

**COMPARATIVE STUDY ON FINANCIAL
PERFORMANCE OF NABIL BANK LIMITED AND NEPAL
INVESTMENT BANK LIMITED**

A Dissertation submitted to the Office of the Dean, Faculty of Management in
partial fulfillment of the requirements of the Degree of Masters of Business
Studies (M.B.S.)

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DECLARATION

I hereby declare that the Dissertation in this Dissertation entitled **COMPARATIVE STUDY ON FINANCIAL PERFORMANCE OF NABIL BANK LIMITED AND NEPAL INVESTMENT BANK LIMITED** submitted to Nepal Commerce Campus, Faculty of Management, Tribhuvan University is my original work done in the form of partial fulfillment of the requirement of Master of Business Studies (MBS) under the guidance and supervision of Mr. Shuvan Raj Acharya and Mr. Balan Kumar Rajbanshi of Nepal Commerce Campus, Kathmandu.

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RECOMMENDATION

This is to certify that the Dissertation:

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**COMPARATIVE STUDY ON FINANCIAL PERFORMANCE OF NABIL BANK
LIMITED AND NEPAL INVESTMENT BANK LIMITED**

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TABLE OF CONTENTS

DECLARATION.....	ii
RECOMMENDATION	iii
ACKNOWLEDGEMENTS.....	vi
TABLE OF CONTENTS.....	vii
LIST OF TABLE.....	x
ABBREVIATIONS	xii
EXECUTIVE SUMMARY	xiii
CHAPTER – I	1
INTRODUCTION.....	1
1.1 Background of the Study	1
1.2 Profile of Sample Bank.....	3
1.3 Focus of the Study	4
1.4 Objective of the Study	5
1.5 Rationale of the Study.....	5
1.6 Limitations of the Study.....	5
1.7. Structure of the Study	6
CHAPTER - II	8
LITERATURE REVIEW	8
2. Conceptual framework and Review of Literature.....	8
2.1 Conceptual Review	8
2.1.1 Bank.....	8
2.1.2 Concept of Commercial Bank.....	9
2.1.3 Financial Statements	10
2.1.4 Financial Performance Analysis	11
2.1.5 Objective of Financial Performance Analysis.....	13

2.1.6 Need of Financial Performance Analysis.....	14
2.1.7 Significance of Financial Analysis	14
2.1.8 Types of Financial Performance Analysis	16
2.1.9 Process of Financial Performance Analysis.....	18
2.1.10 Techniques of Financial (Statement) Analysis	18
2.1.11 Limitation of Financial Performance Analysis	23
2.2 Review of Related Studies	25
2.2.1 Review of Books.....	25
2.2.2 Review of Journal/Articles.....	27
2.2.3 Review of Previous Work.....	30
2.4 Research Gap	35
CHAPTER – III	36
RESEARCH METHODOLOGY	36
3.1 Introduction.....	36
3.2 Research Design.....	36
3.3 Population and Sample	37
3.4 Nature and Sources of Data	37
3.5 Data Collecting Procedures.....	37
3.6 Tools and Techniques used.....	38
3.6.1 Financial Tools.....	38
3.6.2 Analysis of financial Ratios	38
3.6.3 Ratio Analysis.....	38
3.7 Statistical Tools.....	44
3.7.1 Average Mean.....	44
3.7.2 Standard Deviations:	45
3.7.3 Coefficient of variation	45

3.7.4 Coefficient of Correlation (r)	45
3.7.5 Trend Analysis	46
CHAPTER – IV	47
REDULTS AND DISCUSSIONS	47
4.1 Financial Analysis.....	47
4.1.1 Ratio Analysis.....	47
4.1.1.1 Liquidity Ratio.....	47
4.1.1.2 Assets Management Ratio.....	53
4.1.1.3 Profitability Ratio.....	57
4.1.1.4 Risk Ratio	66
4.1.1.5 Other Ratios	70
4.2 Statistical Analysis.....	74
4.2.1 Coefficient of Correlation Analysis	74
4.2.2 Time Series Analysis (Trend Analysis)	81
4.3 Major Findings.....	86
4.4 Discussions	92
CHAPTER – V	97
SUMMARY AND CONCLUSIONS	97
5.1 Summary	97
5.2 Conclusions.....	99
5.3 Implications	102
REFERENCES.....	105
APPENDICES.....	108

LIST OF TABLE

Table No. 4.1 Current assets to current liability (in times).....	48
Table No. 4.2 Cash and Bank Balance To Total Deposit Ratio	48
Table No. 4.3 Cash and Bank Balance to Current Asset Ratio	50
Table No. 4.4 Investment on Government Securities to Current Assets Ratio	52
Table No. 4.5 Loan and Advance to Total Deposit Ratio	53
Table No. 4.6 Total Investment to Total Deposit Ratio.....	54
Table No. 4.7 Loan and Advances to Total Assets Ratio	55
Table No. 4.8 Investment on Government Securities to Total Assets ratio.....	56
Table No. 4.9 Return on Loan and Advances	58
Table No. 4.10 Return on Total Asset Ratio.....	59
Table No. 4.11 Return on Equity Ratio	60
Table No. 4.12 Interest Earned to Total Assets Ratio.....	61
Table No. 4.13 Total Interest Earned To Total Outside Assets Ratio	63
Table No. 4.14 Interest Earned to Operating Income Ratio	64
Table No. 4.15 Interest Paid to Total Assets Ratio.....	65
Table No. 4.16 Credit Risk Ratio.....	67
Table No. 4.17 Liquidity Risk Ratio	68
Table No. 4.18 Asset Risk Ratio.....	69
Table No. 4.19 Earnings Per Share.....	70
Table No. 4.20 Dividend Per share.....	71
Table No. 4.21 Market price per share	72
Table No. 4.22 Price Earning Ratio	73
Table No. 4.23 Correlation between Deposit and Loan and Advances	75
Table No. 4.24 Correlation between Deposit and Total Investment.....	76
Table No. 4.25 Correlation between Loan and Advances and Net Profit.....	77
Table No. 4.26 Coefficient of Correlation between Total Deposit and Net Profit	78
Table No. 4.27 Correlation between Total Deposit of NABIL and NIBL	79
Table No. 4.28 Correlation between Total Investment of NABIL and NIBL	79
Table No. 4.29 Correlation between Loan and Advances of NABIL and NIBL.....	80

Table No. 4.30 Correlation Between Net Profit of NABIL and NIBL.....	80
Table No. 4.31 Trend Analysis of Total Deposit of NABIL and NIBL	81
Table No. 4.32 Trend Analysis of Total Loan and Advance of NABIL and NIBL	82
Table No. 4.33 Trend Analysis of Total Investment Between NABIL and NIBL	83
Table No. 4.34 Trend Analysis of Net Profit Between NABIL and NIBL	85

ABBREVIATIONS

ADB	Agricultural Development Bank
AGM	Annual General Meeting
BPS	Book Value Per Share
BS	Bikram Sambat (Abbreviation of Bikram Era)
CEO	Chief Executive Officer
CV	Coefficient of Variation
DPS	Dividend per Share
EBL	Everest Bank Limited
EPS	Earning Per Share
GDP	Gross Domestic Product
IMF	International Monetary Fund
MBL	Machhapuchhre Bank Limited
MPS	Market Price of Share
NABIL	Nabil Bank Limited
NBL	Nepal Bank Limited
NEPSE	Nepal Stock Exchange
NIBL	Nepal Investment Bank Limited
NICB	Nepal Industrial & Commercial Bank Limited
NPV	Net Present Value
NRB	Nepal Rastra Bank
PE	Price Earnings
RBB	Rastra Banijya Bank
SBI	Nepal State Bank of India Limited
SCBNL	Standard Chartered Bank Nepal Limited
SEBON	Security Board of Nepal

EXECUTIVE SUMMARY

This research has evaluated the financial performance of commercial banks. Two bank have been selected as sample of the study and seven year financial statements of respective banks have been used for the study. The research is about comparative financial performance analysis of NABIL and NIBL banks. The study has been divided into five chapters which include introduction, conceptual framework and review of literature, research methodology, data presentation and analysis and summary, conclusion and recommendation. This study is based on field survey, published annual report and other publication of Banks. Other related information was collected from the concerned bank, NRB, NEPSE, Securities Board of Nepal and different websites. The data have been analyzed by using financial and statistical tools.

Banking sector plays an important role in the economic development of the country. It provides an effective payment and credit system. Lending and Investment of commercial banks is a very risky factor. For this, financial performance of commercial banks have to pay due consideration while investment, mobilization of fund and use of resources. A healthy development of any commercial bank depends upon its financial performance. A good financial performance of a bank attracts both the borrowers and the lenders, which helps to increase the volume of quality deposits and investment.

Financial performance analysis involves the use of various financial statements. These statements includes the balance sheet summarizes the assets, liabilities and owner's equity, the income statement summarizes the revenues and expenses of the firm over a particular period of time. Financial Analysis is used primarily to gain insight into operating and financial problems confronting the firms with respect to these problems. It is thus an attempt to direct the financial statements into their components on the basis of purpose in the one hand and establish relationships between these components and between individual components and totals of these items on the other. Along with this, a study of various important factors over the past several years is also undertaken to have clear understanding of changing profitability and financial condition of the banks.

CHAPTER – I

INTRODUCTION

1.1 Background of the Study

Nepal is a small landlocked country with large neighboring countries India and China. Total area of Nepal is 147181 sq. km. which is 0.3% of Asia and 0.03% of the world. Average length from eastern Mechi to western Mahakali is 885 km and the average distance from north to south is 193 km. Nepal is a country with rich and unique natural resources and attributes like its bio-diversity, socio-cultural, cultural heritage, manifested in its architecture, temples, sculptures, monuments etc. However Nepal is a least developed country in the world. A large number of populations are still below the poverty line. Various factors like the landlocked situation, poor resource mobilization, lack of entrepreneurs, inconsistent government policies and political instability, etc. are responsible for the slow pace of development in Nepal.

Banking system occupies an important role in the economic development of a country. A banking institution is indispensable in a modern society. It plays a pivotal role in the economic development of a country and focus the core of the money market in an advance country. The basic function of the bank is to collect deposits as much as possible from customers and mobilize it into the most preferable and profitable sector like industry, commerce, agriculture, entertainment etc. Like other countries, Goldsmiths, merchants and moneylenders were the ancient bankers of Nepal. Tejarath Adda established during the tenure of the Prime Minister Ranoddip Singh (B.S. 1993) was the first step towards the institutional development of banking in Nepal. Tejarath Adda did not collect deposits from the public but gave loans to employees and public against the bullion. But the concept of modern banking institution in Nepal was introduced when the first commercial bank, Nepal Bank Limited (NBL) was established in 1994 B.S. under Nepal Bank act 1993 B.S. Being a commercial bank, it was natural that NBL paid more attention to profit generating business and preferred opening branches at urban areas. Nepal Rastra Bank (NRB)

was set up in 2013 B.S. as a central bank under NRB act 2012 B.S. It has been functioning as the head bank and has contributed to the growth of financial sector. After this, government set up Rastriya Banijya Bank (RBB) in B.S. 2022 as a fully government owned commercial bank. Further Industrial Development Centre (IDC) was set up in 2013 B.S. for industrial development. In 2016, IDC was converted to Nepal Industrial Development Corporation (NIDC). Similarly, Agricultural Development Bank (ADB) was established in B.S. 2024 to provide finance for agricultural produces so that agricultural productivity could be enhance by introducing modern agriculture techniques. The commercial bank have been established gradually after the commercial bank act 2013 B.S. with the passage of time so many commercial banks have been established.

Commercial banks are the major financial institution, which occupy quite an important place in the framework of every economy because they provide capital for the development of the industry, trade and business and other resources deficit sector by investing the saving collected as deposits. Beside the, commercial banks render numerous services to their customers in view of facilitating their economic and social life. Commercial banks by playing active roles have changed the economic structure of the world. Thus commercial banks become the heart of financial system. The role of commercial banks in economy is obviously prime requisite in the formulation of bank's policy. A key factor in the development of the country is the mobilization of domestic resources and their investment for productive use to the various sectors make it more effective commercial banks formulate sound investment policies, which eventually contribute to the economy of a country. The sound investment policies help commercial banks to maximize quality and quality of investment and thereby, achieve the own objectives of profit maximization and social welfare. Further a good investment pattern attracts both borrowers and lenders which help to increase the volume and quality of deposit, loan and investment.

Financial performance analysis is the process of identifying the financial strengths and weakness of the firm by properly establishing relationship between the items of

the balance sheet and profit and loss account. Analyzing financial statements is a process of evaluating relationship between component parts of financial statements to obtain a better understanding of a firm's position and performance. Financial Statement Analysis allows managers, investors and creditors as well as potential investors and creditors to reach conclusion about the recent and current status of a corporation. The checking of financial performance in a business deserves much attention in carrying out the financial position.

It also requires to retrospective analysis for the purpose of evaluating the wisdom and efficiency of financial planning.

1.2 Profile of Sample Bank

NABIL BANK LTD (NABIL)

Nabil Bank Limited is the nation's first private sector bank, commencing its business since July 1984. Nabil was incorporated with the objective of extending international standard modern banking services to various sectors of the society. Pursuing its objective, Nabil provides a full range of commercial banking services through its 67 points of representation. In addition to this, Nabil has presence through over 1500 Nabil Remit agents throughout the nation.

Bank's vision is to be a bank for all across the geopolitical zones and socioeconomic strata of the nation that can provide myriads of financial solutions and create values for all their stakeholders, to stand in the community with their economic and civil roles. Bank surge to turn its services and products into economic values for their treasured customers, taking care of their financial needs.

Nabil, as a pioneer in introducing many innovative products and marketing concepts in the domestic banking sector, represents a milestone in the banking history of Nepal as it started an era of modern banking with customer satisfaction measured as a focal objective while doing business. Operations of the bank including day-to-day operations and risk management are managed by highly qualified and experienced management team. Bank

is fully equipped with modern technology which includes international standard banking software that supports the E-channels and E-transactions.

B. NEPAL INVESTMENT BANK LIMITED (NIBL)

Nepal Investment Bank Ltd. (NIBL), previously Nepal Indosuez Bank Ltd, was established in 1986 as a joint venture between Nepalese and French partners. The French partner (holding 50% of the capital of NIBL) was Credit Agricole Indosuez, a subsidiary of one of the largest banking group in the world. Later, in 2002 a group of Nepalese companies comprising of bankers, professionals, industrialists and businessmen acquired the 50% shareholding of Credit Agricole Indosuez in Nepal Indosuez Bank Ltd. and accordingly the name of the Bank also changed to Nepal Investment Bank Ltd.

At present the Bank's shareholding pattern is as follows:

Promoters-69%

General Public-31%

NIBL has successfully enhanced its capital structure, profitability; reach to the customers and image in the market. It has created a position in the industry in a shortest possible span of time. Since, NIBL is established with the objectives of providing prompt and quality services to the clients. Its branches as well as number of eligible staffs have been increasing. Therefore, it has become successful commercial bank in Nepal. The bank mission is to become preferred provider of quality financial services in the country and become the bank of first choice.

1.3 Focus of the Study

Nepal's entry into private and publicly owned commercial banks is relatively new compared to other countries. It can be said that the poor performance of Nepalese commercial banks as well as the national bank owes to the lack of effective policies and measures taken by the government towards the collective improvement of the Nepalese banking sector. This study focuses on the financial performance analysis of two commercial banks, i.e. Nabil and NIBL. Ratio Analysis has been used to assess the financial strengths and weakness of these banks.

1.4 Objective of the Study

The basic objectives of this study are the comparative analysis of financial performance of Nabil and NIBL. The specific objectives of this study are as follows:

- To examine the relative financial performance of Nabil and NIBL in terms of different kinds of ratios.
- To find out the relationship and trend of deposit, investment, loans and advances and net profit

1.5 Rationale of the Study

The Rationale of the study can be highlighted through the following points:

- The significance enlightens the shareholders about the financial performance of their respective banks. This allows them to have a comparative retrospect whether their fund was better utilized or not.
- The study also compels the management of respective banks for self-assessment of what they have done in the past and guides them in their future plans and programs.
- The financial agencies, stock exchanges and stock traders are also interested in the performance of banks as well as the customers, depositors and debtors who can objectively identify the better bank to deal in terms of profitability, safety and liquidity.
- Policy makers at the macro level, i.e. the government and NRB will also benefit regarding the formulation of further policies in regard to economic development through banking institutions.

1.6 Limitations of the Study

This study is about the financial performance analysis of Nabil and NIBL. Every research has its own limitation, which are as follows: this research done for partial fulfillment of the requirements for the Degree of Masters of Business Studies (M.B.S). The main limitations are as follows

- Although primary data are included but the study is also based on primary data collected from the survey. Research based on secondary data may be far from accuracy due to inherent character.
- The whole study is based on the data of seven years period i.e. from fiscal year 2010/11 to 2016/17 and hence the conclusion drawn confines only to above period.
- Only two banks are taken for the study i.e. Nabil and NIBL.
- This study concentrates on Deposit, Loan and Advances, Investment on Securities, Total Assets, Equity Capital, Net Profit and Market Price per Share related to investment.

1.7. Structure of the Study

The present study is organized in such a way that the stated objectives can easily be fulfilled. The structure of the study will try to analyze the study in a systematic way. The study report has presented the systematic presentation and finding of the study. This study has been organized into the following five chapters:

Chapter – I: Introduction

This chapter describes the basic concept and background of the study, commercial bank in Nepal, introduction of sample bank. Similarly various problems of the study, objectives of the study and need of significance of the study. It is oriented for readers for reporting giving them the perspective they need to understand the detailed information about coming chapter.

Chapter - II: Literature Review

The second chapter of the study assures readers that they are familiar with important research that has been carried out in similar areas. It includes review of books, review of related articles and studies and previous Dissertation as well.

Chapter - III: Research Methodology

Research methodology refers to the various sequential steps to be adopted by a researcher is studying a problem with certain objectives in view. It describes about the various source of data related with study and various tools and techniques employed for presenting the data.

Chapter - IV: Results and Discussions

In this chapter collected and processed data are presented, analyzed and interpreted with using financial tools as well as statistical tools and also comments briefly on them.

Chapter - V: Summary and Conclusion

On the basis of the results from data analysis, the researcher concludes about study. In this chapter, summary of whole study, conclusions and implication are made.

CHAPTER - II

LITERATURE REVIEW

2. Conceptual framework and Review of Literature

Review of Literature means reviewing research studies or other relevant proposition in the related area of the study so that all the past and previous studies. It is an integral mandatory process in research works. In other words it's just like fact are finding based on sound theoretical framework oriented towards discovery of relationship guided by experience, resonating and empirical investigation. It helps to find out already discovered things. Review of relevant literature implies putting new spectacle in old eyes to think in new way by posting the problem with new data and information to see that what results are derived. The primary purpose of literature is to learn and it helps researcher to find out what research studies have been conducted in one's chosen field of study, and what remains to be done. For review study, the researcher uses different books and journal. Reviews and abstracts, indexes, reports, and dissertation or research studies published by various institutions, encyclopedia etc.

2.1 Conceptual Review

2.1.1 Bank

In the broadest sense, banking consists of safeguarding and transfer of funds, lending or facilitating loans, guaranteeing creditworthiness, and exchange of money. These services are provided by such institutions as commercial banks, savings banks, trust companies, finance companies, and merchant banks or other institutions engaged in investment banking. A narrower and more common definition of banking is the acceptance, transfer, and, most important, creation of deposits. This includes such depository institutions as commercial banks, savings and loan associations (more common in the United States), building societies, and mutual savings banks. All countries subject banking to government regulation and supervision, normally implemented by central banking authorities. For Further information on central banks and investment banking, see the relevant articles.

2.1.2 Concept of Commercial Bank

Commercial banks are those banks, which perform all kinds of banking function such as grant loan deposits of money from the public, discounting bills, repayable on demand and withdraw by cheque, draft and other functions on behalf of customers. Moreover, commercial banks also provide technical and administration assistance to the industries trade and business entrepreneurs sectors.

According to section 2 (a) of commercial bank Act 2031 (1974) has defined the Source: Annual Report of Commercial Banks commercial bank Source: Annual Report of Commercial Banks means a bank which operates currency exchanges transaction, accepts deposits, provide loans, performs, dealing relating to commerce excepts the banks, which has been specified for the co-operative, agricultural, industry of similar other specific objective. (Nepal commercial Bank Act 2031 B.S.)

Banks and Financial Institutions Act, 2063 (2006) Preamble:Whereas, it is expedient to amend and consolidate forthwith the prevailing legislation relating to banks and financial institutions and make it timely in order to promote the trust of the general public in the overall banking and financial system of the country and protect and promote the rights and interests of depositors, provide quality and reliable banking and financial intermediary services to the general public through healthy competition among banks and financial institutions, minimize risks relating to the banking and financial sector, boost and consolidate the economy of the State of Nepal by liberalizing the banking and financial sectors and make necessary legal provisions relating to the establishment, operation, management and regulation of banks and financial institutions; Now, therefore, be it enacted by the House of Representatives in the First Year of the issuance of the Proclamation of the House of Representatives, 2063(2006)

Date of Authentication 2073/01/10 BS (April 23, 2017 AD) Act No. 1 of the year 2074 An Act Made to Provide for the Amendments to, and Consolidation of the Laws Relating to Banks and Financial Institutions Preamble: Whereas, it is expedient to amend and consolidate forth with the prevailing laws relating to banks and financial institutions in order to enhance the confidence of the general public towards the overall banking and

financial system of the country; to protect and promote the rights and interests of depositors; to provide quality and reliable banking and financial services to the general public through healthy competition among banks and financial institutions thereby making national economy strong and strengthened; and to maintain financial stability and make the necessary legal provisions concerning to incorporation operation, management, regulation, inspection and supervision of banks and financial institutions timely.

Commercial banks are the heart of the financial system. They hold the deposits of many persons, government establishment and business units. They make fund available through their lending and investing activities to borrowers, individual's business firms and services from the producers to customers and the financial activities of the government. They provide a large portion of the medium of exchange and they are media through monetary Policy is affected. These facts show that the commercial banking system of the nations is important for the functioning of the economy.

Banks are business firm; like Frisbee Manufacturer, fast food chains and textbook publisher, bankers buy inputs, message them a bit, burn a little incense, say the magic words, and out pop some output from the oven

Evaluation of financial performance is a study of overall financial position of any organization. It is closely related to the decision making.

2.1.3 Financial Statements

The Financial Statements are the means of presentation of a firm's financial condition and basically consist of two types of statements – The Balance Sheet & Income Statement. These are prepared to report the overall business activities as well as financial status of the firm for a specified period to its stakeholders. These contain summary of information regarding financial affairs that is organized systematically. The top management is responsible for preparing these statements.

The Basic objective of financial statements is to assist in decision making. The analysis and interpretation of financial statements depend on the nature and type of information available. Hence financial statement refers to any formal and original statement that discloses the financial information related to any business concern during a period.

A) Balance Sheet

Balance Sheet is one of the basic financial statements of an enterprise. It is also called the fundamental accounting report. As the name suggests, the balance sheet provide information about financial standing or a position of a firm at a particular point of time usually end of the financial year. It can be visualized as a snapshot of the financial status of a company.

Balance sheet summarizes the assets, liabilities and owner's equity of a business at a moment of time, usually at the end of the financial year. Balance sheet is a financial statement, which contains information regarding different capital expenditures made on purchase of assets on particular date and information regarding various sources of funds Acquired by the business concern to finance these assets and also the different sources of capital and liabilities at that particular point of time.

