Financial Performance of Commercial Banks

(NABL, EBL, NIBL & HBL)

By:

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T.U. Reg. 7-2-3-2121-2002

A Thesis Submitted to

Office Of The Dean

Faculty Of Management

Tribhuvan University

In partial fulfillment of the requirement of the degree of

Masters of Business Studies (M.B.S)

Biratnagar, Nepal

Bhadra, 2069

TRIBHUWAN UNIVERSITY

POST GRADUATE CAMPUS

BIRATNAGAR, NEPAL

REF. NO. ……………. Ph. no. 021471327

021471204

RECOMMENDATION

This is to certify that the thesis:

Submitted by:

Gyanesh pokharel

entitled

Financial Perfromance of Commercial Banks

(NABIL, EBL, NIBL and HBL)

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

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Date……… ………………………………

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021471204

VIVA-VOCE SHEET

We have conducted the viva- voce examination of the thesis presented by

Gyanesh Pokharel

entitled

Financial Performance of Commercial Banks

(NABIL, EBL, NIBL and HBL)

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

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

VIVA- VOCE COMMITTEE

Chairperson, Research Committee ……………………

Member (Thesis supervisor) ……………………

(Mr. Ram Prakash Upadhyay)

Member (External expert) ……………………

Date:

Declaration

I hereby declare that the work reported in this thesis entitled “Financial Performance of Commercial Banks (NABIL, EBL, and NIBL & HBL) submitted to Research Department of Post Graduate Campus, Biratnagar, Nepal, Faculty of Management. Tribhuwan University is my original work done in the form of partial fulfillment of the requirement form the Degree of Master of Business Studies under the supervision of Mr. Ram Prakash Upadhyay Lecturer in management, Post Graduate Campus, Biratnagar.

Date: 2069/05….   …………………

Gyanesh

Pokharel

ACKNOWLEDGEMENT

This thesis "Financial Performance of Commercial Banks" (NABIL, EBL, NIBL and HBL) which is partial fulfill of requirement for the Degree of Master of Business Studies under the Faculty of T.U. .

I would like to express my sincere Gratitude to Mr. Ram Prakash Upadhyay lecturer in Management, supervisor of this thesis, for his valuable suggestion, encouragement, adequate, support, co-operation and regularly supervision to complete this research study. Similarly I would like to give sincere thanks to prof. Dr. Khagendra Acharya, Head of the Research Department, Post Graduate Campus Biratnagar. I am indebted to Campus Chief Mr. Ballav Paudel.

I am extremely thankful to all the staff and member of this Campus, who directly and indirectly help me for the completion of this research work. Likewise I would like to express my great thanks for NABIL, EBL, NIBL, and HBL for their indirectly support for complete this thesis work. I am highly grateful to my respected family member for their co-operation and support. At last, I would like to express sincere thank to all those who has helped me directly or indirectly to bring this study at this stage of completion.

Date: 2069/05……

Gyanesh Pokharel

Researcher

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ABBREVIATIONS

NIBL	-	Nepal Investment Bank Limited
NABIL	-	Nepal Arab Bank Limited
EBL	-	Everest Bank Limited
HBL	-	Himalayan Bank Limited
PE	-	Price earning
ED	-	Edition
7th	-	Seventh
T.U	-	Tribhuwan University
CRR	-	Cash reserve ratio
NRB	-	Nepal Rastriya Bank
EPS	-	Earning per share
BIMSTC	-	Bay of Bengal initiative for multi- sector technical
CV	-	Co-efficient of variation
E	-	Generation= electronic generation
FY	-	Fiscal year
GDP	-	Gross domestic product
IT	-	Information technology
LTD	-	Limited
NPA	-	Non-performing assets
NEPSE	-	Nepal stock exchange LTD.
NIBC	-	Nepal industrial and commercial bank
NPM	-	Net profit margin
PRGF	-	Poverty reduction growth facility
ROA	-	Return on assets
RS	-	Ruppes
%	-	Percentage
MBS	-	Master in business studies
SD	-	Standard devotion
NPAT	-	Net profit after tax
&	-	And

CHAPTER - I

INTRODUCTION

1.1 General Introduction:

In the economic world of today, the banks are the financial institutions in thousands of local town & cities. The bank plays a vital role for economic development of country and Encourage the habit of saving and development of trade and commerce. Bank helps to mobilize the frizzed and scatter saving of the people and play intermediary role to make investment of collected fund in different productive sector. They help to fulfill the requirement of trade and industry in the country and play great role in reducing poverty, raising employment opportunities and raising people life standard. Banks also arranged remit money from one place to another at very low price by cheque and draft. They buy & sell securities on behalf of customer. Banks are very important to individual business infact, the economic development of a country is not possible without banking system. So, for the economic development, capital formation, supply of money, business promotion, industrial and agriculture development banks play vital role in the economic history of any country.

1.2 Focus of the study:

It is well known that banking sector is the lifeline of a nation and its people. Commercial banks are integral part of the economy of any country. Besides commercial banks, there are several financial institutions that influence financial operation in the country. The place of commercial banks in financial system is getting more significant to play increasingly dynamic and vital role in the economy of the least developed countries like ours, which provide economic and financial intermediation in the economy.

The Present study focuses on the comparative financial performance analysis of four commercial banks- (NABIL, EBL, NIBL & HBL.) for this purpose, evaluation of position of the banks with respect to liquidity, leverage capital adequacy, turnover and profitability and relationship between various variable are carried out. This studied assumes the hypothesis that the performance of sum pled banks does not differ significantly.

1.3 Commercial Banking Activities:

1.3.1 Origin of Bank:

In the past, Bank used just to accept deposit from the savers of money and give loans to the users of money savers of money are those units whose earning exceeds expenditure on real assets and users money are those units whose expenditure on real assets exceeds their earning. In such a situation, deficit units sell their securities. These securities are financial assets are created.

The evolution of Banking can be traced bank to the era when the use of metallic coins as the media o exchange of goods & services began. Storage of metallic coins was a serious problem for the common people because of the danger of theft and robbery. People started living gold and silver and metallic coins in the custody of some reputed personal a wealthy merchant or a money changer. The custodian had a strong box and other means of safe keeping. He offered his service as favor for his friend or made a charge for it. The depositor had to go personally to custodian for the withdrawn of his money.

The origin of 'Bank' was traced from Latin word 'bancs' which means a bench. Europeans money lender and money changes used to transact their business at the bench at benches or tables. They followed the practice of receiving gold and other metals as deposits and issuing receipts.

1.3.2 Growth of Banks in Nepal :

As the growth of banking in Nepal is not so long as compared to other developing or developed countries, the institutional development in the banking system of Nepal is far behind Nepal had to wait for long time to come to the present banking position. The stepwise development of banking in Nepal can be narrated as follows.

1.3.2.1 Nepal Bank Limited:

Nepal Bank Ltd. (30^{th} Kartik 1994) and was established under the Nepal Bank Ltd. Act 1994 B.S. Its initial authorized capital was 10 million rupees and issued capital was 25 Lakhs and paid up capital was 8 Lakhs 42 thousand.

1.3.2.2 Nepal Rastra Bank:

According to the Nepal Rastra Bank Act. 2012. The Nepal Rastra Bank was established in 2013 B.S. Baishakh 14^{th} but this Act is replaced and the Nepal Rastra bank act 2058 has been upcoming.

1.3.2.3 Rastriya Banijya Bank

Rastriya Banijya Bank is on another important bank established in Nepal the bank is established in the government sector in 2002 B.S after the enactment of commercial bank act 2031, both the Banijya bank act 2020 and the Rastriya Banijya bank act 2021 were replaced.

1.3.2.4 Agriculture Development Bank:

Under the Agriculture Development Bank act 2024, the Agriculture Development Bank (ADB) was established or 7^{th} Magh 2024 prior to the establishment of ADB, a cooperative bank was established to meet regiment of fund in the Agriculture Development Bank.

1.4 The modern phase of banking development

The process of development of banking system on Nepal was not satisfied up to 2040. No banking was opened from during this period except expanding the branches.

Nepal was deeply studying and searching what sorts of programs, policies law and regulations should be brought into the practices. The country cannot change it status by using only its own capital in the country without in porting the new technology from foreign country. Accordingly, law and policy have been enacted by the status to encoverages the foreign investment on banking sector. As a result of it the development of the banking system started in Nepal. This was great significant events. Thus some banks were opened on the joint investment basis brief accounts of such bank are as follows.

Nabil Bank LTD.
Nepal Investment Bank LTD.
Standard Charted Bank LTD.
Himalyan Bank LTD.
Nepal SBI Bank LTD.
Nepal Bangaladesh Bank LTD.
Everst Bank LTD.
Nepal Credit and Commercial Bank LTD.
Nepal Industrial and Commercial Bank LTD.
Lumbini Bank LTD.
Kumara Bank LTD.
Siddhartha Bank LTD.

Thus there are several commercial banks in operation in Nepal till date operating with their main objective of carrying at activities under the commercial bank act 2031 and Nepal Rastra Bank Act. 2058.

1.5 Factor affecting the Bank business:

The direction issued by Nepal Rastra Bank particularly with regard to recognition of interest income loan less provisioning and single borrower and group exposure limits and binding guidelines for bank and hence is bound to have impact on the income of the games in the short run. Fund management has become a challenge for the banks with increasing lack to the opportunities for profitable investment.

1.6 Development to commercial bank in Nepal:

Like other countries goldsmiths' merchants and money lenders were the ancient. A banker of Nepal 'Teejarath Adda" Established during the tenure of the prime minister. Ranodip Singh was the first step towards the institutional development of banking in Nepal. Banking in the modern sense started with the inception of Nepal Bank Limited on 1994 B.S NBL had a Hercules can per possibility of attraction people towards services.

1.7 Profile Of Sample Banks

1.7.1. NABIL Bank LTD:

NABIL commenced its operation on 12th July 1984 as the first joint venture bank in Nepal Dubai bank LTD (later acquired by Emirates Bank International Limited, Dubai-EBIL) was the first joint venture partner of NABIL. Later EBIL sold its entire stock to National Bank LTD Bangladesh (NBL) NABIL bank its had the official name Nepal Arab bank limited 31st Dec. 2001 hence 50% equity shares of NABIL bank ltd are held by NBL and out of another 50% shares 20% shares has been hold by financial institution and remaining 30% shared were issued to general public of Nepal. NABIL Bank Ltd has been providing banking services through 15 branches and 2 counters in all major cities.

1.7.2. Everest Bank Limited (EBL):

Everest bank ltd. was established in 1994 and stared its operation with a vine and objective of extending professional and efficient banking services to various segments of the society. EBL joined hands with Punjab National Bank (PNB) India as its joint venture partner in 1997. PNB is the largest public bank of India having 109 year of banking history with more than 4400 offices all over India and is known for its strong system and procedures and a district work culture. Drawing its strength from its joint venture partner, EBL has been steadily growing in its size and operation over since itself an leading private sectors bank of the nation, recognized as one of the fastest growing commercial bank of the country. It has a main policy is to grant a loan as possible pate and through easy procedures, seaside many other commercial activities. The local Nepalese promoters hold 50% stake in the banking equity, while 20% of equity is contributed by joint venture partner PNB whereas remaining 30% is held by the public. the bank provides a wide range of banking facilities through a wide network of 15 branches covering all the 5 regions of the country and over more than 250 reputed correspondent bank across the globe.

1.7.3. Nepal Investment Bank Limited (NIBL)

Nepal Investment Bank Ltd, previously Nepal Indosuez Bank LTD was established in 1986 as a joint- venture between Nepalese and French partners. The French partner(holding) 50% of the capital of NIBL) was credit Agricola Indosuez, a subsidiary of one of the largest banking group in the world with the decision of credit Indosuez to divest a group of companies comprising of bankers. Industrialists, and business man, has acquired an April, 2002 the 50% shareholding of credit Agricola Indosuez in Nepal Indosuez Bank LTD now the name has been changed to Nepal Investment Bank. A group of companies is holding 50% of the capital, RBB holding 25% of the capital and the Rastriya Bema Sasthan holding the same. The remaining 20% is being held by the general public. If has been awarded by bank of the year award-2005.

1.7.4. Himalayan Bank Limited (HBL)

Himalayan Bank Ltd. was incorporated in 1992 by the distinguished business personality of Nepal in partnership with employee provident found and Habib Bank Limited, one of the largest commercial Bank of Pakistan. Bank operation was from January 1992. It is the first commercial bank of Nepal with maximum share holding by Nepalese private factor. Promoter's shareholders 51% Habib bank 20%, employee provided fund 14% and Nepal public shareholders 15% besides commercial activities, the bank also offers industrial and merchant banking. The bank at present has five branches in Kathmandu. Beside it has nine branches outside the Kathmandu valley. The bank is also operating a counter in the premise of the royal palace the bank has a very aggressive plan of establishing more branches in different parts of nation in near future.

1.8. Statement of the problem:

In the present competitive environment in banking and every sector it is very difficult to obtain expected earnings. Every commercial bank has to follow by the regulations and provision made by Nepal Rastra Bank. They have to maintain specific capital structure; infrastructure cash reserve ratio, credit creation limitation, liquidity ratio etc. Banking and finance companies operate successfully that lead to the up list of the nation's economy while unsuccessful operative causes serious problems to the financial condition of the country several commercial banks have been established in the country within a short span of time. Due to high competition in the market, these banks are providing more loan and advances against their clients insufficient deposit unsecured loan and investment may cause the liquidation of the commercial banks.

People have money for investment but the investment sector is limited because stack holder and financial institution have no effective program to develop investor's knowledge and more over people are one familiar with the stock investment. Investor purchase stock merely looking past trends of stock prices and sometimes they have to bear heavily loss due to in adequate knowledge and information related to files of stock investment. They have to maintain specific capital structure infrastructure cash reserve ratio potion credit creation limitation liquidity ratio etc. The major problems in Nepalese banking sector are as follows.

What type of a bank has to play for emerging new business?

Do financial ratios indicate any strength and weakness of the bank?

Is there any stability in various ratio policies of the sample bank?

What are the comparative liquidity, profitability, activity, stability, and solvancy and capital adequacy position among four commercial banks?

How are the trends in term to above ratios?

Are the positions of NPA among four commercial bank competitively standard level?

Whether the both banks audit their annual report legally?

1.9 **Objective of the study:**

The main objective to the study was to analyze the comparative financial status of four commercial bank in Nepal beside this following objectives are as follows.

a. To analyze and compare the position of NPA.
b. To analyze solvency ratios such as core capital supplementary capital and total capital fund.
c. To analyze and compare the liquidity, profitability stability and market value positions among four commercial banks.
d. To provide suggestions and recommendations of the study.

1.10 **Significance of the study:**

Most important point to remember about performance analyst is that every financial measure should be compared across time and across over same line of companies to be meaningful. Banks as a service- organization, only few financial ratios would be sufficient to compare the performance, however different sources and different analysts use different lists or combination of financial ratio analysis prior research has been conducted only based on maximum of two banks in this topic and use the traditional financial ratio analysis the value of the approach was quantitative reactions. The world is becoming more dynamic and subject to rapid changes. This research will be based upon the modem approaches to financial analysis in which comparable group approach and include consideration of economic and strategic factors where feasible. Even the study will based upon adore these indicators especially related with banking sector as well as it will compare across time and across same line of banks i.e. maximum of four commercial banks. Thus, the research will be an interest to a wide range of its stockholder and other government regulatory interests.

1.11. Limitation of study

a. The study will cover only five year historical secondary data.

b. Time and resources lack are the main limitation of the study.

c. This study would only concern with fulfilling in partial requirement in Master of Business Studies.

d. The data available in published annual report have been assumed to be correct and true.

1.12 Research methodology

1.12.1 Research design:

A research design is the conceptual structure within which the research process is performed. Design sets up to the framework for adequate test of the relation among variables. Research design tells us about what observation. To make how to make then and how to analyze the quantitative representation of the observation. In this study. Research is based on the recent historical data and cover the fiscal year 2004/02 to 2008/09. The analytical as well as descriptive research designs have been include in the study.

In this study we take the whole joint venture as population under banking industry NABIL, EBL, NIBL and HBL are sample and taken information of last five year is also called a sample.

1.13 Organization of Study:

Study has been organized into five chapters. Each chapter deals some important factor of financial performance. The titles of each of those chapters are listed bellows.

a. Introduction of study
b. Review of literature
c. Research methodology
d. Presentation and analyst of data
e. Summary, Conclusion and Recommendation

1. Chapter: One

This is the introduction chapter of this study this chapter includes general introduction, focus of study, commercial banking activities, the modern phase of banking development, factor affecting the banks business development of commercial bank in Nepal profile of sample banks statement of problem. Objective of study signification of study. Limitation of study research methodology and organization of the study.

2. Chapter: Two

This chapter is review of literature with conceptual framework of the financial performance.

3. Chapter: Three

This chapter includes research methodology this chapter express the way and the technique of the shedding applied in the research process. It includes research deign, population and sample, data collection procedure and processing, tools and method of analysis.

4. Chapter: Four

These chapters deals with presentation and analysis of relevant data and information throughout definite course or research methodology.

5. Chapter: Five

This chapter includes summary of whole study, conclusion and recommendation. At last bibliography and appendix has included in the last of this research work.

Chapter – II

Review of literature

2.1 Introduction

This chapter deals with the review of the literature to make the basis knowledge for the study. Review of literature means reviewing research studies or other relevant proposing in related area of the study. Reviewing research studies and once chooses field of study and found what remains to be done in the related area of the study is called review of literature. "The purpose of reviewing the literature is to develop some experts in one's area to see what new contribution can be made and to receive some ideas for developing a research design" (wolf Howard k and pant, P R 1999:30)

Review of literature is the study of previous research or article or book in related field or topic for finding the past studies conclusion and deficiencies that may be known for further research. This chapter will help to cheek the chances of duplication in the present study. Thus the gap between the precious research and current research can be field therefore; the chapter is categorized under three main heading. Conceptual framework is concern with fundamental of supportive text that will ensure the interpretation whether it is under the principles and doctrine of the theories related to the topic- review of related studies is about the studies of previous thesis. Related books and previous research in similar topics. The purpose of the literature review are as follows.

a. To define and limit the problem of research work
b. To avoid unnecessary duplication
c. To relate the finding to previous knowledge and suggest further research.
d. To place the study in an historical perspective.

e. To evaluate promising research methods.

2.2 **Conceptual Reviews**

The definition of the terminologies used in the study needs to be described properly. It helps you to devise a theoretical or analytical framework as a basis for the analysis and interpretation of data. It is not enough merely to collect facts to describe what is. All researcher collect many facts but then must organize and classify them into coherent pattern. sometimes ‘model’ is used instead of or interchangeably with theory method used by other researches may be unsuitable for your purpose, but they may give you ideas about how you might categorize your own data, and ways in which you may be able to draw on the work of other researches to support of future your non arguments and conclusion this makes the study more meaningful and easy to understand the problem of the study.

2.3 **Meaning of commercial bank**

Commercial banks are major financial institution, which occupy quite an important place in the framework of every economy because they provide capital for the development of industry. Trade and business and other resources deficits sector by investing facing collected as deposit. The banks in such countries have very important role of play in accumulation scattered research and diverting such resources into productive channels or the other hand, obviously they pull all the scattered saving that are idle or otherwise would have been wasted in unproductive consumption like marriage, gambling, festival, social economic activities etc. and they change them in predictive investment. Most of the developing countries suffer from all most complete lack of capital market both the commercial bank and non banking financial institution consequently have a special role to play in the long process of growth. In principle they should under talk the responsibility for activation the increasing follow of personal savings so that the amount of hoarded wealth are diverted from unproductive to productive uses. The whole community derives benefit from banks in different ways. It provides facilities to the commerce of the country. In addition to the acceptance of deposit, accepting traveler' cheque, Under writing purchase and sale of securities, government bonds for customers, buy and sell of foreign exchange. The other services of commercial banks are commercial letter credit, supply of finely credit and market information providing remittance facilities so. On the bank whose objective is to earn profit by performing different financial activities is called commercial bank. In developing country like Nepal, commercial banks pay vital capitalist role to ever growing economic for the unemployment of the country. If cannot be denied that without the development of commercial banks in the country the four wheels of economic development like agriculture, industry trade and commerce would be paralyzed in Nepal. So, in the present banking scenario there are 32 commercial banks which are providing modern banking services and facilities.

