CHAPTER-ONE

INTRODUCTION

1.1 General Background

Banking history is as long as human civilization. After invention of money and valuable metals, people established bank and used banking system. In modern era, bank is strongly associated with human activities, specially advanced and urban economies. People invented bank to keep their money in a safe place. This safe place ultimately evolved into the banks of today as financial institutions that accept deposit and make loans. Banking history dates back to twelfth centaury. The earliest bank was formed as a money changer where coin were tested, weighed, and sorted and they exchanged foreign coins for more acceptable local ones.

Bank is a financial institution that collects deposits from the savers and provides loan to those who need the money. Banks are one of the major financial intermediaries whose primary function is to transfer monetary resources from the savers to the users. Banks may be in the form of commercial bank, development bank, cooperatives and so on. They are the most important financial institutions in the economy. The prime objective of the bank is to accumulate the scattered idle deposits from the public and invest it in the productive or profitable sector to enhance the national economy. The banking industry in the earlier period was confined to receiving deposits and lending money but in the modern period bankers provide wide variety of financial services to their customers. Thus banks are financial service providers that offer all types of financial services like accepting deposit, providing loan transferring funds one place to another place within very short period of time.

The history of banking in Nepal may be described as a component of gradual and ordinary evolution in the financial and economic sphere in the Nepalese life. Even now the financial system is still in the evolutionary phase. The establishment of

"Kausi Tosha Khana" as a banking agency during the time of King Prithivi Narayan Shah and " Tejarath Adda" can be regarded as the initial steps in the direction of start of banking development in Nepal. In the context of Nepal, the development of banks can be summarized in three phases:

The establishment of "Tejarath Adda" during the Tenure of Prime Minister Ranodip Singh in 1933 B.S. (1876 A.D.) Was the first Step towards the institutional development of banking in Nepal. It was fully subscribed by the government in Kathmandu. 'Tejarath' provided credit loans to the general public at 5 percent interest rate on securities i.e. gold, silver and other ornaments. Its objective was to provide credit or loans to the general public but it failed to accept deposits from them.

During the time of Chandra Shamsher, credit facilities of 'Tejarath' were extended by opening its branches. Later, 'Tejarath' was replaced by the first commercial bank, Nepal Bank Limited established on 1937 A.D. with authorized capital of 10 million rupees. Then Nepal Rastra Bank was established on 1956 A.D. as the central bank under the Nepal Rastra Bank Act 2012 B.S. Its function was to supervise commercial banks and guide the basic monetary policy of the nation. In 1956 A.D., Industrial Development Center was established and latter it was converted into Nepal Industrial Development Corporation (NIDC) in 1959 A.D. As the monetary transaction got more and more complicated in 1966, Rastriya Banijya Bank was established as a fully government owned commercial bank. Agriculture Development Bank was then established in 1968 to facilitate and promote the agricultural sector of the country.

To operate all commercial banks uniformly under single act, "Commercial Bank Act 2031" was enacted. According to the Nepal Commercial Bank Act of 2031B.S. (1974 A.D.) "Commercial banks are banks that deal with money exchange, accepting deposits, advancing loans and other commercial transactions except some special functions done by specified cooperative, agriculture and industrial banks". In 1985 A.D. Nepal Government established five rural development banks under the control and supervision of Nepal Rastra Bank. The

establishment of these banks helped in spreading the banking services to both urban and rural areas but banking service to the customer satisfaction was still far.

After the reestablishment of democracy, the government has taken liberal policy in banking sector so different private banks are getting permission to establish with the joint venture of other countries. Nabil is the first Joint venture Bank as Nepal Arab Bank. Similarly, two foreign commercial banks Nepal Indosuez Bank Ltd and Nepal Grindlays Bank Ltd. entered in Nepal in the from the joint venture and the trend is continuing till today as many Nepalese owned banks are also running. Today, there are altogether 32 commercial banks in Nepal.

1.1.1 An overview of ADBL

Agricultural Development bank Ltd (ADBL), was established in 1968 AD (2024/10/24 BS) under the Agricultural bank act 1967 by inheriting assets and liabilities of co-operative bank, initiated in 1963. At the time of its inception the major objective is to improve the social economic status of rural populace. At that time ADBL had extended its financial activities through three operational windows: Development Financing, Commercial banking and Micro financing activities. Development activities were carried since its inception. Micro financing activities were carried from 1975 through small farmers' Development project (SFDP) and later it is transformed in small farmers Co-operative Limited (SFCL). The SFDP and SFCL program launched by ADBL since 1975 to 1993 have been recognize as pioneer poverty reduction program in the country.

 Now ADBL has phase out the micro financing activities though SFDP and SFCL and the entire program. ADBL has started its commercial banking activities since 1984 with the aim of urban deposit mobilization in order to full-fill the demand of rural credit by conducting Limited commercial activities.

The enactment of Bank and Financial Institution Act (BAFIA) in February 2004 abolished all Acts related to financial institutions including the ADB/N Act, 1967. In line with the BAFIA, ADBL has been incorporated as a public limited company

on July 14, 2005. Thus ADBL operates as a "A" category financial institution under the legal framework of BAFIA and the company act, 2053. ADBL is a sole financial institution in the country maintaining its activities by three major windows namely Development financing, Commercial Banking and Small framers development. Through these sectors it is contributing more than 79% of institution credit to the real populace by strengthening its network in the entire geographical region the mountains the Hills and the Tarai.

ADBN operates as an autonomous body that has been controlled by the Ministry of finance. The ADBL has in total 12 billion rupees of an authorized capital, by which Rs. 11.2 Billion rupees is paid-up Capital

1.1.2 Transformation of ADBN to ADBL.

Agricultural development bank act 1967 was repealed with the enactment of bank and financial institution act (BAFIA) and ADBL has established as a public ltd. bank on 2062/3/31 under the company act. ADBL has got the "A" class operational license on 2062/12/04 BS from NRB in accordance with the provision of BAFIA.

This new identity provides the bank boundary less opportunity to conduct full-fledge commercial banking activity. Now the bank has broadened its range of credit and other services and provides all facilities to meet the entire demand of its customer and its stakeholders. In spite of conducting full-fledge banking; the role of ADBL in the rural finance sector is still crucial because of its widespread network and proficiency in the rural areas In the changing context the ADBL has the following Corporate Conduct, Vision ,Mission and Objective.

Vision

ADBL aims to be the pre-eminent bank, providing banking services throughout Nepal.

Mission

To deliver comprehensive bank and financial services capitalizing on in expensive network with particular reference to the development the rural economy.

Objective

To provide quality banking and financial services to links through the adoption of a market driver strategy delivering sustained and competitive return on investment.

Corporate Conduct

In achieving its corporate objective in pursuit of its corporate mission and vision, ADBL will:

- ⌡ Comply with all relevant legislation, codes of conduct and standards of good corporate citizenship in Nepal while maintaining full autonomy in the management of its operations;

- ⌡ Conduct its operations in an open and transparent manner;

- ⌡ Put local resources to work for local development, serving the rural community and its aspirations;

- ⌡ Provide a full and balanced rage of financial products and services that satisfies the needs of the rural population of Nepal, on a profitable and sustainable basis;

- ⌡ Strive consistently to provide improved products and services to its clients at reasonable cost, using modern banking, information and communication technology in the most appropriate form to its clients needs;

- Be vigorous in building reputation for professionalism, competitive pricing, reliability and quality of service and innovation;

- Operate in accordance with best banking practice, acting with financial prudence and keeping in mind the need to balance profitability with asset preservation and liquidity and to safeguard depositor's funds;

- Work together with its employees to develop their capabilities to contribute to achievement of the bank's objectives, promoting excellence, rewarding achievement and providing them the opportunity to share in the bank's success;

- Develop mutually acceptable relationship with government in the pursuit of improvement in living standards in rural areas, while respecting best financial practices;

- Ensure that its activities contribute to the environmental stability and overall improvement of living standards in Nepal; and

- Judge the bank's success against the measures that include profitability, portfolio quality in terms of minimal arrears and non-performing loans, portfolio worth, total deposits, geographic outreach and public image.

Main Function of the ADBL

The Major functions of the ADBL are to:

- Provide a full and balanced range of financial products and services that satieties the needs of the customers on a profitable and sustainable basis.

- Strive constituting to provide improved products and services to its clients at reasonable cost using modern unified banking communication and information technology.

- Execute full-fledged commercial banking functions using the concept of unified banking operation.

- Provide short, medium and long term agricultural credit to individual farmers, small farmers groups and co-operative societies.

- Provide project loan for agricultural business, cottage and small scale industries, alternative energy based on feasibility study.

- Provide credit on non- agricultural business and other marketing facilities.

- Develop mutually acceptable relationship with government in the pursuit of improvement in living standards in rural areas while respecting best financial practices.

- Provide credit to support the poverty alleviation program of Government of Nepal.

- Develop competent and professional human resources.

On the way of executing its main function in the financial market, the bank gives its priority on building reputation for professionalism, competitive pricing reliability and quality service and innovation. In addition, the bank fosters its operation in accordance with the best banking practices acting with financial prudence and keeping in mind the need to balance profitability with asset presentation and liquidity and to safeguard depositions funds.

1.2   Statement of the Problems

Nepal being listed among least developed countries, the development bank have played important role in the economic growth. The investment criteria has been changed from small framer to large scales. Development bank has been facing competition against, one another. Government looking at economic liberation has further intensified the competition which has unlimited affected the profitability of

the bank concentrates their activities in rural areas. In Nepal above 85% of population live in the rural areas and 81% population depends on Agricultural. It is difficult to solve the credit problems of the country through commercial banks. Which are relevant to enter rural and Agricultural area. To overcome these challenges Agricultural Development Bank has started various programmes with various wings of the Agricultural Development Bank with opening branches in rural areas. Small farmers who are involving in agro sector are benefited by the small framers development program (SFDP), large scale farming facilities from the development sector of the Agricultural Development Banks Ltd, Nepal and urban people facility by the commercials banking sector of ADBL.

The bank is characterized by the intensive network covering the rural settings on Nepal through the branch and sub branch offices. The contribution of the bank has been realized from all sectors. Despite all these facts, there are some problems that have been faced by the bank. It can be clearly observed from the review of the financial statements of the bank that the size of Non-performing assets of the bank is relatively larger than that of industry average. In view of these context and realities the present study has been undertaken with the view to assess and explore the some corrective measures for the further improvement of the financial position of the bank. The key research questions identified in the study covers the following.

） What is the financial position of ADBL?

） What are the conditions of the ADBL investment and collection (principal and interest) procedure?

） What is the condition of Bank in terms of fund mobilization and investment policy?

1.3   Objectives of the Study

The basic objective of this study is to make financial analysis of ADBL. The following are the specific objectives of this study.

1 To analyze the liquidity, profitability assets utilization and risk of ADBL.

2 To analyze the investment position and collection of principal and interest of ADBL.

3 To analyze the relationship e.g. investment, loan and advances with deposit and profitability.

4 To analyze the growth and trend of financial position of ADBL.

5 To recommend for the further improvement of financial performance of bank.

1.4 Significance of the Study

The present study is the analysis of financial statement of Agricultural Development Bank limited. The ADBL is mandated by Nepal Government to provide financial services to the rural population to simulate income and generate employment in remote areas. This study will find the strengths and weaknesses of the Bank by analyzing the opportunities and threats in its overall conduct in the real ground. This study will also be an important support to the management owner clients and other interest groups in analyzing the Banks economic strength and performance efficiency. As it is a well known fact that the Development Banks can affect the economic condition of the whole country. It will be helpful to the policy makers while formulating the policy regarding ADBL and people can understand now benefit its taking by them from the semi-government banks.

1.5 Limitations of the Study

The study has the following limitations.

) This study is mainly based on secondary data provided by the bank so the study is concerned on that extent.

) This study is based on the data of five years period i.e. from FY 2062/063 to 2066/067 B.S.

) This study is focused only financial analysis of ADBL.

) Source of data are mostly depend on published annual report, annual programmed and budget of the bank, thus it is based on the secondary data.

1.6   Organization of the study

This study has been organized in to five chapters .The first chapter contains the general background, introduction of ADBL, statement of problems, objectives of study, significance and limitations of the study.

The second chapter presents the analysis of related literature that includes especially conceptual framework and review of other research articles and thesis.

The third chapter deals with the research methodology. It includes research design population and sample, data collection procedure, method of analysis and data period covered.

The fourth chapter contains presentation and analysis of data. It also includes the major findings of study.

Finally, the fifth chapter deals with the summary, conclusion and recommendation.

A bibliography and other appendixes used in statistical results have been attached at the end of the study.

CHAPTER-TWO

REVIEW OF LITERATURE

2.1 Introduction

The first chapter highlighted the concept, problems and objectives of this study. This chapter is basically concerned with review of literature relevant to the financial analysis of Agricultural Development Bank Ltd. (ADBL). This chapter deals with books, review of thesis, review of Bank's annual report, bank's annual budget or reports, review of research paper program, review of articles and review of unpublished publication. "The purpose of literature review is to find out what research studies have been conducted in one chosen field of study and what remain to be done. It provides the student with the knowledge of the status of their field research and foundation which Developing a comprehensive theoretical framework which hypothesis can be developed for testing" (Howard, Wolf & Pant, Prem Raj, 1997).   This chapter has mainly two parts one is conceptual framework and another is review of related research. It provides the basis and inputs of this study and makes the study more purposive.

2.2. Conceptual Framework

2.2.1. Concept of Banking

Bank is a financial institution, which plays a significant role in the development of the country. It facilitates the growth of trade and industry of the national economy. However, bank is a resource for economic development, which maintains the self confidence of various segments of society and extends credit to people.

"A bank is a business organization that receivers and holds deposits of funds from others makes loan or extends credits and transfers fund by written or dens of depositors" (Encyclopedia, Vol.3, 1984). The business of banking is one of collecting funds from the community and extending credit to people for useful

purpose. Banks have played a vital role in moving money from lender to borrowers. Banking is a profit seeking business not community clarity. As a profit motive, it is expected to pay dividends and otherwise add to the wealth of in shareholders.

In Nepalese context, there are three types of banks, operated by performing, their activities in different sectors. They are as follows.

1. Central Bank (Nepal Rastra Bank)

2. Commercial Bank

3. Development Bank

2.2.2 Emergence of ADBN as the Development Bank of Nepal

Development banks are those financial institutions which are established in order to develop the particular sector of the society. Development banks are those banks whose aim is not to earn profit. Development banks are two types. The first development banks finance loans to farmers and other agricultural sectors for short medium and long term purpose. The second development banks finance loans for the infrastructure development in a country. The first type of development bank in Nepal is Agricultural Development Banks (Vaiya, 2001). According to review of development banking in Nepal in 1995 by research committee of ADBL/N, Head office, "Historical research says that development banking started from U.K. to lend the long term loan to the Agricultural and industrial development. Main financial sources of the development bank are to collect fund from share capital, issue debentures, accepting long term deposit etc. (Review of Development Banking in Nepal, 1995).

A publication by ADBL, management information division naming as "an introduction of development banking" defines in the Nepali scenario especially two development banks like Nepal Industrial Development Bank (NIDC) and

Agricultural Development Bank Limited (ADBL) has been established to develop the industrial and Agricultural sector respectively. NIDC had established in 2018 B.S. It helps to develop the various industries in Nepal. Now NIDC is lending loan to the industrial development. Agricultural Development Bank Limited (ADBL) is running on with fruitful development to Agricultural sector. To enhance to development banking in Nepal, Development Bank Act 2052 (B.S.) has been implemented. Now in Nepal, various private institutions are interested to establish as development bank, but above mentioned two development banks are playing a vital role to develop the industrial as well as agro sector in Nepal. In mid sixties many development banks were established. Agricultural Development Bank supply institutional credit in an easy and accessible manner mainly for the agricultural sectors sine government mainly owns this bank. Government and international donor agencies largely fund these banks. In general scenario, this development bank concentrates their activities on supplying credit utilizing the donor's fund rather than providing priority in internal resource mobilization. As a result most of the agricultural development bank faced problems of low repayment rate, increasing trend of overdue loan and interest receivable, inadequate coverage for risk management inadequately trained manpower high operating cost and almost non-existence of internal resource mobilization policy. Therefore, the banks incur losses. In Africa and South America, some of the development banks were forcing to close down (I.F, 1999). However, these banks were considered important organization for the development of the country as they played a crucial role to fight against rural poverty although their questions of sustainability were raised loudly and the organizations have became inevitable rather than closing down. (ADBL, Management Information Division)

2.2.3 Main Functions of the ADBL

- Provides short, medium and long-term agricultural loans to individual farmers, group of farmers, corporate bodies and village committee.

- Provides loans for the purpose of inputs and capital items such as fertilizers, insecticides, feed, farm machinery, irrigation equipment, canal construction, tube well and boring pump sets and sprinklers etc.

- Provide credit on non-agricultural business and other marketing facilities.

- Develop mutually acceptable relationship with government in the pursuit of improvement in living standards in rural areas while respecting best financial practices.

- Provide credit to support the poverty alleviation program of Government of Nepal.

- Develop competent and professional human resources.

- Execute fall fledge commercial banking functions using the concept of unified banking operation.

2.2.4 Organization and Management of the ADBL

The Board of Directors is the apex body of the bank. It formulates policies as well as strategies and provides guidance to the management. The Board comprises a total of nine members; three members representing Ministry of Finance, one member representing the Ministry of Land Reform and four members representing individual shareholders. Besides, one member is nominated by the Board as per the BAFIA. The Board is supported by Audit Committee and Governance Sub-Committee in the area of internal control and good governance respectively.

The day to day operation of the bank is executed by the Chief Executive Officer. The Chief Executive Officer is closely assisted by four Deputy General Managers and 18 Division Chiefs. Moreover, Chief Executive Officer is supported by Assets and Liabilities Management Sub-Committee for various activities related to risk management.

The bank has three-tier organization structure consisting of Head office, Regional offices (ROs) and field offices. Field offices are further into three levels; main branch, branch and sub-branch depending particularly upon their volume of business. The head office is the policy making body at the top, field offices are implementing units at the bottom and ROs with monitoring and supervisory role are in between.

ADBL is also operating a Central Training Institute (CTI) at corporate level in Bode, Bhaktapur under Head Office Structure and five Regional Training Centers (RTCs) with residential facilities in five development regions. The CTI and RTCs conducts training and seminars particularly for enhancing abilities and skills of organizational members.

2.2.5 Operational Performance

2.2.5.1 Business Operation under Development Financing

In the present Market with the introduction of Bank and financial Institution Ordinance, overall banking activity follows single dimensional paradigm and tries to govern all financial institutions under a single act. In this new entity, all banks and financial institutions can carry out their business based capital and category licensed by Nepal Rastra Bank. ADBL is also not exception in the changing business perspective; there will be no more demarcation of commercial and development financial business. ADBL now onwards will execute its entire financial business focusing on full-fledged banking activities. However, despite this changing business environment, development financing portfolio stands Rs. 21.67 billion. The major sectors in the development finance comprising of Agricultural, business, trade, institutional service and project financing still under these sectors, some prominent products and sub products are agronomy loan, livestock farming horticulture, housing, infrastructure Development, micro hydro project, education, foreign employment, health service.

2.2.5.2 Business Operation under Commercial Banking

Commercial banking business is an integral part of economic development as this has bestowed with many broad based economic Development endeavor. In context of Nepal, the endorsement of banking and financial ordinance has tried to bring many dimensions of banking activities in a single and steady procedure. While taking a well deserved opportunity following the introduction of BAFIO, ADBL's commercialization notices a fall range of business prospect in the market. ADBL hence is moving ahead by adopting market driver approaches to execute its

banking business. On the way executing fall fledge banking activities from its on available network, the commercial wing is providing a range of banking operation such as Remittance, Guarantee, Forex, Fax transfer, collection of bills, drafts and mail transfer and above all electronic cards and ATM.

It was in the year 1984, Agricultural Development Bank started its commercial activities by collecting deposits from the customers of urban areas and mobilizing it in rural and sub urban sectors to increase credit access in these areas. With the completion of more than two decades, ADBL commercial wing has become indispensable part of modern banking business. The overwhelming deposit response of the customers also directed in the same line and as such its deposit collection stands to the tune of Rs. 260.58 billion as of Mid-July 2006 registering the position   among the largest commercial banks in the country. Similarly, the bank's lending stands at Rs. 39.58 billion, collection at Rs. 42.44 billion and outstanding at Rs. 43.72 billion in FY 2009/010.

2.2.6 Major Product of ADBL

This section presents overview of major service products of ADBL.

Deposits Products:

) **Current Account**

ADBL's current account saves us the hassle of carrying cash. Mainly this account is intended for business/corporate houses, this account can be opened from our commercial banking branches throughout the country. This account is non-interest bearing and it comes with a cheque-book- just needs to write a cheque whenever and wherever it's convenient.

) **Saving Account**

Saving deposit account can be opened in any of its commercial branches. Your interest is calculated and credited to our saving account on minimum monthly balance. Initial deposit ranges are depending upon the branch and it's level. Any

balance below minimum amount will be liable to incidental charges as fixed by the bank from time to time. Customer opening this account gets a free cheque book. The bank offers Any Branch Banking facilities (ABBS) to its customer.

⟩ **Fixed Deposit Account**

Features:

a) Fixed Deposit can be opened with a minimum balance of NRs. 10,000

b) Payable on maturity

c) Penal interest is levied on withdrawal of fixed deposit prior to maturity

d) Interest is payable monthly

e) Tax is deducted at source from the interest on saving deposit as per the income Tax Act, 2058 (2001)

f) Nomination facility is available

g) Strict confidentiality is assured

Here is some different product which has been launched by ADBL for depositor clients.

      1. Samdridhi Saving Account

      2. Ba- Ama Saving Account

      3. Fixed deposit Lakhapati Account

Loans Products

⟩ **Auto Loan:**

Provide finance for purchase of heavy vehicles car, jeep, pickup and taxis for personal and commercial purpose. This loan is to provided to Nepalese citizen only.

⟩ **Education Loan:**

Education loan seeking for financial, educational co-operation for home and need high school education (10+2) and graduate certificate to pursue further studies abroad studies.

⟩ **Foreign Employment Loan:**

Foreign employment loan is provided for those people who want to go abroad for foreign employment.

Home Loan:

Loan secured by real property, housing finance company providing range of loans collateral with bank   to help financial support as a home loan.

Remittance:

⟩ **Inward Remittance**

Remitters who are abroad can transfer money payable from ADBL through:

  ⟩ Western Union Money Transfer Services

  ⟩ One can remit money within Nepal through ADBL REMIT, starting from August 2008

  ⟩ **Bank transfer**

  Customer can use SWIFT Code for bank transfer.

  ⟩ **Outward Remittance**

ADBL has been transferring money (Indian Currency) to major cities of India by issuing draft which is payable either by Standard Chartered Bank or ICICI bank on the request of the customer.