B) Income Statement

Income Statement is designed to portray the performance of the business firm to specific period of time i.e. for a year or month or quarter. The business revenues and expenses resulting from the accomplishment of the firms operation are shown in the income statements. It is the Source: Annual Report of Commercial BanksScoreboard Source: Annual Report of Commercial Banks of the firm's performance during particular period of time. It shows the summary of revenues, expenses and net income or loss of a firm for a particular period of time. Income statement also serves as a true measure of the firm's profitability.

2.1.4 Financial Performance Analysis

Financial performance analysis is the process of determining financial strengths and weakness of a company by establishing strategic relationship between the components of a balance sheet and profit and loss statement and other operative data.

Financial Statement Analysis involves the use of various financial statements. These statements perform several things. First, the balance sheet summarizes the assets, liabilities and owner's equity of a business at a moment in time, usually the end of a year or a quarter. Next, the income statement summarizes the revenues and expenses of the

firm over a particular period of time, again usually a year or quarter. While the balance sheet represents a snapshot of the firm's financial position at a moment in time, the income statement depicts a summary of the firm's profitability over time. From these two statements certain derivative statements can be produced, such as a statement of retained earnings, a sources and uses of funds statements and statements of cash flows.

Financial Analysis is the process of identifying the financial Strengths and Weakness of the firm by properly establishing relationship between the items of the balance sheet and profit and loss account. Source: Annual Report of Commercial Banks Analyzing financial statements is a process of evaluating relationship between component parts of financial statement to obtain a better understanding of a firm's position and performance Source: Annual Report of Commercial Banks (Pandey, 2004).

Financial Statement Analysis allows managers, investors and creditors as well as potential investors and creditors to reach conclusion about the recent and current status of a corporation. Analyzing of what has happened should be of great value in improving the standards, techniques and procedures of financial control involved in carrying out finance function Source: Annual Report of Commercial Banks

The four basic statements contained in the annual report are the balance sheet, the income statement the statement of the retained earnings and the statement of cash flows. Investors use the information contained in these statements to form expectations about the future levels of earnings and dividends and about the risks of these expected values. Financial Statement Analysis generally begins with the calculation of a set of financial ratios designed to reveal the relative strength and weakness of a company as compared to other companies in the same industry, and to show whether the firm's position has been improving or deteriorating over time. Financial analysis is the sort of calculation, which is done with the help of annual report and the annual report is indispensable for the financial analysis. Therefore, it is means to end. Apart from the specific analytical answer, the solutions to financial problems and issues depend significantly on the views of the parties involved, the related importance of the issue and on the nature and reliability of the information available.

Financial appraisal is a scientific evaluation of profitability and financial strength of any business concern. Financial appraisal is the process of scientifically making a proper, critical and comparative evaluation of the profitability and financial health of a given concern through the application of the techniques of financial statement analysis.

Source: Annual Report of Commercial Banks
Financial statement analysis involves a comparison of firm's performance with that of other firms in the same line of business which often is identified by the firm's industry classification. Generally speaking, the analysis is used to determine the firm's financial position in order to identify its current strengths and weakness and to suggest actions that might enable the firm to take advantage of the strengths and correct its weakness
Source: Annual Report of Commercial Banks

Financial Performance Analysis is used primarily to gain insight into operating and financial problems confronting the firms with respect to these problems. We must be careful to distinguish between the cause of problem and symptom of it. It is thus an attempt to direct the financial statement into their components on the basis of purpose in the one hand and establish relationships between these components and between individual components and totals of these items on the other. Much can be learnt about business performance and financial position through appraisal of financial statements, the appraisal or analysis of financial statements spotlights the significant facts and relationship concerning managerial performance, corporate efficiency, financial strength and weakness and credit worthiness that would have otherwise been buried in a maze of details.

2.1.5 Objective of Financial Performance Analysis

Financial Analysis enables us to explore various facts related to the past performance of business and predict about the future potentials for achieving expected results. Major objective of analysis of financial statement are to assess various factors in relation to the business firm as presented below.

- The present and future earning capacity or profitability of the concern

- The operational efficiency of the concern as a whole, and of its various parts or departments.
- The short-terms and long term solvency of the concern.
- The comparative study regarding to one firm with another firm.
- The possibility of developments in the future making future forecasts and preparing budgets.
- The financial stability of business concern.
- The real meaning and significance of financial.

2.1.6 Need of Financial Performance Analysis

The need for the Analysis of financial statement arises in order to address the following questions.

- How was the firm doing in the past? Was there any problem? If so, in what Area?
- How it is doing at present? Is it doing better compared to the past performance, competitors and industry average? Is there any problem at present? If so, in what areas?
- What about the future? Is there any likely problem on the way in the future and what will its position be in the future?
- What corrective actions can be taken now to solve the problems and improve the performance? How will the recommendation of any course of actions or changes in the policy or practice help solve problems and improve the company's position?
- What are the expected results of recommendations? Are there any improvements?

2.1.7 Significance of Financial Analysis

Significance of Analysis lies on the objectives of financial analysis of any firm. The facts discovered by the analysis are perceived differently by different groups associated with the concern. The facts and the relationships concerning managerial performance, corporate efficiency, financial strength and weakness and credit worthiness are interpreted on the basis of objectives in the hand. Such Analysis leads management of an enterprise to take crucial decisions regarding operative policies, investment value of the

firm, internal financial control system and bargaining strategy for funds from external sources.

Source: Annual Report of Commercial Banks
The parties that are benefited by the results or conclusion drawn from the analysis of financial performance can be numerated as

1. Top Management
2. Creditors
3. Shareholders
4. Economists
5. Labor Unions

A) Top Management

The responsibility of the top management is to evaluate:

1. Are the resources of the firm has been used effectively and efficiently?
2. Is the financial condition of the firm sound enough?
3. On the basis of past facts, firms can anticipate their future. Hence, top management can measure the success or failure of a company's operations, determine the relative efficiency of various departments, process and products appraise the individual's performance and evaluate the system of internal audit.

B) Creditors

The creditors can find out the financial strength and capacity of the borrower to meet their claims. Trade creditors are interested in the firm's ability to meet their claims over a short span of time. The suppliers of long term debt focus upon the firm's long term solvency and survival. A lending bank through and analysis of these statements can decide whether the borrower retains the capacity of refunding the principal and paying interest in time or not.

C) Shareholders

The shareholders, who have invested their money in the firm's shares are most concerned about the firm's earning. They evaluate the efficiency of the management and determine about the necessity for the change. In large company the shareholder's interest is to decide whether to buy, sell or hold the shares. They wish to buy the shares in case of sound performance of the firms where as they simply intend to hold the shares in the

condition of satisfactory performance. But they are hurried to sell the shares in case of poor performance.

D) Economists

To diagnose the prevailing status of business and economy, economists analyze the financial statement (of any Firm). The government agencies analyze them for the purpose of price regulations; rate setting and similar other purposes.

E) Labor Unions

Productivity is the synonym of well-motivated labors. Labors unions are interested in rights and benefits of labor to enhance the moral of labors. For further motivation they expect increase in wages, fringe benefits and so on. These benefits are affected by the company's profitability condition. Therefore the union assesses the financial condition of the firm to determine whether the firm is in the situation or not to make such facilities available.

2.1.8 Types of Financial Performance Analysis

The nature of financial Analysis differs according to the purpose of the analyst. A distinction may be drawn between various types of financial analysis either on the basis of material used for the same or according to the modus operandi of the analysis.

A) According to material used

1. External Analysis

It is made by those who do not have access to the detailed records of the company. This group, which has to depend almost entirely on published financial statements, includes investors, credit agencies and governmental agencies regulating a business in a nominal way.

2. Internal Analysis

The internal analysis is accomplished by those who have access to the books of accounts and all other information related to the business. Analysis for managerial purpose is the internal type of analysis and is conducted by executives and employee of the enterprise as well as governmental and court agencies which may have major regulatory and other jurisdiction over the business.

B) According to Modus Operandi Analysis

1. Horizontal Analysis

When Financial Statements for a number of years are received and analyzed, the analysis is called horizontal analysis. As it is based on data from year to year, rather than on one date or period of times as a whole, this is also known as dynamic analysis.

2. Vertical Analysis

It is frequently used for referring to ratios developed for one date or for one accounting period. It is also called static analysis.

C) According to Objective

1. Long Term Analysis

This is made in order to study the long term financial stability, solvency and liquidity as well as profitability and earning capacity of a business concern. For the long run success of a business concern, this analysis helps in the long term financial planning.

2. Short Term-Analysis

This is made to determine the short-term solvency, stability and liquidity as well as earning capacity of the business. This analysis is helpful for short term financial planning.

2.1.9 Process of Financial Performance Analysis

Financial Analysis Basically financial statement analysis, is a technique of answering various questions regarding the performance of a firm in the past, present and the future on the basis of past performance.

The questions, that as elucidated above create the need to follow certain steps such as first identification and analysis of problem in order to come up with appropriate recommendations, and then to project the expected results and examine them if there are improvements before implementing such recommendations. The following charts present the process to be followed in the analysis of financial statements.

2.1.10 Techniques of Financial (Statement) Analysis

The Fundament of the analytical technique is to simplify or reduce the data under review to the understandable terms. There are various tools and techniques of financial statement analysis, each of which is used according to the purpose for which the analysis is carried out. The widely used techniques are as follows:

- a. Ratio Analysis
- b. Du Pont System of Financial Statement Analysis
- c. Common Size Analysis
- d. Funds Flow Analysis
- e. Cash Flow Analysis

a. Ratio Analysis:

Ratio Analysis has been used as a major tool in the interpretation and evaluation of financial analysis. The term ratio refers to the numerical quantitative relationship between the two items/variables. A ratio is calculated by dividing one item of the relationship with the other base. In financial analysis, a ratio is used as a yardstick for the evaluation of financial performance of the firm. Source: Annual Report of Commercial BanksThe

analysis of financial ratio involves two types of Comparison. First, the present ratio may be compared with the past and expected future ratios for the same company and second, the method of comparison involves comparing the ratios of one firm with those of similar firm or with industry averages at the same point, in time. Such comparison gives insight into the financial performance of the firm. Source: Annual Report of Commercial Banks

Ratio analysis is widely in use. The Ratio completed from the available data are numerical, there should not be the tendency to regards them as a precise portrayals of a firm true financial status. For some firms, accounting data may closely approximate economic reality, for others, it is necessary to go beyond the figures in order to obtain their financial condition of performance.

Types of Ratios

Different Ratios can be calculated from the available data in the financial statement. Broadly Ratios are classified in four groups. They are:

- i) Liquidity Ratios
- ii) Capital Structure/leverage Ratios
- iii) Activity (Assets management) Ratios
- iv) Profitability Ratios

i) Liquidity Ratio

Liquidity refers to the ability of enterprises to pay its current liabilities. Liquidity implies the utilization of such funds of the firm which are idle or in very little amount. A proper balance between the two contradictory requirements i.e. liquidity and profitability are required for the efficient financial management. The more current assets associated with high liquidity and low profitability and vice versa. The less current Ratio and quick Ratio are the most widely used ratios for the general purpose to measure the liquidity position of enterprises.

ii) Capital Structure/Leverage Ratios

The Capital Structure/Leverage Ratio is associated with the long-term solvency of an enterprise. The long-term creditors would judge the soundness of a firm on the basis of long term financial strength measured in terms its ability to pay the interest regularly as well as repay the installment of principal due to dates or in one lump sum at the time of maturity. Leverage Ratios show how much of an enterprise's fund are financed by debt & equity. These Ratios also show the prospects for future financing.

The Capital Structure Ratio indicates the soundness of capital structure of an enterprise. It can be calculated on two ways. The first approach is to examine what proportion of borrowed capital occupies the capital structure i. e calculated the Debt to Total Capital Ratio. The second approach is to examine the number of times the interest earned covered by earnings and to calculate the fixed charges covered by earnings.

iii) Activity Ratio

Activity Ratio may be defined as the test of relationship between sales and various types of Activity Ratios. Activity Ratios are employed to evaluate the efficiencies with which the firm manages and utilizes its assests. These Ratios are also called Turnover Ratios because they indicate the speed with which the assets are being covered or turned over into sales. So Activity Ratios presume that there exists and appropriate relationship between sales and various assets. The more important Activity Ratios for general purpose analysis are Inventory Turnover Ratio, Total Assets Turnover Ratio, Fixed Assets Turnover Ratio, Capital Employed Turnover Ratio etc.

iv) Profitability Ratio

Profitability is very important aspect of management of any enterprise. It shows the overall performance of an enterprise. The Profitability Ratios are calculated to measure the operative effectiveness of an enterprise. Besides management of the company, creditors and owners are interested in the Profitability Ratios of the firm. Profitability Ratios can be calculated on the basis of either sales or investment. The important

Profitability Ratios, calculated in relation to sales are Net Profit Margin, Gross Profit Margin, and Operating Expenses Ratio etc. Similarly, the important Profitability Ratios, calculated in relation to investment are Return on Shareholders' Equity, Return on Capital Employed, and Return on fixed Assets etc. Together these Ratios indicate the firm's efficiency of operation.

b. Du Pont System of Financial Statement Analysis

Source: Annual Report of Commercial Banks
The Du Pont system is designed to show how the profit margin on sales, the assets turnover ratio and the use of debt interact to determine the rate of return on equity Source: Annual Report of Commercial Banks (Weston, 1996-307).

The Du Pont System of financial statement analysis is developed by the financial experts of the Du Pont Company by putting together the effects of profitability, investment and the equity ratios. The approach is based on the relationship among the three basic areas of the firms such as (i) cost controlling area (ii) Assets management area and (iii) Financial leverage area. The directed to address the concern of the shareholders; hence its main focus is on the return on equity (ROE) The ROE is analyzed in terms of the factors that directly affect the ROE. The factors such as costs, assets utilization and leverage ratio are the grounds on which several test are made to see how the ROE is affected by such factors. The following modified Du Pont Chart presents the relationship among these factors and ROE.

For a business firm, the return on assets (ROA) is the rate of return on the total investment that includes both equity and debt capital. The ROA does not reflect the actual rate of return to equity holders. What reflects the return for stock holders is the return on their money (i.e. ROE), which is generally higher than the ROA. Thus ROA is an overall measure and reflects the overall Performance of the company. The Du Pont system addresses the concerns of stockholder and focuses on ROE.

Du Pont Equation defines ROE as a product of ROA and equity multiplier and ROA as a product of profit margin and total assets turnover.

The Du Pont equation is as follows:

$$\begin{aligned} \text{ROE} &= \text{ROA} \times \text{equity multiplier} \\ &= \text{profit margin} \times \text{total assets turnover} \times \text{equity multiplier} \\ &= \text{Net profit/sales} \times \text{sales/total assets} \times \text{total assets/equity} \end{aligned}$$

c. Common size Analysis

The common size analysis is another technique of analyzing the items of financial statement on relative terms. Under this method, the percentage of every item in the income statement and balance sheets is carried out for past several years to determine the performance trend of each item during the period under analysis. After analyzing the rising, falling or constant trend of efficiency in the business operation one can make comparison with the industry average or competitors.

The common size analysis is carried out for a period of one or more. The income statement items are divided by sales and expressed as a percentage of sales. The balance sheets items are divided by total assets and expressed as percentage of total assets. These percentages for a company are compared with the standard measures such as percentages calculated in the same manner industry and the competitors. Thus, the comparison shows the company's performance relative to competitors as well as compared to its own past record.

d. Funds Flow analysis

Funds Flow Analysis is the statement of changes in financial position of any organization that determines only the sources and used of fund between two dates of balance sheet. It is prepared to uncover the information that financial statements fail to describe clearly. It describes the sources from which funds were derived and used to which these funds were put.

The statement is prepared to summarize the changes in assets and liabilities resulting from financial and investment transactions during the period as well as those changes

occurred due to changes in owner's equity. It also uncovers the way of using financial resources during the period by the firm.

Method of preparing funds flow statement depends essentially upon the sense in which the term 'fund Source: Annual Report of Commercial Banks is used. There are three concept of fund: cash concept, total resources concept and working capital concept. According to cash concept, the word fund is Synonymous with cash. Total resources concept refers total assets and resources as fund. The term 'fund Source: Annual Report of Commercial Banks represents only to working capital on the stated last concept However, working capital concept of funds has gained wide acceptance as compared to the other concepts. Therefore any transaction that increases the amount of working capital is taken as source of fund while conducting funds flow analysis. Any transaction that decreases working capital is treated as application. But, any transaction that affects current liabilities or current assets without resulting any changes in working capital is not taken as sources or use.

e. Cash Flow Analysis

This statement is carried out to know clearly the various items of inflow outflow of cash. It is different from funds flow analysis in the sense, the analysis relates to the movement of cash rather than the inflow and outflow of working capital.

It deals the causes of changes in cash position for the period of two balance sheets date in brief. At the time of preparing cash flow statement, only cash receipt from debtors against credit deals are considered as the source of cash. Similarly, cash purchases and cash payments to suppliers for credit purpose are regarded as the uses of cash.

2.1.11 Limitation of Financial Performance Analysis

Financial Performance Analysis is of great significance for investor, creditor, management, economist, and other parties having interest in business. It helps management to evaluate its efficiency in past performance and take decision relating to the future. Its limitations are listed below.

a) Historical nature of financial statements:

The basic nature of statements is historical. Past can never be a precise and can never be perfectly helpful for the future forecast and planning.

b) No subject for judgment:

Financial analysis is a tool to be used by experts, analysts etc. to evaluate the financial performance of firm. That's why it may lead to faulty conclusion if used by unskilled analyst.

(c) Reliability of figures:

Reliability of Analysis depends on reliability of the figures of the financial statements under scrutiny. The entire working of analysis will be vitiated by manipulation in the income statement, window dressing in the balance sheet, questionable procedures adopted by the accountant for the valuation of fixed assets and such other facts.

(d) Single year analysis is not much valuable:

The analysis of these statements relating to single year only will have limited use and value. From this, one cannot draw meaningful conclusion.

(e) Result may have different interpretation: Different users may differently interpret the result derived from the analysis. For example, a high current ratio may suit the banker but it may be the cause of inefficiency of the management due to under-utilization of fund.

(f) Change in accounting methods:

Analysis will be effective if the figures derived from the financial statements are comparable. Due to change in accounting methods the figure of current period may have no comparable base, and then the whole exercise of analysis will become futile.

(g) Pitfall in inter-firm comparison:

When different firms are adopting different procedures, records, objectives, policies and different items under similar heading, comparison will be more difficult. If done, it will

not provide reliable basis to assess the performance, efficiency, profitability and financial condition of the firm as compared to the whole industry.

(h) Price level change reduces the validity of analysis:

The continuous and rapid changes in the value of money, in the present day, economically also reduces the validity. Acquisition of assets at different level of prices make comparison useless as no meaningful conclusion can be drawn from a comparative analysis of such items relating to several accounting periods.

(i) Selection of appropriate tool

There are different tools of analysis available to the analyst. The tools to be used in a particular situation depend on skill, training, intelligence and expertise of the analyst. If wrong tool is used, it may lead to wrong conclusion. This may be harmful to the interest of business.

2.2 Review of Related Studies

Under this heading, reviews of research papers of researchers are analyzed to find out the investment policies of commercial banks.

2.2.1 Review of Books

Shrestha (2008) has presented a short scenario on the Source: Annual Report of Commercial Banks Portfolio Management in Commercial Bank, Theory and Practice. Source: Annual Report of Commercial Banks He has emphasized the issues in the article. The portfolio management becomes very important both for an individual's as well as institutional investors. Large investors would like to select a best mix of investment assets and subject to the following aspects:

- a. Higher return which is comparable with alternative opportunities available according to the risk class of investor.
- b. Good liquidity with adequate safety on investment.
- c. Economic and efficient investment

d. Maximum tax concession

e. Flexible investment

f. Certain capital gains

However, Shrestha has also presented the following approaches to be adopted for designing a good portfolio and its management.

1. To find out the investing assets (Generally securities) having scope for better returns depending upon individual characteristics like age, health, need deposition, liquidity and tax liquidity etc.
2. To find out the risk of securities depending upon the attitude of investors towards risks.
3. To develop alternative investment strategies for selecting a better portfolio this will ensure a trade-off between risk and return so as to attain the primary objective of wealth maximization at lowest risk.
4. To identify variety of securities for investment to reduce volatility of returns and risk.

Shrestha has presented two types of investment analysis technique i.e. fundamental analysis and technical analysis to consider any securities such as equity debentures or bonds and other money and capital market instruments. He has suggested that the banks having international network can also offer access to global financial markets. He has pointed out the requirements of skilled manpower, research and analysis team and proper management information system (MIS) in any commercial bank to get success in portfolio management and customer's confidence.

Bajracharya, (2047) Source: Annual Report of Commercial Banks Monetary Policy and Deposit Mobilization in Nepal Source: Annual Report of Commercial Banks that the mobilization of domestic saving is one of the prime objective of monetary policy in Nepal. For this purpose, commercial banks stood as the active and vital financial intermediary for generating resources in form of deposit of the investors in different aspects of the economy.

Collecting scattered small amount of capital through different Medias and investing the deposited fund in productive sector with a view increase the income of the depositors is meant deposit mobilization. In other words, investing the collecting fund in the productive sectors and increase the income of the depositors, it also supports to increase the saving through the investment of increased extra amount.

Reed, et all, (1980) Source: Annual Report of Commercial Banks Commercial banks still remain the heart of our financial system holding the deposits of millions of persons, governments and business unites. They make funds available through their lending and investing activities to borrowers, individuals, business firms and governments. Commercial banks are the most important type of financial institutional in the nations in terms of aggregate assets. The primary function of commercial banks is the extension of credit to worthy borrowers. In making credit available, commercial banks are rendering a great social service. Through their action, production is increased, capital investments are expanded, and a higher standard of living is realized. Although the investment activities of commercial banks are usually considered separately from lending, the economic effects and social results are the same. Source: Annual Report of Commercial Banks

Shrestha, (2009) has expressed similar view on investment. She stresses on the fulfillment of credit needs of various sectors which ensures investment. She expressed in her books 'Portfolio Behaviors of Commercial Banks in Nepal's writes, Source: Annual Report of Commercial Banks. The commercial banks fulfill the credit needs of various economic sectors including policy of commercial banks is based on the profit maximization of the institute as well as the economic enhancement of the country. Source: Annual Report of Commercial Banks

2.2.2 Review of Journal/Articles

Pradhan, (2018) in his research paper Source: Annual Report of Commercial Banks Role of Saving, Investment and Capital Formation in Economic Development, A case of Nepal, Source: Annual Report of Commercial Banks has studied about the strong role and impact of saving, investment and capital formation on economic development of Nepal. The necessary data on saving, investment, capital formation and gross domestic

product has been collected for the period of 1984/85 to 2003/04. The role and impact of saving, investment and capital formation on economic development were analyzed by using various regression models. The regression equations used in this study have been estimated at current prices as well as in real terms with the entire study period divided into different sub periods.

The results presented in this paper suggest that in all cases, GDP is significantly associated with saving, investment and capital formation both at current prices and in real terms. The results of the empirical analysis led to three important conclusions: First, saving, investment and capital formation have positive impact on economic development. Second, the current values and past values of saving, investment and capital formation have positive impact on economic development but the current values have the largest impact. Third, there is a strong role played by saving and capital formation on economic development while weak role-played by investment.

