

CHAPTER - I

INTRODUCTION

1.1 Background of the Study

Development and expansion of capital market are essential for the rapid economic growth of the country which helps economic development by mobilizing long-term capital needed for productive sector. Capital market is an indication of national economy, and its smooth operation leads a country to economic growth. So capital market is the back bone of national economy. Financial intermediaries play vital role in such fund movement i.e. from the surplus holders to the needy. In this regard, financial institutions are the formal medium for contributing effective utilization of the available resources in the economy. Likewise, financial market is another prosaic contributor for effective financial/ capital transactions.

Money market means financial market that facilities the flow of short term funds which is less than one year, Where as capital market facilitate the flow of long-term funds. Likewise, there are two types of securities. Securities having life less than one year are called money market securities and securities having long life, generally of more than a year are called capital market securities. Money market securities stands for higher liquidity whereas capital market securities provide higher return . Transactions of securities are conducted on the open auction principle on the trading floor. The buying broker with the highest bid will post the price and his code number on the buying column, while the selling broker with the lowest offer will post the price and code number on the selling column on the quotation board. The market makers quote their bid and offer price on their own board before the trading starts on the stock exchange floor. Once the bid and offer price match, contracts between the buying and selling brokers, or between the brokers and market makers, are concluded on the floor.

Financial performance and stock market are interlinked and positively correlated. The well functioning stock market allows stockholder to achieve efficient diversification, which reduce risk, which in turn, lowers the risk premium component in the cost of

capital. Stock markets lower the cost of capital by liquidating investor's investment. It encourages investors to retain their earning and convert it into cash by selling shares in the stock market. The stock market provides an opportunity to the portfolio managers and public for direct participating and sharing the gain of economic progress.

The fair price and the market price are the components that are recursively discussed by the investors before deciding their investment portfolios. The fair price is the price derived by using the various models of investment analysis. Some of the models are Net Assets Value (NAV) approach, Dividend Discount Model, P/E ratio, and Option Price Model. These models give the fair market price and a threshold to the potential investors about the value of the common stock trading at the stock exchange. Nevertheless, the investor risks return indifference curve is the determining factor that dominates the transaction. In a clearer tone, difference in perception among the investors is the root cause for transactions. This means that the seller of the stock perceive that the price of the stock will decline in the future, whereas the buyer perceive that the stock price will increase, these two differences in perception will lead to the coincidence of perception at a particular point. Thus, at this point the transaction takes place.

The substantial portion of stock trading is of commercial banks in the present scenario of Nepal Stock Exchange. Investors are interested in investing commercial banks' stocks rather than stocks of other manufacturing companies and sectors. This may be due to the higher credibility that the banks possess in the economy which is reflected in stock market. Practically and realistically, stock market is said to be mirror of the economy. However, the concept does not follow literally in the Nepalese market as coincided in developed economy. This is because of relatively less informative and awareness of individuals in the stock market.

Financial Market is the place where the financial instruments like share, bond and debenture are traded. "A financial market is a market for creation and exchange of financial assets if you buy or sell financial assets, you will participate in financial market in some way or other." (Pradhan, 2002:24). There are different types of financial markets.

Each market serves a different set of customer or deal with different types of security. Transfer of capital between savers and those who need capital take place in different ways like direct transfer, indirect transfer through investment banks and indirect transfer through financial intermediaries.

Capital Markets are also classified as primary markets and secondary markets. Primary markets are involved when securities are issued for the first time in the market. Secondary markets are markets in which existing/outstanding securities are traded among by the SEBO/N and the other services such as managers, underwriting and listing of corporate stocks are provided by licenses company/bodies. NEPSE is the only one organized stock markets which provides floor for the trading (buy and sell) of securities already issued.

The finance is directly concerned with conservation or accumulation of capital funds to meet the financial needs of various institutions. The smooth continuity of the economic development widely depends upon the adequate and steady of medium as well as long term capital funds for productive investments, which is concerned with finance. For efficient mobilization of financial resources, the financial market is an important intermediary through which effective bridging of deficit units and surplus units can be ensured. Financial markets are engaged in mobilization of saving from surplus units and deploy funds into the deficit units into productive investment. Capital market plays a crucial role in mobilizing a constant flow of saving and channeling these financial resources for expanding productive capacity in the countries..

1.2 Focus of the Study

Many research has been done previously to measure the financial performance of the company listed in the security market. Separately some studies have also been conducted to study rate of return to investor. This is an attempt to measure the performance and return to investor. So this study will be more useful for concerned on its completion and definitely will have a distinct place. Furthermore it will be more beneficial to investors who assume overall risk while investing in stocks.

It is necessary for an investor to know the overall position of the company before investing. Investigation before investment is the starting point of financial analysis regarding performance of common stock. Investors have to be careful enough before making investment otherwise the wrong selection of common stock is a possibility. However, in the context of Nepalese Capital Market, there are often irrational investors undertaking investment activities without proper investigation of pros and cons of securities. Hence, the thesis under study outlines the importance of financial performance and its relevancy in the stock market.

Investors have to make decisions for which financial analysis is a must. Financial analysis provides insight about what company has done in terms of liquidity, profitability, turnover, assets growth, capital structure, dividend payments, and so on. As such, any investors while taking investment decision has to be fully informed about the financial performance of the company. Therefore, this study is focused on the financial analysis of company, which helps investors to understand a company's current situation, where it may be going, what factors affect it, and how those factors affect it. Analysis has focused to determine certain characteristics of securities, identify mispriced securities and movement of market.

1.3 Statement of the Problem

Stock return are explained and determined not only by a single factor rather this is the function of different independent variables. Financial position determines the stock returns. But how much is it relevant and applicable in case of under developed capital market like Nepal. Being an imperfect market the floor price of the listed company's shares cannot represent their true value, whether they are undervalued or overvalued.

Performance of a company can be measured using financial ratios. These ratios are used for comparison which is better performer. Ratios can be developed with the help of past balance sheet and profit and loss account. The developments must be in according to the change the market price of the share. A financially sound and better performing firm should have adequate liquidity, and the firm should lead the price and trade volume in stock market. Does this situation prevail the Nepal?

Another thing of consideration in case of Nepal is industry wise, firms differ in performance, there is too much of difference in profit between firms in same industry. The market value per share determines the rate of return to investors representing the profit of the company.

With consideration to above discussion few questions emerge that needs to be researched.

- What are the variables that reflect the performance of the (selectively) listed companies in Nepal
- What is the significance of the calculation of return to the investor?
- What is the financial performance of the selected organization?

1.4 Objective of the Study

Financial performance has become vital and important tools in the field of financial management in all organization. The study is basically confined to provide a detailed analysis such as practical, usable and valuable and the financial performance currently facing the selected listed commercial banks.

The general objective of the study is to generalize the financial performance of the selected commercial banks and return to investor. To achieve this basic objective, the specific objectives are as follows.

- To identify and analyze the common variables to measure the performance of selected commercial banks.
- To asses the financial performance of the commercial banks.
- To analyze the investment returns of commercial banks.
- To trace the stock price movement with special reference to the performance of the company.

1.5 Significance of the Study

The people's participation in security investment and stock trading is increasing unexpectedly. The recent trend and people's attitude towards common stock investment shows that there is a high potentiality in stock investment. It is important to increase

financial and economic activities of the nation. The analysis of financial performance of the joint venture commercial banks is significant managerial decision from the viewpoint of investors. It influences the shareholders to gain full information on the performance of the company, make sound judgment and helps in significant forecasts of investment decisions. Consequently, financial analysis enables investors to select the right kind of security for investment depending upon the comparative analysis of which company doing the best. Investors can form a correct opinion on predicting the risk of securities. Financial analysis provides adequate information on the securities and likely the investors can take full advantage by buying them at low price and selling them when the price rises.

Thus, this study has tried to fulfill the aforementioned analytical need before purchasing or selling stock in the secondary share market. The study may also help for interested researchers in the area of investment on common stock.

Apart from above, this study will be a matter of interest for academicians, students and practitioners.

1.6 Limitation of the Study

The study will have some limitations; basically the study is done for the partial fulfillment of Masters of Business Studies. Time constraints, financial problem and lack of research experience will be the primary limitation and other limitations are as follows;

- The study has been designed to concentrate on banking sector, which is part of total capital market, so the conclusion can't be generalized on the total capital market.
- Time and financial constraint are also major limitation of the study. The report has to be submitted within certain time period so this hinders the study to cover a large area.
- The researcher being a beginner in this area, this report cannot remain without flaws. But effort will be made to make the report with minimum error.
- Being almost impossible to draw the final product error is also a major limitation of the study.

- Study being based on the secondary data the result of this study resides on the accuracy of the sources.

1.7 Scheme of the Study

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

The first chapter entitled “**Introduction**” introduces the subject; present the research problem, reason for studying, objective of the study, along with limitation.

The second chapter entitled “**Review of Literature**” concerned with the study of financial performance and return to investor have been reviews & presented.

The third chapter discussed the “**Research Methodology**” used in the study. It comprises research design, nature & source of data, data gathering method and analytical tools used.

The fourth chapter deals with the “**Presentation & Analysis**” of data & scoring the empirical finding out the study through definite course of research methodology.

The last chapter i.e. “**Summary**” of the study, which is followed by the basic conclusion of the study based in the fourth chapter on the basic of these conclusion and recommendation has also been presented for consideration.

CHAPTER - II

REVIEW OF LITERATURE

Review of literature is an essential part of all studies. It helps to check the chance of duplication of study in present and thus the gap between the previous research and current research can be filled. Scientific research must be based on past knowledge. The previous studies can not be ignored because they provide the foundation to the present study. In other words, there has to be continuity in research. This continuity in research is ensured by linking the present study with the past research studies.

2.1 Conceptual Review

2.1.1 Investment.

“Investment simply means sacrifice of resources in present to get benefit either in short term or long term. Investment brings forth vision of profit, risk, speculation & wealth. For the uninformed, investing may result in disaster. In general sense; investment means to pay out money to get more. But in the broadest sense, investment means the sacrifice of current money for future money. Two different attributes are generally involved time & risk. The sacrifice takes place in the present and is certain. The reward comes later and the magnitude is generally uncertain”. (Sharpe, Alexander and Baily; 2003:1). Shrestha (2002) write investment as utilization of saving for something that is expected to produce profit or benefits. Investment is employment of funds with the aim of achieving addition income or growth in value. It involves the commitment of resources that have been saved or put away from current consumption, in the hope that some benefits will accrue in the future. Investment generally involves real assets and financial assets. Real assets investment involves some kinds of tangible assets such as building, land, machinery, factory etc. and financial assets investment are pieces of paper representing an indirect claim to real assets held by someone else. Real assets are generally less liquid than financial assets.

“Investment is the current commitment of funds for a period of time to derive a future flow of funds that will compensate the investing unit for the time funds are committed,

for the expected rate of inflation and also for uncertainty involved in the future flow of the funds.”(Frank and Reilly; 1992:1)

“Investment is any vehicle into which funds can be placed with the expectation that will preserve or increase in value and generated positive returns.”(Gitman and Joehnk; 2000:256)

“Investment may be defined as the purchase by an individual or institutional investor of a financial or real asset that produces a return proportional to the risk assumed over some future investment period.”(F. Amling)

A banker does not prefer to invest his funds in company shares and debentures. The shares and debentures may be very easily sold on the stock exchange. But the bank will incur a loss if the market value of the securities falls. Unlike the government securities there is no maturity date for shares. The income from shares depends upon the prosperity of the company issuing the shares. If the company becomes insolvent the banker loses heavily. If a bank has certain amount of funds which can be left undisturbed for a number of years, investment in long term government securities becomes profitable proposition”. (Radhaswamy; 1979:549)

2.1.2 Financial Performance

Every business organization is established with the view of earning profit Profit is one of the indicators of sound performance, which indicates the result of sound business management. A bank is also established with the objective of maximizing profit. An investor always wants to invest in those sectors and organizations where profit is maximum. Profit is the major indicators of a good-financial performance of the company. Financial performance reflects the financial position of a firm. It is the main indicator of success and failure of a firm. Financial analysis find out the strength and weakness of a firm by computing and comparing different ratios. The main purpose of bank performance analysis is to evaluate its progress to meet the goals and objectives set forth by management and to compare the performance of the bank relative to that of similar

other banks. Effective planning and control are central to enhancing enterprises value. Financial plans may take forms, but any good plan must be related to the firms' existing strength and weaknesses. The strengths must be understood if they are to be used to proper advantage and the weaknesses must be recognized if corrective action is to be taken. The financial manager can plan future financial requirements in accordance with the forecasting and budgeting procedures, but the plan must begin with the type of financial analysis.

A powerful and the most tested tool of financial analysis is the ratio analysis. Simply ratio refers to quantitative relationship between two items or variables. Ratio is a number expressed in terms of another. So it is a simple mathematical expression of relationship of one item with another. It is defined as the systematic use of ratio to interpret the financial statement. So that the strengths and weakness of a firm as well as its historical performance and current financial condition can be determined" (Khan and Jain; 1999: 5.13).

Traditional financial ratio analysis has focused on the numbers. But due to the rapid change of business environment and long run target, It is not enough to analyze operating performance. Ratio analysis is widely used but no ratio gives exact picture. Different sources data and lists are used for different ratio analysis.

Financial statement report both on the firm's position at a point in time and on its operation over some past period. However, the real value of financial statement lies in the fact that they can be used to help predict the firm's future earnings and dividends. From an investor's stand point, predicting the future is what financial statement analysis is useful both as a way to anticipate future conditions and more important, as a starting point of planning actions that will influence the future course event.

Ratio analysis is designed to determine the relative strengths and weakness of business operations. It also provides a framework for financial planning and control. Financial managers need the information provided by analysis both to evaluate the firm's past

performance and to map future plans. Financial analysis concentrates on financial statement analysis, which highlights the key aspects of firms operation.

