

Chapter – One

Introduction

1.1 Introduction

Bank means an institution that deals with money. A bank performs several financial, monetary and economic activities, which are initials for the economic development of a country. It is a monetary institutional vehicle for domestic resources mobilization of the country, which accepts deposits from various sources and invests such accumulated resources in the fields of agriculture, trade, commerce etc.

Generally, the term “bank” refers commercial banks. Commercial banks are the foundation of the national economy. It is the transformation of monetary sources from savers to users. They involve in various functions like creation of money, facilitating credit, and facilitating foreign trade, safe keeping of the values etc. Commercial bank has its own role and contribution in the economic development. It is a source for economic development and it maintains economic confidence of various segments and extends credit to people. Thus, the activities of commercial banking sector have contributed to eliminate poverty, reduce unemployment and economic growth.

Modern commercial banks can be identified by different names such as business banks, retail banks, clearing banks, Joint venture banks, Merchant banks etc. No matter what name we give to bank, they all perform the same basic function. They provide a link between lenders, those who have surplus money and do not wish to spend immediately with borrowers, they who do not have surplus money but wish to borrow for investment in productive purpose. By charging a rate of interest to borrowers slightly higher than they pay to lenders, the banks make their profit. This is known as financial intermediation. Commercial banks provide the following major products and services:

- Acceptance of deposits
- Granting of Advances
- Remittance collection and distribution
- Cash management
- Insurance of letters of credit and Guarantee

- Merchant banking business
- Credit cards
- Technology based services-Internet Banking services
- Loan distribution
- Safe keeping services /Lockers
- Handling government Business.
- Automated Teller Machines (ATMs)

1.2 Background of the study

Capital is that thing which regarded as the vital factor for the economic development of a nation. Every development program needs capital. The main problem of under developed countries is lack of capital formation and their mobilization. In the field of capital formation, the collecting scattered resources and mobilization of the capital, the banking role is indisputable. Banks- render other services like remittances of fund, purchase and sale of bills, supplying of timely credit and other services like remittances of fund, purchase and sale of bills, supplying of timely credit and other market information. Their services are also necessary for rapid growth of business and economic activities.

Nepal Bank Limited a pioneer Commercial bank is the oldest bank in the history of modern banking system of Nepal. The bank was established on 13th of Kartik, 1994 B.S. (1937 A.D.) in the technical assistance of Imperial Bank of India under “Nepal Bank Act 1993” with 51% government’s equity (NRB 1988). It has been playing a momentous role in the development of Nepalese economy. The bank is highly successful to create banking habits among the Nepalese people and to create monetization in the non-monetized areas of Nepal.

The bank not only holds its capital but also holds the deposits of people, which make it responsible to society. The increase in assets and deposits of the bank indicates that the bank has made a significant progress and the progress of financial institution in always positively associated with the progress of a country’s economy. Its contribution to government revenue in terms of the tax was also good and the facility provided to staff was welcomable. In recent some years, its financial performance and

position was satisfactory to all the concerned parties. Now, it has been able to give good facilities to personnel and service to general people. Its bad debts are reducing from some years. It has been able to compete with other joint venture banks, able to attract the customers, in one word it is able to go with time.

1.3 Emergence of commercial Bank in the Economy

The first public bank “The bank of Venice” established in Italy in 1357A.D. Different countries in the world followed the steps of this bank to incorporate banking institution in their countries. The evolution of “The bank of England” in the kingdom of 1694 A.D. brought remarkable changes in the process of establishing banking institution in the world. The establishment of this bank was a big milestone in the history of banking development.

His Majesty King Tribhuvan inaugurated Nepal Bank Limited on 1937 A.D (30th Kartik, 1994) this marked the beginning of an era of formal banking in Nepal. In that era, very few understood or had confidence in this new concept of formal banking. Rising equity shares were not easy and mobilization of deposits even more difficult. This was evident when the bank floated equity shares worth NRs. 2,500,000, but was successful only in raising NRs. 842,000. The total deposits for the first year was NRs. 17,02,025 where current deposits was about NRs. 12,98,898 fixed was about NRs. 3,88,964 and saving was NRs. 14,163. Loan disbursed and outstanding at the end of the first year was NRs. 1,985,000.

From the very conception and its creation, Nepal Bank Ltd, was as joint venture between the government and the private sector. Out of 2500 equity shares of NRs. 100 face value, 40% was subscribed by the government and the balanced i.e. 60% was offered for the sale to private sector. There were only 10 shareholders when the bank first started.

NBL is the first financial institution of Nepal. At present, the bank is operating through 109 branches in the 55 districts of country with 2976 staffs. Its vision is to remain the leading financial institution of the country. As this bank was established prior to the Nepal Rastra Bank i.e. the central bank, it used to perform the function of a commercial bank as well as of a Central Bank until the inception of Nepal Rastra Bank. Now in the presence of a separate central bank, it carries out the functions of a

commercial bank only. Being the oldest bank in the banking history of the country, it has played a vital role in the development of banking system for the country. It has expanded its branches throughout the kingdom including far remote areas having very poor profitability and some of the parts having income not sufficient to meet breakeven. The bank has given more priority to the service of common and poor class people rather than to the profit and it has been able to achieve some objectives, which were set at the time of its inception.

Realizing the importance of industrial development HMG/N and NRB established in Nepal. Industrial development corporation (NIDC) in 1959. The NRB created the agricultural credit fund in 1958/60 and hand it over to HMG/N for the establishment of the co-operative bank in 1963. The second commercial bank, the Rastria Baniija Bank was established in the public sector in 1966 wit the equity participation of HMG/N and the NRB. The agricultural development Bank (ADB/N) was set up in 1968 under the agricultural development bank act 1967 by incorporating the assets and liabilities of the co-operative bank. HMG/N had established the land reform saving corporation in 1966 to make credit available to village communities and land reform saving corporation was emerged with ADB/N in 1973 A.D. (sunder Prasad Shrestha,)

Commercial bank established to provide the services, to accept deposits, to extend credit facilities for the promotion of trade, cottage industries and agriculture, to render customer related service, i.e. issue of bill of exchange, hundis etc. to invest on government bond and securities to carry out agency functions and to act as banker to the government. Nepal Bank Limited was originally incorporated under a special character “Nepal Bank Limited Act 1993”. After the enactment of commercial Bank act 2031 B.S., Nepal Bank Limited was brought under this act. In addition to the major banking functions of the Nepal Bank Limited as described by commercial Bank Act 2031: section 12 may be:

- i. To accept deposits with or without interest under current, saving and other deposit schemes.
- ii. To provide loans against the collateral of government securities, movable properties, company’s shares or debentures, bill of exchange, promissory notes or to investment on them.

- iii. To issue, accept, discount, buy and sell bill of exchange, promissory notes, cheque etc.
- iv. To work as an agent of the Nepal Rastra Bank and to remit or transmit amount to different places with in or outside the kingdom of Nepal.
- v. To operate off balance sheet operations subject to the conditions specified by the Nepal Rastra Bank.
- vi. To buy and sell the securities issued by the government and non-government organizations.
- vii. To make necessary arrangements for performing the functions of the commercial banks.
- viii. To provide Clearing /collection facility, Bank guarantee, Locker facility and Fund transfer services for the customers and banks.
- ix. To provide loans and advance on Vehicle loan, Home loan and also invest on Trade finance.(Nepal Bank Act 2003)

Shareholding structures of Nepal Bank Limited is as follows

Shareholding Pattern	Percentage
Government holding capital	40.49%
Corporate institutions holding capital	8.87%
General public holding capital.	49.93%
Others holding capital.	0.71%

Structure of Share capital of Nepal Bank Limited is as follows

Share capital	Inception (Rs. in m.)	Current (Rs.in m)
Authorized capital	10	1000
Issued capital	2.5	500
Paid up capital	0.842	380.4

To analysis Financial performance it involve the use of various financial statement such as balance sheet (summarizes of assets, liabilities and owner's equity of a business), the income statement (summarizes the revenue and expenses) of the firm over a particular period. The balance sheet represents the financial position of a firm

at a moment of time. In fact, financial statements are an ideal application for this powerful program and their use too financial statement analysis both external and internal. To evaluate the financial performance of a firm, the analyst needs a certain parameters of the company by which the quantitative relationship and its position come out. The most widely used effective tool of the financial analysis is the ratio analysis. . Financial ratio helps us to find the symptoms of the operational and financial problems of a corporation, which can be ascertained by examining the behavior of these ratios.

Nepal Bank Limited (NBL) is the first and biggest commercial bank of the nation. NBL, through its size, service and networks, is a key player of banking and the national economy as well. Nepal Bank Limited (NBL) is pleased to announce completion of fiscal year 2004/05 with an operating profit of Rs. 705 million and net profit for the year of Rs. 1399 million. These results represent 45.6% growth in operating results and a 151.9% increase in net profit over prior year results.

The net profit (provisional) of the bank during the FY 2004/05 has reached Rs. 1,399 million. This net result includes extraordinary items like profit on sale of Standard Chartered Bank's shares, provisions made for probable expenses and losses, provision for staff gratuity and accumulated leave and Voluntary Retirement Scheme payments.

The primary reason supporting the growth in operating results are increased interest income aided by strong recovery in NPA's, tight control in overhead costs and a significant reduction in the cost of funds. These results reflect newly implemented systems and procedures installed during the restructuring project. The bank has been successful in collecting Rs. 1.5 billion (principal + interest) cash from NPA accounts during FY 2004/05. To cope with the existing competitive business environment, NBL has introduced three new products namely, Home Loan, Auto Loan and Margin Lending, which will have a continuing positive impact on income in the years to come.

Since the initiation of the restructuring project at NBL on July 21, 2002 under the World Bank/DFID Financial Sector Reform Project administered by the Nepal Rastra Bank, NBL has shown significant improvement in operating results. Prior audited financial statements show the bank posted a loss of Rs. 3,071 million during FY 2001/02. In the first year of the project itself the bank has posed operating profit of Rs. 44 million and the net loss came down to Rs.252 million from the Rs. 3,071

million of 2001/02, a 92% reduction. In 2003/04 NBL returned to sustainable profitability with net profits of Rs. 710 million and operating profits of Rs.511 million during FY 2003/04.

The bank has made a provision of Rs. 9,056 million until the end of last year, which sufficient to cover all loan losses. Due to effective recovery of NPAs during FY 2004/05, the actual provision required might be less than the existing provision amount, which ultimately might increase the net profit of the bank. The information regarding actual requirement of LLP based on the loan classification is being gathered by the credit department and will be finalized within very short period.

The management and staff at NBL are dedicated to returning Nepal Bank Limited to the prior leadership position enjoyed in earlier years.

1.4 Area of Investments

The bank shall make investments in the following areas:

1. Short-term Investments:

- a. Treasury Bills
- b. Other HMG's securities and securities issued by NRB.
- c. Inter Bank lending
- d. Foreign- Bank placement
- e. Consumption loan
- f. Margin lending
- g. Overdraft and Hypothecation

2. Long –term Investments:

- a . HMG securities
- b. Housing loan
- c . Auto loan
- d. Consortium loan
- e . Project financing

3. Other Investment:

- a. As decided by the Board.

1.5 Focus of the study

This study “Analysis of financial performance of Nepal Bank Limited” focuses on the financial performance of NBL operating in Nepal and implications of new directives of Nepal Rastra Bank towards the performance.

This study concentrated in analysis of external financing and its business risk such as lending loan to various sectors, investment in various securities and so on.

This study also focuses on the strength and weakness of the NBL by evaluating the assets and liabilities, return over the period and value of per share.

The focus of this study is in evaluation of the capital structure (equity + debt), the major sources of fund (current deposit, fixed deposit and saving deposit, interest and so on), uses of funds (loans & advances, investment in securities), profitability of the firm (net profit), shareholder’s equity (earning per share), dividend earning (dividend per share) and payout & projection of future profitability (value of the firm).

This thesis focuses on various aspects of the bank’s performance such as trend of deposit, investment, loan and advance, liquidity, leverage, efficiency and earning power.

The study focus on using financial indicators like Trend Analysis, Statistical tools such as Arithmetic mean, Coefficient of Correlation, Coefficient of Correlation of Probable Error (P.E) and Financial Ratios like Liquidity ratio, Leverage ratios, Activity ratio, and Profitability ratio to measure the financial performance of the bank.

1.6 Statements of the Problem

Mainly, the study emphasis lay upon the performance of Nepal Bank Limited of Nepal. The struggle and survival, pros and cons, up down and ability of the bank to adopt in the changing economic condition effectively would be deals and analyzed. The financial performance of government banks is visibly low. Government banks have deal with various social obligations and gave to provide different subsidies. At the same time, Joint venture banks can merely operates for profit making. With the

prevailing economic condition of the country, the investment in manufacturing, productive, agriculture and industrial sectors has not grown satisfactorily. Hence, the NBL is also not succeeding perfectly to shift the deposit in profitable sectors.

The financial performance of any financial institutions evaluated with the aid of balance sheet and profit & loss account. The bank must provide with statistically information in a prescribed form for the publication. The detail information for the better analysis of loan disbursement is not accessible in bank. Therefore, the evaluation of financial performance of the bank has been done with the help of balance sheet and profit & loss account only. The statements of the problem are the given below:

- ◆ How the NBL have been managing their position relating to the liquidity?
- ◆ How far NBL are able to accumulate deposits and utilize deposit?
- ◆ What are the operational results to their profitability?
- ◆ What are the relationship between total deposit and total investment over the year?
- ◆ How is the bank return over in different period?

1.7 Objectives of the Study

The main objective of this thesis is to examine discuss and evaluate the financial operation and the financial statement of the Nepal Bank Limited. Therefore, to attain the mentioned objective, following specific objectives have been set:

- ◆ To evaluate liquidity position
- ◆ To evaluate activity and operation with reference to fund collection & mobilization
- ◆ To evaluate the earning and profitability position
- ◆ To identify the relationship between total deposit and total investment
- ◆ To observe return over the period.

1.8 Significance of the study

This study helps to ascertain the financial performance of government bank as NBL. Regarding the economic structure of the country, the banks do not have sufficient investment opportunities.

Banking business is growing very slowly, Because of rapidly increasing financial institution and the joint venture banks. They are creating threats to the government banks. Most of the investors are investing their money and assets without any proper knowledge and information.

This study will be beneficial for the entire person who directly/indirectly related to banking business.

This study will give the information about the financial condition of NBL and it will definitely help to increase to analytical power of the investors, depositors, shareholders, debenture holders, suppliers, debtors, creditors etc.

Apart from this study will be a mater of interest for academicians, students, teachers or practicing in the field of finance.

1.9 Limitation of the study

As every research has its own limitation, this study is not biased. The research is done for the partial fulfillment of M.B.S. Therefore, this study has some limitations, which are listed below:

- ❖ The study covers the relevant data information only for five years from 2059/2060 to 2063/2064.
- ❖ Major portion of analysis and interpretation have is based on available secondary data and information. Therefore, the consistency of findings & conclusion is strictly dependent upon the reliability of secondary data & information.
- ❖ This report cannot remain without flaws. Best effort has been done to make this report with minimum error. Being almost impossible without error, existence of unnoticed error is also major limitation of the study.
- ❖ Foreign information and rules also affect this study.

- ❖ The research is concerned with NBL only.

1.10 Organization of the study

The whole thesis reports compiled to five chapters are as follows:

1. Introduction

This chapter deals with introduction, which includes:

- Background of the study
- Emergence of the study
- Area of investment
- focus of the study
- statements of the problem
- objectives of the study
- significance of the study
- Limitation of the study

2. Review of Literature

This deals with the review of literature, which are available. It includes review of literature that relate with the present study. This includes:

- Review of related books
- Review of journals
- Review of articles
- Previous unpublished master degree thesis
- Government publication and so on

3. Research Methodology

The third chapter explains the research methodology used in this study. Research methodology is the systematic method of finding facts /result of the given problem

more specifically. The detail research methodology adopted to meet the objectives of this study. It includes:

- Research design
- Period cover
- Population & sample selection
- Nature and sources of data (primary & secondary data)
- Data processing procedure
- Tools for the analysis
- Method of analysis and presentation
- Research variables
- Use of charts and tables

4. Presentation of Data

The forth chapter is the main body of our research. It includes presentation, interpretation and analysis of data. It bring out major finding and result of this study Various tools have been used to interpreted the data they are as follows:

- Financial tools:- Ratio analysis(liquidity ratio, activity / turnover ratio, profitability ratio, capital structure ratio or leverage ratio, invisible ratio)
- Statistical tools:- Correlation Coefficient analysis
- Tools & figures:- Bar diagram and pie chart

5. Summary, Conclusion and Recommendation

The last chapter of the study covers the summary of the study, the main conclusion that results from the study and offer recommendation on the basis of findings and provide guideline for the further study.

Chapter-Two

Review of Literature

To explore the relevant and true facts for the research purpose, this chapter highlights the literature available related to the study. Review of literature refers to the reviewing of the past studies in the concerned field. Review of literature provides us sight into the past development of the particular problem that interests us. Such studies could be thesis that are written earlier, books, articles, journals and any sort of other publication concerning the subject matter which are published by person or an organization.

2.1 Conceptual framework

A financial ratio is the relationship between two accounting figures expressed mathematically or the term ratio refers to the numerical or quantitative relationship between two items/variables. This type of relationship can be expressed as percentage, fraction and proportion of numbers. Management of the firm can undertake it or by parties outside the firm. The focus of the financial analysis is on the key figure contained in the financial statement and significant relationship existed. Management of the firm is generally interested in every aspect of the financial analysis; they are responsible for the overall efficient and effective utilization of the available resource and the financial position of the firm.

Shrestha 's study entitled (1980) , “ Financial Management Theory and practice” reveals that performance of bank is satisfactory, liquidity is sufficient to meet the depositor's claim ,profitability and rate of return in share capital is also favorable. However, the bank is explicitly depending more on borrowed fund and has a highly geared capital structure. The bank has also to improve its operational efficiency to achieve its higher profit goal and to maintain the market share competitive environment.

Through the study of previous thesis researcher got lacking of sound investment policy, lack of involvement in social responsibilities, lack of investing fund in government securities than other investment sectors. The bank must use part of profit

in social responsibilities. Operating expenses should be decrease to increase profit of the firm.

The vertical and horizontal analysis could be done for the “Analysis of Financial Performance of NBL”. The vertical analysis consists on financial Balance Sheet, Profit and Loss account of a certain period time only, which is known as static analysis. Likewise, the horizontal analysis consists on a series of statement relating to the number of years are reviewed and analyzed. It is also known as dynamic analysis that measures the change of the position or trend of the business over the number of the years. In this study, the horizontal analysis has been adopted to find out the financial indicator of the Nepal Bank Limited (NBL) over the period of FY 059/060 to 063/064 B.S. The steps of analysis are as follows (Khan & Jain 1991)

1. Selection of relevant to the decision.
2. Arrangement of the selected information to highlight the significant relationship of the financial yardsticks.
3. Interpretation and drawing of inferences and conclusion.