Shrestha, (2007) has mentioned in his Source: Annual Report of Commercial Banks Portfolio Management Plays the Vital Role in Individuals as well as Institutional Source: Annual Report of Commercial Banks that due to slowdown in the world economy and deteriorating law and order situation of the country, many sectors of the economy are already sick. When any sector of economy catches cold, banks start sneezing. From this perspective, the banking industry as a whole is not trusted. In case of investors having lower income, portfolio management may be limited to small saving income. But on the other hand, portfolio management means to invest funds in various schemes of mutual funds like deposits, shares and debentures for the investors with surplus income. Therefore, portfolio management becomes very important for both an individual's as well as institutional investors. Large investors would like to select the best mix of investment assets.

Mundul, (2019) Source: Annual Report of Commercial Banks Understanding of credit derivative Source: Annual Report of Commercial Banks emphasizes Credit derivative enable financial institution and companies to transfer credit risk to a third party and thereby reduce their exposure to the risk of an obligor's default. Credit enhancement

technique, which helps reduce the credit risk of an obligation, play a key role in encouraging loans and investment in debts. In legal term credit derivative are privately negotiated bilateral contract to transfer credit risk from one party to another. Some credit enhancement methodologies have existed for the in debts. Some credit enhancement methodologies have existed for a longtime with the support of guarantee, letter of credit or insurance product. However such mechanism works best during economic upturns. As an alternative to commercial risk mechanism, various financial mechanisms have been developed over the past few decades. Such credit risks instruments are normally refer to as credit derivatives.

Credit derivative not only helps corporation and financial institution to manage to their credit risk but also enabled a new set of individual retail client to invest in bonds and stocks previously unaffordable. Through credit derivative individual investor can invest indirectly in foreign bonds at a lower price. Credit derivative helps investor isolated credit, and transfer it to other investor who are better suited to managing it or who finds the investment opportunity more interesting. There are many credit instruments in the market they are

- Total return swap (TRS)
- Credit Default swaps (CDS)
- Credit linked notes (CLN)
- Credit spread option (CSO)

According to the behavior of the asset or deal above credit instrument can be used and minimizing the risk. In this way credit derivatives provide protection against credit peril and risk.

Mundal, (2020) in articles Source: Annual Report of Commercial Banks Lending Policy: Human and Organizational Aspects Source: Annual Report of Commercial Banks It's an ongoing debate if human and organizational aspects play a role in the formulation of lending policies of banks and financial institution. It takes the human and organizational factor such as skill, attitudes, human equations and leadership. Policies are ever evolving and cannot be successfully implemented unless the issues in these areas are adequately

taken care of and the right environment is set up. When change brings about development of new technical skills, there is ground for clash between experiences these skills. It is more so when both the aspects are equally important.

A combination of both developing own people and hiring professionals from relevant sector would be good to enhance the internal efficiency and competitiveness. In this regard there are three gaps that are evident even today.

Skill gaps

Organizational Change

Generation gaps

It is important to ensure adequate leverage to the operating executives at the industry level Vis-a Vis the borrowing clientele including the prospective one.

The country like Nepal needs sincere implementation of change particularly in financial sectors. To be more specific these are require in the process of credit evaluation, writing of credit policy and the bringing about new product. This will certainly assist the development and maturity of the financial market. This will also assists Nepal in the process of integration with global financial market and the expanding market of the two large neighboring countries. We should take a pragmatic view of the fast developing world and adapt to the change first for survival and then progress.

2.2.3 Review of Previous Work

Khanal, (2019) entitled Dissertation Source: Annual Report of Commercial Banks Comparative study on liquidity Management of Everest Bank limited and Nepal Investment Bank Limited Source: Annual Report of Commercial Banks is related to liquidity management.

The basic objective of the study is to have true insight into the liquidity management of Everest Bank and Nepal Himalayan Bank. These are as follows.

– To analyzed the liquidity management of sample banks

- To analyzed the deposit and investment position of the banks.
- To find out the relationship between deposit, investment, loans and advances and net profit.
- To find out the trend analysis of deposit, investment, loan and advances and net profit.

The main conclusion and finding of the study are overall aspect of liquidity position of EBL is comparatively better than NIBL. The mean current ratio of EBL is 1.14 and NIBL is 1.10. EBL is sound in meeting short-term obligation than NIBL. Cash and bank balance to total deposit ratio of EBL has higher which indicates higher liquidity. The higher ratio shows EBL's liquidity position is better than that of NIBL. Investment on government securities to current assets of NIBL is higher than EBL. EBL has invested low of their funds in purchasing of government securities.

Asset management aspect of EBL is better than NIBL which is justified by little higher loan and advance to total deposit ratio. The total investment to total deposit of NIBL is higher than EBL. It shows the NIBL is mobilizing its funds on investment in various securities efficiently. It can be said that NIBL is more successful in utilizing its total deposit by investing in marketable securities.

Profitability ratios, return on loan and advances ratio of NIBL is higher than that of EBL. It refers that NIBL seems to be success to earn high profit on loan and advances. Return on total assets ratio of EBL is higher than NIBL. But it has greater variability in the ratio. EBL seems successful in managing and utilizing the available assets. Total interest earned to total operating income ratio of NIBL is lower than EBL. Total interest paid to total assets ratio of EBL is higher than NIBL. It shows EBL has high interest expenditure to total assets. It supports EBL to increase to interest paid to operating income.

For risk position of bank, the average credit risk ratio of EBL is lower than NIBL. EBL has efficiently used the total loan and advances than that of NIBL. The mean ratio of EBL is greater than that NIBL. It signifies that EBL has sound liquid fund to make immediate payment to the depositors. Similarly, in asset risk ratio. The mean of EBL is lower than that of NIBL. It indicates NIBL has high ratio of asset risk. Average Earning per share, dividend per share and average market price per share of EBL higher in comparison to NIBL. This considered as better in security analyzing in order to make

investment decision. In comparison to both bank trend of deposit and loan and advances of EBL high and trend of investment and profit of NIBL is high. So both banks are equal in their liquidity management.

Bhattra, (2020) Conducted research entitled Source: Annual Report of Commercial Banks Comparative financial analysis of NABIL bank and Standard chartered Bank ltd. In his research main objective is to study the financial position of NABIL and SCBNL. The main objectives of the study are as follows:

- To present the existing financial position of NABIL and SCBNL.
- To examine the relative financial performance of NABIL and SCBNL in terms of different kinds of ratios.
- To find out the relationship and trend of deposit, investment, loans and advances and net profit.
- To provide suggestions and possible guideline according to finding of the study.

Thus this research is conducted with the major objective of highlighting financial analysis of NABIL and SCBNL. The observation and conclusion is Derived by financial analysis in terms of liquidity, asset management, profitability and lending efficiency and other various ratio of NABIL and SCBNL as well as relevant financial and statistical ratios.

The overall analysis of liquidity position, the current ration of NABIL is in decreasing and SCBNL is fluctuating. The average liquidity position of NABIL is greater than SCBNL. SO, NABIL is sound in meeting short-term obligation than SCBNL. NABIL has the little higher portion of cash and bank balance over current assets. The investment on government treasury bills to current assets ratio of NABIL is fluctuating trend whereas SCBNL are decreasing. The loan and advances to current of NABIL and SCBNL are fluctuating. NABIL has emphasis on more loan and advances. In the aspect of asset turnover ratio, the loan and advances and deposit ratio of both banks have been fluctuating. In the aspect of profitability ratio of NABIL and SCBNL. The mean ratio of SCBNL is higher than NABIL which signifies that the shareholders of SCBNL are getting higher return but in case of NABIL. The SCBNL has better utilized the equity for the profit generation. The interest earned to total asset ratio of both NABIL and SCBNL banks have fluctuating. Earning per share of NABIL and SCBNL is in decreasing

trend. The average mean price of SCBNL is greater than that of NABIL. It indicates that shareholders of SCBNL are getting higher price and high Demand of share in market. The higher PE ratio signify that price of SCBNL is higher than NABIL.

The correlation between deposits and loan and advances of NABIL and SCBNL is 0.993 and 0.924. It shows that both have the positive relationship. It refers that deposit and loan and advances of NABIL move together very closely but not proportionately. Moreover, 98.60 percent of NABIL and 98.38 percent variation of SCBNL in loan and advances have been explained by deposit. The relationship between deposits and loan and advances is significant. The trend of total deposit of NABIL and SCBNL is in increasing trend. The Trend of Total Investment between NABIL and SCBNL are also increasing in making investment. SCBNL has higher trend of increasing total investment than NABIL. The trend of Net profit of NABIL and SCBNL is increasing. The trend of increasing value of net profit of SCBNL higher at beginning but at last NABIL exceeds. But increment of NABIL is aggressive.

Sapkota, (2021) in his Dissertation paper Source: Annual Report of Commercial BanksA study on Sources & Usages of fund and it's mobilizing policy of Standard Chartered Bank Ltd. NABIL Bank, Everest Bank & Himalayan Bank Source: Annual Report of Commercial Banks having main objectives to examine the fund mobilizing policy adopted by three Banks viz. SCBNL, NABIL, EBL and NIBL and the way these banks mobilized their funds with the objectives is:

- To analyze the growth and risk ratio of loan and advances and total investment with respective to growth rate of total deposit and net profit of sample joint venture commercial bank.
- To evaluate comparatively operating, financial and investment efficiency of three joint venture commercial banks.
- To analyze the sources and uses of funds and its mobilization with respect to cash flow of these three Banks.

He found the overall condition of SCBNL seems in satisfactory position in comparison to NABIL, EBL and NIBL. In other words, he recommends that banks are strongly services towards rural areas. These three banks are recommended to increase cash and bank

balance to meet the need of investment and demand of loan and advances. And banks are to be investing its funds in the purchase of shares and debentures of other financial, non-financial companies, hotels and government companies.

Mr. Sapkota has not explained about the risk ratios which have to be faced by these Banks. His study cannot show the fund mobilizing policy of the selected banks for the succeeding years because of time limitation i.e. up to 2012.

Lama (2022) in his Dissertation paper, Source: Annual Report of Commercial Banks A study on Fund Mobilization (A Comparative Study of Nepal Investment Bank Ltd, Everest Bank Ltd, Nabil Bank Ltd and Standard Chartered Bank Ltd) Source: Annual Report of Commercial Banks with the objective is:

- To evaluate the growth and risk ratio of loan and advances and total investment with respective to growth rate of total deposit and net profit of NIBL, EBL, SCB and NABIL.
- To Evaluate comparatively operating, financial and investment efficiency of three Banks.
- To carry out the relationship between deposits and total investment, deposits and loan and advance and net profits of NIBL, EBL, SCB and NABIL.
- To analyze the sources and uses of funds and analysis of cash flow of these three Banks.

On the Dissertation, the analyst found that the liquidity position of NABIL is comparatively better than NIBL, SCB and EBL. Similarly, EBL is comparatively successful to invest in productive sector and has mobilized its collected deposits to provide loan and advances.

The NABIL is profitable in comparison to other compared banks. NIBL has maintained the lower liquidity risk and NABIL has maintained lower credit risk. Deposit is the strongest sources of fund whereas borrowings cover fewer portions of sources of fund. NABIL has kept fewer amounts in deposits in comparison to other two banks. Among the uses of funds, loan and advances covers maximum portion and interest accrued covers less portion. Correlation coefficient between deposit and total investment of NIBL, EBL, SCB and NABIL elucidates the positive relationship or there is high degree of positive

correlation. Most of the investment decision of these three banks depends upon deposits and only few decisions are depend upon other variables. The researcher recommends that three banks to follow liberal lending policy when sensations loan and advances with sufficient guaranty and implement a sound collection policy including procedure which rapid identification of bad debtor loans, immediate contact with borrower, continual follow up and as well as legal procedure if require and to collect more amounts as deposits through large variety of deposits schemes and facilities.

2.4 Research Gap

The review of above relevant literature has contributed to enhance the fundamental understanding and knowledge, which is required to make this study meaningful and purposeful. There are various researchers conduct on credit practice, investment policy, lending practice, credit policy, financial performance and credit management of various commercial banks. Some of the researchers have done the financial performance between two or three different commercial bank. Here in this research all ratios are categorized according to their area and nature.

In this research comparative study of financial performance of NABIL and NIBL is measuring by various ratios, trend analysis and various statistical tools as well and financial tools are used for analyzing survey data. Since the researcher have used data only five fiscal year but all the data are current and fact. This study tries show financial performance by applying and analyzing various financial tools like liquidity ratio, activity ratio, profitability ratio and credit risk ratio and other ratio as well as different statistical tools like average mean, standard deviation coefficient of correlation and trend analysis. Probably this will be the appropriate research in the area of financial performance of bank and Financial institutions so far.

CHAPTER – III

RESEARCH METHODOLOGY

3.1 Introduction

Research in common parlance refers to a search for knowledge. The Webster international Dictionary gives a very inclusive definition of research as Source: Annual Report of Commercial Banks a careful critical inquiry or examination in seeking facts and principles diligent investigation in order to ascertain something.

Research is a systematic inquiry for seeking facts and methodology means the analysis of specific topic by using proper method. In other words research methodology is the way to solve systematically the research problem. (Kothari, 1999: 61).

The topic of the study has been selected as Source: Annual Report of Commercial Banks comparative study on financial performance of Nabil Bank Ltd and Nepal Investment Bank Ltd. Source: Annual Report of Commercial Banks In order to reach and accomplish the objectives of the study, different activities will be carried out. For this purpose, the chapter aims to present and reflect the methods and techniques that are carried out and followed during the study period. The research methodology that is adopted for the present study is mentioned in this chapter, which deals with research design, sources of data, data collection, processing and tabulating procedure and methodology.

3.2 Research Design

Research is a theory building activity. Research design is the plan, structure and strategy of investigations conceived so as to obtain answer to research questions and to control variances.

A research design is the arrangement of condition for collection and analysis of data in a manner that aims to combined relevance to the research purpose with economic in procedure (Kothari, 1999: 59).

Since the main objectives of this study is to analysis financial performance of the banks, all the indicators that shows the financial performance of the bank were calculated using

data obtained from the five year end internally generated accounting records maintained by sample Banks. Various financial Parameters and effective research techniques are employed to evaluate the financial performance of the banks. Furthermore, various descriptive as well as analytical techniques are used. The study is designed as to give a clear picture of the Bank's financial circumstances with the help of available data with useful suggestions and recommendation.

3.3 Population and Sample

At present 21 Commercial banks are operating in Nepal. All the commercial Banks that are operating in Nepal are considered as the population. It is not possible the study all the data related with all 28 commercial banks because of the limited time period and showed also taken in to consideration of the partial fulfillment of the Master's Degree. Currently aggregate 21 commercial banks are running in Nepal. They all 21 commercial bank are taken as population. Thus two Banks i.e. NABIL and NIBL have been selected as sample for the present study on the basis of their financial performance.

3.4 Nature and Sources of Data

The research is based on secondary source of data. All the adequate data are collected from secondary sources. This refers to data that are already used and gathered by others.. Therefore, the major sources of data are Annual Report of Concern Bank, Internet and E-mails, NRB directives, Newspaper, Journals, articles and various magazines and Dissertation of Central Library of T.U. and Library of Nepal commerce campus and Nepal Commerce Campus.

3.5 Data Collecting Procedures

The annual reports of the concerned banks were obtained from their head office and their websites. The main source of data is annual report of concern financial institute. NRB publication, such as banking and financial Statistics Economic Reports, Annual Reports of NRB etc. Has been collected from the personal visit of concerned department of NRB at Baluwatar. Besides, a details review materials are collected from the library of Nepal commerce campus and central library of T.U.

3.6 Tools and Techniques used

In this study, various financial and statistical tools have been used to achieve the objective of the study. According to the pattern of data available, the analysis of data will be done. The various tools applied in this study have been briefly presented as under:

Financial Tools

Statistical Tools

3.6.1 Financial Tools

Financial performance is analyzed through the use of two important tools. The financial tool is one of the most important tool, which includes ratio analysis and the other one financial statement analysis have been used in this study. Financial tools are used to examine the financial strength and weakness of bank. Although there are many financial ratios, only selected ratios are used in this study.

3.6.2 Analysis of financial Ratios

The techniques of ratio analysis in of considerable significance in studying the financial stability, liquidity, profitability and the quality of management of the business and industrial concerns, the important ratios that are studied for this purpose are given below.

3.6.3 Ratio Analysis

Ratio analysis is a technique of analysis and interpretation of financial statement. To evaluate the performance of an organization by creating the ratios from the figure of different accounts consisting in balance sheet and income statement is known as ratio analysis. Five types of ratios have been analyzed in this study, which are related to fund mobilization of the banks. They are presented below:

A. Liquidity Ratio

Liquidity ratio measures the ability of the firm to meet its current obligations. A commercial bank must maintain its satisfactory liquidity position to meet the credit need of the community. It is extremely essential for an organization to meet its obligation as

they become due. A firm should ensure that it has not lack of liquidity and also that it is not too much highly liquid.

i) Current Ratio: This ratio shows the bank's short-term solvency. It shows the ratio of current assets over the current liabilities. This ratio can be computed by dividing the total current assets by total current liabilities which can be presented as:

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

Higher ratio indicates the strong short-term solvency position and vice-versa.

ii) Cash and Bank Balance to Total Deposits Ratio: - Cash and Bank balance is said to be first line defense of every bank. The ratio between the cash and bank balance and total deposit measure the ability of a bank to meet the unanticipated call on all types of deposit. Higher the ratio greater will be the ability to meet the sudden demand of deposit. But every ratio is not desirable since bank has to pay interest on deposit. This also maximizes the cost of fund to the bank.

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

Where,

Cash and bank balance is composed up of cash on hand including foreign cheques and other cash item; balance with domestic banks and aboard. Deposits include current, saving, fixed money at short call notice and other types of deposits.

iii) Cash and Bank Balance to Current Assets Ratio: this ratio shows the bank's liquidity capacity on the basis of cash and bank balance that is the most liquid assets. High the ratio indicates the bank's ability to meet the daily cash requirements of their customer deposits and vice-versa. But the high ratio is not preferred as the bank has to pay more interest on deposit and will increase the cost of fund. Low ratio is also very dangerous, as the bank may not be able to make the payment against the cheques presented by the customers. We have,

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

iv) Investment on Government Securities to Current Assets Ratio: - This ratio is used to find out the percentage of current assets invested on government securities, treasury bills and development bonds. We can find out as,

$$\text{Investment on Govt. securities to total current assets ratio} = \frac{\text{Investment on Govt. Securities}}{\text{Current Assets}}$$

Where,

Investment on Government Securities involves treasury bills and development bonds etc.

B. Asset Management Ratio:

A set of ratio which measure how efficiently a firm is managing its assets and whether or not the level of those assets is properly related to the level of operation. In this study this ratio is used to indicate how effectively the selected banks have arranged and invest their limited resources. The assets management ratios measure how effectively the firm is managing its assets. These ratios are designed to answer this question; does the total amount of each type of assets as reported on the balance sheet seem reasonable or not. If a firm has excessive investment in assets, then its capital cost will be unduly high and its stock price will be suffer.

i) Loan and Advances to Total Deposits Ratio: - This ratio is calculated to find out how successfully the selected banks are utilizing their collections or deposits on loan and advances for the purpose of earning profit. We have,

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

ii) Total Investment to Total Deposits Ratio: - Investment is one of the major sources of earning profit. It shows how properly firm's deposit has been invested on government securities and shares and debentures of other companies.

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

iii) Loan and Advances to total Working Fund Ratio: - This ratio shows the ability of selected banks in terms of earning high profit from loan and advances. Loan and advances to working fund ratio can be calculated by dividing loan and advances amount by total working fund.

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

iv) Investment on Government Securities to Total Working Fund Ratio: - Investment on government securities to working fund ratio shows how much part of total investment is there on government securities in percentage, it is calculated for this purpose by following formula:

$$\text{Investment on Govt. Securities to TWF Ratio} = \frac{\text{Investment on Govt. Securities}}{\text{Total Working Fund}}$$

v) Investment on Shares and Debentures to Total working Fund Ratio:

Investment on shares and debentures to total working fund ratio shows the investment of banks on the shares and debentures of other companies in terms of total working fund. This ratio can be obtained dividing on shares and debentures by total working fund. It is calculated as:

$$\text{Investment on Shares and Debn. To TWF Ratio} = \frac{\text{Investment on Share \& Debentures}}{\text{Total Working Fund}}$$

C. Profitability Ratio:

This ratio is related to profit of the banks is essential for the survival of the bank, so it is regarded as the engine that drives the banks and indicates economics progress. It calculated to measure the overall efficiency of the banks.

i) Return on Loan and Advance Ratio: - Return on loan and advances ratio shows how efficiently the banks have utilized their resources to earn good return from provided loan and advances. This ratio is computed as,

$$\text{Return on loan and Advances Ratio} = \frac{\text{Net Profit / loss}}{\text{Loan and Advances}}$$

ii) Return on Total Working Fund Ratio: - Return on total working fund ratio measures the profit earning capacity by utilizing available resources i.e. total assets. Return will be higher if the bank's working fund is well managed and efficiently utilized. Maximizing taxes, this in the legal options available will also improve the return. We have,

$$\text{Return on Total Working Fund Ratio} = \frac{\text{Net Profit}}{\text{Total Working Fund}}$$

iii) Total Interest Earned to Total Working Fund Ratio: - This ratio reflects the extent to which the Banks are successful in mobilizing these total assets to acquire income as interest. This ratio actually reveals the earning capacity of commercial banks by mobilizing its working fund. Higher the ratio higher will be the income as interest. We have,

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

iv) Total Interest paid to Total working Fund Ratio: - This ratio measures the percentage of total interest expenses on total working fund and vice-versa. This ratio is calculated as,

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

D. Risk Ratios

Commonly, risk means chance or possibility of loss, uncertainty which lies in the business transaction of investment management. When a firm wants to bear risk and uncertainty, profitability and effectiveness of the firm is increased. This ratio checks the degree of risk involved in the various financial operations. For this study following risk ratios are used to analyze and interprets the financial data and investment policy.

i) Liquidity Risk Ratio: - The liquidity risk of the bank defines its liquidity need for deposit. The cash and bank balance are the liquid assets and they are considered as banks liquidity sources and deposit as the liquidity needs. The ratio of cash and bank balance to

total deposit is an indicator of bank's liquidity of need. This ratio is low if funds are kept idle as cash balance but this reduce profitability, when the banks makes loan, its profitability increase and also the risk.

Thus, higher liquidity ratio indicates less profitable return and vice-versa. This ratio is calculated as below:

$$\text{Liquidity Risk Ratio} = \frac{\text{Cash and Bank Balance}}{\text{Total Deposit}}$$

ii) Credit Risk Ratio: - Bank utilizes its collected funds in providing credit to different sectors. There is risk of default or non-repayment of loan. While making investment, bank examines the credit risk involved in the project. Generally credit risk ratio shows proportion of non-performing assets in the total investment plus loan and advances of a bank it is computed as:

$$\text{Credit Risk Ratio} = \frac{\text{Total Investment+Loan and Advances}}{\text{Total Assets}}$$

iii) Asset Risk Ratio: - Bank utilizes its collected funds in providing credit to different sectors. There is risk of default or non-repayment of loan. While making investment, bank examines the credit risk involved in the project. Generally Asset risk ratio shows proportion of non-performing assets in the total investment plus loan and advances of a bank it is computed as:

$$\text{Credit Risk Ratio} = \frac{\text{Total Investment+Loan and Advances}}{\text{Total Assets}}$$

E. Other Ratios

a) Earning per Share (EPS): EPS refers to net profit divided by total numbers of share outstanding. EPS measure the efficiency of a firm in relative terms. It is a widely used ratio, which measures the profit available to the ordinary shareholders on per share basis. The amount of EPS measures the efficiency of a firm in relative terms. This ratio is calculated as:

$$\text{Earning per share (EPS)} = \frac{\text{Net Profit (Loss)}}{\text{Total number of Share outstanding}}$$

b) Market Price per Share

Market price per share is the price at which shares are traded in the stock market. The secondary markets provide liquidity for securities purchased in primary market. Generally MPS is determined through supply and demand Factors.

c) Price Earning Ratio

This ratio is closely related to the earning per share. It is calculated by dividing the market value per share by EPS. Price earning ratio indicates investor's judgments or expectation about the firm's performance. This ratio widely used by the security analysis to value the firm's performance. This ratio widely used by the security analysis to value the firm's performance as accepted by investors. Price earning ratio reflects investor expectations about the growth in the firm's earning. Higher ratio indicates the more value of the stock that is being ascribed to future earning as opposed to present earning.

