

FINANCIAL PERFORMANCE OF COMMERCIAL BANKS IN NEPAL

(A Study of Nepal Investment Bank Ltd., Nabil Bank Ltd., Standard
Chartered Bank Nepal Ltd. and Everest Bank Ltd.)

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RECOMMENDATION

This is to certify that the thesis

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**FINANCIAL PERFORMANCE OF COMMERCIAL BANKS IN NEPAL
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Bank Nepal Ltd. and Everest Bank Ltd.)**

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

Master Degree of Business Studies (M.B.S.)

Viva-Voce Committee

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DECLARATION

I hereby declare that the work reported in this thesis entitled “**FINANIAL PERFORMANCE OF COMMERCIAL BANKS IN NEPAL (A Study of Nepal Investment Bank Ltd., Nabil Bank Ltd., Standard Chartered Bank Nepal Ltd. and Everest Bank Ltd.)**” submitted to Shanker Dev Campus, Faculty of Management, Tribhuvan University, is my original work done in the form of partial fulfillment of the requirement for the Master’s Degree in Business Study (M.B.S) under the supervision of **Mrs. Ruchila Pandey**, Lecturer of Shanker Dev Campus.

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Date:

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The study has to fully concentrate on the banking field. This is almost the largest sector contributing to the Nepalese economy. This research is hoped to be stepping stone for those who further desire to explore the hidden treasure in this area. It is also hoped to be the beneficial to the financial institutions and the investors. The research report strictly follows the standard format prescribed by the university.

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ABBREVIATIONS

S.NO.	Serial Number
B.S	Bikram Sambat
U.K.	United Kingdom
PNB	Punjab National Bank
JVB	Joint Venture Bank
C.R.	Current Ratio
EBIT	Earning Before Interest and Tax
EBT	Earning Before Tax
F/Y	Fiscal Year
P/L	Profit and Loss
ROA	Return on Assets
ROE	Return on Equity
i.e	That is
N	No. of Year
NIBL	Nepal Investment Bank Limited
NABIL	Nepal Arab Bank Limited
SCBNL	Standard Chartered Bank Nepal Limited
EBL	Everest Bank Limited
NRB	Nepal Rastra Bank
BOK	Bank Of Kathmandu
NGBL	Nepal Grand Lays Bank Limited

NSBI	Nepal State Bank of India
HBL	Himalayan Bank Limited
WTO	World Trade Organization
EPS	Earning Per Share
DPR	Dividend Pay Out Ratio
DPS	Dividend Per Share
P/E	Price Earning
NPA	Non Performing Assets
NPAT	Net Profit After Tax
S.D	Standard Deviation
C.V.	Coefficient of Variation
r	Correlation Coefficient
r ²	Coefficient of Determination
P.Er	Probable Error

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CHAPTER- I

INTRODUCTION

1.1 Background of Study

Nepal is an underdeveloped country per capita income of US \$ 383 (Central Bureau of Statistics report 2006/2007) and 38% people are below poverty line. Many features are therefore slow pace of the development such as land locked position, lack of vagaries and misuse of resources, poor economy policy and institutional weakness.

Innovation, Deregulation and Globalization in banking sector have contributed to making banking business more complex and potentially riskier. The business world today is entirely different from the past. The social needs have increased tremendously in quantity and quality as well. To survive in this world, the establishment of business and expansion of business is essential and impossible if there is no sufficient fund. The type of finance needed by a firm largely depends up on the type of the enterprise and varies from one firm to another.

Commercial banks play an important role in affair of the economy in various ways. The operations of commercial banks record the economic pulse of the economy. The size and composition of their transaction mirror the economic happening in the country. They are essential instruments of accelerated growth in a developing economy, by mobilizing community savings and diverting them into productive channels commercial banks expand and appreciate the value of aggregate economic activity in the economy.

It has been witnessed that the Nepalese economy has been passing through very difficult times over the decade. Agriculture and Non-agriculture production has remained constant so far over the decade after the restoration of democracy in Nepal. Foreign aid in the form of grants now has been turned into loans that have to be repaid within the stipulated time period with certain interest. As a result we see that debt payment is eating up the

huge portion of annual budget of the government.

It is the harsh reality that the development of economics conditions cannot be improved without the help of banking industry. After the implementation of the policy of privatization and economic liberalization policy by the government, it is seen that there is remarkable growth in the banking industry in Nepal.

The financial system in Nepal has evolved from a narrow, repressed regime till the eighties to a dynamic expanding sector in the nineties. This constitutional network and the volume of operations of financial system have expanded and diversified with the number of increased in commercial banks.

1.2 Concept of Banking

The banking system of Nepal has seen a drastic change for the better in almost every aspect. The face of the Nepalese banking sector has changed significantly from few government banks providing limited services, Nepalese banking sector has come a long way with large number of banks offering wide range of services. At present the Industry is witnessing a phase of intense competition; consumers have seen a quantum leap in the quality and variety of service offered by the commercial banks.

Banks are institutions whose debts usually referred to as "bank deposits" are commonly accepted in final settlement of other people's debt. Bank is also defined as an institution, which accepts deposits from the public and in turn advances loan by creating credit. Banking system occupied an important place in nation's economy.

Bank is a financial institution, which plays a significant role, in the development of a country. "Banking institutions are inevitable for the resources mobilization and all round development of the country. It is resources for economic development; it maintains economic confidence of various segments and extends credit to people" (**The New fashioned Banking, Grywinshki, Ronald, 1993:87**)

“The banking sector is largely responsible for collecting household saving in terms of different types of deposits and regulating them in the society by lending in different sectors of economy. The banking sector has now reached to most remote areas of the country and has experienced a good deal in the growth of the economy. By lending their resources in small scale industries under intensive banking program has enabled the banks to share in the economic growth of the economy.” **(Investment Planning of Commercial Banks in Nepal, Shrestha’s, 1993:32)**

Various types of banking institutions are performing different functions. It is the organ of government that under takes the major financial operations and by other means influences the behavior of financial institutions so as to support the economic policy of the government. But in modern times commercial banks are concentrated in their activities of fulfilling the financial needs of their customers.

1.2.1 Historical development of Banking System in Nepal

The history of banking in Nepal can be described as a component of gradual and economic sphere of the Nepalese life. Even the financial system is still in evolutionary phase. In the year 1994 B.S. the establishment of Nepal Bank Limited, with the Imperial Bank of India came into existence under "Nepal Bank Act 1993 B.S." as the first commercial bank of Nepal.

Banking concept was also in existence even in ancient period when the goldsmiths and rich people used to issue receipt to common people against the promise to safe keeping their valuable items.

"Banking concept existed even in the ancient period when the goldsmiths and the rich people used to issue the common people against the provides of safe keeping of their valuable items on the presentation of the receipt; the depositors would get bank their gold and valuables of the paying a small amount of safe keeping and saving." **(Samuelson, P.A 1973:27)**

The establishment of Nepal Rastry Bank, the central bank of Nepal in 2013 B.S. under the Nepal Rastra Bank Act 2012 was a significant dimension in the development of the banking sector. The second commercial bank, the Rastriya Bankjya Bank was established in the public sector in 1966 with the equity participation of HMG/N and the NRB under the Rastriya Banijya Bank Act 1967. Large numbers of non-banking financial institutes were set up between 1962 to 1977 such as the employ provident fund 1962, National Insurance Company 1967, Credit Guarantee Corporation in 1974 and Securities Market Centers in 1977.

Nepalese government since mid 1980 allowed foreign banks of joint venture basis to operate in the country on the approval of Nepal Rastra Bank. As result, Nepal Investment Bank Ltd (Nepal Indo-Suez Bank Ltd.), NABIL Bank Ltd. (Nepal Arab Bank Limited), Standard Chartered Bank Nepal Limited (Nepal Grindlays Bank) and Everest Bank Limited were established in 2042, 2041, 2043 and 2051 B.S. respectively. Today there are more than 20 commercial banks operating in Nepal Financial Market. Now commercial banks are established under Nepal Rastra Bank Act 2058, Bank and Financial Institute Related Act 2063, and Company Act 2063.

Along with the development of the country, bank and allied activities grew gradually. A bank and its activities have always played a prominent role in the development of our country. Financial development of the country largely depends up on effective mobilization of its internal resources.

1.3 Concept of Commercial Banks

Financial intermediaries play significant role to the development of national economy. They influence savings and surpluses considerably, which results investments. Financial intermediaries collect financial resources and supply them to the productive sectors that boosts the trade and industry and at last development of the country's economy.

Commercial Banks are heart of financial system they hold the deposits of many person, government establishment business unit. They make fund available through their lending and investing activities to borrowers, individuals, business firms and services for the producers to customers and the financial activities of the government. They provide the large portion of the medium of exchange and they are media through which monetary policy is affected. These facts show that the commercial banking system of nation is important to the functioning of the economy. **(Read/Cotler/Will/Smith, 1976:39)**

Commercial banks are also financial intermediaries they mediate people who save money and who want to secure the use of money by accepting the deposits, burrowing funds and advancing loans. In addition to these primary functions, commercial banks, collect checks and bills, open later of the credit, guarantee on behalf of customers, undertake capital and other many activities, exchange foreign currencies etc.

List of Commercial Banks in Nepal are :

S.No.	Name of Bank	Operation Date (B.S.)	Head Office
1	Nepal Bank Limited	1994/7/30	Dharmapath, Kathmandu
2	Rastriya Banijya Bank Limited	2022/10/10	Singadarbar, Kathmandu
3	Agriculture Development Bank Limited	2024/10/7	Ramsahapath, Kathmandu
4	NABIL Bank Limited	2041/3/29	Kantipath, Kathmandu
5	Nepal Investment Bank Limited	2042/11/26	Durbarmarg, Kathmandu
6	Standard Chartered Bank Nepal Limited	2043/10/16	Nayabaneshwor, Kathmandu
7	Himalayan Bank Limited	2049/10/5	Thamel, Kathmandu
8	Nepal S.B.I. Bank Limited	2050/3/23	Hattisar, Kathmandu
9	Nepal Bangladesh Bank Limited	2051/2/23	Nayabaneshwor, Kathmandu

10	Everest Bank Limited	2051/7/1	Lazimpat, Kathmandu
11	Bank of Kathmandu Limited	2051/11/28	Kamaladi, Kathmandu
12	Nepal Credit and Commerce Bank Limited	2053/6/28	Siddharthanagar, Rupandehi
13	Lumbini Bank Limited	2055/4/1	Narayangadh, Chitwan
14	Nepal Industrial and Commercial Bank Limited	2055/4/5	Biratnagar, Morang
15	Machhapuchhre Bank Limited	2057/6/17	Prithivichowk, Pokhara
16	Kumari Bank Limited	2057/12/21	Putalisadak, Kathmandu
17	Laxmi Bank Limited	2058/12/21	Aadarshanagar, Birgunj
18	Siddhartha Bank Limited	2059/9/9	Kamladi, Kathmandu
19	Global Bank Limited	2063/9/18	Aadarshanagar, Birgunj
20	Citizens Bank International Limited	2061/1/7	Kamladi, Kathmandu
21	Prime Commercial Bank Limited	2064/6/7	New Road, Kathmandu
22	Sunrise Bank Limited	2064/6/25	Gairidhara, Kathmandu
23	Bank of Asia Nepal Limited	2064/6/25	Tripureshwor, Kathmandu
24	Development Credit Bank Limited	2057/10/10	Kamladi, Kathmandu
25	N. M. B. Bank Limited	2053/9/11	Babarmahal, Kathmandu

1.3.1 Function of Commercial Banks

Regarding the function of commercial banks, a commercial bank act state that a commercial bank is one that exchanges money, accept deposits, grants loans, and performs commercial banking functions. The functions and services of modern commercial banks are classified under the following headings.

(I) Accepting Deposits

A commercial bank accepts deposits from customers in the forms of current, saving and fixed deposits. These deposits are repayable on demand. The depositors other than current A/c are paid interest.

(ii) Granting Loans and Deposits

The second main function of the commercial bank is to grant loans and advances to businessman, the industrialist, the individuals, the different organizations etc. in the forms of term loans, cash credit, overdraft, trust receipts, hire purchase loans etc. Banks charges interest on such loan and advances, which is the largest source of total income.

(iii) Agency Service

A modern commercial banks act as an agent of individual's customers, business institutions and different organization. The agency services of banks may involve collection of interest and dividends on debt and share capital. A bank buys and sells securities on behalf of the customers. Bank also collects cheques, draft promissory notes etc and receives their payments. Sometimes, it makes payments of insurance premium, bills of electricity, telephone etc. It takes commission for the services rendered.

(iv) Guarantee on Behalf of Customers

The need of bank guarantee arises in business. Generally, business customers enjoy this service. Sometimes, personal customers may also need a bank guarantee.

(v) Issuance of Traveler's Cheque

The people traveling outside the country want to reduce the fear of getting money stolen during the travel. Bank sells the traveler's cheque. The unique feature of the traveler's cheque is that unless the purchaser of traveler's cheque signs for encashment it cannot be encashed.

(vi) Opening Letter of Credit

Today letter of credit has become very popular in foreign business. The letter of credit is established/opened by the bank on the request of the customers.

(vii) Remittance Function

Sending and receiving fund to / from various places is the necessity of today. The remittance service of bank has benefited both business and personal customers. Funds transfers are made through various modes like demand drafts, telegraphic payment order, swift, fax and mail payment orders.

(viii) Other Services

Modern commercial banks are equally important in undertaking safe custody of important valuable and documents. Banks also offer some of the bank services at the door of highly valued customers. Few large banks conduct research and survey in the economic conditions and they supply trade statistics and Information In addition to these, banks also inform their customers about the credit standing of other particles.

1.4 Concept of Joint venture Bank

The foreign joint venture banks with full-fledged banking functions in Nepal are formed under Company Act 2063 B.S. and operated under Nepal Rastra Bank 2058, and Bank and Financial Institute Related Act 2063 B.S. Joint Venture Bank (JVB) have been established for trading to achieve mutual exchanges of goods and services, for sharing comparative advantages by performing joint investment schemes between Nepalese investors, financial and non-financial institutions as well as private investors and their parents banks.

“A Joint Venture Bank is joining of forces between two or more enterprises for the purchase of carrying out a specific operation i.e. industrial and commercial investment production or trade.” (Gupta, D. P. 1984:15)

Nepal Government deliberate policy of allowing foreign JVB's to operate in Nepal is basically targeted to encourage local traditionally run commercial banks to enhance their balanceable capacity through competition efficiency, modernization via computerization and prompt customer service". (Shreshtha M. K. 2042:44)

Joint venture banks in Nepal are expected to be the medium of economic development and uplift the community under the guidance, operate under supervision, controlling and direction of Nepal Rastra Bank. Nepal Arab Bank Limited was the first joint venture bank of Nepal, established in 29th Ashar 2041 B. S. till now there are nine joint venture banks operating in different parts of Nepal.

1.4.1 Role and Function of Joint Venture Banks

With the entry of foreign joint venture banks with foreign collaboration advanced managerial skills, international network personalized manpower, and modern computerized technology have created serious challenges to the existence of the traditionally running inefficient domestic state owned banks. JVBs are able to provide quality-banking service at the cheaper costs.

The JVBs have already been providing a dynamic and vital role for the development of the efficient financial market as well as for successful mobilizing and utilizing financial resource in the country, which can be illustrated in the following headings.

- (I) Providing Advanced Banking Services
- (II) International Management Network
- (III) Creation of Healthy Competition in the Banking Industry
- (IV) Advantage of Foreign Investment

1.5 Focus of the study

In Nepal many commercial and financial company have opened within few years of period. Basically, joint venture banks have given a new horizon to the financial sector of Nepal. They have achieved tremendous success in terms of market share and profitability due to their prompt service and professionalism.

The research study is focused on assessing the financial condition and performance of Nepal Investment Bank Limited, NABIL Bank Limited, Standard Chartered Bank Nepal Limited and Everest Bank Limited This study focuses on the financial performance and comparative analysis of four commercial banks. Brief profiles of these four banks are given below:

A. Nepal Investment Bank Limited:

Nepal Investment Bank Ltd (Nepal Indosuez Bank Ltd.) was established as a joint venture between Nepalese and French partner in Falgun 26, 2042 (1985 A.D.) The French partner (hold capital of NIBL) was credit Agricole Indosuez, a subsidiary of one of the largest banking in the world.

With the decision of credit Agricole Indosuez to divest, a group of company's bankers, professionals, industrialists and businessmen has acquired on April shareholding of credit Agricole Indosuez in Nepal Indosuez Bank Ltd.

The name of the bank has been change in to Nepal Investment Bank Ltd. In June 12, 2002 A.D. provide Loan and advance to agriculture, industries, commerce and to provide modern Banking services to the people.

Share Subscription and capital structure:

Subscription	% Holding
Organized Institutions	50%
Rastriya Banijya Bank	15%
Rastriya Beema Sansthan	15%
General Public	20%

Authorized Capital: Rs 2,00,00,00,000

Issued capital: Rs. 1,20,39,15,400

Paid up capital: Rs. 1,20,39,15,400

B. NABIL Bank Limited:

NABIL Bank Ltd. is the first joint venture commercial bank in Nepal which has incorporated in Ashadh 29, 2041(1984 A.D.) Dubai Bank Ltd., was the initial foreign joint venture partner with 50% equity investment. The share owned Dubai Bank Ltd, were transferred to Emanates Bank International Ltd. (EBIL) Dubai by virtue of its annexation with the later on EBIL Dubai sold its entire 50% equity to national Bank Ltd.

Share subscription and capital structure:

Subscription	% Holding
NB (International) Limited	50%
Nepal Industrial Development Corporation	6.15%
Rastriya Beema Sansthan	9.67%
Nepal Stock Exchange	0.33%
General Public	30%
Others	3.85%

Authorized capital: Rs. 1,60,00,00,000

Issued capital: Rs 68,92,16,100

Paid up capital: Rs. 68,92,16,100

C. Standard Chartered Bank Nepal Limited:

Nepal Standard Chartered Bank Limited was established in Magh 16, 2043 (1985 A.D.) was Nepal Grindlays Bank under the company act 1964, The bank associates company of Australia and New Zealand Group Limited. Nepal Grindlays Bank has been changed into Standard Chartered Bank Nepal Limited on 16 July 2001. Now it is the joint venture with Standard Chartered Bank, UK and standard chartered Grindlays Ltd. Australia.

The main objectives of the bank are to collect deposits and provide loans to agriculture, commerce, industries and to provide modern banking system to people.

Standard Chartered Bank Nepal Limited with the advantage of its largest international networks has been able to earn a favorable operating profit as compared to other joint venture banks. Standard chartered Bank is the first bank having highest number of shares holding by foreign investors.

Shares subscription and capital structure:

Subscription	% Holding
Standard chartered Grindlays Ltd, Australia	50%
Standard Chartered Bank, UK	25%
Nepalese promoters and public	25%

Authorized capital: Rs. 1,00,00,00,000

Issued capital: Rs. 1,00,00,00,000

Paid up capital: Rs, 62,07,84,100

D. Everest Bank Limited:

Everest Bank Limited was established in Kartik 01, 2051 (1994 A.D.). It joined with Punjab National Bank in 1997. It has 27 branches across Nepal. Its Head office in Lazimpat. It has 8 branches inside the Kathmandu valley and 19 branches outside the Kathmandu valley.

