

# CHAPTER-I

## INTRODUCTION

### 1.1 Background of the Study:

Profit is an excess of revenue over associated expenses for an activity over a period of time. Lord Keynes remarked that "Profit is the engine that drives the business enterprise". Every business should earn sufficient profit to survive and grow over a long period of time. It is the index to the economic progress, improved national income and rising standard of living. No doubt, profit is the legitimate object, but it should not be over-emphasized. Management should try to maximize profit keeping in mind the welfare of the society. Thus, profit is not just rewarded to owners but it is also related with the interest of other segments of the society. Profit is the yardstick for judging not just the economic, but the managerial efficiency and social objective also.

"A profit plan or budget is the formal expression of the enterprise's plans and objectives stated in financial terms for a specified future period of time". (I.M. Pandey)

The excess income over expenditure is called profit. The word profit brings forth visions of reserves. "Profit does not just happen, profits are managed" (Lynch and Williamson, 1989:125) the concept of profit is not new but the concept of profit planning and control is new. We can define profit planning and control as a tool of management used in profit-making organizations. The managerial skill which increases revenues and minimizes the cost is called profit planning and control. Profit planning and control involves long-term commitment waiting for a reward which comes in

future and always remains uncertain. Therefore, every planning entails some degree of uncertainty.

"Profit planning through volume of cost analysis, however, is a modern concept of management planning tools designated primarily for industrial enterprises. It involves a study of what a business cost and expenses should be and will be at different level of operations and it include a study of the resultant effect due to this hanging relationship between volume and cost " (Young Dong, 2001:74) "A Profit plan is an advance decision of expected achievement based on the most efficient operating standards in effect or in prospect of time. It is established against which actual accomplishment is regularly compared" (Niel, 2001:305)

Every business or institution is established on the definite goals and objectives. All the tasks performed by company according to their objectives. Mainly two types of institutions are established one is profit oriented and another is service oriented.

The financial institutions act as mediators by transferring the resources from the surplus to the deficits, which provides fuel to economic development of the country. Economic activities of a nation can't be carried forward without support of the financial institutions. Financial institutions include financial intermediaries like banks, credit unions, saving and credit, money market funds, life insurance companies, pension's funds mutual funds finance companies etc. Every country has to give a stress on up liftmen of the constant growth and sustainable financial system. Until and unless a nation can assemble its own domestic resources the nation cannot achieve economic growth. Transfer of funds from various savers to dynamic sectors is the major function of financial institution. Financial consist of financial institution including financial intermediaries using various financial instruments and connecting savers and users of cash. There is a tremendous growth in the number of financial

institution in Nepal in the last two decades. At the beginning of the 1980s when financial sector was not liberalized, there were only two commercial banks, and two development banks performing banking activities in Nepal. There were no micro-credit development banks, finance companies, cooperatives and NGOs with limited banking transactions. Numbers of Banks, Financial Institutions and financial system in Nepal are as follows:

Table 1.1

<b>Bank &amp; Financial Institutions</b>	<b>Numbers</b>
Commercial banks	32
Development banks	88
Finance Company	70
<b>Other Financial Institutions</b>	
Micro Finance ( Registered In NRB)	23
Co-Operatives ( Registered In NRB)	11392
NGO's ( Registered In NRB)	77

(Sources: [www.nrb.org.com](http://www.nrb.org.com) directives)

## **1.2 Statement of Problems:**

Mainly, the study emphasis lay upon the Profit planning of NIBL of Nepal. The struggle and survival, pros and cons, up and down and ability of the bank to adopt in the changing economic condition effectively would be dealt and analyzed. Profit planning and control (PPC) model provides a tool for more effective supervision of individual operation and practical administration of a business a whole. In our country, the industrialization is still in its early stages therefore, the concept of profit planning has not even been familiar in the most of the business concerns including commercial banks.

Commercial banks play vital role in economic growth of a country. As a commercial institution, a commercial bank must make profit out of its operations for its survival and fulfillment of the responsibilities assigned.

This study has tried to analyze and examine the PPC side of commercial bank taking a case of NIBL. Furthermore the study has tried to answer the following research questions.

1. Dose NIBL has appropriate profit planning system?
2. What is the budgeting approach of NIBL?
3. Dose the bank mobilize the deposit and other resources at optimal cost?
4. What is the trend of over all performance of NIBL?

### **1.3 Objectives of the Study**

The main objective of this thesis is to examine discuss and evaluate the budgeting system of NIBL. Therefore, to attain the mentioned objective, following specific objectives have been set:

1. To focus the current profit planning premises adopted and it's effectiveness in NIBL.
2. To study the variance of budgeted and actual achievements.
3. Te analyzes the growth of the business of the bank over the period.
4. To provide suggestion and recommendations for improvements of the overall profitability of the bank.

### **1.4 Significance of the study:**

.As other business, banking business organizations are also facing significant challenges. Economic liberalization policy of the Government has encouraged the establishment and growth of financial institutions in Nepal. Now, there are so many financial institutions such as Commercial Banks, Development Banks, Finance Companies and Cooperatives in-operation. Some other institutions in pipeline are supposed to come into function very soon. Before the year 2041 B.S. there were only two Commercial Banks in existence. As the government owned banks were not able to cater the need of the people with modern banking facilities the need of privately owned banks were badly felt and there were rapid growth of Commercial Banks

during a short span of time. Now a day there are cut throat competition in banking business.

An attempt has been made to analyze the strength and weakness of NIBL. The bank may be a successful one from optimum uses of sources and funds. The proper analysis of its financial data will help the management, shareholders, depositors, lenders and borrowers and other concern parties of the bank. This study helps to ascertain the profit planning of NIBL

This study will be beneficial for the entire person who directly/indirectly related to banking business.

This study will give the information about the financial condition of NIBL and it will definitely help to increase to analytical power of the investors, depositors, shareholders, debenture holders, suppliers, debtors, creditors etc. Apart from this study will be a matter of interest for academician, students, teachers or practicing in the field of finance.

### **1.5 Profile of NIBL:**

Nepal Investment Bank Ltd. (NIBL), previously Nepal Indosuez Bank Ltd., was established in 1986 as a joint venture between Nepalese and French partners. The French partner (holding 50% of the capital of NIBL) was Credit Agricole Indosuez, a subsidiary of one the largest banking group in the world. With the decision of Credit Agricole Indosuez to divest, a group of companies comprising of bankers, professionals, industrialists and businessmen, has acquired on April 2002 the 50% shareholding of Credit Agricole Indosuez in Nepal Indosuez Bank Ltd. The name of the bank has been changed to Nepal Investment Bank Ltd. upon approval of bank's Annual General Meeting, Nepal Rastra Bank and Company Registrar's office with the following shareholding structure. A group of companies holding 50% of the capital .Rashtriya Banijya Bank holding 15% of the Capital. Rashtriya Beema Sansthan

holding 15 % percentage. The remaining 20% being held by the General Public.

([www.nibl.com.np](http://www.nibl.com.np))

NIBL has the largest local network in the country .The head office of the bank is located at durbarmarg, Kathmandu. Besides the head office, the bank has 41 numbers of branches with in the country. The bank is planning further more branches in the country.

### **1.6 Limitations of the study:**

As every research has its own limitation, this study is not biased. This research is done for the partial fulfillment of M.B.S. Therefore, this study has some limitations, which are listed below

- The study focuses on profit planning and its application in NIBL.
- Since, the report is prepared in short time based on secondary data and some published sources, the out come of the study may not be exactly this study covers the related date of the bank from FY 2008 to 2012 ..
- In this study, the sample of NIBL is selected among all the commercial banks. But these may not represent the character of financial institutions.
- This study is analysis with the help of financial tools and few statistical tools.
- This study is meant only for the fulfillment of requirements Master Of Business Studies (MBS)
- As detailed analysis and presentation requires enough time and high cost but due to financial and time constraint, this study could not use all the theory of profit planning.

## **1.7 Organization of the Study:**

The whole study is divided into five chapters, which includes:

### **Introduction:**

The first chapter deals with introduction. This includes Background of the study, Statement of Problems, Objectives of the Study, Profile of NIBL, Significance of the study, Limitations of the study, Organization of the Study.

### **Review of Literature:**

Second chapter deals with the review of available literature. It includes review of books, reports, journals, previous unpublished thesis related websites etc.

### **Research Methodology:**

Third chapter explains the research methodology used in the study, which includes research design, resource of data, population and samples, methods of data analysis.

### **Data Presentation & Analysis:**

The fourth chapter, which is the important chapter of the study, will be including presentation and analysis of data.

### **Summary, Conclusion & Recommendation:**

The fifth chapter summarizes the main conclusion that flows from the study and offers suggestions for further improvement and conclusion of the study.

A bibliography and appendices will be attached at the end of the study.

## **CHAPTER-II**

### **REVIEW OF LITERATURE**

The review of literature basically highlights the existing literature and research work related to the present research being conducted with the view of finding out what has been already explained by the author and researchers and how the current research aids further benefits to the field of research. This review of literature has been classified into two sub-groups as follows: Conceptual Review/framework and Review of Related Studies

#### **2.1 Concept of Commercial Bank:**

Commercial banks are the heart of the financial system. They hold the deposit of the many persons, government establishment and business units. They make funds available through their lending and investing activities to borrowers, individual business firms and provide services to the producer, customers and the government. This fact shows that the commercial banking system of the nation is important for the functioning of the economy. Meaning of 'Bank' in oxford dictionary says 'an establishment for keeping money and valuable safely, the money being paid out on the customer's order by means of cheques "Commercial banks as a bank which exchanges money, accepts deposits, funding loans and performs other commercial activities and which is not specially established with the objectives of co-operative, agricultural, industrial or any other of such kind of specified purpose" (Commercial Bank Act 2031). The major functions of commercial banks are as follows:

- Accepting various types of deposits
- Lending money in various sectors
- Letter of Credit
- Bank Guarantee
- Remittance
- Bills



The commercial bank act provided for the modalities of establishing a commercial bank, as per which, a commercial bank can be established under the company act as a limited company only with the recommendations of NRB, the central bank of Nepal . By the various definitions we can bring to a close that a commercial bank is set up to collect spread funds and employ them to creative sector.

## **2.2 Evolution of Commercial Bank**

The Latin word "Bancus", Italian 'Banca', French 'Banque' are the original form of the modern bank. According to some authors the word 'Bank ' is derived from all of above words the meaning of all words to a bench. This refers that early bankers transact their money lending activities on benches in the marke exhibiting the cons of different countries in different denominations for the purpose of changing and lending money. Some writers are of the opinion that the word 'Bank' came from the German word ' Banc' meaning joint stock fund. (Varshney, 1993:145). Money lenders in the streets of major cities of Europe used benches for acceptance and payment of valuables and coins. When they were unable to meet their liabilities, the depositors used to break their benches. The term "bankruptcy" is derived thereof

The ancient Hindu scriptures refer to the money lending activities in the Vedic period. In India, During the Ramayana and Mahabharata eras, banking had become a full-fledged business activity and during the Smriti period, the business of banking was carried on by members of Vanish community. Manu, the great law giver of the time speaks of the earning of interest as the business of Vishay's. The bankers in the smriti period performed most of those functions which the banks in modern times performs such as the accepting of deposits, granting loans, acting as the treasurer, granting loans to the king in times of grave Crises and banker to the state and issuing and managing currency of the country (Vaish, 1996).

In Nepal goldsmiths, merchants and money lenders were the ancient bankers of Nepal like other countries. Tejarathe Adda established during the Prime Minister Ranoddip Sing B.S 1933, was the first step towards the institutional development banking in Nepal. Tejarathe Adda did not collect deposits from public but gave loans to employees and public. Banking in modern senses started with the beginning of Nepal

Bank limited (NBL) on B.S 1994. NBL had Heroic accountability of attracting people toward banking sector from pre dominant money lenders net and of increasing banking services. Nepal Rastraya Bank (NRB) was established on B.S 2013.01.14 as a central bank under the NRB act 2012 B.S the government had responsibility of stretching banking services to the corner of the country and also managing financial system in the appropriate system. NRB has been working as the government's bank and has contributed to the growth of financial sector. The major confront before NRB today is to make sure the health of financial institution. Accordingly, NRB has been trying to change them and has introduced as host of prudential measures to safe guard the interest of the public. NRB is yet to do a lot to prove themselves and efficient supervisor. NRB really requires strengthening their policy making, supervision and examination device. Government set up Rastriya Banijya Bank (RBB) in BS 2022 as a fully government owned commercial bank.

The first private financial institution, Nepal Bank Limited, was established in 1937 with the only other major commercial financial institution, Nepal Industrial Development Corporation, established in 1957 initially as the industrial Development Board, but converted in 1959 to its present form. It should be noted that technically the first legal financial institution in Nepal was the establishment of the Tejarath Adda in 1877, however it faced problems catering to the general needs of the population as it had the sole objective of providing credit only, with no deposits mobilized (NRB, 1996).

The growth of financial sector in Nepal is much better compared to the other sectors in the country. The decade long conflict has had its toll on every sector including the financial sector. Despite the conflict and political insurgency, financial sector continued growing. Nepalese Financial sector is comprised of organized and unorganized sector. The Nepalese organized financial sector is composed of banking sector and non banking sector. Besides commercial banks, there are sizeable numbers of development banks, finance companies, micro-credit development banks, cooperative, NGOs and postal saving offices that undertake limited banking and financial services. Non-bank financial sector comprises Funds, Trusts and thrifts like, Employee Provident Fund, Citizen Investment Trusts, and

Mutual fund. Nepalese banking system has now a wide geographic reach and institutional diversification. Although, Nepalese financial sector is dynamic, a lot of scope for development of this sector exists. This is because the banking and non-banking sectors have not been able to capture all the potentialities of business till this time. It is

evident from the Rural Credit Survey Report that the majority of rural credit is supplied by the unorganized sector at a very high cost – perhaps being at two or three times of the formal sector - suggesting that the financial sector is still in the path of gradual development. Overdue loans and inefficiency of the older and the larger of commercial banks have aggravated and have been made to compete with the new trim banks with no rural operations. Also, the commercial banks, domestic or joint venture have shown little innovation and positive attitude in identifying new areas of saving and investment opportunities. Following table reflects the present development of commercial banking institutions in Nepal.

#### **Licensed Commercial Banks in Nepal:**

1. Nepal Bank Limited
2. Rastriya Banijya Bank
3. NABIL Bank Ltd.
4. Nepal Investment Bank Ltd.
5. Standard Chartered Bank Nepal Ltd.
6. Himalayan Bank Ltd.
7. Nepal SBI Bank Ltd.
8. Nepal Bangladesh Bank Ltd.
9. Everest Bank Ltd.
10. Bank of Kathmandu Ltd.
11. Nepal Credit and Commerce Bank Ltd.
12. Lumbini Bank Ltd.
13. Nepal Industrial & Commercial Bank Ltd.

14. Machhapuchhre Bank Ltd.
15. Kumari Bank Ltd.
16. Laxmi Bank Ltd.
17. Siddhartha Bank Ltd.
18. Agriculture Development Bank Ltd.
19. Global Bank Ltd.
20. Citizens Bank International Ltd.
21. Prime Commercial Bank Ltd.
22. Bank of Asia Nepal Ltd.
23. Sunrise Bank Ltd.
24. Development Credit Bank Ltd.
25. NMB Bank Ltd.
26. kist Bank Ltd.
27. Janata Bank Nepal Ltd.
28. Mega Bank Nepal Ltd.
29. Commerz and Trust Bank Nepal Ltd.
30. Civil Bank Ltd.
31. Century Commercial Bank.
32. Sanima Bank Ltd.

*(Source, www.nrb.org.np)*

### **2.3 Existing Scenario of Banking Sector**

As mention in the previous section, there are 32 commercial banks presently in operation. .Among these banks some are established under joint venture with foreign banks while some are fully domestic bank. Out of total commercial banks, 6 commercial banks are with foreign joint venture rest of all are fully domestic banks.

### **a) Capital Structure of Banks**

The current regulation of NRB prescribes that all the new commercial banks are to be established around at national level should have minimum paid up capital Rs.2 billion, the existing banks in operation are required to enhance the capital level to Rs 2 billion by the end of F/Y 2068/69 BS. For this purpose and objective all the commercial banks have furnished their plans to enhance the level of capital accordingly. In the meantime, there are separate provisions on capital requirements for the national level banks to be operated outside the Kathmandu.

