CHAPTER - I

INTRODUCTION

1.1 Background of the Study

Bank is a financial institution, and the backbone of a country for the economic development. Bank constitutes the important segment of the financial infrastructure of any country. In broad sense, bank can be said as important financial institution, which collects and safeguards the public money, disburses the collected money for the productive purposes, transfers funds guarantees, credit worthiness and exchange of money. Banks are rendering a wide range of services to people.

Basically bank performs various types of services like collection of deposits from the public, granting loans to the investors, overdraft, guarantees against payment, letter of credit, discounting bills, and selling of shares agency functions. Banks collect money from public by attracting them with sound interest rate into their deposits and provide loans to the industry, business houses and needy people with some interest which is higher than the interest rate they provide in the deposit.

The commercial bank has its own role and contribution in the economic development. It is a source for economic development; it maintains economic confidence of various segments and extends credit to people. To meet the objectives, the overall performance of the bank should be soundly adjusted with each other. Only the well combined factors assist in well performance. When performance will be well, the output will generally be sound. It helps bank to proceed in its track. Commercial banks are extending 3 percent fund in equity and also providing wholesale loans to IMF (International Monetary Fund). At present, 25 commercial banks (Including Agriculture Development Bank) are extending credit to the deprived sector.

Just by collecting cash from savers and providing loans to the investors, we can say that the bank acts as an agent between the savers and investors. Therefore we can say that the main game of the bank is to play with money in order to generate profit. The banking sector has now reached even to the most of the remote areas of the country and has contributed a good deal to the growth of the economy. By lending their resources in small scale industries under intensive banking programmes, banks have contributed to the economic growth of the country.

The capital formulation leads to increase in the size of national output, income, employment and solving the problem of inflation and balance of payment by making the economy free from the burden of foreign debts. Banking sector plays pivotal role in the economic development of a country and formulate core of the money market in an advance country. Capital formulation is one of the most important factors in the economic development.

Banking concept existed even in the ancient period, when the Merchants, Gold Smiths and Money Lenders were performing the work i.e. accepting deposits, keeping valuable things in the custody and granting loans to the needy people. This was all their individual effort. Banks came into existence mainly with the objectives of collecting idle funds, mobilizing them into productive sectors so as to help in the overall economic development. The bankers have the responsibility of safeguarding the interest of the depositors, the shareholders and the society where they are serving.

The analysis of the performance is designed to make a careful study of the recent financial records of the financial companies. In order to evaluate its performance financial statements are analyzed .Performance evaluation must not be focused exclusively up to the criterion of short term profitability or any other signals standards which may cause managers to act contrary to the long range interest of the company as a whole.

The proper analysis and interpretation of financial statements are felt necessary in corporate banks, private enterprises, and similarly other organizations to find out what information are indicated from their balance sheet and income statement as well as other necessary accounting information. On the basis of these information, it becomes easy to chalk out the problem faced by the corporations. A capable financial manager must select best analytical tools (such as Ratio Analysis) to determine the liquidity, profitability, turnover and capital structure of the corporation.

The financial analysis is used to diagnose the strengths and weaknesses in the corporation's performance. It provides a framework for the financial planning and control. As there has been number of joint ventures banks in Nepal, the present aim is to analyze the financial performance analysis of the **Standard Chartered Bank** just to be assured whether they can put equal contribution in the economic growth of the country or not.

The financial performance analysis is a quantitative analysis of organization's efficiency. The company's financial plans and policies prepared and implemented by the management should be judged on the basis of its financial performances.

The introduction of liberal economic policy adopted by Nepal Rastra Bank has provided an opportunity for the banking institutions to grow rapidly in Nepal. As a result, different joint venture banks and financial institutions were established rapidly and now there are licensed 25 commercial banks in the country as of Mid

July, 2008. The number of commercial bank's branches (included Agriculture Development Bank’s branches performing commercial banking activities) reached 552.

1.2 Origin of Banking System

According to a French writer Revil pout, Bank notes were in practice in Babylonia around 600 B.C. It has been assumed that the practice of modern banking functions such as exchange of money, transfer of funds, note issue, accepting deposits, lending money, etc. already began in Rome around the late 4th century. The banking business revived in the 12th century as Jews conducted functions such as safe keeping of valuables, lending money at interest and similar other functions. Being lured by the good profit, Italians too, extensively followed suit.

As a result, Bank of Venice, the first bank in the world came into existence in 1157 A.D. Prior to the development of modern banking system, the role of merchants, money lenders and gold smiths became dominant in the society. Therefore, they can be considered as the three ancestors of modern banking. Gradually, the function of accepting deposits and granting loans were handed over from individual to the joint stock company.

Subsequently, Bank of Barcelona, Spain was established as the first modern bank in 1401 A.D. After that Bank of Amsterdam, Holland and Bank of Hamberg, Germany were established in 1607 A.D. and in 1619 A.D. respectively. In the ground of the favorable economic environment, Bank of England came into existence in 1694 A.D. The advent of Bank of England gave scientific shape to Modern banking. After the formulation of the act regarding Bank of England in 1833 A.D., the prominence of Joint Stock Bank was further enhanced. From 1844 A.D., Bank of England was allowed to function as the central bank.

The existence of many ventures banks facilitated industrialization in Europe. In the 19th century, commercial banks were opened in almost all countries in the world. Thus, development of the modern banking system gains full momentum and various monitory problems. Now banks have been the vital part of economy.

1.3 Development of Banking System in Nepal

In Nepal the Banking System has been began from 5th century A.D. In the 14th century, Jayasthiti Malla, the king of Kantipur classified people into 64 castes on the basis of occupation. A group of people called 'Tanka Dhari' which is one of the 64 castes, were engaged in the occupation of money lending, more or less similar to that of the modern banking. During the regime of Prithvi Narayan Shah 'Kaushi Tosha Khana' was installed. It was more of less similar to banking agency and many lay claims to be regarded as the first step towards initiating banking development in Nepal. Like other countries Gold Smiths, Merchants and Money Lenders were the ancient bankers of Nepal. However, in 1877 A.D (1933 B.S) during the tenure of the Prime Minister of Ranoddip Singh, the establishment of 'Tejarath Adda', fully subscribed by the government may be regarded as the first remarkable step in the institutional development of banking in Nepal. That is why it is also called the father of modern banking institution.Tejarath Adda did not collect deposits from the public but give loans to the employees and public against the bulletins.

At the Prime Minister period of Chandra Sumsher, the 'Tejarath Adda' extended its services by opening branches in some cities outside the valley. However, in the absence of saving mobilization, 'Tejarath Adda' faced several financial problems making it impossible to cater the need of general population throughout the country. The main defects of this institution soughed as there was no other financial setup and no effort to expand the services. Above all the defects, this institution did not accept any deposits from public. After that again, for a long time, several unorganized bankers and indigenous moneylenders continued to flourish as the sole provider of the credit and services to the general public.

The devastating earthquake of 1934 A.D. may have expedited the need to establish a banking institution. Accordingly, Udhyodg Parisad' (Industrial Development Board) was constituted in 1936 A.D. with the major objectives of promoting and protecting the trade, commerce, industry and manufactures of Nepal. One year after its formation in 1937 A.D., the Udhyog Parisad formulated the "Company Act" and " Nepal Bank Act "under which Nepal bank limited with the co-operation of Imperial Bank of India came into existence as the first commercial bank in Nepal. Banking in the modern sense started with the inception of Nepal Bank Limited on 1994 B.S. Nepal Bank Limited had a Herculean responsibility of attracting people toward banking sector from pre-dominant moneylenders' net and of expanding banking services. Nepal Bank Limited paid more attention to profit generating business and preferred opening branches at urban centers.

With a view to abolish dual monetary system, to stabilize the exchange rate, to facilitate the use of Nepalese currency throughout the kingdom and to mobilize the capital to encourage the development in industry and trade, Nepal Rastra Bank (NRB) was established on 14th Baishak 2013 B.S. (26th April 1956) under functioning as the Government's bank and has contributed to the growth of financial sector. On 7th Falgun 2016 B.S., Nepal Rastra Bank issued Nepalese currency note for the first time.

Integrated and speedy development of the country is possible only when competitive banking services reach nooks and corners of the country. Keeping this in mind, government set up Rastriya Banijya Bank in B.S. 2022.10.10. as a fully government owned commercial bank. Industrial Development Centre was set up in 2013 B.S. with the chief objective to provide long term to industrial sector development. In 2016 B.S., Industrial Development Centre was converted to Nepal Industrial Development Corporation.

Similarly Agriculture Development Bank was established in B.S. 2024.10.07 to provide finance for the agricultural products so that agricultural productivity could be enhanced by introducing modern agricultural techniques. Likewise, Co-Operatives came into existence in 2019 B.S. Moreover, Security Exchange Centre was established in 1976 to enhance capital market activities. Securities Exchange Centre was renamed Nepal Stock Exchange (NEPSE) in 1993. In the context of increasing commercial activities in the country, the service of merely two commercial banks (Nepal Bank Limited and Ratriya Banijya Bank) was realized insufficient.

With the establishment of Rastriya Banijya Bank and Agriculture Development Bank, banking services spread to both the urban and rural areas. Nepal Rastra Bank also gave incentive to Nepal Bank Limited to expand their branches to rural areas. This helped the common people to reduce their burden of paying higher rate of interest to money lenders and absolved them from kowtowing before money lenders. It is natural expectations of customers keep on increasing. Once they got banking services they were expecting improvement and efficiency. However, excess political and bureaucratic interference and absence of modern managerial concept in these institutions was hurdle in this regard. Banking services to the satisfaction of customers were a far cry. The inception of Nepal Arab Bank Limited (renamed as NABIL Bank Limited since 1st January 2002) in B.S. 2041.03.29 (12 July 1984) as a first joint venture bank proved to be a milestone in the history of banking. Being attracted by the success of NABIL bank and liberal economic policy adopted by the government after the restoration of Multiparty Democracy System in 2046 B.S. a number of commercial banks, came into Nepalese financial Market. The banking sector in Nepal started with the establishment of Nepal Bank Limited. NABIL Bank gave a new ray of hope to the sluggish financial sector.

Today, we have got 27 (Including ADB) commercial banks in operation in Mid July 2008.

Table No. 1.1

Commercial Banks in Nepal

S.No	Names	Operation Date	Head Office
1	Nepal Bank Ltd.	1937/11/15	Kathmandu
2	Rastriya Banijya Bank	1966/01/23	Kathmandu
3	Agriculture Development Bank	1968/01/02	Kathmandu
4	NABIL Bank Ltd.	1984/07/16	Kathmandu
5	Nepal Investment Bank Ltd.	1986/02/27	Kathmandu
6	Standard Chartered Bank Nepal	1987/01/30	Kathmandu
7	Himalayan Bank Ltd.	1993/01/18	Kathmandu
8	Nepal SBI Bank Ltd.	1993/07/07	Kathmandu
9	Nepal Bangladesh Bank Ltd.	1993/06/05	Kathmandu
10	Everest Bank Ltd.	1994/10/18	Kathmandu
11	Bank of Kathmandu Ltd.	1995/03/12	Kathmandu
12	Nepal Credit and Commerce Bank	1996/10/14	Siddharthanagar
13	Lumbini Bank Ltd.	1998/07/17	Narayangadh
14	Nepal Industrial & Commercial	1998/07/21	Biaratnagar
15	Machhapuchhre Bank Ltd.	2000/10/03	Pokhara, Kaski
16	Kumari Bank Ltd.	2001/04/03	Kathmandu
17	Laxmi Bank Ltd.	2002/04/03	Birgunj, Parsa
18	Siddhartha Bank Ltd.	2002/12/24	Kathmandu
19	Global Bank Ltd.	2007/01/02	Birgunj, Parsa
20	Citizens Bank International Ltd.	2007/6/21	Kathmandu
21	Prime Bank Ltd	2007/9/24	Kathmandu
22	Sunrise Bank Ltd.	2007/10/12	Kathmandu
23	Bank of Asia Nepal Ltd.	2007/10/12	Kathmandu
24	Nepal Development Bank Ltd.	2008	Kathmandu
25	NMB Bank Ltd.	2008	Kathmandu
26	Development Credit Bank Ltd.	2008	Kathmandu
27	KIST Bank Ltd.	2009	Kathmandu

Sources: Nepal Rastra Bank

1.4 Brief Profile of Standard Chartered Bank

The Standard Chartered Group was established in 1969 by merging two banks The Standard Bank of British South Africa founded in 1863 and the Chartered Bank of India, Australia and China, founded in 1853. Both companies were keen to capitalize on the huge expansion of trade and to earn the handsome profits to be made from financing the movement of goods from Europe to the East and to Africa. It has 1400 Branches in 50 countries.

The Chartered Bank

The Chartered Bank was founded by James Wilson following the grant of a Royal Charter by Queen Victoria in 1853. Chartered opened its first branches in Mumbai (Bombay), Calcutta and Shanghai in 1858, followed by Hong Kong and Singapore in 1859. Traditional business was in cotton from Mumbai (Bombay), indigo and tea from Calcutta, rice in Burma, sugar from Java, tobacco from Sumatra, hemp in Manila and silk from Yokohama. The Chartered Bank played a major role in the development of trade with the East which followed the opening of the Suez Canal in 1869 and the extension of the telegraph to China in 1871. In 1957 Chartered Bank bought the Eastern Bank together with the Lonian Bank's Cyprus Branches. This established a presence in the Gulf.

The Standard Bank

The Standard Bank was founded in the Cape Province of South Africa in 1862 by John Paterson. Commenced business in Port Elizabeth, South Africa, in January 1863. It was prominent in financing the development of the diamond fields of Kimberley from 1867 and later extended its network further north to the new town of Johannesburg when gold was discovered there in 1885. It was expanded in Southern, Central and Eastern Africa and by 1953 had 600 offices. In 1965, it merged with the Bank of West Africa expanding its operations into Cameroon, Gambia, Ghana, Nigeria and Sierra Leone.

In 1969, the decision was made by Chartered and by Standard to undergo a friendly merger. All was going well until 1986, when a hostile takeover bid was made for the Group by Lloyds Bank of the United Kingdom. When the bid was defeated, Standard Chartered entered a period of change. Provisions had to be made against third world debt exposure and loans to corporations and entrepreneurs who could not meet their commitments. Standard Chartered began a series of divestments notably in the United States and South Africa, and also entered into a number of asset sales.

From the early 1990s, Standard Chartered has focused on developing its strong franchises in Asia, the Middle East and Africa using its operations in the United Kingdom and North America to provide customers with a bridge between these markets. Secondly, it would focus on consumer, corporate and institutional banking and on the provision of treasury services **-** areas in which the Group had particular strength and expertise. In the new millennium we acquired Grindlays Bank from the ANZ Group and the Chase Consumer Banking operations in Hong Kong in 2000. Since 2005**,** Standard Chartered have achieved several milestones with a number of strategic alliances and acquisitions that will extend our customer or geographic reach and broaden our product range.

Standard Chartered Bank Nepal

Standard Chartered Bank Nepal Limited was established in 1987 with registration of Joint Venture Operation. Now the Bank is a part of Standard Chartered Group with 75% Shares owned by the Company and 25 % Shares owned by the Nepalese People. Standard Chartered Bank is one of the largest International Banks in Nepal at the Current Period. It has completed 21 years in Nepal on fiscal year 2007-2008(2064/065).

It is reputed as a leading financial institution in Nepal. It Provides number of facilities with international network which shows the unique facility provided by the Bank. Standard Chartered Bank Nepal Limited offers a full range of banking products and services in Wholesale and Consumer Banking, catering to a wide range of customers encompassing individuals, mid-market local corporate, multinationals, large public sector companies, government corporations, airlines, hotels as well as the DO segment comprising of embassies, aid agencies, NGOs and INGO's.

The Bank has been the pioneer in introducing 'customer focused' products and services in the country and aspires to continue to be a leader in introducing new products in delivering superior services. It is the first Bank in Nepal that has implemented the Anti-Money Laundering policy and applied the 'Know Your Customer' procedure on all the customer accounts.

According to the annual report of 2006/2007, it has made net profit after tax is Rs. 691.66 million, 5% increased as compared to previous year. It has made a good income to the government also by paying a high corporate tax. million on the
In a long run, Standard Chartered Bank has opened 15 Branches including 4 extension counters at various places of Nepal with 16 ATMs. At present, Standard Chartered Bank has four branches in valley including one extension counter and eleven branches outside of valley including 3 extension counters.

Table No. 1.2

Branches of Standard Chartered Bank

S.No	Branch	Zone
1	Naya Baneshwor Branch, Kathmandu	Bagmati
2	Lazimpat Branch , Kathmandu	Bagmati
3	Jawalakhel Branch, Lalitpur	Bagmati
4	UN Counter, Lalitpur – Extension Counter	Bagmati
5	Lakeside Branch, Kaski	Gandaki
6	Biratnagar Branch, Biratnagar, Morang.	Mechi
7	Hetauda Branch, Hetauda, Makawanpur	Narayani
8	Bhairahawa Branch, Bhairahawa	Lumbini
9	Dharan Branch, Dharan	Mechi
10	Butwal Branch, Butwal, Rupandhehi	Lumbini
11	Nepalgunj Branch, Nepalgunj, Banke	Rapti
12	BP Koirala Medical College - Dharan - Extension Counter	Mechi
13	British Gurkhas PPO - Pokhara, Kaski - Extension Counter	Gandaki
14	New Road Branch, Kathmandu	Bagmati
15	Manipal Counter – Pokhara, Kaski – Extension Counter	Gandaki

Sources: Standard Chartered Bank Nepal Limited

1.4.1 The Bank's Vision

Standard Chartered Bank Limited holds a vision to become a Leading Bank of the Country by providing premium products and services to the customers, thus ensuring attractive and substantial returns to the stakeholders of the Bank.

1.4.2 The Bank's Mission

Through the application of using core skills, services and talent, Standard Chartered Bank wants to make positive contribution to the society. The strategy of Standard Chartered Bank is to sustain in the rapidly changing world and increasing the stakeholder's needs. The standard Chartered Bank wants to be a Market Leader.

1.4.3 Goals and Objectives of Standard Chartered Bank

To become the bank of first choice is the main objective of the Standard Chartered Bank with a vision of becoming a Leading Bank of the Country by providing premium products and services to the customers, thus ensuring attractive and substantial returns to the stakeholders of the bank.

- The bank strives to provide modern and efficient and personalized banking facilities within the country of its customers.
- The bank also aspires to develop new and modern banking system and technology to provide market oriented facilities and services to its valued customers.
- The management and staffs of the bank are committed to innovate and introduce new products in the market in order to provide maximum benefits to its valued customers.
- To develop life long relationship with clients and achieve profitability through customer oriented service and customer satisfaction**.**

1.5 Statement of the Problem

Since the joint ventures banks, financial companies and about dozens of rural banks and corporate societies have been established gradually because of the liberal and market oriented economic policy of the Nepal Government. In short span of time, bank has brewed new competitive scenario and has posed a challenge to the monopolistic bank which are making attractive profits. In the change scenario this bank needs to explore its strengths and weaknesses and improve its performance because its success depends upon its ability to boost the productivity and financial performance. Thus this study seeks efficiency and weakness of bank through different tools. This study basically focuses our attention to reveal the struggle and success achieved by Standard Chartered Bank Nepal Limited. Though, joint venture banks have been successfully operating and contributed significantly to the overall economic development of the country, the study of financial performance is basic process which provides information about profitability, liquidity position earning capacity, efficiency in operation, credit worthiness, source and use of capital, financial achievement and status of bank.

The information obtained can be used to measure the efficiency and effectiveness of the bank in respect of deploying financial resources in the profitable manner. Yet they are not free from problems that need to be resolved for improving their performance. In Nepal, profitability rate, operating expenses, dividend distribution among shareholders have been found inconsistent.

While assessing the financial health of the company, answers to the questions relating to the company’s profitability, assets utilization, and liquidity financing capabilities may be sought. A number of questions go beyond the scope of ratio analysis. They however need to be answered while assessing the financial health of the company.

The following issues are to be dealt for the purpose of this study:

1. What are the major factors effecting the financial performance of Standard Chartered Bank?
2. What is its financial position?
3. How far Standard Chartered Bank has been able to meet its current obligation when they become due?
4. How far Standard Chartered Bank is able to meet its short term as well as long term obligations to its customers?

1.6 Objectives of the Study

This project report is led to examine the application of financial performance concept of Standard Chartered Bank to analyze the financial activities followed by the organization is sufficient or not to generate profit. My effort in this study is also to find out exact financial performance of the Standard Chartered Bank over five years period.

To fulfill these objectives followings are the sub objectives-

1. To study about the present position of the Standard Chartered Bank.

2. To analyze the financial strengths and weaknesses of Standard Chartered Bank.
3. To analyze the financial performance of Standard Chartered Bank .

1.7 Limitation of the Study

Despite many efforts on the part of the researcher, this study is also not free from limitations. The major limitations of this study will be:

1. The study covers only the latest five fiscal years form 2002/03 to 2006/2007.
2. The study has mainly been conducted on the basis of secondary data such as annual reports of Standard Chartered Bank and other related journals, books and magazines that are provided by the organization.
3. Among various commercial banks, this study was confined to evaluate Financial Performance of Standard Chartered Bank only.
4. The accuracy of the research work will be dependent on data provided by concerned organization.
5. Time factor is major limitation of this study.

1.8 Significance of the Study

Financial analysis is the process of identifying the financial strengths and weaknesses of the firm by properly establishing relationships between the items of the financial statements. The goal of such analysis is to determine the efficiency and performance of the firm's Management as reflected in the financial records and reports. The analyst is attempting to measure the firm's liquidity, profitability, and other indications that business is conducted in a rational and orderly way. Every study has its own importance and significance. In the present competitive position of bank scenario effect on performance and profitability position, provide quality information, ranks accordance to their performance as become more essential for the Management of Banks, Customers, Shareholders, General Public, Lenders and Borrowers, Policy Makers, and other Stakeholders of the Standard Chartered Bank. Therefore, this study has also some multidimensional significance to the concerned parties for decision - making. Different this study can be of great significance to the external parties of the bank. Trade creditors can examine the firm's liquidity position. They are interested in bank's ability to meet their claims over a very short period of time. Suppliers of long-term debt are concerned with the bank's long-term solvency and survival. They can analyze the profitability of the bank. Investors, who have invested their money in the bank's shares, are most concerned about the firm's earnings.

So this study can provide them with the bank's earnings ability. It will be helpful to the management to analyze its strengths and weaknesses. It is their overall responsibility to see that the resources of the bank are used most effectively and efficiently, and that the bank's financial condition is sound. Apart from them; it will be helpful to government, stockbrokers, academicians, general public, policy formulators, labor leaders, etc. It will help also as a literate for the further study about the relating topics of financial performance .Similarly; the firm would follow the suggestions of the study to make their policy and strategy more practical and scientific.

Basically, related management and owners in order to analyze there strong & week points, major findings and recommendations of this study gives new ideas of their management to improve their performance. They also know their position with competition with regards profit, capital, loan, investment etc. The study also compels the management of respective banks for self-assessment of what they have done in the past and guides them in their future plans and programs.

1.9 Organization of the Study

The study is divided into following five different chapters:

Chapter 1: Introduction

This chapter 1 deals with the introduction that includes Background of the study, Origin of Banking system, Development of Banking Industry in Nepal, Brief Profile of Standard Chartered Bank, Statement of the Problem, Objectives of the study, Limitations of the study, Significance of the study.

