

CHAPTER-ONE

INTRODUCTION

1.1 General Background :

A bank is a financial institution which deals with deposits and advance and other related services. It receives money from those who want to save it in the form of deposits and lends it to those who need it. It is an “establishment of custody for money, which it pays it out on customers order”. Banking sector acts as an backbone of modern business. Development of any country mainly depends upon banking system. The term bank is derived from French word *Banca* which means **Bench** or **money exchange table**. In older days European money lenders or money changers used to display (show) coins of different countries in big heaps (quantity) on benches or table for the purpose of lending or exchanging. Banking was not there before 1640, although the practise of self keeping and saving flourished in the temple of Babylon as early as 200 BC. Chanakya in his Arthashastra written in about 300 B.C. mentioned about the existence of powerful guilds of merchant bankers who received deposits, advanced loans and issued hundies. The Jain scriptures mention the names of two Bankers who built the famous Dilwara Temples of Mount Abu during 1197 and 1247 A.D. The first bank to be established was established in Venice with guarantee from the State in 1157, called the Bank of Venice. The modern began with English goldsmith only after 1640. Banking was also becoming important for the funding requirements of the relatively new and combative European states. (Vaidya, S., 2001)

Banking in Nepal

The tradition of official banking system in Nepal commenced with the establishment of Nepal Bank Limited (NBL) in 1973, the first Nepalese commercial bank. The central bank of Nepal, Nepal Rastra Bank (NRB) was established in 1956 by the act of 1955, after nearly two decades when NBL came into existence to discharge the central banking responsibilities including the development of embryonic domestic financial sector. Since then there has been achievement of domestic financial institutions. A sound banking system is important for smooth development of banking system. It can play a key role in the economy. It gathers savings from all over the country and provides liquidity for industry and trade. In 1957 A.D. Industrial Development Bank was established to promote the industrialization in Nepal, which was later converted into Nepal Industrial Development Corporation (NIDC) in 1959 A.D. A decade after founding of NRB, in 1965 A.D. Rastriya Banijya Bank (RBB) a commercial bank under the ownership of HMG/N also came into operation. Banking in Nepal has become an important feature which renders service to the people in financial matter, and its magnitude of action is extending day by day. It is major institutional system in Nepal which carries out financial flow within the country. Today, the banking sector is more liberalized and modernized and systematic managed. There are various types of bank working in modern banking system in Nepal. It includes central, development, commercial, financial, co-operative and Micro Credit banks. Technology is changing day by day. And changed technology affects the traditional method of the service of bank. For the development of banking system in Nepal, NRB refresh and change in financial sector policies, regulations and institutional developments in 1980 A.D. Government emphasized the role of the private sector for the investment in the financial sector. These policies opened the doors for foreigners to enter into banking sector in Nepal under joint venture.

Below is the list of no of A class commercial Banks in Nepal.

S. N	Names	Operation Date	Head office
1	Nepal Bank Ltd.	1937/11/15	Kathmandu
2	Rastriya Banijya Bank Ltd.	1966/01/23	Kathmandu
3	Agriculture Development Bank Ltd.	1968/01/02	Kathmandu
4	Nabil Bank Ltd.	1984/07/16	Kathmandu
5	Nepal Investment Bank Ltd.	1986/02/27	Kathmandu
6	Standard Chartered Bank Nepal Ltd..	1987/01/30	Kathmandu
7	Himalayan Bank Ltd.	1993/01/18	Kathmandu
8	Nepal SBI Bank Ltd.	1993/07/07	Kathmandu
9	Nepal Bangladesh Bank Ltd.	1994/06/05	Kathmandu
10	Everest Bank Ltd.	1994/10/18	Kathmandu
11	Bank of Kathmandu Ltd.	1995/03/12	Kathmandu
12	Nepal Credit and Commerce Bank Ltd.	1996/10/14	Siddharthanagar, Rupandehi
13	Lumbini Bank Ltd.	1998/07/17	Narayangadh, Chitawan
14	Nepal Industrial & Commercial Bank Ltd	1998/07/21	Biaratnagar, Morang
15	Machhapuchhre Bank Ltd.	2000/10/03	Pokhara, Kaski
16	Kumari Bank Ltd.	2001/04/03	Kathmandu
17	Laxmi Bank Ltd.	2002/04/03	Birgunj, Parsa
18	Siddhartha Bank Ltd.	2002/12/24	Kathmandu
19	Global Bank Ltd.	2007/01/02	Birgunj, Parsa
20	Citizens Bank International Ltd.	2007/06/21	Kathmandu
21	Prime Commercial Bank Ltd	2007/09/24	Kathmandu
22	Sunrise Bank Ltd.	2007/10/12	Kathmandu
23	Bank of Asia Nepal Ltd.	2007/10/12	Kathmandu
24	Grand bank Nepal ltd (DCBL Bank Ltd.)	2008/05/25	Kamaladi, Kathmandu
25	NMB Bank Ltd.	2008/06/05	Babarmahal, Kathmandu
26	Kist Bank Ltd.	2009/05/07	Anamnagar, Kathmandu
27	Janata Bank Nepal Ltd.	2010/04/05	Kathmandu
28	Mega Bank Nepal Ltd.	2010/07/23	Kantipath, Kathmandu
29	Commerz & Trust Bank Nepal Ltd.	2010/09/20	Kamaladi, Kathmandu
30	Civil Bank Ltd.	2010/11/26	Kamaladi, Kathmandu
31	Century Commercial Bank Ltd.	2011/03/10	Putalisadak, Kathmandu
32	Sanima bank Ltd.	2012/02/15	Nagpokhari, Kathmandu

Source: www.nrb.org.np

1.1.1 Brief Introduction of ADBL :

Agricultural Development Bank Limited (ADBL) is an autonomous organization largely owned by Government of Nepal. It was established in the year 1968 under the ADBL act 1967. The bank has been working as a premier rural credit institution since the last three decades, contributing a more than 67

percent of institutional credit supply in the country. It was started with the main objectives of providing institutional credit for enhancing the production and productivity of agricultural sector in Nepal. Hence, rural finance is the principal operational area of ADBL. Besides, it has also been executing Small Farmer Development Program (SFDP), the major poverty alleviation program launched in the country. Furthermore, the bank has also been involved in commercial banking operations since 1984. It was merged with land and reform saving cooperation in 1973. Subsequent amendments to the Act empowered the Bank to expand the scope of financing to promote cottage industries. The amendments also permitted the bank to engage in commercial banking activities for the mobilization of domestic resources. In 1993, ADB/N initiates small farmers' cooperative limited (SFCL)

The enactment of Bank and Financial Institution Ordinance (BAFIO) in February 2004 abolished all Acts related to financial institutions including the ADB/N Act, 1967. In line with the BAFIO, ADBL has been incorporated as a public limited company on July 14, 2005. Thus ADBL operates as a "A" category financial institution under the legal framework of BAFIO and the company act, 2053. ADBL is a sole financial institution in the country maintaining its activities by three major windows namely Development financing, Commercial Banking and Small farmers' development. Through these sectors it is contributing more than 79% of institution credit to the real populace by strengthening its network in the entire geographical region the mountains the Hills and the Tarai. As a part of Nepal's financial sector reform initiative, a financial and operational review of ADBN was undertaken in 2003 under an Asian Development Bank technical assistance project. The objective was to prepare action plans for institutional development at ADBN. Of the three strategic options considered - status quo, privatization and commercialization - the study found commercialization the most suitable option and developed strategies for the commercialization and restructuring of ADBN. The review report has been approved by Government of Nepal and

ADBN is now in the process of implementing the action plans for its restructuring. ADBL has the largest rural financial institution and the extensive branch network throughout the country. ADBL's main product is development banking loans to farmers and rural poor.

ADBN operates as an autonomous body that has been controlled by the ministry of finance. The ADBL has in total 13 billion rupees of an authorized capital, by which Rs. 9.47 Billion rupees is paid-up Capital.

The Board of Directors of ADBL formulates policies as well as strategies and provides guidance to the management. The Board comprises a total of nine members; three members representing Ministry of Finance, one member representing the Ministry of Land Reform and four members representing individual shareholders. Besides, one member is nominated by the Board as per the BAFIA.

1.1.2 Vision

ADBL aims to be the pre- eminent bank providing complete banking solutions from urban to rural throughout Nepal.

1.1.3 Mission

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

1.1.4 Objective

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

1.1.5 Main Function of the ADBL

The Major functions of the ADBL are to:

- Provide a full and balanced range of financial products and services that satieties the needs of the customers on a profitable and sustainable basis.
- Conduct its operations in an open and transparent manner.
- Strive constituting to provide improved products and services to its clients at reasonable cost using modern unified banking communication and information technology.
- put local resources to work for local development, serving the rural community and its aspirations
- Execute full fledged commercial banking functions using the concept of unified banking operation.
- Provide short, medium and long term agricultural credit to individual farmers, small farmers groups and co-operative societies.
- Provide project loan for agricultural business, cottage and small scale industries, alternative energy based on feasibility study.
- Provide credit on non- agricultural business and other marketing facilities.
- Develop mutually acceptable relationship with government in the pursuit of improvement in living standards in rural areas while respecting best financial practices.
- Provide credit to support the poverty alleviation program of Government of Nepal.
- ensure that its activities contribute to the environmental stability and overall improvement of living standards in Nepal
- Develop competent and professional human resources.

On the way of executing its main function in the financial market, the bank gives its priority on building reputation for professionalism, competitive pricing reliability and quality service and innovation. In addition, the bank fosters its operation in accordance with the best banking practices acting with

financial prudence and keeping in mind the need to balance profitability with asset presentation and liquidity and to safeguard depositions funds.

1.2 Statement of the Problems

Nepal being listed among least developed countries, the development bank have played important role in the economic growth. Its investment change from small farmers to large scales . Development bank has been facing competition against, one another. Government looking at economic liberation has further intensified the competition which has unlimited affected the profitability of the bank concentrates their activities in rural areas. In Nepal above 85% of population live in the rural areas and 81% population depends on agriculture. It is difficult to solve the credit problems of the country through commercial banks. Which are relevant to enter rural and agriculture area. To overcome these challenges Agricultural Development Bank has started various problems with various wings of the Agricultural Development bank with opening branches in rural areas. Small framers who are involving in agro sector are benefited by the small framers development program (SFDP) Large scale farming facilities from the development sector of the Agricultural Development Banks Ltd, Nepal and urban people facility by the commercials banking sector of ADBL.

The problems especially related to financial performance and investment function of the Development Bank of Nepal has been presented as briefly as under:

- What is the financial position of ADBL?
- What are the conditions of the ADBL investment and collection (principal and interest) procedure?
- What is the condition of Bank in terms of fund mobilization and investment policy?
- What is the condition of bank fund mobilize and invest policy for more effective and efficient?

- What is the relationship of investment, loans and advances with total deposits and net profit?

1.3 Objectives of the Study:

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

- 1 To analyze the liquidity, profitability assets utilization and risk of ADBL.
- 2 To analyze the investment position and collection of principal and interest of ADBL.
- 3 To analyze the relationship between investments, loan and advances with deposit and profitability.
- 4 To analyze the growth and trend of financial position of ADBL.

1.4 Significance of the Study:

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

1.5 Limitation of the Study

The study has the following limitations.

- This study is mainly based on secondary data provided by the bank so the study is concerned on that extent.
- This study is based on the data of seven years period i.e. from FY 2061/62 to 2067/68 B.S.
- This study is focused only financial analysis of ADBL.
- Source of data are mostly depend on published annual report, annual programmed and budget of the bank, its publications, thus it is based on the secondary data.

1.6 Organization of the study

This study has been organized in to five chapters in the following order.

Chapter 1: Introduction

Chapter 2: Review of literature

Chapter 3: Research Methodology

Chapter 4: Presentation and Analysis of data

Chapter 5: Summary, recommendation and conclusion.

The first chapter contains the general background, introduction of ADBL, statement of problems, objectives of study, significance and limitations of the study.

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

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

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

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

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

CHAPTER-TWO

REVIEW OF LITERATURE

2.1 Introduction

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

2.2. Conceptual Framework

2.2.1. Concept of Banking

A bank is a financial institution and a financial intermediary that accepts deposits and channels those deposits into lending activities, either directly or through capital markets. A bank connects customers that have capital deficits to customers with capital surpluses. It plays a significant role in the development of the country. It facilitates the growth of trade and industry of the national economy. However, bank is a resource for economic development, which maintains the self confidence of various segments of society and extends credit to people.

"A bank is a business organization that receives and holds deposits of funds from others makes loan or extends credits and transfers fund by written orders of depositors" (Encyclopedia, Vol.3, 1984) . The business of banking is one of collecting funds from the community and extending credit to people for useful purpose. Banks have played a vital role in moving money from lender to borrowers. Banking is a profit seeking business not a community clarity. As a profit motive, it is expected to pay dividends and otherwise add to the wealth of in shareholders.

The highest authority on the pyramid is The Central Bank of Nepal. This is the central bank of Nepal that decides and makes various guidelines for the banking sector of the country. In Nepalese context, there are three types of banks, operated by performing, their activities in different sectors. They are as follows.

1. Central Bank (Nepal Rastra Bank)
2. Commercial Bank
3. Development Bank

2.2.2. Financial analysis

Financial analysis is quantitative analysis of firm's efficiency. In other words it is a way of studying financial position or condition of a company. The company's financial plan and policy prepared and implemented by management should be judge on the basis of its financial performance. Conceptually, the financial operation of a firm through profitability liquidity and turnover and their cost volume profit relationship approaches. It is the study of viability, stability and profitability of a business firm.

2.2.3 Concept of Development Banks:

Development banks are those financial institutions which are established in order to develop the particular sector of the society. Development banks are those banks whose aim is not to earn profit. Development banks are two types.

The first development banks finance loans to farmers and other agricultural sectors for short medium and long term purpose. The second development banks finance loans for the infrastructure development in a country. The first type of development bank in Nepal is Agricultural Development Banks. (Vaidya, 2001) According to review of development banking in Nepal in 1995 by research committee of ADBL/N, Head office, "Historical research says that development banking started from U.K. to lend the long term loan to the agriculture and industrial development. Main financial sources of the development bank are to collect fund from share capital, issue debentures, accepting long term deposit etc. (Review of Development Banking in Nepal, 1995)

A publication by ADBL, management information division naming as "an introduction of development banking" defines in the Nepali scenario especially two development banks like Nepal Industrial Development Bank (NIDC) and Agricultural Development Bank Limited (ADBL) has been established to develop the industrial and agriculture sector respectively. NIDC had established in 1959. It helps to develop the various industries in Nepal. Now NIDC is lending loan to the industrial development. Agricultural Development Bank Limited (ADBL) is running on with fruitful development to agriculture sector. To enhance to development banking in Nepal, Development Bank Act 1996 has been implemented. Now in Nepal, various private institutions are interested to establish as development bank, but above mentioned two development banks are playing a vital role to develop the industrial as well as agro sector in Nepal. In mid sixties many development banks were established. Agricultural Development Bank supply institutional credit in an easy and accessible manner mainly for the agricultural sectors since government mainly owns this bank. Government and international donor agencies largely fund these banks. In general scenario, this development bank concentrates their activities on supplying credit utilizing the donor's fund rather than providing priority in internal resource mobilization. As a result most of the agricultural

development bank faced problems of low repayment rate, increasing trend of overdue loan and interest receivable, inadequate coverage for risk management inadequately trained manpower high operating cost and almost non-existence of internal resource mobilization policy. Therefore, the banks incur losses. In Africa and South America, some of the development banks were forcing to close down (I.F, 1999). However, these banks were considered important organization for the development of the country as they played a crucial role to fight against rural poverty although their questions of sustainability were raised loudly and the organizations have become inevitable rather than closing down. (ADBL, Management Information Division)

2.2.4 Main Functions of the ADBL

- Provide a full and balanced range of financial products and services that satieties the needs of the customers on a profitable and sustainable basis.
- Conduct its operations in an open and transparent manner.
- Strive constituting to provide improved products and services to its clients at reasonable cost using modern unified banking communication and information technology.
- put local resources to work for local development, serving the rural community and its aspirations
- Execute fully fledged commercial banking functions using the concept of unified banking operation.
- Provide short, medium and long term agricultural credit to individual farmers, small farmers groups and co-operative societies.
- Provide project loan for agricultural business, cottage and small scale industries, alternative energy based on feasibility study.
- Provide credit on non- agricultural business and other marketing facilities.
- Develop mutually acceptable relationship with government in the pursuit of improvement in living standards in rural areas while respecting best financial practices.

- Provide credit to support the poverty alleviation program of Government of Nepal.
- ensure that its activities contribute to the environmental stability and overall improvement of living standards in Nepal
- Develop competent and professional human resources.

2.2.5. Organization and Management of the ADBL

The Board of Director (BOD) is the apex of the bank. The major functions of BOD are to formulate policies, strategies rules and regulation of the institution. The General Manager executes day-to-day operation of the bank. Deputy General Managers, Division chiefs, Directors and Board secretary closely assist the General Manager policy decisions made by the board are put into operation by the field offices under the supervision of Regional offices.

At present, the Board consists of ten members including Chairperson of the ADBL. Three members representing Ministry of Finance, one member representing the Ministry of Land Reform and four members representing individual shareholders. Besides, one member is nominated by the Board as per the BAFIA.

Chairman	Prof. Gaja Nand Agrawal (PhD)
Member	Mr. Krishna Prasad Devkota DDG Internal Revenue Department, Ministry of Finance
Member	Mr. Krishna Bahadur Raut Joint secretary , Ministry of Land Reform and Management
Member	Ms. Laxmi Devi Manandhar
Member	Mrs. Mira Dhonju Dhumbarahi, Kathmandu
Member	Mr. Janak Raj Shah Baijanath, Achham
Member	Mr. Sitaram Thapaliya Khairahani, Chitawan
Member	Mr. Chhetra Bahadur Sejuwal Chhandannath, Jumla
Member	Mr. Tej Bahadur Budhathoki
Company Secretary	Mr. Ram Bahadur Khadaka

Source: www.adbl.gov.np

As a part of implementing its new business modality especially following the financial and operation review and restructuring, the organizational set up and the operational network is guided by the following principles.

2.2.6 Operational Performance

2.2.6.1 Business Operation under Development Financing

In the present Market with the introduction of Bank and financial Institution Ordinance, overall banking activity follows single dimensional paradigm and tries to govern all financial institutions under a single act. In this new entity, all banks and financial institutions can carry out their business based capital and category licensed by Nepal Rastra Bank. ADBL is also not exception in the changing business perspective; there will be no more demarcation of commercial and development financial business. ADBL now onwards will execute its entire financial business focusing on full fledged banking activities. However, despite this changing business environment, development financing portfolio stands Rs. 23.41billion. The major sectors in the development finance comprising of agriculture, business, trade, institutional service and project financing still under these sectors, some prominent products and sub products are agronomy loan, livestock farming horticulture, housing, infrastructure Development, micro hydro project, education, foreign employment, health service.

2.2.6.2 Business operation under commercial Banking

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

banking activities from its on available network, the commercial wing is providing a range of banking operation such as Remittance, Guarantee, Forex, Fax transfer, collection of bills, drafts and mail transfer and above all electronic cards and ATM are also into operation.

It was in the year 1984, Agricultural Development Bank started its commercial activities by collecting deposits from the customers of urban areas and mobilizing it in rural and sub urban sectors to increase credit access in these areas. With the completion of more than two decades, ADBL commercial wing has become indispensable part of modern banking business. The overwhelming deposit response of the customers also directed in the same line and as such its deposit collection stands to the tune of Rs. 30 billion as of Mid-July 2011 registering the position among the largest commercial banks in the country. Similarly, the bank's lending stands at Rs. 34 billion, collection at Rs. 3.45 billion in FY 2067/68.

2.2.7. Major Programs of ADBL

2.2.7.1 Small Farmers Development Program (SFDP):

The SFDP was initiated in 1975 with the objective of improving social-economic conditions of the rural poor including women by bringing them into the mainstream of development process. Its main aim is to improve the living standard of the small farmers, tenants and landless labors. Gross dynamism is the basic philosophy of SFDP. A group leader organizes small farmers into groups and extends their necessary credit and other support through a sub project office (SPO) of the bank formation of homogeneous group comprising five to ten members is a prerequisite for the program implementation Basic programs such as credit, technology, Savings, trainings, social and community development activities are conducted for the target groups for their overall development.

Credit is provided for different purposes related to production, marketing and other income/employment generating activities. To develop saving habit among small farmers, group saving and its mobilization is also being undertaken as an integral component. As complementary input: to credit and saving services, the target in groups of the program are also trained in different areas such as group management and its functioning, saving mobilization, income generating activities etc. Moreover, social and community development activities are also being undertaken for the welfare of rural people.

A) Major Activities of SFDP:

i) Economic Activities:

SFDP provides credit for different purpose related to production, marketing and other income generating activities. Credit support has been fruitful in improving the economic status of the small farmers by increasing the productivity and production or agricultural related projects moreover they are benefiting by engaging themselves in small scale cottage industry with the credit support.

ii) Social and Community Development:

Considering the fact that the process of economic development and social enhancement should be so related that they become mutually supportive and re-enforcing, so a part from credit, the program incorporates essential social and community development activities such as adult education, population education, parental education, child care center, health and nutrition, establishment of drinking water schemes, community hall, school roofing, community irrigation schemes, community plantation and foot trail and gravel road construction, repair and maintenance of village road, vegetable seeds distribution and other appropriate and needy program.

iii) Community Surface Irrigation Program (CSIP):

Community surface irrigation development is a highly prioritized and demanded program by the small farmers. The SFDP has been emphasizing the construction of irrigation schemes at community level with active participation of small farmers from initiation to evaluation stage of the program. As at mid July 2000 the program has benefited over 25900 hectares of land of more than 29437 households through 564 schemes. The recently conducted study on "Effectiveness of CSIP" indicates that there is significant improvement in social-economic change of the beneficiaries farmers after completion of the project. It is mainly due to positive change in cropping pattern, crop diversification, increases in land value, change is in food habit and positive thinking in the child education especially girl child.

iv) Environment Conservation:

Environment promotion and conversion is another important activities initiated by the program with the support of UNICEF. The main sense of the environmental activities in SFDP is to reduce pressure of workload on women and strain on environment. As most of small farmers are badly affected by the deforestation i.e. lack of firewood, timber for housing and furniture fodder for livestock, drying of drinking water sources, more time to collect fodder and other materials from the forest, depletion of soil fertility and other more activities implemented in this program are as community plantation, distribution of sapling of fruit and fodder and timber tree, leasehold fodder and forest program, plantation of protect the source of drinking water schemes, construction of convenient toilets and smoke less stove, bio- gas plant, use of compost manure and other appropriate program to promote the environmental conservation programs.

v) Gender and Development

Considering the low-economic status of rural women, women Development program (WDP) was initiated to discern the concerns and later to their special

needs in 1982 as an integral part of SFDP. Aimed at providing the basic services to rural poor women, women Development program (WDP) is being implemented in all of the SPOs in more than 30 thousand women small farmers members is given in group formation and implementation one in each development region, where women group organizer is deputed. These SFDP provides services only to women group members. Overall performances of women group members are better as compared to their counterpart.

vi) Livestock Insurance:

One of the main portfolios loan and small farmer is livestock. Its share in total outstanding loan is about half. Among livestock, share of milking cow and buffalo, she-calves are much more comparing to the rest. Although profit from livestock is more and is preferred by small farmers it is more risky compared to their other business. Because, in case of sudden death of cow, buffalo, farmers have to face series of problems in one hand and bank has to face problem in loan repayment in other hand. Moreover, insurance program encourages farmers for raising improved breed and supports in generation of interval resources. Therefore, ADBL has provided special, arrangement for the insurance of small farmers' livestock by their own committee. Support of Government in terms of providing 50% subsidy in premium is highly appreciable and it motivates small farmers towards the program.

B) Small Farmers Co-operative Limited (SFCL)

To make the small farmers capable and self-reliant, an innovative approach of developing self-help organizations at the grass-root level was introduced in SFDP through institutional development process. In this process, the small farmers are involved to build up autonomous and viable institutions owner, managed and controlled by them. The basic trust of such endeavor its to empower local people by enhancing their capability to undertake the activities of SFDP through their own autonomous self-help organization i.e. small farmers cooperated limited (SFCL). In the course of action, management

undertaken by SPO is ultimately handed over to SFCL. Open transformation, SFCLs plays the role of financial intermediaries between the bank and small farmers capable of planning, implementing, monitoring and evaluation the programs from their own levels for the benefit of small farmers families of one hand mainlining the operational cost for implementing SFDP on the other.

Objectives of SFCL:

- To expand and increase the scope of activities area of coverage and participation of the beneficiaries in a cost & time effective manner.
- To wake small farmers self-reliance in terms of leadership capability managerial skill and running the grass root organization independently.
- To reduce operational cost of the program through participating approach
- To developed SF's organization in order to promote sustainable financial intermediary linkage between the bank and the small framers.

C) Institutional Development Program (IDP)

Based on a greater need of aiming at the process of involving the local level self help small framers organization and building up there managerial capacity to take over the responsibilities of the SPOs and land run independently the process of organization planning, implementation, monitoring and evaluation of the programs the ADBL has been implemented IDP program in certain SPOs since 1988. In the beginning it was implemented in few SPOs in shading district which was designed in 1987 by the joint effort of ADBL and Dhading Development project (DPP)/German Technical Co-operation (GTZ). The main objectives behind this institutional development are to:

- Developed local self realize by development leadership and managerial ability among small framers themselves.
- Narrow down the cost and bureaucratic berries between the delivery agencies and small framers and establish an effective and efficient delivery mechanism to reach the services towards the rural poor.

- Expand and increase the scope of activities area coverage and participation is beneficiaries in a cost effective and time effective manner.
- Improve small farmers organization to play the role of financial intermediary between the ADBL and small farmers.

D) Sana Kisan Bikas Bank Limited (SKBBL)

Sana Kisan Bikas Bank Limited (SKBBL) is one of the specialized microfinance development banks established with an aim to promote, strengthen and support grass-roots level microfinance intermediaries. In an attempt to establish a separate specialized microfinance development bank Nepal Bank Limited and Nabil bank including 27 SFCLs agreed to support and boost SKBBL as promoters.