### **b) Banks under foreign participation**

All together nine banks were established under foreign participation in Nepal but three of these have divested their stake to Nepalese promoters. Six banks still have foreign joint ventures. The banks operation under foreign participation is NABIL, Standard Chartered, Himalayan Bank, Nepal SBI bank, Everest Bank and Nepal Bangladesh Bank. Initially, Bank of Kathmandu, Nepal Credit and Commerce Bank and Nepal investment Bank were also established under foreign joint venture. The banking asset with the foreign joint venture banks is gradually increasing. As of may 2012, AD the commercial banks under foreign participation hold 37.54 percent of total banking assets.

## **2.4 Activities of a commercial Bank**

A 'Bank' is a commercial bank established under this act 'banking transaction' are the activities of accepting deposits from the others for the purpose of lending or investing, repayable on demand or after some stipulated time period by means of generally accepted procedure (*Commercial Bank Act, 2031*).

The functions of receiving money from his customers and repaying it by honor in their cheques as and when required is the function, above all function, which distinguish a banking business from any other kind of business. The major activities of a commercial bank are essentially accepting deposits and making loans and advances. In the present scenario banking activities are not limited only accepting deposits and lending loan and advance, others income generating activities has been added as in time span like remittance services, land development and

housing projects, locker facilities, debit and credit cards, bank guarantee, bill payments services etc. The major activities of a commercial bank have been divided in to two parts are as follows:

- Collection of Resources
- Deployment or mobilization of Resources

#### **2.4.1 Collection of Resources**

Sustainable economic growth requires intermediary channels for efficient allocation of resources. Through intermediary channels such as financial institutions and financial markets, funds should be efficiently channeled from depositors and investors to borrowers in need of funding to, for example, expand their business or buy a house. The role played by financial institutions and financial markets in this process is referred to as the activities of commercial banks. Resources in commercial banks collected from two sources internal and external internal means owners fund and external means borrowed fund.

##### **Internal Fund or Capital fund:**

Internal fund of the bank is capital fund, which consists paid up capital, reserves, retained earnings, premiums, preference share, reserves and provisions. A commercial bank must have paid up capital of Rs.200 caror in order to establish as a national level commercial bank. NRB has also prescribed the capital adequacy norms to be of at least 12 %. Likewise the commercial banking act 2031BS has made a mandatory provision for every commercial bank to build the general reserve out of the allocation of at least 20 % of net profit amount each year until the amount becomes double the paid up capital. The external fund of a bank constitutes the resources apart from the owners' fund. In a bank, it is mostly contributed by customer's deposit, and some part by the short-term fund borrowed from other banks called inter bank loan or central banks.

##### **Deposits & others liabilities:**

Deposits are collected from their customers in various types of savings. Customer's deposit is a major source of bank's resources. It is very important for a

bank for its liquidity supply that banks are often engaged in competition for deposit mobilization because the capacity of a bank to grant credit to its borrowers depends upon its capacity to mobilize deposits.

There are various types of deposits like, all deposit, savings deposit, fixed deposit, current deposit etc. All of above are on demand deposit whereas fixed is time base deposit. As per commercial banking act of Nepal, a current account is the bank account having money, which is subject to repayable whenever demanded. Likewise fixed deposit is time based deposit which is withdrawn only after the expiry of the time period. Banks offer interest on these accounts varying the duration of deposit maturation.

The saving deposits are accepted on saving accounts which are defined by commercial banking act 2031 as "the bank account having money which is deposited for the purpose of saving" (commercial bank Act 2031).

Resources except customer's deposit and capital fund are called other liabilities of the bank. It consists of short term borrowed fund from other banks and central bank. This types of resources are called inter bank borrowings which are normally obtained for a very short period and those are meant for meeting temporary liquidity position of the bank. This borrowings rate is directed by the Central bank of Nepal. In other resources also includes, payables in the account of the banks.

#### **2.4.2 Deployment of Resources:**

The prime purpose of collection of resources is to use it in productive sector this function of commercial bank called deployment of resources. Deployment of resources of the bank means use for the bank's fund in such a way that it ensures liquidity as well as gives some income for meeting its operating expenses and optimum return to shareholder. The overall performance of the banker reflects by such activity. Every financial institution tries to maximize its earning by using its excessive cash by lending it to the sensible borrowers in a manner which in no way impairs its capacity to pay on demand the acquired funds to their owners.

Mobilization of resources in bank is a challenging job. Resources of banks are mobilized basically for two purposes one is for liquidity and another is for

profitability. The importance of liquidity and profitability in a bank is dominant. Liquidity is defined as bank's capacity to pay cash in exchange of deposits. Liquidity needs of commercial banks are unique because in no other types of business there will be such a large proportions of deposits payable on demand. Bank maintains liquidity in the form of cash and Bank balance, money at call, investment in government security etc. In other hand banks always pays their attention to maximization their profitability. Depositors always expects better interest on their deposit, employees expects better salary, perks and bonus this is to because its shareholders expect a fair rate of return. If the bank cannot satisfy either of these parties, the success of the bank is always questioned. The profit is excess of incomes over expenses. To maximize profit, incomes should be reasonably excess over expenses. The major sources of income of a bank are interest income from loans and investments and fee based income.

#### **A. Resources for Liquidity**

Liquidity means portfolio of such assets which are convertible in to cash with in very short period of time. As major portion of a bank's resources comprise customer deposit which are subject to repayable on demand. So banks maintain sufficient amount of liquid assets in the form of cash in their vault balance at their account of Central Bank and interbank.

#### **B. Investment in Securities**

Investment includes the fund invested for buying government and other stock exchange security, treasury bills, fund placement at call account with other bank etc. Such investments can easily be liquidated if required thus they also called liquid assets.

#### **C. Loan and Advances:**

Granting the loan and advance is a major function of bank. Overall profitability of bank depends on interest margin. Banking business essentially involves lending of loan and advances. In fact the deposits are accepted for loan and advance. Loan and advances dominate the asset side of the balance sheet of any bank. The income statement of bank occupy by interest. Hence, loan is known as risky assets. Risk of



non-repayment of loan is known as credit risk. Commercial banks generally lend for short term commercial purpose to finance the need of trade and commerce. As the fund available for lending with the banks, are mostly the fund mobilized from the depositors, a commercial bank should carefully consider the safety margin before granting the loan. The banker should be extra careful in selecting the borrowers. Generally bank lending is guided by their lending policies. General principles of a sound lending policy should be followed by a bank while taking decision towards the lending such as safety, liquidity, profitability, risk diversifications etc.

The types of loans may be collateral loan, demand loan, Hire purchase, educational loan, foreign employment loan, social loan, housing loan, import and export loan, loan against fixed deposit, against securities, OD loan etc. There are some approval process of bank loan .The entire amount is disbursed to the borrower account after completing the approval process which in repayable in terms and conditions of a banks i.e. periodicals installments basis or lump sum on the expiry of loans. Overdrafts are granted in current account of a customer. It is the permission given to overdraw from the account up to a certain limit allowed to the person on revolving basis. Interest is charged on daily outstanding overdrawn amount only.

NRB has made a mandatory provision on loan loss. NRB regulation on classification and provisioning is pass loan (Principal overdue up to 3 months) is 1 %, Substandard loan (principal overdue up to 6 months) 25 %, Doubtful (Principle overdue up to 1 year) 50 %, and Bad loan ( Principle overdue above 1 year) is 100 % .Pass loan is called 'Performing' assets where as others are called 'Non performing' assets. Provision requirement in case of loan given against personal guarantee only is additional 20 % for pass substandard and doubtful loans. Provision for restructured, rescheduled and swapped loan is 12.5 % only. The amount of loan loss provision is treated as the expenses items. Therefore, in order to improve the profitability, the banker should be more attentive toward timely realization of dues so that the amount of loan loss provision may be maintained at the least possible level (Dahal & Dahal 2009).

#### **D. Other activities for mobilization of resources:**

Granting loan and advance is a major functions besides this bank involves other income generating activities such as bank guarantee, issuing letter of credit, cheque collection, remittance services, bills payment services, traveler's cheques etc. In such cases banks do not have to involve their fund and yet they are charging some fee as commission for such services.

#### **2.5 Impact of National and International Situation on Commercial Bank**

Despite the current political instability in the country, the total flow of domestic credit has increased during the year. This is mainly because of substantial growth of credit flow to government and non-financial government corporations like NOC, RNAC, and National Trading etc. However, the prolonged conflict in the economy has started taking its toll on the private sector. The delay in peace process, the current security condition, and the significant imbalance in the political situation of the country have opened up few doors for new investment opportunities. On the one hand, private sector credit is steadily declining & on the other what little extension there is getting riskier. On the positive side, the living standard of Nepalese people has risen due to the direct impact of more and more Nepalese people working abroad. The Nepal Living Standard Survey (NLSS) -II Released by the Central Bureau of Statistics (CBS) states that in nominal terms, average household income has grown by more than 80 percent. This is an important factor which the Banks have capitalized on, as is evident from the growing competition amongst the banks to extend consumer loans. Nepal has shown good initiation and commitment in following the rules and regulations laid down by the South Asian Free Trade Agreement (SAFTA), and Bay of Bengal initiative for Multi-Sectorial Technical and Economic Cooperation (BIMSTEC). After entry to SAFTA and BBIMSTEC has setup a ladder for possible economic growth in the future. Similarly, Nepal's accession to the World Trade Organization (WTO) would permit international banks to operate in Nepal, which will require enhancement in our service quality in order to compete with them. In view of these, it is imperative for the Bank to have its business plan and strategy accordingly.

([www.nibl.com.np](http://www.nibl.com.np)).

## 2.6 Profit Planning as a Concept

Profit planning and control is also called comprehensive budgeting, managerial budgeting and budgeting only. The word profit planning and control has recently introduced in the business literature. Most of profit oriented business concerns use profit planning and control as a managerial tools. Though it is a new term, it is not a new concept in management. The other terms which can be used in same context, are comprehensive budgeting, managerial budgeting and simply budgeting. The profit planning and control can be defined as process/technique of management that enhances the efficiency of management through planning revenue and expenses. Planning is accomplished through the preparation of number of budget which induce integrated business activities.

Profit plan or budget is the formal expression of the enterprises plans and objectives stated in financial terms for a specified future period of time (Pandey, 2010).

"Profit planning is a comprehensive and co-ordinate plan expressed in financial terms for the operations and resource of an enterprise for some specific period in the future" (Fremgen, 1973).

"Comprehensive profit planning and control is a systematic and formalized approach for accomplishing the planning, co-ordination and control responsibilities of management (Welsch, Hilton & Gordon, 2001).

Profit plan as an exact and rigorous analysis of the past and the probable and desired future experience with a view to substituting considered intention for opportunism in management the establishment of a system of periodic performance reports detailed by assigned responsibility and follow up procedures. (International management institution Geneva conference 1980) The role of profit planning and control is very important in profit oriented enterprises. Roles of PPC are as follows:

- To provide definite goals and objectives that serve as benchmarks for evaluation performance of business
- To provide information to management timely
- To point out efficiency and inefficiency

- To reduce cost and make more profit

It provides a valuable means of controlling income and expenditure of a business, as it is a 'plan for spending'. It reflects weakness in the organization very promptly. It provides a tool through which managerial policies and goals are periodically evaluated, tested and established as guidelines for the entire organization.

Profit plan stands for an overall plan of accomplishment, covers exact period of time and prepares the planning decision of the management. It can be viewed as one of the major important approaches that have been developed to make easy successful presentation of the organization procedure. Now a days profit planning system is mainly common to business organization but the viability of it depends upon the size of the business. The common objectives of profit planning system whether applied to business administration are to make policy as well as with the execution of policy. And a purpose established after the deliberation of the feasible courses of events in the future. In conclusion profit planning is directed towards the final objectives of the enterprises and generally includes all of its important elements. It has main objectives of achieving the most favorable profit in the enterprises.

## **2.7 Profits as a Concept**

Profit is excess income over expenditure. Profit is a basic element of profit planning and control. There is no meaning of profit planning and control without profit. Every profit oriented business concerns involves to profit generating activities. "Oxford dictionary defines profit as financial gain or amount of money gained in business especially the difference between the amounts earned and the amount spent. Likewise, advantage or benefits gained from something is called profit "(Hornby & Cowie -1992).

The successes and failure of business entity is measured by profit earned by them in certain period of time. The major concern of stockholder is profit so organization always wants to maximization of profit. Performance of management of organization is measured by profit and loss. Survivability and sustainability of enterprises depends on profit.

### **2.7.1 Long Term and Short Term Profit Panning**

Strategic profit plan and tactical sales plan is known as long-term short term profit panning. Strategic sales plan is prepared for 5 to 10 years. It is wide and universal in nature and developed by year and amount. The strategic profit plan is broad and it usually encompasses five or more years in the future. The tactical profit plan is detailed and encompasses one year time horizon the upcoming year. The development of strategic and tactical profit plans each year is a process that involves managerial decisions and ideally a high level of management participation "(Welsch, Hilton & Gordon 2009).

While preparing the strategic profit plan state of economy, political stability, population study etc are kept in considerations. Likewise, tactical profit plan is prepared for short period of time. By the time it is prepare for a month, quarter, half year and a year.

### **2.7.2 Concept of Planning and control:**

Planning is the basic element of profit planning and control. Planning is going according to plan the primary purpose of planning are to reduce uncertainty about future profit, to incorporate management judgment and decisions in to the planning process, to provide necessary information for developing other elements of comprehensive profit plan and to facilitate management control of sales activities."

Operational planning is often referred to as short term budgeting and looks at resources, production etc for a financial period, usually a year. It provides a detailed plan of what the organization hopes will be achieved within the next financial year. Strategic planning often referred to as the long term plan and looks at where the organization is heading over a number of years, for example of five year plan would be a long term plan it presents the organization with an idea of the broad direction that it hopes o be heading in. The Strategic plan will incorporate the operational plans of the organization. The operational plan translating the strategic plan into achievable short term goals" (Lynch 2003:158).

"Planning is the process of developing enterprises objectives and selecting a future course of action to accomplish them. It includes developing premises about the environment in which they are to be accomplished " (Welsch, Hilton, Gordon, 2001). Arrangement for doing or using something considered or worked out in advance is planning." Planning is the feed forwards process to reduce uncertainty about the future.

Planning is a quantified assessment of future condition about a particular subject based on one or more explicit assumption. The management of organization make plan and it may accept, modify or reject. Planning is the intellectual mental process. It is goal oriented primary function of management. It is goal oriented primary function of management.

Control is the process that measures current performance and guides it towards some predetermined goals control is the process of checking to determine whether or not plans are being adhered to whether or not proper progress is being made towards the objectives and goals and acting if necessary to correct deviations. Controlling can be defined as a process of measuring and evaluating actual performance of each organizational component of an enterprise and initiating corrective action when necessary to ensure efficient accomplishment of enterprise objectives, goals, policies and standards. Planning establishes the objectives, goals, policies and standards of an enterprises control is exercised by using personal evaluation periodic performance, reports and special reports. Comparison with standard and actual is called controlling. Controlling is a one of the important aspect of managerial function.

### **2.7.3 Concept of Budgeting and Budget**

Budgeting is future plan and projection taking some managerial assumptions. Budgeting involves the preparation advance of the quantitative as well as financial statement to indicate the intention of the management in respect of the various aspects of the business. An effective budgeting system is vital to the success and survival of a business firm. Without a fully coordinated budgeting system, management cannot know the direction the business is taking out organizations

that do not plan are likely to wonder aimlessly and ultimately give way to the swirl of current events.

#### **2.7.4 Budgeting in Profit Plan**

Budgeting is a tool for management control it is forward planning. It is quite pivot of any successful design of control." Budgeting is the principal tool of planning and control offered to management by accounting function" ( Welsch, 1999) the primary purpose of budgeting is to help out in organized planning and in controlling the operations of business concerns. Actually budgeting is greatest sources of message and an important means in the hands of management. Since, budgeting deals with essential policies and objectives, it is prepared by top management. A formal budget by itself will not make sure that a firm's operations will be automatically run to the accomplishment of the goals set in the budget. For this to happen, the top level managers and lower level employees have to understand the goals and support them and co-ordinate their efforts to achieve them.

