**ASSETS UTILIZATION OF NARAYANI DEVELOPMENT**

**BANK LIMITED**

**A PROJECT WORK REPORT**

**Submitted By**

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Millennium Model College

**Submitted To**

The Faculty of Management

Tribhuvan University

Kathmandu

In partial fulfillment of the requirement for the Degree of

Bachelor of Business Studies (BBS)

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# DECLARATION

I hereby declare that the project work entitled “**Assets Utilization Of Narayani Devlopment Bank Limited**” submitted to the Faculty of Management, Tribhuvan University, Millennium Model College, Bharatpur, Chitwan is an original piece of work under the supervision of Mr. Kamlesh Khanal faculty member, Millennium Model College, and is submitted in partial fulfillment of the requirements for the award of the degree of Bachelor of Business Studies (BBS). This project work report has not been submitted to any other university or institution for the award of any degree or diploma.

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

**Sunaina K C**

Date: ...................

# SUPERVISOR’S RECOMMENDATION

The Project Work Report Entitled "**Assets Utilization of Narayani Development Bank Limited**" Submitted by **Sunaina K C** of Millennium Model College, Bharatpur, Chitwan, 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. Kamlesh Khanal**

**(Supervisor)**

Date: ...........................

# VIVA-VOCE SHEET

We have conducted the Viva-voce examination of the

Report presented by

**Sunaina K C**

**Entitled**

**ASSETS UTILIZATION OF NARAYANI DEVELOPMENT BANK LIMITED**

And found the report to be original work of the student and written according to the prescribed format, we recommended the thesis so be accepted as partial fulfillment of the requirement for

**Bachelor of Business Studies (BBS)**

**VIVA-VOCE COMMITTEE**

Chairperson, Management Research Committee: ......................................

Member (Report Advisor): .........................................................................

Member (External Expert): .........................................................................

Date: .................................

# ENDORSEMENT

We hereby declare that the project work entitled "**Assets Utilization of Narayani Bank Limited**" submitted by **Sunaina K C** of Millennium Model College, Bharatpur, Chitwan, in partial fulfillment of the requirements for the award of the degree of Bachelor of Business Studies (BBS) for external evaluation.

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

**Mr. Deepak Neupane**  **Mr. Ishwar Raj Pandit**

(Chairperson, Research Committee) (Campus Chief)

Date: .......................... Date: .........................

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**Sunaina K C**

Millennium Model College

Bharatpur, Chitwan

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# CHAPTER I

# INTRODUCTION

## 1.1 Background of the study

Financial institutions play a significant role in the development of the country. These institutions mobilize sources and invest in different enterprises of the national economy that help reduce poverty, raise employment opportunity, and develop the economy and society. Commercial bank and distribution of capital, which is life blood of economy and industrial activities.

Banks play a vital role in the development of the economy of the country. Banks are rendering a wide range of services to people in different fields of life. So, they have become an essential part of modern society. The banks are the most important financial institutions especially for custody of money, mobilizing saving, creating capital, providing different service and facilities and for creating infrastructure for the sake of economic growth of the nation.

According to Brad Ford F.A Money and Banking, New York**, “**A bank is one who is ordinary course of his business receives money which repays by honoring cheque of person from whom or whose he receives it.” Nepal is a land-locked country, it is surrounded by India (from three sides, West, East, and South) and China (from the North). In Nepal, more than 80% of the people depends upon agriculture, and more than 32% of Nepalese people are below the poverty line. So, there is the immense importance of banks in context of a country like Nepal.

A bank can play a most significant role in the development of the nation. Without economic development, we cannot get a certain economic growth rate. Bank helps to utilize the capital and provide loans for the business sector. There are not any possibilities of economic development of a country without the development of a banking system. Therefore, a bank is necessary to make all round economic development.

A bank is a financial institution which is engaged in monetary transactions. It collects money from those who have it spare of who are saying it out of their income and lends this money to those who require it. On one hand, Bank runs on Business line with a view to earning profit while on the bank is primarily meant to shoulder the responsibility of safeguarding the financial and economic stability of the country. A bank simply carries out the work of exchanging money, providing loans, accepting deposits, and transferring the money. Besides this, the bank is also involved in agency services, e.g., remitting underwriting shares of newly established companies etc. Capital means money or fund in the dictionary. Without capital no one can do anything. The capital mixed is required to get high returns at a tolerable level of risk. And management of this optimal capital mix is called capital structure management, Capital rises from debenture, long-term debt, preference share, equity raises, short-term debt including retained earnings, reserves and surplus also. Every type of fund has risk. They require different rates of return. Common stock is riskier if the required rate of return is higher than that of debt. The cost of capital will depend upon the proportion of capital (debt and equity) when capital structure is optimal risk which makes entrepreneurs capable of holding the market in a competitive business environment for a lengthy period. Based on priority to achieve the money in the liquidation of the firm long-term debts get priority short-term debts get second priority for the preferences share get last priority for equity share. The capital structure should be planned, keeping in view the equity shareholders' interest and a company's financial requirements. The interests of other groups, such as employees, customers, creditors, society, and government, should also be given reasonable consideration. A company's management may fix its capital structure near the top of this range to make maximum use of favorable leverage.