Consequently, a bank named Sana Kisan Bikas Bank Limited (SKBBL) was registered with company register office in July 2001 under the company Act, 1997. The bank received operating license from the Nepal Rastra Bank (NRB) in March 2002. Initially it started its lending operation from three area offices since November 2002. The paid up capital of the Bank amounts up to US\$1.56 million. ADBL is the largest shareholder of SKBBL at presently. However, the majority of the shares will be offered to private investors within two years, as per the plan.

The Board of directors of this bank comprise of three representatives from ADBL, one from the Ministry of Finance one from the commercial bank and two from SFCLs.

Vision

The main vision of this bank is to become the leading and financially viable bank in microfinance sector. It aims to provide credit to SFCLs and other MFIs in a bid to improve the financial status of the rural populace.

Mission

The bank's core business is wholesale lending for SFCL and similar rural MFIs. It also advocates the support for capacity building of these institutions in co-operation with partner organizations.

2.2.7.2 Reform and Restructuring program

i) Reforms in Brief

Closely observing the domestic and international market scenario, reform and restructuring processes have been inevitable part of development procedures. On the way of analyzing the domestic market, we have several examples of restructuring processes which ultimately tend to bring positive impact in overall business environment. Formally reform and restructuring in Nepalese financial sector begins with the financial and operation review of two big government owned commercial banks under the financial support of World Bank. Later on, it is followed by the restructuring of ADBL of NIDC under the financial support of Asian Development Bank. In fact, restructuring is nowadays has become a familiar procedure in Nepalese financial sector.

In context of ADBL, restructuring reformation has already been taken in the past based on situational demand. Basically the main strength of ADBL is its flexibility to adopt the change in changed business environment. Had there been no flexibility in ADBL operation modality the existence in the financial market would have been quite impossible. Some of the examples of its flexibilities and innovativeness can be recalled as follows.

- Overcome the weak capital based by stepping into external borrowing ,
- Innovate the poor targeted small farmers Development Program when bank financing services reached only limited number of relatively better off households,

- Align with the technology front when financing didn't sufficiently translate into technological improvements through linkage alone,
- Federate the small farmers Development program into farmers owned managed and planned small farmers co-operative limited when operation lost hit the alarming state.
- Restore deposits for rural credit with the initiation of the commercial banking activities when external financiers began putting up unnecessary and difficult conditions,
- Made a time appropriate decision by introducing Firm Reform program in 1997 when loan default rates were increasing,
- Follow International Accounting system and Directives of the Nepal Rastra Bank with the implementation of second Reform program in 2001 when financial viability and sustainability has become the main slogan for its existence.

In addition, after the liberalization in the financial market, ADBL also made prosperity to the recommendation of financial and operational review team of ADBN (TA-3580-HEP) and the directives of NRB. In that prospective, ADBL has made the following improvisations in policies within a small span of time.

- Adopt comprehensive reform by reducing and amalgamating the offices as per restructuring policy,
- Impose the voluntary retirement scheme (VRS) in 2061 by utilizing its own internal resources to bring the staff under optimum size without creating any deterioration in the business performance.
- Adopt cash basis income recognition policy in commercial banking and development branches.
- Forward an aggressive and effective loan write off policy from FY 2060/61

These timely adopted reforms have displayed positive changes in the working environment there by upgrading the status of the ADBL. As a result, a group of consultants under the TA component of the Asian Development Bank (ADB), Manila has assisted the management till March 2006 to carryout its capacity building in various areas of ADBL. Recently Asian Development Bank Manila and ADBL have signed memorandum of understanding as a part of restructuring ADBL.

ii) **Restructuring**

With the beginning of the new millennium, the financial sector in Nepal has materialized a drastic change in Rural Finance as well as in Legal and Regulatory Framework. The government in the year 2000, published the financial sector strategy statement (FSSS) aiming to focus on two main activities. First to develop favorable operational and legal environment in the financial sector for fair and equal footing environment and secondly enhancing institutional capacity. As a result, in 2002, NRB Act-2002 and Bank and Financial Institutional ordinance (BFIO) 2003 were promulgated to refocus on ADBL's core business functions especially target on strengthening organizational flexibility, enhancing skill and knowledge of its management and operational staff. In this context, in 2002 and 2004, two consequent technical assistances supported by the Asian Development Bank had been initiated with the aim of helping ADBL in identifying its financial and operational weakness; and , strengthening its operational knowledge through training and capacity building activities.

The first intervention under the TA-3580-NEP as on operational and financial review of ADBL focused on the following five major areas of ADBL.

- Governance
- Organization
- Operational policy and procedures
- Management Information System
- Financial Performance

The review addresses the weakness of ADBL with focusing areas for improvement and recommended the commercialization/restructuring. As a result, the second intervention is implemented from early 2004 towards the end of 2005 under the institutional strengthening of selected Rural Finance Institutions. The TA focused on the institutional development capacity building for central training institute and Regional Training centers of ADBL. The active participatory discussions and problem solving skills have helped both consulting teams and ADBL management in reaching a common program in terms of developing programs in operational areas such as:

- Risk Management
- Training Management Internal Audit
- Credit Management
- Business planning
- Accounting

Altogether 749 management and operational staff have been trained and new operational procedures have been applied at both regional and branch levels. In the mean time the following major activities are taken into consideration under the Rural Finance Sector Development cluster program.

- Financial Recapitalization
- Organizational Restructuring
- New policy, procedures and standards
- New MIS system
- Continuous Training and comprehensive Human Resource Management
- New operational and Financial performance Targets.

2.3 Concept of Financial Analysis

Financial analysis as a part of the financial management and is the main indicator of the success or failure of the firm. The focus of the financial

analysis is on key figures contained in the financial statements and the significant relationships that exist between them. (Khan & Jain, 1997,p-89)

These are different persons/institutions that are affected by the decision of the firm financial condition of business firm should be sound from the pointing view of shareholders debenture holders financial institutions and nation as whole The future of analysis will differ depending on the interest of different group for example trade creditor are interested in long term solving and survival. So, a financial analysis is undertaken by outsiders, creditors and investors and also by the firm itself. Thus the various parties according to the particular interest of the analyst undertaken the type of financial analysis Management of the firm is generally interested in every aspect of the financial analysis because they have overall responsibility of maintaining efficient and effective utilization of resources financial analysis is concerned with weakness of the firm by properly establishing relationship between the items of the balance sheet and the profit and loss a/c. (Pandey, 1991, p-109). Financial analysis may be of two types vertical analysis and horizontal analysis When financial statement like a balance sheet of a profit and loss account at a certain period only are analyzed the analysis is called vertical analysis. (Sarvanavel, 1983, p-29) In horizontal analysis a series of statements relating to a number of years are reviewed and analyzed. It is also known as dynamic analysis because it measures the change of position or trend of the business over a number of years this study is based on horizontal analysis. There are three steps in financial analysis. (Khan and Jain, 1998, p-89)

1. Selection of the information relevant to the decision under Consideration from the total information.
2. Arrangement of the selected information in way to highlighted significant relationships and
3. Interoperation and drawing of inferences and conclusions.

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

Ratio Analysis

Ratio analysis involves the methods of calculating and interrelating financial ratios to assess the firm's performance and status of the various methods of financial statements analysis. Ratio analysis is the powerful tool of financial analysis. A ratio is designed as the indicated quotient of two mathematical expressions and the relationship between two items. This type of relationship can be expressed as

- (i) Percentages
- (ii) Fraction and
- (iii) Proportion of numbers.

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

- A) Liquidity Ratio To examine liquidity position
- B) Profitability Ratio To examine the earning power
- C) Achieving (Utilization) Ratio To examine efficiency and utilization position
- D) Leverage Ratio To examine long term financial condition and debt servicing capacity
- E) Miscellaneous Ratios The ratios calculated on the basis of grouping and regrouping.

2.4 Review of the Related Studies & Journal

2.4.1 Review of Articles

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

Shrestha (1980), on “*Financial Management Theory Practice*” has concluded that the bank has sufficient liquidity to meet the claim of depositors (excluding fixed deposits). The bank has a highly geared capital structure and is more depending on borrower funds. The bank has been able to meet the interest on deposits out of its profits. The rate of return on ownership capital is favorable. He further suggested that operational efficiency should be enhanced to achieve its higher profit goal for better performance.

Pradhan (1994), in his research “*Financial Management practices in Nepal*” has studied about the major feature of financial management practices in Nepal. To address his issue, distributing a multiple questionnaire, which contains questions on various aspects of financial management practices in Nepal, carried out a survey of 78 enterprises. He found that, among the several finance functions, the most important finance function appeared to be working capital management. While, the least important one appeared to be maintaining good relations with stockholders. The finding reveals that banks and retained earnings are the two most widely used financing sources.

Most enterprises do not borrow from one bank only and they do switch between banks to whichever offers best interest rates. Most enterprises find that banks are flexible in interest rates and covenants. He further found that among the bank loans, bank loans of less than one year are more popular in public sector whereas bank loans of 1-5 years are more popular in private sector. In periods of tight money, the majority of private sector enterprises fill

that bank will treat all firms equally while public sector does not feel so. Similarly he concluded that the majority of enterprises in trade sector find that bank's interest rate is just right while the majority in non-traded sector find that the same is one higher side.

Pradhan (2006), in “ *Opportunities and Challenges on WTO Accession in Insurance and Banking and Financial Services in Nepal*” explained that Nepal is scheduled to open its banking sector to foreign competition by 2010 A.D. Banking community needs to accept the challenges and be prepared to enter into global market with proper strategic plan.

In order to grab the opportunities, banking sector need to explore geographical comparative advantage for providing financial services globally. International financial center could be established and explored. Similarly, in order to strengthen them domestic financial institutions and to expand the business, merger, acquisition, management contracts, technical service and management agreement can explored. Regional, Bilateral and multilateral integration have already created foundation for global integration which needs to be continuously strengthened in the future too.

The key of integration today is to accept fair competition and achieve development benefit. Therefore, the banking industry should be prepared to accept the challenges concerned and explore the opportunities contained there in by enhancing capital.

Pant (2006), in “*Nepal Membership in WTO and Financial Service Sector*” explain that Globalization and Liberalization have flourished across the world no longer it is choice but reality. A financial service is the key sector that underpins global economic growth and plays a major role in the development of infrastructure for trade in goods and services. Liberalization of trade in

goods and services, when undertaken in conjunction with transparent and strong regulatory regimes, benefits countries in many ways, with this said, there is mammoth proportion to gain for Nepal from the liberalization of the financial sector. But insurgency and the political instability have raised the risk for foreign investors to invest in the country. Risk rating of Nepal is at the highest degree.

Norris (2007), in “*Be Cautious While Licensing a New Foreign Bank*” studied about the possible impact of foreign banks setting up their branches here said if proper regulations are not made by Nepal Rasta Bank, then the Nepali banks stand to lose a lot. Banks have been assuming that when foreign banks come in, they will only be interests in wholesale lending. But if the right rules are not set in place, nothing will stop foreign bank, going into the retail sector. They might do it just to kill off competition and monopolies’ the Nepali retail sectors which is profitable given the number of bank making profit in retail business currently. The solution suggested is to adopted policies to prohibit foreign banks from entering the retail sector.

2.4.2. Review of Unpublished Dissertation:

Pyakurel (2008) has entitled, “*A Comparative Study on Financial Performance of Standard Chartered Bank and Nepal SBI Bank Limited.*” The main objective of this study is to analyse the comparative financial performance of two banks namely NSCB Ltd and Nepal SBI Bank Ltd. More specifically:

- To examine the trend of deposits and loan & advance of NSCBL and Nepal SBI Bank Ltd.
- To evaluate the liquidity, profitability, turnover, capital structure, market value and invisibility positions of NSCBL and SBI Bank Ltd.

- To analyse the relationship between MPS, DPS and EPS of NSCBL and SBI Bank Ltd.
- To suggest and recommend some measure, on the basis of comparative financial performance valuation and findings, for the improvement of the financial performance of NSCBL and SBI Bank Ltd., in the future.

He has used several tools such as: ratio analysis, trend analysis, and income and expenditure analysis, correlation analysis, hypothesis testing etc. for measurement of financial performance of these banks.

On the basis of using these tools the following findings have been made:

- The mean ratio of current assets to current liabilities of NSCBL is greater than that SBI bank. The study reveals that the current ratio of both banks is below the normal standard 2:1, which indicates unsatisfactory liquidity position.
- The analysis of cash and bank balance to current assets ratio and loan advance ratio indicates better liquidity position of SBI bank than NSCBL. And the study of mean ratio of EPS indicates NSCBL's success to generate more profit than that of SBI Bank .
- The mean ratio of loan and advance to total deposits of SBI bank is more successful in making use of amounts of deposits in loan and advance in comparison to that NSCBL.
- The average ratio of loan and advance to fixed deposits ratio shows that NSCBL is more efficiency in utilizes their fixed deposit than SBI bank.
- Similarly, operating income analysis shows that SBI bank on average has higher income from interest, exchange income and commission and discounts earned with consistency but has lower income from other income than that of SBI Bank.

Shrestha (2009), a study conducted on “ *Financial Performance of Nepal SBI Bank & Everest Bank Ltd*” . The main objectives of the study are as follows.

- To examine the financial position of the banks and analyze them to see the financial soundness of the banks.
- To observe the return over equity and relation between debt and equity
- To analyze the liquidity position of the banks
- To evaluate the bank’s efficiency in utilizing assets

She has also used the considerable assistance of Financial Ratios and Income and Expenditure analysis has been taken to measure the strength and weakness of the EBL and NSBIL.

On the basis of using difference tools the following are the major findings.

- Current Ratio of EBL and NSBIL looks satisfactory level. Both the Current Assets and Current Liabilities are in increasing trend during the study period of NSBIL however EBL has fluctuating.
- Cash and Bank balance to Current Assets ratio of both banks shows the consistent trend of the ratio during the study period of FY 2060/61 to FY 2064/65.
- Total investment to total deposit ratio during the study period of both banks have increment their investment out of deposit which is very good mobilization of deposit.
- The analysis of investment of government securities to current assets ratio shows the bank have maintain satisfactory level of investment to government securities.
- In the context of return on equity, the bank has been able to maintain satisfactory level of ROE. However, the mobilization of equity capital has increased in last year of study period which shows the efficiency increased by the bank.

- The coefficient of correlation between total outside assets (independent) and net profit (dependent) of EBL indicates positive correlation between these two variables.
- The coefficient of correlation between deposit (independent) and total value of EBL and NSBIL shows positive relationship between two variables

Rana (2009) has conducted a study of “*Investment Policy of Commercial Banks (With reference to NABIL Bank Ltd and Nepal Investment Bank Ltd)*” her study here has been with a view to examine the dividend policy of these banks in Nepal.

The main objective of the study is to assess the investment policy and strategy followed by the bank with reference to Nabil Bank Ltd and NIBL. The main objectives of this study mentioned below:

- To analyse the deposit utilization for five years of NABIL & NIBL.
- To find out relationship between total investment, deposit, loan & advance and net profit
- To evaluate the liquidity, efficiency, risk position and profitability of the selected banks.
- To analyse the financial position of NABIL and NIBL in terms of deposit collection and investment procedure.
- To suggest and recommend on the investment policy of sample banks.

He has used several tools such as: different types of ratio analysis, Statistical tools (Arithmetic Mean, Standard Deviation, Coefficient of Variation, and Correlation Coefficient etc.), and trend analysis for measurement of financial performance of these banks. On the basis of using these tools the following findings have been made:

Major findings of the study

- It is found from the study that the amount of total deposit collected by Nabil Bank in each year during 5 years of the study period is higher than

that of NIBL. Similarly, investment to total deposit ratio and the amount of total Investment made by Nabil Bank for the same period is also higher.

- Nabil Bank has given more priority on investment and loan and advances. Hence it has maintained lower liquidity than NIBL. Nabil Bank has accepted higher level of interest rate risk rather than credit risk. Overall profitability ratio of Nabil Bank shows that it has earned higher profit than NIBL.

- The study has found that total deposit and loan and advances and investment of the selected bank will be in increasing trend if other things remain constant. But it is also found that Net profit of the Nabil Bank will be in decreasing trend from 2010 onward.

- There is positive relationship between deposit and loan & advances and deposit and investment of the selected bank. The study also found that increase in net profit of Nabil Bank is not caused by the increase in outside assets as it has

negative relationship between outside assets and net profit but in the case of NIBL increase in net profit depends upon increase in outside assets.

Shakya (2010) has conducted a study of, “*Financial Performance of Nepal SBI Bank Limited and Everest Bank Limited*” as a Master’s thesis March, 2010. Shakya concluded this study with the basic objective of examining the financial statement of the bank and analysed them to see the financial soundness of the bank. Other objectives are:

- To observe the return over the equity.
- To highlight the relationship between different variables.
- To provide suggestions from findings.

He has used several tools such as: ratio analysis, trend analysis, and income and expenditure analysis, correlation analysis, hypothesis testing etc. for measurement of financial performance of these banks. On the basis of using these tools the following findings have been made:

Based on this analysis his major findings are as below:

- Current ratio of both of the banks showed slightly fluctuating trend. Both of the banks could not maintain the conventional standard of 2.1. However, the average of the ratios appeared higher in NSBIBL, which signifies that NSBIBL is more capable of meeting immediate liabilities in contrast to EBL.
- Average cash and bank balance to current and saving deposits ratios of Everest Bank Ltd. Appeared greater than that NSBIBL. It indicates that of EBL is better than that of NSBIBL.
- Debt-equity ratio in both of the banks depicted the employment of debt to tie greater extent in their capital comparatively, capital financial market and nature of competitions.
- Mean cash and bank balance to total deposit ratio remained higher in EBL which reveals that the greater portion of the deposit was held for immediate payment in EBL.
- Mean fixed deposit to the total deposit ratio came higher in NSBIBL. It means that NSBIBL can grasp the opportunity of investing the fund in more profitable sectors like long-term loans.
- In NSBIBL, earning compared to the total deposit accumulated could not grow proportionately. Therefore, NSBIBL is suggested to invest in other current assets rather than in the low yielding Treasury bill on which interest has significantly declined at present.

Poudyal (2010) has conducted a study of “ *A Comprehensive Study on Financial Performance (With reference to Nepal SBI & Nepal Bangladesh Bank)* ” his study here has been with a view to examine the financial strength and weaknesses of Nepal Bangladesh Bank and Nepal SBI Bank Ltd.

The objectives can also be highlighted as under:

- To see the financial performance through the use of appropriate financial tools.
- To highlight various aspects relating to financial performance of Nepal SBI Bank Ltd and Nepal Bangladesh Bank Ltd. For the period of 5 year.
- To see the cause of changes in cash position of the two banks and their cause and effect to the financial market and their assets, dividend position and market price per share and DPS.
- To suggest and recommend both the banks to improve their financial performance.

He has used several tools such as: different types of ratio analysis, Statistical tools (Arithmetic Mean, Standard Deviation, Coefficient of Variation, and Correlation Coefficient etc.),and Trend analysis for measurement of financial performance of these banks. On the basis of using these tools the following findings have been made:

Based on this analysis his major findings are as below:

- The analysis of cash and bank balance to total deposit ratio indicates that the NSBI is more competent in payment of deposits. The company has more liquidity maintained than NBBL.
- It can be found that the average rate of cash balance of NBBL is greater than NSBI. This indicates that the position of liquidity of NBBL is stronger and NBBL has deposited excess cash in NRB. It is found that the average NRB balance to fixed deposit ratio of NBBL is higher than the NSBI and NSBI has lower fixed deposit as compared to NBBL.
- The average ratio of NSBI is greater than NBBL which shows the favorable capital adequacy ratio. It is found that the debt ratio of NBBL is more consistent than the NSBI. This ratio is increasing in last two year of NSBI but it is more consistent in the NBBL. It shows that NSBI is riskier and may fail to satisfy the creditors.

- The total deposit of both bank are in increasing trend but the increasing percentage of NSBI is higher than the NBBL.

Shrestha (2010) has conducted a study of, “*A Study on Financial Performance of Agriculture Development Bank Nepal ltd*” as a Master’s thesis Dec, 2010. Shrestha concluded this study with the basic objective of examining the financial statement of the bank and analysed them to see the financial soundness of the bank. Other objectives are:

- To analyze liquidity, leverage, profitability and ownership ratios of the bank.
- To examine the income and expenditure statements of the bank.
- To identify the deposit and loan and advances.
- To examine the areas on which the banks have been utilizing their assets through the analysis of their financial performance.
- To assess the fund mobilization and investment areas of the banks, which would contribute to draw their core strengths and areas to be worked on.

He has used several tools such as: ratio analysis, trend analysis, and income and expenditure analysis, correlation analysis etc. for measurement of financial performance of this bank. On the basis of using these tools the following findings have been made:

Based on this analysis his major findings are as below:

- The current ratio analysis of the bank over the five years period indicates that the bank is unable to meet its short-term obligations. In over all, the bank has poor liquidity position.
- The analysis indicates that ADBNL has greater capacity to meet its daily customers cash requirement but it also indicates that the bank is

unable to utilize the cash and bank balance due to the high cash and bank balance to current assets ratio.

- Loan and advances to current ratio indicates that the high portion of current assets is disbursement as loan and advances. It shows the bank is sufficiently mobilizing their fund.
- Cash and bank balance to current and saving deposit fluctuated over the study period. It can be observed that ADBNL may not be able to meet its immediate obligation as the bank balance.
- Cash and bank balance to total deposit ratio of ADBNL shows its liquidity position was weak over the five year of study period but the bank has invested large amounts in various sectors.
- Saving deposit to total deposit ratio shows that the bank has collected deposit more than 50% as saving deposit over the study period of five years. Loan and advance to total deposit ratio is in increasing trend. As per banking practice, banks maintain the ratio 70-75% so, the ratio is slightly high. It shows the bank is successfully utilizing its funds.

2.5 Research Gap

The review of above relevant literature has contributed to enhance the fundamental understanding and knowledge, which is required to make this study meaningful and purpose. There are various researchers conduct on lending practice, financial performance and credit management of commercial bank. Most of these studies are of comparative type and covers only five years of study period. Comparing of the firms from the same industry makes the sense but at the same time the individual firm may have its own strategy for business. In such a case comparative study may mislead the researcher. So, this is the exclusive study of Agriculture Development Bank Limited with 7 years of study period.

The purpose of this research is also to develop some expertise in one's area, to see what new contribution can be made and to receive some ideas, knowledge and suggestions in relation to comparative financial performance of development bank. Thus, the previous studies can be ignored because they provide the foundation to the present study to meet its objective. The main objective of the research is to analyze whether the sample bank has right level of profitability, Liquidity and ability to utilize resources effectively or not. For this various financial & statistical tools are used. Therefore this study is expected to be useful to the concerned bank as well as different persons such as share holders, invertors, policy makers, state of government etc.

CHAPTER-THREE

RESEARCH METHODOLOGY

3.1 Introduction :

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

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

3.2 Research Design

Research design is a basic plan, which guides the data collection and analysis phases of the project. It is a frame work, which specifies the type of information to be collected, the resources of data collection procedure. It the plan, structure and strategy of investigations conceived so as to obtain answer to research question and to control variance. The research design allows the researchers to take an appropriate measure and direction towards the predetermined goals and objectives. The research design is analytical and descriptive in nature. Research design is the plan, structure and strategy of investigation. A research design, bearing the techniques and systematic steps of research, help to collect various

information required to researchers, thesis writing or any investigation. The research design is functional process on researches is never achieved. The research study examined the fact and postulates certain frame work or details and supplies the important information on subject matter. This study entitles “Financial Analysis of Agricultural Development Bank Limited.” Deals with the performance or analysis of Agriculture Development Bank. So descriptive research has been applied in some primary information and analytical research is applied for the analysis of financial information.

3.3 Population and Sample:

Among 32 Banks of Nepal, Agricultural Development Bank is one of the largest development bank established for the financial support for different level of people. It is only one agricultural development bank in Nepal. This is a case study of ADBL.

3.4 Data Collection Procedure:

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

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

- Annual financial reports of ADBL
- ADBL’s publications i.e., Bank Samachar, Agricultural Credit, Bio-annual Journal. Etc.
- Annual Budget of ADBL
- Unpublished records of Agricultural Development Bank.

- Magazines and News Papers.
- Loonies and officials.
- Central library ,
- Website of ADBL

3.5 Data Period Covered

This study covers a period of seven years from FY 2061/62 to 2067/68. This analysis is done on the basis of the secondary data and views of financial executives and customers of Agriculture Development Bank Limited.

3.6 Method of Analysis :

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

3.6.1 Financial Tools/Analysis:

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

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

A) Ratio Analysis

Ratio Analysis is a tool used by individuals to conduct a quantitative analysis of information in a company's financial statements. It is the part of whole process of analysis of financial statement of every financial institution,

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

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

Ratio analysis is a widely used tool of financial analysis. It is defined as the systematic use of ratio to interpret the financial statements so that the strength and weaknesses of a firm as well as its historical performance and current financial condition can be determined. It is the technique of analysis and interpretation of financial statement. To evaluate the performance of an organization by creating the ratio from the figure of different accounts consisting in balance sheet and income statement is known as ratio analysis. It provides guideline especially in spotting trends towards better or poor performance and in financing of significant deviation from average or relatively applicable standard. (Dangol, 1997). A ratio is defined as an indicated quotient of two mathematical expressions and is the relationship between two or more thing. (Van Horn, James, 1997). So we can say that it helps to the researcher to make qualitative judgment about the firm's financial condition, position and performance.

Ratio analysis is the process of determining and interpreting numerical relationships based on financial statement. A ratio is a statistical yard that provides measures of relationship between two variables. This relationship can be expressed as percent (Cost of good sold as a percentage of sales) or as a quotient (current assets as a certain number of times the current liabilities). (Kuchhal, 1979, p-22)

In financial analysis, a ratio is used as an index or yardstick for evaluating the financial position and performance of a firm. The absolute accounting figures reported in the financial statements don't provide a meaningful understanding of the performance and financial position of a firm. An accounting figure conveys meaning when it is related to some other relevant information.