Chapter 2: Review of Literature

The chapter 2 is the "Review of Literature". In the conceptual framework: commercial banks, Joint ventures Banks and Financial Statement Analysis have been defined. The review of the related study has been done with their objectives and findings. Similarly different articles and books are reviewed and Nepalese legislation and regulation relating to banking activities are also reviewed.

Chapter 3: Research Methodology

Third chapter explains the research methodology used in the study, which includes research designs, population and samples, data collection procedures, methods of data analysis and methods of data presentation.

Chapter 4: Data Presentation and Analysis

Fourth Chapter is the heart of the study and in this part data have been systematically presented, analyzed and interpreted. Various financial and statistical techniques have been used to analyze and interpret the data i. e. Coefficient of correlation of different variables and trend lines.

Chapter 5: Summary, Conclusions, Recommendations & Findings

Fifth or last chapter revolves with suggestions, which include the summary of main findings, recommendations and suggestions for further improvement and conclusions of the study.

CHAPTER-II

REVIEW OF LITERATURE

2.1 Conceptual / Theoretical Review

Review of Literature the study of concepts and a crucial aspect of planning of study i.e. developed in the area of same kind of research. This chapter highlights upon the existing literature and research studies about the related financial performance of different concepts. Most of the studies are of comparative type between two commercial banks in Nepal. But this study is exclusively of Standard Chartered Bank Nepal Limited regarding its financial performance of last five years.

2.1.1 Concept of Financial Performance Analysis

Financial performance analysis is a study of relationship among the various financial factors to pinpoint the strengths and weaknesses of a firm in order to forecast the prospects for future earnings. In the recent time, financial performance analysis has played an increasing important role as a tool for examining the real worth of a going concern which is one of the important Fundamental Accounting Assumption.

Financial performance analysis determines the solvency of a business concern and the measure of efficiency of operation as compared to similar concerns. The analysis reveals how far the dream and ambition of the top management have been converted into reality during each financial year. The analysis being the technique of X-raying the financial position as well as the progress of a concern enables managers and investors to take decisions that will affect the company’s future.

"Financial Statement analysis is largely a statement of relationship among the various financial factors in business as disclosed by the single set of statements and study of the trend of these factors as shown in a series of Statements" (Myer;1974:102).

"Financial analysis is the process of Selection, Relation and Evaluation" (Meigs;1978:1006).

In financial analysis, ratios are widely used. Ratios are also suitably classified in accordance with the purposes of use. Before taking up the usefulness, let us see what is meant by the financial ratios. A ratio is calculated using at least one financial variable.

"The profit earned by the firm is the main financial performance indicator of business enterprises. Profit results mainly from successful business management, cost control, credit risk management and successful efficiency of operation" (Robbinson;1957:124).

Profit earned by the company is also affected by inflation and government policies regarding interest rates, direct lending and investment, taxes and labor laws etc. Profit is essential for enterprises to serve and grow and to maintain capital adequacy through profit relation. It is also essential to access market for both debt and equity and to provide funds for increasing assistance to the productive sector.

Liquidity refers to the ability to pay one’s hands on cash when it is needed, without having to sell long term assets at a less in an unfavorable market. Enough liquidity is needed to honor cheques and to enable to make profitable loans when an opportunity arises. Bank must maintain adequate liquidity to meet a wide range of contingencies. If a bank fails to maintain adequate liquidity, it faces different kinds of financial problems. On the other hand, if it maintains excess liquidity it is not good for the business. Excess liquidity leads banks towards decreasing trends.

So a bank must maintain adequate liquidity on its liquid properties such as cash in hand, cash in reserve bank, investment on gold and other liquid properties. A bank must maintain adequate cash and bank balance to meet day-to-day cash expenses. It measures the extent to which it can oblige its short-term obligation. The central bank of any country determines the percentage for maintaining the Liquidity Position.

A firm must have adequate equity capital in their capital structure in order to call a solvent firm. If a bank fails to maintain adequate equity capital then it makes the bank more risky. Inadequate capital makes more debt, which has fixed cost, if firm fails to earn revenue and fails to pay fixed interest charges then the firm will be insolvent. On the other hand, less use of debt reduces the shareholder's profit because the cost of debt is always less than cost of the capital.

Long term creditors like debenture holders are more concerned with the firm's long term financial strength and solvency. So while evaluating the financial performance, solvency is widely used which measure the funds supplied by the owners and creditors. Business of the bank is mainly resource mobilization. Banks must have utilized its resources properly. If a bank fails to collect deposits then it curtails profitable opportunity and if it fails to utilize its collected resources then it can’t earn revenue. Resource mobilization of a bank includes resources collection, investment portfolio, loans and adequacy. It measures the extent to which bank is successful to utilize its resources.

"Financial performance decision plays a vital role to increase the profitability by analyzing the past performance and efficiency of a firm from accounting data and financial statements. The profit earned by the firm is the main financial indicator of business enterprises. Profit is essential for an enterprise to survive, grow and to maintain capital adequacy through profit retention. The profit can’t solely predict the financial performance of the firm. Thus, financial performance is the starting point for making plans deforming using any sophisticated forecasting and budgeting procedures" (Pandey;1995:189).

Financial analysis identifies the financial strengths and weaknesses of the firm with the help of basis financial statements. For these purposes, ratios help the analysts to make qualified judgments about the firm’s financial positioned performances.

"Ratio Analysis involves the Methods of Calculating and Interpreting Financial Ratios to Assess the Firm's Performance & Status" (Gitman;1988:768).

"Ratio Analysis is the powerful tool of financial analysis. A ratio is designed as the Indicated Quotient of Two Mathematical Expressions and as the Relationship between Two or More Variables. In the Financial Analysis, a ratio is used as a benchmark for evaluating the Financial Positions & Performances of the Firms"(Pandey:1995:17).

"Ratio may also be judged in comparison with those of similar firms in the same line of business and when appropriate with an industry average. From empirical testing in the recent years, it appears that financial ratios can be used successfully to predict certain events, bankruptcy in particular. With this testing, financial ratio analysis has become more scientific & objectivity than ever before" (Van Horne;1999:124).

Financial statement analyzes the techniques used by various groups like Creditors, Shareholders, Potential Investors, Management, Government and so on. Financial Statements reflect firm's overall performance as well as its future growth and solvency, thus the analysis of financial statements is crucial.

"Unlike other non-bank financial companies, commercial banks do not produce and sell physical goods. They produce loans and financial innovations to facilitate trade transactions because of special role they play in the economy, they are heavily regulated by the concerned authorities. Analysis of bank's financial statements is different from that of other companies due to the special nature of assets and liabilities structure of banking industries" (Poudel;1997:46).

Financial statements are usually analyzed with the help of financial tools and financial ratios which are out of the primary tools. The term ratio refers to the numerical and quantitative relationship between two variables. Important ratios can be calculated from the balance sheet and profit and loss account. Balance sheet is the state of affairs of an entity as at the balance sheet date. Profit and loss account on the other hand shows the financial position (profit or loss) during that period. Ratio analysis is relevant in assessing the performance and position of firms. Various ratios are used for this purpose.

Financial statement analysis is a study of relationship among the various financial factors in a business as discussed by a single set of statements and study of the trends of these factors as shown by the series of statements by establishing a strategic relationship between the items of balance sheet and income statements and other operating data. The financial analysis (as it is simply called) unveils the measuring and significances of such items.

"Financial analysis involves the use of various financial statements- the first is the balance sheet which represents a snapshot of the firms financial position at a movement in time and next is the income statement that depicts a summary of the firms profitability over time"(Van Horne & Wachowicz;1997:1245).

Analysis and interpretation of financial statements are an attempt to determine the financial performance of any organization so that forecasts may be made of the prospects for future earnings, ability to pay interests, debt maturity and probability of a sound dividend policy.

"It is also the analytical and judgmental process that helps answer questions that have been posed. Therefore it is means to end. Apart of the specific analytical answer the solutions to financial problems and issue depend significantly on the views of the parties involved in related issues and on the nature and ratability of the information available" (Helfert;1992:55).

"With respect to the problems identified from the analysis, pertinent care should be made to distinguish between the cause and symptom of problem" (Hampton;1998:46).

"Through the application of analytical tools profitability and financial health of a concern is evaluated in a proper, critical and scientific manner". (Jain, 1996:36)

Financial performance analysis is helpful in assessing the financial position and profitability of a business concern. The analysis of financial statements thus refers to the treatment of the information contained in the financial statement in a way so as to afford full diagnosis of the profitability and financial position. Financial performance analysis is helpful to the decision maker for finding out favorable situation of a business concern. Therefore financial analyses reflect the financial position of a firm, which is the process of determining the operational and financial characteristics of a firm.

2.1.2 Financial Performance Analysis of Bank

Balance Sheet, Profit and Loss Account, Cash Flow Statement and the accompanying notes are the most important aspects of financial statements of the banks. The bank's balance sheet is composed of financial claims as liabilities in the form of deposits and as assets in the form of loans. Fixed assets proportion on total assets is generally low in the case of each bank. Financial innovations, which are generally contingent in nature are considered as off balance sheet items. Interest received on loans and advances and investment and paid on deposit liabilities are major components of bank's profit and loss account. The other sources of incomes are fees, commissions, discounts, service charges, etc.

"Traditionally, banks act as financial intermediaries to channel funds from excess units. Unlike the other non-bank financial companies, commercial banks do not produce any physical goods. They produce loans and financial innovations to facilitate trade transactions. Because of special role they play in the economy, concerned authority heavily regulate them. Analysis of banks financial statements is different from that of other companies due to the special nature of assets and liabilities" (Poudel;1997:16).

The users of financial statements of banks are relevant and reliable with comparative information to evaluate the financial performance and position of banks and hence to make economic decisions. Commercial Bank Act 1994 requires the audited balance sheet and profit and loss account to be published in leading newspaper for the information of the general public.

Most of the users of financial statements are interested in assessing the bank's overall performance. Following factors affect the evaluation of bank's overall performances which are structure of balance sheet and profit and loss account, operating efficiency and internal management system. Managerial decision is taken by the top management regarding interest rates, lending policies, exchange rates and environmental changes such as changes in technology, government, competition, economy, etc.

Ratio analysis is one of the most frequently used tool to evaluate the financial health, operating result and growth of the banks. Financial ratios themselves do not indicate position of the institution. A standard or norm is needed to judge them. As loans account a substantial portion of bank's total assets, poor quality of loans would subject bank to a higher risk of default or nonpayment. Classifying total loans and advances into performing assets and non-performing category can assess the quality of loan of a bank. In our context commercial banks are required to classify their total loans portfolio into different categories. The basis of classification is aging, overdue, repayment position, and quality of collateral and financial position of borrowers. Capital adequacy of the bank is assessed on the basis of risk-weighted assets. It indicates bank’s financial strength and solvency. Bank facing capital adequacy problem may increase the capital and reduce the existing assets structure in ordered to maintain the desired level of capital base. Liquidity is measured by the speed with which bank’s assets can be converted into cash to meet deposits withdrawal and other current obligations. A bank is subject to minimum cash reserve requirement imposed by central bank to ensure that minimum accounts of total assets are held in liquid from to meet unexpected withdrawal.

2.1.3 Concept of Financial Statement

In the beginning of civilization, the number of business transactions had taken a very small place. Each businessman was able to record and check business transactions himself. After the increment of business transactions, the need of accounting system increased. With the help of financial statement, every businessman could show actual business condition to the different parties.

"Financial statements systematically contain summarized information of the firm’s financial affairs. Top management needs financial statements to see actual financial situation of the firm to the owners, creditors and the general public. Balance Sheet and Income Statement are used to assist in decision-making. Balance Sheet and Profit & Loss account are the traditional basic financial statements of business. Financial statement contains summarized information of firm's financial affairs organized and systematically, they are meant to represent the firm’s financial situation to user" (Pandey;1993:28).

These statements provide reliable financial information about economic resources and obligations of business enterprises.

"The term financial statements used by itself without qualification usually refuse three principle statements. The balance sheet, the income statement and a statement of changes in equity and changes in the ownership accounts" (Kereps and Gee;1974:348).

Thus, we can say that financial statements communicate information to the different parties. It is a source of information relating to a firm.

"The financial statements represent summaries of the financial and operating data entered in the accounting records, re- stated in monetary units. These monetary units do not generally represent current absolute values" (Kennedy;1974:560).

"Financial statement contains Balance Sheet and Profit and Loss Account. Every balance sheet and profit and loss account of a company shall give a true and fair view of the state of affairs of the company and further, the balance sheet shall be in the form set out as near thereto as circumstances admit or in such other form as may be approved by the central government either generally or in any particular case. Banking sector, which is governed by special statutes, have different forms prescribed for the profit and loss account and the balance sheet under the respective statutes" (Gupta and Radaswami;1998:735).

Brigham viewed the financial statements as an accounting picture of the firm's operations and financial position. Evidently financial statements consist of income statement and balance sheet.

Balance Sheet

Balance sheet presents the position of company’s assets, liabilities and shareholder’s equity at a particular date. The liabilities indicate the amount owned by the firm to its creditors. It represents summary of the financial and operating data entered in the accounting records, which are stated in the monetary units.

"A balance sheet is a treatment showing the nature and amounts of all debts owned by the firm and the amount of equity of owners in the assets of the business. Balance sheet contains information about resources and obligations of a business entity and about the owner’s interest in the business at a particular point of time" (Pandey;1993:55).

We can say that the balance sheet shows the assets owned by the business and the sources of funds (form creditors and owners) used in acquiring the assets.

Income Statement or Profit and Loss Account

"The earning capacity and potential of the firm are reflected by the income statement. Income statement presents the summary of revenues, expenses and net income or net loss of a firm for a period of time, which measures the firm’s profitability, statement of income, and statement of loss. A profit and loss statement (also known as earnings or a statement of operations) is a statement sharing over a specified and limited period of the life of a business, the nature and amount of all its income for the period and the nature and amount of all its operating costs and expenses" (Kereps & Gee;1974:418).

"The Profit and Loss Account starts with the credit from the Trading Account in respect of gross profit (or debit if there is gross loss). Thereafter, all those expenses or losses, which have not been debited to the Trading Account, are debited to the Profit & Loss Account. It there is any income besides the gross profit; it will also be transferred to the credit of the Profit and Loss Account" (Shukla and Grewal;1990:678).

In conclusion, we can say that profit and loss statement shows the net income or net loss resulting form the operation of business during a specific period of time.

2.1.4 Feature of Financial Performance Analysis

The performance report should be:

1. Tailored to the organizational structure and locus of controllability (that is, by responsibility center).
2. Designed to implement the management-by-exception principle.
3. Repetitive and related to short time periods.
4. Adapted to the requirements of the primary users.
5. Simple, understandable, and report only essential information.
6. Accurate and designed to pinpoint significant distinctions.
7. Prepared and presented promptly.
8. Constructive in tone. (Welsch, Hiltnand Gordan;1992:1255)

2.1.5 Purposes of Financial Performance Analysis

"Financial analysis is helpful in assessing the financial position and profitability of a concern. This is done through compression by ratio for the same concern over a period of years; or for one concern against another; or for one concern against the industry as a whole; or for one concern against the predetermined standards; or for one department of a concern against another of the same concern. In short, the main objectives of analysis of financial statements are to assess:

1. The present and future earning capacity or profitability of the concern.
2. The operational efficiency of the concern as a whole and of its various parts and departments.
3. The short term and long term solvency of the concern for the benefit of the debenture holders and trade creditors.
4. The comparative study in regard to one firm with another firm or one department to another department.
5. The possibility of development in the future by making forecast and preparing budgets
6. The financial stability of a business concern.
7. The real meaning and significance of financial data.
8. The long term liquidity of its funds". (Jain and Narayan;1989:348)

2.1.6 Uses of Financial Performance Analysis

Jain and Narayan (1989), **"Information given in the financial statement is very useful to a number of parties and they are:**

- ***Owners:*** Owners provide funds for the operation of the business and they want to know whether their funds are being properly utilized or not. The financial statements prepared from time to time satisfy their curiosity.
- ***Creditors:*** Creditors want to know the financial position of a concern before giving loans or granting credit. The financial statement helps them in judging such position.
- ***Investors:*** Prospective investors, who want to invest money in a firm would like to make an analysis of the financial statements of that firm to know how safe their proposed investment will be.

- ***Employees:*** Employees are interested in the financial position of the concern they serve, particularly when payment of bonus depends upon the size of the profits earned. They would like to know that the bonus being paid to them is correct; so they become interested in the preparation of correct profit and loss account.
- ***Government:*** Central and state governments are interested in the financial statements because they reflect the earning for a particular period for the purpose of taxation.
- ***Research Scholars:*** The financial statements, being a mirror of the financial position of the firm are of immense value to the research scholars who want to make study in the financial operation of a particular firm.
- ***Consumers:*** Customers are interested in the establishment of goods accounting control so that cost of production may be reduced with the resultant reduction of the prices of goods they buy.
- ***Managers:*** Management is the art of getting things done through others. This requires the subordinates to do the work properly. Financial statements are an aid in this respect because they serve the managers in appraising the performance of the subordinates. Actual result achieved by the employees can be measured against the budgeted performance they were expected to achieve and remedial action can be taken if the performance is not up to the mark".

2.1.7 Limitation of Financial Performance Analysis

- ***Interim and not final reports**:* Financial statement does not depict the exact position and are essentially interim reports. The exact position can be only known if the business is closed.
- ***Lack of precision and definiteness**:* Financial statements may not be realistic because they are prepared by following certain concepts and

conventions. For example; going concern concept gives us an idea that the business will continue and assets are to be recorded at cost but the book value which the assets is showing may not be actually reliable.

- ***Lack of objective judgment:*** Financial statements are influenced by the personal judgment of the accountant. He may select any method of depreciation, valuation of stock, etc. Such judgment if based on integrity and competency of the accountant will definitely affect the preparation of the financial statements.
- ***Records only monetary facts:*** Financial statements disclose only monetary facts. Those transactions which can't be measured in monetary terms such as conflict between production manager and marketing managers may be very important for a business concern but not recorded in the business book.
- ***Historical in nature***: These statements are drawn after the actual happening of the events. They attempt to present a view of the past performance and have nothing to do with the accounting for the future. Modern management is forward looking but these statements do not directly help in making future estimates and taking decisions for the future.
- ***Artificial view:*** These statements do not give a real and correct report about the worth of the assets and their loss of value as these are shown on the historical cost basis. Thus these statements provide artificial view in market or replacement value and the effect of the changes in the price level are completely ignored.
- ***Scope of manipulation:*** These statements are sometimes prepared according to the needs of the situation or the whims of the management. A highly efficient concern may cancel its real profitability by disclosing loss or minimum profit whereas an efficient concern may declare dividend wrongly showing profit in the profit and loss account.

- ***Inadequate information**:* There are many parties interested in the information given by the financial statements but their objectives and requirements differ. The financial statements as prepared under the provision of the company act fail to meet the needs of all. These are mainly prepared to safeguard the interest of shareholders.

2.2 Review of Related Studies

Reviews related to various journals, magazines, articles and past thesis can be made which provide guidelines to the thesis under study. Some of these reviews are as follows:

2.2.1 Review of Journals/ Magazines

ACAN Newsletter (Dec-2001:45), The elements directly related to the measurement of financial position are assets, liabilities and equity. An asset is a resource controlled by the enterprise as a result of past events and forms from which future economic benefits are expected to flow to the enterprise. A liability is a present obligation of the enterprise arising from past events, the settlement of which is expected to result in an outflow from the enterprise of resources embodying economic benefits. Equity is the residual interest in the assets of the enterprise after deducting all its liabilities.

ACAN Newsletter (Dec-2001:49), Profit is frequently used as a measure of performance or as a basis for other measures such as return on investment or earnings per share. Elements directly related to the measurement of profit are incomes and expenses. The recognition and measurement of incomes and expenses, and hence profit, depends in part on the concept of capital and capital maintenance used by the enterprise in preparing its financial statement.

ACAN Newsletter (Dec-2001:41), The economic decisions that are taken by users of financial statements require an evaluation of the ability of an enterprise to generate cash and cash equivalents and of the timing and certainty of their generation. This ability ultimately determines the capacity of an enterprise to pay its employees and suppliers, meet interest payments, repay loans and make distributions to its owners. Users are better able to evaluate this ability to generate cash and cash equivalents if they are provided with information that focuses on the financial position, performance and changes in financial position of enterprises.

The economic resources it controls, its financial structure, its liquidity and solvency, and its capacity to adapt to changes in the environment in which it operates affect the financial position of an enterprise. Information about the economic resources controlled by the enterprise and its capacity in the past to modify these resources is useful in predicting the ability of the enterprise to generate cash and cash equivalents in the future. Information about financial structure is useful in predicting future borrowing needs and how future profits and cash flows will be distributed among those with an interest in the enterprise; it is also useful in predicting how successful the enterprise is likely to be in raising further finance. Information about liquidity and solvency is useful in predicting the ability of the enterprise to meet its financial commitments as they fall due.

Information about the performance of an enterprise, in particular its profitability, is required in order to assess the potential changes in the economic resources that it is likely to control in the future. Information about variability of performance is important in this respect. Information about performance is useful in predicting the capacity of the enterprise to generate cash flows from its existing resources base. It is also useful in forming judgments about the effectiveness with which the enterprise might employ additional resources.

Information concerning changes in the financial position if an enterprise is useful in order to assess its investing, financing and operating activities during the reporting period. This information is useful in providing the user with a basis to assess the ability of the enterprise to generate cash and cash equivalents and the needs of the enterprise to utilize those cash flows. In constructing a statement of changes in financial position, funds can be defined in various ways, such as all financial resources, working capital, liquid assets or cash. No attempt is made in this framework to specify a definition to funds.

Information about financial position is primarily provided in a balance sheet, information about performance is primarily provided in an income statement and information about the changes in financial position is provided in the financial statements by means of a cash flow statement.

The component parts of the financial statements interrelate because they reflect different aspects of the same transactions or other events. Although each statement provides information that is different from the other, none is likely to serve only single purpose or provide all the information necessary for particular needs of users. For example, an income statement provides an incomplete picture of performance unless it is used in conjunction with the balance sheet and the statement of changes in financial position.

2.2.2 Review of Related Articles

In addition to financial performance, various articles were published on financial aspect, which deals in the context of Nepalese commercial and joint venture banks. The major findings of the approaches used in those important articles are reviewed briefly.

B.B Bajracharya (1991), in his article *“Monetary Policy and Deposit Mobilization in Nepal”* has conducted that mobilization of domestic saving is one of the prime objective of monetary policy in Nepal and commercial banks are the most active financial intermediaries for generating resources in the form of deposit of private sectors and providing credit to the investors in different sectors of the economy.

Bista (1992), in his book *“Nepal Ma Adhunik Banking Bhyawastha”* has made an attempt to highlight some of the important factors, which have contributed to the efficiency, and performance of joint venture banks. He concluded that the establishment of joint venture banks a decade. The joint venture banks gave birth to many new banking techniques such as computerization, hypothecation, consortium finance and modern fee- based activities into the economy.

Chopra (1990), in his article, *“Role of foreign banks in Nepal”* concludes that Joint Venture Banks are already playing an increasing dynamic and vital role in the economic development of the country. This will undoubtedly increase with time.

Shrestha (1990), in his article *“Commercial Banks Comparative Performance Evaluation”*, concludes that Joint Venture Banks are now operationally more efficient, superior in performance compared with local banks. Better performance of Joint Venture Banks is due to their sophisticated technology, modern banking method, and skill. Their better performance is also due to the government’s banking policy in rural areas and financing public enterprises. Local banks are efficient in rural sector. Despite of having number of deficiencies, local banks have to face growing constraints of socio-economic. Political system on one hand spectrum that at issues and challenges of Joint Venture Banks commanding significant banking business on other spectrum.