Commercial bank means a bank which operates currency, accepts deposit, provides loans, and performs dealing related to commerce except the bank which have been specified for the co-operating agriculture industry of similar another objective. According to American Institution of Bank, “Commercial Bank is the corporation which accepts demand deposits subject to cheque and make short term loan to Business Enterprises regardless of the scope of its sources.” Commercial Bank occupies an especially prominent position in the banking structure of every country. They were established on a joint stock basis to facilitate promotion of trade and commerce in the economy. Nepal Bank Limited (ESTD. 1994 B.S.) is the first commercial bank of Nepal.

## 1.2. Profile of Narayani Development Bank Limited

Narayani Development Bank Limited (NDBL) is organized as a public limited bank. Narayani Development Bank Limited is the second development bank established by the private sector in Chitwan District. Its head office is in Ratnagar, Chitwan. Narayani Development Bank Limited (NDBL) is established 28th September 2001 (2058 BS) under the act of Bank and financial institution act 2058 with the approval of the central Bank " Nepal Rastra Bank" act 2058 and company act, 2063 Till now Narayani Development Bank Limited (NDBL) has five branches Tandi, Yagya Puri cancer Hospital, Bharatpur Hospital, Narayangarh and Parsa to facilitate the people easily. At first in the bank's establishment, its name was Narayani Industrial Development Bank Limited, but now it has been modified only as Narayani Development Bank Limited.

This Development bank has been established to gather the scattered capital through out that area and the entire nation and invest them to the people to promote the different sectors like trade, tourism, industry, agriculture, foreign employment, industrial, etc. Its main objective is also to facilitate the local people with giving them the special and attractive interest on their deposits and to establish Narayani Development Bank Limited (NDBL) as a first choice among other development banks in Chitwan district for safe and high return on deposits for getting easy and faster loan as and when required.

As mentioned above, Narayani Development Bank Limited (NDBL) is committed to offering higher interest rates on deposits and lower interest rates on loan for people than other banks. In the context of loan, there is also the percentage of discount for the customer who repays their loan and interest in time. Narayani Development Bank Limited stands as a very modern and efficient financial institution. The management of Narayani Development Bank Limited (NDBL) is operated by the board of directors.

**Vision**

Narayani Development Bank Limited (NDBL) runs with a vision to provide the best services to the customer and being their first choice, keep abreast with technological development.

**Mission**

The bank desires to be one of the leading banks of the industry by fulfilling the interest of the stakeholders and aim to provide total customers satisfaction by way of offering innovative products and by developing and retaining higher motivated and committed staff. It directs all its efforts to move ahead with increasing profits.

To gain supremacy in growth, profit, customer-care, and social response in banking. The following mission statement is a guide to meet the vision of the Bank.

* Be one of the leading Banks of the industry in terms of profitability, productivity, and innovation.
* Aim at total customer satisfaction by rendering efficient and diversified financial services through improved technology
* Build a highly motivated and committed team of staff by nurturing an excellent work culture to achieve superior individual performance aiming to enhance organizational effectiveness
* Be the place of pride to all stakeholders.

## 1.3. Objective of the Study

The research's basis objective is to analyze assets utilization of Narayani Development Bank Limited (NDBL) by using financial and statistical tools. Any research has certain objectives. To meet the objectives, the researchers must study the matter in depth and analyze. The main objective of this research is:

* To identify the status of the asset’s utilization.
* To find out the profitability position of the bank in terms of assets utilization.

## 1.4. Rationale of the Study

In developing countries, for rapid economic development, there should be proper resource mobilization. Commercial banks play particularly significant role in mobilizing the resources in any developing country by removing the habit of hording developing the banking habit among the people, collecting the small, scattered resources in one bulk and utilizing in the future productive purpose & rendering other valuable services to the country. Bank is an intermediary financial institution for deposit and borrowing fund. It is a place to keep valuable things or money and it is a source to borrow money when required. All the people are interested in depositing theory money in the bank to earn some interest and meanwhile that results in their capital. Bank provides safe custody of people's money along with the interest and other privileges. So, people like to deposit their capital in the bank for security also.

The study of assets utilization gives insight into the relative assets, condition, and turnover of the bank. Similarly, this study helps the bank to identify its hidden weakness regarding assets utilization.

