not got full cooperation form the bank officer. This complains are mainly for management level, who do not extend time period of reimbursement of credit when they demand. They say we are suffering from economic crisis but bank does not understand our problems.

- Newly appointed employees are satisfied with the bank. Those who have not got promotion for a long time are unsatisfied with the bank. Some of them are dissatisfied due to ‘sources and forces’ and ‘nepotism and favoritism’. Most of the employees are aware of their job only. Assistant level employees do not keep information of the other department. They are fully devoted to their department only. They are engaged in routine work. Sometimes they frustrate with their routine and overloaded work. But thy do not see any other field of career development.

Strengths: In the terms of liquidity, both of the banks (NSBIBL and NIBL) are strong. They can satisfy the demand of current and saving depositors. Both of the banks have provided modern facilities to its customers and have used modern technology therefore they can attract good customers as comparison to the Nepal’s two old banks: Nepal Bank Limited and Rastriya Banijya Banks.

Weakness: Overdue credits of both banks have increased. It has damaged the income of the bank. Banks have not opened their branches all over the country. Especially NSBIBL has very few branches. So they are unable to grab opportunity from all over the Nepal. In both of the banks, there is presence of nepotism and favoritisms in the process of requirement, placement, and promotion etc. Therefore, capable employees switch the bank if they get more opportunity from other banks.

CHAPTER V
SUMMARY, CONCLUSION AND RECOMMENDATION

This chapter highlights some selected actionable conclusions and recommendation on the basis of the major findings of the study derived from the analysis of NSBIBL and NIBL. The study has covered 5 years data from the year 2001/02 to 2005/06. The major findings of the study based on financial and statistical analysis listed in chapter-4, of this report in order to carry out this study mainly secondary data are used. The analysis of the data is carried out with the help of various financial and statistical tools. The findings of the study are summarized and conclusion and some recommendation drawn as below:

5.1 Summary:

- On 30th kartik, 1994 B.S., Nepal Bank Limited was established for the first time to provide modern and organized banking facilities. The birth of this bank brought a new landmark in the history of banking facility in the Nepal. Today, 19 commercial banks are operating to provide modern banking services and facilities to boost the economic condition of country.
- Commercial banks are those banks, which works from commercial viewpoint. They perform all kinds of banking functions such as accepting deposits, advancing credits, credit creation, agency functions etc.
- Credit administration involves the creation and management of credit and advances. Portfolio management helps t minimized or manages the risks by spreading over the risk to various portfolios. Banks earn interest on credits and advances, which is one of the major sources of income of banks.
- On average of 5 years of research period, cash and bank balance to total deposits ratio of NSBIBL and NIBL is 16.01% and 10.44% respectively. Likewise, NSBIBL has cash and bank balance 0.848 times of current deposits and NIBL has cash and bank balance 0.884 times of current deposits.
- Almost 70% of total deposit of both banks (NSBIBL and NIBL) are utilizing in credit and advances. Correlation of coefficient is 0.993 for both NSBIBL and NIBL. As the total deposits increases, credit and advances also increases and vice versa.
- Performing assets to total assets ratio of both banks is fluctuating over the research period. The correlation between performing assets and total assets is highly positive for both of the banks in research sample.

- As the non-performing credit increases, bank should increase its provision for credit loss. Provision for credit loss ratio of NSBIBL is more than NIBL. Banks have invested money in granting credit and advances but the recovery process of the banks is slow.
- Major ratios calculated for the analysis of credit management of NSBIBL and NIBL:

Particulars	**Average of five years of research period**	
	NSBIBL	**NIBL**
Cash and Bank Balance to Total Deposit Ratio	16.10%	10.44%
Cash and Bank Balance to Current Deposit Ratio	0.848X	0.884X
Credit and Advances to Total Deposit Ratio	0.72X	0.70X
Credit and Advances to Fixed Deposit Ratio	140.27%	295.62%
Credit and Advances to Total Assets Ratio	60.42%	58.48%
Performing Assets to Total Assets Ratio	60.58%	58.83%
Provision for loss to Total Credit and Advances	7.60%	3.15%
Debt to Equity Ratio	12.43X	13.10X
Net Profit Ratio	9.84	19.12
Interest Income to Total Credit and Advance Ratio	7.95	8.21
Shareholders’ Income per Share	13.38	44.81
Weighted Average Interest Rate Spread	3.53	4.64

- NIBL: Most of the credit and advances ‘almost 70’ is provided on assets guarantee. The assets guarantee credit is increasing period by period. After assets guarantee, bank has provided credit on the basis of bills guarantee. It shows that most of the banks are comfortable to create credit on the guarantee of assets.
- NIBL: most of the loan and advances is provided on private sectors. Therefore the major portion of income of the bank comes from private sector’s credit and advances. The remaining sectors pay small contribution in the income of the bank. The private sector has dominated the all other remaining sectors. One of the major reason of going credit and advances to private sectors is liberalization. Private sectors are coming forwards to invest in different sectors.

5.2 Conclusion

- Both of the banks (NSBIBL and NIBL) have sufficient liquidity. It shows that banks have not got investment sectors t o utilize their liquid money. Now, in Nepal, many banks and other financial institutions are functioning to collect deposits and invest money somewhere in the inevitable sectors. Therefore monetary activities have been increased since liberalization policy taken by the government. Heavy remittance has also help to increase the amount of deposits of the banks. On the other hand, due to political crisis, economic sectors have been fully damaged. Most of the projects have been withdrawn due to security problem. Therefore, hanks have maximum liquidity due to lack of safety investment sectors.