Shares subscription and capital structure:

Subscription	% Holding
Nepalese promoters	50%
General Public	30%
Foreign partner PNB	20%

Authorized capital: Rs. 1,00,00,00,000

Issued capital: Rs. 84,32,00,000

Paid up capital: Rs, 83,14,00,000

1.6 Statement of the Problem

Due to the economic recession in the nation, there has been lower investment in the agriculture, manufacturing, industrial and financial sectors which has caused lower growth of gross domestic product and hence foreign trade deficit is increasing day by day. In this situation, banks invest their surplus funds in the non-risky portfolios like treasury bills, or government securities, which yield lower rate of returns in comparison to credit to be in safer side.

The economic slowdown of expansion is occurred mainly because of elasticity of credit supply. The elasticity of credit supply basically depends on the functioning of the central banking system. Central bank has issued directives to regulate the activities of commercial banks with the objective of safeguarding the public sector. Despite of prevailing economic recession in the country, joint venture banks operating in Nepal have managed to perform well in terms of their work efficiency and profitability.

Every banking sector can not reach their objective without a good financial performance. The financial sector has not been responsive enough form them to meet the growing resources. In this competitive market each and every bank and financial institution need to analyze their financial situation to develop strategies and to identify the strengths and weaknesses.

In modern days, especially in Nepal, Banks are being considered not as dealers of money transaction but also dealers of investment in the country. Banks are the active players of money market and capital market as well. In fact, economic liberalization and privatization policy adopted by the government has open up the opportunity and threat as to the banking sectors.

As a result, we see a rapid growth in the numbers of commercial banks in the country and of course, the rapid increment in numbers of commercial banks in small country like Nepal has created tough and bottle neck competition among bankers.

This study will try to seek the answers of the following statements relating to commercial banks of Nepal.

- 1 How these banks have been managing their position relating to the liquidity?
- 2 How these banks are being able to utilize the fund?
- 3 In which way do these banks are managing to increase the value for sustainability or otherwise?
- 4 What are the operational results to their profitability?
- 5 What is the relationship between total deposit and total investment over the year?
- 6 To what extent the operating profit is related to interest earned?

1.7 Objectives of the Study

The Primary objective of this study is to financial performance of commercial bank in Nepal namely Nepal Investment Bank Limited, NABIL Bank Limited, Standard Chartered Bank Nepal Limited and Everest Bank Limited to recommended suggestion for the improvement of state of affairs.

The task of any financial institution is to mobilize the savings scattered in the country and by ensuring efficient allocation of these savings to high yielding investment it provides attractive returns to depositors in one hand and also help the economy by providing various kinds of loans to many sectors of economy. Some of other objectives are:

- a. To evaluate the liquidity position to measure the strength of financial performance of selected banks.
- b. To evaluate the activity and operation with reference to mobilization of the collected funds.
- c. To identify the relationship between total deposit and total investment.
- d. To evaluate the earning and profitability position of selected banks.
- e. To provide suggestions and recommendation to the concerned authorities for the further improvements.

1.8 Significance of the Study

Analysis of financial performance of any company is very important. Actually, on the basis of the financial analysis we can say that the concerned company is strong or not. This study is mainly compared the financial performance of selected banks which compare the position of selected bank under the study, which encourage to improve the different position and performance of the selected banks. From data presentation and analysis researcher finds different strength and weakness of the selective banks which is recommended to the banks for their further improvement.

Banking Institutions definitely contribute and play an important role for domestic resource mobilization, economic development and maintains economic confidence of various segments and extends credit to people.

- a) This study has multidimensional significance in particular area of concerned banks which have been undertaken that justifies for finding out important points and facts to researcher, shareholders, brokers, traders, financial institution, and public knowledge.
- b) This study helps and justify for finding out the financial performance of concerned selected commercial banks and Government of Nepal to make plans and policies.
- c) This study certainly input the policymakers of concerned selected banks for making plans and policies of the effective banking system.

1.9 Limitation of the Study

Every works have its own restriction and limitation due to the lack of time resources and knowledge. The work is completed with in the periphery of its limitation. Despite the enough efforts of researcher, this thesis is not free from limitation. The study is presented just for the partial fulfillment of M.B.S. (Master of Business Studies) degree. The researcher has come across many problems while presenting the thesis. Following are the major limitations of this thesis.

- a. This thesis is based on secondary data collected from concerned banks. Thus, the result of the analysis depends on the information provided by the concern offices.
- b. This thesis covers four commercial banks only viz. Nepal Investment Bank Ltd., NABIL Bank Ltd., Standard Chartered Bank Nepal Ltd. and Everest Bank Ltd. only.
- c. The thesis is limited to analyze five years period i.e. from FY i.e. (2003/04 to 2007/08).
- d. Standard normal performance level is not available especially in Nepalese context. So, interpretations of data are depended upon common sense. In thesis context concerned experts are also consulted.
- e. The source of data i.e. published annual report and internet web site is assumed to be correct.

1.10 Organizations of the Study

This study has been organized over altogether five chapters. Starting from Introduction, Review of Literature, Research methodology, Presentation & Analysis of data and summary, to conclusion & Recommendation as get of the entire study. A brief outline of this chapter has been outlined as under.

Chapter I: Introduction

First chapter contains the background of the study, focus of study, statement of problems, objectives of study, significant of the study, limitation of the study and Organization of study.

Chapter II: Review of Literature

Second chapter deals with review of available literature. It's including conceptual framework, reviews of books, articles and thesis, and research.

Chapter III: Research Methodology

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

Chapter IV: Presentation and analysis of data

Forth chapter is the main part of the study which includes presentation and analysis of data using different financial and statistical tools.

Chapter V: Summery, Conclusions and Recommendation

Fifth chapter consist of the summery, conclusion of the study and recommendations.

CHAPTER – II

REVIEW OF LITERATURE

The review of literature is a crucial aspect of planning of the study. This chapter highlights the concept and review of existing literature that is available and related with this particular topic. Several books, dissertations, research papers, report, journals are review while preparing the review.

Review of the literature is focused and directed towards specific purposes. It is a selective subject. A researcher has to select the kind of literature to be reviewed and determine the purpose. It starts with the selections of a problem for research, continues through the various stages of the research process and end with report writing.

Reviewing different available literature from various source are the major objective of this chapter. The prime focus for collecting external literacy information through various textbooks, research journals and research thesis. Various articles relating to different aspects of commercial bank will help to conduct the study smoothly. Review of literature is divided into two categories.

2.1 Conceptual Frame Work/ Theoretical Review

Financial decisions are very sensitive and important and cannot be taken blindly or in a vacuum. Financial decisions must be based on proper financial analysis by using, financial tools-such as financial ratios are used to measure the financial performance of the company.

“Financial statement analysis involves a comparison of analysis firm’s performance with that of other firms in the same line of business which often is identified by the firm’s industry classification. Generally speaking, the analysis is used to determine the firm’s financial position in order to identify the current strengths and weakness and to suggest actions that might enable the firm to take advantage of the strength and correct its weakness” (Westorn, Besley & Brigham,1996:78).

“Financial analysis is process of identifying the financial strength and weakness of the firm by properly establishing relationship between the items of the balance sheet, which represents analysis snapshots of the firm’s financial position analysis at analysis moment in time and next, income statement, that deposits analysis summary of the firm’s profitability overtime” (**Vanhorn & Watchowicz, 1997:120**).

"Financial analysis is to analyze the achieved statement to see if the results meet the objectives of the firm, to identify problems, if any, in the past or present and /or likely to be in the future, and to provide recommendation to solve the problems." (**Pradhan, 2000:120**)

“Financial analysis is the process of determining financial strengths and weakness of Analysis Company by establishing strategic relationship between the components of analysis balance sheet and other operative date.” (**Pandey, I.M., 2001**)

2.2 Review of Related Studies

2.2.1 Review of Related Book:

Western & Copeland(1991), In the 20th chapter "Short Term Financial Management", the author has highlighted the types of short term financing and its related issues. Following are the objectives of this chapter.

- Discuss the nature and type of short term financing.
- Evaluate the significance of working capital management III the firm.
- Explain the relationship between sales growth and the need to finance in current assets.

Short term financing is defined as debt scheduled for repayment within one year. A large number of short-term credits are available and the financial manger must know the advantages and disadvantages of each. The main types of short term financing are:

A. Trade Credit

Trade credit is a customary part of doing business in most industries. It is convenient and informal. Whether trade credit costs more or less than other forms of financing is a moot question.

B. Loans from Commercial Banks

Loan from the commercial banks is very important source of financing. Commercial banks take into consideration of following factors while providing loan to its customer.

- i) Forms of loan
- ii) Size of Customers.
- iii) Maturity
- iv) Security
- v) Compensating Balance
- vi) Repayment of Bank loan

C. Commercial Paper

In recent years, the issuance of commercial paper has become an increasingly important source of short term financing for many types of corporations, including utilities, finance companies, insurance companies, and bank holding companies and manufacturing companies. Commercial paper consists of unsecured promissory notes issued by the firms to finance short-term credit lines.

Commercial paper is physically similar to a bank loan. It is sold in broad and impersonal market. Working capital management encompasses all aspects of administration of current assets and current liabilities.

Van Horne(2000), In the 12th chapter called "Liquidity, Cash and Marketable Securities", the author has focused on the current assets and short term financing. According to the author Liquidity and liquid assets like cash and cashable assets are more important for the company to discharge the current liabilities. The objectives of the chapter can be explained as follows:

- Discuss the term liquidity and its role.
- Explain the various aspects of cash management and collections
- Explain the various aspects of investment in marketable securities.
- Also to focus on the aspect of portfolio Management.

The, term liquid assets refer to money and assets that are readily convertible into cash. Cash is said to be more liquid asset in comparison to other assets because other assets have varying degree of liquidity depending on the way of conversion into cash. For the other assets, liquidity has two dimensions

- (i) The time necessary to convert the assets into money
- (ii) The degree of certainty, associated with conversion ratio.

Since, assessment of financial performance also depends on the degree of liquidity of the company, so the company under consideration should be enough liquid to discharge its current liability in time. Other aspects of liability involve cash management and collections. Cash management refers to managing monies of the firm in order to maximize cash availability and interest income on any idle funds. Cash management and collection comprises various aspects like:

- Transferring funds.
- Concentration Banking.
- Lockbox System
- Control of disbursements.
- Mobilizing funds and slowing disbursement.
- Payroll and dividend disbursements.
- Zero Balance Account.
- Electronic funds Transfers.

The author has also highlighted on investment in marketable securities to properly maintain the liquidity in the firm. According to author a good financial manager should always try to invest the portion of excess liquid assets. The yields on these sorts of marketable securities may vary due to default risk, coupon rate and other factors involved.

- Default risk.
- Marketability.
- Maturity Period.
- Coupon Rate.
- Taxability.

Types of Marketable security.

- Treasury Security.
- Repurchase Agreement. -Agency Security.
- Banker's Acceptance.
- Commercial Paper.
- Negotiable Certificates of Deposits
- Euro Donors
- Short-Term Municipal Bonds

Regarding the portfolio management, the author has emphasized that the financial manager should manage the investment portfolio in accordance with the need of fund. The term 'portfolio' means collection of investments in different securities. In portfolio analysis, financial manager should analyze future risk and return of securities. The objective of portfolio management is to help developing. A portfolio that has the maximum return at chosen level of risk efficient portfolio provides the highest possible return for any specified rate of return. In portfolio analysis, the financial manager should estimate the expected return and the risk of holding securities in a portfolio. In portfolio management expected return and portfolio risk are calculated as follows.

Portfolio Returns

Portfolio Risk

In conclusion, for the cash management the company should attempt to accelerate cash collections and handle disbursement so that maximum liquidity is maintained in the company. On the other hand, the financial manager should try to use the excess cash in a number of securities. The financial manager should select the best possible portfolio considering the cash flow pattern and other things of the company.

- Discuss the nature, content, form and utility of two financial statements, viz. Balance sheet and profit and loss account.
- Show relationship between balance -sheet and profit and loss statement.
- Distinguish between accounting profit and economic profit.

Any firm communicates financial information to the users through financial statements and reports. Thus, financial statements contain summarized information of the firm's financial affairs. These statements are the means to present the firm's financial situations to the users. Preparation of these statements is the responsibility of top management. As the investors, and financial analysts to, examine the firm's performance in order to make investment decision use these statement, they should be prepared very carefully and contain as much information as possible. There are two basic financial statements prepared for the analysis of financial performance of any Company, Balance sheet or statement of final position and Profit and loss account or Income -statement.

Balance sheet

Balance sheet is the most significant financial statement. It indicates the financial condition or the state of affairs of a business at a particular moment of time. Balance sheet is the base for the analysis of financial performance of any company. Balance sheet contains information about resources and obligations of a firm entity and about its owners' equity. Balance sheet provides a snapshot of the financial position of the firm at the closed of fiscal year.

As we know, Balance sheet is very important tools for the analysis of financial Performance. The functions served by Balance sheet can be pointed out as follows:

- It gives concise summary of the firm's resources cu-id obligations.
- It is a measure of the firm's liquidity.
- It is a measure of the firm's solvency.

Profit- and Loss Account

Balance sheet plays very significant role for the bankers and other creditors because it indicates the firm's financial Solvency and liquidity, where as profit and loss account reflect the earning capacity and potentiality of the firm. The profit and loss account is a scoreboard of the firm's performance during a period. Since the profit and loss account reflects the results of operations for a period of time, it is a flow statement. In contrast, balance sheet is a stock or status statement as it shows assets, liability and owners' equity at a point of time.

Profit and loss account presents the summary of revenues and expenses and net income of a firm. It serves as a measure of the firm's profitability. The functions of profit and loss account can be described as follows:

- It gives a concise summary of the firm's revenue and expense during a period of time.
- It, measures the firm's profitability.
- It communicates information regarding the results of the firm's activities to owners and theirs.

In conclusion, financial information is required for the financial planning, analysis and decision-making. The user of financial information includes owners, managers, employees, customers, suppliers and society. The financial statements like. Balance Sheet and P/L account are the basic instruments for the analysis of financial performance. The objectives of this chapter can be explained as follows:

- Discuss and explain the term financial structure.
- Explain about various financial leverages.
- Also explain about financial leverage and risk associated.
- Explain the various factors affecting financial structure.

The financial decision of the firm is one of the basic decisions for the achievement of the maximization of the shareholders wealth. For this, a financial manager should select a sound financial mix (financial structure), which help to achieve the objective of the firm. The term financial structure refers to the proportion of each type of capital, such as debt, preferred stock, and common equity issued by the firm.

In the opinion of the author, financial leverage magnifies the shareholders EPS and increases its variability. This causes two types of risk- operating risk and financial risk. Two firms exposed to same degree of operating risk can differ in respect to. Financial risk when they finance their assets differently. A totally equity financed firm will have no financial risk. The financial leverage and financial risk has positive relationship.

In this chapter the author has pointed out following factors that affects the financial structure of the company. Following are the main factors that affect the financial structure.

- Growth rate of sales.
- Sales stability
- Assets structure
- Management attitude:
- Lender attitude.
- Competitive structure.

2.2.2 Review of Related Articles

Mr. Upendra Kumar Poudel, in the article, “Present Condition of Financial Companies” has presented with compared to the commercial bank, the interest rate is relatively high that is provided and accepted by finance companies. The financial companies should not be confined only in the valley. They should extend their services to the rural sectors of hill and tarai to reduce regional imbalance. The collection of deposit and loan investment done by the commercial banks also, to sustain themselves in the environment of competitions, they should introduce novel technology and equipments to collect deposits and investment. They should learn from the draw backs, failure and success of commercial banks to effectively maintain as alternative status.

Mr. Krishna Pradhan in the article, “Transaction Analysis of Financial Companies in Nepal.” Has concluded that the finance companies are centered in the city as like commercial banks. If this trends remains, the central bank is to consider novel strategy. However, financial and banking transaction don’t take place in zero, it favors of financial intermediaries. The emergence of closure of financial companies in market economy in common sense. But keeping in mind, the social and economic structure o four country, we should not turn a deaf ear to regional balance.

Bhatta (47th anniversary), In his article "Financial policies to Prevent Financial Crisis", Nepal Rastra Bank Samachar, the author has suggested that the financial markets have become an exciting, challenging and ever changing sector in the recent years. The emergence of global financial institutions as a result of increased economic liberalization has raised a host of questions for financial planners and policy makers. The growth of financial markets has caused complexities in the management and if they are not managed and addressed properly with appropriate policies, then the end result is the financial crisis.

According to the author of the article, the financial crisis in most of the markets, particularly in emerging market, undergo several stages. The, initial stage is deterioration' in financial and non-balance sheets and which promotes the second stage that is currency crisis. The third stage is a further determination of financial and non- financial balance sheets as a result of the currency crisis. This stage is the one that caused the economy to full- fledged financial crisis with its devastating consequences.

Policies to prevent Financial Crisis

The author has suggested following policies to be adopted for preventing financial crisis:

1. Prudential Supervision:

Banking sector problems promote most of the financial crisis. The experience of crisis hit countries show that the deterioration in banks balance sheet increase financial crisis. Further, foreign exchange crisis also lead to a full-blown financial crisis. The supervisory system must give special emphasis on following to prevent financial crisis:

- i) Stop undesirable activities of financial institutions.
- ii) Adequate resources and statutory authority for prudential supervisors.
- iii) Accountability of supervisors.
- iv) Restrictions on connected lending.
- v) Limiting too-big to fail (too-bit- to fail is a policy in which all depositors at a big bank are fully protected if the bank fails)

2. Accounting standards and disclosure requirements:

It is true that both markets and supervisors need enough information so as to effectively monitor financial institutions to stop excessive risk taking. As a result, it become harder for the markets or supervisors to decide when the banks are insolvent and need to be closed down. In this respect, implementation of proper accounting standards and disclosure requirements helps to established healthy financial institutions.

3. Legal and Judiciary system:

The efficient functioning of the financial system requires an efficient legal and Judiciary framework in many developing countries, the legal system may not well be defined about the use of certain assets as collateral or makes attaching collateral a costly and time consuming process. Thus, an effective legal and judiciary system is required to secure the investment of the lender and other similar cases by decreasing information problem.

4. Monetary policy and price stability:

Monetary policy and price stability can also help to prevent financial crisis. When the countries have in past high inflation, foreign debt contracts make the financial system more fragile and thus trigger a financial crisis. Achieving price stability is a necessary condition for having sound currency and with sound currency it is easy to banks and non-financial firms and system government to raise debt in local currency.

5. Exchange rate regimes and foreign exchange reserves:

Exchange rate regime and foreign exchange reserves can also create financial instability. The experiences of crisis - hit countries have also shown that economies with low amount of foreign currency reserve seemed to be more vulnerable to crisis though, pegged/ fixed exchange rate regime is an efficient mechanism for inflation control, but the same can create server problem if the economy is dominated by substantial amount of foreign debt.

6. Encouraging market based discipline:

Market based discipline is very much essential for a sound financial system. This can be maintained by:

- Disclosure requirement, which provides information to the markets that, assist them to monitor financial institutions and keep them away from taking on too much risk.
- Having credit ratings for financial institutions. Requiring them to issue subordinated debt.

