

FINANCIAL ANALYSIS OF NIC BANK LTD

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VIVA VOCE SHEET

We have concluded the viva-voce examination of the thesis presented by

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Entitled

FINANCIAL ANALYSIS OF NIC BANK LTD

And found the thesis to be the original work of the student written according to the prescribed format. We recommend the thesis to be accepted as partial fulfillment of the requirement for Master's Degree in Business Studies (M.B.S).

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DECLARATION

I, hereby declare that the work reported in this thesis entitled "FINANCIAL ANALYSIS OF NIC BANK LTD." submitted to Office of Dean, Faculty of Management, Tribhuvan University, is my original research work done in the form of partial fulfillment of the requirement for the Mater's Degree in Business Studies (M.B.S.) under the supervision and guidance of Mr. Achyut Gyawali of Central Department of Management.

August, 2012

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I apologize for any errors committed in this study.

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ABBREVIATION

NICB- Nepal Industrial and Commercial Bank

Ltd-Limited

NRB- Nepal Rastra Bank

IFC-International Finance Corporation

ROA- Return on Assets

P/E Ratio-Price Earnings Ratio

EPS-Earning Per Share

ROE- Return on Equity

B.S. - Bikram Sambat

BOD- Board of Director

ALCO- Assets Liability Management Committee

ATM- Automatic Tailor Machine

IT- Information Technology

CRS-Corporate Social Responsibility

EBIT- Earning Before Interest and Tax

CVA- Cash Value Added

EVA- Economic Value Added

CFROA- Cash Flow Return on Investment

FY-Fiscal Year

CV- Coefficient of Variance

SD- Standard Deviation

MPS- Market Price per Share

ROI- Return on Investment

T.U. - Tribhuvan University

IFC- International Finance Cooperation
ISO- International Organization for Standardization
CR- Current Ratio
CL- Current Liabilities
CA- Current Assets
QR- Quick Ratio
CBBTDR-Cash and Bank Balance to Total Deposit
NRB-CSDR- NRB Balance to Current and Saving Deposit Ratio
CBBCSDR- Cash and Bank Balance to Current and Saving Deposit Ratio
FDTDR- Fixed Deposit to Total Deposit Ratio
ITDR- Investment to Total Deposit Ratio
LATDR- Loan and Advance to Total Deposit Ratio
TIGATAR- Total Income Generating Assets to Total Assets Ratio
NWTAR-Net Worth to Total Assets Ratio
NWTDR- Net Worth to Total Deposit Ratio
DER-Debt to Equity Ratio
TDTAR-Total Debt to Total Assets Ratio
ICR-Interest Coverage Ratio
BEP-Basic Earning Power
NITD-Net Income Total Deposit Ratio
PER-Price Earnings Ratio
NPAT-Net Profit after Tax
r- Karl Pearson's Coefficient of Correlations

CHAPTER - I

INTRODUCTION

1. Background of the Study

Nepal is least developed landlocked country. Nepalese economy is dominated by agriculture sector. Industrialization is the most essence for rapid economic development for developing country like Nepal. Economics status of Nepal is not satisfactory.

Specially, development of the country is possible when it reinforces in upgrading the economic condition. For this, development in agriculture sector alone is not sufficient, industrial sector also should be promoted, financial sector pays vital role for development of economy of the country.

Finance, the art and science of managing money, affect the lives of every person and every organization. Finance is concerned with the process, institutions, market and instruction involved in the transfer of money among and between individuals, business and governments. Previously finance was limited for pronouncement of long-term fund. The traditional concept of finance is changed due to industrialization, technological innovations and intense competitions. While the specifics vary among organizations, the key finance functions are the investment, financing and dividend decision for organization. Funds are raised from external financial sources and allocated for different uses (Bhandari, 2004).

Financial analysis is the process of identifying the financial strength and weakness of the firm by properly establishing relationship between the items of the balance sheets and profit and loss account.

In financial analysis, a ratio is used as an index or yard sticks for evaluating the financial position and performance of a firm. Analysis and interpretation of

various ratios should give an experience and skilled analyst a better understanding of financial condition and performance of a firm than he would obtain from analysis of the financial data alone. So, financial analysis depends to a very large extent on the use of ratio through other equally important tools of such analysis.

Traditional financial ratio analysis has focused on the numbers. The value of this approach is that quantitative relation can be used to diagnose strength and weakness of the firm is performance. It provides a framework for financial planning and control after identifying so much scope and importance of financial analysis, my research work also focus on the financial performance of commercial bank that is financial performance of NIC bank. The development of any country can't be imagined without economic activities. The development of the banking system is one of the grounds of economics development. So, to solve problems relating to economic development of banking system is necessary (Gupta 1994).

1.1 Introduction of Bank

A bank as a financial institution transfer monetary resources from saves to users. In other words Banks provides facility to save money to provide loan and provide credit cards and stock market brokering. The word "Bank" is used in the sense of a commercial bank. However those of the banks, which have been established with their specific objectives of developing the trade and commerce sector of the country, is called commercial bank. The commercial bank accepts the deposit from the general public and other organization and encourages the commercial bank and industrial sector providing the wan to them. It collects the capital scattered in the different sectors and encourages them to invest in the provocative sector. The primary objective of the commercial bank allows the general public to deposit their money in different kinds of accounts as saving account, current, account and current account. The commercial bank provides money and other facilities as changing the foreign currency, transferring the money from one place to another, giving the security to

different previous medial and objective. Nepal Bank Ltd, Rastriya Banijya Bank, Nepal Arab Bank, Nepal Greenland Bank, Himalayan Bank, Nepal Bangladesh Bank, Everest Bank Ltd. Bank of Kathmandu, Lumbini Bank Ltd., Nepal Industrial and Commercial Bank, Kumari Bank Ltd. are established under the Commercial Bank in Nepal (www.google.com).

In short, the term modern bank refers to an institution having the following features

- It deals with money; it accepts deposit and advance owns.
- It also deals with credit; it has the ability to create credit by expanding its liabilities.
- It is commercial institutions, its aim at earning profit.

Banks are among the most important source of short-term working capital for business. They have become increasingly active in recent years in making long-term business loans for new plant and equipment. When businessman and consumer must make payments for purchases of goods and services, more often they use bank provided cheque, credit or debit card or electronic account connected to a computer network. It is the banker to whom they turn must frequently for advice and counsel, when they need financial information and financial planning (K.C., 2001).

1.1.1 Brief Introduction of NIC Bank

Nepal Industrial and Commercial Bank Ltd. (NIC Bank) commenced its operation on 21 July 1998. It is limited liabilities Company domiciled in Nepal. Its registered office is to Biratnagar, Nepal and has a corporate office at Kathmandu, Nepal. Shares of the bank are listed with Nepal stock exchange Ltd. and provide full commercial banking service as an authorized by Nepal Rastra Bank (NRB). The bank was promoted by some of the prominent business house of the country promoters hold 51% of the while 49% is held by the general public.

NIC bank has over 34000 shareholders. The shares of the bank are actively traded in Nepal Stock exchange with current market capitalization of about NPR 8210 million. The bank has grown rapidly with 35 branches throughout the country while several branches are inter-connected through optical fiber as well as v-sat and are capable of providing real time one-Line transactions.

NIC Bank was the first commercial bank in Nepal to have received ISO 9001:2000 in the year 2006. The bank has recently been certified under the upgraded ISO 9001:2008 standards for the bank's quality system on commercial banking activities for the first time in Nepal.

Furthermore, NIC Bank became the first Bank in Nepal to be provided with a line of credit by international finance corporation (IFC), an arm of World Bank group under its Global Trade Finance Program, enabling the bank's letters of credit and guarantees to be accepted and confirmed by banks worldwide. (13th Annual report 2009/10, NIC Bank)

1.1.2 Vision

To become one of the most respected banks in Nepal based on honorable conduct and Long-term financial performance.

1.1.3 Mission

To become a leading bank in Nepal by providing complete financial solutions to our customers, superior value to our share holders and promising growth opportunity to our employees.

1.1.4 Objective

To provide quality banking and financial service to clients through the adoption of a market driver strategy delivering sustained and competitive return on investment.

1.1.5 Main Function of the Commercial Bank

The major functions of the commercial Bank are to

- Provide full and balanced range of financial products and service that satisfied the weeps of the customer on a profitable and sustainable basis.
- Strive constraining to provide improved product and services to its clients at reasonable cost upping modern unified banking communication and information technology.
- Provide short, medium and long-term credit to individual or co-operative industries.
- Provide credit on different types of business and other marketing facilities.
- Develop mutually acceptable relationship with government in the pursuit of developing industries, and commercial activities in Rural and developed area while respecting best financial practice.
- Provide-Industrial development program in government.
- Development competent and professional human resources.

On the way of its main function in the financial market the bank gives its providing on building reputation for professionalism competitive pricing readability and quality service and innovation. In addition, the bank fosters its operations in accordance with the best banking practice acting with financial prudence and keeping in mind the need to balance profitability with assets presentation and liquidity and to safe grand depositions funds.

1.2 Focus of the Study

The topic itself is clear about the focus of study. The present study is the analysis of financial analysis of NIC Bank. The NIC bank is mandated by Nepal government to provide financial service to customer. The study will be valuable for the shareholders of the bank and board of director of the respective bank and the bank will provide all the information to public. So that, public should compare banks and invest selecting one of the banks. This study will also give a clear picture on how the bank performing their function or, this

study will find the strength and weakness of the bank. As it is a well known fact that the development banks can affect the economics condition of the whole country. It will be helpful to the policy makers while formulating the policy regarding NIC Bank.

1.3 Statement of the Problems

Nepal being listed among least development countries, the development bank have played important role in the economic growth. Development bank has been facing competition against, one another government working at economics iteration has further intensified the competition which has unlimited affected the probability of the bank concentrates their activities.

Banks represent a significant and influential sector of business world wide most individuals and organization make use of banks either as depositors or borrowers. Bank pays a major role in maintaining confidence in the monetary system though their close relationship with regulatory, authorities and government and the regulation imposed on them by those governments. Hence there is considerable and widespread interest in the well being of banks and in particular their solvency and liquidity and the relative degree of risk that attaches to the different types of their business (IAS: 1993)

Profit is one of the indicators of sound financial performance. It is usually the result of sound business management, cost control, credit risk management and general efficiency of operation. Profit is essential for an enterprise for its survival and growth to maintain capital adequacy through profit retention. A bank must maintain adequate liquidity to meet a wide range of contingencies, If bank fails to maintain adequate liquidity, it faces obvious difficulties .On the other hand if it maintains excess liquidity, it may be retained earnings to the point ,where it can be build up the capital needed to hold it's relative position in the banking structure. Excess liquidity is the loss of income. A bank must maintain adequate cash and bank balance to meet day to day operations well as for remote contingencies.

Today's context, most of the investors are attractive towards the banking sector. Their must be comparative study among the different banks. If it's remaining indifferent towards the other banks relevant information, in long-run it will give negative impact. Must of the customers, they are attractive towards such banks; who provides well an efficient service. Similarly, investor invest dividend, high profit as well as high amount, customer needs pre-information where as they needs. If bank need to survive in competitive market for a long run it should be consider, liquidity position profitability position, marker position as well as other position, there for, this study basically depends of NIC bank which is operating in a Nepal. Which are beneficially for customers as will as investor?

Every organization faces many problems when its runs economics activities. Any research is impossible if we don't find specific problems inside the system of an organization. To find out the problems of a bank or a financial organization, first of all we have to analyze its capital structure, ROA, P/E ratio, EPS, ROE and liquidity ratio. Must often, the financial conduction of commercial bank is found week. Increasing computation between marigold of bank, not providing access to information of bank to the public and unclear government policy are the main causes of this problem.

The problems especially related to financial performance and investment function of the development bank of Nepal has been presented as briefly as under:

- How efficiently the commercial banks are managing their financial performance?
- How far commercial banks have been able to convert the mobilized resources into investment?
- To what extent, these banks have been able to raise their productivity?
- What is the relationship between investment and income?

1.4 Objectives of the Study

The broader objection of this study is to analyze and interpret the financial position of NIC Bank. Specific objective are as follows:

- To analyze the growth and trend of financial position of NIC Bank.
- To analyze the different types of risk and return of NIC Bank.
- To find out the operational effectiveness of NIC Bank.
- To analyze the investment position and collection of principal and invest of NIC Bank.
- To provide recommendation and suggestion on the basis of finding and analysis to improved the financial weakness of the commercial bank.

1.5 Limitations of the Study

The study has the following limitations:

- This study is mainly based on secondary data provided by the bank. So the study is concerned on that extent.
- This study is based on the data on the six years period i.e. 2005/06 to 2010/11.
- This study is focused only financial analysis of NIC Bank.
- The conclusion from the study may or may not be applicable to other commercial bank on Nepal.

1.6 Organization of the Study

This study have been organized into five chapters it the following order.

Chapter-I: Introduction

This chapter constrains the general background introduction of NIC Bank, statement of the problems, objective of the study, signification of the study area, limitation of the study.

Chapter-II: Review of Literature

This chapter presents the analysis of related literature that includes especially conceptual framework and review of other research articles and thesis.

Chapter-III: Research Methodology

This chapter deals with the research methodology. It includes design population and sample, data collection, procedures, method of analysis and data period covered.

Chapter-IV: Presentation and Analysis of Data

The four chapters have contained presentation and analysis of data. It also includes the major findings of study.

Chapter-V: Summary, Recommendation and Conclusion

The fifth chapter deals with the summary, recommendation and conclusion.

At the end of the study, bibliography and appendices have also been incorporated.

CHAPTER - II

REVIEW OF LITERATURE

2.1 Introduction

This chapter basically concerned with review of literature relevant to the financial analysis of NIC bank. This chapter deals with books, review of thesis review of Bank's annual report, bank's annual budget, review of research paper program, review of article and review of unpublished dissertations. It provides the student with the knowledge with the status of their field research and function which developing & comprehensive theoretical framework, which hypothesis can be developed forecasting. In this chapter there are mainly two parts. One is conceptual framework and another is review of related research. This review of relevant life return has been categorized in to following headings.

2.2.1 Meaning and Conceptual Framework

By bank, we mean the commercial bank. Though it is through that the word 'bank' started from Italian word, some of the German scholars say it was taken from German word, and some of the scholars say it originated from French word, 'Banque'. From whatever the word it is originated chambers Twentieth century Dictionary defines it, "Bank is an institute of keeping, lending, exchange etc of money."

"A bank is a business organization that receivers and holds deposits of funds from others makes loan or extends credits and transfers fund by written orders of despites" (Encyclopedia, Vol. 30, 1984).

Bank is taken as the blood circulation of the Economic Development in the modern age. The bank makes the use of the money essential for the economic development. It avoids the problems raised in barter system and encourages the saving and investment in the economic system. The development of the

modern banking system collects the means and resources uselessly scattered from the unproductive sector and use them in the productive sector. Therefore, the development of any country depends on the banking system in the country. The bank gives the security to the inactive money with the general public with attractive interest on the one hand, while on the other hand it provides the facilities easy and simple loan for the entrepreneurs and business man making them able to make profit from their business. As a result, the resource in the country is mobilized and unemployed people get the employment as well as the commutative and services are supplied to meet up the demand. In this way bank is such an organization which works as the financial intermediates and mobilizes the scattered and inactive money in the country and opens the door economic development (Subedi, 2005).

2.2.2 Role of Banking System in the Economy

The role of banking system in the economy can be presented as following:

- Mobilization of saving
- Capital formation
- Increases in employment
- Development of agricultural sector
- Safety for the wealth and assets
- Promotion of foreign trade
- Implementation of public policy
- Expansion of credit
- Economic development
- Optimum utilization of resources

2.2.3 Types of Bank

The banks can be classified in different categories on the ground of their specificity, and their different functions. Which are as follows:

- Central Bank
- Commercial Bank

- Industrial Development Bank
- Agricultural Development Bank
- Rural Development Bank
- Foreign Exchange Bank
- Saving Bank

2.2.4 Concept of Industrial and Commercial Bank

a) Commercial Bank

In general the term bank is used to mean a commercial bank. The main objective of this bank is to earn profit. The modern commercial banks collect deposits in current saving and fixed account from general public & the institutions. The modern commercial banks provides loan not only to traders but also to agriculture industry & service. The different between the rate of interest on deposit and loans is the main source of its income the function of commercial bank is not uniform in all countries. Nepal Bank Ltd. is the first commercial bank of Nepal which was established; in 1994 B.S.

b) Industrial Development Bank

The bank established for the development of industries is known as industrial bank. This bank provides long term loans for the development of modernization of industries. It also purchases sales of the shares and debentures of industries. It also provides long-term loans and short term loans to develop the industries, purchases machine etc. Nepal industrial and Commercial Bank Ltd. (NIC Bank) is the Nepal's industrial bank. It is commenced its operation on 21 July 1998. NIC Bank was promoted by some of the prominent business house of the country.

NIC bank was the first industrial commercial bank in Nepal to have received ISO 9001:2000 certification for its quality management system in the year 2066. NIC Bank becomes the first Bank in Nepal to be provided with a line of credit by international finance cooperation (Subedi 2005).

2.2.5 Main Function of industrial and Commercial Bank

The function of the industrial commercial bank has been increased in the modern age. The commercial bank has been doing different kinds of work, under provision of commercial bank act 2031." The primary function of the commercial banks in Nepal can be listed as followings:-

- Accepting the deposits
- Advancing the loan
- Creation of credit
- Discounting the bill of exchange
- Protections of the valuable goods
- Supportive for monetary policy
- Exchanging the money etc.

2.2.6 Organization and Management of the NIC Bank

The board of director (BOD) is the apex of the bank. The major functions of BOD are to formulate polices, strategies rules and regulations of the institutions. The general manager excites day to day operation of the bank. Deputy General Managers, division chiefs, directors and board security closely assist the general manager policies decision made by the board are put into operation by the field offices the supervision of regional offices.

As a party of implementing its news business modality especially following the financial and operation review and restructuring, the organizational set up and the operational network is guided by the following principals (NIC Bank Annual Report, 20005/06).

2.3 Operational Performance

2.3.1 Risk Management

Risk is an integral part of banking business and the Bank's aim is to maximize the stakeholders' value by achieving an appropriate balance between risk and returns and safeguard their deposits and investments. The Bank is exposed to various risks, e.g. credit risk, market risk, liquidity risk an operations risk. The Bank's risk management strategy is based on a clear understanding of various

risks, measurement procedures, continuous monitoring and control (13th Annual report 2009/10, NIC Bank).

Credit Risk

Credit risk can simply be defined as the potential that a bank borrower or counterparty will fail to meet its obligations in accordance with agreed terms. The goal of credit risk management is to maximize a bank's risk-adjusted rate of return by maintaining credit risk exposure within acceptable parameters. Banks need to manage the credit risk inherent in the entire portfolio as well as the risk in individual credits. NIC Bank has ensured credit risk management through stringent credit norms/procedures by operating under a sound credit granting practice that includes a well-established procedure of comprehensive credit appraisal. The Bank has standardized credit approval process followed by maintaining an appropriate credit administration, measurement and monitoring process and ensuring adequate control over credit risk (13th Annual report 2009/10, NIC Bank).

Market Risk

Market risk is the risk of loss resulting from changes in interest rates, foreign currency exchange rate, equity, and commodity prices. Our exposure to market risk is a function of our trading, asset and liability management activities and our role as a financial intermediary in customer related transactions. The objective of the market risk management is to minimize the impact of losses on earnings and equity capital due to market risk. The Bank has an ALCO (Asset Liability Management Committee) which meets at least every month to review and assess the Markets Risks and to adopt necessary measures to effectively manage any perceived risk (13th Annual report 2009/10, NIC Bank).

Operational Risk

Operations risk has been a major concern in the banking area, due to not managing operations risk many banks and financial institutions have incurred a huge loss. The Basel II Committee defines Operations risk as: "The risk of loss

resulting from inadequate or failed internal processes, people and systems or from external events.” NIC Banks’ approach to manage operational risk is to mitigate the risk by maintaining a comprehensive system of internal controls, establishing various systems and procedures to monitor transactions, maintaining proper back-up procedures and undertaking regular contingency planning. Effective operational risk management system would ensure that Bank has sufficient information to make appropriate decisions about additional controls, adjustments to controls, or other risk responses (13th Annual report 2009/10, NIC Bank).

2.3.2 Information Technology

The Bank has always focused on Information Technology with its policy of adopting new and advanced technology. Each and every branch of the Bank is interlinked and transactions take place in real time basis. In line with Bank’s technology policy centralizing data processing, up-gradation of software and hardware will be achieved in the current year in order to enhance processing efficiencies and to establish a reliable disaster recovery mechanism. The Bank has always used technology as a tool for its better and smooth service delivery and with VISA debit card, internet banking, ATMs, Utility payment system etc., the Bank has enhanced its service delivery with a personal touch to the customers. The Bank has brought 25 ATMs in operation in the review, year and is planning to install 10 more ATMs in the current year. The Bank is serious about its data resource and system integrity which is guided by the Bank’s IT policy (13th Annual report 2009/10, NIC Bank).

2.3.3 Audit and Compliance Unit

The Bank has an independent “Audit and Compliance Unit” to undertake comprehensive independent audits of all branches, business groups and other functional areas of the Bank in accordance with its approved annual audit plan. This plan allocates audit resources based on an assessment of the operational, credit, market, and liquidity risks in the various businesses/transactions. The reports of internal audits are submitted to Audit Committee for review on

periodic basis. Based on the weight of findings the concerned branches are instructed to take corrective and preventive action in order to mitigate these risks (13th Annual report 2009/10, NIC Bank).