#### **2.7.5 Prerequisites of Budgeting:**

A successful budgeting structure should follow some crucial features to ensure best results. Some of the features are discussed below. Effective Future Forecasting One of the major components of budgeting is forecasting. The future forecast is made by the past events and future assumptions. Forecast is groundwork of budget these forecasts are argued by the administrative and when most profitable combinations of forecast are selected they becomes budgets.

The sound budgeting system gives the better result. A Sound Accounting System Budgeting requires adequate and accurate information of past records. This can be ensured only by having a sound accounting system. Effective Business Policy Budgeting depends of the top level business policy. Policy should be made for the success of business. Every budget reflects the business policies formulated by the management level. Policies should clearly pre-defined and budget is prepared by taking it on consideration. Support of Budget Working Group In the process of budget preparation the support of budget working group is essential. Thus in order to make a budget system more and more effective, a budget committee should be set up. Availability of information Without right information in right time budgeting

system will not be complete. Information from department and other areas should be timely available in the budget preparation process.

## **2.8 Merits and Demerits of Profit Planning and Control**

Profit planning and control has both merits and demerits even though merits are dominant. Merits of profit planning and control listed below. Profit planning and control brings organizational policy into action. Organizational structure will be sound and effective by the means of PPC. Historical statistical and accounting data is used by PPC. It compels management to plan for the most economical use of labor, material, and capital. Efficiency and inefficiency can be measured by PPC.

Management attention can be drawn by PPC for the general business condition. It reduces cost by increasing the span of control because fewer supervisors are needed. PPC creates understanding between management and their co-workers. PPC reduces the uncertainty and gives guidelines to achieve organizational goals.

It provides to all levels of management the habit of timely, careful, and adequate consideration of the relevant factors before receiving important decisions. Profit planning and control model can't be assumed that it is free from problems. Some of its demerits listed below. Preparing profit plan is a difficult task.

Some traditional types of managers don't like to prepare profit plans.

It is not realistic to write out and distribute goals, policies, and guidelines to all the supervisors.

It takes away management flexibility.

It creates all kinds of behavioral problems.

It adds a level of complexity that is not needed.

The manager's supervisors and other employees do not like the budget.



## **2.9 Profit Planning in Commercial Banks**

Profit planning in manufacturing sector is common it has been started in organization like banking sector too. Development of profit plan in banking sector begins with the preparation of various functional budgets. A bank prepares budget for deposit collection, lending expenditure, income, investment, non-fund base business etc. these budget are taken as functional budgets despite this budget now a day's bank also prepare for future plan this is called profit plan.

### **2.9.1 Planning for Resources**

Planning for resources is functional plan for banking sector. This is also a starting function all the planning depends on resource planning. The major resources of bank share capital and deposit .The lending and investment plan depends on the resources plan. Deposit is a primary source of resources collection. There are various types of deposit in the bank some are interest free and some are with interest. A proper mix of cost free and costly deposits corresponding to short term and long term deposits are to be maintained by the bank in its deposit mix in order to minimize its average cost of deposit at the sometime having comfortable mix of income yielding assets. Besides the deposits other resources are borrowing by inter bank loan. Certain rate of interest is directed by the NRB for inter-bank loan the bank can fulfill short term requirement by taking inter bank loan too. Another resource is reserves and provision of banks.

Collection of resources is one of the major functions of bank whereas deployment of such resource is also as important as this. The assts portfolio is determines by the planning for deployment. Bank can utilized their fund basically in three types of investment sector like liquid assets, lower income generating assets higher income generating assets. Liquid assets means banks should maintain certain percentage of total deposit for their short term fund requirement i.e. Called liquid assets management. Secondly bank can invest in securities, treasury bills etc. i.e. lower income generating assets and last in higher income generating assets is interest generating sector like loan and advance. Most of the portion of deployment is in the loan and advance of a bank. Lending targets are fixed at various sector of

economy for various kinds of trades and commercial activities and to various borrowers ensuring well diversification of the assets.

### **2.9.2 Non-Fund Consuming Income Plan**

Income without investing of banks fund is called non funded income. They are LC, Bank guarantee payment of bills etc. A source of income which is generating without any investment is called non funded business activities.

### **2.9.3 Planning for Expenditure**

Income can't imagine without expenditure so expenditure should be planned in proper way. The expenses planning and controlling are very essential for supporting the objectives and planned programs of the business concerns. The income after deducting all of expenditure is called profit so in the process of profit planning the expenditure planning plays the vital role. A bank always tries to control their expenses by preparing periodical budget. Expenditure minimization means that the profit maximization so the expenses must be planned carefully for developing a profit plan. In a bank there are generally following expenses.

- Administrative expenses.
- Interest expenses.
- Operating expenses.
- Loan loss provisions
- Bad debts
- Non-operative expenses.
- Expenses by the exchange fluctuation etc.

Interest expenses in direct expenses for the financial institution. It is paid in to customer interest bearing deposit as per the bank's rules or agreed rate between bank and customer. Payment of interest is capitalized in same account of customer after deducting government tax prevailing rate of tax is 5 % for persons and 15% for corporate. The expenditure side of bank's income statement is covered by interest by the large amount than other expenses so interest expenses are major and direct expenses. In the total income after deducting the interest expenses rest amount called contribution margin. Other expenses are administrative expenses those are

generally incurred by the bank during the course of its day to day operation. Other expenses depend of the volume of the transaction. Higher the volume of transacting higher will be operating expenses.

#### **2.9.4 Planning for Revenue**

The major expenditure of banks is interest and also major head of income is also interest. The main income source of bank or financial institution is interest margin. A bank lends their fund by taking some margin. The sources of income for bank is not only the interest other non-funded sources are also can generate income whereas interest is dominant one. The major sources of revenue for a bank are listed below:

- Interest income
- Dividend
- Commission and Discount
- Miscellaneous income
- Foreign exchange income
- Remittance income
- Other non-funded incomes

Income of a bank is basically activity based it depends of the volume of business. Higher the income generating activities of bank, higher will be the amount of its revenues. Therefore the bank develops its plans for various activities in such a way that it maximizes its income.

#### **2.10 Application of Profit Plan in Banking Sector**

Traditionally comprehensive profit planning and control was applicable only to large manufacturing and complex organization. But in the modern concept the profit planning and control is applicable non-manufacturing enterprises too, like service companies, financial institutions, hospitals, retail business, construction companies etc. The fact that a company has peculiar circumstances or critical problem is frequently a good reason for the adoption of certain profit planning and control procedures. In respect to size, when operations are extensive enough to require more than one or two supervisor y personnel, there may be a need for profit planning and control application. Now a days banking sector are also curious about preparing

profit plan budget. Functional budget only gives their operational plan where as PPC gives idea about profit maximization.

### **2.11 Review of Previous Studies**

Profit planning and Control played the vital role in overall profitability management which provides the guideline for the achievement of organizational goals and objectives. Various studied has been conducted for the behavior of Profit planning. Regarding this various empirical studies have been conducting related area of profit planning. There are many researchers carried out by different research in this topic.

The profit planning in the context of particularly commercial banks seems to be a new subject of study for research and analysis. So far this researcher could found some studies that have been made in this topic. Here are reviewed thesis some are manufacturing sector and some are related with financial sector which can help us to understand about their objectives, used statistical tools and major findings about this topic.

**Karki (2009) "A comparative study on Budgeting system of Rastriya Banizya Bank and Himalayan Bank limited".** *Some of major objectives and findings are as follows:*

#### **Objectives:**

To determine comparative systematic budgeting capacity, to identify comparative revenue and cost efficiency, and to know the comparative fund mobilization and lending policy.

#### **Major findings:**

Total revenue and total cost of RBB is higher than HBL but its profits are lower. Government seems less conscious in the present situation of RBB. In case of RBB, its deposit, total revenue, loan and advances are increasing every year whereas the profits are negative or highly fluctuating, which is mainly due to high fluctuation in cost. As the accounting system, of RBB is careless it difficult to take decision about data analysis. No proper planning strategy seems to be developed although HBL is

operating at profit but RBB is running with heavy cumulative loss. Interest coverage ratio of both banks is more than 1 except in the FY 2005-06 of RBB. It shows that interest paying capacity of both the banks is sound but the ratio of HBL is higher than the ratio of RBB. It means HBL is stronger to pay interest liability. Interest spread is higher in RBB than in HBL. Return on paid of capital is always negative in RBB. Net profits also negative in RBB.

**Thapa (2010) "A study on profit planning and control of Nepal SBI Bank limited" his objectives and major finding are as follows:**

**Objectives:**

To identify the profit-planning process and adopted by Nepal SBI bank limited, to sketch the trend of profit and loss, to evaluate the variance between target and actual performance, to recommend the steps to be taken to improve the profit planning process.

**Major findings:**

Nepal SBI does not prepare long term strategic profit plan. It only prepares short term profit plan which is usually referred as budget time period of this budget covers one fiscal year. The budget is not based on past performance but on targeted growth, which is very optimistic in both the budgeted year. Nepal SBI has not made any in depth analysis of its strength and weakness. Its mission and objectives have not clearly defined and delegated to the lower levels. The bank has not been able to maintain a minimum level of co-ordination between the departments and staff.

The profit budget is extremely ambiguous. It is not based on scientific method or past trend analysis but based on a specific target put forward by the governing board. The bank is facing competition from increasing number of financial institutions in these years. These had led to substantial decrease in interest rates in the market thus attributing to lower yield.

**Dahal (2011) "Planning process and its impact on profitability" A case study of Gorkha Patra Corporation** his objectives and some of major findings are listed below.

**Objectives:**

To examine the present practice and effectiveness of profit planning in Gorkhapatra corporation, to evaluate the variance between target and actual performance of this corporation, to analyze the preparation of various functional budget of Gorkhapatra corporation and to point out the suggestion and recommendation for improving the profit plan.

**Major Findings:**

GC does not prepare the long term strategic profit plan but it prepares tactical short term profit plan. GC has not adequately considered controllable and non-controllable variables affecting the corporation. They has no in dee not clear, with regard to profit making and market penetration. The plans are prepared from top level only. There is no letter communication between the top level and lower level management regarding the corporation's goals and objectives. GC has not a system of periodical performance reports. Corporation is not seriously conscious to it poor performance.

Actual production is made in accordance with the actual sales. Therefore production activities are not done according to the budgeted production but this done according to the recent data of actual sales.

**Thapa (2011) "Profit Planning in Merchandising company: A case study of National Trading Limited"** his objectives and major findings are as follows:

**Objectives:**

To examine the practical and effectiveness of profit planning in National Trading limited, to analyze the various functional budgets adopted by National Trading Limited, to evaluate the performance of budgeted and actual in NTL and to provide summary finding and recommendation.

### **Major Findings:**

NTL does not take in account its weakness and strength to support planned activities. NTL fails to maintain its periodic performance report for the evaluation of performance to find the underlying causes of poor achievements. It seems that budgeted sales are higher than actual sales. Financial position of NTL is not satisfactory. There is low degree of positive correlation between sales and profit and negative correlation between profit and assets. There is not complete and comprehensive budgeting system. NTL is operating above BEP and enjoining profit but not appropriate.

### **2.12 Research Gap**

There was very few research studies made in the field of business and service sector. Those that were made were also not done in depth. Those research studies lack the performance analysis of the company. They dealt with either single accounting tool such as CVP analysis or they were limited in the projections of profit plan. This research study dealt with the Profit Planning of the investment bank as a whole and tried to find out the profit and loss of the corporation. The previous studies lacked about the statistical tools, which was focused in the study.

## **CHAPTER-III**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

The main purpose of this chapter is to discuss the research methodology such as research design, population and sample. Data collection technique and analytical tools of the research study. It is widely accepted that research is simply the process of arriving at dependable solution to problem through the planned and systematic collection, analysis and interpretation of data. It is important tools for advancement of knowledge and accomplishment of purpose, thus research methodology is a way to systematically solve the research problem. It may be understood as science of studying how research is done scientifically” (Kothari, 1990 / Shakya 2009). Research methodology, as a vital part of research study, describes the various sequential steps to be adopted by researcher in studying research problem along with the logical behind them.

#### **.3.2 Research Design**

This study is a case study in nature. A true research design is basically concerned with various steps to collect the data for analysis and draw a relevant conclusion. Recommendation is another important aspect of design strategy. The research design allows the researchers to take an appropriate measure and direction towards the predetermined goals and objectives. A research design is the arrangement of conditions for the collection and analysis of data in a manner to combine relevance to the research purpose with economy in procedure. Research design is the plan, structure and strategy of investigation imagines obtaining answers to research questions and controlling various things. This study is an examination and evaluation of budget process in profit planning program of Nepal Investment Bank. Various functional budgets and other related accounting information's and statement of Bank are the materials to analyze and evaluate the profit planning system of the Bank. Descriptive as well as analytical research designs have been adopted in this research. This is a case study research.



### **3.3 Population and sample**

This research aims to studying the profit planning aspect of commercial bank taking the case study of a single bank Nepal Investment Bank, and data have been analyzed for five years so the five years data have been taken as sample for this case study.

### **3.4 Sources and collection of data**

Here both primary and secondary data has been used for this study. The primary data can be taken from informal discussion with executives. But this study is mainly based on secondary data. The main sources of secondary data are quarterly and annual financial reports, official records, web site, brochures, prospectus and other relevant publications of NIBL, NRB, Central Bureau of Statistic and relevant publications. From these sources the relevant historical data are gathered for analysis purpose.

### **3.5 Study Variables:**

Share capital, Customer deposit, loan and advances, Overdrafts, total resources and deployment, LC, Bank Guarantees, Interest Expenses, Other Expenses, Interest Income, and Other Income of Nepal Investment Bank are research variables of this study.

### **3.6 Analytical Tools**

We have analyzed the data by using various statistical, Mathematical and financial tools in this study.

#### **3.6.1 Statistical and Mathematical tools:**

We have analyzed the data by using following statistical and mathematical tools.

**3.6.1.1 Percentile Incensement:** This statistical tool gives the percentage change of previous year to current year. This tool helps to find out the increment in the study variable. Simply, the word percentage means per hundred. In other word, the fraction with 100 as its denominator is known as percentage and numerator of this fraction is known as rate of percent.

**3.6.1.2 Arithmetic Mean Average:** The central values that represent the characteristics of the whole distribution or the values around which all items of the distribution tend to concentrate are called average. Arithmetic mean or arithmetic average is one of the important statistical measures of average. The arithmetic mean of a given set of observation is their sum divided by the number of observation.

**3.6.1.3 Correlation of coefficient:** Correlation analysis is a statistical tool. It is used to find the relationship between variables. If two quantities vary in such a way that movement in one are accompanied by movements in the other these quantities are correlated. It shows the effect on other variable due to the change in one variable. The degree of relationship between the variables under consideration is measured through the correlation analysis. Thus correlation is statistical device, which helps us in analysis the co-variation of two or more variables. Karl Pearson's Coefficient of correlation is widely used in practice. The Pearson's coefficient of correlation is widely used in practice. The Person's Coefficient of correlation is denoted by the symbol "r". The formula for computing Person's "r" is:

$$r = \frac{\sum xy}{\sqrt{x^2} \sqrt{y^2}}$$

**3.6.1.4 Regression Analysis:** Regression is the statistical tool which is used to determine the statistical relationship between two or more variables and to make estimation of one variable on the basis other variables in other words regression is that statistical tool with the help of which the unknown value of one variable can be estimated on the basis of known value of the other variable.

**3.6.1.5 Standard Deviation ( $\sigma$ ):** The standard deviation is the absolute measure of dispersion. It is defined as the positive square root of the mean of the square of the deviation taken from the arithmetic mean. The greater the amount of dispersion or variability, the greater the standard deviation, the greater will be the magnitude of the deviation of the values from their mean. A small standard deviation means a high degree of uniformity of the observation as well as homogeneity of a series and a large standard deviation means just the opposite.