To evaluate the financial performance of a firm, the analyst needs a certain parameters of the company, by which the quantitative relationship and its position come out. The most widely used effective tool of the financial analysis is the ratio analysis. . Financial ratio helps us to find the symptoms of the operational and financial problems of a corporation, which can be ascertained by examining the behavior of these ratios.

There are many parties concerned with the bank i.e.; short-term creditors long-term creditor, shareholder, potential investors, management, government, central bank, general public and other.Short-term creditors are interested in the liquidity of the bank to pay the amount of interest.Long-term creditors and bank holders are interested in the cash flow ability and profitability of the bank and they analyze the ability of the bank to pay the interest in time and the capital structure of the bank.

Similarly, shareholders want the growth of the retained earning and at the same time stability in earning. They are concerned with strong financial position of the bank so that it can pay regular dividend to its shareholders with no chances of bankruptcy.

Likewise, management of the bank concerned about overall position of the bank like liquidity, profitability, solvency, growth, goodwill and so on. Thus, the management should analyze all types of financial or internal analysis of the bank.

Therefore, financial performance analysis of a firm consists of different kinds of indicators. However, in this study mainly focus on the ratio analysis and other financial indicator to analyze the financial position and performance of the bank.

Ratio analysis is the systematic way of financial indicator, which can achieve the information of the firm's strength and weakness as its historical performance, and current financial condition can be determined. After calculation various ratios, we need to compare with the certain standard and draw out the conclusion of the result.

“It is the process of determining the significant operating and financial statement. The goal of such analysis is to determine the efficient and performance of the firm's management as reflected in the financial records and reports.”(Hampton, 1998:98)

“Financial analysis is the process of determining financial strength and weakness of a company by establishing strategic relationship between the component of the balance sheet and profit and loss statement and other operative data.”(Pandey, 1999:96)

2.2 Conceptual Review

A Commercial Bank is business organization that receives and holds deposits of fund from others makes loans or extends credits and transfers funds by written order of deposits. (The Encyclopedia Americana, Groloer Incorporated: 1984)

A commercial banker is a dealer in money and substitute for money such as cheques or bill of exchange. He also provides a variety of financial services. (The New Encyclopedia Britannia: 1985)

Commercial Bank Act 2031 B.S. of Nepal has defined that “ A commercial bank is one which exchanges money, deposits money, accepts deposits, grants loans and performs commercial banking functions and which is not a bank mean for cooperative, agriculture, industries for such specific purpose.” (Article 2: A, Commercial Bank Act: 2031)

But, recently, The Bank and Financial Development Institutions Ordinance, 2060 has accumulated the five banking acts including commercial bank act 2031, which defines

the bank with respect to their transactions. This Act is trying to categorize the banking institutions in two ways that is based on their transactions. According to this Act, “Bank is the institution which performs its transaction under the provisions mentioned on section 47 of this Act.” (Article 2: B, Bank and Financial Institutions Ordinance: 2060)

These Acts has laid emphasis on the functions of commercial bank while defining it. Commercial banks provide short- term debts necessary for trade and commerce. They take deposits from the public and grant loans in different forms. They purchase and discount bills for exchange, promissory notes and exchange foreign currency. They discharge various functions on the behalf of their customers if they are paid for their services.

Financial activities are necessary for the economic development of the country and commercial banking in this context is the heart of financial system. Optimal investment decision plays a vital role in every organization. However, especially for the commercial banks and other financial institutions the sound knowledge of investment is the must because this subject is relevant for all surrounding that mobilize funds in different sectors in view of return.

The income and profit of the bank depend upon the lending procedure applied by the bank. Lending policy and investment in different securities affect the income and profit. In the investment procedures and policies, it is always taken in mind that “the greater the credit created by the bank, the higher will be the profitability”. A sound lending and investment policy is not only prerequisite for bank’s profitability but also crucially significant for the promotion of commercial savings of a developing country like Nepal.

The sound policies help commercial banks maximize quality quantity of investment and there by, achieve the own objective of profit maximization and social welfare. Formulation of sound investment policies and coordinated and planned efforts pushes forward the forces of economic growth.

Commercial banks as financial institutions perform a number of internal functions. Among them, providing credit is considered as most important one. Commercial banks bring into being the most important ingredient of the money supply, demand deposit through the creation of credit in the form of loan and investment.

2.3 Review of Related Books

Joshi and Shrestha in his Publication, 2058 P.152 “principal of Bank and Insurance”, mentions the principle of sound investment policy of commercial bank. In this topic, the authors identify the investment policy as profitability, liquidity, shift ability, safety, diversification of risks, capital adequacy, solvency, social welfare etc.

Dongol and Prajapati in his book, Accounting for Financial Analysis and Planning mention the use of Ratio Analysis as follows;

- For expressing trend
- For showing changes in financial statement
- For explaining plan for future
- For setting standard
- For comparing efficiency
- For maintain uniformity

Hanks & Stucki in his Publication 1956, “Money, banking & national Income” Sound; vibrant and competitive financial sector is a key to the economic development. As the countries are, becoming more and interdependent through globalization and liberalization, most of the poor and developing nations are finding themselves way behind the developed countries in terms of trade and development. To become a successful trade partner and to achieve economic development, development of a financial sector is necessary.

In the word of Myer,” Financial statement analysis is largely a study of relationship among the various financial factors in a business as disclose by a single set of statement and a study of a trends of these factors as shown in a series of statement”.(Myer,1961:4)

He opines, “Another important factor causing one interest to differ from another in the global market place is the degree of default risk carried by individual assets. Investors in financial asset face many different kinds of assets, but one of the most important is default risk, the risk that a borrower will not make all promised payments at the agreed upon times. All debt except some government securities are subject to varying

degree of default risk.(Rose peter S.,Money and Capital market,New York;McGraw-Hill/Irwin,2003 P:206)

“Financial analysis is used primarily to gain insight into operating and financial problems concerning the firm with respect to these problems concerning the firm with respect to these problems. We must be careful to distinguish between the cause of problem and symptom of it. It is thus an attempt to direct the financial statement in to their components on the basis of purpose in the hand and establish relationship between these components on the one hand as between individual components and totals of these items on the other .Along with this, a study of various important factors over the past several years is also undertaken to have clear understanding of changing profitability and financial condition of the business organization.”(Hampton, 1998:99)

2.4 Review of Articles

In an article, Ashwini Kumar Thakur, raises the issue of risk management in the banking sector. According to him, “Risk should be taken as one of the challenges of the banking industry but it is not sufficient to minimize the potential disasters. Banking risk should be managed as a separate part of the management”. (Thakur A.K., “Risk Management of Commercial Bank and Financial Institution”, Nepal Rastra Bank Samachar – vol. 47, NRB, 2059 P: 49)

In article, Mahesh Bhattarai, is trying to indicate the problem of bank’s bad debt and non- performing asset. According to him “If a bank cannot recover its loan lending, bank’s cash flow will be badly affected. “Similarly it can affect the close relationship between depositors.” (Bhattarai M., “Restructuring Process of Commercial Bank & Responsibility of Restructuring Team”, Nepal Rastra Bank 2059)

In an article, “Challenges of non- performing loan management in Nepal”, Uma Karki has mentions the causes of increasing trend of non-performing loan. She identifies the major causes such as poor loan analysis, guarantee oriented loan system, depreciation on valued assets, misuse of loan, lack of regular supervision of loan. (Karki, Uma :2059, “Challenges of Non-Performing Loan Management in Nepal”, Nepal Rastra Bank Samachar- Vol. 47, NRB).

In an article “Nepal’s Financial Reform: A Tardy Pace of Deliberate Race” Bill Pendleton is trying to explore the need and relevancy of financial reform program in

Nepal. In this article he suggest that 'HMG/N' has way to go for complete financial reform, restore financial soundness to deserving public much work is left to do; however, the government had set to 'Road Map' to complete this phase and continues to improve the reform process, a process vision to sustain the economy for generations to come. It is important that the citizens of Nepal, particularly the media services, support this effort as well. (Pendleton B., "Nepal's Financial Reform: A Tardy Pace of Deliberate Race", Nepal Rastra Bank Samachar – vol. 49, 2061 NRB, P.1)

2.5 Review of Journals

Khan and Jain author opine, "While it is true that general economic conditions and industry practices have a strong impact on the level of receivables, a firm's investment in these types of current assets is also greatly affected by its internal policy." (Khan M.Y. & P.K. Jain, Financial Management, New Delhi, Tata McGraw-Hill Publishing Company Limited, 1988 P: 669)

Mali Ram says, "Banking means the accepting: for the purpose of leading or investing, the deposit of money from the public, repayable by cheque, draft order or other" (Dr. Mali Ram, 1992)

In the word of R.S sayers, "ordinary banking business consist of changing cash for bank deposit from one person to corporation (one depositor to another) giving bank deposit in exchange for bill or exchange ; government bond, secured and unsecured promises businessmen to repay".(R.S,1999)

2.6 Review of previous thesis

Shrestha (2004), he founds "Financial Performance analysis of Everest Bank Ltd." describe current ratio is below normal standard, strong position in mobilization of total deposit on loan & advances to acquire higher profit. Though it has good performance they are lacking sound investment policy, leverage ratio found zero, more priority to invest its fund in government securities than other investment sector.

Adhikari (1993), conducted this thesis on "Evaluating the financial performance of Nepal Bank Ltd." With basic objectives of evaluating the financial performance of

Nepal Bank Ltd.(of the period from 2038 to 2047) other objectives of the study were to examine the trend of deposit mobilization along with the cost of deposit, to measure liquidity, profitability and operating efficiency of the bank and so on.

Pradhan (1980), he founds “A study on investment policy of Nepal Bank Ltd” conducted this study with the objectives as :to access the lending policies of the bank, to find out the causes of fluctuation of loan during the year 2029 to 2034,to find out to what extent Nepal bank Ltd had been able to utilize deposit ,to suggest measures to improve the leading policy.

On the end of the study, he concluded that there was a positive relationship between ‘deposit and loan& advances’. However, the same time was not in a proportionate manner, greater increase in deposit led to little increase in the loans and advances. Increase in interest rate was the main factor for the decrease in loan demand. The bank had investment in the priority sector, which was lower than percentage (7%) imposed by NRB.

Thapa. S (2004) , “ Fund accumulation and mobilization capacity of Nepal bank Ltd and Nepal Bangladesh Bank Ltd down major findings as follows;

A study conducted by Thapa (2004) has conducted that the both were found complying the rules and regulation as per prescribed in directives in some extend. NBBL is more serious in the matter in comparison NBL on matter of liquidity compliance; the both banks were not under the standard of NRB. The stability position of NBBL is relatively better than NBL.

Rana ,S.B (2007), “ A comparative financial performance analysis of Nabil bank Ltd and Himalayan bank Ltd down major finding as follows;

A study conducted by Rana (2007) has conducted that both banks has utilized its deposit very efficiently on loan and advances but its return on investment of both the banks is not satisfactory. It is found that both banks are using more debt in the capital structure .Both banks are able to earn high return on shareholders equity.

B.B.Thapa (2008) has conducted on the topics of “A study of financial performance of Nepal SBI Bank Ltd” down major findings as follows;

A study conducted by thapa (2008) has concluded that the loan and advances to total deposit shows a fluctuating trend in the over the period. The bank becomes most

successful in utilizing the depositors fund to earn profit by providing loans and advances. The price-earning ratio is high; bank has properly utilized the high interest bearing profit.

A study conducted by Parajuli (2008) has conducted that cash and bank balance of Bank of Kathmandu is high so it can meet the demand of depositors.

Chapter-Three

Research Methodology

This study attempts to have an insight into the financial performance of Nepal Bank Limited. A sound and systematic methodology is required to carry out any study, if it is to be worthwhile.

This chapter is designed to throw light on the methodology used to undertake this study, which aims at analyzing the overall financial performance of Nepal Bank Limited and drawing some patient conclusion from this. For this purpose, the following research methodology has been adopted which includes research design, procedures of gathering data, data collection, processing of data, procedure of analysis and the various performance indicators used.

3.1 Justification of the Selection of the study

Commercial Banks are the principal agents of the money market, which, in turn, is the major instrument of the financial system. Thus, commercial banks and their lending transaction obviously affect the national economy. Moreover, lending and borrowing transaction that takes place through the commercial banks influence the daily livings of each national. At the same time from the government side, a great concern should be taken to avoid the misleading by the commercial banks, which can violate the total economic system.

Commercial bank's financial management system can contribute the economic growth too because these banks are the major variable of financial market. In this way, the relationship of government financial policy and the commercial banks might be considered as a keen subject to study.

3.2 Research Design

Research design is the organized way of research methods and techniques used to through out the entire study. This research is based on descriptive analytical technique. As the main objective of this study is to evaluate financial performance of

Nepal Bank Limited, the researcher has collected necessary data relating to overall performance of this bank.

The study is design as to give a clear picture of the bank's financial performance. On the basis of financial statement and other available data and adopting this proposed research design attempt is made to investigate into financial performance of the bank followed by some useful suggestion and recommendations.

3.3 Nature and sources of Data

Specifically, the nature of the data is about to be secondary, as the basic purpose of the study is to fulfill the requirement for the degree of M.B.S., T.U. However, primary data also collected from the field under questionnaire and direct observation. The main source of data collection is from Nepal Rastra bank, Nepal stock exchange, economic survey published by ministry of finance, the annual reports and statement of respective firm.

Beside these bulletins, journal, articles and other publication of different banking institutions are also considered. Taking consideration into the sources of data, the primary sources of data are about to be bank publications, central bank's rules and regulations, audited financial statements etc.

1. Primary data

Primary data collected through questionnaire by distributing to the respondents. Beside this, bank officers of various departments have directly approached to understand their real grievances. Discussions have with the officers and financial experts of Nepal Rastra in this process of primary data collection.

2. Secondary data

As the present study, undertaken to evaluate the performance of the bank, the secondary sources of data are use in the study. Data have been collected from various sources like annual reports and financial statement of the bank, official records, monthly bulletins, various published periodicals, magazines and dissertations and all available reports and material of Nepal Rastra Bank. The data used in the study are secondary in nature.

3.4 Population and Sample

The Study focus on the commercial bank operating throughout the year has been taken as the population. The sample of this commercial bank consists of only 5 years out of the population. This five year considered for the study. The collected data for five years period i.e. from FY 2057/58 to 2061/62. The element of sample of five years are deposit, liabilities, investment, loans and advances, net profit, shareholder's equity, dividend earning and payout have been prepared.

3.5 Data collection procedure/ methods / techniques

In order to carry out this study, data collected from various sources have been classified and tabulated. Indexes have been prepared and percentages, ratios, averages and changes have calculated to reveal the true picture of the bank's financial performance. Based on the summary and conclusion some useful recommendations are forwarded for the betterment of Nepal Bank Limited.

The main indicator used in this performance analysis is the operating efficiency, which gives the operational result of the bank, i.e. operational profit or loss. Beside this various financial tools, financial ratio analysis, trend analysis, Correlation Coefficient and Profitability ratio used to measure the financial performance of the bank.

3.6 Financial and statistical tools for the analysis of data

The data are collected and arranged to analyze through financial and statistical tools viz. Trend analysis, Karl Pearson's Coefficient of Correlation, ratio analysis, and its growth and average indexes.

3.6.1 Financial ratio Analysis

The financial analysis is used as an index of yardstick for evaluating the financial position and performance of the firm. It is a technique of analysis and interpretation of financial statements. The formulas of the various ratios calculations are as follows:

3.6.1.1 Liquidity ratio

These ratios indicate whether the firm would be in a position to meet its short-term obligation in time. These ratios show the short-term solvency of the concern. It measures short-term debt paying ability of the firm. Under liquidity there are following ratios.

a. Cash and bank balance to total deposit

This ratio calculated to find out whether cash hand bank balance in hand is sufficient to cover its current calls margined to total deposits. The formula used for computing this ratio is as;

$$\text{Cash and bank balance to total deposit} = \frac{\text{cash and bank balance}}{\text{total deposit}}$$

b. Cash and bank balance to current deposit

This ratio is calculated to find the ability of banks to pay total calls made on current deposits. It is calculated by current deposits. The formula used for computing this ratio is as;

$$\text{Cash and bank balance to current deposit ratio} = \frac{\text{cash and bank balance}}{\text{current deposit.}}$$

c. NRB balance to total deposit

Nepal Rastra Bank balance divided by total deposit.

$$\text{NRB balance to total deposit} = \frac{\text{Nepal Rastra Bank balance}}{\text{total deposit}}$$

3.6.1.2 Capital Structure ratio or Leverage ratio

Leverage ratios also termed as long term solvency ratios of capital structure ratios. The term “solvency” implies the ability of a business to meet its long-term debts. Thus, solvency ratios convey a firm’s ability to meet its long-term obligation.

a. Total debt to total assets ratio

Total debt to total assets ratio signifies the extent of debt financing on the assets and measures the financial security to creditors. Total debt is the output of total liabilities minus profit, reserve fund, paid up capital. The formula to compute this ratio is as;

$$\text{Total debt to total assets ratio} = \frac{\text{total debt}}{\text{total assets.}}$$

b. Debt equity ratio

Debt equity ratio measures the relative claims of creditors and owners against the assets of the firm. This ratio indicates the relationship between debt and equity. The ratio is also termed as total debt to net worth ratio. This ratio can be calculated as;

$$\text{Debt equity ratio} = \frac{\text{total debt}}{\text{net worth.}}$$

Net Worth = Paid up Capital + Reserve Fund

Total debt = Long-term debts + Current liabilities.

c. Total debt to shareholder’s fund ratio

This ratio measures the total debt financing on shareholder’s fund. Shareholder’s fund is the combination of paid up capital, reserve and profit. This ratio can be computed by using following formula.

$$\text{Total debt to shareholder’s fund} = \frac{\text{total debt}}{\text{shareholder’s equity}}$$

d. Shareholder’s equity to total assets ratio

This ratio explains the percentage of shareholder’s equity used in total assets. Shareholder’s equity is the combination of paid up capital and reserve fund.

$$\text{Shareholder's equity to total assets} = \frac{\text{shareholder's equity}}{\text{total assets}}$$

3.6.1.3 Activity Ratio/ Turnover ratio

The total fund raised by the company invested in acquiring various assets on operation of the business. The assets are required to generate the position of profit, which depends upon the value of activity.

a. Investment to total deposit

This ratio measures the mobilization of percentage amount of total deposits on investment. It calculated by dividing the amount of investment in various institutions by the amount of total deposit.