Khatiwada (2002), in his article on Byavasthanpan Souvenirs Feb 2002, Management Association of Nepal "*Financial Sector Reforms and Corporate Governance in Nepal*" has concluded that good governance has become a major challenge to attain desired objectives of development plans and programmers; it has hindered the effective delivery of public goods; it has marred the health of financial institutions; and it has prevented the creation of a competitive market economy. That is, governance has become a problem in every spectrum of the economic and business activity. Good governance comes, among others, from rule of law, transparency and accountability, democratic institutions, devolution of power and authority, people's participation, and social mobilization. Not all of these elements are extremely necessary to ensure good corporate governance in the financial sector. An autonomous and able central bank with adequate legislative and regulatory mechanism, effective supervision, compliance to prudential norms, and adherence to the code of conduct and standards are sufficient to ensure it. The corporate governance measures, which are initiated in the process of banking and financial sector reform, are sufficient to ensure a healthy functioning of the financial system and providing efficient financial services. However, enforcement of the laws, regulations, and norms remains a challenge at the present state of business activities.

B.N. Rimal (1990), an article entitled "*Policy Issues and Development in Nepalese Banking System*" concludes that the central bank should instead drive for an approach towards indirect monetary control rather than loan on quantities individual bank ceiling. Indirect monetary policy through open market operation e.g. recent Treasury bill auction and opening up inter bank market and targeting broods financial variables like net foreign assets or for that matter net domestic assets should even out small instants in the banking system.

R.L. Shrestha (1998), an article entitled "*Capital Adequacy of Bank: the Nepalese Context"* has suggested banks, which deal in highly risky transactions to maintain strong capital base. He concludes that the capital base should neither be too much leading to inefficient allocation of scarce resources nor so weak so as to expose to extreme risk. The study accepts that the operations of banks and the degree of risk associated with them are subject to change country wise, bank wise and time period wise. Henceforth, the study recommends preparing standard capital adequacy ratios for each individual bank keeping in mind the various reason factors.

Sunil Chopra (1990), in his article *"Role of foreign banks in Nepal"* undoubtedly concluded that the Joint Venture Banks are playing an increasingly dynamic and vital role in the economic development of the country. That will undoubtedly increase with time. Further he added the existence of foreign joint venture banks has presented an environment of healthy competition among the existing commercial banks. The main beneficiary of this is the bank's client. The increased competition forces the existing banks to improve their quality and extend services by simplifying procedures and by training, motivating their own staff to respond to the new challenges.

2.2.3 Review of Past Thesis

Kadel (2001), a study entitled "*A Comparative Study on the Financial Performance of Nepal Grindlays Bank Limited and Himalayan Bank Limited"* is conducted with the following objectives:

1. To analyze the financial strengths and weaknesses of these two joint venture banks namely Nepal Grindlays Bank Limited and Himalayan Bank Limited.
2. To examine the financial performance.

3. To study the comparative financial position of the two joint ventures banks.
4. To provide a package of suggestions and possible guidelines to improve the banking business based on the findings of the study.

The major findings of the study are:

1. Short-term solvency position of both the banks is found below than normal throughout the study period. In the fiscal year 1998/1999, short term solvency position is seems better in NGBL than in HBL.
2. NGBL has better position in utilizing its properties of deposits as compared with HBL. Debt to total assets ratio of HBL is better than that of NGBL. NGBL is successful to generate more return on its shareholders fund than that of HBL.
3. Both the banks have been able to generate profit from deposits. But the rate of profitability is unsatisfactory.
4. It is better from investor's point of view in NGBL. Both the banks EPS is found in decreasing trend after 1996/97. NGBL seems much better in term of offering dividends to its shareholders as compared with HBL.
5. There is higher percentage earnings in HBL as compared to NGBL. Also operating and non-operating income of NGBL is higher than HBL.
6. Dividend payout ratio of NGBL is more than HBL from the view of shareholders. NGBL has reflected better scenarios although it has also retained a higher position of earnings on an average.

The prime objective of this study is to evaluate and assess the financial performance between the two Joint Venture Banks i.e. SCBNL and HBL. Thus, this study contains those methods convenient for comparison of *(Sameer Ghimire, The Kathmandu Post, 17th July 2003:01)* the performance made so far by these banks by analysing the strengths and weaknesses of the financial performance of this two Joint Venture Banks.

Luintel (2003), a study entitled *"A Study on Financial Performance of Nepal Bank Limited"* - An Unpublished Dissertation, SDC, is conducted to study the financial performance of NBL with the main objectives to evaluate the bank's efficiency to face the challenges and measure the comparative financial strengths and weaknesses and to analyze the bank's performance under priority sectors of government, to analyze income and expenditure and to provide suggestions and recommendations to the bank. These are the primary objectives of the study.

With the above objectives, the researcher concluded that, the NBL has not maintained a balanced ratio among its deposit liabilities during the last five years period. The bank is seemed to be unable to utilize its high cost resources in high yielding investment portfolio. Operating profit for some years has gone negative. The study period at an average shows negative net profit. The only positive aspect is, if risk can be managed, percentage of loans and advances on total deposits has increased. But due to the bank's failure in collecting earned interest and matured loans, it has suffered continuous loss. The net worth for some years is negative due to the heavy loss during the years. Long –term debts, total debts and total deposit ratios have gradually decreased. It indicates that bank has not followed any policy regarding these items. The bank has experienced negative EPS and P/E ratios which have also heavily fluctuated during the study periods. Thus, it can be said that the financial position of the NBL is worse due to its failure to utilize its resources efficiently and due to its inefficiency in risk management.

The main recommendations to the bank by the researcher are:

Books of accounts should be made up to date. It helps the bank to reduce the manipulation of accounts, gain the trust of customers and so on. For this computerized accounting system should be introduced in the technically favored branches.

While making any type of investment of loan should be seriously studied and the most important factor is securities against which loan is going to be provided should be valued fairly and properly.

The inspection and supervision aspects of the bank should be effective and functional.

The loans and advances department and the loans recovery department should also be target-oriented, i.e. after advancing loans, there should be regular supervision and follow up for the proper utilization of loan.

Due to the NBL being very large organization, there may be irregularities in various aspects on the side of staff. Hence, for effective performance, there should be provision of punishments and rewards among them which will certainly lead the bank towards better performance.

Joshi S. (2003), in her study entitled– *"A Study on Financial Performance Analysis of Nepal Investment Bank Ltd."* – An Unpublished Dissertation, SDC, evaluated the financial performance of Nepal Investment Bank Ltd. with the major objectives as: (i) to evaluate the overall financial position of NIB Ltd. (ii) To examine liquidity, profitability and ownership ratios (iii) To study the income and expenditure statements of the bank.

On the basis of various analysis, the researcher came out with the following conclusions:

The CR of the bank over the study period is 1.09 times on an average. Therefore, the liquidity position of NIBL is in normal standard. The cash and bank balance proportion with respect to the current asset is moderate since the average ratio is 10.17%. The result of the analysis indicates that the share of fixed deposit is high in the total deposit. Saving deposits stand midway between current and fixed deposits. The analysis indicates that the cash reserve at bank is more than required. Hence, in general the liquidity position of the bank is good enough to meet the short-term obligation. The debt –equity ratio of the bank is high, which means the creditors have invested more in the bank than the owners.

Interest earned in comparison to the assets is inadequate. Net profit earned in comparison to the total deposit is relatively low. The result of the analysis indicates that the net profit earned in comparison to the total assets is fluctuating. The profit earning in relation with the shareholder's equity of NIBL is better. In general, the profitability ratios of the bank indicate that the overall performance of the bank is effective in maximizing the wealth. The researcher also found that the turnover ratios of the bank indicate that it had utilized its resources in the best possible way to maximize its wealth. Because the bank had succeeded to utilize total deposit in profit generating purposes and the bank had mobilized its total deposits in loans and advances satisfactorily.

The researcher found that the EPS of the bank is quite good because though the EPS had fluctuated, its average stands 54.16 during the study period. The research showed the proportion of the earnings distributed to the shareholder per share is very low and they are being compensated very slowly. DPR of the bank is decreasing and very low. Overall she had found that the ownership ratio of the bank is not encouraging as it is in a decreasing trend.

Gupta B.P. (2003), in his study entitled *"Financial Performance Analysis of Everest Bank Limited"*, concluded with the basic objective of examining the financial statement of the bank and analyzed them to see the financial soundness of the bank. Other objectives are (i) to observe the return over the equity. (ii) to highlight the relationship between different variables (iii) to provide suggestions from findings. Based on the analysis of data his major findings are:

Liquidity ratio: It is found that the bank is able to maintain liquidity position to meet the daily cash requirement. It had made enough investment on government securities but less in risky assets i.e., Loans & Advances, overall it has indicated the unstable liquidity position as the data shown lower consistency.

Activity ratio: It is found that the bank has strong position regarding the mobilization of the total deposit on loans & advances but decreasing trend regarding the mobilization of total deposit as investment. The bank has average position towards the utilization of working fund on loans and advances.

Profitability ratio: The researcher concluded that return on equity is found unsatisfactory as it has not efficiently utilized its equity capital.
The ratio of total interest paid to working fund is satisfactory as it is decreasing of interest earned every year.

The ratio of total interest paid to working fund is in satisfactory position, as it seems to be successful to collect its working fund from less expensive source.

The bank seems to be successful to mobilize its interest bearing assets such as loans, advances and investment.

It is found analyzing return on total working fund ratio, the profitability with respect to financial resources, and investment of the bank assets is unsatisfactory as well as unstable.

Analyzing return on loans and advances ratio, it is found that the bank is not able to earn satisfactory income on loans and advances.

EPS revealed that the bank has very good increasing trend regarding EPS even though first two years show the static figure.

The researcher found that the trend analysis of deposits, net profit and loans & advances and EPS shows the increasing trend throughout the study period and the forecasting for next five years has also shown the increasing trend.

Darshandhari A. (2004), in his study entitled *"Financial Performance Analysis of Everest Bank Limited" - An Unpublished Dissertation"*, evaluated the financial performance of the bank with the major objectives as:
(1) To examine the financial statement of the bank (2) To analyze liquidity, turnover and profitability ratios of the bank (3)To evaluate the earning generating capacity of the bank. On the basis of analysis, the researcher came out with the following conclusions: The CR of the bank over the five years is 1.03 times on an average. It indicates that the margin for safety for customers has not been maintained satisfactorily. The average of the cash and bank balance to current assets ratio is 14.26 percent which indicates that the cash and bank balance proportion with respect to the current assets is moderate. The ratios for loans and advances to current assets revealed that more than 50 percent of current assets have been lent to the customers as loan and advances. The result of the analysis indicates that the share of fixed deposit is high in the total deposit which may be termed as favorable one from viewpoint of liquidity. Cash and bank balance has been maintained properly against anticipated calls of its depositors. Hence, in general the liquidity position of the bank is good enough to meet the short-term obligations.

Large amount of loans and advances are given out of total deposits. The fund mobilization of the bank has increased by but it may fail to recover the mobilized funds which as consequences push back the bank towards negative profit. The bank has not been able to invest a large amount of its deposit on various securities and projects averaging to 18.7 percent only as these investments bears less risk as compared to loans and advances. The average of loan and advance to fixed deposit ratio is 141.9 percent.

The researcher found that the operating efficiency of the bank is fair enough. Interest earned in comparison to total assets is not fair enough; this might be the reason that the bank has average operating profit. Interest paid to total assets is relatively low which is good from viewpoint of profitability. Net profit earned in comparison to the total assets and total deposit is relatively low. The bank has been earning 1.22 percent on its total assets during the study period. The researcher found that the EPS of the bank is quite good as its average stands at 30.1 during the study period.

Shakya (2001), a study entitled *"A Financial Performance Analysis of Joint Venture Banks in Nepal, A Comparative Study of Nepal Grindlays Bank Limited and Himalayan Bank Limited"* is conducted with the followings objectives:

1. To analysis the present position of the two joint venture banks.
2. To analyze the profitability and liquidity position of the two banks.
3. To provide a package of suggestions to improve banking business based on the findings of the study.
4. The major findings of the study are:
5. The mean interest coverage ratio for NGBL is greater than HBL. It is 1.29 times for NGBL and 0.57 times for HBL. It reveals that NGBL's interest charge is covered by EBIT that will be paid as 1.29 times. From the viewpoint of investor, NGBL's ability to handle fixed charged liabilities is better than HBL.
6. The main ratio of earning per share and dividend per share of NGBL is significantly greater than that of HBL and the variability of the ratio of

NGBL is also more homogeneous than that of HBL. This implies that NGBL's profitability of common shareholder's investment is better than that of HBL.

Adhikari (2002), another study on the *"A Study on the Financial Performance Analysis of Standard Chartered Bank Limited"* is conducted with the followings objectives:

1. To measure liquidity, leverage, activity, profitability and ownership ratios of the banks.
2. To know the incomes and expenditures of the bank.
3. To analyze the bankruptcy score of the bank.
4. To provide a package of suggestions and possible guidelines to improve the performance of SCBNL based on the findings of analysis.
5. The major findings of the study are as follows:
6. SCBNL has the highest current ratio of 1.26 in 1999/00 and the lowest current ratio of 1.06 in 1992/93 with an average current ratio of 1.14 during the study period 1991-2001. The current ratio analysis of the bank over the ten years period indicates that the bank is able to meet its short term obligations and has sound liquidity position.
7. The loans and advances disbursement with respect to the current assets is fluctuating. Also the cash and bank balance proportions with respect to the current assets is in decreasing trend.
8. The share of fixed deposits is low in the total deposits. The low share of fixed deposit in the total deposit shows that it is in decreasing trend. The share of saving deposits is higher than the fixed deposits in the total deposits. This means the main investment sources of SCBNL are the saving deposit, which are the lowest interest bearing sources of deposits.
9. The bank is mobilizing its total deposits in loans and advances satisfactory. The bank has better mobilizations of its saving deposits in loans and

advances for income generating purposes. The analysis also indicates that the bank has the high debt equity ratio.

10. The shareholders stake in the bank is very low. The creditors have dominated in the bank's financial mix. Net profit earned in comparison to the total deposits is in increasing trend. The profit earning in relation with the shareholder equity of SCBNL is in better position.

Statistical and financial tools have been used to analyze the data. Financial Ratio Analysis, Incomes and Expenses Analysis, Bankruptcy Score are used in analysis of the study.

Bhandari (2001), a study on the *“A Comparative Study on Financial Performance Analysis of NBL and NGBL’’* is conducted with the followings objectives:

1. To examine relative financial performance of banks.
2. To evaluate effectiveness of monitoring and collecting policies of banks.
3. To offer a package of suggestions to improve the financial performance of banks.

The major findings of the study are as follows.

1. Liquidity position of both the banks is adequate to meet the short-term obligations.
2. Total investments to total deposits ratio of NGBL is better than NBL.
3. Turnover ratio of NGBL is better than NBL.
4. Profitability of NGBL is satisfactory than NBL.
5. Operating Expenses of NBL is greater than that of NGBL.

Paudel (2001), a study conducted on the *“A Comparative Study on Financial Performance Analysis of NABIL and NGBL"* has got the followings objectives:

1. To calculate necessary financial ratios.

2. To compare the same type of ratios between NABIL and NGBL during the study period.
3. To find out the discrepancies if any.
4. To offer a package of suggestions to improve their financial performance.

The major findings of the study are as follows.

1. Both the banks should be serious about unsatisfactory liquidity. NGBL should be more serious.
2. Both the banks should maintain to improve mix of debt and owner's equity.
3. Both the banks are unable to earn satisfactory level of profits.
4. Both the banks must be accessible to all the customers.

Gurung (1996), another study entitled *"A Financial Performance Analysis of Joint Venture Banks in Nepal: A Comparative Study of NGBL and NIBL"* concluded that the liquidity position of NGBL is below normal standard i.e. current ratio of 2:1 indicates unsatisfactory position. The bank is efficient in utilizing most of its total assets. Profitability of the bank has been in the increasing trend but yet to be fully satisfactory. The capital structure of the bank is extremely leveraged. The bank has maintained sound capital adequacy ratio as directed by the central bank i.e. Nepal Rastra Bank.

Lamsal (1997), a Study on *"Comparative Financial Performance Analysis of HBL and NGBL"* has concluded that liquidity position of both the banks is fluctuating and is not satisfactory. So the banks are suggested to keep the reasonable amount of liquidity so the banks maintain their short-term solvency position. HBL is recommended to raise its amount of shareholder's fund for maintaining proper capital adequacy position. Whereas it would be better for NGBL to maintain it's present position. Profitability position of NGBL is comparatively better than the same of HBL. So, HBL is recommended to utilize its resources more efficiently for generating more profit margins.

Amatya S. (2005), conducted on the, *"A Study on Financial Performance Analysis of Standard Chartered Bank Ltd."*, concluded with the objective of examining the financial performance of SCBNL as:

1. Analyzing the liquidity, leverage, activity, profitability and ownership ratios of the bank.
2. Studying the income and expenditure statement of the bank.
3. Analyzing the bankruptcy score of the bank.

Based on the analysis of data, his major findings are-

Liquidity Ratio: The current ratio of the bank over the ten years period is 1.13 on an average. The liquidity position in terms of current ratio of SCBNL is in normal standard .The loans and advances disbursement with respect to the current assets is satisfactory. The bank is maintaining its cash reserve as per the central bank directives. The bank investment of the fund is high. Overall the liquidity position of SCBNL is good and bank is able to meet its short term obligations.

Activity ratio: The bank is mobilizing its total deposit in loans and advances satisfactorily for income generating purpose .The activity ratio of the SCBNL indicates that the bank has utilized its resources in a best way to maximize its wealth.

Leverage ratio: The bank has high debt-equity ratio, which means the creditors have invested more in bank than owners. Shareholder's equity to total assets ratio indicates the proportion of the assets, which is financed from ownership capital of the bank. The result of the analysis indicates that 7.26% of the total assets of the bank are financed through equity capital and remaining from debt capital. The creditors have dominated in the bank's financial mix.

Profitability ratio: The result of the analysis indicates that the interest earned in comparison to the assets is quite low. The net profit earned in comparison to the total deposit is in fluctuating trend. The net profit earned in comparison to total assets is quite low. The profit earning in relation with the shareholders equity of SCBNL is in better position, which exhibits the better utilization of shareholders' resources. The profitability ratio analysis of SCBNL the overall performance of the bank is effective in generating the profit and hence maximizing its wealth.

Ownership ratio: The earning per-share of SCBNL is quite good .The dividend per-share of SCBNL is satisfactory and the shareholders are being compensated with good return and the bank's dividend payout ratio is high.

Income and Expenditure: The bank is generating maximum profit from the interest earning and foreign exchange. The bank is earning profit from commission and discount by providing efficient and effective services to its clients. The bank's expenditure heads are interest paid, personnel and other operating and non operating expenses. The high rate of expenditure in interest indicates the bank had collected more deposits.

Bankruptcy score: The bankruptcy score of the bank concludes that the bank has crossed the limit of bankruptcy score of 2.99 and it can be predicted that there is very remote chance of failure of the bank.

2.3 Research Gap

The purpose of this research is to develop some expertise in one’s area, to see what new contributions can be made and to receive some ideas, knowledge and suggestions in relation to financial performance of Standard Chartered Bank Nepal Limited. Thus, the previous studies cannot be ignored because they provide the foundation to the present study. In other words, there has to be continuity in research. This continuity in research is ensured by linking the present study with the past research studies. This is how research gap will be fulfilled. To complete this research work: many books, journals, articles and various published and unpublished dissertation are followed as guidelines to make the research easier and smooth. In this regard, here we are going to analyze the different procedures of financial performance, which is considered only on Standard Chartered bank Nepal Limited. Our main research problem is to analyze whether the Standard Chartered Bank Nepal Limited has the right level of profitability and liquidity as well as is it able to utilize its resources effectively or not. To achieve this main objective, various financial and statistical tools are used. Therefore, this study is expected to be useful to the concerned banks as well as to the different persons; such as shareholders, investors, policy makers, stockbrokers, state of government, etc.

CHAPTER - III

RESEARCH METHODOLOGY

Research methodology is a way to systematically solve the research problem. It refers to the various sequential steps that are to be adopted by a researcher during the course of studying a problem with certain objectives.

Research means to research the problem again and again to find out something more about the problem. And methodology is the research method used to collect, analyze and interpret facts and figures. The prime objective of this study is to comparatively evaluate and assess the Financial Performance of Standard Chartered Bank Nepal Limited. Thus, this chapter contains those methods that make easy to compress the performances made. This topic is concerned with analyzing the strengths and weaknesses of the financial performance of SCBNL.

3.1 Research Design

A plan of study or blue print for study that presents a series of guideposts to enable the researcher to progress in the right direction in order to achieve the goal is called a research design or strategy (Joshi, 2001:12).

This study follows descriptive, analytical, and exploratory research design. This research design is a plan to obtain the answers of research questions through analysis of data. The study design of this project is a comparative examination and evaluation of financial performance of SCBNL. This study is closely related with the various financial elements of the selected banks which is very useful to analyze and evaluate their financial position.

3.2 Population & Sample

All the 26 commercial banks that are operating in Nepal are considered as the population for the research study. It is not possible to study all the data related with all joint venture banks because of the limited time period, hence only one joint venture bank i.e. Standard Chartered Bank Nepal Limited has been selected for the present study from the whole population.

3.3 Sources of Data and its Collection Techniques

As the present study is being undertaken to evaluate the performance of the bank, mostly the secondary sources of data are used in the study. The supplementary data and information are obtained from various sources like annual reports and financial statements of the bank, official records, and monthly bulletins of bank, various published and unpublished periodicals, magazines and dissertations, and all available reports and materials of Nepal Rastra Bank (NRB) on commercial banks. The web site of the selected bank is also used to get information related to the study. Besides, bank officials of various departments were directly approached to gain required relevant information.

On the other hand, in order to review different books and previous studies, frequent visits have been made to Tribhuvan University Library, Shanker Dev Campus Library etc. Similarly, in order to collect relevant documents, frequent visits are made to Standard Chartered Bank Nepal, Nepal Rastra Bank, etc.

3.4 Data Processing Techniques

Data so obtained have no meaning unless they are arranged and presented in a systematic way. Further, they need to be verified and simplified for the purpose of analysis. Moreover, data and information so gathered are to be checked, edited and tabulated in such ways that provide convenience for computation and interpretation.

The relevant data have been inserted in meaningful tables. Only the data that are relevant to the study have been presented in the tabular form in the understandable way and unnecessary data have been excluded. It is attempted to find out the conclusion from the available data with the help of various financial as well as statistical tools. An advanced computerized statistical program has been widely used to provide efficiency in the calculation of statistical information.