7. Entry of Foreign Bank:

A liberalized economy with sound supervisory/ regulatory infrastructure can permit foreign banks to enter in financial system. The adverse shocks in economy will not affect the functioning of these banks since their risk is diversified and their entry can encourage the adaptation of best practices in the banking industry. It is believed that these banks come with better risk management techniques and more efficient banking system.

8. Limitation of too- big to fail in the corporate sector:

When some corporate houses considered to be too- big -to fail (or politically influential) by the government, these corporations enjoy in excessive risk taking. If such is the case, lenders do not hesitate to supply additional funds to the troubled corporations and which violates the market discipline. Therefore, too- big to fail as ' in the banking sector should be eliminated.

In conclusion the author has remarked that there is no doubt that the key to preventing future financial crisis is to implement sound domestic economic policies and build robust financial institutions. The experiences of the crisis hit countries, especially during the decade of nineties, has proved that a country opening to liberalized economic policy should adopt sequencing policies constraining the pace of participation in the global market place until a sound domestic infrastructure can be put into place.

Gautam (2061), "WTO and challenges of Financial Services Liberalization," Nepal Rastra Bank Samachar 49th Anniversary edition 2061 by Nepal Rastrya Bank, Kathmandu, Nepal.

In this article the author has cast highlight on Nepal's entry into WTO and its challenges to financial services. Nepal has become 148th member of world trade organization (WTO). Nepal has liberalized different sectors gradually. It is for sure that Nepal has to face various challenges, especially, in the financial sector.

The financial services has been liberalized and reformed well enough during the last 20 years. Nepalese financial sector presently enjoys the full liberalization. There is no special difficulty in this sector in regard to the membership of WTO. The membership in WTO opens many alternatives gates such as perfect venue for dispute settlement, easy access to the markets of 147 countries of the world, product- wise and country- wise diversification and greater opportunity in the similar markets of the countries with similar geographical and economical situation. In fact, Nepal is continuously facing some structural and supply side problems including weak technological adaptability, lack of skills and poor infrastructure. These challenges can be categorized as per their cause and relationship.

- Future Direction and speed of Financial sector reform
- Restructuring and reengineering of Nepal Rastra Bank
- Formulation and implementation of Legal Frameworks
- Financial policy and political Stability

The technical problems of the country should be addressed so as to take benefit from the open and competitive, market. Strong mechanisms should be designed in financial services sector so as to meet growing challenges.

It is a fact that Nepal is landlocked by India and China; therefore, it would be another challenge to explore a good access to growing economics of neighboring countries and to get easy access in their huge market will be our strength to explore the space in competitive market and to sell our services. Otherwise, the challenges will remain out of competence letting us lose the contest.

In conclusion, Liberalization in service sector is inevitable. We can not escape from the ground reality of globalization, wide spread acceptance of WTO and necessity of membership in this international trade institution. It should not be opposed to hide our inefficiencies or governance problems. Rather it is a right

Time to find out the impacts continue and finish the reform process making the services sector really competitive. Otherwise, we will lose the opportunity. Reform and liberalization does not mean a cartel, therefore, a fair competition should be ensured in financial services sector. Similarly, transparency and disclosure practices are must for the growth and development of financial services sector.

2.2.3 Review of Related Thesis

Jha (2001), in his thesis entitled "A Comparative Study on Financial Performance of NGBL and NSBI", has pointed out following objectives.

- i. To evaluate liquidity position of both the banks.
- ii. To analyze comparative financial performance of both the bank
- iii. To study the comparative position of both the banks
- vi. To offer a package of suggestion to improve the financial performance.

Major Findings of this study are as, follows

- i. Liquidity position, in terms of cash and bank balance to total deposit, of NGBL is found to be higher than that of NSBI
- ii. The loan and advance ratio of NSBI is higher than NGBL which implies that NSBI is successful in utilizing the outsider's fund.
- iii. Long term debt to total assets of NGBBL is slightly higher than NSBI which implies more use of long term debt.
- iv. Earning per share mid -dividend per share ratio of NSBI is very low in comparison to NGBL.

Joshi (2003), in her thesis entitled "Financial performance of Nepal Investment Bank Limited," has tried to summarize the financial performance of NIBL.

- i) The result of the analysis indicates that the bank had the high debt equity ratio which again exhibits that the creditors have invested more in the bank than the owners.
- ii) The result of the analysis indicates that the bank has better mobilization of saving deposits in loans and advances for income generating purpose.

Pradhan (2004), in his thesis entitled "A comparative study on financial performance of HBL and SCBNL" has pointed out following objectives.

- i) To analyze comparative financial performance of both banks.
- ii) To evaluate liquidity position of both banks.
- iii) To identify the relationship between interests earned and operating profit.
- iv) To offer a package of suggestion to improve the financial performance.

Major findings of this study are as follows

- i) Current ratio of both the banks is below the standard; this might effect the liquidity position of these banks.
- ii) SCBNL's loan and advances to total deposits ratio are significantly lower than that of HBL.
- iii) SCBNL is strongly recommended to follow liberal lending policy and invest more and more percentage amount of total deposits in loan and advances.
- iv) HBL is strongly recommended to increases it's earning per share and dividend per share to keep investors within the bank.

Karki (2005), in his thesis entitled "A comparative analysis of financial performance of NABIL and SCBNL", has pointed out following objectives.

- i) To evaluate liquidity position of both banks.
- ii) To analyze comparative financial performance of both banks.
- iii) To study the comparative position of both banks.
- iv) To offer a package of suggestion to improve the financial performance
- v) To identify the relationship between interests earned and operating profit.

Major Finding of this study are as follows

- i) SCBNL has efficiently operated its long-term fund, deposit and assets to generate more profits.
- ii) Liquidity position of NABIL bank is favorable in many cases it seems excessive. The proposed recommendation for these banks are to reduce its excessive non-performing assets (Cash and bank balance) and invest on the income generating current assets (Treasury bills), while SCBNL must strength the liquidity position.
- iii) Comparatively SCBNL's profit ability position is better than that of NABIL.

Sadula (2007), in his thesis entitled "Financial performance of commercial banks and returns to investors: With special reference to BOK, EBL, SCBNL, NIBL, NABIL" has pointed out following objectives:

- i) To evaluate Liquidity position of these Banks.
- ii) To analyze comparative financial performance of these banks
- iii) To study comparative position of selected banks.
- iv) To offer a package of suggestion to improve the financial performance

Major Findings of this study are as follows

- i) Commercial Bank except SCBNL and NABIL are not maintaining constant DP Ratio, It is recommended to maintain a constant DP Ratio so as to have the confidence of general shareholders.
- ii) Net income of SCBNL is the highest and that of BOK is lowest during the study period. SCBNL has highest EPS and that of BOK is the lowest. SCBNL and NABIL are continuously paying the dividend maintaining higher DP Ratio. SCBNL provides the highest return on equity as compared to other commercial banks under study.

Upreti (2007), in his thesis entitled 'A comparative study of financial performance of NIBL, HBL, SCBNL and EBL", has pointed out following objectives.

- i) To study the present of the four joint venture banks
- ii) To do the comparative study about the financial performance of these banks with regard to-their profitable liquidity, efficiency and capital structure.
- iii) To provide recommendation and suggestion on the findings to improve financial performance of these banks.

Major Findings of the study are as follows

- i) Among all the sample banks, HBL has the lowest ratio and EBL has not mobilized its assets into profit generating projects.
- ii) SCBNL has been successful in earning more net profit by the proper use of its available assets.
- iii) EBL with the highest ratio has been successful in generating more interest by the proper use of its available assets.
- iv) EBL and HBL seem to have held more cash and bank balance rather than other commercial banks.

CHAPTER-III

RESEARCH METHODOLOGY

3.1 Introduction

Research Methodology is a way to systematically solve the research problem. It may be understood as a science of studying how research is done scientifically. In it we study the various steps that we generally adopted by a researcher, studying his research problem among with the logic behind them.

“Research is the process of systematic and in-depth study or search for any particular topic, subject or area of investigation, backed by collection, presentation and interpretation or relevant details or data.” (Michael, 1985:57).

“Research Methodology refers to the various sequential steps to be adopted by a researcher in studying a problem with certain objectives in view.” (Kothari, 1994:19).

The prime objective of this study is to compare, evaluate and assess the financial performance of selected commercial banks, i.e. Nepal Investment Bank Limited., NABIL Bank Limited, Standard Chartered Bank Nepal Limited and Everest Bank Limited. This chapter contains these methods that make convenience for comparison of the performance made, so far by these banks by analyzing the strength and weakness of the financial performance of these three joint venture banks.

A research methodology helps us to find out accuracy, validity and suitability. The justification on the present study, the applied methodology will be used. The research methodology used in the present study is briefly mentioned below.

3.2 Research Design

Research design is the plan structure and strategy of investigation conceived so as to obtain answer to research questions and to control variances. In other words research design is the frame work for a study that helps the analysis of data related to study topic.

“A research design is the arrangement of conditions, for collecting and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure.” (Chaire, Selltiz, : Jahoda and others, 1967:50)

Research design is very important for scientific investigation. Research design gives the investigator a systematic direction to research work. Actually, research design in a plan for data collection and analysis. It presents a series of guideposts to enables the researcher to process in the right direction in order to achieve the goal.

A research design is the specification of methods and procedures for acquiring the information needed. It is the overall operational pattern of framework of the project that stipulates what information to be collected from which sources by what procedures. There are various approaches of research design. For our convenience, in this thesis, a comparative analysis of financial performance of four commercial banks based on descriptive and analytical research design.

3.3 Sources of Data

This study mainly based on secondary data. Secondary data are collected from their respective annual report especially from profit and loss account, balance sheet and other publications made by the banks. Also some data has been gathered from Website. Similarly, articles, journals related to the financial performance study, previous research report etc., have also taken into account while collecting information.

3.4 Populations and Sample

In this study convenience sampling method will be used. At present there are 25 commercial banks operating in Nepal under the guidance of Nepal Rastra Bank. These twenty five commercial banks are considered as population and only four banks viz. Nepal Investment Bank Limited., NABIL Bank Limited, Standard Chartered Bank Nepal Limited and Everest Bank Limited have been taken as sample of this study. Five years data are taken to conduct the study from FY i.e. 2003/04 to 2007/08. Following commercial banks have been selected for the study:

1. Nepal Investment Bank Limited (NIBL)
2. NABIL Bank Limited (NABIL)
3. Standard Chartered Bank Nepal Limited (SCBNL)
4. Everest Bank Limited (EBL)

3.5 Data Collecting Procedure

Besides the above stated sources of data, a detailed review of literature have been conducted for the purpose of collecting other relevant data and information. Such data and information are mainly collected from Library of Shanker Dev Campus, Central Library of Tribhuvan University, Such data, information, facts and figures have been edited, tabulated and calculated before analysis. Then, results were concluded and interpretations were made.

3.6 Method of Data Analysis

For the purpose of the study, financial statements of the selected commercial banks are analyzed by using financial and statistical tools.

3.6.1 Financial Tools

In this study the following financial tools have been used to measure the strength and weakness of the sample banks.

Ratio Analysis

A ratio may be defined as a fixed relationship in degree or number between two numbers. Ratio analysis is the primary tool used for examining the firm's position and performance.

“Financial analysis is the process of identifying the financial strength and weakness of firm establishing relationship between times of balance sheet and profit and loss account.” (Van Horne, 1979).

“Ratio analysis is one of the most frequently used tools to evaluate the financial health, operating results and growth.” (Poudel, 2053 B.S.).

A. Liquidity Ratio

Liquidity ratio refers to the ability of a firm to meet current/ short term obligation of a firm Liquidity ratio examines the adequacy of funds, the, solvency of firm of the firms and the firms ability to pay its obligations when due. In case of commercials banks, short-term obligations are current deposit. saving deposits, short-term loans and source of meeting these obligations are cash and bank- balance, money at call and short notice., investment 'in government securities and bills discounted and purchase.) There is compulsion for commercial bank to maintain cash and bank balance according to NRB regulations. From legal perspective cash and bank balance to Total Deposit ratio snows actual liquidity position of the bank whereas other liquidity ratios are also useful. In this study following ratios are analyzed to measure the liquidity position of a firm.

a. Current Ratio

The current ratio indicates bank’s liquidity and short term debt paying ability. It shows the relationship between current assets and current liabilities. It is calculated dividing the current assets by current liabilities.

$$= \frac{\text{CurrentAssets}}{\text{CurrentLiabilities}}$$

Current assets are those assets, which can be converted into cash with in short period of time. Normally, not exceeding one-year. Cash and bank balance, money at call or short notice, loans and advances, investment in government securities and other interest receivable, debtors, bills purchased and discounted and miscellaneous are the examples of current assets. Similarly, current liabilities are those obligation which are payable with a short period. Sometimes it is called working capital ratio.

Generally, the current assets of the company should be twice than current obligation to be technically solvent. For many types of business, 2:1 is considered to be an adequate ratio. If the current ratio of the firm less than 2:1, the solvency position of the firm is not good. A relatively high value of the current ratio is liquid and has the ability to pay its bill and vice-versa. Lastly, the widely accepted standard of current ratio is 2:1 but accurate standard depends on circumstance incase of seasonal business ratio and the nature of business.

b. Cash and Bank Balance to Total Deposits

This ratio shows ability of bank's fund to cover their current margin call and saving deposits. It is calculated in order to see the position of cash and bank balance to make the payment of deposits when demanded. This ratio is calculated by the following formula:

$$= \frac{\text{Cash and bank balance}}{\text{Total Deposit}}$$

Here, cash and bank balance includes cash on hand, foreign cash on hand, cheques and other cash items, balance with domestic banks and balance held in foreign banks. The total deposit encompasses current deposits, saving deposits, fixed deposits, money at call and short deposit and other deposits. A high ratio indicates the greater ability to meet their deposits and vice-versa. Moreover, too high ratio is unfit as capital will be tied-up and opportunity cost will be higher.

c. Cash and Bank Balance to Current Assets Ratio

Cash and bank balance to current assets ratio reflects the proportion of cash & bank balance out of total current currents. It is calculated by dividing cash & bank balance by total current assets.

$$= \frac{\text{Cash and bank balance}}{\text{Current Assets}}$$

Here, cash and bank balance includes cash on hand, foreign cash on hand, cheques and other cash items, balance with domestic banks and balance held in foreign banks. The total current assets encompass all assets except fixed assets.

B. Profitability Ratio

Profitability ratio indicates the degree of success in achieving desired profit. This ratio measures how effectively the company manages its fund to earn profit. It is regarded as the most essential element for commercial bank growth, survival and to compete with competitors. In fact, sufficient profit must be earned to maintain the operation of the company be able to acquire funds from investors for expansion and to contribute towards the goals of the nation. This implies that profit is the measuring rod of companies for the financial performance. Higher the profitability ratio, better the financial performance of the commercial bank and vice-versa. Profitability position can be evaluated through following different way. For the study purpose, the following profitability ratios have been calculated.

a. Net Profit to Total Assets Ratio (Return on Assets)

This ratio measures the profitability with respect to the total assets. It reflects the efficiency of the banks in utilizing its overall resources. This is found by using the following formula:

$$= \frac{\text{Netprofit}}{\text{TotalAssets}} \times 100$$

The numerator indicates the position of income left to the interval equities after all costs, charges, expenses have been deducted. Total assets comprise those assets, which appear on the assets side of the balance sheet. The high return on total assets ratio usually indicator that high profit margin and high turnover of total assets and vice-versa.

b. Net Profit to total deposits Ratio (Return on Total Deposits)

This ratio enables to evaluate what extent the management has been successful to mobilize the deposits in generating profit. Higher ratio represents better utilization of profit. It is calculated by using the following formula.

$$= \frac{\text{Netprofit}}{\text{Totaldeposit}} \times 100$$

Here, net profit means profit after interest and taxes and total deposit means that total amount deposited in various accounts i.e. current, saving, fixed, call and short deposits and other. Generally, higher ratio indicates better utilization of total deposits and vice-versa.

c. Return on Net worth Ratio (Return on Shareholder's equity)

This ratio shows the capacity of the banks to utilize its owner's fund. It helps to judge whether the company has earned satisfactory return for its shareholders or not. Higher ratio represents the sound management and efficient mobilization of owner's equity. It is calculated by the following formula:

$$= \frac{\text{Net Profit}}{\text{Networth}} \times 100$$

Here, net worth focuses not only the paid up capital but also include general reserve, capital reserve, ordinary share, preference share, premium on share and other reserve which may distribute to shareholders as dividend.

d. Net Interest Earned to Total Asset Ratio

This ratio is used to measure the percentage of interest earned in relation to total assets of the banks. It signifies the mobilization of the banks assets in interest generating purpose. Higher ratio signifies better efficiency in utilizing the resources in interest generating sectors. It is calculated by using following formula:

$$= \frac{\text{Net Interest earned}}{\text{Total Assets}} \times 100$$

The numerator comprises net interest income from loans, advances, cash credit and overdrafts, government securities, inter commercial bank and other investment. A high ratio is an indicator of high earning power, and better performance of the commercial banks on its total working fund and vice-versa.

C. Activity Ratio

Activity ratios are concerned with the measuring of efficiency in assets management. This ratio is employed to evaluate the efficiency with the bank manages and utilizes funds. The following ratios are calculated under the activity ratio.

a) Loan and Advance to Total Deposits Ratio

This ratio is used to see extent to which the banks are successful to mobilize the outsider's funds. It is calculated to measure the percentage of total deposit invested in loan, advance and overdraft. It is the proportion of efficiency i.e. loan the advance among the total deposit of the commercial banks. This ratio is calculated by using the following formula:

$$= \frac{\text{Loan and Advance}}{\text{Total Deposits}} \times 100$$

Higher ratio shows the finance companies ability to provide the loan and advances to the people. A high ratio of loan and advances is considered to be the sign of efficient commercial bank and better mobilization of collected deposits and vice-versa.

b) Loan and Advances to total working fund ratio

Loan and advances is the major component in the total working fund (total assets), which indicates the ability of commercial bank are successful in mobilizing their loan and advances on working fund ratio for the purpose of income generation. This ratio is computed by dividing loan and advance by total working fund. This is stated as,

$$= \frac{\text{Loan and Advance}}{\text{Total Working fund}} \times 100$$

Here, the denominator includes all assets of on balance sheet items. In other words, this includes current assets, net fixed assets, loans for development bands and other investment in share, debenture and other etc. A high ratio indicates a better mobilization of fund as loan and advances and vice-versa.

c) Total Investment to Total Deposits Ratio:

This ratio is calculated to see how efficiently the banks have mobilized the deposits on investment. This ratio is calculated by using the following formula:

$$= \frac{\textit{Total Investment}}{\textit{Total Deposits}} \times 100$$

The numerator consists of investment of government securities, investment on debenture and bonds, shares in subsidiary commercial bank share in other companies and other investment. A high ratio indicates that the commercial bank's efficiency is more investing on its deposits and low ratio indicates in ability to put its deposit for the lending activities.