Here, Total equity capital includes shareholders' reserve including profit and loss account, general loan loss provision and share capital i.e. ordinary share preference share capital.

$$\text{Price Earning ratio} = \frac{\text{Market Price Per Share}}{\text{Earning Per Share}}$$

3.7 Statistical Tools

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

3.7.1 Average Mean

An average is a single value related from a group of values to represent them in some way, a value, which is supposed to stand for whole group of which it is a part, as typical of all the values in the group. There are various types of averages. Arithmetic mean (AM, Simple & Weighted), median, geometric mean, harmonic mean are the major types of averages.

Mathematically:

Arithmetic Mean (AM) is given by,

$$\bar{X} = \frac{\sum X}{n}$$

Where, \bar{X} = Arithmetic mean

$\sum x$ = Sum of all the values of the variable X

n = Number of observations

3.7.2 Standard Deviations:

The Standard Deviation measures the absolute dispersion. It is said that higher value of standard deviation the higher the variability and vice versa. Karl Pearson introduced the concept of standard deviation in 1823 A.D. and this is denoted by the small Greek letter (pronounced Sigma) the formula to calculate the standard deviation is given below:

$$\sigma = \sqrt{\frac{\sum x^2}{N}}$$

Where, $x = (X - \bar{X})$

3.7.3 Coefficient of variation

The coefficient of variation reflects the relation between standard deviation and mean. The relative measure of dispersion based on the standard deviations known as coefficient of variation. The coefficient of dispersion based on standard deviation multiplied by 100 is known as the CV. It is used for comparing variability of two distributions; the CV is defined as,

$$CV = \frac{\sigma}{\bar{X}} \times 100$$

Greater the CV, The more variable or conversely less consistent, less uniform, less sustainable and homogenous than the consistent more uniform, more stable and homogenous. This nature of CV uses that actual size of working capital.

3.7.4 Coefficient of Correlation (r)

Correlation analysis is the statistical tools that we can use to describe the degree to which one variable is linear related to another. Coefficient of correlation is the management of the degree of relationship between two casually related sets of figure whether positive or negative. Its value lie somewhere ranging between -1 to +1. If the both variables are

constantly changing in the similar direction, the value of coefficient will be -1; two variables take place in opposite defection. The correlation is said to be perfect negative. In this study, simple correlation is use to examine the relationship of different factors with working capital and other variable.

Coefficient of Correlation (r) =

$$\frac{\text{Co Variance of X \& Y}}{\sigma X \sigma Y}$$

Deposit have played a very important role in performance of commercial banks and similarly loan and advances are important to mobile the collected deposits. Coefficient of Correlation between deposit and loan and advances measures the degree of relationship between the two variables. In this analysis, deposit is independent variable (X) and loan & advances is dependent variables (Y). The main objectives of computing 'r' between these two variables are to justify whether deposits are significantly used on loan and advances in a proper way or not.

3.7.5 Trend Analysis

The least square method to trend analysis has been used in measuring the trend analysis. This method is widely used in practice. The straight line trend of a series of data is represented by the following formula.

$$Y = a + bx$$

Here,

Y is the dependent variable, a is y intercept or value of y when x = 0, b is the slope of the trend line or amount of change that comes in y for a unit change in x.

Where,

Y= Dependent variable

X= Independent variable

a= Y – intercept

b= Slope of the trend line

CHAPTER – IV

REDULTS AND DISCUSSIONS

4. Data Presentation and Analysis

Presentation and Analysis of data is the main body of the study. In this chapter data collected are analyzed and interpreted as per the stated methodology in the previous chapter. Here researcher has analyzed and diagnosed financial performance of Nabil Bank Ltd Limited and Nepal Investment Bank Limited are shown in different tables and diagrams to make the analysis simple and understandable. All the financial position of both the banks is analyzed by calculating following ratio.

4.1 Financial Analysis

Financial ratios related to the financial performance are presented to evaluate and analyze the performance of NABIL and NIBL. Some important financial ratios are calculated in the point of view of financial performance. The ratios are designed and calculated to highlight the relationship between financial items and figures. It is a kind of mathematical procedure that shows the relationship where one item is divided by another.

4.1.1 Ratio Analysis

Ratio Analysis shows the mathematical relationship between two accounting figures. It helps to analyze the financial strengths and weakness of the banks. It is also inevitable for the quantitative judgment with which the financial performance of banks can be presented properly.

4.1.1.1 Liquidity Ratio

Commercial bank must maintain its satisfactory liquidity position to satisfy the credit needs of community, to meet demands for deposit-withdrawals, pay maturity obligation in time to satisfy immediate needs without loss to bank and consequent impact on long-run profit. Liquidity ratio is mainly used to analyze the short-term strength of commercial banks.

A. Analysis of Current Ratio

This Ratio measures the liquidity position of the commercial banks. It indicates the ability of banks to meet the current liquidity.

Table No. 4.1

Current assets to current liability (in times)

(NPR in Millions)

Fiscal Year	NABIL			NIBL		
	Current Assets	Current Liabilities	Ratio in Times	Current Assets	Current Liabilities	Ratio in Times
2015/16	10181.86	8733.63	1.166	24812.27	21812.27	1.14
2016/17	11684.67	11761.25	0.993	29449.34	24696.45	1.19
2017/18	14435.32	13832.9	1.044	29813	27968	1.07
2018/19	15767.92	20970.55	0.752	29858	30797	0.97
2019/20	24882.06	18839.49	1.321	31590.73	33855.55	0.93
2020/21	25435.46	23653.87	1.07	33294.34	36881.99	0.9
2021/22	28783.83	26595.97	1.08	34690.9	39900.7	0.87
Mean			1.06			1.01
S.d.			0.1736			0.1243
C.V.			0.1638			0.123

Source: Appendix I

Above table and figure shows the current ratio of NABIL and NIBL banks during the study period. The current ratio of NABIL and NIBL has a fluctuating trend. The highest Current ratio of NABIL is 1.321 in F/Y 2019/20 and lower ratio is 0.752 times in F/Y 2018/19. Similarly highest current ratio of NIBL is 1.19 in F/Y 2016/17 and lowest ratio is 0.87 in 2016/17. The average current ratio of NABIL and NIBL are 1.06 and 1.01. In an average, liquidity position of NABIL is little higher than NIBL as it has a higher mean ratio beside last year. So, NABIL is sound in meeting short-term obligation than NIBL. The S.D. and C.V. of NIBL is less than NABIL. It can be said that current ratio of NIBL is more consistent than that of NABIL. Lastly, from the above analysis it is known that these two banks weak liquidity position because the standard ratio is about just 1:1 they

have not met the standard ratio 1:1.5 is called good current ratio. Generally, banks require more liquid assets as compared to current liabilities in order to provide better banking service but these two banks have lower liquidity ratio than standard ratio.

B) Cash and Bank Balance to Total Deposit Ratio

Cash and Bank Balance to Total Deposit Ratio indicates the bank ability to meet their daily requirement of depositors. Higher ratio shows the greater ability of the firms to meet customer demands on their deposits. Following table shows cash and Bank balance to total deposit of NABIL and NIBL during the study period.

Table No. 4.2

Cash and Bank Balance to Total Deposit Ratio

(NPR in Millions)

Fiscal Year	NABIL			NIBL		
	Cash and Bank balance	Total Deposit	Ratio in Percent	Cash and Bank Balance	Total Deposit	Ration in Percent
2015/16	1315.9	12388.93	10.62	1757.34	30048.42	5.85
2016/17	1440.47	15833.74	9.097	1448.14	31842.79	4.55
2017/18	2182.11	18083.98	12.07	3048.53	34681.35	8.79
2018/19	1798.37	20315.83	8.852	3866.49	37611.2	10.28
2019/20	1136.56	21018.42	7.988	2946.65	40920.63	7.2
2020/21	2631.84	24991.49	10.53	6362.3	47730.99	13.32
2021/22	3477.11	27700.99	12.55	3648.2	53072.32	6.87
Mean			10.24			8.12
S.d.			1.69			2.95
C.V.			0.1653			0.3641

Source: Appendix II

The table and figure 4.2 reveals that the cash and bank Balance to total deposit ratio of NABIL and NIBL are in fluctuating trend. The highest ratio of NABIL is 12.07 percent in FY 2017/18 and lowest is 7.988 percent in F/Y 2018/19. Similarly, the highest ratio of NIBL is 13.32 percent in FY 2020/21 and lowest ratio is 4.55 percent in 2016/17. The Average mean ratio of NABIL and NIBL are 10.24 percent and 8.12 percent respectively. NABIL has higher ratio than the NIBL, which shows its greater ability to pay depositors

money as they want. Similarly, the coefficient of variation of NABIL is 0.1654 times and NIBL is 0.3641 times. S.D. and C.V. Of NIBL are lower than the NABIL which Indicate more consistency in its ratio.

The above analysis concludes that the cash and bank balance position of NABIL with respect to NIBL is better in order to serve its customer's deposits. It implies better liquidity position of NABIL from the viewpoint of depositor demand. In contrast a high ratio of cash and Bank Balance may be undesirable which indicates the bank's inability to invest its funds in income generating areas. So Cash and bank balance of NABIL is sound than the NIBL.

C) Cash and Bank Balance to Current Assets Ratio

Cash and Bank Balance are the most liquid or quick assets. Cash and Bank Balance to Current assets ratio represents the liquidity capacity of the banks as per cash and bank balance. Higher the ratios, better the ability of the banks to meet the daily cash requirements of their customers. Following table shows the cash and bank balance to current assets of NABIL and NIBL.

Table No. 4.3

Cash and Bank Balance to Current Asset Ratio (NPR in Million)

Fiscal Year	NABIL			NIBL		
	Cash and Bank Balance	Current Asset	Ratio in Percent	Cash and Bank Balance	Current Asset	Ratio in Percent
2015/16	1315.9	10181.86	12.92	1757.34	24812.27	7.08
2016/17	1440.47	11684.67	12.33	1448.14	29449.34	4.92
2017/18	2182.11	14435.32	15.12	3048.53	29813	10.23
2018/19	1798.37	15767.92	11.4	3866.49	29858	12.95
2019/20	1136.56	24882.06	6.75	2946.65	31590.73	9.33
2020/21	2631.84	25435.46	10.34	6362.3	33294.34	19.1
2021/22	3477.11	28783.83	12.08	3648.2	34690.9	10.51
Mean			11.56			10.59
S.D.			2.58			4.55
C.V.			0.2235			0.4312

Source: Source: Appendix III

The Table and figure 4.3 reveals that cash and bank balance to current assets ratio of NABIL and NIBL has fluctuating form during study period. The highest ratio of NABIL is 15.12 percent in F/Y 2017/18 and lowest ratio is 6.75 in F/Y 2020/21. Similarly the highest ratio of NIBL is 12.95 percent in F/Y 2018/19 and lowest ratio is 4.92% in F/Y 2016/17. The mean ratio of NABIL and NIBL is 11.56 percent and 10.55 percent respectively. The Higher mean ratio shows that NABIL's liquidity position is better than that of NIBL. Moreover, the C.V. of NABIL is lower than NIBL. The Lower C.V. of NABIL indicates that it has more consistency in the ratios compared to NIBL. Regarding the above analysis, it can be concluded that NABIL has a better ability to meet daily cash requirements of their customers but there is no fix policy to maintain the standard ratio of cash balance over the period.

D) Investment on Government Securities to Current Assets Ratio

This Ratio shows the current assets, which is invested on different government securities. More or less, each commercial bank is interested to invest their collected funds on different securities issued by government at different times to utilize their excess funds and for other purpose. Although those securities can be sold easily in the financial market and they can be converted into cash, they are liquid assets like cash and bank balance. It shows the portion of current assets to banks that are invested on various securities.

Government securities are the more secured investment alternatives. These securities are also called risk less investment but return generated is lesser than others risky assets.

Table No. 4.4

Investment on Government Securities to Current Assets Ratio (NPR in Millions)

Fiscal Year	NABIL			NIBL		
	Investment on Government Securities	Current Assets	Ratio in percent	Investment on Government Securities	Current Assets	Ratio in percent
2015/16	2332.04	10181.86	22.9	6454.86	24812.27	26.01
2016/17	2113.22	11684.67	18.08	7471.66	29449.34	25.37
2017/18	1744.98	14435.32	12.09	4212.3	29813	14.13
2018/19	2954.93	15767.92	18.74	4465.37	29858	14.96
2019/20	4002.14	24882.06	16.08	6407.36	31590.73	20.28
2020/21	4566.15	25435.46	17.95	9198.23	33294.34	27.63
2021/22	5037.63	28783.83	17.5	10698.22	34690.9	30.83
Mean			17.62			22.74
S.D.			3.22			6.42
C.V.			0.1831			0.2825

Source: Source: Appendix IV

Above table and figures shows investment on government securities to current assets ratio of NABIL and NIBL. Both Banks have fluctuating ratios. The table show the highest ratio of NABIL is 22.90 percent in F/Y 2015/16 and lowest is 12.09 percent in FY 2017/18. In the same way, the highest ratio of NIBL is 30.83 percent in FY 2021/22 and lowest is 14.13 percent in FY 2013/14. The average ratio NABIL and NIBL is 17.62 and 22.74 percent respectively.

The mean ratio of NABIL is lower than the mean ratio of NIBL. It means NIBL has invested more money in risk free assets than NABIL has. In another words NABIL has emphasized more on loan and advances and other short term investment than investment in govt. Securities. For minimization of investment risk, NABIL should divert its investment in govt. Securities. Similarly, S.D. and C.V of NABIL are 3.22 and 0.1831 and NIBL have 6.42 and 0.2825 times respectively. The higher C.V. of NABIL shows the more inconsistency in the ratios with the compare to NIBL.

4.1.1.2 Assets Management Ratio

A commercial bank must be able to manage its assets very well to earn higher profit, so to satisfy its customers and also for its own existence. Assets management ratio measures how efficiently the bank manages the resources at its command. Through following ratios, assets management ability of banks has been measured.

A) Loan and Advance to Total Deposit Ratio

This ratio actually measures the extent to which the banks are successful to mobilize the total deposit on loan and advances for the purpose of profit generation. A higher Ratio of loan and advances indicates better mobilization of collection deposit and vice-versa. But it should be noted that too high ratio might not be better from its liquidity point of view.

Following Table Shows the loan and advances to total deposit ratio of related banks.

Table No. 4.5

Loan and Advance to Total Deposit Ratio

(NPR in Millions)

Fiscal Year	NABIL			NIBL		
	Loan and Advance	Total Deposit	Ratio in percent	Loan and Advance	Total Deposit	Ratio in percent
2015/16	9399.33	12388.93	75.87	17793.72	30048.42	59.22
2016/17	12462.64	15833.74	78.77	20179.61	31842.79	63.37
2017/18	14647.3	18083.98	80.99	24793.15	34681.35	71.49
2018/19	16664.93	20315.83	82.03	27980.63	37611.2	74.39
2019/20	17468.19	21018.42	83.11	31566.98	40920.63	77.14
2020/21	18813.94	24991.49	75.28	34965.43	47730.99	73.25
2021/22	22555.92	27700.99	81.42	41057.4	53072.32	77.36
Mean			79.64			70.88
S.D.			3.07			6.97
C.V.			0.0386			0.0984

Source: Source: Appendix V.

The table and figure 4.5 shows the loan and advances to total deposit ratio of NABIL and NIBL. The ratio of NABIL has continuously increasing trend. The highest ratio of NABIL is 83.11% in F/y 2019/20 and lowest ratio is 75.28% in F/y 2020/21. Similarly highest ratio of NIBL is 77.36% in F/Y 2021/22 and lowest ratio is 59.22% in F/Y

2015/16. The mean ratio of NABIL and NIBL are 79.64% and 70.88% respectively. So NABIL has higher ratio than that of NIBL. It indicates the better mobilization of deposit by NABIL as loan and advance. It reveals that the deposit of NABIL is quickly converted in to loan and advances to earn income. According to NRB directives less than 80% of loan and advances to total deposit ratio is required to enable better mobilization of collected deposit. The mean, S.D. and C.V of NABIL is 3.07 and 0.0386. Similarly, NIBL has 6.97 and 0.0984. The Higher C.V and S.D. of NIBL also indicate more inconsistency in their ratios with compare to NABIL. SO performance of NIBL seems to lower in aspect of loan and advance.

B) Total Investment to Total Deposit Ratio

Commercial banks and financial companies invest their collected funds in various government securities and other financial or non-financial companies. This ratio measures how successfully and efficiently the banks are mobilizing their funds at investment in various securities. This ratio of NABIL and NIBL are calculated and presentation below.

Table No. 4.6

Total Investment to Total Deposit Ratio

(NPR in Millions)

Fiscal year	NABIL			NIBL		
	Total Investment	Total Deposit	Ratio	Total Investment	Total Deposit	Ratio in percent
2015/16	2992.43	12388.93	24.15	11822.99	30048.418	39.35
2016/17	3204.07	15833.74	20.24	13340.18	31842.79	41.89
2017/18	2783.6	18083.98	15.39	8710.69	34681.35	25.12
2018/19	3269.2	20315.83	16.09	8444.91	37611.2	22.45
2019/20	4286.6	21018.42	20.39	8769.94	40920.63	21.43
2020/21	5037.63	24991.49	20.15	10031.58	47730.99	21.02
2021/22	4566.15	27700.99	16.49	12992.05	53072.32	24.48
Mean			18.99			27.96
S.D.			3.14			8.81
C.V.			0.1653			0.3149

Source: Source: Appendix VI

Above table and figure shows that total investment to total deposit ratio of NABIL and NIBL. Both the banks have fluctuating trend in total investment to total deposit ratio. The highest ratio of NABIL is 24.15 percent in FY 2015/16 and lowest ratio is 15.39 percent in FY 2017/18 in the same way the highest ratio of NIBL is 41.89% percent in FY 2016/17 and lowest ratio is 21.02 percent in FY 2020/21. Investment volume of NABIL is decreasing and increasing at last where as NIBL has Decreasing at last. The mean ratio of the NABIL and NIBL are 18.99% and 27.96% respectively, which shows that NIBL has higher ratio. It signifies that NIBL has successfully allocated its deposit in investment portfolio. But its decreasing trend reflects worse future. The S.D. and C.V. Of NIBL are higher than NABIL which indicate more inconsistent ratio.

C) Loan and Advances to Total Assets Ratio

A commercial bank's working fund plays very active role in profit generation through fund mobilization. This ratio reflects the extent to which the banks are successful in mobilizing their total assets on loan and advances for the purpose of income generation. A high ratio indicates better mobilization of funds as loan and advance and vice-versa. The following table shows loan and advances to total assets of NABIL and NIBL as follows.

Table No. 4.7

Loan and Advances to Total Assets Ratio

(NPR in Millions)

Fiscal year	NABIL			NIBL		
	Loan and Advances	Total Assets	NABIL	Loan and Advances	Total Assets	NIBL
2015/16	9399.33	14581.39	64.46	17793.724	34314.87	51.85
2016/17	12462.64	17721.93	70.32	20179.61	36857.62	54.75
2017/18	14647.3	20496	71.46	24793.15	40046.69	61.91
2018/19	16664.93	23396.19	71.23	27980.63	42717.12	65.5
2019/20	17468.19	24757.75	70.56	31566.98	46736.2	67.54
2020/21	18813.94	28881.99	65.14	34965.43	54364.43	64.32
2021/22	22555.92	32545.61	69.3	41057.4	62447.07	65.75
Mean			68.92			61.66
S.D.			2.91			6.02
C.V.			0.0422			0.0975

Source: Source: Appendix VII

Above table and figure shows the loan and advances to total assets ratio of NABIL and NIBL during the study period. Loan and advances to total assets of both NABIL and NIBL has increasing trend. While observing their ratios NABIL has Constant and NIBL has up warding. The Highest ratio of NABIL is 71.46% in F/Y 2017/18 and Lowest is 64.46% in F/Y 2015/16. Similarly the highest ratio of NIBL is 67.54% in F/Y 2019/20 and lowest is 51.85% in F/Y 2015/16. The mean ratio of NABIL and NIBL are 68.92% and 61.66% respectively. So NABIL has little higher ratio than NIBL. It reveals that in total assets of NABIL has high proportion as loan and advances. NABIL has utilized its total assets more efficiently in the form of loan and advances. The lower C.V. of NABIL 0.0422 than NIBL 0.0975 states that it has more uniformity in these ratios throughout the study period than NIBL. Both S.D. and C.V. of NIBL have higher than the NABIL which indicate inconsistency in its ratio.

D) Investment on Government Securities to Total Assets Ratio

Investment on government securities is a less risky investment. Investment on government securities to total assets ratio measures how successfully selected banks have applied their total assets on various forms of government securities for profit maximization and risk maximization. Higher the ratio, the better the position of fund mobilization into investment on government securities and vice-versa.

Table No. 4.8

Investment on Government Securities to Total Assets ratio (NPR in Millions)

Fiscal year	NABIL			NIBL		
	Investment on Government Securities	Total Assets	Ratio in percent	Investment on Government Securities	Total Assets	Ratio in Percent
2015/16	2332.04	14581.39	15.99	6454.86	34314.87	18.81
2016/17	2113.22	17721.93	11.92	7471.66	36857.62	20.27
2017/18	1744.98	20496	8.51	4212.3	40046.69	10.52
2018/19	2954.93	23396.19	12.63	4465.37	42717.12	10.45
2019/20	4002.14	24757.75	16.16	6407.36	46736.2	13.71
2020/21	4566.15	2881.99	15.81	9198.23	54364.43	16.92
2021/22	5037.63	32545.61	15.48	10698.22	62447.07	17.13
Mean			13.79			15.4
S.D.			2.89			3.91
C.V.			0.2096			0.254

Source: Appendix VIII

The table and figure 4.8 shows that the investment on government treasury bills to total assets of NABIL and NIBL. The NABIL has decreasing till 2017/18 and increasing thereafter whereas NIBL has Fluctuating Trend. The highest ratio of NABIL is 16.16% in 2018/19 and the lowest ratio is 8.51% in 2017/18. Similarly the highest ratio of NIBL is 20.27% and lowest ratio is 10.45% in 2017/18 respectively. The mean ratio of NABIL and NIBL are 13.79% and 15.40% respectively. The ratio of NIBL has little higher than NABIL. It means NIBL has invested more assets in risk free assets than NABIL. In another words NABIL has emphasized more on loan and advances and other short-term investment than investment in govt. securities. There is more variability in the ratio of NIBL as compare to NABIL. It shows that there is more inconsistency in the ratio of NIBL during the study period, which is indicated by higher C.V. Of NIBL which shows inconsistency in its investment.