2.3.4 Branch Network

The Bank in line with its strategy to expand its reach and customer base through expansion of branch network, has added six new branches in the review year, viz., Satdobato, Teku and Pepsi chowk in Kathmandu valley and Narayanghat, Malangawa and Mahendranagar outside the Valley. The Bank has already established two new branches in the current fiscal year and plans to establish additional four during the current year taking its number of branches to thirty four. In line with the Bank's policy to gradually serve customers from its own premises, the Bank has already started to provide services from its own building at Biratnagar. Similarly, construction of Corporate Building on the land purchased at Kamaladi, Kathmandu is planned to be started soon (13th Annual report 2009/10, NIC Bank).

2.3.5 Human Resource Management

The Bank has always viewed its human resource as its main resource.

The Bank's staffing need continued to increase during the year due to significant increase in the business and the Bank's strategic expansion projects. The Bank has always viewed its human resource as a strategic partner for its success. Hence, the development and management of human capital is an essential element of our strategy and a key management activity. The Bank continues to focus on the development of its employees through both in-house and external training. Continuous enhancement of knowledge and skills is vital, given the rapidly changing business environment and the constant challenges they pose. The bank believes that building a learning organization is critical for being competitive, meeting customer expectations and bringing new ideas and technology to the organization (13th Annual report 2009/10, NIC Bank).

2.3.6 Communication and Relationship with Shareholders

NIC Bank has more than 34000 shareholders as at fiscal year ended 16th July 2010. The main channel of communication to the shareholders is through the annual report, which includes the Chairman's Statement, Directors' Report, Management Discussion & Analysis, Chief Executive Officer's comment and the audited financial results. The AGM is the principal forum for face-to-face communication with shareholders, where the entire Board is answerable to specific queries of the shareholders. The Board acknowledges its responsibility towards its shareholders and, therefore, encourages open and active dialogue with all its shareholders, be it individuals or the corporate investors. Regular communication with shareholders ensures that the Bank's strategy is delivered with clear understanding. Shareholders can also keep track of quarterly performance and financial position of the Bank through the press and the Bank's website, www.nicbank.com.np. The Annual Report also contains general shareholders information including list of major shareholders (13th Annual report 2009/10, NIC Bank).

2.3.7 Corporate Social Responsibility

NIC Bank's initiatives of establishing NIC foundation, a non profit organization, to take up social activities to bring about positive changes in the society have been widely appreciated and recognized. Some of the projects taken by NIC Foundation during the year have enhanced image of the Bank in the community. Health Camp organized at Sipadol, Bhaktapur was an exemplary partnership between the Bank, the Foundation and the Community which helped poor and down trodden children and elderly people deprived from the basic medical access to have medical check up from doctors and free medicines to them brought a smile of relief.

NIC Foundation has made financial contribution towards relief of Jajarkot epidemic victims to show our concern and give them the feeling that we care for our fellow citizens in bad times. Scholarship provided by the Foundation to girl students in various schools across the country is an initiative in promoting

girl child education. Financial support to orphanages in Morang, Sankhuwashabha and Parsa has assured the innocent children making the orphanage their home in search of care and love that there are organizations like NIC Foundation committed in extending arms of support to help them see better future, neutralize the pain they endured in the past. NIC foundation has demonstrated by providing help to Old-age home in Dhankuta, Sunsari and Kathmandu that it cares elderly people and provide them with adequate services they deserve in recognition of their contribution to society they made in their past (13th Annual report 2009/10, NIC Bank).

2.3.8 Community Development

For the welfare of the community, the Bank has actively been involved in charity and community support under its Corporate Social Responsibility (CSR) obligation. The Bank has promoted an independent and autonomous organization, namely NIC Foundation. The main objective behind it is to bring about positive changes in society through charitable works by helping underprivileged children & communities. The Bank contributes 0.5% of its annual net profit for this purpose. NIC Bank is the only Bank in the banking industry to set aside a fixed proportion of profit for such charitable work. NIC Foundation has provided scholarships for underprivileged but meritorious & deserving girl children in the age group below 16 years from remote rural areas for the last three years. Likewise, it has facilitated visually challenged students to pursue higher education. NIC Foundation and the Bank have also raised funds to donate ambulances. NIC Foundation is also providing help to old age homes in Dhankuta, Sunsari and Kathmandu and has helped in the construction of an underground water tank for the Old Age Management/Social Welfare Trust in Kathmandu.

NIC Foundation believes in generating synergy by collaborating with institutions in bringing positive change in society and has joined hands with partners like Rotary in reaching to a wider and larger part of the community. The Bank has also set an example by organizing an annual Blood Donation

campaign in order to reduce the shortage of blood at blood banks in Kathmandu, Bhaktapur and Biratnagar. The Bank has donated computers to schools in remote areas and it has also provided financial assistance to an orphanage at Birgunj (13th Annual report 2009/10, NIC Bank).

2.4 Review of Relevant Works

2.4.1 Review of Books

Agrawal(1974), in his book “*Analysis of Company Financial Statement*”, he had defined that the financial managers have to undertake number of activities to highlight the central goal of maximizing the values of the corporation. These financial activities have great impact on all other business activities like marketing, production and personnel activities. Thus any mistake made in financial decision adversely affects the whole operations of the company. These activities should be analyzed and evaluated from time to time.” Scientific Analysis and interpretation can give the better picture of progress that the company has made in the past, its present position and future prospects. It is useful to provide feedback information for drawing the attention of management regarding what should be done for strengthen the financial performance .Hence analysis of financial performance is a crucial part of financial decision making process. Finance performance is evaluated from the stand point of profitability, liquidity and solvency.

Pandey(1997), in his book “*Financial Management*”, he had defined various functions in financial management in which raising funds, investing them in assets and distributing return earned from assets to shareholders, which are respectively known as financing investing and dividend decision. While performing these funding a firm should balance cash outflow and inflow, which is known as liquidity decision and also he added the list of important decision.

Khan and Jain (1983), in the book of “*Financial Management*” is a useful book for the reader of finance. In this book both the writer views that the financial management in broad sense and provides a conceptual and analytical

frame work for decision making. They also cover both acquisitions of funds as well as their allocation of funds to various regions. Their major decisions are investment decision, financial decision and the dividend policy decision.

James C. Van Horne (1988), writer of *“Financial Management and Policy”* had written in his book about financial analysis in which he had divided financial ratio into four types Liquidity ratio, Debt ratio, Profitability ratio and Coverage ratio. These ratios are helpful for managerial control and for the better understanding of what outside suppliers of the capital expect in a financial condition and performance. He defines until and unless there is comparison, financial analysis is meaningless so it can be compared with one firm over time and inter firm.

Ahuja (1998), *“Financial Performance analysis”* is a study or relationship among the various financial factors in business as disclosed by a single set of statements and a study of the trend of these factors as shown in a series of statements. By establishing a strategic relationship between the items of a balance sheet and income statements and other operative data, the financial analysis unveils the meaning and significance of such items.

Metcalf and Tatar (1996) explained *“Financial Performance analysis is a process of evaluating the relationship between components parts of a financial statement to obtain a better understanding of a firm’s position and performance.”*

Khan and Jain have defined that (1990) explained *“The ratio analysis is defined as the systematic use of ratio to interpret the financial performance so that the strength and weakness of firm as well as its historical performance and current financial condition can be determined.”*

Van Horne (1994) explained *“Financial ratio can be derived from the balance sheet and the income statement. Ratio may also be judged in*

comparison with those of similar firms in the same line of business and when appropriate, with an industry average and we can look to future progress in this regard.”

Financial performance is a basic process, which provides information on profitability, liquidity position, earning capacity, efficiency in operation, sources and use of capital, financial achievement and status of the companies. This information will help to determine the extent of efficiency and effectiveness of the company in respect of deploying financial resources in the profitable manner.

2.4.2 Review of Articles

In addition to financial performance, various articles were published on financial aspect, which deals in the context of Nepalese commercial and joint venture banks. In this section, effort has been made to examine and review of some related articles in different economic journals, magazines, newspapers and other related books. . The major findings of the approaches used in those important articles are reviewed briefly

Kereta (2009), in his article, “*Outreach and Financial Performance Analysis of Microfinance Institutions in Ethiopia*”, has examined the performance of MFIs in relation to outreach and financial sustainability. The study reveals that MFIs could be examined through three main polar: outreach to the poor, financial sustainability and welfare impact. The welfare impact assessment is not covered due to time and money limitations. Both secondary and primary data (obtained from questionnaire distributed to representative sample MFIs) has been employed in the study. In the analysis process, the study has adopted simple correlation and descriptive analysis techniques. From the outreach angle, it is found that individual MFI's outreach has shown increment over the period of the study with different rates of growth, leading the industry's outreach to rise in the period from 2003 to 2008 on average by 22.9 percent. It is also identified that while MFIs reach the very poor, their reach to the

disadvantages particularly to women is limited (38.4 Percent).

From financial sustainability angle, it is found that MFIs in Ethiopia are hopeful. They are operational sustainable measured by return on asset and return on equity and the industry's profit performance is also improving over time. While, dependency ratio measured by the ratio of donated equity to total capital decline, ratio of retained earning to total capital is raising letting the industry to be financial self-sufficient. Using Non Performing Loan (NPLs) to loan outstanding ratio indicator the study found out that MFI financial sustainability is in a comfort zone with average NPLs ratio of 3.2 percent for the period from 2005 to 2008. The study also found low but increasing default rate. The study also identified no evidence of trade-off between outreach and financial sustainability for Ethiopian case, rather positive correlation was observed between them. Yet, correlation test among loan size (which measure poverty level), outreach and profit performance, revealed imprecise result.

Cameron (2009), in his article, *“Measuring Performance through Financial Information: A Case Study”*, has stated that financial performance indicators are often viewed in terms of whether a library has over or under expended its budget allocation. While it is important for libraries to demonstrate that they can manage their budgets, coming in on budget is a meaningless financial performance indicator if viewed in isolation. Libraries need to be able to demonstrate that they understand the cost drivers behind their budgets and that they are taking active steps to reduce or manage costs accordingly. For many years libraries have been affected by increasing costs associated with purchasing collection resources. More recently a new challenge that of finding funds to develop new online services and purchase electronic resources while maintaining traditional core activities has put additional strain on budgets. It therefore seems timely for libraries to develop financial performance indicators which will assist us in our day to day decision making.

Traditionally, libraries have casted those activities that are more readily measured through processing quantity, for example, cataloguing and library loans. Benchmarking studies reveal that even in areas like these there is wide variation between libraries in what constitutes these activities, as well as the existence of a vast array of costing models used within organizations. The difficulty of developing comparable cost data across national libraries due to differences in task and functions has been acknowledged in discussions of the draft International Standard Organization (ISO) performance indicators for national libraries under development by the ISO working group chaired by Roswitha Poll. The draft standard incorporates efficiency measures from ISO 11620, with two direct financial indicators, cost per title catalogued and cost per item lent and a third indicator for the amount of off-budget funding generated by libraries. As each library understands of what is encompassed in activities such as cataloguing can differ substantially, it is important that clear definitions and methodologies are in place if future comparisons are to be made. To this end, the Heads of Cataloguing group representing the Library of Congress, British Library, Library and Archives Canada, Deutsche Nationalbibliothek and the National Library of Australia are developing a joint costing model for cataloguing in order to compare costs across the group. While it is good to see work progressing internationally on shared costing models, it is also important for national libraries to share information with each other about their internal financial performance indicators in order to establish and promote best practice.

Erasmus (2010), in his article, *“Value Based Financial Performance Measures: An Evaluation of Relative And Incremental Information Content”*, has stated that the value-based financial performance measures economic value added (EVA), cash value added (CVA) and cash flow return on investment (CFROI) are proposed by certain research studies as improvements over the traditional financial measures. The objective of this study was to evaluate the relative and incremental information content of these value-based measures compared to that of the traditional measures earnings and cash from operations.

When the relative information contents of the different value-based financial performance measures are investigated, the results indicate that they are not able to outperform earnings (EBEI) in explaining market adjusted share returns. The results from the incremental information content tests indicate that the adjustments required in order calculating the various value-based measures do contribute statistically significant incremental information content.

If the adjusted R^2 values of the multiple regression analyses conducted to evaluate the incremental information content of the value-based measures are compared to the adjusted R^2 values obtained for the traditional measures, however, a much lower value is observed. The components of the value-based measures therefore explain significantly less of the variation in market adjusted share returns than the components of the other measures. Although the contributions of these components are statistically significant, they are not economically significant when combined into the various measures. Based on the results reported in this study it appears as if the value based measures are not able to outperform the relatively simple traditional financial performance measure earnings (EBEI) in explaining the variation in market adjusted share returns. The incremental information content tests conducted to evaluate the contribution of the components of the value-based measures also yield much lower results than for similar tests conducted for the traditional measures.

Roberts and Dowling (2010), in their article, “*Corporate Reputation and Sustained Superior Financial Performance*”, have stated that results from both autoregressive profit models and proportional hazards regression models consistently suggest that superior-performing firms have a greater chance of sustaining superior performance over time if they also possess relatively good reputations. These findings complement existing studies of the relationship between reputation and financial performance by explicitly articulating the dynamic implications of good reputations. At the same time, they are consistent with the growing body of strategy research that links high-quality intangible assets with sustained superior performance. Confidence in these results is heightened by the fact that they hold for two orthogonal components of

reputation.

A firm's financial reputation has a consistently strong impact on profit persistence. This suggests an important self-reinforcing dynamic. Some of the things that firms do to improve profitability also enhance their reputations. This reputation enhancement, in turn, makes it easier for firms to sustain superior performance outcomes over time. Having said this, roughly 85 percent of the variance in the relative reputation measure is not accounted for by prior profit results. And this residual reputation is also linked to profit persistence. Instead of working through financial performance demonstrations and the signals that they generate, some firm actions have direct effects on reputation with flow-through effects on profit persistence. It seems that the dynamic impact of relative reputation is different across these two subsamples. For superior performance outcomes, the reputation variable exerts its positive effect on the persistence parameter, but not the intercept term. This suggests that good reputations lead to increased temporal stability in the short term, but may induce some rigidity that harms superior-performing firms in the longer term.

Hovmand, Gillespie, Levin, Schurer, Alexander-Eitzman, Bunger, Phillips, Chalise & Staver (2011), in their article, "*Financial Performance of Mental Health Nonprofit Organizations*", have demonstrated the underlying similarity between different behavior patterns and gain insight into nonprofit financial performance. For example, simulations showed us how the relationship between time to increase the program expense ratio and time to decrease the program expense ratio was an important feature of oscillatory program expense ratios, which focused the questions with key informants about how quickly they might respond to various kinds of financial challenges. Length of service and time to perceive effectiveness turned out to be important determinants of organizational behavior. This has important implications when considering the impact of policies and changes in the organizational environment since nonprofit providers of mental health services vary greatly in both dimensions. Call centers have contacts with clients that may be as short as several minutes

whereas residential treatment facilities for children with severe emotional disturbances or independent living centers may provide services and supports to a client for many years. Likewise, the length of time before people notice changes can vary significantly by the type of service they provide and their position in a service network since organizations. One would expect organizations that are well connected to be also better known (for better or worse), while organizations that are more isolated would likely have a harder time getting the word out about their services.

Although the diversity of organizations providing mental health services is widely acknowledged, very little has been said or studied in a systematic way as to which characteristics may be more important to understand than others. Size is often discussed as an important feature of the organization, but in this model of financial performance at least, size has less relevance than some of the characteristics just discussed. This highlights the importance of developing better understanding of financial and organizational behavior as part of assessing and arguing for better alternative policies. Blindly implementing policies without such consideration is likely to risk the performance of some nonprofit providers and undermine efforts to improve the overall access and quality of mental health care and supports. While all models remain works in progress, developing this early simulation model of nonprofit financial performance has proved invaluable to us as a research team in sensitizing us to key concepts in key informant interview. Work continues on developing this model as part of the main study. Recruitment of organizations and key informants has continued with an emphasis on developing a better understanding of how executive management teams think about nonprofit financial performance in relation to implementing innovations such as evidence based practice and organizational performance. Such models will be essential to advancing the organizational theory and ultimately improving the quality of mental health services in the United States.

2.4.3 Review of Thesis

Some importance relevant thesis, written about the investment, resources, utilization of commercial banks, despoths and its cultivation etc. are presented as followings.

Adhikari (1993) has done, "*A Study on Evaluation of the Financial Performance of Nepal Bank Ltd.*" The objectives of the study were evaluating the financial performance of Nepal Bank Ltd. This study has been Limited to the FY 2038/039 through 2046/057. The Loan to deposit return on capital, return on net worth, return on total assets, earning per shores, dividend per shares, dividend payout ratio and Net worth per shares us market price per shares. He concluded that bank had not managed investment portfolio efficiently. Operational efficiency was not satisfactory. Nothing was satisfactory expert liquidity position of Nepal Bank Ltd. during the study period.

Joshi (2003), in his thesis paper, "*Study of Financial Performance of Commercial Bank,*" had made an effort to appraise the financial year (1981/82 through 1986/87) of commercial bank. He concluded that the liquidity position of commercial bank was sound. But debt-equity ratio of other commercial bank was higher than that of joint venture bank.

Like wise, the thesis entitled, "*Evaluating the Financial Performance of Nepal Bank Ltd.*" of Mr. Dev Raj Adhikari, was concluded with the basis objective of evaluating the financial performance of Nepal Bank Ltd. The researcher concluded that investment portfolio of the bank hadn't managed efficiently to maximized the rectums as the bank had suffered from series of operational allocation of loans and advance by the bank was not so meaningful as the productive sector had little share in the loan portfolio.

Joshi(2004), in his thesis paper entitled "*A Study on Commercial Banks of Nepal with special reference to financial analysis of Rastriya Banijya Bank,*"

had conducted his study to analyze and interpret the financial variables of RBB on quantitative and qualitative performance basis. At the end of study, he drew conclusion that the banks had not been managed in true professional approach but managed in bureaucratic approach to sustain with political environment rather than with commercial environment.

Khadka (2004) has conducted a research on the topic “*A Study of Financial Analysis of NABIL Bank Ltd.*” with an objective of analyzing the liquidity, profitability, capital structure, capital adequacy, leverage, ownership ratios and operation of NABIL Bank. He has mainly focused his research in examining the technique of financial analysis such as liquidity, activity, profitability ratios of Nabil Bank. In his research he has pointed out various findings.

By conducting the current ratio analysis of the NABIL Bank Ltd. over the five year period he found that the bank had been able to meet its short-term obligations and was in sound liquidity position. The analysis specifies that the bank was volatile to maintain cash reserve ratio as per NRB directives. The analysis indicated the decreasing trend of the ratios. High ratio of NABIL indicated sound liquidity position of the bank but too high ratio was not good as it revealed the under utilization of fund. He has further found that the portion of fixed deposit in the total deposit was in fluctuating trend.

Rana (2005) has done study on "*Financial Performance and Investment Policy of Himalayan Bank Ltd. and Bank Kathmandu Ltd.*" The objective of the study was to identify the financial position of both these banks an en light the shares holders, financial agencies stock exchange and stock traders as well as its customers, depositors and debtors. And he found the in comparison Himalayan Bank Ltd. Performance was better than Bank of Kathmandu in terms of liquidity, activity, profitability, capital structure, invisibility and risk.

Neupane (2008)'s study on "Financial Analysis of Agriculture Development Bank, Nepal (ADBLIN)" has made conclusion that the reform program had succeeded effectively, in her thesis also put the objective about the

identification of future trend for which she has give conclusion as almost all the persons have been enjoying and wanted to continue it in future.

Pandeya (2009), in her thesis entitled "*Financial performance of commercial Bank in Nepal*" has tried to summarize the financial performance of Commercial Bank in Nepal. The Primary objective of her study was to assess financial performance of commercial bank in Nepal namely Nepal Investment Bank Limited, NABIL Bank Limited, Standard Chartered Bank Nepal Limited and Everest Bank Limited.

Her study has revealed that the current ratio of all samples banks i.e. NIBL, NABIL bank, SCBNL and EBL were greater than 1 but NABIL bank had the highest current ratio. It meant, for him, that Nabil bank's solvency position was better than NIBL, SCBNL and EBL. The cash and bank balance of NIBL & EBL with respect to total deposit was more liquidity than other sample banks. His study found that NIBL & EBL were able to make immediate payments to its depositor. It implied, for him, that in term of day to day settlement of current obligation, NIBL & EBL were sufficient with respect to cash and bank to current deposit as compared to other sample banks.

Among all the sample banks, EBL had the lowest ratio of net profit to total assets. He unveiled the fact that EBL had not mobilized its assets into profit generating projects. NABIL bank had been successful in earning more net profit by the proper use of its available assets. EBL had not mobilized its deposit into profit generating project and NABIL bank with the highest ratio has been successful in the earning more net profit by the proper use of its available deposit than others. SCBNL had been successful in providing more rate of return to its shareholders by the proper use of their available funds than others.

From all the sample banks, EBL had not mobilized its assets into interest generating projects (i.e. income from loans, advances, cash credit and overdrafts, government securities, inter commercial banks other investment).

Nabil bank with the highest ratio had been successful in generating more interest income by the proper use of its available assets. In term of loan and advances against total deposits, EBL had used more percentage of its total deposits into loan and advances than other sample banks. From all the sample banks, Nabil bank Ltd. had mobilized highest percentage of its total deposit into total investment (i.e. investment into government securities, debenture and bonds, shares in subsidiary commercial bank, companies and other investment). From leverage ratio, EBL had high debt to total assets ratio represents a greater risk to creditor and shareholders than other sample banks. Earnings per share of Nabil bank had the highest than other selected commercial banks. Similarly, with the highest dividend payout ratio of SCBNL referred that the bank provided maximum amount of dividend to its shareholders. NIBL had highest price earnings ratio than other sample banks.

Maharjan (2009), has done research on the topic “*Financial Performance of listed commercial banks in Nepal stock exchange*”. His objective was to analyze the financial performance of the commercial banks, to analyze the investment returns of commercial banks, and to trace the stock price movement with special reference to the performance of the company.