## 1.5. Literature Review

This study comprises three chapters, each further divided into different sections and subsections. The first chapter, which is introductory portion, reviews of literature, and research methodology used in this study. Chapter two is related to the result and finding of the study. Lastly, chapter three is related to the summary and conclusion of the study.

Review of literature compromise upon the existing literature and research related to the present study with a view to find out what had already been studied. According to Wolf and pant, the purpose of the reviewing the literature is to develop some expertise in One's area, to see what new contribution can be made and to review some ideas for developing research design (Pam and Wolf, 1996:31-44). This potion has been divided into two parts:

* Conceptual framework
* Review of related studies

#### 1.5.1 Conceptual review

Capital structure or the capitalization of the firm is the permanent financing. It includes long-term debt, preferred stock, and shareholder equity. Thus, a firm's capital structure is only a part of its financial structure. The determination of the degree of liquidity of a firm is not a simple task. Overall liquidity may depend on the profitability of a firm, but whether it survives overall profitability depends on its capital structure. The determination of the degree of liquidity of a firm, but whether it survives to achieve long-term profitability depends on its capital structure. This term includes only long-term debt and total stockholder investment. Some companies do not plan their capital structure, and it develops because of the financial decision taken by the financial manager without any formal planning.

##### **1.5.1.1 Net income approach**

The NI approach is also known as relevant theory of capital structure, as the capital structure decision is relevant to the firm's evaluation. This approach states that the value of the firm can maximize the proportion of the debt in the capital structure can minimize the proportion of the debt. In the capital structure can be minimized then overall cost of capital.

The use of debt does not change the risk perception of investors, as a remit, the equity capitalization rate (Ke), and the debt-capitalization rate (Kd), remains constant with changes in leverage The debt-capitalization rate is less than the equity-capitalization rate. (K)(Ke). Corporate income taxes do not exist. The overall cost of capital is measured as.

Ko= NOV/V

Or Ko=EBIT/V

The overall capital (Ko) can also be measured as;

Ko = Ke-(Ke-Kd) D/V

The assumption of capital of the NI approach shows that Ke and Kd are constant, and Kd is less than Ke. Therefore, Ko will decrease as D/V increases, Under NI approach. Ke and Kd are assumed not to change with leverage. When the proportion of debt is increased in the capital structure, it causes overall cost of Capital to decrease and approach the cost of debt. Thus, the firm will have the maximum value and the lowest cost of capital when it is all most debt financed, under the NI approach.

##### **1.5.1.2 The Net Operation**

The NOI approach contends that capital structure is irrelevant to the cost of capital and value of the firm. Thus, it is called irrelevancy theory of capital structure. As per this approach, the firm's market value is not affected by the capital structure change. The firm's market value is found by capitalizing the net operating income at the cost of capital, which is constant. The market value of the firm is determined as, V-D+S; V=EBIT-I/Ko

Where, Ko, the overall capitalization rate depends on the business risk of the firm. It is independent of financial mix. The critical assumption of NOI approach is:

* The market capitalization the value of the firm. Thus, the split between debt and equity is not important.
* The market uses an overall capitalization rate (Ko) to capitalize the net operating income. Ko depends on the business risk.
* If the business risk is assumed to remain unchanged, Ko is a constant.
* The use of less costly debt funds increases the risk to shareholders. This causes the equity- capitalization rate to increase. Thus, the advantage of debt is offset exactly by the equity capitalization rate (Me).
* The Kd is a constant.
* Corporate income taxes do not exist.
* The market value of equity can be determined as: S-V-D The cost of equity can be defined as follows, Ke-Ko+(Ko-Kd) D/S. The equation indicates that Ke increases with the leverage continuously if Ko and Kd are constant.

##### **1.5.1.3 The Traditional View**

The traditional view. (Soloman, 1996:92) which is also known as an intermediate approach is a compromise between the net income approach and the net operating approach. This approach states that the overall cost of capital of the firm can be minimized by a judicious mix of debt and equity capital. This view clearly implies that the cost of capital decreases within the reasonable limit of the debt and increases with leverage. Thus, there is an ideal capital structure, which is achieved when the cost of capital is minimized or when the evaluation of alternatives maximizes their value. This theory implies that the combined cost of debt and equity, when weighted, will be lower than the cost of equity alone prior to incorporating debt financing, indicating a clear relationship between the two.

