FINANCIAL PERFORMANCE ANALYSIS OF COMMERCIAL BANKS OF NEPAL

(WITH SPECIAL REFERENCE TO HIMALAYAN BANK LIMITED AND NABIL BANK LIMITED)

By:

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RECOMMENDATION

This is to certify that the thesis

Submitted by

ASHOK KUMAR THAKUR

Entitled

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VIVA-VOCE SHEET

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

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

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

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Date: / /2066

DECLARATION

I hereby, declare that the work reported in this thesis entitled **"FINANCIAL PERFORMANCE ANALYSIS OF COMMERCIAL BANKS OF NEPAL. (WITH SPECIAL REFERENCE TO HIMALAYAN BANK LIMITED AND NABIL BANK LIMITED)"** Submitted to the office of the Dean faculty of Management, Tribhuvan University is my original work done in the form of partial fulfillment of the requirements for the Master of Business Studies (MBS), under the supervision of Mr. Ram Prakash Upadhyay.

Ashok Kumar Thakur
Researcher

Date: / / 2066

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The Study "**FINANCIAL PERFORMANCE ANALYSIS OF COMMERCIAL BANKS OF NEPAL (WITH SPECIAL REFERENCE TO HIMALAYAN BANK AND NABIL BANK LIITED)"** has been carried out in partial fulfillment of the Master's Degree in Business Studies (MBS).

Any accomplishment requires the effort of many people and this work is not different. I would like to extend my sincere gratitude to Mr. Ram Prakash Upadhyay whose proper guidance and direction made it possible to complete this thesis. I would like to express my acknowledgement to Pro. Dr. Khagendra Acharya, Head of research department of Post Graduate Campus as well to Mr. Harihar Bhandari, Campus Chief, Post Graduate Campus, moreover I am also thankful to Mr. Gopal Ghimire and other staff for their regular co-operation in preparing this thesis.

I owe great intellectual debt to College library and librarian, Post Graduate Campus, Biratnagar. Central Library of Tribhuvan University etc for providing several well-known books, articles of Nepalese and foreign writers, secondary data while preparing this thesis.

Last but not the least; I would like to pour my words of gratification to my family members and friends for their worthy guidance that proved to be highly instrumental throughout the preparation of this thesis.

Ashok Kumar Thakur

Researcher

Date: / / 2066

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ABBREVIATIONS

Avg.	: Average
AM	: Arithmetic Mean
B.S	: Bikram Sambat
BVPS	: Book Value per Share
CA	: Current Assets
CL	: Current Liability
CR	: Current Ratio
C&R	: Capital & Reserve
CV	: Coefficient of Variation
DPS	: Dividend per Share
D/P Ratio	: Dividend pays out Ratio
EBIT	: Earnings before Interest & Tax
EPS	: Earnings per share
FA	: Fixed Assets
HBL	: Himalayan Bank Limited
LIT	: Long Term Investment
MPS	: Market Price per Share
NBL	: Nabil Bank Limited
NPAT	: Net Profit after Tax
NRB	: Nepal Rastriya Bank
NW	: Net Worth
P/E Ratio	: Price Earning Ratio
ROA	: Return on Assets
ROE	: Return on Equity
ROSE	: Return on Share Holders Equity
RONW	: Return on Net Worth
SD	: Standard Deviation
TA	: Total Assets
TCA	: Total Current Assets
TFA	: Total fixed Assets
TL	: Total Liabilities
WC	: Working Capital

CHAPTER-I

1.1 GENERAL BACKGROUND

A bank is an institution which deals with money and credit. It accepts deposits from the public, makes the funds available to those who need hem and helps in the remittance of money from one place to another. The term banking there is unanimity among the economist about the origin of word "banking". Some of them insist that the term "bank" derives from that Latin word "bancus" which refers to the bench of which the banker would keep his money and his records. Some people trace the origin of the bank to the French word "banque" and the Italian word 'banca' which means a bench for keeping , lending and exchanging of money or coins in the market place by money lenders and money changers.

In the word of kindly, "A bank is an establishment which makes to individuals such advances of money as may be required and safely made, and to which individuals entrust money when not required by them for use.[1]

The banking sector is important to the development of national economy Banks can be considered as one of the major element for the development of nation. Banks encourage industrial innovation and business expansion. Banks play the important role to the healthy progress of a nation, its citizens and the society where it is established. The Bank is a financial institution which accepts deposit from public and in turn advances loans by erecting credit. By accepting deposits, the bank promotes the habit of thrift and saving among the people. These savings of the people latter result in

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[1]Kinley quoted by Dr RR paul, Money Bankig and International Trade, Kalyani publishers, First Edition, 1996.P-6 B.

capital formation which is the basic element of economic development of a nation.

Banks can be classified into various types of the basis of their functions, ownership, domicile; some of them are listed below.

- Central Banks
- Agricultural Banks
- Exchange Banks
- Commercial Banks
- Saving Banks

Here commercial banks are considered for the purpose of study.

1.2. CONCEPT OF COMMERCIAL BANK:

An American institute of Banking has defined commercial Bank as "commercial Banks the corporation, which accepts demand, deposits subject to check and makes short term loan to business enterprises regardless of the scope of its other source."[2] Commercial Banks ordinarily are simple business or commercial concerns which provide various types of services to customers invert urn for payment in one form or another, such as interest, discounts, fees commission and so on. The main aim of aim of a commercial bank is to seek profit like any other busies entity or firm. commercial bank Act, 2031 of Nepal has defined, " Commercial bank is an organization which exchanges money, accepts deposits, grants loans and performs commercial banking functions and which is not a bank meant for cooperative, agriculture, industries or for such, specific purpose."[3]

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[2] American institute of Banking, principle of Banking operation . USA 1972 ,P-345.
[3] Commercial Bank Act .2021 B.S.

"The banks which perform all kinds of banking business are known as commercial banks".[4]

Since their deposits are for a short period, these banks normally advance short term loans to business-men B traders and avoid medium-term and long term leading. However, recently, the commercial banks have also extended their areas of operation to medium term and long-term finance. Majority of the commercial banks are in the public sector but there are certain private sector banks operating as joint stock companies. Hence, the commercial banks are also called joint stock Banks.

1.3. HISTORY OF COMMERCIAL BANKS IN NEPAL:

The history of commercial bank in Nepal starts from the establishment of Nepal Bank Ltd. On 1994 B.S, It is the 1st bank in Nepal and prior to this, there was no such organized banking system in the country. The bank was started with the paid up capital of Rs. 845000. The balance sheet figure of the first year of Nepal bank Ltd. was Rs. 2815000. It started its business by accepting deposits from the public by collecting Rs. 1702000 in the initial year which was considered as an indication of success. Later, the Nepal Rastra Bank was established on 2013 B.S. This has helped to make Banking system more systematic and dynamic during that time.

As the time passed, the Rastrya Banijya Bank was established on 2022 B.S. in order to play a major role not only in domestic banking services but also in foreign trade. After the establishment of this bank, there was progress in the banking sector in Nepal. Today Nepal can take legitimate pride in the

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[4] Hirday Bir singh, Banking and insurance. Asia, Publication Pvt. Ltd., Bagbazar, Ktm, First Edition 2062. p-30

remarkable growth and progress in the banking sector. Nepal has opened its door to foreign commercial banks to operate in the country almost a decade back. Consequently, Nepal Arab Bank was established in 2041 B.S. under the commercial bank Act 2031. Similarly, The Nepal Indosuez bank was established as a joint venture between Nepal and France on 2042 B.S. and a Nepal grind lays Bank on 2043 B.S. As the country followed economic liberalization, there was massive entrance of foreign Banks in Nepal. The established of Himalayan Bank as a joint venture with Pakistan Bank, Nepal SBI Bank as a joint venture bank with the reputed bank of India i.e. state Bank of India. Nepal Bangladesh bank as a Joint venture Bank with the Bangladesh Bank , Bank of Katmandu as a joint venture Bank with Thailand Bank , Everest as a joint venture Bank with Punjab Nation Bank, Nepal Srilanka Bank as joint venture Bank with Srilankan Bank are the examples of expansion of Banking industry Nepal.

The legitimate entry of foreign commercial banks with full fledged banking system, accompanied by greater sophistication due to diversity of raising funds and development funds, not withstanding its many short comings the system has shown dynamism and innovativeness in meeting the challenges of mobilizing resources for country's development. The government's liberalization policy led to a dozen of commercial banks actively playing in the financial market of the country.

1.4. CONCEPT OF JOINT VENTURE BANKS:

Banks operating in the form of Joint collaboration are known as joint venture banks. Joint venture is the joining of forces between two or more enterprises for the purpose of carrying out a specific operation of industrial or commercial investment.

"Joint ventures are a result of a contract between two or more parties to undertake a small commercial venture and to share the gains or losses in a greed proportions"[5] Similarly, "When two or more independent firms mutually decide to the total equity more or less capital and establish a new organization, it is known as joint venture"[6] . It is a single business deal that is joint under two or more persons as groups with the profit maximization objective.

1.5 JOINT VENTURE IN NEPAL:

All the Nepalese joint venture banks have been established and operated under the rules regulation and guidance of central bank. Commercial banks are expected to boost up the development of community as well as that of the economy as a whole. Nepal Rastrya Bank has issued certain directives to these banks, regarding the mandatory credit allocation to the priority sector. The central bank has directed the two government owned banks to invest. Three prevent and the joint venture banks to invest 0.5 percent of their total outstanding credit t the poverty stricken community.

Thus, it is clear that the commercial banks are a medium of economic development and should assist in up lifting the community.

"The joint venture between foreign banks and Nepalese banks should be encouraged in Nepal, especially in merchant and investment banking, leasing and other new creative financial services. The entry of foreign banks

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[5] M.c. shukla., T.S. Grewal , s.c. Gupta, advanced Accounts., S. Chand and company Ltd. New Delhi, Fourteenth Revised Edition , 2001, p-4.24

[6] Jauch and Gtyech : Business policy and strategic management, Me grew Hill Book compay, Fifth edition p-32.

hopefully will bring healthy competition in the environment that will improve work and service efficiency of Nepalese banks too."[7]

In Nepal, to encourage joint venture in banking sector three major reforms were carried out in 2039 B.S. The reforms include allowing the foreign banks to operate as joint venture, lifting of control on interest rate and introduction of the auctioning of government securities. The government's policy of allowing foreign joint venture Banks to operate in Nepal is basically targeted to encourage local traditionally running commercial banks to enhance their banking capacity. Joint venture Banking are registered in Nepal under company act and operated under the d commercial bank act 2031 B.S. They have joined venture between Nepalese investors and their parent bank. The domestic portion of investment has been shared by financial and non financial institutions.

1.6 BRIEF PROFILE ON THE SAMPLE OF COMMERCIAL BANK OF NEPAL TAKEN UNDER STUDY.

1.6.1 Himalayan Bank Ltd.:

Himalayan Bank limited- established and promoted in 1993 by a group of prominent businessmen, bankers and financial institutions with Habib Bank Limited of Pakistan, as the joint- venture partner today stands as one of the largest private sector commercial banks in the country. The banks loan portfolio, comprising of healthy mix of diversified sectors stands at Rs. 20.18 billion, where as the deposit portfolio of the bank stands Rs 31.84 billion, which is one of the biggest portfolio visa-vis other sector

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[7] Sunity Shrestha ; Portfolio behavior of commercial banks in Nepal; Buddha Academic enterprises Pvt. Ltd. Ktm. 1995.

commercial banks in the country. The bank also possesses a healthy foreign currency deposit portfolio that provides good return. Inward remittance has consistently been on the upswing for years, enabling the bank to earn much required earnings and providing a cushion for trade financing.

The fast growth of the bank has been made possible through the strategic approach we have undertaken and the years of hard work and perseverance pm the [art pf the board, top management and qualified human resources. Ay business opportunities that have come along has been thoroughly evaluated and tapped whenever found feasible. We have put into use all available forms of resources to group the opportunities available in the banking sector.

Legacy of Himalayan lives on in institutions that are known through out Nepal for its innovative approaches to merchandising and customer service. Products such as premium saving account, HBL proprietary card and millionaire deposit scheme besides services such as ATMS and tele-banking were first introduced by HBL. Other financial institutions on the country have been following the lead by introducing similar products and services. Therefore we stand for the innovations that we bring about in this country to help out customers. Besides, modernizing the banking sector, with the highest deposit base and loan portfolio amongst private sector banks and extending guarantees to correspondent banks HBL believe HBL obviously lead the banking sector of Nepal.

All branches of HBL are integrated into globes, the single banking software where the bank has made substantial investments.

This has helped the bank provide services like any branch banking facility, internet banking and SMS banking. Living up to the expectations and aspirations of the customers and other stake holders of being innovation

HBL very recently introduced several new products and services millionaire deposit scheme, small business enterprises loan, prepaid visa card, international travel quota credit card, consumer finance through credit card and online TOEFEL, SAT, IELTS etc. fee payments facility are some of the products and services. HBL also has a dedicated off site, disaster recovery management system looking at the number of Nepalese workers abroad and their need for formal money transfer channel.

HBL has developed exclusive and proprietary online money transfer software Himal Remit TM. By deputing the staff of HBL with technical ties UPS with local exchange houses and bank, in the Middle East and golf region, HBL is the biggest inward remittance handling bank in Nepal. All this only reflects that HBL has an outside –in rather than inside out approach where customers needs and wants stand first.

1.6.2 Nabil Bank Ltd.

NBL, the first foreign joint venture bank of Nepal, stared operation in July 1984 AD. NBL was incorporated with the objective of extending international standard modern banking services to various sector of the society. Purchasing its objective, NBL provides a full range of commercial banking services through its 19 points of representation across the nation and over 180 reputed correspondent banks across the world.

The arrival of Nabil Bank in Nepal on the 12th of July 1984through a joint venture with Dubai Bank Ltd. under a Technical Service Agreement (TSA), marks a new dawn in the Nepalese banking industry. What is more admirable is with the opening of then Nepal Arab Bank Ltd, customer Service or marketing took a U-turn. That in substance accelerated the evolution in banking products and services thereafter in Nepal. The bank commenced with a team of about 50 staff members and Rs. 28 million as capital.

NBL is the largest bank in terms of the network and number of branches amongst the commercial banks with a wide network of ATMs and offerings including a range of diversified service products. NBL has expanded its network by adding 9 more branches that totals to 28 points of representation in the nation. NBL has diversified its realms of business in the interests of customers and is also being inspired by the noble cause of adding value to economic development. Bank has multiple sectors in focus to serve host of entrepreneurs as its new strategies are to expand dynamically, exploring new avenues and opportunities.

NBL, as a pioneer in introducing many innovative products and marketing concepts in the domestic banking sector represented a milestone in the banking history of Nepal as it an era of modern banking with Customer satisfaction measured as a focus objective while doing business. NBL is introducing many innovative products and marketing concepts in banking sector of Nepal with 15 branches and 2 countries in all major cities. Also the number of outlets in country is the highest among the joint venture and private bank operating in Nepal. Success of NBL, the milestone in the banking history of Nepal as it paved the way for the establishment of many commercial banks and financial institutions. It is the bank offering computerized source.

Operation of the bank including day to day operation and risk management are managed by highly qualified and experienced management team. Bank is fully equipped with modern technology, which includes ATMs, Credit Card, state of art, world-renowned software from Infosys

Technology, internet banking system and Tele- banking system. The main objective of NBL is to provide better service to its customer.

The shareholding structure of NBL is as follows

Nepalese Public	30%
N. B. (International) Limited	50%
Nepal Industrial Development Corporation	6.15%
Rastriya Beema Sanstha	9.67%
Nepal Stock Exchange Limited	0.33%
Nepal Stock Exchange Limited	3.85%
Total	100%

1.7 FOCUS OF THE STUDY:

The focus of the study is on the determination of financial performance of two banks of Nepal namely Himalayan Bank Ltd and Nabil Bank Ltd. for the period of five years from 2004/05 to 2008/09. The strengths and weakness of the banks are evaluated by analyzing the financial statements using various tools and techniques. Financial performance analysis depicts how well the bank has utilized the collected income. Further it explains the solvency situation , liquidity position, sources and application of the funds, relationship between assets and liabilities, working capital management, value of the shares (Book value) earning per share (EPS) Dividend per share (DPS) portfolio of incomes from different banking sectors.

In order to study the financial performance of banks comparative balance sweet and profit and loss account, funds flow and cash flow. Statement analysis, important ratio analysis, trend analysis and profitability analysis of these banks have been prepared with the help of the published data and other related official records. In brief, financial performance analysis shows the strengths and weakness of the banks after identifying the weakness of the bank and after analyzing the financial statements of the bank properly.

1.8 VARIABLES OF THE STUDY:

The main variables of the study included in this report are given below.

- Interest from loan provided to the customer
- Portfolio of incomes
- Income from investments
- Administrative cost or management cost.
- Cash and Bank balances.
- Profit and loss of the Banks
- Current assets and current liabilities.
- Fixed assets and fixed liabilities.

1.9 STATEMENT OF THE PROBLEM:

Joint venture banks are operationally more efficient, having superior performance while comparing with the local state owned banks. The main focus of the statement of the problem stressed towards the comparative analysis of the financial performance of two selected joint ventures banks i.e. Himalayan Bank Ltd. and Nabil Bank ltd.

A comparative analysis of financial performance is a basic process which provides information about the profitability, liquidity position, earning capacity, efficiency in operation, credit worthiness, sources and uses of capital, financial achievement and status of the banks. The information obtained can be used to measure the efficiency and effectiveness of the bank with respect of financial resources in the profitable manner.

The main problem of an analysis is to inquire the overall financial performance of the selected two joint venture banks. To analyze and identify the overall financial performance of the selected two joint venture banks.

The following research question must be considered:

- Joint venture banks are to be operationally mort successful and efficient than the local banks but how far they remain efficient?
- Comparative financial performance analysis of Himalayan Bank ltd and Nabil Bank ltd. to know whose performance better?
- Are HBL and NBL able to meet their short-term as well as long -term obligation?
- Are these two joint venture banks following prevailing rules and regulations as directed by NRB and commercial Bank act?
- Do their financial statements reflect their actual financial positions and manage/utilize their financial resources effectively?

"The research problem doesn't mean that something is seriously wrong under study"[8]

Some general problems faced by these companies are listed below.

- Lack of training related with banking from government and non Government sector.
- Slow development of industries and trade due to political instability.

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[8] Howard k. Wolff and Prem R. Pant., A Handbook for social science Research and thesis writing, Kathmandu, Budda Academic enterprises Pvt. Ltd. KTM. , 2000, p-15.

- Lock of trained, experienced and capable manpower and underwriter in the market.
- Decrease in investment due to economic depression.
- Lack of provisions regarding the segregation of controllable and non-controllable costs.
- Unhealthy competition.
- Providing unnecessary facilities to the party to promote in policy.

1.10 OBJECTIVE OF THE STUDY:

The basic objectives of the analysis are to have a comparative financial performance of two joint venture banks. The specific objectives are as follows.

- To identify the comparative picture of profit and loss account, balance sheet and book value per share.
- To perform different financial ratio analysis to assess and evaluate the soundness of these two joint ventures. In term of their.
  a) Liquidity position Analysis
  b) Activity position Analysis
  c) Leverage Analysis
  d) Profitability Analysis
  e) Market value and other indicators.
- To analysis the relative risk of the return measure of these two banks by using simple statistics tools like standard deviation and coefficient of variation.
- To know the degree of correlation between the various relevant variables.

- To compare the growth trend of bank as regards to other related variables, using trend percentage method.
- To provide constructive suggestion for improving financial performance of the company in future.

1.11. NEED AND IMPORTANCE OF STUDY:

The need of the study is to analyze. The trend and suggest promotional measures in the area of financial management. It is well known that no company can expect growth with a weak financial position. So, the study of financial aspect of these companies is necessary to analyze the financial performance and to give the suggestion improving the efficiency to earn maximum return. The need of this study is felt in the view of the management of the company that this study makes the management conscious to find out the major problem area of finance.

The study bears much usefulness to various parties such as management shareholders, policy makers and other outsiders.

1.12. ASSUMPTION AND LIMITATION OF THE STUDY:

Each and every study has its own assumptions and limitations. No study can be free from constraints. Such as economic resources, time factors etc. Main assumption and limitations are mentioned below.

i. It only focuses on Himalayan Bank Ltd and Nabil Bank ltd. so it may not provide accurate information.
ii. This analysis is based on only the annual financial report of the banks for the last five years.
iii. This analysis is mainly based on published secondary data by two banks.

iv. The overall financial performance has been on the basis of limited tools and techniques.
v. This analysis is undertaken to suggest and recommends to the banks than to direct.
vi. Conclusion drawn from simple study may not be applicable to all the financial sectors.

1.13 ORGANIZATION OF THE STUDY:

An analysis on comparative financial performance of Himalayan Bank Ltd and Nabil Bank has been organized into five chapters i.e. Introduction, review of literature, research Methodology, presentation analysis, Findings, conclusion and recommendations. The contents of each of the chapter of this analysis are mentioned as follows.

CHAPTER-1 Introduction:

The general introduction of back ground concept of commercial bank, history of commercial bank in Nepal, concept of joint venture Banks, Himalayan Bank ltd and Nabil Bank ltd. are briefly explained. Similarly, focus of the study, significance and importance of study, assumption and limitation of the study and organization of study are also highlighted.

CHAPTER-2 Review of Literature:

The previous articles and past studies pertinent to, this research studies reviewed, precisely, more over of financial performance. Component of financial performance i.e. financial statements and financial statement analysis are briefly explained, so as to facilitate in the analysis of the related study. For this regard rules and regulations pertaining commercial bank has also been reviewed.

