# chapter One

# introduction

## Background of the Study

This study concentrated on the financial position of Nepal SBI Bank by analysis its financial statement. Financial statements are means through which companies present their financial situation to shareholder’s, creditors and general public through their balance sheet, Income statement, Cash flow statement and statement of retained earnings.

Financial statements are comprehensive documents that encapsulate a company's financial performance and position. The income statement delineates revenues, expenses, and net income over a specific period. The balance sheet offers a snapshot of assets, liabilities, and shareholders' equity, providing a glimpse into the company's financial health at a particular moment. The cash flow statement tracks cash movements through operating, investing, and financing activities, offering insights into liquidity and cash management. Together, these statements furnish stakeholders with vital information to assess a company's profitability, financial stability, and operational efficiency, guiding investment decisions and strategic planning.

Nepal is the poorest and least developed country in the world with almost one-third of its population living below the poverty line. Agriculture is the mainstay of the economy, providing a livelihood for over three-fourth of the population and accounting for 40 percent of GDP. Industrial activity mainly involves the processing of agricultural products including jute, sugarcane, tobacco, and grain. Nepal has considerable scope for exploiting its potential in hydropower and tourism, areas of recent foreign investment interest. Prospects for foreign trade of investment in other sectors will remain poor, however, because of the small size of the economy, its technological backwardness, its remoteness, its landlocked geographic location, its civil strife, and its susceptibility to natural disaster. (Source: www.travelblong.org/word/np-econ.html). In this regard banks can play very significant role for strengthening the national economy.

Banking industry has acquired a key position in mobilizing recourse for finance and for socio-economic development of the country. No function is more important to the economy and its constituent part than financing. Banks assist both the flow of goods and services from the producers to customers and the financial activities of the government. Banking provides a country with the monetary system of making payment and is an important part of financial system which makes loan to maintain and increase the level of consumption and production in the economy. A sound banking system is important because of the key role it plays in the economy intermediation, maturity transformation, facilitating payment flows, credit allocation and maintaining financial discipline among the borrowers. Banks can encourage thrift and allocate saving and by enabling savings to be used outside the sector in which they originate. In any economy whether highly developed financial markets of less well-developed financial markets, bank remain at the centre of economic and financial activity and stand apart from other institutions as primary providers of payment services and a fulcrum for the monetary policy implementation.

In broad sense, bank can be said as an important financial institution which collects and safeguards the public money, disburses the collected money for productive purpose, transfers funds guarantees credit worthiness and exchange of money. Since banks are rendering a wide range of services to the people of different walks of life and they have become an essential part of modern society.

In fact, a modern bank performs such a variety of functions that it is difficult to give a precise and general definition of it. It is because of this reason that different economists have given different definition of it.

**According to Kinley**, “A bank is an establishment which makes to individuals such advances of money as may be required and safety made and to which individuals entrust money when not required by them for use.”

“A bank is an institution for receiving, lending, exchanging, and safeguarding money and, in some cases, issuing notes and transacting other financial business.” -**Definition by Dictionary**

**According to Kent**, “A bank is an organization whose principle operations are concerned with the accumulation of the purpose of advancing to other for expenditure.”

**According to Crowther**, “A bank collects money from those who have it to spare or who are saving it out of their incomes and lend this money to those who require it.”

**According to US law**, “Any institution offering deposit subject to withdrawal on demand and making loans of commercial of business nature is a bank.”

A bank is an establishment which makes to individuals such advances of money as may be required and safely made and to which individuals entrust money when not required by them for use. A bank collects money from those who have it to spare or who are saving it out or their incomes and lend this money to those who require it.

So, there are various forms of definition for a bank as per different individuals and acts. But, all these view conclude that a bank is place for collection and source of money or credit to the people.

## Introduction of Nepal SBI Bank Limited

Nepal SBI Bank Limited (NSBL) was the result of the first Indo-Nepal joint venture in the financial sector sponsored by three institutional promoters, namely State Bank of India (SBI), Employees Provident Fund and Agricultural Development Bank of Nepal through a memorandum of understanding signed on 17 July 1992.

NSBL was incorporated as Public Limited Company at the Office of the Company Registrar on 28 April 1993 with an Authorized Capital of Rs. 120 million and was licensed by Nepal Rastra Bank on 6 July 1993. NSBL commenced operation with effect from 7 July 1993 with one full-fledged office at Durbar Marg, Kathmandu with 18 staff members. The number of staff has since increased to 910 people working in 93 branches, 22 extension counters, 7 Provincial Offices, 10 branchless banking, and a corporate office.