$$\text{Investment to total deposit} = \frac{\text{investment}}{\text{total deposit.}}$$

b. Investment to total assets

This ratio measures the percentage of total assets mobilize in investment. This ratio computed by using formula as;

$$\text{Investment to total assets} = \frac{\text{total investment}}{\text{total assets}}$$

c. Investment, loan and advances to total assets

The ratio measures the extent to which the bank are successful in utilizing outsiders fund in the form of extending loans and advances. A high ratio represents the ability to utilize the deposits. To find out the ratio is uses the following formula;

$$\text{Investment, loan and advances to total assets} = \frac{\text{Investment, loan and advances}}{\text{total assets.}}$$

d. Loan and advances to total deposit

This ratio also measures the contribution of total deposit on only loan and advance not in investment. The formula used to find out this ratio is as;

$$\text{Loan and advances/ total deposit} = \frac{\text{loan and advances}}{\text{total deposit}}$$

e. Non-performing assets to total loan

Non-Performing assets is all the sub standard, doubt full and loss graded loan. This ratio explain the percentage of this type of loan in total loan which going to be most provision of bad debt. This ratio can calculate by using this formula as;

$$\text{Non-performing assets to total loan} = \frac{\text{Non- performing assets}}{\text{total loan}}$$

f. Non-performing assets to total assets

This ratio is calculated to find out the total good assets in terms of bad loans. It can be calculated by using this formula as;

$$\text{Non-performing assets to total deposit ratio} = \frac{\text{Non-performing assets}}{\text{total assets}}$$

g. Interest suspense to non-performing assets

This ratio is calculated by dividing the interest suspense to non-performing assets.

$$\text{Interest suspense to non-performing assets} = \frac{\text{Interest suspense}}{\text{Non-performing assets}}$$

h. Non-performing assets to loan loss provision

This ratio is calculated by s dividing non-performing assets to Loan Loss Provision.

$$\text{Non- performing assets to loan loss provision} = \frac{\text{Non- performing assets}}{\text{Loan loss provision}}$$

3.6.1.4 Profitability Ratio

Profit is very essential for the survival and growth of the business. Profitability ratio is calculated to measure the overall efficiency of the business. The following are the major profitability ratio;

a. Net profit to total assets ratio

This ratio measures the relationship between the total assets and net profit after tax. It measures the profitability of the assets and determines how effectively the managements have used the total assets. It is the ratio of net profit after tax by total assets.

$$\text{Net profit to total assets} = \frac{\text{Net profit}}{\text{Total assets}}$$

b. Return on equity

This ratio indicates the profitableness of the owner's investment. This is the most commonly used ratio for measuring the return on owner's investment. Net profit after tax divided by shareholder's equity. It can be calculated by using formula as:

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

c. Return on Net Loan and Advance

This ratio measures the company's return from loan and advances. Return means net profit after tax. The following formula used for computing this ratio is as;

$$\text{Return on net loan and advance} = \frac{\text{Net profit after tax}}{\text{Net loan and advance}}$$

d. Earning Per Share

It measures the profit available to the equity shareholders. The objective of computing this ratio is to measures the profitability of the firm on per equity share. The formula used to find out the earning per share is as;

$$\text{Earning per share} = \frac{\text{Net profit after tax}}{\text{No. of share issued}}$$

3.6.2 Trend Analysis

Trend analysis is a comparative analysis of a firm's financial ratio over time. Trend Analysis of deposit, loan and advances and deposit utilization analysis have been conducted.

3.6.3 Statistical Tools

Some important tools are used to achieve the objective of this study. In this study statistical tools such as Mean, Coefficient of Correlation and Coefficient of Correlation of Probable Error (P.E)

3.6.3.1 Arithmetic Mean

Arithmetic mean of a given set of observation is their sum divided by the number of observation. In general, X_1, X_2, \dots, X_n are the given number of observation, their arithmetic mean can be derived in this way.

$$\bar{X} = \frac{X_1 + X_2 + X_3 + \dots + X_n}{N}$$

Where,

\bar{X} = Variables

\bar{X} = Arithmetic Mean

N = Number of Observation

The arithmetic mean is a single value of selection, which represents them in average. Out of the various central tendencies, a mean is one of the useful tools to find out the average value of the given data. Furthermore, it is very much useful with respect of financial analysis and it is easy to calculate.

3.6.3.2 Karl Pearson's Coefficient of Correlation

Out of several mathematical method of measuring correlation the Karl Pearson is popularity known as Pearson's Coefficient of Correlation widely used in practice to measure the degree of relationship between two variables. Two variables are said to have correlation when the value of one variable is accompanied by the change in the value of the other. So, it is measured by following formula using two variables:

$$\text{Coefficient of Correlation (r)} = \frac{N \sum XY - \sum X * \sum Y}{\sqrt{N \sum X^2 - (\sum X)^2} \sqrt{N \sum Y^2 - (\sum Y)^2}}$$

Here,

r = Karl Pearson's Coefficient of Correlation

N = Number of Pairs of X and Y observed

$\sum XY$ = Sum of product of deviation in two series

$\sum X^2$ = Sum of squared deviation in X series

$\sum Y^2$ = Sum of squared deviation in Y series

$$\text{Probable Error (P.E.) of the Coefficient of Correlation (P.E.)} = \frac{1-r^2}{n}$$

If r is less than its P.E., it is not significant at all. If r is more than P.E. there is significant correlation. And if r is more than 6 times its P.E. and r equals to or greater than ± 0.5 then the correlation is considered significant.

Chapter-Four

Presentation and Analysis of Data

In this chapter, data and information regarding overall financial performance of Nepal Bank Limited are presented and analyzed. This analysis, attempts to throw light on various aspects of the bank's performance such as: deposit trend, investment, loan and advance, liquidity, leverage, efficiency and earning power. The data are presented and analyzed in different tables to arrive at some concrete and explicit obtained from various published and unpublished financial statements, reports, bulletins, articles and so on. However, conclusions have been derived on the basis of personal observation, informal interviews and discussions with the concerned officials and other financial experts.

4.1 Ratio Analysis

To evaluate the financial performance of a firm, the analysis needs certain key factors which factors are two numerical expressions of the particular firm or sector, by which the two variables are divided into each other and get the ratio. A ratio is widely used as a financial analysis to find out the position and performance of Nepal Bank Limited. The ratio analysis has been grouped into four categories, which reflect the Liquidity, Leverage, Activity and Profitability of the bank. A ratio is calculated by dividing one nature of the relationship with the other.

4.1.1 Liquidity Ratio

The liquidity ratios are analyzed to judge the bank's ability to meet the short- term obligations. The liquidity ratio shows the present cash solvency and the ability to solvent in adverse situation. In this category, we calculate the comparison between short- term obligation and short term resources.

Table no. 1

**Showing the total cash, total deposit, total cash and bank balance,
total NRB balance and total current deposit.**

(Rs. '000')

Year	Cash	Total Deposit	Cash and Bank Balance	NRB Balance	Current Deposits
2058/59	17,82,946	3,56,18,590	62,66,796	28,34,136	50,62,483
2059/60	16,65,104	3,42,64,846	66,27,116	32,14,391	48,79,315
2060/61	14,16,545	3,50,14,001	45,95,169	26,49,311	49,85,994
2061/62	10,10,231	3,57,35,044	58,61,070	42,32,386	57,14,693
2062/63	10,69,614	3,59,34,163	61,59,337	45,08,554	61,35,632

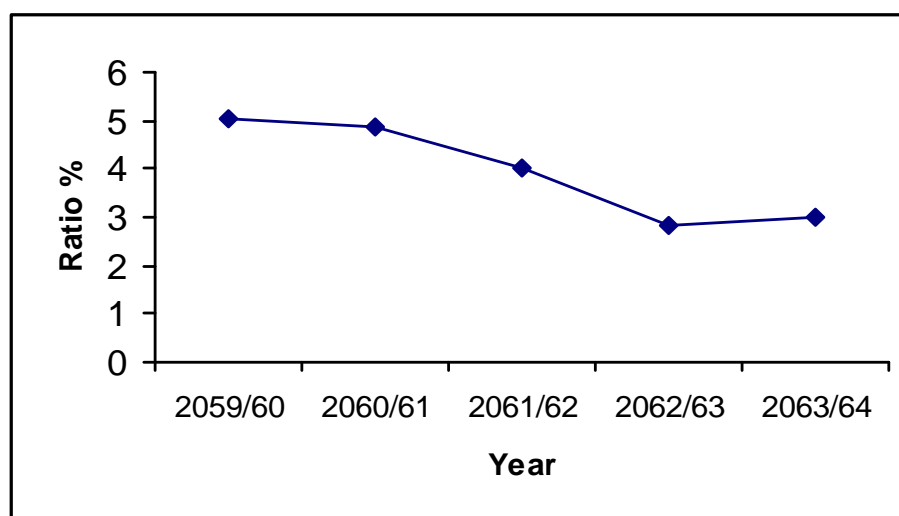
4.1.1.1 Analysis of Cash to Total Deposit

(Rs. '000')

Year	<u>Cash</u> Total Deposit	Ratio %
2059/60	17,82,946 / 3,56,18,590	5.01
2060/61	16,65,104 / 3,42,64,846	4.86
2061/62	14,16,545 / 3,50,14,001	4.04
2062/63	10,10,231 / 3,57,35,044	2.83
2063/64	10,69,614 / 3,59,34,163	2.98
	Average	3.94

Source: - Table no. 1.

Figure no. 1



The above table and figure shows the ratio of cash to total deposit is highest rate of 5.01% in FY 2059/60 and lowest rate of 2.83% in FY 2062/63. The ratio is swinging each year in between 2.83% to 5.01%. The ratio of 4.04% is almost exactly equals to an average in FY 2061/62. The ratio is below the average in FY 2062/63 and 2063/64 whereas the ratio is above the average in FY 2059/60, 2060/61 and 2061/62 i.e. 5.01%, 4.86% and 4.04% respectively. Thus, the ratio has inverse relationship.

[NOTE: Here, cash is only cash in hand and total deposit is the combination of (current + saving + fixed + call + other) deposit]

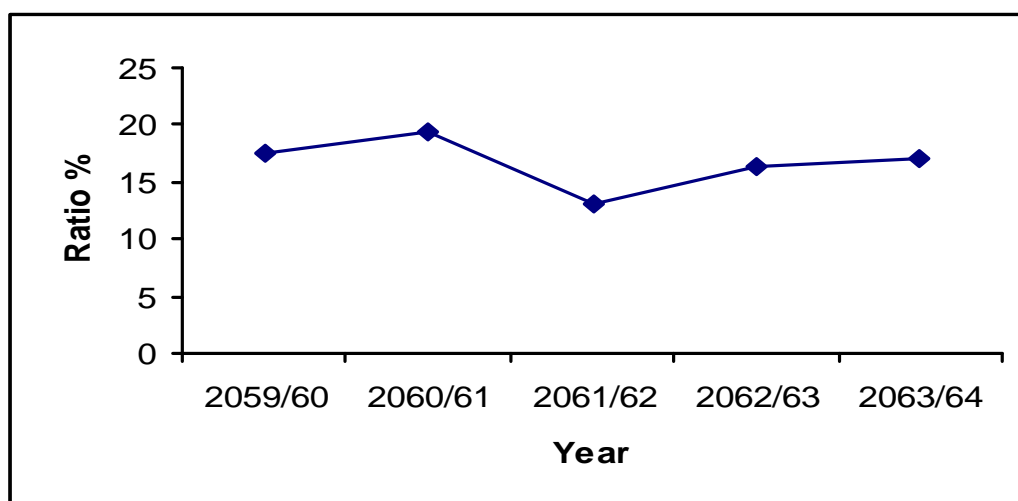
4.1.1.2 Analysis of Cash and Bank Balance to Total Deposit

(Rs. '000')

Year	<u>Cash and Bank Balance</u> Total Deposit	Ratio %
2059/60	62,66,796 / 3,56,18,590	17.60
2060/61	66,27,116 / 3,42,64,846	19.34
2061/62	45,95,169 / 3,50,14,001	13.12
2062/63	58,61,070 / 3,57,35,044	16.40
2063/64	61,59,337 / 3,59,34,164	17.14
	Average	16.72

Source: - Table no. 1.

Figure no. 2



The above table and figure shows the ratio of Cash and Bank Balance to Total Deposit. The lowest ratio in FY 2061/62 is 13.12% and the highest is 19.34% in FY 2060/61. The ratio slightly exceeded than the average 16.72% is 17.60%, 19.34% and 17.14% in FY 2059/60, 2060/61 and 2063/64 respectively. In the other remaining fiscal year, the ratios are below the average. Thus, the ratio has inverse relationship in each year.

[NOTE: Here, Cash and Bank Balance is Cash plus Bank Balance. Cash means cash in hand only and Bank Balance means the combination of Nepal Rastra Bank Balance plus Domestic Banks Balance plus Foreign Banks Balance]

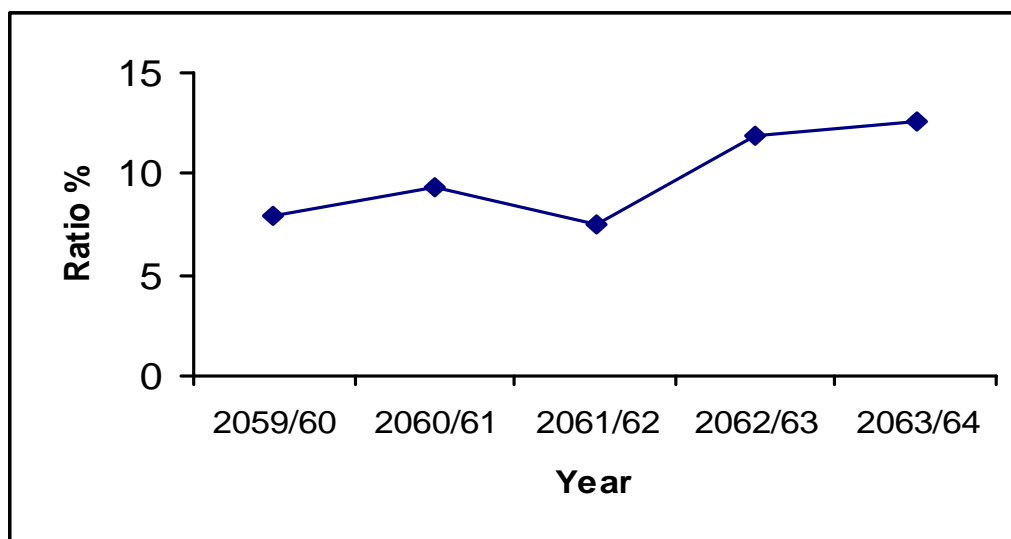
4.1.1.3 Analysis of NRB Balance to Total Deposits Ratio

(Rs. '000')

Year	<u>NRB Balance</u> Total Deposits	Ratio %
2059/60	28,34,136 / 3,56,18,590	7.95
2060/61	32,14,391 / 3,42,64,846	9.38
2061/62	26,49,311 / 3,50,14,001	7.56
2062/63	42,32,386 / 3,57,35,044	11.84
2063/64	45,08,554 / 3,59,34,163	12.55
	Average	9.86

Source: - Table no. 1

Figure no. 3



The above table & figure shows the NRB Balance to Total Deposit Ratio .The highest rate depicted in FY 2063/64 i.e. 12.55% and the lowest in FY 2061/62 i.e. 7.56%. In FY 2059/60, 2060/61 and 2061/62 the ratio is below the average 9.86% with 7.95%, 9.38% and 7.56% respectively whereas the ratio is above the average i.e. 11.84% and 12.55% in FY 2062/63 and 2063/64 respectively. Thus, the ratio has inverse relationship in each year.

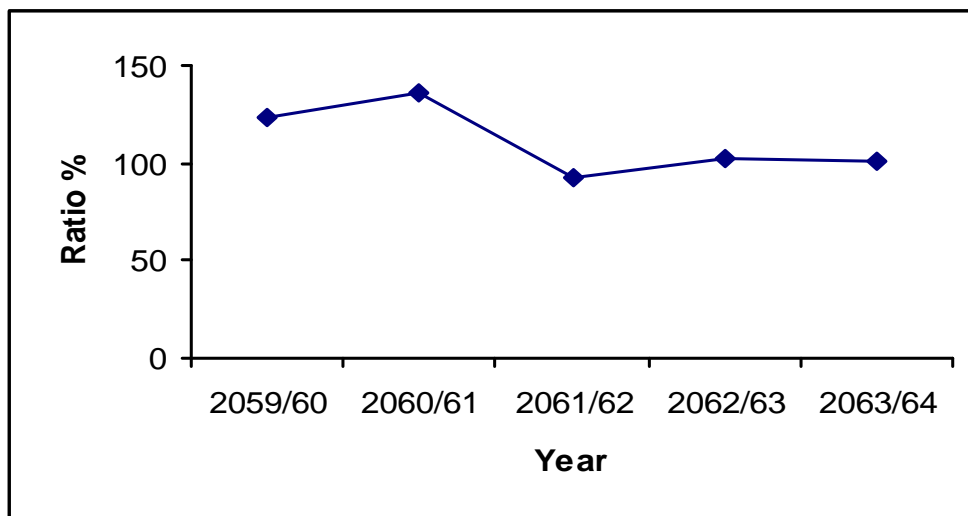
4.1.1.4 Analysis of Cash and Bank Balance to Current Deposit Ratio

(Rs. '000')

Year	<u>Cash and Bank Balance</u> Current Deposits	Ratio %
2059/60	62,66,796 / 50,62,483	123.78
2060/61	66,27,116 / 48,79,315	135.82
2061/62	45,95,169 / 49,85,994	92.16
2062/63	58,61,070 / 57,14,693	102.56
2063/64	61,59,337 / 61,35,632	100.39
	Average	110.94

Source: - Table no. 1

Figure no. 4



The above table and figure reveals the Cash and Bank Balance to Current Deposit Ratio. The highest ratio is 135.82% in FY 2060/61 and the depicted ratio is 92.16% in FY 2061/62.

The ratio is below the average 110.94% in FY 2061/62, 2062/63 and 2063/64 which is 92.16%, 102.56% and 100.39% respectively and in the other years, the ratio is above the average i.e. 123.78% and 135.82% in FY 2059/60 and 2060/61 respectively. Thus, the ratio has inverse relationship in each year.

4.1.2 Leverage/ Capital Structure Ratio

The long- term solvency position of the bank can be measured by using this leverage ratio and also called it capital structure ratio. It defined as ability to assure the long-term creditors with regard the periodic interest payment and the principal. In this category, we examine the debt equity ratio, shareholder's equity ratio and total debt ratio of the bank.