CHAPTER-3 Research, Methodology:

It has been used to evaluate the financial performance of the banks under consideration. This chapter consists of research design, sample and population, sources of data statistical and financial performance of Himalayan Bank Ltd. and Nabil Bank Ltd.

CHAPTER-4 Presentation, Analysis and Interpretation of Data:

The data required for the study has been presented, analyzed and interpreted by using various tools and techniques of financial management, accounts and statistics to present the result relating to this study.

CHAPTER-5 Summary, Findings, conclusions and Recommendations:

The chapter is devoted to summary of the four earlier chapters. This chapter tries to fetch out a conclusion of the study and attempts to offer various suggestions and recommendations for the improvement of future performance of the two Banks under reviews.

Finally, Bibliography and appendix are presented at the end of the analysis.

CHAPTER -II

REVIEW OF LITERATURE.

2.1 INTRODUCTION:

A literature review is the process of locating, obtaining, reading and evaluating the research literature in the area of the student's interest. "The purpose is to develop some expertise in one's area, to see what new contributions can be made, and to receive some idea for developing a research design."[9]

This chapter deals with the review of literature to make the basic knowledge for the study. In this chapter review of concept of financial performance, components of financial performance, financial statement analysis, regulation relating to commercial bank, related research studies etc. are included. In course of reviewing the literature various books, journals, articles, seminar paper, relative acts. Regulations and policies on the subject matter have been used.

2.2 CONCEPT OF FINANCIAL PERFORMANCE:

In earlier time there used to less no. of transactions so, it was much easier to keep record and check business transactions for each businessman. In the beginning of civilization, as population started to increase the no of transactions related to business activities also started to increase rapidly which had created a bit problem in the record and to check the transactions.

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[9] Howard k. Wolff and Prem Raj pant. "A Hand book of social science Research and thesis writing". Buddha Academic publishers and distributors KTM. 4th edition 2005. Page-38

By the help of financial performance Mgmt. the above problem can be solved.

Financial performance is that managerial activity which has concern with the planning, organizing controlling and administrating the financial resources of an enterprise. It is basically concerned with analysis of financial statement of an enterprise by using different tools and techniques. Financial performance is not only concerned with the evaluation of past and present financial condition, but also helps the improvement of financial condition in future. "Financial management is concerned with the acquisition, Financing and management of assets with some overall goal mind"[10]

Financial management involves the solutions of three Major interrelated decisions of a firm namely investment decisions, Financial decisions and dividend decisions. The profit earning capacity and the strong financial position of an enterprise is the main financial performance indicator of an organization.

Financial performance is obtained by analyzing the financial statements. So, it Financial statement is the process of identifying the financial strength and weakness of any corporation, by properly establishing relationship between the items of balance sheet and profit and loss account"[11]. "This involves past present and anticipates future financial assessment of corporation. The focus of the financial analysis is based on key figures in the financial statements and the significant relation ship that exists between they, the type of the relation ship to be investigated by an

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[10] Van Horne, James c. John M wachowicz Jr. "Fundamentals of Management' 8th edition prentice Hall of India pvt. Ltd 1997. p-2.

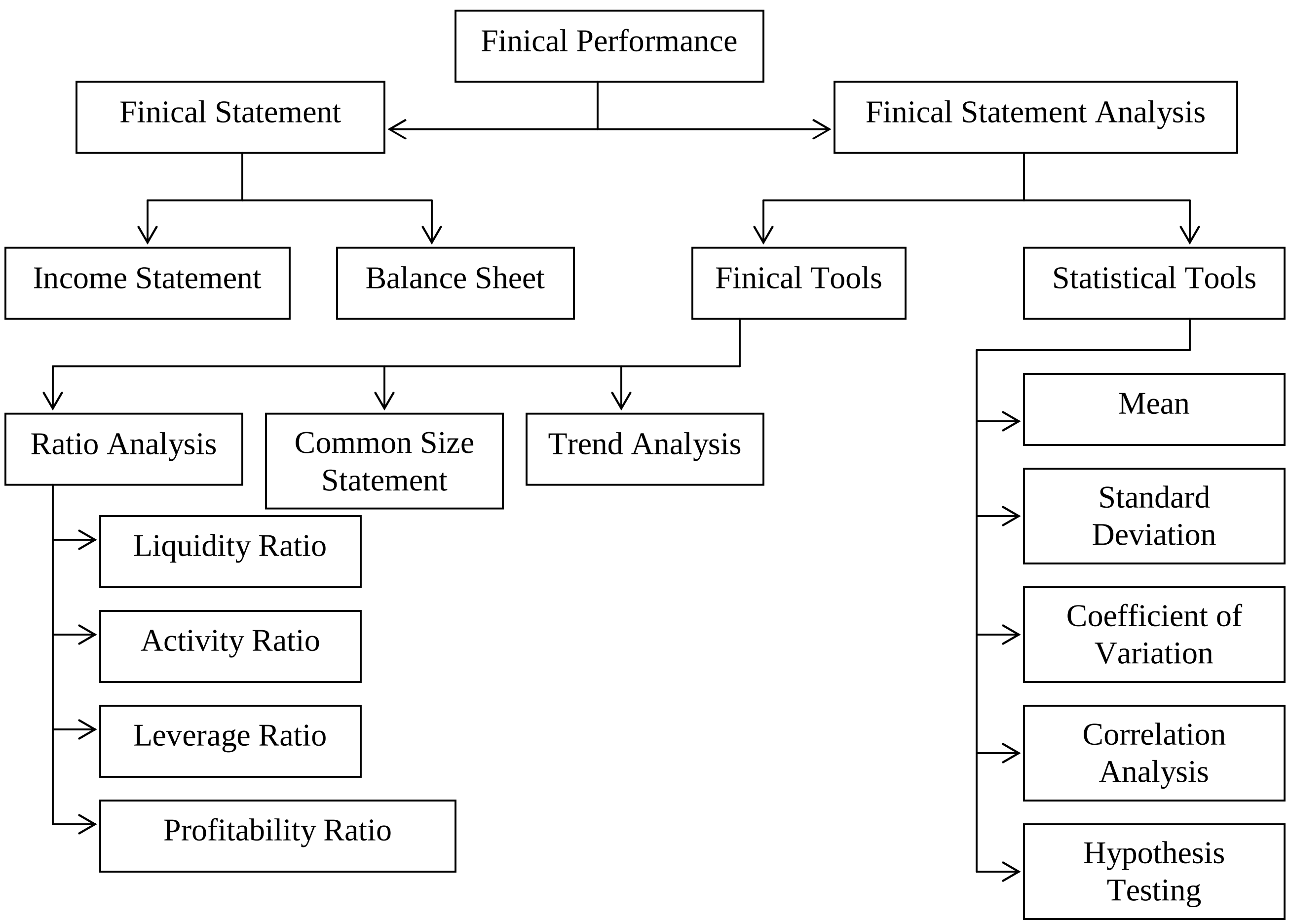
[11] I.M Pandey, "Financial Management" 8th edition Vikash publishing House pvt Ltd. New Delhi. 1999, p-26.

analyst would largely depend upon his objective and purposes of evaluation"[12]

The objectives of financial performance are to identity weaknesses of the proposed bank that could lead to future problem and to determine any strength. Financial analysis enables the analysis to evaluate the condition of the bank of the basis of financial analysis, the corporation, financial problem is determined.

2.3 COMPONENT OF FINANCIAL PERFORMANCE:

The study of financial performance has basically two components, which are presented below with their subcomponents.



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[12] M.Y. Khan and P.K Jain, Management Accounting, Tata Me Graw Hill Pub. Comp. Ltd New Delhi 1996, p-22.

2.3.1 FINANCIAL STATEMENTS:

Generally the statements which are prepared at the end of each financial or fiscal year is known as financial statements. According to I.M pandey," Financial statements contain summarized information of firms financial affairs organized systematically. They are means to present the firm's financial statements to users"[13]

According to John N. Myers "The Financial Statements provide a summary of the accounts of a business enterprise, the blanc sheet reflecting the assist, liabilities and capital as of a certain data and the income statement showing the results of operation during a certain period."[14]

The financial statements are the annual reports of the organization or firm. Financial statements are used by investor and financial analyst to examine the company's performance in order to make investment decisions. These statements are prepared very carefully and contain as much information as possible. Financial statements are the summary of the accounts of assets and liabilities, capital and profit and loss.

Two basic financial statements prepared for the purpose of external reporting to owners, investors and creditors are (i) Balance sheet or statement of financial position and (ii) Profit and loss account or Income statement. These statements are contained in a company's annual report. These two basic financial statements are described below.

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[13] I.M. Pandey, Financial statements. Seventh Revised edition Vikash bublishing house Pvt. Ltd. Page 29-30.

[14] John Myear, Financial statements analysis fourth edition, prentice-Hall of India pvt. Ltd. New Delhi 1974 page-30

I. BALANCE SHEET:

Balance Sheet is the most significant financial statements. "Balance Sheet, a summary a firm's financial position on a given data that shows total assets is equal to total liabilities minus owner's equity."[15] Balance Sheet is the statement of the summary of debt and credit balances of assets and liabilities prepared at the end of financial year. Balance Sheet reflects the long-term and short-term solvency of the organization. Balance Sheet is prepared after preparing trading and profit and loss account with the help of trial balance.

"Balance Sheet is a statement of a particular data showing on one side the trader's property and possession and the other hand the liabilities."[16] Like -wise balance Sheet indicates the financial condition or the state of affairs of a business at a particular moment of time. More specifically, balance Sheet contains information about resources and obligations of a business, entity and about its owner's interest in the business at a particular point of time.

In the language of, balance Sheet communicates information about assets, liabilities and owner's equity for a business firm as on a specific date. It provides a snapshot of the financial position of the firm at the close of the firm's accounting period. In short we can day that balance Sheet is a statement prepared at the end of each accounting year to show the financial direction of the organization at a glance which is useful for the owner's investors, debtors and creditors.

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[15] Van Horne, Jomes c., John M. Wachowicz Jr. Fundamentals of Financial management, prentice Hall of India 0997,p-20

[16] Dhruba Lal Pandey, Office Practice and Accounting, Asia publication Pvt. Ltd. KTM. 1999 P-85.

II. PROFIT AND LOSS ACCOUNT/ INCOME STATEMENT:

Profit and loss account is also involved in financial statement. "Profit loss account or income statement is a summary of a firm's revenues and expenses over a specified period ending with net income or loss for the period." Profit and Loss account includes the indirect expenses, indirect incomes with net profit or loss of the certain period.

The income statement provides as review of the factors directly concerned with determination of the net income, the revenue realized from the sale of goods or service and the cost incurred in the process of producing the revenue. These costs are the cost of sales and the selling general and administrative expenses. They are deducted from the revenue to determine the income from other sources and other deduction from income.

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

The earning capacity and potential of a firm are reflected by its profit and loss account presents the summary of revenues, expenses and net income or net loss of a company. It serves as a measure of the firm's profitability. Revenues are amounts, which the customers pay to the firm for providing them goods and services. The firm use economic resources in providing goods and services to the customers. The cost of economic resources used to earn revenues during a period of time is called expenses. The profit and loss account shows the true picture of revenues, expenses and net income or net loss over a period of time.

2.3.2 FINANCIAL STATEMENT ANALYSIS:

Income statement and balance sheet do not give all the required information regarding the financial operation of firm. Analysis of financial statement is the process of critically examines in details accounting information of the financial statement. According to I.M. Pandey," Financial Statement analysis is the process of identifying the financial strength and weakness of the firm by properly establishing relationship between items of balance sheet and profit and loss account"[17]

According to man Mohan and S.N. Goyal "Analysis and interpretation of financial statements are attempt of determine the significance and meaning of financial statements data , so that a for cast may be made of the prospects for future earnings, ability to pay interest, debt maturities-both, current as well as long-term and profitability of a sound dividend policy"[18]

Similarly N.P Agrawal says "The process of analysis of financial statement involves the compilation and study of financial and operating data and the presentation and interpretation with measuring devices such as ratio, trend percentage"[19]

In the word of R.D. Kennedy and S.Y. Mc. Millian "The analysis of financial statement consists of a study of relationship and trend to determine whether or not the financial position and results, operations and financial progress of the company are satisfactory or unsatisfactory"[20]

Finally, financial statement Analysis highlighting the strengths and weakness of the business undertaking by regrouping and analyzing the

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[17] I.M Pandey, Op cit, p-103
[18] Man Mohan S.SN. Goyal Principles of Management Accounting:, Sahity Bhawan, Agra, 1988 , p-392
[19] N.P Agrawal: , Analysis of Financial Statements, National Publishing House, New Delhi 1981, p-5
[20] R.D. Kennedy & Mc. Millian, S,Y, Op, cit.

figures contained in financial statements and by making comparison of various components and by examine their contents.

2.3.3 IMPORTANCE OF FINANCIAL STATEMENT ANALYSIS:

Financial statements are prepared from the account records. The financial statements are the interim records of an enterprise. The actual situation can't be ascertained of the business only when making of financial statements. They are analyzed, interpreted and reached in a financial statement analysis is to observe the financial soundness of the firm. The need of analyzing can be listed below by studying the various authors' views.

- To process the financial statement and information.
- To pin point the strength and weakness of a business undertaking by regrouping, comparing and examining the content of statements.
- To determine the significance and meaning of the financial data.
- To make forecasting for the future earning ability and in other aspects.
- To establish significant relationship and pointing up changes and trends of financial condition of the firm.
- To have a clear understanding of the profitability and financial ability of the enterprise.

In addition to these, analysis of financial statement is useful for the different parties of the business who are involved in business transaction such as owners or investors, debtors and creditors and financial executives. Interpretation of financial statement is necessary for the business management who wishes to determine its own performance. It is also essential for creditors and credit granting institutions, which have to determine the credit worthiness of borrowing concerns. Besides the investors who plans to buy stocks and shares in a business concern and also the underwriters are interested in financial statement analysis.

Financial statement analysis is undertaken by outsiders, supplier of capital, creditors, investors and also by the firm it self. The purpose isn't only for internal control but also for better understanding what capital suppliers seek in the way of financial condition and performance from it. A creditor or a bond holder may evaluate firm's stability by analyzing its capital structure Major sources and uses of funds, its profitability overtime and projections of future profitability etc. are concerned by them. According to Weston Fred J and Brigham F. Eugene, “From Investor’s stand point, predicating the future is what financial statement all about. While form management’s point of view financial statement analysis is useful both as a way to anticipate future conditions and more important, as a staring point for planning actions that will influence the future course of events."[21]

Highlighting on the importance of financial statement as well as analysis J.C. Van Horne Says, "In order to bargain more effectively for outsider fund, the management of a firm should be interested in all aspects of financial analysis that outsider suppliers of capital use in evaluating the firm."[22]

Finally financial statement analysis is helpful to the decision maker for finding out favorable and unfavorable situation of business firm. So, financial statement analysis is very useful to a number of parties, who are

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[21] Fred J. Weston and F. Eugene Brigham, "Essentials of Managerial finance". Chicago. The Dryden Press p-56.

[22] James E van Horne, "Financial Management and Policy" Prentice Hall of India Pvt. Ltd. 11th edition p-691.

related directly and indirectly to the firm. The analysis is an important to them for different aspects of their interest.

2.3.4 FINANCIAL STATEMENT ANALYSIS TOOLS:

There are different measuring devices or tools of financial analysis. Which are applied in this thesis work, are mentioned below:

i. Financial Tools
ii. Statistical Tools.

(I) FINANCIAL TOOLS:

Financial statement must be made simple for any reader to understand the operating result and financial performance statement analysis. Among various financial tools only two tools i.e. ratio analysis and trend analysis has been used for present purpose of study.

(II) RATIO ANALYSIS:

Ratio analysis is universally used technique of financial statement analysis, which was pioneered by Alexander wall in 1919. Ratio analysis is a powerful tool of financial statement analysis, which helps in identifying financial strengths and weakness of business concerns. The primary purpose of ratio is to point out areas for further investigation. In the work of M.Y. Khan and P.K. Jain "The term ratio refers to the numerical or quantitative relationship between two items or variables. A ratio is calculated by dividing one item of the relationship with other." [23]

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[23] M.Y. Khan and P.K. Jain:, Financial Management. Tata Me Graw - Hill publishing Co. Ltd. New Delhi, 1990 P- 117.

In the words of J.C Van Horne states, "To evaluate the financial condition and performance of a firm. The financial analyst needs certain yard sticks. The yardstick frequently used as a ratio or index relating to pieces of financial data to each other."[24] According to Erich A Helfert, The ratio analysis provides guides and clues especially in spotting trends toward better or performance, and in finding out significant deviation forms any average or relatively applicable standard."[25]

Although, ratio analysis is widely used but not only one ratio gives the entire picture. Ratio analysis involves basis standards of comparison for a useful interpretation of the financial statements. Similarly a single ratio by itself doesn't indicate favorable or unfavorable condition of a firm; unless it is compared to some appropriate standard selection of proper standard of comparison is the most important element of ratio analysis, which can provide a meaningful understanding of the performance and financial position of a firm.

Several ratios can be calculated from the accounting data contained in the financial statements. Such ratios include:

A. Liquidity Ratio.
B. Activity Ratio.
C. Leverage Ratio.
D. Profitability Ratio.
E. Other Ratio and Indications.

A. LIQUIDITY RATIO:

Liquidity means the ability of a firm to meet its short-term obligations and reflect the short term financial strength of the enterprise. In other words,

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[24] James Evan Horne op. cit, P- 691.
[25] Erich A Helfert, Technique of Financial Analysis, Richard D. Irwin, Inc Home wood 1957, P-57.

liquidity ratio attempts to reflect the picture of the capacity of an enterprise to meet short-term obligations out of its short-term resources. If the company is unable to meet its short-term obligations due to lack of sufficient liquidity, it will result in bad credit ratings and loss of degree of liquidity. High liquidity means as idle assets and unnecessary tied-up funds in current assets. Therefore it can be said that liquidity is a pre-requisite for the survival of a film.

In the words of Gitman "Liquidity is a firm's ability to satisfy its short term obligations as they come due"[26]

Different types of ratios have been used to measure the liquidity position of an enterprise. In connection with commercial banks, different liquidity ratio such as, cash and bank balance to total deposit (as per NRB directives) ratio, cash and bank balance to current assets ratio, current ratio etc. are used to measure the liquidity position of both the banks. Brief description of these ratios is mentioned below.

i) Cash and bank balance to total deposit (CRR) ratio:

Cash is the primary reserve of the banks. By its experience, bank must keep a certain percentage of deposits in the form of cash kept in NRB and cash deposit in other banks. NRB has directed commercial banks to maintain 3% of total deposit liabilities as balance at NRB. In case of shortfall, banks are penalized. This ratio is calculated by using the following formula;

Cash and Bank Balance to Total Deposit or CRR (as per NRB directives) ratios.

[26] Lawerence J Gitman ; Principle of Managerial Faineance. Fifth edition: Harper Coll ins publishers, New York, 1988 p-96.

$$\text{Liquidity (CRR)} = \frac{\text{Cash and Bank Balance}}{\text{Total deposited}}$$

ii) Cash and Bank balance to current assets ratio:

Cash and bank balance is the most liquid form of current assets. Banks must keep cash and bank balance in its vault to meet cash requirements of its call on time deposit and other official expenses.

The cash and bank balance to current assets ratio measures the proportion of cash and bank balance held by commercial bank out of its total current assets. Current assets of commercial bank includes cash and bank balance., money at call and short notice loans and advances for commercial banks (i.e. loans, cash credit purchased); investment on government securities and other, intersect receivable and other miscellaneous current assets. This ratio is calculated by using the following formula;

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

(iii) Investment on government securities to current assets ratio:

Investment on government securities is one of the most liquid forms of current assets after cash and bank. Investment on government securities is liquid but less earning assets. Therefore greater Investment on government securities means greater liquidity but lesser Investment sources on better caring sector. A balance between these two things must e kept in mind. For earning point of view lesser investment on government securities is preferable but from the liquidity point of view greater investment on government securities is considered better.

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

$$\text{Investment on government securities to current assets ratio} = \frac{\text{Investment on government securities}}{\text{Total current assets}}$$

(iv) Current Ratio:

The current ratio indicates the availability of current assets against current liabilities. This ratio is applied to test the solvency as well as determining short-term financial strength of the commercial banks. In other words this ratio reveals credit strength of the business. Higher the ratio better is the coverage. A ratio greater than one means, that the firm has more current assets than current liabilities against it. The standard current ratio of a firm is 2:1. Current assets are those assets that are either cash or cash equivalent which can be conversed into cash with in a short period of time, not exceeding one year. Current assets of commercial bank includes cash and bank balance, money at and short notice loans and bills discounted and purchased , investment on government securities and other, interest receivable and other his cleanouts current assets. Current liability includes deposit and short deposit, short term loan, bills payable, tax provision, staff bonus, dividend payables and other miscellaneous current liability. Current assets are calculated by using following formula.

$$\text{Current assets} = \frac{\text{Total Current assets}}{\text{Total Current liability}}$$

B. Activity Ratio:

Activity Ratio is used to evaluate the efficiency with which the firm manages and utilizes its assets. Activity Ratios reflect the efficiency with which an organization manages and uses assets in generating sales. These ratios indicate the degree of conversion of assets into sales. An activity ratio cay therefore be defined a test of the relation-shif between loans and advances and the total deposits. This statement is applicable to loan manufacturing organization like banks and insurance company etc, because they provide services but not goods. Activity ratio indicates how efficiently the firm uses its assets or deposit amount. Activity ratio is related with the measuring the efficiency in investment management as well as deposits.

i). Loans and advances to total deposit ratio:

This ratio examines to what extent, the commercial banks are able to utilize the deposit's fund to earn profit by providing loans and advances. It is calculated by using following formula.

$$\text{Loan and advances to total deposit} = \frac{\text{Total loan and advances}}{\text{Total deposits}}$$

A higher this ratio indicates commercial bank's efficiency in investing its deposits and low ratio indicates commercial bank's inability to put its deposits into lending, although it helps to maintain sound liquidity position.

ii) Loan and advanced to fixed deposit ratio:

This ratio shows the relationship between loans and advances and fixed deposit to determine extends to which fixed deposits are used in advancing loans and advances for generating revenues of the bank.