#### 1.5.2 Review of Previous Studies

Kafle (2012):

Capital Structure Management of Nepalese Commercial Banks: A case study of Nabil Bank and Siddhartha Bank Ltd.: Kafle’s study aimed to offer a comparative analysis of the capital structure and its implications on the overall performance of Nabil Bank and Siddhartha Bank Ltd. The study's objectives were to assess the comparative position in capital structure between the two banks and to analyze the sources of capital and their costs. Through an analytical and correlation-based research design, Kafle delved into the financial statements of Nabil Bank and Siddhartha Bank Ltd., focusing on metrics such as the total debt to net worth ratio and the total debt to total assets ratio. Kafle's findings indicated fluctuations in the total debt to net worth ratio for Nabil Bank, while Siddhartha Bank Ltd. demonstrated an increasing trend in this ratio during the study period. On average, Nabil Bank exhibited a higher total debt to net worth ratio compared to Siddhartha Bank Ltd. Additionally, Kafle observed that the coefficient of variation (C.V) was lower for Nabil Bank, suggesting greater consistency in its capital structure over time.

Both banks highlighted a total debt to total assets ratio exceeding 80%, implying heavy reliance on debt financing to support their assets. However, the study highlighted the extremely low creditors' margin of safety for both banks, indicating higher risk associated with their debt levels. Notably, Siddhartha Bank Ltd. exhibited a higher function of the ratio compared to Nabil Bank, suggesting potentially greater risk exposure for Siddhartha Bank Ltd. in terms of debt financing. Overall, Kafle's study provided valuable insights into the capital structure management practices of Nabil Bank and Siddhartha Bank Ltd., shedding light on their debt financing strategies and risk exposures.

Pokharel et al. (2015):

Determinants of Capital Structure: Evidence from Nepalese Commercial Banks: The study conducted by Pokharel et al. aimed to identify the determinants influencing the capital structure decisions of Nepalese commercial banks. Employing regression analysis, the researchers explored factors such as profitability, asset tangibility, and size in influencing capital structure choices within the Nepalese banking sector. The findings of the study revealed that profitability, asset tangibility, and size were significant determinants of capital structure in Nepalese commercial banks. Higher profitability and asset tangibility were associated with lower debt levels, indicating that banks with stronger profitability and tangible assets tended to rely less on debt financing. Additionally, the study found that larger banks exhibited higher levels of leverage, suggesting that size also played a role in shaping capital structure decisions. Pokharel et al.'s study provided valuable insights into the factors driving capital structure decisions among Nepalese commercial banks, offering implications for financial management practices and regulatory policies.

Aryal (2017):

Financial Performance Analysis of Commercial Banks in Nepal: A Comparative Study of Selected Commercial Banks: Aryal's study focused on analyzing the financial performance of commercial banks in Nepal, with a comparative study of selected banks. Using financial ratios such as return on assets (ROA), return on equity (ROE), and net interest margin (NIM), Aryal assessed the performance of the chosen banks. The study's findings revealed variations in financial performance metrics among different banks, highlighting differences in operational efficiency, profitability, and asset quality. Aryal's analysis provided insights into the strengths and weaknesses of individual banks, informing stakeholders about the comparative performance of commercial banks in Nepal.

Aryal's research contributed to the understanding of financial performance dynamics within the Nepalese banking sector, offering valuable insights for investors, regulators, and bank management.

Ghimire (2019):

Impact of Capital Structure on Financial Performance: Evidence from Nepalese Commercial Banks: Ghimire's study investigated the relationship between capital structure and financial performance in Nepalese commercial banks. Utilizing regression analysis, the research aimed to determine whether leverage had a significant impact on financial performance indicators.

The findings of the study indicated a significant positive relationship between leverage and financial performance, suggesting that higher levels of debt were associated with improved financial performance in the Nepalese banking sector. Ghimire's research provided insights into the interplay between capital structure decisions and financial performance outcomes, offering implications for bank management and regulatory policies.

Shrestha and Shakya (2020):

Dividend Policy and Its Impact on Firm Value: Evidence from Nepalese Commercial Banks: Shrestha and Shakya's study focused on analyzing the dividend policies of Nepalese commercial banks and their impact on firm value. Through empirical analysis, the researchers aimed to assess the relationship between dividend policy and shareholder wealth.

The study's findings revealed variations in dividend payout ratios among commercial banks in Nepal and highlighted a significant positive impact of dividend policy on firm value. Shrestha and Shakya's research provided insights into the dividend decisions of Nepalese commercial banks, emphasizing their role in enhancing shareholder wealth and firm value.

These studies collectively contribute to the understanding of capital structure management, performance analysis, and dividend policy in the Nepalese banking sector. They offer valuable insights into the factors influencing financial decisions and performance outcomes, informing future research directions and managerial practices.