Table no. 2
Showing the total debt, total assets, total shareholder's
equity and shareholder's fund

(Rs. '000')

Year	Total Debt	Total Assets	Shareholder's Equity	Shareholder's Fund
2059/60	4,45,68,660	4,55,99,127	3,80,383	10,30,467
2060/61	4,89,47,297	3,95,59,843	3,80,383	1,03,14,641
2061/62	4,96,47,621	3,98,16,491	3,80,383	1,06,08,187
2062/63	5,31,76,405	4,41,61,880	3,80,383	20,27,935
2063/64	5,44,70,699	4,70,45,154	3,80,383	33,28,626

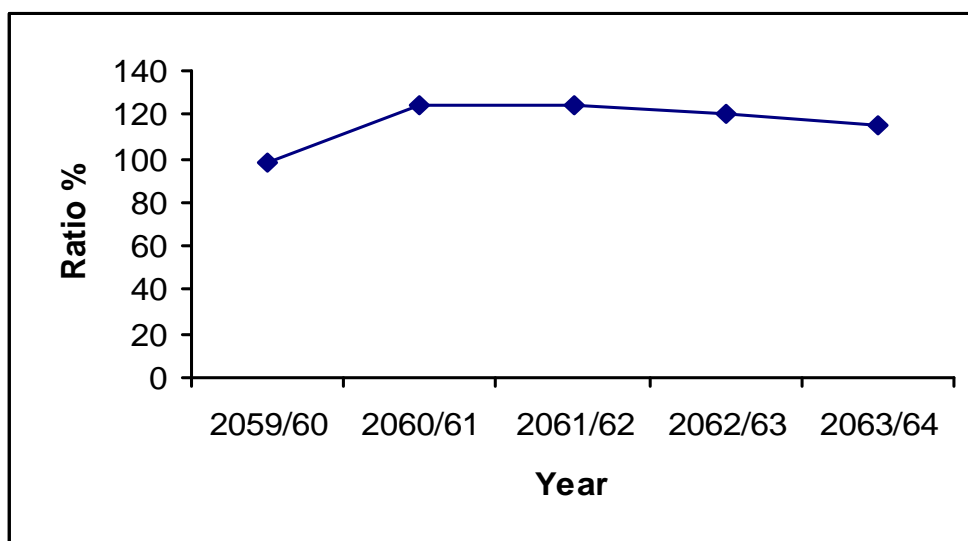
4.1.2.1 Analysis of Total Debt to Total Assets

(Rs. '000')

Year	<u>Total Debt</u> Total Assets	Ratio %
2059/60	4,45,68,660 / 4,55,99,127	97.74
2060/61	4,89,47,297 / 3,95,59,843	123.73
2061/62	4,96,47,621 / 3,98,16,491	124.70
2062/63	5,31,76,405 / 4,41,61,880	120.41
2063/64	5,44,70,699 / 4,70,45,154	115.78
	Average	116.47

Source: - Table no. 2.

Figure no. 5



The above table and figure shows the Total Debt to Total Assets ratio of Nepal Bank Limited. Under the study period of five years, the ratio is fluctuating in each year. The highest ratio is 124.70% in FY 2061/62 and the lowest ratio is 97.74% in FY 2059/60.

The ratio is below the average in FY 2059/60 and 2063/64 which is 97.74% and 115.78% respectively and the ratio is above the average is 123.73%, 124.70% and 120.41% in FY 2060/61, 2061/62 and 2062/63 respectively. The average ratio is 116.47%.

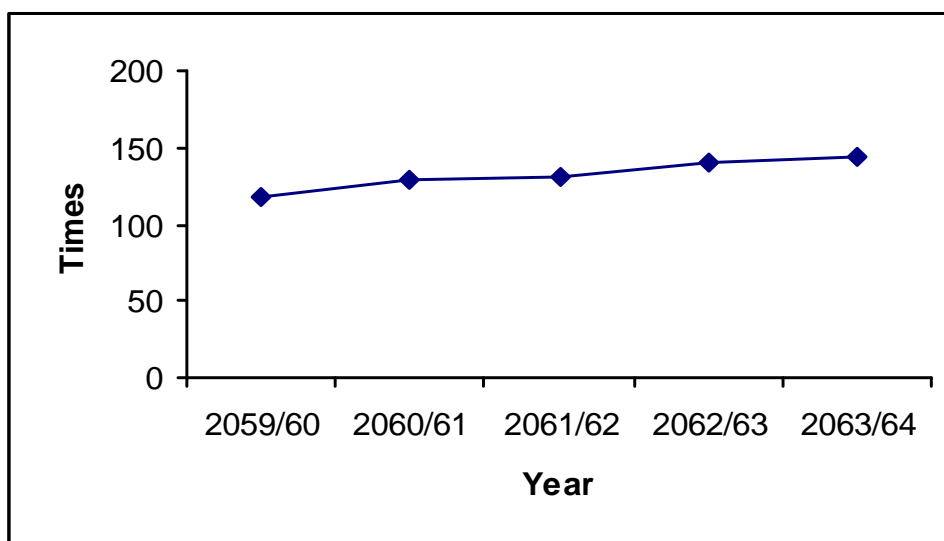
4.1.2.2 Analysis of Debt- Equity

(Rs. '000')

Year	<u>Total Debt</u> Shareholder's Equity	times
2059/60	4,45,68,660 / 3,80,383	117.17
2060/61	4,89,47,297 / 3,80,383	128.68
2061/62	4,96,47,621 / 3,80,383	130.52
2062/63	5,31,76,405 / 3,80,383	139.80
2063/64	5,44,70,699 / 3,80,383	143.20
	Average	131.87

Source: - Table no. 2.

Figure no. 6



The above table & figure reflects the Debt-Equity Ratio. Under the study period of five year, the ratio is going upward in each year. The highest ratio is 143.20 times in FY 2063/64 and the lowest is 117.17 times in FY 2059/60. The ratio below the average is 117.17 times, 128.68 times and 130.52 times in FY 2059/60, 2060/61 and 2061/62 respectively and the ratio is above the average is 139.80 times and 143.20 times in FY 2062/63 and 2063/64 respectively. The average is 131.67 times.

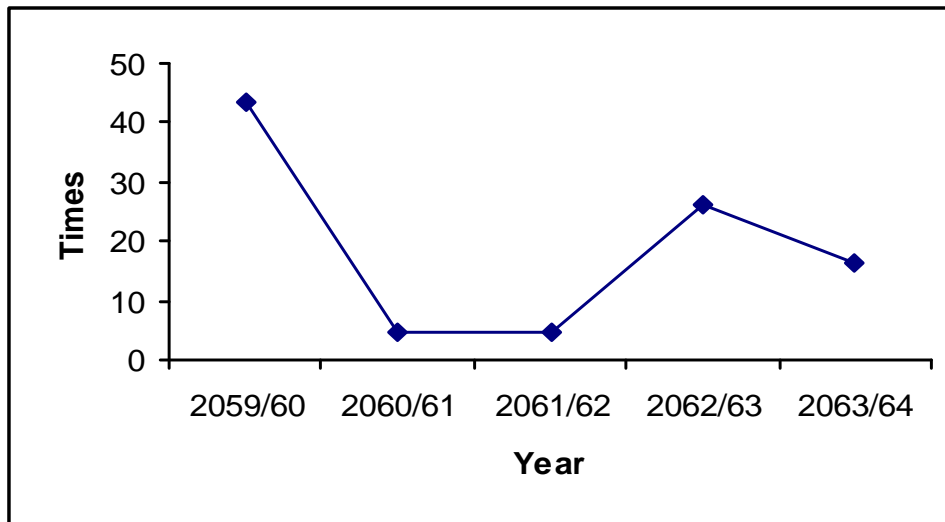
4.1.2.3 Analysis of Total Debt to Shareholder's fund

(Rs. '000')

Year	<u>Total Debt</u> Shareholder's Fund	times
2059/60	4,45,68,660 / 10,30,467	43.25
2060/61	4,89,47,297 / 1,03,14,641	4.74
2061/62	4,96,47,621 / 1,06,08,187	4.68
2062/63	5,31,76,405 / 20,27,935	26.22
2063/64	5,44,70,699 / 33,28,626	16.36
	Average	19.05

Source: - Table no. 2.

Figure no. 7



The above table & figure shows the total Debt to Shareholder's Fund. The ratio is fluctuating in each year. During the study period, the lowest point ratio is 4.68 times in FY 2061/62 and the highest point ratio is 43.25 times in FY 2059/60. The ratio is above the average is 43.25 times and 26.22 times in FY 2059/60 and 2062/63 respectively and the ratio is below the average is 4.74 times, 4.68 times and 16.36 times in FY 2060/61, 2061/62 and 2063/64 respectively.

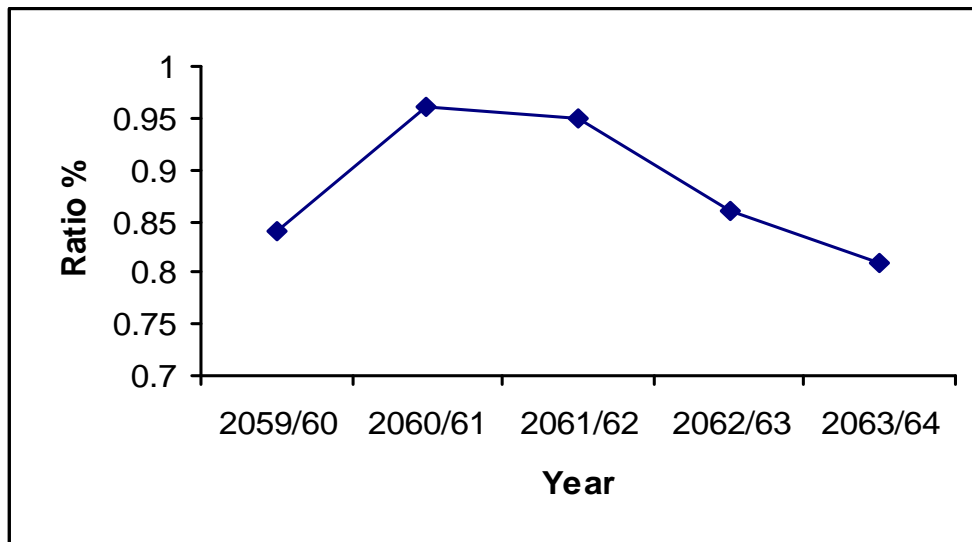
4.1.2.4 Analysis of Shareholder's Equity to Total Assets

(Rs. '000')

Year	<u>Shareholder's Equity</u> Total Assets	Ratio %
2059/60	3,80,383 / 4,55,99,127	0.84
2060/61	3,80,383 / 3,95,59,843	0.96
2061/62	3,80,383 / 3,98,16,491	0.95
2062/63	3,80,383 / 4,41,61,880	0.86
2063/64	3,80,383 / 4,70,45,154	0.81
	Average	0.88

Source: - Table no. 2.

Figure no. 8



The above table & figure revealed the Shareholder's Equity to Total Assets Ratio. The average of shareholder's equity to total assets ratio of Nepal Bank Limited during the five years study period is 0.88%. The ratio is near to an average all over the study period. The highest ratio is recorded 0.96% in FY 2060/61 and the lowest ratio is 0.81% in FY 2063/64.

4.1.3 Activity Ratio

The activity ratios are concerned with the efficiency of assets management of the bank. The efficiency of the firm shows how the assets managed and utilized. Greater turn over, higher the efficient management of the company and vice-versa. To evaluate the activity ratio, we analyze the investment, loan and advances and non-performing assets against the resources as deposit, assets and total loan of the bank.

Table no. 3

**Showing the total investment, total deposit, total investment,
loan & advance and total loan & advance**

(Rs. '000')

Year	Investment	Total Deposit	Investment, Loan and Advance	Loan and Advance
2059/60	67,76,326	3,56,18,590	1,93,30,410	1,25,54,084
2060/61	71,51,382	3,42,64,846	1,57,89,820	86,38,438
2061/62	1,24,47,700	3,50,14,001	2,04,18,797	79,71,097
2062/63	1,10,04,820	3,57,35,044	1,98,86,643	8,88,18,23
2063/64	1,41,99,216	3,59,34,164	2,24,18,126	82,18,910

Table no. 4

**Showing the table of total non-performing assets, total loan,
total interest suspense and total loan loss provision.**

(Rs. '000')

Year	Non – Performing Assets	Total Loan	Interest Suspense	Loan Loss Provision
2059/60	10,373	20,419	6,695	8405
2060/61	10,746	19,253	8,906	10438
2061/62	10,602	18,132	9,812	9348
2062/63	9,572	17,938	11,533	8780
2063/64	8,365	16,867	13,039	8259

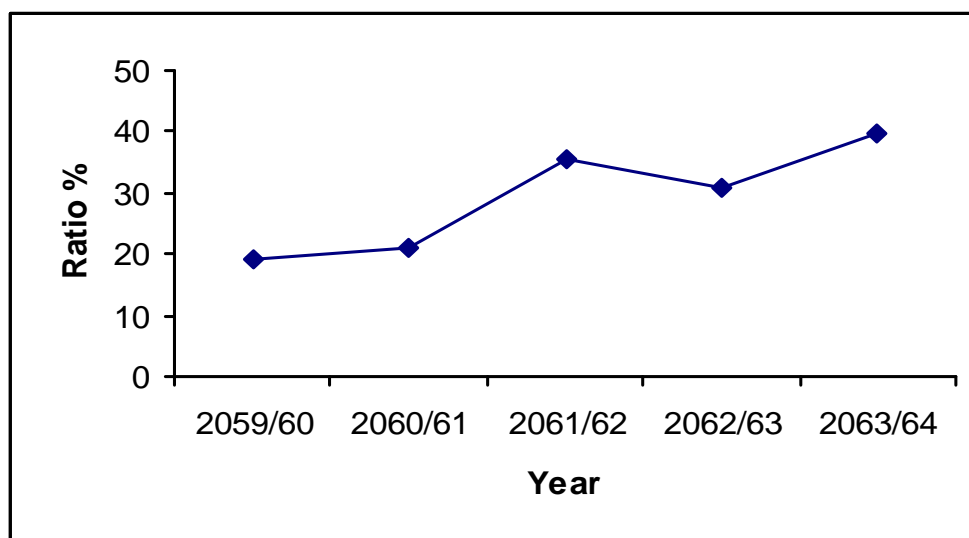
4.1.3.1 Analysis of Investment to Total Deposit

(Rs. '000')

Year	<u>Investment</u> Total Deposit	Ratio %
2059/60	67,76,326 / 3,56,18,590	19.02
2060/61	71,51,382 / 3,42,64,846	20.87
2061/62	1,24,47,700 / 3,50,14,001	35.55
2062/63	1,10,04,820 / 3,57,35,044	30.80
2063/64	1,41,99,216 / 3,59,34,164	39.51
	Average	29.15

Source: - Table no. 3

Figure no. 9



The above table & figure shows the above table reflects the Investment against Total deposit Ratio. It gives the picture of how the deposit is mobilized in investment sector. The ratio is above the average is in last three FY 2061/62, 2062/63 and 2063/64 which are 35.55%, 30.80% and 39.51% respectively. However, in the first two FY 2059/60 and 2060/61, the ratio is under the average i.e. 19.02% and 20.87% respectively.

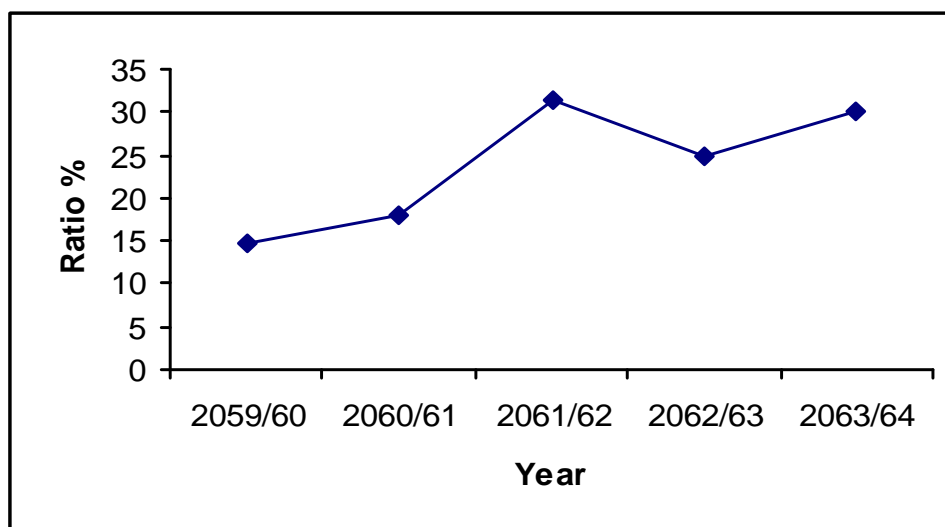
4.1.3.2 Analysis of Investment to Total Assets

(Rs. '000')

Year	<u>Investment</u> Total Assets	Ratio %
2059/60	67,76,326 / 4,55,99,129	14.86
2060/61	71,51,382 / 3,95,59,843	18.07
2061/62	1,24,47,700 / 3,98,16,491	31.26
2062/63	1,10,04,820 / 4,41,61,880	24.92
2063/64	1,41,99,216 / 4,70,45,154	30.18
	Average	23.86

Source: - Table no. 2 and table no. 3

Figure no. 10



The above table & figure shows the Investment to Total Assets ratio of Nepal Bank Limited. The investment ratio increased to 31.26% in FY 2061/62 and it decreased to 14.86% in FY 2059/60. In the first two FY 2059/60 and 2060/61, the ratio is under the average, which is 14.86 and 18.07% respectively. However, in the last three FY 2061/62, 2062/63 and 2063/64, the ratio is above the average i.e. 31.26%, 24.92% and 30.18% respectively.

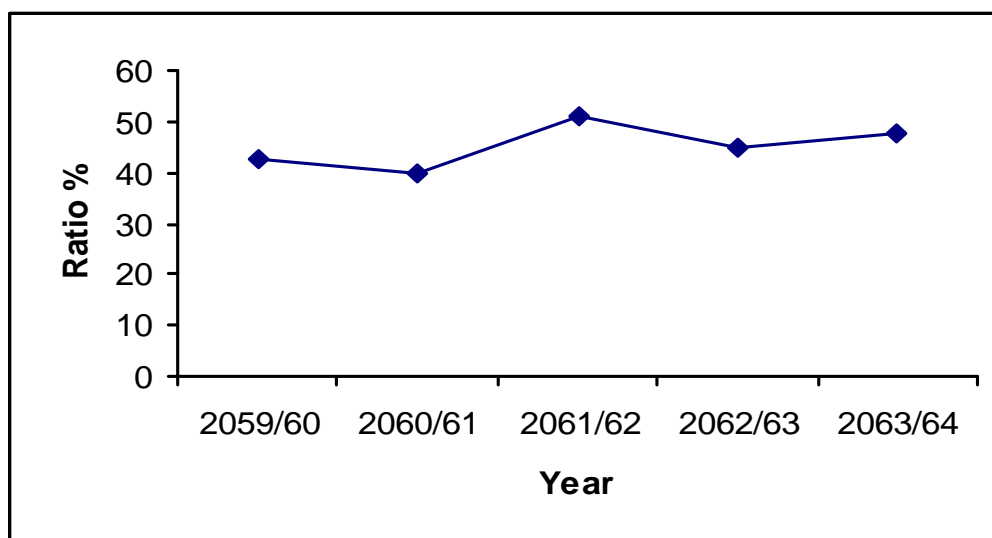
4.1.3.3 Analysis of Investment, Loan and Advance to Total Assets

(Rs. '000')

year	<u>Investment, Loan and Advance</u> Total Assets	Ratio %
2059/60	1,93,30,410 / 4,55,99,129	42.39
2060/61	1,57,89,820 / 3,95,59,843	39.91
2061/62	2,04,18,797 / 3,98,16,491	51.28
2062/63	1,98,86,643 / 4,41,61,880	45.03
2063/64	2,24,18,126 / 4,70,45,154	47.65
	Average	45.25

Source: - Table no. 3 and table no. 2

Figure no. 11



The above table & figure shows the Total Lending against the Total Assets ratio is reflected in the above table of Nepal Bank Limited. The highest ratio of lending reached to 51.28% in FY 2061/62. The lowest ratio came down to 39.91% in FY 2060/61. The ratio is above the average is 51.28% and 47.65% in FY 2059/60 and 2062/63 respectively and the ratio is under the average is 42.39%, 39.91% and 45.03% in FY 2059/60, 2060/61 and 2062/63 respectively.

