ANALYSIS OF FINANCIAL PERFORMANCE OF EVEREST BANK LIMITED

A Project Work Report

By

T.U.Regd.No.:

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College Name

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Declaration

I hereby declare that the project work entitled "ANALYSIS OF THE FINANCIAL PERFORMANCE OF EVEREST BANK LIMITED" submitted to the Faculty of Management, Tribhuvan University, Kathmandu is an original piece of work under the supervision of (**Your Faculty Teacher Name)**, faculty member, (**Your College Name**) and is submitted in partial fulfillment of the requirements for the award of the degree of Bachelor of Business Studies (BBS). This project work report has not been submitted to any other university or institution for the award of any degree or diploma.

Your Name

Date:

Supervisor's Recommendation

The project work report entitled "ANALYSIS OF FINANCIAL PERFORMANCE OF EVEREST BANK LIMITED" submitted by (**Your Name**) of (**Your College Name**) is prepared under my supervision as per the procedure and format requirements laid by the Faculty of Management, Tribhuvan University, as partial fulfillment of the requirements for the award of the degree of Bachelor of Business Studies (BBS). I, therefore, recommend the project work report for evaluation.

Signature:

Mr.

Date:

Endorsement

We hereby endorse the project work report entitled "ANALYSIS OF FINANCIAL PERFORMANCE OF EVEREST BANK LIMITED" submitted by YOUR NAME of YOUR COLLEGE NAME, in partial fulfillment of the requirements for award of the Bachelor of Business Studies (BBS) for external evaluation.

Signature: Signature:

Name of Chairman: Name of Campus Chief:

Chairman, Research Committee   Campus Chief:

Date: Date:

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Your Name

BBS 4th Year

Your College Name

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Abbreviations

CB   : Commercial Bank

CEO   : Chief Executive Officer

CBB   : Cash and Bank Balance

CV   : Coefficient of Variation

DPS   : Dividend per Share

EBL   : Everest Bank Limited

EPS   : Earnings per Share

i.e.   : That is

Ltd.   : Limited

NRB   : Nepal Rastra Bank

NPAT   : Net Profit After Tax

P&L Account   : Profit and Loss Account

ROA   : Return on Assets

ROE   : Return on Equity

SD   : Standard Deviation

TD   : Total Deposit

CHAPTER-I

INTRODUCTION

1.1. Background of the Study

1.1.1. Meaning of Financial Analysis

Financial statement analysis is the process of analyzing a company's financial statements for decision-making purposes and to understand the overall health of an organization. Financial statements record financial data, which must be evaluated through financial statement analysis to become more useful to investors, shareholders, managers, and other interested parties. It is the method of evaluating past, present, and projected performance of a company. Analysts track performance measures across financial statements using several different methods for financial statement analysis, including vertical, horizontal, and ratio analysis. It helps to analyze whether an entity is stable, solvent, liquid or profitable enough to warrant a monetary investment. It is therefore essential to analyze the financial statement to know the actual financial performance and financial position of the organization.

1.1.2. Elements of the Financial analysis:

Profitability

Profitability is the most common measure of an enterprise including the banking industry. Profitability refers to the state or condition of yielding or earning a financial profit or gain. It refers to the ability of the company to use its resources to generate revenues in excess of its expenses. Similarly, profitability ratios are generally considered to be the basic bank financial ratio in order to evaluate how well bank is performing in terms of profit. For the most part, if a profitability ratio is relatively higher as compared to the competitor(s), industry averages, guidelines, or previous years' same ratios, then it is taken as indicator of better performance of the bank.

Liquidity

Liquidity refers to a company's ability to pay its current bills and expenses. In other words, liquidity relates to the availability of cash and other assets to cover accounts payable, short-term debt, and other liabilities. It is characterized by the use of converting an asset into money at a little cost. In the assets side of the balance sheet of the commercial bank, will be liquid assets, which can be easily converted into cash- such assets are called liquid assets. Liquidity can also be defined as the bank's ability to meet immediate maturing liabilities. Liquid assets mainly include cash and bank balances money at call and short notice, investment in government securities such as treasury bills, development bonds, saving bonds etc.

The liquidity management function of a bank is regular one. It is known that bank liquidity is the most sensitive and importance aspect. A bank can't be imagined without liquidity. The banks and financial institutions should keep the stock of liquid assets in the ratio of their deposit liability, as fixed by the Nepal Rastra Bank. The importance of liquidity is as follows:

- To meet the expenses for the banks daily administrative work.
- To pay all sorts of deposits.
- To control the economic fluctuation and to keep safe from the risk.
- To fill the demand of the debtor.
- Providing security to the bank.

Leverage Ratio:

Companies rely on a mixture of owners' equity and debt to finance their operations. A leverage ratio is any one of several financial measurements that look at how much capital comes in the form of debt (loans), or assesses the ability of a company to meet financial obligations.

Activity ratio:

Activity ratios measure the relative efficiency of a firm based on its use of its assets, leverage or other such balance sheet items and are important in determining whether a company's management is doing a good enough job of generating revenues and cash from its resources.

1.1.3. Commercial Banking Scenario in Nepal

Nepal Rastra Bank is the central bank of Nepal. It was established in Baisakh 14, 2013 B.S. under Nepal Rastra Bank Act, 2012. It formulates policy to control the function carried out by the banks. At present, NRB has allowed the commercial banks to fix the interest rate on deposit as well as credit on the basis of cost and availability of financial resources. This policy framework has introduced and element of competitiveness in the financial sectors.

The commercial banks are contributing in the economic development. Resources for economic development are made available by the commercial banks which ultimately aids to the overall development of the nation.

In Nepal, "Nepal Bank Limited" was the first commercial bank established in 1994 under Nepal Bank Act, 1993. Under Banijya Bank Act, 2021 B.S. the government launched "Rastriya Banijya Bank". It was fully financed by the government resources. Likewise, "Agriculture Development Bank" was established on January 2, 1968 under full ownership of the government for the purpose of developing agriculture sector.

As per the latest data from Nepal Rastra Bank, at present, there are 28 commercial banks, 33 development banks and 63 Microfinance companies operating in Nepal. Currently there are seven joint venture banks in operation in Nepal with there branches located in different part of the country.

1.2. Profile of Organization

Everest Bank Limited

Everest Bank Limited (EBL) is one of the leading commercial banks of Nepal. It provides professional and customer friendly banking service in Nepal. It is a registered 'A' class commercial bank, having Joint Venture with Punjab National Bank (PNB), India.

Banking services are provided through the wide network of branches and counters to the entire nation and different section of the society. Deriving strength from the Joint Venture Partner, Everest Bank Limited is steadily growing in size and operation in last 24 years. Currently, the bank has network of total 86 branches, located inside and outside the valley. Different type of saving account and fixed deposit account are offered by the bank to facilitate fund accumulation targeting office and institutions, women, youth, and deprived sectors. In the same way it also provides various type

of loan facilities like home loan, education loan, vehicle loan, loan against insurance policy and major corporate loan. Its product and service aim at satisfying the needs and desire of different customers. It is one of the first banks to introduce Any Branch Banking System (ABBS) in Nepal. It also introduced branchless banking system for the first time in Nepal to cover unbanked sector of Nepalese society through biometric machine. EBL was bestowed with the "NICCI Excellence Award" by Nepal India Chamber of Commerce for its spectacular performance under finance sector. Correspondingly, the bank was acknowledged as the "Highest Tax Payer among Commercial Banks" by Nepal Government for FY 2068/69.

Corporate Vision:

To be the Leading Commercial Bank with Pan Nepal presence and become a household name, providing wide range of financial products & service under on roof.

Mission Statement:

Its mission states "Growth through Banking for All".

Motto

It defines its motto as follows:

Consistent in term of Performance & Growth

Strong in terms of its System & Procedures

Dependable in terms of Return to all Stakeholders

Strategic Focus

The Bank has set itself the following broad goals:

- ➢ Mobilize Deposits through Current, Savings, Term & Call Deposit accounts and other instruments.
- ➢ Grant loans & advances with special thrust on Productive, SME as well as the Retail Segment.
- ➢ Provide Treasury Services following best international practices.

➢ Facilitates cross border payment services so as to strengthen remittance inflow.

➢ Provide custody services.

➢ Provide cash management services, insurance products and other financial services.

➢ Provide any other service businesses that regulator prescribes from time to time.

1.2.1 Shareholding Composition

The present shareholding pattern of bank is presented below:

S.N	Ownership	Percent
1	Promoters	49.19%
2	Punjab National Bank	20.03%
3	Public	30.78%
	Total	100%

1.2.2. EBL Network Overview

Region wise branches	No of Branches
Province No.1	10
Province No. 2	10
Province No. 3	30
Province No. 4	10
Province No. 5	13
Province No. 6	02
Province No. 7	11
Total no of Branches	*86*

1.2.3. No. of Staff: 836 (As of July 16, 2018)

1.2.4. Composition of Board of Directors

The Board of Directors of Everest Bank Limited is chaired by Mr. Bishnu Krishna Shrestha along with eight respective Directors. The managerial activities are governed by Mr. Someshwar Seth, the respective Chief Executive officer (CEO) along with three Deputy General Managers.

1.3.   Statement of Problem

A statement of problem is a brief description of an issue to be addressed or a condition to be improved upon. It aims in identifying and explaining the problem.

In present context of Nepal, commercial banks have good performance. On the basis of profitability and productivity of commercial banks, public have confidence in their performance. However, various environmental factors, state of economy, structure of capital and money market, government policies, taxation policies and various internal factors have influence upon financial performance and position of commercial banks. In these circumstances, it is highly useful to make the study on financial statement of Everest Bank Ltd.

