

**A COMPARATIVE FINANCIAL PERFORMANCE ANALYSIS OF NEPAL
BANK LIMITED AND NEPAL SBI BANK LIMITED**

Thesis

By

TARANI AWASTHI

Central Department of Management

Exam Roll No 859/16

Registration No. 7-3-28-66-2015

Submitted in partial fulfillment of the requirement of the degree of

Master of Business Studies (MBS Semester)

In the

Faculty of Management

Tribhuvan University

Kirtipur, Kathmandu

October, 2018

Certification of Authorship

I certify that the work in this thesis has not previously been submitted for a degree nor has it been submitted as part of requirements for a degree except as fully acknowledged within the text.

I also certify that the thesis has been written by me. Any help that I have received in my research work and the preparation of the thesis itself has been acknowledged. In addition, I certify that all information sources and literature used are indicated in the reference section of the thesis.

Tarani Awasthi
Date :.....

RECOMMENDATION LETTER

It is certified that thesis entitled “**A Comparative Financial Performance Analysis of Nepal Bank Ltd. and Nepal SBI Bank Ltd.**” **Tarani Awasthi** is an original piece of research work carried out by the candidate under my supervision. Literary presentation is satisfactory and the thesis is in a form suitable for publication. Work evinces the capacity of the candidate for critical examination and independent judgment. The thesis is forwarded for examination.

Prof. Dr. Mahananda Chalise

Supervisor,

Central Department of Management

Tribhuvan University, Kirtipur, Kathmandu

Date :

APPROVAL SHEET

We, the undersigned, have examined the thesis entitled “**A Comparative Financial Performance Analysis of Nepal Bank Ltd. and Nepal SBI Bank Ltd.**” presented by **Tarani Awasthi**, a candidate for the degree of **Master of Business Studies (MBS)** and conducted the viva voce examination of the candidate. We hereby certify that the thesis is worthy of acceptance.

Prof. Dr. Mahananda Chalise

Thesis Supervisor

Internal Examiner

External Examiner

Prof. Dr. Bhawani Shankar Acharya

Chairperson, Research Committee

Central Department of Management, Tribhuvan University

Prof. Dr. Puspa Raj Sharma

Acting Head of Department

Central Department of Management, Tribhuvan University

Date :

ACKNOWLEDGEMENT

This study entitled “**A Comparative financial Performance Analysis of Nepal Bank Ltd. and Nepal SBI Bank Ltd.**” has been conducted for the partial requirement for the degree of Masters of Business Studies (MBS) of Tribhuvan University. The general purpose of thesis is to analyze the financial performance of the two sample Commercial banks.

My foremost appreciation and thanks goes to my honorable supervisor, **Prof. Dr. Mahananda chalise** sir for his close supervision and professional advice and encouragement during the research work. I am highly indebted and very thankful for his continuous support and constructive suggestions that have enabled this research project to achieve its present form. I could not have imagined having a better advisor and mentor for my thesis.

I would like to express cordial gratitude to **Prof. Bhawani Shankar Acharya** (Chairperson, research committee), **Prof. Bhoj Raj Aryal**, the head of Central Department of Management (CDM), **Asso. Prof. Gyanmani Adhikari** sir and also highly appreciate the efforts of all teacher and other members of central department of management, libraries staffs who inspired and provided the needed materials to complete this thesis.

Last but not the least, I would like to thank my family members and friends for their affection and emotional support that has inspired me to achieve every success including this study. No words of thanks can adequately express the depth of my appreciation. Also my sincere thanks goes to **Sahadev Bhattraï, Arun Aryal**, and **Anita Adhikari**. They helped me in manuscript of this study and provide me relevant materials, advice and suggestions.

Tarani Awasthi

Researcher

TABLE OF CONTENTS

<i>TITAL PAGE</i>	<i>i</i>
<i>CERTIFICATION OF AUTHORSHIP</i>	<i>ii</i>
<i>RECOMMENDATION LETTER</i>	<i>iii</i>
<i>APPROVAL SHEET</i>	<i>iv</i>
<i>ACKNOWLEDGEMENTS</i>	<i>v</i>
<i>TABLE OF CONTENTS</i>	<i>vii</i>
<i>LIST OF TABLE</i>	<i>ix</i>
<i>ABBREVIATIONS</i>	<i>x</i>
<i>ABSTRACT</i>	<i>xi</i>
CHAPTER-I INTRODUCTION	1
1.1 Background of the Study	1
1.2 Brief Profile of Sample Banks.....	4
1.3 Statement of Problems.....	6
1.4 Purposes of the Study	7
1.5 Significance of the Study	7
1.6 Limitation of the Study.....	8
1.7 Organization of the Study	9
CHAPTER-II LITERATURE REVIEW.....	10
2.1 Conceptual Review	10
2.1.1 Liquidity	10
2.1.2 Profitability	10
2.1.3 Assets Management.....	11
2.1.4 Financial Statement Analysis.....	11
2.1.5Significance of Financial Analysis.....	12
2.1.6 Objective of Financial Analysis	12

