**STUDY ON FINANCIAL PERFORMANCE OF**

**KUMARI BANK LIMITED**

A Project Work Report

Submitted By

SANDESH SIWAKOTI

Symbol No:702040035

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Submitted To

The Faculty of Management

Tribhuvan University

Kathmandu, Nepal

In partial fulfillment of the requirements for the degree of

BACHELOR OF BUSINESS STUDIES (BBS)

Surunga, Jhapa

May 2023

**DECLARATION**

I hereby declare that the project work entitled **“STUDY ON FINANCIAL PERFORMANCE OF KUMARI BANK LIMITED”**  submitted to the faculty of management, Tribhuvan University, Kathmandu is an original piece of work under the supervision Mr Dilli Bahadur Bhattarai, faculty member, Kankai Multiple Campus, Surunga, Jhapa, 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 institutions for the award of any degree or diploma.

........................

Sandesh Siwakoti

Date:

                                                                              
  
  
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**Supervisor's Recommendation**

The project work report entitled **“STUDY ON FINANCIAL PERFORMANCE OF**

**KUMARI BANK LIMITED”**  submitted by Sandesh Siwakoti  of Kankai  Multiple Campus, Surunga, Jhapa  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.

..................................

Mr.Dilli Bahadur Bhattarai

Kankai Multiple Campus

Date:

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**Endorsement**

We hereby endorse the project work report entitled **“STUDY ON FINANCIAL PERFORMANCE OF  KUMARI BANK LIMITED”**  submitted by Sandesh Siwakoti of  Kankai Multiple Campus, Surunga, Jhapa in partial fulfillment of the requirements for the award of the degree of Bachelor of Business Studies (BBS) for external evaluation.

............................................ ..........................................

Mr. Tikaram Ghimire                        Mr.Bikash Uprety

Head             Campus Chief

Management Research Committee       Kankai Multiple Campus

Date: Date:

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**Acknowledgement**

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……………………

Sandesh Siwakoti

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**CHAPTER-I**

**INTRODUCTION**

[**1. Introduction**](https://www.blogger.com/null) **of Kumari Bank Ltd.**

 Kumari Bank Limited is a one of the Commercial bank in Nepal established under the Commercial Bank Act 2031. This bank is established as limited company. So, the liability of the Shareholders of this bank will be limited up to value of Share of the bank. The head office of Kumari Bank Limited is situated in Putalisadak, Kathmandu. This bank was established in Mangsir 24, 2056 B.S. and started its service on 2057 B.S. Chaitra 17. This bank claimed to give modern, standard banking service to the customers. This bank has branches in Birtamode, Biratnagar,Itahari, Urlabari, Okhaldhunga, Birgunj, Pokhara, Dharan, Kathmandu and many other places. At the initial stage of the bank's establishment, it was started with 35,00,000. Later on, in the year 2060/2061 B.S. it raised its capital from 35,00,000 to 5,00,000 shares @ Rs. 100 each by selling 1,50,000 additional shares to the general public.

 From the very beginning of its establishment the bank is providing good service to the general public. From the year review, it is seen that the bank has achieved tremendous growth and success in all areas of its operations due to the patronage, trust and confidences of its customers. The bank has continued to remain committed to maximize the return of the shareholders investment in the bank have been pursuing actions and strategies for steady growth and increase return while closely monitoring the quality of assets.

  The bank is also contributing for the development of country from it side by investing its fund to the various sectors related to investment.

(www.kumaribank.com)

[**1.1   Background of the Study**](https://www.blogger.com/null)

 The circular flow of money in a modern economy is maintained smoothly by the national financial machine having two main wheels.

**i)       Money Market:**Mainly for short-term Finance to provide working capital to industry and commerce .1

**ii)      Capital Market:**

Primary for long-term finance to provide block or fixed capital to business. These two markets work together and are closely inter dependent. In fact, money market and capital market are the components of one market called market of credit.

The growth of industries and planned industrialization depends upon the development of both capital market which satisfies long-term finance and money market, which fulfills short-term finance. Banks provide both short-term finance as well a long term finance. The development of banking system is a must for the overall development of the economy of country. Banking system can be considered as the life blood of the economy. In short banks are extremely necessary for the healthy and prompt progress of country, its citizens and the societies it has. Banks create and mobilized the capital, render several financial service that help boost the domestic and international trade. Banks exercise considerable influence on the level of economic activity through their ability to create money in the economy.

Banking system is necessary to offer institutional service of promotion undertaking, finance & investment for the economy utility functions performed by banks of great economic significance for the economy which can influence the course and direction of economic activity within the economy. The pool together the saving of the community and arrange of their productive use by providing short as well as long term loans in different forms necessary for the trade and commerce. They discharge various functions on behalf of their customers and in they

 paid for services.

Modern commercial banks perform various functions like the payment of subscriptions, insurance premium, rent etc. and collections of cheques, bills, salaries, pensions, dividends, interest etc. on behalf of their customers by charging certain amount of commission for the services. In addition, they purchase and discount bill of exchange promissory notes and exchange

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foreign currency. Furthermore, commercial banks also arrange to remit money from a place to another at very low fees by means of cheques, drafts, SWIFT, etc. They buy and sell shares and securities on behalf of the customers act as the custodian of the valuable such as jewelry, documents of title to goods, securities etc. belongings to the customers.

[**1.2 Profile of Kumari Bank Limited**](https://www.blogger.com/null)

Kumari Bank Limited is a one of the Commercial bank in Nepal established under the Commercial Bank Act 2031. This bank is established as limited company. So, the liability of the Shareholders of this bank will be limited up to value of Share of the bank.

The head office of Kumari Bank Limited is situated in Durbarmarg, Kathmandu. This bank was established in Mangsir 24, 2056 B.S. and started its banking operations from Chaitra 21, 2057 B.S.  This bank claimed to give modern, standard banking service to the customers.

This bank has branches in Birtamode, Biratnagar, Itahari, Urlabari, Okhaldhunga, Birgunj, Pokhara, Dharan, Kathmandu and many other places. At the initial stage of the bank's establishment, it was started with 35,00,000. Later on, in the year 2060/2061 B.S. it raised its capital from 35,00,000 to 5,00,000 shares @ Rs. 100 each by selling 1,50,000 additional shares to the general public. From the very beginning of its establishment the bank is providing good service to the general public. From the year review, it is seen that the bank has achieved tremendous growth and success in all areas of its operations due to the patronage, trust and confidences of its customers. The bank has continued to remain committed to maximize the return of the shareholders investment in the bank have been pursuing actions and strategies for steady growth and increase return while closely monitoring the quality of assets. The bank is also contributing for the development of country from it side by investing its fund to the various sectors related to investment.

[**1.3   Objectives of the Study**](https://www.blogger.com/null)

 The core objective of the study is to analyze the financial performance of Kumari Bank Ltd. The   specific objectives of this research study are as follows:

a.To evaluate the financial performance of Kumari Bank Limited

b.To identify the financial position of the bank.

