CHAPTER 1

INTRODUCTION

1.1 Background of the Study

The least developed land locked mountainous country Nepal lies on the lap of highest mountain range of the Himalayas having very low cultivated lands, high growth rate of population and limited resources of the world with low per capita income of U.S. $240 (Source: *NRB Samachar*). The various factor which are responsible for the slow pace of development of the nation such as measure of obstruction land locked position, rugged terrain, poor resource endowment, institutional weakness and lack of appropriate economic policies due to political instability events.

The concept of the banking has been developed from the ancient history with the effort of ancient goldsmiths who developed the practice of storing people's gold and valuables. Under such arrangement the depositors would leave their gold for safekeeping and given a receipt by the goldsmith. Whenever, the receipt was presented, the depositors would get back their gold and valuables after paying a small amount as fee for safekeeping and serving.

For domestic resource mobilization and economic development of the nation Banking Institutions definitely contribute and play a gigantic role to build up the confidence to businessmen for promoting their businesses and industrialists for encouraging to open new

industries. It is a resource for economic development, it maintains economic confidence of various segments and extends credit to people.

Government initiated some corrective measures to stabilize the economy with the assistance of IMF standby arrangement in the mid 1980s. In FY 1985, in subsequently embarked upon the structured adjustment programme encompassing measures to increase domestic resource mobilization, strengthen financial sectors and liberalize industrial and trade policies. Since then, several financial institutions and commercial JVBs are established under the process of liberalization policy for economic development of the nation.

Before 1974, no any foreign JVBs had come into existence in the country, there were no provision made in the old commercial Bank Act which, fascilated the country of the JVBs in Nepal. The new commercial Bank Act 1974 has however made provision to permit foreign banks to operate in the country by obtaining the approval of the Nepal Rastra Bank.

Similarly, when government permitted the establishment of foreign JVBs in Nepal, in the early 1980s three JVBs i.e Nepal Arab Bank Ltd., Nepal Standard Chartered Bank Ltd, and Nepal Investment Bank Ltd had come into existence by the end of the first half of the 1980s. However, the numbers of commercial banks increased dramatically after the democratically elected government adopted the liberal and market oriented economic policy.

In Nepalese context, now a days three types of banks are being operated by performing their jobs in different sectoers namely Central Bank (Nepal Rastra Bank), Commercial Banks and

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Developments Banks. Under Commercial Banks they are of two types that are being operated by government and others are being operated joint investment by foreign partners and national partners.

There is a wide misconception about the JVBs. Most of the people imagine that allowing foreign to operate in Nepal means that the JVBs will transfer fund from the informational network for making investment in Nepal. This is sometimes possible if a foreign bank has a branch in Nepal, but this is a certainly not a general practice when the foreign bank is only allowed to set up a joint venture scheme. In the case of Nepal, JVBs are allowed a maximum shareholding of 50% in the joint venture banks.

In Nepalese context, all the JVBs which are established in Nepal as commercial bank they must finance under the rules and regulation of NRB priority sector investment scheme. NRB fixes minimum percentage of total deposits that Commercial Banks have to invest under this scheme. Nowadays, so many; JVBs are being operated as Commercial Banks by participating foreign and national investors and any other commercial too which are controlled and regulated by Nepal Rastra Bank.

The Joint Venture Banks have invited a new era of banking in this remote Himalayan kingdom by introducing high technology and efficient methods in banking business. In other hand, these Joint Venture Banks pose a serious challenge to the existence of the inefficient and very traditional domestic banks, but the same challenge can be taken by the domestic banks an opportunity to modernize themselves and sharpen their competitive zeals.

1.2   Identification of the Problem

No doubt Bank is a monetary institutional vehicle for domestic resource mobilization of the country. HMG allowed such new types commercial banks as JVBs to operate in the country for national development. They have capacity to make such as dividend policy, considering the wealth maximization of shareholders and growth of the company through their advance management techniques, technology and poper market schemes. But they are suffering from many barriers such as legal obstacles, national constraints and erratic Govt. intervention.

The liberalization policy towards the banking sector of HMG many; JVBs are being operated in urban sub-urban region of the country. As a result, in the banking sector has come sound competitive atmosphere and introduced modern technique and technology. The purpose of this study only three JVBs are NABL, NIBL and SCBconducted in view of analyzing and presentation, because of other JVBs have just opened that are not complete upto five financial years (Lack of five years annual report of the JVBs). However major problems are identified which are as follows:

1.   Identifying the liquidity, profitability and market position of the Joint Venture Banks.

2.   Identifying the growth ratios levels of Joint Venture Banks in terms of Net Income, Earning Per Share and Dividend Per Share and comparing them.

3.   Identifying relationships between variables such as deposit and investment of Joint Venture Banks.

4.   Identifying the relationship between variables such as debt and return of Joint

Venture Banks.

5.   Identifying the Trend projection of Joint Venture Banks in terms of deposit
and net profit.

1.3   Research Questions

The research questions is what the researcher specially wants to understand by performing the study. The researcher should clearly spell out what he will attempt to learn or understand. The intentions of a researcher are expressed in the form of research questions. They indicate the purpose and motive of the researcher. The research questions are the vital compnents of the research study. They are listed as below.

1.   What is the liquidity, profitability and market positions of the Joint Venture   Banks?

2.   What is the growth ratio levels of Joint Venture Banks in terms of Net Income, Earning Per Share and Dividend Per Share?

3.   Does any relationship exist between variable like debt and return of Joint Venture   Banks?

4.   What is the relationship between deposit and investment of the selected banks   under the study?

5.   What are the trend projections of Joint Venture Banks in terms of deposit and net   profit?

1.4   Objectives of the Study

In Nepal JVBs are playing vital role in economic development of the country. Economic development of the country depends upon growth and development of trade and industry. The JVBs are performing crucial role for economic development of nation by financing, providing

short and long term loan to industrialists, business organizations and individuals. Except it, they collect deposit under different accounts, create capital, mobilize the recources,etc.

The main objectives of the present study are identified of JVBs that are numerated as follows:

1.   To highlight and assess the liquidity position of selected joint venture banks.

2.   To assess the profitability position of the selected joint venture banks.

3.   To analyze and interpret the market price position of selected joint venture banks.

4.   To assess the growth position on Earning Per Share, Dividend Per Share and on overall performance of joint venture banks.

5.   To identify the interrelationships between debt and return, deposit and investment.

1.5   Importance of the Study

The study has multidimensional significance in the particular area of concerned banks which have been undertaken that justify for finding out important points and facts to researcher, shareholders, brokers, traders, financial institutions, stock exchange, public knowledge or general public, management of JVBs and Nepal Government too for marking plans and policies of the country.

Moreover, the present study will be more helpful to aware the shareholders regarding the financial performance of their banks. The comparative analysis identify the productivity of their funds among the JVBs, However, the management of the JVBs could be benefited from this

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study. This study will be beneficial for finding out important facts and points that will be helpful for all, those are directly or indirectly related with Joint Venture Banks.

1.6   Limitation of the Study

This study is simply presented to fulfill a partial requirement of MBS programme. Its is a mnis-research which is conducted and submitted within a time constraint. Every study has its own limitations which are follows:

i.   This study is mainly conducted on the basis of secondary data such as annual

        report of Joint Venture Banks and other related journals, magazines, books,

        etc.

ii.   This study implication is evaluated on the basis of during the period past five

        FY years from 2003 /04 to 2007/08

iii.   The purpose of this study only three Joint Venture Banks are included such as

        NABL, NIBL and SCBL due to the annual report of other Joint Venture Banks

        were not published for public knowledge at that time.

iv.   This study examines and suggests on the subject matter of comparative

        financial performance of Joint Venture Banks.

1.7   Organization of the Study

The present study on comparative financial performance appraisal of JVBs has been divided into five pats viz introduction, literature review, research methodology, data presentationa and analysis and summary and conclusions.

Chapter-I: Introduction

Chapter one is the introductory framework that contains two chapters one is general introduction having background of the study, identification of the problem, objective, importance, limitation and chapters plan of the study. And next one is reviews of literature having theoretical outlines, resume of the earlier studies and general opinions. Moreover, theoretical outlines represents the general identification of Commercial Banks and Joint Venture Banks.

Chapter-II: Review of Literature

Chapter two is related to the conceptual framework, review of different studies and thesis relevant to the problem being explored within the framework of the theory structure.

Chapter-III: Research Methodology

Chapter three is a research framework that represents about methodology used in carrying out the research and it includes research design, source of data, method of data collection, method of data analysis and financial and statistical tools used in the study.

Chapter-IV: Presentation and Analysis of Data

Chapter four is analytical framework that presents the data and facts and analyzes them with the help of various financial and statistical tools followed by methodology.

Chapter-V: Summary, Conlcusions and Recommendations

Chapter five is suggestive framework that contains the summary of the whole study. Moreover, it draws the conclusions and forwards recommendations for the improvement of financial performance of selected joint venture banks under study.

CHAPTER 2

REVIEW OF LITERATURE

2.1   Introduction

This chapter reviews the existing literature that is available on this particular subject matter. The present chapter has discussed under the different sub-heads in the first, the theoretical outlines given by the authorities in this area are presented, in the second, conclusion drawn by the students and at last opinions of the people concerned with banking sector are incluced.

2.2   Concept of Banking

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

A bank is a business organization that receives and holds deposits of funds from others , makes loans or extends credits and transfers funds by written orders of depositors.

The business of banking is one of collecting funds from the community and extending credit (making loans) to people for useful purposes. Banks have played a pivotal role in moving money from lenders to borrowers. Banking is a profit seeking business not a community charity.

As a profit seeker, it is expected to pay dividends and otherwise add to the wealth of its shareholders.

The more developed financial system of the world characteristically fall into three parts: The central bank, the commercial banks and other financial institutions. They are also known as financial intermediaries.

In Nepalese context, nowadays three types of banks are being operated by performing their activities in different sectors, such as Central Bank (Nepal Rastra Bank), Commercial Banks and Developments Banks. Under Commercial Banks, they are two types ones are being operated by government sectors and others are being operated by foreign partners with sharing national investors.

2.3 Concept of Commercial Bank

Commercial Banks are that financial institutions which deal in accepting deposits of persons and institutions and in giving loans against securities. They provide working capital needs of trade, industry and even to agricultural sectors. Moreover, commercial banks also provide technical and administrative assistance to industries, trades and business enterprises. The main purpose of priority sector investments scheme is to uplift the backward sectors of the economy. Commercial Bank is a corporation which accepts demand deposits subjects to check and make short term loans to business enterprises, regardless of the scope of its other services.

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"A commercial banker is dealer in money and institutes for money such as cheque of bill of exchange. It also provides a variety of financial service."

Principally, commercial banks accepts deposits and provides loans, primarily to business firms, there by facilitating the transfer of funds in the economy. Commercial Banks are the heart of the financial system. They hold the deposits of many persons, government establishment and business units. They make fund available through their lending and investing activities to borrowers, individuals, business firms and government establishment units. In doing so they assist both the flow of goods and services from the producers to customers and the financial activities of the government. They provide a large portion of the medium of exchange and they are media through which monetary policy is affected. These facts show that the commercial banking system of the nation is important to the functioning of the economy.

The American Institute of Banking has laid down the four major functions of the commercial bank such as receiving and handling deposits, handling payments for its clients making loans and investments and creating money by extension of credit.

A commercial bank is one which exchanges money, deposits money, accepts deposits, grants loans and performs commercial banking functions and which is not a bank meant for co-operation, agriculture, industries or for such specific purpose.

Under the Nepal commercial Bank Act. 2031 B.S. that has been defined and emphasized about commercial banks they provide short term and long term debts whenever necessary for

trade and commerce. They accept deposits from the public and grant loans in different forms. They purchase and discount the bills form exchange, promissory notes, exchange foreign currency.

Similarly commercial banks pool together the saving of the community that seems they help in the capital formation. Commercial Banks obtain the deposits form the customer under different accounts out of them such savings are distributed to the public in the form of credit for productive use. However, basically, Commercial Banks finance short term needs of trade and industry. They supply working capital to trade industry and even in agriculture sector. Commercial Banks of developing country finance to small and cottage industries under priority sector investment scheme. The main purpose of this scheme is to uplift the poverty sector of the nation.

However, Central Bank is the main bank of any nation that directs and controls all the banks whose existences are in the economy. In Nepal, Nepal Rastra Banks is the central bank of the country. All the commercial banks perform their function under the rules and regulations of the Nepal Rastra Bank which is also regarded as "father of all banks".

Nepal is very poor, least developed country having low per capital income and GDP. As a result many economic problems such as inflation and devaluation of money trade, trade defeat, budget defeat, etc have risen. Although removing those problems, many JVBs are being corporated in our country by sharing Nepali and foreign towards making more profit by using the fund in profitable sector. Profit is necessary for each and every organization but is does not mean

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main objective of JVBs for making more profit they should consider about social responsibility towards the society too.

Meanwhile, under the free enterprises system like USA, the interest of the nation as well as these of the individuals stockholders are supposed to be best served by vigorously seeking profit. But, the profit can not be a sole objective of an enterprise and should not only be evaluated just on the ground of the profit it earned. Neither the bank nor the community will be best served if the banker unreasonably scarifies the safety of his funds or the liquidity of his bank is an effort to increase income.

As mentioned earlier, JVBs were introduced in 1984 at first time in Nepal .Before it there were no existence of any bank established under the joint venture principle. JVBs are established by joining different forces and ability to achieve a common goal with each of the partners. JVBs are efficient and effective monetary financial institution in modern banking fields than other old type of banks in the Nepalese context.

The rural poverty problem of underdeveloped country is more complex like Nepal and other Asian countries. For solving this problem and upliftment of economy growth of nation banking services play significant role but in the Nepalese context earlier establishment commercial banks than JVBs (ie Nepal Bank Ltd. And Rastriya Banijya Bank) are not being proficient to contribute effectively. To accelerate the economic activities toward growth, underdeveloped country needs strong banking system. In this regard, NIBL was established as the first joint Venture Bank with a view to encourage proficient banking services in Nepal.

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Similarly NEBL and NCC were initiated which are preconditions for the economic development, industrialization and growth of the nation.

2.4   Resume of the earlier Studies

For the purpose of this study the relevant thesis works which are completed by thesis workers regarding the various aspects of banking sector that are discussed as follows.

Sharma Ratna Sthapit (1989) has concluded in his thesis paper" Performance Evaluation of Nepal Bank Ltd."   that operational efficiency of the bank is not satisfactory in terms of profitability. Profit as indicated in the financial statement is inflated by maneuvering interest suspense doubtful debts loans and advances have been granted haphazardly and without any policy backing and has been unable to maintain a sound proportion between high cost resources and high yielding loans.

Pramesh K.C (1989) concluded in his thesis paper " Dividend Policy of Joint Venture Banks in Nepal" that the market price per share of JVBs are significantly fluctuated and traded on high price. Earning per share of all JVBs are raised at the satisfactory level. The correlation between dividend per share and earning per share of JVBs is also significant. JVBs are declaring higher dividend return on paid up capital. Return on assets of SCBL is more risky than NABL and NIBL because, Beta risk of SCBL is found higher than 1 but NABL and NIBL are found lower than 1 which identifies less risky.

Bhoj Raj Bohora (1992) has concluded in his thesis paper " A Comparative Study of the financial performance of Nepal Arab Bank Ltd. and Nepal Indosuez Bank Ltd." that the both banks NABL and NIBL have maintained adequate liquidity for maintaining short term obligation. In the case of deposit utilization of both banks are satisfactory but NIBL is being more efficient in this regard. Capital adequacy ratio of both the JVBs are higher than the required ratios. NIBL is performing well than NABL in terms of return on capital cash dividend per share tax per share price earning ratios and dividend pay out ratio.

S.L. Bajracharya (1993) has concluded in his dissertation " Evaluation of Financial pattern of Nepalese Commercial Banks" that the resource of commercial Banks are idle. It seems the banks could not fully utilize their resources in a proper way.

Pramod Dhungana (1998) has concluded in his thesis paper " A Study of JVBs Profitability" that the profitability position of JVBs are satisfactory over the study period by better utilization of the funds. But, profitability positon of SCBL and NIBL are improving trend than NABL, wheares, NABL is employing greater number of employees in it and operating many branches in comparison to SCBL and NIBL

Deepak Joshi (2000) has concluded in his thesis paper entitled " A Study on Commercial Banks of Nepal with Special Reference to Financial Analysis of Rastriya Banijya Bank" that the bank could not maintain proper amount liquidity. There is gradual increase in the amount of funded debt and capital structure to be highly graded. Return on assets in not satisfactory. The

search suggest that the bank should invest its resources in more productive sectors and the bank should also consider seriously in equity financing.

Gurung's study entitled (2000), "Working Capital Management of Nepal Level Limited" concluded that the company has a strong current ratio which is efficient to meet all its current obligations in a very prudent way. Moreover, the profitability and divident payout is also very high and increasing year by year. Overall it has retained corporate image in the industry.

Dev Raj Adhikari (2002) has concluded in this thesis paper "Evaluation of the Financial Performance of Nepal Bank Ltd. " that the Bank could not fully utilize the resource on high yielding investment portfolio to maximize returns. Operational efficiency of the bank is indicated by the operation loss has been unsatisfactory, so that bank should manage its investment by using portfolio method.

Another study conducted by Shrestha (2002) entitled, "Comparative Analysis of Investment Structure of Rastriya Banijya Bank of Nepal Bank Limited" has found that the current rate of NBL is more significant than RBB which signifies NBL has better liquidity position. Deposit structure of both banks are similar, the correlation between deposit & investment of both bank is highly significant in NBL than RBB. Overall, in the case of NBL is better performance than RBB regarding liquidity, diversification and profitability.

Thapa's study entitled (2004), "Fund accumulation and mobilization capacity of commercial banks: with reference to Nepal Bank Limited and Nepal Bangladesh Bank Ltd." has concluded that the saving deposit of NBL is higher whereas fixed deposit of NBBL is higher. Similarly, the credit compsoition of both banks portrays that almost all the deposits has been concentrated in private sector. The reason behind it may be that there may not be demand of fund in public enterprise and it is arranged by Govt. The investment portfolio reveals that both banks are not making any investment in most of the fiscal year. It may be due to lack of confidence in domestic industries and their worst earning position.

Shrestha's study entitled (2004), " Financial performance analysis of Everest Bank Ltd." has concluded that all the profitability ratios seem that the EBL has not been fully successful to achive the desired profit. The return on equity ratio is fluctuating during the study period. Interest earned to working capital ratio of EBL shows good position in the mid period after this the rate is decreased slowly. But the ratio of interest paid to working fund is said to be better because it has paid lower interest expenses. The interest earned on operating income is satisfactory. Likewise, return on total working fund, return on loan and advances is not satisfactory. EPS of EBL has been increasing even though there is negative return in the beginning.

2.5   General Opinions or Views

The persons views expressed regarding commercial banks and their activities on Journal, Books and booklets, magazines, etc are focused as follows.