Profitability position and stock prices are the general factors considered for evaluating the financial performance of Everest Bank Ltd. However, one can raise a question, "Are these the only factors to reflect the performance of the bank?"

Thus, the main problem of the study, is to inquire into the financial performance of Everest Bank Limited.

This study is targeted to find out answers to the following questions:

- What is the financial performance of Everest Bank Limited?
- Does the overall financial statement depict the financial position indicating any special strength and weakness of the Bank?
- Is Everest Bank Limited utilizing its assets efficiently?
- Everest Bank Limited is considered to be operationally efficient. But how far it is efficient?

In this context, the main purpose of the study is analyzing the financial performance of the Everest Bank Limited in terms of turnover, profitability, liquidity and efficiency in operation.

1.4.   Objectives of the Study

The main objective of this study is to analyze the Financial Performance of Everest Bank Limited.

However, the specific objectives of study are as follows:

- To evaluate the financial position of Everest Bank Limited.
- To analyze the financial performances through the use of appropriate financial and analytical tools.
- To identify the profitability position i.e. Earning per share (EPS), Dividend per share (DPS) and Return on Asset (ROA).
- To measure the liquidity, solvency and efficiency.
- To determine the past, present and projected performance of the company.

1.5.   Rationale of the Study

Optimum utilization of fund makes better impact on the economy of the nation. NBL is one of the governments owned national bank. So, it has been chosen for the study with below limitations:

- Importance to shareholders.
- Importance to the management bodies of the bank for the evaluation of the performance of bank.
- Importance to "outsiders" which are mainly the customers, financing agencies, stock exchanges etc.
- Importance to the government bodies or the policy makers such as the central bank
- Interested outside parties such as- investors, customers (depositors as well as credit takers), and competitors, personnel of the banks, stockbrokers, dealers, and market makers.

So, this study helps to identify its unseen strength and weakness regarding financial as well as credit administration.

1.6.   Review Of Literature

Literature review is the study of the available literature in one's field of research. The literature provides us with the knowledge of the status of their field of research. Past study knowledge provides foundation to the present study. So, analyzing and presenting the following parts define this chapter:

i. Origin of Bank

ii. Conceptual/Theoretical review

iii. Review of related journal, articles

Detail explanation of the parts in this chapter is explained below:

i. Origin of Bank

The origin of the word 'Bank' is linked to: German word 'Bank' means a joint stock company, Latin word 'Bank' means a bench, Italian word 'Bank' means a bench and French word 'banquet' means a bench. The first bank was set up in Venice, Italy as a public bank, by the name 'Bank of Venice'. Subsequently, 'Bank of Barcelona' in 1401 A.D. & 'Bank of Geneva' in 1407 A.D. were established. In 1609 A.D, "Bank of Amsterdam', a famous bank was established. In reality, the history of modern banking had started from 'Bank of England' in 1694 A.D. But the modern joint stock banks were established in England only in 1833 A.D. In 1844 A.D., 'Bank of England' was established as a first central bank in the world. The 'Banque De France' was established in France in 1807 A.D. Later, the banks were established in other parts of the world.

ii. Theoretical Framework

The main objectives of the bank are to collect deposits as much as possible from the customers and to mobilize into the most profitable sector. If a bank fails to utilize its collected resources then it cannot generate revenue. Resource mobilization management of bank includes resource collection, investment portfolio, loans and advances, working capital, fixed assets management etc. It measures the extent to which bank is successful to utilize its resources. To measure the bank performance in many aspects, we should analyze its financial indicator with the help of financial statements.

Financial analysis is the process of identifying the financial strength and weakness of the concerned bank. It is the process of finding strength and weakness of the concerned bank. Financial statement analysis is a method of reviewing and analyzing a company's accounting reports (Financial

statements) in order to gauge its past, present or projected future performance. This process of reviewing the financial statements allows for better economic decision making.

It is performed to determine the following:

- Profitability
- Liquidity
- Solvency
- Efficiency

The function or the performance of finance can be broken down into three major decisions i.e. the investment decision, the financing decision, and the dividend decisions. An optional combination of the three decisions will maximize the value of the firm.

iii. Review of literature

According to Brigham E.F., L.G. Gapenski, (1992), "financial analysis means assessing the viability, stability and profitability of a project. It also includes techniques used for determining the needs of a business."

According to Ross, Peter S, (2000), "Financial analysis refers to the assessment of a business to deal with the planning, budgeting, monitoring, forecasting, and improving of all financial details within an organization."

Tarawneh (2006) analyzed the financial statement of five Omani banks for the financial period 1999-2003. In addition, he used simple regression to estimate the impact of asset management, operation efficiency, and bank size on the financial performance of these banks. The results showed that financial performance of the banks was strongly and positively influenced by the operational efficiency, asset management, and bank size.

Almazari (2011) in his study attempted basically to measure the financial performance of seven Jordanian commercial banks for the period 2005-2009, by using simple regression in order to estimate the impact of independent variable represented by; the bank size, asset management, and operational efficiency on dependent variable financial performance represented by; return on assets and interest income size. It was found that banks with higher total deposits, credits, assets, and shareholders' equity do not always mean that has better profitability performance. Also found that there exists a positive correlation between financial performance and asset size, asset utilization

and operational efficiency, which was also confirmed with regression analysis that financial performance is greatly influenced by these independent factors.

Haque and Sharma (2011), their research studied the hypotheses tested imply that there are significant differences amongst Saudi banks. The financial performance of banks in Saudi Arabia is studied on the basis of financial variables and ratios through the help of Spearman's' rank correlation method. Although, benchmarking performance of banks is done using advanced linear programming models, this study attempts to develop an efficiency frontier on the basis of simple linear regression. Albeit certain restrictive assumptions, this study identifies Al Rajhi bank to be the best bank to which other banks could look up to and justifies this model on the basis of parsimony.

Almumani (2014) the purpose of his study is to analyze and compare the performance of Saudi banks that listed in stocks market for the period 2007-2011. The study is an evaluator in nature, drawing sources of information from secondary data. The financial performance of banks is studied on the basis of financial ratios and variables. Financial performance was measured by two approaches; trend analysis and inter-firm analysis. It was found that increasing of assets, operating expenses, and cost to income causes a decrease in Saudi bank's profitability, while increasing of operating income causes an increase in the profitability of Saudi Banks. Analysis shows that all the variables of study have a positive mean value and all banks are generating income. Saudi joint venture banks proved to be more proficient in generating profits, absorbing loan losses and dominating in ROE, while, Saudi established banks have more capacity of absorbing asset losses and dominating in ROA.

Kumal (2015) evaluated the financial performance of M/s Kumari Bank Limited, a commercial bank in Nepal taking the period of three financial years in considerations, from FY 2011/12 to FY 2012/13. The results showed that the financial position of M/s Kumari Bank Limited is satisfactory and in good position.

In the Gulf, Samad (2004) investigated the performance of seven locally incorporated commercial banks during the period 1994-2001. Financial ratios were used to evaluate the credit quality,

profitability, and liquidity performances. The performance of the seven commercial banks was compared with the banking industry in Bahrain which was considered a benchmark. The article applied a Student's t-test to measure the statistical significance for the measures of performance. The results revealed that commercial banks in Bahrain were relatively less profitable, less liquid and were exposed to higher credit risk than the banking

1.7. Method of study

Research is an organized, systematic, data based, critical, scientific enquiry or investigation into specific problem, undertaken with the objective of finding answers or solutions to it. This study focuses on the planned and systematic dealing with the collection, analysis and interpretation of facts and figure. It consists of research design, population and sample study, sources of data, data processing procedure and technique of analyzing data.

This chapter describes the methodology employed in this study.

For the purpose of achieving the objectives of study, the applied methodology will be used

1.7.1 Research Design:

"Research design is a master plan specifying the methods and procedures for collecting and analyzing the needed information." **(Zikmund, 2007)**

It is the formal plan of action for a research project or a blue print of the research project. It has the researchers to lay out their research questions, methodologies, implementation procedures, and data collection and analysis to conduct a research project. The research design then focuses on the data collection methods, the research instruments utilized, and the sampling plan to be followed.

Specifically, research design describes the general plan for collecting, analyzing and evaluating data after identifying the facts and findings.

What the researcher wants to know and What has to be dealt with in order to obtain the required information? *(Wolf & Pant, 2002:50)*

It includes an outline of what the investigator will do from writing the hypotheses and their operational implications to the final analysis of data. Generally, a common research design possesses the five basic elements viz.

(i) Selection of problem

(ii) Methodology

(iii) Data gathering.

(iv) Data analysis and

(v) Report writing.

1.7.2 Population and Sample

Population refers to the entire group of people, events, or things of interest that the researcher wishes to investigate. Survey of each and every group of population by researcher is not normally possible. For the held research, a portion of the population is taken as the representation of the entire population. Sample of items and elements from the population are taken for conducting our study. It comprises some observations selected from the population.

There are altogether 28 commercial banks functioning all over the nation and most of their stocks are traded actively in the stock market. Here EBL have been selected as sample for our study. Similarly, financial statements of this bank for 5 years have been taken as samples for the same purpose.

1.7.3 Nature and Sources of Data

In regards to the primary data, some personal views and ideas of individual respondent are collected. But in case of entire study, secondary data which are used are basically of the following nature:

- Most of the data taken for the analysis is collected from the material published by the concerned banks through their annual reports.
- Since the stock of EBL is listed in NEPSE, the figures are all most reliable and suitable too.

In order to fulfill the objective of this research work, all the secondary data are collected, processed and tabulated in time series and bar diagram. The reliability of the data complied in the annual report of the bank is judged and confirmed by an independent auditor.