He has found that EBL was capable to pay their current obligations in comparison to NABIL, SCBNL and HBL. Comparatively NABIL had maintained low ratios, it showed some difficulties to meet the demand of its customers on their deposit to pay at any time but it might be earning more by investing cash to different sectors. NABIL was low capable to maintain cash & bank balance is comparison to other three banks. SCBNL had invested its more portions of current assets as government securities than that of NABIL, EBL & HBL. SCBNL liquidity portion from the point of view of investment on government securities was better than that of other three banks. NABIL had succeeded to invest its fund in loan and advances in comparison to SCBNL but seen little weak in comparison to HBL and EBL in point of view of mean & C.V.

He has further found that EBL had strong position regarding the mobilization on loan and advances to the total deposit and acquiring higher profit with compare to NABIL, SCBNL & HBL. EBL was in weak condition to mobilize its deposits by investing in different sectors in comparison of other three banks. So that EBL fund mobilization in terms of loan & advances with respect of total working fund was more satisfactory than that of other three banks. NABIL's fund mobilization in terms of government securities with respect of total working fund was not more satisfactory than that of other three banks.

It was found that common stocks of sampled banks were dependent mainly on the financial performance. However, the analyses were not exactly reflected in the share price. He was quite sure that this might be due to lack of analysis in the movement and relationship of the MPS with reference to various variables. He inferred that the investors were investing in the shares based on the rumor rather than financing on a realistic picture.

Gajurel (2009), has done research on “*financial performance analysis of Himalayan Bank Limited*”. The basic objective of the study was to examine the financial performance status of HBL. His effort in this study was also to find out exact financial performance of the HBL over five years period. The specific objectives of this study were to study the position of the HBL, to evaluate the financial strength and weakness of HBL, and to analyze the financial performance of HBL through the use of appropriate financial tools (Ratio Analysis) and Statistical Tools.

He has found that the CR of the bank over the five years is 1.08 times on an average. It indicated that the margin for safety for customers had not been maintained properly. But the average ratio reached nearly at the standard, so it was in satisfactory position. The working capital of HBL wajs also positive which showed it was in satisfactory status.

The result of the analysis indicated that the share of fixed deposit was high in the total deposit which he termed as favorable one from viewpoint of liquidity.

In general, he found, the liquidity position of the bank was good enough to meet the short term obligations. ROE ratio had fluctuated dramatically. So, he pointed out that the bank had not been able to mobilize the deposit to its fullest or generate income. The assets of HBL were mostly financed by debt capital and share of equity capital in assets was low so he came to conclusion that bank was highly levered by debt. Total Debt to Shareholders Equity was satisfactory which, he thinks, is because HBL was relying mainly on borrowed fund.

Joshi (2010) has done research on “*Financial Performance of Nabil Bank Limited and Himalayan Bank Limited*”. The researcher has analyzed the data by using financial tools like ratio analysis as well as statistical tools like mean, s.d., hypothesis etc.

The liquidity position of HBL in terms of cash and bank balance to current deposit ratio was found higher than NABIL (i.e. 58.20% > 30.36% in an average). Here, HBL had so high ratio that it was not better because “ideal assets earn nothing”. So, both banks were suggested to invest in productive area. This analysis shows that HBL has more cash ideal than NABIL. In the same way, fixed deposit to total deposit ratio of HBL is better than that of NABIL. The ratio of HBL was higher. So, the higher ratio of fixed deposit to total deposit ratio indicated the strong liquidity position.

In terms of Loan and advances to fixed deposit ratio of NABIL was higher than that of HBL (i.e. 350.88% > 255.14% in an average) which means that NABIL was utilizing its collected resources in the form of deposits much more efficiently, which definitely lead to the increase income and thus, making an increment profit for the organization. The turnover position in term of loan and advances to saving deposit ratio, NABIL was always greater than HBL within the study period of 5 years. So, it was concluded that NABIL had better turnover than HBL.

The analyzed data proved that the major source of income of both banks i.e., NABIL's and HBL's was interest received. The collection of interest of NABIL was the volume of total earning. The average of collection of interest income is from the calculation the researcher has found that the net profit margin ratio of NABIL was more fluctuated than HBL. The major expenses, for the banks NABIL and HBL were interest expenses, staff expenses, office expenses and provision for bonus. The leverage position of NABIL and HBL showed that, both banks were highly leveraged. Use of more debt helped to enhance the rate of return on shareholders' fund. However, excessive use of debt might cause solvency of the bank. So, she suggested that these banks should maintain a proper balance of total debt to shareholder's fund. She has found that both banks were not in satisfactory level. So, both banks were recommended to utilize the resources more efficiently for profit generating sector. She asserted that if assets remained idle, banks would bear high cost and cause low profit margin.

From the point of view of income and expenditure analysis, the major source of income was interest received. The balance sheet as well as calculation showed that NABIL had invested more amounts in government securities rather than loan and advances. So, NABIL was suggested to invest in loan and advances.

Pradhan (2011), has done research on "*Financial Performance Analysis of Himalayan Bank Limited*". On the basis of data analysis and major findings drawn, it was concluded that the liquidity position of the bank was not so strong, since the current ratio was low. Further, the cash and bank balance to total assets ratio and the cash reserve ratio was also minimal, substantiating the weak liquidity position of the bank. On the basis of debt-equity ratio, it was concluded that HBL finances its total assets through outside financing rather than through internal financing. However, the bank used high borrowing to finance its assets; so, she concluded that it had high risk-bearing total assets. Likewise, on the basis of capital adequacy ratio, it was considered

that HBL had followed the NRB's provision regarding capital fund, since the average capital adequacy ratio was maintained by HBL is just above the NRB's requirement. So, she concluded that HBL had managed its debt capital satisfactorily. She further found that HBL's mobilization of total deposit was dominated by loan and advances rather than investment in different sectors. The bank was found to make investment only in government securities, corporate share and bonds.

Since the net profit margin and net profit to total deposit is in fluctuating trend, it was concluded that HBL progression in making profit had been oscillated during the periods. Also, the return on equity and return on assets were also not so strong and stable. In contrast, the price earning ratio aided to conclude that investors were more interested to invest in HBL in the initial periods, since the paid value in the market to generate per rupee income was in increasing trend in such periods and was quite high. In return, HBL also distributed profit generously in the form of dividend.

Finally, her statistical analysis showed that the relationship of net profit with total deposit, loan and advances was inconclusive, and with total investment was insignificant. Undoubtedly, it was concluded that net profit did not increase with the increase in total deposit, loan and advances, and total investment. Also, the trend analysis of net profit helped her to conclude that HBL's net profit would increase in future as well. Eventually, it was concluded that the financial performance of HBL in overall was not so satisfactory. She asserted that HBL could not maintain the conventional standard of current ratio. It might create the problem of working capital if needed to pay the short-term obligation at demand. With the delay in payment of liabilities of banks might lose their goodwill and might have the problem in winning the confidence of current depositors and short term lenders. So, the bank was suggested to maintain the adequate net working capital. Both the cash and bank balance to total assets and cash reserve ratio of HBL is low. This may barricade bank to pay the immediate cash requirements. Hence,

HBL should keep adequate cash to meet its liabilities requirement. She has found that HBL had followed aggressive policy of financing the total assets. Thus, HBL was recommended to adopt moderate policy of financing, i.e. to finance the total assets by almost equal proportion of debt and equity finance.

K.C. (2011) has done research on “*A Study on Financial Performance of Nepal Bangladesh Bank Limited and Himalayan Bank Limited*”. Researcher has analyzed the data by using financial tools like ratio analysis as well as statistical tools like mean, s.d., hypothesis etc. His analysis of liquidity position of the banks in term of current ratios showed that the ratios of both banks NBBL and HBL were always below the normal standard. The Liquidity position of cash and bank balance to deposit ratio (except fixed deposit) of HBL was 100.00%. So, it was concluded that HBL had sufficient cash and bank balance to deposit except fixed deposit. The liquidity position of HBL in terms of cash and bank balance to current deposit ratio was found higher than NBBL (i.e. 41.94% >36.55% in an average). He has pointed that both banks had so high ratio that it was not better because “ideal assets earn nothing”. So, he has suggested both banks to invest in productive area. The fixed deposit to total deposit ratio of NBBL was so high. So, the higher ratio of fixed deposit to total deposit ratio indicated the strong liquidity position.

The activity turnover ratio was used to examine the efficiency with which the firm manages and utilizes its assets. Profitability ratio was used to measure of efficiency. It provided the degree of success in achieving desired profit. He has found that profitability in terms of net profit to total assets ratio, net profit to total deposit ratio, return to net worth (shareholder’s equity), return on net worth ratio and net profit margin ratio, HBL average ratio was always greater than that of NBBL. The reason for this was that, NBBL had incurred loss from the fiscal year 2007/08 to 2008/09 which, he has thought, had brought down NBBL even to negative average ratio. He had suggested NBBL to improve its performance for the survival of the organization. Similarly, coefficient of variation of NBBL was always higher than that of HBL which indicated that

NBBL had high risk and more fluctuated than HBL. His analyzed data had proved that the major source of income of both banks i.e., NBBL's and HBL's was interest receipt. The major expenses, for the banks NBBL and HBL, were interest expenses, staff expenses, office expenses and provision for bonus. The ROI of NBBL and HBL were in fluctuating trend. The average ratio of NBBL was -12.61% over the study period whereas the average ratio of HBL was 3.18%. This showed HBL better in financing performance.

He has further found that the liquidity position in terms of current ratio of both banks was below than normal standard. The overall liquidity position of HBL was in normal standard except fixed deposit and NBBL was also trying to gain that position. Since the liquidity position of NBBL was not in satisfactory level the researcher had suggested the bank to keep the reasonable amount of liquidity. The leverage position of NBBL and HBL showed that both banks were highly leveraged. The researcher has pointed that the use of more debt had helped to enhance the rate of return on shareholders' fund. However, he has cautioned that excessive use of debt might have cause solvency of the bank in the long run. So, he has suggested these banks to maintain a proper balance of total debt to shareholder's fund.

Profitability position of NBBL was in worst condition as the bank was incurring loss from the fiscal year 2007/08 to 2008/09. However, both banks were not in satisfactory level. So both banks were suggested to utilize the resources more efficiently for profit generating sector. He has underlined the fact that if assets remain idle, banks should bear high cost and cause low profit margin.

2.4.4 Research Gap

The previous thesis reviewed for the preparation of the study has been based on previous years' data. At the time of preparation of this study, the time and scene has changed. New data has been used for analysis; and contemporary among commercial banks NIC Bank Limited has been selected for analysis. The scene in the commercial banks' working ground has changed in many ways. There is growing competition; on the other hand, the country's risk has been increasing due to recent volatility in the present political and social situations.

In the study, the financial progress of the bank has been gauged by comparing the financial performance with the performance in past. For the study, both financial and statistical tools have been extensively used. The study is also unique because it has tried to show the circumstances and effects of positive and negative profits of the selected banks. So this study will be fruitful to those interested person, stakeholder, businessmen and Government for academically as well as policy perspectives.

CHAPTER - III

RESEARCH METHODOLOGY

3.1 Introduction

Research methodology is the research method or techniques through the entire study. The basis objective of this study is to highlight the degree of application of financial performance in NIC with respect to efficiency to earn profit. This study on the financial performance of NIC Bank, in the past years and the result will be carried with the help of financial statement analysis. The motive of this study is to analyze the financial statement of NIC Bank with a broad view to suggest the measure to improve the economic and financial activities from the existing condition as well as to recommend suggestion for its important in future. So, the propose of this chapter is to outline the method followed in the process of this chapter is to outline the method followed in the process analyzing the profitability record, operation efficiency, efficiency of resources utilization. Financial strength and weakness, internal financing and other related aspect of NIC Bank.

Research methodology is the way to solve systematically about research problem. This chapter includes research design, sources and nature of data, population and sample, data collection procedures, data processing procedures and techniques of analysis.

3.2 Research Design

Generally, research design means definite procedures and techniques which guide to study and propound to way for research viability. The study aims at portraying accurately upon the financial position of NIC Bank. The present study has followed the descriptive as well as analytical research design to achieve the objective of the study. The selection of these types of research has become necessary keeping in view the quality of information and data are available.

3.3 Population and Sample

In this study convenience sampling method will be used. At present there are 32 commercial banks operating in Nepal under the guidance of Nepal Rastra Bank. These thirty two commercial banks are considered as population and only one bank viz. Nepal Industrial and Commercial Bank Limited has been taken as sample of this study. Six years data are taken to conduct the study from FY i.e. 2005/06 to 2010/11.

3.4 Sources and Types of Data

There are mainly two types of data on the basis of collection procedures. They are as follows.

3.4.1 Primary Data

Primary data are those fresh and original data which are collected and recorded by the investigator or researcher. They are the first hand data:

Following are the methods of collecting primary data:

- Direct personal interview method
- Indirect oral interview method.
- Information through correspondence
- Mailed questionnaire method.
- Schedule sent through enumerators.

3.4.2 Secondary Data

Any data that have been collected earlier for some purposes are secondary data for the individuals who are using them. The data is a primary for those people that collect them but the same data become secondary for another.

The data, which are used in this study, are secondary in nature. They are derived basically from annual report of the banks. So the major sources and types of data are in published from such as.

- Financial statement of NIC Bank Annual Reports of NIC Banks.

- Annual reports of NIC Bank.
- Bulletins and reports periodically published by various governments, bodies.
- Other published materials like newspaper, journals, magazines textbooks etc.

3.5 Data Authority Instruments and Procedures

This study is mainly based on secondary data, obtained from various sources motioned above. Beside, a detail review of literature has been conducted in order to collect relevant data and information.

Such review materials are collected from central library of Tribhuvan University (TU, Kirtipur), Library of Central Department of Management (TU) Kirtipur, Library of Nepal Commerce Campus, New Baneswor, and other public libraries.

3.6 Tools and Techniques of Analysis

For the analysis of the data, there are mainly two types of tools which are as follows:-

1. Financial tools
2. Statistical tools

3.6.1 Financial Tools

Financial tools basically help to analyze the strength and weakness of firms. Ratio analysis and financial statement analysis have been used as biennial tools. This analysis is useful to various interested parties i.e. owners, creditors, management, Employee etc. The financial statements have been analyzed with the help of the relevant financial tools.

3.6.1.1 Ratio Analysis

Ratio is an expression of quantitative relationship between figures or numbers. It is expenditure when one figure is compared with another. Ratio and analysis determines and interprets the numerical relationship between.

3.6.1.1.1 Liquidity Ratio

Liquidity ratios are calculated to judge the financial position of the concern from short term solvency. They also explain that how much current assets are their as against each roper of current liabilities. Current and quick ratios are included in the liquidity ratios. . The following ratio has been applied to find out liquidity position of the banks.

- Current ratio
- Quick ratio
- Cash and bank balance to total deposit ratio.
- NRB balance to current and saving deposit ratio
- Cash and bank balance to current and saving deposits ratio
- Fixed deposit to total deposit ratio

a) Current Ratio (CR)

It shows the relationship between current assets and current liabilities. It is also known as short term solvency ratio or working capital rate.

This ratio is calculated by using the following formula.

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

Current Assets

Those assets which are converted in the cash normally within a year are called current assets.

C.A. = Cash in hand, cash at bank, closing stock, Bills receivable account receivable, sundry debtors, marketable securities, short term investment, prepaid or advance expenses, accrued interest (income)

Current Liabilities (C.L)

Those liabilities which are to be discharged normally within one accounting year are called C.L.

C.L. = Bills payable/Notes payable/Account payable, sundry creditors, short term bank loan, Ban overdraft, outstanding exp, unearned or advance income, tax payable/provision for tax, dividend payable, proposed dividend, unclaimed dividend.

b) Quick Ratio (QR)

This ratio also called liquidity or acid test ratio. It shows the relationship between quick assets and current liabilities. Its main objective is to measure. The ability of the firm to meet its short term obligation is without relying upon the realization of stock. This ratio is computed dividing the quick assets by the current liabilities. This ratio may be calculated as under.

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

Quick Assets

Those current assets which can be converted into cash immediately at short notice without loss of value are called quick assets. All the current assets except Closing inventory and prepaid expenses are quick assets.

$$\text{Quick Assets} = \text{Current Assets} - \text{Closing Stock} - \text{Prepared Expenses}$$

Current liabilities= same as above.

c) Cash and bank balance to total deposit ratio (CBBTDR)

Total deposits consist of current deposits, saving deposit, fixed deposit money at call and short notice and other deposits. This ratio shows the proportion of total deposits held as compared to the most liquid assets. High ratio shows the strong liquidity position of the bank but very high ratio is not favorable the bank because doesn't produce appropriate profit to bear the high interest This ratio is calculated by dividing cash bank balance by total deposits.

$$\text{CBBTDR} = \frac{\text{Cash and Bank Balance}}{\text{Total Deposits}}$$

d) NRB balance to current and saving deposit ratio (NRB-CSDR)

Commercial Banks are required to hold certain proportion of current and saving deposits in NRB's account. It is to ensure the smooth functioning and sound liquidity position of the Bank. As per the directive of Nepal Rastra Bank, the required ratio of 8 percent must be kept as NRB balance. This means the ratio measures whether the bank is following the direction of NRB or not.

This ratio is computed by using this formula.

$$\text{NRB - CSDR} = \frac{\text{NRB Balance}}{\text{Current and Saving Deposits}}$$

e) Cash and bank balance to current and saving deposits ratio (CBBCSDR)

Cash and bank balance includes cash in hand, foreign cash in hand, other cash items, balance with domestic bank and balance held in foreign banks. On the other hand current and saving deposits consist of all types of deposits excluding fixed deposits.

This ratio measures the ability of bank to meet its immediate obligation. High ratio normally indicates sound liquidity position of the bank but too high ratio is not good as it reveals the under utilization of fund.

This ratio is calculated by dividing cash and bank balance by current and saving deposits.

$$\text{CBBCSDR} = \frac{\text{Cash and Bank Balance}}{\text{Current and Saving Deposits}}$$

f) Fixed deposit to total deposit ratio (FDTDR)

Profit it indicates the percentage between total deposits. High ratio shows better opportunity available to the bank to invest in sufficient generating long-term loans but low ratio indicates vice versa.

This ratio determined by dividing fixed deposits by total deposits.

$$\text{FDTDR} = \frac{\text{Fixed Deposit}}{\text{Total Deposits}}$$

3.6.1.1.2 Activity Ratios

Activity ratios are also known as assets management ratios. These ratios look at the amount of various types of assets and attempt to determine if they are too high or too low with regard to current operating levels. Mostly, activity ratio is used to evaluate managerial efficiency and proper utilization of assets.

- Investment to total deposit ratio
- Loans and advances to total deposit ratio.
- Loan advances to total assets ratio
- Total income generating assets to total assets ratio

a) Investment to total deposit ratio (ITDR)

The numerator includes government's treasury bills, development bonds, company shares and other investments. This ratio presents how efficiently the resources the banks have been utilized. High ratio shows managerial efficiency regarding the utilization of deposits and vice-versa.

This ratio is computed by dividing investment by total deposits. This can be stated as:

$$\text{ITDR} = \frac{\text{Investment}}{\text{Total Deposits}}$$

b) Loans and Advances to Total Deposits Ratios (LATDR)

Loans and advances consists of loans, advances cash credit overdrafts local and foreign bills purchased and discount. It indicates the proportion of total

deposits invested in loan and advances. High ratio indicates greater use of deposits in loans and advances but low ratio may be the cause of ideal cash or use of fund in less productive sector. Very high ratio shows the poor liquidity position.

This ratio is calculated by using following formula.

$$\text{LATDR} = \frac{\text{Loans \& Advances}}{\text{Total Deposits}}$$

c) Total income generating assets to total assets ratio (TIGATAR)

Income generating assets are those assets, which are invested for generally income. This includes loans, advances; bills purchased and discounted investment and money at call or short notice. This ratio shows what percentage of the total assets has been invested for income generation. High ratio indicates sound profitability position and greater utilization of assets.

$$\text{TIGATAR} = \frac{\text{Total Income Generating Assets}}{\text{Total Assets}}$$

3.6.1.1.3 Capital Adequacy Ratios

The ratio is important to every business firm. Similarly commercial banks must evaluate this ratio. Capital is important for an organization to maintain every facility. Holding excess capital that required may have higher holding cost and low return from investment, similarly holding too little capital may have inefficiency in paying liabilities of a firm.

So a firm should maintain an optimum level of cash. For maintaining optimum cash by the CBS NRB directs the commercial banks to increase or decrease or fix a certain percentage of capital funds out of total deposits.

- Total Net Worth to Total Assets Ratio
- Net Worth to Total Deposit Ratio

a) Net Worth to Total Assets Ratio (NWTAR)

This ratio is computed by dividing net worth by total assets.

$$\text{NWTAR} = \frac{\text{Net Worth}}{\text{Total Assets}}$$

This ratio measures the percentage of shareholder fund in relation total assets owned by banks. High ratio shows greater contribution of investors' fund and strong capital position.

b) Net Worth to Total Deposit Ratio (NWTDR)

It indicates the percentage of net worth in relations to the total deposits collected in the bank. The direction of the central bank has maintained or not by the bank, is the yardstick to measure the position.

This ratio is calculated by using the following formula.

$$\text{NWTDR} = \frac{\text{Net Worth}}{\text{Total Deposit}}$$

3.6.1.1.4 Capital Structure Ratios

Capital structure ratio also known as leverage ratios are the measures of long-term solvency of a bank. Capital structure generally refers to the composition of debt and equity component of overall capital of a firm. These ratios are calculated to measure the long-term financial position of the bank.