2.4. Function of commercial bank:

The bank have played a very significant role in creating banking habit among the people widening area and business communities and the government in various ways. Commercial banks generally perform following functions:

Accepting deposit functions:

I. Current deposit account:

Trader and businessman generally maintain this type of account. Depositors have no limitation on withdrawal under this account the bank doesn't provide interest on this heading.

II. Saving deposit accounts

Saving deposit bears some interest and is the most preferred ones among the people because it is easy to operate and the account opening balance ranges from NRP 0 to 5000 depending on the banks strategy. Bank pays some strategy. Bank pay some interest on this account but the interest is lower compared to that of fixed deposits. The bank may impose some restrictions on the withdrawn.

III. Fixed deposit account:

When account holders want to deposit their fund for certain time period, they have to open fixed accounts in banks. Money in these accounts is deposited for fixed period of time. It may range from one month, three month, six month, one year up to five years. The money deposited in to fixed account cannot be withdrawn before the expiry of that period, so the rate of interest on this account is higher than that on other types of account the longer the period, the higher will be the rate of interest.

IV. Call deposit account

This deposit scheme is for those depositors who deposit large volume of balance in their account the bank provides higher interest rate as per the negotiation with the depositors the interest is provided on the daily balance so as to attract huge deposit.

Advancing of loan:

I. Money at call:

This type of loan is usually provide to another bank or financial institution for very short period and the bank can call its money bank at a very short notice of one day to fourteen day.

a. Term loan:

Bank advance loans of different term or period as required to customers. It provide medium term and long term loans or the basis of loan proposal.

b. Overdraft:

Those payment are provided to them that have credibility in the business and depending up on their business volume and relationship with the bank. Bank provide overdraft facility where by the borrow can withdraw the amount to certain limit beyond its deposits. The banks charge interest on the over drawn amount.

c. Cash credit:

Bank advance loan as cash credit to business man against certain specified securities. The amount of the loan is created to the current account of the borrowers. In case of a new customer, a loan account for the sum is opened. The borrowers can withdraw money through cheque according to his requirement. Interest is charged only on the amount actually withdrawn from the account.

d. Short term loan:

Those loans are provided to the borrowers for the purchase of raw materials depending upon the situation and the need of borrower. The loan is provided once of the borrower put forward a request letter and depending upon the need the loan is sanctioned for a period of ranging maximum from 90 to 120 days. The borrower is allowed to utilize the loan for the stipulates time period with interest rate after which the borrower has to settle the including the principle amount.

e. Trust receipt loan;

The loan is provided against the LC to the borrowers to bring the goods imported from third countries to their go-downs. The time period ranges from 90 to 120 days and the amount of the documents value of LC. The bank charges certain interest rate to loan provide.

Agency functions

a. Periodic payment:

Banks can execute the standing order or instruction of customers for making periodic payment or behalf of their customer, under this function, banks pay subscription, income tax, rents, insurance premium etc. For their respective customer.

b. Periodic collection:

On behalf of them bank can collect incomes of customers such as dividends of share, interest on debenture and fixed deposit.

c. Representative:

Banks can act as representative of their customer. They can proceed for passports, traveler's tickets, vehicle, Plots of lands etc. for their customers. In connection to getting such things for customer. They can exchange correspondence to concerned parties.

d. Purchase and sales of securities:

On behalf of customers, banks undertake purchase and sales of various securities like Share, Stocks, Bonds, Debentures etc. Banks do not interfere in the decision and process of their customers regarding this investment. They simple perform the functions of a broker only to purchase and sell of securities.

Other functions

a. Collection of data:

Bank collection data giving important information relating to banking money, business, industry and economy. They conduct survey and research for the purpose.

b. Credit card:

Credit card is the developed from of travelers cheque it is a plastic card with magnetic remark of account number and bank balance. Such card is issued by modern commercial banks to their costumer, who have deposited specific sum in the account to get such facility. Credit card facility has become possible only by development of technology, because modern equipment and computerized system is essential to implement the credit card system.

c. Locker system:

Modern banks provides locker system to their customers. The customer can hire a specific number of lock boxes, keep precious assets, and document in it, bank provide guarantee to safeguard the valuable locked in such box.

d. Underwriting securities:

Bank underwrite the securities issued by the joint stock company, private company and even government organization. Public have good faith upon bank. So people will not hesitate in buying securities carrying the signatures of a bank.

2.5. Development of Commercial Bank

In the starting phase of banking sector, people used to borrow the loan from land-lord merchant, Goldsmith etc. But now, due to the invention of the bank the people need not knock the above person's door. It is assumed that the regular history of coinage in Nepal began from the 5th century A.D. in the year, it is not possible to give correct chronological history in view to the fact that not authentic historical record is available in respect of banking, it can be inferred from references in the history of Nepal. "Regarding rebuilding of Kathmandu in 723 A.D by Gunakama dev from the borrowing and that of 'Tanakdhari' action of introduction of Nepalese Sambat. Some 57 years thereafter to mark the repayment of all debts that money lending have been prevent loan before that."

In Nepal from financial institution involved in capital markets are Nepal Rastra Bank, Commercial Bank, Nepal Industrial

Development Corporation, Agriculture Development Bank, Citizen Investment Trust, Rastriya Bima Sansthan, Financial Institution, Employee Providend Funds, Securities Board, NEPSE, Cooperative Organization. The non- government organization, some hotel, manufacturing companies and trading agencies are also involves in capital market. Among various types of bank only commercial bank are consider. Nepal Bank Limited is the commercial bank established in 1994 B.S later or Nepal Rastra Bank established in 2013 B.S as a central bank and Rastriya Banijya Bank was established in 2022B.S under full ownership of government. After then many other joint venture bank war established. Nepal Arab Bank LTD is the first joint venture bank established 2041 B.S, second joint venture bank was established in 2043 B.S named as indousez Bank now it is known as Investment Bank. In the same year Nepal Grindly's Bank (Standard Chartered) in the form of joint venture was also established. After the restoration of democracy more joint venture bank came into existence, economic policies were liberalized and provision was made to establishment of joint venture after then Himalayan Bank Ltd. (2049), Nepal SBI Bank Ltd (2056) Everest Bank Ltd. (2051). These institution plays vital role in the development of capital market Nepalese capital markets is also classified in organized and non organized sector, government agencies and other institution, which are already mentioned above categorized in organized sector. They provide long term funds for development of agriculture and commercial sector by investing common stock, debenture and government bond. Investors, merchant and privete sector also help for development of capital markets.

2.6 Roles of commercial banks in developing Countries:

The role of commercial bank in developing countries like or Nepal as follows.

a. Help to the consumer
b. Proper utilization of domestic resources and etc.

c. Increase in employment opportunities.
d. Mobilizing saving for capital formation.
e. Help in monetary policy.
f. Development of agriculture industries. Help for increasing trade.

2.7 Market capitalization:

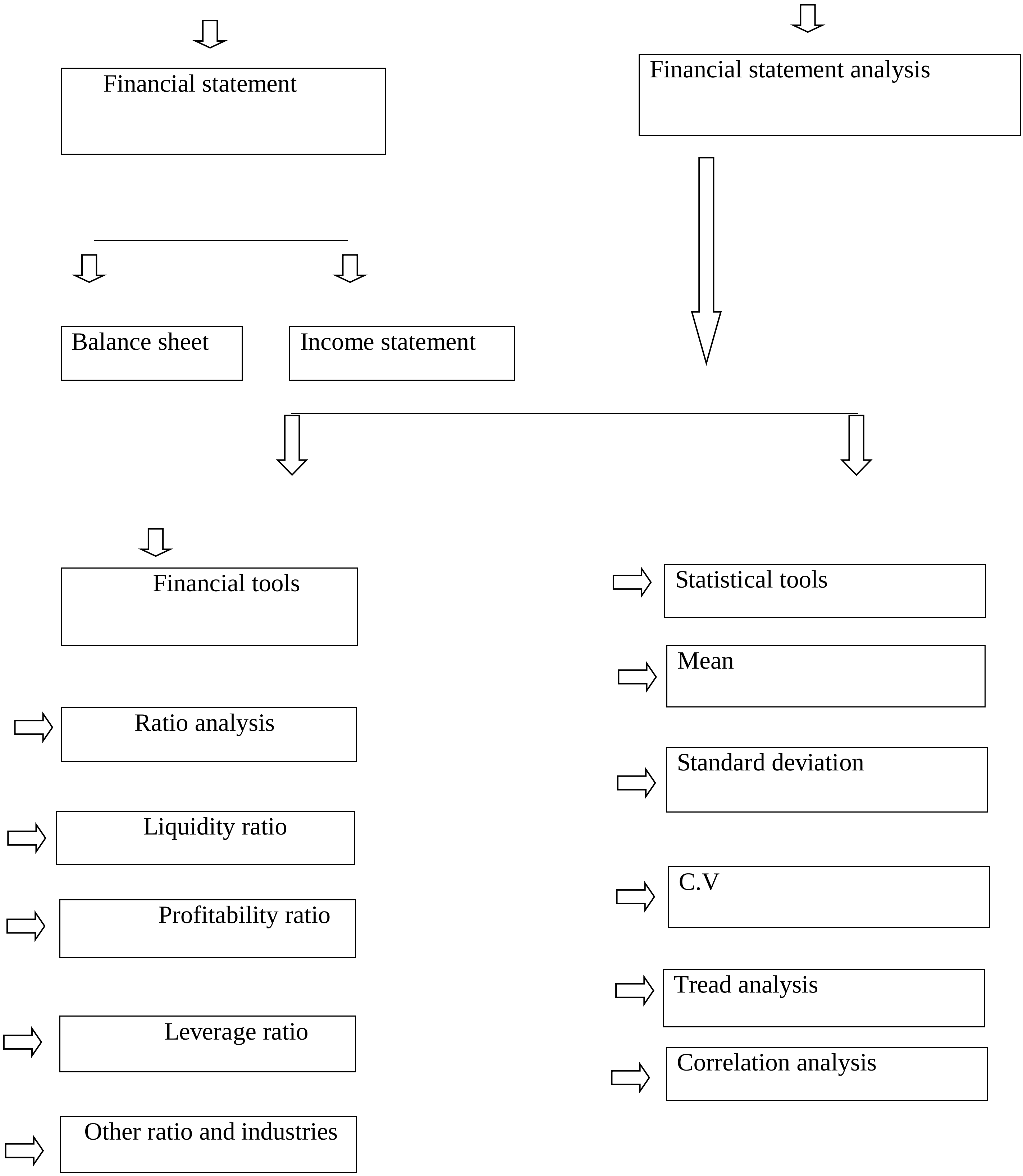
Market capitalization is the market value of all the shares issued by the companies in the market. It is the market value per shares of the company. It is the market value per shares of the company is higher, the company is considered as a better otherwise not. Or, market capitalization= no of shares issue × Market value per share

Ranking of four sample banks market capitalization

1. NABIL I
2. Himalayan Bank Limited II
3. Everast Bank Limited III
4. Nepal Investment Bank ltd IV

2.8 Components of Financial performance

Table no: 2.1



Financial performance:

The main indicator of financial performance of business enterprises is the profit results mainly from the successful business management. Financial statement are prepared from the accounting record maintain by the from. The accounting records are historical and expressed in terms of money. So it is related information of business activities and their result. It also provides information about resources of business.

Financial performance is that manageable activity which has concern with the planning organizing, controlling and administrating of financial resource of financial statement of enterprises. Against it is basically concerned with analysis of financial statement of enterprise by using different tools and technique financial performance is not also it helps improvement of financial condition in future.

2.8.1 Financial statement:

Financial statement are annual document prepared by the organization or pointed out earlier, financial statement are prepared for the purpose of disclosing the financial position of the business concern at a point of time and also operating result during the period under review. Thus these are in one sense, the periodical reports about the progress made by the management of the business concern. Investor, creditors, and even a layman consider the values shown in these statement to be meal and absolute but this is not correct understanding. The values shown in financial statement never convey the current or economic value. The generally accepters accounting principle and procedures are follows to prepare these statement. The basic objectives of financial statement are to assists in decision making. Financial statement are prepared for the purpose of presenting a periodical review or reports on the progress by the management and deal with,

⇨ the status of investments in the business
or balance sheet, and

⇨ the result achieved during the period under review or profit and loss account.

There are primarily four financial statements

1. Income statement/ profit and loss account
2. Retain corning statement
3. Balance sheet and
4. Statement of cash flows.

1. Income Statement:

An income statement shows the net result of the business operation during as accounting period. It may include manufacturing and trading account, profit and loss account and profit and loss appropriation account. An income statement presents the summary of revenues expenses and net income and net loss of a firm. It serves as measure of the firm's profitability.

"The income statement provides are view of the factors directly concern with the determination of the net income, the revenue realized from the sales of goods or services and the cost incurred in the are deducted from the revenue to determine the income from regular operation in addition they may be income from other source and other deductions from income.**(John; N. Mayer, 1972:15)**

The profit and loss account is the score board' of the firm's performance during the particular period of time. The generally accepted convention is to show one year's events in the profit and loss account. Analysis of profit and loss account for several years may reveal desirable or undesirable trends in the profit earning capacity of a business enterprise.

2. Retain Earning Statement:

The retain earning statement shows how income and dividend for the period have charged the organization retained earnings.

3. Balance Sheet:

Balance sheet is not an account but it's a statement of assets and liabilities of business enterprise at a given data it is a statement, summarizing the financial position of the firm. The balance sheet is prepared at the end of accounting period and after completing the preparation of trading and profit loss account. It is the statement of balance sheet of ledger account which is not included in income statement. Therefore it is called balance sheet. The balance sheet contains assets and liabilities. Liabilities refer to the financial obligation of an enterprise and carrying probable future benefits. Assets are also termed as economic resources owned by an enterprise. The various item which are shown on liabilities.

a. Owner's equity/shareholders equity.
b. Long term liabilities.
c. Current liabilities.

The various item which are shown or assets.

a. Fixed assets
b. Current assets
c. Investment
d. Other assets.

4 Cash flow statement:

It shows how cash obtained during the period and how it was used. The cash how statement is designed to convert the accrual basis of accounting used to prepare. The income statement and balance sheet bank to a cash basis. This may found redundant, but is necessary. The accrual basis of accounting. Generally is preferred for the income statement and balance sheet because source to the expenses incurred generating those specific sources.

However, it is also important to analyze the actual level of cash following into and out of the business. Like the income statement, the statement of cash flow measures financial activity over a period of time and the cash flow statement also tracks the effects of changes in balance sheet account the cash flow statement is one of the most useful financial management tools to run business.

“It is useful in providing information to the users of financial statements about the ability of the enterprise to utilize those cash flows” (Wagle and Dahal, 2004:11.1-11.2)

2.8.2. Financial statement analysis:

Financial statement analysis is largely a study of relationship among the various financial factors in a business by a single stet of statement and study of the trend of these factors as shown a series of statements. Financial statements analysis is the process of identifying the financial strength and weakness of the firm by properly establishing relationship between the items of balance sheet and profit and loss account.

“Analyzing financial statement is a process of evaluating relationship between component parts of financial statements. To obtain a better understanding of a firm’s position and performance. (Pandey I.M:500)

“Financial statement analysis is a study of relationship among the various financial factors in a business as disclosed by a single set of statement and a study of the trend of these factors as shown in a balance sheet and income statement and other operative data, the financial analysis unveils the meaning and significance of such items.” **(Ahuja, B.N. second edition 121)**

"Financial statement analysis involves a comparison of firm's performance with that of others firms in the same line of business, which is often identities, the firm's industry classification" (Weston, Besley and Eugene, 1996)

2.8.2.1 Important of financial statement analysis

- To measure the firm's liquidity, and solvency position.
- To assess the firm's operating, efficiency financial position and performance.
- To fulfill the objectives and interest of short-term creditors, present and potential investors, long-term creditors, management and regulating authorities.

2.8.2.2. Objectives of financial statement analysis

- To judge the profitability of the business.
- To evaluate the solvency position of the firm.
- To judge the financial health of the firm.
- To evaluate the capacity to repay the loans and interest there on
- To examine and evaluate the return the loans on statement and capital employed.

2.8.2.3. Limitation of financial statement analysis

Analyses of financial statement suffer from certain limitation. The major limitation of financial analysis can be summarized as follows.

⇨Financial analysis fails to disclose the current worth o the enterprise.

⇨Financial analysis is based on financial statement, which record historical facts. They so not record the change in the price level.

⇨The financial analysis is based on facts and figures contained on financial statement.

2.8.3. Financial statement analysis tool

There are different measuring devices or tools of financial statement analysis.

1. Financial tools
2. Statistical tools

Financial tools:

Financial analysis is the process of determining the signification operating and financial characteristics of a firm accounting data and financial statement among the various financial tools ie ratio analysis and trend percentage analysis has been used for present purpose of the study.

a. Ratio analysis

Ratio analysis is an important tool of financial analysis. An analysis of financial statement with the help of 'ratio' may be termed as 'ratio analysis'. It is a mathematical relationship between two related item expressed in quantities from therefore the ratio is the measurement of quantities relationship between connected with each other. In simple language ratio is one number expressed in terms of another and it can be worked out by dividing one item of the relationship with other.

“Ratio is numerical or an arithmetic relationship between two figurers. It is expressing one number in term of other i.e. one figure is divided by another number in order to calculate the ratio” (Jain S.P. and Morang, 1993:43)

“The indicate quotient of two mathematical expressing and as the relationship between two or more things.”(Varn Horne J and Wachowicz J.M.1997.)

Ratio analysis is a tool of scanning the financial statement of the firm through this one comes to know in which areas of the operations the organization is strong and in which areas it is weak (Bajracharya et.al 2001:1017)

Although, ratio analysis is widely used but not one ratio gives the entire picture. Ratio analysis involves basis standard of comparison for a useful interpretation of the financial statements. Similarly a single ratio by itself does not indicate favorable or unfavorable condition of a firm, unless it is compared to appropriate standard. Selection of proper standard comparison is a most important element of ration analysis. There are many types of ratio can be calculated from the accounting data contained in the financial statement, which are as follows.

1. Liquidity ratio / working capital analysis
2. Activity ratio turnover
3. Leverage ratio capital structure
4. Profitability ratio

5. Market value analysis
6. Other relevant ratio

1. Liquidity ratio:

Liquidity ratio is done to measure the short term financial soundness of the business. The ratio access the capacity of the company to repay its short term liabilities different types of ratio have been used to measure the liquidity position of an enterprise as follows.

1.1 Cash and bank balance to total deposit ratio:

This analysis indicates that the ability of bank finds to cover their. In additional to this it also asserts that what proportion of total deposit is utilized and what proportion of cash and bank balance ratio. This ratio calculated using following formula.

Cash and bank to total deposit ratio = $\frac{cash\ bank\ bakamce}{total\ deposit}$

1.2 Cash and balance to current assets ratio:

The cash bank balance to current assets measure of liquidity. The cash and bank balance to current assets ratio measure the proportion of cash out of its total current assets.

Cash and bank balance to current assets ratio = $\frac{cash\ and\ bank\ balance}{total\ current\ assets}$

1.3 Investment to government securities current assets ratio:

Investment on government securities to assets ratio shows the proportion of investment on government securities of commercial bank out of its total current assets. This ratio is calculated by using the following formula:

Investment of government securities to current assets

Ratio = $\frac{investment\ securities}{total\ curent\ assets}$

1.4 Current ratio:

Current ratio is the ratio of total current assets to total current liabilities.