2.3 Conceptual Framework of Financial Analysis

Financial analysis as a part of the financial management is the main indicator of the success or failure of the firm. The focus of the financial analysis is on key figures contained in the financial statements and the significant relationships that exit between them (Khan & Jain, 1997).

These are different persons/institutions that affect are affected by the decision of the firm financial condition of business firm should be sound from the pointing view of shareholders debenture holders financial institutions and nation as whole The future of analysis will differ depending on the interest of different group for

example trade creditor are interested in long term solving and survival. So, a financial analysis is undertaken by outsiders, creditors and investors and also by the firm itself. Thus the various parties according to the particular interest of the analyst undertaken the type of financial analysis Management of the firm is generally interested in every aspect of the financial analysis because they have overall responsibility of maintaining efficient and effective utilization of resources financial analysis is concerned with weakness of the firm by properly establishing relationship between the items of the balance sheet and the profit and loss a/c. (Pandey, 1991, p-109). Financial analysis may be of two typing vertical analysis and horizontal analysis When financial statement like a balance sheet of a profit and loss account at a certain period only are analyzed the analysis is called vertical analysis (Sarvanavel, 1983, p-29). In horizontal analysis a series of statement relating to a number of years are reviewed and analyzed. It is also known as dynamic analysis because it measured the change of position or trend of the business over a number of years this study is based on horizontal analysis. There are three steps in financial analysis (Khan and Jain, 1998, p-89).

1. Selection of the information relevant to the decision under Consideration from the total information.

2. Arrangement of the selected information in way to highlighted significant relationships and

3. Interoperation and drawing of interferences and conclusions.

In brief financial analysis is the process of selection relation and evaluation.

Ratio Analysis

Ratio analysis invades the methods of calculating and interpreting financial ratios to assess the firms performance and status of the various method of financial statements analysis Ratio analysis is the powerful tool of financial analysis A ratio is designed as the indicated quotient of two mathematical expression and the relationship between two items (Variables This type of relationship can be expressed as

(i) Percentages

(ii) Fraction and

(iii) Proportion of numbers.

The ratio analysis includes a wide range of examination from a specific aspect of a division or unit to the overall firm. The main objective of ratio analysis is to examine various aspects of business and make sure that the opportunity results have not deviated from the stated norms specifically the objectives of a ratio analysis are to examine a)Liquidity Position b) Operating efficiently c) Financial leverage d) earning power and e) Market value of the firm. We can calculate different ratios to examine each of these aspects however as to which aspect to examine and which ratios to calculate depends on the concern of analysts based on the different opportunity and financial aspect and used for their examination ratios are classified in the following five series.

A) Liquidity Ratio To examine liquidity position

B) Profitability Ratio To examine the earning power

C) Achieving (Utilization) Ratio To examine efficiency and utilization position

D) Leverage Ratio To examine long term financial condition and debt servicing capacity

E) Miscellaneous Ratios The ratios calculated on the basis of grouping and regrouping.

2.4 Review of the Nepalese Literature

2.4.1 Review of Articles

In this section efforts have been mode to examine and review of some relate actives in different economics journals World Bank discussion paper, magazines, Newspaper and other related books

Dhungana (2058), in his article "Why asset Management Company is considered the best option to resolve the non- performing loan problem". Dhungana (2058) pointed the best options to resolve the non performing loan (NPLS) summaries are as follows.

A high level of NPLS can be regarded as a serious burden to the financial system and to the economy as well it is because the NPL in the banking system does not generate adequate revenues for the bank readers the profitability and it ultimately may lead to the failure the bank. High level NPL is also the early symptom of bank failure. There might have too many reasons behind increasing the NPL at the higher levels. Sometimes it arises due to the external factors such as decrease in the market value of the collateral, deterioration in the borrower's repayment capacity and economic slowdown. Sometimes, it is caused by the borrower's misconduct and sometimes by the weakness in internal management. If we observe the scenario in the Nepalese context many studies have pointed out that the second type of forces have contributed a lot to move up the NPL level to this stage.

If these NPLS were not resolved in time, these would be inherent direct or indirect ways in the economy. The financial institution may become distrusted with additional efforts required to manage these problem loans. In this situation, Banks may lose sight of their core activities In light of the possibility of huge write offers on loans losers, credit risk will be calculated at the higher side cost of credit producers will be high. As a result Banks will not be willing to lend and the process of financial intermediation may be affected. This will result in slowdown in the economic growth. Due to lack of credit access to productive units of the economy, considering these facts, this will have the cost of NPL should be kept at the minimum level and the distressed loans should be managed by the specialized institutions such as AMCs.

Basically, there are two approaches available to deal NPL problems. The first is the traditional option, which allows banks to handle the NPL in its own way

especially through recovery unit. The second option is to adopt the Assets Management Company (AMC) root.

The traditional option focuses on continuing negotiation with the borrowers to restructure the loans into a separate loan recovery unit within the bank. This unit gives to priority to the loan recovery. In some cases, banks may be in the better position to resolve NPLs as these have international advantage through their existing loan standing advantages through their existing loan. Standing relationship with their clients, they can work with their borrowers who have a better understanding of the true value of the assets and compelling them to pay back the loan. But this approach does not work for all types of loans. The traditional option is especially useful in dealing with same business loans or consumer loans where the personal touch is adopted and the borrower may not feel heavy burden in paying back to loans. The high value of these small loans also makes the AMC route ineffective in terms of time and cost associated in depositing it.

Traditional approach of resolving bad loans does not work in a crisis situation and in big loans. In these situations timely and decisive action is required to avert a failure of an entity. So long the market for the product and services exist, any business or industry can be revived through adequate and appropriate support.

The distraction of managing NPLs especially during a crisis situation could result in financial institutions not focusing on their core activities and as such financial intermediation in the economy could break down. It will result in credit crunch situation causing an adverse impact on the overall economic growth. Hence, the establishment of AMCs seems as the only realistic option when the financial sector recovery is the underlying objective in the financial system where financial institutions fail to resolve the NPL problem through their own efforts. As in the most of the countries, Nepalese financial system is largely dominated by the banking sector. The banking sector is severely affected by the NPL problem. It is estimated that the NPL of the Nepalese banking system is around 16 percent. Therefore, there is no doubt that it has a serious implication on economic

performance of the country. It will be the eclipse in the development of financial soundness in the economy, if not controlled in time. However, traditional or AMC root can be practiced to get recovery from that sickness of the financially system, the AMC root may be more effective approach to get quick recovery as it has been experienced around the world .

Paudel (2053), in his article "Financial Statement Analysis: An Approach to Evaluate Bank's Performance" painted that, traditionally banks act as a financial intermediaries to channel funds from excess units in the economy to effected units resulting from the globalization of financial markets, financial innovations and worldwide liberalizations of capital markets, banking business has been growing through rapid and profound structural changes. These factors have the greatest implications on the analysis of bank financial statements. On like other non-banking financial companies, commercial banks do not produce any physical goods. They produce loans and financial innovations to facilitate trade transactions. Because special role they play in the economy, the concerned authorities heavily regulate them. Analysis of bank financial statement is different from that of other companies due to the special nature of assets and liabilities structure of the banking industry.

The major current developments in financial reporting as a result of changes in banking industries are greater public disclosure and standardization of accounting policies. Traditionally banks have been subject to lesser standards of disclosure than other companies. International accounting standards had been issued IAS 30 disclosure in the financial statements of banks and similar financial institutions. This was made operative after 1st January 1991. Balance sheet, profit and loss account and the accompanying notes are the most widely used aspects financial statement of a bank. We need to understand to major characteristics of bank's balance sheet and profit and loss account. The bank's balance sheet is composed of financial claims of liabilities in the form of deposits and as assets in the form of loans. Fixed assets account for a small portion of the total assets. Financial innovations, which are generally contingent in nature, are considered as balance sheet items. Interest received on loans/advances and investment and paid on

deposit liabilities are the major component of profit and loss account. The other source of income are fee, commission discount and services charges.

The uses of financial statement of a bank is relevant, reliable and comparable information can be achieved from it which information can be achieved from it which assists them in evaluating the financial position and performance of the bank and which is useful to them in making economic decisions. Banks regulating bodies, stock analysis bank, shareholders, directors and government needs different uses of financial statements. In order to meet an interest in analyzing the bank financial statement of bank, the IAS 30 requires specific disclosures on accounting policies. In our context the disclosure requirement of a bank's financial statements has been expressly laid down in the concerned act. Commercial Banking Act 1974 requires the audited balance sheet and profit and loss account to be published in the leading newspaper for the information of general public. The purpose of the financial statement depends on the needs of the user. The bank regulations seek to analyze to financial statements from safety and in stable painting view and thereby protecting the economic interest of depositors and general public, however the bank analyses from shareholder's point of view. The principle objectives of the analyzing financial statements are to identify:

- Financial adoptability (Liquidity)

- Financial performance (Profitability) and

- Financial position of the bank (slovenly)

Most of the users of financial statements are interested in accessing the bank's overall performances i.e.; profitability which is affected by the following factors.

- The structure of balance sheet and profit and loss account,

- Operating efficiency and internal manager system

- Managerial decisions taken by the top management regarding interest rate, exchange rate, landing policies etc.

- Environmental changes (technology, government, competition, economy)

Ratio analysis also helps in identifying the working characteristics of a problem of banks some of these characteristics are as follows:

- Lower average ratio of capital to total assets and to risk assets.

- Higher ratio of borrowings to shareholders trend.

- Higher ratio loan to total assets.

- Higher ratio of volatile liabilities to total income

- Lower ratio of ROA and ROC

Financial statements can give a good insight into financial health and perform leg a bank, one should bear in mind that such analysis does not guarantee or totally prevent bank failure or crisis because of miss-management and fraud. The health of a bank basically lies in the hands of its management (Poudel, 2053 B.S.).

2.4.2. Review of Unpublished Thesis

Masaju (1988), carried out a study on "An appraisal of financial performance and cost behavior of Dairy Development Corporation (DDC). Her main findings were that the liquidity ratio indicates on inconsistency in the working capital policy of the corporation. The earning from the operation is not adequate to meet the interest obligation and long term solvencies of the corporation do not make sound the assets turnover ratio. The performance of DDC was not satisfactory. The addition in the assets could not increase the sales adequately. The operating performance of the corporation was not satisfactory and the enterprises could not earn the profits. All of about indicates serious deficiency in the financial management of the corporation.

Sharma (2001), found in his study "analysis of loan disbursement pattern of ADBL Nepal", that the role of Agricultural in the development of Nepal is very important. Agricultural credit is one of the vital factors for increasing agricultural production. His major recommendations are as follows.

a) The ADBL should help to fulfill the maximum credit gap between small and big farmers.

b) The amount of the bank's loan disbursement is largely depending upon the amount of loan repayment each year. So the bank should encourage to farmers by various policy such as subsides as loan, interest etc for the repayment of loan.

Small and the marginal farmers are taking the problems of improved seeds, fertilizers and pesticides due to their low income and saving so the bank should apply easy loan policy on Agricultural.

Khanal (2003), studied on "Reform program and its effect on financial strength of Agricultural Development Bank, Nepal (ADB/N)" .He has made conclusion that the reform program has succeeded effectively, in her thesis also put the objective about the identification of future trend for which she has given conclusion as almost all the persons have been enjoying and wanted to continue it in future

Dahal (2005), has done a study on financial performance and investment activities of Agricultural Development Bank Limited in Nepal. The Objective of the study was to identify the financial position and investment activities of the bank and analyze the growth of trend of financial strength (condition) and provide valuable suggestion on the base of major finding. The study was covered the five years of period from 2062/063 to 2067/068. He has used many statistical tools like trend analysis, mean, standard deviation and coefficient of variance. From his study he found that the performance of ADBL is satisfactory than other government banks.

Rana (2005), has done a study on "Financial Performance and Investment Policy of Himalayan Bank Limited and Bank of Kathmandu Limited." The objective of the study was to identify the financial position of both these banks and en-light the shareholders, financial agencies stock exchanges and stock traders as well as its customer, depositors and debtors. And he found that in comparison, Himalayan

Bank Ltd. performance was better than Bank of Kathmandu in terms of liquidity, activity, profitability, capital structure, invisibility and risk.

Shah (2008), has done a study on "Non Performing Assets Analysis of Nepal Bank Limited And Rastriya Banijya Bank Limited". The basic objective of this study was to analyze and identify the impact, cause and consequences of NPA. The specific objectives were: to examine the overall NPA of NBL and RBB, to analyze the impact of NPA on overall financial performances of banks, to evaluate whether the bank is efficient to face the challenges and cope with the points outlined in the statement of the problem of this study, to conduct opinion survey regarding the causes of NPA. He found that personal integrity of the borrower is given most attention while giving loan by banks. Similarly portfolio management consideration as the second most adopted basis for floating loan. While monitoring and control, security offered and financial strength were given average emphasis. He recommended to inspect and apprise the physical collateral's by bank staff, always take the precautionary actions in favor of the bank by analyzing own position and strength, talk with the borrower frequently and understanding the borrower's situation very carefully and initiating precautionary action in time to protect the bank, book NBA if auctions fail, it makes easier to sell the assets and establish a regular system for loan write-off, dispose NBA in time of sale before the time if the market price has improved. Further he suggested that the following efforts are required to deal are needed to strengthen the system trough supportive institutions in order to manage high risk assets and reduce the level of NPLs.

) Strengthening of the capability of NRB

) Establishment of Asset Management Company

Sharma (2011), has completed a study "Credit Risk Management of Nabil Bank Limited and Machhapuchchhre Bank Limited". The main objective of the study was to analyze the credit risk management of NABIL and MBL Bank Limited. The specific objectives of the study were: to examine the credit risk position of the

selected commercial banks in Nepal, to analyze the credit risk management system and practices of NABIL and MBL, to compare the liquidity management, asset management efficiency, profitability position, risk position, investment practices of aforesaid Banks, to determine the impact of deposit in liquidity and its effect on lending practices and to offer suitable suggestions based on findings of this study. And she found that MBL seems riskier than NABIL. NABIL banks has well in other ratios than MBL, NABIL has seem better in every angle than MBL.

2.5 Research Gap

The review of above relevant literature has contributed to enhance the fundamental understanding and knowledge, which is required to make this study meaningful and purposeful. Various researches were conducted on investment policy, lending practice, capital and assets structure, credit policy, financial performance of other commercial banks. In order to perform those analysis researchers have used various ratio analysis. The past researches for analyzing financial performance of bank have been focused on the limited ratios, which are insufficient for solving the problems. Analysis regarding interest spread, net interest margin, loan loss provision and its impact on the profitability were not found in previous researches. Here in this research all ratios are categorized according to their area and nature.

In this study financial performance of Agriculture Development Bank is measuring by various ratios, trend analysis and various statistical tools as well and financial tools are used for analyzing data. Since the researcher have used data only for five fiscal year but all the data are current and fact. These are the issues and areas in Nepalese commercial bank that the previous scholars did not cover. Apart from the other ratios, this study tries to analyze the financial performance by applying and analyzing various financial tools specially relevant in banking industries like interest spread, net interest margin, loan loss provision to total loan, NPA to total assets, NPL to total loan, CD ratio and other ratio as well as different statistical tools like coefficient of correlation and trend analysis. Probably this will be the appropriate research in the area of measuring financial performance of Bank and financial institutions.

CHAPTER-THREE

RESEARCH METHODOLOGY

3.1 Introduction

Research Methodology is a systemic way to solve the research problem. Previous chapters have provided the conceptual, inputs and basis of this study. Research methodology describes the methods and process applied in the entire study. It also refers to the various steps to be adopted by the researcher in studying the problem with certain object in view. It is also the set of various instrumental approaches used in achieving predetermined objectives.

It counts on the resource and techniques available and to the extent of their reliability and validity in the research. The research methodology adopted in the chapter follows some limited but crucial aimed to achieve the objectives of the research. This study is descriptive cum analytical and the research is more quantitative and less descriptive. Moreover, various aspects relating to financial performance are applied by using financial ratios as well as statistical tools.

3.2 Research Design

Research design is the plan, structure and strategy of investigations conceived so as to obtain answer to research question and to control variance. The research design allows the researchers to take an appropriate measure and direction towards the predetermined goals and objectives. The research design is analytical and descriptive in nature. Research design is the plan, structure and strategy of investigation. A research design, bearing the techniques and systematic steps of research, help to collect various information required to researchers, thesis writing or any investigation. The research design is functional process on researches is never achieved. The research study examined the fact and postulates certain frame work or details and supplies the important information on subject matter. This study entitles "A Study on Financial Analysis of Agricultural Development Bank Limited." deals with the performance or analysis of Agricultural Development

Bank. So descriptive research has been applied in some primary information and analytical research is applied for the analysis of financial information.

3.3 Population and Sample

Agricultural Development Bank of Nepal is one of the largest commercial banks of Nepal. It is only one agricultural development bank in Nepal. This is a case study of ADBL.

3.4 Data Collection Procedure

Since the entire research is based on the variables and factors influencing financial decision of the Agricultural Development Bank, the secondary data have been used. Even though some primary data were collected through personal objectives, visit to the banker and responses from questionnaires distributed. The data required for the purpose (analysis) is directly obtained from the financial statement of concerned banks.

All the secondary data are complied, processed and tabulated in the times series as per the need and objective. Formal and informal talks with the staffs and authorities of the banks were also helpful to achieve the additional information of the related problem. The sources of data collection are as follows:

- Annual financial reports of ADBL
- ADBL's publications i.e., Bank Samachar, Agricultural Credit, Bio-annual Journal. Etc.
- Annual Budget of ADBL
- Unpublished records of Agricultural Development Bank.
- Magazines and News Papers.
- Loan customers and officials.
- Central library T.U.,

3.5 Data Period Covered

This study covers a period of Five years from FY 2062/063 to2066/067. This analysis is done on the basis of the secondary data and views of financial executives and customers of Agricultural Development Bank Limited.

3.6 Method of Analysis

To achieve the objective of this study, various financial, accounting and statistical tools have been used. This study basically uses the secondary data, which were firstly collected and tabulated in a separate form systematically; Analysis of data is the core of the research study. The analysis of data will be done according to pattern of data available.

3.6.1 Financial Tools/Analysis

Financial tools basically help to analyze the strength and weakness of a firm. Ratio analysis and financial statement analysis have been used as financial tools. This analysis is useful to various interested parties i.e. Owners, Creditors, Management, Employee etc.

Having summarized the available data used from various sources, the hidden facts put forth by financial statements have been analyzed with the help of the relevant financial tools.

A) Ratio Analysis

Ratio analysis is the part of whole process of analysis of financial statement of every financial institution, industries. It is used to compare a firms financial performance and status that of other firms or to it overtime. It is one of the most commonly used techniques and most powerful toll of financial analysis. The ratio analysis provides a basis to examine different accounting parameters, which reflects the norms of business operation.

A ratio is defined as "The indicated quotient of two mathematical expressions and as "the relationship between two or more things" (Nass G & C, 1975).

 Ratio analysis is widely used and an important part of financial analysis. Result about company's financial performance can be achieved by using ratio analysis. Thus, various interest group i.e. owners, creditors, investors and outside analysis use ratios to find out about the financial position of the organization. From the help of ratio analysis, the qualitative judgment can be done regarding financial

state of a firm. There are a lot of financial ratios and people use different type of ratio depending upon their interest and needs. A single ratio in itself is not meaningful because it does not indicate the favorable or unfavorable condition. It should be compared with some standard or between different years to analyze financial position. Therefore this study includes the following, which are related to financial analysis of the bank.

i) Current Ratio

Current ratio is the relationship of current assets and current liabilities of firm current assets are those assets, which can be converted into cash with in short period of time. Current liabilities are those item, which have to paid within one year. Current ratio measures paying ability of short-term debt of the firm. Higher the current ratio better is the liquidity position. Traditionally, 2:1 is standard ratio, but it is a conservative outlook about the coverage of current liabilities. Current ratio is calculated by dividing current assets by current liabilities.

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

Where,

Current Assets = Inventories, cash and bank balance, sundry debtors, receivables, accruals incomes, loan & advance, disposable

Current Liabilities = Creditors, bills payable, deposit and other short term loans, tax provision, outstanding expenses, bank overdraft, proposed dividend and unclaimed dividend etc.

ii) Quick Ratio

Quick ratio establishes a between liquid assets and current liabilities. It measures the short term liquidity of the firm but it emphasis the instant debt paying capacity of the firm. This ratio is very useful to measuring the liquidity position of the firm. Quick ratio equal to 1:1. A high quick ratio is indicates that the firm is liquid and has ability to meet its current liabilities in time. Low quick ratio represents that the firm liquidity position is not satisfactory.

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

Where,

Quick Assets = Current Assets – Inventory – Prepaid

iii) Cash and Bank Balance to Deposit Ratio:

This ratio measures the percentage of liquid assets. Cash and bank balance are the most liquid current assets. Higher ratio shows the higher capacity of firms to meet the cash demand. This ratio is computed by dividing cash and bank balance by total deposit.

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

Hence, Cash and bank balance includes cash on hand, foreign cash on hand, cheques and other cash items, balance with domestic banks and balance held in foreign banks. The total deposit includes fixed deposit, current deposits, saving deposits, money of call and short notice client security funds and other deposits.

iv) Cash and Bank to Current Assets Ratio

This ratio measures proportion of most liquid i.e. cash and bank balance among the total current assets of bank. Higher ratio shows the bank ability to meet demand for cash.

Cash and Bank Balance to Current Assets Ratio =

$$\frac{Cash\ and\ Bank\ Ba\ln ce}{Current\ Assets}$$

B) Profitability Ratio

Profitability ratio measures how effectively and efficiently the bank has been operating its activities in earning enough profit. Profit is the most essential part for the survival and growth of the bank and equally necessary to be more competent.

i) Return on Assets Ratio

This ratio refers to the relationship between net profit and assets. It measures the productivity of the assets. This ratio judges the effectiveness in using the total fund supplied by the owners and creditors. Higher ratio shows the higher return on the assets used in the business. It shows that there is effective use of the resources available and vice-versa.

This ratio is calculated by using the following formula.

$$\text{Return on Assets} = \frac{\text{Net Profit (Loss)}}{Total\ Assets} \mid 100$$

ii) Return on Equity

This ratio shows the relationship between net profit and common equity.

$$\text{Return on Equity} = \frac{Net\,\Pr ofit}{Common\,Equity} \mid 100$$

iii) Profit Margin

This ratio measures the relationship between Net Profit after tax or loss and the total operating income. Total operating income includes tax amount. So tax amount will be dedicated from total operating income, this ratio represent the tax amount or tax ratio with total operating. The formula is given blow:

$$\text{Profit Margin} = \frac{NPAT}{Total\ Operating\ Income}$$

iv) Net Interest Margin

This ratio measures the relationship between Net Interest Income and Interest Earning Assets. Net interest income is the difference between the interest income generated by the bank and the amount of interest paid out to their lenders.

$$\text{Overhead Cost Ratio} = \frac{Net\, Interest\, Income}{Interest\, Earning\, Assets} \mid 100$$

v) Interest Spread

This ratio shows the relation between borrowing and the lending rates of the financial institution, like bank. It is a important ratios which shows the profit margin per amount. The formula of it is given below.