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R.L Shrestha (2046) has suggested in his article " Capital Adequacy of bank: the Nepalese Context" that the bank should deal in highly risky transaction to maintain strong capital base, However, the capital base should neither be too much leading to inefficient allocation of scarce resources not too weak as to expose to extreme risk. The study accepts that the operations of bank and the degree of risk associated with the subject to changes country-wise, bank-wise and period-wise. Henceforth the study suggests to prepare standard capital adequacy ratio of each individual bank keeping in mind the various relevant factors.

Ratna R. Bajracharya (2047) has concluded in his article " Rastriya Banijya Bank a Comparative Performance Study" that deposit growth of commercial banks is not consistent, low growth in local banks than JVBs. The mobilization of rural saving is better in case of local banks. Credit expansion is decreased in local banks than JVBs. Credit deposit ratio is better in JVBs. Non-performing loan is greater in local banks and profitability is greater in JVBs. Local banks are focused to open and continue their branches at the rural areas therefore the competition among the local and JVBs is not healthy. would definitely be unwise for Nepal not to let the JVBs operate in the country and not to take advantage of them as additional means of resource mobilization as well as harbinger of new era in banking. But it will certainly be unfortunate for the country to develop the JVBs at the cost of the domestic banks, so far, one should admit frankly no different treatment has been extended to the domestic and JVBs, at least from the government's side which is commendable. If Nepal government keeps on the stance of treating the domestic and JVBs equally despite the latter's bargaining strength and if the JVBs also show their alacrity to come forward to share the trails and tribulations of this poor country, both types of banks will coalesce and co-exist, complementing each other and contributing to the nation's

accelerated development. On the contrary, if the JVBs use their strength against treading into the cumbersome path of development along with the domestic commercial banks and the government, they will eventually could out the domestic commercial banks from the more profitable urban areas and lucrative urban sectors unless reined in by the determination of the government.

Similarly Keshav Raj Joshi (1989) has concluded in his thesis paper "A Study on Financial Performance of Commercial Banks" that the liquidity position of commercial banks are satisfactory. Local commercial banks have been found relatively highly leveraged compared to other JVBs. Loans and advances have been the main form of investment. Two thirds of the assets has been used for earnings purpose. Profitability position of NABL is stronger than other.

Bodhi. B. Bajracharya(1990) concluded in his article " Monetary Policy and Deposit Mobilization in Nepal" that the mobilization of the domestic saving is one of the prime objectives of the monetary policy of Nepal and commercial banks are the most active financial intermediary for generating resources in the form of deposit of the private sector and providing credit to the investors in different sectors of the economy.

Nagendra B. Amatya (1993) has concluded in his dissertation " An Appraisal of Financial Position of Nepal Bank Ltd" that the liquidity position is satisfactory whereas bank has been found to have adopted conservative financing policy i.e. low portion of equity capital has been restored to finance total assets so the study suggest the bank should proportionately maintain

more equity capital. Moreover, the bank has operated successfully beyond the breakeven point over the study period.

In an article entitled "Capital Adequacy of Bank: The Nepalese Context" Shrestha (2004) has suggested the banks which deal in highly risky transactions to maintain strong capital base. He concludes that the capital base should neither be too much leading to enefficient allocation of scarce resources nor so weak so as to expose to extreme risk. The study accepts that the operation of banks and the degree of risk associated with them are subject to change countrywise, bankwise and time period wise. Henceforth the study recommends preparing standard capital adequacy ratios for each individual bank keeping in mind the various reason factors.

However, local commercial banks have competitively out performed the JVBs in terms of granting loans to cottage and small industries, local banks have number of loopholes like absence of modern global balance sheets, absence of precise classification of loans and absence of proper development of computer network. Moreover, local commercial banks have to face various from socio-economic, political system on one hand spectrum and that of issues and challenges from JVBs commanding significant banking business on other spectrum.

Joshi, R.R (2006), "A coparative study on financial performance of Nepal Arab Bank Ltd. and Nepal Grindleys bank Ltd." has concluded that overall profitability of NGBL is better than NABL because it pays less interest to its depositors than it earns interest on deposits. Another reason for higher profitability of NGBL is that operating expenses to net profit ratio is lower for

higher profitability of NGBL. It reveals that NGBL pays less operating expenses out of its net interest. NGBL also has efficiently utilized its shareholder's fund in generating profit. The profitability per share basis of NGBL is higher than that of NABL and has better future ahead.

Rana, S.S (2007), " A Comparative financial performance analysis of NABIL Bank Ltd. and Himalayan Bank Ltd." has concluded that both banks have utilized their deposits very efficiently on loan and advances but their return on investment of both the banks are not satisfactory. It is found that both banks are using more debt in the capital structure. Both banks are able to earn return on shareholder's equity.

Although the number of articles and research works have been published and conducted about commercial banks and JVBs too, but that are insufficient to broad study on the topic of comparative financial performance appraisal of JVBs. In general out of them that might be helpful to highlight and support the existing literature of JVBs.

CHAPTER 3

RESEARCH METHODOLOGY

3.1   Introduction

Research methodology is the way to systematically solve the research problem. It may be understood as a science of studying how research is done scientifically   (Kothari, 1993). This chapter entitled "Research Methodology" that highlights about the research methodology is used in the process of the present study. This study aims to analyze and interpret in the purpose of comparative Financial performance appraisal of JVBs. This chapter also focuses about sources and limitations of the data which are used in the present study.

3.2   Research Design

Research design is prepared to facilitate this research as efficiently as possible yielding maximum information and for ascertaining the basic objective of the study. Under the objectives as stated in chapter one this study had made efforts to make comparison and to establish relationship between two or more variables. This study aims to analyze and interpret in the purpose of comparative Financial performance appraisal of JVBs. So, attaining the goal of the present study descriptive and analytical research design is followed.

3.3 Sources of Data

The present study is mainly conducted on the basis of secondary data. But primary data is also forwarded for attaining the goal of this study whenever needed. The necessary secondary data is obtained from the head office of JVBs, such as published Balance Sheet, Profit & Loss A/C and other related statement of accounts as well as Annual Report of the JVBs. Likewise, some other related information are consisted form publication of security exchange, Rastriya Banijya Bank, Nepal Rastra Bank, NIDC capital market and other publications like book and booklet, journals, periodicals, magazines, newspapers, etc.

Similarly, primary data is collected by performing the discussions interview method with the financial executives of JVBs, along with financial academician experts of management school and other financial institutions. Moreover, personal interview is also performed with resourceful person like employees of general shareholders of JVBs.

3.4 Population and Sample

Nowadays, a large number of JVBs are corporated in the country. There are 9 joint venture banks in Nepal and many of them are commercial banks. There are many joint venture banks such as Standard Chartered Bank, Everest Bank Limited, Nepal Investment Bank, Nepal SBI Bank, Nepal Bangladesh Bank, Nepal Credit and Commerce Bank, Himalayan Bank which constitute the population of the study. Out of them only three JVBs are (NABL, NIBL & SCBL) selected for the purpose of the present study because of the lack of 5th year financial annual reports. So, for the purpose of this study only three joint venture banks are selected as the sample units This study covers the period of past five financial years from 2003/04 to 2007/08. The

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collected data of JVBs scanned then after these essential data are gathered under different titles and tabulated under different heads.

3.5 Method of Data Analysis

For the purpose of this study the different data is obtained by using different sources (primary as well as secondary) that are scanned and tabulated under different heads. After tabulation of data they are analyzed by applying financial tools and statistical tools.

3.6   Financial Tools

Keeping in mind to fulfill the objective of the present study on comparative Financial performance appraisal of JVBs. So, obtaining the purpose of this study, some selected financial tools are applied to analyses the relevant data such as liquidity ratios, profitability ratios, growth ratios and relevant market price ratios.

3.7   Ratio Analysis

The significance of the financial ratio may be viewed in different ways. For example creditor is interested in liquidity of the firm because claims is short and the ability of a firm to pay the claim is judged by the means of analysis of liquidity. Similarly, a shareholder might concentrate his analysis on the profitability of the firm. Management also employs financial ratio analysis for the purpose of internal control. Ratio analyis is widely used tool for the financial analysis which establishes numerical relationship between two variables.

3.7.1 Liquidity Ratio

i.   Current Ratio (CR)

This ratios measures the short term solvency position and financial strength of the firm. Current Ratio is the tool which measures the short term solvency and liquidity position of the firm and it is determined by the following way.

Current Ratio $= \dfrac{CurrentAssets}{CurrentLiabilities}$ ....equation 3.1

2:1 is the standard of this ratio

ii.   Cash and Bank Balance to Total Deposit Ratio

This ratio measures the ability of bank to meet their daily requirement. A high ratio indicates the greater ability to meet their deposit and vice-versa. Moreover, too high ratio is unfit as capital will be tied up and opportunity cost will be higher. This ratio is computed by dividing cash and bank balance by total deposits which is as follows.

Cash and Bank Balance to

Total Deposit Ratio= $\dfrac{CashandBankBalance}{TotalDeposit}$ ....equation 3.2

iii.   Cash and Bank Balance to Current Assets Ratio

Cash and bank balance are the most liquid form of the current assets. This ratio reveals the ability of the banks to make the payment of its customers deposits. A high ratio indicated the sound ability to meet their daily cash requirements of their customer deposits and vice-versa. It is obtained as follows.

Cash and Bank Balance to

Current Assets Ratio = $\dfrac{CashandBankBalance}{CurrentAssets}$ **………..........................equation 3.3**

3.7.2 Profitability Ratio

iv.   Net Profit to Total Assets Ratio

Net Profit toTotal Assets Ratio is a measuring rod of the profitability with respect to each financial resources investment of the bank assets. The high ratio usually indicates high profit margin and high turnover to toal assets and vice-versa.This ratio is derived by dividing net profit by total assets which is given by the following equation.

Net Profit to Total Assets Ratio = $\dfrac{Net\,\Pr ofit}{TotalAssets}$ **…........................equation 3.4**

v.   Net Profit to Total Deposit Ratio

This ratio of JVBs is able to measure its efficiency towards its deposits mobilization. Generally, higher ratio indicates better utilization of total deposits and vice-versa. This ratio can be derived by dividing net profit by total deposits which is shown in the following equation.

Net Profit to Total Deposit Ratio = $\dfrac{Net\,\Pr ofit}{TotalDeposit}$ ....equation 3.5

vi.   Return on Net Worth Ratio

This ratio is a measure to see the profitability of the owners investment. The higher ratio indicates the better achievement of the banks which have used the resources of the shareholder's equity and vice versa. This ratio can be derived by dividing net profit after tax by net profit.

Return on Net Worth Ratio = $\dfrac{Net\,\Pr ofitAfterTax}{Net\,\Pr ofit}$ ....equation 3.6

vii.   Earning Per Share

Earning Per Share (EPS) is used to measure the profitability of the shareholders investment. The earning per share simply shows the profitability of the banks on a per share basis. The higher EPS indicates the better achievement of profitability of the banks by mobilizing their funds and vice-versa. This ratio can be computed by divided by net profit after taxes less performance divided by the total number of equity share outstanding of banks.

Earning Per Share = $\dfrac{Net\,\Pr ofitAfterTax}{No.ofEquityShares}$ ....equation 3.7

viii.   Market Price Per Share

Market Price Per Share (MPPS) is a measuring rod of stability price position per share in the competitive marketof JVBs. The justification of market price as an appropriate of truth worth

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of a firm is derived form the fact that market quotations by and large indicate the consensus of investors as to the firms earning potentials and corresponding risks. The equation can be derived as:

$$\text{Market Price Per Share} = \frac{EPS}{P/ERatio} \quad \text{……………….................equation 3.8}$$

ix.   Market Price to Book Value Per Share

This ratio measures the market situation per share in the competitive open market with respect to book value per share of JVBs. The higher ratios represent to conclude that the better performance of JVBs in terms of market price per share to book value per share. This ratio can be derived by market price per share to book value per share.

Market Price to Book

$$\textbf{Value Per Share} = \frac{Market\,PricePerShare}{BookValuePerShare} \quad \text{…………........................equation 3.9}$$

x.   Price Earning Ratio

The P/E ratio measures investors expectation and market appraisal of the performance of the firm. A high P/E reflects investors confidence in the stability and growth in the JVBs income. It is computed by divided by earning per share to the market price of the stock per share.

$$\text{Price Earning Ratio} = \frac{EarningPerShare}{Market\,PricePerShare} \quad \text{..........................equation 3.10}$$

3.7.3 Statistical Tools

For the purpose of the present study collected data is scanned and tabulated them. After tabulation of data they are analyzed by applying some stastistical techniques which are numerated as follows.

3.7.4 Karl Pearson's Coefficient of Correlation

Karl Pearson's coefficient of correlation is widely used in practice to measure the degree of relationship between two variables. So the degree of relationship is measured by using following formula;

$$r = \frac{N.\Sigma xy - (\Sigma x)(\Sigma y)}{\sqrt{N.\Sigma x^2 - (\Sigma x)^2}\sqrt{N.\Sigma y^2 - (\Sigma y)^2}}$$

where,

      r   =   the coefficient of correlation

      Σ xy = the total of product of items in the two series.

      Σ x   = the total of x series

      Σ y   = the total of y series

      Σ x² = the total of the square of item in x series.

      Σ y² = the total of the square of item in y series.

      N   = the number of item paired

3.7.5 Coefficient of Correlation and Probable Error

Probable Error is used to determine the reliability of the value of the coefficient in so far as it depends on the condition of random sampling. The probable error of the coefficient of correlation is applied by using following formula;

$$p.\Sigma r = 0.6745 \frac{1-r^2}{\sqrt{N}}$$

Where,

r = the coefficient of correlation

N = the number of pairs of observation

3.7.6 Method of Least Square

This is a mathematical method which is widely used in practice. It is applied for finding out a trend for those series in which changes period to period is in absolute amount. The equation of straight line trend is as follows;

Yc = a + bx

Since, x = 0, $a = \frac{\Sigma y}{N}$ **and** $b = \frac{\Sigma xy}{x^2}$

The constant 'a' is simple equal to the mean of y value and constant 'b' gives the rate of change.

3.7.7 Cross section analysis

By using this method, each annual figure is compared with yearly average. Later to know the reaction of overall performance of individual bank in each year, annual figure is compared to the composite yearly average of JVBs.

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CHAPTER 4

PRESENTATION AND ANALYSIS OF DATA

This chapter four is entitled " Analysis and Interpretation of data ". The main objective of this chapter is to evaluate the liquidity position of JVBs. For this purpose various related financial ratios of JVBs are evaluated on the basis of financial statement.

4.1 Analysis and Interpretation of liquidity position

4.1.2 Current Ratio

The current ratio is a broad measure of liquidity position of financial institutions. This ratio indicates the ability of the bank to meet its maturing current obligation derived by dividing current assets by current liabilities. It is an effective tool for measuring the short term solvency position of the firm. (For further details see Appendix-A) The following table shows the current ratio of JVBs.

Table No. 4.1

Table showing Current Ratio (Times)

Banks	Fiscal Years	Yearly	Composite

	2003/04	2004/05	2005/06	2006/07	2007/08	**Average**	**Average**
NABL	1.06	1.06	1.07	1.05	1.07	1.06	1.07
SCBL	1.04	1.11	1.07	1.05	1.06	1.07	1.07
NIBL	1.07	1.05	1.06	1.10	1.12	1.08	1.07
Banks Average	1.06	1.07	1.07	1.07	1.08		

The table no. 4. 1 reveals that the current assets of each JVBs has contained more than its current liabilities. It indicates JVBs are capable to pay their current obligations. Similarly, the current ratio of the JVBs are slightly fluctuating trend for each year.

The current ratio of NABL is slightly in fluctuating trend. Throughout the year the current ratio of NABL is in constant position for first two years in FY 2004/05 and 2004/05(1.06 times) whereas third last year and last year are equal (1.07 times) in FY 2005/06 and 2007/08 respectively. NABL contained low current ratio (1.05 times) in the FY 2006/07 whereas high current ratio (1.07 times) in 2005/06 and 2007/08 but its yearly average could not meet composite average.

The current ratio of SCBL has also fluctuated over the fifth years. In the F.Y 2003/04 is very low (1.04 times) whereas in the FY 2004/05 is higher (1.11 times) which a re increased by 6.73% and other two years decreased in 2005/06 and 2006/07 which are 1.07 times and 1.05 times respectively and last year increased again but that is below the composite average.

The current ratio of NIBL has also fluctuating trend. It consists high ratio   (1.12 times) in FY 2007/08 whereas as low ratio (1.05 times) in FY 2004/05. The current ratio of NIBL has increasing trend except first two years in 2003/04 and 2004/05. Moreover, last two years and first year are higher amount than composite average.

Lastly, from the above analysis it is known that liquidity position of NIBL is better than other two banks NABL and SCBL. The rule of thumb, ie the current ratio standard should be 2:1. Although, this standard is maintained by all JVBs, it seems that each JVBs has not poor liquidity situation because current ratio is only a test of quantity not a test of quality of liquidity position. In other words, the situation of the bank is quite different than that of general business enterprises. Moreover, from the point of view of working capital policy NABL and SCBL have followed aggressive working capital policy than NIBL but from the point of view of liquidity position NIBL is better than NABL and SCBL.

4.1.3   Cash and Bank Balance to Total Deposit Ratio

This ratio measures the ability of bank to meet their daily requirements. A high ratio indicates the greater ability to meet their deposits and *vice-versa*. Moreover, too high ratio is unfit as capital will be tied up and opportunity cost will be higher. This ratio is computed by dividing cash and bank balance by total deposits (For further detail see Appendix-B). The following table shows the cash and bank balance to total deposit ratios of JVBs.

Table No. 4.2

Table showing Cash and Bank Balance to Total Deposit Ratio (Percentage)

Banks	Fiscal Years					Yearly Average	Composite Average
	2003/04	2004/05	2005/06	2006/07	2007/08		
NABL	32.71	32.83	27.02	25.94	16.02	26.90	24.35
SCBL	29.09	27.96	13.19	15.73	13.09	19.81	24.35
NIBL	27.00	16.59	30.62	26.46	31.04	26.34	24.35
Banks Average	29.60	25.79	23.61	22.71	20.05		

The above table no. 4.2 shows that cash and bank balance to total deposit ratio of JVBs are decreasing trend in the case of NABL and SCBL, whereas in the case of NIBL has fluctuated over the years.

Similarly, the cash and bank balance position with respect to total deposit of NABL has decreasing trend except in the FY 2004/05. It has contained cash and bank balance in range of between 32.83% (2004/05) and 16.02% (2007/08). NABL is able to meet the composite average (24.35%) for the first four year and last year in 2007/08 the cash and bank balance percentage (16.02%) is below range than composite average.

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In the case of SCBL, it has also decreasing trend of cash and bank balance position over the years with respect to total deposits. The range of cash and balance position is high in 2003/04(29.09%) and low in 2007/08 (13.09%). SCBL could meet the composite average (24.35%) for first two years and other three years are below than composite average which are 13.39%, 15.73% and 13.09% respectively.