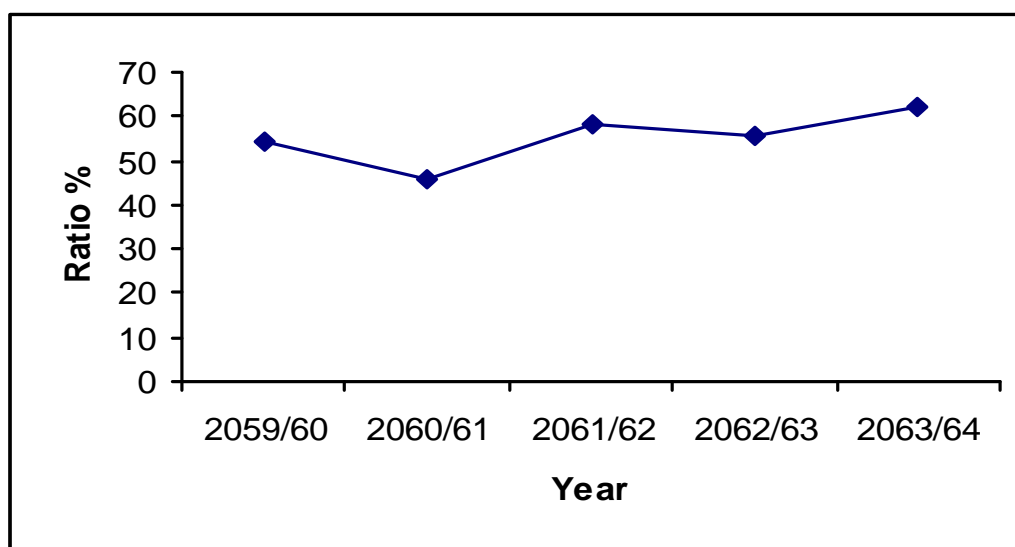
4.1.3.4 Analysis of Investment, Loan and Advance to Total Deposit

(Rs. '000')

Year	<u>Investment, Loan and Advance</u> Total Deposit	Ratio %
2059/60	1,93,30,410 / 3,56,18,590	54.27
2060/61	1,57,89,820 / 342,64,846	46.08
2061/62	2,04,18,797 / 3,50,14,001	58.31
2062/63	1,98,86,643 / 3,57,35,044	55.65
2063/64	2,24,18,126 / 3,59,34,164	62.39
	Average	55.34

Source: - Table no. 3

Figure no. 12



The above table shows the total Lending against the Total Deposit Ratio of Nepal Bank Limited. This ratio shows how much available resources have been utilized in income generating sector. The ratio increased up to 62.39% in FY 2063/64 and decreased up to 46.08% in FY 2060/61. Except in first two FY 2059/60 and 2060/61, the ratio is above the average i.e. 58.31%, 55.65% and 62.39% respectively. However, in the first two FY, the ratio is under the average, which is 54.27% and 46.08% respectively. In addition, the average is 55.34%.

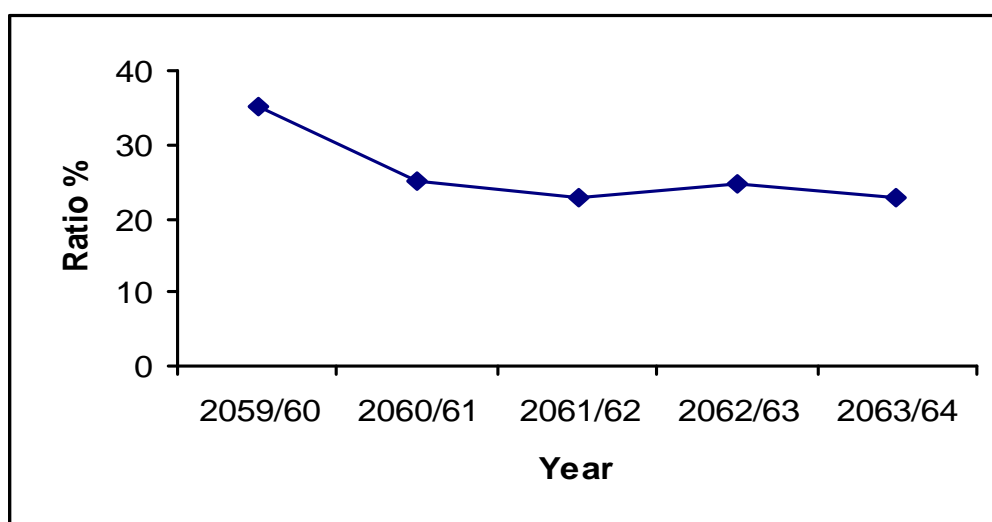
4.1.3.5 Analysis of Loan and Advance to Total Deposit

(Rs. '000')

Year	<u>Loan and Advance</u> Total Deposit	Ratio %
2059/60	1,25,54,084 / 3,56,18,590	35.24
2060/61	86,38,438 / 3,42,64,846	25.21
2061/62	79,71,097 / 35,01,14,001	22.76
2062/63	88,81,823 / 3,57,35,044	24.85
2063/64	82,18,910 / 3,59,34,164	22.87
	Average	26.19

Source: - Table no. 3

Figure no. 13



The above table & figure shows the Loan and Advance excluding Investment against Total Deposit. The loan and advance ratio 26.19% is an average of Nepal Bank Limited over the study period. The lowest ratio reveals in FY 2061/62 is 22.76 and the highest ratio is 35.24% in FY 2059/60. In the first FY 2059/60, the ratio is above the average and in the other years, the ratio is under the average, which is 25.21%, 22.76%, 24.85% and 22.87% respectively.

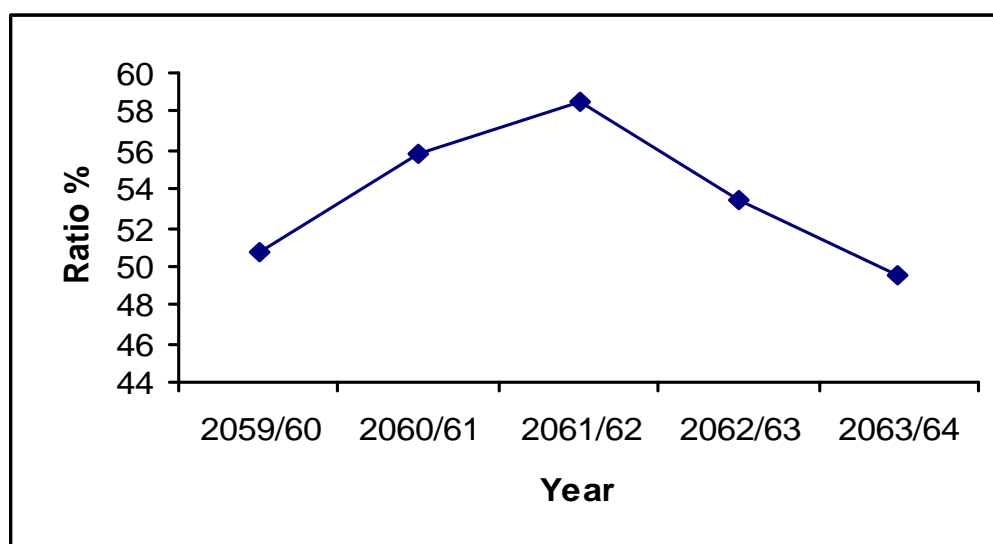
4.1.3.6 Analysis of Non - Performing Assets to Total Loan

(Rs. '000')

Year	<u>Non – Performing Assets</u> Total Loan	Ratio %
2059/60	10,373 / 20,419	50.80
2060/61	10,746 / 19,253	55.81
2061/62	10,602 / 18,132	58.47
2062/63	9,572 / 17,938	53.37
2063/64	8,365 / 16,867	49.59
	Average	53.61

Source: - Table no. 3

Figure no. 14



The above table & figure depicts the ratio of Non- Performing Assets to Total Loan of Nepal Bank Limited for the financial year of 2059/60 to 2063/64. This was 50.80%, 55.81%, 58.47%, 53.37% and 49.59% respectively. The ratio increased up to 58.47% in FY 2061/62 and decreased up to 49.59% in FY 2063/64. In first three FY 2059/60, 2060/61 and 2061/62, the ratio is above the average i.e. 50.80%, 55.81% and 58.47% respectively. But in the last two FY, the ratio is under the average i.e. 53.37% and 49.59% respectively.

According to the direction of NRB to the commercial Banks, the ratio of non-performing assets to total loan should be about 5%. But with referring to this table,

NBL is not able to keep the level of non – performing assets as an adequate position which is on an average 53.61%

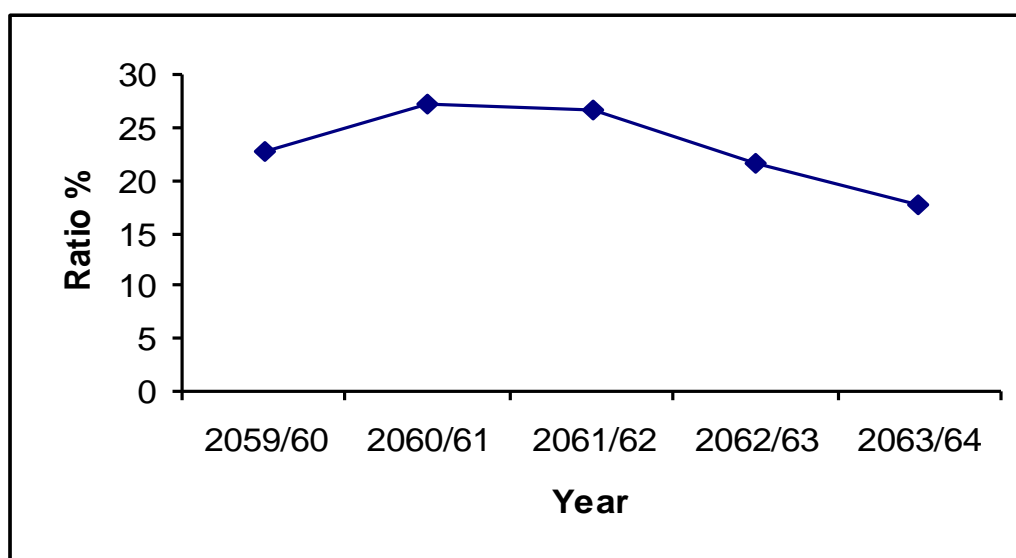
4.1.3.7 Analysis of Non –Performing Assets to Total Assets Ratio

(Rs. '000')

Year	<u>Non- performing Assets</u> Total Assets	Ratio %
2059/60	10373 / 45599	22.75
2060/61	10746 / 39560	27.16
2061/62	10602 / 39816	26.63
2062/63	9572 / 44162	21.68
2063/64	8365 / 47045	17.78
	Average	23.20

Source: - Table no. 4 and table no. 2

Figure no. 15



The above table & figure depicts the ratio of Non- Performing Assets to Total Assets of Nepal Bank Limited for the financial year of 2059/60 to 2063/64. This was 22.75%, 27.16%, 26.63%, 21.68% and 17.78% respectively. The ratio increased up to 27.16% in FY 2059/60 and decreased up to 17.78% in FY 2063/64. The ratio is above the average 27.16% and 26.63% in FY 2060/61 and 2061/62 respectively. In addition,

the ratio is under the average is 22.75%, 21.68% and 17.78% in FY 2059/60, 2062/63 and 2063/64 respectively.

According to the direction of NRB to the commercial Banks, the ratio of non – performing assets to total assets should be about 10%. But with referring to this table, NBL is not able to keep the level of non- performing assets as an adequate position which is on an average of 23.20%

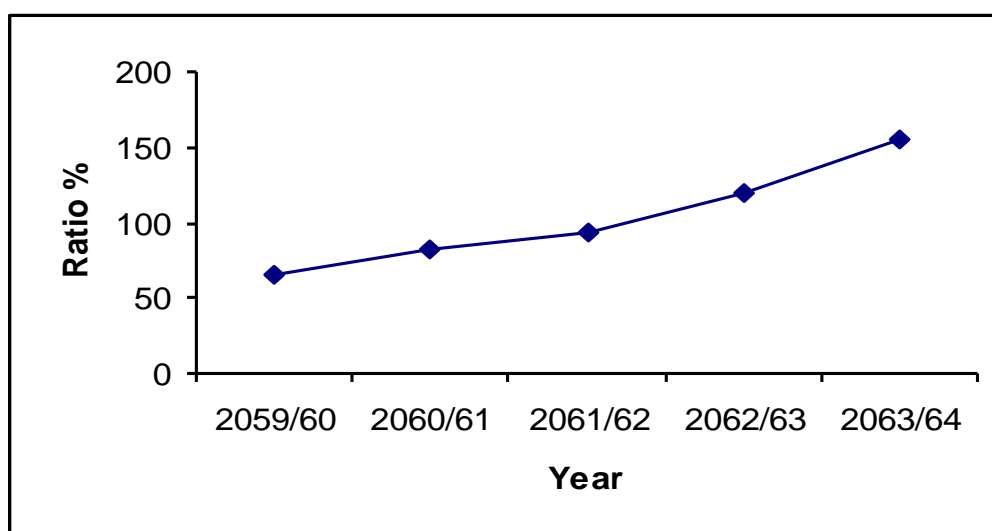
4.1.3.8 Analysis of Interest Suspense to Non–performing Assets Ratio

(Rs. ‘000’)

Year	<u>Interest Suspense</u> Non-Performing Assets	Ratio %
2059/60	6695 / 10373	64.54
2060/61	8906 / 10746	82.88
2061/62	9812 / 10602	92.55
2062/63	11533 / 9572	120.48
2063/64	13039 / 8365	155.88
	Average	103.27

Source: - Table no. 4

Figure no. 16



The above table & figure reflects the Interest Suspense to Non- Performing Assts Ratio of Nepal Bank Limited for the financial year of 2059/60 to 2063/64. This was

64.54%, 82.88%, 92.55%, 120.48% and 155.88% respectively. Under the study period of five year, the ratio is going upward in each year.

The higher ratio is 155.88% in FY 2063/64 and the lowest ratio is 64.54% in FY 2059/60. The ratio is below the average is 64.54%, 82.88% and 92.55% in FY 2059/60, 2060/61 and 2061/62 respectively and the ratio is above the average is 120.48% and 155.88% in FY 2062/63 and 2063/64 respectively.

This table shows that Non-Performing assets of Nepal Bank Limited is decreasing but interest suspense amount is increasing each year. Therefore, Nepal Bank Limited should decrease the volume of Non-Performing Assets and the Interest Receivable in an efficient way.

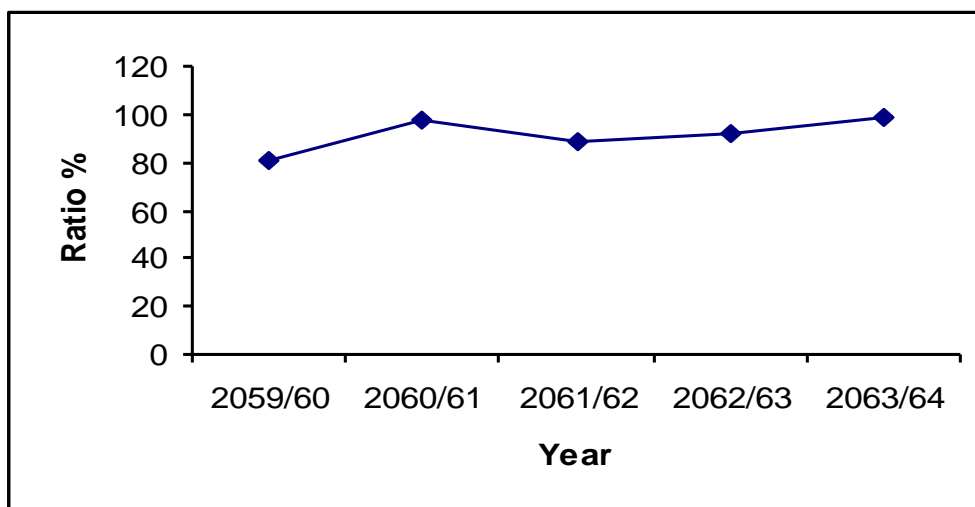
4.1.3.9 Analysis of Loan Loss Provision to Non-Performing Assets

(Rs. 000)

Year	<u>Loan Loss Provision</u> Non-Performing Assets	Ratio %
2059/60	8405 / 10373	81.03
2060/61	10438 / 10746	97.14
2061/62	9348 / 10602	88.17
2062/63	8780 / 9572	91.73
2063/64	8259 / 8365	98.73
	Average	91.36

Source: - Table no. 4.

Figure no. 17



The above table & figure presents the ratio of Loan Loss Provision to Non-Performing Assets of Nepal Bank Limited for the study period of 2059/60 to 2063/64. High amount of non- performing assets and its provision is not good for the banks performance. Even though, banks should make a provision for non-performing assets according to the reasonable standards. According to NRB Guidelines ass substandard, doubtful and loss, graded accounts are non- performing assets. In addition, Nepal Rastra Bank has set a standard for the loan loss provision for non-performing assets from 25% to 100%. The ratio increased up to 98.73% in FY 2063/64 and decreased up to 81.03% in FY 2059/60.

The ratio is above the average is 97.14%, 91.73% and 98.73% in FY 2060/61, 2061/62 and 2063/64 respectively and the ratio is under the average is 81.03% and 88.17% in FY 2059/60 and 2061/62 respectively. The trend of loan loss provision and non-performing assets is decreasing each year, which is good for Nepal Bank Limited to improve its financial performance.