Interest Spread =

$$\frac{Interest\, Income\, to\, Interest\, Earning\, Assets}{Interest\, Expenses\, to\, Interest\, Paying\, Liability}$$

C) Assets Utilization Ratio

i) Assets Turnover Ratio

This ratio is calculated to find out the ratio of operating income with total assets of financial institution. Total operating income represents total interest income on investment and other income. Higher ratio is better for the firm. This ratio is calculated by using following formula.

$$\text{Assets Turnover Ratio} = \frac{Total\, Operating\, Income}{Total\, Assets}$$

ii) Investment to Total Deposit Ratio:

This ratio shows the relationship between Investments to Total Deposit. Its formula is as below:

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

iii) Loan and Advances to Total Deposit Ratio (CD Ratio)

This ratio refers to the relationship between total loan and deposit of the bank and financial institution. This ratio measures the relative claims with the borrowers against the deposit kept by the public / institution. The formula of the ratio is as follows.

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

D) Risk Ratio

Risk is uncertain. Risk means uncertainty, which occurs in the business transaction of investment management where a firm wants to bear risk and uncertainty, profitability and effectiveness of the firm will increases. We all know that, high risk high profit. This ratio indicates the amount of risk which associated with the various banking operations, which ultimately influences the bank's investment policy. The following ratios are calculated under this ratio.

i) Total Non-banking Assets to Total Assets Ratio

This ratio shows the relationship between non-banking Assets and Total Assets of the firm.

$$\text{Total Non-banking Assets to Total Assets Ratio} = \frac{Total\,Non-banking\,Assets}{Total\,Assets}$$

ii) Non-performing Loan to Total Loan Ratio (Credit Risk Ratio)

Credit risk ratio measures the possibility that loan will not be repaid or that investment will deteriorate in quality or go into default with consequent loss to the bank. This ratio can be identified by using the following formula.

$$\text{Total Non-performing Loan to Total Loan Ratio} = \frac{Total\,Non-performing\,Loan}{Total\,Loan}$$

iii) Total Non-performing Loan to Total Assets Ratio

This ratio shows the relationship between total non-performing loan and total assets. Non-performing loan is very much apologetic thing in banking industry. This type of assets does not give any return in proper time. Increment of non-performance loan is the sign of insolvent of bank.

This ratio gives information about the condition of non-performing loan (NPL). Increasing non-performing loan is not good for the form so this ratio is used reduce as a guideline for reduction of non-performing loan. This ratio is measured by using the following formula.

Total Non-performing loan to Total Assets Ratio =

$$\frac{Total\ Non\ Z\ perfor\min g\ loan}{Total\ Assets}$$

Where,

Total NPL= Inactive overdue loan

vi) Loan Loss Provision to Total Loan Ratio

This ratio shows the possibility of loan default of a bank. It indicates how efficiently it manages its loan and advances and makes efforts for loan recovery. Higher ratio implies higher portion of non-performing loan in total loan and advances. The formula is given below.

Loan loss provision to total loan Ratio = $\dfrac{Loan\ Loss\ \Pr ovision}{Loan\ Total\ Loan}$

3.6.2. Statistical Tools

In percent study certain statistical tools have been used to compare the figures and draw one meaningful conclusion there from. The relationship between different variables related to study topic would drawn out using statistical tools. The statistical tools selected for the study of ADBL is as follows:

i) Average/Mean

The average value is a single value within the range of the data that is used to represent all of all values in the series since an average is somewhere within the range of the data, it is also called a measure of central value. Since an average represents the entire data, its value lays somewhere in between the two extremes i.e the largest and the smallest items.

There are various types of averages. Among them, we take arithmetic mean; it is so popular that the word mean 100 average alone without qualification is implied to denote this particular type of average. It's value is obtained by adding together all the items and by dividing this total by the number of items.

$$\overline{X} \; X\frac{\phi X}{N}$$

Where,

$\overline{X}$ = Arithmetic average

ϕX= sum of total values of the variables

N= Number of items

ii) Standard Deviation

The standard deviation is the absolute measure of dispersion in with the absolute measure of dispersion in which the drawbacks present in other measures of dispersion are removed. 21 The standard deviation is the most important and widely used measure of studying dispersion. It is known as root mean square deviation for the reason that the square root of the mean of the squared deviation from the arithmetic mean. The standard deviation measures the absolute dispersion 100 variability of a distribution. A small standard deviation means a high degree of uniformity of the observation as well as homogeneity of a series a large standard deviation means just the opposite. Hence, standard deviation is extremely useful in judging the representatives of the mean.

$$\dagger \; X \frac{\phi d^2}{n}$$

Where,

$\exists$ = Standard deviation

ϕd^2 = Sum of the square deviation

n = Number of items

iii) Co-efficient of variation

The co-efficient of variation is the corresponding relatives measure of dispersion, comparable across distribution, which is defined as the ratio of the standard variation to the mean expressed in resulting percentage.

It is used in such problems where we went to compare the variability of two or more than two series. To calculate the co-efficient of variation, we have to use the following formula.

$$C.V. \; X \frac{\dagger}{\overline{X}} \mid 100$$

Where,

C.V.= Co-efficient of variation

$\exists$ = Standard Deviation

$\overline{X}$ = Mean/Average

iv) Time Series/ Trend Analysis

Trend analysis is also one of the most useful statistical tools. Trend analysis of ratios indicates the change over a period of change. This kind of analysis is particularly applicable to the items it profit and loss account. It is a significant tool of horizontal financial analysis. It is a dynamitic method to indicate the change and deviations in terms of financial statements. Trend analysis helps to identify the comfortable in terms of given period and future forecast can be made for ongoing concern.

Trend analysis is very useful in-terms of all types of banks and to the shareholders. Through this analysis banks can estimate the future investments opportunities, rate

of return, deposit liabilities etc, whether to stick in the present growth rate or to increase or decrease. In terms of shareholders, trend analysis helps to whether to invest on the bank or to leave as per the satisfaction of the growth rate. For depositors, it provides degree of satisfy in the form of financial credit worthiness, it assures about the financial capability of the banks to tarnish their loans and advances in future, provided that the present trend continues .

Trend analysis is one of the useful tools in making a comparative study of the financial statements of number of years. It describes the average relationship between two series where the one series relates to time and the other series to the value of a variable. It is generally shows that the line of the best fit/ or straight line is obtained or not. The line of the best fit describes the changes in a given series accompanying a unit change in time. In another word we can say that it gives the best possible mean values of dependent variable for a given value of independent variable. Here, trend analysis is used as time series analysis based on time. For the calculation of the line of the best fit, the following equation should be used.

Yc=a+bx

Where,

Yc= the estimated value of y for given value of x obtained from the line of regression of y on x.

a= constant value

b= slope of line or rate of change

x= the variable in time series analysis represents time or independent variable.

The formula of calculating "a" and "b" is given below:

a= $\overline{Y}$ - b $\overline{X}$

$b \, X \dfrac{n\phi xy \; Z\phi x\phi y}{n\phi x^2 \; Z f\phi x \AA}$

Where,

ϕx= Sum of the observation in series x

ϕy= Sum of the observation in series y

ϕxy=Sum of the observation in series x and y.

ϕx^2=Sum of the square observation in series x .

The calculation is used to compare the overall performance of different selected financial companies during the study period this projection for next five years. Under this topic the following sub-topic has been presented.

I. Tend analysis of loan investment
II. Trend analysis of principal collection
III. Trend analysis of outstanding
IV. Trend analysis of interest receivable
V. Trend analysis of net profit after tax
VI. Trend analysis of total deposit.
VII. Trend analysis of loan loss provision
VIII. Trend analysis of long term debt
IX. Trend analysis of shareholders equity
X. Trend analysis of non-banking assets
XI. Trend analysis of banking commission and discount

CHAPTER-FOUR

PRESENTATION AND ANALYSIS OF DATA

The presentation and analysis of data is the main body of this study. This chapter deals with the presentation, analysis and interpretation of relevant, the various outcomes in order to fulfill the objectives of this study. The main objective of the banking operation of ADBL is to collect unproductive and scattered savings from urban organization and individuals as deposit and granting them short, medium and long term agriculture credit.

This chapter highlights the financial performance of ADBL. In order to evaluate the financial position of ADBL; the tools that are used have been already discussed in detail in the third chapter as research methodology. Some financial and statistical tools have been used to evaluate the financial position of ADBL. The collected data are analyzed and interpreted by using financial and statistical tools.

4.1 Financial Analysis

Financial analysis is concerned with identifying the financial strength and weakness of the organization. The financial statement provides a summary of the account of a business enterprise. For the purpose of this study, ratio analysis has been used and with the help of it, data have been analyzed.

Various financial ratios related to the investment management and the fund mobilization are presented and discussed to evaluate and analyze the performance of ADBL. Some important financial ratios are only calculated here for fund mobilization and investment policy. The ratios are designed and calculated to highlight the relationship between financial and figures. It is a kind of mathematical relationship and procedure dividing one item by another.

4.1.1 Analysis of Liquidity Position

Liquidity position measures the ability of the banks to meet short-term obligation. Agricultural Development Bank Limited must maintain its satisfactory liquidity position to satisfy the credit needs of community, to meet demands for deposit withdrawals, pay maturity obligation in time and convert non-cash assets to cash

to satisfy immediate needs without loss to bank and consequent input on long-run profit. The liquidity position is analyzed with the help of following ratios:

i) Current Ratio

This ratio measures the liquidity position of the bank. It indicates the ability of bank to meet the current liquidity. The overview of current ratio of the bank for the study period is presented in table 4.1

<div align="center">

Table No. 4.1

Current Assets, Current Liabilities and Current Ratio of ADBL

(In Lakh)

</div>

Year	Current Assets	Current Liabilities	Ratio (Times)
2062/63	344155	330783	1.04
2063/64	373713	344077	1.09
2064/65	429056	350670	1.22
2065/66	510154	373933	1.36
2066/67	530514	353335	1.50
Mean			1.24
S.D.			0.20
C.V.			16.22

Source: ADBL Annual Reports, 2012

Figure No. 4.1

Current Assets and Current Liabilities of ADBL
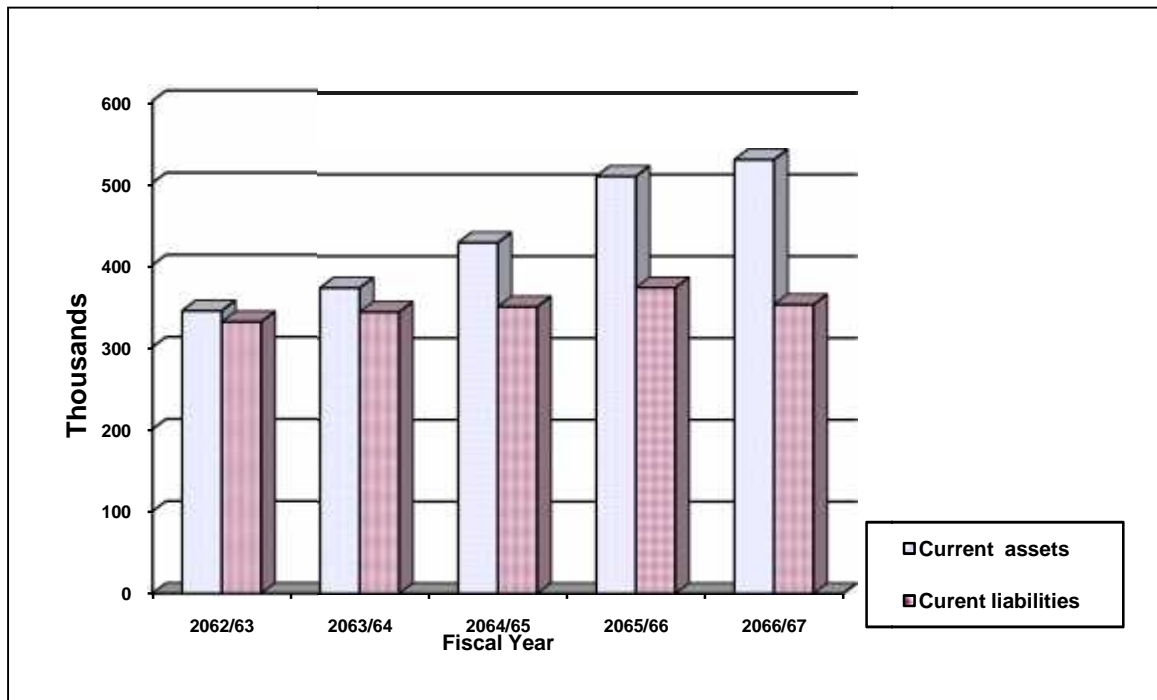
Source: Table No. 4.1

Table 4.1 and followed by figure presents about the current ratio of bank over the study period. As per the calculated ratio, liquidity position of the bank is not good because the current ratios of the different years are not meet to the standard. Higher current ratio means the better liquidity position. Generally, current ratio of 2:1 considered to be an adequate ratio. Current assets and current liabilities manage the current ratio. It is necessary that every business entity must manage the good liquidity position.

There is an increasing trend in this ratio. The highest ratio is 1.50 and the lowest is 1.04 in FY 2062/63 and 2063/64 and 2064/65 respectively. The mean ratio is 1.24%. Similarly, the S.D is 0.20 and C.V. is 16.22. The above analysis helps to conclude that the current ratio of ADBL is below than normal ratio. But it can't say that the liquidity position of ADBL is not good because this ratio only indicates the quantity and not the quality of assets and it doesn't explains the types of current assets.

ii) Quick Ratio

An attempt has been made to examine the real liquidity position of the bank through calculation of quick ratio. Quick ratio shows the relationship between liquid assets and current liabilities. It measures the short-term liquidity of the bank but it emphasis the instant debt paying capacity of the bank. The following table shows the quick ratio of ADBL over the study period.

Table No. 4.2

Quick Assets, Current Liabilities and Quick Ratio of ADBL

(In Rs.00000)

Year	Quick Assets	Current Liabilities	Ratio (Times)
2062/63	340543	330783	1.03
2063/64	371896	344077	1.08
2064/65	424828	350670	1.21
2065/66	503012	373933	1.35
2066/67	520045	353335	1.47
Mean			1.28
S.D.			0.1457
C.V.			11.38

Source: ADBL Annual Reports, 2012

Figure No. 4.2

Quick Ratio, Quick Assets and Current Liabilities of ADBL
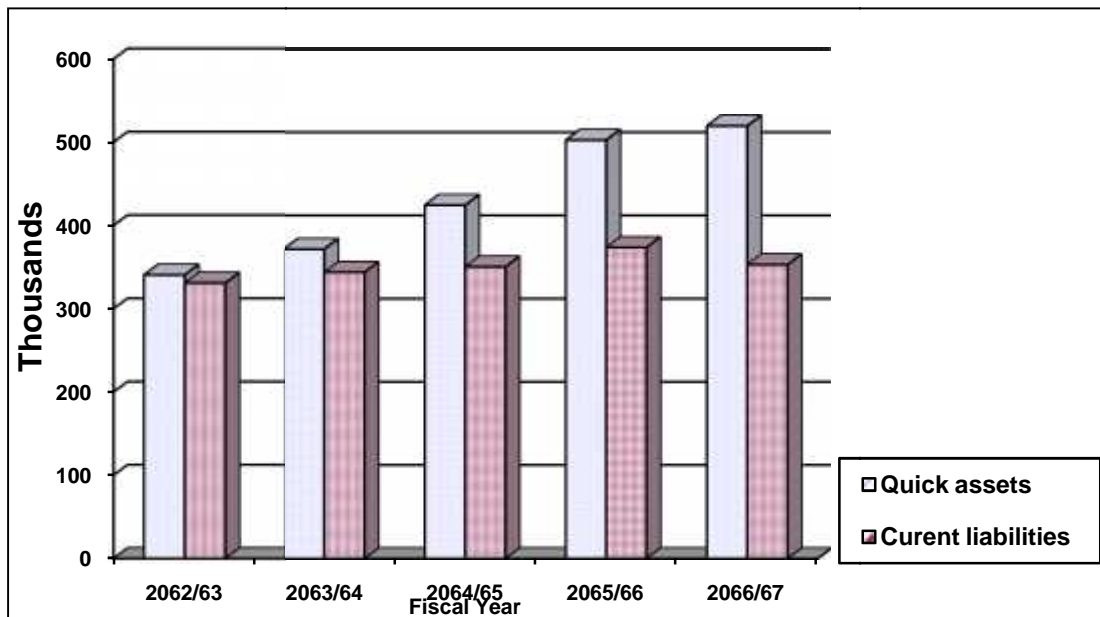
Source: Table No. 4.2

There is a fluctuation in this ratio. The highest ratio is 1.47 in FY 2066/67 again it increased to 1.3 in 2062/63, and then it decreased in FY 2063/64 and become 1.08. In FY 2065/66, it increases to 1.34. The mean ratio is 1.28 the standard quick ratio is 1:1. The calculated ratios are above than the normal standard, it is satisfactory. The standard deviation and covariance is 0.1457 and 11.38 respectively. Based on this analysis, it can be concluded that the liquidity position of the bank in terms of ability to cover short term obligation is satisfactory in all year.

iii) Cash and Bank Balance to Total Deposit Ratio

Bank as depository institution must consider the possibility of withdrawal in future by the customer. To examine the bank's ability to cover future withdrawal, an attempt has been made to examine the relationship between cash and bank balance to total deposit ratio.

This ratio measures the ability of bank to meet future withdrawals of deposits. Higher ratio shows the greater ability of the bank to meet the demand of customers on their deposits. The following table shows the cash and bank balance to total deposit ratio of the bank over the study period.

Table No. 4.3

Cash, Bank Balance, Total Deposit and Bank Balance to Deposit Ratio of ADBL

(In Lakh)

Year	Cash & Bank Balance	Total Deposit	Ratio (%)
2062/63	47717	296318	16
2063/64	36893	324163	11
2064/65	36239	325538	11
2065/66	52024	351596	15
2066/67	44471	324725	14
Average			13

Source: ADBL Annual Reports, 2012,

Figure No. 4.3

Cash, Bank Balance and Total Deposit (%) of ADBL
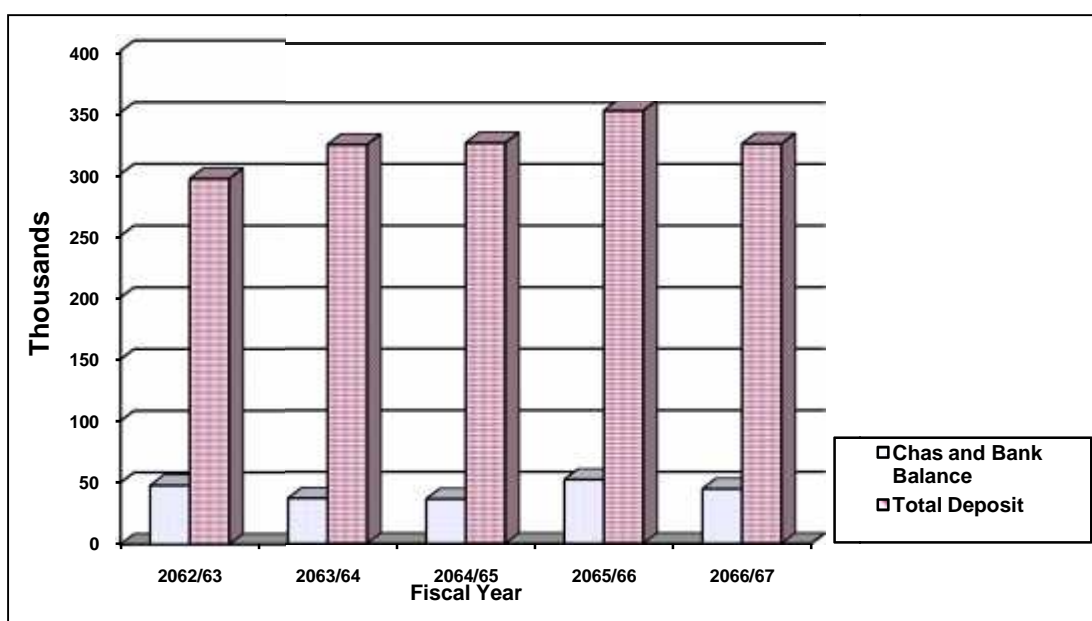
Source: Table No. 4.3

The above table 4.3 shows the cash and bank balance to total deposit including compulsory savings and client security funds of ADBL. The above table 4.3 reveals that the cash and bank balance to total deposit ratio of ADBL is in fluctuating trend. The highest ratio is 16% and lowest is 11 in FY 2062/63 and 2064/65 respectively. The mean ratio is 13. In all year the ratio of cash and bank balance to total deposit have been found higher than the ratios to be maintained as per the directive NRB (5.5%).

iv) Cash and Bank balance to Current Assets Ratio

Cash and Bank balance are the most liquid assets. This ratio represents the liquidity capacity of the firm. Higher ratio shows the better ability of the firm to meet the daily cash requirements of the customer. But high ratio is not so preferred to the firm because the firm has to manage cash and bank balance to current assets ratio, in such manner that the firm may not be paid interest on deposits and may not have liquidity crisis.

Following table states that cash and bank balance to current assets of ADBL during the study period.