Under the Banks & Financial Institutions Act, 2063, Nepal Rastra Bank granted fresh license to NSBL classifying it as an "A" class licensed institution on 26 April 2006 under license No. NRB/I.Pra.Ka.7/062/63.[7] The Authorized capital is Rs. 15000.0 million and Paid up Capital is Rs. 8956.2 million. The management team consists of managing director & CEO, Dy. CEO & Chief financial officer and chief operating officer from SBI (They are deputed by SBI for management support as per the Technical Services Agreement).

State Bank of India (SBI) holds 55 percent of the total share capital of the Bank, 15 percent is held by the Employees Provident Fund and the balance is held by the general public.

In terms of the Technical Services Agreement between SBI and the NSBL, the former provides management support to the bank through its expatriate officers including managing director who is also the CEO of the Bank. Central Management Committee (CENMAC) consisting of the managing director & CEO, Dy. CEO & chief financial officer, chief operating officer and Chief Risk & Compliance Officer oversee the overall banking operations in the Bank.

The State Bank of India (SBI), with a history of 214 years, is the largest commercial bank in India in terms of assets, deposits, profits, branches, customers and employees. The Government of India is the single largest shareholder of this Fortune 500 entity, with 56.92% ownership.

The origins of State Bank of India date back to 1806 when the Bank of Calcutta (later called the Bank of Bengal) was established. In 1921, the Bank of Bengal and two other banks (Bank of Madras and Bank of Bombay) were amalgamated to form the Imperial Bank of India. In 1955, the Reserve Bank of India acquired the controlling interests of the Imperial Bank of India and SBI was created by an act of Parliament to succeed the Imperial Bank of India.

The SBI group consists of SBI and its numerous Subsidiaries. The group has an extensive network, with over 22,000 branches in India and another 227 offices in 30 countries across the world. As of 31 March 2020, the group had assets worth US$522.84 billion, deposits of US$428.93 billion and capital & reserves in excess of US$30.58 billion. The group commands over 22.84% share of deposit in Indian banking market.

SBI's non-banking subsidiaries / Joint ventures are market leaders in their respective areas and provide wide-ranging services, which include Life Insurance, General Insurance, Merchant Banking, Mutual Funds, Credit Cards, Factoring Services, Security Trading and Primary Dealership, making the SBI Group a truly large financial supermarket and India's financial icon. SBI has arrangements with various international / local banks to exchange financial messages through SWIFT in all business centers of the world to facilitate trade related banking business, reinforced by dedicated and highly skilled teams of professionals.

## Statement of the Problem

The present situation of the commercial banks in Nepal is competitive and the increasing number of emerging banks more creates a challenge to sustain and maintain an existing position in the markets. Effective, efficient and optimal strategic planning required to be adopted to sustain in long run and to tackle competitive financial environment. Functions of the banks not only limited to the primary functions nowadays they have to formulate and implement strategic planning as well for long survival. The main objectives of the commercial bank are maximizing profit by mobilizing its resources in most efficient manner. It is possible to maximize profit while they formulate and implement planning effectively. And formulation and implementation is possible only when they analyze financial performance.

Commercial banks and economic liberalization are growing accordingly. Commercial banks have propensity to concentrate only in urban areas. This propensity cannot contribute much to the socio-economic development of the country where around 83% of population lives in rural area and 74% of peoples entirely depends on agriculture sector.

Commercial bank’s reluctant to extent operation in rural area despite the circular of NRB, which is compulsory investment of 10% of the investment in the rural area, the bank present there are 2o commercial banks operating its services in Nepal. As every business is established with a view to maximize profits. In present competitive environment in banking, it is difficult to obtain expected profit. Every commercial bank has to follow the regulation and provisions made by NRB. They have to maintain specific capital structure, infrastructure, credit creation limitation, liquidity ratio etc.

Financial analysis reflects the overall picture of the bank and it beneficial to adopt new strategic plan to improve financial performance. Failure to analyze financial performance will lead to decline overall financial health of the bank. In these competitive circumstances it can be said that productivity and profitability of the banks valued a lot. Profitability and productivity of the SBI Bank Limited is generally considered to be the yardsticks of its better performance but it is not enough to reflect the overall performance of SBI Bank Limited. This study is conducted to inquire the financial performance of SBI Bank Limited.

Thus, my research proposal focuses in finding the related solutions of following questions:

* What is the overall financial performance and position of Nepal SBI Bank?
* Is it maintaining the sufficient liquidity position and profitability position?
* Are the trends of different ratios satisfactory?

In this context, the main purpose of the study is analyzing the financial performance of SBI Bank Limited in terms of ration analysis trend and efficiency in operations as well as other related dimension.