It is calculated by:

$$\text{Loan and advances to Fixed deposit ratio} = \frac{\text{Loan and advance}}{\text{Fixed deposit}}$$

A higher ratio indicates the greater efficiency or proper utilization of funds provided by fixed depositors.

iii) Loan and Advances to saving Deposit ratio:

Bank collects its large portion of revenue from loan and Advances. Saving deposit for bank is short firm income for generating income purpose. Bank has to pay interest for saving deposits. Loan and advances to saving deposit ratio shows the relationship between loans and advances and saving deposits to determine extend to which saving deposits are used in advances. Loans and advances for generating revenue to the bank. This ratio is calculated by.

$$\text{Loan and Advances to saving deposit deposits} = \frac{\text{Loan and Advances}}{\text{Saving deposits}}$$

A higher ratio indicates greater efficiency or proper utilization of funds provided by saving deposits.

iv) Operating profit to Net worth Ratio:

The operating profit is referred to profit before deducting taxes. Net worth includes share capital, share holder's reserve and undistributed profit or (Retimed earning). This ratio measures the departing efficiency of the firm and examines the extent to which the firm is able to earn operating profit provides a view generating. Operating profit through providing service and hence utilization of shareholder's equity i.e. net worth. This ratio is calculated by

$$\text{Operating profit to Net worth ratio} = \frac{\text{Total operating profit}}{\text{Net worth}}$$

C. LEVERAGE RATIO:

Leverage ratio is also known as capital structure or structural ratio. The short-term solvency of a firm is measured with the help of liquidity ratio where as long term solvency is measured with the help of leverage ratio. Long - term solvency means the ability of the firm to meet its long-term obligations. In other words, the leverage ratio show how much of a fund are financed by debt and examine the prospects for future financing.

In this connection , khan and fain says, " The leverage or capital structure ratios many be defined as financial ratios which throw light on the long-term creditors with regard to (i) periodic payment of interest during the period of the loan and (ii) repayment of principal on maturity or sin predetermined instruments at due dates.” There are, thus two aspects of the long-term solvency of a firm. (i) Ability to repay the principal when due, and (ii) require payment of the interest.

In this way, leverage ratio shows the proportion debt and equates used in financing the banks assets. The different mix of debt and equity can be maintained in overall cost of founds of the bank in one hand and maximizes the wealth of the shareholder and stock prices in the market of the other hand. The ratios, which are used to test the long-term solvency of he bank, include:

i) Debt-Equity Ratio

ii) Permanent capital structure

iii) Total Debt Ratio

i) Debt -Equity Ratio

This ratio indicates the relationship between the owner's fund and the creditor's fund. In other words debt-equity ratio indicates to what extent, the firm depends upon outsider's fund. This ratio is calculated by using the following formula:

$$\text{Debt - Equi Ratio} = \frac{\text{Total Debt}}{\text{Shareholder's Equity/Net worth}}$$

Debt- equity ratio is important for creditors, owners and the business its elf it provides a margin of safety to creditors, to measure the extent to which they can gain the benefits by maintaining control aver the firm with a limited investment of owners and what is the solvency position of the business it self. A high debt-equity ratio shows that the claims of creditors are greater than those of owners. A low ratio implies a grater claim of owners than creditors. In other words, the higher this ratio is unfavorable form business point of view.

ii) Total Debt Ratio

This ratio is also known as debt to total assets ratio. Total debt ratio is calculated to know what proportion of total assets have been financed by total outsider fund. Total outsider of borrowed fund comprises of current liabilities and long term loan. A low ratio of total debt is desirable from the point of the creditors as there is sufficient margin of safety available to them. There fore the firm with a very high total debt ratio would expose the creditors to higher risk. According to khan and Jain " Debt to total assets ratio is related to the total debt to total assets of firm The total debt comprises of long term debt plus current liabilities the total debt comprises of long-term debt plus current liabilities. Total assets consist of permanent capital plus current liabilities. "This ratio is calculated by using the following formula:

$$\text{Total debt ratio} = \frac{\text{Total Debt}}{\text{Total Assets}}$$

D) PROFITABILITY RATIO:

Profit is necessary to survive in any business field for its successful operation and further expansion. It measures management's overall effective on investments. It is also measure the earning power as well as operating efficiency of a firm. So profit is regarded as the engine that drives the business and indicates economic progress.

Profitability is net result a large number of polices and decisions. According to S.K Bhattacharya and John Drdon "Profitability ratios essentially related to the profit earned by an enterprise during a particular period to various parameters like sales, Shareholder's equity, capital employed and total assets.

Profitability ratios are designed to provide answer to basically the following questions:-

- Does the firm earn adequate profit?
- What are of return does it represent?
- What is the rate of return to equity shareholders?

- What is the rate of profit for various division and segments of the film?

In conclusion, it can be said that profitability ratio measures the success of the firm in earning a net return on sale or investment. It is also determines whether the firm will be concluded over a long period of time or is going out of business, various profitability ratios are calculated to measure the operating efficiency of a business enterprise. Out of them some important ratios have been briefly described in this study are presented below:

i) Return on shareholder's equity:

Return on shareholder's equity is an important measurement from the owner's view. It measures the return on owner's fund. This ratio indicates how well the firm has used the resources of owners. This ratio is calculated by using the following formula:

$$\text{Return on shareholder's equity} = \frac{\text{Net profit after tax}}{\text{Shareholder's equity}}$$

Shareholder's equity includes paid up capital, reserve and surplus and undistributed profit Higher the ratio better will be the utilization of owner's funds vice versa.

ii) Return on total assets (ROA):

This profitability ratio is measured in terms of the relationship between net profit and total assets. The ROA may also be called profit to assets ratio. Thus ratio helps to identity how efficiently all the invested financial resources has been used by the management. This ratio is calculated by using following Formula:

$$\text{Return on total assets (ROA)} = \frac{\text{Net profit after tax}}{\text{Total assets}}$$

This ratio judges the effectiveness in using the total assets, supplied by the owners and creditors, Higher the ratio shows the higher return on the assets used in the firm three by indicating effectiveness used of the resources available and vice versa. It also plays an important role to measure the profit after tax against the amount invested in total assets to ascertain in whether assets are being properly utilized or not.

(iii) Net profit to total deposit ratio:

This ratio is also known as return on total deposit It shows the percentage of profit earned from the utilization of total deposits of the bank. Total deposit of a commercial bank includes saving, fixed, current, call and short deposit and other. This ratio is calculated by using the following formula.

$$\text{Net profit to total deposit ratio} = \frac{\text{Net profit after tax}}{\text{Total deposit}}$$

This ratio gives clear picture to ascertain whether total deposited is being properly utilized or not higher this ratio leads its depositors to utilized that their funds are being efficiently utilized that their funds are being efficiently utilized in income generating purposes.

(iv) Interest paid interest earned ratio:

Major sources of income of commercial bank is generated from spread in two rates i.e. interest charged and interest paid commercial bank receives interest from loan, and advances, investment on government securities and treasury bills etc. similarly commercial bank pay interest to its depositors. So commercial bank should mobilize their deposit in such a way that they are able to pay interest to its depositors and able to earn profit. This ratio is calculated by using the following formula.

$$\text{Interest paid interest earned ratio} = \frac{\text{Total interest paid}}{\text{Total interest earned}}$$

Greater the amount of interest corned as comparison to the interest paid, greater will be profit and lower will be the interest paid to interest earned ratio. So lower this ratio is considered better.

(v) Interest earned to total assets ratio:

Interest earned to total assets ratio measures percentage of Interest earned in relation to the total assets of the commercial banks. The ratio signifies the mobilization of its assets in interest generating purpose. Since commercial banks are principally concerned with the mobilization of their resources in interest generating sector, the ratio plays a significant role in evaluating their efficiency in earning interests. Commercial banks usually earn interest through granting loans and advances and entrustment on various securities or these are the major sources of in come for the commercial bank. This ratio is calculated by using following formula.

$$\text{Interest earned to total assets ratio} = \frac{\text{Total interest earned}}{\text{Total assets}}$$

A higher ratio reflects the better efficiency in utilizing the sources in interest generating sectors and vice versa.

E. OTHER RATIO AND INDICATORS:

Other ratio and indicators, which are useful to measure the financial performance of Nabil Bank and Himalayan Bank, are briefly described below:

(i) Earning per share (EPS)

Earning per share (EPS) are widely sued ratio in assessing the profitability of a firm from the owner's point of view. In other words it measures the profit available to the equity holders on per share basis i.e. the amount that they can get on each share held. In other words, this ratio measuring the earning available to an equity share holders on per share basis, the earning which is eventually available for equity shareholders can be retained wholly or partially according to situation to expand the interest in the firm . This ratio is calculated by using to following formula:

$$\text{Earning per share (EPS)} = \frac{\text{Net profit after tax}}{\text{Total no. equity shares}}$$

(ii) Dividend per share (DPS):

Dividend per share (DPS) is basically displayed as the proportion of earning. This is allocated to its shareholders on the basis of per share in other words DPS is evaluated to know what percentage of dividend received by the shareholders in relation to the paid up value of shares DPS it that portion of net profit, which is allocated to shareholders as their return share implies what the owner are the erotically entitled to get from company, however dividend per share is that portion of earning after tax which is distributed among share holders in cash. This ratio is calculated by following formula:

$$\text{Dividend payout Ratio} = \frac{\text{Dividend per share}}{\text{Earning per share}}$$

(iii) Price-earning Ratio:

The earning ratio or P/e reflects the investors perception about the overall risk-ness of the bank's earnings and the growth of the bank earnings. It indicates the investor's judgment about the bank's performance. It also tells the price currently bargained by the market participant in common stock for each rupee of earnings the P/E ratio is determined by using the following formula:

$$\text{Price - Earning Ratio} = \frac{\text{Market price per share (closing)}}{\text{Earning per share}}$$

Higher the ratio, greater the growth prospects of the bank and vice versa.

(iv) Market price to book value ratio:

This ratio reflects the price currently being paid by the market for each rupee of currently reported book value. This ratio measures proportion of market price to book say "This ratio measures the value that the financial markets attach to the management and organization of the firm as a growing concern."This ratio is calculated by using the following formula:

$$\text{Market price to book value ratio} = \frac{\text{Market price per share}}{\text{Book value per share}}$$

Banks with relative high rates return on equity generally sell at higher multiples of book value than with low returns.

Besides these book value per share is also calculated , dividing net worth by number of equity share and examined in this study.

2.3.5TREND PERCENTAGE ANALYSIS:

To overcome the major limitation of common-size statement (i.e. absence of basis standard to indicate whether the proportion of on item is normal or abnormal) trend analysis is made as a useful technique of financial statement analysis establishing a base year and expressing other years in terms of the base year can easily study change in financial statements between the periods. The trend percentage statements are also known as tend ratio is an analytical device, which examiner. Whether the financial position of a firm is improving or deteriorating over the year. In this regard J.C. van Horne and J.M. wachowicz says " An analysis of percentage financial statements where all balance sheet or income statement figures for a base year equal to 100(percentage) and subsequent financial stamen items are expressed as percentage of their value in the base year."

However as the base year is always changing, so it becomes difficult to interpret the series of percentage changes and this problem becomes more evident in case of inter-firm comparison. So the percentage changes may be better expressed assuring the first year as the base year. Trend percentage can be computed by using following formula:

$$\text{Trend percentage} = \frac{\text{Yearly amount}}{\text{Base year's amount}}$$

To facilitate the study of trend in an enterprise, the trends ratios can be plotted in graph either in arithmetic scale logarithmic or ratio chart to facilitate the study of trend of a firm.

2.3.5.1COMPUTATION OF TREND PERCENTAGES:

- A statement is taken as the base reference to which all other statement, are to be studies.
- Every item is to be stated as 100 in the statement, which is taken as the base year.
- It the amount of item in another statement was less than that in the base year, the trend percentage will be below 100 and if the amount in the statement with corresponding item in the statement taken as the base year.

2.3.6 STATISTICAL TOOLS:

Some statistical tools are also been used for the analysis of data. The statistical tools used in this study arithmetic mean (average). Standard deviation, coefficient of variation (C.V) correlation analysis and hypothesis testing. While analyzing financial performance with the help of statistical tools, such analysis helps to draw conclusion regarding which of the organization is better managed. It statistical tools indicate that there is some lost aspects and then it helps management to take corrective actions.

A brief explanation of such tools is strived to present below:

(i)ARITHMETIC MEAN:

This statistical tool is applied to calculate the average of data. It is most popular and widely used measure of representing the entire data by one value. Its value is obtained by adding together all items and by dividing this total by the number of items. It can be computed follows:-

$$\text{Mean } (\bar{x}) = \frac{\sum X}{N}$$

Where,

$\overline{X}$ = bar/mean

Σ = sigma /sum of the value

N = No. of the observation

The purpose for computing the mean for set of observations is to obtain a single value which is representative of all the items and which the mind can grasp simply and quickly. The single value is the point of location around which the individual items cluster. The calculation of average is necessary due to the following reasons.

- To get single value which is representative of the characteristics of the entire mass of data? They set the unnecessary details of the data and put forward a concise picture of the complex phenomena under investigation.
- Single average reduces the mass of data to a single figure's they are very helpful for the purpose of making comparative study.

(ii) STANDARD DEVIATION (S.D):

Karl parson introduced the stander deviation concept in 1823. It is denoted by the Greek letter sigma (¢). This statistical toll is used to examine risk of the return distribution. The value of the standard distribution. The value of the standard deviation depends upon whether the other return data are coffered from the central value. It the other values are scattered from the central values. It is regarded more volatile or risky; there the standard deviation will be higher. Similarly 7 the value are clustered, around the mean. The return distribution is regarded less volatile or, less risky; there the standard deviation will be lower.

Standard deviation is defined as the position square root of the arithmetic man of the square of the given obscuration from their arithmetic mean. It can be computed as follows:

$$\text{Standard deviation } (\text{¢}) = \sqrt{\frac{\sum x^2}{N} - \left(\frac{\sum X}{N}\right)^2}$$

The standard deviation measures the absolute dispersion or variability of a distribution. A small value of standard deviation means a high degree of uniformity of the observation as well as homogeneity of a series. Similarly a large standard deviation means just opposite. Hence standard deviation is extremely useful in judging the representative of the mean.

(iii) COEFFICIENT OF THE VARIATION (C.V):

The standard deviation discussed above is an absolute measure of dispersion. The relative's measure of risk ness of return based on the standard deviation is known as coefficient of variation (C.V) Karl Pearson developed the measure and it is the most commonly used to measure of relative variations. It is commonly used in such problem to compare the variability of two or more series. It can be computed as follows:

$$C.V. = \frac{\text{¢}}{\overline{X}} \times 100$$

Where,

¢ = Standard Deviation

$\overline{X}$ = Mean

That series (or group) for which has the greater C.V is said to be more variable or conversely less homogeneous. One the other hand the series for less C.V is said to be less/ variable or more consistent more uniform, more stable or more homogeneous.

(iv) CORRELATION COEFFICIENT ANALYSIS:

It is one of the most widely used and also one of the most widely abused statistical measures, it measured the degree of relationship between two variables. In other words the term correlation indicates the relationship between two such variable in which changes in the value o one variable, the values of the other variables also changes.

Correlation coefficient is calculated when it is believed that there is causal and effect relationship between variables. One variable will be causal and effect relationship between variables. One variable will be causal variable and another will be effect. Causal variable is also called independent variables. The degree of change on dependent variable due to change on causal variable depends upon degree of correlation between them. The correlation is denoted by ‘r’ and is calculated by using the following formula:

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

(V) INTERPRETATION OF CORRELATION COEFFICIENT (r):

The value of ‘r’ exists between -1 and +1. Following general rules are given which would help in interpreting the result.

i) When r = +1 there is prefect positive correlation between two variables.

ii) When r = -1 there is perfect negative correlation between two variable are uncorrelated between two variables.

iii) When r = 0, the variables are uncorrelated. In other words there is no liner relationship between the variables.

One very convenient and useful way of interpreting the value of coefficient of correlation between two variables is use to square of coefficient of correlation, which is called coefficient of determination (r^2). Interpretation of coefficient of determination is very simple i.e. where r=0.8, the coefficient of determination will be $(0.8)^2$. It means 64% change on dependent variable is explained by a change in independent variable. The remaining 36% change is unexpected. It means the change is caused by other variables.

CHAPTER-III

RESEARCH METHODOLOGY

3.1 INTRODUCTION

The term ‘research’ is referring as any inquiry or investigation regarding and phenomena or event on order to discover facts. The advanced learner dictionary of current English lays down the meaning of research as. “A careful investigation or inquiry especially through research is a process of investigation which involves a series of well through out activity of gathering recording. Analyzing and interpreting the data with the purpose of finding to the problem.

Research methodology is the research method or techniques through the entire they. The research methodology may be defined as a science of studying how research is a process of investigation , which involves a series of well through out activity of gathering, recording analyzing and interpreting the data with the purpose of finding to the problem.

Research methodology is the research method or techniques through the entire study. The research methodology may be defined as a science of studying how research is done scientifically. It tells about various steps, which are generally adopted by a researcher in studying his research problem along with the logic behind him.

Research methodology has many dimensions and research methods do consists a part o the research methodology. Thus the scope of research methodology is wider than that of research methods. In fact, research methodology refers to all those techniques that the researcher uses in performing research operation. Thus all those methods, which are used in performing, research operation thus all those methods, which are used by the research problem, terms as research methods; Research methodology tries to give the answer of the following questions:

- Why the research study has been undertaken?
- How the research problem has been defined?
- In what way and why the hypothesis has been formulated?
- How the data have been collected?
- What particular techniques of analyzing data have been adopted?

From the above description the producer by which research goes out their work of describing and explaining the phenomena are called research methodology. The basic objectives of this study are to highlight the financial performance of Nabil and Himalayan bank during the period of 5 years from fiscal year 2004 to 2008.

3.2 RESEARCH DESIGN:

Research design refers to the framework of the study. It is the blue print for any kluge of studies. "Research design is the arrangement of condition and analysis of data in manner that aims to combine relevance to the research purpose with economy in producer."

i. What is the study about?
ii. Why is the study being made?
iii. Where will the study be carried out? What type of data is required?
iv. What types of data is required?
v. Where can the required data be found?
vi. What periods of time will be study include?
vii. What will be the sample design?

viii. What techniques of data collection will be used?

ix. How will data be analyzed?

x. In what style will the report be prepared?

The basic aim of this study is to examines and access the comparative known about the financial performance of Nabil and Himalayan bank through the collection evaluation and analysis of data systematically for the exploration of certain facts. Evaluation has been don't on the basis of five year's financial performance, starting from fiscal year 2004 to 2008 of two banks. To measure the financial performance of two banks income statement and balance sheet required. The statement has been obtained from the 5 years annual audit report of both the banks. Most of the relevant information has been taken form the web – site of stock exchange. Com and the individual website of both the banks. This study totally depends upon the secondary data.

The obtained data at first arranged and classify so that it is easy to analyze. The data has been analyzed using various financial and statistical tools and techniques. These tool's help to know the financial performance of both the banks. So the research design is historical and explanatory types as regards these two banks.

3.3 POPULATION AND SAMPLE:

The term 'population or universe' for research means all the members of any well- defined class of the people, events or objects. The study o 'population or universe' is difficult matter in all kinds of research. But it is also must necessary to study all the population in same kind of research. Thus population, in must studies, usually. Consists of a large group of people. Because of its large size it is difficult to collect detailed information from each member of population. For this, a sub- group is called sample and the process of selection of such sub- group is called sampling. Good sampling techniques or method can be saved the researcher's time and money.

There are so many statements, which help to indicate the financial strength and firm's conditions. Not only numerical data but also abstract to study such all statements and abstract to study such all statements and abstract phenomena. Besides this, there are many tools and techniques to analyze the financial performance of both the selected banks and only recent past five years such statements have been collected and used. It has been fully tired to avoid the possible sampling error in this study so that the required objectives can be achieves.

3.4 SOURCES OF DATA:

The collected of is considered as an integral part of research activity. The sources o information is generally classified primary and secondary. Data collected by the research or through agent for the first time from the field and possessing original charter are known as primary sources. On the other hand data collected by some one else, used already and are made available to others in the form o published satisfied are known as secondary data. Once primary data have been used, it losses its primary characteristics (originally) and becomes secondary.

The study basically depends upon the secondary data. The major secondary sources of data, for this study are annual audit reports published by Nabil and Himalayan banks data available on internet website of Nepali stock exchange. Some o the journals economic survey reports and banking news have been taken into consideration for this study.

3.5 DATA PROCESSING PROCEDURE:

In this study, the data extracted from annual financial reports published by Nabil and Himalayan has been processed and interpreted considering the requirements of the study. The financial and statistical. Tools and techniques have been applied in data processing procedure. The relevant data of five years have been rearranged presented analyzed and interpreted.

3.6 TOOLS AND TECHNIQUE FOR ANALYSIS:

To analyze and interpret the financial data of Nabil and Himalayan banks various financial and statistical tools and techniques have been used in this study.

The financial performance can be calculated by using financial tools like ratio analysis, common size statement, as statistical tools such as arithmetic mean, standard deviation, coefficient of variation. Correlation coefficient analysis and hypothesis testing have also been used. Introduction of these tools are as follows.