4.1.4 Profitability Ratio

The overall financial efficiency for the both short - term and the long - term obligations are reflected by this ratio. The bank should earn legitimate amount of profit to survive in the market and its growth. The profit is an essential factor, but it would be in just if every action of the management enhances the profit. Therefore, we are going to analyze how the bank is operating the activities in connection of profit

maximization. In this regard, we calculate earning power, return of the bank, and interpret it.

Table no. 5
Showing the table of total net profit, total net worth
and total no. of shares

Year	Net Profit	Net worth	No. of Share
2059/60	(2177908)	1669550)	3803826
2060/61	(3071296)	2511650)	3803826
2061/62	(251731)	(2584540)	3803826
2062/63	710391	(2369860)	3803826
2063/64	1730130	(1952000)	3803826

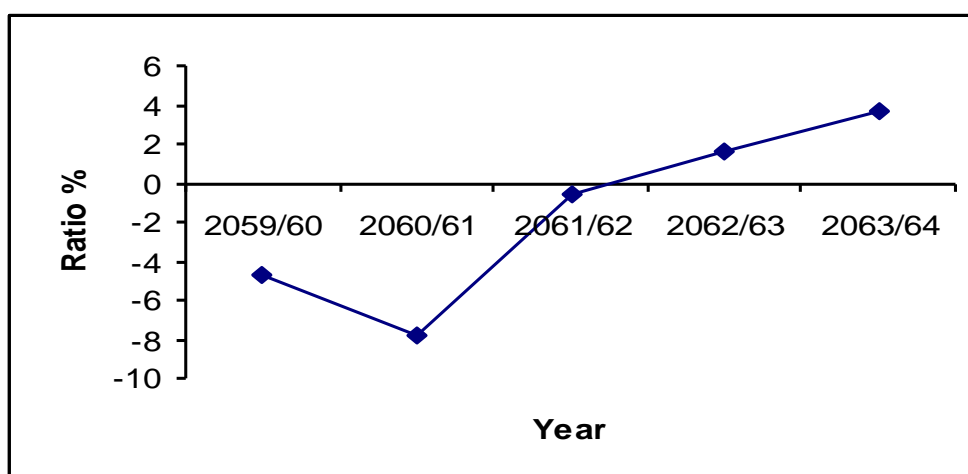
4.1.4.1 Analysis of Earning Power Ratio or Return on Assets

(Rs. '000')

Year	<u>Net Profit</u> Total Assets	Ratio %
2059/60	(2177908) / 45599127	(4.77)
2060/61	(3071296) / 39559843	(7.76)
2061/62	(251731) / 39816491	(0.63)
2062/63	710391 / 44161880	1.61
2063/64	1730130 / 47045154	3.68
	Average	(1.09)

Source: - Table no. 5 and table no. 2

Figure no. 18



The above table & figure reveals the earning power against the total assets available in the Nepal Bank Limited during the study period of FY 2059/60 to 2063/64. The earning power ratio, in other words return on assets ratio is negative in first three FY 2059/60, 2060/61 and 2061/62 respectively.

In other FY 2062/63 and 2063/64, the return on assets ratio is 1.61% and 3.68% respectively, which is very nominal. In FY 2059/60 to 2063/64, the earning power ratio is (4.77%), (7.76%), (0.63%), 1.61% and 3.68% respectively. In addition, the average of return on assets ratio is negative i.e. (1.09%).

After analyzing this table, it can clearly notified that Nepal Bank Limited is running with negative profit up to 2060/61 but from 2061/62, Nepal Bank Limited is earning nominal profit.

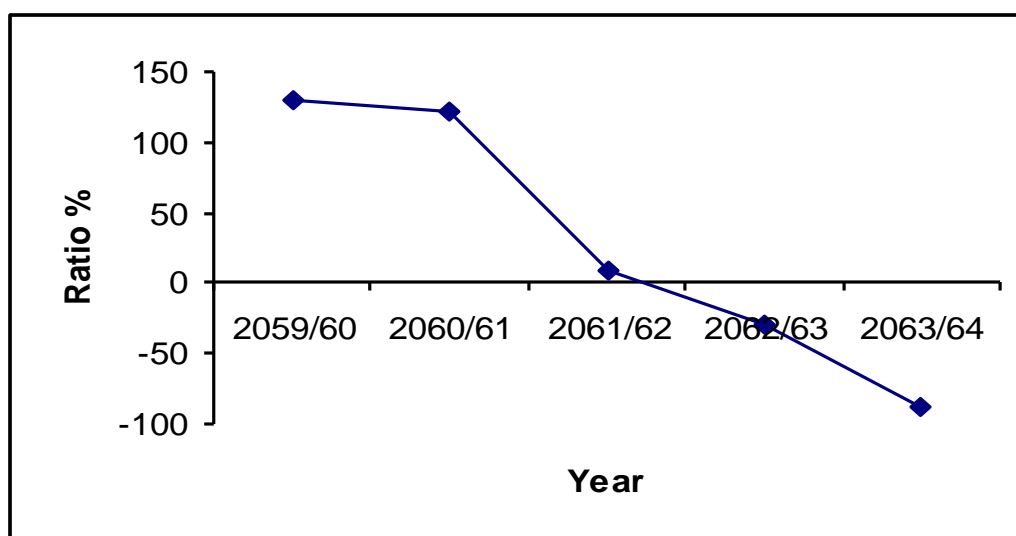
4.1.4.2 Analysis of Return on Equity

(Rs. '000')

Year	<u>Net Profit</u> Net Worth	Ratio %
2059/60	(2177908) / (1669550)	130.44
2060/61	(3071296) / (2511650)	122.28
2061/62	(251731) / (2584540)	9.74
2062/63	710391 / (2369860)	(29.97)
2063/64	1730130 / (1952000)	(88.63)
	Average	15.55

Source: - Table no. 5.

Figure no. 19



The above table exhibits the ratio of net profit and net worth as return on equity of Nepal Bank Limited for the financial year of 2059/60 to 2063/64. This was 130.44%, 122.28%, 9.74%, (29.97%) and (88.63%). The mean ratio was 15.55%.

These positive figures shows the improvement situation of Nepal Bank Limited and negative figure shows the poorer situation of Nepal Bank Limited with its return on equity (net worth). This table clearly shows the amount of profit and amount of net worth both are negative in first three FY 2059/60, 2060/61 and 2061/62.

This represents the disastrous financial position of Nepal Bank Limited. However, from 2062/63, Nepal Bank Limited is able to make profit and it shows its financial situation is improving.

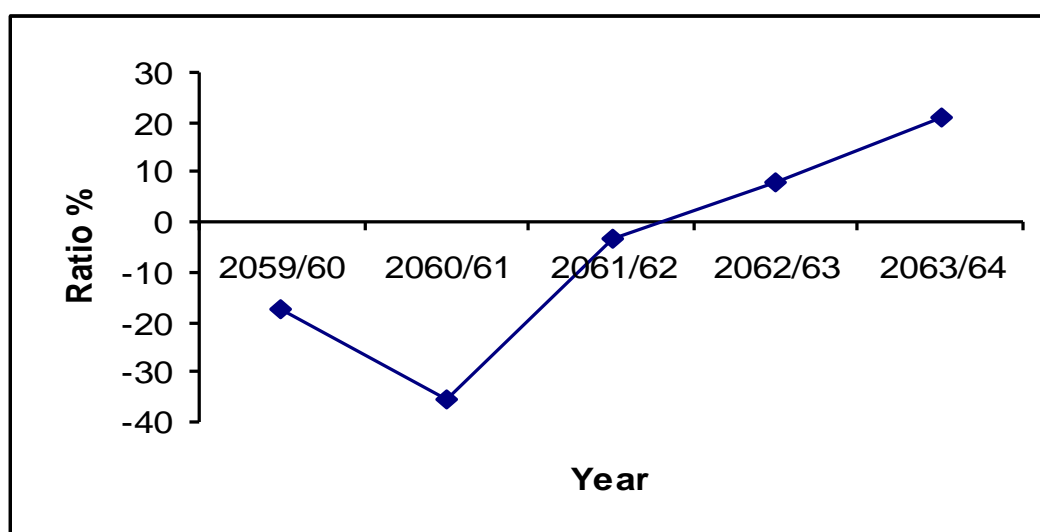
4.1.4.3 Analysis of Return on Net Loan and Advance

(Rs. '000')

Year	<u>Net Profit</u> Net Loan and Advance	Ratio %
2059/60	(2177908) / 12554084	(17.34)
2060/61	(3071296) / 8638438	(35.55)
2061/62	(251731) / 7971097	(3.15)
2062/63	710391 / 8881823	8.00
2063/64	1730130 / 8218910	21.05
	Average	(5.40)

Source: - Table no. 5 and table no. 3.

Figure no. 20



The above table & figure shows exhibits the ratio of net profit and net loan and advances of Nepal Bank Limited for the financial year of 2059/60 to 2063/64. The ratio is (17.34%), (35.55%), (3.15%), 8.00% and 21.05% respectively. The average of return on loan and advance is negative i.e. (5.40%).

These negative figures, shows the poorer situation of Nepal Bank Limited with its return on loan and advances. It can be seen clearly that Nepal Bank Limited is not being able to make profit through the loan and advances from 2059/60 to 2061/62 but from 2062/63, it is starting to earn profit and it shows Nepal Bank Limited is utilizing its loan and advances efficiently in profitable sector.

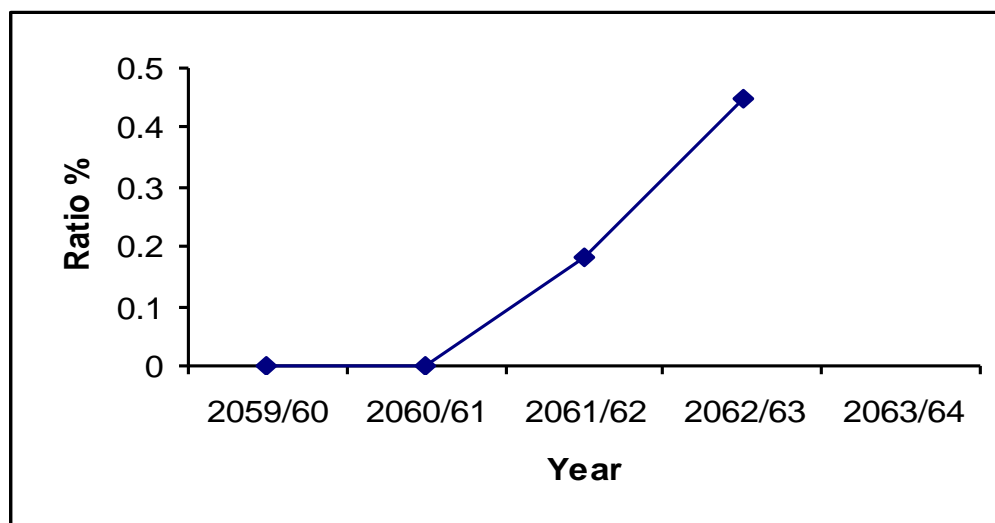
4.1.4.4 Analysis of Earning Per Share

(Rs. '000')

Year	<u>Net Profit</u> No. of Share	EPS
2059/60	(2177908.36) / 3803826	0
2060/61	(3071296) / 3803826	0
2061/62	(251731) / 3803826	0
2062/63	710391.39 / 3803826	0.18
2063/64	1730130 / 3803826	0.45
	Average	0.13

Source: - Table no. 5.

Figure no. 21



The above table & figure depicts the earning per share. In first three FY 2059/60, 2060/61 and 2061/62, there was a pitiable situation of Nepal Bank Limited because amount of net profit was in negative and the calculation does not give even single digit figure. In that period the shareholders of Nepal Bank Limited have no chance to get the earning because of the negative return each year.

However, the bank is able to earn profit significantly in the financial year of 2062/63 and 2063/64. It was Rs. 710391.39 and Rs. 1730129.70. In addition, it can earn Rs. 180 and Rs. 450 per share in FY 2062/63 and 2063/64.

4.2 Trend Analysis

To overview the trend of deposit, lending and the relationship of the lending and deposit, trend analysis has been performed. The study of data over a long period enables us to have a general idea about the pattern of behavior of the phenomenon under consideration. Trend analysis helps in business forecasting and planning future operation. Trend analysis enables us to compare two or more series over different periods and draw important conclusion about them.

4.2.1 Deposit Growth Trend

The main function of a commercial bank is the collection of deposits and its utilization, collection of deposit show the bank's efficiency in performance and reliability of its activities. It indicates the success of profitability and its service orientation. Banks have to pay interest on its deposit and pay dividends to its shareholders. So, more earning and more interest distribution can be achieved through deposit collection and its productive use.

The deposit trend shows the contribution of the various deposit mix like current, saving, fixed and other. The deposit mix shows the picture of the nature of deposit, liability of deposit and liquidity condition of the bank. The lending strategy would be adopted by analyzing the deposit mix.

The current deposits are very short – term mature and the fixed deposits are long – term i.e. one year or more years. The efficient deposit and its utilization in productive sector relating to the industry, commerce, foreign trade, tourism, service and business area, ultimately contribute to the national economy. Thus, collection of deposit of Nepal Bank Limited analyzed as follows:

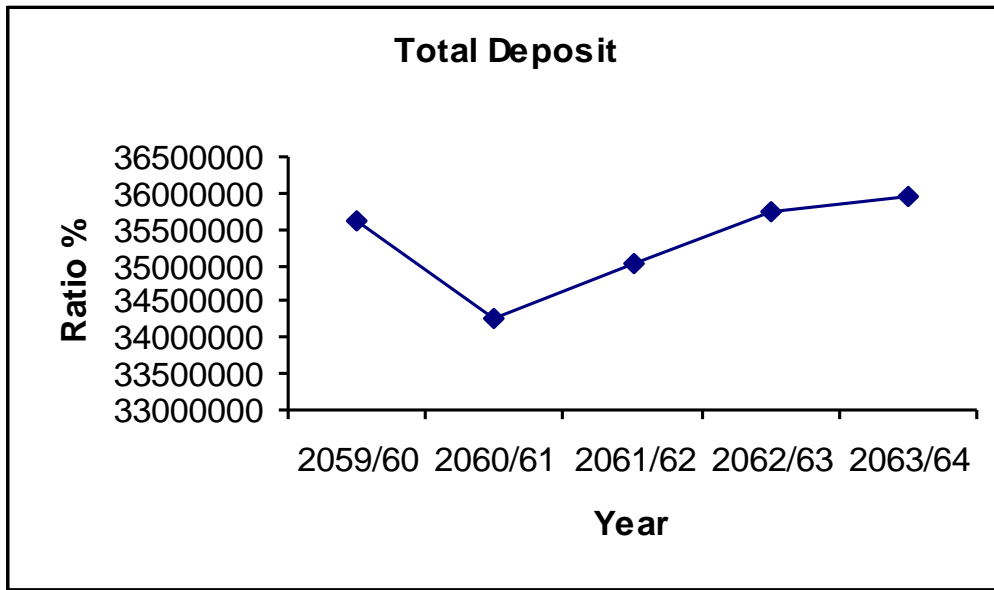
Table no. 6

Showing the table of total deposit, total fixed deposit, total current deposit, total saving and total other deposit

(Rs. '000')

Year	Total Deposit	Fixed Deposit	Current Deposit	Saving Deposit	Other Deposit
2059/60	35618590	10171136	5062490	20058243	326721
2060/61	34264846	9731275	4324177	19855121	354273
2061/62	35014001	8389959	4706530	21628036	289476
2062/63	35735044	7815947	5536947	22204405	177745
2063/64	35934164	6191011	5840826	23489130	413197
Average	35313329	8459866	5094194	21446987	312282

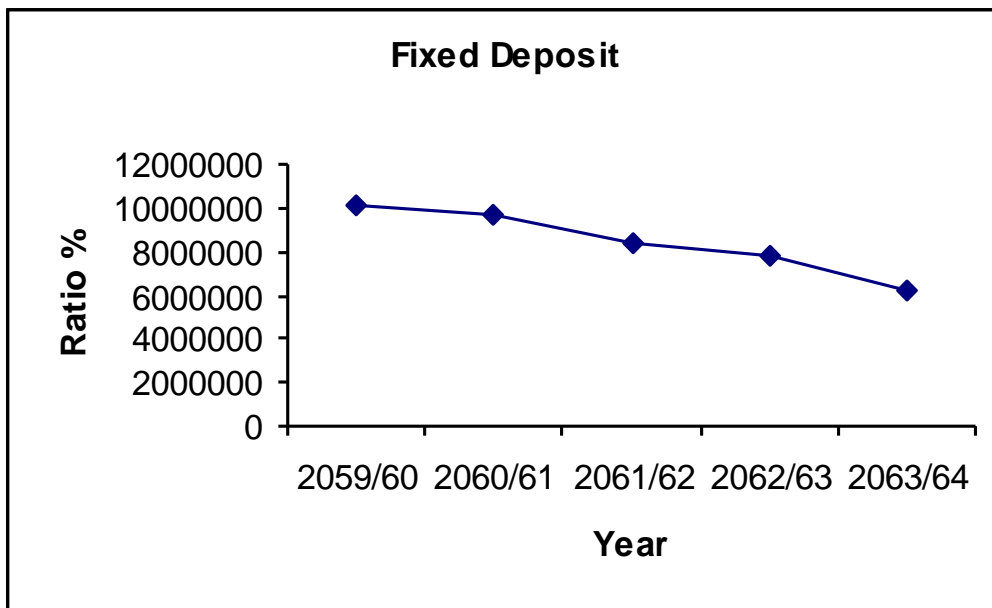
Figure no. 22



Source: - Table no. 6

In the above figure, the trends of total deposit from 2060/61 is increasing slowly.

Figure no. 23

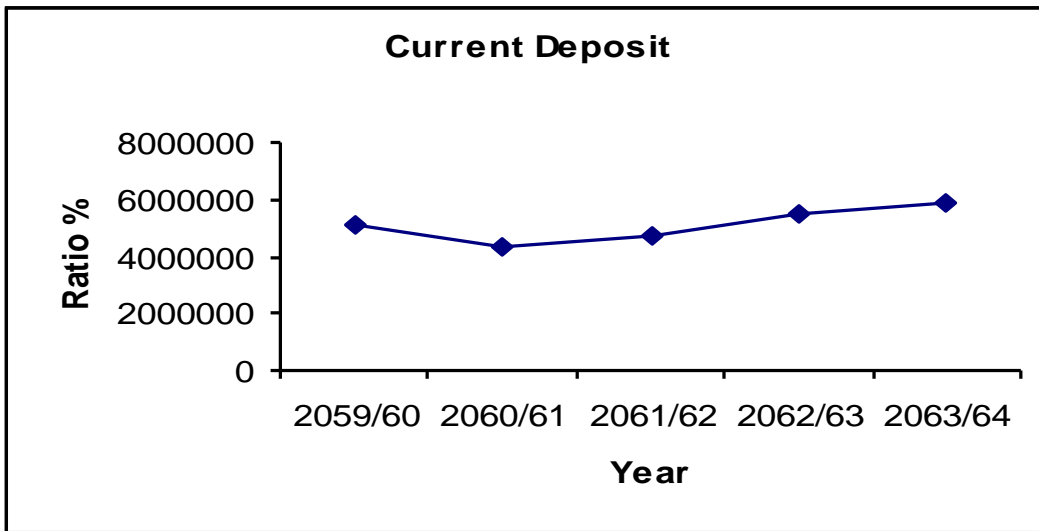


Source: - Table no. 6

In the above figure, the trends of Fixed deposit from 2059/60 to 2063/64 are shown.