3.5 Data Analysis Tools

Financial statements merely do not give perfect information about a business concern therefore various types of tools are used to analyze financial statement. These tools are called tools of financial analysis. The tools of financial analysis are needed to show the relationships and changes between the elements of the various financial statements. With the help of various financial tools, we can identify the actual situation of a business concern. A brief explanation of these tools has been given below:

3.5.1 Financial Tools Applied

Following financial tools are used in this study:

Ratio Analysis

It consists of the following ratios:

A. Liquidity Ratio

It also consists of the following ratios:

1. Current Ratio

Where,

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

2. Cash and Bank Balance to Current Asset Ratio

Where,

$$\text{Cash \& Bank Balance to Current Assets Ratio X} \frac{\text{Cash \& Bank Balalnce}}{\text{Current Assets}}$$

3. Loan and Advances to Current Asset Ratio

Where,

$$\text{Loan and Advances to Current Asset Ratio X} \frac{\text{Loan and Advances}}{\text{Current Asset}}$$

4. Fixed Deposit to Total Deposits Ratio

Where,

$$\text{Fixed Deposit to Total Deposit Ratio X} \frac{\text{Fixed Deposit}}{\text{Total Deposit}}$$

5. Cash and Bank Balance to Total Deposit Ratio.

Where,

$$\text{Cash and Bank Balalnce to Total Deposit Ratio X} \frac{\text{Cash and Bank Balalnce}}{\text{Total Deposit}}$$

B. Turnover Ratio

Following ratios fall under this heading:

1. Loans and Advances to Total Deposit Ratio

Where,

$$\text{Loand and Advances to Total Deposit Ratio X} \frac{\text{Loan and Advances}}{\text{Total Depsoit}}$$

2. Total Investment to Total Deposit Ratio

Where,

$$\text{Investment to Total Deposit Ratio X} \frac{\text{Investment}}{\text{Total Deposit}}$$

3. Loans and Advances to Fixed Deposit Ratio

Where,

$$\text{Loand and Advances to Fixed Deposit Ratio X} \frac{\text{Loand and Advances}}{\text{Fixed Deposit}}$$

C. Profitability Ratios

Following ratios are calcuted under this heading:

1. Interest Earned to Loan and Advances

Where,

$$\text{Interest Earned to Loan and Advances Ratio X} \frac{\text{Interest Earned}}{\text{Loan and Advances}}$$

2. Interest Paid to Total Assets Ratio

Where,

$$\text{Interest Paid to Total Assets Ratio X} \frac{\text{Total Interest Paid}}{\text{Total Assets}}$$

3. Net Profit to Total Assets Ratio

Where,

$$\text{Net Profit to Total Assets Ratio X} \frac{\text{Net Profit}}{\text{Total Assets}}$$

4. Net Profit to Total Deposit Ratio

Where,

$$\text{Net Profit to Total Deposit Ratio X} \frac{\text{Net Profit}}{\text{Total Deposit}}$$

5. Total Deposit to Net worth Ratio

Where,

$$\text{Total Deposit to Net Worth Ratio X} \frac{\text{Total Deposit}}{\text{Net Worth}}$$

3.5.2 Statistical Tools Applied

Statistical analysis is an important technique to analyze the financial performance of the bank. Various statistical tools used in this study are given below:

Karl Pearson's Coefficient of Correlation(r)

$$r = \frac{n\sum XY - \sum X \sum Y}{\sqrt{\left(n\sum X^2 - (\sum X)^2\right) \times \left(n\sum Y^2 - (\sum Y)^2\right)}}$$

Where,

n = number of observations in series X and Y; $\sum X$ = sum of observations in series X; $\sum Y$ = sum of observation in series Y; $\sum X^2$ = sum of squared observations in series X; $\sum Y^2$ = sum of squared observations in series Y; $\sum XY$ = sum of the product of observations in series X and Y

Coefficient of Determination (r^2)

$$r^2 = \frac{\text{Explained vriance}}{\text{Total variance}}$$

Where,

r = Coefficient of correlation

r^2 = Coefficient of determination

Probable Error (PE)

$$\text{P. E.} = 0.6745 \left[\frac{1 - r^2}{\sqrt{n}}\right]$$

Where,

r= Correlation Coefficient

n= No. of pairs of observation

Trend Analysis

Trend Analysis of Total Deposit, Loans and Advances, Total Investment and Net Profit are done in this study

The straight line trend is given by the following formula:

Y = a+bx

Where,

Y = Value of dependent variable

a = Y intercept

b = Slope of the trend line

x = Values of independent variables

3.6 Method of Data Presentation

The researcher has accumulated all the necessary data and financial information. Collected data for five-year period (i.e. from 2002/03 to 2006/2007) are presented in tabular form. Tables are prepared to show various financial ratios of the same period. These tables are accompanied by corresponding changes, averages and standard deviations.

Some important graphical presentation is also included as and when necessary. In appendix also the ratio analysis and bar diagram are stated. The appendix also included the computation table of master list of specific value chart for coefficient of correlation, averages and standard deviation. All the financial and statistical values are computed manually. Similarly, all the financial numerical values are determined under million of Nepalese rupees and expressed in a round figure. From the analysis of the financial statement, we find the financial performance and financial position of the selected banks.

CHAPTER - IV

PRESENTATION AND ANALYSIS OF DATA

4.1 Financial Position Analysis

It is the process of identifying the financial strength and weaknesses of a firm by properly establishing the relationship between the items of balance sheet and income statement. Parties interested in financial position analysis of a firm may be a management; creditors, shareholders and their interest may be from different angles.

4.2 Ratio Analysis

A ratio analysis is a mathematical relationship between two related items expressed in quantitative form. A ratio may be expressed in proportion, in rate or items, or in percentage. Hence, analysis of financial statement with the help of ratio may be termed as ratio analysis. The ratios which can be used for financial position analysis of a bank have been mentioned in brief bellow.

4.2.1 Liquidity Ratio

Liquidity is a pre-requisite for the very survival of a firm. The short-term creditors of the firm are interested in the short-term solvency or liquidity of a firm. But liquidity implies, from the viewpoint of utilization of the funds of the firm that funds are idle or they earn very little. A proper balance between the two contradictory requirements, i.e. liquidity ratios measures the ability of a firm to meet its short-term obligations and reflect the short-term financial strength or solvency of a firm. According to the nature of the business of the firm, various ratios may be calculated to indicate their liquidity position. Below here have been calculated some liquidity ratios which have been thought to be important to indicate the liquidity position of a bank and have been used to analyze the financial position of Standard Chartered Bank Nepal Limited in terms of its liquidity.

I. Current Ratio (CR)

It is the ratio of total current assets to total current liabilities and calculated by dividing total current assets by total current liabilities. The current assets of a firm represent those assets that can, in the ordinary course of business, be converted into cash within a short period of time, normally not exceeding one year. The current assets of a bank include cash and bank balances, money at call and short notice, bills discounted and purchased, short term investment, interest receivable etc. simultaneously, the current, liabilities of a firm represent those liabilities that have short-term maturing obligations to be met, as originally contemplated, within a year. The current liabilities of a bank may include deposit under various account, bills payable, tax payable, dividend and bonus payable, interest payable, short-term loan etc.

Following table shows the current ratios of Standard Chartered Bank Nepal Limited from

Table No. 4.1

Current Assets to Current Liabilities Ratio

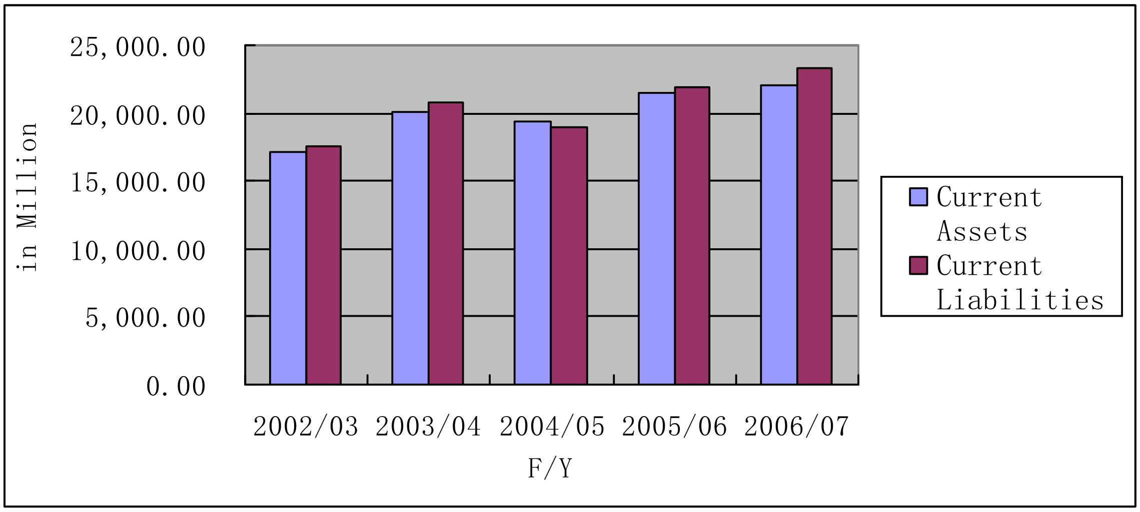
(Rs. In millions)

Fiscal Year	Current Assets (Rs.)	Current Liabilities (Rs.)	Ratio(In Times)
2002/03	17084.41	17,594.65	0.971
2003/04	20093.72	20,745.83	0.969
2004/05	19322.68	18,895.64	1.023
2005/06	2142.35	21,888.23	0.981
2006/07	22025.80	23,283.09	0.946
Average (X)			**0.978**
Standard Deviation (σ)			**0.025**

Source: See appendix - 1

Figure 4.1

Current Assets to Current Liabilities Ratio



Above table 4.1 and figure 4.1 shows that current ratio's mean and standard deviation for five years of Standard Chartered Bank Nepal Limited. The current ratios of the Standard Chartered Bank Nepal limited for the period of Five years, i.e. from FY 2002/03 to 2006/07. The current ratio in FY 2002/03 is 0.971. In FY 2003/04, it has increased to 0.969. It has increased to 1.023 in FY 2004/05, in FY 2005/06 it is 0.981, and in FY 2006/07 it is 0.946

The table4.1 shows the average of current ratios for the period to be 0.978. The standard deviation is 0.025.

II. Cash and Bank Balance to Current Assets Ratio

It is the ratio of total cash and bank balance to total of current assets. Cash and bank balance are two major components of current assets. These are ready cash, which can be used anytime and anywhere according to the need of a firm. By nature, almost all the current assets of a firm remain idle or earn very little. So, there is no chance of earning from cash balance held in the business and bank balance refers to that balance which can be converted into cash at any needed time and it also generally remains idle. Hence, the cash and bank balance to current assets ratio shows what portion of total of current assets represents cash or how much from total current assets can be used as ready cash to discharge short term obligations of the bank.

Table No. 4.2

Cash and Bank Balance to Current Asset Ratio

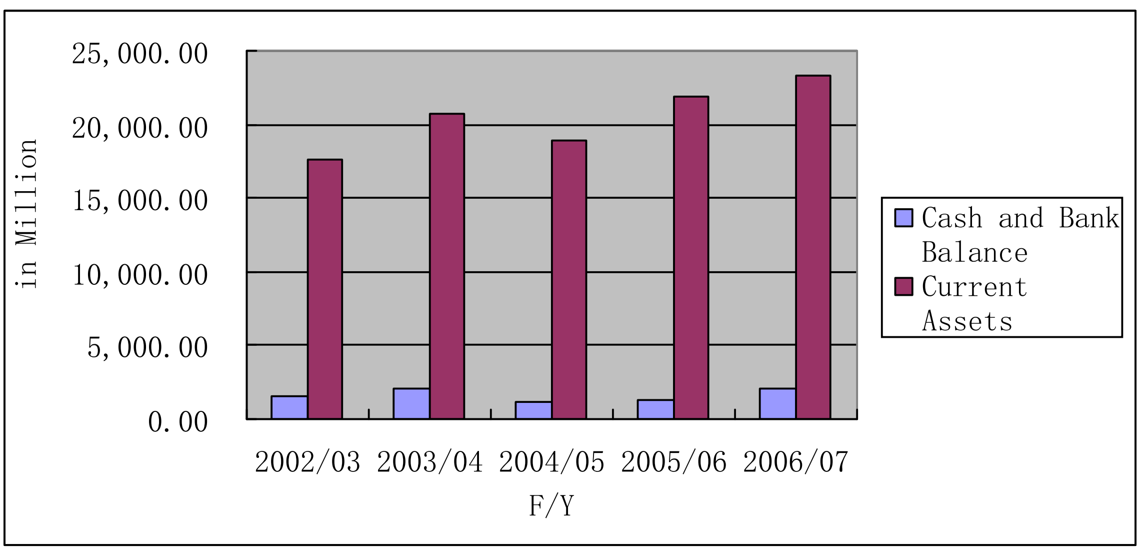
(Rs. In millions)

Fiscal	**Cash & Bank Balance**	**Current Asset**	**Ratio (In**
2002/03	1512.305	17,084.41	0.086
2003/04	2023.164	20,093.72	0.098
2004/05	1111.117	19,322.68	0.059
2005/06	1276.241	21,472.35	0.058
2006/07	2021.021	22,025.80	0.087
Average (X)			**0.078**
Standard Deviation (σ)			**0.014**

Source: See appendix - 2

Figure 4.2

Cash and Bank Balance to Current Asset Ratio (%)



The table 4.2 and figure 4.2 shows that out of total current assets, cash and bank balance represents 0.086 in FY 2002/03. In FY 2003/04 the ratio is 0.098. Similarly the ratios are 0.059, 0.058, and 0.087 for FY 2004/05, 2005/06, 2006/07 respectively. The highest ratio is 0.098 in FY 2003/04. The average ratio is 0.078. The standard deviation is 0.014.

III. Loan and Advances to Current Assets Ratio

It is the ratio of total of loans and advances to total of current assets. The main business of a bank is mobilization of resources. The resources/fund collected from different sources is mobilized in terms of loan and advances and by investing on various types of securities and projects. The major part of the collected fund is invested in the form of loan and advances, i.e. loan is granted to needy persons or needy sectors of the economy which is also a main business of any commercial bank. Unlike cash and bank balance, loans and advances cannot be converted into cash on the desires of the investors. Loans and advances pay interest at a certain rate. But, it's not always sure that the principal and interest of the loan and advances will be recovered in the stated time. Hence, this ratio indicates the percentage of total current asset which have been lent to the customers with a promise to be paid interest at a certain rate.

Table No. 4.3

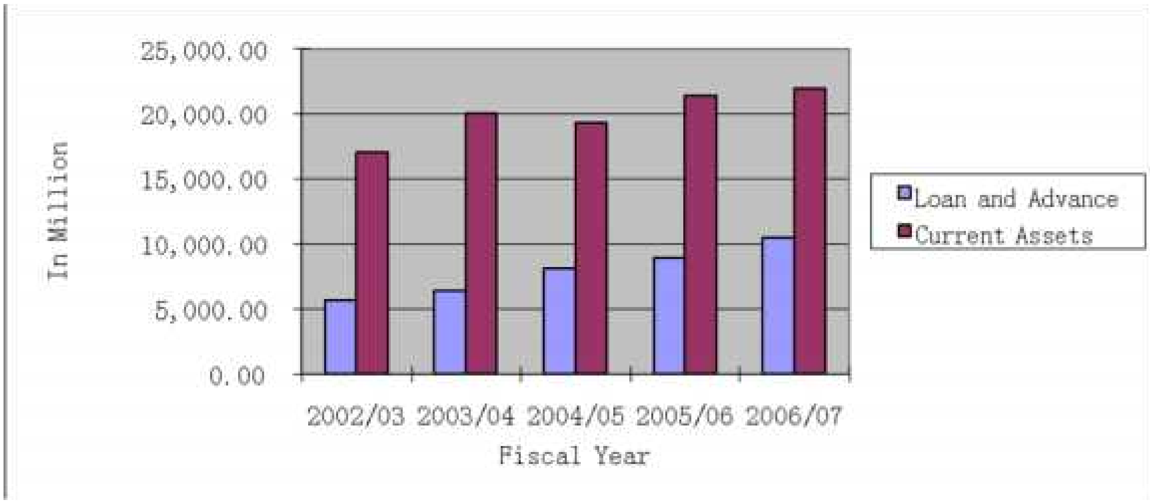
Loan and Advance to Current Asset Ratio

Fiscal Year	Loan and Advance (Rs.)	Current Asset (Rs.)	Ratio (In Times)
2002/03	5,695.82	17,084.41	0.333
2003/04	6,410.24	20,093.72	0.319
2004/05	8,143.21	19,322.68	0.421
2005/06	8,935.42	21,472.35	0.416
2006/07	10,502.64	22,025.80	0.477
Average (X)			**0.393**
Standard Deviation (σ)			**0.0376**

Source: See appendix -3

Figure 4.3

Loan and Advance to Current Asset Ratio



From the above table shows the loan and advances to Current Assets ratio for the five year periods. The highest of this ratio for the period is 0.471 times in FY 2006/07 and the lowest being 0.319 times in FY 2003/04. In an average, loan & advance to current asset ratio of Standard Chartered Bank Nepal Limited is 0.393 times. The standard deviation is 0.0376.

IV. Fixed Deposit to Total Deposit Ratio

It is the ratio which shows the percentage of fixed deposit on total deposit. Fixed deposit is one of the major sources of fund which bears cost at a certain rate and has certain maturity. Though termed as current liabilities, it should not be paid back before maturity. But, a serious drawback of this type of deposit is, paying of interest on this type of deposit will be an extra burden for the bank till its maturity. Hence, this ratio shows the percentage of total deposit which bears cost at a fixed rate and calculated by dividing fixed deposit by total deposit ratio for the entire period of the study.

Table No. 4.4

Fixed Deposit to Total Deposit Ratio

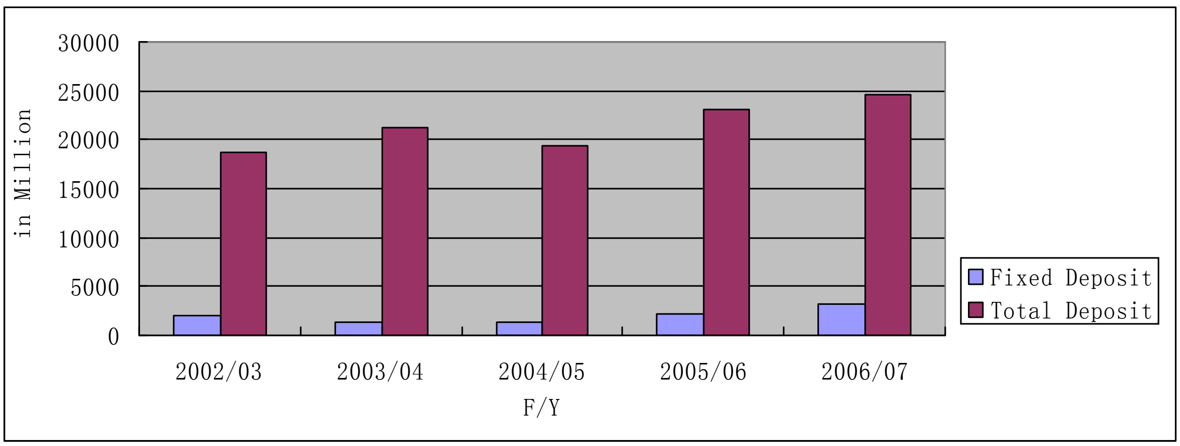
(Rs. In millions)

Fiscal Year	Fixed Deposit (RS.)	Total Deposit(RS.)	Ratio (In Times)
2002/03	1948.60	18755.63	0.104
2003/04	1428.50	21161.44	0.068
2004/05	1416.38	19335.09	0.073
2005/06	2136.31	23061.03	0.093
2006/07	3196.49	24247.02	0.130
Average (X)			**0.094**
Standard Deviation (σ)			**0.025**

Source: See appendix -4

Figure 4.4

Fixed Deposit to Total Deposit Ratio



The above table indicated Standard Chartered Bank Nepal Limited fixed deposit ratios calculated for Five years i.e. from FY 2002/03 to 2007/08. The highest of this ratio for the period is 0.130 in FY 2006/07 and the lowest being 0.068 in FY 2003/04. In an average, fixed deposit to Total Deposit ratio of Standard Chartered Bank Nepal Limited is 0.094. The standard deviation is 0.025.

V. Cash and Bank Balance to Total Deposit

This ratio shows the percentage of total deposit which can be immediately discharged by the bank from its ready cash. Total of the deposits is the most important source of a bank's fund. This fund should be utilized into various sectors in a profitable manner and cash and bank balances is that part of bank's fund which has not been invested anywhere with a view to generating income. Excess cash and bank balance, from viewpoint of liquidity, shows a firm's strong position and it is always harmful from viewpoint of profitability to maintain excess cash and bank balance.

Following table shows the cash and bank balance to total deposit ratio of the bank for the period of study.

Table No. 4.5

Cash and Bank Balance to Total Deposit Ratio

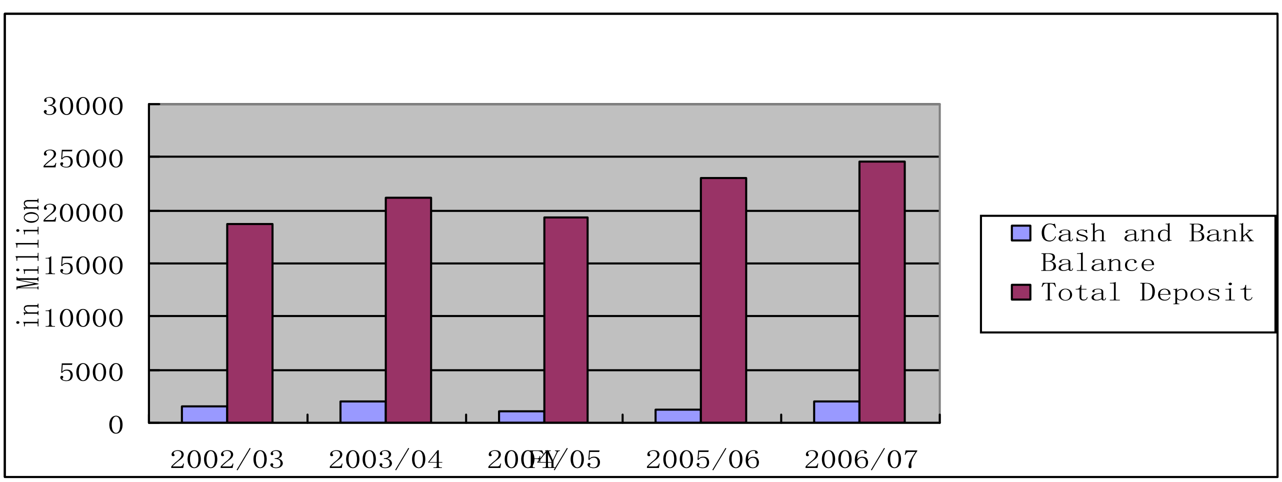
(Rs. In millions)

Fiscal	**Cash and Bank Balance**	**Total Deposit**	**Ratio (In**
2002/03	1512.305	18755.63	8.10%
2003/04	2023.164	21161.44	9.60%
2004/05	1111.117	19335.09	5.70%
2005/06	1276.241	23061.03	5.50%
2006/07	2021.021	24247.02	8.20%
Average (X)			**7.40%**
Standard Deviation (σ)			**1.40%**

Source: See appendix -5

Figure 4.5

Cash and Bank Balance to Total Deposit Ratio



Above table and figure shows a cash and bank balance to total deposit ratios of the bank for 5 years. During the whole period of study FY 2003/04 shows the highest ratio i.e. 0.096. For the year, this ratio is 9.60 percent, which implied that 9.60% of bank's deposits are idle, or they earn very little. In FY 2005/06, the ratio is 5.50 percent, which is the lowest ratio during this study. The average ratio is 7.40 percent and the Standard deviation is 1.40 percent.