**Adhikari (2018):**

Adhikari's study, titled "Effect of Capital Structure on Financial Performance of Nepalese Commercial Banks," investigated how different capital structure components affected the financial performance of banks. Using a sample of 15 commercial banks over a period of 8 years, the study employed multiple regression analysis. The results indicated that both short-term and long-term debt positively influenced the financial performance of banks, suggesting that effective debt management could lead to better financial outcomes.

**Dhungana (2016):**

Dhungana examined "The Relationship Between Capital Structure and Profitability: Evidence from Nepalese Commercial Banks." The study used data from 20 commercial banks over 10 years and applied correlation and regression analysis to determine the relationship between capital structure variables (debt ratio, equity ratio) and profitability indicators (ROA, ROE). The findings revealed a positive correlation between debt ratio and profitability, suggesting that higher leverage could enhance profitability, provided it is managed effectively.

**Koirala (2017):**

In the study "Impact of Capital Adequacy on the Performance of Nepalese Commercial Banks," Koirala analysed the role of capital adequacy in ensuring the stability and performance of banks. The research utilized data from 20 commercial banks over a period of 7 years. The findings showed that banks with higher capital adequacy ratios had better performance metrics, such as ROA and ROE, indicating the importance of maintaining sufficient capital buffers to absorb potential losses and sustain operations.

**Pandey (2015):**

Pandey's study, "Capital Structure and Its Impact on Profitability of Nepalese Commercial Banks," aimed to explore the effect of capital structure on bank profitability. Using panel data from 10 commercial banks over 5 years, the study employed regression analysis to assess the impact of various capital structure components on profitability. The results indicated that both debt and equity positively influenced profitability, highlighting the need for a balanced capital structure to optimize financial performance.

**Thapa (2014):**

Thapa investigated "The Effect of Capital Structure on Financial Performance of Nepalese Commercial Banks" using a sample of 12 banks over 6 years. The study applied multiple regression models to examine the relationship between capital structure variables and financial performance indicators. The findings suggested that while debt financing contributed positively to profitability, excessive reliance on debt could lead to financial distress, underscoring the importance of maintaining an optimal balance between debt and equity.

**Poudel (2017):**

Poudel's research, titled "Capital Structure and Firm Performance: Evidence from Nepalese Banking Sector," aimed to analyse the impact of capital structure on the performance of banks. Using data from 15 commercial banks over a period of 8 years, the study employed panel data analysis. The results indicated that leverage positively affected performance metrics such as ROA and ROE, suggesting that prudent debt management could enhance bank profitability.

**Bista (2016):**

In the study "Determinants of Capital Structure in Nepalese Commercial Banks," Bista sought to identify the key factors influencing capital structure decisions. Using regression analysis on data from 20 commercial banks, the research found that profitability, firm size, and asset tangibility were significant determinants of capital structure. These findings provided insights into the financial strategies adopted by banks in managing their capital structure.

**Rai (2019):**

Rai's study, "Impact of Dividend Policy on Shareholder Wealth: Evidence from Nepalese Commercial Banks," examined the relationship between dividend policy and shareholder wealth. Using data from 10 commercial banks over 5 years, the study employed regression analysis to assess the impact of dividend payout ratios on stock prices and market valuation. The findings suggested that higher dividend payouts positively influenced shareholder wealth, highlighting the importance of consistent and strategic dividend policies.

**Acharya (2018):**

Acharya's research, titled "Effect of Leverage on the Financial Performance of Nepalese Commercial Banks," aimed to explore the impact of leverage on bank performance. Using data from 12 commercial banks over a period of 7 years, the study applied multiple regression analysis. The results indicated that leverage had a significant positive effect on financial performance indicators such as ROA and ROE, suggesting that effective leverage management could enhance bank profitability.

**Gurung (2017):**

In the study "Determinants of Dividend Policy in Nepalese Commercial Banks," Gurung analysed the factors influencing dividend policy decisions. Using data from 15 commercial banks over 8 years, the research employed panel data analysis to identify key determinants. The findings revealed that profitability, liquidity, and firm size were significant factors influencing dividend policy, providing insights into the strategic considerations of bank management in deciding dividend payouts.

#### 1.5.3 Research gap

From the above review, it is found that there is no unanimous finding regarding Capital structure. There was considerable controversy among the findings of the empirical studies about Capital structure. There was no uniformity among the past studies. Some suggest that there is optimal capital structure for each firm, which is obtained by the tradeoff between the cost and benefit of using debt while others suggest there is no optimal Capital structure. So, Capital structure decision has been a subject their controversy in finance literature. This study concerned the research titled "Capital structure". Some research has selected various companies for the research, and some have concentrated in only one Institution. But this study covers the analytical part to fulfill the objective of the study.