3.6.1 RATIO ANALYSIS:

An arithmetic relationship between two figures is known as ratio. Ratio analysis is a powerful tool of financial analysis. In financial analysis a ratio is used as a yardstick for evaluating the financial performance of a firm. The absolute accounting figures presented in the financial statements do not provide meaningful understanding of the performance and financial position of a firm. An accounting figure conveys meaning when it is related it is related to some other relevant information. Therefore, the relationship between two accounting figures expressed mathematically is known as financial ratio. Ratio helps to summarize the large quantities of financial data and to make qualitative judgment about the firm's financial performance.

The advantages of ratio analysis are as follows:

i. Ratio analysis is very useful in financial forecasting and planning. The ratio calculation of past years works as a guide for the future.
ii. Ratio analysis is also useful for effective control of the business; comparison of actual ratios with standard will help in control.
iii. Different financial ratios communicate the strength and financial soundness of the firm to the related parties.
iv. The information provided by ratio analysis can be used for decision making on financial activities.
v. Ratio analysis is also enabling to external parties such as investors/ lenders up assessing the credit worthiness/ profitability of the firm.

Therefore, ratio analysis is used as major tools to evaluate the financial performance of Nabil and Himalayan bank comparatively.

3.6.2 TREND PERCENTAGE ANALYSIS:

Trend percentage Analysis is another financial tool of analyzing financial performance. It reflects the changes in financial statements between the periods. Establishing a base year and expressing other year in terms of the base year can easily study these. So trend analysis is a device for measuring changes in the magnitude of the phenomena from time to time or even from place to place. The careful study of relative changes that have taken place in the past helps to forecast the future trend and tendencies.

3.6.3 ARITHMETIC MEAN:

Arithmetic mean or simply a ‘mean’ of a set of observations is the sum of all the observations divided by the number of observations. It is one of the most popular and widely used measures of representing the entire data by the one value. Its valve is obtained by adding together all items and by dividing this total by the number of items. The purpose for computing the mean value for set of observations is to obtain a single value which is representative of all the items and which the mind can grasp simply and quickly. The single value is the point of location around which the individual items cluster.

3.6.4 STANDARD DEVIATION:

In measures the variation of the mass of he figures in a series of an average. It is absolute measure of dispersion. So it is calculated to supplementary the relative measure coefficient of the variation. It is usually denoted by ‘¢ ’ (small sigma). Standard deviation is the positive square root of the arithmetic mean of the square root of the arithmetic mean of the square root of the square rot it the arithmetic mean of the square of the deviation of given observation from their arithmetic mean.

3.6.5 COEFFICIENT OF VARIATION (C.V):

This is the relative measure of dispersion of risk-ness of return based on standard deviation and mean. Coefficient of variation is the percentage variation in mean and standard deviation being considered as the total variation in the mean. The higher C.V. indicates higher dispersion.

3.6.6 CORRELATION COEFFICIENT ANALYSIS:

Correlation Coefficient is one of the most widely used and also one of the most widely abused statistical measures. It measured the relationship between two variables. Here, the Correlation Coefficient is computed in order to examine the relation ship between total deposit and total investment, interest earned and operating income interest paid and cost of services interest earned and operating profit of both the JVBS. Symbolically Karl Pearson's Correlation Coefficient is denoted by 'r'.

Correlation of Coefficient is always lies in + 1 to -1. When 'r' will be +1, there will be perfect positive correlation between the variables and when -1, there will be perfect negative correlation between the variables

One very convenient and useful of interpreting the value of coefficient of correlation is called coefficient of determination (r^2). Coefficient of determination gives the percentage variation in the dependent variables that accounted by the independent variable.

CHAPTER-IV
PRESENTATION AND ANALYSIS OF DATA

4.1 INTRODUCTION

The basis objectives of research study are to examine the financial strength and weakness of Nabil Bank Ltd. and Himalayan bank Ltd. The presentation, analysis and interpretation of calculated Numerical figures have been done with the help of financial tools and techniques. The tools and techniques have been used to know the stability, profitability and liquidity position of the banks. For this purpose the researcher aims to draw conclusion regarding financial performance of the concern commercial banks from fiscal year 2003/04 to 2007/08.

4.2 RATIO ANALYSIS

Financial ratio analysis is an important tool with the help of which researcher can find the past, present and estimated future financial position of the company. Financial ratio analysis is the most powerful tool of financial analysis. It is a technique of analyzing and interpreting various ratios & for helping in making certain decision. Ratio provides clues to the financial position of a concern. These are the pointers or indicators of financial strength soundness or weakness of an enterprise. One can draw conclusion about the exact financial position of a concern with the help of ratios.

4.2.1 LIQUIDITY RATIO

Regarding the liquidity position of the company in terms of current ratio it has been calculated by dividing current assets by the current liabilities of the relevant year. Current ratios show the ability of the company to meet its current and short term obligations. To know the liquidity position of the selected banks various ratios are calculated, they are mentioned below:

i. Cash and bank balance to current assets ratio
ii. Investment on government securities to current assets ratio
iii. Current Ratio
iv. Liquidity (CRR)

i. Cash and bank balance to current assets ratio:

Cash and bank balance is the most liquid form that a firm can have cash and bank balance to current assets ratio shows that what percentage of cash and bank balance is with the firm out of its current assets. It is calculated by using formula:

$$\text{Cash and bank balance to total current assets} = \frac{\text{Cash \& bank balance}}{\text{Current Assets}}$$

Table No. 1

(In million)

Year	Cash &bank balance to current assets					
	Nabil bank Ltd			Himalayan bank ltd		
	Cash &bank balance	Current assets	Ratio %	Cash &bank balance	Current assets	Ratio %
2003/04	970.49	16407.36	5.91	2001.19	24462.38	8.18
2004/05	559.37	16702.84	3.35	2014.47	27090.40	7.44
2005/06	630.24	22010.88	2.86	1717.35	28897.83	5.94
2006/07	1399.82	26966.49	5.19	1757.33	32932.29	5.34
2007/08	2671.13	36534.70	7.31	1448.14	35439.16	4.09
Mean $(\overline{X})$			4.93	Mean $(\overline{X})$		6.20
Standard Deviation (¢)			1.84	Standard Deviation (¢)		1.64
Coefficient of Variation (C.V.)			37.27	Coefficient of Variation (C.V.)		26.43

Table No.1 shows the cash and bank balance to current assets ratio of Nabil bank Ltd. and Himalayan bank Ltd., for last 5 years i.e. from 2003/04 to 2007/08 AD; separately along with the mean, standard deviation and coefficient of variation of ratio. It is obtained by dividing cash and bank balance by current assets.

The average cash and bank balance to current assets ratio of Nabil and Himalayan bank Ltd. is 4.93% and 6.20%respectively. It indicates that HBL has maintained higher cash and bank balance to current assets ratio than NBL. Therefore, liquidity position maintained by HBL is better than NBL.

The C.V of Nabil and Himalayan bank is 37.27% &26.43% respectively. This indicates that HBL is more consistence than NBL because the C.V of the HBL is less than NBL. As NBL has more C.V so its risk is also more.

ii. Investment on government securities to current assets ratio:

Investment made on government securities by bank is at risk free return earning assets. Where as cash and bank balance kept in the bank are non earning assets. Therefore, commercial banks are always eager to invest their idle cash and bank balance on government securities to earn some return or profit. Moreover the investment made on the government securities is at risk free and is the current asset for the banks. For profitability point of view it is beneficial to investment on government securities than to keep cash and bank balance idle. This ratio can be calculated by using formula.

$$\text{Investment on government securities to current assets ratio} = \frac{\text{Investment on Government Securities}}{\text{Current Ratio}}$$

Table No. 2

(In million)

	Investment On Government Securities To Current Assets					
	Nabil bank Ltd			Himalayan bank ltd		
Year	Government Securities	Current Assets	Ratio %	Government Securities	Current Assets	Ratio %
2003/04	3672.63	16407.36	22.38	3431.73	24462.38	14.03
2004/05	2418.43	16702.84	14.48	4819.70	27090.40	17.79
2005/06	2301.46	22010.88	10.46	4565.32	28897.83	15.80
2006/07	4085.84	26966.49	15.15	6079.38	32932.29	18.46
2007/08	3788.39	36534.70	10.37	7166.53	35439.16	20.22
Mean $(\overline{X})$			14.57	Mean $(\overline{X})$		17.26
Standard Deviation (¢)			4.90	Standard Deviation (¢)		2.40
Coefficient of Variation (C.V.)			33.62	Coefficient of Variation (C.V.)		13.92

Table No. 2 shows the investment on government securities to current assets ratio of Nabil and Himalayan bank Ltd. for last 5 years i.e. from 2003/04 to 2007/08 AD; along with their standard deviation and coefficient of variation.

The average investment on government securities to current assets ratio of Nabil and Himalayan bank Ltd. is 14.57%& 17.26% respectively. As the ratio of NBL is high, so it has invested its large portion of its idle cash on government securities. Therefore it has utilized its current assets in better way than HBL. The C.V of Nabil bank and Himalayan bank is 33.62%& 13.92% respectively. This indicates that HBL is more consistence than NBL because the C.V of the HBL is less than NBL, as NBL has more C.V so its risk is also more.

iii. Current Ratio:

It is the ratio of current assets to current liabilities. This ratio is applied to test short-term financial strength of the banks. This ratio is indicator of the firm's ability to meet short term obligations. The current ratio indicates the ability of current assets in rupees for every one rupee of current liabilities. Higher the ratio greater will be the margin of safety for short term creditors and vice-versa. The standard current ratio of a firm is 2:1.

$$\text{Current assets} = \frac{\text{Total Current assets}}{\text{Total Current liability}}$$

Table No. 3

(In million)

CURRENT RATIO						
Nabil bank Ltd				Himalayan bank ltd		
Year	Current assets	Current liabilities	Ratio(Times)	Current assets	Current liabilities	Ratio(Times)
2003/04	16407.36	12723.57	1.29	24462.38	18068.7	1.35
2004/05	16702.84	13310.85	1.25	27090.40	19262.9	1.41
2005/06	22010.88	16832.68	1.31	28897.83	20839.4	1.39
2006/07	26966.49	18878.64	1.43	32932.29	22575.5	1.46
2007/08	36534.70	24631.46	1.48	35439.16	26295.5	1.35
Mean $(\overline{X})$			1.35	Mean $(\overline{X})$		1.39
Standard Deviation (¢)			0.10	Standard Deviation (¢)		0.04
Coefficient of Variation (C.V.)			7.24	Coefficient of Variation (C.V.)		3.24

Table No. 3 shows the current ratio of Nabil and Himalayan bank Ltd. for last 5 years i.e. from 2003/04 to 2007/08 AD; along with their standard deviation and coefficient of variation.

The average current ratio of Nabil and Himalayan bank Ltd. is 1.35 times & 1.39times respectively. As the ratio of HBL is high, so it has maintained higher average current ratio than NBL. The C.V of Nabil bank and Himalayan bank is 7.24%& 3.24% respectively. This indicates that HBL is more consistence than NBL because the C.V of the HBL is less than NBL. As NBL has more C.V so its risk is also more.

iv. Liquidity (CRR):

Cash, cash deposited in NRB and balance with other banks is the most liquid form of assets. Liquidity (CRR) is calculated by dividing total cash balance with total deposit. It measures the liquidity position of the bank. If it is better then its customers have strong belief on the bank which in turn increases its stock price in the stock market. It is calculated by:

$$\text{Liquidity (CRR)} = \frac{\text{Cash and Bank Balance}}{\text{Total deposited}}$$

Table no.4

(In million)

Liquidity(CRR)		
Liquidity position of NBL &HBL		
	Nabil bank Ltd	Himalayan bank ltd
Year	CRR %	CRR %
2003/04	6.87	8.28
2004/05	3.83	7.86
2005/06	3.26	5.92
2006/07	6.00	5.92
2007/08	8.37	5.13
Mean $(\overline{X})$	5.67	6.62
Standard Deviation (¢)	2.12	1.37
Coefficient of Variation (C.V.)	37.47	20.67

Table No. 4 shows the Liquidity (CRR) of Nabil and Himalayan bank Ltd. for last 5 years i.e. from 2003/04 to 2007/08 AD; along with their standard deviation and coefficient of variation.

The average Liquidity (CRR) of Nabil and Himalayan bank Ltd. is 5.67% & 6.62% respectively. As the ratio of HBL is high, so it has maintained higher average Liquidity (CRR) than NBL. The C.V of Nabil bank and Himalayan bank is 37.47%& 20.67% respectively. This indicates that HBL is more consistence than NBL because the C.V of the HBL is less than NBL, as NBL has more C.V so its risk is also more.

4.2.2 ACTIVITY RATIO

Activity ratio measures how efficiently and effectively the firm utilizes its resources at its command to generate in come. Through This ratio it attempts to know whether the funds employed have been used efficiently or not. This ratio helps to know the collection of funds and its utilization of those funds to increase revenue by providing loan and utilization of those funds to increase revenue by providing loan and advances investment and other services rendered by banks.

The following ratios are calculated to analyze the activities of Nabil and Himalayan Bank limited.

i) Loans and advance to total deposit or

ii) Total investment to total deposit ratio.

iii) Loan and advances to fixed deposit.

iv) Loan and advances to fixed deposit.

v) Operating profit to net worth ratio.

i. **Loan and advances to total deposit ratio:**

Depositors invest their saving into the bank for the bank for the purpose of interest. The bank utilizes collected deposits amount to generate in come through providing loans and advances, so that it will be able to pay interest to their depositors.

This ratio examines whether the bank is able to utilize its deposited fund at appropriate place in order to get good amount of revenue so that it can pay interest to its customers. This ratio is calculated by:

$$\text{Loan and advances to Total deposit} = \frac{\text{Loan and Advances}}{\text{Total Deposit}}$$

Table No. 5

Loan and advances to total deposit. (In millions)

Years	Nabil Bank Ltd.			Himalayan Bank Ltd.		
	Loan & Advance	Total Deposit	Ratio (%)	Loan & Advance	Total Deposit	Ratio (%)
2003/04	10586.17	14119.03	58.01	11951.86	22.10.33	54.30
2004/05	12922.54	14586.61	72.79	12424.52	24814.01	50.07
2005/06	12922.54	19347.40	66.79	14642.55	26490.85	55.27
2006/07	15545.78	23342.29	66.60	16997.99	30048.41	56.57
2007/08	21365.05	31915.05	66.94	19497.52	31842.78	61.23
Mean $(\overline{X})$			66.18	Mean $(\overline{X})$		55.49
Standard Deviation ¢			5.22	Standard Deviation ¢		4.03
Coefficient of Variation (C.V.)			7.86	Coefficient of Variation (C.V.)		7.26

The above table no.5 shows loan and advances to total deposit ratio of Nabil Bank Ltd. and Himalayan Bank Ltd. separately along with their mean, standard deviation and coefficient of variation of ratio for fiscal year 2003/04 to 2007/08 for last five years.

The average loans and advances to total deposit ratio of Nabil Bank and Himalayan Bank are 66.18% and 54.49% respectively. It indicates that Nabil has maintained higher loan and advances to total deposit than Himalayan Bank.

As far as consistency is concerned Himalayan Bank is more consistence than Nabil because the CV of HBL 7.26% is less than CV of Nabil Bank (12.47) In other words there is more fluctuation in loan and advances to total deposit ratio of Nabil Bank than HBL.

ii. Total investment to total deposit:

There are various functions that bank perform, one of the most important functions on productive and income generated sectors so as to generate attractive and maximum profit.

The major sectors in which the bank invests its total deposits are investment on money at call and short notice, Loan and advances for commercial banks, investment on government securities, securities of other companies and Banks to earn profit. This ultimately increases the price of the share of the Bank and increases the wealth of share holders. It is calculated by:

$$\text{Total investment to Total Deposit ratio} = \frac{\text{Total investment}}{\text{Total Deposit}}$$

Table No. 6

Total investment to Total Deposit Ratio: (In million)

Years	Nabil Bank Ltd.			Himalayan Bank Ltd.		
	Land & Advance	Total Deposit	Ratio (%)	Land & Advance	Total Deposit	Ratio (%)
2003/04	5835.95	14119.03	41.33	9292.10	22.10.33	42.22
2004/05	4275.53	14586.61	29.31	11692.34	24814.01	47.12
2005/06	6178.53	19347.40	31.93	10883.03	26490.85	41.08
2006/07	8945.31	23342.29	38.32	11822.98	30048.41	39.35
2007/08	9939.77	31915.05	31.14	13340.17	31842.78	41.89
Mean $(\overline{X})$			34.41	Mean $(\overline{X})$		42.33
Standard Deviation ¢			5.15	Standard Deviation ¢		2.90
Coefficient of Variation (C.V.)			16.53	Coefficient of Variation (C.V.)		6.85

The above table No.6 shows total investment to total deposit ratio of Nabil bank Ltd and Himalayan Bank Ltd separately along with their mean, standard deviation and coefficient of variation for the fiscal year 2003/04 to 2007/08.

The average total investment to total deposit ratio of Himalayan Bank Ltd 42.33% and Nabil bank Ltd is 34.41%. This indicates that Himalayan Bank Ltd has maintained high total investment to total deposit ratio than Nabil bank Ltd. HBL standard deviation is far less than Nabil bank Ltd so there is no such big fluctuation.

As the CV of HBL is 6.85% than the CV of Nabil bank Ltd 16.53%. So, HBL is more consistence than Nabil bank Ltd.

iii) Loan and Advances to Fixed deposit:

In the Bank there people deposit their savings in various types such as saving, current and fixed. Bank knows the period up to which it can invest the fixed deposited amount where as saving and current deposits can be with drawn at any time by the people. Actually Bank uses its fixed deposit for long term investment and can gain good amount of profit. This ratio shows that how effectively the bank is able to utilize its fixed deposit for loan and advance purpose and for long term investment to get good interest. This ratio is calculated by:

$$\text{Loan and Advances to Fixed Deposit} = \frac{\text{Loan and Advance}}{\text{Fixed deposit}}$$

Table No. 7

Loan and advances to Fixed Deposit (In million)

Years	Nabil Bank Ltd.			Himalayan Bank Ltd.		
	Land & Advance	Fixed Deposit	Ratio (%)	Land & Advance	Fixed Deposit	Ratio (%)
2003/04	8189.99	2310.57	3.45	11951.86	4710.17	2.54
2004/05		2078.54	5.09	12424.52	6107.43	2.03
2005/06	12922.54	3449.09	3.75	14.642.55	6350.20	2.31
2006/07	15545.78	5435.13	2.86	16997.99	8201.13	2.07
2007/08	21365.05	8464.09	2.52	19497.52	6423.87	3.04
Mean $(\overline{X})$			3.78	Mean $(\overline{X})$		2.40
Standard Deviation ¢			1.45	Standard Deviation ¢		0.41
Coefficient of Variation (C.V.)			27.95	Coefficient of Variation (C.V.)		17.10

Table No. 7 shows loans and advances to Fixed Deposit ratio of Nabil Bank Ltd and Himalayan Bank Ltd separately along with their mean, standard deviation and coefficient of variation.

The average of loan and advances to fixed deposits of Nabil Bank Ltd and Himalayan Bank Ltd is 3.78 and 2.40 respectively. This indicates that Nabil has invested more of its fixed deposits than the HBL but the CV of

HBL is less than the CV of Nabil. So, this indicates that the risk factor of HBL is far less than Nabil Bank. The standard deviation of Nabil Bank (i.e. 1.45) is more than the standard deviation of HBL (i.e. 0.4) this indicates that the scatter ness of investment of its fixed deposits in loan and advances is more than HBL.

iv. Loan Advances to saving deposit:

Loan and Advances to saving deposit ratio shows the relationship between loans and advances and saving deposit to determining how quickly bank converted it's saving deposit into loans and advances. This ratio is calculated by:

$$\text{Loan and Advances Saving Deposit} = \frac{\text{Loan and Advance}}{\text{Saving deposit}}$$

Table No. 8

Loan and advances to Saving Deposit (Rs. in millions)

Years	Nabil Bank Ltd.			Himalayan Bank Ltd.		
	Land & Advance	Saving Deposit	Ratio (%)	Land & Advance	Saving Deposit	Ratio (%)
2003/04	8189.99	5994.12	1.37	11951.86	11759.60	1.02
2004/05	12922.54	7026.33	1.84	12424.52	12852.41	0.97
2005/06	12922.54	8770.76	1.47	14642.55	14582.85	1.00
2006/07	15545.78	10187.35	1.53	16997.99	15784.76	1.08
2007/08	21365.05	12159.97	1.76	19497.52	17972.44	1.08
Mean $(\overline{X})$			1.59	Mean $(\overline{X})$		1.03
Standard Deviation ¢			0.20	Standard Deviation ¢		0.05
Coefficient of Variation (C.V.)			12.47	Coefficient of Variation (C.V.)		4.87

The above table No.8 Shows loans and advances to saving Deposits ratio of Nabil Bank Ltd and Himalayan Bank Ltd separately along with their mean, standard deviation and coefficient of variation for the period 200/04 to 2007/08.

The average Loan and advances to saving Deposit ratios of Nabil Bank Ltd and Himalayan Bank Ltd are 1.59 and 1.03 times respectively. It reveals that Nabil Bank has maintained slightly higher loans and advances to saving Deposits.