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c.To identify the liquidity turnover efficiency of assets management.

[**1.4.   Significance of the study**](https://www.blogger.com/null)

Study on any subject matter has its own importance in today's world. This type of field work study is very important for bachelor level student as from such studies both the investigation and committee will be benefited.

1. Help to other researchers who want further study about the topic.
2. Help to yield deep and satisfied knowledge of the report.
3. Find out the situation of bank
4. Increase of practical knowledge and skills of investigation.

**1.5**  **Literature Review**

Review of literature the study of concepts and a crucial aspect of planning of study i.e. developed in the area of same kind of research. Financial performance analysis is a study of relationship among the various financial factor to pinpoint the strengths and weaknesses of a bank in order to forecast the prospects for future earnings. Financial performance analysis is determines the solvency of a business concern and the measure of efficiency of operation as compared to similar concerns. The analysis reveals how far the dream and ambition of the top management have been converted into reality during each financial year.  Financial performance as a part of the financial management is the main indicator of the success or failure of the bank. There are different persons/institutions that affect or are affected by the decision of the bank. Financial condition of any bank should be sound from the point of view of shareholder, flow of funds, investor attitudes, flow of funds and nation as whole. Various project works have been done in different aspects of commercial bank such as lending policy, investment policy, financial performance analysis, resources mobilization and capital structure. The review of some previous study, which is relating to the banking sector is the most relevant sources and assistant for the research.

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**Thagunna, K. S., & Poudel, S. (2013)** stated that the traditional measure of profitability through stockholder’s equity is quite different in banking industry from any other sector of business,

where loan-to-deposit ratio works as a very good indicator of banks' profitability as it depicts the status of asset-liability management of banks. But banks' risk is not only associated with this   asset liability management but also related to growth opportunity. Smooth growth ensures higher future returns to holders and there lies the profitability which means not only current profits but future returns as well. So, market size and market concentration index along with return to equity and loan-to-deposit ratio grab the attention of analyzing the banks’ profitability.

**Bhattarai, Rabin (2009),** in his articles “**Something** **is rotten with the state of commercial banking in Nepal**” starts with words like NPA, conflict of interest, mercy offshore ownership,  well connected defaulter loan swapping and political obstruction to describe the commercial banks in Nepal. Mr. Bhattarai quoted the words of the governor to describe the state of banking sector as ‘terrible’. Also, he quotes one of the donor representatives involved in financial reform as “Nepal has weakest central bank in developing world”.

According to his findings the directives if not properly addressed gave potential to wreck the financial system of the country. The directives in themselves are not that important unless properly implemented. The implementation part depends upon the commercial banks. In case commercial banks are making such huge profit with full compliance of NRB directives,

then the commercial banks would deserves votes of praise because they would then be instrumental in the economic development of the country all the change in NRB directives made impacts on the bank and the result are the followings:

Increase in operational procedures of the bank, which increase the operational  cost of the bank.

A short term decreases in profitability, which result to fewer dividends to shareholders and less bonus to the employees

Reduction in the loan exposure of the bank, which decreases the interest income by increase the protection of the depositor’s money.

Increase protection to the money of the depositors through increased capital adequacy ratios and more stringent loan related documents..

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All the aforesaid result lead to one direction the bank will be financially healthy and stronger in the future. Kumari bank will be able to withstand tougher economic situation in the future with adequate capital and provision for losses. The quality of the asset of the banks will become better as banks will be careful before creation credit.

**1.5.1 LIQUIDITY ASSETS:**

The assets which can be converted into cash immediately with or without a nominal loss of value. Liquidity can be in the firm of treasury bills, investments in government securities, gold and silvers, inventories and marketable securities etc.

**1.5.2  CASH REVERSES RATIO (CRR):**

Central banks the world over make banks maintains the certain level of liquidity to total deposit liabilities in the form of the cash and bank balance. This ratio is known as the cash reserve ratio or primary reserve.

**1.5.3  STATUTORY LIQUIDITY RATIO (SLR):**

Central bank orders to the banks to maintain the certain level of liquidity to total deposit liabilities in the form of the cash and bank balance and treasury bills and government securities and bonds. Such liquidity requirement is called the statutory liquidity ratio.

**1.5.4  COMPOSITION:**

1. **Total deposit** means current, saving and fixed deposit account as well as call money deposit and certificate of deposit. For the purpose, deposits held in convertible foreign currency, employees guarantee amount and margin account will not be included.
2. **Fixed deposit** means a deposit in local currency accepted under the condition to repay on completion so stipulated time period.

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1. **Current and saving deposit** means all deposit accounts other than the fixed deposits.
2. **Cash in vault** shall include only the local currency and foreign currency (except clearing cheque etc.)
3. Balance held with Nepal rastra bank in ordinary account only will be eligible for liquidity calculation. Special accounts opened with Nepal rastra bank for specific purpose and foreign currency designated accounts will not be included for the purpose.

**1.5.5  REVIEW FROM RELATED STUDY:**

Bank needs to maintain some reasonable amount of liquidity to fulfill different commitments. Such as provide money to depositors when they demand for administrative expenses, for maintaining cash reserve ratio in the central bank etc. so, liquidity is define bank’s capacity to pay cash in exchange of deposits. Liquidity needs of commercial banks are unique because in no other types of business there will be such large portion of deposits payable on demand.

Inadequate liquidity does damage credits standing of other organization as well but a banks fails to pay the deposits on demands, the bank loose the faith of the public. Bank may maintain the liquidity in the form of:

* Cash and bank balance
* Placement money at short calls or short notice
* Investments in Gov. Securities and other securities convertible into cash

International federation of accountants has recommended the measuring the liquidity of bank by:

* Cash and liquid securities
* Interbank money deposit liabilities

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 Liquidity of the bank should be maintained according to standard; excel liquidity as well as lack of the liquidity indicates that a bank is serious financial problems. The implication of the financial problem results losing of deposits, which erodes its supply of cash and forces the institutions to dispose of its safer and more liquid assets. On the other hand, other banks that are strong in liquidity will be increasingly reluctant to lend the problem bank liquid funds at higher interest rates. Thus, we can say that it is optimism necessity of the bank to maintain a proper balance between high liquidity and low liquidity.

The tools used for analysis are:

* [Liquidity Ratio](about:blank)
* [Current Ratio](about:blank)
* [Cash and Bank balance to Total Deposit Ratio](about:blank)
* [Cash and Bank balance to Current Deposit Ratio](about:blank)
* [Cash and Bank Balance to Current Assets Ratio](about:blank)
* [Loan and Advance to Total Deposit ratio](about:blank)

**1.6  Research Methodology**

 Research methodology refers to the various segmental steps along with the rationale of each step to be adopted by a researcher in studying a problem with certain objectives in view. In other words research methodology describes the methods and process applied in the entire aspects of the study. The basic objectives of this study are to analyze the financial performance of Kumari Bank Limited. An appropriate research methodology has to be followed to achieve the desired objectives of the study. It would be appropriate to mention here that research study is not meaningful to any unless they are sequential in order which will be determined by the particular problem at hand.