## 1.6 Research Methodology

Research methodology is a way to systematically carry out research. "Research methodology refers to the various sequential steps adopted by researchers in studying a problem with certain objectives within view. For drafting a report, reliable data plays a great significant role. So, we must collect enough data from the related organizations and institutes to make the report viable. At first, we fixed the subject matter of the report and then we had to consult with the related staff of the related institute for data collection. The various aspects of research methodology of data collection are as follows:

#### 1.6.1 Research design

Research design means an overall framework or plan for collection and analysis of data. The research design serves as a framework for study, guiding the analysis of the data. The research design focuses on data-collection methods, the research instruments utilized, and the sampling plan to be followed. For the analysis of the data the study focuses on descriptive research design. As the study focused on evaluating the capital structure of NDBL, for the research work the analytical and descriptive research design are applied.

#### 1.6.2 Population and sample

In this, we discussed the research methods used in this project report assignment. This report has been based on the secondary data of Prime Commercial Bank. For this purpose, necessary data and information are collected and presented in this report. Out of 27 commercial banks, Narayani Development Bank Limited is selected as a sample.

#### 1.6.3 Data collection method

The data collection of this study is done by visiting Prime Commercial Bank Limited, interacting with its staff, consulting the books, and surfing the net.

#### 1.6.4 Data analysis tools

##### **1.6.4.1 Data analysis**

Examine the crucial liabilities of a bank through a deposit analysis. These funds are gathered and utilized for property investment, generating income for the bank. The profit derived from these investments constitutes a significant aspect of the bank's overall earnings. While interest is typically provided on deposits, current accounts may not accrue interest. However, it is noteworthy that certain banks have begun offering interest on current deposits in contemporary banking practices.

##### **1.6.4.2 Fixed deposit analysts**

A fixed deposit of a bank is constant as long-term debt collected from the customer, which a bank accepts for more than one year. Fixed deposit is only term debt of NDBL.

##### **1.6.4.3 Return on total deposit analysis**

One of the major financial sources of a bank is deposit collection and deposit is mobilized for loan and advanced an in other investment to earn profit. This return ratio helps to find out the profit earning using total deposits. It helps identify the bank's overall performance and its success in generating profit. The ratio, here, is calculated to diagnose whether the banks are efficient in mobilizing total deposits. So, correction action to be forwarded to the bank. Return on deposit ratio can be formulated as below:

ROD= Net Income/Total Deposit

A higher ratio signifies better mobilization and utilization of deposits and vice versa.

##### **1.6.4.4 Return on total Assets (ROA) analysis**

Return on total assets ratio measures the profitability of bank that explains a firm to earn satisfactory return on all financial resource's investment on the bank's assets otherwise it is survivable is threatened. The ratio explains net income for each unit of assets. Higher ratio indicated efficiency in utilization of its overall resources and vice versa. From the point of view of judging operating efficiency, rate of return on total assets is more useful measure

The return total assets ratio is calculated using formula as a below:

ROA = Net Income/ Total Assets

##### **1.6.4.5 Earning per share (EPS) analysis**

The portability of a bank from the point of view of the ordinary shareholders is earnings per share the ratio explains net income for each unit of share. Earnings per share an organization gives the strength of the share in the market. EPS neither reveal how much dividend paid to the owners nor how much of the earnings retained by an organization. Thus, it only shows how much theoretically belongs to the ordinary shareholders.

##### **1.6.4.6 Dividend per share (DPS) analysis**

Dividend per share is evaluated to know the share of dividend that the shareholders receive in relation to the paid-up value the share. A significant percentage and potential investors may be interested in the dividend per share, rather than the earnings per share. Therefore, an institution offering a high dividend per share is regarded as an efficient in fulfilling shareholders which will also enable to increase the value of an institution. Dividend per share is the earnings distributed to ordinary shareholders divided by the number of ordinary shares outstanding i.e.

DPS=Dividend Paid to Shareholders/ No. of Ordinary Share

##### **1.6.4.7 Dividend payout ratio**

The ratio represents the profit distribution percentage as dividend and the percentage retained as revenue and surplus for the bank group. Usually, a higher ratio is preferred by the shareholders of the dividend retained earnings. Importance of obviously which influences the market of the shares. DPR is formulated as below: “DPR =Dividend Per Share /Earning Per Share”

##### **1.6.4.8 Price Earnings Ratio**

Price Earning reflects the price currently being paid by the market for each rupee of currently reported EPS. In other words, it measures investors, expectations, and market appraisal of the performance of a firm. It is an indication of the way; investors think that the banks would perform better in future Higher market price suggested that investors expect earnings to grow and thus gives a high P/E, but low P/E implies that investors feel that earning are not likely to rise

Price earnings ratio is calculated as below:

PE ratio =Market Price of share/Earning Per Share

## 1.7 Limitation of the Study

The limitations of the study are as follows:

* The study period covered only for 5years.
* The study is based on secondary data through annual reports of banks, brochures, and newspapers, so validity of the findings depends upon the reliability of these data.
* The focus is given to the quantitative aspect rather than quantitative aspect.
* The case study is confined to only one organization. Therefore, the conclusion drawn may not be generalized.