As regards, the consistency maintaining in this ratio HBL is more consistence or uniform than Nabil Bank Ltd because CV of HBL (i.e. 4.87%) is lower than Nabil Bank (i.e. 12.47%)

v. Operating profit to net worth ratio:

This ratio measures the operating efficiency of the firm and examines the extent to which whether the firm is able or unable to earn operating profit to net worth. This ratio provides a view in generating profit to net worth. This ratio is calculated by

$$\text{Operating profit to Net worth ratio} = \frac{\text{Operating profit}}{\text{Net worth}}$$

Table No.9

Operating profit to net worth ratio: (Rs. in millions)

Years	Nabil Bank Ltd.			Himalayan Bank Ltd.		
	Operating Profit	Net Worth	Ratio (%)	Operating Profit	Net Worth	Ratio (%)
2003/04	364.00	1481.67	24.57	664.52	1324.17	50.18
2004/05	796.42	1657.64	48.05	666.06	1541.75	43.20
2005/06	953.27	1874.99	50.84	684.09	1766.18	38.73
2006/07	1037.61	2057.05	50.44	688.89	2146.50	32.09
2007/08	1122.71	2437.20	46.07	902.53	2512.99	35.91
Mean $(\overline{X})$			43.99	Mean $(\overline{X})$		40.03
Standard Deviation ¢			11.03	Standard Deviation ¢		6.98
Coefficient of Variation (C.V.)			25.07	Coefficient of Variation (C.V.)		17.43

The above table No. 9 Shows Operating profit to net worth ratio of Nabil Bank Ltd and Himalayan Bank Ltd separately, along with mean, standard deviation and coefficient of variation for the study period from 2003/04 to 2007/08 for last 5 years.

The mean operating profit to net worth ratio of Nabil Bank Ltd and Himalayan Bank Ltd is 43.99% and 40.03% respectively. It indicates that Nabil Bank Ltd has maintained slightly higher operating profit to net worth ratio than HBL.

The CV of NBL and HBL is 25.07%and 17.43% respectively. It indicates that HBL is more consistence than NBL because of low CV.

4.2.3 LEVERAGE RATIO:

This ratio is also termed as long-term solvency or capital structure ratio. The term solvency refers the ability of a firm to pay its long-term debt. Thus leverage ratio indicates a firm's ability to meet its long term obligations. This ratio is used to test long-term solvency of the banks or other firms. Out of many ratios for the study purpose two ratios have been discussed. They are mentioned below.

i. Debt-equity ratio.
ii. Total Debt ratio.

i) **Debt Equity ratio.**

The relationship between borrowed fund and owner's fund is show with the help of debt-equity ratio. So, debt-equity ratio predicts firms relative claims of outsider and owner's against firm's total resources. This ratio is determined, dividing total debt by share holder's equity.

$$\text{Debt - Equity ratio} = \frac{\text{Total debt}}{\text{Share holders Equity or Net worth}}$$

Table No. 10

(Rs. in millions)

DEBT EQUITY RATIO						
NABIL BANK				HIMALAYAN BANK		
Year	Total Debt	Net Worth	Ratio (times)	Total Debt	Net Worth	Ratio (times)
2003/04	15263.81	1481.67	10.30	23437.86	1324.17	17.70
2004/05	15406.44	1657.64	9.29	25939.41	1541.75	16.82
2005/06	20454.98	1874.99	10.91	27694.21	1766.18	15.68
2006/07	25196.34	2057.05	12.25	31372.64	2146.50	14.62
2007/08	34695.56	2437.20	14.24	33662.54	2512.99	13.40
Mean $(\overline{X})$			11.40	Mean $(\overline{X})$		15.64
Standard Deviation (¢)			1.91	Standard Deviation (¢)		1.71
Coefficient of Variation (C.V.)			16.79	Coefficient of Variation (C.V.)		10.95

The above table No. 10 shows, debt-equity ratio of NBL and HBL separately along with their Mean, standard deviation and coefficient of variance during the study period, starting from fiscal year 2003/04 to 2007/08 for 5 years.

The average debt-Equity ratio of NBL and HBL is 11.40 times & 15.64 times respectively. It seems that HBL has maintained higher debt-equity ratio than NBL. Therefore from shareholders point of view Investment on in share of HBL is considered to be satisfactory than NBL because of low cost of outsider's funds are used to acquire assets to outsider's funds are used to acquire assets to generate higher return. In contrary, from creditor and depositor's point of view, q lower debt equity is generally viewed as favorable.

As, regards the consistency maintaining in this ratio. HBL is more consistence than NBL because the CV of HBL i.e. 10.95% is less than the CV of NBL i.e. 16.79%.

ii. Total debt ratio:

The relationship between total debt and total assets is shown with the help of total debt ratio. In other words, this ratio shows what proportion of total assets have been financed with borrowed fund. This ratio is calculated as.

$$\text{Total Debt ratio} = \frac{\text{Total debt}}{\text{Total Assets}}$$

Table No.11

(Rs. in millions)

TOTAL DEBT RATIO						
NABIL BANK				HIMALAYAN BANK		
Year	Total Debt	Total Assets	Ratio %	Total Debt	Total Assets	Ratio %
2003/04	15263.81	16745.49	91.15	23437.86	24762.02	94.65
2004/05	15406.44	17064.08	90.29	25939.41	27481.16	94.39
2005/06	20454.98	22329.97	91.60	27694.21	29460.39	94.00
2006/07	25196.34	27253.39	92.45	31372.64	33519.14	93.60
2007/08	34695.56	37132.76	93.44	33662.54	36175.53	93.05
Mean ($\overline{X}$)			91.79	Mean ($\overline{X}$)		93.94
Standard Deviation (¢)			1.21	Standard Deviation (¢)		0.64
Coefficient of Variation (C.V.)			1.32	Coefficient of Variation (C.V.)		0.68

The table No. 11 shows total debt ratio of NBL and HBL separately along with their mean, standard deviation and coefficient of variation.

The mean debt ratio of NBL is 91.79 %HBL is 93.94%. The debt ratio of both the banks is very high. This indicates that both the banks relied heavily on debt for financing their total assets. The debt ratio of HBL is slightly more than that of NBL.

HBL is more consistent than that of NBL because the CV of HBL (0.68%) is less than the CV of NBL (1.32%)

4.2.4 PROFITABILITY RATIO:

A company should earn profit to survive and grow over a long period of time. The profitability ratio measures the efficiency of the firm profitability ratio indicates the degree of success in achieving desired profit. The profitability ratio gives answer to how effectively the firm is being managed. The measurement of profit of banking institutions operating in Nepal can be given the greatest weight because it is the best indicator of overall efficiency. The profitability ratio mainly focuses on the earning power of the commercial banks.

To determine and judge the profitability ratio of NBL and HBL following ratios have been calculated.

i. Return on shareholder's equity (ROSE)

ii. Return on total assets (ROA)

iii. Net profit to total deposit.

iv. Interest paid to interest earned ratio.

V. Interest earned to total assets ratio.

vi. Operating income to total assets ratio.

i. Return on shareholder's equity (ROSE):

This ratio is to measure the productivity of shareholder's equity. In other words, this ratio measures the capacity of management to understand whether the business organization use its share holder's equity in income generating purpose or not. Higher this ratio indicates to the shareholders the funds are being efficiently utilized in profit generating purpose. The ROSE ratio can be obtained by dividing net profit after taxes by total fund available to shareholders. The ROSE ratio of NBL and HBL is given below.

$$\text{Return on share holdersEquity (ROSE)} = \frac{\text{Net profit after tax}}{\text{Share holders Equity}}$$

Table No. 12

(Rs. in millions)

Return on Shareholders Equity						
Nabil Bank Ltd				Himalayan Bank Ltd		
Year	Net Profit After Tax	Share Holders Equity	Ratio (%)	Net Profit After Tax	Share Holders Equity	Ratio (%)
2003/04	487.07	1481.67	32.87	263.05	1324.17	19.87
2004/05	520.11	1657.64	31.38	308.27	1541.75	19.99
2005/06	635.26	1874.99	33.88	457.45	1766.18	25.90
2006/07	673.96	2057.05	32.76	491.82	2146.50	22.91
2007/08	746.47	2437.20	30.63	635.86	2512.99	25.30
Mean $(\bar{X})$			32.30	Mean $(\bar{X})$		22.80
Standard Deviation (¢)			1.29	Standard Deviation (¢)		2.84
Coefficient of Variation (C.V.)			4.00	Coefficient of Variation (C.V.)		12.48

The above table No. 12, Shows return on shareholder's equity (ROSE) ratio of NBL and HBL separately along with their mean, standard deviation and coefficient of variation of ratio, during the study period, starting from fiscal year 2003/04 to 2007/08 for last five years.

The mean ROSE of NBL and HBL is 32.30 & 22.80 respectively. It is observed that the mean of NBL is higher than that of HBL. The C.V of NBL is 4 where as the CV of HBL is 12.48 is the CV of NBL is less than that of HBL. So NBL is more consistent. The S.D. of NBL is 1.29 which is less than the S.D of HBL 2.84.

ii. Return on Total Assets (ROA):

The profitability ratio is measured in terms of the relationship between net profit and total assets. It is called ROA. This ratio helps to identify how efficiently all the invested financial resources has been used by the management. This ratio judges the effectiveness in using the total assets supplied by the owners and creditors. Higher the ratio shows the higher return of the assets used in the firm there by indicating effective used of the resources available. It is calculated by

$$\text{Return on Total Assets (ROA)} = \frac{\text{Net profit after tax}}{\text{Total assets}}$$

Table No. 13

(Rs. in millions)

Return on Total Assets Ratio						
Nabil Bank Ltd				Himalayan Bank Ltd		
Year	Net profit after tax	Total Asset	Ratio (%)	Net profit after tax	Total Asset	Ratio {%}
2003/04	487.07	16745.49	2.91	263.05	24762.02	1.06
2004/05	520.11	17064.08	3.05	308.27	27481.16	1.12
2005/06	635.26	22329.97	2.84	457.45	29460.39	1.55
2006/07	673.96	27253.39	2.47	491.82	33519.14	1.47
2007/08	746.47	37132.76	2.01	635.86	36175.53	1.76
Mean $(\overline{X})$			2.66	Mean $(\overline{X})$		1.39
Standard Deviation (¢)			0.42	Standard Deviation (¢)		0.29
Coefficient of Variation (C.V.)			15.79	Coefficient of Variation (C.V.)		21.15

Table No. 13 Shows, return on total Assets ratio of NBL and HBL separately along with their mean, standard deviation and coefficient of variation for the study period starting from 2003/04 to 2007/08.

The mean ROA ratio of NBL is 2.66 and that of HBL is 1.39. It reveals that NBL provides greater rate of return to its total assets than HBL.

The C.V of NBL is 15.79% and that of HBL is 21.15%. This indicates that NBL is more uniform or consistent because the CV of NBL is less than that of HBL.

iii. Net Profit to Total Deposit Ratio (Return on Total Deposit):

Return on total deposit ratio can be obtained from dividing net profit after tax by collected total deposits. The basic purpose of the ratio is to measure the capacity of bank management to make use of its total deposits in income generating purposes, so that it will be able to pay an attractive return to their depositors and earn maximum profit. Higher this ratio leads its depositors to realize that their funds are being efficiently utilized in income generating purposes. It is calculated by

$$\text{Net profit to Total Deposit Ratio} = \frac{\text{Net profit after tax}}{\text{Total deposit.}}$$

Table No. 14

(Rs. in millions)

Net Profit to Total Deposit Ratio						
Nabil Bank Ltd				Himalayan Bank Ltd		
Year	Net profit after tax	Total deposit	Ratio (%)	Net profit after tax	Total deposit	Ratio (%)
2003/04	487.07	14119.03	3.45	263.05	22010.33	1.20
2004/05	520.11	14586.61	3.57	308.27	24814.01	1.24
2005/06	635.26	19347.40	3.28	457.45	26490.85	1.73
2006/07	673.96	23342.29	2.89	491.82	30048.42	1.64
2007/08	746.47	31915.05	2.34	635.86	31842.79	2.00
Mean $(\overline{X})$			3.11	Mean $(\overline{X})$		1.56
Standard Deviation (¢)			0.50	Standard Deviation (¢)		0.34
Coefficient of Variation (CV)			16.08	Coefficient of Variation CV)		21.71

Table No. (14) Shows, net profit to total deposit ratio of NBL and HBL separately along. with their mean, standard deviation and coefficient of government securities, investment on bonds of other financial institutions or companies s variation during the study period, starting from fiscal year 2003/04 to 2007/08 .

The mean net profit to total deposits ratio of NBL is 3.11 % and that Of HBL is 1.56% observed from the above table that the mean net profit to total deposit ratio of NBL is greater than that of HBL. It reveals that NBL provides greater rate of return to its total deposit. The CV of NBL is 16.8% which is less than the CV of HBL i.e. 21.71%. Therefore, NBL is more consistence than HBL.

iv. Interest paid to Interest Earned Ratio:

Banks earn interest from loan and advances, money at call and short notice, investment on government securities, investment on bonds of other financial institutions or companies etc. On the other hand, Bank has to pay interest on to its depositors. Banks mobilize the deposited amount in such a way that bank can earn more interest which in return it is able to pay its interest to its depositors. This Ratio is calculated by:

$$\text{Interest paid to Interest Earned Ratio} = \frac{\text{Interest paid}}{\text{Interest Earned}}$$

Table No. 15

(Rs. in millions)

Interest Paid to Interest Earned Ratio						
Nabil Bank Ltd				Himalayan Bank Ltd		
Year	Interest paid	Interest Earned	Ratio (%)	Interest paid	Interest Earned	Ratio (%)
2003/04	282.95	1001.62	28.25	491.54	1245.90	39.45
2004/05	243.54	1068.75	22.79	561.96	1446.47	38.85
2005/06	357.09	1092.64	32.68	648.84	1419.90	45.70
2006/07	555.21	1517.96	36.58	767.41	1617.04	47.46
2007/08	747.40	1943.96	38.45	823.74	1444.25	57.04
Mean ($\overline{X}$)			31.75	Mean ($\overline{X}$)		45.70
Standard Deviation (¢)			6.36	Standard Deviation (¢)		7.37
Coefficient of Variation (C.V.)			20.02	Coefficient of Variation (C.V.)		16.14

Table No. (15) Shows, interest paid to interest earned ratio of NBL and HBL separately along with their mean, standard deviation and coefficient of variation for the study period starting from 2003/04 to 2007/08.

The mean interest paid to interest earned ratio of NBL is 31.75% and that of HBL 45.70%. The mean interest paid to interest earned ratio of NBL is less than that of HBL. Form profitability point of view, if this ratio is less than it is good because interest paid is expanses but interest earned is income to the banks. This also indicates that the bank is able to invest its fund at better place.

As far as consistency is concerned HBL is more consistence than NBL. This is because the CV of HBL i.e. 16.14% is less than the CV of NBL i.e. 20.02%.

v. Interest Earned to total assets ratio:

This ratio is calculated by diving total interest earned amount by total assets amount. This ratio signifies the mobilization of its total assets in interest generating sector. Interest Earned to total assets ratio measures the percentage of interest earned in relation to total assets.

$$\text{Interest Earned to total assets ratio} = \frac{\text{Interest Earned}}{\text{Total assets}}$$

Table No. 16

(Rs. in millions)

Interest Earned To Total Assets Ratio						
Nabil Bank Ltd				Himalayan Bank Ltd		
Year	Interest Earned	Total Asset	Ratio (%)	Interest Earned	Total Asset	Ratio (%)
2003/04	1001.62	16745.49	5.98	1245.90	24762.02	5.03
2004/05	1068.75	17064.08	6.26	1446.47	27481.16	5.26
2005/06	1092.64	22329.97	4.89	1419.90	29460.39	4.82
2006/07	1517.96	27253.39	5.57	1617.04	33519.14	4.82
2007/08	1943.96	37132.76	5.24	1444.25	36175.53	3.99
Mean $(\overline{X})$			5.59	Mean $(\overline{X})$		4.79
Standard Deviation (¢)			0.55	Standard Deviation (¢)		0.48
Coefficient of Variation (C.V.)			9.87	Coefficient of Variation (C.V.)		10.02

Table No. (16) Shows, interest earned to total assets ratio of NBL and HBL separately along with mean, standard deviation and coefficient of variation for the study period 2003/04 to 2007/08.

The mean interest earned to total assets ratio of NBL is 5.59 where as that of HBL is 4.79. The interest earned to total assets ratio of NBL is higher than HBL. This indicates that NBL utilizes its assets properly for better interest return.

The C.V of NBL is 9.87% and that of HBL is 1.02%. The CV of interest earned to total assets ratio of NBL is less than that of HBL. So, NBL is more consistent than HBL.

vi. **Operating Income to Total Assets Ratio:**

Operating income to total assets ratio measures the relationship between operating income and total assets. Operating income consists of interest on investment, dividend received; profit on sale of fixed assets etc. where as total assets consists of both current and fixed assets. Higher Operating income to total assets ratio indicates higher efficiency of the company where as lower ratio indicates lower efficiency of the company.

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

Table No. 17

(Rs. in millions)

OPERATING INCOME TO TOTAL ASSETS						
NABIL BANK LTD				HIMALAYAN BANK LTD		
Year	Operating Profit	Total Assets	Ratio (%)	Operating Profit	Total Assets	Ratio (%)
2003/04	364.00	16745.49	2.17	664.52	24762.02	2.68
2004/05	796.42	17064.08	4.67	666.06	27481.16	2.42
2005/06	953.27	22329.97	4.27	684.09	29460.39	2.32
2006/07	1037.61	27253.39	3.81	688.89	33519.14	2.06
2007/08	1122.71	37132.76	3.02	902.53	36175.53	2.49
Mean $(\overline{X})$			3.59	Mean $(\overline{X})$		2.40
Standard Deviation (¢)			1.00	Standard Deviation (¢)		0.23
Coefficient of Variation (C.V.)			27.85	Coefficient of Variation (C.V.)		9.67

Table No. (17) Shows operating income and total assets ratio of NBL and HBL separately along with mean, standard deviation and coefficient of variation for last five year i.e. from 2003/04 to 2007/08.

The mean operating income and total assets ratio on NBL is 3.59 and that of HBL is 2.40. The mean operating income to total assets ratio of NBL is more than that of HBL. This indicates that NBL has utilized its assets properly and at better place to earn more operating income.

The consistency of HBL is better than that of NBL because the CV of HBL is 9.67% which is less than the CV of NBL i.e. 27.85%.

4.2.5 OTHER RATIOS AND INDICATORS:

Some other ratios and indicators, which are useful to measure the financial performance of NBL and HBL, are presented below.

i. Earning per share (EPS)

ii. Dividend per share (DPS)

iii. Dividend pays out ratio.

iv. Price earning (PLE) ratio.

v. Market price to Book value ratio.

vi. Book value per share.

i. Earning per share (EPS)

Earning per share is calculated by dividing Net Profit after tax by no. of outstanding shares. It measures profit available to equity shareholders on per share basis. Higher EPS implies the strength in general case.

$$\text{Earning per share (EPS)} = \frac{\text{Net profit after tax}}{\text{No. of equity share}}$$

Table No. 18

(Rs. in millions)

Earning Per Share						
	Nabil bank Ltd			Himalayan bank Ltd		
Year	Net profit after tax	No. of equity shares	EPS (Rs)	Net profit after tax	No. of equity shares	EPS (Rs)
2003/04	487.07	4.92	99.07	263.05	5.36	49.05
2004/05	520.11	4.92	105.79	308.27	6.44	47.91
2005/06	635.26	4.92	129.21	457.45	7.72	59.24
2006/07	673.96	4.92	137.08	491.82	8.11	60.66
2007/08	746.47	6.89	108.31	635.86	10.14	62.74
Mean $(\overline{X})$			115.89	Mean $(\overline{X})$		55.92
Standard Deviation (¢)			16.35	Standard Deviation (¢)		6.92
Coefficient of Variation (C.V.)			14.11	Coefficient of Variation (C.V.)		12.37

The above table no. (18) Shows earning per share of NBL and HBL separately along with their mean, standard deviation and coefficient of variation of ratio during the study period starting from fiscal year 2003/04 to 2007/08.

The mean EPs of NBL is 115.89 and That of HBL is 55.92. The EPs of NBL is more than HBL. This indicates that NBL is more efficient to earn income from the owner's point of view.

The CV of HBL is 12.37% which is less than the CV of NBL i.e. 14.11%. This indicates that HBL is more consistent because of its low CV.

ii. **Dividend per share (DPS):**

DPS is obtained by dividing total dividend amount by the no of outstanding share. Dividend per share implies that what the owners actually receive from the company. DPS is that portion of earning after tax, which is distributed among shareholders in cash.

$$\text{Dividend per share (DPS)} = \frac{\text{Total Dividend amt}}{\text{No. of Equity share}}$$

Table No. 19

(Rs. in millions)

Dividend Per Share						
Nabil Bank Ltd				Himalayan Bank Ltd		
Year	Proposed Dividend	No. of Equity share	DPS (Rs)	Proposed Dividend	No. of Equity share	DPS (Rs)
2003/04	319.58	4.92	65	107.25	5.36	20
2004/05	344.16	4.92	70	203.21	6.44	32
2005/06	417.91	4.92	85	270.27	7.72	35
2006/07	688.32	4.92	140	324.32	8.11	40
2007/08	689.22	6.89	100	456.08	10.14	45
Mean $(\overline{X})$			92	Mean $(\overline{X})$		34.32
Standard Deviation (¢)			30.12	Standard Deviation (¢)		9.48
Coefficient of Variation (C.V.)			32.74	Coefficient of Variation (C.V.)		27.62

Table No. 19 shows the dividend per share of NBL and HBL separately along with their mean standard deviation and coefficient of variation for the study period of 2003/04 to 2007/08.

The mean DPS of NBL is 92 and that than, HBL so, investor wants to invest its fund in NBL is Share. The share holder's point of view higher DPS is preferable.