Specially, structure ratio and coverage ratio have been calculated and interpreted under capital structure ratio. The first ratio deals with the composition of debt and equity capital where as to second show the relationship between shareholders' fund and total assets of the banks. These two categories of ratio, particularly, include the following.

- Debt to Equity Ratio
- Total Debt to Total Assets Ratio &
- Interest Coverage Ratio.

a) Debt to Equity Ratio (DER)

This ratio shows the relationship between debt capital and equity capital. High debt equity ratio indicates greater financing by debt holders than those of equity holders. From the creditor's view-point, high debt-equity ratio of the banks is more risky to them. It means the bank may fail to satisfy creditors.

This ratio can be calculated in this way.

$$DER = \frac{\text{Total Debt}}{\text{Shareholders Equity}}$$

Where,

Total Debt=Long term Debt + Current Liabilities

b) Total Debt to Total Assets Ratio (TDTAR)

This ratio can be denotes the relationship between total debt and total assets of the banks. The higher ratio indicates the greater portion of the outsiders' and investment in term of the bank's assets.

$$TDTAR = \frac{\text{Total Debt}}{\text{Total Assets}}$$

Where,

Total Debt=Long term Debt+ Current Liabilities

c) Interest Coverage Ratio (ICR)

This ratio is computed by dividing earning before income and tax by interest. This ratio evaluates the debt serving capacity of the banks.

$$ICR = \frac{\text{EBIT}}{\text{Interest}}$$

The higher ratio shows that the bank can pay the interest easily.

3.6.1.1.5 Profitability Ratio

Any business organization is run primarily for profit. Profitability ratios give some yardsticks to measure profit in relative terms, either with reference to sales or assets or capital employed Profitability is the difference between the revenues and the expenditure over a period. Profitability ratios measure the

efficiency of business enterprise. Profit is the main element that makes an organization to survive for long term. There are two areas when judging profitability one is relationship between on the income statement that indicate a company's ability to recover the costs and expenses and other is relationship of income of various balance sheet measure that indicate the company's relative ability to earn incomes on assets employed. Following ratio is analyzed:

a) Return on total assets (ROA)

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

$$ROA = \frac{NPAT}{Total\ Assets} \times 100\%$$

b) Basic Earning Power (BEP)

This ratio indicates the ability of the firms' assets to generate operating income. BEP is calculated by dividing Earning before Interest and Tax (EBIT) by Total Assets.

It is calculated by the following formula:

$$BEP = \frac{EBIT}{Total\ Asset} \times 100\%$$

c) Return on common equity (ROE)

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

$$ROE = \frac{NPAT}{Shareholder\ Equity} \times 100\%$$

d) Net Income to Total Deposit Ratio (NITD)

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

$$NPTD = \frac{NPAT}{Total\ Deposit} \times 100\%$$

3.6.1.1.6 Market Value Ratio

A final group of ratios, market value ratio, relates the firm's stock price to its earnings and book value per share, and thus give management an indication of what investors think of the company's past performance and future prospects. If the firm's liquidity, assets management, debt management and profitability ratios are all good, then its market Value ratios will be high, and its stock will probably be high can be expected. Following ratios are analyzed:

a) Earning per share Ratio (EPS)

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

$$EPS = \frac{NPAT}{Numbers\ of\ Shares} \times 100\%$$

b) Price earning Ratio (PER)

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

$$PE\ Ratio = \frac{Market\ price\ per\ share}{Earning\ price\ per\ share}$$

3.6.1.2 Statistical Tools

In present study certain statistical tools have been used to compare the figures and draw one meaningful conclusion there from. The relationship between different variables related to study topic would draw out using statistical tools.

Following are the main statistical tools under to explain the idea about the concentration of the data.

3.6.1.2.1 Simple Arithmetic Mean

The mean for a group of item value is simply the sum of numerical value of each and every observation divided by the total number observations.

It is the most commonly used of all average. This is due to the simplicity of its calculation and other advantage. It is defined as the value which we get by dividing the aggregate of various items of the same genus by the total number of items.

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

Where,

\bar{X} = Arithmetic Mean

x = Sum of Midpoint of Class Interval

N = Number of items

3.6.1.2.2 Standard Deviation (S.D.)

Standard deviation is defined as the square root of average of the squares of deviations of observations from the mean of the distribution. It may also be defined as the positive square root of variance, where variance is the average of square of deviations of the observations from the mean. both of these two measures of dispersion measures the same variations but we shall use the variance as a parameter incase of theoretical statistics and the standard deviation in case of applied statistics.

It may be noted, here, that it was Karl Pearson who gave this measure of dispersion the name of S.D. It is denoted by the Greek letter, the S.D. is computed as below:-

$$\sigma = \frac{\sum d^2}{n}$$

Where,

σ = standard deviation

d^2 = sum of square deviation

n = number of items

3.6.1.2.3 Co-efficient of Variation

Coefficient of variation is a relative measure of dispersion based on standard deviation. It is defined as:

$$\sigma = \frac{\text{Standard deviation}}{\text{Mean } (\bar{X})} \times 100\%$$

And it measures standard deviation as a percent of the arithmetic mean.

It should be noted that this ratio is dimensionless since both standard deviation and mean have the dimensions of the variation. It is quite unreliable in cases where the mean is near to zero, but it is used to great advance when the standard deviation is too small to comprehend.

3.6.1.2.4 Karl Pearson's Coefficient of Correlation

It is a statistical tool for measuring the intensity or magnitude of linear relationship between the two variable series. Karl Pearson's measure, known as Person Ian correlation coefficient between two variables (series) X and Y, usually denoted by 'r(X,Y)' or 'r_{xy}' or simply 'r' can be obtained as :

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

Where,

n = number of observations in series X and Y;

ΣX = sum of observations in series X,

ΣY = sum of observation in series Y;

ΣX^2 = sum of squared observations in series X;

ΣY^2 = sum of squared observations in series Y;

ΣXY =sum of the product of observations in series X and Y The value of correlation coefficient 'r' lies between -1 to 1, i.e. $-1 \leq r \leq 1$.

If $r = 1$, there is perfect positive relationship. If $r = -1$, there is perfect negative relationship. If $r = 0$, there is no correlation at all. (*Gupta, 1999:519-521*)

The closer the value of 'r' is 1 or -1, the closer the relationship between the variables and the closer 'r' is to 0, the less close relationship. [*Shrestha and Manandhar, 1999 (2056): 234*]

3.6.1.2.5 Time Series/Trend Analyses

Trend analysis is also one of the most useful statistical tools. Trend analysis of ratio indicates the change over a period of change. This kind of analysis is particularly applicable to the items if profit and loss account. It is a signification tool of horizontal financial analysis. It is a dynamic method to indicate the change and deviation in term of financial statements. Trend analysis helps to identify the comfortable in terms of given period and future forecast can be made for ongoing concern.

Trend analysis is very useful in terms of all types of banks and to the shareholder. Though this analysis bank can estimate the future investments opportunities, rate of return, deposit liabilities etc., whether to stick in the present growth rate, or to increase or decreases. In term of shareholders, trend analysis help to whether to invest on the bank or to leave as per the satisfaction of the growth rate. For depositors, it provides degree of satisfy in the form of financial credit worthiness, it assures about the financial capability of the banks to tarnish their loans and advances in future, provided that the present trend continues based on time. For the calculation of the line of the best fit, the following equation should be used.

The line of the best fit, the following equation should be used.

$$Y_c = a + bx$$

Where,

Y_c = the estimated value of y for given value of x obtained from the line of regression of y on x.

a= constant value

b= slope of line or rate of change

x= the variable in time series analysis represents time or independent variable.

The formula of calculating "a" and "b" is given below:

$$a = \bar{Y} - b\bar{X}$$

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

Where,

$\sum x$ = Sum of the observation in series x

$\sum y$ = Sum of the observation in series y

$\sum xy$ = Sum of the observation in series x and y.

$\sum x^2$ = Sum of the square observation in series x.

CHAPTER - IV

DATA ANALYSIS AND PRESENTATION

4. Introduction

In this chapter, the data have been analyzed and interpreted using financial and statistical tools following the research methodology dealt in the third chapter. In the part of analysis, various tables have been used to present the data collected from various sources have been inserted in the required tables according to their homogenous nature. The outcomes of the analysis have been compared with conventional standard with respect to ratio analysis, directives of NRB and other factors. Further more, many suitable graphs, and diagrams have also been used to clarify the actual position and performance.

4.1 Financial Tools

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

4.1.1 Liquidity Ratio

Liquidity Ratio measures the firm's ability to fulfill its short-term commitments. These ratios focus on current assets and current liabilities and are used to ascertain the short-term solvency. The following ratio has been applied to find out liquidity position of the banks.

4.1.1.1 Current Ratio (CR)

The current ratio is the ratio of total current assets to total current liabilities and measures the short-term solvency of a firm. It is calculated by dividing current assets by current liabilities.

Table 4.1
Current Ratio of NIC Bank Limited

(In Rs 000)			
Year	Current Assets	Current Liability	Ratio (%)
2005/06	2,084,491.188	8,959,434.169	0.2327
2006/07	10,524,268.573	10,208,715.170	1.0309
2007/08	13,924,442.000	13,400,309.412	1.0391
2008/09	16,825,733.348	16,229,974.465	1.0367
2009/10	17,151,491.097	16,621,128.445	1.0319
2010/11	16,929,228.049	19,118,730.873	0.8854
Average (\bar{X})			0.8761
Standard Deviation (s.d.)			0.2929
Coefficient of variation (c.v.)			0.3343

(Source: - Appendix 1)

Analysis of table 4.01 shows that the current Assets of NIC Bank Ltd. have always exceeded the current liabilities for the study period of six Years from 2005/06 to 2010/11. The bank has the highest current ratio of 1.0391 in 2007/08 and the lowest current Ratio of 0.2327 in 2005/06 with an average current ratio of 0.8761; s.d. and C.V. are 0.2929 and 0.3343 respectively during the study period. In general terms, the bank has been able to meet its short-term obligations. The above analysis indicates that the bank is in sound liquidity position.

4.1.1.2 Quick Ratio (QR)

Quick ratio shows the relationship between liquid assets and current liabilities. It measures the short-term liquidity of the bank but it emphasis the instant debt paying capacity of the bank. The following table shows the quick ratio of NIC.

Table No. 4.2
Quick Ratio of NIC Bank

Year	Quick Assets	Current Liability	Ratio (%)
2005/06	1,335,352.109	8,959,434.169	0.149
2006/07	9,924,509.940	10,208,715.170	0.972
2007/08	12,732,093.215	13,400,309.412	0.950
2008/09	15,364,582.797	16,229,974.465	0.947
2009/10	15,065,360.982	16,621,128.445	0.906
2010/11	16,866,679.725	19,118,730.873	0.8822
Average (\bar{X})			0.8011
Standard Deviation (s.d.)			0.2931
Coefficient of Variation (c.v.)			0.3658

(Source: Appendix 2)

Analysis of table 4.02 shows that the Quick Assets of NIC Bank Ltd. have always exceeded the current liabilities for the study period of six Years from 2005/06 to 2010/11. There is a fluctuation in this ratio. The highest ratio is 0.972 in Fiscal year 2006/07 and the lowest current of 0.149 in 2005/06 with an average Quick ratio of 0.8011; s.d. and C.V. are 0.2931 and 0.3658 respectively during the study period. The standard quick ratio is 1:1. The calculated ratios are below than the normal standard, it is duly satisfactory.

4.1.1.3 Cash and bank balance to total deposit ratio (CBBTDR)

This ratio is calculated by dividing cash and bank balance by total deposits, it is calculated is as below.

Table 4.3
Cash and Bank Balance to Total Deposit Ratio

Year	Cash and Bank Balance	Total Deposits	Ratio (%)
2005/06	1,010,386,565	6,241,378,160	16.19
2006/07	749,139,079	8,765,950,638	8.55
2007/08	599,758,632	10,068,230,869	5.96
2008/09	1,192,348,786	13,084,688,672	9.11
2009/10	1,461,150,549	15,579,930,904	9.38
2010/11	2,086,130,109	15,968,917,926	13.06
Average (\bar{X})			10.38
Standard Deviation (s.d.)			3.33
Coefficient of variation (c.v.)			0.32

(Source: Appendix-3)

The analysis of table 4.03 shows that cash reserve ratio of the NIC Bank differs from maximum of 16.19% in the year 2005/06 to the minimum of 5.96% in the year 2007/08; s.d. and C.V. are 3.33% and 0.32% respectively. The analysis specifies that the bank is volatile to maintain cash reserve ratio as per NRB directives.

4.1.1.4 NRB balance to current and saving deposit ratio (NRB-BCSDR)

This ratio is calculated by dividing NBR balance by current and saving deposit which is as below.

Table 4.04
NRB Balance to Current and Saving Deposit Ratio

Year	NRB Balance	Current and Saving Deposit	Ratio (%)
2005/06	69,777,858	2,024,258,932	3.45
2006/07	139,186,303	2,797,420,661	4.98
2007/08	262,735,366	3,845,871,786	6.83
2008/09	634,114,316	4,322,075,425	10.04
2009/10	970,981,465	4,828,409,550	20.12
2010/11	589,322,223	4,935,746,436	11.94
Average (\bar{X})			9.56
Standard Deviation (s.d.)			5.53
Coefficient of variation (c.v.)			0.58

(Source: Appendix 4)

Table 4.04 exposed that the ratios of NIC were 3.45%, 4.98%, 6.83%, 10.04%, 20.12% and 11.94% with mean ratio of 9.56%, s.d. and C.V. are 5.53% and 0.58% respectively. Commercial Banks are required to hold certain proportion of current and saving deposits in NRB's account. The Bank should maintain NRB's standard which 6% is. It can be concluded the smooth functioning and sound liquidity position of the Bank.

4.1.1.5 Cash and bank balance to current and saving deposits ratio (CBBCSDR)

This ratio is calculated by dividing cash and bank balance by current and saving deposits, it is computed is as below.

Table 4.5
Cash and Bank Balance to Current and Saving Deposits Ratio

Year	Cash and Bank Balance	Current and Saving Deposit	Ratio (%)
2005/06	1,010,386,565	2,024,258,932	49.91
2006/07	749,139,079	2,797,420,661	26.78
2007/08	599,758,632	3,845,871,786	15.59
2008/09	1,192,348,786	4,322,075,425	27.59
2009/10	1,461,150,549	4,828,409,550	30.26
2010/11	2,086,130,109	4,935,746,436	42.27
Average (\bar{X})			32.07
Standard Deviation (s.d.)			11.14
Coefficient of variation (c.v.)			0.35

(Source: Appendix 5)

The Above Calculated table shows that the Cash and Bank Balance to current & saving deposits of NIC Bank Ltd. have only good condition in the fiscal year 2005/06 with ratio of 49.91% and in the fiscal year 2010/11 with ratio of 42.27%. The bank has the highest ratio of 49.91 in 2005/06 and the lowest ratio of 15.59% in the fiscal year 2007/08 with an average ratio of 32.07%; s.d. and C.V. are 11.14% and 0.35% during the study period. In general terms, the bank has been able to meet its short-term obligations. The above analysis indicates that the bank is in sound liquidity position. High ratio normally indicates sound liquidity position of the bank but too high ratio is not good as it reveals the under utilization of fund.

4.1.1.6 Fixed deposit to total deposit ratio (FDTDR)

This ratio determined by dividing fixed deposits by total deposits, it is computed is as below.

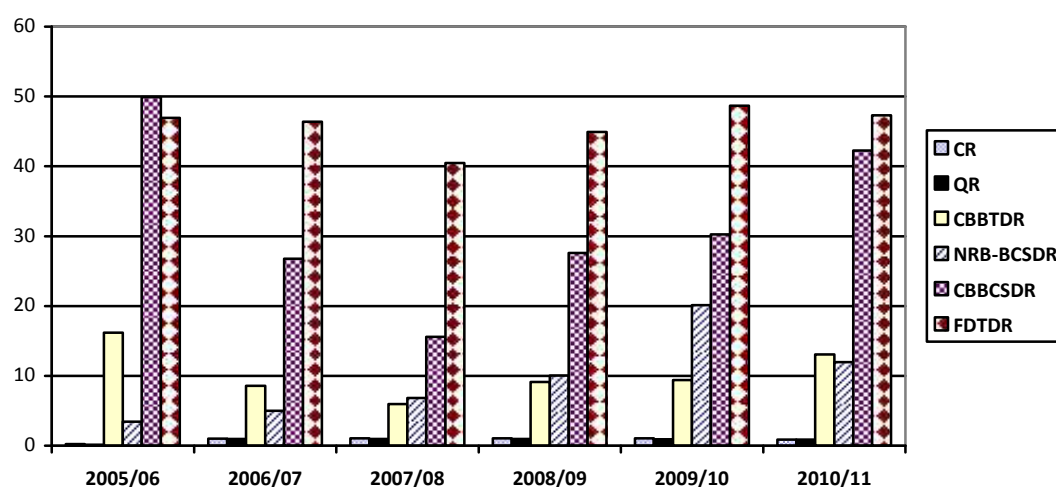
Table 4. 6
Fixed Deposit to Total Deposit Ratio

Year	Fixed Deposit	Total Deposits	Ratio (%)
2005/06	2,930,619,941	6,241,378,160	46.95
2006/07	4,064,500,981	8,765,950,638	46.37
2007/08	4,074,563,221	10,068,230,869	40.47
2008/09	5,875,951,533	13,084,688,672	44.91
2009/10	7,580,059,764	15,579,930,904	48.66
2010/11	7,554,059,836	15,968,917,926	47.30
Average (\bar{X})			45.78
Standard Deviation (s.d.)			2.6
Coefficient of variation (c.v.)			0.057

(Source: Appendix 6)

Fixed deposit is the high interest bearing deposit which can be withdrawn only after its maturity. The above table shows that the fixed deposit to total deposit ratio of the NIC Bank differ from maximum of 48.66 %in the year 2008/09 to the minimum of 40.47% in the year 2007/08 with an average of 45.78%, s.d. and C.V. are 2.6% and 0.057% during the study period of six years. The analysis indicates that the portion of fixed deposit in the total deposit is fluctuating. it means this condition of bank is bad.

Figure 4.1
Liquidity Ratio of NIC Bank Ltd



4.1.2 Activity Ratios

Activity ratio has been used to evaluate managerial efficiency and proper utilization of assets. This includes investment to total deposit ratio, loans and advances to total deposit ratio, loans and advances to saving deposit ratio and total income generating assets to total deposit ratio.

4.1.2.1 Investment to total deposit ratio (ITDR)

This ratio is computed by dividing investment by total deposits. This can be stated as:

Table 4.07
Investment to total deposit ratio

Year	Investment	Total Deposits	Ratio (in %)
2005/06	1,572,902,035	6,241,378,160	25.20
2006/07	2,479,912,524	8,765,950,638	28.29
2007/08	1,599,481,050	10,068,230,869	15.89
2008/09	2,311,468,317	13,084,688,672	17.67
2009/10	3,026,022,185	15,579,930,904	19.42
2010/11	4,946,777,670	15,968,917,926	30.98
Average (\bar{X})			22.91
Standard Deviation (s.d.)			5.6
Coefficient of variation (c.v.)			0.24

(Source: Appendix 7)

Table 4.07 shows that investment to total deposit ratios of NIC Bank Ltd. remained 25.20%, 28.29%, 15.89%, 17.67%, 19.42% and 30.98% in the respective years with the average of 22.91%, s.d. and c.v. are 5.6% and 0.24% in the study period. The higher average shows that NIC is successful in managerial efficiency regarding the utilization of deposits.

4.1.2.2 Loans and Advances to Total Deposits Ratios (LATDR)

This ratio determined by dividing Loan and Advance by total deposits. This ratio is calculated is as below.

Table 4.8
Loans and Advances to Total Deposits Ratios

Year	Loans and Advances	Total Deposits	Ratio (%)
2005/06	4,711,712,301	6,241,378,160	75.49
2006/07	6,655,964,020	8,765,950,638	75.93
2007/08	8,941,397,651	10,068,230,869	88.81
2008/09	11,264,678,096	13,084,688,672	86.09
2009/10	13,679,393,779	15,579,930,904	87.80
2010/11	12,732,014,319	15,968,917,926	79.73
Average (\bar{X})			82.31
Standard Deviation (s.d.)			5.49
Coefficient of variation (c.v.)			0.067

(Source: Appendix 8)

The above calculated shows that loans and advances to total deposits of the NIC Bank fluctuates from maximum of 88.81% in the fiscal year 2007/08 to the minimum of 75.49% in the year 2005/06 with an average of 82.31%, s.d. and c.v. are 5.49% and 0.067% respectively. Higher ratio reveals that it is efficient to utilize the financial resources in productive sectors.

The analysis shows that the bank is mobilizing its total deposits in loan and advances adequately and it has efficiently utilized its total deposits for loan and advances.

4.1.2.3 Total income generating assets to total assets ratio (TIGATAR)

This ratio determined by dividing Total income generating assets by total Assets. This ratio is calculated is as below.