2. Activity ratio:

Fund of creditors and owners are invested in various assets to generate sales and profits. The better the management of assets, The larger the amount of sales, activity ratios are employed to evaluate the efficiency with which the firm manages and utilized its assets. These ratio are also called turnover ratios because they indicate the speed with which assets are into sales. Various activity ratio are calculated to find out the degree of effective utilization of resources by the bank. Some selected ratios for this research can be illustrated as follows.

a. Loan and advance to fixed deposit ratio.
b. Loan and advance to total deposit ratio.
c. Loan and advance to total working find ratio.
d. Total investment to total deposit ratio.
e. Investment on government securities to total working found ratio.
f. Investment to share and debenture to total working find ratio

3. profitability ratio:

A company should earn Profit to service and grow over a long term period of time. Profit is the difference of revenue and expenses over a period of time. Profit is the ultimate output of a company and it will have no future if it fails to make sufficient profits. Therefore the financial manager continuingly evaluates the efficiency of the bank in term of profit. The following major profitability ratios are as follows.

a. Net profit margin:

This ratio measures the overall profitability of the firm by establishing relationship between the net profit and sale indicated management is ability to operate the business with sufficient success not only to recover the cost of production, operating expenses of business and cost of borrowed fund made also leave Margin of reasonable compensation to the owner for providing their capital at risk. This ratio is calculated by.

Net profit margin = $\frac{net\ profit}{total\ income}\times 100$

b. Return on assets (ROA):

It measures the productivity of the assets it is a measure in term of relationship between net profit and assets. The income figure used in computing this ratio should be operating income [munankarmi 2002:485] this ratio is calculated by.

Return on assets = $\frac{net\ profit}{total\ assets}\times 100$

c. Interest income as loan and advance:

The major source of operating income of any commercial bank is interest income. Among the interest income should, loans and advance and overdraft are the major source of interest income higher operational efficiency or higher level of risk due to higher volume of investment in loan and advance [shrestha, 2003:124]

This ratio calculated by:

Interest income on loan and advance = $\frac{interest\ income}{total\ loan\ and\ advance}$

d. Operating ratio:

Operating ratio of banks tries to establish relationship between operating expenses and total income. Operating expenses include administrative expenses, interest on short- term loan, discount allowed and bad debt. (Munan karmi 2002:484).

This ratio is calculated as follows:

Operating ratio = $\frac{operating\ expenses}{total\ income}$

4. Leverage ratio:

It is known as leverage or capital structure ratio. Permanent capital structure of the long term debt share holder's equity. Permanent capital structure can be classified as follows.

a. Long- term debt to permanent capital ratio:

This ratio indicates what proportion of the permanent capital of a firm consist of long term debt here in this the long term debt is related to the permanent capital of the firm and not merely to the share holder's equity. This ratio is calculated by using the following formula.

Long-term debt to permanent capital ratio = $\frac{long-term\ debt}{permanant\ capital}$

b. Net worth to permanent capital ratio:

Measure the proportion of firm's net worth out of its total permanent capital. This ratio is calculated by using formula as follows.

Net worth to permanent capital ratio = $\frac{net\ worth}{permanant\ capital}$

c. Total debt ratio:

This ratio shows the relationship between total debt and total assets in this ratio we find outsider claim, total assets and automatically the rest claim will belong to shareholders.

Debt to total assets ratio is related to the total debt to total assets of firm. The total debt to comprise of long term debt plus current liabilities."[Khan and Jain]

Debt assets ratio = $\frac{total\ debt}{total\ assets}$

5. Market value analysis:

The market value ratio represents a group of ratios that relate to the firm's stock price to its earning and book value per share. These ratios give management an indication of what investors think of the bank past performance and future prospectus.

a. **EPS (earning per share)**:

It measures the profit available to the equity shareholder on per share basis i.e. the amount they can get on each share held. The objectives of computing this ratio is to measure the profitability of the firm as per equity ratio business. There are two components of this ratio that are as under.

- Net profit after preference dividend
- Number of equity share outstanding

It is computed by dividing the net profit after preference dividend by the number of equity share outstanding it is expensed as an absolute figure.

Earnings per share = $\frac{net\ profit\ after\ tax - preferrance\ dividend}{no{:}of\ equity\ shars\ outstanding} \times 100$

b. Price-earnings ratio:

Price earnings ratio is widely used by the security analyst to value the firm's performance as expected by investors. This ratio measure investors expectations and the market appraisal of the performance of the firm. (Munankarmi, 2002:490)

Price earnings ratio shows how much investor is willing to pay per dollar of reported profits (Weston Brigham, 1996: 296)

This ratio so calculated as follows.

P.E-ratio = $\frac{market\ price\ per\ share}{EPS} \times 100$

c. Cash dividend on share capital:

The amount of earning distributed and paid as cash dividend is considered as the cash dividend on share capital or dividend per share.

Cash dividend on share capital is calculate as follows.

Dividend per share = $\frac{earning\ devidend\ paid\ to\ shareholder}{number\ of\ equity\ sharteholders}\times 100$

6. Other relevant ratio

To measure commercial bank's performance it is necessary to study other relevant ratio too. This ratio includes.

a. Staff expenses to total operating expenses.
b. Staff bonus to total staff expenses.
c. Weighted average interest rate spread.
d. Exchange fe- fluctuation gain to total income the ratios are calculated as follows.

a. Staff expenses to total operating expenses

$=\frac{staff\ expenses}{total\ operating\ expenses}\times 100$

b. Staff bonus to total staff expenses ratio

$=\frac{staff\ bonus}{total\ operating\ expenses}\times 100$

c. Weighted average interest rate spread

=interest rate on landing- interest rate deposit.

d. Fx- fluctuation gain to total income ratio

$\frac{fx-fluctuation\ gain}{total\ income}\times 100$

Statistical tools:

Some are also been used for the analysis of data. In this study different types of statistical tools are used. They are mean, standard deviation, coefficient of variation, correlation coefficient analysis, regression analysis and hypothesis testing while analyzing financial performance with the help of statistical tools such analysis help to draw.

There are different types of statistical tools which are as follows.

1. Average and variation:

The averages are the measures which condense a huge mass of data into single numerical data into single numerical values which are representative of the entire distribution. An average provides us the gist and gives a bird's eye view of the huge mass of unwieldy numerical data.

There are varies types of average, such as arithmetic mean, geometric mean, harmonic mean, median, mode etc. of these average, the researcher user only arithmetic mean to calculate the average throughout the whole study period. It can be competed as follows:-

Mean (×) =$\frac{\sum x}{n}$ where,

x= arithmetic mean
∑x= sum of value
N= no. of Observation

2. Standard deviation (S.D):

Standard deviation concept introduced by karl Person in 1823A.D it is denoted by the Greek letter sigma (δ). The standard deviation is the absolute measure of dispersion in which the drawbacks present in other measure of dispersion are removed. The value of standard deviation depends upon whether the other return data are scattered or clustered around the central value. If the other value are scattered from the central value it is regarded more volatile or risky. There are standard deviation will be higher. Similarly, of the value is clustered around the mean, the return distribution is regarded less volatile or less risky, there are standard deviation is less/ lower. It is calculate as follows.

Standard deviation so (O) =$\sqrt{\frac{\sum(x-x)}{n}}$

Where, N=no. of ostentation

The standard deviation measures the dispersion or variability of a distribution. A small standard deviation indicates a high degree of uniformity or homogeneity indicates just the opposite.

3. Co-efficient of variation:

The relative measure of dispersion based on standard deviation is called coefficient of standard deviation as it is not appropriate through standard deviation, the comparison of the variability of two or more distributions is made easy by co-efficient of variation. It reflects the risk per unit and provides a quick summary of the relation trade-off between risk and return. It is computed by dividing the standard deviation by arithmetic mean. Mathematically

Cv = $\frac{\delta}{x}$

Where,

Cv = co- efficient of variation

δ = standard deviation

X = arithmetic mean

That series for which has been the greater c.v. is said to be more variable or conversely less c.v. is said to be less variable or more consistent, more uniform more stable or more homogenous.

4. Correlation- coefficient analysis:

Correlation coefficient analysis indicated degree of relationship between two or more than two variables. It is a statistical device, which help in analyzing the co-variation of two or more variables. It is calculated when it is believe that there is cause and effect relationship one of the variable will be casual variable and another will be its effects. Casual variable is also called dependent variable when there is change in dependent variable, there will be corresponding change in independent variable. The coefficient of correlation measure the degree of relationship between two sets of figures. While interpreting coefficient of correlation, the following rules are applied.

When

What R=+1, it measure there is perfect positive relationship between the variable.

When R = -1, it means there is a perfect negative relationship between the variables.

When R= 0, it means that the variable are uncorrelated.

There are many methods used for studying the correlation between the two variables of these method, karl Pearson's coefficient of correlation is concern for out study between the two variables. Symbolically karl Pearson's coefficient is denoted by 'r'

$$r = \frac{\sum x.y}{\sqrt{\sum x2.\sum y2}}$$

Where,

r = the correlation coefficient

n = (x-x) and y = (y-y)

x = independent variable

y = dependent variable

5. Regression analysis:

Regression analysis is used as a tool of determining the strength of relationship between two variables. Thus it is a statistical device with the help of which we can estimate or predict the value of one variable when the value of another variable is known. The unknown variable which we have to predict is called dependent variable and the variable whose value is known is called independent variable. The analysis used to describe the average relationship between two variables is known as simple liner regression analysis.

Regression lines expressed in terms of algebraic relation are known as regression equation it can be calculated as follows. Regression equation of y an x

Y= a + bx …….(I)

Here,

a = interest of the line

b = slope of the line

x = independent variable

y = dependent variable

6. Trend percentage index:

Trend percentage analysis is a tool for analysis financial performance, which indicates the direction of change. Trend analysis refers to the position of favorable or unfavorable of variable in the gives period of time with the base year and its helpful to identify the contained in the balance sheet and income statement.

In order to determine the trend, the first years is taken as base year thus, the formula for computing trend percentage

Trend = $\frac{amount\ of\ the\ concered\ year}{base\ year\ amount}\times 100$

2.9. Review of related literature:

Review of literature means reviewing research studies or other relevant proposition in the related area of the study. In this section review o books, review of thesis work is included.

2.9.1 Review form related study

In me Nepalese context, very few independent studies can be found in topic of management. However, the available independent studies which are related to Nepal Stock Market, view expressed by different person in their articles regarding financial analysis of common stock of commercial banks is presented in the topic.

Pradhan (2062) in the article, "transaction analysis of financial companies in Nepal" has concluded that the financial companies are centered in the city as like commercial bank. If this trends remain, the central bank is to consider novel strategy. However, financial and banking transaction don't take place in zero, it favors of financial intermediaries. The emergence of closure of financial companies in market economy in common senses but keeping in mind, the social and economic structure of our country we should not turn a deaf ear to regional balance.

Pradhan has given the following findings

- ⇨ Higher the earning on stock larger the ratio of dividend per share to market price per share.
- ⇨ Dividend per share and market price per share was positively correlated.
- ⇨ There are positive relationship between dividend payout and liquidity

"Portfolio behavior of Commercial Banks in Nepal" is written by Suniti Shrestha a useful readable book prepared on the thesis version of PHD degree. This book is useful to all students, researcher, bankers, general public etc. This book covers all the aspects of the commercial bank in Nepal. Such as introduction of banking system historical background of banking system. Financial performance of commercial bank etc. the author has conclude about the financial performance of the commercial bank in Nepal as under.

"Capital adequacy ratio revels that Nepalese banks are below the standard set by government foreign banks have higher capital adequacy ratio but has been declining every year"

"Debt equity ratio of commercial banks is more than 100% in most of the time period under study. It leads to concluded that the commercial banks are highly leveraged and highly risky".

"Return ratio of all banks show that most of the time, foreign banks have higher returned the Nepalese banks".

The performance evaluation of different commercial banks shows that the local banks have very poor performance and both banks i.e. Nepal bank Ltd. and Rastriya Banijya Bank have low capital base and a heavy amount of nonperforming assets. But on the other hand, newly opened foreign based Commercial Bank has better financial performance then the Domestic banks operating under same environment. The reason behind it lies not only in their financial decision making system. But main other internal factors namely the organization, staffing, work technology work culture and attitude of staff. It has been found that human resources management has been the main problem of the Nepalese banks and their deficiencies are obviously reflected in their financial performance.

2.9.2 Review of Thesis work:

In this part, different types of related research studies have been review because chance of duplication will be avoided from present study and some new and change can be created for achieving the objectives. Some of the relevant research studies have been mentioned as below.

An Ashok Paudel in his thesis "Financial performance analysis of EBL" has focused on objective as to examine the financial statement of the bank and analyze them to see the financial soundness of the bank it observe the return over the equity, to highlight the relationship between different variable's to provide suggestions and recommendation for the improvement of future performance of EBL based on the findings of analysis.

Bindeshawar Mahato, in his thesis "A comparative study of the financial performance NABIL and NIBL" concludes that, NABIL is more oriented in discharging responsibilities towards its shareholders than NIBL, NABIL is also found paying more attention towards the attainment of national objective. NABIL participation in the task of economic development with being more responsive to the national priorities like branch expansion, more employment more resource mobilization etc. is appreciable.

Mr. Keshav Raj Joshi from his thesis "A study on financial performance of Commercial Banks" reviews that the liquidity position of commercial banks is satisfactory, he found that comparatively the local commercial banks have been found relatively highly leveraged compared to the joint venture banks. Loan and advances have been the main form of investment, Two third of assets have been used for earning purpose; profitability position of NABIL Bank is stronger than the other commercial banks.

Yug Basnet had conducted a research as a topic "A comparative study on financial performance between the commercial banks". The study had covered only two Banks i.e. NB Bank and Nepal SBI Bank. He had mainly focused on his study in examining the financial performance of these two banks.

In his research, he pointed out some remarkable findings.

- The profitability position of NB Bank was comparatively better than SBI Bank.
- Liquidity analysis showed the banks did not maintain sufficient liquidity.
- Capital structure ratio of both banks was highly levered.
- The efficiency analysis showed that the ratio is in fluctuating trend to Nepal SBI Bank and decreasing trend of NB Bank.

Gopal Prasad Ghimire (2003) had conducted a research on a topic "financial performance of Commercial Banks. A Comparative Case study of NB Bank, HBL and EBL." He had mainly objective of his study in examining the financial performance of those three banks such as profitability, liquidity, activity and capital structure analysis.

Time Period covered by the research was five years from 1996/97 to 2001/02. Necessary data and other information were primarily based on secondary data such as annual reports and other related journals and books etc. In this research, Mr. Ghimire had pointed out various findings, conclusion and recommendations.

The banks did not maintain the CRR as per NRB directives.

- The liquidity position of banks was not satisfactory.

- The EPS of HBL had been rapidly decreasing over the period. However the EPS of another two banks were in increasing trend.
- The banks did not do a lot of exercises in more credit creation and reducing the interest rate for loan and advance for more competitiveness.
- It is recommended to selected banks to effective utilization of total fund so as to make more profitability.
- Interest income on loan and advances is at satisfactory, so it is recommended to give continuity as previous.

CHAPTER – III

RESEARCH METHODOLOGY

3.1 Introduction:

Research methodology is a systematic and scientific method that is used in handling a problem by the researcher, to it is another aspect of thesis writing. In this way research methodology is a process of arriving to the solution of the problem through planned and systematic dealing with the collection analysis and interpretation of fact and figure. Research methodology is very helpful in identifying the research problem. In fact, research is an art of scientific investigation. This chapter consists of research design, population & sample, data collection procedure and data processing and tools for analysis.

"Research is a scientific method of finding out solution to a problem where as research methodology refers to the various sequential steps to adopt by a researcher in studying a problem with certain objective in view."

Research Methodology covers the wide range of investigation. According to nature of the phenomena, various statistical and financial tools and technique are applied to find out the solution of the problem Research Methodology is composed by two words "Research" and "Methodology". In common sense research means to search for knowledge, facts information at that is still unknown, likewise methodology is a scientific and systematic process that consists of various tools and technique that can be used to solve, the problems. Therefore, research is a systematic and organized effort that includes the scientific method of acquiring knowledge. The scientific and systematic methodology various authors and have defined research methodology in numbers of way.

"Research is systematic and organized effort to investigate a specific problem that needs a solution. This process of investigation involves a series of well thought out activities of gathering, recording, analyzing and interpreting the data with the purpose of finding answer to the problem. This is the entire process by which we attempt to solve problems on search the answer to question research"

"Research Methodology is a way is systematically solve the research problem it may be under stood as a science of studying how research is done systematically".

According to previous above definition, research is the scientific and systematic process. It includes all types of investigation requiring solution to the problem. Research also helps to discover new ideas, knowledge in a particular area of interest, the scientific and systematic process of research involves activities of identifying problems, collecting facts and information tabulating and recording the data, setting hypothesis analysis, the facts and reaching certain conclusion with a view to finding answer to the problem.

3.2 Research Design:

A research design is a systematic and conceptual structure with in which the study is to conduct. I.e. research design is a clear map of all types of investigation. The appropriate research design is also required for the achievement of desired objectives of the investigation it can be compared with the blue print of the procedures and techniques, which guide to the study, "Research design is a plan for the collection and analysis of data."Research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure." It presents a serious of guide post to enable the researcher to progress right direction in order to achieve the goal. The design may be as specific presentation of the problem, formulation of hypothesis, conceptual clarity and methodology.

Survey of literature and documentation, bibliography, data collection, interpretation, presentation and report writing.

This research work tried to analyze the comparative performance of commercial banks in the present E-generation. The research followed analytical and descriptive research design. The study was based on financial data provided by the concerned bank. i.e. the data became secondary sources to the research work. Only commercial bank took into account which represent almost same strategic group. Comparative data of commercial banks presented in such a way. So as to make the research information to the readers. Financial as well as statistical tools were used to analyze the interpret.

3.3. Population and Sample:

There are many financial institutions in Nepal: however the research basically covers four commercials banks. Twenty commercial bank operating in the country were the total population for the study. The four commercial banks are selected as a sample using purposive sampling technique.

Population

The population on universe consists of no. of unity usually very large population denotes the aggregative form. Population refers the totality of all observation.

Sample:

This technique of taking part of the population for a studying purpose is known as sampling of a representative part of population which we select for the purpose of investigation is called a sample. It is a tool which enables us to draw conclusion about the objectives or items that are included in the sample. It refers to the chosen part of population.

The sample banks are as follows.

1. NABIL-Nepal Arab Bank Limited
2. Everest Bank Limited
3. Nepal Investment Bank Limited
4. Himalayan Bank Limited.

3.4 Source of Data:

The sources of information were the concerns institutions and their published reports. NRB and its published reports, Experts view news paper and many other published and non published Sources. Mainly the Secondary non published source. Mainly the secondary sources of data were collected in order to achieve the real and fact data as far as available. The sources of data were as follows.

1. Primary Data:

Primary data is that data which are collected direct personal interview, indirect oral interview, information from correspondence, questionnaire to person and so on. These types of data are original character. This study mainly bases on secondary data.

2. Secondary Data:

The study basically depends upon the secondary data. The secondary sources of data were the information received from books, journal, newspaper, published reports, and concerned websites etc. The major sources of secondary data were as follows.

⇒ Annual reports of the concerned banks and NEPSE.
⇒ Related website of concerned banks.

$\Rightarrow$ NRB Samachar, NRB directives.
$\Rightarrow$ Survey, reports, journal issued by NRB.
$\Rightarrow$ Book related to financial performance analysis.

3.5 Data processing and presentation procedure:

The information obtained from different sources were in raw form. From that information, direct presentation was not possible so it was necessary to process data and converts it into required form. Only after then, the data were presented for this study. For this study, only required data were taken from the secondary sources and presented in this study. For presentation different tables were used. Similarly in same case graphical presentation were also made. For reference, the photocopies of raw data were annexed. So far as the computation was concerned, it has been done with the help of scientific calculator and computer software program.

3.6 Data Analysis tools & presentation:

To achieve the objectives of the study, various financial, statistical and accounting tools have been used in this study. The analysis of data will be done according to pattern of data available with the available tool and resources, analytical statistical tool such as Karl Person's coefficient of co-relation, simple and multiple Regression as well as corresponding hypothesis are adopted in this study. Similarly some strong accounting tools such as ratio analysis and trend analysis have also been used for the financial analysis. The various calculated results obtained through financial, accounting and statistic tools are tabulated under different headings. All those tools, which are used for the analysis and interpretation of the data's knows as analytical tools, there are two types of analytical tools applied in the study.