The relationship between two accounting figures, expressed mathematically, is known as financial ratio (or simply as a ratio). Ratios help to summarize large quantities of financial data and to make qualitative judgment about the firm's financial performance. (Panday, 1999, p-109)

Ratio analysis satisfies the interest on investors, creditors, government, institution and other to from their opinions for enabling them to have guideline towards effective decision making. (Pro. Dr. Shrestha, 1980)

Ratio analysis is widely used and an important part of financial analysis. Interest result about company's financial performance can be achieved by using ratio analysis. Thus, various interest group i.e. owners, creditors, investors and outside analysis use ratios to find out about the financial position of the organization. From the help of ratio analysis, the qualitative judgment can be done regarding financial state of a firm. There are a lot of financial ratios and people use different type of ratio depending upon their interest and needs. A single ratio in itself is not meaningful because it does not indicate the favorable or unfavorable condition. It should be compared with some standard or between different years to analyze financial position. Therefore this study includes the following, which are related to financial analysis of the bank.

i) Current Ratio

A liquidity ratio that measures a company's ability to pay short-term obligations. It is the relationship of current assets and current liabilities of firm current assets are those assets, which can be converted into cash with in short period of time. Current liabilities are those items, which have to pay within one

year. Current ratio measures paying ability of short-term debt of the firm. Higher the current ratio better is the liquidity position. Traditionally, 2:1 is standard ratio, but it is a conservative outlook about the coverage of current liabilities. Current ratio is calculated by dividing current assets by current liabilities.

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

Where,

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

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

ii) Quick Ratio

An indicator of a company's short-term liquidity. The quick ratio measures a company's ability to meet its short-term obligations with its most liquid assets. Quick ratio establishes a between liquid assets and current liabilities. It measures the short term liquidity of the firm but it emphasis the instant debt paying capacity of the firm. This ratio is very useful to measuring the liquidity position of the firm. Quick ratio equal to 1:1. A high quick ratio is indicates that the firm is liquid and has ability to meet its current liabilities in time. The higher the quick ratio, the better the position of the company

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

Where,

Quick Assets = Current Assets – Inventory – Prepaid

iii) Cash and Bank Balance to Deposit Ratio:

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

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

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

iv) Current Assets to Deposit Ratio:

This ratio measures the percentage of total deposit to current deposit. Higher ratio shows the higher deposit by current assets. This ratio calculated by dividing current assets to total deposit.

$$\text{Current Assets to Total Deposit Ratio} = \frac{\text{Current Assets}}{\text{Total Deposit}}$$

v) Cash and Bank to Current Assets Ratio

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

$$\text{Cash and Bank Balance to Current Assets Ratio} = \frac{\text{Cash and Bank Balance}}{\text{Current Assets}}$$

B) Capital Structure Ratio:

i) Debt to Total Capital Ratio:

This ratio shows the relationship between capital structure and long term debt to total capital employed. Its formula is as below:

$$\text{Debt to Total Capital Ratio} = \frac{\text{Long Term Debt}}{\text{Total Capital}}$$

Where,

Total capital = Long term debt + Share holder's fund

Long term debt = Debenture, bonds, mortgage loan and all long term loan

ii) Debt to Equity Ratio:

This ratio refers to the relationship between debt and equity. This ratio measures the relative claims of creditors and owners against the assets of the firm. This ratio calculated by dividing the long-term debt by shareholders equity.

$$\text{Debt to Equity Ratio} = \frac{\text{Long Term Debt}}{\text{Shareholder Equity}}$$

iii) Long-term Debt to Total Assets Ratio:

This ratio refers to the relationship between long-term debt and total assets competing between the how total assets to be suit with the long term fund or capital and how total assets can be purchase in connection to long term fund. This ratio is calculated by dividing long term debts by total assets.

$$\text{Long-term Debt to Total Assets Ratio} = \frac{\text{Longterm Debt}}{\text{Total Assets}}$$

iv) Shareholders Equity to Total Assets Ratio:

This ratio measures the relationship between the shareholder's equity and total assets. This ratio says how the assets to be purchased in comparison with the shareholder's equity? Neither more nor less purchase of assets is good to the business because the role of assets in business management is very valuable to

generate the profit. Shareholder's equity to total ratio calculated by dividing Shareholder's equity by Total Assets.

$$\text{Shareholder's Equity to Total Assets Ratio} = \frac{\text{Shareholder's Equity}}{\text{Total Assets}}$$

C) Profitability Ratio:

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

i) Return on Assets Ratio:

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

This ratio is calculated by using the following formula.

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

ii) Net Profit to Outstanding Ratio:

This ratio shows the relationship between net profit and total outstanding.

$$\text{Net Profit to Outstanding Ratio} = \frac{\text{Net Profit}}{\text{Outstanding}} \times 100$$

iii) Net Profit After Tax to Total Operating Income Ratio:

This ratio measures the relationship between Net Profit after tax or loss and the total operating income. Total operating income includes tax amount. So tax

amount will be dedicated from total operating income, this ratio represent the tax amount or tax ratio with total operating. The formula is given blow:

$$\text{NPAT to Total Operating income Ratio} = \frac{\text{NPAT}}{\text{Total Operating Income}}$$

iv) Overhead Cost Ratio:

$$\text{Overhead Cost Ratio} = \frac{\text{Administrative Expenses}}{\text{Loan Outstanding}} \times 100$$

v) Total Interest Income on Investment to Total Income Ratio:

This ratio shows the relation between total interest income on investment and total income of firm. In the financial institution, like bank interest income. It is a vital source of earning. Total income includes the interest income on loans too. Interest income on loans to total income ratio refers how is the condition of interest income on loan to the total income. The formula of it is given below.

Total Interest Income on Investment to Total Income Ratio =

$$\frac{\text{Total Interest on Investment}}{\text{Total Income}}$$

vi) Operating Self-sufficiency Ratio:

This ratio shows bank's income (interest) with respect to the operating cost. It is the preparation of efficiency i.e. income comparison with operating cost. This can be presented as, (Higher the ratio shows bank can earn more than cost)

$$\text{Operating Self-sufficiency Ratio} = \frac{\text{Total Income}}{\text{Operating Cost}}$$

Where,

Operating Cost = Administrative expenses, interest expanses, indirect interest expenses, loan loss provision etc.

D) Operating Ratio

i) Operating Cost Ratio:

This ratio indicates how much cost is incurred when providing loan. Thus the ratio can be stated as,

$$\text{Operating Cost Ratio} = \frac{\text{Operating Cost}}{\text{Total Loan Portfolio}}$$

Lower the ratio shows efficient position of bank and vice-versa.

ii) Total Operating Income to Total Assets Ratio:

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

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

iii) Total Operating Expenses to Total Assets Ratio:

Total operating expenses to total assets ratio measures the relationship between the total operating expenses and total assets. This ratio can be calculated by using the following formula.

$$\text{Total operating expenses to total assets ratio} = \frac{\text{Total Operating Expenses}}{\text{Total Assets}}$$

Where,

Total operating expenses = Office expenses, staff expenses, interest expenses and other expenses

iv) Total Operating expenses to total Operating Income Ratio:

This ratio shows the relationship between total operating expenses and total operating income. This ratio finds how interrelationship is between the operational expenses to operational income. The formula of it is given below,

$$\text{Operating Expenses to Total Income Ratio} = \frac{\text{Total Operating Expenses}}{\text{Total Operating Income}}$$

v) Interest Paid on Total Deposit to Total Expenses Ratio:

This ratio shows the relationship between interest expenses on deposit and total expenses of financial institution. A total expense refers to their sustainability of every financial institution. We all know that less expense represents the viability of the organization and deposit is the main source of fund collection. This ratio can be measured by using the following formula.

$$\text{Interest Paid on Total Deposit to Total Expenses Ratio} = \frac{\text{Interest Paid on Total Deposit}}{\text{Total Expenses}}$$

vi) Interest Paid on Borrowing to Total Expenses Ratio:

This ratio shows the relationship between interest paid on total debt and total borrowing. Borrowing is the important source of fund collection i.e., capital structure. It is paid with interest after certain maturity period. This ratio can be calculated by using the following formula.

$$\text{Interest Paid on Borrowing to Total Expenses Ratio} = \frac{\text{Interest Paid on Borrowings}}{\text{Total Expenses}}$$

vii) Interest Expenses to Interest Income Ratio:

This ratio measures the utilization of outsider's fund for investment activities. This ratio can be calculated by using the following formula.

$$\text{Interest Expenses to Interest Income Ratio} = \frac{\text{Interest Income}}{\text{Interest Expenses}}$$

Higher ratio indicates that the bank has to paid higher amount of interest on liabilities relating to interest income and vice-versa.

E) Risk Ratio:

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

i) Total Overdue to Total Outstanding Ratio:

Overdue amount is one of the very harmful amounts of every bank or financial institution. Every financial institution's viability depends on their overdue loan amount. If overdue loan is high, bad debts will increase thereafter non-performing assets can be increased, repayment rate will be low, operation expenses may be high in comparison to the interest collection etc. If the firm wants to improve their sustainability in financial terms, they must upgrade their collections by using reduction policy of overdue outstanding. The formula of this is given below.

$$\text{Total Overdue to Total Outstanding Ratio} = \frac{\text{Total Overdue}}{\text{Total Outstanding}}$$

ii) Non-performing Loan to Outstanding Ratio (Credit Risk Ratio):

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

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

iv) Total Non-performing Interest to Total Outstanding Ratio:

This ratio refers to the relationship between total non-performing interest and total outstanding. Increment of non-performing interest is not good for business so, it should be reduced. This ratio helps to make strategy for reduction of non-performing interest.

Total Non-performing Interest to Total Outstanding Ratio =

$$\frac{\text{Total Non – performing Interest}}{\text{Total Outstanding}}$$

v) Total Non-performing Assets to Total Assets Ratio :

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

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

Total Non-performing Assets to Total Assets Ratio =

$$\frac{\text{Total Non – performing Assets}}{\text{Total Assets}}$$

Where,

Total NPA= Inactive overdue loan, Inactive interest receivable, non-banking assets etc.

vi) Loan Loss Provision to Loan Outstanding Ratio:

This ratio shows the possibility of loan default of a bank. It indicates how efficiently it manages its loan and advances and makes efforts for loan

recovery. Higher ratio implies higher portion of non-performing loan in total loan and advances. The formula is given below.

$$\text{Loan loss provision to loan Outstanding Ratio} = \frac{\text{Loan Loss Pr ovision}}{\text{Loan Outs tan ding}}$$

3.6.2. Statistical Tools

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

i) Average/Mean:

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

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

$$\bar{X} = \frac{\Sigma X}{N}$$

Where,

\bar{X} = Arithmetic average

ΣX = sum of total values of the variables

N= Number of items

ii) Standard Deviation:

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

$$\sigma = \sqrt{\frac{\sum d^2}{n}}$$

Where,

σ = Standard deviation

$\sum d^2$ = Sum of the square of deviation taken from mean

n = Number of items

iii) Co-efficient of variation:

The co-efficient of variation is the corresponding relative measure of dispersion, comparable across distribution, which is defined as the ratio of the standard deviation to the mean expressed in resulting percentage. . 22

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

$$C.V. = \frac{\sigma}{X} \times 100$$

Where,

C.V. = Co-efficient of variation

σ = Standard Deviation

\bar{X} = Mean/Average

iv) Time Series/ Trend Analysis:

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

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

Trend analysis is one of the useful tools in making a comparative study of the financial statements of number of years. It describes the average relationship between two series where the one series relates to time and the other series to the value of a variable. It is generally shows that the line of the best fit/ or straight line is obtained or not. The line of the best fit describes the changes in

a given series accompanying a unit change in time. In another word we can say that it gives the best possible mean values of dependent variable for a given value of independent variable. Here, trend analysis is used as time series analysis based on time. For the calculation of the line of the best fit, the following equation should be used.

$$Y_c = a + bx$$

Where,

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

a = constant value

b = slope of line or rate of change

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

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

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

$$b = \frac{n\sum xy - \sum x \sum y}{n\sum x^2 - (\sum x)^2}$$

Where,

$\sum x$ = Sum of the observation in series x

$\sum y$ = Sum of the observation in series y

$\sum xy$ = Sum of the observation in series x and y.

$\sum x^2$ = Sum of the square observation in series x .

The calculation is used to compare the overall performance of different selected financial companies during the study period this projection for next five years.

Under this topic the following sub-topic has been presented.

- I. Trend analysis of loan investment
- II. Trend analysis of principal collection
- III. Trend analysis of outstanding

- IV. Trend analysis of interest receivable
- V. Trend analysis of net profit after tax
- VI. Trend analysis of total deposit.
- VII. Trend analysis of loan loss provision
- VIII. Trend analysis of long term debt
- IX. Trend analysis of shareholders equity
- X. Trend analysis of banking commission and discount

CHAPTER-FOUR

PRESENTATION AND ANALYSIS OF DATA

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

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

4.1 Financial Analysis:

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

Various financial ratios related to the investment management and the fund mobilization are presented and discussed to evaluate and analyze the performance of ADBL. Some important financial ratios are only calculated here for fund mobilization and investment policy. The ratios are designed and

calculated to highlight the relationship between financial items and figures. It is a kind of mathematical relationship and procedure dividing one item by another.

4.1.1 Ratio Analysis:

Ratio analysis is widely used and important tool of financial analysis. Ratio analysis shows the mathematical relationship between two accounting figures. Interest result about company's financial performance can be found out by using ratio analysis. It helps to analyze the financial strength and weakness of the banks. From the help of ratio analysis, the qualitative judgment can be done regarding financial state of a firm. It is also concerned without output and credit decision.

A) Liquidity Ratio:

Liquidity ratios are applied to measure the ability of the banks to meet short-term obligation. Agricultural Development Bank Limited must maintain its satisfactory liquidity position to satisfy the credit needs of community, to meet demands for deposit with drawls, pay maturity obligation in time and convert non-cash assets to cash to satisfy immediate needs without loss to bank and consequent input on long-run profit. The liquidity ratios are analyzed as follows:

i) Current Ratio:

This ratio measures the liquidity position of the bank. It indicates the ability of bank to meet the current liquidity.

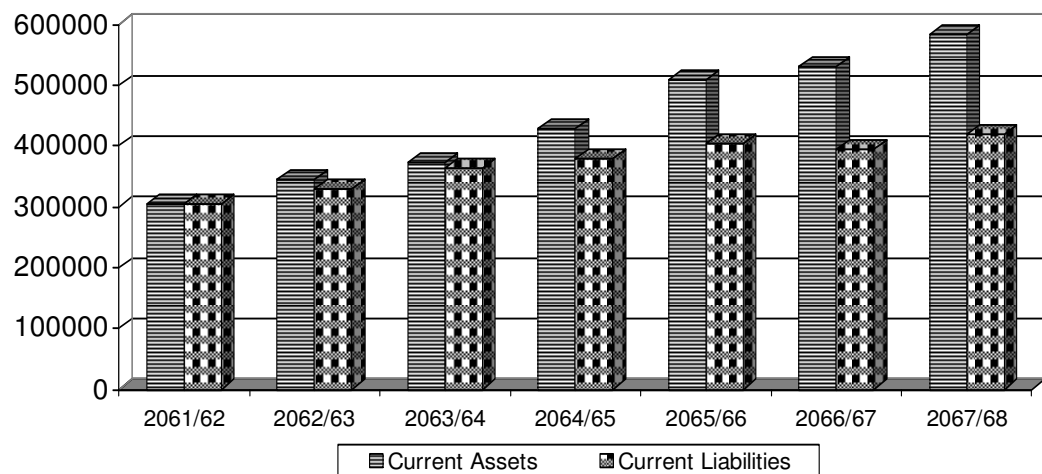
Table No. 4.1
Current Assets, Current Liabilities and Current Ratio of ADBL

(in Rs. 00000)

Year	Ratio	Current Assets	Current liabilities
2061/62	1.00	304068	304866
2062/63	1.04	344155	330783
2063/64	1.03	373713	363784
2064/65	1.14	429056	377788
2065/66	1.26	510154	404216
2066/67	1.35	530515	393752
2067/68	1.39	582185	418913
Mean	1.17		
S.D	0.16		
C.V	13.67		

Source: Appendix 1

Figure No. 4.1
Current Assets and Current Liabilities of ADBL



Source: Table No. 4.1

The liquidity position of the bank is not good because the current ratios of the different years are not meet to the standard. Higher current ratio means the better liquidity position. 2:1 considered to be an adequate ratio. Current assets and current liabilities manage the current ratio. It is necessary that every business entity must manage the good liquidity position.

There is a fluctuation in this ratio. The highest ratio is 1.39 and the lowest is 1 in FY 2067/68 and 2061/62 respectively. The mean ratio is 1.17. Similarly, the S.D. is 0.16 and C.V. is 13.67%. The above analysis helps to conclude that the current ratio of ADBL is below than normal ratio. But it can't say that the liquidity position of ADBL is not good because this ratio only indicates the quantity and not the quality of assets and it doesn't explains the types of current assets.

ii) Quick Ratio:

Quick ratio shows the relationship between liquid assets and current liabilities. It measures the short-term liquidity of the bank but it emphasis the instant debt paying capacity of the bank. The following table shows the quick ratio of ADBL.

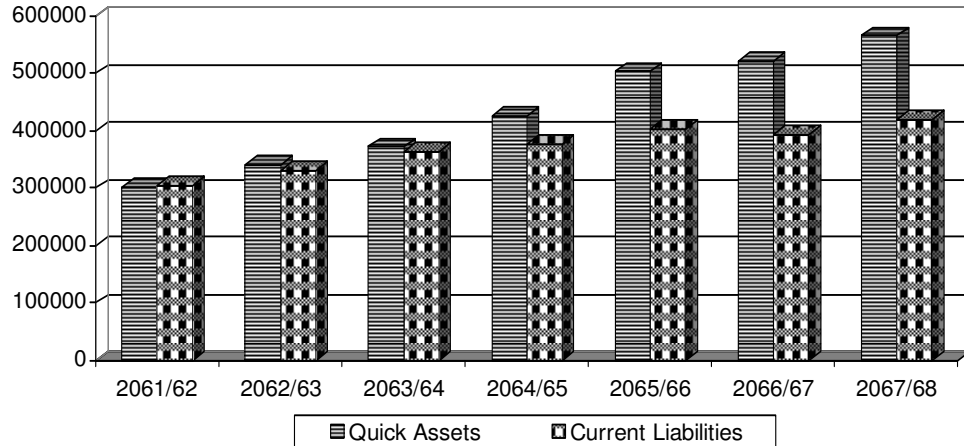
Table No. 4.2
Quick Assets, Current Liabilities and Quick Ratio of ADBL

(in Rs. 00000)

Year	Ratio	Quick Assets	Current liabilities
2061/62	0.99	301795	304866
2062/63	1.03	340543	330783
2063/64	1.02	371897	363784
2064/65	1.12	424829	377788
2065/66	1.24	503012	404216
2066/67	1.32	520046	393752
2067/68	1.35	565356	418913
Mean	1.15		
S.D	0.15		
C.V	13.04		

Source: Appendix 1

Figure No. 4.2
Quick Assets and Current Liabilities of ADBL



Source: Table No. 4.2

There is an increasing trend in this ratio. The highest ratio is 1.35 in FY 2067/68, and the lowest ratio is 0.99 in FY 2061/62. The mean ratio is 1.15. The standard quick ratio is 0.15. The calculated ratios are below the normal standard, it is duly satisfactory. The standard deviation and covariance is 0.15 and 13.04% respectively.

iii) Cash and Bank Balance to Total Deposit Ratio:

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

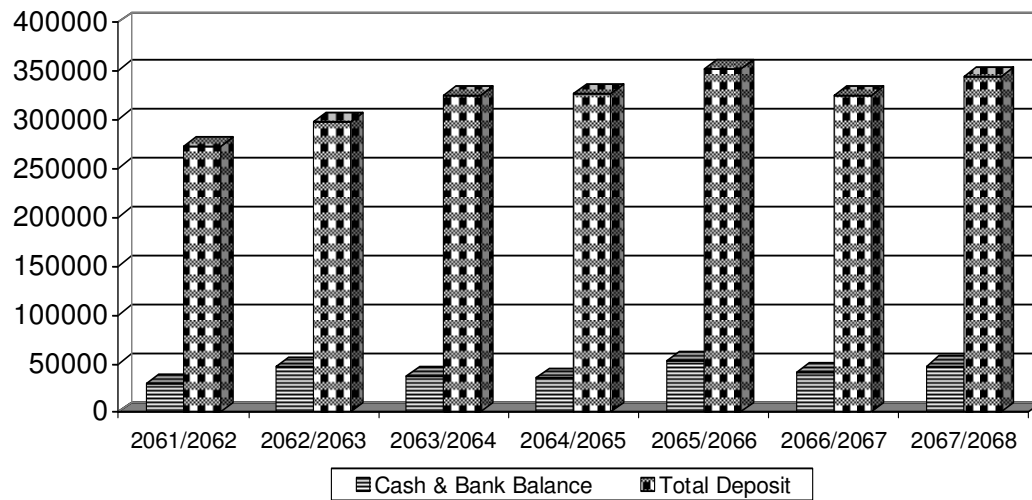
Table No. 4.3
Cash, Bank Balance, Total Deposit and Bank Balance to Total Deposit
Ratio of ADBL

(in Rs. 000)

Year	Ratio	Cash & Bank Balance	Total Deposit
2061/62	11.15	30350	272230
2062/63	16.10	47717	296319
2063/64	11.38	36893	324164
2064/65	11.13	36240	325538
2065/66	14.81	52077	351596
2066/67	12.82	41614	324726
2067/68	13.98	48090	343946
Average	13.05		

Source: Appendix 1

Figure No. 4.3
Cash, Bank Balance and Total Deposit (%) of ADBL



Source: Table No. 4.3

Table no: 4.3 shows the cash and bank balance to total deposit including compulsory savings and client security funds of ADBL. Table 4.3 reveals that the cash and bank balance to total deposit ratio of ADBL is in fluctuating trend. The highest ratio is 16.10% and lowest is 11.13% in FY 2062/63 and 2064/65 respectively. The mean ratio is 13.05.

iv) Total Deposit to Current Assets Ratio:

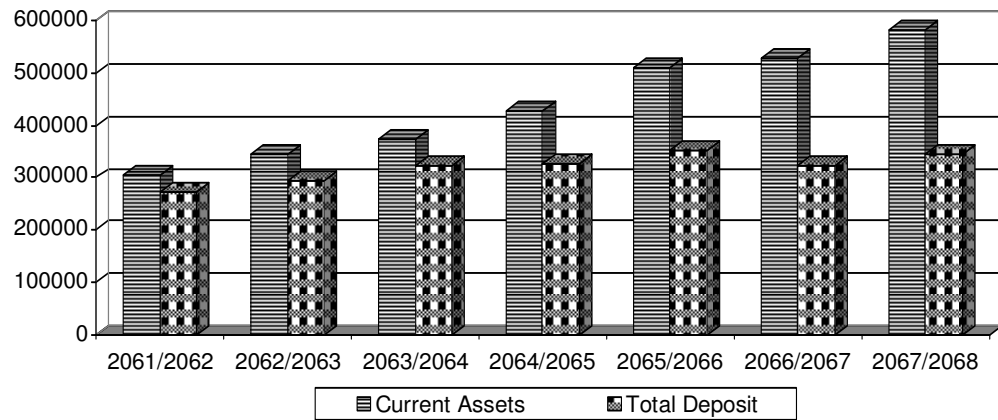
This ratio shows the relationship between current assets and total deposits excluding fixed deposits, which indicates the availability of current assets to pay out non-fixed deposits. The following table shows the current assets, total deposit, ratio and its mean.

Table No. 4.4
Total Deposit, Current Assets and Deposit to Current Assets
(in Rs. 00000)

Year	Ratio	Current Assets	Total Deposit
2061/62	1.12	304068	272230
2062/63	1.16	344155	296318
2063/64	1.15	373713	324164
2064/65	1.32	429056	325538
2065/66	1.45	510154	351596
2066/67	1.63	530515	324726
2067/68	1.69	582185	343946
Average	1.36		

Source: Appendix 1

Figure No. 4.4
Total Deposit and Current Assets of ADBL



Source: Table No. 4.4

Table no: 4.4 reveals that total deposit ratio to current assets ratio of ADBL. The Table shows the fluctuating trend in ratio. The current assets is increasing but the total deposit is in fluctuating trend. The highest ratio is 1.69 in FY 2067/68 and the lowest one is 1.12 in FY 2061/62. The average mean is 1.34.

v) Cash and Bank Balance to Current Assets Ratio:

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

Table no: 4.5 states that cash and bank balance to current assets of ADBL during the study period.