Table 4.9

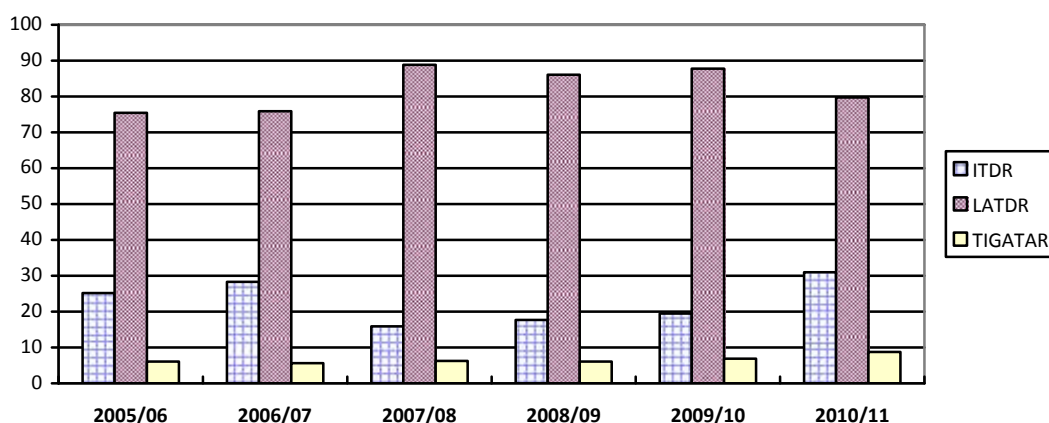
Total Income Generating Assets to Total Assets Ratio

Year	Total income generating assets	Total Assets	Ratio (%)
2005/06	457,609,969	7,510,396,565	6.09
2006/07	579,979,428	10,383,601,708	5.59
2007/08	725,819,040	11,679,339,865	6.21
2008/09	931,400,562	15,238,736,314	6.11
2009/10	1,283,520,711	18,750,633,197	6.85
2010/11	1,777,165,668	20,309,330,616	8.75
Average (\bar{X})			6.60
Standard Deviation (s.d.)			1.03
Coefficient of variation (c.v.)			0.16

(Source: - Appendix 9)

Table 4.09 depicts that the ratios of NIC Bank were 6.09%, 5.59% 6.21%, and 6.11%, 6.85% and 8.75% in the respective years of study period with the mean of 6.60%. And s.d. and C.V. are 1.03% and 0.16% respectively, which is low risky. This higher ratio shows that NIC Bank has sound profitability position and greater utilization of its assets.

Figure 4.2
Activity Ratio of NIC Bank Ltd



4.1.3 Capital Adequacy Ratio

The ratio is important to every business firm. Similarly commercial banks must evaluate this ratio. Capital is important for an organization to maintain every

facility. Holding excess capital that required may have higher holding cost and low return from investment, similarly holding too little capital may have inefficiency in paying liabilities of a firm.

4.1.3.1 Net Worth to Total Assets Ratio (NWTAR)

This ratio is computed by dividing net worth by total assets, it is calculated as below.

Table 4.10
Net Worth to Total Assets Ratio

Year	Net Worth	Total Assets	Ratio (in %)
2005/06	684,193,958	7,510,396,565	9.10
2006/07	766,462,479	10,383,601,708	7.38
2007/08	918,495,972	11,679,339,865	7.86
2008/09	1,303,426,900	15,238,736,314	8.55
2009/10	1,660,253,729	18,750,633,197	8.85
2010/11	176,495,2168	20,309,330,616	8.69
Average (\bar{X})			8.41
Standard Deviation (s.d.)			0.596
Coefficient of variation (c.v.)			0.071

(Source: - Appendix 10)

The table 4.10 displays that the ratios of NIC Bank remained 9.10%, 7.38%, 7.86%, 8.55%, 8.85% and 8.69% in the respective years of study period with the average of 8.41%. The greater ratio indicates that NIC Bank has greater contribution to investors fund and strong capital adequacy position. This ratio measures the percentage of shareholder fund in relation total assets owned by banks. The above presentation shows the purchase of assets is more than that of shareholder's equity. Purchase of more assets is not good to the business but sometimes results may be different.

4.1.3.2 Net Worth to Total Deposit Ratio (NWTDR)

This ratio determined by dividing Net Worth by Total Deposit. This ratio is calculated as below.

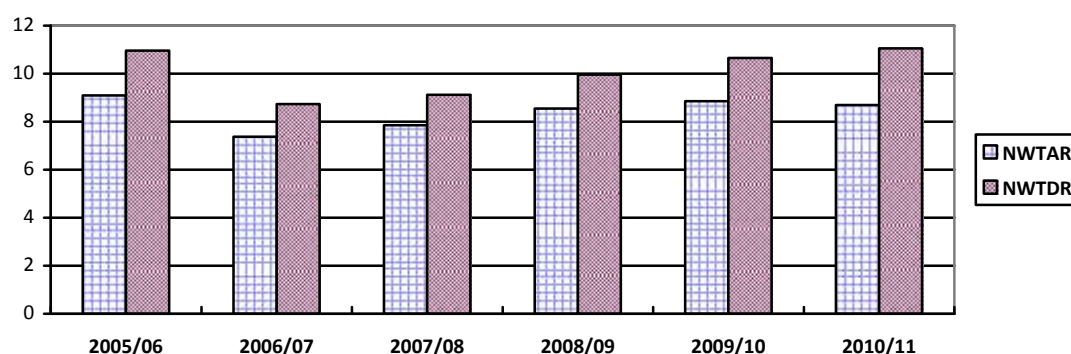
Table 4.11
Net Worth to Total Deposit Ratio

Year	Net Worth	Total Deposits	Ratio (%)
2005/06	684,193,958	6,241,378,160	10.96
2006/07	766,462,479	8,765,950,638	8.74
2007/08	918,495,972	10,068,230,869	9.12
2008/09	1,303,426,900	13,084,688,672	9.96
2009/10	1,660,253,729	15,579,930,904	10.66
2010/11	1,764,952,168	15,968,917,926	11.05
Average (\bar{X})			10.08
Standard Deviation (s.d.)			0.89
Coefficient of variation (c.v.)			0.089

(Source: Appendix 11)

The above calculated shows that Net Worth to Total Deposits ratio of NIC Bank fluctuating from maximum of 11.05 % in the fiscal year 2010/11 to the minimum of 8.74% in the year 2006/07 with an average of 10.08 percentage. According to the NRB directives to the capital adequacy ratio 11 percent NIC Bank fails to be maintained the ratio as prescribed by the Central Bank except in the fiscal year 2010/11. Standard deviation is 0.89, which says that the 0.78% deviation is occurred in six years and 0.089% is the co-efficient of variation, from the mean value of standard deviation.

Figure 4.3
Capital Adequacy Ratio



4.1.4 Capital Structure Ratios

Capital structure ratio also known as leverage ratios are the measures of long-term solvency of a bank. Capital structure generally refers to the composition of debt and equity component of overall capital of a firm.

4.1.4.1 Debt to Equity Ratio (DER)

This ratio determined by dividing Total Debt by Share holder Equity. This ratio is calculated is as below.

Table 4.12
Debt to Equity Ratio

Year	Total Debt	Total Equity	Ratio (Times)
2005/06	534,751,638	684,193,958	0.782
2006/07	764,798,197	766,462,479	0.998
2007/08	595,605,321	918,495,972	0.649
2008/09	593,966,358	1303,426,900	0.456
2009/10	1,147,404,134	1,660,253,729	0.691
2010/11	2,318,509,543	1,764,952,168	1.31
Average (\bar{X})			0.815
Standard Deviation (s.d.)			0.276
Coefficient of variation (c.v.)			0.34

(Source: - Appendix 12)

The above calculated table shows that debt to equity ratio of the NIC Bank fluctuates from maximum of 1.31 times in the fiscal year 2010/11 in the year to the minimum of 0.456 times in the year 2008/09 with an average of 0.815 times during the study period. The analysis indicates that the bank has the high debt ratio, which indicates that the creditors have invested more in the bank than the owners. The s.d. is 0.276 and C.V. is 0.34 which means there is no great fluctuation between ratios. This ratio is not in satisfactory level. It is advisable that the borrowings should be reduce and the fixed deposit (which is assumed here as a portion of long-term liability) should be increase. On the other hand, owner's equity should be increase to make an optimal structure.

4.1.4.2 Total Debt to Total Assets Ratio (TDTAR)

This ratio is computed by dividing total debit by total assets.

Table 4.13
Total Debt to Total Assets Ratio

Year	Total Debt	Total Assets	Ratio (in %)
2005/06	534,751,638	7,510,396,565	7.12
2006/07	764,798,197	10,383,601,708	7.37
2007/08	595,605,321	11,679,339,865	5.0
2008/09	593,966,358	15,238,736,314	3.90
2009/10	1,147,404,134	18,750,633,197	6.11
2010/11	2,318,509,543	20,309,330,616	11.72
Average (\bar{X})			6.87
Standard Deviation (s.d.)			2.47
Coefficient of variation (c.v.)			0.36

(Source: - Appendix 13)

The above calculated table shows that Debt to Total Assets of the NIC Bank differs from maximum of 11.72% in the year 2010/11 to the minimum of 3.9% in the year 2008/09 with an average of 6.87% during the study period. This analysis indicates that the bank has the high debt equity ratio, which means creditors have invested more in the bank than the owners. So this shows role of creditors in the bank is high than the owners in investing sector of Bank. . The s.d. is 2.47% and C.V. is 0.36% which means there is no great fluctuation between ratios.

4.1.4.3 Interest Coverage Ratio (ICR)

This ratio is computed by dividing earning before income and tax by interest. This ratio evaluates the debt serving capacity of the banks.

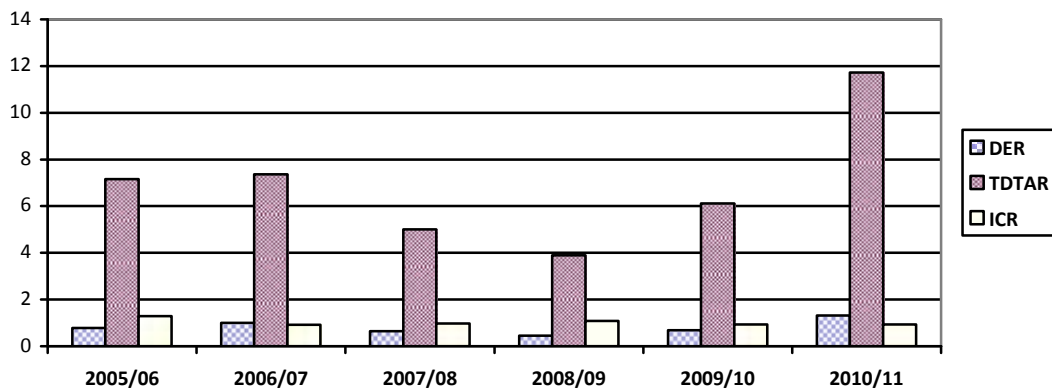
Table 4.14
Interest Coverage Ratio

Year	EBIT	Interest Expenses	Ratio (in time)
2005/06	292,505,508	225,992,488	1.29
2006/07	314,835,122	340,221,921	0.925
2007/08	410,912,624	421,374,951	0.975
2008/09	546,340,908	505,995,879	1.08
2009/10	719,920,829	767,196,816	0.938
2010/11	962,009,904	1,031,474,076	0.933
Average (\bar{X})			1.02
Standard Deviation (s.d.)			0.13
Coefficient of variation (c.v.)			0.1275

(Source: - Appendix 14)

The above calculated table shows that the ratios of NIC Bank remained 1.29, 0.925, 0.975, 1.08, 0.938 and 0.933 times respectively during the study period. The ratio differs from maximum of 1.29 times in the year 2005/06 to the minimum of 0.925 times in the year 2006/07 with an average of 1.02 times during the study period. This analysis indicates that the bank has sufficient operation of debt and can pay interest easily. The s.d. is 0.13 and C.V. is 0.1275 which means there is no great fluctuation between ratios.

Figure 4.4
Capital Structure Ratio



4.1.5 Profitability Ratio

Profit is the main element for financial institution to survive and grow over the long run. But only earning profit is not the ultimate aim of the institution and it should never be earned at the cost of employees, customers and society. However, profitability is a measure of efficiency and search for it provides an incentive to outside efficiency. This ratio indicates the degree of success in achieving desired profit levels of the working funds. These ratios are of two types: those showing profitability in relation to sales and those showing profitability in relation to investment. A firm should earn profits to survive and grow over a long period of time. Profits are indispensable but it would be wrong to assume that every action initiated by management of a firm should be aimed at maximizing profits, irrespective of social magnitude and responsibilities. Even then, profit plays a fundamental role to make a firm stand strong to meet its social responsibilities. Profit is the difference between

revenues and expenses over a period of time. Profit is the ultimate output of a firm, and it will have no future if it fails to make sufficient profit. The profitability ratios are calculated to measure the operating efficiency of the firm. The profitability ratio measures the profit of a company makes in relation to assets. A company's value is in its income stream, and its assets are simply a means to achieve this goal. The ideal company would produce income without assets. Besides the management of the firm, creditors and owners are also interested in the profitability of the firm. "Profit must be earned to sustain the operations of the business to be able to obtain funds from investors for expansion and growth and to contribute towards the social overheads for the welfare of the society."

To measure the profitability of the NIC, a number of ratios have been calculated and analyzed underneath.

4.1.5.1 Return on Total Assets (ROA)

This ratio measures how far the management has utilized all the assets of a firm for profit generating activities. This ratio provides the foundation necessary for a company to deliver a good return on equity. Higher ROA ratio indicates higher efficiency in the utilization of total assets and vice-versa. ROA is calculated by dividing Net Income after Tax by Total Assets. Net profit is the after tax profit of a firm, which can be utilized by the firm for its own purpose or for the benefit of owners. Total assets also termed, as working fund is the total utilization of a firm's fund. Net profit stated other way, is the reward to a firm for efficient utilization of its various assets. The net profit to total assets ratio, therefore, points out how successfully a firm has utilized its total assets. It indicates profit-earning capacity of the assets. A superior net profit to total assets ratio shows firm's better position and wise to maximize this ratio. Following table shows the net profit to total assets ratio of the bank for the period of study.

Table No 4.15
Table Showing Return on Total Assets (ROA)

Year	NPAT	Total Assets	Ratio (in %)
2005/06	113,755,734	7,510,396,565	1.51
2006/07	96,587,674	10,383,601,708	0.93
2007/08	158,475,051	11,679,339,865	1.36
2008/09	243,058,040	15,238,736,314	1.60
2009/10	317,434,138	18,750,633,197	1.69
2010/11	449,843,702	20,309,330,616	2.21
Average (\bar{X})			1.55
Standard Deviation (s.d.)			0.343
Coefficient of Variation (c.v.)			0.2213

(Source: - Appendix 15)

The table no 4.15 reveals the ROA of NIC bank for the Year 2005/06 to 2010/11. The Ratios of ROA is 1.51%, 0.93%, 1.36%, 1.60%, 1.69% and 2.21% for the year 2005/06 to 2010/11. The average ratio is 1.55% and the standard deviation is 0.343% for the period of six years. The total assets increasing every year but Net profit is increasing except 2006/07. The ROA decreases to 0.93% from 1.51% in the year 2006/07 which is not good trend. The ROA increases 1.36%, 1.60%, 1.69% and 2.21% after the fiscal year 2006/07 respectively. The increase in total assets is good so again the bank should try to increase the ratio. The ROA of the bank is in fluctuating trend and the bank should be trying to keep it at an increasing trend. Increment of return in connection to the assets is very good to every business entity.

4.1.5.2 Basic Earning Power (BEP)

This ratio indicates the ability of the firms' assets to generate operating income. BEP is calculated by dividing Earning before Interest and Tax (EBIT) by Total Assets.

Table No.4.16**Table Showing Basic Earning Power**

Year	EBIT	Total Assets	Ratio (in %)
2005/06	292,505,508	7,510,396,565	3.89
2006/07	314,835,122	10,383,601,708	3.03
2007/08	410,912,624	11,679,339,865	3.52
2008/09	546,340,908	15,238,736,314	3.59
2009/10	719,920,829	18,750,633,197	3.84
2010/11	962,009,904	20,309,330,616	4.74
Average (\bar{X})			3.77
Standard Deviation (s.d.)			0.52
Coefficient of Variation (c.v.)			0.1371

(Source: - Appendix 16)

The table no 4.16 reveals the basic earning power of NIC bank for the Year 2005/06 to 2010/11. The Basic Earning Power is 3.89%, 3.03%, 3.52%, 3.59%, 3.84% and 4.74% for the fiscal year 2005/06 to 2010/11. The average ratio is 3.77% and the standard deviation is 0.52 and C.V. is 0.1371 for the period of six years. Basic earning higher must be positive for the satisfactory level. Basic Earning Power is decreasing in fiscal year 2006/07 and increasing there after. Any Institution should try to increase basic earning power.

4.1.5.3 Return on Common Equity (ROE)

The ratio of net income to common equity measures the rate of return on common stockholders' investment. This is the king amongst the ratio. This ratio measures the profit earned by the NIC by utilizing owner's equity there by generating return to satisfy the owners. Higher the ratio indicates sound management and efficiency and wealth maximization of the banks, which in turn is the wealth maximization of the banks. ROE is calculated by dividing Net profit after-Tax (NPAT) by Common Equity.

Here, NPAT refers to net profit after tax from profit and loss a/c and shareholder equity refers to paid up capital, reserve and surplus and undistributed profits.

Table No.4.17
Table showing Return on Equity of NIC bank

Year	NPAT	Total Equity	Ratio (in %)
2005/06	113,755,734	684,193,958	16.62
2006/07	96,587,674	766,462,479	12.60
2007/08	158,475,051	918,495,972	17.25
2008/09	243,058,040	1,303,426,900	18.65
2009/10	317,434,138	1,660,253,729	19.12
2010/11	449,843,702	1,764,952,168	25.49
Average (\bar{X})			18.28
Standard Deviation (s.d.)			3.85
Coefficient of variation (c.v.)			0.21

(Source: - Appendix 17)

Table no 4.17 shows the ROE of the bank for the 6 years. The Basic ROE is 16.62%, 12.6%, 17.25%, 18.65%, 19.12% and 25.49% for the fiscal year 2005/06 to 2010/11. The average ratio is 18.28% and the standard deviation is 3.85 and C.V. is 0.21 for the period of six years. The ROE is increasing in every year. It shows that there is increment in the net profit as well as in equity.

4.1.5.4 Net Income to Total Deposit (NITD)

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

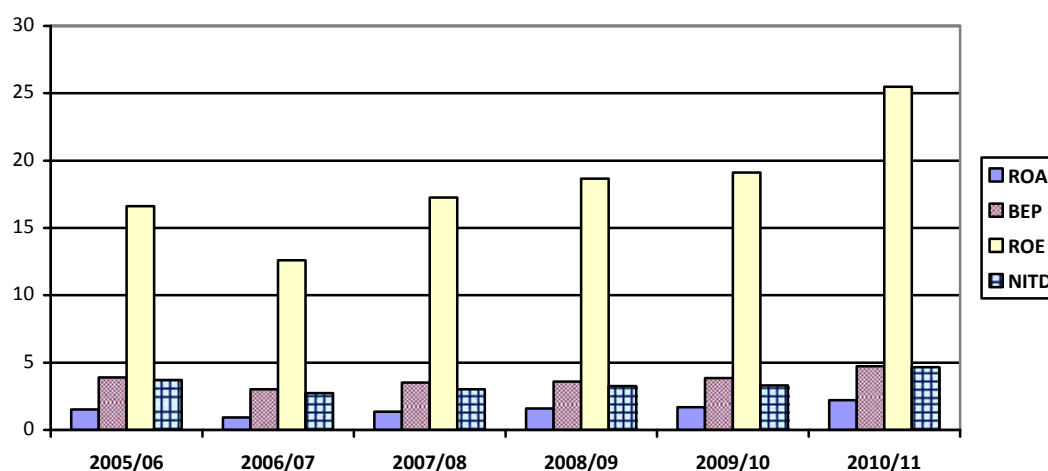
Table No. 4.18
Table Showing Net Income to Total Deposit of NIC bank

Year	Net Income	Total Deposits	Ratio (%)
2005/06	231,617,481	6,241,378,160	3.71
2006/07	239,757,507	8,765,950,638	2.74
2007/08	304,444,089	10,068,230,869	3.02
2008/09	425,404,683	13,084,688,672	3.25
2009/10	516,323,895	15,579,930,904	3.31
2010/11	745,691,592	15,968,917,926	4.67
Average (\bar{X})			3.45
Standard Deviation (s.d.)			0.62
Coefficient of Variation (c.v.)			0.1814

(Source: - Appendix 18)

The table 4.18 indicates Net Income to Total deposit ratio for six years. It is clear that the net income of the bank is increasing trend. It shows that there is increment in net income as well as total deposits but not in the same ratio. The ratio differs from maximum of 4.67 times in the year 2010/11 to the minimum of 2.74 times in the year 2006/07 with an average of 3.45 times during the study period. The standard deviation is 0.62% and C.V. is 0.1814%. Mobilization of deposit is an important way to earn profit for the commercial bank. The above analysis helps to conclude that Net Income to deposit ratio of NIC Bank is better. It is the indicator of better performance of NIC Bank.

Figure 4.5
Profitability Ratio



4.1.6 Market Value Ratios

A final group of ratios, market value, related to firm's stock price to its earning and book value per share, and thus give management and indication of what investors think of the company's past performance and future prospectus. If the firms liquidity, assets management, debt management and profitability ratios are all good then its market value ratios will be high, and its stock price will probably be a high as can be expected.

4.1.6.1 Earning per share (EPS) Ratio

The value of a firm increases with the increases in earning per share. Earning per share, commonly used as EPS is the total amount earned by a share during a year and calculated by dividing total net profit earned by a firm during a year by total number of outstanding ordinary shares.