**1.6.1 Research design**

Research design is a planned structure and strategy of investigation conceived to obtain answer to research objectives through analysis of data. The first step of the study is collect necessary information and data concerning to study. Therefore research design means the definite

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procedure and technique, which guides the study and propounds ways of doing research.

Research design is the plan, structure and strategy of investigation conceived so as to obtain answer to research question and control variance. The plan is overall scheme or program of research it includes an outline of what the investigator will do from writing the hypothesis and their operational implication to the final analysis of data (Wolf and Pant, 2007: 92). To achieve the goal of the study, the study has used descriptive research design. This study is made to study the financial management of Kumari Bank Limited, so far the purpose of the study it has used descriptive method. Descriptive research design involves the systematic collection and presentation of data to give a clear picture of a particular situation. These studies attempt to obtain a complete and accurate descriptive of a situation. To fulfill the objective of this study, the impact of financial analysis process in Kumari Bank Limited has to be analyzed for that the descriptive type of research design is adopted.

**1.6.2  Population and sampling**

A population is a complete enumeration of each and every unit of the universe as a whole. It is related to the total study of material in detail. There are 21 A class licensed banks in Nepal but this study considers only Kumari Bank Limited as a sample. Sample is a small separated part showing the quality of the whole. Here, for the proposed study, I have taken Kumari Bank Limited as a sample. Convenience sampling is used for collection sample.

This project focuses and deals with the following parts of methodology.

1.         Data collection

2          Data analysis

1. **Data Collection**

The annual report of Kumar Bank Limited was obtained from the Bank itself. Moreover, monthly and economic bulletin banking and financial statistics, economic report etc. have been

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collected. The data collection from secondary sources, the following sources of data are also considered.

a) Annual report of the Kumari Bank Limited.

b) Various publications dealings in the subject matter of study.

c) Various article published in the newspaper.

d) Different websites.

**2.      Data Analysis**

            The following tools are used to analyze the data presented in the study.

**(i)      Ratio Analysis**

A ratio is simply one number expressed in terms of another and on such it express the quantitative relationship between any two numbers. Ratio can be expressed in terms of percentage, proportion and as a coefficient.

**(ii)      Liquidity Ratio**

              Liquidity ratios are used measure a firm's ability to meet short-terms obligations. They compare short terms obligations to short-term (current) resources available to meet these obligations. From these ratios, much insight can be obtained into the present cash solvency of the firm and the firm's ability to remain solvent in the event of the adversity.

The following ratios are evaluated under liquidity ratio:

               1         Current Ratio

               2         Cash & Bank balance to Current deposit ratio

              3          Cash & Bank balance to Current asset ratio

**Current Ratio**

  It measures the short-term solvency position of firm by the current assets.  Current assets are those assets that can be converted into cash within a year, such as cash & Bank balance, Investment, Debtors, Inventories, Prepaid expenses, Money at call and short notice, Overdrafts

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etc. Higher current ratio indicates better liquidity position and 2:1 or more is considered satisfactory. But all times this standard cannot be followed blindly, it depends upon quality of assets.

**Cash and Bank balance to Current Deposit Ratio**

 This ratio measures the ability of bank's current  assets to fulfills the current deposit. High levels of liquidity is not good as idle assets earn nothing.

**Cash and Bank balance to Total Deposit Ratio**

 This ratio shows the percentage of liquid assets held on compared to the total deposit. High ratio shows the strong liquidity position of the bank. But very high ratio is not favorable for the bank, as it does not produce appropriate profit to bear the high interest. The total deposit consists of current deposit, savings deposit, fixed deposit, money at call and short notice and other deposits.

**Cash & Bank balance to Current assets ratio**

Cash & Bank balance is the most liquid form of current assets. This ratio measures the proportion of cash and bank balance held by the bank. Current assets includes:

 Cash & Bank balance, Money at call and short notice, Loans and Advances including, Bill discounted and Purchased, Investments in government securities and other securities, Interests receivable and miscellaneous current assets shown under used head other assets.

**Loan and Advances to Total Deposit ratio:**

 This ratio measures the bank’s ability to utilize the via fixed, savings, current call and margin deposit to earn profit by providing loans and advances. A higher ratio indicates higher utilization of funds and lower ratio is the signal of balance remained unutilized or remaining idle.

**Profitability Ratio**

 Profitability ratio measures the efficiency and searches the degree of success in achieving desired profit. Any firm should earn satisfactory profit to survive and grow over a long period in the competitive environment profitability ratio can be determined on the basis of either sales

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investment. Through this ratio the investor decides whether to invest in a particular business or

not. Some of the important profitability ratio have been calculated and interpreted in this study which is presented below:

**Net profit to total assets ratio**

This ratio measures the bank’s ability to earn as rate of return on the total assets invested. It measures the return on assets. The ratio is calculated by dividing the net profit after tax by total assets.

**Net profit to Total deposit ratio**

It is used for measuring the internal rate of return from deposits.  Here net profit means profit after tax and deposit, total deposits including savings, current, fixed, call, margin and other deposits. Higher ratio indicates the return from investment on loan and advances are better utilized and mobilized. It is computed by dividing the net profit by total deposit.

**Return on Shareholders’ equity**

 It is the most vital to judge whether a concern has earned a satisfactory return to its owner or not. Here, return refers to net profit after tax. This ratio is expressed by dividing net profit after tax to ordinary shareholder's equity.

**Return to Investment**

 Return on investment measures the company's return from investment or the capacity to generate profit from its investment. It can be computed by dividing net profit after tax to total investment.

**Earnings Per Share**

 It measures the profit available to the common shareholders as per share basis i.e. the amount they get from every share. This division will automatically after the earning per share. The earnings per share is calculated by dividing net profit after tax to the shareholders by number of outstanding shares.

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**Dividend Per Share**

 Dividend implies that portion of net profit, which is allocated to shareholders as return on either investment on cash. The net profit after tax belongs to shareholders. However, the income which they really received is the amount of earning distributed as such dividend. The dividend per share is that portion of earning which is allocated to shareholders divided by the total no. of shares outstanding. Thus, dividend per share is computed by dividing the total amount of dividend paid by the no. of outstanding share.

**Dividend Payout Ratio**

 Dividend payout ratio indicated the percentage amount of dividend paid to shareholders out of earnings per share i.e. this ratio reflects at what percentage of net profit is to be distributed in terms of dividend and what percentage is to be retained by company as retained earning. This earning is needed for business to grow and to expand.

From the shareholders point of view, the dividends are more desirable to increase their current wealth and retained earning are the must sufficient internal sources of financing for the earning per share. Therefore, where there are not dividends paid, there is not dividend payout ratio. The share holder of company always expects a higher dividend payout ratio.