So, the major sources of secondary data used for this study are as follows:

- Annual Report of EBL (2070/71 to 2074/75)
- Official Website of EBL
- NRB circulars.
- NRB directives.

1.7.4 Data Processing Procedures

Data collected from various sources are in raw form. The method of analysis is directed to find the actual financial performance of the bank. The obtained data are presented in the tabular form, diagrams and graph with the supporting interpretation. The collected data are accumulated in organized way and are grouped for calculation using the method given by the formulas.

1.7.5 Data Analysis Tools

Analysis and presentation of the data is the core of each and every research work. Financial and statistical tools are considered as the most reliable tools to accomplish the objective of the study. These tools are used in order to make the analysis more effective, convenient, reliable and authentic.

The various results obtained with the help of financial, accounting and statistical tools are tabulated under different headlines. Such results are interpreted to portray the current position and performance of the bank. Two kinds of tools have been used to achieve the certain goals.

1. Financial Tools

2. Statistical Tools

1. Financial Tools

It basically helps to identify the financial strengths and weakness of the firm by establishing relationship between the items of the financial position and statement of profit or loss account. Financial tools are categorized into two parts. They are:

i)   Ratio Analysis

Ratio analysis is the powerful tool of financial analysis. "A ratio is a mathematical relationship between two variables. It is significant for financial analysis. It also helps us to predict the future performance of a company based on study of ratios of earlier years." **(Benerjee: 1989,95)**

Thus, ratio analysis is the part of whole process of analysis of financial statement to make decision regarding the output and credit for any business and industry. Quantitative relationship are established by the ratio which facilitates the qualitative judgement to be made. They are presented below:

1. Liquidity Ratio:

Liquidity refers to a company's ability to pay its current bills and expenses. So, liquidity ratios are used to measure the ability of a firm to meet its short-term obligations and from them the present cash solvency as well as ability to remain solvent in the event of adversities of the same can be examined. In other words, liquidity relates to the availability of cash and other assets to cover accounts payable, short-term debt, and other liabilities. It is characterized by the use of converting an asset into money at a little cost. Liquid assets mainly include cash and bank balances money at call and short notice, investment in government securities such as treasury bills, development bonds, saving bonds etc.

i. Cash and Bank Balance to Total Investment Ratio:

This ratio shows the ability of banks immediate funds to cover their investment. Higher the ratio shows higher liquidity position and ability to cover the deposits and vice versa. It can be calculated by dividing 'cash and bank balance' by deposits. This ratio can be calculated using the following formula.

$$\text{Cash and Bank Balance to Total Investment Ratio} = \frac{\text{Cash and Bank Balance}}{\text{Total Investment}}$$

ii. Cash and Bank Balance to Total Deposits Ratio:

This ratio is computed to disclose the soundness of the company to compute cash and bank balance made of total deposits. It can be expressed as:

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

iii. Cash and Bank Balance to Total Assets Ratio:

$$\text{Cash and Bank Balance to Total Assets Ratio} = \frac{\text{Cash and Bank Balnce}}{\text{Total Assets}}$$

iv. Current Ratio

Current Ratio is the ratio that indicates the relationship between current assets and current liabilities.

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

2. Profitability Ratio:

Profitability refers to the state or condition of yielding or earning a financial profit or gain. It refers to the ability of the company to use its resources to generate revenues in excess of its expenses. Similarly, profitability ratios are generally considered to be the basic bank financial ratio in order to evaluate how well bank is performing in terms of profit. For the most part, if a profitability ratio is relatively higher as compared to the competitor(s), industry averages, guidelines, or previous years' same ratios, then it is taken as indicator of better performance of the bank.

i)   Return on Shareholder's Fund:

This ratio, also called Return in Proprietor's Fund or Return in Net worth. It measures the percentage of net profit to average shareholder's fund.

$$\text{Return on Shareholder's Fund} = \frac{\text{Net Profit after Tax}}{\text{Shareholder'sFund}} \text{ X } 100$$

ii) Return on Total Assets

Return on Total Assets measures the profitability of the total investment of the company.
The ratio is computed by dividing net income after tax by average total assets.

$$\text{Return on Total Assets} = \frac{\text{Net Profit after Tax}}{\text{Total Assets}} \text{ X } 100$$

iii) Earnings per Share (EPS)

EPS simply shows the profitability of the firm on a per share basis. It is calculated from the point of view of the ordinary shareholders.

$$\text{Earning per share} = \frac{\text{Net Profit after Tax}}{\text{No. of share}} \text{ X } 100$$

iv)   Dividend Per Share (DPS):

This ratio is calculated by dividing the Dividend payable to Equity Shareholders by Number of Equity Shares.

$$\text{Dividend per share} = \frac{\text{Dividend Payable to Equity Shareholders}}{\text{No. of equity shares outstanding}} \text{ X } 100$$

C. Asset Management Ratio:

It is also known as turnover or efficiency ratio or assets management ratio; measures how efficiently the firm employs the assets. Turnover means; how much number of times the assets flow through a firm's operations and into sales (Kulkarni, 1994:138). Greater rate of turnover or conversion indicates more efficiency of a firm in managing and utilizing its assets, being other things equal. Various ratios are examined under this heading.

i)   Loan and Advances to Total Deposits Ratio:

Commercial banks utilize the outsider's fund for profit generation purpose. Loan and advances to deposit ratio shows whether the banks are successful to utilize the outsiders funds (i.e. total deposits) for the profit generating purpose on the credit and advances or not.

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

ii)Loan and Advances to Fixed Deposit Ratio:

Fixed deposits are the long-term interest bearing obligations and credits and advances is the major sources of investment. This ratio measures how many times the amount is used in credits and advances in comparison to fixed deposit for the income generating purpose.

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

iii)Loan and Advances to Total Assets Ratios:

It measures the ability in mobilizing total assets into credits and advances for profit generating income. The following formula is used to obtain this ratio.

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

2)Statistical Tools

For supporting the study, statistical tools have been used under it.

a) **Mean:**

The statistical mean refers to the mean or average that is used to derive the central tendency of the data in question. It is determining by adding all the data points in a population and then dividing by total number of points.

It can be calculated as:

$$\text{Mean} = \frac{\Sigma X}{N}$$

b) **Standard Deviation:**

Standard deviation is a statistic used as a measure of the dispersion in a distribution, equal to the square root of the arithmetic mean of the squares of the deviations from the arithmetic mean.

It can be calculated as:

$$\text{S.D.} = \sqrt{\frac{\Sigma (X - Mean)^2}{N}}$$

c) **Coefficient of variance:**

It is a standardized measure of dispersion of a profitability distribution. It is often expressed as a percentage, and is defined as the ratio of the standard deviation to the mean.

It can be calculated as:

$$\text{CV} = \frac{\text{S.D}}{\text{mean}}$$

1.8. Limitation of the study

Limitation tends to narrow the area of study. It is caused due various undeniable circumstances. The major limitations of this study are mentioned below:

- The Research is based on records of 5 fiscal years' analysis only i.e. from FY 2070/71 to FY 2074/75.

- The researcher has used only some statistical tools for presentation and analysis of data.

- Most of the data used in this study are based on secondary sources mainly official website of Everest Bank Limited.

- The main focus is given to the quantitative aspect rather than qualitative aspect.

- The study is based on Everest Bank Limited only.

- It is only for partial fulfillment of Bachelor of Business Studies (BBS).

CHAPTER - II

RESULTS AND FINDINGS

2.1 Introduction:

This chapter deals with the presentation, analysis and interpretation of relevant data of Everest Bank Limited to fulfill the objective of this study. According to the research methodology as mentioned in the third chapter of this study the data have been analyzed competently. The purpose of this chapter is to introduce mechanism of data analysis and interpretation. Different type of analytical methods and tools such as financial ratio analysis and statistical analysis are used.

2.2 Financial Statement Analysis:

Financial statement analysis is the process of analyzing a company's financial statement for decision making purposes and to understand the overall health of an organization. Financial analysis is done by applying various financial tools in order to have clear picture on the viability of the project. It is the method of evaluating past, present, and projected performance of a company. The financial analysis is done to ascertain the liquidity, profitability, leverage, debt servicing and interest servicing ability of the firm. The concept of financial statement analysis has been already discussed in previous chapter. Here, we study and analyze the data by using accounting tools.

2.2.1 Liquidity Ratio:

Liquidity refers to the ability of a firm to meet its short- term or current obligations. So liquidity ratios are used to measure the ability of a firm to meet its short-term obligations. Inadequate liquidity can lead to unexpected cash short falls that must be covered 5at excessive costs reducing profitability. In the worst case, inadequate liquidity can lead to the liquidity insolvency of the institution. To find - out the ability of the bank to meet their short-term obligations, which are likely to mature in the short period, the following ratios are developed under the liquidity ratios to identify the liquidity position.

i)Cash and Bank Balance to Investment Ratio:

This shows the ratio between cash & bank balance to Investment. Cash and bank balance is the outcome of deposit of customers plus other income and reserves of the bank. Bank is liable to

customer to pay out upon demand of customers so we are trying to find the comparative study between them.

$$\text{Cash \& Bank Balance to Total Investment} = \frac{\text{Cash \& Bank Balance}}{\text{Total Investment}}$$

Table: 1
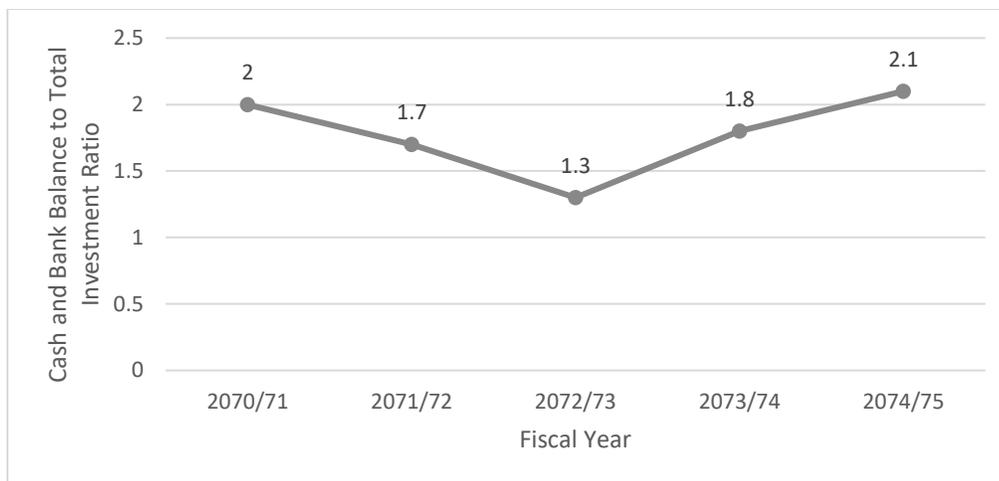
Cash and Bank Balance to Investment Ratio

(Amount in Rs.)