“Ratio analysis involves basic understands of comparison to a useful interpretation of the financial statement A single ratio by itself doesn’t indicate favorable or unfavorable condition of a firm unless it is compared to some appropriate standard. Selection of a proper standard of comparison is most important element of a ratio analysis. Ratio analysis provides guidelines especially in spotting trends toward better or poor performance and in finding out significant deviation from any average or relatively applicable standard.”(Dongol;2052 B.S.:370)

"If management is to maximize the value of the firms stock price, is must analysis the weakness and strength of the firm which is possible from the ratio analysis which help to assess the financial performance in comparing with the firm and other firm. Financial statement analysis involves a comparison of firm's performance with that of other firm in the same line of business. The analysis is used to determine the firm's financial position ion order to find out current strengths and weakness and to suggest action that might useful to firm to take advantages to its strength and correction to its weakness" (Weston and Brigham; 1987:44).

"Financial management in broad sense and provides a conceptual and analytical framework for decision making they also covers both acquisitions of funds as well as there allocation of funds to various uses. Their major decision, are investment decisions, financial decisions and the dividend policy decision" (Khan and Jain; 1999:1.16).

A study of financial performance is a basic process which provides information, liquidity position, earning capacity, efficiency in operation, profitability, sources and uses of capital, financial achievement and status of the companies. This study mainly focused on financial performance of commercial bank, which is examined for various reasons.

There are many parties concerned with the bank i.e. shareholders, creditors, investors, governments, management, central bank, general public etc. Short-term creditors are interested in the liquidity of the bank. They examined the ability of the bank to pay the amount of interest. Long-term creditors like debenture holders, financial institutions etc.

are more concerned with the bank's long-term financial strength of solvency while evaluating the financial performance business concerning with resource mobilization. Shareholders are interested with the growth of the retained earning and at the same time stability in earning. Similarly, management of the bank is concerned about the overall position of the bank. Likewise, government regularity is concerned with the rate of return on the assets and also wants to see the proportion of capital structure of the bank. The general public is also interested towards the concerned matters.

Proper utilization of the bank's resources is an indicator of sound performance. How far the banks have gained over the years depend chiefly on how far they have been able to utilize their resources in an effective manner. So to increase profitability, the bank should properly utilize the resources. So financial performance analysis of the firm has different kind of indicators out of which financial statement analysis, ratio analysis, sources & uses of fund are the major indicators to measure the strength and weakness of a firm.

2.1.3 Liquidity versus Profitability

Although present study chiefly focuses on profitability of the firm, i.e., Bank, the liquidity will be an integral part of the study. The profitability much closely related to the liquidity of the bank. The possibility of earning profit at all largely depends on the public acceptance of the bank's debts. The term liquid asset refer asset that are readily convertible into money. Money itself is the most liquid asset while other asset takes some time to convert into money. The time to be taken to convert other asset into money represents the degree of liquidity. Almost all asset have a certain degree of liquidity and can be converted into liquid asset. But the time required and the loss associated to be converted is different. Bank balance and marketable securities can be considered as most liquid asset.

Generally liquid assets don't generate any income and it reduces profitability ratio. But at the same time inadequate liquidity position of the organization tends to lose its power in exchange for deposits. Consequently public reduce transaction with the bank which generates low profit due to low mobilization of the resource. This the remarkable

transaction cycle , Which defines the relationship between profitability and liquidity. Management always should try to maintain the adequate profitability and liquidity position analyzing the market.

2.1.4 Returns to Investors (Shareholders)

Return is the motivating force in the investment process, that is, it is the reward for undertaking the investment. Return in typical investment consists of two components . The first component that usually comes to mind is the periodic cash receipts(either interest or dividends). This cash receipts is also known as ordinary gain on investment. The second component is the appreciation or depreciation in the price of assets and this commonly called capital gain or loss. The capital gain or loss is the difference between the purchase price and the price at which the asset can be sold. Therefore the total return on investment is the sum of the ordinary gain and the capital gain or loss .

Shareholders expect two forms of return from the purchase of common stock:

1. Capital gain/return
2. Dividend gain/return

The shareholders expect at some point as a distribution of the firm's earnings in the form of dividends. From mature and Stable Corporation, most investors expect regular dividends to be declared and paid in common stock. This expectation takes priority over the desire to retain earnings to finance expansion and growth. Shareholder's expectations can be fulfilled through either capital gain or dividends. Since dividends would be more attractive to stock holders, one might think that there would be tendency for corporations to increase distribution of dividends. But one might equally pressures that gross dividends would be reduced some what, with an increase in net after tax dividends still available to stock holders, and increase in retained earnings for the corporation (Trop;1977:90-91).

2.1.5 Securities

Securities are financial assets that form the part of an investor's wealth, common stocks, preferred stocks, bonds, convertibles, warrants, options, rights, futures are examples of securities. Securities represent specific claim on a stream of income and/or particular

assets. Bonds and mortgage are typical debt securities, ownership securities include common stock. Preferred stock is a hybrid security that entails a mixture of both ownership and creditor ship privilege highly liquid debt securities that have short term until they mature and involve little or no risk of default are called money market securities. There are involvement of many parties in the development of securities market in Nepal like government, SEBO/N, NEPSE, financial intermediaries, market makers, investors, brokers and the office of the company registrar.

2.1.6 Security Markets

Security markets are mechanisms for channeling savings from savers to the ultimate investors who invest in real assets. They bring buyers and sellers of securities together and facilitate the flow of funds in the economy. The flotation of the shares and debentures by public limited companies, trading on mutual funds by an investment company and the auction of treasury bills by governments take place in security markets.

The security markets are classified into:

- i) Money market and capital market
- ii) Primary market and secondary market.

2.1.7 Primary and Secondary Market

The security markets consist of primary and secondary market. When firms need capital, they may sell new securities. These new securities are sold in primary markets. Investment bankers help market these new issues of stocks, bonds or other securities to the public. The issue of securities in the primary market leads to direct transfer of money from the savers to the issuer of the securities. Thus the primary market helps transfer the funds from savers to investors to make the capital available for new investments in building, equipment, stock of necessary goods. The existing securities are bought and sold in the secondary market.

2.1.8 Investment Environment

Investment environment in our country is not providing favourable condition due to non performing character of the public limited companies. However, by definition, the

investment environment refers to all internal & external forces affecting investment decisions of investors. It covers all kinds of marketable securities that they are bought and sold through the brokers' network and financial intermediaries. Thus, securities, security markets and financial institutions form the scope & coverage of investment environment. Existence of a favourable environment is the medium which direct the pool of saving into the productive sector.

2.1.9 Expected Rate of Return

We invest today in an expectation of earning in future, that is, Investment decisions that we make today are based on expectation of return in future. expected rate of return for any asset is the weighted average rate of return using the probability of each rate of return as the weight. If investment is to be made, the expected rate of return or the expected holding period return should be equal to or greater than the required rate of return for that investment. The expected rate of return is based upon the expected cash receipt over the holding period and the expected ending or selling price. The expected rate of return is an ex-ante or unknown, future return (Cheney and Moses;1993:34).

If the investors can describe the possible variables that will influence each of the possible rates of return and assign probability to these outcomes then the expected rate of return should equal the weighted average of the various possibilities. Listing the possible investment results and assigning probabilities to each of these outcomes is the same as creating a probability distribution in statistics. Probability distributions are used to describe possible outcomes and to assign individual probabilities from zero to one, to each possible outcome. The expected rate of return is calculated by summing the products of the rates of return and their respective probabilities.

$$E(r) = \sum_{t=1}^n P_t r_t$$

Where,

P_t = Probability distributions of rates of returns

r_t = Rates of return

2.1.10 Market Efficiency

Market efficiency means that the market price of a security represents the market consensus estimate of the value of the security. If the market is efficient, it uses all information available to it in setting a price. Investors who choose their information lead them to think that the security is worth at least its current market price. Those who do not purchase the stock interpret their information as a lower appraisal. An efficient financial market exist when security price reflect all available public information about the economy about financial market and about the specific involved. The implication is that the market price of individual security adjusts very rapidly to new information. As a result security price are said to fluctuate randomly about their intrinsic value.

A market is efficient with respect to a particular set of information if it is impossible to make abnormal profit by using this set of information to formulate buying & selling decision. That is in an efficient market investors should expect to make only normal profits and earn a normal rate of return on their investment. Test of efficiency are essential test of whether the three general type of information, past price, other public information and inside information can be used to make above average profit on investment. A market would be described as having weak form efficiency if it is impossible to make abnormal profit by using past price.

This is taken as the oldest statement of the hypothesis. It holds that present stock market price reflect all information with respect to past stock price trends and volume. Thus it asserts that past data cannot be used to predict future stock price. Weak form hypothesis approximate a random walk of the stock price, since the walk is random a knowledge of past price change does nothing to inform the analyst about whether the price in future will be higher or lower. The semi strong hypothesis centers on how rapidly and effectively market price adjusts to new publicity available information. If the efficiency is semi strong, one cannot outperform the market by using the available information. Different financial reports and audited financial information filed with the security exchange are readily available to the investor.

This background information about corporation provides the perspective needed to evaluate new information. Financial newspapers and news service compete to deliver new information as quickly as possible so that investor can obtain information so that they can obtain the latest news quickly at minimal cost when news affect the value of security it causes reevaluation and security trading that begins immediately and affect price at once.

The strong form hypothesis is concerned with whether or not certain individual or group posses inside information that can be used to make above average profit. It holds that stock price react very quickly to all public and inside information. One obvious to check the validity of the strongly efficiently market hypothesis is to examine the profitability of trades in security made by insiders to see if the insiders access to valuable information allow them to earn statistically significant trading profit.

Since strongly efficient market hypothesis suggests that all information, public or not fully reflect in the security price. This idealistic economy situation result in a perfectly efficient market where price & value are always equal as they fluctuate randomly together in response to the arrival of new information.

2.1.11 Valuation

Various mathematical models have been developed to include variable that determines value which over simplify the valuation process. In reality many factors determine the market price of a common stock. These factors may change and the relationship between these factors may change No models can consider the complexities of the real world process. These models however can provide a useful framework for the analysis.

Mathematical models imply precision and accuracy and it is essentially a quantitative procedure. However common stock valuation is an out. Models are useful to the analyst but are not the substitute for judgment and common sense. Models can be used in making accurate forecast. Therefore models should be viewed as tools for decision making. Finance theory indicates that the value of common stock is essentially a function of future income the stock can provide and the risky ness of the income stream.

$$V_n = f(\text{income, risk})$$

Where, V_n = Intrinsic value of the common stock in period n.

Equity management assumes that all historical and current information is not fully and correctly reflected in the current price of every stock. Hence there exist stocks that are undervalued and overvalued.

2.1.12 Investment Strategies

In an extremely competitive market, exceptional performance of one investor comes at the expense of other investors. In a competitive market security price are likely to accurately reflect available information and responses very rapidly to available information, as degree of efficiency is the crucial matter of concern, which has to be addressed while going for an investment strategy. If the market is less than perfectly efficient some strategies may result in risk adjusted excess return. The degree of market efficiency has been the subject of considerable debate. The debate has resulted into two strategies:

- Passive Strategy
- Active Strategy

A passive strategy leads to earn what just the market determined, it does not try to outperform the market or earn risk adjusted excess return. Investors select stocks for investment randomly since in a perfectly efficient market the selected stock would be correctly valued. Portfolio investment could be done to reduce any uncertain risk. Investment horizon would be long term. Passive investment strategy incurs low transactional cost. The cost of trading or for acquiring and analyzing information is avoided.

An active investment strategy is pursued on the ground that market inefficiency exists. It assumes that some investors have an advantage over other. Following three advantages are possible:

- Timing: Use of accurate time is the basic to gain extra return. Investors who can accurately predict movement in individual security or the market can achieve superior return.
- Selection: Inefficiency leads to the existence of undervalued and overvalued stocks in the market.

- Investment Philosophy: Investment philosophy requires a commitment to a specific area of investment approach.

An individual has a large advantage over institution and professional investors including the following.

Individual investors engage in small trades that can be executed quickly.

- Individual have the flexibility to invest in small companies.
- If they wish individual investors can put all or most of their eggs in one basket.
- Individual have the flexibility to use short sale and margin trading.

2.2 Review from Thesis

Richa Neupane(2006), made research entitled “A study of Financial Performance Analysis of Himalayan Bank Limited” and her main research objectives were as follows-

- To make evaluation of the financial performance of HBL in terms of liquidity , efficiency of asset and cost management.
- To make Evaluation of earning generating capacity
- To provide suggestion and recommendation that will help management to improve the performance of bank

In her research work, she has made ratio analysis, return to investors and correlation analysis. Her important research findings were as follows-

- HBL bank is strong enough to maintain the liquidity position to meet the cash requirement of clients.
- The operating efficiency of the bank is decreasing every year and bank is not able to mobilize its deposit.
- The debt management ratio of the bank is very high which is not preferable
- The correlation coefficient of deposit and loan and advances, deposit and investment and total assets and net profit is found to be positive indicating the positive relationship between the respective variable.

Reena Shreshtha (2006), made research entitled “A Study on Financial Performance Analysis of NABIL Bank Limited” and her research objectives were as follows:

- To analyze the liquidity , profitability , capital structure and ownership ratios of NABIL bank.
- To provide information and major points that will help management to improve performance of the bank.
- To measure the ability of bank to meet its short term obligation and draw the problem of financial management.
- To evaluate the soundness of profitability and operating efficiency of NABIL bank limited.

In her research work, she has made ratio analysis, return to investors analysis and simple stastical analysis. His important research findings were as follows:

- The liquidity position of NABIL bank is strong and the basic earning power of bank is also good.It had utilized its deposit properly with increment in net income every year and on the basis of EPS also profit is increasing in every year.
- It is able to meet short term obligation and maintain the cash reserve ratio. The bank has high debt ratio indicating more investment of the creditors and the role of creditors is higher than investors.
- DPS of the bank is lower and dividend payout ratio is irregular also. Shareholders are being compensated slowly.