**Leverage Ratio**

 Leverage ratio is known as capital structure ratio or solvency ratio. It is calculated to measure the long term financial position of a firm. Debt and equity are long-term obligation. This ratio indicates the fund provided by owners & creditors. Leverage ratio measures the overall financial risk as well the ability of the bank in using debt for the benefit for the share holders. Thus, there should be appropriate mix of debt and owners equity in financing the firm's assets. To find out the long solvency of the bank several ratio are calculated. This ratio helps to find out the proportions of outsiders fund and owners fund.

**Long-term debt to Shareholders fund ratio**

 Long-term debt means total amount of fixed and loan from banks and share holders fund

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consists of general reserve, share premium other reserves, general loans, loss provision, retained earnings and proposed capitalization. The ratio shows the proportion of outside long-term liabilities to shareholder's total funds. The ratio can be calculated by using following formula:

**Total debt to Shareholders fund ratio**

  Total debt refers to the sum of long-term debt and short-term debt. Debenture or bands, differed payment arrangements for buying capital equipment and bank borrowing public deposits and any other interest bearing loan. Total debt to fund ratio can be calculated by dividing total debt by the shareholders fund.

**Total debt to total assets ratio**

 This ratio implies a bank's success in exploiting debts to be more profitable as well as its riskier capital structure to assess the proportion of total funds short-term and long-term, provided by outsider to finance assets.

**Interest coverage ratio**

 Other debt ratio describes above is state in nature and fail to indicated the firm's ability to meet interests obligations. The interest coverage ratio is one of the most conventional. Coverage ratio is computed by dividing earnings before interest and tax by interest charges:

**Activity Ratio**

 Activity ratio measures efficiency of an organization from various angles of its operations. This ratio indicates the efficiency of activity of an enterprise to utilize available funds, particularly short-term funds. The following activity ratios measure the performance, efficiency of an organization to utilize its short-term funds. These ratios are used to determine the efficiency, quality and the contribution of loans and advances in the total profitability.

**Total Investment to Total Deposits Ratio**

This ratio reveals now efficiency the resources of the banks have been mobilized. High ratio shows the managerial efficiency regarding the utilization of deposits and vice-versa.

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**Loan and Advances to Total Deposit Ratio**

 This ratio indicates the proportion of total deposit investment in loan and advances. Higher ratio indicates the proper use of total deposit where as lower ratio indicates less use of deposit or idle cash.

**Non-Performing Loans to Loan and Advances Ratio**

This ratio indicates the percentage of non-performing loans out of total loans and advances. Higher ratio shows the inefficiency of the banks in lending and vice-versa.

**Loans & Advances to Fixed Deposit Ratio**

This ratio indicates the proportion of expenses incurred interest out of total deposit of the bank.

**Loan loss Provision to Total Loans & Advances Ratio**

 This ratio indicates the percentage of provision for loan loss out of total loans and advances. Banks to provisioning as per the guidance of Nepal Rastra Bank. Loan loss provision is interlinked with non-performing loans. Higher the Non-performing loans, higher will be loan

loss provision.

**Interest Expenses to Total Deposit Ratio**

 This ratio indicates the proportion of expenses incurred interest out of total deposit of the bank. The ratio is calculated as under:

**Interest Expenses to Total Expenses Ratio**

 This ratio shows the percentage of interest of interest expenses out of total expenses. High ratio indicates that the major portion expense has been spent for interest.

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[**1.7   Limitations of the study**](https://www.blogger.com/null)

1. This study based on secondary data only.
2. The truth of the study result is based on the data provided by the bank.
3. Simple statistical tools will be used to analyze the data.

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**CHAPTER-II**

**DATA PRESENTATION, ANALYSIS & MAJOR FINDINGS**

[**2.1   Data Presentation**](https://www.blogger.com/null)

 The main purpose of analyzing the financial performance and interpretation is to highlight the strength and weakness of the business enterprises. Therefore, this chapter includes the analysis and result of gathered with a view to assessing financial performance of the bank for the period of 3 years. Consequently, this analysis help the management take benefits of strategic management technique by providing the information regarding the strength and weakness of Kumari Bank Limited to exploit the opportunities lying in the environment and manage the threat posed by the environment. The data are presented, calculated and analyzed. The secondary data is used for the purpose and for the data presentation of three years (2020/21 , 2021/22 , 2022/23 ).

**2.2 Data Analysis**

[**2.2.1 Financial Analysis**](https://www.blogger.com/null)

**Ratio Analysis**

viability of the Kumari Bank Limited. The following ratios are used to analyze and check the financial position of the bank.

[(i)      Liquidity Ratio](https://www.blogger.com/null)

Profitability of a bank is more closely related to liquidity of a commercial bank than any other business firm. Since it has to gain confidence from depositors and customers which is the largest source of fund as well as earning. Liquidity ratio measures the firm's ability to pay its short-term obligations. It also assets the solvency of the company and its ability to retain solvent even in

difficult times.  In case of commercial banks, short-term obligations are current deposit, saving deposit, short-term loans and source of meeting these obligations are cash and bank balance, money at call and short-term notice, investments in government securities and bill discounted and purchased. There is compulsion in banking sector to maintain cash and bank balance as directed by the Nepal Rastra Bank.

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(ii)  Current Ratio

 This ratio is applied to test solvency as well as in determining short-term financial strength of the bank. The current ratio indicates the availability of current assets in rupees for very one rupee of current liabilities. This ratio more than 2.1 is satisfactory. It is computed as dividing current assets by current liabilities. The current ratio of the bank for this report is calculated as follows:

[Table](https://www.blogger.com/null)1: Current Ratio

|  |  |  |  |
| --- | --- | --- | --- |
| Year | Current Assets | Current Liabilities | Ratio |
| 2020/21 | 2945750832 | 2625142306 | 1.120 |
| 2021/22 | 5437024355 | 4960773398 | 1.096 |
| 2022/23 | 7354897975 | 6792440589 | 1.083 |

Current                    Assets = Cash & Bank balance + Money at call & short notice + Loans and Advances + other assets

Generally, higher current ratio indicates better liquidity position and 2:1 or more is considered satisfactory. But here in the context of bank this ratio is less than 2:1 but we considered it satisfactory because bank always have more liquid current assets than other types of organization. Here in the context of Kumari Bank Limited the current ratio of 2018/2019 is 1.120, 2021/22 is 1.096 and 2022/23 is 1.083. It indicates that the liquidity position of the bank has decreased with comparison to the year 2020/21 .

[(iii)    Cash and  Bank  balance  to  Total Deposit  Ratio](https://www.blogger.com/null)

 This ratio shows the percentage of liquid assets held as compared to the total deposit. High ratio shows the strong liquidity position of the bank.