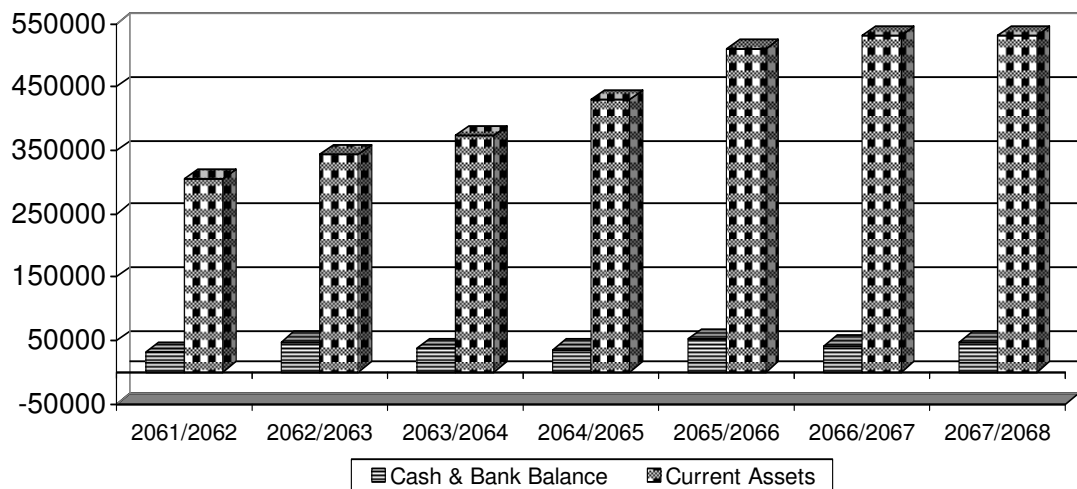
Table No. 4.5
Cash and Bank Balance to Current Assets Ratio

(in Rs. 00000)

Year	Ratio	Cash & Bank Balance	Total Current Assets
2061/62	9.98	30350	304068
2062/63	13.86	47717	344155
2063/64	9.87	36893	373713
2064/65	8.45	36240	429056
2065/66	10.21	52076	510154
2066/67	7.84	41614	530515
2067/68	9.06	48090	530515
Average	9.90		

Source: Appendix 1

Figure No. 4.5
Cash and Bank Balance and Total Current Assets



Source: Table No. 4.5

The table no: 4.5 shows that cash and bank balance to current ratio of ADBL is in fluctuating trend. The highest ratio is 13.86% in FY 2062/63 and the lowest one is 7.84% in FY 2066/67. The ratio is 9.98%, 13.86%, 9.87%, 8.45%,

10.21% , 7.84% ,9.06%is in FY 2061/62, 2062/63, 2063/64, 2064/65, 2065/66, 2066/67, 2067/68 respectively.

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

B) Capital Structure Ratio:

i) Debt to Total Capital Ratio:

This ratio shows the relation between long-term debts to capital ratio. Long-term debt and capital are simply transformation of each other. To measure the relative proportion of outsider’s fund and shareholder’s fund in the firm, this ratio is calculated. This ratio represents the relation of debt fund and share capital.

Table No. 4.6
Long-term Debt to Permanent Capital Ratio

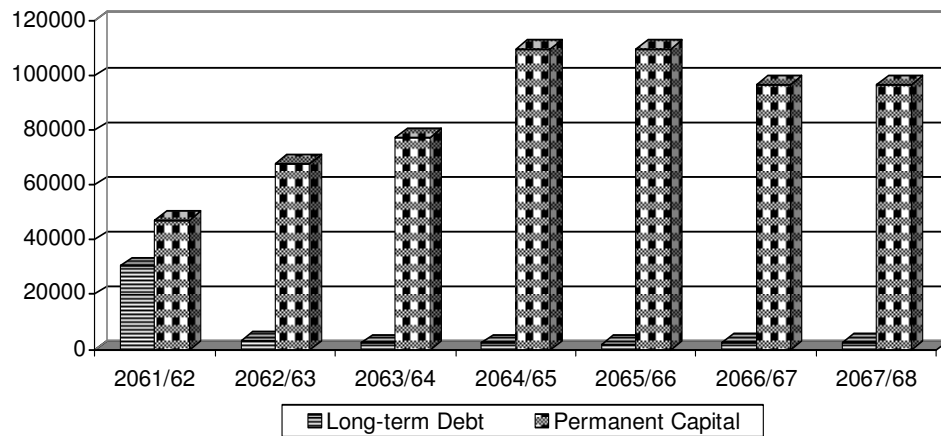
(In Rs. 00000)

Year	Ratio	Long-term Debt	Permanent Capital
2061/62	64.38	30323	47099
2062/63	4.94	3365	68145
2063/64	2.89	2239	77519
2064/65	1.89	2073	109848
2065/66	1.81	1983	109758
2066/67	2.68	2596	96971
2067/68	2.52	2437	96812
Average	11.59		

Source: Appendix 1,3&4

Figure No. 4.6

Long-term Debt and Permanent Capital of ADBL



Source: Table No. 4.6

Table no: 4.6 shows the long-term debt and permanent capital (shareholder's equity, long-term debt) of ADBL. This ratio seems to be in fluctuating trend. The highest ratio is 64.38 in FY 2061/62 and lowest one is 1.81 in FY 2065/66 and average is 11.59%.

This ratio seems to be quite satisfactory level. The borrowings (especially external borrowing) has been reduced in expect to its previous record. The fixed deposit (which is assumed here as a portion of long-term liability) should be increase. On the other hand, owner's equity has been increased . It seems to have optimal structure.

ii) Debt to Equity Ratio:

This ratio is simply transformation of each other. This ratio is calculated to measure the relative proportion of outsider's fund and shareholder's fund invested in the firm. Debt to equity ratio represents the relation of debt fund and the share capital. This measures the volume of two capital sources and also says the capital sources are weighty.

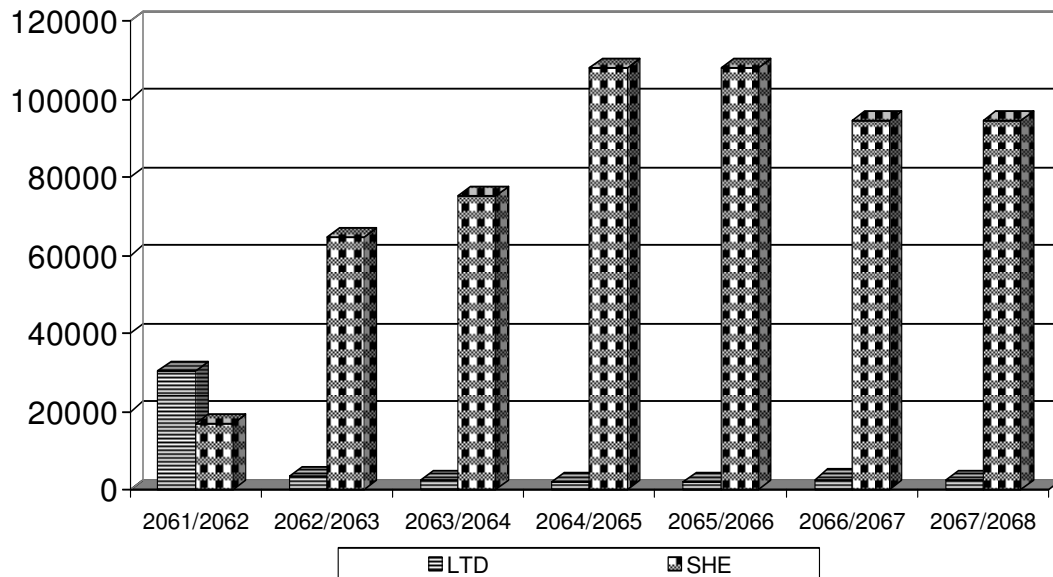
Table No. 4.7
Long-term Debt to Shareholder's Equity Ratio

(in Rs. 00000)

Year	Ratio	LTD	SHE (Shareholder's Equity)
2061/62	1.81	30323	16776
2062/63	0.05	3365	64780
2063/64	0.03	2239	75280
2064/65	0.02	2073	107775
2065/66	0.02	1983	107775
2066/67	0.03	2596	94375
2067/68	0.03	2437	94375
Average	0.28		

Source: Appendix 1 ,3& 4

Figure No. 4.7
Long-term Debt and Shareholder's Equity of ADBL



Source: Table No. 4.7

Table no: 4.7 shows the long-term debt, shareholder's equity and its ratio. The highest ratio is 1.81 and the lowest one is 0.02 in FY 2061/62 and 2064/65 and 2065/66 respectively. The ratio is in decreasing trend from year 2061/62 to

2065/66. Then after, it increases in FY 20606/67 and remains same in FY 2067/68. The average ratio is 0.28 .

iii) Long-term Debt to Total Assets Ratio:

This ratio establishes a relationship between long-term debt and total assets competing between how total assets to be suit with long-term fund or capital and how total assets can be purchased in connection to long-term fund.

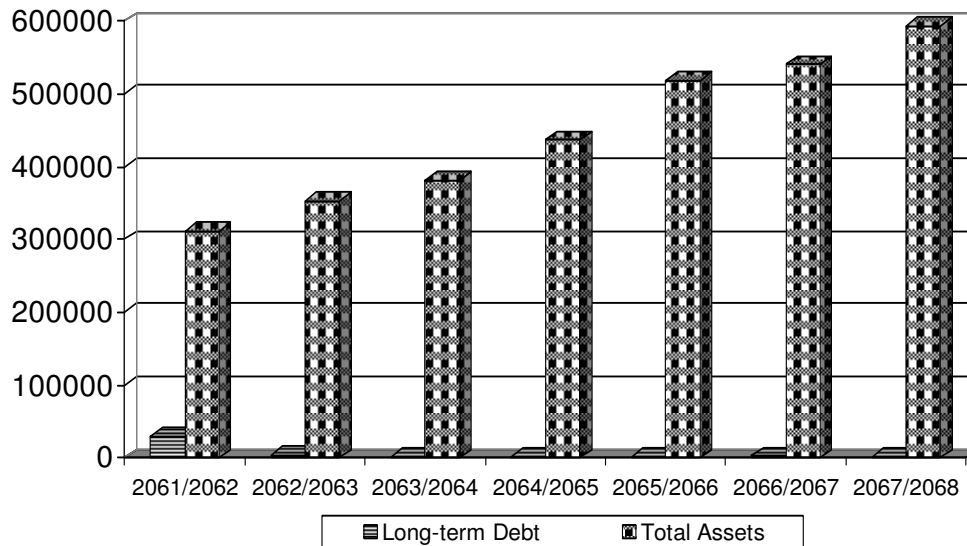
Table No. 4.8
Long-term Debt to Total Assets Ratio of ADBL

(in Rs. 00000)

Year	Ratio	Long-term Debt	Total Assets
2061/62	9.711	30323	312240
2062/63	0.953	3365	352976
2063/64	0.587	2239	381602
2064/65	0.475	2073	436868
2065/66	0.383	1983	518187
2066/67	0.481	2596	540202
2067/68	0.411	2437	592414
Average	1.86		

Source: Appendix 1,3 & 4

Figure No. 4.8
Long-term Debt and Total Assets of ADBL



Source: Table No. 4.8

By above calculation, debt to total assets ratio is 9.711% in FY 2061/62 which is highest ratio and has decreased gradually year by year upto 0.383 in FY 2065/66. Then after it increases and reached to 0.481 in FY 2066/67 again decreases to 0.411 in FY 2067/68. During the FY 2061/62 it has the highest long-term debts to total assets ratio. The ratio is 9.711. In FY 2065/66, the ratio is lowest i.e. 0.383. The average value of long-term debt to total assets ratio is 1.86.

iv) Shareholder’s Equity to Total Assets Ratio:

This ratio measures the relationship between shareholder’s equity and total assets. This ratio gives us information about how assets to be purchased in comparison with the shareholder’s equity. We have to purchase sufficient assets to our business. Neither more nor less purchase of assets is good to the business because assets are very valuable thing to generate profit of a firm.

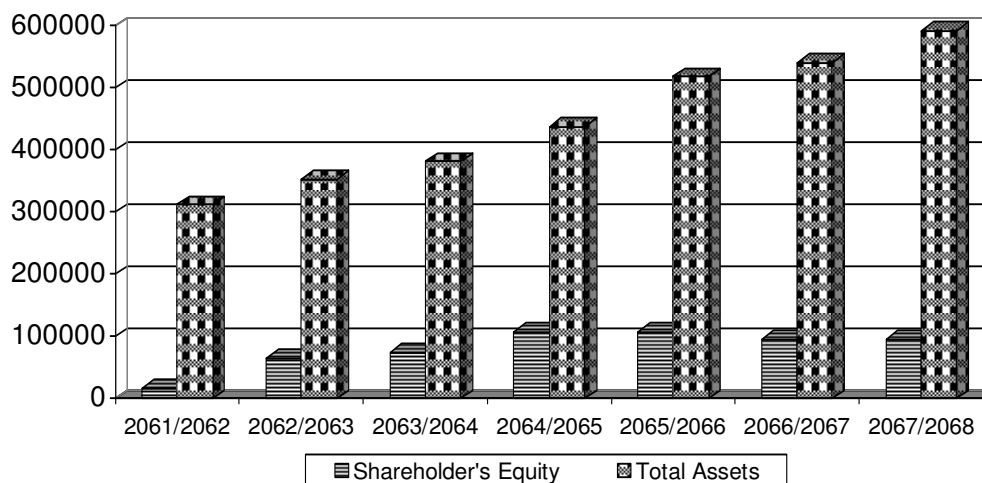
Table No. 4.9
Shareholder's Equity to Total Assets Ratio of ADBL

(in Rs. 00000)

Year	Ratio	Shareholder's Equity	Total Assets
2061/62	5.52	16776	312240
2062/63	18.82	64780	352976
2063/64	20.14	75280	381602
2064/65	25.12	107775	436868
2065/66	21.13	107775	518187
2066/67	17.79	94375	540202
2067/68	17.79	94375	592414
Average	18.04		

Source: Appendix 1

Figure No. 4.9
Shareholder's Equity and Total Assets of ADBL



Source: Table No. 4.9

Table no. 4.9 shows the relationship between the shareholder's equity and total assets. Shareholder's equity is believed as long-term fund to the business firm. The ratio shows how assets have been acquired in connection with the shareholder's equity fund. The highest ratio is 25.12% in FY 2064/65. The

ratio is in increasing trend from FY 2061/62 upto FY 2064/65 and decreases so after. The average ratio is 18.04%. The above presentation shows the purchase of assets is more than that of shareholder's equity. Purchase of more assets is not good to the business but sometimes results may be different.

C) Profitability Ratio:

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

i) Return on Assets Ratio:

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

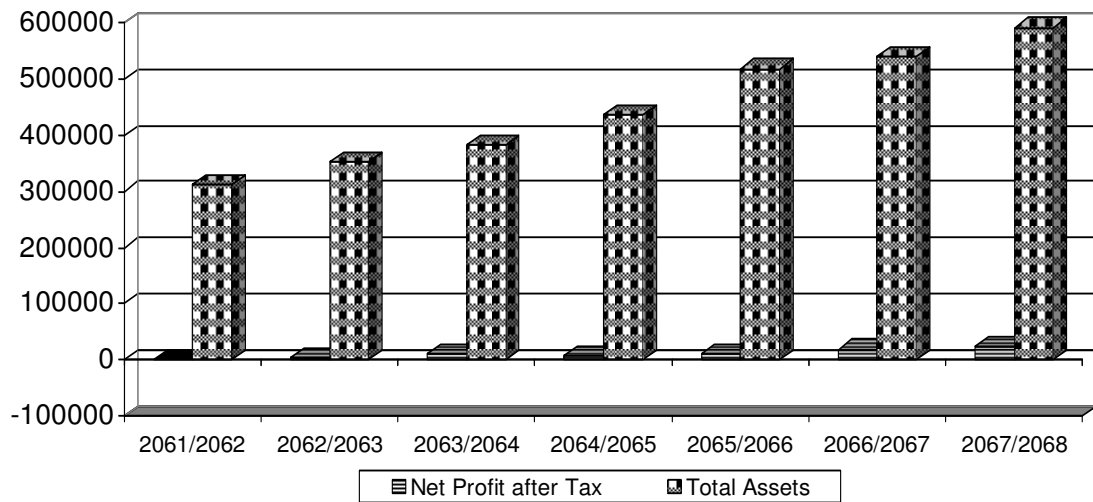
Table No. 4.10
Return on Assets Ratio of ADBL

(in Rs. 00000)

Year	Ratio	Net Profit after Tax	Total Assets
2061/62	-0.25	(786)	312240
2062/63	1.00	3535	352976
2063/64	2.77	10584	381602
2064/65	1.53	6692	436868
2065/66	2.04	10576	518187
2066/67	3.50	18924	540202
2067/68	3.99	23655	592414
Average	2.08		

Source: Appendix 1 & 2

Figure No. 4.10
Return on Assets Ratio of ADBL



Source: Table No. 4.10

The presentation of return of assets ratio is satisfactory from table no: 4.10, because standard of this ratio is 2.08%. In the context of ADBL the ratio seen

from the this table is in increasing trend from F/Y 2063/064 to 2067/68. In F/Y 2067/68 the ratio of net profit after tax to total assets reaches to 3.99 as the highest ratio. Increment of return in connection to the assets is very good to every business entity. In conclusion the average value of return on assets ratio for seven fiscal year is 2.08.

ii) Net Profit to Outstanding Ratio:

This ratio shows the relationship between net profit and outstanding. This ratio represents the net profit or net profit ratio with total outstanding.

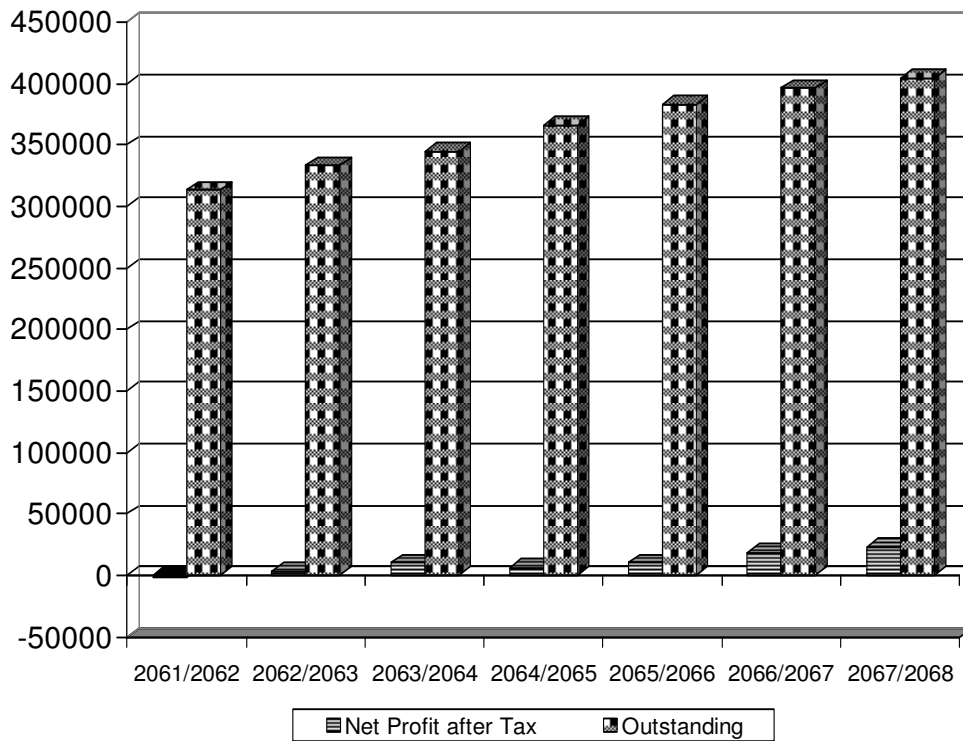
Table No. 4.11
Net Profit to Outstanding Ratio of ADBL

(in Rs. 00000)

Year	Ratio	Net Profit	Outstanding
2061/62	-0.25	-786	313091
2062/63	1.06	3535	333107
2063/64	3.07	10584	344404
2064/65	1.83	6692	366047
2065/66	2.76	10576	383011
2066/67	4.78	18924	395829
2067/68	5.86	23655	403727
Average	2.73		

Source: Appendix 2 & 5

Figure No. 4.11
Net Profit and Outstanding of ADBL



Source: Table No. 4.11

Table no: 4.11 shows the net profit to outstanding ratio of ADBL for seven fiscal years. The highest ratio is 5.86% in FY 2067/68 and the lowest one is -0.25% in FY 2061/62. The average of the ratio is 2.73. The outstanding is in increasing trend sso as the net profit. The negative ratio shows that there is loss. But over here we could see the fluctuation in ratio beginning from -0.25 to 3.07 in F/Y 2061/62to 2063/64 again decreases in 2064/65 to 1.83% and then increases and reach up to 5.86 in F/Y 2067/68. Higher ratios show the higher profit.

iii) Net Profit after Tax to Total Operating Income Ratio:

This ratio measures the relation between net profit or net loss and total operating income. This ratio represents the tax amount or tax ratio with total operating income.

Table No. 4.12

Net Profit After Tax to Total Operating Income Ratio of ADBL

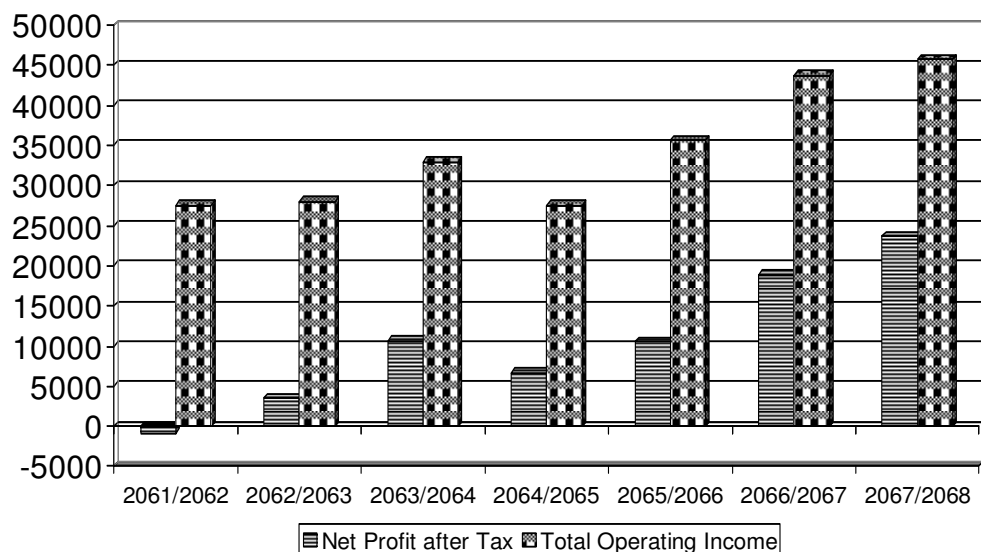
(in Rs. 00000)

Year	Ratio	Net Profit after Tax	Total Operating Income
2061/62	-2.85	-786	27567
2062/63	12.61	3535	28037
2063/64	32.08	10584	32991
2064/65	24.30	6692	27537
2065/66	29.64	10576	35685
2066/67	43.23	18924	43774
2067/68	51.78	23655	45687
Average	27.26		

Source: Appendix 2

Figure No. 4.12

Net Profit after Tax and Total Operating Income of ADBL



Source: Table No. 4.12

Table no: 4.12 shows the net profit after tax to total operating income ratio of ADBL for seven different fiscal years. There is highest ratio in FY 2067/68 i.e. 51.78% .The lowest ratio is in FY 2061/62 ie.-2.85%. It has the negative ratio. The negative ratio presents that there is loss in the business. But from FY 2062/63. The ratio tends to be in the increasing ratio continuously there after. There is loss occurs in FY 2061/62. The average ratio is 27.26%.

iv) Overhead Cost Ratio:

Administrative expenses, loan outstanding and overhead cost ratio of ADBL.

Table No. 4.13
Overhead Cost Ratio of ADBL

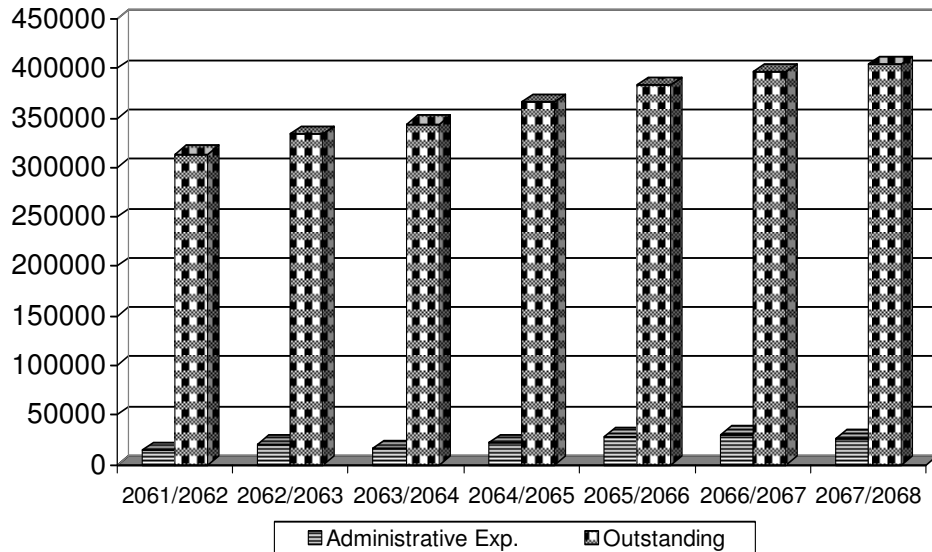
(in Rs. 00000)

Year	Ratio	Administrative Expenses	Outstanding
2061/62	4.51	14111	313091
2062/63	6.09	20302	333107
2063/64	4.60	15844	344404
2064/65	5.84	21372	366047
2065/66	7.28	27874	383011
2066/67	7.60	30099	395829
2067/68	6.40	25857	403727
Average	6.05		

Source: Appendix 2 & 5

Figure No. 4.13

Administrative Expenses and Outstanding of ADBL



Source: Table No. 4.13

Table no: 4.13 shows that there is a fluctuation in overhead cost ratio. Because there is a fluctuation in administrative expenses, but outstanding is in increasing trend. The highest ratio is 7.60% in FY 2066/67 and the lowest one is 4.51% in FY 2061/62. The average ratio is 6.05%. For better position of the bank, expenses should be minimized.

v) Total Interest Income on Investment to Total Income Ratio:

This ratio indicates the relation between return on investment and total income of the bank. This ratio measures how successfully banks have mobilized their funds in interest generating assets. The major source of income for the bank is interest income so the bank should mobilize their funds in more interest generating sectors considering the risk and return. This ratio of ADBL from FY 2061/62 to 2067/68 is presented here to analyze in the following table.