Suman Prakash Sharma(2005), made a research entitled ,”To Evaluate the Financial Performance of Commercial Banks: Nepal SBI bank limited, Nepal Bangladesh Bank Limited and Everest Bank Limited” and his main research objectives were as follows:

- To evaluate the liquidity position of Nepal SBI bank limited, Nepal Bangladesh bank limited and Everest bank limited.
- To evaluate the profitability position of the banks
- To evaluate the efficiency of assets management of the banks.
- To compare the overall financial performance of the banks.

In his research work, He has made ratio analysis, return to investors analysis and simple statistical analysis. And his important research findings were as follows:

- The debt assets ratio of the sample bank shows the aggressive use of debt capital by the banks. Such debt should be invested in profitable sectors.
- The total investment to total deposit ratio of the NSBIBL is comparatively lower . so it should utilize its total deposit for investment purpose more efficiently.
- Interest expense to total expense ratio of EBL shows a large portion of the expense has been incurred in other expenses in comparison to other listed banks. It will be better for EBL to decrease other expenses.
- NSBIBL has been yielding lower return to shareholder equity . So it should utilize the shareholder's equity more efficiently.
- Profitability ratios of NBBL shows that the profit of the bank is in decreasing trend. So it will be better for NBBL to focus to increase the profitability position of the bank.

2.3Research Gap

Commercial banks invest it deposit in different profitable sector according to the direction and circular of Nepal Rastra Bank and guidelines and policy of their own bank. Financial analysis statement has to be prepared according to the direction of NRB.Nepal Rastra bank's policy is changing time to time . So the updated study over the change of time frame is major concern for the researcher One of the most critical of all banking problems in recent years centers on raising and maintaining sufficient capital. Bank capital is the first hand fund that initiates to operate the whole banking functions and its adequacy is always playing a catalytic role in the uplift of the banking system. The amount of capital is one which assures the creditors especially the largest depositors. It assists to acquire public confidence.

Many studies have been conducted about the performance analysis of banks incorporating two banks. There have been found few studies regarding on the performance analysis of more than two financial institutions. Some comparative studies are previously done with regards to the financial analysis of banks but in depth study

about the bank is not found. To fulfill the need of financial analysis of banks, the researcher has put his efforts in this study. This study put its effort to analyze the main indicators of financial performance with financial and statistical tools for banks. Hence, this study fulfills the research gap about the “Performance of Banks and returns to Investors” (A study of Listed Commercial Banks in Nepal Stock Exchange).

CHAPTER - III

RESEARCH METHODOLOGY

How research is conducted and by which way research objective is achieved is the main concern of this chapter. The research design is described in the first part, whereas in the second part the population and sample is described. The sources and types of data and technique applied for the collection of data are placed on third and fourth part of the chapter. The data analysis tool used in the research has been described in fifth part and the limitation of the methodology has been revealed at the end of this chapter.

3.1 Research Design

Keeping in mind the objectives of the study, descriptive cum analytical Research design has been followed. The research is chiefly the plan, structure, and strategy of investigation conceived so as to obtain answers to research questions and to control variance. The plan is the overall scheme or program of the research. It includes an outline of what the investigator will do from writing the hypothesis and their operational implications to the final analysis of data. The structure of the research is more specific. It is the outline, the scheme, the paradigm of the operation of the variables. When we draw diagrams that outline the variable and their relation and just a position, we build structural schemes for accomplishing operational research purposes. Strategy, as used here, is also more specific than plan. In other words, strategy implies how the research objectives will be reached and how the problems encountered in the research will be tackled.

By research design we mean an overall framework or plan for the collection and analysis of data. The research design serves as a framework for the study, guiding the collection and analysis of the data. The research design then focuses on the data collection methods, the research instruments utilized, and the sampling plan to be followed. Specifically speaking, research design describes the general plan for collecting, analyzing and evaluating data after identifying what the researcher wants to know and what has to be

dealt with in order to obtain the required information. The research design is an organized approach and not a collection of loose, unrelated parts.

The study is based on the wide range of variables and factors influencing financial decision of the listed banks. Comparative data are presented in such a way so as to make the research informative to the readers. Financial as well as tactical tools have been used to analyze and interpret the balance sheet , income statement and other accounting information.

3.2 Nature and Sources of Data

The primary thing for any research is that the collected data should be reliable. So it is very important for a researcher to know how the data are collected and how much is the reliability of the data This study mainly based on secondary data of the concerned banks, Nepal Rastra Bank, SEBO, and different library are the providers of the data. The review of literature of the proposed study was based on the text books, official publications, journals, unpublished thesis, web site etc. The necessary data and information at macro level have been collected from relevant institutions and authorities such as NRB Ministry of Finance, NEPSE, SEBO and their respective publications similarly the required micro level data derived from annual reports of selected banks, SEBO and NEPSE. In addition to above, supplementary data and information were collected from different library such as library of Shankar Dev Campus, T.U. Central library, SEBO etc. The major sources of data and information are as follows;

NRB Economic Report, NRB

Non-Banking Financial Statistics, NRB

Banking and Financial Statistics, NRB

Economic Survey, Ministry of Finance

Annual Reports of Concern Commercial Banks (from 2002/03 to 2006/07)

Annual Report of SEBO Nepal

Trading Report of NEPSE

Journal of Finance

Journal of Business

Previous Research Studies, Dissertation and Articles on the Subject

Various Text Books

Different Library

3.3 Methods of Analysis

Various financial and statistical tools have been used to meet the objective of the research. The data analysis is mainly based on pattern and nature of available data. Due to limited time and resources, simple analytical statistical tools such as percentage, graph, Karl Pearson's coefficient of correlation are used in this study. Likewise, some financial tools such as ratio analysis and trend analysis have also been used for financial analysis.

The various calculated results obtained through financial and statistical tools are tabulated under the different headings. Then they are compared with each other to interpret the results.

3.3.1 Financial Tools

Financial tools are basically used to find out the strength and weakness of banks. Financial tools like ratio analysis and financial statement analysis have been used in this research

3.3.1.1.Ratio Analysis

Ratio simply means a mathematical relationship between two quantitative figure. Financial ratio is the relationship of two accounting figures.. Ratio analysis is a part of the whole process of analysis of financial statements of any business or industrial concern especially to take output and credit decisions. Thus ratio analysis is used to compare a firm's financial performance and status to that of other firm's to it overtime. Thus ratio analysis provides a strong foundation for qualitative judgment regarding financial performance of a firm. There are different financial ratios which can be described as follows.

A Liquidity Ratios

Liquidity ratios show the ability of a bank to meet its short- term liabilities that are likely to mature in the short period.By this, much insight can be obtained into present cash solvency of the bank and its ability to remain solvent in the event of adversities. In simple sentence liquidity position of a bank means how fast bank's assets can be converted into cash to meet deposit withdrawal and other current obligations.

i.Current Ratio

The current ratio is the ratio of total current assets and current liabilities Which shows the relationship between current assets and current liabilities.

Mathematically:

$$\text{Current ratio} = \frac{\text{Total Current Assets}}{\text{Total Current Liabilities}}$$

Where,

Total Current assets include cash and bank balance, loans and advances, money at call or short-term notice, investment in government securities and other interest receivable and miscellaneous current assets where as current liabilities include loans and advances ,deposits and other accounts of short-term loan, dividend payable , tax provision, staff bonus and miscellaneous current liabilities. The widely accepted standard of current ratio is 2:1 but accurate standard depends on business nature just like seasonal business.

ii) Cash and Bank Balance to Current Assets Ratio

This is the ratio of most liquid asset, cash and bank balance with the current assets. Higher the ratio means the firm has good capacity of fulfilling the cash demand.

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

Where, cash and banks balance includes cash in hand, foreign cash and cash in foreign banks.

iii) Cash and Bank Balance to Total Deposit Ratio

Cash and bank balance are the most liquid current assets of a firm. Any financial institution should maintain the sufficient amount of cash and bank balance to meet the cash demand of the clients. Maintaining so much amount of cash is also not good because money is stored which can be mobilized to earn profit. This ratio is calculated by dividing the amount of cash and bank balance by the total deposits. This measure how much most liquid asset required to pay depositors immediately. It can be presented as,

$$\text{Cash and Bank Balance to Total Deposit Ratio} = \frac{\text{Cash \& Bank Balance}}{\text{Total Deposits}}$$

Where, total deposits consist of deposits on current account; saving account; fixed account, money at call and other deposits.

iv) Loan and Advances to Current Assets Ratio

Loans are also considered as current assets as most of them are maturing within a period of one year. This ratio shows how much amount of current asset is allocated in loan and advances which is calculated by dividing the loan and advance by current asset. A Bank should maintain the appropriate ratio according to market.

$$\text{Loan \& Advances to Current Assets Ratio} = \frac{\text{Total Loan \& Advances}}{\text{Current Assets}}$$

v) Investment on Government Securities to Current Asset Ratio

This ratio shows the percentage of current assets invested on government securities. This is calculated dividing the amount of investment on government securities by the total amount of current assets .

$$\text{Investment of Government Securities to Current Asset Ratio} = \frac{\text{Investment on Government Securities}}{\text{Current Assets}}$$

B.Profitability Ratios

Profitability ratios indicate the efficiency of operation of a firm on term of profit. It is the main indicator of the financial performance of any business organization. It means higher the profitability ratio, better the financial performance of the bank and vice versa Different profitability ratios can be calculated as follows.

i) Return on Total Assets

This is the ratio of net profit with total assets and calculated by dividing return on net profit/loss by total working fund and mathematically written as;

$$\text{Return on Assets} = \frac{\text{Net Profit After Tax}}{\text{Total Assets}}$$

ii) Total Interested Earned to Total Outside Assets

This establish the relationship between interests earned amount and total outside assets borrowed by the Bank. Total interest earned is that amount which is earned by the Bank investing in different sectors. Whereas, total outsiders assets include loans both short term and long term, borrowings and bond amounts.Mathematically it is written as;

$$\text{Total Interest Earned to Total Outside Assets} = \frac{\text{Total Interest Earned}}{\text{Total Outside Assets}}$$

iii) Return on Loan and Advances Ratio

This ratio shows how efficiently bank used his resource to get return from provided loan and advances.. This is calculated by dividing net profit/loss by the total amount of loan and advances.Mathematically;

$$\text{Return on Loan \& Advances Ratio} = \frac{\text{Net Profit or Loss}}{\text{Total Loan \& Advances}}$$

iv) Total Interest Earned to Total Working Fund Ratio

Higher this ratio indicates the better performance of financial institutions in the form of interest earning on the better working fund. This ratio is calculated dividing total interest earned from investment by total working fund. Mathematically;

$$\text{Total Interest Earned to Total Working Fund Ratio} = \frac{\text{Total Interest Earned}}{\text{Total Working Fund}}$$

v) Total Interest Paid to Total Working Fund Ratio

This ratio establishes the relationship of the total interest paid and total working fund. A high ratio indicates higher interest expenses on total by the Bank and vice versa. This ratio is calculated by dividing total interest paid by total working fund

$$\text{Total Interest Paid to Total Working Capital Fund Ratio} = \frac{\text{Total Interest Paid}}{\text{Total Working Fund}}$$

vi) Return on Equity Ratio (ROE)

The ratio measures how efficiently the banks have used the funds of the owners. The ratio is calculated by dividing net profit by total equity capital (net worth). This can be started as,

$$\text{Return on Equity (ROE)} = \frac{\text{Net Profit}}{\text{Total Equity Capital}}$$

C. Assets Management Ratios (Activity Ratios)

These ratios focus on optimize utilization of resource. Until and unless the available resource is used properly and efficiently it is difficult to earn sufficient amount of profit. Only earning more amount of profit is not important. The profit must be sustainable and customer oriented. This indicate how efficiently the selected banks have arranged and invested their limited resources .The following financial ratios related to investment policy is calculated under asset management ratio

i) Loan and Advances to Total Deposit Ratio

This ratio indicate how efficiently the selected banks and finance companies are utilizing their total collections/deposits on loan and advances for optimization of profit.

$$\text{Loan \& Advances to Total Deposit Ratio} = \frac{\text{Total Loan and Advances}}{\text{Total Deposit}}$$

ii) Total Investment to Total Deposit Ratio

This ratio indicates how properly firms' deposits have been invested on government securities and shares and debentures of other companies and it is calculated by diving total amount of investment by total amount deposit .Mathematically,

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

iii) Loan and Advances to Total Working Fund Ratio

The main element of total working fund is loan and advances. This ratio indicates the ability of selected banks and finance companies in terms of earning high profit from loan and advances. Loan and advances amount by total working fund Mathematically,

$$\text{Loan \& Advances to Total Working Fund Ratio} = \frac{\text{Total Loan \& Advances}}{\text{Total Working Fund}}$$

Where, total working fund refers to current assets, net fixed assets, total loans for development banks and other sundry assets except off balance sheet items i.e., letter of credit, letter of guarantee etc.

iv) Investment on Government Securities to Total Working Fund Ratio

Investment on government securities to working fund ratio indicates how much amount of total investment is on government securities. Mathematically;

$$\text{Investment on Government Securities} = \frac{\text{Investment on Govt. Securities}}{\text{Total Working Fund}}$$

v) Investment on Shares and Debentures to Total Working Fund Ratio

This ratio indicates the investment of Banks and finance companies on the shares and debentures and calculated by dividing shares and debentures by total working fund. Mathematically,

Investment on Shares and

$$\text{Debentures to Total Working Fund Ratio} = \frac{\text{Investment on Share \& Debenture}}{\text{Total Working Fund}}$$

3.3.1.2. Net Worth Per Share (NWPS)

Net worth is the owner's equity in the company. It is also known as book value of the company. The book value per share is computed by dividing the amount of total shareholder's equity, which is called net worth, by the number of shares outstanding. This figure represents the asset value per share after deducting liabilities and preferred stock. Book value is a historical cost amount. It represents the real or actual value of the common stock. Generally, market price of stock is greater than book value of the stock.