Table No. 4.4

Cash and Bank Balance to Current Assets Ratio

(In Lakh)

Year	Cash & Bank Balance	Total Current Assets	Ratio (%)
2062/63	47717	344155	13.86
2063/64	36893	373713	9.87
2064/65	36239	429056	8.45
2065/66	52024	510154	10.20
2066/67	44471	530514	8.38
Average			10.15

Source: ADBL Annual Reports, 2012

Figure No. 4.4

Cash, Bank Balance and Total Current Assets
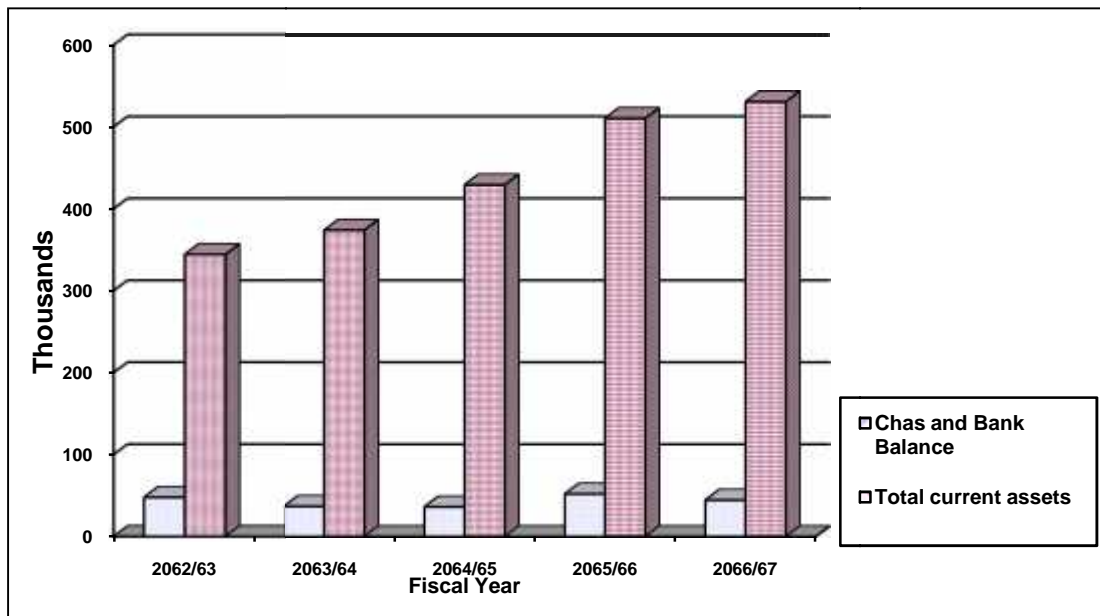
Source: Table No. 4.4

The above table shows that cash and bank balance to current ratio of ADBL is in fluctuation trend. The highest ratio is 13.86% in FY 2062/63 and the lowest on is 7.82% in FY 2066/67 the ratio is 9.87%, 8.45%, 10.20% in FY 2063/64, 2064/65, and 2065/66 respectively.

The liquidity position is best of ADBL in FY 2062/63. The bank is able to meet daily cash requirement of their customers in FY 2062/63.

4.1.2 Analysis of Assets Utilization of ADBL

This section presents the assets utilization situation of the ADBL. The section has been divided into different sub section in terms of the key financial ratios concerning with the assets utilization.

i) Assets Turnover Ratio

Asset turnover is a financial ratio that measures the efficiency of a company's use of its assets in generating sales revenue or sales income to the company.

Companies with low profit margins tend to have high asset turnover, while those with high profit margins have low asset turnover. Higher ratio is good for the organization.

Table No. 4.5

Total Operating Income, Total Assets and Assets Turnover Ratio

(In Lakh)

Year	Total Operating Income	Total Assets	Ratio (Times)
2062/63	28037	354976	7.90
2063/64	32990	381602	8.65
2064/65	27536	436867	6.30
2065/66	35684	440859	8.09
2066/67	43773	518187	8.45
Average			7.88

Source: ADBL Annual Reports, 2012

Figure No. 4.5

Total Operating Income Total Assets Ratio of ADBL
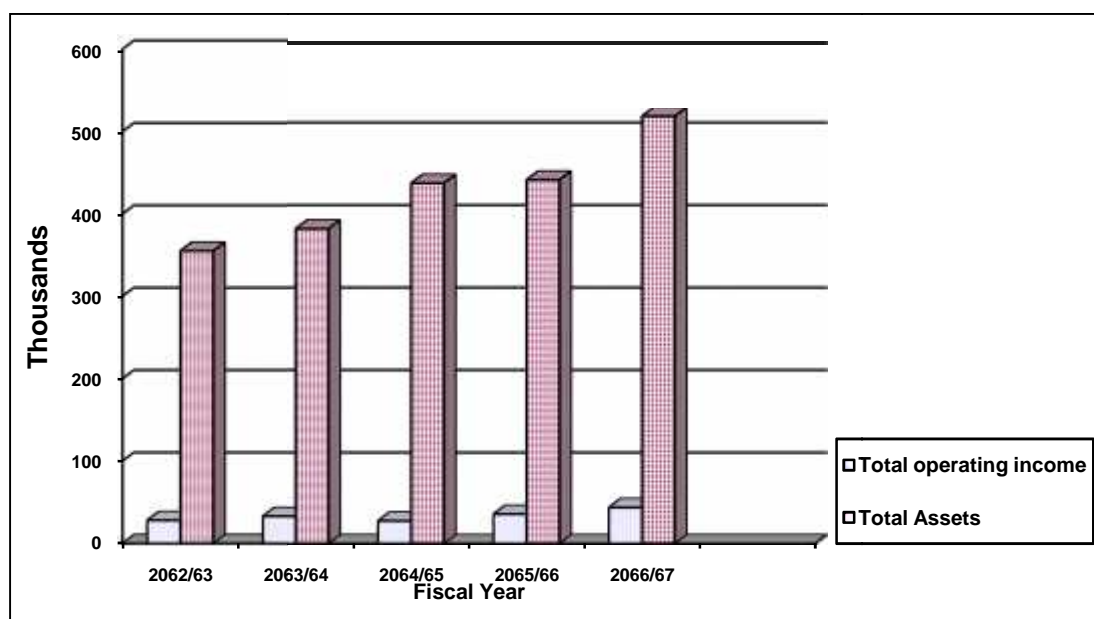
Source: Table No. 4.5

The above table shows the operating income to total assets ratio. This ratio says the outcomes of utilizing the assets in the banking business. Higher ratio shows higher position of profit by using the total assets. Similarly, the lower ratio reflects the lower position of the profit by using total assets. The higher ratio is 8.65% and the lower one is 6.30% in FY 2063/64 and 2064/65 respectively. We can see on the above table, the ratio of ADBL is in fluctuating trend. The average ratio is 7.88.

ii) Investment to Total Deposit Ratio

This ratio is related with investment of ADBL. The objective of every organization is to maximize the profit of the organization. Generally, bank and financial institution use their available fund in investment apart from the loan and advances. This ratio shows the relationship between investment and the deposit of ADBL in different fiscal year.

Table No. 4.6

Investment, Total Deposit and Investment to Total Deposit Ratio

(In Lakh)

Year	Investment	Total Deposit	Ratio (Times)
2062/63	15113	296318	5.10
2063/64	31774	324163	9.80
2064/65	47570	325538	14.61
2065/66	48960	351596	13.93
2066/67	45400	324725	13.98
Average			11.48

Source: ADBL Annual Reports, 2012

Figure No. 4.6

Investment and Total Deposit of ADBL
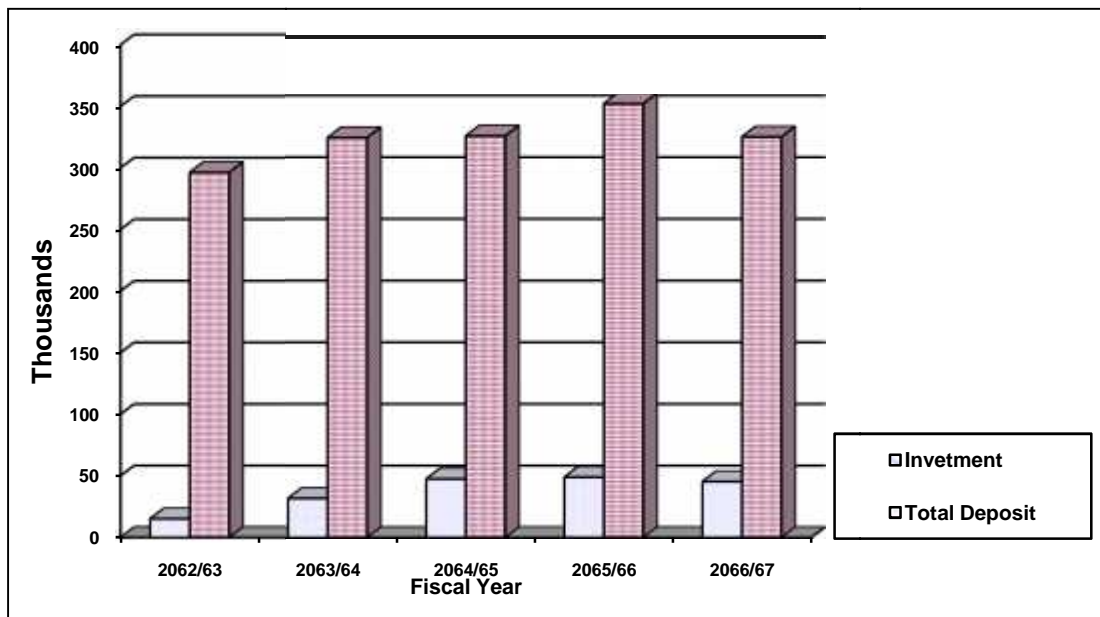
Source: Table No. 4.6

The above table and figure shows the relationship between investment and the total deposit of the bank. The ratio indicates that how much portion of the deposit is utilized in investment area of the bank. The lowest ratio is 5.10 in FY 2062/63 and highest is 14.61in 2064/65. Generally, the rate of return of investment is lower than the return from loan and advances. Similarly, level of risk is also lower in investment and higher in loan and advances. So bank has to make proper portfolio of investment and loan and advances.

iii) Loan and advances to Total Deposit Ratio (CD Ratio)

This ratio is commonly used ratio and called CD ratio. The deposit is main source of fund and the loan is main application of the fund of a bank or financial institution. The core business of a bank is to collect deposit and lend as loan and advances. This ratio expresses the fund mobilization status of a bank or financial institution in their core business area and helps to minimize the liquidity risk of bank. As per the prevailing directives of NRB (Unified Directives 2068) the standard ratio is 80%.

Table No. 4.7

Loan and Advances, Total Deposit and CD Ratio

(In Lakh)

Year	Loan and Advances	Total Deposit	Ratio (%)
2062/63	249009	333107	74.75
2063/64	272523	344403	79.13
2064/65	305894	366047	83.57
2065/66	326030	383011	85.12
2066/67	338769	395828	85.58
Average			81.63

Source: ADBL Annual Reports, 2012

Figure No. 4.7

Loan and Advances and Total Deposit of ADBL
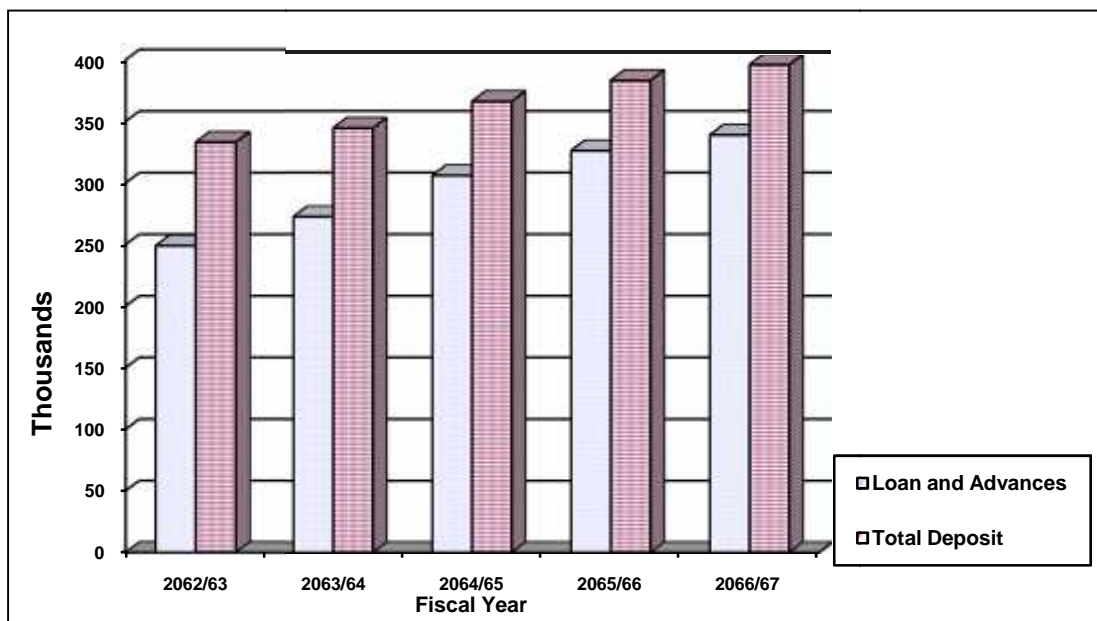
Source: Table No. 4.7

The above table and figure shows that the utilization of deposit in terms of loan and advances. It also indicates the liquidity risk inherent in the bank. The ratio is higher than the standard in all the years of the study period. So, the bank is not able to minimize the liquidity risk throughout the years. The ratio is in increasing trend. It has crossed 100% in FY 2066/67 and reached at 85.58% which is highly risky.

4.1.3 Analysis of Profitability Situation of ADBL

The major performance indicator of any firm is profit. The objective of every firm is to make good return. Any organization has desire to earn high profit which helps to survive the firm and indicates the efficient operation of the firm. Profit is the essential part of business activities to meet internal obligation, overcome the future contingencies, make a good investment policy, make a good lending policy and expand the banking transaction, etc. profitability ratios are the best indicator of overall performance of the firm. Here, those ratios are presented and analyzed which are related to profit as well as fund mobilization. Through the following ratios, the profit earning capacity of ADBL has been measure.

i) Return on Assets Ratio

This ratio measures the overall profitability of all working fund i.e. total assets. A firm has to earn satisfactory return on working fund for its survival. It measures the productivity of the assets. This ratio utilizes to ascertain whether assets are being utilized properly or not. Norms of the ratio is to maximize profit by utilizing the lesser assets.

Table No. 4.8

Net Profit, Total Assets and Return on Assets Ratio of ADBL

(In Lakh)

Year	Net Profit After Tax	Total Assets	Ratio (%)
2062/63	3535	354976	1.00
2063/64	10576	381602	2.77
2064/65	6692	436867	1.53
2065/66	10584	440859	2.40
2066/67	18923	518187	3.65
Average			2.27

Source: ADBL Annual Reports, 2012

Figure No. 4.8

Net Profit and Total Assets of ADBL
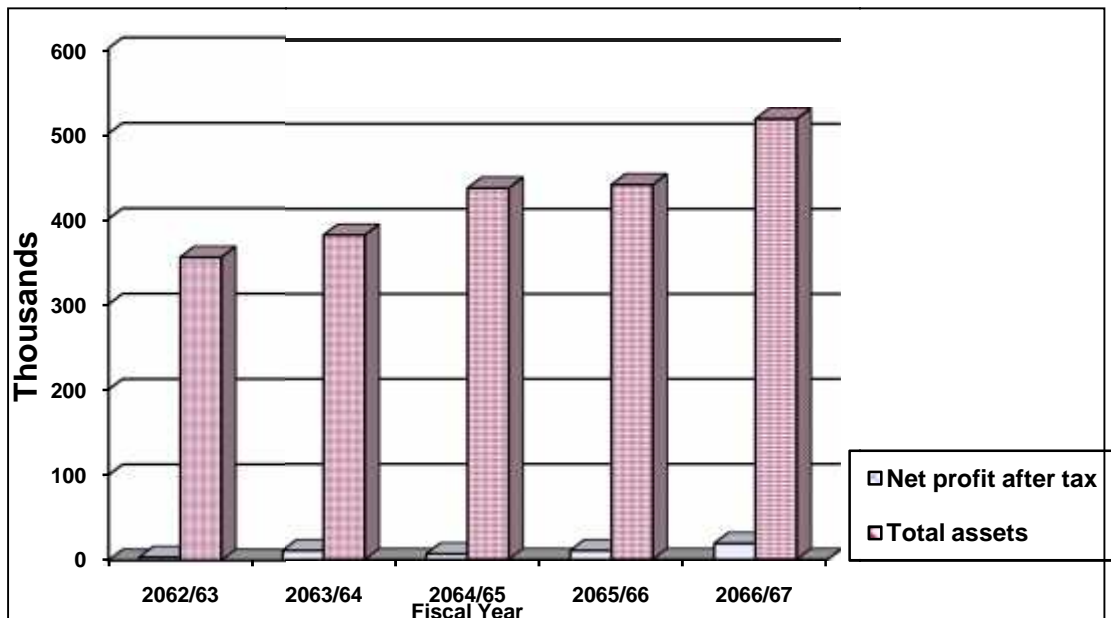
Source: Table No. 4.8

Above presentation of return of assets ratio is more satisfactory, because standard of this ratio is 1% in the contest of ADBL the ratio seen from the above table is greater than standard value. Trend of increment profit is more than 1%. The highest ratio is 3.65% in FY 2066/67. Increment of return in connection to the assets is very good to every business entity. In conclusion the average value of return on assets ratio for five fiscal year is 2.27%.

ii) Return on Equity

This ratio measures the profitability position with respect to equity participation in a firm. Common equity holders get the return of a firm after making all expenses along with depreciation and tax so they are the residual owner. This ratio expresses the percentage of profit on equity injected by the shareholders.

Table No. 4.9

Net Profit, Common Equity and Return on Equity Ratio

(In Lakh)

Year	Net Profit	Common Equity	Ratio (%)
2062/63	3535	-8354	-42.32
2063/64	10584	12731	83.14
2064/65	6692	57346	11.67
2065/66	10576	103252	10.24
2066/67	18923	108675	17.41
Average			16.03

Source: ADBL Annual Reports, 2012

Figure No. 4.9

Net Profit and Common Equity of ADBL
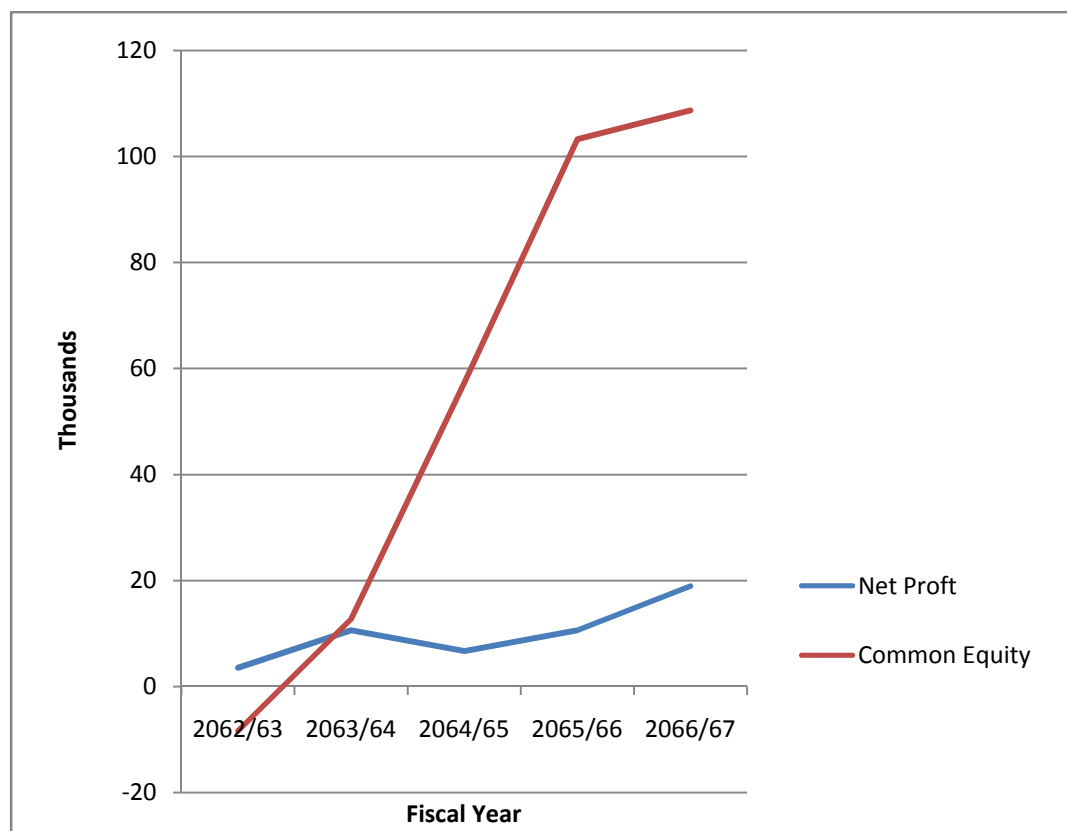
Source: Table No. 4.9

The above presentation shows the equity involvement in ADBL and profit earned in the study period. This ratio represents the volume of profit with compares' to equity involve in the ADBL in different years.

The above table and chart shows the net profit and common equity and its ratio of ADBL from FY 2062/63 to 2066/67. The table shows that the highest ratio is 83.14% in FY 2063/64 and negative in FY 2062/63 is -42.32%. The ratio is in fluctuating trend. The average of the ratio is 16.03% and it can be concluded that the ratio of the bank is highly fluctuating.

iii) Profit Margin

This ratio expresses the overall margin of profit of a particular firm. It is the measuring rod of the performance of any profit earning organization. This ratio shows the relation between operating income from its normal course of operation and the net profit earned.

Table No. 4.10

Net Profit, Operating Income and Profit Margin Ratio

(In Lakh)

Year	Net Profit	Operating Income	Ratio
2062/63	3535	28036	12.61
2063/64	10584	32990	32.08
2064/65	6692	27536	24.30
2065/66	10576	35684	29.64
2066/67	18923	43773	43.23
Average			28.37

Source: ADBL Annual Reports, 2012

Figure No. 4.10

Net Profit and Operating Income of ADBL
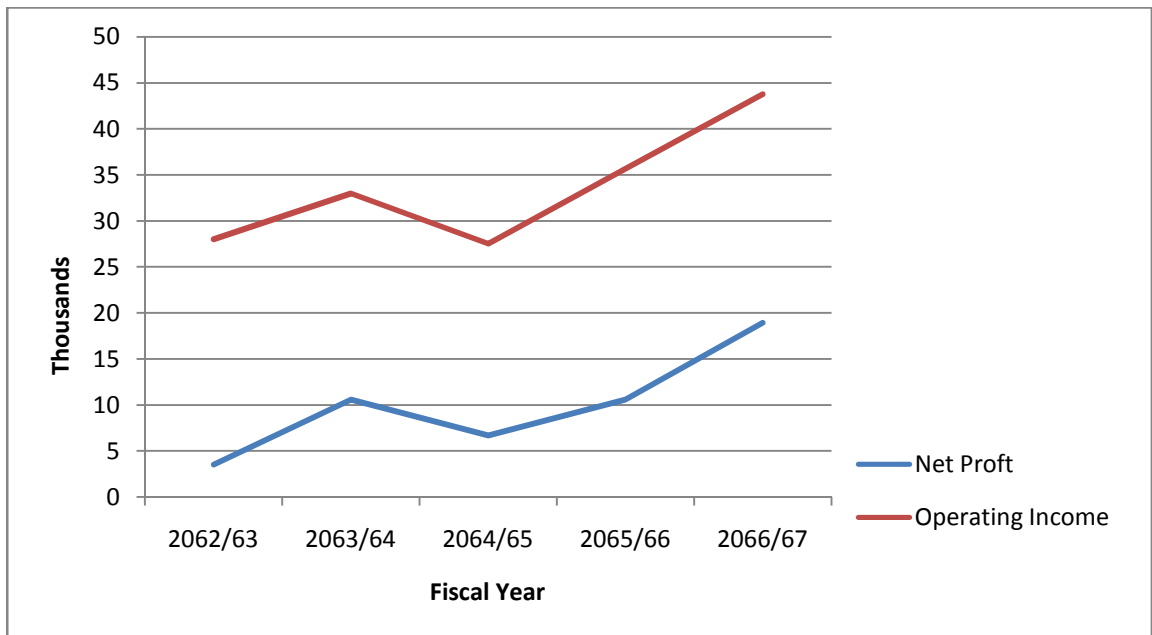
Source: Table No. 4.10

The above presentation shows that net profit earned and its relation with total operating income of ADBL in five years. The highest ratio is 43.23% in FY 2066/67 and the lowest is 12.32 in FY 2062/63. This means in FY 2066/67 almost half of the portion of operating income is converted into profit. It shows ADBL is able to control its operating as well as non- operating cost in this year. Though the ratio is in fluctuating trend, it has a positive growth in last three years.

iv) Net Interest Margin

Net interest margin is a measure of the difference between the interest income generated by banks or other financial institutions and the amount of interest paid out to their lenders, relative to the amount of their interest-earning assets. It is usually expressed as a percentage of what the financial institution earns on loans in a time period and other assets minus the interest paid on borrowed funds divided by the average amount of the assets on which it earned income in that time period.