Table No. 4.14

Total Interest Income on Investment to Total Income Ratio of ADBL

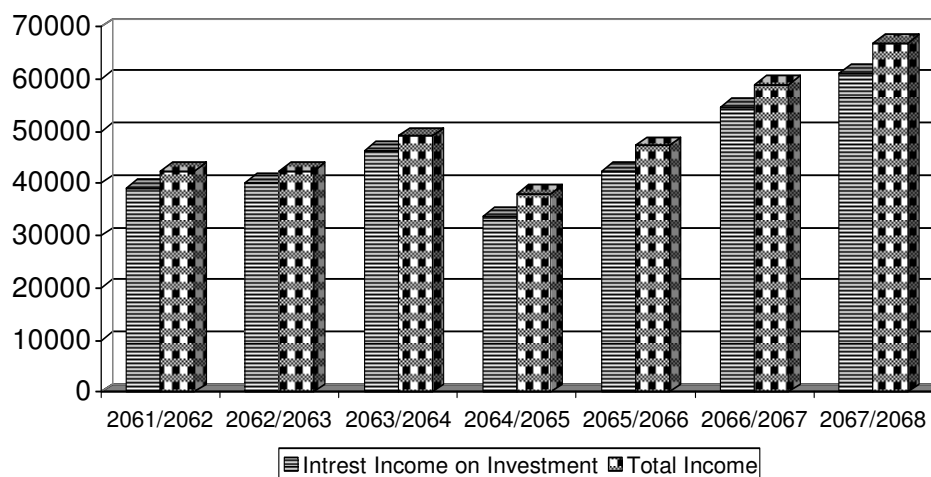
(in Rs. 00000)

Year	Ratio	Interest Income on Investment	Total Income
2061/62	92.25	39152	42442
2062/63	95.05	40335	42435
2063/64	94.25	46231	49049
2064/65	88.58	33637	37975
2065/66	89.54	42311	47255
2066/67	92.86	54649	58854
2067/68	91.26	61012	66852
Average	91.97		

Source: Appendix 2

Figure No. 4.14

Interest Income on Investment and Total Income of ADBL



Source: Table No. 4.14

Table no: 4.14 shows that the total interest income on investment to total income ratio is in fluctuating trend. The highest ratio is 95.05% and the lowest one is 88.58% in FY 2062/63 and 2064/65 respectively. The ratio is 92.25%,

93.40% 94.25%, 89.54%, 92.86%, 91.26% in FY 2061/62, 2063/64, 2065/66, 2066/67, 2067/68 respectively. The average ratio is 91.97%.

From above analysis, we can conclude that the Bank (ADBL) has successfully mobilizing their fund in interest generating assets. On every Fiscal Year this ratio is above 88%, which is satisfactory ratio. Total income is the summation of interest on investment and other income (i.e. service charge, commitment fees, investment no securities and other income etc).

vi) Operating Self-Sufficiency Ratio:

This ratio shows ADBL’s income (interest) with respect to the operating cost. Operating cost includes administrative expenses, interest expenses, indirect interest expenses, loan loss provision, etc.

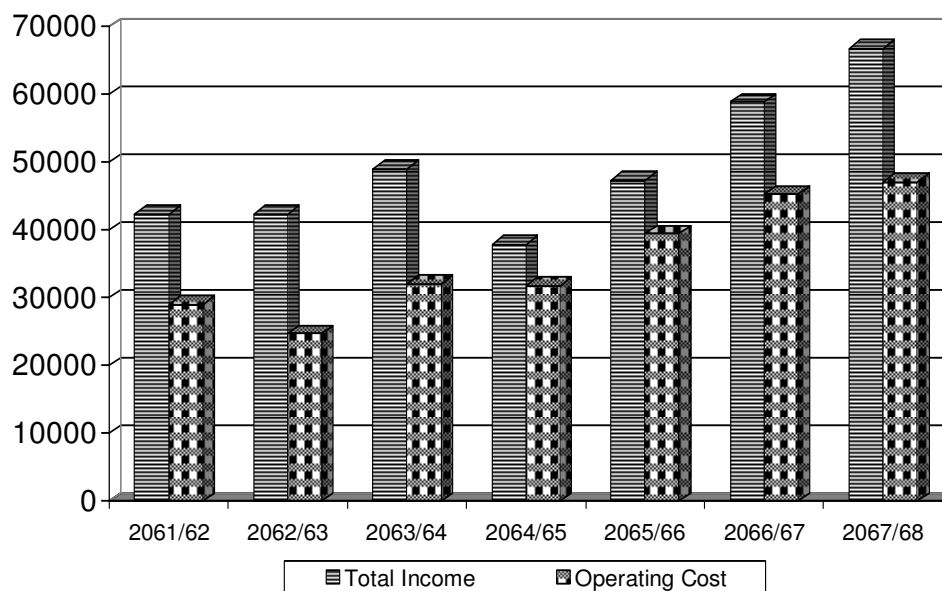
Table No. 4.15
Operating Self-Sufficiency Ratio of ADBL

(in Rs. 00000)

Year	Ratio	Total Income	Operating Cost
2061/62	1.46	42442	29105
2062/63	1.22	42435	34701
2063/64	1.53	49049	32043
2064/65	1.19	37975	31810
2065/66	1.20	47255	39445
2066/67	1.30	58854	45235
2067/68	1.42	66852	47035
Average	1.33		

Source: Appendix 2

Figure No. 4.15
Operating Self-Sufficiency Ratio of ADBL



Source: Table No. 4.15

In table no: 4.15, total income is fluctuating yearly. The highest total income is Rs. 66852 in FY 2067/68 and lower total income is Rs.37975 in FY 2064/65. It is increasing, it is following a fluctuation. The operating cost fluctuating every year, so there is a fluctuation in operating self-sufficiency ratio. The highest ratio is 1.46% and the lowest one is 1.19 in FY 2061/62 and 2064/65 respectively. The average ratio is 1.33%.

D) Operating Ratio:

i) Operating Cost Ratio:

This ratio shows the relation between operating cost and total loan portfolio. Expenses are most important to calculate this ratio. Expenses or costs have to reduce to maximize the profit. Total loan portfolio includes total principle outstanding and interest receivable outstanding. The following table shows the operating cost ratio of ADBL for seven fiscal years.

Table No. 4.16
Operating Cost Ratio of ADBL

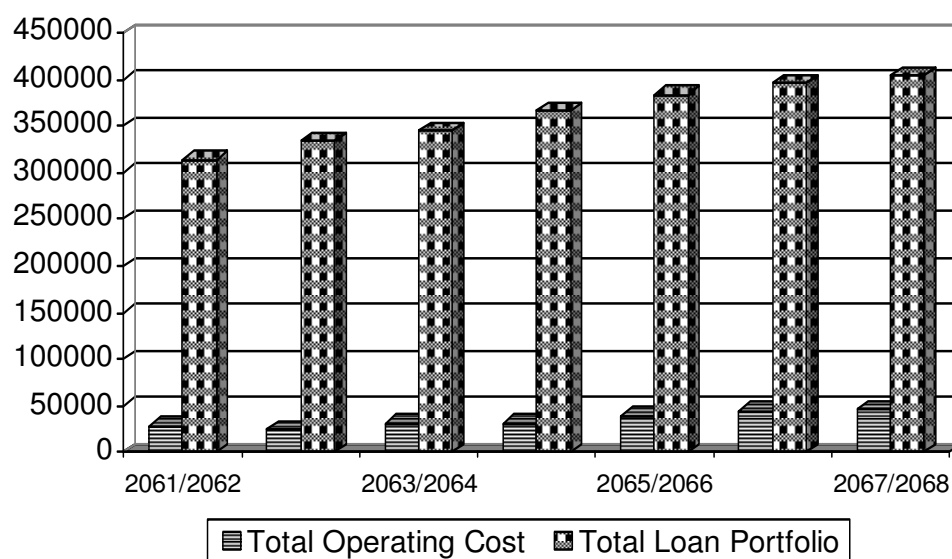
(in Rs. 00000)

Year	Ratio	Total Operating Cost	Total Loan Portfolio
2061/62	9.30	29105	313091
2062/63	10.42	34701	333107
2063/64	9.30	32043	344404
2064/65	8.69	31810	366047
2065/66	10.30	39445	383011
2066/67	11.43	45235	395829
2067/68	11.65	47035	403727
Average	10.15		

Source: Appendix 2 & 5

Figure No. 4.16

Total Operating Cost and Total Loan Portfolio of ADBL



Source: Table No. 4.16

Table no: 4.16 shows that the highest ratio is 11.65% in FY 2067/68 and lowest one is 8.69% in FY 2064/65. The operating cost ratio of ADBL is in fluctuating trend. The ratios are 9.30%, 10.42%, 9.30%, 10.30% and 11.43% in FY 2061/62, 2062/63, 2063/64, 2065/66 and 2067/68 respectively. Lower the operating cost is better to the bank. The bank has maintained least ratio in FY 2064/65 i.e. 8.69%. The average ratio is 11.15%.

ii) Total Operating Income to Total Assets Ratio:

This ratio is calculated to find out the ratio of operating income with total assets. Operating income represents the achievement of the profit of the organization. Higher ratio is good for the organization. The following table 4.17 shows the total operating income to total assets ratio of seven fiscal years.

Table No. 4.17
Total Operating Income to Total Assets Ratio of ADBL

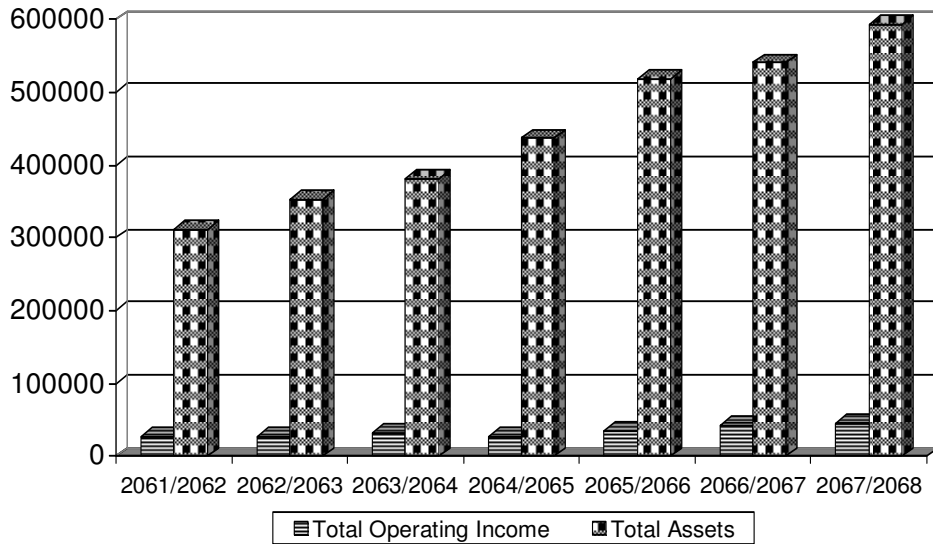
(in Rs. 00000)

Year	Ratio	Total Operating Income	Total Assets
2061/62	8.83	27567	312240
2062/63	7.94	28037	352976
2063/64	8.65	32991	381602
2064/65	6.30	27537	436868
2065/66	6.89	35685	518187
2066/67	8.10	43774	540202
2067/68	7.71	45687	592414
Average	7.77		

Source: Appendix 1 & 2

Figure No. 4.17

Total Operating Income and Total Assets of ADBL



Source: Table No. 4.17

Table no: 4.17 shows the operating income to total assets ratio. This ratio says the outcomes of utilizing the assets in the banking business. Higher ratio shows the higher position of profit by using the total assets. Similarly, the lower ratio reflects the lower position of the profit by using total assets. The higher ratio is 8.83% and the lower one is 6.30% in FY 2061/62 and in 2064/65 respectively. We can see on the above table, the ratio of ADBL is in fluctuating trend. The average ratio is 7.77.

iii) Total Operating Expenses to Total Assets Ratio:

This ratio helps the relation between the total operating expenses and the total assets.

Table No. 4.18

Total Operating Expenses to Total Assets Ratio of ADBL

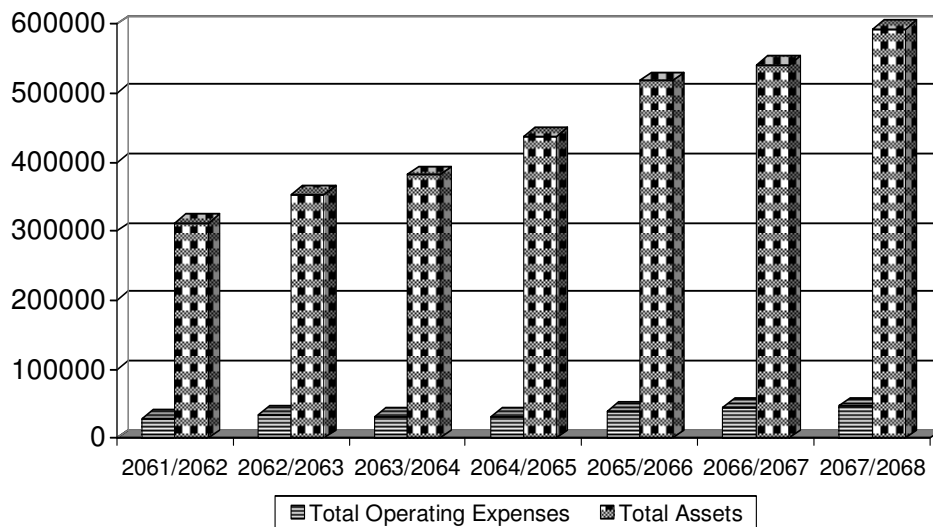
(in Rs. 00000)

Year	Ratio	Total Operating Expenses	Total Assets
2061/62	9.32	29105	312240
2062/63	9.83	34701	352976
2063/64	8.40	32043	381602
2064/65	7.28	31810	436868
2065/66	7.61	39445	518187
2066/67	8.37	45235	540202
2067/68	7.94	47035	592414
Average	8.39		

Source: Appendix 1 & 2

Figure No. 4.18

Total Operating Expenses and Total Assets of ADBL



Source: Table No. 4.18

The Table no: 4.18 shows that there is a fluctuation in ratios. The ratios are not in increasing or decreasing trend i.e. fluctuating trend. The ratio gives the mixed result in different years. The highest ratio is 9.83% in FY 2062/63. The lower ratio is 7.24% in FY 2064/65. This ratio is not standard but lower ratio is better. So, comparatively FY 2064/65 is better which shows the lowest ratio i.e. 7.24%. The average of the ratio is 8.39%.

iv) Total Operating Expenses to Total Operating Income Ratio:

This ratio shows the comparison of total operating income with total operating expenses. This ratio finds what is the relation between the operational expenses and the operating income. The following table 4.20 shows the total operating expenses to total operating income ratio of ADBL for seven fiscal years.

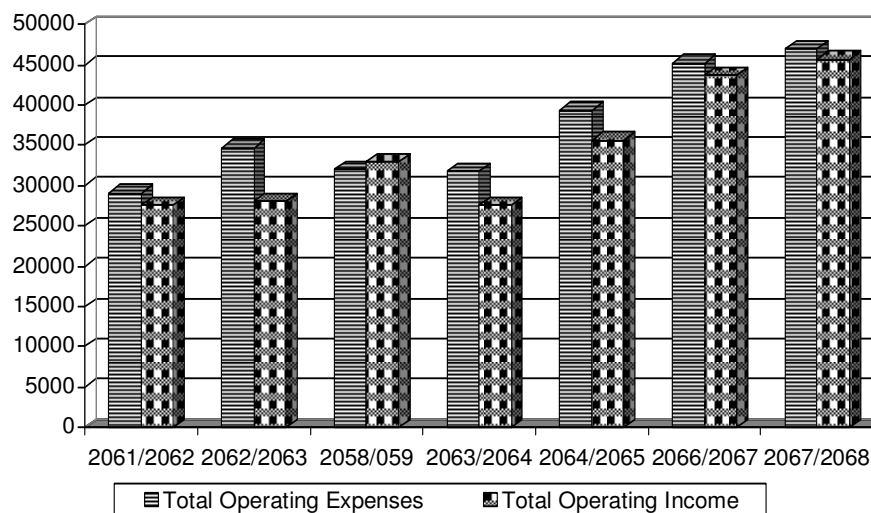
Table No. 4.19
Total Operating Expenses to Total Operating Income Ratio of ADBL
(in Rs. 00000)

Year	Ratio	Total Operating Expenses	Total Operating Income
2061/62	105.58	29105	27567
2062/63	123.77	34701	28037
2063/64	97.13	32043	32991
2064/65	115.52	31810	27537
2065/66	110.54	39445	35685
2066/67	103.34	45235	43774
2067/68	102.95	47035	45687
Average	108.40		

Source: Appendix 2

Figure No. 4.19

Total Operating Expenses and Total Operating Income of ADBL



Source: Table No. 4.19

In Table no: 4.19, the highest operating expenses to operating income ratio is 123.77% and the lowest one is 97.13% in FY 2062/63 and 2063/64 respectively. No accurate data is with this ratio. That is why if the ratio is near about 100%, the relation of operating expenses and income is likely to be same. But the ratio has crossed to 100% in every fiscal year except F/Y 2063/64. If the ratio crosses 100%, expenses will be high and the bank will abide the loss. So the bank (ADBL) has faced loss in every fiscal year except 2063/64 in aspect of its operating income. The average of the ratio is 108.40%.

v) Interest Paid on Total Deposit to Total Expenses Ratio:

This ratio is related with interest expenses of ADBL. Total expenses of every organization refer to maximize the profit of the organization i.e. less expenses represents the viability of the organization. The bank has to pay interest on deposits. Deposits are the most important source of fund collection. All banking wings of the ADBL are involving to collect fund by means of deposit accepting from the depositors with certain interest in some maturity periods.

Total expenses represent the whole expenses including the operating expenses as well as interest expenses. The following table No. 4.20 shows the interest paid on deposit ratio.

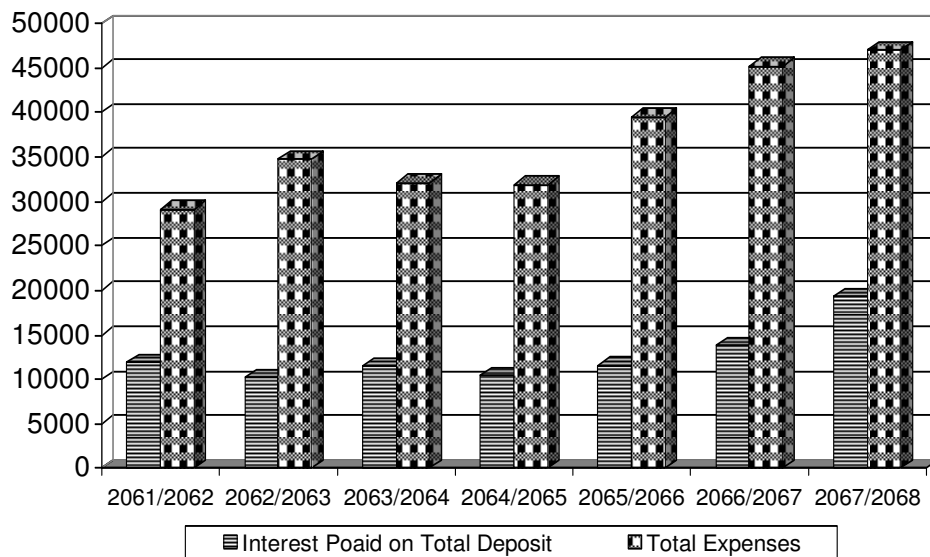
Table No 4.20
Interest Paid on Total Deposit to Total Expenses Ratio of ADBL

Rs 00000

Year	Ratio (%)	Interest Paid on Total deposit	Total expenses
2061/62	40.97	11925	29105
2062/63	29.45	10220	34701
2063/64	35.81	11473	32043
2064/65	32.60	10371	31810
2065/66	29.22	11526	39445
2066/67	30.48	13789	45235
2067/68	41.01	19289	47035
Average	34.22		

Source: Appendix 2 & 6

Figure No. 4.20
Interest on Deposit and Total Expenses of ADBL



Source: Table No. 4.20

Presentation in table no: 4.20 shows that the interest on deposit to total expenses ratio is in fluctuating trend of ADBL. The highest ratio is 41.01% in FY 2067/68 The lowest one is 29.22% in FY 2065/66. This means that in FY 2067/68, contribution on the expenses of deposit is higher than the other years this ratio finds the contribution of the deposit expenses with the total expenses. The average of ratio is 34.22% of the seven years.

vi) Interest Paid on Borrowing to Total Expenses Ratio:-

Borrowing are the main source of capital for any organization Borrowing capital to be paid with interest within the certain maturity periods Interest is also an expenses to the organization. Total expenses includes the interest expenses on borrowing the following table 4.21 shows the interest paid on borrowing to total expenses ratio of ADBL for seven different years.

Table No. 4.21
Interest paid on Borrowing to total Expenses Ratio of ADBL

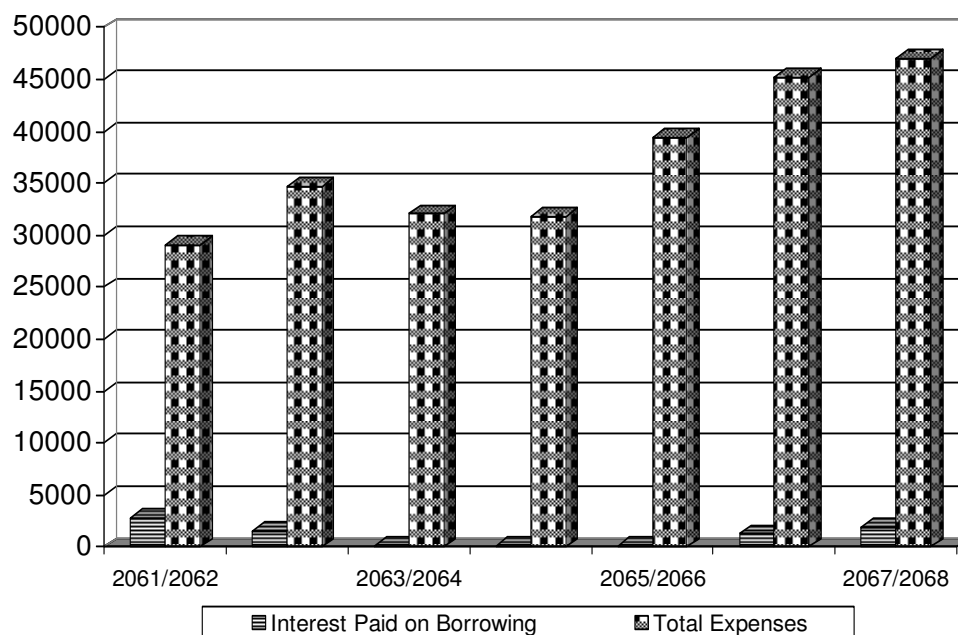
Rs. 00000

Year	Ratio (%)	Interest on Borrowing	Total expenses
2061/62	6.54	2878	44037
2062/63	4.62	1603	34701
2063/64	0.32	101	32043
2064/65	0.21	67	31810
2065/66	0.11	44	39445
2066/67	2.85	1291	45235
2067/68	3.99	1876	47035
Average	2.66		

Source: Appendix 2 & 6

Figure No. 4.21

Interest Paid on Borrowing to Total Expenses Ratio of ADBL



Source: Table No. 4.21

The Table no: 4.21 shows the total interest expenses on borrowing total expenses of ADBL. The highest and the lowest ratio is 6.54% & 0.11% in FY 2061/62 & 2065/66 respectively. Reduction of interest on borrowing as the sign of repayment of the borrowing fund. The average ratio is 2.99%

vii) Interest Expenses to Interest Income Ratio:

This ratio is the relationship between interest expenses and interest income. Interest expenses means the amount which the bank has to pay to its depositors, Borrowings (loan), on provident fund and rebate on interest from it's investment on bonds on loan and advance to employed the following table No.4.21 shows this ratio of ADBL for different periods.

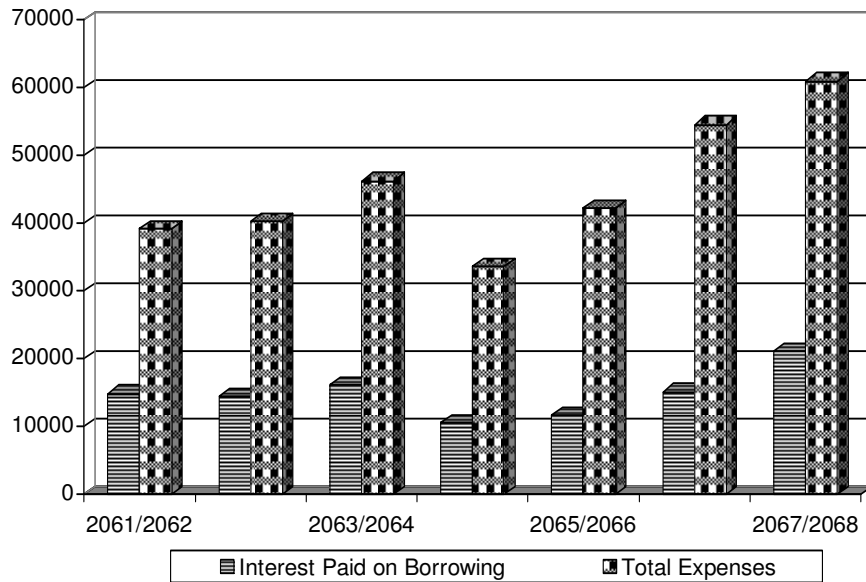
Table No 4.22
Interest Expenses to Interest Income Ratio

Rs. In 00000

Year	Ratio(%)	Interest expenses	Interest Income
2061/62	37.99	14875	39152
2062/63	35.70	14398	40335
2063/64	34.74	16059	46231
2064/65	31.03	10439	33637
2065/66	27.35	11571	42311
2066/67	27.59	15080	54649
2067/68	34.69	21165	61012
Average	32.73		

Source: Appendix 2

Figure No. 4.22
Interest Expenses to Interest Income Ratio



Source: Table No. 4.22

The above presentation shows the interest expenses and interest income of ADBL. The highest ratio is 37.99% in Fy 2061/62 and the lowest one is 27.35 in F/Y 2065/66% The ratio is in fluctuating to end. The ratio is 37.99% in F/Y 2061/62 then it decrease for next five years i.e. 35.70%, 34.74%, 31.03%, 27.35%, 27.59% in FY 2062/63, 2063/64, 2064/65, 2065/66, 2066/67 respectively. In FY 2067/68 it increases and becomes 34.69%. The average of the ratio is 32.73% To maximize the profit the interest expenses should be minimized and the interest income should be maximize.