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[Table](https://www.blogger.com/null)2: Cash and  Bank Balance to Total Deposit Ratio

|  |  |  |  |
| --- | --- | --- | --- |
| Year | Cash & Bank Balance | Total Deposit | Ratio |
| 2020/21 | 291705250 | 2513144223 | 0.117 |
| 2021/22 | 658477911 | 4807936964 | 0.143 |
| 2022/23 | 443371369 | 6268954481 | 0.070 |
|  |  |  |  |

The cash and bank balance to total deposit ratio of the bank in the fiscal year 2020/21 is 0.117, in the fiscal year 2021/22 is 0.143 & in the fiscal year 2022/23 is 0.070. It shows that the bank has more strong liquidity position in the fiscal year 2021/22 as compare to the fiscal year 2020/21 but the bank has not strong liquidity position in fiscal year 2022/23 as compare to 2021/22 . The high ratio also indicates the idle portion of the total deposit amount which cannot generate income.

[(iv)    Cash and Bank balance to Current Deposit Ratio](https://www.blogger.com/null)

 This ratio measures the ability of banks current assets to fulfill the current deposit.

[Table](https://www.blogger.com/null)3: Cash and Bank Balance to Current Deposit Ratio

|  |  |  |  |
| --- | --- | --- | --- |
| Year | Cash & Bank Balance | Current Deposit | Ratio |
| 2020/21 | 291715250 | 135081020 | 2.519 |
| 2021/22 | 685477911 | 251045213 | 2.730 |
| 2022/23 | 443371369 | 279361097 | 1.588 |

The bank's cash and bank balance to current deposit ratio is higher because it is more than 2 times in the fiscal year 2020/21 and 2021/22 but the ratio in the fiscal year 2022/23 is

less than previous years. It indicates that there is high level of idle assets in the year 2020/21 and 2021/22 , which earn nothing.

But bank tires to minimize the idle cash by investing it to the productive sectors. This shows by its lower ratio. The ratios are 2.519 in fiscal year 2020/21 , 2.730 in the fiscal year 2021/22 and 1.588 in the year 2022/23 .

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[(v)     Cash  and  Bank  Balance  to  Current  Assets  Ratio](https://www.blogger.com/null)

           This ratio measures the proportion of cash and bank balance held by the bank to compare with current assets.

[Table](https://www.blogger.com/null)4: Cash and Bank Balance Assets Ratios

|  |  |  |  |
| --- | --- | --- | --- |
| Year | Cash & Bank Balance | Current Deposit | Ratio |
| 2020/21 | 291715250 | 2945750832 | 0.099 |
| 2021/22 | 685477911 | 5437024355 | 0.125 |
| 2022/23 | 443371369 | 2354897975 | 0.060 |
|  |  |  |  |

This ratio shows that the bank is not able to repay its current obligation by cash and bank balance. In other words, cash and balance is very low with compare to its current assets. In the fiscal year 2020/21 is 0.099 and in the fiscal year 2021/22 is 0.125.

This means that the bank has increased its cash and bank balance in the year 2021/22   but decrease in 2022/23 .  This ratio of the bank is somehow satisfactory because high cash and bank balance increase cost as it is idle. So the bank should maintain its cash and bank balance by analyzing its liquidity factor.

[(vi)    Loan and Advance to Total Deposit ratio](https://www.blogger.com/null)

 This ratio measures the banks ability to utilize the amount that has been collected through saving, current & fixed deposit account. High ratio indicates the higher utilization of amount and vice-versa.

[Table](https://www.blogger.com/null)5: Loans and Advances to Total Deposit Ratio

|  |  |  |  |
| --- | --- | --- | --- |
| Year | Cash & Bank Balance | Current Deposit | Ratio |
| 2020/21 | 2105736522 | 2513144223 | 0.838 |
| 2021/22 | 3649008723 | 4807936964 | 0.759 |
| 2022/23 | 5590925658 | 6268954481 | 0.892 |

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The loan and advances to total deposit ratio of the Kumari Bank Limited in the fiscal year 2020/21 is 0.838 means about 83% of its deposit is utilized in the loan and advances. In fiscal year 2021/22 is 0.759 means about 75% of its total deposit is utilized in loan and advances, and in the fiscal year 2022/23 is 0.892 means about 89% of its total deposit is utilized. This ratio decreased in the fiscal year 2021/22 . But in the year 2022/23 ratio increased by 14% as compared to fiscal year 2021/22 which shows bank is trying to utilize its fund. This is good sign.

[**2.2.2        Profitability Rati**](https://www.blogger.com/null)o It measures the efficiency and searches the degree of success in achieving desired profit. Any firm should earn satisfactory profit for survive and grow over a long period in the competitive environment. Moreover, through this ratio the investor can decide whether to invest or not..

[(i)      Net Profit to Total Assets Ratio](https://www.blogger.com/null)

 This ratio measure the firm's ability to earn return on total assets invested. It measures the return on assets. The higher rate of return is considered good and vice-versa. This ratio can be calculated as follows:

[Table](https://www.blogger.com/null)6: Net Profit to Total Assets Ratio

|  |  |  |  |
| --- | --- | --- | --- |
| Year | Net Profit | Total Assets | Ratio |
| 2020/21 | 12474065 | 2686175754 | 0.00918 |
| 2021/22 | 48685822 | 5494176578 | 0.00886 |
| 2022/23 | 87880557 | 7437885125 | 0.01182 |

The net profit to total assets ratio of the bank is very low in fiscal year. It indicates that the bank is not in good position to earn profit. In the latest year bank's profit and ratio of net profit to total assets is increased, this factor is good, but the increasing pattern is as the race of tortoise. Bank should accelerate it speed to increase its profit ratio in the coming year.

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[(ii)     Net Profit to Total Deposit Ratio](https://www.blogger.com/null)

 This ratio is used to measure the internal rate of deposit. Here net profit means profit after tax and deposit means total deposit including saving, current and fixed. Higher ratio indicates the return from the loan and advances is better.

[Table](https://www.blogger.com/null)7: Net Profit Total Deposit Ratio

|  |  |  |  |
| --- | --- | --- | --- |
| Year | Net Profit after Tax | Total Deposit | Ratio |
| 2020/21 | 12474065 | 2513144223 | 0.00496 |
| 2021/22 | 48685822 | 4807936964 | 0.01013 |
| 2022/23 | 87880557 | 6268954481 | 0.0141 |

The net profit to total deposit ratio of the bank in fiscal year 2020/21 is 0.00496, in 2021/22 is 0.01013 and in 2022/23 is 0.0141. It indicates quite low rate of return on deposit. But the bank is also increasing its rate return as compared to increasing in total deposit. This ratio is low because here the net profit is taken after deducting bonus to staff and provision for losses.

[(iii)    Return on Shareholders  Equity](https://www.blogger.com/null)

 This ratio is very important tool to judge whether the concern has earn satisfactory returns to its over or not. Here return refers to the profit after tax.