2.1.7 Financial Performance Analysis of Banks	13
2.2 Theories of Liquidity Management	14
2.2.1 Anticipated Income Theory	14
2.2.2 Shiftability Theory	15
2.2.3 Commercial Loan Theory	15
2.3 Empirical Review	16
2.3.1 Review of International Journal Articles	16
2.4.2 Review of Nepalese Journal Articles	19
2.4 Theoretical Framework and Research Gap	24
CHAPTER-III RESEARCH METHODOLOGY	26
3.1 Research Design	26
3.2 Population and Sample	27
3.3 Sources of Data	27
3.4 Data Collection Procedure	28
3.5 Method of Data Analysis	28
3.5.1 Financial Tools	28
3.5.1.1 Ratio Analysis	29
3.5.1.1.1 Liquidity Ratio	29
3.5.1.1.2 Assets Management Ratio	31
3.5.1.1.3 Profitability Ratio	33
3.5.2 Statistical Tools	35
3.5.2.1 Arithmetic Mean	35
3.5.2.2 Standard Deviation	35
3.5.2.3 Coefficient of Variation (CV)	36
CHAPTER-IV RESULTS	37
4.1 Ratio Analysis	37

4.1.1 Liquidity Ratio.....	37
4.1.2 Assets Management Ratio	43
4.1.3 Profitability Ratio	48
4.2 Major Finding	51
CHAPTER-V CONCLUSIONS	53
5.1 Summary	53
5.2 Conclusion	53
5.3 Implications	54
Reference	

LIST OF TABLES

Table No.	Title	Page No.
4.1	Current Ratio Analysis	38
4.2	Investment on Government Securities to Current Assets Ratio Analysis	39
4.3	Loan and Advances to Current Assets Ratio Analysis	40
4.4	Cash and Bank Balance to Total Deposit Ratio Analysis	41
4.5	Cash and Bank Balance to Current Assets Ratio Analysis	42
4.6	Loan and Advances to Total Deposit Ratio Analysis	44
4.7	Loan and Advances to Fixed Deposit Ratio Analysis	45
4.8	Loan and Advances to Saving Deposit Ratio Analysis	46
4.9	Investment to Total Deposit Ratio Analysis	47
4.10	Net Profit to Total Deposit Ratio Analysis	48
4.11	Net Profit to Total Assets Ratio Analysis	49
4.12	Return on Net Worth Analysis	50

ABBREVIATIONS

A.D	:	Anno Domini
A.M	:	Arithmetic Mean
AGM	:	Annual General Meeting
ATM	:	Automatic Teller Machine
B/S	:	Balance Sheet
BS	:	Bikram Sambat
C.V.	:	Coefficient of Variation
D/ P	:	Dividend payout
e.g.	:	Example
F/Y	:	Fiscal Year
GDP	:	Gross Domestic Product
JVB	:	Joint Venture Bank
NABIL	:	Nabil Bank Limited
NBL	:	Nepal Bank Limited
NGBL	:	Nepal Grindlays Bank Limited
NGO	:	Non-Government Organization
NIBL	:	Nepal Investment Bank Limited
NRB	:	Nepal Rastra Bank
NSBI	:	Nepal SBI Bank Limited
P/L	:	Profit and Loss
ROA	:	Return on Assets
Rs.	:	Nepalese Rupees
S.D.	:	Standard Deviation
TU	:	Tribhuwan University
US	:	United States
USD	:	United States Doller

ABSTRACT

The objective of the study was to compare the financial performance of different ownership structured commercial bank in nepal based on their financial characteristics and identify the determinants of performance exposed by the financial ratios. The research was to compare the financial performance analysis of NBL and Nepal SBI Bank Ltd. among twenty eight commercial banks in Nepal, to explore the outcome of banks financial positions and its strength in banking sectors. Ratio Analysis is used to measure the financial performance of banks and the ratios including of liquidity ratio, asset management ratio (activity ratio) and profitability ratio.

Secondary data were used for the study collected from the annual economic review of Nepal Rastra Bank and annual reports of NBL and NSBI Bank ltd. For the period of Five years from 2012/13 – 2016/17. Data were analyzed by using appropriate financial and statistical tools and the descriptive and analytical research designs were used. The target population for this study is the total commercial banks (i.e. 28) of Nepal, out of them 2 banks are taken as sample for the study.

The finding from this study indicates that there was below standard of current ratio of both banks. The asset management ratio of activity ratio reveals that both the banks have able to utilize or manage the resources or assets satisfactorily. Comparatively, loan and advances to total deposit ratio, loan and advances to saving deposit ratio of NBL is more efficiently utilizing the outside funds in extending credit for profit generation. The research also proved that financial performance of bank help to make financial decisions effectively and also make sure of utilizing the assets efficiently. The research also found that the sample banks have irregular dividend policy over the study period. The study recommends that banks needs to make appropriate financial decisions and strategies to make banks financial position in good stead.