D. Leverage Ratio

Leverage ratios are concerned with the long-term solvency of the bank and show the proportion of debt and equity in financing. Long-term creditors like debenture holders, financial institutions etc. are more interested to the firm's long-term financial strength. The capital structure ratios mainly highlight on the long-term financial health, debt servicing capacity and strength and weaknesses of the concerns. The following ratios are used for analyzing long-term financial health debt servicing capacity and strengths and weakness of selected commercial banks.

a) Total Debt to Net Worth Ratio (Debt-Equity Ratio)

Debt-equity ratio examines the relative claims of creditors and owners against the bank's assets. Alternatively, the debt to equity ratio indicates the contribution of debt capital and equity capital fund to the total investment. This ratio is computed by using the following formula:

$$= \frac{\textit{Total Debts}}{\textit{Net Worth}} \times 100$$

Here, equity funds comprise shareholders capital, general reserve, general loan loss provisions, inappropriate profit and loss balance etc. This ratio helps to ascertain the measure stake in commercial bank between lenders and owner. If debt portion is too high, there is danger-tempting irresponsibility in the part of the owners.

b) Total Debt to Total Assets Ratio (Debt-Assets Ratio)

This ratio reflects that the portion of outsider's fund financed in the total assets. It signifies the extent of debt financing on the total assets and measure the financial securities to the outsider. This ratio is calculated by using the following formula:

$$= \frac{\text{Total Debts}}{\text{Total Assets}} \times 100$$

The numerator consists of short-term and long-term debt. Debt is that sum of money that must be payable. Creditors, bills payable debentures are the examples of debt. A high debt to total assets ratio represents a greater risk to creditors and shareholders and vice-versa. This ratio implies a commercial bank success in exploiting debt to be more profitable.

E. Miscellaneous Ratios

Earning Per Share, dividend payout ratio and price earning ratio are grouped under miscellaneous ratio to measure the financial performance of commercial banks in Nepal.

a. Earning Per Share (EPS)

Earning per share calculations made over years indicates whether or not the company's earning power on per share basis has change over that period. EPS shows the profitability of the company of a per share basis. It is calculated by the following formula:

$$= \frac{\text{Net Profit After Tax}}{\text{No. Of Common Shares}}$$

b. Dividend Pay out Ratio (D/P Ratio)

This ratio reflects at what percentage of the net profit if, to be distributed in terms of dividend and what percentage is to be retained in the firm, as retained earning needed for business to grow and expand. This ratio is calculated by dividing the total dividend paid to owners by the total profit/ earning available to them.

$$= \frac{\text{Dividend Per Share}}{\text{Earning Per share}} \times 100$$

c. Price Earning Ratio (P/E ratio)

The price- earning ratio is widely used by the security analysts to evaluate the firm's performance as expected by investors. This ratio is closely related to the yield/earning ratio. This ratio is computed by dividing market price of share by the earning per share.

$$= \frac{\text{Market Price Per Share}}{\text{Earning Per share}} \times 100$$

3.6.2 Statistical Tools

The statistical tools selected for the study of four commercial banks (Nepal Investment Bank Ltd.,NABIL Bank Ltd., Standard Chartered Bank Nepal Ltd. and Everest Bank Ltd.) are as follows.

A. Average (Arithmetic Mean)

Average is the typical values around which other items of distribution congregate. The most popular and widely used measure of representing the entire data by the value is known as average. Its value is obtained by adding together all items and by dividing this total by number of items. The purpose of computing the average value for set of observation is to obtain a single value which represents the items and which can grasp the mind dimply and quickly. Since, average reduce the mass of data to a single figure, they are very helpful for the purpose of making comparative study. By using average as a statistical tools calculation can be made easier to interpret the data and comparison between the sample commercial banks.

Mathematically,

$$X = \frac{x_1 + x_2 + \dots + x_n}{n} = \frac{\sum x}{n}$$

Where

X = Arithmetic Mean, $x_1+x_2+\dots+x_n$ = Values of Variable,
x= Sum of the values of variables x , n = Number of observation

B. Standard Deviation

The Standard deviation measures the absolute value of risk. i.e. Variability of the returns from the mean returns. It is also known as root mean square deviation for the reasons that it is the square root of the mean of the squared deviations from arithmetic means. A large S.D. means a lower degree of homogeneity of the observation of a series and vice versa. Standard deviation is calculation for the purpose of comparing the data of sampled banks in different ratios.

Mathematically,

$$\text{Standard Deviation ()} = \sqrt{1/n \sum (X - \bar{X})^2}$$

Where,

SD = Standard Deviation

$\sum (X - \bar{X})^2$ = Mean Deviation Squared

C. The Coefficient of Variation

For comparing the variability of two distributions we compute the coefficient of variation. A distribution with smaller C.V. is said to be more homogenous or uniform or less variable than other and the series with greater C.V. is said to be more heterogeneous or more variable than others. The coefficient of variation is a relative measure which is useful in comparing the amount of variation in data group with different means :

Mathematically,

$$\text{C.V} = \frac{\text{S.D}}{\bar{X}} \times 100$$

Where,

S.D. = Standard Deviation

\bar{X} = Mean

C.V. = Coefficient of variation

D. Coefficient of Correlation

The Coefficient of correlation is an important measure to describe how well one variable is explained by another. It measures the degree of relationship between the two casually related variables. Karl person's coefficient of correlation between two variables X and Y is usually devoted by 'r' which is the numerical measure of linear association between the variables.

Mathematically,

$$r = \frac{n \sum xy - \sum x \sum y}{\sqrt{[n \sum x^2 - (\sum x)^2][n \sum y^2 - (\sum y)^2]}}$$

Where,

n = No. of observation of X and Y.

$\sum x$ = Sum of the observations in series X.

$\sum y$ = Sum of the observations in Series Y.

$\sum x^2$ = Sum of square observations in series X.

$\sum y^2$ = Sum of square observations in series Y.

$\sum xy$ = Sum of product of the observations in series X and Y.

E. Probable Error

The probable error of the coefficient of correlation helps in interpreting the value and measuring the reliability of the coefficient of correlation, probable error of correlation coefficient usually denoted by P.E. (r) is an old measure of testing the reliability of an observed value of correlation coefficient in so far as it depends upon the conditions of random sampling. It is worked out as:

Mathematically,

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

Where,

r= Correlation Coefficient

n= No. of pairs of observation

$r > \text{PE} (r) \times 6$ (correlation coefficient more than six times of probable error r is significant)

$r < \text{PE} (r)$ (Correlation coefficient less than six times of probable error r is insignificant)

F. Coefficient of Determination

The coefficient of determination is the primary way we can measure the extent, or strength of the association that exists between two variables X and Y, It is worked out by squaring the coefficient of correlation.

Where,

$$R = r^2$$

r = Coefficient of correlation

R = Coefficient of determination

CHAPTER- IV

PRESENTATION AND ANALYSIS OF DATA

In this chapter data collected from secondary sources are presented and analyzed by using financial and statistical tools. The available data are tabulated, analyzed and interpreted so that financial forecast of banks can be done easily. To evaluate the financial performance of selected commercial banks, ratio analysis, correlation analysis and trend analysis are used in this study.

4.1 Financial tools

In this study, financial tools have been grouped into liquidity ratio, profitability ratio, activity ratio leverage ratio and miscellaneous ratios etc.

4.1.1 Liquidity Ratio

For analyzing the financial performance of the banks, liquidity ratio is one of the powerful tools. Whether the company is able to meet its current obligation is judged by liquidity ratio. The liquidity ratio is taken from the liquidity position of different Banks.

A. Current Ratio

The current ratio is measure of the firm's short-term solvency. It indicates the availability of current assets in rupees for each one rupee of current liabilities. A ratio of greater than one means that the firm has more current assets than current liabilities. Current ratio measures the relationship between current assets and current liabilities.

Table 4.1
Analysis of Current Ratio

(In times)

Name of Banks	Fiscal Year					Average		C.V.
	2003/04	2004/05	2005/06	2006/07	2007/08			
NIBL	1.05	1.08	1.07	1.07	1.07	1.068	0.01	0.9363
NABIL	1.07	1.08	1.08	1.07	1.07	1.074	0.0064	0.5960
SCBNL	1.06	1.07	1.07	1.08	1.08	1.072	0.0077	0.7183
EBL	1.07	1.07	1.06	1.06	1.07	1.066	0.0077	0.7223

(See in Annex 1)

In the Table no 4.1, current ratio has been calculated dividing current assets by current liabilities. It also shows that the current ratio of all the banks is below the normal standard of 2:1. On an average basis, current ratio is Nabil bank is 1.074 which is the highest ratio among sample banks; where as EBL has 1.066. However, considering the average ratio, Everest Bank is found slightly low liquid than other.

From S.D point of view, NIBL has the highest S.D of 0.01. Next to it there is SCBNL and EBL with same S.D of 0.0077. Nabil Bank has the lowest S.D. of 0.0064. It implies that NIBL has high fluctuation (less homogeneity) with respect to current assets to current liabilities. Similarly, Nabil has low fluctuation (more homogeneity) with respect to current assets to current liabilities.

From C.V. viewpoint, NIBL has highest C.V. i.e. 0.9363 and next to it EBL with C.V. is 0.7223. Nabil bank has the lowest C.V. is 0.5960. This implies that NIBL and EBL are more inconsistent in Current assets ratio over the study period. However, Nabil with lowest C.V. i.e. 0.5960 indicates that it is consistent in current assets ratio over the entire study period.

B. Cash and Bank Balance to Total Deposit Ratio

This ratio indicates the ability of banks immediately funds to cover their current margin calls, saving, fixed, call deposit and other deposits and vice versa. This ratio is calculated by dividing cash and bank balance by total deposits. The following table no 4.2 shows the comparative cash and bank balance to total deposits ratio.

Table 4.2
Cash and Bank Balance to Total Deposit ratio

(In percentage)

Name of Banks	Fiscal Year					Average		C.V.
	2003/04	2004/05	2005/06	2006/07	2007/08			
NIBL	10.65	9.40	12.34	9.97	10.90	10.65	0.994	9.33
NABIL	6.87	3.83	3.26	6.00	8.37	5.67	1.90	33.51
SCBNL	9.56	5.74	5.53	8.20	6.89	7.18	1.522	21.20
EBL	7.83	10.40	11.25	13.15	11.13	10.74	1.721	16.02

(See in Annex 2)

In the table no 4.2, cash & bank balance to total deposit ratio has been calculated by dividing total cash and bank balance amount by total deposit amount. The above ratio reveals that the ability of banks to cover its short term deposits. Over the study period, on average EBL has highest ratio of 10.74. Likewise, NIBL, SCBNL and NABIL have 10.65, 7.18 and 5.67.

From S.D point of view, Nabil Bank has the highest S.D. of 1.90. Next to it there is EBL with S.D. of 1.721. NIBL has the lowest S.D of 0.994. It indicates that there is high fluctuation (Less homogeneity) in cash and bank balance to total deposit ratio of Nabil Bank and SCBNL over the study period. NIBL with lowest S.D. of 0.994 indicates that there is low fluctuation (more homogeneity) in cash and bank balance to total deposit ratio. From C.V. viewpoint, Nabil bank has highest C.V. i.e. 33.51 and next to it SCBNL with C.V. is 21.20. NIBL has the lowest C.V. is 9.33. This implies that Nabil bank and SCBNL are more inconsistent in cash and bank balance to total deposit ratio over the study period.

C. Cash and Bank Balance to Current Asset Ratio

Cash and bank balance is the most liquid form of current assets. This ratio reflects the position of cash and bank balance to current assets of the bank.

Table 4.3
Cash and Bank Balance to current Asset Ratio

(In percentage)

Name of Banks	Fiscal Year					Average		C.V.
	2003/04	2004/05	2005/06	2006/07	2007/08			
NIBL	9.28	8.34	10.92	8.94	9.77	9.45	0.87	9.20
NABIL	5.91	3.35	2.86	5.19	7.31	4.92	1.64	33.37
SCBNL	8.61	5.12	4.97	7.10	6.17	6.39	1.35	21.13
EBL	6.43	8.70	9.53	10.94	9.65	9.05	1.49	16.46

(See in Annex 3)

In the table no 4.3, the ratio has been derived dividing cash and bank balance by current assets. It shows that the selected commercial banks have held less cash and bank balance and utilized the available fund into current assets by issuing short-term loans and advances. Over the study period, on an average NIBL has highest ratio of 9.45. Likewise, EBL, SCBNL and NABIL have 9.05, 6.39 and 4.92 respectively. It implies that at some time NIBL has held more cash and bank balance than other sampled commercial bank. NABIL has been successful in utilizing the depositor's money in short term loans.

From S.D viewpoint, NABIL has the highest S.D i.e. 1.642. Next to it, there is EBL with 1.490. NIBL has lowest S.D. of 0.870. It implies that NABIL and EBL have thigh fluctuation (less homogeneity) with respect to cash and bank balance to current assets over the study period. Similarly, NIBL with lowest S.D. of 0.870 has low fluctuation (more homogeneity) with respect to cash and bank balance to current assets.

From C.V. point of view, NABIL has the highest C.V. of 33.37 and NIBL has the lowest C.V. of 9.20. it indicates that NABIL has high degree of variability or is inconsistent in holding cash and bank balance to current assets over the study period. NIBL has low degree of variability over the study period.

4.1.2 Profitability Ratio

Profit is the difference between revenues and expenses over a period of time. This ratio measures the proportion of each components of operating income to total operating income. The main components of operating income are interest earned, commission and discounts, exchange income and other income, bank receives interest from loans and advances, cash credit, overdraft, investment in government securities and bonds, money at call and short notice, debenture, inter-bank loan and others. Bank receives commission by discounting bills of exchange, remittance, foreign currency fluctuation etc. Under this, following ratios are used.

A Net Profit to Total Assets Ratio (Return on Assets)

Net profit refers to profit after interest and taxes. Total assets comprise of those assets that appear on the assets side of the balance sheet. A higher degree of ratio shows that total assets of the banks have been utilized in profit earnings. The following table no 4.4 shows the ratio of net profit to total assets.

Table 4.4
Net Profit to Total Assets Ratio

(In percentage)

Name of Banks	Fiscal Year					Average		C.V.
	2003/04	2004/05	2005/06	2006/07	2007/08			
NIBL	1.13	1.42	1.61	1.79	1.77	1.54	0.246	15.97
NABIL	2.73	3.06	3.23	2.72	2.32	2.81	0.314	11.17
SCBNL	2.27	2.46	2.56	2.42	2.46	2.43	0.094	3.87
EBL	1.50	1.40	1.50	1.40	1.70	1.50	0.110	7.33

(See in Annex 4)

In the table no 4.4, net profit to total assets ratio has been derived by dividing net profit by total assets. This ratio shows the relationship between net profit and total assets. On an average, that Nabil bank has the highest percentage of net profit 2.81 on total assets. Next to it; there is SCBNL with 2.43. NIBL has the lowest profit i.e. 1.54 on total assets. It indicates that NABIL bank has been successful to generate more profit than other banks.

From S.D. point of view, Nabil bank has the highest S.D. of 0.314 point and SCBNL has the lowest S.D. of 0.094 point. It implies that Nabil bank has high fluctuation (less homogeneity) in generating profit than other sampled banks over the study period, where as SCBNL has lowest S.D. of 0.094 point has low fluctuation (more homogeneity) in generating more profit.

From C.V. point of view, NIBL has the highest C.V. of 15.97. Next to it; there is Nabil bank with C.V. of 11.17, where as SCBNL has the lowest C.V. of 3.87. It implies that NIBL and Nabil bank have higher degree of variability or is inconsistent in generating net profit and SCNBL with lowest C.V has lower degree of variability or is consistent in generating more net profit by using total assets in a systematic way.

B. Net Profit to Total Deposit Ratio (Return on Total Deposit)

This ratio of selected banks measure of NPAT earned by using total deposits. This ratio shows how efficiently the management has utilized its deposits in profit generating activities. This ratio is a mirror for bank's overall financial performance as well as its success in profit generation. Because of the deposit made by its customer's is the major source of earning of the commercial banks. The higher ratio shows the higher degree of utilization of deposits in generating profit.

Table No. 4.5
Net Profit to Total Deposit Ratio

(In percentage)

Name of Banks	Fiscal Year					Average		C.V.
	2003/04	2004/05	2005/06	2006/07	2007/08			
NIBL	1.32	1.63	1.85	2.05	2.03	1.78	0.273	15.37
NABIL	3.22	3.56	3.28	2.89	2.34	3.06	0.417	13.64
SCBNL	2.54	2.77	2.86	2.81	2.75	2.75	0.109	3.99
EBL	1.78	1.69	1.72	1.63	1.88	1.74	0.085	4.89

(See in Annex 5)

In the table no 4.5, net profit to total deposit ratio has been derived by dividing net profit by total deposit. This ratio shows the relationship of net profit and total deposits. On an average point of view, Nabil bank has the highest ratio of 3.06.

There is SCBNL next to it with 2.75 and EBL has the lowest ratio of 1.74 over the study period. It implies that Nabil bank and SCBNL have been successful in utilizing the depositor's fund more efficiently ingenerating more profit. EBL has not managed the deposit efficiently and thus it has failed to generate more profit over the study period.

From S.D. point of view, Nabil bank has the highest S.D. of 0.4174 point. Next to it; there is NIBL with S.D. of 0.2736 point. And EBL has the lowest S.D. of 0.0851 point. It implies that Nabil and NIBL have high fluctuation (less homogeneity) in generating profit by using deposit where as EBL with lowest S.D. of 0.0851 indicates it has low fluctuation (more homogeneity) in generating profit by managing the deposit efficiently.

From C.V. point of view, NIBL has the highest C.V. of 15.37. SCBNL has the lowest C.V. of 3.99 over the study period. It implies that NIBL has high degree of variability or is inconsistent in generating profit and SCBNL has lower degree of variability or is more consistent ingenerating profit by employing the deposit efficiently.

C. Return on Net worth Ratio (Return on Shareholder's Equity)

This ratio revels how profitably the banks have utilized the owner's funds. For the commercial banks, the objective is to earn maximum profit so as to provide reasonable return to the owners. Higher this ratio indicates sound and efficient management. It also indicates towards the favorable condition of wealth maximizations of the bank.

Table 4.6
Return on Shareholder's Equity or Net worth Ratio

(In percentage)

Name of Banks	Fiscal Year					Average		C.V.
	003/04	2004/05	2005/06	2006/07	2007/08			
NIBL	20.94	19.67	24.77	26.70	25.99	23.61	2.800	11.86
NABIL	30.73	31.29	33.88	32.77	30.63	31.86	1.267	3.97
SCBNL	35.96	33.89	37.55	32.68	32.85	34.59	1.887	5.46
EBL	26.58	24.66	28.83	26.78	28.54	27.08	1.509	5.57

(See in Annex 6)

In the table no 4.6, return on shareholder's equity or net worth ratio has been derived by dividing net profit by net worth or shareholder's equity. Over the study period, on an average of SCBNL has the highest ratio of 34.59. Next to it; there is Nabil bank with 31.86. NIBL has the lowest ratio of 23.61 over the study period. It indicates that SCBNL was providing highest return to it's shareholder than other banks.

From S.D. point of view, NIBL has the highest S.D. 2.800 point. There is SCBNL next to it with S.D. of 1.887 point and NABIL has the lowest S.D of 1.267 point. It implies that, over the study period, NIBL and SCBNL have high fluctuation (less homogeneity) in giving the return to shareholders where as in case of NABIL there is low fluctuation (more homogeneity) in providing more rate of return to it's shareholders over the study period.