4.1.1.3 Profitability Ratio

The major performance indicator of any firm is its profit. The objective of investment policy is to earn good return. Any organization has a desire to earn higher profit which would help the firm to survive and it also indicates the efficient operation of the firm. Profit is the essential part of business activities that helps to meet internal obligation, overcome the future contingencies, make a good investment policy, expand the banking transaction etc. Profitability ratios are the best indicators of overall efficiently. Here,

These ratios presented and analyzed which are related with profit as well as fund mobilization. Through the following ratios, effort has been made to measure the profit earning capacity of NABIL and NIBL.

A) Return on Loan and Advances

Every financial institution tires to mobilize their deposits on loan and advances properly. So this ratio helps to measure the earning capacity of selected banks. Returns on loan and advances ratio of selected banks are presented as follows.

Table No. 4.9

*Return on Loan and Advances**(NPR in Millions)*

Fiscal Year	NABIL			NIBL		
	Net profit	Loan and advances	Ratio	Net profit	Loan and advances	Ratio in percent
2015/16	262.39	9399.33	2.79	491.824	17793.72	2.76
2016/17	361.49	12462.64	2.9	635.87	20179.61	3.15
2017/18	461.73	14647.3	3.15	752.83	24793.15	3.04
2018/19	509.63	16664.93	3.06	508.8	27980.63	1.82
2019/20	605.15	17468.19	3.46	893.12	31566.98	2.83
2020/21	607.66	18813.94	3.22	958.64	34965.43	2.74
2021/22	617.09	22555.92	2.74	1024.41	41057.4	2.5
Mean			3.04			2.69
S.d.			0.26			0.44
C.V.			0.0842			0.1603

Source: Appendix IX

The Table 4.9 shows that return on loan and advances ratio of NABIL and NIBL. The ratio of NABIL has an increasing whereas NIBL Fluctuating trend. The highest ratio of NABIL is 3.46% in the year 2019/20 and lowest ratio is 2.74% in year 2020/21. The mean ratio is 3.04% whereas highest ratio of NIBL is 3.15% in year 2021/22 and lowest ratio is 1.82% in 2018/19. The mean ratio of NIBL is 2.69%. This both banks show the normal earning capacity in loan and advances and same earning capacity in form of loan and advances. The average ratio of NABIL is higher than NIBL. Which indicate that return from loan and advance of NABIL is higher than NIBL. It can be concluded that NABIL has utilized the loan and advance for the profit generation in earning capacity. However both banks seem to have poor performance in order to have returns form loan and advances because return on loan and advances is less than five percent as five percent is benchmarking ratio in this case. Anyway NABIL performing well than NIBL.

B) Return on Total Assets

This Ratio measures the overall profitability of all working fund. A firm has to earn satisfactory return on working funds for its survival. The following table shows return on total assets ratio of selected banks.

Table No. 4.10

Return on Total Asset Ratio

(NPR in Millions)

Fiscal Year	NABIL			NIBL		
	Net Profit	Total Asset	Ratio	Net Profit	Total Asset	Ratio in Percent
2015/16	262.39	14581.39	1.8	491.824	34314.87	1.43
2016/17	361.49	17721.93	2.04	635.87	36857.62	1.73
2017/18	461.73	20496	2.25	752.83	40046.69	1.88
2018/19	509.63	23396.19	2.18	508.8	42717.12	1.19
2019/20	605.15	24757.75	2.44	893.12	46736.2	1.91
2020/21	607.66	28881.99	2.11	958.64	54364.43	1.76
2021/22	617.09	32545.61	1.89	1024.41	62447.07	1.64
Mean			2.1			1.65
S.d.			0.22			0.26
C.V.			0.1033			0.1563

Source: Source: Appendix X

Above table and figure shows the return on total assets of NABIL and NIBL. Both Banks have increasing trend of return on its total assets. The highest ratio of NABIL is 2.44 in F/Y 2018/19 and lowest ratio is 1.80 in F/Y 2015/16. Similarly highest ratio of NIBL is 1.91 in F/Y 2018/19 and lowest ratio is 1.19 in F/Y 2017/18. However, NABIL seems successful in managing and utilizing the available assets in order to generate revenue since its ROA is 2.143% of total assets in an average which is higher than that of NIBL of 1.628 percent. NABIL has also higher ratio in each year than NIBL. Whereas S.D. and C.V. of NIBL have relatively high it indicates less uniformity in the ratios. So return from Total assets of NABIL is relatively better than NIBL.

C) Return on Equity

Equity capital of any bank is its owned capital. The prime objective of any bank is wealth maximization or in other words to earn higher profit and thereby, maximizing return on its equity capital. Return on equity measures the profitability of a bank. It reflects the extent to which the bank has been successful to mobilize or utilize its equity capital. A higher ratio indicates success in mobilizing its owned capital and vice-versa.

Following table shows the Return on equity of NABIL and NIBL during the study period.

Table No. 4.11

Return on Equity Ratio

(NPR in Millions)

Fiscal Year	NABIL			NIBL		
	Net Profit	Total Equity	Ratio	Net Profit	Total Equity	Ratio in Percent
2015/16	262.39	993.27	26.42	491.824	2146.5	22.91
2016/17	361.49	1342.07	26.93	635.87	2513	25.3
2017/18	461.73	1741.59	26.51	752.83	3119.88	24.13
2018/19	509.63	2073.53	24.58	508.8	3439.2	14.79
2019/20	605.15	2435.19	24.85	893.12	3995.48	22.35
2020/21	607.66	2700.84	22.5	958.64	4632.01	20.7
2021/22	617.09	3304.64	18.67	1024.41	5656.42	18.11
Mean			24.35			21.18
S.d.			2.93			3.66
C.V.			0.1204			0.173

Source: Source: Appendix XI

Above table and figure shows return of equity ratio of NABIL and NIBL. Above data indicates that NABIL has constant and NIBL has fluctuating trend of return on equity ratio. The highest ratio of NABIL is 26.93% in F/Y 2016/17 and lowest ratio is 18.67% in F/Y 2021/22. Similarly highest ratio of NIBL is 25.30% in F/Y 2016/17 and lowest ratio is 14.79% in F/Y 2018/19. The average mean ratio of NABIL has Higher mean ratio than that of NIBL (i.e. 24.34% > 21.18%).

According to mean ratio NABIL is generating higher ROE in comparison with NIBL. In brief, it signifies that the shareholders of NABIL are getting higher return but in case of NIBL, they are getting lesser. It can be concluded that NABIL has better utilized the equity for the profit generation. It proves to be strength for NABIL in attracting future investment also while NIBL shows its weakness regarding efficient utilization of its owner's equity in comparison to NABIL. NIBL is relatively more inconsistent throughout the study period because its C.V is higher.

D) Interest Earned to Total Assets Ratio

Interest earned to total assets ratio evaluates how successful the selected banks are at mobilizing their total assets to achieve higher amount of interest. Higher ratio indicates higher interest income of the selected banks. The total interest earned to total assets ratio of NABIL and NIBL.

Table No. 4.12

Interest Earned to Total Assets Ratio

(NPR in Millions)

Fiscal Year	NABIL			NIBL		
	Interest Earned	Total Assets	Ratio	Interest Earned	Total Assets	Ratio in Percent
2015/16	819	14581.39	5.62	1775.583	34314.87	5.17
2016/17	1034.16	17721.93	5.83	1963.65	36857.62	5.33
2017/18	1347.76	20496	6.58	2342.2	40046.69	5.85
2018/19	1870.85	23396.19	7.99	3148.6	42717.12	7.37
2019/20	2386.78	24757.75	9.64	4326.14	46736.2	9.26
2020/21	2620.89	28881.99	9.07	4724.89	54364.43	8.69
2021/22	2450.14	32545.61	7.52	4626.87	62447.07	7.41
Mean			7.46			7.01
S.d.			0.455			1.62
C.V.			0.208			0.2309

Source: Source: Appendix XII

Above table and figure shows the increased total interest earned to total asset ratio of NABIL and NIBL. Both the Banks have Increasing total interest earned to total asset ratio during studied period. Which indicate both banks doing well in interest earning? The highest ratio of NABIL is 9.64 percent and lowest ratio is 5.62 percent similarly highest ratio of NIBL is 9.26 percent and lowest ratio is 5.17 percent. The average mean ratio of NABIL and NIBL are 7.46 and 7.01 percent respectively. The mean ratio of NABIL is little more than that of NIBL. The higher total assets and interest earned in NABIL, it seems more conscious about managing its assets in order to earn more interest ratio. But NIBL also following to NABIL which is good form of performance. Moreover, NABIL has higher uniformity in the ratios during the study period due to having lower C.V. than NIBL. Anyway it can be concluded than both NABIL and NIBL has successfully mobilized their fund in interest generating asset due to increasing form of ratio of both banks.

E) Total Interest Earned To Total outside Assets Ratio

The main assets of commercial banks are its outside assets, which includes loan and advances, investment on government securities, investment on shares and debentures and other all types of investment. Thus, this ratio reflects the extent to which the banks are successful to earn interest as major income on all the outside assets. A higher ratio Indicates higher earning on such total assets and vice-versa. The following table exhibits the ratio of total interest earned to total outside assets of NABIL and NIBL during the study period.

Table No. 4.13

Total Interest Earned To Total Outside Assets Ratio (NPR in Millions)

Fiscal Year	NABIL			NIBL		
	Interest Earned	Total Outside Assets	Ratio	Interest Earned	Total Outside Assets	Ratio I
2015/16	819	12391.8	6.61	1775.583	29616.71	6
2016/17	1034.16	15666.7	6.6	1963.65	33519.79	5.86
2017/18	1347.76	17430.9	7.73	2342.2	33503.85	6.99
2018/19	1870.85	19934.14	9.38	3148.6	36425.54	8.64
2019/20	2386.78	21754.79	10.97	4326.14	40336.92	10.73
2020/21	2620.89	24060.62	10.89	4724.89	44997.01	10.05
2021/22	2450.14	27313.79	8.97	4626.87	54049.44	8.56
Mean			8.74			8.12
S.d.			1.84			1.91
C.V.			0.2099			0.2352

Source: Source: Appendix XIII.

Above table and figure shows the total interest earned to total outside assets ratio. The total interest earned to total outside assets ratio of both bank NABIL and NIBL are in increasing during the study period. NABIL has highest ratio in the year 2019/20 with 10.97% and lowest in the years 2016/17 with 6.60%. Similarly, NIBL has the highest ratio in the year 2019/20 with 10.73% and the lowest in the year 2016/17 with 5.86%. The mean ratio of NABIL and NIBL are 8.74% and 8.12% respectively. Here NABIL seems to have more efficiency in generating total interest through well utilizations of outside assets. So lending and investment of NABIL is better than NIBL. The C.V. and S.D. of NIBL is higher than NABIL which indicates inconsistency in interest earned to total outside asset ratio of NIBL.

F) Total interest earned to Total operating income Ratio

Total interest earned to total operating income ratio reveals that portion of interest income on total operating income of the firms. The major sources of income for the bank are interest income so the banks should mobilize their funds in more interest generating sectors. This ratio measures how successfully the selected banks have been mobilizing their fund uninterested generating assets during last from FY 2010/11 to 2016/17 are presented to analyze in the following table. The major sources of income for the bank are interest income. So the banks should mobilize their funds in more interest generating sectors considering the risk and return.

Table No. 4.14

Interest Earned to Operating Income Ratio

(NPR in Millions)

Fiscal Year	NABIL			NIBL		
	Interest Earned	Operating Income	Ratio	Interest Earned	Operating Income	Ratio in Percent
2015/16	819	469	1.75	1775.583	1393.36	1.27
2016/17	1034.16	862.96	1.2	1963.65	1597.5	1.23
2017/18	1347.76	1114.82	1.21	2342.2	1988.05	1.18
2018/19	1870.85	1342.7	1.39	3148.6	2157.96	1.46
2019/20	2386.78	1538.32	1.55	4326.14	2586.74	1.67
2020/21	2620.89	1535.31	1.71	4724.89	2911.21	1.62
2021/22	2450.14	1630.45	1.5	4626.87	3523.96	1.31
Mean			1.47			1.39
S.d.			0.22			0.19
C.V.			0.1496			0.1398

Source: Appendix XIV

Above table and figure shows interest earned to operating income ratio of NABIL and NIBL. Both banks have increasing its ratio of from fiscal year 2017/18 during the study

period. The highest ratio of NABIL is 1.75 and lowest ratio is 1.20. Similarly highest ratio of NIBL is 1.67 and lowest ratio is 1.18 times. The average mean ratio of NABIL and NIBL are 1.47 times and 1.39 times respectively. The average ratio of NABIL has higher ratio, it indicates the high contribution in operating income made by lending and investing activities (core banking activity). NIBL has little lower ratio, it indicates that high contribution in operating income is not made by lending and investing activities (core banking activity). High contribution in operating income made by lending and investing activities (core banking activity) may not good in long run but in short run it is not so bad. Thus, from short term view, NABIL is in good condition. In overall, both Banks have managed sound interest earned to operating income ratio. The S.D. and C.V of NABIL is higher than NIBL. So the ratio of NABIL is more inconsistency than NIBL.

G) Total Interest Paid to Total Assets Ratio

Total interest paid to total assets ratio help to show and measure the percentage of interest paid by the firm in comparison with total assets. If interest paid to total assets ratio is higher, there will be higher interest expenditure on total assets. The following table shows that total interest paid to total assets of NABIL and NIBL.

Table No. 4.2

Interest Paid to Total Assets Ratio

(NPR in Millions)

Fiscal Year	NABIL			NIBL		
	Interest Paid	Total Assets	Ratio	Interest Paid	Total Assets	Ratio in Percent
2015/16	339.18	14581.39	2.33	767.41	34314.87	2.24
2016/17	417.54	17721.93	2.35	823.75	36857.62	2.23
2017/18	563.11	20496	2.75	934.78	40046.69	2.33
2018/19	902.93	23396.19	3.86	1553.53	42717.12	3.64
2019/20	1218.79	24757.75	4.92	2414.81	46736.2	5.17
2020/21	1484.54	28881.99	5.14	2816.44	54364.43	5.18
2021/22	1219.4	32545.61	3.75	2119.06	62447.07	3.39
Mean			3.59			3.45
S.d.			1.16			1.3
C.V.			0.3237			0.3779

Source: Appendix XV.

The table and figure no 4.15 shows the interest paid to total asset ratio of NABIL and NIBL. Both banks have increasing condition of interest paid to total assets ratio. It means both banks have increasing its interest cost. The highest ratio of NABIL is 4.92% and lowest ratio is 2.33%. Similarly highest ratio of NIBL is 5.17% and lowest ratio is 2.23%. The mean ratio of NABIL and NIBL has 3.59 and 3.45 Percent. The mean ratio of NABIL is little more than that of NIBL. In comparison, NABIL seems ineffective in getting cheaper fund from the mean point of view. However, NIBL has been conscious in each year for getting cheaper fund as it has decreased ratio in each year. But last year NIBL exceeded. The C.V. of NIBL is greater than NABIL which indicates inconsistency in interest paid to total asset ratio.

4.1.1.4 Risk Ratio

Risk and uncertainty is a part of business. All the business activities are influenced by risk, so business organizations cannot achieve a good return as per their desires. The profitability of risk makes banks investment a challenging task. Bank has to take risk to get return on its investment. The risk taken is compensated by the increase in profit. So the banks have to accept the risk thoughtfully and manage it efficiently. A bank has to have idea of the level of risk that one has to bear while investing its funds. Through following ratios, effort has been made to measure the level of risk inherent in the NABIL and NIBL.

A) Credit Risk Ratio

Credit Risk Ratio measures the possibility that loan will not be repaid or that investment will deteriorate in quality or go into default with consequent loss to the bank. By definition, credit risk ratio is expressed as the percentage of non-performing loan to total Loan and Advances.

Bank utilizes its collected funds by providing credit to different sections. There is risk of default or non-repayment of loan. While making investment, bank examines the credit risk involved in the project. The credit risk ratio shows the proportion of non-performing

assets in total Loan and Advances. Higher ratio indicates more risky asset in the volume of Loan and Advances of the bank and vice-versa.

Table No. 4.16

Credit Risk Ratio

(NPR in Millions)

Fiscal Year	NABIL			NIBL		
	Non-Performing loan	Total Loan	Ratio	Non-Performing loan	Total Loan	Ratio in Percent
2015/16	243.3	9399.33	2.59	641.62	17793.72	3.61
2016/17	236.9	12462.64	1.9	477.23	20179.61	2.36
2017/18	190.32	14647.3	1.299	551.31	24793.15	2.22
2018/19	257.22	16664.93	1.54	1024.83	27980.63	3.66
2019/20	326.33	17468.19	1.87	1391.58	31566.98	4.41
2020/21	443.39	18813.94	2.56	751.16	34965.43	2.14
2021/22	346.01	22555.92	1.53	1291.75	41057.4	3.14
Mean			1.9			3.07
S.d.			0.51			0.87
C.V.			0.2667			0.2831

Source: Appendix XVI.

Above table shows that NPL to total loan and advances of NABIL and NIBL. The both bank have decreasing at first and increasing at last. Decreasing trend is the good sign of efficient credit management. From mean point of view, non-performing loan to total loan and advances ratio of NABIL and NIBL are 1.90% and 3.07% respectively during the study period. The NIBL has more NPA than NABIL in comparison; NABIL is more efficient at operating credit management than NIBL. In another words, NIBL is less efficient at operating credit management than NABIL. The NABIL bank has efficiency used the total loan and advances than that of NIBL in Credit risk aspects. These ratios indicate the more efficient operating of credit management of both banks according to NRB directives. Because both bank has less than 5 Percent. However, Here NABIL is more successful in loan recovery because it has lower non performing loan in total loan and advances. Ratio of NABIL is also more consistency than NIBL due to having lower C.V. anyway both bank needs to reduce its non performing loan.

(B) Liquidity Risk Ratio:

The liquidity risk of the bank defines its liquidity need for deposit. The cash and Bank balance are the most liquid assets, they are considered as banks liquidity sources and deposit as the liquidity needs. The ratio of cash and bank balance to total deposit is an indicator of bank's liquidity in need. This ratio is low if funds are kept idle as cash balance but this reduces profitability, when the banks makes loan, its profitability increase and also the risk. Thus, higher liquidity ratio indicates less profitable return and vice-versa. This ratio is calculated as below:

Table No. 4.17

*Liquidity Risk Ratio**(NPR in Millions)*

Fiscal Year	NABIL			NIBL		
	Cash and Bank Balance	Total Deposit	Ratio	Cash and Bank Balance	Total Deposit	Ratio in Times
2015/16	1315.9	12388.93	10.62	1757.34	30048.42	5.85
2016/17	1440.47	15833.74	9.097	1448.14	31842.79	4.55
2017/18	2182.11	18083.98	12.07	3048.53	34681.35	8.79
2018/19	1798.37	20315.83	8.852	3866.49	37611.2	10.28
2019/20	1678.93	21018.42	7.99	2946.65	40920.63	7.2
2020/21	2631.84	24991.49	10.53	6362.29	47730.99	13.32
2021/22	3477.12	27700.99	12.55	3648.19	53072.32	6.87
Mean			7.00			8.12
S.d.			1.69			2.95
C.V.			0.2419			0.3641

Source: Appendix XVII.

Above table and figure shows cash liquidity risk ratio of the NABIL and NIBL are in fluctuating trend. The highest ratio of NABIL is 12.55% in F/Y 2021/22 and lowest ratio is 7.99% in F/Y 2019/20. Similarly highest ratio of NIBL is 13.32% in F/Y 2020/21 and

lowest ratio is 4.55% in F/Y 2016/17 respectively. The average mean ratio of NIBL is little greater than that of NABIL (i.e.8.12>7.00%). It signifies that NIBL has sound Liquid fund to make immediate payment to the depositors. Lower C.V. and S.d indicate more consistency in ratio of NABIL rather than NIBL.

C) Asset Risk Ratio:

Bank Utilizes its collected funds in providing credit to different sectors. There is risk of default or non-repayment of loan. While making investment, bank examines the credit risk involved in the project. Generally asset risk ratio shows proportion of non-performing assets in the total investment plus loan and advances of a bank it is computed as:

Table No. 4.18

Asset Risk Ratio

(NPR in Millions)

Fiscal Year	NABIL			NIBL		
	NPL	Outside Asset	Ratio	NPL	Outside Asset	Ratio in Percent
2015/16	243.3	12391.8	1.96	641.62	29616.71	2.17
2016/17	236.9	15666.7	1.51	477.23	33519.79	1.42
2017/18	190.32	17430.9	1.09	551.31	33503.85	1.65
2018/19	257.22	19934.14	1.29	1024.83	36425.54	2.81
2019/20	326.33	21754.79	1.5	1391.58	40336.92	3.45
2020/21	443.39	24060.62	1.81	751.16	44997.01	1.67
2021/22	346.01	27313.79	1.27	1291.75	54049.44	2.38
Mean			1.49			2.22
S.d.			0.31			0.72
C.V.			0.2072			0.3267

Source: Source: Source: Appendix XVIII.

Above table shows that non-performing asset to total outside asset ratio of NABIL and NIBL are in decreasing trend and increasing at last. Decreasing trend is the good sign of

efficient asset management. The highest ratio of NABIL is 1.96% and lowest 1.09%. Similarly highest ratio of NIBL is 3.45% and lowest is 1.42%. The average mean non-performing asset to total outside asset ratio of NABIL and NIBL are 1.49% and 2.22% respectively during the study period. These ratios indicate the average operating of asset management than NIBL. In another words, NIBL is less efficient at asset management than NABIL. The ratio of NABIL is consistency than NIBL due to having lower C.V. anyway both bank need to decrease it nonperforming asset.

4.1.1.5 Other Ratios

A) Earning Per Share

EPS measure the efficiency of a firm in relative terms. It is a widely used ratio, which measures the profit available to the ordinary shareholders on per share basis. Earning per share Calculation made over years indicates whether the bank's earning power on per share basis has changed over that period or not but it doesn't reflect how much is paid as dividend and how much is retained in the business. Following table shows the EPS of related banks during the study period.

Table No. 4.19

Earnings per Share

(NPR in Millions)

Fiscal Year	NABIL			NIBL		
	Net Profit	Total Equity	Ratio	Net Profit	Total Equity	Ratio
2015/16	262.39	60314.13	43.5	491.824	81081	60.66
2016/17	361.49	60314.13	59.94	635.87	101351.2	62.74
2017/18	461.73	84439.79	54.68	752.83	121621.5	61.9
2018/19	509.63	118215.7	43.08	508.8	200000	31.8
2019/20	605.15	135948.1	44.51	893.12	240000	44.66
2020/21	607.66	154597.2	39.31	958.64	273756.8	35.07
2021/22	617.09	175514.2	35.16	1024.14	315405.5	32.47
Mean			45.74			47.04
S.d.			8.65			14.41
C.V.			0.189			0.3064

Source: Appendix XIX.

Above table and figure 4.19 shows that earning price per share of NABIL and NIBL. Both NABIL and NIBL has fluctuating trend of its EPS. The highest EPS of NABIL is 59.94 and Lowest is 35.16 percent. Similarly Highest EPS of NIBL is 62.74 and Lowest is 31.8 percent. The averages EPS of NABIL and NIBL are 45.74 and 47.04. The average mean ratio of NIBL seems higher than NABIL which indicates successful to generating higher EPS. It is unsatisfying to state that both banks have been decreasing wealth from the view point of EPS. These decreasing trends which forecast bad performance in future. The S.D and C.V. of NABIL is lower than NIBL which indicate consistency in its EPS.