In 2059/60 the amount of total deposit is decreasing.

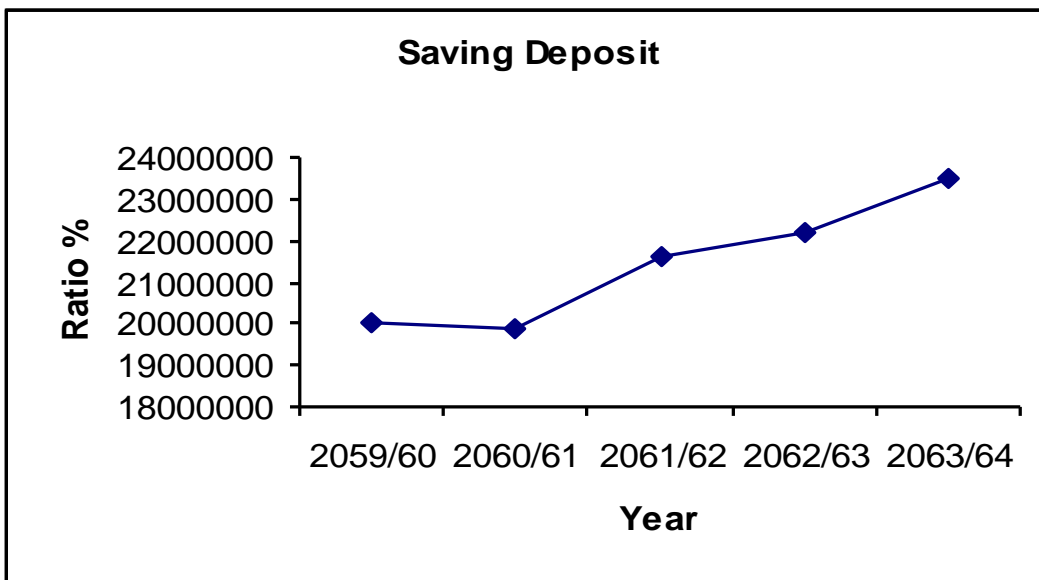
Figure no. 24



Source: - Table no. 6

In the above figure, the trends of current deposit from 2059/60 to 2063/64 are shown. In 2060/61 slightly decrease and again from 2061/62 the amount of current deposit is increasing.

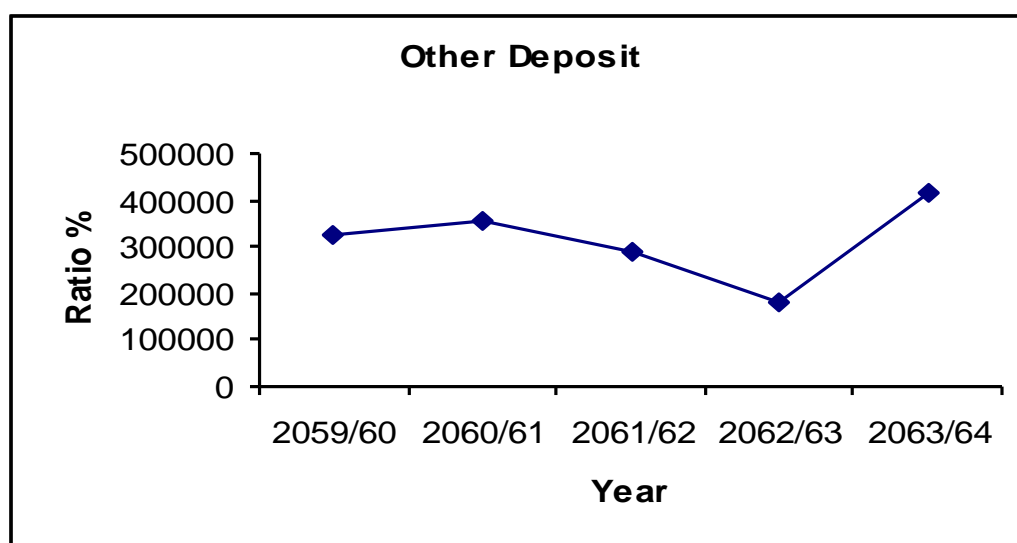
Figure no. 25



Source: - Table no. 6

In the above figure, the trends of fixed deposit from 2059/60 to 2063/64 are shown. In 2060/61, the amount of saving deposit gradually increasing.

Figure no. 26



Source: - Table no. 6

In the above figure, the trends of fixed deposit from 2059/60 to 2063/64 are shown. In 2062/63, the amount of other deposit gradually increasing.

Table no. 7

Showing the percentage of total growth rate of total deposit, fixed deposit, current deposit, saving deposit and other deposit

(Rs. '000')

Year	Total Deposit Growth Rate %	Fixed Deposit Growth Rate %	Current Deposit Growth Rate %	Saving Deposit Growth Rate %	Other Deposit Growth Rate %
2059/60	–	–	–	–	–
2060/61	(96.20)	95.68	85.41	98.98	108.43
2061/62	102.18	82048	92.96	107.82	88.60
2062/63	100.32	76.84	109.37	110.70	54.40
2063/64	100.88	60.86	115.37	117.10	126.46
Average	98.93	78.97	100.78	108.65	95.58

Source: – Table no. 6

Formula for Growth rate = $\frac{\text{Current year deposit}}{\text{Base year deposit}}$

Here, base year is 2059 / 060

The deposit growth trend shown in the table no. 7. The total deposit's growth rate is swinging from 96.20% to 100.88% and average growth rate is 98.93%. Similarly, the fixed deposit's growth rate is declining. It is in between of 60.86% to 95.68% and average growth rate is 78.97%. Likewise, the growth rate of current deposit is depicted from 115.37% to 85.41% and average growth rate is 100.78%.

In the same way, growth rate of saving deposit is gradually increasing from 98.98% to 117.10% and average growth rate is 108.65%. However, the growth rate of other deposit is swinging from 54.40% to 126.46% and average growth rate is 95.58%. By this analysis, we can say that there is no relationship in different deposits.

4.2.2 Investment, Loan and Advance Trend

When we say the bank, everyone thinks about the deposit and side by side the loan. The deposit and lending are the unanimously two jobs of the bank as a same category or we can say two sides of a coin. The efficient management is to not only accelerate the deposit but also invest in a proper and suitable sector to the available resources. The proper and efficient utilization of bank's deposit and other resources can enhance the bank's performance and credibility. The value and worthiness of the bank esteemed the sound investment portfolio of the resources. The investment, loan and advance are analyzed as follows:

Table no.8

Showing the percentage of total growth rate of Investment, Loan and Advance and Percentage change of Investment, loan and advances

(Rs. '000')

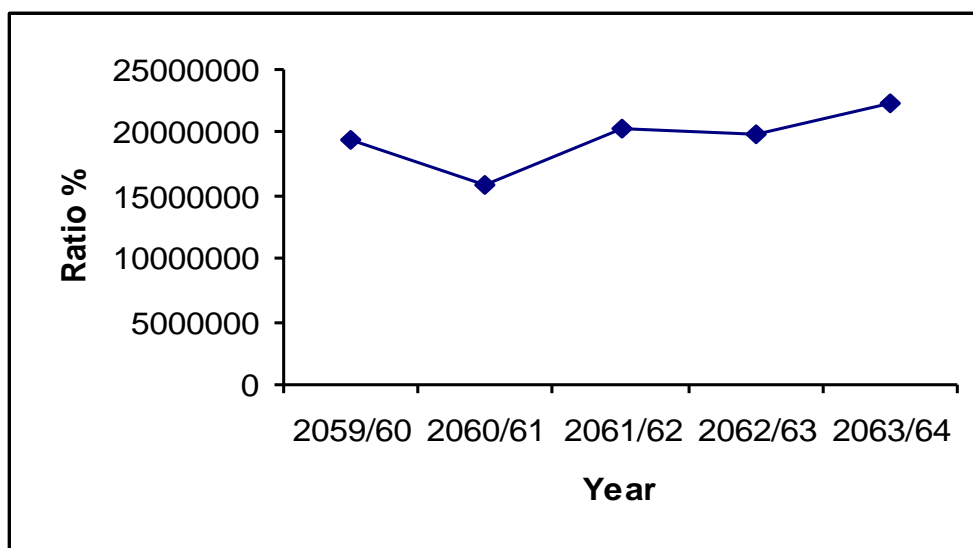
Year	Investment, Loan and Advance	Percentage Growth Index	Percentage Change
2059/60	19330410	-	-
2060/61	15789820	81.68	(14.79)
2061/62	20418797	105.63	29.32
2062/63	19886643	102.88	(2.60)
2063/64	22418126	115.97	12.72
Average	19568759	101.54	2.53

Note: Here Investment, Loan and Advance Growth rate of 2059/60 is 95.86%.

$$\text{Percentage Growth rate Index} = \frac{\text{Current Year Investment, Loan and Advance}}{\text{Base Year Investment, Loan and Advance}}$$

$$\text{Percentage change} = \frac{\text{Current Year growth rate} - \text{Base year growth rate}}{\text{Base year growth rate}}$$

Figure no. 27



Source: - Table no. 9

The above table & figure shows the trend of the loans and advances with investments. If we assume the base year to the FY 2059/60, the growth rate is depicted from 81.68% in FY 2060/61 to 115.97% in FY 2063/64 with the average of 101.54%. Likewise, the change percentage is 29.32% which is the highest in FY 2060/62 and negative 14.79% which is the lowest in FY 2060/61. The average change is 2.53% of investment, loan and advances in each year.

4.2.3 Deposit Utilization Trend

The chief function of the bank is the utilization of its deposit effectively. The indicator of the efficiency of the bank is the quality of the resources mobilization i.e. management of loans and advances. The deposit utilization is analyzed as follows

Table no. 9

Showing the table of Investment, Loan and Advance, total deposit, percentage of total growth rate of Investment, Loan and Advance, Percentage change of Investment, loan and advances and deposit utilization rate

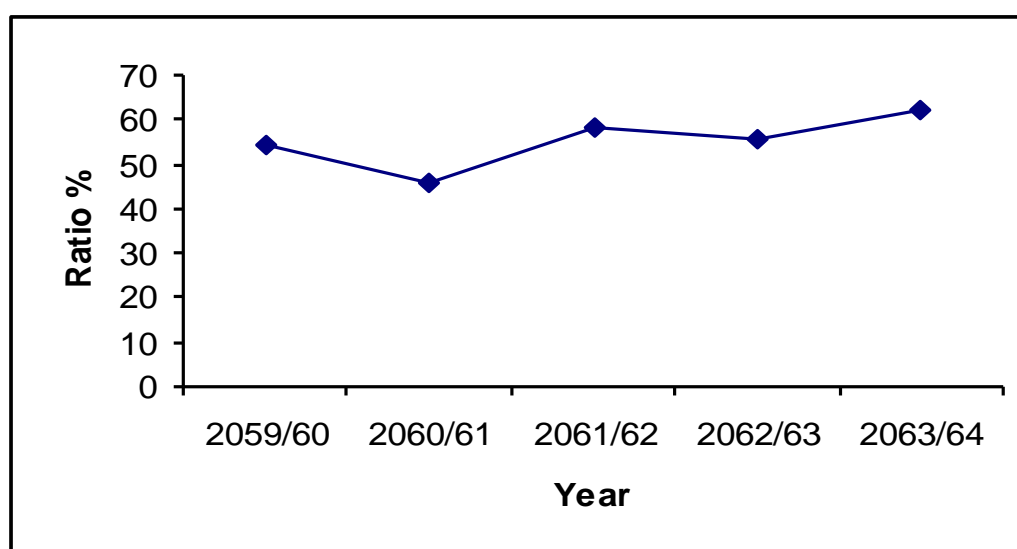
(Rs. '000')

Year	Investment, Loan and Advance	Total Deposit	% Growth Index	% change	Deposit Utilization Rate
2059/60	19330410	35618590	-	-	54.27
2060/61	15789820	34264846	96.19	(3.40)	46.08
2061/62	20418797	35014001	102.18	6.22	58.32
2062/63	19886643	35735044	102.05	(0.12)	55.65
2063/64	22418126	35934164	100.56	(1.46)	62.38
Average					55.34

Note: Here, Deposit Growth rate of 2057/58 is 99.58%.

Deposit Utilization rate = $\frac{\text{Investment, Loan and advance}}{\text{Total Deposit}}$

Figure no. 28



Source: - Table no. 10

The above table and figure exhibits the deposit utilization ratio from FY 2059/60 to 2063/64. The highest ratio is 62.38%, which has been utilized in FY 2063/64, and the lowest ratio is 46.08% in FY 2060/61. The deposit utilization ratio is above the average is 58.32%, 55.65% and 62.38% in the last three FY 2061/61, 2062/63 and 2063/64 respectively. But in the first two FY, the deposit utilization ratio is below the average which is 54.27% and 46.08% in FY 2059/60 and 2060/61 respectively. Deposit utilization rate of NBL is increasing trend and its average utilization rate is 55.34%, which shows NBL is utilizing its deposit efficiently towards investment, loan and advances.

4.3 Analysis of Correlation Coefficient of Various Variables in NBL

The statistical tool of coefficient of correlation has been studied to find out whether the available variables are inter- correlated or not. Now to find out the correlation of net worth and net profit, total deposit and investment, and also non-performing assets and total loan, the widely used method of Karl Pearson's Correlation coefficient has been adopted.

$$\text{Coefficient of Correlation (r)} = \frac{N \sum XY - \sum X * \sum Y}{\sqrt{N \sum X^2 - (\sum X)^2} \sqrt{N \sum Y^2 - (\sum Y)^2}}$$

4.3.1 Correlation Coefficient of net worth and net profit of NBL

Table no. 10

(Rs. 000)

Year	Net Worth	Net Profit
2059/60	(1669.55)	(2177.90)
2060/61	(2511.65)	(3071.30)
2061/62	(2584.54)	(251.73)
2062/63	(2369.86)	710.39
2063/64	(1952.00)	1730.12
Correlation (r)		0.05
Probable Error (P.E.)		0.4461

The above table depicts the correlation coefficient between net worth and net profit for five sample years of NBL remained 0.05. Similarly, the probable error of correlation coefficient remained 0.4461. Since 'r' is less than ± 0.5 and also less than six times of the probable error (P.E.), the coefficient of correlation is not significant. In other words, the net profit is not correlated to the net worth of Nepal Bank Limited (NBL) in the study period of five years from FY 2059/60 to 2063/64.

4.3.2 Correlation Coefficient of Total Deposit and Investment of NBL

Table no. 11

(Rs. '000')

Year	Investment	Total Deposit
2059/60	6776.32	35618.59
2060/61	7151.38	34264.85
2061/62	12447.70	35014.00
2062/63	11004.82	35735.04
2063/64	14199.22	35934.16
Correlation (r)		0.4849
Probable Error (P.E.)		0.34

The above table depicts the correlation coefficient between investment and total deposit for five years of NBL remained 0.4849. Similarly, the probable error of correlation coefficient remained 0.34.

Since 'r' is less than ± 0.5 and also less than six times of the probable error (P.E.), the coefficient of correlation is not significant. In other words, the investment is not correlated to the total deposits of NBL in the study period of five years from FY 2059/60 to 2063/64. This means that there is not much increment of investment with respect to the increment in the total deposit.

4.3.3 Correlation Coefficient of Non-performing Assets and Total Loan of NBL

Table no. 12

(Rs. in 000)

Year	Non-Performing Assets	Total Loan
2059/60	10372.94	20418.94
2060/61	10745.97	19252.87
2061/62	10602.02	18132.33
2062/63	9572.47	17937.66
2063/64	8364.58	16866.55
Correlation (r)		0.74
Probable Error (P.E.)		0.2023

Table no. 4.28 demonstrates the correlation coefficient and probable error between non-performing assets and total loan in NBL remained 0.74 and 0.2023 respectively. Since 'r' is more than ± 0.5 but 'r' is less than six times of probable error i.e. $0.74 < 6 * 0.2023$. It indicates that there was negative correlation between non-performing assets and total loan. This means there is not much decreasing of non-performing assets with respect to the decreasing in the total loan.

4.4 Major findings of the study

The preceding chapter have discussed and explored the facts and matters required for the various parts of the study. Analytical part, which is the heart of the study, makes and analysis of various aspects of the financial performance of commercial banks by using some important financial as well as statistical tools. Having completed the basic analysis required for the study, the final and most important task of the researcher is to en list findings issues and gap of the study and give suggestions for further improvement. This would be meaningful to the top management of the bank to initiate action and achieve the desired result. The objective of the researchers is not only to point errors and mistakes but also to correct them and give directions for further groth and improvement. The main findings of the study that are derived on the basis of financial data analysis of Nepal Bank Ltd are presented below

- 1) The liquidity position of the Nepal Bank Limited is higher than the requirement. The cash balance to total deposit ratio is an average of 3.94%, the cash and bank balance to total deposit ratio is an average of 16.72%, the NRB Balance to total deposit ratio is an average of 9.86% and cash and bank balance to current deposit ratio is an average 110.94%. In this reason, the liquidity position is sound and high level compared to the directives prescribed by Nepal Rastra Bank in time to time.
- 2) The capital adequacy position in terms of total debt to total assets is found so much higher in an average of 116.47%, likewise total debt to shareholder's fund is in an average 19.05 times. In this regard, the bank has very low equity capital as compared to other capital. By utilizing more debt capital, the bank has to pay more charge, which adversely affects its profitability.
- 3) The shareholder's equity to total assets ratio is in an average of 0.88%. It means that the Nepal Bank Limited is utilizing a low shareholder's equity. The contribution of shareholder's equity to the total assets is very nominal.
- 4) The activity ratio in terms of investment to total deposit ratio is increasing in first three fiscal years. The average of investment to total deposit ratio is 29.15%. Likewise, investment to total assets ratio is also in more synchronized position. The ratio is in increasing trend. The average of investment to total

assets ratio is 23.86%. This shows that the Nepal Bank Limited is discouraging the investment of its resources.