### **3.6.2 Financial tools:**

Ratio Analysis and CVP analysis has been used in this study as financial analytical tools. Ratio analysis is main focus as financial tools throughout the study as " Ratio analysis is such power full tool of financial analysis that thought the help of it economic and financial position of business unit can fully x-rayed" ( Kothari, 1

## CHAPTER-IV

### PRESENTATION AND ANALYSIS OF DATA

This chapter is devoted to the presentation, analysis, interpretation and scoring the empirical finding out of the study through definite course of research methodology. To achieve the stated objective of the study researcher has tabulated the available data in different chart, table and analyzed using the tools where necessary and applicable stated in the research methodology.

#### 4.1 Profit Plan of Nepal Investment Bank Limited (NIBL)

The bank prepares some of functional business budgets which include the business budget, revenue, expenditure, and profit plan. The business budget is estimation of business activities to be performed and the goals to be achieved by the bank with in the particular fiscal year. The strategic plan of NIBL set some targets and used to be limited only up to the top management level were not published for the public . The business budget consists the total activities to be performed, broadly in terms of resources mobilization and deployments. The profit plan of NIBL is as follows:

- Resources mobilization planning
- Deployment of resources planning
- Non-fund consuming business activities plan
- Revenue and expenditure plan(*Source: Budget Statements of NIBL*)

#### 4.1.1 Human Resources & Branch offices of NIBL

There are altogether 877 employees in NIBL as F/Y 2068/69 the following table shows the status of Personnel of NIBL.

**Table No: 4.1:**  
**Status of Personnel in NIBL**

F/Y	2064/065	2065/066	2066/067	2067/68	2068/069
No: Of Employees	622	693	710	815	877
Index	100%	111.41%	114.45%	131.1%	140.99%

(*Sources: Annual Report of NIBL*)

There are altogether 41 branches including head office of NIBL as of end of F/Y 2068/69 the following table shows the status of branches of NIBL.

**Table No: 4.2:**  
**Status of branches of NIBL**

F/Y	2064/065	2065/066	2066/067	2067/68	2068/069
No: Of Branches	22	27	33	37	41
Index	100%	122.73%	150%	168.18%	186.36%

*(Sources: Annual Report of NIBL)*

#### **4.1.2 Resource Mobilization Planning:**

The resources means required fund for the bank operation. It includes capital fund, loan and borrowing, deposit collection and other liabilities. Among these some resources are cost bearing and some are cost free sources. Here the researcher going to present status of available resources of NIBL in tabular and chart form.

**Table No. 4.3:**  
**Status of Available Resources of NIBL**

*Amount in '000'*

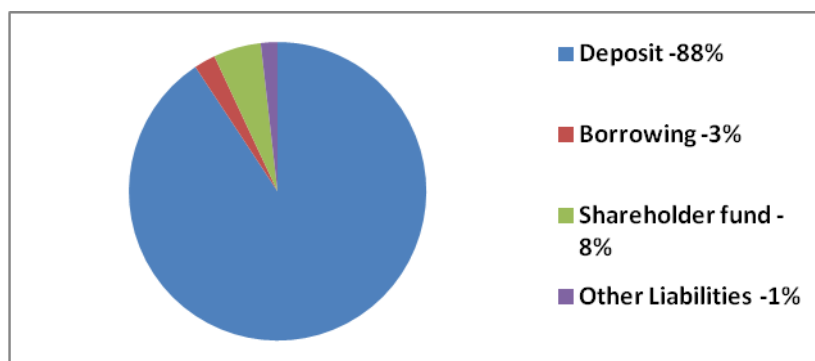
Fiscal year	Deposit		Borrowing		Shareholder fund		Other Liabilities		Total Resources year wise
	Amount	%	Amount	%	Amount	%	Amount	%	
2064/065	35000000	90.67	900000	2.3	2000000	5.2	700000	2.5	38,600,000.00
2065/66	40000000	89.28	1000000	2.2	3500000	7.3	300000	0.7	44,800,000.00
2066/067	45000000	88.41	1500000	2.9	4000000	7.9	400000	0.8	50,900,000.00
2067/068	48000000	86.65	2000000	3.6	5000000	9	400000	0.72	55,400,000.000
2068/069	50000000	83.75	3000000	5	6000000	10	700000	1.25	59,700,000.00

*(Sources: Annual Reports of NIBL)*

The above table shows the status of total resources of NIBL. The first highest resources are collected from customer deposit, the second highest resources from shareholder fund, the third resources from borrowings and the others liabilities if required. The major source of resource collection is customer deposit since it has higher figure in the above table.

**Chart no 4.1**

**Scatter diagram of total available resources**



The above table, Bar Diagram shows the deposit collection is a major source of resource collection so we have divided total resource in two parts one is deposit collection and another is other resources (other than deposit).

#### **.4.1.3 Deposit Collection Budget of NIBL:**

NIBL prepares the plan for the deposit collection. The budgeted and actual deposit collection of NIBL has presented in table and chart below:

**Table No. 4.4:**

**Status of budgeted and actual deposit collection**

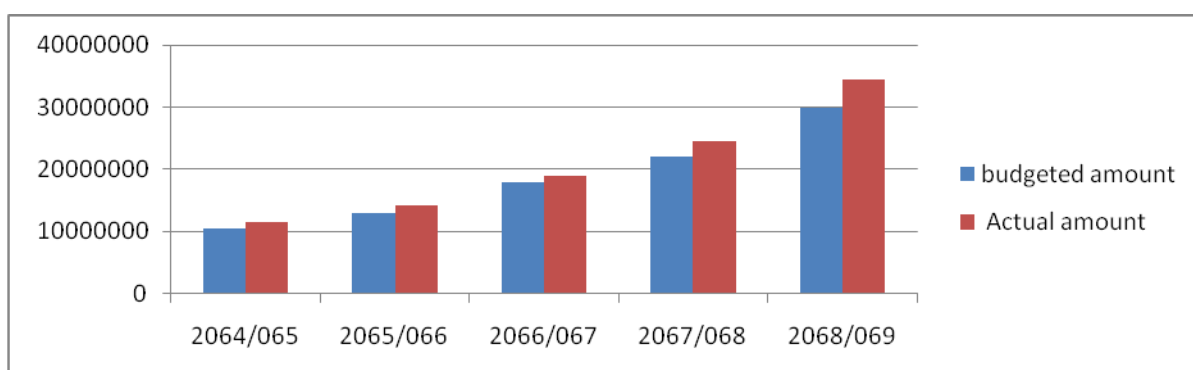
*Amount '000'*

Fiscal Year	Budgeted Figure	Actual Figure	Achievement	Average Achievement
2064/065	32000000	35000000	109.37%	108.32%
2065/066	35000000	40000000	114.28%	
2066/067	42000000	45000000	107.14%	
2067/068	45000000	48000000	106.67%	
2068/069	48000000	50000000	104.16%	

*(Sources: Annual Reports & Budget Statements of NIBL)*

**Chart No: 4.2**

**Scatter diagram of deposit collection of NIBL**



Above table and diagram shows the deposit collection target has more than the budgeted amount. This gives the high level of achievement made by bank toward deposit collection sector. In the above bar diagram shows the achievement level and table shows the status of budgeted and actual deposit collection of NIBL. The bank has achieved its objectives of deposit collection every year more than 100%. The achievement range is slightly fluctuation it ranged between 106.67 % to 114.28 % throughout the five years of study period. The average achievement is 108.32%.

#### **4.1.4 Movement in Deposit Collection of NIBL:**

**Table No: 4.5**

**Movement of Deposit Collection of NIBL**

*Amount in ' 000'*

Fiscal Year	Deposit Amount	Growth in Amount	Growth in Percentage
2064/065	35000000	-	-
2065/066	40000000	5000000	14.69%
2066/067	45000000	5000000	12.5%
2067/068	48000000	3000000	6.67%
2068/069	50000000	2000000	4%

(Sources table no. 4.3)

The above table shows the growth trend of deposit collection of NIBL. The amount of deposit collection is in decreasing trend where as the Growth in Percentage is also decreasing as a result in F/Y 2065/066,2066/067,2067/068 & 2068/069 Growth in Percentage are 14.69%,12.5%,6.67% & 4% respectively.



#### 4.1.5 Other Resources of NIBL:

Other resources of NIBL contribute 12.3 % in total resources. It is formed of shareholder fund and other liabilities except deposit collection. The budgeted and actual other resources of NIBL presented in the following table.

**Table No: 4.6**  
**Other Resources of NIBL:**

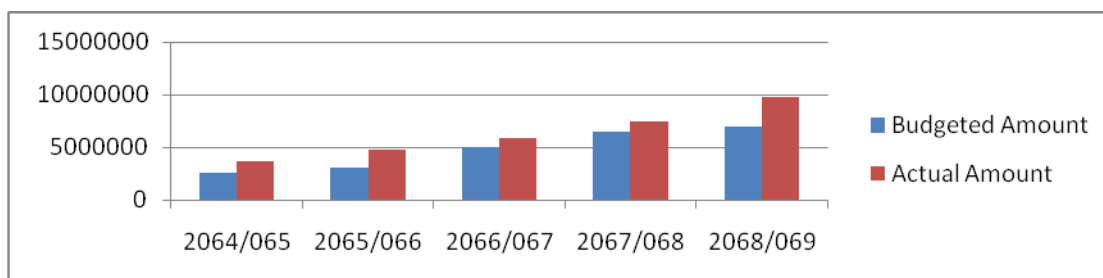
*Amount in Rs '000'*

Fiscal Year	Budgeted Amount	Actual Amount	Achievement	Average Achievement
2064/065	2500000	3600000	144%	135%
2065/066	3000000	4800000	160%	
2066/067	5000000	5900000	118%	
2067/068	6500000	7400000	114%	
2068/069	7000000	9700000	139%	

*(Sources: Annual Reports & Budget Statements of NIBL)*

**Chart No: 4.3**

**Scatter diagram of other resources**



From the above table and diagrams we can find the status of budgeted and actual resources of NIBL. The actual resources are higher than budgeted in the table and bar diagram. The bank has highest achievement in F/Y 2065/066 is 160%. And the average achievement is 135% the achievement percentage is ranged between 114 % to 160 % below 100% indicate the lower achievement and more than 100 % indicate the higher achievement of budgeted figure.

## **4.2 Resources Deployment Plan of NIBL:**

Allocation of available resources in to different sector is called deployment of resources plan. Resources can be used for maintain liquidity, investing in income generating activities, investing for fixed assets purchase and other assets. The available resources can be allocated in to three purposes these are listed below.

### **a) Deployment to Maintain Liquidity Position:**

Liquidity need to be maintained for the purpose of payment of withdrawals from deposit amount and payment for other liabilities and expenses. The liquidity can be maintained in terms of cash in vault and balance in bank. The return on such amount may be nominal or no return at all. The central bank of Nepal NRB has instructed to commercial bank to maintain certain liquidity as per their deposits. The liquidity position should be maintained as required higher the liquidity can't give effective return and lower the liquidity became failure to repay the deposit.

#### a) Deployment for income generating Activities:

The major function of a commercial bank is to collection of deposit and invests them in different sector as loan Deployment of fund in income generating activities can divided in to two categories.

- Loan, Discount, Overdrafts (LDO)
- Other Investment

LDO refers loan, Advances, O\D, Bills Purchase & Discount & other loan which generates income in terms of interest other investment includes, investment in securities, Treasury bill etc.

**Table No: 4.7**

**Total Income Generating Deployment of NIBL**

*Amount “000”*

Fiscal Year	Other Investment		Loan and Advance		Total
	Amount	Percentage	Amount	Percentage	
2064/065	5000000	14.29%	30000000	85.71%	35000000
2065/066	6500000	15.66%	35000000	84.34%	41500000
2066/067	7000000	15.56%	38000000	84.44%	45000000
2067/068	8600000	17.7%	40000000	82.3%	48600000
2068/069	7400000	15.3%	41000000	84.7%	48400000

*(Sources: Annual Reports & Budget Statements of NIBL)*

The above table shows the status of income generating deployment of NIBL. The major portion of deployment of the bank covers by the loan and advance. The range of loan and advance is 82.3 % to 85.71 % whereas the range of other investment is 14.29 % to 17.7 %.

**c) Deployment in Other Assets:**

Assets needs in the organization to show the performance of business such assets may be fixed or current. These assets can't give returns directly but without these others activities can't be run smoothly. Fixed Assets subject to write off at certain period of time

#### 4.2.1 Total Deployment of NIBL:

**Table No: 4.8**  
**Total resources deployment of NIBL**

*Amount in '000'*

Fiscal Year	Cash & Bank Balance		Investment & Money Received at call		Loan and Advance		Fixed Assets		Other Assets		Total (Year wise)
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	
2064/065	1500000	3.96	5000000	13.19	30000000	79.16	1000000	2.64	400000	1.06	37900000
2065/066	1600000	3.59	6500000	14.59	35000000	78.56	1000000	2.24	450000	1.01	44550000
2066/067	2000000	4.12	7000000	14.43	38000000	78.33	1050000	2.16	460000	0.95	48510000
2067/068	2050000	3.93	8600000	16.48	40000000	76.66	1130000	2.17	400000	0.77	52180000
2068/069	2400000	4.59	7400000	14.14	41000000	78.33	1100000	2.10	440000	0.84	52340000

*(Sources: Annual Reports of NIBL 2064/065 to 2068/069)*

Above table shows the total deployment of funds in various sectors of NIBL. The range of cash and bank balance of NIBL throughout the study period is 3.59 % to 4.59 % it means the bank use their fund to maintained liquidity position 3.59 % to 4.59 % out of total deployment. Likewise the bank uses their fund in investment 13.19 % to 16.48 % over the period.. The highest use of resources in the loan and advances the range of loan and advance is 76.66 % to 79.16 % out of total deployment over the five years period. NIBL use the resources in fixed assets and other assets in nominal percentage out of total deployment. The range of fixed assets is 2.10% to 2.64% and other assets are 0.77% to 1.06 % out of total deployment over the study period.

By the above table researcher find that the highest portion of deployment is hold by loan and advance out of total deployment. Therefore researcher has categorized the deployment in two parts. These are as follows:

- Deployment in LDO
- Deployment in other sector (NLDO)

#### 4.2.2 Budgeted and Actual LDO of NIBL:

Since the LDO is a major sector of deployment of the bank the researcher going to analyze about the position of LDO of NIBL. Following table shows the budgeted amount of LDO and the same achieved actually.

**Table No: 4.9**

**Comparative Table showing Budgeted and Actual LDO of NIBL.**

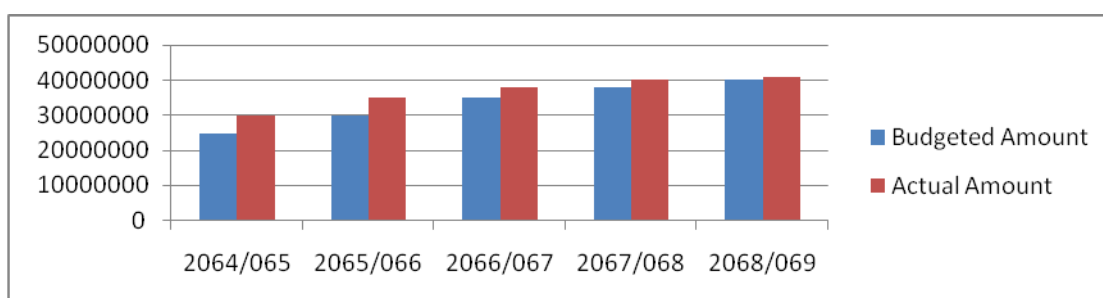
*Amount in Rs '000'*

Fiscal Year	Budgeted Amount	Actual Amount	Achievement
2064/065	25000000	30000000	120%
2065/066	30000000	35000000	116.67%
2066/067	35000000	38000000	108.56%
2067/068	38000000	40000000	105.26%
2068/069	40000000	41000000	102.5%
average	33600000	36800000	110.6%

*(Sources: Annual Reports & Budget Statements of NIBL)*

**Chart No: 4.4**

**Comparative diagram showing budgeted and actual LDO of NIBL**



Above table and diagram shows that status of budgeted and actual LDO of NIBL. The actual achievement of LDO is more than the 100 % in every year. The investment in LDO is increasing trend in terms of amount whereas the achievement percentage with budgeted figure is fluctuating trend. The range of achievement over the five year period is 102.5 % to 120 %, and 110.6% of average achievement. It shows the NIBL has met the targeted investment in LDO in every year.