B) Dividend per Share

Shareholders want to receive dividend from their investment. They may have interest to know about the firm's activities, earning, and dividend so; each firm must announce the total dividend and dividend per Share which shows the position of the firm.

A firm wants to distribute dividend to its shareholder if a firm suppose the insufficient investment opportunities and sector. Sometimes, it does not distribute dividend and sometime issues bonus shares. On the other hand, shareholders want to receive dividend from their investment. They may have interest to know about the firm's activities, earning, divisible profit or proposed dividend or declared dividend. So, each firm must announce the total dividend and dividend per share which show the position of the firm.

Table No. 4.20

Dividend Per share

(In Percent)

Fiscal Year	NABIL			NIBL		
	Cash	Stock	Total Dividend	Cash	Stock	Total Dividend
2015/16	20	0	20	15	25	40
2016/17	2.11	40	42.11	25	20	45
2017/18	7.37	40	47.37	13.56	30	43.56
2018/19	15	20	30	11.84	25	36.84
2019/20	18	16	34.75	16.48	20	36.48
2020/21	21.32	14	35.52	13.48	15	28.42
2021/22	15	0	15	15	0	15
Mean			32.1			35.04
S.d.			11.51			10.39
C.V.			0.3587			0.2963

Source: Source: Source: Appendix XX.

The above statistics shows that dividend per share of NABIL and NIBL seem to be fluctuating. The highest dividend 47.37% provided in 2017/18 and lowest 15% provided in F/Y 2021/22 by NABIL. Similarly the highest dividend 45% provided in 2016/17 and lowest 15% provided in F/Y 2021/22. Average dividend per share of NIBL is higher than that of NABIL (i.e.35.04>32.10) percent. The S.D. and C.V. of NABIL are high so it indicates high volatile and inconsistency in dividends during the study period. It can be concluded shareholder of NIBL getting higher dividend than that shareholder of NABIL.

C) Market Price per Share

Market price per share is the price which shares are traded in the stock market. He secondary markets provide liquidity for securities purchased in primary market. Generally MPS is determined through supply and demand factors.

Table No. 4.21

Market price per share

(in Rs)

Fiscal Year	NABIL	NIBL
	MPS	MPS
2015/16	1375	1740
2016/17	2350	1980
2017/18	1825	1760
2018/19	840	816
2019/20	570	575
2020/21	628	653
2021/22	553	700
Mean	1163	1174.86
S.d.	707.88	618.66
C.V.	0.6087	0.5266

Source: Source: Source: Appendix XXI

Above table and figure shows market price of the share of NABIL and NIBL. Both bank NABIL and NIBL has decreasing its share price from second fiscal year 2011/12 during the study period. It indicates that recession in share market start from F/Y 2010.11. This

tends low performance of company and low expectation from company. The highest MPS of NABIL is 2350 and lowest is 553 similarly highest MPS of NIBL is 1980 and lowest is 575. Average mean price of NIBL is little higher than that of NABIL i.e. 1174.86>1163 rupee. It indicates that shareholder of NIBL are getting higher price. The S.D. and C.V. Of NABIL high than NIBL which indicate fluctuating in its share price.

D) Price Earning Ratio

Price earning ratio is calculated by dividing the market value per share by EPS. Price earning ratio indicates investor's judgments or expectation about the firm's performance. This ratio widely used by the security analysis to value the firm's performance as accepted by investors. Price earning ratio reflects investor expectations about the growth in the firm's earning. Higher ratio indicates the more value of the stock that is being ascribed to future earning as opposed to present earning.

Table No. 4.22

Price Earning Ratio

Fiscal Year	NABIL			NIBL		
	MPS (in RS)	EPS (in Rs)	NABIL	MPS (in RS)	EPS (in Rs)	NABIL
2015/16	1375	43.5	31.609	1740	60.66	28.68
2016/17	2350	59.94	39.206	1980	62.74	31.56
2017/18	1825	54.68	33.376	1760	61.9	28.43
2018/19	840	43.08	19.499	816	31.8	25.66
2019/20	570	44.51	12.806	575	44.66	12.88
2020/21	628	37.88	16.58	653	39.94	16.35
2021/22	553	36.64	15.09	700	37.12	18.86
Mean			24.02			23.2
S.d.			10.46			7.14
C.V.			0.4357			0.3076

Source: Source: Source: Appendix XXII

Above Table and figure shows that price earning ratio earning of NABIL and NIBL. The PE ratio NABIL and NIBL are decreasing form F/Y 2016/17. From the mean point of view, mean ratio of the NABIL and NIBL are 24.02 and 23.20 times respectively. It indicates that for getting Rs 1 as earning, one should invest Rs 24.02 in NABIL and Rs 23.20 in NIBL. Looking the mean ratio we conclude that in short run, investor of NABIL are getting better profitability because they are selling their shares in high price. But from the long term view and sustainable fair price, investor of NIBL will get better profitability and they will be in safe side a little bit in comparison with NABIL.

The S.D and C.V of NABIL is high than the NIBL it indicate its contradiction to invest in NABIL rather than the NIBL.

4.2 Statistical Analysis

Statistical tool is one of the important tools to analyze the data. There are various tools for the analysis of tabulated data such as, mean, standard deviation, regression analysis, co-relation analysis, trend analysis, various types of tests etc. There is convenient statistical tools are used in this Dissertation study.

4.2.1 Coefficient of Correlation Analysis

Co-efficient of co-relation shows the relationship between two or more than two variables. It measures that the two variables are positively or negatively co-related. For this purpose, Karl Pearson's co-efficient of correlation has been taken and applied to find out and analyze the relationship between deposit and loan and advances, deposit and total investment, total assets and net profit, total investment and net profit and also analyze the correlation of total deposit, total investment, loan and advances and net profit NABIL and NIBL using Karl Persons coefficient of correlation, value of coefficient of determination (R^2) probable error (P.Er) are also calculated and value of them are analyzed.

A) Correlation Coefficient between Deposit and Loan and Advances

Deposit have played very important role in performance of a commercial banks and similarly loan and advances are very important to mobilize the collected deposits. Coefficient of correlation between deposit and loan and advances measures the degree of relationship between these two variables. In this analysis, Deposit is independent variable (X) and loan and advances are dependent variable (Y). The main objectives of computing 'r' between these two variables is to justify whether deposit are significantly used as loan and advances in proper way or not.

Table No. 4.3

Correlation between Deposit and Loan and Advances

Name of Banks	Evaluation Criteria				
	r	r ²	P.ER.	6 P.ER.	Remarks
NABIL	0.999	0.998	0.0006	0.0036	Significant
NIBL	0.996	0.992	0.0024	0.0145	Significant

Source: Through SPSS Data Editor

In above table 4.23, it is found that coefficient of correlation between deposits and loan and advances of NABIL and NIBL are 0.999 and 0.996. It is sows that both have the positive relationship between these two variables. It refers that deposit and loan and advances of NABIL move together very closely. Moreover, the coefficient of determination of NABIL is 0.998. It means 99.80 percent of variation in loan and advances has been explained by deposit. Similarly, value of coefficient of determination of NIBL is 0.992. It refers that 99.2 percent variance in loan and advances are affected by total deposit. The correlation coefficient of both banks is significant because the correlation coefficient is greater than the relative value of 6 P.ER. In Other words, there is significant relationship between deposits and loan and advances of NABIL and NIBL.

B) Coefficient of Correlation between Total Deposits and Total Investment

The coefficient of correlation between deposit and investment measures the degree of relationship between these two variables or deposit is significantly utilized or not. In correlation analysis, deposit is independent variable (X) and total investment is dependent

variable (Y). The following Table No. 4.24 Shows the coefficient correlation between deposits and total investments i.e. r, P.Er. 6 P.Er. And coefficient of determination (R²) of NABIL and NIBL during the study period.

Table No. 4.4

Correlation between Deposit and Total Investment

Name of Banks	Evaluation Criteria				
	R	r ²	P.Er.	6 P.Er.	Remarks
NABIL	0.59	0.3481	0.1966	1.1799	Insignificant
NIBL	-0.784	0.615	0.1162	0.6974	Insignificant

Source: Through SPSS Data Editor

The Table 4.24 shows the coefficient of correlation between total deposit and total investment of NABIL and NIBL. The correlation of NABIL is 0.59. It shows the normal degree of positive correlation. In addition, coefficient of determination of NABIL is 0.3481, It means only 34.81 percent of total investment is explained by total deposit. The Correlation coefficient is insignificant because the correlation coefficient is less than 6 P.Er. It refers that there is insignificant relationship between total deposit and total investment of NABIL.

The correlation coefficient between total deposit and total investment of NIBL is negative by 0.784. These two variable moves opposite direction. The value of coefficient of determination is 0.615 this refers that 61.5 percent of the variation in total investment is explained by total deposit least are determined by other factor. The correlation coefficient is insignificant because the correlation coefficient is lower or negative than 6 P.Er. It refers that there is insignificant relationship between total deposit and Total investment of NIBL.

From the above analysis, the conclusion can be drawn in the case of NABIL and NIBL that NABIL has moderate degree positive correlation where as NIBL has negative correlation. This indicates that NABIL is successful to mobilize its deposit in proper way in comparison to NIBL.

C) Co-efficient of Correlation between Loan and Advance and Net Profit

Co-efficient of correlation between total assets and net profit is used to measure the degree of relationship between two variable i.e. Loan and advance and net profit of NABIL and NIBL during the study period. Where Loan and advance is independent variable (X) and net profit is dependent variable (Y). The main objective of calculating this ratio is to determine the degree of relationship whether there the net profit is significantly correlated or not and the variation of net profit to loan and advance through the coefficient of determination. The following table shows the 'r', R², P.Er. and 6 P.Er. Between those variables of NABIL and NIBL for the study period.

Table No. 4.5

Correlation between Loan and Advances and Net Profit

Name of Banks	Evaluation Criteria				
	r	r ²	P.Er.	6 P.Er.	Remarks
NABIL	0.984	0.9682	0.00958	0.0575	Significant
NIBL	0.623	0.388	0.1846	1.1074	Insignificant

Source: Through SPSS Data Editor

Above Table shows correlation coefficient between loan and advance and net profit is 0.984 of NABIL. It refers that there is positive correlation between these two variables. Here, 96.82 percent of net profit is contributed by Loan and advance as its coefficient of determination is 0.9682 shows. Moreover, this relationship is significant because the coefficient of correlation is more than 6 P.Er.

Likewise NIBL also has positive correlation between loan & Advances and net profit by 0.623. The coefficient of determination R² is 0.388 which indicates that 38.8 percent variability in net profit is explained by Loan and advance. The correlation coefficient is lower than 6 P.Er. So relationship between Loan and Advance and net profit is insignificant for NIBL. It refers that there is significant relationship between total deposit and total investment of NIBL. In calculation, NABIL has more significant relationship between loan and advance and net profit than that of NIBL.

D. Coefficient of correlation between Total Deposit and Net Profit

Coefficient of correlation between total deposit and net profit measures the degree of relationship between these two variables. In this analysis, deposit is independent variables (X) and net profit is dependent variable (Y). The main objectives of computing Source: Annual Report of Commercial Banks Source: Annual Report of Commercial Banks between these two variables are to justify whether deposits are significantly used to get proper net profit or not. The table shows the value of r , r^2 , probable Error (P.Err) and 6 P.Er. Between total deposit and net profit of NABIL and NIBL.

Table No. 4.6

Coefficient of Correlation between Total Deposit and Net Profit

Name of Banks	Evaluation Criterions				
	r	r^2	P.Err.	6 P.Err.	Remarks
NABIL	0.979	0.9584	0.0125	0.0752	Significant
NIBL	0.630	0.397	0.1819	1.0916	Insignificant

Source: Through SPSS Data Editor

Above Table shows that coefficient of correlation between total deposit and net profit of NABIL an NIBL. The correlations coefficient between total deposit and net profit of NABIL is 0.979 which implies there is positive correlation between total deposit and net profit. In addition, coefficient of determination of NABIL is 0.9548. It means 9584 percent of Profit is contributed by total deposit. The correlation is significant at all due to coefficient of correlation between total deposit and net profit i.e. 0.630. The coefficient of determination of NIBL is 0.397 It means 39.7 percent of Profit is contribute by total deposit. This relationship is insignificant as its correlation coefficient is lower than 6 P.Er. The NABIL has significant relationship but NIBL has insignificant relationship between total deposit and net profit. Thus it can be concluded that the degree of relationship between total deposit and net profit of NABIL is higher than the NIBL.

E) Coefficient of Correlation of Total Deposit between NABIL and NIBL

Coefficient of Correlation of Total deposit between NABIL and NIBL and shows their linear relationship. Here analyzed the how total deposit of different bank interrelated.

Table No. 4.7

Correlation between Total Deposit of NABIL and NIBL

Evaluation Criteria				
r	r ²	P.Er.	6 P. Er.	Remarks
0.951	0.9044	0.0288	0.1730	Significant

Source: Through SPSS Data Editor

The above table shows positive correlation between NABIL and NIBL in case of total deposit. This Table shows how the total deposit of NABIL and NIBL correlated. The 0.976 of correlation coefficient shows that there is highly positive correlation between these two banks in this regard. The relation is also significant because the correlation coefficient is high than 6 P.Er. As the 0.9526 of coefficient of determination, this shows the 95.26 percent of the degree of relationship.

F) Coefficient of Correlation of Total Investment between NABIL and NIBL

The Coefficient of correlation of Total investment between selected commercial banks is shown as follow:

Table No. 4.8

Correlation between Total Investment of NABIL and NIBL

Evaluation Criteria				
R	R ²	P.Er.	6 P.Er.	Remarks
-0.269	0.0723	0.2798	1.6789	Insignificant

Source: Through SPSS Data Editor

The above table reveals the negative correlation between NABIL and NIBL in case of Total investment i.e. 0.269. It implies that the total investment of NABIL and NIBL do not moves in the same direction. Here correlation $r < 6$ P.ER. Therefore, correlation coefficient is not significant. The coefficient of determination is 0.0723, which shows the only 7.23 percent of the degree of relationship.

G) Coefficient of Correlation of Loan and Advances between NABIL and NIBL

The Coefficient of correlation of loan and advances between NABIL and NIBL has been given below.

Table No. 4.9

Correlation between Loan and Advances of NABIL and NIBL

Evaluation Criteria				
R	R ²	P.Er.	6 P.Er.	Remarks
0.992	0.9448	0.01662	0.0999	Significant

Source: Through SPSS Data Editor

Above Table shows that there is positive correlation between loan and advances of NABIL and NIBL. The correlation coefficient between two banks is 0.992. It means loan and advances of these two banks moves in the same direction in high proportion. This correlation coefficient is significant in order to show the relationship between loan and advances of these two banks because correlation coefficient is greater than 6 P.Er. The coefficient of determination is 0.9448 which shows the 94.48 percent of the degree of relationship.

H) Coefficient of Correlation of Net Profit between NABIL and NIBL

The Coefficient of net profit between the selected commercial banks shows the relationship between the banks.

Table No. 4.10

Correlation between Net Profit of NABIL and NIBL

Evaluation Criteria				
R	R ²	P.Er.	6 P.Er.	Remarks
0.688	0.4733	0.1588	0.9532	Significant

Source: Through SPSS Data Editor

Above Statistics shows that there is moderate degree positive correlation between net profits of NABIL and NIBL which is indicated by correlation coefficient of 0.668. That indicates how the net profit of NABIL and NIBL interrelated. This relationship is insignificant because its correlation coefficient is lower than 6 P.Er. The coefficient of determination is 0.4733 which shows the 47.33 percent of the degree of relationship.

4.2.2 Time Series Analysis (Trend Analysis)

Trend analysis plays an important role in the analysis and interpretation of financial statement. Trend in general terms, signifies a tendency. It helps in forecasting and planning future operation. Trend analysis is a statistical tool, which shows the previous trend of the financial performance and forecasts the future financial results of the firms.

A) Trend Analysis of Total Deposit:

Deposits are the important part in banking sector hence its trend for next seven years will be forecasted for future analysis. This is calculated by the least square method. Here the effort has been made to calculate the trend values of Total deposit of NABIL and NIBL for upcoming years

$$Y = a + bx$$

Where,

Y= dependent variable, a= Y-intercept, b= slope of trend line or annual growth rate,

X= deviation from some convenient time periods.

Let trend line be

$$Y = a + b x \dots\dots\dots (I)$$

Table No. 4.11

Trend Analysis of Total Deposit of NABIL and NIBL (NPR in Millions)

Year (X)	NABIL	NIBL
2015/16	13179.97	29518.32
2016/17	15354.07	32269.6
2017/18	17528.18	35020.88
2018/19	19702.29	37772.16
2019/20	21876.39	40523.44
2020/21	24050.5	43274.72
20/21/22	26224.61	46026
2022/23	28398.72	48777.28
2023/24	30572.82	51528.56
2024/25	32746.93	54279.84

Source: Trend value of Concern Bank

Above table and figure shows that trend of total deposit of NABIL and NIBL. Both Banks is in increasing trend. The rate of increment of total deposit for NIBL seems to be higher than that of NABIL. The actual trend value of total deposit for NIBL is more than that of NABIL. The trend analysis has projected deposit amount in fiscal year FY 2015/16 to FY 2024/25. From the above trend analysis it is clear that NIBL has higher position in collecting deposit than NABIL.

B) Trend Analysis of Loan and Advances

Here, the trend values of loan and advances between NABIL and NIBL have been calculated for further five year. The following table shows the actual and trend values of NABIL and NIBL.

Where, Y= dependent variable, a= Y-intercept, b=slope of trend line or annual growth rate, X = deviation from some convenient time periods.

Let trend line be

$$Y = a + b x \dots\dots\dots (I)$$

$$Y_c = 16001.75 + 1964.04 * X \text{ of NABIL}$$

$$Y_c = 13669.20 + 2026.52 * X \text{ of NIBL}$$

Table No. 4.12

Trend Analysis of Total Loan and Advance of NABIL and NIBL (NPR in Millions)

Trend Analysis of Total Loan and Advance of NABIL and NIBL		
Year (X)	NABIL	NIBL
2015/16	10060.48	17393.32
2016/17	12094.48	20928.07
2017/18	14128.48	24462.82
2018/19	16162.48	27997.57
2019/20	18196.48	31532.32
2020/21	20230.48	35067.07
20/21/22	22264.48	38601.82
2022/23	24298.49	42136.57
2023/24	26332.49	45671.32
2024/25	28366.49	49206.07

Source: Trend value of Concern Bank

Above table and figure depicts that trend of Loan and Advances of NABIL and NIBL. Both Banks has in increasing Trend. The increasing Trend of NIBL is higher and aggressive than NABIL. The Value of Loan and advances for NIBL is quite Fluctuating in relation to NABIL.

The trend projected for further years FY 2015/16 to FY 2024/25 from the above analysis, it is clear than both NIBL and NABIL is mobilizing its collected deposits and other funds in the form of loan and advances. But above table and figure shows NIBL has highly mobilizing loan and advances than the NABIL.

C) Trend Analysis of Total Investment

Under this topic has been made to analyze trend analysis total investment of NABIL and NIBL. Where, Y= dependent variable, a= Y-intercept, b= slope of trend line or annual growth rate.

X= deviation from some convenient time periods.

Let trend line be

$$Y = a + b x \dots\dots\dots (I)$$

Where x = X – Middle year

$$Y_c = 3734.24 + 353.26 * X \text{ of NABIL}$$

$$Y_c = 10587.48 - 108.96 * X \text{ of NIBL}$$

Table No. 4.13

(NPR in Millions)

<i>Trend Analysis of Total Investment Between NABIL and NIBL</i>		
Year (X)	NABIL	NIBL
2015/16	2776.486	12418.01
2016/17	3041.833	11317.88
2017/18	3307.18	10217.74
2018/19	3572.527	9117.603
2019/20	3837.874	8017.466
2020/21	4103.221	6917.329
20/21/22	4368.568	5817.192
2022/23	4633.915	4717.055
2023/24	4899.262	3616.918
2024/25	5164.609	2516.781

Source: Trend Value of concern Bank

Above table and figure shows the trend of total investment between NABIL and NIBL. The Nabil has increasing Trend in making investment where as NIBL has decreasing trend. NABIL has little upwarding trend But NIBL has downwarding trend of total investment. It indicates that total investment of NIBL is decreasing form. The trend of total investment projected to further year upto F/Y 2019/20. The Forecasted trend projected that the NABIL has greater increment rate in total investment and decrement rate of NIBL. The figure indicates NABIL has good mobilized the total investment rather than NIBL.

D) Trend Analysis of Net Profit

Here, the trend values of net profit of NABIL and NIBL have been calculated for seven years FY 2015/16 to FY 2024/25 and forecasting next three year till FY 2024/25.

$$Y = a + bx$$

Where,

Y= dependent variable, a= Y-intercept, b=slope of trend line or annual growth rate,

X = deviation from some convenient time periods.

Lets trend line be

$$Y = a + b x \dots\dots\dots (I)$$

Where x= X – Middle year

$$Y_c = 489.31 + 61.71 * X \text{ of NABIL}$$

$$Y_c = 752.17 + 28.09 * X \text{ of NIBL}$$

Table No. 4.14

(NPR in Millions)

<i>Trend Analysis of Net Profit Between NABIL and NIBL</i>		
Year (X)	NABIL	NIBL
2015/16	273.346	521.39
2016/17	356.712	588.94
2017/18	440.078	656.49
2018/19	523.444	724.04
2019/20	606.81	791.59
2020/21	690.176	859.14
20/21/22	773.542	926.69
2022/23	856.908	994.24
2023/24	940.274	1061.79
2024/25	1023.64	1129.34

Source: Trend value of Concern Bank

The above table and figure reveals the trend of Net profit of NABIL and NIBL. Net profit of both banks NABIL and NIBL forecasted in increasing trend. The trend of increasing value of net profit of NIBL is higher than NABIL. The net profit of NABIL and NIBL has been increasing every year by Rs 83.366 million and Rs 88.122 million respectively.

The increment rate of net profit of NIBL is little higher than NABIL. The trend of Net profit projected for further five year. Above statistics, shows that both the banks have inconsistent net profit throughout the study period. In conclusion, NABIL is doing better in order to generate net profit during the projected study period although both NABIL and NIBL have Increasing trend.

4.3 Major Findings

From the above research, the researcher has enlisted the major findings in a summarized manner so that a complete picture of the data presentation and analysis can be presented following findings are drawn on the financial performance of the selected commercial banks.

1. Generally banks have to maintain standard current assets. The current ratio of NABIL and NIBL has a fluctuating trend. The average current ratio of NABIL and NIBL are 1.06 and 1.01. The liquidity position of NIBL is equal or little greater than NABIL. Both Banks have no sufficient of liquidity to short-term obligation. Both banks have moderate liquidity position because the ratio is lower than 1:1.5 ratios.
2. The average cash and bank balance to total deposit ratio of NABIL and NIBL are 10.24 and 8.12 percent. NABIL has higher ratio than the NIBL, which shows its greater ability to pay depositors money. Liquidity position however is good.
3. The cash and bank balance to current assets ratio of NABIL and NIBL are fluctuating. The mean ratio of NABIL is higher than NIBL. The higher mean ratio shows that NABIL's liquidity position is better than that of NIBL.
4. The investment on government securities to current assets ratio of NABIL and NIBL have fluctuating. The mean ratio of NABIL is lower than NIBL. It means NIBL has invested more money in risk free assets than NABIL. For minimization of investment risk, NABIL should divert its investment in govt. securities.
5. The Loan and advances to total deposit ratio of NABIL and NIBL have continuously increasing. NABIL has higher ratio than that of NIBL. It indicates the better mobilization of deposit by NABIL as loan and advance. It reveals that

the deposit of NABIL has utilized as to loan and advances to earn income. The NIBL has lower lending from its deposit.