Likewise, in the case of NIBL, it has fluctuated ratio of cash and bank balance to total deposits. The cash and bank balance is high in 2007/08 and lowest in percentage in 2004/05 which are 31.04% and 16.59% respectively. NIBL is capable to meet the composite average over the year except in FY 2004/05 (16.59%)

In the case of banks average of the JVBs it is in decreasing trend of cash and bank balance ratio with respect to total deposits. In the first two years are higher ratio in 2003/04 (29.60%) and in 2004/05 (25.79%) and other three years are less than the composite average. Consequently, first two years' cash and bank balance position is more sound than remaining years.

From the above analysis it is concluded that cash and bank balance position with respect to total deposits is in better performance in the case of NABL against the readiness to serve its customer's deposit than other two banks NIBL and SCBL .In contrast, a high ratio of cash and bank balance may be unfit which indicates the bank's inability. Thus, in the case of SCBL and NIBL they may invest in more productive sectors like short term marketable securities, treasury bills, etc for improving their profitability.

4.1.4　Cash and Bank Balance to Deposit Ratio (Excluding Fixed Deposit)

This ratio indicates the capacity of banks to meet their immediate unanticipated call over current, saving and other deposits. A high ratio represents the greater ability to meet their daily requirements over the deposit and *vice-versa.* Moreover, too high ratio may be unfit as capital will be tied up and opportunity cost will be higher. The ratios are computed by dividing cash and bank balance by total deposits. (For further details see Appendix-C). Cash and bank balance to deposits ratios of JVBs are as follows.

Table No. 4.3

Table showing Cash and Bank Balance to Deposits Ratio (Percentage)

(Excluding Fixed Deposit)

Banks	Fiscal Years					Yearly Average	Composite Average
	2003/04	2004/05	2005/06	2006/07	2007/08		
NABL	45.17	45.75	39.37	38.59	23.89	38.55	38.28
SCBL	36.51	35.41	16.84	18.76	14.84	24.47	38.28
NIBL	49.60	46.89	75.31	39.37	47.87	51.81	38.28
Banks Average	43.76	42.68	43.84	32.24	28.87		

The above table no.4.3 depicts that cash and bank balance positions with respect to deposits of JVBs are decreasing trend in the case of NABL and SCBL whereas in the case of NIBL has fluctuated over the different years.

In the case of NABL, it has registered decreasing trend of cash and bank balance position with respect to total deposits except in the FY 2004/05. It has followed cash and bank balance percentage in range of between maximum 45.75% (2004/05) and minimum 23.89% (2007/08). NABL has contained cash and bank balance more than composite average (38.28%) for first four years and last year in 2007/08 is below range (23.89) than composite average.

Likewise, in the case of SCBL has also decreasing trend of cash and bank balance percentage over the different years with respect to total deposits except in 2006/07 which has contained cash and bank balance position high in 2003/04 (36.51%) and low in 2007/08 (14.84%). SCBL could not meet the composite average (38.28%)

Similarly, in the case of NIBL has contained more percentage of cash and bank balance with respect to deposits ratios fluctuating trend for different years. The percentage of cash is highest 75.31% in 2004/05 and lowest 39.37 % in 2006/07 respectively. NIBL has contained more percentage of cash than composite average (38.18%) for each financial year.

In the case of banks average of the JVBs, they are of decreasing trend of cash and bank balance with respect to deposit ratio. It is seen highest in 2003/04 and lowest in 2007/08 which are 43.76% and 28.87% respectively. Moreover, for the first three are covered more than

composite average (38.28%) which are 43.76%, 42.68%a and 43.84% respectively. Whereas last two year are less than composite average 32.24% in 2006/07 and 28.87% in 2007/08.

Lastly, it is concluded from the above analysis that cash and bank balance position with respect to deposits (excluding fixed) in the case of NIBL has better performance against the readiness to serve its customer deposit than other two banks NABL and SCBL. In contrast, a high ratio of cash and bank balance may be unfit which shows the bank's inability due to pay unnecessary interest charges upon handling over cash balance. Thus, in the case of NABL and SCBL may have invested in more productive sectors such as short term marketable securities, treasury bills and other short-term investments for earning more profitability.

4.1.5 Cash and Bank Balance to Deposits Ratio (Excluding Fixed and Saving Deposits)

This ratio reveals the ability of JVBs to meet their immediate unanticipated calls over the current call & short and other deposits (Margin Accounts). A high ratio indicates the sound ability to meet their daily requirements over the deposits and *vice-versa.* Moreover, too high ratio may be unfavorable as capital will be tied-up and opportunity cost will be higher. The ratios are computed by dividing cash and bank balance by deposits (Excluding fixed and saving deposits), [For further details see Appendix-D]. Cash and bank balance to deposits ratio of JVBs are as follows.

Table No. 4.4

Table showing Cash and Bank Balance to Deposits Ratio (Percentage)

(*Excluding Fixed and Saving Deposits*)

Banks	Fiscal Years					Yearly Average	Composite Average
	2003/04	2004/05	2005/06	2006/07	2007/08		
NABL	64.32	68.90	59.24	61.37	41.02	58.97	57.85
SCBL	50.44	53.20	27.99	93.68	30.91	40.44	57.85
NIBL	65.11	58.77	100.54	62.80	83.42	74.13	57.85
Banks Average	59.96	60.29	62.59	54.62	51.78		

The above table no.4 4 represents cash and bank balance percentage with respect to deposits (Excluding Fixed and Saving Deposits) of JVBs are fluctuating trend over the different years. NIBL has contained more cash and bank balance in comparison of other two banks NABL and SCBL.

In the case of NABL, it has fluctuated trend of cash and bank balance position with respect to deposits. The cash balance position is seen highest in 2004/05 and lowest in 2007/08 which are 68.90% and 41.02% respectively. The ratios of NABL indicates that cash and bank balance

are more than composite average (57.85%) in 2003/04 (64.32%), 2004/05 (68.90%) and in 2006/07 (61.37%) and rest two years are less than composite average.

Likewise, the ratios of SCBL are also fluctuated for each year. It seems that cash and bank balance with respect to deposit percentages are not similar. The cash and bank balance position is highest in 2004/05 (53.20%) and lowest in 2005/06 (27.99%) respectively. The yearly average (40.44%) of SCBL is less than other two banks NABL and NIBL which are 58.97% and 74.13% respectively. It clearly identifies cash position of SCBL is more than its yearly average first two years in 2003/04 (50.44%) and in 2004/05 (53.20%) and remaining years are not covered its yearly average 44.04%.

Although, the ratios of NIBL are also fluctuated over the different years which indicates that the cash and bank balance position with respect to deposits (excluding fixed and saving) is different from one year to another. The cash and bank balance position of NIBL is highest in FY 2005/06 and lowest in 2004/05 which is 100.54% and 58.77% respectively. The yearly average of NIBL is highest (74.13%) than other two banks NABL and SCBL which are 58.97% and 40.44% respectively. Moreover, NIBL has contained cash and bank balance more than its yearly average 74.13% in 2005/06 (100.54%) and 2007/08 (83.42%). It is clearly signified that cash and bank balance showed 100 percent in the case of NIBL for the year 2005/06.

Furthermore, in the case of Banks average of JVBs are increasing trend for the first years which are in 2003/04 (59.96%), 2004/05 (60.29%) and 2005/06 (62.59%) that are more than composite average (57.85%). Apart form that remaining two year are less than composite

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average which are in 2006/07 (54.62%) and 2007/08 (51.78%). Bank average of JVBs is highest percentage in 2005/06 and lowest percentage in 2007/08 which are 62.59% and 51.78% respectively.

Lastly, it is concluded from the above analysis that cash and bank balance percentage with respect to deposit (Excluding Fixed and Saving Deposits) in the case of NIBL has certainly better liquidity position against the readiness to serve its customer deposits than other two banks such as NABL and SCBL. In contrast, a high percentage of cash and bank balance may be unfavourable for that banks which seems that bank's inability due to pay more interest charges upon over cash balances whereas in the case of NABL and SCBL has registered low cash and bank balance percentage that shows NABL and SCBL may have invested their deposits cash in more productive sectors such as treasury bills, marketable securities and other short term investments.

4.1.6   Cash and Bank Balance to Current Asset Ratio

Cash and bank balance are the most liquid form of the current assets this ratio reveals the ability of the banks to make the payment of its customers deposits. A high ratio indicates the sound ability to meet their daily cash requirements of their customer deposits and *vice-versa.* Neither a higher ratio nor a lower one is desirable because if a bank maintains higher ratio of cash, it has to pay interest on depositors and some earnings may be left. In the contrast, if a bank maintains a low ratio of cash, in this situation, it may fail to make the payment for presented cheques on its customers. So sufficient cash reserve should be maintained properly. The ratios

are computed by dividing cash and bank balance by current assets (For Further   details see

Appendix-E) The following table shows that the cash and bank balance to current ratio of JVBs.

Table no. 4.5

Table showing Cash and bank Balance to Current Assets Ratio (Percentage)

Banks	Fiscal Years					Yearly Average	Composite Average
	2003/04	2004/05	2005/06	2006/07	2007/08		
NABL	27.49	26.88	23.27	22.64	13.55	22.77	2.38
SCBL	23.41	23.45	11.74	14.09	11.78	16.89	20.38
NIBL	22.48	14.31	25.22	21.24	24.11	21.47	20.38
Banks Average	24.46	21.55	20.08	19.32	16.48		

The above table no. 4.5 reveals that cash and bank balance percentage with respect to current assets of JVBs are fluctuating trend over the different financial years except NABL, whereas other two banks like SCBL and NIBL cash and bank balance position is seen more fluctuated over the years.

In the case of NABL it has contained more cash and bank balance percentage   in comparison to SCBL and NIBL. The cash and bank balance position of NABL has maintained decreasing trend over the different fiscal years. NABL has highest percentage of cash and bank balance position in 2003/04 (27.49%) and lowest in 2007/08 (13.55%).Its yearly average

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(22.77%) is more than composite average (20.38%). Similarly, first four years have covered more cash and bank balance than composite average in the case of NABL which are 27.49%, 26.68%, 23.27% and 22.64% respectively.

Likewise, the ratios of SCBL are fluctuating trend over the different financial years. It seems that cash and bank balance with respect to cash and bank balance percentage are not similar for each year. SCBL has contained more cash and bank balance for first two years, which are 23.41% and 23.45% respectively. It is clearly seen highest cash and bank balance position in 2004/05 (23.45%) and lowest in 2005/06(11.70%). Its yearly average (16.89%) is less than other two banks NABL and NIBL. SCBL is only able to meet composite average (20.38%) for the first two years and rest years are below average which are in 2005/06 (11.74%), 2006/07 (14.09%) and 2007/08 (11.78%)

Similarly the ratios of NIBL are also fluctuating trend over the different financial years, which seems that cash and bank balance position is varying from one year to other. NIBL has contained highest cash and bank balance percentage in 2005/06 and lowest in 2004/05 which are 25.22% and 14.31% respectively. It yearly average 21.47% is more than composite average 20.38%. NIBL has maintained more cash and bank balance composite average in 2003/04 (22.48%), 2005/06 (25.22%), 2006/07 (14.31%) less than composite average.

Furthermore, in the case of banks average of JVBs are decreasing trend over the different financial years. The highest average (24.46%) in 2003/04 and lowest (16.48%) in 2007/08. Bank

average has covered more than composite average for the first two years in 2003/04, which are 24.46% and 21.55% respectively.

Thus, it is concluded from the above analysis that cash and bank balance percentage with respect to current assets in the case of NABL is certainly more better than other two banks SCBL and NIBL because yearly average (22.77%) is higher than composite average (20.38%). Although yearly average (21.47%) of NIBL has also covered more than composite average (20.38%). In contrast, it is clearly seen that cash and bank balance percentage is lowest in the case of SCBL in comparison of other two banks that cannot be identified the position of SCBL is worst. In this situation SCBL may invest their current assets more productive sectors such as marketable securities, treasury bills and other investments.

4.2   ANALYSIS OF PROFITABILITY POSITION

This chapter entitled " Analysis of profitability position" of JVBs is used to focus on the profitability position of JVBs. The main objective of this chapter is to evaluate the profitability position of JVBs. For this purpose various related financial ratios of JVBs are evaluated on the basis of financial statements.

4.2.1   Net Profit to Total Assets Ratio

Net profit to total assets ratio is a measuring rod of the profitability with respect to each financial resources investment of the banks assets. The high ratio usually indicates high profit margin and high turnover to total assets and *vice-versa.* This ratio can be derived by dividing net

profit by total assets (For further details see Appendix – F). The following table shows the profitability position of JVBs with respect to total assets.

<div align="center">**Table No. 4.6**</div>

Table showing Net Profit to Total Assets Ratio (Percentage)

Banks	Fiscal Years					Yearly Average	Composite Average
	2003/04	2004/05	2005/06	2006/07	2007/08		
NABL	2.15	1.74	3.68	1.69	2.17	2.29	2.80
SCBL	3.14	4.53	2.77	1.93	1.85	2.84	2.80
NIBL	4.44	2.62	2.55	3.73	3.07	3.28	2.80
Banks Average	3.24	2.96	3.00	2.45	2.36		

The table No. 4.6 reveals that net profit position with respect to total assets of JVBs are generally fluctuated trend over the different financial years. NIBL has successfully earned more profit by investing the funds in the comparison of other two banks NABL and SCBL.

In the case of NABL, it has fluctuating trend of net profit with respect to total assets in the different financial years. It has contained high profit in FY 2005/06 and lowest in 2006/07 which are 3.68% and 1.69% respectively. It yearly average (2.29%) is below the of other two banks and yearly average (2.29%) is also less than composite average (2.80%). It is clearly seen from

the table that NABL's net profit percentage is below composite average 2.8% except in the year 2005/06 which is 3.68%.

Likewise, in the case of SCBL has registered decreasing trend form the financial year in 2004/05 to 2007/08. The higher percentage in the year 2004/05 and lower percentage in 2007/08 which are 4.53% and 1.85% respectively. SCBL has earned more profit in the beginning of the year than composite average 2.80%. The percentage of net profit is more than composite average for the first two years 2003/04 (3.14%) and 2005/06 (4.53%) and rest years are less than the composite average.

Similarly, NIBL has also decreasing trend of net profit to total assets ratio for the first three years and than slightly increased in 2006/07 (3.73%) and again decreased in 2007/08 (3.07). Net profit ratio is high in 2003/04 (4.44%) and low in 2005/06 (2.55%). The yearly average (3.28%) is higher than other two banks NABL and SCBL. Its yearly average (3.28%) is also more than composite average (2.80%).

Moreover, in the case of banks average of JVBs have decreasing trend of net profit with respect to total assets except in the year of 2005/06. It is seen highest in 2003/04 and lowest in the last year 2007/08 which are 3.24% and 2.36% respectively. For the first three years are covered more than composite average (2.80%) which are 3.24% (2003/04), 2.96% (2004/05) and 3% (2005/06).

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Lastly it is concluded from the above analysis that net profit to total ratio in the case of NIBL has better performance by utilizing its overall resources than other two banks NABL and SCBL. It is clearly seen from the above table its yearly average percentage 3.28% that is more than NABL and SCBL along with yearly average (3.28%) is also higher than composite average (2.8%)

4.2.2 Net Profit to Total Deposit Ratio

This ratio of JVBs able to measure its efficiency towards its deposits mobilization. Generally, higher ratio indicates better utilization of total deposits and *vice-versa*. This ratio can be derived by dividing net profit by total deposits (For further details see Appendix –G) The following reveals the percentage of net profit to total deposits of JVBss.

Table No. 4.7

Table showing Net profit to Total Deposit Ratio (Percentage)

Banks	Fiscal Years					Yearly Average	Composite Average
	2003/04	2004/05	2005/06	2006/07	2007/08		
NABL	2.61	2.16	4.35	1.27	2.59	2.74	3.40
SCBL	3.96	5.53	3.21	2.20	2.09	3.40	3.40
NIBL	5.40	3.05	3.12	4.71	4.02	4.06	3.40
Banks	3.99	3.58	3.56	2.96	2.90		

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Average						

The table no.4.7 shows that net profit to total deposits ratio of JVBs are fluctuating over the different financial years. In the case of NIBL has earned more profit than other two banks. NABL and SCBL by perfect utilization of total deposits.

In the case of NABL has fluctuating trend of net profit percentage with respect to total deposits. The ratio is highest in 2005/06 and lowest in 2006/07 which are 4.35% and 1.97% respectively. It yearly average (2.74%) is lowest than other two banks SCBL and NIBL. Moreover, its yearly average (2.74%) is also less than composite average (3.4%). NABL is able to maintain more than composite average in 2005/06 which is 4.35% and other years are less than composite average.

Likewise, in the case of SCBL has decreasing trend over different financial years except in 2004/05. The ratio is highest in 2004/05 and lowest in 2007/08 which are 5.53% and 2.09% respectively. The yearly average (3.4%) of SCBL is same as composite average (3.4%). SCBL has contained more percentage in comparison to composite average (3.4%)in 2004/05 and rest years are lower percentage.

Similarly, in the case of NIBL, it has fluctuating trend of net profit to total deposits ratio. It has contained more profit percentage in 2003/04 and lowest percentage in 2004/05 which are 5.4% and 3.05% respectively. It yearly average (4.06%) is higher than other two banks and its

yearly average is also higher than composite average (3.40%). NIBL has maintained more percentage in 2003/04 last two years that are 5.4%, 4.71% and 4.02% respectively.

Moreover, in the case of banks average of JVBs are decreasing trend of net profit to total deposits over the different financial years. The highest ratio is in 2003/04 and lowest in 2007/08 which are 3.99% and 2.90% respectively. For the first three years have covered more than composite average(3.4%)which are 3.99% in 2003/04, 3.58% in 2004/05 and 3.56% in 2005/06 respectively and the rest are less than composite average.

Thus, it is concluded from the above analysis that net profit to total deposits ratio percentage in the case of NIBL has better performance in utilizing of total deposits than other two banks NABL and SCBL. It is clearly seen from the above table that its yearly average 4.06% is highest than other two banks NABL and SCBL. Furthermore, its yearly average 4.06% is also more than composite average (3.40%).

4.2.3 Return on Net Worth Ratio

The return on net worth ratio is to measure to see the profitableness of the owners investment. The higher ratio indicates the better achievement of the banks have used the resources of the shareholders equity and vice-versa. This ratio can be derived by dividing net profit after tax by net worth (preference and common shareholders equity). (For further details see Appendix-H). The return on net worth of JVBs are presented in the table which are as follows.

Table No. 4.8

Table showing Return on Net Worth Ratio (Percentage)

Banks	Fiscal Years					Yearly	Composite
	2003/04	2004/05	2005/06	2006/07	2007/08	Average	Average
NABL	28.99	23.38	44.44	27.18	35.42	61.68	37.86
SCBL	56.09	48.76	37.30	29.23	25.80	39.44	37.86
NIBL	60.22	49.86	40.68	36.53	24.98	24.45	37.86
Banks Average	48.43	40.33	40.81	30.98	28.73		

The above table no. 4.8 reveals that return on net profit of JVBs are decreasing trend over the financial year except NABL. In the case of NABL has fluctuating trend over the year. Moreover, NIBL has decreasing trend but it has earned more profit in comparison of SCBL and NABL.