#### **4.2.3 Movement in LDO of NIBL:**

**Table No: 4.10**

**Table showing movement in LDO of NIBL**

*Amount in '000'*

Fiscal Year	LDO Amount	Growth in Amount	Growth in %	Average Growth in %
2064/065	30000000	-	-	6.6%
2065/066	35000000	5000000	16.67%	
2066/067	38000000	3000000	8.57%	
2067/068	40000000	2000000	5.26%	
2068/069	41000000	1000000	2.5%	

*(Sources: Annual Reports of NIBL 2064/065 to 2068/069)*

The above table shows the movement of LDO of NIBL. The base year to calculate the growth rate of NIBL is F/Y 2064/065 to F/Y2068/069. The growth rate is between 2.5% to16.67% and 6.6% of average growth during the five years period.

#### 4.2.4 Resources Deployment in Other Sector (NLDO)

The portfolio of NLDO consists of liquidity in terms of cash and bank balance, investment, fixed and current assets. The budgeted and actual deployment in other sector listed in following table over the study period

**Table No: 4.11**  
**Status of Budgeted and actual Deployment in other Sector (NLDO)**

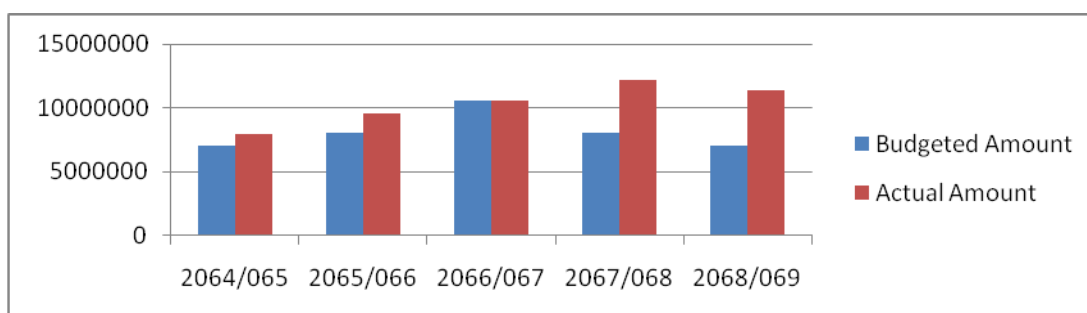
*Amount in Rs '000'*

Fiscal Year	Budgeted Amount	Actual Amount	Achievement
2064/065	7000000	7900000	126%
2065/066	8000000	9550000	121.8%
2066/067	1050000	10510000	100.1%
2067/068	8000000	12180000	119.38%
2068/069	7000000	11340000	112.86%
Average			116.03%

*(Sources: Annual Reports & Budget Statements of NIBL)*

**Chart No.4.5**

**Comparative diagram showing of Budgeted and actual Deployment in other Sector**



Above table and diagrams shows the more than 100 % of achievement of targets in deployment of resources other than LDO i.e. NLDO. The above table shows the status of budgeted and actual deployment in other sector than LDO (NLDO). The actual achievement of investment in other sector has more than the 100 % each year. The average rate of achievement over the five year is 116.03 % this indicate that the bank achieved its target by 16 % approximately.

#### 4.2.4.1 Letter of credit (LC) business of NIBL:

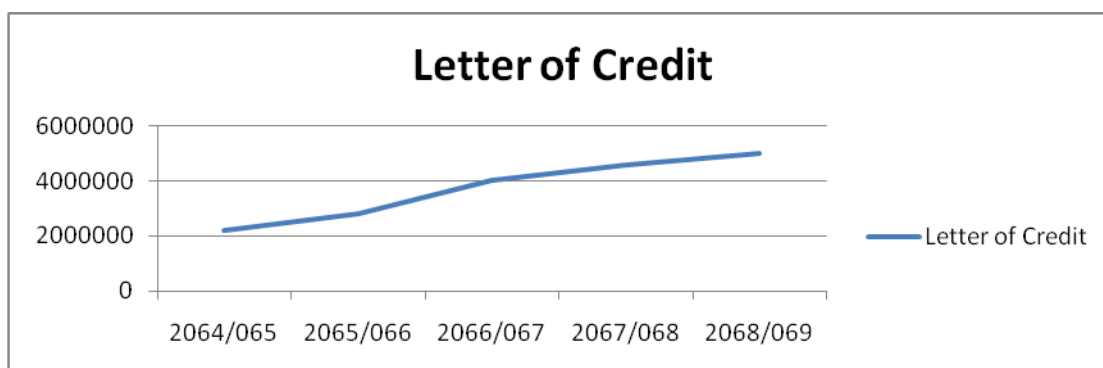
Letter of credit is a kind of facility provided by the bank to customer, by way of which the customer can import the goods from foreign buyer for which the bank undertake the guarantee for payment provided the terms and conditions of the L/C is complied with.

**Table No: 4.12**  
**Movement of LC business in NIBL**

*Amount '000'*

Fiscal Year	Letter of Credit	Growth in amount	Growth in %	Growth in % Average
2064/065	2200000	-		18.57%
2065/066	2800000	600000	27.00%	
2066/067	4000000	1200000	42.86%	
2067/068	4600000	600000	15.00%	
2068/069	5000000	400000	8.00%	

**Chart No: 4.6**  
**Scatter diagram showing LC Business of NIBL**



The above table and diagram shows the movement of letter of credit business of NIBL. The trend of such business is very fluctuating. The base year for the calculating of movement is F/Y 2064/065 the rate of growth of 27 % of f/y 2065/066. In F/Y 2066/067 LC business growth by 42.86 % in comparison of F/Y 2065/066. Likewise the business growth by the 15.00 % and 8.00 % in F/Y 2067/68 and F/ 2068/069 with comparison of year 2066/067 and 2067/068 respectively and 18.57% of average growth during the five year period.



#### 4.2.4.2 Bank Guarantee business of NIBL:

The following table shows the status of bank guarantee liabilities of NIBL and the increment amount and growth percentage of bank guarantee business of NIBL.

**Table No: 4.13**  
**Showing the status of bank guarantee business of NIBL**

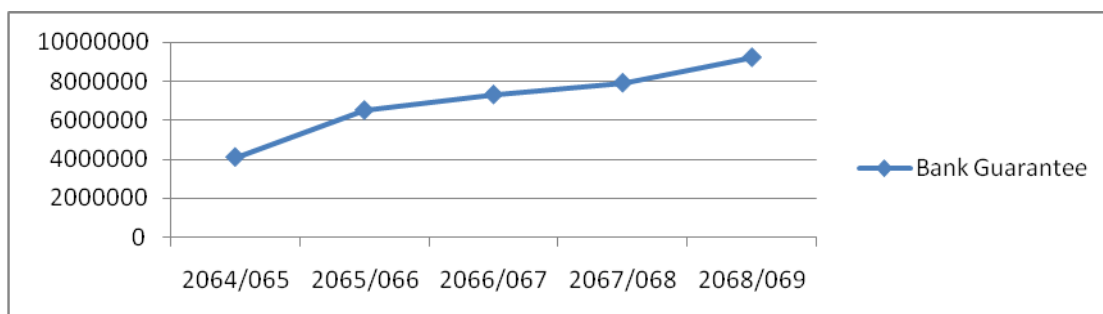
*Amount in Rs '000'*

Fiscal Year	Bank Guarantee	Increased Amount	Growth	Average growth
2064/065	4100000	-		-
2065/066	6500000	2400000	58,545	19.12%
2066/067	7300000	800000	12.3%	
2067/068	7900000	600000	8.22%	
2068/069	9200000	1300000	16.46%	

*(Sources: Annual Reports of NIBL 2064/065 to 2068/069)*

**Chart No: 4.7**

**Scatter diagram showing of bank guarantee business of NIBL**



Above table and chart shows the status of bank guarantee business of NIBL. The amount of bank guarantee is in increasing trend every year. Whereas the growth rate is decreasing trend. The base year to calculate the growth rate is F/y 2064/065. The bank guarantee business increased by 58.54 % in year 2065/ 066 with comparison of the F/Y 2064/065. The rate of growth bank guarantee business is 12.30 %, 8.22 % 16.46 % with the comparison with F/Y 2065/066 2066/067, 2067/068 respectively. The average growth rate of bank guarantee is 19.12% over the five years period.

### **4.3 Planning for Expenditure of NIBL:**

Expenditure planning is most essential to support the objectives and planned programs of the bank. Expenditure planning considered expenses and the benefits derived from this expenditure. The major concern of business is income; income is not possible without expenditure so expenditure is most crucial part of the business. Expenditure plan helps to organization to achieve the goal and objectives. The following table shows the status of expenditure incurred by the NIBL over the study period.

**Table No: 4.14**  
**Status of Expenditure of NIBL**

*Amount in Rs ' 000'*

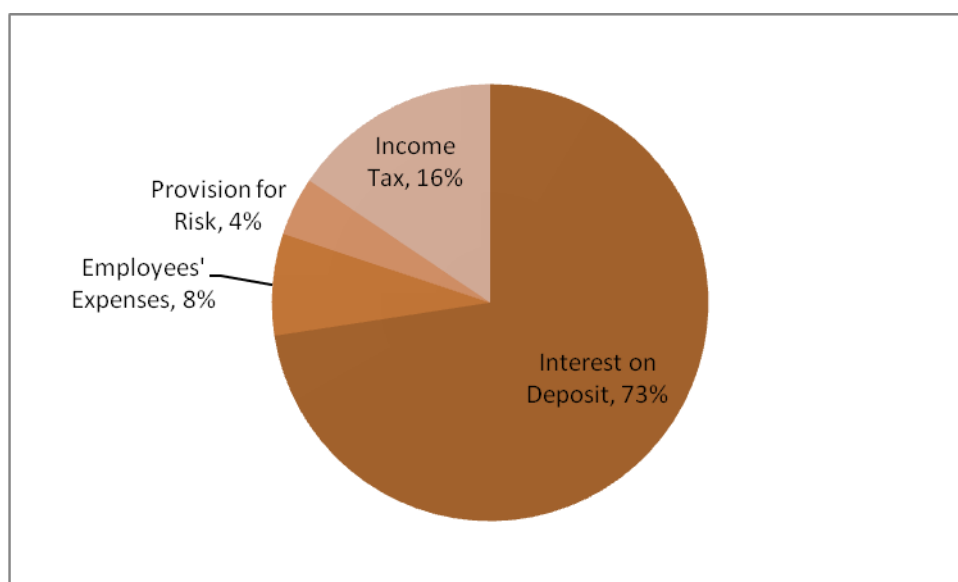
Expenditure	2064/065		2065/066		2066/067		2067/068		2068/069		Average
	Amount	%	Amount	%	Amount		Amount	%	Amount	%	%
Interest on Deposit	1800000	71.34	2000000	71.43	2200000	71.54	2400000	71.11	3500000	75.67	73%
Employees Expenses	180000	7.13	200000	7.14	250000	8.13	280000	8.3	325000	7.03	8%
Provisions for Risk	93000	3.69	100000	3.57	100000	3.25	150000	4.44	270000	5.83	4%
Income Tax	450000	17.84	500000	17.86	525000	17.7	545000	16.15	530000	11.47	16%
Year wise Total	2523000	100	2800000	100	3075000	100	3375000	100	4625000	100	100%

*(Sources: Annual Reports of NIBL 2064/065 to 2068/069)*

The above table shows the total expenses of NIBL. The trend of all expenses is in increasing as per the overall volume of business increased. The major expense of bank is interest expenses it ranged 71.11 % to 75.67% out of total expenses of NIBL though out the five years of time period. The another expenses of bank is employees expenses ranged between 7.03% to 8.30 % the amount of employees expenses increasing every year likewise the provision for risk , and tax ranged between 3.25 % to 5.83 % and 11.47 % to 17.86 % respectively out of total expenses. The expenditure of NIBL has analyzed by the help of pie chart below.

**Chart No: 4.8**

**Pie chart showing status of total expenses of NIBL**



By the above and pie chart the researcher can find out the major expenses of NIBL is Interest on Deposit it holds the 73 % out of total expenditure. Likewise, employee's expenses, provision for risk, income tax has 8 %, 4%, 16 % respectively. For the analysis purpose we have divided the total expenses in two categories these are as follows:

- Interest expenses
- Other expenses (Expenses other than Interest)

### 4.3.1 Interest Expenses:

The bank collected from various sources. Among them some are non-cost bearing and some are cost bearing sources. Interest expenses incurred for making payment of cost of such deposit amount which are interest bearing deposit. The interest holds highest percentage of expenses amount because deposit holds highest portion of total available resources. The bank may have different interest rate in different types of account. Here, the researcher going to analyze the average cost of deposit throughout the study period.

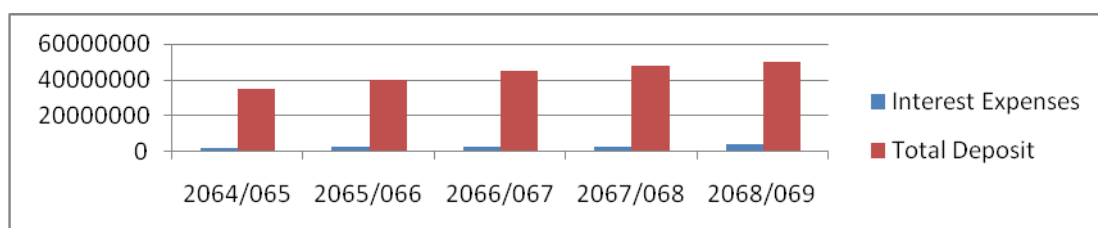
**Table No: 4.15**  
**Status of Average Cost of Deposit**

Fiscal Year	Interest Expenses	Total Deposit	<i>Amount in Rs '000'</i>
			Cost of Deposit (%)
2064/065	1800000	35000000	5.14%
2065/066	2000000	40000000	5.00%
2066/067	2200000	45000000	4.89%
2067/068	2400000	48000000	5.00%
2068/069	3500000	50000000	7.00%

(sources: Annual Reports of NIBL 2064/065 to 2068/069)

**Chart No: 4.9**

**Comparative diagram showing of Average Cost of Deposit**



The above table and diagram shows the total deposit and interest expenses of respective year. The deposit amount is increasing trend likewise the interest too. The table shows the cost of deposit in percentage. The NIBL cost of deposit (interest) range between 4.89 % to 7.00 % over the study period. The COD of the bank is slightly fluctuating trend the highest cost of deposit is 7% in the year 2068 /069.

### **4.3.2 Non- Interest Expenses:**

Interest is major expenses for a bank it also treat as direct expenses other than interest bank needs some of administrative and operational expenses such expenses are:

- Employees Expenses
- Operational Expenses
- Provision for Risky loan
- Non-Operating expenses
- Income Tax

The following table shows the non-interest expenses (Expenses other than interest)

**Table No: 4.16**  
**Status of Non-Interest expenses of NIBL**

*Amount in Rs '000'*

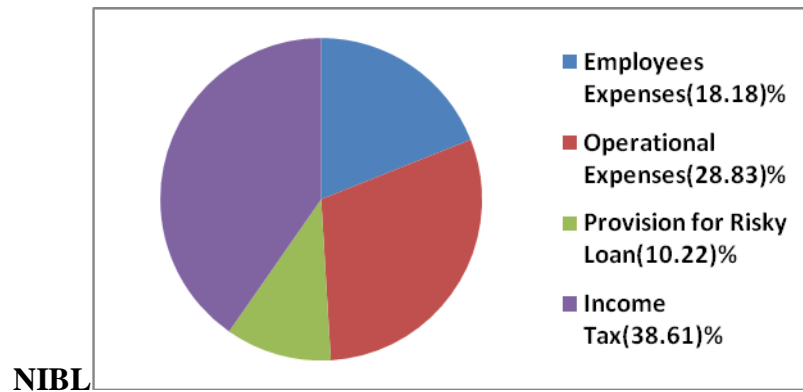
Expenses	2064/065		2065/066		2066/067		2067/068		2068/069		Average
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	
Employees Expenses	180000	17.6	200000	17.39	250000	17.54	280000	18.98	325000	19.4	18.18%
Operational Expenses	300000	29.33	350000	30.43	400000	17.66	500000	33.9	550000	32.84	28.83%
Non-Operational Expenses	-	-	-	-	-	-	-	-	-	-	0
Provision for Risky Loan	93000	9.09	100000	8.7	100000	7.02	150000	10.17	270000	16.12	10.22%
Income Tax	450000	44	500000	43.48	525000	37	545000	36.95	530000	31.64	38.61%
<b>Total</b>	<b>1023000</b>	<b>100</b>	<b>1150000</b>	<b>100</b>	<b>1425000</b>	<b>100</b>	<b>1475000</b>	<b>100</b>	<b>1675000</b>	<b>100</b>	<b>100</b>

*(Sources: Annual Reports of NIBL 2064/065 to 2068/069)*

The above table shows the non-interest expenses of NIBL over the five year period. Employee's expenses are in increasing trend every year, & other expenses' trend are fluctuating. The Average expenses of employees, operational, provision for risky loan & Income tax are 18.18%, 28.83%, 10.22% & 38.61% respectively. The researcher going to present in pie chart to analysis the non-interest expenses below.