Earning per share is one of the most widely quoted statistics when there is a discussion of company's performance of share value. It is the profit after tax (available after deduction profit, dividend, if any) divided by the number of common shares outstanding. This ratio measures how much earning does the common shareholder get for every share held. Net profit is that part of a firm's income which remains after paying all compulsory charges on which the share holders have the full claim. As it is the amount earned by a share of total capital, higher EPS indicates a firm's better position and vice versa. Following table shows the EPS ratios of the NIC bank for the entire period of study:

Table no 4.19

Table Showing EPS of NIC Bank

Year	NPAT	Number of share	EPS
2005/06	113,755,734	6,000,000	18.96
2006/07	96,587,674	6,600,000	14.63
2007/08	158,475,051	6,600,000	24.01
2008/09	243,058,040	9,438,771	25.75
2009/10	317,434,138	11,404,800	27.83
2010/11	449,843,702	13,115,520	34.30
Average (\bar{X})			24.25
Standard Deviation (s.d.)			6.2803
Coefficient of variation (c.v.)			0.2590

(Source: Appendix-19)

The tableno.4.19 visualizes the EPS ratios for 6 years. In the year 2005/06 to 2010/11 the EPS is 18.96, 14.63, 24.01, 25.75, 27.83 and 34.30. Also the ratio is increasing trend except the fiscal year 2006/07. It reveals that, average of the EPS ratio for the period is 24.25 i.e. during the period the bank share have earned at an average of 24.25 on their face value. The highest of this ratio for the period is 34.3% in the year 2010/2011 and the lowest ratio for the period is 14.63% in the year 2006/07. The S.d. and C.V. are 6.2803 and 0.259 respectively. So it can be concluded on the basis of EPS ratio that the profitability of the bank has been affected. There is smoothly fluctuation in the EPS of the NIC bank which can be shown in the table. Both the highest and lowest ratios are quite far from the average of the ratio. The coefficient of variation of these banks shows that there is an above moderate level of fluctuations in the EPS.

4.1.6.2 Price Earnings Ratio (PER)

It is the ratio of the market price per share to earning per share. It shows the rupee amount investors will pay for Rs.1 of the current earnings. The ultimate goal of any firm should be, to maximize the market value of the firm or market value per share. MVPS and EPS have deep and direct connection .If the EPS increases the MVPS also increases and vice versa .Hence if the said ratio has increased not due to a heavy decrease in the EPS, it should be taken positively .PE ratio is calculated by dividing Price per Share by Earning per Shares (EPS).

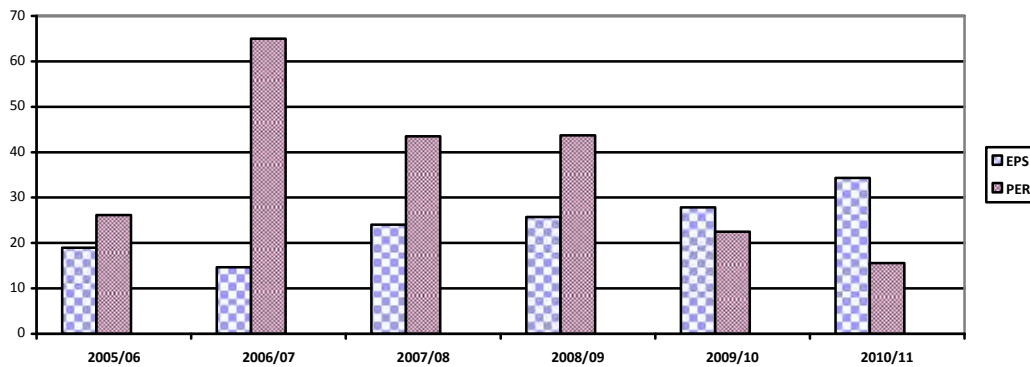
Table No.4.20
Price Earnings Ratio of the NIC Bank Ltd

Year	MVPS	EPS	PER
2005/06	496	18.96	26.16
2006/07	950	14.63	64.96
2007/08	1,284	24.01	43.48
2008/09	1,126	25.75	43.73
2009/10	626	27.83	22.49
2010/11	534	34.30	15.57
Average (\bar{X})			36.07
Standard Deviation (s.d.)			16.589
Coefficient of Variation (c.v.)			0.460

(Source: Appendix 20)

The table no 4.20 shows the ratio of six years period. The highest ratio for the period is 64.96 which indicated the Fiscal Year 2006/07 and the lowest ratio for the period is 15.57 in the year 2010/11. The average PE ratio is 36.07 with the standard deviation and C.V. is 16.589 and 0.460 respectively. It can be concluded on the basis of price earning ratio, there is smoothly fluctuation in the P/E ratios of the NIC bank which can be shown in the table. Both the highest and lowest ratios are quite far from the average of the ratio.

**Figure No.4.6
Market Value Ratio**



4.2 Karl Person's Coefficient of Correlation

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

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

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

Here,

n = number of observations in series X and Y;
 ΣX = sum of observations in series X,
 ΣY = sum of observation in series Y;
 ΣX^2 = sum of squared observations in series X;
 ΣY^2 = sum of squared observations in series Y;
 ΣXY =sum of the product of observations in series X and Y The value of correlation coefficient 'r' lies between -1 to 1, i.e. $-1 \leq r \leq 1$.

r =Karl Pearson's coefficient of correlations.

4.2.1 Coefficient of Correlation between Net Profit and Total Deposit

Net Profit and loan and Total Deposit for different sampled years have been presented below.

Table 4.21
Coefficient of Correlation between Net Profit and Total Deposit of NIC Bank

(Rs. In Million)

Fiscal Year	Net Income (X)	Total Deposit (Y)	X ²	Y ²	XY
2005/06	113.756	6,241.378	12,940.428	38,954,799.34	709,994.196
2006/07	96.588	8,765.951	9,329.242	76,841,896.93	846,685.675
2007/08	158.475	10,068.231	25,114.326	101,369,275.50	1,595,562.908
2008/09	243.058	13,084.689	59,077.191	171,209,086.2	3,180,338.339
2009/10	317.434	15,579.391	100,764.344	242,717,423.9	4,945,428.403
2010/11	449.844	15,968.918	202,359.624	255,006,342.10	7,183,521.949
Total (n=6)	X = 1,379.155	Y = 69,708.558	X ² = 409,585.155	Y ² = 886,098,824	XY = 18,641,531.47

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

$$r = \frac{6 \times 18641531.47 - 1397.155 \times 69708.558}{\sqrt{6 \times 409585.155 - (1379.155)^2} \sqrt{6 \times 886098824 - (69708.558)^2}}$$

$$r = 0.9857$$

Above calculation of coefficient of correlation between net profit and total deposit of NIC Bank Ltd. is 0.9857. This analysis indicates that there is a

positive correlation between net profit and total deposit. Therefore, net profit is affected by total deposit.

4.2.2 Correlation between Total Deposit & Loan & Advances

Total Deposit and loan and advances for different sampled years have been presented below.

Table 4.22
Correlation between Total Deposit & Loan & Advances
(Rs. In Million)

Fiscal Year	Loan & Advance (X)	Total Deposit (Y)	X ²	Y ²	XY
2005/06	4,711.7	6,241.37	22,200,229.9	38,954,799	29,407,575.62
2006/07	6,655.9	8,765.95	44,301,856.7	76,841,896	58,345,854.28
2007/08	8,941.3	10,068.2	79,948,580.3	101,369,275	90,024,050.46
2008/09	11,264.6	13,084.6	126,892,970.	171,209,086	147,385,936.
2009/10	13,679.3	15,579.3	187,125,820.	242,717,423	213,124,014.
2010/11	12,732	15,968.9	162,104,180.	255,006,342	203,316,487.
Total (n=6)	X= 57985.1	Y= 69708.5	X ² = 622573638.	Y ² = 886098824	XY= 741603919.7

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

$$r = \frac{6 \times 741603919.4 - 57985.159 \times 69709.098}{\sqrt{6 \times 622573638.2 - (57985.159)^2} \sqrt{6 \times 886115650 - (69709.098)^2}}$$

$$r = 0.9865$$

Above calculation of coefficient of correlation between Total Deposit and Loan and Advance of NIC Bank Ltd. is 0.9865. The value of r (0.9865) shows the high degree of positive correlation between total deposit and loan and advances. Therefore we can say that the change in total deposit highly effects loan and advances policy of NIC bank Ltd.

4.2.3 Correlation between Loan & Advances & Net Profit

Loan and advances and Net Profit for different sampled years have been presented below.

Table 4.23

Correlation between Loan and Advance and Net Profit

Rs. In million

Fiscal Year	Net Income(X)	Loan & Advance(Y)	X²	Y²	XY
2005/06	113.756	4711.712	12940.428	22200229.97	535985.510
2006/07	96.588	6655.964	9329.242	44301856.77	642886.251
2007/08	158.475	8941.397	25114.326	79948580.31	1416988.048
2008/09	243.058	11264.678	59077.191	126892970.4	2737970.105
2009/10	317.434	13679.394	100764.344	187125820.2	4342304.755
2010/11	449.844	12732.014	202359.624	162104180.5	5727420.106
Total (N=6)	X = 1379.155	Y = 57985.159	X² = 409585.155	Y² = 622,573,638.15	XY = 15403554.78

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

$$r = \frac{6 \times 15403554.78 - 57985.159 \times 1379.155}{\sqrt{6 \times 409585.155 - (1379.155)^2} \sqrt{6 \times 622573638.2 - (57985.159)^2}}$$

$$r = 0.8648$$

Above calculation of coefficient of correlation between Loan and Advance and Net profit of NIC Bank Ltd. is 0.8648. The value of r (0.8648) shows the high degree of positive correlation between Loan and Advances and Net Profit. Therefore we can say that the change in Loan Advances highly affects Net Profit Earned by NIC bank Ltd.

4.3 Trend Analysis and projection for next four years

The measurement used in financial management analysis be classified into two groups those who measure in the relation among the items. Insight set of statements, and those who measure the analysis in these items in successive statement. The first is a static analysis measuring position at a point of time of for a period and the second is a dynamic analysis, measuring changes of position. Both types of analysis are necessary for a comprehensive

interpretation, since it is important to know not only the proportion as one certain date but also the trends on the enterprise.

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

It helps in understanding the past behavior of the variable (or data). By observing past behavior data, one can easily observe in his sales or prices what changes had taken place in the past and what were their causes.

- It helps to predict or estimate (or forecast) the behavior of the data in future which is very essential for business planning.
- It helps to compare changes in the values of different phenomenon at different times or places etc.
- It helps to compare the actual current performance of accomplishment with expected ones (on the basis of the past performances) and analysis the causes of such variations.
- The segregation and study of various components is of paramount importance to a businessman in the planning of future operation and in the formation of executive and policy decisions.

Here, in this study the trend analysis of the financial condition are presented which is objected to provide the insight of the bank position. In this study, the method of least square is used for the analysis of the NIC total deposit trend, net profit trend, loan & advances, EPS trend, share holder fund trend and investment trend.

The projections are based on the following assumptions:

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

4.3.1 Trend Analysis of Total Deposit

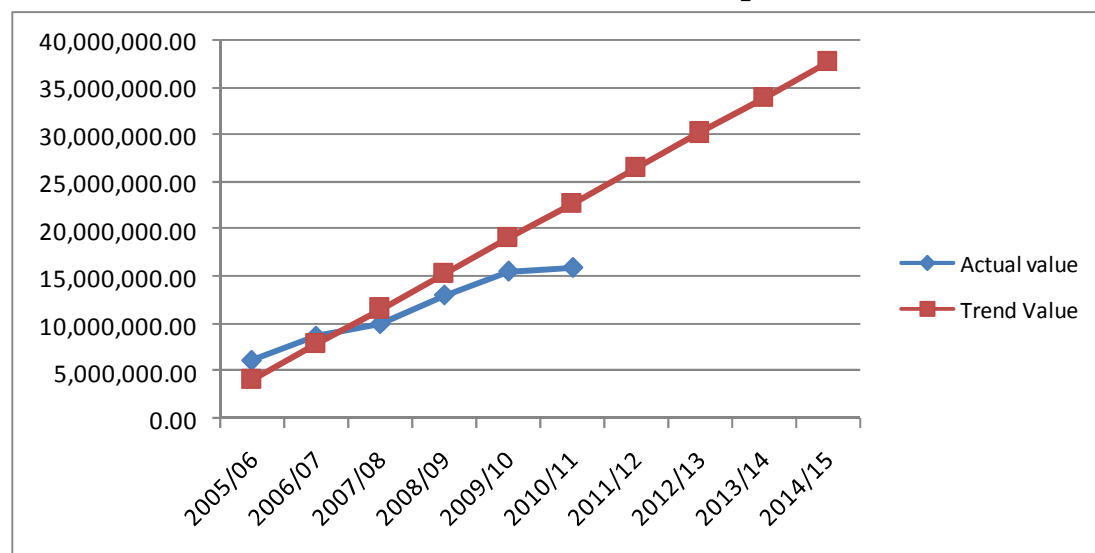
Under this topic, an effort has been made to calculate the trend value of deposit for six years from the year 2005/06 to 2010/11 and forecast for next four years till next FY 2011/12 to 2014/15.

Table No.4.24
Trend value of Total Deposit of 10 years from 2005/06 to 2014/15
(Rs. in 000)

Fiscal Year	Trend Value	Actual value
2005/06	4,154,751.568	6,241,378.160
2006/07	7,886,467.214	8,765,950.638
2007/08	11,618,182.86	10,068,230.869
2008/09	15,349,898.51	13,084,688.672
2009/10	19,081,614.15	15,579,930.904
2010/11	22,813,329.8	15,968,917.926
2011/12	26,545,045.44	
2012/13	30,276,761.09	
2013/14	34,008,476.74	
2014/15	37,740,192.38	

(The details for the calculation are given in appendix-21)

Figure No.4.7
Trend value of Total Deposit



(Source: Table no 4.24)

From the table no 4.24 and figure no.4.7 we can calculate that the total deposit of NIC has been increasing by 3,731,715,646 every year. But deposit increasing percent is decreased every year. According to the above trend

analysis and from growth rate it can be calculated that the NIC deposit collection position is satisfactory. If the bank utilized its increasing deposit its financial position will be better.

4.3.2. Trend Analysis of Net Profit

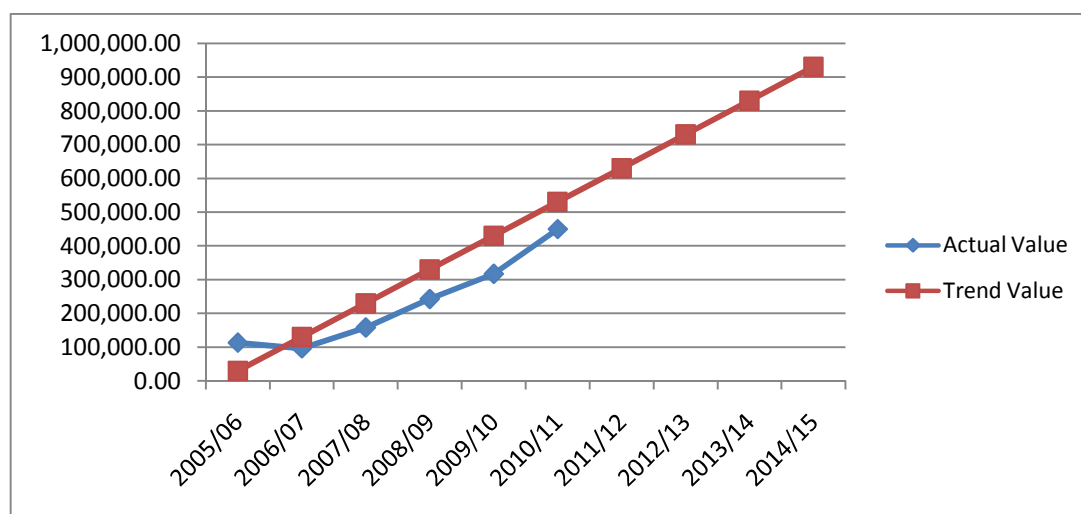
Under this topic the trend values of net profit have been calculated for six years from the 2005/06 to 2010/11 and the forecast for next four years up to 2011/12 to 2014/15.

Table No.4.25
Trend value of Net Profit

Fiscal Year	Trend Value	Actual value
2005/06	29,505.554	113,755.734
2006/07	129,682.306	96,587.674
2007/08	229,859.058	158,475.051
2008/09	330,035.810	243,058.040
2009/10	430,212.563	317,434.138
2010/11	530,389.314	449,843.702
2011/12	630,566.066	
2012/13	730,742.818	
2013/14	830,919.570	
2014/15	931,096.322	

(The details for the calculation are given in appendix-22)

Figure no.4.8
Trend value of Net Profit



(Source: Table no 4.25)

From the table no 4.25 figure no.4.8 is derived, we can calculate that the Net profit of NIC Bank has been increasing by 100176,750 every year. The above table and figure shows that the Net profit in actual value is in increasing trend. But it decreases in Fiscal year 2006/07. According to the above trend analysis and from growth rate it can be calculated that the bank's Net profit position is not seem to be satisfactory.

4.3.3. Trend Analysis of Loan & Advances

Under this topic the trend values of Loan & Advance have been calculated for Six years from the 2005/06 to 2010/11 and the forecast for next four years up to 2011/12 to 2014/15.

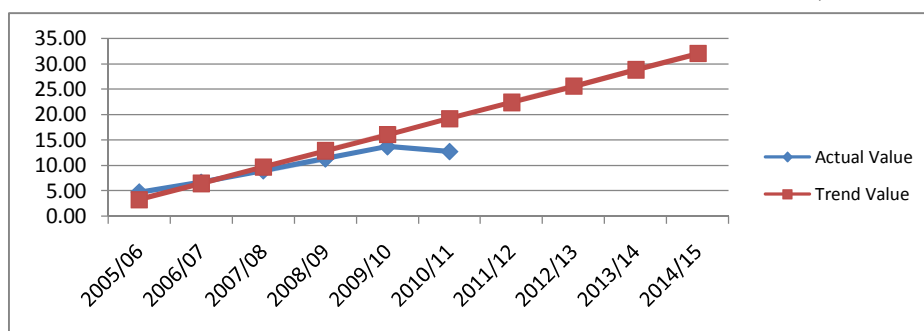
Table No.4.26
Trend value of Loan and advance

Fiscal Year	Trend Value	Actual value
2005/06	3,270,496.395	4,711,712.301
2006/07	6,467,344.876	6,655,964.020
2007/08	9,664,193.357	8,941,397.651
2008/09	12,861,041.840	11,264,678.096
2009/10	16,057,890.32	13,679,393.779
2010/11	19,254,738.80	12,732,014.319
2011/12	22,451,587.29	
2012/13	25,648,435.76	
2013/14	28,845,284.24	
2014/15	32,042,132.72	

(The details for the calculation are given in appendix- 23)

Figure No.4.9

Trend value of Loan and advance (in Million)



(Source: Table no 4.26)

Table no.4.26 is the source of Figure no 4.9 we can calculate that the loan & advance of NIC Bank has been increasing by 3,196,848,481 every year. According to above trend analysis actual value of Loan and advance is increasing up to 2009/10 but decreasing in year 2010/11 and from growth rate it can be said that the bank's loan & advance position is to be satisfactory.

4.3.4 Trend Analysis of Earning per Share

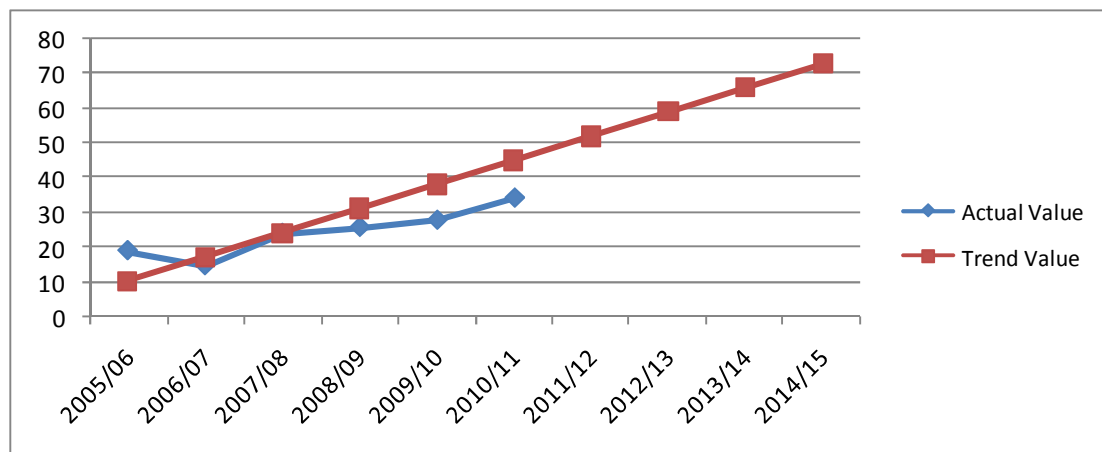
Under this topic the trend values of Earning per Share have been calculated for six years from the 2005/06 to 2010/11 and the forecast for next four years up to 2011/12 to 2014/15.

Table No.4.27
Trend value of Earning per Share

Fiscal Year	Trend Value	Actual value
2005/06	10.377	18.96
2006/07	17.312	14.63
2007/08	24.247	24.01
2008/09	31.182	25.75
2009/10	38.117	27.83
2010/11	45.052	34.30
2011/12	51.987	24.25
2012/13	58.922	
2013/14	65.857	
2014/15	72.792	

(The details for the calculation are given in appendix-24)

Figure No4.10
Trend Value of EPS



(Source: Table no 4.27)

Table no 4.27 is source of Figure no 4.10, the figure that the Earning per Share of NIC Bank has been increasing by 6.935 every year. The above table and figure shows that the EPS in actual value is in increasing trend. But it decreases in Fiscal year 2006/07. EPS in trend value is also in increasing trend, it also decreased in Fiscal year 2006/07.

4.3.5 Trend Analysis of Shareholders Equity

The trend values of shareholder's equity for ten years have been presented under this topic. The table shows trend and actual value of shareholders equity from Fiscal year 2005/06 to 2014/15.