From C.V. point of view, NIBL has the highest C.V. of 11.86. Next to it; there is EBL with C.V. of 5.57. Nabil bank has the lowest C.V. of 3.97. It implies that NIBL and EBL have higher degree of variability in providing return to their shareholders.

D. Net Interest Earned to Total Assets Ratio

This ratio measures how much interest has been earned in different years by mobilizing the overall assets of the bank. Interest income is main source of income of the banks. Generally, banks generate interest income through the loan and advances, investment, overdrafts, hire purchase finance and loan given to priority and deprived sector as well. A higher ratio represents the better efficiency in mobilizing its resources for the purpose of generating interest income. This ratio has been presented by following table no 4.7.

**Table 4.7 Net
Interest Earned to Total Assets Ratio**

(In percentage)

Name of Banks	Fiscal Year					Average		C.V.
	2003/04	2004/05	2005/06	2006/07	2007/08			
NIBL	3.00	3.25	3.14	3.20	3.05	3.13	0.092	2.95
NABIL	4.20	4.70	4.27	3.79	3.29	4.05	0.477	11.78
SCBNL	3.24	3.69	3.44	3.49	3.36	3.44	0.149	4.34
EBL	3.03	2.97	3.08	2.87	3.31	3.05	0.146	4.81

(See in Annex 7)

In the table no 4.7, net interest earned to total assets ratio has been derived by dividing net interest earned by total assets. On an average basis, Nabil bank has the highest ratio of 4.05. Next to it there is SCBNL with 3.44. It implies that Nabil bank has been managing the assets efficiently and earning more interest out of it. EBL has the lowest ratio of 3.05. It implies that EBL has not been able to utilize the assets efficiently and earning low interest.

From S.D. point of view, Nabil bank has the highest S.D. with 0.4772 point. Next to it there is SCBNL with S.D. of 0.1493 point. It implies that there is high fluctuation (less homogeneity) in interest earning capacity of Nabil bank and SCBNL over the study period. Whereas, NIBL with lowest S.D. of 0.0924 indicates that it has low fluctuation (more homogeneity) in interest earning capacity over the entire study period.

From C.V. point of view, Nabil bank has the highest C.V. of 11.78. Next to it; there is EBL with C.V. of 4.81. NIBL has the lowest C.V. of 2.95. It implies that Nabil bank and EBL have high degree of variability or is inconsistent in earning interest by using of its assets over the study period. Whereas, with the lowest C.V. of 2.95. NIBL is more consistent or has lower degree of variability in earning interest by the proper use of its total assets over the study period.

4.1.3 Activity Ratio

This ratio refers how efficiently the organization is managing its resources. Thus, this ratio measures the degree of effectiveness in use of resources or funds by a firm. It is also known as turnover or efficiency ratio or assets management ratio. Turnover or conversion indicates more efficiency of a firm in managing and utilizing its assets. The common activity ratios that are determined under this are as follows.

A. Loan and advances to total deposit ratio

Commercial banks utilize the outsider's fund for profit generation purposes. Loan and advances to deposit ratio shows whether the banks are successful in utilizing the outsider funds (i.e. total deposit) for the profit generation purposes

Table 4.8

Loan and Advances to Total Deposit Ratio

(In percentage)

Name of Banks	Fiscal Year					Average		C.V.
	2003/04	2004/05	2005/06	2006/07	2007/08			
NIBL	63.68	73.33	69.63	72.56	79.91	71.82	5.279	7.35
NABIL	60.55	75.05	68.63	68.13	68.18	68.11	4.595	6.75
SCBNL	31.63	43.49	39.92	43.78	46.95	41.15	5.257	12.77
EBL	75.60	78.20	73.40	77.40	78.60	76.64	1.92	2.51

(See in Annex 8)

In the table no 4.8, loan and advances to total deposit ratio has been derived by dividing loan and advances amounts by total deposit amount. This ratio helps to analyze whether the banks have utilized the outsider's fund properly or not. It also shows that, over the study period on an average basis, EBL has the highest ratio of 76.64 and SCBNL has the lowest ratio of 41.15. On an average basis, EBL has the highest ratio of 76.64. There is NIBL, next to it with 71.82. It implies that EBL and NIBL have been successful in using the depositor's fund properly in loan and advances than NABIL and SCBNL over the study period.

From S.D. point of view, NIBL has the highest S.D of 5.279 point where as EBL has the lowest S.D. of 1.92 point. It implies that NIBL has high fluctuation (lowest homogeneity) in utilizing the depositor's fund in loan and advances where as EBL with lowest S.D. of 1.92 point indicates that it has low fluctuation (more homogeneity) in using outsider fund over the study period.

From C.V. point of view, SCBNL has the highest C.V. of 12.77 where as EBL has the lowest C.V. of 2.51 It implies that SCBNL is inconsistent or has not been able to utilize the outsider's (depositor's) fund properly in loan and advances, where as EBL with lowest C.V. of 2.51 is consistent or has been successful in using outsider's fund properly in loan and advances.

B. Loan and Advances to Total working fund ratio (Loan and Advances to Total Assets Ratio)

Loan and advances is the major component in the total working fund (total assets), which indicates the ability of commercial bank are successful in mobilizing their loan and advances on total assets ratio for the purpose of income generation. This ratio is computed by dividing loan and advances by total assets.

Table 4.9
Loan and Advances to Total Assets Ratio

(In percentage)

Name of Banks	Fiscal Year					Average		C.V.
	2003/04	2004/05	2005/06	2006/07	2007/08			
NIBL	54.51	63.78	60.64	62.65	69.44	62.20	4.831	7.77
NABIL	49.98	62.39	57.87	57.04	57.54	56.96	3.984	6.995
SCBNL	27.98	37.98	34.67	36.73	41.15	35.70	4.396	12.31
EBL	63.01	62.21	61.41	63.75	67.55	63.59	2.131	3.35

(See in Annex 9)

In the table no 4.9, loan and advances to total assets ratio has been derived by dividing loan and advances amount by total assets amount.

This ratio helps to analyze whether the banks have utilized the total working fund properly or not. On an average basis, EBL has the highest ratio of 63.59. Next to it, NIBL has 62.20 and SCBNL has the lowest ratio of 35.70. It implies that EBL and NIBL has been successful in mobilizing loan and advance on total working fund over the study period.

From S.D point of view, NIBL has highest S.D of 4.831 point. Where as EBL has the lowest S.D. of 2.131 point. It implies that NIBL has high fluctuation (lowest homogeneity) in utility the total working fund in loan and advances where as EBL with lowest S.D. of 2.131 point indicates it has low fluctuation (more homogeneity) in using the total working fund properly in loan and advances over the study period.

From C.V. point of view, SCBNL has the highest C.V. of 12.31, where as EBL has the lowest C.V. of 3.35. It implies that SCBNL is inconsistent or has not been able to utilize the total working fund properly in loan and advances; where as EBL lowest C.V. of 3.35 is consistent or has been successful to mobilizing the total working fund properly in loan and advances.

C. Total Investment to Total Deposits Ratio

Banks invest money in different forms. They are loans, overdraft, cash credit, discounting bills of exchange, investment in government securities, investment in share of well – established industrial concerns and money at call and short notice. In this analysis investment in government scurrilities, shares and also investment in foreign banks is included to calculate the ratio. Total deposits include saving, current, fixed and call deposit of the respective banks. The ratio of total investment to total deposit has been presented below.

Table 4.10
Total Investment to Total Deposits Ratio

(In percentage)

Name of Banks	Fiscal Year					Average		C.V.
	2003/04	2004/05	2005/06	2006/07	2007/08			
NIBL	22.03	36.20	28.58	29.97	28.05	28.97	4.53	15.64
NABIL	49.83	47.84	35.21	40.90	40.74	42.90	5.30	12.35
SCBNL	64.06	64.17	61.87	64.29	62.13	63.30	1.07	1.69
EBL	30.97	24.70	31.44	30.09	31.07	29.65	2.52	8.50

(See in Annex 10)

In the table no 4.10 shows that on an average basis over the study period, SCBNL has the highest percentage of investment in non- risky project i.e. 63.30%, where as NIBL has the lowest percentage of investing in non-risky project i.e. 28.97%. It implies that SCBNL prefers in investing its depositors fund in non risky project like government bonds, treasury bills, government securities, debentures of other organization etc rather than choosing the risky port folio like loan and advances to its credit customers.

From S.D. point of view, Nabil bank has the highest S.D. of 5.30 point. Next to it, there is NIBL with S.D. 4.53 point where as SCBNL has the lowest S.D. of 1.07 point. It implies that Nabil bank and NIBL have high fluctuation (less homogeneity) in using the depositors fund in non- risky port folio and SCBNL has low fluctuation (more homogeneity) in using depositor fund in non- risky port folio.

From C.V. point of view, NIBL has the highest C.V. of 15.64 Next to it there is Nabil bank with C.V. of 12.35 where as SCBNL has lowest C.V. of 1.69. It implies that NIBL and Nabil bank are inconsistent in investing in non- risky port folio and SCBNL with lowest C.V is consistent in using its deposit in non-risky port folio.

4.1.4 Leverage Ratio

Financial leverage or capital structure ratio are calculated to judged the long – term financial position of the firm. These ratios indicate mix of funds provided by owners and lenders. As a general rule there should be an appropriate mix of debt and owners equity in financing the firm’s assets. Administration of capital can smoothly by carried with the help of such ratios.

A. Total Debt to Net Worth Ratio (Debt-Equity Ratio)

Debt–equity ratio examines the relative claims of creditors and owners against the bank’s assets. Alternatively, total debt to equity ratio indicates the contribution of debt capital and equity capital fund to the total investment. This ratio is presented as following table no 4.11:

Table 4.11
Debt-Equity Ratio

(In times)

Name of Banks	Fiscal Year					Average		C.V.
	2003/04	2004/05	2005/06	2006/07	2007/08			
NIBL	17.47	12.89	14.35	13.94	13.67	14.46	1.58	10.93
NABIL	10.54	9.59	11.18	13.25	15.24	11.96	2.03	16.97
SCBNL	14.81	12.76	13.69	12.51	12.37	13.23	0.92	6.95
EBL	18.18	17.43	19.80	19.75	17.48	18.53	1.05	5.67

(See in Annex 11)

The above ratio has been derived dividing total debts by net worth. The above table shows that commercial banks have highly leveraged on the basis of equity capital. On an average, EBL has the highest ratio of 18.53 times. Next to it there is NIBL with an average of 14.46 times. Nabil bank has the lowest ratio of 11.96 times. It indicates that EBL has highly leveraged 18.53 times means; debt capital financing is more than 18.53 times of its share holder’s equity.

From S.D point of view, Nabil bank has highest S.D. of 2.03 point. Next to it, there is NIBL with 1.58 point. SCBNL has lowest S.D. of 0.92 point. It implies that Nabil bank and NIBL have high fluctuation (less homogeneity) with respect to total debt to net worth. Similarly, SCBNL with lowest S.D of 0.92 has low fluctuation (more homogeneity) with respect to total debt to net worth over the study period.

From C.V. point of view, NABIL has the highest C.V. of 16.97; next to there is NIBL with C.V. of 10.93. EBL has lowest C.V of 5.67. It means, NABIL and NIBL have high degree of variability or is inconsistent in maintaining total debt to total equity over the study period.

B. Total Debts to Total Assets Ratio (Debt-Assets Ratio)

This ratio reflects that the portion of outsider's fund financed in the total assets. It signifies the extent of debt financing on the total assets and measure the financial securities to the outsider. The following table no 4.12 shows that the relationship between total debt and total assets.

Table 4.12
Total Debt to Total Assets Ratio

(In Percentage)

Name of Banks	Fiscal Year					Average		C.V.
	2003/04	2004/05	2005/06	2006/07	2007/08			
NIBL	94.58	92.80	93.49	93.31	85.56	91.95	3.25	3.53
NABIL	91.34	90.55	91.60	92.45	92.03	91.59	0.64	0.70
SCBNL	93.67	92.74	93.60	92.60	92.52	93.02	0.49	0.53
EBL	93.07	93.10	94.09	94.50	93.05	93.56	0.61	0.65

(See in Annex 12)

In the table no 4.12, debt ratio has been derived by dividing total debt by total assets. On an average basis over the study period, EBL and SCBNL has highly debt financing. It means these two banks borrowed outsider's funds by 93.56 and 93.02 respectively. Nabil bank has the lowest ratio of 91.59 times.

From S.D. point of view, NIBL has highest S.D. of 3.25 point and SCBNL has lowest S.D. of 0.49 point. It indicates NIBL has high fluctuation and SCBNL has low fluctuation in using total debts over the study period.

From C.V. point of view, NIBL has highest C.V. of 3.53 and SCBNL has lowest C.V. of 0.53. It means, NIBL has high degree of variability is inconsistent to utilizing debt to assets ratio where as SCBNL has consistent debt financing.

4.1.5 Miscellaneous Ratios

For the analysis of third objective the M.R. is taken.

A. Earning Per Share (EPS)

Earning per share is one of the most widely quoted statistics when there is a discussion of company's performance or share value. It is profit after tax figure that is divided by the number of common share to calculate the value of earning per share. This figure tells how much profit has been earned by the common share holder for per share basis. A company can decide whether to increase or reduce the number of share on issue. This decision will automatically affect carrying per share.

Table 4.13
Earning Per Share

(In Rs)

Name of Banks	Fiscal Year					Average		C.V.
	2003/04	2004/05	2005/06	2006/07	2007/08			
NIBL	51.70	39.50	59.35	62.57	57.87	54.20	8.15	15.04
NABIL	92.61	105.49	129.21	137.08	108.31	114.54	16.28	14.21
SCBNL	143.55	143.14	175.84	167.37	131.92	152.36	16.47	10.81
EBL	45.60	54.20	62.80	78.40	91.82	66.56	16.64	25.00

(See in Annex 13)

From the table 4.13, on an average, SCBNL has the highest amount of EPS Rs. 152.36. Next to it, there is Nabil bank with EPS of Rs 114.54, NIBL has the lowest amount of EPS i.e. Rs. 54.20 over the study period. It means that SCBNL and Nabil bank have been able to provide maximum profit to equity holder on a per share basis.

From the S.D. point of view, EBL has highest S.D. of 16.64 point. Next to it, there is SCBNL with 16.47 point. NIBL has the lowest S.D. of 8.15 point. It implies that EBL and SCBNL have high fluctuate (less homogeneity) in EPS over the study period. Where as NIBL with lowest S.D. of 8.15 point, indicates that low fluctuation (more homogeneity) in EPS over the study period.

From C.V. point of view, EBL has the highest C.V. of 25 next to it, there is NIBL with C.V. of 15.04 and NABIL with C.V. of 14.21 It implies that EBL and NIBL have high degree of variability or is inconsistent in EPS amount over the study period. SCBNL has lowest C.V. of 10.81 which indicates it has low degree of variability or is consistent in providing EPS amount to the equity holders on a per share basis over the study period.

B. Dividend Payout Ratio (D/P Ratio)

Dividend payout ratio measures what percentage/portion of the net profit after tax and preference dividend is paid out to the equity shareholders as dividend and how much it is retained in the firm for the purpose of expansion and growth in the future. This ratio has been presented by following table no 4.14.

Table 4.14
Dividend Payout Ratio

(In percentage)

Name of Banks	Fiscal Year					Average		C.V.
	2003/04	2004/05	2005/06	2006/07	2007/08			
NIBL	15	12.50	20	5	7.50	12	5.34	44.50
NABIL	65	70	85	100	60	76	14.63	19.25
SCBNL	110	120	130	80	80	104	20.59	19.80
EBL	20	-	25	10	20	15	8.94	59.60

(See in Annex 14)

From the table no 4.14, on an average basis SCBNL has the highest percentage of payment ratio with 104. Next to it, there is Nabil bank with 76 likewise NIBL has the lowest ratio with 12.

From S.D. point of view, SCBNL has the highest S.D. of 20.59 point and next to it; there is Nabil bank with S.D. of 14.63 point. At last, NIBL has the lowest S.D. of 5.34 point. It implies that SCBNL and Nabil bank have high fluctuation in providing dividend through out the study period. NIBL with lowest S.D indicates low fluctuation in providing dividend to its share holders throughout the study period.

From the C.V. point of view, EBL has the highest C.V. of 59.60. Next to it; there is NIBL with C.V. of 44.50. NABIL has the lowest C.V. of 19.25. It indicates that EBL and NIBL have high degree of variability and NABIL has low degree of variability is consistent in providing a regular amount as dividend.

C. Price Earning Ratio (P/E Ratio)

This ratio shows the price currently paid by the market for each rupees of currently reported earning per share. This ratio has been presented by following table no 4.15.

Table 4.15

Price Earning Ratio

(In Times)

Name of Banks	Fiscal Year					Average		C.V.
	2003/04	2004/05	2005/06	2006/07	2007/08			
NIBL	18.18	20.25	21.23	27.63	42.33	25.92	8.79	33.91
NABIL	10.80	14.27	17.34	36.84	48.70	25.59	14.67	57.33
SCBNL	12.16	16.38	21.47	35.25	51.77	27.41	14.45	52.72
EBL	14.90	16.00	22.00	31.00	34.10	23.60	7.76	32.88

(See in Annex 15)

From the table no 4.15, on an average basis SCBNL has the highest P/E ratio with 27.41 times. Next to it there is NIBL with 25.92 times. Likewise EBL has the lowest P/E ratio with 23.60 times.

From S.D. point of view, Nabil bank has the highest S.D. of 14.67 point and next to it; there is SCBNL with S.D. of 14.45 point. EBL has the lowest S.D. of 7.76 point. It implies that Nabil bank and SCBNL have high fluctuation in market price per share than NIBL.

From C.V. point of view, Nabil bank and SCBNL bank have high P/E ratio of 57.33 and 52.72 respectively. EBL has lowest C.V. with 32.88 indicates that low degree of variability is consistent in market price per share as earning per share.

4.3 Statistical Tools

In this study, statistical tools have been grouped into coefficient of correlation, probable error and coefficient of determination. For the profitability position of different banks the Net profit & Total deposits are calculated below.

4.3.1 Karl Person's coefficient of correlation

It is most widely used statistical tools which measures the significance of the relationship between two variables during the study period. Correlation coefficient is calculates to measure the relationship between Net profit and total deposit of selected joint venture banks. The value of coefficient of correlation shall always be between ± 1 . Where, $r = 1$ means perfect positive correlation between variables. Where $r = -1$, it means perfect negative correlation between variables. Where $r = 0$, there is no relationship between two variables.

The formula for computing Karl person's coefficient of correlation is as follows.

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

Here,

N= No. of pairs where x and y absorbed.