E) Risk Ratio

Risk and uncertainty is a part of business loss. All business activities are influenced by risk, so business organization cannot achieve a good return as per their desires. The probability of risk makes banks investment a challenging task. Bank has to take risk to get return on its investment. The risk bearing is compensated by the increase in profit. So the banks options for high profit have to accept the risk and manage it efficiently.

Through the following ratios, efforts has been made to measure the level of risk inherent in ADBL.

i) Overdue to Outstanding Ratio:

Overdue amount is one of the most harmful amounts of every financial institution. Every financial institutions viability depends on their overdue amount. If these types of amount is high, bad debts will increase therefore non-performing assets also will be increase, repayment rate will be lower, operating expenses may be increase, provision for doubtful debts will be increase and profit will be decrease. If the institutions want to improve their sustainability in the financial terms, they must upgrade their collection procedure by obtaining the reduction policy of overdue outstanding. This ratio shows the relation between total overdue amount and total outstanding. The following table shows the overdue to outstanding ratio of ADBL for seven different years.

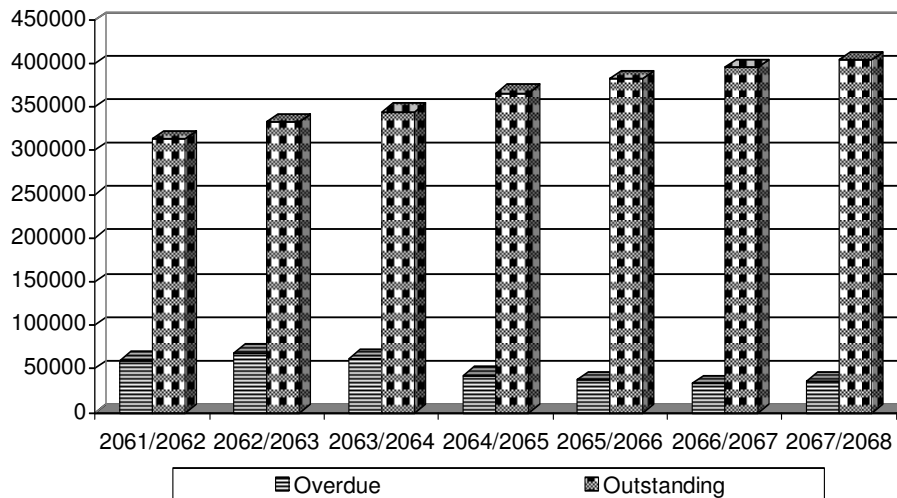
Table No. 4.23
Overdue to Outstanding Ratio of ADBL

In Rs. 00000

Year	Ratio (%)	Overdue	Outstanding
2061/62	19.18	60040	313091
2062/63	20.59	68590	333107
2063/64	17.96	61853	344404
2064/65	11.69	42805	366047
2065/66	9.71	37208	383011
2066/67	8.36	33094	395829
2067/68	8.99	36286	403727
Mean	13.79		
SD	5.26		
CV	38.14		

Source: Appendix 1 & 5

Figure No. 4.23
Total Overdue and Outstanding of ADBL



Source: Table No. 4.23

The Presentation in table no: 4.23 shows the total overdue, outstanding and overdue to outstanding ratio of ADBL. This ratio represents the overdue condition of loan amount in compares to the total outstanding.

Table and chart no: 4.23 shows the overdue and the outstanding and its ratio of the ADBL from FY 2061/62 to 2067/68. FY 2059/060 shows the highest ratio as 20.59% in 2062/63. The mean ratio is 13.79% Standard deviation is 5.26 which says that 5.26 deviation is occurred in seven years and 38.14% is the coefficient of variation, from the mean value of standard deviation.

ii) Non-performing Loan to Outstanding Ratio (Credit Risk Ratio):

Credit risk ratio measures the possibility that loan will not be repaid or that investment will deteriorate in quality or go into default with consequent loss to the bank. This ratio shows the relationship between the total non-performing loan to total outstanding. Loan has distributed by the bank for some certain maturity period. If the party does not repay the loan with interest on maturity period, it is called overdue outstanding. The overdue outstanding becomes very much chronic, the NPL may create dangerous situation in the banking industries. To manage and keep clean environment of the banking industry, NPL department has been established. It is believed that, this department will work effectively to reduce the NPL. The following table and figure presents the NPL to outstanding ratio and mean, S.D., C.V., of seven different periods of ADBL.

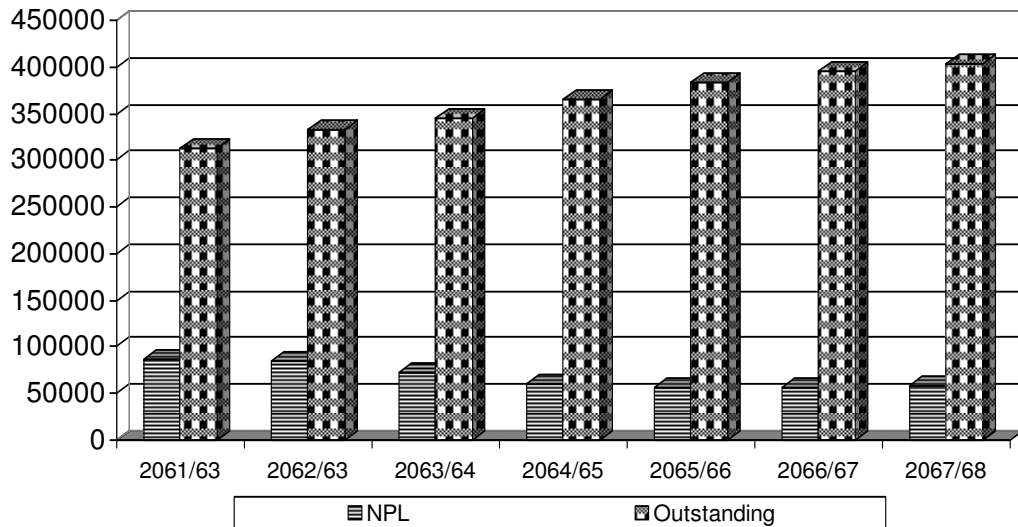
Table No. 4.24
Non-performing Loan to Outstanding Ratio

In Rs. 00000

Year	Ratio (%)	Non-Performing Loan	Outstanding
2061/62	27.69	86708	313091
2062/63	25.25	84098	333107
2063/64	20.87	71880	344404
2064/65	16.43	60153	366047
2065/66	14.88	56980	383011
2066/67	14.42	57059	395829
2067/68	14.65	59128	403727
Mean	19.17		
SD	5.49		
CV	28.63		

Source: Appendix 5

Figure No. 4.24
Non-performing Loan & Outstanding of ADBL



Source: Table No. 4.24

Total (presentation) in table no: 4.24 shows the NPL to total outstanding ratio of ADBL for seven different years. The table shows that the highest ratio is 27.69% in FY 2061/062 and least one is in FY 2066/67 is 14.42%. The NPL to total outstanding ratio is in decreasing trend. The average NPL to total outstanding ratio is 19.17%. Standard deviation is 5.49 and 28.63 is the coefficient of variation.

iii) Non-performing Interest to Total Outstanding Ratio:

This ratio refers to the relationship between total non-performing interest and total outstanding. Increment in non-performing interest is not good for the organization, so it should be deducted from the existing position. This ratio helps to make strategy to reduce the non-performing interest. Non-performing loan (NPL) along with interest which is not pay the bank is called the non-performing loan (NPL). The following table and chart shows the ratio.

Table No. 4.25

Non-performing Interest to Total Outstanding Ratio

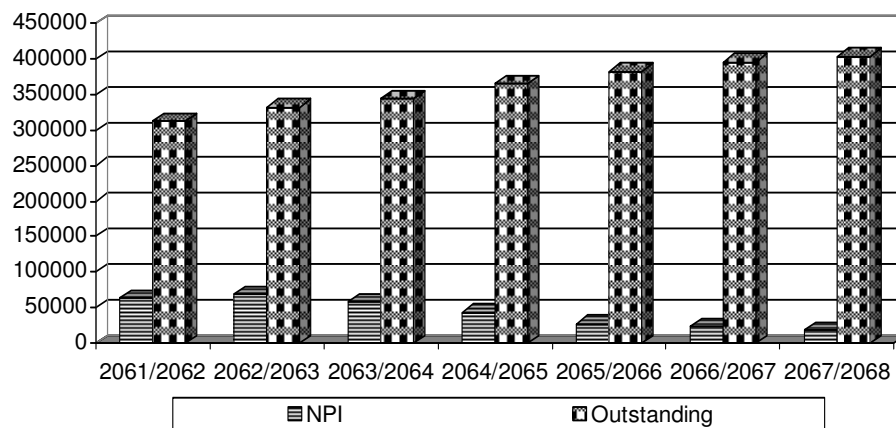
In Rs. 0000

Year	Ratio (%)	NPI	Total Outstanding
2061/62	20.23	63326	313091
2062/63	20.74	69072	333107
2063/64	16.73	57624	344404
2064/65	11.85	43388	366047
2065/66	7.26	27802	383011
2066/67	5.99	23706	395829
2067/68	4.60	18569	403727
Mean	12.48		
SD	6.80		
CV	5.44		

Source: Appendix 1 & 5

Figure No. 4.25

Non-performing Interest & Total Outstanding of ADBL



Source: Table No. 4.25

Table No. 4.25 shows that the total non-performing interest to total outstanding ratio of ADBL is in decreasing trend. The highest ratio is 20.74 and lowest is 4.60% in FY 2062/063 and 2067/68 respectively. The average of the ratio is

12.48 which means 6.80 deviations is occurred in seven years period. 5.44% is co-efficient of variation.

The NPI is decreasing per year. The decreament of NPI is good for the organization. It helps to decrease the total NPA (Non-performing Assets), which is good for the banking industry.

iv) Non-performing Assets to Total Assets Ratio:

Non-performing assets to total outstanding ratio shows the relationship between NPA (Non-performing Assets) to total assets. The highest ratio is not good for the institution. So this ratio is calculated to reduce the NPA of the bank.

The following table and chart presents the NPA to total assets ratio and its mean, S.D. C.V. of the bank for the seven different year.

Table No. 4.26
Non-performing Assets to Total Assets Ratio of ADBL

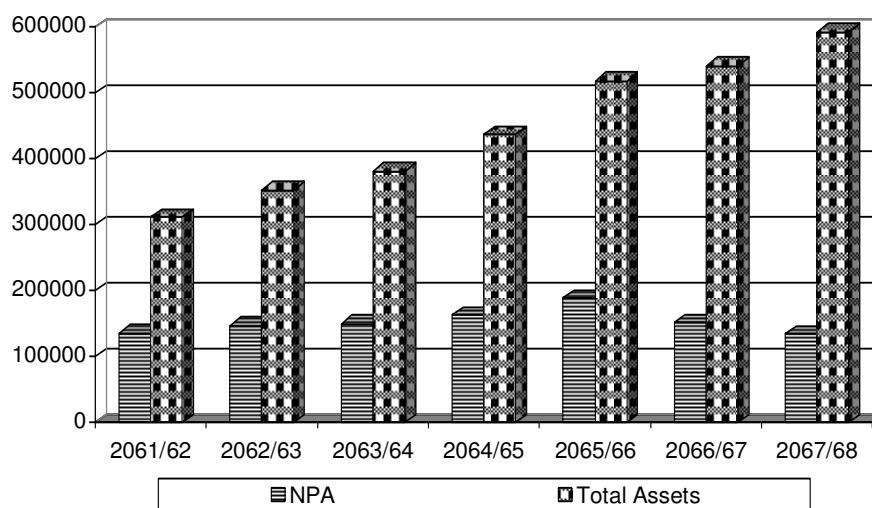
In Rs. 00000

Year	Ratio (%)	NPA	Total Assets
2061/62	43.56	136005	312240
2062/63	41.85	147713	352976
2063/64	39.44	150485	381602
2064/65	37.49	163760	436867
2065/66	36.55	189418	518187
2066/67	28.11	151871	540202
2067/68	22.72	134604	592414
Mean	35.67		
SD	7.56		
CV	21.19		

Source: Appendix 1

Figure No. 4.26

Non-performing Assets and Total Asses of ADBL



Source: Table No. 4.26

From Table no: 4.26, we know that the NPA to Total Assets ratio is in increasing trend. But it decreases in FY 2066/67 and 2067/68. The highest ratio is 43.56% in FY 2061/062 and lowest one is 22.72% in FY 2067/68. The average ratio is 35.67. The standard deviation ratio is 7.56, which means data are scattered by 7.56 from the mean value and co-efficient of variation is 21.19%, it means that variation of the scattered of the data is 21.19% which is believed as not so varied from mean value of the data.

The increment trend can be seen in the ratio. If NPA is increases, volume of total NPA will increase. This type of NPA should be reduced for profit maximization. In the context of ADBL, above trend shows, there is a very serious condition of the NPL. Which does not give any return. If the scenario of increment of NPL is happening whole banking system should be collapse, so we have be serious about this. But it can also be seen in the last two years the NPA tends to decrease to some extend and it is sign of good banking

v) Loan Loss Provision to Loan Outstanding Ratio:

This ratio shows the relationship between loan loss provision and loan outstanding. This ratio shows the possibility of loan default of a bank. Higher ratio implies higher portion of non-performing loan in total loan and advances.

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

Table No. 4.27

Loan Loss Provision to Loan Outstanding Ratio of ADBL

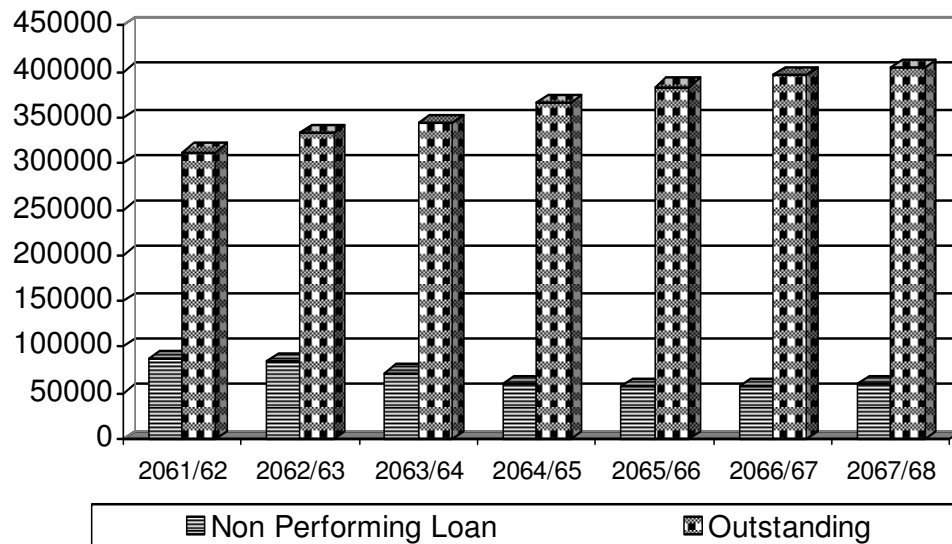
In Rs. 00000

Year	Ratio (%)	Loan loss provision	Outstanding
2061/62	27.69	86708	313091
2062/63	25.25	84098	333107
2063/64	20.87	71880	344404
2064/65	16.43	60153	366047
2065/66	14.88	56980	383011
2066/67	14.42	57059	395829
2067/68	14.65	59128	403727
Mean	19.17		

Source: Appendix 5

Figure No. 4.27

Loan Loss Provision, Loan Outstanding of ADBL



Source: Table No.4.27

From Table no: 4.27 , we know that the ratio decreases to 14.65% from 27.69% from FY 2061/62 to year 2067/68. The highest ratio is 27.69% and the lowest one 14.42% in FY 2061/62 and 2066/67 respectively. The mean ratio is 19.17%.

4.2 Statistical Analysis

Statistical analysis refers to a collection of methods used to process large amounts of data and report overall trends. Statistical analysis provides ways to objectively report on how unusual an event is based on historical data. It is one of the important tools to analyze the data. There are various tools for the analysis of tabulated data such as mean, standard deviation regression analysis, correlation analysis, trend analysis, various types of tests etc. But only trend analysis is used for convenient statistical tool in this thesis study.

4.2.1 Trend Analysis of Loan Investment:

Table No. 4.28

Trend Value of Loan Investment

$$\text{Investment } Y = 3929.14 + 911.07X$$

(Rs. 000000)

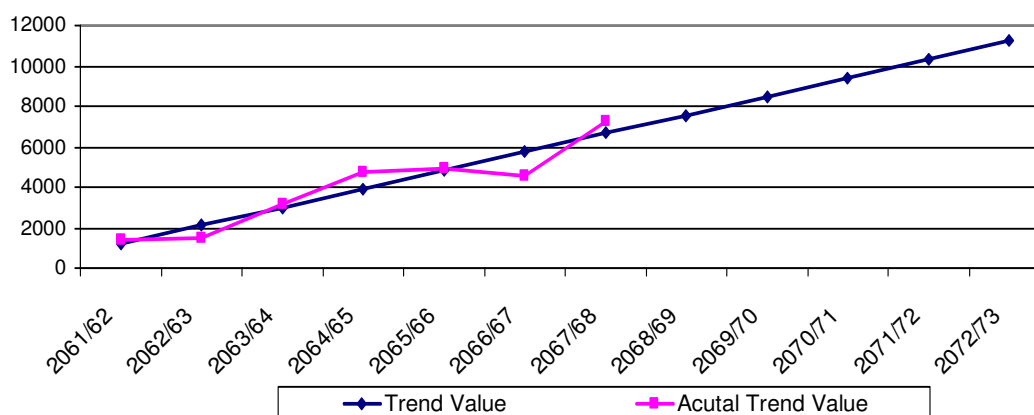
Year	X	Actual Value	Trend Value	Approx. Trend Value
2061/62	1	1,356	1195.93	1196
2062/63	2	1,511	2107	2107
2063/64	3	3,177	3018.07	3018
2064/65	4	4,757	3929.14	3929
2065/66	5	4,896	4840.21	4840
2066/67	6	4,540	5751.28	5751
2067/68	7	7,267	6662.35	6662
2068/69	8		7573.42	7573
2069/70	9		8484.49	8484
2070/71	10		9395.56	9395
2071/72	11		10306.63	10306
2072/73	12		11217.7	11217

Note : FY 2068/69 to 2072/73 is forecasted value.

Source: Appendix 7

.Figure No. 4.28

Trend Value of Loan Investment



Source: Table No. 4.28

The Table No. 4.28 and figure shows that the investment is in increasing trend and the actual value is also in increasing trend. The invest of ADBL is Rs. 1365 million and Rs. 7267 million in FY 2061/62 and 2067/68 respectively but t slightly decreases from 4890 to4540in FY 2065/66 to FY 2066/67 .

From the above analysis, it found that the lending position of ADBL is better because the calculated trend values of investment are fitted in trend lines. The trend line is upward sloping. In this topic the trend values of investment for seven fiscal years have been calculated. The given table shows trend and actual value of investment on loan for seven years from 2061/62 to 2067/68.

4.2.2 Trend Analysis of Principal Collection

In this topic the trend values of principal collection for different years have been calculated. The table shows trend and actual values of principal collection for seven fiscal year from 2056/057 to 2062/063.

Table No. 4.29

Trend Value of Principal Collection

Principal Collection = $4926.29 + 372.39X$

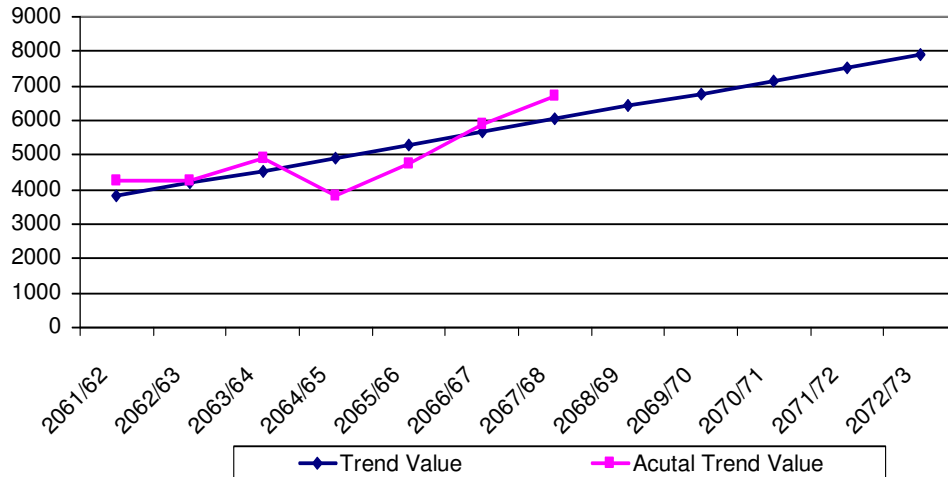
(Rs. 000000)

Year	X	Actual Value	Trend Value	Approx. Trend Value
2061/62	1	4244	3809.12	3809
2062/63	2	4243	4181.51	4182
2063/64	3	4905	4553.9	4553
2064/65	4	3797	4926.29	4926
2065/66	5	4725	5298.68	5299
2066/67	6	5885	5671.07	5671
2067/68	7	6685	6043.46	6043
2068/69	8		6415.85	6415
2069/70	9		6788.24	6788
2070/71	10		7160.63	7161
2071/72	11		7533.02	7533
2072/73	12		7905.41	7905

Note : FY 2068/69 to 2072/73 is forecasted value.

Source: Appendix 8

Figure No. 4.29
Trend Value of Principal Collection



Source: Table No. 4.29

The Table and figure no: 4.29 shows that the principal is in fluctuating trend. The actual value is 4244 has reached increasingly up to Rs 6685 from FY 2061/62 to 2067/68 respectively.

From the above analysis, ADBL's capacity of principal collection is increasing in beginning but in between it decreases and again continuously tends to increase. The upward slope denotes the better collection .

4.2.3 Trend Analysis of Outstanding:

In this topic, the trend value and actual values of outstanding for seven years have been presented. The table shows trend and actual values of outstanding for seven years from FY 2061/62 to FY 2067/68.

Table No. 4.30

Trend Value of Outstanding

Outstanding (Y) = 3627.43+155.54X

(Rs. 0000000)

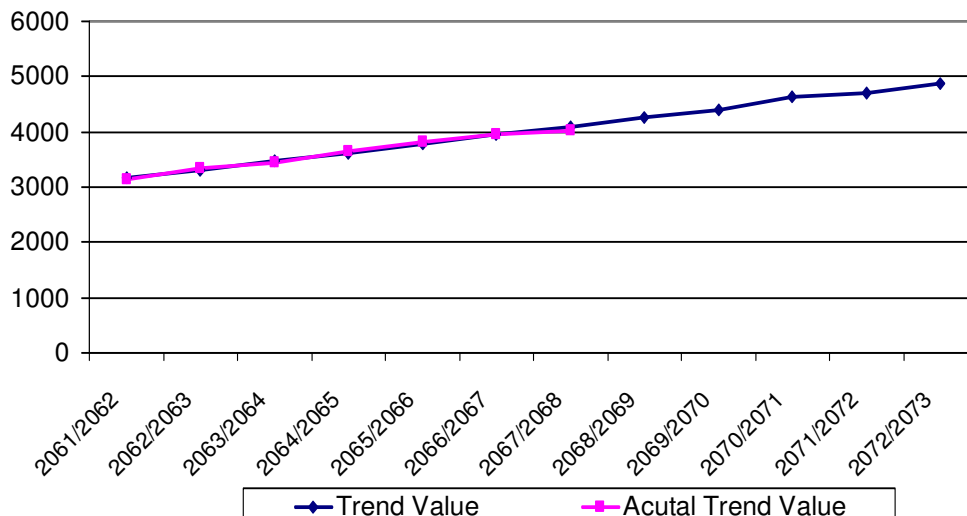
Year	X	Actual Value	Trend Value	Approx. Trend Value
2061/62	1	3132	3160.81	3161
2062//63	2	3331	3316.35	3316
2063/64	3	3444	3471.89	3472
2064/65	4	3660	3627.43	3627
2065/66	5	3830	3782.97	3783
2066/67	6	3958	3938.51	3939
2067/68	7	4037	4094.05	4094
2068/69	8		4249.59	4250
2069/70	9		4405.13	4405
2070/71	10		4560.67	4561
2071/72	11		4716.21	4716
2072/73	12		4871.75	4872

Note : FY 2068/69 to 2072/73 is forecasted value.

Source: Appendix 9

Figure No. 4.30

Trend Value of Outstanding



The table and graph no: 4.30 shows that the outstanding of ADBL's actual value is in increasing trend. Similarly, outstanding of trend value is also in increasing trend.

The outstanding is in actual is Rs. 3132 in FY 2061/62. The value is in increasing trend. It increases continuously to Rs.4037 in FY 2067/68. Also, the trend value has increased from Rs.3161 to 4094.

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

4.2.4 Trend Analysis of Non-Performing Interest Receivable:

The trend values of interest receivable for 7 years have been calculated. The table shows trend and actual values of interest receivable for seven years from FY 2056/57 to FY 2062/63.