3.3.1.3 Earning Per Share (EPS)

Earning per share is the amount available to the holders of each share. It is calculated by dividing the total earnings available to common shareholders by the total number of shares outstanding. EPS is a good measure of performance because it integrates all the major financial ratios and provides holistic information. Higher EPS means the better

earning capacity of the company. The EPS is thus a good measure of performance of companies..

$EPS = (\text{Net profit after tax} - \text{Preference dividend}) / \text{Number of common shares}$

3.3.1.4. Dividend per Share (DPS)

Investors are interested on the common stocks because of the dividend. Different companies have different dividend payout rate according to mainly their financial status.

$DPS = \text{Dividend paid to equity shareholders} / \text{Number of equity shares}$

Dividend per Share includes dividend decision in earning per share. Although the behavior of companies towards dividend payment is disappointing in Nepal, the joint venture banks, other financial institutions, and some other companies have brought greater revolution in this trend.

3.3.1.5 Price Earning Ratio (P/E Ratio)

Price earning ratio indicates investors' expectations about the firm's performance. Management is also interested in this market appraisal of the firm's performance and will like to find the causes if the P/E ratio declines. Price- earning ratio is the ratio between market price per share and earning per share..

$P/E \text{ Ratio} = \text{Price per share} / \text{Earning per share}$

4.3.1.6 Dividend Yield

Dividend yield is the measure of rate of return in the form of dividends. It is relative term, which is calculated by dividing dividend per share by market price per share. Only higher dividends or lower dividends do not matter to investors. So it is essential to determine the rate of return on their investment.

$\text{Dividend yield} = \text{Dividend pershare} / \text{Market value per share}$

3.3.2 Statistical Tools

Statistical tools help to find out the trends of financial position of the bank. It also analyzes the relationship between variables and helps banks to make appropriate investment policy regarding to profit maximization and deposit collection, fund utilization through providing loan & advances or investment on other companies. Ranges of statistical tools are also used to analyze the collected data and to achieve the objectives of the study. Simple analytical tools such as standard deviation, Karl Pearson's coefficient of correlation, trend analysis adopted which are as follows:

Coefficient of Correlation (r)

Correlation analysis contributes to the understanding of economic behavior, aids in locating the critically important variables on which others depend, may reveal to the economist the connections by which disturbances spread and suggest to him the paths through which stabilizing forces may become effective. (W.A. Neiswanger). The coefficient of correlation measures the direction of relationship between the two sets of figures. It is the square root of the coefficient of determination. Two variables are said to be correlated if the change in one variable results in a corresponding change in the other variable. There is positive and negative correlation.

If the values of the two variables deviate in the same direction i.e. the increase in the values of one variable results, on an average, in a corresponding increase in the value of the other value or if a decrease in the values of one variable results, on an average, in a corresponding decrease in the values of the other variable, correlation is said to be positive or direct. On the other hand correlation is said to be negative or inverse if the variables deviate in the opposite direction i.e. if the increase (decrease) in the values of one variable results, on the average, in a corresponding decrease (increase) in the values of the other variable. In this study coefficient of correlation is calculated between a MVPS and BVPS, ROE and HPR. The degree of association between the two variables, say x and y and is defined by correlation coefficient (r).

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

Where,

N=the no. of pair of observation

X= Dependent Variable

Y= Independent Variable

The value of 'r' lies between -1 to +1 and if r=1, there is perfect positive relationship. If r=-1, there is perfect negative relationship. If r=0, there is no correlation at all.

Coefficient of Determination (r^2)

The coefficient of determination is the measure of the degree of linear association or correlation between two variables, one of which happens to be independent and the other dependent variable. It measures the percentage of total variation in dependent variable explained by independent variables. The coefficient of determination can have a value ranging from 0 to 1.

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

Probable Error (PE)

The probable error of the coefficient of correlation helps in interpreting its value. With the help of probable error it is possible to determine the reliability of the values of the coefficient in so far it depends on the condition of random sampling. The probable error of the coefficient of correlation is obtained as follows.

$$PE = 0.6745 \frac{1 - r^2}{\sqrt{N}}$$

Where, r^2 = Coefficient of Determination

N = the no. of pair of observation

1. If the value of r is less than probable error there is no evidence of correlation i.e. value of r is not at all significant.
2. If the value of r is more than six times the probable error coefficient of correlation is practically certain i.e. the value of r is significant.

CHAPTER – IV

PRESENTATION AND ANALYSIS OF DATA

This chapter includes the analysis and result of gathered data in order to evaluate financial performance of the bank for the period of five years. The strength and weakness of those banks, to some extent, is evaluated and the significance of the different financial variables is also analyzed.

In this chapter, the data are presented, calculated and analyzed. The five years secondary data(2002/03 to 2006/07) of the bank is taken for the analysis. Each detail of calculation is tabulated in the respective appendix.

4.1 Financial Tools

. Various financial ratios related to the investment management and the fund mobilization are presented and discussed to evaluate and analyze the performance of NABIL, SCBNL, HBL and EBL. The ratios are designed and calculated to highlight the relationship between financial items and figures. Those ratios are as follows.

- a) Liquidity Ratio
- b) Assets management Ratio
- c) Profitability Ratio
- d) Risk Ratio
- e) Growth Ratio

4.1.1 Liquidity Ratio

A commercial bank must maintain its satisfactory liquidity position to meet the credit need of the public. The following ratios are calculated and interpreted under liquidity ratios.

(i) Current Ratio

Current ratio indicates the ability of a bank to meet its current obligation which is written as :

$$\text{Current Ratio} = \frac{\text{Total Current Assets}}{\text{Total Current Liabilities}}$$

Table 4.1
Current Ratio (Times)

Banks	Fiscal Year					Mean	S.D	C.V (%)
	2002/03	2003/04	2004/05	2005/06	2006/07			
NABIL	1.067	1.099	1.113	1.0732	1.155	1.1016	0.035	3.21%
SCBNL	0.971	0.9698	1.0226	0.981	0.946	0.978	0.028	2.86%
HBL	0.854	0.993	1.098	1.103	1.446	0.898	0.498	55.49%
EBL	1.70	1.56	2.00	1.98	1.47	1.74	0.24	13.83%

Sources: Appendix 1(i)

The above table shows that current ratio of NABIL is in increasing trend from 2002/03 to 2004/05 and again increases in 2006/07. SCBNL has lower current assets than current liabilities in FY 2002/03, 2003/04, 2005/06, 2006/07 and higher C.A in 2004/05, it indicates the poor ability of SCBNL to pay short term obligations due to more liabilities. In case of HBL in FY 2002/03 to 2003/04 it's current assets is lower than current liabilities but from FY 2005/06 to 2006/07 it's current assets is greater than current liabilities and current ratio is also in increasing trend during the study period. In case of EBL the current ratios are in decreasing trend from 2002/03 to 2006/07 except in year 2004/05.

In average liquidity position of EBL is greater than other banks i.e. $1.74 > 1.106 > 0.978 > 0.898$. So, which indicates the sound liquidity position of EBL in comparison to other listed banks.

Likewise the co-efficient of variation (C.V) of EBL is less than HBL and slightly higher than SCBNL and NABIL i.e. $13.83\% > 3.21 > 2.86\%$ and $13.83\% < 55.49\%$. It indicates that current ratio of EBL is more consistent than HBL and less consistent than SCBNL and NABIL.

Finally it can be concluded that EBL is capable to pay their current obligations in comparison to NABIL, SCBNL and HBL.

(ii) Cash and Bank Balance to Total Deposit Ratio (Cash Reserve Ratio)

Cash and bank balance ratio is written as :

$$\text{Cash and bank balance to total deposit ratio} = \frac{\text{Cash \& Bank Balance}}{\text{Total Deposit}}$$

Table 4.2
Cash and Bank Balance to Total Deposit (%)

Banks	Fiscal Year					Mean	S.D	C.V (%)
	2002/03	2003/04	2004/05	2005/06	2006/07			
NABIL	8.51	6.87	3.83	2.87	5.93	5.60	2.27	40%
SCBNL	8.06	9.56	5.75	5.53	8.21	7.42	1.73	24%
HBL	9.42	9.10	8.12	6.48	5.85	7.79	1.61	21%
EBL	17.02	10.16	10.40	11.25	13.15	12.40	2.84	22.91%

Sources: Appendix I(ii)

Table 4.2 shows that the cash and bank balance to total deposit ratio of NABIL has followed decreasing trend from FY 2002/03 to 2005/06 & it increases in 2006/07. Similarly, SCBNL has increases from 2002/03 to 2003/04 and decreases form FY

2004/05 to 2005/06 and again increases in 2006/07. In case of HBL it has followed decreasing trend during the study period i.e., FY 2002/03 to FY 2006/07. In case of EBL the ratio is in increasing trend till last year but in FY 2003/04 it is drastically decreased and then increased to till last year.

In average, NABIL has maintained lower cash & bank balance to total deposit ratio than SCBNL, HBL and EBL i.e. 5.60<7.42<7.79<12.40. It states that cash and bank balance in liquidity position of NABIL is lower than other three banks. The C.V of NABIL is 40%, which is comparatively higher than that of SCBNL 24%, EBL 22.91% and HBL 21%. So that NABIL shows the less consistent than that of SCBNL, EBL and HBL.

Comparatively NABIL has maintained low ratios, it shows some difficulties to meet the demand of its customers on their deposit to pay at any time but it may be earning more by investing cash to different sectors. But it should ensure to have enough liquid funds to serve its customer.

(iii) Cash and Bank Balance to Current Assets Ratio

$$\text{Cash and bank balance to current assets ratio} = \frac{\text{Cash and Bank Balance}}{\text{Current Assets}}$$

Table 4.3
Cash and Bank Balance to Current Assets Ratio (%)

Banks	Fiscal Year					Mean	S.D	C.V (%)
	2002/03	2003/04	2004/05	2005/06	2006/07			
NABIL	8.25	6.81	3.74	3.07	6.06	5.59	2.21	39.53%
SCBNL	8.85	10.76	5.53	5.94	9.18	7.91	2.04	25.79%
HBL	12.14	10.76	9.45	7.42	6.33	9.22	2.37	25.70%
EBL	14.45	8.70	9.08	10.25	11.40	10.78	2.31	21.44%

Sources: Appendix I(iii)

Table 4.3 shows that cash and bank balance to current assets ratio of NABIL has followed decreasing trend from FY 2002/03 to 2005/06 and increased in FY 2005/06. SCBNL has followed fluctuating trend from FY 2002/03 to 2005/06 & it followed increasing trend from 2005/06 to 2006/07. In case of HBL it has followed decreasing trend. But EBL shows increasing trend except in FY 2003/04.

In average, NABIL had maintained 5.59 which is less than SCBNL HBL and EBL i.e. 7.91, 9.22 and 10.78. It states that liquidity position of NABIL is lower than other three banks. Similarly the co-efficient of variation between the above ratios of NABIL is 39.53% which is comparatively higher than that of SCBNL, HBL & EBL i.e., 39.53% > 25.79% > 25.70% > 21.44% which shows less consistent of NABIL than that of SCBNL, HBL & EBL.

Finally, it can be concluded that NABIL has lower capability to maintain cash & bank balance in comparison to other three banks.

(iv) Loan and Advances to Current Assets Ratio

$$\text{Loan and advances to current assets ratio (\%)} = \frac{\text{Loan \& Advances}}{\text{Current Assets}}$$

Table 4.5
Loan & Advances to Current Assets Ratio (%)

Banks	Fiscal Year					Mean	S.D	C.V (%)
	2002/03	2003/04	2004/05	2005/06	2006/07			
NABIL	55.93	57.50	70.71	71.26	68.11	64.70	7.40	11.45%
SCBNL	33.34	31.40	42.14	41.61	47.68	39.33	6.58	16.74%
HBL	66.56	69.45	63.07	68.08	59.59	65.34	4.00	6.12%
EBL	62.23	62.46	65.85	64.70	65.12	64.07	1.63	2.55%

Sources: Appendix I(v)

Table 4.5 shows that loan and advances to current assets ratio of NABIL is in increasing trend from FY 2002/03 to 2005/06 and then in decreasing trend from

2005/06 to 2006/07. In case of SCBNL, EBL & HBL ratio both are in fluctuating trend

In average ratio, NABIL has maintained 64.70 which is slightly higher than HBL and EBL i.e. 65.34 & 64.07 and higher than SCBNL i.e. 39.33. On the other hand co-efficient of variation of NABIL 11.45% is lower than SCBNL and higher than HBL and EBL i.e. 16.74 > 11.45 > 6.12 > 2.55.

Finally, it can be concluded that NABIL has greater capability to invest its fund in loan and advances in comparison to SCBNL but.

(v) Investment on Government Securities to Current Assets Ratio

Investment on government securities to current assets ratio

$$= \frac{\text{Investment Govt. Securities}}{\text{Current Assets}}$$

Table 4.4
Investment on Government Securities to Current Assets Ratio (%)

Banks	Fiscal Year					Mean	S.D	C.V (%)
	2002/03	2003/04	2004/05	2005/06	2006/07			
NABIL	25.87	25.78	16.12	12.69	21.06	21.36	5.85	28.83%
SCBNL	38.52	39.56	37.28	40.22	32.27	36.97	3.23	8.75%
HBL	20.54	18.45	25.68	22.22	23.24	22.02	2.72	12.36%
EBL	20.28	26.18	18.15	23.43	22.42	22.09	3.06	13.85%

Sources: Appendix I(iv)

The above table 4.4 shows that the ratio of NABIL is in decreasing trend from FY 2002/03 to 2005/06 and increased is FY 2006/07. In the case of SCBNL & HBL its ratio is in fluctuating trend.