X= Value of net profit (after tax)

Y= Value of total deposits

r=Karl Pearson's Coefficient of Correlation

XY= Sum of product of variable x and y

Table 4.16

**Coefficient of Correlation between Net Profit (Dependent) and Total Deposit
(Independent) of Nepal Investment Bank Ltd.**

(Rs. In Million)

Fiscal Year	X	Y	X²	Y²	XY
2003/2004	152.67	11524.68	23308.13	132818249.10	1759472.90
2004/2005	232.15	14254.57	53893.62	203192765.90	3309198.43
2005/2006	350.54	18927.31	122878.29	3582493063.80	6634779.25
2006/2007	501.40	24488.86	251401.96	599704264.10	12278714.40
2007/2008	698.67	34451.73	488139.77	1186921700	24070390.20
Total	1935.43	103647.15	939621.77	2480880043.00	48052555.18

N=5 years, x=1935.43, X² = 939621.77, Y= 103647.15 ,
Y²= 2480880043.00, XY= 48052555.18

We have

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

$$r = \frac{5 \times 48052555.18 - 1935 \times 103647.15}{\sqrt{5 \times 939621.77 - (1935.43)^2} \sqrt{5 \times 2480880043.00 - (103647.15)^2}}$$

$$r = \frac{5 \times 48052555.18 - 1935 \times 103647.15}{\sqrt{5 \times 939621.77 - (1935.43)^2} \sqrt{5 \times 2480880043.00 - (103647.15)^2}}$$

$$= \frac{39660972.38}{39777783.01}$$

$$= 0.9971$$

Above calculation of coefficient of correlation between net profit and total deposit of Nepal Investment Bank Ltd. is 0.9971. This analysis indicates that there is a positive correlation between net profit and total deposit. Therefore, net profit is affected by total deposit.

Table 4.17

Coefficient of Correlation between Net profit (Dependent) and Total Deposit (Independent) of Nabil Bank Ltd.

(Rs. In Million)

Year	X	Y	X²	Y²	XY
2003/4	455.31	14119.03	207307.20	199347008.10	6428535.549
2004/5	518.64	14119.03	268987.45	212769191.30	7565199.41
2005/6	635.26	19347.40	426748.63	374321886.80	12290629.32
2006/7	647.00	23342.30	454276.00	544862969.30	15732710.20
2007/8	746.50	31915.00	55726.25	884651997.60	24357219.25
Total	3029.71	103310.34	1914581.53	2349868281.00	65841621.98

N=5 years, x=3029.71, X² = 1914581.53, Y= 103310.34 ,
 Y²= 2349868281.00, XY= 65841621.98

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

$$= \frac{5 \times 65481621.98 - 3029.71 \times 103310.34}{\sqrt{5 \times 1914581.53 - (3029.71)^2} \sqrt{5 \times 2349868281.00 - (103310.34)^2}}$$

$$= \frac{16207739.70}{20586871.17}$$

$$= 0.7873$$

Above calculation of coefficient of correlation between net profit and total deposit of Nabil Bank Ltd is 0.7873. This analysis indicates that, there is a positive correlation between net profit and total deposit. Therefore, net profit (dependent variable) is affected by total deposit (independent variable).

Table 4.18
Coefficient of Correlation between Net Profit (Dependent) and Total Deposit
(Independent) of SCBNL.

(Rs. In Million)

Year	X	Y	X ²	Y ²	XY
2003/4	537.80	2110.44	289228.84	447806542.90	11380622.43
2004/5	539.20	19335.10	290736.64	373846092.0	10425485.92
2005/6	658.76	23067.03	433964.74	531811104.7	15191684.12
2006/7	691.67	24647.02	478407.39	607475594.90	17047604.32
2007/8	818.92	29743.10	670629.97	884651997.60	24357219.25
Total	3246.35	117953.69	2162967.58	28455913032.00	78402616.24

$$N=5 \text{ years, } \quad x=3246.35, \quad X^2 = 2162967.58, \quad Y= 117953.69 , \\ Y^2= 28455913032.00, \quad XY= 78402616.24$$

$$r = \frac{n \sum xy - \sum x \sum y}{\sqrt{[n \sum x^2 - (\sum x)^2][n \sum y^2 - (\sum y)^2]}}$$

$$r = \frac{5 \times 78402616.24 - 3246.35 \times 117953.69}{\sqrt{[5 \times 2162967.58 - (3246.35)^2][5 \times 28455913032.00 - (117953.69)^2]}}$$

$$r = \frac{5 \times 78402616.24 - 3246.35 \times 117953.69}{\sqrt{[5 \times 2162967.58 - (3246.35)^2][5 \times 28455913032.00 - (117953.69)^2]}}$$

$$= \frac{9094119.70}{188241730.60}$$

$$= 0.0483$$

$$= 0.0483$$

Above calculation of coefficient of correlation between net profit and total deposit of SCBNL is 0.0483. This analysis indicates that, there is a positive correlation between net profit and total deposit. Therefore, net profit is affected by total deposit (independent variable).

Table 4.19
Coefficient of Correlation between Net Profit (Dependent) and Total Deposit
(Independent) of EBL.

Year	X	Y	X ²	Y ²	XY
2003/4	143.60	8063.90	20620.96	65024483.21	1157976.04
2004/5	470.80	10097.70	29172.64	101963545.30	1724687.16
2005/6	337.20	13802.40	56263.84	190506245.80	3273929.28
2006/7	296.40	18186.20	87852.96	330737870.40	5390389.68
2007/8	451.20	23976.30	203581.44	574862961.70	10818106.56
Total	1299.20	74126.50	397491.84	1263097106.00	22365088.72

N=5 years, x=1299.20, X² = 397491.84, Y= 74126.50 ,
 Y²= 1263097106, XY= 22365088.72

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

$$r = \frac{5 \times 22365088.72 - 1299.20 \times 74126.50}{\sqrt{5 \times 397491.84 - (1299.20)^2} \sqrt{5 \times 1263097106.00 - (74126.50)^2}}$$

$$r = \frac{111825443.6 - 96307072}{\sqrt{1987459.2 - 1687926.4} \sqrt{6315485530 - 5494660625}}$$

$$= \frac{155178371.6}{\sqrt{300000} \sqrt{820824905}}$$

$$= \frac{155178371.6}{173205.081 \times 28650.041}$$

$$= 0.3735$$

Above calculation of coefficient of correlation between net profit and total deposit of EBL is 0.3735. This analysis indicates that, there is a positive correlation between net profit and total deposit. Therefore, net profit is affected by total deposit (independent variable).

4.2.2 Computation of Probable Error

If the value of 'r' is less than six times of probable error, there is no evidence of correlation i.e. value of 'r' is not significant. Thus, if the value of 'r' is more than six times of probable error, the coefficient of correlation is practically, i.e. the value of 'r' is significant.

Formula:

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

Probable Error of Nepal Investment Bank Ltd.

Here,

$r = 0.9971$, $N = 5$ years

We have,

$$\begin{aligned} \text{P.Er} &= 0.6745 \times \frac{1 - (0.9971)^2}{5} \\ &= 0.00391 \\ &= \frac{2.24}{1000} \\ &= 0.001745 \end{aligned}$$

Since, the value of 'r' is more than six times of probable error (i.e. $6 \times 0.001745 < 0.9971$). The value of 'r' is significant. It implies that the management should prepare a promoting planning of increasing the net worth to increase the returns.

Probable Error of Nabil Bank Ltd.

Here,

$r = 0.7873$, $N = 5$ years

We have,

$$\begin{aligned} & 1 - (0.7873)^2 \\ \text{P.Er} &= 0.6745 \times \\ & 5 \\ &= 0.2564 \\ & 2.24 \\ &= 0.1145 \end{aligned}$$

Since, the value of 'r' is more than six times of probable error (i.e. $6 \times 0.1145 < 0.7873$).
The value of 'r' is significant. It indicates that the benefit ability of Nabil Bank Ltd.

Probable Error of SCBNL

Here,

$r = 0.0483$, $N = 5$ years

We have,

$$\begin{aligned} & 1 - (0.0483)^2 \\ \text{P.Er} &= 0.6745 \times \\ & 5 \\ &= 0.6729 \\ & 2.24 \\ &= 0.3004 \end{aligned}$$

Since, the value of 'r' is less than six times of probable error (i.e. $6 \times 0.3004 > 0.0483$).
The value of 'r' is insignificant. It reveals that developing more worth in the capital structure seems not to be benefited in term of probability of SCBNL.

Probable Error of EBL

Here,

$r = 0.3735$, $N = 5$ years

We have,

$$\begin{aligned} \text{P.Er} &= 0.6745 \times \frac{1 - (0.3735)^2}{5} \\ &= \frac{0.5804}{2.24} \\ &= 0.2591 \end{aligned}$$

Since, the value of 'r' is less than six times of probable error (i.e. $6 \times 0.2591 > 0.3735$). The value of 'r' is insignificant. It reveals that developing more worth in the capital structure seems not to be benefited in term of probability of Everest Bank Ltd.

4.2.3 Correlation between Net Profit and Total Deposit

Net profit refers to profit after deducting interest and taxes: The total deposit of the bank comprises of fixed deposit, saving deposit, current deposit and margin deposit etc. In this study, correlation analysis between two variables, net profit and total deposit are calculated to measure the closeness of relationship between them to what extent dependent variable i.e. net profit will be changed when there is a change in independent variable i.e. total deposit.

Table 4.20
Correlation between Net Profit and Total Deposit

Evaluation criteria	NIBL	NABIL	SCBNL	EBL
Coefficient of correlation (r)	0.9971	0.7873	0.0483	0.3735
Coefficient of determination (r^2)	0.9942	0.6198	0.00233	0.1395
Probable error (P.Er)	0.001745	0.1145	0.3004	0.2591
6 P.Er	0.1047	0.6868	1.8025	1.5546

From the table no 4.20, the correlation coefficient between net profit and total deposit of NIBL, Nabil bank, SCBNL and EBL are 0.9971, 0.7873, 0.0483 and 0.3735 respectively. It shows that the higher positive relationship between net profit and total deposit of NIBL, Nabil SCBNL In order to measure the degree of change on dependent variable net profit due to the change in independent variable total deposit, value of coefficient of determination (r^2) is calculated. On the basis of coefficient of determination, it can be concluded that when there is change in total deposit it bring 99.71% change in net profit of NIBL, 78.73% of Nabil, 4.83% of SCBNL and 37.35% of EBL over the study period. Considering the probable error (P.E.), the value of 'r' ($0.9971 > 0.1047$ and $0.7873 > 0.6868$) of NIBL and Nabil is grater than six times of the P.E. (6 P.Er). Therefore, we can say that the value of 'r' is significant i.e. there is significant relationship between net profit and total deposit of NIBL and Nabil .

But in case of SCBNL and EBL the value of 'r' ($0.0483 < 1.802$ and $0.3735 < 1.5546$) is less than six times of P.E. (6 P.Er). It means that the value of 'r' is not significant i.e. there is not significant relationship between net profit and total deposit of SCBNL and EBL.

CHAPTER-V

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

This chapter is the important for the research because this chapter is the extract of all the previously discussed chapters. This chapter consists of mainly three parts: summary, conclusion and recommendations. In summary part, revision or summary of all four chapters is made. In conclusion part, the result from the research is summed up and in recommendation is made based on the result and experience of thesis. Recommendation is made for improving the present situation to the concerned parties as well as further research.

5.1 Summary

The economic development of a country cannot be imagined without the development of commerce and industry. The role of commercial banks in the economic growth of nation can be estimated to be prominent. The very challenging job of commercial banks is to collect the scattered idle savings from the small savers. Actually, commercial banks pool the fund in the sizable volume in order to feed the fund requirement of productive sector promote trade and industrialization in the country there by raising the employment opportunity and earning to the labors and materials suppliers to such industries and traders.

Commercial banks of course contribute a lot to the development of the economy of the country. Thus, to remain in the front line of the great contributor of the economy, the banks have sustainable existence and growth themselves. For the sustainable existence and growth of a bank, it must ensure reasonable profitability.

Under this study, the researcher has tried to cover the various aspects of selected commercial banks covering the period of five years from 2003/04, 2004/05, 2005/06, 2006/07 and 2007/2008.

In the first introductory chapter, the study represent has tried to give background of study history and introduction of banking and its relation to the economy, historical development of banking system in Nepal general concept of banking system in Nepal general concept of commercial Banks function of commercial banks, concept of and function of Joint venture banks, brief profile of the concerned banks , general concept of statement and problems, objectives of the study, significance of study and its limitation.

During the research work, extensive review of various literature books, past thesis, journals have been studied and consulted. And as per requirement materials from relevant sources. These links are compiled in the second chapter titled “Review of literature” of this report..

For this study the researcher has gathered the required data basically from annual reports published by the concerned joint venture banks for the last five years. And also internet website of Nepal Stock Exchange is used for necessary data to analyze the financial performance of selected banks (1) Financial ratios to calculate various ratios (2) Statistical tools such as mean, standard deviation, coefficient of variation, correlation coefficient, coefficient of determination and probable error etc are followed for this research work in third chapter titled “Research Methodology”.

Data relating to activities of the banks have been collected and presented in figures and tabular as far as possible and tried to be interpreted in the study represent in logical ways. Data are analyzed applying various financial and stastical tools and finding of the study have been listed in a systematic manner.

Liquidity Ratio

The liquidity position of selected commercial banks reveals that:

For analyzing the financial performance of the banks liquidity ratio is one the powerful tools such as current ratio, cash & bank balance to total deposit ration, cash and bank balance to current asset ratio.

In the table no. 4.1 current ratio has been calculated dividing current assets by current liabilities. It also shows that the current ratio of all selected banks is below the normal standard of 2:1. On an average basis Nabil bank is the highest ratio among sample bank. From S.D. point of view NIBL has the highest S.D. than other. From C.V. point of view NIBL has higher C.V. which is highest than other selected banks.

In the table 4.2, cash & Bank Balance to total deposit ratio. It reveals that the ability of bank to cover its short term deposits. On an average banks EBL is more better than other sample bank. From S.D. point of view, Nabil bank has the highest than other selected bank. From C.V. point of view, Nabil bank has the highest than other concerned banks.

In the table no. 4.3, cash and bank balance to current assets ratio. It shows that the selected commercial banks have held less cash and bank balance and utilized the available fund into current assets by issuing short-term loan and advances. On an average, NIBL has the highest ratio. It implies that at some time NIBL has held more cash and bank balance than other sample commercial banks. From S.D. view point, Nabil bank has the highest S.D. than other sample banks. It implies that Nabil has high fluctuation (less homogeneity). From C.V. point of view Nabil has high degree of variability in holding cash and bank balance to current assets over the study period.

Profitability Ratio

The Profitability position of selected commercial banks reveals that:

Profit is the difference between revenues and expenses over a period time. In this study profitability ratio have been grouped into return on assets, return on total deposit and return on shareholder's equity etc.

In the table no 4.4, Return on assets ratio. This ratio shows the relationship between net profit and total assets. On an average basis, Nabil bank has the highest percentage than other sample banks. It indicates that Nabil bank has been successful to generate more profit than other banks by using its total assets. From S.D. point of view, Nabil bank has the highest than other. It implies that Nabil bank has high fluctuation in generating profit than other banks over the study period. From C.V. pint of view, NIBL has the highest C.V. It implies that NIBL has higher degree of variability or inconsistent in generating net profit.

In table 4.5, Net profit to total deposit ratio (Return on Total deposit). This ratio shows how efficiently the management has utilized its deposit in profit generating activities. This ratio is a mirror for bank's overall financial performance as well its success in profit generation because, deposit made by its custom's is the major source of earning of the commercial banks. The higher ratio shows the higher degree of utilization of deposits in generating profit. On an average point of view Nabil bank has the highest ratio than other selected banks. It implies that Nabil has been successful in utilizing the depositor's fund more efficiently in generating more profit. From S.D. point of view Nabil bank has the highest S.D. than other banks. From C.V. point of view, NIBL has the highest C.V. than other sample banks.

In table no. 4.6. Return on Shareholder's equity. This ratio reveals how profitably the banks have utilized the owner's fund. The objectives are to earn maximum profit so as to provide reasonable return to the owners. Higher ratio indicates sound and efficient management. It also indicates, to wards the favorable condition of wealth maximization of the banks. On an average SCBNL has the highest ratio.

It indicates that SCBNL has been providing highest return to its shareholders than other sample banks. From S.D. point of view, NIBL has the highest S.D. It implies that over the study period NIBL has high fluctuation (less homogeneity) in giving the return to shareholders. From C.V. point of view, NIBL has the highest C.V. than other selected banks. It implies that NIBL has higher degree of variability of inconsistent in providing return to their shareholders.

In table no 4.7, Net interest earned to total assets ratio. This ratio measures how much interest has been earned in different years by mobilizing the overall assets of the banks. Interest Income is main source of income of the banks. A higher ratio represent the better efficiency in mobilizing its resources for the purpose of generating interest income. On an average basis Nabil bank has the highest ratio than other sample banks. It implies that Nabil bank has been managing the assets efficiently and earning more interest out of it. From S.D. point of view Nabil bank has the highest S.D. It implies that there is high fluctuation (less homogeneity) in interest earning capacity of Nabil bank over the study period. From C.V. point of view, Nabil bank has the highest C.V. It implies that Nabil bank has high degree of variability in earning interest by using of its assets over the study period.

Activity ratio

Activity ratio refers how efficiently the organization is managing its resources. This, this ratio measures the degree of effectiveness in use of resources or funds by a firm. It is also known as turnover or efficiency ratio or assets management ratio. The common activity ratios that are determined are as follows.

Table no 4.8, loan and advance to total deposit ratio shows whether the banks are successful in utilizing the outsider funds for (i.e. total deposit) for the profit generation purpose. On an average EBL has the highest ratio. It implies that EBL has been successful in using the depositor's fund properly in loan and advance than other banks over the study period. From S.D. point of view NIBL has the highest S.D. It implies that NIBL has high fluctuation in utilizing the depositor's fund in loan and advance. From C.V. point of view SCBNL has highest C.V. than other sample banks.

Table 4.9, Loan and advance to total assets ratio, which indicates the ability of commercial banks are successful in mobilizing their loan and advances on total assets ratio for the purpose of income generation. This ratio helps to analyze whether the banks have utilized the total working fund properly or not. On an average basis, EBL has the highest ratio than other selected banks, It implies that EBL has been successful in mobilizing loan and advance on total working fund over the period. From S.D. point of view, NIBL has highest S.D. It implies that NIBL has high fluctuation in utility the total working fund in loan and advance. From C.V. point of view SCBNL has the highest C.V. than others.

Table no 4.10, Total Investment to total deposits ratio. In this analysis investment in government securities, share and also investment in foreign banks are included to calculated the ratio. On an average over the study period, SCBNL has the highest percentage of in non-risky project. It implies that SCBNL prefers in investing its depositor fund. From S.D. point of view, Nabil bank has the highest ratio. It implies that Nabil bank has high fluctuation in using depositor fund in non-risky portfolio. From C.V. point of view, NIBL has the highest than other selected banks.

Leverage ratio

Leverage ratio, financial leverage or capital structure ratio are calculated to judged the long-term financial position. Administration of capital can smoothly by carried with the help of such ratio. Debt equity ratio, examines the relative claims of creditors and owners against the bank's assets. Alternatively, total debt to equity ratio indicates the contribution of debt capital and equity capital fund.

This ratio is presented as table no 4.11 On an average basis EBL has the highest ratio. It indicates that EBL has highly leverage. From S.D. point of view, Nabil bank has highest S.D. It implies that Nabil bank has high fluctuation with respect to total debt to equity over the study period. From C.V. view point Nabil bank has highest degree of variability in maintaining total debt to total equity over the study period.