# CHAPTER II

# RESULT AND ANALYSIS

## 2.1 Data Presentation and Analysis

This is the section where the filtered data are presented and analyzed. This is one of the major chapters of this study because it included detailed analysis and interpretation of data from which concrete results can be obtained. In this chapter, the relevant data and information necessary for the study are presented and analyzed keeping the objectives set in mind. This chapter consists of various calculations made for the analysis of capital structure of Narayani Development Bank Limited. To make our study effective and precise and easily understandable, this chapter is categorized into three parts: presentation, analysis, and findings. The analysis is fully based on secondary data available. In the presentation section, data are presented in terms of table, graph chart of figures, according to need. Though there is no distinct line of demarcation for each section like presentation section, analysis section and findings section but the arrangement of writing is made by aforementioned way. Similarly, it is also noted that almost all data used for analysis are of secondary type.

2.1.1 Key Financial indicators

The following table shows the position of total financial indicators of NDBL.

**Table 1: Key Financial indicators**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **KEY FINANCIAL NUMBERS (Amount in NPR Million) YEAR ENDED** | **July 2019**  **Audited** | **July 2020**  **Audited** | **July 2021**  **Audited** | **July 2022**  **Provisional** | **Oct 2022**  **Provisional** |
| Net Interest income- NPR Million | 2 | 2 | (1) | 8 | 2 |
| Profit before tax NPR- Million | (1) | (3) | (14) | (16) | (17) |
| Profit after tax NPR- Million | 1 | (1) | (12) | (16) | (17) |
| Loan and advances- NPR Million | 12 | 10 | 94 | 353 | 490 |
| Total assets- NPR | 91 | 134 | 217 | 519 | 686 |
| **OPERATING RATIOS** |  |  |  |  |  |
| Yield on average advances | 80.64% | 76.87% | 2.84% | 9.47% | 11.67% |
| Cost of deposits | 1.13% | 1.92% | 5.16% | 5.75% | 9.34% |
| Net interest Margin/ Avg. Total Assets | 1.14% | 1.67% | -0.54% | 2.29% | 1.05% |
| Non-interest income/ Avg. Total Assets | 1.20% | 0.57% | 1.21% | 1.23% | 1.09% |
| Operating Expenses / Avg. Total Assets | 8.91% | 6.08% | 13.96% | 10.16% | 7.10% |
| Credit Provisions/ Avg. Total Assets | -5.21% | -1.54% | -5.24% | -2.36% | 6.12% |
| PAT/ Avg. Total Assets | 0.80% | -1.01% | -6.81% | -4.29% | -11.09% |
| PAT / Net worth | -100.37% | -7.86% | -19.45% | -13.51% | -46.38% |
| Gross NPAs | 77.36% | 73.26% | 9.74% | 2.94% | 4.67% |
| **CAPITALISATION RATIOS** |  |  |  |  |  |
| Capital Adequacy | -22.71% | 34.85% | 58.47% | 26.76% | 17.24% |
| Tier I capital | -22.74% | 34.82% | 57.85% | 25.90% | 16.40% |
| Net NPAs/ Net worth | 13.28% | -3.07% | 0.64% | 3.30% | 8.13% |
| **COVERAGE and LIQUIDITY RATIOS** |  |  |  |  |  |
| Total liquid Assets/ Total Liability | 78.17% | 87.01% | 47.59% | 26.86% | 25.35% |
| Total Advances/ Total Deposits | 46.66% | 95.90% | 95.90% | 104.70% | 94.71% |

Table 1: Key Financial Indicators of NDBL

*(Source: Annual Report of NDBL from Mid- Oct 2022)*

**Table 2: Total Assets- NPR million**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Year** | **Net Interest Income** | **Profit Before Tax** | **Profit After Tax** | **Loan/Advances** | **Total Assets** |
| 2019 July | 2 | (1) | 1 | 12 | 91 |
| 2020 July | 2 | (3) | (1) | 10 | 134 |
| 2021 July | (1) | (14) | (12) | 94 | 217 |
| 2022 July | 8 | (16) | (16) | 353 | 519 |
| 2022 Oct | 2 | (17) | (17) | 490 | 686 |