[Table](https://www.blogger.com/null)8: Return on Shareholder's Equity

|  |  |  |  |
| --- | --- | --- | --- |
| Year | Net Profit after Tax | Total Deposit | Ratio |
| 2020/21 | 12474065 | 392883373 | 0.03175 |
| 2021/22 | 48685822 | 570147056 | 0.0854 |
| 2022/23 | 87880557 | 533801337 | 0.1647 |

The return on shareholders equity measures the performance of the bank. The above table reveals that Kumari Bank Limited has used very properly the shareholder's fund which is represented by increasing trend of net profit. Ratio is also increasing pattern. The Owners of the Kumari Bank Ltd. are satisfied by seeing above table.

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[(iv)    Return on Investment](https://www.blogger.com/null)

 Return on investment measures the company's return from investment or the capacity to generate profit from investment. This ratio is considered to know the investment generates income from investment. The high ratio is considered as good performance of company.

[Table](https://www.blogger.com/null)9: Return on Investment

|  |  |  |  |
| --- | --- | --- | --- |
| Year | Net Profit after Tax | Total Investment | Ratio |
| 2020/21 | 12474065 | 423154880 | 0.029 |
| 2021/22 | 48685822 | 983504403 | 0.049 |
| 2022/23 | 87880557 | 1190271012 | 0.074 |

 The above table reveals that the ratio of increasing total investment is less than the increase percentage of the ratio. It indicates that the bank has used its fund to generate its income. From the increasing ratio of return on investment, we can confidently say that the performance of the bank is in good condition.

[(v)     Earnings per S](https://www.blogger.com/null)hare

 It measures the profit available to the common shareholders as per share basis. If one forgets to calculate the return on shareholders equity, his performance analysis cannot be completed. Common shareholders are entitled to the residual profit. The rate of common dividend is not fixed, the earning many be distributed to them or retained in the business. This ratio indicates how well the firm utilizes the resources of owners. In fact, this ratio of great interest to present as well as prospective shareholders is also of great concern to the management, which has the responsibility of maximizing the owner's welfare.

[(vi)    Dividend Per Share](https://www.blogger.com/null)

 Dividend implies that portion of net profit, which is allocated to shareholders return on either investment on cash. It is the net profit after tax belongs to shareholders. However the income which they really received is the amount of earning distributed as cash dividend per share is that portion of earning per share that is distributed to common shareholder

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[Table](https://www.blogger.com/null)10: Dividend Per Share

|  |  |  |  |
| --- | --- | --- | --- |
| Year | Earning Paid to Shareholder | No. of common stock | D.P.S. |
| 2020/21 | ---- | 3500000 | ---- |
| 2021/22 | 26300000 | 5000000 | 5.26 |
| 2022/23 | ------ | 5000000 | ----- |

The Kumari Bank Limited has not distributed cash dividend on the fiscal year 2020/21 and 2022/23 but it paid the cash dividend on fiscal year 2021/22 is 5.26 per share. It means the bank has earned more in the fiscal year 2021/22 . This factor is very good from the view point of shareholder. It makes shareholders satisfied.

[(vii)   Dividend Payout Ratio](https://www.blogger.com/null)

 It indicates the percentage amount of dividend paid to shareholders out of earning per share. It means it refers to what percent of earning is distributed to shareholders as cash dividend and what percent of earning is n the form of retained earning. That is needed for business to grow and expand. From the shareholders point of view more cash dividend is desirable however from business point of view or organization's point of view more retained earning is desirable for internal financing.

[Table](https://www.blogger.com/null)11: Dividend Payout Ratio

|  |  |  |  |
| --- | --- | --- | --- |
| Year | Dividend Per Share | Earning Per Share | Ratio |
| 2020/21 | ---- | 3.56 | ---- |
| 2021/22 | 5.26 | 9.74 | 0.54 |
| 2022/23 | ------ | 17.58 | ----- |

The bank has not distributed cash dividend in the fiscal year 2020/21 and 2022/23 but in the fiscal year 2021/22 the bank distributed 0.54 or 54% of its earning to the shareholders. The rest portion of the earning of the bank is taken is retained earning which is useful for internal financing.

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[**2.2.3 Leverage Ratio**](https://www.blogger.com/null)

 Leverage ratio is also called structure ratio. It is the solvency ratio too. It is calculated to measure the long-term financial position of a firm, debt & equity. This ratio measures the solvency of long-term debt from equity.But in the context of Kumari Bank Limited there is not long-term. So, fixed deposit is taken as its long-term liability. And here we have calculated the solvency of fixed deposit by its equity under leverage ratio.

[(i)      Long-term debt to shareholder fund ratio](https://www.blogger.com/null)

 This ratio shows that the total amount of fixed deposit and long-term bank loan and shareholders fund consists of general reserve, share premium, other reserves and share capital. Here in the context of Kumari Bank Limited long-term loan is taken as fixed deposit and loan advance from bank other institutions.

[Table](https://www.blogger.com/null)12: Long-term debt to shareholders fund ratio

|  |  |  |  |
| --- | --- | --- | --- |
| Year | Long-term Debt | Shareholder's Fund | Ratio |
| 2020/21 | 798402962 | 392883373 | 2.024 |
| 2021/22 | 1292449200 | 570147056 | 2.267 |
| 2022/23 | 2703848950 | 533801337 | 5.066 |

The long-term debt to shareholder fund ratio of the bank in the fiscal year 2020/21 is 2.024 which mean the bank has more than double shareholders fund than the fixed deposit. So it can cover the fixed deposit by shareholder fund. In the fiscal year 2021/22   the ratio is increased than the fiscal year 2020/21 . And in the fiscal year 2022/23 the ratio is increased as double as 2021/22 . This means there is no risk to deposit in this bank from the depositor point of view.

[(ii)     Total long-term debt to total assets ratio](https://www.blogger.com/null)

 This ratio implies banks success in exploiting debts to be more as well as its riskier capital structure. For the requirement fund to the firm the management should financed the proper mix of fund from the debt and others.

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[Table](https://www.blogger.com/null)13: Total debt to Total Assets ratio

|  |  |  |  |
| --- | --- | --- | --- |
| Year | Long-term Debt | Total Assets | Ratio |
| 2020/21 | 798402962 | 2986178454 | 0.267 |
| 2021/22 | 1292449200 | 5495176578 | 0.235 |
| 2022/23 | 2703848950 | 7437882125 | 0.364 |

The total debt to total assets ratio of the bank in the fiscal year 2020/21 is 0.267, 2021/22 is 0.235 and 2022/23 is 0.364. It indicates that 0.267 times in fiscal year 2020/21 , 0235 times in fiscal year 2021/22 and 0.364 times in the fiscal year 2022/23 of total assets is total debt. Total ratio is decreased in the fiscal year 2021/22 than fiscal year 2020/21 but increased in fiscal year 2022/23 as compare to earlier.

[iii)    Total Debt  to  Shareholders fund Ratio](https://www.blogger.com/null)

 This ratio shows the relation between total debt and shareholder's equity. It shows the ratio between total debt and shareholder's equity. It measures the solvency of total debt from the shareholders equity. Here, in the context of Kumari Bank Limited total debt is taken as fixed deposit and other short-term liabilities.