Table no. 4.12, shows that the relationship between total debt and total asset. On an average basis EBL has highly debt financing. It means this bank borrowed outsider's funds. From S.D. view point, NIBL has highest S.D. It indicates NIBL has high fluctuation in using total debts over the study period. From C.V. point of view NIBL has highest. It means NIBL has high degree of variability to utilizing debt to assets ratio.

Miscellaneous ratios

Miscellaneous ratios, such as Earning Per Share (EPS), Dividend Payout Ratio (DPR) and Price Earning Ratio (P/E Ratio)

From table no 4.13, Earning Per Share (EPS) Which is one of the most widely quoted stastics when there is a discussion of company's performance or share value. It shows how much profit has been earned by the common shareholders for per share basis. A company can decide whether to increase or decrease the number of share on issue. On an average basis SCBNL has the highest amount of EPS. It means that SCBNL has been able to provide maximum profit to equity holder on a per share basis. From S.D. point of view, EBL has highest S.D. It implies that EBL has high fluctuation (less homogeneity) in EPS over the study period. From C.V. point of view EBL has highest than others. It implies that EBL has high degree of variability in EPS amount.

From table no. 4.14, Dividend Payout Ratio (DPR) measures what percentage of the net profit after tax and performance dividend is paid out to the equity shareholder as dividend and how much it is retained in the firm for the purpose of expansion and growth in the future. On an average SCBNL has the highest percentage of payment ratio. From S.D. view point, SCBNL has the highest S.D. than other sample banks. It implies that SCBNL has high fluctuation in providing over the study period. From C.V. point of view, EBL has the highest C.V. It indicates that EBL has high degree of variability.

From table no. 4.15, Price Earning Ratio (P/E Ratio) which shows the price currently paid by the market for each amount of currently reported EPS. On an average basis SCBNL has highest P/E ratio than other banks. From S.D. point of view, Nabil bank has the highest S.D. It implies that Nabil bank has high fluctuation in market price per share than other selected banks. From C.V. point of view, Nabil bank has highest C.V. than other sample banks.

Statistical Tools

Statistical Tools have been grouped into coefficient of correlation, probable error and coefficient of determination.

From the table no. 4.20, the correlation coefficient between net profit and total deposits of NIBL, Nabil bank, SCBNL and EBL are 0.9971, 0.7873, 0.0483 and 0.3735 respectively. It shows that the higher positive relationship between net profit and total deposit of selected banks. In order to measure the degree of change on dependent variable net profit due to the change in independent variable total deposit, value of coefficient of determination (r^2) is calculated. Considering the P.E. the value of 'r' is ($0.9971 > 0.1047$ and $0.7873 > 0.6868$) of NIBL and Nabil bank is great than six times of P.E. (6 P Er). Therefore the value of 'r' is significant i.e. there is significant relation between net profit and total deposit of NIBL and Nabil bank. But, incase of SCBNL and EBL value of r ($0.0483 < 1.8025$ and $0.3735 < 1.5546$) is less than six times of P.E. (6 P.Er). It means that the value of 'r' is not significant i.e. there is not significant relationship between net profit and total deposit of SCBNL and EBL.

All these works are complied in the fourth chapter titled "Presentation and Analysis of Data" of the study.

Finally, the summary, conclusion and the recommendation made by the research are presented in the current chapter titled "Summary, Conclusions and Recommendations."

5.2 Conclusions

This study reveals that the current ratio of all sample banks i.e. NIBL, Nabil bank, SCBNL and EBL is greater than 1 but Nabil bank has the highest current ratio. It means Nabil bank's solvency position is better than NIBL, SCBNL and EBL. The cash and bank balance of NIBL & EBL with respect to total deposit is more liquidity than other sample banks. It indicates that NIBL & EBL are able to make immediate payments to its depositor. It implies that in term of day to day settlement of current obligation, NIBL & EBL are sufficient with respect to cash and bank to current deposit as compared to other sample banks.

Among all the sample banks, EBL has the lowest ratio of net profit to total assets. It means EBL has not mobilized its assets into profit generating projects. Nabil bank has been successful in earning more net profit by the proper use of its available assets. EBL has not mobilized its deposit into profit generating project and Nabil bank with the highest ratio has been successful in the earning more net profit by the proper use of its available deposit than others.

In case of mobilized the funds of shareholders efficiently into profit generating projects, NIBL does not mobilized and SCBNL has been successful in providing more rate of return to its shareholders by the proper use of their available funds than others.

From all the sample banks, EBL has not mobilized its assets into interest generating projects (i.e. income from loans, advances, cash credit and overdrafts, government securities, inter commercial banks other investment). Nabil bank with the highest ratio has been successful in generating more interest income by the proper use of its available assets. In term of loan and advances against total deposits, EBL has used more percentage of its total deposits into loan and advances than other sample banks. From all the sample banks, Nabil bank Ltd. has mobilized highest percentage of its total deposit into total investment (i.e. investment into government securities, debenture and bonds, shares in subsidiary commercial bank, companies and other investment).

From leverage ratio, EBL has high debt to total assets ratio represents a greater risk to creditor and shareholders than other sample banks. Earning per share of Nabil bank has the highest than other selected commercial banks. Similarly, with the highest dividend payout ratio of SCBNL refers that the bank provides maximum amount of dividend to its shareholders. NIBL has highest price earning ratio than other sample banks.

From coefficient of correlation, NIBL, Nabil, SCBNL and EBL have positive relationship between net profit and total deposit.

5.3 Recommendation

Based on the analysis, interpretation & conclusions, some of the major recommendations are mentioned as bellow:

On the basis of liquidity ratio analysis it is found that selected commercial banks do not have the standard current ratio (2:1). However, from aggressive working capital point of view it is not considered so bad. NIBL and EBL seem to have held more cash and bank balance rather than Nabil bank and SCBNL. To maintain liquidity in perfect, all commercial banks have to follow the mid way, i.e. they should invest the idle deposit in productive sector and on the other hand they have enough cash balance to meet current requirement.

On the basis of profitability ratio incase of EBL has lowest with the result of lower profit before tax. So, this bank may be reducing their operating costs to achieve the operational efficiency. Since by decreasing costs, profit of any bank can grow considerably, they must search for loopholes in their operations where unnecessary costs are being incurred and should eliminate them.

On the basis of activity ratio analysis it is found that all the selected commercial banks except SCBNL have emphasized on issuing loan and advances. But as we know that the increasing bottleneck competition and worsening economic and political condition has attributed this area to be very sensitive and risky. Therefore, it is suggested them to invest non-risky assets to increase the level of profit.

In case of selected bank, commercial, debt financing has always almost exceeded 90% of the total assets over the review period, which indicates the excessively use of debt finance to total assets. Nevertheless, extensive use of debts capital with the failure in advancing good loans can jeopardize the solvency position of these banks. Therefore, it is suggested to the commercial bank to assess the risk assets portfolio cautiously before accepting higher volumes of deposits.

On the basis of leverage ratio, Expenses are the vital determinants to increase or decrease the profitability of the banks. Interest expenses on deposits also affect the profitability of the banks. Thus, it is recommended that banks should try to reduce the amount of high interest bearing deposits like fixed deposits, saving deposit and others. Instead they should concentrate of non-interest bearing deposit like current deposit, margin deposit etc. At the same time, bank should try to reduce the operating expenses to increase the profitability.

Share holders are the real owners of the organization. But they do not have the satisfaction with the rate of return on equity provided by the banks. To some extent, SCBNL has been successful in providing a better return.

On the basis of miscellaneous ratio, low market price of share and less earning per share (EPS) of commercial banks indicates the poor performance in the market. Similarly, low dividend payout ratio also discourages the shareholders. Reviewing the study, Nabil bank and SCBNL have higher EPS and dividend payout ratio than NIBL & EBL. Therefore, it is suggested to the management team of NIBL & EBL to improve their performance.

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Annex – 1

Calculation Mean, S. D. and C. V. of Current Ratio (X)

Fiscal Year	NIBL		NABIL		SCBNL		EBL	
	X	(X - X) ²	X	(X-X) ²	X	(X-X) ²	X	(X-X) ²
003/04	1.05	0.0004	1.07	0.00	1.06	0.0001	1.07	0.0001
2004/05	1.08	0.0001	1.08	0.0001	1.07	0.00	1.07	0.0001
2005/06	1.07	0.00	1.08	0.0001	1.07	0.00	1.06	0.00
2006/07	1.07	0.00	1.07	0.00	1.08	0.0001	1.06	0.00
2007/08	1.07	0.00	1.07	0.00	1.08	0.0001	1.07	0.0001
Total	5.34	0.0005	5.37	0.0002	5.36	0.0003	5.33	0.0003

(Source : Annual Report of different Banks)

Where,

N = 5 Years

$$\begin{aligned}
 X &= \frac{\sum x}{n} & (\) &= \frac{1}{n} \sum (X - X)^2 & C.V &= \frac{S.D}{X} \times 100 \\
 \\
 NIBL &= \frac{5.34}{5} & &= \frac{1}{5} \times 0.0005 & &= \frac{0.01}{1.068} \times 100 \\
 &= 1.068 & &= 0.01 & &= 0.9363\% \\
 \\
 NABIL &= \frac{5.37}{5} & &= \frac{1}{5} \times 0.0002 & &= \frac{0.0064}{1.074} \times 100 \\
 &= 1.074 & &= 0.0064 & &= 0.5960\% \\
 \\
 SCBNL &= \frac{5.36}{5} & &= \frac{1}{5} \times 0.0003 & &= \frac{0.0077}{1.072} \times 100 \\
 &= 1.072 & &= 0.0077 & &= 0.7183\% \\
 \\
 EBL &= \frac{5.33}{5} & &= \frac{1}{5} \times 0.0003 & &= \frac{0.0077}{1.066} \times 100 \\
 &= 1.066 & &= 0.0077 & &= 0.7223\%
 \end{aligned}$$

Annex – 2

Cash & Bank Balance to Total Deposits Ratio (X)

Fiscal Year	NIBL		NABIL		SCBNL		EBL	
	X	(X - X) ²	X	(X-X) ²	X	(X - X) ²	X	(X - X) ²
003/04	10.65	0.0000	6.87	1.4400	9.56	5.6644	7.83	8.4681
2004/05	9.40	1.5625	3.83	3.3856	5.74	2.0736	10.40	0.1156
2005/06	12.34	2.8561	3.26	5.8081	3.53	2.7225	11.25	0.2601
2006/07	9.97	0.4624	6.00	0.1089	8.20	1.0404	13.15	5.8081
2007/08	10.90	0.0625	8.37	7.2900	6.89	0.0841	11.13	0.1521
Total	53.26	4.9435	28.33	18.0326	35.92	11.5850	53.70	14.8043

(Source : Annual Report of different Banks)

Where,

N = 5 Years

$$\begin{aligned}
 X &= \frac{\sum x}{n} & (\sigma) &= \frac{1}{n} \sqrt{\sum (X - \bar{X})^2} & C.V &= \frac{S.D}{\bar{X}} \times 100 \\
 \\
 \text{NIBL} &= \frac{53.26}{5} & &= \frac{1}{5} \times 4.9435 & &= \frac{0.994}{10.65} \times 100 \\
 &= 10.65 & &= 0.994 & &= 9.33\% \\
 \\
 \text{NABIL} &= \frac{28.33}{5} & &= \frac{1}{5} \times 18.0326 & &= \frac{1.90}{5.67} \times 100 \\
 &= 5.67 & &= 1.90 & &= 33.51\% \\
 \\
 \text{SCBNL} &= \frac{35.92}{5} & &= \frac{1}{5} \times 11.5850 & &= \frac{1.522}{7.18} \times 100 \\
 &= 7.18 & &= 1.522 & &= 21.20\% \\
 \\
 \text{EBL} &= \frac{53.70}{5} & &= \frac{1}{5} \times 14.8043 & &= \frac{1.721}{10.74} \times 100 \\
 &= 10.74 & &= 1.721 & &= 16.02\%
 \end{aligned}$$

Annex – 3

Cash & Bank Balance to Current Asset Ratio (X)

Fiscal Year	NIBL		NABIL		SCBNL		EBL	
	X	(X - X) ²	X	(X-X) ²	X	(X - X) ²	X	(X - X) ²
003/04	9.28	0.0289	5.91	0.9801	8.61	4.9284	6.43	6.8644
2004/05	8.34	1.2321	3.35	2.4649	5.12	1.6129	8.70	0.1225
2005/06	10.92	2.1609	2.86	4.2436	4.97	2.0164	9.53	0.2304
2006/07	8.94	0.2901	5.19	0.0729	7.10	0.5041	10.94	3.5721
2007/08	9.77	0.1024	7.31	5.7121	6.17	0.0484	9.65	0.3600
Total	47.25	3.7844	24.60	13.4736	31.95	9.1102	45.25	11.1494

(Source : Annual Report of different Banks)

Where,

N = 5 Years

$$\begin{aligned}
 X &= \frac{\sum x}{n} & (\sigma) &= \frac{1}{n} \sqrt{\sum (X - \bar{X})^2} & C.V &= \frac{S.D}{X} \times 100
 \end{aligned}$$

$$\begin{aligned}
 \text{NIBL} &= \frac{47.25}{5} & &= \frac{1}{5} \times 3.7844 & &= \frac{0.870}{9.45} \times 100 \\
 &= 9.45 & &= 0.870 & &= 9.20\%
 \end{aligned}$$

$$\begin{aligned}
 \text{NABIL} &= \frac{24.60}{5} & &= \frac{1}{5} \times 13.4736 & &= \frac{1.6416}{4.92} \times 100 \\
 &= 4.92 & &= 1.6416 & &= 33.36\%
 \end{aligned}$$

$$\begin{aligned}
 \text{SCBNL} &= \frac{31.95}{5} & &= \frac{1}{5} \times 9.1102 & &= \frac{1.35}{6.39} \times 100 \\
 &= 6.39 & &= 1.35 & &= 21.13\%
 \end{aligned}$$

$$\begin{aligned}
 \text{EBL} &= \frac{45.25}{5} & &= \frac{1}{5} \times 11.1495 & &= \frac{1.49}{9.05} \times 100 \\
 &= 9.05 & &= 1.49 & &= 16.46\%
 \end{aligned}$$

Annex – 4

Net Profit to Total Assets Ratio (X)

Fiscal Year	NIBL		NABIL		SCBNL		EBL	
	X	(X - X) ²	X	(X-X) ²	X	(X - X) ²	X	(X - X) ²
003/04	1.13	0.1681	2.73	0.0064	2.27	0.0256	1.50	0.00
2004/05	1.42	0.0144	3.06	0.0625	2.46	0.0009	1.40	0.01
2005/06	1.61	0.0049	3.23	0.1764	2.56	0.0169	1.50	0.00
2006/07	1.79	0.0625	2.72	0.0081	2.42	0.0001	1.40	0.01
2007/08	1.77	0.0529	2.32	0.2401	2.46	0.0009	1.70	0.04
Total	7.72	0.3028	14.06	0.4935	12.17	0.0444	7.50	0.06

(Source : Annual Report of different Banks)

Where,

N = 5 Years

$$\begin{aligned}
 \bar{X} &= \frac{\sum x}{n} & S.D &= \sqrt{\frac{1}{n} \sum (X - \bar{X})^2} & C.V &= \frac{S.D}{\bar{X}} \times 100 \\
 \\
 \text{NIBL} &= \frac{7.72}{5} = 1.54 & & = \frac{1}{5} \times 0.3028 = 0.2461 & & = \frac{0.2461}{1.54} \times 100 = 15.98\% \\
 \\
 \text{NABIL} &= \frac{14.06}{5} = 2.81 & & = \frac{1}{5} \times 0.4935 = 0.3142 & & = \frac{0.3142}{2.81} \times 100 = 11.18\% \\
 \\
 \text{SCBNL} &= \frac{12.17}{5} = 2.43 & & = \frac{1}{5} \times 0.0444 = 0.0942 & & = \frac{0.0942}{2.43} \times 100 = 3.88\% \\
 \\
 \text{EBL} &= \frac{7.50}{5} = 1.50 & & = \frac{1}{5} \times 0.06 = 0.1095 & & = \frac{0.1095}{1.50} \times 100 = 7.30\%
 \end{aligned}$$

Annex – 5

Net Profit to Total Deposit Ratio (X)

Fiscal Year	NIBL		NABIL		SCBNL		EBL	
	X	(X - X) ²	X	(X-X) ²	X	(X - X) ²	X	(X - X) ²
003/04	1.32	0.2116	3.22	0.0256	2.54	0.0441	1.78	0.0016
2004/05	1.63	0.0225	3.56	0.25	2.77	0.0004	1.69	0.0025
2005/06	1.85	0.0049	3.28	0.0484	2.86	0.0121	1.72	0.0004
2006/07	2.05	0.0729	2.89	0.0289	2.81	0.0036	1.63	0.0121
2007/08	2.03	0.0625	2.34	0.5184	2.75	0.0000	1.88	0.0196
Total	8.88	0.3744	15.29	0.8713	13.73	0.0602	8.70	0.0362

(Source : Annual Report of different Banks)

Where,

N = 5 Years

$$\begin{aligned}
 \bar{X} &= \frac{\sum x}{n} & S.D &= \sqrt{\frac{1}{n} \sum (X - \bar{X})^2} & C.V &= \frac{S.D}{\bar{X}} \times 100 \\
 \\
 NIBL &= \frac{8.88}{5} = 1.78 & &= \frac{1}{5} \times 0.3744 = 0.2736 & &= \frac{0.2736}{1.78} \times 100 = 15.37\% \\
 \\
 NABIL &= \frac{15.29}{5} = 3.06 & &= \frac{1}{5} \times 0.8713 = 0.4174 & &= \frac{0.4174}{3.06} \times 100 = 13.64\% \\
 \\
 SCBNL &= \frac{13.73}{5} = 2.75 & &= \frac{1}{5} \times 0.0602 = 0.1097 & &= \frac{0.1097}{2.75} \times 100 = 3.99\% \\
 \\
 EBL &= \frac{8.70}{5} = 1.74 & &= \frac{1}{5} \times 0.0362 = 0.0851 & &= \frac{0.0851}{1.74} \times 100 = 4.89\%
 \end{aligned}$$

Annex -6

Return on Shareholder's Equity or Net Worth Ratio (X)

Fiscal Year	NIBL		NABIL		SCBNL		EBL	
	X	(X - X) ²	X	(X-X) ²	X	(X - X) ²	X	(X - X) ²
003/04	20.94	7.1289	30.73	1.2769	35.96	1.8769	26.58	0.2500
2004/05	19.67	15.5236	31.29	0.3249	33.89	0.04900	24.66	5.8564
2005/06	24.77	1.3456	33.88	4.0804	37.55	8.7616	28.83	3.0625
2006/07	26.70	9.5481	32.77	0.8281	32.68	3.6481	26.78	0.0900
2007/08	25.99	5.6644	30.63	1.5129	32.85	3.0276	28.54	2.1316
Total	118.07	39.2106	159.30	8.0232	172.93	17.8042	135.39	11.3905

(Source : Annual Report of different Banks)