## Objectives of the Study

Financial institutions such as SBI are the backbone of the economic growth, economic stability and sustainability. To be a sound economy, financial institution and corporation house play a vital role. Financial institutions are established with the intension of maximizing profit by mobilize the resources in a productive way and transfer saving into investment from saving surplus unit to deficit unit. Regarding this crucial role for the country, the study is focus to analyze the special financial performance of SBI Bank Limited.

However, the main objectives of my study are to analyze and identify Nepal SBI Bank’s financial position so that Nepal SBI Bank’s investors and creditors can easily be known about Nepal SBI Bank.

The objectives of the project work are as follows:

* To identify the competitive position of Nepal SBI Bank.
* To analyze the financial position of Nepal SBI Bank.
* To examine the different ratios of the bank.

## Rationale of the Study

The project report is concern with special financial performance of SBI Bank Limited. It has been prepared for the partial fulfillment of requirement for the degree of Bachelor of Business Studies (BBS). The data presented under this study are totally real. The project report is prepared to analyze trend of financial performance of SBI Bank limited over five financial periods.

Rationale of the study can be highlighted as:

* Individuals who are eager to have knowledge about this bank can get the brief information from this study.
* All information regarding the banking sector is essential for the depositors, prospective customers and creditor etc.
* Banks can adapt with dynamic environment to minimize the risks and to achieve its vision of being lading one.

## Structure of the Study

This research work has been categorized into three chapters i.e. Introduction, Data Presentation & Analysis, Summary and Conclusion.

* The first chapter deals with introduction of the study which includes the background of the study, profile of the organization, statement of the problem, objectives of the study, rationale of the study, structure of the report, review of the literature, methods of the study and limitations of the study.
* The second Chapter deals with data presentation, analysis and findings of the study.
* The Chapter three deals with brief summary of the study and conclusions based on the findings of the report.

## Review of Literature

A literature review is a search and evaluation of the available literature in your given subject or chosen topic area. Review of literature comprises upon the existing literature and research related to the present study with a view to find out what had already been studied.

* + 1. **Conceptual Review**

Financial performance is the level of performance of a firm over a specific period of time and expressed in terms of the overall profits or losses incurred over the specific period under evaluation" (Bodie, et al. (2005).The modern financial evaluation has greatly affected the role and importance of financial performance. In present context, finance is best characterized as ever changing with new ideas and techniques where only efficient manager of the company can achieve the targeted goals. If a bank does not maintain adequate equity capital, it makes the bank more risky.

The major objective of the bank are collecting deposits as much as possible from customers and mobilizing into the most profitable sector. If the bank becomes unable to utilize it’s collected resources than it cannot generate revenue. Resource mobilization management of bank include resource collection, investment portfolio, loans and advances, working capital, fixed assets management etc. which measures the extent to which bank is successful to utilize its resources.

Financial analysis is the process of identifying the financial strength and weakness of the concerned bank. It is performed to determine the solvency, liquidity, efficiency and profitability position of an organization. The major decisions of the performance of finance are investment decision, financing decision and the dividend decision. The combination of the three decisions will maximize the value of the firm.

The financial performance is measured by using return on assets (ROA). Similarly, managerial efficiency (ME), liquidity (LIQ), credit risk (CR), assets quality (AQ) and operational efficiency (OE) is used as proxy of bank specific factors. This study used panel data of 17 commercial banks for the period of 2010/11 to 2017/18. Breusch and Pagan Lagrangian multiplier test showed that Pooled Regression model is not appropriate and Hausman test concluded that Fixed Effect model is appropriate rather than Random Effect model. Using the Fixed Effect model; this study concludes that bank specific factors have significant impact on financial performance of Nepalese commercial banks.

* + 1. **Review of Previous Project Works**

Finance is a broad field and there are various books written in this subject. The book of M.Y. Khan and P.K. Jain (1990) is considered to be a useful book in the financial management.

Financial management refers to the strategic planning, organizing, directing, and controlling of financial undertakings in an organization or an institute. It also includes applying management principles to the financial assets of an organization, while also playing an important part in fiscal management. Financial Management is a vital activity in any organization. It is an ideal practice for controlling the financial activities of an organization such as procurement of funds, utilization of funds, accounting, payments, risk assessment and every other thing related to money.

In other terms, Financial Management is the application of general principles of management to the financial possessions of an enterprise. Proper management of an organization’s finance provides quality fuel and regular service to ensure efficient functioning of an organization. If finances are not properly dealt with an organization will face barriers that may have severe consequence on its growth and development.

Pandey, I.M. (1997), in his book “Financial Management” defines financial management as the managerial activity which is concerned with the planning and controlling of the firm’s financial resources. I.M. Pandey believes that among the most crucial decision of the firm are those , which relate to finance, and an understanding of the theory of financial management provides the conceptual and analytical insights to make the decisions skill fully.