They are;

1. Financial Tools:

Various financial tools were used to measure the strength and weakness of commercial banks. In addition, non-performing asset and weighted average interest rate spread was also studied under the research work.

i) Liquidity analysis

a) CRR

ii) Solvency analysis

a) Capital adequacy ratio

b) Interests expenses to total deposit ratio.

iii) Profitability analysis

a) Net profit to total income ratio

b) Return on assets

c) Interest income on loan and advance

d) Operating ratio

iv) Activity or Turnover analysis

a) Loan and advances to total deposit ratio

v) Market value analysis

a) Earnings per share

b) Market per share

c) P.E. Ratio

d) Cash dividend in share capital

e) Dividend in share capital

vi) Other relevant ratio analysis

a) Staff expenses to total operating expenses

b) Staff bonus to total staff expenses.

c) Weighted average interest rate spread.

d) FX-fluctuation gain to total income.

2. Statistical Tools:

a. Arithmetic mean:

Arithmetic mean is a given set of observation is the sum of the observation dividend by the number of observation. In such a case all the items are equally important. Simple Arithmetic mean is used in this study as per necessary for analysis.

We have,

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

Where,

$\sum$x = sum of all value of the observation

N = number of observation

X = value of variables.

b. Standard deviation:

It measure the variation of the mass of the figures in a series of an average it is absolute measure of dispersion so, it is usually denoted by the letter sigma (δ). Karl Parson suggested it as a widely used measure of dispersion and is defined as the given observation from their arithmetic mean of a set of value. It is also known as root mean square deviation. Standard Deviation, if their study has been used to measure the degree of fluctuation of interest rate and that of other variables as per the necessity of the analysis[Gupta, 2002:238]

we have,

standard deviation ( ) = $\sqrt{\frac{\sum(x-x)2}{n}}$

c. Coefficient of variation (c.v.):

This is the relative measure of dispersion of riskiness of return based on standard deviation and mean co-efficient of variation is the percentage variation in mean and standard deviation being considered as the total variation in the mean CV. Suitable measure for comparing variability of two series with the same or different units. The higher C.V. indicates higher desperation it is denoted by C.V thus,

C.V = $\frac{\delta}{x}\times 100$

δ = standard deviation
x = mean values of variables.

d. Correlation coefficient analysis:

Correlation coefficient analysis measures the relationship between two or more variables. It is used to find the relationship between total deposit and total investment. Interest earned and operating profit. By finding the relationship between the above mentioned variables. The researcher will be able to know whether the variables are positive correlated or not coefficient of correlation is denoted by ‘ ‘.

Coefficient of correlation is always lies in +1 to -1. When ‘r’ will be + 1, there will be perfect positive correlation between two variables. When ‘r’ will be – 1, there will be perfect negative correlation between two variables. When ‘r’ will be ‘o’, there will be no co-relation between two variables.

e. Regression analysis;

Regression analysis is one of the most powerful statistical tools, which being used in the estimate of strength of relationship between two variables. A line of regression gives the best estimate of one variables of or one variation for any given value of the other variable. So there are two lines of regression referring as the line of regression of x and y respectively. If two lines of regression coincide with each other, the correlation is perfect and of they cut each other at right angle. The variables are uncorrelated.

f. Analysis of variance test (F. test):

The analysis of variance is used to test whether the difference between the mean of three or more population is significant or not [shrestha and silwal, 2027:261] so, the researcher used f- test I.E one way a nova to find out differences among the sample means.

One way a nova:

The calculation of ssc, and degree of freedom have been made, these figure can be presented in a sample table called analysis of variance table or simple one way a nova table as follows.

Ssw = sst – ssc

Where,

Ssw = sum of square within sample

Sst = total sum of square

Ssc = sm of square between sample

Degree of freedom between columns = k-1

Degree of freedom total numbers. = n-1

Table no: 3.1

One-way a nova table

Source of variations	Sum of square	Degree of freedom	Square mean sample	Follows
Between samples (Treatuents)	Ssc	k-1	Msb=$\frac{ssc}{k-1}$	f=$\frac{msb}{msw}$
Within (errars)	Ssw	n-k	Msw =$\frac{ssw}{n-k}$	
Total	Sst	n-1		

Since, fcal< ftab. ho is accepted, otherwise rejected.

Where,

Msb = mean sample between

Msw = mean sample within

g. **Hypothesis testing**:

Student test is used as the major statistical tools out of the various techniques of hypothesis testing specially this tool is used in this research study to test the signification of the different between different related variables to determine the relative position between them.

Chapter - IV

PRESENTATION AND ANALYSIS OF DATA

4.1 Introduction:

This chapter of study presents the data and facts, which is related to different aspects of NABIL, EBL, NIBL and HBL. these data are collected from various sources. These available data are tabulated, analysis and interpreted so that financial forecast of banks can be done easily. The main objectives of presentation and analyzing data are financial performance and interpretation is to highlight the strength and weakness of statistical tables were based on data provided by concerned banks and charts well also created according the related table in third chapter liquidity , profitability activity, solvency. And NPA analysis was mainly conducted.

4.2 Ratio analysis:

Ratio analysis is the expression of the relationship between the mutually independent figures. It shows the quantitative relation between two variables. Simply it is calculated as dividing or variable by another variable.

There are various types of financial ratio which are used by different field for different purpose such as, creditors, investor. Financial institutions and management of the firm. In this analysis following ratio are analyze and interpret for the past five year for the sample banks.

4.2.1. Liquidity analysis:

Commercial banks need liquidity to meet loan demand and deposit withdrawals. Liquidity is also needed for the purpose of meeting cash reserve ratio requirement prescribed by NRB. The commercial bank should ensure that they do not also that it is not too much highly liquid. The failure of the bank to meet its cash obligation due to lack of sufficient liquidity will result bad credit image and loss of creditors confidence.

A very high degree of liquidity is also bad idle or non performing assets earn nothing. Therefore it is necessary to strike a proper balance between liquidity and lack of liquidity. So, on attempt has been made to analysis and interpret financial data of the subject matter in sequential order.

Cash resave ratio:

Adequate liquidity is also must in the banking sector in order to protect its solvency and to honor its short term obligation and liabilities. Failing to do so, banks might have Gove for liquidation and hence to protect the creditor’s interest. Central bank has directed all the banks to maintain the adequate CRR by the provisioning of five percent of total deposit. A bank must ensure that it has a vend liquidity position to face the instant claims by its creditors. So, CRR measures the ability to meet short term obligation and reselect the Short –term financial strength and solvency of the bank.

Table 4.1 Comparative Review of CRR

Banks		Fiscal year					Mean X	Std.devi δ	Cv
	%	04/05	05/06	06/07	07/08	08/09			
NABIL	%	3.83	3.26	6.00	8.37	9.03	6.098	2.32	38.08
EBL	%	1.90	1.90	2.90	3.40	2.83	2.59	0.59	22.96
NIBL	%	9.78	13.61	10.47	10.91	10.32	11.02	1.35	12.21
HBL	%	7.86	5.92	5.92	5.13	6.76	6.32	0.92	14.68
Mean		5.84	6.17	6.32	6.95	7.23			

Source: Annual, 2004/05 to2008/09

From the computation, the average CRR of NABIL, EBL, NIBL and HBL is 6.098, 2.59, 11.02 and 6.32 respectively. Similarly the standard deviation of NABIL, EBL, NIBL and HBL are 2.32, 0.59, 1.35 and 0.92 respectively and Cv of NABIL, EBL, NIBL, and HBL are 38.08, 22.96, 12.21 and 14.68. Respectively this shows that the average CRR of NIBL has highest CRR among all. On the other hand, the average CRR of EBL is 2.59 which is less than 5% it means EBL was unable to maintain the CRR as per the directives. On the basis of Cv it indicates that he value of NIBL more consistent due to lower Cv then others such as, from the computation of combined mean of different banks, the average CRR in all five different fiscal years are greater than 5%. This shows that all banks were maintained as per directives of NRB.

Test of hypothesis

Null hypothesis; Ho: $\mu_1 = \mu_2 = \mu_3 = \mu_4$ i.e.

There is no significant difference in CRR among four banks.

Alternative Hypothesis:-H1: $\mu_1 \neq \mu_2 \neq \mu_3 \neq \mu_4$ i.e there is significant difference in CRR among hour different banks.

Level of significance =5%

Test statistics: the test is based on significance of CRR among four different banks in different years. Therefore we use one way Anova.

Table 4.2 Anova table

Source of venation	Sum of squares	D.F	Mean sum of squares	F-ratio
Between sample	1141.11	4-1=3	1141.11/4=285.5	F=285.5/9.3
Within sample	180.70	20	180.7/20=9.3	30.70
Total	1321.81	25-1=24		

Critical value: the tabulated value of f at

5% level of significance for 3and 20 degree of freedom (df) is 2.87.

Decision: since calculated f 30.70 is greater than the tabulated F (2.87).

The null Hypothesis Ho is redetected and hence the alternative Hypothesis H1is accepted. Therefore we concluded that there is no significant difference in the CRR among four different banks in diff years.

4.2.2. Profitability Analysis:

Profitability measures the success of the banks in terms of profit margin, return on assets, return on loan and advances and reflects the overall efficiency and effectiveness of management. The operating efficiency of the bank and its ability to ensure adequate return to its shareholder depends ultimately on the profit earned by the bank.

a. Net profit margin:

Net profit margin indicates margin of compensation left to the owner for providing their capital, after all expenses have been met. It help in determining the efficiency with which the affairs of the business are being managed a net profit margin would enable the firm to withstand adverse economic conditions and low margin will have opposite implications.

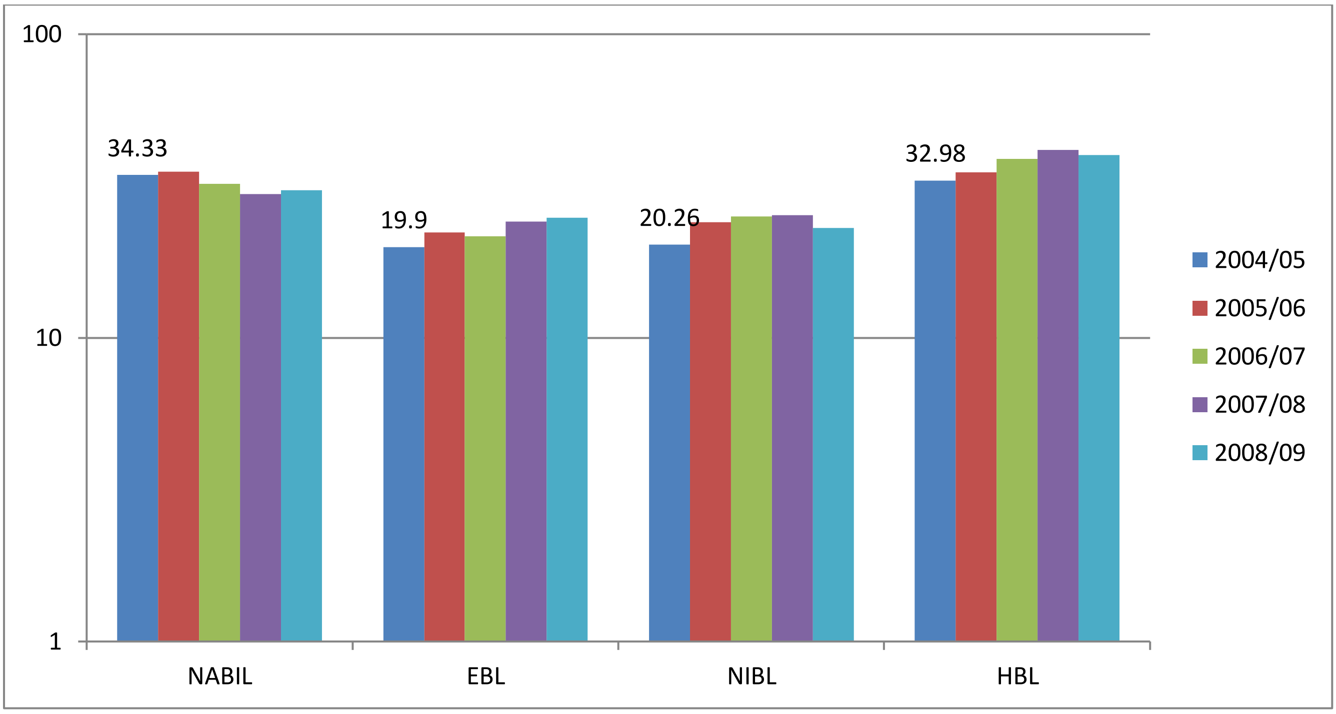
Table 4.3 Comparative review of NPM

Banks	%	Fiscal years					mean	Std Deviation	Cv
		04/05	05/06	06/07	07/08	08/09			
NABIL	%	34.33	35.32	32.16	29.63	30.56	32.41	2.15	6.64
EBL	%	19.9	22.2	21.6	24.2	24.92	22.56	1.81	8.02
NIBL	%	20.26	23.99	25.07	25.33	22.97	23.52	1.83	7.80
HBL	%	32.98	35.16	34.9	41.58	39.96	36.92	3.28	8.87
mean		26.87	29.17	28.43	30.20	29.60			

Source: Annual report, 2004/07 to 2008/09

Form the computation using scientific calculator the average net profit margin of HBL shows higher value than other banks i.e 36.92. The average NPM of NABIL, EBL and NIBL is respectively32.41, 22.56, and 22.97. In the case combines mean of different banks the average net profit margins are 26.87, 29.17, 28.43, 30.20 and 29.60 respectively. It shows that the banks had earned greater net profit in the year of 2007/08 and 2008/09. At the same period such ratio is seemed more consistence than other period too. So the considering the above table, It is concluded that such ratio has increasing nature from 26.87 to 30.20 this is good sign for profitability part of view.

Figure 4.1 Net profit margin



Fiscal year/Banks

The above chart show that the Net profit margin if HBL is found increasing consistently than others. Similarly EBL is also showed increasing trend after the year of 2004/05. But the remaining bank shows fluctuation in NPM.

b. Interest income on loan and advance

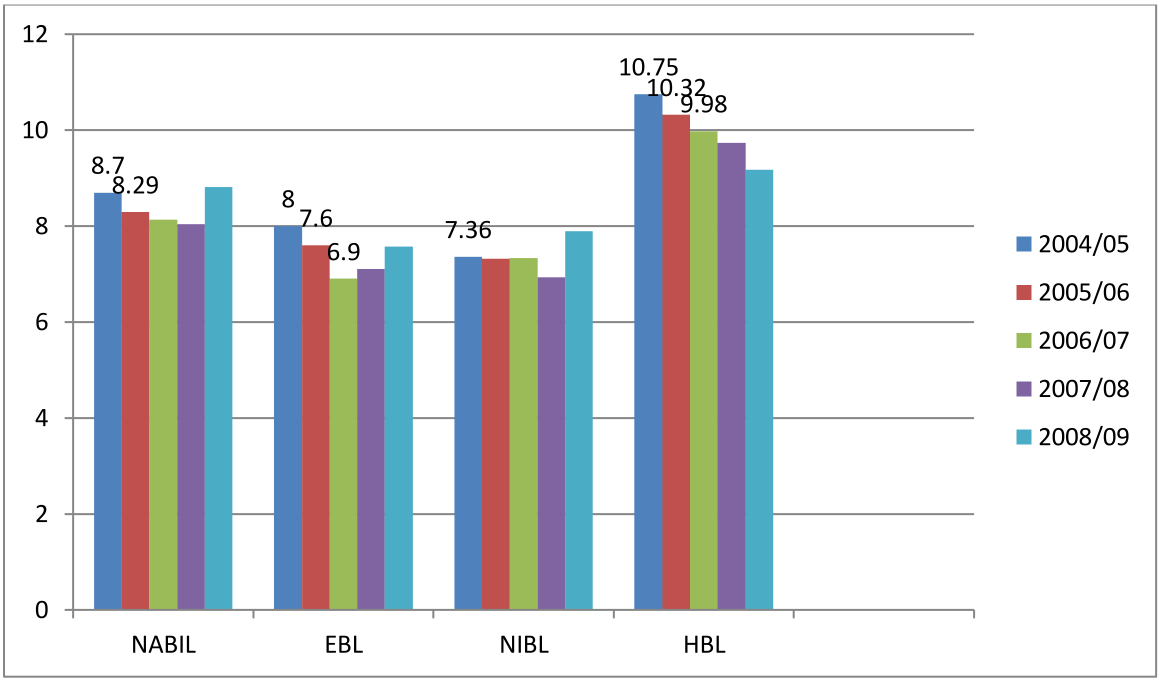
c. Table 4.4 comparative review of interest income and loan and advance.

Banks		Fiscal year					mean	SD Devi.	Cv
	%	2004/05	2005/06	2006/07	2007/08	2008/09			
NABIL	%	8.70	8.29	8.14	8.04	8.82	8.40	0.31	3.67
EBL	%	8	7.60	6.90	7.10	7.57	7.43	0.39	5.26
NIBL	%	7.36	7.32	7.33	6.93	7.89	7.37	0.31	4.15
HBL	%	10.75	10.32	9.98	9.73	9.18	9.99	0.53	5.32
Mean		8.70	8.38	8.09	7.95	8.36			

Source: Annual report 2004/05 to 2008/09

Interest income is the major source from the loan and advance that earned high rate of interest income. It shows the high utilization of loan and advances.

Figure 4.2



Fiscal year/ banks

The above table shows that the average interest income on loan and advance of HBL shows higher value than other banks i.e. 9.99. The average interest on loan & advance of NABIL, EBL and NIBL is 8.40, 7.43 and 7.37 respectively. It indicates that HBL able to get high rate of interest income on loan and advance than others on the basis of Cv, NABIL shows more consistent than other bank.

Such as from the computation of combined mean of different banks in different years the average interest income of loan and advance is 8.70, 8.38, 8.09, 7.95 & 8.36 respectively. It shows that the bank had earned goiter interest income on loan & advance in year 2004/05 and lowest in year 2007/08. Considering the above table, it is concluded that such ratio has increasing nature from 5.70 to 7.95. Based on CV in the year.

d. Return on Assets (ROA):

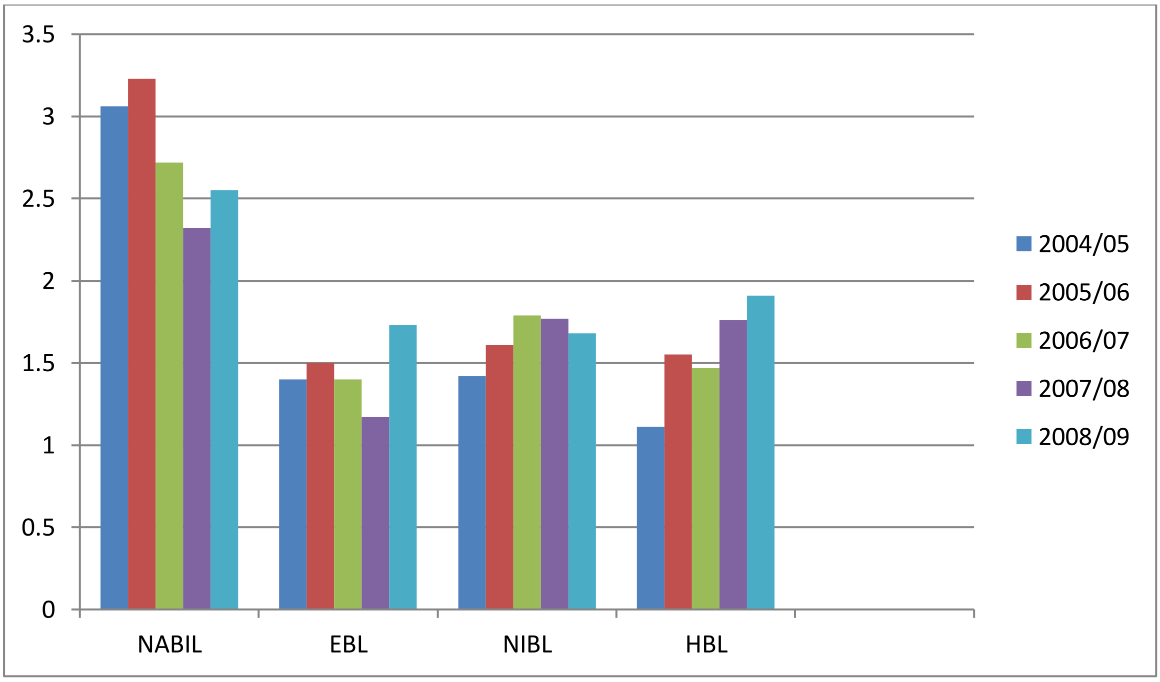
This ratio assists the effectiveness in using the total find supplied by the owners and creditors. Higher ratio shows the higher return on the assets used in business there by indicating effective use of the resources available and vice- versa.