Fiscal Year	Cash and Bank Balance	Total Investment	Ratio	Percentage
2070/71	13,172,782,867	6,504,185,769	2.0	-
2071/72	25,116,482,060	15,102,674,197	1.7	-15%
2072/73	23,117,394,498	18,198,739,944	1.3	-24%
2073/74	21,383,490,030	11,964,561,347	1.8	38%
2074/75	32,295,170,501	15,554,185,400	2.1	17%
Mean			**1.76**	
SD			**0.28**	
CV			**16%**	

Source: Annual Report of EBL

Figure: 1

Cash and Bank Balance to Total Investment Ratio

The above Table 1 and Figure 1 reveals that the Cash and Bank Balance to Total Investment ratio is increasing since 2073/74 and 2074/75. EBL's Cash and Bank Balance to Total Investment ratio is the highest of 2.1 times in 2074/75 and lowest in year 2072/73 of 1.3 times. Ratios over the past five years are found to be decreased in the year 2071/72 and 2072/73. However, the ratios are found to be increased in the year 2073/74 and 2074/75.

The average is 1.76 times which is greater than 1. Thus, it means that EBL is able to meet the demand of current depositors during the research period.

Similarly, the standard deviation of the data analyzed is 0.28 which is lower than the mean, it reveals that most of the numbers are close to the average. And the cash and bank balance and total investment values are less volatile.

Likewise, the CV represents the ratio of standard deviation to mean. The CV obtained here is 16 percent which means that the ratio of standard deviation to mean is low. Lower the ratio of standard deviation to mean, the better the risk return trade off. A risk averse investor expecting low degree of volatility and high degree of return, in relation to overall market and industry may want to invest in the bank.

ii) Cash and Bank Balance to Total Deposit Ratio:

This cash & bank balance to total deposit ratio shows that percentage relation between them. It means the liquid balance available in respect to total deposit of the bank whereas the difference between the cash & bank balance to total deposit is said as the investment of the bank.

$$\text{Cash \& Bank Balance to Total Deposit} = \frac{\text{Cash \& Bank Balance}}{\text{Total Deposit}}$$
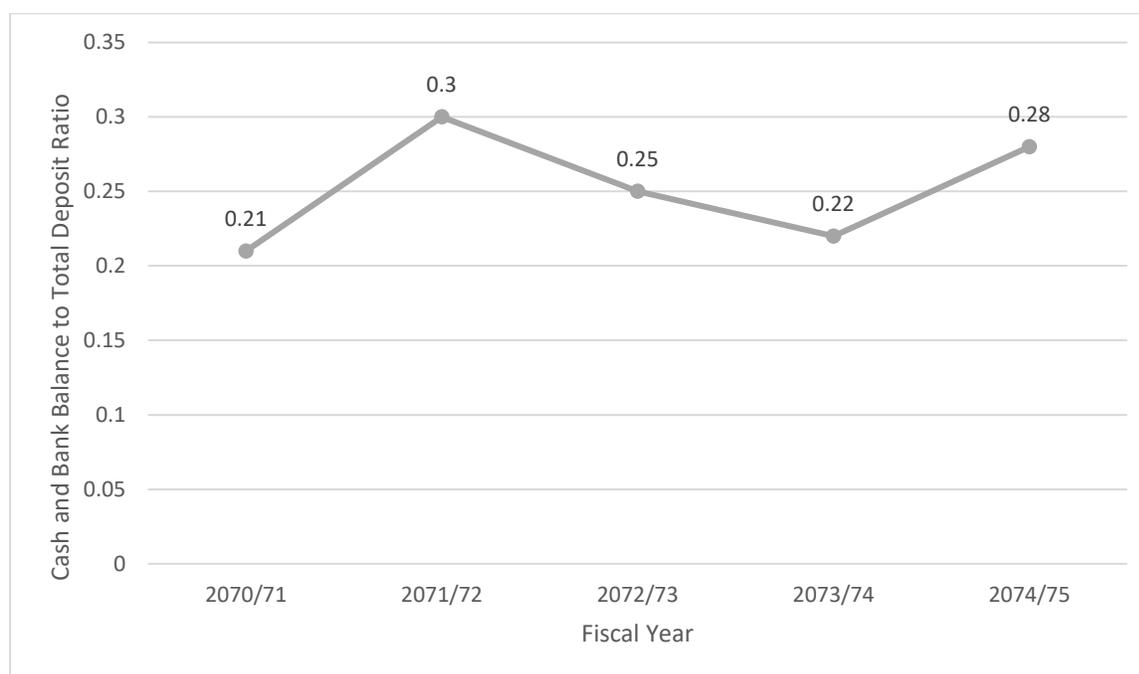
Table: 2

Cash and Bank Balance to Total Deposit Ratio

(Amount in Rs.)

Fiscal Year	Cash and Bank Balance	Total Deposit	Ratio	Percentage (%)
2070/71	13,172,782,867	62,108,135,754	0.21	-
2071/72	25,116,482,060	83,093,789,957	0.30	43%
2072/73	23,117,394,498	93,735,480,708	0.25	-17%
2073/74	21,383,490,030	95,094,461,030	0.22	-12%
2074/75	32,295,170,501	115,511,705,922	0.28	27%
Mean			**0.25**	
SD			**0.034**	
CV			**14%**	

Source: Annual Report of EBL

Figure: 2

Cash and Bank Balance to Total Deposit Ratio

The above Table 2 and Figure 2 shows that the cash and bank balance to total deposit ratio of EBL is in fluctuating trend. EBL's cash and bank balance to total deposit ratio is highest of 0.3 times in 2071/72 and lower in the year 2070/71 of 0.21 times. Ratio over the past five years in terms of percentage also reveals the fluctuation. Ratio are found to be increased in the year 2071/72 whereas decreased in the year 2072/73 and 2073/74. However, the ratio has subsequently increased in the year 2074/75.

The average is 0.25 which is lower than 1. It means that EBL has more total deposit than cash and bank balance. In this situation, there is insufficient cash on hand to pay off all the deposit of the customers. This may not be the bad news if the bank has the condition to extend normal credit terms to the suppliers and very little credit extended to its customers.

Similarly, the standard deviation of data analyzed is 0.034 which is very much lower than the mean, it means that most of the numbers are close to the average. And cash and bank balance and total deposit are less volatile.

Likewise, the CV shows the extent of variability of the data in relation to the mean of the population. The CV obtained here is 14percent which means that the ratio of SD to mean is low. Lower the ratio of SD to mean, better the risk return trade off.

iii) Cash and Bank Balance to Total Assets Ratio:

This cash and bank balance to total assets ratio shows the relation between them. The cash flows to total assets ratio shows investors how efficiently the business is at using its assets to collect cash from sales and customers.

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

Table: 3

Cash and Bank balance to Total Assets Ratio

(Amount in Rs.)

Fiscal Year	Cash and Bank Balance	Total Assets	Ratio	Percentage (%)
2070/71	13,172,782,867	70,445,082,845	0.19	-
2071/72	25,116,482,060	99,152,806,017	0.25	32%

2072/73	23,117,394,498	113,885,046,402	0.20	-20%
2073/74	21,383,490,030	116,510,445,575	0.18	-10%
2074/75	32,295,170,501	144,811,151,443	0.22	22%
Mean			**0.21**	
SD			**0.024**	
CV			**12%**	

Source: Annual Report of EBL

Figure: 3

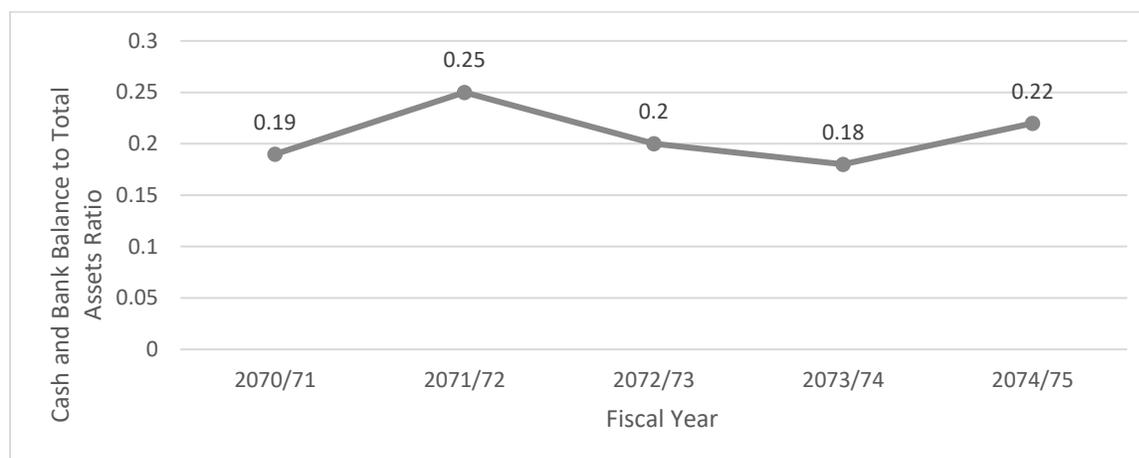**Cash and Bank Balance to Total Assets Ratio**

Table 3 and Figure 3 shows that the cash and bank balance to total assets ratio of EBL is in fluctuating trend. EBL's cash and bank balance to total deposit ratio is highest of 0.25 times in 2071/72 and lower in the year 2073/74 of 0.18 times. Ratio over the past five years in terms of percentage also reveals the fluctuation. Ratio are found to be positive in the year 2071/72 by 32 percent whereas decreased in the year 2072/73 by 20 percent and 2073/74 by 10 percent. However, the ratio has subsequently increased in the year 2074/75 by 22 percent.