4.2.2 Turnover Ratio

I. Loan and Advances to Total Deposit

Loan and advances is the main item of utilization of a bank's collected fund. Accepting deposits and granting of loans are the main business of any commercial and other type of bank. This ratio shows the percentage of total deposit that has been utilized on loan and advances. The collected fund must be mobilized somewhere else in the form of loans and advances or investment or in any other forms to generate income. The utilization of fund in the form of loan and advances generates income in terms of interest at a fixed rate. Mobilization of fund in the sector with a fixed rate of interest is always a positive aspect from viewpoint of profitability if there is no risk while recovering them.

Table No. 4.6

Loans and Advances to Total Deposit

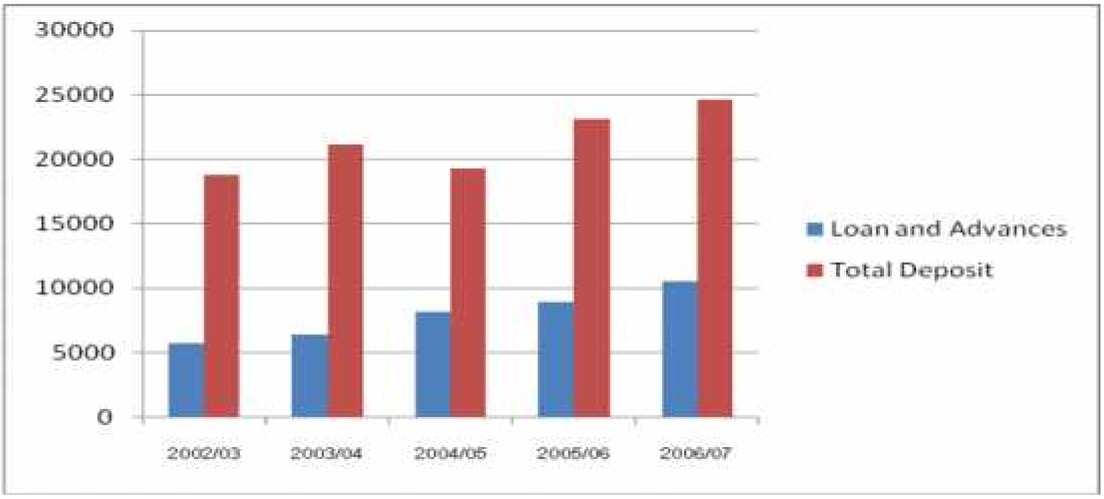
(Rs. In millions)

Fiscal Year	Loans and Advances (Rs.)	Total Deposit (Rs.)	Ratios (In %)
2002/03	5695.824	18755.63	30.40%
2003/04	6410.242	21161.44	30.30%
2004/05	8143.208	19335.09	42.10%
2005/06	8935.418	23061.03	38.70%
2006/07	10502.637	24247.02	42.60%
Average (X)			**36.80%**
Standard Deviation (σ)			**5.50%**

Source: See appendix -6

Figure 4.6

Loans and Advances to Total Deposit



Above table 4.6 and figure 4.6 shows the loans and advances to total deposit ratios for 6 years (2002/03 to 2007/08). The ratio in FY 2002/03 is 30.40 percent. Similarly, in 2003/04 the ratio is 30.03 percent which is lowest ration during the Five years, in FY 2004/05 the ratio is 42.10 percent, in FY 2005/06 the ratio is 38.70 percent, in FY 2006/07 the ration is 42.60 percent, in FY 2007/08 the ratio is 46.10 percent which is highest ratio during the Five years. The average of the ratio is 1.50 percent; it means the Standard Chartered Bank Nepal limited mobilization of its fund 1.50 percent of its total fund during these 5 years. The standard deviation is 5.50 percent.

II. Total Investment to Total Deposit Ratio

As stated earlier total deposit is the main source of a bank's fund which is the amount accepted by the bank from its customers under various accounts. The fund so collected should be utilized properly into different sectors of the economy with a view to achieve the objectives of the bank. A wise utilization of such fund results in maximization of profit. By nature, major part of the total deposit of bank's fund, which is invested on the securities, issued by governmental and non-governmental organization and on other various projects. Utilization of fund on investment has possibility of capital gain along with regular risk of not recovering investment from these sectors.

Following table shows the total investment to total deposit ratio of the bank for various years of study:

Table No. 4.7
Total Investment to Total Deposit Ratio

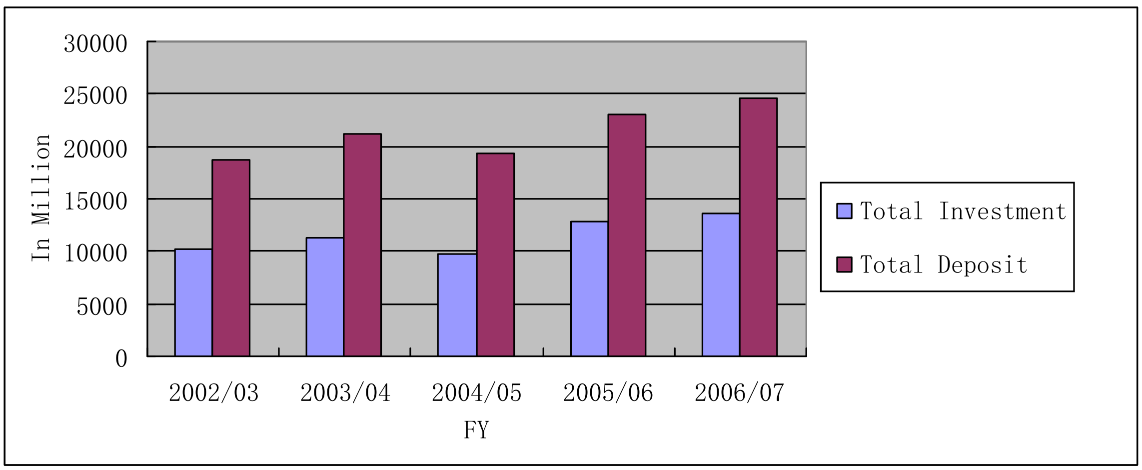
(Rs. In millions)

Fiscal Year	Total Investment (Rs.)	Total Deposit (Rs.)	Ratios (In %)
2002/03	10216.199	18755.63	54.50%
2003/04	11360.328	21161.44	53.70%
2004/05	9702.553	19335.09	50.20%
2005/06	12850.536	23061.03	55.70%
2006/07	13556.233	24247.02	55.00%
Average (X)			**53.80%**
Standard Deviation (σ)			**0.20%**

Source: See appendix - 7

Figure 4.7

Total Investment to Total Deposit Ratio



It is noticeable in the above table and figure 4.7 that Total Investment to Total Deposit Ratio for the Five years. In FY 2002/03 the Ratio is 54.50 percent, in FY 2003/04 the ratio is 53.70 percent, in FY 2004/05 the ratio is 50.20 percent, in FY 2005/06 the ratio is 55.70 percent, which is highest ratio during Five years, in FY 2006/07 the ratio is 55.00 percent and in FY 2007/08 the ratio is 46.80 percent, which is lowest ratio during Five years.

In Average Ratio is 5.40 percent. The standard deviation is .20 percent.

III. Loan and Advance to Fixed Deposit Ratio

Loan and advances is that part of bank's investment, which generates income at a certain rate, and fixed deposit is that part of bank's fund that bears cost at a certain rat. Hence, it is the ratio, which indicates the relationship between the investment of bank earning interest at a fixed rate and the liabilities of bank bearing interest at a certain rate. In other words, it shows the ratios of fixed returns generating investment and fixed cost bearing liabilities. The table shows the loan and advances to fixed deposit ratio of the bank from FY2058/59 to 2063/64.

Table No. 4.8

Loan and Advances to Fixed Deposit Ratio

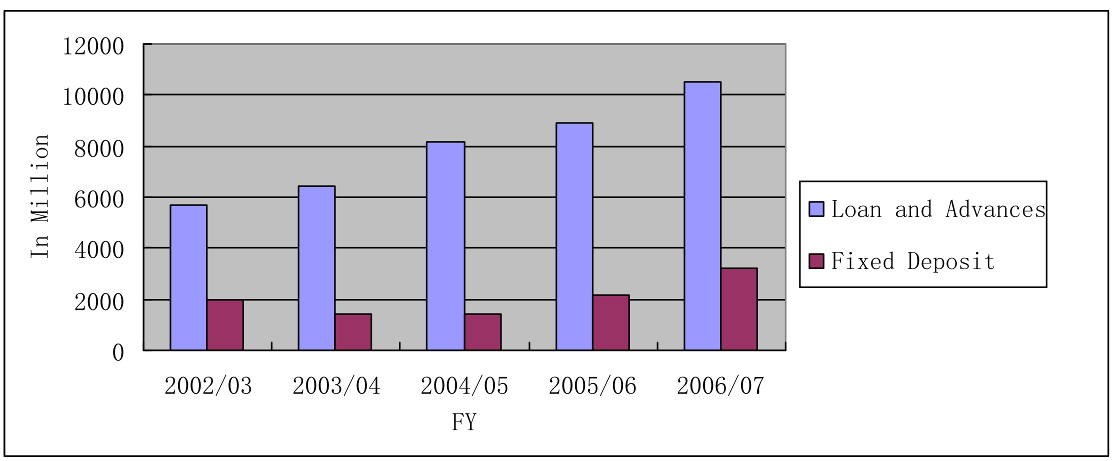
(Rs. In millions)

Fiscal Year	Loans & Advances	Fixed Deposit	Ratio (In
2002/03	5695.824	1948.596	2.923
2003/04	6410.242	1428.495	4.487
2004/05	8143.208	1416.383	5.749
2005/06	8935.418	3136.307	4.183
2006/07	10502.637	3196.490	3.286
Average (X)			**4.126**
Standard Deviation (σ)			**0.992**

Source: See appendix -8

Figure 4.8

Loan and Advances to Fixed Deposit Ratio (%)



Above table and figure 4.8 shows the loans and advances to fixed deposit ratios of the bank for Five years. The ratios of 2002/03 to 2007/08 are 2.923, 4.487, 5.749, 4.183, 3.286 and 4.156 respectively. In FY 2002/03 the ratio is lowest i.e. 2.923 and in FY 2004/05 the ratio is highest i.e. 5.749. The average of the ratio for the study Five years period is 4.126. The standard deviation is 0.992.

4.2.3 Profitability Ratio

A firm should earn profits to survive and grow over a long period of time. Profits are indispensable but it would be wrong to assume that every action initiated by management of a firm should be aimed at maximizing profits, irrespective of social magnitude and responsibilities. Even then, profit plays a fundamental role to make a firm stand strong to meet its social responsibilities. Profit is the difference between revenues and expenses over a period of time. Profit is the ultimate output of a firm, and it will have no future if it fails to make sufficient profit. The profitability ratios are calculated to measure the operating efficiency of the firm. Besides the management of the firm, creditors and owners are also interested in the profitability of the firm. "Profit must be earned to sustain the operations of the business to be able to obtain funds from investors for expansion and growth and to contribute towards the social overheads for the welfare of the society "(Drucker,1966: 99-100). To measure the profitability of the Standard Chartered Bank Nepal Limited, a number of ratios have been calculated and analyzed underneath.

I. Interest Earned to Loan & Advances

Interest is the main source of income of a Bank. Interest is earned on the loan, advances and investment made by the bank. The difference between the amount of interest earned and interest paid will be operating margin of the bank. On the other side, total assets refers to the total working fund or total utilization of fund by the bank, which is collected from various sources. Interest earned and loan and advance have a deep relationship. Table no. 4.9 shows the interest earned to the Loan & Advance of the Standard Chartered Bank Nepal Limited for various years of the study.

Table No. 4.9

Interest Earned to Loan & Advance

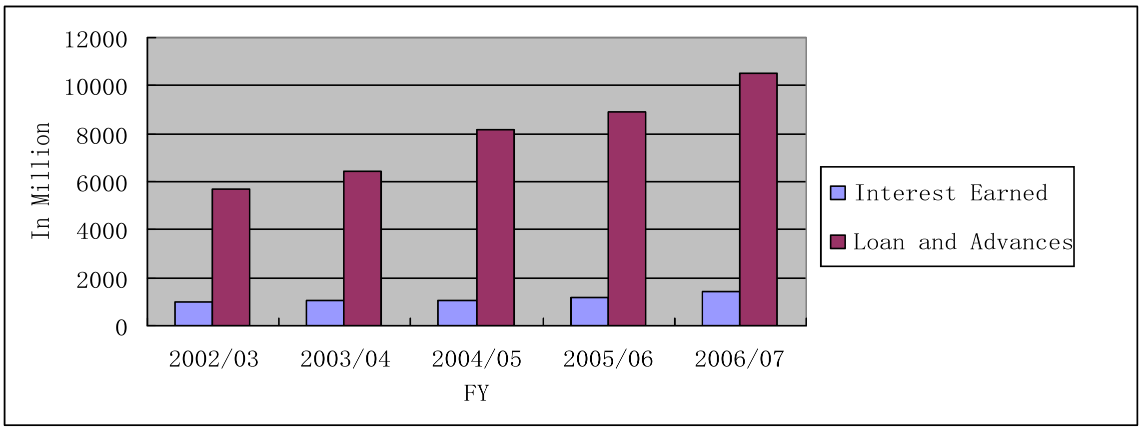
(Rs. In millions)

Fiscal Year	Interest Earned (Rs.)	Loan & Advance (Rs.)	Ratio (In %)
2002/03	461.954	5695.824	17.60%
2003/04	488.379	6410.242	16.30%
2004/05	508.390	8143.208	13.0%0
2005/06	537.977	8935.418	13.30%
2006/07	182.453	10502.637	13.40%
Average (X)			**14.70%**
Standard Deviation (σ)			**2.00%**

Source: See appendix -9

Figure 4.9

Interest Earned to Loan & Advance



Above table shows that interest on loan and advance ratio is 8.10 percent in FY 2002/03. It decreased to 7.60 percent in FY 2003/04 similarly in FY 2004/05 the ratio is 6.20 percent, In FY 2005/06 the ratio is 6.00 percent, In FY 2006/07 the ratio is 1.70 percent and in FY 2007/08 the ratio is 0.80 percent which is lowest ratio during Five years period. The average of the ratio is 14.70 percent and standard deviation is 2.00 percent.

As interest is the main source of income of bank, the profitability of the bank largely depends on its interest earning capacity. As already said, making loan and advances at an attractive rate of interest is not only the rationale to improve profitability. To increase and improve the profit margin, the bank should be able to earn (collect) the interest from loan, advances and investment in time. Higher interest earned to loan & advance ratio shows bank's better position.

II. Interest Paid to Total Assets Ratio

If interest earned is the main source of income of a bank, interest paid is its main head of expenditures. Large amount of banks earning is utilized in paying interest to the deposits accepted by the bank under various accounts. Like interest earned, Bank's profitability also depends on interest paid. This is that type of cost of a bank, which can never be avoided. After accepting deposits, the bank must pay interest on deposits according to the existing rules and bank's commitment made at the time of accepting deposits. Instead of trying to avoid this cost, the bank should try to lessen it. The lesser interest paid to total assets ratio shows bank's better profitability position.

Table No. 4.10

Interest Paid to Total Asset Ratio

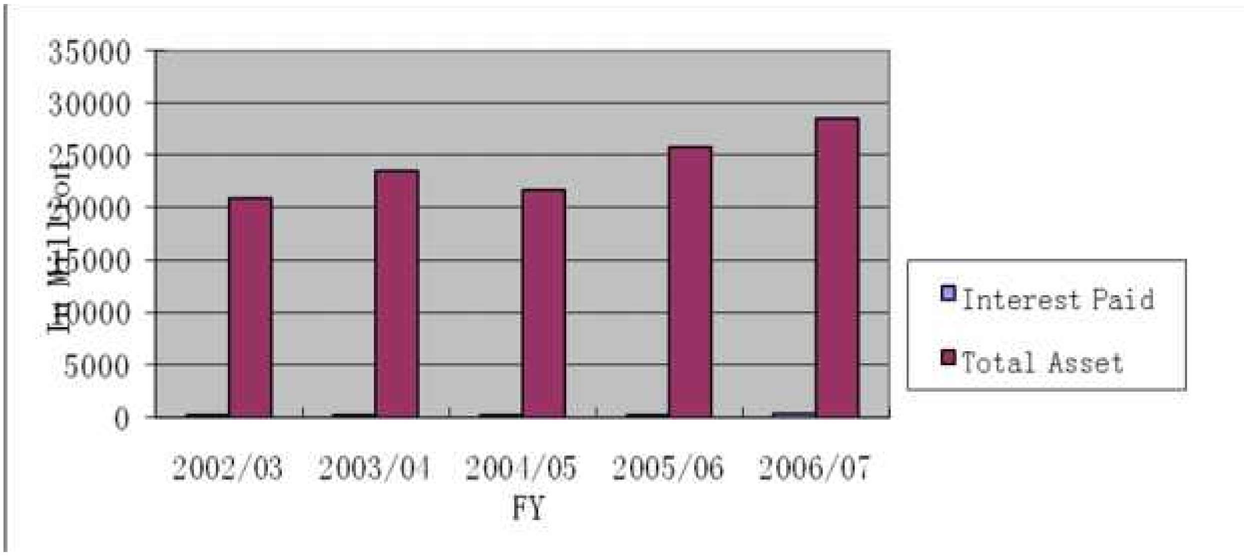
(Rs. In millions)

Fiscal Year	Interest Paid (Rs.)	Total Assets (Rs.)	Ratio (In %)
2002/03	255.154	20910.97	1.20%
2003/04	275.809	23642.06	1.20%
2004/05	254.127	21781.679	1.20%
2005/06	303.198	25776.332	1.20%
2006/07	413.055	28596.689	1.40%
Average (X)			**1.20%**
Standard Deviation (σ)			**0.089%**

Source: See appendix - 10

Figure 4.10

Interest Paid to Total Asset Ratio



Above table 4.10 points out the average of the interest paid to total assets ratios for the period of Five years i.e. FY 2002/03 to 2007/08 is 1.20 percent and standard deviation is 0.0089 percent. The highest ratio for the period has been observed in the FY 2006/07 when it is 1.40 percent and the remaining ratios are same all four years.

III. Net Profit to Total Assets Ratio

Net profit is the after tax profit of a firm, which can be utilized by the firm for its own purpose or for the benefit of owners. Total assets also termed, as working fund is the total utilization of a firm’s fund. Net profit stated other way, is the reward to a firm for efficient utilization of its various assets. The net profit to total assets ratio, therefore, points out how successfully a firm has utilized its total assets. It indicates profit-earning capacity of the assets. A superior net profit to total assets ratio shows firm’s better position and wise to maximize this ratio. Following table shows the net profit to total assets ratio of the bank for the period of study.

Table No. 4.11

Net Profit to Total Asset Ratio (%)

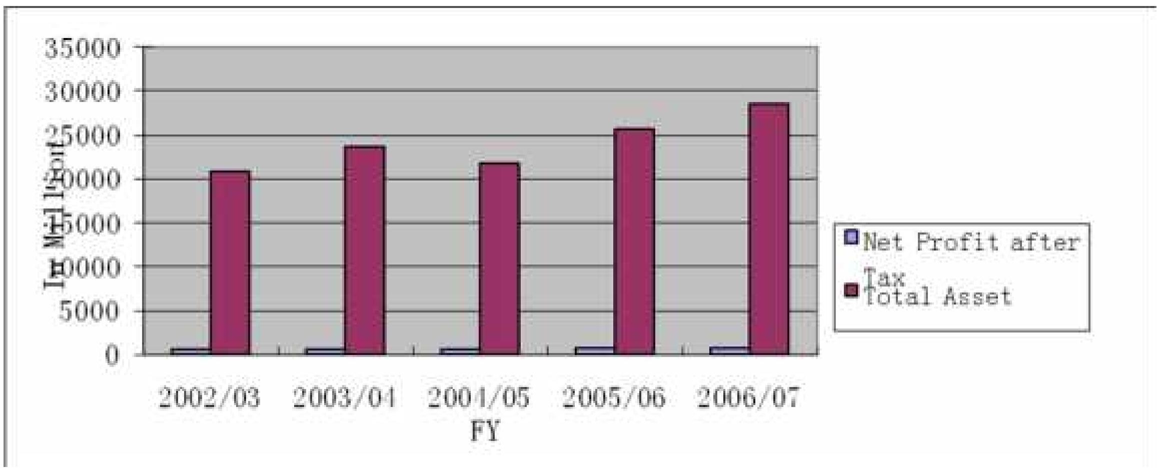
(Rs. In millions)

Fiscal Year	Net Profit (Rs.)	Total Assets (Rs.)	Ratio (In %)
2002/03	506.932	20910.97	2.40%
2003/04	537.800	23642.06	2.30%
2004/05	536.245	21781.679	2.50%
2005/06	658.756	25776.332	2.60%
2006/07	691.668	28596.689	2.40%
Average (X)			**2.40%**
Standard Deviation (σ)			**0.11%**

Source: See appendix - 11

Figure 4.11

Net Profit to Total Asset Ratio (%)



Above table 4.11 and figure 4.11 shows the profitability of Standard Chartered Bank Nepal Limited throughout the period of study. The highest net profit to total assets ratio for the whole period is 2.60 percent in FY2005/06. It means the bank has earned maximum of only 2.60 percent on its total assets during the period of study. The least of this ratio throughout the study period is 2.30 percent in FY 2003/04.

The study points out average of the ratio is 2.40 percent The standard deviation is 0.11 percent Therefore the bank's profitability ratio with the total assets is in good position.

IV. Net Profit to Total Deposit Ratio

The sum of deposits accepted by the bank under various accounts is termed as total deposit. According to the terms and condition of the deposit, the bank should pay interest on these deposits. The deposits so accepted are mobilized by the bank into various sectors in the form of investment, loan and advances from which it generates earnings in the form of interest or other. The difference between the interest received and paid by the bank is its profit. Hence, if defined in other ways, net profit is a reward to the bank for efficient mobilization of its total deposit. So, it would also be reasonable, meaningful and important from every angle to show the relationship between the net profit and total deposit for which the net profit to total deposit ratio has been calculated in the following table.

Table No.4.12

Net Profit to Total Deposit Ratio

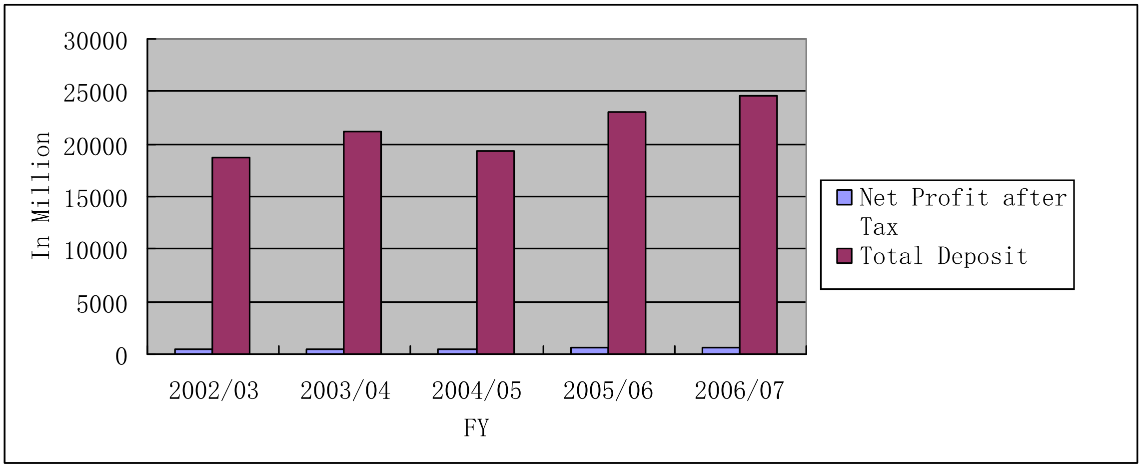
(Rs. In millions)

Fiscal Year	Net Profit (Rs.)	Total Deposit (Rs.)	Ratio (in %)
2002/03	506.932	18755.63	2.70%
2003/04	537.800	21161.44	2.50%
2004/05	536.245	19335.09	2.80%
2005/06	658.756	23061.03	2.90%
2006/07	691.668	24247.02	2.80%
Average (X)			**2.30%**
Standard Deviation (σ)			**0.46%**

Source: See appendix - 12

Figure 4.12

Net Profit to Total Deposit Ratio



The above table and figure 4.12 indicates Net Profit to total deposit ratio for Five years. In FY 2002/03 the Net Profit to Total Deposit Ratio is 2.70 percent similarly, in FY 2003/04 the ratio is 2.50 percent, in FY 2004/0 the ratio is 2.80 percent, in FY 2005/06 the ratio is 2.90 percent, in FY 2006/07 the ratio is 2.80 percent and in FY 2007/08 the ratio is 2.80 percent.