**Chart No: 4.10**

**Pie chart showing year wise non-interest expenses of**



The above pie chart shows the status of yearly Non-interest expenses of NIBL over the study period. The Average expenses of employees, operational, provision for risky loan & Income tax are 18.18%, 28.83%, 10.22% & 38.61% respectively.

#### **4.4 Revenue Planning of NIBL:**

The major objective of every business concerns is revenue. NIBL generates its revenue from its income earning activities. Such activities are mostly fund-based, that is generated out of the deployment of fund and some portion from non-fund based business activities. The major contribution in revenue of bank is interest income. So NIBL income categorized in to two types interest income and other income



#### 4.4.1 Interest Income

Interest income also called return of LDO contributes major portion of total revenue mix. Now, researcher going to analyze the comparative status of total return on LDO with the help of table.

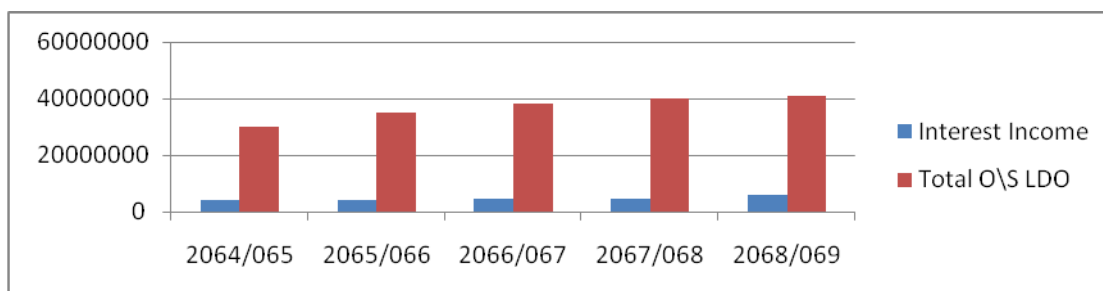
**Table No: 4.17**  
**Status of Average Return of LDO**

Amount'000'

Fiscal Year	Interest Income	Total O\S LDO	Average Rate of Return
2064/065	4000000	30000000	13.33%
2065/066	4200000	35000000	12.00%
2066/067	4380000	38000000	11.53%
2067/068	4650000	40000000	11.63%
2068/069	5800000	41000000	14.14%

*(Sources: Annual Reports of NIBL 2064/065 to 2068/069)*

**Chart No: 4.11**  
**Comparative Diagram Showing of Interest and Total O/S LDO**



The above table and chart shows the comparative status of interest income with the o/s LDO and the return on same LDO. The interest income is in increasing trend as the LDO has increased whereas the rate of return on LDO is fluctuating trend. The range of rate of return lies between 11.53% to 14.14 % over the five year period. It is effective to analyze the relationship between o/s LDO and interest income by using the statistical tools to find out the variability of actual LDO and actual income of different years we have to calculate arithmetic mean, standard deviation coefficient of variation, and correlation of coefficient. The detail calculations of these statistical tools are presented in appendix no 1 now summary of calculation listed below.

**Table No: 4.18**

**Summary of Actual LDO and Interest income**

*Amount in '000'*

Statistical Tools	Actual LDO (X)	Interest Income (Y)
Mean	36800000	4608000
Standard Deviation ( $\sigma$ )	3969900	633900
Coefficient of Variation	11%	14%
Correlation of Coefficient (r)	0.81	

*Source: Appendix No 1*

The above results show that actual o/s LDO is some variable than interest income since CV of LDO is less than of interest. There should be positive correlation between o/s LDO and interest income. In other words the interest income increases as the o/s LDO increase or vice versa. To find the correlation between interest income and actual o/s LDO we can take the help of Karl person's coefficient of correlation and it is denoted by 'r' we can examine whether there is positive correlation between interest income and actual LDO. The actual LDO (X) is assumed as independent variable and interest income (Y) is assumed to be dependent variable. So that increase in LDO will support to increase in interest income and vice versa.

**4.4.2 Income Other Than Interest:**

The major income of bank is interest whereas bank earns some of other income other than interest. Then income earned by NIBL other than interest is presented below:

**Table No: 4.19**  
**Showing income other than interest**

Amount '000'

Incomes	2064/65		2065/66		2066/67		2067/68		2068/69	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Exchange Income	200000	45.77	220000	41.40	221000	35.93	224000	34.86	228000	34.58
Commission Income	120000	27.46	160000	30.11	220000	35.77	240000	37.35	270000	40.95
Other operational Income	114000	26.09	150000	28.23	167000	27.15	168000	26.14	153000	23.20
Non-Operational Income	3000	0.69	1400	0.26	7000	1.14	10600	1.65	8400	1.27
Total	437000	100	531400	100	615000	100	642600	100	659400	100

*(Sources: Annual Reports of NIBL2064/065 to 2068/069)*

The above table shows the other income and its trend in terms of percentage of NIBL. The range of exchange income is 34.86 % to 45.77%. The trend is fluctuating over the five year the exchange income is highest source of income over the period. Commission income ranged 27.46 % to 40.95 % over the five years. This income is in fluctuating trend likewise other operational income ranged between 23.20% to 28.23% %, Non-operational income has nominal contribution in total income the range of non-operational income is 0.26% to 1.65 % the trend of non-operational income is fluctuating tend over the five year period.

#### 4.4.3 Interest Margin:

The difference between interest income and interest expenses is called interest margin. Following table shows the movement in interest margin throughout the study period of NIBL.

**Table No: 4.20**  
**Movements in Interest Margin of NIBL**

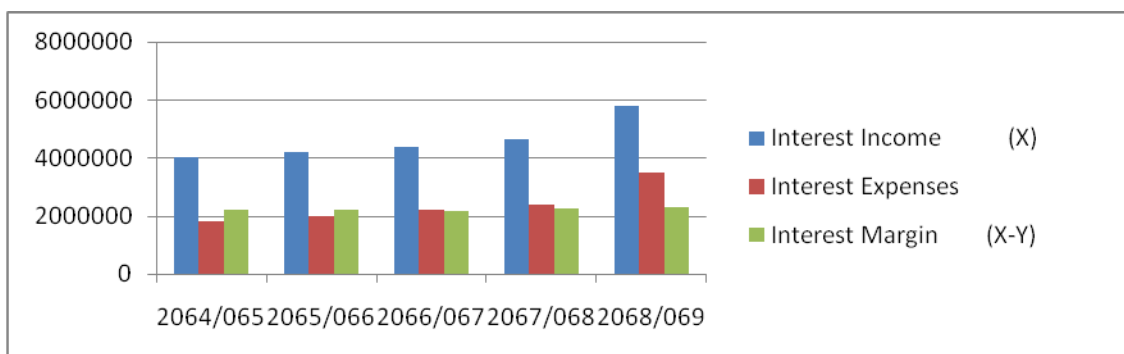
*Amount '000'*

Fiscal Year	Interest Income (X)	Interest Expenses (Y)	Interest Margin (X-Y)	Growth in Interest Margin	Average growth
2064/065	4000000	1800000	2200000	-	0.9%
2065/066	4200000	2000000	2200000	0.00%	
2066/067	4380000	2200000	2180000	-0.90%	
2067/068	4650000	2400000	2250000	3.20%	
2068/069	5800000	3500000	2300000	2.22%	

*(Sources: Annual Reports of NIBL 2064/065 to 2068/069)*

#### Chart No: 4.12

#### Bar Diagram showing interest margin of NIBL



The above table and chart shows the position of interest margin and its growth throughout the study period. The figure of interest margin is fluctuating trend. The base year to calculate the interest margin is F/Y 2064/065. The rate of growth is 0% in F/Y 2065/66 & it decreased to 0.9 % in the year 2066/067 likewise it increase to 3.2 % and 2.22% in F/Y 2067/068 and 2068/069 respectively. Average growth rate is 0.9% during the study period.

#### 4.5 Burden of NIBL:

The burden is the difference amount between expenses and income or the overall expenses of the bank excepting interest expenses for deposit is called burden. The table below presenting the burden of NIBL.

**Table No: 4.21**  
**Status of burden of NIBL**

*Amount '000'*

Fiscal Year	Other Expenses	Other Income	Burden
2064/065	1023000	437000	586000
2065/066	1150000	531400	618600
2066/067	1425000	615000	810000
2067/068	1475000	642600	832400
2068/069	1675000	659400	1015600

*(Sources: Annual Reports of NIBL 2064/065 to 2068/069)*

The above table shows the status burden of NIBL. The figure of burden is increasing every year since the other expenses and other income also increasing trend. This table showing that the total other expenses can't cover by the other income since all of

burden amount is in positive figure throughout the five years. To know the relationship between expenses and income.

#### 4.6 Net Profit & Loss of NIBL:

Profit is excess income over expenditure likewise loss incurred by excess expenditure over the income. The researcher has calculated above the interest margin and burden so the difference between interest margin and burden is called net profit & Loss.

Following table & chart shows the status of interest margin, Burden and Net Profit of NIBL throughout the study period.

**Table No: 4.22**  
**Showing the status of Profit and Loss of NIBL**

*Amount '000'*

Fiscal Year	Interest Margin	Burden	Net Profit & Loss	Growth Rate	Average growth rate
2064/065	2200000	586000	1614000	-	-4.26%
2065/066	2200000	618600	1581400	-2.00%	
2066/067	2180000	810000	1370000	-13.40%	
2067/068	2250000	832400	1417600	3.50%	
2068/069	2300000	1015600	1284400	-9.40%	

*(Sources: Annual Reports of NIBL 2064/065 to 2068/069)*

**Chart No: 4.13**

**Net Profit and Loss of NIBL**



The above table and chart shows the status of net profit and loss of NIBL since the figure in P/L column are positive form the NIBL is in profit zone every year. The

trend of net profit is increasing every year where as the growth rate of profit is decreasing trend. The highest rate of growth in F/Y 2067/068 is 3.5 % and the lowest rate of growth in F/Y2068/069 is -13.40%. The average growth rate is negative which is -4.26% over the period is.

#### **4.7 Performance Evaluation of NIBL:**

Performance evaluation can help to outline the strength and weakness of management and help to improve the weakness of management and to energize to accomplishment of organizational goal. Here researcher going to analyze by using various technique and criteria to evaluate performance of NIBL some financial tools is as follows:

- Ratio Analysis
- Cost Volume Profit Analysis

##### **4.7.1 Ratio Analysis**

To evaluate the financial performance of a firm, the analysis needs certain key factors which factors are two numerical expressions of the particular firm or sector, by which the two variables are divided into each other and get the ratio. A ratio is widely used as a financial analysis to find out the position and performance of NIBL. The ratio analysis has been grouped into four categories, which reflect the Liquidity, Leverage, Activity and Profitability of the bank. A ratio is calculated by dividing one nature of the relationship with the other.

##### **4.7.1.1 Liquidity Ratio:**

The liquidity ratios are analyzed to judge the bank's ability to meet the short- term obligations. The liquidity ratio shows the present cash solvency and the ability to solvent in adverse situation. In this category, we calculate the comparison between short- term obligation and short term resources. Here the researcher is going to calculate the current Ratio of NIBL. Current ratio is calculated dividing current assets by current liabilities.

$$\text{CurrentRatio} = \frac{\text{Current\_Assets}}{\text{Current\_Liabilities}}$$

**Table No: 4.23**  
**Current Ratio of NIBL**

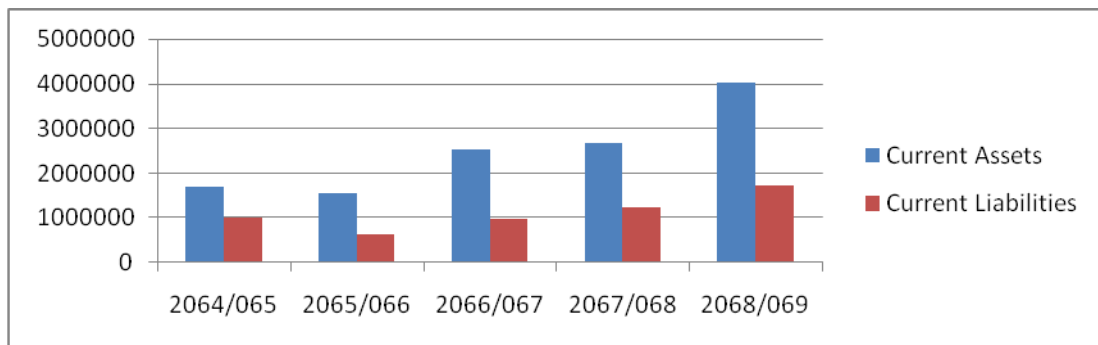
*Amount '000'*

Fiscal Year	Current Assets (X)	Current Liabilities (Y)	Current Ratio (X/Y)
2064/065	1700000	1000000	1.70 :1
2065/066	2540000	1620000	1.57 :1
2066/067	2530000	987000	2.56:1
2067/068	2670000	1220000	2.18:1
2068/069	4030000	1730000	2.32:1

*(Sources: Annual Reports of NIBL 2064/065 to 2068/069)*

**Chart No: 4.14**

**Current assets and current liabilities of NIBL**



The above table and chart shows the liquidity position of NIBL. The current ratio of NIBL has met the standard of 2:1 except the year 2064/065 and 2065/066 though it has sufficient to pay current obligation. The trend of current ratio is slightly fluctuating the range of current ratio throughout the five years period is 1.70: 1 to 2.56: 1. NIBL has higher current assets than current liabilities over the study period so NIBL has utilized their fund in maximum level because there is no higher liquidity.

