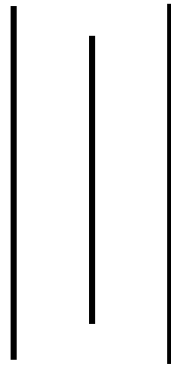


**A COMPARATIVE STUDY ON FINANCIAL PERFORMANCE
OF HIMALAYAN BANK LIMITED AND
NABIL BANK LIMITED**

**By
AMI SHRESTHA
Shanker Dev Campus
Campus Roll No.: 98/061
T.U. Regd. No.: 7-2-264-80-2001**

**A Thesis Submitted to:
Office of the Dean
Faculty of Management
Tribhuvan University**



*In partial fulfillment of the requirement for the degree of
Master of Business Studies (MBS)*

**Kathmandu, Nepal
February 2011**

RECOMMENDATION

This is to certify that the thesis

Submitted by:

AMI SHRESTHA

Entitled:

**A COMPARATIVE STUDY ON FINANCIAL PERFORMANCE
OF HIMALAYAN BANK LIMITED AND
NABIL BANK LIMITED**

*has been prepared as approved by this Department in the prescribed format of
the Faculty of Management. This thesis is forwarded for examination.*

.....
Rita Maskey
(Thesis Supervisor)

.....
Prof. Bishweshor Man Shrestha
(Head, Research Department)

.....
Prof. Dr. Kamal Deep Dhakal
(Campus Chief)

VIVA-VOCE SHEET

We have conducted the viva –voce of the thesis presented

by:

AMI SHRESTHA

Entitled:

**A COMPARATIVE STUDY ON FINANCIAL PERFORMANCE
OF HIMALAYAN BANK LIMITED AND
NABIL BANK LIMITED**

And found the thesis to be the original work of the student and written according to the prescribed format. We recommend the thesis to be accepted as partial fulfillment of the requirement for the degree of

Master of Business Studies (MBS)

Viva-Voce Committee

Head, Research Department

Member (Thesis Supervisor)

Member (External Expert)

DECLARATION

I hereby declare that the work reported in this thesis entitled “**A Comparative Study on Financial Performance of Himalayan Bank Limited and Nabil Bank Limited**” submitted to Office of the Dean, Faculty of Management, Tribhuvan University, is my original work done in the form of partial fulfillment of the requirement for the degree of Master of Business Studies (MBS) under the supervision of **Ms. Rita Maskey** of Shanker Dev Campus, T.U.

.....

AMI SHRESTHA

Shanker Dev Campus

Campus Roll No.: 98/061

T.U. Regd. No.: 7-2-264-80-2001

ACKNOWLEDGEMENT

As a partial fulfillment of the MBS degree, I have prepared this report “A Comparative study on Financial Performance of Himalayan Bank Limited and Nabil Bank Limited with sincerity, honesty and diligently as far as possible.

The study has to fully concentrate on the banking field. This is almost the largest sector contributing to the Nepalese economy.

Foremost among the direct contributors I express my personal appreciation and deep sense of gratitude to my respected supervisor **Ms. Rita Maskey** for her invaluable scholarly supervision, constructive comments and suggestions that helped me to give the shape of thesis in its present form.. She motivated me and I had her exclusive consideration and guidelines all the time.

Lastly, I would like to express my special gratitude to my parents, friends, and members of Shanker Dev Campus, especially, staffs from MBS department, library staffs as well as all known and unknown people who supported and inspired me to complete this thesis.