- Both of the banks gave utilized most funds in the form of credit and advances. Almost 80% of total deposits of the bank have been forwarded to customers as a credit and advances. Therefore, it is the major part of utilizing deposits and income generating sectors. If the banks have high deposits, bank can provide money to its customers as credit and advances. Therefore, there is highly positive correlation between total deposits and credit and advances. Correlation of coefficient between the deposit and credit and advances of both banks is 0.993. So, banks are providing different schemes to attract good customers. After attracting deposits from the customer, banks have issued the deposits to the needy area to make profit for the bank.
- Provision for credit loss has been increasing year by year in last four years of research period for both banks. Due to economic crisis in the country, credit takers are not getting good return from their investment sectors. On the situation, credit customers do not return money of the bank in the stipulated time period, therefore the non-performing credit of the banks increases. As the non-performing credit increases, banks should increase their provision for credit loss.
- Equity portion of total sources of the bank is in decreasing trends in the resent years although NRB has issued directives to the entire banks to increase its paid up capital. NRB has issued that direction to provide more safety to the customers. Therefore, banks have issued new issue shares in the market as well as increase in deposits and other debts cause the increase in leverage ratio of the banks.

5.3 Recommendation

Based on above findings and conclusion the following recommendations have been forwarded.

- As the liquidity position of these two banks is found to be high, they are recommended to look upon the new area of lending and investment. The rural economy has always been realizing the credit needs; the dominancy of non-organized moneylender in this area has been prevailing. To compromise between the liquidity and credit need of rural economy, these banks are highly fund in business and at the same time contribute to the national economy also.
- The high volume of liquidity shows that the high degree of lending strength has been prevailing in all of these banks. The lack of reliable lending opportunities and fear of losing the principle in rural sector has been keeping these banks to less orient toward the lending function. Hence, the government should take appropriate action to initiate these directives does not create long term healthy lending practices unless the commercial

banks are not self motivated to flow credit in this sector. “But in view of the risk element in lending, the banker still prefers to have a negative outlook in handling proposals. This attitude requires to be changed among the bankers and any proposal coming to them should be processed to conform to banking norms so that it can be sanctioned for alignment for production or approved social objectives.

- Performing assets of both banks are low. It means non-performing assets of both banks are high. Non-performing assets do not provide any return t the banks; therefore, banks should increase its effort to recover its credit on time. More facilities should be provided to credit department (or unit), so that credit officers will increase their effort it recover the credit of the bank. On the other hand, at the time of granting credit, banks should analyses the project report thoroughly. Whether the project is genuine or not, whether the project can generate sufficient income in time, to pay the credit of bank, should be analyzed in detail. Collateral should be enough to recover the credit, in case, customer fails to pay the credit.
- As there is highly positive correlation between ‘Total Deposit’ and ‘Credit and advances’ for both banks, it is recommended them to increase their total deposit to make more credit and advances.
- Banks should avoid extending credits merely based on oral information presented at the credit interview. Historical financial and trade records, as well as realistic cash flow projections should be obtained for proper assessment of the proposal.
- Some customers are unsatisfied with the service charges and interest of credit; therefore banks should reorganize these charges.
- Banks should regularly follow the credit customer to confirm that whether they have utilized their credit for the same purpose committed at the time of taking credit from the banks.
- Banks should strictly band the policy of nepotism and favoritism. On the basis of capability and efficiency, employees’ recruitment, placement and promotion should be executed.
- These banks should fulfill some social obligations by extending their resources to rural areas and promoting the development of poor and disadvantaged group. In order to do so, they should open their branches in the remote areas with the objective of providing cheaper banking services.
- Banks should recruit their human resource by free competition, which helps them to get the competent human resource for better performance
- To increase the efficiency and propound new technology, Banks should train their human resource by conducting seminar workshop and foreign visit if necessary.

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ANNEXES

Annex- I

Five Year's Balance Sheet of Nepal SBI Bank Limited

Particulars	F/y 2004-05	F/y 2005-06	F/y 2006-08	F/y 2007-08	F/y 2008-09
Assets					
Cash Balance	166621	269659	161222	143750	244188
Balance with NRB	-	-	-	390026	626123
Balance with Banks/Financial Institute	1453341	1063875	703204	189970	247847
Money at Call and Short Notice	-	-	-	123113	363200
Investments	599056	1207275	1907521	2607680	3610445
Loan, Advances and Bills Purchase	4299249	4468720	5143662	6213879	7626736
Fixed Assets	65588	71034	62350	66452	66712
Non Banking Assets	-	-	-	7255	24556
Other Assets	437286	485764	462446	220898	225701
Total Assets	**7021141**	**7566327**	**8440406**	**9963021**	**13035839**
Shareholders' Equity and Liabilities					
Share Capital					
Reserve and Funds	124893	425157	426876	431866	640236
Debentures and Bonds	135443	144695	199761	257147	342138
Borrowings	-	-	-	-	200000
Deposits	558792	65826	117178	469629	612429
Bills Payable	5572470	6522817	7198327	8654774	11002041
Proposed and Dividend Payable	-	-	-	31124	46239
Income Tax Liabilities	-	-	-	3878	35470
Other Liabilities	-	-	-	-	-
	329444	407832	498264	114603	157288
Total Capital and Liabilities	**7021141**	**7566327**	**8440406**	**9963021**	**13035839**

Annex- II

Five Year's Balance Sheet of Nepal Investment Bank Limited

Particulars	F/y 2004-05	F/y 2005-06	F/y 2006-07	F/y 2007-08	F/y 2008-09
Assets					
Cash and Bank Balance	338.92	926.54	1226.92	1340.48	2335.52
Money at call and Investment	1822.16	1745.24	4172.48	4074.19	5672.86
Loan and Advances	2713.52	5921.79	7338.57	10453.16	13178.15
Net Fixed Assets	35.88	191.12	249.79	320.59	343.45
Other Assets	212.50	379.22	476.18	202.23	201.10
Total Assets	**5122.99**	**9163.90**	**13463.94**	**16390.65**	**21732.80**
Shareholders' Equity and Liabilities					
Share Capital					
Reserve Funds	169.99	295.29	295.29	587.74	590.59
Profit and Loss Account	261.84	314.85	419.09	567.51	778.90
Borrowings	91.64	28.40	14.66	24.92	45.95
Customer's Deposit	98.50	6.83	361.50	350.00	550.00
Other Liabilities	4174.76	7922.77	11524.68	14254.57	18927.31
Provision For Loan Loss	177.16	446.11	640.28	278.80	437.39
	149.10	149.65	208.44	327.11	401.94
Total Capital and Liabilities	**5122.99**	**9163.90**	**13463.94**	**16390.65**	**21732.80**