- 5) The total lending position of Nepal Bank Limited is very low. As the ratio of total lending to total assets is an average of 45.25% and total lending to total deposit is 55.34%. It means that the bank is holding more funds rather to invest it.
- 6) The loan and advance to total deposit ratio of Nepal Bank Limited is an average of 26.19% only. It means that, Nepal Bank Limited can not lending its available deposit but holding the fund and deposit to own custody. The pending of more than 70% of its deposit is quite big amount for the investment or in earning sector. It makes adverse effect to the bank in terms of efficiency and profitability also.
- 7) Obviously, the fund of Nepal Bank Limited is not utilizing. The resources are in liquid position, which do not give any return. Then the profit definitely moves down. The net profit to total assets ratio is (1.09%) in an average. This shows that the return on assets is negative way i.e. in loss trend.
- 8) Total deposit is the combination of fixed deposit, current deposit, saving deposit and other deposit. The average growth of fixed deposit is 78.97%, current deposit is 100.78%, saving deposit average is 108.65% and other deposit ratio average is 95.58%. In 2063/064 growth of fixed deposit ratio is below the average, current deposit is above the average, saving and other deposit are also above the average.
- 9) Coefficient of Correlation and Probable Error measures the relationship between two variables. Coefficient of Correlation (r) and Probable Error (P.E). The measure criteria, is 6 times of its P.E with compared to the coefficient of correlation. Thus, net worth and net profit, investment and total deposit are not correlated. Similarly, the non-performing assets and total loan of NBL is also negative correlation.
- 10) Bank should regularly follow the credit customer to conform that whether the customer have utilizes their credit for the same purpose committed at time of talking credit from the bank.

Chapter–Five

Summary, Conclusion and Recommendation

Summary of the study

A brief overlook of previous chapters, major findings and conclusions of the study are presented in this fifth and the last chapter. At the end, some valuable suggestions and recommendations are put forwarded for the benefit of Nepal Bank Limited as well as concerned persons and groups.

This study has been concluded with a vision to assess financial performance of NBL. Financial tools and statistical tools have been used to make this study more effective and informative. This study has covered five years data from 2057/58 to 2061/62 of NBL. In this section, the researcher has tried to summarize the financial performance of NBL.

The banking institutions are also not free from competitions prevailing in the country as well as international market. Various international and domestic unrest and threats have affected very much in the financial sector. All sectors of the economy have also affected to the financial sector. Therefore, all sectors of the economy have suffered as set back due to those and many other reasons. However, in line with the current market trend, the bank is making all possible efforts to consolidate its business portfolio and cut down the cost in all operating areas to gain or maintain the profit.

The role of the commercial bank is a crucial task of capital formation and its utilization in proper way, which is the key variable of the national economic development too. Scattered resources held no meaning unless they are mobilized in effective and productive sector. The bank can contribute the process of capital investment in order to industry, trade, commerce and agriculture for the economic development of a nation. The goal of economic development can not be achieved without strong capital base and the commercial banks play the pivotal role for the nation of such base.

In this study, some of the financial tools such as; ratio analysis, trend analysis and coefficient of correlation has been used. The role of Nepal Bank Limited, in the country can not over emphasize. Today NBL has already spend more than sixty years

in serving the nation, apart from its traditional function, it has served as a major institution for the development of the nation. Thus, it has contributed the major role for the betterment of the country.

The financial analysis is the process of identifying the financial strength and weakness of the firm. The financial analysis has been adopted to know the performance of NBL over the period of five years i.e. FY 2057/58 to 2061/62. In this study, horizontal or dynamic type of financial analysis has been adopted as a series of statements relating to five years. The trend analysis and mostly used ratio analysis and statistical tools of Karl Pearson's correlation coefficient are adopted. The four types of ratio analysis viz. liquidity, capital structure, leverage, and profitability ratios have been calculated, analyzed and interpreted in this study to evaluate the financial performance of Nepal Bank Limited. From the study, the findings are categorically emphasized in brief as such.

5.1 Conclusion

The following conclusions are derived from the study: Nepal Bank Limited has not maintained a balanced ratio among its deposit liabilities. Consequently, the bank does not seem to be able to utilize its high cost resources in high yielding investment portfolio. The investment portfolio of the bank has not been managed so efficiently as to maximize the returns. There is lack of demarcation of between operational and non-operational activities of the bank. The result shows that the bank is more inclined towards non-operational activities.

The operational efficiency of the bank is found unsatisfactory because of the series of operational loss over first three years. The allocation of loans and advances by the bank does not seem as meaningful as the productive sector portfolio. As compare to social and other loans, agriculture sector and service sector loans are quite negligible. As a result, the profitability of the bank is in negative trend in first three FY. The lower return on investment of the bank and prevailing payout ratio is not justified at all. Lower market value is a reflection of a weaker financial performance of the bank. The growth rate of total investment is not proportionate. The trend ratio of the total assets and total investment is increasing and their ratio is fluctuating.

In the statistical analysis, the net worth and net profit, investment and total deposit and non-performing assets & total loan of NBL is not correlated. The liquidity ratio is much higher than that required of the bank or as prescribed by the Nepal Rastra Bank. However, all the other activity, leverage and profitability ratios are very low and negative position. Basically, the return on equity and earning per share are in nominal level.

5.2 Recommendation

A clear financial picture can be viewed from all above presentation. Now, some valuable and timely suggestions and recommendations are put forwarded on the basis of findings and conclusion or literally their financial pictures in order to revitalize and improve the financial position of Nepal Bank Limited.

- 1) The liquidity position is relatively more than the minimum requirement criteria of Nepal Rastra Bank to 3% of its total deposit only. In the changing context and the situation of serious security environment, Nepal Bank Limited has to minimize its cash position in their vault for the sake of security and the utilization of its fund in income generating sectors.
- 2) The leverage ratio of Nepal Bank Limited is in very high position. The NBL should decrease its debt ratio position more and more. The bank should increase its equity position for the future contingency.
- 3) The activity ratio measuring the efficiency achievement towards the income generating activities of the NBL. The bank should invest all the excess balance of liquid fund in income generating sector.
- 4) Due to the creeping lending position of the bank, the profitable position of the bank seems to be very serious. The earning power ratio to total assets is in negative way. This is a very serious matter. Near to double-digit inflation rate of Nepalese context, the bank should rethink towards the revitalization of its position and must boost- up the earning power.
- 5) NBL should move towards the modern banking facilities, prompt service in each branch, and provide new product to the customer to attract relative growth trend of deposit.

- 6) The lending growth rate of NBL is in creeping position and downward position in somehow. That is why, the following lending processes are recommended.
 - i. Follow the liberal lending policy.
 - ii. Develop a special investment promotion unit.
 - iii. Identify new portfolio investment opportunity.
 - iv. Grand mid-term and short term loan.
 - v. Should launch productive credit programs.
- 7) The net profit trend of NBL is highly negative in first three fiscal year because of more than 60% Non-Performing Assets but now, NBL is earning profit from last two years. Therefore, the bank should look forward to maximize the profit through good lending and sound management.
- 8) Total deposit is not correlated with the bank's loan and advance. This is very serious matter and the main cause of over liquidity. Thus, try to make the correlation between total deposit and loan and advance.
- 9) The bank should adopt efficient and modern management concept to make more capable to their activities as well as fulfill the growing demand of current financial services.
- 10) Necessary to diversify the bank's credit investment from commercial and consumption sector to productive sector. It can make capable utilizing its resources efficiently and fulfill the goal of flourishing industry and agriculture in the country.
- 11) The bank should built local channel to collect deposit and lending opportunity. Similarly, in this twenty first century, in the time of globalization, the bank should provide prompt service to its customer.
- 12) Maximize the profitability by gearing up the irregular credits and make proper evaluation of the credit norms while sanctioning the loan.
- 13) Enhance the profitability through effective and efficient in arrangement and accountability with credit worthiness.

14) Bank should regularly follow the credit customer to conform that whether the customer have utilizes their credit for the same purpose committed at time of talking credit from the bank.

15) Bank should strictly band the policy of nepotism and favoritism. on the basis of capability and efficient recruitment, placement and promotion should be executed.

The contribution of the bank in the mobilization and utilization of resources becomes ineffective and the goal of commercial banks remains unfulfilled. Thus, it should carefully examine safety of principle as well as sources of repayment, capital structure and credit worthiness of a borrower for providing credits. In other words, credit risk by considering well-known five C's credit viz. character, capacity, capital, collateral and condition.

Annex – 1

Calculation of Correlation coefficient of Net Worth and Net Profit

(Rs. in Ten Crore)

Year	Net Profit (x)	Net Worth (Y)	X ²	Y ²	XY
2059/60	(21.77)	(16.70)	473.93	278.89	363.55
2060/61	(30.71)	(25.12)	943.10	631.01	771.43
2061/62	(2.51)	(25.85)	6.30	668.22	64.88
2062/63	7.10	(23.70)	50.41	561.69	(168.27)
2063/64	17.30	(19.52)	299.29	381.03	(337.70)
N=5	(30.59)	(110.89)	1773.03	2520.84	693.89

Here,

$$N = 5, \quad X = (30.59), \quad Y = (110.89), \quad X^2 = 1773.03, \quad Y^2 = 2520.84, \quad XY = 693.89$$

$$\begin{aligned}
 \text{Correlation Coefficient (r)} &= \frac{N \sum XY - \sum X * \sum Y}{\sqrt{N \sum X^2 - (\sum X)^2} \sqrt{N \sum Y^2 - (\sum Y)^2}} \\
 (r) &= \frac{5 * 693.89 - (30.59) * (110.89)}{\sqrt{5 * 1773.03 - (30.59)^2} \sqrt{5 * 2520.84 - (110.89)^2}} \\
 &= \frac{3469.45 - 3392.12}{\sqrt{8865.15 - 935.74} \sqrt{12604.2 - 12296.59}} \\
 &= \frac{77.33}{89 * 17.53} \\
 &= 0.049 \sim 0.05
 \end{aligned}$$

Annex – 2

Calculation of Correlation coefficient of Total Deposit and Investment

(Rs. in Ten Crore)

Year	Investment (X)	Net Worth (Y)	X ²	Y ²	XY
2059/60	67	356	4489	126736	23852
2060/61	71	342	5041	116964	24282
2061/62	124	350	15376	122500	43400
2062/63	110	357	12100	127449	39270
2063/64	141	359	19881	128881	50619
N=5	513	1764	56886	622530	181423

Here,

$$N = 5, \quad X = 513, \quad Y = 1764, \quad X^2 = 56886, \quad Y^2 = 622530, \quad XY = 181423$$

$$\begin{aligned}
 \text{Coefficient of Correlation (r)} &= \frac{N \sum XY - \sum X * \sum Y}{\sqrt{\left[\frac{N \sum X^2 - (\sum X)^2}{N} \right] \left[\frac{N \sum Y^2 - (\sum Y)^2}{N} \right]}} \\
 &= \frac{5 * 181423 - 513 * 1764}{\sqrt{\left[\frac{5 * 56886 - (513)^2}{5} \right] \left[\frac{5 * 622530 - (1764)^2}{5} \right]}} \\
 &= \frac{907115 - 904932}{\sqrt{284430 - 263169} \sqrt{3112650 - 3111696}} \\
 &= \frac{2183}{145081 * 30.88} \\
 &= 0.4849
 \end{aligned}$$

Annex – 3

Calculation of Correlation coefficient of Non-Performing Assets & Total Loan

(Rs. in Ten Crore)

Year	Investment (X)	Net Worth (Y)	X ²	Y ²	XY
2059/60	103	204	10609	41616	21012
2060/61	107	192	11449	36864	20544
2061/62	106	181	11236	32761	19186
2062/63	95	179	9025	32041	17005
2063/64	83	168	6889	28224	13944
N=5	494	924	49208	171506	91691

Here,

$$N = 5, \quad X = 494, \quad Y = 924, \quad X^2 = 49208, \quad Y^2 = 171506, \quad XY = 91691$$

$$\begin{aligned}
 \text{Coefficient of Correlation (r)} &= \frac{N \sum XY - \sum X * \sum Y}{\sqrt{N \sum X^2 - (\sum X)^2} \sqrt{N \sum Y^2 - (\sum Y)^2}} \\
 &= \frac{5 * 91691 - 494 * 924}{\sqrt{5 * 49208 - (494)^2} \sqrt{5 * 171506 - (924)^2}} \\
 &= \frac{458455 - 456456}{\sqrt{246040 - 244036} \sqrt{857530 - 853776}} \\
 &= \frac{1999}{44.766 * 61.2698} \\
 &= \frac{1999}{2742.88} \\
 &= 0.74
 \end{aligned}$$

Annex - 4

Calculation of Probable error of Net worth and Net Profit

$$\begin{aligned}\text{Probable Error (P.E) } &= \frac{1-r^2}{n} \\ &= \frac{1-(0.05)^2}{5} \\ &= \frac{1-0.025}{2.2360} \\ &= \frac{0.9975}{2.2360} \\ &= 0.4461\end{aligned}$$

Annex - 5

Calculation of Probable error of Total Deposit and Investment

$$\begin{aligned}\text{Probable Error (P.E) } &= \frac{1-r^2}{n} \\ &= \frac{1-(.04849)^2}{5} \\ &= \frac{1-0.2351}{2.2360} \\ &= \frac{0.7648}{2.2360} \\ &= 0.34\end{aligned}$$

Annex - 6

Calculation of Probable error of Net worth and Net Profit

$$\begin{aligned}\text{Probable Error (P.E)} &= \frac{1-r^2}{n} \\ &= \frac{1-(0.74)^2}{5} \\ &= \frac{1-0.5476}{2.2360} \\ &= \frac{0.4524}{2.2360} \\ &= 0.2023\end{aligned}$$

Annex – 7

$$\begin{aligned}\text{Percentage Growth rate Index} &= \frac{\text{Current Year Investment, Loan and Advance}}{\text{Base Year Investment, Loan and Advance}} \\ &= \frac{15789820}{19330410} \\ &= 81.68\end{aligned}$$

$$\begin{aligned}\text{Percentage change} &= \frac{\text{Current Year growth rate} - \text{Base year growth rate}}{\text{Base year growth rate}} \\ &= \frac{81.68 - 95.86}{95.86} \\ &= (14.79)\end{aligned}$$

Annex - 7

List of Commerical Bank

Name Operation Date

1. Nepal Bank Limited 1994/07/03
2. Rastriya Banijya Bank 2022/10/10
3. Agriculture Development Bank 2024/11/07

Bibliography

Books

Agrawal, A.N., Analysis of Financial Statement, 2nd Ed. New Delhi, National Publishing House, 1987.

Bajracharya, B.C. (2060), Business Statistics & Mathematics, Kathmandu; MK Publishers and Distributors.

Batliboy, J.R., Advanced Accounting, 31st Ed. Bombay, the standard accounting publication, 1992.

Dhungel, D.N., Summary of 9th Plan, Kath. Nobel Books Publications, 2056 B.S.

Gupta, S.P., Management Accounting, Agra, Sahitya Bhawan, 1994.

Hampton, J.J., Financial Decision Making, New Delhi, Tata Mcgraw Hill Publishing Co., 1980.

Hanks. J.W. & Stucki, R., Money, Banking & National Income, New York, 1st Ed., 1956.

Jha, S.B., Crisis in Nepalese Commercial Banks, Kath. Institution of 3rd World Economic Studies, 1984

Kothari, C.R., Quantitative Technique for Management, 7th Ed., Allahabad, Chaitanya Publishing House Co.

Levin, R.I. & David S.R., Statistics for Management, 7th Ed. , New Delhi, Prentice Hall of India Pvt. Ltd., 1997.

Mithani, D.M., Money, Banking & International Trade, Bombay, Himalayan Publishing House, 1993.

Pandey, I.M., Financial Management 5th Ed. New Delhi, Bikas Publishing House Pvt. Ltd., 1992

Pradhan, S., Basis of Financial Management, 2nd Ed. Kath., Educational Enterprise, 2000.

Weston, J.F. & Brigham E.F., Fundamental of managerial Finance, 7th Ed. New York, The Dryden Press, 1997.

Articles

Bhattacharai, M. (2059), “Restructuring Process of Commercial Bank & Responsibility of Restructuring Team”, Nepal Rastra Bank Samachar – Vol. 47, NRB.

Dhungana, B.R. (2004), “Financial Sector Reform in Nepal” Rastriya Banijya Bank Pratiyogita Digidarshan, Kathmandu; Makalu Prakashan.

Gautam, B. (2061), “Some Aspects of Economic Development”, Nepal Rastra Bank Samachar- Vol. 49, NRB.

Karki, Uma (2059), “Challenges of Non-Performing Loan Management in Nepal”, Nepal Rastra Bank Samachar- Vol. 47, NRB.

Pendleton, B. (2061), “Nepal’s Financial Reform: A Tardy Pace of Deliberate Race”, Nepal Rastra Bank Samachar- Vol. 49, NRB.

Thakur, A.K. (2059), “Risk Management of Commercial Bank and Financial Institution”, Nepal Rastra Bank Samachar- Vol. 47. NRB

Acts, Rules, Regulations and Directives

Article 2 (A), Commercial Bank Act (2031)

Article 2 (B), Bank and Financial Institutions Ordinance, (2060)

Section1, Directives to the Commercial Banks, NRB, 2003

Section 2, Directives to the Commercial Banks, NRB, 2003

Reports and Publications

Annual Report, NBL 2005/06

Annual Report, NBL, 2004/05

Annual Report, NBL, 2003/04

Annual Report, NBL, 2002/03

Annual Report, NBL, 2001/02

Unpublished Thesis

Adhikari, D.R.(1993), “Evaluating the Financial Performance of Nepal Bank Ltd.”, Unpublished Master’s thesis, Central Department of Management, Tribhuvan University.

Bista, Kalyan.(2002), “A study of Financial Performance of NABIL Bank Ltd. Unpublished master’s Thesis, Tribhuvan University.

Ghimire, J.N.(2004), “ Comparative Study on Financial Performance of Nepal SBI bank Ltd.” , Unpublished master’s Thesis, Tribhuvan University.

Lamichhane, Dependra (2004), “Financial Performance Analysis of Friendship and Economic community Saving and Loan Co- operative society Ltd.” Unpublished master’s Thesis, Tribhuvan University.

Luintel, Nabin Kishore.(2003), “A study of Financial Performance of Nepal Bank Ltd.”, Unpublished master’s Thesis, Tribhuvan University.

Pali, Krishna Ram(2000), “ Financial Evaluation and Analysis of Nepal Investment bank and Nepal Standard Chartered Bank Ltd.”, Unpublished Master’s thesis, Central Department of Management, Tribhuvan University.

Paudel, B.(2000), “A Comparative Study on the Financial Performance of NIBL and NGBL”, Unpublished Master’s thesis, Central Department of Management, Tribhuvan University.

Rana, S.B.(2007), “A Comparative Financial Performance Analysis of NABIL Bank Ltd. and Himalayan Bank Ltd.”, Unpublished Master’s thesis, Central Department of Management, Tribhuvan University.

Shakya, A.S.(2002), “ An Evaluation of Financial Performance of the Himalayan Bank Ltd.”, Unpublished Master’s thesis, Central Department of Management, Tribhuvan University.