Table 4.5 comparative review of ROA

Banks		Fiscal yes					mean	SD Devi.	Cv
	%	2004/05	2005/06	2006/07	2007/08	2008/09			
NABIL	%	3.06	3.23	2.72	2.32	2.55	2.78	0.33	11.94
EBL	%	1.40	1.50	1.40	1.70	1.73	1.55	0.14	9.25
NIBL	%	1.42	1.61	1.79	1.77	1.68	1.65	0.13	8.08
HBL	%	1.11	1.55	1.47	1.76	1.91	1.56	0.27	17.51
Mean		1.75	1.97	1.84	1.88	1.96			

Sources: Annual report 2004/05 to 2008/09

Figure 4.3



Fiscal year/ Banks

From the using scientific calculator and spread sheet the average ROA of NABIL shows higher value and other banks i.e. 2.78. The average ROA of EBL, NIBL and HBL seems 1.55, 1.65 and 1.56 respective it indicates that Na NABIL was able to get effective use of resource available. Similarly from the computation of combined mean of different banks the average ROA is 1.75, 1.97, 1.84, 1.88 and 1.96 respectively. The table shows the banks had earned greater ROA in the year of 2005/06.

e. Operating ratio:

Operating ratio indicates on operating efficiency incurred on total assets. It determine the operational efficiency**.**

4.6 Comparative Review of operating Ratio

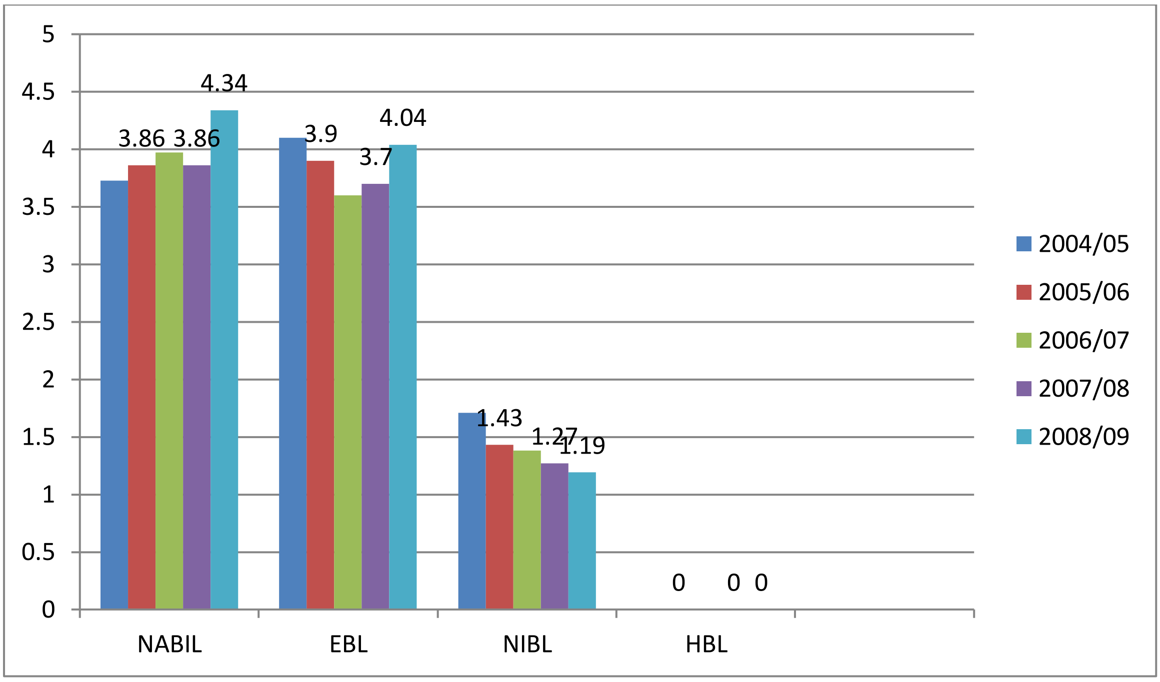
Banks		Fiscal years					mean	SD Devi.	Cv
	%	2004/05	2005/06	2006/07	2007/08	2008/09			
NABIL	%	3.73	3.86	3.97	3.86	4.34	3.95	0.21	5.27
EBL	%	4.1	3.9	3.6	3.7	4.04	3.27	0.19	4.97
NIBL	%	1.71	1.43	1.38	1.27	1.19	1.4	0.18	12.75
HBL	%	-	-	-	-	-	-	-	-
Mean		3.18	3.06	2.98	2.94	3.19			

Source: Annual Report 2004/05 to 2008/09

- Not available

From the computation, the average operating ratio of NABIL, EBL and NIBL is 3.95, 3.87, & 1.4 respectively. It indicates that NIBL is satisfactory level in expense operating ratio with comparison to them. EBL holds second position on the basis of Cv, EBL seems more consistent than other banks. Similarly from the computation of combined mean of different banks in different years the average operating ratio of 2004/05, 05/06, 06/07, 07/08, 08/09 is 3.18 3.06, 2.98, 2.94 & 3.19 respectively it shows that the banks had lower average of operating ratio in the year 2007/08. It means the banks could able to expense lower operating expenses on total assets.

Figure 4.4



Fiscal year/Banks

The above chart shows that the operating ratio of NABIL has an increasing and the NIBL has decreasing trend during all those fiscal periods rest of other banks showed fluctuated operating ratio.

4.2.3. Activity Ratio Analysis:

The activity ratios measure the effectiveness of assets utilization, reflecting the management's efficiency to use available recourses. The bank uses the funds of creditors and owners in various profits generating assets like loans and advance, investment etc. so, the activity ratios are employed to evaluate the efficiency of the bank in terms of utilizing its assets so an attempt has been made to analysis and interpret financial data of the subject matter in sequential order.

a. Credit Deposit Ratios:

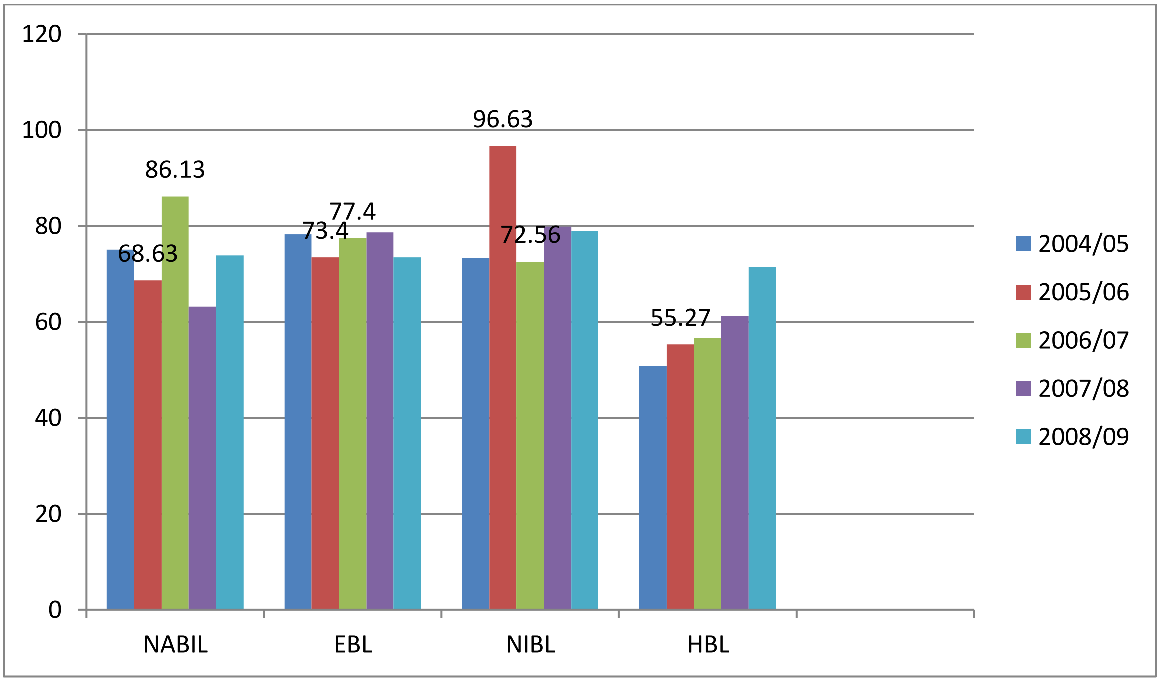
Banks make profit by lending or utilizing the deposits by charging a higher rate of interest to the borrowers than they pay the depositors. It measures the extent to which the banks are successful to mobilize the outsider fund i.e. total deposits in loan and advances for the purpose of profit generation- comparative Credit Deposit Ratio of selected four commercial banks has been tabulated as follows:

4.7 Comparative Review of credit Deposit Ratio

Banks	unit %	Fiscal years					mean	Std Devi.	Cv
		2004/05	2005/06	2006/07	2007/08	2008/09			
NABIL	%	75.05	68.63	68.13	63.18	73.87	69.77	4.29	6.25
EBL	%	78.2	73.4	77.4	78.6	73.43	76.21	2.31	3.03
NIBL	%	73.33	69.63	72.56	79.91	78.86	74.86	3.91	5.22
HBL	%	50.07	55.27	56.57	61.23	71.49	58.93	7.22	12.25
Mean		69.16	66.73	68.67	70.73	74.40			

From the computation, the average credit deposit ratio of EBL shows higher value then other banks i.e. 76.21. The average credit deposit ratio of NABIL, NIBL and HBL is 69.77, 74.86 and 58.93. respectively similarly from the computation of combined mean of different banks indifferent years the average credit deposit Ratio is 69.16, 66.73, 68.67, 70.73, and74.40 respectively. It has that the average credit deposit ratio in the year of 2008/09 74.40 had greater value than other financial year.

Figure 4.5



Fiscal year/ Banks

The above figure shows that the credit deposit ratio of HBL is increasing but the remaining Banks shows randomly fluctuating nature in credit deposit ratio.

4.2.4.Capital structure Analysis

A bank should have strong as well as long term financial position. The long term financial position of the bank is judged by the leverage ratio Analysis. It measures the extent of the bank's total debt burden it reflects the bank's ability to meet its short –term as well as long –term obligations. To measure banks capacity of borrowing as means of capital accumulation i.e. over extension of credit and borrowing power which determine the long term solvency of the banks. For this several capitals structure and maintained.

a. Capital Adequacy Ratio:

Capital adequacy ratio shows whether the commercial banks are maintaining sufficient amount of shareholders fund in comparison to total amount of their deposits. Extremely high or low ratio is inappropriate in terms of lowered return of lowered solvency respectively. For this several capital adequacy ratio are calculated.

I. Core capital

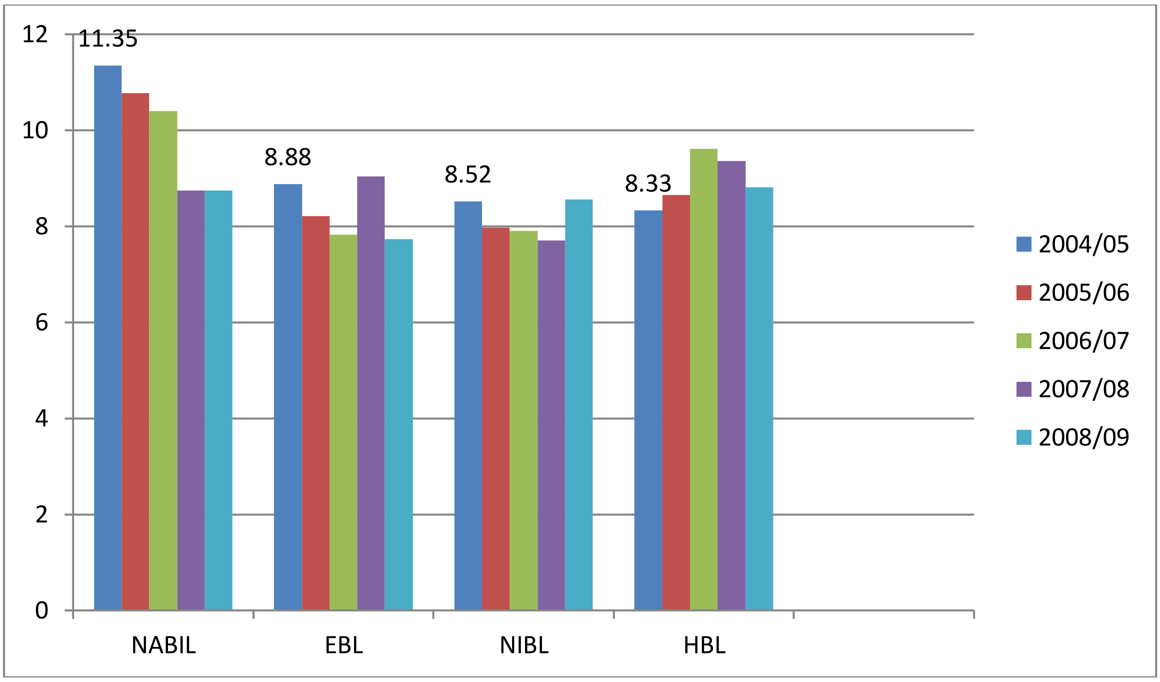
Table 4.8 comparative Review of core capital

Banks	unit %	Fiscal years					mean	STD Devi.	Cv
		2004/05	2005/06	2006/07	2007/08	2008/09			
NABIL	%	11.35	10.78	10.4	8.75	8.74	10	0.07	10.71
EBL	%	8.88	8.21	7.82	9.04	7.73	8.34	0.54	6.44
NIBL	%	8.52	7.97	7.9	7.71	8.56	8.13	0.34	4.23
HBL	%	8.33	8.65	9.61	9.36	8.81	8.95	0.47	5.23
Mean		9.27	8.90	8.93	8.71	8.46			

Source: annual report, 2004\05 to 2008/09

From the computation the average of core capital ratio to NABIL shows higher value then other banks. It means NABIL has been giving contribution to maintain core capital. The average core capital of reaming banks is 8.34, 8.13 and 8.95 respectively. On the basis of CV, it can be say that core capital ratio of NIBL is more consistent than other ratio. Similarly from the computation of combined mean of different bank in different year, the average of core capital ratio is 9.27, 8.90, 8.13, 8.71 and 8.46 respectively.

Figure 4.6



Fiscal year/ Banks

II **Supplementary capital**

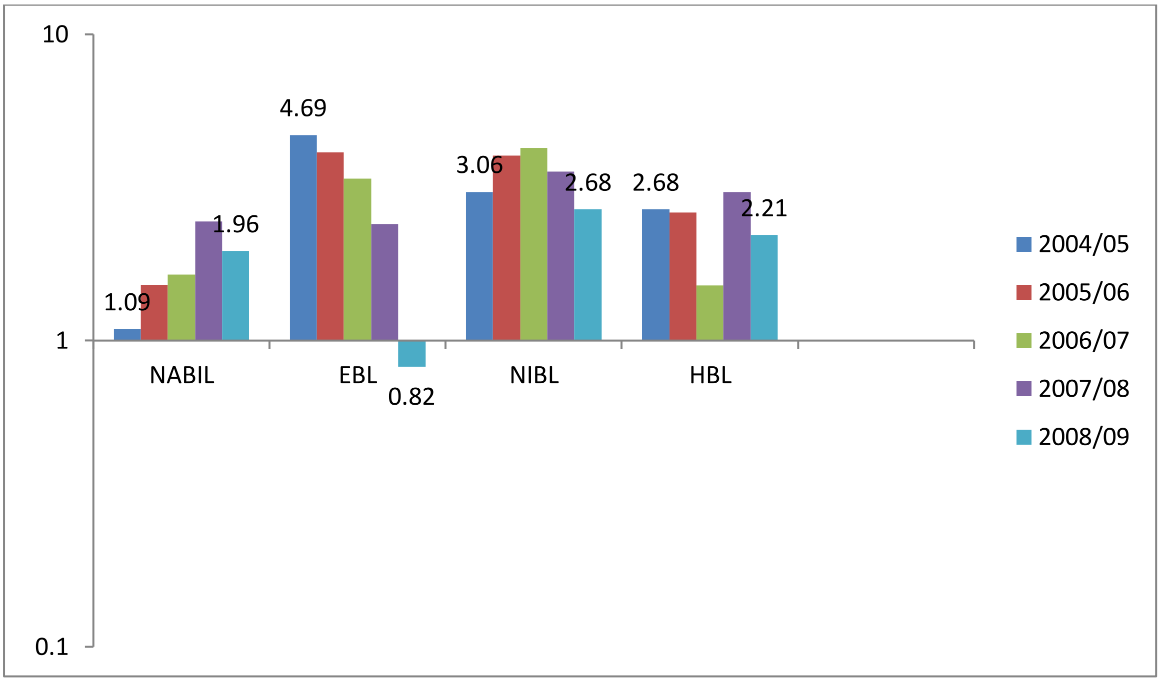
4.9 Comparative Review of supplementary capital

Banks	unit	Fiscal years					mean	STD Devi.	Cv
		2004/05	2005/06	2006/07	2007/08	2008/09			
NABIL	%	1.09	1.52	1.64	2.45	1.96	1.73	0.45	26.24
EBL	%	4.69	4.11	3.38	2.4	2.82	3.48	0.83	23.94
NIBL	%	3.06	4.01	4.26	3.57	2.68	3.52	0.58	16.62
HBL	%	2.68	2.62	1.51	3.06	2.21	2.42	0.53	21.82
Mean		2.88	3.06	2.70	2.87	2.41			

Source: annual report, 2004/05 to 2008/09

From the computation the average supplementary capital is 1.73, 3.48, 3.52 and 2.42 respectively and CV is 26.24, 23.94, 16.62 and 21.82 respectively. EBL shows highest average than other bank. On the basis of CV NIBL is more consistent than other. Similarly from the computation of combined mean of different bank in different years the average supplementary capital is 2.88, 3.06, 2.70, 2.87 and 2.41 respectively.