Table No. 4.11

Net Interest Income, Interest earning Assets and Net Interest Margin Ratio

(In Lakh)

Year	Net Interest Income	Interest Earning Assets	Ratio (%)
2062/63	25937	334618	7.75
2063/64	30172	376177	8.02
2064/65	23199	413617	5.61
2065/66	30470	431971	7.05
2066/67	39568	441228	8.97
Average			7.48

Source: ADBL Annual Reports, 2012

Figure No. 4.11

Net Interest Income and Interest earning Assets of ADBL
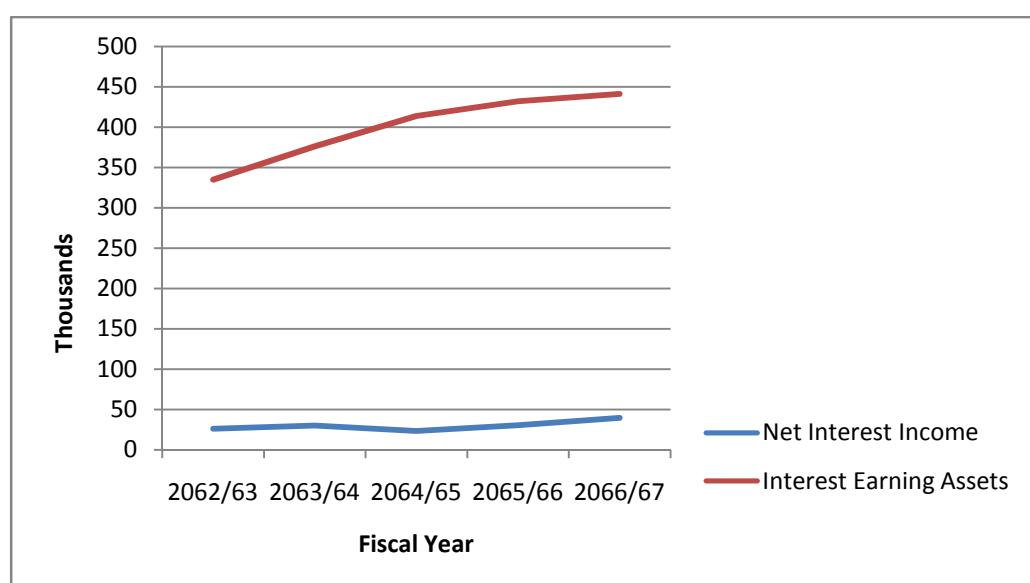
Source: Table No. 4.11

The above table and the chart show the net Interest income to Interest earning assets of ADBL for five fiscal years. The highest ratio is 8.97 in FY 2066/67 and lowest one is 5.61 in FY 2064/65. The average ratio is 7.48. Higher ratio indicates higher profitability. In all year the ratio are found relatively lower showing that the earning assets have not been properly utilized.

v) Interest Spread

Interest spread refers to the difference in borrowing and lending rates of financial institutions in nominal terms. Interest spread is expressed as interest yield on earning assets (any asset, such as a loan, that generates interest income) minus interest rates paid on borrowed funds.

Interest spread is similar to Interest margin; interest spread expresses the nominal average difference between borrowing and lending rates, without compensating for the fact that the amount of earning assets and borrowed funds may be different.

Table No. 4.12

Interest Spread of ADBL

Year	Interest Spread (%)
2062/63	6.95
2063/64	7.39
2064/65	4.57
2065/66	6.52
2066/67	7.78
Average	6.64

Source: ADBL Annual Reports, 2012

Figure No. 4.12

Interest Spread of ADBL
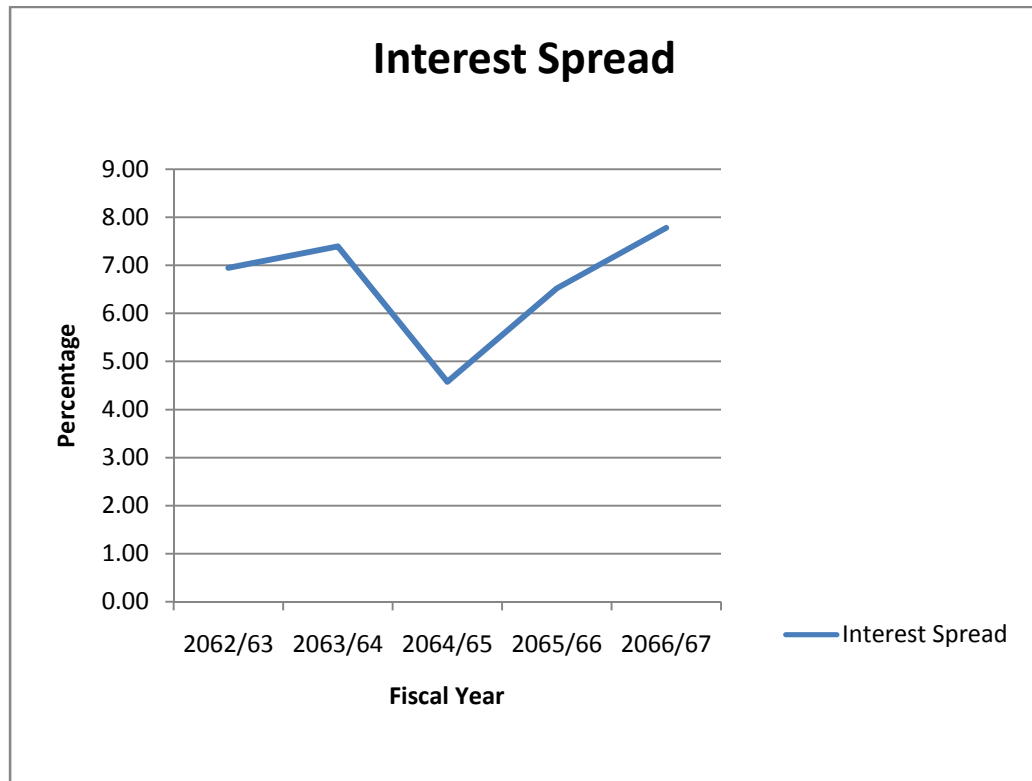
Source: Table No. 4.12

The above table shows the difference between interest income to interest earning assets and interest expenses to interest bearing liabilities of ADBL for five different fiscal years. There is highest ratio in FY 2062/63. The lowest ratio is in FY 2064/65. The average ratio is 6.64. Higher ratio indicates higher return or profit of the business. It can be observed from above table that the spread rate in all year are higher expect in FY 2064/2065 as per circular issued by Nepal Rastra Bank.

4.1.4 Analysis of risk of ADBL

Risk and uncertainty is a part of business loss. All business activities are influenced by risk, so business organization cannot achieve a good return as per their desires. The probability of risk makes banks investment a challenging task. Bank has to take risk to get return on its investment. The risk bearing is tendency

compensated by the increase in profit. So the banks options for high profit have to accept the risk and manage it efficiently. An effort has been made to measure the level of risk of ADBL through the calculation of financial ratios presented hereunder.

i)Total Non-banking Assets to Total Assets Ratio

This ratio shows the relationship between total non-banking assets and total assets of the firm. The bank should lend loan on the productive sector. Repayment of the lending amount is must for credit creation of the bank. If the repayment of the loan is not made by the borrower in time it converts into overdue status. Increment of overdue amount is the sigh of increment of bad debts. Bad debts are very harmful to the bank. If the borrower does not pay the overdue in time, bank may take over the collateral of the loan passing through certain process like auction of the collateral. The collateral taken over by the bank is known as non-banking assets. Collateral may be fixed assets or sometimes it may be liquid/current. In the context of ADBL, all collateral is fixed assets. The following table no. 4.23 shows the NBA to assets ratio of five years.

Table No. 4.13

Non Banking Assets, Total assets and NBA to Total Assets Ratio

(In Lakh)

Year	Non-Banking Assets	Total Assets	Ratio (Times)
2062/63	10051	354976	2.83
2063/64	9390	381602	2.46
2064/65	7542	436867	1.73
2065/66	4641	440859	1.05
2066/67	2370	518187	0.46

Source: ADBL Annual Reports, 2012

Figure No. 4.13

Non Banking Assets and Total assets of ADBL
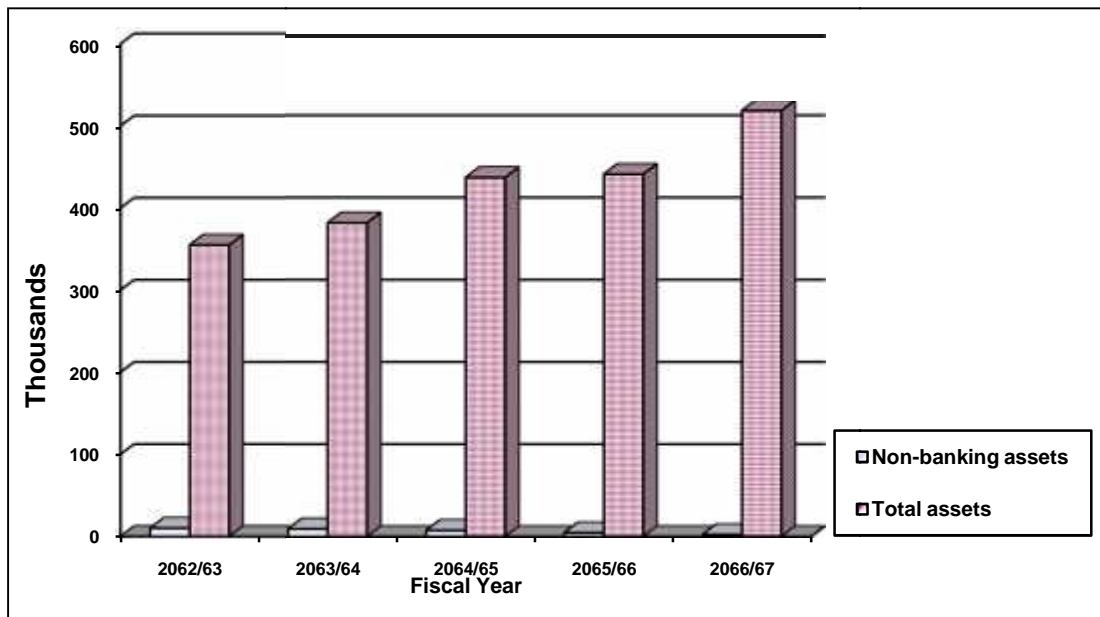
Source: Table No. 4.13

Above table shows the NBA to total assets ratio of ADBL for five fiscal years. The highest ratio is 2.85% and the lowest one is 0.46% in FY 2062/63 and 2066/67 respectively. Generally, the minimum holding of NBA is taken as the good assets management of financial institution, which has not been found in case of ADBL.

ii) Non-Performing Loan to Total Loan Ratio (Credit Risk Ratio)

Credit risk ratio measures the possibility that loan will not be repaid or that investment will deteriorate in quality or go into default with consequent loss to the bank. This ratio shows the relationship between the total non-performing loans to total loan outstanding. Loan has disbursed by the bank for some certain maturity period. If the party does not repay the loan with its interest on maturity period, it is called overdue loan. If the overdue loan becomes very much chronic, it will converts into Non-Performing Loan, the NPL may create dangerous situation in the banking industries. The assets are called non- performing assets because it cannot be sold in time and it does not give any return. To manage and keep the NPL level in comfortable position in the banking industry, NPA department has

been established. It is believed that, this department will work effectively to reduce and manage the NPL. The following table and figure presents the NPL to total loan ratio and mean of five different periods of ADBL.

Table No. 4.14

Non-Performing Loan, Total Loan and NPL Ratio

(In Lakh)

Year	Non-Performing Loan	Total Loan	Ratio (%)
2062/63	68590	333107	20.59
2063/64	61852	344403	17.96
2064/65	42805	366047	11.69
2065/66	37207	383011	9.71
2066/67	33093	395828	8.36
Average			13.66

Source: ADBL Annual Reports, 2012

Figure No. 4.14

Non-Performing Loan and Total Loan of ADBL
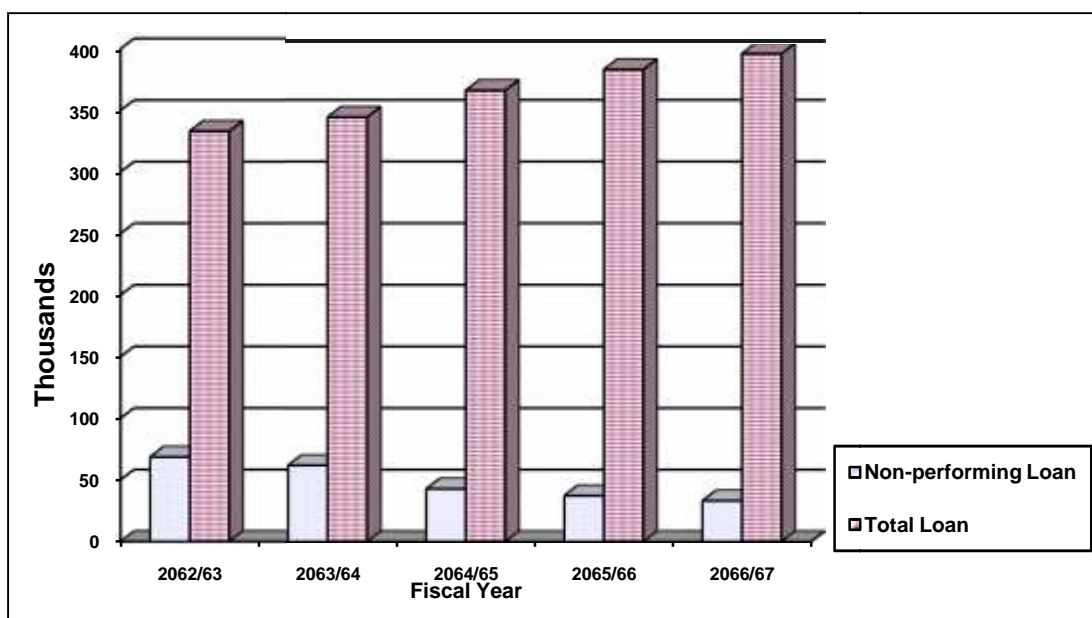
Source: Table No. 4.14

The above table and figure shows the relation between non-performing loan and the total loan. The ratio is commonly used in banking industry and has a meaningful implication as well. Lower ratio is desirable. Even in international banking industries the ratio below 5% is acceptable. In our case as well, Directives issued by Nepal Rastra Bank is compatible with same practices. The ratio is higher than the standard in all the years of study period. However, the ratio is in decreasing trend. This is clear indication of progress of the ADBL.

iii) Non- Performing Loan to Total Assets Ratio

In the assets side of balance sheet of the bank and financial institution, major chunk of the assets is occupied by the loan and advances. Non-Performing Loan is one of the components of the loan and advances. The ratio expresses the relationship between Non-Performing Loan and Total Assets. It shows what percentage of total assets is in Non-Performing status, means those assets which are not easily salable and not generating any return.

Table No. 4.15

Non- Performing Loan, Total Assets and NPL to Total Assets Ratio

(In Lakh)

Year	Non-Performing Loan	Total Assets	Ratio (%)
2062/63	68590	354976	19.32
2063/64	61852	381602	16.21
2064/65	42805	436867	9.80
2065/66	37207	440859	8.44
2066/67	33093	518187	6.39
Average			12.03

Source: ADBL Annual Reports, 2012

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Figure No. 4.15

Non- Performing Loan and Total Assets of ADBL

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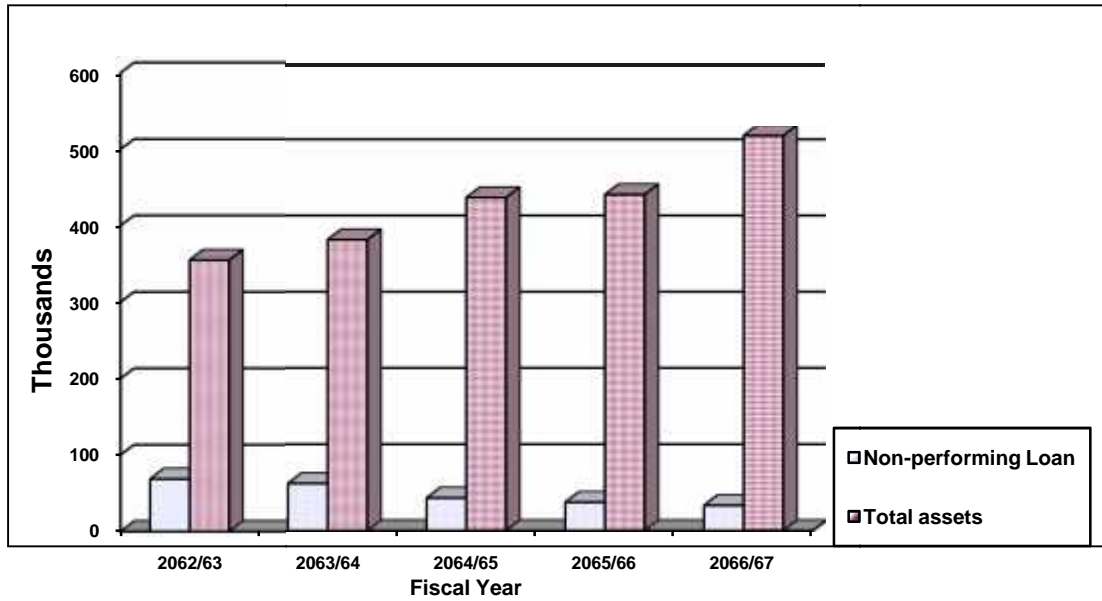
Source: Table No. 4.15

The table and figure above shows the ratio of risky assets. As per the prevailing Directives of NRB, the loan will be non-performing if it do not serve for more than three months. The higher ratio is 19.32% in FY 2062/63 and lower is 6.39% in FY 2066/67. It implies that 19.32% of assets is unproductive. Lower the ratio is preferable. The ratio is higher in all the years. However, it is a positive note that the ratio is in decreasing trend.

iv) Loan Loss Provision to Total Loan

This ratio shows the relationship between loan loss provision and total loan outstanding. As per the latest Directives issued by NRB the loan are categorized into 4 categories and has to make provisioning as follows:

Loan type	Loan Loss Provisioning
Pass Loan	1%
Sub- Standard	25%
Doubtful	50%

Bad   100%

LLP have a direct negative impact on the profit of the bank. To mitigate the repayment risk of deposit holder, bank has to make separate fund of provisioning. Quantum of provisioning is determined in accordance with the default period as mentioned above.

The following table and chart presents the loan loss provision, total loan and loan loss provision to total loan ratio of ADBL.

Table No. 4.16

Loan Loss Provision, Total Loan and LLP Ratio

(In Lakh)

Year	Loan Loss Provision	Total Loan	Ratio (%)
2062/63	84098	333107	25.25
2063/64	71880	344403	20.87
2064/65	60152	366047	16.43
2065/66	56980	383011	14.88
2066/67	57059	395828	14.42
Average			18.37

Source: ADBL Annual Reports, 2012

Figure No. 4.16

Loan Loss Provision and Total Loan of ADBL
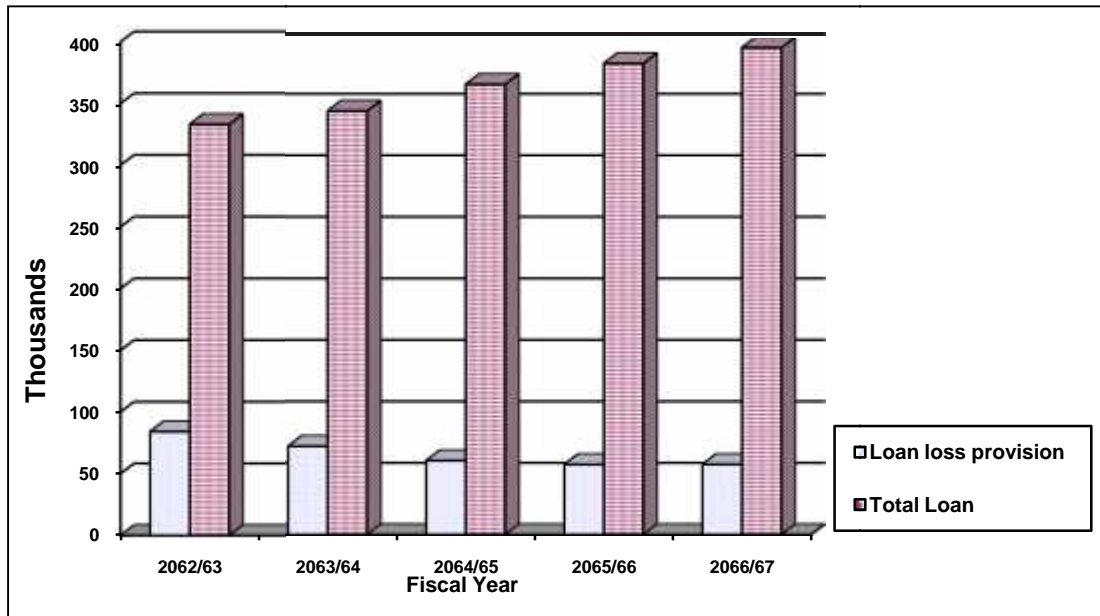
Source: Table No. 4.16

From above table, we know that the ratio is at a higher level in FY 2062/63 then decreasing every year. The highest ratio is 25.25% in FY 2062/63 and lowest is 14.42% in FY 2066/67. The ratio is much higher than the industry average in all the years of study period. There is no choice for 1% provisioning of good loan, however, the ratio can be minimize decreasing the additional provisioning (i.e. 25% to 100%).