Adhikari (2013) thesis “A Comparative Study Of Financial Performance Of NSBIBL and EBL” conclude that EBL is found superior regarding the liquidity quality assets they possessed and capital adequacy overall capital structure of NSBINL appears more levered than that on EBL. But NSBIBL is found superior in terms of profitability and turnover comparatively interest remained more dominant in the total income and expenses of NSBIBL than that of EBL. Regarding the test of hypothesis is (at 5% level of significance) the performance of the sampled banks is significantly different with respect to the ratios, loans and advances to saving deposits .Loan loss provision to total deposit interest earned to total assets and tax per share correlation analysis signifies that EBL is successful to utilize its resources more efficiently than NSBIBL. (Adhikari, 2001 ,p.28) The review of the above mention bunch of research writes have definitely enriched my vision to elaborate analysis to come to the meaningful conclusion in realistic term and thereby come with some conclusion, few key suggestions that help in improvement of commercial banks. Previous researches on the basis of financial performance of commercial banks in Nepal. But this research is about joint venture bank of Nepal with sample of Nepal SBI Bank Limited and Everest Bank Limited. This research is about the financial performance of selected two banks.

* + 1. **Research Gap**

In this study, the major areas are to disclose the financial performance relating to Nepalese commercial banks (Joint venture). This types of research were done rarely. This study shows that the unique feature of findings compared to previous researches done on the basis of financial performance of commercial banks in Nepal.

But this research is regarding financial performance of joint venture bank of Nepal with the sample of Everest Bank Limited. In previous research, there is no clear-cut accounting and financial performance of joint venture banks.

## Methods of the Study

* + 1. **Research Design**

The research design is followed to evaluate the financial performance of selected joint venture banks. Analytical as well as descriptive approaches will be used to evaluate the financial performance of selected bank. Analysis will be basically on the basis of secondary data.

* + 1. **Population and Sample**

Since new commercial banks are being incorporated every year, the number of commercial banks in Nepal has been increasing rapidly. On the basis of researcher’s judgements the study will cover only one sample bank i.e. SBI Bank out of 20 commercial banks.

* + 1. **Nature and Sample of Data**

The detail survey of the literature on financial analysis has been undertaken for theoretical underpinning on the project. Available information or data about the financial analysis activities and initiatives has been collected out by secondary sources.

* + 1. **Data Collection Procedure**

The Annual Report of concerned bank was obtained for field visiting of these banks especially from their corporate office. NEPAL SBI publication, such as quarterly, Economic Bulletin, Banking and financial statistics, Economic Report, annual Report of NEPAL SBI etc. For the purpose of this study, different data obtained from various sources will be arranged statistically. Analytical tools make analysis more accurate. Therefore, such analytical tools will be presented as under.

* + 1. **Methods of Data Analysis**

The major focus of the methodology is to compare the relationship between price, promotion and consumer buying behavior. The role of price and promotion on the consumer buying behavior is also measured by these tools. The major statistical tools which are used in my study are mean, standard deviation and coefficient of variation. They are explained as follows:

* + - 1. **Techniques of Analysis**

**Financial Tools:** Financial tools consist of ratio analysis and liquidity analysis.

* Ratio Analysis
* Profitability Analysis
* Return of Equity (ROE)
* Return of Assets (ROA)
* Equity Ratio
* Liquidity Ratio
* Current Ratio

**Statistical Tools :** Statistical tools consist of arithmetic Mean, Standard Deviation and Trend analysis.

**Mean**

Simple or arithmetic mean is the simplest and most widely used measure of an average. It simply involves taking the sum of a group of numbers, then dividing that sum by the count of the numbers used in the series. For example, take the numbers 34, 44, 56, and 78. The sum is 212. The arithmetic mean is 212 divided by four, or 53. The arithmetic mean is a measure of central tendency. It allows us to characterize the center of the frequency distribution of a quantitative variable by considering all of the observations with the same weight afforded to each. This formula is used to discover average perception on variable that affects the consumer buying behavior. For example, if there is mean of 20 on price, we can conclude that there are 20 people on average who make purchase decision on the basis of pricing. It can be presented in a formula:

Where,

x = the mean value of the set of given data.

f= frequency of the individual data

N =sum of frequencies or samples.