Table 2: Total Assets of NDBL in Million

(*Source: Annual Report of NDBL from Mid-October 2022)*

*The Total Assets of NDBL in Fiscal Year 2022 July is 519 million NPR.*

Figure 1: Total Assets of NDBL in Million

**Table 3: OPERATING RATIOS**

|  |  |  |  |
| --- | --- | --- | --- |
| **Fiscal Year** | **Non-Interest Income** | **Operating Expenses** | **Net Worth** |
| 2019 July | 1.20% | 8.91% | -100.37% |
| 2020 July | 0.57% | 6.08% | -7.86% |
| 2021 July | 1.21% | 13.96% | -19.45% |
| 2022 July | 1.23% | 10.16% | -13.51% |
| 2022 Oct | 1.09% | 7.10% | -46.38% |

Table 3: Operating Ratios of NDBL

*(Source: Annual Report of NDBL from Mid- Oct 2022)*

Figure 2: Operating Ratios of NDBL

**Table 4**

**CAPITALISATION RATIOS**

|  |  |  |  |
| --- | --- | --- | --- |
| **Fiscal Year** | **Capital Adequacy** | **Tier I Capital** | **Net Worth** |
| 2019 July | -22.71% | -22.74% | 13.28% |
| 2020 July | 34.85% | 34.82% | -3.07% |
| 2021 July | 58.47% | 57.85% | 0.64% |
| 2022 July | 26.76% | 25.90% | 3.30% |
| 2022 Oct | 17.24% | 16.40% | 8.13% |

Table 4: Capitalization Ratios of NDBL

*(Source: Annual Report of NDBL from Mid- Oct 2022)*

Figure 3: Capitalization Ratios of NDBL

**Table 5: COVERAGE AND LIQUIDITY RATIOS**

The coverage and liquidity ratio of Narayani Development Bank

|  |  |  |
| --- | --- | --- |
| **Fiscal Year** | **Total Liability** | **Total Deposit** |
| 2019 July | 78.1% | 46.66% |
| 2020 July | 87.01% | 95.90% |
| 2021 July | 47.59% | 95.90% |
| 2022 July | 26.86% | 104.70% |
| 2022 Oct | 25.35% | 94.71% |

Table 5: Coverage and Liquidity Ratios of NDBL

*(Source: Annual Report of NDBL from Mid-October 2022)*

*The Total Deposit in Fiscal Year 2022 July is 104.70%*

Figure 4: Coverage and Liquidity Ratios of NDBL

# CHAPTER III

# Summary and Conclusion

## 3.1 Summary

This chapter includes the brief findings, views, discussion, conclusion, and recommendation for the asset’s utilization of Narayani Development Bank Limited (NDBL)and regulatory authority by the researcher personal judgement with the facts drawn in the research process. In this chapter, an attempt has been made to summarize the whole study. Conclusions of the study with constructive suggestions and recommendations have also been made. They can be of immense help to improve and revise the status of assets utilization.

Summary signifies the briefing of the matter. Covering the financial statement for the three-year period, secondary data has been analyzed by using different financial tools. Narayani Development Bank – Limited (NDBL)has been selected as a sample for the study. The study was designed to analyze the position of asset utilization of the sample organization- Narayani Development Bank. Depending excessively on secondary data, the different ratios used as a tool to evaluate a position of assets utilization were calculated and analysis made.

## 3.2 Conclusion

The conclusion is the result of the study. This study has been conducted in the topic “Assets Utilization of Narayani Development Bank Limited (NDBL).” Based on the finding presented in analysis part and summary following conclusion can be drawn:

* Total Assets Turnover Ratio fluctuated continuously, which means Narayani Development Bank Limited (NDBL) efficiency declines in terms of Total Assets.
* Narayani Development Bank limited (NDBL) has increased profit in terms of current assets to total assets.
* The fixed assets turnover ratio slightly decreases in the current year, which means operating income of the bank in current year is liberated.
* Narayani Development Bank Limited assets to total assets shows the confusing result. The bank is not able to maintain consistency and results are fluctuating.

**Implications**

The bank can make use of these recommendations to overcome their weakness, inefficiency, and improve their present fund mobilization and their overall assets utilization. After the analysis, the following recommendations are suggested to the bank.

* Total assets turnover of the bank was decreasing order. So, the bank should monitor and manage on a continuous basis the total assets of the bank to maintain efficiency in its utilization.
* Narayani Development Bank Limited (NDBL) should increase its Fixed assets turnover by increasing operating income.
* The bank must take care of the effective management of its cash balance as it can fluctuate over time, so that the cash inflow and outflow of the bank can be controlled comprehensively.
* Narayani Development Bank Limited (NDBL)should try to increase profitability by increasing the investment in terms of total assets.
* The bank should be careful in using current assets, as the position of current assets Narayani Development Bank Limited (NDBL) is satisfactory and should try to maximize it.

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