The average is 0.21 which is lower than 1. It means that EBL will not be able to pay off all its liabilities with available cash and cash equivalents.

Similarly, the standard deviation of data analyzed is 0.024 which is much lower than the mean, it means that most of the numbers are close to the average. And cash and bank balance and total assets are less volatile.

Likewise, the CV shows the extent of variability of the data in relation to the mean of the population. The CV obtained here is 12 percent which reveals that the ratio of SD to mean is low. Lower the ratio of SD to mean, better the risk return trade off.

iv)Current Ratio

This ratio is used to find the relation between current assets and current liabilities of the bank. The current ratio is a liquidity ratio that measures a company's ability to pay short-term obligations or those due within one year.

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

Table: 4

Current Ratio

(Amount in Rs.)

Fiscal Year	Current Assets	Current Liabilities	Ratio	Percentage (%)
2070/71	63,313,902,806	64,519,090,385	0.98	-
2071/72	83,419,734,448	91,193,583,991	0.91	-7%
2072/73	95,007,318,559	104,302,113,291	0.91	0%
2073/74	11,964,561,347	103,897,018,696	0.99	9%
2074/75	15,554,185,400	127,607,799,028	0.99	0%
Mean			0.96	
SD			0.038	
CV			4%	

Figure: 4

Current Ratio

Fiscal Year
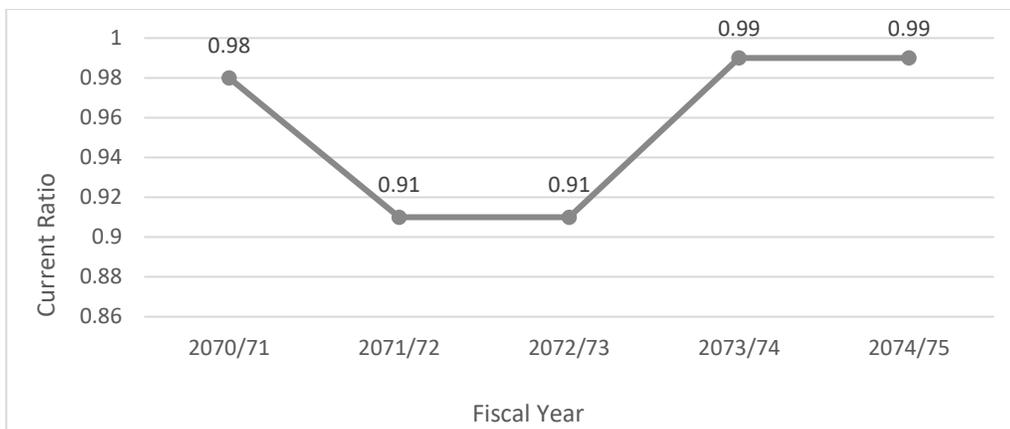
The above Table 4 and Figure 4 shows that the current ratio of EBL is fluctuating over the past five years. EBL's current ratio is highest of 0.99 times in 2073/74 and 2074/75 and lower in the year 2071/72 and 2072/73 of 0.91 times. Ratio over the past five years in terms of percentage also reveals the fluctuation. Ratio are found to be decreased in the year 2071/72 whereas no change in the year 2072/73, increasement in the year 2073/74 and again no change in the year 2074/75.

The average is 0.96 which is lower than 1. This shows that the current asset of the company is a bit not sufficient to meet its current liabilities.

Similarly, the standard deviation of data analyzed is 0.038 which is lower than the mean, it means that most of the numbers are close to the average. And volatility of current assets and current liabilities are less

Likewise, the CV represents the ratio of standard deviation to mean. The CV obtained here is 4 percent which means that the ratio of SD to mean is low. Lower the ratio of SD to mean, better the risk return trade off.

2.2.2 Profitability Ratio:

A profitability ratio is a measure of profitability, it is a way to measure a company's performance. Profitability is simply the capacity to make a profit. A profit is what is left over from income earned after one has deducted all costs and expenses related to earning the income. It refers to the ability of the company to use its resources to generate revenues in excess of its expenses. Profitability ratios are generally considered to be the basic bank financial ratio in order to evaluate how well bank is performing in terms of profit.

i) Return on Shareholder's Fund:

This ratio, also called Return in Proprietor's Fund or Return in Net worth. It measures the percentage of net profit to average shareholder's fund.

$$\text{Return on Shareholder's Fund} = \frac{\text{Net Profit after Tax}}{\text{Shareholder'sFund}} \text{ X } 100$$

Table: 5

Return on Shareholder's Fund

(Amount in Rs.)

Fiscal Year	Net Profit after Tax	Shareholder's Fund	Ratio	Percentage (%)
2070/71	1,549,698,560	5,457,147,460	28%	0%
2071/72	1,574,352,443	6,890,377,025	23%	-18%
2072/73	1,730,207,025	8,514,088,112	20%	-13%
2073/74	2,006,247,780	11,544,581,880	17%	-15%
2074/75	2,581,681,778	16,134,507,415	16%	-6%
Mean			20.8%	
SD			4.35%	
CV			21%	

Source: Annual Report of EBL

Figure: 5

Return on Shareholder's Fund
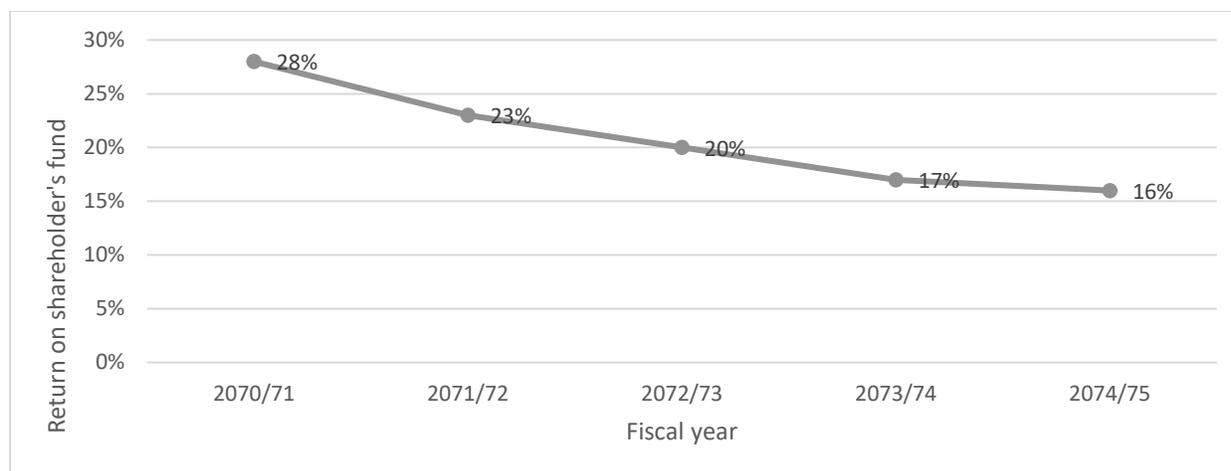
The above Table 5 and Figure 5 shows that the Return on shareholders fund of EBL is in decreasing trend. EBL's Return on shareholders fund is the highest of 28 percent in 2070/71 and lowest in year 2074/75 of 17 percent. Ratios over the past five years are found to be decreased every year. The return on shareholder's fund is found to be minimum in 2074/75 at 17 percent.

The average is 20.8 percent which means that the return on shareholders fund is 20.8 percent of net profit on average.

Similarly, the standard deviation of the data analyzed is 4.35 percent which is lower than the mean, it reveals that most of the numbers are close to the average. And the net profit after tax and shareholders fund are less volatile.

Likewise, the CV represents the ratio of standard deviation to mean. The CV obtained here is 21 percent which means that the ratio of standard deviation to mean is low. Lower the ratio of standard deviation to mean, the better the risk return trade off. A risk averse investor expecting low degree of volatility and high degree of return, in relation to overall market and industry may want to invest in the bank.

ii)Return on Total Assets

Return on Total Assets measures the profitability of the total investment of the company. The ratio is computed by dividing net income after tax by average total assets. The ratio is calculated to measure the profit after tax against the amount invested in total assets to ascertain whether assets are being utilized properly or not.

$$\text{Return on Total Assets} = \frac{\text{Net Profit after Tax}}{\text{Total Assets}} \text{ X } 100$$

Table: 6

Return on Total Assets

(Amount in Rs.)