**Standard Deviation**

Standard deviation is a measure of the amount of variation or dispersion of a set of values. Standard deviation is the positive square root of the variance. Standard deviation is commonly abbreviated as SD and denoted by 'o’ and it tells about the value that how much it has deviated from the mean value. In this research, we are going to analyze the deviation between discovered facts about variables i.e. price and promotion and mean. If we get a low standard deviation then it means that the values tend to be close to the mean whereas a high standard deviation tells us that the values are far from the mean value. It can be depicted in the statistical formula:

Where,

= Standard Deviation

X — = Deviation from exact arithmetic mean

f =frequency

N = Total no. of observations

**Coefficient of Variation**

Coefficient of variation (C.V.), also known as relative standard deviation (RSD), is a standardized measure of dispersion of a probability distribution or frequency distribution. It is often expressed as a percentage. The coefficient of dispersion based on standard deviation multiplied by 100 is known as C.V. It is used for comparing variability of two distributions. Lower value of coefficient is preferable since it denotes the lower degree of dispersion.

It can be presented in a formula:

C.V.=

Where,

Standard Deviation

= Mean

## Limitations of the Study

The validity of the report depends on the data sources which are secondary by nature. Following are the limitations of the study:

* The reliability of this study depends upon the information provides by concerned organization and published data.
* Due to confidential nature of the banking sector, bank doesn’t provide correct or relevant information on some topics to maintain the privacy of the bank. The report is mainly based on the financial statement published by the bank.
* Most of the data used in study are of secondary type.
* This study only covers a five fiscal year of time.
* Reliability and validity depends on data provided by the organization.

# chapter two

# results and analysis

## 2.1 Introduction of related data

This is an analytical chapter where an attempt has been made to evaluate and analyze the data and various presentation and interpretation is done to fulfill the objectives of this study.

## 2.2 Ratio Analysis

Ratio analysis is one of the methods of analyzing the financial position of any firm. It is the analysis of the probability, liquidity, credit quality, and capital adequacy ratio. The following section is the ratio analysis of Nepal SBI Bank as an attempt to access the financial position of the bank. Four main areas i.e. profitability, Liquidity, credit quality, and Capital adequacy ratios are performed.

**2.2.1 Profitability Ratios**

Profitability can be measured as the discount rate that makes the present value of all future cash benefits equal to the amount invested. This rate of return does not reflect the performance of the company but it reflects the discount rate investors apply to future. Cash flows in determining a price for the company’s stock.

**2.2.1.1 Return on Equity (ROE)**

The return on equity (ROE) measures the return on the owner’s investment in the firm. Higher ratio of return on equity is the better for owner. It is calculated as:

ROE =

**Table No. 1**

***Financial Indicators of Return on Equity***

|  |  |  |  |
| --- | --- | --- | --- |
| **Year** | **Net Income (Rs.)** | **Shareholder’s Equity**  **(Rs.)** | **Return on Equity** |
| 2018/19 | 2,292,524,396 | 14,168,611,225 | 16.18 |
| 2019/20 | 1,543,348,770 | 14,781,851,324 | 10.44 |
| 2020/21 | 963,479,143 | 15,397,558,846 | 6.25 |
| 2021/22 | 1,638,309,919 | 17,113,427,417 | 9.57 |
| 2022/23 | 1,967,508,386 | 18,532,553,688 | 10.61 |

**(*source:- Appendix 1)***

**Figure No. 1**

***Financial Indicators of Return on Equity***

Higher ROE is preferred as higher ROE is a measure of high profitability. Here we can see that the ROE is in decreasing and again increasing trend. However, the net profit is increasing initially and then decreasing. Similarly, equity capital is in continuous increasing trend.

**2.2.1.2 Return on Assets (ROA)**

The return on assets (ROA), which is often called the firm’s return on total assets measures the overall effectiveness of management in generating profit with its available assets. It is calculated as :

ROA =

The 5 Years Financial Indicators of Return on assets are listed below:

**Table No. 2**

|  |  |  |  |
| --- | --- | --- | --- |
| **Year** | **Net Income (Rs.)** | **Total Assets (Rs.)** | **Return on Assets** |
| 2018/19 | 2,292,524,396 | 118,314,225,860 | 1.94 |
| 2019/20 | 1,543,348,770 | 132,401,913,971 | 1.17 |
| 2020/21 | 963,479,143 | 137,808,774,721 | 0.70 |
| 2021/22 | 1,638,309,919 | 153,102,800,757 | 1.07 |
| 2022/23 | 1,967,508,386 | 185,958,128,999 | 1.06 |

***Financial Indicators of Return on Assets***

***(Source:- Appendix 2)***

**Figure No. 2**

***Financial Indicators of Return on Assets***

Higher ROA is preferred as higher ROA is a measure of high profitability. Here we can see that the ROA has decreased for three years and increased for one year and again decreased this year. The total assets are increasing with the increasing year but the net profit is decreasing after three years which resulted in decreasing Return on Assets.