The average ratio for the 5 years period is 2.30 percent and standard deviation is 0.46 percent.

V. Total Deposit to Net worth Ratio

Total deposit of a bank represents total of deposits accepted by the bank under various accounts and net worth is the claim of shareholders on total assets of the bank or it is that part of total sources of fund which have been invested by owners in the bank. Hence, this ratio indicates the proportion of total deposit and shareholders' fund in the total sources of fund of the bank. There is no doubt that in addition to share capital, deposit collected from customers is the main sources of fund of any commercial bank which also represent the largest portion of total sources. So, they said ratio shows the percentage of total deposit accepted by the bank on total of net worth. Table No. 15 below shows the total deposit to net worth ratios of Standard Chartered Bank Nepal Limited for the whole period of study.

Table No. 4.13

Total Deposit to Net worth Ratio

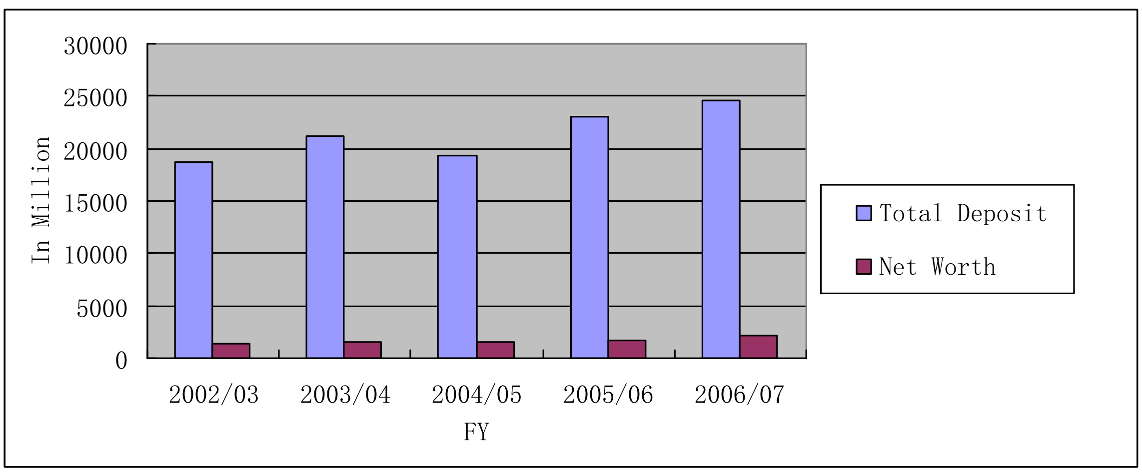
(Rs. In millions)

Fiscal Year	**Total Deposit (Rs.)**	**Net Worth (Rs.)**	**Ratio (In Times)**
2002/03	18755.63	1368.907	13.701
2003/04	21161.44	1495.739	14.148
2004/05	19335.09	1582.415	12.219
2005/06	23061.03	1754.139	13.147
2006/07	24247.02	2116.353	11.646
Average (X)			**12.972**
Standard Deviation (σ)			**0.9241**

Source: See appendix - 13

Figure 4.13

Total Deposit to Net worth Ratio



The above table and figure 4.13 shows the total deposit to net worth ratio, their average and standard deviation. The average of the ratios for the period is 1279.90 percent which means during the period the bank has accepted, at an average, 1297.20 percent of total net worth as deposit. The standard deviation of 92.41 percent.

The Total Deposit to Net worth Ratios of FY 2002/03 to 2007/08 are 13.701, 14.148, 12.219, 13.147, 11.646, 11.933 respectively.

4.3 Statistical Tools

Under this heading some statistical tools such as coefficient of correlation analysis between different variables, trend analysis of deposit, loan and advances, net profit and EPS are used to achieve the objective of the study.

Coefficient of correlation Analysis:

Correlation analysis is the statistical tools generally used to describe the degree to which one variable is related to another. In other words correlation is defined as the relationship between the one dependent variable and one or more independent variables. But it does not tell anything about cause and effect relationship it only shows the relationship between two variables is may be positive or negative.

If both variables are increase or decrease in the other variables in the same direction, then the two variables is positive correlated otherwise negative. Under this chapter Karl Pearson's Coefficient of Correlation is used to find out the relationship between (i) Deposits and Loan & Advance (ii) Deposit and Total Investment and (iii) Net Profit and Total Deposit and also the determination of coefficient which is square of correlation coefficient. Similarly, probability error of the correlation coefficient is applicable for the measurement of reliability of the computed value of the correlation coefficient, 'r'. The probability error (P.E.) is defined by,

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

Where,

r^2 = determination of coefficient

n = Number of observation

I. Coefficient of correlation between total deposit and Loan & advances.

Deposits have played a very important role in performance of a commercial bank and similarly loan and advances are important to mobile the collected deposits. Coefficient of correlation between deposit and loan and advances measures the degree of relationship between their two variables.

In this analysis, deposit is independent variable (X) and Loan & advances is dependent variables (Y). The main objective of computing 'r' between these two variables is to justify whether deposits are significantly used on loan & advances in a proper way or not. The following table shows the value of 'r', r2 probable Error (P.E.) and 6 P.E. Between deposit and loan & advances for the study period FY 2003/04 to 2006/07.

Table No. 4.14

Correlation between Total Deposit and Loan & advances

	Evaluation Criterions		
R	r^2	P.E.	6 P.E.
0.826	0.682	0.096	0.576

(The detail of calculation is in appendix -14)

The above table 4.14 shows that coefficient of correlation between deposit and loan & an advance is 0.826, which shows low degree of positive correlation between these two variables. Similarly the value of coefficient of determination (r^2) is to be found 0.682, which shows that 0.682 in the dependent variable has been explained by the independent variable. More over by application of P.E. i.e. 0.096, which means the relation between deposit and loans & advances is significant. In other words Standard Chartered Bank Nepal Limited is successful to mobilize its fund in proper way in loan & advances. Similarly considering the value of (r) i.e. 0.826 and comparing it with 6 P.E., i.e. 0.576, we can say that the value of r is greater than 6 P.E., which reveals that there is significant relationship between deposit and loan and advances.

II. Coefficient of correlation between total deposit and total investment.

Coefficient of correlation 'r' between Total deposit and total investment measure the degree of relation between these two variables. Here deposit is independent variable (X) and total investment is dependent variable (Y) the purpose of computing co-efficient of correlations between deposit and total investments to find whether deposit is significant used as the investment or not.

The following table shows the variable of r, (r^2), P.E. and 6 P.E. Between deposit and total investment for the study period FY 2058/59 to 2063/64.

Table No. 4.15

Correlation between Total Deposit and Total Investment.

	Evaluation Criterions		
r	r^2	P.E.	6 P.E.
0.0979	0.0958	0.013	0.078

(The detail of calculation is in appendix- 15)

From the above table 4.15, we find that coefficient of correlation between deposits (independent) and total investment (dependent) value of r is 0.0979. It shows positive relationship between two variables however by application of coefficient of determination the value of (r^2) is also 0.0958, which indicates that equals to than 0.0958 of the variation of the dependent variable (total investment) has been explained by the independent variable (deposits). It is not only less explained but can be said significant relation between the two. Moreover by considering the probable error since the value of 'r', i.e. 0.0979 is less than Five times of P.E., i.e. 0.013. So we can say that there is significant relationship between total deposit and total investments. Lastly it can be said that the bank has followed the policy of maximizing the investment of their deposits.

III. Coefficient of correlation between Net profit and total assets

Net profit play important role in any organization for its survival for long period of time. Profit can be earned by investing the total deposit in the productive sectors. So total deposit is the main sources of fund collected of the bank when there is increase in the total deposit, there is increase in the current assets of the banks. Coefficient of correlation relationship between net profit and total assets measure the degree of two variables. In this analysis Net profit is independent variable (X) and a total asset is dependent variable (Y). The main objective of this analysis is to find out whether the total assets are invested in proper way to earn profit or not.

The table 4.15 shows the variable of r, r^2, P.E. and 6P.E. between net profit and total assets for the study period FY 2058/59 to 2063/64.

Table No. 4.16

Correlation between Net profit and total assets

Evaluation criterions			
r	r^2	P.E.	6P.E.
-0.618	0.382	0.186	1.116

(The detail of calculation in appendix-16)

From the above table 4.16, we find the coefficient of correlation between net profit (independent) and total assets (dependent) value of (r) is -0.618.It shows negative relationship between two variables, however by application of coefficient of determination of value of r^2 is 0.382, Moreover by considering the probable error since the value of (r) i.e. 0.186 is less than Five times of P.E. i.e.1.116. So we can say that there non-significant relationship between Net profit and total assets. Lastly it can be said that the bank has not invested the total assets in profitable sectors.

Trend Analysis and projection for next five years.

The measurement used in financial management analysis may be classified into two groups those who measure in the relation among the items. Insight set of statements, and those who measure the analysis in these items in successive statement. The first is a static analysis measuring position at a point of time of for a period and the second is a dynamic analysis, measuring changes of position. Both types of analysis are necessary for a comprehensive interpretation, since it is important to know not only the proportion as one certain date but also the trends on the enterprise.

Trend analysis is a set of observations taken at specified times usually at equal intervals. Some of the utilities are as follows:

- It helps in understanding the past behavior of the variable (or data). By observing past behavior data, one can easily observe in his sales or prices what changes had taken place in the past and what were their causes.
- It helps to predict or estimate (or forecast) the behavior of the data in future which is very essential for business planning.
- It helps to compare changes in the values of different phenomenon at different times or places etc.
- It helps to compare the actual current performance of accomplishment with expected ones (on the basis of the past performances) and analysis the causes of such variations.

The segregation and study of various components is of paramount importance to a businessman in the planning of future operation and in the formation of executive and policy decisions.

Here, in this study the trend analysis of the financial condition are presented which is objected to provide the insight of the bank position.

In this study, the method of lease square is used for the analysis of the Standard Chartered Bank Nepal Limited bank's total deposit trend, net profit trend, loan & advances and EPS trend.

- The projections are based on the following assumptions:
- The main assumption is that other things being will remain constant.
- The bank will run in the present position.
- The economy will remain in the present stage.
- The forecast will be true only when the limitation of lease square method is carried out.
- NRB will not change its guidelines to commercial banks.

I. Trend Analysis of Total Deposit.

Under this topic, an effort has been made to calculate the trend value of deposit for five years from FY 2002/03 and forecast for next five years till next FY 2011/12. The following Table shows the trend value of 10 years from 2002/03 to2011/12.

Table No. 4.17

Trend Value of Total Deposit

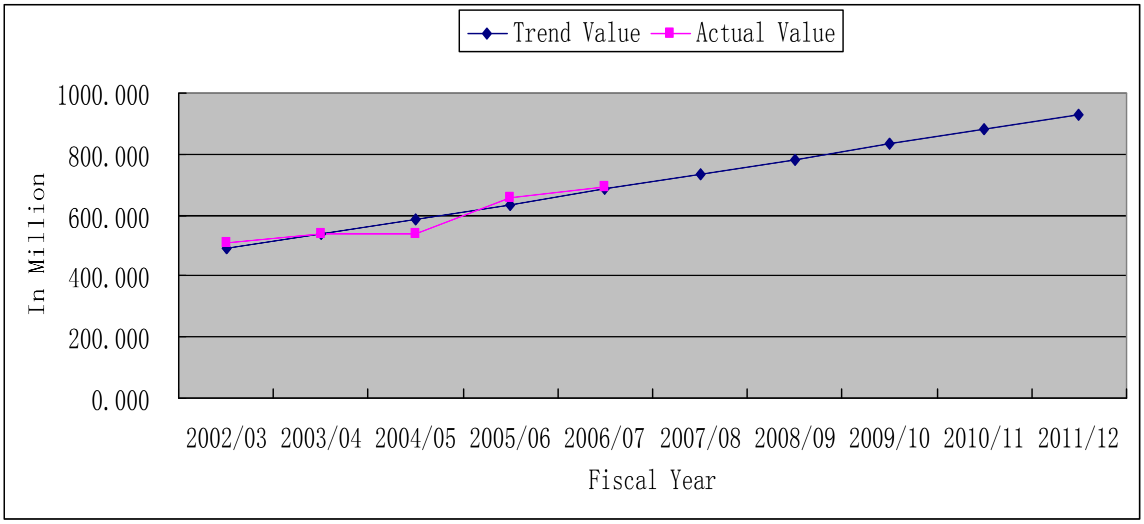
(Rs. In millions)

Fiscal Year	Trend Value	Actual value
2002/03	18,655.573	18,755.635
2003/04	20,023.809	21,161.442
2004/05	21,392.045	19,335.095
2005/06	22,760.281	23,061.032
2006/07	24,128.517	24,647.021
2007/08	25,496.754	
2008/09	26,864.990	
2009/10	28,233.226	
2010/11	29,601.462	
2011/12	30,969.698	

(The details for the calculation are given in appendix- 17)

Figure 4.14

Trend Value of Total Deposit



(A.V. = Actual Value, T.V. = Trend Value)

From the above tables and figure 4.14 we can calculate that the total deposit of Standard Chartered Bank Nepal Limited has been changed every year. According to the above trend analysis and from growth rate it can be calculated that the Standard Chartered Bank Nepal Limited deposit collection position is growing year by year. If the bank utilized its increasing deposit its financial position will be better.

II. Trend Analysis of Net Profit

Under this topic the trend values of net profit have been calculated for five years from FY 2002/03 to 2006/07 and the forecast for next five years up to 2007/08 to 2011/12.

Table No. 4.18

Trend value of Net Profit

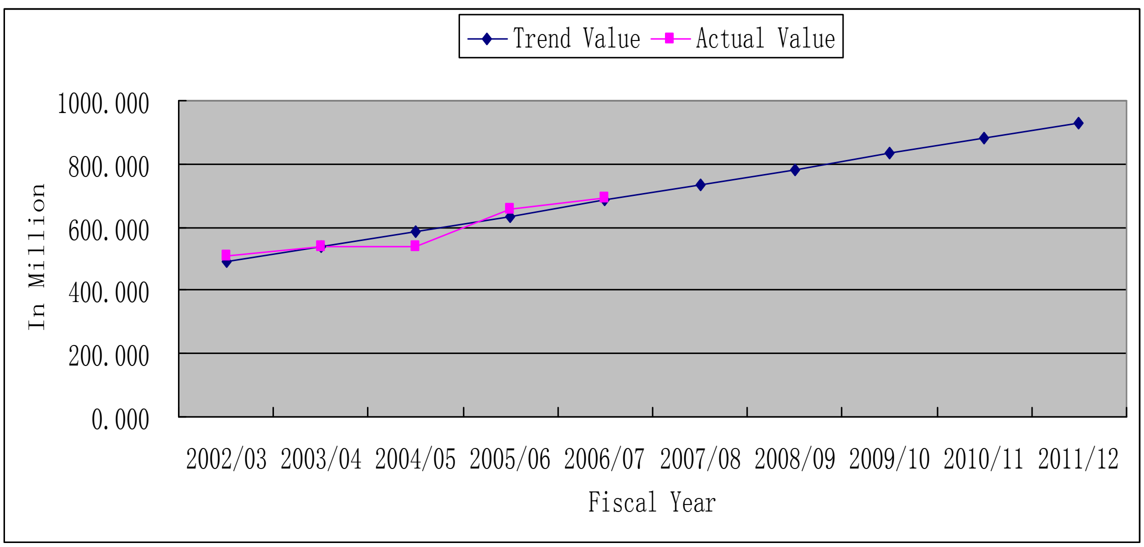
(Rs. In millions)

Fiscal Year	Trend Value	Actual Value
2002/03	488.195	506.932
2003/04	537.237	537.800
2004/05	586.280	536.245
2005/06	635.323	658.756
2006/07	684.366	691.668
2007/08	733.409	
2008/09	782.451	
2009/10	831.494	
2010/11	880.537	
2011/12	929.580	

(The details for the calculation are given in appendix- 18)

Figure 4.15

Trend value of Net Profit



(A.V. = Actual Value, T.V. = Trend Value)

From the above tables and figure 4.15 we can calculate that the Net profit of Standard Chartered Bank Nepal Limited has been good in profit from the FY 2002/03 to 2006/07. Through Trend analysis the net profit is growing for 10 years.

III. Trend Analysis of Loan & Advance

Under this topic the trend values of Loan & advances have been calculated for five years from FY 2002/03 to 2006/07 and the forecast for next five years up to 2007/08 to 2011/12.

Table No. 4.19
Trend value of Loan & Advance

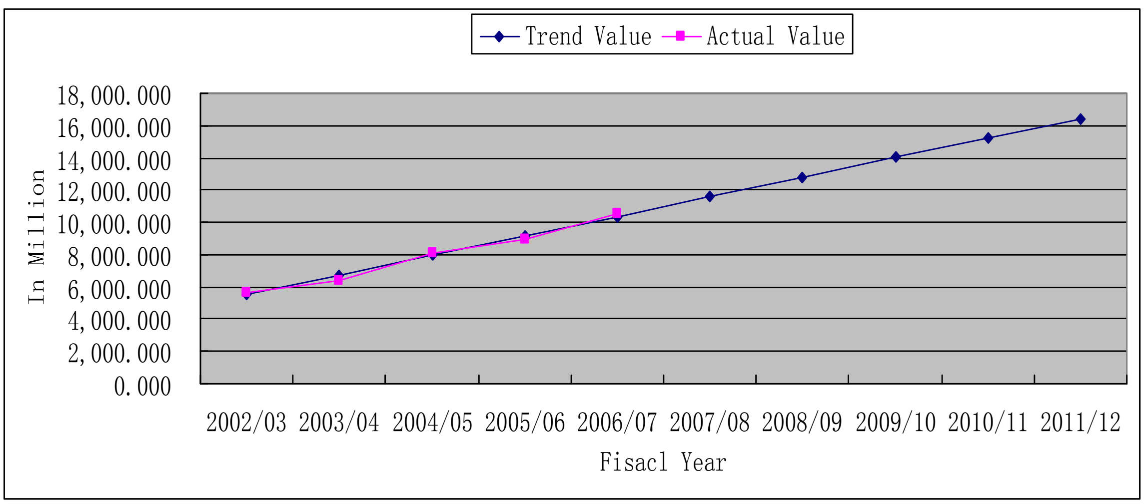
(Rs. In millions)

Fiscal Year	Trend Value	Actual Value
2002/03	5,509.705	5,695.824
2003/04	6,723.586	6,410.242
2004/05	7,937.466	8,143.208
2005/06	9,151.346	8,935.418
2006/07	10,365.226	10,502.637
2007/08	11,579.106	
2008/09	12,792.987	
2009/10	14,006.867	
2010/11	15,220.747	
2011/12	16,434.627	

(The details for the calculation are given in appendix- 19)

Figure 4.16

Trend value of Loan & Advance



(A.V. = Actual Value, T.V. = Trend Value)

From the above tables and figure 4.16 we can calculate that the loan & advance of Standard Chartered Bank Nepal Limited has been increasing every year. Through trend analysis the loan and advances is also increasing every year.

IV. Trend Analysis of Earning per Share

Under this topic the trend values of Earning per Share have been calculated for five years from FY 2002/03 to 2006/07 and the forecast for next five years up to 2007/8 to 2011/12.

Table No. 4.20

Trend Value of Earning per Share

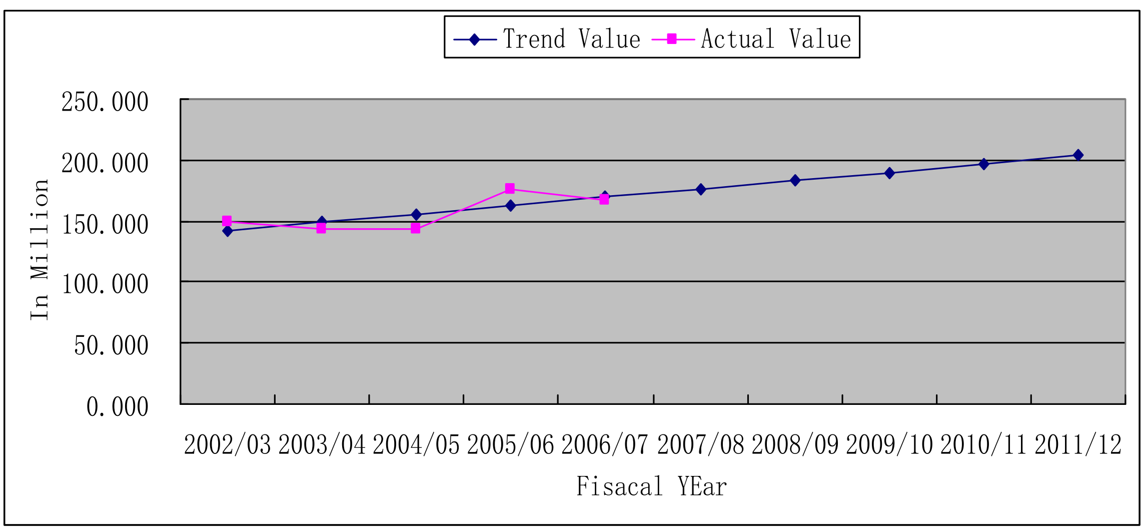
(Rs. In millions)

Fiscal Year	Trend Value	Actual Value
2002/03	142.154	149.300
2003/04	148.997	143.550
2004/05	155.840	143.140
2005/06	162.683	175.840
2006/07	169.526	167.370
2007/08	176.369	
2008/09	183.212	
2009/10	190.055	
2010/11	196.898	
2011/12	203.741	

(The details for the calculation are given in appendix- 20)

Figure 4.17

Trend Value of Earning per Share



(A.V. = Actual Value, T.V. = Trend Value)

From the above tables and figure 4.17 we can calculate that the earning per share of the Standard Chartered Bank Nepal Limited has been fluctuating by small amount. The EPS is good. In trend analysis the EPS is increasing that means the earning of Bank is also growing.

4.4 Major Findings of the Study

From the above data analysis based the researcher found that the main findings areas are as follows:

Liquidity Ratio: It is found that the bank is able to maintain liquidity position to meet the daily cash requirement or meet its short-term obligations.

Turnover Ratio: The researcher found that bank has strong position regarding the mobilization of total deposit as loan and advances. Hence, the bank seems to be successful in making investment in profitable sectors other than loan and advances.

Profitability Ratio: Regarding the profitability of the bank, the researcher found that Operating efficiency of the bank is quite fair enough.