In overall, the mean ratio of investment in govt. securities to current assets ratio of SCBNL is higher than that of EBL, HBL & NABIL i.e. 36.97>22.09>22.02>21.36. It means SCBNL had invested its higher portions of current assets on government securities, than other three banks. On the other had C.V ratios of NABIL is greater than that of EBL, SCBNL & HBL i.e. 28.83%>13.85%>12.36%>8.75%. Which means the variability's of ratios of NABIL is less consistent than that of EBL, SCBNL & HBL.

4.1.2 Assets Management Ratio (Activity Ratio)

Assets management ratio measures the efficiency of the bank to manage its assets in profitable and satisfactory manner.

(i) Loan and Advances to Total Deposit Ratio.

$$\text{Loan and Advances to Total Deposit Ratio} = \frac{\text{Loan \& Advances}}{\text{Total Deposit}}$$

Table 4.6
Loan & Advances to Total Deposit Ratio (%)

Banks	Fiscal Year					Mean	S.D	C.V (%)
	2002/03	2003/04	2004/05	2005/06	2006/07			
NABIL	57.67	5.8	72.57	66.79	66.61	34.33	5.72	8.89%
SCBNL	30.36	30.30	42.12	38.75	42.61	36.86	5.47	14.84%
HBL	51.62	58.70	54.21	59.50	56.57	56.12	2.94	5.24%
EBL	73.32	72.97	75.45	71.01	75.13	73.58	1.80	2.44%

Sources: Appendix I(vi)

From table 4.6 it is seen that the ratio of all bank during the study period is in fluctuating trend. During the study period, NABIL has highest ratio of 72.57 in FY 2004/05 and lowest ratio 57.67 in FY 2002/03, SCBNL has highest and lowest

ratios 42.061 and 30.30 in FY 2006/07 and 2003/04, HBL has highest & lowest ratios 59.50 and 51.62 in FY 2005/06 and 2002/03 and EBL has highest ratio of 72.45 in FY 2004/05 and lowest ratio of 71.01 in FY 2005/06 respectively.

In average mean ratio of loan & advances to total deposit of EBL is higher than that of NABIL, SCBNL & HBL. In case of co-efficient of variation ,EBL has 2.44%, which is comparatively lower than NABIL, SCBNL and HBL i.e. 8.89%, 14.84%, 5.24% respectively.

In conclusion, EBL has strong position regarding the mobilization of total deposit on loan ad advances and acquiring higher profit with compare to NABIL, SCBNL & HBL. It states that EBL is better is this regard.

(ii) Total Investment to Total Deposit Ratio

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

Table 4.7
Total Investment to Total Deposit Ratio (%)

Banks	Fiscal Year					Mean	S.D	C.V (%)
	2002/03	2003/04	2004/05	2005/06	2006/07			
NABIL	44.85	41.33	29.27	31.93	38.32	37.14	5.79	1.6%
SCBNL	54.47	53.68	50.18	55.71	55.10	53.83	1.94	3.6%
HBL	48.44	42.22	47.20	41.10	39.34	43.66	3.54	8.1%
EBL	24.70	31.44	21.08	30.43	27.41	27.01	4.24	15.70%

Sources: Appendix I(vii)

From above table it is seen that the ratio of NABIL is in decreasing trend from 2002/03 to 2004/05 and is increasing trend from 2005/06 to 2006/07. In the case of SCBNL it is also in decreasing trend from 2002/03 to 2004/05 and increases in

FY 2005/06 and 2006/07. And incase of HBL and EBL its ratio has fluctuating trend which is 48.44, 42.22, 47.20, 41.10 and 39.35 in the year 2002/03, 2003/04, 2004/05, 2005/06 & 3006/07.

In average EBL has maintained lower, mean value and SCBNL has maintained the highest mean value of 53.83.

The CV ratio of NABIL is 1.6% which is lower than 3.6% of SCBNL indicating more stability than that of other three banks.

(iii) Loan & Advances to Total Working Fund Ratio

$$\text{Loan and Advances to Total Working Fund Ratio} = \frac{\text{Loan \& Advances}}{\text{Total Working Fund}}$$

Where, total working fund is the total assets. It is composed up of current assets, fixed assets, miscellaneous assets and investment: loans for development bank etc.

Table 4.8
Loan & Advances to Total Working Fund Ratio %

Banks	Fiscal Year					Mean	S.D	C.V (%)
	2002/03	2003/04	2004/05	2005/06	2006/07			
NABIL	46.82	48.91	61.60	57.87	57.04	54.45	6.29	11.56%
SCBNL	27.24	27.11	37.19	34.67	36.73	32.59	5.03	15.44%
HBL	44.82	50.21	46.60	51.54	49.53	48.54	2.75	5.66%
EBL	60.96	61.24	64.61	61.41	63.75	62.39	1.67	2.67%

Sources: Appendix I(viii)

The above table exhibits that the ratio of NABIL & SCBNL is decreasing trend from 2003/04 to 2004/05 and increasing trend from 2005/06 to 2006/07. In case of HBL and EBL its ratio is in fluctuating trend.

On the basis of mean ratios, EBL has maintained the higher ratio than that of NABIL, SCBNL & HBL i.e. 62.39>54.45>48.54>32.59. So, EBL is in good condition to mobilize its total working fund as loan and advances. Co-efficient of variation of EBL is less than HBL, NABIL and SCBNL i.e. 2.67%<5.66%<11.56%<15.44%. It indicates more uniform of EBL in comparison to NABIL, SCBNL and very less uniform than HBL.

(iv) Investment on Government Securities to Total Working Fund Ratio

Investment on government securities to total working fund ratio

$$= \frac{\text{Investment on Government Securities}}{\text{Total Working Fund}}$$

Table 4.9
Investment on Government Securities to Total Working Fund Ratio (%)

Banks	Fiscal Year					Mean	S.D	C.V (%)
	2002/03	2003/04	2004/05	2005/06	2006/07			
NABIL	21.67	21.93	14.04	10.31	17.64	17.12	4.99	29%
SCBNL	31.47	33.62	31.90	33.54	24.85	31.28	30.70	11.8%
HBL	13.82	13.34	18.94	16.82	18.81	16.35	2.67	16.31%
EBL	19.86	25.67	17.81	22.24	21.95	21.51	2.93	13.64%

Sources: Appendix I(ix)

From the above table it is seen that the ratio of NABIL, SCBNL, HBL & EBL is in fluctuating trend.

In average, NABIL has maintained slightly higher ratio than HBL and lower ratio than SCBNL and EBL. The co-efficient of variation of NABIL is higher than that of SCBNL, EBL & HBL .

Finally it can be concluded that NABIL is not in satisfactory condition from ratios point of view in fund mobilizing term and is less homogeneous.

(v) Investment on shares and Debentures to Total Working Fund Ratio

$$\text{Investment on shares and debentures to total working fund ratio} = \frac{\text{Investment on Shares \& Debentures}}{\text{Total Working Fund}}$$

Table 4.10
Investment on Shares & Debenture to Total Working Fund Ratio (%)

Banks	Fiscal Year					Mean	S.D	C.V (%)
	2002/03	2003/04	2004/05	2005/06	2006/07			
NABIL	0.13	0.13	2.56	0.47	1.053	0.87	1.02	11.7%
SCBNL	0.05	0.05	0.06	0.06	0.16	0.076	0.047	62.13%
HBL	0.14	0.13	0.14	0.13	0.21	0.15	0.03	22.6%
EBL	0.21	0.18	0.16	0.12	0.09	0.15	0.05	31.35%

Sources: Appendix 1(x)

From the above table it is seen that the ratio of NABIL & SCBNL is in increasing trend incase of HBL it is in fluctuating trend. And that of EBL is in decreasing trend.

On the basis of mean ratios, NABIL has higher investment than other three banks ,that is., 0.87>0.15>0.15>0.076. In case of CV NABIL has less than other three banks ,that is,11.7 %< 22.6 %<31.35%< 62.13%,

Finally it can be concluded that NABIL has invested more portion of its total working fund on shares & debentures than other three banks.

4.1.3 Profitability Ratio

Profit is the main objective of a commercial bank providing different types of banking services to its customers. To meet various objectives like to have a good liquidity position, meet fixed internal obligation, overcome the future contingencies, grab hidden investment opportunities, expend banking transitions in different places and finance government in need of development funds etc, a commercial bank must earn sufficient profit. The different profitability ratios are as follows.

(i) Return on Total Working Fund Ratio

$$\text{Return on total working fund ratio} = \frac{\text{Net Profit}}{\text{Total Working Fund}}$$

Where,

Net profit includes the profit that is left to the internal equities after all costs, shares & expenses

Table 4.11
Return on Total Working Fund Ratio (%)

Banks	Fiscal Year					Mean	S.D	C.V (%)
	2002/03	2003/04	2004/05	2005/06	2006/07			
NABIL	2.51	2.72	3.02	2.84	2.47	2.71	0.23	8.47%
SCBNL	2.42	2.27	2.46	2.55	2.42	2.42	0.10	4.18%
HBL	0.88	1.02	1.06	1.50	1.43	1.18	0.27	23.05%
EBL	1.17	1.49	1.43	1.49	1.38	1.39	0.13	9.51%

Sources: Appendix I(xi)

The above table exhibits that the ratio of NABIL is in increasing trend from 2002/03 to 2004/05 and decreasing from 2005/06 to 2006/07. In case of SCBNL and EBL it is in fluctuating trend.

In the mean ratios, it is observed that the NABIL has the highest mean value ,1>2.42>1.39>1.18. So, NABIL is highly efficient to earn net profit and return as well. On the other hand C.V of NABIL is less than HBL & EBL and higher than SCBNL.

Finally it can be concluded that NABIL has better earning capacity by utilizing available resources.

(ii) Total Interest Earned to Total outside Assets Ratio

$$\text{Total interest earned to Total outside Assets} = \frac{\text{Total Interest Earned}}{\text{Total Outside Asset}}$$

The total outside assets includes loan & advances investment n government securities, share and debentures and other all types of investment.

Table 4.12
Total Interest Earned to Total Outside Assets Ratio (%)

Banks	Fiscal Year					Mean	S.D	C.V (%)
	2002/03	2003/04	2004/05	2005/06	2006/07			
NABIL	7.38	7.14	7.20	6.86	6.50	7.02	0.34	4.89%
SCBNL	14.9	5.86	5.93	5.46	5.87	7.66	4.08	53.72%
HBL	5.71	5.61	5.75	6.10	6.10	5.85	0.23	3.94%
EBL	7.93	7.81	7.38	6.45	6.14	7.14	0.81	11.30%

Sources: Appendix I(xii)

IT IS IL has fluctuating trend from FY 2002/03 to 2005/06 and on FY 2006/07 it's increasing. SCBNL has fluctuating trend during the study period and HBL has

fluctuating trend from 2002/03 to 2005/06 its stable is 2006/07 and EBL has decreasing trend till the study period.

On the basis of mean ratios NABIL is less than EBL and SCBNL $7.02 < 7.14 < 7.66$ & higher than HBL i.e. $7.02 > 5.85$ in respect to total interest earned to total outside assets. On the other hand, C.V of NABIL is less than that of SCBNL and EBL and higher than HBL.

From the above analysis, it can be concluded the NABIL is in strong position is earning high interest income from its total outside assets is comparison to SCBNL & HBL is view point of mean & C.V ratio. Moreover, SCBNL and EBL is comparatively efficient to earn high interest income from outside assets than other banks.

(iii) Total Interest Earned to Total Working Fund Ratio

This ratio reflects the extent to which the banks are successful is mobilizing their total assets to generate high income as interest. A high ratio is indicator of high earning power of the bank on its total working fund and vice versa.

$$\text{Total interest earned to total working fund ration} = \frac{\text{Total Interest Earned}}{\text{Total Working Fund}}$$

Table 4.13
Total Interest Earned to Total Working Fund Ratio (%)

Banks	Fiscal Year					Mean	S.D	C.V (%)
	2002/03	2003/04	2004/05	2005/06	2006/07			
NABIL	6.15	5.98	6.22	5.87	5.88	6.01	0.17	2.84%
SCBNL	4.81	4.41	4.83	4.61	5.94	4.72	0.21	4.45%
HBL	4.96	4.84	5.01	5.32	5.17	4.96	0.22	4.40%
EBL	6.46	6.84	6.10	5.66	5.34	6.08	0.60	9.89%

Sources: Appendix I(xiv)

The above comparative table reveals that NABIL & SCBNL has followed fluctuating trend during the study period. In the case of HBL it is in fluctuating trend from FY 2002/03 to FY 2005/06 and decreasing is 2006/07 like wise 4.96, 4.84, 5.01, 5.32, 5.17 is FY 2002/03 to 2006/07. EBL has decreasing trend except in FY 2003/04 it is in increasing from 6.46% to 6.84%.

The mean of EBL is greater than that of other three banks i.e. $6.08 > 6.01 > 4.96 > 4.72$. So, we can say that EBL is in strong position to generate interest income from the total working fund than other three banks. On the other hand, C.V of NABIL is lower than that of SCBNL, HBL & EBL i.e. $2.84\% < 4.40\% < 4.45\% < 9.89\%$. It means more consistent their three banks.

Thus, it can be concluded that the ratio of total interest earned to total working fund ratio of NABIL is satisfactory is compared to other banks. That means the total interest earned to total working fund ratio of NABIL is stable in comparison to EBL, SCBNL & HBL.