**2.2.1.3 Equity Ratio**

The equity ratio is a financial ratio indicating the relative proportion of equity used to finance a company’s assets. The two components are often taken from the firm’s balance sheet or statement of financial position (so-called book value), but the ratio may be also calculated using market values for both, if company’s equities are publicly traded.

Equity Ratio =

**Table No. 3**

***Financial Indicators of Equity Ratio***

|  |  |  |  |
| --- | --- | --- | --- |
| **Year** | **Equity Capital (Rs.)** | **Total Assets (Rs.)** | **Equity Ratio** |
| 2018/19 | 14,168,611,225 | 118,314,225,860 | 11.98 |
| 2019/20 | 14,781,851,324 | 132,401,913,971 | 11.16 |
| 2020/21 | 15,397,558,846 | 137,808,774,721 | 11.17 |
| 2021/22 | 17,113,427,417 | 153,102,800,757 | 11.18 |
| 2022/23 | 18,532,553,688 | 185,958,128,999 | 9.97 |

***(Source:- Appendix 3)***

**Figure No. 3**

***Financial Indicators of Equity Ratio***

Lower equity rate is better for the organization. We can see that equity ratio has been lower from 2019/020 but rose a little in 2022 but still the result is good. A low equity ratio will produce good results for stockholders as long as the company earns a rate of return on assets that is greater than the interest rate paid to creditors.

**2.2.1.4 Interest Spread Ratio**

The difference between the average yields a financial institution receives from loans and other interest-accruing activities and the average rate it pays on deposits and borrowings. The net interest rate spread is a key determinant of a financial institution’s profitability (or lack thereof). ISR is calculated as follows:

ISR =

**Table No.4**

***Financial Indicators of Interest spread ratio***

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Year** | **Interest Income (Rs.)** | **Interest Expenses (Rs.)** | **Total Assets (Rs.)** | **Interest Spread Ratio** |
| 2018/19 | 11,276,807,387 | 6,571,724,001 | 118,314,225,860 | 3.98 |
| 2019/20 | 11,428,379,246 | 7,383,776,484 | 132,401,913,971 | 3.05 |
| 2020/21 | 9,001,822,831 | 6,134,546,892 | 137,808,774,721 | 2.08 |
| 2021/22 | 12,304,573,489 | 8,017,687,094 | 153,102,800,757 | 2.80 |
| 2022/23 | 17,838,065,913 | 12,070,799,020 | 185,958,128,999 | 3.10 |

***(Source:- Appendix 4)***

**Figure No. 4**

***Financial Indicators of Interest Spread Ratio***

Higher Interest spread ratio is a measure of high profitability. We can see that the spread is fluctuating. Total asset is in an increasing trend but the interest income and expense is fluctuating so the spread is fluctuating.

**2.2.2 Liquidity Ratios**

Liquidity is the ability of a company to meet its short terms obligation when the fall due. A company should have a enough cash and other current assets, which can be converted into cash so that it can pay its suppliers and lenders on time.

**2.2.2.1 Current Ratio**

This is the ratio of current assets to current liabilities. It is widely used indicator of company’s ability to pay its debts in the short-term.

Current Ratio is calculated as follows:

Current Ratio =

**Table No. 5**

***Financial Indicators of Current ratio***

|  |  |  |  |
| --- | --- | --- | --- |
| **Year** | **Current Assets (Rs.)** | **Current Liabilities (Rs.)** | **Current Ratio** |
| 2018/19 | 989,635,061 | 2,203,913,748 | 0.44 |
| 2019/20 | 1,148,757,240 | 2,259,339,137 | 0.51 |
| 2020/21 | 1,366,274,492 | 2,762,169,244 | 0.49 |
| 2021/22 | 2,198,993,121 | 4,025,369,581 | 0.55 |
| 2022/23 | 1,991,146,803 | 4,208,434,812 | 0.47 |

***(Source:- Appendix 5)***

**Figure No. 5**

***Financial Indicators of Current Ratio***

In the above table and figure, Current ratio of Nepal SBI bank limited is fluctuating over a five years period of time.

**2.2.2.2 Quick Ratio**

As indicator of a company’s short-term liquidity. The quick ratio measures a company’s ability to meet its short-term obligations with its most liquid assets. The higher the quick ratio, the better will be the positions of the company and vice versa.

Quick Ratio =

**Table No. 6**

***Financial Indicators of Quick Ratio***

|  |  |  |  |
| --- | --- | --- | --- |
| **Year** | **Quick Assets (Rs.)** | **Quick Liabilities (Rs.)** | **Quick Ratio** |
| 2018/19 | 989,635,061 | 2,203,913,748 | 0.44 |
| 2019/20 | 1,148,757,240 | 2,259,339,137 | 0.51 |
| 2020/21 | 1,366,274,492 | 2,762,169,244 | 0.49 |
| 2021/22 | 2,198,993,121 | 4,025,369,581 | 0.55 |
| 2022/23 | 1,991,146,803 | 4,208,434,812 | 0.47 |

***(Source:- Appendix 6)***

**Figure No. 6**

***Financial Indicators of Quick Ratio***

In the above table and figure quick ratio also fluctuating over a period of time as similar as current ratio.