The consistency of HBL is better than that of NBL because the CV of HBL is 27.62% which is less than the CV of NBL i.e. 32.74%.

iii. Dividend payout Ratio:

Dividend payout ratio is the ratio of DPS to EPS dividend payout ratio indicates to what proportion of EPS has been used for paying dividend and what percentage has been retained for investment for the growth of the company. This ratio is important from shareholder's point of view, it tells whether a company has used whole or substantially the whole of its earnings for paying dividend. If the company retains nothing for future growth and expansion purpose, there will be very low chances of appreciation of assets of such company.

$$\text{Dividend payout Ratio} = \frac{\text{DPS}}{\text{EPS}} \times 100\%$$

Table No. 20

(Rs. in millions)

Dividend Payout Ratio						
Nabil Bank Ltd				Himalayan Bank Ltd		
Year	DPS	EPS	Ratio (%)	DPS	EPS	Ratio (%)
2003/04	65	99.07	65.61	20	49.05	40.77
2004/05	70	105.79	66.17	32	47.91	65.92
2005/06	85	129.21	65.79	35	59.24	59.08
2006/07	140	137.08	102.13	40	60.66	65.94
2007/08	100	108.31	92.33	45	62.74	71.73
Mean $(\overline{X})$			78.41	Mean $(\overline{X})$		60.69
Standard Deviation (¢)			17.53	Standard Deviation (¢)		12.00
Coefficient of Variation (C.V.)			22.36	Coefficient of Variation (C.V.)		19.77

The above table No. 20 shows the dividend payout ratio of NBL and HBL separately along with their mean, standard deviation and coefficient of variation during the study period starting from 2003/04 to 2007/08.

The mean dividend pay out ratio of NBL and HBL is 78.41% and 60.69% respectively. It is observed that dividend payout ratio of NBL is more than that of HBL. It indicates that NBL is paying more dividends and retains less of its profit. The retained earnings are the sources or internal financing which is used to fulfill the capital requirement of the firm.

As regards consistency maintaining in this ratio HBL is more consistent or uniform than that of NBL because the CV of HBL is 19.77% which is less than the CV of NBL i.e. 22.36%

There is more fluctuation in dividend pay out ratio of NBL than that of HBL.

iv. **Price Earning (PE) Ratio**:

This ratio is computed, dividing the closing MPS by EPS. In other words, the PLE ratio measures investor's and the market appraisal of the performance of firm. As a general rule higher the PE ratio, the better for its shareholders.

$$\text{PE ratio} = \frac{\text{MPS}}{\text{EPS}}$$

Table No. 21

(Rs. in millions)

Price Earning (P/E)Ratio						
Nabil Bank Ltd				Himalayan Bank Ltd		
Year	MPS	EPS	Ratio(Times)	MPS	EPS	Ratio (Times)
2003/04	1000	99.07	10.09	840	49.05	17.12
2004/05	1505	105.79	14.23	920	47.91	19.20
2005/06	2240	129.21	17.34	1100	59.24	18.57
2006/07	5050	137.08	36.84	1740	60.66	28.69
2007/08	5275	108.31	48.70	1980	62.74	31.56
Mean $(\overline{X})$			25.44	Mean $(\overline{X})$		23.03
Standard Deviation (¢)			16.57	Standard Deviation (¢)		6.60
Coefficient of Variation (C.V.)			65.13	Coefficient of Variation (C.V.)		28.65

Table No. 21 shows the PE ratio of NBL ands HBL separately along with mean, S.D and C.V. for the study period.

The mean PE ratio of NBL is 25.44 times and that of HBL is 23.03 times. It can be observed that PLE ratio of NBL is slightly more than that of HBL.

The C.V. of HBL is 28.65% which is less than the CV of NBL i.e. 65.13%. This indicates that HBL is more consistent than NBL. In other words, there is extremely more fluctuation on PE ratio of NBL than HBL.

v. **Market price to Book value Ratio:**

This ratio reflects the price currently being paid by the market for each rupee of currency reported book value. Market price to book value ratio is calculated dividing closing MPS by book value per share.

$$\text{Market price to Book value Ratio} = \frac{\text{Market price per share}}{\text{Book Value per share}}$$

Table No. 22

(Rs. in millions)

MARKET PRICE TO BOOK VALUE RATIO						
NABIL BANK				HIMALAYAN BANK		
Year	MPS	BVPS	Ratio (Times)	MPS	BVPS	Ratio (Times)
2003/04	1000	301	3.32	840	246.93	3.40
2004/05	1505	337	4.47	920	239.59	3.84
2005/06	2240	381	5.88	1100	228.72	4.81
2006/07	5050	418	12.08	1740	264.74	6.57
2007/08	5275	354	14.90	1980	247.95	7.99
Mean $(\overline{X})$			8.13	Mean $(\overline{X})$		5.32
Standard Deviation (¢)			5.08	Standard Deviation (¢)		1.92
Coefficient of Variation (C.V.)			62.44	Coefficient of Variation (C.V.)		36.15

Table No. 22 shows the Market price to Book value Ratio of NBL and HBL separately along with their mean, S.D. and CV for the study period.

The mean market price to book value ratio of NBL is 8.13 times and that of HBL is 5.32 times. It is observed that mean market price to book value ratio of NBL is slightly mort than that of HBL. It indicates that NBL has maintained higher market price to book value ratio than HBL.

The CV of market price to book value ratio of NBL is 62.44% and that of HBL is 36.15%. AS the CV of HBL is less than that of NBL so it is more consistent.

vi**. Book Value per Share:**

Book value per share is calculated to know the real worth of a share. It is determined, dividing net worth by no. of outstanding equity shares.

$$\text{Book value per share} = \frac{\text{Net worth}}{\text{No. of outstanding share}}$$

Table No. 23

(Rs. in millions)

BOOK VALUE PER SHARE						
NABIL BANK				HIMALAYAN BANK		
Year	Net Worth	No. of Equity Share	BVS (Rs.)	Net Worth	No. of Equity Share	BVS (Rs.)
2003/04	1481.67	4.92	301.36	1324.17	5.36	246.93
2004/05	1657.64	4.92	337.16	1541.75	6.44	239.59
2005/06	1874.99	4.92	381.36	1766.18	7.72	228.72
2006/07	2057.05	4.92	418.39	2146.50	8.11	264.74
2007/08	2437.20	6.89	353.62	2512.99	10.14	247.95
Mean $(\overline{X})$			358.38	Mean $(\overline{X})$		245.58
Standard Deviation (¢)			44.31	Standard Deviation (¢)		13.18
Coefficient of Variation (C.V.)			12.36	Coefficient of Variation (C.V.)		5.37

Table No. 23 shows the Book value per share of NBL and HBL separately along with their mean, S.D. and C.V. for fine years.

The mean book value per share of NBL and HBL is Rs.358.38 and Rs. 245.58 respectively.

The book value per share of NBL is very high than that of HBL. From investment perspectives investor must invest their wealth in the share of NBL because of its higher MPS and Book value per share.

Again as regards, consistency marinating the ratio, HBL is more consistent or uniform than NBL. This is because the CV of HBL is 5.37% which is far less than the CV of NBL i.e. 12.36%. In other words there is more fluctuation on book value per share of NBL at HBL.

4.3. TREND PERCENTAGE ANALYSIS:

Trend analysis is one of the most important tools to analyze the improvement or deterioration in the financial position of a business concern. Trend ratio analysis makes easy to understand the changes in an item on a group of item over a period of time and to draw the conclusion regarding the changes in data. Trend analysis gives the clear picture of the present situation in relation to the past and shows the direction to the future. For trend analysis, a base year is taken equal to 100 and index numbers are calculated for other years.

In order to see the direction of change, some major activities of the firm and their trend are taken some of them are presented below:

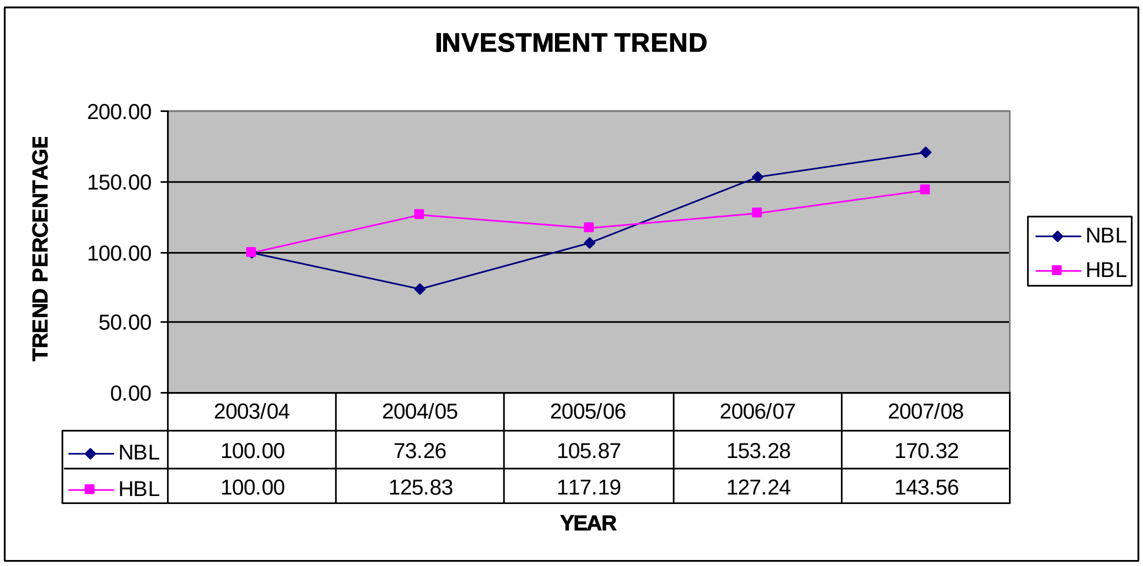
(i) Investment Trend
(ii) Deposit Trend
(iii) Profit and earning Trend
(iv) Net worth Trend
(v) Total Assets Trend

i. **Investment Trend**:

In this study, total investment trend and investment on loans and advances trend is calculated to know the improvement or deterioration in the investments of NBL and HBL.

a) Total investment Trend:

The main objectives of each and every commercial bank are to earn maximum profit. To achieve the objectives the bank invests its funds are investment on government securities, investment in share of well established industrial concerns, loan and short notice. Total investment trend of NBL and HBL are presented below:



	2003/04	2004/05	2005/06	2006/07	2007/08
NBL	100.00	73.26	105.87	153.28	170.32
HBL	100.00	125.83	117.19	127.24	143.56

Figure-1

The above graph shows, the investment trend of NBL and HBL during the study period. Analyzing the above graph it can be concluded the increasing trend of total investment of both banks. From the above graph we can clearly see that the trend line of NBL has gone down during the period

2004/05, but after that it is in increasing trend where as HBL trend is more or less consistently increasing. The above graph shows that the investment made by NBL raises by 70.3% where as HBL raises by 43.56%. The growth of NBL is higher than that of HBL.

b) Investment on loans and Advances Trend:

Loans and advances are the most profitable among all the assets of a commercial bank. So, commercial bank invests its fund on loans and advances to yield higher return. Investment on loans and advances trend of NBL and HBL are presented below.

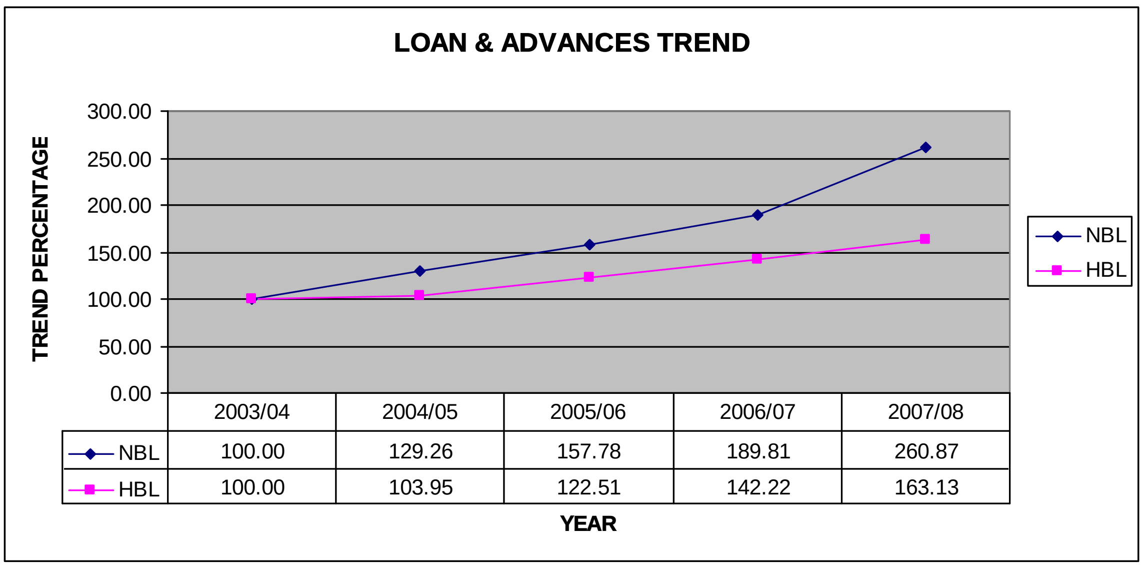


Figure-2

The above graph shows that the investment on loan and advance trend of NBL and HBL are in increasing trend. However the trend line of NBL is above the trend line of HBL which shows that NBL has invested more on loans and advances than HBL.NBL has increased its investment on loan and advances by 160.87% and HBL by 63.13% during the study period.

ii. Trend of Deposit:

In this study total deposit trend, fixed trend and saving deposit trend are calculated to compare the improvement in collection of deposit of NBL and HBL during the study period.

a. Total Deposit Trend:

Total deposit of the bank is the sum of fixed deposit, saving deposit, current deposit and other various deposits retained at the time of issuance of letter of credit, bank guarantee and for other purposes. Total deposit trend of NBL and HBL are given below.

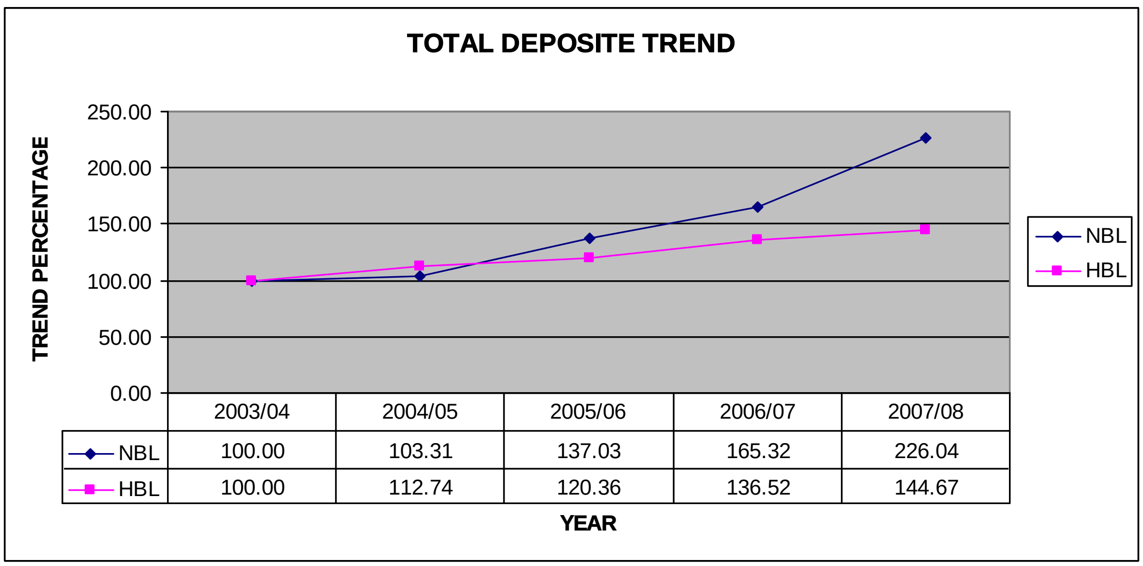


Figure-3

The total deposit trend of NBL and HBL is in increasing order during the study period. The trend line of NBL is above the trend line of HBL. The growth of total deposit of NBL is higher than that of HBL throughout the study period except in 2004/05. NBL's total deposit has increased by 126.04% in 2007/08 where as that of HBL by 44.67%.

b. Fixed deposit Trend:

Bank basically accepts deposit on fixed account for the fixed period, so that the depositors cannot withdraw their deposits before the expiry of that period. Hence the amount collected in the fixed deposit account is repayable only on the expiry of the period, for which the deposits have been made and is allowed higher rate of interest. Therefore it can be said that those bank, which enables to collect more fixed deposit will have financially strong base. The fixed deposit trend of NBL and HBL are given below.

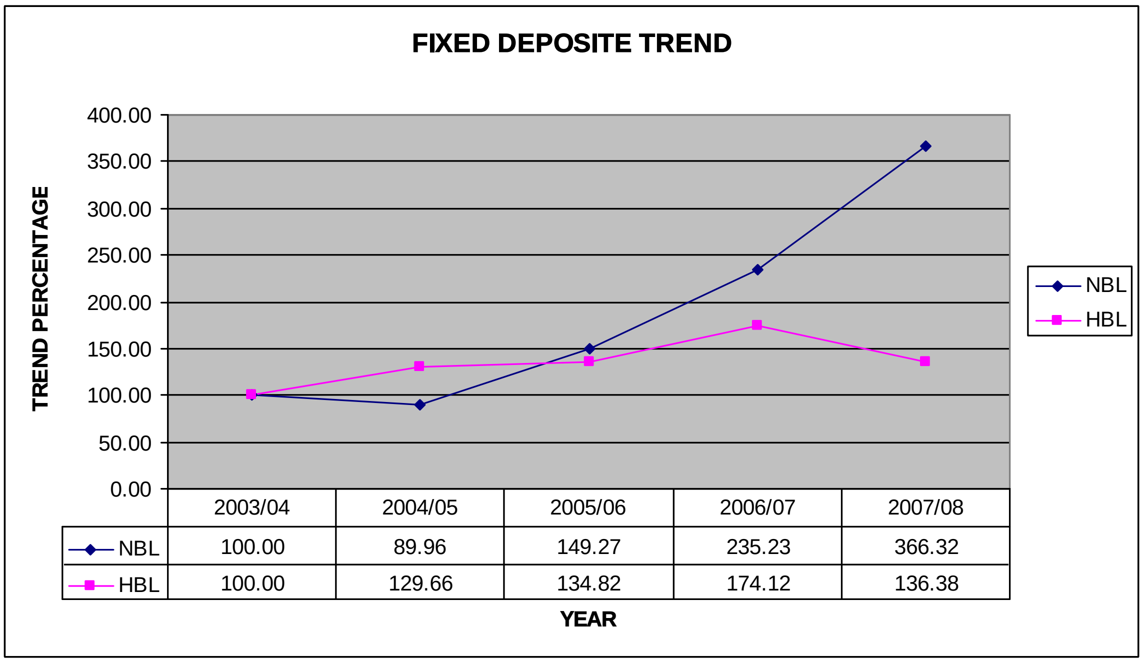


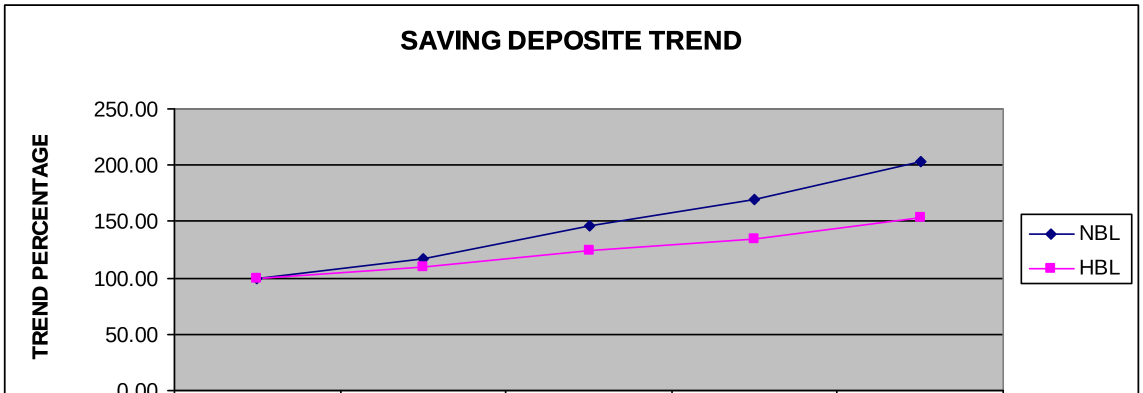
Figure-4

The above graph show that the fixed deposit trend of NBL has gone down in the year 2004/05 but after that it is in increasing trend. However the fixed deposit trend of HBL has gone down in the year 2007/08. The trend line of NBL is finally above the trend line of HBL. The fixed deposit in the NBL is increased by 266.32% where as in HBL it is by 36.38%.

This shows that NBL can utilize the fund available in the fixed increased deposit for longer period and can make good profit.

c. Saving Deposit Trend:

The amount deposited in saving account of the bank can be with drawn by its customer at any time. As the bank cannot invest the saving deposit for longer period so bank pays less interest rate on deposition. Bank can utilize the fund under saving deposit to finance the short and medium term loans. Saving deposit trend of NBL and HBL is given below.



	2003/04	2004/05	2005/06	2006/07	2007/08
NBL	100.00	117.22	146.32	169.96	202.86
HBL	100.00	109.29	124.01	134.23	152.83

Figure-5

The saving deposit of NBL and HBL are increasing throughout the study period. From the above graph it can be easily seen that the trend line of NBL is higher than the trend line of HBL in all the years. NBL's saving deposit is increased by 102.86% in the year 2007/08 where as HBL is saving deposit is increased by 52.83% in the year 2007/08.

d. Current Deposit Trend:

Current account is generally opened by business firm for their daily transactions. One can deposit any amount and can draw any amount from its balance. The bank can utilize the fund deposited under current deposit to finance very short term loan. The bank cannot utilize the fund for very short period so it provides no interest. Current deposit trend of NBL and HBL are presented below.