In the case of NABL it has raising and falling trend on net worth over the different financial years. The ratio is highest in 2005/06 and lowest in 2004/05 which are 44.44% and 22.38% respectively. Its yearly average (31.68%) is lowest than other two banks SCBL and NIBL. Moreover, its yearly average (31.68%) is alos less than composite average (37.68%). The ratio is higher than composite average in 2005/06 than is 44.44% and rest years have lower percentage.

Likewise, in the case of SCBL has falling trend of return on net worth over the different financial years. In the first year of the study in 2003/04 it is highest percentage and lowest at last

year in 2007/08 which are 56.09% and 25.80% respectively. It yearly average (39.44%) is higher than composite average (37.86%). SCBL has maintained more return than composite average for first two years in 2003/04(56.86%) in 2004/05 (48.76%).

Similarly, in the case of NIBL , it has earned more return on net worth over the different financial years than other two banks. It has high return on net worth during 2003/04 and lowest in 2007/08 which are 60.22% and 24.98% respectively. It is clearly seen that it has also decreasing trend but its yearly average (42.45%) is highest than other two banks and also of composite average 37.86%. NIBL has maintained more percentage than composite average 37.876. NIBL has maintained more percentage than composite average for the first three years which are 60.22% (2003/04), 49.86% (2004/05), 40.68% (2005/06) and rest two years are less than composite average.

Furthermore, in the case of banks average are also decreasing trend over the financial years except in 2005/06. The highest ratio is in the beginning of the study period and lowest in the last year which are 48.43% and 28.73% respectively. The ratios are highest than composite average (37.86%) for the first three years which are 48.43%, 40.33% and 40.81% respectively.

Thus, it is concluded from the above analysis that net return on net worth ratio in the case of NIBL has appeared better achievement by mobilizing on resources of shareholders equity than other two banks NABL and SCBL . The yearly average (42.45%) of NIBL is higher than other two banks yearly average and composite average (37.86%).

4.2.4 Earning Per Share

Earning Per share (EPS) is used to measure the profitability of the shareholders investment. The earnings per share simply shows the profitability of the banks on a per share basis. The higher EPS indicates the better achievement of profitability of the banks by mobilizing their funds and vice-versa. This ratio can be computed by dividing net profit after taxes less performance divided by the total number of equity share outstanding of banks (For further details see Appendix – I). The earnings per share of JVBs are presented in the following table.

Table No. 4.9

Table showing Earning Per Share (Rs)

Banks	Fiscal Years					Yearly	Composite
	2003/04	2004/05	2005/06	2006/07	2007/08	Average	Average
NABL	56.34	57.82	193.96	100.92	174.75	116.76	114.72
SCBL	75.94	149.44	183.06	189.32	106.86	140.92	114.72
NIBL	55.72	70.57	99.28	111.67	59.13	86.47	114.72
Banks Average	62.67	92.61	158.77	133.97	125.58		

The above table No. 4.9 shows that earning per share of JVBs are raising and falling trend over the different financial years. Especially, in the case of NABL hs fluctuating trend over the

financial years. Moreover, SCBL ha earned more earning per share to its shareholder in comparison of NABL and NIBL.

In the case of NABL it has fluctuating trend of earning per share over the different financial years. Earning per share is lowest in 2003/04 and highest in 2005/06 which are Rs. 56.34 and Rs. 193.96 respectively. NABL has occupied second position by securing yearly average earnings pes share to shareholders for Rs. 116.76. Moreover, its yearly average Rs. 116.76 is more than composite average of Rs. 114.72 in 2005/06 and 2007/08 which are Rs. 193.96 and Rs. 174.75 respectively.

Similarly, in the case of SCBL, it has fluctuating trend of EPS over the different financial years except last year in 2007/08. The highest EPS is in 2006/07 and lowest in the beginning year 2003/04 which are Rs. 189.32 and Rs. 75.94 respectively. SCBL has stood first position among three banks by securing higher yearly average EPS Rs. 140.92 which is more than other two banks. During last five years, its yearly average Rs. 14092 is more than the composite average of Rs. 114.72. SCBL has successfully secured higher EPS to its shareholders more than composite average except beginning of the year in 2003/04 and last of the year in 2007/08.

Likewise, in the case of NIBL, it has raising trend of Earning Per Share over the different financial years except last year in 2007/08. NIBL has secured highest EPS to its shareholders for amount Rs. 111.68 in 2006/07 and poor amount Rs. 55.72 in 2003/04. NIBL has occupied last position in comparison to other two banks by securing very poor among to its shareholders as

average EPS Rs. 86.47. Its yearly average EPS Rs. 86.47 is less than composite yearly average last three years and beginning first two years are below the range.

Furthermore, in the case of banks average of JVBs are raising and falling trend of average EPS over the last five years. In the beginning for the first three are in increasing trend than that are decreased for last two year which are Rs. 133.97 and Rs.125.56 respectively. The highest average EPS is in 2005/06 and lowest in 2003/04 which are Rs. 158.77 and 72.67 respectively. The banks average EPS are more than composite average (Rs. 114.72) in the last three in 2005/06 (Rs. 158.77) in 2006/07 (Rs. 133.97) and in 2007/08 (Rs. 125.58).

Thus, it is concluded from the above analysis that EPS of SCBL is more than Other two banks. Moreover, the SCBL has successfully earned more EPS to its shareholders by securing more amount. SCBL has appeared better achievement by mobilizing its resources than other two banks. It yearly average (Rs. 140.92) is more than other two banks NABL and NIBL. Moreover, its yearly average is higher than composite average (Rs. 114.72).

4.3   ANALYSIS OF MARKET PRICE POSITION

This chapter entitled" Analysis and Interpretation of Market Price Position of JVBs" is presented here to focus on the market price position of JVBs. For this purpose various related financial ratio of JVBs are evaluated on the basis of financial statement.

4.3.1 Market Price Per Share

MPPS is a measuring rod of stability price position per share in the competitive open market of JVBs. The justification of market price as an appropriation of truth worth of a firm is derived from the fact that market quotations by and large indicate the consensus of investors as to the firms earning potentials and corresponding risk. The following table shows the market price per share of JVBs.

Table No. 4.10

Table showing Market Price Per Share (Rs.)

Banks	Fiscal Years					Yearly Average	Composite Average
	2003/04	2004/05	2005/06	2006/07	2007/08		
NABL	275.00	300.00	700.00	700.00	2145.00	824.00	860.87
SCBL	300.00	360.00	900.00	875.00	1743.00	835.60	860.87
NIBL	300.00	315.00	750.00	850.00	2400.00	923.00	860.87
Banks Average	291.67	325.00	783.33	808.33	2096.00		

The above table No. 4.10 shows that market price per share of JVBs are generally increasing trend over the different financial years except SCBL. In the case of NIBL it has occupied highest position in the comparison of other two banks with respect to market price per share.

However, in the case of NABL, it has increasing trend of market price per share over the different financial years. The MPPS of NABL is lowest in the beginning for Rs. 275 and highest in the last of the study period for Rs. 2145 which are in 2003/04 and 2006/07 respectively. It yearly average MPPS (Rs. 824) is lowest than other two banks SCBL and NIBL. Moreover, its yearly average MPPS is also less than composite average (Rs. 860.87). The MPPS is only more than composite average in the year 2007/08 and other remaining years are less than composite average.

Similarly, SCBL has also recorded increasing trend of MPPS except in 2006/07. Its MPPS is lowest in 2003/04 and highest in 2007/08 which re Rs. 300 and Rs. 1743 respectively. Besides, its yearly average MPPS is Rs. 853.60 that is less than composite average (Rs. 860.87). SCBL has recorded more than composite average for last three years in 2005/06, 2006/07 and 2007/08 which re Rs. 900, Rs. 875 and Rs. 1743 respectively.

Likewise, in the case of NIBL , it has recorded increasing trend of MPPS over the different financial years. The MPPS of NIBL is lowest in the beginning and highest in the last year of the study period which are Rs. 300 and Rs. 2400 respectively. NIBL has registered the highest

position than other two banks NABL and SCBL. Its yearly average MPPS Rs. 923 is higher than other two banks and also more than composite average.

Thus, it is concluded from the above analysis that MPPS of NIBL has occupied better performance in the competitive open market of investors expectation than other two banks SCBL and NABL. However, its yearly average Rs. 923 is highest than other two banks. Moreover, its yearly average Rs. 923 is also higher than composite average (Rs. 860.37).

4.3.2 Market Rate of Return

The market rate of return is also a measuring rod of market price per share in the competitive market and sum of capital gain plus the dividend return for the period. It is measured incremental MPPS plus dividend divided by market price per share for zero period (For further details see Appendix-J). The market rate of return of JVBs are presented in the following table which are give below.

Table No. 4.11

Table showing Market Rate of Return (Percentage)

Banks	Fiscal Years					Yearly Average	Composite Average
	2003/04	2004/05	2005/06	2006/07	2007/08		
NABL	-2.33	9.09	140.00	8.57	213.57	73.78	68.35
SCBL	10.69	20.00	166.67	0.00	102.06	59.88	68.35
NIBL	0.79	13.33	138.10	20.00	184.71	71.39	68.35
Banks	3.05	14.14	148.26	9.52	166.78		

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Average						

The   table no. 4.11 reveals that market rate of return of JVBs are basically fluctuated trend over the different financial years. In the case of NABL it has highest position with respect to market rate of return in the comparison of other two banks SCBL and   NIBL.

Similarly, in the case of NABL, it has fluctuating trend of market rate of return over the study period. The MRR has reduced 213.57% in 2007/08 which is highest return in the comparison of other two banks whereas, it has lowest MRR in the beginning o 2003/04 of the study period which is –2.33%. NABL has successfully occupied better position in the market than other two banks. Its yearly average (73.78%) is higher than composite average (69.35%). The MRR is more than composite average in 2005/06 and 2007/08   which are 140% and 213.57% respectively.

Likewise, SCBL has also fluctuating trend of market rate of return over the different period. It market rate of return per share has reached 166.67% in 2005/06 which is highest over the different FY and lowest in 2006/07. It yearly average (59.88%) is lower than composite average (68.35%). The MRR is higher than composite average in 2005/06 and 2007/08 which are 166.67% and 102.06% respectively while remaining years are less than composite average.

However, in the case of NIBL has registered the increasing trend of MRR over the different FY except in 2006/07 . The MRR is highest in 2007/08 and lowest in 2003/04 which is 184.71% and 0.79% respectively. Its yearly average (71.39%) is stood second position of JVBs which is

higher than composite average. The MRR is more than composite average (68.35%) in 2006/07 and in 2007/08 which are 138.10% and 184.71% respectively while remaining years are below MMR than composite average.

Moreover, in the case Banks average of JVBs are recorded increasing trend of different FY except in 2006/07. Banks average is highest in 2007/08 and lowest in 2003/04 which are 166.78% and 3.05% respectively. Banks averages are recorded more than composite average in 2005/06 and 2007/08 which are 148.26% and 166.78% respectively.

Thus, it is concluded from above analysis that market rate of return in the case of NABL has achieved better performance in the competitive open market than other two banks SCBL and NIBL because its MRR is high. Moreover, the higher MRR signifies that investors receiving higher return per share. Its yearly average (73.78%) is highest than other two banks SCBL and NIBL and also higher than composite average (68.35%).

4.3.3 Market Price to Book Value Per Share

This ratios measure that the market situation per share in the competitive open market with respect to book value per share of JVBs. The higher ratios represent to conclude that the better performance of JVBs in terms of market price per share to book value per share. This ratios can be derived by dividing market price per shre to book value per share. (For further details see Appendix-K). The following table shows the MPPS position with respect to book value per share.

Table No. 4.12

Table showing Market Price to Book Value Per Share Ratio (Times)

Banks	Fiscal Years					Yearly Average	Composite Average
	2003/04	2004/05	2005/06	2006/07	2007/08		
NABL	1.41	1.16	1.60	1.89	4.35	2.08	2.59
SCBL	2.22	1.17	1.83	1.35	4.21	2.16	2.59
NIBL	3.24	2.23	3.07	2.78	6.30	3.52	2.59
Banks Average	2.29	1.52	2.17	2.01	4.95		

The table No. 4.12 shows that market pre to book value per share ratios of JVBs are generally fluctuating trend over the different financial years. In the case of NIBL, it has recorded better position in comparison to other two banks SCBL and NIBL in terms of market price to book value per share.

However, in the case of NABL, it has registered increasing trend of ratios over the different financial years except in 2004/05. In the like manner, the ratio is highest in 2007/08 and lowest in 2004/05 which are 4.35 times and 1.16 times respectively. The yearly average 2.08 times is less than composite average 2.59 times. Similarly, its yearly average ratio is lowest in comparison to other two banks SCBL and NIBL.

Likewise, SCBL has occupied second position with respect to market price to book value per share over the different financial years. It has recorded fluctuating trend of ratios registering highest in 2007/08 and lowest in 2004/05 which are 4.21 times and 1.17 times respectively. Its yearly average 2.16 times is lowest than composite average 2.59 times. The ratios of SCBL is high in 2007/08 (4.21 times) in comparison to composite average and remaining years are below than composite average.

Similarly, in the case of NIBL has also recorded fluctuating trend of ratios but it has occupied better position than other two banks over the different financial years. Its yearly average 3.52 times is highest than NABL. Moreover ts ratios are more than other two banks for each financial year. It has registered yearly average (3.52 times) is more than composite average (2.59 times). The ratios are taken place more than composite average except in 2004/05 (2.23 times) and in 2007/08 (6.30 times).

Moreover, in the case of banks average of JVBs, it has recorded fluctuating trend of ratios in terms of market price to book value per share over the different financial years. Banks average is highest in 2007/08 and lowest in 2004/05 which are 4.95 times and 1.52 times respectively. The ratio is higher in 2007/08 (4.15 times) and rest years have lower in comparison to composite average.

Thus, it is concluded from the above analysis that market price to book value per share in the case of NIBL has occupied better performance in comparison to other two banks NABL and

SCBL because of the ratios of different years are highest along with yearly average (3.52 times) is also higher than composite average (2.59 times).

4.3.4   Price Earning Ratio

The P/E ratio measures investors expectation and market appraisal of the performance of firm.   A high P/E ratio reflects investors confidence in the stability and growth in the JVBs income. It is computed by dividing earnings per share to the market price of stock per share (For further details see Appendix – L) The following table shows that P/E of JVBs over the different financial years

Table No. 4.13

Table showing Price-Earning Ratio (Times)

Banks	Fiscal Years					Yearly Average	Composite Average
	2003/04	2004/05	2005/06	2006/07	2007/08		
NABL	4.88	5.19	3.61	6.94	12.27	6.58	7.69
SCBL	3.95	2.41	4.92	4.62	16.31	6.44	7.69

NIBL	5.38	4.46	7.55	7.61	25.23	10.05	7.69
Banks Average	4.74	4.02	5.36	6.39	17.94		

The table No. 4.13 represents that P/E ratio of JVBs are generally fluctuating trend over the different financial years. In the case of NIBL, it has also recorded better performance in the comparison of other two banks NABL and SCBL in terms of price-earning ratio.

In the case of NABL, it has displayed fluctuations trend over the different financial year. In the last year, it has identical P/E ratio which is steadily progressed. The ratio is highest in 2007/08 and lowest in 2005/06 which are 12.27 times and 3.61 times respectively. The yearly average (6.58 times) NABL is less than composite average (7.69 times). Similarly, its ratios are more than composite average in 2007/08 that is 12.27 times and rest years are less than composite average.

Similarly, in the case of SCBL has also registered fluctuating trend over the different financial years. It has recorded highest ratio in 2007/08 and lowest in 2004/05 which are 16.31 times and 2.41 times respectively. It has occupied lowest position in comparison to other two banks in terms of P/E ratio because of low yearly average (6.44). Moreover, its yearly average is also lower than composite average (7.69 times).

Likewise, in the case of NIBL, it has generally increasing trend of ratios over different financial years except in 2004/05. In the comparison of NABL and SCBL it has occupied better position securing highest yearly average (10.05 times). Its yearly average (10.05 times) is higher than composite average (7.69 times). The ratio is highest in 2007/08 and lowest in 2004/05 which are 25.23 times and 4.46 times respectively.

Moreover, in the case of banks average of JVBs it has registered increasing trend over the different years except in 2004/05. The highest ratio is in 2007/08 and lowest ratio in 2004/05 which are 17.94 times and 4.02 times respectively. The ratio in 2007/08 is higher and remaining years are less than composite average. (7.69 times).

Thus, it is concluded from the above analysis that in the case of NIBL, it has occupied better position with the respect to higher price-earning ratio over the different financial years in comparison to other two banks NABL and SCBL. Its yearly average (10.05 times) is also higher than composite average (7.69 times), so NIBL ratio reflects the investors a confidence to their investments.

4.4 ANALYSIS AND INTERPERTATION OF OTHER RATIOS AND INDICATORS

This part entitled" Analysis and Interpretation of other ratio or indicators" which are related with market and profitability of JVBs. The main objective of this chapter is to evaluate the

market profitability and liquidity position of JVBs in different sector. For this purposes, various related ratios or indicators are evaluated of JVBs on the basis of financial statements.

4.4.1 Growth Ratios

Growth ratios represent how well the JVBs are maintaining their economics position. Under this, three types of growth ratios are calculated such as net profit earning per share and dividend per share which are used to measure the profitability performance methods of financing, overall growth and paying dividend ability of the JVBs respectively. The ratios can be computed by dividing the last period figure by the first period figure then by referring to the compound interest tables. The higher   growth ratio generally indicates better performance of JVBs and *vice-versa.* The following table represents the growth ratios of JVBs with respect to net profit, earning per share and dividend per share.

Table No. 4.14

Table showing Growth Ratios of JVBs (Percentage)

Banks	Net Profit (Rs. in million)	Growth Rates (%)	Average Growth Rates(%)

	Net Profit (Rs in millions)						
	2003/04	2004/05	2005/06	2006/07	2007/08		
NABL	28.17	28.91	96.98	66.03	114.34	41.9	28.6
SCBL	37.97	74.72	91.53	94.66	106.86	29.5	28.6
NIBL	33.43	42.34	59.57	67.00	57.08	14.3	28.6
	Earning Per Share (EPS)						
NABL	56.34	57.82	193.96	100.92	174.75	32.7	18.6
SCBL	75.94	149.44	183.06	189.06	106.86	8.9	18.6
NIBL	55.72	70.57	99.28	111.67	95.13	14.3	18.6
	Dividend Per Share (Rs)						
NABL	18.00	-	20.00	60.00	49.99	29.1	12.3
SCBL	21.00	-	60.00	25.00	25.00	4.5	12.3
NIBL	17.50	25.00	-	50.00	20.00	3.4	12.3

The table No. 4.14 reveals that the 4 years growth rates for three times of JVBs covering the years from 2003/04 to 2007/08. The growth rates of NABL are relatively high in the case of net profit, earning per share and dividend per share which are 41.9%, 32.7% and 29.1% respectively whereas other two banks SCBL and NABL have very low growth rates in the comparison to NABL.