Fiscal Year	Net Profit after Tax	Total Assets	Ratio	Percentage (%)
2070/71	1,549,698,560	70,445,082,845	2.2%	0%
2071/72	1,574,352,443	99,152,806,017	1.6%	-27%
2072/73	1,730,207,025	113,885,046,402	1.5%	-6%
2073/74	2,006,247,780	116,510,445,575	1.7%	13%
2074/75	2,581,681,778	144,811,151,443	1.8%	6%
Mean			**1.76%**	
SD			**0.00058%**	
CV			**0.033%**	

Source: Annual Report of EBL

Figure: 6

Return on Total Assets
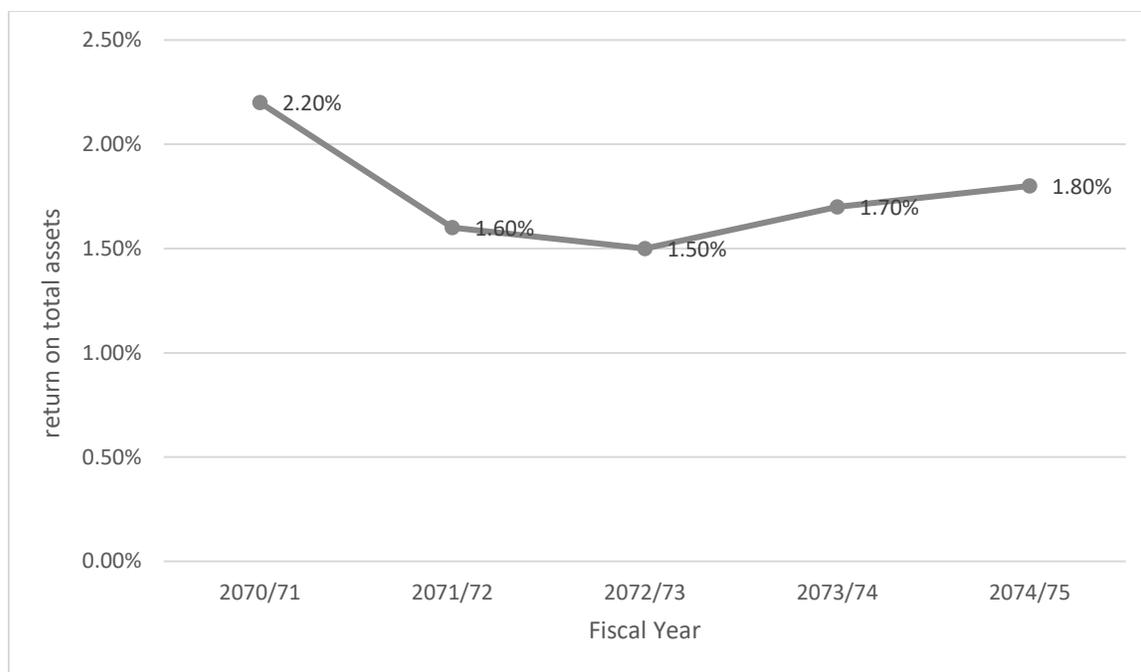
The above Table 6 and Figure 6 shows that the Return of Total Asset of EBL is in fluctuating trend. EBL's return on total assets is highest of 2.2 percent in 2070/71 and lower in the year 2072/73 of 1.5percent. Ratio over the past five years in terms of percentage also reveals the fluctuation. Ratio are found to be decreased in the year 2071/72 and 2072/73 whereas increase in the year 2073/74 and 2074/75.

The average is 1.76 percent which means that EBL needs to increase the efficiency of assets utilization to increase the earning.

Similarly, the standard deviation of data analyzed is 0.00058 percent which is much lower than the mean, it means that most of the numbers are close to the average. And the volatility is lesser between the values.

Likewise, the CV shows the extent of variability of the data in relation to the mean of the population. The CV obtained here is 0.033 percent which reveals that the ratio of SD to mean is low. Lower the ratio of SD to mean, better the risk return trade off.

iii)Earnings per Share (EPS)

EPS simply shows the profitability of the firm on a per share basis. It is calculated from the point of view of the ordinary shareholders.

$$\text{Earning per share} = \frac{\text{Net Profit after Tax}}{\text{No. of share}} \text{ X } 100$$

Table: 7

Earning Per Share

(Amount in Rs.)

Fiscal Year	Net Profit after Tax	No. of share	EPS	Percentage (%)
2070/71	1,549,698,560	18,012,391	86	0%
2071/72	1,574,352,443	20,173,878	78	-9%
2072/73	1,730,207,025	20,173,878	86	10%
2073/74	2,006,247,780	60,352,269	33	-62%
2074/75	2,581,681,778	60,352,269	43	30%
Mean			**65.2**	
SD			**22.62**	
CV			**35%**	

Sources: Annual Report of EBL

Figure: 7

Earning per Share
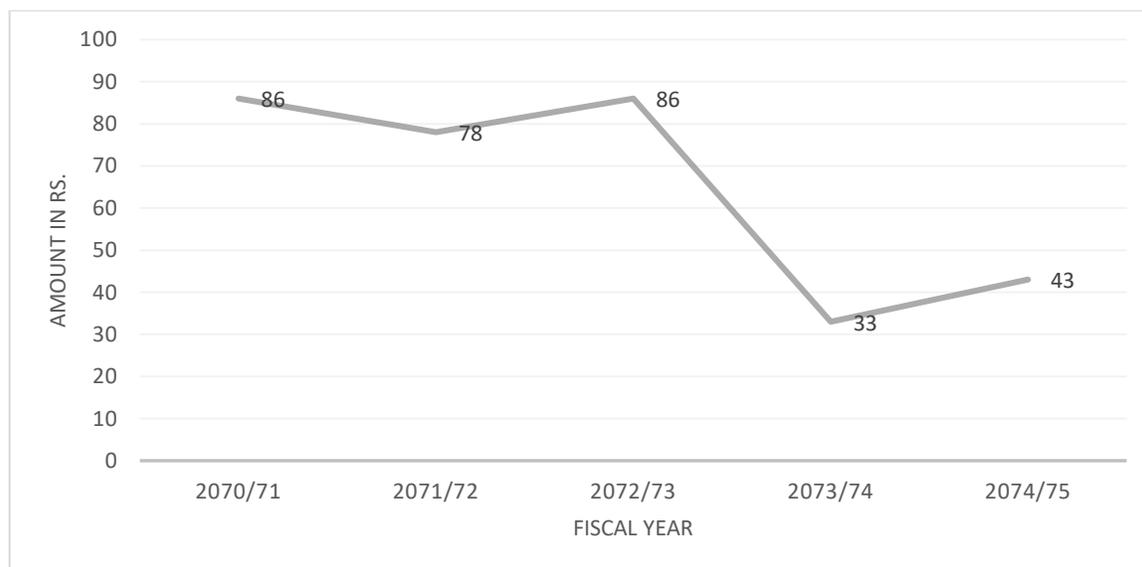
The above Table 7 and Figure 7 shows that the earning per share of EBL is in fluctuating trend. EBL's earning per share is highest of Rs.86 in 2072/73 and lowest in the year 2073/74 of Rs.33.

Fiscal Year	Dividend payable to equity shareholders	No. of equity share outstanding	DPS	Percentage (%)
2070/71	920,395,772	18,012,391	51	0%
2071/72	141,122,877	20,173,878	7	-86%
2072/73	106,495,939	20,173,878	5	-29%
2073/74	110,422,513	60,352,269	2	-60%
2074/75	1,600,000,000	60,352,269	27	1250%
Mean			**18.4**	
SD			**18.52**	
CV			**101%**	

Ratio over the past five years in terms of percentage also reveals the fluctuation. Ratio are found to be decreased in the year 2071/72 by 9 percent whereas increase in the year 2072/73 by 10 percent. Again, there has been decrease in the year 2072/73 by 62 percent and further increase by 30 percent in the year 2074/75 as compare to the relative previous year.

The average is Rs. 65.2 which means that EBL shows promising return in terms of EPS in future. Similarly, the standard deviation of data analyzed is Rs. 22.62 which is lower than the mean, it means that most of the numbers are close to the average. And the volatility is lesser between the values.