#### **2.2.2.3 Cash Reserve Ratio (CRR)**

Cash Reserve Ratio refers to that part of the Depositor’s Balance that the commercial banks should necessarily hold in their hands in form of cash. Higher ratio is better for the bank. CRR is calculated as:

CRR =

**Table No. 7**

***Financial Indicators of Cash Reserve Ratio***

|  |  |  |  |
| --- | --- | --- | --- |
| **Year** | **Cash Reserve (Rs.)** | **Total Deposits (Rs.)** | **Cash Reserve Ratio** |
| 2018/19 | 3,851,456,103 | 97,924,444,003 | 3.93 |
| 2019/20 | 4,410,119,494 | 110,445,872,817 | 3.99 |
| 2020/21 | 5,016,870,555 | 106,238,466,851 | 4.72 |
| 2021/22 | 5,833,418,295 | 119,710,205,430 | 4.87 |
| 2022/23 | 7,075,522,351 | 150,828,378,987 | 4.69 |

***(Source:- Appendix 7)***

**Figure No. 7**

***Financial Indicators of Cash Reserve Ratio***

Here, we can see that the Cash Reserve Ratio is at the increasing rate in all this Financial years. Similarly, the cash reserve is in continuous increasing trend. However, the total deposit is in increasing, decreasing and again increasing.

**2.2.2.4 Loan to Deposit Ratio (LTDR)**

A commonly used statistic for assessing a bank’s liquidity by dividing the bank’s total loans by its total deposits. This number, also known as the LTD ratio, is expresses as a percentage. If the ratio is too high, it means that banks might have not enough liquidity to cover any unforeseen fund requirements; if the ratio is too low, banks may not be earning as much as they could be.

LTDR can be calculated as follows:

LTDR =

**Table No. 8**

***Financial Indicators of Loan to Deposit Ratio***

|  |  |  |  |
| --- | --- | --- | --- |
| **Year** | **Total Loan (Rs.)** | **Total Deposits (Rs.)** | **Loan to Deposit Ratio** |
| 2018/19 | 84,386,335,699 | 97,924,444,003 | 86.17 |
| 2019/20 | 89,615,499,851 | 110,445,872,817 | 81.14 |
| 2020/21 | 96,951,274,535 | 106,238,466,851 | 91.26 |
| 2021/22 | 105,394,035,672 | 119,710,205,430 | 88.04 |
| 2022/23 | 116,302,286,018 | 150,828,378,987 | 77.11 |

***(Source:- Appendix 8)***

**Figure No. 8**

***Financial Indicators of Loan to Deposit Ratio***

Higher ratio shows the availability of capital to the firm. The loan to deposit ratio of the firm is scattered, the firm can manage the loan. Last years it is increasing and in this financial period it decreases slightly. In this case we can say this bank enough capital available and can manage the loan.

## 2.3 Major Findings of the Study

The findings of the study are presented below:

* Share holder’s equity i.e. equity capital is in increasing trend and net profit is in decreasing trend. So there is decreasing profitability of NEPAL SBI.
* There is a proper use and efficiency of an asset as ROA is increasing trend. Firm’s assets have been used properly for generating income.
* As there is increasing trend line for equity ratio, we find out that firm’s equity capital has been used properly to finance company’s asset.
* We have calculated ISR which we found that bank’s ISR was comparatively increased than previous year but there is fluctuation on 5 year’s ISR. First two years in increasing trend then decreasing then increasing in a rapid way.
* The bank has sufficient liquidity to meet short term obligation. As it has higher liquidity ratio and quick ratio.
* Cash and Bank balance to Total Deposit Ratio (CRR) Cash reserve of Nepal SBI bank is 4.74 this year.
* LTD ratio is in increasing trend and seen high which we find that bank have enough capital available and can manage the loan.
* Bank is growing and making profit on every aspect which symbolizes growth of bank on financial activities.