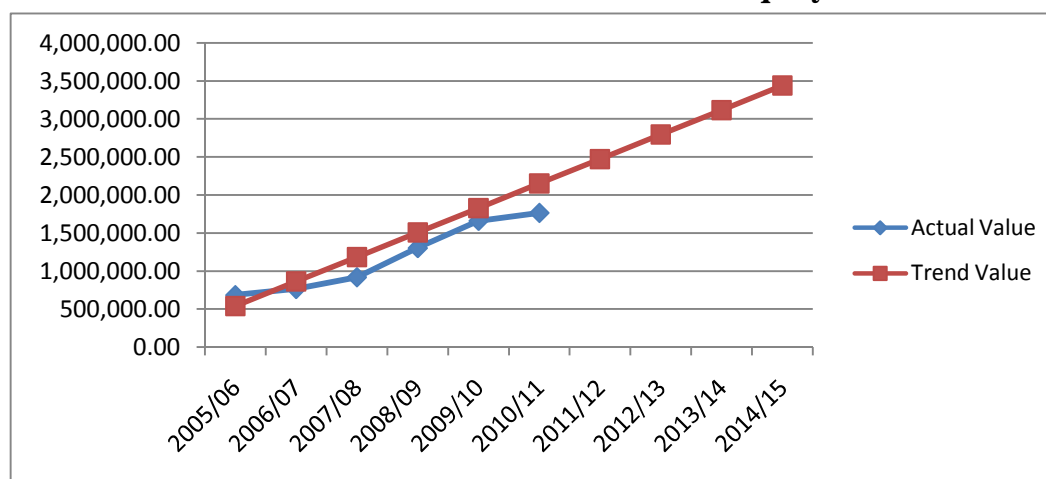
Table No. 4.28
Trend Value of Shareholder's Equity

Fiscal Year	Trend Value	Actual value
2005/06	538,365.597	684,193.958
2006/07	860,664.899	766,462.479
2007/08	1,182,964.201	918,495.972
2008/09	1,505,263.503	1,303,426.900
2009/10	1,827,562.805	1,660,253.729
2010/11	2,149,862.107	1,764,952.168
2011/12	2,472,161.409	
2012/13	2,794,460.711	
2013/14	3,116,760.013	
2014/15	3,439,059.315	

(Rs. in 000)

(The details for the calculation are given in appendix-25)

Figure No. 4.11
Trend Value of Shareholder's Equity



Source: Table No. 4.28

Table no 4.28 is source of table no 4.11.the figure that the Share holder's Equity of NIC has been increasing by 322,299,302 every year. Share holder's Equity is increasing positively. According to the above trend analysis and from growth rate the bank's Share holder's Equity position satisfactory.

4.3.6 Trend Analysis of Investment

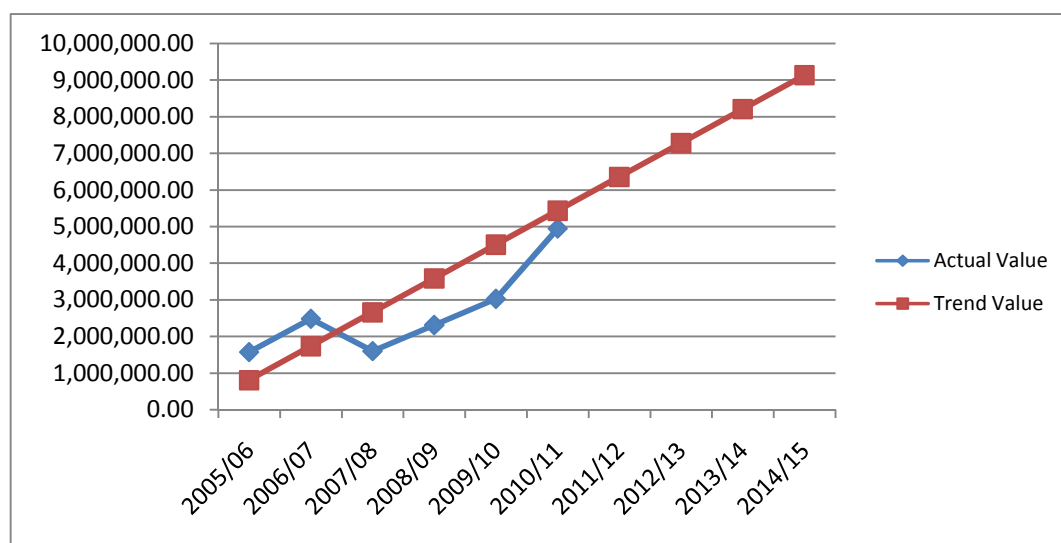
The trend values of Investment for ten years have been presented under this topic. The table shows trend and actual value of investment from Fiscal year 2005/06 to 2014/15.

Table No. 4.29
Trend Value of Investment

Fiscal Year	Trend Value	Actual value
2005/06	805,764.58	1,572,902.035
2006/07	1,730,929.273	2,479,912.524
2007/08	2,656,093.963	1,599,481.050
2008/09	3,581,258.653	2,311,468.317
2009/10	4,506,423.343	3,026,022.185
2010/11	5,431,588.033	4,946,777.670
2011/12	6,356,752.723	
2012/13	7,281,917.413	
2013/14	8,207,082.103	
2014/15	9,132,246.793	

(The details for the calculation are given in appendix-26)

Figure No. 4.12
Trend Value of Investment



(Source: Table No. 4.29)

Table no 4.29 is source of Figure no 4.12, the figure that the Investment of NIC Bank has been increasing by 925,164,690 every year. The above table and figure shows that the Investment in actual value is in increasing trend. But it decreases in Fiscal year 2007/08. Investment in trend value is also in increasing trend, it also decreased in Fiscal year 2007/08.

From the above analysis, it found that the lending position of NIC Bank is better because the calculated trend values of investment are fitted in trend lines. The trend line is upward sloping.

4.4 Major Findings of the Study

The following findings have been derived from the analysis and interpretation of the data, during the study period.

Ratio Analysis involves the methods of calculating and interpreting financial ratios in order to assess the firm's performance and status. The following are the findings from the ratio analysis;

NIC Bank Ltd. has highest current ratio current ratio of 1.0391 in 2007/08 and the lowest current of 0.2327 in 2005/06 with an average current ratio of 0.8761 during the study period. The current ratio analysis of the bank over the six year period indicates that the bank has been able to meet its short-term obligations and is in sound liquidity position.

The cash and bank balance to total deposit ratio of NIC Bank Ltd. differs from maximum of 16.19% in the year 2005/06 to the minimum of 5.96% in the year 2007/08 with an average of 10.38% during the study period. The analysis specifies that the bank is volatile to maintain cash reserve ratio as per NRB directives. The analysis indicates the decreasing trend of the ratios.

NRB balance to current and saving deposit ratios of NIC were 3.25%, 4.98%, 6.83%, 10.04%, 20.12% and 11.93% with mean ratio of 9.56%. Commercial Banks are required to hold certain proportion of

current and saving deposits in NRB's account. It is to ensure the smooth functioning and sound liquidity position of the Bank and maintain minimum deposit liabilities of 8% as cash reserve with Nepal Rastra Bank.

Fixed deposit is the high interest bearing deposit which can be withdrawn only after its maturity. The above table shows that the fixed deposit to total deposit ratio of the NIC Bank differ from maximum of 48.66 % in the year 2008/09 to the minimum of 40.47% in the year 2007/08 with an average of 45.78% during the study period of six years. The analysis indicates that the portion of fixed deposit in the total deposit is in fluctuating trend.

Investment to total deposit ratios of NIC Bank remained 25.20%, 28.29%, 15.89%, 17.67%, 19.42% and in the respective years with the average of 22.91% in the study period. NIC seems successful to utilize the depositor's fund in investment. The higher average shows that NABIL is successful in managerial efficiency regarding the utilization of deposits.

Loan and advances to total deposit ratio measures the extent to which the bank is successful to utilize the outsiders fund (Total Deposit). Loans and advances to total deposits of the NIC Bank fluctuates from maximum of 88.81 percentage in the fiscal year 2007/08 to the minimum of 75.49 percentage in the year 2005/06 with an average of 82.31 percentage. The analysis shows that the bank is mobilizing its total deposits in loan and advances adequately and it has efficiently utilized its total deposits for loan and advances. Higher ratio reveals that it is efficient to utilize the financial resources in productive sectors.

Net worth to Shareholders Equity Ratios refers to the owner's claim on the assets of the bank. Net worth to total assets ratio of NIC Bank remained 9.10%, 7.38%, 7.86%, 8.55%, 8.85% and 8.69% in the respective years of study period with the average of 8.41%. The greater ratio indicates that NIC Bank has greater contribution to

investors fund and strong capital adequacy position. This ratio measures the percentage of shareholder fund in relation total assets owned by banks. High ratio shows greater contribution of investors' fund and strong capital position.

Net Worth to Total Deposits ratio NIC Bank Bank fluctuating from maximum of 9.10 percentages in the fiscal year 2005/06 to the minimum of 7.38 percentages in the year 206/07 with an average of 8.41 percentages. According to the NRB directives to the capital adequacy ratio 11 percent. NIC Bank fails to be maintained the ratio as prescribed by the Central Bank in every year.

Debt to equity ratio indicates the relationship between the long-term funds provided by creditors and those provided by the firm's owners. Debt to equity ratio of NIC bank differ from maximum of 1.31 times in the year 2010/11 to the minimum of 0.456 times in the year 2008/09 with an average of 0.815 times during the study period. The analysis indicates that the bank has the high debt ratio, which indicates that the creditors have invested more in the bank than the owners.

Total debt to Total Assets ratio exhibits the relationship between creditor's funds and owners' capital. This ratio shows the proportion of outsider's fund used in financing total assets. The Debt to Total Assets of the NIC Bank differs from maximum of 11.72% in the year 2010/11 to the minimum of 3.9% in the year 2008/09 with an average of 6.87% during the study period. This analysis indicates that the bank has the high debt equity ratio, which means creditors have invested more in the bank than the owners. So this shows role of creditors in the bank is higher than the owners in investing sector of Bank.

The interest coverage ratios of NIC Bank remained 1.29, 0.925, 0.975, 1.08, 0.938 and 0.933 times respectively during the study period. The ratio differs from maximum of 1.09 times in the year 2005/06 to the minimum of 0.925 times in the year 2006/07 with an average of 1.02 times during the study period. This analysis indicates that the bank has sufficient operation of debt and can pay interest easily.

The Return on Total Assets ratio is a useful measurement of the profitability of all financial resources invested in the assets. The analysis reveals the Return on Total Assets of the NIC Bank differ from maximum of 2.21% in the year 2010/11 to the minimum of 0.93% in the year 2006/07 with an average of 1.55% during the study period of six years from 2005/06 to 2010/11. This analysis indicates that the net profit earned in comparison to the total assets is in fluctuating trend which means the ratio is decreasing and increasing trend during the study period.

The Return on Equity (ROE) measures the income on the owner's investment. This ratio indicates how well the bank has used the resources of the owners. The return on equity of the Bank varies from maximum of 25.49% in the year 2010/11 to the minimum of 12.60% in the year with an average of 18.25% during the study period of six years from 2005/06 to 2010/11. This analysis indicates that the net profit earned in comparison to the total Equity is in fluctuating trend which means the ratio is decreasing and increasing trend during the study period. NIC Bank is earning reasonable profit by utilizing its funds of total equity.

The earning per share ratio of NIC Bank is satisfactory. It is in increasing trend with good percent every year. The highest ratio is Rs. 34.30 in 2010/11 and lowest ratio is 14.63 in 206/07. Due to the high difference between the lowest and highest ratios of the period, the table shows an average of Rs. 24.25 EPS. So it can be concluded that on the basis of EPS ratio the profitability of the bank has been increasing.

In conclusion, financial condition of NIC Bank is good enough which means it has good command in the market. Overall, the financial position of NIC Bank is able to provide the general public and firm their amounts that have deposited their amount for security with full confidence of receiving back on demand.

CHAPTER - V

SUMMARY, CONCLUSION AND RECOMMENDATION

In this chapter, the summary has been presented along with conclusions and actionable recommendations. This is brief introduction to all the chapters of the study as well as the overall summary from the analysis of the relevant data. Since a study would not be complete without any suggestive findings, the study has also tried to point out errors in the financial activities of NIC Bank Limited as well as the corrective suggestions for the elimination of the same, with the hope of giving directions for further growth and improvement in the bank's operation.

5.1 Summary

The present study is a conclusion oriented study of financial analysis of NIC Bank Ltd. The study had been undertaken to examine and evaluate the performance of NIC Bank Ltd. The researcher had used the financial tools to make this study more effective and informative. This study has covered six years data from 2005/06 to 2010/11 of NIC Bank Ltd. In this section, the researcher has tried to summarize the financial analysis of NIC Bank Limited.

The bank has been able to maintain its position in the country as one of the leading joint venture commercial banks in the country. Moreover, competition in the financial sector is getting tougher day by day. Our own domestic unrest and threats have also suffered a set a setback due to these and many other reasons. However, in line with the current market trend, the bank is making all possible efforts to consolidate its business portfolio and cut down the cost in all operating areas to the extent possible, to maintain the profitability.

The principal activities of the bank in the past fourteen years continued to be consumer and corporate banking, trade and finance, credit card services and foreign exchange counters. The bank has successfully installed Automated Teller Machines (ATM). The number of different cards issued by the bank and the bank now has the critical mass in its account base. The bank continues to strive in order to maintain its position in the country as the market leader in the credit card arena. There are ongoing efforts and commitments in enhancing its products and services both, the issuance and acquiring business.

A very high debt to equity ratio is unfavorable because debts are considered to be more risky than equity funds in the sense that the bank has a compulsory legal obligation to pay interest to the debt holders irrespective of the profit made or losses incurred. Therefore appropriate mix of debt and owners' fund is desired by the bank.

5.2 Conclusion

From the analysis of various available secondary data using many financial and statistical tools, the study has come up with the following conclusions:

Analysis of liquidity ratio indicates that the liquidity position of the bank is average. The average current ratio is 0.8761:1. The stored ratio is 2:1; it shows that the existing current assets could not be able to meet the current liabilities. Improvement of current liabilities mater is necessary. The normal stored of quick ratio is 1:1 it seems it has been duly maintained in the past years. The average of quick ratio is calculated 0.8011:1 even through the every year ratio is below than the normal standard, it is not satisfactory as the current liability is in better position.

) Similarly, cash and bank balance to total deposit ratio has also fluctuating trend. At the beginning of the fiscal year 2005/06, the ratio is 16.19% where at the end of fiscal year 2010/11, the ratio is 13.06%, the minimum ratio is 5.96 %. The highest ratio among six fiscal years is

16.19%. The average ratio of cash and bank balance to total deposit is 10.38%, so Cash and bank balance has not been maintained according to total deposit.

- J) Fixed deposit to total deposit ratio is not favorable for the liquidity position of NIC Bank Limited. The lowest ratio is 40.47% in 2007/08 and highest ratio 48.66% in 2009/10 with an average of 45.69% within the study period.
- J) Investment to total deposit is in fluctuating trend. It has the range from 15.89% to 30.98%. The lowest ratio is in the fiscal year 2007/08 and highest ratio is in the fiscal year 2010/11. The average ratio has been observed 22.91% during the study period.
- J) Loan and advances to total deposit ratio is in increasing trend up to fiscal year 2009/10 but decrease in fiscal year 2010/11. The average ratio of loan and advances to total deposit is 82.31%. The highest ratio is 88.81% in the fiscal year 2007/08 compare with lowest ratio of 75.49% in fiscal year 2005/06. Which means it can diversify all the funds in different sector as loan and advances.
- J) Net worth to Total Deposit Ratio is in fluctuating trend. The highest ratio among six years is 11.05% in fiscal year 2010/11 and lowest ratio is 8.74% in fiscal year 2006/07. The average ratio of this ratio is 10.08%. So it can be concluded that on the Net worth to Total Deposit Ratio is not favorable for the Capital Adequacy ratio.
- J) Total Debt to Total Assets ratio highly fluctuating trend. The highest ratio among six years is 11.72% in fiscal year 2010/11 and lowest ratio is 3.9% in fiscal year 2009/10. The average ratio of this ratio is 6.87%. So it can be concluded that on the Total Debt to Total Assets ratio is not favorable for Capital Structure ratio.
- J) Interest charge is properly covered which means it's according to margin or more than margin. Interest coverage ratio is in fluctuating trend every year. The ratio covers 1.29 times in 2005/06 and 0.9326 times in 2010/11 years. The average of interest coverage ratio is 0.9254 times.

- J The return on total assets of NIC Bank Limited is in fluctuating trend. The average ratio of ROE is 1.55% percent. The highest ratio occurred in 2009/10 with 1.6% and lowest fall in 2006/07 with 0.93%.
- J The earning per share ratio of NIC Bank Limited is satisfactory. It is in increasing trend with good percent every year except 2006/07. The low ratio is Rs. 14.63 in 2006/07 and high is Rs. 34.3 in 2010/11. Due to the high difference between the lowest and highest ratios of the period, the table shows an average of Rs. 24.25 EPS. So it can be concluded that on the basis of EPS ratio the profitability of the bank has been increasing.

In conclusion, financial condition of NIC Bank Limited is good enough which means it has good command in the market. Overall, the financial position of NIC Bank Limited is able to provide the general public and firm their amounts that have deposited their amount for security with full confidence of receiving back on demand.

5.3 Recommendation

Based on its analysis and findings, the study tries to put forward the following suggestions to the bank under study for betterment in the field of its financial performance.

In period of operation of 14 years, it has been successful to form a network of 36 branches up to fiscal year 2011/12 the bank is further planning to expand its network in the current fiscal year too. Effective and comparative banking activities have not been reached to different corners of country. In such a situation the banks network expansion plan is worth appreciation. This NIC Bank has already established itself as a leading private bank in the country and the financial indicators shows that banks performance in the past is more than satisfactory and the future of NIC Bank Limited is

positive and financially secured. The following further recommendations are made from the study made about the bank in this chapter.

- J On the basis of liquidity ratio analysis it is found that the commercial bank does not have the standard current ratio (2:1). However, from aggressive working capital point of view it is not considered so bad. The liquidity position affects external or internal factors such as prevalent investment situation, Central Bank requirements. The growth position of the financial market, the ending policies, management capabilities, strategic planning or fund flow situation, bank should maintain enough liquidity assets to pay short-term obligations. So it is recommended to maintain sound liquidity position to the NIC Bank.
- J The fluctuating ratio of investment to total deposit indicates that NIC Bank Limited has not been able to mobilize its available funds properly therefore, it is suggested to mobilize the funds properly in productive and profitable sectors.
- J On the basis of activity ratio analysis it is found that the bank have emphasized on issuing loan and advances. But as we know that the increasing bottleneck competition and worsening economic and political condition has attributed this area to be very sensitive and risky. Therefore, it is suggested them to invest non-risky assets to increase the level of profit.
- J Shareholders are the real owners of the organization. But they do not have the satisfaction with the rate of return on equity provided by the banks. To some extent, NIC Bank has been successful in providing a better return. It is suggested them to invest by researching new profitable sectors.
- J The bank should keep up the act of wealth maximization of the shareholders as they are true owners of the bank. The bank should always abide the directives given by NRB. It is suggested them to HR Manager and job enrichment, job enlargement and job rotation etc.

- J The bank is advised to introduce new product lines and services to further attract the customers. It should keep in mind that it is competing with 31 other banks and more than 80 finance companies and other competitors, so the management should be alert to either comprehend customer philosophy or to manipulate them through introduction of new, efficient and convenient services.
- J The bank should never forget that customer is a god of the market so its objectives should be to conduct more training, seminars, workshops and managerial development schemes to help the local bank compete with the foreign bank.
- J Being the part of the society, it has a great responsibility in the social development, therefore it is recommended to NIC Bank Limited to participate in social events such as in education, health program, environment protection etc, so that more customers are attracted towards it.
- J All imperfect practices inherent from the past mistakes should be avoided to re-orient the bank to new discuss of change and other further improvement.