(iv) Total Interest Paid to Total Working Fund Ratio

This ratio measures the percentage of total interest paid against the total working fund. A high ratio indicates the higher interest expenses on total working fund and vice versa.

$$\text{Total interest paid to total working fund ratio} = \frac{\text{Total Interest Paid}}{\text{Total Working Fund}}$$

Table 4.14
Total Interest Paid to Total Working Fund Ratio

Banks	Fiscal Year					Mean	S.D	C.V (%)
	2002/03	2003/04	2004/05	2005/06	2006/07			
NABIL	1.91	1.70	1.42	1.55	2.04	1.72	0.25	14.76%
SCBNL	1.22	1.20	1.16	1.20	1.44	1.24	0.11	9.02%
HBL	2.31	1.91	1.95	2.12	2.24	2.11	0.17	8.3%
EBL	3.82	3.29	2.54	2.52	2.41	2.92	0.61	21.08%

Sources: Appendix I(xv)

The above comparative table reveals that total interest paid to total working fund ratio of NABIL and SCBNL is in decreasing trend at first 3 years i.e. FY 2002/03 to 2004/05 and then it is in increasing trend from 2005/06 to 2006/ 07 . In case of HBL its ratio is in decreasing trend from FY 2002/03 to 2003/04 and in increasing trend from 2004/05 to 2005/06. In case of EBL, total interest paid to total working fund ratio is in decreasing to till the last year during the study period.

The mean ratio of EBL i.e. 2.92 is higher than that of NABIL, SCBNL and HBL i.e. 1.72, 1.24 and 2.11. It means EBL pays higher interest than other three banks during the study period. On the other hand EBL coefficient of variable is higher i.e. 21.08% in comparison to NABIL, SCBNL and HBL i.e. 14.76%, 9.02% and 8.3%. It indicates that EBL ratio is less consistent than other banks.

In conclusion we can say that HBL is in better position from payment of interest point of view (less expenses generate the high income generate theory). It seems to be successful to collect its working fund from less expensive sources in comparison to NABIL, SCBNL and less than EBL.

(v) Return on Loan & Advances Ratio

Return on loan & advances ratio measures the earning capacity of a commercial bank on its mobilized fund based loan and advances. A high ratio indicates a greater success to mobilize fund and vice versa.

$$\text{Return Loan \& Advances Ratio} = \frac{\text{Net Profit}}{\text{Loan \& Advances}}$$

Table 4.15
Return on Loan & Advances Ratio (%)

Banks	Fiscal Year					Mean	S.D	C.V (%)
	2002/03	2003/04	2004/05	2005/06	2006/07			
NABIL	5.37	5.56	4.90	4.92	4.33	5.02	.48	9.5%
SCBNL	8.9	8.41	6.62	7.37	6.6	7.58	1.64	13.77%
HBL	1.96	2.03	2.30	2.90	2.89	2.42	0.45	18.8%
EBL	1.92	2.44	2.21	2.42	2.17	2.23	0.21	9.51%

Sources: Appendix I(xiii)

The above table exhibits that the ratio of NABIL has maintained fluctuating trend. SCBNL has decreasing trend at first i.e. from FY 2002/03 to 2004/05 and then followed fluctuating trend from 2005/06 to 2006/07. HBL has maintained increasing trend from 2002/03 to 2005/06 and then decreases in 2006/07. EBL has fluctuated trend till the study period.

The mean of the NABIL is higher than HBL and EBL i.e. $5.02 > 2.42 > 2.23$ and lower than SCBNL i.e. $5.02 < 7.58$ is respect to return on loan & advances ratio. On the other hand C.V of NABIL is less than that of other three banks. So NABIL has maintained high return with variability ratios.

From the above analysis, it can be concluded that NABIL is significantly able to earn high return on its loan and advances is comparison of other three banks is point of view of average mean & low C.V ratio.

(vi) Return on Equity

$$\text{Return on equity} = \frac{\text{Net Profit}}{\text{Total Equity Capital}}$$

Table 4.16
Return on Equity Ratio (%)

Banks	Fiscal Year					Mean	SD	CV (%)
	2002/03	2003/04	2004/05	2005/06	2006/07			
NABIL	35.12	30.77	31.30	33.91	32.79	32.88	1.42	4.32%
SCBNL	37.03	35.96	33.89	37.55	32.68	35.42	2.08	5.86%
HBL	19.95	19.87	19.99	25.90	36.89	24.52	7.38	30.10%
EBL	15.37	21.10	14.85	18.79	19.74	17.97	2.74	15.26%

Sources: Appendix I(xvi)

The above table exhibits that ratios of NABIL followed decreasing trend from FY 2002/03 to FY 2003/04 and then increased from FY 2004/05 to 2005/06 and again decreased in FY 2006/07. In case of SCBNL ratio, it followed decreasing trend from FY 2002/03 to 2004/05 then increasing trend from 2005/06 to 2006/07. In case of HBL ratio, it followed decreasing trend in FY 2002/03 to FY 2003/04 and then increased from FY 2004/05 to 2006/07. EBL has fluctuated trend, it has decreased in FY 2004/05 and then increase till last year during study period.

In the mean ratios, it is observed that NABIL has the average mean value i.e., 32.88 which is less than 35.42 of SCBNL and higher than 24.52 and 17.97 of HBL and EBL. The co-efficient of variation of NABIL is less than other banks i.e., $4.32\% < 5.86\% < 15.26\% < 30.10\%$. Finally it can be concluded that NABIL has mobilized its equity capital more efficiently than other banks.

4.2 Return to Investor

It is also a very important tool of analysis the performance of the commercial banks. Higher the return to the investor indicates the better performance of the company. Higher dividends and the stock price increase the increase return to investors. The return to investors in this section is analyzed in the form of MPS, EPS, DPS, NWPS, price earning ratio and dividend yield.

4.2.1 Market Price Per Share (MPS)

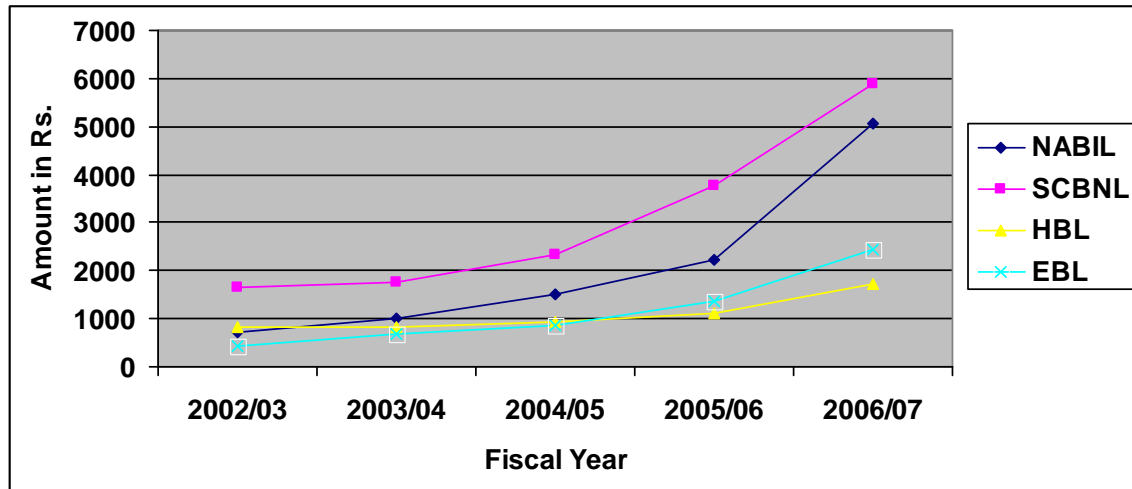
Market price per share is the price at which shares are traded in the stock market. Those shares are transacted in the secondary markets, which are already issued to the public. Organized stock exchange centers are known as secondary market where trading of the stocks are conducted. Market value in the secondary market is determined by supply and demand factors and reflects the consensus opinion of investors and traders concerning the value of the stock. In an efficient market a set of information is fully and immediately reflected in market price. The demand of the stocks of better companies will be higher and market price per share of those companies also will be higher in the stock market. Whether a market price per share is high or low is difficult to determine. For this, the financial analysis has to compare it with the book value per shares and also with the market prices share of other companies.

Table 4.17
Market Price Per Share

Banks	Fiscal Year					Mean	SD	CV (%)
	2002/03	2003/04	2004/05	2005/06	2006/07			
NABIL	735	1000	1505	2240	5050	2106.00	1742.78	82.75%
SCBNL	1640	1745	2345	3775	5900	3081.00	1791.05	58.13%
HBL	836	840	920	1100	1740	1087.20	380.29	34.98%
EBL	445	680	870	1379	2430	1160.80	788.45	67.92%

Source: Annual Report of Concern Bank

**Figure 4.1
Market Price Per Share of Banks**



During the period of study, NABIL has an average closing MPS of Rs. 2106 with standard deviation of 1742.78 and a coefficient of variation of 82.75%. This indicates that the share price of NABIL is highly fluctuating in nature.

SCBNL had an average MPS of Rs. 3081 during the study period with the the standard deviation of 1791.05 and the fluctuation rate of 58.13%.

During the period of study, HBL had an average closing MPS of Rs. 1087.20 with standard deviation 380.29. The coefficient of variation shows that there is fluctuation of 34.98% in closing MPS of HBL.

Lastly, EBL has an average closing MPS of Rs 1160.80 with the standard deviation of the closing MPS is 788.45 and C.V of 67.92% indicating the fluctuation of 67.92% in the closing MPS of EBL during the study period

Finally, it can be concluded that the average closing MPS of SCBNL is the highest and that of HBL is the lowest. Similarly the standard deviation of SCBNL is highest and HBL is the lowest. The coefficient of variation of all those banks indicates a medium level fluctuations in the MPS.

4.2.2 Net Worth Per Share (NWPS)

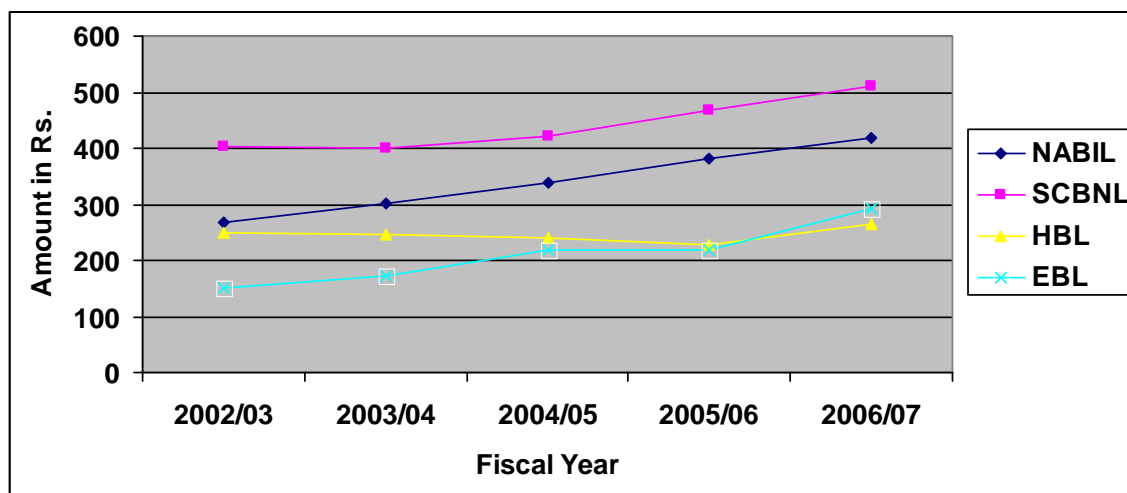
Net worth per share, also called book value, is computed by dividing the amount of total shareholder's equity by the number of shares outstanding. The NWPS of the listed banks is tabulated as follows.

Table 4.18
Net Worth Per Share

Banks	Fiscal Year					Mean	SD	CV (%)
	2002/03	2003/04	2004/05	2005/06	2006/07			
NABIL	267.30	301.37	337	381	418	340.93	60.31	17.69%
SCBNL	403.15	399.25	422.37	468.22	512.12	441.02	48.27	10.95%
HBL	247.82	246.93	239.59	228.72	264.74	245.56	13.17	5.36%
EBL	150.10	171.52	219.88	217.67	292.75	210.38	54.94	26.11%

Source: Annual Report of Concern Bank

Figure 4.2
Net Worth Per Share of Banks



During the period of study, NABIL had an average NWPS of Rs. 340.93 with standard deviation 60.31. The coefficient of variation shows that there is fluctuation of 17.69% in NWPS of NABIL.

SCBNL within the period of study had an NWPS of Rs.441.02, ranging between Rs.512.12 and Rs. 399.25. The standard deviation is 48.27 and the fluctuation of 10.95% in the closing NWPS is seen during the period.

The average NWPS of HBL during the period of study is Rs. 245.56 with standard deviation of 13.17 and a coefficient of variation of 5.36%. EBL has the NWPS range between Rs. 292.75 and Rs. 150.10 during the period of study. An average NWPS of Rs. 210.38 is noted during this period. The standard deviation of the NWPS is Rs.54.94. The C.V of 26.11% indicates that there is a fluctuation of 26.11% in the NWPS of EBL during the period of the study.