F) Repayment Rate

Repayment rate is the most important indicator which presents the real picture of overall performance. This rate can be calculated with the help of other indicator. Repayment rate shows the relationship between total collection (principle collection and interest collection) and total collection, interest receivable and total overdue amount. This has been made as the main indicator to measure the performance of every branch as well as every program oriented offices of the ADBL. This ratio shows the relation between principle collection, interest

collection and interest receivable and outstanding overdue. The main theme of this ratio is to show the condition of overdue outstanding and interest receivable. Overdue amount and interest receivable is the driver to the main income as principle collection and interest collection. In past (some years ago) repayment rate has been made a vital source to measure the performance of the respective offices. Nowadays, it is a main indicator along with the non-performance assets. Every branches of the ADBL is trying to improve their repayment rate by reducing the overdue amount and interest receivable. They try to collect such type of overdue amount and interest receivable. Collection of overdue amount and interest receivable will reduce the overdue amount. Reduction of overdue amount and interest receivable is the symptoms of decrement of NPL and NPI.

4.2 Statistical Analysis

Statistical tool is one of the important tools to analyze the data. There are various tools for the analysis of tabulated data such as mean, standard deviation regression analysis, correlation analysis, trend analysis, trend analysis, various types of tests etc. But only trend analysis is used for convenient statistical tool in this thesis study.

4.2.1 Trend Analysis of Loan Investment

In this topic the trend values of loan investment for different years have been calculated. The table shows trend and actual values of loan investment for five fiscal years from 2062/63 to 2066/67.

Table No. 4.17

Trend Value of Loan Investment

(In Ten Million)

Year	Year (X)	Trend Value	App. Trend	Actual Value
2062/63	1	2849.8	2850	3044
2063/64	2	3241.7	3242	2928
2064/65	3	3633.6	3634	3633
2065/66	4	4025.5	4026	4191
2066/67	5	4417.8	4418	4372
2067/68	6		4809	
2068/69	7		5201	

Note: FY 2067/68 to 2068/69 is forecasted value.

Investment Y = 2457.90 + 391.90 X

Source: ADBL Annual Reports, 2012

Figure No. 4.17

Trend Value of Loan Investment
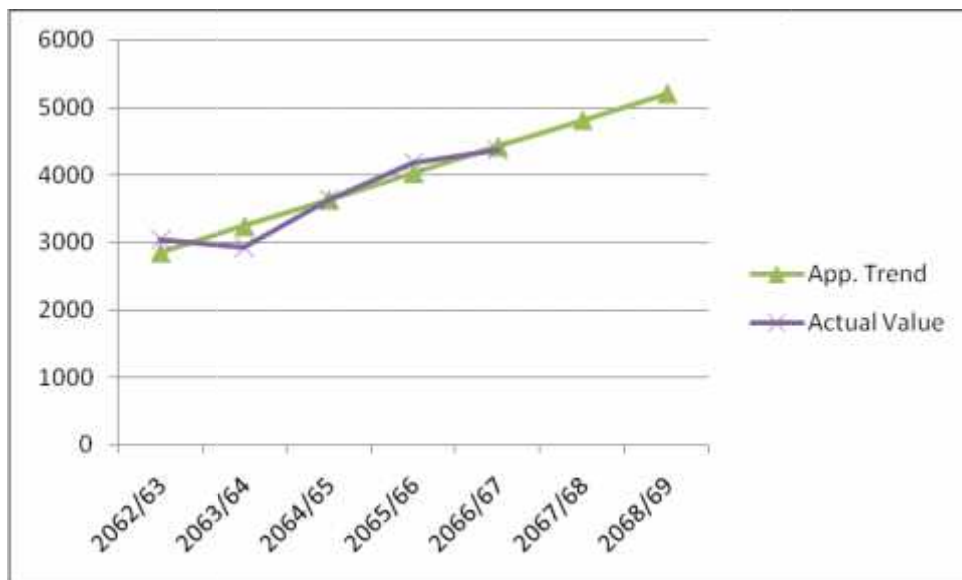
Source: Table No. 4.17

The above Table No. 4.29 and figure shows that the investment is in increasing trend and the actual value is also in increasing trend. The investment of ADBL is Rs. 3,044 Million and Rs. 4,372 Million in FY 2062/63 and 2066/67 respectively.

From the above analysis it is found that the lending position of ADBL is better because the calculated trend values of investment are fitted in trend lines. The trend line is upward sloping.

In this topic the trend values of investment for five fiscal years have been calculated. The given table shows trend and actual value of investment on loan for five years from 2062/63 to 2066/67.

4.2.2 Trend Analysis of Principal Collection

In this topic the trend values of principal collection for different years have been calculated. The table shows trend and actual values of principal collection for five fiscal years from 2062/63 to 2066/67.

Table No. 4.18

Trend Value of Principal Collection

(In Ten Million)

Year	Year (X)	Trend Value	App. Trend Value	Actual Value
2062/63	1	2675.4	2675	2858
2063/64	2	3073.2	3073	2815
2064/65	3	3471	3471	3417
2065/66	4	3868.8	3869	4021
2066/67	5	4266.6	4267	4244
2067/68	6		4664	
2068/69	7		5062	

Note: FY 2067/68 to 2068/69 is forecasted value

Principal Collection Y = 2277.60 + 397.80 X

Source: ADBL Annual Reports, 2012

Figure No. 4.18

Trend Value of Principal Collection
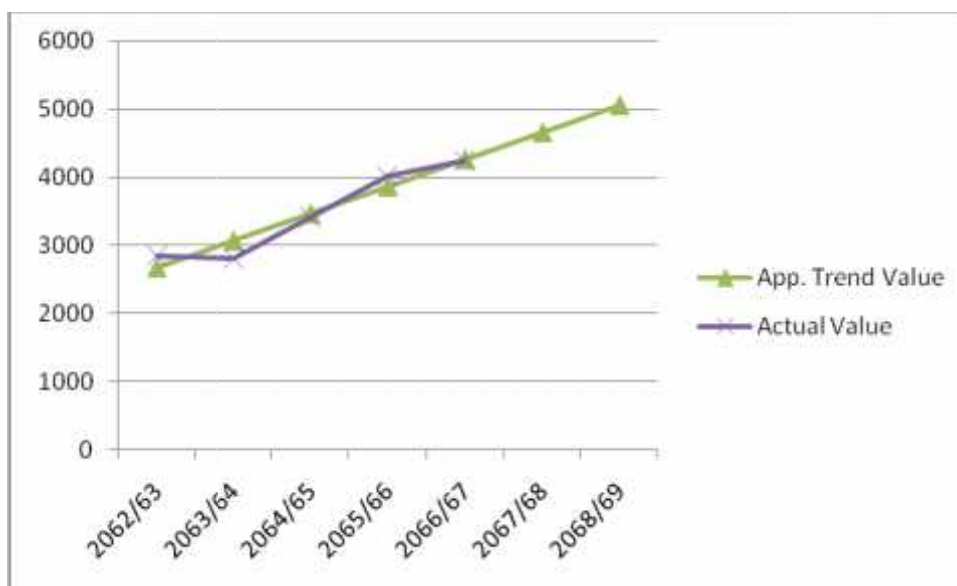
Source: Table No. 4.18

The above table and figure shows that the principal is in increasing trend. The actual value 2858 has reached increasingly up to Rs. 4244 from FY 2062/63 to 2066/67.

From the above analysis, ADBL's capacity of principal collection is better because the circulated trend value is upward slopping.

4.2.3 Trend Analysis of Total Loan

In this topic, the trend and actual values of Loan outstanding for seven years have been presented. The table shows trend and actual values of Loan outstanding for five years from FY 2062/63 to FY 2066/67.

Table No. 4.19

Trend Value of Total Loan

(In Ten Million)

Year	X	Trend Value	App. Trend Value	Actual Value
2062/63	1	3316.8	3317	3331
2063/64	2	3480.6	3481	3444
2064/65	3	3644.6	3645	3645
2065/66	4	3808.6	3809	3809
2066/67	5	3972.6	3793	3973
2067/68	6		4137	
2068/69	7		4301	

Note: FY 2067/68 to 2068/69 is forecasted value

Loan Outstanding $(Y) = 3152.60 + 164 X$

Source: ADBL Annual Reports, 2012

Figure No. 4.19

Trend Value of Total Loan
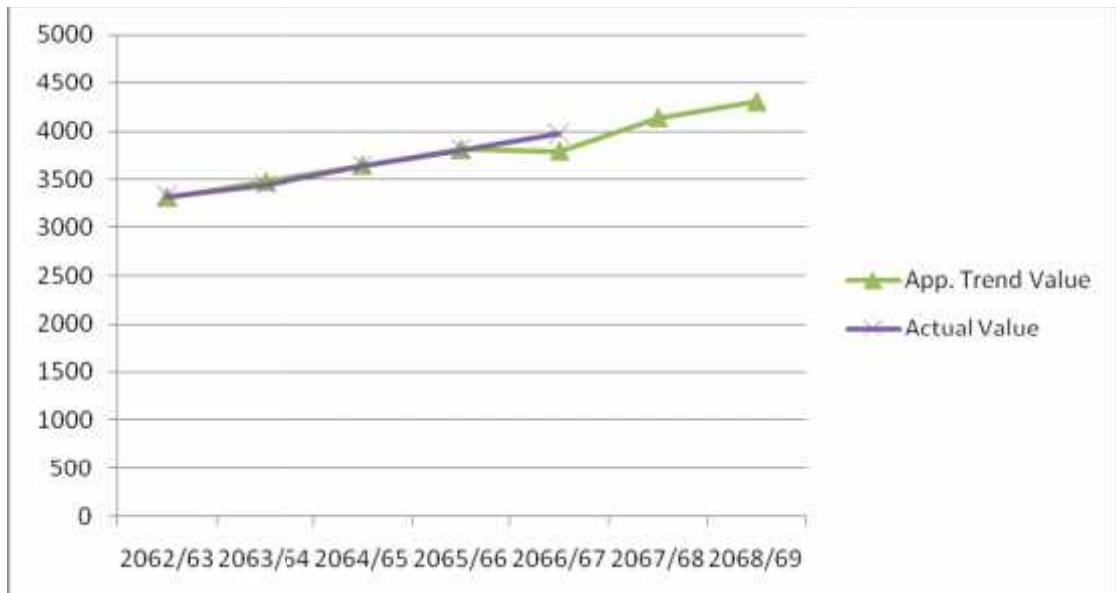
Source: Table No. 4.19

The above table 4.19 and graph shows that the Loan outstanding of ADBL's actual value is in increasing trend. Similarly, Loan outstanding of trend value is also in increasing trend.

The Loan outstanding in actual is Rs. 3331 in FY 62/63. The value is in increasing trend. It increases continuously to Rs. 3958 in FY 2066/67. Also, the trend value has increased from Rs. 3317 to Rs. 3973.

From the above analysis, loan investment is increasing per year because the trend line shows which is drawn after calculated values give upward slopping line.

4.2.4 Trend Analysis of Non-performing Interest Receivable

The trend values of interest receivable for 6 years have been calculated. The table shows trend and actual values of interest receivable for five years from FY 2062/63 to FY 2066/67.

Table No. 4.20

Trend Value of Non-Performing Interest Receivables

(In Ten Million)

Year	X	Trend Value	App. Trend Value	Actual Value
2062/63	1	674.2	674	691
2063/64	2	563.3	564	576
2064/65	3	453	453	433
2065/66	4	341.6	342	278
2066/67	5	231	231	287
2067/68	6		121	
2068/69	7		11	

Note: FY 2067/68 to 2068/69 is forecasted value

Non-Performing Interest Receivables (Y) = 784.80 + (-110.60) X

Source: ADBL Annual Reports, 2012

Figure No. 4.20

Trend Value of Non-Performing Interest Receivables
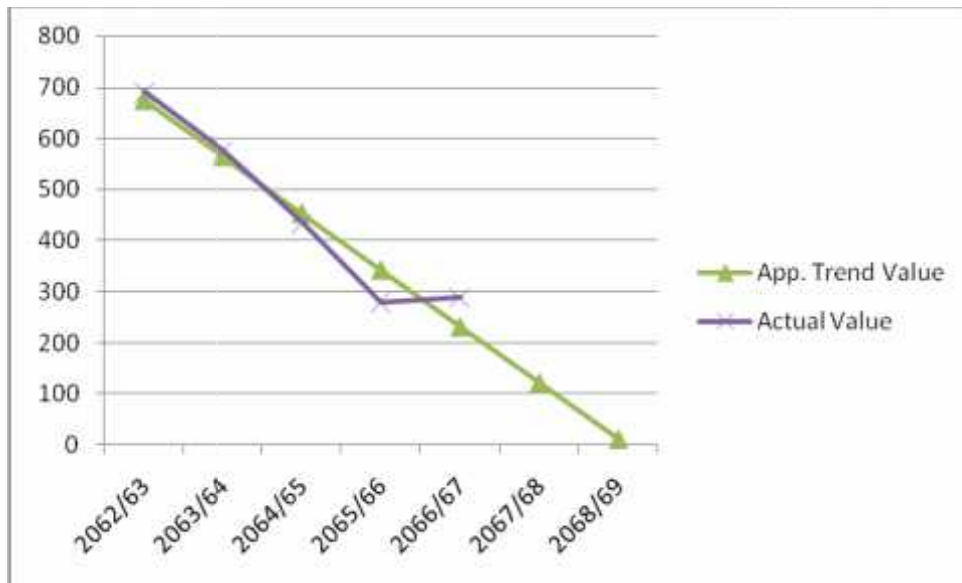
Source: table No. 4.20

The above table 4.20 and figure shows the interest receivable is in increasing trend in both values.

Interest receivable of ADBL in actual value is decreased from Rs. 691 to Rs. 287 in FY 2062/63 and 2066/67 respectively. Similarly, trend value is also in increasing trend. It becomes Rs. 231 from Rs. 674.

From the above analysis, interest receivable decreases every year which can be seen from trend line. This means that the bank is able to collect the interest timely. It takes little much time to collect interest.

4.2.5 Trend Analysis of Net Profit after Tax

The trend values of Net Profit for five years have been presented here. The table shows trend and actual values of Net Profit for five years from FY 2062/63 to 2066/67.

Table No. 4.21

Trend Value of Net Profit after Tax

(In Ten Million)

Year	X	Trend Value	App Trend Value	Actual Value
2062/63	1	97.06	97	35
2063/64	2	98.73	99	105
2064/65	3	100.4	100	67
2065/66	4	102.04	102	106
2066/67	5	103.74	104	189
2067/68	6		106	
2068/69	7		108	

Note: FY 2067/68 to 2068/69 is forecasted value

Net Profit (Y) = 95.39 + 1.67 X

Source: ADBL Annual Reports, 2012

Figure No. 4.33

Trend Value of Net Profit after Tax
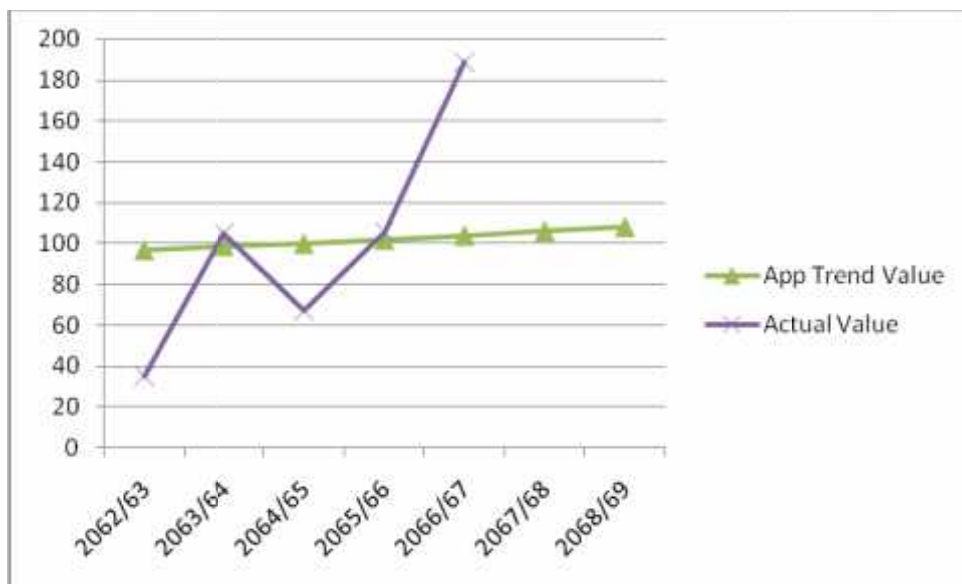
Source: Table No. 4.21

The above table 4.21 and figure shows the Net Profit of the ADBL. The trend value is in decreasing trend and there is a fluctuation in actual value.

Net Profit of ADBL in actual is Rs. 35, Rs. 105, Rs. 67, Rs. 106 and Rs. 189 in FY 2062/63, 2063/64, 2064/65, 2065/66 and 2066/67 respectively. Whereas the trend values are Rs. 97, Rs. 99, Rs. 100, Rs. 102 and Rs. 104 in FY 2062/63, 2063/64, 2064/65, 2065/66 and 2066/67 respectively.

From the above analysis, we know that the total income is greater than total expenditure. Decrement in total income shows that there is profit occurs. Increasing trend value of Net Profit shows good image of ADBL.

4.2.6 Trend Analysis of Total Deposit

Here, the effort has been made to calculate the trend value of ADBL for five years from FY 2062/63 to 2067/68.

Table No. 4.22

Trend Value of Total Deposit

(In Ten Million)

Year	X	Trend Value	App. Trend Value	Actual Value
2062/63	1	3075.8	3016	2963
2063/64	2	3160	3160	3241
2064/65	3	3244.2	3244	3255
2065/66	4	3328.4	3328	3515
2066/67	5	3412.6	3413	3247
2067/68	6		3497	
2068/69	7		3581	

Note: FY 2067/68 to 2068/69 is forecasted value

Total Deposit (Y) = 2991.60 + 84.20 X

Source: ADBL Annual Reports, 2012

Figure No. 4.22

Trend Value of Total Deposit
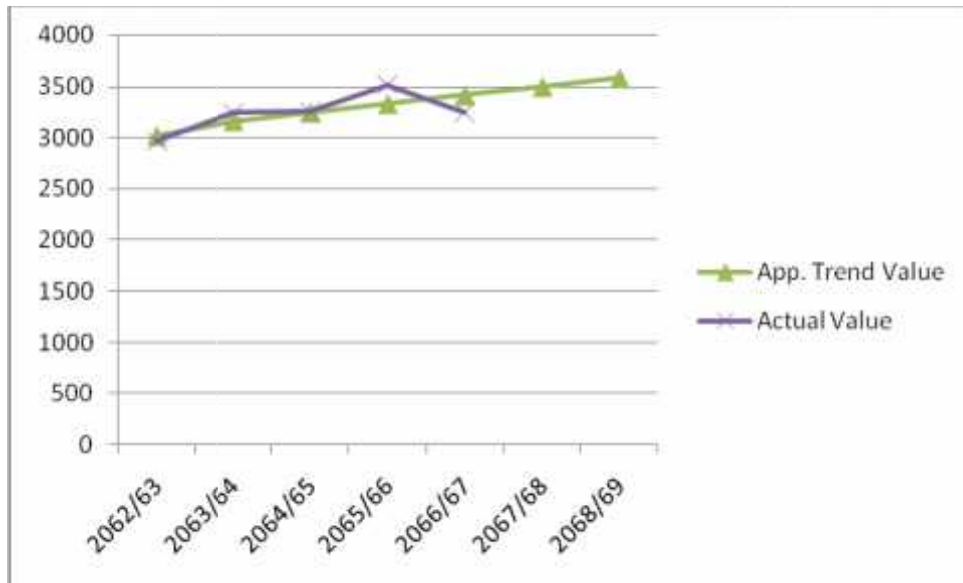
Source: Table No. 4.22

The above table and figure 4.22 shows that total deposit of ADBL. The actual value deposit is in increasing trend. The deposit in trend value is increasing per year.

The total deposit increased from Rs. 2963 to Rs. 3247 in FY 2062/63 and 2066/67 respectively. Whereas trend value of total deposit is also increasing from Rs. 3016 to Rs. 3413 in FY 2062/63 and 2066/67 respectively.

From the above trend analysis, what we can say is that ADBL's deposit collection position is better than before. Still people have a good faith towards the government bank.

4.2.7 Trend Analysis of Loan Loss Provision

Under this topic, effort has been made to analyze the loan loss provision of ADBL for five years from 2062/63 to 2066/67.

Table No. 4.23

Trend Value of Loan Loss Provision

(In Ten Million)

Year	X	Trend Value	App. Trend Value	Actual Value
2062/63	1	798	798	841
2063/64	2	728.9	729	718
2064/65	3	659.8	660	601
2065/66	4	590.7	591	569
2066/67	5	521.6	522	570
2067/68	6		453	
2068/69	7		384	

Note: FY 2067/68 to 2068/69 is forecasted value

Loan Loss Provision (Y) = 867.10 + (-69.10) X

Source: ADBL Annual Reports, 2012

Figure No. 4.23

Trend Value of Loan Loss Provision
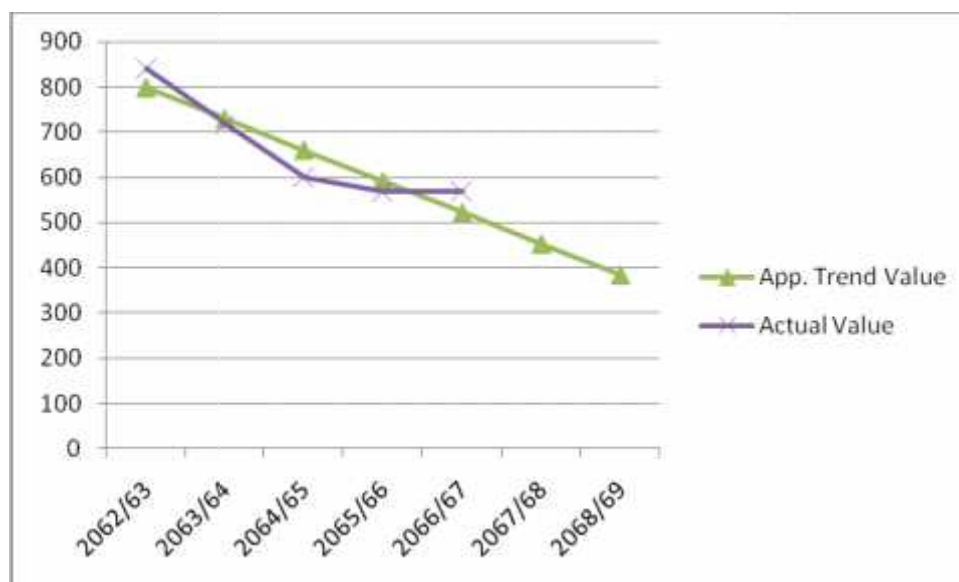
Source: Table No. 4.23

According to the table, the loan provision of ADBL is in decreasing trend in both values (i.e. Actual and Trend Value). The loan loss provision of ADBL in actual

79

value is decreased from Rs. 841 to Rs. 570. Similarly, the loan provision in trend value decreased year by year from Rs. 798 to Rs. 522.