6. NABIL and NIBL both the banks have fluctuating in total investment to total deposit ratio. The mean ratio of the NABIL and NIBL are 18.99% and 27.96% respectively, which shows that NIBL has a higher ratio. It signifies that NIBL has successfully allocated its deposit in investment portfolio but highly decreasing.
7. The loan and advances to total assets ratio NABIL has constant and NIBL has increasing. NABIL has higher ratio than NIBL. It reveals that in total assets of NABIL has high proportion as loan and advances. NABIL has utilized its total assets more efficiently in the form of loan and advances. But increasing from of NIBL indicates good performance. The Lower C.V. of NABIL states that it has more uniformity in ratios than NIBL.
8. The investment on government treasury bills to total assets NABIL and NIBL have fluctuating. The mean ratio of NABIL and NIBL are 13.79% and 15.40% respectively. The ratio of NIBL has little higher than NABIL. It means NIBL has invested more assets in risk free assets than NABIL. In another words NABIL has emphasized more on lending and other short-term investment that investment in govt. securities.
9. The return on loan and advances ratio of NABIL has an increasing where NIBL fluctuating form. This both banks show the normal earning capacity in loan and advances and same earning capacity in form of loan and advances. The average ratio of NABIL is higher than NIBL. Which indicate that return from loan and advance of NABIL is higher than NIBL. NABIL has utilized the loan and advance for the profit generation in earning capacity.
10. The return on total assets of NABIL and NIBL both banks have increasing trend of return on its total assets however, NABIL seems successful in managing and utilizing the available assets in order to generate revenue since its ROA is 3.04% of total assets in an average which is higher than that of NIBL of 2.69 percent.
11. Return on equity ratio of NABIL constant and NIBL have fluctuating. The average mean ratio of NABIL has higher mean ration than that of NIBL. So

NABIL is generating higher ROE in comparison with NIBL. The shareholders of NABIL are getting higher return than NIBL.

12. NABIL and NIBL banks have increasing total interest earned to total asset ratio, which indicate both banks doing well in interest earning. The mean ratio of NABIL is more than that of NIBL. NIBL seems effective in interest earning ratio despite having lower asset and interest earning. NABIL also has higher uniformity in the ratios during the study period.
13. The interest earned to total outside assets ratio of both bank NABIL and NIBL are in increasing form. The mean ratio of NABIL and NIBL are 8.74% and 8.12% respectively. Here NABIL seems to have more efficiency in generating total interest through well utilizations of outside assets and also has relatively consistency returns as well.
14. Interest earned to operating income ratio of NABIL and NIBL banks have increasing its ratio of from fiscal year 2008/09. The NABIL has greater Share of total interest earn in its total operating income. NABIL has higher ratio which indicates the high contribution in operating income made by lending and investing activities (core banking activity). The ratio of NABIL is more inconsistency than NIBL. NABIL has more fluctuating.
15. The interest paid to total asset ratio of NABIL and NIBL both banks have increasing condition. The mean ratio of NABIL and NIBL has 3.59 and 3.45 percent. The mean ratio of NABIL is little more than that of NIBL. NABIL seems ineffective in getting cheaper fund from the mean point of view. However, both banks have been conscious in each year for getting cheaper fund as it has decreased ratio in each year whereas NIBL has been less conscious in each year.
16. The credit risk ratio of NABIL and NIBL are fluctuating form. Decreasing of credit risk ratio is the good sign of efficient credit management. The mean ratio of NABIL and NIBL are 1.90% and 3.07%. This indicates NIBL has higher credit risk ratio. Anyway these ratio indicate the more efficient operating of credit management of both banks according to NRB directives. However, NABIL is more efficient at operating credit management than NIBL.

17. The liquidity risk ratio of the NABIL and NIBL are in fluctuating form. The average mean ratio of NIBL is little greater than that of NABIL. It signifies that NIBL has sound liquid fund to make immediate payment to the depositors. So comparatively NABIL is higher liquidity risk ratio than NIBL.
18. The asset risk ratio of both banks NABIL and NIBL has fluctuating form where as NIBL has highly increasing at last. Decreasing trend is the good sign of efficient asset management. The average credit risk ratio of NIBL is higher than NABIL. These ratios indicate the more assets riskier of NIBL. IN comparison, NABIL is more efficient in asset management than NIBL.
19. The earning price per share NABIL and NIBL have fluctuating form. NIBL is better mobilizing it resources to get more earning per share (EPS). The average EPS of NABIL and NIBL are 45.72 and 47.04. The EPS of NIBL seems higher than NABIL which indicates successful to generating higher EPS in each year and in average too. But NIBL has highly fluctuating.
20. The dividend per share of Nabil and NIBL are fluctuating. The average dividend per share of NIBL is higher than NABIL. It can be concluded shareholder of NIBL having higher dividend than that shareholder of NABIL. However the dividend of both company has decreased in F/Y 2013/2014 due to failure of counter guarantee of Malamchi Drinking water project.
21. Market price of the share of both bank NABIL and NIBL has decreasing its share price from second fiscal year. This tends low performance and expectation from company. The highest MPS of NABIL is 2350 and lowest is 553 similarly highest MPS of NIBL is 1980 and lowest is 575. Average mean price of NIBL is greater than that of NABIL i.e. 1174.86 > 1163 Rupee. It indicates that shareholder of NIBL are getting higher price.
22. The price earning ratio of NABIL and NIBL are decreasing from F/Y 2008/09. The mean ratio of The NABIL and NIBL are 24.02 and 23.20 times. It indicates that for getting Rs 1 as earning, it should invest Rs 24.02 in NABIL and Rs 23.20 in NIBL. In short run, investors of NABIL are getting better profitability because they are selling their shares in high price. But from the long term view and

sustainable fair price. Investor of NABIL will get better profitability and they will be in safe side a little bit in comparison with NIBL.

23. The coefficient of correlation between deposits and loan and advances of NABIL and NIBL are 0.999 and 0.996. It shows that both banks have positive relationship between these two variables. The relationship between deposits and lending of NABIL and NIBL are significant.
24. The correlation between total deposit and total investment of NABIL is 0.59 and NIBL is negative by 0.784. The correlation of NABIL has normal and NIBL has negative. This indicates that NABIL average in invest its deposit in proper way. Whereas NIBL has worse. The relationship between total deposit and total investment of NABIL and NIBL are insignificant.
25. The correlation between loan & advance and net profit of NABIL and NIBL are 0.984 and 0.623. It is positive correlation between these two variables. NABIL has 96.82 percent of net profit is contributed by loan and advance as its coefficient of determination is 0.9682. The coefficient of determination 0.3880 indicates that 38.03 percent variability in net profit is explained by loan and advance of NIBL. The NABIL has significant and NIBL has insignificant relationship between loan and advance and net profit.
26. The correlation between total deposit and net profit of NABIL and NIBL are 0.979 and 0.630. Both banks have positive correlation but NABIL has higher. The NABIL has significant relationship where as NIBL has insignificant relationship. Thus it can be concluded that the degree of relationship between total deposit and net profit of NIBL is poor than the NABIL.
27. The correlation of total deposit between NABIL and NIBL is positive. The 0.951 of correlation coefficient shows that there is highly positive correlation between these two banks in this regard. The relation is also significant because the correlation coefficient is high than 6 P Err. As the 0.9044 of coefficient of determination, this shows the 90.44 percent of the degree of relationship. This all indicate that total deposit of Both banks moves same direction.

28. There is negative correlation between NABIL and NIBL in case of total investment by 0.269. It implies that the total investment of NABIL and NIBL move in opposite direction but. The correlation coefficient is not significant. But correlation between loan and advances of NABIL and NIBL is highly positive. The correlation coefficient between two banks is 0.922. It means loan and advances of these two banks moves in the same direction in high proportion. The relationship between loan and advances of these two banks is significant.
29. There is positive correlation between net profits of NABIL and NIBL which is indicated by correlation coefficient of 0.688. This table shows how the net profit of NABIL and NIBL interrelated. The coefficient of determination is 0.4733 which shows the 47.33 percent of the degree of relationship. This relationship between net profits of NABIL and NIBL is insignificant.
30. The trend of total deposit of NABIL and NIBL banks is in increasing trend. The rate of increment of total deposit for NIBL seems to be higher than that of NABIL. The actual trend value of total deposit for NIBL is more than that of NABIL. The NIBL has higher position in collecting deposit than NABIL. Similarly the trend of loan and advances between NABIL and NIBL also increasing trend. The increasing trend of NIBL is higher and aggressive than NABIL. The value of loan and advances for NIBL is fluctuating than NABIL. It is clear than both NABIL and NIBL is mobilizing its collected deposits and other funds in the form of loan and advances. The trend projected to further five year F/Y 2016/17.
31. The trend of total investment of NABIL is increasing trend where as NIBL has decreasing trend in its investment. NABIL has increasing but NIBL has high decreasing trend. The forecasted trend projected that the NIBL has good increment rate in total investment and NIBL has worse. So NIBL has not proper investment. Similarly the trend of Net profit of NABIL and NIBL are increasing trend. The trend of increasing value of net profit of NIBL is higher than NABIL. The net profit of NABIL and NIBL has been increasing every year by Rs. 83.366 and Rs. 88.122 million respectively. The increment rate of net profit of NIBL is

little higher than NABIL. NIBL is doing better in order to generate net profit during the projected study period although both NABIL and NIBL have increasing trend.

4.4 Discussions

Khanal, (2019) entitled Dissertation Source: Annual Report of Commercial Banks Comparative study on liquidity Management of Everest Bank limited and Nepal Investment Bank Limited Source: Annual Report of Commercial Banks is related to liquidity management. The basic objective of the study is to have true insight into the liquidity management of Everest Bank and Nepal Himalayan Bank. These are as follows. To analyzed the liquidity management of sample banks. To analyzed the deposit and investment position of the banks. To find out the relationship between deposit, investment, loans and advances and net profit. To find out the trend analysis of deposit, investment, loan and advances and net profit. The main conclusion and finding of the study are overall aspect of liquidity position of EBL is comparatively better than NIBL. The mean current ratio of EBL is 1.14 and NIBL is 1.10. EBL is sound in meeting short-term obligation than NIBL. Cash and bank balance to total deposit ratio of EBL has higher which indicates higher liquidity. The higher ratio shows EBL's liquidity position is better than that of NIBL. Investment on government securities to current assets of NIBL is higher than EBL. EBL has invested low of their funds in purchasing of government securities.

Asset management aspect of EBL is better than NIBL which is justified by little higher loan and advance to total deposit ratio. The total investment to total deposit of NIBL is higher than EBL. It shows the NIBL is mobilizing its funds on investment in various securities efficiently. It can be said that NIBL is more successful in utilizing its total deposit by investing in marketable securities.

Profitability ratios, return on loan and advances ratio of NIBL is higher than that of EBL. It refers that NIBL seems to be success to earn high profit on loan and advances. Return on total assets ratio of EBL is higher than NIBL. But it has greater variability in the ratio. EBL seems successful in managing and utilizing the available assets. Total interest earned to total operating income ratio of NIBL is lower than EBL. Total interest paid to

total assets ratio of EBL is higher than NIBL. It shows EBL has high interest expenditure to total assets. It supports EBL to increase to interest paid to operating income.

For risk position of bank, the average credit risk ratio of EBL is lower than NIBL. EBL has efficiently used the total loan and advances than that of NIBL. The mean ratio of EBL is greater than that NIBL. It signifies that EBL has sound liquid fund to make immediate payment to the depositors. Similarly, in asset risk ratio. The mean of EBL is lower than that of NIBL. It indicates NIBL has high ratio of asset risk. Average Earning per share, dividend per share and average market price per share of EBL higher in comparison to NIBL. This considered as better in security analyzing in order to make investment decision. In comparison to both bank trend of deposit and loan and advances of EBL high and trend of investment and profit of NIBL is high. So both banks are equal in their liquidity management.

Bhattra, (2020) Conducted research entitled Source: Annual Report of Commercial Banks Comparative financial analysis of NABIL bank and Standard chartered Bank Ltd. In his research main objective is to study the financial position of NABIL and SCBNL. To present the existing financial position of NABIL and SCBNL. To examine the relative financial performance of NABIL and SCBNL in terms of different kinds of ratios. To find out the relationship and trend of deposit, investment, loans and advances and net profit. To provide suggestions and possible guideline according to finding of the study.

Thus this research is conducted with the major objective of highlighting financial analysis of NABIL and SCBNL. The observation and conclusion is Derived by financial analysis in terms of liquidity, asset management, profitability and lending efficiency and other various ratio of NABIL and SCBNL as well as relevant financial and statistical ratios.

The overall analysis of liquidity position, the current ration of NABIL is in decreasing and SCBNL is fluctuating. The average liquidity position of NABIL is greater than SCBNL. SO, NABIL is sound in meeting short-term obligation than SCBNL. NABIL has the little higher portion of cash and bank balance over current assets. The investment on government treasury bills to current assets ratio of NABIL is fluctuating trend whereas SCBNL are decreasing. The loan and advances to current of NABIL and SCBNL are fluctuating. NABIL has emphasis on more loan and advances. In the aspect of asset

turnover ratio, the loan and advances and deposit ratio of both banks have been fluctuating. In the aspect of profitability ratio of NABIL and SCBNL. The mean ratio of SCBNL is higher than NABIL which signifies that the shareholders of SCBNL are getting higher return but in case of NABIL. The SCBNL has better utilized the equity for the profit generation. The interest earned to total asset ratio of both NABIL and SCBNL banks have fluctuating. Earning per share of NABIL and SCBNL is in decreasing trend. The average mean price of SCBNL is greater than that of NABIL. It indicates that shareholders of SCBNL are getting higher price and high Demand of share in market. The higher PE ratio signify that price of SCBNL is higher than NABIL.

The correlation between deposits and loan and advances of NABIL and SCBNL is 0.993 and 0.924. It shows that both have the positive relationship. It refers that deposit and loan and advances of NABIL move together very closely but not proportionately. Moreover, 98.60 percent of NABIL and 98.38 percent variation of SCBNL in loan and advances have been explained by deposit. The relationship between deposits and loan and advances is significant. The trend of total deposit of NABIL and SCBNL is in increasing trend. The Trend of Total Investment between NABIL and SCBNL are also increasing in making investment. SCBNL has higher trend of increasing total investment than NABIL. The trend of Net profit of NABIL and SCBNL is increasing. The trend of increasing value of net profit of SCBNL higher at beginning but at last NABIL exceeds. But increment of NABIL is aggressive.

Sapkota, (2021) in his Dissertation paper Source: Annual Report of Commercial Banks A study on Sources & Usages of fund and it's mobilizing policy of Standard Chartered Bank Ltd. NABIL Bank, Everest Bank & Himalayan Bank Source: Annual Report of Commercial Banks having main objectives to examine the fund mobilizing policy adopted by three Banks viz. To analyze the growth and risk ratio of loan and advances and total investment with respective to growth rate of total deposit and net profit of sample joint venture commercial bank. To evaluate comparatively operating, financial and investment efficiency of three joint venture commercial banks. To analyze the sources and uses of funds and its mobilization with respect to cash flow of these three Banks.

He found the overall condition of SCBNL seems in satisfactory position in comparison to NABIL, EBL and NIBL. In other words, he recommends that banks are strongly services towards rural areas. These three banks are recommended to increase cash and bank balance to meet the need of investment and demand of loan and advances. And banks are to be investing its funds in the purchase of shares and debentures of other financial, non-financial companies, hotels and government companies.

Mr. Sapkota has not explained about the risk ratios which have to be faced by these Banks. His study cannot show the fund mobilizing policy of the selected banks for the succeeding years because of time limitation i.e. up to 2012.

Lama (2022) in his Dissertation paper, Source: Annual Report of Commercial Banks A study on Fund Mobilization (A Comparative Study of Nepal Investment Bank Ltd, Everest Bank Ltd, Nabil Bank Ltd and Standard Chartered Bank Ltd). To evaluate the growth and risk ratio of loan and advances and total investment with respective to growth rate of total deposit and net profit of NIBL, EBL, SCB and NABIL. To Evaluate comparatively operating, financial and investment efficiency of three Banks. To carry out the relationship between deposits and total investment, deposits and loan and advance and net profits of NIBL, EBL, SCB and NABIL. To analyze the sources and uses of funds and analysis of cash flow of these three Banks.

On the Dissertation, the analyst found that the liquidity position of NABIL is comparatively better than NIBL, SCB and EBL. Similarly, EBL is comparatively successful to invest in productive sector and has mobilized its collected deposits to provide loan and advances.

The NABIL is profitable in comparison to other compared banks. NIBL has maintained the lower liquidity risk and NABIL has maintained lower credit risk. Deposit is the strongest sources of fund whereas borrowings cover fewer portions of sources of fund. NABIL has kept fewer amounts in deposits in comparison to other two banks. Among the uses of funds, loan and advances covers maximum portion and interest accrued covers less portion. Correlation coefficient between deposit and total investment of NIBL, EBL, SCB and NABIL elucidates the positive relationship or there is high degree of positive correlation. Most of the investment decision of these three banks depends upon deposits

and only few decisions are depend upon other variables. The researcher recommends that three banks to follow liberal lending policy when sensations loan and advances with sufficient guaranty and implement a sound collection policy including procedure which rapid identification of bad debtor loans, immediate contact with borrower, continual follow up and as well as legal procedure if require and to collect more amounts as deposits through large variety of deposits schemes and facilities.

CHAPTER – V

SUMMARY AND CONCLUSIONS

This research has been undertaken to evaluate the financial performance of commercial banks. The research is about the study on financial performances analysis of NABIL and NIBL. In this chapter, summary conclusion and recommendation are included. All the summary and conclusion are made according to obtained data from analysis. Recommendation has made which would be beneficial for the management of the bank and other stakeholder.

5.1 Summary

This research has been evaluated the financial performance of commercial banks. Two banks have been selected as sample of the study and five year financial statements of respective banks have been used for the study. The study has been divided into five chapters which include introduction, review of literature, research methodology, data presentation and analysis and summary, conclusion and recommendation. Other related information was collected from the concerned banks, NRB, NEPSE, Securities Board of Nepal and different websites. The data have been analyzed by using financial and statistical tools.

The research is about comparative financial performance analysis of NABIL and NIBL banks. The researcher has identified that research problem and set objectives to solve research problems about financial analysis of selected commercial banks as described in introduction chapter. The main objective of the study is to analyze the financial position, of sample banks. The specific objectives of the study are: to present the existing financial position, strength, financial performance and to analyze the liquidity, asset and profitability ratio and lending efficiency ratio of NABIL and NIBL offer suitable suggestions based on findings of this study. The research is based on secondary source of data. There related literatures have been reviewed for more effective. This section includes conceptual review and review of related studies. In conceptual review includes concept of Banks, financial statement, financial analysis, need and objective of financial

analysis, process, type and significance of financial analysis. In the review of related studies includes review of books, journal and articles and review of previous Dissertation as well.

Research methodology has been described in third chapter, which is a way to solve the research problems with the help of various tools and techniques. This chapter includes the various financial as well as statistical tools to analyze the data. This chapter includes the research design, population and sample data collection procedure, data period covered and methods of analysis. These studies is mainly conducted on the basis of data collected from annual reports of concern bank, official report, economic journal, financial statement etc.

The presentation and analysis of data has been made comparative analytical and their interpretation has done in chapter four by applying the wide varieties of methodology as stated in chapter three. It includes the various financial and statistical tools. In case of financial tools ratio analysis is done which consist current ratio, liquidity ratio, assets management ratio, profitability ratio, activity ratio and other ratios. Other ratios include EPS, MPS, and P.E. ratio. Various statistical tools such as arithmetic mean, standard deviation, coefficient of correlation, regression analysis and trend analysis, have been applied to fulfill the objective of this study. The analysis has been done mainly through secondary. The major findings of the study are also included in the final section of the presentation and analysis chapter.

Banking sector plays an important role in the economic development of the country. It provides an effective payment and credit system, which facilitates the channeling of funds from the surplus and deficit in the economy. Lending and Investment of commercial banks is a very risky factor. For this, financial performance of commercial banks have to pay due consideration while investment, mobilization of fund and use of resources. A healthy development of any commercial bank depends upon its financial performance. A good financial performance of a bank attracts both the borrowers and the lenders, which helps to increase the volume of quality deposits and investment.

Financial performance analysis involves the use of various financial statements. These statements perform several things like the balance sheet, summarizes the assets, liabilities and owner's equity, the income statement summarizes the revenues and expenses of the firm over a particular period of time. Financial Analysis is used primarily to gain insight into operating and financial problems confronting the firms with respect to these problems. We must be careful to distinguish between the cause of problem and symptom of it. It is thus an attempt to direct the financial statements into their components on the basis of purpose in the one hand and establish relationships between these components and between individual components and totals of these items on the other. Along with this, a study of various important factors over the past several years is also undertaken to have clear understanding of changing profitability and financial condition of the business organization.

5.2 Conclusions

This research is conducted with the major objective of highlighting financial analysis of NABIL and NIBL. Here make analyze the financial analysis in terms of liquidity, asset management, profitability and lending efficiency and other various ratio of sample banks as well as relevant financial and statistical ratios. Following conclusion has been drawn from the study.

For the analysis of liquidity position, the current ratio of NABIL and NIBL has fluctuating. The average current ratio of NABIL and NIBL are 1.055 and 1.06. The liquidity position of NIBL is little higher than NABIL. Both banks have low position of liquidity. The average cash and bank balance to total deposit ratio of NABIL has higher ratio than the NIBL, which shows its greater ability to pay depositors money. The cash and bank balance to current assets ratio of NABIL and NIBL are fluctuating. The mean ratio of NABIL is higher than NIBL. The investments on government securities to current assets ratio of NABIL and NIBL have fluctuating. The mean ratio of NABIL is lower than NIBL. It means NIBL has invested more money in risk free assets than NABIL. The loan and advances to total deposit ratio of NABIL and NIBL have continuously increasing. NABIL has higher ratio than that of NIBL. It indicates the better mobilization

of deposit by NABIL as loan and advance. Total investment to total deposit ratio of NIBL has a higher ratio than NABIL. The loan and advances to total assets ratio NABIL has higher ratio than NIBL. It reveals that in total assets of NABIL has high proportion as loan and advances. The investment on government treasury bills to total assets NABIL and NIBL have fluctuating. The ratio of NIBL has little higher than NABIL. The return on loan and advances ratio of NABIL has an increasing where NIBL fluctuating form. The average return on total assets of NABIL is higher than that of NIBL. Return on equity ratio of NABIL constant and NIBL have fluctuating. The average mean ratio of NABIL has higher mean ratio than that of NIBL. The mean total interest earned to total asset ratio of NABIL is more than that of NIBL. The interest earned to total outside assets ratio of both bank NABIL and NIBL are in increasing form. The NABIL has greater share of total interest earn in its total operating income. NABIL has higher ratio which indicates the high contribution in operating income made by lending and investing activities. The interest paid to total asset ratio of NABIL and NIBL both banks have increasing condition. The mean ratio of NABIL is little more than that of NIBL. NABIL seems ineffective in getting cheaper fund from the mean point of view. The credit risk ratio of NABIL and NIBL decreasing of credit risk ratio is the good sign of efficient credit management. NIBL has higher credit risk ratio. The liquidity risk ratio of the NABIL and NIBL are in fluctuating form. The average mean ratio of NABIL and NIBL has fluctuating. NIBL has highly increasing at last. Decreasing trend is the good sign of efficient asset management. The average credit risk ratio of NIBL is higher than NABIL. The earning price per share NABIL and NIBL have fluctuating. NIBL is better mobilizing it resources to get more earning per share. The EPS of NIBL seems higher than NABIL which indicates successful to generating higher EPS. The dividend per share of NABIL and NIBL are fluctuating. The average dividend per share of NIBL is higher than NABIL. Market price of the share of both bank NABIL and NIBL has decreasing which indicate low performance and expectation from company. The price earning ratio of NABIL and NIBL are decreasing from second year. It indicates that for getting Rs 1 as earning, it should invest Rs 27.299 in NABIL and Rs 25.44 in NIBL. In short run, investors of NABIL are getting better profitability because they are selling their shares in

high price. But from the long term view and sustainable fair price, investor of NABIL will get better profitability and they will be in safe side a little bit in comparison with NIBL.