Annex-III

Five Years Profit and Loss Account of Nepal SBI Bank Limited

Particulars	F/y 2004-05	F/y 2005-06	F/y 2006-07	F/y 2007-08	F/y 2008-09
Interest Income	399631303	469740135	493598313	578372070	708718614
Interest Expenses	288579514	291819520	255919216	258430003	334770096
Net Interest Income	**111051789**	**177920615**	**237679097**	**319942067**	**373948518**
Commission and Discount	36579409	29961809	30666943	42568260	40753985
Other Operating Income	29626556	47695749	56725305	11275211	7136575
Exchange Fluctuation Income	42535450	18509922	30615953	32357149	43060315
Total Operating Income	**219793204**	**274088095**	**355687298**	**406142687**	**464899393**
Staff Expenses	26647688	33731121	32510008	37582219	50539528
Other Operating Expenses	60750345	77364801	82180035	90628615	99214082
Exchange Fluctuation Loss	-	-	-	-	-
Operating Profit Before Provision for Possible Losses	**132395171**	**162992173**	**240997255**	**277931853**	**315145783**
Provision for Possible Losses	67550885	84173260	109559724	193243637	146656796
Operating Profit	**64844286**	**78818913**	**131437531**	**84688216**	**168488987**
Non Operating Income/Loss	(1652461)	(2093283)	(570628)	1442831	(2926277)
Provision for Possible Losses Written Back	-	-	-	52972631	54177763
Profit from Regular Operation	**63191825**	**76725630**	**130866903**	**139103678**	**219740478**
Profit/Loss from Extraordinary Activities	-	-	(9165047)	-	-
Net Profit After Considering All Activities	**63191825**	**76725630**	**121701856**	**139103678**	**219740478**
Provision for Staff Bonus	6319183	7672563	12170186	13910368	19976407
Provision for Income Tax	16028873	20304846	48679997	67806676	82762098
Net Profit/Loss	**40843769**	**48748221**	**60851673**	**57386634**	**117001973**

Annex IV

Five Years Profit and Loss Account of Nepal Investment Bank Limited

Particulars	F/y 2004-05	F/y 2005-06	F/y 2006-07	F/y 2007-08	F/y 2008-09
Interest Income					
Loans, Advances & Overdrafts	258.58	421.85	663.01	769.20	964.69
Others	67.64	37.66	68.39	117.60	208.05
Interest Expenses	(130.44)	(189.21)	(326.20)	(354.55)	(490.95)
Net Interest Income	**195.78**	**270.30**	**405.20**	**532.25**	**681.79**
Exchange Gain	42.86	50.83	87.98	102.52	125.75
Commission Income	16.20	40.80	55.75	93.55	115.94
Other Operating Income	30.41	26.29	36.81	56.57	46.61
Other Non-Operating Income	3.10	0.49	1.77	6.19	0.39
Total Income	**288.35**	**388.71**	**587.51**	**791.08**	**970.48**
Staff Expenses	41.72	61.29	89.75	97.00	111.05
Operating Expenses	84.65	108.04	149.48	182.91	200.22
Non-Operating Expenses	-	-	-	-	-
Staff Bonus	8.68	18.90	25.72	37.08	50.49
Total Expenses	**135.05**	**188.23**	**264.95**	**316.99**	**361.76**
Profit Before Tax	**153.30**	**200.48**	**322.56**	**474.09**	**608.72**
Loan Loss Provision	75.19	30.34	91.09	140.41	103.81
Income Tax	21.01	53.33	78.80	101.53	154.38
Net Profit/(Loss) After Tax	**57.11**	**116.81**	**152.67**	**232.15**	**350.53**

Annex-V

Five Years Principle Indicators (NIBL)

Particulars	Indicators	F/y 2004-05	F/y 2005-06	F/y 2006-07	F/y 2007-08	F/y 2008-09
1. Percentage of Net Profit/Gross Income	Percent	14.54	20.12	16.71	20.26	23.99
2. Earning Per Share	Rs.	33.59	39.56	51.70	39.50	59.35
3. Market Value per Share	Rs.	760	795	940	800	1260
4. Price Earning Ratio	Ratio	22.62	20.10	18.18	20.25	21.23
5. Dividend (Including Bonus) on Share Capital	Percent	30	20	15	12.50	55.46
6. Cash Dividend on Share Capital	Percent	-	20.00	15.00	12.50	20.00
7. Interest Income/Credit and Advance	Percent	9.53	7.80	9.03	7.36	7.32
8. Staff Expenses/Total Operating Expenses	Percent	33.01	36.20	37.52	34.65	35.68
9. Interest Expenses on Total Deposit and Borrowings	Percent	3.05	3.00	2.74	2.43	2.52
10. Exchange Gain/Total Income	Percent	10.91	8.80	9.63	8.95	8.60
11. Staff Bonus/Total Staff Expenses	Percent	20.90	30.85	28.66	38.22	45.40
12. Net Profit/Credit and Advance	Percent	2.10	1.97	2.08	2.22	2.66
13. Net Profit/Total Assets	Ratio	1.15	1.27	1.13	1.42	1.61
14. Total Credit/Total Deposit	Percent	65.00	74.74	63.68	73.33	69.63
15. Total Operating Expenses/Total Assets	Percent	2.47	1.85	1.78	1.71	1.43
16. Adequacy of Capital fund on Risk Weighted Assets						
a. Core Capital	Percent	14.40	7.87	7.22	8.52	7.97
b. Supplementary Capital	Percent	1.50	0.93	3.96	3.06	4.01
c. Total Capital Fund	Percent	15.90	8.81	11.18	11.58	11.97
17. Liquidity (CRR)	Percent	11.16	10.11	9.19	9.78	13.61
18. Non-performing Credit/Total Credit	Ratio	4.80	1.94	2.47	2.69	2.07
19. Weighted Average interest Rate Spread	Percent	4.24	4.80	5.98	4.30	3.90
20. Book Net Worth	Rs. In '000	523468	638542	729048	1180173	1415440
21. Total Share	No.	1699845	2952930	2952930	5877385	5905860
22. Total Staff	No.	105	254	325	353	390