Decrement of loan loss provision of bank is favorable. In case of increasing trend the bank should evaluate the financial strength of its borrowers more meticulously to identify the possibility of risk before granting the loans.

4.2.8 Trend Analysis of Long Term Debt

Under this topic, an attempt has been made to analyze total long term debt of the bank for five years from 2062/63 to 2066/67.

Table No. 4.24

Trend Value of Long Term Debt

(In Ten Million)

Year	X	Trend Value	App. Trend Value	Actual Value
2062/63	1	46.8	47	34
2063/64	2	37.8	38	22
2064/65	3	28.8	29	20
2065/66	4	19.8	20	19
2066/67	5	10.8	11	25
2067/68	6		2	
2068/69	7		-7	
2069/70	8		-16	

Note: FY 2067/68, 2068/69 and 2069/70 are forecasted value

Long Term Debt (Y) = 55.80 + (-9) X

Source: ADBL Annual Reports, 2012

Figure No. 4.24

Trend Value of Long Term Debt

Source: Table No. 4.24

The above table and figure reveals that the long term debt in actual value of ADBL is in decreasing trend. The trend value of long term debt is in decreasing trend. The long term debt in actual value reaches to Rs. 25 from Rs. 34 from FY 2062/63 to 2066/67. Similarly, the trend value also decreases from Rs. 47 to Rs. 11 in FY 2062/63 to 2066/67.

The decreasing trend of long term debt means that the bank is able to reduce its external loans or borrowings from outsiders.

4.2.9 Trend Analysis of Shareholders Equity

The trend values of shareholder's equity for seven years have been presented under this topic. The table shows trend and actual of shareholders equity from FY 2062/63 to 2066/67.

Table No. 4.25

Trend Value of Shareholder's Equity

(In Ten Million)

Year	X	Trend Value	App. Trend Value	Actual Value
2062/63	1	717	717	648
2063/64	2	808.5	809	753
2064/65	3	900	900	1078
2065/66	4	991.5	992	1078
2066/67	5	1083	1083	943
2067/68	6		1174.5	
2068/69	7		1266	

Note: FY 2067/68 to 2068/69 is forecasted value

Shareholder's Equity (Y) = 625.50 + 91.50 X

Source: ADBL Annual Reports, 2012

Figure No. 4.25

Trend Value of Shareholder's Equity
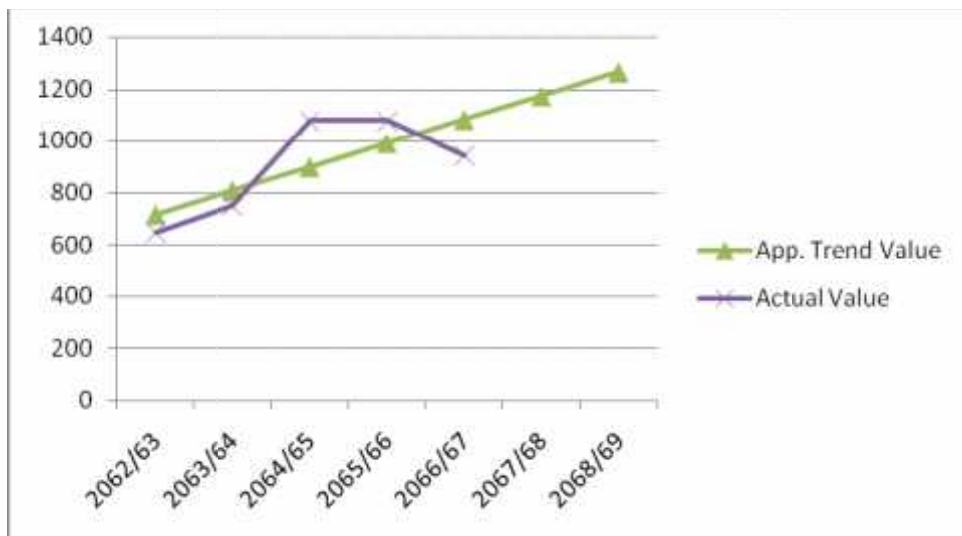
Source: Table No. 4.25

The above table and figure shows that the shareholder's equity in actual value is in increasing trend but it decreased in FY 2066/67. The shareholder's equity in trend value is also is in increasing trend. It increased in actual value 648 from 1078 in FY 2062/63 and 2065/66 respectively. The trend value also increased from 717 to 1083 in FY 2062/63 and 2066/67.

4.2.10 Trend Analysis of Non Banking Assets (NBA):

In this topic, the trend value of NBA has been calculated. The table shows trend and actual values of NBA for five different years from FY 2062/63 to 2067/68.

Table No. 4.26

Trend Value of Non-Banking Assets

(In Ten Million)

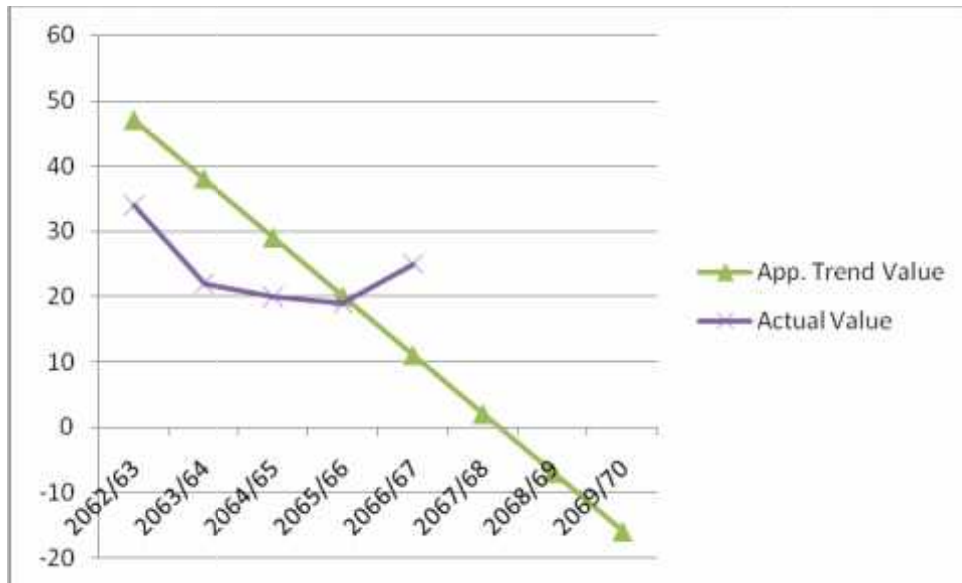| Year	X	Trend Value	App. Trend Value	Actual Value
2062/63	1	108.4	108	101
2063/64	2	88.2	88	94
2064/65	3	68	68	75
2065/66	4	47.8	48	46
2066/67	5	27.6	28	24
2067/68	6		8	
2068/69	7		-12	
2069/70	8		-22	

Note: FY 2067/68, 2068/69 and 2069/70 are forecasted value

Non-Banking Assets (Y) = 128 + (-20.20) X

Source: ADBL Annual Reports, 2012

Figure No. 4.26

Trend Value of Non-Banking Assets
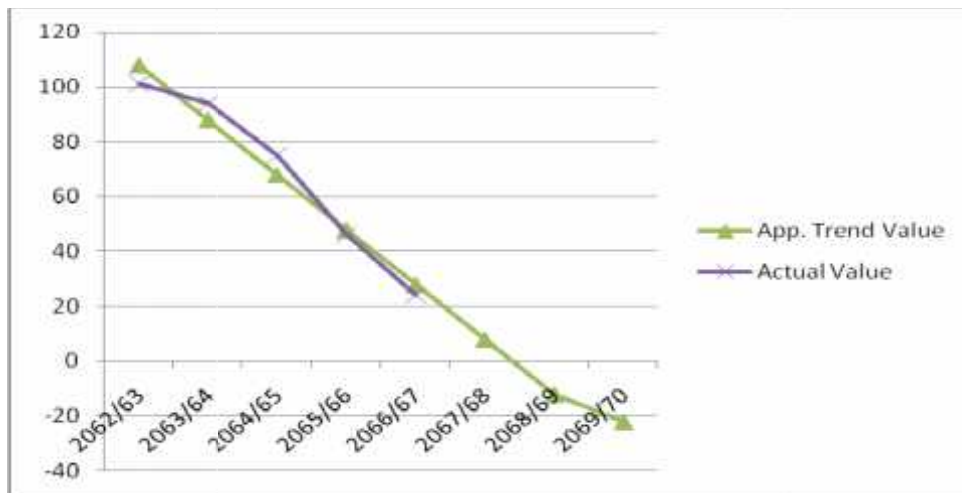
Source: Table No. 4.26

Above table 4.38 and figure both show the non banking assets are in decreasing trend value. NBA of ADBL in trend value decreased from Rs. 108 to Rs. 28. The actual values are Rs. 101, Rs. 94, Rs. 75, Rs. 46 and Rs. 24 in FY 2062/63, 2063/64, 2064/65, 2065/66 and 2066/67 respectively. Whereas the trend values are Rs. 108, Rs. 88, Rs. 68, Rs. 48 and Rs. 28 during FY 2062/63, 20633/64, 2064/65, 2065/66 and 2066/67 respectively.

Decrement in NBA is a good signal for the bank. It indicates the good image of ADBL. It means that the bank is able to collect the loan easily and its interest in time which and no need to take over the collateral of loan as NBA which turns into goodwill year to year. This is a pleasant position of the bank.

4.2.11 Trend Analysis of Bank Commission and Discount

Here, the effort has been made to calculate the trend values of bank commission and discount of ADBL for five years from 2062/63 to 2066/67.

Table No. 4.27

Trend Value of Bank Commission and Discount

(In Ten Million)

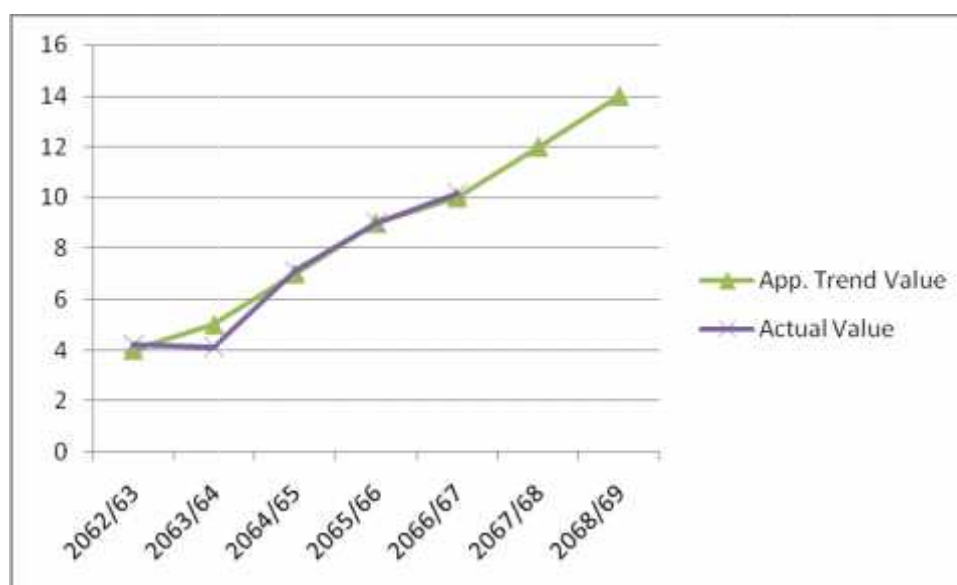| Year	X	Trend Value	App. Trend Value	Actual Value
2062/63	1	3.56	4	4.2
2063/64	2	5.23	5	4.1
2064/65	3	6.91	7	7.11
2065/66	4	8.59	9	9
2066/67	5	10.27	10	10.17
2067/68	6		12	
2068/69	7		14	

Note: FY 2067/68 to 2068/69 is forecasted value

Bank Commission & discount (Y) = 1.87 + 1.68 X

Source: ADBL Annual Reports, 2012

Figure No. 4.27

Trend Value of Bank Commission and Discount

Source: Table No. 4.27

The above table and figure shows the increasing in both trend and actual value. The actual value increase Rs. 10.17 from Rs. 4.2 in FY 2066/67 and 2062/63

respectively. The trend value is Rs. 4, Rs. 5, Rs. 7, Rs. 9 and Rs. 10 in FY 2062/63, 2063/64, 2064/65, 2065/66 and 2066/67 respectively.

4.3 Major Findings of the Study

The presentation and analysis of data provides the clear picture in terms of financial strengths and weakness of the bank is concluded with the help of analysis and interpretation. In order to find out the stated objective of this study, the liquidity ratio, assets utilization ratio, non-performing assets ratio, repayment rate and various statistical tools like trend analysis, mean, standard deviation and C.V. has been calculated.

The major findings of the study are summarized as:

1) Liquidity Ratio

From the above research study, following findings are drawn on the liquidity position of ADBL.

⟩ The current assets are increasing gradually for whole period of the study. The current liability is also increasing in FY 2062/63 to 2065/66 but little decrease value in 2066/67 with the comparison of FY 2064/65.

⟩ Current ratio range is from 1.50 to 1.04. The average current ratio is 1.24. The quick ratio is in fluctuation position. The ratio is 1.3, 1.08, 1.21, 1.34 and 1.47 in FY 2062/63, 2063/64, 2064/65, 2065/66 and 2066/67 respectively. The average ratio is 1.28.

⟩ The cash and bank balance and total deposit in Increasing in FY 2062/63 and 2065/66 but it remain decreasing per year. The value of cash and bank balance increased from Rs. 477717 to Rs 522024. And, the deposit increased to Rs. 351596 from 296318.

2) Operating Ratio/ Assets Utilization

ʃ Total value of total operating income to total assets is in fluctuating trend. The highest assets turnover ratio is 8.65 % in FY 2063/64 and the lowest ratio is 6.30 % in FY 2064/65 with the average ratio of 7.88 %.

ʃ The investment to total deposit is increasing trend besides in FY 2064/65. In FY 2064/65 the ratio is 14.61%. The ratio is increased to 13.98% in FY 2066/67 for 5.10% in FY 2063/64. The average ratio is 11.48 %.

ʃ The Loan and advances to total deposit ratio is in increasing trend. The maximum ratio is 85.58 % in FY 2066/67 and lower ratio is 74.75% in FY 2062/63. The calculated average ratio is 81.63%.

ʃ Total operating income increased to Rs. 43,773 in FY 2066/67 from Rs. 28,037 in FY 2062/63. There is an increasing relationship between total operating income to total assets ratio. The highest ratio is 8.45 % and the lowest one is 6.30 % in FY 2062/63 and FY 2064/65 respectively. The average ratio is 7.88 %.

ʃ The interest paid on total deposit has increased from Rs. 10,220 to Rs. 13,789 in FY 2062/63 and 2066/67. But there is a fluctuation in the interest paid on total deposit ratio. The highest ratio is 35.96% in FY 2063/64 and the lowest one is 27.45 % in FY 2064/65 with the ratio is 31.62 %.

ʃ The interest paid on borrowings is decreased to Rs. 44 from 1603 in FY 2062/63 and 2065/66. The interest paid on borrowings to total expenses ratio is decreasing. The highest ratio is 4.62 % and the lowest one is 0.11 % and the average ratio is 1.62 %.

ʃ The value of interest expenses and the interest income has increased year by year. The interest expenses to interest income ratio is increasing. The

highest ratio is 41.431 % and the lowest ratio is 27.35% in FY 2064/65 and FY 2065/66 respectively. The average ratio is 33.36%.

3) Profitability Ratio

) Net profit after tax is increasing in study period. The maximum profit is Rs. 18,923 in FY 2066/67 and the minimum value is Rs. 3,535 in FY 2062/63. The return on assets ratio is 3.65 in maximum and 1.00 in minimum. The average ratio is 2.27. Profit maximization is the goal of commercial bank but for ADBL it has also responsibilities of providing service of development sector.

) Return on equity of the ADBL in five years period is in largely fluctuating trend. It ratio is negative by 42.32% in FY 2062/63 and highest by 83.14% positive in FY 2063/64. The common equity of the ADBL was Rs.-8,354 in FY 2062/63 and rehearses to Rs.108,675to 2066/67. The Return on Equity ratio is 11.67, 10.24, 17.41 and in FY 2064/65, 2065/66 and 2066/67 respectively. The average ratio is 26.03.

) The profit margin of the bank is in fluctuating trend. The highest ratio is 43.23 in FY 2066/67 and lowest is 12.61 in FY 2062/63.The average ratio is 28.37. Total operating income during five years period is in increasing trend. It increases every year. The value of operating income is Rs. 28,036 from Rs. 43,773 in FY 2062/63 to 2066/67. Net profit after tax to total operating income ratio is 12.61, 32.08, 24.46, 29.60 and in FY 2062/63, 2063/64, 2064/65, 2065/66 and 2066/67 respectively. The average ratio is 28.37.

) The ratio of interest income in relation to interest earning assets is in fluctuation trend. But in FY 2064/65, it decreased then after it increased. The Interest earning assets increases to Rs. 441,228 in FY2066/67 from 334,618 in 2062/63. The calculated highest ratio is 8.97% and the lowest one is 5.61%. The average ratio is 7.48 %.

⟩ The interest spread of ADBL is in fluctuating in the period of study. The ratio are 6.95%, 7.39%, 4.57%,6.52% and 7.78% in FY 2062/63, 2063/64, 2064/65 2065/66 and 2066/67 respectively.

4) Risk Ratio/Credit Quality Ratio

⟩ The non-banking asset is in decreasing trend so the ratio is also decreasing. The highest ratio is 2.83 % and the lowest is 0.46 % in FY 2062/63 and 2066/67 respectively. The average ratio is 1.71 %.

⟩ The NPL to total loan ratio is decreasing. The value of NPL is decreasing and the value of total loan is increasing. The highest ratio is 20.59% in FY 2062/63 and the lowest is 8.36 in FY 2066/67

⟩ The non-performing loan to total assets ratio is also in decreasing per year. This ratio was 19.32% in FY 2062/63 and reaches to 6.39% in FY 2066/67. The value of NPL is decreasing to Rs.33093 from Rs. 68590 and from FY 2062/63 to FY 2066/67 the value of total assets is increasing.

⟩ The loan loss provision is decreased to Rs. 57,059 from Rs. 84,098 from FY 2062/63 to FY 2066/67. The highest ratio is 25.25 % and the lowest is 14.41 % in FY 2062/63 and FY 2066/67. The average ratio is 18.41%.

5) Findings of Trend Analysis

⟩ It is found that the lending position of ADBL is better because the calculated trend values of investment are fitted in trend lines. The trend line is upward sloping.

⟩ ADBL's capacity of principal collection is better because the calculated trend value is upward sloping.

⟩ Loan investment is increasing per year because the trend line shows which is drawn after calculated values gives upward sloping line.

⟩ Interest receivable is decreasing per year but the trend line shows downward sloping per year which can be seen from trend line. This means that the bank is able to collect the interest timely.

⟩ Total income is increasing expect one year less than total expenditure. Little much incensement in total income shows that there is profit occurs. Increasing trend value of Net profit shows good image of ADBL.

⟩ The ADBL's deposit collection shows a good image of ADBL.

⟩ Decrease loan loss provision of bank is favorable. If increase occurs the bank should evaluate the financial strength of its borrowers more meticulously to identify the possibility of risk before granting the loans.

⟩ The decreasing trend of long-term debt means that the bank is able to reduce its external loans or borrowing from the outsiders.

⟩ The shareholder's equity in actual value is in increasing trend.

⟩ Decrease of NBA is a good signal for the bank. It indicates the better image of ADBL. It means that the bank can easily collect the loan and its interest in time which turns goodwill to year. This shows good position of the bank.

⟩ The increasing value of trend value and the fluctuating of actual value.

CHAPTER –FIVE

SUMMARY, CONCLUSION & RECOMMENDATION

This chapter contains summary, recommendations & conclusions. Through this chapter every one can easily generate the thesis or can achieve for the betterment on their relative field.

5.1 Summary

Agricultural Development Bank Limited (ADBL) was established in 1968 with the major objectives of improving the socio-economic status of rural populace. With the enactment of Bank & Financial Institution Ordinance (BAFIO), ADBN Act 1967 replaced or the operation of ADBL is now governed by BAFIO. Concurrently with its commercialization restructuring process ADBL has established itself as a Public Limited Company with an A class operational license from Nepal Rastra Bank. This new identify provides ample opportunities for the bank to reach under coverage areas with more potentiality for full banking activities. Further the bank has broaden its range of credit services or provides all facilities to meet the entire banking needs of the enterprise or the household purely need of the feasibility of the ventures or the repayment capability of the borrowers.

Prior to the establishment of ADBL in 1968, co-operative bank established in 1963 was considered as the prime institution providing agricultural credit.

ADBL as a major socio-economic development agent shows a high propensity to concentrate on some targeted credit programs to uplift the poor out of economic hardships in the form of Small Farmers Development Program (SFDP). This program was introduced with the major objectives of uplifting the socio-economic condition of the rural populace. Later in 1993, ADBL initiated farmers co-operative approach by transferring SFDP into the Small Farmers Co-operative Limited (SFCL) as a graduation process. This approach

was initiated with the view of strengthening institutional management capacity to implement SFDP.

In 1984, the amendment in the act permitted ADBL to extend commercial banking activities to mobilize urban resources in the rural areas. Following this, ADBL became the sole financial institution in the country executing its business activities in three areas named Development Financing, Commercial Banking, or Small Farmers Development Program by strengthening its network in all geographical regions- The Mountains, the Hills or the Terai. Since 1987, the bank changed its policy to overcome the problem of NPL or to concentrate loan investment to sectors or regions with an economic potential. However the adopted measures did not significantly improve the economic situation of the banks problem related to the loan portfolio quality, high overhead costs, tight liquidity or a still low collection performance remained in the reform agenda.

The researcher has identified the research problem or set the objectives to solve research problems, performance of ADBL. The other objectives of the study is to identify the financial position or strength or investment activities of ADBL to evaluate the financial performance in terms of the liquidity, profitability, leverage or assets utilization as well as non-performing assets of ADBL. Similarly, the objective of the study is trend of financial position of ADBL.

In this present context of information or technology generation, financial institutions are facing high competition. With the Umbrella Act of Nepal Rastra Bank all financial companies or bank turn themselves as rivals. Facilities out of facilities they are providing to the customers. The strong banks are running successfully while weak banks are declining. So with the various analysis or assumptions presented in this thesis, bank or the researcher could get the benefits.

With the help of ratio analysis we can reveal various performance or status of the bank. Similarly, with the help of trend analysis future conditions can be predicted. While income or expenses analysis reveals the banks operating

income as well as operating expenses to compare. Today treasury operation in banking industry has become a key issue. With the treasury operation analysis in a single tabulation can reveal the core money generation of the various strength banks while weak banks can gain knowledge.