Table No. 4.31
Trend Value of Non-Performing Interest Receivables
 Non-Performing Interest Receivables (Y) = 433.57+(90.96)X
 (Rs. 000000)

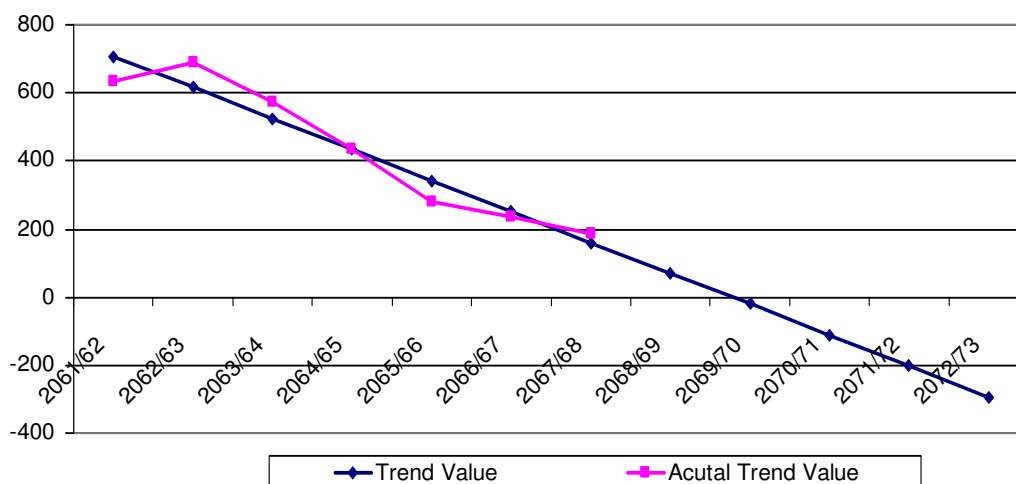
Year	X	Actual Value	Trend Value	Approx. Trend Value
2061/62	1	633	706.45	706
2062/63	2	691	615.49	615
2063/64	3	576	524.53	525
2064/65	4	434	433.57	434
2065/66	5	278	342.61	343
2066/67	6	237	251.65	252
2067/68	7	186	160.69	161
2068/69	8		69.73	70
2069/70	9		-21.23	-21
2070/71	10		-112.19	-112
2071/72	11		-203.15	-203
2072/73	12		-294.11	-294

Note : FY 2068/69 to 2072/73 is forecasted value.

Source: Appendix 10

Figure No. 4.31

Trend Value of Non-Performing Interest Receivables



Source: Table No. 4.31

The table and figure no: 4.31 shows the interest receivable is in decreasing trend in both values.

Interest receivable of ADBL in actual value is decreased from Rs. 633 to Rs. 186 in FY 2061/62 and 2067/68 respectively. Similarly, trend value is also in decreasing trend. It becomes Rs. 706 from Rs 161.

From the above analysis, interest receivable is decreasing per year which can be seen from trend line. This means that the bank is able to collect the interest timely. And bank is going through favourable condition.

4.2.5 Trend Analysis of Net Profit after Tax:

The trend values of Net Profit for seven years have been presented here. The table shows trend and actual values of Net Profit for seven years from FY 2061/62 to 2067/68.

Table No. 4.32
Trend Value of Net Profit After Tax
 Net Profit (Y) = 104.43+37.04X

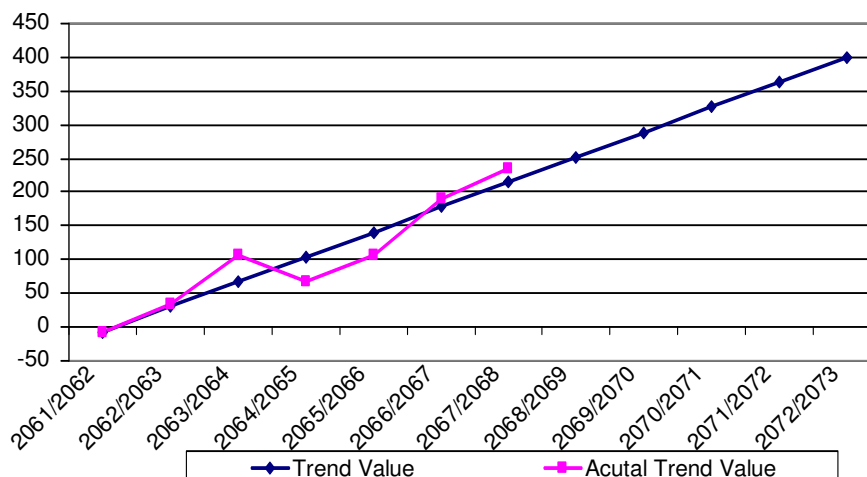
(Rs. 0000000)

Year	X	Actual Value	Trend Value	Approx. Trend Value
2061/62	1	633	-6.6	-7
2062/63	2	691	30.41	30
2063/64	3	576	67.42	67
2064/65	4	434	104.43	104
2065/66	5	278	141.44	141
2066/67	6	237	178.45	178
2067/68	7	186	215.46	215
2068/69	8		252.47	252
2069/70	9		289.48	289
2070/71	10		326.49	326
2071/72	11		363.5	364
2072/73	12		400.51	401

Note : FY 2068/69 to 2072/73 is forecasted value.

Source: Appendix 11

Figure No. 4.32
Trend Value of Net Profit after Tax



Source: Table No. 4.32

The Table and figure no: 4.32 shows the Net Profit of the ADBL. The trend value is in increasing trend and there is a fluctuation in actual value.

Net profit of ADBL in actual value is Rs. -7, Rs. 35, Rs. 106, Rs. 66, Rs. 106, Rs. 189 and Rs. 236 in FY 2061/62, 2062/63, 2063/64, 2064/65, 2065/66, 2066/67 and 2067/68 respectively. Where as the trend values are Rs. -7, Rs. 30, Rs. 67, Rs. 104, Rs. 141, Rs. 178, Rs. 215 in 2061/62, 2062/63, 2063/64, 2064/65, 2065/66, 2066/67 and 2067/68 respectively.

From above analysis it can be seen that the trend value is in increasing trend . it is minimizing its total expenditure in context of its total income.increament in total income shows that there profit occurs. increasing trend value of Net Profit shows good image of ADBL.

4.2.6 Trend Analysis of Total Deposit:

Here, the effort has been made to calculate the trend value of ADBL for seven years from FY 2061/62 to 2067/68.

Table No. 4.33
Trend Value of Total Deposit
Total Deposit (Y) = 3197.71+106.89X

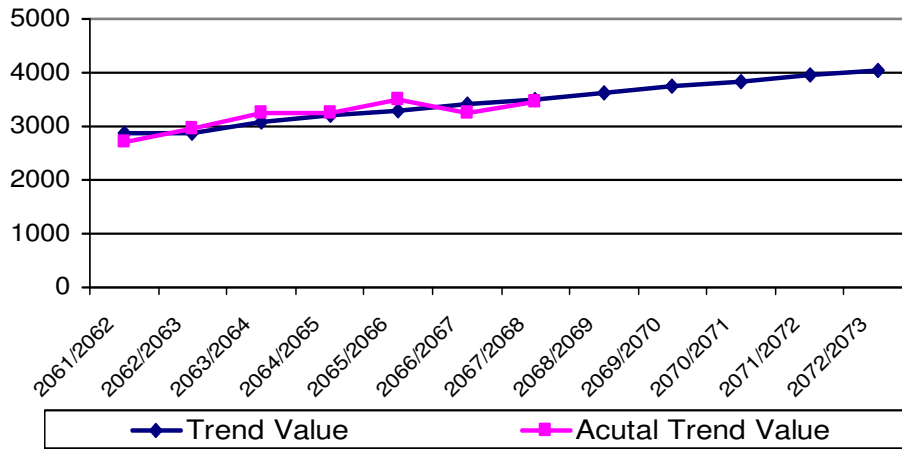
(Rs. 0000000)

Year	X	Actual Value	Trend Value	Approx. Trend Value
2061/62	1	2722	2877.04	2877
2062/63	2	2963	2983.93	2894
2063/64	3	3242	3090.82	3090
2064/65	4	3255	3197.71	3192
2065/66	5	3516	3304.6	3305
2066/67	6	3247	3411.49	3411
2067/68	7	3439	3518.38	3518
2068/69	8		3625.27	3625
2069/70	9		3732.16	3732
2070/71	10		3839.05	3839
2071/72	11		3945.94	3946
2072/73	12		4052.83	4053

Note : FY 2068/69 to 2072/73 is forecasted value.

Source: Appendix 12

Figure No. 4.33
Trend Value of Total Deposit



Source: Table No. 4.33

The table and figure no: 4.33 shows that total deposit of ADBL. The actual value deposit is fluctuating. The deposit in trend value is increasing per year.

The total deposit increased from Rs. 2722 to Rs. 3439 from FY 2061/62 to 2067/68 respectively. Where as trend value of total deposit is increasing from Rs. 2877 to Rs. 3518 from FY 2061/62 to 2067/68.

From the above trend analysis, what can we say is that ADBL's deposit collection position is better than before.

4.2.7 Trend Analysis of Loan Loss Provision:

Under this topic, effort has been made to analyze the loan loss provision of ADBL for seven years from 2061/62 to 2067/68.

Table No. 4.34

Trend Value of Loan Loss Provision

Loan Loss Provision (Y) = 680.14+(54.18)X

(Rs. 0000000)

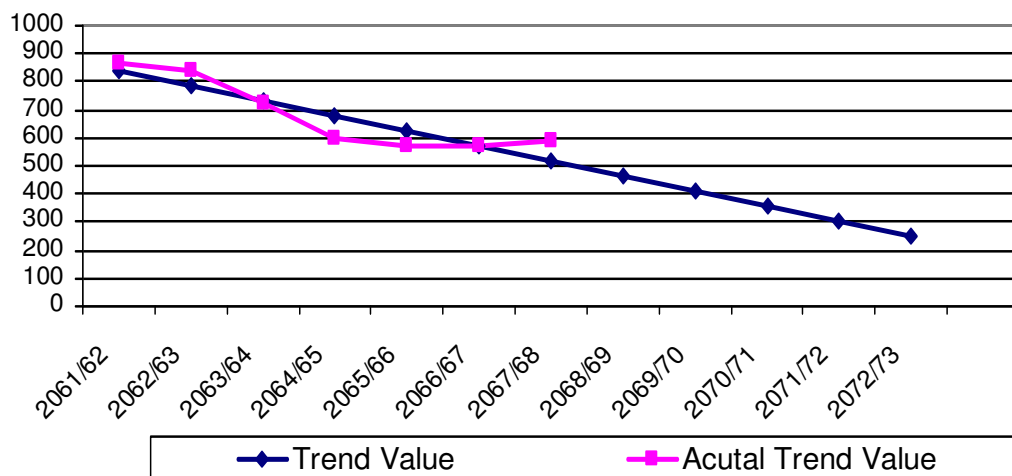
Year	X	Actual Value	Trend Value	Approx. Trend Value
2061/62	1	867	842.68	843
2062/63	2	841	788.5	788
2063/64	3	719	734.32	734
2064/65	4	602	680.14	680
2065/66	5	570	625.96	626
2066/67	6	571	571.78	572
2067/68	7	591	517.6	517
2068/69	8		463.42	463
2069/70	9		409.24	409
2070/71	10		355.06	355
2071/72	11		300.88	301
2072/73	12		246.7	247

Note : FY 2068/69 to 2072/73 is forecasted value.

Source: Appendix 13

Figure No. 4.34

Trend Value of Loan Loss Provision



Source: Table No. 4.34

According to the table no: 4.34, the loan provision of ADBL trend value is in decreasing trend actual value is also decreasing. The loan loss provision of ADBL in actual value is decreases from 867 to 591 in FY 2061/62 to 2062/63 .The loan loss provision in trend value decreases year by year from Rs. 843 to 517.

Decrement of loan loss provision of bank is favourable condition . The figure out here shows the same.The bankn is evaluating the financial strength of its borrowers more meticulously to identify the possibility of risk before granting the loans.

4.2.8 Trend Analysis of Long-term Debt:

Under this topic, an attempt has been made to analyze total long-term debt of the bank for seven year from 2061/62 to 2067/68.

Table No. 4.35

Trend Value of Long-term Debt

$$\text{Long-term Debt (Y)} = 64.14 + (30.57)X$$

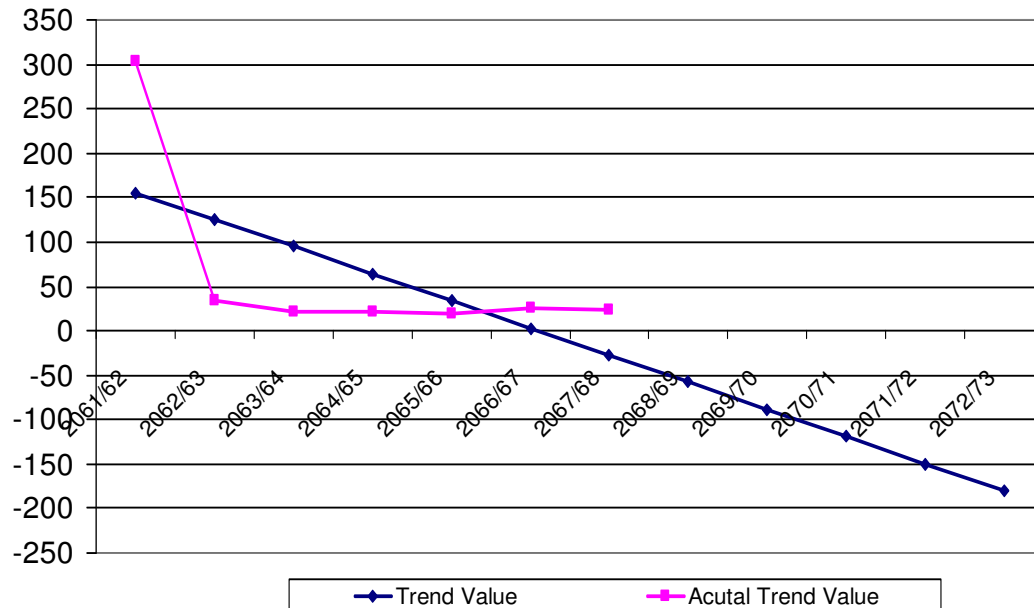
(Rs. 0000000)

Year	X	Actual Value	Trend Value	Approx. Trend Value
2061/62	1	303	155.85	156
2062/63	2	34	125.28	125
2063/64	3	22	94.71	95
2064/65	4	21	64.14	64
2065/66	5	19	33.57	34
2066/67	6	26	3	3
2067/68	7	24	-27.57	-28
2068/69	8		-58.14	-58
2069/70	9		-88.71	-89
2070/71	10		-119.28	-119
2071/72	11		-149.85	-150
2072/73	12		-180.42	-180

Note : FY 2068/69 to 2072/73 is forecasted value.

Source: Appendix 14

Figure No. 4.35
Trend Value of Long-term Debt



Source: Table No. 4.35

The table and figure no: 4.35 reveals that the long-term debt in actual value of ADBL is in decreasing trend. But it slightly increases in FY 2066/67 and again decreases in 2067/68. The trend value of long-term debt is in decreasing trend. The long-term debt in actual value reaches to Rs. 24 from Rs. 303 from FY 2061/62 to 2067/68. Similarly, it decreases from Rs. 156 to Rs. -28 in FY 2061/62 to 2067/68.

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

4.2.9 Trend Analysis of Shareholders Equity:

The trend values of shareholder's equity for seven years have been presented under this topic. The table shows trend and actual value of shareholders equity from FY 2061/62 to 2067/68.

Table No. 4.36

Trend Value of Shareholder's Equity

Shareholder's Equity (Y) = 802.43+116.32X

(Rs. 000000)

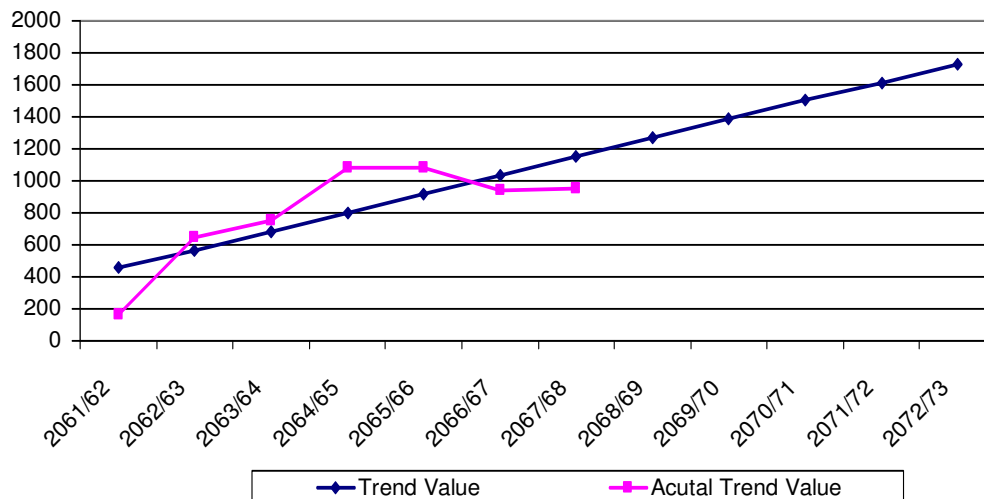
Year	X	Actual Value	Trend Value	Approx. Trend Value
2061/62	1	168	453.47	453
2062/63	2	648	569.79	570
2063/64	3	753	686.11	686
2064/65	4	1078	802.43	802
2065/66	5	1078	918.75	919
2066/67	6	944	1035.07	1035
2067/68	7	948	1151.39	1151
2068/69	8		1267.71	1268
2069/70	9		1384.03	1384
2070/71	10		1500.35	1500
2071/72	11		1616.67	1617
2072/73	12		1732.99	1733

Note : FY 2068/69 to 2072/73 is forecasted value.

Source: Appendix 15.

Figure No. 4.36

Trend Value of Shareholder's Equity



Source: Table No. 4.36

The Table and figure no: 4.36 shows that the shareholder's equity in actual value is in fluctuating trend. It increases from Rs 168 to Rs 648, Rs 753, Rs 1078, Rs 1078 in FY 2061/62 to 2062/63, 2063/64, 2064/65, 2065/66. But it decreases in FY 2066/67 and in FY 2067/68 to Rs 944 and Rs 948. The shareholder's equity in trend value is also in increasing trend.

NBA of ADBL in trend value increased from Rs. 77 to Rs. 134. The actual values are Rs. 77, Rs. 86, Rs. 96, Rs. 105, Rs. 115, Rs. 124 and Rs. 134 in fiscal year 2056/57, 2057/58, 2058/59, 2059/60, 2060/61, 2061/62 and 2062/63 respectively. Whereas the actual values are Rs. 51, Rs. 74, Rs. 120, Rs. 136, Rs. 128, Rs. 127 and Rs. 101 during years 2056/57, 2057/58, 2058/59, 2059/60, 2060/61, 2061/62 and 2062/63 respectively.

Increment in NBA is a bad signal for the bank. It indicates the bad image of ADBL. It means that the bank cannot collect the loan and its interest in time which turns into bad debts year to year. This is a serious position of the bank.

4.2.10 Trend Analysis of Bank Commission and Discount:

Here, the effort has been made to calculate the trend values of bank commission and discount of ADBL for seven years from 2061/62 to 2067/68.

Table No. 4.37

Trend Value of Bank Commission and Discount

Bank Commission and Discount (Y) = 9.36+2.89 X

(Rs. 0000000)

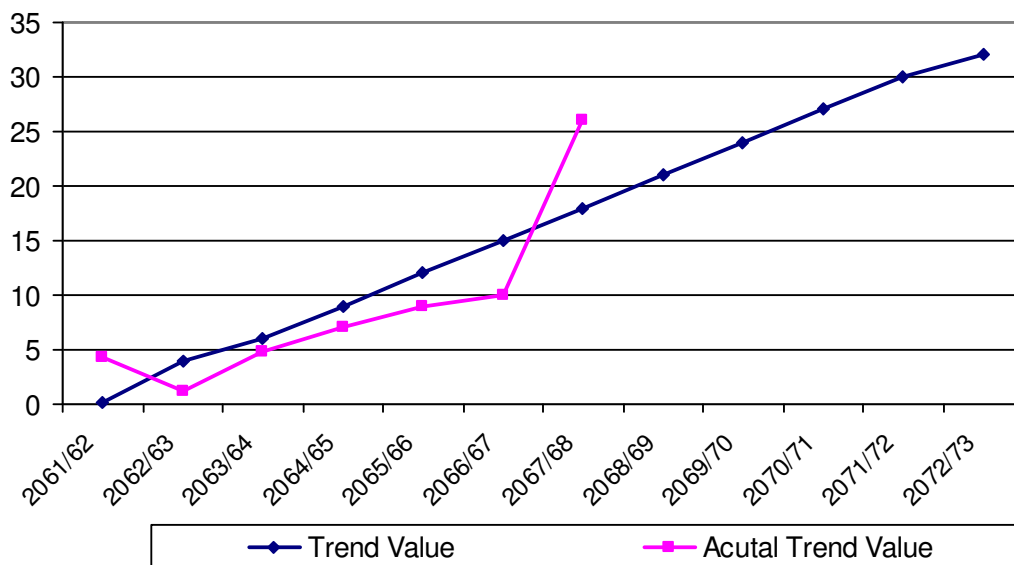
Year	X	Actual Value	Trend Value	Approx. Trend Value
2061/62	1	4.3	0.69	0.1
2062/63	2	4.2	3.58	4
2063/64	3	4.9	6.47	6
2064/65	4	7.1	9.36	9
2065/66	5	9	12.25	12
2066/67	6	10	15.14	15
2067/68	7	26	18.03	18
2068/69	8		20.92	21
2069/70	9		23.81	24
2070/71	10		26.7	27
2071/72	11		29.59	30
2072/73	12		32.48	32

Note : FY 2068/69 to 2072/73 is forecasted value.

Source: Appendix 16.

Figure No. 4.37

Trend Value of Bank Commission and Discount



Source: Table no 4.37

Table and figure no: 4.37 shows the increasing value of trend value and actual value. The actual value slightly increases from 4.3 to 4.2, 4.9, 7, 1, 9, 10, 26 in FY 2061/62 to 2062/63, 2063/64, 2064/65, 2065/66, 2066/67, 2067/68.

4.3 Major Findings of the Study:

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

The major findings of the study are summarized as:

1) Liquidity Ratio:

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

- The current assets are increasing from FY 2061/62 to 2067/68. The current liability is also increasing gradually for whole period of study.
- Current ratio range is from 1.00 to 1.49. The average current ratio is 1.17. The quick ratio is in increasing trend. The ratio is 0.99, 1.03, 1.02, 1.12, 1.32, 1.35 in FY 2061/62, 2062/63, 2063/64, 2064/65, 2065/66, 2066/67 and 2067/68 respectively. The average ratio is 1.15.
- The cash and bank balance are increasing from FY 2061/62 to FY 2063/64 and decreasing in FY 2064/65 and again increases from FY 2065/66 to FY 2067/68. The total deposit also increasing from FY 2061/62 to FY 2065/66, decreases in FY 2066/67 and again increases in FY 2067/68. The cash and bank balance increased from Rs. 30350 to Rs. 48090. And, the deposit increased from Rs 272230 to Rs 343946.

2) Capital Structure Ratio:

There is a fluctuation in long-term debt and permanent capital. Debt to capital ratio is 64.38 to 2.52 in FY 2061/62 to 2067/68 respectively. The average ratio is 11.59.

- The shareholder's equity is in fluctuating trend. The ratios are 1.81, 0.05, 0.03, 0.02, 0.02, 0.03 and 0.03 in FY 2061/62 to FY 2067/68 respectively. The average ratio is 0.28.
- The long-term debt to total assets ratio is 9.71 in FY 2061/62. Then after it is improving and getting the better position gradually and reached to 0.41 in FY 2067/68. The average ratio of LTD to TA ratio is 1.86.

3) Profitability Ratio:

- Net Profit after tax is fluctuating in study period. It increases from Rs. -786 in FY 2061/62 to Rs. 23655 in FY 2067/68. The maximum profit is Rs. 23655 in FY 2067/68 and the minimum value is Rs. -786 in FY 2061/62. The return on assets ratio is 3.99 in maximum and -0.25 in minimum with average ratio 2.08.
- The total outstanding is in increasing trend from 313091 to 403727 in FY 2061/62 to 2067/67 . The highest ratio is 5.86 and lowest is -0.25 . The average ratio is 2.73.
- Total operating income during seven years period is in fluctuating trend. It increases in first three years then after it decreased for next one year and again tends to increase for last three years. Net Profit after tax to total operating income ratio -2.85, 12.61, 32.08, 29.64, 43.23, and 51.78 in FY 2061/62 to 2067/68 respectively. The average ratio is 27.26 .
- The interest income on investment is increasing per year. But in FY 2064/65, it decreased then after it increases and reached to Rs. 66852 from Rs. 42442. The calculated highest ratio is 95.05% and the lowest one is 88.58%. The average ratio is 91.97%.

- The operating self-sufficiency ratio is in fluctuating trend. The highest ratio is 1.53 and the lowest one is 1.19. The operating self-sufficiency ratio is in satisfactory level. The average ratio is 1.33.
- There is a fluctuation in overhead cost ratio. The overhead cost ratio should be less than or equals to 3.5% but the calculated ratio is higher than 3.5%, so the administrative expenses should be minimized to meet the standard.

4) Operating Ratio:

- Total value of operating cost is in fluctuating trend and total loan portfolio is in increasing trend. The highest operating cost is 11.65% in FY 2067/68 and the lowest ratio is 8.69% in FY 2064/65 with the average ratio 10.15%.
- The total operating expenses is in fluctuating trend . It increases from FY 2061/62 to 2062/63 and decreases for next two years and it increases from FY 2065/66 to 2067/68. The highest total operating expenses to total assets ratio is 9.83% in FY 2062/63 and the lowest ratio is 7.28% in FY 2064/65. The average ratio is 8.39%.
- The operating expense to operating income ratio is in fluctuating trend. The maximum ratio is 114.58% in FY 2062/63 and lower ratio is 87.70% in FY 2056/57. The calculated average ratio is 99.27%.
- Total operating income increased to Rs. 32991 in FY 2063/64 from Rs. 27567 in FY 2061/62. There is a fluctuation in total operating income to total assets ratio. The highest ratio is 8.65% and the lowest one is 6.30% in FY 2063/64 and FY 2064/65 respectively. The average ratio is 7.77%.
- There is a fluctuation in the interest paid on total deposit ratio. The highest ratio is 41.01% in FY 2067/68 and the lowest one is 29.22% in FY 2065/66 with the ratio is 34.22%.
- The interest paid on borrowings is decreased to Rs. 44 from Rs. 2878 in FY 2065/66 and 2061/62. But it increased in FY 2066/67 and becomes Rs. 1291 and in FY 2067/68 Rs 1876. The interest paid on borrowings to

total expenses ratio is fluctuating. The highest ratio is 6.54% and the lowest one is 0.11% and the average ratio is 2.66%.