Annex-VI

Five Years Principle Indicators (Nepal SBI)

Particulars	Indicators	F/y 2004-05	F/y 2005-06	F/y 2006-07	F/y 2007-08	F/y 2008-09
1. Percentage of Net Profit/Gross Income	Percent	8.03	8.61	9.95	7.98	14.63
2. Earning Per Share	Rs.	9.61	11.47	14.26	13.29	18.27
3. Market Value per Share	Rs.	401	255	307	335	612
4. Price Earning Ratio	Percent	41.72	22.24	21.54	25.21	33.49
5. Dividend (Including Bonus) on Share Capital	Percent	-	8.00	-	-	5.00
6. Cash Dividend on Share Capital	Percent	-	8.00	-	-	5.00
7. Interest Income/Credit and Advance	Percent	7.85	8.72	8.10	7.72	7.38
8. Staff Expenses/Total Operating Expenses	Percent	7.09	8.26	8.77	9.72	10.40
9. Interest Expenses on Total Deposit and Borrowings	Percent	4.71	4.43	3.50	2.83	2.88
10. Exchange Gain/Total Income	Percent	8.37	3.27	5.01	4.50	5.38
11. Staff Bonus/Total Staff Expenses	Percent	19.17	18.53	27.24	27.01	28.33
12. Net Profit/Credit and Advance	Percent	0.90	1.03	1.12	0.87	1.53
13. Net Profit/Total Assets	Percent	0.58	0.64	0.72	0.55	0.90
14. Total Credit/Total Deposit	Percent	82.27	73.52	76.85	77.87	69.32
15. Total Operating Expenses/Total Assets	Percent	5.35	5.40	4.46	3.74	3.72
16. Adequacy of Capital fund on Risk Weighted Assets						
a. Core Capital	Percent	10.83	10.16	9.47	8.68	10.53
b. Supplementary Capital	Percent	2.03	2.19	1.47	0.79	3.04
c. Total Capital Fund	Percent	12.86	12.34	10.95	9.47	13.57
17. Liquidity (CRR)	Percent	12.60	18.19	7.74	5.26	5.83
18. Non-performing Credit/Total Credit	Ratio	6.32	8.90	6.25	6.54	6.13
19. Weighted Average interest Rate Spread	Percent	3.84	3.23	3.55	3.68	3.33
20. Book Net Worth	Rs. In '000	560347	569852	526637	689013	971729
21. Total Share	No.	4248933	4251573	4268759	4318656	6402361
22. Total Staff	No.	141	148	151	164	174
23. Returns on Shareholder's Equity	Percent	7.29	8.55	9.71	8.33	12.04
24. Book Value Per Share	Rs.	131.88	134.03	146.80	159.54	151.74
25. Return on Net Fixed Assets	Percent	62.27	68.63	97.60	86.36	175.38
26. Total Interest Earning to External Assets	Percent	8.16	8.28	7.00	6.56	6.31
27. Total Cost to Net Interest Income and Other Income	Percent	44.93	47.91	37.34	31.46	32.84

Annex-VII

Cash and Bank Balance to Total Deposit Ratio

Year	SBI Bank		Investment Bank	
	Ratio (x)	**X^2**	**Ratio (x)**	**X^2**
2004/05	29.07	845.06	8.12	65.93
2005/06	20.44	417.80	11.69	136.66
2006/07	12.01	144..24	10.65	113.42
2007/08	8.36	69.90	9.40	88.36
2008/09	10.16	103.23	12.34	152.28
	$\sum x = 80.05$	**$\sum x^2 = 1580.23$**	**$\sum x = 52.20$**	**$\sum x^2 = 556.65$**

$$\left(\frac{\sum x}{n}\right)^2 = 256.32$$

$$\text{S.D.}(\sigma) = \sqrt{\frac{\sum x^2}{n} - \left(\frac{\sum x}{n}\right)^2} = 7.73$$

$$\left(\frac{\sum x}{n}\right)^2 = 108.90$$

$$\text{S.D.}(\sigma) = \sqrt{\frac{\sum x^2}{n} - \left(\frac{\sum x}{n}\right)^2} = 1.53$$

Combined

$\sum x = 13.23 \times 5 = 66.15$

$\sum x^2 = 37.99$

$$\left(\frac{\sum x}{n}\right)^2 = 175.03$$

$$\text{S.D.}(\sigma) = \sqrt{\frac{\sum x^2}{n} - \left(\frac{\sum x}{n}\right)^2} = 3.55$$

Annex-VIII

Analysis of Cash and Bank Balance to Current Deposit Ratio

Year	SBI Bank		Investment Bank		Combined	
	Ratio (x)	X^2	Ratio (x)	X^2	Ratio (x)	X^2
2004/05	1.49	2.22	0.43	0.185	0.96	0.922
2005/06	1.03	1.06	0.95	0.903	0.99	0.980
2006/07	0.52	0.27	0.82	0.672	0.67	0.449
2007/08	0.41	0.17	0.85	0.723	0.63	0.400
2008/09	0.79	0.62	1.37	1.877	1.08	1.166
	$\sum x = 4.24$	**$\sum x^2 = 4.34$**	**$\sum x = 4.42$**	**$\sum x^2 = 4.36$**	**$\sum x = 4.33$**	**$\sum x^2 = 3.914$**