[Table](https://www.blogger.com/null)14: Total Debt to Shareholders Fund Ratio

|  |  |  |  |
| --- | --- | --- | --- |
| Year | Total Debt | Shareholder's Fund | Ratio |
| 2020/21 | 2625142306 | 392883373 | 6.682 |
| 2021/22 | 4960773398 | 570147056 | 8.701 |
| 2022/23 | 6937882125 | 533801337 | 12.99 |

The total debt to shareholder's fund ratio of the bank is very high. It indicates that in the fiscal year 2020/21 the bank has used 6 times more debt than equity. In the fiscal year 2021/22 it has used 8 times more than shareholders equity. And in the fiscal year 2022/23 it has used 12 times more than shareholders equity. The bank is increasing its debt portion as compared to equity portion. It is risky for the creditor.

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[(iv) Interest  Coverage Ratio](https://www.blogger.com/null)

            Interest coverage ratio measures the interest coverage power to the debt. It shows that the bank is able to cover the interest on the debt others by earning before tax or not.

[Table](https://www.blogger.com/null)15: Interest Coverage Ratio

|  |  |  |  |
| --- | --- | --- | --- |
| Year | EBIT | Interest | Ratio |
| 2020/21 | 114298128 | 92945310 | 1.23 |
| 2021/22 | 201517886 | 163902663 | 1.23 |
| 2022/23 | 294529943 | 240130179 | 1.23 |

The interest coverage ratio of the bank is also strong. It's interest coverage ratio is more than one means that it can easily pay the interest to it's creditors from earning before tax.

[**2.2.4         Activity Ratio**](https://www.blogger.com/null)

It measures efficiency of an organization from various angles of its operations. It indicates the efficiency of activity of an enterprise to it's utilizing available funds. The following ratios measures the performance efficiency of an organization to utilize the available funds.

[(i)      Total Investment to Total Deposit Ratio](https://www.blogger.com/null)

 This ratio reveals that the resources of the bank have been mobilized less efficiency. High ratio shows the managerial efficiency regarding the utilization of deposit and vice-versa.

[Table](https://www.blogger.com/null)16: Total Investment to Total Deposit Ratio

|  |  |  |  |
| --- | --- | --- | --- |
| Year | Total Investment | Total Deposit | Ratio |
| 2020/21 | 423154880 | 2513144223 | 0.168 |
| 2021/22 | 983504403 | 4807936964 | 0.205 |
| 2022/23 | 1190271012 | 6268954481 | 0.189 |

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 The investment to total deposit ratio of the bank is very low in the fiscal year 2020/21 as about 16% in the fiscal year 2021/22   it is about 20% and in the fiscal year 2022/23 as about 18% of the deposit has been invested means that the mobilization of the fund is very low. From the comparison of first two fiscal years, the ratio has been increased in the fiscal year 2021/22 which is acceptable to some extent but decrease in the latest fiscal year.

[(ii)     Loan and Advances to Total Deposit Ratio](https://www.blogger.com/null)

 This ratio indicates the proportion of total deposit invested in loan and advances. Higher ratio indicates the proper use of deposit whereas the low ratio indicates the low use of deposit. This ratio is determined as under:

[Table](https://www.blogger.com/null)17: Loan and Advances to Total Deposit Ratio

|  |  |  |  |
| --- | --- | --- | --- |
| Year | Loan & Advances | Total Deposit | Ratio |
| 2020/21 | 2105736822 | 2513144223 | 0.838 |
| 2021/22 | 3649008723 | 4807936934 | 0.759 |
| 2022/23 | 5590925658 | 6268954481 | 0.892 |

Loan and Advances to total deposit ratio of Kumari Bank Limited is greater in fiscal Year 2020/21   than that of the fiscal year 2021/22 (i.e. 0.838 Vs 0.759)  and also greater in fiscal year 2021/22 than that of fiscal year 2022/23 (i.e. 0.759 Vs 0.892). It indicates that the utilization of deposit in loan and advances of the bank is decreased in the fiscal year 2021/22   but increased in the fiscal year 2022/23 . It indicates that the bank's performance is fluctuating in the context of utilization of deposit in loan and advances.

[(iii)    Non-Performing Loans to Loan & Advances Ratio](https://www.blogger.com/null)

 This ratio indicates the performance of non-performing loans out of total loan and advances. Higher ratio shows the inefficiency and lower ratio shows the efficiency of the firm.

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[Table](https://www.blogger.com/null)18: Non-Performing Loan to Loan & Advances Ratio

|  |  |  |  |
| --- | --- | --- | --- |
| Year | Non-Performing Loans | Loan & Advances | Ratio |
| 2020/21 | 36323814 | 2105736822 | 0.017 |
| 2021/22 | 28189656 | 3649008723 | 0.008 |
| 2022/23 | 53988537 | 5590925658 | 0.009 |

From the above table, we can say that the efficiency performance of Kumari Bank Limited in context of non-performing loan is efficient because its ratio of non-performing loans is low.

[(iv)    Loan and Advances to Fixed Deposit Ratio](https://www.blogger.com/null)

 This ratio indicates the utilization of fixed deposit in loans and advances.  High ratio shows the efficiency in utilization of fixed deposit amount in loan and advances and vice-versa.

|  |  |  |  |
| --- | --- | --- | --- |
| Year | Loan & Advances | Fixed Deposit | Ratio |
| 2020/21 | 2105736822 | 795402962 | 2.64 |
| 2021/22 | 3649008723 | 1292449200 | 2.82 |
| 2022/23 | 5590925658 | 2302087622 | 2.42 |

This table shows that the loan and advances of Kumari Bank Limited is two times more than fixed deposit and in increasing trend in both the fiscal year. So, it shows the bank's efficiency and better performance.

[(v)     Loan Loss Provision to Total Loans and Advances Ratio](https://www.blogger.com/null)

 This ratio indicates the percentage of Provision for loan loss out of total loans and advances. Banks do make such provisions as per the guidance and direction of Nepal Rastra Bank.

[Table](https://www.blogger.com/null)19: Loan loss Provision to Total Loans and Advances Ratio

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|  |  |  |  |
| --- | --- | --- | --- |
| Year | Loan Loss Provision | Loan & Advances | Ratio |
| 2020/21 | 16805159 | 2105736822 | 0.0080 |
| 2021/22 | 17125580 | 344008723 | 0.0049 |
| 2022/23 | 41111258 | 559092568 | 0.0074 |

The loan loss provision to loan advances ratio of the bank has decreased in the fiscal year 2021/22 . In this context, the performance of the bank is quite weak. But ratio is increased in the latest year, which is quite satisfactory.

[(vi)    Interest Expenses to Total Deposit Ratio](https://www.blogger.com/null)

  This ratio indicates the proportion of expenses incurred for interest out of total deposit of the bank.