Finally, it can be concluded that NWPS of SCBNL is the highest and that of EBL is the lowest. Similarly the standard deviation of NABIL is highest and HBL is the lowest. The coefficient of variation of these banks shows that there is an above moderate level of fluctuations in the NWPS

4.2.3 Earning Per Share (EPS)

Earning per share is the amount available to the holders of each share. It is calculated by dividing the total earnings available to common shareholders by the total number of shares outstanding.

$$\text{EPS} = (\text{Net profit after tax} - \text{Preference dividend}) / \text{Number of common shares}$$

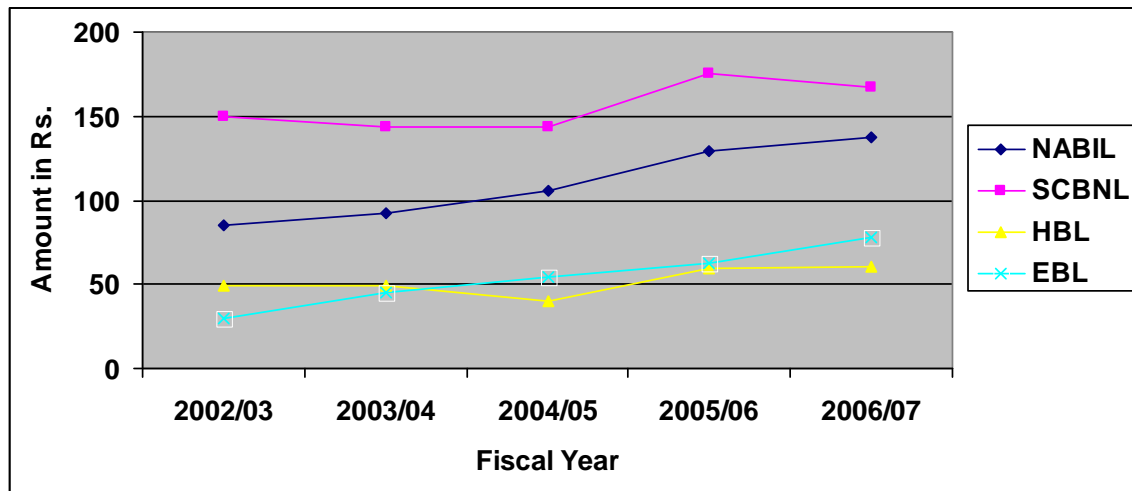
EPS provides combined result of total assets turnover, return on sales debt and equity position in the capital structure, and the book value per share of the company. EPS of the listed banks is tabulated as follows.

Table 4.19
Earning Per Share

Banks	Fiscal Year					Mean	SD	CV (%)
	2002/03	2003/04	2004/05	2005/06	2006/07			
NABIL	84.66	92.61	105.49	129.21	137.08	109.81	22.73	20.70%
SCBNL	149.30	143.55	143.14	175.84	167.35	155.84	14.90	9.56%
HBL	49.45	49.05	39.92	59.24	60.66	51.66	8.48	16.42%
EBL	29.9	45.6	54.2	62.8	78.4	54.18	18.19	33.58%

Source: Annual Report of Concern Bank

Figure 4.3
Earning Per Share of Banks



During the period of study, NABIL had an average EPS of Rs. 109.81 with standard deviation Rs.22.73. The coefficient of variation shows that there is fluctuation of 20.70% in EPS of NABIL.

SCBNL within the period of study had an average EPS of Rs.155.84, ranging between Rs.175.84 and Rs. 143.14. The standard deviation is Rs. 14.90 and the fluctuation of 9.56% in the EPS is seen during the period.

The average EPS of HBL during the period of study is Rs. 51.66 with standard deviation of Rs.8.48 and a coefficient of variation of 16.42%. EBL has the EPS range between Rs. 78.4 and Rs. 29.9 during the period of study. An average EPS

of Rs 54.18 is noted during this period. The standard deviation of the EPS is Rs.18.19. The C.V of 33.58% indicates that there is a fluctuation of 33.58% in the EPS of EBL during the period of the study.

Finally, it can be concluded that average EPS of SCBNL is the highest and that of HBL is the lowest. Similarly the standard deviation of NABIL is highest and HBL is the lowest. The coefficient of variation of these banks shows that there is an above moderate level of fluctuations in the EPS.

4.2.4 Dividend per Share (DPS)

.Dividend per share is the regular amount availed to the holders of each common stock by the company. Evaluation of performance of listed companies in terms of dividend per share (DPS) is considered as an appropriate measure, which shows the companies' earnings and dividend paying capacity. It is calculated by dividing dividend paid to equity share holders by number of equity shares.

DPS= Dividend paid to equity shareholders/ Number of equity shares

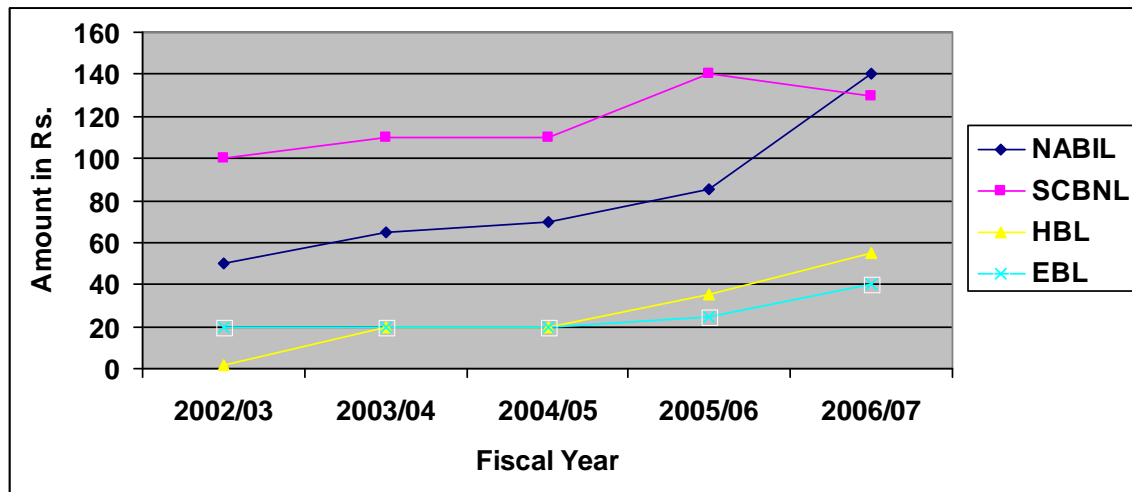
Dividend per share of the listed banks is tabulated as follows.

Table 4.20
Dividend Per Share

Banks	Fiscal Year					Mean	SD	CV (%)
	2002/03	2003/04	2004/05	2005/06	2006/07			
NABIL	50	65	70	85	140	82.00	34.75	42.38%
SCBNL	100	110	110	140	130	118.00	16.43	13.93%
HBL	1.32	20	20	35	55	26.26	20.02	76.22%
EBL	20	20	20	25	40	25.00	8.66	34.64%

Source: Annual Report of Concern Bank

Figure 4.4
Dividend Per Share of Banks



The average DPS of NABIL is Rs.82 with the standard deviation Rs.34.75. The coefficient of variation is 42.38%, which indicates that there is moderated fluctuation in the DPS of NABIL.

SCBNL has an average DPS of Rs. 118. Continue dividend was paid in the years. The standard deviation is Rs. 16.43 and the fluctuation of 13.93% in the DPS is seen during this period.

HBL has an average DPS of Rs. 26.26. The highest DPS is Rs 55 whereas it has paid low dividend in the years 2002/2003. The standard deviation is 20.02 and coefficient of variation is 76.22%. The CV indicates that the DPS of HBL is huge fluctuating.

EBL paid the highest DPS of Rs.40. and constant dividend was paid in the year's 2002/03, 2003/04 and 2004/05. An average DPS of Rs 25 has been noted during the study period. The standard deviation of the DPS is Rs. 8.66. The C.V. of 34.64% indicates that there is a quite fluctuation in the DPS of EBL.

Finally, SCBNL has the highest average DPS and EBL has the lowest. The C.V indicates that among the banks under study during the period no bank has the highest consistency in paying dividend whereas the DPS of NABIL and HBL are highly fluctuating.

4.2.5 Price Earning Ratio (P/E Ratio)

P/E ratio reflects investor’s expectations about the growth in the firm’s earnings.. It is also called earning multiplier. It is calculated by dividing price per share by earning per share.

$$\text{P/E Ratio} = \text{Price per share} / \text{Earning per share}$$

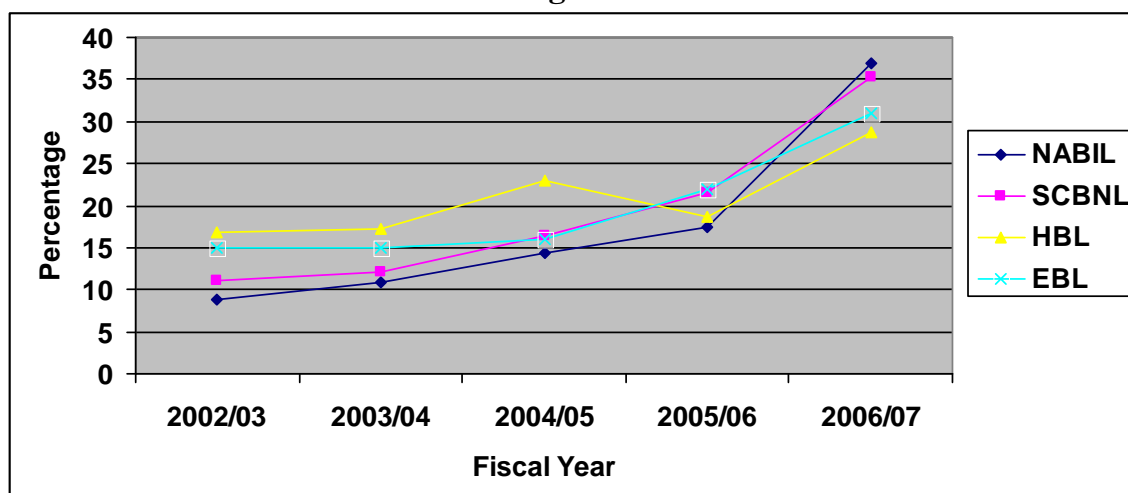
The price-earning ratios of the banks under study are presented in table and graph as follows.

Table 4.21
Price Earning Ratio (%)

Banks	Fiscal Year					Mean	SD	CV (%)
	2002/03	2003/04	2004/05	2005/06	2006/07			
NABIL	8.74	10.80	14.26	17.34	36.84	17.60	11.25	63.93%
SCBNL	10.98	12.15	16.38	21.47	35.25	19.25	9.85	51.17%
HBL	16.91	17.13	23.05	18.57	28.68	20.87	5.02	24.04%
EBL	14.9	14.9	16.0	22.0	31.0	19.76	6.94	35.13%

Source: Annual Report of Concern Bank

Figure 4.5
Price Earning Ratio of Banks



The average P/E Ratio of NABIL, during this period of study is 17.60. It is within the range of 36.84 and 8.74. The standard deviation of P/E Ratio is 11.25 whereas coefficient of variation is 63.93% indicating the high fluctuating nature of P/E Ratio in NABIL. SCBNL has an average P/E Ratio of 19.25 with the standard deviation of 9.85 and coefficient of variation is 51.17%.

HBL has an average P/E Ratio of 20.87 ranging between 28.68 and 16.0 during the period of study. The standard deviation is 6.94 and the fluctuation of 24.04% in the P/E Ratio is seen during this period

The average P/E ratio of EBL is 19.76 with standard deviation of 6.94. The coefficient of variation is 35.13%, which indicates that the bank has the medium fluctuation in P/E Ratio during the period.

Finally it can be concluded that HBL has the highest average P/E Ratio and NABIL has the lowest. The C.V indicates that among the banks under study during period, NABIL has the highest consistency in P/E Ratio whereas the P/E Ratio of SCBNL is highly fluctuating.

4.2.6 Dividend Yield

Dividend yield is an appropriate measure which helps to decide whether to make investment or not in a common stock. It is calculated by dividing dividend per share by market value per share

$$\text{Dividend yield} = \text{Dividend pershare/ Market value per share}$$

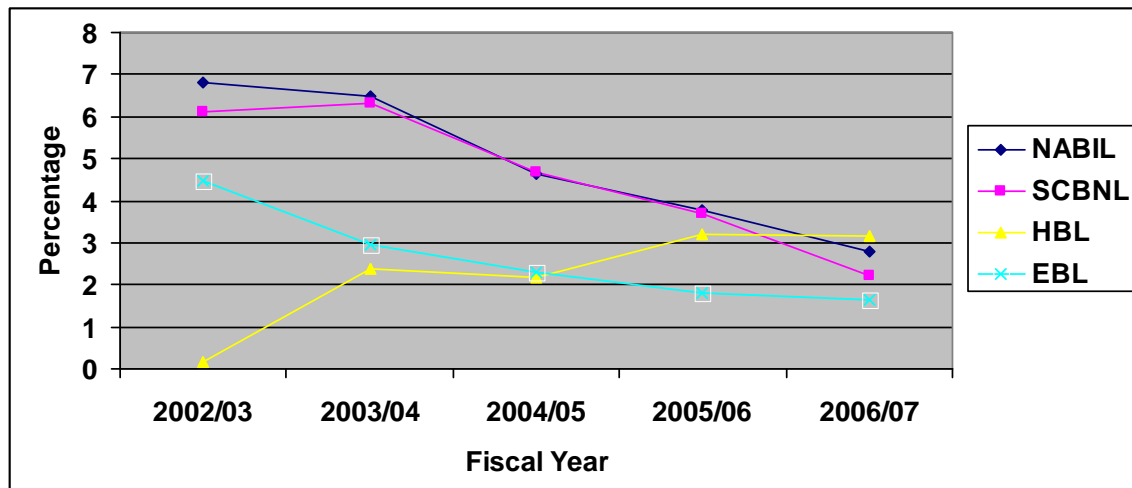
Dividend yield of the listed banks is tabulated as follows.

Table 4.22
Dividend Yield

Banks	Fiscal Year					Mean	SD	CV (%)
	2002/03	2003/04	2004/05	2005/06	2006/07			
NABIL	6.80	6.50	4.65	3.79	2.77	1.40	3.02	216.51%
SCBNL	6.10	6.30	4.69	3.71	2.20	1.25	2.71	216.07%
HBL	0.16	2.38	2.17	3.18	3.16	0.05	0.06	110.68%
EBL	4.49	2.94	2.30	1.81	1.65	0.92	2.00	218.30%

Source: Annual Report of Concern Bank

Figure 4.6
Dividend Yield of Banks



During the period of study, HBL had an average DY of 0.05 with a standard deviation of 0.06. The coefficient of variation shows that there is a fluctuation of 110.68% . Similarly NABIL had an average DY of 1.40 with the SD of 3.02 , SCBNL had an average DY of 1.25 with SD of 2.71 and with CV of 216.07%. At last EBL had an average DY of 0.92 with SD of 2.0 and With fluctuation of 2118.30% HBL. From the above data and calculations, it can be seen that the average DY of NABIL is the highest and that of HBL is the lowest. The DY range of the banks under study during the period is between 6.80% and 0.16%. Similarly the standard deviation of NABIL is the highest and HBL is lowest. The coefficient of variation of these banks shows a high level of fluctuation in the DY.