$\left(\frac{\sum x}{n}\right)^2 = 0.7191$ $\left(\frac{\sum x}{n}\right)^2 = 0.781$ $\left(\frac{\sum x}{n}\right)^2 = 0.75$

S.D (σ) = 0.386 S.D (σ) = 0.301 S.D (σ) = 0.181

Annex-IX

Analysis of Credit and Advance to Total Deposits

Year	SBI Bank		Investment Bank		Combined	
	Ratio (x)	X^2	Ratio (x)	X^2	Ratio (x)	X^2
2004/05	0.77	0.5929	0.61	0.3721	0.69	0.4761
2005/06	0.69	0.4761	0.73	0.5329	0.71	0.5041
2006/07	0.71	0.5041	0.62	0.3844	0.67	0.4489
2007/08	0.72	0.5184	0.71	0.5041	0.72	0.5184
2008/09	0.69	0.4761	0.68	0.4624	0.69	0.4761
	$\sum x = 3.58$	**$\sum x^2 = 2.5676$**	**$\sum x = 3.35$**	**$\sum x^2 = 2.2559$**	**$\sum x = 3.48$**	**$\sum x^2 = 2.436$**

$\left(\frac{\sum x}{n}\right)^2 = 0.5127$ $\left(\frac{\sum x}{n}\right)^2 = 0.4489$ $\left(\frac{\sum x}{n}\right)^2 = 0.4844$

S.D (σ) = 0.03 S.D (σ) = 0.05 S.D (σ) = 0.053

Annex-X

Correlation between Credit and Advance to Total Deposit (SBI Bank)

Year	Credit and Advance (x_1)	Total Deposit (x_2)	x_1x_2	x_1^2	x_2^2
2004/05	430	557	139510	184900	310249
2005/06	447	652	291444	199809	425104
2006/07	514	720	370080	264196	518400
2007/08	621	865	537165	385641	748225
2008/09	763	1100	839300	582169	1210000
	$\sum x_1=2775$	**$\sum x_2=3894$**	**$\sum x_1x_2=2277499$**	**$\sum x_1^2=1616715$**	**$\sum x_2^2=3211978$**

$$\text{Correlation (r)}=\frac{N\sum x_1x_2-\sum x_1\sum x_2}{\sqrt{\left\{N\sum x_1^2-(\sum x_1)^2\right\}\left\{N\sum x_2^2-(\sum x_2)^2\right\}}} = 0.993$$

Annex-XI

Correlation between Credit and Advance to Total Deposit (NIBL)

Year	Credit and Advance (x_1)	Total Deposit (x_2)	x_1x_2	x_1^2	x_2^2
2004/05	256	417	106752	65536	173889
2005/06	577	792	456984	332929	627264
2006/07	713	1152	821376	508369	1327104
2007/08	1012	1425	1442100	1024144	2030625
2008/09	1278	1893	2419254	1633284	3583449
	$\sum x_1=3836$	**$\sum x_2=5679$**	**$\sum x_1x_2=5246466$**	**$\sum x_1^2=3564262$**	**$\sum x_2^2=7742331$**

$$\text{Correlation (r)}=\frac{N\sum x_1x_2-\sum x_1\sum x_2}{\sqrt{\left\{N\sum x_1^2-(\sum x_1)^2\right\}\left\{N\sum x_2^2-(\sum x_2)^2\right\}}} = 0.993$$

Annex-XII

Credit and Advance to Fixed Deposit

Year	SBI Bank		Investment Bank		Combined	
	Ratio (x)	X^2	Ratio (x)	X^2	Ratio (x)	X^2
2004/05	137.24	18834.82	271.10	73495.21	204.17	41685.40
2005/06	133.94	17939.92	345.06	119066.40	239.48	57350.67
2006/07	153.44	23543.83	310.70	96534.49	232.07	53856.48
2007/08	152.06	23122.24	315.23	99369.95	233.65	54592.32
2008/09	127.70	15550.09	236.03	55710.16	180.50	52580.25
	$\sum x$ = 701.38	**$\sum x^2$ = 98990.90**	**$\sum x$ = 1478.12**	**$\sum x^2$ = 444176.21**	**$\sum x$ = 1089.86**	**$\sum x^2$ = 240075.12**

$\left(\frac{\sum x}{n}\right)^2 = 19677.36$

S.D (σ) = 10.99

$\left(\frac{\sum x}{n}\right)^2 = 87393.55$

S.D (σ) = 37.97

$\left(\frac{\sum x}{n}\right)^2 = 47520.52$

S.D (σ) = 22.19

Annex XIII

Credit and Advance to Total Assets

Year	SBI Bank		Investment Bank		Combined	
	Ratio (x)	X^2	Ratio (x)	X^2	Ratio (x)	X^2
2004/05	61.23	2749.11	51.56	2658.43	56.40	3180.96
2005/06	59.06	3488.08	61.55	3788.40	60.31	3637.30
2006/07	60.94	3713.68	57.36	3290.16	59.15	3498.72
2007/08	62.37	3890.02	62.71	3932.54	62.54	3911.25
2008/09	58.55	3423.42	59.05	3486.90	58.80	3457.44
	$\sum x$ = 302.11	**$\sum x^2$ =18274.31**	**$\sum x$ = 292.23**	**$\sum x^2$ = 17156.43**	**$\sum x$ = 297.2**	**$\sum x^2$ =17685.67**