#### **4.7.1.2 Debt-Equity Ratio:**

The long- term solvency position of the bank can be measured by using this leverage ratio and also called it Debt-Equity Ratio. It defined as ability to assure the long-term creditors with regard the periodic interest payment and the principal. In this category, we examine the debt equity ratio.

$$DebtEquityRatio = \frac{Borrowings}{Shareholder's \_ Equity}$$



**Table No: 4.24**

**Debt-equity ratio of NIBL**

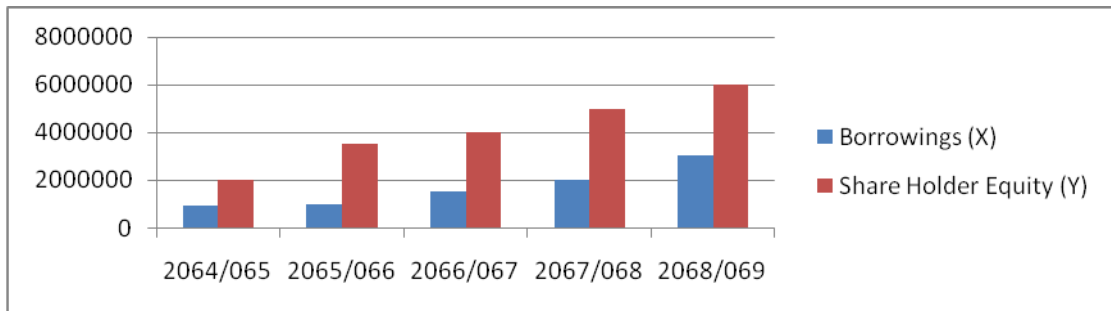
*Amount '000'*

Fiscal Year	Borrowings (X)	Share Holder Equity (Y)	Debt - Equity Ratio (X/Y)
2064/065	900000	2000000	0.45:1
2065/066	1000000	3500000	0.29:1
2066/067	1500000	4000000	0.38:1
2067/068	2000000	5000000	0.40:1
2068/069	3000000	6000000	0.50:1

*(Sources: Annual Reports of NIBL 2064/065 to 2068/069)*

**Chart No: 4.15**

**Status of long term debt and shareholder's equity of NIBL**



The above table and chart shows the debt equity ratio of NIBL. Here the range of debt equity ratio of NIBL is 0.29:1 to 0.50: 1. The trend of debt equity ratio is fluctuating every year. NIBL has high portion of equity than long term debenture. The above table and chart shows that NIBL's financial strength is very strong because it has more internal fund to repay the borrowing capital

**4.7.1.3 Interest Coverage Ratio (ICR):**

ICR measures the capacity to pay interest expenses. This ratio is calculated by dividing Net Profit before Interest & Tax (EBIT) by Interest cost amount.

$$\text{InterestCoverateRatio} = \frac{\text{EBIT}}{\text{Interest _ Expenses}}$$

**Table No: 4.25**  
**Calculation of Interest Coverage Ratio**

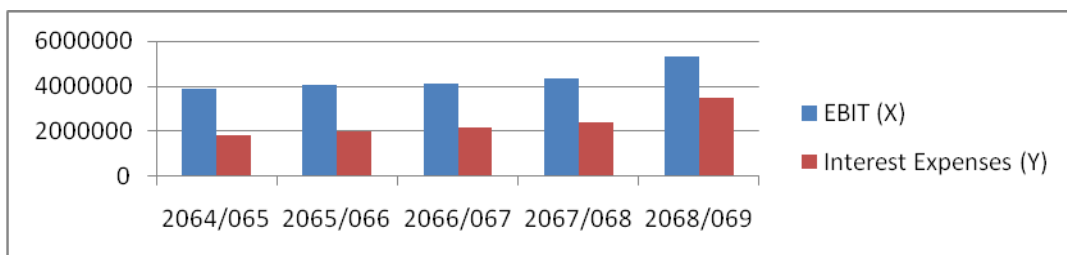
*Amount '000'*

Fiscal Year	EBIT (X)	Interest Expenses (Y)	Times(x/y)
2064/065	3864000	1800000	2.15
2065/066	4081400	2000000	2.04
2066/067	4095000	2200000	1.86
2067/068	4362600	2400000	1.82
2068/069	5314400	3500000	1.52

*(Sources: Annual Reports of NIBL 2064/065 to 2068/069)*

*Chart No.4.16*

*Status of EBIT and ICR*



The above table and chart shows the position of interest coverage ratio (ICR) of NIBL. The ICR is 2.15 times in F/Y 2064/065 this means EBIT is 2.15 times more than interest expenses. Likewise the ICR are 2.04, 1.86, 1.82, & 1.52 Times in F/Y 2065/066, F/Y 2066/067, F/Y 2067/068 & F/Y 2068/069 this results represents the NIBL decreased its EBIT. The interest coverage ratio of NIBL ranges between 1.52 to 2.15 Times. It means that the bank sufficiently capable to pay the interest expenses.

#### **4.7.1.4 Activity Ratio:**

The activity ratios are concerned with the efficiency of assets management of the bank. The efficiency of the firm shows how the assets managed and utilized. Greater turn over, higher the efficient management of the company and vice-versa.

$$\text{Deposit per Employees} = \frac{\text{Deposit collected}}{\text{No. of employees}}$$

$$\text{LDO per Employees} = \frac{\text{LDO Deployed}}{\text{NO. of Employees}}$$

$$\text{Non-Fund Business per Employees} = \frac{\text{Non - Fund Business}}{\text{NO. of Employees}}$$

**Table No: 4.26**  
**Showing the activity ratio of NIB**

*Amount '000'*

F/Y	Deposit Collected (A)	LDO Deployed (B)	Non-Funded Business (C)	No. of Employees (D)	Deposit per Employee (E)=A/D	LDO Per employee (F) =B/D	Non-Funded Business Per employee(G)=C/D
2064/065	35000000	30000000	3300000	622	56270	48232	5305
2065/066	40000000	35000000	4000000	693	57720	50505	5772
2066/067	45000000	38000000	8000000	710	63380	53521	11268
2067/068	48000000	40000000	10000000	815	58896	49080	12270
2068/069	50000000	41000000	14000000	877	57013	46750	15964

*(Sources: Annual Reports of NIBL 2064/065 to 2068/069)*

The above table shows the relationship of major activities of bank with its human resources. The number of employees increasing every year likewise the major activities of NIBL is increasing trend. In the above table column A,B,C,D shows deposit collection, LDO deployed Non-fund business and no. of employees. The relationship with such activities is calculated dividing to column A,B,C by Column D.

#### 4.7.1.5 Profitability Ratio:

The overall financial efficiency for the both short - term and the long - term obligations are reflected by this ratio. The bank should earn legitimate amount of profit to survive in the market and its growth. The profit is an essential factor, but it would be in just if every action of the management enhances the profit. Therefore, we are going to analyze how the bank is operating the activities in connection of profit maximization. In this regard, we calculate earning power, return of the bank, and interpret it.

**Table No: 4.27**  
**Profitability ratio of NIBL:**

Fiscal Year	Net Profit after Tax (A)	Total Assets (B)	Return on Assets(C)= A/B	<i>Amount '000'</i>	
				Total Capital Fund (D)	Return on Capital (E=A/D)
2064/065	1614000	55000000	2.93	4204000	38.39
2065/066	1581400	55500000	2.85	4250000	37.21
2066/067	1370000	56000000	2.45	4500000	30.44
2067/068	1417600	57300000	2.47	4550000	31.16
2068/069	1284400	58350000	2.20	5083000	25.27

*(Sources: Annual Reports of NIBL 206/065 to 2068/069)*

The above table shows the status of return on assets and return on capital employed of NIBL. The ratio shows the relation of net profit after tax with the total assets and total capital employed. The rate of return of on assets is decreasing trend it is ranged between 2.20 % to 2.93 % throughout the five years period. Likewise the return on capital ratio presenting the relation of net profit with the capital employed. The range of return on capital employed is 25.27 % to 38.39 % it is fluctuating trend through five years of study period.

#### 4.7.2 Cost Volume Profit Analysis:

Relationship between cost, volume and profit is called cost volume profit (CVP) Analysis. The CVP analysis is a tool of Profit planning used by management. The three component of CVP analysis is interred related each other. Profit depends on Sales; Sales price depends on volume of production. CVP analysis helps to management for decision making about the cost control. CVP analysis of NIBL based on the assumption of fixed cost is taken for burden amount which is calculated from difference between other expenses and other income. The CVP analysis is analyzed by using the help of financial tool of breakeven point analysis in terms of interest margin, deposit collection, outstanding LDO.

##### 4.7.2.1 BEP in terms of Interest Margin

Following table shows the BEP in Rs and percentage in terms of interest margin of NIBL.

$$\text{BEP (\%)} = \frac{\text{Net.Burden}}{\text{Interest.M arg in}}$$

$$\text{BEP Amount} = \text{BEP (\%)} \times \text{Interest Income}$$

**Table No: 4.28**  
**BEP in terms of Interest Margin**

*Amount in '000'*

Fiscal Year	Net Burden (A)	Interest Margin(B)	Interest Income (C)	BEP In % D =(A/B)	BEP in Rs (C*D)
2064/065	586000	2200000	4000000	26.64	1065455
2065/66	618600	2200000	4200000	28.12	1180964
2066/67	810000	2180000	4380000	37.16	1627431
2067/68	832400	2250000	4650000	37.00	1720293
2068/69	1015600	2300000	5800000	44.16	2561078

(Sources: table no. 19 and 21)

From the above table researcher can find the BEP percentage and BEP amount of NIBL in terms of interest margin. The percentage of BEP is in fluctuating trend it means the burden and interest margin is not in increasing as same ratio where as the BEP in Rs is in increasing trend over the period so NIBL is in over the BEP level in terms of interest margin. The BEP range over the study period is 26.64 % to 44.16 %.

#### 4.7.2.2 Margin of Safety of NIBL

The margin of Safety is also called profit zone. It derived from the deducting BEP interest from total interest income. The following table showing the margin of safety of NIBL.

$$\text{Margin of Safety (MOS)} = \frac{\text{Total Interest Income}}{\text{BEP Interest}}$$

**Table No: 4.29**  
**Showing the status of Margin of Safety of NIBL:**

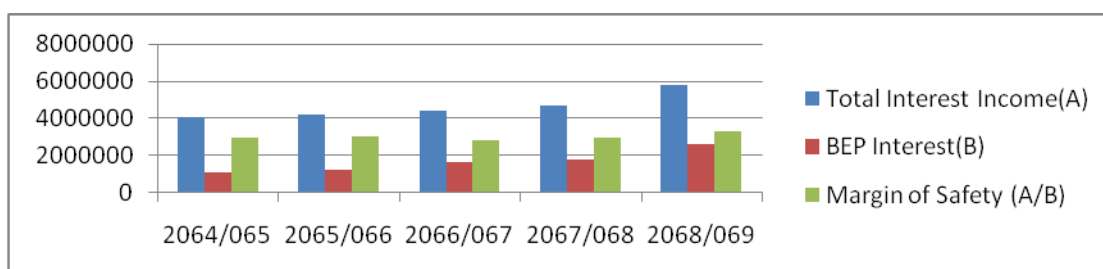
*Amount in '000'*

Fiscal Year	Total Interest Income(A)	BEP Interest(B)	Margin of Safety (A/B)	Growth
2064/065	4000000	1065455	2934545	–
2065/066	4200000	1180964	3019036	2.88
2066/067	4380000	1627431	2752569	-8.83
2067/068	4650000	1720293	2929707	6.44
2068/069	5800000	2561078	3238922	10.55

(Sources: table no.27)

**Chart No: 4.17**

#### Actual and LDO OF NIBL



The above table and chart shows the status of margin of safety and the growth rate over the five years of time period. The trend of MOS is fluctuating. Growth of MOS is 2.88%, -8.83, 6.44% & 10.55% in F/Y 2065/066, F/Y 2066/067, F/Y2067/068 & F/Y 2068/069. Except the F/Y 2066/067 growth of MOS is positive

### 4.7.2.3 BEP in terms of Volume of O/S LDO

BEP in terms of volume of o/s LDO is calculated on the base of BEP interest and return on LDO. Here the following table represents BEP in terms of LDO of NIBL.

**Table No: 4.30**

#### BEP in terms of Volume of O/S LDO

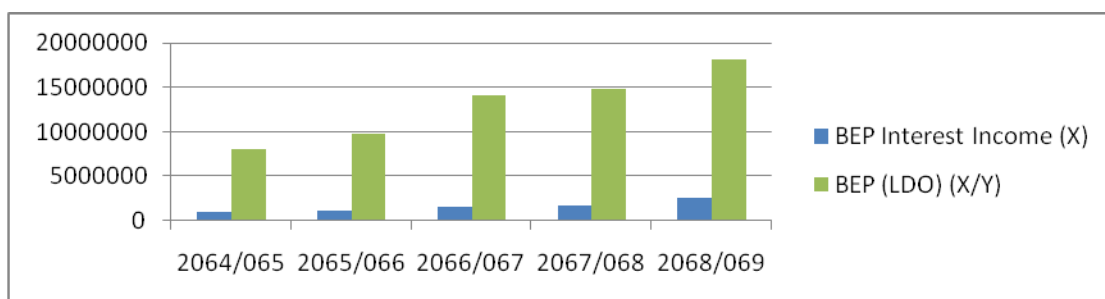
Amount '000'

Fiscal Year	BEP Interest Income (X)	Return on LDO (Y)	BEP (LDO) (X/Y)
2064/065	1065455	13.33%	7992911
2065/066	1180964	12.00%	9841367
2066/067	1627431	11.53%	14114753
2067/068	1720293	11.63%	14791857
2068/069	2561078	14.14%	18112291

(Source: table no 4.17 & 4.28)

**Chart No: 4.18**

#### Actual and LDO OF NIBL



The above table and chart shows the status of BEP in terms of outstanding loan. The actual figure of LDO is greater than the BEP figure so the NIBL is in the profit zone. The figure of BEP LDO is increasing every year throughout the five years of study period

#### 4.7.2.4 BEP in terms of Volume of Deposit:

The following table showing the BEP in terms of Deposit which is derived from BEP LDO divided by the LDO to Deposit Ratio.

$$\text{BEP Deposit} = \frac{\text{BEP.LDO}}{\text{LDO.to.Deposit.Ratio}}$$

**Table No: 4.31**

**Showing in BEP in terms of Volume of Deposit:**

*Amount '000'*

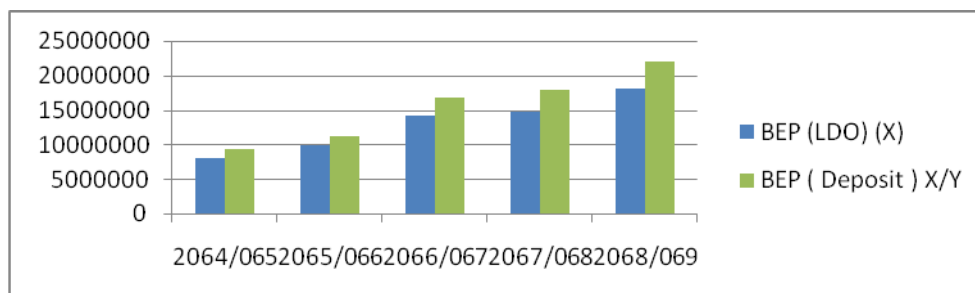
Fiscal Year	BEP (LDO) (X)	LDO to Deposit Ratio (Y)	BEP ( Deposit ) X/Y
2064/065	7992911	86%	9294083
2065/066	9841367	88%	11183372
2066/067	14114753	84%	16803277
2067/068	14791857	83%	17821514
2068/069	18112291	82%	22088160

*(Sources: Table no 4.29)*

**Chart No: 4.18**

**Bar diagram showing BEP LDO and BEP deposit of**

**NIBL**



The above table and chart shows the status of BEP in terms of deposit collection. The deposit collection of NIBL is higher than the BEP Deposit every year. The value of actual deposit and BEP deposit is presenting in the bar diagram. The diagram shows the relationship between actual and BEP deposit of NIBL. The actual deposit is higher than the BEP Deposit over the study period and the deposit is in increasing trend of NIBL.



#### **4.8 Major Findings Of The Study:**

On the basis of analysis of secondary data and their interpretation, the major findings of the study are summarized below:

- The bank is conscious about the human resources due to rapid growth and advent new branches. Develop skills to employees to empower them to provide excellent customer services banks supports to employees further advanced courses. Currently there are 877 employees over the 41 branches of NIBL
- The bank has 87.7% average contribution of customer deposit in the resources mobilization as per the data F/Y 2064/65 to 2068/069 and uses the other resources of 12.3 % in average.
- The deployment of Banks available resources at various portfolios among which LDO hold the highest percentage i.e. 78.3 % in average out of total deployment amount throughout the five years of study period.
- The researcher find that the 100 % of achievement of targets in deployment of resources other than LDO i.e. NLDO
- LDO is in increasing trend over the period. The average ratio of LDO to deposit is 84 %.
- The non-fund consuming business activities like LC, Bank Guarantee, Foreign exchange, others are adopted by NIBL. These types of business activities reduced the burden of expenses.
- The interest holds highest percentage of expenses amount as deposit is the major resources of the bank. The COD of NIBL is in the range of 4.89 % to 7.00 % it means the bank pays the interest 5.95 % in average over the period.
- The yearly interest income is in increasing trend in amount as per the O/S LDO is also increasing. In the term of average rate of return is fluctuating trend it is ranges of 11.53 % to 14.14 % the average rate of return over the study period is 12.6 %.