Where,

N = 5 Years

$$\begin{aligned}
 X &= \frac{\sum x}{n} & (\sigma) &= \frac{1}{n} \sqrt{\sum (X - \bar{X})^2} & C.V &= \frac{S.D}{\bar{X}} \times 100 \\
 \\
 NIBL &= \frac{118.07}{5} & &= \frac{1}{5} \times 39.2106 & &= \frac{2.800}{23.61} \times 100 \\
 &= 23.61 & &= 2.800 & &= 11.86\% \\
 \\
 NABIL &= \frac{159.30}{5} & &= \frac{1}{5} \times 8.0232 & &= \frac{1.267}{31.86} \times 100 \\
 &= 31.86 & &= 1.267 & &= 3.97\% \\
 \\
 SCBNL &= \frac{172.93}{5} & &= \frac{1}{5} \times 17.8042 & &= \frac{1.887}{34.59} \times 100 \\
 &= 34.59 & &= 1.887 & &= 5.46\% \\
 \\
 EBL &= \frac{135.39}{5} & &= \frac{1}{5} \times 11.3905 & &= \frac{1.509}{27.08} \times 100 \\
 &= 27.08 & &= 1.509 & &= 5.57\%
 \end{aligned}$$

Annex-7

Net Interest Earned to Total Assets Ratio (X)

Fiscal Year	NIBL		NABIL		SCBNL		EBL	
	X	(X - X) ²	X	(X-X) ²	X	(X - X) ²	X	(X - X) ²
003/04	3.00	0.0169	4.20	0.0225	3.24	0.0400	3.03	0.0004
2004/05	3.25	0.0144	4.70	0.4225	3.69	0.0625	2.97	0.0064
2005/06	3.14	0.0001	4.27	0.0484	3.44	0.0000	3.08	0.0009
2006/07	3.20	0.0049	3.79	0.0676	3.49	0.0025	2.87	0.0324
2007/08	3.05	0.0064	3.29	0.5776	3.36	0.0064	3.31	0.0676
Total	15.64	0.0427	20.25	1.1386	17.22	0.1114	15.26	0.1077

(Source : Annual Report of different Banks)

Where,

N = 5 Years

$$\begin{aligned}
 \bar{X} &= \frac{\sum x}{n} & S.D &= \sqrt{\frac{1}{n} \sum (X - \bar{X})^2} & C.V &= \frac{S.D}{\bar{X}} \times 100 \\
 \\
 \text{NIBL} &= \frac{15.64}{5} = 3.13 & &= \frac{1}{5} \times 0.0427 = 0.00854 & &= \frac{0.0924}{3.13} \times 100 = 2.95\% \\
 \\
 \text{NABIL} &= \frac{20.25}{5} = 4.05 & &= \frac{1}{5} \times 1.1386 = 0.22772 & &= \frac{0.4772}{4.05} \times 100 = 11.78\% \\
 \\
 \text{SCBNL} &= \frac{17.22}{5} = 3.44 & &= \frac{1}{5} \times 0.1114 = 0.02228 & &= \frac{0.1493}{3.44} \times 100 = 4.34\% \\
 \\
 \text{EBL} &= \frac{15.26}{5} = 3.05 & &= \frac{1}{5} \times 0.1077 = 0.02154 & &= \frac{0.1468}{3.05} \times 100 = 4.81\%
 \end{aligned}$$

Annex – 8

Loan and Advances to Total Deposit Ratio (X)

Fiscal Year	NIBL		NABIL		SCBNL		EBL	
	X	(X - X) ²	X	(X-X) ²	X	(X - X) ²	X	(X - X) ²
003/04	63.68	66.2600	60.55	57.1536	31.63	90.6304	75.60	1.0816
2004/05	73.33	2.2801	75.05	48.1636	43.49	5.4756	78.20	2.4316
2005/06	69.63	4.7961	68.63	0.2704	39.92	1.5129	73.40	10.4936
2006/07	72.56	0.5476	68.13	0.0004	43.78	6.9169	77.40	0.5776
2007/08	79.91	65.4481	68.18	0.0049	46.95	33.6400	78.60	3.8416
Total	359.11	139.3319	340.55	105.5929	205.75	138.1758	383.20	18.4320

(Source : Annual Report of different Banks)

Where,

N = 5 Years

$$\begin{aligned}
 X &= \frac{\sum x}{n} & S.D &= \sqrt{\frac{1}{n} \sum (X - \bar{X})^2} & C.V &= \frac{S.D}{\bar{X}} \times 100 \\
 \\
 NIBL &= \frac{359.11}{5} = 71.82 & &= \frac{1}{5} \times 139.3319 = 27.86638 & &= \frac{5.279}{71.82} \times 100 = 7.35\% \\
 \\
 NABIL &= \frac{340.55}{5} = 68.11 & &= \frac{1}{5} \times 105.5929 = 21.11858 & &= \frac{4.595}{68.11} \times 100 = 6.75\% \\
 \\
 SCBNL &= \frac{205.75}{5} = 41.15 & &= \frac{1}{5} \times 138.1758 = 27.63516 & &= \frac{5.257}{41.15} \times 100 = 12.77\% \\
 \\
 EBL &= \frac{383.20}{5} = 76.64 & &= \frac{1}{5} \times 18.4320 = 3.6864 & &= \frac{1.920}{76.64} \times 100 = 2.51\%
 \end{aligned}$$

Annex -9

Loan and Advances to Total Assets Ratio (X)

Fiscal Year	NIBL		NABIL		SCBNL		EBL	
	X	(X - X) ²	X	(X-X) ²	X	(X - X) ²	X	(X - X) ²
003/04	54.51	59.1361	49.98	48.7204	27.98	59.5984	63.01	0.3364
2004/05	63.78	2.4964	62..39	29.4849	37.98	5.1984	62.21	1.9044
2005/06	60.64	2.4336	57.87	0.8281	34.67	1.0609	61.41	4.7524
2006/07	62.65	0.2025	57.04	0.0064	36.73	1.0609	63.75	0.0256
2007/08	69.44	52.4176	57.54	0.3364	41.15	29.7025	67.55	15.6816
Total	311.02	116.6862	284.82	79.3762	178.51	96.6211	317.93	22.7004

(Source : Annual Report of different Banks)

Where,

N = 5 Years

$$\begin{aligned}
 X &= \frac{\sum x}{n} & S.D &= \frac{1}{n} \sqrt{\sum (X - \bar{X})^2} & C.V &= \frac{S.D}{\bar{X}} \times 100 \\
 \\
 NIBL &= \frac{311.02}{5} & &= \frac{1}{5} \times 116.6862 & &= \frac{4.831}{62.20} \times 100 \\
 &= 62.20 & &= 4.831 & &= 7.77\% \\
 \\
 NABIL &= \frac{284.82}{5} & &= \frac{1}{5} \times 79.3762 & &= \frac{3.984}{56.96} \times 100 \\
 &= 56.96 & &= 3.984 & &= 6.99\% \\
 \\
 SCBNL &= \frac{178.51}{5} & &= \frac{1}{5} \times 96.6211 & &= \frac{4.396}{35.70} \times 100 \\
 &= 35.70 & &= 4.396 & &= 12.31\% \\
 \\
 EBL &= \frac{317.93}{5} & &= \frac{1}{5} \times 22.7004 & &= \frac{2.131}{63.59} \times 100 \\
 &= 63.59 & &= 2.131 & &= 3.35\%
 \end{aligned}$$

Annex – 10

Total Investment to Total Deposit Ratio (X)

Fiscal Year	NIBL		NABIL		SCBNL		EBL	
	X	(X - X) ²	X	(X-X) ²	X	(X - X) ²	X	(X - X) ²
003/04	22.03	48.1636	49.83	48.0249	64.06	0.5776	30.97	1.7424
2004/05	36.20	52.2729	47.84	24.4036	64.17	0.7569	24.70	24.5025
2005/06	28.58	0.1521	35.21	59.1361	61.87	2.0449	31.44	3.2041
2006/07	29.97	1.0000	40.90	4.0000	64.29	0.9801	30.09	0.1936
2007/08	28.05	0.8464	40.74	4.6656	62.13	1.3689	31.07	2.0164
Total	144.83	102.435	214.52	140.2302	316.52	5.7284	148.27	31.6590

(Source : Annual Report of different Banks)

Where,

N = 5 Years

$$\begin{aligned}
 X &= \frac{\sum x}{n} & S.D &= \frac{1}{n} \sqrt{\frac{\sum (X - X)^2}{n}} & C.V &= \frac{S.D}{X} \times 100 \\
 NIBL &= \frac{144.83}{5} = 28.97 & &= \frac{1}{5} \times 102.435 = 4.53 & &= \frac{4.53}{28.97} \times 100 = 15.64\% \\
 NABIL &= \frac{214.52}{5} = 42.90 & &= \frac{1}{5} \times 140.2302 = 5.30 & &= \frac{5.30}{42.90} \times 100 = 12.35\% \\
 SCBNL &= \frac{316.52}{5} = 63.30 & &= \frac{1}{5} \times 5.7284 = 1.07 & &= \frac{1.07}{63.30} \times 100 = 1.69\% \\
 EBL &= \frac{148.27}{5} = 29.65 & &= \frac{1}{5} \times 31.659 = 2.52 & &= \frac{2.52}{29.65} \times 100 = 8.50\%
 \end{aligned}$$

Annex – 11

Total Debts to Net Worth Ratio (X)

Fiscal Year	NIBL		NABIL		SCBNL		EBL	
	X	(X - X) ²	X	(X-X) ²	X	(X - X) ²	X	(X - X) ²
003/04	17.47	9.0601	10.54	2.0164	14.81	2.4964	18.18	0.1225
2004/05	12.89	2.4649	9.59	5.6169	12.76	0.2209	17.43	0.2100
2005/06	14.35	0.0121	11.18	0.6084	13.69	0.2116	19.80	1.6129
2006/07	13.94	0.2704	13.25	1.6641	12.51	0.5184	19.75	1.4884
2007/08	13.67	0.6241	15.24	10.7584	12.37	0.7396	17.48	1.1025
Total	72.30	12.4316	59.80	20.6642	66.15	4.1869	92.65	5.5363

(Source : Annual Report of different Banks)

Where,

N = 5 Years

$$\begin{aligned}
 \bar{X} &= \frac{\sum x}{n} & S.D &= \sqrt{\frac{1}{n} \sum (X - \bar{X})^2} & C.V &= \frac{S.D}{\bar{X}} \times 100 \\
 \\
 \text{NIBL} &= \frac{72.30}{5} = 14.46 & & = \frac{1}{5} \times 12.4316 = 2.033 & & = \frac{2.033}{14.46} \times 100 = 14.09\% \\
 \\
 \text{NABIL} &= \frac{59.80}{5} = 11.96 & & = \frac{1}{5} \times 20.6642 = 4.133 & & = \frac{4.133}{11.96} \times 100 = 34.56\% \\
 \\
 \text{SCBNL} &= \frac{66.15}{5} = 13.23 & & = \frac{1}{5} \times 4.1869 = 0.837 & & = \frac{0.837}{13.23} \times 100 = 6.33\% \\
 \\
 \text{EBL} &= \frac{92.65}{5} = 18.53 & & = \frac{1}{5} \times 5.5363 = 1.107 & & = \frac{1.107}{18.53} \times 100 = 5.98\%
 \end{aligned}$$

Annex -12

Total Debts to total Assets Ratio(X)

Fiscal Year	NIBL		NABIL		SCBNL		EBL	
	X	(X - X) ²	X	(X-X) ²	X	(X - X) ²	X	(X - X) ²
003/04	94.58	6.9169	91.34	0.0625	93.67	0.4225	93.07	0.2401
2004/05	92.80	0.7225	90.55	1.0816	92.74	1.0784	93.10	0.2116
2005/06	93.49	2.3716	91.60	0.0001	93.56	0.2916	94.09	0.2809
2006/07	93.31	1.8496	92.45	0.7396	92.60	0.1764	94.50	0.8836
2007/08	85.56	40.8321	92.03	0.1936	92.52	0.2500	93.05	0.2601
Total	459.75	52.6927	457.95	2.0774	465.10	1.2189	467.80	1.8763

(Source : Annual Report of different Banks)

Where,

N = 5 Years

$$\begin{aligned}
 X &= \frac{\sum x}{n} & (\sigma) &= \frac{1}{n} \sqrt{\sum (X - \bar{X})^2} & C.V &= \frac{S.D}{\bar{X}} \times 100 \\
 \\
 NIBL &= \frac{459.75}{5} & &= \frac{1}{5} \times 52.6927 & &= \frac{3.2463}{91.95} \times 100 \\
 &= 91.95 & &= 3.2463 & &= 3.53\% \\
 \\
 NABIL &= \frac{457.95}{5} & &= \frac{1}{5} \times 2.0774 & &= \frac{0.6446}{91.59} \times 100 \\
 &= 91.59 & &= 0.6446 & &= 0.7038\% \\
 \\
 SCBNL &= \frac{465.10}{5} & &= \frac{1}{5} \times 1.2189 & &= \frac{0.4937}{93.02} \times 100 \\
 &= 93.02 & &= 0.4937 & &= 0.5308\% \\
 \\
 EBL &= \frac{467.80}{5} & &= \frac{1}{5} \times 1.8763 & &= \frac{0.6126}{93.56} \times 100 \\
 &= 93.56 & &= 0.6126 & &= 0.6548\%
 \end{aligned}$$

Annex -13

Earning Per Share (X)

Fiscal Year	NIBL		NABIL		SCBNL		EBL	
	X	(X - X) ²	X	(X-X) ²	X	(X - X) ²	X	(X - X) ²
003/04	51.70	6.2500	92.61	480.9249	143.55	77.6161	45.60	439.320
2004/05	39.50	216.09	105.49	81.9025	143.14	85.0084	54.20	152.769
2005/06	59.35	26.5225	129.21	215.2089	175.84	551.3104	62.80	14.1376
2006/07	62.57	70.0569	137.08	508.0516	167.37	225.3001	78.40	140.1856
2007/08	57.87	13.4689	108.31	38.8129	131.92	417.7936	91.82	638.0676
Total	270.99	332.3883	572.70	1324.9008	761.82	1357.0286	332.82	1384.4809

(Source : Annual Report of different Banks)

Where,

N = 5 Years

$$\begin{aligned}
 X &= \frac{\sum x}{n} & (\) &= \frac{1}{n} \sum (X - X)^2 & C.V &= \frac{S.D}{X} \times 100 \\
 NIBL &= \frac{270.99}{5} & &= \frac{1}{5} \times 332.3883 & &= \frac{8.1534}{54.20} \times 100 \\
 &= 54.20 & &= 8.1534 & &= 15.04\% \\
 NABIL &= \frac{572.70}{5} & &= \frac{1}{5} \times 1324.9008 & &= \frac{16.278}{114.54} \times 100 \\
 &= 114.54 & &= 16.278 & &= 14.21\% \\
 SCBNL &= \frac{761.82}{5} & &= \frac{1}{5} \times 1357.0286 & &= \frac{16.474}{152.36} \times 100 \\
 &= 152.36 & &= 16.474 & &= 10.81\% \\
 EBL &= \frac{332.82}{5} & &= \frac{1}{5} \times 1384.4809 & &= \frac{16.640}{66.56} \times 100 \\
 &= 66.56 & &= 16.640 & &= 25\%
 \end{aligned}$$

Annex -14

Dividend Payout Ratio (X)

Fiscal Year	NIBL		NABIL		SCBNL		EBL	
	X	(X - X) ²	X	(X-X) ²	X	(X - X) ²	X	(X - X) ²
003/04	15.00	9.00	65.00	121.00	110.00	36.00	20.00	25.00
2004/05	12.50	0.25	70.00	36.00	120.00	256.00	0.00	225.00
2005/06	20.00	64.00	85.00	81.00	130.00	676.00	25.00	100.00
2006/07	5.00	49.00	100.00	576.00	80.00	576.00	10.00	25.00
2007/08	7.50	20.25	60.00	256.00	80.00	576.00	20.00	25.00
Total	60.00	142.50	380.00	1070.00	520.00	2120.00	75.00	400.00

(Source : Annual Report of different Banks)

Where,

N = 5 Years

$$\begin{aligned}
 X &= \frac{\sum x}{n} & (\sigma) &= \frac{1}{n} \sqrt{\sum (X - \bar{X})^2} & C.V &= \frac{S.D}{\bar{X}} \times 100 \\
 \\
 \text{NIBL} &= \frac{60.00}{5} & &= \frac{1}{5} \times 142.50 & &= \frac{5.339}{12.00} \times 100 \\
 &= 12.00 & &= 5.339 & &= 44.49\% \\
 \\
 \text{NABIL} &= \frac{380.00}{5} & &= \frac{1}{5} \times 1070.00 & &= \frac{14.63}{76.00} \times 100 \\
 &= 76.00 & &= 14.63 & &= 19.25\% \\
 \\
 \text{SCBNL} &= \frac{520}{5} & &= \frac{1}{5} \times 2120.00 & &= \frac{20.59}{104.00} \times 100 \\
 &= 104.00 & &= 20.59 & &= 19.80\% \\
 \\
 \text{EBL} &= \frac{75.00}{5} & &= \frac{1}{5} \times 400.00 & &= \frac{8.94}{15.00} \times 100 \\
 &= 15.00 & &= 8.94 & &= 59.60\%
 \end{aligned}$$

Annex – 15

Price Earning Ratio (X)

Fiscal Year	NIBL		NABIL		SCBNL		EBL	
	X	(X - X) ²	X	(X-X) ²	X	(X - X) ²	X	(X - X) ²
003/04	18.18	59.9076	10.80	218.7441	12.16	232.5625	14.90	75.69
2004/05	20.25	32.1489	14.27	128.1424	16.38	121.6609	16.00	57.76
2005/06	21.23	21.9961	17.34	68.0625	21.47	35.2836	22.00	2.56
2006/07	27.63	2.9241	36.84	126.5625	35.25	61.4656	31.00	54.76
2007/08	42.33	269.2881	48.70	534.0721	51.77	593.4096	34.10	110.25
Total	129.62	386.2648	127.95	1075.5836	137.03	1044.3822	118.00	301.02

(Source : Annual Report of different Banks)

Where,
N = 5 Years

$$\begin{aligned}
 X &= \frac{\sum x}{n} & (\sigma) &= \frac{1}{n} \sqrt{\sum (X - \bar{X})^2} & C.V &= \frac{S.D}{\bar{X}} \times 100 \\
 \\
 NIBL &= \frac{129.62}{5} & &= \frac{1}{5} \times 386.2648 & &= \frac{8.789}{25.92} \times 100 \\
 &= 25.92 & &= 8.789 & &= 33.91\% \\
 \\
 NABIL &= \frac{127.95}{5} & &= \frac{1}{5} \times 1075.5836 & &= \frac{14.667}{25.59} \times 100 \\
 &= 25.59 & &= 14.667 & &= 57.31\% \\
 \\
 SCBNL &= \frac{137.03}{5} & &= \frac{1}{5} \times 1044.3822 & &= \frac{14.4526}{27.41} \times 100 \\
 &= 27.41 & &= 14.4526 & &= 52.73\% \\
 \\
 EBL &= \frac{118.00}{5} & &= \frac{1}{5} \times 301.02 & &= \frac{7.759}{23.60} \times 100 \\
 &= 23.60 & &= 7.759 & &= 32.88\%
 \end{aligned}$$