Ami Shrestha

TABLE OF CONTENTS

Recommendation	
Viva Voce Sheet	
Declaration	
Acknowledgement	
Table of Contents	
List of Tables	
List of Figures	
Abbreviations	
	Page No.
CHAPTER - I INTRODUCTION	
1.1 Background of the Study	1
1.1.1 An Introduction of Sample Banks	5
1.1.2 Nabil Bank Limited	6
1.2 Statement of the Problem	8
1.3 Objective of the Study	10
1.4 Significance of the Study	10
1.5 Limitation of the Study	11
1.6 Organization of the Study	12
CHAPTER – II REVIEW OF LITERATURE	
2.1 Conceptual Framework	14
2.1.1 Concept of Financial Performance	14
2.1.2 Financial Analysis	16
2.1.3 Commercial Bank	19
2.1.3.1 Meaning of Commercial Bank	19
2.1.3.2 Role of Commercial Banks in the Economic Development	23
2.1.4 Concept of Joint Venture Bank	24
2.1.4.1 Role of Joint Venture Banks in Nepal	26
2.2 Review of Related Studies	29
2.2.1 Review of Books	29

2.2.2 Review of Journals and Articles	32
2.2.3 Review of Previous Thesis	34

CHAPTER – III RESEARCH METHODOLOGY

3.1 Research Design	44
3.2 Populations and Sample	45
3.3 Sources of Data	45
3.3.1 Data Collection Procedure	46
3.4 Data Processing	47
3.5 Method of Data Analysis	47
3.5.1 Financial Tools	47
3.5.1.1 Ratio Analysis	48
3.5.1.1.1 Liquidity Ratios	49
3.5.1.1.2 Capital Adequacy Ratio	51
3.5.1.1.3 Assets Quality Ratio	52
3.5.1.1.4 Turnover Ratio	54
3.5.1.1.5 Profitability Ratio	56
3.5.2 Statistical Tools	57
3.5.2.1 Arithmetic Mean	57
3.5.2.2 Standard Deviation	58
3.5.2.3 Karl Pearson's Coefficient Correlation	58
3.5.2.4 Probable Error of Coefficient of Correlation (P E)	59

CHAPTER – IV ANALYSIS AND INTERPRETATION OF DATA

4.1 Credit Related Ratio of Nabil Bank	61
4.1.1 Liquidity Ratios	61
4.1.1.1 Current Ratio of Nabil Bank	61
4.1.1.2 Cash and Bank Balance to Total Deposit Ratio	62
4.1.2 Capital Adequacy Ratio	63
4.1.2.1 Net Worth to Total Deposit Ratio	64
4.1.2.2 Net Worth to Total Asset Ratio	64

4.1.2.3 Net Worth to Total Credit Ratio	65
4.1.3 Turnover Ratio	66
4.1.3.1 Loans and Advances to Total Deposit Ratio	67
4.1.3.2 Investment to Total Deposit Ratio	67
4.1.3.3 Performing Assets to Total Assets Ratio	69
4.1.3.4 Nonperforming Assets to Total Assets Ratio	70
4.1.4 Asset Quality Ratios	70
4.1.4.1 Nonperforming Loan to Total Loan and Advance	71
4.1.4.2 Loan Loss Provision to Total Loan and Advance	72
4.1.4.3 Provision for Bad Debts to Total Loan and Advance	73
4.1.5 Profitability Ratios	73
4.1.5.1 Return on Total Asset	74
4.1.5.2 Return on Total Deposit	75
4.1.5.3 Total Interest Expenses to Total Interest Income Ratio	76
4.1.6 Sector wise Details of Loan and Advances of Nabil Bank	77
4.2 Correlation Analysis	78
4.2.1 Correlation Analysis between Deposit and Net Profit	79
4.2.2 Correlation between Performing Assets and Net Profit	80
4.2.3 Correlation between Net Worth and Net Profit	80
4.2.4 Correlation between Total Deposit and Investment	81
4.2.5 Correlation between Total Deposit and Loans and Advances	82
4.3 Credit Related Ratio of Himalayan Bank	82
4.3.1 Liquidity Ratios	82
4.3.1.1 Current Ratio	82
4.3.1.2 Cash and Bank Balance to Total Deposit Ratio	84
4.3.2 Capital Adequacy Ratio	84
4.3.2.1 Net Worth to Total Deposit Ratio	85
4.3.2.2 Net Worth to Total Assets Ratio	86
4.3.2.3 Net Worth to Total Credit Ratio	87
4.3.3 Turnover Ratios	87
4.3.3.1 Loans and Advances to Total Deposit Ratio	88