4.3 Statistical Tools

In this section some statistical tools such as co-efficient of correlation analysis between different variables, trend analysis of deposits, loan and advances, investment and net profit as well as hypothesis test are used to achieve the objectives of the study.

4.3.1 Coefficient of Correlation Analysis

Correlation analysis is the relationship between dependent variables so it is called constant variable also. Correlation is denoted by 'r' and ranges from +1.0 indicating perfect positive correlation to -1.0, indicating perfect negative correlation. If the correlation coefficient is zero, then the factors are independent or un-correlated.

In this chapter, correlation between MPS and EPS, NWPS, DPS have been calculated. Then results have analyzed and interpreted and then significance of correlation has been tested using Karl Pearson's correlation co-efficient.

Interpretation of Correlation Co-efficient

- It lies always between +1 to -1.
- When $r = +1$, there is perfect positive correlation.
- When $r = -1$, there is perfect negative correlation.
- When $r = 0$, there is no correlation.
- When r lies between 0.7 to 0.999, (-0.7 to -0.999) there is a high degree of positive or negative correlation.
- When r lies between 0.5 to 0.6999, there is moderate degree of correlation.
- When r is less than 0.5, there is a low degree of correlation.

Probable Error

- If $r < 6 \text{ P.E.}$, then the value of 'r' is not significant.
- If $r > 6 \text{ P.E.}$, then the value of 'r' is definitely significant.
- If the other situations happen, nothing can be concluded with certainty.

4.3.2 Coefficient of Correlation Between MPS and EPS

Calculating the correlation coefficient between MPS and EPS ,it is checked wheather there is any relationship between MPS and EPS.The required data are tabulated and the coefficient is calculated as follows:

Table 4.24
Correlation Between MPS and EPS

S. NO.	Name of Company	Correlation Coefficient (r)	Probable Error (6P.E.)
1	NABIL Bank Ltd.	0.8770	0.7539
2	Standard Chartered Bank Ltd.	0.7638	0.7539
3	Himalayan Bank Ltd.	0.7078	0.9032
4	Everest Bank Ltd.	0.9432	0.1998

Source: Appendix 3(i)

From the above table it is seen that the degree of relationship between MPS and EPS seems to be significant. we can clearly see that the correlation of MPS with

EPS 0.8770, 0.7638, 0.7078 and 0.9432 respectively in case of NABIL, SCBNL, HBL and EBL which shows that the increase in the value of EPS by 0.8770, 0.7638, 0.9431 and 0.9432 unit respectively causes to increase 1 unit value of MPS. Thus, there exists high degree of positive correlation in NABIL, SCBNL, HBL and EBL. Such relationship of MPS with EPS is a good indicator of the financial activities of companies in the least development countries like Nepal.

But the value of 'r' is less than six times P.E. in case of HBL. This states that the value of "r" not significant. In case of NABIL, SCBNL and EBL and the value of 'r' is greater than 6P.E. which shows that the value of correlation coefficient is definitely significant.

In other words, if independent variables (EPS) increase then it causes to increase dependent variable (MPS) by 1 unit and vice-versa in case of positive correlation. Again if independent variable (EPS) decreases than it causes to decrease dependent variable (MPS) by 1 unit and vice-versa in case of negative correlation.

4.3.3 Coefficient of Correlation Between MPS and NWPS

Calculating the correlation coefficient between MPS and NWPS, it is checked whether there is any relationship between MPS and NWPS. The required data are tabulated and the coefficient is calculated as follows

Table 4.25
Correlation Between MPS and NWPS

S. NO.	Name of Company	Correlation Coefficient (r)	Probable Error (6P.E.)
1	NABIL Bank Ltd.	0.9023	0.3364
2	Standard Chartered Bank Ltd.	0.9929	0.0254

3	Himalayan Bank Ltd.	0.6187	1.1171
4	Everest Bank Ltd.	0.9535	0.1643

Source: Appendix 3(ii)

From the above table it is clearly seen that the degree of relationship between MPS and NWPS is significant. The correlation of MPS with NWPS is 0.9023, 0.9929, 0.6187 and 0.9535 respectively in case of NABIL, SCBNL, HBL and EBL which shows that the increase in the value of NWPS by 0.9023, 0.9929, 0.6187 and 0.9535 units respectively causes to increase 1 unit value of MPS. Thus, there exists high degree of positive correlation in NABIL, SCBNL and EBL. There is moderate degree of correlation in HBL. Such an increasing value of MPS with NWPS is healthy indicator of the financial activities of companies in the least development countries like Nepal.

But the value of 'r' is less than six times P.E. in case of HBL. This states that there is no significant. But in case of NABIL, SCBNL and EBL the value of 'r' is greater than 6P.E. which shows that the correlation coefficient is significant.

In other words, if independent variables (NWPS) increase then it causes to increase dependent variable (MPS) by 1 unit and vice-versa in case of positive correlation. Again if independent variable (NWPS) decreases than it causes to decrease dependent variable (MPS) by 1 unit and vice-versa in case of negative correlation.

4.3.4 Coefficient of Correlation Between MPS and DPS

Calculating the coefficient of correlation between MPS and EPS, it is checked whether there is any relationship between MPS and EPS. The required data are tabulated and the coefficient is calculated as follows

Table 4.26
Correlation Between MPS and DPS

S. NO.	Name of Company	Correlation Coefficient (r)	Probable Error (6P.E.)
1	NABIL Bank Ltd.	0.9950	0.0179
2	Standard Chartered Bank Ltd.	0.7782	0.7138
3	Himalayan Bank Ltd.	0.9108	0.3086
4	Everest Bank Ltd.	0.9693	0.1093

Source: Appendix 3(iii)

From the above table it is clearly seen that the degree of relationship between MPS and DPS is significant. The correlation of MPS with DPS is 0.9950, 0.7782, 0.9108 and 0.9693 respectively in case of NABIL, SCBNL, HBL and EBL which shows that the increase in the value of DPS by 0.9950, 0.7782, 0.9108 and 0.9693 units respectively causes to increase 1 unit value of MPS. Thus, there exists high degree of positive correlation in NABIL, SCBNL, HBL and EBL. Such an increasing value of MPS with DPS is healthy indicator of the financial activities of companies in the least development countries like Nepal.

However the value of 'r' is less than six times P.E. in case of EBL indicating no significance of value of "r". But for NABIL, SCBNL and HBL the value of 'r' is greater than 6P.E. indicating the significance of correlation coefficient

In other words, if independent variables (DPS) increase then it causes to increase dependent variable (MPS) by 1 unit and vice-versa in case of positive correlation. Again in case of negative correlation if independent variable (DPS) decreases than it causes to decrease dependent variable (MPS) by 1 unit and vice-versa.

4.4 Major Findings of the Study

A research findings must fulfill the objective of the research. The major findings of this research are listed as follows:

Liquidity Ratio

- From the analysis of current ratio it is found that the mean of ratio of EBL is higher than that of NABIL, SCBNL and HBL. It means EBL has maintained the higher liquidity and lower risk in compare to other banks.
- The mean ratio of cash and bank balance to current assets of NABIL is lower than SCBNL, HBL and EBL. It states that the liquidity position of NABIL is poorer than that of SCBNL, HBL and EBL and the ratio of NABIL is more variable than that of other three banks.
- The mean ratio of cash and bank balance to total deposits of NABIL is lower than SCBNL, HBL and EBL, It states that cash and bank balance in liquidity position of NABIL is lower than other three banks. And the ratio of NABIL is less consistent than that of SCBNL, HBL and EBL.
- The mean ratio of investment in govt. securities to current assets ratio of SCBNL is higher than that of EBL, HBL & NABIL. It means SCBNL had invested its higher portions of current assets on government securities, than other three banks. On the other hand NABIL in ratio is less consistent than that of EBL, SCBNL & HBL.
- While examining the mean ratio of loan and advances to current asset, NABIL has maintained slightly higher than HBL and EBL and very much higher than. On the other side co-efficient of variation of NABIL is lower than SCBNL and higher than HBL and EBL

Assets Management Ratio (Activity Ratio)

- The mean ratio of loan and Advances to total working fund of EBL is higher than NABIL, SCBNL and HBL. The variability of ratios is lower than NABIL, SCBNL and HBL.
- Mean ratio of loan & advances to total deposit of EBL is higher than that of NABIL, SCBNL & HBL. In case of CV EBL has least value in comparison to other banks
- The mean ratio of total investment to total deposit of SCBNL is higher than NABIL, HBL and EBL. The variability of ratios is lower than that of HBL and EBL.
- The mean ratio of Investment on share and debentures to total working fund of NABIL is higher than SCBNL, HBL and EBL and also NABI is less consistent and heterogeneous than SCBNL, HBL and EBL.
- The mean of investment on government securities to total working fund ratio of SCBNL is higher than NABIL, HBL and EBL. However NABIL have more uniform ratios than that of three compared banks.
- From the above findings it helps to conclude that SCBNL and EBL, is comparatively successful in its on balance sheet operation is compared to NABIL and HBL. It predicts that SCBNL and EBL has successfully maintained and managed its assets towards different income generating activities.

Profitability Ratio

- The mean ratio of total Interest earned to total working fund of EBL is higher than that of NABIL, SCBNL and HBL. The ratio of EBL is more consistent than that of other three banks.
- NABIL has the mean ratio of return on total working fund higher than SCBNL, HBL and EBL. On the other hand NABIL is less consistent and homogeneous than HBL and EBL and more than SCBNL.

- The mean ratio of total interest earned to total outside Assets of SCBNL is higher than NABIL, HBL and EBL. The variability of the ratio of SCBNL is higher in comparison to NABIL, HBL and EBL.
- The mean ratio of return on loan and advances of SCBNL is higher than of NABIL, HBL and EBL indicating high return but coefficient of variation of NABIL is least indicating low variability.
- EBL has the mean ratio of total interest pays to total working fund is higher than NABIL, SCBNL and HBL. EBL ratio is more consistent than other banks.
- In the mean ratios of return on equity, it is observed that NABIL has the average mean value less than SCBNL and higher than HBL and EBL. The co-efficient of variation of NABIL is less than other
- From the above findings of profitability ratios, it can be concluded that the SCBNL and EBL are comparatively in higher position than that of NABIL and HBL So, the profit earning capacity of SCBNL and EBL is high in comparison to other two banks.

Return to Investors

- The average closing MPS of SCBNL is the highest and that of HBL is the lowest. Similarly the standard deviation of SCBNL is highest and HBL is the lowest. The coefficient of variation of these banks shows that there is an above moderate level of fluctuations in the MPS. It can be seen that NWPS of SCBNL is the highest and that of EBL is the lowest. Similarly the standard deviation of NABIL is highest and HBL is the lowest. The coefficient of variation of these banks shows that there is an above moderate level of fluctuations in the NWPS.
- The average EPS of SCBNL is the highest and that of HBL is the lowest. Similarly the standard deviation of NABIL is highest and HBL is the lowest. The coefficient of variation of these banks shows that there is an

above moderate level of fluctuations in the EPS. SCBNL has the highest average DPS and EBL has the lowest. The C.V indicates that among the banks under study during the period no bank has the highest consistency in paying dividend whereas the DPS of NABIL and HBL are highly fluctuating.

- HBL has the highest average P/E Ratio and NABIL has the lowest. The C.V indicates that among the banks under study during period, NABIL has the highest consistency in P/E Ratio whereas the P/E Ratio of SCBNL is highly fluctuating. The average DY of NABIL is the highest and that of HBL is the lowest. Similarly the standard deviation of NABIL is the highest and HBL is lowest. The coefficient of variation of these banks shows a high level of fluctuation in the DY.

Correlation Analysis

- From the Correlation coefficient of MPS with EPS it is seen that there exist high degree of positive correlation in NABIL, SCBNL, HBL, and EBL. Such an increasing value of MPS with EPS is healthy indicator of the financial activities of companies in the least development countries like Nepal. But the value of 'r' is less than six times P.E. in case of HBL. This states that there is not significant. In case of NABIL, SCBNL and EBL the value of 'r' is greater than 6P.E. which shows that correlation coefficient is significant for respective banks.
- From the Correlation coefficient of MPS with NWPS, it is seen that there exists high degree of positive correlation in NABIL, SCBNL and EBL. There is moderate degree of correlation in HBL. Such an increasing value of MPS with NWPS is healthy indicator of the financial activities of companies in the least development countries like Nepal. But the value of 'r' is less than six times P.E. in case of HBL. This states that there is no

significant. For NABIL, SCBNL and EBL the value of 'r' is greater than 6P.E. which shows that the correlation coefficient is significant.

- From the Correlation coefficient of MPS with DPS, it is seen that there exists high degree of positive correlation in NABIL, SCBNL, HBL and EBL. Such an increasing value of MPS with DPS is healthy indicator of the financial activities of companies in the least development countries like Nepal. There exists high degree of positive correlation in NABIL, SCBNL, HBL and EBL. In other words, if independent variables (EPS, NWPS & DPS) increase then it causes to increase dependent variable (MPS) by 100% and vice-versa in case of positive correlation. Again if independent variable (EPS, NWPS & DPS) decreases than it causes to decrease dependent variable (MPS) by 100% and vice-versa in case of negative correlation.

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