- There is a fluctuation in interest expenses and interest income. The interest expenses to interest income ratio is also fluctuating. The highest ratio is 37.99% and the lowest ratio is 27.35% in FY 2061/62 and FY 2065/66 respectively. The average ratio is 32.73%.

5) Risk Ratio/Credit Quality Ratio:

- There is a fluctuation in overdue but the outstanding is in increasing trend. The highest ratio is 20.59% in 2062/63 and lowest is 8.36% in 2066/67 . The average ratio is 13.78%.
- The value of non-performing interest is increasing in 2061/62 and 2062/63 and decreases thereafter and total outstanding is increasing per year. The non-performing interest becomes Rs. 18569 from Rs. 63326. And, the total outstanding becomes Rs. 403727 from Rs. 313091. The NPI to total outstanding ratio is also increasing. The highest and the lowest ratio are 20.74% and 5.99% respectively. The average ratio is 12.48%
- Lon loss provision is in decreasing trend and the outstanding is in increasing tren . The highest ratio is 27.69% and the lowest is 14.42% in FY 2061/62 and 2066/67. The average ratio is 19.17%. This ratio has to be less than 5% but our calculated ratio is greater than 5%.

6. Findings of Trend Analysis

- It found that the lending position of ADBL is better because the calculated trend values of investment are fitted in trend lines. The trend line is upward sloping.
- ADBL's capacity of principal collection is better because the calculated trend value is upward slopping.
- Loan investment is increasing per year because the trend line shows which is drawn after calculated values gives upward slopping line.

- Interest receivable is decreasing per year which can be seen from trend line. This means that the bank is able to collect the interest timely.
- Total income is more than total expenditure. Increment in total income shows that there is profit. Increasing trend value of Net Profit shows good image of ADBL.
- The ADBL's deposit collection position is better than before.
- Decrease of loan loss provision of bank is favorable. The bank is evaluating the financial strength of its borrowers more meticulously to identify the possibility of risk before granting the loans.
- The decreasing trend of long-term debt means that that bank is able to reduce its external loans or borrowings from the outsiders.
- The shareholder's equity in actual value is in increasing trend.
- The bank commission and discount is in increasing trend line.

CHAPTER-FIVE

SUMMARY, CONCLUSION & RECOMMENDATION

This chapter presents the summary of findings, conclusions drawn from the study recommendation for future research and discussion plan for dissemination. Through this chapter every one can easily generalize the thesis or can achieve for the betterment in their relative field.

5.1 Summary

Agricultural Development Bank Limited (ADBL) in Nepal was established with the main objectives of providing institutional credit for enhancing the production and productivity of agricultural sector in Nepal 1968 . It was started with the major objectives of improving the socio-economic status of rural populace. With the enactment of Bank & Financial Institution Ordinance (BAFIO), ADBN act 1967 replaced or the operation of ADBL is now governed by the BAFIO. Concurrently with it's commercialization restructuring process ADBL has established itself as a Public Limited Company with an A class operational license from Nepal Rastra Bank.

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

In this present context of information or technology generation, financial institutions are facing high competition with the Umbrella Act. of Nepal Rastra Bank all financial companies or bank turn themselves as rivals. Facilities out of

facilities they are providing to the customers. The strong banks are running successfully while weak banks are declining.

It seems that the financial condition of ADBL is better ,its lending position , its investment and utilization of non banking assets through the study of above financial and statistical tools. There are various signs of improvement due to the two phases of reform, which the bank has implemented recently. The profit is seems to be increasing as the bank has started the system of keeping provisions for any risk able debts or also it is due to the fact that the bank has recently changed the system of profit calculation from accrual basis. So the bank is increasing its profit and also able to sustain its profit for the long term basis.

ADBL is on the meet to meet its target as its expectation because the mobilization of budget is been formulated by proper way in proper time. The investment is very high and the collection procedure is also increasing .

5.2 Conclusion

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

- The vision, mission, objectives, organization or establishment of the bank is obviously good for the improvement of the economic or social condition of the farmers or business holders.
- The functions of the bank are good in written or saying but the practical implementation does not seem to be just or fair.
- Through the management or its operational performance seem to be optimistic, it has not covered the entire needs of the farmers especially the marginalized farmers.
- The commercial functions of ADBL is performing well or helping the public by collecting their money as deposits, providing commercial

loans, remittance facilities, issuing guarantee of contractors or business organization. The above functions are good for the bank or also to the general public. . Therefore the bank should modify or should try to provide the facilities in most modern or reformed banking concept that finally helps to achieve the goal of the bank.

- ADBL after receiving a new dimension of governing body or having registered under BAFIO provision, its status has changed drastically. Its entry is not only changed in terms of legal framework but also in terms of capital structure or business execution.

The operational performance of the bank for the seven years period found in the present study, concluded as below.

The overall performance of the institution estimated from the above calculation is satisfactory. The bank is not only investing its fund on the development sector but also investing on small farmers, commercial banking activities. So this bank is rapidly going on the path of success.

Analysis of liquidity ratio indicates that the liquidity position of the bank is average. The average liquidity position is 13.05%, which is satisfactory to meet the total deposit by cash or bank balance. The average current ratio is 1:02:1. The stored ratio is 2:1, it shows that the existing current assets could not be able to meet the current liabilities. Improvement of current liabilities mater is necessary. The normal stored of quick ratio is 1:1 it seems it has been duly maintained in the past years. The average of quick ratio is calculated 1.01:1 even through the one years ratio is below than the normal standard, it is duly satisfactory as the current liability is in better position. ADBL is almost government bank so it is maintaining the norms of Nepal Rastra Bank for liquidity management.

The major source of operating income of ADBL is income from interest on loan or other commission. Ratio says the higher is better. In the context of ADBL, profit is increasing per year so the ratio of operating income to expenses is higher. The account keeping system has changed from accrual basis to cash basis. Therefore the trend of profit is satisfactory and its increasing . The total expense is increasing due to the system of keeping provision following the reform rule of NRB. It good in long-term view as the provision makes the institutions sustainable for any kind of risk that may explore in future.

5.3 Recommendation

From the study of financial statements or financial analysis of the bank the following suggestions or recommendations, in particular are made to improve the weaknesses of the bank or its performance efficiency in the years to come.

1. Better liquidity position

The current ratio of the bank is less than 2:1, it indicates that the bank is poor in liquidity position. The bank must identify the quality of current assets or current liabilities to maintain its own current ratio. Liquidity position of the bank is below standard. The liquidity position affects external or internal factors such as prevalent investment situation, Central Bank requirements. The growth position of the financial market, the ending policies, management capabilities, strategic planning or fund flow situation, bank should maintain enough liquidity assets to pay short-term obligations. So it is recommended to maintain sound liquidity position to the ADBL.

2. Project base lending

To be success in this competitive banking environment, deposit must be utilize as loan or advances. Project base lending is very essential or regular observation of the invested project has to be maintained. Return trend of the

invested projects are very much important. The invested project should be good returnable otherwise worst projects may make the bank a failure institution. Now the nature of most of the ADBL projects are non-viable therefore further lending has to be project base.

3. Adequate Reserve or Provision

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

4. operating cost

Increment in unnecessary operation cost is to be maintained for the better profit. So operating cost is to be minimize to obtain the maximum profit. Maximum profit maximizes the banks internal capacity so reduction in operating cost minimizes the probable loss. By analyzing the micro part of expenses, operating costs has to be minimized.

5. Qualified or trained experts should be appointed.

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

Similarly, the general suggestions or recommendations are made as below.

1. The bank should develop itself as a financially viable or sustainable institutions so that it can take the independent without intervention of the foreign donors. For this, Banks activities especially the agricultural credit is to be provided to the marginalized farmers at negligible rate of

interest directly to their own approach as a special privilege so that the interest or the principle can be easily or timely recovered by utilizing the loan in the direct observation of the Bankers. But the rate of interest to the rich farmers or agro-businesses can be increased in considerable extent to give privileges to the poor.

2. All the un-reconciled transactions of all branches as well as the Central Office must be reconciled in time so that the result of the activities becomes accurate or realistic.
3. The staffs of the Bank should be minimized as its real requirement or rate of increment of administrative expenses should be reduced. The Bank should regularly conduct the training or workshop programs to develop the existing manpower in different offices at different levels.
4. The Bank should make necessary internal inquiry of the Banks staffs regularly to see the abuse of authority for any sort of involvement on corruption.
5. The investment in different development activities like real crops, cash crops, marketing, agricultural tools, irrigation, bio-gas, agricultural industries, godwon, horticulture, housing or other should be made on portfolio basis.
6. The bank should provide to its customers modernization in transactions like, Internet Banking, Digital Banking Services, Card system or anywhere banking(i.e. American Express, Master Card, Visa, Discover, Smart choice Technologies, or dinner club etc), E-Banking etc in this competitive banking market. If ADBL provides these types of facilities to its customers, the bank should maximize the profit or it should be success to run its business in this competitive environment.
7. Finally to lead the development banking as well as commercial banking sector on one hand or to satisfy the agricultural needs of the nation on the other, the bank should give high priority in equality services.

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Appendix 1
Agricultural Development Bank
Balance sheets (2061/62-2067/68)

Capital and Liabilities	Amount 062	Amount063	Amount 064	Amount 065	Amount 066	Amount 067	Amount 068
Authorised capital @100 per share	1677615	6,478,000.00	7528000	10777500	10777500	9437500	9474300
Reserve & Other Fund	-7666883	- 7,313,358.00	-6254909	-5442189	-452327	1430000	3715179
Debenture & bonds						2300000	2300000
Borrowings	3589299	513,532.00	373948	257373	198250	259562	243701
Deposit	27223046	29,631,817.00	32416358	32553827	35159610	32472569	34394628
Proposed Dividend					276000	276000	276000
Income tax Liabilities	235147	748,270.00	284744	365242	597720	941920	1340905
Other Liabilites	6164751	5,239,363.00	3812070	5174997	5261987	6902675	7496652
Total	31222975	35,297,624.00	38160211	43686750	51818740	54020226	59241365

Assets	Amount 062	Amount063	Amount064	Amount065	Amount066	Amount067	Amount068
Cash balance	680,844.00	746,812.00	749552	905235	1413971	1366731	1581094
Bank Balance In NRB	1,730,302.00	3,018,299.00	2001144	1806731	2717813	1759468	2553275
Bank balance In Other Bank	623,892.00	1,006,590.00	938625	912032	1075869	1035206	674585
Money at Call & Short Notice			161599	49996	2244198	1611342	27290
Investment	1,355,833.00	1,511,330.00	3177461	4757097	4896062	4540084	7267285
Loans	22,638,255.00	24,900,914.00	27252333	30589428	32603096	33876957	34459919
Fixed Assets	816,191.00	882,083.00	788868	781149	803333	968745	1022894
Other Assets	3,377,658.00	3,231,596.00	3090629	3885082	6064398	8861693	11655023
Total	31,222,975.00	35,297,624.00	38160211	43686750	51818740	54020226	59241365

Appendix 2
Agricultural Development Bank
Profit & Loss Account (2061/62-2067/68)

Particulars	Amount062	Amount063	Amount064	Amount065	Amount066	Amount067	amount068
Interest Income	3915225	4033545	4623096	3363731	4231143	5464857	6101189
Interest Expenses	1487499	1439844	1605867	1043807	1157071	1507997	2116489
Net interest income(Gross income Interest)	2427726	2593701	3017229	2319924	3074072	3956860	3984700
Comission & Discount	42646	42262	49818	71139	90045	101727	261741
Other Operating Income	286315	164861	232033	350676	382246	318804	322224
Exchange Fluctuation income		2834		11955	22096		
Total Operating Income	2756687	2803658	3299080	2753694	3568459	4377391	4568665
Staff Expenses(personal expenditure	963176	1775337	1306805	1849133	2486716	2679861	2209114
Other Operating Expenses	447881	254889	277546	288020	300691	330022	376623
Exchange Fluctuation expenses	11937		14061			5576	1269
Operating profit before Provision for possible loss	1333693	773432	1700668	616541	781052	1361932	1981659
Provision For Possible Looses/provision	1505105	149285	337783	2677476	2184688	2582234	2504031
Operating Profit	-171412	624147	1362885	-2060935	-1403636	-1220302	-522372
non operating Income/ Loss	92780	117765	7419	18337	634989	19474	105562
Provision for possible loss written back		549333	1803214	4064478	1381932	2469671	2182828
profit form regular operations(transaction)	-78632	1291245	3173518	2021880	613285	1268843	1766018
profit/ Loss from extra ordinary activitis		-355266	-1883003	-1212162	1106749	667293	367166
net profit after considering all activities/Gross profit	-78632	935979	1290515	809718	1720034	1936136	2133184
provision for staff bonous		69332	95594	59979	127410	143418	158014
provision for income tax	0	513123	136473	80499	232476	344202	398984
current year		148270	136473	80499	232476	344202	398984
previous year		364853					
deffered tax					302547	443870	789296
net profit/ loss	-78632	353524	1058448	669240	1057601	1892386	2365482

Appendix 3
Agricultural Development Bank
Statement of FY 2061/62-2067/68

Fiscal Year	Outstanding	Overdue	LTD	Total Deposit	Investment
2061/62	3132	600	303	2722	1356
2062/63	3331	686	34	2963	1511
2063/64	3444	619	22	3242	3177
2064/65	3660	428	21	3255	4757
2065/66	3830	373	19	3516	4896
2066/67	3958	3309	26	3247	4540
2067/68	4037	363	24	3439	7267

Appendix 4
Statement of borrowing
F/Y 2061/62-2067/68

S.No	Particular	2062	2063	2064	2065	2066	2067	2068
A	Local	35893	5135	3739	2574	1982	2596	2437
	1. Nepal Government	26096	16	16				1215
	2.Nepal Rastra Bank	3141	2296	1426	1375	1324	1273	1222
	3.Repo Obligation							
	4.Inter Bank & Financial Institutions	5570	1770	1500	500			
	6.Others	1086	1053	797	659	698	1323	
	Total	71786	10270	7478	5108	4004	5192	4874
B	Foreign							
	1.Banks							
	2.Others							
	Total	0	0	0	0	0	0	0
	Total (A+B)	71786	10270	7478	5108	4004	5192	4874

Appendix 5
Agricultural Development Bank
Statement of Loans FY 2061/62-2067/68

S.No	Particular	2062	2063	2064	2065	2066	2067	2068
1	Performing loan	253050	264517	282550	323242	345803	362734	367441
	1.1 Pass Loan	251072	255538	268991	313432	328578	352419	367441
	1.2 Restructured	1979	8979	13558	9810	17224	10315	36285
2	Non Performing Loan	60039	68589	61852	42805	37207	33093	9230
	2.1 substandard	7766	6887	5477	4600	6024	4446	4300
	2.2 doubtful	10754	11559	10500	6679	7932	6518	4408
	2.3 Loss	41519	50143	45875	31524	23251	22128	18346
A	Total Loan	313090	333107	344403	366047	383011	385828	403727
3	Loss Loan Provision							
	3.1 Pass	2510	2555	2689	3134	3298	3538	3801
	3.2 Restructured	247	1122	1694	1226	2212	1289	2736
	3.3 Substandard	1941	1721	1369	1150	1517	1269	1235
	3.4 Doubtful	5377	5779	5250	3339	3966	3372	2887
	3.5 Loss	41519	50143	45875	31524	23251	22695	20817
	3.6 Others	35112	22775	15000	19777	22735	24894	27650
B	Total Loan Provision	86708	84098	71880	60152	56980	57059	59128

Appendix 6
Agricultural Development Bank
Statement of Interest Expenses FY 2061/62-2067/68

S.No	Particular	2062	2063	2064	2065	2066	2067	2068
A	On deposit Liabilities	10046	10220	11472	10371	11526	13789	19289
1	Fixed Deposit	5999	5600	6607	6112	6232	6863	11334
	1.1 Local Currency	5999	5600	6607	6112	6232	6863	11334
	1.2 Foreign Currency							
2	Saving Deposit	3562	4201	4432	3947	4951	6573	7448
	2.1 Local Currency	3562	4201	4432	3947	4951	6573	7448
	2.2 foreign Currency							
3	Call Deposit			111	116	121	138	197
	3.1 Local Currency			111	116	121	138	197
	3.2 Foreign Currency							
4	Certificate on deposit							125
5	Customer deposit	477	412	316	192	218	212	171
6	Cumpulsory deposit	7	6	4	3	0.1	1	8
B	On borrowing	1878	1603	101	66	44	1290	1876
1	Bonds & Debenture						115	1380
2	Loan from Nepal Rastra bank	206	155	70	31	17	403	65
3	Inter Bank Borrowing	110	32	28	20	0.1	80	5
4	Other corporate institution					0.1	41	16
5	Loan from Nepal Government	1560	1415	1	14			
6	Other Loans					26	650	408
C	Other	2950	2575	4484	5974			
1	Discount Interest	2227	1757	4483	5974			
2	Others	722	817	1				
	Total	39305	38594	43260	42995	34439.3	43729	61301

Appendix 7

Calculation of trend value of loan investment

year(x)	n	Loan investment(Y)	X=x-2065	X ²	XY	Y _c
2062	1	1,356	-3	9	- 4,068	1195.93
2063	2	1,511	-2	4	- 3,022	2107
2064	3	3,177	-1	1	-3177	3018.07
2065	4	4,757	0	0	0	3929.14
2066	5	4,896	1	1	4896	4840.21
2067	6	4,540	2	4	9080	5751.28
2068	7	7,267	3	9	21801	6662.35
		27,504	4	28	25510	7573.42
			5			8484.49
			6			9395.56
			7			10306.63
			8			11217.7

The equation of trend line is,

$$Y_c = a + bX$$

$$a = \sum Y/n = 27504/7 = 3929.14$$

$$b = \sum xy/\sum x^2 = 25510/28 = 911.71$$

Therefore, $Y_c = 3929.14 + 911.71X$

Appendix 8

Calculation of trend value of Principal collection

year	n	Actual Value Y	X=x-2065	X ²	XY	Y _c
2062	1	4244	-3	9	-12732	3809.12
2063	2	4243	-2	4	-8486	4181.51
2064	3	4905	-1	1	-4905	4553.9
2065	4	3797	0	0	0	4926.29
2066	5	4725	1	1	4725	5298.68
2067	6	5885	2	4	11770	5671.07
2068	7	6685	3	9	20055	6043.46
		34484	4	28	10427	6415.85
			5			6788.24
			6			7160.63
			7			7533.02
			8			7905.41

The equation of trend line is,

$$Y_c = a + bX$$

$$a = \frac{\sum Y}{n} = \frac{34484}{7} = 4926.29$$

$$b = \frac{\sum xy}{\sum x^2} = \frac{10427}{28} = 372.39$$

Therefore, $Y_c = 4926.29 + 372.39X$

Appendix 9

Calculation of trend value of outstanding

year(x)	n	outstanding(Y)	X=x-2065	X ²	XY	Y _c
2062	1	3132	-3	9	-9396	3160.81
2063	2	3331	-2	4	-6662	3316.35
2064	3	3444	-1	1	-3444	3471.89
2065	4	3660	0	0	0	3627.43
2066	5	3830	1	1	3830	3782.97
2067	6	3958	2	4	7916	3938.51
2068	7	4037	3	9	12111	4094.05
		25392	4	28	4355	4249.59
			5			4405.13
			6			4560.67
			7			4716.21
			8			4871.75

The equation of trend line is,

$$Y_c = a + bX$$

$$a = \sum Y/n = 25392/7 = 3627.43$$

$$b = \sum xy/\sum x^2 = 4355/28 = 155.54$$

Therefore, $Y_c = 3627.43 + 155.54X$

Appendix 10

Calculation of trend value of interest receivable

year	n	Actual Value(Y)	X=x-2065	X ²	XY	Y _c
2062	1	633	-3	9	-1899	706.45
2063	2	691	-2	4	-1382	615.49
2064	3	576	-1	1	-576	524.53
2065	4	434	0	0	0	433.57
2066	5	278	1	1	278	342.61
2067	6	237	2	4	474	251.65
2068	7	186	3	9	558	160.69
		3035	4	28	-2547	69.73
			5			-21.23
			6			-112.19
			7			-203.15
			8			-294.11

The equation of trend line is,

$$Y_c = a + bX$$

$$a = \frac{\sum Y}{n} = \frac{3035}{7} = 433.57$$

$$b = \frac{\sum xy}{\sum x^2} = \frac{-2547}{28} = -90.96$$

Therefore, $Y_c = 433.57 + (-90.96)X$

Appendix 11

Calculation of trend value of Net profit after tax

year	n	Actual Value Y	X=x-2065	X ²	XY	Y _c
2062	1	-7	-3	9	21	-6.69
2063	2	35	-2	4	-70	30.35
2064	3	106	-1	1	-106	67.39
2065	4	66	0	0	0	104.43
2066	5	106	1	1	106	141.47
2067	6	189	2	4	378	178.51
2068	7	236	3	9	708	215.55
		731	4	28	1037	252.59
			5			289.63
			6			326.67
			7			363.71
			8			400.75

The equation of trend line is,

$$Y_c = a + bX$$

$$a = \sum Y/n = 731/7 = 104.43$$

$$b = \sum xy/\sum x^2 = 1037/28 = 37.04$$

Therefore, $Y_c = 104.43 + 37.04X$

Appendix 12

Calculation of trend value of Total Deposit

year	n	Total deposit(Y)	X=x-2065	X ²	XY	Y _c
2062	1	2722	-3	9	-8166	2877.04
2063	2	2963	-2	4	-5926	2983.93
2064	3	3242	-1	1	-3242	3090.82
2065	4	3255	0	0	0	3197.71
2066	5	3516	1	1	3516	3304.6
2067	6	3247	2	4	6494	3411.49
2068	7	3439	3	9	10317	3518.38
		22384	4	28	2993	3625.27
			5			3732.16
			6			3839.05
			7			3945.94
			8			4052.83

The equation of trend line is,

$$Y_c = a + bX$$

$$a = \sum Y/n = 22384/7 = 3197.71$$

$$b = \sum xy/\sum x^2 = 2993/28 = 106.89$$

Therefore, $Y_c = 3197.71 + 106.89X$

Appendix 13

Calculation of trend value of Loss Loan Provision

year	n	Actual Value (Y)	X=x-2065	X ²	XY	Y _c
2062	1	867	-3	9	-2601	842.68
2063	2	841	-2	4	-1682	788.5
2064	3	719	-1	1	-719	734.32
2065	4	602	0	0	0	680.14
2066	5	570	1	1	570	625.96
2067	6	571	2	4	1142	571.78
2068	7	591	3	9	1773	517.6
		4761	4	28	-1517	463.42
			5			409.24
			6			355.06
			7			300.88
			8			246.7

The equation of trend line is,

$$Y_c = a + bX$$

$$a = \frac{\sum Y}{n} = \frac{4761}{7} = 680.14$$

$$b = \frac{\sum xy}{\sum x^2} = \frac{-1517}{28} = -54.18$$

Therefore, $Y_c = 680.14 + (-54.18)X$

Appendix 14

Calculation of trend value of Long Term Debt

year	n	LTD	X=x-2065	X ²	XY	Y _c
2062	1	303	-3	9	-909	155.85
2063	2	34	-2	4	-68	125.28
2064	3	22	-1	1	-22	94.71
2065	4	21	0	0	0	64.14
2066	5	19	1	1	19	33.57
2067	6	26	2	4	52	3
2068	7	24	3	9	72	-27.57
		449	4	28	-856	-58.14
			5			-88.71
			6			-119.28
			7			-149.85
			8			-180.42

The equation of trend line is,

$$Y_c = a + bX$$

$$a = \sum Y/n = 449/7 = 64.14$$

$$b = \sum xy/\sum x^2 = -856/28 = -30.57$$

Therefore, $Y_c = 64.14 + (-30.57)X$

Appendix 15

Calculation of trend value of Shareholders Equity

Year	n	SHE	X=x-2065	X ²	XY	Y _c
2062	1	168	-3	9	-504	453.47
2063	2	648	-2	4	-1296	569.79
2064	3	753	-1	1	-753	686.11
2065	4	1078	0	0	0	802.43
2066	5	1078	1	1	1078	918.75
2067	6	944	2	4	1888	1035.07
2068	7	948	3	9	2844	1151.39
		5617	4	28	3257	1267.71
			5			1384.03
			6			1500.35
			7			1616.67
			8			1732.99

The equation of trend line is,

$$Y_c = a + bX$$

$$a = \sum Y/n = 5617/7 = 802.43$$

$$b = \sum xy/\sum x^2 = 3257/28 = 116.32$$

Therefore, $Y_c = 802.43 + 116.32X$

Appendix 16

Calculation of trend value of Bank commission & discount

year	n	Bank com & dist.(Y)	X=x-2065	X ²	XY	Y _c
2062	1	4.3	-3	9	-12.9	0.69
2063	2	4.2	-2	4	-8.4	3.58
2064	3	4.9	-1	1	-4.9	6.47
2065	4	7.1	0	0	0	9.36
2066	5	9	1	1	9	12.25
2067	6	10	2	4	20	15.14
2068	7	26	3	9	78	18.03
		65.5	4	28	80.8	20.92
			5			23.81
			6			26.7
			7			29.59
			8			32.48

The equation of trend line is,

$$Y_c = a + bX$$

$$a = \sum Y/n = 65.5/7 = 9.36$$

$$b = \sum xy/\sum x^2 = 80.8/28 = 2.89$$

Therefore, $Y_c = 9.36 + 2.89X$