- The amount of interest margin of NIBL is in increasing trend where as the increment percentage is fluctuating trend over the study period.
- The interest margin has higher rank over the five year and burden has lower rank so there is profit in every year. The net profit is higher than burden amount.
- The current ratio of NIBL has met the standard of 2:1 except the year 2064/065 and 2065/066.
- Debt-Equity ratio shows that the NIBL's financial strength is very strong because it has more internal fund to repay the borrowing capital.
- The interest coverage ratio of NIBL ranges between 1.52 to 2.15 Times.
- The range of return on total assets is 2.20% to 2.93 % and range of return of total capital fund is 25.27% to 38.39 % over the period.
- The percentage of BEP is in fluctuating trend it means the burden and interest margin is not in increasing as same ratio whereas the BEP in Rs is in increasing trend over the period so NIBL is in over the BEP level in terms of interest margin. The BEP range over the study period is 11.53 % to 14.14 %.

# **CHAPTER-V**

## **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

### **5.1 Introduction**

This chapter is focused on the findings and conclusions obtained from the study of "Profit Planning in commercial banks: A case Study of Nepal Investment Bank Limited" This chapter is comprised of three sections, the first section deals with the summary of the study, the second section draws the conclusions of the study. Lastly, the third section proposes the suggestions to the problems observed on the basis of the findings.

### **5.2 Summary**

Nepal is a developing country, which started its economic development plans and policies more than four decades ago and has adopted the economic development plans through liberalization recently. The policy of liberalization that the government adopted after restoration of democracy in 1990 calls for primitive and facilitative role of the government together with its strict regulatory functions. The subject matter of economic development has been limited due to variety of geographical structural and economic constraints.

The economic growth of a country can't imagine without financial institutions. Commercial banks play a vital role as a financial institution which plays a quite important role of every economy by providing capital for the development of industry trade and business. Commercial bank pools between savers and users thereby raising employment opportunity. Besides the economic contribution commercial banks are also recognizes its social responsibilities by contributed to various social and welfare organization.

The major income source of bank is interest margin which depends upon the deployment of available resources. The bank generally deployed their resources for the purpose of liquidity, lending and investing in securities. So the overall profitability of bank depends on lending procedure, lending policy and investment policy. The main objective of the study is to evaluate the budgeting and profit planning system of

NIBL. The study is mostly based on secondary data and required data have been collected by using various sources. There are 32 commercial banks operating in Nepal which are taken as population of the study among them NIBL has been taken as a sample of the study and collected data has been analyzed by using various statistical and financial tools.

NIBL is one of the well-established commercial bank in Nepal. NIBL is able to maintain its position as a market leader in the banking sector and there is ongoing effort and commitment in enhancing its financial position.

### **5.3 Conclusion:**

On the basis of major findings of study some conclusion has drawn about the NIBL. The bank is more conscious about its human resources as they have the policy of skill development programs, reward system and other motivational activities. NIBL increasing its internal fund by increasing capital year by year this means strengthen their capability internally. NIBL is able to meet its targeted deposit collection, deployment of LDO.

The non fund consuming business of NIBL is also remarkable since it gives the return to bank without investing the fund. The average cost of deposit (COD) of bank is normal it means the bank is able to collect cost free deposit. The relationship between loan loss provision and o/s LDO shows that the doubtful debt is decreasing trend. The major income source is interest margin the trend of interest margin is increasing trend except F/Y 2066/067.

The liquidity position of NIBL is better position bank has maintained the cash and bank balance to met the current obligations. The financial strength of NIBL is strong since Debt equity ratio shows that the NIBL use more internal fund to repay its borrowings. The return on assets and return on capital is satisfactory of NIBL it shows the good earning capacity of the bank.

The result of the study shows the overall performance of NIBL is satisfactory even though all sources are increasing at decreasing rate.and profitability also.

## 5.4 Recommendation:

This researcher would like to provide some suggestion for the better improvement of bank in future. This recommendation based on the study on profit planning of NIBL these is as follows:

- Financial institutions increasing day by day in Nepal it grows the competition with the banks so NIBL should make some policy to keep its position as before among the Nepalese financial institutions.
- NIBL should be conscious about the factors affecting the business like Global economic crisis, existing abnormal situation, political uncertainty etc.
- NIBL should pay more attention about the changing technological environment and need to provide innovative products and services that reduce the cost of fund it give more growth and profitability.
- Every business concerns have one another obligation i.e. corporate social responsibility so NIBL needs more involvement in social activities in the coming days.
- NIBL's major source of resources collection is deposit since this is the cost bearing sources the bank is suggest increasing cost free resources too, and reducing the burden of the bank.
- NIBL invest in LDO 78 % out of total available resources. To overcome from the situation it is recommended to follow liberal lending policy and invest more in secured loan and advances and maintain stability on the investment policy.
- The bank need to put more focus on the non-fund consuming business activities like LC, Bank guarantee , foreign exchange and other . It supports in the overall profitability of the bank.
- Expenses grow as the volume of activities increases so it can't be avoided but can be controlled. The bank can minimize those expenses not related for income generating activities so the bank enhances its profitability.

- People in rural area of Nepal still out of banking services so NIBL is suggested to take bold steps to expand and upgrade its network to reach such area with their products and services.
- The ‘Global Economic Crisis 2009’ started from banking sector of USA this crisis may affects to Nepalese financial sectors too so the NIBL suggested to make some policy to be safe from this crisis.

The size of Nepali banking market is increasing day by day. The increase in number of financial institutions indicates the increasing competition in financial market. To monitor with proper regulation this even more, the government had to bring new strategies. Moreover, foreign banks are allowed to operate in Nepal from 2010 A.D there will be more challenge for Nepalese financial institutions. The central bank of Nepal (NRB) should make some policies toward the banking sector to comfort and able to compete with this ever increasing financial institutions.

The research report is concluded with the above mentioned major findings, summary, conclusions, and recommendation

## BIBLIOGRAPHY

- American Institute of Banking (1972). Principle of Banking Operation: American Institute of Banking.
- Aryal, Ishwar Raj and Tulsı Prasad Dhungyal, (1975). A New History of Nepal, Kathamndu: Sangam Press
- Bajracharya, B.C (2053 B.S) Business Statistics & Business Mathematics, M.K Publishers & Distributors, Kathmandu, Nepal.
- Bagavathi, Pillai R.S.N (2000) Advanced Accountancy (2<sup>nd</sup> Edition) Konark Publishers Pvt. Ltd Delhi.
- Baidhya, Shakespar, (1996).Banking Management, Kathmandu: Monitor Nepal.
- BhattaraiIshwor, GautamAkshya, (2066 B.S) Budgeting: Profit Planning & Control, Asmita Books Publisher and Distributors Putalisadak Kathmandu, Nepal.
- Civic Development Bank (Purposed) (2011).Unpublished Feasibility Reports.
- Crosse,H.D.(1963) . Management Policies for Commercial Banks 2<sup>nd</sup> Ed. Engle cwood cliffs, Prentic Hall Inc.N.J
- DahalBhuvan, DahalSarita, (2010). A hand book to banking, Ashmita Books and stationery, Putalisadak, Kathmandu, Nepal.
- DahalKashab (2006) “ Planning process and it’s impact on profitability “ A case study of GorkhaPatra Corporation” Unpublished Master’s Degree Thesis, , Tribhuvan University.
- Dangol R.M , KoiralaShalik Ram, (2065) A Basic Course in Accountancy, TalejuPustakBitarak, Bhotahity, Kathamndu ,Nepal.
- DangolRatna Man, Jeetendra (2066). Management Accounting, TalejuPrakashan, Bhotahity, Kathmandu Nepal.
- Drucker, Peter F. (1954), the practice of management New York: Harper & Raw Publishers.
- Fregmetn, J.M (1976) , Accounting for management Analysis, Horne wood: Richard D. Irwin.
- Gitman, Lawrence J. (1992).Principal of Management (5<sup>th</sup> Ed). New York: Harper Collins Publisher.
- Government of Nepal, Ministry of Finance, Economic Survey, Kathamndu Nepal: (Various Issues)

- Gulshan, S.S. & Gulshan K. Kapoor (1994), Banking Law & Practice, New Delhi: Chand & Company.
- Gupta S.P (2009). Statistical Methods (31<sup>st</sup> Edition), Sultan Chand & Sons, New Delhi.
- Gupta, S.P (1992), Management Accounting Budgeting, Business Budget & budgetary Control, New Delhi: Agra Shahitya Bhawan.
- Hornby, A.S & Cowie, A.P (1992), Oxford Advance Learner's Dictionary of Current English, Indian Edition, Calcutta. Indian edition, oxford university press.
- Kendal, M.G. (1953). The Analysis of Economic Time Series. Journal of the Royal Statistical society, XCVI: 11-25.
- Kothari, C.R. (1990). Research Methodology. New Delhi: VishwaPrakashan.
- Lynch Foulks, (2004) Financial Information For Management, Foulks Lynch Ltd, Great Britain.
- Nepal Investment Bank Limited, Annual Reports (2064/065 to 2068/069).
- Nepal Rastra Bank, Quarterly Economic Bulletin, Kathmandu, Nepal: (Various Issues)
- Nepal Rastra Bank, Report of the Board of Directors to Government of Nepal (Various Issues)
- Ninemeire, Jack D & Schmidgall, Raymond S. (1984), Basic Accounting standards, Air Publishing Company.
- Shrestha, B.P. (1966). An Introduction to Nepalese Economy. Kathmandu: Ratna Pustak Bhandar.
- Sthapit, A. B., Gautam, H., Joshi, P.R. and Dongol, P.M. (2003). Statistical Methods. Kathmandu: Buddha Academic Publishers and Distributions Pvt. Ltd.
- Thapa, Roshan (2010) "A study on profit planning and control of Nepal SBI Bank Limited" Unpublished Master's degree Thesis, Shankar Dev Campus, Tribhuvan University.
- Thapa, Tirtha Bahadur (2011) "Profit Planning in Merchandising company: A case study of National Trading Limited" Unpublished Master's Degree Thesis, S, Tribhuvan University.
- Tiwari, Udaya Kishor (2010) "Profit Planning in Commercial Bank: A Case study of Standard Chartered Bank Limited" Unpublished Master's Degree Thesis, Tribhuvan University.



- Vaish, M.C (1996), Money Banking Trade & Public Finance, 3<sup>rd</sup> updated edition, New Delhi: New Age International (P) Ltd. Publishers.
- Van Horne, James C (1985) Fundamentals of Financial Management 5<sup>th</sup> Ed. New Delhi: Prntice Hall of India Ltd.
- Van Horne, James C. (2009). Financial Management and Policy (10<sup>th</sup> Ed). New Delhi: prentice- Hall of India Pvt. Ltd.
- Varshney, P.N (1993), Banking Law and Practices, New Delhi: Sultan Chand & Sons.
- Wallis, W. Allen and Roberts, Harry V. (1956). Statistics: A New approach, New York: Free Press.
- Welsch, Glenna, Ronald, W.Hilton, Paul, N.Gordon (2009) Budgeting Profit Planning Control, updated edition, New Delhi: Prentice Hall of India.
- Welsch, Glenna, Ronald, W.Hilton, Paul, N.Gordon(1999) Budgeting Profit Planning Control , 5<sup>th</sup> edition , New Delhi: Prentice Hall of India.
- Weston and Bigham, (1990).Managerial Finance .7<sup>th</sup>Ed.USA, The Dryden press, Hinsdale Illions.
- Wolf, H. K. and Pant, P.R. (2010).A Hand Book for Social Science Research and Thesis Writing (7<sup>th</sup> Ed). Kathmandu: Buddha Academic Publishers and Distributors Pvt. Ltd.

**Websites:**

<http://www.nrb.org.com.np>

<http://www.google.com.np>

<http://www.nibl.com.np>

## Appendix No. 1

**Actual O/s LDO and Interest Income of NIBL**

Year	X	Y	$x = X - \bar{X}(152.478)$	$y = Y - \bar{Y}(13.138)$	$xy$	$x^2$
2064/065	300	40	-68	6.08	413.44	4624
2065/066	350	42	-18	4.06	73.08	324
2066/067	380	43.8	12	2.28	27.36	144
2067/068	400	46.5	32	0.42	1.344	1024
2068/069	410	58	42	11.92	500.64	1764
	$\Sigma X=1840$	$\Sigma Y=230.3$	$\Sigma x = 0$	$\Sigma y = 0$	$\Sigma xy=1015.86$	$\Sigma x^2=7880$

$$\bar{X} = \frac{\Sigma X}{n} = \frac{1840}{5} = 368$$

$$\bar{Y} = \frac{\Sigma Y}{n} = \frac{230.3}{5} = 46.08$$

$$\sigma_x \equiv \sqrt{\frac{\Sigma x^2}{n} - \left(\frac{\Sigma x}{n}\right)^2} \equiv \sqrt{\frac{7880}{5} - \left(\frac{0}{5}\right)^2} = 39.70$$

$$CV_x = \frac{\sigma_x}{\bar{x}} \times 100 = \frac{39.70}{368} \times 100 = 10.79\%$$

$$CV_y = \frac{\sigma_y}{\bar{y}} \times 100 = \frac{6.34}{46.08} \times 100 = 13.76\%$$

$$r_{xy} = \frac{\Sigma xy}{\sqrt{\Sigma x^2} \sqrt{\Sigma y^2}} = \frac{1015.86}{\sqrt{7880} \sqrt{200.92}} = 0.81$$

## APPENDIX NO. 2

### Profit & Loss Account

for the period July 17, 2010 to July 16, 2011

Particulars	Schedule	Current Year Rs.	Previous Year Rs.
1. Interest Income	18	5,803,440,174	4,653,521,338
2. Interest Expenses	19	(3,620,336,697)	(2,553,847,497)
<b>Net Interest Income</b>		<b>2,183,103,477</b>	<b>2,099,673,841</b>
3. Commission and Discount	20	269,429,160	242,886,274
4. Other Operating Income	21	152,984,768	168,312,660
5. Exchange Profit	22	228,076,344	224,056,830
<b>Total Operating Income</b>		<b>2,833,593,749</b>	<b>2,734,929,605</b>
6. Staff Expenses	23	(326,543,424)	(279,851,360)
7. Other Operating Expenses	24	(456,056,633)	(433,596,280)
8. Exchange Loss	22	-	-
<b>Operating Profit Before Provision for Possible Loss</b>		<b>2,050,993,692</b>	<b>2,021,481,965</b>
9. Provision for Possible Losses	25	(267,331,490)	(93,056,584)
<b>Operating Profit</b>		<b>1,783,662,202</b>	<b>1,928,425,381</b>
10. Non-operating Income/ Loss	26	8,396,361	10,606,049
11. Loss Provision Written Back	27	106,634,071	50,000,462
<b>Profit from Regular Operations</b>		<b>1,898,692,634</b>	<b>1,989,031,892</b>
12. Profit/ Loss from extra-ordinary activities	28	(52,860,618)	-
<b>Net Profit after considering all activities</b>		<b>1,845,832,016</b>	<b>1,989,031,892</b>
13. Provision for Staff Bonus		(167,802,911)	(180,821,081)
14. Income Tax Provision			
- Current Year		(500,359,900)	(532,898,521)
- Upto Previous Year		-	-
- Deferred Tax Income / (Expense)		(1,028,175)	(9,362,702)
<b>Net Profit/ Loss</b>		<b>1,176,641,031</b>	<b>1,265,949,588</b>

## Appendix No. 3

		<i>Amount in millions</i>			
<b>S. No.</b>	<b>Particulars</b>	<b>2009-10</b>	<b>2010-11</b>	<b>Growth in NPR</b>	<b>Growth in %</b>
1.	Total Assets	57,305	58,357	1,052	1.83
2.	Total Deposit	50,094	50,138	44	0.09
3.	Total Loans and Advances	40,948	41,887	939	2.29
4.	Total Paid up Capital	2,409	3,011	602	25
5.	Total Operating Profit (before provision for possible loss)	2,021	2,050	29	1.43
6.	Total Net Profit	1,265	1,176	-89	-7.04
7.	Non-performing Assets (in %)	0.62	0.94	-	0.27
8.	Customer Base	355,511	428,435	72,924	20.51