Figure 4.7



Fiscal year/ Banks

III. Total capital fund

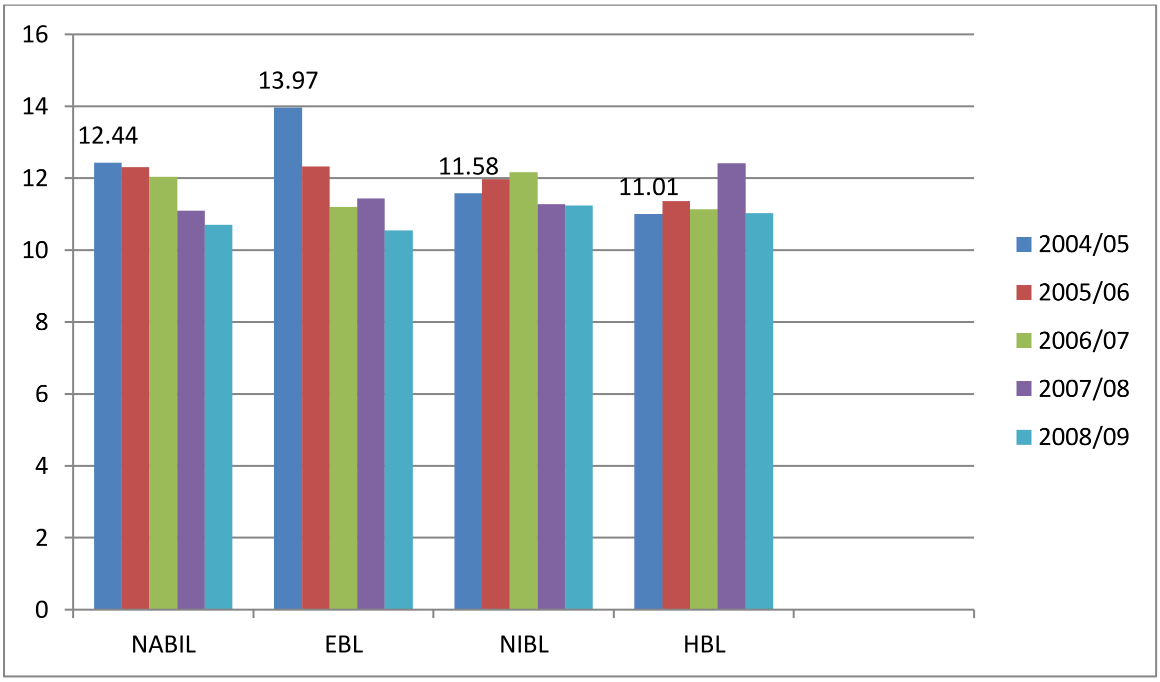
Table 4.10 Comparative Review of total capital fund

Banks	unit	Fiscal years					mean	Std Devi.	Cv
		2004/05	2005/06	2006/07	2007/08	2008/09			
NABIL	%	12.44	12.31	12.04	11.1	10.7	11.72	0.69	5.90
EBL	%	13.57	12.32	11.2	12.44	10.55	11.82	1.04	8.84
NIBL	%	11.58	11.97	12.17	11.28	11.24	11.65	0.37	3.17
HBL	%	11.01	11.26	11.13	12.42	11.02	11.37	0.53	4.69
Mean		12.15	11.96	11.63	11.81	10.87			

Source: annual report, 2004\05 to 2008/09

According from the tabulated data, the average mean of total capital fund of NABIL, NIBL, and HBL is 11.72, 11.82 11.65 and 11.37 respectively. EBL is the highest average. Such as the CV is 5.90, 8.84, 3.27 and 4.69 respectively. EBL had strong total capital fund. Also considering the combined mean of different bank in different year, the average of total capital fund is 12.15, 11.96, 11.63, 11.81and 10.87 respectively.

Figure 4.8



Fiscal year/ Banks

4.2.5. Interest Expenses to total deposit Ratio:

This ratio is analyses to find out how the banks were successful to generate cheaper fund.

Table 4.11 Comparative review of interest Expenses To total deposit ratio

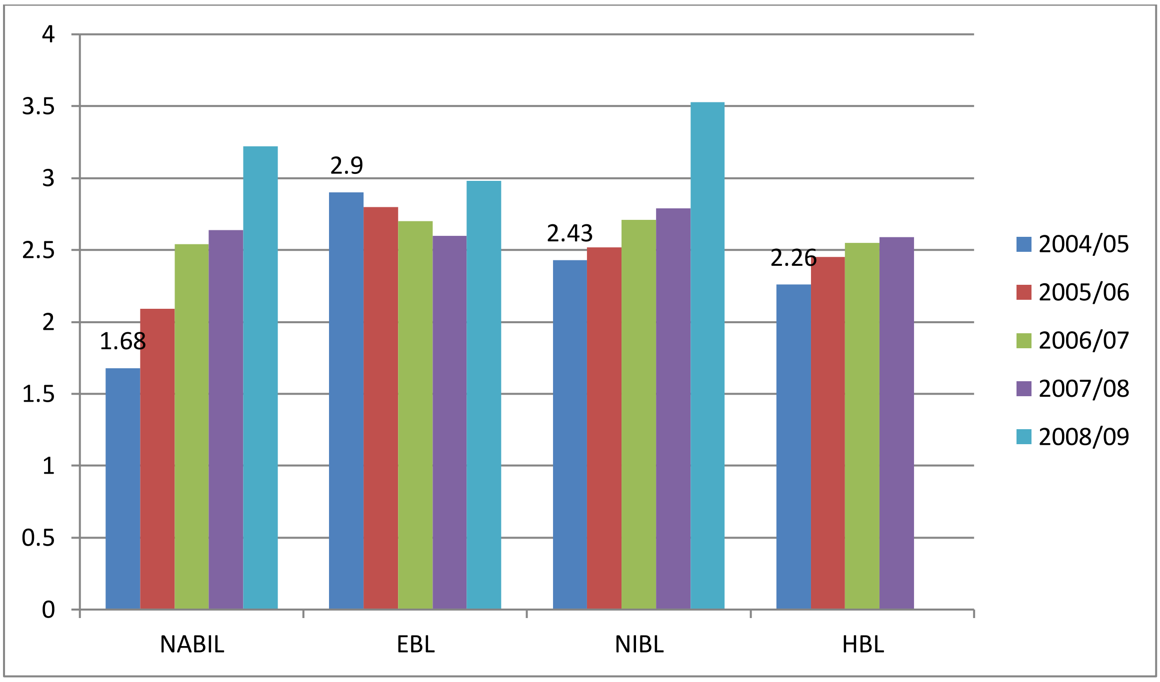
Banks	unit	Fiscal year					mean	Std Devi.	Cv
		2004/05	2005/06	2006/07	2007/08	2008/09			
NABIL	%	1.68	2.09	2.54	2.64	3.22	2.43	0.52	21.41
EBL	%	2.90	2.80	2.70	2.60	2.98	2.80	0.14	4.86
NIBL	%	2.43	2.52	2.71	2.79	3.53	2.80	0.39	13.91
HBL	%	2.26	2.45	2.55	2.59	2.70	2.51	0.15	5.91
Mean		2.32	2.46	2.62	2.65	3.10			

Source: annual report, 2004\05 to 2008/09

From the computation the average of such ratio of banks are 2.43, 2.80 and 2.51 respectively EBL and NIBL has higher average ratio that means these two banks fails to quote their fund. On the basis of CV, it seemed that EBL’s ratio is more consistent than other banks due to lower CV, similarly from the computation of combined mean of different banks in different years, the average interest expenses to total deposit ratio is 2.32, 2.46, 2.62,2.65 & 3.10 respectively. It shows that the banks had succeeded to generate cheaper fund in the year of 2004.

Figure 4.9 interest expenses to total Deposit Ratio

Figure 4.9



Fiscal year/ Banks

The above chart shows that most of the bank had increasing trend in nature. However, in case of EBL the trend was decreasing except in year of 2008/09, it is good sign for generating cheaper fund.

4.2.6. Market Value Analysis:

Market value analysis indicates the market value of the bank as compared to the bank value and measured the stock price relative to earnings. In this analysis part, the researcher analyses and compares the various market related ratio analysis such as EPS, P-E Ratio and cash dividend on share capital, dividend on share capital for better presentation.

a. Earnings per share:

The earnings per share show the profitability of the bank on per share basis. It shows the earning available to each shareholder out of the total earning. The calculation of EPS made over the years indicate whether the banks earning power on per share basis and changed or not.

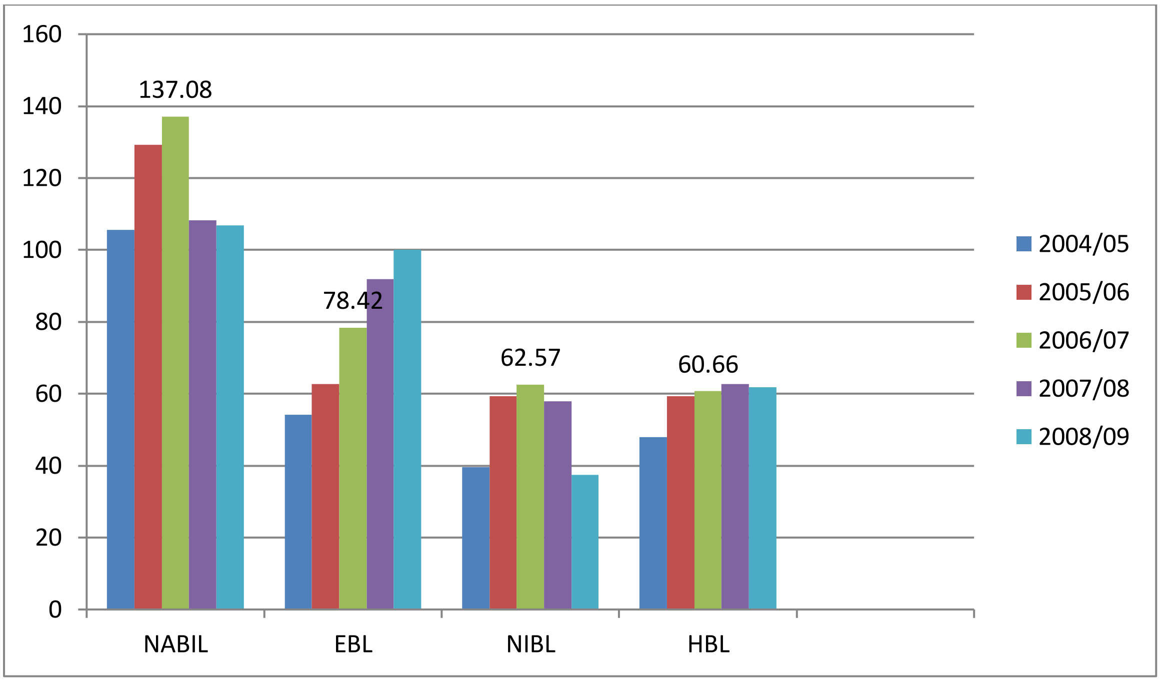
Table 4.12 comparative Review of EPS

Banks	unit	Fiscal year					mean	Std Devi.	CV
		2004/05	2005/06	2006/07	2007/08	2008/09			
NABIL	%	105.49	129.21	137.08	108.31	106.76	117.37	13.15	11.20
EBL	%	54.22	62.78	78.42	91.82	99.99	77.45	17.15	22.14
NIBL	%	39.5	59.35	62.57	57.87	37.42	51.34	10.65	20.74
HBL	%	47.91	59.24	60.66	62.74	61.9	58.49	5.42	9.27
Mean		61.78	77.64	84.68	80.18	76.51			

Source: annual report, 2004\05 to 2008/09

The above table shows that the EPS of NABIL shows higher value than other banks i.e. 117.37 it means NABIL earned more profit on per share basis. It also indicates that the greater profitability available to each shareholder out of total earning than average sample banks. On the basis of CV, it seemed the HBL ratio is more consistent than other banks due to the lower CV. From the computation of combined mean of different banks on different years, the average EPS of in the year of 2004/05, 2005/06, 2006/07, 2007/08 and 2008/09 is 61.78, 77.64, 84.68, 80.18, & 76.51 respectively.

Figure 4.10 Earnings per Share



Fiscal year/ Banks

b. Price – Earnings Ratio

Price –earnings ratio is used to assess the banks performance as expected by the investors. Higher the ratio the better it is for the owners.

Table 4.13 Comparative Review of P-E Ratio

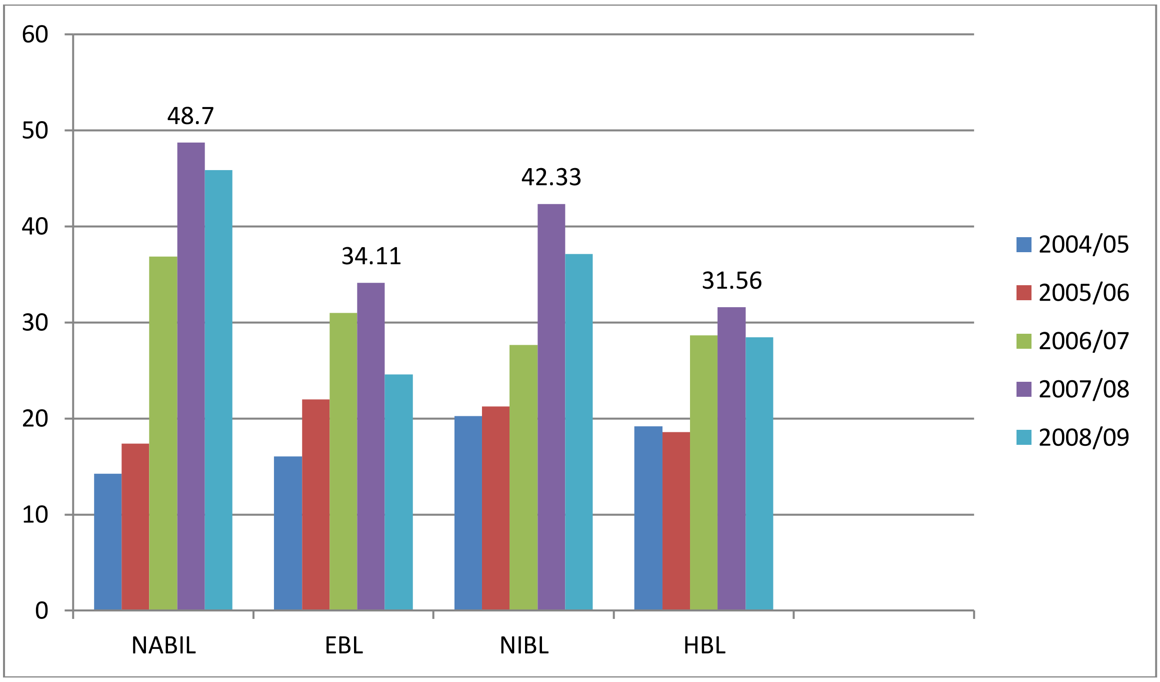
Banks	unit	Fiscal year					mean	Std Devi.	CV
		2004/05	2005/06	2006/07	2007/08	2008/09			
NABIL	%	14.27	17.34	36.84	48.70	45.89	32.61	14.31	43.86
EBL	%	16.04	21.97	30.99	34.11	24.55	25.53	6.44	25.21
NIBL	%	20.25	21.23	27.63	42.33	37.10	29.71	8.71	29.33
HBL	%	19.20	18.57	28.68	31.56	28.43	25.29	5.35	21.14
Mean		17.44	19.77	31.03	39.17	33.99			

Source: annual report, 2004\05 to 2008/09

From the computation, the average P-E ratio of NABIL shows higher value than other banks. On the basis of CV, it can be say that

HBL P.E. ratio was more computation of different banks in different years, the average P-E ratio is 17.44, 19.77, 31.03, 39.17 and 33.99 respectively.

Figure 4.11 P.E Ratio



Fiscal year/Bank

c. Cash Divided on share Capital:

The ratio measures the market or profitability of the bank on divided per equity share. In general, higher the ratio, better it is and vice-versa generally two components affect this ratio; a) Amount of earning distributed as dividend and b) number of equity/common shares outstanding.

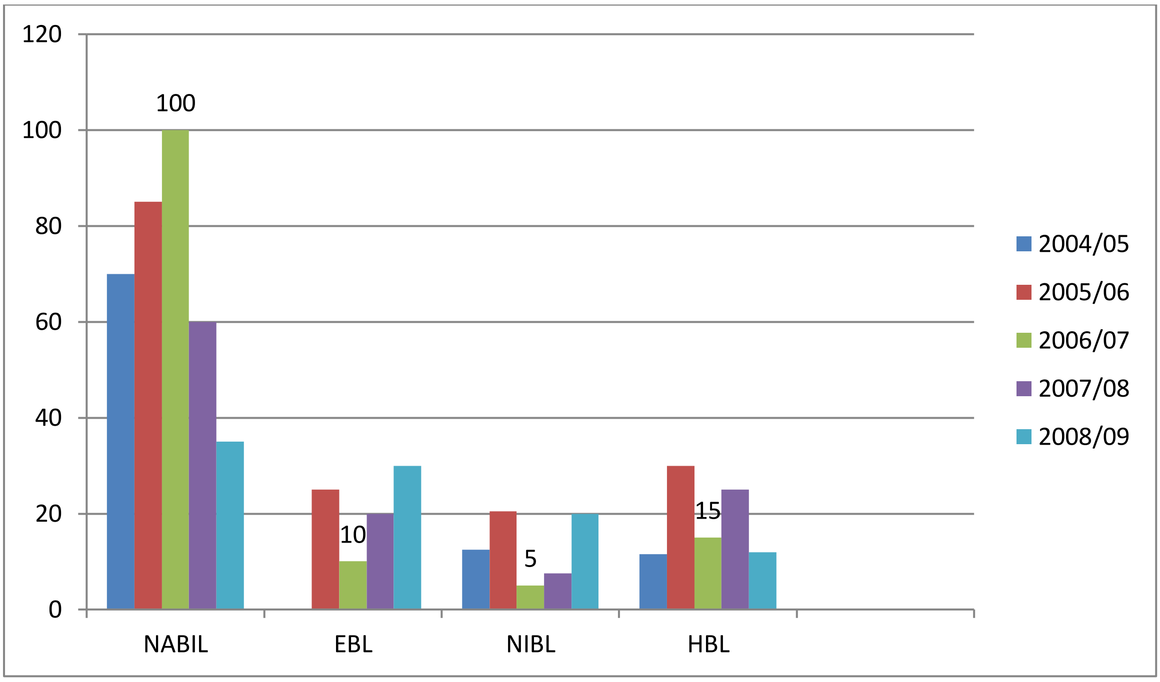
Table 4.14 comparative review of cash dividend on share capital

Banks	unit	Fiscal year					mean	Std Devi.	CV
		2004/05	2005/06	2006/07	2007/08	2008/09			
NABIL	Rs.	70	85	100	60	35	70	22.14	31.62
EBL	Rs.		25	10	20	30	17	10.77	63.35
NIBL	Rs.	12.5	20.5	5	7.5	20	13.1	6.32	48.24
HBL	Rs.	11.58	30	15	25	12	18.72	7.44	39.74
Mean		31.36	40.12	32.5	28.12	24.25			

Source: annual report, 2004/05 to 2008/09

Considering the above table, it seems that the average cash dividend ratio of NABIL is higher than other banks. The average of other banks is 18.72, 17& 13.1 respectively. On the basis of CV, it seemed that NABIL cash dividend ratio is more consistent. Similarly, from the computation of different bank in different years, the average cash dividend in the year 2004/05, 2005/06, 2006/07, 2007/08 and 2008/09 is 32.36, 40.12, 32.5, 28.12 and 24.25 respectively. It shows that the banks had contributed more cash dividend in the year 2005/06.

Figure 4.12



Fiscal year/Banks

The above chart shows that cash dividend on cash dividend ratio of banks is random/fluctuating in general.

D. Dividend (Including Bonus) on share capital

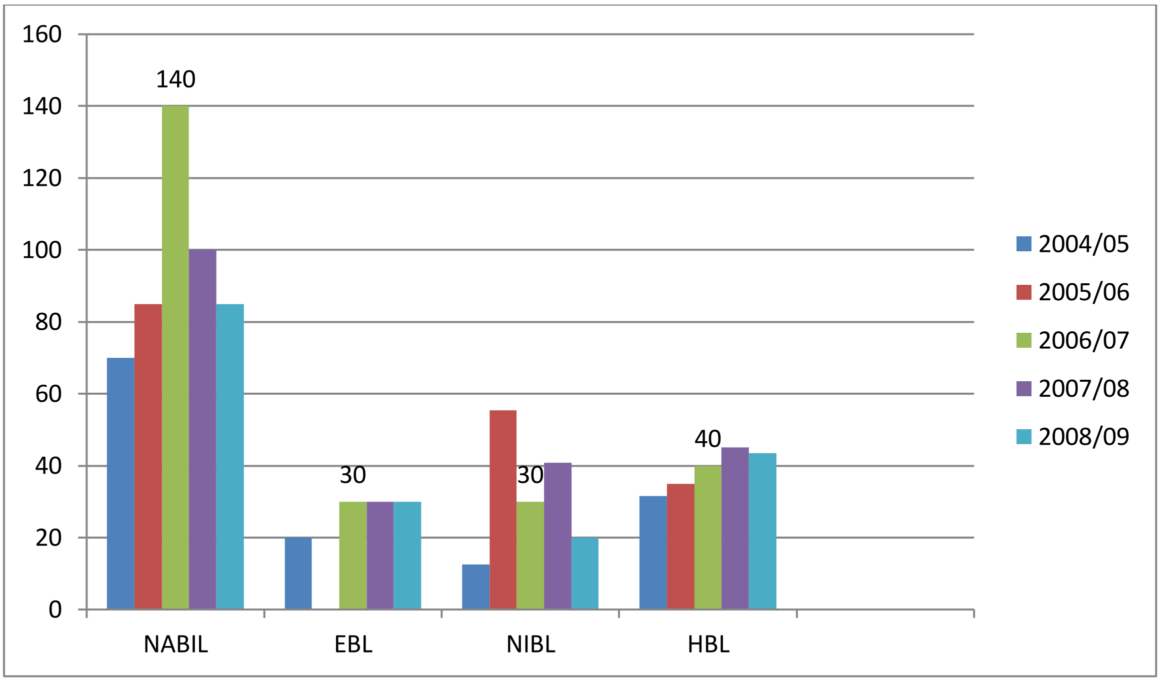
Table 4.15 Dividend including Bonus on share capital

Banks	unit	Fiscal year					mean	Std. Devi.	C.V
		2004/05	2005/06	2006/07	2007/08	2008/09			
NABIL	%	70	85	140	100	85	96	23.96	24.96
EBL	%	20	0	30	30	30	22	11.66	53
NIBL	%	12.5	55.46	30	40.83	20	31.76	15.21	47.88
HBL	%	31.58	35	40	45	43.56	39.03	5.08	13
Mean		33.52	43.86	60	53.95	44.64			

Source: annual report, 2004/05 to 2008/09

The above calculated table, the mean divided of NABIL is the highest of 96 followed by HBL. The average dividend on capital shares is 22, 31.76 & 39.03 in EBL, NIBL and HBL, EBL with 53 and least HBL with 13. It indicates that the shareholders of NABIL are more earnings than others.