$\left(\frac{\sum x}{n}\right)^2 = 3650.82$

S.D (σ) = 2.01

$\left(\frac{\sum x}{n}\right)^2 = 3415.93$

S.D (σ) = 3.92

$\left(\frac{\sum x}{n}\right)^2 = 3533.11$

S.D (σ) = 2.01

Annex-XIV

Performing Assets to Total Assets Ratio

Year	SBI Bank		Investment Bank		Combined	
	Ratio (x)	**X^2**	**Ratio (x)**	**X^2**	**Ratio (x)**	**X^2**
2004/05	61.17	3741.77	51.94	2697.76	56.56	3199.00
2005/06	57.74	3333.91	64.40	4147.36	61.07	3729.54
2006/07	61.44	3774.87	54.00	2916.00	57.72	3331.60
2007/08	63.22	3996.77	63.33	4010.70	63.28	4004.36
2008/09	59.35	3520.05	60.56	3667.51	59.93	3591.60
	$\sum x$ = 302.92	**$\sum x^2$ =18367.37**	**$\sum x$ = 294.23**	**$\sum x^2$ = 17439.33**	**$\sum x$ = 298.56**	**$\sum x^2$ = 17856.10**

$\left(\frac{\sum x}{n}\right)^2 = 3670.42$

S.D (σ) = 1.75

$\left(\frac{\sum x}{n}\right)^2 = 3462.85$

S.D (σ) = 5.001

$\left(\frac{\sum x}{n}\right)^2 = 3565.52$

S.D (σ) = 2.40

Annex-XV

Correlation between Performing Assets to Total Assets (SBI Bank)

Year	Performing Assets (x_1)	Total Assets (x_2)	x_1x_2	x_1^2	x_2^2
2004/05	429	702	301158	184041	492804
2005/06	437	757	330809	190969	573049
2006/07	519	844	438036	269361	712336
2007/08	630	996	627480	396900	992016
2008/09	774	1304	1009296	599076	1700416
	$\sum x_1$=2789	**$\sum x_2$=4603**	**$\sum x_1x_2$=2706779**	**$\sum x_1^2$=1640349**	**$\sum x_2^2$=4470621**

$$\text{Correlation (r)}=\frac{N\sum x_1x_2-\sum x_1\sum x_2}{\sqrt{\left\{N\sum x_1^2-(\sum x_1)^2\right\}\left\{N\sum x_2^2-(\sum x_2)^2\right\}}} = 0.991$$

Annex-XVI

Correlation between Performing Assets to Total Assets (NIBL)

Year	Performing Assets (x_1)	Total Assets (x_2)	x_1x_2	x_1^2	x_2^2
2004/05	258	497	128226	66564	247009
2005/06	580	901	522580	336400	811801
2006/07	716	1326	949416	512656	1758276
2007/08	1017	1606	1633302	1034289	2579236
2008/09	1291	2133	2753703	1666681	4549689
	$\sum x_1=3862$	**$\sum x_2=6463$**	**$\sum x_1x_2=5987227$**	**$\sum x_1^2=3616590$**	**$\sum x_2^2=9946011$**

Correlation (r)= $\dfrac{N\sum x_1x_2 - \sum x_1 \sum x_2}{\sqrt{\{N\sum x_1^2 - (\sum x_1)^2\}\{N\sum x_2^2 - (\sum x_2)^2\}}}$ = 0.991

Annex-XVII

Interest Income to Total Credit and Advances

Year	SBI Bank		Investment Bank		Combined	
	Ratio (x)	X^2	Ratio (x)	X^2	Ratio (x)	X^2
2004/05	7.85	61.62	9.53	90.82	8.69	75.52
2005/06	8.72	76.04	7.80	60.84	8.26	68.23
2006/07	8.10	65.61	9.03	81.54	8.57	73.44
2007/08	7.72	59.60	7.36	54.17	7.54	56.85
2008/09	7.38	54.66	7.32	53.58	7.35	54.02
	$\sum x$ = 39.77	**$\sum x^2$ =317.33**	**$\sum x$ =41.04**	**$\sum x^2$ = 340.95**	**$\sum x$ = 40.41**	**$\sum x^2$ = 328.06**

$\left(\dfrac{\sum x}{n}\right)^2$ = 63.20

S.D (σ) = 0.5158

$\left(\dfrac{\sum x}{n}\right)^2$ = 67.40

S.D (σ) = 0.889

$\left(\dfrac{\sum x}{n}\right)^2$ = 65.29

S.D (σ) = 0.5674

Annex-XVIII

Correlation between Interest Income to Total Credit and Advances (SBI Bank)

Year	Performing Assets (x_1)	Total Assets (x_2)	x_1x_2	x_1^2	x_2^2
2004/05	400	4299	1719600	160000	18481401
2005/06	470	4469	2100430	220900	19971961
2006/07	494	5144	2541136	244036	26460736
2007/08	578	6214	3591692	334084	38613796
2008/09	709	7627	5407543	502681	58171129
	$\sum x_1$=2651	**$\sum x_2$=27753**	**$\sum x_1x_2$=15360401**	**$\sum x_1^2$=1461701**	**$\sum x_2^2$=161699023**

Correlation (r)= $\frac{N\sum x_1x_2 - \sum x_1 \sum x_2}{\sqrt{\{N\sum x_1^2 - (\sum x_1)^2\}\{N\sum x_2^2 - (\sum x_2)^2\}}}$

= 0.9852

r^2= 0.9706

S. E. = $\frac{1-r^2}{\sqrt{n}}$ =0.013

P.E.(r) = 0.6745 x S.E. = 0.0089

6P.E. = 0.053

Annex-XIX

Correlation between Interest Income to Total Credit and Advances (SBI Bank)

Year	Performing Assets (x_1)	Total Assets (x_2)	x_1x_2	x_1^2	x_2^2
2004/05	326	2564	835864	106276	6574096
2005/06	460	5772	2655120	211600	33315984
2006/07	731	7130	5212030	534361	50836900
2007/08	887	10126	8981762	786769	102535876
2008/09	1173	12777	14987421	1375929	163251729
	$\sum x_1$=3577	**$\sum x_2$=38369**	**$\sum x_1x_2$=32672197**	**$\sum x_1^2$=3014935**	**$\sum x_2^2$=356514585**