The growth rates of net profit in the case of JVBs are reasonably different number of percentage which are 49.9% for NABL, 29.5% for SCBL and 14.3% for NIBL. NABL has

higher growth rate than other two banks SCBL and NIBL. Its growth rates (49.9%) is also higher than average growth rate (28.6%) whereas other two banks have occupied second and third position having 29.5% and 14.3% which are SCBL and NIBL respectively. The growth rate is slightly higher than average growth rate in the case of SCBL whereas NIBL has heavily lower than average growth rate.

However, the growth rates of EPS are heavily different among JVBs. IN the case of NABL it has very high percent (32.7%) in the comparison of other two banks SCBL and NIBL. SCBL has appeared 8.9% and NIBL has 14.3% . Both banks have below growth rate than average growth rate whereas NABL has substantially secured higher growth rate than average growth rates.

Likewise, dividend per share growth rates of JVBs are reasonably different among them. In the case of NABL , it has appeared heavily growth rates than other two banks. The growth rates are 29.1 for NABL, 4.5% for SCBL and 3.4% for NIBL. Moreover, in the case of NABL has stood very high growth rate (29.1%) which is also higher than average growth rate (12.3%), whereas in the case of SCBL growth rate (4.5%) and NIBL growth rate (3.4%) are very low than average growth rate (12.3%).

Thus, it is concluded from the above analysis that the growth ratios of JVBs with respect to three times net income earning per share and dividend per share in the case of NABL has appeared very high rate during the study period that indicates better profitability performance than other two banks Standard Chartered Bank Ltd. and Nepal Investment Bank Ltd.

4.4.2 Correlation between Debt and Return

Karl Pearson's coefficient of correlation is widely used in practice to measure the degree of relationship between two variables. It is denoted by 'r'. In the correlation analysis debt is independent variable (x) and return per share is dependent variable (y) are assumed. The values between zero and one indicates the goodness of fit. The higher value of 'r' the better is the fit, if the value of $r_{xy} = +1$, $r_{xy} = -1$, $r_{xy} = 0$ which indicates perfect positive, perfect negative and no relationship between the variables respectively. The purpose of computing correlation of coefficient is to justify whether debts are significant in generating more return or not. The various correlation are made for that reason see in details in Appendix –M, N, & O. The following table shows the various related variables of JVBs.

Table No. 4.15

Table showing Correlation between Debt and Return

In the case of NABL the corre

Banks Evaluation Criterions	Nepal Arab Bank Ltd.	Standard Chartered Bank Ltd.	Nepal Investment Bank Ltd.
Karl Pearson's Coefficient of Correlation (r)	0.822	0.869	0.759
Probable Error (P.E.r)	0.098	0.074	0.128
Coefficient of Determination (r²)	0.676	0.755	0.756

lation of coefficient between debt and return value of r is 0.822 that indicates positive relationship between two sets of figures (Debt and Return). By considering coefficient

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determination the value of r^2 is 0.676 which signifies that 67.6% of the variation in the dependent variable (Return) has explained by the independent variable (Debt). By application of Probable Error the value of r (=0.822) is more than six times of Probable Error (=0.098). It seems that the value of r is significant , ie. NABL could achieve proper amount of return by mobilizing the debt funds.

Similarly, in the case of SCBL, the correlation coefficient between debt and (independent) and return (dependent) value of r is 0.869 that reveals the positive relationship between two sets of figures (Debt and Return). Besides, the coefficient of determination value r^2 =(0.755) that stands 75.5% of the variation in the dependent variable (Return) has been explained by the independent variable (Debt). Moreover, by considering the probable error (0.074) that indicates the relationship between debt and return is significant.

Likewise, the correlation of coefficient of NIBL between debt and return value of r is 0.759 that indicates the positive relationship between two sets of figures (Debt and Return). By considering the coefficient of determination value r^2 (0.576) that reveals57.6% of variation in the dependent variable (Return) has been explained by the independent variable (Debt). Moreover, by application of Probable Error, the value of r (=0.759) is not more than six times. Although, the value of r stands the positive relationship between debt and return but r value is less than six times of P.E.r value (0.128) i.e. the degree of relationship between debt and return is not significant.

Thus, it is concluded from the above analysis that the degree of relationship between debt (independent) and return(dependent) variables of both NABL and SCBL are significant because the r value of NABL (0.822) and SCBL (0.869) are more than six times of P.E.r value 0.098 and 0.074 respectively. But in the case of NIBL, the degree of relationship between debt and returns not significant because the value of r (0.759) si not more than six times of P.E.r(0.128) i. e. NIBL could not mobilize is proper way of debt for securing more return.

4.4.3 Correlation between Deposit and Investment

The coefficient of correlation between deposit and investment is to measure the degree of relationship between two variables. In correlation analysis deposit is independent variable (x) and investment is dependent variable (y). The purpose of computing correlation of coefficient is to justify whether the deposits are significantly used in proper way or not. The various calculation are made for the reason. See in detail Appendix-P,Q and R. The following table shows the various related variables of JVBs.

Table No. 4.16

Table showin Correlation between Deposit and Investments

Banks	Nepal	Standard	

Evaluation Criterions	Arab Bank Ltd.	Chartered Bank Ltd.	Nepal Invetment Bank Ltd.
Karl Pearson's Coefficient of Correlation (r)	0.986	0.992	0.929
Probable Error (P.E.r)	0.0084	0.0048	0.0413
Coefficient of Determination (r^2)	0.972	0.984	0.863

In the case of NABL, the correlation of coefficient between deposits (independent) and investments (dependent) value of u is 0.986 which signifies positive relationship between two sets of figures (Deposits and Investments). However, by application of coefficient of determination the value of r^2 is 0.972 that indicates 97.2 percent of the variation in the dependent variable (Investments) has been explained by the independent variable (Deposits). Moreover, by considering the Probable Error, since the value of r (=0.986) is more than six times of the P.Er (=0.0084) that reveals that value of r is significant i.e. NABL has successfully mobilized the deposits funds in the different sectors.

Likewise, the Karl Pearson's coefficient of correlation between deposits (independent variable) and investments (dependent variable) of SCBL has registered r value (=0.992) that indicates the positive relationship between two set of figures (Deposits and Investments). However, the coefficient of determination value r^2 (=0.984) which signifies 98.4 percent in the dependent variable (Investments) has been explained by the independent variable (Deposits).

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Moreover, by application of Probable Error, the value of r (=0.992) is more than six times of Probable Error (0.0048) which seems the relationship between deposits and investments is significant i.e SCBL could successfully mobilize the deposits in proper way in different sectors.

Similarly, in the case of NIBL, the coefficient of correlation between deposits(independent variable) and investment (dependent variable) value of r is 0.929 that means the positive relationship between two sets of figures (deposits and investments) by considering the coefficient of determination value r^2 is 0.863 which seems 86.3 percent in the dependent variable (Investments) has been explained by independent variable (Deposits). Moreover, by application of probable error the value of r (=0.929) is more than six times of Probable Error (0.0413) that indicates the relationship between deposits and investment is significant i.e. NIBL has also mobilized the deposits fund in proper way.

Thus, it is concluded from the above analysis that the degree of relationship between deposits (independent variable) and investments (dependent variable) of the JVBs are significant because r value of NABL (=0.986), SCBL (=0.922) and NIBL (=0.929) are more than six times of P.E.r 0.0084, 0.0048 and 0.0413 respectively ie. each of the banks have successfully mobilized their deposits funds in proper way of different sectors. Moreover, by considering the coefficient of determination r^2 (=0.9884) of SCBL has significant highest position than other two banks NABL and NIBL which seems that SCBL could successfully mobilize 98.4 % of the total deposits funds whereas NABL and NIBL have mobilized their deposit fund 97.2% and 86.3% respectively.

4.4.4 Trend Projection of Deposits

The arithmetic straight line trend fitted by the method of least square (For further details see Appendix – S, T, & U) is by far the most widely applied trend curve. This particular trend curve is applicable for those series in which period to period changes are constant in absolute amount. The various calculations are made for this purpose which are tabulated in the following.

Table No. 4.17

Table showing Trend Value of Deposit   **(Rs. in Million)**

Fiscal Years	NABL		SCBL		NIBL	
	Actual Amount	Trend Values $Y_c=a+bx$	Actual Amount	Trend Values $Y_c=a+bx$	Actual Amount	Trend Values $Y_c=a+bx$
2003/04	1080.82	-651.53	959.83	666.2	619.19	1023.92
2004/05	1338.43	914.74	1351.32	1791.07	1385.98	1188.11
2005/06	2230.87	2481.01	2854.76	2915.94	1911.48	1352.30
2006/07	3347.31	4047.28	4307.83	4040.81	1423.52	1516.49
2007/08	4407.64	5613.55	5105.94	5165.68	1421.37	1680.68
Constant 'a' =Mean Value	Rs 2481.01 Million		Rs. 2915.94 Million		Rs. 1352.3 Million	

Constant 'b' =Rate of Change	Rs. 1566.27 Million	Rs. 1124.87 Million	Rs. 164.19 Million

The table No. 4.17 shows that the annual average of total deposits (mean value 'a' Rs. 2915.94 million) of SCBL is higher than other two banks NABL and NIBL. Similarly, the greater rate of change 'b' (Rs. 1566.27 million) of NABL is higher which signifies that is deposits trend has increased faster than SCBL and NIBL.

Figure: 7-A

Trend Value of Deposit
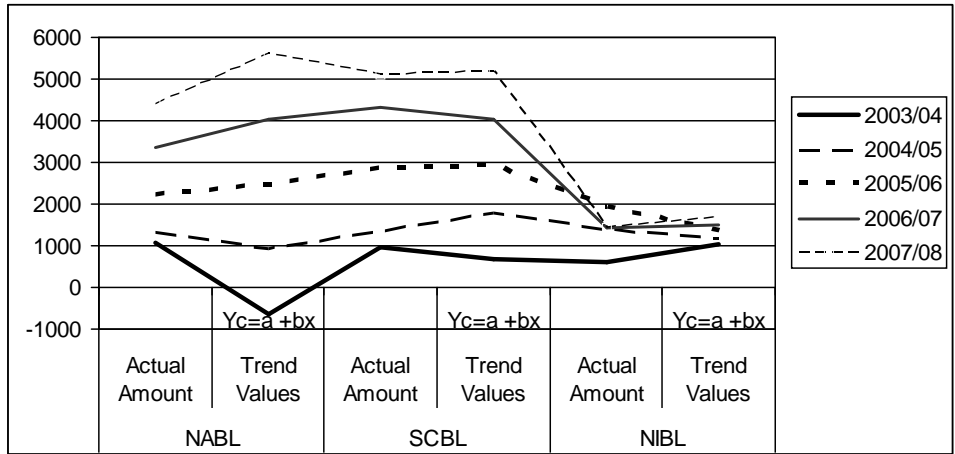
The figure 7-A depicts that the actual line of SCBL is higher than other two banks NABL and NIBL which symbolizes that SCBL has succeeded to collect more deposits but NIBL has stood very least cash deposits over the last fifth financial years. However, in the case of NABL trend line is higher than other two banks SCBL and NIBL which signifies that the greater rate of change (Slope of the trend line) is highly increased. Thus, it is concluded from the figure 7 – A that in the case of NABL it has higher trend line whereas actual trend line is very below. It seems that NABL could not collect sufficient deposits, but in the case of SCBL which has little gap between trend line and actual line along with actual line is also higher than other two banks NABL and NIBL, so SCBL has stood better performance in the case of collecting more deposits over the last fifth financial years than other two banks NABL and NIBL.

4.4.5 Trend Projection of Net Profit

The arithmetic straight line trend fitted by the method of least square (For details see Appendixes-V, W, & X) s by far the most widely applied trend curve. This particular trend curve is applicable for those series in which period to period changes are constant in absolute amount. The various calculation are computed to meet the objectives which are tabulated in the following.

Table No. 4.18

Table showing Trend Value of Net Profit

(Rs. in Million)

Fiscal Years	NABL		SCBL		NIBL	
	Actual Amount	Trend Values Yc=a +bx	Actual Amount	Trend Values Yc=a +bx	Actual Amount	Trend Values Yc=a +bx
2003/04	28.17	24.99	37.97	49.61	33.43	37.48
2004/05	28.91	45.94	74.72	65.38	42.34	44.68
2005/06	96.98	66.89	91.53	81.15	59.57	51.83
2006/07	66.03	87.84	94.66	96.92	67.00	59.08
2007/08	114.34	108.79	106.86	112.69	75.08	66.28
Constant 'a' =Mean Value	Rs 66.89 Million		Rs. 81.15 Million		Rs.51.88 Million	
Constant 'b' =Rate of Change	Rs. 20.95 Million		Rs. 15.77 Million		Rs. 7.2 Million	

Table No. 4.18 shows that the annual average amount of Net profit (mean value 'a' Rs. 81.15 million) of SCBL is higher than other two banks whereas the earning rate of change 'b' (Rs. 20.95 million) of NABL has greater amount than other two banks over the different financial years which signifies that the NABL has growing rate of change in the earnings by mobilizing the resources in the proper way.
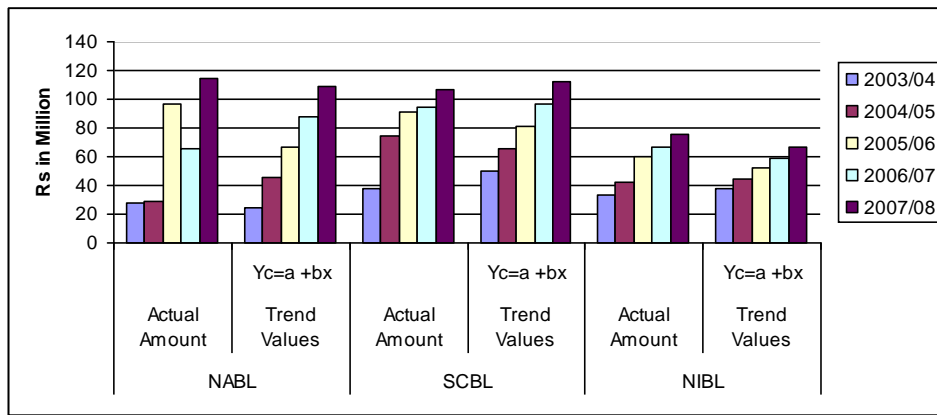
Trend Value of Net Profit

The same data are plotted in the figure 7-B that represents that actual line of Net profit in the case of NABL is higher than other two banks SCBL and NIBL, and it has also higher value of constant 'b' (Rs. 20.95 million) which indicates that the greater rate of change in the earnings. Though, in the case of SCBL has stood better position for first two years than NABL and then declined in 2005/06 and again increase in 2006/07 but lastly NABL has achieved better position than other two banks SCBL and NIBL which signifies that SCBL has highly increasing trend of profit. Thus, it is concluded that SCBL has earned more net profit over the financial years whereas NABL has obtained better achievement by highly earning rate of profit which signifies that NABL has secured better achievement by highly earnings rate of profit which signifies that NABL will achieve more profit in the coming years.

4.4.6 Major Finding of the Study

The main findings of the study are derived on the analysis of financial data of Joint Venture Banks which are as follows:

Liquidity Position

1.   Current Ratio

According to the database shown on table no.4.1, the liquidity position of NIBL is better than other two banks NABL and SCBL in respect to current ratios. The yearly average current rato of NABL is 1.07 and SCBL current ratio is 1.07 times whereas NIBL's current ratio is 1.08 times. The rule of thumb ie. The current ratio standard should be 2 :1. Although this standard is maintained by all JVBs that seems each JVBs have no bad liquidity condition because current ratio is only a test of quantity not a test of qualify of liquidity position. In other words, the situation of the bank is quite different than that of general business enterprises. Moreover, form the point of view of working capital policy NABL and SCBL have followed aggressive working capital policy than NIBL but from the point of view of liquidity positions NIBL is better than NABL and SCBL.

2.   Cash and Bank Balance to Total Deposit Ratio

The table no 4.2 reveals Cash and Bank Balance to Total Deposit Ratio. According to the data figure shown on table no. 4.2 , the liquidity position of cash and bank balance with respect to total deposit is better performance in the case of NABL against its readiness to serve its customers deposits than other two banks NIBL and SCBL. In contrast, a high ratio of cash and

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bank balance may be unused that indicates the bank's inability. The yearly average of Cash and Bank Balance to Total Deposit Ratio is higher for NABL (29.60%) but in the case of SCBL (19.81%) it has less in comparison to NABL and NIBL. The NIBL has maintained 26.34%. Thus, in the case of SCBL and NIBL have invested their deposits fund in more productive sectors like short term investments marketable securities, treasury bills, etc for generating more incomes.

3.   Cash and Bank Balance to Deposits Ratio (Excluding Fixed)

According to the database figure depicted in table no. 4.3, the cash and bank balance position with respecdt to total deposits of NABL has decreasing trend except in the FY 2004/05. It has contained cash and bank balance in range of between 32.83% (2004/05) and 16.02% (2007/08). NABL is able to meet the composite average (24.35%) for the first four year and last year in 2007/08 the cash and bank balance percentage (16.02%) is below range than composite average. It the case of of SCBL, it has also decreasing trend of cash and bank balance position over the years with respecd to total deposits. The range of cash and bank balance position is high in 2003/04 (29.09%) and low in 2007/08(13.09%). SCBL could meet the composite average (24.35%) for the first two years and other theree years are below than composite average with are 13.39%, 17.73% and 13.09% respectively.

4.   Cash and Bank Balance to Deposit Ratio (Excluding Fixed and

Saving)

The database figure given on table no.4.4 represents cash and bank balance percentage with respect to deposits (Excluding Fixed and Saving Deposits) of JVBs are fluctuating trend over the

different years. NIBL has contained more cash and bank balance in comparison of other two banks NABL and SCBL.In the case of NABL, it has fluctuated trend of cash and bank balance position with respect to deposits. The cash balance position is seen highest in 2004/05 and lowest in 2007/08 which are 68.90% and 41.02% respectively. The ratios of NABL indicates that cash and bank balance are more than composite average (57.85%) in 2003/04 (64.32%), 2004/05 (68.90%) and in 2006/07 (61.37%) and rest two years are less than composite average.Likewise, the ratios of SCBL are also fluctuated for each year. It seems that cash and bank balance with respect to deposit percentages are not similar. The cash and bank balance position is highest in 2004/05 (53.20%) and lowest in 2005/06 (27.99%) respectively. The yearly average (40.44%) of SCBL is less than other two banks NABL and NIBL which are 58.97% and 74.13% respectively. It clearly identifies cash position of SCBL is more than its yearly average first two years in 2003/04 (50.44%) and in 2004/05 (53.20%) and remaining years are not covered its yearly average 44.04%.