To make this study effective, related literatures have been reviewed. The review of literature provides the foundation of knowledge in order to undertake this research more precisely. The study is based on secondary data. This data required for the analysis are retained from the research paper, related articles, annual journals, annual reports or financial statements of ADBL. Some of the information are collected from the various publication of bank.

Various processes or methods are applied in this study. Similarly, various financial tolls as ratio (Liquidity ratio, Capital Structure Ratio, Profitability Ratio, Operating Ratio, Non-Performing Assets Ratio or Repayment Rate) or Statistical tools i.e., mean, standard deviation, c.v., or trend analysis are used to achieve the objectives of the study. The analysis of data is done according the pattern available.

By the study of above financial or statistical tools, we can conclude that the performance of financial position is not better. There are various signs of improvement due to the two phases of reform, which the bank has implemented recently. Though the profit seems to be decreasing, it is due to the system that the bank has started the system of keeping provisions for any risk able debts or also it is due to the fact that the bank has recently changed the system of profit calculation from accrual basis. So the decreasing of profit is obvious for sometime which finally liberates profit to institution or also gives long time sustainability. Similarly, the profit based productive investment has been gradually increasing which may be fruitful to the institution in future.

ADBL cannot meet its target as its expectation because the mobilization of budget is not formulated by proper way in proper time. The investment is very high or repayment rate is very low or the collection procedure is also slow.

5.2 Conclusion

Agricultural Development Bank Limited played a vital role in banking sector of the economy; it is the intermediary between the deficit and surplus of financial resources. It is a pillar of the economic system of the country. Many of the bankers are of the view that political instability in the country is mainly responsible for the decline of lending opportunities. Few banks ascribed it to the economic crises that occurred in Asia-Pacific region. Banks are more concerning investment towards foreign banks.

Through this thesis, the researcher has reached to the certain conclusions as follows:

-) Analysis of liquidity ratio indicates that the liquidity position of the bank is average. The average liquidity position is 13.42 % which is satisfactory to refund the customers money by cash or bank balance in prevailing withdrawal trend. However, the average current ratio is 1.25:1. The standard ratio is 2:1 which shows that the existing current assets could not be able to meet the current liabilities.

-) The normal standard of quick ratio is 1:1 it seems it has been duly maintained in the past years. The average of quick ratio is calculated 1.19:1 all the five years ratio is above than the normal standard, it is satisfactory as the current liability is in better position. ADBL is almost government bank so it is maintaining the norms of Nepal Rastra Bank for liquidity management.

-) The major source of operating income of ADBL is income from interest on loan or other commission. In the context of ADBL, profit is increasing per year so the ratio of operating income to expenses is lower.

- The investment to total deposit is increasing trend; it is a good to maintain better portfolio of investment and loan and advances.

- The Loan and advances to total deposit ratio is in increasing. The ratio needs to limit within 80%.

- Though the profit of last studied year has increased dynamically it is due to the bank's policy of account keeping system. This account keeping system has changed from accrual basis to cash basis.

- The total expense is increasing due to keeping loan loss provision following the reform rule of NRB. This is good in long-term view as the provision makes the institutions sustainable for any kind of risk.

- A constant profit margin is to be desired, which helps for the steady growth of the bank.

- The interest spread is the measuring rod of the profitability of the banking industries. ADBL should increase the interest spread.

- From the study of non-banking assets to total assets ratio, the researcher found that the ratio is decreasing, which means the bank could be able to dispose of the NBA.

- Similarly, overdue, non-performing loan or non-performing interest is in decreasing trend, which also shows the productive investment of earlier days.

Finally the decrease of non-banking assets, non-performing loan or non-performing interest is better for the organization. Non collection from this type of assets force the bank to keep the provision which increases the expenditure of the bank or finally the expenditure increases the overall profit of the organization. Thus the stock of non-performing assets may bring a financial or economic loss.

5.3 Recommendation

From the study of financial statements or financial analysis of the bank the following suggestions or recommendations, in particular are made to improve the weaknesses of the bank or its performance efficiency in the years to come. The recommendations have been classified as: Specific recommendations and general recommendations.

A. Specific Recommendations: The followings are the specific recommendations to ADBL for the further improvement of financial performance.

1. Better liquidity position

Generally banks have to maintain adequate liquid assets to fulfill the banking activities or to catch banking opportunities but the current ratio of the bank is less than 2:1. The bank must identify the quality of current assets or current liabilities to maintain its own current ratio. Liquidity position of the bank is below standard. The liquidity position is affected by external or internal factors such as prevalent investment situation, Central Bank requirements and the growth position of the financial market, the ending policies, management capabilities, strategic planning or fund flow situation. Bank should maintain liquid assets to pay short-term obligations. So it is recommended to maintain sound liquidity position to the ADBL through proper holding of cash and bank balance.

2. Project base lending

To be success in this competitive banking environment, deposit must be utilized as loan or advances. Project base lending is very essential or regular observation of the investment has to be maintained. Return trend of the invested projects are very much important which leads the bank in a success or failure institution. Now, the nature of most of the ADBL projects are non-viable therefore further lending has to be project base with in depth analysis of repayment capacity.

3. Adequate Reserve or Provision

Reserve or provision for the distressed loan has to be maintained in coming days. Existing loan loss provision or other reserves are not adequate to keep bank neat or clean in financial viability.

4. Attracting much more deposits

ADBL is recommended to provide incentives for attracting new more fixed depositors because the bank is not able to collect more of fixed deposits as that of saving, current or other deposits.

5. Maintaining Net Interest Margin

Interest income is major source of the profitability. So it is to be maximized to obtain the optimum profit. Maximum profit maximizes the bank's internal capacity. Existing trends of net interest margin seems quite low. By investing in high yielding projects and attracting low cost deposits interest margin has to be maximized.

6. Financial position should be evaluated in time

The financial position of the corporation should be timely evaluated through other relevant financial or statistical tools. This types of analysis helps to identify the strengths or weakness of financial performance.

7. Management of NPA

Make NPA management division is very effective or full autonomy body division, which is recently established in bank own building. Bank has to perform the above mentioned information, guideline or suggestions to resolve the NPA.

Non-productive loan and advances, machinery or equipment has to be count as NPA. Regular recovery of principal and interest has to be made which helps to increase the profitability and performance of the bank. Non-productive equipments to be written off in time, it also create NPA.

The major chunk of NPA is occupied by the Non-performing loan (NPL) in banking industries. Level of NPL has to be maintained by regularizing the loan, managing the loan and recovery, restructuring & rescheduling the non-performing loan. Adequate provision as per the requirement of NRB directives has to be made for such type of assets. It helps to make the bank more complied and transparent.

8. Quick, Systematic or Attractive decision making procedure should be adopted

The decision making procedure is very slow in ADBL. Due to this the bank cannot achieve the advantages of opportunities. So, top management should provide more power to all branches. It makes them more responsible or accountable as their work.

9. Qualified or trained experts should be appointed

The bank should have qualified or trained experts who are the main brain of the bank to utilize the funds or assets more effectively or efficiently through which ADBL can maximize the profit earning capacity. Experienced or qualified experts should be secured for better expectation. Because from the analysis one is clear that all the expected values are taken as ad-hoc basis, which invites unnecessary expenses. So, the bank must prepare the highly qualified, dynamic or energetic personnel. Therefore, it would be better to open an own training center for the personnel.

B. **General Recommendations**: Similarly, the general suggestions or recommendations are made as follows.

1. The bank should develop itself as financially viable or sustainable institutions so that it can take the independent without intervention of the foreign donors. For this, bank activities especially the agricultural credit is to be provided to the marginalized farmers at negligible rate of interest directly to their own approach as a special privilege so that the interest or the principal can be easily or timely recovered by utilizing the loan in the direct observation of the bankers. But the rate of interest to the rich farmers or agro-businesses can be increased in considerable extent to give privilege to the poor.

2. All the un-reconciled transactions of all branches as well as the Central Office must reconcile in time so that the result of the activities becomes accurate or realistic.

3. The staffs of the banks should be minimized as its real requirement or rate of increment of administrative expenses should be reduced. The bank should regularly conduct the training or workshops to develop the existing manpower in different offices at different levels.

4. The bank should make necessary internal enquiry of the bank's staffs regularly to see the abuse of authority for any sort of involvement on corruption.

5. The unnecessary items of balance sheet as mentioned earlier i.e., the summary extracted from the auditors reports are to be corrected or cleared.

6. The investment in different development activities like real crops, cash crops, marketing a agricultural tools, irrigation, bio-gas, agricultural industries, horticulture, housing or other should be made on portfolio basis.

7. The bank should make necessary attempts to computerize in all banking operation to speed up the activities to provide services promptly on its all branches.

8. The bank should provide to its customers modernization in transactions like ATM, Internet Banking, Digital Banking Services, Card System or anywhere banking (i.e., American Express, Master Card, Visa, Discover, Smart Choice Technologies or diner club etc.), E-Banking etc in this competitive banking market. If ADBL provides these type of facilities to its customers, the bank should maximize the profit or it should be success to run its business in this competitive environment.

9. Finally to lead the development banking as well as commercial banking sector on one hand or to satisfy the agricultural needs of the nation on the other, the bank should give high priority in equality services.

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APPENDIX – I

Agriculture Development Bank

BALANCE SHEET AS OF 2063, ASHAD END

Capital and Liabilities	This Year Amount	Previous Year Amount	Assets	This Year Amount	Previous Year Amount
Authorized Capital @ 100 per share	6,477,999.00	6,478,000.00	Cash Balance	746,812.00	680,844.00
Reserve & other fund	(7,313,358.00)	(7,666,882.00)	Bank Balance in NRB	3,018,299.00	1,730,302.00
Borrowing	513,532.00	3,589,298.00	Bank Balance in Other Bank	1,006,590.00	623,891.00
Deposits	29,631,818.00	27,223,046.00	Investment	1,511,330.00	1,355,832.00
Proposed and Payable Dividend		235,147.00	Loans	24,900,913.00	22,638,255.00
Income Tax Liabilities	748,270.00	6,164,751.00	Fixed Assets	882,083.00	816,191.00
Other Liabilities	5,239,362.00	-	Other Assets	3,231,596.00	3,377,657.00
Total	**35,297,623.00**	**31,222,972.00**	**Total**	**35,297,623.00**	**31,222,972.00**

Agricultural Development Bank

BALANCE SHEET AS OF 2064 ASHAD END

Capital and Liabilities	This Year Amount	Previous Year Amount	Assets	This Year Amount	Previous Year Amount
Authorized Capital @ 100 per share	7,528,000.00	6,477,999.00	Cash Balance	749,552.00	746,812.00
Reserve & other fund	(6,254,909.00)	(7,313,358.00)	Bank Balance in NRB	2,001,144.00	3,018,298.00
Debenture & Bonds	-	-	Bank Balance in Other Bank	738,624.00	1,006,589.00
Borrowing	373,947.00	513,532.00	Money at Call and Short Notice	161,599.00	-
Deposits	32,416,358.00	29,631,818.00	Investment	3,177,460.00	1,511,330.00
Proposed and Payable Dividend	-	-	Loans	27,252,333.00	24,900,913.00
Income Tax Liabilities	284,743.00	748,270.00	Fixed Assets	788,867.00	882,082.00
Other Liabilities	38,416,358.00	5,239,362.00	Other Assets	3,090,629.00	3,231,596.00
Total	38,160,211.00	35,297,623.00	Total	38,160,211.00	35,297,623.00

Agricultural Development Bank

BALANCE SHEET AS OF 2065, ASHAD END

Capital and Liabilities	This Year Amount	Previous Year Amount	Assets	This Year Amount	Previous Year Amount
Authorixed Capital @ 100 per share	107,775,000.00	7,528,000.00	Cash Balance	905,235.00	749,552.00
Reserve & other fund	(5,442,188.00)	(6,254,909.00)	Bank Balance in NRB	1,806,730.00	2,001,144.00
Debenture & Bonds	-	-	Bank Balance in Other Bank	912,032.00	938,624.00
Borrowing	257,372.00	373,947.00	Money at Call and Short Notice	49,995.00	938,624.00
Deposits	32,553,827.00	32,416,358.00	Investment	4,757,096.00	3,177,460.00
Proposed and Payable Dividend	-	-	Loans	30,589,428.00	2,752,333.00
Income Tax Liabilities	365,242.00	284,743.00	Fixed Assets	781,149.00	788,867.00
Other Liabilities	5,174,995.00	3,812,070.00	Other Assets	3,885,081.00	3,090,629.00
Total	43,686,749.00	38,160,211.00	Total	43,686,749.00	38,160,211.00

Agricultural Development Bank

BALANCE SHEET AS OF 2066, ASHAD END

Capital and Liabilities	This Year Amount	Previous Year Amount	Assets	This Year Amount	Previous Year Amount
Authorized Capital @ 100 per share	1,077,500.00	10,777,500.00	Cash Balance	143,970.00	905,235.00
Reserve & other fund	(452,327.00)	(5,042,981.00)	Bank Balance in NRB	2,717,813.00	1,806,730.00
Debenture & Bonds	-	-	Bank Balance in Other Bank	1,075,868.00	912,032.00
Borrowing	198,250.00	257,372.00	Money at Call and Short Notice	2,244,197.00	49,995.00
Deposits	3,159,610.00	32,553,827.00	Investment	4,896,061.00	2,881,658.00
Proposed and Payable Dividend	276,000.00	-	Loans	32,603,095.00	30,589,428.00
Income Tax Liabilities	597,718.00	365,242.00	Fixed Assets	803,332.00	781,149.00
Other Liabilities	5,261,986.00	5,174,995.00	Other Assets	6,064,397.00	6,159,727.00
Total	51,818,738.00	44,085,957.00	Total	51,818,738.00	44,085,957.00

Agricultural Development Bank

BALANCE SHEET AS OF 2067, ASHAD END

Capital and Liabilities	This Year Amount	Previous Year Amount	Assets	This Year Amount	Previous Year Amount
Authorized Capital @ 100 per share	9,437,500.00	107,775,000.00	Cash Balance	1,366,731.00	1,413,970.00
Reserve & other fund	1,430,000.00	(452,327.00)	Bank Balance in NRB	1,759,468.00	2,717,813.00
Debenture & Bonds	2,300,000.00	-	Bank Balance in Other Bank	1,035,206.00	1,075,868.00
Borrowing	589,562.00	198,250.00	Money at Call and Short Notice	1,611,341.00	2,244,197.00
Deposits	32,472,568.00	35,159,610.00	Investment	4,540,083.00	489,061.00
Proposed and Payable Dividend	276,000.00	276,000.00	Loans	33,876,956.00	32,603,095.00
Income Tax Liabilities	941,920.00	597,718.00	Fixed Assets	968,744.00	803,332.00
Other Liabilities	6,902,673.00	5,261,986.00	Other Assets	8,861,692.00	6,064,397.00
Total	54,020,226.00	51,818,738.00	Total	54,020,226.00	51,818,738.00

APPENDIX II
Agricultural Development Bank
PROFIT AND LOSS ACCOUNT FOR FY2062/063

S.N.	Capital and Liabilities	Current Year	Last Year
1	Interest Income	4,033,544.00	3,915,225.00
2	Interest Expenditure	1,439,843.00	1,487,499.00
	Gross Interest Income	2,593,700.00	2,427,725.00
3	Commission and Discount	42,262.00	42,646.00
4	Other Operating Income	164,860.00	286,315.00
5	Exchange Increase and Decrease Income	2,834.00	-
	Total Operating Income	2,803,658.00	2,756,686.00
6	Personal Expenditures	1,775,337.00	963,176.00
7	Other Operating Income	254,888.00	447,881.00
8	Exchange Increase and Decrease Income	-	11,937.00
	Profit Before Provision	773,432.00	1,333,629.00
9	Provision	149,284.00	1,505,105.00
	Operating Profit	624,147.00	(171,413.00)
10	Non Operating Income/Loss	117,764.00	92,780.00
11	Income from Provision	549,332.00	-
	Profit from Regular Transaction	1,291,245.00	78,632.00
12	Profit/Expenditure from Abnormal Transaction	(355,265.00)	-
	Gross Profit	935,979.00	78,632.00
13	Staff Bonus (Provision)	69,331.00	-
14	Provision for Income Tax	513,123.00	-
	This Year	148,270.00	-
	Last Year	364,852.00	-
	Net Profit and Loss	353,524.00	(78,632.00)

Agricultural Development Bank
PROFIT AND LOSS ACCOUNT FOR FY 2063/064

S.N.	Capital and Liabilities	Current Year	Last Year
1	Interest Income	4,623,095.00	4,033,544.00
2	Interest Expenditure	1,605,867.00	1,439,843.00
	Gross Interest Income	3,017,228.00	2,539,843.00
3	Commission and Discount	49,818.00	42,262.00
4	Other Operating Income	232,032.00	164,860.00
5	Exchange Increase and Decrease Income	-	2,834.00
	Total Operating Income	3,299,079.00	2,803,658.00
6	Personal Expenditures	1,306,804.00	1,775,337.00
7	Other Operating Income	277,546.00	254,888.00
8	Exchange Increase and Decrease Income	14,060.00	-
	Profit Before Provision	1,700,667.00	773,432.00
9	Provision	337,782.00	149,284.00
	Operating Profit	1,362,884.00	62,414.00
10	Non Operating Income/Loss	74,119.00	117,764.00
11	Income from Provision	1,803,214.00	549,332.00
	Profit from Regular Transaction	3,173,518.00	1,291,245.00
12	Profit/Expenditure from Abnormal Transaction	(1,883,003.00)	(355,265.00)
	Gross Profit	1,290,515.00	935,979.00
13	Staff Bonus (Provision)	95,593.00	69,331.00
14	Provision for Income Tax	136,473.00	513,123.00
	This Year	136,473.00	148,270.00
	Last Year	-	364,852.00
	Net Profit and Loss	1,058,448.00	353,524.00

Agricultural Development Bank
PROFIT AND LOSS ACCOUNT FOR FY 2064/065

S.N.	Capital and Liabilities	Current Year	Last Year
1	Interest Income	3,961,131.00	4,623,095.00
2	Interest Expenditure	1,641,207.00	1,605,867.00
	Gross Interest Income	2,319,923.00	3,017,228.00
3	Commission and Discount	71,139.00	49,818.00
4	Other Operating Income	350,676.00	232,032.00
5	Exchange Increase and Decrease Income	11,954.00	-
	Total Operating Income	275,694.00	3,299,079.00
6	Personal Expenditures	1,849,133.00	1,306,804.00
7	Other Operating Income	288,019.00	277,546.00
8	Exchange Increase and Decrease Income	-	140,608.00
	Profit Before Provision	616,540.00	170,067.00
9	Provision	2,677,476.00	337,782.00
	Operating Profit	(2,060,935.00)	1,362,884.00
10	Non Operating Income/Loss	18,336.00	7,419.00
11	Income from Provision	4,064,477.00	1,803,214.00
	Profit from Regular Transaction	2,021,878.00	3,173,518.00
12	Profit/Expenditure from Abnormal Transaction	(1,212,161.00)	(1,883,003.00)
	Gross Profit	809,717.00	1,290,515.00
13	Staff Bonus (Provision)	59,979.00	95,593.00
14	Provision for Income Tax	80,498.00	136,473.00
	This Year	80,498.00	136,473.00
	Last Year	-	-
	Net Profit and Loss	669,239.00	1,058,448.00

Agricultural Development Bank
PROFIT AND LOSS ACCOUNT FOR FY 2065/066

S.N.	Capital and Liabilities	Current Year	Last Year
1	Interest Income	4,231,143.00	3,363,730.00
2	Interest Expenditure	1,157,070.00	1,043,806.00
	Gross Interest Income	3,074,072.00	2,319,923.00
3	Commission and Discount	90,044.00	71,139.00
4	Other Operating Income	382,245.00	350,676.00
5	Exchange Increase and Decrease Income	22,096.00	11,954.00
	Total Operating Income	3,568,459.00	2,753,694.00
6	Personal Expenditures	2,486,716.00	1,849,133.00
7	Other Operating Income	300,690.00	288,019.00
8	Exchange Increase and Decrease Income	-	-
	Profit Before Provision	781,051.00	616,540.00
9	Provision	2,184,689.00	2,677,476.00
	Operating Profit	(1,403,636.00)	(2,060,935.00)
10	Non Operating Income/Loss	634,988.00	18,336.00
11	Income from Provision	1,381,931.00	4,064,477.00
	Profit from Regular Transaction	613,284.00	2,021,878.00
12	Profit/Expenditure from Abnormal Transaction	1,106,749.00	(1,212,161.00)
	Gross Profit	1,720,033.00	809,717.00
13	Staff Bonus (Provision)	127,409.00	59,979.00
14	Provision for Income Tax	232,476.00	80,498.00
	This Year	232,476.00	80,498.00
	Last Year	-	-
	Net Profit and Loss	1,057,600.00	669,239.00

Agricultural Development Bank
PROFIT AND LOSS ACCOUNT FOR FY 2066/067

S.N.	Particular	Current Year	Last Year
1	Interest Income	5,464,856.00	4,231,143.00
2	Interest Expenditure	1,507,997.00	1,157,070.00
	Gross Interest Income	3,956,859.00	3,074,072.00
3	Commission and Discount	101,727.00	90,044.00
4	Other Operating Income	318,804.00	382,245.00
5	Exchange Increase and Decrease Income	-	22,096.00
	Total Operating Income	4,377,390.00	3,568,459.00
6	Personal Expenditures	2,679,861.00	2,486,716.00
7	Other Operating Income	330,022.00	300,690.00
8	Exchange Increase and Decrease Income	5,576.00	-
	Profit Before Provision	1,361,931.00	781,051.00
9	Provision	2,582,233.00	2,184,689.00
	Operating Profit	(1,220,302.00)	(1,403,636.00)
10	Non Operating Income/Loss	19,474.00	634,988.00
11	Income from Provision	2,469,670.00	1,381,931.00
	Profit from Regular Transaction	1,268,842.00	613,284.00
12	Profit/Expenditure from Abnormal Transaction	667,292.00	1,106,749.00
	Gross Profit	1,936,135.00	1,720,033.00
13	Staff Bonus (Provision)	143,417.00	127,409.00
14	Provision for Income Tax	344,201.00	232,476.00
	This Year	344,201.00	232,476.00
	Last Year	-	-
	This Year Tax Income / Expenditure	443,869.00	302,546.00
	Net Profit and Loss	1,892,385.00	10,057,600.00

Appendix III

Agriculture Development Bank

Statement of FY 2062/063 to 2066/067

Fiscal year	Investment	Collection	Loan Outstanding	Overdue	Interest receivable
2062/063	3044	2858	3331	686	691
2063/064	2928	2815	3444	618	756
2064/065	3633	3417	3660	428	433
2065/066	4191	4021	3830	372	278
2066/067	4372	4244	3958	331	287