In the aspect of statistical analysis, the correlation between deposits and loan and advances of NABIL and NIBL are positive by 0.999 and 0.996. The relationship between deposits and lending of NABIL and NIBL are significant. The correlation between total deposit and total investment of NABIL has positive and NIBL has negative. The correlation of NABIL has normal and NIBL has negative. The relationship of NABIL and NIBL are also insignificant. The correlation between loan and advance and net profit of NABIL and NIBL are positive by 0.984 and 0.623. The NABIL has significant and NIBL has insignificant relationship between loan and advances and net profit. The correlation between total deposit and net profit of NABIL and NIBL are 0.979 and 0.630. Both banks have positive correlation but NABIL has higher. The NABIL has significant relationship whereas NIBL has insignificant relationship. The correlation of total deposit between NABIL and NIBL is positive. The 0.951 of correlation coefficient shows that there is highly positive correlation between these two banks in this regard. The relation is also significant. There is negative correlation between NABIL and NIBL in case of total investment. It implies that the total investment of NABIL and NIBL move in opposite direction. The correlation coefficient is not significant. But correlation between loan and advances of NABIL and NIBL is highly positive. The correlation coefficient between two banks is 0.992. The relationship between loan and advances of these two banks is significant. There is positive correlation between net profits of NABIL and NIBL which is indicated by correlation coefficient of 0.688. This table shows how the net profit of NABIL and NIBL interrelated. This relationship between net profits of NABIL and NIBL is insignificant. The trend of total deposit of NABIL and NIBL banks is in increasing trend. The rate of increment of total deposit of NIBL is higher than NABIL. The NIBL has higher position in collecting deposit than NABIL. Similarly the trend of loan and advances between NABIL and NIBL also increasing trend. The increasing trend of NIBL is higher and aggressive than NABIL. The trend of total investment of NABIL is increasing trend whereas NIBL has Decreasing trend in its investment. NABIL has

increasing but NIBL has high decreasing trend. The forecasted trend projected that the NIBL has good increment rate in total investment and NIBL has worse. So NIBL has not proper investment. Similarly the trend of Net profit of NABIL and NIBL are increasing trend. The trend of increasing value of net profit of NABIL and NIBL are increasing trend. The increment rate of net profit of NIBL is little higher than NABIL. NIBL is doing better in order to generate net profit during the study period.

5.3 Implications

Based on the analysis and finding of the study, the following recommendations can be made as suggestions to make the financial analysis NABIL and NIBL effective and efficient. This would help to draw some outline and make reform in the respective banks.

- Generally, banks have to maintained liquid assets. The current ratio of the two banks, NABIL and NIBL is considerable. This can be regarded as good liquidity position. The liquidity position affects external and internal factors such as prevalent investment situations, central bank requirements and so on. Considering the growth position of financial market, the lending policy management capabilities, strategic planning and fund flow situation, bank should maintain enough liquid assets to pay short-term obligations. SO, it is recommended to maintain sound liquidity position to NABIL an NIBL.
- Government securities such as Treasury bills, Development bonds, saving certificates etc. are risk less investment alternatives because they are free of default risk as well as liquidity risk and can be easily sold in the market. In this research study, it has found that both banks, NABIL and NIBL have made some amount of fund in Government securities. But NABIL and NIBL are recommended to invest more funds in Government securities instead of keeping them idle.
- To get success in competitive banking environment, deposit must be utilized as loan and advances. The largest item of bank assets side is loan and advances. It has been found that loan and advances to total deposit ratio of NABIL is lower than that of NIBL. It means NABIL has not properly used their existing fund as

loan and advances. So NABIL is recommended to follow liberal lending policy and to invest more deposit in loan and advances.

- NABIL and NIBL have a possible risk because there is large amount of doubtful loan and advances and risky investment. So it is recommended to evaluate the investment opportunities and alternatives using statistical, capital budgeting and other financial tools to avoid large amount of doubtful debt and risk
- Interesting earning is main source of bank. So all bank focus on good lending and investing activities. Interest paid is main cost of banking activities. The interest paid to total assets of NABIL is little higher than NIBL. NABIL seems ineffective in getting cheaper fund, However, NIBL has been conscious in each year for getting cheaper fund, anyway both bank recommended to be conscious about borrowing cheaper fund.
- EPS and DPS play a vital role to determine the market price of the share and also indicate the financial performance of banks. Higher EPS and DPS indicate the banks' sound financial position that would help them satisfy their stakeholders.
- Both the banks are recommended to formulate and implement the sound and effective investment policy to increase volume of total investment and loan and advances that helps to meet required level of profitability as well as social responsibility. The banks should consider rural areas in making investment policy.
- Political instability directly affected the economic sector such as hotel and tourism, manufacturing and trading sector. Bank loan and advances are decreasing in this sector. So banks should give priority to these sectors as well as create new investing sector to mobilize deposit.
- Banks should develop an innovative approach to marketing and formulate new strategies of serving customers in a more convenient and satisfactory way by optimally utilizing the modern technology and offering new facilitates to the customers at competitive prices. Banks are also required to explore new market areas. In conclusion the NIBL has better performance than NABIL. NIBL needs to retain back its consistency as there are many banks sprouting up in the Nepalese banking scenario and if it continues losing its consistency, it might be

too late for them to rise up. NABIL however has been showing significant improvement, it should keep up with its growth trend to give strong competition to all the banks in the industry. In the light of growing competition in the banking sector, both bank NABIL and NIBL should be customer oriented. It should strengthen and activate its marketing function as it is an effective tool to attract and retain the customers.

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APPENDICES

Appendix I: Current assets to current liability (in times) (NPR in Millions)

Fiscal Year	NABIL			NIBL		
	Current Assets	Current Liabilities	Ratio in Times	Current Assets	Current Liabilities	Ratio in Times
2015/16	10181.86	8733.63	1.166	24812.27	21812.27	1.14
2016/17	11684.67	11761.25	0.993	29449.34	24696.45	1.19
2017/18	14435.32	13832.9	1.044	29813	27968	1.07
2018/19	15767.92	20970.55	0.752	29858	30797	0.97
2019/20	24882.06	18839.49	1.321	31590.73	33855.55	0.93
2020/21	25435.46	23653.87	1.07	33294.34	36881.99	0.9
20/21/22	28783.83	26595.97	1.08	34690.9	39900.7	0.87

Appendix II: Cash and Bank Balance to Total Deposit Ratio (NPR in Millions)

Fiscal Year	NABIL			NIBL		
	Cash and Bank balance	Total Deposit	Ratio in Percent	Cash and Bank Balance	Total Deposit	Ration in Percent
2016/17	1440.47	15833.74	9.097	1448.14	31842.79	4.55
2017/18	2182.11	18083.98	12.07	3048.53	34681.35	8.79
2018/19	1798.37	20315.83	8.852	3866.49	37611.2	10.28
2019/20	1136.56	21018.42	7.988	2946.65	40920.63	7.2
2020/21	2631.84	24991.49	10.53	6362.3	47730.99	13.32
2021/22	3477.11	27700.99	12.55	3648.2	53072.32	6.87

Appendix III: Cash and Bank Balance to Current Asset Ratio

(NPR in Million)

Fiscal Year	NABIL			NIBL		
	Cash and Bank Balance	Current Asset	Ratio in Percent	Cash and Bank Balance	Current Asset	Ratio in Percent
2015/16	1315.9	10181.86	12.92	1757.34	24812.27	7.08
2016/17	1440.47	11684.67	12.33	1448.14	29449.34	4.92
2017/18	2182.11	14435.32	15.12	3048.53	29813	10.23
2018/19	1798.37	15767.92	11.4	3866.49	29858	12.95
2019/20	1136.56	24882.06	6.75	2946.65	31590.73	9.33
2020/21	2631.84	25435.46	10.34	6362.3	33294.34	19.1
20/21/22	3477.11	28783.83	12.08	3648.2	34690.9	10.51

Appendix IV: Investment on Government Securities to Current Assets Ratio

(NPR in Millions)

Fiscal Year	NABIL			NIBL		
	Investment on Government Securities	Current Assets	Ratio in percent	Investment on Government Securities	Current Assets	Ratio in percent
2015/16	2332.04	10181.86	22.9	6454.86	24812.27	26.01
2016/17	2113.22	11684.67	18.08	7471.66	29449.34	25.37
2017/18	1744.98	14435.32	12.09	4212.3	29813	14.13
2018/19	2954.93	15767.92	18.74	4465.37	29858	14.96
2019/20	4002.14	24882.06	16.08	6407.36	31590.73	20.28
2020/21	4566.15	25435.46	17.95	9198.23	33294.34	27.63
20/21/22	5037.63	28783.83	17.5	10698.22	34690.9	30.83

Appendix V: Loan and Advance to Total Deposit Ratio

(NPR in Millions)

Fiscal Year	NABIL			NIBL		
	Loan and Advance	Total Deposit	Ratio in percent	Loan and Advance	Total Deposit	Ratio in percent
2015/16	9399.33	12388.93	75.87	17793.72	30048.42	59.22
2016/17	12462.64	15833.74	78.77	20179.61	31842.79	63.37
2017/18	14647.3	18083.98	80.99	24793.15	34681.35	71.49
2018/19	16664.93	20315.83	82.03	27980.63	37611.2	74.39
2019/20	17468.19	21018.42	83.11	31566.98	40920.63	77.14
2020/21	18813.94	24991.49	75.28	34965.43	47730.99	73.25
20/21/22	22555.92	27700.99	81.42	41057.4	53072.32	77.36

Appendix VI: Total Investment to Total Deposit Ratio (NPR in Millions)

Fiscal year	NABIL			NIBL		
	Total Investment	Total Deposit	Ratio	Total Investment	Total Deposit	Ratio in percent
2015/16	2992.43	12388.93	24.15	11822.99	30048.418	39.35
2016/17	3204.07	15833.74	20.24	13340.18	31842.79	41.89
2017/18	2783.6	18083.98	15.39	8710.69	34681.35	25.12
2018/19	3269.2	20315.83	16.09	8444.91	37611.2	22.45
2019/20	4286.6	21018.42	20.39	8769.94	40920.63	21.43
2020/21	5037.63	24991.49	20.15	10031.58	47730.99	21.02
20/21/22	4566.15	27700.99	16.49	12992.05	53072.32	24.48

Appendix VII::Loan and Advances to Total Assets Ratio (NPR in Millions)

Fiscal year	NABIL			NIBL		
	Loan and Advances	Total Assets	NABIL	Loan and Advances	Total Assets	NIBL
2015/16	9399.33	14581.39	64.46	17793.724	34314.87	51.85
2016/17	12462.64	17721.93	70.32	20179.61	36857.62	54.75
2017/18	14647.3	20496	71.46	24793.15	40046.69	61.91
2018/19	16664.93	23396.19	71.23	27980.63	42717.12	65.5
2019/20	17468.19	24757.75	70.56	31566.98	46736.2	67.54
2020/21	18813.94	28881.99	65.14	34965.43	54364.43	64.32
20/21/22	22555.92	32545.61	69.3	41057.4	62447.07	65.75
Mean			68.92			61.66
S.D.			2.91			6.02
C.V.			0.0422			0.0975

Appendix VIII: Investment on Government Securities to Total Assets ratio

(NPR in Millions)

Fiscal year	NABIL			NIBL		
	Investment on Government Securities	Total Assets	Ratio in percent	Investment on Government Securities	Total Assets	Ratio in Percent
2015/16	2332.04	14581.39	15.99	6454.86	34314.87	18.81
2016/17	2113.22	17721.93	11.92	7471.66	36857.62	20.27
2017/18	1744.98	20496	8.51	4212.3	40046.69	10.52
2018/19	2954.93	23396.19	12.63	4465.37	42717.12	10.45
2019/20	4002.14	24757.75	16.16	6407.36	46736.2	13.71
2020/21	4566.15	2881.99	15.81	9198.23	54364.43	16.92
2021/22	5037.63	32545.61	15.48	10698.22	62447.07	17.13

Appendix IX::Return on Loan and Advances

(NPR in Millions)

Fiscal Year	NABIL			NIBL		
	Net profit	Loan and advances	Ratio	Net profit	Loan and advances	Ratio in percent
2015/16	262.39	9399.33	2.79	491.824	17793.72	2.76
2016/17	361.49	12462.64	2.9	635.87	20179.61	3.15
2017/18	461.73	14647.3	3.15	752.83	24793.15	3.04
2018/19	509.63	16664.93	3.06	508.8	27980.63	1.82
2019/20	605.15	17468.19	3.46	893.12	31566.98	2.83
2020/21	607.66	18813.94	3.22	958.64	34965.43	2.74
20/21/22	617.09	22555.92	2.74	1024.41	41057.4	2.5

Appendix X: Return on Total Asset Ratio

(NPR in Millions)

Fiscal Year	NABIL			NIBL		
	Net Profit	Total Asset	Ratio	Net Profit	Total Asset	Ratio in Percent
2015/16	262.39	14581.39	1.8	491.824	34314.87	1.43
2016/17	361.49	17721.93	2.04	635.87	36857.62	1.73
2017/18	461.73	20496	2.25	752.83	40046.69	1.88
2018/19	509.63	23396.19	2.18	508.8	42717.12	1.19
2019/20	605.15	24757.75	2.44	893.12	46736.2	1.91
2020/21	607.66	28881.99	2.11	958.64	54364.43	1.76
20/21/22	617.09	32545.61	1.89	1024.41	62447.07	1.64

Appendix XI: Return on Equity Ratio

(NPR in Millions)

Fiscal Year	NABIL			NIBL		
	Net Profit	Total Equity	Ratio	Net Profit	Total Equity	Ratio in Percent
2015/16	262.39	993.27	26.42	491.824	2146.5	22.91
2016/17	361.49	1342.07	26.93	635.87	2513	25.3
2017/18	461.73	1741.59	26.51	752.83	3119.88	24.13
2018/19	509.63	2073.53	24.58	508.8	3439.2	14.79
2019/20	605.15	2435.19	24.85	893.12	3995.48	22.35
2020/21	607.66	2700.84	22.5	958.64	4632.01	20.7
20/21/22	617.09	3304.64	18.67	1024.41	5656.42	18.11

Appendix XII: Interest Earned to Total Assets Ratio

(NPR in Millions)

Fiscal Year	NABIL			NIBL		
	Interest Earned	Total Assets	Ratio	Interest Earned	Total Assets	Ratio in Percent
2015/16	819	14581.39	5.62	1775.583	34314.87	5.17
2016/17	1034.16	17721.93	5.83	1963.65	36857.62	5.33
2017/18	1347.76	20496	6.58	2342.2	40046.69	5.85
2018/19	1870.85	23396.19	7.99	3148.6	42717.12	7.37
2019/20	2386.78	24757.75	9.64	4326.14	46736.2	9.26
2020/21	2620.89	28881.99	9.07	4724.89	54364.43	8.69
20/21/22	2450.14	32545.61	7.52	4626.87	62447.07	7.41
Mean			7.46			7.01
S.d.			0.455			1.62
C.V.			0.208			0.2309

Appendix XIII: Total Interest Earned To Total Outside Assets Ratio (NPR in Millions)

Fiscal Year	NABIL			NIBL		
	Interest Earned	Total Outside Assets	Ratio	Interest Earned	Total Outside Assets	Ratio I
2015/16	819	12391.8	6.61	1775.583	29616.71	6
2016/17	1034.16	15666.7	6.6	1963.65	33519.79	5.86
2017/18	1347.76	17430.9	7.73	2342.2	33503.85	6.99
2018/19	1870.85	19934.14	9.38	3148.6	36425.54	8.64
2019/20	2386.78	21754.79	10.97	4326.14	40336.92	10.73
2020/21	2620.89	24060.62	10.89	4724.89	44997.01	10.05
20/21/22	2450.14	27313.79	8.97	4626.87	54049.44	8.56

Appendix XIV: Interest Earned to Operating Income Ratio (NPR in Millions)

Fiscal Year	NABIL			NIBL		
	Interest Earned	Operating Income	Ratio	Interest Earned	Operating Income	Ratio in Percent
2015/16	819	469	1.75	1775.583	1393.36	1.27
2016/17	1034.16	862.96	1.2	1963.65	1597.5	1.23
2017/18	1347.76	1114.82	1.21	2342.2	1988.05	1.18
2018/19	1870.85	1342.7	1.39	3148.6	2157.96	1.46
2019/20	2386.78	1538.32	1.55	4326.14	2586.74	1.67
2020/21	2620.89	1535.31	1.71	4724.89	2911.21	1.62
20/21/22	2450.14	1630.45	1.5	4626.87	3523.96	1.31

Appendix XV: Interest Paid to Total Assets Ratio (NPR in Millions)

Fiscal Year	NABIL			NIBL		
	Interest Paid	Total Assets	Ratio	Interest Paid	Total Assets	Ratio in Percent
2015/16	339.18	14581.39	2.33	767.41	34314.87	2.24
2016/17	417.54	17721.93	2.35	823.75	36857.62	2.23
2017/18	563.11	20496	2.75	934.78	40046.69	2.33
2018/19	902.93	23396.19	3.86	1553.53	42717.12	3.64
2019/20	1218.79	24757.75	4.92	2414.81	46736.2	5.17
2020/21	1484.54	28881.99	5.14	2816.44	54364.43	5.18
20/21/22	1219.4	32545.61	3.75	2119.06	62447.07	3.39
Mean			3.59			3.45
S.d.			1.16			1.3
C.V.			0.3237			0.3779

Appendix XVI: Credit Risk Ratio (NPR in Millions)

Fiscal Year	NABIL			NIBL		
	Non-Performing loan	Total Loan	Ratio	Non-Performing loan	Total Loan	Ratio in Percent
2015/16	243.3	9399.33	2.59	641.62	17793.72	3.61
2016/17	236.9	12462.64	1.9	477.23	20179.61	2.36
2017/18	190.32	14647.3	1.299	551.31	24793.15	2.22
2018/19	257.22	16664.93	1.54	1024.83	27980.63	3.66
2019/20	326.33	17468.19	1.87	1391.58	31566.98	4.41
2020/21	443.39	18813.94	2.56	751.16	34965.43	2.14
20/21/22	346.01	22555.92	1.53	1291.75	41057.4	3.14

Appendix XVII Liquidity Risk Ratio

(NPR in Millions)

Fiscal Year	NABIL			NIBL		
	Cash and Bank Balance	Total Deposit	Ratio	Cash and Bank Balance	Total Deposit	Ratio in Times
2015/16	1315.9	12388.93	10.62	1757.34	30048.42	5.85
2016/17	1440.47	15833.74	9.097	1448.14	31842.79	4.55
2017/18	2182.11	18083.98	12.07	3048.53	34681.35	8.79
2018/19	1798.37	20315.83	8.852	3866.49	37611.2	10.28
2019/20	1678.93	21018.42	7.99	2946.65	40920.63	7.2
2020/21	2631.84	24991.49	10.53	6362.29	47730.99	13.32
20/21/22	3477.12	27700.99	12.55	3648.19	53072.32	6.87

Appendix XVIII: Asset Risk Ratio

(NPR in Millions)

Fiscal Year	NABIL			NIBL		
	NPL	Outside Asset	Ratio	NPL	Outside Asset	Ratio in Percent
2015/16	243.3	12391.8	1.96	641.62	29616.71	2.17
2016/17	236.9	15666.7	1.51	477.23	33519.79	1.42
2017/18	190.32	17430.9	1.09	551.31	33503.85	1.65
2018/19	257.22	19934.14	1.29	1024.83	36425.54	2.81
2019/20	326.33	21754.79	1.5	1391.58	40336.92	3.45
2020/21	443.39	24060.62	1.81	751.16	44997.01	1.67
20/21/22	346.01	27313.79	1.27	1291.75	54049.44	2.38

Appendix XIX: Earnings per Share

(NPR in Millions)

Fiscal Year	NABIL			NIBL		
	Net Profit	Total Equity	Ratio	Net Profit	Total Equity	Ratio
2015/16	262.39	60314.13	43.5	491.824	81081	60.66
2016/17	361.49	60314.13	59.94	635.87	101351.2	62.74
2017/18	461.73	84439.79	54.68	752.83	121621.5	61.9
2018/19	509.63	118215.7	43.08	508.8	200000	31.8
2019/20	605.15	135948.1	44.51	893.12	240000	44.66
2020/21	607.66	154597.2	39.31	958.64	273756.8	35.07
20/21/22	617.09	175514.2	35.16	1024.14	315405.5	32.47
Mean			45.74			47.04
S.d.			8.65			14.41
C.V.			0.189			0.3064

Appendix XX :Dividend Per share

(In Percent)

Fiscal Year	NABIL			NIBL		
	Cash	Stock	Total Dividend	Cash	Stock	Total Dividend
2015/16	20	0	20	15	25	40
2016/17	2.11	40	42.11	25	20	45
2017/18	7.37	40	47.37	13.56	30	43.56
2018/19	15	20	30	11.84	25	36.84
2019/20	18	16	34.75	16.48	20	36.48
2020/21	21.32	14	35.52	13.48	15	28.42
20/21/22	15	0	15	15	0	15
Mean			32.1			35.04
S.d.			11.51			10.39
C.V.			0.3587			0.2963

Appendix XXI Market price per share

(in Rs)

Fiscal Year	NABIL		NIBL	
		MPS		MPS
2015/16		1375		1740
2016/17		2350		1980
2017/18		1825		1760
2018/19		840		816
2019/20		570		575
2020/21		628		653
20/21/22		553		700
Mean		1163		1174.86
S.d.		707.88		618.66
C.V.		0.6087		0.5266

Appendix XXII Price Earning Ratio

Fiscal Year	NABIL			NIBL		
	MPS (in RS)	EPS (in Rs)	NABIL	MPS (in RS)	EPS (in Rs)	NABIL
2015/16	1375	43.5	31.609	1740	60.66	28.68
2016/17	2350	59.94	39.206	1980	62.74	31.56
2017/18	1825	54.68	33.376	1760	61.9	28.43
2018/19	840	43.08	19.499	816	31.8	25.66
2019/20	570	44.51	12.806	575	44.66	12.88
2020/21	628	37.88	16.58	653	39.94	16.35
20/21/22	553	36.64	15.09	700	37.12	18.86
Mean			24.02			23.2
S.d.			10.46			7.14
C.V.			0.4357			0.3076