5.   Cash and Bank Balance to Current Assets Ratio

The database figure in table no. 4.5 reveals that cash and bank balance percentage with respect to current assets of JVBs are fluctuating trend over the different financial years except NABL, whereas other two banks like SCBL and NIBL cash and bank balance position is seen more fluctuated over the years.In the case of NABL it has contained more cash and bank balance percentage in comparison to SCBL and NIBL. The cash and bank balance position of NABL has maintained decreasing trend over the different fiscal years. NABL has highest percentage of cash and bank balance position in 2003/04 (27.49%) and lowest in 2007/08 (13.55%).Its yearly average (22.77%) is more than composite average (20.38%). Similarly, first four years have

covered more cash and bank balance than composite average in the case of NABL which are 27.49%, 26.68%, 23.27% and 22.64% respectively.

Profitability Position

6.   Net Profit to Total Assets Ratio

The table No. 4.6 reveals that net profit position with respect to total assets of JVBs are generally fluctuated trend over the different financial years. NIBL has successfully earned more profit by investing the funds in the comparison of other two banks NABL and SCBL. In the case of NABL, it has fluctuating trend of net profit with respect to total assets in the different financial years. It has contained high profit in FY 2005/06 and lowest in 2006/07 which are 3.68% and 1.69% respectively. It yearly average (2.29%) is below the of other two banks and yearly average (2.29%) is also less than composite average (2.80%). It is clearly seen from the table that NABL's net profit percentage is below composite average 2.8% except in the year 2005/06 which is 3.68%.Likewise, in the case of SCBL has registered decreasing trend form the financial year in 2004/05 to 2007/08. The higher percentage in the year 2004/05 and lower percentage in 2007/08 which are 4.53% and 1.85% respectively. SCBL has earned more profit in the beginning of the year than composite average 2.80%. The percentage of net profit is more than composite average for the first two years 2003/04 (3.14%) and 2005/06 (4.53%) and rest years are less than the composite average.

7.   Net Profit to Total Deposit Ratio

The figure depicted on the table no.4.7 shows that net profit to total deposits ratio of JVBs are fluctuating over the different financial years. In the case of NIBL it has earned more profit

than other two banks. NABL and SCBL by perfect utilization of total deposits.In the case of NABL has fluctuating trend of net profit percentage with respect to total deposits. The ratio is highest in 2005/06 and lowest in 2006/07 which are 4.35% and 1.97% respectively. It yearly average (2.74%) is lowest than other two banks SCBL and NIBL. Moreover, its yearly average (2.74%) is also less than composite average (3.4%). NABL is able to maintain more than composite average in 2005/06 which is 4.35% and other years are less than composite average. Likewise, in the case of SCBL has decreasing trend over different financial years except in 2004/05. The ratio is highest in 2004/05 and lowest in 2007/08 which are 5.53% and 2.09% respectively. The yearly average (3.4%) of SCBL is same as composite average (3.4%). SCBL has contained more percentage in comparison to composite average (3.4%)in 2004/05 and rest years are lower percentage.

8.   Return on Net Worth Ratio

The database figure shown in the table no. 4.8 reveals that return on net profit of JVBs are decreasing trend over the financial year except NABL. In the case of NABL has fluctuating trend over the year. Moreover, NIBL has decreasing trend but it has earned more profit in comparison of SCBL and NABL.In the case of NABL it has raising and falling trend on net worth over the different financial years. The ratio is highest in 2005/06 and lowest in 2004/05 which are 44.44% and 22.38% respectively. Its yearly average (31.68%) is lowest than other two banks SCBL and NIBL. Moreover, its yearly average (31.68%) is alos less than composite average (37.68%). The ratio is higher than composite average in 2005/06 than is 44.44% and rest years have lower percentage.

9. Earning Per Share

According to the figure shown on table no 4.6, the banks average of JVBs are raising and falling trend of average EPS over the last five years. In the beginning for the first three are in increasing trend than that are decreased for last two year which are Rs. 133.97 and Rs.125.56 respectively. The highest average EPS is in 2005/06 and lowest in 2003/04 which are Rs. 158.77 and 72.67 respectively. The banks average EPS are more than composite average (Rs. 114.72) in the last three in 2005/06 (Rs. 158.77) in 2006/07 (Rs. 133.97) and in 2007/08 (Rs. 125.58).Thus, it is concluded from the above analysis that EPS of SCBL is more than Other two banks. Moreover, the SCBL has successfully earned more EPS to its shareholders by securing more amount. SCBL has appeared better achievement by mobilizing its resources than other two banks. It yearly average (Rs. 140.92) is more

than other two banks NABL and NIBL. Moreover, its yearly average is higher than

composite average (Rs. 114.72).

Market Price Position

10. Market Price Per Share

The figure depicted in table no. 4.10 shows that market price per share of JVBs are generally increasing trend over the different financial years except SCBL. In the case of NIBL it has occupied highest position in the comparison of other two banks with respect to market price per share.However, in the case of NABL, it has increasing trend of market price per share over the different financial years. The MPPS of NABL is lowest in the beginning for Rs. 275 and highest in the last of the study period for Rs. 2145 which are in 2003/04 and 2006/07 respectively. It yearly average MPPS (Rs. 824) is lowest than other two banks SCBL and NIBL.

Moreover, its yearly average MPPS is also less than composite average (Rs. 860.87). The MPPS is only more than composite average in the year 2007/08 and other remaining years are less than composite average. Thus, it is concluded from the above analysis that MPPS of NIBL has occupied better performance in the competitive open market of investors expectation than other two banks SCBL and NABL. However, its yearly average Rs. 923 is highest than other two banks. Moreover, its yearly average Rs. 923 is also higher than composite average (Rs. 860.37).

11. Market Rate of Return

The table no. 4.11 reveals that market rate of return of JVBs are basically fluctuated trend over the different financial years. In the case of NABL it has highest position with respect to market rate of return in the comparison of other two banks SCBL and NIBL. Similarly, in the case of NABL, it has fluctuating trend of market rate of return over the study period. The MRR has reduced 213.57% in 2007/08 which is highest return in the comparison of other two banks whereas, it has lowest MRR in the beginning o 2003/04 of the study period which is –2.33%. NABL has successfully occupied better position in the market than other two banks. Its yearly average (73.78%) is higher than composite average (69.35%). The MRR is more than composite average in 2005/06 and 2007/08 which are 140% and 213.57% respectively.

12. Market Price to Book Value Per Share Ratio

According to the database figure depicted in table no. 4.12, in the case of NABL, it has registered increasing trend of ratios over the different financial years except in 2004/05. In the like manner, the ratio is highest in 2007/08 and lowest in 2004/05 which are 4.35 times and 1.16 times respectively. The yearly average 2.08 times is less than composite average 2.59 times.

Similarly, its yearly average ratio is lowest in comparison to other two banks SCBL and NIBL.Thus market price to book value per share in the case of NIBL has occupied better performance in comparison to other two banks NABL and SCBL because of the ratios of different years are highest along with yearly average (3.52 times) is also higher than composite average (2.59 times).

13. Price Earning Ratios

According to the figure shown in table no. 4.13, a high P/E ratio reflects investors confidence in the stability and growth in the JVBs income. It is computed by dividing earnings per share to the market price of stock per share (For further details see Appendix – L) The following table shows that P/E of JVBs over the different financial years.In the case of NABL, it has displayed fluctuations trend over the different financial year. In the last year, it has identical P/E ratio which is steadily progressed. The ratio is highest in 2007/08 and lowest in 2005/06 which are 12.27 times and 3.61 times respectively. The yearly average (6.58 times) NABL is less than composite average (7.69 times). Similarly, its ratios are more than composite average in 2007/08 that is 12.27 times and rest years are less than composite average.Similarly, in the case of SCBL has also registered fluctuating trend over the different financial years. It has recorded highest ratio in 2007/08 and lowest in 2004/05 which are 16.31 times and 2.41 times respectively. It has occupied lowest position in comparison to other two banks in terms of P/E ratio because of low yearly average (6.44). Moreover, its yearly average is also lower than composite average (7.69 times).

Other Ratios and Indicators

14. Growth Ratios

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According to the database figure depicted in table No. 4.14, reveals that the 4 years growth rates for three times of JVBs covering the years from 2003/04 to 2007/08. The growth rates of NABL are relatively high in the case of net profit, earning per share and dividend per share which are 41.9%, 32.7% and 29.1% respectively whereas other two banks SCBL and NABL have very low growth rates in the comparison to NABL.

The growth rates of net profit in the case of JVBs are reasonably different number of percentage which are 49.9% for NABL, 29.5% for SCBL and 14.3% for NIBL. NABL has higher growth rate than other two banks SCBL and NIBL. Its growth rates (49.9%) is also higher than average growth rate (28.6%) whereas other two banks have occupied second and third position having 29.5% and 14.3% which are SCBL and NIBL respectively. The growth rate is slightly higher than average growth rate in the case of SCBL whereas NIBL has heavily lower than average growth rate.

15. Correlation between Debt and Return

The table no. 4.15 reflects the correlation of coefficient between debt and return value of r is 0.822 that indicates positive relationship between two sets of figures (Debt and Return). By considering coefficient determination the value of r^2 is 0.676 which signifies that 67.6% of the variation in the dependent variable (Return) has explained by the independent variable (Debt). By application of Probable Error the value of r (=0.822) is more than six times of Probable Error (=0.098). It seems that the value of r is significant , ie. NABL could achieve proper amount of return by mobilizing the debt funds.Thus, it is concluded from the above analysis that the degree of relationship between debt (independent) and return(dependent) variables of both NABL and SCBL are significant because the r value of NABL (0.822) and SCBL (0.869) are more than six

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times of P.E.r value 0.098 and 0.074 respectively. But in the case of NIBL, the degree of relationship between debt and returns not significant because the value of r (0.759) si not more than six times of P.E.r(0.128) i. e. NIBL could not mobilize is proper way of debt for securing more return.

16. Correlation between Deposits and Investment

The table no. 4.16 reveals that the degree of relationship between deposits (independent variable) and investments (dependent variable) of the JVBs are significant because 'r' value of NABL (=0.986), SCBL (=0.922) and NIBL (=0.929) are more than six times of P.E.r 0.0084, 0.0048 and 0.0413 respectively ie. each of the banks have successfully mobilized their deposits funds in proper way of different sectors. Moreover, by considering the coefficient of determination r^2 (=0.9884) of SCBL has significant highest position than other two banks NABL and NIBL which seems that SCBL could successfully mobilize 98.4 % of the total deposits funds whereas NABL and NIBL have mobilized their deposit fund 97.2% and 86.3% respectively.

17. Trend Projection of Deposits

The table No. 4.17 shows that the annual average of total deposits (mean value 'a' Rs. 2915.94 million) of SCBL is higher than other two banks NABL and NIBL. Similarly, the greater rate of change 'b' (Rs. 1566.27 million) of NABL is higher which signifies that is deposits trend has increased faster than SCBL and NIBL.

18. Trend Projection of Net Profit

In the case of SCBL, it has registered higher mean value 'a' of net profit trend for Rs. 81.15 million than other two banks which signifies that the SCBL has earned higher profit over the study period. Similarly, the earnings rate of change 'b' (Rs. 20.95 million) of NABL is greater amount than other two banks over the different financial years which indicates that NABL is growing of change in the earnings by mobilizing its resources in the right way in the right place and in the right time.

CHAPTER 5

SUMMARY,CONCLUSION AND RECOMMENDATIONS

5.1 Summary

This is the last chapter of this research study. The subject matter consisting general background of the study, objectives, research questions, limitations and its organizations have been already presented in the first chapter. The second chapter includes a discussion on theoretical framework ie.concept of commercial banks, functions or commercial banks, concept of joint venture banks, role of joint venture banks, general opinions and review of major empirical works relating to the financial performance appraisal of joint venture banks. The third chapter includes research methodology which presents the methodology used in this study. It deals with research design, sources of data procedures adopted and financial and statistical tools used in the study. The fourth chapter is data presentation and analysis which fulfills the objective of the study by presenting the data and analyzing them with the help of various financial and statistical tools followed by methodology. Lastly, this chapter summarizes thewhole study. Moreover, it draws actionable conclusions and forwards the recommendations for the improvement of the financial performance of selected joint venture banks which are derived from the analysis of financial statements of JVBs.

In order to fulfill the objectives three joint venture banks viz. Nepal Arab Bank Limited, Nepal Investment Bank and Standard Chartered Bank Limited were taken in the study. The data of five years viz. 2003/04 to 2007/08 are used. This study is mainly conducted on the basis of seconday data collected from various annual reports, official reports, economic journal, financial statements, etc and authorized web site of Nepal Stock Exchange. The five years financial statement has been examined fo the purpose of the study. The criterion for selecting the joint venture banks was the availability of data. Due to non availability of data of the year 2009 the number of period is limited to five years only.

The specific objective of the study were to highlight and assess the liquidity positions of joint venture banks, assess the profitability positions of joint venture banks, analyze and interpret the market positions of joint venture banks and find the growth ratios of them and their overall performance comparatively. To fulfillthe research objective of the study various tools such as financial ratios, profitability ratios, correlation, coefficient of determination, trend analyis were used in the study.

5.2 Conclusions of the sudy

On the basis of entire research study, some conclusion has been deduced. This study particularly deals with conclusion about "Comparative Financial Performance Appraisal of JVBs in Nepal". The present study is mainly an attempt to give general account of comparative financial performance apparaisal of JVBs in different condition such as liquidity position, profitability position, market position and other related ratios and indicators on the basis of financial statement.

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Nowadays, many joint venture banks are rapidly opened in Nepal as commercial and merchant banks by introducing higher and developed technology, efficient methods in the banking sectors especially after the political reform of the country.

Introduction of ATM cards, debit and credit cards, electronic transfers of money have made the banking sectors so modernized and popular. But the present study has been undertaken only about three JVBs namely, NABL , SCBL and NIBL for examining and evaluating the financial data. The financial statements of five years have been conducted for the purpose of the this study form the fiscal years 2003/04 to 2007/08 and other JVBs which are recently opened that are not contained in this study because some of them were not opened at that time and rest of them were not being come into existence upto five years. This study has been mainly completed on the basis of seconday data that are first processed and analyzed them comparatively.

1. The liquidity position of JBVs are not very poor although the rule of thumb the standard ratios should be 2:1 that standard c ould not be followed by JVBs but it does not mean that the JVBs are not able to pay their shot-term obligation. In this situation, it seems that the JVBs could be able to meet short-term obligation although the ratios are below than normal rate. In the other hand the JVBs may have followed aggressive working capital policy. Thus, it can be said that current ratio of NIBL is more significant to meet the short-term obligation than NABL and SCBL, but it does not mean that both NABL and NIBL have unsatisfactory liquidity position because they may have maintained aggressive working capital policy for generation more return by investing in more profitable sectors.

2. Similarly, cash and bank balance to deposits (excluding fixed deposits ratio of NIBL has very sound position for ready to serve against its customer deposits than NABL and SCBL. It seems that NIBL has followed conservative working capital policy and selective lending policy whereas both SCBL and NABL have followed aggressive working capital policy and they have invested more assets for income generating purpose than NIBL . Thus, it can be said a high ratios of cash and bank balance may be unfit which seems the bank's inability due to pay unnecessary interest charges and lose may golden opportuniteds upon handling over cash balance.

3. In the case of profitability, NIBL has earned more profit in terms of net profit to total assets, not profit ot total deposits and return on net worth than NABL and SCBL but in terms of earnings per share SCBL, it has registered more amount than NABL and NIBL to its shareholders. Thus, it can be said that from the shareholders point of view earnings per share of SCBL is more satisfactory whereas in the case of NIBL, there is minimum amount available to shareholders.

4. Market price per share of JVBs are generally increasing trend over the different financial years except SCBL. In the case of NIBL, it has occupied highest position in the comparison of other two banks with respect to market price per share, whereas NABL has registered lowest market price than NIBL and SCBL.Likewise, market rate of return of NABL is significantly higher than NIBL and SCBL, whereas in the case of SCBL, it is very low in terms of market rate of return than NIBL and NABL. Moreover, market rate of return of JVBs are fluctuating trend over the different financial years.

5. Similarly, in the case of market price to book value per share of NIBL , it has registered better performance in comparison to both banks NABL and SCBL. However, SCBL has occupied second position whereas NABL has achieved at lower position than both banks. Moreover, the trend of market value per share to book value per share ratios of JVBs are generally fluctuating over the different financial years.In the case of NIBL, it has registered highest position by generating maximum amount per share with respect to market price of stock than NABL and SCBL. In other hand, it can also be concluded towards of NIBL has developed slund confidence on their investments. Moreover, P/E ratio of both NABL and SCBL are slightly different. The trend of P/E ratio of each individual bank have fluctuating order whereas banks average trend of JVBs have increasing way over the last five years except beginning of the year.

6. The growth rates of NABL are relatively high with respect to net profit, earning per share and dividend per share whereas other two banks SCBL and NIBL have registered very low growth rates in comparison to NABL. Moreover, NABL has achieved vetter position having highest growth rates that indicates NABL has declared more divided per share as well as availed higher earning per share by mobilizing its resources in right place and in right manner.

7. However, by applying Karl Pearson's coefficient of correlation, it has bee found the degree of relatioship between debt (independent) and return (dependent) variable of both the banks. NABL and SCBL are significant because the 'r' value of both banks are more than six times of P.E.r. whereas in the case of NIBL, it is not signifidant due to 'r' value being not more than six times of P.E.r., so it can be cocluded that both NABL and SCBL have mobilized the debt funds

in proper way for generating more return but NIBL could not do that debt funds same as NABL and SCBL. In othe hand, the degree of relationship between deposits (independent variables) and investments(dependent variables) of each JVBs are significant because each JVBs' 'r' value is more than six times of P.E.r. .So it can be concluded that each of the banks has successfully mobilized their deposits fund in proper way of different sectors for generating more incomes.

8. In the case of SCBL, the annual average 'a' of total deposits is higher than other two banks NABL and NIBL over the last five years that signifies SCBL has successfully collected more deposits form its customers, whereas the greater rate of change 'b' in the case of NABL which concluded that the deposits trend has increased faster than SCBL and NIBL. In other hand, in the case of SCBL, it has higher mean value of net profit than other two banks over the last five years, so it can be concluded that SCBL has earned more profit but earning rate of change is higher in the case of NABL which seems that the NABL is growing rate of change in the earnings that conclude NABL has successfully mobilized all the resources fo creating more incomes in proper way.

5.3 Recommendations of the Study

On the basis of entire research study some suggestions and recommendations has been derived relating to policies and programmes of JVBs which are enumerated as follows:

a. Operating Banking Services in Rural Areas

Most of the JVBs are performing their banking services in urban areas, especially in Kathmandu Valley. They became impersonal in their activities and as a result the needs of the

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small communities and small borrowers are neglected. In other hand, the small borrowers are exploited by the traditional money lender and merchant by charging higher interest rate. In this way, it is a great obstruction of the nation for economic development. So they are suggested to operate their banking services in rural areas to minimize the higher interest rate those borrowers are influenced by traditional money lender along with the JVBs could collect more deposits form small depositors as a result they can make more investments too which leads to faster economic development of the nation. Moreover, the Nepal Government should have strict policy under special Act to JVBs for operating banking services in rural areas that should be directed through Nepal Rastra Bank.

b.   Encouraging small Entrepreneur's Development Programmes.