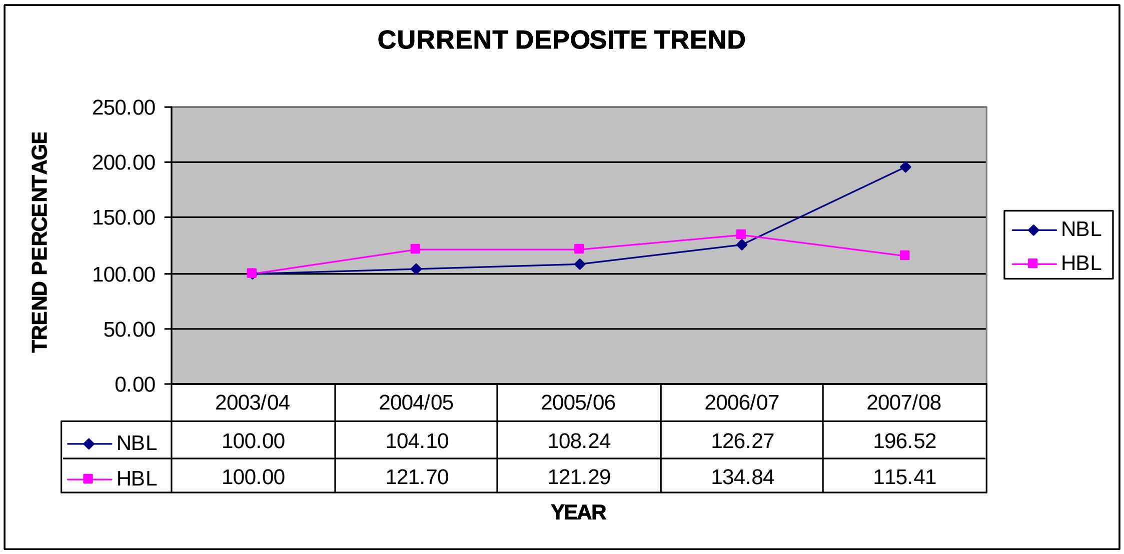


Figure-6

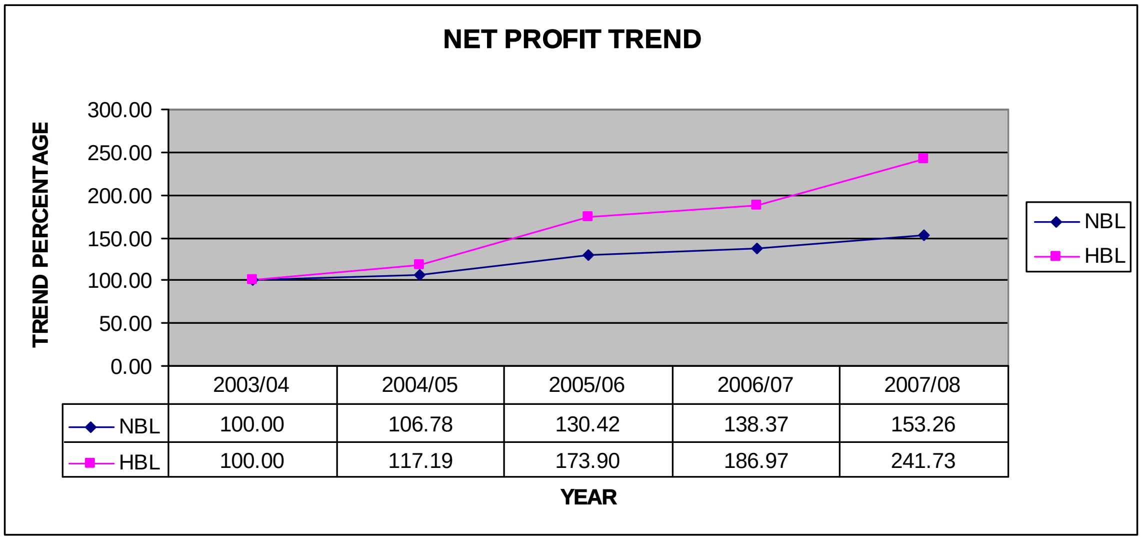
In the above graph, the trend of current deposit of NBL and HBL is shown. It is seen in the graph the current deposit trend of NBL is below the trend line of year HBL up to year 2006/07 but in the year 2007/08 the trend line has gone above the trend line of HBL. The trend of HBL is current deposit is in increased order up to 2006/07 but has decreased in the year 2007/08. However in the same year the current deposit of HBL is more than the initial year.

iii. Profit and Earning Trend:

For this study net profit trend operating income Trend and interest earning trend of NBL and HBL are calculated to compare the improvement in the profit and earning of the NBL and HBL during the study period.

a. Net Profit Trend:

Each and every company wants to maximize the profit. It is its primary objectives. So, the selected banks too want to make good profit. The entire decision making aspects of the banks are affected by the profit that the bank can make. The trend of net profit of NBL and HBL are presented below.



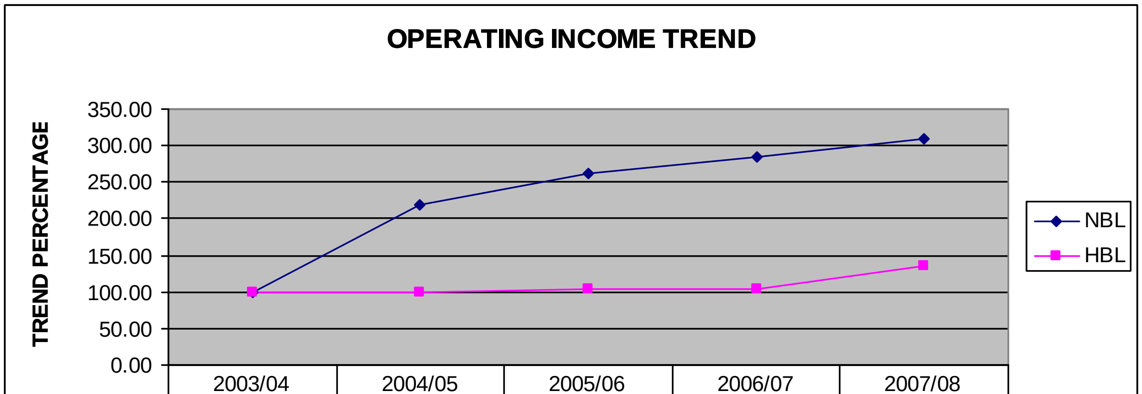
	2003/04	2004/05	2005/06	2006/07	2007/08
NBL	100.00	106.78	130.42	138.37	153.26
HBL	100.00	117.19	173.90	186.97	241.73

Figure-7

The above graph shows the net profit trend for the study period of the selected banks i.e. NBL and HBL. The trend line of net profit of HBL is always higher than that of NBL. As the trend line of HBL is higher than that of NBL. So, the growth of net profit of HBL is higher than that of NBL. HBL is net profit has been increased by 141.73% whereas NBL is operating profit has been increased by 53.26% which is much less than that of HBL.

b. Operating income Trend:

Income generated from operating activities such as interest earned, commission and discount received, exchange income, dividend income and other miscellaneous income earned are known as operating income of the commercial banks. The operating income trend of NBL and HBL are presented below.



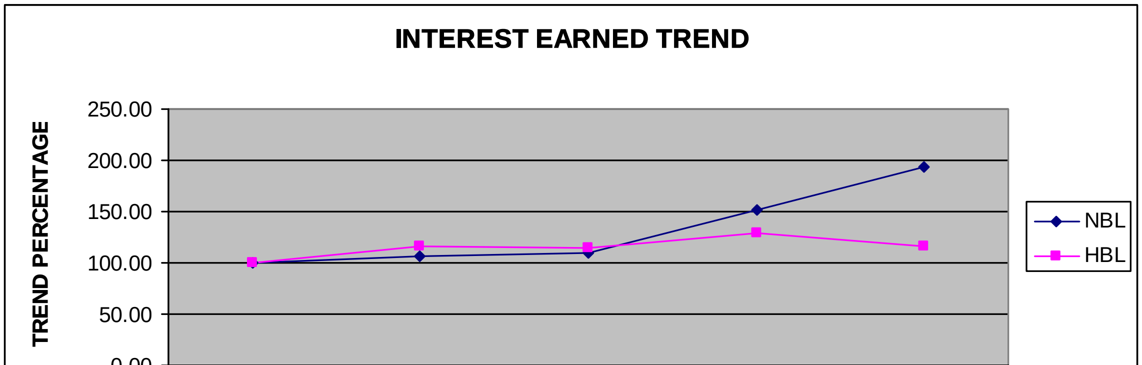
	2003/04	2004/05	2005/06	2006/07	2007/08
NBL	100.00	218.80	261.89	285.06	308.44
HBL	100.00	100.23	102.94	103.67	135.82

Figure-8

The above graph shows the operating income trend of the bank NBL and HBL. It is seen in the graph that operating income trend line of NBL is much higher than that of HBL is operating income trend. Operating income of both the banks is in increasing trend. The growth of NBL is operating income is much higher than that of HBL. Operating income of NBL is increased by 208.44% where as HBL is operating income is increased by 35.82% during the study period.

c. Interest Earned Trend:

Commercial banks invest their fund in various profitable sectors to earn interest is the major income for the commercial banks. It is one of the major components of the operating income of the commercial banks. The total interest earned is the sum of interest received by the banks from loan and advances, bank overdraft, securities, cash credit etc. The interest earned trend of NBL and HBL for the study period is presented below.



	2003/04	2004/05	2005/06	2006/07	2007/08
NBL	100.00	106.70	109.09	151.55	194.08
HBL	100.00	116.10	113.97	129.79	115.92

Figure-9

The above graph shows the trend of interest earned of HBL and NBL for the study period. We can see clearly from the graph that NBL's interest earned trend line is below than HBL's interest earned line up to year 2005/06. After that the trend line of NBL has gone above than HBL's. At the end of the study period NBL's interest earned is increased by 94.08%. However HBL's interest earned trend was in increasing order but has gone down slightly in the year 2007/08 with respect to previous year.

d. **Interest paid Trend**:

Banks need to pay interest on the Borrowings and deposits. It is the expanses for the banks which reduces their profit. Interest paid trend of the NBL and HBL for the study period is presented below.

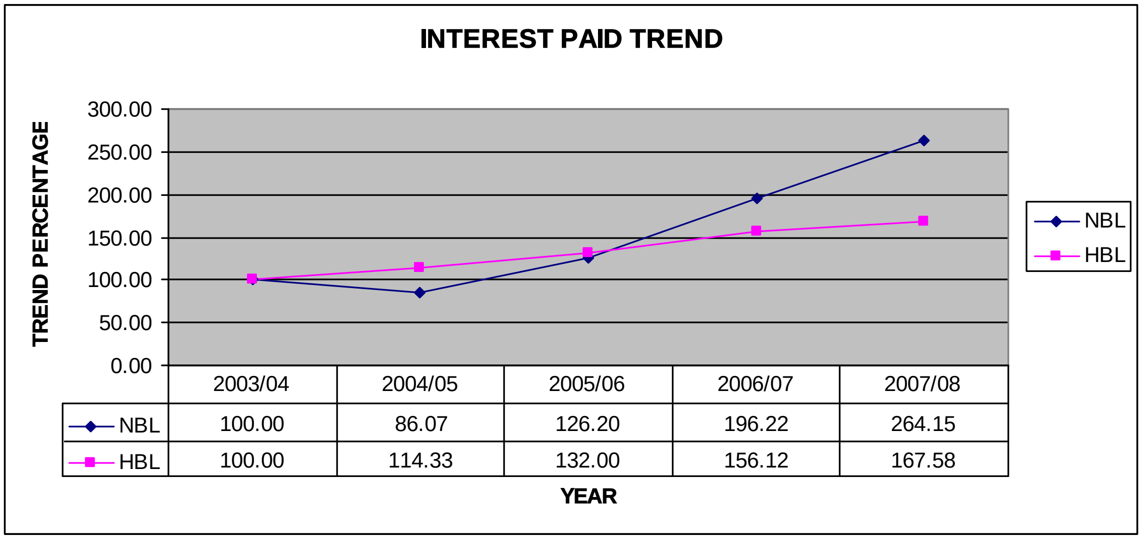
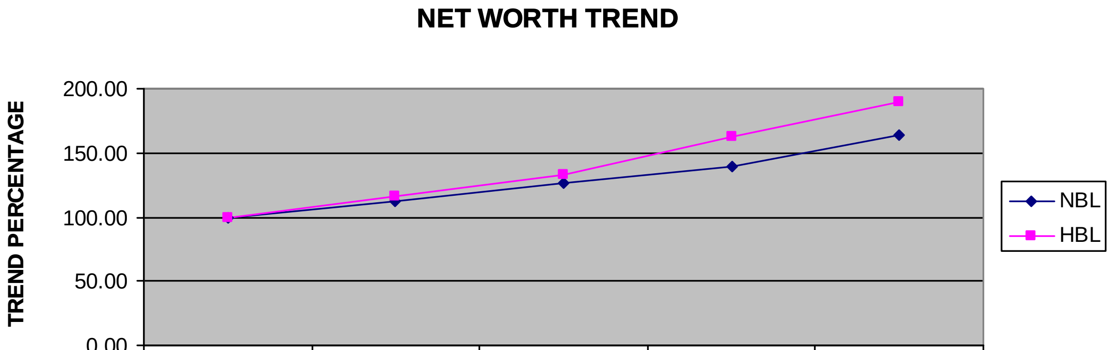


Figure-10

The above graph shows the interest paid trend of NBL and HBL. The interest paid of HBL is quite consistence throughout the period and is in increasing trend but NBL's interest paid trend line has gone below up to year 2005/06 than HBL. But after that the line has gone above the HBL's line. At last NBL's interest paid is increased by 164.15% whereas HBL's interest paid trend is increased by 67.58%.

iv. Net worth Trend:

Every commercial bank is always willing to increased its net worth or shareholders equity. Net worth is the first hand fund that initiates to operate the whole functions of commercial banks. In other words net worth protects bank against risk and sufficient net worth also maintain public confidence in the bank's management. Net worth of the commercial bank is the combination of paid up capital, general reserve, capital reserve, other reserve and appropriate profit. Net worth trend of NBL and HBL are for the study is presented below



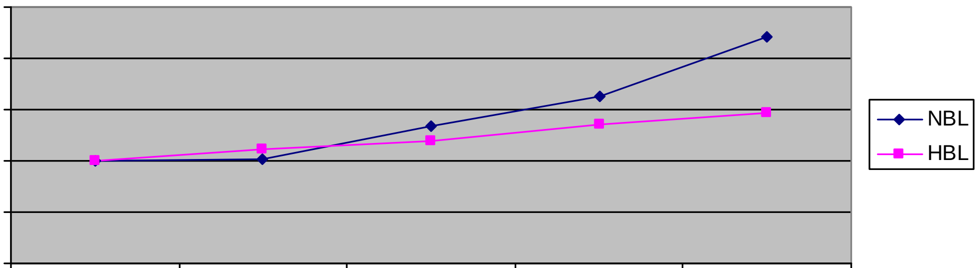
	2003/04	2004/05	2005/06	2006/07	2007/08
NBL	100.00	111.88	126.55	138.83	164.49
HBL	100.00	116.43	133.38	162.10	189.78

Figure-11

The above graph shows the trend of net worth of NBL and HBL. The trend of Net worth of both the banks is in increasing order. But the rate of HBL is higher than NBL. It is therefore, the trend line of net worth of HBL is higher than NBL throughout the study period. At the end of the study period HBL's Net worth is increased by 89.78% whereas the Net worth of NBL is increased by 64.49%.

v. Total Assets Trend:

Total Assets of a commercial bank includes all the items that lie in the assets column of the balance sheet, that might be performing or non performing which include cash and bank balance, money at call and short notice, loan and advances, investment on government securities and other interest receivable, miscellaneous current assets, net fixed assets, loan for development banks, investment on share, debenture of well established institution and others miscellaneous assets. Every organization wants to increase its total assets. The total assets trend of NBL and HBL for the study period is given below.



	2003/04	2004/05	2005/06	2006/07	2007/08
NBL	100.00	101.90	133.35	162.75	221.75
HBL	100.00	110.98	118.97	135.37	146.09

Figure-12

The above graph shows the trend of total assets of the banks NBL and HBL. From the above graph we can conclude that the trend of total assets of both banks is increasing. The trend line of HBL is above the trend line of NBL in the year 2004/05. However the trend line of NBL is above the trend line of HBL from the year 2004/05 onwards.

4.4. **CORRELATION COEFFICIENT ANALYSIS:**

Correlation means the relationship between two variables, where the changes in the value of one variable brings the change in the value of other variable. The inter relationship between two variables is called correlation. The value of correlation always lies between -1 to +1.

The inter relationship between two variables may be positive or negative. In case of positive correlation, the variables change to the same direction whereas in the negative correlation, the variables under consideration change to the opposite direction. Here we aim to measure the degree of correlation between some important variables coefficient of determination is also calculated. Karl person's correlation coefficient method is used to determine the correlation between total deposit and total investment, interest earned and interest paid, interest received and net profit and interest earned and operating income.

4.4.1. CORRELATION BETWEEN TOTAL DEPOSIT AND TOTAL INVESTMENT:

Deposit of bank includes fixed, saving, current and call and other deposit whereas investment of bank includes short term investment such as money at call and short notice, loans and advances for commercial banks, investment in government securities and other long term investment such as investment in share, debentures of well established company. Generally higher the amount of total deposit size of investment will also be larger and vice-versa. Investment policy of bank is highly influenced by the total collected deposit of the banks

Table No. 24

(In million)

Correlation of Total Deposit & Total Investment of NBL &HBL				
NBL			**HBL**	
Year	Total Deposite	Total Investment	Total Deposite	Total Investment
2003/04	14119.03	5835.94	22010.33	9292.1
2004/05	14586.61	4275.53	24814.01	11692.34
2005/06	19347.40	6178.53	26490.85	10889.03
2006/07	23342.29	8945.31	30048.41	11822.98
2007/08	31915.05	9939.77	31842.78	13340.18
Correlation coefficient (r)		0.926	Correlation coefficient (r)	0.890
Coefficient of determination (r^2)		0.86	Coefficient of determination (r^2)	0.79

The above table 24 shows correlation coefficient and coefficient of determination between total deposit and total investment of NBL and HBL. The correlation coefficient between total deposit and total investment of NBL and HBL is 0.926 and 0.890 respectively. From this it can be concluded that there is high degree of positive correlation between total deposit and total investment in both banks.

Similarly, in order to measure the degree of change in dependent variable (total investment) due to change in independent variable (Total deposit) coefficient of determination is calculated. From the coefficient of determination point of view, it is known that when there is change in total deposit it brings 86% change in investment incase of NBL and 79% change in investment incase of HBL. NBL is more dependent in deposit for investment than HBL.

4.4.2 **CORRELATION BETWEEN INTERESTS RECEIVED AND NET PROFIT:**

The major sources for the banks to earn interest are its short and long term investments. Interest income is the major source of earnings for the banks. Here interest income affects the profit heavily. Profit is the difference between income and expenditure. Here an attempt is made to measure the closeness of relationship between these two variables.

TABLE No. 25

(In million)

Calculation of Correlation between Interests Received and Net Profit of NBL &HBL

NBL			HBL	
Year	Interest Received	Net profit	Interest Received	Net profit
2003/04	1001.62	487.07	1245.90	263.05
2004/05	1068.75	520.11	1446.47	308.27
2005/06	1092.64	635.26	1419.90	457.45
2006/07	1517.96	673.96	1617.04	491.82
2007/08	1943.96	746.47	1444.25	635.86
Correlation coefficient (r)		0.888	Correlation coefficient (r)	0.544
Coefficient of determination (r^2)		0.79	Coefficient of determination (r^2)	0.30

The above table no. 25 show the correlation coefficient between interests earned and net profit of NBL and HBL. Here the correlation coefficient between interest earned and net profit of NBL and HBL is 0.888 and 0.544 respectively. So there is positive correlation between two variables interest and net profit of the selected two banks.

Again, to measure the degree of change independent variable (profit) due to change in independent variable (interest earned), coefficient of determination is calculated. From the view point of coefficient of determination, it is concluded that when there is change in interest income it brings 79% change in profit incase of NBL and 30% incase of HBL. So, it can be concluded that the both banks profit mainly dependent on interest received but the degree of dependent on interest income for the profit of HBL is higher.

4.4.3. **CORRELATION BETWEEN INTEREST EARNED AND INTEREST PAID**:

Bank earns interest on its investment. The investment can be short term as well as long term. Interest earned for the bank is its income. Bank receives interest from loan and advances, cash credit, investment in government securities, treasury bills and money at call, bank overdraft.

On the other hand, bank pays interest to its depositors. Bank has to pay interest on saving and fixed deposits. If the volume of fixed and saving deposits is more than bank has to ay more interest. However the interest paid rate is less than interest earned rate. The bank can invest the deposited amount at the higher rate and can earn profit. Interest earned and interest paid is related variables. To know the degree of closeness or relationship between interest paid and interest earned, correlation between them is calculated.