Figure 4.13 Dividend (Including Bonus) on share capital



Fiscal year/ Banks

From above chart, the dividend ratio is random basis.

4.2.7. Other Relevant Ratios:

To make more analytical and best presentation of comparative performance analysis. It is also necessary to computed following relevant ratios.

a. Staff Bonus to total staff Expenses

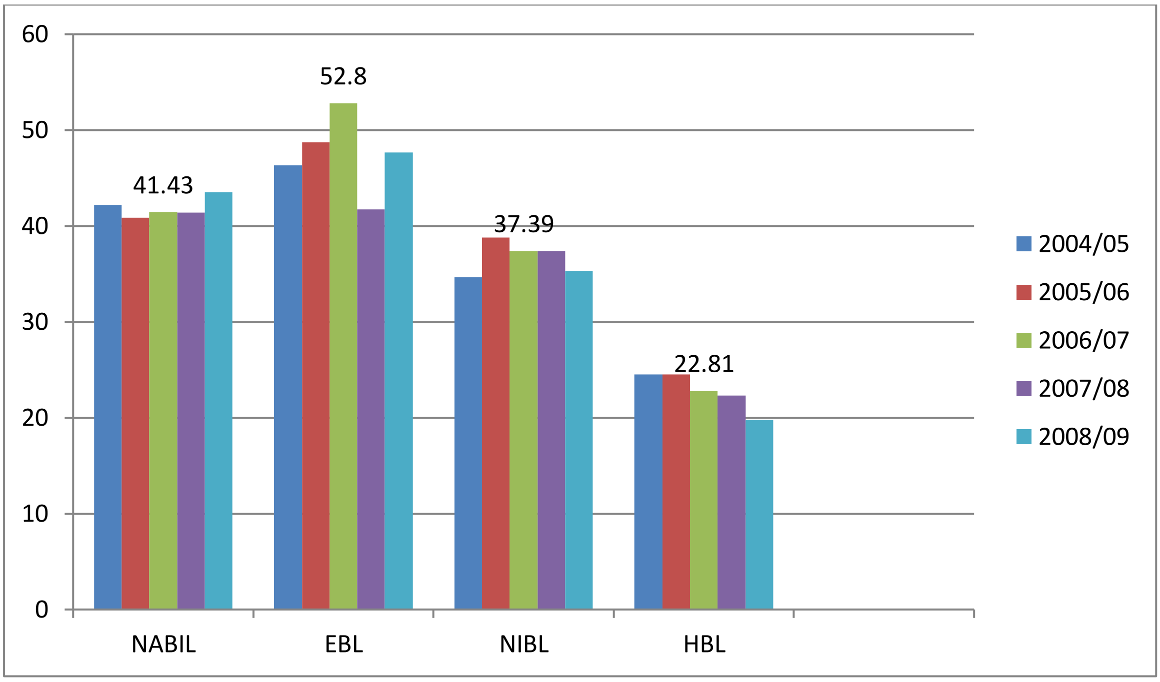
Table 4.16 comparative Review of Staff Bonus of Total Staff Expenses

Banks	unit	Fiscal year					mean	Std Devi.	Cv
		2004/05	2005/06	2006/07	2007/08	2008/09			
NABIL	%	42.2	40.86	41.43	41.42	43.5	41.88	0.91	2.18
EBL	%	46.3	48.7	52.8	41.7	47.68	47.44	3.59	7.58
NIBL	%	34.65	38.77	37.39	37.41	35.29	36.70	1.51	4.12
HBL	%	24.53	24.51	22.81	22.28	19.78	22.78	1.75	7.68
Mean		36.92	38.21	38.60	35.70	36.56			

Source: annual report, 2004/05 to 2008/09

From the computation, the average staff bonus to total staff expenses ratio of EBL shows higher value on the last five years than other bank i.e. 47.44. the staff bonus of HBL, receive less bonus than the other banks, similarly from the computation of combined mean of different banks in different years, the average staff bonus of total staff expenses in the year 2004/05, 5/6, 6/7, 7/8, & 8/9 is 36.92, 38.21, 38.60, 35.70 and 36.56 respectively.

Figure 4.14



Fiscal year/ Banks

In the above chart shows that the staff bonus of total staff expenses ratio of all the banks seem fluctuates in nature.

b. Weighted Average Interest Rate Spread

Table 4.17 Comparative review of weighted average Interest Rate Spread

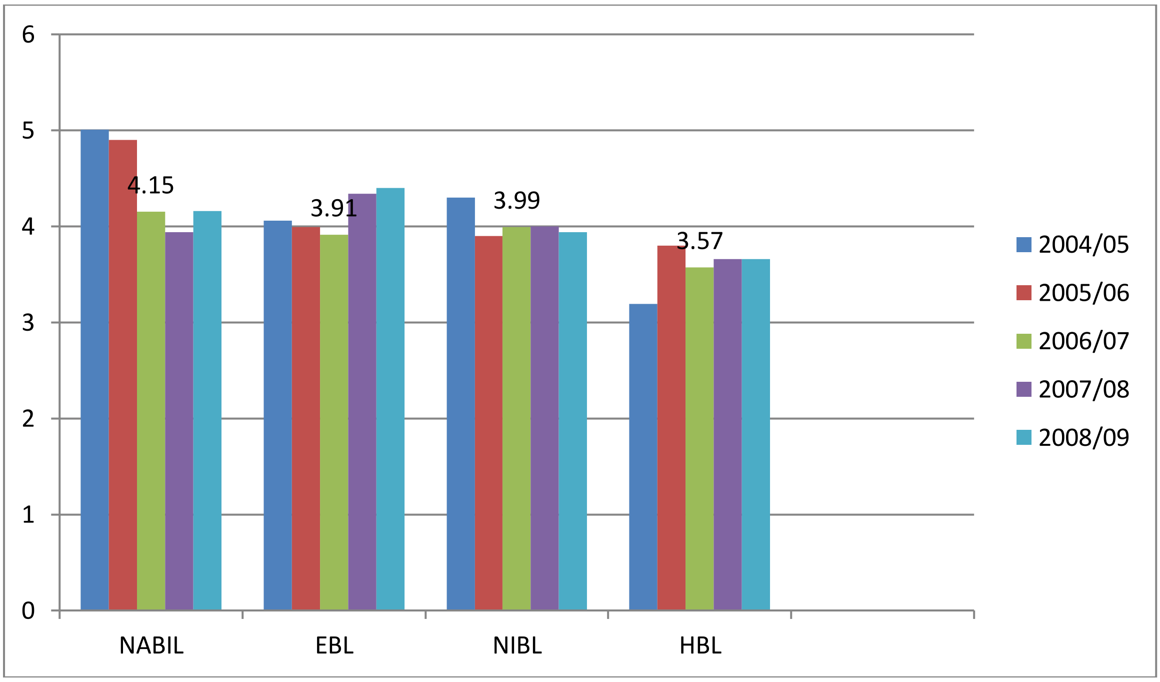
Banks	unit	Fiscal year					mean	std Devi.	Cv
		2004/05	2005/06	2006/07	2007/08	2008/09			
NABIL	%	5.01	4.9	4.15	3.94	4.16	4.43	0.43	9.83
EBL	%	4.06	3.99	3.91	4.34	4.4	4.14	0.19	4.70
NIBL	%	4.3	3.9	3.99	4.0	3.94	4.03	0.14	3.52
HBL	%	3.19	3.8	3.57	3.66	3.66	3.58	0.21	5.78
Mean		4.14	4.15	3.90	3.98	4.04			

Source: annual report, 2004/05 to 2008/09

From the computation, the average of such ratio of HBL seems lower value than other banks i.e. 3.58. The average of such ratio

NABIL, EBL and NIBL are 4.43, 4.14 and 4.03 respectively. The mean of all banks for weighted average interest rate indicates that theory all are performing more competitive to each other. The CV of NABIL, EBL, NIBL and HBL are 9.83, 4.70, 3.52 and 5.78 respectively. On the basis of CV, the NIBL ratio is more consistent than other banks due to lower CV i.e. 3.52 similarly from the computation of combined mean of different banks on different year, the average of weighted Average Interest Rate Spread in 2004/05, 2005/06, 2006/07, 2007/08 and 2008/09 is 4.14, 4.15, 3.90, 3.98 and 4.04 respectively.

Figure 4.15



Fiscal year/ Banks

The above chart shows that the weighted Average Interest Spread to NABIL, HBL is decreasing in nature. It means the bank has been maintaining lower Interest rate Spread on Interest rate charged by the bank. It is really a good trend in the view point of customer satisfaction and liberalized environment.

c. Exchange Gain to Total Income:

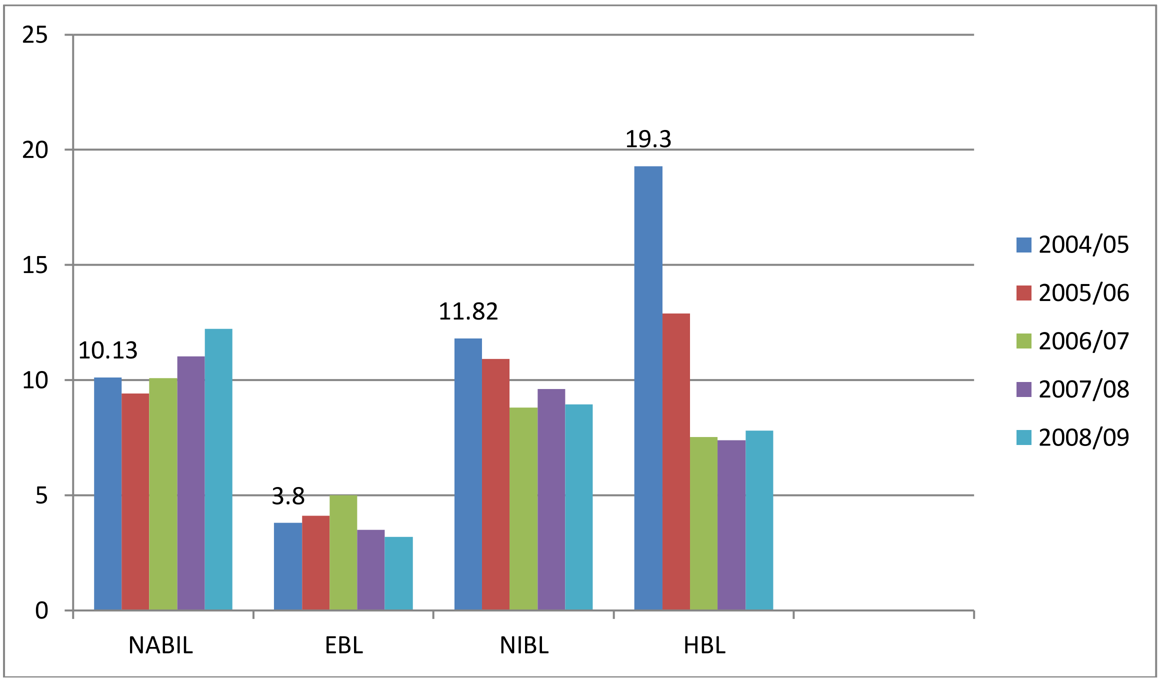
Table 4.18 Comparative Review of Exchange gain to Total Income

Banks	unit	Fiscal year					mean	Std Divi.	CV
		2004/05	2005/06	2006/07	2007/08	2008/09			
NABIL	%	10.13	9.41	10.09	11.03	12.24	10.58	0.98	9.23
EBL	%	3.80	4.10	5	3.50	3.20	3.92	0.62	15.76
NIBL	%	11.82	10.91	8.80	9.63	8.95	10.02	1.17	11.65
HBL	%	19.30	12.89	7.54	7.40	7.80	10.99	4.64	42.23
Mean		11.26	9.32	7.85	7.89	8.04			

Source: annual report, 2004/05 to 2008/09

From above calculation, the average exchange of gain is 10.58, 3.92, 10.02 and 10.99 respectively. It indicates that HBL is in satisfactory level in foreign exchange gain where as EBL is unsatisfactory level due to it's far lower average in comparation with other banks. The CV of banks are 9.23, 15.76, 11.65 and 42.23 respectively. So on the basis of CV it seems that NABIL ratio is more consistent. From the computation of combined mean of different bank in the different year, the average exchange gain to total income is 11.26, 9.32, 7.85, 7.89 and 8.04 respectively. It shows that the average exchange gain to total income in the year 04/05 was higher than other financial year. It means at that period the banks were succeeded to gain from foreign exchange.

Figure 4.16



Fiscal year/ Banks

The above chart shows that all the banks seem fluctuating in nature. The table shows that the exchange gain ratio EBL seems lower value than other.

4.2.8 Non- Performing Assets (NPA)

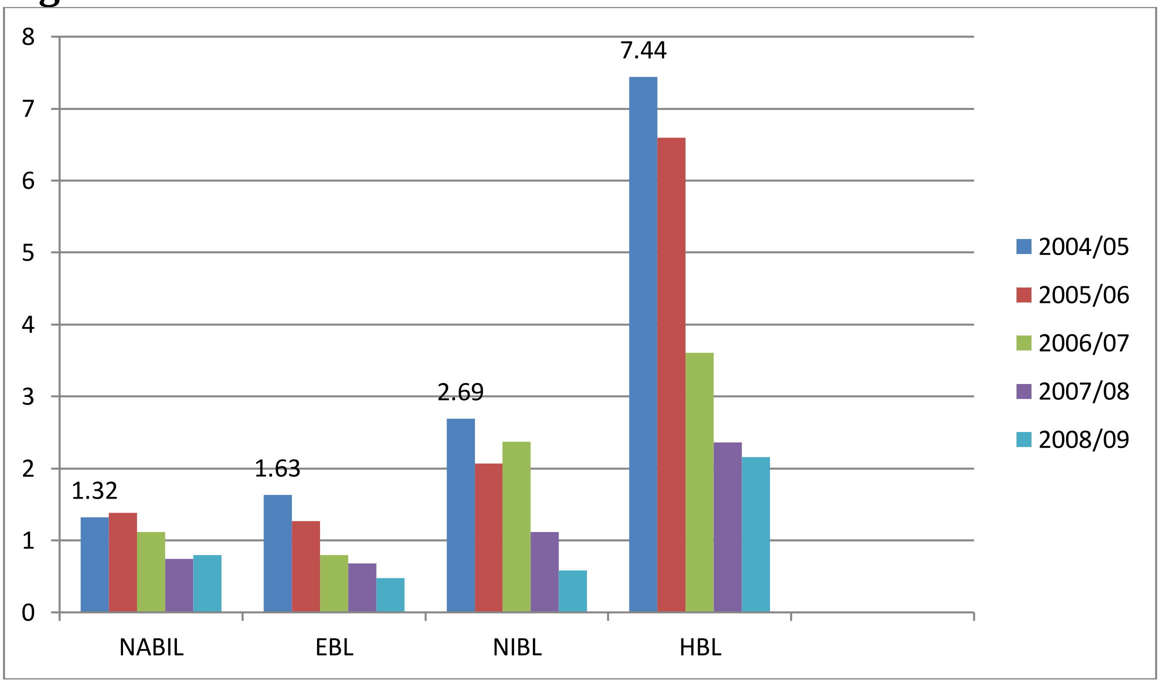
Table 4.19 Comparative Review of NPA

Banks	unit	Fiscal year					mean	Std Devi.	Cv
		2004/05	2005/06	2006/07	2007/08	2008/09			
NABIL	%	1.32	1.38	1.12	0.74	0.80	1.07	0.26	24.43
EBL	%	1.63	1.27	0.80	0.68	0.48	0.97	0.42	43.13
NIBL	%	2.69	2.07	2.37	1.12	0.58	1.77	0.79	44.84
HBL	%	7.44	6.60	3.61	2.36	2.16	4.43	2.18	49.29
Mean		3.27	2.83	1.97	1.22	1.00			

Source: annual report, 2004/05 to 2008/09

From the Computation the average of NPA of EBL seems comparatively lower than other banks i.e. 0.97. The average NPA of other remaining banks (NABIL,NIBL & HBL) is 1.07, 1.77 and 4.43 respectively. The value of NPA seems quite high in the case of HBL, which is not good. The CV of NABIL, EBL, NIBL and HBL is 24.43, 43.13, 44.84 and 49.29 respectively. On the basis of CV, it can be say that the variable of NABIL is more consistent in maintaining and NPA than other banks. Similarly form the computation of different bank in different year, the average NPA in the year of 2004/05, 2005/06, 2006/07, 2007/08 and 2008/09 is 3.27, 2.83, 1.97, 1.22 and 1.00 respectively. It shows that the average NPA of bank in the year or 2008/09 is lower. It means the banks are more success to control the NPA in comparison to other financial year. Considering the above table, it is concluded that the NPA has decreasing nature. of course it is good sign to the banks the point of view of non-banking assets.

Figure 4.17



Fiscal year /Banks

The non-performing assets of HBL seem to be very high in fiscal year 2004/05 whereas it is decreasing in succeeding fiscal years, but still higher than others in 2008/09. The nonperforming assets of others banks are also in decreasing order.

CHAPTER-V

SUMMARY, CONSLUSIONS & RECOMMENDATIONS

5.1 Summary

Capital formation is based upon the saving of the country. Banks promote saving, mainly by commercial banks. Like this, there is great contribution to commercial banks to from the capital as well as its mobilization. By collecting saving from the different people and organization, it creates funds, which is re-invested to various productive projects, providing capital to invest. After the restoration of democracy in Nepal, government took liberalization economic policy. As a result various joint venture banks are also established. At present all they are performing competitively. This study, relating commercial banks is done on topic financial performance analysis to commercial banks in Nepal (A comparative study of NABIL, EBL, NIBL and HBL).

The research work is conducted to reach the destiny where we satisfy with the queries of research problem which was specified in the statement of the problem in the introductory chapter. To conduct the research work, the researcher consulted mainly the secondary sources such as documents published by concerned banks and also consulted the personalities of the related banks as primary sources where as necessary. Before presenting and analyzing the data, there was also need to review of related books, prior research on the topic, obviously, it helped the researcher to construct conceptual framework and the analyze and interpret the secondary data according to objective set fourth previously. Then the research work was analyzed and interpreted by financial tools such as cash reserve ratio, net profit margin, return on assets, earning per share, P.E ratio and non-performing assets (NPA) as well as statistical tools such as mean, Std. Devi, C.V. and F-test.

In this way, the researcher analyzed and presented the fourth chapter which was the main body of research work. On the basis of data analysis and presentation, the researcher extracted some major findings. It has been explain along with the data analysis and presentation ultimately, the researcher will recommend on the research problem to stake holders.