Likewise, the CV shows the extent of variability of the data in relation to the mean of the population. The CV obtained here is 35 percent which reveals that the ratio of SD to mean is medium.

iv)Dividend Per Share (DPS):

This ratio is calculated by dividing the Dividend payable to Equity Shareholders by Number of Equity Shares.

$$\text{Dividend per share} = \frac{\text{Dividend Payable to Equity Shareholders}}{\text{No. of equity shares outstanding}} \times 100$$
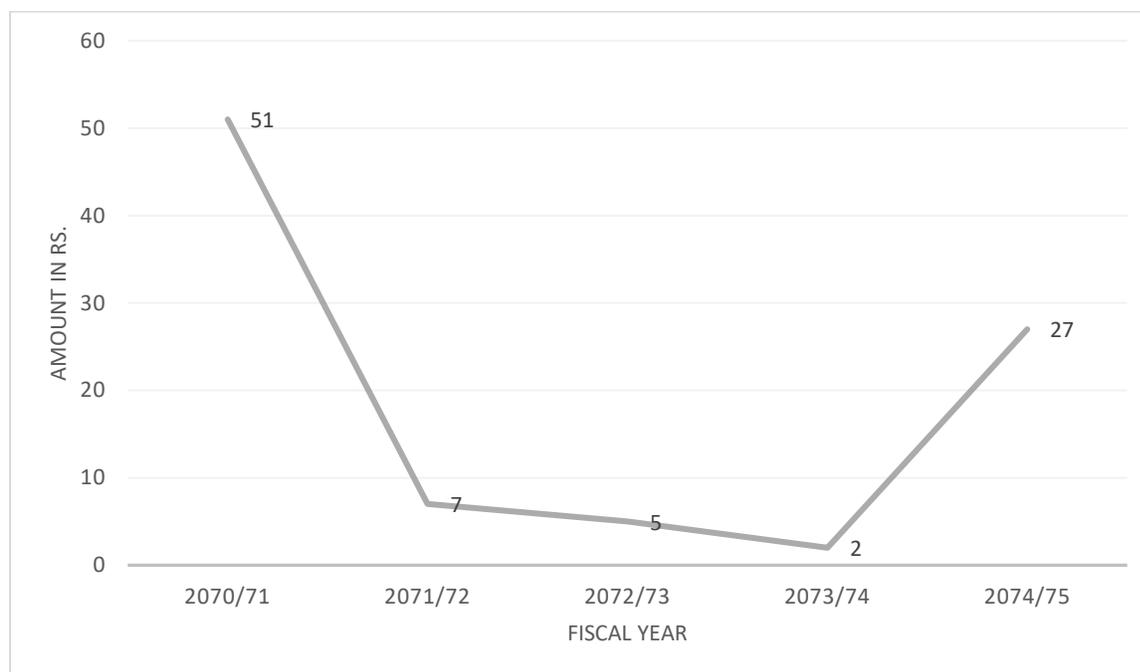
Table 8

Dividend per Share

(Amount in Rs.)

Figure: 8

Dividend per Share

The above Table 8 and Figure 8 shows that the dividend per share of EBL is in fluctuating trend. EBL's dividend per share is highest of Rs.51 in 2070/71 and lowest in the year 2073/74 of Rs.2. Ratio over the past five years in terms of percentage also reveals the fluctuation. Ratio are found to be decreased in the year 2071/72, 2072/73, and 2073/74. However, the ratio has highly increased in the year 2074/75.

The average is Rs. 18.4 which means that EBL has distributed favorable income as dividend to the investors.

Similarly, the standard deviation of data analyzed is Rs. 18.52 which is higher than the mean, it means that the numbers are more spread out. And the volatility is higher between the values.

Likewise, the CV shows the extent of variability of the data in relation to the mean of the population. The CV obtained here is 101 percent which reveals that the ratio of SD to mean is very high.

2.2.3 Assets Management Ratio:

It is also known as turnover or efficiency ratio or assets management ratio. It measures how efficiently the firm employs the assets. The asset turnover ratio measures the value of a company's

sales or revenues relative to the value of its assets. The asset turnover ratio can be used as an indicator of the efficiency with which a company is using its assets to generate revenue. Higher the asset turnover ratio, the more efficient a company. Conversely, if a company has a low asset turnover ratio, it indicates it is not efficiently using its assets to generate sales.

i) Loan and Advances to Fixed Deposit Ratio:

Loan and advances are the assets of the bank and fixed deposit is the liability. So, this is the ratio between assets and liability. This helps to show the ratio of Loan & advances to fixed deposit. We can also conclude that what part of the credit and advances is initiated against fixed deposit.

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

Table: 9

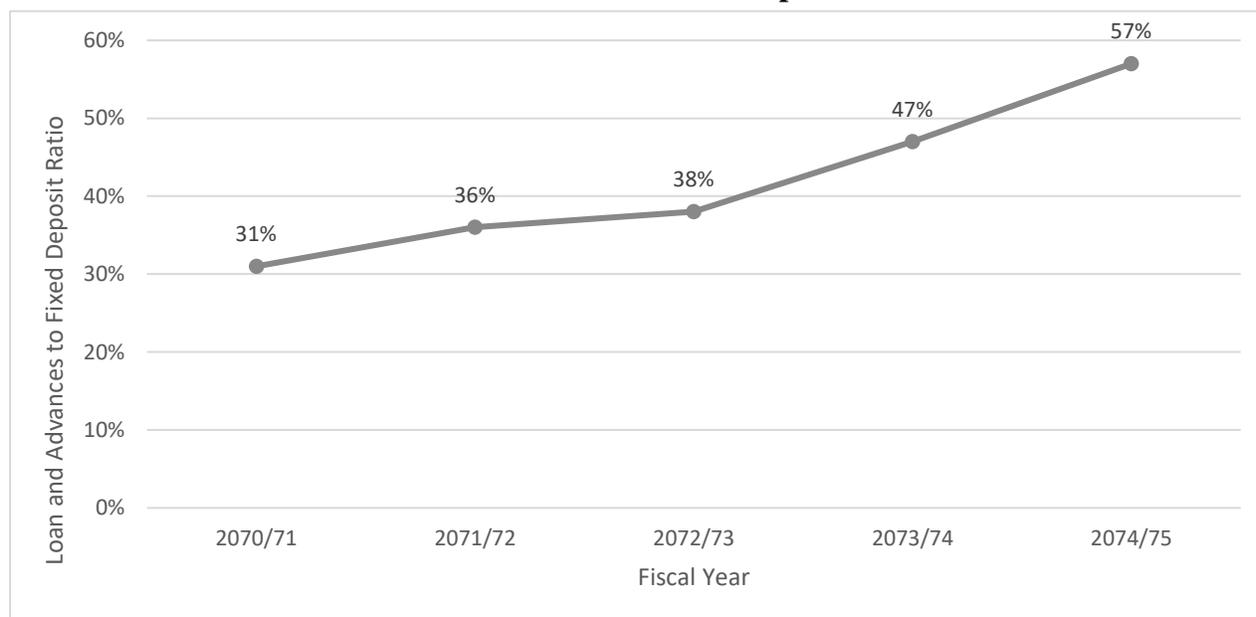*Loan and Advances to Fixed Deposit Ratio*

(Amount in Rs.)

Fiscal Year	Loan and Advance	Fixed Deposit	Ratio	Percentage (%)
2070/71	47,572,024,207	14,528,858,311	31%	0%
2071/72	54,482,465,225	19,784,889,538	36%	16%
2072/73	67,955,107,021	25,999,038,315	38%	6%
2073/74	77,287,764,142	36,311,502,599	47%	24%
2074/75	94,182,247,596s	54,063,678,682	57%	21%
Mean			**41.9%**	
SD			**9.2%**	
CV				

			22%	

Figure: 9

Loan and Advances to Fixed Deposit Ratio

The above Table 9 and Figure 9 shows that the loan and advances to fixed deposit ratio of EBL is in increasing trend. EBL's loan and advances to fixed deposit ratio is highest of 57 percent in 2074/75 and lowest in the year 2070/71 of 31 percent. Ratio over the past five years in terms of percentage also reveals the increasing trend. Ratio are found to be increased continuously since 2070/71 to 2074/75.

The average is 41.9 percent which means earning of EBL is insufficient to cover unforeseen fund requirement.

Similarly, the standard deviation of data analyzed is 9.2 percent which is lower than the mean, it means that most of the numbers are close to the average. And the volatility is lesser between the values.

Likewise, the CV shows the extent of variability of the data in relation to the mean of the population. The CV obtained here is 22 percent which reveals that the ratio of SD to mean is low. Lower the ratio of standard deviation to mean, the better the risk return trade off.

ii)Loan and Advances to Total Deposit Ratio:

Loan and advances is the investing activities of the bank and total deposit is the deposit amount of the bank collected from its customers. This ratio measures the extent to which the bank is successful to manage its total deposit on loan and advances for the purpose of income generation. A high ratio indicates better mobilization of collected deposit and vice-versa. However, it should be noted that too high ratio might not be better from liquidity point of view.

$$\text{Loan \& Advances to Total Deposit Ratio} = \frac{\text{Loan \& Advances}}{\text{Total Deposit}}$$
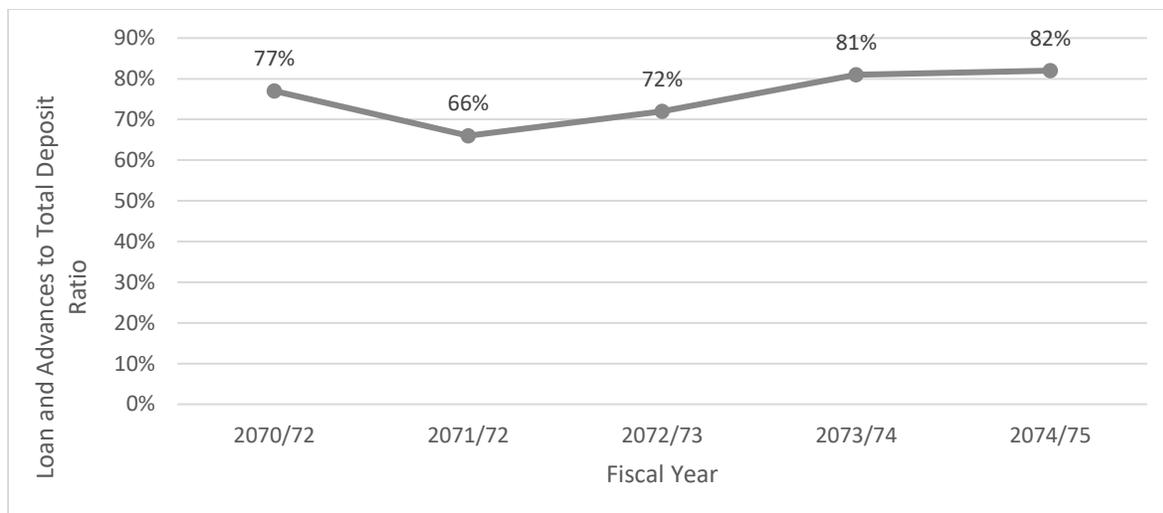
Table: 10

Loan and Advances to Total Deposit Ratio

(Amount in Rs.)