Correlation (r)= $\frac{N\sum x_1x_2 - \sum x_1 \sum x_2}{\sqrt{\{N\sum x_1^2 - (\sum x_1)^2\}\{N\sum x_2^2 - (\sum x_2)^2\}}}$

= 0.9817

r^2= 0.9638

S. E. = $\frac{1-r^2}{\sqrt{n}}$ =0.0162

P.E.(r) = 0.6745 x S.E. = 0.0109

6P.E. = 0.0655

Annex-XX

Credit and Advance to Total Assets

Year	SBI Bank (X_1)	NIBL (X_2)	$X_1 - \overline{X_1}$	$X_2 - \overline{X_2}$	$(X_1 - \overline{X_1})^2$	$(X_2 - \overline{X_2})^2$
2004/05	61.23	51.56	0.81	-6.92	0.6561	47.89
2005/06	59.06	64.03	1.36	5.55	1.8496	30.80
2006/07	60.94	53.79	0.52	-4.69	0.2704	23.00
2007/08	62.37	63.04	1.95	4.56	3.8025	20.80
2008/09	58.51	60.00	-1.91	1.52	3.6481	2.31
	$\sum x_1$=320.10	**$\sum x_2$=292.40**			**$\sum (X_1 - \overline{X_1})^2$ = 10.23**	**$\sum (X_2 - \overline{X_2})^2$ = 124.8**

$$S^2 = \frac{\sum\left(X_1 - \overline{X_1}\right)^2 + \sum\left(X_2 - \overline{X_2}\right)^2}{n_1 + n_2 - 2} = 16.89$$

$$t_{Calculated} = \frac{\overline{X_1} - \overline{X_2}}{\sqrt{\left(\frac{1}{n_1} + \frac{1}{n_2}\right)}} = 1.06$$

Annex-XXI

Performing Assets to Total Assets

Year	SBI Bank (X_1)	NIBL (X_2)	$(X_1 - \overline{X_1})^2$	$(X_2 - \overline{X_2})^2$
2004/05	61.17	51.94	0.35	47.47
2005/06	57.74	64.40	8.07	31.02
2006/07	61.44	54.00	0.74	23.33
2007/08	63.22	63.33	6.97	20.25
2008/09	59.35	60.50	1.51	2.79
	$\sum x_1$=	**$\sum x_2$**	$\sum\left(X_1 - \overline{X_1}\right)^2 = 17.63$	$\sum\left(X_2 - \overline{X_2}\right)^2$**=124.86**

$$S^2 = \frac{\sum\left(X_1 - \overline{X_1}\right)^2 + \sum\left(X_2 - \overline{X_2}\right)^2}{n_1 + n_2 - 2} = 17.41$$

$$t_{Calculated} = \frac{\overline{X_1} - \overline{X_2}}{\sqrt{\left(\frac{1}{n_1} + \frac{1}{n_2}\right)}} = 0.927$$

Annex-XXII

Interest Income to Total Credit And Advance

Year	SBI Bank (X_1)	NIBL (X_2)	$(X_1 - \overline{X_1})^2$	$(X_2 - \overline{X_2})^2$
2004/05	7.85	9.53	0.01	1.7424
2005/06	8.72	7.80	0.593	1.2469
2006/07	8.10	9.03	0.023	0.6724
2007/08	7.72	7.36	0.053	0.7225
2008/09	7.38	7.32	0.325	0.7921
	$\sum x_1$**=39.77**	$\sum x_2$**=41.04**	$\sum(X_1-\overline{X_1})^2$ **=1.004**	$\sum(X_2-\overline{X_2})^2$**=5.21**

$$S^2 = \frac{\sum(X_1-\overline{X_1})^2+\sum(X_2-\overline{X_2})^2}{n_1+n_2-2} = 0.777$$

$$/t_{Calculated}/= \frac{\overline{X_1}-\overline{X_2}}{\sqrt{\left(\frac{1}{n_1}+\frac{1}{n_2}\right)}} = 0.66$$

Annex-XXIII

Provision of Credit Loss to Total Credit and Advance

Year	SBI Bank (X_1)	NIBL (X_2)	$(X_1 - \overline{X_1})^2$	$(X_2 - \overline{X_2})^2$
2004/05	6.63	5.81	0.941	5.153
2005/06	7.32	2.59	0.078	0.903
2006/07	7.55	2.92	0.0025	0.384
2007/08	8.46	3.23	0.7396	0.096
2008/09	8.06	3.15	0.2116	0.152
	$\sum x_1$**=38.02**	$\sum x_2$**=17.70**	$\sum(X_1-\overline{X_1})^2$ **=1.973**	$\sum(X_2-\overline{X_2})^2$**=6.688**

$$S^2 = \frac{\sum(X_1-\overline{X_1})^2+\sum(X_2-\overline{X_2})^2}{n_1+n_2-2} = 1.083$$

$$/t_{Calculated}/= \frac{\overline{X_1}-\overline{X_2}}{\sqrt{\left(\frac{1}{n_1}+\frac{1}{n_2}\right)}} = 8.734$$