To know the real performance of banks, the researcher observed and analyzed the comparative performance analysis of four commercial banks for five years period. It is hoped that the comparative performance analysis of four commercial banks will give a rational result and represent the overall banking scenario in terms of performance analysis.

To analyze the liquidity position, only cash reserve ratio had calculated. Considering the overall data presented for five years period. It seems that the banks have been maintaining the CRR as per the directives of central bank except Everest Bank Ltd. In profitability NPM, ROA, Operating ratio has been calculated. All ratios show at satisfactory level. In view point of assets utilization ratio, credit deposit ratio is calculated. It shows increasing trend. In market value analysis, EPS, P-E ratio, cash dividend on share capital has calculated. This shows also in increasing trend except first year. The NPA analysis is also decreasing.

5.2 Conclusions

After the analysis of relevant data of four commercial banks, following conclusion are extracted based on the findings.

a. EBL and NIBL have been getting lower net profit not to total income with comparison to all the banks.
b. EBL fails to maintain cash reserve as per the directives of NRB, obviously EBL has facing the problem to meet short-term obligation.
c. All commercial banks have been earning sufficient interest income on loan and advance. It means they have been high utilizing the loan advance.
d. NIBL comparatively fails to maintain operating ratio on total assets where as NABIL did best.
e. NABIL is successful in utilizing the deposit by charging higher rate of interest to the borrowers than pay to the depositors. While remaining bans are in satisfactory level.
f. NABIL has better P-E ratio but it shows inconsistency to some extent, however others have shown consistency in nature in spite of moderate P-E ratio. Investors of NABIL have more expectation to the view point of market appraisal of the performance of the bank.
g. To the point of earning per share, NABIL and EBL have getting comparatively more EPS than other banks.
h. NABIL has been providing comparatively greater cash dividend on share capital in a consistency manner too. EBL, NIBL and HBL have been providing lower cash dividend in consistency manner.
i. NABIL has been providing Dividend (including bonus) on share capital comparatively greater than other bank in a consistency manner. NABIL provides over the 100 percent over the study period. In this view point, NABIL has also providing better dividend in a consistency manner to some extent too. EBL provides the least dividend with bonus share to its share holders.
j. EBL has not been comparatively focusing to provide staff bonus rather it bears sound salary and allowances benefit that other banks.
k. Having strong EPS than others, NABIL has not been bearing sound salary and other allowance expenses in total operating expenses. NABIL also shows least ratio.

l. There is no need to pay more attention toward exchange gain to NABIL. But an EBL effort towards exchange gain is less satisfactory than other while remaining banks are comparatively satisfactory level.
m. Performance of all banks in maintaining NPA is satisfactory, whereas EBL's performance is comparatively not sound.

5.3 Recommendations:

On the basis of analysis and findings of the study, following recommendations have been forwarded.

a. The ratio of non-interest bearing deposit to total deposit HBL is the lowest and as a result of this it has highest ratio in interest expense to total deposits. There is high propensity to grow in loan and advances. Therefore, this bank is suggested to reduce the interest rate. Consequently the volume of interest bearing deposit in its deposit mix will reduce and as a result the gap between interest and interest expenses will increase which will provide new lending opportunities.
b. There has been communication gap between the banks and this is more surmising because they are on the same business. Banks need to develop a mechanism for interbank transparence, a committee which will help the better understanding of the various types of risk, disseminate information regarding bad debts and fraud cases, minimize customer mislead and practice fair competition.
c. It is recommend to NIBL to pay more attention about profitability (EPS). It will be still sound effort while giving continuity to maintain a previous by NABIL & EBL.
d. It is recommended to NIBL to give consistency in P.E. ratio.
e. Except NABIL, it is strongly recommended to all banks to maintain capital adequacy ratio as per the directive of central bank.
f. It is recommended to EBL to pay more attention towards exchange of foreign currencies. It will give contribution to total income too.
g. It is recommended to EBL to conscious about the NPA in recent years.
h. It is recommended to HBL to more attention toward staff bonus to be competitive among banks.
i. It will be better to EBL to bear comparatively sound contribution towards staff expenses out of total operating expenses at view point of employee satisfaction and their effective utilization.
j. It is recommended to NABIL and EBL to give contribution on cash dividend in a consistency manner than dividend on share capital.

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APPENDIX

ROA

FY	X_A(NABIL)	X_A(HBL)	X_A(NIBL)	X_A(EBL)	mean	standv	cov
2004/05	3.06	1.11	1.42	1.4	1.89	0.743398	39.33321
2005/06	3.23	1.55	1.61	1.5	2.09	0.691462	33.08432
2006/07	2.72	1.47	1.79	1.4	1.96	0.523794	26.72418
2007/2008	2.32	1.76	1.77	1.7	2.002	0.320774	16.02285
2008/09	2.55	1.91	1.68	1.73	2.08	0.383354	18.43046
mean	2.776	1.56	1.654	1.546			
standv	0.331337	0.273203	0.133856	0.143052			
cov	11.93576	17.51303	8.080791	9.253068			

Interest Income on Loan and Advances

FY	X_A(NABIL)	X_A(HBL)	X_A(NIBL)	X_A(EBL)	mean	standv	cov
2004/05	8.7	10.75	7.36	8	8.448	1.247676	14.76889
2005/06	8.29	10.32	7.32	7.6	7.952	1.357224	17.0677
2006/07	8.14	9.98	7.33	6.9	7.768	1.233684	15.88182
2007/2008	8.04	9.73	6.93	7.1	7.6	1.215681	15.9958
2008/09	8.82	9.18	7.89	7.57	8.282	0.611012	7.377593
mean	8.398	9.992	7.366	7.434			
standv	0.308441	0.531089	0.30598	0.390671			
cov	3.672794	5.315147	4.153958	5.255195			

Operating ratio

FY	X_A(NABIL)	X_A(HBL)	X_A(NIBL)	X_A(EBL)	mean	standv	cov
2004/05	3.73		1.71	4.1	3.1425	0.911959	29.02017
2005/06	3.86		1.43	3.9	2.97	1.013287	34.1174
2006/07	3.97		1.38	3.6	2.9725	0.990691	33.32855
2007/2008	3.86		1.27	3.7	2.9025	1.028698	35.44178
2008/09	4.34		1.19	4.04	3.0525	1.252186	41.02164
mean	3.952		1.396	3.868			
standv	0.208385		0.177944	0.192083			
cov	5.272395		12.74669	4.96598			

Credit deposit ratio

FY	X_A(NABIL)	X_A(HBL)	X_A(NIBL)	X_A(EBL)	mean	standv	cov
2004/05	75.05	50.07	73.33	78.2	64.028	14.32126	22.36718
2005/06	68.63	55.27	69.63	73.4	61.37	12.35268	20.12854
2006/07	68.13	56.57	72.56	77.4	63.688	12.11162	19.01712
2007/2008	63.18	61.23	79.91	78.6	65.976	12.21042	18.50737
2008/09	73.87	71.49	78.86	73.43	67.27	14.4906	21.54095
mean	69.772	58.926	74.858	76.206			
standv	4.291985	7.218148	3.911171	2.311394			
cov	6.151443	12.24951	5.224786	3.033087			

corecapital

FY	X_A(NABIL)	X_A(HBL)	X_A(NIBL)	X_A(EBL)	mean	standv	cov
2004/05	11.35	8.33	8.52	8.88	10.214	2.179327	21.33686
2005/06	10.78	8.65	7.97	8.21	9.72	1.913322	19.68438
2006/07	10.4	9.61	7.9	7.82	9.9	2.174277	21.96239
2007/2008	8.75	9.36	7.71	9.04	9.276	1.251185	13.48841
2008/09	8.74	8.81	8.56	7.73	9.378	1.876075	20.00506
mean	10.004	8.952	8.132	8.336			
standv	1.071533	0.468547	0.344058	0.536828			
cov	10.71105	5.233989	4.230917	6.439872			

Supplementary Capital

FY	X_A(NABIL)	X_A(HBL)	X_A(NIBL)	X_A(EBL)	mean	standv	cov

2004/05	2.07	1.09	2.68	3.06	4.69	2.718	1.189746	43.77285
2005/06	1.94	1.52	2.62	4.01	4.11	2.84	1.056655	37.20617
2006/07	1.94	1.64	1.51	4.26	3.38	2.546	1.085792	42.64697
2007/2008	1.63	2.45	3.06	3.57	2.4	2.622	0.656274	25.02953
2008/09	1.65	1.96	2.21	2.68	2.82	2.264	0.436926	19.29883
mean	1.846	1.732	2.416	3.516	3.48			
standv	0.174863	0.45455	0.527128	0.584349	0.833427			
cov	9.473609	26.24425	21.81821	16.61972	23.94904			

Total capital fund

FY	X_A(NABIL)	X_A(HBL)	X_A(NIBL)	X_A(EBL)	mean	standv	cov
2004/05	12.44	11.01	11.58	13.57	12.932	1.786364	13.81352
2005/06	12.31	11.26	11.97	12.32	12.558	1.247003	9.929947
2006/07	12.04	11.13	12.17	11.2	12.45	1.683983	13.52597
2007/2008	11.1	12.42	11.28	11.44	11.878	0.783132	6.593132
2008/09	10.7	11.02	11.24	10.55	11.642	1.547881	13.29568
mean	11.718	11.368	11.648	11.816			
standv	0.691908	0.533719	0.369508	1.044425			
cov	5.904655	4.694925	3.172285	8.839076			

Interest Expenses to Total Deposit Ratio

FY	X_A(NABIL)	X_A(HBL)	X_A(NIBL)	X_A(EBL)	mean	standv	cov
2004/05	1.68	2.26	2.43	2.9	2.116	0.56102	26.51326
2005/06	2.09	2.45	2.52	2.8	2.234	0.514455	23.02843
2006/07	2.54	2.55	2.71	2.7	2.43	0.396535	16.31831
2007/2008	2.64	2.59	2.79	2.6	2.442	0.431991	17.69004
2008/09	3.22	2.7	3.53	2.98	2.786	0.698673	25.078
mean	2.434	2.51	2.796	2.796			
standv	0.521214	0.148459	0.388927	0.135882			
cov	21.41389	5.914691	13.91011	4.859882			

Earning per share

FY	X_A(NABIL)	X_A(HBL)	X_A(NIBL)	X_A(EBL)	mean	standv	cov
2004/05	105.49	47.91	39.5	54.22	78.052	39.87995	51.09408
2005/06	129.21	59.24	59.35	62.78	97.284	47.47036	48.79565
2006/07	137.08	60.66	62.57	78.42	101.22	43.17531	42.65492
2007/2008	108.31	62.74	57.87	91.82	90.532	27.82044	30.72995
2008/09	106.76	61.9	37.42	99.99	83.212	28.65023	34.43041
mean	117.37	58.49	51.342	77.446			
standv	13.14584	5.420303	10.64768	17.14836			
cov	11.2029	9.267059	20.73874	22.14234			

Price Earning ratio

FY	X_A(NABIL)	X_A(HBL)	X_A(NIBL)	X_A(EBL)	mean	standv	cov
2004/05	14.27	19.2	20.25	16.04	17.226	2.186389	12.6909
2005/06	17.34	18.57	21.23	21.97	20.118	1.822521	9.060058
2006/07	36.84	28.68	27.63	30.99	31.878	3.607023	11.31509
2007/2008	48.7	31.56	42.33	34.11	41.694	7.889605	18.92264
2008/09	45.89	28.43	37.1	24.55	38.122	11.06675	29.02982
mean	32.608	25.288	29.708	25.532			
standv	14.30152	5.346234	8.713264	6.43818			
cov	43.85894	21.14139	29.32969	25.20829			

Cash Dividend on Share Capital

FY	X_A(NABIL)	X_A(HBL)	X_A(NIBL)	X_A(EBL)	mean	standv	cov
2004/05	70	11.58	12.5	0	42.816	45.66026	106.643
2005/06	85	30	20.5	25	58.1	42.87703	73.79868
2006/07	100	15	5	10	42	39.82462	94.82051
2007/2008	60	25	7.5	20	38.5	27.09243	70.36996
2008/09	35	12	20	30	29.4	13.01691	44.27521

mean	92	70	18.716	13.1	17
standv	29.25748	22.13594	7.438456	6.31981	10.77033
cov	31.80161	31.62278	39.74383	48.24283	63.35488

Dividend (Including Bonus) on Share Capital

FY	X_A(NABIL)	X_A(HBL)	X_A(NIBL)	X_A(EBL)	mean	standv	cov
2004/05	70	31.58	12.5	20	50.816	39.85528	78.43058
2005/06	85	35	55.46	0	63.092	47.37681	75.09162
2006/07	140	40	30	30	74	50.03998	67.6216
2007/2008	100	45	40.83	30	69.168	38.91635	56.26514
2008/09	85	43.56	20	30	55.712	31.31562	56.20982
mean	96	39.028	31.758	22			
standv	23.9583	5.076339	15.20722	11.6619			
cov	24.95656	13.00692	47.88469	53.00865			

Staff Expenses to Total Operating Ratio

FY	X_A(NABIL)	X_A(HBL)	X_A(NIBL)	X_A(EBL)	mean	standv	cov
2004/05	31.5	41.95		12.4	27.095	10.91853	40.29722
2005/06	28.93	41.57		11.5	26.5725	10.75724	40.48261
2006/07	24.41	47.4		11	26.64	13.12357	49.26264
2007/2008	21.17	45.91		15.4	26.69	11.54503	43.25602
2008/09	23.96	47.54		12.53	26.9025	12.76883	47.46337
mean	25.994	44.874	#DIV/0!	12.566			
standv	3.710885	2.608744	#DIV/0!	1.526376			
cov	14.27593	5.813485	#DIV/0!	12.14687			

Staff Bonus to Total Staff Expenses

FY	X_A(NABIL)	X_A(HBL)	X_A(NIBL)	X_A(EBL)	mean	standv	cov
2004/05	42.2	24.53	34.65	46.3	37.012	7.412113	20.02624
2005/06	40.86	22.28	38.77	48.7	37.288	8.631976	23.14946
2006/07	41.43	19.78	37.39	52.8	37.022	10.74027	29.01051
2007/2008	41.42	24.51	37.41	41.7	35.934	6.288557	17.5003
2008/09	43.5	22.81	35.29	47.68	37.196	8.49106	22.82789
mean	41.882	22.782	36.702	47.436			
standv	0.91447	1.749645	1.51365	3.59505			
cov	2.183445	7.679943	4.124162	7.578738			

Weighted Average Interest Rate Spread

FY	X_A(NABIL)	X_A(HBL)	X_A(NIBL)	X_A(EBL)	mean	standv	cov
2004/05	5.01	3.19	4.3	4.06	4.052	0.607664	14.99665
2005/06	4.9	3.8	3.9	3.99	4.138	0.39367	9.513531
2006/07	4.15	3.57	3.99	3.91	3.914	0.190326	4.862699
2007/2008	3.94	3.66	4	4.34	3.99	0.216516	5.426514
2008/09	4.16	3.66	3.94	4.4	4.028	0.245471	6.094116
mean	4.432	3.576	4.026	4.14			
standv	0.435587	0.206553	0.141647	0.194628			
cov	9.828226	5.776081	3.518317	4.701156			

Exchange Gain to Total Income

FY	X_A(NABIL)	X_A(HBL)	X_A(NIBL)	X_A(EBL)	mean	standv	cov
2004/05	2.24	7.8	8.95	3.2	7.902	5.366088	67.90797
2005/06	10.31	9.42	8.06	2.2	9.188	4.407763	47.97304
2006/07	10.02	6.71	6.77	2.1	8.208	4.409188	53.71817
2007/2008	7.81	8.27	6.03	3.5	8.072	3.735879	46.27947
2008/09	7.47	8.51	4.73	2.44	8.08	5.053276	62.54056
mean	7.57	8.142	6.908	2.688			
standv	2.897813	0.889121	1.485293	0.5598			
cov	38.28022	10.92018	21.50106	20.82589			

Non - Performing Assets

FY	X_A(NABIL)	X_A(HBL)	X_A(NIBL)	X_A(EBL)	mean	standv	cov
2004/05	1.32	7.44	2.69	1.63	3.154	2.212985	70.1644
2005/06	1.38	6.6	2.07	1.27	2.69	1.98588	73.82454
2006/07	1.12	3.61	2.37	0.8	1.946	0.995763	51.16973
2007/2008	0.74	2.36	1.12	0.68	1.164	0.617401	53.04132
2008/09	0.8	2.16	0.58	0.48	0.936	0.62089	66.33437
mean	1.072	4.434	1.766	0.972			
standv	0.26187	2.185366	0.791823	0.419209			
cov	24.42819	49.28656	44.8371	43.12848			

CRR

FY	X_A(NABIL)	X_A(HBL)	X_A(NIBL)	X_A(EBL)	mean	standv	cov
2004/05	3.83	7.86	9.78	1.9	6.428	3.033937	47.19878
2005/06	3.26	5.92	13.61	1.9	6.31	4.061901	64.37244
2006/07	6	5.92	10.47	2.9	6.15	2.440344	39.68039
2007/2008	8.37	5.13	10.91	3.4	6.73	2.630703	39.0892
2008/09	9.03	6.76	10.32	2.83	7.424	2.572288	34.64827
mean	6.098	6.318	11.018	2.586			
standv	2.322338	0.9275	1.345383	0.593819			
cov	38.08361	14.68028	12.21078	22.95512			

NPM

FY	X_A(NABIL)	X_A(HBL)	X_A(NIBL)	X_A(EBL)	mean	standv	cov
2004/05	34.33	32.98	20.26	19.9	28.296	6.72412	23.7635
2005/06	35.32	35.16	23.99	22.2	30.746	6.307918	20.51622
2006/07	32.16	34.9	25.07	21.6	29.656	5.360062	18.07412
2007/2008	29.68	41.58	25.33	24.2	31.146	6.441812	20.68263
2008/09	30.56	39.96	22.97	24.92	31.05	6.572908	21.16879
mean	32.41	36.916	23.524	22.564			
standv	2.149065	3.275934	1.83464	1.810299			
cov	6.63087	8.874022	7.799014	8.022954			

Hypothesis

CRR

FY	X_A(SCBL)	XB(NABIL)	XC(HBL)	XD(NIBL)	X_E(EBL)	X_A^2	X_B^2	X_C^2	X_D^2	X_E^2
2004/05	8.77	3.83	7.86	9.78	1.9	76.9129	14.6689	61.7796	95.6484	3.61
2005/06	6.86	3.26	5.92	13.61	1.9	47.0596	10.6276	35.0464	185.2321	3.61
2006/07	5.46	6	5.92	10.47	2.9	29.8116	36	35.0464	109.6209	8.41
2007/2008	5.84	8.37	5.13	10.91	3.4	34.1056	70.0569	26.3169	119.0281	11.56
2008/09	8.18	9.03	6.76	10.32	2.83	66.9124	81.5409	45.6976	106.5024	8.0089
Total	35.11	30.49	31.59	55.09	12.93	254.8021	212.8943	203.8869	616.0319	35.1989

Grand	165.21	
Correction factor	1091.774	
total sumof square	1322.814	
SSC	180.7009	
SSW	1142.113	
	285.5283	45.175
	30.70197	57.0555
		0.791773

NPM

FY	X_A(SCBL)	XB(NABIL)	XC(HBL)	XD(NIBL)	X_E(EBL)	X_A^2	X_B^2	X_C^2	X_D^2	X_E^2
2004/05	34.01	34.33	32.98	20.26	19.9	1156.68	1178.549	1087.68	410.4676	396.01
2005/06	37.06	35.32	35.16	23.99	22.2	1373.444	1247.502	1236.226	575.5201	492.84
2006/07	34.55	32.16	34.9	25.07	21.6	1193.703	1034.266	1218.01	628.5049	466.56
2007/2008	34.94	29.68	41.58	25.33	24.2	1220.804	880.9024	1728.896	641.6089	585.64
2008/09	36.84	30.56	39.96	22.97	24.92	1357.186	933.9136	1596.802	527.6209	621.0064
Total	177.4	162.05	184.58	117.62	112.82	6301.815	5275.133	6867.614	2783.722	2562.056