- The bank has utilized its assets to generate more interest earning. So, the interest is in good position.
- From the analysis of net profit to total assets, it is found that the bank is able to earn satisfactory income from the utilizing its assets.
- The bank is paying interest to the deposit amount at the same time it also collect a good amount of interest form the loan and advances.
- The image of a firm is its good in the market. The good will of the firm is very good.

CHAPTER - V

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Summary

Commercial Banks are established to improve people's economic welfare and facility, to provide loan to the agriculture, industry and commerce and to offer banking services to the people and the country. The modern banking system that we have today has passed the several stages before reaching the present stage. Because of the liberal economic policy adopted by the Nepalese Government a number of commercial banks are operating today in Nepal. There are altogether 26 commercial Banks licensed and their branches including agricultural bank doing the commercial functions are 437 braches of different banks are operating in Nepal. Among various commercial banks established in Nepal, Standard Chartered Bank Nepal Limited is one of them.

Standard Chartered Bank Nepal Limited was established in 1987 with registration of Joint Venture Operation. Now the Bank is a part of Standard Chartered Group with 75% Shares owned by the Company and 25 % Shares owned by the Nepalese People. Standard Chartered Bank is one of the largest International Banks in Nepal at the Current Period. It has completed 21 years in Nepal on fiscal year 2007-2008(2064/065).

From the beginning of the bank it has good position in Nepal. It is due to mobilization of funds properly and good management system. The thesis covers the financial performance analysis of Standard Chartered Bank Nepal Limited and is prepared with the objective of finding out whether Standard Chartered Bank Nepal Limited is able to maintain its liquidity position and profitability or not. To fulfill the objective of the research basically secondary data are used in which includes annual report, balance sheet, income statement, NRB report, and articles etc, in the primary data personal meeting with the staff of the Standard Chartered Bank Nepal Limited has been conducted. To have the study regarding Standard Chartered Bank Nepal Limited, data have been basically obtained from secondary sources. The main sources are annual report, articles, newspapers, and so on. Only limited primary data were used.

For the procedure of analysis ratio, average and standard deviation of the ratios for the Five years period is used in which bar diagrams, tables and graphs were used to obtain a clear performance of the bank, the ratios are expressed in percentage and summary are given below.

The average current Ratio of Standard Chartered Bank Nepal Limited is shows as a good position of the bank. The Current Ratio is for the five years study period is fluctuating by small amount. The average Current Ratio is 0.978 times which shows that the bank has current assets of Rs. 97.80 to discharge the current liabilities of Rs.100 for the study period. The standard of Current Ratio is 2:1, current assets to current liabilities. The current ratio of Standard Chartered bank Nepal Limited has less then 1 percent which should be considered satisfactory

The highest Cash and Bank balance to Current Asset Ratio of all during the study period is 9.80 percent in FY 2003/04 and lowest is 5.80 percent in FY 2005/06. The average ratio is 7.80 percent.

Loans and Advance to current assets ratio is increasing year by year in these study periods. The average of the ratio is 0.385 and the highest ratio is 0.451 in FY 2006/07. So, it indicates that the bank's fund mobilization position is satisfactory.

Fixed Deposit to Total Deposit ratio is not fluctuating. The highest of all is 13 percent in FY 2006/07 and the lowest of all is 6.8 percent in FY 2003/04. In the study period no ratio is grater then 15 percent means the profit is high but not favorable to view point of liquidity.

During the whole period of study the average of the cash and bank balance to total deposit is 7.40 percent, it indicates that bank's 7.40 percent deposits are idle in the study period. The highest ratio in FY 2003/04 is 9.60 percent and lowest ratio in FY 2005/06 is 5.50 percent.

Loans and Advances to total deposit ratio for the Five year period have remain similar. The average ratio of the study period is 1.5 percent. The highest ratio in FY 2006/07 is 42.60 percent and lowest ratio in FY 2003/04 is 30.30 percent. According to the ratios of the study period fund mobilization is not fluctuate

Total Investment to Total Deposit ratio has similar trend from FY 2002/03 to 2006/07. The average ratio of during the period is 0.054. The highest ratio in FY 2005/06 is 55.70 percent and lowest ratio in FY 2004/05 is 50.20 percent this means that the investment position of the bank is satisfactory. This shows the bank has good average in the investment sectors.

The ratio in FY 2002/03 is 292.30 percent and the ratio in FY 2004/05 is 574.90 percent which are lowest and highest ratios during the period respectively. The average ratio is 412.60 percent. So it can be said that the loan & advance to fixed deposit ratio during the period is satisfactory.

Profitability of the Standard Chartered Bank Nepal Limited is satisfactory in the five years period. The average net profit to total deposit ratio is 2.30 percent. The highest ratio in FY 2005/06 is 2.50 percent.

The average of total deposit to Net Worth is 12.972. The average of interest paid to total assets is 34.30 percent it reveals that the interest earning of the bank is satisfactory.

5.2 Conclusions

From the analysis of the financial position of the Standard Chartered Bank Nepal Limited from the fiscal year 2002/03 to the fiscal year 2006/07 the collection of deposits and loan investment are increasing satisfactorily and there are also improvement in the operating profit.

The Current Ratio of the bank over the five years is 0.978 times on an average. It indicates that the margin for safety for customers has been maintained properly. The average ratio is reached nearly at the standard, so it is in satisfactory position. The average of the cash and bank balance to current assets ratio is 77.477 which indicate that the cash and bank balance proportion with respect to the current assets is high position. The average ratio for loan & advance to current assets ratio revealed that 0.385 of current assets has been lent to the customers as loan & advances. It indicates that the bank's fund mobilization position is more satisfactory. The result of the analysis indicates that the share of fixed deposit is high in the total deposit which may be termed as favorable one from viewpoint of liquidity. The average ratio of cash and bank balance to total deposit is 0.074, which indicates that cash and bank balance has been maintaining properly. Hence in general the liquidity position of the bank is good enough to meet the short term obligations.

The average ratio of Loan and advances to total deposit is 36.80 percent which means the loan and advances can recover easily through profit mobilization. The bank has been able to invest a large amount of its deposit on various securities and profitable projects sectors. The average ratio of the total investment to total deposit is 53.80 percent, as this investment bears risk as compared to loans and advances. The average of loan and advance to fixed deposit ratio is 412.60 percent.

5.3 Recommendation

Every organization needs profit to survive for long period which is the fact. So Standard Chartered Bank Nepal Limited is also one of them, it also needs profit for different purposes which is only possible when there is effective and efficient management as well as the total team commitment, it would be better for the bank if there is excellent management and the excellent services, cooperation with all the clients of the bank and excellent team work within the organization which is the key elements for the survival of the bank and as well as for its own goodwill.

Cash and bank balance to total deposit doesn't meet the NRB's minimum requirement. This can create risk to the bank. So, it is suggested that the bank should keep the minimum required cash and bank balance. As the current ratio of the bank is also below normal standard the bank should ascertain its quality of Current obligation.

Due to decrease in loan and advances, the interest income is also decreasing which is major source of income. This can have an adverse effect on the overall profitability of the bank. So, it is recommended that the bank should effectively utilize its deposits on loan and advances for generating profit.

The net profit of the bank is not satisfactory as it is increasing by very little percentage in the recent years. The bank should take the matter seriously. Profit is essential for the survival of the growth of the bank. Bank should focus on operating earning.

APPENDIX -1

Calculation of mean and standard deviation of CA to CL ratios.

Fiscal year	Ratio(X)	$(x-\bar{x})^2$
2002/03	0.971	0.000
2003/04	0.969	0.000
2004/05	1.023	0.002
2005/06	0.981	0.000
2006/07	0.946	0.001
	ϕ X= 4.890	$\phi\ (x - \bar{x})^2 = 0.003$

We know,

Mean ($\bar{X}$) = $\frac{\phi\varepsilon}{\rho}$ = 0.978

…The average current assets to current liabilities ratio=0.978 times

Where,

X=current assets to current liabilities ratios

N=number of the years

X= Current liabilities in a year

Standard deviation **(σ)** = $\sqrt{\frac{\phi \int x\ Z\bar{x} Å}{n}}$

=0.025

… **Standard deviation (σ) = 2.50%**

APPENDIX - 2

Calculation of mean and standard deviation of cash and bank balance to current assets ratios

Fiscal year	**Ratio (X)**	**$(x-\bar{x})^2$**
2002/03	0.086	0.00006
2003/04	0.098	0.00040
2004/05	0.059	0.00036
2005/06	0.058	0.00040
2006/07	0.087	0.00008
	$\phi\varepsilon$ = 0.388	$\phi(x\,Z\,\bar{x})^2$ =0.001

We know,

Mean ($\bar{X}$) = $\frac{\phi\varepsilon}{\rho}$

=0.078

… The average of cash and bank balance to CA= 7.80

Where,

X=Cash and bank balance to current assets ratio

N= Number of the years

Standard deviation **(σ)** = $\sqrt{\frac{\phi ƒx\,Z\,\bar{x}Å^2}{n}}$

= 0.014

…**Standard deviation (σ) =1.4**

APPENDIX -3

Calculation of mean and standard deviation of loan and advance to current assets ratios

Fiscal year	Ratio(X)	$(x-\bar{x})^2$
2002/03	0.333	0.0036
2003/04	0.319	0.0055
2004/05	0.421	0.0008
2005/06	0.416	0.0005
2006/07	0.477	0.0071
	ϕ X= 1.967	$\phi\ (x-\bar{x})^2 = 0.017$

We know

Mean $(\bar{X}) = \frac{\phi\varepsilon}{\rho} = 0.393$

…**The average loan and advance to current assets ratio = 39.30 times**

Where,

X= Loan and advance to current assets ratio

N= number of the years

Standard deviation **(σ)** = $\sqrt{\frac{\phi f x Z \bar{x} Å^2}{n}}$

= 0.0376

…**Standard deviation (σ) = 3.76**

APPENDIX - 4

Calculation of mean standard deviation of fixed deposit to total deposits.

Fiscal year	**Ratio(X)**	**$(x-\bar{x})^2$**
2002/03	0.104	0.00010
2003/04	0.068	0.00068
2004/05	0.073	0.00044
2005/06	0.093	0.00000
2006/07	0.130	0.00130
	ϕ X= 0.468	$\phi\ (x - \bar{x})^2$= 0.00300

We know,

Mean ($\bar{X}$)= $\frac{\phi\varepsilon}{\rho}$ =0.094

…**Average fixed deposit to total assets ratio= 9.40%**

Where,

X= Fixed deposit to total assets ratio

N= Number of the years

Standard deviation **(σ) =** $\sqrt{\frac{\phi \int X\ Z \bar{X} Å}{N}}$

= 0.025

…**Standard deviation (σ) = 2.5%**

APPENDIX -5

Calculation of mean and standard deviation of Cash and bank balance to total deposit ratios

Fiscal year	Ratio(X)	$(x-\bar{x})^2$
2002/03	0.081	0.00005
2003/04	0.096	0.00048
2004/05	0.057	0.00029
2005/06	0.055	0.00036
2006/07	0.082	0.00006
	ϕ (X) = 0.0371	$\phi\,(x-\bar{x})^2$= 0.00100

We know

Mean ($\bar{X}$)= $\frac{\phi\varepsilon}{\rho}$ = 7.40%

…**The average of cash and bank balance to total deposit ratio= 7.40%**

Where,

X= Cash and bank balance to total deposit ratio

N= number of the years

Standard deviation **(σ)** = $\sqrt{\frac{\phi f x \, Z \bar{x} Å^2}{n}}$

=0.014

…**Standard deviation (σ) = 1.40%**

APPENDIX - 6

Calculation of mean and standard deviation of Loan and advance to total deposit ratio

Fiscal year	**Ratio Ratio(X)**	**$(x-\bar{x})^2$**
2002/03	0.304	0.00001
2003/04	0.303	0.00002
2004/05	0.421	0.01300
2005/06	0.387	0.00640
2006/07	0.426	0.01416
	ϕ (X) = 1.841	$\phi\ (x - \bar{x})^2$= 0.01500

We know

Mean ($\bar{X}$) = $\frac{\phi\varepsilon}{\rho}$ = 36.80%

…**The average of loan and advance to total deposit ratio =36.80%**

Where,

X= Loan and advance to total deposit ratio

N= number of the years

Standard deviation **(σ)** = $\sqrt{\frac{\phi \int x\, Z \bar{x} \AA^{2}}{n}}$

=5.5%

…**Standard deviation (σ) = 5.5%**

APPENDIX -7

Calculation of mean and standard deviation of total investment to total deposit ratio

Fiscal year	**Ratio(X)**	**$(x-\bar{x})^2$**
2002/03	0.545	0.00005
2003/04	0.537	0.0000
2004/05	0.502	0.00130
2005/06	0.557	0.00036
2006/07	0.550	0.00014
	ϕ (X) = 2.691	$\phi(x - \bar{x})^2 = 0.002$

We know,

Mean ($\bar{X}$) = $\frac{\phi\varepsilon}{\rho}$ = 53.8%

…**The average of total investment to total deposit ratio= 53.8%**

Where,

X= Total investment to total deposit ratio

N= number of the years

X= Standard deviation **(σ)** = $\sqrt{\frac{\phi ƒx\, Z \bar{x} Å}{n}}$

=0.20%

…**Standard deviation (σ) = 0.20%**

APPENDIX -8

Calculation of mean and standard deviation of loan and advance to fixed deposit ratio

Fiscal year	**Ratio Ratio(X)**	**$(x-\bar{x})^2$**
2002/03	2.923	0.265
2003/04	4.487	1.100
2004/05	5.749	5.341
2005/06	4.183	0.555
2006/07	3.286	0.023
	ϕ (X) = 20.628	$\phi (x - \bar{x})^2 = 4.921$

We know,

Mean ($\bar{X}$) = $\frac{\phi\varepsilon}{\rho}$ = 412.60%

…**The average of loan and advance to total fixed deposit ratio = 412.60%**

Where,

X=Total loan and advance to total fixed deposit ratio

N= number of the years

Standard deviation **(σ)** = $\sqrt{\frac{\phi ƒx\ Z\ \bar{x}Å}{n}}$

=99.2%

…**Standard deviation (σ) = 99.2%**

APPENDIX -9

Calculation of mean and standard deviation of interest earned to loan and advance.

Fiscal year	Ratio(X)	$(x-\bar{x})^2$
2002/03	0.176	0.00281
2003/04	0.163	0.00160
2004/05	0.130	0.00005
2005/06	0.133	0.00010
2006/07	0.134	0.00012
	ϕ (X) = 0.736	$\phi\ (x - \bar{x})^2$=0.00200

We know,

Mean ($\bar{X}$) = $\frac{\phi\varepsilon}{\rho}$ = 14.70%

…**The average of Interest earned to Loan & advance= 14.70%**

Where,

X= Interest earned to Loan & advance

N= number of the years

Standard deviation **(σ)** = $\sqrt{\frac{\phi f x \, Z \bar{x} \text{Å}^2}{n}}$

= 2.00%

…**Standard deviation (σ) = 2.00%**

APPENDIX -10

Calculation of mean and standard deviation of interest paid to total assets ratio

Fiscal year	Ratio(X)	$(x-\bar{x})^2$
2002/03	0.012	0.000000
2003/04	0.012	0.000000
2004/05	0.012	0.000000
2005/06	0.012	0.000000
2006/07	0.014	0.000004
	ϕ (X) = 0.062	$\phi\ (x - \bar{x})^2 = 0.000004$

We know,

Mean ($\bar{X}$)= $\frac{\phi\varepsilon}{\rho}$ = 1.20%

…**The average of interest paid to total Asset ($\bar{X}$) =1.20%**

Where,

X=Interest paid to Total Asset

N= number of the years

Standard deviation **(σ)** = $\sqrt{\frac{\phi \text{ƒ}x\, Z\, \bar{x}\text{Å}^{2}}{n}}$

= 0.00089

…**Standard deviation (σ) = 0.00089**

APPENDIX -11

Calculation of mean and standard deviation of net profit to total assets ratio

Fiscal year	Ratio(X)	$(x - \bar{x})^2$
2002/03	0.024	0.000000
2003/04	0.023	0.000001
2004/05	0.025	0.000001
2005/06	0.026	0.000004
2006/07	0.024	0.000000
	ϕ (X) = 0.122	$\phi\ (x - \bar{x})^2 = 0.000006$

We know,

Mean ($\bar{X}$) = $\frac{\phi\varepsilon}{\rho}$ = 2.40%

…**The average of net profit to total assets ratio ($\bar{X}$)** = 2.40%

Where,

X=Net profit to total assets ratio

N= number of the years

Standard deviation **(σ)** = $\sqrt{\frac{\phi \int x\, Z \bar{x} Å}{n}}$

= 0.11%

…**Standard deviation (σ) =0.11%**

APPENDIX -12

Calculation of mean and standard deviation of net profit to total deposit ratio

Fiscal year	Ratio(X)	$(x-\bar{x})^2$
2002/03	0.027	0.00002
2003/04	0.025	0.00000
2004/05	0.028	0.00003
2005/06	0.029	0.00004
2006/07	0.028	0.00003
	$\sum (X) = 0.137$	$\sum (x - \bar{x})^2 = 0.00011$

We know,

Mean ($\bar{X}$)= $\frac{\sum X}{N}$ = 2.30%

… **The average of net profit to total deposit ratio** ($\bar{X}$) =2.30%

Where,

X=Net profit to total deposit ratio

N= number of the years

Standard deviation **(σ)** = $\sqrt{\frac{\sum (x-\bar{x})^2}{n}}$

=0.00460

…**Standard deviation (σ) =0.46%**

APPENDIX -13

Calculation of mean and standard deviation of *total deposit to net worth* ratio

Fiscal year	**Ratio (X)**	$\mathbf{(x-\bar{x})^2}$
2002/03	13.701	0.531
2003/04	14.148	1.383
2004/05	12.219	0.567
2005/06	13.147	0.031
2006/07	11.646	1.758.
	ϕ (X) = 64.861	$\phi\,(x - \bar{x})^2$=4.270

We know,

Mean ($\bar{X}$) = $\frac{\phi\varepsilon}{\rho}$ = 1297.20%

…**The average of total deposit to net worth ($\bar{X}$) =1297.20%**

Where,

X=Total deposit to net worth ratio

N= number of the years

Standard deviation **(σ)** = $\sqrt{\frac{\phi ƒx\, Z\bar{x}Å^{2}}{n}}$

= 92.41%

…**Standard deviation (σ) =92.41%**

APPENDIX-14

Calculation of correlation coefficient between total deposit and loan & advance.

Fiscal year	**Deposit (X)**	**Loan & Advance (Y)**	**$(X)^2$**	**$(Y)^2$**	**XY**
2002/03	18,755.635	5,695.824	351,773,844.253	32,442,411.039	106,828,795.968
2003/04	21,161.442	6,410.242	447,806,627.519	41,091,202.499	135,649,964.289
2004/05	19,335.095	8,143.208	373,845,898.659	66,311,836.531	157,449,700.285
2005/06	23,061.032	8,935.418	531,811,196.905	79,841,694.835	206,059,960.431
2006/07	24,647.021	10,502.637	607,475,644.174	110,305,383.954	258,858,714.694
	ΣX =106960.225	ΣY =39687.329	ΣX^2 =2312713211.510	ΣY^2 = 329992528.858	ΣXY =864847135.667

We know,

$$r = \frac{N\Sigma XY - \Sigma X\,\Sigma Y}{\sqrt{N\Sigma X^2 - (\Sigma X)^2}\,\sqrt{N\Sigma Y^2 - (\Sigma Y)^2}}$$

=**0.826**

r^2=0.682

Where,

X = Total deposit in a year

Y = Total loan and advance in a year

N = Number of the years

P.E. = Probability error

∴ The correlation coefficient of total deposit and total loan & advance (r)=0.826

r > 0 i.e. 0.826 > 0 the relationship between two variables total deposit and loan & advance are positive correlated.

Calculation of probability error

P.E. = 0.6745* $\frac{1 \mathrm{Z} r^2}{\sqrt{n}}$

= 0.096

…**The probability error is = 0.096**

6P.E. = 6X0.096 = 0.576

APPENDIX-15

Calculation of coefficient of correlation between total deposit and total investment.

Fiscal year	Deposit (X)	Total Investment	$(X)^2$	$(Y)^2$	XY
2002/03	18,755.635	10,216.199	351,773,844.253	104,370,722.008	191,611,299.531
2003/04	21,161.442	11,360.328	447,806,627.519	129,057,052.268	240,400,922.073
2004/05	19,335.095	9,702.553	373,845,898.659	94,139,534.718	187,599,783.998
2005/06	23,061.032	12,850.536	531,811,196.905	165,136,275.487	296,346,621.913
2006/07	24,647.021	13,556.233	607,475,644.174	183,771,453.150	334,120,759.432
	ΣX =106960.225	ΣY = 57685.849	ΣX^2 = 2312713211.510	ΣY^2 = 676475037.631	ΣXY = 1250079386.947

We know,

$$r = \frac{n\Sigma XY - \Sigma X \Sigma Y}{\sqrt{n\Sigma X^2 - (\Sigma X)^2}\sqrt{n\Sigma Y^2 - (\Sigma Y)^2}}$$

= 0.0979

∴**r = 0.0979**

r^2=0.0958

Where,

X = Total deposit in a year

Y = Total investment in a year

N = Number of the years

P.E.= Probability error

∴ The correlation coefficient of total deposit and total loan & advance (r) = 0.0.979

r ∣ 0 i.e. 0.0.979 ∣ 0 the relationship between two variables total deposit and loan & advance are negatively correlated.

Calculation of probability error

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

= 0.013

…**The probability error is P.E. = 0.013**

6P.E. = 6X. 0.013 = 0.078

APPENDIX -16

Calculation of coefficient of correlation between Net profit and total assets.

Fiscal year	Net profit (X)	Total assets(Y)	$(X)^2$	$(Y)^2$	XY
2002/03	506.932	1,828.733	256,980.053	3,344,264.385	927,043.277
2003/04	537.800	1,629.726	289,228.840	2,656,006.835	876,466.643
2004/05	536.245	565.111	287,558.700	319,350.442	303,037.948
2005/06	658.756	739.866	433,959.468	547,401.698	487,391.167
2006/07	691.668	758.746	478,404.622	575,695.493	524,800.328
	φε =2931.401	φψ =5522.182	$φε^{2}$ =1746131.683	$φψ^{2}$ =7442718.853	φε ψ =3118739.363

We know,

$$\mathbf{r} = \frac{ρ\,φε\,ψ\,Ζφε\,φψ}{\sqrt{ρ\,φε^{2}\,Ζƒφε\,Å^{2}}\sqrt{ρ\,φψ^{2}\,Ζƒφψ Å^{2}}}$$

r = -0.618

r^2= 0.382

Where,

X = Total Net profit in a year

Y = Total assets in a year

N = Number of the years

P.E.= Probability error

⋯ The correlation coefficient of Net profit and total assets (r)=-0.618

r | 0 i.e. -0.618<0 the relationship between two variables Net profit and total assets are negative correlated.