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Appendix-1 calculation of mean, s.d. and C.V. of current Ratio of NIC Bank

Fiscal Year	Ratio (X)	$X - \bar{X}$	$(X - \bar{X})^2$
2005/06	0.2327	-0.6434	0.414
2006/07	1.0309	0.1548	0.024
2007/08	1.0391	0.163	0.0266
2008/09	1.0367	0.1606	0.0258
2009/10	1.0319	0.1558	0.0243
2010/11	0.8854	0.0093	0.0001
Total	5.2587		0.5146

$$\bar{X} = \frac{\sum x}{N} = \frac{5.2587}{6} = 0.8761$$

$$s.d. = \sqrt{\frac{0.5146}{6}} = 0.2929$$

$$c.v. = \frac{s.d.}{\bar{X}} = \frac{0.2929}{0.8761} = 0.3343$$

Appendix-2 calculation of mean, s.d. and C.V. of Quick Ratio of NIC Bank

Fiscal Year	Ratio (X)	$X - \bar{X}$	$(X - \bar{X})^2$
2005/06	0.149	-0.6521	0.4252
2006/07	0.9722	0.1711	0.0293
2007/08	0.9501	0.149	0.0222
2008/09	0.9467	0.1456	0.0212
2009/10	0.9064	0.1053	0.0111
2010/11	0.8822	0.0811	0.0066
Total	4.8066		0.5156

$$\bar{X} = \frac{\sum x}{N} = \frac{4.8066}{6} = 0.8011$$

$$s.d. = \sqrt{\frac{0.5156}{6}} = 0.2931$$

$$c.v. = \frac{s.d.}{\bar{X}} = \frac{0.2931}{0.8011} = 0.3658$$

Appendix-3 calculation of mean, s.d. and C.V. of cash and Bank balance to Total Deposit Ratio of NIC Bank

Fiscal Year	Ratio (X) (%)	$X - \bar{X}$	$(X - \bar{X})^2$
2005/06	16.19	5.81	33.7581
2006/07	8.55	-1.83	3.3489
2007/08	5.96	-4.42	19.5364
2008/09	9.11	-1.27	1.6129
2009/10	9.38	-1	1
2010/11	13.06	2.68	7.1824
Total	62.25		66.4367

$$\bar{X} = \frac{\sum x}{N} = \frac{62.25}{6} = 10.38$$

$$s.d. = \sqrt{\frac{66.4367}{6}} = 3.33$$

$$C.V. = \frac{s.d.}{\bar{X}} = \frac{3.33}{10.38} = 0.32$$

Appendix-4 calculation of mean, s.d. and C.V. of NRB balance to saving Deposit Ratio of NIC Bank

Fiscal Year	Ratio (X) (%)	$X - \bar{X}$	$(X - \bar{X})^2$
2005/06	3.45	-6.11	37.3321
2006/07	4.94	-4.58	20.9764
2007/08	6.83	-2.73	7.4529
2008/09	10.04	0.48	0.2304
2009/10	20.12	10.56	111.5136
2010/11	11.96	2.4	5.76
Total	57.38		183.2654

$$\bar{X} = \frac{\sum X}{N} = \frac{57.38}{6} = 9.56$$

$$s.d. = \sqrt{\frac{183.2654}{6}} = 5.53$$

$$C.V. = \frac{s.d.}{\bar{X}} = \frac{5.53}{9.56} = 0.58$$

Appendix-5 calculation of mean, s.d. and C.V. of cash and Bank balance to current and saving Deposit Ratio of NIC Bank

Fiscal Year	Ratio (X) (%)	$X - \bar{X}$	$(X - \bar{X})^2$
2005/06	49.91	17.84	318.2656
2006/07	26.78	-5.29	27.9841
2007/08	15.59	-16.48	271.5904
2008/09	27.59	-4.48	20.2704
2009/10	30.26	-1.81	3.2761
2010/11	42.27	10.2	104.04
Total	192.4		745.2266

$$\bar{X} = \frac{\sum X}{N} = \frac{192.4}{6} = 32.07$$

$$s.d. = \sqrt{\frac{745.2266}{6}} = 11.14$$

$$C.V. = \frac{s.d.}{\bar{X}} = \frac{11.14}{32.07} = 0.35$$

Appendix-6 calculation of mean, s.d. and C.V. of Fixed Deposit to Total Deposit Ratio of NIC Bank

Fiscal Year	Ratio (X) (%)	$X - \bar{X}$	$(X - \bar{X})^2$
2005/06	46.95	1.26	1.5876
2006/07	46.37	0.68	0.4624
2007/08	40.47	-5.22	27.2484
2008/09	44.91	0.78	0.6084
2009/10	48.66	2.97	8.8209
2010/11	47.30	1.61	2.5921
Total	274.16		41.3198

$$\bar{X} = \frac{\sum X}{N} = \frac{274.16}{6} = 45.69$$

$$s.d. = \sqrt{\frac{41.3198}{6}} = 2.6$$

$$C.V. = \frac{s.d.}{\bar{X}} = \frac{2.6}{45.69} = 0.057$$

Appendix-7 calculation of mean, s.d. and C.V. of Investment to Total Deposit Ratio of NIC Bank

Fiscal Year	Ratio (X) (%)	$X - \bar{X}$	$(X - \bar{X})^2$
2005/06	25.20	2.29	5.2441
2006/07	28.29	5.38	28.9444
2007/08	15.89	-7.02	49.2802
2008/09	17.67	-5.24	27.4576
2009/10	19.42	-3.49	12.1801
2010/11	30.98	8.07	65.1249
Total	137.45		188.2315

$$\bar{X} = \frac{\sum X}{N} = \frac{137.45}{6} = 22.91$$

$$s.d. = \sqrt{\frac{188.2315}{6}} = 5.6$$

$$C.V. = \frac{s.d.}{\bar{X}} = \frac{5.6}{22.91} = 0.24$$

Appendix-8 calculation of mean, s.d. and C.V. of Loan and Advance to Total Deposit Ratio of NIC Bank

Fiscal Year	Ratio (X) (%)	$X - \bar{X}$	$(X - \bar{X})^2$
2005/06	75.49	-6.82	46.5124
2006/07	75.93	-6.38	40.7044
2007/08	88.81	6.5	42.25
2008/09	86.09	3.779	14.28
2009/10	87.80	5.49	30.1401
2010/11	79.73	-2.58	6.6564
Total	493.85		180.5441

$$\bar{X} = \frac{\sum X}{N} = \frac{493.85}{6} = 82.31$$

$$s.d. = \sqrt{\frac{180.5441}{6}} = 5.49$$

$$C.V. = \frac{s.d.}{\bar{X}} = \frac{5.49}{82.31} = 0.067$$

Appendix-9 calculation of mean, s.d. and C.V. of Total Income Generating Assets to Total Assets Ratio of NIC Bank

Fiscal Year	Ratio (X) (%)	$X - \bar{X}$	$(X - \bar{X})^2$
2005/06	6.09	-0.51	0.2601
2006/07	5.59	-1.01	1.0201
2007/08	6.21	-0.39	0.1521
2008/09	6.11	-0.49	0.2401
2009/10	6.85	0.25	0.0625
2010/11	8.75	2.15	4.6225
Total	39.6		6.3574

$$\bar{X} = \frac{\sum x}{N} = \frac{39.6}{6} = 6.6$$

$$s.d. = \sqrt{\frac{6.3574}{6}} = 1.03$$

$$c.v. = \frac{s.d.}{\bar{X}} = \frac{1.03}{6.6} = 0.16$$

Appendix-10 calculation of mean, s.d. and C.V. of Net worth to Total Assets Ratio of NIC Bank

Fiscal Year	Ratio (X) (%)	$X - \bar{X}$	$(X - \bar{X})^2$
2005/06	9.10	0.69	0.4761
2006/07	7.38	-1.03	1.0609
2007/08	7.86	-0.55	0.3025
2008/09	8.55	0.14	0.0196
2009/10	8.85	0.44	0.1936
2010/11	8.69	0.28	0.0784
Total	50.43		2.1311

$$\bar{X} = \frac{\sum x}{N} = \frac{50.43}{6} = 8.41$$

$$s.d. = \sqrt{\frac{2.1311}{6}} = 0.596$$

$$c.v. = \frac{s.d.}{\bar{X}} = \frac{0.596}{8.41} = 0.071$$

Appendix-11 calculation of mean, s.d. and C.V. of Net worth to Total Deposit Ratio of NIC Bank

Fiscal Year	Ratio (X) (%)	$X - \bar{X}$	$(X - \bar{X})^2$
2005/06	10.96	0.88	0.7744
2006/07	8.74	-1.34	1.7956
2007/08	9.12	-0.96	0.9216
2008/09	9.96	-0.12	0.0144
2009/10	10.66	0.58	0.3364
2010/11	11.05	0.97	0.9409
Total	60.49		4.7833

$$\bar{X} = \frac{\sum x}{N} = \frac{60.49}{6} = 10.08$$

$$s.d. = \sqrt{\frac{4.7833}{6}} = 0.89$$

$$c.v. = \frac{s.d.}{\bar{X}} = \frac{0.89}{10.08} = 0.089$$

Appendix-12 calculation of mean, s.d. and C.V. of Debt to Equity Ratio of NIC Bank

Fiscal Year	Ratio (X) (times)	$X - \bar{X}$	$(X - \bar{X})^2$
2005/06	0.782	-0.0331	0.0011
2006/07	0.998	0.1831	0.0335
2007/08	0.649	-0.1662	0.0276
2008/09	0.456	-0.359	0.1289
2009/10	0.691	-0.1236	0.0153
2010/11	1.31	0.4989	0.2489
Total	4.8883		0.4553

$$\bar{X} = \frac{\sum x}{N} = \frac{4.8883}{6} = 0.8147$$

$$s.d. = \sqrt{\frac{0.4553}{6}} = 0.2755$$

$$C.V. = \frac{s.d.}{\bar{X}} = \frac{0.2755}{0.8147} = 0.3382$$

Appendix-13 calculation of mean, s.d. and C.V. of Total Debt to Total Assets Ratio of NIC Bank

Fiscal Year	Ratio (X) (%)	$X - \bar{X}$	$(X - \bar{X})^2$
2005/06	7.12	0.25	0.0625
2006/07	7.37	0.5	0.25
2007/08	5.0	-1.87	3.4969
2008/09	3.90	-2.97	8.8209
2009/10	6.11	-0.76	0.5776
2010/11	11.72	4.85	23.5225
Total	41.22		36.7304

$$\bar{X} = \frac{\sum x}{N} = \frac{41.22}{6} = 6.87$$

$$s.d. = \sqrt{\frac{36.7304}{6}} = 2.47$$

$$C.V. = \frac{s.d.}{\bar{X}} = \frac{2.47}{6.87} = 0.36$$

Appendix-14 calculation of mean, s.d. and C.V. of Interest coverage Ratio of NIC Bank

Fiscal Year	Ratio (X) (%)	$X - \bar{X}$	$(X - \bar{X})^2$
2005/06	1.29	0.27	0.0729
2006/07	0.9254	-0.0946	0.0089
2007/08	0.9751	0.0449	0.0020
2008/09	1.0797	0.0597	0.0036
2009/10	0.9383	-0.0817	0.0067
2010/11	0.9326	-0.0874	0.0076
Total	6.1411		0.1017

$$\bar{X} = \frac{\sum x}{N} = \frac{6.1411}{6} = 1.02$$

$$s.d. = \sqrt{\frac{0.1017}{6}} = 0.13$$

$$C.V. = \frac{s.d.}{\bar{X}} = \frac{0.13}{1.02} = 0.13$$

Appendix-15 calculation of mean, s.d. and C.V. of ROA of NIC Bank

Fiscal Year	Ratio (X) (%)	$X - \bar{X}$	$(X - \bar{X})^2$
2005/06	1.51	-0.04	0.0016
2006/07	0.93	-1.29	1.5625
2007/08	1.36	-0.19	0.0361
2008/09	1.60	0.05	0.0025
2009/10	1.69	0.14	0.0196
2010/11	2.21	0.66	0.4356

Total	9.3		2.0579
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$$\bar{X} = \frac{\sum X}{N} = \frac{9.3}{6} = 1.55$$

$$s.d. = \sqrt{\frac{2.0579}{6}} = 0.343$$

$$c.v. = \frac{s.d.}{\bar{X}} = \frac{0.343}{1.55} = 0.2213$$

Appendix-16 calculation of mean, s.d. and C.V. of Basic Earning Power Ratio of NIC Bank

Fiscal Year	Ratio (X) (%)	$X - \bar{X}$	$(X - \bar{X})^2$
2005/06	3.89	0.12	0.0144
2006/07	3.03	-0.74	0.5476
2007/08	3.52	-0.25	0.625
2008/09	3.59	-0.18	0.0324
2009/10	3.84	0.07	0.0049
2010/11	4.74	0.97	0.9409
Total	22.61		1.6027

$$\bar{X} = \frac{\sum X}{N} = \frac{22.61}{6} = 3.77$$

$$s.d. = \sqrt{\frac{1.6027}{6}} = 0.52$$

$$c.v. = \frac{s.d.}{\bar{X}} = \frac{0.52}{3.77} = 0.1317$$

Appendix-17 calculation of mean, s.d. and C.V. of ROE Ratio of NIC Bank

Fiscal Year	Ratio (X) (%)	$X - \bar{X}$	$(X - \bar{X})^2$
2005/06	16.692	-1.67	2.7889
2006/07	12.60	-5.69	32.3761
2007/08	17.25	-1.04	1.0816
2008/09	18.65	0.36	0.1296
2009/10	19.12	0.83	0.6889
2010/11	25.49	7.2	51.84
Total	109.73		88.905

$$\bar{X} = \frac{\sum X}{N} = \frac{109.73}{6} = 18.29$$

$$s.d. = \sqrt{\frac{88.905}{6}} = 3.85$$

$$c.v. = \frac{s.d.}{\bar{X}} = \frac{3.85}{18.29} = 0.2105$$

Appendix-18 calculation of mean, s.d. and C.V. of Net Income to Total Deposit Ratio of NIC Bank

Fiscal Year	Ratio (X) (%)	$X - \bar{X}$	$(X - \bar{X})^2$
2005/06	3.71	0.29	0.0841
2006/07	2.74	-0.68	0.4626
2007/08	3.02	-0.40	0.16
2008/09	3.25	-0.17	0.0289
2009/10	3.31	-0.11	0.0121

2010/11	4.67	1.25	1.5625
Total	20.49		2.3091

$$\bar{X} = \frac{\sum x}{N} = \frac{20.49}{6} = 3.42$$

$$s.d. = \sqrt{\frac{2.3091}{6}} = 0.62$$

$$c.v. = \frac{s.d.}{\bar{X}} = \frac{0.62}{3.42} = 0.1814$$

Appendix-19 calculation of mean, s.d. and C.V. of EPS of NIC Bank

Fiscal Year	Ratio (X)	$X - \bar{X}$	$(X - \bar{X})^2$
2005/06	18.96	-5.29	27.984
2006/07	14.63	-9.62	92.544
2007/08	24.01	-0.24	0.0576
2008/09	25.75	1.5	2.25
2009/10	27.83	3.58	12.8164
2010/11	34.30	10.05	101.0025
Total	145.48		236.665

$$\bar{X} = \frac{\sum x}{N} = \frac{145.48}{6} = 24.25$$

$$s.d. = \sqrt{\frac{236.665}{6}} = 6.2803$$

$$c.v. = \frac{s.d.}{\bar{X}} = \frac{6.2803}{24.25} = 0.259$$

Appendix-20 calculation of mean, s.d. and C.V. of Price Earning Ratio of NIC Bank

Fiscal Year	Ratio (X)	$X - \bar{X}$	$(X - \bar{X})^2$
2005/06	26.16	-9.91	98.2081
2006/07	64.96	28.89	838.6321
2007/08	43.48	7.41	54.9081
2008/09	43.73	7.66	58.6756
2009/10	22.49	-13.58	184.4164
2010/11	15.57	-20.5	420.25
Total	216.39		1651.09

$$\bar{X} = \frac{\sum x}{N} = \frac{216.39}{6} = 36.07$$

$$s.d. = \sqrt{\frac{1651.09}{6}} = 16.589$$

$$c.v. = \frac{s.d.}{\bar{X}} = \frac{16.589}{36.07} = 0.46$$

APENDEX-21 Calculation of trend line of Total Deposit of NIC Bank: (In Rs.000)

FY	Total Deposit(y)	X= (t-2008)	X ²	xy	Y _c =a+bx
2005/06	6,241,378.160	-2	4	-12,482,756.3	4,154,751.568
2006/07	8,765,950.638	-1	1	8,765,950.638	7,886,467.214
2007/08	10,068,230.869	0	0	0	11,618,182.86
2008/09	13,084,688.672	1	1	13,084,688.67	15,349,898.51
2009/10	15,579,930.904	2	4	31,159,861.8	19,081,614.15
2010/11	15,968,917.926	3	9	47,906,753.76	22,813,329.8
2011/12					26,545,045.44

2012/13					30,276,761.09
2013/14					34,008,476.74
2014/15					37,740,192.38
	y= 69,709,097.15		x ² = 19	xy= 70902597.2	

$$a = \frac{\sum Y}{\sum N} = \frac{69,709,097.15}{6} = 11,618,182.86$$

$$b = \frac{\sum XY}{\sum X^2} = \frac{70,902,597.2}{19} = 3,731,715.646$$

The Equation of the Straight Line Trend is:

$$Y_c = a + bx$$

When, $x = -2$

$$Y = 11,618,182.86 + 3,731,715.646 \times -2$$

= Rs. 4,154,751.568 and so on.

APENDEX-22 Calculation of trend line of Net Profit of NIC Bank: (In Rs.000)

FY	Net Profit (y)	X= (t-2008)	X ²	xy	Y _c =a+bx
2005/06	113,755.734	-2	4	-227,511.468	29,505.554
2006/07	96,587.674	-1	1	-96,587.674	129,682.306
2007/08	158,475.051	0	0	0	229,859.058
2008/09	243,058.040	1	1	243,058.04	330,035.810
2009/10	317,434.138	2	4	234,868.276	430,212.563
2010/11	449,843.702	3	9	1,349,531.106	530,389.314
2011/12					630,566.066
2012/13					730,742.818
2013/14					830,919.570
2014/15					931,096.322
	y= 1,379,154.339		x ² = 19	xy= 1,903,358.280	

$$a = \frac{\sum Y}{\sum N} = \frac{1,379,154.339}{6} = 229,859.057$$

$$b = \frac{\sum XY}{\sum X^2} = \frac{1,903,358.280}{19} = 100,176.752$$

The Equation of the Straight Line Trend is:

$$Y_c = a + bx$$

When, $x = -2$

$$Y = 229,859.057 + 100,176.752 \times -2$$

Y=29,505.553 and so on.

APENDEX-23 Calculation of trend line of Loan and Advance of NIC Bank:

(In Rs.000)

FY	Loan and Advance (y)	X= (t-2008)	X ²	xy	Y _c =a+bx
2005/06	4,711,712.301	-2	4	-9,423,424.602	3,270,496.395
2006/07	6,655,964.020	-1	1	-6,655,964.02	6,467,344.876
2007/08	8,941,397.651	0	0	0	9,664,193.357
2008/09	11,264,678.096	1	1	11,264,678.096	12,861,041.840
2009/10	13,679,393.779	2	4	27,358,787.54	16,057,890.32
2010/11	12,732,014.319	3	9	38,196,042.93	19,254,738.80
2011/12					22,451,587.29
2012/13					25,648,435.76
2013/14					28,845,284.24
2014/15					32,042,132.72
	y= 57,985,160.14		x ² = 19	xy= 60,740,119.94	

$$a = \frac{\sum y}{\sum N} = \frac{9,664,193.357}{6} = 9,664,193.357$$

$$b = \frac{\sum xy}{\sum x^2} = \frac{60,740,119.94}{19} = 3,196,848.481$$

The Equation of the Straight Line Trend is:

$$Y_c = a + bx$$

When, x = -2

$$Y = 9,664,193.357 + 3,196,848.481 \times -2$$

$$Y = 3,270,496.395 \text{ and so on.}$$

APENDEX-24 Calculation of trend line of EPS of NIC Bank:

FY	EPS (y)	X= (t-2008)	X ²	xy	Y _c =a+bx
2005/06	18.96	-2	4	-37.92	10.377
2006/07	14.63	-1	1	-14.63	17.312
2007/08	24.01	0	0	0	24.247
2008/09	25.75	1	1	25.75	31.182
2009/10	27.83	2	4	55.66	38.117
2010/11	34.30	3	9	102.9	45.052
2011/12					51.987
2012/13					58.922
2013/14					65.857
2014/15					72.792
	y= 145.48		x ² = 19	xy= 131.76	

$$a = \frac{\sum y}{\sum N} = \frac{145.48}{6} = 24.247$$

$$b = \frac{\sum xy}{\sum x^2} = \frac{131.76}{19} = 6.935$$

The Equation of the Straight Line Trend is:

$$Y_c = a + bx$$

When, x = -2

$$Y = 24.247 + 6.935 \times -2$$

Y=10.13 and so on.

APENDEX-25 Calculation of trend line of Shareholder fund of NIC Bank:

(In Rs.000)

FY	Shareholder fund (y)	X= (t-2008)	X ²	xy	Y _c =a+bx
2005/06	684,193.958	-2	4	-1,368,387.916	538,365.597
2006/07	766,462.479	-1	1	-766,462.479	860,664.899
2007/08	918,495.972	0	0	0	1,182,964.201
2008/09	1,303,426.900	1	1	1,303,426.90	1,505,263.503
2009/10	1,660,253.729	2	4	1,660,253.729	1,827,562.805
2010/11	1,764,952.168	3	9	5,294,856.504	2,149,862.107
2011/12					2,472,161.409
2012/13					2,794,460.711
2013/14					3,116,760.013
2014/15					3,439,059.315
	y= 7,097,785.206		x ² = 19	xy= 6,123,686.738	

$$a = \frac{\sum y}{N} = \frac{7,097,785.206}{6} = 1,182,964.201$$

$$b = \frac{\sum xy}{\sum x^2} = \frac{6,123,686.738}{19} = 322,299.302$$

The Equation of the Straight Line Trend is:

$$Y_c = a + bx$$

When, x = -2

$$Y = 1,182,964.201 + 322,299.302 \times -2$$

Y = 538,365.597 and so on.

APENDEX-26 Calculation of trend line of Investment of NIC Bank: (In Rs.000)

FY	Investment (y)	X= (t-2008)	X ²	xy	Y _c =a+bx
2005/06	1,572,902.035	-2	4	-3,145,804.07	805,764.58
2006/07	2,479,912.524	-1	1	-2,479,912.524	1,730,929.273
2007/08	1,599,481.050	0	0	0	2,656,093.963
2008/09	2,311,468.317	1	1	2,311,468.317	3,581,258.653
2009/10	3,026,022.185	2	4	6,052,044.37	4,506,423.343
2010/11	4,946,777.670	3	9	14,840,333.01	5,431,588.033
2011/12					6,356,752.723
2012/13					7,281,917.413
2013/14					8,207,082.103
2014/15					9,132,246.793
	y= 15,936,563.78		x ² = 19	xy= 17,578,129.1	

$$a = \frac{\sum y}{N} = \frac{15,936,563.78}{6} = 2,656,093.96$$

$$b = \frac{\sum xy}{\sum x^2} = \frac{17,578,129.1}{19} = 925,164.69$$

The Equation of the Straight Line Trend is:

$$Y_c = a + bx$$

When, x = -2

$$Y=2656093.96+925164.690 \times 2$$

$Y=805,764.583$ and so on.