Annex-XXIV

Trend Analysis of Combined Credit & Advances to Total Deposit

Year	Deviation From Year 2003-04 (X_1)	X_1^2	Combine Ratio (X_2)	X_1X_2	Trend Value ($X_2=a + bX_1$)
2004/05	-2	4	.69	-1.38	0.694
2005/06	-1	1	.71	-0.71	0.695
2006/07	0	0	.67	0	0.696
2007/08	1	1	.72	0.72	0.697
2008/09	2	4	.69	1.38	0.698
N=5	$\sum X = 0$	$\sum X_1^2 = 10$	$\sum X_2 = 3.48$	$\sum X_1^2 X_2^2 = 0.01$	

a = $\frac{\sum X_2}{n}$ =0.696

b = $\frac{\sum X_1 X_2}{\sum X_1^{\,2}}$ = 0.001

Annex-XXV

Trend Analysis of Combined Credit & Advances to Total Assets

Year	Deviation From Year 2003-04 (X_1)	X_1^2	Combine Ratio (X_2)	X_1X_2	Trend Value ($X_2=a + bX_1$)
2004/05	-2	4	56.40	-112.80	58.12
2005/06	-1	1	61.55	-16.55	58.76
2006/07	0	0	57.36	0.00	59.41
2007/08	1	1	62.71	62.71	60.06
2008/09	2	4	59.05	118.10	60.70
N=5	$\sum X = 0$	$\sum X_1^2 = 10$	$\sum X_2 = 297.07$	$\sum X_1^2 X_2^2 = 6.46$	

a = $\frac{\sum X_2}{n}$ =59.41

b = $\frac{\sum X_1 X_2}{\sum X_1^{\,2}}$ = 0.646

Annex-XXVI

Trend Analysis of Combined Performing Assets to Total Assets

Year	Deviation From Year 2003-04 (X_1)	X_1^2	Combine Ratio (X_2)	X_1X_2	Trend Value ($X_2=a+bX_1$)
2004/05	-2	4	51.94	-103.88	55.62
2005/06	-1	1	60.40	-64.40	57.23
2006/07	0	0	54.00	0.00	58.83
2007/08	1	1	63.33	63.33	60.44
2008/09	2	4	60.50	121.00	62.04
N=5	$\sum X = 0$	$\sum X_1^2 = 10$	$\sum X_2 = 294.17$	$\sum X_1^2 X_2^2 = 16.05$	

a = $\frac{\sum X_2}{n}$ =58.83

b = $\frac{\sum X_1 X_2}{\sum X_1^2}$ = 1.605

Annex-XXVII

Date:

Dear Respondent,

This Research study titled "**Credit Management of Commercial Bank with Special Reference to Investment Bank Ltd. and Nepal SBI Bank Ltd**" is undertaken to meet the requirement of MBS degree of Central Department of Management (TU). I therefore kindly request you to spare a few minutes of your valuable time to fill in this Questionnaire.

The information that you furnished will be used for Academic purpose only. Your identity will not be disclosed as the data will appear in the report in the aggregate form. I assure you that the given information will be used only for research purpose and will be kept strictly confidential.

Respondent's name:

Respondent's position:

Organization:

Questionnaire:

1. Are you satisfied with bank?

   [a] Yes [b] No

   [c] Don't know

2. Does any bank officer visit your project site at the time of granting credit?

   [a] Yes [b] No

   [c] Don't know

3. Do you know all information about bank policies?

   [a] Yes [b] No

   [c] Don't know

4. Are you satisfied with the bank interest rate?

   [a] Yes [b] No

   [c] Don't know

5. Do you want to take further credit from the bank?

   [a] Yes [b] No

   [c] Don't know

6. Have you received any notice before credit expiration date?

   [a] Yes [b] No

   [c] Don't know

7. Do you feel that you have got full cooperation from the bank officer?

   [a] Yes [b] No

   [c] Don't know

8. If the service charge taken by the bank satisfactory?

   [a] Yes [b] No

[c] Don't know

9. Have you utilized the entire credit to the same sector as specified at the time of taking credit?

   [a] Yes [b] No

   [c] Don't know

10. Are you thinking to switch the bank in future?

    [a] Yes [b] No

    [c] Don't know

Finally,

Your kind Co-operation and Support will be highly acknowledged.

Thank you.

Bishnu Prasad Chapagain

Central Department of Management

(T.U.), Katmandu.

Respondent's Signature

Annex-XXVIII

Date:

Dear Respondent,

This Research study titled "**Credit Management of Commercial Bank with Special Reference to Investment Bank Ltd. and Nepal SBI Bank Ltd**" is undertaken to meet the requirement of MBS degree of Tribhuvan University. I therefore kindly request you to spare a few minutes of your valuable time to fill in this Questionnaire.

The information that you furnished will be used for Academic purpose only. Your identity will not be disclosed as the data will appear in the report in the aggregate form. I assure you that the given information will be used only for research purpose and will be kept strictly confidential.

Respondent's name:

Respondent's position:

Organization:

Questionnaire:

1. Are you satisfied with bank?

   [a] Yes [b] No

   [c] Don't know

2. Is there customer related problem in the bank?

   [a] Yes [b] No

   [c] Don't know

3. Is there NRB related problem in the bankIs there customer related problem in the bank?

   [a] Yes [b] No

   [c] Don't know

4. Is there NRB related problem in the bank?

[a] Yes [b] No

[c] Don’t know

5. Is there credit policy related problem in the bank?

[a] Yes [b] No

[c] Don’t know

6. Do you know about interest rate on credit?

[a] Yes [b] No

[c] Don’t know

7. Do you see any changes needed in the process of recovering loan?

[a] Yes [b] No

[c] Don’t know

8. Is your organization obeying ‘NRB Directives’ sincerely?

[a] Yes [b] No

[c] Don’t know

9. Are you satisfied with the incentive offered by the bank to employees?

[a] Yes [b] No

[c] Don’t know

10. If you get the opportunity, would you like to switch the bank for the same post?

[a] Yes [b] No

[c] Don’t know

11. Are you satisfied with the promotion policy of the bank?

12. [a] Yes [b] No

13. [c] Don’t know

Finally,

Your kind Co-operation and Support will be highly acknowledged.

Thank you.

Bishnu Prasad Chapagain

Shanker Dev Campus

(T.U.), Katmandu. Respondent's Signature