Joint ventures Banks are mainly being focused their banking services specially to big clients multinational companies, large scale industries, manufacturers,exporters or garments and carpets. The depositors of JVBs are mostly big groups offices, individuals, NGO's as well as INGO's . The minimum level bank balance and the amount needed to open an account of these banks is very high amount so small depositors could not concentrate with JVBs. So, JVBs should open their doors to the small depositors and entrepreneurs for promoting and mobilizing small investors funds.

c.   Introducing to Foreign Investors for National Development

The JVBs are suggested to promote the foreign investors to making their investment for the development of country. The foreign investors and industrialists are unfamiliar with the local rules and regulations, customers and practices. So, the JVBs should try as far as possible to

promote for foreign investment to foreign investors and industrialists that creates more productive assets, more jobs which leads to economic development of the country by solving a great unemployment problem of nation.

d. Playing Merchant Banking Role

Although JVBs are granting a significant role in the modern banking system that certainly leads economical development of the nation but they are not playing merchant banking role. So, JVBs are suggested to play the role of financial intermediary and merchant banking like underwriting of securities, brokers development of capital market and supportive role to the security exchange entire which will consequently be helpful for upliftment of country.

e. Mobilizing the Deposits Funds in Productive Sectors

The JVBs are basically not concentrated to mobilize their deposit funds in productive sectors. So, they are suggested to come forward to meet government obligation by financing in the priority sector development programmes such as poverty alleviation programmes, woman development programmes, income generating programmes, generating new services ideas, etc.

f. Granting More Priority to the Local Manpower

In the JVBs foreign staffs are basically appointed on the higher posts. The foreign staffs are comparatively more costly than local staffs, by considering this facts it will be better to give training for making skilful and experience to their local staffs and allocating more authority and responsibility to them. In this way, JVBs can achieve its goal in minimum cost by expertizing foreign staffs and granting more priority to the local staffs for making higher profits.

g.   Emphasis to Nepalese Degree Holders

It is well known from working staffs of JVBs that there are highly neglected to Nepalese degree holder on higher posts by management of JVBs. The concept of negligence about to Nepalese degree holders should be changed because they are comparatively not so inferior than other. So management of JVBs think seriously about this matter and emphasize to Nepalese degree holders on the higher posts by allocating more authority and responsibility.

h.   Organizing Association of Shareholders

The shareholders of JVBs should think to organize at one place by opening association of shareholders. Association of shareholders its needed to give pressure to the management of JVBs when they ignore to the shareholders obligation about expectation of proper dividend payment. As a result the management of JVBs will also be helpful when discussing dividend pay-out with representative of shareholder association members. So, it is suggested to JVBs fo giving legal validity to organize association of shareholders the leads betterment of shareholders as well as management of JVBs too.

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APPENDIX - A

Current Ratio of JVBs

(Rs. in Million)

Nepal Arab Bank Limited			
Fiscal Years	Current Assets (Rs)	Current Liabilities (Rs.)	Current Ratios (Times)
2003/04	1286.04	1212.11	1.06
2004/05	1634.78	1535.56	1.06
2005/06	2590.16	2414.47	1.07
2006/07	3836.47	3658.28	1.05
2007/08	5212.07	4864.70	1.07
Standard Chartered Bank Limited			
2003/04	1192.52	1142.47	1.04
2004/05	1611.42	1445.24	1.11
2005/06	3208.96	3011.24	1.07
2006/07	4807.41	4592.04	1.05
2007/08	5670.89	5371.68	1.06
Nepal Investment Bank Limited			
2003/04	743.80	696.49	1.07

2004/05	167.08	1530.38	1.05
2005/06	2320.85	2189.68	1.06
2006/07	1773.56	1608.99	1.10
2007/08	1827.58	1628.96	1.12

APPENDIX - B

Cash and Bank Balance to Total Deposit Ratio

(Rs. in Million)

Nepal Arab Bank Limited			
Fiscal Years	Cash and Bank Balance (Rs)	Total Deposits (Rs.)	Ratios (%)
2003/04	353.58	1080.82	32.71
2004/05	439.45	1338.43	32.83
2005/06	602.83	2230.87	27.02
2006/07	868.75	3347.31	25.94
2007/08	706.19	4407.64	16.02
Standard Chartered Bank Limited			
2003/04	279.22	959.83	29.9
2004/05	377.86	1351.32	27.96
2005/06	376.67	2854.76	13.19
2006/07	677.45	4307.83	15.73
2007/08	668.19	5105.94	13.09

Nepal Investment Bank Limited			
2003/04	167.18	619.19	27.00
2004/05	229.94	1385.98	16.59
2005/06	285.29	1911.48	30.62
2006/07	376.72	1423.52	26.46
2007/08	441.14	1421.37	31.04

APPENDIX - C

Cash and Bank Balance to Deposit Ratio(Excluding Fixed Deposit)

(Rs. in Million)

Nepal Arab Bank Limited			
Fiscal Years	Cash and Bank Balance (Rs)	Total Deposits (Rs.) (Excluding Fixed)	Ratios (%)
2003/04	353.58	782.78	45.17
2004/05	439.45	960.46	45.75
2005/06	602.83	1531.04	39.37
2006/07	868.75	2250.49	38.59
2007/08	706.19	2955.71	23.89
Standard Chartered Bank Limited			
2003/04	279.22	764.71	36.51
2004/05	377.86	1067.06	35.41
2005/06	376.67	2237.12	16.84

2006/07	677.45	3610.64	18.76
2007/08	668.19	4502.35	14.84
Nepal Investment Bank Limited			
2003/04	167.18	337.04	49.60
2004/05	229.94	490.42	46.89
2005/06	285.29	777.17	75.31
2006/07	376.72	956.91	39.37
2007/08	441.14	921.56	47.87

APPENDIX - D

Cash and Bank Balance to Deposit Ratio(Excluding Fixed &Saving)

(Rs. in Million)

Nepal Arab Bank Limited			
Fiscal Years	Cash and Bank Balance (Rs)	Total Deposits (Rs.) (Excluding Fixed)	Ratios (%)
2003/04	353.58	549.76	64.32
2004/05	439.45	637.79	68.90
2005/06	602.83	1017.69	59.24
2006/07	868.75	1415.20	61.37
2007/08	706.19	1721.40	41.02
Standard Chartered Bank Limited			
2003/04	279.22	553.59	50.44

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2004/05	377.86	710.28	53.20
2005/06	376.67	1345.64	27.99
2006/07	677.45	1707.09	39.68
2007/08	668.19	2161.68	30.91
Nepal Investment Bank Limited			
2003/04	167.18	256.75	65.11
2004/05	229.94	391.23	58.77
2005/06	285.29	582.13	100.54
2006/07	376.72	599.83	62.80
2007/08	441.14	528.82	83.42

APPENDIX - E

Cash and Bank Balance to Current Assets Ratio

(Rs. in Million)

Nepal Arab Bank Limited			
Fiscal Years	Cash and Bank Balance (Rs)	Current Assets(Rs.)	Ratios (%)
2003/04	353.58	1286.04	27.49
2004/05	439.45	1634.78	26.88
2005/06	602.83	2590.16	23.27
2006/07	868.75	3836.47	22.64
2007/08	706.19	5212.07	13.55

Standard Chartered Bank Limited			
2003/04	279.22	1192.52	23.41
2004/05	377.86	1611.40	23.45
2005/06	376.67	3208.96	11.74
2006/07	677.45	4807.41	14.09
2007/08	668.19	5670.89	11.78
Nepal Investment Bank Limited			
2003/04	167.18	743.80	22.48
2004/05	229.94	1607.08	14.31
2005/06	285.29	2320.85	25.22
2006/07	376.72	1773.56	21.24
2007/08	441.14	1829.58	24.11

APPENDIX - F

Net Profit to Total Assets Ratio

(Rs. in Million)

Nepal Arab Bank Limited			
Fiscal Years	Net Profit After Tax (Rs)	Total Assets(Rs.)	Ratios (%)
2003/04	28.17	1309.30	2.15
2004/05	28.91	1664.79	1.74
2005/06	96.98	2632.71	3.68

2006/07	66.03	3901.21	1.69
2007/08	114.34	5277.57	2.17
Standard Chartered Bank Limited			
2003/04	37.97	1210.18	3.14
2004/05	74.72	1649.45	4.53
2005/06	91.53	3302.80	2.77
2006/07	94.66	4915.95	1.93
2007/08	106.86	5788.51	1.85
Nepal Investment Bank Limited			
2003/04	33.43	752.68	4.44
2004/05	42.34	1616.43	2.62
2005/06	59.57	2737.84	2.55
2006/07	67.00	1795.01	3.73
2007/08	57.08	1861.21	3.07

APPENDIX - G

Net Profit to Total Deposits Ratio

(Rs. in Million)

Nepal Arab Bank Limited			
Fiscal Years	Net Profit After Tax (Rs)	Total Deposits (Rs.)	Ratios (%)
2003/04	28.17	1080.82	2.61

2004/05	28.91	1338.43	2.16
2005/06	96.98	2230.87	4.35
2006/07	66.03	3347.31	1.97
2007/08	114.34	4407.64	2.59
Standard Chartered Bank Limited			
2003/04	37.97	959.83	3.96
2004/05	74.72	1351.32	5.53
2005/06	91.53	2854.76	3.21
2006/07	94.66	4307.83	2.20
2007/08	106.86	5105.94	2.09
Nepal Investment Bank Limited			
2003/04	33.43	619.19	5.40
2004/05	42.34	1385.98	3.05
2005/06	59.57	1911.48	3.12
2006/07	67.00	1423.52	4.17
2007/08	57.08	1421.37	4.02

APPENDIX - H

Return on Net Worth Ratio of JVBs

(Rs. in Million)

Nepal Arab Bank Limited			
Fiscal Years	Net Profit After	Net Worth (Rs)	Ratios

	Tax (Rs)		(%)
2003/04	28.17	97.18	28.99
2004/05	28.91	129.20	22.38
2005/06	96.98	218.23	44.44
2006/07	66.03	242.94	27.18
2007/08	114.34	322.85	35.42
Standard Chartered Bank Limited			
2003/04	37.97	67.69	56.09
2004/05	74.72	153.23	48.76
2005/06	91.53	245.41	37.30
2006/07	94.66	323.82	29.23
2007/08	106.86	414.17	25.80
Nepal Investment Bank Limited			
2003/04	33.43	55.51	60.22
2004/05	42.34	84.92	49.86
2005/06	59.57	146.44	40.68
2006/07	67.00	185.42	36.53
2007/08	57.08	228.53	24.98

APPENDIX-I

Earning Per Share of JVBs

(Rs. in Million)

Nepal Arab Bank Limited			
Fiscal Years	Net Profit After Tax –Pref. Dividend (Rs)	Total No. of Shares	Earning Per Share (Rs)
2003/04	28.17	500,000	56.34
2004/05	28.91	500,000	57.82
2005/06	96.98	500,000	193.96
2006/07	66.03	654,256	100.92
2007/08	114.34	654,256	174.76
Standard Chartered Bank Limited			
2003/04	37.97	500,000	75.94
2004/05	74.72	500,000	149.44
2005/06	91.53	500,000	183.06
2006/07	94.66	500,000	189.32
2007/08	106.86	1,000,000	106.86
Nepal Investment Bank Limited			
2003/04	33.43	600,000	55.72
2004/05	42.34	600,000	70.57
2005/06	59.57	600,000	92.28
2006/07	67.00	600,000	111.67
2007/08	57.08	600,000	95.13

APPENDIX-J

Market Rate of Return of JVBs

(Rs. in Million)

Nepal Arab Bank Limited				
Fiscal Years	Market Price Per Share	Dividend Per Share (Rs)	$\frac{\Delta MPPS + Div_1}{MPPS_0}$	Market Rate of Return (%)
2003/04	275.00	18.00	(-25+18) / 300	-2.33
2004/05	300.00	--	(25+0) / 275	9.09
2005/06	700.00	20.00	(400+20) / 300	140.00
2006/07	700.00	60.00	(0+60) / 700	8.57
2007/08	2145.00	49.99	(1445+49.99) / 700	213.57
Standard Chartered Bank Limited				
2003/04	300.00	21.00	(10+21) / 290	10.69
2004/05	360.00	--	(60+0) / 300	20.00
2005/06	900.00	60.00	(540+60) / 360	166.67
2006/07	875.00	25.00	(-25+25) / 900	0.00
2007/08	1743.00	25.00	(868+25) / 875	102.06
Nepal Investment Bank Limited				
2003/04	300.00	17.50	(-15+17.50) / 315	0.79
2004/05	315.00	25.00	(15+25) / 300	13.33
2005/06	750.00	--	(435+0) / 315	138.10
2006/07	850.00	50.00	(100+50) / 750	20.00
2007/08	2400.00	20.00	(1550+20) / 850	184.71

Note: The year end prices of share of NABL, SCBL and NIBL for 2003/04 were Rs. 300, Rs. 200a dn Rs. 315 respectively.

Market Rate of Return $= \dfrac{MPPS_1 - MPPS_0 + DIV_1}{MPPS_0} \; or \; \dfrac{\Delta P + Div_1}{P_0}$

Where, $MPPS_1 =$ The market price per share in period $_1$

$MPPS_0 =$ The market price per share in period $_0$

$Div_1 = $ The dividend paid during the time between period $_0$ and period $_1$.

APPENDIX - K

Market Price to Book Value Per Share

Nepal Arab Bank Limited					
Fical Years	MVPS (Rs)	Net Worth (Rs. in Million)	No. of Shares	BVPS(Rs.) $= \dfrac{Net\ Worth}{No.\ of\ Share}$	$\dfrac{MVPS}{BVPS}$ (Times)
2003/04	275.00	97.18	500,000	124.36	1.41
2004/05	300.00	129.20	500,000	258.40	1.16
2005/06	700.00	218.23	500,000	436.46	1.60
2006/07	700.00	242.94	654,256	371.30	1.89
2007/08	2145.000	322.85	654,256	493.46	4.35
Standard Chartered Bank Limited					
2003/04	300.00	67.69	500,000	135.38	2.22
2004/05	360.00	153.23	500,000	306.46	1.77
2005/06	900.00	245.41	500,000	490.82	1.83
2006/07	875.00	323.82	500,000	647.64	1.35
2007/08	1743.00	414.17	1000,000	414.17	4.21
Nepal Investment Bank Limited					
2003/04	300.00	55.51	600,000	92.52	3.24
2004/05	315.00	84.92	600,000	141.53	2.23
2005/06	750.00	146.44	600,000	244.07	3.07

2006/07	850.00	183.42	600,000	305.70	2.78
2007/08	2400.00	228.53	600,000	380.88	6.30

APPENDIX - L

Price Earning Ratio of JVBs

Nepal Arab Bank Limited			
Fiscal Years	MVPS (Rs)	EPS (Rs)	P/E Ratio (Times)
2003/04	275	56.34	4.88
2004/05	300	57.82	5.19
2005/06	700	193.96	3.61
2006/07	700	100.92	6.94
2007/08	2145	174.75	12.27
Standard Chartered Bank Limited			
2003/04	300	75.94	3.95
2004/05	360	149.44	2.41
2005/06	900	183.06	4.92
2006/07	875	189.32	4.62
2007/08	1743	106.86	16.31
Nepal Investment Bank Limited			
2003/04	300	55.72	5.38

2004/05	315	70.57	4.46
2005/06	750	99.28	7.55
2006/07	850	111.67	7.61
2007/08	2400	95.13	25.23

APPENDIX-M

Correlation Analysis between Total Debt and Profit

(Rs in Million)

Nepal Arab Bank Limited					
Fiscal Years	Debt 'x' (Rs)	Profit 'y' (Rs)	x^2	y^2	Xy
2003/04	1212.11	28.18	1469210.65	793.55	34145.14
2004/05	1535.56	28.91	2357944.51	835.79	44393.04
2005/06	2414.47	96.98	5829665.38	9405.12	234155.30
2006/07	3658.28	66.03	13383012.56	4395.96	241556.23
2007/08	4954.70	114.34	24549052.09	13073.64	566520.40
N= 5	13775.12 $= \Sigma x$	344.43 $= \Sigma y$	47588885.2 $= \Sigma x^2$	28468.05 $= \Sigma y^2$	1120770.6 $= \Sigma xy$

Correlation coefficient can be calculated by using following formua;

$$r = \frac{N.\Sigma xy - (\Sigma x)(\Sigma y)}{\sqrt{N.\Sigma x^2 - (\Sigma x)^2} \sqrt{N.\Sigma y^2 - (\Sigma y)^2}}$$

Putting the values;

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$$= \frac{5 \times 1120{,}770.1 - (13775.12)(334.43)}{\sqrt{5(47588885.2) - (13775.1)^2} \sqrt{5(28468.05) - (334.43)^2}}$$

$$= \frac{5603850.0 - 4606813.4}{6941.9374 \times 174.6334} = \frac{997037.12}{1212294.13} = 0.822$$

Calcuation of Probable Error(P.E.r);

$$P.E.r = 0.6745 \frac{1 - r^2}{\sqrt{N}}$$

$$= 0.6745 \frac{1 - (0.833)^2}{\sqrt{N}}$$

$$= \frac{0.6745 \times 0.324316}{2.236068} = 0.098$$

APPENDIX - N

Correlation Analysis between Total Debt and Profit

(Rs in Million)

Fiscal Years	Debt 'x' (Rs)	Profit 'y' (Rs)	x^2	y^2	xy
Standard Chartered Bank Limited					
2003/04	1142.47	37.97	1305237.70	1441.72	43379.59
2004/05	1496.21	74.72	2338644.36	5583.08	111796.81
2005/06	3012.59	91.53	9075698.50	8377.74	275742.36
2006/07	4522.15	94.66	21087842.62	8960.52	434692.92
2007/08	5374.33	106.86	28883423.95	11,419.06	574300.90
N= 5	15617.75 $= \Sigma x$	405.74 $= \Sigma y$	62590845.14 $= \Sigma x^2$	35782.12 $= \Sigma y^2$	1439912.6 $= \Sigma xy$

Correlation coefficient can be calculated by using following formua;

$$r = \frac{N.\sum xy - (\sum x)(\sum y)}{\sqrt{N.\sum x^2 - (\sum x)^2}\sqrt{N.\sum y^2 - (\sum y)^2}}$$

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Putting the values;

$$= \frac{5 \times 1439912.6 - (15617.75)(405.74)}{\sqrt{5(62590845.14) - (15617.75)^2} \sqrt{5(35782.12) - (405.74)^2}}$$

$$= \frac{7199563 - 6336745.9}{8309.0378 \times 119.5226} = \frac{862817.12}{993117.8} = 0.869$$