Fiscal Year	Loan and Advance	Total Deposit	Ratio	Percentage (%)
2070/71	47,572,024,207	62,108,135,754	77%	0%
2071/72	54,482,465,225	83,093,789,957	66%	-14%
2072/73	67,955,107,021	93,735,480,708	72%	9%
2073/74	77,287,764,142	95,094,461,030	81%	13%
2074/75	94,182,247,596	115,511,705,922	82%	1%
Mean			**75.6%**	
SD			**6%**	
CV			**8%**	

Source: Annual report of EBL

Figure: 10

Loan and Advances to Total Deposit Ratio

The above Table 10 and Figure 10 shows that the loan and advances to total deposit ratio of EBL is fluctuating trend. EBL's loan and advances to total deposit ratio is highest of 82 percent in 2074/75 and lowest in the year 2071/72 of 66 percent. Ratio over the past five years in terms of percentage also reveals the fluctuating trend. Ratio are found to be decreased in the year 2071/72. However, the ratios have continuously increased since 2072/73 to 2074/75.

The average of loan and advances to total deposit ratio is 75.6 percent which means credit management of EBL is in good position.

Similarly, the standard deviation of data analyzed is 6 percent which is lower than the mean, it means that most of the numbers are close to the average. And the volatility is lesser between the values.

Likewise, the CV shows the ratio of standard deviation to mean. The CV obtained here is 8 percent which reveals that the ratio of SD to mean is low. Lower the ratio of standard deviation to mean, the better the risk return trade off.

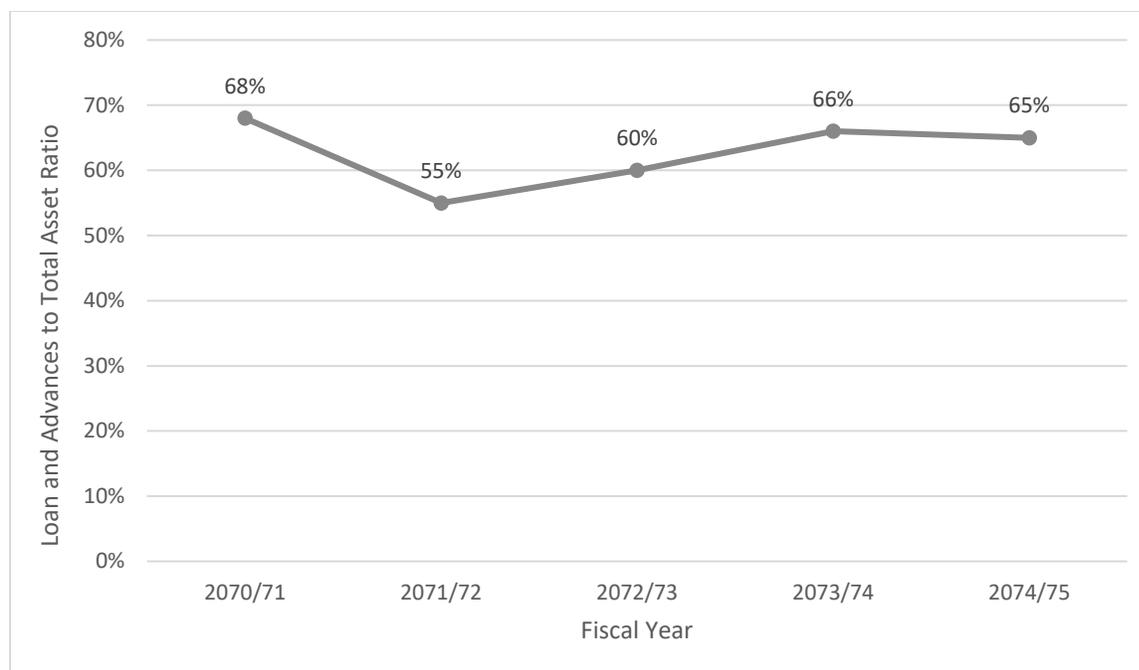### iii) Loan and Advances to Total Assets Ratio:

This ratio is determined to find out the relationship between credit & advances to total assets. Loan and advances is the part of total assets. This ratio helps to find out that how much proportion of credit & advances to total assets.

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

Table: 11

Loan and Advances to Total Assets

(Amount in Rs.)

Fiscal Year	Loan and Advance	Total Assets	Ratio	Percentage (%)
2070/71	47,572,024,207	70,445,082,845	68%	0%
2071/72	54,482,465,225	99,152,086,017	55%	-19%
2072/73	67,955,107,021	113,885,046,402	60%	9%
2073/74	77,287,764,142	116,510,445,575	66%	10%
2074/75	94,182,247,596	144,811,151,443	65%	-2%
Mean			**63%**	
SD			**4.7%**	
CV			**8%**	

Source: Annual Report of EBL

Figure: 11

Loan and Advances to Total Asset Ratio

The above Table 12 and Figure 12 shows that the loan and advances to total asset ratio of EBL is in fluctuating trend. EBL's loan and advances to total asset ratio is highest of 68percent in 2070/71 and lowest in the year 2071/72 of 55percent. Ratio over the past five years in terms of percentage also reveals the fluctuating trend. Ratio are found to be decreased in the year 2071/72 by 19 percent whereas ratio has increased in the year 2072/73 and 2073/74 by 9 percent and 10 percent respectively and further ratio has decreased by 2 percent in the year 2074/75.

The average of loan and advances to total asset ratio is 63 percent which shows that the capability of utilizing the asset of the bank is good.

Similarly, the standard deviation of data analyzed is 4.7 percent which is lower than the mean, it means that most of the numbers are close to the average. And the volatility is lesser between the values.

Likewise, the CV shows the ratio of standard deviation to mean. The CV obtained here is 8 percent which reveals that the ratio of SD to mean is low. Lower the ratio of standard deviation to mean, the better the risk return trade off.

CHAPTER - III

SUMMARY AND CONCLUSION

3.1 Summary

The study is mainly based on secondary sources. All data are taken from EBL annual report, literature publication, balance sheet, profit and loss account, different website, related books and booklets, journals and articles. After collecting data from different sources, it is analyzed by using financial and statistical tools. Findings are drawn by applying various financial tools viz. liquidity, profitability and assets management ratio and statistical tools: mean, standard deviation and coefficient of variation of cash and bank balance and total deposit. In an attempt to fulfill the objectives of the research work, all secondary data are compiled, processed and tabulated as per necessity and figures, diagrams and different types of chart are also used.

This study suffers from different Limitation; it considers study of only EBL because of time and resource are the constraints of the study. For the purpose of our study, here we have analyzed the financial performance of Everest Bank Limited over the period of FY 2070/71 to FY 2074/75. To evaluate the financial performance of the bank, we have divided the whole report to different chapters. In every chapter, there are several sub-chapters. The first Introduction chapter gives background information about the project work, introduction of Everest Bank Limited, Review related studies etc. The second chapter called Presentation and Analysis of Data; we tried to analyze the financial performance of the bank. Therefore, the study may not be generalized in all cases and accuracy depends upon the data collected and provided by the organization.

3.2 Conclusion

Major findings from the study leads to the conclusion of our study. The following are the findings from our study:

- Cash and Bank Balance to Total Investment Ratio of the bank shows the increasing trend during the study period. The mean ratio is above 1 which means that EBL is able to meet the demand of current depositors during the research period.
- Considering the Cash and Bank balance to total deposit ratio of EBL, it shows that total deposit of EBL is increasing as compare to cash and bank balance. The mean ratio is 0.25

times, It shows that the bank has the condition to extend normal credit terms to the suppliers and very little credit extended to its customers.

- Cash and Bank Balance to Total Assets Ratio of the bank depicts that EBL is able to maintain satisfactory financial condition. The current ratio of the bank is 0.96 which shows that the current liabilities of the bank is higher than the current assets. Thus, the bank either needs to decrease its current liabilities or increase its current assets, so that the current ratio would be equal or greater than one.

- Return on shareholders fund shows that the bank is earning 20.8 percent of net profit after tax against shareholders fund on average which shows good profitability position.

- The average of Return on total assets is 1.76 percent which means that EBL needs to increase the efficiency of assets utilization to increase the earning.

- EPS of the bank has decreased significantly in the year 2073/74. However, it has been observed that the EPS has increased by 30 percent in the year 2074/75, which shows that EBL has promising return in terms of EPS in future.

- Considering the DPS, it is seen that dividend distributed by the bank has increased significantly in the year 2074/75 to Rs.27 per share from Rs.2 per share of 2073/74. From the study it is known that the bank distributes favorable portion of income as dividend to the shareholders. However, the huge fluctuation does not show promising security to the shareholders in terms of dividend.

- Loan and Advances to Fixed Deposit ratio, loans and advances are assets of the bank whereas fixed deposit is the liability of the bank. This ratio depicts what part of the credit and advances is initiated against fixed deposit. The average obtained is 41.9 percent which means earning of EBL is insufficient to cover unforeseen fund requirement.

- Loan and Advances to Total deposit ratio measures the extent to which the bank is successful to manage its total deposit on loan and advances for the purpose of income generation. A high ratio indicates better mobilization of collected deposit and vice-versa. The average of loan and advances to total deposit ratio is 75.6percent which means credit management of EBL is in good position.

- Loan and Advances to Total Assets ratio helps to find out that how much proportion of credit & advances is total assets. The average of loan and advances to total asset ratio is 63percent which shows that the capability of utilizing the asset of the bank is good.

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