[Table](https://www.blogger.com/null)20: Interest Expenses to Total Deposit Ratio

|  |  |  |  |
| --- | --- | --- | --- |
| Year | Interest Expenses | Total Deposit | Ratio |
| 2020/21 | 92945310 | 2513144223 | 0.037 |
| 2021/22 | 163902663 | 4807936964 | 0.034 |
| 2022/23 | 240130179 | 6268954481 | 0.038 |

By evaluating the above table, we came to know that the interest expenses to total deposit ratio of the bank is 0.037 in the fiscal year 2020/21 , 0.034 in the fiscal year 2021/22   and 0.038 in the is favorable for the bank. It should be considered as efficient performance of the bank.

[(vii)   Interest Expenses to Total Expenses Ratio](https://www.blogger.com/null)

 This ratio indicates the proportion of the interest expenses to the total expenses. Higher ratio indicates that the major portion has been spent on interest expenses.

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[Table](https://www.blogger.com/null)21: Interest Expenses to Total Expenses Ratio

|  |  |  |  |
| --- | --- | --- | --- |
| Y | Interest Expenses | Total Deposit | Ratio |
| 2018/2 | 92945310 | 161703002 | 0.575 |
| 2019/2 | 163902663 | 258920222 | 0.658 |
| 2020/2 | 240130179 | 354337190 | 0.667 |
|  |  |  |  |
|  |  |  |  |

From the above table, we can say that the bank's interest expense to total expenses is higher than 50%. Which means about 58% of its total expenses are interest expenses and the rest are other expenses in the fiscal year 2020/21 , about 66% of the total expenses are interest expenses in the fiscal year 2021/22 and about 68% of the total expenses are interest expenses in the fiscal year 20/21. The ratio has increased in the latest years.

[**2.3   Major Findings of the Study**](https://www.blogger.com/null)

 This assignment work report has been prepared as per the format prescribed by the subject lecturer and entitled 'A Study of Financial Performance of Kumari Bank Limited." This report has been divided into three chapters as 'Introduction', 'Data Analysis and Presentation' and Summary and Conclusion' this main chapter contains various subjects. The main part of this report is Presentation and Analysis of Data. For the data analysis purpose Ratio Analysis tools have been used to evaluate the performance of the bank. The major findings of the study are as follows:

* 1. From the study, we found that Kumari Bank Limited is overall beneficial Commercial Bank in the Nation and profitability position of the bank is much satisfactory.
  2. From the Liquidity Ratio, we found that the Bank is in strong position to its Short-term obligations and moreover the bank is increasing it's short-term solvency power for short-term liabilities from current assets.
  3. From the Leverage Ratio, we found to conclude that the bank has taken some long-term loans from central banks. So, by using fixed deposit and loan from

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bank as long-term liability, we found that the financial structure of the bank is satisfactory.

* 1. From the Activity Ratio, we found that the bank has utilized it's deposits

efficiently in the productive sector. The bank has invested high percent of available funds to generate income.

* 1. From the profitability Ratio, we found that the bank is in profitable condition.

In the fiscal year 2020/21 and 2021/22 , the bank has not distributed any cash divided but in the fiscal year 2022/23 , it has distributed cash dividend to it's shareholders. Because of it's good financial performance, the bank has generated profit the financial activities.

**Some other findings of this study are listed below:**

1. The earning per share of the bank has in increasing pattern. In the year 2020/21   it's earning per share is Rs. 3.56, in the year 2021/22 it increased to Rs. 9.74 and in the year 2022/23 it increased to Rs. 17.58.

2     In the fiscal year 2020/21 and 2022/23 , the bank has not paid any dividend but in the fiscal year

2021/22   it paid 5.26% of share capital as dividend.

3     The interest income on loan and advances of the bank in fiscal year 2020/21   is 8.79%, in the year

2021/22   is 8.51% and in the year 2022/23   is 8.95%.

4      The net profit on loan advances of the bank is 0.059% in the year 2020/21 , in the year 2021/22

is 1.32% and in the year 2022/23 is 0.16%, which is the indicator of good financial performance of

the bank.

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**CHAPTER- III**

**SUMMARY, CONCLUSION & REFERENCE**

[**3.1   Summary and Conclusio**](https://www.blogger.com/null)n

  This field work report has been prepared for the fulfillment of the internal assessment of BBS programme. From this purpose, here we have analyzed the financial performance of Kumari Bank Limited. To evaluate the financial performance of the bank, we have divided the whole report to different chapters. Introduction chapter gives background information about the project work, introduction of Kumari Bank Limited, Review related studies etc. The second chapter called Presentation and Analysis of Data, we tried to analyze it's financial performance through Ratio Analysis. By using this financial tool, we computed different ratios to evaluate it's Liquidity position, Management Position, Profitability Position and overall Financial Position. Ratio analysis is a very significant tool to financial performance analysis. It is one of the means by which financial stability, wealth, viability and performance of a firm can be judged. Current ratio of Kumari Bank Limited is how than it's theoretical norm that is 2:1. Its current ratio are 1.12, 1.096 and 1.083 in the year 2020/21 , 2021/22 and 2022/23 respectively. But, there is not matter to worry about because the bank has kept more liquid assets than other types of organization. Other solvency power of bank to the different deposit by its cash is also in increasing trend. Moreover, it should manage cash properly because cash on hand doesn't generate any income. In aggregate, there is nothing to be worried about the liquidity position of the bank since it's quality of current assets is very good which can be easily converted into cash within short period without any loss of it's assets. The debt position is unfavorable to the management because it has not borrowed loan from banks and institutions in the earlier years. But is the latest year bank has borrowed some amount of money from central banks which is good symptom. By borrowing loans at low rate of interest from other banks, the institution may generate lots of income by investing such loans on highly profitable sectors. The profitability position of the bank is much satisfactory. The net profit of the bank has increased as compared to it's increment in investment.

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[**3.1.1   Recommendation**](https://www.blogger.com/null)

 However, we are not authorized person to recommend the management of Kumari Bank Limited but here we attempt to recommend the management of Kumari Bank Limited. Here under we have given some recommendation which may be useful to the management:

1. To raise the total capital of Kumari Bank Limited by long-term debt and minimize the use

shareholders equity.

1. To maintain the idle cash or cash equivalents minimum.
2. The bank should finance the maximum fund in external assets.

4          The bank should take maximum advantage by maintaining minimum cash holding and

                     should finance in riskier assets that is Loan and Advances to earn high interest.

5           For the better utilization of Shareholders fund, the bank should conduct research frequently.

6           Kumari Bank should maintain Liquidity to meet current obligations easily.

7           The bank should identify better investment opportunity to get high rates of return.

8           Management of the bank should be effective.

9           Personnel should be trained and motivated by giving incentives.

10         The bank needs to adopt new technologies, which is very helpful to work effectively and

                    efficiency.

11          Loans Programs should be made attractive

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