4.3.3.2 Investment to Total Deposit Ratio	89
4.3.3.3 Performing Assets to Total Assets Ratio	90
4.3.3.4 Non Performing Assets to Total Assets Ratio	90
4.3.4 Asset Quality Ratios	91
4.3.4.1 Loan Loss Provision to Total Loan and Advance	91
4.3.4.2 Nonperforming Loan to Total Loan and Advance	92
4.3.4.3 Provision for Bad Debts to Total Loan and Advance	93
4.3.5 Profitability Ratios	94
4.3.5.1 Return on Total Asset	94
4.3.5.2 Return on Total Deposit	95
4.3.5.3 Total Interest Expenses to Total Interest Income Ratio	96
4.3.6 Sector wise Details of Loan and Advances of Himalayan Bank	97
4.4 Correlation Analysis	99
4.4.1 Correlation Analysis between Deposit and Net Profit	99
4.4.2 Correlation between Performing Assets and Net Profit	100
4.4.3 Correlation between Net Worth and Net Profit	101
4.4.4 Correlation between Total Deposit and Investment	101
4.4.5 Correlation between Total Deposit and Loans and Advances	102
4.5 Major Findings	103

CHAPTER – V SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Summary	107
5.2 Conclusion	109
5.3 Recommendation	110

Bibliography

Annexure

LIST OF TABLES

Table No.	Title	Page
No.		
4.1	Current Ratio of Nabil Bank	62
4.2	Cash and Bank Balance to Total Deposit Ratio	63
4.3	Net Worth to Total Deposit Ratio	64
4.4	Net Worth to Total Asset Ratio	65
4.5	Net Worth to Total Credit Ratio	66
4.6	Loans and Advances to Total Deposit Ratio	67
4.7	Investment to Total Deposit Ratio	68
4.8	Performing Assets to Total Assets Ratio	69
4.9	Nonperforming Assets to Total Assets Ratio	70
4.10	Nonperforming Loan to Total Loan and Advance	71
4.11	Loan Loss Provision to Total Loan and Advance	72
4.12	Provision for Bad Debts to Total Loan and Advance	73
4.13	Return on Total Asset	74
4.14	Return on Total Deposit	75
4.15	Total Interest Expenses to Total Interest Income Ratio	76
4.16	Sector wise Details of Loan and Advances of Nabil Bank	77
4.17	Correlation Analysis between Deposit and Net Profit	79
4.18	Correlation between Performing Assets and Net Profit	80
4.19	Correlation between Net Worth and Net Profit	80
4.20	Correlation between Total Deposit and Investment	81
4.21	Correlation between Total Deposit and Loans and Advances	82
4.22	Current Ratio	83
4.23	Cash and Bank Balance to Total Deposit Ratio	84
4.24	Net Worth to Total Deposit Ratio	85
4.25	Net Worth to Total Assets Ratio	86

4.26	Net Worth to Total Credit Ratio	87
4.27	Loans and Advances to Total Deposit Ratio	88
4.28	Investment to Total Deposit Ratio	89
4.29	Performing Assets to Total Assets Ratio	90
4.30	Non Performing Assets to Total Assets Ratio	91
4.31	Loan Loss Provision to Total Loan and Advance	92
4.32	Nonperforming Loan to Total Loan and Advance	93
4.33	Provision for Bad Debts to Total Loan and Advance	94
4.34	Return on Total Asset	95
4.35	Return on Total Deposit	95
4.36	Total Interest Expenses to Total Interest Income Ratio	96
4.37	Sector wise Details of Loan and Advances of Himalayan Bank	97
4.38	Correlation Analysis between Deposit and Net Profit	99
4.39	Correlation between Performing Assets and Net Profit	100
4.40	Correlation between Net Worth and Net Profit	101
4.41	Correlation between Total Deposit and Investment	101
4.42	Correlation between Total Deposit and Loans and Advances	102

LIST OF FIGURES

Figure No.	Title	Page No.
4.1	Sector wise Details of Loans and Advances of Nabil Bank	78
4.2	Sector wise Details of Loans and Advances of Himalayan Bank	98