# Chapter three

# summary and conclusion

## 3.1 Summary of the Study

This report has been prepared for the fulfillment of internal assessment of BBS program. From this purpose, here, I have analyzed the Financial performance of Nepal SBI Bank Limited. Nepal SBI Bank has contributed its services in each and every sector of the country. It has been playing the great role in development of the country and assisting international trade by its efficient and effective transaction following the improved technology of processing. Recently, NEPAL SBI had lunch Rs1 account future; i.e. we can open saving account in only Rs1. The number of employees increase due to expansion of banking transaction and its branches. In comparison to others bank the employee turnover rate has become almost zero. Different strategy and policy for liquidity management should be introduce as per the requirement for the bank and as directed by bank. Management information system of the bank should be improved because their profitability of current time is not satisfactory. To make a effective and efficient decision in optimal manner bank should make liquidity analysis time-to-time. Effective management for old bad loans recovery should be implemented to enhance a good positioning in the modern business world. The bank must provide good training and development programs within the organization in order to adapt in this rapid changing environment. Employees should be given chance to work in different departments in order to know how all departments function and are related with each other. More promotional activities should be done for that marketing department should play an active role.

## 3.2 Conclusion

Nepal SBI Bank has trying its best to carter its services to the customers on the most convenient way possible. As its slogan states, it is an internationally recognized bank and has number of correspondents all over the world helping in the payment and settlement of the transactions globally. Apart from these, there are innumerous modes of payment found to be used by the bank. With some expansion of the banking system and introduction of new technology in payments and settlement system. Efficient computer software has been essential for fast and efficient clearing housing transactions and to be a competitive in this modern business world. The prevailing traditional and manual mode of operations in NEPAL SBI will not sufficient for the growing volume of transactions. As employees are most important assets of an organization training and career opportunities should be given. There is a strong demand from the commercial sector for improved payment facilities. Thus, for Meeting the growing demand for the banking sectors, there is a need for automation in the payment and settlement system in the country.

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# appendices

**Appendix-1**

Calculation of Return on Equity, ROE =

FY 2018/19

Return on Equity, ROE = = 16.18

FY 2019/20

Return on Equity, ROE = = 10.44

FY 2020/21

Return on Equity, ROE = = 6.25

FY 2021/22

Return on Equity, ROE = = 9.57

FY 2022/23

Return on Equity, ROE = = 10.61

**Appendix-2**

Calculation of Return on Assets, ROA =

FY 2018/19

Return on Assets, ROA = = 1.94

FY 2019/20

Return on Assets, ROA = = 1.17

FY 2020/21

Return on Assets, ROA = = 0.70

FY 2021/22

Return on Assets, ROA = = 1.07

FY 2022/23

Return on Assets, ROA = = 1.06

**Appendix-3**

Calculation of Equity Ratio =

FY 2018/19

Equity Ratio = = 11.98

FY 2019/20

Equity Ratio = = 11.16

FY 2020/21

Equity Ratio = = 11.17

FY 2021/22

Equity Ratio = = 11.18

FY 2022/23

Equity Ratio = = 9.97

**Appendix-4**

Calculation of Interest Spread Ratio, ISR =

FY 2018/19

Interest Spread Ratio, ISR = = 3.98

FY 2019/20

Interest Spread Ratio, ISR = = 3.05

FY 2020/21

Interest Spread Ratio, ISR = = 2.08

FY 2021/22

Interest Spread Ratio, ISR = = 2.80

FY 2022/23

Interest Spread Ratio, ISR = = 3.10

**Appendix-5**

Calculation of Current Ratio =

FY 2018/19

Current Ratio = = 0.44

FY 2019/20

Current Ratio = = 0.51

FY 2020/21

Current Ratio = = 0.49

FY 2021/22

Current Ratio = = 0.55

FY 2022/23

Current Ratio = = 0.47

**Appendix-6**

Calculation of Quick Ratio =

FY 2018/19

Quick Ratio = = 0.44

FY 2019/20

Quick Ratio = = 0.51

FY 2020/21

Quick Ratio = = 0.49

FY 2021/22

Quick Ratio = = 0.55

FY 2022/23

Quick Ratio = = 0.47

**Appendix-7**

Calculation of Cash Reserve Ratio (CRR) =

FY 2018/19

Cash Reserve Ratio (CRR) = = 3.93

FY 2019/20

Cash Reserve Ratio (CRR) = = 3.99

FY 2020/21

Cash Reserve Ratio (CRR) = = 4.72

FY 2021/22

Cash Reserve Ratio (CRR) = = 4.87

FY 2022/23

Cash Reserve Ratio (CRR) = = 4.69

**Appendix-8**

Calculation of Loan to Deposit Ratio, LTDR =

FY 2018/19

Loan to Deposit Ratio, LTDR = = 86.17

FY 2019/20

Loan to Deposit Ratio, LTDR = = 81.14

FY 2020/21

Loan to Deposit Ratio, LTDR = = 91.26

FY 2021/22

Loan to Deposit Ratio, LTDR = = 88.04

FY 2022/23

Loan to Deposit Ratio, LTDR = = 77.11