Table No. 26

Calculation of Correlation between Interest Earned and Interest Paid of NBL &HBL

(In million)

NBL			**HBL**	
	Interest Earned	Interest Paid	Interest Earned	Interest Paid
2003/04	1001.62	282.95	1245.90	491.54
2004/05	1068.75	243.54	1446.47	561.96
2005/06	1092.64	357.09	1419.90	648.84
2006/07	1517.96	555.21	1617.04	767.41
2007/08	1943.96	747.40	1444.25	823.74
Correlation coefficient (r)		0.983	Correlation coefficient (r)	0.714
Coefficient of determination (r^2)		0.97	Coefficient of determination (r^2)	0.51

The above table no. 26 shows the correlation and interest paid of NBL and HBL. The correlation coefficient between interest earned and interest paid in care of NBL is 0.983 and that of HBL is 0.714. There is high degree of positive correlation between these two variables in both banks.

Again, in order to measure the degree of change in dependent variable (Interest paid) due to change in independent variable (interest earned) coefficient of determination is calculated. On the basis of coefficient of determination when there is change in interest earned then it brings 97% change in interest paid in the case of NBL and 51% in the case of HBL.

4.4.4. **CORRELATION BETWEEN INTEREST EARNED AND OPERATING INCOME:**

The operating profit is referred to profit before deducting taxes, bank earns interest from its investment on different earning assets i.e. loans and advances, money at call and short notice, investment in government securities etc earning from interest holds the largest proportion in total operating income of the bank.

In this study, correlation analysis between operating profit is calculated to measure the closeness relationship between them. Then after to measure the degree of relationship between them coefficient of determination is calculated.

Table No. 27

Calculation of Correlation between Interest Earned and Operating Income of NBL &HBL

(In million)

NBL			HBL	
Year	Interest Earned	Operating Income	Interest Earned	Operating Income
2003/04	1001.62	364.00	1245.90	664.52
2004/05	1068.75	796.42	1446.47	666.06
2005/06	1092.64	953.27	1419.90	684.09
2006/07	1517.96	1037.61	1617.04	688.89
2007/08	1943.96	1122.71	1444.25	902.53
Correlation coefficient (r)		0.731	Correlation coefficient (r)	0.120
Coefficient of determination (r^2)		0.53	Coefficient of determination (r^2)	0.01

The above table no. 27 shows the correlation between interest and operating profit of NBL and HBL. Correlation coefficient between interest earned and operating profit of NBL is 0.731 and that of HBL is 0.120. There is high positive correlation between the selected variables for the NBL where as there is low positive correlation between interest earned and operating profit in the case of HBL.

Again in order to measure the degree of change in dependent variables i.e. operating profit due to change in independent variable i.e. interest earned value of coefficient of determination is calculated on the basis of value of coefficient of determination it can be said that when there is change in interest earned it brings 53% change in operating profit in case of NBL and 1% Change in HBL very low or almost negligible change in the operating profit in the case of HBL.

4.5 FINDINGS:

Having completed this research up to the analytical frame work and summary of the results, the researcher would like to make some highlights about the findings of the study which covers the period of five years from 2003/04 to 2007/08 of NBL & HBL in following points.

4.5.1 RATIO ANALYSIS:

(i) Liquidity ratio Analysis:

- After the study of cash and bank balance to current assets ratio of NBL and HBL, it has been found that the mean cash bank balance to current assets ratio of HBL is higher than NBL during the study period on the basis of CV of the ratio of study period, there is higher fluctuation of the ratio of NBL (i.e. 37.27%) than that of HBL (i.e.26.43%)
- After the study of the investment of government securities to current assets ratio of NBL and HBL, it has been found that the mean investment on government securities to current assets ratio of HBL is higher than NBL during the study period. Again on the basis of CV of the ratio, during the study period, there is higher fluctuation in the ratio of NBL (33.62%) than that of HBL (13.92%)
- After the study of current ratio of NBL and HBL, it has been found that current ratio of HBL is slightly higher than of NBL. HBL is more consistence than NBL because its CV is less than that of NBL i.e. the CV of HBL is 3.24% and NBL’s CV is 7.24%

- The CRR of NBL and HBL for the study period, it has been found that average CRR of HBL is higher than that of NBL and is more consistence because its CV is less.
- From the above findings we can concluded that HBL's cash and bank balance to current asset, Government securities to current asset and CRR is more than that of NBL. But the current ratio of NBL is more than that of HBL.

(ii) Activity Ratio Analysis:

- To understand whether the funds employed to NBL and HBL has been used efficiently in the business activities or not, to analyze the activity ratio of these two selected banks as well as to compare which of these two banks has better utilities available funds during the study period for this regard, some selected ratios such as loans and advances to total deposit, total investment to total deposit, loans and advances to fixed deposit, loan and advances to saving deposit and operating profit to net worth have been assessed.
- After the study of loan and advances to total deposit ratio of NBL and HBL during the study period review, it is revealed that the average loan and advances to total. Deposit ratio of NBL is higher than that of HBL. On the basis of CV, it can be concluded that HBL is more consistence than NBL because the CV of HBL (7.26%) is less than the CV of (7.88%).
- After the study of total investment to total deposit ratio of NBL and HBL, during the study period. It is revealed that the average total investment to total deposit of HBL is higher than that of NBL. On the

basis of CV, HBL is more consistence than that of NBL. It is because the CV of HBL (6.85%) is less than the CV of NBL (16.58%).

- After the study of loan and advances to saving deposit ratio for the study period NBL and HBL it can be concluded that the average of NBL is more than that of HBL on the basis of CV, HBL is more (4.87%) is less than that of the CV of NBL (9.38%).
- After the study of operating profit to net worth ratio of NBL and HBL for the study period, the mean of operating profit to bet worth ratio of NBL is slightly higher than HBL. On the basis of CV, HBL is more consistence than NBL because the CV of HBL 917.43%) is less than the CV of NBL (25.07%).
- From the above findings, it can be concluded that NBL has been able to invest more on loan and advances out of its total deposit and saving deposit. Total investment on total deposit of HBL is better than NBL. Moreover NBL is more capable of generating higher operating profit to net worth ratio.

(iii) Leverage Ratio Analysis:

- Leverage ratio is calculated whether the firm is able to pay its long term solvency or not. Here it is tried to find out which of the selected bank has better solvency position some selected ratio such as debt equity ratio and total debt ratio have been calculated.
- After the study of debt equity ratio of these two banks during the study period, it has been found that HBL has used more outside fund than NBL. So HBL is operating at a higher financial risk than NBL.
- After the study of total debt ratio of NBL and HBL for the study period it can be concluded that the average total debt ratio of HBL is

higher than that of NBL. It shows that higher proportion of total assets has been financed with borrowed fund. Both banks depend on borrowed fund heavily but HBL is slightly more dependent on loan than NBL. As far as consistency is concerned, HBL is more consistence than that of NBL because of its low CV.

- From the above findings it can be concluded that HBL has more debt burden than NBL as it has used more outsider funds.

(iv) Profitability Ratio Analysis:

- Profitability ratio has been calculated to understand the profitability position of NBL and HBL. Compare their financial performance through the use of some profitability ratios such as return on shareholder's equity, net profit to total deposit ratio, interest paid to interest earned and interest earned to total assets ratio.
- After the study of return on shareholders equity of NBL and HBL, it can be known that the average return on share holder's equity ratio of NBL (32.30%) is higher than that of HBL (22.80%). It indicates that NBL is more able to provide greater rate of return to their shareholder's equity NBL is more consistence than HBL because its CV is less than HBL.
- After the study of return on total asset ratio of NBL and HBL during the study period it has been found that average return on total assets ratio of NBL (2.60%) is higher than that of HBL (1.39%). It indicates that's NBL is more able to provide greater return on its total financial resources. On the basis of CV HBL is more consistence than NBL because the CV of HBL is less than NBL.

- After the study of net profit to total deposit ratio of HBL and NBL during the study period, it has been found that average return on net profit to total deposit ratio of NBL (3.11%) is higher than that of HBL (1.56%).NBL is more consistence than HBL because the CV of Net profit to total deposit is less than that of HBL.
- After the study, interest paid to interest earned ratio of NBL and HBL during the study period, it is found that the average ratio of interest paid to interest earned of HBL is higher than that of NBL. This indicates that the profitability of NBL is higher because the inflow NBL is more than its out flow during the study period.
- After the study of interest earned to total assets ratio of NBL and HBL during the study period, it is revealed that the average ratio of NBL is higher than that of HBL. It indicates that NBL is more efficient in mobilizing its total assets on interest generating sector. As the CV of NBL is low so it is more consistences.
- From the above findings, it can be concluded that ROSE, ROA, net profit to total deposit and interest earned to total assets of NBL is better than that of HBL where as interest paid to earned ratio of HBL is better than NBL and more consistence.

(v) Other Ratio and Indicators:

- After the study of liquidity, activity, leverage and profitability ratios there are still some ratios, which can be useful in measuring the financial performance of NBL and HBL. Findings of such ratios which are not included in the above headings are explained below.
- After the study of EPS of NBL and HBL for the study period, it is seen that the average EPS of NBL is much higher than that of HBL.

Where as HBL is more consistence than that of NBL because of its low CV and standard deviation.

- After the study of DPS of NBL and HBL for the study period, it can be observed that very clearly that the average DPS of NBL is much higher than HBL. As the CV of HBL is less than NBL so it is slightly more consistence than HBL.
- After the study of D/P ratio of NBL and HBL for the study period, it can be concluded that the average D/P ratio of NBL is slightly more than that of HBL. HBL is more consistence than NBL because of its lower CV. More D/P ratio of NBL shows that it has paid more dividends from its earnings.
- After the study of PE ratio of NBL and HBL for the study period, it is observed that the average PE ratio of NBL is slightly higher than that of HBL. It indicates that NBL has higher MPS over EPS. Again on the basis of CV ratio, during the study period, there is more fluctuation in P/E ratio of NBL.
- After the study of market price to book value per share ratio of NBL and HBL for the study period, it has been revealed that the average market price to book value ratio of NBL is higher than HBL. It indicates that market price of NBL is higher than that of HBL. As far as consistency is concerned HBL is more consistence than NBL because its CV is less than that of NBL.
- After the study of book value per share of NBL and HBL for the study period, it has been revealed that the average book value of HBL. There is less fluctuation in the book value of HBL because of its less CV.

- From the above findings it can be concluded than NBL has earned more on per share than HBL. Due to higher dividend NBL's share price in the stock market has been increased. There fore its P/E ratio and Book value per share of NBL is higher than that of HBL.

4.5.2 TREND PERCENTAGE ANALYSIS:

1. Trend of investment:

- In this study, it has been tried to analyze the total investment trend and investment on loan and advances trend of NBL and HBL to know and compare the improvement in the investment of the selected two banks.
- After the study of total investment trend of NBL and HB during the study period, it has been found that the total investments of two banks are in increasing trend. But the growth of total investment of NBL in terms of percentage of the last year is higher that that of HBL

2. Trend of Loan and Advances:

The trend of total loan and advances in case of NBL and HBL is in increasing trend through out the study period. The increasingly trend of loan and advances is higher in NBL than HBL through out the study period. At last year 2008 the loan and advances trend percentage in case of NBL is 260.87% and in case of HBL is 163.13%.

3. Trend of Total Deposit Trend:

The trend of total deposit in case of NBL and HBL during the study period, it is observed that in both case it is in increasing trend through out the study period. The increasing trend of total deposit of NBL is higher than that of HBL through out the study period. At the last year of the study period i.e. 2008 the deposit trend percentage of NBL is 226.04% and 144.67% in the case of HBL.

4. Trend of Fixed Deposit:

The trend of fixed deposit of NBL and HBL is fluctuating. After the study of fixed deposit trend of NBL and HBL during the study period, it has been reveled that fixed deposit trend of NBL is in increasing trend but the trend of fixed deposit of HBL was in increasing trend up to year 2007 but after that the trend line has gone down. At the last year of the study period i.e. 2008 the deposit trend percentage NBL is 366.32% and 136.38% in case of HBL.

5. Saving Deposit Trend:

After the analysis of saving deposit trend during the study period of NBL and HBL, it has been found that the saving deposit trend of both the banks is in increasing trend through out the study period. The trend percentage of last year deposit of NBL is 202.86% and that of HBL is 152.83%

6. Current Deposit Trend:

After the analysis of Current deposit trend NBL and HBL for the study period, it is concluded that the trend of current deposit of NBL is in increasing trend through out the study period where as in case fo HBL, first the trend was in increasing order and at the last year of study period it has gone down. The last year trend percentage of NBL is196.52% and that of HBL is 115.41%.

7. Trend of Net Profit:

After the analysis of net profit trend NBL and HBL during the study period, it has been found that the net profit trend pf both banks is in increasing trend but the trend line of HBL is above the trend line of NBL. The last year Trend percentage of NBL is 153.26 and that of HBL is 241.73%.

8. Trend of Operating Income:

after the study of operating profit trend of NBL and HBL during the study period, it can concluded that the trend of operating profit of both the banks is in increasing trend but the growth of operating profit of NBL is much higher than that of HBL. The last year operating income trend percentage of NBL is 308.44% and that of HBL is 135.82%.

9. Interest Earned Trend:

Interest earned is the source of income for the commercial banks. After the study of interest earned trend of NBL and HBL for the study period. It has been found that the trend of interest earned of NBL is increasing through out the study period but the trend of HBL is fluctuating through out the study period. The last year trend percentage of NBL is 194.09% and that of HBL is 115.92%

10. Trend of Interest Paid:

After study of trend of interest paid of the bank NBL and HBL during the study period, it has been concluded that more or less both the banks trend line of interest paid is an increasing order. The last year trend percentage of interest paid of NBL is 264.15% and that of HBL is 167.58%.

11. Net worth Trend:

After the study of trend of Net worth of NBL and HBL during the study period, it is concluded that the trend of Net worth of NBL and HBL is in increasing trend through out the study period. The trend percentage of last year of NBL is 164.49% and that of NBL is 189.78%

12. Total Assets Trend

After the study of total assets trend of NBL and HBL for the study period, it has been raveled that the total assets trend of both the banks are in increasing trend through out the study period. The last year trend percentage of total assets trend of NBL is 221.75% and that of HBL is 146.09%.

4.5.3 CORRELATION COEFFICIENT ANALYSIS:

(i) Correlation Between Total Deposit and Total Investments:

- Between total deposit and total investment of NBL and HBL during the study period, it has been found that the correlation coefficient between total deposit and total investment of NBL and HBL are 0.926 and 0.890 respectively. So there almost positively perfect correlation between total deposit and total investment of the selected banks.
- In order to measure the degree of change on dependent variable (total investment) due to change in independent variable (total deposit), value of coefficient is calculated. It seems that when there is change in total deposit, it leads 89% change in total investment in NBL and 79% change in total investment in HBL.

(ii) Correlation between Interest Earned and Operating Income:

- The correlation between interest earned and operating income of NBL and HBL is 0.731 and 0.120 respectively. There is positive correlation between interest earned and operating income on the basis of coefficient of determination, when there is change in interest earned it leads 53% change in operating income in case of NBL and 1% operating income in HBL.

(iii) Correlation between Interests Received and Net Profit:

- The correlation between interest received and Net profit of NBL and HBL for the study period is 0.888 and 0.544 respectively. So there is positive correlation between interests received and Net profit of both the banks.

- On the basis of coefficient of determination, if there is change in interest received then it leads 79% change in net profit in NBL and 30% in HBL.

(iv) Interest Earned and Interest Paid:

The correlation between interest earned and interest paid of NBL and HBL during the study period is 0.983 and 0.714 respectively. This indicates that there is positive correlation between interest earned and interest paid. in the case of NBL and there is almost perfect positive correlation between interest earned and interest paid on the basis of coefficient of determination. If there is change in interest earned it brings change in interest paid by 97% in NBL and 51% in the case of HBL.

CHAPTER-V

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 INTRODUCTION:

This chapter is the final chapter of the study which consists of the summary of the four earlier chapters which briefly explains the findings of the study, tries to fetch out conclusion of the study and attempts to offer various suggestions and recommendations for the improvement of the future performance of NBL and HBL.

5.2 SUMMARY:

This study has been under taken to analyze as well as compare the financial performance of NBL and HBL, in relation to the financial tools such as ratio analysis, trend such as mean, standard deviation, coefficient of variation, correlation analysis have been used. The financial statement of last five years i.e. from fiscal year 2003/04 to 2007/08 has been taken for the subject matter of financial performance analysis. This study is based on historical data, so the research design is historical and explanatory.

The study has been divided into five chapters; they are introduction, review of literature, research methodology, presentation, analysis and interpretation of data and summary, research findings, conclusion and recommendations.

The general introduction of the bank, focus of the study, statement of the problems objectives of the study significance of the study, assumptions and limitations of the study have been discussed in the first chapter. Concept of financial performance and its components and sub components are described so as to facilitate in the analysis in the second chapter. Research methodology is used to evaluate the financial performance of NBL and HBL in the third chapter. This chapter includes research design, population and sample sources of the study is presented, analyzed and interpreted by using various tools and technique of financial management, accounts and statistics to present the result relating to the study. Last but not the least, the findings of the study and some valuable recommendation for the improvement of the firm has been presented in the fifth chapter.

5.3 CONCLUSIONS:

After the study of analysis of the data in the fourth chapter for the study period from 2003/04 to 2007/08 of NBL & HBL, the conclusions drawn are listed below:

Liquidity position:

- Liquidity position of the banks is in fluctuating trend. The HBL's cash & bank balance to current assets, government securities to current assets & CRR is more than NBL but current ratio of NBL is more than that of HBL.

Activity position:

- NBL has been able to invest more on loan and advances out of its total deposit and saving deposit. Total investment on total deposit of HBL is better than NBL. Moreover NBL is more capable of generating higher operating profit to net worth ratio.

Leverage analysis:

- HBL has more debt burden than NBL as it has used more outsider funds.

Profitability position Analysis

- ROSE, ROA, net profit to total deposit and interest earned to total assets of NBL is better than that of HBL where as interest paid to earned ratio of HBL is better than NBL and more consistence.
- The profit earned of NBL is more than HBL through out the study period.

Other indicators:

- Market value per share, Book value per share, earning price per share, Dividend per share & Price earnings ratio of NBL is more than HBL through out the study period.

Trend Percentage Analysis:

- Total investments trend of two banks are in increasing trend. But the growth of total investment of NBL in terms of percentage of the last year is higher that that of HBL
- The trend of total loan and advances in case of NBL and HBL is in increasing trend through out the study period. The increasingly trend of loan and advances is higher in NBL than HBL through out the study period.
- The trend of total deposit in case of NBL and HBL during the study period, it is observed that in both case it is in increasing trend

through out the study period. The increasing trend of total deposit of NBL is higher than that of HBL through out the study period.

- The trend of fixed deposit of NBL and HBL is fluctuating; the saving deposit trend of both the banks is in increasing trend through out the study period & the trend of current deposit of NBL is in increasing trend through out the study period where as in case of HBL, first the trend was in increasing order and at the last year of study period it has gone down.

- Trend of Net Profit, Operating Income, Interest Earned, Interest Paid, Net worth &Total Assets of NBL is in increasing trend than HBL through out the study period.

Correlation coefficient analysis:

- There is almost positively perfect correlation between total deposit and total investment of the selected banks.

- There is almost positively correlation between interest earned and operating income of the selected banks.

- There is almost positively correlation between interests received and net profit of the selected banks.

- There is almost positively correlation between interest earned and interest paid of the selected banks.

Coefficient of variation & standard deviation:

- Coefficient of variation & standard deviation measure the degree of risk, from the above study it can be concluded that in most of cases, HBL is less risky than NBL because the CV of HBL in most of the cases is far less than that of NBL. Standard deviation between two factors of the banks is also less in the case of HBL than NBL. Therefore HBL is less risky than that of NBL.

5.4 SUGGESTION AND RECOMMENDATIONS:

This research study has been done on "Financial performance analysis of commercial bank of Nepal" with special reference to Nabil Bank LTD and Himalayan bank LTD. from the fiscal year 2003/04 to 2008/09. As regards with analysis and interpretation of data of NBL and HBL are successful to some extend to meet their operating as well as financial goals but there may be still exists some attempts to offer various following suggestions and recommendation on the basis of analysis, findings and conclusions for thee improvement of the future performance of two banks i.e. NBL and HBL.

- NBL and HBL are suggested to reduce their operating expense. These banks should initiate their cost of control and cost of reduction technique.
- The fixed assets of two selected bank should be valued properly as per the current market value and depreciate them accordingly.
- Fixed deposit is the most reliable source of fund of earning profit. As there is low percentage of fixed deposit in case of HBL, so it should tries to increase its fixed deposit percentage.
- Although, commercial banks are found to be profit oriented, but they should not forget social responsibilities. Therefore these banks should render their services in rural areas to promote and mobilize small investors.

- HBL should increase its investment in high fixed assets i.e. loan and advance. So that the bank can increase its interest income which is the major source of income for the bank.
- The collection fund should be invested at profitable place as far as possible.
- NBL should increase its total investment of its total deposit at profitable sectors.
- It is suggested that idle fund should not be maintained instead of maintaining higher cash balance to remain liquidity. They are suggested to provide short term loan that matures shortly and can be rediscounted.
- Contribution of net worth of HBL is comparatively lower than NBL. So HBL is suggested to improve the proportion of Net worth that can be done by retain earnings or maintaining lower divided pay out ratio
- Market price of HBL is very much fluctuating as compared to NBL which is not good sign. Therefore HBL needs to increase its profitability by investing its fund in profitable sector which in turn increases its market price per share.
- HBL needs to pay more dividends which also increase the price of the share in the market.
- Besides all these banks should explore the profitability areas and make investment in profitable areas to increase their operating profits. At last, the contribution made by all these banks in the development of our country is highly appreciated and are recommended to conduct activities meeting their social responsibilities.

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