Calculation of probability error

P.E. = 0.6745 X $\frac{1 Z r^2}{\sqrt{n}}$

= 0.186

…**The probability error is P.E. =0.186**

6P.E. = 6 × 0.186 =1.116

APPENDIX - 17

Trend analysis of total deposit for the period ending 2058/59 to 2063/64

Fiscal year	**Time**	**X=(t- $\bar{T}$)**	**Total deposit(Y)**	**X^2**	**XY**	**yc=a+bX** **yc= 5740.29+556.45 X**
2002/03	1.000	-2.000	18,755.635	4.000	-37,511.270	18,655.573
2003/04	2.000	-1.000	21,161.442	1.000	-21,161.442	20,023.809
2004/05	3.000	0.000	19,335.095	0.000	0.000	21,392.045
2005/06	4.000	1.000	23,061.032	1.000	23,061.032	22,760.281
2006/07	5.000	2.000	24,647.021	4.000	49,294.042	24,128.517
N=5	ϕt =	$\phi\varepsilon$ =0	$\phi\psi$ X106960.225	$\phi\varepsilon^2$ =	$\phi\varepsilon\,\psi$ X13682.362	

We have,

$$\bar{T} = \frac{\phi t}{\rho} = 3$$

The equation of straight line trend is

yc = a+bX.......................................(i)

By solving following equations we get the value of (a) and (b),

$\phi\psi$ = Na + b$\phi\varepsilon$ ....(ii)

$\phi\varepsilon\,\psi$ = a$\phi\varepsilon$ + b$\phi\varepsilon^2$.......................(iii)

Putting the value of $\phi\varepsilon$, $\phi\psi$, $\phi\varepsilon^2$ and $\phi\varepsilon\,\psi$ in the equation no.(ii) and (iii) it will give the value of (a) and (b).

Since we have $\phi\varepsilon = 0$

So ,

(a) = $\frac{\phi\psi}{\rho}$ = 21392.045

(b) = $\frac{\phi\varepsilon\ \psi}{\phi\varepsilon^{2}}$ = 1368.236

Trend values of total deposit for the period ending 2064/65 to 2068/69

Fiscal year	Time (t)	X= (t-$\overline{T}$)	yc = a + bX
2007/08	6.000	3.000	25,496.754
2008/09	7.000	4.000	26,864.990
2009/10	8.000	5.000	28,233.226
2010/11	9.000	6.000	29,601.462
2011/12	10.000	7.000	30,969.698

APPENDIX - 18

Trend analysis of Net profit for the period ending 2058/59 to 2063/64

Fiscal year	**Time(t)**	**X=(t-$\overline{T}$)**	**Net profit(Y)**	**X^2**	**XY**	**yc=a+bX** **yc= -167.13 -46.41 X**
2002/03	1.000	-2.000	506.932	4.000	-1,013.864	488.195
2003/04	2.000	-1.000	537.800	1.000	-537.800	537.237
2004/05	3.000	0.000	536.245	0.000	0.000	586.280
2005/06	4.000	1.000	658.756	1.000	658.756	635.323
2006/07	5.000	2.000	691.668	4.000	1,383.336	684.366
	ϕt =15	$\phi\varepsilon$ =0	$\phi\psi$ X2931.401	$\phi\varepsilon^{2}$=10	$\phi\varepsilon\ \psi$ X490.428	

We have,

$\overline{T} = \frac{\phi t}{\rho} = 3$

The equation of straight line trend is

yc = a+bX.......................................(i)

By solving following equations we get the value of (a) and (b),

$\phi\psi = Na + b\phi\varepsilon$ ....(ii)

$\phi\varepsilon\,\psi = a\phi\varepsilon + b\phi\varepsilon^{2}$.......................(iii)

Putting the value of $\phi\varepsilon$, $\phi\psi$, $\phi\varepsilon^{2}$ and $\phi\varepsilon\,\psi$ in the equation no.(ii) and (iii) it will give the value of (a) and (b).

Since we have $\phi\varepsilon = 0$

So, $(a) = \dfrac{\phi\psi}{\rho} = 586.280$

$(b) = \dfrac{\phi\varepsilon\,\psi}{\phi\varepsilon^{2}} = 49.043$

Trend values of Net profit for the period ending 2064/65 to 2068/69

Fiscal year	Time (t)	X= (t-$\overline{T}$)	yc = a + bX
2007/08	6.000	3.000	733.409
2008/09	7.000	4.000	782.451
2009/10	8.000	5.000	831.494
2010/11	9.000	6.000	880.537
2011/12	10.000	7.000	929.580

APPENDIX - 19

Trend analysis of loan & advance for the period ending 2058/59 to 2061/62

Fiscal year	**Time(t)**	**X=(t-$\overline{T}$)**	**Loan & advance(Y)**	**X^2**	**XY**	**yc=a+bX** **yc=4654.066+561.234X**
2002/03	1.000	-2.000	5,695.824	4.000	-11,391.648	5,509.705
2003/04	2.000	-1.000	6,410.242	1.000	-6,410.242	6,723.586
2004/05	3.000	0.000	8,143.208	0.000	0.000	7,937.466
2005/06	4.000	1.000	8,935.418	1.000	8,935.418	9,151.346
2006/07	5.000	2.000	10,502.637	4.000	21,005.274	10,365.226
	$\phi t = 15$	$\phi\varepsilon = 0$	$\phi\psi$ X39687.329	$\phi\varepsilon^{2} = 10$	$\phi\varepsilon\,\psi$ X12138.802	

We have,

$\overline{T} = \dfrac{\phi t}{\rho} = 3$

The equation of straight line trend is

yc = a+bX.......................................(i)

By solving following equations we get the value of (a) and (b),

$\phi\psi$ = Na + b$\phi\varepsilon$ ....(ii)

$\phi\varepsilon\psi$ = a$\phi\varepsilon$ + b$\phi\varepsilon^2$.......................(iii)

Putting the value of $\phi\varepsilon$, $\phi\psi$, $\phi\varepsilon^2$ and $\phi\varepsilon\psi$ in the equation no.(ii) and (iii) it will give the value of (a) and (b).

Since we have $\phi\varepsilon = 0$

So , (a) = $\frac{\phi\psi}{\rho}$ =7937.466

(b) = $\frac{\phi\varepsilon\psi}{\phi\varepsilon^2}$ = 1213.880

Trend values of loan & advance for the period ending 2064/65 to 2068/69

Fiscal year	Time (t)	$X=(t-\bar{T})$	yc=a+bX
2007/08	6.000	3.000	11,579.106
2008/09	7.000	4.000	12,792.987
2009/10	8.000	5.000	14,006.867
2010/11	9.000	6.000	15,220.747
2011/12	10.000	7.000	16,434.627

APPENDIX - 20

Trend analysis of Earning per Share for the period ending 2058/59 to 2063/64

Fiscal year	**Time(t)**	**X=(t-$\overline{T}$)**	**EPS (Y)**	**X^2**	**XY**	**yc=a+bX** **yc= -33.062+5.114 X**
2002/03	1.000	-2.000	149.300	4.000	-298.600	142.154
2003/04	2.000	-1.000	143.550	1.000	-143.550	148.997
2004/05	3.000	0.000	143.140	0.000	0.000	155.840
2005/06	4.000	1.000	175.840	1.000	175.840	162.683
2006/07	5.000	2.000	167.370	4.000	334.740	169.526
N=5	ϕt =15	ϕε =0	ϕψ X779.	ϕε ^{2}=1	ϕε ψ X68.4	779.200

We have,

$$\overline{T} = \frac{\phi t}{\rho} = 3$$

The equation of straight line trend is

yc = a+bX.......................................(i)

By solving following equations we get the value of (a) and (b),

ϕψ = Na + b ϕε ....(ii)

ϕε ψ = a ϕε + b ϕε ^{2}.......................(iii)

Putting the value of ϕε , ϕψ , ϕε ^{2} and ϕε ψ in the equation no.(ii) and (iii) it will give the value of (a) and (b).

Since we have ϕε = 0

So, (a) = $\frac{\phi\psi}{\rho}$ =155.840

(b) = $\frac{\phi\varepsilon\ \psi}{\phi\varepsilon^{2}}$ = 6.843

Trend values of total deposit for the period ending 2064/65 to 2068/69

Fiscal year	Time (t)	X= (t-$\overline{T}$)	yc=a+bX
2007/08	6.000	3.000	176.369
2008/09	7.000	4.000	183.212
2009/10	8.000	5.000	190.055

2010/11	9.000	6.000	196.898
2011/12	10.000	7.000	203.741

APPENDIX - 21

PROFILE OF THE CONCERNED BANK

Nepal Credit and Commerce Bank Ltd. was established on 14th October 1996 as Nepal Bank of Ceylon Ltd.(NBOC) a joint venture commercial bank of Ceylon ,Sri Lanka the pioneer bank in Sri Lanka and Nepalese promoters, NB Group(Nepal) Pvt. Ltd. and Nepal Insurance Company Ltd. It enjoys the reputation of the first bank with largest authorized capital of Rs.1000 million. It also ventured to establish its head office outside the capital of the country at Siddharthanagar, Rupendehi, and the birth place of LORD BUDDHA (The light of Asia) for the first time in the Nepalese context.

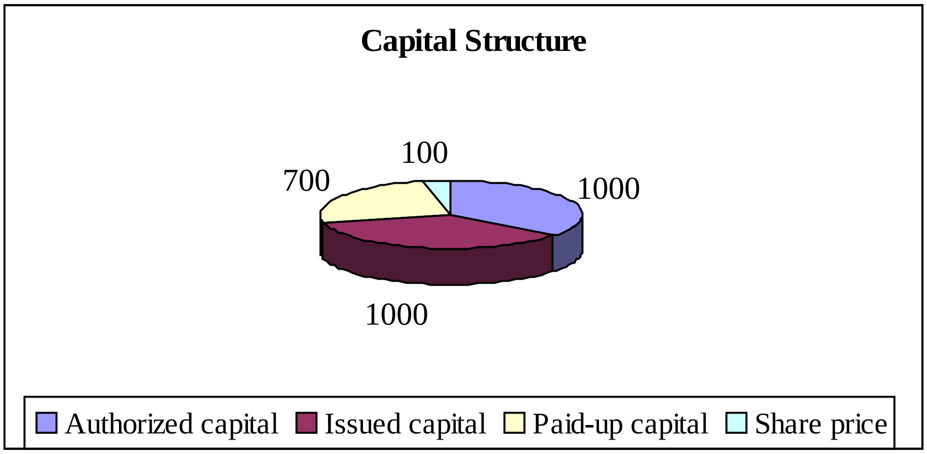
NBOC started its operations from Siddharthanagar on October 14, 1996. Within nine months of its operation NBOC expanded its business through 4 branches, Siddhartha Nagar and Lumbini in Rupendehi, BagBazar in Kathmandu and Barahbise in Sindhupaichowk. The name of the bank has been changed to Nepal Credit and Commerce Bank Ltd. on 10th September 2002. This change was effected due to the transfer of shares and management from Sri Lankan co-venture to Nepalese promoters. At present NCC bank provides its financial facilities and services to rural and urban areas of the nation through its 17 branches.

The name and establishment dates of the branches of NCC banks are as follows:-

(1) Siddhartha Nagar	October 14, 1996
(2) Lumbini	November 28, 1996
(3) BagBazar Kathmandu	January 27, 1996
(4) Barahbise	May 20, 1997
(5) Thankot	March 8, 2000
(6) Banepa	September 17, 2000
(7) New Road Kathmandu	April 2, 2001
(8) Narayangadh	October 21, 2001
(9) Biaratnagar	May 23, 2003
(10) Mahindra Nagar	May 23, 2003
(11) Birgunj	June 22, 2003
(12) Kalaiya	June 6, 2004
(13) Pokhara	June 15, 2004
(14) Chabahil Kathmandu	June 18, 2004
(15) Birtamod	Chaitra 18, 2061
(16) Butwal	Baisakh 4, 2062
(17) Lagankhel, Kathmandu	Baisakh 8, 2062

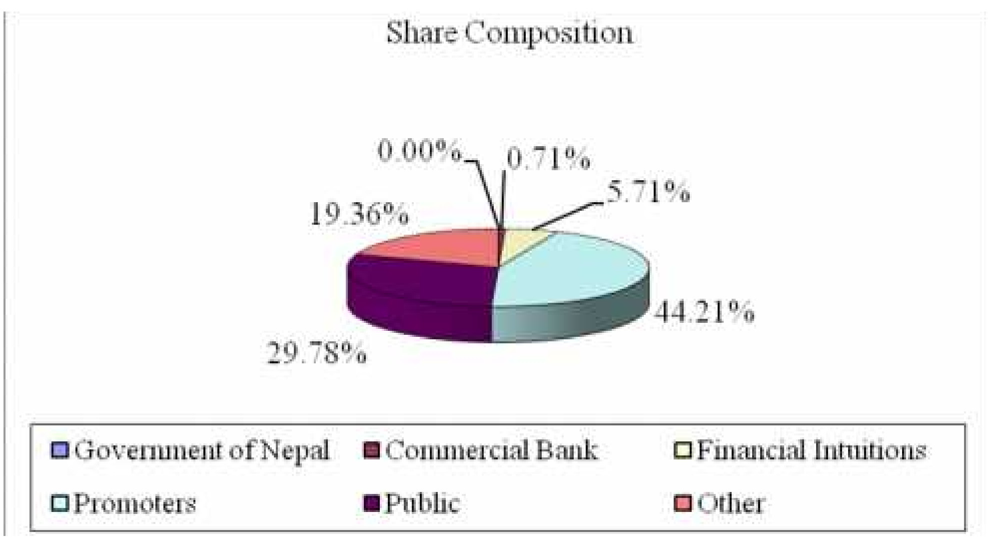
Capital structure and share composition

Authorized capital	Rs.1000 million
Issued capital	Rs.1000 million
Paid-up capital	Rs. 700 million
Share price	Rs. 100



<u>Shares</u>

Government of Nepal	0.0%
Commercial Bank	0.71%
Financial Intuitions	5.71%
Promoters	44.21%
Public	29.78%
Other	19.36%



At present NCC bank is providing its services through fully computerized system. The bank uses "Pumori Plus" banking software, which is developed by Nepalese software engineer and veteran bankers.

Services and facilities

Deposit: -

NCC bank provides various types of deposits including - Saving, Current, Fixed, and Call Deposits, Saving Plus, Bal Suraksha Khata, Mahila Suraksha Khata, and Jestha Nagarik Suraksha Khata.

Credit and trade finance

Demand lone

Hire purchase loan

Bridge gap lone

Trust receipt lone

Bills purchase & discounting

Vehicle lone

Letter of credit

Pledge lone

Housing lone

Consortium lone

Guarantee

Over draft

Other loan

Lone against gold

Deprived sector lone

Cash credit

Personal lone

Export credit

Priority sector lone

Term lone

Other services

FCY TC purpose and sales.

Remittance.

Tele- Banking.

Computer on line services.

Anywhere banking with in Kathmandu.

Evening counter facility from New Road and Narayangadh branch.

Safe deposit lockers at Kathmandu main branch and Siddharthanagar.

NCC debit card facility

ATM facility.

Investment Banking

NCC Bank has recently established investment banking department in an effort to enter into universal banking and competitive edge. Investment banking functions carried out by the banks in the international scenario are-

Financial advisory

Fund management

Under writing

Corporate restructuring

Project appraisal

Managing IPO's

Merger and acquisition

Syndication of funds

Corporate Vision

Bankers with the quality services strive for expansion with profitability, professionalism and personalized banking services.

Corporate Mission

The goal of NCC bank is to provide a wide range of banking socio-economic environment within and outside the country maintaining high standards of integrity and efficiency with excellence.

Goals and Objectives of NCC Bank Limited is as follows:

The bank strives to provide modern and efficient and personalized banking facilities within the country to its customers.

The bank also aspires to develop new and modern banking system and technologies to provide market oriented facilities and services to its valued customers.

The management and staff of the bank are committed to innovate and introduce new products in the market in order to provide maximum benefits to its valued customers.

To develop life long relationship with clients and achieve profitability through customer oriented service and customer satisfaction.

Interest Rate Structure of NCC bank with effect from 1st Shrawan 2063

Deposit	Per Annum	
NCC Saving Plus	4.25%- 4.50%	
Saving	4.5%	
Mahila Suraksha Bachat Khata	5 %	
Bal Suraksha Bachat Khata	5 %	
Jestha Nagarik Suraksha Bachat Khata	5 %	
Call Deposits		
-7 days to 1 month	3 %	
-Exceeding one month	3.5 %	
Special Time Deposit	4.5%	
Fixed Deposits	Fixed Rate	Floating Rate
-3 months	4%	-
-6 months	4.5%	-
-1 year	5%	4.9%
-2 years	5.5%	5.4%
-3 years	5.5%	5.9%
-4 years	5.5%	6.15%
-5 years	5.5%	6.4%

LOAN AND ADVANCES

Prime p.a. All others

p.a.

Overdraft		13%	14%
Cash credit		12%	13%
Loan against NPR fixed deposit of NCC bank		plus1.5% to 2%	
Loan against FCY fixed deposits		plus 1.5% mini.7.5%	
Loan against govt. bonds/FDR of other banks		-	9%
Loan against financial bank guarantee			10.5%
Deprived sector	Institutional		7%
	Others		11%
Priority sector		12%	13%
Term loan		12.5%	13.5%
Personal loan /others		13.5%	14.5%
Personal housing loan		11%	12.5%
Hire purchase		11%	12.5%
Consortium loan		As per consortium decision	
Export credit		10%	11%
Trust receipt loan		10%	11%
Demand loan		12.5%	13.5%
Loan to prime corporate	Export credit/ Trust receipt	9%	
	Others	11%	

BIBLIOGRAPHY

Book, Journal and Thesis

Abrol, P.N. & Gupta O.P. (2002). *Commercial Dictionary*. New Delhi: Anmol Publication.

Adhikari, D. R. (1993). *Evaluating the Financial Performance of Nepal Bank Ltd*. An Unpublished MBA Thesis, Tribhuvan University.

Adhikary Basu Dev (2001). *Bank and Finance Institution Ordinance.* Kathmandu.

American Institution of Banking (1972). *Principle of Banking Operation*. USA

Bhandari, Krishna (2006). *The Financial Performance of Himalayan Bank Ltd. in the Framework of CAMEL*. An Unpublished MBA Thesis, Tribhuvan University.

Bhatt, Gunakar (2061). *Need for Macroprudential Appraisal of the Financial System Soundness.* Nepal Rastra Bank Samachar, 49th Anniversary, 57-62.

Bohara, Bhoj R. (1992). *The financial performance analysis of Nepal Arab Bank Ltd. & Indosuez Bank Ltd*. An Unpublished MBA Thesis, Tribhuvan University.

Chanda, Digendra (2006). *The Financial Performance Analysis of Nepal Arab Bank Ltd. in the Framework of CAMELS*. An Unpublished MBA Thesis, Tribhuvan University.

Commercial Bank Act 2031 Section 2(a).

Crosse, H.D. (1963). *Management Policies for Commercial Banks***.** USA: Prentice Hall Inc.

Darshandhari Aurun. (2004). *Financial performance analysis of EBL*. An Unpublished Master Degree Thesis, Shanker Dev Campus, Tribhuvan University.

Fotheri(1999). *C.R.R.M.Methods and Technical*. Wiley Eastern Limited 2nd Ed. - New Delhi.

Gupta Bhushan Prasad (2004). *Financial performance analysis of EBL"* An Unpublished Master Degree Thesis, Shanker Dev Campus, Tribhuvan University.

Gurung. V.C. (1995). A *Financial Study of Joint Venture Banks in Nepal*. An Unpublished MBA Thesis, Tribhuvan University.

Halter 'o' Gerald (1999). *Bank's Investment and Funds Management*. Second Edition, Mac Millan India Ltd.

Howard K. Wolf and Prem R. Pant(2003). *Social Science Research and Thesis Writing*-2nd Ed.

J. Fred Westen Eugene F.Brigham(2006) *Managerial Finance* -Hold Sainders International Editors.

James C. Vane Horne (2005). *Financial Management and policy*. New Delhi, Prentice Hall of India

Joshi Subi (2003). *A study of financial analysis of Nepal Investment Bank Ltd.* An Unpublished Master Degree Thesis, Shanker Dev Campus, Tribhuvan University.

Joshi. D. (1993). *A Study on Commercial Banks of Nepal with Special Reference Financial Analysis of Rastriya Banijya Bank*. An Unpublished MBA Thesis, Tribhuvan University.

Khadka, S.J & H.B. Singh (2062). *Banking and Insurance*. 4th ed. Kathmandu: Asia Publicaton.

Khatri Sudhir (2004). *One Umbrella Act's Pros & Cons*. **New Business Age**. April 2004 pg. 18-19.

Koch, w. Timothy & S. Scott, Macdonald. (2003). *Bank management.* 5th ed. Cleveland: Thomson South-Western.

Luintel Nabin Kishor (2003). A Study on Financial Performance of Nepal Bank Limited. An Unpublished Master Degree Thesis, Shanker Dev Campus, Tribhuvan University.

Khan M.Y., Jain P.K. (2003). *Financial Management*. Tata Mc Graw Hill Publishing Co. Ltd.

Suraj, Amatya (2005). *A Study on Financial Performance of Standard Charter Bank Ltd.* An Unpublished Master Degree Thesis, Shanker Dev Campus, Tribhuvan University.

Dangol, Sanget (2004). *"Financial performance analysis of NCC Bank Ltd.* An Unpublished Master Degree Thesis, Shanker Dev Campus, Tribhuvan University.

NRB *Banking and Financial Statistics.* mid July 2006.

NRB *Banking and Financial Statistics.* mid July 2008.

NRB *Mid-term evaluation of the monetary policy* in FY 2063/64"

Pandey, IM., (1999). *Financial Management*. New Delhi: Vikas Publishing House.

Paudel, Rajan B. et al. (2006). *Fundamental of Corporate Finance*: Kathmandu: Asmita Publication.

Poudel, Narayan Prasad *"Assistant officer NRB Samachar 41 Publication 2053"*.

Pradhan, N.M. (1980). *A Study on Investment Policy of Nepal Bank Ltd*. An Unpublished MBA Thesis, Tribhuvan University.

Pradhan, R.S. (1993). *Stock Market Behaviour in a Small Market A Case of Nepal*. The Nepalese Management -Review vol.ix summer Pp23-43

Pant, Rabindra Ballav, *Training, Nepal Rastra Bank, Bankers Training Centre* Thapathali 2056 Poush.

Ramanathan Hingorani and Grewal (1977). *Management Accounting*. New Delhi, Sultan Chand and Company.

Ranavhat, M.B. (1997). *An Analysis of Financial Performance of Finance Companies. In Context on Nepal.* An Unpublished MBA Thesis, Tribhuvan University.

Rose, P. (1999). *Commercial Bank Management.* New Delhi: Prentice-Hall of India Private Ltd.

Shakya, D.R. (1995). Financial analysis of joint venture banks in Nepal. An Unpublished MBA Thesis, Tribhuvan University.

Sharma, Ramesh (2005) .*Capital Structure of selected commercial banks in Nepal*. Ph. D. dissertation., University of Delhi.

Shrestha, S. (1990). A portfolio behaviour of commercial banks in Nepal. Ph. D. Dissertation., University of Delhi.

Terry S. *Maness Introduction to Corporate Finance*. page 4

Thapa, Samikash (2001). *A Comparative Study on the Financial Performance of Nepal Arab Bank Ltd. & Nepal Indosuez Bank Ltd.* An Unpublished MBA Thesis, Tribhuvan University.

Upadhya, G.B. & N.R. Tiwari (1980). *Principal of Money and Banking in Nepal.* Kathmandu: Ratna Pustak Bhandar.

Van Horne J.C. (2003). *Financial Management and Policy.* New Delhi: Prentice-Hall of India Private Ltd.

Weston. J. F. & Copeland, T.E. (1992). *Managerial Finance.* New York: The Dryden Press.