Calcuation of Probable Error(P.E.r);

$$P.E.r = 0.6745 \frac{1 - r^2}{\sqrt{N}}$$

$$= 0.6745 \frac{1 - (0.869)^2}{\sqrt{5}}$$

$$= \frac{0.6745 \times 0.244839}{2.236068} = 0.074$$

APPENDIX - O

Correlation Analysis between Total Debt and Profit

(Rs in Million)

Nepal Investment Bank Limited					
Fiscal Years	Debt 'x' (Rs)	Profit 'y' (Rs)	x^2	y^2	xy
2003/04	697.17	33.43	486046.01	1117.56	23306.39
2004/05	1531.52	42.34	2345553.51	1792.68	64844.56
2005/06	2191.39	59.57	4812190.13	3548.58	130541.10
2006/07	1611.58	67.00	2597190.09	4489.00	107975.86
2007/08	1632.68	57.08	2665643.98	3258.13	93193.37
N= 5	7664.34 $= \Sigma x$	259.42 $= \Sigma y$	12896623.73 $= \Sigma x^2$	14205.95 $= \Sigma y^2$	419861.29 $= \Sigma xy$

Correlation coefficient can be calculated by using following formua;

$$r = \frac{N.\sum xy - (\sum x)(\sum y)}{\sqrt{N.\sum x^2 - (\sum x)^2}\sqrt{N.\sum y^2 - (\sum y)^2}}$$

Putting the values;

$$= \frac{5(419861.29) - (7664.34)(259.42)}{\sqrt{5(12896623.76) - (7664.34)^2}\sqrt{5(14205.95) - (259.42)^2}}$$

$$= \frac{2099306.5 - 1988283.1}{2396.041 \times 61.082} = \frac{111023.37}{146355.03} = 0.759$$

Calcuation of Probable Error(P.E.r);

$$P.E.r = 0.6745\frac{1 - r^2}{\sqrt{N}}$$

$$= 0.6745\frac{1 - (0.759)^2}{\sqrt{5}}$$

$$= \frac{0.6745 \times 0.423919}{2.236068} = 0.128$$

APPENDIX - P

Correlation Analysis between Total Deposit and Total Investment

(Rs in Million)

Nepal Arab Bank Limited					
Fiscal Years	Debt 'x' (Rs)	Profit 'y' (Rs)	x^2	y^2	xy
2003/04	1080.82	134.54	1168171.87	18101.01	145413.52
2004/05	1338.43	158.36	1771394.86	25077.89	211953.77
2005/06	2230.87	418.90	4976780.95	175477.21	934511.44
2006/07	3347.31	836.98	11204484.24	700535.52	2801631.50

2007/08	4407.64	1453.15	19427290.37	2111644.90	64049262.10
N= 5	12405.07 $= \Sigma x$	3001.93 $= \Sigma y$	38568122.3 $= \Sigma x^2$	3030836.6 $= \Sigma y^2$	10498472 $= \Sigma xy$

Correlation coefficient can be calculated by using following formua;

$$r = \frac{N.\Sigma xy - (\Sigma x)(\Sigma y)}{\sqrt{N.\Sigma x^2 - (\Sigma x)^2}\sqrt{N.\Sigma y^2 - (\Sigma y)^2}}$$

Putting the values;

$$= \frac{5(10498472) - (12405.07)(3001.93)}{\sqrt{5(38568122.3) - (12405)^2}\sqrt{5(3030836.6) - (3001.93)^2}}$$

$$= \frac{52492360 - 37239151.79}{6241.382 \times 2478.4268} = \frac{15253208.21}{15468808} = 0.986$$

Calcuation of Probable Error(P.E.r);

$$P.E.r = 0.06745\frac{1-r^2}{\sqrt{N}}$$

$$= 0.06745\frac{1-(0.986)^2}{\sqrt{5}}$$

$$= \frac{0.06745 \times 0.027804}{2.236068} = 0.0084$$

APPENDIX - Q

Correlation Analysis between Total Deposit and Total Investment

(Rs in Million)

Nepal Arab Bank Limited					
Fiscal Years	Deposit'x' (Rs)	Investment 'y' (Rs)	x^2	y^2	xy

2003/04	959.83	211.39	921273.63	44685.73	202898.46
2004/05	1351.32	302.35	1826065.70	91415.52	408571.6
2005/06	2854.76	965.21	8149654.70	931630.34	2755442.9
2006/07	4307.83	1689.29	18557399	2853700.7	7277174.1
2007/08	5105.94	2341.23	26070623	5481357.9	11954180
N= 5	14579.68 $= \Sigma x$	5509.47 $= \Sigma y$	55525017 $= \Sigma x^2$	9402790.2 $= \Sigma y^2$	22598267 $= \Sigma xy$

Correlation coefficient can be calculated by using following formua;

$$r = \frac{N.\sum xy - (\sum x)(\sum y)}{\sqrt{N.\sum x^2 - (\sum x)^2} \sqrt{N.\sum y^2 - (\sum y)^2}}$$

Putting the values;

$$= \frac{5(225989267) - (14579.68)(5509.47)}{\sqrt{5(55525017) - (14579.68)^2} \sqrt{5(9402790.2) - (5509.47)^2}}$$

$$= \frac{32665025}{8065.855 \times 4081.6285} = \frac{32665025}{32921824} = 0.992$$

Calcuation of Probable Error(P.E.r);

$$P.E.r = 0.06745 \frac{1 - r^2}{\sqrt{N}}$$

$$= 0.06745 \frac{1 - (0.992)^2}{\sqrt{5}}$$

$$= \frac{0.06745 \times 0.005936}{2.236068} = 0.0048$$

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APPENDIX - R

Correlation Analysis between Total Deposit and Total Investment

(Rs in Million)

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Standard Chartered Bank Limited					
Fiscal Years	Deposit 'x' (Rs)	Investment 'y' (Rs)	x^2	y^2	xy
2003/04	619.19	34.52	383396.26	1191.63	21374.44
2004/05	1385.98	160.97	1920940.6	25911.34	223101.2
2005/06	1911.48	437.94	3653755.8	191791.44	837113.55
2006/07	1423.52	210.04	2026409.2	44116.80	298996.14
2007/08	1421.37	298.94	2020292.7	89365.12	424904.35
N= 5	6761.54 $= \Sigma x$	1142.41 $= \Sigma y$	10004794 $= \Sigma x^2$	352376.34 $= \Sigma y^2$	1805489.7 $= \Sigma xy$

Correlation coefficient can be calculated by using following formua;

$$ r = \frac{N.\Sigma xy - (\Sigma x)(\Sigma y)}{\sqrt{N.\Sigma x^2 - (\Sigma x)^2} \sqrt{N.\Sigma y^2 - (\Sigma y)^2}} $$

Putting the values;

$$ = \frac{5(1805489.7) - (6761.54)(1142.41)}{\sqrt{5(10004794) - (6761.54)^2} \sqrt{5(352376.34) - (1142.41)^2}} $$

$$ = \frac{302997.6}{2074.9812 \times 675.8552} = \frac{1302997.6}{329218241402388.1} = 0.929 $$

Calcuation of Probable Error(P.E.r);

$$ P.E.r = 0.06745 \frac{1 - r^2}{\sqrt{N}} $$

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$$= 0.06745 \frac{1 - (0.929)^2}{\sqrt{5}}$$

$$= \frac{0.06745 \times 0.136959}{2.236068} = 0.0413$$

APPENDIX - S

Fitting Straiaght Line Trend of Deposits

Nepal Arab Bank Limited					
Fiscal Years	Deposits (Rs in million) 'y'	Deviation from middle year 'x'	x^2	xy	Trend Values Yc = a + bx
2003/04	1080.82	-2	4	-1261.64	2481.01+1566.27(-2)= -651.53
2004/05	1338.43	-1	1	-1338.43	2481.01+1566.27(-1)=914.74
2005/06	2230.87	0	0	0	2481.01+1566.27(0)=2481.01
2006/07	3347.31	+1	1	+3347.31	2481.01+1566.27(1)=4047.28
2007/08	4407.64	+2	4	+8815.28	2481.01+1566.27(2)=5613.55
N= 5	12405.07 = ∑y	∑x = 0	10 = ∑x^2	15662.66 ∑xy	∑Yc = 12405.05

The equation of straight line trend is Yc = a + bx

Since,

$$x = 0, \quad a = \frac{\sum y}{N}, \quad \text{and} \quad b = \frac{\sum xy}{\sum x^2}$$

The constant 'a' is simple equal to the mean of y values and constant 'b' gives the rate of change.

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We have,

$$\sum y = 12405.07, \quad N = 5 \qquad \sum xy = 15662.66, \quad x^2 = 10$$

$$\therefore a = \frac{\sum y}{N} \quad = \frac{12405.07}{5} \quad = \text{Rs } 2481.01 \, million \, and$$

$$\therefore b = \frac{\sum xy}{\sum x^2} \quad = \frac{15662.66}{10} \quad = Rs \; 1566.27 \, milliion$$

APPENDIX - T

Fitting Straiaght Line Trend of Deposits

Standard Chartered Bank Limited					
Fical Years	Deposits (Rs in million) 'y'	Deviation from middle year 'x'	x^2	xy	Trend Values $Yc = a + bx$
2003/04	959.83	-2	4	-1919.66	2915.94+1124.87(-2)=666.2
2004/05	1351.32	-1	1	-1351.32	2915.94+1124.87(-1)=1791.07
2005/06	2854.76	0	0	0	2915.94+1124.87(02)=2915.94
2006/07	4307.83	+1	1	+4307.83	2915.94+1124.87(1)=4040.81
2007/08	5105.94	+2	4	+10211.88	2915.94+1124.87(2)=5165.68
N= 5	1457.68 $= \Sigma y$	$\Sigma x = 0$	$10 = \Sigma x^2$	11248.73 Σxy	$\Sigma Yc = 14579.7$

The equation of straight line trend is Yc = a + bx

Since,

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$$x = 0, \quad a = \frac{\sum y}{N}, \quad \text{and} \quad b = \frac{\sum xy}{\sum x^2}$$

The constant 'a' is simple equal to the mean of y values and constant 'b' gives the rate of change.

We have,

$$\sum y = 14579.68, \quad N = 5 \quad \sum xy = 11248.73, \quad x^2 = 10$$

$$\therefore a = \frac{\sum y}{N} \quad = \frac{14579.68}{5} \quad = \text{Rs } 2915.94 \text{ million and}$$

$$\therefore b = \frac{\sum xy}{\sum x^2} \quad = \frac{11248.73}{10} \quad = Rs \ 11124.87 \text{ milliion}$$

APPENDIX - U

Fitting Straiaght Line Trend of Deposits

Nepal Investment Bank Limited					
Fical Years	Deposits (Rs in million) 'y'	Deviation from middle year 'x'	x^2	xy	Trend Values $Yc = a + bx$
2003/04	619.19	-2	4	-1238.38	1352.3+164.19(-2)=1023.92
2004/05	1385.98	-1	1	-1358.98	1352.3+164.19(-1)=1188.11
2005/06	1611.48	0	0	0	1352.3+164.19(0)=1352.30
2006/07	1423.52	+1	1	1423.52	1352.3+164.19(-2)=1516.49
2007/08	1421.37	+2	4	2842.74	1352.3+164.19(-2)=1680.68
N= 5	6761.54 = $\sum y$	$\sum x = 0$	10 = $\sum x^2$	1641.90 $\sum xy$	$\sum Yc = 6761.54$

The equation of straight line trend is $Yc = a + bx$

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Since,

$$x = 0, \quad a = \frac{\sum y}{N}, \quad \text{and} \quad b = \frac{\sum xy}{\sum x^2}$$

The constant 'a' is simple equal to the mean of y values and constant 'b' gives the rate of change.

We have,

$$\sum y = 6761.54, \quad N = 5 \qquad \sum xy = 1641.90, \quad x^2 = 10$$

$$\therefore a = \frac{\sum y}{N} \quad = \frac{16761.54}{5} = \text{Rs } 1352.3 \, million \, and$$

$$\therefore b = \frac{\sum xy}{\sum x^2} \quad = \frac{1641.90}{10} = Rs \; 164.19 \, milliion$$

APPENDIX - V

Fitting Straiaght Line Trend of Net Profit

Nepal Arab Bank Limited					
Fical Years	Deposits (Rs in million) 'y'	Deviation from middle year 'x'	x^2	xy	Trend Values $Yc = a + bx$
2003/04	28.17	-2	4	-56.34	66.89+20.95(-2)=24.99
2004/05	28.91	-1	1	-28.91	66.89+20.95(-1)=45.94
2005/06	96.98	0	0	0	66.89+20.95(0)=66.89
2006/07	66.03	+1	1	+66.03	66.89+20.95(1)=87.84
2007/08	114.34	+2	4	+228.68	66.89+20.95(2)=108.79
N= 5	33.43 = Σy	Σx = 0	10 = Σx^2	209.46 Σxy	ΣYc = 334.45

The equation of straight line trend is Yc = a + bx

Since,

$$x = 0, \quad a = \frac{\Sigma y}{N}, \quad \text{and} \quad b = \frac{\Sigma xy}{\Sigma x^2}$$

The constant 'a' is simple equal to the mean of y values and constant 'b' gives the rate of change.

We have,

$$\sum y = 334.43, \quad N = 5 \qquad \sum xy = 209.46, \quad x^2 = 10$$

$$\therefore a = \frac{\sum y}{N} \quad = \frac{334.43}{5} = \text{Rs } 66.89 \, million \ and$$

$$\therefore b = \frac{\sum xy}{\sum x^2} \quad = \frac{209.46}{10} = Rs \ 20.95 \, milliion$$

APPENDIX - W

Fitting Strainght Line Trend of Net Profit

Standard Chartered Bank Limited					
Fical Years	Deposits (Rs in million) 'y'	Deviation from middle year 'x'	x^2	xy	Trend Values Yc = a + bx
2003/04	37.97	-2	4	-75.94	81.15+15.77(-2) = 49.61
2004/05	74.72	-1	1	-74.72	81.15+15.77(-1) = 65.38
2005/06	91.53	0	0	0	81.15+15.77(0) =81.15
2006/07	94.66	+1	1	+94.66	81.15+15.77(1) =96.92
2007/08	106.86	+2	4	+213.72	81.15+15.77(2) = 112.69
N= 5	405.74 = Σy	Σx = 0	10 = Σx²	157.72 Σxy	ΣYc = 405.75

The equation of straight line trend is Yc = a + bx

Since,

$$x = 0, \quad a = \frac{\sum y}{N}, \quad \text{and} \quad b = \frac{\sum xy}{\sum x^2}$$

The constant 'a' is simple equal to the mean of y values and constant 'b' gives the rate of change.

We have,

$$\sum y = 405.74, \quad N = 5 \qquad \sum xy = 157.72, \quad x^2 = 10$$

$$\therefore a = \frac{\sum y}{N} \quad = \frac{405.74}{5} \quad = \text{Rs } 81.15 \, million \, and$$

$$\therefore b = \frac{\sum xy}{\sum x^2} \quad = \frac{157.72}{10} \quad = Rs \; 15.77 \, milliion$$

APPENDIX - X

Fitting Strainght Line Trend of Net Profit

Nepal Investment Bank Limited					
Fical Years	Deposits (Rs in million) 'y'	Deviation from middle year 'x'	x^2	xy	Trend Values Yc = a + bx
2003/04	33.43	-2	4	-66.86	51.88+7.2(-2) = 37.48
2004/05	42.34	-1	1	-42.34	51.88+7.2(-1) = 44.68
2005/06	59.57	0	0	0	51.88+7.2(0) = 51.88
2006/07	67.00	+1	1	+67.00	51.88+7.2(1) = 59.08
2007/08	57.08	+2	4	+114.16	51.88+7.2(2) = 66.28
N= 5	259.42 = $\sum y$	$\sum x = 0$	10 = $\sum x^2$	71.96 $\sum xy$	$\sum Yc = 259.40$

The equation of straight line trend is Yc = a + bx

Since,

$$x = 0, \quad a = \frac{\sum y}{N}, \quad \text{and} \quad b = \frac{\sum xy}{\sum x^2}$$

The constant 'a' is simple equal to the mean of y values and constant 'b' gives the rate of change.

We have,

$$\sum y = 259.42, \quad N = 5 \qquad \sum xy = 71.96, \quad x^2 = 10$$

$$\therefore a = \frac{\sum y}{N} \quad = \frac{259.42}{5} \quad = \text{Rs } 51.88 \text{ million and}$$

$$\therefore b = \frac{\sum xy}{\sum x^2} \quad = \frac{71.96}{10} \quad = Rs \ 7.2 \text{ million}$$

CURRICULUM-VITAE

NAME   **ASHOK KUMAR KANDU**
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MARITAL STATUS   **MARRIED**
SEX   **MALE**
OCCUPATION   **TEACHING**
NATIONALITY   **NEPALI**
RELIGION   **HINDUISM**
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EDUCATION/QUALIFICATION

YEAR	ACHIEVEMENT	BOARD / INSTITUTE
1996	SCHOOL LEAVING CERTIFICATE	SLC BOARD
1999	INTERMEDIATE OF COMMERCE (I.COM)	TRIBHUVAN UNIVERSITY (TU), NEPAL
2002	BACHELOR OF BUSINESS STUDIES (BBS)	TRIBHUVAN UNIVERSITY (TU), NEPAL
2009	MASTER OF BUSINESS STUDIES(MBS)	TRIBHUVAN UNIVERSITY (TU), NEPAL

WORK EXPERIENCE

YEAR	POSITION	INSTITUTE
1997	LOWER SECONDARY LEVEL	BUTWAL ELITE ENGLISH SCHOOL
2002	SECONDARY LEVEL TEACHER	BUTWAL ELITE ENGLISH SCHOOL
2002	HIGHER SECONDARY LEVEL TEACHER	OXFORD HIGHER SECONDARY SCHOOL
2005	HIGHER SECONDARY LEVEL TEACHER	LUMBINI BANIJYA CAMPUS

TRAINING

YEAR	PROGRAMME	ORGANIZER
2006	BASIC ACCOUNTING TRAINING	LUMBINI BANIJYA CAMPUS
2002	CERTIFICATE IN COMPUTER MANAGEMENT	LINKAGE COMPUTER, KATHMANDU
2002	COMPUTER BASED ACCOUNTING PACKAGE	LINKAGE COMPUTER, KATHMANDU

MEMBERSHIP AND INVOLVEMENT

YEAR	POSITION	INSTITUTE / ORGANISATON
2006	SHAREHOLDER	SANJIWANI CO-OPERATIVE SOCIETY
2008	LIFE MEMBER	NEPAL RED CROSS SOCIETY
2003	MEMBER	AMNESTY INTERNATIONAL
2006	TREASURER	LIONS CLUB OF BUTWAL LUMBINI

SKILLS

*   **FLUENCY IN SPOKEN AND WRITTEN ENGLISH & NEPALI**
*   **LITERACY IN COMPUTER**
*   **CAR AND MOTORBIKE DRIVING**